

# 2019 Budget

Port of Seattle®





# Port of Seattle®



## 2019 Budget

Prepared by the  
Finance and Budget  
Departments



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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**Port of Seattle  
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For the Fiscal Year Beginning

**January 1, 2018**

*Christopher P. Morill*

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Port of Seattle for its annual budget for the fiscal year beginning January 1, 2018.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is only valid for a period of one year. We believe that our current budget continues to conform to the requirements of the program, and we are submitting it to the GFOA to determine its eligibility for another award.



## **Port of Seattle Commission**

### **2019 Budget Message**

We are proud to share with you the Port of Seattle budget for 2019. These are exciting times to be making strategic financial investments in this region's promising future. We look forward to working with you to sustain the Port's critical economic infrastructure and ability to create the sustainable living wage jobs and opportunities for the future.

This document is more than an accounting of Port spending of public dollars. This budget reflects the most significant and forward-looking investments in our maritime industries in more than a generation. Our five-year plan invests in the industries where our region's competitive advantages intersect with global growth trends: maritime cargo terminals, cruise tourism, commercial fishing, and industrial lands.

This budget demonstrates how the Port works with businesses, communities and stakeholders to achieve our shared goals of supporting economic vitality, inclusion and environmental sustainability.

For more than 100 years our uniquely diverse port has been a leader in advancing trade and commerce, creating jobs and economic opportunity for our region and all of Washington State. We manage one of the nation's fastest growing airports, the West Coast's busiest and one of the world's most environmentally advanced cruise ship operations, and the fourth largest container terminal in collaboration with the Port of Tacoma in the nation's only Alliance of its kind. In addition, we are the homeport for most of the North Pacific fishing fleet as well as four recreational marinas and critical industrial lands.

We are a welcoming port, building on our region's historic diversity as well as our national and international ties.

Dynamic changes in our region and around the world require the Port to be responsive to serve our community and region into the future. As partners in The Northwest Seaport Alliance with the Port of Tacoma, we are poised to launch the redevelopment of Terminal 5 as one of the most advanced and environmentally responsible deep-water container terminals capable of servicing ultra-large container vessels on the West Coast.

Building on continued strong growth in the Alaskan cruise market, the Port will pursue development of a new cruise terminal on the Seattle waterfront that will anchor maritime uses on our waterfront and bring more spending, jobs, and opportunities to our region. Every homeport cruise visit brings approximately \$2.7 million in economic activity, particularly for local suppliers, retailers and hospitality providers. All cruise operations need to meet our commitment to protecting our environment, and this budget specifically identifies funds for expansion of electric shore-power for cruise as well as container operations.



Similarly, we are committed to making significant improvements to Fishermen's Terminal and development of new spaces to support maritime innovation and industrial growth.

Our 2019 budget increases investments at Seattle-Tacoma International Airport to keep pace with the exponential growth in our regional economy and expanding international connectivity. Our North Satellite Phase One redevelopment will open in late January 2019, major elements of the Central Terminal updates will be finished in March 2019 and construction of new international passenger facilities will be completed in mid-2020. These investments will make enormous improvements to the travel experience of visitors and travelers.

At the same time, we recognize that airport growth has a disproportionate impact on our neighbors living close to SeaTac. This budget will continue our partnerships to promote healthy and vibrant communities across the region, including additional funds dedicated to airport-impacted communities and continued exploration for the use of sustainable aviation fuels to reduce air pollution and greenhouse gas emissions.

Industrial lands provide a valuable foundation for good-paying jobs and reliable revenue to communities. To keep industrial lands safe and efficient, we continue our investments in transportation, such as building up our network of freight corridors and making other improvements to increase safety, reduce congestion and speed the movement of commerce.

Inspiring young people to pursue careers in maritime and industrial sectors is critical to sustaining a thriving middle class and our long-term economic vitality. The Port will increase its investments in apprenticeship and other workforce training efforts that establish pathways to rewarding careers and ensure that Port-related industries reflect the diversity of our community.

Inclusion and equity are key principles of the Port as we pursue our regional economic development goals. In 2019, we will advance our regional priority-hire efforts to connect residents in all communities with job and contracting opportunities at the Port. We will also continue our successful efforts to expand participation by women and minorities in Sea-Tac Airport dining and retail programs.

The Port embraces its responsibility to the environment. In 2019, we will expand programs and partnerships with regional leaders to protect air and water quality and enhance terrestrial and aquatic habitats. We will continue to work to reduce our greenhouse gas emissions at the airport and seaport. We are committed to working with fellow agencies and surrounding communities on long term efforts to clean up legacy pollution on the Duwamish River, Elliott Bay and at industrial facilities that we can keep in productive use.

While most of the Port of Seattle's revenues are derived from operations, the Port levies a property tax to support primarily maritime, transportation and economic development infrastructure and programs. Sea-Tac Airport primarily is supported by funds generated by airport operations and passenger fees. For the first time in 10 years, a modest increase in the Port's property tax levy is both necessary and responsible. This will result in an increase to the annual Port property tax for a King County owner of a median priced home by \$1.39 in 2019. This is in addition to the \$69 the homeowner has been paying to the Port for the past decade.

Over the next 5 years this modest levy increase will enable the Port to leverage \$100 million in investments for communities in the region.

This budget and our five-year capital investment plan will position the port to seize opportunities to create an equitable and inclusive economy, build strong trade relations, keep our region competitive, and protect job-supporting industrial lands. We will be leaders in finding solutions to local and global environmental concerns such as climate change.

We have full confidence in Executive Director Steve Metruck and his team to deliver on these priorities.

2019 promises to be an exciting and productive year for your Port. This budget transparently reflects our values of fiscal responsibility, environmental stewardship, and social equity. It is also our commitment to be accountable to, and work with, the people of King County and beyond.



Courtney Gregoire,  
Commission President



Stephanie Bowman,  
Commissioner



Ryan Calkins,  
Commissioner



Fred Felleman,  
Commissioner



Peter Steinbrueck,  
Commissioner

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Dear King County residents,

I am honored to serve as your Port of Seattle Executive Director and to present our budget for 2019.

The Port's Aviation and Maritime gateways have a critical role in the region's economic growth and opportunities. We also have the responsibility to do this in the most equitable and sustainable way possible.

In taking this role ten months ago I asked local community and industry leaders for their feedback on the port's priorities and strategies for the future.

I heard the need to invest in forward looking, savvy economic and environmental decisions that benefit the people of King County, the region, and the state. I also heard that we need to make timely decisions to maximize benefits from regional and global trends and opportunities.

The 2019 budget and five-year capital budget blueprint take exactly that approach. We ramp up our services in response to one of the largest regional growth periods of the last 50 years and will undertake major investments on our working waterfront to seize new opportunities.

At Seattle-Tacoma International Airport, the fastest growing major airport in the nation, we are making significantly deeper investments in efficiency, safety, and customer service to meet this growth and expand environmental projects that benefit community and environmental health by improving air and water quality.

The Commission has already set the Port on a path that is visionary and innovative, and our five-year capital blueprint puts into motion further transformational investments. The foresight in establishing the Northwest Seaport Alliance three years ago and strategic decision to invest in Terminal 5 as one of the most productive and efficient terminals on the West Coast put the Port of Seattle on a course that allows us to think more broadly about the future of our working waterfront.

Consolidating international cargo operations at Terminal 5 will make room for the Port to build a new cruise terminal alongside cargo operations. Thanks to strategic investments by the Port, cruise operations now annually bring half a billion dollars of economic activity and over \$19 million in tax revenue to the region. Demand for Seattle as a destination for cruise is high and this budget allows us to seize upon that opportunity.

For over 100 years we have invested in Fishermen's Terminal to ensure that it remains the premier homeport for commercial fishing on the west coast. As a result, commercial fishing enterprises flourish here, from family-run businesses to innovative large-scale operations. Our commercial fishing industry is known for its economic value and its leadership on safety and



sustainability. This budget allows us to enhance that leadership and expand commercial fishing and maritime industrial and light manufacturing opportunities for the next generation. In addition, the budget also strengthens our workforce programs to help create pathways for both maritime and aviation careers.

Finally, our goal is to be the greenest and most efficient Port in North America. Therefore, our capital development plan makes major investments that reduce pollution and rebuild habitat. The Port has a record of working with industry to set new standards and during this critical time for our climate and local ecosystem, these investments are urgently needed.

The Port of Seattle serves nearly 51 million passengers a year across our aviation and maritime facilities, more than 200,000 workers across the region depend upon our services for their jobs, and residents around Washington state rely on the convenience of our services. We owe this region the investment in world-class facilities.

In total, these investments allow the Port to move forward, in a transparent manner, to develop the best possible outcomes for the benefit of King County and Washington State.



Stephen P. Metruck,  
Executive Director

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## **BUDGET DOCUMENT OVERVIEW**

This document contains the operating, capital and statutory budgets, Long Range Plan, and draft plan of finance for the Port of Seattle and is organized as follows:

- **Section I**, Executive Summary, provides key business outlook, key budget drivers, budget highlights, and budget summary.
- **Section II**, Port View, contains the Port's history, facilities and services, long range plans, commissioners and officers, and organizational chart.
- **Section III**, Overview, presents the five-year financial forecast and outlines the Port's operating and non-operating budget, capital budget, and tax levy.
- **Sections IV through VI** feature the Operating Division summaries for Aviation, Maritime, and Economic Development, respectively. Each Division section present a discussion of the 2019 budget and five-year financial forecast for each business group as well as operating budget, staffing, and capital budget. The operating budget is presented by business groups/departments and by major revenue and expense accounts.
- **Section VII**, Central Services, presents descriptions of each department as well as summaries of operating budgets, staffing, and capital budgets.
- **Section VIII**, Tax Levy, provides a detailed presentation and discussion of tax levy sources and uses including interaction between general purpose levy and general obligation debt capacity.
- **Section IX**, Capital Improvement Plan (CIP), provides detailed discussion and a summary page presenting the total CIP by business group and by division. A listing of the projects by business group and division is provided at the end of the section.
- **Section X**, Draft Plan of Finance, includes an overview of the funded CIP, a discussion of the airport and non-airport funding plan, financing initiatives and capital planning resources.
- **Section XI**, Statutory Budget, which is submitted to King County Council and King County Assessor, provides an introduction, budget highlights and resolution, and tax levy calculation.
- **Section XII**, NWSA, contains overview, budget message, business outlook, budget details, capital investment plan and environmental stewardship and planning for the Northwest Seaport Alliance (NWSA).
- **Section XIII**, Appendices, includes detailed information regarding the budget and financial policies, business assessment, bond amortization schedules, other detailed expenditures, a glossary of terms, and acronyms used.

## **EXECUTIVE SUMMARY**

### **OVERVIEW**

The 2019 budget responds to current needs for Port services and prepares for future growth through strategic investments in regional infrastructure, facilities, transportation, environmental programs, and economic development initiatives.

In addition to expanding services, this budget invests in projects that will preserve existing as well as generate new revenues to fund future infrastructure and improvements to Port assets. This budget strengthens the safety and security of the Port and the traveling public, improves customer service at Port facilities and accommodates the organizational needs for our growing operations. With this budget, the Port will leverage the economic strength of the Puget Sound region to create opportunities that will span generations, increase support for small and disadvantaged businesses, expand job opportunities in the aviation and maritime industries, support workforce development, and protect and improve our environmental and community health.

### **PORT BUSINESS OUTLOOK**

- Seattle-Tacoma International Airport (Sea-Tac) experienced phenomenal growth in the past few years. The Airport anticipates a continued growth rate of 3.0 percent on top of a 5.1 percent forecast growth in 2018 for a total of 50.8 million passengers in 2019. This translates into a compound annual growth rate of 6.5 percent and a total passenger growth of 46 percent since 2013.
- The Cruise business continues to grow. The Maritime division is forecasting a record 1.2 million cruise passengers in 2019, an 11.1 percent increase over this year. The Port continues to be the leading West Coast cruise port in passenger volumes.
- Grain volume is forecast to be 3.58 million metric tons in 2019, down 13.7 percent from the 2018 budget due to the current trade environment and tariffs that have been put in place.
- The average Shilshole Bay Marina occupancy rate is forecast to be 95 percent, consistent with 2018 while Fishing and Commercial Operations occupancy rates are forecast to average 86 percent, the same as 2018.
- Commercial Properties are expected to remain strong at 95% occupancy at the end of 2019.

Below is a summary of the key financial results under the 2019 budget:

- Total operating revenues are budgeted at \$753.3 million, \$82.8 million or 12.3 percent over the 2018 budget.
- Total operating expenses are budgeted at \$455.0 million, \$32.1 million or 7.6 percent over 2018.
- Net operating income before depreciation is budgeted at \$298.3 million, \$50.7 million or 20.5 percent over 2018.
- The 2019 capital budget is \$1.0 billion and the five-year capital improvement plan is over \$3.1 billion.



## **2019 KEY INITIATIVES AND BUDGET DRIVERS**

- Grow revenues in public parking, airport dining & retail, cruise, conference and event center, and other Port businesses.
- Continue to enhance the safety and security of the traveling public, employees, and Port facilities.
- Continue to improve customer service for the Airport and Maritime businesses.
- Support the capital development programs both at the Airport and waterfront to reduce congestion and improve service for today's passengers while preparing for the region's needs for next 25 years.
- Support the advanced planning for SAMP and future planning for the Cruise business.
- Add resources to implement Port Commission priorities on Energy and Sustainability, the Equity Program, and Diversity in Contracting.
- Continue to implement environmental initiatives to ensure the long-term sustainability of our operations.
- Advance real estate development projects that create quality jobs and support key Port industry clusters.
- Continues to invest in workforce development partnerships that develop a talent pipeline of employees for local employers.
- Create opportunities for small and disadvantaged businesses in the region.
- Promote and support tourism opportunities throughout Washington state.
- Continue high school and college internship programs to increase opportunities for local students.
- Expand stakeholder engagement to increase awareness of the Port's contribution to regional economic vitality and to enhance relationships with surrounding communities.
- Add staffing and resources to support the strong growth at the airport in recent years and meet the Port's growing business needs for 2019.
- Continue to build internal capabilities through process improvements, employee development and improving safety performance.

You can find the budget summary and highlights in the next few pages, and the budget details in various sections of the budget document.

### **AVIATION DIVISION**

The current capacity constraints at the Airport create operational challenges as the numbers of flights and passengers continue to grow. We are working hard to complete several large capital projects to meet the growing needs of the airport and will continue the environmental review and start the advanced planning for the Sustainable Airport Master Plan (SAMP) in 2019. We are also adding significant resources to continue to improve customer service and to enhance the safety and security of the traveling public.

The Airport has two distinct lines of business: Aeronautical and Non-aeronautical. Aeronautical revenues are based primarily on operating and capital cost-recovery formulas. Due to a combination of higher costs resulting from new investments and lower percentage of non-aeronautical revenue sharing with the airlines, Aeronautical revenues are forecast to increase by 21.4 percent in 2019. Non-aeronautical revenues are forecast to be 6.0% over 2018 mainly driven by growing passenger demand for parking, ground transportation, airport dining and retail services, and clubs and lounges.

### **MARITIME DIVISION**

The Maritime Division will continue its focus on managing the cruise business, four recreational marinas, Terminal 91, Fishermen's Terminal, and a variety of other maritime industrial facilities.

The division is leveraging assets in the cruise business and the grain terminal to help support the regional fishing fleet, environment, and local maritime businesses to achieve its financial goal of positive net

operating income after depreciation by 2024. While we expect a drop in grain volume for 2019 due to the current political environment and tariffs, we are forecasting a continued growth in cruise vessel sizes and passenger counts for Alaskan cruises from the Seattle homeport.

## **ECONOMIC DEVELOPMENT DIVISION**

The Economic Development Division focuses on developing and managing the Port's real estate assets, promoting statewide tourism, developing minority and women owned business opportunities and providing workforce development programs in the maritime, aviation, manufacturing, and construction industries. Commercial properties are expected to achieve a 95 percent occupancy rate by the end of 2019, which is consistent with current results. Revenue from Bell Harbor International Conference Center in 2019 is expected to increase 19 percent from the 2018 budget.

Program improvements are budgeted in 2019 to continue funding workforce development, the diversity in contracting program, tourism initiatives, and economic development partnership grants for cities in King County.

## **THE NORTHWEST SEAPORT ALLIANCE (NWSA)**

This is the third year of the Northwest Seaport Alliance (NWSA), a joint venture between the Port of Seattle and the Port of Tacoma. The Alliance unifies the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the competitiveness of the Puget Sound gateway.

The net income from the NWSA is distributed evenly between the two home ports and the Port of Seattle's 50 percent share of the 2019 net income is forecast to be \$43.9 million, which is included as operating revenue in the Portwide financial statements. The ports also share equally in NWSA capital investments; the port's share is forecast to be \$81.4 million for 2019 and \$215.5 million in the next 5 years. Major ongoing and new projects include modernization of Terminal 5, Terminal 46 dock rehabilitation, and acquisition of container cranes.

## **LOOKING AHEAD**

The 2019 budget will help us further advance the Port's Century Agenda strategies and Long-Range Plan. The capital investments in new facilities will support job growth and economic vitality in the region. Major capital projects, such as the International Arrivals Facility, North Satellite Renovation, Baggage System Optimization, Terminal 5 Modernization, New Cruise Terminal, and Habitat Restoration will not only add capacity to accommodate future growth but also improve the customer experience, provide jobs and economic opportunities in local communities, and improve the environment in the Puget Sound region.

## **OPERATING BUDGET**

Prudent management of the budget helps ensure that we have funds to invest in infrastructure and programs that support regional economic growth. The 2019 operating revenues are budgeted at \$753.3 million, an \$82.8 million or 12.3 percent increase from the 2018 budget. Operating expenses are budgeted at \$455.0 million, a \$32.1 million or 7.6 percent increase compared to the 2018 budget. Net operating income (before depreciation) is \$298.3 million, a 20.5 percent increase from 2018.

## **AVIATION**

The Aviation Division manages both the aeronautical and non-aeronautical business operations at Sea-Tac Airport. On the Aeronautical side, the 2019 operating revenue is budgeted at \$365.6 million which is 21.4 percent higher than the 2018 budget. On the Non-aeronautical side, operating revenues are \$259.5 million, a 6.0 percent increase from the 2018 budget. Total operating revenues are budgeted at \$625.1 million, a 14.5 percent over 2018. Total operating expenses are budgeted at \$366.1 million, a 9.3 percent increase over 2018. Net operating income before depreciation is \$259.0 million.

## MARITIME

The Maritime Division includes cruise operations as well as the operation and management of marine properties such as Terminal 91, Fishermen's Terminal, and three recreational boating marinas.

Maritime operating revenues are budgeted at \$59.7 million, an 8.5 percent increase over 2018. Total operating expenses, including cost allocations from other divisions, are forecast at \$50.8 million, a 2.5 percent increase from 2018. Net operating income before depreciation is expected to be \$8.9 million in 2019, a 62.7 percent increase over 2018.

## ECONOMIC DEVELOPMENT

Economic Development Division's 2019 budgeted revenue is expected to be \$19.7 million, a 6.5 percent increase from the 2018 budget. Total operating expenses are expected to be \$31.1 million, an 8.2 percent increase from 2018. Ongoing key budget initiatives in 2019 include strategic investments to develop comprehensive career pathways in the aviation and maritime industries, diversity in contracting, and the continuation of programs to support tourism and economic development.

## CENTRAL SERVICES

The three operating divisions of the Port are supported by a number of administrative departments as well as other service groups. These groups allocate their expenses according to the level of service they provide to the divisions and the NWSA. Central Services operating expenses are budgeted at \$145.3 million.

## **CAPITAL BUDGET**

The capital budget is \$1.0 billion for 2019 and the capital plan is \$3.1 billion for the next five years; it includes investments in projects that create near-term jobs and accommodate future growth, as well as projects that stimulate economic growth for the region.

The airport capital budget is \$935.5 million for 2019 and the five-year capital improvement plan is \$2.7 billion. Three major projects: the International Arrivals Facility, the North Satellite Modernization program, and the Baggage System Optimization project account for \$1.2 billion in capital expenditures for the next five years. The 2019 budget also proposes an addition of 7 new projects totaling \$72 million in the five-year plan. A total of \$250.7 million is included for the preliminary planning and design of SAMP.

The total 2019 capital budget is \$66.0 million for Maritime, Economic Development and Central Service and the five-year capital plan is \$435.3 million. Major capital projects include Fishermen's Terminal Redevelopment, Terminal 117 Habitat Restoration, Terminal 91 Uplands Development, New Cruise Terminal, Waterfront Electrification, and Bell Harbor International Conference Center Interior Modernization.

## **TAX LEVY**

The 2019 tax levy is \$74.2 million, a 3% increase from 2018 levy of \$72 million. Based on preliminary King County assessed valuation, the 2019 estimated millage rate is \$0.123, a decrease from \$0.135 in 2018. The levy rate has decreased over the past several years as property values have increased and the Port Commission has gradually lowered the levy amount since 2009 prior to the 3% increase for 2019.

## **SUMMARY**

The Port is in a strong financial position heading into 2019. Our prudent and proactive budget management enables us to be responsible stewards of public resources and provide investments and programs that enhance the economic vitality and environmental sustainability of the Puget Sound region.

## **2019 BUDGET HIGHLIGHTS**

The Port strives to maintain a strong financial position while continuing to make investments that retain and attract customers, create jobs, provide community benefits, and help position the Port for future growth.

- Total revenues are budgeted at \$1,036.0 million, which include \$753.3 million of operating revenues and \$282.8 million of non-operating revenues. With \$520 million of expected proceeds in 2019 from the anticipated sale of revenue bonds, total sources of funds are forecast to be \$1.56 billion.
- Operating revenues are budgeted at \$753.3 million, an \$82.8 million or 12.3% increase from the 2018 budget. Excluding Aeronautical revenues, which are based on cost recovery, other Port wide operating revenues are \$387.7 million, an increase of \$18.3 million or 4.9% compared to the 2018 budget, mainly due to higher revenues from Public Parking, Ground Transportation, Airport Dining and Retail, Airport Commercial Properties, Airport Clubs & Lounges, Cruise, and Conference & Event Centers.
- Total Expenses are budgeted at \$796.8 million, which include \$455.0 million of operating expenses, \$168.7 million of depreciation expenses, and \$173.1 million of non-operating expenses, majority of which go to pay bond interests.
- Operating expenses are \$455.0 million for the 2019 budget, a \$32.1 million or 7.6% increase from the 2018 budget mainly due to a \$14.3 million in non-recurring asbestos remediation expenses primarily related to two of the major airport construction projects (the International Arrivals Facility and the North Satellite Terminal expansion).
- Other major drivers for the \$32.1 million increase in operating expenses are payroll increases for existing staff, new staffing, utilities and other contractual increases, increases in Sustainable Airport Master Plan (SAMP) and other infrastructure and facilities planning, and a variety of new and expanded strategic initiatives in 2019 including funding for South King County Support Program and Sustainable Aviation Fuels and Air Emissions Program.
- The 2019 operating budget includes the following:
  - \$32.5 million in expenditures to protect and improve our environment;
  - \$7.3 million in planning for future airport facilities to meet the strong growth in passenger volumes;
  - \$3.3 million to enhance safety and security for the traveling public and Port facilities, including additional Police Officers, Firefighters, and Information Security staff;
  - \$5.2 million to improve customer service at Sea-Tac Airport, and \$1.0 million on the Port valet program, which allows cruise passengers to remotely check their luggage upon disembarkation for delivery at the airport;
  - \$2.9 million in workforce development programs to support job-training programs, the regional Career Connected Learning initiative, and Port internships; and
  - \$1.5 million to promote and support statewide tourism initiatives and \$1.0 million in grants to support economic development initiatives in King County cities.
- The Port's budgeted net operating income before depreciation is \$298.3 million, \$50.7 million or a 20.5% increase from the 2018 budget; and net operating income after depreciation is \$129.6 million, \$45.3 million or 53.8% higher than the 2018 budget.

**TABLE I-1: 2019 BUDGET SUMMARY**

<b>COMPREHENSIVE BUDGET</b> (\$ in 000s)		<b>Notes</b>	<b>Aviation</b>	<b>Non-Aviation</b>	<b>Total</b>
<b>Revenues</b>					
1. Aeronautical Revenues			\$ 365,604	\$ -	\$ 365,604
2. Other Operating Revenues	1		259,537	128,115	387,651
<b>Total Operating Revenues</b>			<b>625,140</b>	<b>128,115</b>	<b>753,255</b>
<b>Non-Operating Revenues</b>					
3. Tax Levy			682	73,478	74,160
4. Passenger Facility Charges			95,185	-	95,185
5. Rental Car Customer Facility Charges			23,482	-	23,482
6. Fuel Hydrant			7,022	-	7,022
7. Non-Capital Grants and Donations			2,403	252	2,655
8. Capital Contributions			49,345	-	49,345
9. Interest Income			27,394	3,509	30,903
<b>Total Non-Operating Revenues</b>			<b>205,513</b>	<b>77,239</b>	<b>282,752</b>
<b>Total Revenues</b>			<b>830,654</b>	<b>205,353</b>	<b>1,036,007</b>
<b>Expenses</b>					
1. Operating Expense			366,105	88,881	454,986
2. Depreciation			130,845	37,832	168,676
<b>Non-Operating Expenses</b>					
3. Revenue Bond Interest Expense			121,222	8,207	129,429
4. GO Bond Interest Expense			-	12,689	12,689
5. PFC Bond Interest Expense			3,606	-	3,606
6. Non-Op Environmental Expense			-	5,000	5,000
7. Public Expense			7,690	13,319	21,009
8. Other Non-Op Rev/Expense			936	479	1,415
<b>Total Non-Operating Expenses</b>			<b>133,454</b>	<b>39,694</b>	<b>173,148</b>
<b>Total Expenses</b>			<b>630,403</b>	<b>166,407</b>	<b>796,810</b>
<b>Revenues over Expenses</b>			<b>\$ 200,250</b>	<b>\$ 38,947</b>	<b>\$ 239,197</b>
<b>CAPITAL BUDGET</b>		2	<b>Aviation</b>	<b>Non-Aviation</b>	<b>Total</b>
2019 Capital			\$ 935,454	\$ 65,983	\$ 1,001,437
5-Year CIP (2019-2023)			\$ 2,700,067	\$ 435,347	\$ 3,135,414
<b>EMPLOYEES</b>			<b>Aviation</b>	<b>Non-Aviation</b>	<b>Total</b>
Aviation			1,105.8	-	1,105.8
Maritime			-	173.0	173.0
Economic Development			-	36.0	36.0
Central Services			-	940.4	940.4
<b>Total</b>			<b>1,105.8</b>	<b>1,149.4</b>	<b>2,255.1</b>

Notes:

- 1) Other operating revenues for Non-Aviation include \$43.9 million of NWSA Revenue.
- 2) The Capital Budget does not include \$81.4 million of our share of the NWSA capital spending in 2019 and the five-year CIP is \$215.5 million over 2019-2023.

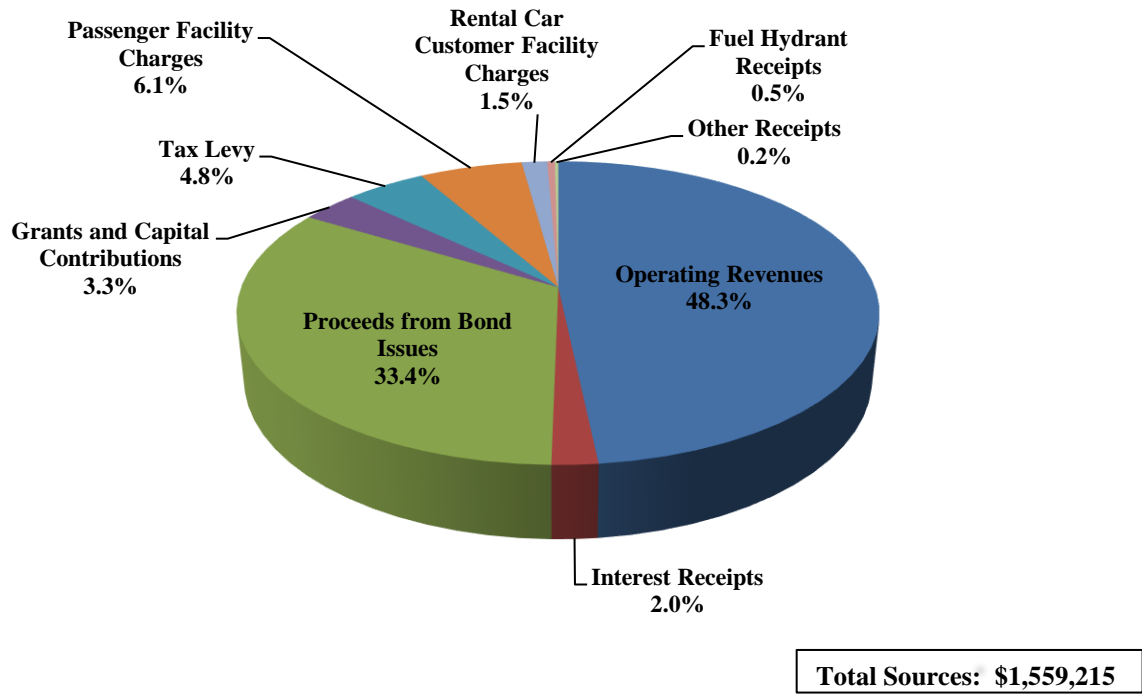
**TABLE I-2: CASH FLOW SUMMARY**

(\$ in 000's)	<u>2019</u>	<u>Percent of Total</u>
<b>Beginning balance of cash &amp; investments</b>	<b>\$ 1,357,132</b>	
<b><u>SOURCES OF CASH</u></b>		
Operating Revenues	753,255	48.3%
Interest Receipts	30,903	2.0%
Proceeds from Bond Issues	520,000	33.4%
Grants and Capital Contributions	52,000	3.3%
Tax Levy	74,160	4.8%
Passenger Facility Charges	95,185	6.1%
Rental Car Customer Facility Charges	23,482	1.5%
Fuel Hydrant Receipts	7,022	0.5%
Other Receipts	3,207	0.2%
<b>Total</b>	<b>1,559,215</b>	<b>100%</b>
<b>Anticipated available funds</b>	<b>2,916,346</b>	
<b><u>USES OF CASH</u></b>		
<b>Expenses from Operations:</b>		
Total Operating Expenses	454,986	23.4%
<b>Debt Service:</b>		
Interest Payments	183,783	9.5%
Bond Redemptions	190,995	9.8%
Total Debt Service	374,778	19.3%
Other Expenses	9,497	0.5%
Public Expense	21,009	1.1%
Payment to NWSA for Capital Expenditures	81,365	4.2%
Capital Expenditures	1,001,437	51.5%
<b>Total</b>	<b>1,943,072</b>	<b>100%</b>
<b>Ending balance of cash &amp; investments</b>	<b>\$ 973,275</b>	
<b>Increase (decrease) of cash during year</b>	<b>\$ (383,857)</b>	

cashflow.xlsx

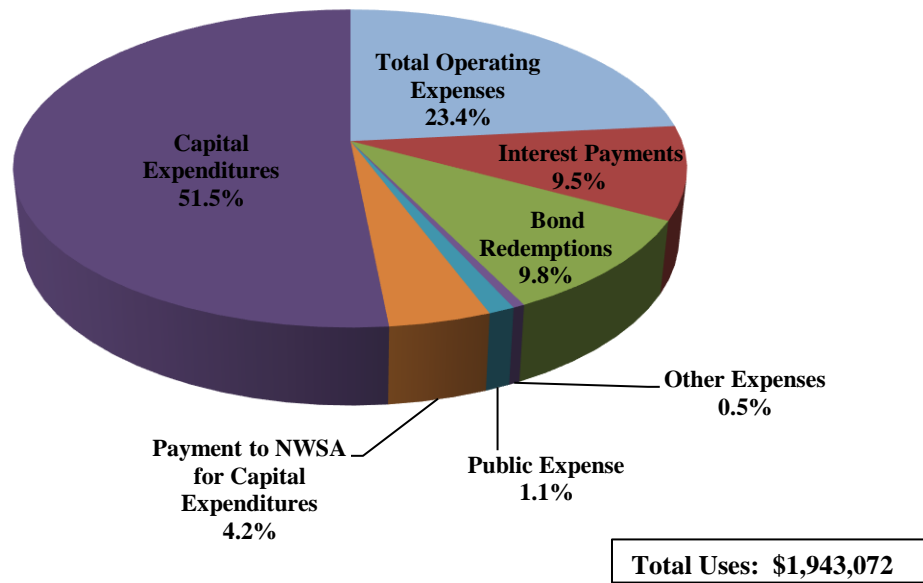
**FIGURE I-1: SOURCES OF CASH**

(\$ in 000's)



**FIGURE I-2: USES OF CASH**

(\$ in 000's)





## **PORT VIEW**

### **A. THE PORT OF SEATTLE**

The Port of Seattle, (the “Port”), is a public enterprise with unique authority operating in an international, market-driven environment. The Port provides services to its customers in order to return benefits to the citizens of King County, giving careful consideration to the economic, social, and environmental implications of its decisions.

The Port is now comprised of three operating divisions, namely Aviation, Maritime, and Economic Development. The Aviation Division manages the Seattle-Tacoma International Airport, (“Sea-Tac”). The Maritime Division manages cruise, grain, commercial and recreational marinas, and industrial properties connected with maritime businesses. The Economic Development Division manages the Port’s real estate portfolio, and plans and facilitates the development of selected real estate assets, tourism, small business and workforce development.

Central Services provides high quality and cost-effective professional and technical services to the divisions and supports the overall goals of the Port; it also delivers capital projects and provides technical services in support of the financial plans and infrastructure needs of the Port.

In August of 2015, the Port of Seattle and the Port of Tacoma formed the Northwest Seaport Alliance (NWSA), which unifies the two ports’ marine cargo terminal investments, operations, planning, and marketing. The goals for combining the two ports’ cargo terminal operations include strengthening the Puget Sound gateway, making the region more competitive in the global economy, attracting more marine cargo, and creating new jobs in the region. Together, the ports can more efficiently deploy the significant investments each port has devoted to infrastructure, and speak with a stronger voice on pressing regional and industry-related issues.

### **B. HISTORY OF THE PORT OF SEATTLE**

The Port was established in 1911 in an effort by citizens to ensure public ownership of the Seattle harbor. The Port of Seattle was the first autonomous municipal corporation in the United States specifically tasked to develop harbor and Port facilities to encourage commerce. The Port opened Fishermen’s Terminal in 1912, its first warehouse in 1915 and began working on the creation of Harbor Island. Since then, the Port has developed numerous properties including construction of the Seattle-Tacoma International Airport in 1949.

The Port’s mission hasn’t changed over the years, but its scope of services has expanded considerably. The Port continues to upgrade and modernize its facilities to meet current and future market demands. The Port has added container terminals, a grain terminal, cruise terminals, marinas, public parks, and viewpoints and has contributed significantly to the development of public amenities along Seattle’s waterfront.

### **C. PORT OF SEATTLE FACILITIES AND SERVICES**

The Aviation Division operates Sea-Tac Airport which is located on 2,800 acres sixteen miles south of downtown Seattle. The airport includes 3 runways that are 11,900 feet, 9,425 feet, and 8,500 feet in length and a subway system linking the concourses. Sea-Tac is the 9<sup>th</sup> largest U.S. airport as measured by total passengers in 2017 and compared to other large airports, it has relatively high originations and destinations traffic.

The Maritime Division operates 2 cruise vessel terminals with a total of 3 berths. The division also manages a fully automated grain terminal and Fishermen’s Terminal, which is home to the North Pacific factory trawler fishing fleet as well as other general purpose maritime facilities.

In addition, the Maritime Division leases industrial property connected with these cruise, cargo, and factory trawler fishing businesses.

The Economic Development Division manages the Port's holdings in commercial real estate, developable property, tourism, small business opportunities, and workforce development in the maritime and aviation industries. This allows the Maritime and Aviation divisions to concentrate on their core businesses.

The NWSA, as a Port Development Authority (PDA), is a separate legal entity from the two home ports, and acts as the exclusive manager and operator of the container, break-bulk, auto and some bulk terminals in Seattle and Tacoma. The NWSA is the fourth-largest trade gateway in North America, behind the ports of Los Angeles and Long Beach, the Port of New York/New Jersey, and the Port of Savannah. It is the first alliance of its kind in North America, and offers shorter U.S. - to-Asia transits, as well as a deep connection to Alaska.

The airport, cruise business, marinas, Fishermen's Terminal, grain terminals, and certain industrial real estate, such as the Northwest Innovation Works and Puget Sound Energy facilities, and Terminal 91 uplands, remain outside the Alliance.

**FIGURE II-1: FACILITY MAP**



**D. LONG RANGE PLAN**

# CENTURY AGENDA OVERVIEW



In 2012, the Port celebrated 100 years of service to the Puget Sound region by creating a comprehensive, strategic initiative to guide Port priorities for the next quarter century. That initiative is the Century Agenda. The Century Agenda aligns the Port's strategies and objectives to 21<sup>st</sup> century challenges and innovative solutions.

For more than 100 years the Port has generated jobs and growth for King County and the greater region by advancing trade and commerce, promoting industrial growth, and stimulating economic development. The Port leverages its real estate, capital assets and financial capabilities to engage and improve the City of Seattle as an anchor institution and it brings those resources to bear in accomplishing the goals established by the Century Agenda.

Two years prior to the centennial, the Commission launched an extensive public engagement effort and formed a Century Agenda Committee to guide the Port's long-range vision. More than 1,000 people attended over 60 events and engagements to help develop what are now known as Strategies and Objectives, along with a proposed Mission and Commitment. Each year since, the Port staff has identified action plans that are incorporated in the Port business plans and budget to advance progress towards achieving the Century Agenda Vision, Strategies (Pg. 6), and Objectives (Pg. 9).

In 2015, various cross-functional internal LRP development teams were created to ensure "One-Port" participation and ownership of the Century Agenda. These teams operationalize the Century Agenda and drive it from being aspirational to operational in a rolling five-year planning process. The teams include Aviation, Maritime, Small Business Development, Workforce Development, Environmental and High Performance Organization.

## OUR MISSION

The Port of Seattle is a public agency that creates jobs by advancing trade and commerce, promoting industrial growth, and stimulating economic development.

## OUR VISION

Over the next 25 years we will add 100,000 jobs through economic growth led by the Port of Seattle, for a total of 300,000 port-related jobs in the region, while reducing our environmental footprint.

## OUR COMMITMENT

The Port of Seattle creates economic opportunity for all, stewards our environment responsibly, partners with surrounding communities, promotes social responsibility, conducts ourselves transparently, and holds ourselves accountable. We will leave succeeding generations a stronger Port.



[www.portseattle.org](http://www.portseattle.org)



# LONG RANGE PLAN OVERVIEW

The Long Range Plan (LRP) allows the Port to more effectively and transparently improve the Port's ability to support the local economy by creating 100,000 new jobs for the Puget Sound region while addressing key environmental opportunities and social responsibility of all its stakeholders. Both Century Agenda and High Performance Organization Strategies and Objectives are important in the development of the LRP and to ultimately achieve the vision for supporting the local economy.



## CENTURY AGENDA

Focused on external growth: moving people and cargo, community engagement and environmental stewardship

### 4 STRATEGIES / 16 OBJECTIVES

- Strategy 1. Position the Puget Sound Region as a Premier International Logistics Hub
- Strategy 2. Advance this Region as a Leading Tourism Destination and Business Gateway
- Strategy 3. Use Our Influence as an Institution to Promote Small Business Growth and Workforce Development
- Strategy 4. Be the Greenest, and Most Energy Efficient Port in North America



## HIGH PERFORMANCE ORGANIZATION

Focused on operations excellence, organizational alignment, and a people-centric organization

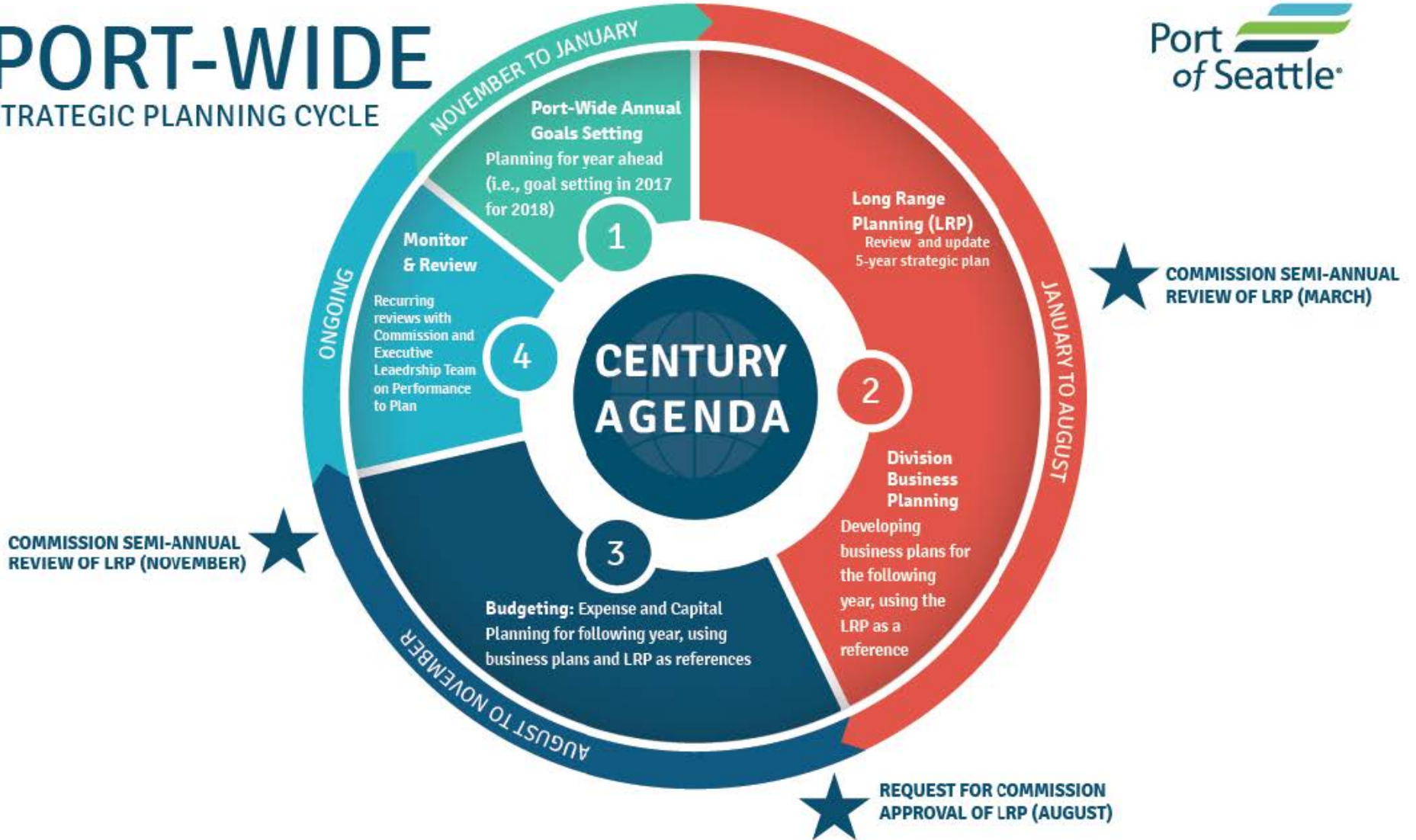
### 5 STRATEGIES / 11 OBJECTIVES

- Strategy 1. Increase Customer Satisfaction
- Strategy 2. Eliminate Workplace Injuries
- Strategy 3. Act as One Port
- Strategy 4. Become a Model for Workplace Equity, Diversity and Inclusion
- Strategy 5. Foster Employee Development and Leverage Talent





# PORT-WIDE STRATEGIC PLANNING CYCLE



## **E. COMMISSIONERS AND OFFICERS**

The Port Commission is the legally constituted governing body of the Port of Seattle. As a governing body of a special purpose municipal corporation, it is charged with the responsibility of fulfilling legislatively mandated purposes and objectives.

The Port Commission is made up of five elected individuals. At the time of this publication, they are:

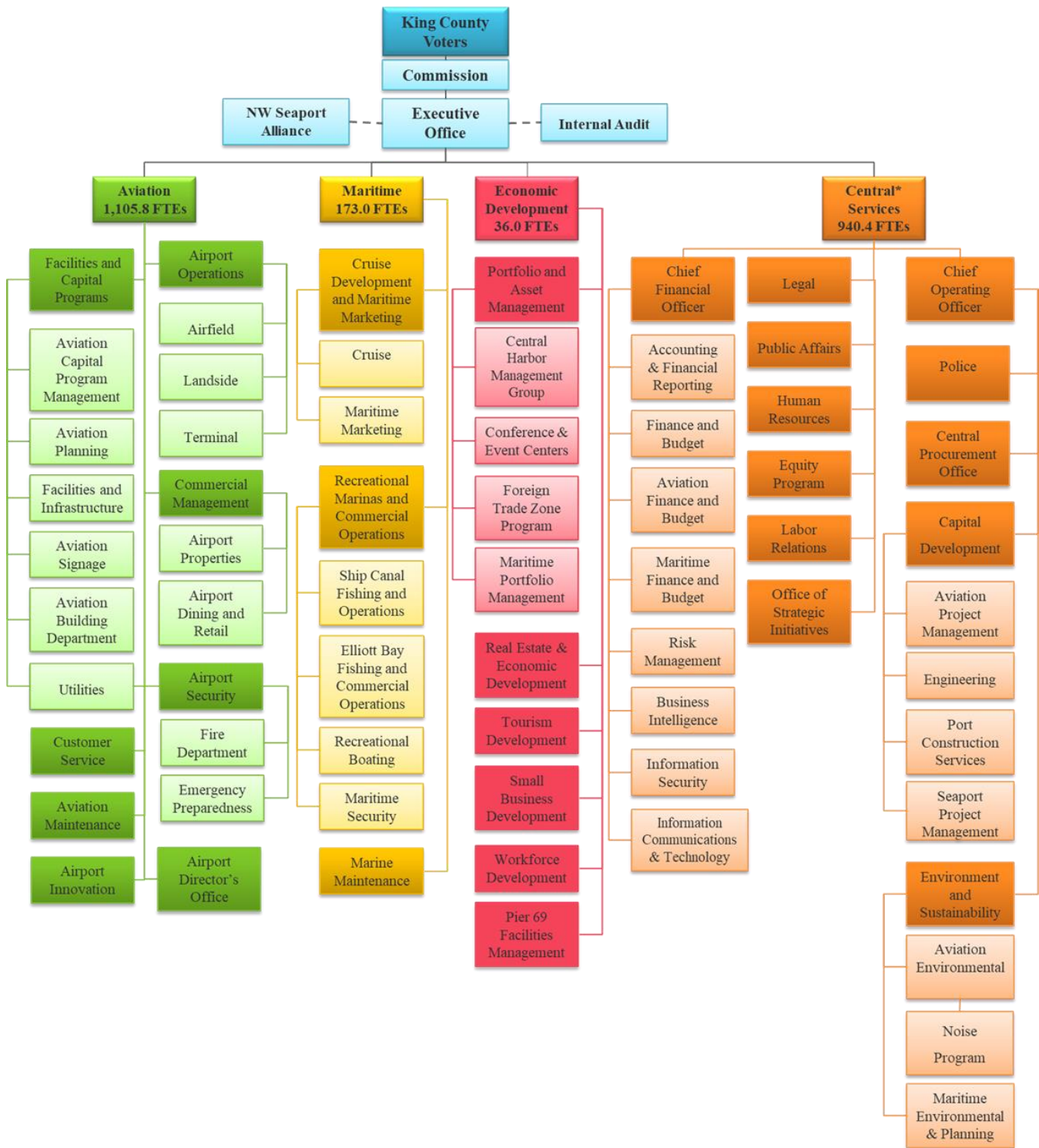
Courtney Gregoire, President  
Stephanie Bowman, Vice President  
Ryan Calkins, Commissioner  
Fred Felleman, Commissioner  
Peter Steinbrueck, Commissioner

The senior officers of the Port are:

Steve Metruck, Executive Director  
Dave Soike, Chief Operating Officer  
Dan Thomas, Chief Financial Officer  
Larry Ehl, Chief of Staff  
Lance Lyttle, Managing Director, Aviation Division  
Dave McFadden, Managing Director, Economic Development Division  
Stephanie Jones-Stebbins, Managing Director, Maritime Division  
Pearse Edwards, Sr. Director, External Relations  
David Freiboth, Sr. Director, Labor Relations  
Katie Gerard, Sr. Director, Human Resources  
Ralph Graves, Sr. Director, Capital Development  
Elizabeth Leavitt, Sr. Director, Environment and Sustainability  
Tom Tanaka, Interim General Counsel

**F. ORGANIZATION CHART**

**FIGURE II-2: ORGANIZATION CHART**



\*For reporting purposes, Commission Office, Executive Office, and Internal Audit all roll up to Central Services.



## BUDGET OVERVIEW

### A. FINANCIAL OVERVIEW

Table III-1 below is a summary of the combined financial forecasts of the Port's operating divisions, which can be found in Sections IV, V and VI.

**TABLE III-1: PORT OF SEATTLE FINANCIAL FORECAST**

OPERATING BUDGET	Notes	(\$ in 000's)		Forecast				Compound Growth 2019 - 2023
		Budget 2018	Budget 2019	2020	2021	2022	2023	
Aeronautical Revenue		\$ 301,082	\$ 365,604	\$ 428,418	\$ 483,986	\$ 514,181	\$ 542,846	10.4%
Portwide Non-Aeronautical Revenue	1	322,751	343,741	351,343	363,484	373,811	384,539	2.8%
NWSA Distributable Revenue		46,647	43,911	39,084	42,732	48,016	51,037	3.8%
<b>Total Operating Revenues</b>		<b>670,479</b>	<b>753,255</b>	<b>818,845</b>	<b>890,203</b>	<b>936,008</b>	<b>978,421</b>	<b>6.8%</b>
<b>Total Operating &amp; Maintenance Expenses</b>	1	<b>422,885</b>	<b>454,986</b>	<b>461,319</b>	<b>487,757</b>	<b>508,771</b>	<b>530,245</b>	<b>3.9%</b>
<b>Net Operating Income Before Depreciation</b>		247,594	298,270	357,526	402,446	427,236	448,176	<b>10.7%</b>
Total Depreciation Expense		163,309	168,676					
<b>Net Operating Income after Depreciation</b>		<b>\$ 84,285</b>	<b>\$ 129,593</b>					<b>Total</b>
								<b>2019 - 2023</b>
<b>Committed Capital Budget</b>		\$ 817,186	\$ 912,126	\$ 491,484	\$ 269,240	\$ 164,980	\$ 96,029	\$ 1,933,859
<b>Business Plan Prospective</b>		77,942	89,311	198,770	427,715	256,191	229,568	1,201,555
<b>TOTAL CIP</b>	2	<b>\$ 895,128</b>	<b>\$ 1,001,437</b>	<b>\$ 690,254</b>	<b>\$ 696,955</b>	<b>\$ 421,171</b>	<b>\$ 325,597</b>	<b>\$ 3,135,414</b>

POSBPFOR.XLS

Notes:

- 1) Includes revenues from Central Services and Stormwater Utility; and corresponding offset to allocated expenses from Central Services departments.
- 2) See Section IX for details of Capital Improvement Plan.

### B. OPERATING BUDGET OVERVIEW

The 2019 budget comprises of total operating revenues of \$753.3 million and total operating expenses of \$455.0 million. Net Operating Income before depreciation calculates to \$298.3 million. Net Operating Income after depreciation is budgeted at \$129.6 million.

- Aviation Division's operating revenues are \$625.1 million, a \$79.3 million or 14.5% increase from 2018 budget. Total airport operating expenses are budgeted at \$366.1 million. This represents a \$31.2 million or 9.3% increase compared to the 2018 budget. Net operating income before depreciation is \$259.0 million.
- Maritime Division's operating revenues are \$59.7 million and total operating expenses including Central Services costs are \$50.8 million. Net operating income before depreciation is \$8.9 million.
- Economic Development Division's operating revenues are \$19.7 million while total operating expenses including Central Services costs are \$31.1 million. Net operating loss before depreciation is \$11.4 million.
- Operating expenses for Central Services are \$145.3 million for 2019.
- The net income from the NWSA will be distributed evenly between the two home ports. The Port of Seattle's 50% share of the net income for 2019 is \$43.9 million, which is included as operating revenue in the Portwide financial statements.

*Port of Seattle*  
*Budget Overview*

The 2019 budget for Non-operating revenues are \$282.8 million while Non-operating expenses are \$173.1 million. More information for the non-op revenues and expenses can be found from Table III-2.

**TABLE III-2: REVENUES, EXPENSES, AND NET ASSETS**

(\$ in 000's) Notes	2015 Actual	2016 Actual	2017 Actual	2018 Budget	2018 Forecast	2019 Budget
<b>OPERATING REVENUES:</b>						
<b>Total operating revenue</b>	<b>558,933</b>	<b>598,467</b>	<b>632,031</b>	<b>670,479</b>	<b>685,592</b>	<b>753,255</b>
<b>OPERATING EXPENSES:</b>						
<b>Total operating expenses</b>	<b>317,806</b>	<b>325,285</b>	<b>372,982</b>	<b>422,885</b>	<b>419,417</b>	<b>454,986</b>
<b>NET OPERATING INCOME BEFORE DEPRECIATION</b>	<b>241,127</b>	<b>273,182</b>	<b>259,049</b>	<b>247,594</b>	<b>266,175</b>	<b>298,270</b>
<b>DEPRECIATION</b>	<b>163,338</b>	<b>164,336</b>	<b>165,021</b>	<b>163,309</b>	<b>163,309</b>	<b>168,676</b>
<b>OPERATING INCOME</b>	<b>77,789</b>	<b>108,846</b>	<b>94,028</b>	<b>84,285</b>	<b>102,865</b>	<b>129,593</b>
<b>NON-OPERATING INCOME (EXPENSE):</b>						
Ad valorem tax levy revenues	72,819	71,678	71,702	72,000	72,000	74,160
Passenger facility charges revenues	79,209	85,570	88,389	91,787	93,095	95,185
Customer facility charges revenues	23,540	24,715	25,790	22,161	22,161	23,482
Fuel hydrant facility revenues	6,957	6,992	7,000	7,023	7,023	7,022
Non capital grants and donations	5,358	6,284	6,704	5,504	3,000	2,655
Investment income (loss)	9,122	8,448	12,174	15,713	25,670	30,903
Revenue bonds interest expense	(110,128)	(105,567)	(97,748)	(122,544)	(105,000)	(129,429)
Passenger facility charge revenue bonds interest expense	(5,584)	(5,251)	(4,931)	(4,437)	(4,437)	(3,606)
General obligation bonds interest expense	(10,490)	(9,765)	(13,891)	(13,501)	(13,501)	(12,689)
Public expense	(5,023)	(8,560)	(4,588)	(10,794)	(11,200)	(21,009)
Non-op environmental expense	(2,888)	(280)	(4,464)	(2,250)	(40,147)	(5,000)
Other income (expense)	(23,493)	(12,087)	(10,441)	(473)	(1,200)	(1,415)
<b>Total non-operating income (expense)</b>	<b>39,399</b>	<b>62,177</b>	<b>75,696</b>	<b>60,190</b>	<b>47,464</b>	<b>60,258</b>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<b>117,188</b>	<b>171,023</b>	<b>169,724</b>	<b>144,474</b>	<b>150,329</b>	<b>189,852</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>22,804</b>	<b>18,108</b>	<b>30,112</b>	<b>41,379</b>	<b>41,379</b>	<b>49,345</b>
<b>INCOME BEFORE SPECIAL ITEM</b>	<b>\$139,992</b>	<b>\$ 189,131</b>	<b>\$ 199,836</b>	<b>\$185,854</b>	<b>\$191,709</b>	<b>\$239,197</b>
<b>SPECIAL ITEM - SR 99 Viaduct Expense</b>	<b>(120,000)</b>	<b>(147,700)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>INCREASE IN NET POSITION</b>	<b>\$ 19,992</b>	<b>\$ 41,431</b>	<b>\$ 199,836</b>	<b>\$185,854</b>	<b>\$191,709</b>	<b>\$239,197</b>

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Port of Seattle  
Budget Overview

**TABLE III-3: REVENUES AND EXPENSES BY ACCOUNT CATEGORY**

(\$ in 000's)					
	Notes	2017 Actual	2018 Budget	2019 Budget	% Change 2019 Bud - 2018 Bud
<b>TOTAL PORT</b>					
<b><u>Operating Revenue</u></b>					
Dckg, Whrfg, Serv & Facility, Passenger Fee		\$ 3,053	\$ 3,748	\$ 9,458	152.3%
Equipment Rental		4,336	4,289	6,150	43.4%
Berthage & Moorage		13,063	14,480	15,421	6.5%
Landing Fees		105,725	122,790	127,790	4.1%
Airport Transportation Fees		15,381	16,670	19,520	17.1%
Parking Revenue		81,794	85,000	89,474	5.3%
Car Rental Revenue		41,992	47,071	46,291	-1.7%
Revenue from Sale of Utilities		14,209	15,237	16,465	8.1%
Property Rental Revenue		260,067	279,447	340,366	21.8%
NWSA Distributable Revenue		54,925	46,647	43,911	-5.9%
Other Revenue		41,165	35,402	38,952	10.0%
SLOA III Incentive Straight Line Adj		(3,576)	-	-	0.0%
<b>Total Operating Revenue</b>		<b>632,134</b>	<b>670,781</b>	<b>753,796</b>	<b>12.4%</b>
<b><u>Operating Expense</u></b>					
Salaries, Wages, Benefits & Workers Compensation		251,410	290,472	309,388	6.5%
Equipment Expense		11,136	8,216	8,039	-2.2%
Utilities		23,562	24,234	28,181	16.3%
Supplies & Stock		10,361	8,869	8,872	0.0%
Outside Services		84,274	112,397	115,330	2.6%
Travel & Other Employee Expenses		4,767	6,401	6,936	8.4%
Promotional Expenses		1,408	2,341	2,650	13.2%
Other Expenses		30,654	28,298	31,282	10.5%
<b>Total O&amp;M without Environmental</b>		<b>417,571</b>	<b>481,228</b>	<b>510,678</b>	<b>6.1%</b>
Environmental Remediation Liability Expense		9,515	4,297	14,259	231.8%
<b>Total O&amp;M with Environmental</b>		<b>427,085</b>	<b>485,525</b>	<b>524,937</b>	<b>8.1%</b>
Charges to Capital/Govt /Envrs Projects		(45,854)	(54,910)	(61,741)	12.4%
<b>Expense after Charges to Capital Projects</b>		<b>\$ 381,231</b>	<b>\$ 430,615</b>	<b>\$ 463,197</b>	<b>7.6%</b>

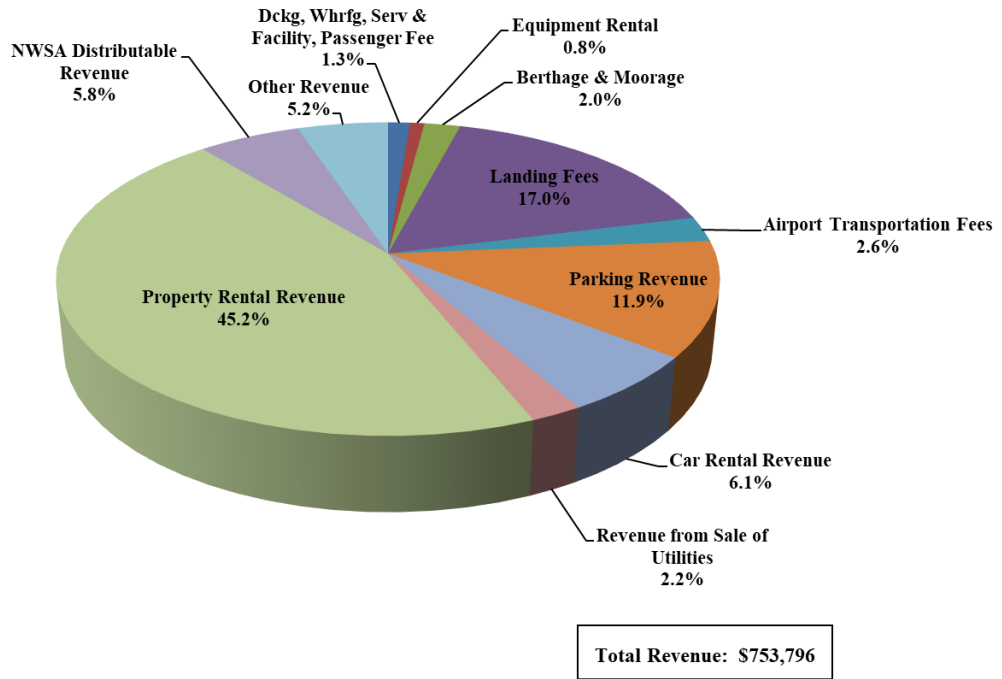
table4.xlsx

Notes:

- 1) The 2018 & 2019 revenues and expenses in this table differ from the other tables in that they include allocable revenues and costs to the Northwest Seaport Alliance (NWSA).

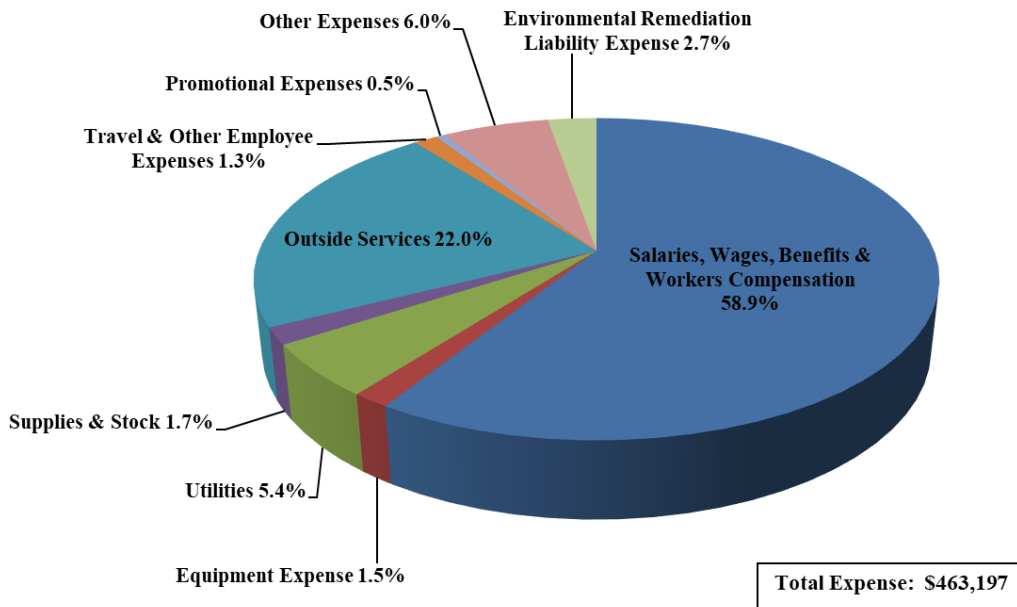
**FIGURE III-1: REVENUES BY SOURCE: 2019**

(\$ in 000's)



**FIGURE III-2: EXPENSES BY USAGE: 2019**

(\$ in 000's)



### **C. BUDGET OVERVIEW - STAFFING**

The 2019 budget includes a net increase of 100.6 Full-Time Equivalent (FTEs) positions to 2,255.1 FTEs compared to 2,154.5 FTEs in the 2018 budget. Key staffing changes include:

- Aviation Division FTEs will increase by 65.4 for 2019 budget. This number includes 8.0 FTE mid-year approvals, 3.0 FTE transfers from Central Services and 54.4 proposed FTEs for 2019. The 54.4 proposed FTEs for 2019 include 5.0 limited duration staff which will support the Operational Readiness and Airport Transition (ORAT) and Pest Control & Waste Management projects; 8.0 Emergency Hire Pathfinders to improve customer service at security checkpoints; 40.1 regular FTEs to support Core Airport functions; and a 1.3 college/graduate intern.
- The Maritime Division FTEs will increase by 2.0 for 2019 due to the addition of a new Stormwater Utility staff. During 2018, 2.0 FTEs (a Seaport Security Program Manager and a Security Duty Officer) were transferred from Central Services, and 1 FTE (a Financial Analyst) was moved to Central Services from Marine Maintenance.
- The 2019 FTE count for Economic Development Division is 36.0. Small Business department eliminated 2 FTEs, 1 Manager and 1 Business Analyst, and added 1 Senior Administrative Assistant during 2018. Subsequently, the Small Business department was approved for 1.0 FTE (Women and Minority Business Enterprise Manager) for 2019 which resulted in the same FTE count as the 2018 budget.
- Central Services FTEs will increase by 33.3 due mainly to the addition of 25.5 new FTEs to implement and support Century Agenda goals, support growing organizational needs and other Port initiatives. There were several FTE changes during 2018 which resulted in a net increase of 7.5 FTEs compared to the 2018 approved budget. Changes include the following: addition of new FTEs in Police, Engineering, and External Relations; a transfer from Maritime division; the elimination of Security & Preparedness department that resulted in several transfers to a new department within Central Services and to Aviation and Maritime divisions; and the elimination of a position in Office of Strategic Initiatives.

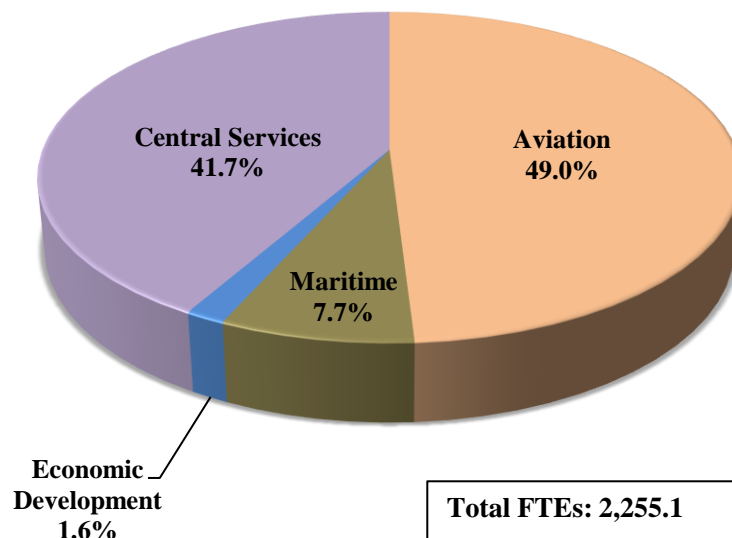
More information for each of these categories is provided in the Aviation, Maritime, Economic Development, and Central Services sections of this document (Sections IV to VII).

**TABLE III-4: PORT STAFFING BY DIVISION**

PORT STAFFING (Full-Time Equivalent Positions)		2017 Actual	2018 Budget	2018 Est. Act.	2019 Budget	% Change	
						19 Bud- 18 Bud	19 Bud- 18 Est.
Division	Notes						
Aviation		983.2	1,040.4	1,051.4	1,105.8	6.3%	5.2%
Maritime		164.3	171.0	172.0	173.0	1.2%	0.6%
Economic Development		35.0	36.0	35.0	36.0	0.0%	2.9%
Central Services		879.6	907.1	914.6	940.4	3.7%	2.8%
<b>Total FTE's</b>		<b>2,062.0</b>	<b>2,154.5</b>	<b>2,173.0</b>	<b>2,255.1</b>	<b>4.7%</b>	<b>3.8%</b>

FTE.XLS

**FIGURE III-3: PORT STAFFING BY DIVISION:**



**D. CAPITAL BUDGET OVERVIEW**

For the Port to meet the waterborne and air transportation needs of the region and to serve its customers, it must invest in the acquisition, development, and maintenance of long-term assets. For an organization as large and diverse as the Port, this requires comprehensive long-term capital planning which synthesizes the existing and anticipated business environment, careful estimates of customer demand for facilities, available resources, and the priorities of the organization.

The 2019 capital budget is \$1.0 billion and the five-year capital improvement plan is \$3.1 billion.

The 2019 Capital Budget reflects the Port's continuing commitment to promoting regional economic activity through the investment in the development, expansion, and renewal of Port facilities. For a more detailed discussion of the Port's long-term capital and funding plan, refer to Section IX (Capital Improvement Plan) and Section X (Plan of Finance).

**TABLE III-5: CAPITAL BUDGET**

(\$ in 000's)	2019	2019-2023	% of 2019 Total
Committed Capital Projects <sup>(1)</sup>	Budget	CIP	Committed
Aviation Division	\$859,993	\$1,763,237	94.3%
Maritime Division	28,105	77,872	3.1%
Economic Development Division	6,046	53,282	0.7%
Central Services	13,482	30,799	1.5%
Other <sup>(2)</sup>	4,500	8,669	0.5%
<b>Total Committed</b>	<b>\$912,126</b>	<b>\$1,933,859</b>	<b>100.0%</b>
<b>Business Plan Prospective Projects</b>	<b>\$89,311</b>	<b>\$1,201,555</b>	
<b>Total CIP</b>	<b>\$1,001,437</b>	<b>\$3,135,414</b>	

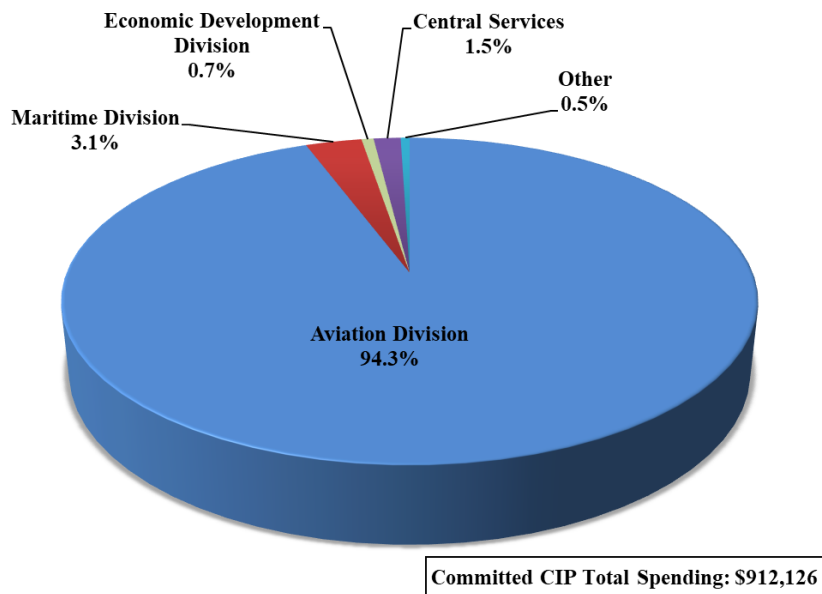
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Notes:

- 1) Definitions and details of the capital budget can be found in Section IX.
- 2) Includes the Stormwater Utility and NWSA Joint Venture

**FIGURE III-4: COMMITTED CAPITAL BUDGET**

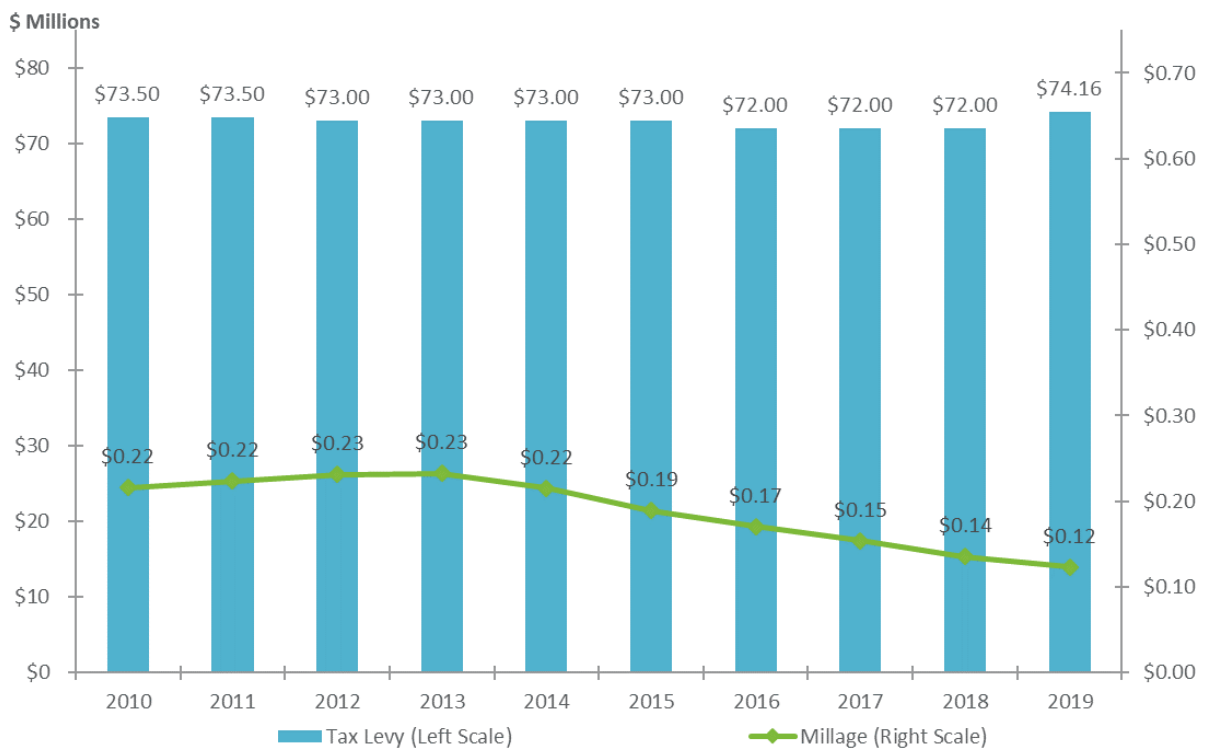
(\$ in 000's)



**E. TAX LEVY**

- The maximum allowable levy for 2019 is \$104.2 million.
- For 2019 the levy will be \$74.16 million, a three percent increase over the 2018 levy of \$72 million.
- The estimated 2019 millage rate is \$0.1232.
- The 2019 levy will be used for:
  - General Obligation (G.O.) Bonds Debt Service
  - Capital projects specifically endorsed by the Commission
  - Regional Transportation projects
  - Environmental Remediation
  - Airport Community Ecology funding and energy and sustainability policy directives
  - Economic development initiatives including workforce development, tourism and economic development partnership programs
  - City of SeaTac security enhancements
  - Local community promotional advertising at Sea-Tac Airport.
  - Highline School District noise insulation
  - South King County Community Support Program
  - Sustainable Aviation Fuels and Air Emissions Program

**FIGURE III-5: TAX LEVY VS. MILLAGE RATE 2010-2019**





## AVIATION DIVISION

### A. 2019 BUDGET SUMMARY

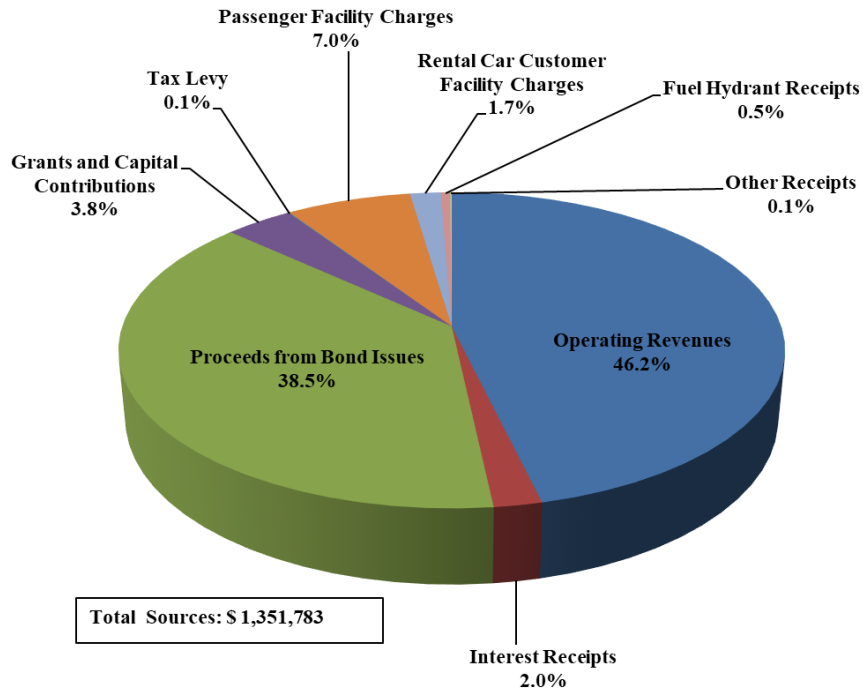
**TABLE IV-1: 2019 CASH FLOW**

(\$ in 000's)	<u>2019</u>	<u>Percent of Total</u>
<b><u>SOURCES OF CASH</u></b>		
Operating Revenues	\$ 625,140	46.2%
Interest Receipts	27,394	2.0%
Proceeds from Bond Issues	520,000	38.5%
Grants and Capital Contributions	51,749	3.8%
Tax Levy	682	0.1%
Passenger Facility Charges	95,185	7.0%
Rental Car Customer Facility Charges	23,482	1.7%
Fuel Hydrant Receipts	7,022	0.5%
Other Receipts	1,129	0.1%
<b>Total</b>	<b>\$ 1,351,783</b>	<b>100%</b>
<b><u>USES OF CASH</u></b>		
<b>Expenses from Operations:</b>		
Total Operating Expenses	366,105	22.8%
<b>Debt Service:</b>		
Interest Payments	155,804	9.7%
Bond Redemptions	141,635	8.8%
Total Debt Service	297,439	18.5%
Other Expenses	1,956	0.1%
Public Expense	7,690	0.5%
Capital Expenditures	935,454	58.2%
<b>Total</b>	<b>\$ 1,608,644</b>	<b>100%</b>

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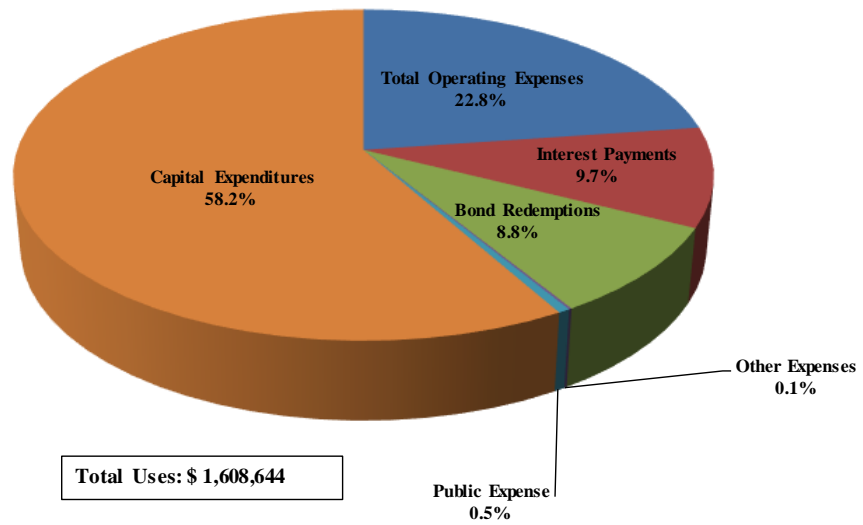
**FIGURE IV-1: SOURCES OF CASH**

(\$ in 000's)



**FIGURE IV-2: USES OF CASH**

(\$ in 000's)



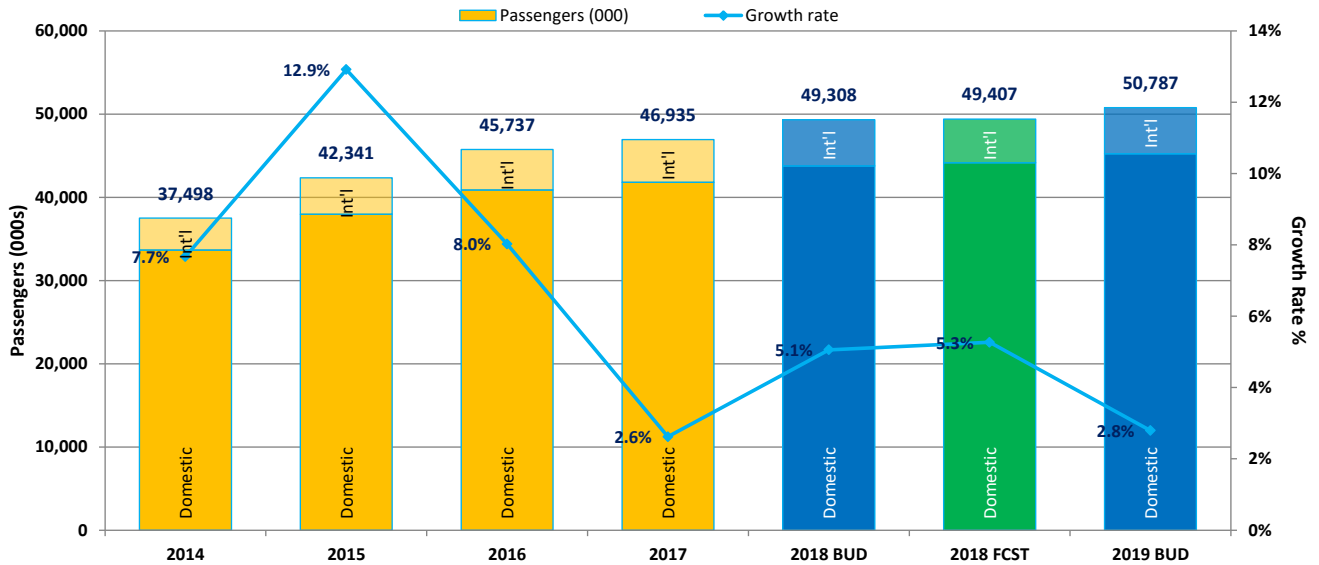
**B. FINANCIAL FORECAST**

**TABLE IV-2: FINANCIAL FORECAST**

(\$ in 000's)	Budget 2018	Budget 2019	Forecast				Compound Growth 2019-2023
			2020	2021	2022	2023	
<b>OPERATING BUDGET</b>							
Aeronautical Revenues	\$ 301,082	\$ 365,604	\$ 428,418	\$ 483,986	\$ 514,181	\$ 542,846	10.4%
Non-Aeronautical Revenues	244,786	259,537	264,985	269,149	274,967	280,923	2.0%
<b>Total Operating Revenues</b>	<b>545,867</b>	<b>625,140</b>	<b>693,403</b>	<b>753,135</b>	<b>789,148</b>	<b>823,769</b>	<b>7.1%</b>
Operating & Maintenance Expense	225,814	259,451	262,977	277,507	290,168	303,164	7.6%
Central Services and other Division Costs	86,868	81,516	82,624	87,189	91,167	95,250	2.3%
Law Enforcement Costs	22,174	25,137	25,479	26,887	28,113	29,373	7.3%
<b>Total Operating Expense</b>	<b>334,856</b>	<b>366,105</b>	<b>371,079</b>	<b>391,582</b>	<b>409,448</b>	<b>427,786</b>	<b>4.0%</b>
<b>Net Operating Income Before Depreciation</b>	<b>211,011</b>	<b>259,036</b>	<b>322,324</b>	<b>361,553</b>	<b>379,700</b>	<b>395,983</b>	<b>11.2%</b>
Total Depreciation Expense	122,830	130,845					
<b>Net Operating Income After Depreciation</b>	<b>88,181</b>	<b>128,191</b>					
							<b>Total 2019-2023</b>
<b>Committed Capital Budget</b>	753,582	859,993	426,881	230,346	157,417	88,600	1,763,237
<b>Business Plan Prospective</b>	62,122	75,461	149,695	284,714	236,691	190,268	936,829
<b>Total Capital Budget</b>	<b>\$ 815,704</b>	<b>\$935,454</b>	<b>\$576,576</b>	<b>\$515,060</b>	<b>\$ 394,108</b>	<b>\$ 278,868</b>	<b>\$ 2,700,066</b>

**TABLE IV-3: AVIATION KEY MEASURES**

	Budget	Budget	Forecast			
	2018	2019	2020	2021	2022	2023
<b>Key Measures (in \$'s)</b>						
Cost per Enplanement (CPE)	11.35	13.39	15.99	17.32	18.17	18.92
O&M per Enplanement	13.58	14.42	14.40	14.97	15.42	15.87
Non-Aero Revenue per Enplanement	9.93	10.22	10.28	10.29	10.36	10.42
Debt per Enplanement	115.90	127.28	136.49	146.18	149.47	146.81
Debt Service Coverage	1.51	1.65	1.65	1.47	1.43	1.42
<b>Traffic (in 000's)</b>						
Enplanements	24,654	25,394	25,774	26,159	26,551	26,948



Total passengers are expected to grow by 3.0% in 2019. For 2018, the budget assumes growth of 5.1%.

**C. AVIATION DIVISION**

**MISSION:** Connecting our region to the world through flight.

**VISION:** Sea-Tac is a welcoming front door, embodying the spirit of the Northwest – an economic engine and a source of regional pride.

**MAJOR/NEW INITIATIVES:**

- Complete Sustainable Airport Master Plan (SAMP) and initiate environmental review.
- Continue advanced planning in anticipation of SAMP completion.
- Continue planning to optimize existing main terminal.
- Continue with Ground Transportation Access Plan.
- Complete signage and wayfinding master plan.
- Enhance resources to address pest management issues.
- Initiate airfield/airspace study.
- Initiate infrastructure systems master plan.
- Develop programmatic approach to managing airport assets.
- Improve customer service with enhanced staffing support to address peak period hot spots.
- Permanently staff second Fire Department Care Car to enhance response capabilities.
- Continue to implement Airport Dining and Retail (ADR) Master Plan, including infrastructure upgrades, lease phasing strategy and new competitive solicitations and resulting leases.
- Implement parking reservation system to improve customer service and non-airline revenues.

**DIVISION DESCRIPTION:**

The Port of Seattle owns and operates Seattle-Tacoma International Airport, the 9th busiest airport in the U.S. based on passengers (2017 data). The Airport is located approximately 12 miles south of downtown Seattle. Currently, the Airport has facilities for commercial passengers, air cargo, general aviation, and aircraft maintenance on a site of approximately 2,800 acres. Airport facilities include the Main Terminal, the South and North Satellites, a parking garage, and a consolidated rental car facility. The Airport has three runways that are 11,900 feet, 9,425 feet, and 8,500 feet in length.

**INDUSTRY ASSESSMENT:**

Industry consolidation has left three major legacy carriers: American, United, and Delta. Together with Southwest, these four airlines dominate the U.S. market. Other smaller carriers, such as Alaska, JetBlue, and Hawaiian, constitute the next largest group of commercial carriers. Ultra-low-cost carriers such as Spirit, Frontier, and Allegiant make up another group, although these carriers have a very small presence at Sea-Tac airport. With the acquisition of Virgin America by Alaska Air Group, the consolidation is likely done, at least for the near term.

Continued economic growth in the United States and relatively low oil prices over the past five years (2013 – 2017) have contributed to a period of exceptional profitability for the U.S. airline industry. Consolidation has also contributed to industry profitability by reducing competition on many routes. In 2018, the price of oil has been rising and many airlines are facing increased labor costs. Mid-year 2018 earnings reports from major airlines show the industry remains profitable but is realizing lower profits than in 2017.

Sea-Tac is a hub for both Alaska and Delta. Through August of 2018, Alaska accounts for 48% of passengers at Sea-Tac, while Delta accounts for 23%.

**BUSINESS ASSESSMENT/DRIVERS:**

Passenger growth at Sea-Tac Airport in recent years has propelled it up to becoming the 9th largest airport in the United States. Sea-Tac airport became the fastest growing large hub airport in the U.S. in 2016, with passenger growth of 8.0%. The regional economy remains strong, contributing to the passenger growth at Sea-Tac. While growth slowed in 2017 to just under 3%, Sea-Tac experienced cumulative passenger growth of over 41% from 2012 – 2017. Passenger growth is expected to exceed 5% in 2018.

Passenger growth is projected at 3% for 2019. Due to construction of the new International Arrivals Facility (IAF) and the expansion and renovation of the North Satellite (NSAT), Sea-Tac will again have gates out of service during the year due to construction. With the opening of the Concourse D Hardstand terminal in the fall of 2018, Sea-Tac will have the equivalent of six additional gate hold rooms to accommodate remote ground load operations. With the completion of Phase II of the North Satellite Expansion project in 2021, Sea-Tac will have eight additional gates. Future gate capacity will depend on implementing the Sustainable Airport Master Plan (SAMP).

With increasing passenger growth and constrained facilities (landside and terminal), the airport will focus on a combination of addressing immediate customer service priorities through enhanced staffing for peak periods and planning future facilities.

In 2019, the airport will have three major projects (IAF, NSAT, and Baggage Optimization) under construction. Capital spending for 2019 is forecasted to exceed \$900 million. The 2019 – 2023 capital plan anticipates spending \$2.7 billion, including 7 new projects totaling \$72 million. Additionally, the budget proposal includes spending approximately \$250 million on SAMP design over the next five years.

**CHALLENGES AND OPPORTUNITIES:**

- Implement automated security lane equipment to increase passenger throughput at security checkpoints.
- Complete detailed planning and definition of the near-term projects identified in the Master Plan as early as possible in order to prepare for timely construction of critical path projects.
- Maintain and upgrade existing facilities and equipment throughout the airport to accommodate increased utilization.

- Update and/or refurbish critical customer service facilities to adequately meet the accelerated increase in passenger throughput in the terminal (e.g. restrooms, communications infrastructure, etc.).
- Meet growing need for office space and ticket counters to accommodate new airline tenants.
- Increase non-airline revenues to help fund capital program.

#### **D. 2019 OPERATING BUDGET SUMMARY**

##### **Background**

From a financial perspective, the Aviation Division has two sides to its business: Aeronautical and Non-aeronautical.

On the Aeronautical side, where airline rates are set to recover costs, the Port's goal is to manage costs. The primary measure of an airport's cost to the airlines is the airline cost per enplanement (CPE). The "costs" include the operating and maintenance costs attributable to the airfield and the airline share of the terminal operating and maintenance costs (based on the percentage of revenue producing space split between airlines and other Port tenants), as well as the corresponding capital costs (either debt service or equity amortization). The Port does not charge airlines for the capital costs of any asset funded by Passenger Facility Charges (PFCs) or grants.

On the Non-aeronautical side of the business, the primary goal is to increase cash flow as measured by net operating income (NOI). The net cash flow can be used to directly fund capital improvements and build up cash reserves to meet liquidity targets. This cash flow also provides the vast majority of the revenue sharing that is credited to the signatory airlines in accordance with the terms of the Signatory and Lease and Operating Agreement (SLOA). Under the terms of the new SLOA, which went into effect on 1/1/2018, of the net cash flow available for debt service that exceeds 125% of debt service (if any) - 40% is being credited to the signatory airlines in 2018, declining to 20% in 2019, and revenue sharing will be eliminated as of 1/1/2020. Under the prior SLOA (effective 1/1/2013 – 12/31/2017) revenue sharing was set at 50% for all five years of that agreement. The change in revenue sharing percentage under the new SLOA reflects the airports focus on directly funding capital improvements and building up cash reserves to meet liquidity targets during a period of increased capital investment.

##### **Overview of Major Changes in 2019 Budget**

The 2019 Budget reflects an expected steady growth of 3.0% in enplanements for the year, which builds on expected growth in excess of 5% occurring in 2018, and actual growth of 2.7% in the 2017 calendar year. This activity growth and a strong regional economy has stimulated passenger spending for parking, other ground transportation modes, and terminal dining and retail. The increase in non-aeronautical revenue contributes to revenue sharing, which partially offsets the growth in aeronautical revenues. The multi-year Sustainable Airport Master Plan continues to be refined, and planning efforts will shift toward implementation of the multiple projects identified during the master planning process. 2019 will also see a continued ramp up in the airport capital program.

##### **Revenues**

2019 Budget non-aeronautical revenues are up \$14.8 million, or 6.0%, over the 2018 budget due to increased enplaned passengers at Sea-Tac. Continued growth is expected across most non-aeronautical business units, with particularly strong growth in public parking, ground transportation, clubs & lounges, and airport dining & retail/terminal leased space, partially offset by a slight decline in Rental Car activity.

Aeronautical rate base revenues are budgeted to increase by 12.8%, which reflects increases in both capital and operating costs, as well as reflecting the impact of reduced revenue sharing percentage. Under the current SLOA agreement, the revenue sharing percentage decreased from 40% in 2018 to 20% in 2019, and revenue sharing is eliminated starting in 2020.

**Operating Expense Drivers**

Total airport operating expenses (including Central Services costs and environmental remediation costs) are budgeted to increase by \$31.2 million, or 9.3% compared to the 2018 Budget. The 2019 baseline budget reflects increased payroll costs, increased expenses for contracted services, and increased costs associated with rising non-aeronautical revenues. Payroll costs in the 2019 budget reflect the combined impact of existing staff and new Full-Time Equivalent (FTEs) staff added in the 2019 budget to address operational needs at the airport.

The 2019 budget also includes \$22.1 million in non-recurring baseline expenses primarily focused on addressing strategic initiatives throughout the airport, and \$14.3 million in non-recurring environmental remediation liability expense primarily related to two major construction projects (the International Arrivals Facility and the North Satellite Terminal expansion).

The following table summarizes high level changes to the direct operating and maintenance (O&M) portion of the Aviation Division budget. Total operating expenses for the airport also include costs from Central Services and other divisions, which are not reflected in the summary below.

**Aviation 2019 Budget Summary Compared to 2018 Budget:**

Removed 2018 one-time	(15,816)
Baseline transferred from Central Svcs	696
Baseline transferred to Central Svcs	(43)
Reductions/Savings	(2,737)
Increases (baseline)	12,854
Proposed 2019 recurring	6,465
Proposed 2019 non-recurring	22,115
<b>Budget Change before Exceptions</b>	<b>23,534</b>

Consistent with the long-term objective of managing the growth of operating and maintenance (O&M) costs, the focus of the 2019 budget is to ensure controlled growth of baseline Airport O&M. Consequently, major non-recurring baseline expenses and exceptions to baseline expenses are segregated from recurring baseline expenses. The 2019 budget has been closely scrutinized and the approved budget is based on expected spending needs for 2019, not the prior year’s budget. As a result, the cost increases for payroll and contracted services have been partially offset by significant cuts or savings in the baseline budget. The 8.0% growth in the recurring portion of the baseline budget was considered necessary to support the continued growth in passenger volumes. The non-recurring expenses in the 2019 Budget (\$22.1 million) were considered necessary to address long-term facility needs including SAMP related project planning and to address operational impacts from the significant ramp up in the airport capital program.

The following tables highlight key elements in the cost reductions and cost increases reflected in the 2019 baseline budget, as well as providing detail for the non-recurring expense components of the budget.

**Aviation 2019 Baseline Cost Reductions/Savings:**

<b>2019 Baseline Cost Reductions/Savings:</b>		<b>\$000's</b>
<u>Payroll Savings (before new FTE requests)</u>		
Delay in hiring for Phase 2 Employee Screening	1,449	
<b>Total Contractual &amp; Formulaic Decreases</b>		<b>1,449</b>
<u>Contractual Savings &amp; Formulaic Cost Decreases</u>		
Higher estimated Charges to Capital (offsets higher payroll)	362	
<b>Total Contractual &amp; Formulaic Decreases</b>		<b>362</b>
<u>Non-Payroll Savings (zero based budgeting)</u>		
ACDBE Disparity Study (non-recurring activity in 2018)	300	
Eastside Remote Bag Checking feasibility study	200	
AMAC conference - hosted in Seattle in 2018	200	
Other non-payroll savings (zero based budgeting)	227	
<b>Additional Non-Payroll Savings</b>		<b>927</b>
<b>Total 2019 Baseline Cost Reductions</b>		<b>2,737</b>

**Aviation 2019 Baseline Budget Cost Increases:**

<b>2019 Baseline Cost Increases:</b>		<b>\$000's</b>
<u>Payroll Increases (before new FTE requests)</u>		
Non-Represented payroll & benefits increase (3.8% average)	1,518	
Represented pay & benefits increase (per labor agreements)	2,019	
Annualized new FTEs approved in 2018 Budget	1,613	
Annualized new FTEs approved during 2018	715	
All other increases to baseline payroll	317	
<b>Total Baseline Payroll Increases</b>		<b>6,183</b>
<u>Non-Aero costs related to revenue growth</u>		
Clubs & Lounges - higher demand/increased volume	1,012	
Advertising increase (100% paid by Tenant Mktg fund)	67	
Non-Aero B&O tax increase	152	
<b>Total Non-Aero Cost Increases due to growth</b>		<b>1,231</b>
<u>Contractual &amp; Formulaic Non-Payroll Cost Increases</u>		
Utility rate & commodity cost increase	2,814	
Taxi curbside management contract now paid by Port (SP+)	1,261	
Increase in Worker's Compensation expense	583	
All other contract increases	413	
Aeronautical B&O tax increase	135	
Other Non-Payroll Increases (zero based budgeting)	235	
<b>Total Contractual &amp; Formulaic Increases</b>		<b>5,441</b>
<b>Total 2019 Baseline Cost Increases</b>		<b>12,854</b>



The following table highlights a few of the key items included in the approved additions to the 2019 Budget.

<b>2019 Budget Request Highlights:</b>	<b>\$000's</b>
Advance Planning/On-call Planning support	4,650
Seasonal Customer Service Staff	2,500
Master Planning - Infrastructure Systems	2,000
Executive Program Management consulting support	1,620
SAMP/Environmental Review/Planning	1,600
Additional Firefighter (8) FTEs - staffing 2nd Care Car	1,307
Air Service Development - existing routes and anticipated new service	1,100
Airfield-Airspace study	1,000
Asset Management program	1,000
Integrated Pest Management scope increase	800
ORAT (4) limited duration FTEs & other new department costs	284
All other new staffing - (42.37) FTEs	<u>2,524</u>
<b>Subtotal - 2019 Budget Request Highlights:</b>	<b>20,385</b>

The full list of approved additions to the 2019 Budget, both baseline and non-recurring, are explained below in the context of the Problem/Need/Opportunity they are identified to address.

<b>Aviation</b>							
<b>AV Priority</b>	<b>Problem/Need/Opportunity</b>	<b>Solution</b>	<b>2019 Budget Request</b>				
			<b>FTEs</b>	<b>Baseline</b>	<b>One-time</b>	<b>Total</b>	
<b>Employees</b>	Absence of admin support for growing department	Fire Department - Admin Staff Assistant	1.0	40,320	2,500	42,820	
		Hire an On-call Mail Messenger	0.1	4,004	-	4,004	
		Package Tracking System	-	10,404	-	10,404	
	Foster Employee Development and Leverage Talent	Airport Innovation Travel Budget Right- sizing	-	4,000	-	4,000	
		AV Finance & Budget Additional Staff Training	-	-	28,666	28,666	
		Host the 2019 AAAE Geospatial Conference	-	-	7,500	7,500	
	Grow Port Intern Program	Art Collection College Intern	0.3	-	14,697	14,697	
		AV Finance & Budget Graduate Intern	0.5	33,322	2,500	35,822	
		Civil Engineering College Intern	0.3	15,568	2,500	18,068	
		Graduate Intern in Museology Studies	0.3	16,006	1,000	17,006	
	Reduce Occupational Injury Rate (OIR) and Days Away Severity Rate (DASR)	Workstation Ergonomics	-	-	8,095	8,095	
	<b>Employees Total</b>			<b>2.4</b>	<b>123,624</b>	<b>67,458</b>	<b>191,082</b>

Aviation						
AV Priority	Problem/Need/Opportunity	Solution	2019 Budget Request			
			FTEs	Baseline	One-time	Total
Customer Service	Anticipate, Influence and Respond to Landside Mobility Shifts	Hire a Parking Services Representative	1.0	66,451	-	66,451
	Expand and Upgrade Wireless Network Coverage and Indoor Navigation Services	Aira Annual Subscription	-	15,000	-	15,000
		Conduct Wireless Spectrum Analysis	-	-	25,000	25,000
	Facilities Cleanliness and Appearance	AOB Lobby Furniture - Refurbishment	-	-	25,000	25,000
		Art Handler Budget Increase	-	9,550	-	9,550
		Custodial Services in Transit Areas, Garage, and NE Cruise Lot	-	85,500	-	85,500
		Escalator Cleaning	-	99,000	-	99,000
		Hire a Custodial Shift Supervisor/Quality Assurance Technician	1.0	63,329	3,500	66,829
		Restroom Ambient Scent System	-	-	16,426	16,426
	Improve Customer Understanding at Security Checkpoints	Hire four (4) Pathfinders to interact with TSA, Airlines and other tenants	4.0	182,616	13,200	195,816
	Make Sea-Tac "Gateway of Choice"	Customer Service Start-Up Contract Year Three	-	-	68,000	68,000
		Sea-Tac Branding	-	-	350,000	350,000
	Provide Real-Time Airport-Related Information to Customers Seven Days Per Week	Acquire New Features and Capabilities in the Map SDK (Smartphone App)	-	-	100,000	100,000
		Aviation Telephone Call Center	-	65,000	-	65,000
		Customer Communications real-time messaging, printed material production and language translations	-	50,000	-	50,000
		Expand Indoor Navigation Infrastructure	-	24,000	56,000	80,000
		Phone Tree Enhancements	-	30,000	-	30,000
		STS Info System Graphic Support	-	50,000	-	50,000
	Rightsizing to Reflect Current Staffing Level	Customer Care Department Right-Sizing	-	5,365	-	5,365
		Customer Experience & Communication Department Right- Sizing	-	12,000	-	12,000
		Customer Service Department Right- Sizing	-	47,340	-	47,340
		Non-Payroll Standard FTE Package for existing vacant position (Customer Communications Specialist)	-	6,550	-	6,550
		Right-size Sr. Art Manager Non-Payroll	-	-	6,855	6,855

Aviation						
AV Priority	Problem/Need/Opportunity	Solution	2019 Budget Request			
			FTEs	Baseline	One-time	Total
	Wayfinding/Processing Passengers	Hire a Landside Supervisor	1.0	52,905	3,300	56,205
		Hire a Signing Graphics Specialist	1.0	55,246	3,000	58,246
		Hire eight (8) emergency pathfinders	8.0	-	245,235	245,235
		Portable Induction Loop Hearing Aid System	-	-	15,000	15,000
		Rental Car Facility Curbside Assistance	-	120,000	-	120,000
		Seasonal Customer Service Staff	-	-	2,500,000	2,500,000
		Signage and Wayfinding Master Plan	-	-	400,000	400,000
		Wheelchair Services Right-Sizing	-	23,000	-	23,000
	Equip Employees with The Skills and Knowledge to Deliver Exceptional Customer Service	Airport-wide Mystery Shopper Program Planning & Benchmark Study	-	-	100,000	100,000
		Continue Customer Service contract funding to support training and program development	-	-	74,000	74,000
		Contract training for AV SEA frontline staff	-	25,000	-	25,000
		Customer Service course (WE ARE) training materials	-	20,000	-	20,000
		Hire a Customer Communications Specialist	1.0	61,549	3,300	64,849
		Hire a Volunteer Coordinator	1.0	58,280	-	58,280
<b>Customer Service Total</b>			<b>18.0</b>	<b>1,227,680</b>	<b>4,007,816</b>	<b>5,235,496</b>

Aviation						
AV Priority	Problem/Need/Opportunity	Solution	2019 Budget Request			
			FTEs	Baseline	One-time	Total
Facilities/ Capacity	Meet the Maintenance Needs and Standards of the Existing Facilities Under Increasing Demand	Add to Grease Interceptor - Sewer Clearing Budget	-	90,000	-	90,000
		Alternative Utility Facilities - Cummins Service Agreement	-	75,000	-	75,000
		Cleaning and Protection of Cellantano Painting	-	-	60,000	60,000
		Compactor Maintenance and Repair	-	58,000	-	58,000
		Conference Center AV System Maintenance	-	19,102	-	19,102
		Elevator & Escalator Repairs Expense Budget Increase	-	150,000	-	150,000
		Hire a AVM Asset Management Analyst	1.0	63,329	3,500	66,829
		Hire a Boiler Room (BLRM)	1.0	65,687	3,000	68,687
		Hire a Boiler Room Capital (BLRM)	1.0	65,687	3,000	68,687
		Hire a Bus- Automotive Mechanic	1.0	76,396	3,000	79,396
		Hire a Civil Engineer	1.0	83,055	3,460	86,515
		Hire a Conveyor (CONV)	1.0	64,047	3,000	67,047
		Hire a Field Crew Garage	1.0	42,626	3,000	45,626
		Hire two (2) Electronic Technicians	2.0	126,882	11,000	137,882
		Hire two (2) Passenger Loading Bridge FTEs	2.0	130,006	6,000	136,006
		Hire two (2) wireman for Utility Metering	2.0	147,979	11,000	158,979
		Maint & Repair Expense Budget Increase - RCF	-	68,000	-	68,000
		Maintenance Materials Expense Budget Increase - Baggage Systems	-	80,000	-	80,000
		Parking Garage Concrete Distress Repairs	-	-	50,000	50,000
		Purchase 2018 ICC Books for the Building Department	-	-	11,252	11,252
		Quality Assurance (Q&A) Inspection Software for Operations and ADR Upgrade/Replacement	-	-	120,000	120,000
		Small Works Expense Budget Increase	-	130,000	-	130,000
		State Building Code Council Payment	-	3,500	-	3,500
		Telecommunications Delivery System Upgrade	-	-	200,000	200,000
		Used Cooking Oil Tank Maintenance and Repair	-	13,000	-	13,000
		Watermain Labeling & Leak Detection	-	50,000	-	50,000

Aviation						
AV Priority	Problem/Need/Opportunity	Solution	2019 Budget Request			
			FTEs	Baseline	One-time	Total
	Rightsizing to Reflect Current Staffing Level	Fuel Expense Budget Increase	-	180,000	-	180,000
		Phone Purchases and cell service - Right- sizing budget	-	7,500	-	7,500
	Strategic Asset Management	Asset Management Gap Assessment Implementation	-	-	1,000,000	1,000,000
		Completion of Asset Management Gap Assessment	-	-	50,000	50,000
		Critical Asset Monitoring - IoT (Internet of Things)	-	-	90,000	90,000
	Pest Control & Waste Management	Hire a Rodent Control Specialist (two-year limited duration)	1.0	-	97,875	97,875
		Integrated Pest Management	-	-	800,000	800,000
		Ongoing Solid Waste System Improvements	-	90,000	-	90,000
		Waste Receptacle Replacement	-	-	175,000	175,000
	Planning for Future Facilities Needs	Airfield-Airspace Study	-	-	1,000,000	1,000,000
		Executive Program Management	-	-	1,620,000	1,620,000
		Hire a Project Development Manager	1.0	78,820	3,300	82,120
		Infrastructure Systems Master Planning	-	-	2,000,000	2,000,000
		Long-Term Aviation Office Facility Plans	-	-	100,000	100,000
		On Call project planning providing project planning definition with conceptual design	-	-	650,000	650,000
		On-Call Planning	-	-	1,500,000	1,500,000
		SR 518 Corridor Study	-	-	350,000	350,000
	Complete the Sustainable Airport Master Plan	Follow On Planning/Project definition for SAMP near-term projects	-	-	2,500,000	2,500,000
		SAMP Environmental	-	-	300,000	300,000
		Sustainable Airport Master Plan (SAMP) Environmental Review and Permitting	-	-	1,600,000	1,600,000
	Implement Operational Readiness and Airport Transition (ORAT)	Hire a limited duration ORAT employee for Public Affairs	1.0	-	64,987	64,987
Hire a limited duration ORAT Specialist/Admin		1.0	-	58,280	58,280	
Hire two (2) limited duration ORAT specialists		2.0	-	129,974	129,974	
ORAT Promotional		-	10,000	-	10,000	
Right-sizing Travel Budget for Operational Readiness and Activation Department (New)		-	21,000	-	21,000	
<b>Facilities/Capacity Total</b>			<b>19.0</b>	<b>1,989,615</b>	<b>14,580,629</b>	<b>16,570,244</b>

Aviation						
AV Priority	Problem/Need/Opportunity	Solution	2019 Budget Request			
			FTEs	Baseline	One-time	Total
Safety	Continuously Improve Safety of Airport Operations Area	Certified Service Provider Program (CSPP) implementation	-	-	200,000	200,000
		Fire Department - Bunker Gear Purchase	-	-	79,700	79,700
		Hire an Airfield ADM	1.0	76,461	2,500	78,961
		Hire eight (8) fire fighters	8.0	1,244,313	62,300	1,306,613
	Facility Life-Safety Enhancements	Airport Exit Sign Evaluation	-	-	160,000	160,000
		Perform Smoke Control Testing	-	50,000	-	50,000
	Implement Safety Management System	Hire a Safety Management System (SMS) Specialist	1.0	67,487	3,300	70,787
		SMS E-learning & VR training program development	-	-	150,000	150,000
	Other	Arc Flash Ongoing Work	-	75,000	-	75,000
		Arc Flash Study	-	-	75,000	75,000
<b>Safety Total</b>			<b>10.0</b>	<b>1,513,261</b>	<b>732,800</b>	<b>2,246,061</b>
Financial	Keep Airline Costs Competitive Through Increasing Non-Aeronautical Revenue	Consultant Duty Free Expansion Planning	-	-	100,000	100,000
		Hire a Property Manager	1.0	64,282	2,500	66,782
		Hire a Yield Management Analyst	1.0	69,913	2,500	72,413
		Parking Pre-Booking Expenses	-	390,000	60,000	450,000
		Parking Ticket Stock	-	15,000	-	15,000
	Rightsizing to reflect current usage level	Additional Garbage Disposal expenses at transit operations center	-	8,000	-	8,000
		Garage Architectural Maintenance	-	200,000	-	200,000
<b>Financial Total</b>			<b>2.0</b>	<b>842,195</b>	<b>165,000</b>	<b>1,007,195</b>
Community	Airport Noise Mitigation and Community Outreach	Noise Consulting Services	-	51,000	-	51,000
		PlaneNoise Complaint Handling System Annual Subscription	-	26,000	-	26,000
<b>Community Total</b>			<b>-</b>	<b>77,000</b>	<b>-</b>	<b>77,000</b>
Diversity	Promote Small Business	ACDBE Disparity Study	-	-	125,000	125,000
		ADR Business Manager-Small Business Initiative	1.0	77,346	2,500	79,846
		Consulting Services for FAA ACDBE Tri-Annuals Goals and Reporting	-	-	75,000	75,000
<b>Diversity Total</b>			<b>1.0</b>	<b>77,346</b>	<b>202,500</b>	<b>279,846</b>

Aviation							
AV Priority	Problem/Need/Opportunity	Solution	2019 Budget Request				
			FTEs	Baseline	One-time	Total	
Sustainability	Be the Greenest and Most Energy-Efficient Port in North America	Complete renewable energy source study started 2018	-	-	30,000	30,000	
		Digital Lighting Standards	-	-	200,000	200,000	
		Energy Conservation Assessment	-	-	150,000	150,000	
		Ground Transportation Alternatives Program Implantation	-	-	75,000	75,000	
		Implement Sustainable Aviation Fuels (SAF) workplan	-	-	125,000	125,000	
		LED Lighting Upgrades	-	20,000	-	20,000	
		Water Conservation Assessment	-	-	150,000	150,000	
	Environmental Compliance	Complete 2018 BOD Study	-	-	15,000	15,000	
		Complete Airport's 5-year NPDES Permit Renewal Application	-	-	100,000	100,000	
		Flight Corridor Safety Program Habitat Management	-	60,000	-	60,000	
		Sanitary Sewer BOD Monitoring	-	30,000	-	30,000	
	Implement Clean-Up Projects Across the Port	Contaminated Site Management - PFAS	-	-	65,000	65,000	
	Meet or Exceed Requirements for Stormwater Leaving Port-Owned or Operated Facilities	Technical Support for IWS Deicing Management Study	-	-	75,000	75,000	
	<b>Sustainability Total</b>			<b>-</b>	<b>110,000</b>	<b>985,000</b>	<b>1,095,000</b>
	Partners	Air Service Development	New Air Service Incentives	-	-	1,100,000	1,100,000
Assure Airport Operational Continuity and Interoperability Via 24/7/365 Situational Awareness		Hire an Airline Scheduling Coordinator	1.0	67,487	3,300	70,787	
Increasing Volume		Airline Forum Registration Costs	-	13,000	-	13,000	
		Custodial Waste Collection Pilot	-	-	100,000	100,000	
		Employee-wide Sanitation Training; Human Factor Training, SMS Awareness/Driver Training	-	-	100,000	100,000	
		Hire a temporary Load Dock Coordinator	-	-	60,159	60,159	
		Hire an Employee Operations Bus Driver	1.0	44,472	-	44,472	
		Portable Restrooms	-	320,000	-	320,000	
Partners' Employee Services		Cell Charges GPS Employee Parking	-	16,000	-	16,000	
		Cell Charges GPS Rental Cars	-	25,000	-	25,000	
		Complete Circadian Lighting Study Starting 2018	-	-	10,000	10,000	
		External airport Learning Management System (AAAE IET Training Platform Enhancement)	-	18,000	-	18,000	
<b>Partners Total</b>			<b>2.0</b>	<b>503,959</b>	<b>1,373,459</b>	<b>1,877,419</b>	
<b>Grand Total</b>			<b>54.4</b>	<b>6,464,681</b>	<b>22,114,662</b>	<b>28,579,343</b>	

**Aeronautical Business**

\$ in 000's	2016	2017	2018	2018	2019	Budget Change		Budget vs Forecast	
	Actual	Actual	Budget	Forecast	Budget	\$	%	\$	%
<b>Revenues:</b>									
Movement Area	94,725	108,638	125,422	125,316	130,873	5,450	4.3%	5,556	4.4%
Apron Area	14,028	16,771	15,979	16,023	19,714	3,735	23.4%	3,691	23.0%
Terminal Rents	155,852	155,431	171,854	171,381	203,319	31,465	18.3%	31,938	18.6%
Federal Inspection Services (FIS)	11,227	18,612	13,413	13,594	14,521	1,108	8.3%	927	6.8%
<b>Total Rate Base Revenues</b>	<b>275,832</b>	<b>299,452</b>	<b>326,668</b>	<b>326,314</b>	<b>368,426</b>	<b>41,758</b>	<b>12.8%</b>	<b>42,112</b>	<b>12.9%</b>
Commercial Area	9,379	10,574	10,212	10,212	12,859	2,647	25.9%	2,647	25.9%
<b>Subtotal before Revenue Sharing</b>	<b>285,211</b>	<b>310,026</b>	<b>336,880</b>	<b>336,527</b>	<b>381,286</b>	<b>44,406</b>	<b>13.2%</b>	<b>44,759</b>	<b>13.3%</b>
Revenue Sharing	(37,395)	(42,311)	(35,799)	(30,749)	(15,682)	(20,117)	-56.2%	(15,067)	-49.0%
Other Prior Year Revenues	(5)	(26)	-	-	-	-	NA	-	NA
<b>Total Aeronautical Revenues</b>	<b>247,811</b>	<b>267,690</b>	<b>301,082</b>	<b>305,777</b>	<b>365,604</b>	<b>64,522</b>	<b>21.4%</b>	<b>59,826</b>	<b>19.6%</b>
<b>Total Aeronautical Expenses</b>	<b>168,932</b>	<b>195,414</b>	<b>216,931</b>	<b>216,677</b>	<b>243,205</b>	<b>26,274</b>	<b>12.1%</b>	<b>26,528</b>	<b>12.2%</b>
<b>Net Operating Income</b>	<b>78,879</b>	<b>72,276</b>	<b>84,151</b>	<b>89,101</b>	<b>122,398</b>	<b>38,248</b>	<b>45.5%</b>	<b>33,298</b>	<b>37.4%</b>
Debt Service	(89,130)	(86,564)	(90,323)	(91,238)	(109,343)	19,020	21.1%	18,105	19.8%
<b>Net Cash Flow</b>	<b>(10,251)</b>	<b>(14,288)</b>	<b>(6,173)</b>	<b>(2,137)</b>	<b>13,055</b>	<b>19,228</b>	<b>311.5%</b>	<b>15,193</b>	<b>710.8%</b>

**Aeronautical Cost Drivers – Rate Base Only**

\$ in 000's	2017	2018	2018	2019	Impact on Aero Revenues Budget Change		Impact on Aero Revenues Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
O&M	192,188	210,433	209,990	237,126	26,692	12.7%	27,136	12.9%
Debt Service Gross	113,832	120,555	120,555	136,513	15,959	13.2%	15,959	13.2%
Debt Service PFC Offset	(33,057)	(33,015)	(33,015)	(33,045)	(30)	0.1%	(30)	0.1%
Amortization	29,654	32,373	32,373	30,121	(2,252)	-7.0%	(2,252)	-7.0%
Space Vacancy	(2,264)	(2,650)	(2,637)	(1,521)	1,128	-42.6%	1,115	-42.3%
TSA Operating Grant and Other	(901)	(1,028)	(951)	(767)	262	-25.5%	185	-19.4%
<b>Rate Base Revenues</b>	<b>299,452</b>	<b>326,668</b>	<b>326,314</b>	<b>368,426</b>	<b>41,758</b>	<b>12.8%</b>	<b>42,112</b>	<b>12.9%</b>

**Aero Highlights (Change compared to 2018 Budget):**

- Operating Expenses increased by \$26.3M – significant year-over-year increases include:
  - Aero direct O&M increase of \$14.1M (of which a majority of the increases are driven by new non-recurring costs):
    - Payroll increase includes aeronautical share of 53.87 new airport FTE's added in the 2019 budget
    - ERL \$10.3M increase – Contaminated Soils & Asbestos – NSAT & IAF
    - Utilities expense increase
    - Outside Services Contract Increases – Advanced Planning for major projects, On-Call Planning, Customer Service Staffing Support and other related initiatives, and Pest Management
  - AV Divisional allocations increase of \$5.2M
  - Central Services allocations increase of \$7.0M:
    - Increased expenses from Police



- Debt Service up \$15.9M:
  - Debt Service increase due to new assets placed in service - completion of NSAT phase 1 \$6.1 M, Taxiway A,B,L,Q Improvement \$921K, Concourse D Hardstand Holdroom \$4.6M, Alternate Utility Facility \$1.5M, Restroom Upgrades Concourse B, C, D Phase 2, ASL Conversion at Checkpoints 2 and 3 \$247K, Holdroom Seating for B&C \$1M and GBAS Upgrade \$284K, and etc.
- Amortization (use of Airport Development Funds [ADF]) down \$2.3M:
  - Equity amortization decreases due to prior year change of ADF funded to bond funded projects - Decrease of Amortization in 2019 Budget due to \$1.8M of older assets fully amortized (PeopleSoft 9.1 Upgrade, FIDs and FIMs Software), charging errors of \$200K for project C800766 Conc. A, B, C Carpet Replacement which would be bond funded. Newly assets of \$254K of 2018 were added.
- Space vacancy - \$1.3M decrease due to expanding lounge space.

**Non-Aeronautical Business**

\$ in 000's	2016	2017	2018	2018	2019	Budget Change		Budget vs Forecast	
	Actual	Actual	Budget	Forecast	Budget	\$	%	\$	%
<b>Non-Aero Revenues</b>									
Rental Cars - Operations	37,082	35,051	35,294	35,974	36,455	1,161	3.3%	481	1.3%
Rental Cars - Operating CFC	12,122	10,641	15,563	15,339	13,624	(1,939)	-12.5%	(1,715)	-11.2%
Public Parking	69,540	75,106	78,572	79,634	82,350	3,778	4.8%	2,717	3.4%
Ground Transportation	12,803	15,684	16,884	17,718	19,734	2,850	16.9%	2,016	11.4%
Airport Dining & Retail & Leased Space	58,405	58,980	59,087	60,654	64,393	5,306	9.0%	3,739	6.2%
Commercial Properties	9,992	18,042	14,706	14,891	14,219	(487)	-3.3%	(672)	-4.5%
Utilities	7,233	7,018	7,556	7,317	8,058	502	6.6%	741	10.1%
Employee Parking	9,329	9,617	9,457	10,214	10,134	677	7.2%	(80)	-0.8%
Clubs and Lounges	3,028	5,041	5,630	5,630	8,520	2,890	51.3%	2,890	51.3%
Other	1,487	1,624	2,036	1,966	2,049	12	0.6%	82	4.2%
<b>Total Non-Aero Revenues</b>	<b>221,021</b>	<b>236,803</b>	<b>244,786</b>	<b>249,337</b>	<b>259,537</b>	<b>14,751</b>	<b>6.0%</b>	<b>10,199</b>	<b>4.1%</b>
<b>Total Non-Aero Expenses</b>	<b>92,294</b>	<b>103,702</b>	<b>117,925</b>	<b>116,922</b>	<b>122,899</b>	<b>4,974</b>	<b>4.2%</b>	<b>5,978</b>	<b>5.1%</b>
<b>Net Operating Income</b>	<b>128,727</b>	<b>133,101</b>	<b>126,861</b>	<b>132,416</b>	<b>136,637</b>	<b>9,776</b>	<b>7.7%</b>	<b>4,222</b>	<b>3.2%</b>
Less: CFC Surplus	(4,899)	(2,750)	(7,142)	(6,810)	(3,993)	(3,149)	-44.1%	(2,817)	-41.4%
<b>Adjusted Non-Aero NOI</b>	<b>123,828</b>	<b>130,351</b>	<b>119,719</b>	<b>125,605</b>	<b>132,644</b>	<b>12,925</b>	<b>10.8%</b>	<b>7,039</b>	<b>5.6%</b>
Debt Service	(43,984)	(44,495)	(45,752)	(45,105)	(49,352)	3,600	7.9%	4,248	9.4%
<b>Net Cash Flow</b>	<b>79,844</b>	<b>85,856</b>	<b>73,967</b>	<b>80,501</b>	<b>83,292</b>	<b>9,325</b>	<b>12.6%</b>	<b>2,791</b>	<b>3.5%</b>

**Non-Aero Highlights (Change compared to 2018 Budget):**

- Operating Revenue increased by \$14.8M – 2019 Budget anticipates growth across most of the non-airline business units due to growing passenger volumes and an improving local economy.
  - Strong growth in public parking, ground transportation, clubs & lounges, and airport dining & retail/terminal leased space, are partially offset by a slight decline in Rental Car activity.
- Operating Expenses up \$5.0M – significant year-over-year increases include:
  - Payroll increase includes non-aero share of 54 new airport FTE's added in the 2019 budget.
  - Non-Aero share of utilities expense increases.
  - Costs related to non-aero revenue growth such as increased utilization of Port-owned airport lounges and the implementation of new parking pre-booking program in 2019.
  - Customer Service initiatives such as seasonal customer service staff, taxi curbside management assumed by the airport in mid-2018, and expanded curbside assistance coverage for the rental car bussing operation.
  - Non-Aero share of SAMP-related planning & environmental review costs.
  - Central Services allocations decreased due to non-aero share of lower charges from AV PMG in the Capital Development group, partially offset by increased allocations from Police and other Central Services departments.

**Non-Aeronautical Key Indicators**

	2016	2017	2018	2018	2019	Budget Change		Budget vs Forecast	
	Actual	Actual	Budget	Forecast	Budget	\$	%	\$	%
<b>Non Aero Revenues per Enplanement</b>									
Rental Cars - Operations	1.63	1.50	1.43	1.46	1.44	0.00	0.3%	(0.02)	-1.6%
Rental Cars - Operating CFC	0.53	0.45	0.63	0.62	0.54	(0.09)	-15.0%	(0.09)	-13.8%
Public Parking	3.05	3.21	3.19	3.23	3.24	0.06	1.8%	0.01	0.4%
Ground Transportation	0.56	0.67	0.68	0.72	0.78	0.09	13.5%	0.06	8.1%
Airport Dining & Retail & Leased Space	2.56	2.52	2.40	2.46	2.54	0.14	5.8%	0.08	3.1%
Commercial Properties	0.44	0.77	0.60	0.60	0.56	(0.04)	-6.1%	(0.04)	-7.3%
Utilities	0.32	0.30	0.31	0.30	0.32	0.01	3.5%	0.02	6.9%
Employee Parking	0.41	0.41	0.38	0.41	0.40	0.02	4.0%	(0.02)	-3.7%
Clubs and Lounges	0.13	0.22	0.23	0.23	0.34	0.11	46.9%	0.11	46.9%
Other	0.07	0.07	0.08	0.08	0.08	(0.00)	-2.3%	0.00	1.1%
<b>Total Revenue per Enplanement</b>	<b>9.70</b>	<b>10.11</b>	<b>9.93</b>	<b>10.11</b>	<b>10.22</b>	<b>0.29</b>	<b>2.9%</b>	<b>0.11</b>	<b>1.1%</b>
<b>ADR Sales per Enplanement</b>	<b>12.98</b>	<b>13.12</b>	<b>12.76</b>	<b>\$12.92</b>	<b>13.12</b>	<b>0.35</b>	<b>2.8%</b>	<b>0.20</b>	<b>1.5%</b>

**OPERATING BUDGET SUMMARY**

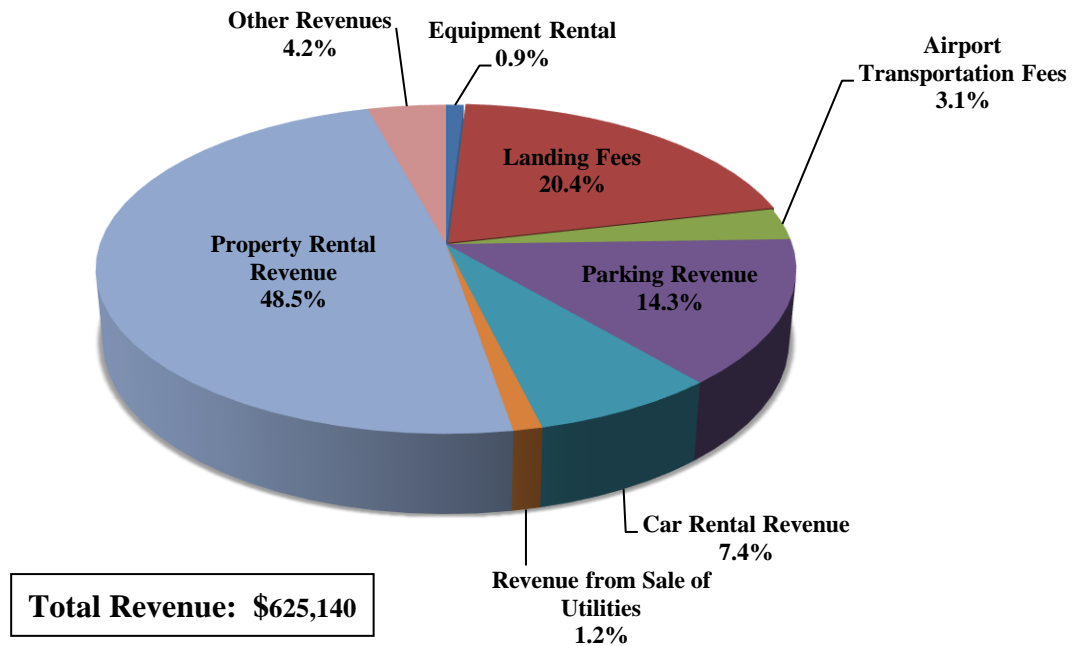
**TABLE IV-4: REVENUE BY ACCOUNT**

(\$ in 000's)	<b>2017 Actual</b>	<b>2018 Budget</b>	<b>2019 Budget</b>	<b>% Change 2019 Bud- 2018 Bud</b>
<b>Revenue by Account</b>				
<b><u>Operating Revenue</u></b>				
Equipment Rental	\$3,994	\$3,995	\$5,879	47.2%
Landing Fees	105,725	122,790	127,790	4.1%
Airport Transportation Fees	15,381	16,670	19,520	17.1%
Parking Revenue	81,584	84,810	89,266	5.3%
Rental Car Revenues	41,992	47,071	46,291	-1.7%
Revenue from Sale of Utilities	6,409	6,784	7,315	7.8%
Property Rental Revenue	219,473	240,032	302,901	26.2%
Other Revenues	30,127	23,715	26,179	10.4%
SLOA III Incentive Straight Line Adjustment	(3,576)	-	-	-
<b>Total Operating Revenue</b>	<b>\$501,108</b>	<b>\$545,867</b>	<b>\$625,140</b>	<b>14.5%</b>

avbud.xls

**FIGURE IV-3: AVIATION DIVISION REVENUE BY ACCOUNT**

(\$ in 000's)



**TABLE IV-5: OPERATING & MAINTANENCE EXPENSES BY ACCOUNT**

(in 000's)					
Expense by Account	Notes	2017 Actual	2018 Budget	2019 Budget	% Change 2019 Bud-2018 Bud
Salaries, Wages, Benefits & Worker's Comp		\$ 113,121	\$ 129,088	\$ 137,875	6.8%
Equipment Expense		6,593	3,369	3,799	12.8%
Utilities		16,433	17,320	20,236	16.8%
Supplies & Stock		6,984	5,403	5,409	0.1%
Outside Services		40,379	48,504	58,017	19.6%
Travel & Other Employee Expenses		1,613	1,909	2,280	19.4%
Promotional Expenses		781	1,265	1,577	24.7%
Other Expenses		15,501	11,363	13,146	15.7%
<b>Total O&amp;M without Environmental</b>		<b>201,406</b>	<b>218,221</b>	<b>242,338</b>	<b>11.1%</b>
Environmental Remediation Liability Expense		8,812	4,030	14,259	253.8%
<b>Total O&amp;M with Environmental</b>		<b>210,218</b>	<b>222,251</b>	<b>256,598</b>	<b>15.5%</b>
Charges to Capital/Govt/Envrs Projects		(3,891)	(5,168)	(6,683)	29.3%
<b>Total Operating Expense</b>	1	<b>\$ 206,327</b>	<b>\$ 217,083</b>	<b>\$ 249,914</b>	<b>15.1%</b>

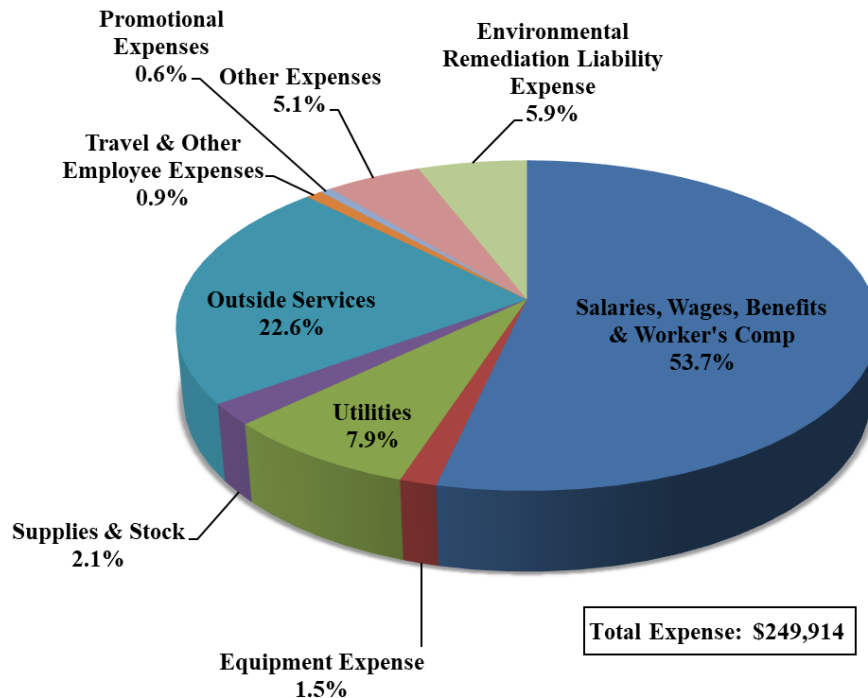
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Note:

1) Tables IV-5 & IV-6 differ from Table IV-2, in that they include only Aviation departments. Central Service departments which are fully charged to the airport or partially allocated to the airport are included in Operating Expenses shown on Table IV-2, but are not reflected in Operating Expenses on Tables IV-5 & IV-6.

**FIGURE IV-4: AVIATION DIVISION EXPENSE BY ACCOUNT**

(\$ in 000's)



**TABLE IV-6: REVENUE AND EXPENSE BY BUSINESS GROUP/DEPARTMENT**

AVIATION DIVISION	(in 000's) Notes	2017 Actual	2018 Budget	2019 Budget	% Change 2019 Bud - 2018 Bud
<b>OPERATING REVENUES</b>					
<u>AIRLINE REVENUES</u>					
Movement Area		108,631	125,422	130,873	4.3%
Apron Area		16,799	15,979	19,714	23.4%
Terminal Rents		155,404	171,854	203,319	18.3%
Federal Inspection Services (FIS)		18,587	13,413	14,521	8.3%
<b>Subtotal Rate Base Revenues</b>		<b>299,421</b>	<b>326,668</b>	<b>368,426</b>	<b>12.8%</b>
Commercial Area		10,574	10,212	12,859	25.9%
<b>Subtotal Airline Revenues before Revenue Sharing</b>		<b>309,995</b>	<b>336,880</b>	<b>381,286</b>	<b>13.2%</b>
Revenue Sharing		(42,329)	(35,799)	(15,682)	-56.2%
<b>Total Airline Revenues</b>		<b>267,666</b>	<b>301,082</b>	<b>365,604</b>	<b>21.4%</b>
<b>SLOA III Incentive Straight Line Adj.</b>		<b>(3,576)</b>	-	-	n/a
<u>NON-AIRLINE REVENUES</u>					
Public Parking		75,106	78,572	82,350	4.8%
Rental Cars		45,691	50,857	50,079	-1.5%
Ground Transportation		15,684	16,884	19,734	16.9%
Airport Dining & Retail		54,611	54,759	59,484	8.6%
Utilities		7,018	7,556	8,058	6.6%
Other		38,907	36,159	39,831	10.2%
<b>Total Non-Airline Revenues</b>		<b>237,018</b>	<b>244,786</b>	<b>259,537</b>	<b>6.0%</b>
<b>Total Operating Revenues</b>		<b>501,108</b>	<b>545,867</b>	<b>625,140</b>	<b>14.5%</b>
					BDA VREEX.xls

AVIATION DIVISION	(in 000's) Notes	2017 Actual	2018 Budget	2019 Budget	2019 Bud - 2018 Bud
<b><u>EXPENSES BEFORE CHARGES TO CAP/GOVT/ENVRs PROJECTS</u></b>					
<b><u>BUSINESS UNITS</u></b>					
Airport Operations		38,310	42,512	45,446	6.9%
Airport Operations excluding Airline Realignment		38,207	42,512	45,446	6.9%
Airline Realignment		104	-	-	n/a
Commercial Management		14,799	14,256	13,018	-8.7%
Utilities		17,825	19,059	22,704	19.1%
<b>Business Units</b>		<b>70,934</b>	<b>75,827</b>	<b>81,168</b>	<b>7.0%</b>
<b><u>AVIATION SERVICES</u></b>					
Aviation Director's Office		2,361	1,597	1,804	13.0%
Capital Development		1,500	3,150	4,597	45.9%
Airport Innovation		-	787	1,112	41.2%
Division Contingency		-	-	-	n/a
Fire Department		15,050	16,504	18,163	10.1%
Aviation Planning		3,688	5,067	6,598	30.2%
Customer Service		758	1,144	8,072	605.8%
Airport Security		14,885	19,073	18,717	-1.9%
<b>Aviation Services</b>		<b>38,242</b>	<b>47,322</b>	<b>59,062</b>	<b>24.8%</b>
<b><u>AVIATION FACILITIES</u></b>					
AV Facilities & Infrastructure		4,083	5,722	8,414	47.1%
Aviation Signage		505	549	677	23.3%
Airport Building Department		922	1,586	1,619	2.0%
Aviation Maintenance		80,208	85,375	89,190	4.5%
<b>Aviation Facilities</b>		<b>85,718</b>	<b>93,232</b>	<b>99,899</b>	<b>7.2%</b>
Aviation Risks Expense		3,811	1,841	2,209	20.0%
Aviation Environmental Remediation Liability		8,812	4,030	14,259	253.8%
Aviation Capital to Expense		2,701	-	-	n/a
<b>Total Expenses Before Charges to Cap/Govt/Envrs Projects</b>		<b>210,218</b>	<b>222,251</b>	<b>256,598</b>	<b>15.5%</b>
<b><u>CHARGES TO CAPITAL/GOVT /ENVRs PROJECTS</u></b>					
		<b>(3,891)</b>	<b>(5,168)</b>	<b>(6,683)</b>	<b>29.3%</b>
<b><u>EXPENSES AFTER CHARGES TO CAP/GOVT/ENVRs PROJECTS</u></b>					
<b><u>BUSINESS UNITS</u></b>					
Airport Operations		37,977	42,512	45,446	6.9%
Airport Operations excluding Airline Realignment		37,873	42,512	45,446	6.9%
Airline Realignment		104	-	-	n/a
Commercial Management		14,799	14,256	13,018	-8.7%
Utilities		17,823	19,059	22,704	19.1%
<b>Business Units</b>		<b>70,599</b>	<b>75,827</b>	<b>81,168</b>	<b>7.0%</b>
<b><u>AVIATION SERVICES</u></b>					
Aviation Director's Office		2,361	1,597	1,804	13.0%
Capital Development		1,408	3,150	3,365	6.8%
Airport Innovation		-	787	1,112	41.2%
Division Contingency		-	-	-	n/a
Fire Department		14,920	15,945	17,596	10.4%
Aviation Planning		3,688	5,067	6,598	30.2%
Customer Service		758	1,144	8,072	605.8%
Airport Security		14,603	17,642	18,082	2.5%
<b>Aviation Services</b>		<b>37,738</b>	<b>45,333</b>	<b>56,629</b>	<b>24.9%</b>
<b><u>AVIATION FACILITIES</u></b>					
AV Facilities & Infrastructure		3,277	4,722	7,486	58.5%
Aviation Signage		483	509	636	24.8%
Airport Building Department		371	1,039	1,123	8.1%
Aviation Maintenance		78,381	83,782	86,404	3.1%
<b>Aviation Facilities</b>		<b>82,511</b>	<b>90,052</b>	<b>95,649</b>	<b>6.2%</b>
<b>Aviation Operating &amp; Maintenance Expense</b>		<b>190,848</b>	<b>211,212</b>	<b>233,446</b>	<b>10.5%</b>
Aviation Risks Expense		3,811	1,841	2,209	20.0%
Aviation Environmental Remediation Liability		8,812	4,030	14,259	253.8%
Aviation Capital to Expense		2,856	-	-	n/a
<b>Total Operating Expense</b>		<b>206,327</b>	<b>217,083</b>	<b>249,914</b>	<b>15.1%</b>

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**E. STAFFING**

Table IV-7 outlines the full-time equivalent staffing (FTEs) for the Aviation division. The Aviation 2019 Budget is based on 1,105.8 FTEs, which is 6.3% higher than the 2018 Budget.

**TABLE IV-7: AVIATION DIVISION STAFFING**

<b>STAFFING</b> (Full-Time Equivalent Positions)					
<b>BUSINESS GROUP/DEPARTMENT</b>	<b>2017 Actual</b>	<b>2018 Budget</b>	<b>2018 Est. Act.</b>	<b>2019 Budget</b>	<b>% Change 2019 Bud vs 2018 Bud</b>
<b><u>AIRPORT OPERATIONS</u></b>					
Aeronautical Business Group	100.8	106.8	77.8	86.8	-18.7%
Landside Business Group	141.1	146.1	145.1	148.1	1.4%
<b>Airport Operations</b>	<b>241.9</b>	<b>252.9</b>	<b>222.9</b>	<b>234.9</b>	<b>-7.1%</b>
<b><u>COMMERCIAL MANAGEMENT</u></b>					
Aviation Properties	11.5	11.5	11.5	12.5	8.7%
Airport Dining & Retail	8.5	8.5	8.5	9.5	11.8%
AV Commercial Management	2.3	3.3	3.3	3.3	0.0%
Parking Revenue Management	2.0	2.0	2.0	3.0	50.0%
AV Commercial Mgmt & Analysis	2.0	2.0	2.0	2.0	0.0%
Airport Office Building Mgmt	8.4	9.4	9.4	9.5	1.3%
Utilities	3.0	4.0	4.0	4.0	0.0%
<b>Commercial Management</b>	<b>37.6</b>	<b>40.6</b>	<b>40.6</b>	<b>43.7</b>	<b>7.7%</b>
<b><u>AVIATION SERVICES</u></b>					
Airport Director's Office	5.0	5.0	6.0	6.5	30.0%
Customer Service		1.0	32.3	46.3	4525.0%
Airport Innovation		2.0	4.0	4.0	100.0%
Capital Dev Prog Mgmt	6.0	7.0	7.0	7.0	0.0%
Fire Department	88.5	90.5	90.5	99.5	9.9%
Planning	5.0	5.5	5.5	5.5	0.0%
Airport Security	184.3	202.3	210.0	210.5	4.1%
Maintenance	380.0	396.0	396.0	409.0	3.3%
<b>Total Aviation Services</b>	<b>668.8</b>	<b>709.3</b>	<b>751.3</b>	<b>788.3</b>	<b>11.1%</b>
<b><u>FACILITIES</u></b>					
Facilities & Infrastructure	23.0	25.8	24.8	26.0	1.0%
AV Signage	4.0	4.0	4.0	5.0	25.0%
Aviation Building Department	8.0	8.0	8.0	8.0	0.0%
<b>Total Facilities</b>	<b>35.0</b>	<b>37.8</b>	<b>36.8</b>	<b>39.0</b>	<b>3.3%</b>
<b>TOTAL AVIATION DIVISION</b>	<b>983.2</b>	<b>1,040.4</b>	<b>1,051.4</b>	<b>1,105.8</b>	<b>6.3%</b>

FTE.XLS

The table below summarizes the movement of FTEs within the Aviation division during 2018, transfers from Central Services division, and reflects incremental new FTEs added after the 2018 Budget was approved. The staffing changes reflected below are included in the estimated staffing level for year-end 2018 of 1,051.4 FTEs.

<b>Change in Aviation FTEs during 2018</b>	<b>FTEs</b>
<b>Emergency Preparedness FTE's</b>	<b>3.00</b>
Emergency Preparedness positions transferred to Aviation from Central Services	3.00
<b>Airport Operations FTE's</b>	<b>(2.00)</b>
Airfield positions transferred out to new ORAT function	(2.00)
<b>Terminal Operations FTE's</b>	<b>(14.00)</b>
Position transferred into Terminal from Landside	1.00
ORAT position transferred in from Airfield Operations	2.00
Positions transferred out to new Customer Service function	(17.00)
<b>Landside FTE's</b>	<b>(1.00)</b>
Positions transferred out to Terminal Operations	(1.00)
<b>Facilities &amp; Infrastructure FTE's</b>	<b>(1.00)</b>
Art Program Manager - transferred to ADO	(1.00)
<b>Customer Service FTE's</b>	<b>24.00</b>
Positions transferred into to new Customer Service function	17.00
Admin Assistant - mid-year addition	1.00
Lost & Found staffing - mid-year addition	6.00
<b>Airport Directors Office FTE's</b>	<b>2.00</b>
Sr. Art Program Manager - mid-year addition	1.00
Art Program Manager - transferred from Facilities	1.00
<b>Incremental Change in Aviation FTEs during 2018:</b>	<b>11.00</b>



**Full-Time Equivalent Staff Positions (FTEs)**

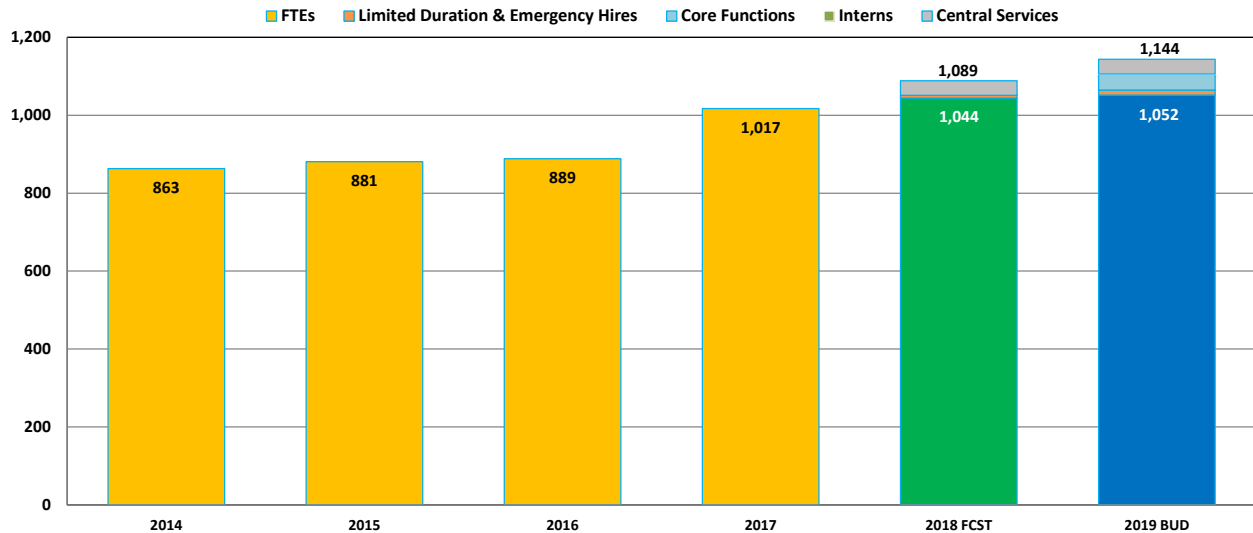
<b>2019 Proposed Budget FTEs</b>	<b>FTEs</b>	<b>%</b>
<b>2018 Approved Budget</b>	<b>1040.41</b>	
Lost & Found Staffing (LTD) - mid-year addition	6.00	
Senior Art Program Manager (LTD) - mid-year addition	1.00	
Customer Service Admin Assistant - mid-year addition	1.00	
Emergency Preparedness FTEs - transferred from Central Services	3.00	
<b>2018 Adjusted Baseline</b>	<b>1,051.41</b>	<b>1.1%</b>
<b>Proposed New FTEs in 2019 Budget:</b>		
<b>Limited Duration FTE's</b>	<b>5.00</b>	<b>0.5%</b>
ORAT positions (LTD)	4.00	
Rodent Control Specialist (LTD)	1.00	
<b>Emergency Hire FTE's</b>	<b>8.00</b>	<b>0.8%</b>
Pathfinders (EH)	8.00	
<b>New FTE's for Core Airport functions:</b>	<b>40.12</b>	<b>3.9%</b>
Landside FTE's	3.00	
Commercial Management FTE's	3.12	
Airport Operations FTE's	1.00	
Terminal Operations FTE's	3.00	
Capital Development/Facilities & Infrastructure FTE's	2.00	
Customer Service FTE's	6.00	
Maintenance FTE's	13.00	
Fire Department FTE's	9.00	
<b>New Intern FTE's - College/Graduate</b>	<b>1.25</b>	<b>0.1%</b>
<b>Proposed Increase in 2019 Budget FTEs</b>	<b>54.37</b>	<b>5.2%</b>
<b>2019 Budget Proposed FTEs</b>	<b>1,105.78</b>	<b>6.3%</b>
plus: Central Services FTE's direct charged 100% to airport	37.75	
<b>2019 Budget FTE's - in Aviation division budget</b>	<b>1,143.53</b>	

Note: percent changes compared to 2018 Approved Budget

The table below provides a detailed listing of the new FTEs by department for new positions added in the 2019 Budget.

<b>2019 Proposed Budget FTEs</b>	<b>FTEs</b>
<b>Airport Operations FTE's</b>	<b>6.00</b>
Airport Duty Manager - Airfield	1.00
Rodent Control Specialist (LTD)	1.00
ORAT positions (LTD)	4.00
<b>Terminal Operations FTE's</b>	<b>3.00</b>
SMS Specialist	1.00
Airline Scheduling Coordinator	1.00
Terminal Development Project Manager	1.00
<b>Landside FTE's</b>	<b>3.00</b>
Landside Supervisor	1.00
Employee Parking Bus Driver	1.00
Public Parking Cashier	1.00
<b>Commercial Management FTE's</b>	<b>3.12</b>
Property Manager	1.00
ADR Business Manager-Small Business Initiative	1.00
Public Parking Yield Management Analyst	1.00
On-call Mail Messenger	0.12
<b>Fire Department FTE's</b>	<b>9.00</b>
Firefighters	8.00
Admin Assistant	1.00
<b>Emergency Preparedness FTE's</b>	<b>0.50</b>
Graduate intern	0.50
<b>Facilities &amp; Infrastructure FTE's</b>	<b>2.25</b>
Senior Engineer, Civil	1.00
Signage Graphics Specialist	1.00
College intern	0.25
<b>Customer Service FTE's</b>	<b>14.00</b>
Volunteer Coordinator	1.00
Pathfinders	4.00
Pathfinders (EH)	8.00
Customer Communications Specialist	1.00
<b>Maintenance FTE's</b>	<b>13.00</b>
Asset Management Analyst	1.00
Bus & Automotive Mechanic	1.00
Field Crew - Parking Garage	1.00
Electronic Technicians	2.00
Wireman for Utility Metering	2.00
Operating Engineer - Boiler Room	1.00
Operating Engineer - Boiler Room/Capital Projects	1.00
Operating Engineer - Conveyor Systems	1.00
Operating Engineer - Passenger Loading Bridges	2.00
Custodial Shift Supervisor/QA Technican	1.00
<b>Airport Directors Office FTE's</b>	<b>0.50</b>
Graduate intern	0.25
College intern	0.25
<b>2019 Proposed New FTEs:</b>	<b>54.37</b>

The graph below reflects total airport FTEs (including FTEs from Central Services that direct charge 100% to the airport). For this view, the 2019 Budget increased by 54.87 new FTEs compared to the prior year budget (54.37 new FTEs in Aviation departments and 0.5 new FTEs in a Central Services department that direct charges 100% to the airport).



## F. CAPITAL BUDGET

The business assessment at the beginning of this section provides the context for the following capital budget for the Aviation Division.

The Aviation Division’s capital plan for 2019 – 2023 calls for spending of \$2.7 billion. Three major projects account for \$1.2 billion of the spending: North Satellite Renovation & North Satellite Transit Station Lobbies, Baggage Recapitalization/Optimization, and the International Arrivals Facility. Seven projects, totaling \$70.1 million of spending through 2023, were proposed for inclusion as “business plan prospective.” A total of \$250.7 million is included for the preliminary planning and design of the Sustainable Airport Master Plan (SAMP). A total of \$295 million remains in the Allowance Capital Improvement Projects (CIPs), which is undesignated future spending that will account for undefined future projects or budget increases to existing projects.

### Links to Century Agenda:

Included in the capital budget are the following projects that directly support the Century Agenda:

1. Make Sea-Tac Airport the west coast “Gateway of Choice” for international travel and double the number of international flights and destinations.
  - South Satellite Interior Renovations
  - New International Arrivals Facility
2. Meet the region’s air transportation needs for the next 25 years.
  - Baggage Recapitalization/Optimization
  - Expand North Satellite to add gates
3. Meet all increased energy needs through conservation and renewable sources.
  - Alternate Utility Facility
  - North Terminals Utilities Upgrade
  - Main Terminal Low Voltage Systems Upgrade
  - Utility Meter Networking

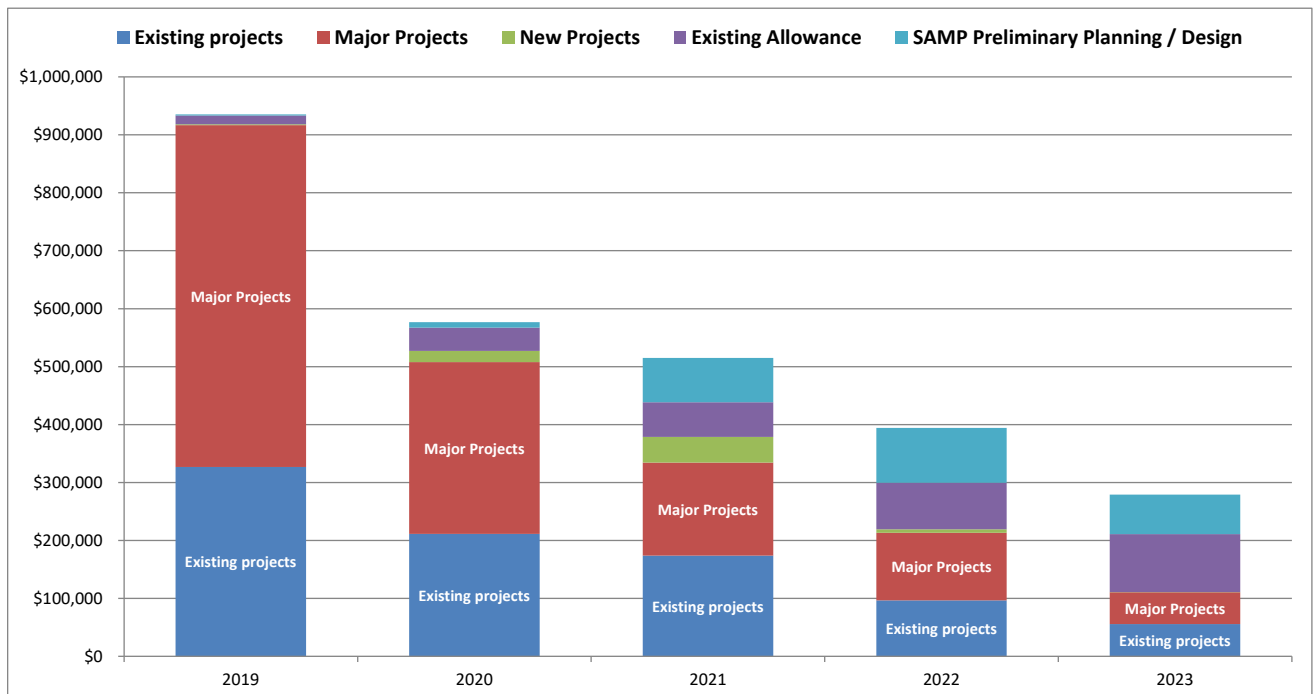
4. Meet or Exceed Agency Requirements for Storm Water.
  - International Waste System (IWS) Segregation Meters
  - Concourse B, IWS Upgrade
5. Reduce air pollutants and carbon emissions.
  - Pre-conditioned Air Project
  - Electrical Ground Service Infrastructure and Charging Stations

**Summary by Category:**

	2018 FCST	Cash Flows (Figures in \$000s)					2019 - 23 TOTAL
		2019	2020	2021	2022	2023	
<b>Three Major Projects</b>							
International Arrivals Facility	239,277	410,752	123,104	5,217	-	-	539,073
NSAT	131,716	129,034	123,514	105,470	61,520	-	419,538
Baggage Optimization	38,009	50,000	50,000	50,000	55,000	55,000	260,000
Subtotal - Major Projects	409,002	589,786	296,618	160,687	116,520	55,000	1,218,611
<b>Other Existing Projects</b>	206,552	326,895	211,104	173,786	96,447	55,658	863,890
<b>Proposed New Projects</b>	-	1,773	19,354	44,087	6,391	210	71,815
<b>SAMP Preliminary Planning / Design</b>	-	2,000	9,500	76,500	94,750	68,000	250,750
<b>Allowance CIPs</b>	2,000	15,000	40,000	60,000	80,000	100,000	295,000
<b>Total Proposed CIP</b>	<b>617,554</b>	<b>935,454</b>	<b>576,576</b>	<b>515,060</b>	<b>394,108</b>	<b>278,868</b>	<b>2,700,066</b>

- Three major projects account for \$1.2 billion.
- Proposing 7 projects totaling \$72 million spending through 2023.
- Budget includes place-holder spending for undefined future projects (called “Allowance CIPs”): \$295 million.
- Proposing SAMP preliminary planning/design spending of \$251M through 2023 (\$300M total).
- Besides preliminary planning/design funds, budget does not include potential projects to be identified by Sustainable Airport Master Plan (SAMP).

**Summary by Category Chart (in \$000s):**



**Major Projects:**

Major Projects	CIP	2018 FCST	Cash Flows (Figures in \$000s)					2019 - 23 TOTAL
			2019	2020	2021	2022	2023	
<b>Authorized</b>								
International Arrivals Fac-IAF	C800583	239,277	410,752	123,104	5,217	-	-	539,073
NS NSAT Renov NSTS Lobbies	C800556	131,716	129,034	123,514	105,470	61,520	-	419,538
Checked Bag Recap/Optimization	C800612	38,009	50,000	50,000	50,000	55,000	55,000	260,000
MT Low Voltage Sys Upgrade	C800061	153	4,000	5,000	14,500	18,100	19,200	60,800
SSAT Infrastructure HVAC	C800798	1,218	22,800	12,700	7,600	2,954	-	46,054
Restroom Upgrades Conc B, C, D	C800697	2,982	12,000	13,500	2,636	794	-	28,930
Safedock Upgrade & Expansion	C800779	949	24,825	2,137	-	-	-	26,962
Other (105)		189,988	207,455	81,967	24,476	9,049	6,000	328,947
<b>Total - Authorized</b>		<b>604,292</b>	<b>860,866</b>	<b>411,922</b>	<b>209,899</b>	<b>147,417</b>	<b>80,200</b>	<b>1,710,304</b>
<b>Pending Authorization</b>								
Airfield Pvmnt Repl 2020-2024	C800930	50	175	11,013	13,997	15,594	12,977	53,756
C1 Building Floor Expansion*	C800845	600	1,000	10,000	20,000	10,000	8,400	49,400
Proposed New Projects	Multiple	-	1,773	19,354	44,087	6,391	210	71,815
SAMP Preliminary Planning / Design	Multiple	-	2,000	9,500	76,500	94,750	68,000	250,750
Allowance CIPs	Multiple	2,000	15,000	40,000	60,000	80,000	100,000	295,000
Other (50)		10,612	54,640	74,787	90,577	39,956	9,081	269,041
<b>Total - Pending Authorization</b>		<b>13,262</b>	<b>74,588</b>	<b>164,654</b>	<b>305,161</b>	<b>246,691</b>	<b>198,668</b>	<b>989,762</b>
<b>Grand Total</b>		<b>617,554</b>	<b>935,454</b>	<b>576,576</b>	<b>515,060</b>	<b>394,108</b>	<b>278,868</b>	<b>2,700,066</b>

\* Cash flows and budgets are preliminary and may substantially change

- Three major projects are shown in the top three lines. Spending for these four projects makes up 71% of the total spending for this category.

Descriptions of major projects:

- International Arrivals Facility: Build a new Federal Inspection Service (FIS) facility on the east side of Concourse A in order to expand capacity to process arriving international passengers.
- NS NSAT Renov NSTS Lobbies: Renovate/expand the North Satellite to address seismic concerns, upgrade HVAC and lighting, upgrade fixtures and add eight gates.
- Checked Baggage Recap/Optimization: Replace and reconfigure baggage screening equipment and operations to improve operational efficiency and increase capacity.
- South Satellite HVAC and Lighting Upgrade: This project will improve the effectiveness and reliability of the HVAC system for the SSAT, a terminal that has seen dramatic passenger growth. The additional HVAC capacity will also accommodate the expansion of Airport Dining and Retail (ADR), providing needed customer amenities.
- Restroom Upgrades Conc B, C, D: Renovate, enlarge and build new public restrooms on Concourses B, C, and D.
- Airfield Pavement Replacement: Provide budget for annual replacement of aging airfield pavement and joint seals.
- Safedock Expansion: This project improves safety on the airfield by installing Safedock Advanced Visual Docking Guidance Systems (A-VDGS) at all gates that otherwise would not have an A-VDGS units. A-VDGS units improve ramp safety by scanning the gate area and alerting pilots to obstacles in their docking path.
- C1 Building Floor Expansion: Construct three additional floors on top of the airport's C1 building to meet space needs for passenger restrooms, concessions, passenger lounges and other tenant offices.

**Proposed New Projects:**

# of Projects	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2019 - 23 TOTAL
			2019	2020	2021	2022	2023	
3	Asset Management	63,600	1,311	18,570	39,963	3,546	210	63,600
2	Capacity / Facility Challenges	4,800	239	388	2,291	1,882	-	4,800
1	Cargo	900	73	206	621	-	-	900
1	Grow Non-Aero Revenue	2,515	150	190	1,212	963	-	2,515
7	<b>TOTAL</b>	<b>71,815</b>	<b>1,773</b>	<b>19,354</b>	<b>44,087</b>	<b>6,391</b>	<b>210</b>	<b>71,815</b>

- A total of 45 projects were submitted to the Aviation Investment Committee for approval; 7 were approved.
- The proposed projects do not include projects that will come out of SAMP.

**I. Asset Management**

#	CIP	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2019 - 23 TOTAL
				2019	2020	2021	2022	2023	
1	C801036	Departure Drive Drainage	600	60	114	77	139	210	600
2	C801039	Elevator/Escalator Communication Cards	6,000	367	1,402	824	3,407	-	6,000
3	C801043	Upgrades STS Train Control	57,000	884	17,054	39,062	-	-	57,000
		<b>TOTAL</b>	<b>63,600</b>	<b>1,311</b>	<b>18,570</b>	<b>39,963</b>	<b>3,546</b>	<b>210</b>	<b>63,600</b>

1. Departure Drive Drainage: This project rehabilitates a portion of the Departures Drive storm water drainage system. The drainage system has failed along the south end of the upper drive (in the vicinity of the Gina Marie Lindsey Arrivals Hall). The existing catch basins and drainage pipes are plugged and all storm water currently leaks through the pavement expansion joints and discharges onto rental car shuttle passengers standing on the lower drive.
2. Elevator/Escalator Communication Cards: The elevator/escalator lift monitoring system provides real time information on the status of the 174 elevators, escalators, and moving walk ways. The serial devices that communicate this information for 56 of the elevators, escalators and moving walkways are obsolete and need to be replaced. These serial devices will also be relocated in order to provide required accessibility
3. Upgrades STS Train Control: The Satellite Transit System (STS) is a critical piece of infrastructure that moves passengers from the main terminal to the satellite concourses. The Automatic Train Control and Communication Subsystem needs to be upgraded. The system was installed in 2003 and is the first generation of CITYFLO 650. The hardware is approaching the end of its useful life.

**II. Capacity and Facilities Challenges**

#	CIP	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2019 - 23 TOTAL
				2019	2020	2021	2022	2023	
1	C801030	Compactor Capacity	1,700	123	171	582	824	-	1,700
2	C801033	Consolidated Deicing Storage	3,100	116	217	1,709	1,058	-	3,100
		<b>TOTAL</b>	<b>4,800</b>	<b>239</b>	<b>388</b>	<b>2,291</b>	<b>1,882</b>	<b>-</b>	<b>4,800</b>

1. Compactor Capacity: This project will add four (two each recycle and trash) 30 yard compactors, with accompanying infrastructure (power, rails, access systems) at a location at the north side of the airfield, and a second trash compactor adjacent to the recycle compactor at the Service Tunnel. This project provides requisite capacity for anticipated volume and redundancy at each of these locations. If a north-airfield compactor is being hauled, regardless of the hour of the day, another co-located compactor will be available. Similarly, the service tunnel trash compactor would have a backup, ensuring uninterrupted disposal capability.

2. Consolidated Deicing Storage: Consortium to build out consolidated storage facilities at two locations on airport property -Includes type I (2ea 40K gal at each location) and IV (12K gal each location), water tank, ability to fill at least two trucks at a time per facility, power, communications and diesel tanks for refueling trucks.

**III. Cargo**

#	CIP	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2019 - 23 TOTAL
				2019	2020	2021	2022	2023	
1	C801051	BT Properties AOA Connection	900	73	206	621	-	-	900
			900	73	206	621	-	-	900

1. BT Properties AOA Connection: The BT properties building is reverting to the Port at the end of 2018. The building is currently configured as a truck to truck operation and needs to be connected to the AOA to relieve demand for airside cargo/GSE maintenance.

**IV. Grow Non-Aero Revenue**

#	CIP	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2019 - 23 TOTAL
				2019	2020	2021	2022	2023	
1	C801055	Main Terminal Space Conversion	2,515	150	190	1,212	963	-	2,515
		TOTAL	2,515	150	190	1,212	963	-	2,515

1. Main Terminal Space Conversion: This project will convert several vacant and/or undeveloped spaces in the airport into leasable spaces. The spaces can then be used for Port functions, contractor offices/break rooms or can be leased to airport tenants for a variety of uses.

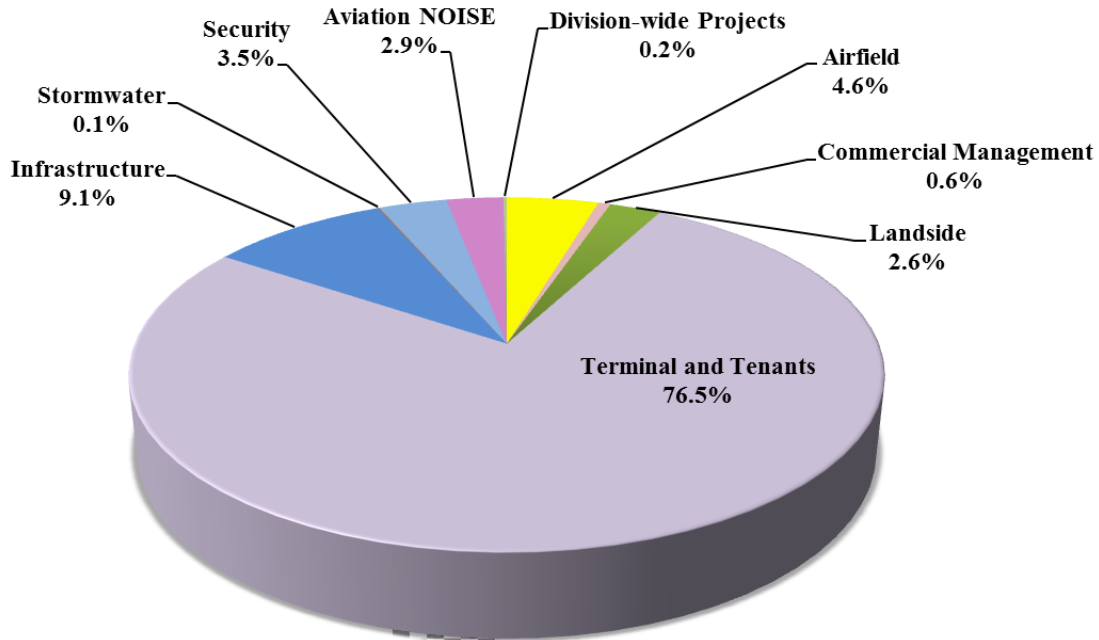
**TABLE IV-8: AVIATION CAPITAL BUDGET SUMMARY**

(\$ in 000's)	2019 Budget	2019-2023 CIP	% of 2019 Total Committed
<b>Committed Capital Projects</b>			
Airfield	\$39,986	\$51,140	4.6%
Commercial Management	5,350	7,760	0.6%
Landside	22,308	62,718	2.6%
Terminal and Tenants	657,777	1,372,667	76.5%
Infrastructure	78,139	183,784	9.1%
Stormwater	450	450	0.1%
Security	29,685	35,382	3.5%
Aviation NOISE	24,898	45,619	2.9%
Division-wide Projects	1,400	3,717	0.2%
<b>Total Committed</b>	<b>\$859,993</b>	<b>\$1,763,237</b>	<b>100.0%</b>
<b>Business Plan Prospective Projects</b>	<b>\$75,461</b>	<b>\$936,830</b>	
<b>Total CIP</b>	<b>\$935,454</b>	<b>\$2,700,067</b>	

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**FIGURE IV-5: AVIATION DIVISION COMMITTED CAPITAL BUDGET**

(In \$000s)



**Committed CIP Total Spending: \$859,993**



**G. AVIATION DIVISION OPERATING STATISTICS**

**TABLE IV-9: AVIATION DIVISION OPERATING STATISTICS**

Year	(1) Enplaned Passengers		(2) Total Landed Weight		(3) Air Cargo	
	Number	Growth	Pounds	Growth	Metric tons	Growth
2000	14,174	2.7%	23,051	-0.1%	456,920	2.9%
2001	13,506	-4.7%	22,178	-3.8%	401,535	-12.1%
2002	13,362	-1.1%	21,658	-2.3%	374,753	-6.7%
2003	13,356	0.0%	20,790	-4.0%	351,418	-6.2%
2004	14,364	7.6%	20,944	0.7%	347,517	-1.1%
2005	14,632	1.9%	20,186	-3.6%	338,591	-2.6%
2006	14,991	2.5%	20,362	0.9%	341,981	1.0%
2007	15,661	4.5%	21,014	3.2%	319,013	-6.7%
2008	16,085	2.7%	21,519	2.4%	290,205	-9.0%
2009	15,610	-3.0%	20,388	-5.3%	270,142	-6.9%
2010	15,773	1.0%	19,786	-3.0%	283,425	4.9%
2011	16,397	4.0%	20,123	1.7%	279,893	-1.2%
2012	16,597	1.2%	19,897	-1.1%	283,609	1.3%
2013	17,376	4.7%	20,949	5.3%	292,709	3.2%
2014	18,717	7.7%	22,505	7.4%	327,240	11.8%
2015	21,109	12.8%	24,757	10.0%	332,636	1.6%
2016	22,796	8.0%	27,118	9.5%	366,431	10.2%
2017	23,416	2.7%	28,267	4.2%	425,856	16.2%
2018 Budget	24,654	5.3%	29,203	3.3%	432,600	1.6%
2018 Forecast	24,654	5.3%	30,528	8.0%	434,500	2.0%
2019 Budget	25,394	3.0%	30,986	1.5%	447,500	3.0%
<b>Compound Growth</b>						
2007 - 2017		4.1%		3.0%		2.9%
2012 - 2017		7.1%		7.3%		8.5%

**Notes:**

- (1) Passengers in thousands
- (2) Weight in thousands
- (3) In Metric Tons

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## MARITIME DIVISION

### A. 2019 BUDGET SUMMARY

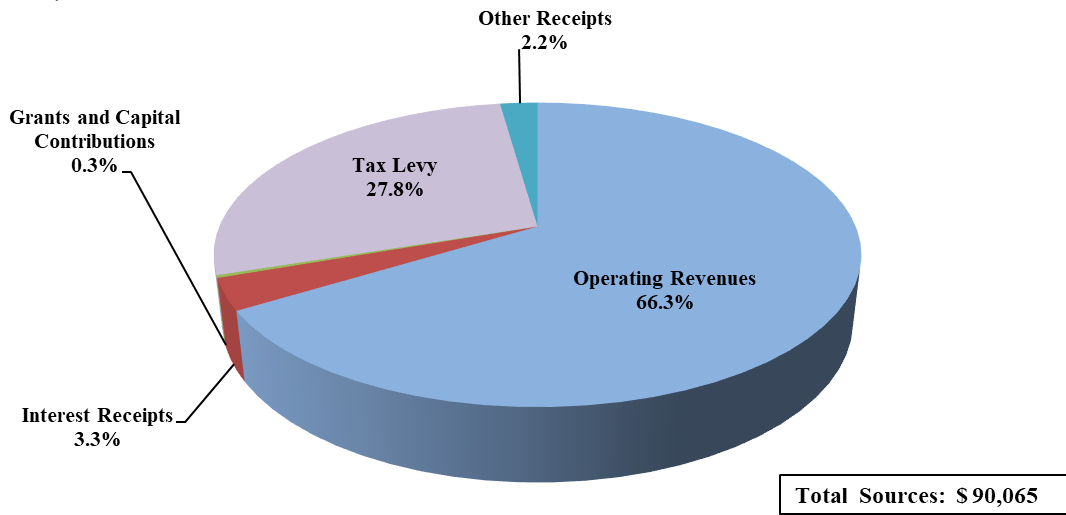
**TABLE V-1: 2019 CASH FLOW SUMMARY**

(\$ in 000's)	<u>2019</u>	<u>Percent of Total</u>
<b><u>SOURCES OF CASH</u></b>		
Operating Revenues	\$ 59,729	66.3%
Interest Receipts	3,015	3.3%
Proceeds from Bond Issues	-	0.0%
Grants and Capital Contributions	252	0.3%
Tax Levy	25,059	27.8%
Other Receipts	2,009	2.2%
<b>Total</b>	<b>\$ 90,065</b>	<b>100%</b>
<b><u>USES OF CASH</u></b>		
<b>Expenses from Operations:</b>		
Total Operating Expenses	50,822	49.3%
<b>Debt Service:</b>		
Interest Payments	2,105	2.0%
Bond Redemptions	9,692	9.4%
Total Debt Service	11,797	11.4%
Other Expenses	6,835	6.6%
Public Expense	150	0.1%
Capital Expenditures	33,455	32.5%
<b>Total</b>	<b>\$ 103,058</b>	<b>100%</b>

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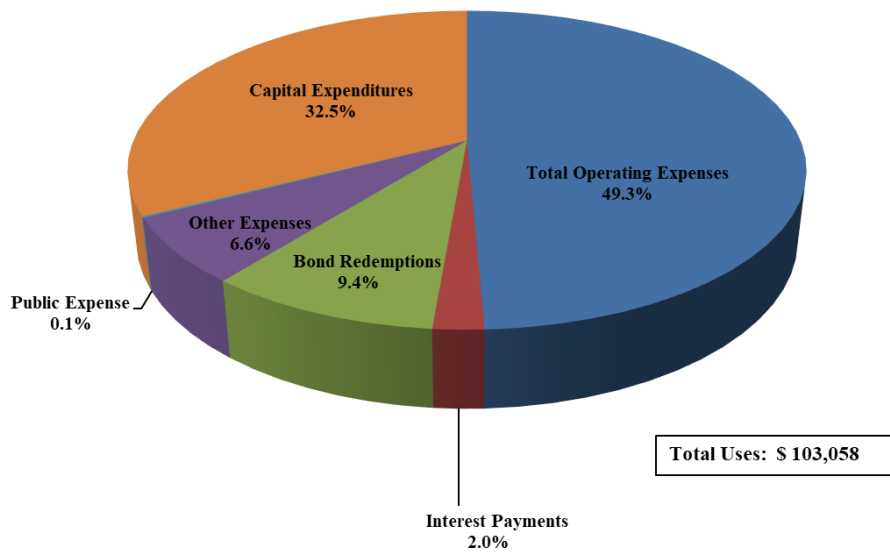
**FIGURE V-1: SOURCES OF CASH**

(\$ in 000's)



**FIGURE V-2: USES OF CASH**

(\$ in 000's)



**B. FINANCIAL FORECAST**

**TABLE V-2: FINANCIAL FORECAST**

(\$ in 000's)	Budget 2018	Budget 2019	Forecast				Compound Growth 2019 - 2023
			2020	2021	2022	2023	
<b>OPERATING BUDGET</b>							
Operating Revenue	\$ 55,053	\$ 59,729	\$ 63,834	\$ 66,932	\$ 70,198	\$ 73,664	5.4%
<b>Total Operating Revenues</b>	<b>55,053</b>	<b>59,729</b>	<b>63,834</b>	<b>66,932</b>	<b>70,198</b>	<b>73,664</b>	<b>5.4%</b>
<b>Total Operating &amp; Maintenance Expenses</b>	<b>49,578</b>	<b>50,822</b>	<b>51,516</b>	<b>53,280</b>	<b>55,106</b>	<b>56,997</b>	<b>2.9%</b>
<b>Net Operating Income Before Depreciation</b>	<b>5,475</b>	<b>8,908</b>	<b>12,318</b>	<b>13,652</b>	<b>15,092</b>	<b>16,667</b>	<b>17.0%</b>
Total Depreciation Expense	17,868	17,613					
<b>Net Operating Income After Depreciation</b>	<b>\$ (12,394)</b>	<b>\$ (8,705)</b>					<b>Total</b>
							<b>2019 - 2023</b>
<b>Committed Capital Budget</b>	\$ 49,410	\$ 28,105	\$ 29,465	\$ 16,853	\$ 1,813	\$ 1,636	\$ 77,872
<b>Business Plan Prospective</b>	5,580	5,350	40,950	131,000	8,900	6,800	193,000
<b>TOTAL CIP</b>	<b>\$ 54,990</b>	<b>\$ 33,455</b>	<b>\$ 70,415</b>	<b>\$147,853</b>	<b>\$ 10,713</b>	<b>\$ 8,436</b>	<b>\$ 270,872</b>

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Notes:

1) See Section IX for details of Capital Improvement Plan.

**C. MARITIME DIVISION**

**MISSION:**

Enrich our maritime legacy by leveraging our properties to create waterfront opportunities and grow maritime jobs in a financially and environmentally sustainable way.

**VISION:**

A vibrant working waterfront generating economic vitality for the region.

**MAJOR/NEW INITIATIVES:**

- Improve the customer experience.
  - Fund and construct Shilshole Bay Marina’s new bathrooms/lockers/laundry facility.
  - Align resources to streamline billing, reduce front desk wait time, and improve facility management at Shilshole Bay Marina.
  - Implement new vessel management software system to improve marina efficiency.
  - Expand Port Cruise Valet Service.
- Operationalize a habitat restoration line of business for Port owned waterfront areas.
- High Performance Organization: Deliver operational excellence and develop our employees.
  - Operational Excellence: Deliver safe, compliant operations and maintain port assets.
    - Integrate and optimize operations of the Maritime Division.
    - Implement operational and safety practices to achieve zero injuries.
  - Talent Development: Develop staff capabilities, bench strength and opportunities.
    - Identify and implement targeted training to increase employee capabilities.
    - Engage in succession planning program with Human Resources.
    - Develop and implement employee development plans and career paths.
  - Valued Communication: Provide information that is clear, concise and relevant.
    - Leverage technology to improve quality and efficiency of communications.
    - Develop and implement measures to improve Commission and public communications.

**DIVISION DESCRIPTION:**

Maritime Division is comprised of two major business groups: Cruise Development and Maritime Marketing, which consist of Cruise Operations and Maritime Marketing; and Recreational Marinas and Commercial Operations, which include Fishing and Operations, Maritime Operations, Recreational Boating, and Maritime Security. It also consists of several service groups which include Marine Maintenance, Maritime Habitat Initiatives, and the Stormwater Utility. The division is also supported by three Centers of Expertise: Environment and Sustainability, Finance and Budget, and Real Estate Management. These business and service groups are responsible for strategic planning, business and facility development, maritime security and the management and operations of maritime facilities including cruise, fishing, grain and multi-purpose terminals, commercial moorage, recreational marinas, and related properties.

The Maritime Division and its facilities serve a diverse mix of year-round and seasonal activities. From May through September, Smith Cove Cruise Terminal and Bell Harbor Cruise Terminal serve as homeports for cruise ships headed to Alaska. From October through May, Fishermen’s Terminal and Terminal 91, serve as homeports for the North Pacific fishing fleet and factory trawlers. Throughout the year, recreational boats are served at Bell Harbor Marina, Harbor Island Marina, Salmon Bay Marina, and Shilshole Bay Marina – the latter two being home to vibrant liveboard communities. The Maritime Division also operates the Maritime Industrial Center and leases Terminal 86, a fully automated grain terminal, along with other industrial properties connected with these maritime activities and businesses.

**INDUSTRY ASSESSMENT:**

**Cruise**

The global cruise market continues to grow with many lines increasing their focus in Asia and Australia. This market growth is supported by global fleet expansion with larger ships and new product innovations to meet the more sophisticated demands of consumers. There is significant growth in the demand for expedition cruising. The Alaskan cruise market remains strong with cruise lines deploying some of their best ships here in the Northwest. Seattle will welcome the Norwegian Joy and Royal Caribbean Ovation of the Seas in 2019.

**Fishing and Commercial Operations**

The Alaska commercial fishing industry remains strong with the Alaska fisheries recognized as the most successfully managed in the world. With sustainable fisheries in the Bering Sea, Bristol Bay, and Gulf of Alaska fisheries, the commercial fishing industry that homeports in Seattle remains stable. Commercial fishing companies are revitalizing their fleets by building new boats to replace aging fishing vessels. Although Alaska ports are working to build better infrastructure to support the small boat fleets, Puget Sound continues to be very attractive for off season moorage for all sizes of commercial boats due to better weather conditions conducive to working on boats. It also provides an established parts supply and maintenance service network.

The industry continues to adapt to an evolving regulatory environment, fishing industry consolidation and more limited marine terminal options. The North American Emissions Control Area (ECA) requires more stringent emission reductions for ocean going vessels operating within coastal waters. This places a higher burden of compliance on vessels transiting between Seattle and Alaska, when compared to vessels on transpacific voyages, because the entire voyage is within the ECA. In addition, ongoing consolidation of the commercial fishing fleet is driving changes in facilities and services to meet the needs of larger homeport operations. The availability of suitable and affordable marine terminals is growing increasingly scarce in the Northwest.

**Grain**

Terminal operator/tenant, Louis Dreyfus Company, is projecting grain volumes to be about 14% lower in 2019 due to the current political climate and tariffs that have been put in place.

## **Maritime Habitat Initiatives**

Demand for compensatory mitigation credits in the watershed, as well as Natural Resource Damage (NRD) credits in the Lower Duwamish River, is increasing due to tighter environmental regulations and pending claims. Large-scale dredging and cleanup projects such as the East Waterway and Lower Duwamish Waterway cleanups, as well as the Seattle Harbor Deepening, may likewise create new demand. Competition in the mitigation market is currently limited to two providers, Bluefield Holdings and King County Mitigation Reserves program.

## **Industrial Properties**

The Puget Sound Industrial Market is expected to continue to grow but at slightly slower pace in 2018 after a strong recovery in the past couple of years. As of the third quarter of 2018, total regional vacancy rate has fallen below 5%.

## **Recreational Boating**

The Recreational Boating industry continues to face such challenges as: the high cost of boats and boating, attracting younger generations, emerging environmental regulatory restrictions, and reduced access to water. Boating is primarily a middle-class lifestyle as 71.5% of American boat owners have a household income less than \$100,000.

Boaters are demanding upscale moorage facilities including high-end amenities, finishes, and architectural details with more customization, automation and personalization. Industry wide, the largest increases in revenues continue to be from in-water rentals (kayaks, paddle boards, etc.), boat rentals, restaurants, leased slips, fuel, and boat sales.

## **BUSINESS ASSESSMENT:**

### **Cruise**

Revenue passenger counts will increase again in 2019 due to larger vessels. The number of vessels for each homeport cruise line and the day of the week will remain the same. Based on continued surveys, the level of satisfaction for Seattle cruise passengers exceeds industry standards. Passengers surveyed express a strong desire to return to Seattle again in the future. The number of pre and post cruise passenger visits is steadily increasing in the region and the number of guests visiting Seattle for the day before heading to the airport increased with the success of the Port Valet Program.

### **Fishing and Commercial Operations**

Commercial fishing vessel moorage demand remains steady with annual occupancy over 80%, even with the majority of customers leaving to work in Alaska for various parts of the year. The small commercial fishing boats (less than 40 feet) market is most at risk due to the expense of operating a boat, owners retiring, and boats relocating. This loss of commercial fishing moorage business is somewhat offset by monthly moorage for smaller recreational vessels which do not require year round moorage.

The commercial property occupancy at both Fishermen's Terminal and the Maritime Industrial Center is 97%, slightly better than the industry wide average long-term occupancy rate of 96%. The main focus throughout 2019 will be to retain existing tenants and cultivate new revenue streams. Continuous efforts will be made in offering excellent customer service, increasing rental rate levels on renewals and accommodating space reductions, and expansions while improving space for quality tenants.

Dock and moorage assets at Fishermen's Terminal are all fairly new with the exception of the Northwest Dock, which is the oldest dock and now approaching thirty years old. Available shore power systems for the various sizes of boats set us apart from our competition.

The financial outlook is projected to be stable as staff continues to look at Fishermen's Terminal in an entrepreneurial fashion for revenue generating opportunities. Revenue gains are expected from an increased number of recreational vessels, while the recapitalization of the large vessel fishing fleet replaced old vessels with new ones, not necessarily adding vessels to their respective fleets. Moorage rates at the terminal for fishing and commercial vessels lead the market when compared to other Puget Sound public ports. Recreational vessel rates at the terminal are at market as compared to local marinas.

Fishing fleet homeport demand is expected to remain stable in 2019. Fishing, tug, and barge companies are making significant investments in vessel improvements and system upgrades. Other marine industrial moorage is expected to remain stable with moderate growth over time. The energy sector is driving change in maritime facilities as efforts continue in oil exploration in north Alaska and as liquefied natural gas (LNG) for marine vessels becomes more prevalent in our region.

### **Grain**

The Pier 86 Grain Terminal handles corn and soy beans from the upper Midwest states. Despite its age, the terminal is still competitive for handling these grain commodities. The overall market projection is strong and our terminal should remain competitive and productive for the long term.

### **Maritime Habitat Initiatives**

Interest in Port-provided compensatory mitigation and natural resource damage NRD credits grew in 2018 and is expected to continue to grow as maritime properties are redeveloped and NRD claims are pursued.

### **Industrial Properties**

Consistent with the regional figures discussed under the Industry Assessment, the forecast for the Seattle Close-In industrial market is for lease rates to remain steady, with slight upticks in rents possible. Demand for seaport industrial properties is expected to remain consistent. The Maritime Industrial Portfolio Management staff will continue to manage the industrial portfolio for the purpose of maximizing revenue by balancing rental rates (demand) with fluctuating supply to match the performance of the local Seattle Close-In market.

### **Shilshole Bay Marina**

The monthly moorage occupancy at Shilshole Bay Marina remains strong and is budgeted to meet or exceed 95% for 2019. Due to a large waitlist, the opportunity to increase occupancy rates is centered on quicker slip turnaround times. Moorage rates still remain competitive within the Seattle market, and will lead the market with a 7% across the board rate increase. Continued success is attributed to the marina's location, docks with good maneuverability and wide navigation channels, a strong and active liveaboard community, and strong customer focus.

The marina waitlist has lengthened, and we currently have approximately 500 individuals waiting for slips. Approximately half of those on the waitlist are waiting for a liveaboard slip. We are currently at our maximum live-aboard slip capacity of 350. Liveaboard demand continues to escalate due to extremely high housing costs in the Seattle area.

Over the next five years, several marina improvements are planned or underway, including replacement of 1960's era restroom/shower/laundry buildings, repairs to utilities, and parking lot pavement replacement. The commercial property occupancy rate at Shilshole Bay Marina is currently at 100%. The main focus throughout 2019 will be to retain existing tenants, continue to grow guest moorage and complete the restroom construction project.



**CHALLENGES AND OPPORTUNITIES:**

**Cruise Challenges**

- Controlling the cost of building, maintaining and operating terminals.
- Limited capital capacity for investment in cruise terminal modernization to support larger ships.
- Managing traffic congestion at Terminal 91.

**Cruise Opportunities**

- Increased demand for Expedition Cruising and U.S. homeports.
- Customer interest in bringing larger cruise ships to homeport in Seattle.

**Fishing and Commercial Challenges**

- Potential for further slow decline of the small fishing boat fleet (less than 40 feet) due to market conditions.
- Capturing the new business from the revitalized large commercial boat fleet is essential to remain the homeport of the North Pacific Fishing Fleet.
- Controlling the cost of building, maintaining and operating terminals.
- Small recreational boat owners are discouraged from taking moorage at Fishermen's Terminal when summer weather is poor.
- Future planning and capital investment in properties with aging infrastructure.
- Implementing energy conservation improvements to enhance operating efficiencies and retain customers.
- Adapting facilities and operations to meet dynamic regulatory environment.
- Attracting new maritime customers and vessel homeport bases within changing land use environment.

**Fishing and Commercial Opportunities**

- Retaining business from commercial fishing customers who are recapitalizing their fleets.
- Continuing to grow recreational vessel fleet during off-season, as space allows.
- Promoting legislation to incentivise continued growth within the fishing and maritime industry.
- Establishing short term Transportation Worker Identification Credential (TWIC) berths.
- Attracting vessel homeport bases for seafood, tug and barge fleets.
- Asset acquisition to accommodate newly constructed larger fishing vessels.

### **Grain Challenges and Opportunities**

- Grain volume can fluctuate significantly from year to year due to weather and market conditions.
- Revenues from the grain terminal include a minimum annual guarantee and otherwise are subject to upside and downside depending on volumes.

### **Maritime Habitat Initiatives Challenges and Opportunities**

- Construction costs associated with habitat projects in the urban maritime environment are escalating. However, these costs affect both the Port and our competition.
- NRD credit demand is directly correlated to the rate at which the Trustee Council generates settlements. While the size of the NRD market is potentially substantial, to date the Trustees have proceeded with settlements very slowly.
- The Port has significant land assets in the Duwamish which are suitable for restoration purposes but more limited in the middle and upper watershed.
- The capacity for restoration projects to generate carbon sequestration benefits is beginning to be realized, though the accounting methodology is complex.

### **Recreational Marina Challenges**

- Retaining customers and facility availability during upcoming capital improvement projects including Seattle waterfront construction projects.
- Maintaining assets responsibly within the Port system while still controlling costs.
- Maintaining newly acquired Salmon Bay Marina asset.
- Building the Shilshole multi-use service buildings (restrooms/showers/laundry) in a way that will meet the long term needs of our customers and increase moorage revenue streams.
- Finding new revenue streams.
- Balancing Port initiatives with operational work.
- Adapting facilities and operations to meet dynamic regulatory environment.
- Providing developmental opportunities to staff without reducing operational functionality.
- The potential for the law to interpret liveaboard ships as falling under the Landlord Tenant Act.

### **Recreational Marina Opportunities**

- Reviewing new environmental technology that will help improve the marina water quality. Testing new products if the reviews are positive.
- Exploring new lines of business that were previously not within the Port's strategy, such as dry stack boat storage.
- Leveraging new technologies to create efficiencies, such as marina software update and handheld technology.
- Increasing moorage revenue due to current high demand.
- Leveraging partnerships to create opportunities with organizations such as the Ballard High School Maritime Academy, Seattle Maritime Academy, The Adventuress, and the Northwest Marine Trade Association.

## **D. OPERATING BUDGET SUMMARY**

### **Background**

From a financial standpoint, the Maritime Division's activities are:

- Implementation of programs that directly support the Port's initiatives to double the regional economic impacts of our Cruise and Fishing businesses. These activities can generate revenue for the Port.
- Managing other businesses in the portfolio to provide stewardship of public assets for taxpayers. These activities generate revenue through operations and expense through maintenance, repair and renovation.

### **Assumptions**

The 2019 Maritime Division Budget is based on the following assumptions:

- Cruise forecasts 1.2 million passengers, an increase of 11.1% from the 2018 budget, due to larger ship sizes and one more sailing.
- Grain volume is budgeted at 3.58 million metric tons based on forecast from tenant, a 14% decrease from 2018 budget.
- Recreational Marina occupancy rate of 95%, consistent with 2018 Budget and year end forecast.
- Fishing and Commercial average occupancy rate of 86%, consistent with 2018 budget.
- Commercial Building Properties target an occupancy of 95% or greater at year-end 2019, consistent with current results.
- Salaries and benefits are forecasted using the 2019 budget guidelines of a 3.8% increase to salaries and specified benefit fixed amount/percentage.
- Utility rates are based on applicable rate changes posted by Seattle Public Utility, Seattle City Light, Puget Sound Energy and other utility vendors, as applicable.

### **Operating Revenue**

- Overall Maritime Division Revenues are budgeted to increase by \$4.7 million or 8.5%.
- Cruise revenues will increase due to a 23.5% increase in passenger volumes as well as year over year rate increases in passenger fees and dockage.
- Bulk Terminals decrease is based on feedback from Louis Dreyfus at Terminal 86.
- Maritime Portfolio Management revenue decrease of 7.5% is driven by expiration of the WSDOT lease at Terminal 106 from completion of the tunnel project.
- Fishing and Operations revenues increase in 2019 due to increased rates and full year implementation of Salmon Bay Marina.
- Recreational Boating revenue is budgeted to increase by 12.4% due to stable occupancy and increased rates.

**Major Changes in 2019 Budget**

\$ in 000's	2018 Budget	2019 Budget	19-'18 Budget Change	
			\$	%
<b>Revenue</b>				
Cruise Operations	18,150	22,406	4,256	23.5%
Fishing & Operations	8,388	9,071	684	8.2%
Maritime Portfolio Management	11,169	10,328	(841)	-7.5%
Rec Boating	12,166	13,671	1,504	12.4%
Grain	5,163	4,254	(909)	-17.6%
All Other	17	0	(17)	-100.0%
<b>Total Revenue</b>	<b>55,053</b>	<b>59,729</b>	<b>4,677</b>	<b>8.5%</b>

**Operating Expense Drivers**

Total Maritime Division operating expenses (including direct charges and allocations from Central Services and EDD services groups) are budgeted to increase by \$1.2 million or 2.5%. The change reflects the establishment of the Maritime Habitat Initiatives department and continued expansion of the Port Cruise Valet service. Additionally, one net new Full-Time Equivalent (FTE) staff was added in Marine Maintenance to expedite tools and material purchases to limit down time for craft labor.

**TABLE V-3: REVENUE BY ACCOUNT**

(in 000's)		2017	2018	2019	% Change
REVENUE BY ACCOUNT	Notes	Actual	Budget	Budget	2019 Bud - 2018 Bud
<b>Operating Revenue</b>					
Dckg, Whrfg, Serv/Facility, Passenger Fee		\$ 3,053	\$ 3,748	\$ 9,458	152.3%
Equipment Rental		342	295	271	-8.2%
Berthage & Moorage		13,063	14,480	15,421	6.5%
Parking Revenue		28	21	24	15.7%
Revenue From Sale of Utilities		1,521	1,403	1,573	12.1%
Property Rental Revenue		24,605	23,067	21,981	-4.7%
Other Revenues		1,402	1,596	1,421	-11.0%
<b>Total Operating Revenue</b>	1	<b>\$ 44,014</b>	<b>\$ 44,610</b>	<b>\$ 50,148</b>	<b>12.4%</b>

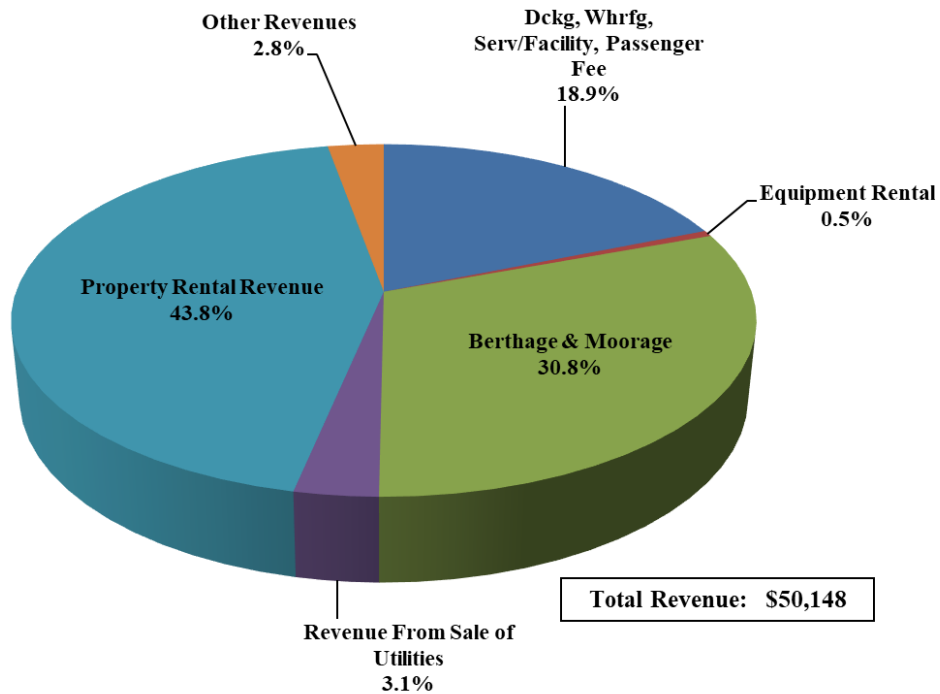
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Notes:

1) Revenue does not include allocations from other divisions.

**FIGURE V-3: MARITIME DIVISION REVENUE BY ACCOUNT**

(\$ in 000's)



**TABLE V-4: OPERATING AND MAINTENANCE EXPENSES BY ACCOUNT**

(\$ in 000's)		2017	2018	2019	% Change
EXPENSE BY ACCOUNT	Notes	Actual	Budget	Budget	2019 Bud - 2018 Bud
Salaries, Wages, Benefits & Workers Comp		\$ 22,186	\$ 23,977	\$ 25,416	6.0%
Equipment Expense		1,331	1,243	1,490	19.9%
Utilities		3,873	3,776	4,236	12.2%
Supplies & Stock		1,889	1,930	2,092	8.4%
Outside Services		3,581	6,463	5,408	-16.3%
Travel & Other Employee Expenses		347	448	487	8.7%
Promotional Expenses		110	279	332	18.8%
Other Expenses		990	1,208	1,086	-10.1%
<b>Total O&amp;M without Environmental</b>		<b>34,307</b>	<b>39,325</b>	<b>40,548</b>	<b>3.1%</b>
Environmental Remediation Liability Expense		389	-	-	0.0%
<b>Total O&amp;M with Environmental</b>		<b>34,695</b>	<b>39,325</b>	<b>40,548</b>	<b>3.1%</b>
Charges to Capital/Govt/Envrs Projects		(1,676)	(1,425)	(1,463)	2.7%
<b>Total Budgeted Operating Expense</b>	1	<b>\$ 33,019</b>	<b>\$ 37,900</b>	<b>\$ 39,085</b>	<b>3.1%</b>

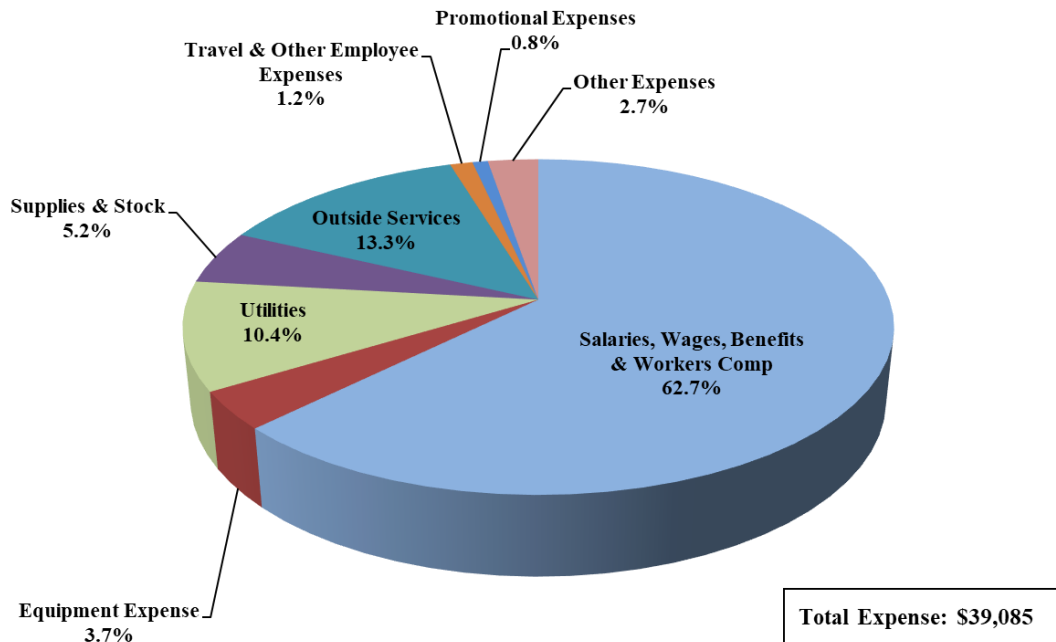
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Notes:

- 1) Tables V-4 & 5 differ from Table V-2, in that they only reflect the division expenses and do not include Central Services allocations.

**FIGURE V-4: MARITIME DIVISION EXPENSE BY ACCOUNT**

(\$ in 000's)



**TABLE V-5: MARITIME REVENUE AND EXPENSE BY BUSINESS GROUP/DEPARTMENT**

(\$ in 000's)					
Notes		2017	2018	2019	% Change
BY BUSINESS GROUP/DEPARTMENT		Actual	Budget	Budget	2019 Bud - 2018 Bud
<b>REVENUE</b>					
Fishing & Operations		\$ 9,258	\$ 8,756	\$ 9,858	12.6%
Recreational Boating		11,082	11,726	12,791	9.1%
Cruise Operations		17,435	17,985	22,313	24.1%
Bulk Terminals		5,424	5,161	4,252	-17.6%
Marine Maintenance		816	982	935	-4.8%
<b>Total Operating Revenue</b>		<b>44,014</b>	<b>44,610</b>	<b>50,148</b>	<b>12.4%</b>
<b>EXPENSES BEFORE CHARGES TO CAP/GOVT/ENVRS PROJECTS</b>					
<b>Business Groups:</b>					
Fishing & Operations		4,426	5,286	5,240	-0.9%
Recreational Boating		3,471	3,926	3,836	-2.3%
Cruise Operations		2,754	5,603	3,499	-37.6%
Maritime Security		1	-	1,295	
Bulk Terminals		34	74	61	-17.8%
<b>Total Business Group Expense</b>		<b>10,685</b>	<b>14,889</b>	<b>13,931</b>	<b>-6.4%</b>
<b>Service Depts.:</b>					
Maritime Marketing		401	408	1,031	153.0%
Marine Maintenance		22,505	22,651	24,850	9.7%
<b>Other</b>					
Maritime Administration		546	515	560	8.7%
Parks		168	150	175	16.8%
Maritime Habitat Initiatives		1	711	-	-100.0%
Maritime Environmental Remediation Liability Expense		389	-	-	
<b>Total Services Expense</b>		<b>24,010</b>	<b>24,436</b>	<b>26,617</b>	<b>8.9%</b>
<b>Total Expenses Before Charges to Cap/Govt /Envrs Projects</b>		<b>34,695</b>	<b>39,325</b>	<b>40,548</b>	<b>3.1%</b>
<b>CHARGES TO CAPITAL/ GOVT /ENVRS PROJECTS</b>		<b>(1,676)</b>	<b>(1,425)</b>	<b>(1,463)</b>	<b>2.7%</b>
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>					
<b>Business Groups:</b>					
Fishing & Operations		4,431	5,286	5,240	-0.9%
Recreational Boating		3,471	3,926	3,836	-2.3%
Cruise Operations		2,628	5,603	3,499	-37.6%
Maritime Security		1	-	1,295	
Bulk Terminals		34	74	61	-17.8%
<b>Total Business Group Expense</b>		<b>10,564</b>	<b>14,889</b>	<b>13,931</b>	<b>-6.4%</b>
<b>Service Depts.:</b>					
Maritime Marketing		401	408	1,031	153.0%
Marine Maintenance		20,950	21,226	23,387	10.2%
<b>Other</b>					
Maritime Administration		546	515	560	8.7%
Parks		168	150	175	16.8%
Maritime Habitat Initiatives		1	711	-	-100.0%
Maritime Environmental Remediation Liability Expense		389	-	-	
<b>Total Services Expense</b>		<b>22,454</b>	<b>23,011</b>	<b>25,154</b>	<b>9.3%</b>
<b>Total Operating Expense</b>	1	<b>\$ 33,018</b>	<b>\$ 37,900</b>	<b>\$ 39,085</b>	<b>3.1%</b>

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Notes:

1) Expenses do not include Central Services allocations.

**E. STAFFING**

The Maritime Division is budgeting 173.0 FTEs for 2019 which is 2.0 FTEs higher than the 2018 budget.

The following TABLE V-6 outlines the Full-Time Equivalents (FTEs) in the Maritime Division.

**TABLE V-6: MARITIME DIVISION STAFFING**

<b>STAFFING</b> (Full-Time Equivalent Positions)						<b>% Change</b>
<b>BUSINESS GROUP/DEPARTMENT</b>	Notes	<b>2017 Actual</b>	<b>2018 Budget</b>	<b>2018 Est. Act.</b>	<b>2019 Budget</b>	<b>2019 Bud - 2018 Bud</b>
<b>Cruise Development and Maritime Marketing:</b>						
Cruise	1	6.5	6.5	6.5	3.0	-53.8%
Maritime Marketing	2	2.3	2.3	2.3	3.0	33.3%
<b>Recreational Marinas and Commercial Operations:</b>						
Fishing & Operations	3	12.0	12.0	12.0	14.0	16.7%
Recreational Boating	4	19.0	24.8	24.8	22.8	-8.1%
Maritime Operations		4.3	4.3	4.3	4.3	0.0%
Maritime Security	5	0.0	0.0	2.0	2.0	NA
<b>Total Business Groups</b>		<b>44.0</b>	<b>49.8</b>	<b>51.8</b>	<b>49.0</b>	<b>-1.5%</b>
<b>Other:</b>						
Maritime Administration	6	2.3	2.3	2.3	2.0	-11.1%
Marine Maintenance	7	117.0	117.0	116.0	120.0	2.6%
Habitat	8	0.0	1.0	1.0	0.0	-100.0%
Stormwater Utility	9	1.0	1.0	1.0	2.0	100.0%
<b>Total for Other</b>		<b>120.3</b>	<b>121.3</b>	<b>120.3</b>	<b>124.0</b>	<b>2.3%</b>
<b>TOTAL MARITIME DIVISION</b>		<b>164.3</b>	<b>171.0</b>	<b>172.0</b>	<b>173.0</b>	<b>1.2%</b>

FTE.XLS

Notes:

- 1) Transferred a Marketing Representative from Cruise to Marketing department. Transferred two Facility Managers to Maintenance
- 2) Eliminated a .25 Intern and transferred in a Marketing Representative from Cruise department.
- 3) Transferred in two Salmon Bay FTEs (a Coordinator and a Specialist) from Recreational Boating department. Replaced a .5 Facility Manager with Outside Services consultant.
- 4) Transferred out two Salmon Bay FTEs (a Coordinator and a Specialist) to Fishing and Operations department.
- 5) Transferred in a Seaport Security Program Manager and a Security Duty Officer from Security & Preparedness during 2018.
- 6) Eliminated a .25 College Intern.
- 7) For 2019 Budget, Maintenance transferred in two facility Managers from Cruise, added a limited duration purchasing specialist and a Project Management Specialist. Additionally, Marine Maintenance transferred out a Financial analyst to Maritime Finance & Budget during 2018.
- 8) Maritime Environmental transferred a position from Habitat to Environmental & Sustainability Center of Expertise department.
- 9) The total includes Stormwater Utility FTE within Maintenance. Stormwater Utility department was approved for a new FTE for 2019 Budget.



**F. MARITIME CAPITAL BUDGET**

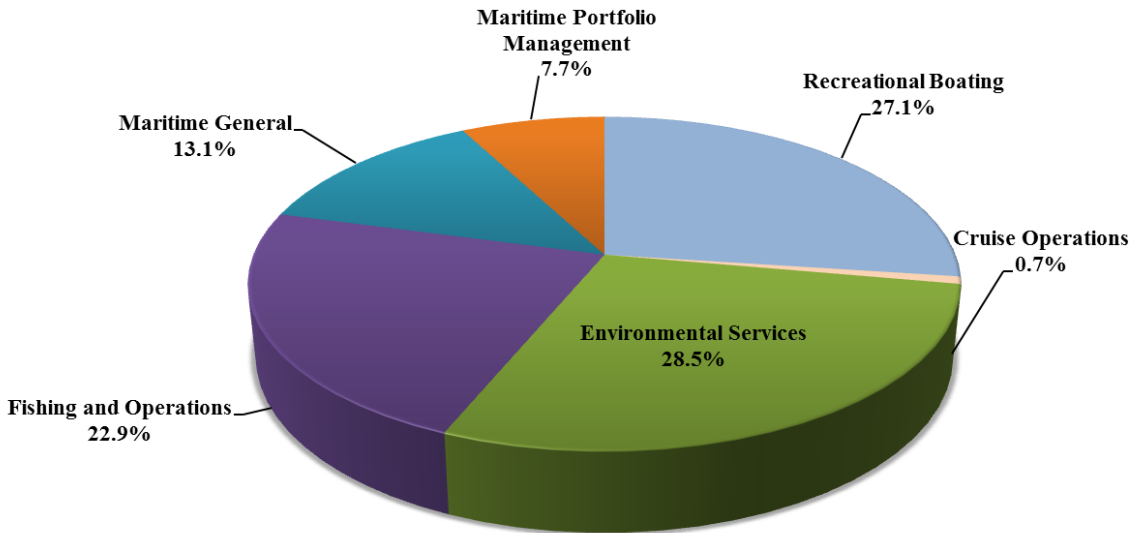
**TABLE V-7: MARITIME DIVISION CAPITAL BUDGET SUMMARY**

(\$ in 000's)	<b>2019 Budget</b>	<b>2019-2023 CIP</b>	<b>% of 2019 Total Committed</b>
<b>Committed Capital Projects</b>			
Recreational Boating	\$7,614	\$7,614	27.1%
Cruise Operations	200	200	0.7%
Environmental Services	8,000	17,851	28.5%
Fishing and Operations	6,444	7,091	22.9%
Maritime General	3,676	11,195	13.1%
Maritime Portfolio Management	2,171	33,921	7.7%
<b>Total Committed</b>	<b>\$28,105</b>	<b>\$77,872</b>	<b>100.0%</b>
<b>Business Plan Prospective Projects</b>	<b>\$5,350</b>	<b>\$193,000</b>	
<b>Total CIP</b>	<b>\$33,455</b>	<b>\$270,872</b>	

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**FIGURE V-5: MARITIME COMMITTED CAPITAL BUDGET**

(\$ in 000's)



Committed CIP Total Spending: \$28,105

**G. MARITIME DIVISION OPERATING STATISTICS**

**TABLE V-8: MARITIME DIVISION OPERATING STATISTICS**

Year	Cruise Ship Sailings		Cruise Passengers		Grain	
	Number	Growth	Number	Growth	Metric tons	Growth
2003	99		344,922		3,107,732	
2004	148	49.5%	562,308	63.0%	3,898,491	25.4%
2005	169	14.2%	686,978	22.2%	5,049,107	29.5%
2006	196	16.0%	751,074	9.3%	5,901,821	16.9%
2007	190	-3.1%	780,593	3.9%	5,333,018	-9.6%
2008	210	10.5%	886,039	13.5%	6,400,778	20.0%
2009	218	3.8%	875,433	-1.2%	5,512,164	-13.9%
2010	223	2.3%	931,698	6.4%	5,491,360	-0.4%
2011	195	-12.6%	885,949	-4.9%	5,026,868	-8.5%
2012	202	3.6%	935,000	5.5%	3,161,013	-37.1%
2013	187	-7.4%	870,994	-6.8%	1,351,417	-57.2%
2014	179	-4.3%	823,780	-5.4%	3,618,489	167.8%
2015	192	7.3%	895,055	8.7%	3,778,476	4.4%
2016	203	5.7%	983,539	9.9%	4,389,089	16.2%
2017	218	7.4%	1,071,594	9.0%	4,362,603	-0.6%
2018 Budget	210	-3.7%	1,080,527	0.8%	4,150,000	-4.9%
2018 Forecast	216	-0.9%	1,105,594	3.2%	4,300,000	3.6%
2019 Budget	211	-2.3%	1,203,317	8.8%	3,580,000	-16.7%

**ECONOMIC DEVELOPMENT DIVISION**

**A. 2019 BUDGET SUMMARY**

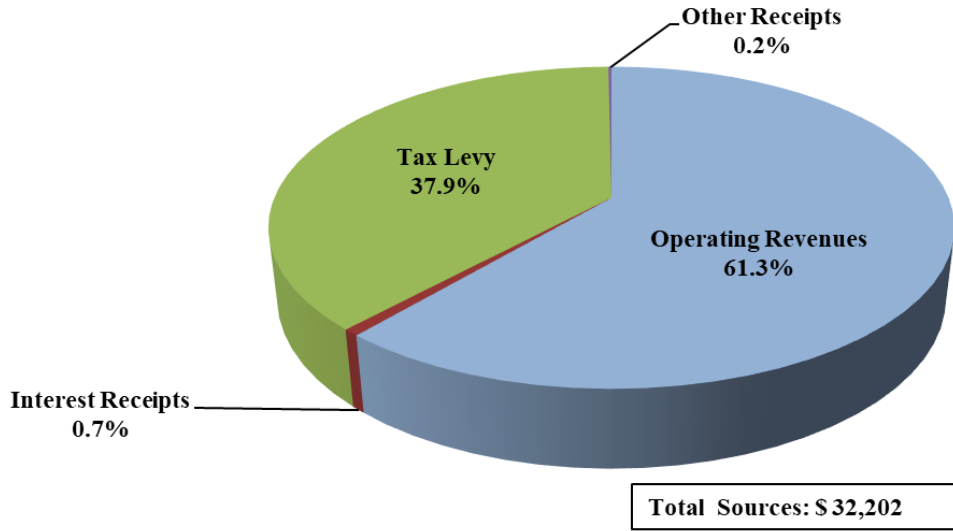
**TABLE VI-1: 2019 CASHFLOW SUMMARY**

(\$ in 000's)	<b>2019</b>	<b>Percent of Total</b>
<b><u>SOURCES OF CASH</u></b>		
Operating Revenues	\$ 19,725	61.3%
Interest Receipts	215	0.7%
Proceeds from Bond Issues	-	0.0%
Grants and Capital Contributions	-	0.0%
Tax Levy	12,205	37.9%
Other Receipts	56	0.2%
<b>Total</b>	<b>\$ 32,202</b>	<b>100%</b>
<b><u>USES OF CASH</u></b>		
<b>Expenses from Operations:</b>		
Total Operating Expenses	31,114	77.6%
<b>Debt Service:</b>		
Interest Payments	539	1.3%
Bond Redemptions	0	0.0%
Total Debt Service	539	1.3%
Other Expenses	230	0.6%
Public Expense	-	0.0%
Capital Expenditures	8,221	20.5%
<b>Total</b>	<b>\$ 40,104</b>	<b>100%</b>

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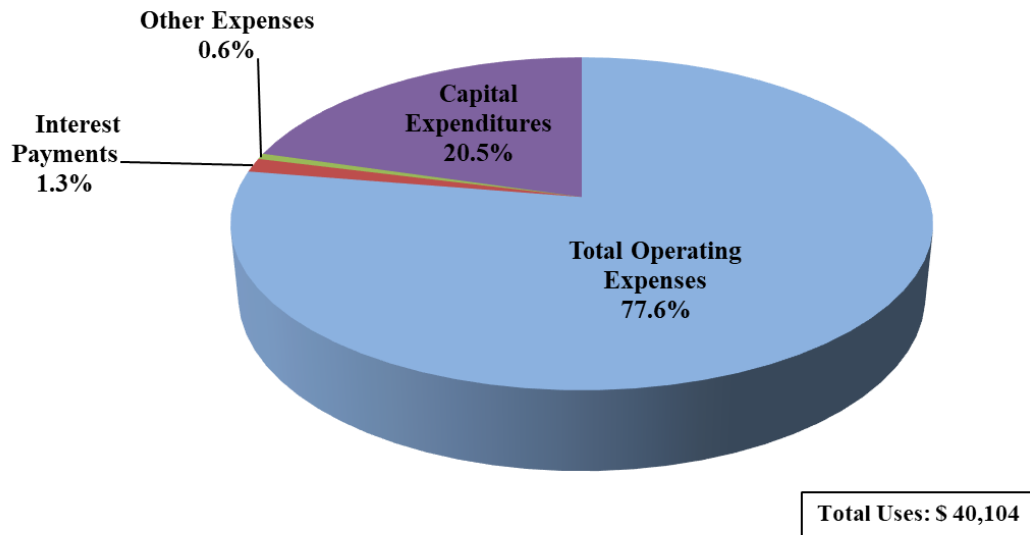
**FIGURE VI-1: SOURCES OF CASH**

(\$ in 000's)



**FIGURE VI-2: USES OF CASH**

(\$ in 000's)



**B. FINANCIAL FORECAST**

**TABLE VI-2: FINANCIAL FORECAST**

OPERATING BUDGET	Notes	(\$ in 000's)		Forecast				Compound Growth 2019 - 2023
		Budget 2018	Budget 2019	2020	2021	2022	2023	
Operating Revenue		\$ 18,522	\$ 19,725	\$ 17,385	\$ 21,860	\$ 22,663	\$ 23,496	4.5%
<b>Total Operating Revenues</b>		<b>18,522</b>	<b>19,725</b>	<b>17,385</b>	<b>21,860</b>	<b>22,663</b>	<b>23,496</b>	<b>4.5%</b>
<b>Total Operating Expense</b>		<b>28,751</b>	<b>31,114</b>	<b>29,374</b>	<b>33,339</b>	<b>34,444</b>	<b>35,462</b>	<b>3.3%</b>
<b>Net Operating Income Before Depreciation</b>		<b>(10,229)</b>	<b>(11,389)</b>	<b>(11,989)</b>	<b>(11,479)</b>	<b>(11,781)</b>	<b>(11,966)</b>	<b>-1.2%</b>
Total Depreciation Expense		4,156	3,819					
<b>Net Operating Income After Depreciation</b>		<b>\$ (14,385)</b>	<b>\$ (15,208)</b>					
								<b>Total 2019 - 2023</b>
<b>Committed Capital Budget</b>		\$ 5,438	\$ 6,046	\$ 28,696	\$ 16,850	\$ 860	\$ 830	\$ 53,282
<b>Business Plan Prospective</b>		3,740	2,175	1,100	3,000	1,600	1,500	9,375
<b>TOTAL CIP</b>	1	<b>\$ 9,178</b>	<b>\$ 8,221</b>	<b>\$ 29,796</b>	<b>\$ 19,850</b>	<b>\$ 2,460</b>	<b>\$ 2,330</b>	<b>\$ 62,657</b>

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Notes:

- 1) See Section IX for details of Capital Improvement Plan.

**C. ECONOMIC DEVELOPMENT DIVISION**

**MISSION:**

To implement the Port of Seattle’s Century Agenda by creating quality jobs and driving economic prosperity throughout Washington State.

**VISION:**

The Economic Development Division will implement initiatives that position the King County region for economic success:

- Organize and implement targeted efforts to raise the Port’s and the region’s image as a business location.
- Develop real estate projects that trigger public/private investment and job creation.
- Identify incubator and economic development projects where the Port’s investment could trigger public/private investment, job creation, and return short and long term value to Port of Seattle operations.
- Implement workforce development projects that support the Port’s key sectors (e.g. Aviation, Marine, Goods Movement, Manufacturing, and Construction).
- Increase international and domestic visitor traffic to the region through targeted tourism promotions.
- Support and develop women and minority business enterprises that can partner with the Port on public works projects, concession operations and other services.

The Division also manages many of the Port’s key properties including our Pier 69 Headquarters.

The Port is already recognized as a significant driver of regional economic growth but does not have a franchise on economic development and cannot meet the Century Agenda goals unless it works effectively with public and private partners in King County and throughout Washington State.

**MAJOR/NEW INITIATIVES:**

The Economic Development Division will implement the following new or expanded initiatives in 2019:

- Grow and promote Conference and Event Center facilities and improve gross margin.
- Migrate tenant billing for NWSA.
- Economic Development Partnership Grant Program – provides King County cities with funding to support economic development projects in their communities.
- Renewed funding for the Cooperative Tourism Promotion Program which provides funding to local communities and non-profits for promotion of tourist destinations to visitors using the airport, cruise terminals, and/or marinas.
- Implement additional marketing and promotional efforts in countries identified to have strong Alaskan cruise demand, and “cruise -and-stay” potential (UK/Ireland, Mainland Europe, China, Australia/New Zealand).
- Execute specific marketing actions to increase the awareness and usability for the Port of Seattle’s WeChat airport site.
- Implement Diversity in Contracting Policy/Program.
  - Provide greater access to Port opportunities through education, events, and assistance.
  - Expand supplier diversity.
  - Develop tools and conduct assessments to measure and monitor inclusion in contracting.
- Support construction business incubator in partnership with other public and private stakeholders.
- Implement and strengthen construction trades partnership.
- Advance aviation career pathway training initiative.
- Invest in regional career connected learning initiative.
- Manage airport employment office in partnership with PortJobs.
- Develop a “second 25 years” renewal, replacement, and modernization strategy for the headquarters facility.

**DIVISION DESCRIPTION:**

The division is comprised of the following six business and service groups:

**Real Estate Development and Planning**

Real Estate Development and Planning plans and facilitates the development of selected real estate assets currently within its own portfolio and provides development expertise and support to the Maritime and Aviation divisions. The team also identifies and evaluates new opportunities outside the Port’s current portfolio and completes other transactions related to Port assets.

**Portfolio and Asset Management**

Portfolio and Asset Management leases, markets, and manages the Division’s portfolio of conference, office, retail, commercial, and industrial properties and works to enhance the value of the Division’s assets through strategic asset planning and repositioning. Portfolio and Asset Management is organized into three groups:

**Central Harbor Management Group**

Central Harbor Management Group manages marketing, leases, and plans for Economic Development Division assets located from Terminal 91 to Pier 2/CEM in West Seattle. This includes various retail, office and industrial properties, and the conference and event centers.

**Lease Administration and Utilities Group**

Lease Administration and Utilities Group processes and administers all agreements for both the Economic Development and Maritime divisions. This includes monitoring for compliance with all agreement terms including insurance, surety, lease provisions, and amendments. The team also reads meters, processes payments, and bills customers for over 255 utility meters.

### Foreign Trade Zone

Foreign Trade Zone manages and markets use of the Port's Foreign Trade Zone for the benefit of businesses that import/export goods from/to other countries.

### Small Business (Women and Minority Business Enterprise)

The Small Business Program supports economic development efforts in the communities we serve. This helps to ensure that Port activities are conducted within a framework of equity, inclusion, and equal access to economic opportunity.

### Workforce Development

The Port's workforce development initiatives provide a roadmap and overarching principles to strengthen the Port's key sectors by ensuring they enjoy a robust talent pipeline. They also leverage the Port's leadership and influence to create high quality jobs, increase access to good jobs, as well as to support career advancement, and expand incomes and shared prosperity for our community.

### Tourism Development

The Port's tourism development and promotion program began over thirty years ago in collaboration with Visit Seattle. Our marketing efforts include supporting tourism promotion in seven key overseas markets (Japan, China, Korea, UK, France, Germany and Australia). We will continue to have a focused effort to increase cruise expenditures in the Pacific Northwest, granting funding to regional destination marketing organizations which will increase visitors' awareness and use of the Port's visitor properties (Sea-Tac airport, cruise terminals, and marinas). By awarding 48 airport locations to destination marketing organizations, cities Chamber of Commerce's afford these entities the ability to reach international and domestic visitors and promote their unique destinations.

### Pier 69 Facilities Management

Pier 69 Facilities Management ensures functionality of the Port Headquarters by integrating people, place, process, and technology. Operations include reception, motor pool, mailroom, shipping & receiving, and event coordination.

### BUSINESS ASSESSMENT:

#### **PORTFOLIO AND ASSET MANAGEMENT**

##### **Leasing and Marketing:**

The occupancy level of our Commercial Properties is currently at 95% compared to a broader Seattle market occupancy of approximately 94%. We expect leasing activity to remain stable with current economic conditions but will continue to wrestle with local challenges (e.g. transportation infrastructure projects) on the Central Waterfront and Duwamish. Corresponding increases in leasing activity are expected in most other submarkets.

##### **Operations and Maintenance:**

The commercial real estate industry's focus on energy efficiency has resulted in a downward trend in total operating expenses with approximately two-thirds of the savings achieved in the utility category, underscoring an industry focus on maximizing building efficiency.

A large portion of the operations and maintenance services related to the portfolio are provided through the Marine Maintenance Department. Our teams will continue to work together to improve operating efficiencies, to reduce environmental impact, to budget appropriately, and to manage our expenses in order to maintain and improve the value of our portfolio of real estate assets.

## **SMALL BUSINESS DEVELOPMENT**

The Economic Development Division's Small Business Program implements outreach and training initiatives to ensure small and disadvantaged businesses have the resources they need to successfully secure Port contracting opportunities. The Port of Seattle's Small Business Program will also work to develop incubators that provide space and entrepreneurial support for Port cluster industries.

## **WORKFORCE DEVELOPMENT**

The sectors supported by Port investments in the areas of small business participation and workforce development (Airport, Maritime and Construction) have rebounded from the recession. Prime businesses are seeking our support to find qualified small businesses as sub-contractors and qualified employees and job-seekers to support their operations, in particular at the airport. The Port has embarked on a major construction program at Sea-Tac Airport, which will provide many opportunities for small businesses and will create jobs for regional community members.

## **REAL ESTATE PLANNING & DEVELOPMENT**

The group's strength lies in a relatively well-located portfolio of underutilized sites in Seattle and areas surrounding the airport. This is particularly significant given the decreasing supply of close-in, well-served industrial land available for development. The real estate portfolio is one of the Economic Development Division's best means of increasing revenue and related job creation. Disposition of the portfolio, however, will require a careful balancing of both financial and the non-financial objectives described in the Century Agenda and applying both a short and long-term filter to potential transactions.

## **TOURISM DEVELOPMENT**

International visitors are "high value", as they spend more time and more money on vacation than domestic travelers. These "long-haul" travelers typically have up to 3 weeks of vacation, and often visit multiple destinations in one trip. This focus is a successful niche for us, generating multiple international media stories. The Tourism department will continue to identify means to educate and inform domestic and international cruise offices, tour operators and retail travel agents about cruising from Alaska and pre/post stay extensions in Seattle and the Pacific Northwest that will increase awareness and interest in Seattle as a great cruise and visitor destination. We will continue to work collaboratively with destination marketing organizations in promoting all of our state for international travelers.

## **CHALLENGES AND OPPORTUNITIES:**

### **PORTFOLIO AND ASSET MANAGEMENT**

#### **Commercial Properties**

##### **Challenges:**

- Having experienced high vacancy rates over an extended period during the last recession, landlords of commercial real estate will continue to aggressively pursue tenants looking for commercial space. Well-positioned and maintained properties that offer attractive amenity packages more readily benefit from improving market conditions.
- Compliance with legal, financial, and regulatory aspects of public entity ownership of real property can result in having a less competitive edge than the private sector in the commercial real estate market (contracting procedures, security deposit requirements, and limited flexibility in negotiations). This is likely to be reflected in achievable lease rates at the lower end of the market range and/or lengthier vacancies through missed opportunities.
- Locations of several properties within the portfolio provide only limited amenities such as public transportation, shopping, dining, walking trails, etc.



- Updating and refurbishing aging infrastructure will require forward planning and capital investment.
- Improving operating efficiencies in properties with aging infrastructure and implementing energy conservation improvements will involve forward planning and capital investment.
- There continues to be concern with local businesses that will be affected by the upcoming Viaduct Removal and Alaskan Way Street Improvement Projects. The perception in the market is that the disruption from the ongoing work currently underway on the waterfront will continue to negatively affect businesses along the entire waterfront for the next several years with the following potential impacts:
  - Loss of traffic capacity and parking, commute time congestion
  - Constrained walking access, impacting tourist activity
  - Restricted and congested access to businesses for customers, employees, and suppliers
  - Negative impact to seasonal business volume from both the physical and perceptual blockages
  - Negative impact of construction activity (i.e., noise, congestion, muck)
  - Loss of key infrastructure on the waterfront that serve the public and customer needs
  - Potential tenant's employee access to waterfront office space may be impeded
  - Limited shopping, activities, and dining choices for employees of potential office tenants
  - Public and potential tenants may likely avoid the waterfront altogether
  - Limited public transportation along Alaskan Way

**Opportunities:**

- The current real estate market remains relatively stable and is expected to continue to provide new opportunities for additional revenue.

**Conference and Event Centers**

**Challenges:**

- Hotel room supply – Seattle is an increasingly popular destination and limited hotel room supply decreases the ability to leverage good rates for outof town conference business.
- Increasingly short lead times in the market – There is a continuing trend toward “just-in-time” event planning and the shortening of lead time for events creates challenges in forecasting and logistics.
- Aging facilities - Updating and refurbishing aging infrastructure will require forward planning and capital investment.
- Competitive market – New and refurbished event spaces are currently in development, offering more space, flexibility, and modern amenities. A number of event space venues have recently opened or been remodeled (the Motif, the (Marriott) Renaissance Hotel, the Westin Hotel, the Chihuly Garden and Glass, the Conference Center at the Washington State Convention Center, and Museum of History and Industry).
- Schedule conflicts - Cruise activity and departure times often conflict with opportunities for planned events and has a negative impact on event opportunities.
- Parking capacity at Pier 91, Smith Cove Conference and Event Center, is very limited and inconveniently located. Also, transportation options to the site are limited.

**Opportunities:**

- Continued Investment – The rebuilding of the Seattle Waterfront over the next few years presents a distinct opportunity to leverage historical success and iconic heritage to update and refresh the Bell Harbor International Conference and Event Center, the Maritime Event Center and the World Trade Center Seattle in anticipation of renewed regional and international interest.
- Leveraging Paul Schell Center – The renaming of Bell Street Pier provided another opportunity to leverage on ongoing investment in the facilities at Pier 66. Additionally, renaming the entire complex at Pier 66 would also greatly enhance the visibility and search profile of the Conference Center and the cruise terminal.

## **SMALL BUSINESS DEVELOPMENT**

### **Challenges:**

- How to ensure the accurate collection, tracking, and reporting of participation by ethnicity in Port business opportunities.
- How to determine transparent, fair, and most effective changes to procurement policy and processes to create more opportunities for Minority, Woman, Disadvantage Business Enterprise, and Small Business Enterprise firms.
- Reduce internal perceived barriers towards small businesses (i.e. “they can’t perform”, “they are not big enough”, “this is specialized work”, “too risky”).
- Encourage firms to get Woman and Minority Business Enterprise (WMBE) certifications.

### **Opportunities:**

- Updating the Port’s small business resolution (Resolution 3618) to add inclusion of women and minority participation goals, thus ensuring a more inclusive program.
- Collecting, tracking, and reporting of small business/ethnicity information as part of the small business reports.
- Expanding training programs for WMBE businesses interested in contracting with the Port.
- Creation of incubators that support Port sectors:
  - Construction Trades
  - Maritime
  - Food Manufacturing

## **WORKFORCE DEVELOPMENT**

### **Challenges:**

- How to maximize the Port’s legislative authority and funding available for workforce development.
- How best to identify other sources of Expansion Funds – Levy, General Fund, Tenant Charges, Contractor Labor Hour Charges.
- Draft resolutions needed to support/enable new strategy.
- How to support the Commission’s Quality Jobs Strategy.

### **Opportunities:**

- The Port Commission has publicly expressed an interest in the expansion of the workforce development strategy.
- The Executive Director has expressed support in continued Port investments and in the program expansion.
- Source(s) of Expansion Funds – Levy, General Fund, Tenant Charges, Contractor Labor Hour Charges.
- Resolution as needed to support/enable new strategy.
- Quality Jobs – implementation, enforcement, and impact measurement.

## **TOURISM DEVELOPMENT**

### **Challenges:**

- Port of Seattle and Visit Seattle’s agreement calls for both organizations to work collaboratively and cooperatively in promoting the area in selected international markets that have the opportunity to grow leisure visitation. We will collaboratively work to reach consensus with respect to expansion in 2019 and beyond.

- Because of the recent enactment of a statewide tourism marketing effort, it is imperative for the Port of Seattle to address how our existing efforts to promote all of Washington State can work in tandem and be recognized as contributory in bringing visitors to our state from beyond our borders.

**Opportunities:**

- Build on “cruise-and-stay program” by investing in joint promotions with cruise lines and tour agencies, and target cruise media for coverage, focusing on the United Kingdom, Europe, and Asia as top cruising markets in the world.
- Develop, build, and re-invigorate off-season programming for targeted international markets, partner with top-producing tour agencies and key media for promotion.

**D. ECONOMIC DEVELOPMENT OPERATING BUDGET SUMMARY**

**Background**

From a financial standpoint, the Economic Development Division’s activities are:

- Implementation of programs that directly support the Port’s initiatives to promote women and minority businesses, workforce development, and tourism. In general, these activities do not directly generate revenue for the Port.
- Managing and developing real estate assets to support Century Agenda goals and to maximize financial returns for taxpayers. These activities generate revenue for both the Maritime and Aviation Divisions. The Division is also responsible for the management of the Port’s Pier 69 headquarters building.

**Assumptions**

The 2019 Economic Development Division Budget is based on the following assumptions:

- Commercial properties are expected to remain at 95% or greater occupancy at year-end 2019, consistent with a forecasted occupancy of more than 95% at year-end 2018.
- Conference and Event Center revenues are budgeted to be 13% higher than 2018 Budget.
- Economic Development Partnership and Tourism Grants are expected to continue.
- Salaries and benefits are forecasted using the 2019 Budget guidelines of a 3.8% increase to salaries and specified benefit fixed amount/percentage.
- Utility rate increases are based on applicable rate changes posted by Seattle Public Utility, Seattle City Light, Puget Sound Energy and other utility vendors as applicable.

**Major Changes in 2019 Budget**

The 2019 budget reflects continued expenditures for the Economic Development Partnership Grant Program with King County cities and funding for the Cooperative Tourism Promotion Program with local communities and non-profits.

Funding for implementation of WMBE program includes one new FTE and introduction of a Pier 69 shuttle to help alleviate congestion.

The 2019 budget also reflects higher revenue and expenses expected from the Bell Harbor International Conference Center over the 2018 Budget.

**Operating Revenue**

Economic Development Division Operating Revenues are budgeted to increase by \$1.2 million or 6.5% compared to the 2018 budget. Overall, Portfolio & Asset Management’s revenues are up due to higher activity at the Conference & Event Centers.

(\$ in 000's )	<b>2018 Budget</b>	<b>2019 Budget</b>	<b>19-'18 Budget Chg</b>	
			<b>\$</b>	<b>%</b>
<b>Revenue</b>				
Portfolio & Asset Management	18,518	19,725	1,207	6.5%
<i>Central Harbor Mgmt Group</i>	8,951	8,895	(56)	-0.6%
<i>Conference &amp; Event Centers</i>	9,537	10,795	1,258	13.2%
<i>Foreign Trade Zone</i>	30	35	5	16.7%
Other	4	-	(4)	-100.0%
<b>Total Revenue</b>	<b>18,522</b>	<b>19,725</b>	<b>1,203</b>	<b>6.5%</b>

**Operating Expense Drivers**

Total Economic Development Division operating expenses (including direct charges and allocations from Central Services and Maritime service groups) are budgeted to increase by \$2.4 million or 8.2% from the 2018 budget driven by variable costs associated with increased Conference and Event Center volumes and higher maintenance expenses.

**TABLE VI-3: REVENUE BY ACCOUNT**

(\$ in 000's)		2017	2018	2019	% Change
REVENUE BY ACCOUNT	Notes	Actual	Budget	Budget	2019 Bud 2018 Bud
<u>Operating Revenue</u>					
Parking Revenue		181	169	185	9.2%
Revenue From Sale of Utilities		2,680	2,842	3,013	6.0%
Property Rental Revenue		15,978	16,348	15,484	-5.3%
Other Revenues		9,558	9,908	11,166	12.7%
<b>Total Operating Revenue</b>	1	<b>\$ 28,397</b>	<b>\$ 29,267</b>	<b>\$ 29,848</b>	<b>2.0%</b>

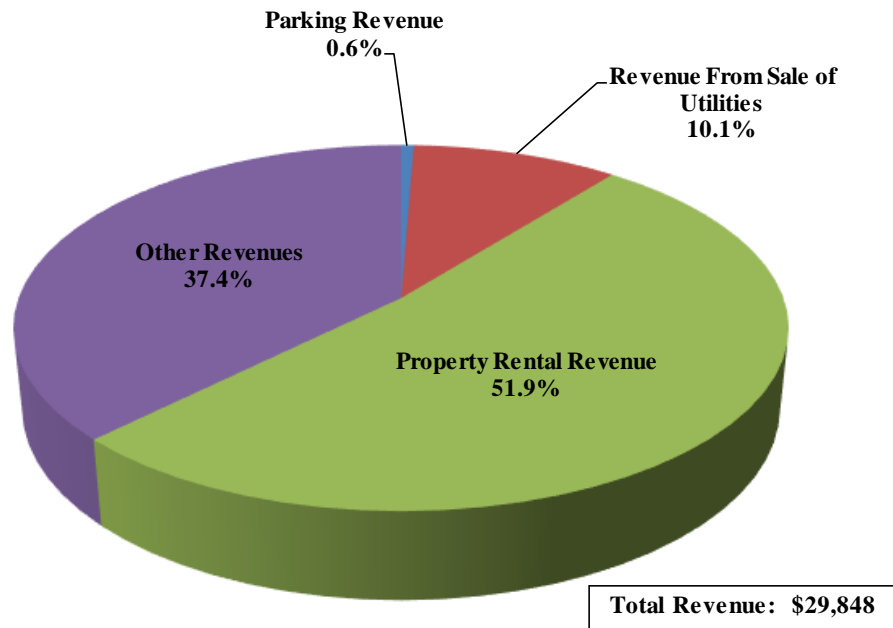
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Notes:

1) Revenue does not include allocations from other divisions.

**FIGURE VI-3: ECONOMIC DEVELOPMENT DIVISION REVENUE BY ACCOUNT**

(\$ in 000's)



**TABLE VI-4: OPERATING & MAINTENANCE EXPENSES BY ACCOUNT**

(\$ in 000's)		2017	2018	2019	% Change
EXPENSE BY ACCOUNT	Notes	Actual	Budget	Budget	2019 Bud 2018 Bud
Salaries, Wages, Benefits & Workers Comp		\$ 4,178	\$ 4,982	\$ 4,934	-1.0%
Equipment Expense		109	540	394	-27.0%
Utilities		4,282	4,199	4,848	15.5%
Supplies & Stock		150	149	152	2.4%
Outside Services		4,379	6,167	6,370	3.3%
Travel & Other Employee Expenses		244	340	475	39.5%
Promotional Expenses		183	287	279	-2.8%
Other Expenses		9,113	10,344	11,330	9.5%
<b>Total O&amp;M without Environmental</b>		<b>22,639</b>	<b>27,009</b>	<b>28,782</b>	<b>6.6%</b>
<b>Total O&amp;M with Environmental</b>		<b>22,639</b>	<b>27,009</b>	<b>28,782</b>	<b>6.6%</b>
Charges to Capital/Govt/Envrs Projects		24	-	-	0.0%
<b>Total Operating Expense</b>	1	<b>\$ 22,663</b>	<b>\$ 27,009</b>	<b>\$ 28,782</b>	<b>6.6%</b>

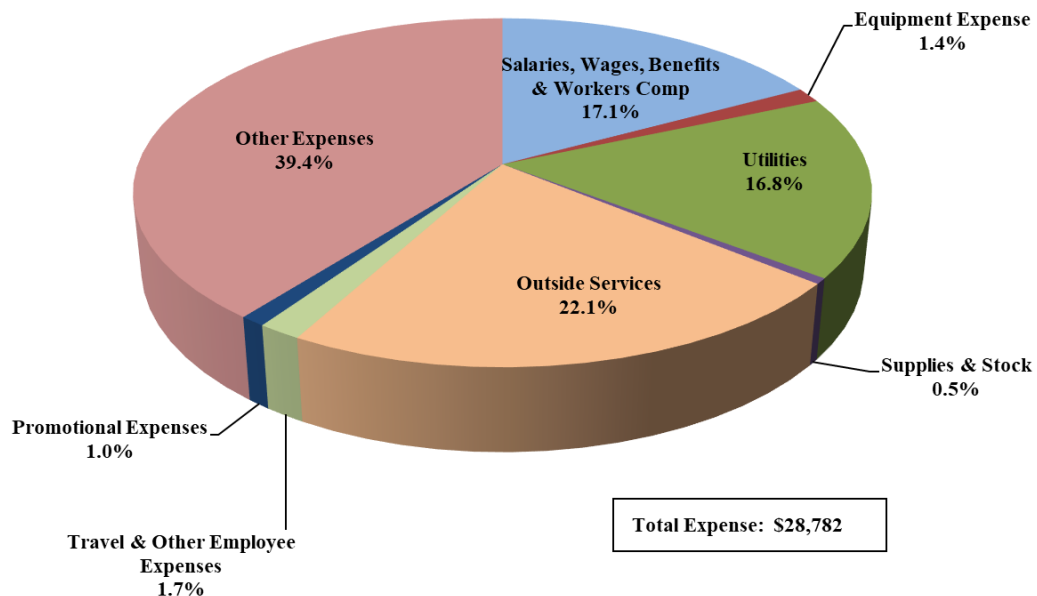
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Notes:

- 1) Table VI-4 differs from Table VI-2, in that it only reflects the division expenses and does not include Central Services allocations.

**FIGURE VI-4: ECONOMIC DEVELOPMENT DIVISION EXPENSE BY ACCOUNT**

(\$ in 000's)



**TABLE VI-5: ECONOMIC DEVELOPMENT REVENUE AND EXPENSE BY DEPARTMENT**

(in 000's)					
<b>BY DEPARTMENT</b>	Notes	<b>2017 Actual</b>	<b>2018 Budget</b>	<b>2019 Budget</b>	<b>% Change 2019 Bud - 2018 Bud</b>
<b>REVENUE</b>					
Portfolio Management		\$ 28,397	\$ 29,267	\$ 29,848	2.0%
<b>Total Operating Revenue</b>		<b>28,397</b>	<b>29,267</b>	<b>29,848</b>	<b>2.0%</b>
<b>EXPENSES BEFORE CHARGES TO CAP/ GOVT/ENVRS PROJECTS</b>					
<b>Business Groups:</b>					
Portfolio Management		15,216	16,178	17,978	11.1%
Real Estate Development and Planning		677	759	775	2.2%
<b>Total Business Group Expense</b>		<b>15,894</b>	<b>16,936</b>	<b>18,754</b>	<b>10.7%</b>
<b>Service Groups and Other:</b>					
Pier 69 Facilities Management		1,573	2,038	1,936	-5.0%
Tourism		1,235	1,460	1,521	4.2%
Small Business		628	1,405	1,197	-14.8%
Workforce Development		1,784	2,917	2,920	0.1%
Economic Development Management		1,527	2,253	2,455	9.0%
Economic Development Capital to Expense		-	-	-	
Economic Development Environmental Reserve		-	-	-	
<b>Total Services Group and Other Expense</b>		<b>6,746</b>	<b>10,072</b>	<b>10,028</b>	<b>-0.4%</b>
<b>Total Expenses Before Charges to Cap/Govt/Envrs Projects</b>		<b>22,639</b>	<b>27,009</b>	<b>28,782</b>	<b>6.6%</b>
<b>CHARGES TO CAPITAL/GOVT/ENVRS PROJECTS</b>					
		<b>24</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>					
<b>Business Groups:</b>					
Portfolio Management		15,253	16,178	17,978	11.1%
Real Estate Development and Planning		677	759	775	2.2%
<b>Total Business Group Expense</b>		<b>15,931</b>	<b>16,936</b>	<b>18,754</b>	<b>10.7%</b>
<b>Service Groups and Other:</b>					
Pier 69 Facilities Management		1,560	2,038	1,936	-5.0%
Tourism		1,235	1,460	1,521	4.2%
Small Business		628	1,405	1,197	-14.8%
Workforce Development		1,784	2,917	2,920	0.1%
Economic Development Management		1,527	2,253	2,455	9.0%
Economic Development Capital to Expense		-	-	-	
Economic Development Environmental Reserve		-	-	-	
<b>Total Services Group and Other Expense</b>		<b>6,733</b>	<b>10,072</b>	<b>10,028</b>	<b>-0.4%</b>
<b>Total Operating Expense</b>	1	<b>\$ 22,663</b>	<b>\$ 27,009</b>	<b>\$ 28,782</b>	<b>6.6%</b>

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Notes:

- 1) Expenses do not include Central Services allocations.

**E. STAFFING**

The Economic Division FTEs count remains flat at 36.0 for 2019.

The following table outlines the Full-Time Equivalents (FTEs) for both regular and other categories in the Economic Development Division.

**TABLE VI-6: ECONOMIC DEVELOPMENT DIVISION STAFFING**

<b>STAFFING</b> (Full-Time Equivalent Positions)						<b>% Change</b>
<b>BY DEPARTMENT</b>	<b>Notes</b>	<b>2017</b> <b>Actual</b>	<b>2018</b> <b>Budget</b>	<b>2018</b> <b>Est. Act.</b>	<b>2019</b> <b>Budget</b>	<b>2019 Bud -</b> <b>2018 Bud</b>
Economic Development Administration		4.0	3.0	3.0	3.0	0.0%
Portfolio & Asset Management		14.0	14.0	14.0	14.0	0.0%
Central Harbor Mgmt. Group		3.0	3.0	3.0	3.0	0.0%
Maritime Portfolio		3.0	3.0	3.0	3.0	0.0%
Portfolio Mgmt. Admin		8.0	8.0	8.0	8.0	0.0%
P69 Facilities Management		6.0	6.0	6.0	6.0	0.0%
Real Estate Development & Planning		4.0	2.0	2.0	2.0	0.0%
Small Business	1	3.0	6.0	5.0	6.0	0.0%
Tourism		3.0	3.0	3.0	3.0	0.0%
Workforce Development		1.0	2.0	2.0	2.0	0.0%
<b>TOTAL ECONOMIC DEVELOPMENT</b> <b>DIVISION</b>		<b>35.0</b>	<b>36.0</b>	<b>35.0</b>	<b>36.0</b>	<b>0.0%</b>

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Notes:

- 1) Small Business eliminated a Business Analyst and Manager, and added a Sr. Admin. Assistant during 2018. For 2019, Small Business department added a Women and Minority Business Enterprise Manager.



**F. ECONOMIC DEVELOPMENT CAPITAL BUDGET**

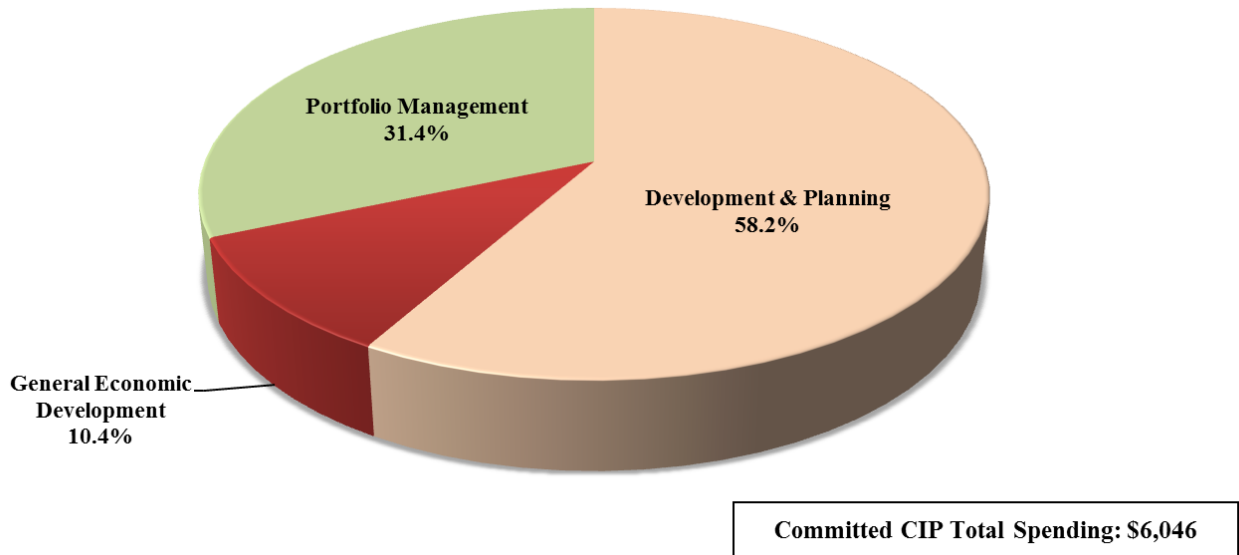
**TABLE VI-7: ECONOMIC DEVELOPMENT DIVISION CAPITAL BUDGET SUMMARY**

(\$ in 000's)	<b>2019 Budget</b>	<b>2019-2023 CIP</b>	<b>% of 2019 Total Committed</b>
<b>Committed Capital Projects</b>			
Development & Planning	\$3,520	\$39,040	58.2%
General Economic Development	626	2,806	10.4%
Portfolio Management	1,900	11,436	31.4%
<b>Total Committed</b>	<b>\$6,046</b>	<b>\$53,282</b>	<b>100.0%</b>
<b>Business Plan Prospective Projects</b>	<b>\$2,175</b>	<b>\$9,375</b>	
<b>Total CIP</b>	<b>\$8,221</b>	<b>\$62,657</b>	

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**FIGURE VI-5: ECONOMIC DEVELOPMENT DIVISION CAPITAL BUDGET**

(\$ in 000's)



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## CENTRAL SERVICES

### A. 2019 BUDGET SUMMARY

**TABLE VII-1: 2019 BUDGET SUMMARY**

(\$ in 000's)				<b>Change</b>	<b>% Change</b>	
<b>OPERATING RESULTS</b>	Notes	<b>2017 Actual</b>	<b>2018 Budget</b>	<b>2019 Budget</b>	<b>2019 Bud- 2018 Bud</b>	<b>2019 Bud- 2018 Bud</b>
Operating Revenue		\$ 11	\$ -	\$ -	\$ -	0.0%
Other Revenue		58	182	185	3	1.8%
<b>Total Revenue</b>		<b>68</b>	<b>182</b>	<b>185</b>	<b>3</b>	<b>1.8%</b>
Central Services		116,982	144,590	145,339	750	0.5%
<b>Total Central Services Expense</b>		<b>\$ 116,982</b>	<b>\$ 144,590</b>	<b>\$ 145,339</b>	<b>\$ 750</b>	<b>0.5%</b>
<b>Excess of Revenue over Expense</b>		<b>\$(116,914)</b>	<b>\$(144,408)</b>	<b>\$(145,154)</b>	<b>\$ (746)</b>	<b>0.5%</b>
<b>COMMITTED CAPITAL BUDGET</b>		<b>\$ 4,788</b>	<b>\$ 6,783</b>	<b>\$ 13,482</b>	<b>\$ 6,699</b>	<b>98.8%</b>
<b>EMPLOYMENT (TOTAL FTEs)</b>		<b>879.6</b>	<b>907.1</b>	<b>940.4</b>	<b>33.3</b>	<b>3.7%</b>

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### B. CENTRAL SERVICES

#### MISSION:

Central Services provides high quality and cost-effective professional and technical services to the operating divisions and supports the strategies and objectives of the Port.

#### MAJOR AND NEW INITIATIVES:

- Implement and support Century Agenda goals.
  - Additional staff to implement the Diversity in Contracting resolution.
  - Creation of a new Equity Department.
  - Adding new resources to implement Smith Cove Blue Carbon Pilot Project, Sustainability Framework, Sustainable Aviation Fuels and Air Emissions Program, and other environmental initiatives.
- Strengthen safety and security of the Port and the traveling public.
  - Additional resources for Behavior Based Safety training and information security.
  - Increase Police resources for both the Airport and the waterfront.
- Expand public engagement to increase awareness of the Port's contribution to regional economic vitality and to enhance relationship with surrounding communities.
  - Additional External Relations outreach efforts in 2019 including Ethnic Media Marketing and materials production.
- Continue building capability for the Port.
  - Additional resources for Business Intelligence, Accounting and Financial Reporting, and other Portwide initiatives.

- Increase resources to support the growing organizational needs.
  - Adding staff in Capital Development, Human Resources, and Finance and Budget to meet growing service needs.
  - Additional resources to strengthen the one Port culture and organizational effectiveness in 2019.

### **C. KEY FUNCTIONS AND RESPONSIBILITIES**

#### **OVERVIEW:**

Central Services provides a number of essential services to the three operating divisions of the Port and to the Northwest Seaport Alliance (the NWSA) per service agreements. Central Services departments are vital to the success of the operating divisions and the NWSA and benefit the public in general.

Central Services' functions have evolved and now include 25 departments with organizational restructuring over the past two years. Apart from the traditional support functions, such as Accounting, Human Resources, External Relations, etc., Central Services also includes Police and Capital Development, which was formerly a separate division. In addition, four Centers of Expertise (COEs) were added to Central Services in early 2016, namely, Business Intelligence, Finance and Budget, Security and Preparedness and Environment and Sustainability.

As part of the budget review process, the Security and Preparedness COE, which was comprised of several groups (ICT Information Security, Emergency Management, and Maritime Security), was eliminated in the third quarter of 2018. Emergency Management was transferred to the Aviation Division, Maritime Security was moved back to the Maritime Division, and Information Security became a separate new department. Additionally, a new Equity department will be created in 2019 to support the Port's commitment to social justice and promote equity in the workplace and throughout the region.

The key functions for the Central Services departments in 2019 are as follows:

#### **COMMISSION:**

The Port Commission is the legally constituted governing body of the Port of Seattle. Its primary duties are to establish policies on behalf of the community that guide the Port's future and maintain its global competitiveness, and to execute its fiduciary responsibilities in overseeing the expenditure of public funds. As a governing body of a special purpose municipal corporation, the Commission is charged with fulfilling the law as the basis for appropriate policy, and establishing policy as the basis for appropriate practices, activities, and procedures.

The Commission expresses its policy direction through the following mechanisms:

- Reviews the strategies that serve as the framework for the business divisions' and Central Services departments' goals and objectives. These strategies provide the groundwork for prioritizing and allocating resources to programs and projects at the division level.
- Reviews and approves the annual budget. The budget is made available to the general public as required by RCW 53.35.010 and RCW 53.35.045. A Public Hearing on the First Budget Reading is held before the Second Reading and Final Passage of the Budget, at which time the Port Commission adopts the budget.
- Sets additional long-term policy goals during public Commission meetings through the passage by majority vote of Commission Resolutions in accordance with RCW 53.08 and the Master Delegation of Authority. These policy goals help advance the Commission's long-term mission of economic development and job creation through promotion of industrial growth and advancement of trade and commerce.
- Reviews and approves public session programs, projects, and select contracts through Commission motions that are introduced and seconded by Commission members, in accordance with the Master Delegation of Authority.

- Oversees the Executive Director to execute the long-range plans, major programs and goals, objectives, and policy guidelines established by the Port Commission through majority vote at Commission meetings and by Commission approval of the Executive Director's performance goals and objectives. These include policy goals and objectives related to achieving the Port's financial and budgetary annual performance goals, and aligning budget priorities to the Port's core mission, division goals and objectives that demonstrate that the Executive Director is holding his direct report managers accountable for division-level performance.
- Oversees the Internal Audit function of the Port of Seattle through the Audit Committee made up of two Port Commissioners and a third public member.

**EXECUTIVE:**

- Achieve the operating and performance goals and objectives set by the Commission.
- Select and manage all staff and outside resources needed to carry out long-range plans, major programs and projects, and to maintain facilities.
- Oversee the achievement of all divisions' major goals and initiatives.

**LEGAL:**

Legal is comprised of Attorney Services, which includes Workplace Responsibility and Records.

**ATTORNEY SERVICES:**

- Provide legal analysis, advice, expertise, opinions, and similar services, including: drafting, reviewing and interpreting contracts, agreements, statutes, regulations, judicial opinions, and other legal materials and documents.
- Provide prosecution and defense of claims and litigation.
- Provide assistance with settlements and negotiations.
- Provide representation in arbitration, mediations, and other forms of dispute resolution; representation before hearings boards, and other administrative or legislative bodies.
- Receive and manage reported violations and monitor workplace investigations and outcomes.

**WORKPLACE RESPONSIBILITY:**

- Provide overall leadership and coordination of the Port's ethics and compliance program.
- Publish and interpret the Code of Conduct, promote ethics awareness, provide ethics training, foster organization and individual commitment to the port's ethical values.
- Provide guidance on ethics and whistleblower issues; receive and manage the process for responding to reported Code of Conduct and whistleblower violations.

**RECORDS:**

- Manage and provide public record administration, including public disclosure.
- Provide Portwide assistance with regard to records management issues including retention scheduling, archiving, and public disclosure.
- Manage Port records in accordance with State retention requirements.
- Manage the Portwide Records Center in SharePoint.

**EXTERNAL RELATIONS:**

The Port's External Relations department serves several key functions, including federal, state and local government relations, capital project delivery which include regional transportation technical and policy expertise; strategic communications; and community engagement.

GOVERNMENT RELATIONS:

- Collaborate with Commission and Port business divisions (Aviation, Maritime and Economic Development) and Commission to develop legislative funding and policy priorities.
- Work with Port Commission to communicate the Port's Century Agenda, business, transportation, and trade priorities to representatives from federal, state, and local elected officials, agencies, and stakeholders.
- Foster effective relationships between Port-elected officials and senior Port staff with local, state, and federal elected officials to advance the Port's objectives and to represent regional, statewide, and national interests to officials in the Legislative and Executive branches of government.
- Develop partnerships with stakeholders in business, labor, and community organizations in support of trade development, economic growth, transportation infrastructure investment, and responsible environmental regulation.
- Utilize memberships and activities in associations engaged in legislative work to build coalitions and broaden awareness of Port issues and support for Port objectives.
- Provide opportunities for policy makers and staff to learn about the Port of Seattle's business and operations through meaningful tours, briefings, and timely responses to requests for information.
- Continue to advocate for policies and regulations that enhance and expand the ability of the Port and related businesses to move people and commerce efficiently in a competitive global marketplace and educate leaders on the impacts of adverse policy proposals.
- Coordinate legislative advocacy and policy development with the NWSA.

REGIONAL TRANSPORTATION:

- Focus transportation policy analysis and strategies to support funding and freight mobility at local, regional, state, and federal levels.
- Coordinate/collaborate with local jurisdictions, customers, stakeholders, and other interested parties to ensure continued access to Port facilities.
- Advocate/protect/enhance access to Port facilities through key projects.
- Lead efforts to assess key transportation projects that impact the Port.
- Work with the Aviation Division on regional transportation plans to support getting people to and from Sea-Tac.

CAPITAL PROJECT DELIVERY:

- Provide strategy, direction, planning, and implementation of public and stakeholder support of the Port's capital projects and capital programs.
- Educate and engage audiences about Port capital programs, infrastructure investment, and Commission priorities/initiatives in these areas.
- Engage in partnerships with stakeholders in government, business, labor, and community organizations in support of Port capital investments to support trade development, economic growth, transportation infrastructure investment, and responsible environmental regulation.
- Support memberships and activities in associations, build coalitions, and broaden awareness of Port issues and support for Port capital program objectives and economic opportunity through Port investment.
- Work with Capital Project leaders to identify key milestones that inform communication and commission decision timeframes.

COMMUNICATIONS:

- Act to ensure that audiences are aware of opportunities for economic and community development through the Port and are able to benefit from Commission priorities/initiatives.
- Provide guidance and assistance on customer service-oriented communications.
- Manage and execute emergency and crisis communication plans to effectively provide timely information for crisis incidents/issues to the public through mainstream and social media channels, including updating training for staff response and bench strength.

- Provide communications support and planning to commissioners and executive leadership.
- Provide strategy, direction, planning, and implementation of the Port's internal and external communication products.
- Effectively use multiple communication platforms to manage and communicate the Port brand through consistent graphics, messaging, tone, and quality, while applying guidelines and requirements for design and production of Port advertising, marketing, and communication products.

COMMUNITY ENGAGEMENT:

- Enhance the Port's reputation as a public steward and advance business interests by engaging, informing, and forging strategic relationships with stakeholders.
- Deliver programs, events, and communications that strengthen the Port's relationships with its communities and stakeholders, and supports business objectives such as: Terminal 5 Modernization Environmental Impact Statement (EIS); Northwest Ports Clean Air Strategy and Clean Truck updates; new airport and seaport customers/service; the opening of new facilities; and results from economic impact studies that demonstrate the value of industry.
- Strengthen strategic relationships within neighboring communities such as Airport communities and Duwamish Valley Environmental Justice neighborhoods to support airport operations and future growth, clean air/Superfund projects, and Seaport cargo competitiveness. Work with North Seattle neighborhoods to update cruise, Terminal 91 uplands development, and Ship Canal industry initiatives.
- Develop targeted outreach opportunities throughout King County for Commissioners and Executives to engage with area leaders and stakeholders on Century Agenda initiatives.
- Engage King County-wide audiences through public education events such as Port U: Port Unplugged, Port 101 tours, Seafood 101, Maritime 101 promotional campaigns, and working waterfront tours.
- Coordinate sponsorships and tables to support strategic partner events such as Maritime Festival, Duwamish Alive, Duwamish River Festival, Fishermen's Fall Festival, and annual events such as the Environmental Coalition of South Seattle (ECOSS), West Seattle Chamber State of the Port, Climate Solutions, and Clean Tech Alliance.

OFFICE OF SOCIAL RESPONSIBILITY:

- Support the External Relations team in advancing communications, community engagement, and legislative efforts to achieve the Port's Century Agenda objectives, the Commission policies, and the Executive Director's objectives and directives to staff.
- Provide policy recommendations to the Port Commission, the Executive Director, Executive Leadership team, and the Sr. Director of External Relations; these policy recommendations are intended to support and promote social impact and increase economic opportunities in the communities that the Port serves.
- Facilitate the dialogue between the Port Commissioners, the Executive Director, executive team, staff, and socio-economically disadvantaged communities, including the minority, immigrant and refugee communities.
- Identify opportunities for social impact that will advance the Port's job creation and economic development mission, while supporting the Port communities.
- Support the Port's small business and workforce development programs to ensure that inclusion and equal access remain an integral part of the programs sponsored and funded by the Port.
- Report the Port's social impact via the Port's external and internal (Compass) website, social media, dashboards, presentations to staff, and community groups as appropriate.
- Represent the Port's interests internally and externally to support the message and results of the various Port efforts that benefit the disadvantaged, immigrant, and minority communities.
- Recommend external presentation opportunities for Port commissioners, the Executive Director and executives, to present their vision of an inclusive and fair Port.
- Identify and celebrate internal and external social responsibility champions, by collaborating with internal teams in selecting individuals or businesses that deserve recognition.
- Manage the Port's Annual Community Giving Campaign, which supports Port employees' cash donations to non-profit organization through the Port's payroll deduction program.

**EXTERNAL RELATIONS:**

- Provide strategic guidance and direct the delivery of External Relations services to the Port Commissioners, the Executive Director, and business division leaders.
- Lead development and execution of work by the External Relations team to support the accomplishment of the Port's 2019 goals.

**ACCOUNTING AND FINANCIAL REPORTING:**

The Accounting and Financial Reporting (AFR) department's key operational responsibilities and services include:

- Portwide core accounting and financial reporting services
- Port accounting policies and procedures development and enforcement
- Industry prescribed accounting and financial reporting standards compliance assurance
- Annual Port financial statements preparation and issuance
- Recurring fiscal management reporting
- Accounts payable administration
- Payroll administration
- P-card and Travel card administration
- Leases and customer billing administration
- Accounts receivable and revenues administration
- Credit and collection enforcement
- General ledger administration
- Capital projects costing and capital assets accounting (including physical inventory)
- Cash/investment and debt accounting
- Grants billing and reporting
- Airport Passenger Facility Charge (PFC) accounting and reporting
- Airport Customer Facility Charge (CFC) accounting
- Port credit cards and procurement cards administration
- Employee expense claims and reimbursements
- Business tax administration
- External audits facilitation
- NW Seaport Alliance, North Harbor, accounting/financial reporting

**INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT):**

ICT provides state of the art technology and related services in a cost effective, secure, and highly reliable manner that can rapidly respond to the Division and individual department's requirements which will enable them to achieve their business objectives and to support Port strategies. Key functions include:

- Infrastructure (Data Management, Telephony, Network)
- Personal Computing (PC Support, Smartphone/iPad)
- Systems Delivery
- 24/7 Service desk

**FINANCE AND BUDGET:**

The overall goal of the Finance and Budget department is to continuously improve the institution's management of its debts, assets, budget, and resources. Key functions include:



**BUDGET:**

- Plan, coordinate and manage the Port’s budget planning process.
- Maintain, enhance, and manage the Port’s budget system and its interfaces.
- Provide budget training, workshops, and Management Information System (MIS) training to Portwide budget support staff.
- Review monthly variance reports and provide monthly Financial and Operational Indicators Report and Executive Summary Report to the Commission and Executive team.
- Plan, coordinate and manage the Port’s quarterly financial performance reporting process.
- Develop and refine budget policies and procedures for the Port.
- Provide budget consultation and support to the operating divisions and Central Services departments.
- Manage the Port economic impact study and other ad-hoc economic impact analysis.

**FINANCE AND TREASURY:**

- Existing debt management: bond proceeds usage reconciliation; regulatory compliance and financial reporting; bad money analysis; arbitrage rebate calculations; provide financial updates to ratings agencies; investor relations; letter-of-credit renewals and replacements.
- Manage new debt issuance.
- Manage engagements with outside financial advisor, bond and disclosure counsel and underwriters.
- Coordination of short and long-term funding plans for future capital needs; development and monitoring of the Port’s annual Capital Improvement Plan and Plan of Finance; tax levy funds management.
- Industrial Development Corporation Administration.
- Treasury functions include Cash and Investment portfolio management and management of the Port’s banking contract.

**BUSINESS INTELLEGENCE:**

The Business Intelligence Department’s core purpose is to transform the ways the Port accesses, analyzes, and shares data. Business Intelligence Center of Expertise provides advanced analytical and research support, creates efficiencies that eliminate information management waste, and fosters an analytical culture with data fluency. Key functions include:

- Performance measurement support.
- Eliminating information management waste by reducing the level of effort, complexity and process in preparing/manipulating data for analysis.
- Survey research services.
- Facilitating growth of an analytical culture with data fluency.

**RISK MANAGEMENT:**

- Oversee Property/Casualty Insurance Program.
- Manage claims process, intake, and settlement.
- Recover and collect on claims/damages to the Port.
- Manage Driver/Commercial Driver’s License (CDL) program (per Federal Motor Safety Carrier Act).
- Contractual reviews of leases and goods/services agreements.
- Perform risk management analysis and training.
- Update annual statements in relation to risk, uncertainty, insurance and claims; Report lost and stolen assets to State Auditor.
- Collaborate with Health and Safety and Construction Safety to ensure a safe workplace for both employees, contractors, and the public.
- Collaborate with Police, Fire and Security to update emergency preparedness procedures and training.
- Provide risk assessment and review of special events.
- Assist with the review and selection of Self-Funded Medical and Dental plans.

### **INTERNAL AUDIT:**

Internal Audit conducts risk-based operational/performance audits throughout the Port in accordance with applicable auditing standards and the best practices of the internal auditing profession. Audit results are designed to add value and improve and strengthen accountability, increase fiscal integrity, provide greater transparency in governance and decision making, and improve investment of public resources to advance trade and commerce, promote industrial growth, stimulate economic development, and create jobs. In addition, audit results are intended to enhance efficiency and effectiveness of management practices in governance, risk assessment, controls and compliance.

Internal Audit work is guided by two professional standards:

- Government Auditing Standards - issued by the Comptroller General of the United States.
- International Professional Practices Framework (IPPF) - issued by The Institute of Internal Auditors.

### **OFFICE OF STRATEGIC INITIATIVES:**

Office of Strategic Initiatives (OSI) comprise of Strategic Planning unit and Continuous Process Improvement unit.

#### **STRATEGIC PLANNING:**

- Update the Century Agenda.
- Re-evaluate the fundamentals of the long-term strategic planning.
- Provide consultation for planning for future disruptions.

#### **CONTINUOUS PROCESS IMPROVEMENT:**

- Provide Lean Training to foster understanding of Lean principles.
- Implement Lean initiatives throughout the Port.

### **CENTRAL PROCUREMENT OFFICE:**

- Manage the procurement process for all construction contracts, professional and personal service contracts, and goods and service contracts to ensure compliance with legal mandates.
- Lead team negotiations (price, contract terms and conditions) for base contract; draft and/or review, negotiate change orders and amendments for goods and services and professional and personal service contracts.
- Provide advice and assistance in contract management, addressing performance problems.
- Close out contracts, ensuring that all closing submittals have been received.
- Provide notification to Commission, with respect to public works contracting, as required, for compliance with state law and Resolution 3605.
- Provide training and outreach on procurement and contract issues, including developing appropriate small business programs and opportunities.
- Develop program and training to include Diversity in Contracting in the Port's consulting procurements and major construction contracts. Active management of contract requirements. Provide updates to Commission on the program.

### **HUMAN RESOURCES:**

Apart from providing core services listed below, Human Resources is also focused on broader issues such as attracting and retaining a diverse work force; succession preparation; process improvement; performance management aligned with values, strategies and business plans; and developing metrics that drive decisions.

The list that follows reflects services Human Resources provides daily, many of which also respond to the bigger picture, longer-term concerns described above.

STRATEGIC HR:

- Organizational effectiveness analysis and solutions
- Leader and talent development programs
- Workforce planning and HR data analysis
- Spirit and Wellness program
- Total Rewards strategies and programs
- Equity, Diversity and Inclusion strategies and support
- HR technology planning
- Organizational development consulting
- Leadership development

EMPLOYEE ENGAGEMENT:

- Talent development opportunities (e.g., classes, Internal Internships, Mentoring Everyone Everyone Mentors program)
- Recognition programs that support Employee Engagement
- Sponsorship of Development and Diversity Council; Administrative Services at the Port (ASAP); Women's Initiative; and, partnerships with Employee Resource Groups
- Promotion of employee health and well-being
- Support of workplace culture and engagement initiatives
- Change management support and consultation
- Enhancement of Portwide safety culture

ADMINISTRATION / OPERATIONAL EXCELLENCE:

- Compensation and benefits administration including analysis to support collective bargaining processes and timely/accurate payment of benefits related charges
- Employee Relations support (in coordination with Workplace Responsibility Office)
- Conflict resolution
- HR Systems Administration (Human Capital Management, Learning Management System, Applicant Tracking, ePerformance, Market Pricing)
- Employee records maintenance
- Talent Acquisition
- Health and Safety services
- Process improvement
- HR Outreach Programs - Internship and Veterans Fellowship programs

COMPLIANCE:

- Affordable Care Act reporting
- Affirmative Action Plan and Equal Employment Opportunity reporting
- Provide Portwide required training (Safety, Anti-Harassment)
- Compliance with state laws related to prior pay rates, as well as local minimum wage laws
- Required reporting and compliance with employment and labor laws
- Self-insured Workers Compensation Administration and required reporting (WAC 296-15)
- Compliance with health and safety regulations
- Administration of Port benefits and plans
- Compliance with state, federal, and local laws including the new WA State Paid Family Leave Plan

**LABOR RELATIONS:**

Labor Relations (LR) offers the best possible representation of the Port's interests by engaging in collaborative relationships with employee organizations through open communication and dialogue. LR also provides strategic expertise and assistance to positively affect operations, reduce exposure and support a talented workforce to help propel the Port and region into the future. Key functions include:

- Prepare, negotiate, implement and administer the Port's 24 bargaining agreements.
- Implement LR bargaining strategy and directives from the Commission and Executive Leadership Team.
- Process grievance and disciplinary procedures according to the agreements.
- Represent the Port in Public Employment Relations Commission (PERC) and Arbitration proceedings.
- Participate in Port oversight committees; provide consultation to all Port committees and all divisions on labor matters, including proposed changes in policies, practices and procedures in a manner designed to avoid labor disputes.
- Supervise and manage labor community outreach as well as Seaport Alliance LR work. Act as the Commission Liaison with Labor and support the Executive Director in their Labor Outreach strategy to facilitate positive labor relations across the region.
- Organize, manage, and attend labor business partnership meetings to resolve issues before they become grievances.
- Negotiate Project Labor Agreements (PLA) and assist with PLA policy and language.

**INFORMATION SECURITY:**

Information Security is a new department established during the third quarter of 2018. Information Security provides data security response services to reduce data risks and enhance the Port's continuity of business operations. The key functions include:

- Maintain enterprise systems and control systems across the Port.
- Audit and compliance efforts with emphasis to Risk Assessments, and data governance of Payment Card Industry (PCI), Health Insurance Portability and Accountability Act (HIPAA), Criminal Justice Information Services (CJIS) and Privacy data.

**EQUITY PROGRAM:**

Equity Program is a new department that will be added in 2019 with the main goal of supporting the objective in the Port's strategic plan to become a model of equity, diversity and inclusion. Key functions include:

- Ensure that Port policies, practices, projects, programs and procedures are grounded in equity principles and address economic, environmental and social injustice.
- Evaluate and clarify Port values and practices with the ultimate goal of increasing equity, diversity and inclusion internally and externally in the region the Port serves.
- Lead Port staff to develop and implement organizational strategies and work plans to support an equity policy.
- Provide strategic direction and lead long term vision and planning. Develop and implement technical assistance program for Port departments and employees.
- Develop, direct and manage the strategic implementation of interdepartmental teams and community partnerships to achieve racial equity in key areas.
- Establish partnerships and relationships with key governmental, institutional, and community stakeholders, to develop and implement solutions that create structural change.

**ENVIRONMENT AND SUSTAINABILITY:**

The Environment and Sustainability is a COE established as part of the 2016 reorganization that includes the Aviation Environmental, Noise Program, Maritime Environmental and Planning, and Environmental and Sustainability Administration. Its key functions and responsibilities include:

**AVIATION ENVIRONMENTAL:**

- Stormwater Program: provide environmental support to maintain compliance with the Airport's National Pollutant Discharge Elimination System (NPDES) permit and waste discharge permit consistent with the associated Century Agenda to meet or exceed these regulations. These permits authorize the discharge of industrial and construction stormwater to adjacent creeks and lakes, industrial wastewater to Puget Sound and the King County wastewater treatment plant and industrial sanitary wastewater to the Midway sewage treatment plant. Compliance with these permits is mandatory with violations not to exceed \$10,000 per day. Permits require regular monitoring of discharges from 11 outfalls, and Industrial Wastewater Treatment Plant, specialized testing for effluent toxicity, other specialized studies, administration development treatment and flow control requirements.
- Natural Resources Program: provide services necessary to comply with the Airport's 1997 MPU Section 401 certification and Section 404 permit from the Department of Ecology (Ecology) and US Army Corps of Engineers, respectively. Program requirements extend through 2022 and include management of over 160 acres of wetlands around the Airport and in Auburn, habitat restoration and maintenance for the Flight Corridor Safety Program.
- Contaminated Sites, Solid Waste and Hazardous Materials program: monitor and provide oversight of construction contaminated soil, management of Port-generated hazardous waste, and oversight of underground and above ground storage tanks; remediation of Lora Lake site.
- Air Quality program: develop regulatory and voluntary air-related initiatives which include ensuring that the Port comply with all the requirements in the Airport's Air Permit. Provide additional support for the development and implementation of initiatives to meet the Port's Century Agenda goal to reduce air emissions by 50%.
- SEPA/NEPA function: ensure compliance with the State Environmental Policy Act (SEPA) and the National Environmental Policy Act (NEPA). Conduct comprehensive environmental reviews for all airport projects that could impact the environment, as well as actively engaging key stakeholders such as the Federal Aviation Administration (FAA) and neighboring communities.
- Waste Reduction and Recycling function: implement initiatives designed to divert airport wastes away from landfills through strategies that reduce, reuse or recycle our solid waste and enable the airport to meet the aggressive goal of diverting 60% of waste generated at the Terminal. Conduct waste audits and develop strategic plans to ensure that the airport can meet diversion goals year over year, even with significant passenger growth.
- Climate function: develop new sources of biofuels such as renewable natural gas that can be used at the airport to heat the terminal, develop emission inventories for certification under the Airports Carbon Accreditation (ACA) program, and report the Airport's emissions to the Washington State Department of Ecology. Collaborate with aviation stakeholders such as Boeing and Alaska Airlines to conduct studies necessary to create a market for aviation biofuels at Sea-Tac Airport.
- Energy function: provide assistance to other departments such as Operations and Facilities and Infrastructure to estimate the carbon benefits of reducing energy throughout the Terminal and on the airfield. Develop initiatives that allow the Airport to use different forms of energy such as providing electric vehicle charging stations throughout the Airport property and nearby locations as appropriate.
- Transportation function: develop initiatives aimed at reducing the environmental impacts associated with transportation from both commuting employees and passengers which include Commute Trip Reduction Program, Transportation Network Companies (TNCs), and taxi contracts.

NOISE PROGRAM:

- Sound Insulation Program Management is intended to reduce the impact of aircraft noise in eligible homes and schools located near the Airport. This program is an outcome of the recent Part 150 that was approved by the FAA in 2014 to provide modifications to homes to reduce interior noise levels.
- FAA Noise Compliance/Regulatory Program ensures that the Airport is in compliance with the FAA in monitoring noise contours which is conducted every three years and must meet the obligation of evaluating noise conditions.
- Noise Abate and Outreach Programs provide information to communities regarding airport noise, collect noise complaints, conduct research to determine root cause, compile all written correspondence, and provide presentations to different communities.
- Part 150 Project Implementation involves management oversight and implementation of the Part 150 Noise Compatibility Plan, which is necessary to receive grant funding for noise projects. The plan includes developing and implementing sound insulation programs, noise impacted acquisitions, flight procedures, and noise modeling and monitoring.

MARITIME ENVIRONMENTAL AND PLANNING:

- Energy Efficiency: Reduce energy use and Greenhouse gas (GHG) emissions from Port Maritime facilities. Participate in regional maritime strategic partnerships and develop clean air policies.
- Monitor Stormwater for regulatory compliance and report findings to Department of Ecology (DOE) for both the Stormwater Utility and in support of operating business units.
- Ensure compliance with local, state and federal regulations including but not limited to Green Marine certification, Derelict Vessels, Spill Prevention, Dangerous Waste (DW) designation and disposal, Underground Storage Tank (UST) monitoring, Spill Response.
- Capacity planning; perform due diligence related to potential environmental remediation when buying new properties; support maximizing cost recovery including grants, insurance, allocation and settlements.
- Develop habitat along Duwamish and Elliott Bay to meet Century Agenda goal.
- Participate in regional maritime strategic partnerships and drive clean air policy.
- Direct appropriate and successful implementation of environmental National and State Environmental Policy Acts (NEPA/SEPA) environmental impact statements and permitting.
- Ensure that methods to manage permits for federal, state and local agencies are cost effective and regulatory compliant.
- Compile technical data and mapping information for internal and external customers.
- Manage and implement the Port's Environmental Remediation Liability Program and public benefit projects including clean truck program.
- Preserve industrial lands and complete facility strategic plans.

ENVIRONMENTAL AND SUSTAINABILITY ADMINISTRATION:

- Continue to support and manage Commission directed contracting work which aligns with the Century Agenda goals.
- ACE and Forterra Funds support the Port's Century Agenda goals which partner with surrounding communities and steward the environment responsibly. To support this, the Port is partnering with local non-profits which aim to improve environmental health outcomes for communities, and improve environmental performance at ports.
- Continued support for the development of the Sustainability Framework, which includes work on green certifications such as Leadership in Energy and Environmental Design (LEED) ratings on major projects, Sustainable Buildings, Sustainable Sea-Tac.

POLICE:

- Provide professional law enforcement services to internal and external Port of Seattle Stakeholders which includes essential emergency and routine response capability allowing airport operations to continue.

- Traffic mitigation as well as traditional law enforcement functions throughout the Port of Seattle's jurisdiction.
- Provide essential emergency response to mitigate terrorist attacks and other acts of extraordinary violence. Respond with other first response partners to mitigate and stabilize unusual occurrences, disasters and mechanical calamities in order to stabilize the scene and enhance continuity of operations.
- Support the professional development of the police department to improve the ability to meet future needs of the Port of Seattle.

**CAPITAL DEVELOPMENT (CD):**

The mission of Capital Development is to deliver projects and provide technical services in support of the operating and infrastructure needs of the Port of Seattle and the Northwest Seaport Alliance. Key functions include:

**AVIATION PROJECT MANAGEMENT:**

- Deliver capital and expense projects for Aviation Division on time, within budget, meeting agreed scope, and with minimal and mutually-agreed impacts on airport operations.
- Ensure that procurement meets requirements of State law, Port policies and procedures, federal grants, and other controlling regulations.
- Assist Aviation Division in initial project scoping, cost estimation, and development of project alternatives.
- Actively seek small and disadvantaged business opportunities in design and construction contracting.
- Support the Port's environmental goals through incorporation of appropriate project elements and through management of projects directly in support of environmental improvements.
- Support the Port's goals in promoting diversity in contracting for project delivery.

**ENGINEERING:**

- **Design and technical support for Port projects and facilities**
  - Civil/Structural and Mechanical/Electrical design, analysis and CAD drafting
  - Seismic risk analysis and condition assessment of facilities
  - Central repository for all project drawings, as-built, and soils information
  - Maintain technical master specifications
  - CAD compliance reviews
  - Establish and operate remote office facilities to support project requirements
- **Construction management for all major construction projects and tenant construction oversight**
  - Pre-construction services
  - Field observation/inspection and quality compliance checks
  - Change order management, disputes and claims resolution
  - Construction coordination with Port operations/tenants
  - Construction document management
  - Management of Project Labor Agreements (PLA)
- **Construction safety compliance for all construction projects**
  - Provide Port Safety Training and Orientations for contractors, consultants and Full-Time Employees
  - Review Contractors site safety plans for acceptance
  - Weekly documented audits of construction projects
  - Coordination with Operations, Fire Dept., PLA, Security, Port Construction Services (PCS), Risk management, Building Department and Maintenance
  - Response to and documentation of incidents, hazardous conditions and complaints
  - Management of safety equipment and personal protective equipment (PPE) supplies for the Engineering Dept.
  - Management Emergency and Disaster preparedness supplies for the Engineering Dept.
  - Data management of contactors safety plans, incidents corrective actions, and department training records

- **Surveying and mapping of Port properties**
  - Topographic and hydrographic surveys
  - Legal descriptions and lease line layouts
  - Utility locates/mapping and aerial mapping
  - Geographic Information System (GIS) data gathering
  - Project staking and validation
- **Emergency Response and Declaration of Emergency Support**

SEAPORT PROJECT MANAGEMENT GROUP:

- Complete capital and expense projects that provide the best value for the Port, within approved budget, in accord with agreed schedule, and within defined project scope.
- Support Economic Development and Maritime Divisions beyond projects including: budget development; business planning; asset management and reporting; community outreach; negotiations; contracting; and technical support and assistance.
- Provide project delivery services for NWSA; support business process development as needed to include budget plan development; business planning; asset management and reporting; community outreach; negotiations; contracting; and technical support and assistance.
- Support Capital Development by: coordinating with other CD departments; complying with regulatory agencies; following policies, procedures, and guidelines; and responding to audit inquiries.
- Support the NWSA, Economic Development, and Maritime Divisions in development of a comprehensive asset management plan by providing technical expertise and services as needed.
- In collaboration with the Maritime Environmental and Sustainability team, ensure sustainable engineering features are considered as appropriate during the planning phase of project delivery.
- Incorporate small and disadvantaged business opportunities into all project delivery planning efforts.

PORT CONSTRUCTION SERVICES:

- **Management of Asbestos Abatement in support of construction projects**
  - Review Regulated Materials Management (RMM) design
  - Provide project monitoring and quality control
  - Monitor project abatement
- **Management of the Asbestos Operations and Maintenance program**
  - Provide RMM tenant support, RMM maintenance support, and RMM routine housekeeping
  - Make periodic inspections
  - Provide asbestos awareness training
  - Provide indoor air quality and mold inspections
- **Construction Management of small works projects**
  - Track project schedule and budgets
  - Prepare estimates, work authorizations and service directives for small works contractors
  - Perform construction quality inspections
  - Recycle construction debris on projects
- **Small works construction**
  - Provide craft labor resources (carpenters, laborers, operators, etc.)
  - Provide construction equipment (pick-up trucks, dump trucks, heavy equipment, small tools, etc.)
  - Provide small business opportunities in open order and project specific small works contracts



## **D. 2019 OPERATING BUDGET SUMMARY**

### **Background:**

Central Services departments are the primary supporters of the Port business units. Aside from the growing organizational needs, Century Agenda goals drive the budget priorities of Central Services departments. The 2019 budget development approach included the following steps: scrutinizing line-items by account and making appropriate adjustments to the 2018 baseline budget; adding incremental pay and benefit costs for baseline employees; reviewing new budget requests from individual departments and incorporating costs of approved items.

### **Overview of Major Changes in 2019 Budget:**

The 2019 budget for Central Services is \$145.3M, \$750K or 0.5% higher than the 2018 budget. While the 2019 budget includes \$8.6M new budget additions, the increase is mostly offset by the removal of \$4.6M non-recurring items from the baseline and a \$4.6M reduction of expense projects in the Capital Development budget for 2019.

The 2019 payroll budget increases by \$4.2M or 3.9% due to (1) a 3.8% average pay increase for existing non-represented staff, (2) contractual increases for existing represented employees, (3) the annualized payroll costs for the new FTEs added for 2018, and (4) the additional payroll costs for 25.5 new FTEs added in the 2019 budget.

2019 non-payroll budget decreases by \$3.5M or 9.7% due to a combination of (1) removing \$4.6M non-recurring items from the baseline, (2) more overhead charges to capital, and (3) partially offset by new budget additions (see details below).

### **Operating Expense Drivers:**

Central Services added \$8.6M in new budget items, which include 25.5 new FTEs, to support the following initiatives:

- **Implement and support Century Agenda goals**
  - Central Procurement Office added 3 Contract Administrators for Diversity in Contracting.
  - Maritime Environment and Planning added \$200K for the Smith Cove Blue Carbon Pilot Project.
  - Environmental and Sustainability department added \$750K for South King County Support Program, \$375K for Sustainable Aviation Fuels and Air Emissions Program, \$150K for the Sustainability Evaluation Framework and 8K for Environmental Excellence Awards.
  - AV Environmental and Noise added \$125K to implement Sustainable Aviation Fuels (SAF) Workplan, \$60K for Flight Corridor Safety Program Habitat Management, and \$26K for PlaneNoise Complaint Handling System Annual Subscription.
  - Commission Office added \$80K for Sustainable Aviation Fuels Consultant and a graduate intern.
- **Enhance Safety and Security**
  - Police added 3 Explosive Detection K9 Officers and 1 Waterfront Sergeant.
  - Human Resources added \$250K for Behavior based training and \$40K for Confined Space Regulation Assessment and Planning which is a compliance requirement.
  - Information Security was approved for Chief Information Security Officer (CISO), Information Security Sr. Analyst and several other information security programs for a total of \$240K.
- **Building Capability and Community Outreach**
  - Business Intelligence added \$360K for Phase 2 of Community Assessment and Service Quality Measurement Survey and Analytics project, \$45K for Analytics Program Support Services, and a Business Intelligence Analyst III.
  - Office of Strategic Initiatives included \$500K for Lean Consulting Services.

- Accounting and Financial Reporting added \$88K for PeopleSoft Systems Functional Expertise Resource.
- Maritime Finance and Budget added a Grant and Cost Recovery Specialist.
- External Relations added \$70K for Outreach Printing and Postage, Ethnic Media Marketing, and Staff Training for new Customer Relation Management (CRM) Database.
- **Support organizational needs**
  - Environment and Sustainability department included \$1.6M for professional services to complete the comprehensive environmental review and permitting of the Sustainable Airport Master Plan (SAMP) and additional \$945K for a number of environmental initiatives.
  - Capital Development (Engineering and PCS) added 10 employees mainly to support the design and construction of the Airport projects.
  - Information and Communications Technology added \$200K for Microsoft Enterprise Licenses (MS Office, Windows, etc.).
  - Human Resources, Internal Audit, and Finance & Budget added staff and resources to support the growing organizational needs and strengthen the organizational effectiveness.

The full list of approved additions to the 2019 Budget, both baseline and non-recurring, are explained in the following table based on the context of the Problem/Need/Opportunity they are identified to address.

Central Services					
Problem/Need/Opportunity	Solution	2019 Budget Request			
		FTEs	Baseline	One-time	Total
<b>Century Agenda</b>					
Add new resources to implement Century Agenda goals	Three Contract Administrators for Diversity in Contracting	3.0	285,741	-	285,741
	Smith Cove Blue Carbon Pilot Project	-	200,000	-	200,000
	Sustainability Evaluation Framework	-	-	150,000	150,000
	Sustainable Aviation Fuels Workplan Implementation	-	-	125,000	125,000
	Sustainable Aviation Fuels Consultant	-	-	80,000	80,000
	Sustainable Aviation Fuels and Air Emissions Program	-	375,000	-	375,000
	Flight Corridor Safety Program Habitat Management	-	60,000	-	60,000
	Graduate Intern in Commission Office	0.5	30,303	-	30,303
	PlaneNoise Complaint Handling System Annual Subscription	-	26,000	-	26,000
	Environmental Excellence Awards	-	8,000	-	8,000
	South King County Support Program	-	750,000	-	750,000
Maritime Tree Inventory	-	25,000	-	25,000	
<b>Total</b>		<b>3.5</b>	<b>1,760,044</b>	<b>355,000</b>	<b>2,115,044</b>
<b>Safety &amp; Security</b>					
Strengthen safety & security of the Port and the traveling public	Three Police Explosive Detection K9 Officers	3.0	362,656	-	362,656
	Police Sergeant/Waterfront	1.0	188,089	-	188,089
	Behavior Based Safety Training	-	250,000	-	250,000
	Chief Information Security Officer	1.0	161,531	-	161,531
	Information Security Sr. Analyst	1.0	120,005	-	120,005
	Endpoint Security-Servers, Workstations, OpsLAN, & Mobility (increase licenses)	-	125,000	-	125,000
	Information Security Third Party Managed Services	-	75,000	-	75,000
	Vulnerability Management Tool-Aviation (increased licenses)	-	40,000	-	40,000
	Confined Space Regulation Assessment and Planning - Compliance Requirement	-	40,000	-	40,000
<b>Total</b>		<b>6.0</b>	<b>1,362,281</b>	<b>-</b>	<b>1,362,281</b>

Central Services					
Problem/Need/Opportunity	Solution	2019 Budget Request			
		FTEs	Baseline	One-time	Total
<b>Building Capabilities</b>					
Continue building capability for the Port	Community Assessment and Service Quality Measurement Survey & Analytics	-	360,000	-	360,000
	Research Analyst (Business Intelligence Analyst III)	1.0	116,434	-	116,434
	Lean Consulting Services	-	-	500,000	500,000
	PeopleSoft Systems Functional Expertise Resource	-	-	88,000	88,000
	Grant and Cost Recovery Specialist	1.0	72,491	-	72,491
	Analytics Program Support Services	-	45,000	-	45,000
<b>Total</b>		<b>2.0</b>	<b>593,925</b>	<b>588,000</b>	<b>1,181,925</b>
<b>Public Outreach</b>					
Expand public outreach to increase awareness of Port's contribution to regional economic vitality and to enhance relationship with surrounding communities	Outreach Printing and Postage	-	25,000	-	25,000
	Ethnic Media Marketing	-	20,000	-	20,000
	Staff Training for new Customer Relation Management (CRM) Database	-	-	25,000	25,000
<b>Total</b>		<b>-</b>	<b>45,000</b>	<b>25,000</b>	<b>70,000</b>
<b>Organizational Needs</b>					
Increase resources to support the growing organizational needs	SAMP Environmental Review and Permitting	-	1,600,000	-	1,600,000
	Construction Support - 6.0 FTEs	6.0	123,020	-	123,020
	Microsoft Enterprise Licenses (MS Office, Windows, etc.)	-	200,000	-	200,000
	Umbrella Mitigation Bank	-	125,000	-	125,000
	EPA Pilot Program	-	-	100,000	100,000
	Complete Airport's 5-year NPDES Permit Renewal Application	-	-	100,000	100,000
	Contaminated Site Management - PFAS	-	-	100,000	100,000
	One Port Culture Consultant	-	-	90,000	90,000
	HIPAA Assessment	-	-	80,000	80,000
	Technical Support for IWS Deicing Management Study	-	-	75,000	75,000
	On-Call Technical Support for PORTfolio	-	75,000	-	75,000
	GTAP Implementation	-	-	75,000	75,000
	PORTfolio Site Maintenance/Enhancements	-	60,000	-	60,000
	Waste Management Program continuation	-	55,000	-	55,000
	Funding for Seattle DCI, USACE, NOAA Permitting Liaison Services	-	50,000	-	50,000
	HR Organizational Effectiveness Consultant	-	-	50,000	50,000
	Green Fleet Program	-	-	50,000	50,000
	Capital Audit Expert Consultant	-	-	50,000	50,000
	Financial Analyst I	1.0	98,163	-	98,163
	WA Paid Family Leave Law FTE	1.0	96,463	-	96,463
	Administrative Assistant	1.0	75,357	-	75,357
	PCS Construction Manager II	1.0	50,877	-	50,877
	PCS RMM Construction Manager II	1.0	50,877	-	50,877
	Overlap for a CPI Manager Position (3 months)	0.3	-	40,976	40,976
	Graduate Intern in AV Finance & Budget	0.5	35,822	-	35,822
	Senior Design Architect	1.0	33,940	-	33,940
	Commute Trip Reduction	-	30,000	-	30,000
	SPCC Plan 5-Year Recertification (Requirement)	-	-	30,000	30,000
	Overlap for a Senior Port Budget Analyst (3 months)	-	-	29,925	29,925
	Staff Training for AV Finance & Budget (additional)	0.3	-	28,666	28,666
	Commute Trip Reduction Program - ORCA	-	28,500	-	28,500
	NMFS habitat programmatic permitting	-	20,000	-	20,000
	Peer Review for Internal Audit	-	-	15,000	15,000
Internal Audit Manager	1.0	132,000	-	132,000	
<b>Total</b>		<b>14.0</b>	<b>2,940,018</b>	<b>914,567</b>	<b>3,854,585</b>
<b>Central Services Total - 2019 Budget Requests</b>		<b>25.5</b>	<b>6,701,267</b>	<b>1,882,567</b>	<b>8,583,834</b>

The following Tables VII-2 and VII-3 and Figure VII-1 illustrate the administrative expense for Central Services by department and by account:

**TABLE VII-2: CENTRAL SERVICES EXPENSE BY DEPARTMENT**

(\$ in 000's)					
BY DEPARTMENT	Notes	2017 Actual	2018 Budget	2019 Budget	% Change 2019 Bud- 2018 Bud
<b>EXPENSES BEFORE CHARGES TO CAP/GOVT/ENVRs PROJECTS</b>					
Commission		\$ 1,685	\$ 1,984	\$ 2,153	8.5%
Executive		1,287	2,001	1,995	-0.3%
Legal		3,789	3,617	3,624	0.2%
External Relations		7,112	8,308	8,367	0.7%
Human Resources		8,420	9,689	10,250	5.8%
Labor Relations		1,678	1,371	1,330	-3.1%
Internal Audit		1,603	1,828	1,916	4.8%
Accounting & Financial Reporting		6,760	8,148	8,500	4.3%
Information & Communications Technology		25,088	27,000	27,774	2.9%
Finance & Budget		5,059	5,953	6,635	11.5%
Business Intelligence		1,211	1,543	2,139	38.7%
Risk Services		3,077	3,322	3,328	0.2%
Office of Strategic Initiatives		1,882	2,265	1,776	-21.6%
Central Procurement Office		5,223	6,450	6,847	6.1%
Security and Preparedness		500	621	-	-100.0%
Information Security		758	1,137	1,774	56.0%
Equity Program		-	-	351	0.0%
Contingency		381	250	250	0.0%
Environment & Sustainability		8,467	13,096	14,916	13.9%
Industrial Development Corporation		-	-	-	0.0%
Police		22,095	27,065	30,778	13.7%
Capital Development Administration		428	607	470	-22.7%
Engineering		18,983	28,535	32,088	12.5%
Port Construction Services		8,875	8,999	7,911	-12.1%
Aviation Project Management Group		20,415	26,359	20,856	-20.9%
Seaport Project Management Group		2,505	2,758	2,909	5.4%
Central Services Capital to Expense		-	-	-	0.0%
<b>Total Expenses Before Charges to Cap/Govt/Envrs Projects</b>		<b>157,282</b>	<b>192,907</b>	<b>198,934</b>	<b>3.1%</b>
<b>CHARGES TO CAPITAL/GOVT/ENVRs PROJECTS</b>					
		<b>(40,299)</b>	<b>(48,317)</b>	<b>(53,595)</b>	<b>10.9%</b>
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>					
Commission		1,685	1,984	2,153	8.5%
Executive		1,287	2,001	1,995	-0.3%
Legal		3,741	3,617	3,568	-1.4%
External Affairs		7,112	8,308	8,367	0.7%
Human Resources		8,418	9,689	10,250	5.8%
Labor Relations		1,678	1,371	1,330	-3.1%
Internal Audit		1,603	1,828	1,916	4.8%
Accounting & Financial Reporting		6,751	8,148	8,500	4.3%
Information & Communications Technology		21,633	23,308	23,966	2.8%
Finance & Budget		4,998	5,828	6,371	9.3%
Business Intelligence		1,211	1,543	2,139	38.7%
Risk Services		3,077	3,322	3,328	0.2%
Office of Strategic Initiatives		1,882	2,265	1,776	-21.6%
Central Procurement Office		3,861	4,511	4,678	3.7%
Security and Preparedness		500	621	-	-100.0%
Information Security		726	1,137	1,774	56.0%
Equity Program		-	-	351	0.0%
Contingency		381	250	250	0.0%
Environment & Sustainability		6,975	11,504	13,224	14.9%
Industrial Development Corporation		-	-	-	0.0%
Police		22,095	27,065	30,778	13.7%
Capital Development Administration		428	607	470	-22.7%
Engineering		5,284	7,841	7,530	-4.0%
Port Construction Services		3,709	5,685	2,739	-51.8%
Aviation Project Management Group		6,942	10,977	6,794	-38.1%
Seaport Project Management Group		1,007	1,178	1,096	-7.0%
Central Services Capital to Expense		-	-	-	0.0%
<b>Total Operating Expenses</b>		<b>\$ 116,982</b>	<b>\$ 144,590</b>	<b>\$ 145,339</b>	<b>0.5%</b>

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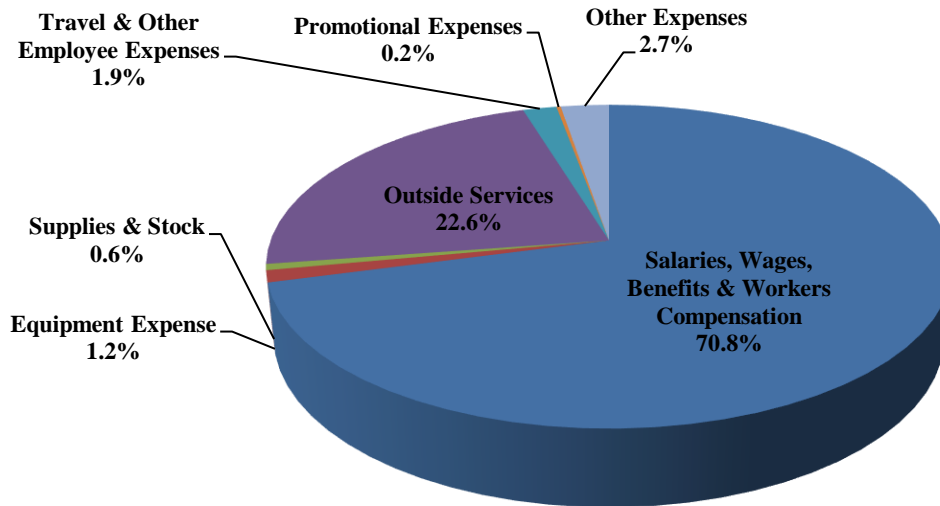
**TABLE VII-3: REVENUES AND EXPENSES BY ACCOUNT**

(\$ in 000's)		2017	2018	2019	% Change
BY ACCOUNT	Notes	Actual	Budget	Budget	2019 Bud- 2018 Bud
<b>Revenue</b>					
Property Rental Revenue		11	-	-	0.0%
Other Revenue		58	182	185	1.8%
<b>Total Administrative Revenue</b>		<b>68</b>	<b>182</b>	<b>185</b>	<b>1.8%</b>
<b>Expense</b>					
Salaries, Wages, Benefits & Workers Compensation		111,778	132,291	140,936	6.5%
Equipment Expense		3,099	3,064	2,355	-23.1%
Utilities		41	64	88	37.2%
Supplies & Stock		1,337	1,387	1,219	-12.1%
Outside Services		34,046	46,905	44,905	-4.3%
Travel & Other Employee Expenses		2,560	3,697	3,689	-0.2%
Promotional Expenses		333	509	462	-9.2%
Other Expenses		4,088	4,989	5,279	5.8%
<b>Total Operating Expenses Before Charges to Cap/Govt/Envrs Projects</b>		<b>157,282</b>	<b>192,907</b>	<b>198,934</b>	<b>3.1%</b>
Charges to Capital/Govt/Envrs Projects		(40,299)	(48,317)	(53,595)	10.9%
<b>Total Administrative Expense</b>		<b>\$ 116,982</b>	<b>\$ 144,590</b>	<b>\$ 145,339</b>	<b>0.5%</b>

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**FIGURE VII-1: CENTRAL SERVICES EXPENSE BY ACCOUNT**

(\$ in 000's)



**Total Administrative Expense: \$145,339**

**E. STAFFING**

Central Services is budgeting 940.4 FTEs for 2019, which is 32.3 FTEs higher than the 2018 budget. The following TABLE VII-4 depicts the proposed staffing requirements for 2019 by department for Central Services. Please see the notes on the following page for further explanations.

**TABLE VII-4: CENTRAL SERVICES STAFFING**

<b>STAFFING</b> (Full-Time Equivalent Positions)						
<b>BY DEPARTMENT</b>	<b>Notes</b>	<b>2017 Actual</b>	<b>2018 Budget</b>	<b>2018 Est. Act.</b>	<b>2019 Budget</b>	<b>% Change 2019 Bud - 2018 Bud</b>
Commission	1	14.5	15.5	15.5	15.5	0.0%
Executive Office	2	5.5	6.0	5.5	5.5	-8.3%
Legal		16.5	16.5	16.5	16.5	0.0%
External Relations	3	32.5	32.5	34.5	34.5	6.2%
Human Resources	4	63.9	68.1	68.1	68.1	0.0%
Labor Relations		7.0	7.0	7.0	7.0	0.0%
Internal Audit	5	10.2	10.2	10.2	11.2	9.8%
Accounting & Financial Reporting	6	55.4	56.4	56.4	56.4	0.0%
Information & Communication Technology		124.0	124.0	124.0	124.0	0.0%
Finance & Budget	7	11.0	11.0	11.0	12.3	11.4%
Aviation Finance & Budget	8	13.0	15.0	15.0	15.5	3.3%
Maritime Finance & Budget	9	11.0	11.3	12.3	13.3	17.7%
Business Intelligence	10	9.3	9.3	9.3	10.3	10.8%
Risk Services	11	6.3	6.0	6.0	6.0	0.0%
Office of Strategic Initiative	12	9.0	10.0	9.0	8.3	-17.5%
Central Procurement Office	13	41.0	43.0	44.0	47.0	9.3%
Security & Preparedness	14	7.3	7.0	0.0	0.0	-100.0%
Information Security	15	5.0	5.0	6.0	8.0	60.0%
Equity Program (new dept)	16	0.0	0.0	0.0	2.0	0.0%
Environment & Sustainability	17	39.6	42.6	42.6	43.6	2.5%
Police	18	140.0	152.0	162.0	166.0	9.2%
Capital Development Administration		2.0	2.0	2.0	2.0	0.0%
Engineering	19	128.8	129.8	130.8	138.8	6.9%
Port Construction Services	20	49.0	49.0	49.0	51.0	4.1%
Aviation Project Management	21	62.0	62.0	62.0	61.8	-0.4%
Seaport Project Management		16.0	16.0	16.0	16.0	0.0%
<b>TOTAL CENTRAL SERVICES</b>		<b>879.6</b>	<b>907.1</b>	<b>914.6</b>	<b>940.4</b>	<b>3.7%</b>

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Notes:

- 1) Commission added a Commission Staff Assistant - Commission Records and a .5 College Intern during 2018.
- 2) Executive added a .5 College Intern and converted a half-time FTE to full-time FTE during 2018.
- 3) External Relations added 2 .5 College interns and a limited duration Environment Program Manager during 2018.
- 4) Human Resources added a Sr. Talent Acquisition Representative, an Equity Program Manager, a .6 College Intern and an additional 8 High School Interns during 2018. In 2019, Human Resources was approved for a WA Paid Family Leave Law FTE, and transferred an Equity Program Manager to the new Equity Program department.
- 5) Internal Audit was approved for an Internal Audit Capital Manager for 2019.
- 6) Accounting & Financial Reporting added a Capital Services Accountant III during 2018.
- 7) Finance & Budget was approved for a Financial Analyst I and a three-month overlap for Sr. Port Budget Analyst.
- 8) Aviation Finance & Budget added a Manager and an Administrative Assistant during 2018 and will be adding a .5 College intern in 2019.
- 9) Maritime Finance & Budget added a .3 Graduate Intern and transferred a Financial Analyst from Marine Maintenance during 2018; and was approved for a Grant & Cost Recovery Specialist for 2019 Budget.
- 10) Business Intelligence was approved for a Research Analyst III.
- 11) Risk Services deleted the .3 College Intern during 2018.
- 12) Office of Strategic Initiative added an Economic Development Analyst during 2018 and later, transferred this position to Central Procurement Office. As part of the 2015 reorganization, Office of Strategic Initiative was established as a new department with Central Procurement Office rolling up to the Office of Strategic Initiative. However, the two became separate departments during 2018. For 2019, Office of Strategic Initiative eliminated a Sr. Director and was approved for a three-month overlap for a Program Manager.
- 13) Central Procurement Office was transferred from Capital Development to the Office of Strategic Initiative in 2015 as part of the reorganization. However, Central Procurement Office became a separate department during 2018.
- 14) Security & Preparedness department, which comprised of several sub-departments (ICT Information Security, Emergency Management, and Maritime Security), was eliminated during 2018. Emergency Management was transferred to the Aviation Division and Maritime Security was moved under the Maritime Division. One FTE was moved to Information Security which became a separate department during 2018.
- 15) Information Security, which was a sub-department of Security & Preparedness since 2015, became a new department in 2018. One FTE, a Sr. Administrative Assistant was transferred from Security & Preparedness (eliminated during 2018) to this new department. For 2019, Information Security was approved for Information Security Sr. Analyst and a Chief Information Security Officer (CISO)/Senior Manager.
- 16) Equity Program department will be established in 2019. Two FTEs from Human Resources and Security & Preparedness will be transferred to this new department.
- 17) Environmental & Sustainability added 3 positions in 2018: a) Maritime Climate Protection Program Manager, b) a Sustainability Development Management Specialist and, c) an Environmental Review and Permitting Staff. One FTE, a Sr. Environmental Program Manager was transferred from Maritime Division.
- 18) Police was approved for 12 Officers for the 2018 Budget. Additionally, Police added 10 FTEs (8 Traffic Support Specialists and 2 Drug Interdiction Officers) during 2018. For 2019, Police will add 4 FTEs: 1 Police Waterfront Sergeant and 3 Explosive Airborne Scent Canine Officers.
- 19) Engineering was approved for a Priority Hire Coordinator position for the 2018 budget, and added a Survey CAD Technician during 2018. Eight positions will be added in 2019: an Administrative Assistant, a Sr. Design Architect, and four Construction Managers and two Resident Engineers to support the International Arrivals Facility project.
- 20) Port Construction Services was approved for a Construction Manager II and a Regulated Materials Management (RMM) Construction Manager II.
- 21) Aviation Project Management eliminated a .25 Intern.

**F. CAPITAL BUDGET**

Central Services has a total capital budget of \$19.3 million for 2019. For more detail refer to the Capital Improvement Plan, Section IX.

TABLE VII-5 provides a summary of the Central Services 2019-2023 capital budget.

**TABLE VII-5: CENTRAL SERVICES CAPITAL BUDGET**

(\$ in 000's)	<b>2019 Budget</b>	<b>2019-2023 CIP</b>	<b>% of 2019 Total Committed</b>
<b>Committed Capital Projects</b>			
General and Capital Development	\$2,443	\$8,760	18.1%
ICT Business Services	11,039	22,039	81.9%
<b>Total Committed</b>	<b>\$13,482</b>	<b>\$30,799</b>	<b>100.0%</b>
<b>Business Plan Prospective Projects</b>	<b>\$5,825</b>	<b>\$27,350</b>	
<b>Total CIP</b>	<b>\$19,307</b>	<b>\$58,149</b>	

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**G. FINANCIAL AND FTE SUMMARY**

**TABLE VII-6: FINANCIAL AND FTE SUMMARY**

(\$ in 000's)	<b>Actual 2017</b>	<b>2018</b>		<b>Budget 2019</b>	<b>Growth 2019 Bud- 2018 Bud</b>
		<b>Budget</b>	<b>Forecast</b>		
<b>OPERATING BUDGET</b>					
<b>Operating Revenue</b>	<b>\$ 68</b>	<b>\$ 182</b>	<b>\$ 250</b>	<b>\$ 185</b>	<b>1.8%</b>
Central Services Expense	94,888	117,525	106,936	114,561	-2.5%
Law Enforcement Costs	22,095	27,065	26,935	30,778	13.7%
<b>Total</b>	<b>116,982</b>	<b>144,590</b>	<b>133,871</b>	<b>145,339</b>	<b>0.5%</b>
<b>Income from Operations</b>	<b>\$(116,914)</b>	<b>\$(144,408)</b>	<b>\$(133,621)</b>	<b>\$(145,154)</b>	<b>0.5%</b>
<b>CAPITAL SPENDING</b>	<b>\$ 4,788</b>	<b>\$ 6,783</b>	<b>\$ 17,514</b>	<b>\$ 13,482</b>	<b>98.8%</b>
<b>TOTAL FTEs</b>	<b>879.6</b>	<b>907.1</b>	<b>914.6</b>	<b>940.4</b>	<b>3.7%</b>

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## **TAX LEVY**

### **A. TAX AT A GLANCE**

- The maximum allowable levy for 2019 is \$104.2 million.
- For 2019 the levy will be \$74.16 million, a three percent increase over the 2018 levy of \$72 million.
- The estimated 2019 millage rate is \$0.1232.
  - The 2019 levy will be used for:
    - General Obligation (G.O.) Bonds Debt Service
    - Capital projects specifically endorsed by the Commission
    - Regional Transportation projects
    - Environmental Remediation
    - Airport Community Ecology funding and energy and sustainability policy directives
    - Economic development initiatives including workforce development, tourism and economic development partnership programs
    - City of SeaTac security enhancements
    - Local community promotional advertising at Sea-Tac Airport.
    - Highline School District noise insulation
    - South King County Community Support Program
    - Sustainable Aviation Fuels and Air Emissions Program

### **B. TAX LEVY SOURCES**

#### **TYPES AND LIMITS OF LEVIES:**

##### **Regular Tax Levy**

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property value listed as of the prior year. Assessed values are established by the County Assessor at 100% of fair market value. A re-evaluation of all properties is required annually.

Taxes are due in two equal installments on April 30 and October 31. Collections are distributed to the Port by the County Treasurer.

The Port is permitted to levy up to \$0.45 per \$1,000 of Assessed Valuation for general Port purposes under Washington State law in Revised Code of Washington (“RCW”) Chapter 53.36. The levy may go beyond the \$0.45 limit to provide for G.O. Bonds debt service. However, the rate may be reduced below the \$0.45 limit for the following reason: RCW Chapter 84.55 limits the annual growth of regular property taxes to the lesser of 1% or the inflation rate, where inflation is measured by the percentage change in the implicit price deflator for personal consumption expenditures for the United States, after adjustments for new construction. This 1% limit factor was instituted by Initiative 747 that Washington State voters approved in November 2001. Prior to the passage of the Initiative, the growth limit was the lesser of 6% or the inflation rate (for levy limit calculation see Section XI Statutory Budget).

FIGURE VIII-1 shows the maximum levy permitted by law versus the actual levy levied by the Port from 1991 (the last year the Port levied the maximum) to 2019. In 1989, the law was changed whereby a port could have a levy at less than the maximum while preserving the ability to tax up to the maximum in the future if the need is justified. This allows a port to tax at the lower level in the years when the maximum levy is not required, but return to the maximum level in years of need. Since 1991, on a cumulative basis, the Port has levied a total of \$521 million less than it could have if it had levied the maximum allowable levy each year.

**FIGURE VIII-1: ACTUAL TAX LEVY VS. MAXIMUM ALLOWABLE LEVY: 1991-2019**

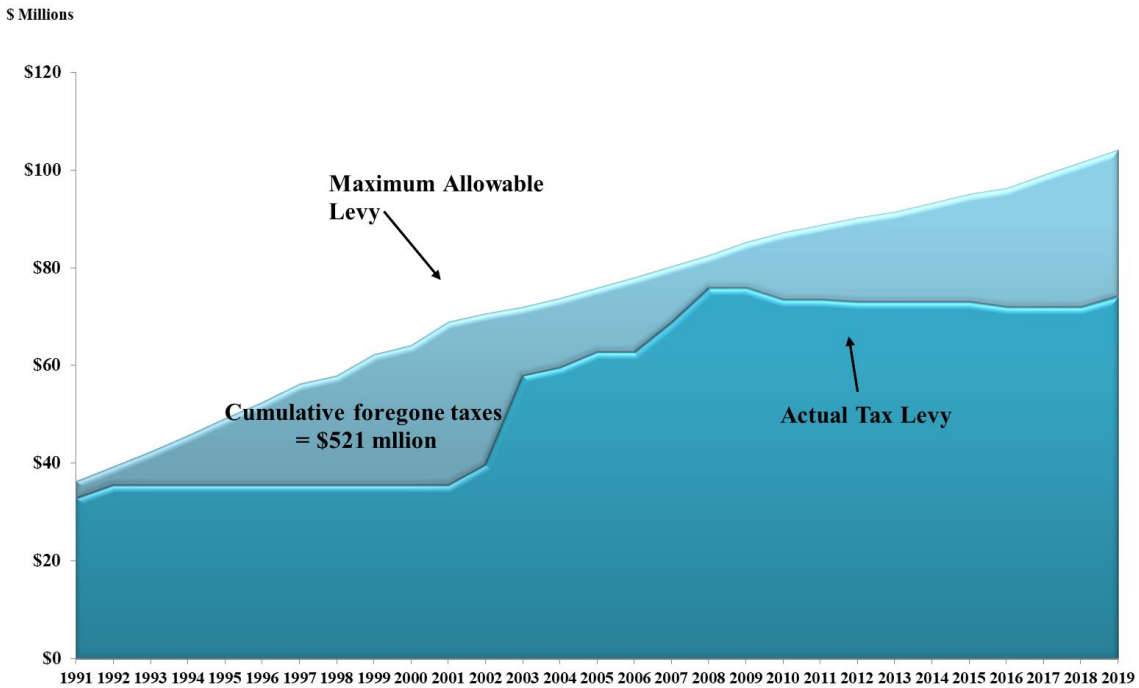
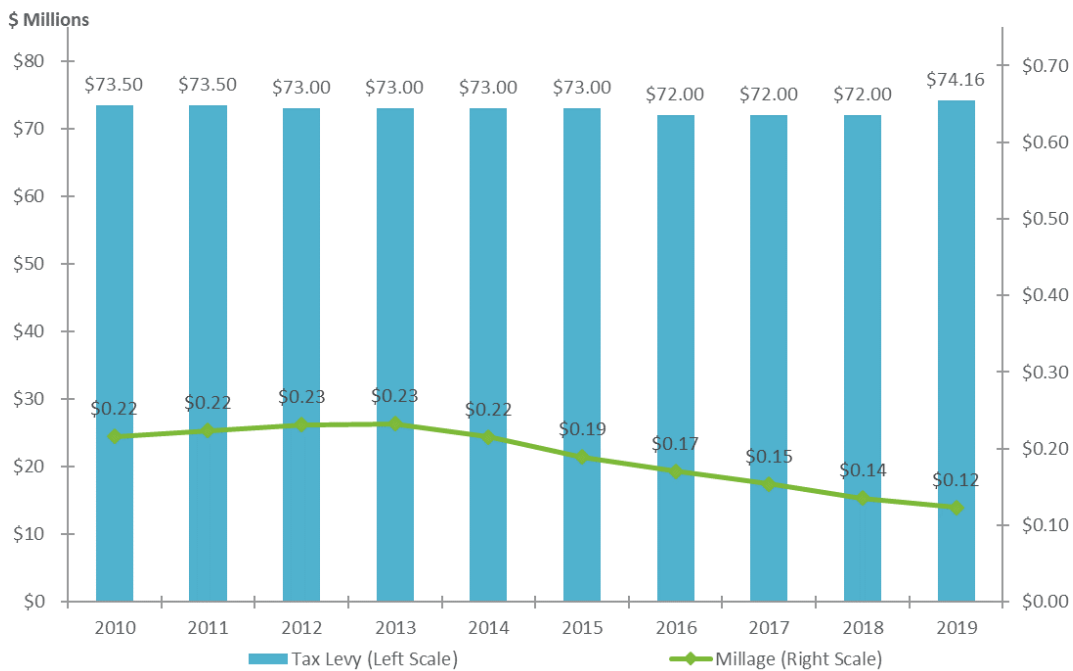


FIGURE VIII-2 shows the historical millage rate from 2010 to 2019.

**FIGURE VIII-2: TAX LEVY VS. MILLAGE RATE 2010-2019**



### **Special Tax Levies**

Special levies approved by the voters are not subject to the same limitations as the regular levy.

The Port can levy property taxes for dredging, canal construction, leveling or filling upon approval of the majority of voters within the Port District, not to exceed \$0.45 per \$1,000 of Assessed Value of taxable property within the Port District.

### **Industrial Development District Tax Levies**

The Port may also levy property taxes for Industrial Development Districts (under a comprehensive scheme of harbor improvements), for two multi-year periods. The Port of Seattle levied the tax for a six-year period between 1963 and 1968 for property acquisition and development of the lower Duwamish River. In 2015, the rules governing the IDD tax levy were modified by the Washington State Legislature. Under the new rules, if the Port intends to levy this tax for a second multi-year period (not to exceed twenty years), the Port must adopt a resolution approving the use of the second levy period and publish notice of intent to impose such a levy no later than April 1 of the year prior to the first collection year. If a petition is filed with signatures of at least eight percent (8%) of the voters, the question of whether or not the levy can be imposed will be decided by voters. The amount of the Industrial Development Levy that could be imposed is now calculated on the Assessed Valuation of taxable property within the Port District in the year prior to the first collection year. This aggregate amount is calculated at \$2.70/\$1,000 of assessed value and represents the total amount that can be levied over the second levy period. The Port has not levied the second multi-year period, but if the Port were to Levy under this law, Port may levy up to an estimated \$1.6 billion over the twenty year period, with the collection period beginning no sooner than 2020.

### **C. TAX LEVY USES**

During the annual budget process, the Commission reviews and approves the amount of and use of the tax levy. For 2019 the Commission approved a \$74.16 million tax levy, a 3% increase from the \$72.0 million levy in 2018. This is the first tax levy increase by the Port since 2008, and will help fund, among other things, a significant 2019-2023 capital improvement plan that invests in key maritime and economic development projects aimed at maintaining Port assets, advancing maritime industries, supporting Seattle's working waterfront, and investing in local communities and the environment. Such projects include: Northwest Seaport Alliance (NWSA) container improvements in the North Harbor (Seattle), specifically the Terminal 5 modernization effort, as well as redevelopment efforts at Fisherman's Terminal and Terminal 91, and habitat restoration at Terminal 117.

The 2019 levy is expected to fund \$43.4 million in G.O. bond debt service. See Table VIII-2 for the complete allocation of 2019 G.O. bond debt service by project.

In 2019, the Port estimates funding \$32.8 million of capital expenditures with the tax levy. In addition to the projects already noted, projects include: other NWSA container infrastructure improvements at facilities located in the North Harbor, other maritime projects in support of the fishing industry, uplands industrial development and berth improvement projects at Terminal 91, as well as the modernization of Bell Harbor International Conference Center at Pier 66. The levy is also expected to fund an additional \$6.9 million in environmental remediation expenses in 2019.

The levy has not traditionally been used for projects at the Airport; however, the Commission has approved the use of the levy for specific community benefit programs not otherwise eligible for Airport funding due to FAA regulations. These include security enhancements in the City of SeaTac and noise mitigation improvements at certain Highline School District schools near the Airport. The timing of Highline School District funding is dependent on the Highline School District, with certain spending expected in 2019.

As part of the 2019 Budget, the Commission approved an additional \$15 million for two key airport programs during the 2019-2023 period; spending on these programs that is not eligible for airport funding is expected to

come from the tax levy. The programs are \$5 million for the development of sustainable airport fuels and reduction of air emissions at the Airport, and \$10 million for the support of Airport area communities in south King County. Specific uses, guidelines, and timelines for these expenditures will be established by commission policy directive in 2019, and may include support for addressing airport noise and for other projects that support environmental health and enhance sustainability.

The remaining tax levy uses in 2019 go towards various community programs including: workforce development, small business, tourism grants, economic development partnership grant initiatives, energy and sustainability policy directives, Airport Community Ecology funding, and support for a local community advertising program at the Airport which aims to showcase nearby cities and destinations.

As part of the Port’s 2019-2023 Plan of Finance, \$50 million has been set aside as a strategic reserve, which is a port-wide resource intended to provide the Port with additional funding flexibility for contingent obligations. The Port has designated \$20 million of this reserve in 2019 to the tax levy.

TABLE VIII-1 provides a summary of estimated Sources and Uses of the tax levy in 2019.

**TABLE VIII-1: SOURCES AND USES OF TAX LEVY**

	Notes	2019 (\$ in 000's)
<b><u>SOURCES</u></b>		
Prior Year Tax Levy Fund Balance		\$ 46,455
Projected Tax Levy Collection		74,160
Grants & Other Reimbursements		2,080
Total Projected Sources		122,695
<b><u>USES</u></b>		
Total Projected G.O. Debt Service		43,447
Total Projected Capital Expenditures		32,842
<i>Other Expenditures:</i>		
Strategic Reserve		20,000
Environmental Remediation Liability (Non-Aviation)	1	6,925
EDD: Workforce Development & Partnership Program		2,647
City of SeaTac Security Enhancements		1,400
Highline Schools Noise Mitigation		1,094
ACE Fund and Energy & Sustainability		750
South King County Support Program		750
Sustainable Aviation Fuels and Air Emissions Programs		375
Local Community Advertising Program		354
Tourism Grants		200
Workforce Development Pilot Program - Airport		200
Total Projected Other Expenditures		34,695
Total Projected Uses		110,983
Projected Ending Tax Levy Fund Balance		\$ 11,712

Notes:

- 1) Includes projected cashflows for environmental projects already or expected to be booked as liabilities.

The tax levy, by Washington State statute, may be used broadly for general Port purposes. The Port’s policy has been to prioritize the use of the levy to first pay debt service on previously issued G.O. bonds, which most recently funded the Port’s contribution to the Alaskan Way Viaduct replacement program. G.O. bonds also helped fund critical capital infrastructure investments in and around the Seattle Harbor, including container terminal upgrades and expansions, Fishermen's Terminal improvements, and dock renewals and upgrades at the Terminal 86 grain facility and Terminal 115. The Port forecasts \$43.4 million in G.O. bond debt service in 2019, which is approximately 59% of the total 2019 levy.

TABLE VIII-2 provides the allocation of existing G.O. bond debt service scheduled in 2019 to the projects that were previously funded by G.O. bonds.

**TABLE VIII-2: EXISTING G.O. BOND DEBT SERVICE BY PROJECTS AND GROUP**

	(\$ in 000's)
<b>Containers</b>	
East Waterway Dredging	\$ 732
T-5 Expansion & Upgrades	6,030
T-46 Expansion Redevelopment	4,250
T-18 Expansion & Upgrade	11,065
T-115 Yard Upgrades	178
Total Containers	22,255
<b>Docks and Commercial Properties</b>	
T-91 Apron & Infrastructure Improvements	2,865
Pier 17 Dock Replacement	106
T-86 Terminal Upgrades	126
Total Docks and Commercial Properties	3,098
<b>Public Expense</b>	
Alaskan Way Viaduct Replacement	15,923
<b>Economic Development Commercial Properties</b>	
World Trade Center	541
<b>Fishing</b>	
Fishermen's Terminal Docks & Seawall Renewal	1,630
<b>Total G.O. Bond Debt Service</b>	<b>\$ 43,447</b>

The Port has also used existing tax levy funds to support the following:

- **Transportation & Infrastructure Reserve Fund (TIF)**

From time to time, the Port partners with the State and other local governments to invest in mutually beneficial transportation initiatives. The Port currently has an estimated \$66 million of tax levy funds set aside in the Commission-designated Transportation & Infrastructure Reserve Fund (TIF), which has been and will be used to fund the Port’s contribution and obligations towards multiple regional mobility and transportation efforts. See Table VIII-3 for summary of project spending.

**TABLE VIII-3: USES OF TRANSPORTATION AND INFRASTRUCTURE FUND**

(\$ in 000's)	Notes	2019	Future Obligations
Beginning TIF Balance		\$ 66,351	\$ 54,582
Project Spending:			
Safe and Swift Corridor		10,000	5,000
Seattle Heavy Haul Network		1,000	19,000
State Route 509		-	30,000
Other		769	1,075
Total Project Spending		\$ 11,769	\$ 55,075
Ending TIF Balance	1	\$ 54,582	\$ (493)

1) Shortfall would be met with additional contributions to the TIF.

In 2015, the Port entered into a Memorandum of Understanding (MOU) with the City of Seattle to establish a heavy haul network, which will allow heavier cargo containers to be transported between the Port of Seattle, industrial businesses and rail yards. The MOU provides the framework to repair and build roadways within the network, calls for semi-annual safety inspections of heavy haul trucks, and aligns weight regulations with the state and other municipalities across the country. The heavy haul network will also eliminate citations from the State Patrol to truck drivers for carrying overweight loads. As part of this MOU, the Port agreed to fund between \$10.0 million and \$20.0 million over a 20 year period for existing and future roadway repairs and reconstruction within the network.

In 2017, the Port entered into an MOU for \$15 million with the City of Seattle to launch the Safe and Swift Corridor Program to support projects and other efforts to improve transportation flow and safety along key freight transportation corridors, including South Spokane Street, 15th Avenue West/Elliott Avenue West/Mercer Street and Lander Street Bridge (expected to be completed in 2018 or early 2019). As the Puget Sound region continues to experience unprecedented growth, the increased traffic has created mobility and safety challenges within local transportation corridors.

In 2018, the Port, along with multiple local cities, entered into an MOU with the State of Washington for the Gateway Program. The Port agreed to provide \$30 million of funding for Washington State Route 509 improvements near the Airport.

The TIF will also help continue funding other public expense items related to regional mobility and transportation such as East Marginal Way grade separation, North Argo Yard Express Access, and the Freight Action Strategy for Seattle-Tacoma (FAST) Corridor Partnership.

- **Harbor Development Fund (HDF)**

The Port established the Harbor Development Fund in 2017, and has currently set aside approximately \$66 million of existing tax levy dollars. These funds are designated to support NWSA capital projects in the North Harbor, most significantly the modernization of Terminal 5.

**D. GENERAL OBLIGATION CAPACITY**

**Non-Voted and Voted General Obligation Debt Limitations**

Under Washington State law the Port may incur indebtedness payable from ad valorem taxes in an amount not exceeding one-fourth of one percent of the value of the taxable property in the District without a vote of the people. With the assent of three-fifths of the voters voting thereon, the District may incur additional G.O. indebtedness provided the total indebtedness of the Port at any time shall not exceed three-fourths of one percent of the value of the taxable property in the District. For the Port, the following estimates the 2019 debt limit:

<b>Value of Taxable Property <sup>(1)</sup></b>	<b><u>\$ 602,029,823,670</u></b>
Debt Limit, Non-Voted General Obligation Bonds (.25% of Value of Taxable Property)	\$ 1,505,074,559
Less: Outstanding Non-Voted General Obligation Bonds as of 12/31/2018	\$ 362,390,000
Less: Capital leases and other general obligations as of 9/30/2018	-
<b>Remaining Capacity of Non-Voted General Obligation Debt</b>	<b><u>\$ 1,142,684,559</u></b>
Debt Limit, Total General Obligation Debt (.75% of Value of Taxable Property)	\$ 4,515,223,678
Less: Total Outstanding General Obligation as of 12/31/2018	\$ 362,390,000
Less: Capital leases and other general obligations as of 9/30/2018	-
<b>Remaining Capacity of Total General Obligation Debt</b>	<b><u>\$ 4,152,833,678</u></b>

<sup>(1)</sup> Preliminary assessed valuation as of 10/15/2018

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The Port may levy property taxes sufficient for the payment of principal and interest on voted G.O. indebtedness. The existing limitation provides that unless a higher rate is approved by a majority of the voters at an election, the increase in regular total property taxes payable in the following year shall not exceed the lesser of inflation or one percent of the amount of regular property taxes lawfully levied for such district in the highest of the three most recent years in which such taxes were levied for such district, plus an additional dollar amount calculated by multiplying the increase in assessed value in that district resulting from new construction and improvements to property by the regular property tax levy rate of that district for the preceding year. With a super majority vote, the Port Commission can increase the levy by 1% if inflation is less than 1%.

**Interaction between General Purpose Levy and General Obligation Debt Capacity**

Since the 101% levy limitation applies to the total levy for G.O. debt service and for general Port purposes, an increase in the tax levy for G.O. bonds may result in a decrease in the amount which could be levied for general Port purposes, unless a higher aggregate tax levy was approved by the voters.

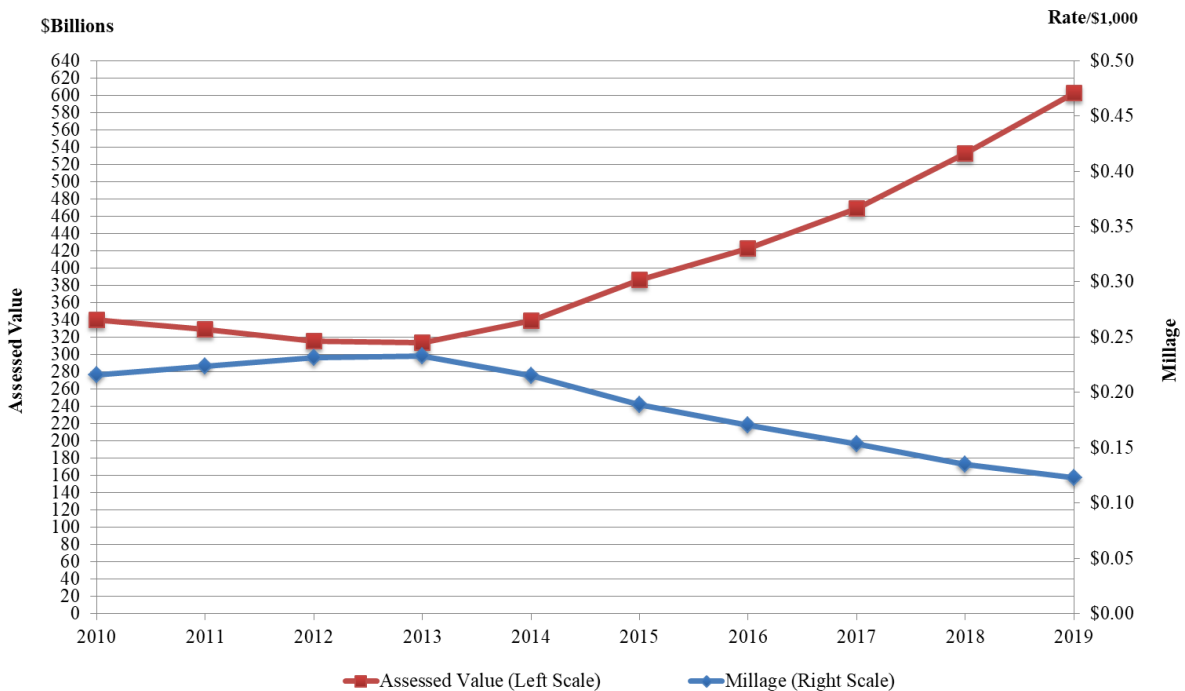
Beginning with the 2001 Budget, the Port established a target to use no more than 75% of the levy for debt service and retain at least 25% for general purposes. Debt service is projected to be 59% of the total levy amount in 2019.

**E. TAXPAYER EFFECT**

For 2019 the Commission approved a \$74.16 million tax levy, a 3% increase from the \$72.0 million levy in 2018. The median King County homeowner will pay an estimated \$70.21 in taxes to the Port of Seattle for 2019 compared to \$68.82 in 2018, an increase of \$1.39, based on an estimated median King County home value of \$570,000 in 2019.

FIGURE VIII-3 shows the assessed valuation as compared to the millage rate from 2010 to 2019. The graph shows that the assessed value has increased from \$340 billion for the tax year 2010 to an estimated \$602 billion for the tax year 2019, while the millage (the rate paid per \$1,000 Assessed Value) has decreased from \$0.2160 in 2010, to the rate of \$0.1232 in 2019. The 2018 preliminary assessed value as of October 15, 2018 is estimated to be \$602,029,823,670 (The 2018 assessed valuation is used for 2019 tax collection).

**FIGURE VIII-3: KING COUNTY ASSESSED VALUATION VS. PORT MILLAGE RATE 2010-2019**

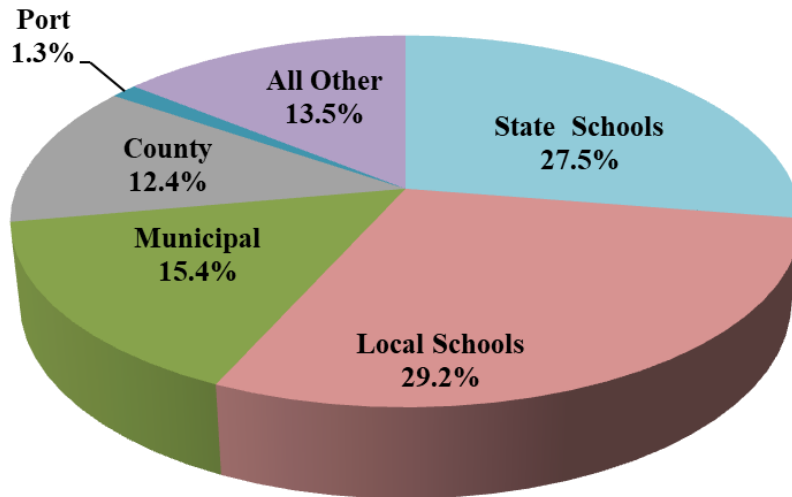




**F. COUNTY PROPERTY TAX COMPARISON**

For 2018, the Port accounted for 1.3% of the total property taxes collected by the County.

**FIGURE VIII-4: 2018 PERCENTAGE OF TAX LEVIES BY TAXING DISTRICT**



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## CAPITAL IMPROVEMENT PLAN

The following pages outline the 2019-2023 Capital Improvement Plan (CIP), including both the Port of Seattle CIP as well as the Port’s 50% funding obligation in the Northwest Seaport Alliance (NWSA) CIP.

The Port of Seattle CIP is derived primarily from its operating divisions, namely Aviation, Maritime, and Economic Development (EDD). It also includes CIP related to Central Services (formerly Corporate), Stormwater Utility and other NWSA legacy capital projects that are assumed to be 100% funded by the Port of Seattle. Projects in the Port’s CIP are divided into two categories. **Committed Projects** are ongoing projects or projects that are ready to move forward and for which a funding commitment will be secured. **Business Plan Prospective Projects** are less certain in timing or scope, but are considered critical for achieving business plan goals, and the business unit or division has approved them.

The Port is also responsible for 50% of the NWSA CIP, which includes CIP in both North and South Harbors. Additional detail on the NWSA CIP can be found in Section XII, “The Northwest Seaport Alliance (NWSA).”

**TABLE IX-1: CAPITAL IMPROVEMENT PLAN**

(\$ in 000's)	<i>Est/Act</i> <sup>(1)</sup>						<b>Total</b> <b>2019-2023</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	
Aviation	\$ 617,554	\$ 935,454	\$ 576,576	\$ 515,061	\$ 394,108	\$ 278,868	\$ <b>2,700,067</b>
Maritime	23,355	33,455	70,415	147,853	10,713	8,436	<b>270,872</b>
Economic Development	1,656	8,221	29,796	19,850	2,460	2,330	<b>62,657</b>
Central Services	17,714	19,307	9,917	10,372	9,240	9,313	<b>58,149</b>
NWSA Joint Venture <sup>(2)</sup>	119	3,200	1,000	1,500	2,500	24,500	<b>32,700</b>
Stormwater Utility	2,033	1,800	2,550	2,319	2,150	2,150	<b>10,969</b>
<b>Subtotal - Port CIP</b>	<b>\$ 662,431</b>	<b>\$ 1,001,437</b>	<b>\$ 690,254</b>	<b>\$ 696,955</b>	<b>\$ 421,171</b>	<b>\$ 325,597</b>	<b>\$ 3,135,414</b>
Payment to the NWSA for Capital Expenditures <sup>(3)</sup>	<b>53,178</b>	<b>81,365</b>	<b>56,044</b>	<b>46,500</b>	<b>20,000</b>	<b>11,630</b>	<b>215,539</b>
<b>Total Port and 50% NWSA CIP</b>	<b>\$ 715,609</b>	<b>\$ 1,082,802</b>	<b>\$ 746,298</b>	<b>\$ 743,455</b>	<b>\$ 441,171</b>	<b>\$ 337,227</b>	<b>\$ 3,350,953</b>

Notes

This table includes Committed and Business Plan Prospective projects.

<sup>1)</sup> Estimated/Actual 2018 represents six months of actual spending and six months of projected spending.

<sup>2)</sup> Includes North Harbor channel deepening and other 100% Port legacy costs.

<sup>3)</sup> Represents the Port of Seattle's 50% share of NWSA capital expenditures.

**AVIATION DIVISION CAPITAL IMPROVEMENT PLAN**

**General:** The Committed CIP is focused on meeting capacity and customer needs, and maintaining existing assets through ongoing renewal and replacement.

**TABLE IX-2: AVIATION DIVISION CAPITAL IMPROVEMENT PLAN**

(\$ in 000's)	<i>Est/Act</i> <sup>(1)</sup>						<b>Total</b> <b>2019-2023</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	
<b>Committed Projects</b>							
Airfield	\$ 45,482	\$ 39,986	\$ 9,642	\$ 1,512	\$ 0	\$ 0	\$ 51,140
Commercial Management	4,783	5,350	1,340	500	570	0	7,760
Landside	20,171	22,308	19,837	8,573	6,000	6,000	62,718
Terminal and Tenants	476,399	657,777	336,541	187,133	127,816	63,400	1,372,667
Infrastructure	29,373	78,139	40,231	25,160	21,054	19,200	183,784
Stormwater	0	450	0	0	0	0	450
Security	10,634	29,685	5,666	31	0	0	35,382
Aviation NOISE	8,515	24,898	12,224	6,520	1,977	0	45,619
Aviation Division-wide	5,116	1,400	1,400	917	0	0	3,717
<b>Subtotal - Aviation Committed CIP</b>	<b>\$ 600,473</b>	<b>\$ 859,993</b>	<b>\$ 426,881</b>	<b>\$ 230,346</b>	<b>\$ 157,417</b>	<b>\$ 88,600</b>	<b>\$ 1,763,237</b>
<b>Business Plan Prospective Projects</b>	<b>17,081</b>	<b>75,461</b>	<b>149,695</b>	<b>284,715</b>	<b>236,691</b>	<b>190,268</b>	<b>936,830</b>
<b>Total Aviation CIP</b>	<b>\$ 617,554</b>	<b>\$ 935,454</b>	<b>\$ 576,576</b>	<b>\$ 515,061</b>	<b>\$ 394,108</b>	<b>\$ 278,868</b>	<b>\$ 2,700,067</b>

Notes

<sup>1)</sup> Estimated/Actual 2018 represents six months of actual spending and six months of projected spending.

**Major Committed Capital Projects:**

International Arrivals Facility (IAF): This project will construct a new Federal Inspection Services (FIS) facility on the east side of Concourse A in order to expand capacity to process arriving international passengers. Construction is underway and the IAF is expected to be in operation by the third quarter of 2020.

North Satellite Renovation & Expansion: In collaboration with Alaska Airlines, the Port will renovate and expand the North Satellite to address seismic concerns; upgrade heating, ventilation, air conditioning (HVAC), lighting, and fixtures; and add eight gates. Construction has started and the first phase will be complete in 2019. The second phase of the project will be completed in 2021. Other elements of the NorthSTAR program, such as improvements to vertical circulation on Concourse C and renovation of the baggage systems supporting the North Satellite have been completed.

Baggage Recapitalization/Optimization: This project will replace and reconfigure baggage screening equipment and operations to improve operational efficiency and increase capacity. The new outbound baggage system will accommodate 60 million annual passengers. The project will be completed in three phases, with the final phase completed by the fourth quarter of 2024.

**Other Committed Capital Projects:**

South Satellite HVAC and Lighting Upgrade: This project will improve the effectiveness and reliability of the HVAC system for the SSAT, a terminal that has seen dramatic passenger growth. The additional HVAC capacity will also accommodate the expansion of Airport Dining and Retail (ADR), providing needed customer amenities.

Safedock Expansion: This project improves safety on the airfield by installing Safedock Advanced Visual Docking Guidance Systems (A-VDGS) at all gates that otherwise would not have an A-VDGS units. A-VDGS units improve ramp safety by scanning the gate area and alerting pilots to obstacles in their docking

path.

Restroom Upgrades Concourses B, C, D: Renovate, enlarge, and build new public restrooms on Concourses B, C, and D.

Airfield Pavement Replacement: Provide budget for annual replacement of aging airfield pavement and joint seals.

**Business Plan Prospective CIP:**

The Aviation Business Plan Prospective CIP is composed of project spending for Airfield, Landside, Terminal, Infrastructure, and other Aviation needs including \$251 million for Sustainable Airport Master Plan (SAMP) planning and design. The budget also includes a \$295 million allowance for undesignated future spending, which allows for the addition of currently undefined new projects to the plan without increasing total spending. Prospective projects are, by definition, not yet well scoped, so there is greater uncertainty with regards to timing and costs than with committed projects. As scoping, design and bidding occurs, each project moves forward in steps to the Commission to request authorization. See Section IV, “Aviation”, for a description of major existing and new projects.

**MARITIME DIVISION CAPITAL IMPROVEMENT PLAN**

**General:** The Maritime Division’s five-year CIP continues the Port’s emphasis on supporting investments in facilities and infrastructure and modernizing Seattle’s working waterfront.

**TABLE IX-3: MARITIME DIVISION CAPITAL IMPROVEMENT PLAN**

(\$ in 000's)	<i>Est/Act</i> <sup>(1)</sup>						<b>Total</b> <b>2019-2023</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	
<b>Committed Projects</b>							
Recreational Boating	\$ 214	\$ 7,614	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,614
Cruise Operations	2,721	200	0	0	0	0	200
Environmental Services	56	8,000	9,851	0	0	0	17,851
Fishing and Operations	2,718	6,444	647	0	0	0	7,091
Maritime General	16,565	3,676	2,217	1,853	1,813	1,636	11,195
Maritime Portfolio Management	1,078	2,171	16,750	15,000	0	0	33,921
<b>Subtotal - Maritime Committed CIP</b>	<b>\$ 23,352</b>	<b>\$ 28,105</b>	<b>\$ 29,465</b>	<b>\$ 16,853</b>	<b>\$ 1,813</b>	<b>\$ 1,636</b>	<b>\$ 77,872</b>
<b>Business Plan Prospective Projects</b>	<b>3</b>	<b>5,350</b>	<b>40,950</b>	<b>131,000</b>	<b>8,900</b>	<b>6,800</b>	<b>193,000</b>
<b>Total Maritime CIP</b>	<b>\$ 23,355</b>	<b>\$ 33,455</b>	<b>\$ 70,415</b>	<b>\$ 147,853</b>	<b>\$ 10,713</b>	<b>\$ 8,436</b>	<b>\$ 270,872</b>

Notes

<sup>1)</sup> Estimated/Actual 2018 represents six months of actual spending and six months of projected spending.

**Major Committed Capital Projects:**

Fishermen’s Terminal (FT) Gateway Building: This project will construct a new building in the area of the existing vacant bank building and two net sheds. The new building is expected to provide approximately 60,000 square feet of light industrial space for maritime businesses. The project also includes site improvements such as lighting and signage at the terminal. This project is a component of the larger FT Redevelopment project.

Terminal 117 Restoration: This 13-acre habitat restoration project at Terminal 117 will support chinook salmon recovery goals and improve public access to the shoreline.

Fishermen’s Terminal Docks 3, 4, and 5 Pier Improvements: Installation of protective systems on FT Docks 3, 4, and 5 to prevent corrosion and enhance pile capacity.

Shilshole Bay Marina Restrooms and Facility Building: The existing restroom and shower facilities at Shilshole Bay Marina were built in 1962. These facilities are at the end of life, failing, and do not meet current ADA standards. The new facilities will service the 1,400 moorages slips with 8,000 annual guests.

Other Committed projects: These include tenant improvements, fleet replacement, and small capital (under \$300,000) projects.

**Business Plan Prospective CIP:**

Significant projects include:

New Cruise Facility: Provide a fourth cruise berth to meet strong demand in the Alaska cruise market and provide economic benefits to the region. The project will also complement waterfront redevelopment and improve public access to the shoreline.

Terminal 91 Berths 6 and 8 Redevelopment: Redevelopment of vessel pier moorings and adjoining apron areas of Berths 6 and 8 along the northeast side of Pier 90 to accommodate fishing and commercial vessels.

Waterfront Electrification: This project will create a dual voltage 20 megawatt shore power system for the single cruise ship berth at Pier 66. The project will also include assessment for additional electrification at cruise and cargo berths.

Fishermen’s Terminal Maritime Innovation Center: Development of a LEED certified light industrial facility focused on advancing technologies and fostering entrepreneurship in the maritime industry. This project is a component of the larger FT Redevelopment project.

Salmon Bay Marina Docks D and E Replacement: Replacement of floating Docks D and E with new permitted dock configuration to improve safety and dock utilization.

Harbor Mooring Dolphins: Construct four new steel dolphins approximately fifty feet from the shore line to accommodate barge moorage near the mouth of the Duwamish River.

Also included is funding for Stormwater infrastructure work at Terminal 91 and a CIP reserve for unknown or undefined future projects.

## ECONOMIC DEVELOPMENT DIVISION CAPITAL IMPROVEMENT PLAN

**General:** Projects in the Economic Development Division’s five-year CIP are primarily associated with new development of industrial property and preservation of existing assets. Also included is an investment in tenant improvements related to the releasing of space expected to become vacant as existing leases expire.

**TABLE IX-4: EDD CAPITAL IMPROVEMENT PLAN**

(\$ in 000's)	<i>Est/Act</i> <sup>(1)</sup>						<b>Total</b> <b>2019-2023</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	
<b>Committed Projects</b>							
Development & Planning	\$ 11	\$ 3,520	\$ 19,520	\$ 16,000	\$ 0	\$ 0	\$ 39,040
General Economic Development	98	626	560	530	560	530	2,806
Portfolio Management	1,495	1,900	8,616	320	300	300	11,436
<b>Subtotal - EDD Committed CIP</b>	<b>\$ 1,604</b>	<b>\$ 6,046</b>	<b>\$ 28,696</b>	<b>\$ 16,850</b>	<b>\$ 860</b>	<b>\$ 830</b>	<b>\$ 53,282</b>
<b>Business Plan Prospective Projects</b>	<b>52</b>	<b>2,175</b>	<b>1,100</b>	<b>3,000</b>	<b>1,600</b>	<b>1,500</b>	<b>9,375</b>
<b>Total EDD CIP</b>	<b>\$ 1,656</b>	<b>\$ 8,221</b>	<b>\$ 29,796</b>	<b>\$ 19,850</b>	<b>\$ 2,460</b>	<b>\$ 2,330</b>	<b>\$ 62,657</b>

Notes

<sup>1)</sup> Estimated/Actual 2018 represents six months of actual spending and six months of projected spending.

### Committed Capital Projects:

Terminal 91 Uplands Development: This initial development will construct two 50,000 square foot buildings and associated site infrastructure improvements. The new facilities will support fishing and maritime related businesses.

Bell Harbor International Conference Center Interior Modernization: This project will modernize the conference center by reconfiguring space for greater flexibility and expanded leasable area. The project will also upgrade the audio/visual/data/lighting systems and replace carpeting and window coverings.

**Other Committed Projects:** These include solar panel installation at Pier 69, capitalized tenant improvements, fleet replacement, technology and other small projects.

**Business Plan Prospective CIP:**

The Economic Development Division Prospective CIP is a combination of revenue/capacity growth, renewal/enhancement, environmental, and safety projects. Renewal/enhancement projects include HVAC upgrade and replacement at Pier 66. Also included is a general CIP reserve to allow for projects that cannot be determined with certainty as to location, timing, and cost.

**CENTRAL SERVICES CAPITAL IMPROVEMENT PLAN**

The Central Services five-year CIP consists predominately of technology improvements and upgrades. Approximately 50% of the 2019 technology projects are refreshes of critical infrastructure and security enhancements required to maintain compliance with established industry standards and ensure availability of critical business systems. The remaining technology projects consist of new or upgraded business systems driven by business unit demands or are required to maintain system operations and on-going vendor support.

The remainder of the Central Services CIP consists of fleet replacement and small capital acquisition, which largely relate to the replacement of equipment and assets that are at or beyond the end of their useful lives. In 2019, the fleet projects will replace police patrol vehicles, several vehicles used by engineering and Port Construction Services departments, and construction equipment. The remaining portion of the CIP is for engineering and surveying equipment and other small capital projects.

**TABLE IX-5: CENTRAL SERVICES CAPITAL IMPROVEMENT PLAN**

(\$ in 000's)	<i>Est/Act</i> <sup>(1)</sup>						<b>Total</b> <b>2019-2023</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	
<b>Committed Projects</b>							
ICT Business Services	\$ 14,783	\$ 11,039	\$ 2,750	\$ 2,750	\$ 2,750	\$ 2,750	\$ 22,039
General and Capital Development	2,731	2,443	1,642	1,622	1,490	1,563	8,760
<b>Subtotal - Central Services Committed CIP</b>	<b>\$ 17,514</b>	<b>\$ 13,482</b>	<b>\$ 4,392</b>	<b>\$ 4,372</b>	<b>\$ 4,240</b>	<b>\$ 4,313</b>	<b>\$ 30,799</b>
<b>Business Plan Prospective Projects</b>	<b>200</b>	<b>5,825</b>	<b>5,525</b>	<b>6,000</b>	<b>5,000</b>	<b>5,000</b>	<b>27,350</b>
<b>Total Central Services CIP</b>	<b>\$ 17,714</b>	<b>\$ 19,307</b>	<b>\$ 9,917</b>	<b>\$ 10,372</b>	<b>\$ 9,240</b>	<b>\$ 9,313</b>	<b>\$ 58,149</b>

Notes

<sup>1)</sup> Estimated/Actual 2018 represents six months of actual spending and six months of projected spending.

**OTHER PORT OF SEATTLE CIP**

The Port of Seattle CIP also includes North Harbor waterway channel deepening projects and other NWSA legacy projects. These projects are assumed to be 100% funded by the Port of Seattle, and thus are not included in the NWSA CIP to follow. Additionally, the Port CIP includes projects for its Stormwater Utility, such as outfall upgrades, asset renewal and replacement, small capital acquisitions, a CIP reserve for unknown or undefined future projects.



**NORTHWEST SEAPORT ALLIANCE CAPITAL IMPROVEMENT PLAN**

The five-year NWSA CIP focuses on both strategic and maintenance projects, and invests in projects to increase the capacity, extend the life, or improve the safety or efficiency of NWSA-managed property and equipment. Strategic investments include the construction of major terminal improvements at the North Harbor Terminal 5, the purchase of the second set of four super-post Panamax container cranes for Husky Terminal, rehabilitation of the Terminal 46 dock, paving at Terminal 46, design and construction of the Terminal 46 crane rail extension, and the Terminal 18 Stormwater Utility upgrade. Maintenance investments include replacement of fender systems and rehabilitation of assigned assets.

Each homeport assumes funding of 50% of the total NWSA CIP, as outlined in Table IX-6 below. A complete project listing is presented in Attachment 1, and further information on the NWSA CIP can be found in Section XII, “The Northwest Seaport Alliance (NWSA).”

**TABLE IX-6: NWSA CAPITAL IMPROVEMENT PLAN**

(\$ in 000's)	<i>Est. / Act</i> <sup>(1)</sup>						<b>Total</b> <b>2019 - 2023</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	
<b>Home Port</b>							
North Harbor (Seattle)	\$ 13,290	\$ 95,461	\$ 104,330	\$ 90,000	\$ 37,000	\$ 20,260	\$ 347,051
South Harbor (Tacoma)	93,067	67,268	7,757	3,000	3,000	3,000	84,025
<b>NWSA Total</b>	<b>\$106,357</b>	<b>\$162,729</b>	<b>\$112,087</b>	<b>\$ 93,000</b>	<b>\$ 40,000</b>	<b>\$ 23,260</b>	<b>\$ 431,076</b>
<b>Port of Seattle's 50% funding total</b>	<b>\$ 53,178</b>	<b>\$ 81,365</b>	<b>\$ 56,044</b>	<b>\$ 46,500</b>	<b>\$ 20,000</b>	<b>\$ 11,630</b>	<b>\$ 215,538</b>

Notes

<sup>(1)</sup> Estimated/Actual 2018 represents six months of actual spending and six months of projected spending.

**PUBLIC EXPENSE**

In addition to the Committed and Business Plan Prospective project categories, the Port may also invest in Public Expense projects, where the Port collaborates with other local governments to provide funding without directly receiving an asset in return. Certain Public Expense costs are related to projects that would otherwise meet the criteria of a Committed or Business Plan Prospective capital project but are expensed (rather than capitalized) per accounting rules. Common examples of Port Public Expense projects include improvements or contributions toward improvements on non-Port properties, such as projects in support of regional transportation needs. Public Expense projects are often a required component of other Port Committed projects.

**TABLE IX-7: PUBLIC EXPENSE PROJECTS**

(\$ in 000's)		2019	2020	2021	2022	2023	Total 2019 - 2023
<u>Division</u>	<u>CIP Description</u>						
<b>Aviation</b>	Air Cargo Road	\$ 180	\$ 0	\$ 0	\$ 0	\$ 0	\$ 180
	Vanderlande Screening Lanes	5,920	0	0	0	0	5,920
	Flight Corridor Safety Program	90	0	0	0	0	90
	Frontage fee expense - Des Moines Creek West	1,500	0	0	0	0	1,500
	<b>Subtotal - Aviation Public Expense Projects</b>	<b>\$ 7,690</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,690</b>
<b>Joint Venture</b>	Fast Corridor I	25	0	0	0	0	25
	Fast Corridor II	250	345	730	0	0	1,325
	East Marginal Way Phase 2	265	0	0	0	0	265
	North Argo Express Access	229	0	0	0	0	229
	Seattle Heavy Haul Network	1,000	2,000	2,000	2,000	2,000	9,000
	Safe and Swift	10,000	5,000	0	0	0	15,000
	Gateway SR 509 Program	0	0	0	0	4,286	4,286
<b>Subtotal - Joint Venture Public Expense Projects</b>	<b>\$ 11,769</b>	<b>\$ 7,345</b>	<b>\$ 2,730</b>	<b>\$ 2,000</b>	<b>\$ 6,286</b>	<b>\$ 30,130</b>	
<b>Maritime</b>	Maritime Air Quality Program	150	200	200	0	0	550
	<b>Subtotal - Maritime Public Expense Projects</b>	<b>\$ 150</b>	<b>\$ 200</b>	<b>\$ 200</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 550</b>
<b>Total Port Public Expense Projects</b>		<b>\$ 19,609</b>	<b>\$ 7,545</b>	<b>\$ 2,930</b>	<b>\$ 2,000</b>	<b>\$ 6,286</b>	<b>\$ 38,370</b>

The Port may also incur Public Expenses related to certain non-project expenditures, such as the Port's annual \$1.4 million payment to the City of SeaTac for security enhancements. This payment is made pursuant to an interlocal agreement between the Port and City of SeaTac, and is to be used for public safety and enforcement of traffic and parking standards. This payment is not project-related and is excluded from the table above.

**TABLE IX-8: NON-RECURRING CAPITAL IMPROVEMENT PLAN IMPACT ON THE OPERATING BUDGET**

(\$ in 000's)	Notes	Recurring (R) or Non-Recurring (NR)	2018	2019	2020	2021	2022	2023	Total 2019-2023
<b>Aviation Division:</b>									
<b>NSAT Renovation and Expansion</b>									
Capital Spending		NR	\$ 131,716	\$ 129,034	\$ 123,514	\$ 105,470	\$ 61,520	\$ 0	\$ 419,538
Change in Operating Revenues	1		0	5,066	14,586	30,508	34,683	34,762	119,604
Change in Operating Expenses			0	0	0	2,518	2,619	2,723	7,860
<b>International Arrivals Facility</b>									
Capital Spending		NR	239,277	410,752	123,104	5,217	0	0	539,073
Change in Operating Revenues	1		0	0	21,323	1,560	1,622	1,687	26,192
Change in Operating Expenses			0	0	1,500	1,560	1,622	1,687	6,370
<b>Checked Baggage Optimization</b>									
Capital Spending		NR	38,008	50,000	50,000	50,000	55,000	55,000	260,000
Change in Operating Revenues	1		0	1,854	5,825	9,913	14,309	18,692	50,592
Change in Operating Expenses			0	0	0	0	0	0	0
<b>Aviation Subtotal</b>									
Capital Spending			\$ 409,002	\$ 589,786	\$ 296,618	\$ 160,687	\$ 116,520	\$ 55,000	\$ 1,218,611
Change in Operating Revenues			\$ 0	\$ 6,920	\$ 41,733	\$ 41,980	\$ 50,614	\$ 55,141	\$ 196,388
Change in Operating Expenses			\$ 0	\$ 0	\$ 1,500	\$ 4,078	\$ 4,241	\$ 4,411	\$ 14,230
<b>Maritime Division:</b>									
			\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Economic Development Division:</b>									
<b>BHICC Interior Modernization</b>									
Capital Spending		NR	0	1,600	8,316	20	0	0	9,936
Change in Operating Revenues			0	0	(1,700)	0	0	0	(1,700)
Change in Operating Expenses			0	0	0	0	0	0	0
<b>Central Services</b>									
			0	0	0	0	0	0	0
<b>Port-wide Total</b>									
Capital Spending			\$ 409,002	\$ 591,386	\$ 304,934	\$ 160,707	\$ 116,520	\$ 55,000	\$ 1,228,547
Change in Operating Revenues			\$ 0	\$ 6,920	\$ 40,033	\$ 41,980	\$ 50,614	\$ 55,141	\$ 194,688
Change in Operating Expenses			\$ 0	\$ 0	\$ 1,500	\$ 4,078	\$ 4,241	\$ 4,411	\$ 14,230

Table X-8.xls

**Notes:**

- 1) The estimated debt service for this project will be incorporated into the terminal rental cost recovery formula and thus increase revenues.

**The following reports provide detail of the projects included in the Port's 2019-2023 Capital Improvement Plan (CIP).**

- The projects are organized by the two categories: *Committed* and *Business Plan Prospective*.
- Attachment 1 includes the detail of the NWSA Capital Improvement Plan organized by home port.



# 5 Year Capital Budget

by CIP Number

**Report:** pc416pos.rpt  
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## Committed Projects

**Run by:** ARR528

### Selection

**Start Year:** 2018

**Business Unit:** ALL

**Project Status:** 3 - 6

**Division:** ALL

**Sponsor:** ALL

**CIP Group:** ALL



# 5 Year Capital Budget

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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Aviation Division</b>											
<b>Airfield</b>											
6	C800247	Cargo 2 West Cargo Hardst	0	0	0	0	0	0	0	6,809	6,807
6	C800254	Aircraft RON Parking USPS	0	0	0	0	0	0	0	36,049	36,048
<b>CIP Group: Air Cargo</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>42,858</b>	<b>42,855</b>
6	C800390	Cargo 6 Enhancements	0	0	0	0	0	0	0	5,788	5,789
<b>CIP Group: Aircraft Fueling</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,788</b>	<b>5,789</b>
5	C800335	GSE Electrical Chrg Stati	349	6,000	4,000	1,512	0	0	11,512	30,197	18,476
5	C800585	Wi-Fi Enhancement Project	4,228	1,646	0	0	0	0	1,646	10,532	6,806
6	C800775	Plow / Broom Snow Equipme	0	0	0	0	0	0	0	3,279	3,278
5	C800781	SSAT Narrow Body Configur	811	3,135	643	0	0	0	3,778	5,501	1,218
5	C800834	GBAS Upgrade	32	3,432	0	0	0	0	3,432	3,530	87
5	C800838	Hardstand Equipment Purch	686	2,500	3,830	0	0	0	6,330	11,800	5,470



# 5 Year Capital Budget

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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
5	C800842	AOA Perimeter Fence Line	410	5,500	838	0	0	0	6,338	6,934	417
5	C800914	2018 Taxiway Improvement	37,378	8,105	0	0	0	0	8,105	47,268	10,772
5	C800986	Conc C Ramp Space Renovat	1,532	568	0	0	0	0	568	2,100	58
<b>CIP Group: Airfield Miscellaneous</b>			<b>45,426</b>	<b>30,886</b>	<b>9,311</b>	<b>1,512</b>	<b>0</b>	<b>0</b>	<b>41,709</b>	<b>121,141</b>	<b>46,582</b>
5	C800406	RW16C-34C Design and Reco	15	0	0	0	0	0	0	78,784	78,782
5	C800483	Airfield Pavement Program	41	9,100	331	0	0	0	9,431	10,301	834
<b>CIP Group: Airfield Pavement</b>			<b>56</b>	<b>9,100</b>	<b>331</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,431</b>	<b>89,085</b>	<b>79,616</b>
<b>Subtotal for Airfield:</b>			<b>45,482</b>	<b>39,986</b>	<b>9,642</b>	<b>1,512</b>	<b>0</b>	<b>0</b>	<b>51,140</b>	<b>258,872</b>	<b>174,842</b>



# 5 Year Capital Budget

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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Aviation Division Wide</b>											
6	C800034	No. Expressway Relo Phase	0	0	0	0	0	0	0	102,095	102,097
<b>CIP Group: CDP</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>102,095</b>	<b>102,097</b>
5	C800688	Construction Logistics Ex	125	0	0	0	0	0	0	7,955	7,620
<b>CIP Group: Facilities</b>			<b>125</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,955</b>	<b>7,620</b>
5	C101117	FIMS Phase II	474	0	0	0	0	0	0	8,211	7,773
5	C800066	AV/IT Small Capital Proje	1,669	1,400	1,400	917	0	0	3,717	12,494	7,461
6	C800693	Noise System Upgrade/Repl	0	0	0	0	0	0	0	1,100	1,100
<b>CIP Group: IT Projects</b>			<b>2,143</b>	<b>1,400</b>	<b>1,400</b>	<b>917</b>	<b>0</b>	<b>0</b>	<b>3,717</b>	<b>21,805</b>	<b>16,334</b>
5	C800760	Auburn Mitigation Road Re	305	0	0	0	0	0	0	596	357
5	C800800	SEA Smartphone App	184	0	0	0	0	0	0	501	384
5	C800982	CDD & CPO Office Relocati	2,139	0	0	0	0	0	0	2,145	77





# 5 Year Capital Budget

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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>CIP Group: Miscellaneous</b>			2,628	0	0	0	0	0	0	3,242	818
5	C800017	Aviation Small Jobs	220	0	0	0	0	0	0	10,190	9,765
<b>CIP Group: Small Projects</b>			220	0	0	0	0	0	0	10,190	9,765
<b>Subtotal for Aviation Division Wide:</b>			5,116	1,400	1,400	917	0	0	3,717	145,287	136,634



# 5 Year Capital Budget

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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Business Development</b>											
4	C800154	Tenant Reimbursement	1,842	500	500	500	570	0	2,070	6,709	3,570
5	C800690	B2 Expansion for DL Club	503	0	0	0	0	0	0	13,598	13,564
<b>CIP Group: Bus. Development Miscellaneous</b>			<b>2,345</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>570</b>	<b>0</b>	<b>2,070</b>	<b>20,307</b>	<b>17,134</b>
5	C800846	Kiosk Program Expansion	374	859	0	0	0	0	859	1,241	31
5	C800886	Central Terminal Enhancem	896	2,997	840	0	0	0	3,837	4,801	253
<b>CIP Group: Concessions</b>			<b>1,270</b>	<b>3,856</b>	<b>840</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,696</b>	<b>6,042</b>	<b>284</b>
5	C800655	IWS Segregation Meters (C	124	821	0	0	0	0	821	1,141	261
5	C800716	Central Terminal Stairs	50	0	0	0	0	0	0	2,492	2,205
5	C800883	DL Inflight Svcs Relocate	994	173	0	0	0	0	173	1,196	117
<b>CIP Group: Properties</b>			<b>1,168</b>	<b>994</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>994</b>	<b>4,829</b>	<b>2,583</b>
<b>Subtotal for Business Development:</b>			<b>4,783</b>	<b>5,350</b>	<b>1,340</b>	<b>500</b>	<b>570</b>	<b>0</b>	<b>7,760</b>	<b>31,178</b>	<b>20,001</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Infrastructure</b>											
5	C800762	Telecommunication Meet Me	426	3,278	156	0	0	0	3,434	3,928	174
5	C800805	Duress System Replacement	467	0	0	0	0	0	0	750	342
5	C800827	STIA Communication Infrass	284	0	0	0	0	0	0	564	458
<b>CIP Group: Communication Systems</b>			<b>1,177</b>	<b>3,278</b>	<b>156</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,434</b>	<b>5,242</b>	<b>974</b>
4	C800061	MT Low Voltage Sys Upgrad	153	4,000	5,000	14,500	18,100	19,200	60,800	86,759	2,020
5	C800107	C4 UPS System Improvement	421	0	0	0	0	0	0	3,663	3,011
5	C800538	Alternate Utility Facilit	18,263	0	0	0	0	0	0	36,034	32,329
4	C800699	Electric Utility SCADA	102	7,362	612	0	0	0	7,974	9,599	1,561
6	C800709	Term Wide Voice Paging Sy	0	0	0	0	0	0	0	1,339	1,339
4	C800724	Concourse C New Power Cen	472	8,000	1,156	0	0	0	9,156	10,446	1,039
4	C800784	Emergency Generator Cont	404	1,000	756	0	0	0	1,756	2,500	369
5	C800788	OPS Lan Core Switch Upgra	761	0	0	0	0	0	0	2,982	2,801
5	C800811	Chiller Panel Upgrade	434	453	0	0	0	0	453	901	47



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
5	C800826	Arc Flash Mitigation	580	5,637	1,162	0	0	0	6,799	7,504	143
<b>CIP Group: Electrical Infrastructure</b>			<b>21,590</b>	<b>26,452</b>	<b>8,686</b>	<b>14,500</b>	<b>18,100</b>	<b>19,200</b>	<b>86,938</b>	<b>161,727</b>	<b>44,659</b>
4	C102066	Art Pool	250	191	181	0	0	0	372	803	182
5	C800708	S. Util Tunnel Steam Pipe	1	0	0	0	0	0	0	1,001	717
4	C800980	SD Pond Bird Deterrent Im	153	6,161	4,100	75	0	0	10,336	10,492	36
<b>CIP Group: F&amp;I Miscellaneous Projects</b>			<b>404</b>	<b>6,352</b>	<b>4,281</b>	<b>75</b>	<b>0</b>	<b>0</b>	<b>10,708</b>	<b>12,296</b>	<b>935</b>
5	C800251	Vertical Convey Modernztn	61	0	0	0	0	0	0	9,667	8,357
5	C800334	Two New CTE Freight Eleva	67	0	0	0	0	0	0	7,890	7,762
5	C800497	Airportwide Mech Controls	6	367	0	0	0	0	367	3,348	2,979
5	C800722	CT Infrastructure Upgrade	4,085	6,000	5,000	424	0	0	11,424	16,811	3,237
5	C800798	SSAT Infrastructure HVAC	1,218	22,800	12,700	7,600	2,954	0	46,054	47,909	765
4	C800801	Replace Variable Freq. Dr	352	5,000	1,408	0	0	0	6,408	6,835	226
4	C801027	Building Automation Sys U	0	890	0	0	0	0	890	890	0



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>CIP Group: Mechanical Infrastructure</b>			<b>5,789</b>	<b>35,057</b>	<b>19,108</b>	<b>8,024</b>	<b>2,954</b>	<b>0</b>	<b>65,143</b>	<b>93,350</b>	<b>23,326</b>
5	C800717	N. Terminals Utilities Up	413	7,000	8,000	2,561	0	0	17,561	20,297	2,538
<b>CIP Group: Water Infrastructure</b>			<b>413</b>	<b>7,000</b>	<b>8,000</b>	<b>2,561</b>	<b>0</b>	<b>0</b>	<b>17,561</b>	<b>20,297</b>	<b>2,538</b>
<b>Subtotal for Infrastructure:</b>			<b>29,373</b>	<b>78,139</b>	<b>40,231</b>	<b>25,160</b>	<b>21,054</b>	<b>19,200</b>	<b>183,784</b>	<b>292,912</b>	<b>72,432</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Landside</b>											
3	C800957	NEPL Improvements	125	1,104	4,959	447	0	0	6,510	6,635	5
<b>CIP Group: Employee Parking</b>			<b>125</b>	<b>1,104</b>	<b>4,959</b>	<b>447</b>	<b>0</b>	<b>0</b>	<b>6,510</b>	<b>6,635</b>	<b>5</b>
5	C101107	So. 160th St. GT Lot Expa	1,737	1,005	0	0	0	0	1,005	3,301	947
<b>CIP Group: Ground Transportation</b>			<b>1,737</b>	<b>1,005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,005</b>	<b>3,301</b>	<b>947</b>
6	C800324	Long-Term Cell Phone Lot	0	0	0	0	0	0	0	2,446	2,444
6	C800451	Doug Fox Site Improvement	0	0	0	0	0	0	0	6,541	6,541
5	C800581	Parking Garage Lights (CA)	0	0	0	0	0	0	0	2,694	2,693
5	C800648	Emergency Phones	0	0	0	0	0	0	0	385	386
5	C800728	Parking System Replacemen	1,013	2,037	0	0	0	0	2,037	5,501	2,663
4	C800789	Elevators Modernization	110	700	700	5,000	6,000	6,000	18,400	23,275	68
<b>CIP Group: Public Parking</b>			<b>1,123</b>	<b>2,737</b>	<b>700</b>	<b>5,000</b>	<b>6,000</b>	<b>6,000</b>	<b>20,437</b>	<b>40,842</b>	<b>14,795</b>
5	C101110	Consolidate RCF land acq.	0	0	0	0	0	0	0	10,758	10,758



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
5	C800929	RCF Fleet Tracking & Disp	908	126	0	0	0	0	126	1,056	129
4	C800977	RCF Pavement Remediation	574	8,736	1,178	0	0	0	9,914	10,488	23
<b>CIP Group: Rental Cars</b>			<b>1,482</b>	<b>8,862</b>	<b>1,178</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,040</b>	<b>22,302</b>	<b>10,910</b>
5	C102112	Service Tunnel Renewal/Re	15,227	7,500	7,500	2,882	0	0	17,882	39,190	13,109
4	C102162	Air Cargo Rd Safety Imp	476	1,100	5,500	244	0	0	6,844	7,439	146
6	C800917	ST Walkway & Bridge Impro	1	0	0	0	0	0	0	806	806
<b>CIP Group: Roadways</b>			<b>15,704</b>	<b>8,600</b>	<b>13,000</b>	<b>3,126</b>	<b>0</b>	<b>0</b>	<b>24,726</b>	<b>47,435</b>	<b>14,061</b>
<b>Subtotal for Landside:</b>			<b>20,171</b>	<b>22,308</b>	<b>19,837</b>	<b>8,573</b>	<b>6,000</b>	<b>6,000</b>	<b>62,718</b>	<b>120,515</b>	<b>40,718</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>NOISE Program</b>											
6	C200093	Single Family Home Sound	0	0	0	0	0	0	0	7,912	7,908
5	C200094	Single Family Home Insula	1,541	3,278	3,000	0	0	0	6,278	7,854	51
4	C200095	Condo Sound Insulation	700	5,945	5,835	6,520	1,000	0	19,300	20,000	0
<b>CIP Group: Residential Insulation</b>			<b>2,241</b>	<b>9,223</b>	<b>8,835</b>	<b>6,520</b>	<b>1,000</b>	<b>0</b>	<b>25,578</b>	<b>35,766</b>	<b>7,959</b>
5	C200007	Highline School Insulatio	6,274	15,675	3,389	0	977	0	20,041	101,799	63,439
<b>CIP Group: School Insulation</b>			<b>6,274</b>	<b>15,675</b>	<b>3,389</b>	<b>0</b>	<b>977</b>	<b>0</b>	<b>20,041</b>	<b>101,799</b>	<b>63,439</b>
<b>Subtotal for NOISE Program:</b>			<b>8,515</b>	<b>24,898</b>	<b>12,224</b>	<b>6,520</b>	<b>1,977</b>	<b>0</b>	<b>45,619</b>	<b>137,565</b>	<b>71,398</b>





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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Security</b>											
6	C102163	MT 100% Baggage Screening	0	0	0	0	0	0	0	218,903	218,901
5	C800605	Scty Exit Lane Breach Ctr	154	6,019	1,670	31	0	0	7,720	9,015	1,235
5	C800642	Video System Improvements	6,523	641	386	0	0	0	1,027	12,915	7,453
5	C800862	Terminal Security Enhance	2,189	7,300	3,080	0	0	0	10,380	12,641	261
5	C800876	Fire Station - Westside	352	4,851	128	0	0	0	4,979	5,501	254
5	C800878	ARFF Vehicle Replacements	0	2,200	0	0	0	0	2,200	2,200	0
5	C800880	Employee Security Screeni	241	2,037	0	0	0	0	2,037	2,949	793
5	C800920	ASL Conversion at Checkpo	1,175	6,637	402	0	0	0	7,039	8,301	811
<b>CIP Group: Security Projects</b>			<b>10,634</b>	<b>29,685</b>	<b>5,666</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>35,382</b>	<b>272,425</b>	<b>229,708</b>
<b>Subtotal for Security:</b>			<b>10,634</b>	<b>29,685</b>	<b>5,666</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>35,382</b>	<b>272,425</b>	<b>229,708</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Stormwater</b>											
5	C800983	Sewer/Catch Basin Cleaner	0	450	0	0	0	0	450	450	0
<b>CIP Group: Stormwater Projects</b>			<b>0</b>	<b>450</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>450</b>	<b>450</b>	<b>0</b>
<b>Subtotal for Stormwater:</b>			<b>0</b>	<b>450</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>450</b>	<b>450</b>	<b>0</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Terminal and Tenants</b>											
4	C800555	NS Refurbish Baggage Syst	15	0	0	0	0	0	0	19,341	18,230
5	C800612	Checked Bag Recap/Optimiz	38,009	50,000	50,000	50,000	55,000	55,000	260,000	444,901	49,753
5	C800802	Airport Auto Baggage Tag	0	0	0	0	0	0	0	639	639
4	C800825	Interim Baggage System Pr	159	0	0	0	0	0	0	13,450	12,517
5	C800836	Add'l Baggage Makeup Spac	10,520	5,938	0	0	0	0	5,938	18,499	3,276
5	C800858	Checkpoint 5 Wall Relocat	300	6	0	0	0	0	6	900	768
<b>CIP Group: Baggage Systems</b>			<b>49,003</b>	<b>55,944</b>	<b>50,000</b>	<b>50,000</b>	<b>55,000</b>	<b>55,000</b>	<b>265,944</b>	<b>497,730</b>	<b>85,183</b>
5	C800464	Fiber Infr to Gate Backst	0	0	0	0	0	0	0	3,075	3,076
5	C800790	Passenger Flow Image Anal	920	0	0	0	0	0	0	1,217	525
4	C800841	Tenant Network DMARC Upgr	378	1,012	986	416	12	0	2,426	2,815	102
<b>CIP Group: Communication Systems</b>			<b>1,298</b>	<b>1,012</b>	<b>986</b>	<b>416</b>	<b>12</b>	<b>0</b>	<b>2,426</b>	<b>7,107</b>	<b>3,703</b>
5	C800019	Gate Utilities Improvemen	152	0	0	0	0	0	0	14,116	13,285
5	C800238	Cent Plant Preconditioned	4	0	0	0	0	0	0	54,717	54,317



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
5	C800692	Fuel System Modifications	34	0	0	0	0	0	0	9,203	9,036
5	C800771	Gate D6 Holdroom for Hard	219	0	0	0	0	0	0	2,200	2,015
5	C800779	Safedock Upgrade & Expans	949	24,825	2,137	0	0	0	26,962	27,972	160
5	C800873	Concourse B Gate Reconfig	1,207	272	0	0	0	0	272	9,900	7,253
<b>CIP Group: Gates</b>			<b>2,565</b>	<b>25,097</b>	<b>2,137</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,234</b>	<b>118,108</b>	<b>86,066</b>
4	C800544	NS NorthSTAR Program	0	0	0	0	0	0	0	4,239	4,238
4	C800545	NS Main Terminal Improvem	0	0	0	0	0	0	0	366	367
6	C800547	NS Conc C Vertical Circul	0	0	0	0	0	0	0	15,612	15,611
5	C800549	SSAT Interior Renovations	-73	0	0	0	0	0	0	4,925	4,575
5	C800556	NS NSAT Renov NSTS Lobbie	131,716	129,034	123,514	105,470	61,520	0	419,538	658,716	166,118
5	C800638	Concessions Infrastructur	685	3,000	3,000	3,000	490	0	9,490	14,889	5,147
5	C800697	Restroom Upgrades Conc B,	2,982	12,000	13,500	2,636	794	0	28,930	33,047	2,867
4	C800743	SSAT Renovation Project	1,198	0	0	0	0	0	0	2,946	2,946
5	C800766	Conc A, B, C Carpet Repla	277	0	0	0	0	0	0	2,002	1,800



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
5	C800770	Concourse B Roof Replacem	3,576	672	0	0	0	0	672	7,262	3,239
5	C800898	Airport Signage Phase 1	791	5,065	2,011	109	0	0	7,185	7,999	568
<b>CIP Group: Interior Improvements</b>			<b>141,152</b>	<b>149,771</b>	<b>142,025</b>	<b>111,215</b>	<b>62,804</b>	<b>0</b>	<b>465,815</b>	<b>752,003</b>	<b>207,476</b>
5	C800695	C3 Holdroom Expansion	112	400	5,055	0	0	0	5,455	6,299	810
5	C800793	PLB Renew & Replace Phase	2,770	3,804	2,949	285	0	0	7,038	10,000	1,372
<b>CIP Group: Loading Bridges</b>			<b>2,882</b>	<b>4,204</b>	<b>8,004</b>	<b>285</b>	<b>0</b>	<b>0</b>	<b>12,493</b>	<b>16,299</b>	<b>2,182</b>
5	C800782	STS Display Upgrade	941	0	0	0	0	0	0	2,920	2,180
5	C800835	STS Display -S. Loop & Sh	83	0	0	0	0	0	0	481	464
<b>CIP Group: STS</b>			<b>1,024</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,401</b>	<b>2,644</b>
5	C800473	CUSE at Ticket Cntrs/Gate	0	0	0	0	0	0	0	1,380	1,380
5	C800475	Misc Bldg Improvements AR	0	0	0	0	0	0	0	2,365	2,363
5	C800583	International Arrivals Fa	239,277	410,752	123,104	5,217	0	0	539,073	931,445	228,271
5	C800657	Domestic Water Piping	0	0	0	0	0	0	0	1,293	1,250



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
5	C800658	Mech Energy Conservation	1,915	4,337	285	0	0	0	4,622	6,802	298
4	C800702	2015-2016 C Conc Roof Rep	1,143	155	0	0	0	0	155	5,921	3,508
5	C800761	B Concourse Ramp Lvl Hold	865	0	0	0	0	0	0	5,984	5,447
5	C800769	Concourse D Hardstand Hol	28,433	13	0	0	0	0	13	38,000	22,511
5	C800818	SSAT Structural Improve	2,039	467	0	0	0	0	467	3,299	1,445
5	C800833	Holdroom Seatings for Con	3,498	5,025	0	0	0	0	5,025	9,198	975
4	C800845	C1 Building Floor Expansi	600	1,000	10,000	20,000	10,000	8,400	49,400	50,000	0
<b>CIP Group: Terminal Facilities</b>			<b>277,770</b>	<b>421,749</b>	<b>133,389</b>	<b>25,217</b>	<b>10,000</b>	<b>8,400</b>	<b>598,755</b>	<b>1,055,687</b>	<b>267,448</b>
5	C800824	Zone 5 Ticket Lobby Recon	0	0	0	0	0	0	0	699	697
5	C800925	Zone 3 Common Use Counter	705	0	0	0	0	0	0	719	387
<b>CIP Group: Ticketing Strategy</b>			<b>705</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,418</b>	<b>1,084</b>
<b>Subtotal for Terminal and Tenants:</b>			<b>476,399</b>	<b>657,777</b>	<b>336,541</b>	<b>187,133</b>	<b>127,816</b>	<b>63,400</b>	<b>1,372,667</b>	<b>2,451,753</b>	<b>655,786</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Subtotal for Aviation Division:</b>			600,473	859,993	426,881	230,346	157,417	88,600	1,763,237	3,710,957	1,401,519



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
5	C800009	Infrastructure - Small Ca	1,500	1,500	1,500	1,500	1,500	1,500	7,500	34,309	18,016
5	C800012	Services Technology Small	1,150	1,000	1,000	1,000	1,000	1,000	5,000	18,069	7,028
3	C800016	Enterprise GIS - Small Ca	250	250	250	250	250	250	1,250	4,170	1,433
5	C800162	ID Badge System Replaceme	1	0	0	0	0	0	0	2,485	2,488
5	C800521	Constr. Doc. Mgt Sys. rep	0	0	0	0	0	0	0	876	878
5	C800747	Project Cost Management S	600	180	0	0	0	0	180	1,000	440
5	C800748	Remote Data Ctr Bus Conti	128	0	0	0	0	0	0	1,200	1,106
5	C800776	POS Website Redevelopment	79	0	0	0	0	0	0	800	791
5	C800907	Supplier Database System	487	309	0	0	0	0	309	837	178
5	C800908	Corporate Firewall	922	0	0	0	0	0	0	1,500	603
5	C800909	PeopleSoft Financials Upg	1,866	800	0	0	0	0	800	2,666	566
5	C801012	Radio System Upgrade	7,800	7,000	0	0	0	0	7,000	14,800	7





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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>CIP Group: Information Technology</b>			<b>14,783</b>	<b>11,039</b>	<b>2,750</b>	<b>2,750</b>	<b>2,750</b>	<b>2,750</b>	<b>22,039</b>	<b>82,712</b>	<b>33,534</b>
3	C800450	CDD Fleet Replacement	1,040	997	665	675	417	202	2,956	6,337	1,745
3	C800453	CDD Small Cap	271	278	242	224	166	166	1,076	3,091	1,008
3	C800458	Corporate Fleet Replaceme	1,180	968	535	523	707	995	3,728	10,379	1,657
<b>CIP Group: Other Corporate Capital Projec</b>			<b>2,491</b>	<b>2,243</b>	<b>1,442</b>	<b>1,422</b>	<b>1,290</b>	<b>1,363</b>	<b>7,760</b>	<b>19,807</b>	<b>4,410</b>
5	C800051	Small Capital Acquisition	240	200	200	200	200	200	1,000	3,887	1,649
<b>CIP Group: Small Capital Acquisition</b>			<b>240</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>1,000</b>	<b>3,887</b>	<b>1,649</b>
<b>Subtotal for Corporate P&amp;TS Capital Project</b>			<b>17,514</b>	<b>13,482</b>	<b>4,392</b>	<b>4,372</b>	<b>4,240</b>	<b>4,313</b>	<b>30,799</b>	<b>106,406</b>	<b>39,593</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Subtotal for Corporate P&amp;TS:</b>			17,514	13,482	4,392	4,372	4,240	4,313	30,799	106,406	39,593



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Economic Development Division</b>											
<b>Development &amp; Planning</b>											
3	C800158	T91 Uplands Development	11	3,520	19,520	16,000	0	0	39,040	39,309	269
<b>CIP Group: Real Estate Development</b>			11	3,520	19,520	16,000	0	0	39,040	39,309	269
<b>Subtotal for Development &amp; Planning:</b>			11	3,520	19,520	16,000	0	0	39,040	39,309	269



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>General Economic Development</b>											
3	C800562	ED: 2019 & Beyond Small P	0	586	500	500	500	500	2,586	5,086	0
3	C800815	ED: 2016 Small Projects	33	0	0	0	0	0	0	312	312
3	C800831	ED Fleet Replacement	0	0	30	0	30	0	60	210	0
3	C800891	ED: 2017 Small Projects	11	0	0	0	0	0	0	20	21
3	C801004	ED: 2018 Small Projects	15	0	0	0	0	0	0	15	15
<b>CIP Group: ED Small Projects</b>			<b>59</b>	<b>586</b>	<b>530</b>	<b>500</b>	<b>530</b>	<b>500</b>	<b>2,646</b>	<b>5,643</b>	<b>348</b>
3	C800244	ED Technology Projects	0	30	30	30	30	30	150	1,551	152
4	C800888	P69 Solar Panel System	39	10	0	0	0	0	10	62	51
<b>CIP Group: General ECON DEV - Other</b>			<b>39</b>	<b>40</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>160</b>	<b>1,613</b>	<b>203</b>
<b>Subtotal for General Economic Development:</b>			<b>98</b>	<b>626</b>	<b>560</b>	<b>530</b>	<b>560</b>	<b>530</b>	<b>2,806</b>	<b>7,256</b>	<b>551</b>



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				2019	2020	2021	2022	2023			
<b>Portfolio Management</b>											
4	C800813	P66 Elevator 2,3,4 Upgrad	1,229	0	0	0	0	0	0	1,796	1,523
<b>CIP Group: Central Waterfront</b>			<b>1,229</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,796</b>	<b>1,523</b>
4	C800814	BHICC Fit & Finish Improv	52	0	0	0	0	0	0	495	494
4	C800889	BHICC Interior Modernizat	100	1,600	8,316	20	0	0	9,936	10,200	264
<b>CIP Group: Conf &amp; Event Centers BHICC</b>			<b>152</b>	<b>1,600</b>	<b>8,316</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>9,936</b>	<b>10,695</b>	<b>758</b>
3	C800126	Tenant Improvements -Capi	23	300	300	300	300	300	1,500	5,863	2,864
<b>CIP Group: Tenant Improvements</b>			<b>23</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>1,500</b>	<b>5,863</b>	<b>2,864</b>
5	C800196	T102 Bldg Roof HVAC Repla	91	0	0	0	0	0	0	4,765	4,751
<b>CIP Group: Terminal 102</b>			<b>91</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,765</b>	<b>4,751</b>
<b>Subtotal for Portfolio Management:</b>			<b>1,495</b>	<b>1,900</b>	<b>8,616</b>	<b>320</b>	<b>300</b>	<b>300</b>	<b>11,436</b>	<b>23,119</b>	<b>9,896</b>



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				2019	2020	2021	2022	2023			
<b>Subtotal for Economic Development Division:</b>			1,604	6,046	28,696	16,850	860	830	53,282	69,684	10,716



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				2019	2020	2021	2022	2023			
<b>Maritime Division</b>											
<b>Cruise Operations</b>											
5	C800592	Cruise Terminal Tenant Im	1,531	0	0	0	0	0	0	15,068	13,860
4	C800613	Cruise Cap Allow - CTA Le	0	200	0	0	0	0	200	440	239
3	C800819	BSCT Imp Staff Oversight	21	0	0	0	0	0	0	280	278
4	C800820	P66 Exterior Modernizatio	219	0	0	0	0	0	0	332	197
3	C800821	T91 P91W Slope Stabilizat	47	0	0	0	0	0	0	855	236
4	C800910	T91 Camel Replacements	903	0	0	0	0	0	0	933	860
<b>CIP Group: Cruise</b>			<b>2,721</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>200</b>	<b>17,908</b>	<b>15,670</b>
<b>Subtotal for Cruise Operations:</b>			<b>2,721</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>200</b>	<b>17,908</b>	<b>15,670</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Environmental Services</b>											
4	C800995	Restoration	56	8,000	9,851	0	0	0	17,851	18,189	337
<b>CIP Group: Environmental</b>			<b>56</b>	<b>8,000</b>	<b>9,851</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,851</b>	<b>18,189</b>	<b>337</b>
<b>Subtotal for Environmental Services:</b>			<b>56</b>	<b>8,000</b>	<b>9,851</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,851</b>	<b>18,189</b>	<b>337</b>





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				2019	2020	2021	2022	2023			
<b>Fishing and Operations</b>											
5	C800526	FT Net Shed 3,4,5 &6 Roof	589	0	0	0	0	0	0	2,502	2,471
4	C800531	FT Docks 3,4 5 Fixed Pie	74	5,544	522	0	0	0	6,066	6,186	119
<b>CIP Group: Fishermen's Terminal - Water</b>			<b>663</b>	<b>5,544</b>	<b>522</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,066</b>	<b>8,688</b>	<b>2,590</b>
4	C800675	P91 South End Fender	2,055	0	0	0	0	0	0	2,262	2,189
3	C801028	T91 Pier Stormwater Imp P	0	900	125	0	0	0	1,025	1,025	0
<b>CIP Group: Maritime Operations - T91</b>			<b>2,055</b>	<b>900</b>	<b>125</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,025</b>	<b>3,287</b>	<b>2,189</b>
<b>Subtotal for Fishing and Operations:</b>			<b>2,718</b>	<b>6,444</b>	<b>647</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,091</b>	<b>11,975</b>	<b>4,779</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Maritime General</b>											
4	C800729	Marina Mgt Sys Replacemen	22	0	0	0	0	0	0	76	77
4	C800993	Salmon Bay Marina ACQ	15,703	0	0	0	0	0	0	15,918	15,918
3	C801073	Tenant Improvements - Cap	0	0	0	250	250	250	750	1,000	0
<b>CIP Group: Maritime General Other</b>			<b>15,725</b>	<b>0</b>	<b>0</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>750</b>	<b>16,994</b>	<b>15,995</b>
3	C102395	Maritime Technology Proje	7	65	65	65	65	65	325	4,197	2,620
3	C800442	Maritime Fleet Replacemen	238	1,277	1,187	1,038	998	821	5,321	10,866	1,655
3	C800561	MD: 2019 & Beyond Small P	0	1,300	765	500	500	500	3,565	7,460	0
3	C800797	CRM MM 2015 Small Project	87	0	0	0	0	0	0	1,047	991
3	C800816	MD: 2016 Small Projects	55	199	0	0	0	0	199	1,324	1,126
3	C800892	MD: 2017 Small Projects	411	0	0	0	0	0	0	944	944
3	C801003	MD: 2018 Small Projects	42	835	200	0	0	0	1,035	1,077	42
<b>CIP Group: Maritime Small Projects</b>			<b>840</b>	<b>3,676</b>	<b>2,217</b>	<b>1,603</b>	<b>1,563</b>	<b>1,386</b>	<b>10,445</b>	<b>26,915</b>	<b>7,378</b>



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				2019	2020	2021	2022	2023			
<b>Subtotal for Maritime General:</b>			16,565	3,676	2,217	1,853	1,813	1,636	11,195	43,909	23,373



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				2019	2020	2021	2022	2023			
<b>Maritime Portfolio Management</b>											
5	C800137	FT C15 HVAC Improvements	1	0	0	0	0	0	0	4,737	4,737
4	C800525	FT Redevelopment Phase 1	813	1,750	16,750	15,000	0	0	33,500	34,961	1,462
<b>CIP Group: Fishermens Terminal - Land</b>			<b>814</b>	<b>1,750</b>	<b>16,750</b>	<b>15,000</b>	<b>0</b>	<b>0</b>	<b>33,500</b>	<b>39,698</b>	<b>6,199</b>
5	C800439	T91 Substation Upgrades	2	0	0	0	0	0	0	2,146	2,145
5	C800829	T91 Building C-173 Roof O	248	0	0	0	0	0	0	1,403	1,332
<b>CIP Group: Maritime Industrial Facilities</b>			<b>250</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,549</b>	<b>3,477</b>
4	C801024	Salmon Bay Marina Uplands	13	0	0	0	0	0	0	20,513	13
<b>CIP Group: Salmon Bay Marina - Land</b>			<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,513</b>	<b>13</b>
4	C800445	SBM Pad Site Development	1	421	0	0	0	0	421	476	55
<b>CIP Group: Shilshole Bay Marina - Land</b>			<b>1</b>	<b>421</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>421</b>	<b>476</b>	<b>55</b>
<b>Subtotal for Maritime Portfolio Management:</b>			<b>1,078</b>	<b>2,171</b>	<b>16,750</b>	<b>15,000</b>	<b>0</b>	<b>0</b>	<b>33,921</b>	<b>64,236</b>	<b>9,744</b>



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			2018	2019	2020	2021	2022			

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				2019	2020	2021	2022	2023			
<b>Recreational Boating</b>											
4	C800355	SBM Paving	83	1,082	0	0	0	0	1,082	1,339	258
4	C800356	SBM Restrms/Service Bldgs	131	6,532	0	0	0	0	6,532	7,853	1,321
<b>CIP Group: Shilshole Bay Marina - Water</b>			<b>214</b>	<b>7,614</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,614</b>	<b>9,192</b>	<b>1,579</b>
<b>Subtotal for Recreational Boating:</b>			<b>214</b>	<b>7,614</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,614</b>	<b>9,192</b>	<b>1,579</b>



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				2019	2020	2021	2022	2023			
<b>Subtotal for Maritime Division:</b>			23,352	28,105	29,465	16,853	1,813	1,636	77,872	165,409	55,482



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				2019	2020	2021	2022	2023			
<b>NWSA Joint Venture</b>											
<b>Lease &amp; Asset Management</b>											
5	C800546	Argo Yard Roadway Element	1	0	0	0	0	0	0	3,042	3,043
<b>CIP Group: Containers Other</b>			<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,042</b>	<b>3,043</b>
3	C800563	T46 Viaduct Driven Capita	21	0	0	0	0	0	0	270	252
4	C800620	T46 Pub Acc Mitigation at	0	2,680	0	0	0	0	2,680	2,924	246
5	C800994	T46 JV Stormwater Improve	77	0	0	0	0	0	0	5,823	5,815
<b>CIP Group: Terminal 46</b>			<b>98</b>	<b>2,680</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,680</b>	<b>9,017</b>	<b>6,313</b>
5	C102858	T5 Street Vacation Comple	20	20	0	0	0	0	20	1,455	1,414
<b>CIP Group: Terminal 5</b>			<b>20</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>1,455</b>	<b>1,414</b>
<b>Subtotal for Lease &amp; Asset Management:</b>			<b>119</b>	<b>2,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,700</b>	<b>13,514</b>	<b>10,770</b>





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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Subtotal for NWSA Joint Venture:</b>			119	2,700	0	0	0	0	2,700	13,514	10,770

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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Stormwater Utility</b>											
<b>SWU General</b>											
3	C800895	T18 SW outfall upgrade	956	1,150	1,400	169	0	0	2,719	3,968	426
4	C800897	SWU Industrial Vacuum Tru	575	0	0	0	0	0	0	575	0
3	C800991	PW Stormwater Sys Renewal	300	500	500	500	500	500	2,500	5,303	12
<b>CIP Group: SWU Large Capital</b>			<b>1,831</b>	<b>1,650</b>	<b>1,900</b>	<b>669</b>	<b>500</b>	<b>500</b>	<b>5,219</b>	<b>9,846</b>	<b>438</b>
3	C800837	SWU Small Capital	202	150	150	150	150	150	750	2,236	586
<b>CIP Group: SWU Small Projects</b>			<b>202</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>750</b>	<b>2,236</b>	<b>586</b>
<b>Subtotal for SWU General:</b>			<b>2,033</b>	<b>1,800</b>	<b>2,050</b>	<b>819</b>	<b>650</b>	<b>650</b>	<b>5,969</b>	<b>12,082</b>	<b>1,024</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Subtotal for Stormwater Utility:</b>			2,033	1,800	2,050	819	650	650	5,969	12,082	1,024



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Grand Total:</b>			645,095	912,126	491,484	269,240	164,980	96,029	1,933,859	4,078,052	1,519,104



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### Business Plan Prospective Projects

**Run by:** ARR528

#### Selection

**Start Year:** 2018

**Business Unit:** ALL

**Project Status:** 2 - 2

**Division:** ALL

**Sponsor:** ALL

**CIP Group:** ALL



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
2	C801057	SAMP - Landside	0	750	3,500	20,000	20,000	10,000	54,250	60,000	0
2	C801059	SAMP - Airside	0	500	1,500	9,000	8,000	8,000	27,000	30,000	0
2	C801060	SAMP - Cargo	0	0	500	1,500	0	0	2,000	2,000	0
2	C801061	SAMP - 2nd Terminal	0	0	1,500	34,000	45,000	35,000	115,500	150,000	0
2	C801062	SAMP - Airline/Airport Su	0	750	2,500	12,000	21,750	15,000	52,000	58,000	0
<b>CIP Group:</b>			<b>0</b>	<b>2,000</b>	<b>9,500</b>	<b>76,500</b>	<b>94,750</b>	<b>68,000</b>	<b>250,750</b>	<b>300,000</b>	<b>0</b>
<b>Subtotal for :</b>			<b>0</b>	<b>2,000</b>	<b>9,500</b>	<b>76,500</b>	<b>94,750</b>	<b>68,000</b>	<b>250,750</b>	<b>300,000</b>	<b>0</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Airfield</b>											
2	C801033	Consolidated Deicing Stor	0	116	217	1,709	1,058	0	3,100	3,100	0
<b>CIP Group: Aeronautical Facilities</b>			<b>0</b>	<b>116</b>	<b>217</b>	<b>1,709</b>	<b>1,058</b>	<b>0</b>	<b>3,100</b>	<b>3,100</b>	<b>0</b>
2	C801051	BT Properties AOA Connect	0	73	206	621	0	0	900	900	0
<b>CIP Group: Air Cargo</b>			<b>0</b>	<b>73</b>	<b>206</b>	<b>621</b>	<b>0</b>	<b>0</b>	<b>900</b>	<b>900</b>	<b>0</b>
2	C800772	Fuel Hydrant Pit Program	0	1,000	1,000	1,000	1,000	0	4,000	4,000	0
<b>CIP Group: Aircraft Fueling</b>			<b>0</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>0</b>	<b>4,000</b>	<b>4,000</b>	<b>0</b>
2	C800930	Airfield Pvmt Repl 2020-2	50	175	11,013	13,997	15,594	12,977	53,756	72,649	0
<b>CIP Group: Airfield Pavement</b>			<b>50</b>	<b>175</b>	<b>11,013</b>	<b>13,997</b>	<b>15,594</b>	<b>12,977</b>	<b>53,756</b>	<b>72,649</b>	<b>0</b>
2	C800650	Surface Area Management S	150	2,700	1,250	900	0	0	4,850	5,000	14
<b>CIP Group: Navigational Nav aids</b>			<b>150</b>	<b>2,700</b>	<b>1,250</b>	<b>900</b>	<b>0</b>	<b>0</b>	<b>4,850</b>	<b>5,000</b>	<b>14</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Subtotal for Airfield:</b>			200	4,064	13,686	18,227	17,652	12,977	66,606	85,649	14

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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Aviation Division Wide</b>											
2	C800928	Zone 1 Curb-to-Gate Biome	0	800	1,000	0	0	0	1,800	1,800	0
2	C800931	Smartphone App - ADA Supp	0	750	0	0	0	0	750	750	0
<b>CIP Group: IT Projects</b>			<b>0</b>	<b>1,550</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,550</b>	<b>2,550</b>	<b>0</b>
2	C800753	Aeronautical Allowance	1,000	10,000	30,000	45,000	60,000	75,000	220,000	953,247	0
2	C800754	Non-Aeronautical Allowanc	1,000	5,000	10,000	15,000	20,000	25,000	75,000	131,841	0
2	C800794	Fire Pump Replacement	61	511	0	0	0	0	511	581	14
<b>CIP Group: Miscellaneous</b>			<b>2,061</b>	<b>15,511</b>	<b>40,000</b>	<b>60,000</b>	<b>80,000</b>	<b>100,000</b>	<b>295,511</b>	<b>1,085,669</b>	<b>14</b>
2	C800099	Aviation Small Capital	1,226	559	0	0	0	0	559	6,000	4,491
2	C800100	Aviation Small Jobs	4,516	2,418	0	0	0	0	2,418	10,001	3,503
2	C800751	Aviation Small Jobs	0	0	1,205	2,800	2,900	2,900	9,805	12,000	0
2	C800752	Aviation Small Capital	0	1,700	1,800	1,900	1,900	2,000	9,300	10,000	0
<b>CIP Group: Small Projects</b>			<b>5,742</b>	<b>4,677</b>	<b>3,005</b>	<b>4,700</b>	<b>4,800</b>	<b>4,900</b>	<b>22,082</b>	<b>38,001</b>	<b>7,994</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Subtotal for Aviation Division Wide:</b>			7,803	21,738	44,005	64,700	84,800	104,900	320,143	1,126,220	8,008



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Business Development</b>											
2	C800951	AOB Capacity Upgrades & C	0	1,464	371	0	0	0	1,835	1,835	0
<b>CIP Group: Bus. Development Miscellaneous</b>			<b>0</b>	<b>1,464</b>	<b>371</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,835</b>	<b>1,835</b>	<b>0</b>
2	C800947	South Satellite Mezz Club	0	90	179	1,301	460	0	2,030	2,030	0
2	C800949	WSDOT Property Purchase	0	3,500	0	0	0	0	3,500	3,500	0
2	C800950	Cargo Buildings Improveme	560	3,000	881	2,169	0	0	6,050	6,610	10
2	C801055	Main Terminal Space Conve	0	150	190	1,212	963	0	2,515	2,515	0
<b>CIP Group: Properties</b>			<b>560</b>	<b>6,740</b>	<b>1,250</b>	<b>4,682</b>	<b>1,423</b>	<b>0</b>	<b>14,095</b>	<b>14,655</b>	<b>10</b>
<b>Subtotal for Business Development:</b>			<b>560</b>	<b>8,204</b>	<b>1,621</b>	<b>4,682</b>	<b>1,423</b>	<b>0</b>	<b>15,930</b>	<b>16,490</b>	<b>10</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Infrastructure</b>											
2	C800935	Access Controls in Comm R	46	500	1,500	847	0	0	2,847	2,893	1
2	C800937	Fire Suppression Comm Ro	30	292	312	78	0	0	682	712	0
2	C800939	Comm Infrastructure Expan	0	35	979	570	0	0	1,584	1,584	0
2	C801039	Elevator/Escalator Comm.	0	367	1,402	824	3,407	0	6,000	6,000	0
<b>CIP Group: Communication Systems</b>			<b>76</b>	<b>1,194</b>	<b>4,193</b>	<b>2,319</b>	<b>3,407</b>	<b>0</b>	<b>11,113</b>	<b>11,189</b>	<b>1</b>
2	C800901	Parking Garage Low Volt.	0	750	1,900	617	0	0	3,267	3,267	0
2	C800902	Conc B Low Volt. Sys. Upg	0	750	1,500	425	0	0	2,675	2,675	0
2	C800905	Conc C Low Volt. Sys. Upg	0	1,400	4,000	731	0	0	6,131	6,131	0
2	C800941	Airport-wide & RCF LED li	0	112	995	1,452	5,646	0	8,205	8,205	0
2	C800944	Building Controls Upgrade	0	70	925	3,311	670	0	4,976	4,976	0
<b>CIP Group: Electrical Infrastructure</b>			<b>0</b>	<b>3,082</b>	<b>9,320</b>	<b>6,536</b>	<b>6,316</b>	<b>0</b>	<b>25,254</b>	<b>25,254</b>	<b>0</b>
2	C800900	Garage Ancillary Renew/Re	28	1,097	810	0	0	0	1,907	1,936	4
2	C800940	Utility Meter Networking	0	565	1,385	4,799	3,618	0	10,367	10,367	0



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
2	C800945	South CT Solid Waste Impr	100	1,000	776	0	0	0	1,776	1,876	20
2	C801030	Compactor Capacity	0	123	171	582	824	0	1,700	1,700	0
<b>CIP Group: F&amp;I Miscellaneous Projects</b>			<b>128</b>	<b>2,785</b>	<b>3,142</b>	<b>5,381</b>	<b>4,442</b>	<b>0</b>	<b>15,750</b>	<b>15,879</b>	<b>24</b>
2	C800924	AC4 Av/Maintenance Upgrad	68	525	2,852	1,121	0	0	4,498	4,566	8
<b>CIP Group: Maintenance Facilities</b>			<b>68</b>	<b>525</b>	<b>2,852</b>	<b>1,121</b>	<b>0</b>	<b>0</b>	<b>4,498</b>	<b>4,566</b>	<b>8</b>
2	C800903	Conc B - Mechanical Equip	14	700	610	0	0	0	1,310	1,329	8
2	C800978	VFD Replacement II	0	63	624	3,613	0	0	4,300	4,300	0
<b>CIP Group: Mechanical Infrastructure</b>			<b>14</b>	<b>763</b>	<b>1,234</b>	<b>3,613</b>	<b>0</b>	<b>0</b>	<b>5,610</b>	<b>5,629</b>	<b>8</b>
2	C800493	Emergency Backup Water Su	43	241	185	0	0	0	426	500	62
2	C800799	Trenchless Replacement of	145	300	3,300	3,355	0	0	6,955	7,173	123
2	C800804	Water Hammer Attenuation	53	424	0	0	0	0	424	500	26
2	C800904	Conc B - Water/Sewer Line	0	750	1,500	386	0	0	2,636	2,636	0
2	C801036	Departure Drive Drainage	0	60	114	77	139	210	600	600	0



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>CIP Group: Water Infrastructure</b>			241	1,775	5,099	3,818	139	210	11,041	11,409	211
<b>Subtotal for Infrastructure:</b>			527	10,124	25,840	22,788	14,304	210	73,266	73,926	252



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Landside</b>											
2	C800956	Employee Parking Bus Purc	205	1,538	1,323	14,507	508	0	17,876	18,081	38
<b>CIP Group: Employee Parking</b>			<b>205</b>	<b>1,538</b>	<b>1,323</b>	<b>14,507</b>	<b>508</b>	<b>0</b>	<b>17,876</b>	<b>18,081</b>	<b>38</b>
2	C800870	Parking Revenue Infrastru	358	1,840	4,240	10,773	5,570	0	22,423	22,798	237
<b>CIP Group: Public Parking</b>			<b>358</b>	<b>1,840</b>	<b>4,240</b>	<b>10,773</b>	<b>5,570</b>	<b>0</b>	<b>22,423</b>	<b>22,798</b>	<b>237</b>
2	C800810	RCF Elec Bus Proc & Infra	248	916	388	234	0	0	1,538	1,800	91
2	C800975	RCF Camera Replacement	0	118	419	643	0	0	1,180	1,180	0
<b>CIP Group: Rental Cars</b>			<b>248</b>	<b>1,034</b>	<b>807</b>	<b>877</b>	<b>0</b>	<b>0</b>	<b>2,718</b>	<b>2,980</b>	<b>91</b>
2	C800143	South Access Property Acq	0	3,395	0	0	0	0	3,395	3,395	0
2	C800866	Widen Arrivals Approach	388	2,100	12,600	488	0	0	15,188	15,599	131
<b>CIP Group: Roadways</b>			<b>388</b>	<b>5,495</b>	<b>12,600</b>	<b>488</b>	<b>0</b>	<b>0</b>	<b>18,583</b>	<b>18,994</b>	<b>131</b>
<b>Subtotal for Landside:</b>			<b>1,199</b>	<b>9,907</b>	<b>18,970</b>	<b>26,645</b>	<b>6,078</b>	<b>0</b>	<b>61,600</b>	<b>62,853</b>	<b>497</b>



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Status	CIP#	Name	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
			2018	2019	2020	2021	2022			

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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Security</b>											
2	C800844	Perimeter Intrusion Detec	50	3,000	4,004	2,946	0	0	9,950	10,000	5
2	C800934	Employee Business Office	167	1,225	1,462	5,600	212	0	8,499	8,764	8
2	C800979	Fire Engines & RIV	0	1,980	0	0	0	0	1,980	1,980	0
2	C800984	AF Employee Security Sere	50	500	0	0	0	0	500	550	0
<b>CIP Group: Security Projects</b>			<b>267</b>	<b>6,705</b>	<b>5,466</b>	<b>8,546</b>	<b>212</b>	<b>0</b>	<b>20,929</b>	<b>21,294</b>	<b>13</b>
<b>Subtotal for Security:</b>			<b>267</b>	<b>6,705</b>	<b>5,466</b>	<b>8,546</b>	<b>212</b>	<b>0</b>	<b>20,929</b>	<b>21,294</b>	<b>13</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
2	C800922	Baggage Claim Refresh	0	834	2,023	8,180	0	0	11,037	11,037	0
<b>CIP Group: Baggage Systems</b>			<b>0</b>	<b>834</b>	<b>2,023</b>	<b>8,180</b>	<b>0</b>	<b>0</b>	<b>11,037</b>	<b>11,037</b>	<b>0</b>
2	C801076	CTE Curtainwall Safety Zo	0	1,063	3,320	217	0	0	4,600	4,600	0
<b>CIP Group: Central Terminal</b>			<b>0</b>	<b>1,063</b>	<b>3,320</b>	<b>217</b>	<b>0</b>	<b>0</b>	<b>4,600</b>	<b>4,600</b>	<b>0</b>
2	C800959	Seating Replacement	0	663	3,521	8,956	746	0	13,886	13,886	0
2	C800971	Checkpoint Smart LED Ligh	0	800	900	0	0	0	1,700	1,700	0
<b>CIP Group: Interior Improvements</b>			<b>0</b>	<b>1,463</b>	<b>4,421</b>	<b>8,956</b>	<b>746</b>	<b>0</b>	<b>15,586</b>	<b>15,586</b>	<b>0</b>
2	C800875	Additional STS Cars	6,525	8,175	2,150	600	0	0	10,925	17,450	0
2	C801043	Upgrades STS Train Contro	0	884	17,054	39,063	0	0	57,001	57,001	0
<b>CIP Group: STS</b>			<b>6,525</b>	<b>9,059</b>	<b>19,204</b>	<b>39,663</b>	<b>0</b>	<b>0</b>	<b>67,926</b>	<b>74,451</b>	<b>0</b>
2	C800969	MT Fire Sprinkler-Smoke C	0	300	1,639	5,611	16,726	4,181	28,457	28,457	0



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>CIP Group: Terminal Facilities</b>			0	300	1,639	5,611	16,726	4,181	28,457	28,457	0
<b>Subtotal for Terminal and Tenants:</b>			6,525	12,719	30,607	62,627	17,472	4,181	127,606	134,131	0



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Subtotal for Aviation Division:</b>			17,081	75,461	149,695	284,715	236,691	190,268	936,830	1,820,563	8,794



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
2	C800097	IT Renewal/Replacement	0	0	2,500	5,000	5,000	5,000	17,500	42,500	0
2	C801013	Police Records MGMT Syste	200	800	500	0	0	0	1,300	1,500	0
2	C801014	STIA Storage Refresh	0	0	0	0	0	0	0	0	0
2	C801015	New Budget System	0	600	0	0	0	0	600	600	0
2	C801063	Office Wi-Fi Refresh	0	500	1,000	1,000	0	0	2,500	2,500	0
2	C801078	Maximo Upgrade	0	500	0	0	0	0	500	500	0
2	C801079	Exchange Online	0	175	175	0	0	0	350	350	0
2	C801080	STIA Network Redundancy	0	900	600	0	0	0	1,500	1,500	0
2	C801081	Fiber Channel	0	600	0	0	0	0	600	600	0
2	C801082	Regional Workforce Tracki	0	350	150	0	0	0	500	500	0
2	C801083	Phone System Upgrade	0	1,400	600	0	0	0	2,000	2,000	0
<b>CIP Group: Information Technology</b>			<b>200</b>	<b>5,825</b>	<b>5,525</b>	<b>6,000</b>	<b>5,000</b>	<b>5,000</b>	<b>27,350</b>	<b>52,550</b>	<b>0</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Subtotal for Corporate P&amp;TS Capital Project</b>			200	5,825	5,525	6,000	5,000	5,000	27,350	52,550	0

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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Subtotal for Corporate P&amp;TS:</b>			200	5,825	5,525	6,000	5,000	5,000	27,350	52,550	0



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Economic Development Division</b>											
<b>General Economic Development</b>											
2	C800216	ED: Contingency Renew.&Re	0	1,000	1,000	1,500	1,500	1,500	6,500	21,500	0
<b>CIP Group: General ECON DEV - Other</b>			<b>0</b>	<b>1,000</b>	<b>1,000</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>6,500</b>	<b>21,500</b>	<b>0</b>
<b>Subtotal for General Economic Development:</b>			<b>0</b>	<b>1,000</b>	<b>1,000</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>6,500</b>	<b>21,500</b>	<b>0</b>





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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Portfolio Management</b>											
2	C800199	WTC HVAC Replacement	33	0	0	0	0	0	0	1,569	33
2	C801016	CW Bridge Elev Modernizat	0	0	0	0	0	0	0	1,150	0
<b>CIP Group: Central Waterfront</b>			<b>33</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,719</b>	<b>33</b>
2	C801006	P66 HVAC Systems Upgrade	0	1,175	100	1,500	100	0	2,875	2,875	0
2	C801007	P66 Anthony's Mech Roof	0	0	0	0	0	0	0	750	0
<b>CIP Group: Portfolio Mgmt Other</b>			<b>0</b>	<b>1,175</b>	<b>100</b>	<b>1,500</b>	<b>100</b>	<b>0</b>	<b>2,875</b>	<b>3,625</b>	<b>0</b>
2	C800996	T102 Outdoor Lighting	19	0	0	0	0	0	0	206	33
<b>CIP Group: Terminal 102</b>			<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>206</b>	<b>33</b>
<b>Subtotal for Portfolio Management:</b>			<b>52</b>	<b>1,175</b>	<b>100</b>	<b>1,500</b>	<b>100</b>	<b>0</b>	<b>2,875</b>	<b>6,550</b>	<b>66</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Subtotal for Economic Development Division:</b>			52	2,175	1,100	3,000	1,600	1,500	9,375	28,050	66



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Maritime Division</b>											
<b>Cruise Operations</b>											
2	C800120	P66 Shore Power	0	1,000	15,000	14,000	0	0	30,000	30,000	0
2	C800129	New Cruise Gangway at T91	0	0	0	0	0	0	0	4,470	0
2	C800582	New Cruise Terminal	0	1,300	15,000	80,000	3,400	300	100,000	100,000	0
<b>CIP Group: Cruise</b>			<b>0</b>	<b>2,300</b>	<b>30,000</b>	<b>94,000</b>	<b>3,400</b>	<b>300</b>	<b>130,000</b>	<b>134,470</b>	<b>0</b>
<b>Subtotal for Cruise Operations:</b>			<b>0</b>	<b>2,300</b>	<b>30,000</b>	<b>94,000</b>	<b>3,400</b>	<b>300</b>	<b>130,000</b>	<b>134,470</b>	<b>0</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Fishing and Operations</b>											
2	C800999	T10 Moring Dolphins	0	150	3,450	0	0	0	3,600	3,600	0
<b>CIP Group: Maritime Operations - Other</b>			<b>0</b>	<b>150</b>	<b>3,450</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,600</b>	<b>3,600</b>	<b>0</b>
2	C102475	T-91 Berth 6 & 8 Redev	0	500	3,000	30,000	1,500	0	35,000	35,000	0
<b>CIP Group: Maritime Operations - T91</b>			<b>0</b>	<b>500</b>	<b>3,000</b>	<b>30,000</b>	<b>1,500</b>	<b>0</b>	<b>35,000</b>	<b>35,000</b>	<b>0</b>
<b>Subtotal for Fishing and Operations:</b>			<b>0</b>	<b>650</b>	<b>6,450</b>	<b>30,000</b>	<b>1,500</b>	<b>0</b>	<b>38,600</b>	<b>38,600</b>	<b>0</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Maritime General</b>											
2	C800002	Contingency Renewal & Rep	0	2,000	2,000	4,000	4,000	6,500	18,500	93,500	0
<b>CIP Group: Maritime General Other</b>			<b>0</b>	<b>2,000</b>	<b>2,000</b>	<b>4,000</b>	<b>4,000</b>	<b>6,500</b>	<b>18,500</b>	<b>93,500</b>	<b>0</b>
<b>Subtotal for Maritime General:</b>			<b>0</b>	<b>2,000</b>	<b>2,000</b>	<b>4,000</b>	<b>4,000</b>	<b>6,500</b>	<b>18,500</b>	<b>93,500</b>	<b>0</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Maritime Portfolio Management</b>											
2	C800733	C3 West Wall Bldg Roof Re	0	0	0	0	0	0	0	697	0
2	C800998	FT C15 Window Replacement	3	0	0	0	0	0	0	548	3
<b>CIP Group: Fishermens Terminal - Land</b>			<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,245</b>	<b>3</b>
<b>Subtotal for Maritime Portfolio Management:</b>			<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,245</b>	<b>3</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Recreational Boating</b>											
2	C801070	SaBM Docks DE Replacement	0	400	2,500	3,000	0	0	5,900	5,900	0
<b>CIP Group: Salmon Bay Marina - Water</b>			<b>0</b>	<b>400</b>	<b>2,500</b>	<b>3,000</b>	<b>0</b>	<b>0</b>	<b>5,900</b>	<b>5,900</b>	<b>0</b>
<b>Subtotal for Recreational Boating:</b>			<b>0</b>	<b>400</b>	<b>2,500</b>	<b>3,000</b>	<b>0</b>	<b>0</b>	<b>5,900</b>	<b>5,900</b>	<b>0</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Subtotal for Maritime Division:</b>			3	5,350	40,950	131,000	8,900	6,800	193,000	273,715	3





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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>NWSA Joint Venture</b>											
<b>Lease &amp; Asset Management</b>											
2	C800593	WWW Deepening 53+2,85%Up/	0	500	1,000	1,500	2,000	24,000	29,000	29,000	0
2	C800618	EWV Deepening (53+2', 100	0	0	0	0	500	500	1,000	8,000	0
<b>CIP Group: Dredging</b>			<b>0</b>	<b>500</b>	<b>1,000</b>	<b>1,500</b>	<b>2,500</b>	<b>24,500</b>	<b>30,000</b>	<b>37,000</b>	<b>0</b>
<b>Subtotal for Lease &amp; Asset Management:</b>			<b>0</b>	<b>500</b>	<b>1,000</b>	<b>1,500</b>	<b>2,500</b>	<b>24,500</b>	<b>30,000</b>	<b>37,000</b>	<b>0</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Subtotal for NWSA Joint Venture:</b>			0	500	1,000	1,500	2,500	24,500	30,000	37,000	0

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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Stormwater Utility</b>											
<b>SWU General</b>											
2	C800992	SWU Contingency	0	0	500	1,500	1,500	1,500	5,000	15,000	0
<b>CIP Group: SWU Large Capital</b>			<b>0</b>	<b>0</b>	<b>500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>5,000</b>	<b>15,000</b>	<b>0</b>
<b>Subtotal for SWU General:</b>			<b>0</b>	<b>0</b>	<b>500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>5,000</b>	<b>15,000</b>	<b>0</b>



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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Subtotal for Stormwater Utility:</b>			0	0	500	1,500	1,500	1,500	5,000	15,000	0

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Status	CIP#	Name	2018	Forecast					5 Year Total ( 2019 - 2023 )	Total EstAct	CIP Actuals to Closed Qtr
				2019	2020	2021	2022	2023			
<b>Grand Total:</b>			17,336	89,311	198,770	427,715	256,191	229,568	1,201,555	2,226,878	8,863

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**ATTACHMENT 1: NWSA CAPITAL IMPROVEMENT PLAN**

<u>Home Port</u>	<u>Project Name</u>	(\$ in 000's) <i>Est. / Act</i> <sup>(1)</sup>						<u>Total</u>
		<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2019 - 2023</u>
North Harbor	T5 Arrival/Security Bldg Roof Replacement (small project)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 260	\$ 260
North Harbor	T5 Berth Mod Public Expense (Bridge Overpass Entrance Ramp)	-	100	400	-	-	-	500
North Harbor	T5 Berth Modernization Construction - Phase 1 (1,650' north)	-	70,000	80,000	20,000	-	-	170,000
North Harbor	T5 Berth Modernization Construction - Phase 2 (1,100' south)	-	-	-	65,000	33,000	20,000	118,000
North Harbor	T5 Berth Modernization Design	1,000	-	-	-	-	-	-
North Harbor	T5 Hydrant Replacement (small project)	-	-	300	-	-	-	300
North Harbor	T5 Stormwater Utility Upgrade	-	1,000	5,000	5,000	4,000	-	15,000
North Harbor	T5 W6 Transit Shed Standpipe Replacement (small project)	-	280	-	-	-	-	280
North Harbor	T18 Berth 1 Kindermorgan Dock Rehabilitation (small project)	40	-	-	-	-	-	-
North Harbor	T18 Dock Rehabilitation (Pile & Toe Repairs)	700	-	-	-	-	-	-
North Harbor	T18 Stormwater Utility Upgrade	5,542	1,250	4,112	-	-	-	5,362
North Harbor	T18 Water Control Valve Upgrade (small project)	-	275	-	-	-	-	275
North Harbor	T46 Central Lighting Controls	-	-	730	-	-	-	730
North Harbor	T46 Dock Rehabilitation	4,858	10,559	2,662	-	-	-	13,221
North Harbor	T46 Hydrant Replacement (small project)	-	90	-	-	-	-	90
North Harbor	T46 N Crane Rail Extension Apron Upgrade Design & Construction	-	-	9,078	-	-	-	9,078
North Harbor	T46 N. Substation #1 Replacement	-	2,500	-	-	-	-	2,500
North Harbor	T46 New Crane Pins	-	-	90	-	-	-	90
North Harbor	T46 New Wash Rack	-	-	842	-	-	-	842
North Harbor	T46 Stormwater Improvements - Basin 2	200	3,136	-	-	-	-	3,136
North Harbor	T46 Transformer Rehab	-	-	116	-	-	-	116
North Harbor	T104 Site Improvements	5	-	1,000	-	-	-	1,000
North Harbor	T106 NH CBP Office & Facility Improvements	-	6,271	-	-	-	-	6,271
North Harbor	Clean Drayage System - NWSA NH	945	-	-	-	-	-	-
South Harbor	2202 POT Rd CBP Office Renovation	333	-	-	-	-	-	-
South Harbor	2810 Marshall Ave Roof Replacement	213	4,000	-	-	-	-	4,000
South Harbor	Blair Terminal Longshore Breakroom (Trailer)	-	85	-	-	-	-	85
South Harbor	Blair/Wapato Creek Culvert Major Repair	-	500	570	-	-	-	1,070
South Harbor	CBP Booth & Utilities (PCT)	17	-	-	-	-	-	-
South Harbor	CBP Booth & Utilities (WUT)	1	248	-	-	-	-	248
South Harbor	Clean Drayage System Domestic Terminals - NWSA SH	49	727	-	-	-	-	727
South Harbor	Clean Drayage System Int'l Terminals- NWSA SH	1,622	-	-	-	-	-	-
South Harbor	Clean Drayage System Int'l Truck Que Sites - NWSA SH	49	931	-	-	-	-	931
South Harbor	E. Sicum Pavement & Stormwater Improvements	4,630	-	-	-	-	-	-
South Harbor	E. Sicum Terminal Stormwater Improvements	1,300	-	-	-	-	-	-
South Harbor	EB1 Paving	-	276	-	-	-	-	276
South Harbor	Emissions Exhaust System for SSA	60	-	-	-	-	-	-
South Harbor	Fiber From T4 to Lot F	4	325	-	-	-	-	325
South Harbor	GCP Entry Control Point Relocation	327	775	-	-	-	-	775
South Harbor	Husky Panamax Container Cranes Acquisition (4)	38,519	-	-	-	-	-	-
South Harbor	Interim Stormwater Treatment System	140	-	-	-	-	-	-
South Harbor	NIM Stormwater Pipe Replacement	-	1,655	-	-	-	-	1,655
South Harbor	NIM Stormwater Treatment System	2,227	-	-	-	-	-	-
South Harbor	NWSA Unallocated Capital Improvements (placeholder)	1,000	3,000	3,000	3,000	3,000	3,000	15,000
South Harbor	Parcel 77 Auto Terminal Development Design	749	-	-	-	-	-	-
South Harbor	Pier 4 Container Crane Acquisition	9,014	42,847	-	-	-	-	42,847
South Harbor	Pier 4 Phase 2 Reconfiguration Design & Construction	9,228	-	-	-	-	-	-
South Harbor	Port Community System Implementation (2020) - equipment	-	-	500	-	-	-	500
South Harbor	SH CBP Office Improvements	-	2,850	-	-	-	-	2,850
South Harbor	Straddle Carrier Purchases	3,376	-	-	-	-	-	-
South Harbor	T 3/4 Backland Reconfiguration Design & Construction	575	4,612	-	-	-	-	4,612
South Harbor	T 3/4 Gate Complex & Backland Reconfiguration Prelim Design	-	-	-	-	-	-	-
South Harbor	T7 Berth B-D Ship Service Water Line Replacement	-	535	-	-	-	-	535
South Harbor	T7 CBP Office Renovation	315	-	-	-	-	-	-
South Harbor	T7 Fender Replacement (all berths)	3,550	750	-	-	-	-	750
South Harbor	T7 Modular Relocation & Restroom Renovation	171	-	-	-	-	-	-
South Harbor	Twin 20 Crane Spreaders	668	-	-	-	-	-	-
South Harbor	West Sicum Roof Replacements and/or Repairs	346	3,152	-	-	-	-	3,152
South Harbor	West Sicum Stormwater Treatment	12,702	-	-	-	-	-	-
South Harbor	West Sicum Tide Gate Replacement	102	-	-	-	-	-	-
South Harbor	WUT Fender System Replacement	-	-	3,687	-	-	-	3,687
South Harbor	WUT Intermodal Yard Paving Replacement	1,776	-	-	-	-	-	-
	<b><u>NWSA Total</u></b>	<b>\$ 106,357</b>	<b>\$ 162,729</b>	<b>\$ 112,087</b>	<b>\$ 93,000</b>	<b>\$ 40,000</b>	<b>\$ 23,260</b>	<b>\$ 431,076</b>
	<b><u>Port of Seattle's 50% funding total</u></b>	<b>\$ 53,178</b>	<b>\$ 81,365</b>	<b>\$ 56,044</b>	<b>\$ 46,500</b>	<b>\$ 20,000</b>	<b>\$ 11,630</b>	<b>\$ 215,538</b>

Notes

<sup>(1)</sup> Estimated/Actual 2018 represents six months of actual spending and six months of projected spending

## **2019-2023 DRAFT PLAN OF FINANCE**

### **A. INTRODUCTION**

The Port's Draft Plan of Finance provides a funding plan for anticipated capital investments in the Port's businesses. In the 2019-2023 Draft Plan of Finance (the Plan), the Port separates its capital improvement plan (CIP) and funding resources between the Airport and Non-Airport businesses. The Port owns and operates Seattle-Tacoma International Airport (the "Airport"), and its CIP is self-funded with resources derived from the Airport. The Port's Non-Airport CIP, conversely, shares funding resources derived from those non-airport businesses, which include the Maritime and Economic Development divisions, as well as the Port's share in the Northwest Seaport Alliance (NWSA).

The Airport is the largest airport in Washington State and serves Seattle and surrounding areas. The Airport is the Port's largest business operation and derives income from airline leases, non-airline leases, concession agreements, and direct operations. These income sources form the basis of the Airport's capital funding. The Airport is described in Section IV, "Aviation".

In 2015, the Ports of Seattle and Tacoma jointly formed the Northwest Seaport Alliance (NWSA) as a Port Development Authority. The NWSA is a separate legal entity from the individual ports, but is governed by the two ports as equal members, with each port acting through its elected commissioners. Both ports have licensed certain marine cargo facilities (i.e. shipping container terminals and certain related industrial properties) to the NWSA, which acts as the exclusive manager and operator of the associated marine cargo business of both ports. The individual ports retain their existing governance structures, budgeting, and ownership of licensed assets, debt, and obligations for repayment of port debt. However, under NWSA management, the two ports' marine cargo terminal investments, operations, planning, and marketing efforts are unified with the goal of strengthening the Puget Sound gateway, including a focus on ensuring that container facilities will be able to handle the larger ships migrating into the trans-Pacific trade. For additional information on the NWSA, please refer to Section XII, "The Northwest Seaport Alliance (NWSA)", or visit their website: <https://www.nwseaportalliance.com>

The Maritime Division consists of the cruise business, the grain terminal, and certain other industrial properties as well as recreational and commercial marinas. The Port's Economic Development Division manages the Port's conference and event centers, as well as other commercial, retail, and industrial properties, and is responsible for the Port's broader economic development activities. Please refer to Sections V, "Maritime" and VI, "Economic Development" for additional information on the Maritime and Economic Development Divisions, respectively.

In addition to the Port's operating divisions, Central Services (formerly "Corporate") provides professional and technical services to the operating divisions and to the NWSA (per service agreements) as described in Section VII, "Central Services". The Port also created its own storm water utility business in 2015, taking over management from the City of Seattle to ensure that fees are utilized for storm water infrastructure improvements on Port properties. The utility funds its capital plan through the rates it sets for its customers – the Port and the NWSA and their tenants – and cannot use its revenues to support other Port businesses; it is therefore excluded from the Port's Plan of Finance.

## **B. OVERVIEW OF THE DRAFT PLAN OF FINANCE**

Each year the Port prepares the Plan as part of its capital management process. The Plan provides a framework for the funding of the Port's anticipated CIP, and is designed as a flexible tool, providing guidance to the Commission and Port staff as planning and investment decisions are made during the coming year. The Plan is based on a five-year CIP (2019-2023) in order to provide better guidance on longer-term funding.

Once each year, the Commission is presented with the Port's five-year CIP and associated funding analysis. By final budget action, the Commission reviews the CIP and establishes the level of the Port's tax levy for the coming year. The first year of the CIP represents the Port's capital budget for the following year (i.e. "2019 Capital Budget"). Each quarter, capital spending forecasts are updated and actual spending is compared against the approved capital budget; this is reviewed quarterly by Port management and periodically by the Port Commission.

## **C. OVERVIEW OF THE FUNDED CIP**

The final funded 2019-2023 CIP is the result of an iterative process that begins with operating and capital forecasts developed and approved by each operating division. These forecasts are then reviewed in the context of the Port's projected capital capacity, with a final review by Port Executive staff and Commission. The final forecasts, including the CIP, are incorporated into the Budget and into the Plan. For information on the Port's CIP, see Section IX "Capital Improvement Plan."

Within the CIP, projects are divided into categories that determine their funding priority.

- **Committed:** Committed projects are deemed necessary to achieve operating and/or financial goals, are well-scoped, have undergone financial analysis, and have received at least division-level review. This includes projects that are authorized and underway as well as projects not yet authorized, but ready for Commission-level review. These projects receive a specific funding commitment in the CIP.
- **Prospective:** Prospective projects may also be deemed necessary to achieve operating and/or financial goals, but are not yet well-scoped and therefore are less certain as to timing or funding requirements. Prospective projects can be re-classified as Committed once they have met the necessary criteria, so it is important that capital funding be flexible enough to accommodate these projects as well as other changes to the CIP. Prospective projects are further subdivided into two categories as follows:
  - **Business Plan Prospective:** Projects that are prospective because of uncertainty of scope and timing, but are deemed to be critical for achieving operating and/or financial goals. This category may include projects that are contingent obligations associated with leases or other agreements.
  - **Other Prospective:** Projects that are still in preliminary planning or that are not currently deemed critical in meeting operating and/or financial goals.
- **Public Expense Projects:** In addition to the CIP, the Port participates in several public projects, particularly in the areas of regional transportation and noise mitigation. Because these projects do not result in Port-owned assets, they are accounted for as an expense (i.e. not capitalized); however, they use the same funding sources as capital projects and are included in the funding analysis for the Plan.
- **Strategic Reserve:** From time-to-time, the Port may include a strategic reserve in its funding analysis to ensure funding capacity for contingent capital or non-capital obligations or initiatives that were not included in the formation of Plan.



Committed projects are designated for funding and are the basis of the Plan. The Plan also includes all Business Plan Prospective projects. As described above, the Port's overall capital and funding approach for the Plan is separated between Airport and Non-Airport. The Airport is subject to certain regulatory restrictions, and as such, its CIP is funded separately from the Port's Non-Airport businesses. The Non-Airport CIP includes Maritime and Economic Development Division CIP, the Port's assumed 50% funding of the NWSA CIP, and certain legacy projects at the Port's container terminals that are assumed to be funded only by the Port of Seattle. Both the Airport and Non-Airport operations fund an allocated portion of Central Services CIP.

Note: The Plan below *excludes* approximately \$11.0 million of storm water utility capital projects from 2019-2023, which are funded with restricted storm water utility funds (fees) only. The storm water utility capital projects are, however, included in the Port CIP presented in Table IX-1 of Section IX, "Capital Improvement Plan".

The Plan was developed to meet certain financial targets. The target for the Airport is 1.25x coverage on Airport revenue bond debt service. The Non-Airport businesses have a combined target of 1.50x revenue bond debt service; that target currently under review and this Plan assumed 1.80x as a target. The Plan is also developed to meet a minimum Airport operating fund balance equal to approximately 10 months of operating and maintenance expenses (O&M) and a minimum Non-Airport operating fund balance equal to 6 months of O&M (for a Port-wide target of 9 months of O&M). The Plan was developed so that these targets are met in most years; temporary declines below the targets may be tolerated if the Plan projects a rebound to meet at least the minimum targets.

Since 1991, the Port Commission has authorized its property tax levy below the maximum allowable levy, thus preserving the flexibility for the Port to increase the levy if needed. The Port levied \$75.9 million in both 2008 and 2009, and reduced the levy in several years down to \$72.0 million from 2016-2018. In 2019, the Port will raise the levy by 3% to \$74.16 million, which continues to be below the maximum statutory authority of \$104.2 million in 2019. Consistent with policy, the Plan uses no more than 75% of the annual tax levy for Limited Tax General Obligation (G.O.) bond debt service, thus retaining at least 25% for general purposes. This policy is more restrictive than the Port's statutory authority for G.O. bond debt. Based on statute, the Port estimates \$1.1 billion of remaining capacity of non-voted G.O. bond debt at 12/31/2018. For more tax levy information, see Section VIII "Tax Levy."

## **D. 2019-2023 FUNDING PLAN**

### **AIRPORT**

The Aviation Division's 2019-2023 CIP costs an estimated \$2.7 billion, and consists largely of the following three major projects, which total an estimated \$1.2 billion during the five-year period:

- Construction of a new International Arrivals Facility (IAF) for international passengers, which is needed to expand capacity to process the Airport's growing international passenger base. Construction is underway and the IAF is expected to be operational by the end of 2020.
- Reconfiguration and optimization of the baggage screening equipment to improve operational efficiency and increase capacity. The new outbound baggage system will accommodate 60 million annual passengers. This project will be completed in three phases, with the final phase in operation by the end of 2024.
- North Satellite Renovation & Expansion (NorthSTAR), which includes expanding, renovating and reconfiguring the North Satellite Terminal and certain main terminal facilities that connect to the North Satellite terminal. This effort will add additional gates, address seismic concerns, and upgrade HVAC, lighting and fixtures. Construction has begun and the first phase will be complete in 2019,

with the second and final phase estimated to be completed in 2021. Other elements of the NorthSTAR program, such as improvements to vertical circulation on Concourse C and renovation of the baggage systems supporting the North Satellite have been completed.

In addition to these three major projects, there are a number of smaller projects, both new and on-going, which are meant to help the Port manage existing assets in the form of renewal and replacement, improve capacity and customer service in response to the rapid growth at the Airport, and improve overall safety and security at the Airport. The Aviation Division's CIP includes \$295.0 million of Allowance CIP's, which cover undefined future projects or budget increases to existing projects. The CIP also assumes Sustainable Airport Master Plan (SAMP) preliminary planning and design spending of \$250.8 million through 2023, but does not include potential projects to be identified in the SAMP, as discussed in Section IV, "Aviation". For more details about the Airport CIP, see Section IX, "Capital Improvement Plan."

**TABLE X-1: 2019-2023 AIRPORT CIP (\$ Millions)**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>TOTAL</u> <u>2019 - 2023</u>
<b>Major Projects</b>						
International Arrivals Facility	\$ 410.8	\$ 123.1	\$ 5.2	\$ 0.0	\$ 0.0	\$ 539.1
NSAT	129.0	123.5	105.5	61.5	0.0	419.5
Baggage Optimization	50.0	50.0	50.0	55.0	55.0	260.0
Subtotal	<b>\$ 589.8</b>	<b>\$ 296.6</b>	<b>\$ 160.7</b>	<b>\$ 116.5</b>	<b>\$ 55.0</b>	<b>\$ 1,218.6</b>
<b>Other Existing Projects</b>	326.9	211.1	173.8	96.4	55.7	863.9
<b>Proposed New Projects</b>	1.8	19.4	44.1	6.4	0.2	71.8
<b>SAMP Preliminary Planning / Design</b>	2.0	9.5	76.5	94.8	68.0	250.8
<b>Existing Allowance CIPs</b>	15.0	40.0	60.0	80.0	100.0	295.0
<b>Total Airport CIP</b>	<b>\$ 935.5</b>	<b>\$ 576.6</b>	<b>\$ 515.1</b>	<b>\$ 394.1</b>	<b>\$ 278.9</b>	<b>\$ 2,700.1</b>
<b>Allocated Corporate CIP</b>	15.7	8.1	8.4	7.5	7.6	47.2
<b>Total Airport Funded CIP</b>	<b>\$ 951.1</b>	<b>\$ 584.6</b>	<b>\$ 523.5</b>	<b>\$ 401.6</b>	<b>\$ 286.4</b>	<b>\$ 2,747.3</b>

The funding of the Airport CIP includes Airport net income, both existing and future revenue bond proceeds, as well as expected federal grant money for capital improvements for the baggage optimization effort, airfield pavement program, noise mitigation, and other security related projects. Passenger Facility Charge (PFC) collections, net of PFC bond debt service and net of PFCs applied to pay existing revenue bond debt service, also provide capital funding. Customer Facility Charge (CFC) collections, net of the payment of operating and debt service costs associated with the Consolidated Rental Car Facility, provides additional capital funding for Consolidated Rental Car Facility infrastructure upgrades and the acquisition of buses. Additionally, the Plan anticipates the use of the tax levy to fund the portion of Highline School District noise improvements that are ineligible for Airport funding.

**TABLE X-2: 2019-2023 AIRPORT CIP FUNDING (\$ Millions)**

<i>Airport Funding Sources:</i>	
Operating Cash Flow	\$ 488.8
Existing Bond Proceeds	529.6
Passenger Facility Charges	119.2
Customer Facility Charges	11.6
Federal Grants	130.6
Tax Levy <sup>(1)</sup>	2.1
Future Revenue Bond Proceeds	1,465.3
<b>Total Airport Funding Sources</b>	<b>\$ 2,747.3</b>
 <i>Airport Capital:</i>	
Airport CIP	2,700.1
Allocated Central Services CIP <sup>(2)</sup>	47.2
<b>Total Airport Funded Capital</b>	<b>\$ 2,747.3</b>

(1) For capital spending related to Highline School District improvements that are ineligible for Airport funding.

(2) Assumes funding with Operating Cash Flow only.

Note: totals may not add due to rounding

In addition to the above funding plan for capital projects, Aviation’s Plan includes \$7.7 million of expenditures for Public Expense Projects. For more details about the Port’s public expense projects and their funding, see Section IX, “Capital Improvement Plan”.

**NON-AIRPORT**

The 2019-2023 Non-Airport CIP costs an estimated \$667.7 million. As mentioned above, this includes CIP from the Maritime and Economic Development Divisions, as well as the Port’s assumed 50% funding of the NWSA CIP. It also includes certain legacy costs including channel deepening-related projects at the Port’s container terminals that are assumed to be funded only by the Port of Seattle. The Plan also reserves \$50.0 million in funding capacity in the form of a Strategic Reserve, which can be used to fund contingent capital or non-capital obligations or initiatives that may require future funding. The Strategic Reserve is a port-wide resource that is intended to provide the Port with additional funding flexibility without adversely impacting the existing CIP. The Plan allocates Non-Airport funding resources, including the tax levy and G.O. bonds, based on management guidelines. See Port of Seattle Funding Guidelines in Section F.

The Maritime Division CIP focuses on investments in facilities and infrastructure to support the Port’s Cruise, Fishing, and Recreational Marina lines of business.

- The most significant Maritime capital project is a proposed new cruise facility, which would provide a fourth cruise berth to meet strong demand in the Alaska cruise market and provide economic benefits to the Seattle region. The project also complements waterfront redevelopment efforts and improves public access to the shoreline.
- Berths 6 and 8 Redevelopment at Terminal 91 includes redevelopment of vessel pier moorings and adjoining apron areas of Berths 6 and 8 along the northeast side of Pier 90 to accommodate fishing and commercial vessels.

- Proposed “waterfront electrification” project which creates a shore power system for the single cruise ship berth at Pier 66 and provides funding to explore other waterfront electrification opportunities.
- Projects associated with the implementation of the Fishermen’s Terminal Long Term Strategic Plan, which includes plans to construct new facilities and site improvements at Fishermen’s Terminal, including a new Maritime Innovation Center.
- Other Maritime projects include upgrades to the Shilshole Bay Marina restrooms and facility building, tenant improvements, habitat restoration, and dock improvements at Fishermen’s Terminal. The Maritime Division CIP also includes an \$18.5 million contingency for unforeseen needs.

The Economic Development Division CIP focuses on redevelopment of industrial property and the renewal and replacement of infrastructure, building components and systems that are at or beyond the end of their useful lives.

- The most significant Economic Development capital project is the first phase of redevelopment of the Terminal 91 uplands. This initial development will construct two 50,000 square foot buildings and associated site infrastructure improvements in support of fishing and maritime-related businesses.
- The Bell Harbor International Conference Center Interior Modernization will modernize the conference center by reconfiguring space for greater flexibility and expanded leasable area. The project will also upgrade audio, visual, data, and lighting systems, and replace carpeting and window coverings.
- Other Economic Development projects largely focus on renewal and replacement of existing assets and infrastructure, primarily at Pier 69 and Pier 66 facilities. The Economic Development Division CIP also includes a \$6.5 million contingency for unforeseen needs.

More information on specific Maritime and Economic Development Division projects can be found in Section IX, “Capital Improvement Plan”.

Additionally, the Non-Airport funding plan includes 50% funding of all “Open” projects within the NWSA 2019-2023 CIP. Open projects are on-going projects or projects ready to move forward that have customer commitment or a high degree of certainty. The determination of whether to capitalize or expense a project is driven by accounting rules, and any “Open” projects that are deemed to be expensed are excluded from the NWSA CIP. Such expense projects will reduce the NWSA NOI, and thus reduce the revenues received by each Port. NWSA “Estimate” projects, which are based on an identified business need or opportunity but have not been fully developed in scope and cost, are *excluded* from the NWSA CIP. Additional information on the NWSA CIP can be found in Section XII, “The Northwest Seaport Alliance (NWSA).” The Port includes in its funding plan “legacy projects” that are related to NWSA facilities, but are the assumed obligation of the Port. Additionally, the Port carries a \$25 million CIP Reserve for the NWSA to account for future projects that are not “Open” and therefore not in the NWSA CIP.

Significant NWSA projects in the North Harbor (Seattle) include the construction of major terminal improvements at Terminal 5; dock rehabilitation, paving, and design and construction of the crane rail extension at Terminal 46; and storm water utility upgrades at Terminal 18. The most significant NWSA project in the South Harbor (Tacoma) is the acquisition of four super-post Panamax container cranes for Husky Terminal.

The funding of the Non-Airport CIP is based on the income projections associated with the Maritime and Economic Development Divisions, and assumes the 50% Port share of the NWSA forecasted NOI. The Plan targets 1.80x debt service coverage on all Non-Airport revenue bond debt. The 1.80x coverage target is a preliminary target pending review and is a change from the former 1.50x coverage target. The Plan includes the use of new revenue bonds in 2023. Non-Airport CIP funding sources also include net

income, excess General Fund cash above minimum balance requirements, and federal grants for the Terminal 46 Modernization project under the Transportation Investment Generating Economic Recovery (TIGER) grants program.

Non-Airport funding also includes use of the tax levy for certain Commission-approved capital projects, including but not limited to capital projects in support of the fishing industry, habitat restoration, and other waterfront improvements along with other real estate development projects in support of the Port’s strategic initiatives. The Plan is based on the 2019 tax levy of \$74.16 million and annual increases of three percent in 2020-2023. The Port has also set aside over \$65 million of existing tax levy dollars into a separate Harbor Development Fund, which has been designated to support NWSA capital projects in the North Harbor, most significantly the modernization of Terminal 5. The Port also expects to leverage the tax levy in the form of future G.O. Bonds to partially fund the 2019-2023 Non-Airport CIP.

**TABLE X-3: 2019-2023 NON-AIRPORT CIP FUNDING (\$ Millions)**

*Non-Airport Funding Sources*

Operating Funds <sup>(1)</sup>	\$ 70.5
Operating Cash Flow	100.2
Grants	3.7
Tax Levy	68.7
Harbor Development Fund	65.9
Future LTGO Bonds	277.0
Future Revenue Bonds	66.6
<b>Total Non-Airport Funding Sources</b>	<b>\$ 652.6</b>

*Non-Airport Capital*

Maritime & EDD CIP	\$ 333.5
NWSA - 50% Share (North & South Harbor)	215.5
NWSA - Contingency & Port Projects <sup>(2)</sup>	57.7
Strategic Reserve	50.0
<b>Total</b>	<b>\$ 656.8</b>
Allocated Central Services CIP <sup>(3)</sup>	10.9
<b>Total Non-Airport Funded Capital</b>	<b>\$ 667.7</b>

*Estimated Funding Shortfall* **\$ (15.1)**

(1) Includes environmental settlement proceeds.

(2) Includes \$25 million NWSA CIP reserve, North Harbor channel deepening, and other 100% Port legacy costs.

(3) Assumes funding with Operating Funds/Cash Flow only.

Note: totals may not add due to rounding

As shown in Table X-3 above, Non-Airport Capital exceeds Non-Airport Funding Sources by approximately \$15 million, resulting in a funding shortfall in the five-year period. A shortfall can often be accommodated within normal spending fluctuations over the five-year period; alternatively, a shortfall

can be addressed in a number of ways, including delays or deferrals or projects, as described in the section entitled, “FINANCIAL IMPLICATIONS AND RISKS”.

In addition to the above funding for capital projects, the Port currently has approximately \$66 million of tax levy funds set aside into the Commission-designated Transportation & Infrastructure Reserve Fund (TIF) to pay the Port’s contribution towards multiple public expense and capital projects for regional mobility and transportation, including the following:

- The heavy haul network, which will allow heavier cargo containers to be transported between the Port of Seattle, industrial businesses and rail yards.
- The Safe and Swift Corridor Program, which supports projects and other efforts to improve transportation flow and safety along key freight transportation corridors, including South Spokane Street, Lander Street, and 15th Avenue.
- The Gateway Program for Washington State Route 509 improvements near the Airport.
- Other projects include the East Marginal Way grade separation, North Argo Yard Express Access, and the Freight Action Strategy for Seattle-Tacoma (FAST) Corridor Partnership.

These and other projects are focused on improving regional transportation and public access for the long-term vitality of the greater Seattle area. For more details about the Port’s public expense projects and their funding, please see Section VIII, “Tax Levy,” and Section IX, “Capital Improvement Plan.”

### **CENTRAL SERVICES**

The Central Services CIP consists predominantly of technology projects associated with critical infrastructure and network security enhancements required to maintain compliance with established industry standards. The remainder of the Central Services CIP consists of fleet replacement and small capital acquisition, which largely relates to the replacement of equipment and assets that are at or beyond the end of their useful lives. Central Services CIP is allocated to and funded by the operating divisions, as presented above in Tables X-2 and X-3. See Section IX, “Capital Improvement Plan,” for additional information on the Central Services CIP.

### **FINANCIAL IMPLICATIONS AND RISKS**

The Plan above includes projects currently identified as Committed and Business Plan Prospective. The Plan incorporates revenue bond debt service coverage targets of 1.25x for the Airport and 1.80x for Non-Airport operations. Port-wide coverage for all revenue bond debt service (irrespective of lien) ranges from a low of 1.44x to a high of 1.67x over the five-year forecast period (calculated assuming that a portion of Airport revenue bond debt service is paid from PFCs and CFCs and that interest is capitalized during construction). Generally speaking, the Port expects that Port-wide debt service coverage will move toward the Airport-specific target of 1.25x, as the Airport completes its \$2.7 billion CIP and associated revenue bond debt service factors into the coverage calculation.

There are a number of risks that should be considered within the Plan. While Committed projects are fairly certain, Business Plan Prospective projects have more uncertainty with regards to scope and timing; an increase in costs or acceleration of schedule for these projects or of the projects that were delayed as a part of the project prioritization process could change the funding forecast. In addition, the Plan does not include Other Prospective projects, projects that are not currently contemplated but may be required for security, renewal and replacement or to address changes in the business environment, nor “Estimate” projects for the NWSA. In addition, the forecast is based on a number of assumptions related to operating income and tax levy collection; changes in these assumptions could affect the Plan results as well. To minimize coverage impacts or manage funding shortfalls, the Port could employ a number of options:

- delay or reduce project spending
- further reduce operating costs or identify additional revenues
- utilize alternative financing for appropriate projects (i.e. public-private partnerships)
- seek additional grant funding
- increase airline rates and charges within the limitations of the Airport's operating agreement
- increase the tax levy, subject to statutory constraints
- implement the Industrial Development District levy

Prior to implementation, these mechanisms would be further evaluated in the context of business planning, asset/liability management goals and Port policy objectives. Given potential costs and/or risks associated with each, it is likely that the Port would pursue a balanced approach to minimizing coverage impacts by utilizing a combination of options.

The Plan assumes increasing the tax levy by 3.0% to \$74.16 million in 2019 with a 3.0% annual levy increase through 2023. The 2019 levy is well below the Port's maximum statutory authority, calculated at \$104.2 million for 2019. The Port can access additional funding sources including remaining non-voted G.O. bond capacity and voted G.O. bond capacity, assess the tax levy up to the maximum amount or assess an Industrial Development District (IDD) levy (subject to limitations described in Section VIII "Tax Levy"). There are no plans to use these resources at present, but they are available should the Port Commission deem them appropriate.

#### **E. FINANCING INITIATIVES**

In June 2018, the Port issued \$555.6 million of 2018AB Intermediate Lien Revenue bonds to fund on-going Aviation capital projects, including at least partial funding for the International Arrivals Facility and North Satellite Improvements, along with a variety of other capital projects that will improve the efficiency and safety of the Airport.

In October 2018, the Port extended an existing letter of credit backing the 1997 Subordinate Lien bonds to September 2022, coinciding with the final maturity of the bonds. The original letter of credit was due to expire in January 2019. In October, the Port also extended an existing letter of credit backing \$125 million of Subordinate Lien Revenue Notes (Commercial Paper) to June 2021. The existing letter of credit was due to expire in December 2018.

As presented above in Table X-2, the Plan anticipates approximately \$1.5 billion of future Airport revenue bonds needs during the forecast period, which may require a bond issue as early as 2019 to fund a portion of those costs. The Plan also anticipates the need to issue \$277.0 million of future G.O bonds and \$66.6 million of future revenue bonds during the forecast period to partially fund the Non-Airport capital plan, although those bond issuances are unlikely to be needed in 2019 (see Table X-3). The Port will also continue to monitor opportunities to refund existing bonds for debt service savings, and will look to further develop and support public-private partnership strategies for appropriate projects.

## **F. CAPITAL PLANNING RESOURCES**

The following information on funding guidelines and financial model assumptions are resources for better understanding the Plan.

### **PORT OF SEATTLE FUNDING GUIDELINES**

Guidelines have been prepared to assist the Commission, Port management, and staff in decisions regarding the allocation of Port funds.

#### **Tax Levy and G.O. Bonds**

Generally, the Port has used tax levy funds for environmental remediation and regional transportation efforts, and for certain Commission-endorsed capital projects and community programs. Port policy guiding uses of tax levy funds may evolve as Port businesses and community goals change, but typical levy funding of capital projects is applied to those projects that meet the following criteria:

- A long lag exists between capital costs and project revenues or the project's financial return will not support revenue bond financing (i.e. the internal rate of return, or IRR, is less than the current cost of debt) and the project is considered a strategic initiative;
- The project generates economic benefits for taxpayers or supports a business that generates economic benefits, but does not generate sufficient cash flow to fund the project.
- The project supports the NWSA and is located in the North Harbor.

The Port may also leverage the tax levy with G.O. bonds with a policy limit of no more than 75% of the annual tax levy devoted to paying G.O. bond debt service.

Based on these criteria, the Plan assumes the tax levy/G.O. funding primarily for certain Port capital projects in support of fishing industry facilities, habitat restoration, waterfront improvements, strategic initiatives, renewal and replacement of certain Maritime and EDD facilities, and certain NWSA capital projects located in the North Harbor. The levy has not traditionally been used for projects at the Airport, with the exception of tax levy funding for a portion of Highline School District noise mitigation investments and certain airport community support programs not eligible for airport funding.

In addition to funding capital projects, the tax levy or G.O. bonds have been used to fund public expense projects, such as the Port's recent contribution to the State of Washington for the Alaskan Way Viaduct replacement program. Similar to capital projects, public expense projects are expected to meet the criteria noted above to be eligible for tax levy or G.O. bond funding. The Port currently has tax levy funds set aside into the Commission-designated Transportation & Infrastructure Reserve Fund (TIF) to pay the Port's contribution towards multiple public expense and capital projects for regional mobility and transportation.

Section VIII, "Tax Levy," describes the various uses of the tax levy including the funding of certain capital projects.

#### **Revenue Bonds**

Projects should earn the current cost of debt (in IRR terms) or otherwise be included in the airlines' rate base to be eligible for revenue bond financing. A target first lien revenue bond coverage ratio of 1.80x will be reviewed annually in light of changing circumstances such as critical funding needs or changes in the airport-airline operating agreement. As mentioned above, the Port targets 1.25x coverage on Airport revenue bond debt service and 1.80x coverage (under review) on Non-Airport revenue bond debt service.



An adequate cash flow margin (cash flow after debt service) will also be maintained for planning purposes.

### **Industrial Development District (IDD) Levy**

In order to be considered for IDD levy financing, projects should be critical to core Port business or other major strategic initiatives, and should generate significant economic benefits for taxpayers. Additionally, projects must comply with all applicable legal requirements governing the use of the levy.

### **Airport Improvement Program (AIP) Grants and Passenger Facility Charges (PFCs)**

Projects eligible for AIP grant and PFC funding should be consistent with airport investment strategies and must comply with the regulations of the grant-making agency. Projects focus on high priority safety, security and capacity efforts.

### **Funding vs. Asset Life**

Project funding should in all cases closely match the life of the particular asset financed. For example, long-term financing in the form of 20-30 year revenue or G.O. bonds should only be used for assets having economic lives in a similar range or longer. Shorter-lived assets should be funded through pay-as-you-go or other short-term financing structures.

## **2019 DRAFT PLAN OF FINANCE ASSUMPTIONS**

### **Capital Improvement Plan**

Capital spending projections are aligned with the capital presentations provided to the Port Commission in October and November 2018, and are included in Section IX “Capital Improvement Plan.”

### **Capital Capacity Calculations**

The Port’s capital capacity calculations combine projections of operating revenues, expenses, non-operating items (including tax levy funds and collections), debt service, and capital spending to determine Port debt financing requirements. Assumptions used in the Plan include:

- Interest earned on restricted and unrestricted funds based on 2.20% from 2019-2023.
- All future bonds (revenue and G.O.) are assumed to have the following fixed interest rates:
  - Future bonds issued in 2019 assume a 4.4% interest rate;
  - Future bonds issued in 2020-2023 assume a 5.3% interest rate.
- All future bond issuances assume a 25-year term.
- *First Lien* is the assumed working lien for future Non-Airport revenue bond debt. The Port does not forecast any Non-Airport revenue bond capacity until the final year of the forecast period (2023).
- *Intermediate Lien* is the primary working lien for future Airport revenue bond debt; 80% of the future bond issuances for the Airport are assumed to be funded on the Intermediate Lien.
- *Subordinate Lien* is the assumed lien for the remaining 20% of future Airport revenue bond debt; consistent with the Port’s 20% variable rate debt target.
- 1% gross-up assumed for all future debt issuance to account for costs of issuance.
- 8% and 9% *additional* gross-up assumed for the Debt Service Reserve Fund contribution (cash funded) for future Aviation and Non-airport revenue bond debt, respectively.
- Gross-up for future Aviation debt issuance for assumed 18 months of Capitalized Interest.

- Interest on variable rate bonds (issued in 1997 and 2008) is based on projections of short and long-term tax-exempt variable rates and range from 2.23% to 3.00%.
- 2019 operating revenue and expense forecasts are based on the 2019 preliminary operating budget as of November 2018, with adjustments as appropriate, and may vary slightly from the forecasts in the 2019 final budget.

### **Tax Levy**

- The Port's tax levy projections are based on a \$74.16 million levy in 2019, which represents a 3.0% increase from the 2018 levy amount, and an additional 3.0% increase each year from 2020-2023.
- Policy limit of no more than 75% of the annual tax levy devoted to paying G.O. bond debt service.
- A tax levy projection model is used to forecast future year assessed value amounts that can affect the forecasted maximum statutory levy.

### **Revenue and Expense Assumptions**

#### *Airport*

- Airport aeronautical revenues are determined according to a cost recovery model for airline-utilized property and facilities at the Airport. In February 2018, the Port reached agreement on key terms for a new Signatory Lease and Operating Agreement (SLOA IV) to replace the 2013 airline agreement (SLOA III), which expired on May 31, 2018. SLOA IV took effect on June 1, 2018, and applied retroactively to January 1, 2018; it expires on December 31, 2022. Airlines representing more than the required 66 <sup>2/3</sup> percent of 2017 aeronautical rate base revenues signed SLOA IV. Many of the terms of the SLOA IV agreement are similar to SLOA III; key changes include the reduction in revenues shared with the airlines and changes in the gate allocation methodology.

SLOA IV establishes several types of fees designed to recover operating and capital costs of the associated aeronautical facilities on the Airfield and in the Air Terminal. The Airfield is comprised of three areas: the Airfield Apron Area, the Airfield Movement Area and the Airfield Commercial Area, and related costs and fees are calculated separately for each area. Terminal rental rates are based in part on the Terminal Building Requirement, which is computed by multiplying the total of budgeted operating expenses and capital costs, including debt service and debt service coverage (if required), allocated to the terminal, by the ratio of airline rentable space to total rentable space, less any non-signatory airline premiums included in rent payable by non-signatory airlines. SLOA IV also includes cost recovery on cash-funded assets through an amortization calculation for assets placed in service from 1992 on. The Airport assumes the risk of any vacant non-airline space, in addition to any vacant publicly accessible airline office or club space. Use of the baggage system, passenger loading bridges, airline support systems and equipment and the federal inspection facility is calculated and charged separately; these are also based upon operating expenses and capital costs, and the Port may use non-aeronautical revenues to offset costs associated with the federal inspection facility cost center. A Majority-in-Interest of the airlines can delay new project construction, but not design, for up to 12 months.

SLOA IV provides for the sharing of a portion (20% in 2019) of Airport net revenues if Airport debt service coverage exceeds 1.25 times, however revenue sharing is phased out by 2020. The Airport can also charge the airlines additional debt service coverage if Airport coverage is below 1.25 times.

- Airport non-aeronautical revenues are based on forecasted passenger growth and the revenue terms of current leases and agreements associated with non-aeronautical businesses.
- Expense projections are based on estimates developed as part of division business planning.
- Operating environmental costs are included in O&M expense, if applicable.

- Certain non-operating revenues and expenses are included; for example, interest earnings, debt-related fees, public expense items and non-operating environmental expenses.
- Federal Airport Improvement Program (AIP) grant reimbursement projects are based on estimated spending on eligible projects and standard reimbursement rates of 75%-80%. Grants from the Transportation Security Administration (TSA) are also included in the total grant funding amount.
- Passenger Facility Charges (PFCs) are estimated based on projected enplanement levels, net of debt service payments on PFC bonds and PFCs applied to pay debt service on Revenue Bonds.
- Customer Facility Charges (CFCs) are estimated based on forecasted transaction days of car rentals at the Airport multiplied by a forecasted daily rate. CFC income (net of debt service) is expected to fund on-going Consolidated Rental Car Facility capital projects.

*Non-Airport*

- Revenue and expense projections for the Maritime and Economic Development Divisions' long-range operating forecasts are based largely on the terms of existing lease agreements and projected activity levels for any applicable volume-based revenues. Revenues generated from certain new investments were included.
- The Port assumed 50% of the forecasted NWSA NOI (before Depreciation) as Port operating revenue.
  - The NWSA will distribute cash to each Port based on cash flow from operations, calculated pursuant to General Accepted Accounting Principles (GAAP). Cash distributions will be made no less than quarterly based on each Port's percentage of total shares. The NWSA is treated as a joint venture for accounting purposes and the Port expects to recognize as Gross Revenue its 50% share of the NWSA Net Income or Losses (as defined in the NWSA Charter to mean, for each fiscal year or other period, an amount equal to the NWSA net operating income or losses less depreciation plus non-operating income or losses, determined in accordance with GAAP).
- Estimated security grant receipts for operating grants are included in gross revenues and the associated expenditures are included in operating expenses, if applicable.
- Operating environmental costs are included in O&M expense, if applicable.
- Certain non-operating revenues and expenses are included; for example, interest earnings, debt-related fees, and the payment of public expenses.

*Central Services*

Central Services expenses are largely distributed to the operating divisions as overhead, with a few specific exceptions.

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## 2019 STATUTORY BUDGET

### A. INTRODUCTION

The "statutory" budget as defined in RCW 53.35.010 is to portray "the estimated expenditures and the anticipated available funds from which all expenditures are to be paid." As a cash budget, the Statutory Budget establishes the need for the tax levy, sets upper limits on expenditures, and is not used as an operating budget. The function of controlling and managing the operations of the Port is accomplished with the Operating Budget, which is provided in Sections IV through VII.

The 2019 Statutory Budget was provided to the Port Commissioners and made available to the general public as required by law (RCW 53.35.010 and RCW 53.35.045). Two Notices of the Public Hearing were published on October 29, 2018 and on November 5, 2018 in the DAILY JOURNAL OF COMMERCE, as required by law (RCW 53.35.020 and RCW 53.35.045). The two notices included announcements that copies of the preliminary budget would be available for distribution to any interested persons on October 25, 2018, and that the first reading and public hearing on the preliminary budget would be held on November 13, 2018. The final statutory budget was filed with the King County Council by December 3, 2018, as allowed by RCW 53.35.045. In addition, RCW 84.55.120 requires that the Port adopt a separate resolution for an increase in the tax levy. On December 11, 2018 the Port held a public hearing and adopted Resolution No. 3755.

### B. STATUTORY BUDGET HIGHLIGHTS

#### 1. Tax Levy

For 2019 levy the tax levy is assumed at \$74.2 Million. The following is a comparison of the tax levy detail between 2018 and 2019:

	Budget 2018		Budget 2019	
	Levy Rate	Levy Amount	Levy Rate	Levy Amount
<b>For General Obligation Bonds</b>	\$ 0.0816	\$ 43,446,809	\$ 0.0722	\$ 43,447,118
<b>For General Purposes</b>	0.0536	28,553,192	0.0510	30,712,882
<b>Total</b>	<b>\$ 0.1352</b>	<b>\$ 72,000,000</b>	<b>\$ 0.1232</b>	<b>\$ 74,160,000</b>

#### 2. Tax Levy Rate

The tax levy rate is a product of dividing the tax levy dollars by the assessed valuation of personal and real properties within the Port District. Therefore, if assessed valuation increases at a greater rate than the increase in the tax levy amount the Port assesses, the tax millage rate would go down even though the Port's levy dollars may have increased. The exact levy rate is determined by the County Assessor after all taxing agencies have requested their levy dollars, and the assessed valuation dollars are certified. The 2017 preliminary assessed valuation as of October 15, 2018 is \$602,029,823,670 after omitted assessments, which are not included in the Port's levy calculation (The 2018 assessed valuation is used for 2019 tax collection). This is an increase from the final assessed valuation per the King County Annual Report for 2018 tax collection, which was \$532,657,126,307 after omitted assessment. See section VII, Tax Levy, for additional discussion on the Port's use of the tax levy.

**C. RESOLUTIONS**

**RESOLUTION NO. 3751**

**A RESOLUTION** of the Port Commission of the Port of Seattle adopting the final budget of the Port of Seattle for the year 2019; making, determining, and deciding the amount of taxes to be levied upon the current assessment roll; providing payment of bond redemptions and interest, cost of future capital improvements and acquisitions, and for such general purposes allowed by law which the Port deems necessary; and directing the King County Council as to the specific sums to be levied on all of the assessed property of the Port of Seattle District in the Year 2019.

**WHEREAS**, the Port of Seattle in the Century Agenda commits to create economic opportunity for all, steward our environmental responsibly, partner with surrounding communities, promote social responsibility, conduct ourselves transparently, and hold ourselves accountable; and

**WHEREAS**, the Port of Seattle's Century Agenda outlined goals of meeting current demand as a business gateway and tourism hub for the region, and further expressed the need to anticipate future growth of the region and to prepare for the ensuing demand for cruise, maritime, and aviation all for the economic benefit of the region; and

**WHEREAS**, the Port of Seattle Commission is committed to the responsible stewardship of public tax revenue, financial transparency, and an open budget process; and

**WHEREAS**, the Port of Seattle and its Commission are committed to making strategic investments necessary to promote a thriving maritime and industrial economy and recognize that increasing pressure on industrial lands and freight corridors in the region threatens the viability of this sector; and

**WHEREAS**, the long-term viability of the maritime and industrial sector is dependent on a robust and well-trained workforce and the sector is facing both an aging workforce and a limited influx of trained younger workers to replace those approaching retirement and the need to strengthen training and pathways into the sector; and

**WHEREAS**, the Port of Seattle Commission is committed to reducing our carbon footprint by investing in solutions to become the "greenest" and most efficient port in the nation and we are further committed to assisting and incentivizing those we do business with in order to reach these goals; and

**WHEREAS**, the Port of Seattle Commission has determined that the mission of the Port is to create good jobs in the region by advancing trade and commerce, promoting manufacturing and maritime growth, and stimulating economic development; and

**WHEREAS**, the Port of Seattle Commission, on the 25<sup>th</sup> day of October, 2018, provided the 2019 Preliminary Budget of the Port of Seattle to the public and provided for the publication of Notice of Budget Hearing to consider adoption of a final budget, to be heard on the 13<sup>th</sup> day of November, 2018, when taxpayers might appear and present objections to the 2019 Preliminary Budget; and

**WHEREAS**, a public hearing on the 2019 Preliminary Budget was held in the Port Commission Chambers, pursuant to notice duly given, in the City of Seattle, County of King, State of Washington, on the 13<sup>th</sup> of November, 2018, at 12 p.m.; and

**WHEREAS**, all parties present at said hearing were afforded a full opportunity to present objections to the 2019 Preliminary Budget, and the Port Commission being duly advised in the premises; and

**WHEREAS**, the King County Assessor notified the Commissioners of the Port of Seattle on the 15<sup>th</sup> day of October, 2018, that the regular levy assessed value of the property lying within the boundaries of the Port of Seattle district ("Port District") for the year 2018 is \$602,029,823,670 (after omitted assessments); and

**WHEREAS**, the King County Assessor notified the Commissioners of the Port of Seattle on the 15<sup>th</sup> day of October, 2018, that the maximum allowable levy is \$104,150,512 including \$157,107 levy for prior year refunds, and the Port intends to retain this levy capacity;

**NOW, THEREFORE, BE IT RESOLVED** by the Port Commission of the Port of Seattle that the 2019 Preliminary Budget, as updated and amended at the November 13, 2018, Port Commission hearing, and as may have been further amended by the Port Commission on this 27<sup>th</sup> of November, 2018, is hereby adopted as the final budget of the Port of Seattle for the Year 2019. Said final budget includes the statutory budget required under RCW 53.35.040. A copy of the final budget shall be made available to the public on the Port of Seattle website.

**BE IT FURTHER RESOLVED** that the amount of taxes to be levied by the Port of Seattle on the current assessment rolls to provide for payment of band redemption and interest on the Port of Seattle General Obligation Bonds, for future expenditures for acquisitions and


capital improvements and for such general purposes allowed by law which the Port deems necessary be set and deposited is still pending commission approval.


**BE IT FURTHER RESOLVED** that the King County Council, State of Washington, be notified that the specific sum herein mentioned being a total of \$74,160,000 is necessary to be raised by taxation to meet the payment of bond redemption and interest on Port of Seattle General Obligation Bonds, of future expenditures for acquisitions and capital improvements, and of costs for such general purposes allowed by law which the Port deems necessary, as set forth for the period January 1, 2018, and thereafter; that said King County Council be respectfully requested to make a levy in said amount for the aforesaid purposes.


**BE IT FURTHER RESOLVED** that the above is a true and complete listing of levies for the Port District for collection in the year 2019 and they are within the maximums established by law.


**ADOPTED** by the Port Commission of the Port of Seattle at a duly noticed meeting held this 27<sup>th</sup> day of November, 2018, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the seal of the Commission.

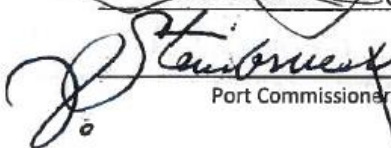


  
RYAN CALKINS

  
STEPHANIE BOWMAN

  
COURTNEY GREGOIRE

  
FRED FELLEMAN

  
PETER STEINBRUECK  
Port Commissioners



**RESOLUTION No. 3755**

**A RESOLUTION** of the Port of Seattle Commission specifying the dollar and percentage change in regular property levy from the previous year per RCW 84.55.120; providing for an increase of the levy from \$72,000,000 to \$74,160,000.

**WHEREAS**, the Port of Seattle Commission has met and considered its budget for the calendar year 2019; and

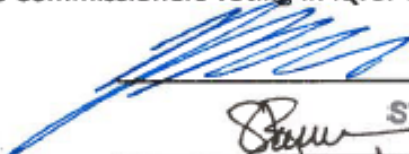
**WHEREAS**, the Port of Seattle Commission, after hearing and duly considering all relevant evidence and testimony presented in a public hearing held pursuant to RCW 84.55.120, has determined the Port of Seattle requires a regular levy in the amount of \$74,160,000, which represents the levy rate of approximately \$0.1232 per thousand of assessed value; and


**WHEREAS**, the levy amount includes an increase in property tax revenue from the previous year to discharge the expected expenses and obligations of the district in its best interest;


**NOW, THEREFORE, BE IT RESOLVED** by the Port of Seattle Commission that a property tax levy is hereby authorized for 2019 in the amount of \$74,160,000, an increase of \$2,160,000, a 3.0 percent increase from 2018. Excluding the new construction and refund amount, the increase is \$419,783 or 0.583 percent from 2018 for tax filing purposes.

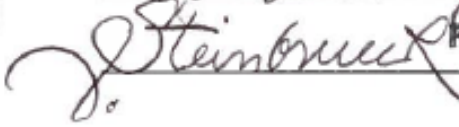
**ADOPTED** by the Port Commission of the Port of Seattle at a duly noticed meeting thereof, held this 11<sup>th</sup> day of December, 2018, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the seal of the Commission.



  
\_\_\_\_\_  
RYAN CALKINS

  
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STEPHANIE BOWMAN

  
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COURTNEY GREGOIRE

  
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PETER STEINBRUECK

Port of Seattle Commissioners

**D. TAX LEVY CALCULATION SHEET**

**TABLE XI-1: TAX LEVY CALCULATION SHEET**

**TAXING DISTRICT: Port of Seattle**

*The following determination of your regular levy limit for 2019 property taxes is provided by the King County Assessor pursuant to RCW 84.55.100.*

(Note 1)

Using Limit Factor For District	Calculation of Limit Factor Levy	Using Implicit Price Deflator
101,423,108	Levy basis for calculation: (2018 Limit Factor) (Note 2)	101,423,108
<b>1.0100</b>	x Limit Factor	<b>1.0217</b>
102,437,339	= Levy	103,622,975
11,414,991,112	Local new construction	11,414,991,112
0	+ Increase in utility value (Note 3)	0
11,414,991,112	= Total new construction	11,414,991,112
0.13518	x Last year's regular levy rate	0.13518
1,543,078	= New construction levy	1,543,078
<b>103,980,417</b>	<b>Total Limit Factor Levy</b>	<b>105,166,053</b>
<b>Annexation Levy</b>		
<b>0</b>	Omitted assessment levy (Note 4)	<b>0</b>
103,980,417	Total Limit Factor Levy + new lid lifts	105,166,053
602,029,823,670	÷ Regular levy assessed value less annexations	602,029,823,670
0.17272	= Annexation rate (cannot exceed statutory maximum rate)	0.17469
0	x Annexation assessed value	0
<b>0</b>	<b>= Annexation Levy</b>	<b>0</b>
<b>Lid lifts, Refunds and Total</b>		
0	+ First year lid lifts	0
103,980,417	+ Limit Factor Levy	105,166,053
<b>103,980,417</b>	<b>= Total RCW 84.55 levy</b>	<b>105,166,053</b>
157,107	+ Relevy for prior year refunds (Note 5)	157,107
104,137,524	= Total RCW 84.55 levy + refunds	105,323,160
12,988	Levy Correction: Year of Error 2018 (+or-)	12,988
<b>104,150,512</b>	<b>ALLOWABLE LEVY (Note 6)</b>	<b>105,336,148</b>
<b>Increase Information (Note 7)</b>		
.17300	Levy rate based on allowable levy	.17497
72,000,000	Last year's ACTUAL regular levy	72,000,000
30,437,339	Dollar increase over last year other than N/C – Annex	31,622,975
42.27%	Percent increase over last year other than N/C – Annex	43.92%
<b>Calculation of statutory levy</b>		
	Regular levy assessed value (Note 8)	602,029,823,670
	x Maximum statutory rate	0.45000
	<b>= Maximum statutory levy</b>	<b>270,913,421</b>
	+Omitted assessments levy	<b>0</b>
	=Maximum statutory levy	<b>270,913,421</b>
	Limit factor needed for statutory levy	Not usable

ALL YEARS SHOWN ON THIS FORM ARE THE YEARS IN WHICH THE TAX IS PAYABLE.  
Please read carefully the notes on the next page

Notes:

- 1) Rates for fire districts and the library district are estimated at the time this worksheet is produced. Fire district and library district rates affect the maximum allowable rate for cities annexed to them. These rates *will* change, mainly in response to the actual levy requests from the fire and library districts. Hence, affected cities may have a higher or lower allowable levy rate than is shown here when final levy rates are calculated.
- 2) This figure shows the maximum *allowable levy*, which may differ from any actual prior levy if a district has levied less than its maximum in prior years. The maximum allowable levy excludes any allowable refund levy if the maximum was based on a limit factor. The maximum allowable levy excludes omitted assessments if the maximum was determined by your district's statutory rate limit. If your district passed a limit factor ordinance in the year indicated, that limit factor would help determine the highest allowable levy. However, if the statutory rate limit was more restrictive than your stated limit factor, the statutory rate limit is controlling.
- 3) Any increase in value in state-assessed property is considered to be new construction value for purposes of calculating the respective limits. State-assessed property is property belonging to inter-county utility and transportation companies (telephone, railroad, airline companies and the like).
- 4) An omitted assessment is property value that should have been included on a prior year's roll but will be included on the tax roll for which this worksheet has been prepared. Omits are assessed and taxed at the rate in effect for the year omitted (RCW 84.40.080-085). Omitted assessments tax is deducted from the levy maximum before calculating the levy rate for current assessments and added back in as a current year's receivable.
- 5) Administrative refunds under RCW 84.69.020 were removed from the levy lid by the 1981 legislature.
- 6) A district is entitled to the lesser of the maximum levies determined by application of the limit under RCW 84.55 and the statutory rate limit. Levies may be subject to further proration if aggregate rate limits set in Article VII of the state constitution and in RCW 84.52.043 are exceeded.
- 7) This section is provided for your information, and to assist in preparing any Increase Ordinance that may be required by RCW 84.55.120. The increase information compares the allowable levy for the next tax year with your ACTUAL levy being collected this year. The actual levy excludes any refund levy and expired temporary lid lifts, if applicable. New construction, annexation and refund levies, as well as temporary lid lifts in their initial year, are subtracted from this year's *allowable* levy before the comparison is made.
- 8) ***Assessed valuations shown are subject to change from error corrections and appeal board decisions recorded between the date of this worksheet and final levy rate determination.***

**E. FORECASTED CASH FLOW SUMMARY**

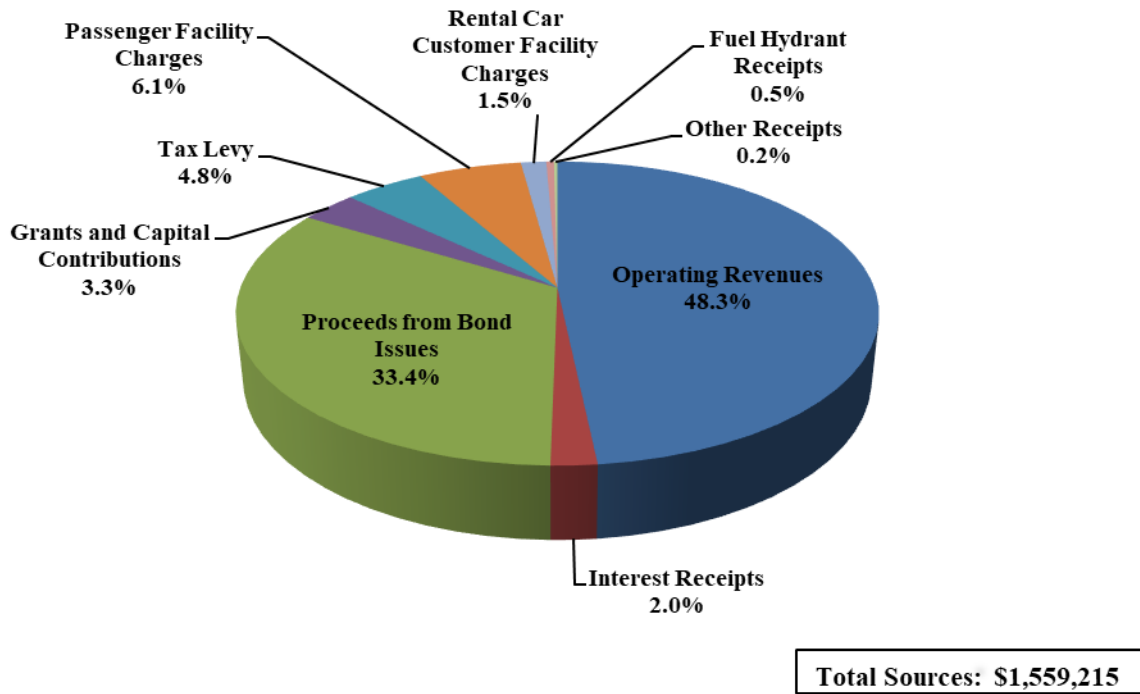
**TABLE XI-2: FORECASTED CASH FLOW SUMMARY**

(\$ in 000's)	<u>2019</u>	<u>Percent of Total</u>
<b>Beginning balance of cash &amp; investments</b>	<b>\$ 1,357,132</b>	
<b><u>SOURCES OF CASH</u></b>		
Operating Revenues	753,255	48.3%
Interest Receipts	30,903	2.0%
Proceeds from Bond Issues	520,000	33.4%
Grants and Capital Contributions	52,000	3.3%
Tax Levy	74,160	4.8%
Passenger Facility Charges	95,185	6.1%
Rental Car Customer Facility Charges	23,482	1.5%
Fuel Hydrant Receipts	7,022	0.5%
Other Receipts	3,207	0.2%
<b>Total</b>	<b><u>1,559,215</u></b>	<b><u>100%</u></b>
<b>Anticipated available funds</b>	<b><u>2,916,346</u></b>	
<b><u>USES OF CASH</u></b>		
<b>Expenses from Operations:</b>		
Total Operating Expenses	454,986	23.4%
<b>Debt Service:</b>		
Interest Payments	183,783	9.5%
Bond Redemptions	190,995	9.8%
Total Debt Service	374,778	19.3%
Other Expenses	9,497	0.5%
Public Expense	21,009	1.1%
Payment to NWSA for Capital Expenditures	81,365	4.2%
Capital Expenditures	1,001,437	51.5%
<b>Total</b>	<b><u>1,943,072</u></b>	<b><u>100%</u></b>
<b>Ending balance of cash &amp; investments</b>	<b><u>\$ 973,275</u></b>	
<b>Increase (decrease) of cash during year</b>	<b>\$ (383,857)</b>	

cashflow.xlsx

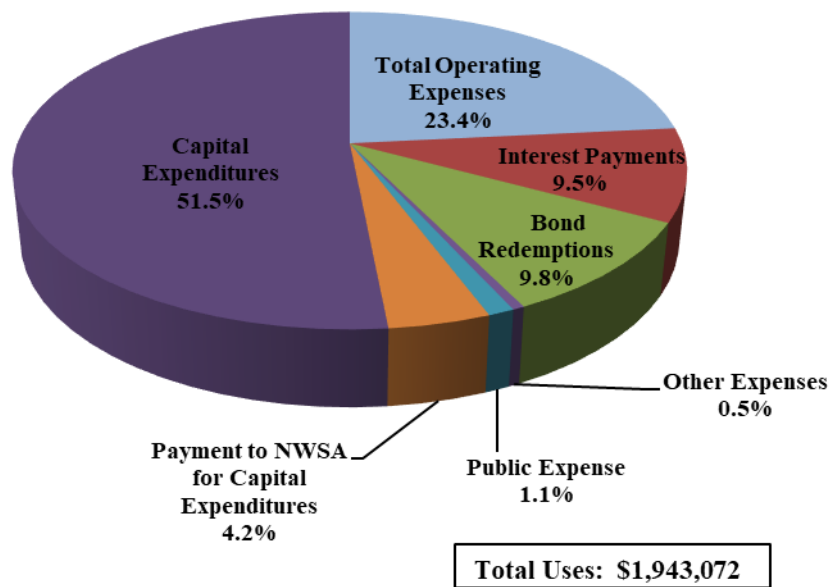
**FIGURE XI-1: SOURCES OF CASH**

(\$ in 000's)



**FIGURE XI-2: USES OF CASH**

(\$ in 000's)



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THE NORTHWEST  
SEAPORT ALLIANCE

## The Northwest Seaport Alliance 2019 Budget



Operating Budget and Capital Investment Plan adopted:  
November 13, 2018





In June 2018, Inbound Logistics magazine named The Northwest Seaport Alliance in its annual list of “Green 75” supply chain partners. This is the second year that the NWSA has been recognized for its environmental programs and commitment to sustainability. Although this recognition is the first for the alliance, both the Port of Seattle and the Port of Tacoma have been recognized individually for several years.



In August 2018, Logistics Management Magazine awarded The Northwest Seaport Alliance with a 2017 Quest for Quality award in the West Coast Port category. This is the second year that the NWSA has earned this award. The NWSA ranked second highest among U.S. West Coast ports in the magazine’s annual readership survey of transportation providers. Ports were evaluated on ease of doing business, value, ocean carrier network, intermodal network and operations. The NWSA was one of only four West Coast ports to earn the honor this year.



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**To:** Managing Members

**Date:** November 13, 2018

**Subject:** The Northwest Seaport Alliance Operating Budget and Five-Year Capital Investment Plan

Staff is pleased to present the 2019 Northwest Seaport Alliance (NWSA) Budget. This document informs citizens and other interested parties about the NWSA's overall goals and strategies, as well as the business environment in which we operate. It highlights our focus on strategic investments that will deliver competitive financial results, build for the future, and continue to create jobs and economic wealth for the Puget Sound region.

The competition within the international container business among ports remains intense as shipping alliances and terminal operators continue to explore ways in which to improve their financial performance and seek more consistent reliability within their supply chains. The larger vessels now calling the North American ports has resulted in the need for significant infrastructure investment at our ports. This is true for our NWSA gateway, and we have a 5-year capital infrastructure plan in place to respond to the changing needs of our customers.

The NWSA has acted to strengthen the gateway. We have completed construction of a new wharf and the purchase of four new cranes at Husky Terminal in the Tacoma Harbor, with four additional cranes scheduled to be delivered in early 2019. This budget also includes the redevelopment of Terminal 5 in Seattle, in preparation for larger vessels anticipated to call at that terminal. These two significant investments alone total over 500 million dollars and provide the NWSA with terminals in both harbors capable of handling the largest vessels in the transpacific trade.

The NWSA creates significant economic activity and family wage jobs in the Puget Sound region and across the state. We provide manufacturers and agricultural producers throughout the nation valuable access to foreign markets. NWSA and our customers business activities generate more than 48,000 direct and indirect jobs based on the most recent study. The NWSA is also an environmental leader in reducing cargo-related air emissions and stormwater pollution.

The NWSA's Strategic Business Plan includes:

- Enhance NWSA, local and regional transportation infrastructure
- Improve the efficiency and cost competitiveness of the supply chain
- Advance the NWSA's market position in the international and domestic shipping industry
- Increase revenue through growth and diversification
- Advance environmental stewardship

The global economy appears to be robust going into 2019, yet there are many uncertainties on the horizon, as our industry continues to experience rapid change and unforeseen circumstances that affect global trade. Our ability to adjust our plan to respond to these changes will position us to continue to be a leading port in N. America. Our Team is focused on increasing the business activities and job growth within the region, while achieving that success in a financially and environmentally sustainable way.

John Wolfe  
Chief Executive Officer

## Budget Document Overview

The Budget Document consists of these major sections:

**I. Overview:** This section provides information about the NWSA's facilities and customers. It examines the economic context of the NWSA's operating environment, and it outlines the NWSA's organizational structure.

**II. Budget Message:** This includes an overview of the budget challenges and opportunities, revenue types and expenditures. The Budget Message outlines the priorities and issues for the budget year and describes changes from the previous year.

**III. Business Outlook:** This section describes the NWSA's overall goals and strategies. It includes assumptions, potential obstacles and trends that staff used to develop the forecast. These serve as the foundation for the Operating Budget.

**IV. Operating Budget:** This section provides a summary of the assumptions that form the basis for the NWSA's operating budget. This section includes the operating budget with revenue and expenses by line of business, and details of expected operating costs. This section also provides a five-year financial forecast for the alliance.

**V. Five-Year Capital Investment Plan (CIP):** The CIP consists of all capitalized and expensed projects that the NWSA plans to complete in the next five years. Capitalized projects affect the NWSA's Profit and Loss statement through depreciation while expensed projects flow directly to the NWSA's net income in the year the expenses are incurred. This section provides details on the CIP including the impact of the capital spending on profitability.

**VI. Environmental Stewardship and Planning:** This section provides a historical context for the environmental challenges facing the two ports and their surrounding communities. This section also discusses the role of the NWSA Planning department and its work to integrate all aspects of the alliance.

## I The Northwest Seaport Alliance Overview

### Marine Cargo Operating Partnership

The Northwest Seaport Alliance (NWSA) is the first of its kind in North America.

The ports of Seattle and Tacoma joined forces in August 2015 to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs for the region.

Located in the Pacific Northwest in Washington state, the NWSA offers short U.S.-to-Asia transit times, and the infrastructure necessary to quickly move cargo to the U.S. Midwest.

### International & Domestic Trade

The NWSA is the fourth-largest gateway for containerized cargo in North America, focused specifically on shipping between Asia and major distribution points in the Pacific Northwest, Midwest, Ohio Valley and the East Coast.

The NWSA is also a major center for bulk, breakbulk, project/heavy-lift cargoes, automobiles and trucks. The NWSA's terminals are located near the second-largest concentration of distribution centers on the West Coast.

Top international trading partners include:

- China/Hong Kong
- Japan
- Republic of Korea
- Taiwan
- Vietnam
- Thailand
- Canada
- Malaysia
- Indonesia

The value of this two-way international trade totaled more than \$75.2 billion in 2017. Imports were \$58.3 billion and exports were \$16.9 billion of that total.

The Puget Sound is the major cargo gateway to Alaska. More than 80 percent of the total trade volume between Alaska and the lower 48 states moves through the Tacoma and Seattle harbors. Trade with Alaska was estimated at \$5.4 billion in 2018. If it were ranked with the NWSA's international trading partners, Alaska would be fourth. The NWSA also provides connections to Hawaii.

### Port of Seattle & Port of Tacoma

The Port of Seattle was created September 5, 1911, in an effort by citizens to ensure public ownership of the Seattle harbor. The Port of Seattle was the first autonomous municipal corporation in the United States specifically tasked to develop harbor and port facilities to encourage commerce. The Port opened Fishermen's Terminal in 1914, its first warehouse in 1915 and began working on the creation of Harbor Island.

The Port of Tacoma was created on November 5<sup>th</sup>, 1918 by the citizens of Pierce County to create job opportunities through trade, as well as in the economic development of Pierce County and the state of Washington.

The Port of Seattle and the Port of Tacoma's geographic boundaries lie within King and Pierce counties, respectively. They are situated on Commencement and Elliott bays in Puget Sound. Because of this strategic location, they offer efficient connections to sea, rail, highway and air transportation networks.

The NWSA ranks among the world's top 45 container gateways with some of the industry's largest container shipping lines calling the Puget Sound. Nineteen international and four domestic shipping lines make regular service calls to the NWSA. The alliance also handles breakbulk, bulk, and auto shipping lines.

Shipping lines have been attracted to the Pacific Northwest because of its proximity to markets for trade, an experienced labor force, natural deep water, available land for expansion, excellent on-dock rail facilities and inland rail service. Rail service is

provided by the BNSF Railway and the Union Pacific Railroad. Currently, approximately 50% to 60% of the NWSA import cargo moves out via rail. Excellent highway access is provided via Interstate 5 and Interstate 90.

Through July 2018, the two ports handled about \$43.7 billion of trade. Based on dollar volume, China (including Hong Kong) is the NWSA's largest trading partner. Other leading trading partners include Japan, South Korea, Taiwan and Vietnam.

As the "Gateway to Alaska," the NWSA handles about 3.4 million tons of domestic cargo shipped between the two states annually. Matson, TOTE Maritime Alaska, and Alaska Marine Lines are major shipping lines serving Alaska from the NWSA. Matson also provides service to Hawaii.

The NWSA is both a landlord and an operating organization. The NWSA's maritime marketing efforts focus on attracting cargo and additional shipping lines to its facilities. The NWSA also works with charter shippers and others to move their cargoes through both NWSA and customer-operated facilities in Puget Sound.

The NWSA is a major auto import and processing center, handling vehicles for Kia, Mazda, and Mitsubishi.

Additionally, many of the two ports' efforts are focused on industrial development and real estate. They each work to attract major manufacturing and warehouse/distribution centers to King and Pierce counties.

### **King and Pierce Counties**

King and Pierce counties are the first and second most populous metropolitan areas in the state of Washington. The two counties represent a combined population of approximately 3 million or 41% of the population of the state of Washington.

Located about halfway between the Oregon and Canadian borders, King and Pierce counties cover 3,916 square miles.

### **Ports Economic Impact**

In October 2014, the ports of Tacoma and Seattle announced the results of a joint economic impact

study of the two seaports. The ports serve as a major economic engine for Pierce County, King County, and the state of Washington, creating thousands of family-wage jobs and serving as a catalyst for economic development.

According to the study, the two ports' marine cargo activities are related to 48,100 jobs in Washington state that contribute \$4.1 billion in total income and re-spending. The two ports' cargo-handling, construction and leasing activities generate more than \$379 million annually in local and state taxes in Washington.

### **NWSA Facilities and Services**

The ports have licensed to the NWSA facilities related to maritime commerce, including facilities for containerized cargo, automobiles, logs, breakbulk cargo, heavy-lift cargo and project cargoes, as well as intermodal rail terminal operations.

The NWSA's four major waterways – two in Seattle and two in Tacoma – provide 33 ship berths on waterways that are about 51 feet deep. The NWSA facilities are located near I-5 and I-90, allowing access to the Puget Sound market and beyond.

BNSF Railway and the Union Pacific Railroad serve the NWSA's nine on-dock and near-dock intermodal rail yards. The NWSA's intermodal rail facilities help save shippers and shipping lines both time and money.

In Tacoma, Tacoma Rail, a division of Tacoma Public Utilities, provides switching and terminal rail service. Arrival and departure tracks help ensure efficient and reliable access to the mainline railroads.

See Figures 1-1 and 1-2 for an overview of The Northwest Seaport Alliance facilities located in Seattle (North Harbor) and Tacoma (South Harbor), respectively.

### **The Northwest Seaport Alliance governance**

The NWSA is a separate governmental entity established as a Port Development Authority (PDA), similar to Public Development Authorities formed by cities and counties. In 2015, the ports successfully sought and received an amendment to Washington law RCW 53 that allows the ports of Tacoma and

Seattle to form a PDA for management of maritime activities.

The NWSA is governed by the two ports as equal members, with each port acting through its elected commissioners. Each Port Commission is a Managing Member of the NWSA, with each Managing Member being represented by its Port Commission. Votes by the Managing Members require a simple majority from each commission.

Each port remains a separate legal entity, independently governed by its own elected commissioners. Each port has granted to the PDA a license for the PDA's exclusive use, operation and management of certain facilities, including the collection of revenues. Ownership of the licensed facilities remains with the ports, not the PDA.

The ports remain responsible for their own debt and debt service; the PDA will not borrow funds.

The ports set up an initial 50/50 investment in the PDA; operating income is reported monthly and cash is distributed back to the ports at least quarterly. The PDA has its own annual operating budget and five-year capital investment plan.

The ports contribute to capital construction subject to Managing Members approval; capital funding does not come from working capital.

### **NWSA Managing Members**

The Managing Members are the commissions for each of the two ports. The citizens of Pierce and King counties each elect a five-member Port Commission to govern the ports of Tacoma and Seattle. Each Commission seat is elected every four years, on a staggered basis.

The Managing Members are the final authority for approval of the NWSA's annual budget, long-term leases, policies, long-range development plans, and all construction projects and spending in amounts exceeding the authority of the Chief Executive Officer.

The members of the commissions at the time of this publication are:

#### **Port of Seattle**

- Stephanie Bowman
- Ryan Calkins

- Fred Felleman
- Courtney Gregoire
- Peter Steinbrueck

#### **Port of Tacoma**

- Don Johnson
- Dick Marzano
- John McCarthy
- Don Meyer
- Clare Petrich

### **NWSA Managing Members Meetings**

Managing Member meetings are open to the public and are held at various locations in both King and Pierce counties.

For the location and agenda for upcoming Managing Member meeting, as well as minutes for previous Managing Member meetings, you can visit the website at [www.nwseaportalliance.com](http://www.nwseaportalliance.com).

The NWSA streams all Managing Member meetings live on the website and are archived for future viewing.

Citizens may contact the Managing Members by calling 800-657-9808. Correspondence may be mailed to:

The Northwest Seaport Alliance  
P.O. Box 2985  
Tacoma, WA 98401-2985

### **Organizational Structure**

The NWSA's daily operations are led by the Chief Executive Officer and the NWSA Executive Team. See the Organizational Chart (Figure I-3 on page I-8).

### **Executive Team**

The Executive Team is comprised of the CEO, two deputy CEO's, seven chief officer positions, and executive administrative support. The Executive Team oversees all business activities and departments, and with the Managing Members, provides long-term strategic direction. The Executive Team ensures compliance with all regulations relevant to NWSA and port activities, including public meetings and information, environmental protection,

labor relations, procurement, security, financial management and other issues. The NWSA executive team provide day to day management of Port staff working on both Port and NWSA related items.

### **Commercial Group**

Led by the Chief Commercial Officer and the Chief Strategy Officer, the Commercial Group is comprised of the Business Development team, the Marketing & Business Services Team, and two Real Estate teams, one for the NWSA, and one for the Port of Tacoma.

**Business Development:** International and domestic container, breakbulk, and bulk cargo are core business segments for the NWSA. The Business Development team is responsible for cargo and terminal business development and management, and customer service for all of these cargos. The Business Development team plays an important role coordinating efforts with the entire supply chain, including customers, terminal facilities, rail roads, and trucking companies. This team pursues and implements operational improvements to enhance overall efficiency at the NWSA's terminals.

As one of the northernmost gateways on the U.S. West Coast, the Pacific Northwest has long been the primary hub for waterborne trade with Alaska, as well as a major gateway for trans-Pacific trade.

The gateway's on-dock and near-dock intermodal rail yards, along with international and domestic rail services to the U.S. Midwest, are key assets and are an integral part of the NWSA business. Relationship management with Tacoma Rail, BNSF and Union Pacific (UP) and other rail stakeholders are key functions of this team.

While a significant portion of the Business Development team is focused on the container and associated intermodal business, the NWSA has a robust non-container business. Comprised of breakbulk (Roll On and Roll Off also known as RoRo), bulk and auto cargoes, these non-container businesses make a significant contribution to revenue and further diversify the gateway's business portfolio. Additionally, the NWSA's South Harbor is designated as a strategic military port for transport of military cargoes.

Auto customers include Kia, Mazda, and Mitsubishi. Auto Warehousing Company (AWC), a tenant, is the largest auto processor on the U.S. West Coast.

Exports of logs, petroleum products and molasses add to the diversified cargo mix.

The NWSA offers competitive rates and full service to all customers. To help facilitate and grow business, the NWSA has trade and business development representation in Alaska, New Jersey, Japan, Hong Kong, China and Korea.

**Marketing and Business Services Team:** This team supports the Business Development team and is responsible for research, data analysis, advertising and marketing activities. This team also manages and administers the NWSA tariff. It also supports the goals of the Commercial Group by providing strategic market research and business intelligence, cargo volume tracking and forecasting.

**NWSA Real Estate Team:** Non-terminal industrial and commercial properties and facilities in the North and South harbor are included in the assets assigned to the NWSA. These properties are a significant source of revenue for the NWSA. Real estate personnel are responsible for leasing, divesting and managing the Port's real estate portfolio.

Located in an industrial zone with room for growth, tenants offer a broad range of services for the NWSA's international and domestic customers including warehousing and distribution, manufacturing and marine services.

### **Operations Group**

The Operations Group is responsible for the daily operations of NWSA facilities at both ports.

The Operations Group provides coordination with vessel arrivals and departures, and with the associated stevedores. The Operations group orders and manages labor at the North Intermodal Yard and other locations in Tacoma, and is also responsible for customer service. The major focus of this department is to ensure the proper processing of all vessels and freight shipments moving through the Puget Sound gateway.

The Operations Department, in conjunction with Tacoma Rail, is responsible for rail service delivery at



the South Harbor intermodal yards. This department also operates the North Intermodal Yard, and is the only port on the U.S. West Coast with dedicated rail services personnel. Both harbors offer competitive rail service via BNSF Railway and the UP Railroad, and are a major gateway for handling discretionary cargo destined for the Midwest.

### **Support Services**

Support services such as maintenance, security, public affairs, facilities development and financial services are provided by service agreements between the alliance and the two ports. Costs for these services are charged by the ports to the alliance based on agreed upon methodologies including direct charge and purchased services.

### **Commitment to Fiscal Stewardship**

The NWSA is intended to support the credit profiles of both ports, and its financial framework is intended to preserve both ports' commitment to financial strength and fiscal stewardship.

Both ports have a solid track record of prudent financial management and strong financial results, including solid debt service coverage and ample liquidity balances.

The ports are committed to ensuring that existing bond pledges and covenants will not be negatively affected. Outstanding bonds will remain obligations of each individual port.

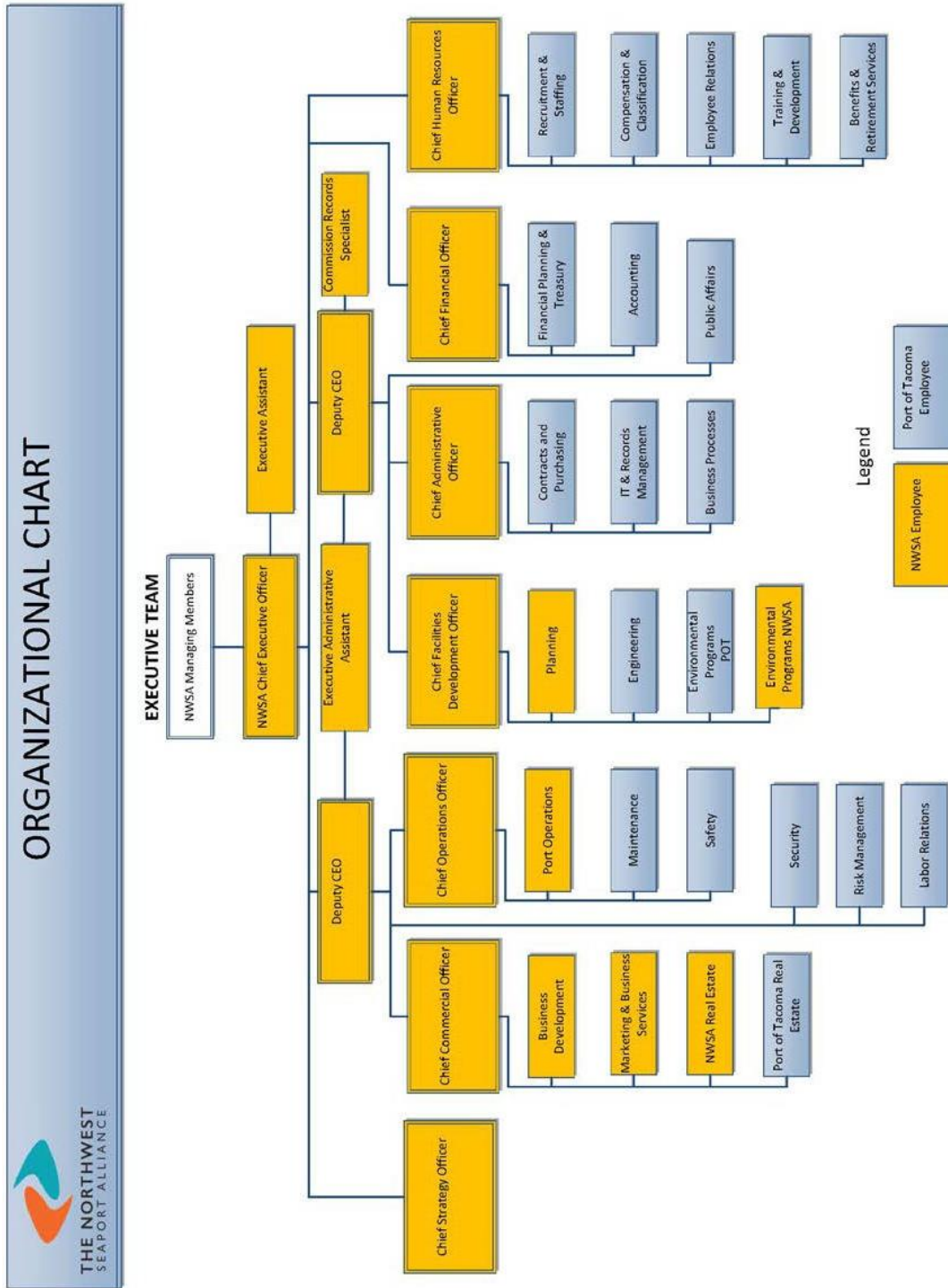
To maintain the rights of each port's existing bondholders, the charter prohibits the NWSA from issuing debt.







Figure I-3....The Northwest Seaport Alliance Organizational Chart



## II 2019 The Northwest Seaport Alliance Budget Message

### NWSA Goals

The NWSA has identified six commercial goals to maintain and grow the maritime business in the Puget Sound.

1. **Improve Licensed Alliance Terminal and Waterway Assets to Meet Market Demand**
  - a. Redevelop Husky Terminal and Pier 4 in the South Harbor to increase container throughput and respond to container industry changes
  - b. Modernization of T5 dock, berth and power infrastructure in the North Harbor to meet future container industry demand, increase throughput, and position The Northwest Seaport Alliance gateway strategically
  - c. Complete Seattle Harbor Navigation Improvement project
  - d. Work with U.S. Army Corps of Engineers (USACE) to begin a deepening project study for Tacoma waterways
  - e. Facilitate collaboration between terminal operators and ocean carriers for alliance consolidation
2. **Enhance Alliance, Local and Regional Transportation Infrastructure**
  - a. Participate in partner agency planning efforts to ensure that the alliance's needs are considered and that plans support future business growth
  - b. In partnership with local, state and federal stakeholders, facilitate improvement projects to vital roadways that service alliance customers
  - c. Update the ports of Tacoma and Seattle's Land Use and Transportation Plans and work to maintain and improve freight mobility along the alliance's truck routes
  - d. Design and develop appropriate rail support infrastructure in coordination with Tacoma Rail and the Class 1 railroads
3. **Improve Efficiency and Cost Competitiveness of the Supply Chain**
  - a. Improve the efficiency, service level and cost competitiveness of the intermodal product through the PNW gateway
  - b. Establish an Operations Service Center (OSC) with the mission of providing 'best in class' service delivery and customer care to our customers and stakeholders
  - c. Establish an Executive Advisory Council (EAC) comprised of leaders in the shipping industry – EAC's mission will be to work collaboratively to ensure that the gateway is the easiest and most reliable for doing business
4. **Advance the Alliance's Market Position in the International Shipping Industry**
  - a. Develop marketing materials and outreach programs to advance NWSA competitive position and value proposition with key customer segments
  - b. Develop and implement a comprehensive business development strategy targeting international container carriers, BCOs, NVOs and other supply chain partners
5. **Increase Revenue Through Growth and Diversification**
  - a. Facilitate new project cargo, breakbulk, auto and bulk business opportunities
  - b. Develop and execute a comprehensive business strategy to support the Seaport Alliance's domestic container business
6. **Advance Environmental Stewardship**
  - a. Partner with customers to find innovative solutions to our customers' environmental challenges
  - b. Continuously improve operational efficiency and emission reductions

## Budget Environment

The NWSA operates principally in two industries: terminal services and property rentals. Terminal services involve marine-oriented services including dockage, cargo-handling, storage and related activities. Property rentals include facilities and land used for container terminals, industrial activities, and storage.

As described in further detail in Section III, increased competition from Canadian ports as well as ports located on the U.S. West, Gulf and East coasts, have resulted in reduced cargo through the Puget Sound gateway. The expansion of the Panama Canal has made the all water route to the Gulf and East coasts more attractive for cargo owners. Due to decreased demand for terminal space, competition among ports for container business has increased.

The ports of Seattle and Tacoma responded to these conditions by reducing costs and focusing on the needs of our current customers. NWSA staff continue to review both harbor's physical assets to rationalize the facilities and reduce costs where possible.

## Revenues

The NWSA has both fixed and variable revenue streams. The majority of NWSA's revenue comes from fixed revenue streams, primarily from leased properties. The leased properties are mainly container terminals, buildings, and industrial and commercial land. The NWSA's container terminal leases with shipping carriers can last 20 years or longer depending on carrier requirements. Building and land leases with more than one year remaining are considered fixed. Minimum crane hours and minimum intermodal lift requirements specified in certain terminal leases are considered fixed.

The balance of NWSA revenue comes from variable services provided to customers. These services include intermodal lifts for rail car loading above minimums and per unit charges for automobile unloading and breakbulk cargo. Variable revenues also include equipment rental on an hourly basis for crane hours above minimums and straddle carriers used by terminal leaseholders and month to month building or land leases.

## 2019 Budget

The NWSA has developed an overall operating budget with projected revenue of \$199.4 million. Operating income is budgeted to be \$86.7 million, resulting in an operating margin of forty three percent. The NWSA net distributable revenue of \$87.8 million, which includes grant and interest income, and cash of \$99.9 million will be distributed evenly between the two home ports. Each port's portion of net income will be included as revenue in their financial reports.

NWSA financial performance reflects the investments it is making to successfully complete our customer commitments while meeting the NWSA financial goals. The operating and capital budgets are based on the cargo forecast in Section III.

## Capital Investment Plan Highlights

NWSA projects for the next five years reflect a focus on strategic container terminal development in both harbors. With this focus the NWSA has reviewed potential assets for revenue generation to ensure that financial and economic growth goals are met.

Major 2019 – 2023 capital projects include the following:

### North Harbor

- T-5 wharf redevelopment, including a rail quiet zone and electrical upgrades in the City of Seattle's substation.
- T-46 wharf repair and paving;
- T5 and T-18 stormwater improvements;
- Removal of obsolete cranes at several terminals.

### South Harbor

- Purchase of four additional post-Panamax cranes for Husky terminal (total of 8 new cranes);
- Contributions to an improved gate for the General Central Peninsula (Husky and E. Sitcum terminals and the North Intermodal Yard);
- Development of facilities for Customs and Border Patrol staff
- Ongoing maintenance of our facilities.

### Both Harbors

- Clean air and stormwater investments;
- Investments in numerous environmental remediation and mitigation projects.

The NWSA's 2019 Capital Investment Plan of \$182.4 million represents the first year of the NWSA's 2019-2023 CIP – a package totaling \$507.7 million in new projects and investments. See Section V for additional details on the Capital Investment Plan.

### **Financial Measures**

Financial measures for the NWSA have been developed to monitor financial performance. The two measures are (1) Net Distributable Revenue and (2) Return on Assets. These measures help ensure that the NWSA is providing the necessary financial performance required by each home port.

### **Legislative Impact**

#### Transportation Funding

The NWSA relies on an efficient and well-maintained road and rail network to ensure the smooth movement of cargo to and from its facilities. The Washington Legislature made a significant commitment to infrastructure in 2015, passing a 16-year, \$16 billion statewide transportation package. An estimated \$3.3 billion of those funds will be invested in projects benefiting NWSA terminals.

In 2015 Congress passed the FAST Act, a surface transportation authorization bill that established a new freight funding program. Prior to the FAST Act, few federal investment tools have been available to ports and other local government when it comes to freight infrastructure. The new program could assist the NWSA in making strategic investments in mission-critical freight infrastructure, such as marine terminals, roads and rail.

#### Navigation Improvement Projects

The largest container vessels calling West Coast ports today have over two times the capacity of those that called just five years ago. To remain a competitive trade gateway, the NWSA is taking steps to upgrade our infrastructure to handle these ships. One such step involves the deepening of the navigation channels that serve its facilities. In 2018, the U.S. Army Corps of Engineers completed a Chief's Report recommendation deepening in specific areas adjacent to the NWSA's container terminals in the North Harbor. While channels are mostly -51 feet or deeper, some shallower spots present navigational

and safety challenges. The recommendation is to deepen the east and west waterway in the North Harbor to -57 feet MLLW. This will allow the NWSA to handle fully laden ships larger than 18,000 TEUs. Congress—as of October—is considering a Water Resources Development Act, which includes authorization for this deepening project. The NWSA expects Congress to act on this measure before the end of the year. Deepening channels to this depth will require a local financial match of federal dollars, which could come from several sources, including the potential for a contribution from the NWSA.

Additionally, the NWSA in 2018 signed a feasibility cost-sharing agreement with the Corp to initiate a feasibility study of navigation improvements to the Blair and Sitcum waterways at the Port of Tacoma. The study will evaluate navigation improvement alternatives, including deepening. This is a first step to what could potentially result in a Chief's Report comparable to the one referenced above in Seattle. The alliance is committed to contribute up to \$1.5 million over the next three years for half of the costs of the feasibility study.

#### Harbor Maintenance Tax (HMT)

The HMT is assessed on ocean-going international imports that land at U.S. ports to pay for maintenance dredging of waterways through the HMT Trust Fund. It is not, however, assessed on importers who route cargo through non-US ports and afterwards move the cargo into U.S. markets by land. Moreover, the NWSA has received little, if any, benefit from the fund because its facilities are located on natural deep water harbors that do not require significant maintenance dredging. Since 1986 the ports of Seattle and Tacoma have sought reform of the HMT to provide a greater return to donor ports, such as the NWSA, and to ensure U.S. tax code does not disadvantage U.S. ports and maritime cargo.

The Water Resources Reform and Development Act (WRRDA) passed by Congress in 2014 included language that, for the first time in 30 years, partially reformed the federal Harbor Maintenance Tax to the betterment of Puget Sound ports. The bill allows a select group of donor ports to use HMT funds for berth maintenance and the navigation-related maintenance dredging and disposal of contaminated sediments. The bill also authorizes up to \$50 million in HMT transfers - subject to appropriation - to donor

ports and energy ports. This rebate can be used for customer rebates, berth maintenance and in-water environmental remediation. Congress appropriated \$40 million in donor and energy port funding in FY18. Seattle and Tacoma do not plan to spend our ports' share of the funding until the U.S. Army Corps of Engineers issues implementation guidelines for how to administer the customer rebate program authorized under Section 2106 of WRRDA 2014. The NWSA is actively working to encourage the Corps to issue these guidelines, in addition to securing additional appropriations for—and improvements to—this program.

### **Conclusion**

The realities of the drastic changes in the global economy have led all ports to examine business and operational strategies.

The NWSA is focused on maximizing the use of existing facilities, working with existing customers to

keep them competitive and successful, and making strategic infrastructure investments such as the construction of world class terminals in both harbors that position the gateway for long-term growth. Through coordinated investments in maritime assets, the NWSA will help ensure growth in the cargo flow through the Puget Sound.

The NWSA is placing increased emphasis on the importance of developing and strengthening relationships with labor partners, industry stakeholders, customers, and local, state and tribal governments in a collaborative effort to achieve the future vision of the NWSA. This vision must include the road and rail infrastructure that ties the whole system together.

Despite the challenging realities of today's global economy, NWSA management is confident that the plans outlined in this budget will help the gateway remain financially strong, competitive and successful.



### III Business Outlook

#### U.S. Economy

Real gross domestic product (GDP), defined as the value of the production of goods, increased to 4.2 percent in the second quarter of 2018, up from 2.2 percent in the first quarter. The Department of Commerce Bureau of Economic Analysis (BEA) said the second-quarter increase in real GDP “reflected positive contributions from Personal Consumption Expenditures, nonresidential fixed investment, exports, federal government spending, and state and local government spending that were partly offset by negative contributions from private inventory investment and residential fixed investment. Imports decreased.” TTX attributes the growth in GDP (reported as 4.1 percent in the second quarter) to “consumer spending, non-residential investment, exports and government spending. These were offset slightly by a drop in inventories and residential investment.”

TTX expects a full-year GDP growth of nearly 3 percent for 2018, crediting the recent tax cuts as the primary driver behind increased domestic consumption fueling the economy, although it is uncertain how long this will last. Consumer spending rose 4.0 percent in the second quarter for both goods and services. Retail sales were strong each month of the quarter. Exports surged possibly to avoid retaliatory tariffs imposed on American goods overseas in response to recent U.S. tariff actions. TTX predicts the likelihood of a recession in the short term as low, citing Moody’s estimated risk probability of 15 percent over the next six months. TTX also expects inventories to rebound in the second half of the year with spending still solid and inventories tight.

The U.S. unemployment rate was at 3.9 percent in August 2018 with 201,000 jobs added for the month. Most job gains in August occurred in professional and business services, health care, wholesale trade, transportation and warehousing, and mining sectors. According to TTX, job gains are expected to continue this year, but the labor market is expected to tighten significantly over the next few years, increasing the risk of recession.

Hurricane Florence and Tropical Storm Gordon should have a positive impact on home construction in the coming months. Most activity will be concentrated in renovation or reconstruction to repair or replace damaged homes. According to National Association of Realtors’ economist Lawrence Yun, existing home sales are down by 2.2 percent through the first half of the year. Home prices continue to move higher, which has raised concerns over housing affordability. Yet despite increases in home prices, mortgage interest rates and more stringent lending requirements, the homeownership rate has continued to inch upwards over time. There is growing concern that the housing market has peaked and may be ready for a correction. According to Yun, however, there is small chance of another nationwide housing market collapse in the foreseeable future - compared with ten years ago, when lending standards were non-existent. Yun forecasts housing starts will rise 8 percent in 2018 and another 8 percent in 2019, and that existing home sales will decline 1 percent in 2018 and increase 2 percent in 2019.

The Conference Board reported August’s Consumer Confidence Index at 133.4, up from 127.9 in July. Consumer Confidence is at its highest level since October 2000 (135.8). According to the Conference Board, these historically high confidence levels should continue to support healthy consumer spending in the near-term.

#### Shipping Industry

The global container shipping industry continues to struggle with imbalance in the supply and demand of vessel capacity. The overcapacity problem dates to the last decade, when significant increases in the price of bunker fuel drove global carriers to build and operate the largest, most fuel-efficient vessels to drive down per unit container carrying costs. Because of oversupply, carriers can’t demand adequate freight rates. Coupled with increased bunker costs (carriers have not passed these costs to shippers) carrier financials remain dismal.

The orderbook for mega vessels (more than 13,000-TEU capacity) which predominantly serve the major East-West trade lanes is cooling, but vessels continue to get larger. It is projected that this segment of the

global fleet will eventually account for more than 10 percent of global TEU capacity.

Competition for market share and the resulting downward pressure on freight rates has generated multi-billion dollar losses for international container lines over time, and ultimately culminated in the bankruptcy of Hanjin Shipping Line, the world's seventh largest international container carrier, in September 2016. SM Line entered into service from Hanjin Shipping's ashes.

The downturn in the industry, coupled with the drive to scale operations through increased market share and expansion into new trade lanes forced carriers to re-evaluate their partnerships and fueled an intense period of M&A activity amongst carriers. There are 12 global carriers in 2018, and they control 84.7 percent of the fleet. In 2016, there were 20 global carriers. Industry analysts suggest that there is still room for more consolidation going forward.

#### Industry Developments:

- Ocean Network Express began operations from Apr 2018
- COSCO Shipping Holdings acquired OOIL, the parent company of OOCL, and became the third largest carrier behind Maersk and MSC
- Hapag-Lloyd completed its merger with United Arab Shipping
- Maersk acquired Hamburg Sud
- CMA CGM purchased Mercosul Line from Maersk
- Portland and ICTSI reached an agreement to terminate the 25-year lease with ICTSI Oregon, the terminal operator of T-6
- CMA CGM sold a 90 percent equity interest in the Global Gateway South terminal at POLA to EQT Infrastructure III for \$817M
- HMM closed its California United Terminals operations at POLA effective August 31

- Prince Rupert completed its Fairview container terminal expansion, increasing handling capacity from 850K TEUs to 1.35M TEUs

2018 Alliances and Members remained the same as 2017.

- 2M+H – Maersk, MSC, Hyundai
- Ocean Alliance – CMA CGM (APL), COSCO, Evergreen, OOCL
- The Alliance – Hapag Lloyd, Yang Ming, Ocean Network Express (ONE)

Major Independent Carriers – Hamburg Sud, ZIM, PIL, Wan Hai and new comer SM Line.

Formation of these new alliances has concentrated capacity in fewer hands and allowed ocean carriers to exercise more control over available capacity on major trade lanes through coordinated changes to vessel sailings, schedules, and transit times, thereby influencing freight rates. Longer service strings with more port calls help carriers deploy excess capacity that would otherwise be running empty or delayed at great expense.

The new generation of ultra-large container ships (ULCS) is also having a ripple effect across the U.S. port industry. As the mega-ships come into service in Asia-Europe, vessels they have replaced are slowly being redeployed, primarily to the trans-Pacific trade. These larger ships, with carrying capacity of between 10,000 and 14,000 TEUs, require deeper water, more berth space and additional cranes with a longer reach to work the breadth of the ship. The larger container volume on each ship also puts a strain on landside infrastructure as terminals need more yard space for the loading and unloading of containers, and additional backlands for container storage and operational support. Seaports across the U.S. are engaged in major dredging and infrastructure improvement projects to accommodate the larger vessels, but port congestion could be an issue until infrastructure catches up.

The global container shipping industry will continue to face challenges; recent carrier financials are down and global trade is moderating. Success or failure will

in large part depend on carriers and their ability to manage global capacity and resist the urge to seek market share through lower rates.

### **Northwest Seaport Alliance Activity**

#### Containers:

Through August 2018, the NWSA has handled over 2.4 million TEUs (twenty foot equivalent units), a 1.7 percent decrease year-to-date. June and July volumes were strong, which could indicate shippers moved cargo ahead of tariffs. On the domestic side, the Alaska container market has suffered due to prolonged economic and budgetary challenges in the state. The Hawaii market is improved, but highly competitive.

Container volume is projected to increase 1 percent to 2 percent annually over the next several years. Factors that could impact NWSA international volumes include competition from ports in British Columbia, Canada, and other gateways or a possible decline in global trade and world economic resulting from U.S. and international tariffs and trade policy.

Domestic container volume, which accounts for almost 20 percent of total NWSA volume, is expected to decrease 3 percent this year, before stabilizing in 2019. The Hawaii market will buoy our domestic container volumes, but as mentioned is highly competitive. Alaska volumes are expected to recover gradually, flattening out in 2021.

#### Breakbulk:

Breakbulk cargo is comprised of commodities that are either too large or unwieldy for containerized shipment. In the case of The Northwest Seaport Alliance, this consists largely of building materials, heavy machinery, boats, and agricultural and construction equipment. For 2018, breakbulk tonnage is estimated to reach approximately 175K metric tons. Volume is forecasted to reach 181K metric tons in 2019.

#### Autos:

Auto units for 2018 are forecasted to reach 136K units. Near-sourcing of autos for the North American market from newly constructed factories opening in Mexico continues. Volumes for 2019 are projected to reach 183K units due to new models and stock

replenishment, with additional volume from the new Taylor Way Auto Facility opening in Q1 2019.

#### Logs:

On the NWSA's bulk side of the business, log exports (metric tons) are forecasted to decline 27.4 percent in 2018 due to strong domestic demand, driving U.S. log prices higher in the international market compared with other countries. The forecast for 2019 and beyond assumes stronger international demand.

#### Molasses & Petroleum:

Petroleum volumes are projected to remain flat, depending on customer demand. Petroleum is forecasted to be 624K metric tons in 2018.

Molasses volume are forecasted to be 47K metric tons in 2018. Molasses volumes are expected to decline 2 percent in 2019 followed by a strong 2020.

Table III-1.....Cargo Activity Five-Year Forecast

**THE NORTHWEST SEAPORT ALLIANCE CARGO ACTIVITY 5-YEAR FORECAST**

	Actual					Forecast				
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Non-Container Forecast (Thousands of Metric Tons)</b>										
Breakbulk	253	234	181	211	175	181	186	191	195	200
Autos	252	271	246	225	219	271	195	206	218	224
Logs	277	237	177	278	202	225	232	239	246	253
Petroleum	998	815	612	716	624	624	624	624	624	624
Molasses	50	44	44	36	47	47	51	51	51	49
<b>Total Tonnage</b>	<b>1,830</b>	<b>1,601</b>	<b>1,260</b>	<b>1,465</b>	<b>1,267</b>	<b>1,348</b>	<b>1,287</b>	<b>1,310</b>	<b>1,334</b>	<b>1,350</b>
<i>Year over Year change</i>	8%	-13%	-21%	16%	-14%	6%	-4%	2%	2%	1%
<b>Container Forecast (Thousands of TEUs)</b>										
International	2,557	2,761	2,859	2,995	3,052	3,128	3,225	3,321	3,433	3,542
Domestic	870	769	757	707	696	683	680	682	690	704
<b>Total TEUs</b>	<b>3,427</b>	<b>3,530</b>	<b>3,616</b>	<b>3,702</b>	<b>3,738</b>	<b>3,811</b>	<b>3,905</b>	<b>4,004</b>	<b>4,123</b>	<b>4,246</b>
<i>Year over Year change</i>	-1%	3%	2%	2%	1%	2%	2%	3%	3%	3%
<b>Intermodal Yard Lifts*</b>										
Hyundai Intermodal Yard	157,234	132,655	172,901	115,858	115,921	117,660	118,836	120,025	121,225	122,437
North Intermodal Yard	193,772	227,051	226,329	194,502	173,983	176,593	178,359	180,142	181,944	183,763
South Intermodal Yard	94,924	90,531	84,068	87,659	99,057	100,543	101,548	102,564	103,589	104,625
Pierce County Intermodal Yard	69,870	81,581	92,270	75,581	58,753	59,634	60,231	60,833	61,441	62,056
<b>Total Intermodal Lifts</b>	<b>515,800</b>	<b>531,818</b>	<b>575,568</b>	<b>473,600</b>	<b>447,714</b>	<b>454,430</b>	<b>458,974</b>	<b>463,564</b>	<b>468,199</b>	<b>472,881</b>
<i>Year over Year change</i>	6%	3%	8%	-18%	-5%	2%	1%	1%	1%	1%
<b>Log Board Feet</b>	<b>50,502,920</b>	<b>41,679,250</b>	<b>24,921,280</b>	<b>52,706,190</b>	<b>37,500,450</b>	<b>42,000,000</b>	<b>43,260,000</b>	<b>44,557,800</b>	<b>45,894,534</b>	<b>47,271,370</b>
<i>Year over Year change</i>	-32%	-17%	-40%	111%	-29%	12%	3%	3%	3%	3%
<b>Vehicle Units</b>	<b>175,802</b>	<b>183,305</b>	<b>165,687</b>	<b>146,865</b>	<b>135,786</b>	<b>183,030</b>	<b>195,027</b>	<b>206,366</b>	<b>217,824</b>	<b>224,125</b>
<i>Year over Year change</i>	10%	4%	-10%	-11%	-8%	35%	7%	6%	6%	3%

\* Intermodal Lifts Reported for South Harbor only

## IV Operating Budget

### Overview

The NWSA operating budget revenue is based on cargo volume forecasts (see Table III-1, page III-4), existing terminal and property leases and contractual and tariff-generated revenue. Operating budget expenses were projected based on historical information, as well as levels of expenditures required to support the increases in revenue.

From this information, NWSA staff prepared a realistic budget that supports both the strategic priorities and financial goals of the NWSA.

Departmental budgets estimate the expenses that will be generated in support of the NWSA and its businesses. Expenses fall into one of five categories: Administration, Operations, Security, Environmental or Maintenance. Administration expenses are incurred in the day-to-day management of the NWSA. Operations and Maintenance expenses support the day-to-day management of business activities. Security support is provided by each home port. Environmental expenses are a subset of overall environmental spending, and include clean air and clean water activities, and close coordination with each home port on compliance and monitoring activities.

Business budgets are projections of revenues earned and expenses incurred in the operation of a particular business line. In addition, the NWSA expects to receive funds from other sources including user fees, and investment earnings.

Although capital project spending is planned within the capital budget, capital projects will impact operating budgets for future years through new sources of revenues and increased operating expenses and depreciation costs.

### Nature of Business

Washington law authorizes ports to provide and charge rents, tariffs and other fees for docks, wharves and similar harbor facilities, including associated storage and traffic-handling facilities for waterborne

commerce. Ports also may provide freight and passenger terminals and transfer and storage facilities for other modes of transportation, including air, rail and motor vehicles. Finally, ports may acquire and improve lands for sale or lease for industrial or commercial purposes and may create industrial development districts.

The NWSA is a joint venture that operates with the two ports as enterprise funds, allowing the NWSA and the ports to operate in much the same manner as a private business. Operating revenues are comprised of charges to its customers to cover costs associated with the service provided and to support investment in future projects.

### Balanced Budget

Based on the Government Finance Officers Association (GFOA) Recommended Budget Practices, a balanced budget “is a basic budgetary constraint intended to ensure that a government does not spend beyond its means.”

The NWSA defines “balanced budget” in the following way: Total revenues are sufficient to cover operating expenses for the budget year and to offset the cost of capital investments (depreciation) and anticipated debt costs for any planned future capital investments.

### Budget Process

The NWSA budget is a guideline used by management to direct strategic and tactical operations. Typically, more projects and spending are budgeted than may actually occur. This conservative approach ensures that the NWSA’s financial goals are still met if business conditions support the full budgeted spending.

The NWSA operates on a calendar year budget cycle that must integrate the budget schedule needs of both home ports. The operating budget and the capital budget are the NWSA’s plan for meeting the current needs of its customers, and for implementation of the strategic goals.

The annual budget development begins in August and continues through November. The process begins with the development of strategic objectives and initiatives, which are reviewed by the Managing Members and the Chief Executive Officer. The Managing Members and Chief Executive Officer communicate any strategy changes or policy concerns and gather additional input.

Cargo forecasts, available at the beginning of September, are used to develop the variable portion of the operating budget. During a study session, the Managing Members are presented with a draft budget.

In November, a public hearing is held by each home port to allow for public comment, and to adopt the statutory budget and approve the property tax levy for the budget year. The NWSA's operating income is split evenly between the ports and is shown as revenue to the home ports. After the home port Commission approves and adopts its statutory budget, it is submitted, with the related home port resolutions, to the respective County Councils and Assessor Treasurer offices.

### Major Assumptions

Major drivers of the 2019 operating budget are a result of economic and industry trends represented in the cargo forecast.

### Revenue

- Existing leases continue per existing leases and contracts
- Cargo volumes drive equipment and intermodal revenue and expenses
- Auto and breakbulk imports continue to provide revenue diversity
- Tariff rates are projected to increase between 2.5% and 3.0%
- Property lease rental rates will increase as specified in contracts

### Direct Expenses

- The NWSA has direct headcount of 58 positions. Salaries are expected to increase at 3% growth
- Major operating expenses include construction of non-NWSA owned infrastructure needed for the development of T5, Port community

communications systems and truck queue management, and ongoing maintenance of terminal paving, bulkheads and fender systems

- Depreciation for licensed assets at the time of the formation of the NWSA will remain on the books of the home ports. Depreciation of any new investments that are jointly funded will be charged against the NWSA

### Home port services provided

Each home port is providing services to the alliance, and some NWSA personnel are providing services back to the home ports. These services are provided either by direct charge or purchased services through Inter-local Agreements.

Table IV-4 shows the approximate value of Operating and Administrative services purchased by the NWSA from each of the home ports and the services purchased by the Port of Tacoma from the NWSA. This table does not include the value of services provided for capitalized and expensed projects.

### Estimating Revenues and Expenses

The NWSA uses several different methods of projecting revenues, depending upon the nature and materiality of the revenue item and the projection period. Specific revenue projection techniques include:

- **Historical Data:** Future revenues are based on historical trends with the assumption that they will continue in the future. When using historical data as a means for projecting revenues, the NWSA analyzes as many as 10 years of data to estimate a rate of growth
- **Business Operations:** Terminal lease/rental agreements, grant agreements, and service contracts provide information for this projection method. These projections may be adjusted to reflect the probable impacts of anticipated changes in the economy, legislation and inflation
- **Judgment Estimates:** This method relies on a person knowledgeable in the field, often a department director, who prepares a revenue projection based on awareness of past and present conditions including fee changes, development plans, marketing campaigns, usage

activity, frequency, volume, weight and similar determinations

- **Current Data:** This method predicts future revenue based on actual or annualized current year revenues and often is used when historical data and trends are not available, or if used, would result in an inaccurate revenue projection
- **Volume:** The NWSA uses the five-year cargo forecast to project budgeted revenues

### Financial Practices

The NWSA manages its operations to maximize its financial capacity - to provide the necessary provide adequate home port debt service coverage ratios.

### Financial Tools

- **Cargo Forecasts:** The NWSA maintains a cargo estimate for each of the next five years. (See Table III-1, page III-4)
- **Five-Year Financial Forecast:** A portion of the operating budget is driven by volumes from the cargo forecast while the majority of the revenue comes from major lease contracts. Planned revenue-generating capital projects are aligned with new revenues and expenses in the five-year operating forecast. The operating budget is monitored throughout the year, noting any

variances that may require corrective action. The Managing Members, Chief Executive Officer and Executive Team review these semi-annually

- **Five-Year Capital Investment Plan:** This plan ties directly to the strategy developed during the budget process. Updated semi-annually, it identifies all proposed projects. Some projects are capitalized and impact future year forecasts through depreciation, while others are expensed in the current year
- **Home Port Plan of Finance:** The financial output of the NWSA will be shared evenly between the home ports and is an input into each home port's five-year plan that identifies each port's ability to fund their business objectives
- **Financial Analysis of Investments:** The NWSA reviews significant capital investments and their related assumptions prior to acceptance into the planned capital budget. Revenue-generating projects are expected to earn a return on investment that meets or exceeds the standards
- **Financial Reporting:** The NWSA creates a variety of reports available electronically or in hard copy

For additional information on accounting policies, see each home port's budget and annual financial reports.

Table IV-1...Statement of Revenue, Expenses by Business

<i>(\$ millions)</i>	<b>2017 Actual</b>	<b>2018 Forecast</b>	<b>2019 Budget</b>
<b>Operating Revenues</b>			
NWSA			
Container	162.7	157.3	168.4
Non Container	20.7	18.2	18.6
Real Estate	11.5	12.2	12.5
Other	0.0	(0.1)	0.0
<b>Total Operating Revenues</b>	<b>195.0</b>	<b>187.7</b>	<b>199.4</b>
<b>Direct Expenses</b>			
Container	35.2	36.3	37.3
Non Container	8.3	8.6	11.3
Real Estate	0.7	0.7	0.8
Other	13.9	15.9	17.5
<b>Total Direct Expenses</b>	<b>58.1</b>	<b>61.4</b>	<b>66.9</b>
<b>Administration</b>	19.6	21.2	23.5
<b>Security</b>	4.2	4.5	5.1
<b>Environmental</b>	1.8	4.8	3.9
<b>Total Operating Expense before Depreciation</b>	83.7	91.9	99.3
<b>Depreciation</b>	2.2	6.8	13.5
<b>Total Operating Expense</b>	<b>85.9</b>	<b>98.8</b>	<b>112.7</b>
<b>Income from Operations</b>	<b>\$109.1</b>	<b>\$88.9</b>	<b>\$86.7</b>
<i>Return on Revenue</i>	55.9%	47.4%	43.5%
Non Operating Income (Expense)	0.8	6.6	1.1
<b>Net Income</b>	<b>\$109.9</b>	<b>\$95.6</b>	<b>\$87.8</b>

Amounts may not foot due to rounding.



Table IV-2..... Operating Revenue and Expense Detail

(\$ millions)	2017	2018	2019
	Actual	Forecast	Budget
Property Rental	\$41.4	\$40.4	\$43.3
Sale of Utilities	0.9	1.1	1.0
Services Marine Terminals	124.6	120.5	127.2
Equipment Rentals	17.9	15.9	18.3
Other Revenue	10.3	9.8	9.8
<b>Operating Revenue</b>	<b>195.0</b>	<b>187.7</b>	<b>199.4</b>
Home Port Services Provided	20.0	22.0	24.2
Port Salaries & Benefits	10.3	9.6	10.0
Outside Services	6.5	4.8	6.7
Longshore Labor & Fringe	11.9	11.0	10.4
Direct Expenses	9.6	10.1	11.1
Marketing & Global Outreach	0.5	1.1	0.7
Travel & Hosting	0.4	0.6	0.7
Maintenance	17.3	21.8	25.3
Office Equipment & Supplies	0.2	0.3	0.4
Utilities	3.8	4.5	4.8
Other Employee Exp	0.3	0.3	0.1
Other Expenses	1.0	1.1	1.0
Environmental	1.8	4.8	3.7
Depreciation	2.2	6.8	13.5
<b>Total Operating Expenses</b>	<b>\$85.9</b>	<b>\$98.8</b>	<b>\$112.7</b>
<b>Operating Income</b>	<b>\$109.1</b>	<b>\$88.9</b>	<b>\$86.7</b>

Amounts may not foot due to rounding.

Table IV-3.....Statements of Revenues, Expenses and Changes in Net Position

	2017 Actual	2018 Forecast	2019 Budget	Change from Prior Year Forecast
<i>(\$ Millions)</i>				
Operating Revenue	\$195.0	\$187.7	\$199.4	6.3%
Total Operating Expenses before Dep.	(83.7)	(91.9)	(99.3)	8.0%
Depreciation	(2.2)	(6.8)	(13.5)	96.8%
<b>Operating Income</b>	<b>109.1</b>	<b>88.9</b>	<b>86.7</b>	<b>-2.5%</b>
<b>Non Operating Revenues (Expenses)</b>				
Interest Income	0.8	1.1	1.5	27.9%
Market Value Adjustments	0.0	(0.2)	0.0	-100.0%
Non-Capital Grant Income	0.2	0.1	0.5	367.9%
Capital Grant Contributions	0.1	5.6	3.8	-31.3%
Other Non Operating Revenue (Expense)	(0.3)	0.0	(4.6)	-67012.0%
<b>Total Non Operating Income (Expense)</b>	<b>0.8</b>	<b>6.6</b>	<b>1.1</b>	<b>-83.2%</b>
<b>Net Distributable Revenue (Net Income)</b>	<b>109.9</b>	<b>95.6</b>	<b>87.8</b>	<b>-8.1%</b>
<b>Distributable Operating Cash</b>				
Net Income	109.9	95.6	87.8	-8.1%
Add Depreciation	2.2	6.8	13.5	96.8%
Less Interest Income	(0.8)	(1.1)	(1.5)	27.9%
Add Public Expense	0.0	0.0	4.4	∞
Less Grants	(0.3)	(5.7)	(4.3)	-24.3%
<b>Distributable Operating Cash*</b>	<b>110.9</b>	<b>95.6</b>	<b>99.9</b>	<b>4.6%</b>
<b>Net Position</b>				
Net Position beginning of year	131.1	207.5	313.0	50.8%
Add Contributions and Expected Capital Construction	69.1	105.5	162.7	54.2%
Add Net Distributable Revenue (Net Income)	109.9	95.6	87.8	-8.1%
Less Cash Distributions	(102.6)	(95.6)	(99.9)	4.6%
<b>Net Position end of year</b>	<b>\$207.5</b>	<b>\$313.0</b>	<b>\$463.6</b>	<b>48.1%</b>

Amounts may not foot due to rounding.

Table IV-4.....Summary of Allocations and Direct Charges

<i>(\$ Millions)</i>	2018 Budget	2018 Forecast	2019 Budget
Port of Tacoma to NWSA	\$33.9	\$30.2	\$34.3
Port of Seattle to NWSA	\$7.7	\$7.5	\$8.2
NWSA to Port of Tacoma	\$1.4	\$1.3	\$1.3

Table IV-5.... Five-year Statement of Revenue, Expenses and Change in Assets

(\$ in millions)	2019	2020	2021	2022	2023
Operating Revenue	\$199.4	\$203.0	\$214.6	\$223.7	\$235.4
Total Operating Expenses before Dep.	99.3	104.1	107.7	104.3	106.3
Depreciation	13.5	16.1	24.4	24.7	28.3
<b>Operating Income</b>	<b>86.7</b>	<b>82.8</b>	<b>82.5</b>	<b>94.7</b>	<b>100.7</b>
Capital Grant Income	3.8	3.0	0.6	0.0	0.0
Other Non Operating Income	-2.7	-7.6	2.3	1.4	1.4
<b>Net Distributable Revenue</b>	<b>87.8</b>	<b>78.2</b>	<b>85.5</b>	<b>96.0</b>	<b>102.1</b>
<b>Distributable Cash</b>	<b>\$99.9</b>	<b>\$98.9</b>	<b>\$106.9</b>	<b>\$119.3</b>	<b>\$129.0</b>

Amounts may not foot due to rounding

The NWSA is required by the charter to provide at least \$90 million in Bond Income every year to provide adequate cash to the homeports to pay bondholders of bond issues outstanding at the time of the NWSA formation. Table IV-6 provides a forecast of the Bond Income.

Table IV-6.... Five-year Bond Income

	2019	2020	2021	2022	2023
Operating Revenue	\$199.4	\$203.0	\$214.6	\$223.7	\$235.4
Add Non Operating Revenue	5.8	6.2	3.0	1.4	1.4
Less Capital Grants	(3.8)	(3.0)	(0.6)	0.0	0.0
Less Operating Expenses before Depreciation	(99.3)	(104.1)	(107.7)	(104.3)	(106.3)
<b>Bond Income</b>	<b>\$102.1</b>	<b>\$102.1</b>	<b>\$109.3</b>	<b>\$120.8</b>	<b>\$130.4</b>

Amounts may not foot due to rounding



Loading Logs onto a ship at the Hylebus Log Dock

## V NWSA Capital Investment Plan

### Overview

The Northwest Seaport Alliance invests in projects to increase the capacity, extend the life or improve the safety or efficiency of alliance-managed property and equipment.

The five-year Capital Investment Plan (CIP) identifies all projects planned or underway. The CIP provides a mechanism for tracking and managing project budgets and cash flows for five years into the future. Table V-1 shows planned spending on capitalized projects for the five-year time frame. Projects are associated with a program that fall under one of the businesses or under a category called "Infrastructure."

Although funds for a project are included in the CIP, the project is not automatically authorized to proceed. The alliance Managing Members review and approve each project individually. Projects must have the necessary permitting before proceeding.

To achieve its goals, the alliance continues to invest in revenue-generating capital projects that support its businesses. Although the home ports are responsible for the general infrastructure in each respective county, the alliance may also invest in infrastructure projects that support the NWSA's maritime business, as well as increasing rail and road transit of cargo within boundaries between the ports of Seattle and Tacoma. Often, these infrastructure projects are expensed versus capitalized due to accounting requirements.

In addition, environmental projects are planned for meeting or maintaining regulatory requirements, including the development of mitigation and remediation projects. Projects may be expensed or capitalized according to accounting rules.

### Summary of Major Projects

The five-year Capital Investment Plan focuses on the following strategic and maintenance projects:

Strategic investments:

- Construction of major terminal improvements at the North Harbor Terminal 5
- Purchase second set of four super-post Panamax container cranes for Husky Terminal
- Rehabilitation of the T-46 dock
- Pave T-46
- Design and construction of T-46 crane rail extension
- T-18 stormwater utility upgrade

Maintenance investments:

- Replace fender system
- Maintenance and rehabilitation of assigned assets

The alliance has a strong commitment to the protection and improvement of the environment. Examples of this commitment include the Clean Truck Program, the Northwest Ports Clean Air Strategy, and significant investment in stormwater improvements.

Strategic development efforts focus on serving existing customers, attracting new customers and building a diverse, dynamic and resilient business base.



**Table V-1....Planned Capitalized Project Spending**

(\$ Millions)	2016	2017	2018	2019	2020	2021	2022	2023
Historical Capital	80.5	66.7						
Planned Capital			105.6	162.7	112.1	93.0	40.0	23.3
<b>Grand Total</b>	<b>\$ 80.5</b>	<b>\$ 66.7</b>	<b>\$ 105.6</b>	<b>\$ 162.7</b>	<b>\$ 112.1</b>	<b>\$ 93.0</b>	<b>\$ 40.0</b>	<b>\$ 23.3</b>

**Capital Investment Plan Priorities**

To efficiently allocate human and financial resources, the alliance uses a capital project prioritization methodology. For internal management, the alliance uses two categories:

- **Open:** These are ongoing projects or projects ready to move forward that have customer commitment or a high degree of certainty. Only open projects are included in the budget
- **Estimate:** These are projects based on an identified business need or opportunity but have not been fully developed in scope and cost

**Capital Investment Plan Projects by Purpose**

The alliance classifies CIP projects into three types, (as shown below in Table V-2):

- **Revenue-Generating:** Projects developed for a specific customer that will result in a new revenue stream. The NWSA has designated Port-generated operating cash and revenue bonds to fund most of these projects
- **Revenue Renewal:** Projects developed to renovate or replace obsolete or aging revenue-producing assets. These projects serve to extend existing revenue streams or ensure existing streams are not lost, and may offer additional revenue if replacements enhance the efficiencies of operations or offer additional capabilities or value. The ports have designated port-generated operating cash or revenue bonds to fund most of these projects and also may use capital leasing through equipment suppliers or financial institutions

- **Infrastructure:** Projects developed to enhance infrastructure, support multiple or future customers or to enhance public infrastructure. Sometimes, other public agencies may participate in funding that otherwise comes from port-generated operating cash, the property tax levy, and general obligation bonds or revenue bonds. They often are complex in nature, with multiple public agencies involved in the planning process and execution

Table V-3 shows Open (excludes estimate) project expenditures during the five-year planning horizon as categorized by accounting treatment.

Accounting rules require some spending to be capitalized and depreciated over time, while other spending is expensed as incurred.

Table V-3 shows that the NWSA intends to implement \$507.7 million worth of planned projects (capitalized and expensed) in the next five years, with \$182.5 million of that total earmarked for 2019. Non-operating and operating projects will be expensed as incurred and are included in the operating budget.

Table V-4 shows the five-year CIP by Line of Business

Table V-5 shows the expected increase in depreciation and revenue when all of the projects are completed. The CIP is the total expected spending of 104 projects, 40 of which are capitalized and 65 expensed as incurred. The expensed projects are captured as expenses in the current year budget and four-year operating forecast as incurred. The costs of the capitalized projects are captured as depreciation expense over the estimated life of the projects that may extend beyond five years. The alliance expects depreciation expense will increase when the redevelopment of Terminal 5 is complete and the new cranes at Husky terminal are in-service.

**Table V-2....Five-Year Planned Capital Investment Plan by Purpose**

(\$ Millions)

	2019	2020	2021	2022	2023	Total
Infrastructure	\$12.0	\$10.50	\$6.20	\$6.2	\$5.9	\$40.8
Renewal	29.5	26.6	3.8	3.9	4.1	67.9
Revenue	141.0	105.1	96.0	36.9	20.0	399.0
<b>Grand Total</b>	<b>\$182.5</b>	<b>\$142.2</b>	<b>\$106.0</b>	<b>\$47.0</b>	<b>\$30.0</b>	<b>\$507.7</b>

Amounts may not foot due to rounding

**Table V-3....Five-Year Planned Capital Investment Plan by Accounting Treatment**

(\$ Millions)

	2019	2020	2021	2022	2023	Total
Capitalized	\$162.7	\$112.1	\$93.0	\$40.0	\$23.3	\$431.1
Operating Expense	15.1	19.4	13.0	7.0	6.7	61.2
Non-Operating Expense	4.7	10.7	0.0	0.0	0.0	15.4
<b>Grand Total</b>	<b>\$182.5</b>	<b>\$142.2</b>	<b>\$106.0</b>	<b>\$47.0</b>	<b>\$30.0</b>	<b>\$507.7</b>

Amounts may not foot due to rounding

**Table V-4....Planned Major Projects by Line of Business**

(\$ Millions)

	2019	2020	2021	2022	2023	Total
Container Business	\$152.5	\$129.3	\$97.8	\$38.7	\$21.9	\$440.2
Non Container Business	\$7.1	\$0.5	\$0.2	\$0.2	\$0.2	8.2
Infrastructure	22.9	12.4	8.0	8.1	7.9	59.3
<b>Grand Total</b>	<b>\$182.5</b>	<b>\$142.2</b>	<b>\$106.0</b>	<b>\$47.0</b>	<b>\$30.0</b>	<b>\$507.7</b>

Amounts may not foot due to rounding

**Table V-5....Net Income Impact of Capitalized Projects**

(\$ Millions)

	2019	2020	2021	2022	2023	Total
Container Business	(\$7.8)	(\$8.6)	(\$16.9)	(\$17.7)	(\$21.6)	(\$72.6)
Non Container Business	(0.9)	(1.2)	(1.2)	(1.2)	(1.2)	(5.7)
Infrastructure	(0.7)	(1.3)	(1.4)	(1.4)	(1.4)	(6.2)
<b>Grand Total</b>	<b>(\$9.3)</b>	<b>(\$11.2)</b>	<b>(\$19.5)</b>	<b>(\$20.4)</b>	<b>(\$24.2)</b>	<b>(\$84.5)</b>

Amounts may not foot due to rounding

**Capital Investment Plan Project Descriptions**

The NWSA’s five-year CIP has been categorized on a business basis, as shown in Figure V-1. The following section provides details of major planned improvements within each business and only includes major projects and equipment.

**Container Terminals Business**

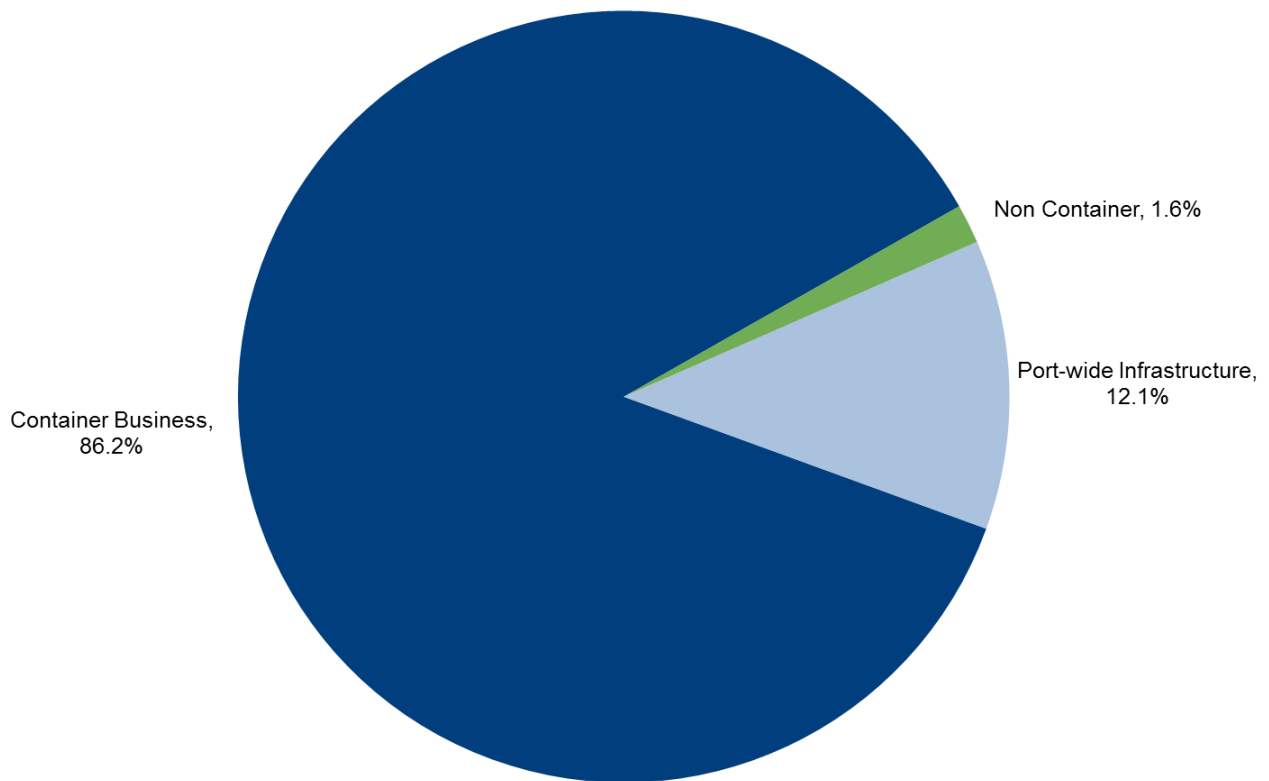
Planned capital expenditures for container terminals will total approximately \$440.2 million over the next five years. The CIP for this business will provide the funds necessary for the construction of major terminal

improvements at the North Harbor Terminal 5; T-18 stormwater utility upgrade; T-46 dock rehabilitation, including design and construction; acquire four container cranes at Husky Terminal, paving repairs and fender replacements at various terminals.

**Non-Container Business**

Approximately \$8.2 million will be spent on facility improvement for terminal operations and auto businesses.

**Figure V-1....Five-Year Capital Investment Plan by Line of Business**



**Alliance Infrastructure**

This section includes capital expenditures that are not specific to a single business and are in support of the alliance’s infrastructure or environmental improvements.

- Environmental Programs: These projects include reduction and monitoring of emissions, and ongoing cleanup projects. This also includes the Clean Truck Program, which provides matching funds and incentives to help cover the cost of replacing older trucks with cleaner new trucks



- Technology: The alliance is investing in an operations service center that will allow customers and cargo owners to track their cargo as it moves through the gateway

**Capital Investment Plan Revisions**

The CIP is an integral part of the budget planning process and is reviewed and revised semi-annually.

Adjustments in amount and timing are made as required to meet changes in customer or infrastructure requirements.

The alliance maintains sufficient cash reserves to meet the CIP requirements, as well as any unexpected capital requirements, without adversely affecting the ongoing operations of either ports.

4 new Super Post Panamax Cranes being delivered to the South Harbor for Husky Terminal



## VI Environmental Stewardship and NWSA Planning

Environmental stewardship is a high priority for the NWSA. The NWSA Environmental Stewardship Framework has been put into action. Specifically, working with our stakeholders, the NWSA developed a Best-In-Class approach built on a foundation of the following:

- Fully integrated environmental, economic and financial business decision planning/making;
- Responsive to market and community;
- Lead market by design and implementation-target market subsidies; and
- Driven by innovative cost/effective solutions.

Program areas of emphasis include:

- Water Quality (source control)
- Air Quality and Sustainable Practices
- Remediation
- Habitat Restoration
- Planning
  - Transportation
  - Land Use
  - Facilities

In 2019, the NWSA plans to focus its environmental efforts on water and air quality and greenhouse gas reductions, with the bulk of that work on NWSA licensed properties. The NWSA plans to develop additional sustainability strategies to help shape future leasing strategies.

### Water Quality Program

#### Industrial Stormwater Management Program

The NWSA partnership is the framework for an industrial stormwater management program that is a collaborative working group of customers, agencies and environmental organizations in both the North and South harbors. The goal of the Stormwater Workgroup is to be the forum to discuss emerging stormwater issues, common problems and solutions and provide stormwater technical assistance to our customers at their request. Staff engage in extensive stakeholder outreach that includes customers, regulators and the neighboring communities.

#### Research and Develop Cost-Effective Means to Manage Stormwater

The NWSA continues previous work initiated separately by the ports. The NWSA implements innovative cost-effective treatment methods in the field in an effort to focus in on practical, effective stormwater Best Management Practices (BMPs). This includes conducting pilot studies of new and existing treatment infrastructure that are shared with tenants and customers.

#### Source Control

Controlling pollutants at or near the source is the most cost-effective way of reducing impacted stormwater runoff, managing the risk of costly corrective actions for treatment, and reducing the cost of operations and maintenance of installed stormwater treatment systems.

#### North Harbor Focus

Most North Harbor tenants have installed or are installing stormwater treatment at their facilities. The challenge going forward is to reduce the cost of operating and maintaining these systems and, if possible, prevent or eliminate the need for stormwater treatment in selected areas. The Stormwater Workgroup continues to focus on maintaining relationships with tenants/customers and work with them to implement at-source and near-source BMPs with these goals in mind.

#### South Harbor Focus

Many South Harbor tenants have reached consistent attainment or are currently meeting benchmarks for water quality sampling under the Industrial Stormwater General Permit. The Stormwater Workgroup continues to work with tenants/customers to implement at-source and near-source BMPs to facilitate cost-effective and successful solutions, and to focus on tenants/customers that may face challenges to meet water quality criteria.

### **Infrastructure Assessment Program**

The Port of Seattle's Stormwater Utility works with the NWSA to facilitate the ongoing assessment of the stormwater system. During the assessment, the lines and vaults are prioritized by condition. Emergency work is completed right away by Marine Maintenance and other work is prioritized based on current functionality and an analysis of cost if maintenance is deferred too long. The Utility anticipates they will have completed most of the assessment by the end of 2019.

### **Stormwater Development/Redevelopment**

Coordination with home port's MS4 programs ensures site-specific stormwater requirements are met. This includes the design of appropriate treatment systems and/or system selection based on proposed land use and typical discharges associated with site-specific activities. Projects include redevelopment of terminals in both harbors. Both home ports have developed Stormwater Management Guidance Manuals which give specific guidance for development and redevelopment projects to ensure compliance with MS4 requirements.

### **Projects**

Multiple tenant assistance projects at both harbors include installing downspout treatment boxes, infrastructure assessments to identify potential deficiencies, and source control site visits to assist tenants/customers.

#### North Harbor Projects

Design for the redevelopment of Terminal 5 is underway. As part of those efforts the NWSA will focus on cost-effective stormwater treatment solutions as the facility is updated in partnership with a long-term customer. The focus for this project will be to set up both the NWSA and the new tenant for stormwater success.

#### South Harbor Projects

In the South Harbor a retrofit of an existing oil-water separator and a proprietary water quality vault into media filtration treatment at the EB-1 terminal are complete. At the East Sitcum Terminal, a large mobile box filtration system was installed at the first outfall.

This system will stay in place until completion of the Husky backlands reconfiguration and pipe replacement project currently predicted for 2020. The NWSA will also complete the treatment installation at the West Sitcum Terminal in 2019.

### **2019 Goals**

In 2019 the NWSA stormwater staff will complete stormwater media pilot testing at T-30. The NWSA will reach substantial completion on a new treatment facility at the West Sitcum terminal as noted above in the South Harbor and will continue our Stormwater Working Group meetings with a goal of 60% tenant / customer attendance.

### **Air Quality Program**

#### **Northwest Ports Clean Air Strategy**

The Northwest Ports Clean Air Strategy (NWPCAS) was adopted in 2008 and updated in 2013 as a collaborative effort among Port of Vancouver (Canada), the Port of Seattle, and the Port of Tacoma to reduce air emissions from shipping and port-related activities. The NWPCAS includes goals to reduce emissions of diesel particulate matter and greenhouse gases, and establishes performance targets for various maritime sectors. The NWPCAS will be updated in 2019 to create goals for 2025 and beyond.

The NWPCAS identifies specific measures to achieve beyond compliance air quality and greenhouse gas objectives. NWSA staff will continue ongoing collaboration with NWPCAS partners to share information, conduct joint projects and publish annual progress reports to the community. The NWSA will seek opportunities to partner with customers and other stakeholders on grant-funded emission reduction projects and pilot studies.

#### **Puget Sound Maritime Air Emissions Inventory**

In 2005, 2011 and 2016 the partners in the Puget Sound Maritime Air Forum, consisting of the ports of Tacoma, Seattle, Anacortes, Everett and Olympia; along with Washington State Ferries, Puget Sound Clean Air Agency, Western States Petroleum Association, Pacific Merchant Shipping Association, and others, collaborated on the development of a Puget Sound Maritime Air Emissions Inventory. The

2005 inventory formed the basis of the Northwest Ports Clean Air Strategy. The latest inventory was based on emissions in calendar year 2016 and was completed in early 2018. As the largest port authority in the Puget Sound Maritime Air Forum, the NWSA managed the 2016 inventory. The results of the 2016 inventory demonstrated that we met both our overarching diesel particulate reductions goals and our greenhouse gas reductions goals four years earlier than anticipated. A scenario tool was also deployed based on the data collected in the inventories. This tool helps Ports evaluate the effectiveness of proposed technology upgrades and new emission reduction programs.

### **Clean Truck Program**

The ports of Seattle and Tacoma have had separate Clean Truck Programs since 2008, when the NWPCAS was adopted by the respective port Commissions. The NWPCAS Clean Truck Program targets 100% of trucks serving the gateway to have a 2007 model year or equivalent engine.

In 2018, the NWSA took the bold step of requiring our marine terminal operators to prohibit model year trucks of 2006 or older from entering our international container terminals beginning January 1, 2019. As a result, Radio Frequency Identification Tags (RFID) readers have been installed at all international container terminals and will be used to validate trucks serving the terminals are model year 2007 or newer. In addition, the NWSA has partnered with the Washington State Department of Ecology, the Puget Sound Clean Air Agency, the City of Seattle and received a Clean Diesel Grant to pool our resources and create a loan loss reserve fund to assist truckers with purchasing a compliant truck.

### **Greenhouse Gas Reduction Resolution**

In 2017, the NWSA Managing Members revised the greenhouse gas reduction goal outline in the NWPCAS and adopted greenhouse gas reduction targets in keeping with the Paris Agreement and in alignment with the global reductions necessary for keeping warming to within 2-degrees Celsius by 2050. The alliance will reduce greenhouse gas emissions within the Puget Sound airshed as follows:

By 2030:

- 50% below 2005 levels (scope 1, 2 & 3 emissions)

By 2050:

- Carbon Neutral (scope 1 & 2 emissions)
- 80% below 2005 levels (scope 3 emissions)

To accomplish these goals, the alliance will advance initiatives specific to the operations it controls and work to influence other stakeholders whose emissions fall beyond the Port's authority. The alliance is committed to partnering with tenants, cargo owners, shipping lines, manufacturers, warehousing and other key stakeholders to drive demand for cost-effective and innovative greenhouse gas reduction technologies and solutions to meet our collective goals.

### **Green Marine**

Green Marine is a maritime environmental organization that offers a certification program for the North American marine industry. To receive certification, members benchmark their environmental performance each year and have bi-annual verification of results. The NWSA joined this organization in 2016 and began the self-assessment process. This work will continue in 2019, with results scored and published by Green Marine. NWSA staff participate in technical advisory groups to guide updates to the program.

### **Ship to Shore Power Expansion**

Both the ports of Tacoma and Seattle have provided shorepower at some berths. The NWSA will continue to look for additional opportunities to leverage public and private funding for additional shorepower installations, and ensure terminal designs include shorepower capability. This is consistent with the NWSA Strategic Plan and Northwest Ports Clean Air Strategy to reduce particulate emissions.

### **Planning**

The Planning Team provides a range of services from strategic to site planning. Some of our primary services include planning for marine terminals and supporting infrastructure, port master planning, optimizing port operations and determining the

operational and financial feasibility of new port and marine investments. Port Planning also coordinates baseline studies to facilitate decision making about investments and operations.

Planning Overview:

- **Facility Planning:** Port Planning has experience with developing port industrial lands, equipment costing, industrial warehouse location and layout analysis.
- **Operations, Planning, and Research:** Planning supports Port Operations in optimizing gates and terminals, analyzing traffic flow and circulation, and evaluating new communications and data collection technologies.
- ▣ **Project Feasibility Development:** The Planning Team supports Facilities Development by maintaining a general understanding of all focus areas within the group, especially the environmental specialties. With this overall perspective the team is able to assist with opportunity assessment review and strategic port planning.
- **Economic and Financial Analysis:** Services include: cost benefit studies, economic risk analysis, financial analysis, market studies, multi-modal and system optimization of transportation networks, and defining development concepts and economic strategies.
- **Strategic Planning:** Services include: developing business plans, master plans, and financial projections. The Planning Team reviews and provides comment on

new and updated local, state, and federal policy and regulatory documents to protect the interests of the Port. These plans can range from State Freight Master Plans to City Comprehensive Plans.

- **Grant Coordination:** Planning helps coordinate grant application efforts to ensure a unified and sensible approach. We look for grants to help offset the cost of facility, technology, and planning work whenever feasible. Our coordination efforts encompass tracking priority projects and possible grants, and keeping up to date on the progress of projects that benefit from grant dollars. We provide staff support to the Grant Steering Committee.

### 2019 Planning Goals

The goals for 2019 include initiation of a Tidelands Subarea Plan process with the City of Tacoma, coordination of shoreline permit condition requirements for Terminal 5, coordination with Sound Transit on ST3 link extensions north and south, increased coordination and communication with the NWSA Operations and Commercial teams, and management of grant applications

## Appendix A Bond Income Calculation

The Northwest Seaport Alliance Charter requires the establishment of a Bond Income Calculation. Section 4.2 (b) states:

**Bond Income Calculation.** Managing Members shall establish and maintain a requirement for the PDA to calculate and establish a minimum level of net income from the PDA equal to the amount currently required for the Homeports to meet their current bond rate covenants ("Bond Income Calculation"). The Managing Members shall require the Bond Income Calculation to be reviewed annually as part of the PDA budget process and the Managing Members may adjust the Bond Income Calculation so long as it does not cause any Managing Member to fail to comply with its rate covenant. The PDA may not take any action that reasonably would reduce PDA income below the minimum level established by the Bond Income Calculation unless each Homeport separately votes to approve that action. Such a vote by each Homeport must occur even if the action is within the CEO's authority under the Delegation of Authority Master Policy. If net income before depreciation of the PDA is not sufficient for either Homeport to be in compliance with a rate covenant (as currently described in each Homeport's Master Bond Resolutions in effect as of the Effective Date), then:

- (i) Upon that Homeport's request, the PDA shall hire an independent third party consultant to perform analysis and make recommendations for actions needed to achieve bond covenant compliance.
- (ii) If the consultant recommends an action that the PDA is unwilling, unable or refuses to undertake, either Managing Member can require dissolution of the PDA following the dispute resolution process even if within the Initial Period.
- (iii) The PDA shall have at least four months to respond, act and or dissolve following its receipt of the consultant's recommended action, unless a shorter time is required by the applicable bond covenants.

The Managing Members established the Bond Income Calculation as \$90 million based on the currently outstanding debt of each Port, the applicable rate covenants and certain other net revenues available for debt service, as appropriate.

## **Appendix B Capital Construction**

The Northwest Seaport Alliance Charter requires the funding of Capital Construction. Section 3.12 states:

Separate from Working Capital, the PDA shall provide for the funding of capital expenditures ("Capital Construction") to be funded by a pro rata initial contribution from each Managing Member based on their respective Membership Interests. Managing Members may approve by vote contributions to Capital Construction in amounts other than based on each Managing Members' pro rata respective Membership Interests on a project-specific basis. Requests for funding Capital Construction shall be based on the CEO's periodic projection of PDA capital project cash flow needs. Managing Members may consider requests for additional contributions to the PDA, the affirmative approval of which will require a vote by each Managing Member. Capital Construction shall be funded by each Managing Member separately and not from Working Capital. Distributions of Capital Construction funds will be made expressly subject to either (1) Managing Member approval of capital projects or (2) CEO approval of capital expenditure, where such expenditure is within the levels set in the Delegation of Authority Master Policy.

The Managing Members established the initial Capital Construction as \$27 million based on the proposed 2016 NWSA Capital Improvement Plan. Additions to NWSA Capital Construction have been made as necessary to fund Managing Member approved projects. As of Q3 2018, a total of \$289 million of Capital Construction funds have been approved.



## Appendix C NWSA Full Time Personnel

*As of August 31, 2018*

	2018 Budget	2018 Actual	2019 Budget
Executive	12.0	12.0	12.0
Commercial Business	26.0	22.0	26.0
Operations	11.0	10.0	11.0
Facilities Development	9.0	9.0	9.0
Total	58.0	53.0	58.0

## Appendix D NWSA Memberships

### Overview

The NWSA and alliance staff are members of several organizations. The NWSA believes that participating in these partnership organizations plays a key role in advancing the NWSA’s business objectives and ensures NWSA staff is knowledgeable and productive. These memberships are in addition to, or supplement the home port memberships.

### Port Authority Organizations

These memberships assist the NWSA’s lobbying efforts on both the state and national levels and keep staff informed about major issues and developments that affect NWSA operations. Membership with the Washington State Public Ports Association remains with the home ports.

### Economic Development Organizations

Economic development is a major part of the NWSA’s mission. For that reason, the NWSA maintains memberships and works closely with a variety of economic development groups. These memberships help strengthen the NWSA’s visibility throughout the world through trade missions and trade shows.

### Regional Organizations

Memberships in regional organizations demonstrate the NWSA’s commitment to trade on a statewide and regional basis.

### Industry Associations and Professional Organizations

These associations and organizations ensure that staff obtains the latest in technical development by taking advantage of meetings, networks and special programs offered by them.

### Trade Promotion Organizations

These memberships give the marketing and sales staff important contacts and current industry trade information that enhances the NWSA’s overall marketing efforts.

### Community Service Groups

The NWSA maintains memberships in these groups as part of its effort to build better community relations, to work more effectively with the business people and to ensure that the NWSA’s interests and concerns are addressed in the community.

### Annual NWSA Memberships & Personnel Memberships (estimated)

Organization	Annual Dues
American Association of Port Authorities	\$50,000
Pacific Northwest Waterways Association	28,000
Washington Council on International Trade	20,000
International Association of Ports and Harbors	11,000
All Other Memberships	44,000
Total NWSA Memberships	\$153,000

### American Association of Port Authorities

AAPA is an alliance of leading ports in the Western Hemisphere that protects and advances the common interests of its diverse members through advocacy, professional development, relationship-building, and public awareness.

### Pacific Northwest Waterways Association

The Association advocates for funding for navigation projects around the region, including those on the Columbia Snake River System, in the Puget Sound and along the Oregon and Washington coasts.

### Washington Council on International Trade

The Council is dedicated to advocating for public policies that increase Washington State’s international competitiveness.

### Coalition for America’s Gateways & Trade Corridors

The Coalition raises public and Congressional awareness of the need to expand U.S. freight transportation capabilities and to promote sufficient funding for trade corridors and freight facilities.

## **The Northwest Seaport Alliance**

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## **APPENDIX A: BUDGET POLICY, PROCESS AND CALENDAR**

### **1. OPERATING BUDGET**

#### **a. Budget Policy:**

The Port established a budget policy to provide systematic planning as part of the management performance and control. The purpose of this policy is to allow the capability to forecast realizable financial results over definite periods of time. This is accomplished through planning and coordination of the various complex operations and functions of the Port, through systematic communication and the use of the Port's financial control and management information system.

The Operating Budget is an essential tool for business planning, resource allocation, and control. It quantifies business groups and departmental plans for future periods in strategic, operational and monetary terms. This facilitates coordination of plans between divisions/departments and provides a basis for control once the plan is in effect.

Various inputs to the budget planning process are required for it to be meaningful, including forecast of economic trends and business activity levels. Above all, goals, objectives, programs, action plans and performance measures are defined and reviewed annually for consistency and support of the Port's overall mission.

The budget plan is based on assumptions about the success of marketing efforts, demand for services, and the cost, availability and need for people and materials. The budget process provides continual feedback which compares not only actual performance to the plan but also the validity of the assumptions on which the plan was based.

The Operating Budget is a management tool for controlling and analyzing each area of responsibility. Budgeting, as well as the recording of actual costs, is done on an Org basis. An Org is a distinct functional and physical unit. Its performance responsibility can be assigned to one person. There are over 200 Orgs at the Port and each Org has a budget.

Allocated and/or indirect expenses are not budgeted for by the recipient Org. These are costs that are allocated to the business groups/units from service providers. Allocated costs are general support costs that cannot be directly attributed to a business unit, but instead support the entire Port. Costs can come from within the division (intra-division allocation) or from outside the division (inter-department allocation).

Department Directors are responsible for preparing the operating budget for their areas of responsibility, subject to review and approval by several levels within the organization. Orgs can be combined to analyze and report on budgets by functional or business units. Port management needs current, timely, and accurate information to make informed decisions. The objective of the budget process is to provide resource allocation, accountabilities, performance, and control to enhance effective management.

In addition to planning for the business needs of the organization, this process results in a method of comparing actual financial results with the approved budget plan. The appropriateness of the pricing structure or the effects of changes in costs or activity can be observed. This approach gives management the flexibility to evaluate the performance of a particular activity. The Budget Report (a comparison of the proposed budget to the current year's budget and last year's actual) and the Responsibility Report (a comparison of actual results to budget) can advise a manager if things are not going as expected, whether strategies are being accomplished, and also give them clues as to what might be wrong. The function of controlling and managing the operations of the Port is accomplished with the Operating Budget.

The 2019 budget process includes several Commission briefings by the operating divisions and Central Services departments during the year to update the Commission on key issues facing the business groups and to solicit input into overall strategies and objectives. The divisions update the Commission on each business unit with background information, discuss capital and operating plans, and dialogue on major policy issues.

Divisions fine-tune their business and operating goals based on Commission input and put together their budgets.

Key budget events include the following:

- Conduct budget planning meetings with the Executive Management team.
- Publish the budget guidelines/instructions and budget calendar.
- Provide budget system training to budget staff.
- Division and department budget staff prepare their respective budgets.
- Conduct internal budget reviews which include in-depth discussion of revenue and expense assumptions; new programs, initiatives, or other proposed increases in revenue and expenses.
- Review and approval of budget by the Executive Management and Commissioners.
- Release of the budget to the Port Commission and public stakeholders.

The budget staff responds to inquiries of commission and interested stakeholders during commission budget workshops, first and second reading, and adoption of the budget after the public hearings.

In addition to the Operating Budget as stated above, the budget staff prepares the Statutory Budget as defined in RCW 53.35.010 to show “estimated expenditures and the anticipated available funds from which all expenditures are paid.” Being a cash budget, the Statutory Budget establishes the level of the Port’s property tax levy and sets upper limits of expenditures and is not used as an Operating Budget.

**b. Budget Adoption:**

The budget is provided to the Port Commission and must be made available to the general public as required by law - RCW 53.35.010 and RCW 53.35.045. A Public Hearing in the First Budget Reading is held before the Second Reading and Final Passage of Budget, at which time the Port Commission will make final recommendations and adopt the budget. An announcement of the public hearing is made in the DAILY JOURNAL OF COMMERCE newspaper and copies of the preliminary budget are made available for distribution to any interested persons by a specified date as required by laws - RCW 53.35.020 and RCW 53.35.045.

Subsequent to the public hearing and Commission adoption of a final plan, the Statutory Budget and resolution is then filed with the King County Council and King County Assessor as required by law, by a specified date as allowed by RCW 53.35.045.

**c. Monitoring of Budget:**

Once an annual budget is in place, the Responsibility Report (comparing actual results to budget) is generated monthly and variances from the budget are analyzed and reported on a monthly basis, and more extensively each quarter, to determine if corrective action is needed. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into the quarterly Performance/Variance Report. The Performance/Variance Report is a report in narrative format explaining the reason or causes of variances between actual revenues and expenses versus budgeted amounts on a quarterly basis. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. This report provides explanation of variances from the approved plan and is presented quarterly to Executive Management and the Commission in public meetings. This allows Executive Management and the Commission to make timely and well-informed decisions.

**d. Amending the Operating and Capital Budgets:**

The Executive Director of the Port of Seattle is authorized “Within Budget Limits” to transfer budgeted amounts between departments; however, any revisions that alter the total expenses Portwide that are not within the Executive Director Authorized Budget Limits require authorization from the Port Commission.

As per Resolution 3605, as amended, the Port Commission has adopted policy directives delegating administrative authority to the Executive Director for the purpose of day-to-day management and administration of the Port and as stated in sections 20.2.1 and 20.2.2 of said resolution:

20.2.1. "Annually Approved Capital Budget" means the list of capital projects (including small works projects) and the projected total dollar amount of upcoming budget-year spending associated with those projects which is presented to, and reviewed by, the Commission as part of the budget review process (i.e., the first year of the Capital Improvement Plan), or as subsequently amended by the Commission during the budget year.

20.2.2. "Annual Operating Budget" means the budgeted operating and non-operating revenues and expenses reviewed and approved by the Commission as part of the budget process, or as subsequently amended by the Commission during the budget year.

**e. Operating Budget Process:**

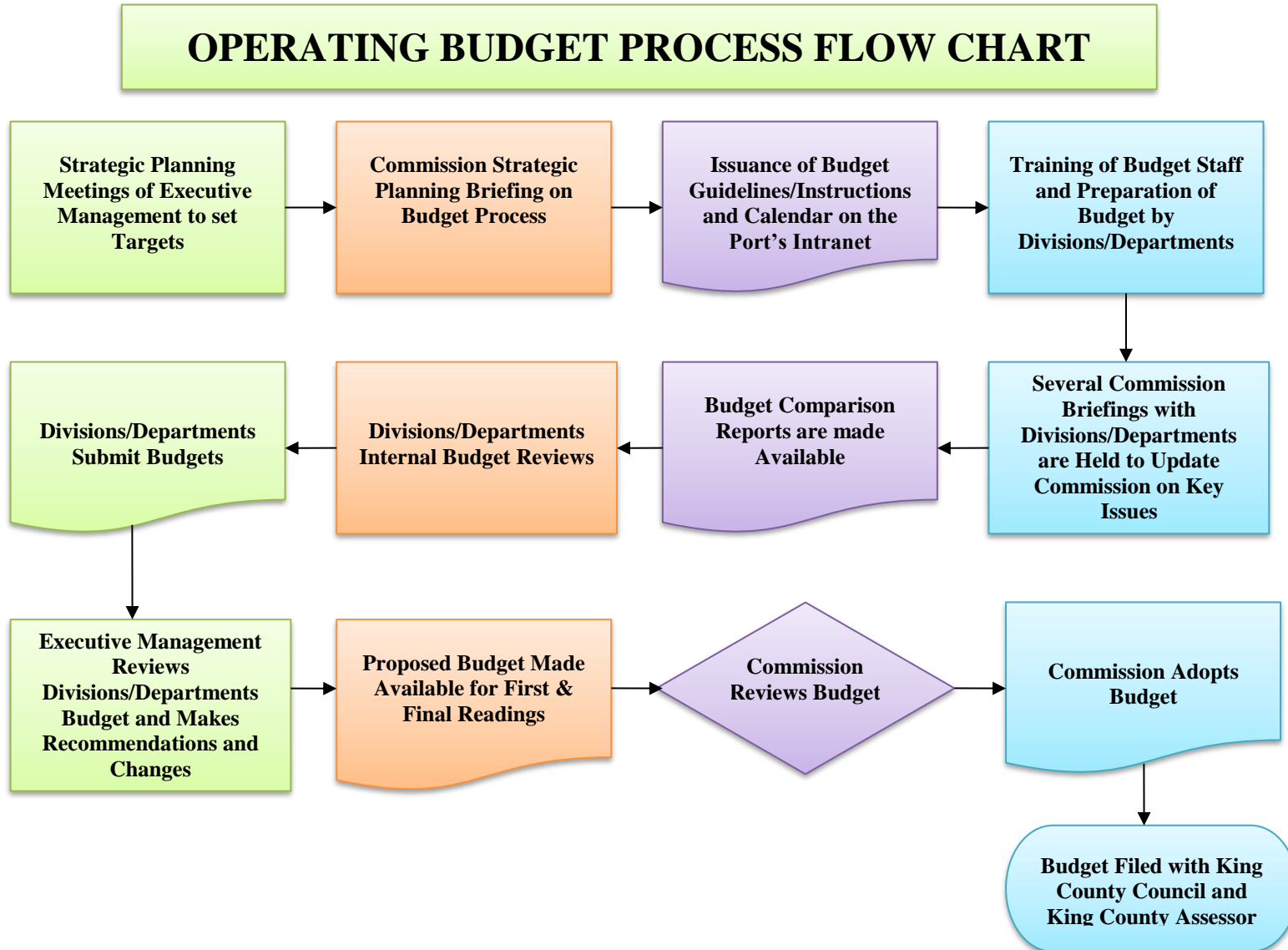
The steps in the 2019 operating budget process are as follows:

- Budget planning meetings with the Executive Team to discuss key strategic initiatives and budget process for 2019.
- Commission strategic and business planning briefing.
- Budget system training for budget users from the various divisions.
- Commission briefing on budget process and providing key budget assumptions to the Commission.
- Issuance of budget guidelines/instructions and budget calendar on the Port’s intranet.
- For the operating divisions, targets are developed based on the divisions’ business forecast.
- For Central Services, initial targets are based on a bottom-up assessment of needed resources to accomplish Portwide strategy/actions plans.
- Several Commission briefings by the operating divisions and Central Services are held during the year to update the Commission on key issues facing the business groups/departments and to solicit input for any changes in strategy.
- Budget system is prepared and made available for input.
- Actual preparation of the budget by divisions/departments.
- Costs of service departments are charged/allocated to the operating divisions and the NWSA according to the policy and the Service Agreements.
- Finance and Budget generates a budget comparison report that compares the proposed budget to the current year’s budget and last year’s actual. Finance and Budget also produces the current year’s Forecast Report.
- Divisions/departments complete their detailed budgets and are reviewed internally by their senior managers and Finance and Budget staff. These reviews include in-depth discussion of revenue and expense assumptions, new programs, initiatives, or other proposed increases in revenue, expenses as well as operational needs.
- Divisions/departments budgets are submitted to Finance and Budget and then reviewed against targets by the Executive Team.
- Executive Team makes recommendations and changes, which are incorporated into divisions and departments budgets.
- Several Commission budget briefings are held on divisions/departments capital budget, operating budget, and Draft Plan of Finance.
- All budget issues are resolved and changes are entered into the budget system.

- Finance and Budget staff generates various reports and ascertains that all approved changes are incorporated into the budget and reports are accurate.
- Finance and Budget prepares the preliminary budget document and releases the proposed budget to the Port Commission and to the public approximately three weeks before the first reading.
- The Introduction, First Reading and Public Hearing of the budget are held on the second Tuesday of November.
- The Final Reading and Adoption of the budget are held on the fourth Tuesday of November.
- Statutory Budget is filed with King County Council and the King County Assessor as required by law on the first Monday in December.
- Finance and Budget staff prepares and releases the final budget document to reflect Commission recommendations.
- Finance and Budget staff sets commitment control for Central Services departments and operating divisions.



**FIGURE A-1: OPERATING BUDGET PROCESS FLOW CHART**



**f. Operating Budget Planning Calendar:**

<b><u>Date</u></b>	<b><u>Activity</u></b>
04/20/18	2019 Budget Process Discussion with Executive Leadership Team
05/22/18	Commission Briefing on 2019 Budget Process and Development
07/10/18	Commission Briefing on 2019 Maritime Business Plan and Budget Development
07/19/18	Budget Guidelines/Instructions and calendar available on the Port's Intranet
07/23/18	Budget System Available for Input
07/24/18	2019 Budget Study Session (including EDD Business Plan and Budget Development Commission Briefing)
07/25 - 8/02/18	Budget User Training
07/25 - 10/18/18	Preparation of budget by divisions/departments
08/03/18	Allocation forms available for review
08/08/18	Central Services Departments New Budget Requests Due to Finance & Budget (F&B)
08/20-08/23/18	Executive Review of Central Services Department's New Budget Requests
08/29 - 8/30/18	Central Services Departments Final Entry and Budget Support Documentation due to F&B
09/05/18	Executive Management reviews of Central Services Budgets (both Operating & Capital Budgets)
09/07/18	Non-Operating Budgets due to F&B
09/12/18	Executive Management reviews of Maritime & Economic Development Budgets (both Operating & Capital Budgets)
09/13/18	Executive Management reviews of Aviation's Budget (both Operating and Capital Budgets)
09/17 - 9/28/18	Aviation, Maritime and Economic Development Internal Budget Reviews
09/25/18	Commission Briefing on Central Services Operating Budget
10/09/18	Commission Briefing to review Aviation and Maritime Operating Budgets
10/23/18	Commission Briefing to review Economic Development Operating Budget
10/23/18	2019 Preliminary Budget document is available to the Commission
10/25/18	2019 Preliminary Budget document is released to the Public
11/13/18	Tax Levy and Draft Plan of Finance Commission Briefings
11/13/18	Introduction, First Reading and Public Hearing of the 2019 Preliminary Budget
11/27/18	Final Reading and Adoption of the 2019 Budget
12/03/18	Filing of Budget with King County Council & King County Assessor as required by law
12/14/18	Release of 2019 Final Budget

## **2. CAPITAL BUDGET**

### **a. Capital Budget Policy:**

As part of the Strategic Budgeting process, Finance and Budget produces the Capital Budget and the Draft Plan of Finance. The Capital Budget consists of capital plans or the Capital Improvement Plan (CIP), over a five-year period, for all divisions: Aviation, Maritime, Economic Development and Central Services. The Draft Plan of Finance is a funding plan of the CIP that the Port publishes on an annual basis.

The divisions review and revise their CIP in conjunction with the review of their existing business goals and strategies. The CIP is comprised of Committed projects from the 2018 CIP, less any that have been deleted, plus any Prospective projects that may meet the criteria to move forward to Committed status. The CIP may include Business Plan Prospective projects if coverage targets are met. Divisions are encouraged to review CIP cash flows with respect to timing and reasonableness to ensure effective use of capital capacity.

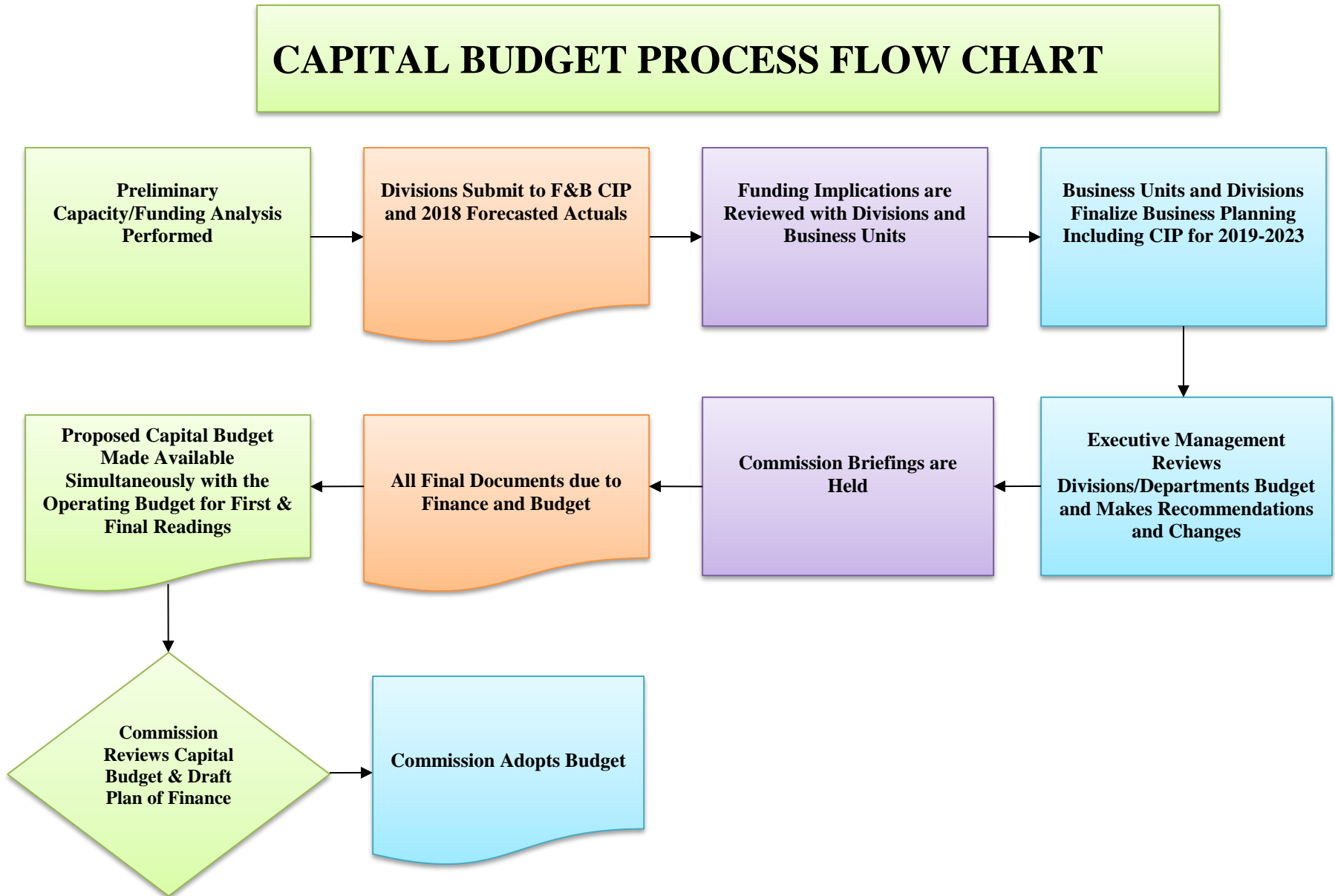
### **b. Capital Budget Process:**

- A preliminary capacity/funding analysis is performed once the 2nd quarter update is completed, but no later than by the end of August.
- At the end of September, divisions submit to Finance and Budget the CIP and 2018 forecasted actual (which includes actual through second quarter). The funding implications of these capital plans are then reviewed with the divisions and business units.
- Following Finance and Budget funding analysis and Executive review of preliminary plans, business units and divisions finalize their operating and financial goals, including their CIP for 2019-2023.
- This information is then reviewed by Executive, presented to the Commission, and included in the 2019 Final Budget document.

After the close of the 2018 fourth quarter in January 2019 and based on the 2018 fourth quarter CIP update, the divisions should have more refined capital spending estimates for 2019. Each division may choose to adjust the spending from the original list of projects in the Capital Budget, to establish the 2019 approved funding amount for each project and for the division as a whole. The adjusted Capital Budget will become the “Approved 2019 Capital Budget” and will be used for quarterly variance reporting during the year.

**Note:** Even though the Commission reviews the Capital Budget in November, each individual CIP project, with a total cost in excess of \$300,000, is presented and approved by the Commission in public meeting for spending authority.

**FIGURE A-2: CAPITAL BUDGET PROCESS FLOW CHART**



**c. Capital Budget Planning Calendar:**

Following is the 2019 Capital Budget planning calendar:

<b><u>Date</u></b>	<b><u>Activity</u></b>
05/22/18	Commission Briefing on 2019 Budget Process & Development
09/07/18	Preliminary Non-Aviation capital capacity analysis by F&B
09/05- 09/13/18	Executive Review of Operating and Capital Budgets for all divisions
09/14/18	Preliminary Aviation Forecast Model due to F&B
09/18/18	F&B creates “CAPBUD” database from Projects
09/25/18	Commission Briefing on Central Services Operating Budget
10/01- 10/12/18	F&B finalizes Capacity/Funding Analysis
10/09/18	Commission Briefing on Central Services Capital Budget
10/09/18	Commission Briefing to review Aviation Capital Budget
11/07/18	Commission Briefing to review Maritime and Economic Development Capital Budgets
11/13/18	Tax Levy and Draft Plan of Finance Commission Briefings
11/13/18	Introduction, First Reading and Public Hearing of the 2019 Preliminary Budget
11/27/18	Final Reading and Adoption of the 2019 Budget
12/03/18	Filing of Budget with King County Council & King County Assessor as required by law
12/14/18	Release of 2019 Final Budget

## **APPENDIX B: FINANCIAL MANAGEMENT POLICIES**

The primary purpose of the Port is to broaden and strengthen the economic base of the port district. The Port uses key criteria in various combinations as it pursues its capital and operating programs and projects. Clearly, national and international economic strengths or weaknesses have a direct bearing upon the Port's financial viability and role as an economic engine for the region.

### **1. KEY FINANCIAL TOOLS**

The Port uses several tools to monitor its financial performance and these are described below

- a. **Long-term Targets**: The Port's long-term targets provide high-level policy guidance. These targets provide guidance to business planning for each division.
- b. **Operating Budget**: The Operating Budget is an essential tool for the Port's management planning, resource allocations, and control. It quantifies line of business and departmental plans for the next year in both operational and monetary terms. Throughout the year, the Responsibility Reports (which compare actual results to budget) are generated monthly and variances from budget are analyzed on a monthly basis, and more extensively each quarter, to determine if corrective action is needed. Divisions and departments prepare a quarterly forecast, which is incorporated into the quarterly Performance Report, which provides explanation of variances from the approved plan and is presented quarterly to Executive Management and Commission in public meetings, as necessary.
- c. **Balanced Budget**: The Port prepares an annual budget and supports, encourages and commits to a balanced budget in which revenues exceed expenses. In so doing, the practice is to pay for all current operating expenses with current revenues and not postpone current year operating expenses to future years or accrue future year's revenues to the current year. The Port's policy further requires that budgeted operating expenses do not exceed budgeted revenues, and on-going expenses do not exceed on-going revenues.
- d. **Operating Forecasts**: Included in the budget document are five-year forecasts or projections of the division's operating revenues and expenses. The first year of this forecast is the Operating Performance Budget.
- e. **Capital Budget and Capital Improvement Plan**: A detailed plan of proposed outlays or capital expenditures arising from the acquisition or improvement of the Port's fixed assets and the proposed means of financing them through bond proceeds, grants and operating revenues. This document serves as an operational and planning tool and it is directly tied to the business goals. The document identifies proposed capital projects at the airport and on the waterfront and prioritizes those projects.
- f. **Capital Expenditures**: Expenditures that arise from the acquisition or improvement of the Port's fixed assets such as construction of new facility or renovation of existing facility; renewal, replacement or upgrading of mechanical, electrical, communications, HVAC and plumbing systems; computer and office equipment; furniture and fixtures; vehicles, etc.
- g. **Capital Budget Impact on the Operating Budget**: Its impact on the Operating Budget is through Capitalized Labor or Charges to Capital Projects, which include the salaries and benefits costs associated with capital projects. These costs are subtracted out of the operating budget and then budgeted in the capital budget as part of the cost of the project(s). The Operating Budget is also impacted in the form of increased operating, maintenance and depreciation expenses because of the new assets. Depreciation is a non-cash item that represents the use of long-term assets. Port assets are given a useful life of more than three years when they become active and each year some of that useful life is used up, worn or depreciated. The capitalized labor or charges to capital projects is displayed in table III-3 and the depreciation is displayed in table III-2. The capitalized labor is also displayed in similar tables in sections IV thru VII.
- h. **Plan of Finance**: The Five-year Capital Budget is the basis of the Plan of Finance. This document provides a funding plan of the capital program developed within the financial targets and forecasts described within the Draft Plan of Finance section. The Draft Plan of Finance is prepared and presented to

the Port Commission concurrently with the Operating Budget. See further discussion in the Draft Plan of Finance, section X of this book.

- i. **Capital Investment Matrix**: The matrix provides an analytical framework for capital projects. The results of the analysis provide financial and non-financial information for the Port Commission as a guide for capital investment decisions.
- j. **Financial and Operational Indicators Report**: The Port uses financial and operating indicators to monitor its financial performance and budget. This report is produced and distributed monthly to the Port Commission and Executive Management.
- k. **Treasury Management**: Using its internal Treasury since July 2002, the Port has experienced increased investment earnings, faster mobilization of funds, on-line banking capabilities, easier accounts and full control of its cash and investments.
- l. **General Coverage Ratios and Cash Flow Margins**: As part of its financial modeling, the Port targets that Airport cash flow equals 1.25x of all Airport related revenue debt and that Non-Airport cash flow equals 1.5x (currently under review) of all Non-Airport related revenue debt. In addition, the Port targets general obligation bond debt service not to exceed any more than seventy-five percent of the annual tax levy.
- m. **Bond Coverage Ratios**: The Port, through financial modeling, runs projections for its revenue bond debt service coverage ratio. Although the Port has an obligation under First Lien Revenue Bond covenants to maintain a ratio of 1.35x, as a matter of practice a ratio of at least 1.8x is maintained. Debt service coverage may fall below this target level during periods of construction borrowing prior to the time that revenue producing assets come on-line.
- n. **Fund Balances**: Working capital fund balances are maintained in the General Fund and the Airport Development Fund at a targeted level of approximately nine months of operating and maintenance expenses. The Port maintains \$5 million in the Renewal and Replacement Fund as required by bond documents.
- o. **Performance/Variance Report**: This report is in narrative format explaining the reasons for or causes of variances between actual revenues and expenses versus budgeted amounts on a quarterly basis. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into this report and it is presented quarterly to Executive Management and the Commission in public meetings.
- p. **Commitment Control**: The Port has in place a commitment control ledger that monitors department budgets, and which prevents departments from exceeding their total budget without appropriate approval.

## **2. FINANCIAL POLICIES AND DESCRIPTION OF MAJOR FUNDS**

This section, pages XIII-11 through 18, presents a summary of the Port's major financial policies and description of its major funds.

- a. **Organization**: The Port of Seattle (the "Port") is a municipal corporation of the State of Washington, organized on September 5, 1911, through enabling legislation by consent of the voters within the Port district. In 1942, the local governments in King County selected the Port to operate the Seattle-Tacoma International Airport (the "Airport"). The Port is considered a special purpose government with a separately elected commission of five members and is legally separate and fiscally independent of other State or local governments. The Port has no stockholders or equity holders. All revenues or other receipts must be disbursed in accordance with provisions of various statutes, applicable grants, and agreements with the holders of its bonds.
- b. **Reporting Entity**: The Port reports the following fund: the Enterprise Fund accounts for all activities and operations of the Port.

There are dozens of funds that are summarized into the Enterprise Fund. The Enterprise fund is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties. Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions - Aviation, Maritime, and Economic Development.

Within the Enterprise Fund, the Port segregates non-operating expenses made to public entities which are funded by the ad valorem tax levy. This includes expenses for district schools and infrastructure improvements to the state and region in conjunction with other agencies. These projects are controlled by other governmental entities and are not reflected in the Port's financial statements.

In 2015, the Port underwent a series of reorganizations to strategically position the Port to achieve future growth, operational excellence and talent development.

Operation of the Port's main cargo business was transferred to the Northwest Seaport Alliance, a joint venture with the Port of Tacoma, which unified the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the Puget Sound gateway and attract more marine cargo to the region. The remaining Seaport businesses became a part of the new Maritime Division.

The Northwest Seaport Alliance is the fourth-largest trade gateway in North America, behind the ports of Los Angeles and Long Beach, the Port of New York/New Jersey, and the Port of Savannah. The Pacific Northwest is a key region for inbound and outbound United States cargo, moving cargo not only for the regional trade, but also cargo headed to destinations throughout the entire U.S. Midwest, and this Alliance will help the region remain competitive into the future. This is truly historic and signals a new era of cooperation between the ports. Combining the strong cargo terminal operations will make the region more competitive in the global economy and create new jobs in Washington.

The two ports have moved from fierce competitors to bold collaborators to form a new business model for the greater good of the region. The ports recognized how critical the maritime industry is to the state's economy, and are proud and excited to strengthen it even more.

Together, the ports can more efficiently deploy the significant investments each port has devoted to infrastructure and speak with a stronger voice on pressing regional and industry-related issues. While the ports remain separate organizations that retain ownership of their respective assets, they formed a port development authority (PDA) to manage the container, break-bulk, auto and some bulk terminals in Seattle and Tacoma. The PDA is governed jointly by the two ports through their elected commissions.

Effective January 1, 2016, the Port is comprised of three operating divisions, namely Aviation, Maritime and Economic Development.

The Aviation Division ("Aviation") operates Seattle-International (Sea-Tac) Airport which serves the predominant air travel needs of a five-county area. The Airport is ranked as the 9th busiest U.S. airport, serving 46.9 million passengers and more than 425,800 metric tons of air cargo in 2017. There are twenty-eight passenger airlines that offer 87 non-stop domestic destinations and 23 international cities.

The Maritime Division manages industrial property connected with maritime businesses, recreational marinas, Fishermen's Terminal, cruise, grain and maritime operations.

The Economic Development Division focuses on managing the Port's industrial and commercial properties including conference and event centers, encouraging tourism, developing small business opportunities, and providing for workforce development in the aviation, maritime and construction industries.



Central Services provides high quality and cost-effective professional and technical services to the divisions and supports the overall goals of the Port; it also delivers projects and provides technical and contracting services in support of the operating and infrastructure needs of the Port through Capital Development. Central Services expenses are allocated and charged to the operating divisions.

- c. **Basis of Accounting and Budgeting:** The Port does not distinguish between the Basis of Accounting and the Basis of Budgeting since the principles set forth as the Basis of Accounting are observed in the budgeting process. The Port is accounted for on a flow of economic resources measurement focus. The financial statements and the budget are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting under which revenue transactions are recognized when earned and expenses are recognized when incurred, regardless of the time the cash is received or disbursed. The Government Accounting Standard Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port adopted the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance issued by Financial Accounting Standard Board ("FASB") pronouncements which does not conflict with or contradict GASB pronouncements, and eliminates the option to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.
- d. **Use of Estimates:** The preparation of the Port's budget in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in reporting of revenues and expenses in certain instances. Thus, actual amounts could differ from those estimates.
- e. **Operating Revenues:** Fees for services, rents and charges for the use of Port Facilities such as: Dockage, Wharfage, Berthage and Moorage, Airport Transportation Fees, Airport Landing Fees, Equipment, Property Rentals and other revenues generated from the Port's operations are reported as operating revenue.
- f. **Non-Operating Revenues:** Revenues that do not result from the normal operation of the Port's business such as: Ad Valorem Tax Levy, Interest Income, Non-operating Grants, Passenger Facilities Charges, Customer Facilities Charges and other revenues generated from non-operating sources are classified as non-operating.
- g. **Operating & Maintenance Expenses:** Cost or charges that arise from the normal operation of the Port's business. These are costs or services required for a department/division to function. These include Salaries and Benefits, Equipment expense, Supplies and Stock, Travel and Other Employee expenses and all Direct Charges, even those from Central Services and from other Divisions.
- h. **Non-Operating Expenses:** Cost or charges that do not arise from the normal operation of the Port's business. An example is interest expense.
- i. **Capital Policy:** The Port's policy is to capitalize all asset additions or **Tangible Assets [Property, Plant and Equipment]** and **Intangible Assets**, if they exceed \$20,000, whether it is a single payment or an accumulation of related costs and with an estimated useful life of more than three years. Any asset costing less than \$20,000 is expensed. Land, facilities and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on a straight-line basis. Buildings and improvements are assigned lives of 30 to 50 years, equipment 3 to 20 years, and furniture and fixtures 5 to 10 years.
- j. **Debt Policy:** The Port's debt policy is designed to ensure appropriate use and management of debt including compliance with various laws, regulations and agreements and effective management of risk. The policy requires use of an independent financial advisor and describes the roles of Commission and staff. The policy describes the type and structure of debt and sets forth limitations on new debt. Key

limitations include minimum debt service coverage requirements for revenue bond debt of 1.25x for the Airport and 1.5x (currently under review) for the non-aeronautical businesses and that General Obligation bond debt service cannot exceed 75% of the annual tax levy. The policy establishes savings targets for refunding ranging from 3% for a current refunding with a short-term maturity/call date to 9% for a LIBOR based swap refunding with a long-term maturity/call date. The policy also provides guidelines for the sale of bonds.

- k. **Ad Valorem Tax Levy:** Ad valorem taxes received by the Port are utilized for the acquisition and construction of facilities, for the payment of principal and interest on GO bonds issued for the acquisition or construction of facilities, for contributions to regional freight mobility improvements, for environmental expenses, for certain operating expenses, and for public expenses. The Port includes ad valorem tax levy revenues and interest expense on GO bonds as non-operating income in the Statement of Revenues and Expenses. The King County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior year. The lien date is January 1. Assessed values are established by the County Assessor at 100% of fair market value. A re-evaluation of all property is required annually. Taxes are due in two equal installments on April 30 and October 31. Collections are distributed to the Port by the County Treasurer.
- l. **Special Item:** The Port recorded as a special item, a \$120,000,000 payment made to the Washington State Department of Transportation (“WSDOT”) for the State Route 99 (“SR99”) Alaskan Way Viaduct Replacement Program in 2015. This is the first payment based on the funding agreement entered into with WSDOT for the State’s eligible construction cost incurred on the Tunnel Design Build Project. The Port made the remaining \$147,700,000 payment to WSDOT in 2016 and recorded it as a special item. The SR99 Alaskan Way Viaduct Replacement Program will improve movement of freight and other traffic on the west corridors of the Seattle transportation system between the Duwamish and Ballard-Interbay neighborhoods, including easy access to the Port’s cargo, recreational boating, commercial fishing, cruise facilities and the Airport.
- m. **Description of Major Funds:** There are dozens of funds that are summarized into the Enterprise Fund. The Enterprise Fund accounts for all activities and operations of the Port. The Enterprise fund is connected to the functional units in that it is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties.

Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions (Aviation, Maritime, Economic Development), and Central Services. Descriptions of some of the major funds are:

<b>Types of Funds</b>	<b>Fund Name</b>	<b>Fund #</b>	<b>Fund Description</b>
<b>1. Operating</b>	<b>Airport Development Fund (ADF)</b>	03040	This is the operating fund for the Seattle-Tacoma International Airport (Aviation division). The fund receives operating revenues derived from all airport sources, and it funds operating and maintenance expenses related to the Airport. The fund also receives Airport Improvement Program grants reimbursement receipts. Transfers made from this fund include funding for Aviation related revenue bond fund debt service. Capital acquisition expenditures which are not otherwise funded are also made from this fund. Other expenditures include: operating and administrative expenses and non-operating expenditures associated with AVPMG, Central Services and CDD operating expenses and capital expenditures that are allocated to Aviation.

<u>Types of Funds</u>	<u>Fund Name</u>	<u>Fund #</u>	<u>Fund Description</u>
	<b>General Fund</b>	00010	<p>The general fund is the operating and capital fund for all Port-owned properties with the exception of the Seattle-Tacoma International Airport (Aviation). Operating revenues derived from all sources other than the Aviation division or the Industrial Development Corporation are deposited to this fund. The fund also receives non-operating revenues that are associated with the Maritime/Economic Development divisions or are Central Services in nature. Expenditures from this fund include:</p> <ul style="list-style-type: none"> <li>• Maritime division operating and administrative expenses; capital equipment purchases and construction projects, excluding projects funded with other funding sources;</li> <li>• Economic Development division revenues &amp; expenses flow through the general fund, however, as directed by Port Commission, certain Economic Development division expenses and capital projects may be funded from the tax levy fund;</li> <li>• Operating expenses for Central Services allocated to the operating divisions; anything directly allocated to an operating division is paid from the appropriate operating fund, General Fund for Maritime/Economic Development and the Airport Development Fund for Aviation;</li> <li>• Central Services capital equipment purchases and capital projects that are ultimately allocated to the operating divisions through allocated depreciation and appropriate portions of capital that is split between the two operating divisions;</li> <li>• Non-operating expenditures that are directly associated with the Maritime and Central Services in nature.</li> <li>• Port payrolls, purchases of materials, supplies and services, and non-Aviation capital acquisition expenditures which are not otherwise funded are made from this fund. Periodic reports are generated indicating what general fund monies have been expended for payrolls or accounts payable that properly should have been paid out of the other funds. These amounts will then be transferred from such other funds to the general funds as reimbursements.</li> </ul>
	<b>General Fund Reserve (GFR)</b>	00011	<p>Established in 2007, the GFR is a sub-fund of the General Fund. It can be used for any lawful purpose just the same as the General Fund. Finance &amp; Budget staff evaluates this fund annually to review its balance relative to General Fund and/or other general purpose funds the Port may have, the annual contribution amount, and to assess the need to have this fund.</p>
	<b>Tax Levy</b>	00020	<p>The Tax Levy fund was established in 2002 and is used to receive the ad valorem taxes levied on real properties within the Port's District (King County). Prior to 2002, the tax levy proceeds were deposited into the General Fund. Other items deposited to this fund include Receipts in lieu of taxes, Tax sales and refunds, Investment income and expense, Tax adjustments, Tax supplements and</p>

<u>Types of Funds</u>	<u>Fund Name</u>	<u>Fund #</u>	<u>Fund Description</u>
			cancellations. Proceeds are used for General Obligation (G.O.) bonds debt service, and to fund capital, expense and special item projects that meet criteria established by the Port, or as directed by Port Commission.
	<b>Transportation &amp; Infrastructure Reserve (TIF)</b>	00021	Established in 2010, as per the 2010 Commission approved budget, the TIF can be used for any lawful purpose just the same as Tax Levy Fund. The TIF initial funding source is from the Tax Levy fund, and the fund balance is reviewed at least annually with Port staff and Commission.
	<b>Harbor Development Fund (HDF)</b>	00022	In 2017 as part of 2018 Budget/Plan of Finance, the Port set aside funds in the HDF to help fund future development in the North Harbor (NWSA). The HDF was initially funded with a portion of the 2017 G.O. bond proceeds, which were issued to reimburse the Port for prior year cash payments made to the State of Washington on the Alaska Way Viaduct project. The HDF is legally separate from any tax levy collections and is available to pay revenue bond debt service, if the Port chooses.
	<b>Lease Security SSAT/T-18 Fund</b>	03090	Established December 2011, this fund represents the Lessee's (SSAT and SSA) Security for Rent Payment in the form of a "Cash Security", to satisfy the lease's Security Requirement.
	<b>Customer Deposits</b>	06010	This fund has been established as a depository of lease deposits and other monies held by the Port as surety, but belonging to Port of Seattle customers.
<b>2. Special Facility</b>	<b>Passenger Facilities Charges (PFC) :</b> <ul style="list-style-type: none"> <li>• Revenue</li> <li>• Capital</li> </ul>	06054 03060	PFC Revenues are derived from passenger facility charges levied on embarking passengers at Seattle-Tacoma International Airport. The collected revenues are used to pay debt service on PFC Revenue Bonds, debt service on other revenue bonds related to FAA PFC approved projects, and for specifically-designated airport facility improvements projects. All PFC's revenues are deposited to the Revenue fund (06054). From the Revenue fund, there is a required monthly transfer of monies to the Debt Service fund equal to 1/6 <sup>th</sup> of semi-annual debt service payment by the 25 <sup>th</sup> of each month. The remaining balance of the Revenue fund, which includes interest earnings, is then transferred to Capital fund (03060).
	<b>Customer Facility Charge (CFC)</b>	CFC01	Established in 2006, the CFC Fund holds revenue derived from charges imposed upon customers of rental car companies accessing the Airport, and taxable revenue bond proceeds issued to fund the Consolidated Rental Car Facility (CRCF). Funds are to be used to pay debt service on those bonds, construction costs for the CRCF project, any future capital maintenance projects, and specified CRCF operating expenses.
	<b>Fuel Hydrant Fund</b> <ul style="list-style-type: none"> <li>• Revenue</li> <li>• Debt Service</li> <li>• Project</li> </ul>	Held in Trust	The funds accruing to the Fuel Hydrant Revenue Fund are derived from Pledged Lease Revenue and Other Revenue as defined in Resolution No. 3504, as amended. Funds are to be used to pay Fuel Hydrant bonds debt service. All Fuel Hydrant revenues are deposited to the Revenue

<b>Types of Funds</b>	<b>Fund Name</b>	<b>Fund #</b>	<b>Fund Description</b>
	<ul style="list-style-type: none"> <li><b>Reserve</b></li> </ul>		account. From the Revenue account, there is a required monthly transfer to the Debt Service account equal to 1/6 <sup>th</sup> of the semi-annual interest and 1/12 <sup>th</sup> of the annual principal amounts. The remaining balance of the Reserve account, which is interest earnings, is then transferred to Capital account.
<b>3. Debt Related</b>	<b>Bond Funds</b>	Various	The Port of Seattle issues bonds pursuant to bond resolutions to fund its Capital Improvement Program. Proceeds from bond issues are used to fund construction, capitalized interest and reserves, see below.
	<b>Capitalized Interest Fund (Cap-I)</b>	Various	Established at the time of bond issuance, Cap-I funds are additional bond proceeds to be used to pay interest expense before the capital asset goes into use and is able to generate revenue to repay principal.
	<b>Construction Fund (CF)</b>	Various	Proceeds from bond issues are used for the Port's facilities expansions and improvements, land acquisition, and/or pay interest. Separate funds are set up for each bond issue to allow for the tracking and reconciliation of bond proceeds expenditures.
	<b>Debt Service Reserve Fund (DSRF)</b>	Various	Established at the time of bond issuance for the purposes of securing the payment of principal and interest on related outstanding bonds. Terms set forth in the bond covenants dictate how much the Port is required to maintain in the Reserve fund. Not all bond issues have a cash funded Reserve fund; the Port may instead choose to maintain qualified surety and/or a qualified letter of credit.
	<b>Debt Service Fund (DSF)</b>	Various	The DSF serves as a pass-through fund. Transfers are made periodically to the DSF, typically on the debt service date, for an amount sufficient to meet the debt service requirements. The source of the funds transfer depends on the related debt and may be made, legally, from any operating fund, but it is the Port's intent to make all such transfers from the General or Airport Development Funds.
<b>4. Other Operating</b>	<b>Repair and Renewal Fund</b>	03150	Established pursuant to Master Resolution 3577, Section 4. (b), the proceeds of the fund may be used by the Port to pay extraordinary operating and maintenance expenses, make capital replacements, additions, expansions, repairs and renewals of the facilities of the Port.
	<b>Environmental Settlement</b>	ENVIR	Established 2008, the fund is used for environmental settlement money received for cleanup work the Port is engaged to do. Consequently, there are restrictions on how proceeds are used.
	<b>Industrial Development Corporation (IDC)</b>	IDC01	The IDC of the Port of Seattle is a special purpose government with limited powers. It was established in 1982 pursuant to Revised Code of Washington (Chap. 39.84) for the purpose of facilitating industrial expansion through tax-exempt financing. The IDC fund balance is comprised from compensation from companies that borrow through the IDC, and investment earnings. IDC "surplus" funds may be used for any allowable purposes as provided by state law: allowable under the Port's

<u>Types of Funds</u>	<u>Fund Name</u>	<u>Fund #</u>	<u>Fund Description</u>
			authorized powers to engage in economic development programs, and for growth management, planning or other economic development purposes.

**3. REVENUE AND EXPENSE ASSUMPTIONS**

Operating revenues are developed based on the terms of various lease agreements and on forecasted activity levels. Operating expenses are developed based on historical experience, forecasted activity levels and inflation.

The 2019 Aviation aeronautical revenues, which are based on cost-recovery, are budgeted at \$365.6 million, an increase of \$64.5 million compared to 2018 budget. The 2019 budget for non-aeronautical revenues are \$259.5 million which is \$14.8 million or 6.0% higher than the 2018 budget due primarily to an increase in enplaned passengers. Aviation expenses for 2019 are expected to increase by \$31.2 million or 9.3% over the 2018 budget mainly driven by increases in payroll, contracted services, costs associated with rising non-aeronautical revenues as well as non-recurring baseline expenses related to programs supporting strategic initiatives and remediation liability expense for major construction projects.

Maritime revenues for 2019 are budgeted at 59.7 million, an increase of \$4.7 million or 8.5% from the 2018 budget. The revenue growth can be attributed to the forecasted increases in Cruise revenue, Fishing and Operations revenue (due to higher rates and full year implementation of Salmon Bay Marina), and Recreational Boating revenue (due to stable occupancy and higher rates). Maritime expenses for 2019 are budgeted at \$50.8 million, which is \$1.2 million over the 2018 budget due mainly to the continued expansion of the Port Cruise Valet service.

Economic Development revenues are anticipated to increase by \$1.2 million or 6.5% from the 2018 budget. The projected increase in revenue can be attributed to higher activity at the Conference and Event Centers. Economic Development expenses for 2019 are expected to increase by \$2.4 million or 8.2% compared to the 2018 budget driven by costs associated with increased Conference and Event Center volumes and higher maintenance expenses.

The key business activities forecast for the Airport, Maritime, and Economic Development divisions are as follows:

- Enplaned passengers are expected to grow by 3.0% for 2019.
- Cruise passengers are forecasted at 1.2 million for 2019, an 11.1% increase from 2018 budget.
- Grain volume is expected to decline by 14% decrease from 2018 budget (at 3.58 million metric tons).
- Marina occupancy rate for 2019 is forecasted to remain flat at 95%.
- Fishing and Commercial Operations average occupancy rates are 86%, same as 2018 budget.
- Commercial Properties occupancy rate for 2019 is forecasted at 95%, same as 2018 budget.
- Bell Harbor International Conference Center Revenue is expected to increase by 19.0% compared to the 2018 budget.

Container volumes are compiled on a combined basis as part of the Northwest Seaport Alliance business plan and budget.

Portwide salaries for exempt and non-exempt employees are budgeted to increase by an average of 3.8% for 2019. Benefit costs are budgeted in two parts for employees in non-union jobs:

- The first part represents the costs that are not salary based. This includes medical and dental coverage, Wellness Rewards program costs, 401(a) contributions, and Flexible Spending Account fees. This amount totals \$ 1,186.27per benefit eligible employee per month.
- The second part represents costs that are salary based. This includes FICA, PERS, life and disability insurance as well as PTO and EI amounts. These items total 24.5% of pay.

## **APPENDIX C: BUSINESS ASSESSMENT**

### **a. Local Economy and Outlook**

The national economy is expanding at a modest rate. The real gross domestic product (GDP), defined as the value of the production of goods and services in the United States, rose 2.0% (seasonally adjusted annual rate-SAAR) during the first quarter of 2018, and increased to 4.1% (SAAR) in the second quarter of 2018 due primarily to the increased contributions from nonresidential fixed investment and private inventory investment. According to the Washington State Economic and Revenue Council, the real GDP growth is expected to grow 2.9% in 2018, 2.6% in 2019, 1.9% for 2020 and 2021, and 2.1% in 2022 and 2023.

In general, the U.S. employment growth looks promising adding 201,000 net new jobs in August. The health sector had the highest employment gain increasing by 33,000 new jobs followed by professional and technical services at 28,000, construction at 23,000, wholesale trade at 22,000, accommodation and food services at 20,000 and administrative and support services at 20,000. However, several industries experienced employment declines in August with clothing and accessories stores experiencing the highest reduction of 21,000 jobs followed by information with 6,000, performing arts and spectator sports by 5,000, state government excluding education and manufacturing at 3,000 each. The average hourly wages rose by \$.10 in August 2018 and are 2.9% higher compared to the same time last year.

The U.S. unemployment rate has been on a steady decline, down from 4.1% in March 2018 to 3.9% in August 2018. Moreover, U.S. initial claims for unemployment insurance for September 2018 is 204,000 (SA) and is considered at the lowest level since December 1969.

Meanwhile, Washington State's economy continues to grow and is expected to outperform the U.S. economy. Washington State's total nonfarm employment increased to 24,300 (Seasonally Adjusted) in June through August. Majority of the employment increase came from the private, services-providing industries, which added 18,600 net new jobs. In addition, manufacturing added 1,300 new jobs, most of which are in the aerospace industry. The government sector added 3,500 new jobs. Construction jobs, on the other hand, increased by 900 in the same three-month period. The Economic and Revenue Forecast Council is expecting an employment growth rate for Washington State of 2.5% this year, and an average employment growth rate of 1.1% annually in 2019 until 2023. Additionally, personal income growth is at 5.8% this year, and the expected average growth rate is 5.1% per year in 2019 through 2023. Washington State's unemployment rate continues its downward trend. The unemployment rate of 4.7% that was recorded in May of this year was the lowest since June 2007, when it reached an all-time low of 4.6%.

Washington State exports are on the rise increasing to 3.9% in the first quarter of 2018 compared to the same time period last year. The uptick was primarily due to the export of manufacturing commodities which increased by 6.2% over the year. Likewise, transportation equipment exports (comprised mostly of Boeing planes) and exports of agricultural products both rose 2.8% throughout the year.

Home prices in the Seattle area have now increased by 92% since reaching its lowest point in December 2011, and have surpassed the May 2007 peak by 33%. However, housing construction in Washington declined in the second quarter of 2018, and came in lower than the June forecast of 46,700 units (SAAR). The number of housing authorized by building permits decreased to 43,200 units (SAAR) in the second quarter of 2018 compared to 49,200 units in the first quarter. The second quarter permits comprised of 23,000 single-family units and 20,200 multi-family units. Consumer price inflation in the Seattle area continues to be at well above the national average. Seattle consumer prices, from August 2017 to August 2018, rose 3.2% compared to 2.7% for the U.S. city average due largely to higher shelter costs. If shelter costs were excluded, Seattle inflation costs would be below the national average, 1.5% compared to 2.3%.

**TABLE C-1: SUMMARY FORECAST**

<b>SUMMARY FORECAST (Annual Percent Change)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Washington State Economic Forecast</b>					
Employment	2.9	2.8	2.4	2.6	1.8
Unemployment Rate	5.5	4.9	4.7	4.3	4.2
Real Personal Income	4.5	4.0	4.7	3.6	2.8
Seattle Consumer Price Index	1.9	2.7	3.1	2.2	2.2
Housing Permits	3.3	11.0	5.9	-10.3	4.2
Total Population (in 000's)	7,183.7	7,310.3	7,427.6	7,539.8	7,649.8
% Change	1.7	1.8	1.6	1.5	1.5

Sources: Washington State Economic and Revenue Forecasts for November 2018, <https://erfc.wa.gov/publications>

**TABLE C-2: STATE EMPLOYMENT BY INDUSTRY**

<b><u>Washington State 2017 Average Employment Classified by Industry</u></b>			
<b><u>Industry description</u></b>	<b><u>Average Firms</u></b>	<b><u>Average Annual Employment</u></b>	<b><u>Average Annual Wage</u></b>
Agriculture, forestry, fishing, and hunting	7,208	105,158	\$31,154
Mining	152	2,494	71,120
Utilities	223	4,738	93,057
Construction	25,043	187,140	61,227
Manufacturing	7,373	280,287	76,301
Wholesale trade	13,007	131,591	76,856
Retail trade	14,561	378,150	52,542
Transportation & warehousing	4,575	96,194	58,058
Information	3,701	125,735	172,592
Finance and insurance	5,733	93,674	90,869
Real estate, rental and leasing	6,773	50,745	51,553
Professional, scientific, and technical services	25,057	194,611	92,323
Management of companies and enterprises	632	44,223	111,942
Administrative, support, waste management and remediation services	12,010	165,746	48,484
Educational services	3,230	42,313	38,455
Health care and social assistance	50,312	409,190	50,971
Arts, entertainment, and recreation	2,791	51,005	32,074
Accommodation and food services	14,309	274,121	22,766
Other services (except public administration)	18,611	97,390	38,832
Government	2,118	555,076	61,187
<b>Total *</b>	<b>217,415</b>	<b>3,289,581</b>	<b>\$62,073</b>

Source: Washington State Employment Security Department, Employment and Economic Information Quarterly Census of Employment and Wages, Annual Averages 2017 QCEW Preliminary Data  
\*: Total and average of statewide rollout data  
<https://fortress.wa.gov/esd/employmentdata/reports-publications/industry-reports/quarterly-census-of-employment-and-wages>



**TABLE C-3: TOP 10 PUBLIC COMPANIES IN WASHINGTON**

<b>Washington State top 10 Companies</b> <i>(ranked by 2018 total Revenues)</i>			
<b>Company</b>	<b># of Employees</b>	<b>2018</b>	<b>Website</b>
		<b>Revenues (in billions)</b>	
Amazon.com	566,000	\$177.9	www.amazon.com
Costco Wholesale	182,000	129.0	www.costco.com
Microsoft	124,000	89.9	www.microsoft.com
Starbucks	277,000	22.4	www.starbucks.com
Paccar	25,000	19.5	www.paccar.com
Nordstrom	76,000	15.5	www.nordstrom.com
Expedia	22,615	10.0	www.expedia.com
Alaska Air Group	23,156	7.9	www.alaskaair.com
Weyerhaeuser	9,300	7.1	www.weyerhaeuser.com
Expeditors International	16,500	6.9	www.expeditors.com

Source: Fortune 500  
<http://beta.fortune.com/fortune500/list/filtered?hqstate=WA>

**b. Economic Impact**

The Port of Seattle retained Martin Associates to evaluate the economic impacts generated by the Seattle seaport, Seattle-Tacoma International Airport and the Port’s non-maritime and non-aviation tenants, based on business activity data collected in 2013-2014. The firm has conducted similar studies at more than 250 seaports and most major airports in North America.

For the seaport, the study measures the impacts of five distinct types of waterborne activity:

- Marine cargo activity
- Fishing activity at marine terminals (and related services)
- Waterborne passenger activity (cruise and shore-side operations)
- Marina activity (recreational and transient boating)
- Non-marine cargo and non-aviation Port of Seattle real estate tenants (restaurant, retail, and industry-related services).

For the airport, the study measures the impacts of five business sectors:

- Airline/airport service sector
- Freight transportation sector
- Passenger ground transportation sector
- Contract construction/consulting services sector
- Visitors’ industry sector

The study includes interviews with 1,067 firms doing business with the Port, plus surveys with 1,400 aviation passengers and 600 cruise passengers and ship crew.

The results provide a snapshot of the economic impact of Port of Seattle in 2013-2014, and impact models for each business unit operated by the Port of Seattle. The study provides models to assess the economic impacts of specific Port of Seattle capital development projects.

By air, land and sea, the Port of Seattle connects passengers and cargo to destinations around the globe. From tourism and international trade to fishing, boating and imported products, the Port affects nearly every person in the Northwest region-generating nearly 216,000 jobs – and affects many others throughout the world.

Successful trade and travel generate substantial – and dependable – revenue, including \$19.8 billion in business revenue in 2013. The Port of Seattle’s airport, seaport and real estate activities contribute to the local and regional economy on multiple levels through the reinvestment and re-spending of Port-generated revenue and income. Results demonstrate the Port is a strong driving force for sustainable economic vitality.

Port of Seattle facilities generate the following economic impacts for the local and regional economy in 2013:

- 129,744 direct jobs are generated by Port-owned transportation facilities.
- As the result of local and regional purchases by those individuals, an additional 53,148 induced jobs are supported in the region.
- 33,379 indirect jobs were supported by \$1.1 billion of local purchases by businesses supplying services at the Port-owned facilities.
- \$4.2 billion of direct wages and salaries were received by those 129,744 directly employed by the Port’s transportation infrastructure. As the result of re-spending this income, an additional \$4.3 billion of income and consumption expenditures were created in the Seattle region, primarily King County.
- Businesses providing services at Port-owned marine terminals and Sea-Tac Airport, as well as real estate tenants, received \$19.8 billion of revenue, excluding the value of cargo shipped through the airport and marine facilities, and the landed value of the seafood caught by the fleet using Fishermen’s Terminal, Terminal 91 and the Maritime Industrial Center.
- \$894.4 million of state and local taxes were generated by activity at the Port of Seattle marine terminals, real estate tenants, and Sea-Tac Airport. In addition, \$547.2 million of federal aviation-specific taxes were generated by activity at Sea-Tac International Airport.

**APPENDIX D: BOND AMORTIZATION SCHEDULES**

**TABLE D-1: BOND AMORTIZATION SCHEDULE FOR 2018**

Bond Type Series	Original Issue Amount	Issue Date	Outstanding Jan. 1, 2018	2018 Principal Payments		Outstanding Dec. 31, 2018	Interest Payments [1]	
				Due Date	Amount		Due Date	Amount
<b>GENERAL OBLIGATION BONDS</b>								
Limited Tax G.O., Series 2004C Ref.	\$131,330,000 [3]	01/27/04	6,640,000	11/01/18	3,235,000	3,405,000	05/01, 11/01	348,600
Limited Tax G.O., Series 2011 Ref	\$74,000,000 [3]	02/23/11	45,110,000	12/01/18	4,795,000	40,315,000	06/01, 12/01	2,459,925
Limited Tax G.O., Series 2013A ref	\$27,630,000 [3]	03/26/13	27,630,000			27,630,000	05/01, 11/01	1,272,350
Limited Tax G.O., Series 2013B Taxabl	\$75,165,000 [3]	03/26/13	34,475,000	11/01/18	10,030,000	24,445,000	05/01, 11/01	581,784
Limited Tax G.O., Series 2015	\$156,990,000 [4]	04/28/15	147,160,000	06/01/18	5,295,000	141,865,000	06/01, 12/01	6,512,275
Limited Tax G.O., Series 2017	\$127,345,000	03/07/17	\$127,345,000	01/01/18	2,615,000	124,730,000	01/01, 07/01	6,301,875
<b>TOTAL GENERAL OBLIGATION BONDS</b>			<b>388,360,000</b>		<b>25,970,000</b>	<b>362,390,000</b>		<b>17,476,809</b>
<b>REVENUE BONDS</b>								
<b>First Lien Bonds</b>								
Series 2003A	\$190,470,000 [5]	07/30/03	36,600,000			36,600,000	01/01, 07/01	1,921,500
Series 2009B-1	\$274,255,000 [18]	07/16/09	12,710,000	05/01/18	5,355,000	7,355,000	05/01, 11/01	575,866
Series 2009B-2	\$22,000,326 [7]	07/16/09	40,684,355			43,750,694 [7]		
Series 2011B Refunding	\$97,190,000 [8]	11/30/11	78,310,000	09/01/18	6,510,000	71,800,000	03/01, 09/01	3,915,500
Series 2016A - Ref. 2007A	\$19,565,000 [9]	08/02/16	12,430,000	10/01/18	7,495,000	4,935,000	04/01, 10/01	617,500
Series 2016B - Ref. 2007B	\$124,380,000 [9]	08/02/16	124,380,000			124,380,000	04/01, 10/01	6,187,800
Series 2016C - Ref. Taxable	\$6,180,000 [9]	08/02/16	6,115,000	10/01/18	65,000	6,050,000	04/01, 10/01	154,966
<b>Total First Lien Bonds</b>			<b>311,229,355</b>		<b>19,425,000</b>	<b>294,870,694</b>		<b>13,373,131</b>
<b>Intermediate Lien Bonds</b>								
Series 2010B New Money	\$157,880,000	07/15/10	145,470,000	06/01/18	3,465,000	142,005,000	6/01,12/01	7,171,688
Series 2010B - Ref. 2005D	\$63,435,000 [11]	07/15/10	60,730,000	06/01/18	1,445,000	59,285,000	6/01,12/01	2,994,038
Series 2010C - Ref. 2000B	\$128,140,000 [12]	07/15/10	103,135,000	02/01/18	12,675,000	90,460,000	02/01,08/01	4,839,875
Series 2012A Refunding	\$342,555,000 [5]	03/14/12	313,215,000	08/01/18	10,660,000	302,555,000	02/01,08/01	15,476,200
Series 2012B - Ref. 2001B	\$189,315,000 [6]	03/14/12	111,895,000	08/01/18	14,085,000	97,810,000	02/01,08/01	5,168,000
Series 2013 Revenue Refunding	\$139,105,000 [13]	12/17/13	127,155,000			127,155,000	01/01, 07/01	6,332,750
Series 2015A New Money	\$72,010,000	08/06/15	72,010,000	04/01/18	1,780,000	70,230,000	04/01, 10/01	3,460,450
Series 2015B Refunding	\$284,440,000 [14]	08/06/15	255,190,000	03/01/18	21,080,000	234,110,000	03/01, 09/01	12,232,500
Series 2015C New Money	\$226,275,000	08/06/15	222,500,000	04/01/18	4,205,000	218,295,000	04/01, 10/01	11,019,875
Series 2016 Refunding	\$99,095,000 [10]	08/02/16	99,095,000			99,095,000	02/01,08/01	4,915,900
Series 2017A Revenue Refunding	\$16,705,000 [18]	08/22/17	16,705,000			16,705,000	05/01, 11/01	835,250
Series 2017B Revenue Refunding	\$264,925,000 [18]	08/22/17	263,045,000	05/01/18	7,210,000	255,835,000	05/01, 11/01	8,233,855
Series 2017C New Money	\$313,305,000	08/22/17	313,305,000			313,305,000	05/01, 11/01	15,790,250
Series 2017D New Money	\$93,230,000	08/22/17	93,230,000	05/01/18	2,490,000	90,740,000	05/01, 11/01	4,599,250
Series 2018A New Money	\$470,495,000	06/21/18	470,495,000			470,495,000	05/01, 11/01	8,319,007
Series 2018B New Money	\$85,145,000	06/21/18	85,145,000			85,145,000	05/01, 11/01	1,537,340
<b>Total Intermediate Lien Bonds</b>			<b>2,196,680,000</b>		<b>79,095,000</b>	<b>2,588,080,000</b>		<b>112,926,228</b>
<b>Subordinate Lien Bonds</b>								
Series 1997	\$108,830,000	03/26/97	46,025,000	2018	8,665,000 [2]	37,360,000	Various [2]	621,917
Series 1999A	\$127,140,000 [5]	11/14/02	40,930,000	9/1/2018	12,920,000	28,010,000	03/01, 09/01	2,251,150
Series 2008	\$200,715,000 [15]	06/11/08	176,020,000	2018	8,730,000 [2]	167,290,000	Various [2]	2,483,127
<b>Total Subordinate Lien Bonds</b>			<b>262,975,000</b>		<b>30,315,000</b>	<b>232,660,000</b>		<b>5,356,194</b>
<b>TOTAL REVENUE BONDS</b>			<b>2,770,884,355</b>		<b>128,835,000</b>	<b>3,115,610,694</b>		<b>131,655,552</b>

**SPECIAL REVENUE BONDS**

PFC Rev. Bonds Series 1998A	\$118,490,000	[16]	07/16/98	31,020,000	12/01/18	15,095,000	15,925,000	06/01, 12/01	1,706,100
PFC Ref. Bonds Series 2010A	\$79,770,000	[16]	12/01/10	66,550,000	12/01/18	-	66,550,000	06/01, 12/01	3,327,500
<b>TOTAL SPECIAL REVENUE BONDS</b>				<u>97,570,000</u>		<u>15,095,000</u>	<u>82,475,000</u>		<u>5,033,600</u>

**SPECIAL FACILITY REVENUE BONDS**

Fuel Facilities Series 2013 ref	\$88,660,000	[17]	06/13/13	76,135,000	06/01/18	3,490,000	72,645,000	06/01, 12/01	3,445,883
<b>TOTAL SPECIAL FACILITY REVENUE BONDS</b>				<u>76,135,000</u>		<u>3,490,000</u>	<u>72,645,000</u>		<u>3,445,883</u>

**Notes:**

[1] - Interest Payments shown in this schedule are gross amounts before use of any Capitalized Interest.

[2] - Estimated annual total. Interest paid monthly. Principal paid annually or at maturity.

[3] - Series 2013AB G.O. bonds fully refunded the Series 2004A G.O. bonds and partially refunded the Series 2004B G.O. bonds, the Series 2004C G.O. bonds and the Series 2011 G.O bonds on 3/26/2013. The Series 2004C G.O. Ref. bonds refunded a portion of the Port's 1994B Revenue bonds and a portion of the 1994 G.O. bonds. The Series 2011 G.O. bonds refunded the outstanding 2000B G.O. Bonds.

[4] - Series 2015 G.O. fully refunded the outstanding Series 2006 G.O. Ref. Bonds. The Series 2006 G.O bonds refunded a portion of the Port's 1999A Special Facility bonds and a portion of the 2000A G.O. bonds.

[5] - Series 2012A Intermediate lien bonds fully refunded the Series 2001A First Lien Revenue bonds and partially refunded the Series 1999A Sub Lien bonds and 2003A First Lien bonds.

[6] - Series 2012B Intermediate Lien bonds refunded a portion of the Series 2001B First Lien bonds and fully refunded the Series 2001C First Lien bonds.

[7] - Series 2009B-2 First Lien Capital Appreciation Bonds were issued at \$22,000,326 par. The outstanding principal balance at 12/31/2018 includes \$21,750,368 of accumulated accreted interest.

[8] - Series 2011AB First Lien bonds fully refunded the 1999B and 1999C Special Facility bonds and the 1998 Subordinate Lien series bonds.

[9] - Series 2016 ABC First Lien bonds refunded a portion of the outstanding Series 2007A First Lien bonds and all of the Series 2007B First Lien bonds.

[10] - Series 2016 Int Lien Refunding bonds refunded the outstanding Series 2006A bonds. The Series 2006A Intermediate Lien bonds refunded the outstanding 2000A First Lien series bonds.

[11] - Series 2010B-Ref. 2005D Intermediate Lien bonds fully refunded the 2005D Subordinate Lien series bonds.

[12] - Series 2010C Intermediate lien bonds refunded a portion of the Port's 2000B First Lien Bonds.

[13] - Series 2013 Revenue Refunding Intermediate Lien bonds refunded the outstanding 2003B First Lien series bonds.

[14] - Series 2015B Intermediate Lien bonds refunded the outstanding Series 2005A Intermediate Lien bonds. The Series 2005A Intermediate Lien bonds refunded a portion of the Port's 1996A First Lien bonds and a portion of the Port's 1997A First Lien bonds.

[15] - Series 2008 Subordinate Lien bonds refunded the 2003C Subordinate Lien bonds.

[16] - Series 2010A PFC Ref. bonds refunded a portion of the 1998A PFC series bonds. Debt service for PFC Ref. bonds will be paid directly out of receipts from PFCs, not out of operating cash flows.

[17] - Series 2013 Special Facility Fuel Hydrant bonds fully refunded the 2003 Special Facility Fuel Hydrant bonds. Debt service for Fuel Facilities is paid directly from Fuel Hydrant Facility income, not out of operating cash flows.

[18] - Series 2017A Int. Lien Revenue Refunding bonds fully refunded the Series 2009A First Lien Revenue Bonds. The 2017B bonds refunded a portion of the 2009B-1 First Lien Revenue bonds.

The Port has authority to issue up to \$250 million in Commercial Paper, as of 10/31/2018 the Port had \$18.655 million outstanding.

bondam.xls

**TABLE D-2: BOND AMORTIZATION SCHEDULE FOR 2019**

Bond Type Series	Original Issue Amount	Issue Date	Outstanding Jan. 1, 2019	2019 Principal Payments		Outstanding Dec. 31, 2019	Interest Payments [1]	
				Due Date	Amount		Due Date	Amount
<b>GENERAL OBLIGATION BONDS</b>								
Limited Tax G.O., Series 2004C Ref.	\$131,330,000	[3] 01/27/04	3,405,000	11/01/19	3,405,000	-	05/01, 11/01	178,763
Limited Tax G.O., Series 2011 Ref	\$74,000,000	[3] 02/23/11	40,315,000	12/01/19	5,045,000	35,270,000	06/01, 12/01	2,208,188
Limited Tax G.O., Series 2013A ref	\$27,630,000	[3] 03/26/13	27,630,000			27,630,000	05/01, 11/01	1,272,350
Limited Tax G.O., Series 2013B Taxabl	\$75,165,000	[3] 03/26/13	24,445,000	11/01/19	10,150,000	14,295,000	05/01, 11/01	459,418
Limited Tax G.O., Series 2015	\$156,990,000	[4] 04/28/15	141,865,000	06/01/19	5,565,000	136,300,000	06/01, 12/01	6,240,775
Limited Tax G.O., Series 2017	\$127,345,000	03/07/17	124,730,000	01/01/19	2,755,000	121,975,000	01/01, 07/01	6,167,625
<b>TOTAL GENERAL OBLIGATION BONDS</b>			<b>362,390,000</b>		<b>26,920,000</b>	<b>335,470,000</b>		<b>16,527,118</b>
<b>REVENUE BONDS</b>								
<b>First Lien Bonds</b>								
Series 2003A	\$190,470,000	[5] 07/30/03	36,600,000	07/01/19	11,580,000	25,020,000	01/01, 07/01	1,921,500
Series 2009B-1	\$274,255,000	[18] 07/16/09	7,355,000	05/01/19	7,355,000	-	05/01, 11/01	211,089
Series 2009B-2	\$22,000,326	[7] 07/16/09	43,750,694			47,048,140	[7]	
Series 2011B Refunding	\$97,190,000	[8] 11/30/11	71,800,000	09/01/19	6,835,000	64,965,000	03/01, 09/01	3,590,000
Series 2016A - Ref. 2007A	\$19,565,000	[9] 08/02/16	4,935,000	10/01/19	4,935,000	-	04/01, 10/01	242,750
Series 2016B - Ref. 2007B	\$124,380,000	[9] 08/02/16	124,380,000	10/01/19	1,560,000	122,820,000	04/01, 10/01	6,187,800
Series 2016C - Ref. Taxable	\$6,180,000	[9] 08/02/16	6,050,000	10/01/19	180,000	5,870,000	04/01, 10/01	154,251
<b>Total First Lien Bonds</b>			<b>294,870,694</b>		<b>32,445,000</b>	<b>265,723,140</b>		<b>12,307,389</b>
<b>Intermediate Lien Bonds</b>								
Series 2010B New Money	\$157,880,000	07/15/10	142,005,000	06/01/19	3,640,000	138,365,000	6/01,12/01	6,994,063
Series 2010B - Ref. 2005D	\$63,435,000	[11] 07/15/10	59,285,000	06/01/19	1,520,000	57,765,000	6/01,12/01	2,919,913
Series 2010C - Ref. 2000B	\$128,140,000	[12] 07/15/10	90,460,000	02/01/19	13,325,000	77,135,000	02/01,08/01	4,189,875
Series 2012A Refunding	\$342,555,000	[5] 03/14/12	302,555,000			302,555,000	02/01,08/01	14,993,200
Series 2012B - Ref. 2001B	\$189,315,000	[6] 03/14/12	97,810,000	08/01/19	14,505,000	83,305,000	02/01,08/01	4,745,450
Series 2013 Revenue Refunding	\$139,105,000	[13] 12/17/13	127,155,000			127,155,000	01/01, 07/01	6,332,750
Series 2015A New Money	\$72,010,000	08/06/15	70,230,000	04/01/19	1,860,000	68,370,000	04/01, 10/01	3,379,175
Series 2015B Refunding	\$284,440,000	[14] 08/06/15	234,110,000	03/01/19	22,165,000	211,945,000	03/01, 09/01	11,151,375
Series 2015C New Money	\$226,275,000	08/06/15	218,295,000	04/01/19	5,600,000	212,695,000	04/01, 10/01	10,774,750
Series 2016 Refunding	\$99,095,000	[10] 08/02/16	99,095,000			99,095,000	02/01,08/01	4,915,900
Series 2017A Revenue Refunding	\$16,705,000	[18] 08/22/17	16,705,000			16,705,000	05/01, 11/01	835,250
Series 2017B Revenue Refunding	\$264,925,000	[18] 08/22/17	255,835,000	05/01/19	7,270,000	248,565,000	05/01, 11/01	8,110,934
Series 2017C New Money	\$313,305,000	08/22/17	313,305,000	05/01/19	1,060,000	312,245,000	05/01, 11/01	15,763,750
Series 2017D New Money	\$93,230,000	08/22/17	90,740,000	05/01/19	8,190,000	82,550,000	05/01, 11/01	4,332,250
Series 2018A New Money	\$470,495,000	06/21/18	470,495,000	05/01/19	65,000	470,430,000	05/01, 11/01	23,035,625
Series 2018B New Money	\$85,145,000	06/21/18	85,145,000	05/01/19	1,290,000	83,855,000	05/01, 11/01	4,225,000
<b>Total Intermediate Lien Bonds</b>			<b>2,673,225,000</b>		<b>80,490,000</b>	<b>2,592,735,000</b>		<b>126,699,259</b>
<b>Subordinate Lien Bonds</b>								
Series 1997	\$108,830,000	03/26/97	37,360,000	2019	8,930,000	[2] 28,430,000	Various	[2] 833,128
Series 1999A	\$127,140,000	[5] 11/14/02	28,010,000	09/01/19	13,630,000	14,380,000	03/01, 09/01	1,540,550
Series 2008	\$200,715,000	[15] 06/11/08	167,290,000	2019	8,990,000	[2] 158,300,000	Various	[2] 3,730,567
<b>Total Subordinate Lien Bonds</b>			<b>232,660,000</b>		<b>31,550,000</b>	<b>201,110,000</b>		<b>6,104,245</b>
<b>TOTAL REVENUE BONDS</b>			<b>3,200,755,694</b>		<b>144,485,000</b>	<b>3,059,568,140</b>		<b>145,110,893</b>

**SPECIAL REVENUE BONDS**

PFC Rev. Bonds Series 1998A	\$118,490,000	[16]	07/16/98	31,020,000	12/01/18	15,095,000	15,925,000	06/01, 12/01	1,706,100
PFC Ref. Bonds Series 2010A	\$79,770,000	[16]	12/01/10	66,550,000	12/01/18	-	66,550,000	06/01, 12/01	3,327,500
<b>TOTAL SPECIAL REVENUE BONDS</b>				<u>97,570,000</u>		<u>15,095,000</u>	<u>82,475,000</u>		<u>5,033,600</u>

**SPECIAL FACILITY REVENUE BONDS**

Fuel Facilities Series 2013 ref	\$88,660,000	[17]	06/13/13	76,135,000	06/01/18	3,490,000	72,645,000	06/01, 12/01	3,445,883
<b>TOTAL SPECIAL FACILITY REVENUE BONDS</b>				<u>76,135,000</u>		<u>3,490,000</u>	<u>72,645,000</u>		<u>3,445,883</u>

**Notes:**

- [1] - Interest Payments shown in this schedule are gross amounts before use of any Capitalized Interest.
  - [2] - Estimated annual total. Interest paid monthly. Principal paid annually or at maturity.
  - [3] - Series 2013AB G.O. bonds fully refunded the Series 2004A G.O. bonds and partially refunded the Series 2004B G.O. bonds, the Series 2004C G.O. bonds and the Series 2011 G.O bonds on 3/26/2013. The Series 2004C G.O. Ref. bonds refunded a portion of the Port's 1994B Revenue bonds and a portion of the 1994 G.O. bonds. The Series 2011 G.O. bonds refunded the outstanding 2000B G.O. Bonds.
  - [4] - Series 2015 G.O. fully refunded the outstanding Series 2006 G.O. Ref. Bonds. The Series 2006 G.O bonds refunded a portion of the Port's 1999A Special Facility bonds and a portion of the 2000A G.O. bond
  - [5] - Series 2012A Intermediate lien bonds fully refunded the Series 2001A First Lien Revenue bonds and partially refunded the Series 1999A Sub Lien bonds and 2003A First Lien bonds.
  - [6] - Series 2012B Intermediate Lien bonds refunded a portion of the Series 2001B First Lien bonds and fully refunded the Series 2001C First Lien bonds.
  - [7] - Series 2009B-2 First Lien Capital Appreciation Bonds were issued at \$22,000,326 par. The outstanding principal balance at 12/31/2018 includes \$21,750,368 of accumulated accreted interest.
  - [8] - Series 2011AB First Lien bonds fully refunded the 1999B and 1999C Special Facility bonds and the 1998 Subordinate Lien series bonds.
  - [9] - Series 2016 ABC First Lien bonds refunded a portion of the outstanding Series 2007A First Lien bonds and all of the Series 2007B First Lien bonds.
  - [10] - Series 2016 Int Lien Refunding bonds refunded the outstanding Series 2006A bonds. The Series 2006A Intermediate Lien bonds refunded the outstanding 2000A First Lien series bonds.
  - [11] - Series 2010B-Ref. 2005D Intermediate Lien bonds fully refunded the 2005D Subordinate Lien series bonds.
  - [12] - Series 2010C Intermediate lien bonds refunded a portion of the Port's 2000B First Lien Bonds.
  - [13] - Series 2013 Revenue Refunding Intermediate Lien bonds refunded the outstanding 2003B First Lien series bonds.
  - [14] - Series 2015B Intermediate Lien bonds refunded the outstanding Series 2005A Intermediate Lien bonds. The Series 2005A Intermediate Lien bonds refunded a portion of the Port's 1996A First Lien bonds and a portion of the Port's 1997A First Lien bonds.
  - [15] - Series 2008 Subordinate Lien bonds refunded the 2003C Subordinate Lien bonds.
  - [16] - Series 2010A PFC Ref. bonds refunded a portion of the 1998A PFC series bonds. Debt service for PFC Ref. bonds will be paid directly out of receipts from PFCs, not out of operating cash flows.
  - [17] - Series 2013 Special Facility Fuel Hydrant bonds fully refunded the 2003 Special Facility Fuel Hydrant bonds. Debt service for Fuel Facilities is paid directly from Fuel Hydrant Facility income, not out of operating cash flows.
  - [18] - Series 2017A Int. Lien Revenue Refunding bonds fully refunded the Series 2009A First Lien Revenue Bonds. The 2017B bonds refunded a portion of the 2009B-1 First Lien Revenue bonds.
- The Port has authority to issue up to \$250 million in Commercial Paper, as of 10/31/2018 the Port had \$18.655 million outstanding. bondam.xls

**APPENDIX E: OTHER DETAILED EXPENDITURES**

**a. Promotional Hosting**

Promotional hosting consists of expenses incurred by officials and employees of the Port in connection with hosting others for the purpose of promoting the increased use of Port facilities and services.

**TABLE E-1: PROMOTIONAL HOSTING BY DIVISION**

<b>DIVISION</b>	<b>2017 Actual</b>	<b>2018 Budget</b>	<b>2019 Budget</b>
Aviation	\$ 177,452	\$ 210,645	\$ 207,435
Maritime	51,103	136,570	75,270
Economic Development	92,563	154,600	173,260
Central Services	72,893	185,135	148,235
<b>Total</b>	<b>\$394,011</b>	<b>\$686,950</b>	<b>\$604,200</b>

Promo.xls

**b. Memberships**

The 2019 Budget for the Port of Seattle includes monies sufficient for memberships amounting to a total of \$ 1,352,910.

In addition, the Executive Director may approve additional memberships and dues increases for 2019, which may arise and which could not be foreseen at this time, provided these increases do not exceed 10% of the total membership's budget.

Memberships are for associations for the purpose of participating on a cooperative basis with other port districts, airports and with operators of terminal and transportation facilities, associations providing specialized information and services, associations to better qualify certain employees in the performance of specified duties which are assigned to such employees, and associations which are considered to be of particular and special value in connection with the carrying out of the Port's promotion and advertising activities. Membership is an effective way to leverage scarce resources to accomplish objectives that might otherwise be omitted.

## **APPENDIX F: GLOSSARY OF TERMS USED**

**Account:** A record of an activity as revenue or expense, such as fees for services, rents, or as salaries, equipment, supplies, travel, etc.

**Accrual:** Represents an outstanding obligation for goods and services received or performed but for which payment has not been made.

**Accrual Basis of Accounting:** It is the basis of accounting under which revenue transactions are recognized when earned and expenses are recognized when incurred, regardless of the time the cash is received or disbursed, or the recording of revenue or expense in the absence of a cash transaction.

**Actual:** Earned revenue or incurred expense during the stated fiscal year.

**Actions:** The specific tactics, actions and projects an organization will undertake in an effort to meet the objectives. These statements should reflect how objectives will be achieved.

**Ad Valorem Tax Levy:** Ad valorem taxes received by the Port are utilized for the acquisition and construction of facilities, for the payment of principal and interest on GO bonds issued for the acquisition or construction of facilities, for contributions to regional freight mobility improvements, for environmental expenses, for certain operating expenses, and for public expenses. The Port includes ad valorem tax levy revenues and interest expense on GO bonds as non-operating income in the Statement of Revenues and Expenses.

**Allocated Expense:** These are costs allocated to business groups from service providers. Allocated costs are general support costs that cannot be directly attributed to a business unit, but instead support the entire Port and all its Business Groups. Costs can come from within the division (intra-division) or from outside the division (inter-division.)

**Amortization:** The gradual reduction in the book value of Fixed or Intangible Assets having a limited life by allocating the original cost over the life of the asset. (See Depreciation)

**Appropriation:** Authorization granted by a legislative body to make expenditures and to incur obligations for a specific use and contains specific limitations as to the amount, purpose, and time when it may be expended.

**Assessed Valuation:** Is an official government valuation set upon real estate and personal property by the King County Assessor, as a basis for levying property taxes.

**Audit:** A formal examination of an organization accounts or financial situation.

**Balanced Budget:** The Port prepares an annual budget and supports, encourages and commits to a balanced budget in which revenues exceed expenses. In so doing, the practice is to pay for all current operating expenses with current revenues and not postpone current year operating expenses to future years or accrue future year's revenues to the current year. The Port policy further requires that budgeted operating expenses do not exceed budgeted revenues, and on-going expenses do not exceed on-going revenues.

**Bonds:** Is an interest bearing written instrument promising to pay a specified sum of money (the face value or principal amount) on a specified date (the maturity date) at a specified interest rate. The interest payments and the repayment of the principal are detailed in a bond resolution or ordinance.



**Budget:** A financial plan, forecast or projection of the Port’s revenues and expenses expected during the stated budget year.

**Budget Calendar:** A schedule of key dates that the Port follows in the preparation, review and adoption of its annual budget.

**Budget Document:** The Port’s official written approved budget in document format, prepared by the Port’s Finance and Budget teams.

**Budget Message:** A general discussion of the proposed budget presented in written format by the Executive Director of the Port to the Port Commission and Public.

**Business & Occupation (B&O) Tax:** It is a gross receipt tax levied on businesses. Washington State does not have a corporate or personal income tax. Washington’s B&O Tax is calculated on the gross income from activities.

**Capital Improvement Plan and Draft Plan of Finance:** A detailed five year plan of proposed capital expenditures arising from the acquisition or improvement of the Port’s fixed assets and the means of financing them through bond proceeds, grants and operating revenues. This document serves as an operational and planning tool. The document identifies proposed capital projects at the airport and on the waterfront and prioritizes those projects.

**Capital Capacity:** An estimated calculation of the maximum amount available to spend on capital projects, given assumptions about future revenues and expenses and the ability to cover future interest payments per bond covenants and Port policies. See further discussion in the Draft Plan of Finance, section X.

**Capital Expenditures:** Expenditures that arise from the acquisition or improvement of the Port’s fixed assets such as construction of new facility or renovation of existing facility; renewal, replacement or upgrading of mechanical, electrical, communications, HVAC and plumbing systems; computer and office equipment; furniture and fixtures; vehicles, etc.

**Capitalized Labor or Charges to Capital Projects:** Includes the salaries and benefits costs associated with capital projects. These costs are subtracted out of the operating expense and then input into the capital budget as part of the cost of the project(s).

**Cash Disbursements:** Is the disbursement or payment of cash for cost incurred in the operation of the Port’s business.

**Cash Flow:** Illustrates the flow of funds over a period of time incorporating both the operating budget and the capital budget and determines the financial needs.

**Cash Receipts:** The collection of cash from services and from Port facilities and equipment leased or operated.

**Chartfield:** A field that contains information that defines a transaction in terms of account number, department code, subclass, fund or program.

**Chart of Accounts:** It is a long list (“index”) of account numbers and their descriptions.

**Comprehensive Annual Financial Report (CAFR):** This document, known as the CAFR, is produced by the Port of Seattle annually detailing financial, statistical, budgetary and demographic data and it is distributed to the public.

**Contingency:** A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

**Continuous Process Improvement Program (CPI)**: CPI is the port's official program to establish a continuous and enduring culture of improvement by utilizing a disciplined and time-tested improvement methodology called "LEAN." A culture of CPI will expand and improve the Port's capabilities, making the Port a stronger, more competitive organization. The CPI program focuses on four key elements:

- Organizational strategies, objectives, and metrics
- Employee empowerment and engagement
- Efficiency
- Innovation

**Cost Per Enplanement (CPE)**: Airline cost per enplanement reflects the overall cost to the airlines for each passenger enplaned. The CPE measures the total costs borne by the passenger airlines operating at the airport divided by the number of enplaned passengers (roughly half of the total passengers). CPE is a key indicator used by the airlines to measure the relative costs of airports.

**Customer Facility Charges (CFC)**: As determined by applicable State legislation, customer facility charges generate revenue to be expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds.

**Department/Org**: An organizational unit within the Port which is part of a division.

**Depreciation**: This is a non-cash item that represents the use of long-term assets. Port assets are given a useful life of more than three years when they become active and each year some of that useful life is used up, worn or depreciated (See Amortization.)

**Direct Charge**: The ability to direct charged for services instead of allocating them, which is charging against another division's/department's subclass to represent where resources were used and dollars spent for the work that was actually done.

**Draft Plan of Finance**: The Five-year Capital Budget is the basis of the Plan of Finance. A funding plan for the Capital Budget that identifies the types and amounts of funding sources that are expected to be available in the five-year planning period, developed within the financial targets and forecasts described within the Draft Plan of Finance section. The Draft Plan of Finance is prepared and presented to the Port Commission concurrently with the Operating Budget. See further discussion in the Draft Plan of Finance section.

**Enterprise Fund**: There are dozens of funds that are summarized into the Enterprise Fund. The Enterprise Fund accounts for all activities and operations of the Port. The Enterprise fund is connected to the functional units in that it is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties. Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions (Aviation, Maritime, Economic Development), and Central Services.

**Environmental Remediation Liability**: The Port's policy requires accrual of pollution remediation obligation amounts when (a) one of the following specific obligating events is met and (b) the amount can be reasonably estimated. Obligating events include: imminent endangerment to the public; permit violation; named as party responsible for sharing costs; named in a lawsuit to compel participation in pollution remediation; or commenced or legally obligated to commence pollution remediation. Potential cost recoveries such as insurance proceeds, if any, are evaluated separately from the Port's pollution remediation obligation. Costs incurred for pollution remediation obligation are recorded as environmental expenses unless the expenditures meet specific criteria that allow them to be capitalized. Capitalization criteria include: preparation of property in anticipation of a sale; preparation of property for use if the property was acquired with known or suspected pollution that was expected to be remediated; performance

of pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment; or acquisition of property, plant, and equipment that have a future alternative use not associated with pollution remediation efforts.

**Equity**: The excess of assets over liabilities.

**Estimates**: Prediction of revenues and expenditures.

**Fiscal Year**: The Port's annual accounting period for recording financial transactions begins January 1 and ends December 31, which is the same as the calendar year. It is also called the budget year.

**Forecast**: An estimate, projection or prediction of revenues and expenses.

**Full Time Equivalent**: Full Time Equivalent (FTE) employee, where "full-time" equals 100% of a full-time schedule. A full-time employee is represented as a "1.0 FTE" where 1.0 = 100% of a full-time schedule. FTEs represented by less than 1.0, such as 0.8, represent less than a full-time schedule. For example, "0.8 FTE" represents 80% of a full-time schedule.

**Fund**: The establishment of a fund is to account for money set aside for some specific purpose.

**Generally Accepted Accounting Principles (GAAP)**: Standards and guidelines by which Accounting and Financial Reporting are governed.

**General Obligation (G.O.) Bonds and Interest**: The Port can borrow money which is intended to be paid back through its taxing authority. The tax levy (See Section VIII) funds the repayment of the principal and interest of these bonds. Port financial policies dictate that G.O. bonds be used for projects that have a long lag between project costs and revenues or are insufficient to support revenue bond financing, the project generates significant economic benefits for taxpayers, and the project is critical to the Port's core business.

**Goals**: Written statements that declare what the port/division/department plan to achieve to fulfill its mission.

**Governmental Accounting Standards Board (GASB)**: It is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Government Finance Officers Association (of USA and Canada) (GFOA)**: The purpose of the Government Finance Officers Association is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and practices and promoting them through education, training and leadership.

**Investment in Joint Venture**: The Port adopted Joint Venture Accounting beginning January 1, 2016 to account for its 50% share in the Northwest Seaport Alliance (NWSA).

**Inter-Division Allocation (Charges)**: Allocation or Charges from one division to another.

**Intra-Division Allocation (Charges)**: Allocation or Charges from within the division.

**Landing Fee**: The landing fee rate and resulting landing fee revenues are based on the contractual agreement between the Port's Aviation Division and the airlines. This contractual agreement permits the airlines to land and operate at Sea-Tac Airport. See the discussion of landing fees in Appendix E.

**LEAN**: Is a management philosophy, a process improvement approach, and a set of methods that seek to identify, eliminate, and reduce non-value added activities or waste within a process. Lean is time tested and is used by several companies, industries, and agencies around the world. Key principles of LEAN are:

- Guiding team members through the steps in process improvement with a trained facilitator

- Measuring the current state of a process
- Analyzing problem areas within a process
- Brainstorming improvement ideas, implementing improvements, and putting in place controls to sustain improvements

**Major Funds:** There are dozens of funds that are summarized into the Enterprise Fund, which is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties. Therefore, the Port of Seattle summarizes all of its activities in the Enterprise Fund. This includes the Port’s major business activities, which are comprised of three operating divisions – Aviation, Maritime and Economic Development, and Central Services.

**Majority in Interest (MI):** Under the terms of the current agreement between the airlines and the airport, the airlines are entitled to vote their approval for particular capital projects that affect the airline rate base.

**Millage:** A tax rate on property, expressed in mills per dollar of value of the property.

**Mission:** A brief statement that describes the purpose of an organization’s existence. It defines the core purpose of the organization: What your organization does and for whom.

**Net Assets:** As required by GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments, net assets (equity) have been classified on the statement of net assets into the following categories:

- Invested in capital assets – net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted: Net Assets subject to externally imposed stipulations on their use.
- Unrestricted: All remaining net assets that do not meet the definition of “invested in capital assets – net of related debt” or “restricted.”

When both restricted and unrestricted resources are available for the same purpose, restricted assets are considered to be used first over unrestricted assets.

**Net Operating Income before Depreciation (NOI):** Income from operations after all direct and allocated expenses, but before depreciation, non-operating revenues and expenses has been included.

**Non-Airline Revenues:** Include concession, parking and other fees not charged directly to the airlines. These revenues help offset the residual landing fee requirement.

**Non-Operating Expenses:** Cost or charges that do not arise from the normal operation of the Port’s business. An example is interest expense.

**Non-Operating Revenues:** Revenues that do not result from the normal operation of the Port’s business such as: Ad Valorem Tax Levy, Interest Income, Non-operating Grants, Passenger Facilities Charges, Customer Facilities Charges and other revenues generated from non-operating sources.

**Northwest Seaport Alliance (NWSA):** A Joint Venture between the Port of Seattle and the Port of Tacoma formed the Northwest Seaport Alliance, which unifies the two ports’ marine cargo terminal investments, operations, planning and marketing to strengthen the Puget Sound gateway and attract more marine cargo to the region. It is the third-largest gateway in North America, behind the ports of Los Angeles and Long Beach and the Port of New York/New Jersey. It is a separate governmental entity established as a Port Development Authority, similar to Public Development Authorities formed by cities and counties. It is governed equally by the Managing Members who are acting through its home port’s

elected commissioners. The citizens of Pierce and King Counties each elect a five-member Port Commission to govern the ports of Tacoma and Seattle every four years, on a staggered basis. Each home port will remain a separate legal entity, independently governed by its own elected commissioners.

**Objectives:** Are statements of specific outcomes that are related to achieving the desired goals/strategies.

**Operating Income before Allocations & Depreciation:** Direct operating revenues minus direct operating expenses. This does not include any allocated expenses.

**Operating & Maintenance Expenses:** Cost or charges that arise from the normal operation of Port's business. These are cost or services required for a department/division to function. These include Salaries and Benefits, Equipment expense, Supplies and Stock, Travel and Other Employee expenses and all Direct and allocated charges, from Central Services and from other Divisions.

**Operating Revenues:** Fees for services, rents, and charges for the use of Port facilities such as: Dockage, Wharfage, Berthage and Moorage, Airport Transportation Fees, Airport Landing Fees, Equipment Rentals, Property Rentals and other revenues generated from port's operations are reported as operating revenue.

**ORG:** Is an abbreviated term for "Organization" and is the number that identifies departments. It shows where cost originates.

**Other Post-Employment Benefits (OPEB):** According to the Governmental Accounting Standard Board (GASB) statement 45, government agencies are required to record post-employment benefit costs other than pensions as a liability based on actuarial costs.

**Passenger Facilities Charges (PFCs):** As determined by applicable federal legislation, passenger facility charges generate revenue to be expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds. PFC revenues received from the airlines are recorded as non-operating income in the statements of revenues, expenses, and changes in net assets upon passenger enplanement.

**Passenger Facilities Charges (PFCs) Bonds:** Bonds backed by Passenger Facility Charges.

**Passenger Traffic:** Enplanements, deplanements and connecting passenger activity.

**Performance Indicators or Measures:** Metrics used by Port management to determine whether a program is achieving or accomplishing its mission efficiently and effectively.

**Performance or Operating Budget:** A financial plan that incorporates an estimate of proposed revenues and expenses for a given period. A department's budget includes only those revenues and expenditures for which it has control.

**Performance or Variance Report:** A report in narrative format explaining the reason or causes of variances between actual revenues and expenses versus budgeted amounts for a given period. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into this report and it is presented quarterly to Executive Management and the Commission in public meetings.

**Port Commission:** It is the governing body of the Port of Seattle, which is comprised of five commissioners elected by the voters of King County to serve four-year term and to establish Port policy.

**Program:** Represents costs that are tracked and tend to enhance account information.

**Repairs and Maintenance:** Expenditures for routine maintenance and repairs to structure and minor improvements to property, which do not increase the value of the capital assets.

**Resolution:** A formal expression of opinion or determination adopted by the Port Commission.

**Revenue Bonds:** A type of borrowing that is repaid through the dedication of revenues intended to be generated by the investment being funded by the bonds.

**Revenue over Expense:** The excess or deficit of revenues (operating and non-operating) over expenses (operating and non-operating). The excess of revenues over expenses increases equity, whereas the deficit, expenses over revenues, decrease equity.

**Strategies:** The broad, overall priorities adopted by the organization in recognition of its operating environment and in pursuit of its mission and vision. Strategies set the stage for decisions on budget, resources, and timeframes.

**Statutory Budget:** A plan that depicts the cash flows of the Port. It shows the beginning balance, cash receipts and cash disbursements and the balance at the end of the year. This budget must be filed with the King County Council and the King County Assessor as required by law by a specific date. See Section XI.

**Subclass:** Shows where resources were used and spending occurred. It shows who benefited from the work.

**Tax Levy:** The amount of money to be raised by the imposition of property taxes. See Section VIII.

**Transfers:** The movement of money from one fund to another.

**Transportation Worker Identification Credential (TWIC):** The Transportation Worker Identification Credential, also known as TWIC®, is required by the Maritime Transportation Security Act for workers who need access to secure areas of the nation’s maritime facilities and vessels. It is a tamper-resistant biometric identification card system established through the U.S. Congress Maritime Transportation Security Act (MTSA) and administered by the Transportation Security Administration (TSA) and U.S. Coast Guard. TSA conducts a security threat assessment (background check) to determine a person’s eligibility and issues the credential. U.S. citizens and immigrants in certain immigration categories may apply for the credential. Most mariners licensed by the U.S. Coast Guard also require a credential.

**Twenty-foot Equivalent Unit (TEU):** The international standard of measurement for the container volume that moves through the Port. One forty-foot container is equivalent to two TEUs.

**Values:** Principles, standards, characteristics or qualities held in high positive regard by an individual or group. They are often used to guide day-to-day actions.

**Variiances:** The difference between “actual” and “budget” amounts for revenues and for expenses, which could be either favorable or unfavorable.

Favorable Variance: This is a positive variance and it exists when, in a given period:

- Revenues: Actual revenues are higher than budgeted revenues
- Expenses: Actual expenses are lower than budgeted expenses

Unfavorable Variance: This is a negative variance and it exists when, in a given period:

- Revenues: Actual revenues are lower than budgeted revenues
- Expenses: Actual expenses are higher than budgeted expenses

**Vision:** A word picture or brief statement of what the organization intends to become or how it sees itself at some point in the future.

## **APPENDIX G: ACRONYMS AND ABBREVIATIONS**

<b>AAPA</b>	American Association of Port Authorities
<b>AAAE</b>	American Association of Airport Executives
<b>ACI</b>	Airports Council International
<b>AEC</b>	Airport Employment Center
<b>AIR 21</b>	Aviation Investment & Reform Act for the 21st Century
<b>APM</b>	Automated People Mover
<b>ARFF</b>	Aviation Regional Fire Fighting
<b>ATC</b>	Air Traffic Control
<b>B&amp;OT</b>	Business and Occupation Tax
<b>BHICC</b>	Bell Harbor International Conference Center
<b>BHM</b>	Bell Harbor Marina
<b>BHS</b>	Baggage Handling System
<b>BLS</b>	Bureau of Labor Statistics
<b>BMP</b>	Best Management Practices
<b>CAFR</b>	Comprehensive Annual Financial Report
<b>CDD</b>	Capital Development Division
<b>CERT</b>	Community Emergency Response Team
<b>CFC</b>	Customer Facility Charges
<b>CFO</b>	Chief Financial Officer
<b>CIP</b>	Capital Improvement Plan
<b>CMMS</b>	Computerized Maintenance Management System
<b>COO</b>	Chief Operating Officer
<b>CPE</b>	Cost per Enplanement
<b>CPI</b>	Consumer Price Index/ Continuous Process Improvement
<b>CPO</b>	Central Procurement Office, a Port department
<b>CTE</b>	Central Terminal Expansion
<b>CY</b>	Calendar Year / Container Yard
<b>DHS</b>	Department of Homeland Security
<b>DNR</b>	Department of Natural Resources
<b>DOT</b>	Department of Transportation
<b>ED</b>	Executive Director
<b>EDD</b>	Economic Development Division
<b>EIS</b>	Environmental Impact Statement
<b>EPA</b>	Environmental Protection Agency
<b>ESGR</b>	Employer Support of the Guard Reserve
<b>FAA</b>	Federal Aviation Administration
<b>FAR</b>	Federal Aviation Regulations
<b>FASB</b>	Financial Accounting Standard Board
<b>FAST</b>	Freight Action Strategy Corridor
<b>F&amp;B</b>	Finance and Budget, a Port department
<b>FEMA</b>	Federal Emergency Management Agency

<b>FIMS</b>	Flight Information Management System
<b>FIS</b>	Federal Inspection Area
<b>FMC</b>	Federal Maritime Commission
<b>FOD</b>	Foreign Object Debris
<b>FTE</b>	Full-time Equivalent Employee
<b>FY</b>	Fiscal Year
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GASB</b>	Governmental Accounting Standards Board
<b>GFOA</b>	Government Finance Officers Association (of USA and Canada)
<b>GIS</b>	Geographical Information System
<b>G.O.</b>	General Obligation (Bond)
<b>GT</b>	Ground Transportation
<b>HCM</b>	Human Capital Management
<b>HDS</b>	Harbor Development Strategy
<b>HR</b>	Human Resources, a Port department
<b>HVAC</b>	Heating, Ventilation and Air Conditioning
<b>IAF</b>	International Arrivals Facility
<b>IDC</b>	Industrial Development Corporation
<b>ILA</b>	Interlocal Agreement
<b>IMC</b>	Intermodal Center
<b>ICT</b>	Information and Communications Technology, a Port department
<b>KPI</b>	Key Performance Indicators
<b>LEOFF</b>	Law Enforcement Officers' and Fire Fighters' Retirement System
<b>LOI</b>	Letter of Intent
<b>LOC</b>	Letter of Credit
<b>LRP</b>	Long Range Plan
<b>MAP</b>	Million Annual Passengers
<b>WMBE</b>	Women & Minority Owned Business Enterprise
<b>MD</b>	Managing Director
<b>MIC</b>	Marine Industrial Center
<b>MIS</b>	Management Information System
<b>MOBI</b>	Marina Operation Boating Inventory System
<b>MOU</b>	Memorandum of Understanding
<b>NAMF</b>	North Area Maintenance Facility
<b>NAC</b>	Neighborhood Advisory Committee
<b>NEPA</b>	National Environmental Policy Act
<b>NMA</b>	National Management Association
<b>NOI</b>	Net Operating Income
<b>NSAT</b>	North Satellite
<b>NTSB</b>	National Transportation Safety Board
<b>NWMTA</b>	Northwest Marine Terminal Association
<b>NWSA</b>	Northwest Seaport Alliance
<b>O&amp;D</b>	Origin and Destination



<b>O&amp;M</b>	Operating and Maintenance Expense
<b>OPEB</b>	Other Post-Employment Benefits
<b>ORG</b>	Organization
<b>PCS</b>	Port Construction Services, a Port department
<b>PDA</b>	Port Development Authority
<b>PERS</b>	Public Employees' Retirement System
<b>PFC</b>	Passenger Facility Charges
<b>PLA</b>	Project Labor Agreement
<b>PM</b>	Project Manager
<b>PMA</b>	Pacific Maritime Association
<b>PMG</b>	Project Management Group, a Port department
<b>PNWA</b>	Pacific North West Waterways Association
<b>POS</b>	Port of Seattle
<b>PPE</b>	Personal Protective Equipment
<b>PPM</b>	Post Panamax
<b>PREP</b>	Performance Review, Evaluation & Planning
<b>PSA</b>	Professional Service Agreement
<b>PSCAA</b>	Puget Sound Clean Air Agency
<b>PSRC</b>	Puget Sound Regional Council
<b>RCF</b>	Rental Car Facility
<b>RCW</b>	Revised Code of Washington
<b>RFP</b>	Request For Proposal
<b>RMM</b>	Regulated Materials Management
<b>SBM</b>	Shilshole Bay Marina
<b>SDS</b>	Storm water Drainage System
<b>SEPA</b>	State Environmental Policy Act
<b>SLOA</b>	Signatory Airline Lease and Operating Agreements
<b>SSA</b>	Stevedoring Services of America
<b>STEP</b>	South Terminal Expansion Project
<b>STIA</b>	Seattle-Tacoma International Airport
<b>STS</b>	Satellite Transit System
<b>SWU</b>	Storm Water Utility
<b>USCG</b>	United States Coast Guard
<b>USDA</b>	United States Department of Agriculture
<b>TEU</b>	Twenty-foot Equivalent Unit
<b>TSA</b>	Transportation Security Administration
<b>TWIC</b>	Transportation Worker Identification Credential
<b>UBC</b>	Uniform Building Code
<b>WASPC</b>	Washington Association of Sheriffs and Police Chiefs
<b>WSDOE</b>	Washington State Department of Ecology
<b>WSDOT</b>	Washington State Department of Transportation
<b>WTC</b>	World Trade Center
<b>WPPA</b>	Washington Public Ports Association

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