BOOK-ENTRY ONLY
NEW ISSUE

Moody's Rating: "A1"
S&P's Rating: "A+"
Fitch's Rating: "AA-"
See "RATINGS" herein

In the opinion of K&L Gates LLP, Bond Counsel, assuming compliance with certain covenants of the Port, interest on the Series 2019 Bonds is excludable from gross income for federal income tax purposes under existing law, except for interest on any Series 2019 Bond for any period during which such Series 2019 Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2019 Bonds, or a "related person" to such "substantial user," within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2019 Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. See "TAX MATTERS" herein.

Port of Seattle

$457,390,000
Intermediate Lien Revenue Bonds, Series 2019 (AMT)

Dated: Date of delivery **Due: As shown on inside cover page**

The Port of Seattle (the "Port") is issuing its Intermediate Lien Revenue Bonds, Series 2019 (AMT) (the "Series 2019 Bonds") (i) to finance or refinance capital improvements to aviation facilities as described herein (the "2019 Projects"), (ii) capitalize interest on all or a portion of the Series 2019 Bonds, (iii) to make a deposit to the Intermediate Lien Reserve Account, and (iv) to pay costs of issuing the Series 2019 Bonds.

Interest on the Series 2019 Bonds from their date of delivery is payable on each April 1 and October 1, commencing on October 1, 2019. The Series 2019 Bonds are subject to redemption prior to their scheduled maturities, as described herein. The fiscal agent of the State of Washington, currently U.S. Bank National Association, is the registrar, authenticating agent and paying agent for the Series 2019 Bonds. When issued, the Series 2019 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2019 Bonds. Purchases of beneficial interests in the Series 2019 Bonds will be made in book-entry form, in denominations of $5,000 and integral multiples thereof within a maturity. Purchasers will not receive certificates representing their interests in the Series 2019 Bonds, except as described herein. So long as DTC or its nominee is the registered owner of the Series 2019 Bonds, payments of principal of and interest on the Series 2019 Bonds will be made directly to DTC or to such nominee. Disbursements of such payments to DTC's Direct Participants are the responsibility of DTC, and disbursements of such payments to the Beneficial Owners are the responsibility of the Direct Participants and the Indirect Participants as more fully described herein.

Maturity Dates, Principal Amounts, Interest Rates, Yields, Prices, and CUSIP Numbers on Inside Cover Page

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The Series 2019 Bonds are payable from and are secured by a pledge of Available Intermediate Lien Revenues of the Port as defined and described herein, on a parity with the Port's outstanding Intermediate Lien Parity Bonds and any future Intermediate Lien Parity Bonds as described herein. The Series 2019 Bonds and any outstanding and future revenue bonds issued on a parity of lien with the Series 2019 Bonds are referred to in this Official Statement as the "Intermediate Lien Parity Bonds." **The Series 2019 Bonds are not general obligations of the Port or the State of Washington or of any political subdivision of the State of Washington. Neither the full faith and credit of the Port nor the taxing power of the Port is pledged to the payment of the Series 2019 Bonds.**

The Series 2019 Bonds are offered when, as and if issued, subject to receipt of the approving legal opinion of K&L Gates LLP, Seattle, Washington, Bond Counsel to the Port. Pacifica Law Group LLP, Seattle, Washington, is serving as Disclosure Counsel to the Port. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Seattle, Washington. It is expected that delivery of the Series 2019 Bonds will be made by *Fast Automated Securities Transfer* through DTC in New York, New York, on or about August 7, 2019.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

GOLDMAN SACHS & CO. LLC

BofA Merrill Lynch **Barclays** **Citigroup**

Academy Securities, Inc. **Backstrom McCarley Berry & Co., LLC** **The Williams Capital Group, L.P.**

Official Statement Dated July 18, 2019

Port of Seattle
$457,390,000
Intermediate Lien Revenue Bonds,
Series 2019 (AMT)

Due (April 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP** No.
2021	$ 4,615,000	5.00%	1.34%	105.951	735389F78
2022	10,780,000	5.00	1.39	109.358	735389F86
2023	11,335,000	5.00	1.44	112.612	735389F94
2024	11,915,000	5.00	1.48	115.759	735389G28
2025	12,525,000	5.00	1.58	118.414	735389G36
2026	13,165,000	5.00	1.71	120.595	735389G44
2027	13,835,000	5.00	1.80	122.771	735389G51
2028	14,555,000	5.00	1.93	124.346	735389G69
2029	15,300,000	5.00	2.01	126.106	735389G77
2030	16,085,000	5.00	2.12	125.011*	735389G85
2031	16,910,000	5.00	2.19	124.320*	735389G93
2032	17,775,000	5.00	2.25	123.731*	735389H27
2033	18,690,000	5.00	2.31	123.146*	735389H35
2034	19,645,000	5.00	2.36	122.661*	735389H43
2035	20,655,000	5.00	2.44	121.889*	735389H50
2036	21,705,000	5.00	2.48	121.505*	735389H68
2037	22,825,000	5.00	2.52	121.123*	735389H76
2038	23,995,000	5.00	2.55	120.837*	735389H84
2039	25,225,000	5.00	2.58	120.552*	735389H92

$105,855,000 5.00% Term Bonds, due April 1, 2044 (yield 2.72%, price 119.233%)*, CUSIP** No. 735389J33
$40,000,000 4.00% Term Bonds, due April 1, 2044 (yield 2.95%, price 108.759%)*, CUSIP** No. 735389J25

* Priced to the first par call date of April 1, 2029.

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Port of Seattle

PORT COMMISSION

Name	Office	Term Expires
Stephanie Bowman	President	December 31, 2021
Ryan Calkins	Commissioner	December 31, 2021
Fred Felleman	Commissioner	December 31, 2019
Courtney Gregoire	Commissioner	December 31, 2019
Peter Steinbrueck	Commissioner	December 31, 2021

CERTAIN EXECUTIVE STAFF

Stephen Metruck, Executive Director
David Soike, Chief Operating Officer
Dan Thomas, Chief Financial Officer
Lance Lyttle, Managing Director, Aviation
Stephanie Jones Stebbins, Managing Director, Maritime
David McFadden, Managing Director, Economic Development
Pete Ramels, General Counsel

PORT HEADQUARTERS

2711 Alaskan Way
Seattle, Washington 98111
Telephone (206) 787-3000
*www.portseattle.org**

BOND COUNSEL

K&L Gates LLP
Seattle, Washington

DISCLOSURE COUNSEL

Pacifica Law Group LLP
Seattle, Washington

FINANCIAL ADVISOR

Piper Jaffray & Co.
Seattle, Washington

BOND REGISTRAR

U.S. Bank National Association
Seattle, Washington

INDEPENDENT AUDITOR FOR THE PORT	INDEPENDENT CONSULTANT
Moss Adams LLP	Ricondo & Associates, Inc.
Seattle, Washington	Chicago, Illinois

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* This inactive textual reference to the Port's website is not a hyperlink, and the Port's website, by this reference, is not incorporated herein.

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No dealer, broker, sales representative or other person has been authorized by the Port to give any information or to make any representations with respect to the Series 2019 Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Port. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2019 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained by the Port from Port records and from other sources that are believed by the Port to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2019 Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Port since the date hereof.

This Official Statement is not to be construed as a contract or agreement between the Port and purchasers or owners of any of the Series 2019 Bonds.

Neither the Port's independent auditor nor any other independent accountants have compiled, examined, or performed any additional procedures with respect to the financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and they assume no responsibility for, and disclaim any association with, the financial information.

The initial public offering prices or yields set forth on the inside cover page hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2019 Bonds to certain dealers, unit investment trusts or money market funds at prices lower than or at yields higher than the public offering prices or yields stated on the inside cover page hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2019 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements contained in this Official Statement, including the appendices, reflect not historical facts but forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "forecast" and "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. All forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in regional, domestic and international political, social and economic conditions, federal, state and local funding, statutory and regulatory actions, litigation, population changes, financial conditions of tenants and/or other users of Port or Seaport Alliance facilities, technological change and various other events, conditions and circumstances, many of which are beyond the control of the Port.

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OFFICIAL STATEMENT

RELATING TO

PORT OF SEATTLE

$457,390,000
Intermediate Lien Revenue Bonds,
Series 2019 (AMT)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside cover page, table of contents and appendices, is to provide information concerning the issuance by the Port of Seattle (the "Port") of $457,390,000 of its Intermediate Lien Revenue Bonds, Series 2019 (AMT) (the "Series 2019 Bonds").

The fiscal agent of the State of Washington (the "State"), currently U.S. Bank National Association, is the registrar, authenticating agent and paying agent (the "Registrar") for the Series 2019 Bonds.

The Port is issuing the Series 2019 Bonds pursuant to Title 53 of the Revised Code of Washington ("RCW") and pursuant to Resolution No. 3540, as amended, adopted by the Port Commission (the "Commission") on June 14, 2005 (the "Intermediate Lien Master Resolution"), and Resolution No. 3758, adopted by the Commission on June 11, 2019 (the "Series Resolution" and, together with the Intermediate Lien Master Resolution, the "Resolution"). Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Resolution, a copy of which is included in this Official Statement as Appendix G.

The Port is a municipal corporation of the State. The Port was organized on September 5, 1911. The Port owns and operates Seattle-Tacoma International Airport (the "Airport") and various maritime, industrial and commercial properties. The Port and the Port of Tacoma formed the Northwest Seaport Alliance (the "Seaport Alliance") in 2015 to manage jointly the two ports' container shipping terminals and certain industrial properties. See "THE PORT OF SEATTLE" and "NORTHWEST SEAPORT ALLIANCE."

Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

Security and Sources of Payment for the Series 2019 Bonds

The Series 2019 Bonds are payable solely from and are secured by a pledge of Available Intermediate Lien Revenues (hereinafter defined). The Series 2019 Bonds and any outstanding and future revenue bonds issued by the Port on a parity of lien with the Series 2019 Bonds are referred to collectively in the Intermediate Lien Master Resolution and in this Official Statement as the "Intermediate Lien Parity Bonds." **The Series 2019 Bonds are not general obligations of the Port or the State or of any political subdivision of the State. Neither the full faith and credit of the Port nor the taxing power of the Port is pledged to the payment of the Series 2019 Bonds.**

As defined in the Intermediate Lien Master Resolution, "Available Intermediate Lien Revenues" means Gross Revenue of the Port (excluding Released Revenues, if any) after payment of (i) all Operating Expenses not paid from other sources; (ii) all payments, including sinking fund payments, required to be made into the debt service accounts within any redemption fund maintained for First Lien Bonds (hereinafter defined); (iii) all payments required to be made into any reserve accounts maintained for First Lien Bonds to secure payment of any First Lien Bonds; and (iv) all payments required to be made into any other revenue bond redemption fund and debt service accounts or reserve accounts that may be created in the future to pay and secure the payment of the principal of and premium, if any, and interest on any revenue bonds or other revenue obligations of the Port having liens on "Net Revenues," as such term is further defined in the Intermediate Lien Master Resolution, and the money in the Revenue Fund junior and inferior to the lien of the First Lien Bonds but prior to the lien of the Intermediate Lien Parity Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR INTERMEDIATE LIEN PARITY BONDS" and the definitions in Appendix G.

“First Lien Bonds” are defined in the Intermediate Lien Master Resolution as revenue bonds of the Port that have been or that in the future may be issued by the Port as “Parity Bonds” under Resolution No. 3059, as amended, adopted by the Commission on February 2, 1990, as amended and restated by Resolution No. 3577, adopted by the Commission on February 27, 2007, and as amended, supplemented and restated from time to time (the “First Lien Master Resolution”). The First Lien Bonds and any revenue bonds or revenue obligations with a lien on Net Revenues that is junior and inferior to the lien of the First Lien Bonds but prior to the lien of the Intermediate Lien Parity Bonds are referred to collectively in the Intermediate Lien Master Resolution and in this Official Statement as “Permitted Prior Lien Bonds.” The Intermediate Lien Master Resolution does not limit the Port’s ability to issue Permitted Prior Lien Bonds. As of the date of this Official Statement, the only Permitted Prior Lien Bonds outstanding are First Lien Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR INTERMEDIATE LIEN PARITY BONDS” and “OUTSTANDING PORT INDEBTEDNESS.”

The Intermediate Lien Master Resolution includes a number of covenants by the Port for the benefit of the owners and holders of each of the Intermediate Lien Parity Bonds and conditions that must be satisfied before additional Intermediate Lien Parity Bonds, including the Series 2019 Bonds, may be issued. See “SECURITY AND SOURCES OF PAYMENT FOR INTERMEDIATE LIEN PARITY BONDS.”

Subordinate Obligations

The First Lien Master Resolution and the Intermediate Lien Master Resolution permit the Port to issue revenue obligations having a lien on Net Revenues and Available Intermediate Lien Revenues subordinate to the lien thereon of the Intermediate Lien Parity Bonds. The Port has issued Subordinate Lien Parity Bonds, including Subordinate Lien Commercial Paper Notes that are authorized to be issued from time to time in an amount up to $250 million. See “OUTSTANDING PORT INDEBTEDNESS—Subordinate Lien Parity Bonds.”

Continuing Disclosure

The Port has covenanted for the benefit of the holders and beneficial owners of the Series 2019 Bonds to provide certain financial information and operating data and to give notices of certain events to assist the Underwriters in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE” and Appendix H.

Report of the Independent Consultant; Audited Financial Statements

In connection with the Port’s issuance of the Series 2019 Bonds, Ricondo & Associates, Inc., as independent consultant to the Port (the “Independent Consultant”), prepared its Report of the Independent Consultant with the results of its review of the Port’s forecast of financial performance through 2024, as of July 12, 2019. Based on that review, the Independent Consultant has delivered its Report of the Independent Consultant dated July 12, 2019 (the “Report of the Independent Consultant”) confirming that, in the Independent Consultant’s opinion, Available Intermediate Lien Revenues generated in each year from 2019-2024 are expected to be sufficient to comply with the Intermediate Lien Rate Covenant under the Intermediate Lien Master Resolution.

The Report of the Independent Consultant is a part of this Official Statement, includes additional information regarding the Port, and should be read in its entirety. See the Report of the Independent Consultant in Appendix C.

The audited financial statements of the Port’s Enterprise Fund and the Warehousemen’s Pension Trust Fund as of December 31, 2018 and 2017, and for the years ended December 31, 2018, 2017, and 2016, are included in this Official Statement as Appendix A. The audited financial statements of the Seaport Alliance for the year ended December 31, 2018, are included in this Official Statement as Appendix B. See “INDEPENDENT AUDITOR” and Appendices A and B.

None of the Port’s independent auditor, the Seaport Alliance’s independent auditor, or any other independent accountants has compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and they assume no responsibility for, and disclaim any association with, the prospective financial information.

Investment Considerations

The Series 2019 Bonds may not be suitable for all investors. Prospective purchasers of the Series 2019 Bonds should give careful consideration to the information set forth in this Official Statement and confer with their own tax and financial advisors before deciding whether to purchase the Series 2019 Bonds.

The Port's businesses are subject to a number of risk factors that may adversely affect Gross Revenue or Available Intermediate Lien Revenues. This Official Statement describes the Port's businesses and business environments, including certain risks, but it is impossible for the Port to specify or anticipate all risks associated with its operations. See "CERTAIN INVESTMENT CONSIDERATIONS." Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

Miscellaneous

Brief descriptions of the Series 2019 Bonds, the Resolution and certain statutes and agreements are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to such instruments, documents and statutes and to any other documents, statutes, agreements or other instruments described herein are qualified in their entirety by reference to each such document, statute or other instrument.

SOURCES AND USES OF SERIES 2019 BOND PROCEEDS

Use of Series 2019 Bond Proceeds

The Series 2019 Bonds are being issued by the Port to (i) finance or refinance capital improvements to aviation facilities (the "2019 Projects") described under the heading "CAPITAL PLAN FUNDING," including reimbursing the Port for costs of the 2019 Projects, (ii) capitalize interest on all or a portion of the Series 2019 Bonds, (iii) make a deposit to the Intermediate Lien Reserve Account, and (iv) pay costs of issuing the Series 2019 Bonds.

Sources and Uses of Funds

The Port expects to apply the proceeds of the Series 2019 Bonds as follows:

Sources	**Total**
Principal Amounts	$ 457,390,000
Original Issue Premium	89,484,905
Total Sources	$ 546,874,905
Uses	
2019 Project Costs	$ 480,200,000
Capitalized Interest	43,410,283
Intermediate Lien Reserve Account Deposit	21,398,171
Costs of Issuance(1)	1,866,451
Total Uses	$ 546,874,905

Note: Totals may not foot due to rounding.

(1) Represents costs of issuing the Series 2019 Bonds, including Underwriters' discount, legal fees, rating agency fees, Independent Consultant fees, fees of the Financial Advisor, and contingency.

DESCRIPTION OF THE SERIES 2019 BONDS

General

Series 2019 Bonds. The Series 2019 Bonds are to be dated as of and are to bear interest from their date of delivery. Interest on the Series 2019 Bonds is to be payable on October 1, 2019, and semiannually on each April 1 and October 1 thereafter, at the rates set forth on the inside cover page of this Official Statement. The Series 2019 Bonds are to mature, subject to prior redemption, in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest is to be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Book-Entry Only Form. The Series 2019 Bonds are being issued in fully registered form in denominations of $5,000 and integral multiples thereof within a maturity and interest rate and when issued will be registered in the name of Cede & Co. (or such other name as may be requested by an authorized representative of DTC), as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2019 Bonds. Individual purchases may be made only in book-entry form. Purchasers will not receive certificates representing their interest in the Series 2019 Bonds purchased. So long as Cede & Co. is the registered owner of the Series 2019 Bonds, as nominee of DTC, references herein to "Owners," "Bondholders" or "Registered Owners" mean Cede & Co. (or such other nominee) and not the Beneficial Owners of the Series 2019 Bonds. In this Official Statement, the term "Beneficial Owner" means the person for whom its DTC Participant acquires an interest in the Series 2019 Bonds.

So long as Cede & Co. is the registered owner of the Series 2019 Bonds, the principal of and interest on the Series 2019 Bonds are payable by wire transfer to Cede & Co., as nominee for DTC which, in turn, is to remit such amounts to the Direct Participants for subsequent disbursement to the Beneficial Owners. See Appendix F.

Optional Redemption

The Series 2019 Bonds maturing on or after April 1, 2030, are subject to redemption at the option of the Port on or after April 1, 2029, as a whole or in part on any date, with the maturities and interest rates to be selected by the Port, at a redemption price equal to 100 percent of the principal amount thereof, plus interest accrued to the date fixed for redemption. See "—Partial Redemption; Selection of Series 2019 Bonds."

Mandatory Sinking Fund Redemption

The Series 2019 Bonds maturing on April 1, 2044 and bearing interest at a rate of 5.00% (the "5.00% Term Bonds"), are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption on April 1 in the years and amounts as follows:

Year April 1	Mandatory Sinking Fund Redemption
2040	$19,225,000
2041	20,145,000
2042	21,120,000
2043	22,140,000
2044†	23,225,000

† Maturity.

The Series 2019 Bonds maturing on April 1, 2044 and bearing interest at a rate of 4.00% (the "4.00% Term Bonds" and together with the 5.00% Term Bonds, the "Term Bonds"), are subject to mandatory sinking fund redemption at a price of 100 percent of the principal amount thereof plus accrued interest to the date fixed for redemption on April 1 in the years and amounts as follows:

Year April 1	Mandatory Sinking Fund Redemption
2040	$7,260,000
2041	7,610,000
2042	7,985,000
2043	8,375,000
2044†	8,770,000

† Maturity.

If the Port redeems a portion of the Term Bonds under the optional redemption provisions described above or purchases for cancellation or defeases a portion of the Term Bonds, the Term Bonds so redeemed, purchased for cancellation, or defeased (irrespective of their actual redemption or purchase prices) will be credited at the principal amount thereof against one or more scheduled mandatory redemption amounts for the Term Bonds as directed by the Port.

Partial Redemption; Selection of Series 2019 Bonds

The Resolution provides that, for so long as the Series 2019 Bonds are held in book-entry form with DTC, the selection for redemption of such Series 2019 Bonds within a maturity and interest rate shall be made in accordance with the operational arrangements then in effect at DTC (or at a substitute depository, if applicable). See Appendix F. If the Series 2019 Bonds to be redeemed are no longer held in book-entry-only form, the selection of Series 2019 Bonds to be redeemed shall be made by lot (or in such other random manner determined by the Registrar) as set forth in the Series Resolution.

Notice of Redemption; Effect of Redemption

The Resolution also provides that written notice of any redemption of Series 2019 Bonds prior to maturity shall be given by the Registrar (which shall be DTC so long as such Bonds are held in book-entry form with DTC) on behalf of the Port by first class mail, postage prepaid, not less than 20 days nor more than 60 days before the date fixed for redemption to the Registered Owners of Series 2019 Bonds that are to be redeemed at their last addresses shown on the Bond Register. The Resolution provides that the requirement to give notice of redemption shall be deemed complied with when notice is mailed to the Registered Owners at their last addresses shown on the Bond Register, whether or not such notice is actually received by the Registered Owners. The Resolution also provides that, so long as the Series 2019 Bonds are in book–entry form with DTC, notice of redemption shall be given to Beneficial Owners of Series 2019 Bonds to be redeemed in accordance with the operational arrangements then in effect at DTC (or its successor or alternate depository) and that neither the Port nor the Registrar shall be obligated or responsible to confirm that any notice of redemption is, in fact, provided to Beneficial Owners.

Pursuant to the Resolution, unless the Port has rescinded a notice of optional redemption (or unless the Port provided a conditional notice of optional redemption and the conditions for the optional redemption set forth therein are not satisfied), the Series 2019 Bonds to be redeemed shall become due and payable on the date fixed for redemption, and the Port shall transfer to the Registrar amounts that, in addition to other money, if any, held by the Registrar for such purpose, will be sufficient to redeem, on the date fixed for redemption, all of the Series 2019 Bonds to be redeemed. If and to the extent that funds have been provided to the Registrar for the optional redemption of Series 2019 Bonds, then from and after the date fixed for redemption for such Series 2019 Bond or portion thereof, interest on each such Series 2019 Bond shall cease to accrue and such Series 2019 Bond or portion thereof shall cease to be Outstanding.

Conditional Optional Redemption; Rescission

The Resolution permits, in the case of optional redemption, notices of optional redemption to be conditional or to be rescinded at the option of the Port. If conditional, the notice is to state that the notice of redemption is conditional and the conditions that must be met to permit redemption. The Resolution provides that the notice is to state further that (unless the conditions, if any, to redemption have not been satisfied or unless the notice of redemption shall have been rescinded) such Series 2019 Bonds will become due and payable and interest shall cease to accrue from the date fixed for redemption if and to the extent in each case funds have been provided to the Registrar for the redemption of such Series 2019 Bonds on the date fixed for redemption the redemption price will become due and payable upon each Series 2019 Bond or portion called for redemption, and that (unless the conditions, if any, to redemption have not been satisfied or unless the notice of redemption shall have been rescinded) interest shall cease to accrue from the date fixed for redemption if and to the extent that funds have been provided to the Registrar for the redemption of such Series 2019 Bonds.

Purchase of Series 2019 Bonds for Retirement

In the Series Resolution, the Port has reserved the right to use at any time any surplus Gross Revenue available after providing for the payments required by paragraph ***First*** through ***Eleventh*** described under the heading "SECURITY AND SOURCES OF PAYMENT FOR INTERMEDIATE LIEN PARITY BONDS—Flow of Funds" to purchase for retirement any of the Series 2019 Bonds offered to the Port at any price deemed reasonable to the Designated Port Representative.

Defeasance

The Series Resolution provides that in the event money and/or non-callable Government Obligations that are direct obligations of the United States or obligations unconditionally guaranteed by the United States maturing or having guaranteed redemption prices at the option of the owner thereof at such time or times and bearing interest in amounts (together with such money, if any) sufficient to redeem and retire part or all of the Series 2019 Bonds in accordance with their terms are irrevocably delivered to the Registrar for payment of such Series 2019 Bonds or set aside in a special account and pledged to effect such redemption or retirement, and if the Series 2019 Bonds (or portion thereof) are to be redeemed prior to maturity, irrevocable notice, or irrevocable instructions to give notice of such redemption, has been delivered to the Registrar, then no further payments need be made to the Intermediate Lien Bond Fund (as hereinafter defined) or any account therein for the payment of the principal of and premium, if any, and interest on the Series 2019 Bonds (so provided for). Such Series 2019 Bonds shall cease to be entitled to any lien, benefit or security of the Resolution, except the right to receive the funds so set aside and pledged and such notices of redemption, if any, and such Series 2019 Bonds shall no longer be deemed to be outstanding under the Resolution or under any resolution authorizing the issuance of bonds or other indebtedness of the Port.

As currently defined in chapter 39.53 RCW, "Government Obligations" means (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and bank certificates of deposit secured by such obligations; (ii) bonds, debentures, notes, participation certificates or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-Import Bank of the United States, federal land banks or the Federal National Mortgage Association; (iii) public housing bonds and project notes fully secured by contracts with the United States; and (iv) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the federal savings and loan insurance corporation, to the extent insured or guaranteed as permitted under any other provision of State law.

The definition of "Government Obligations" in the Series Resolution incorporates any future statutory revision.

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SECURITY AND SOURCES OF PAYMENT FOR INTERMEDIATE LIEN PARITY BONDS

Pledge of Available Intermediate Lien Revenues

The Intermediate Lien Parity Bonds, including the Series 2019 Bonds, are revenue obligations of the Port payable from and secured by a pledge of Available Intermediate Lien Revenues. As defined in the Intermediate Lien Master Resolution, "Available Intermediate Lien Revenues" means Gross Revenue of the Port (excluding Released Revenues, if any) after payment of (i) all Operating Expenses not paid from other sources; (ii) all payments, including sinking fund payments, required to be made into the debt service accounts within any redemption fund maintained for First Lien Bonds; (iii) all payments required to be made into any reserve accounts maintained for First Lien Bonds to secure payment of any First Lien Bonds; and (iv) all payments required to be made into any other revenue bond redemption fund and debt service accounts or reserve accounts that may be created in the future to pay and secure the payment of the principal of and premium, if any, and interest on any revenue bonds or other revenue obligations of the Port having liens on Net Revenues and the money in the Revenue Fund junior and inferior to the lien of the First Lien Bonds but prior to the lien of the Intermediate Lien Parity Bonds.

As defined in the First Lien Master Resolution and Intermediate Lien Master Resolution, the term "Gross Revenue" means all income and revenue derived by the Port from time to time from any source whatsoever <u>except and excluding</u>: (i) the proceeds of any borrowing by the Port and the earnings thereon (other than the earnings on proceeds deposited in any reserve funds), (ii) income and revenue that may not legally be pledged for revenue bond debt service (including the Tax Levy as defined and described in Appendix D, Customer Facility Charge ("CFC") revenue and storm water utility ("SWU") revenue), (iii) Passenger Facility Charges ("PFCs"), head taxes, federal grants or substitutes therefore allocated to capital projects, (iv) payments made to the Port under Credit Facilities issued to pay or secure the payment of a particular series of obligations, (v) insurance or condemnation proceeds other than business interruption insurance, (vi) income and revenue of the Port separately pledged and used by it to pay and secure the payment of the principal of and interest on any issue or series of Special Revenue Bonds of the Port issued to acquire, construct, equip, install or improve part or all of the particular facilities from which such income and revenue are derived, provided that the withdrawal from Gross Revenue of any income or revenue derived or to be derived by the Port from any income-producing facility that was contributing to Gross Revenue prior to the issuance of any Special Revenue Bonds is not permitted, and (vii) income from investments irrevocably pledged to the payment of bonds issued or to be refunded under any refunding bond plan of the Port.

As defined in the Intermediate Lien Master Resolution, the term "Operating Expenses" means the current expenses incurred for operation or maintenance of the Facilities (other than Special Facilities), as defined under generally accepted accounting principles applicable to the Port, in effect from time to time, excluding (i) any allowances for depreciation or amortization, or (ii) interest on any obligations of the Port incurred in connection with and payable from Gross Revenue.

The Intermediate Lien Master Resolution provides for the creation of a bond fund (the "Intermediate Lien Bond Fund") and a reserve account (the "Intermediate Lien Reserve Account"), each held by the Chief Financial Officer of the Port as the Port's Treasurer, and provides that the Intermediate Lien Parity Bonds are obligations only of the Intermediate Lien Bond Fund and the Intermediate Lien Reserve Account. In the Intermediate Lien Master Resolution, the Port irrevocably obligates and binds itself for so long as any Intermediate Lien Parity Bonds remain outstanding to set aside and pay into the Intermediate Lien Bond Fund from Available Intermediate Lien Revenues or money in the Port's general fund, airport development fund and any other fund established in the office of the Treasurer of the Port for the receipt of Gross Revenue (the "Revenue Fund"), on or prior to the respective dates on which the same become due, the principal of and premium, if any, and interest on the outstanding Intermediate Lien Parity Bonds. See Section 3 of the Intermediate Lien Master Resolution and Section 6 of the Series Resolution in Appendix G. The principal of and interest on the Intermediate Lien Parity Bonds are payable from and are secured by an equal lien and charge upon Available Intermediate Lien Revenues superior to all other liens and charges of any kind or nature whatsoever, subject to the prior liens and charges of Permitted Prior Lien Bonds. Net Payments (but not termination payments) made by the Port with respect to any Parity Derivative Product would be equal in rank to the lien of Intermediate Lien Parity Bonds on Available Intermediate Lien Revenues. The Port has not entered into swap agreements or Parity Derivative Products. No property or property tax revenues secure the repayment of the Intermediate Lien Parity Bonds, including the Series 2019 Bonds.

The Intermediate Lien Master Resolution provides that, notwithstanding the exclusions from Gross Revenue specified or described in the definition of Gross Revenue, the Port may elect in the future to pledge the income, proceeds and payments described as excluded and/or CFCs and any other receipts at any time as additional security for one or more series of obligations and thereby to include such exception and/or receipt in Gross Revenue for such series of obligations, but if and only to the extent that such receipts may legally be used to pay debt service on such series of obligations. See "—Intermediate Lien Rate Covenant" and "—Additional Intermediate Lien Parity Bonds."

If and to the extent specified in a series resolution authorizing additional Intermediate Lien Parity Bonds, the obligation of the Port to reimburse the provider of a Credit Facility (a "Repayment Obligation") also may be secured by a pledge of and lien on Available Intermediate Lien Revenues on a parity with other outstanding Intermediate Lien Parity Bonds.

Neither the Intermediate Lien Master Resolution nor any series resolutions authorizing outstanding Intermediate Lien Parity Bonds or the Series 2019 Bonds requires the Port to make deposits into the Intermediate Lien Bond Fund for Intermediate Lien Parity Bonds prior to the date on which the principal of and interest on such Intermediate Lien Parity Bonds come due. See "—Flow of Funds" and Section 3 of the Intermediate Lien Master Resolution in Appendix G.

Released Revenues

The Intermediate Lien Master Resolution permits the Port to remove from the definition of "Available Intermediate Lien Revenues" income or revenue of the Port previously included in Available Intermediate Lien Revenues, provided that the Port satisfies the conditions to such removal set forth in the Intermediate Lien Master Resolution. See the definition of "Released Revenues" in Section 1 of the Intermediate Lien Master Resolution in Appendix G. The First Lien Master Resolution and the resolutions under which Subordinate Lien Parity Bonds are issued do not permit the release of revenues previously included in Gross Revenue. As of the date of this Official Statement, the Port has not designated any Released Revenues.

Flow of Funds

Pursuant to the Intermediate Lien Master Resolution, all Gross Revenue must be deposited as collected in the Revenue Fund, a separate fund or funds held by the Treasurer. The Revenue Fund must be held separate and apart from all other funds and accounts of the Port. As required by the First Lien Master Resolution and the Intermediate Lien Master Resolution and by the resolutions authorizing Subordinate Lien Parity Bonds, Gross Revenue deposited in the Revenue Fund is to be applied by the Port as follows:

> ***First***, to pay Operating Expenses not paid from other sources (such as the general purpose portion of the Tax Levy and the portion of the CFCs used to pay operating expenses);
>
> ***Second***, to make all payments, including sinking fund payments, required to be made into the debt service account(s) of any redemption fund maintained for First Lien Bonds to pay the principal of and premium, if any, and interest on any First Lien Bonds;
>
> ***Third***, to make all payments required to be made into the Common Reserve Fund and all other reserve account(s) established to secure the payment of any First Lien Bonds;
>
> ***Fourth***, to make all payments required to be made into any other revenue bond redemption fund and debt service account or reserve account created therein to pay and secure the payment of the principal of, premium, if any, and interest on any revenue bonds or other revenue obligations of the Port having a lien upon Net Revenues and the money in the Revenue Fund junior and inferior to the lien thereon for the payment of the principal of, premium, if any, and interest on any First Lien Bonds but prior to the lien thereon of the Intermediate Lien Parity Bonds;
>
> ***Fifth***, to make payments necessary to be paid into any bond fund or debt service account created to pay the debt service on the Intermediate Lien Parity Bonds (including the Series 2019 Bonds) and without duplication, to make Net Payments due with respect to any derivative product secured by a pledge of and

lien on Available Intermediate Lien Revenues on an equal and ratable basis with outstanding Intermediate Lien Parity Bonds;

Sixth, to make all payments required to be made into the Intermediate Lien Reserve Account;

Seventh, to make payments necessary to be paid into any bond fund or debt service account created to pay the debt service on bonds with a lien on Net Revenues subordinate to the Port's Intermediate Lien Parity Bonds but senior to its Subordinate Lien Parity Bonds (the "Reserved Lien Revenue Bonds");

Eighth, to make all payments required to be made into any reserve account(s) securing Reserved Lien Revenue Bonds;

Ninth, to make payments necessary to be paid into any bond fund or debt service account created to pay the debt service on the Subordinate Lien Parity Bonds;

Tenth, to make all payments required to be made into the reserve account(s), if any, securing Subordinate Lien Parity Bonds;

Eleventh, to make all payments required to be made into the Repair and Renewal Fund to maintain any required balance therein; and

Twelfth, to retire by redemption or purchase any outstanding revenue bonds or other revenue obligations of the Port as authorized in the various resolutions of the Commission authorizing their issuance or to make necessary additions, betterments, improvements and repairs to or extension and replacements of the Facilities or any other lawful Port purposes.

The Intermediate Lien Master Resolution provides that, notwithstanding the foregoing, the obligations of the Port to make nonscheduled payments under a derivative product agreement (i.e., any termination payment or other fees) may be payable from Gross Revenue available after paragraph "*Sixth*" above, as set forth in such derivative product agreement. See "OUTSTANDING PORT INDEBTEDNESS—Interest Rate Swaps."

The Port is permitted but not obligated to pay Operating Expenses (but not revenue bond debt service) with the portion of the Tax Levy remaining after the payment of the Port's outstanding limited tax general obligation ("LTGO") bonds. See "Summary of the Port's Taxing Power" in Appendix D.

The Port's outstanding variable rate Subordinate Lien Parity Bonds are secured by bank letters of credit. Although none of the Port's revenue bonds is subject to acceleration, an event of default under any of the bank reimbursement agreements pursuant to which the letters of credit were issued, among other events, would entitle the issuer of such letter of credit to require the mandatory tender for purchase of all of the Subordinate Lien Parity Bonds secured by such letter of credit. In that event, the Port would be required to reimburse the letter of credit issuer or to purchase or redeem all of such bonds over the period (currently up to five years or less) and to pay interest at the rates set forth in the applicable reimbursement agreement. All of the Series 2019 Bonds will bear interest at fixed rates payable semiannually and, as described above, the Port is required to make deposits to pay interest on the Series 2019 Bonds on or before the semiannual interest payment dates and to pay principal on the Series 2019 Bonds on or before the annual principal payment dates. Interest on the Port's variable rate Subordinate Lien Parity Bonds is payable monthly or on another interest payment schedule. See "OUTSTANDING PORT INDEBTEDNESS—Subordinate Lien Parity Bonds."

Intermediate Lien Reserve Account

The Intermediate Lien Master Resolution provides for the Intermediate Lien Reserve Account to be held by the Treasurer of the Port within the Intermediate Lien Bond Fund for the purpose of securing the payment of the principal of, premium, if any, and interest on all outstanding Intermediate Lien Parity Bonds. The Port is required to maintain the Intermediate Lien Reserve Account at the "Intermediate Lien Reserve Requirement," which is the dollar amount equal to average Annual Debt Service on all outstanding Intermediate Lien Parity Bonds, determined and calculated as of the date of issuance of Intermediate Lien Parity Bonds of each series (and recalculated upon the issuance of a subsequent series of Intermediate Lien Parity Bonds and, at the Port's option, upon the payment of the principal of the Intermediate Lien Parity Bonds). See definitions of “Annual Debt Service” and “Debt Service” in Section 1 of the Intermediate Lien Master Resolution in Appendix G.

The Intermediate Lien Master Resolution provides that the Intermediate Lien Reserve Requirement may be funded at the date of issuance of a series of Intermediate Lien Parity Bonds or may be funded in equal monthly deposits over a period of time (not greater than three years) established in the applicable series resolution, but also provides that the dollar amount, if any, required to be contributed as a result of the issuance of a series of Intermediate Lien Parity Bonds shall not be greater than the Tax Maximum (as defined in the Intermediate Lien Master Resolution). If the dollar amount required to be contributed at the time of issuance of a series of Intermediate Lien Parity Bonds exceeds the Tax Maximum, the dollar amount required to be contributed to the Intermediate Lien Reserve Account is to be adjusted accordingly. See Section 3 of the Intermediate Lien Master Resolution in Appendix G.

The Intermediate Lien Reserve Account is a pooled reserve that secures all outstanding and future Intermediate Lien Parity Bonds. The existing Intermediate Lien Reserve Requirement is currently funded with $157,939,362 in cash and securities. Upon the closing and delivery of the Series 2019 Bonds, the Intermediate Lien Reserve Requirement will increase by $21,398,171; the increased amount will be funded with a portion of the proceeds of the Series 2019 Bonds.

The Intermediate Lien Master Resolution requires that the Intermediate Lien Reserve Requirement be maintained by deposits of cash and/or qualified investments, a Qualified Letter of Credit or Qualified Insurance (each as defined in the Intermediate Lien Master Resolution), or a combination of the foregoing, and permits the Port to substitute a Qualified Letter of Credit or Qualified Insurance for cash and securities then on deposit in the Intermediate Lien Reserve Account and to transfer such cash and securities to any permitted fund or account specified by the Designated Port Representative. See Section 3 of the Intermediate Lien Master Resolution in Appendix G.

The Intermediate Lien Master Resolution requires replacement, over a period of up to three years, of any Qualified Letter of Credit or Qualified Insurance securing payment of Intermediate Lien Parity Bonds upon a “Credit Event” (e.g., insolvency, specified ratings downgrades or dissolution of the provider thereof). If such a Credit Event occurs, the Intermediate Lien Reserve Requirement must be satisfied within one year with other Qualified Insurance or another Qualified Letter of Credit, or within three years (in three equal annual installments) out of Available Intermediate Lien Revenues (or out of other money on hand and legally available for such purpose) after first making necessary provisions for all payments required to be made into the Intermediate Lien Bond Fund. As of the date of this Official Statement, none of the Intermediate Lien Reserve Requirement is maintained through use of a Qualified Letter of Credit or Qualified Insurance. See “Credit Event” and “Qualified Insurance” in Section 1 of the Intermediate Lien Master Resolution in Appendix G.

Intermediate Lien Rate Covenant

Under the Intermediate Lien Master Resolution, the Port has covenanted with the owners and holders of each of the Intermediate Lien Parity Bonds that, for so long as any of the same remain outstanding, the Port will at all times establish, maintain and collect rentals, tariffs, rates, fees and charges in the operation of all of its businesses that will produce in each fiscal year (i) Available Intermediate Lien Revenues as First Adjusted at least equal to 110 percent of the Amount Due, and (ii) Available Intermediate Lien Revenues as Second Adjusted at least equal to 125 percent of the Amount Due. The Intermediate Lien Master Resolution provides that the calculations described in clauses (i) and (ii) of the preceding sentence are separate rather than cumulative calculations regarding the sufficiency of Available Intermediate Lien Revenues and that such calculations are together to be considered as the “Intermediate Lien Rate Covenant.”

The Intermediate Lien Master Resolution also provides that, for purposes of the Intermediate Lien Rate Covenant, the “Amount Due” in each fiscal year of the Port shall be equal to (a) Scheduled Debt Service, plus (b) amounts required to be deposited during such fiscal year from Available Intermediate Lien Revenues into the Intermediate Lien Reserve Account, plus (c) any other amounts due to any Credit Facility Issuer or any Liquidity Facility Issuer, but excluding from the foregoing (i) payments made or to be made from refunding debt and capitalized debt service or other money irrevocably (by Commission resolution) set aside for such payment, and (ii) Intermediate Lien Debt Service Offsets identified by the Port in a certificate of the Designated Port Representative.

As defined in the Intermediate Lien Master Resolution, "Available Intermediate Lien Revenues as First Adjusted" means Available Intermediate Lien Revenues increased (without duplication) by Prior Lien Debt Service Offsets identified by the Port in a certificate of the Designated Port Representative and subject to further adjustment to reflect (a) the Port's intent that regularly scheduled net payments under derivative products (interest rate hedges) with respect to Port revenue obligations (regardless of lien position) be reflected in the calculation of debt service obligations with respect to those revenue obligations and not as adjustments to Gross Revenue or Operating Expenses; and (b) the Port's intent that Gross Revenue and Operating Expenses may be adjusted, regardless of then-applicable generally accepted accounting principles, for certain items (e.g., to omit) to reflect more fairly the Port's annual operating performance.

"Available Intermediate Lien Revenues as Second Adjusted," as defined in the Intermediate Lien Master Resolution, means (a) Available Intermediate Lien Revenues as First Adjusted; plus (b) the unrestricted balance in the Revenue Fund at the end of the two most recent fiscal years of the Port, whichever is lower (the "Available Coverage Amount"). The Intermediate Lien Master Resolution provides that no amounts may be included in the Available Coverage Amount unless such amounts are legally available for payment of debt service on Intermediate Lien Parity Bonds.

"Intermediate Lien Debt Service Offsets," as defined in the Intermediate Lien Master Resolution, means receipts of the Port that are not included in Gross Revenue and that are legally available and/or pledged by the Port to pay debt service on Intermediate Lien Parity Bonds, but excluding any receipts that have been designated as Prior Lien Debt Service Offsets.

"Prior Lien Debt Service Offsets," as defined in the Intermediate Lien Master Resolution, means receipts of the Port that are not included in Gross Revenue and that are legally available and/or pledged by the Port to pay debt service on Permitted Prior Lien Bonds.

"Scheduled Debt Service," as defined in the Intermediate Lien Master Resolution, means the amounts required in a fiscal year to be paid by the Port as scheduled debt service (principal and interest) on outstanding Intermediate Lien Parity Bonds, adjusted by Net Payments (as defined in the Intermediate Lien Master Resolution) during such fiscal year.

For purposes of measuring the Port's performance under the Intermediate Lien Rate Covenant (as well as debt service coverage with respect to First Lien Bonds and Subordinate Lien Parity Bonds), the Port makes adjustments in Operating Expenses (reduction) by the amount of Operating Expenses paid from sources that are not included in Gross Revenue (e.g., CFCs and the Tax Levy).

For purposes of measuring the Port's performance under the Intermediate Lien Rate Covenant (and determining Available Intermediate Lien Revenues as First Adjusted), the Port increases Available Intermediate Lien Revenues with Prior Lien Debt Service Offsets that include the amount of First Lien Bond debt service paid from CFCs and PFCs.

For purposes of measuring the Port's performance under the Intermediate Lien Rate Covenant, the Port reduces debt service on Intermediate Lien Parity Bonds by Intermediate Lien Debt Service Offsets, including debt service on Intermediate Lien Parity Bonds paid from CFCs or PFCs.

The Port covenants in the Intermediate Lien Master Resolution that, if the Available Intermediate Lien Revenues as First Adjusted or if Available Intermediate Lien Revenues as Second Adjusted in any fiscal year are less than required to fulfill the Intermediate Lien Rate Covenant, the Port will retain a Consultant to make recommendations as to operations and the revision of schedules of rentals, tariffs, rates, fees and charges; and that upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Commission, on the basis of such recommendations and other available information, will establish rentals, tariffs, rates, fees and charges for services and operations that will be necessary to meet the Intermediate Lien Rate Covenant in the fiscal year during which such adjustments are made. The Intermediate Lien Master Resolution provides that, if the Commission has taken such steps and if the Available Intermediate Lien Revenues as First Adjusted or if Available Intermediate Lien Revenues as Second Adjusted in the fiscal year in which adjustments are made nevertheless are not sufficient to meet the Intermediate Lien Rate Covenant, there shall be no default with respect to the Intermediate Lien Rate

Covenant during such fiscal year, unless the Port fails to meet the Intermediate Lien Rate Covenant for two consecutive fiscal years. See Section 6(a) of the Intermediate Lien Master Resolution in Appendix G.

Other Covenants

The Port has made a number of other covenants in the Resolution for the benefit of the holders and owners from time to time of the Intermediate Lien Parity Bonds, including taking or requiring to be taken such acts as may reasonably be within the Port's ability and required under applicable law to continue the exclusion from gross income for federal income tax purposes of the interest on the Series 2019 Bonds. See "TAX MATTERS" herein and the Series Resolution and Section 6 of the Intermediate Lien Master Resolution in Appendix G.

Permitted Prior Lien Bonds

Additional First Lien Bonds. The First Lien Master Resolution provides that the Port may issue bonds having a lien and charge upon Net Revenues equal to that of the outstanding First Lien Bonds (the "Additional First Lien Bonds") if (i) the Port has not been in default of its First Lien Bond rate covenant set forth in the First Lien Master Resolution for the immediately preceding fiscal year, and (ii) a certificate prepared by either a Consultant or the Port is filed demonstrating fulfillment of the First Lien Bond Coverage Requirement (defined below) for the first full fiscal year following the earlier of (a) the Date of Commercial Operation of the Facilities to be financed with the proceeds of the Additional First Lien Bonds, or (b) the date on which any portion of interest on the Additional First Lien Bonds then being issued will no longer be paid from the proceeds of such Additional First Lien Bonds, and for the following two fiscal years. As defined in the First Lien Master Resolution, the Coverage Requirement for the First Lien Bonds (the "First Lien Bond Coverage Requirement") means Net Revenues equal to or greater than 135 percent of Aggregate Annual Debt Service (as defined in the First Lien Master Resolution) for all outstanding First Lien Bonds and all First Lien Bonds authorized but unissued. Net Revenues are to be based upon the financial statements of the Port for the Base Period (defined below), in the case of a certificate filed by the Port, and upon Net Revenues for the Base Period with such adjustments as the Consultant deems reasonable, in the case of a certificate filed by a Consultant. Under the First Lien Master Resolution, "Date of Commercial Operation" means the date on which the Facilities (as defined in the First Lien Master Resolution) are first ready for normal continuous operation, or if portions of the Facilities are placed in normal continuous operation at different times, the midpoint of the dates of continuous operation of all portions of such Facilities, as estimated by the Port, or if used with reference to Facilities to be acquired, the date on which such acquisition is final. "Base Period" means any consecutive 12-month period selected by the Port out of the 30-month period next preceding the date the Additional First Lien Bonds are issued.

Under the First Lien Master Resolution, Additional First Lien Bonds may be issued without satisfying the requirements described above for (i) refunding purposes under certain conditions, or (ii) paying Costs of Construction for Facilities for which First Lien Bonds have been issued previously if the principal amount of the Additional First Lien Bonds being issued for completion purposes does not exceed an amount equal to an aggregate of 15 percent of the principal amount of First Lien Bonds theretofore issued for such Facilities and reasonably allocable to the Facilities to be completed (as shown in a written certificate of a Designated Port Representative) and if a Consultant's certificate is delivered stating that the nature and purpose of the Facilities have not changed materially. The First Lien Master Resolution also permits the Port to issue refunding First Lien Bonds without satisfying the First Lien Coverage Requirement if the Maximum Annual Debt Service to be outstanding after the issuance of the refunding First Lien Bonds will not be greater than Maximum Annual Debt Service (as defined in the First Lien Master Resolution) were such refunding not to occur. The First Lien Master Resolution also provides that if and to the extent specified in a series resolution authorizing Additional First Lien Bonds, the obligation of the Port to reimburse the provider of a Credit Facility (a "Repayment Obligation") may be secured by a pledge of and a lien on Gross Revenue on a parity with any other outstanding First Lien Bonds.

Other Permitted Prior Lien Bonds. In the First Lien Master Resolution and in the Intermediate Lien Master Resolution, the Port reserves the right to issue obligations having lien(s) on Net Revenues junior and inferior to the lien of the First Lien Bonds but prior to the lien of the Intermediate Lien Parity Bonds, payable from Net Revenues available after payment of the amounts described above in paragraphs ***First*** through ***Third*** under "—Flow of Funds." In the Intermediate Lien Master Resolution, the Port has reserved the right to issue such Permitted Prior

Lien Bonds without conditions. The Port at any time could choose to issue Permitted Prior Lien Bonds, but currently has no plans to do so. See Section 5(a) of the Intermediate Lien Master Resolution in Appendix G.

Additional Intermediate Lien Parity Bonds

General. The Intermediate Lien Master Resolution provides that the Port may issue bonds having a lien and charge upon the Available Intermediate Lien Revenues equal to that of the outstanding Intermediate Lien Parity Bonds if the Port is not in default under the Intermediate Lien Master Resolution and if the Port meets the conditions described below under "—Certificate Required" or "—No Certificate Required."

Certificate Required. Unless the Port satisfies the requirements described below under "—No Certificate Required," the Port is required to deliver prior to the date of issuance of additional Intermediate Lien Parity Bonds, either (i) a certificate prepared as described below and executed by the Designated Port Representative stating that Available Intermediate Lien Revenues as First Adjusted during the Base Period were at least equal to 110 percent of Annual Debt Service in each year of the Certificate Period with respect to all Intermediate Lien Parity Bonds then outstanding and then proposed to be issued; or (ii) a Consultant's certificate, prepared as described below, stating that projected Available Intermediate Lien Revenues as First Adjusted will be at least equal to 110 percent of Annual Debt Service in each year of the Certificate Period. See the definition of "Debt Service" in Section 1 of the Intermediate Lien Master Resolution in Appendix G. If Intermediate Lien Debt Service Offsets or Prior Lien Debt Service Offsets are or have been used to comply with the Intermediate Lien Rate Covenant, then for purposes of meeting the conditions described in clause (i) or (ii) of this paragraph, the Port is required to identify and irrevocably pledge the receipts that constitute such Intermediate Lien Debt Service Offsets or Prior Lien Debt Service Offsets for a period not less than the duration of the Certificate Period.

The certificate executed by a Designated Port Representative described in clause (i) of the preceding paragraph is required to be based upon the financial statements of the Port for the Base Period, corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor's office, or by an independent certified public accounting firm for the Base Period. In making the computations of projected Available Intermediate Lien Revenues in connection with the certificate of a Consultant described in clause (ii) of the preceding paragraph, the Consultant is required to use as a basis the Available Intermediate Lien Revenues for the Base Period corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor's office, or by an independent certified public accounting firm for the Base Period. The Intermediate Lien Master Resolution requires the Consultant to make such adjustments to Available Intermediate Lien Revenues (including those described in establishing Available Intermediate Lien Revenues as First Adjusted) to compute projected Available Intermediate Lien Revenues as such Consultant deems reasonable as set forth in writing to the Port. See Sections 5(b)(1) and 5(c)(1) of the Intermediate Lien Master Resolution in Appendix G.

Under the Intermediate Lien Master Resolution, "Certificate Period" means a period commencing with the year of issuance of the proposed series of Intermediate Lien Parity Bonds and ending with the third complete fiscal year following the earlier of (i) the projected Date of Commercial Operation of the facilities to be financed with the proceeds of the proposed Intermediate Lien Parity Bonds; or (ii) the date on which no portion of the interest on the proposed series of Intermediate Lien Parity Bonds will be paid from the proceeds of such Intermediate Lien Parity Bonds (such date to be determined in accordance with the Port's proposed schedule of expenditures).

No Certificate Required. The Port is authorized under the Intermediate Lien Master Resolution to issue Intermediate Lien Parity Bonds without providing either of the certificates described under the heading "Certificate Required" if (i) the Intermediate Lien Parity Bonds are being issued to refund Intermediate Lien Parity Bonds and either (a) the latest maturity of the Intermediate Lien Parity Bonds to be issued is not later than the latest maturity of the Intermediate Lien Parity Bonds to be refunded (were such refunding not to occur) and the increase in Annual Debt Service as result of such refunding in any year is less than the greater of $25,000 or five percent of such Annual Debt Service on the Intermediate Lien Parity Bonds to be refunded, or (b) the latest maturity of the Intermediate Lien Parity Bonds to be issued is later than the latest maturity of the Intermediate Lien Parity Bonds to be refunded (were such refunding not to occur) and the Maximum Annual Debt Service on all Intermediate Lien Parity Bonds to be outstanding after the issuance of the refunding Intermediate Lien Parity Bonds is not greater than Maximum Annual Debt Service were such refunding not to occur; (ii) the Intermediate Lien Bonds are being issued to refund Intermediate Lien Parity Bonds or Permitted Prior Lien Bonds within one year prior to maturity or mandatory redemption if sufficient moneys are not expected to be available; or (iii) the Intermediate Lien Parity Bonds are being issued to pay Costs of Construction of Facilities for which indebtedness has been issued previously if the principal amount of such indebtedness being issued for completion purposes does not exceed an amount equal to an aggregate of 15 percent of the principal amount of indebtedness previously issued for such Facilities as shown in a written certificate of the Designated Port Representative, stating that the scope, nature and purpose of such Facilities have not materially changed and that the net proceeds of such indebtedness being issued for completion purposes will be sufficient, together with other available funds of the Port, to complete such Facilities. See Sections 5(b)(2) and 5(c) of the Intermediate Lien Master Resolution in Appendix G.

Refunding Permitted Prior Lien Bonds. Intermediate Lien Parity Bonds may be issued at any time for the purpose of refunding any Permitted Prior Lien Bonds; provided, however, that prior to the issuance of such Intermediate Lien Parity Bonds, the Port must provide a certificate if such a certificate would be required if the Permitted Prior Lien Bonds to be refunded were Intermediate Lien Parity Bonds. For the purposes of determining whether a certificate is required and for the purpose of preparing any such certificate, the debt service on the Permitted Prior Lien Bonds shall be calculated as if such Permitted Prior Lien Bonds were Intermediate Parity Lien Bonds. See Section 5(c)(2) of the Intermediate Lien Master Resolution in Appendix G.

For more information regarding the Port's future financing plans and needs, see "CAPITAL PLAN FUNDING" and "Appendix C—Report of the Independent Consultant."

Defaults and Remedies; No Acceleration; Rights of Credit Facility Issuers

The Intermediate Lien Master Resolution provides certain actions Registered Owners of the Series 2019 Bonds may take following the occurrence of a payment default on the Series 2019 Bonds or a default by the Port in the observance or performance of any other covenants, conditions or agreements on the part of the Port contained in the Intermediate Lien Master Resolution and the continuance of such covenant default for a period of 90 days. See Section 11 of the Intermediate Lien Master Resolution in Appendix G. The Intermediate Lien Master Resolution also provides that a Credit Facility Issuer is deemed to be the only party entitled to waive any default, to exercise the remedies provided in the Intermediate Lien Master Resolution and to consent to amendments of the Intermediate Lien Master Resolution in connection with Intermediate Lien Parity Bonds insured by such Credit Facility Issuer. See Sections 9 and 11 of the Intermediate Lien Master Resolution in Appendix G.

Payment of the principal of and accrued interest on the Intermediate Lien Parity Bonds, including the Series 2019 Bonds, is not subject to acceleration upon the occurrence and continuance of a default under the Intermediate Lien Master Resolution. Payments of debt service on Intermediate Lien Parity Bonds are required to be made only as they become due. In the event of multiple defaults in payment of principal of or interest on the Series 2019 Bonds, the Series 2019 Bond owners could be required to bring a separate action for each such payment not made. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies. See Section 11 of the Intermediate Lien Master Resolution in Appendix G.

OUTSTANDING PORT INDEBTEDNESS

First Lien Bonds

As described above, the Port has reserved the right to issue additional First Lien Bonds upon compliance with the provisions of the First Lien Master Resolution and to issue bonds secured by a lien or liens on Net Revenues senior to the lien of the Intermediate Lien Parity Bonds and subordinate to the lien of the First Lien Bonds. The First Lien Bonds are currently the only Permitted Prior Lien Bonds outstanding. See "SECURITY AND SOURCES OF PAYMENT FOR INTERMEDIATE LIEN PARITY BONDS—Permitted Prior Lien Bonds," and "PORT FINANCIAL MATTERS." As of June 2, 2019, the Port had outstanding the following series of First Lien Bonds.

TABLE 1

OUTSTANDING FIRST LIEN BONDS

Date of Original Issue	Series	Original Principal Amount	Principal Amount Outstanding (06/02/2019)	Final Maturity Date
08/20/2003	2003A	$190,470,000	$36,600,000	07/01/2021
07/16/2009	2009B-2	22,000,326[(1)]	45,111,525[(1)]	05/01/2031
12/13/2011	2011B	97,190,000	71,800,000	09/01/2026
08/02/2016	2016A	19,565,000	4,935,000	10/01/2019
08/02/2016	2016B	124,380,000	124,380,000	10/01/2032
08/02/2016	2016C	6,180,000	6,050,000	10/01/2032
Total		$459,785,326	$288,876,525	

(1) The Series 2009B-2 Bonds are capital appreciation bonds; total principal amount outstanding includes accreted interest of $23,111,199 through June 2, 2019.

Source: *Port of Seattle.*

The First Lien Master Resolution does not require that a debt service reserve fund be created for each series of First Lien Bonds and does not require that any minimum amount be deposited to a reserve fund for First Lien Bonds. At the option of the Port, First Lien Bonds may be secured by the Common Reserve Fund or may be secured by a separate reserve fund authorized by a series resolution. The Common Reserve Fund Requirement means a dollar amount equal to the lesser of (i) 50 percent of Maximum Annual Debt Service on all Outstanding Covered Bonds, and (ii) the Tax Maximum for all Outstanding Covered Bonds, determined and calculated as of the date of issuance of each series of Covered Bonds (and recalculated upon the issuance of a subsequent series of Covered Bonds and also, at the Port's option, upon the payment of principal of Covered Bonds). The term "Covered Bonds" means the Port's Revenue Refunding Bonds, Series 2011B (the "Series 2011 First Lien Bonds"), the Port's Revenue Bonds, Series 2016A, Series 2016B and Series 2016C (the "Series 2016 First Lien Bonds") and any First Lien Bonds designated in the future as Covered Bonds secured by the Common Reserve Fund. As of June 2, 2019, the Common Reserve Fund Requirement is $12,516,720, and currently is cash-funded. The Common Reserve Fund Requirement is recalculated from time to time upon the issuance of a series of Covered Bonds and also, at the Port's option, upon the payment of principal of Covered Bonds.

The Port is not required to replace or otherwise address any surety policy securing First Lien Bonds upon a downgrade or withdrawal of ratings of the surety provider. In the event that a surety is terminated, or in the event the surety provider is insolvent or no longer in existence, the Port is required to satisfy the Common Reserve Fund Requirement or the reserve fund requirement for First Lien Bonds that are not Covered Bonds with a replacement surety or letter of credit within one year, or with cash within three years after such termination, insolvency or incapacity, as further provided in the First Lien Master Resolution and series resolutions.

Amounts on deposit in reserve funds for outstanding First Lien Bonds that are not Covered Bonds are not available to pay debt service on Covered Bonds, and amounts on deposit in the Common Reserve Fund are not available to pay First Lien Bonds that are not Covered Bonds. The Port's Revenue Bonds, Series 2003A (the "Series 2003A First Lien Bonds") are not Covered Bonds and are secured with a debt service reserve fund surety policy issued by MBIA (reinsured and administered by National Public Finance Guarantee Corporation), in the amount of $13,373,451. The Series 2003A First Lien Bonds are scheduled to mature in 2021.

The Series 2009 First Lien Bonds are not Covered Bonds and the debt service reserve fund for these bonds is cash-funded.

Intermediate Lien Parity Bonds

As of June 2, 2019, the Port had outstanding the following series of Intermediate Lien Parity Bonds (excluding the Series 2019 Bonds). See "SECURITY AND SOURCES OF PAYMENT FOR INTERMEDIATE LIEN PARITY BONDS."

TABLE 2

OUTSTANDING INTERMEDIATE LIEN PARITY BONDS

Date of Original Issue	Series	Original Principal Amount	Principal Amount Outstanding (06/02/2019)	Final Maturity Date
08/04/2010	2010B	$ 221,315,000	$ 196,130,000	06/01/2040
08/04/2010	2010C	128,140,000	77,135,000	02/01/2024
03/14/2012	2012A	342,555,000	302,555,000	08/01/2033
03/14/2012	2012B	189,315,000	97,810,000	08/01/2024
12/17/2013	2013	139,105,000	127,155,000	07/01/2029
08/06/2015	2015A	72,010,000	68,370,000	04/01/2040
08/06/2015	2015B	284,440,000	211,945,000	03/01/2035
08/06/2015	2015C	226,275,000	212,695,000	04/01/2040
08/02/2016	2016	99,095,000	99,095,000	02/01/2030
08/22/2017	2017A	16,705,000	16,705,000	05/01/2028
08/22/2017	2017B	264,925,000	248,565,000	05/01/2036
08/22/2017	2017C	313,305,000	312,245,000	05/01/2042
08/22/2017	2017D	93,230,000	82,550,000	05/01/2027
06/21/2018	2018A	470,495,000	470,430,000	05/01/2043
06/21/2018	2018B	85,145,000	83,855,000	05/01/2028
Total		$2,946,055,000	$2,607,240,000	

Source: *Port of Seattle.*

The payment of the principal of, premium, if any, and interest on all outstanding Intermediate Lien Parity Bonds is secured by the Intermediate Lien Reserve Account, a pooled reserve described under the heading "SECURITY AND SOURCES OF PAYMENT FOR INTERMEDIATE LIEN PARITY BONDS—Intermediate Lien Reserve Account."

Subordinate Lien Parity Bonds

The Port's Subordinate Lien Parity Bonds are payable from Gross Revenue after all of the payments and transfers described in clauses ***First*** through ***Eighth*** under "SECURITY AND SOURCES OF PAYMENT FOR INTERMEDIATE LIEN PARITY BONDS—Flow of Funds" have been made. Subordinate Lien Parity Bonds are not subject to acceleration but variable rate Subordinate Lien Parity Bonds may be subject to mandatory tender upon a default or the occurrence of certain other events. See "SECURITY AND SOURCES OF PAYMENT FOR INTERMEDIATE LIEN PARITY BONDS—Flow of Funds."

As of June 2, 2019, the Port had outstanding the following series of Subordinate Lien Parity Bonds in addition to any outstanding Subordinate Lien Commercial Paper Notes, which the Port is authorized to issue from time to time in an aggregate principal amount of up to $250 million.

TABLE 3

OUTSTANDING SUBORDINATE LIEN PARITY BONDS[(1)]

Date of Original Issue	Series	Original Principal Amount	Principal Amount Outstanding (06/02/2019)	Final Maturity Date
03/26/1997	1997	$ 108,830,000	$ 37,360,000	09/01/2022
09/01/1999[(2)]	1999A	127,140,000	28,010,000	09/01/2020
06/17/2008	2008	200,715,000	167,290,000	07/01/2033
Total		$436,685,000	$232,660,000	

[(1)] Excluding any outstanding Subordinate Lien Commercial Paper Notes.
[(2)] Fixed rate bonds.
Source: *Port of Seattle.*

The Port previously acquired a surety bond from FGIC (subsequently reinsured by MBIA, and currently administered and reinsured by National Public Finance Guarantee Corporation) in the amount of $18,505,263 to secure the payment of outstanding Subordinate Lien Parity Bonds issued in 1999 (the "1999A/B Subordinate Lien Bonds," of which, the 1999A Subordinate Lien Bonds are outstanding). The resolution authorizing the 1999A/B Subordinate Lien Bonds does not require that the surety bond be replaced upon withdrawals or downgrades of FGIC's ratings. The resolution does require that, in the event of the termination of the surety bond or the insolvency or incapacity of the provider, the 1999 Subordinate Lien Reserve Requirement shall be satisfied (i) within one year after the termination, insolvency or incapacity, but no later than the date of cancellation, with other Qualified Insurance or another Qualified Letter of Credit, or (ii) within three years (in three equal annual installments) after the termination, insolvency, or incapacity, out of Available Revenues (or out of other money on hand and legally available for such purpose). See "SECURITY AND SOURCES OF PAYMENT FOR INTERMEDIATE LIEN PARITY BONDS—Flow of Funds."

The Port's outstanding variable rate Subordinate Lien Parity Bonds and the Port's Subordinate Lien Commercial Paper Notes are secured by bank letters of credit. See "APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE PORT—Note 5: Long-Term Debt; Subordinate Lien Variable Rate Demand Bonds" and "SECURITY AND SOURCES OF PAYMENT FOR INTERMEDIATE LIEN PARITY BONDS—Flow of Funds."

Passenger Facility Charge Revenue Bonds

As of June 2, 2019, the Port had outstanding $82,475,000 aggregate principal amount of Passenger Facility Charge Revenue Bonds, Series 1998 and Series 2010 (the "PFC Bonds"), which have a first claim on PFC revenues. The PFC Bonds have no claim on Gross Revenue of the Port, and the Port's revenue bonds have no claim on PFC revenues. See "THE AIRPORT—Passenger Facility Charges."

General Obligation Bonds

The Port has statutory authority to issue LTGO and unlimited tax general obligation bonds. As of June 2, 2019, the Port had outstanding $354,070,000 aggregate principal amount of LTGO bonds and no unlimited tax general obligation bonds. LTGO bonds are general obligations of the Port, payable from property taxes levied by the Port within the State statutory limitations applicable to port levies permitted to be imposed without approval of the voters and from all other legally available funds of the Port. See Appendix D for information about the Port's Tax Levy and LTGO bonds.

Special Obligations

From time to time, the Port may issue revenue bonds, revenue warrants or other revenue obligations for the purpose of undertaking any project, the debt service on which is to be payable from and secured solely by the revenues derived from such project (the "Special Revenue Bonds"). Revenues received from such projects are not Gross Revenue, and Special Revenue Bonds are not entitled to a lien on Gross Revenue on any basis, senior or junior, and are not payable from such Gross Revenue or any other revenues of the Port (other than the revenues derived from the project financed with the Special Revenue Bonds).

In June 2013, the Port issued $88,660,000 aggregate principal amount of Special Facility Revenue Refunding Bonds (the "Fuel System Bonds") to refund special facility revenue bonds issued to finance the cost of a fuel hydrant system at the Airport (the "Fuel System"). The Fuel System Bonds are limited obligations of the Port payable solely from payments to be made by the lessee (a consortium formed by airlines operating at the Airport) under a fuel system lease and under a guaranty and a security agreement provided by the lessee. In the resolution pursuant to which the Fuel System Bonds were issued, the Port agreed that, should insurance or other funds be insufficient to rebuild the Fuel System after substantial damage or destruction, the Port would either pay the cost of rebuilding the Fuel System or defease any then-outstanding Fuel System Bonds. As of June 2, 2019, $68,980,000 of Fuel System Bonds remain outstanding.

Interest Rate Swaps

Under State law, the Port may enter into payment agreements (interest rate swaps, caps, floors and similar agreements) for the purposes of reducing interest rate risk or reducing the cost of borrowing. The Port has instituted a swap policy that establishes certain requirements for the use of payment agreements, including the authorization by the Commission of any payment agreement and compliance with all statutory requirements, including minimum counterparty ratings and minimum collateralization. The Port has not entered into any interest rate swap agreements or other payment agreements.

Debt Payment Record

The Port has never defaulted on the payment of principal or interest on any of its bonds or other debt.

Historical Debt Service Coverage

The following table shows historical debt service coverage for the years 2014 through 2018 on outstanding First Lien Bonds and Intermediate Lien Parity Bonds calculated in conformity with the First Lien Master Resolution and the Intermediate Lien Master Resolution, and debt service on Subordinate Lien Parity Bonds. In accordance with the resolutions, the Port has used certain income items (not otherwise included in "Gross Revenue") in offsetting Operating Expenses and, in the case of the Intermediate Lien Parity Bonds, either in offsetting debt service or increasing Net Revenues available to be used to pay First Lien Bond debt service as permitted in its bond resolutions.

Each of the First Lien Rate Covenant and the Intermediate Lien Rate Covenant requires that debt service coverage be calculated for that lien level, based on the applicable offsets or other adjustments. Accordingly, the following table shows historical debt service coverage on a lien-by-lien basis for First Lien Bonds and Intermediate Lien Parity Bonds, rather than on an aggregate or cumulative basis.

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TABLE 4

HISTORICAL FIRST LIEN BOND AND INTERMEDIATE LIEN PARITY BOND DEBT SERVICE COVERAGE BY LIEN CALCULATED PER APPLICABLE RATE COVENANT FOR THE YEARS ENDED DECEMBER 31 ($ IN THOUSANDS)

Fiscal Year	2014[9]	2015	2016	2017	2018
Operating revenues	$534,489	$558,933	$598,467	$632,031	$689,390
Less: CFC revenues not available to pay revenue bond debt service	(13,608)	(12,663)	(12,122)	(10,641)	(16,263)
Less: Storm Water Utility (SWU) revenues not available to pay revenue bond debt service	0	(4,403)	(4,751)	(4,985)	(5,285)
Plus/Less: Seaport Alliance adjustments[1]	0	0	266	928	(591)
Plus: Nonoperating income (expense)—net[2]	16,417	(143)	5,567	7,381	12,174
Gross revenues[3]	$537,298	$541,724	$587,427	$624,714	$679,425
Operating expenses	306,300	317,806	325,285	372,982	397,638
Less: Operating expenses paid from sources other than gross revenues (CFC)	(7,178)	(7,536)	(7,309)	(8,643)	(8,787)
Less: Operating expenses paid from sources other than gross revenues (SWU)	0	(4,035)	(1,710)	(3,795)	(4,660)
Less: Port general purpose Tax Levy[4]	(19,083)	(41,808)	(36,894)	(34,941)	(28,134)
Operating expenses[5]	280,039	264,427	279,372	325,603	356,057
First Lien Bonds					
Net revenues available for First Lien Bond debt service	$257,259	$277,297	$308,055	$299,111	$323,368
Debt service on First Lien Bonds	$61,214	$60,740	$52,320	$48,787	$32,798
Coverage on First Lien Bonds (calculated per First Lien Rate Covenant)	4.20	4.57	5.89	6.13	9.86
Intermediate Lien Bonds					
Net revenues available for Intermediate Lien Parity Bond debt service	$196,045	$216,557	$255,735	$250,324	$290,570
Add: Prior lien debt service offset paid by PFC revenues[6]	1,893	419	0	0	0
Add: Prior lien debt service offset paid by CFC revenues[7]	19,632	20,217	21,431	19,142	5,869
Available Intermediate Lien Revenues as First Adjusted	$217,570	$237,193	$277,166	$269,466	$296,439
Debt service on Intermediate Lien Parity Bonds	145,522	133,487	158,816	152,749	192,022
Less: Debt service offsets paid from:					
PFC revenues[6]	(29,730)	(28,406)	(25,583)	(33,800)	(33,800)
CFC revenues[7]	0	0	0	(3,563)	(15,930)
Capitalized interest funds	0	0	(12,298)	(12,445)	(34,132)
Debt service on Intermediate Lien Parity Bonds – net of debt service offsets	$115,792	$105,081	$120,935	$102,941	$108,160
Coverage on Intermediate Lien Parity Bonds (calculated per Intermediate Lien Rate Covenant)	**1.88**	**2.26**	**2.29**	**2.62**	**2.74**
Net revenues available for Subordinate Lien Parity Bond debt service	$101,778	$132,112	$156,231	$166,525	$188,279
Debt service on Subordinate Lien Parity Bonds[8]	$5,836	$5,515	$8,949	$18,295	$25,246

(1) Seaport Alliance adjustments include non-cash adjustments for depreciation of Seaport Alliance assets netted from operating revenues and public expense, as well as exclusion of capital grants and donations for capital purposes from the Seaport Alliance.

(2) Nonoperating income (expense)—net is adjusted for the following: Interest expense, income that is not legally available to be pledged for revenue bonds debt service such as Passenger Facility Charges ("PFCs"), Customer Facility Charges ("CFCs"), tax levy, fuel hydrant facility revenues, donations for capital purposes, grants for capital projects, monies received and used for capital projects owned by other government entities ("public expense projects") and other nonoperating SWU revenues and expenses. Certain non-cash items, such as depreciation are excluded, while other nonoperating revenues and expenses, such as environmental expense, are adjusted to a cash basis. The Port may also include certain proceeds from the sale of capital and non-capital assets in the year the proceeds are received. In 2018, the Port recorded, as a special item, a $34.9 million environmental expense, reflecting the cost to construct a habitat restoration project, in the Port's 2018 Statement of Revenues, Expenses, and Changes in Net Position. This special item and related payments is excluded from this schedule.

(3) Gross Revenue reflects annual Port operating revenues, as presented in the Port's Audited Financial Statements (see Statement of Revenues, Expenses and Changes in Net Position), less certain operating revenues that are not legally available to pay debt service on all revenue bonds.

(4) Port general purpose Tax Levy represents annual tax levy collections less the payment of general obligation bond debt service. The Port is permitted, but not obligated, to pay operating expenses with such general purpose Tax Levy dollars. In 2015 and 2016, the Port made its contractual payment, in the amount of $120,000,000 and $147,700,000, respectively, to the Washington State Department of Transportation ("WSDOT") for the SR 99 Alaskan Way Viaduct Replacement Program. These payments were accounted for as a special item in the Port's 2015 and 2016 Statement of Revenues, Expenses, and Changes in Net Position, and were funded by the issuances of 2015 LTGO bonds and 2017 LTGO bonds, respectively. The debt service associated with the 2015 LTGO bonds is included in the calculation of the Port's general purpose Tax Levy, beginning in 2015, but the actual payment to WSDOT is excluded from the schedule as the funds were used for capital projects owned by other governmental entities.

(5) Operating Expenses reflect annual Port operating expenses before depreciation, as presented in the Port's Audited Financial Statements (see Statement of Revenues, Expenses and Changes in Net Position), less certain operating expenses paid with revenues derived from sources other than Gross Revenue such as consolidated rental car facility related operating expenses paid from CFCs and SWU operating expenses paid from SWU operating revenues, as well as the Port's general purpose Tax Levy.

(6) During 2008, the Port implemented using PFC revenues toward other specific revenue bonds debt service related to eligible projects. The Port, as authorized by the Federal Aviation Administration (the "FAA"), has the authority to use PFCs to pay: (i) debt service on bonds secured solely with PFCs; (ii) eligible projects costs (definitions, terms and conditions are set by the FAA), and (iii) revenue bonds debt service related to eligible PFC projects.

(7) State law provides for the Port's authority to impose CFCs on rental car transactions at the Airport. CFCs may only be used to pay costs associated with the consolidated rental car facility including the payment of debt service on bonds issued to fund the facility. During 2009, the Port began using CFCs to pay debt service on related bonds. In 2017, the 2009A and 2009B-1 First Lien bonds were partially refunded with Intermediate Lien Parity Bonds and as such CFCs were applied to both First Lien Bond and Intermediate Lien Parity Bond debt service.

(8) From 2009 to 2016, the Port used PFCs to pay eligible Subordinate Lien Parity Bond debt service and associated debt fees. However, such amounts are not permitted offsets in the legal coverage calculation on Subordinate Lien Parity Bonds.

(9) During 2015, the Port adopted the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions–an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date–an Amendment of GASB Statement No. 68, by restating the financial statements for 2014 in operating revenues, operating expenses and nonoperating income–net.

Source: *Port of Seattle's Schedule of Net Revenue Available for Revenue Bond Debt Service.*

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OUTSTANDING FIRST LIEN BONDS, INTERMEDIATE LIEN PARITY BONDS, AND SUBORDINATE LIEN PARITY BONDS

Table 5 presents, in aggregate, debt service for the Port's outstanding First Lien Bonds, Intermediate Lien Parity Bonds (including the Series 2019 Bonds proposed to be issued) and Subordinate Lien Parity Bonds.

TABLE 5

REVENUE BOND DEBT SERVICE
FOR FIRST LIEN BONDS, INTERMEDIATE LIEN PARITY BONDS, AND SUBORDINATE LIEN PARITY BONDS[(1)]

		Intermediate Lien Parity Bonds						
			Series 2019 Bonds					
Year Ending Dec. 31	Outstanding First Lien Bonds	Outstanding	Principal	Interest	Total	Total	Subordinate Lien Parity Bonds[(2)]	Total Debt Service
2019[(3)]	$44,752,389	$166,865,646	-	-	-	$166,865,646	$40,221,895	$251,839,930
2020	37,549,711	227,020,086	-	-	-	227,020,086	40,222,049	304,791,845
2021	38,418,706	252,790,071	$ 4,615,000	$ 6,766,683	$11,381,683	264,171,755	25,047,152	327,637,612
2022	25,024,281	258,663,459	10,780,000	19,986,333	30,766,333	289,429,792	25,378,318	339,832,390
2023	25,032,687	248,662,047	11,335,000	21,416,375	32,751,375	281,413,422	14,719,620	321,165,728
2024	25,028,014	248,385,469	11,915,000	20,835,125	32,750,125	281,135,594	14,720,048	320,883,656
2025	39,523,814	214,784,569	12,525,000	20,224,125	32,749,125	247,533,694	14,722,007	301,779,516
2026	39,533,439	215,027,393	13,165,000	19,581,875	32,746,875	247,774,268	14,719,945	302,027,652
2027	23,523,869	219,903,650	13,835,000	18,906,875	32,741,875	252,645,525	14,723,491	290,892,885
2028	24,328,469	205,837,984	14,555,000	18,197,125	32,752,125	238,590,109	14,721,909	277,640,487
2029	28,122,589	189,692,206	15,300,000	17,450,750	32,750,750	222,442,956	14,719,828	265,285,373
2030	28,119,949	190,362,962	16,085,000	16,666,125	32,751,125	223,114,087	14,721,696	265,955,732
2031	18,619,731	181,046,004	16,910,000	15,841,250	32,751,250	213,797,254	14,721,775	247,138,759
2032	13,620,096	159,000,629	17,775,000	14,974,125	32,749,125	191,749,754	14,724,510	220,094,360
2033	-	158,833,960	18,690,000	14,062,500	32,752,500	191,586,460	14,724,165	206,310,624
2034	-	135,072,765	19,645,000	13,104,125	32,749,125	167,821,890	-	167,821,890
2035	-	135,344,760	20,655,000	12,096,625	32,751,625	168,096,385	-	168,096,385
2036	-	120,316,410	21,705,000	11,037,625	32,742,625	153,059,035	-	153,059,035
2037	-	91,969,500	22,825,000	9,924,375	32,749,375	124,718,875	-	124,718,875
2038	-	91,443,344	23,995,000	8,753,875	32,748,875	124,192,219	-	124,192,219
2039	-	91,419,596	25,225,000	7,523,375	32,748,375	124,167,971	-	124,167,971
2040	-	91,415,981	26,485,000	6,266,925	32,751,925	124,167,906	-	124,167,906
2041	-	56,624,576	27,755,000	4,985,275	32,740,275	89,364,851	-	89,364,851
2042	-	56,630,763	29,105,000	3,641,750	32,746,750	89,377,513	-	89,377,513
2043	-	33,668,915	30,515,000	2,233,050	32,748,050	66,416,965	-	66,416,965
2044	-	-	31,995,000	756,025	32,751,025	32,751,025	-	32,751,025
TOTAL	$411,197,744	$4,040,782,746	$457,390,000	$305,232,292	$762,622,292	$4,803,405,038	$292,808,404	$5,507,411,185

Note: Totals may not add due to rounding.

(1) Debt service is net of capitalized interest.

(2) Assumes an average interest rate of 3.69% per annum (Bond Buyer 40 Bond Index as of July 10, 2019) for all outstanding variable rate bonds, excluding Subordinate Lien Commercial Paper. Assumes level debt service to 2022 for the variable rate Series 1997 Subordinate Lien Bonds and level debt service to 2033 for the Series 2008 Subordinate Lien Bonds, in each case with principal payments commencing in 2019. Excludes the Port's Subordinate Lien Commercial Paper program, which is authorized in the amount of $250 million, and as of July 12, 2019 was outstanding in the amount of $118,655,000.

(3) Includes all debt service due in calendar year 2019 net of capitalized interest.

Source: Port of Seattle.

THE PORT OF SEATTLE

Introduction

The Port is a municipal corporation of the State organized on September 5, 1911, under provisions of the laws of the State, now codified at RCW 53.04.010 *et seq*. In 1942, the local governments in the County selected the Port to operate the Airport. In addition to the Airport, the Port owns and operates various maritime facilities and industrial and commercial properties. The Port also owns container shipping terminals and has licensed these terminals, along with certain industrial properties, to the Northwest Seaport Alliance (the "Seaport Alliance"), a port development authority formed jointly in 2015 with the Port of Tacoma to manage the two ports' container shipping terminals and related industrial properties. The Airport accounted for $549.0 million (79.6 percent) of the Port's total operating revenue in 2018.

The Port's container shipping terminals and certain industrial properties are licensed to and operated by the Seaport Alliance. Other Port properties are managed through the Port's operating divisions. The Aviation Division is responsible for the Airport. The Maritime Division includes cruise, recreational and commercial marinas, the grain terminal and certain other properties. The Economic Development Division includes certain commercial properties and has responsibility for the Port's broader economic development activities, including property development, tourism, workforce development and small business initiatives. In addition to the Port's operating divisions, several departments provide corporate and capital development services to the operating divisions; the costs associated with these services are charged or allocated to the operating divisions and the Seaport Alliance.

Port Management

The Port Commission. Port policies are established by the five-member Commission elected at large by the voters of the County for four-year terms. The Commission appoints the Executive Director and hires Commission staff. The Commissioners also act on behalf of the Port in its capacity as a Managing Member of the Seaport Alliance.

The current Commissioners are:

STEPHANIE BOWMAN	—	President. Executive Director at Washington Asset Building Coalition. Ms. Bowman was appointed on May 3, 2013 to an unexpired term of office, was first elected to the Commission in November 2013 and was re-elected in November 2017 to a term that expires December 31, 2021.
FRED FELLEMAN	—	Vice President. Environmental consultant. Mr. Felleman was elected to the Commission in November 2015 to a term that expires December 31, 2019.
PETER STEINBRUECK	—	Secretary. Urban policy consultant and former Seattle City Council member. Mr. Steinbrueck was elected to the Commission in November 2017 to a term that expires December 31, 2021.
RYAN CALKINS	—	Commissioner. Service Business Specialist at Venture, a nonprofit organization. Mr. Calkins was elected to the Commission in November 2017 to a term that expires December 31, 2021.
COURTNEY GREGOIRE[1]	—	Commissioner. Attorney at Microsoft. Ms. Gregoire was appointed on March 15, 2013 to an unexpired term of office, was elected to the Commission in November 2013 to serve for the remaining term to December 31, 2015, and was re-elected in 2015 to a term that expires December 31, 2019.

[1] Ms. Gregoire has announced that she will not seek re-election after the completion of her term.

Certain Executive Staff. Through resolutions and directives, the Commission sets policy for the Port. The policies set by the Commission are implemented by the Port's Executive Director and the Port's staff. Brief resumes of the Executive Director and certain other staff members are provided below.

STEPHEN P. METRUCK, EXECUTIVE DIRECTOR, joined the Port on February 1, 2018. Mr. Metruck is a retired U.S. Coast Guard Rear Admiral with 34 years of military, governmental and international experience. Executive positions included Commander of the Fifth District in Portsmouth, Virginia, where he had overall responsibility for Coast Guard missions carried out from central New Jersey to North Carolina, and Assistant Commandant for Resources and Chief Financial Officer for the U.S. Coast Guard where he was responsible for the Coast Guard's $10 billion annual appropriation. He is a senior fellow at the George Washington University Center for Cyber and Homeland Security. He also has served as a Congressional Fellow to U.S. Senator John F. Kerry and as U.S. Coast Guard Liaison to the United Nations. Mr. Metruck holds a bachelor's degree in Ocean Engineering from the U.S. Coast Guard Academy and a master's degree in Public Administration from Harvard University's John F. Kennedy School of Government.

DAVID SOIKE, CHIEF OPERATING OFFICER, was promoted to the position in March 2016 from the position of Aviation Director of Facilities and Capital Programs and also has served as Interim Executive Director. Mr. Soike has worked with the Port for nearly 36 years, beginning as a junior engineer and advancing into positions in project management, maritime and aviation. Mr. Soike holds a bachelor's degree in civil engineering from Washington State University and a master's degree in business administration from the University of Washington Foster School of Business.

DAN THOMAS, CHIEF FINANCIAL OFFICER, has been with the Port since 1990 and has served as Chief Financial Officer since 2000. Mr. Thomas served as the Port's Director of Finance and Budget from 1997 through 2000. As Chief Financial Officer, Mr. Thomas oversees the accounting, finance, treasury, budgeting, risk management, business intelligence and information technology functions. He holds a bachelor's degree in economics from Pennsylvania State University and a master's degree in business administration in finance from the University of Washington Foster School of Business.

LANCE LYTTLE, MANAGING DIRECTOR, AVIATION, joined the Port in January 2016. Prior to joining the Port, Mr. Lyttle served as the Chief Operating Officer for the Houston Airport System. Preceding his work at the Houston Airport System, Mr. Lyttle served in top executive jobs at the Atlanta Hartsfield-Jackson International Airport. At the Port, Mr. Lyttle manages the Airport's operations and businesses and leads efforts to develop a sustainable airport master plan for the future. Mr. Lyttle has a B.Sc. (Physics and Computer Science) from the University of the West Indies, and a Master of Science in Management Information Systems from the University of the West Indies.

STEPHANIE JONES STEBBINS, MANAGING DIRECTOR, MARITIME, was promoted to the position in October 2017. Ms. Jones Stebbins served as the Port's Director of Environmental and Planning Programs for six years. Before that, she served as Director of Seaport Environmental for four years and Manager of Seaport Strategic and Facility Planning for four years. Ms. Jones Stebbins spent three years in the Peace Corps and overseas consulting prior to joining the Port. She has a bachelor's degree in Civil and Environmental Engineering from Duke University and a master's degree in Regional Planning from the University of North Carolina.

DAVID MCFADDEN, MANAGING DIRECTOR, ECONOMIC DEVELOPMENT, joined the Port in 2015. Mr. McFadden comes to the Port with more than 20 years of experience in economic development and business growth as President and Chief Executive Officer ("CEO") of the Yakima County Development Association. Mr. McFadden's responsibilities include overseeing the Port's commercial properties, real estate development initiatives, workforce development and tourism. Mr. McFadden received his Bachelor of Science Degree with Honors in Social Assessment and Policy and Master of Arts in Political Science from Western Washington University and is a Certified Economic Developer and Economic Development Finance Professional.

PETE RAMELS, GENERAL COUNSEL AND CHIEF COMPLIANCE OFFICER, joined the Port in January, 2019. Prior to joining the Port, Mr. Ramels served for more than 20 years as a Senior Deputy Prosecuting Attorney in the Civil Division of the King County Prosecutor's Office. His practice focused on real estate, land use, and general municipal law. Mr. Ramels' responsibilities include advising Port leadership on legal strategies and approaches, leading the Port's legal team and public records office, and supporting the public governance of the Port. As Chief Compliance Officer, he oversees the Workplace Responsibility office and compliance with the Port's Code of Conduct. The General Counsel and Chief Compliance Officer also serves as a member of the Port's Executive Leadership Team and supports both the Executive Office and Commission. Mr. Ramels received his Bachelor of Arts in Political Science from Washington State University and his Juris Doctorate with Honors from the University of Washington School of Law.

THE AIRPORT

The Airport is located approximately 12 miles south of downtown Seattle. Currently, the Airport has facilities for commercial passengers, air cargo, general aviation and maintenance on a site of approximately 2,500 acres. Airport facilities include the Main Terminal and the South and North Satellites accessed via an underground train, 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, respectively. For additional information regarding the Airport and its facilities, see "APPENDIX C—REPORT OF THE INDEPENDENT CONSULTANT."

The Airport is the largest airport in the State and the eighth largest airport in the country as measured by enplaned passengers, according to the U.S. Department of Transportation Bureau of Transportation Statistics (U.S. Airports Ranked by 2018 Scheduled Domestic and International Enplanements on U.S. and Foreign Airlines). The Airport serves as the primary airport for the Seattle Metropolitan Area, which includes King, Snohomish and Pierce Counties, and much of the western State. The Seattle Metropolitan Area is the major population and business center in the State. Comparable airports in the region that currently provide commercial passenger and cargo service include Portland International Airport in Oregon, approximately 160 miles to the south of the Airport, and Vancouver International Airport in British Columbia, approximately 155 miles to the north of the Airport. In addition, the Spokane International Airport, approximately 270 miles to the east of the Airport, provides domestic and international passenger service. Several smaller regional airports in the Seattle region offer cargo services, commercial passenger service and general aviation services. For example, a new two-gate commercial passenger terminal has opened at Paine Field near the City of Everett, located approximately 40 miles north of the Airport. Alaska Air Group and United Airlines began operating commercial passenger service totaling 24 flights per day out of Paine Field beginning in March 2019. Bellingham International Airport had 375,463 enplaned passengers in 2018. Other regional airports also may be able to add or expand commercial passenger service in the future.

In 2019, the State Legislature passed legislation creating a Commercial Aviation Coordinating Commission to review potential sites for a new primary commercial aviation facility in Washington for development by 2040. The commission is charged with reviewing the State's long-range commercial aviation facility needs to provide potential site recommendations to the transportation committees of the Legislature by January 1, 2022. The commission's charge is not intended to alter existing or future plans for capital development and capacity enhancement at existing commercial airports in Washington.

Passenger Activity at the Airport

Passenger Enplanements. The Airport served approximately 24.9 million enplaned (embarked) passengers in 2018. Approximately 2.7 million (10.8 percent) of enplaned passengers were on non-stop flights to international destinations in 2018.

The following table illustrates the changes in enplanements at the Airport from 2014 through 2018, and from January through May 2018 compared to January through May 2019.

TABLE 6

SEATTLE-TACOMA INTERNATIONAL AIRPORT
HISTORICAL ENPLANED PASSENGERS
2014 – 2018

Year	Domestic	Year-over-Year Percentage Increase	International	Year-over-Year Percentage Increase	Total Enplaned Passengers	Year-over-Year Percentage Increase
2018	22,200,368	6.4	2,693,970	5.5	24,894,338	6.3
2017	20,861,988	2.3	2,553,594	5.9	23,415,582	2.7
2016	20,385,030	7.6	2,411,088	11.4	22,796,118	8.0
2015	18,944,106	12.6	2,164,650	14.4	21,108,756	12.8
2014	16,824,379	7.8	1,892,399	6.8	18,716,778	7.7

YEAR-TO-DATE COMPARISON
JANUARY – MAY 2018 AND 2019

Year	Domestic	Year-over-Year Percentage Increase	International	Year-over-Year Percentage Increase	Total Enplaned Passengers	Year-over-Year Percentage Increase
2019	8,551,575	3.4	1,069,424	0.8	9,620,999	3.1
2018	8,269,503		1,060,898		9,330,401	

Source: *Port of Seattle.*

O&D and Connecting Passenger Traffic. More than two-thirds of the Airport's domestic passenger activity is origin and destination ("O&D") activity, meaning that passengers either begin or end their trips at the Airport. In 2018, the estimated percentage of O&D passenger traffic at the Airport was 71.2 percent, based upon 2018 O&D data from the U.S. Department of Transportation's database. The Airport's predominately O&D nature means that activity levels at the Airport are closely linked to the population and underlying economic strength of the geographic area served by the Airport. See "APPENDIX I—DEMOGRAPHIC AND ECONOMIC INFORMATION." As shown in Table 7, the Airport's top domestic O&D markets with at least one percent of market share in 2018 together represented approximately 72.5 percent of enplaned passengers, and all but three were medium- or long-haul markets at least 500 miles from Seattle.

Connecting traffic is considered more discretionary than O&D traffic, because passengers may choose other connecting airports based on the price and/or convenience of routes established by airlines. Additionally, connecting traffic can be influenced by airline decisions to shift connecting activity from one airport to another.

TABLE 7

SEATTLE-TACOMA INTERNATIONAL AIRPORT
TOP DOMESTIC PASSENGER ORIGIN-DESTINATION MARKETS AND AIRLINE SERVICE
(WITH AT LEAST ONE PERCENT OF MARKET SHARE) 2018

Rank	Market of Origin or Destination[(1)]	Approximate air miles from Seattle	Share of market, based on enplaned passengers (%)[(2)]
1	Los Angeles, CA	952	11.7
2	San Francisco Bay, CA	674	10.3
3	Las Vegas, NV	889	4.5
4	New York City, NY	2,450	4.3
5	Phoenix, AZ	1,121	4.0
6	Denver, CO	1,037	3.5
7	San Diego, CA	1,069	3.5
8	Chicago, IL	1,761	3.3
9	Dallas/Ft Worth, TX	1,722	2.6
10	Sacramento, CA	612	2.2
11	Boston, MA	2,567	2.0
12	Minneapolis / St. Paul, MN	1,448	1.9
13	Washington, DC	2,408	1.9
14	Honolulu, HI	2,742	1.7
15	Spokane, WA	224	1.7
16	Atlanta, GA	2,241	1.6
17	Salt Lake City, UT	701	1.6
18	Houston, TX	1,909	1.6
19	Anchorage, AK	1,453	1.6
20	Orlando, FL	2,553	1.4
21	Austin, TX	1,771	1.2
22	Boise, ID	402	1.2
23	Kahului, HI	2,643	1.1
24	Detroit, MI	1,927	1.1
25	Portland, OR	130	1.0
		Subtotal	72.5
		All other cities	27.5
		Total	100.00

Note: Totals may not add due to rounding.
(1) Each market includes the major airports within the market.
(2) Compiled by the Port from U.S. Department of Transportation Statistics (U.S. DOT OD1A database; Official Airline Guide).
Source: Port of Seattle.

Passenger Airlines Serving the Airport. Passenger enplanements at the Airport are spread over a variety of air carriers, with Alaska Airlines ("Alaska") accounting for the largest share of enplaned passengers at the Airport in 2018 (39.3 percent). Alaska and Horizon Air Industries, Inc. ("Horizon") operate a regional hub that serves passengers connecting to and from regional destinations. Alaska and Horizon are separately certificated airlines both owned by the Alaska Air Group. In December 2016, the Alaska Air Group acquired Virgin America Inc. ("Virgin"), which expanded Alaska's service, including in California. Alaska, Horizon and Virgin collectively accounted for 49.0 percent of enplaned passengers at the Airport in 2018.

Delta Airlines ("Delta") accounted for the second largest share of enplaned passengers (23.1 percent) at the Airport in 2018, up from 15.6 percent in 2014. In 2014, Delta named the Airport as one of its hub airports and Delta has grown by adding both international and domestic service. Three other airlines combined accounted for an additional 18.4 percent of enplanements during 2018. The following table illustrates the market shares in 2018 and 2014 of the passenger airlines with a one percent or greater share of enplaned passengers at the Airport. Because Alaska and

Delta together represent more than 50 percent of market share at the Airport, the Port is required to submit a competition plan annually to the FAA. The most recent competition plan update was submitted in May 2018.

TABLE 8

SEATTLE-TACOMA INTERNATIONAL AIRPORT
AIRLINES RANKED BY ENPLANED PASSENGER TRAFFIC
(2014 and 2018)

Airline	2014 Enplanements	2014 Enplanements Share (%)	2018 Enplanements	2018 Enplanements Share (%)
Alaska Airlines[1]	7,255,506	38.8	9,776,937	39.3
Horizon Airlines	2,402,239	12.8	2,281,352	9.2
Virgin America[2]	274,604	1.5	144,724	0.6
Alaska Air Group Subtotal	9,932,349	53.1	12,203,013	49.0
Delta Air Lines[3]	2,912,159	15.6	5,747,298	23.1
United Airlines[4]	1,555,285	8.3	1,609,517	6.5
Southwest Airlines	1,493,989	8.0	1,583,717	6.4
American Airlines[5]	762,608	4.1	1,397,371	5.6
Spirit Airways[6]	–	–	294,975	1.2
JetBlue Airways	294,523	1.6	279,100	1.1
US Airways[5]	489,974	2.6	–	–
All Others[7]	1,275,891	6.8	1,779,347	7.1
Airport Total	**18,716,778**	**100.0**	**24,894,338**	**100.0**

Note: Totals may not foot due to rounding.
(1) Includes flights operated by SkyWest.
(2) In December 2016, Alaska Air Group acquired Virgin America, and in 2018 consolidated branding Virgin America flights into Alaska Airlines flights.
(3) Includes Delta Connection (operated by SkyWest and Compass Airlines).
(4) Includes United Express (operated by SkyWest).
(5) American Airlines and US Airways merged in April 2014. In 2018, American Airlines included flights operated by American Eagle.
(6) Spirit Airlines did not have service to Seattle until 2016.
(7) Includes all airlines with a market share of one percent or less in 2018.
Source: Port of Seattle.

The Port also provides facilities for air cargo services. In 2018, air cargo at the Airport totaled 432,315 metric tons compared to 425,856 metric tons in 2017.

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Airport Business Agreements

The following table shows Aviation Division operating revenue by major source, and net operating income before depreciation for fiscal years ended December 31, 2017 and December 31, 2018.

TABLE 9

AVIATION DIVISION NET OPERATING INCOME
($ IN THOUSANDS)

Sources	2017	2018
Aeronautical Revenues		
Terminal[1]	$146,817	$163,758
Airfield[1]	100,716	109,749
Other[2]	16,580	17,761
Total Aeronautical Revenues	$264,113	$291,268
Non-Aeronautical Revenues		
Public parking	75,106	80,212
Airport dining and retail/Terminal leased space	58,980	64,323
Rental car	35,051	37,306
Ground transportation	15,684	18,772
Customer facility charges for operations[3]	10,641	16,263
Commercial properties	18,042	15,435
Utilities	7,017	7,206
Other[4]	16,282	18,189
Total Non-Aeronautical Revenues	**$236,803**	**$257,706**
Total Aviation Division Operating Revenues	**$500,916**	**$548,974**
Total Aviation Division Operating Expenses	299,114	318,849
Net Operating Income Before Depreciation[5]	**$201,802**	**$230,125**

(1) Net of revenue sharing with the signatory airlines. See "—The Airline Agreements."
(2) Consists primarily of revenues from airfield commercial area, aircraft overnight parking and badging fees.
(3) Excludes CFCs accounted for as non-operating revenue, which are used to pay debt service. Total CFC revenue increased by $1.6 million from 2017 to 2018; the $5.6 million increase in CFCs for operations reflects a smaller share of total CFC revenue used to pay debt service.
(4) Consists primarily of employee parking revenues.
(5) Total may not foot due to rounding.
Source: Port of Seattle.

The Airline Agreements

Status of Airline Agreements. In February 2018, the Port reached agreement on key terms for a new Signatory Lease and Operating Agreement ("SLOA IV"), which took effect on June 1, 2018, and applied retroactively to January 1, 2018; it expires on December 31, 2022.

SLOA IV Terms. The Airport derives a significant portion of its revenues from air carriers using the Airport. Pursuant to FAA guidelines, the Airport passes aeronautical costs on to the air carriers. Traditionally this has been accomplished through lease and operating agreements at the Airport. Many of the terms of the SLOA IV agreement are similar to the prior "SLOA III" agreement; key changes include the reduction in revenues shared with the airlines as described under the heading "Revenue Sharing" below and the changes in the gate allocation methodology. SLOA IV limits the number of gates that the Airport can withhold for common use, while also establishing a minimum of six aircraft turns per day for preferential use gates. This provides greater certainty of preferential gate use to airlines while allowing the Airport to maintain adequate flexibility to accommodate carriers at common use gates.

Fee Structure. In calculating each type of rates and charges under SLOA IV, the Port is required to reduce the applicable capital or operating costs by any amounts reimbursed or covered by government grants or PFCs, any insurance or condemnation proceeds or other third-party payments, any reimbursements made by an airline in connection with projects undertaken for the benefit of an airline and any premiums paid by non-signatory airlines. Total costs are comprised of operating and capital costs allocated to the various components of the Airfield and the terminal.

Capital costs include a charge for cash-funded assets placed into service on or after 1992, debt service costs (net of PFCs) allocable to revenue bond-funded capital improvements placed into service, and a debt service coverage fee if necessary to maintain total Airport-related debt service coverage at no less than 125 percent of debt service for that fiscal year. The debt service coverage fee provides a mechanism for the Port to increase charges if necessary to achieve 1.25 times Airport-related debt service coverage.

Revenue Sharing. SLOA IV also provides that if the Airport's net revenue (calculated as provided in SLOA IV) exceeds 125 percent of total Airport-related debt service in any fiscal year, 20 percent of the amount in excess of that threshold will be credited to the signatory airlines for 2019 and 0 percent in 2020-2022. The primary source of revenue shared with the airlines is from non-aeronautical sources.

Airfield Rates and Charges. As defined in SLOA IV, the "Airfield" is comprised of three areas: the Airfield Apron Area (the area immediately adjacent to the terminal building and areas for overnight aircraft parking), the Airfield Movement Area and the Airfield Commercial Area (including, but not limited to, the land, taxi lanes, ramps and the terminal used primarily for cargo activities and aircraft maintenance), and related costs and fees are calculated separately for each area. The most significant fee is the landing fee charged for use of the landing areas, runways, taxiways, adjacent field areas and related support facilities that comprise the Airfield Movement Area. The landing fee is computed by (i) adding budgeted capital costs (including Airport-related debt service and debt service coverage, if required) and operating expenses allocable to the Airfield Movement Area, (ii) subtracting other fees for use of the Airfield Movement Area and any nonsignatory airline premium payments, and then (iii) dividing the total by the maximum gross landed weight estimated by the Port for the next fiscal year. Similarly, fees for use of the Airfield Apron Area are calculated based on the operating and capital costs, including Airport-related debt service and Airport-related debt service coverage if required, allocable to those areas and charged to carriers based on landed weight. The Airfield Commercial Area is a separate compensatory (not cost recovery) cost center.

Terminal Rates and Charges. Airline 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 Airport-related debt service and Airport-related 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. Excluded from the cost recovery formula is any publicly accessible airline office or club space that is vacant. 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.

Rates may be adjusted mid-year upon 30 days of notice to the airlines if actual results are expected to vary from budget projections by more than 10 percent. A final adjustment is made each year for the actual results of the prior year.

Capital Project Approval. SLOA IV includes a list of previously approved capital improvement projects totaling approximately $3 billion. SLOA IV provides that if, by the time the Port elects to proceed with construction, the capital cost of any project on that approved list exceeds 110 percent of the cost to be included in the airline rate base presented in the agreement and the increase is not otherwise exempt under the agreement, the Port will notify the airlines and a Majority-in-Interest of the airlines may request a delay of 180 days on the project. A Majority-in-

Interest is defined in SLOA IV as air carriers that account for more than 55 percent of the signatory carriers and also account for more than 55 percent of the revenues of the cost center affected by the capital costs subject to the MII. The cost centers are the Airfield Movement Area, Airfield Apron Area, Terminal and Federal Inspection Area. The Airport must notify the signatory airlines if it intends to construct any new project not included in the list of previously approved projects and above a threshold of $10 million of costs that will be added to airline rates. If, within 30 days after the Port's notice, a Majority-in-Interest objects to the new project, the Airport must delay construction for 12 months.

Rates and Charges Alternatives. Pursuant to FAA guidelines, the Port can establish rates and charges by a lease and use operating agreement or, if a lease and use operating agreement is not in effect, by resolution. In 2013, the Port adopted Resolution No. 3677, as amended, unilaterally establishing rates and charges for airlines serving the Airport. Upon execution of SLOA III in 2013, the implementation of Resolution No. 3677, as amended, was suspended and it remains suspended.

Other Airport Businesses and Agreements. The Aviation Division's non-airline revenues include revenue from public parking, terminal concession agreements, ground transportation, rental car and other concession fees, employee parking fees, and revenue from Airfield cargo leases, terminal space rent, and other commercial property leases.

Revenue from these businesses increased overall in 2018 compared to 2017, due to strong performance in multiple lines of business including public parking driven by higher parking fees, increased demand for Airport dining and retail concessions, continued growth in ground transportation activity, and higher utilization of Port-owned clubs and lounges. Rental car revenues recovered in 2018 from a downturn in 2017. Commercial property lease revenue increased in 2018, disregarding the effect of a one-time lump sum payment of $5.4 million received in 2017.

Public Parking. The Aviation Division operates an eight-floor parking garage for short-term and long-term public parking and for use by employees. The Port also provides approximately 1,500 parking spaces in a remote lot operated by a third party. In addition, privately-owned parking facilities compete with Airport parking. There are a number of privately owned and operated parking facilities offering a range of quality, cost and service, including facilities very near the Airport.

Rental Cars. The Airport leases space in a consolidated facility to rental car operators and receives a concession fee based upon the gross revenues of rental car operations at the Airport and land rent. All rental car companies are required either to operate from the consolidated rental car facility or to use the facility to drop off or pick up their customers. At this time, nearly all of the rental car companies currently serving the Airport operate from the consolidated rental car facility. Rental car companies continue to report a decline in one-day rentals directly attributable to the increasing availability of ground transportation alternatives and ongoing shifts in passenger preferences. Customer demand for longer duration car rentals remains strong. Ground transportation alternatives include transportation network companies, car-sharing, and light rail options.

Passenger Terminal Concession Agreements—Dining and Retail. The Airport offers a range of dining and retail options, which include restaurants, specialty retail, convenience retail, duty-free goods and personal services, to the traveling public. The Port currently uses a direct leasing model at the Airport. The Port takes a staggered approach to handling these leases by soliciting proposals in groups of leasing opportunities. The Port manages the program to provide passengers with a range of dining and retail options throughout the terminal. Under the lease agreements, Airport dining and retail tenants pay rent based on a percentage of gross sales subject to a minimum annual guarantee. The tenants are subject to Port oversight of operations and quality assurance standards. The tenants also must adhere to a policy requiring that prices charged at the Airport be consistent with local prices at comparable businesses located off of airport property, commonly referred to as "street pricing." To accommodate an increase in the minimum wage within the City of SeaTac, where the Airport is located, the street pricing policy was modified to include a 10 percent premium over comparable local prices; this premium gradually declines on an annual basis, reaching zero by January 1, 2020. Beginning January 1, 2020, certain concessionaires may charge five percent over comparable local prices, increasing to 10 percent in 2021, if they meet certain employee wage and benefit standards established by the Port.

Ground Transportation. The Airport has agreements with a variety of ground transportation companies, under which the Port receives either concession fees or per-trip fees and permit fees. These include taxi and transportation network company service (Uber, Lyft, etc.). Various shuttle services also serve the Airport and pay a per-trip fee.

Miscellaneous Business Arrangements and Revenues. There are standard land leases and various fees for other aeronautical and non-aeronautical tenants and users at the Airport, such as in-flight kitchen food providers and cargo hardstand revenues.

Regulation

Rates and Charges Regulation; Federal Statutes. Federal statutes and FAA regulations require that an airport maintain a rate structure that is as self-sustaining as possible and generally (with certain exceptions) limit the use of all revenue (including local taxes on aviation fuel and other airport-related receipts) generated by an airport receiving federal financial assistance to purposes related to the airport. Federal statutes also provide that, without air carrier approval, an airport may not include in its rate base debt service allocable to projects not yet completed and in service.

Federal statutes include provisions addressing the requirements that airline rates and charges set by airports receiving federal assistance be "reasonable" and authorize the U.S. Secretary of Transportation to review rates and charges complaints brought by air carriers.

The Port operates the Airport pursuant to an airport operating certificate issued annually by the FAA after an on-site review. In addition to this operating certificate, the Airport is required to obtain other permits and/or authorizations from the FAA and other regulatory agencies and is bound by contractual agreements included as a condition to the grants the Port receives under the FAA's grant programs. Federal law also governs certain aspects of rate-setting and restricts grants of exclusive rights to conduct an aeronautical activity at an airport that receives or has received federal grants and other property. All long-term facility planning is subject to the FAA's approval; the Port is subject to periodic audits by the FAA; the Port's use of Airport revenues is subject to review by the FAA; and the Port's use of PFC revenue and grant proceeds is also subject to FAA approval, audit and review. The Port is also required to comply with the provisions of the federal Aviation and Transportation Security Act, with other federal security statutes and with the regulations of the Transportation Security Administration (the "TSA"). Security is regulated by the FAA and the TSA.

The FAA completed a revenue use audit of the Port in 2015 and issued preliminary findings of certain items that may not qualify for Airport funding. The Port submitted its initial responses as well as its response to additional questions provided by the FAA. In December 2018, the FAA indicated that all issues have been resolved and closed, with the exception of one issue involving Airport Employment Center expenditures of up to an estimated $2 million. The FAA has requested, and the Port is preparing, a response with respect to this remaining item.

Other Regulation. The Port also is regulated by the federal Environmental Protection Agency and the State Department of Ecology in connection with various environmental matters, including the handling of deicing materials and airline fuels and lubricants, protection of wetlands and other natural habitats, disposal of storm water and construction wastewater runoff and noise abatement programs. The Port's handling of noise, including restrictions and abatement programs, is also subject to the requirements of federal and State statutes and regulations.

Passenger Facility Charges

PFCs are fees collected from enplaned paying passengers to finance eligible, approved airport-related project costs, subject to FAA regulation. Airport operators are required to apply to the FAA for approval before imposing or using PFCs. The FAA has authorized the Port to impose a PFC of $4.50 per paying enplaned passenger, the maximum allowable under current law.

PFC revenue is not included in the definition of "Gross Revenue" under the First Lien Master Resolution or the Intermediate Lien Master Resolution. PFC revenue remaining after payment of debt service on the PFC Bonds, however, may be applied to pay a portion of debt service on Port revenue bonds issued to finance PFC-eligible projects. Since 2008, the Port has applied and expects to continue to apply PFC revenue to pay a portion of debt service on such revenue bonds. Such amounts may not be taken into account when calculating debt service coverage of First Lien Bonds but may be taken into account when calculating compliance with the Intermediate Lien Rate Covenant. See Table 4, "Historical First Lien Bond and Intermediate Lien Parity Bond Debt Service Coverage by Lien Calculated per Applicable Rate Covenant For the Years Ended December 31." Before the Port can use PFC revenue to pay debt service on any of its bonds, the Port is required to obtain FAA consent. Since the Port implemented its PFC program in 1992, it has obtained FAA authorizations, pursuant to six PFC application approvals, to impose and use approximately $3.8 billion of PFC revenues (at the $4.50 PFC level and including investment income) for various projects, including the on-going North Satellite Renovation and Expansion project and the International Arrivals Facility ("IAF"). As of March 31, 2019, the Port had remaining unspent authority of approximately $2.5 billion (and remaining projected aggregate PFC Bond debt service of $95.2 million).

PFCs are imposed by the Port, collected by the airlines from paying passengers enplaning at the Airport and remitted to the Port (net of a handling fee, currently equal to $0.11 for each PFC collected). The annual amount of PFCs collected by the Port depends upon the number of passenger enplanements at the Airport and the timely remittance of PFCs by the airlines. No assurance can be given that PFCs actually will be received in the amounts or at the times contemplated by the Port in its capital funding plans. In addition, the FAA may terminate or reduce the Port's authority to impose PFCs, subject to informal and formal procedural safeguards, if the FAA determines that the Port has violated certain provisions of federal law or the PFC or other federal regulations, or if the FAA determines that PFC revenue is not being used for approved PFC projects or that implementation of such projects did not begin within the time frames specified in the PFC statute or the PFC regulations. Future PFC applications may be denied if the FAA determines that the Port violated any of its federal grant assurances or violated certain federal statutes and regulations applicable to airports. Amounts received or receivable under the PFC program are also subject to audit and adjustment by the FAA. The Port has never been found in violation of or been notified by the FAA as being out of compliance with federal grant assurances or applicable federal statutes and regulations other than as noted under the heading "—Regulation."

Customer Facility Charges

Pursuant to RCW 14.08.120(7) (the "CFC Act"), the Port is authorized, at rates determined by the Port, to impose a CFC upon customers of rental car companies accessing the Airport. The CFC Act limits the uses for which the Port may collect the CFC. Specifically, the Port may impose the CFC only "for the purposes of financing, designing, constructing, operating, and maintaining consolidated rental car facilities and common use transportation equipment and facilities that are used to transport the customer between the consolidated car rental facilities and other airport facilities."

The Port has been collecting the CFC since 2006 and, since 2012, has collected a CFC of $6.00 per transaction day. The Port has exclusive rate-setting ability with respect to CFCs, and the CFC Act does not limit the per-transaction or total dollar amount of CFCs that may be collected. The Port can use CFCs to pay both operating and capital costs associated with the consolidated rental car facility. The portion of CFC revenues used to pay capital costs, including debt service on applicable bonds, is accounted for as non-operating revenue, while the portion used to pay operating costs, including the costs of operating the shuttle bus service between the facility and the Airport terminal building, is accounted for as operating revenue.

NORTHWEST SEAPORT ALLIANCE

General; Formation of Seaport Alliance

The Port is engaged in several maritime and real estate businesses, the most significant of which is the ownership of container cargo terminals. On August 4, 2015 (the "Effective Date"), the Port and the Port of Tacoma jointly formed the Northwest Seaport Alliance (the "Seaport Alliance") to manage all of the two ports' container terminals as well as certain industrial properties and other cargo terminals. The Port's container terminals are located on the Seattle waterfront in central Puget Sound, and the Port of Tacoma's container terminals are located on the Tacoma waterfront in south Puget Sound, approximately 30 miles south of Seattle.

The Port faces significant competition for container shipping business and formed the Seaport Alliance in an effort to improve its competitive position. The purpose of the Seaport Alliance is to coordinate customer relationships, improve capacity utilization between the two ports, eliminate pricing competition between the ports by creating a unified gateway, and rationalize strategic capital investments at both ports. The Seaport Alliance is designed to unify management and operation of both ports' "Marine Cargo" (defined in the hereinafter defined Charter to mean waterborne goods other than grain, liquefied natural gas, or methanol) businesses.

Legal Framework

Port Development Authority. The Seaport Alliance is a port development authority (a "PDA"), pursuant to a provision in Title 53 RCW that grants ports the authority to create separate PDAs. The Seaport Alliance operates under a charter originally dated as of August 4, 2015, as amended by the First Amended Charter adopted on January 19, 2016 (the "Charter"), for an indefinite term until dissolution. The statute allows, but the Charter prohibits, the Seaport Alliance to issue bonds, borrow funds, or enter into other debt instruments. By statute, PDAs do not have the power of eminent domain or the power to levy taxes or to impose special assessments. The Charter may be amended only by mutual agreement of both the Port and the Port of Tacoma. On July 2, 2019, the Seaport Alliance adopted the Second Amended Charter, subject to review by the Federal Maritime Commission (FMC). The amendments clarify certain environmental and finance administration provisions.

Key Seaport Alliance Documents

A brief description of certain Seaport Alliance foundational documents follows.

Charter. The Charter establishes the ownership and management structure of the Seaport Alliance, including the separate existence of the Seaport Alliance from the member ports. The Charter provides for valuation of each port's Membership Interests (defined below), allocation of environmental costs, authorization of improvements by the Seaport Alliance to "Licensed Properties" defined below, accounting, budgeting and capital planning. The Charter provides for the initial and continuing contributions of working capital, as well as capital expenditure contributions, by the member ports. The Charter outlines quarterly distributions of distributable cash revenues. Under the Charter, the Seaport Alliance acknowledges its members' debt obligations and their obligations to cause their assets and facilities to be managed in a manner that will permit them to meet their rate and operating covenants. The Charter also provides that the Seaport Alliance shall not have authority to issue debt or to own real property. The Charter provides for dispute resolution and dissolution procedures.

Property License Agreements. Each port entered into a License for Management of Property with the Seaport Alliance on August 4, 2015 (each a "License"), licensing certain properties to the Seaport Alliance (the "Licensed Properties"). The Licenses designate the Seaport Alliance as manager and agent for the member port, authorize the Seaport Alliance to negotiate lease and other use agreements, fulfill the port's landlord and owner obligations under existing use agreements, remit revenues from the Licensed Properties to the Seaport Alliance, and comply with State Department of Natural Resources requirements as well as State and federal tax obligations. The Seaport Alliance agrees to provide property insurance for the Licensed Properties (or reimburse the member ports for insurance costs), and the License includes certain indemnifications from the member ports to the Seaport Alliance.

Authorizing Resolutions. On August 4, 2015, each port adopted an authorizing resolution to establish the PDA and approve the Charter (Port of Seattle Resolution No. 3711 and Port of Tacoma Resolution No. 2015-03).

Interlocal Agreements for Support Services and for Staffing. The member ports have entered into interlocal agreements for Seaport Alliance support services, describing service level expectations and allocating rates and charges for administrative, operational, maintenance and facilities development services. The member ports have entered into interlocal agreements providing services to the Seaport Alliance.

Governance and Management

The Seaport Alliance is governed by the two ports as "Managing Members," with each port acting pursuant to the Charter through its elected commissioners. The Managing Members have appointed a CEO who is responsible for hiring staff and entering into service agreements. In addition to Seaport Alliance staff, both ports provide certain services through service agreements with a portion of service departments' costs allocated to and paid by the Seaport Alliance. The interlocal agreements through which both ports agreed to provide services included a waiver of potential conflicts of interest based on the expectation that no material conflict will exist in the dual roles. This management and staffing structure may continue to change over the next several years.

The Managing Members appointed John Wolfe, as the Seaport Alliance CEO upon formation of the Seaport Alliance. Pursuant to Resolution No. 2015-01, the Managing Members have delegated administrative authority within prescribed limits for the Seaport Alliance to the CEO.

John Wolfe, CEO. Mr. Wolfe has served as the CEO of the Seaport Alliance since its formation in 2015. Mr. Wolfe also served as CEO of the Port of Tacoma between 2010 and May, 2019. Before being named CEO of the Port of Tacoma, he served as the Port of Tacoma's deputy executive director since 2005. Prior to joining the Port of Tacoma, Mr. Wolfe served for two years as the executive director of the Port of Olympia, and before that as the Port of Olympia's director of operations and marine terminal general manager. Mr. Wolfe also spent ten years with Maersk Sealand/APM Terminals in Tacoma, most recently as the terminal's operations manager. He serves on the boards of the American Association of Port Authorities, Executive Council for a Greater Tacoma, Tacoma-Pierce County Chamber of Commerce and the State Fair Board. Mr. Wolfe is also an executive board member of the Economic Development Board for Tacoma-Pierce County. Mr. Wolfe earned a bachelor's degree in business administration from Pacific Lutheran University.

Membership Interests

Each port has a "Membership Interest" of 50 percent. Under the Charter, Membership Interest determines Managing Member shares of Seaport Alliance Net Income or Losses and Distributable Cash (defined below) as well as required contributions. Changes in Membership Interest will affect these distributions and contributions, but do not affect a Managing Member's voting rights under the Charter, as votes are not weighed by or otherwise determined by Membership Interest.

The Charter provides for a one-time revaluation based on material changes in cash flows at the end of 2017 from certain Licensed Properties that were not leased throughout the time period covered by the initial valuation. The most significant facility licensed by the Seaport Alliance that was subject to the 2017 revaluation was Terminal 5. In the absence of a long-term lease or comparable basis for valuation at Terminal 5, the CEO recommended and the Managing Members approved a one-year deferral on the revaluation of Terminal 5. On April 2, 2019 the Port and the Seaport Alliance approved the affirmation of each Member's 50% Interest based on the payment of up to $32 million by the Port. This Port payment amount reflects the difference between the initial valuation and the revaluation for Terminal 5 based on no redevelopment. Due to the approval to redevelop Terminal 5 and enter into a long-term lease, the affirmation agreement also provides for a reduction in the Port's payment based on any project cost savings for the Terminal 5 redevelopment project; this reduction will be applied to the final Port payment. These Port payments do not meet the definition of "Distributable Cash" and so the affirmation agreement provides that each payment will be immediately distributed to each port based on its 50 percent share.

Funding and Financial Framework

Cash Distributions. The Seaport Alliance distributes cash to each Managing Member based on Distributable Cash as defined in the Charter. Cash distributions are to be made no less than quarterly based on each Managing Member's Membership Interest. This cash-based calculation is different from the calculation of Net Income described below.

Net Income. The Seaport Alliance is treated as a joint venture for accounting purposes and the Port recognizes (commencing in 2016) as Gross Revenue its (currently 50 percent) share of the Seaport Alliance's Net Income and Losses. The terms "Net Income" and "Losses" are defined in the Charter to mean, for each fiscal year or other period, an amount equal to the Seaport Alliance's net operating income or losses less depreciation plus nonoperating income or losses, including extraordinary and special items for such fiscal year or other period, determined in accordance with GAAP. The calculation of Distributable Cash and of Net Income or Losses will differ due to differences in the GAAP treatment for cash flow statements, which are cash-based, compared to income statements, which are accrual-based. The Seaport Alliance recognized a total of $112 million in Net Income (as defined in the Charter) in Fiscal Year 2018. Revenues from container terminal leases and operations provided the largest source of revenues. See Appendix B.

Post-Formation Improvements; Capital Investments. By vote, the member ports may authorize the Seaport Alliance to acquire or construct Post-Formation Improvements. Post-Formation Improvements will be recorded as Seaport Alliance assets.

Recognition of Managing Member's Revenue Bond Obligations. The Charter recognizes that each Managing Member's respective share of revenues received by the Seaport Alliance with respect to the Licensed Properties has been or may be pledged in connection with such Managing Member's revenue bond obligations.

Under the Charter, the Managing Members instruct the CEO to manage the Seaport Alliance in a prudent and reasonable manner in support of the Managing Members' respective revenue bond covenants. The Charter provides that the Managing Members shall keep the Seaport Alliance CEO and management informed of their respective revenue bond obligations, and shall notify the other Managing Member of any proposed change to such Managing Member's governing revenue bond resolutions as soon as practicable before adoption. The Charter does not modify or alter the obligations of each Managing Member with respect to its own bond obligations. The Seaport Alliance does not assume any obligations to the Managing Members' respective bondholders.

Pursuant to the Charter, if net income before depreciation of the Seaport Alliance is not sufficient for either Managing Member to be in compliance with a revenue bond rate covenant (as described in each Managing Member's governing bond resolutions in effect as of the Effective Date), then: (i) upon that Managing Member's request, the Seaport Alliance shall hire an independent third-party consultant to perform analysis and make recommendations for actions needed to achieve revenue bond covenant compliance; (ii) if the consultant recommends an action that the Seaport Alliance is unwilling, unable or refuses to undertake, either Managing Member can require dissolution of the Seaport Alliance following the dispute resolution process even if within the "Initial Period" (as defined in the Charter, a period of 20 years following the Seaport Alliance's formation); and (iii) the Seaport Alliance 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 revenue bond covenants.

With respect to bonds of each Managing Member that were outstanding at the time of the formation of the Seaport Alliance, the Managing Members established and maintain a requirement for the Seaport Alliance to calculate and establish a minimum level of net income from the Seaport Alliance equal to the amount required for the Managing Members to meet their revenue bond rate covenants based on then outstanding revenue bonds (excluding bonds issued to fund Airport facilities) and in effect at the time of formation of the Seaport Alliance ("Bond Income Calculation," initially calculated to be $90 million). The Managing Members shall require the Bond Income Calculation to be reviewed annually as part of the Seaport Alliance's 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 in effect at the time of formation of the Seaport Alliance. The Seaport Alliance may not take any action that reasonably would reduce Seaport Alliance income below the Bond Income Calculation unless each Managing Member separately votes to approve that action. Such a vote by each Managing Member must occur even if the action is within the CEO's delegated authority. The Bond Income Calculation is subject to adjustment, including reduction from payment or refunding of revenue bonds outstanding at the time of the formation of the Seaport Alliance.

Dispute Resolution; Dissolution

Dispute Resolution. The Charter provides for good faith discussion followed by mediation in the event of a dispute between the members; certain matters (relating to the Licenses and distributions upon dissolution) are subject to binding arbitration. The Seaport Alliance and the member ports have waived any right to seek recourse in court for any dispute regarding the Seaport Alliance, the Charter, or the transactions or other documents contemplated by the Charter (a "Dispute"), and agree that the dispute resolution procedures under the Charter are to be the exclusive remedies available for resolution of such Disputes.

Dissolution. Except as described below, no Managing Member may take any action to dissolve, terminate, or liquidate the Seaport Alliance. No Managing Member may require re-valuation, apportionment, appraisal or partition of the Seaport Alliance or any of its assets, or file a bill for an accounting, except as specifically provided in the Charter. Each Managing Member, to the fullest extent permitted by applicable law, has waived any rights to take any such actions under applicable law, including any right to petition a court for judicial dissolution.

Under the Charter, the Seaport Alliance shall be dissolved if the following occur: (i) a determination by both Managing Members to dissolve the Seaport Alliance; (ii) only after the Initial Period, a vote by a Managing Member that the Seaport Alliance be dissolved, upon the declaration by a Managing Member that there is a deadlocked Dispute following discussion and mediation as required under the Charter dispute resolution procedures; (iii) during or after the Initial Period, a dissolution is called by a Managing Member upon a Bond Income Calculation Dissolution Event described under the heading "Funding and Financial Framework—*Recognition of Managing Member's Bond Obligations*"; and (iv) any dissolution required by operation of law. Dissolution of the Seaport Alliance is to be effective as of the day on which the event occurs that gives rise to the dissolution, but the Seaport Alliance shall not terminate until there has been a winding up of the Seaport Alliance's business and affairs, and the Seaport Alliance's assets have been distributed as provided in the Charter.

Distribution on Dissolution. The Charter provides that should the Seaport Alliance be dissolved, management and all post-dissolution revenues of properties owned by the Port will revert to the Port as will any improvements on those properties. In the event of dissolution of the Seaport Alliance, and as part of the wind-down process, the CEO is required to present a full account of the Licensed Properties, Post-Formation Improvements, Seaport Alliance-Owned Personal Property (as such terms are defined in the Charter), and liabilities of the Seaport Alliance to the member ports. The member ports are to direct the CEO to hire an independent third-party consultant to calculate the values for each Licensed Property and Post-Formation Improvement using the formulas described in the Charter, which are to determine the credits and debits due to the member ports upon dissolution. All credit and debit allocations may, however, be revised by vote of the member ports. The calculation of payments between the ports may result in a net payment to one of the two ports.

Licensed Properties

The ports have licensed container terminals, certain industrial properties and other cargo terminals to the Seaport Alliance for operation and management, including capital improvements. Ownership of the Licensed Properties remains with the licensing ports.

The Port licensed to the Seaport Alliance its four international container terminals (including two on-dock intermodal yards) and nine industrial properties that support domestic container trade or non-containerized trade. The Port of Tacoma properties licensed to the Seaport Alliance consist of six container terminals (four engaged in international trade and two in domestic trade), four intermodal yards (serving domestic and international trade), eight properties that accommodate non-containerized cargo (such as autos, breakbulk, and logs) and supporting industrial properties.

Licensed North Harbor/South Harbor Container Facilities and Terminal Lease Agreements. The following 10 container terminals are licensed to the Seaport Alliance: four North Harbor (located in Seattle) container terminals (Terminal 5, Terminal 18, Terminal 30 and Terminal 46) owned by the Port, and six South Harbor (located in Tacoma) container terminals (Husky Terminal (encompasses Terminal 3 and Terminal 4), Washington United Terminal ("WUT"), West Sitcum Terminal (formerly known as APM), East Sitcum Terminal (formerly known as "OCT;" encompasses Terminal 7C and Terminal 7D), Pierce County Terminal ("PCT"), and Totem Ocean Trailer Express ("TOTE")), owned by the Port of Tacoma.

Most of the 10 container terminals are leased to terminal operators on a long-term basis. The East Sitcum Terminal currently is leased on a month-to-month basis. The Seaport Alliance is in discussions with the current tenant for a long-term lease of a portion of the terminal, and is in discussions to lease the rest of the East Sitcum Terminal to Husky Terminal & Stevedoring, Inc. ("Husky Inc.") to support its operations.

Leases are subject to amendments and modifications that may impact Seaport Alliance revenue (and therefore Port revenue) and are renegotiated from time to time to reflect the fluctuating businesses of the ports and tenants. Certain container terminals may become less useable for international container terminal operations as ship size increases; the Seaport Alliance may work with customers to optimize facility use in order to remain a competitive gateway. As noted below, the Terminal 5 redevelopment project may result in temporary vacancies of some facilities. The following table identifies the port owner, primary lessee, terminal area and lease expiration date for the container terminals licensed to the Seaport Alliance.

TABLE 10

CONTAINER FACILITY LEASES

	Terminal 5	**Terminal 18**	**Terminal 30**	**Terminal 46**	**West Sitcum**	**Husky (T-3 and T-4)**	**East Sitcum**	**PCT**	**WUT**	**TOTE**
Port Owner	Port of Seattle	Port of Seattle	Port of Seattle	Port of Seattle	Port of Tacoma	Port of Tacoma	Port of Tacoma	Port of Tacoma	Port of Tacoma	Port of Tacoma
Primary Lessee	SSA Terminals, LLC	SSA Terminals, LLC and SSA Containers, Inc.	SSA Terminals (Seattle), LLC	Terminals Investment Limited	SSA Terminals (Tacoma), LLC	International Transportation Services (ITS)	Ports America Washington	Evergreen Marine Corporation	Washington United Terminals	TOTE
Terminal Area	185 acres[1]	196 acres	70 acres	88 acres	108 acres	90 acres	54 acres	141 acres	123 acres	48 acres
Lease Expiration	2051	2049[2]	2039	2019[3]	2027	2046	Month-to-month	2027	2028	2034

(1) 65 acres under lease. Occupancy expected in 2021. Matson has "step-in" rights until that time.
(2) Lease extended from 2039 to 2049.
(3) Lease will be terminated early on December 31, 2019. The Port will pay the Seaport Alliance for 29 acres to develop a new cruise facility. The remaining acres will be available for cargo use.

Source: *Seaport Alliance.*

The Seaport Alliance receives rent paid under Port, the Port of Tacoma and Seaport Alliance container terminal leases. Under the current Port lease structure, tenants at Terminals 18 and 30 pay a per-acre rate derived from a Minimum Annual Guarantee ("MAG") of container volumes (regardless of size of container and whether loaded or empty) through the facility, plus an additional per-container charge for any volumes in excess of the MAG; the Terminal 5 lease terms include per-acre rent with no MAG. Under the current Port of Tacoma lease structure, tenants pay per-acre rent and pay volume-based fees for use of equipment and intermodal facilities; some of these fees are subject to a MAG. Generally, terminal lease rates have periodic adjustments based on inflation or market value. Some carriers have discretion as to which terminal they may call. Because different terminals have different lease agreements, revenues to the Seaport Alliance may be affected by these carrier decisions.

Terminal 5; Terminal 46. Effective July 31, 2014, the Port terminated its lease agreement with Eagle Marine Services at Terminal 5, the Port's second largest container terminal. The Port agreed to terminate the lease while the Port began preliminary planning, initial design and permitting for improvements. A portion of Eagle Marine container traffic has moved to Terminal 18 and the Seaport Alliance is scheduled to receive $9 million each year through 2023 through this arrangement. Under a lease termination agreement with APL (the owner of Eagle Marine), the Seaport Alliance may receive certain payments from APL if actual volumes are below the specified guaranteed minimum, subject to negotiation.

On April 2, 2019, the Seaport Alliance took several actions in support of the reactivation of Terminal 5, including approving a long-term lease agreement with SSA Terminals, LLC ("SSAT") for an initial 65 acres. SSAT will add another approximately 90 acres in 2024 unless it gives notice to the Seaport Alliance that it will assume only an additional 20 acres at that time. If the tenant opts for the 20 additional acres, the leasehold boundary will be reconfigured in a way that allows space for another marine cargo tenant to operate on the portion of Terminal 5 not leased to SSAT. The lease at Terminal 18 also was extended an additional 10 years. The Terminal 46 lease will be terminated early at the end of 2019 and the current carriers will move operations to other Seaport Alliance facilities. These actions allow for consolidation of container volumes at the North Harbor terminals and the repurposing of capacity at Terminal 46 to other marine cargo uses, consistent with the original Seaport Alliance Strategic Business

Plan. A portion of Terminal 5 will be leased to SSAT for use by Matson through 2020 to allow additional international container volumes at Terminal 18 and 30. Matson will return its operations to Terminal 30 after the first phase of Terminal 5 redevelopment is completed. A portion of Terminal 46 will be used by the Port; the Port will pay the Seaport Alliance for 29 acres that will be developed for a new cruise terminal. The Terminal 5 lease requires Terminal 5's redevelopment. See "—Capital Planning."

Husky Terminal (Terminals 3 and 4). On April 7, 2016, the Seaport Alliance amended the lease at Husky Terminal and extended the lease until 2046. The tenant is required to pay a per-acre rate and to pay MAG fees for crane and intermodal yard usage. The Seaport Alliance has completed improvements to the wharves and has provided four super post-Panamax cranes; four additional cranes have also been delivered and are expected to be in service in approximately mid-2019. See "—Capital Planning."

West Sitcum Terminal. The West Sitcum Terminal serves the domestic shipping market. SSA Terminals (Tacoma) has signed a 10-year lease on approximately 108 acres to support Matson operations.

East Sitcum Terminal. The lease for East Sitcum Terminal with Olympia Container Terminal expired on June 30, 2017. The terminal currently is leased on a month-to-month basis to the Ports America Group. The terminal would require significant upgrades to support cranes necessary to accommodate larger ships. In May 2019, Husky Inc. agreed to lease 20 acres for its operations. At this time, there are no plans to make the improvements to the East Sitcum Terminal required to support larger cranes. The Seaport Alliance is in discussions with Ports America Group for lease of approximately 20 acres to support Westwood Shipping Lines' operations.

Other Licensed Facilities. In addition to the container terminals, certain other facilities are licensed to the Seaport Alliance. These facilities include industrial properties owned by the Port that support domestic container trade or non-containerized trade, and the following properties owned by the Port of Tacoma: four intermodal yards (one domestic and three international), eight properties that accommodate non-containerized cargo (autos, breakbulk, logs etc.) and supporting industrial properties.

Containerized Cargo

Container Trade Through the Seaport Alliance. The Port and the Port of Tacoma lease containerized cargo facilities, licensed to the Seaport Alliance, to terminal operators. The terminal operators provide service to carriers and indirectly to the cargo owners (shippers). Carriers are the steamship lines that transport containers. Overall, the shipping industry is affected by global or domestic economic and financial factors and can be volatile. There is significant competition for container traffic among North American ports, including the Seaport Alliance. Shippers regularly contract with a number of carriers, and larger shippers also may direct traffic to one or more ports and terminal facilities. In addition, carriers form alliances that can affect their decisions on routing cargo. The ability of a terminal operator to attract and move cargo efficiently is important to the success and value of a container facility. Neither the Port nor the Seaport Alliance is a participant in the agreements between and among the terminal operators, carriers and shippers, and do not have any control over these agreements including the rates that carriers pay the terminal operators to call at Seaport Alliance facilities.

Success of terminal operators in attracting cargo volumes depends largely on the size of the local market and the cost and efficiency of a port and inland transportation systems. Due to the relatively small population in the Pacific Northwest, a significant portion of the cargo that passes through the Seaport Alliance either comes from or is destined for other regions. As such, the Seaport Alliance ports are considered discretionary ports. Discretionary cargo can be shifted to other ports generally based on the cost efficiency and reliability of moving cargo from its point of origin to its final destination; these routing decisions are made by carriers and shippers. Therefore, the Seaport Alliance competes with other ports on the West Coast (including the United States, Canada and Mexico) and on the Gulf and East Coasts. The cost, efficiency and quality of competing ports and the intermodal connections serving them may change and cause cargo volumes to shift to more cost-efficient routes and ports. These factors are beyond the control of the Seaport Alliance or the Port.

The following table summarizes total container traffic through the Seaport Alliance's North Harbor and South Harbor from 2014 through 2018, and from January through May 2019 compared to January through May 2018. TEU volumes include international containers (all of which are handled through Seaport Alliance facilities) and domestic containers (some of which are transported by barge to and from private terminals that are not managed by the Seaport Alliance or by either port).

TABLE 11

CONTAINER VOLUMES FOR SEAPORT ALLIANCE
2014-2018
(IN THOUSANDS)

	International Containers				Domestic Containers	Total Containers
	Imports	Exports				
Year	Full TEUs	Full TEUs	Empty TEUs	Total Intl. TEUs	TEUs	TEUs
2018	1,453	953	705	3,111	686	3,798
2017	1,381	964	650	2,995	707	3,702
2016	1,392	984	483	2,859	757	3,616
2015	1,308	872	581	2,761	769	3,529
2014	1,217	908	432	2,557	837	3,394

Note: Totals might not equal the sum of component parts due to rounding.
Source: *Seaport Alliance (2016-2018); Port of Tacoma and the Port (2014-2015).*

YEAR-TO-DATE COMPARISON
JANUARY – MAY 2018 AND 2019
(IN THOUSANDS)

	International Containers				Domestic Containers	Total Containers
	Imports	Exports				
Year	Full TEUs	Full TEUs	Empty TEUs	Total Intl. TEUs	TEUs	TEUs
2019	570	377	341	1,288	284	1,572
2018	535	392	235	1,162	266	1,428

Note: Totals might not equal the sum of component parts due to rounding.
Source: *Seaport Alliance.*

Insurance

The Seaport Alliance has purchased its own general liability and public officials' liability insurance policy, protecting the entity and its officers and Commissioners, effective August 2015. Currently, the member ports procure property insurance on Licensed Properties and Seaport Alliance improvements located on Licensed Properties, and the Seaport Alliance reimburses the member ports for these costs. The Licenses include certain indemnifications from the member ports to the Seaport Alliance.

Capital Planning

The Seaport Alliance develops a multi-year Capital Improvement Program ("CIP") in conjunction with its annual operating budget. The Seaport Alliance CIP includes project cash flows both for projects that have already received authorization and for certain projects that are expected to be authorized.

The Seaport Alliance CIP for 2019-2024 includes the redevelopment of the Terminal 5 wharfs, the acquisition of four container cranes for Husky Terminal, and various improvements at Terminal 46, including dock rehabilitation, paving, and design and construction of the crane rail extension. Also included in the CIP is the Terminal 18 stormwater utility upgrade and various renewal and replacement projects in both the North and South Harbors.

In April 2019, the Managing Members approved improvements to Terminal 5, which include berth deepening, dock strengthening, and backland improvements. The current project does not include the costs of any waterway channel deepening, improvements to the intermodal areas or equipment purchases. The Seaport Alliance capital budget includes $308 million of this amount ($154 million from each member port). The Seaport Alliance began construction in July 2019, with the first berth expected to be available early 2021, and the second berth available in early 2023.

TABLE 12

SEAPORT ALLIANCE
CAPITAL IMPROVEMENT PLAN
2019 – 2024(1)
($ IN MILLIONS)

	2019-2024
Terminal 5 redevelopment(2)	$ 308.3
Other CIP	147.6
Capital spending deferred from 2018(3)	20.5
Seaport Alliance Capital Projects(4)	$ 476.4

Note: Totals may not add due to rounding.
(1) Excludes financing costs, and non-capital expense (public assets expense, environmental expense).
(2) Total project costs are estimated to be $340 million and include prior spending and certain non-capital items.
(3) Capital spending deferred from 2018 related primarily to the acquisition of additional cranes, which occurred in early 2019.
(4) Includes $20.0 million estimated Seaport Alliance CIP in 2024, in addition to the current 2019-2024 forecasted Seaport Alliance CIP.
Source: Seaport Alliance.

The Seaport Alliance CIP also does not include any costs currently expected to be paid for by a tenant or other significant terminal redevelopment projects that might come forward in the future in order for the Seaport Alliance to be a competitive gateway and to best utilize the ports' assets that it manages.

Funding for the Seaport Alliance CIP is provided by the member ports. Each port approves its capital contribution along with project approval; the capital contribution represents that port's Membership Interest (currently 50 percent). The amount of the capital contribution is recommended by the CEO and may include all or some of the funding required for any given project. The CEO may request additional capital contributions from the Managing Members according to their Membership Interest based on changes to the Seaport Alliance CIP or the authorization of specific projects.

OTHER PORT BUSINESSES

Other Port Businesses include management of facilities for non-containerized cargo, cruise, commercial and recreational marinas, and commercial and industrial properties.

The Maritime Division manages the Port's facilities for cruise, grain, marinas and certain properties and docks and the Economic Development Division manages the Port's central waterfront facilities and certain properties as well as property development and economic development programs.

In addition to providing facilities for containerized cargo, the Port offers handling facilities for certain non-containerized cargo including the breakbulk grain terminal. Volumes of non-containerized cargoes, grain in particular, have fluctuated substantially from year to year; the Port's revenues from the lease of the grain terminal include a minimum annual guarantee and otherwise depend on volume.

TABLE 13

SEATTLE HARBOR GRAIN VOLUMES
2014-2018
(IN METRIC TONS)

Year	Grain
2018	4,378,796
2017	4,362,603
2016	4,389,089
2015	3,778,476
2014	3,618,489

Source: Port of Seattle.

The Port owns two cruise ship terminals, one located at Pier 66 on the Central Harbor waterfront, just west of downtown Seattle, and the second at Terminal 91, north of downtown Seattle. The cruise ship terminals principally serve ships bound for the state of Alaska cruise market. The Port competes with the City of Vancouver, British Columbia, which also has cruise ship facilities used by cruise lines that serve the state of Alaska cruise market. The Port's revenues from the cruise ship facilities leases and agreements depend primarily upon the number of cruise ship passengers and vessel calls. The Port, in conjunction with Norwegian Cruise Lines, recently completed an upgrade to its Pier 66 facility to accommodate larger ships. The Port expects to develop a new cruise facility on a portion of the Terminal 46 property and has agreed to pay the Seaport Alliance for use of 29 acres of the north portion of Terminal 46. The Port is currently engaged in preliminary planning and is conducting a competitive selection process to identify a private partner to jointly develop the new facility.

TABLE 14

SEATTLE HARBOR CRUISE TRAFFIC
2014-2018

Year	Cruise Ship Vessel Calls	Cruise Ship Passengers
2018	216	1,114,888
2017	218	1,071,594
2016	203	983,539
2015	192	898,032
2014	179	823,780

Source: *Port of Seattle.*

The Port also derives revenues from leases, dockage and other fees from various other industrial uses and marinas. The most significant sources of lease revenue are seafood processing and cold storage companies. Dockage, moorage and wharfage fees are primarily from fishing vessels, some of which offload seafood at docks adjacent to seafood processing and cold storage facilities. The Port owns and operates commercial and recreational marinas.

The Port's storm water utility provides surface water and storm water management and pollution control facilities and services to Port properties. The SWU revenues collected by the Port (derived from rates and charges imposed by the SWU) are required to be used to pay related expenses and capital investments. Therefore, all revenues and expenses for the SWU are excluded from the calculation of Available Intermediate Lien Revenue. See Table 4.

CAPITAL PLAN FUNDING

Each year, the Port engages in a capital planning process to review its multi-year CIP for the Airport and Other Port Businesses and to develop a draft plan of finance for the following five years. As part of its annual budget process, the Port also develops a multi-year forecast of operating income and certain non-operating expenditures from which the Port can estimate the availability of funding sources, which form the basis of the Port's draft plan of finance for funding the Port's CIP, the Port's share of the Seaport Alliance CIP and certain public expense items. The draft plan of finance is designed to provide guidance on long-term funding as planning and investment decisions are made during the year and is designed to be consistent with the Port's financial management policies.

In addition to the CIP for the Airport and Other Port Businesses, the Port forecasts capital investment for Corporate service departments (also referred to as "Central Services"), primarily for information technology improvements.

The table below summarizes the Port's forecasted "Committed" and "Business Plan Prospective" CIP expenditures (excluding financing costs) for the 2019-2024 period (the time period corresponding with the Certificate Period described under the heading "SECURITY AND SOURCES OF PAYMENT FOR INTERMEDIATE LIEN PARITY BONDS—Additional Intermediate Lien Parity Bonds"), including the Port's share of Seaport Alliance capital projects. Committed Projects are ongoing projects or projects that are ready to move forward and for which a funding commitment will be secured. Projects that are considered important for achieving business plan goals, have business unit or division approval and are expected to move through the funding commitment process, but are less certain in timing or scope and are not yet under contract so can more easily be deferred, are referred to as Business Plan Prospective Projects. In addition to specifically identified projects, the Port includes unspecified contingency for unexpected or undefined projects. The Port's major Committed Projects are described in the paragraphs below. Certain projects are not included in the table below, as described under the subheading "Sustainable Airport Master Plan." Other projects that are not in the current CIP but deemed to be important to the Port may advance and be included in the capital spending during the period.

TABLE 15

PORT OF SEATTLE
CAPITAL IMPROVEMENT PLAN
2019 – 2024[1]
($ IN MILLIONS)

Division	Committed Projects	Business Plan Prospective Projects	Total
Aviation Division	$ 1,952.8	$ 1,369.5	$ 3,322.3
Other Port Businesses[2]	257.6	189.9	447.5
Port Capital Projects[3]	$ 2,210.4	$ 1,559.4	$ 3,769.8
Seaport Alliance[4]	238.2	-	238.2
Total Port-Funded Capital Projects	$ 2,448.6	$ 1,559.4	$ 4,008.0

Note: Totals may not add due to rounding.
(1) Excludes financing costs. Does not include non-capital expense (public assets expense, environmental expense).
(2) Includes CIP for Maritime and Economic Development Divisions, as well as SWU and Port-only funded projects related to licensed Seaport Alliance facilities.
(3) Funding of Corporate CIP is allocated to the operating divisions, and is included in the Aviation and Other Port Businesses figures above.
(4) Represents the Port's 50 percent share of Seaport Alliance capital funding; assumes all Seaport Alliance CIP is Committed. See "NORTHWEST SEAPORT ALLIANCE—Capital Planning" and Table 12.
Source: Port of Seattle.

Aviation Division Capital Plan. The Aviation Division's committed capital plan is focused on three major projects. The largest committed project is the development of the new International Arrivals Facility ("IAF"), which is needed to expand capacity to accommodate the Airport's growing international passenger base; it is expected to be completed in 2020 at a total estimated cost of $968.4 million. The second major committed project is the Port's North Satellite Renovation and Expansion project, which includes renovating, reconfiguring and expanding the North Satellite Terminal to add eight new gates, address seismic concerns, and upgrade HVAC, lighting and fixtures. The expansion effort (first phase) was completed in June 2019. The second phase related to the renovation of the existing terminal will be completed in 2021. The third major committed project is the reconfiguration of the baggage system to improve operational efficiency for both Airport and TSA operations and increase capacity. Additional significant committed projects include HVAC and lighting upgrades to the South Satellite, the main terminal low voltage system upgrade, and the widening of the arrivals roadway. Business Plan Prospective Projects at the Airport include various discretionary projects that can be scoped and timed on an as-needed basis; some or all of these projects may move to committed projects status during the 2019-2024 period.

The capital plan also includes an allowance to accommodate project cost increases or unanticipated projects that may be needed during the 2019-2024 period.

Seaport Alliance Capital Plan. Table 15 includes the Port's 50 percent share of the Seaport Alliance CIP, and assumes all Seaport Alliance CIP is Committed. See "NORTHWEST SEAPORT ALLIANCE—Capital Planning."

Other Port Businesses Capital Plan. The Maritime and Economic Development Divisions' Committed capital plan supports investments in facilities and infrastructure for cruise, fishing, recreational boating and the Port's industrial and commercial real estate. Projects include redevelopment of portions of Fishermen's Terminal, including the replacement or renovation of two buildings, as well as the development of a portion of vacant uplands property at Terminal 91. Other projects include restoration of waterfront habitat, various renewal and replacement projects and renovation of Bell Harbor International Conference Center. The most significant Business Plan Prospective Project is the development of an additional single-berth cruise facility to accommodate the growing Alaska cruise market. A preliminary estimate of $100 million of Port costs (a total of $200 million including a potential private partner's costs) is reflected in the CIP. In March the Port approved design funding for the cruise terminal so that project will move to committed status. As design and permitting progress, cost estimates will be refined. Other projects include shorepower for plug-in capability for ships and redevelopment of two berths at Terminal 91. The Port also expects to deepen the channel near Terminal 5 in cooperation with Army Corp of Engineers. Administrative services projects are primarily technology improvements and small capital items.

Funding. Based on a preliminary funding analysis, the Port expects to fund its $4.0 billion CIP, including its share of the Seaport Alliance CIP but excluding financing costs, from a variety of sources including operating funds, federal grants, PFCs, CFCs, and proceeds of existing and additional revenue bonds. Additional revenue bonds during 2019-2024 are estimated to fund $1.8 billion of Airport projects, including $480.2 million with proceeds of the Series 2019 Bonds. Additionally, a portion of the Tax Levy may be used to fund certain projects, particularly those supporting container operations in the North Harbor, and the Port estimates that approximately $277.0 million of projects may be funded with proceeds from LTGO bonds. The Port also estimates that $81.3 million of future revenue bond funding will be available to finance projects for the Other Port Businesses during the 2019-2024 period.

Cost Projections. The Port endeavors to develop reasonable cost projections for its projects. However, actual costs may be higher or lower than projections in the CIP. Recently, the Seattle regional construction market has experienced growth in construction costs that may impact the costs of certain projects. The Port has experienced increased construction costs affecting some projects underway.

Sustainable Airport Master Plan. The Sustainable Airport Master Plan ("SAMP") process provides a comprehensive assessment of facilities capacity and forecasted demand over five-, ten-, and 20-year timeframes and was initiated in 2013. The previous formal master plan for the Airport was developed in the mid-1990s. The SAMP is based on development in two phases with the planning for the first phase (near-term projects) substantially complete. The first phase is expected to accommodate 56 million annual passengers by 2027 at a preliminary estimated cost of approximately $4-5 billion. In the fourth quarter of 2018, the Port initiated an inter-agency environmental review with the FAA estimated to take 18-24 months. Actual construction of SAMP projects is estimated to begin after 2022. Under SLOA IV, the airlines approved up to $300 million for preliminary project planning and design spending for gate capacity expansion projects on the north side of the Airport. Consequently, the Aviation Division's CIP includes SAMP preliminary planning and design spending of approximately $300 million through 2024 but does not include potential projects yet to be identified specifically in the SAMP process.

Public Expense and Environmental Remediation. In addition to the capital projects described above, the Port includes in its funding analysis its participation in public projects, particularly in connection with freight mobility, and its environmental remediation liabilities and potential future liabilities.

PORT FINANCIAL MATTERS

General

The Port's audited financial statements for the Enterprise Fund and the Warehousemen's Pension Trust Fund (the "Warehousemen's Pension Plan") as of December 31, 2018 and 2017, and for the years ended December 2018, 2017 and 2016, respectively, are set forth in Appendix A, together with the Independent Auditors' Report thereon. See "INDEPENDENT AUDITOR."

Summary of Historical Operating Results

The following table summarizes selected operating results of the Enterprise Fund of the Port for fiscal years 2014 through 2018. The summary sets forth operating results as extracted by Port management from the Port's audited financial statements for the years ended December 31, 2014 through 2018. For a discussion of the Port's 2017 and 2018 operating results, see "Management's Discussion and Analysis" in Appendix A. In its audited financial statements, the Port does not account for proceeds of the Tax Levy, non-operating CFC revenue, federal capital grant receipts or PFCs as operating revenue and, accordingly, such proceeds are not included in the following summaries of operating results.

TABLE 16

SELECTED HISTORICAL OPERATING RESULTS
FOR THE YEARS ENDED DECEMBER 31, 2014 THROUGH 2018
($ IN THOUSANDS)

	2014	2015	2016	2017	2018
Operating Revenues:					
Aviation	$ 405,704	$ 422,892	$ 465,256	$ 500,916	$ 548,974
Non-Aviation[1]	128,785	136,041	133,211	131,115	140,417
Total Operating Revenues	$ 534,489	$ 558,933	$ 598,467	$ 632,031	$ 689,390
Operating Expenses:					
Aviation	$ 228,172	$ 238,140	$ 261,226	$ 299,114	$ 318,849
Non-Aviation[2]	78,128	79,666	64,059	73,868	78,789
Total Operating Expenses Before Depreciation	$ 306,300	$ 317,806	$ 325,285	$ 372,982	$ 397,638
Net Operating Income Before Depreciation	$ 228,189	$ 241,127	$ 273,182	$ 259,049	$ 291,752
Depreciation	166,337	163,338	164,336	165,021	164,362
Operating Income	$ 61,852	$ 77,789	$ 108,846	$ 94,028	$ 127,390

(1) Includes combined operating revenues of the former Seaport and Real Estate divisions from 2014-2015; 2016-2018 figures reflect Port reorganization, and include operating revenues from Maritime and Economic Development Divisions plus the Port's share of net income from the Seaport Alliance. Operating revenues from Capital Development and Corporate Divisions are included in all years presented. Operating revenues from the SWU are included in 2015-2018.

(2) Includes combined operating expenses of the former Seaport and Real Estate Divisions from 2014-2015; 2016-2018 figures reflect Port reorganization, and include operating expenses from Maritime and Economic Development Divisions. Operating expenses of the Capital Development and Corporate Divisions that are not allocated to the operating divisions are included in Non-Aviation in all years presented. Operating expenses from the SWU are included in 2015-2018.

Source: *Port of Seattle.*

Beginning in 2016, the Port recognizes as part of operating revenue its 50 percent share of the Seaport Alliance's Net Income (as defined in the Charter). The Port's revenues from the Seaport Alliance are derived from certain facilities licensed by the Port and the Port of Tacoma to the Seaport Alliance. For a discussion of the Port's and Seaport Alliance's 2018 operating results, see "Management's Discussion and Analysis" in Appendix A and Appendix B, respectively.

OTHER MATTERS

Investment Policy

The Port has an investment policy, adopted as of June 11, 2002, and last amended May 22, 2018. For investment and operational efficiencies, the Port consolidates its various cash sources, including bond proceeds, into one investment pool (the "Pool"), governed by this investment policy. Separate funds are established within the Pool for accounting and tracking purposes, and investment earnings from the Pool are allocated monthly to each participating fund, based upon the average daily fund balances.

Authorized investments are made in accordance with and subject to restrictions of RCW 36.29.020. The investment policy allows diversification among various types of securities including:

(i) U.S. Treasury securities;

(ii) U.S. agency securities, including agency mortgage-backed securities limited to (1) collateralized mortgage pools having a stated final maturity not exceeding the maturity limits of the investment policy (10 years), and (2) planned amortization and sequential pay classes of collateralized mortgage obligations collateralized by 15-year agency-issued pooled mortgage securities having a stated final maturity not exceeding the maturity limits of the investment policy;

(iii) Certificates of Deposit with State banks authorized by the State's Public Deposit Protection Commission;

(iv) Bankers' Acceptances, purchased on the secondary market, issued by any of the top 50 world banks in terms of assets;

(v) Repurchase agreements, provided that (1) the repurchase agreement does not exceed 60 days; (2) the underlying collateral is a security authorized by the investment policy for purchase as provided in the policy; and (3) all underlying securities used for repurchase agreements are settled on a delivery versus payment basis. Securities collateralizing repurchase agreements must be marked to market daily and have a value of at least 102 percent of the cost of the repurchase agreements having maturities less than 30 days and 105 percent for those having maturities that exceed 30 days; and

(vi) Washington State Local Government Investment Pool.

Other permitted investments include reverse repurchase agreements with maturities not exceeding 60 days, commercial paper purchased on the secondary market, rated no lower than A1/P1 as authorized by State Investment Board guidelines, and certain municipal bonds rated "A" or better by at least one nationally-recognized credit rating agency.

Although the investment policy allows diversification among various types of securities, it provides risk controls by setting limits for each security type. 100 percent of the Pool may be invested in U.S. Treasury securities, 60 percent in U.S. agency securities, excluding agency discount notes, 20 percent in agency discount notes, 10 percent in agency mortgage-backed securities, 15 percent in certificates of deposit, 20 percent in bankers' acceptances, 20 percent in commercial paper, 20 percent in municipal securities, 15 percent in overnight repurchase agreements, 25 percent in term repurchase agreements, and five percent in reverse repurchase agreements.

To meet its investment objectives, the policy includes additional risk controls that impose further restrictions on the types of securities. These include limiting the maturity date of securities purchased to be no more than 10 years from the settlement date and a portfolio target modified duration of two years, plus or minus six months.

See Note 2 in the Port's financial statements included in Appendix A.

Labor Relations

The Port budgeted for approximately 2,255 regular full-time-equivalent ("FTE") employees in 2019, an increase of approximately 4.6 percent from 2,155 in the 2018 budget. Approximately 1,048 actual employees (employees can differ from FTEs) belong to bargaining units under 22 labor contracts.

Pension Plans

Substantially all full-time and qualifying part-time employees of the Port participate in one of two retirement systems, the Public Employees Retirement System ("PERS") or the Law Enforcement Officers' and Fire Fighters' Fund ("LEOFF"). The State Department of Retirement Systems (the "DRS") administers these and other defined benefit retirement plans, including plans that cover both State and local government employees. The retirement plans are funded by contributions from employers, contributions from employees and investment returns. Retirement funds are held in the Commingled Trust Fund and invested by the State Investment Board (the "WSIB"), a 15-member board created by the State Legislature (the "Legislature") in 1981.

Contribution rates for the plans for the upcoming biennium are adopted by the State during even-numbered years according to a statutory rate-setting process. The process begins with the Office of the State Actuary (the "OSA") performing an actuarial evaluation of each plan and determining recommended contribution rates. Actuarial valuations are prepared on a plan-wide basis and not for individual employers such as the Port. The OSA is required to provide an actuarial valuation of each retirement system, including PERS and LEOFF, every two years. In practice, however, the OSA provides valuations annually, although only the valuations for odd-numbered years are used to calculate contribution rates. The OSA provides preliminary results and recommended contribution rates to the Select Committee on Pension Policy, a committee of the Legislature (the "SCPP"), and the Pension Funding Council (the "Pension Council"). The rates adopted by the Pension Council are subject to revision by the Legislature, and the Legislature may adopt, and has adopted, contribution rates lower than those suggested by the OSA and adopted by the Pension Council. All employers are required to contribute at the levels established by the Legislature.

The rates that have been adopted by the Legislature have been lower than those that would have been required to produce actuarially required contributions to the PERS plans. In August 2018 OSA issued its Report of the Combined Actuarial Valuation as of June 30, 2017 based on a June 30, 2017 measurement date and under the funding policy established by the Legislature. Assets were valued under the actuarial asset method. Liabilities were valued using the Entry Age Normal cost method at an assumed investment rate of return of 7.5 percent (7.4 percent for LEOFF Plan 2). OSA further assumes a salary growth rate of 3.5% per year, an inflation rate of 2.75% per year and a plan membership growth rate of 0.95% per year. The average annual dollar-weighted investment return of the Commingled Trust Fund for the ten-year period from July 1, 2008 to June 30, 2018 was 7.48%. Under the actuarial assumptions, PERS 1 had a 57 percent funded status on an actuarial value basis, or a $5.299 billion unfunded actuarial accrued liability, and PERS 2 and 3 had an 89 percent funded status on an actuarial value basis, or a $3.975 billion unfunded actuarial accrued liability. For each of LEOFF Plans 1 and 2, the value of plan assets exceeds that of plan liabilities on an actuarial basis.

The information above in this section has been obtained from information on the OSA's and DRS's websites. The OSA website includes information regarding the values, funding levels and investments of these retirement plans. These websites are not incorporated by reference.

The DRS website also includes audited Schedules of Collective Pension Amounts and Schedules of Employer Allocations, as of June 30, 2018, for all of the plans DRS administers, for use by those employers required to implement GASB 68, including the Port.

See Note 8 in Appendix A for more pension information including the Port's required contributions to, and contribution rates for, PERS and LEOFF for the year ended December 31, 2018, as well as the Port's proportionate share of the net pension liability or asset, proportionate share of contributions and pension expense for each plan.

On May 25, 2004, the Port adopted an amended plan and trust agreement for the Warehousemen's Pension Plan that gives the Port sole administrative control of the pension plan and guarantees that the Port will pay all accrued benefits for former employees of the warehouse and distribution business, which was closed in 2002. The

Warehousemen's Pension Plan is a defined benefit plan. The Warehousemen's Pension Plan is closed and provides that only service credited and compensation earned prior to April 1, 2004, will be utilized to calculate benefits. As of December 31, 2018, the net pension liability was $8,933,000 and the plan fiduciary net position as a percentage of total pension liability was 49.7 percent. For the year ended December 31, 2018, the Warehousemen's Pension Plan reported an annual investment rate of return of (6.4%) percent, net of plan investment expense. The long-term expected rate of return on the Warehousemen's Pension Plan is 6.5 percent, net of plan investment expense and including inflation. See Appendix A, Note 15.

Other Post-Employment Benefits

In addition to pension benefits described in Note 8 of the audited financial statements included in Appendix A, the Port provides other post-employment benefits ("OPEB"). As of December 31, 2018, the Port had an actuarial accrued liability of $7,054,000 for LEOFF Plan 1 Members' Medical Services Plan benefits. As of December 31, 2018, the Port had a net OPEB obligation associated with life insurance coverage for eligible retired employees of $9,685,000. See Note 9 in Appendix A.

Environmental Concerns

Overview. The Port has been notified by federal and State environmental agencies that it is potentially liable for some or all of the costs of environmental investigation and cleanup activities on certain properties. The Port has identified a number of contaminated sites on Aviation Division and other properties and facilities that must be investigated for the presence of hazardous substances and remediated in compliance with federal and State environmental laws and regulations. Some Port facilities may require asbestos abatement, and some properties owned or operated by the Port may have unacceptable levels of contaminants in soil, sediments and/or groundwater. In some cases, the Port has been designated by the federal government as a "Potentially Responsible Party," and/or by the State government as a "Potentially Liable Person" for the investigation and cleanup of properties owned by the Port or where the Port may have contributed to site contamination. Although the Port may not bear ultimate liability for the contamination, under federal and State law, the Port is presumptively liable as the property owner, and it is often practically and financially beneficial for the Port to take initial responsibility to manage and pay for the cleanup. The Port has also identified a number of other properties and facilities that must be investigated for the presence of hazardous substances and remediated in compliance with federal and State environmental laws and regulations. Some Port facilities may require asbestos abatement, and some properties owned or operated by the Port may have unacceptable levels of contaminants in soil, sediments and/or groundwater. In each of these matters, the Port is cooperating with the notifying agency and taking appropriate action with other parties to investigate and remediate environmental damage or contamination. Currently, it is not possible to determine the full extent of the Port's liability in these matters.

Lower Duwamish Waterway ("LDW") Superfund. The Port is one of several Potentially Responsible Parties at the LDW Superfund site and is a member of the Lower Duwamish Waterway Group, along with King County, the City of Seattle and the Boeing Company, which funded the Remedial Investigation and Feasibility Study for the LDW Site. In November 2014, the Environmental Protection Agency ("EPA") released a Record of Decision ("ROD") for the in-waterway portion of the site cleanup. The ROD included a cleanup cost estimate of $342 million (present value discounted at 2.3 percent based on a study completed in 2012); the current value (not discounted) is $395 million. EPA's current value for the remedy ranges from $277 million to $593 million. A more precise estimate will not be available until after completion of an extensive sampling and design effort, which is not expected to be until 2021 at the earliest. It is also unknown what portion of the costs will be paid by the Port.

East Waterway Superfund. The Port also is one of several Potentially Responsible Parties at the Harbor Island/East Waterway Superfund Site and is working with the EPA and other Potentially Responsible Parties, including the City of Seattle and King County, and has conducted a Remedial Investigation and Feasibility Study for cleanup of contaminated sediments in the East Waterway. The EPA is expected to issue the Final Feasibility Study in 2019 and a proposed plan for the cleanup and Record of Decision in either 2019 or 2020. The Port does not know the amount or timing of any liability.

Recognizing Liabilities. The Port has developed a procedure consistent with current accounting rules to recognize liabilities for environmental cleanups, to the extent that such liabilities can be reasonably estimated. As of

December 31, 2018, the Port recognized a total environmental remediation liability of $93,288,000, which includes liabilities associated with environmental cleanups and natural resource damages ("NRD") and is reported net of estimated unrealized recoveries. Where appropriate, the Port is pursuing financial reimbursement from State funding agencies, from other Potentially Responsible Parties and Potentially Liable Persons, and from its insurers. The Port is in ongoing settlement negotiations regarding NRD and in 2018 recorded, as a special item, a $34.9 million environmental expense reflecting the cost to construct a habitat restoration project. See Note 1— Summary of Significant Accounting Policies and Note 10—Environmental Remediation Liabilities in Appendix A.

Allocation of Seaport Alliance Environmental Costs. The Seaport Alliance charter allocates environmental costs between the Seaport Alliance and the ports as follows. Remediation costs that are associated with contamination on Licensed Properties that occurred before the effective date of the Seaport Alliance remain the responsibility of the Port owner. For any Post-Formation Improvement (defined in the Charter) not owned by either port prior to the effective date, remediation costs are the responsibility of the Seaport Alliance. All cost allocations may be revised on a project-specific basis by a vote of the Managing Members.

INSURANCE

General Overview

The Port has a comprehensive risk management program that financially protects the Port against loss from adverse events to its property, operations, third-party liabilities, and employees. The Port's insurance year for liability coverage runs from October 1, 2018 to October 1, 2019. The Port's insurance year for property coverage runs from July 1, 2019 to July 1, 2020. The Port utilizes the services of Alliant Insurance Services for the placement of its liability and property insurance. Alliant was selected through a competitive selection process. All of the Port's insurance carriers are rated "A" or better by the A.M. Best & Company and include American International Group, Liberty Mutual, Atlantic Specialty Company, Lexington, Navigators Insurance, and National Union.

Property Insurance

The Port maintains a comprehensive property insurance program for loss of and damage to Port property, including business interruption and equipment breakdown with a $1 billion per-occurrence limit and a $500,000 per-occurrence deductible for Aviation Division properties and $250,000 elsewhere. Terrorism coverage is purchased through the London market and is provided with a sub-limit of $350 million per occurrence. Coverage for flood is capped at an annual aggregate of $50 million above a flat $500,000 deductible. The total estimated replacement cost of insured Port property is $5.76 billion. The Port does not purchase earthquake insurance for its insured property unless it is part of a builder risk property insurance policy specific to a project under construction. Property insurance coverage extends to contractors of the Port working on Port assets, for property damage to the work or improvements that are in the contractor's scope of work, and that have been scheduled to the Port's insurer. Property not in the scope of work, not scheduled with the insurer, and adjacent Port property the contractor is not working on, is not covered for the contractor. This "course of construction" coverage has a maximum limit of $50 million per project. Many of these types of projects are upgrades or restoration to existing assets, in which a new asset is not created, such as re-reroofing an existing roof or runway re-paving. Projects under construction (or restoration) over $50 million typically must be specifically underwritten under a separate policy, and these policies are referred to as builder risk policies and are described below.

Builder Risk (Property Insurance for Construction in Process)

Larger projects, typically over $50 million in completed values, require separate property insurance during the time the assets are being constructed. These are referred to as builder risk policies that cover the asset and value of the assets as they are constructed and completed. Both the owner and contractor have an insurable interest in the policy for physical loss to the asset up until the completion of the project. Upon project completion, the value of the asset is then transferred to the owner's insurance policy for coverage throughout its operational life cycle. Additional insurance, through a separate builder risk insurance policy was procured in the second quarter of 2016 to provide full replacement cost coverage for the North Satellite Renovation and Expansion Project Phase I. This policy expired on May 30, 2019 and the Phase I work is now insured on the Port's main property policy. A new policy for Phase II of the North Satellite Renovation and Expansion Project was purchased to cover this second phase from June 1, 2019 to August 1, 2021.

A similar builder risk policy was purchased separately for the IAF in April 2017. This policy will now run through May 30, 2020. Another builder risk policy will be purchased for the Terminal 5 Modernization Project, which also has two phases and an insured construction value of about $185 million which includes soft costs and delay in completion. This builder risk policy will run from July 15, 2019 through December 30, 2022. These various builder risk policies will insure the interests of both the Port and the contractor(s). Coverage for terrorism, flood, and earthquake is included in the builder risk policies.

Liability Insurance

The Port purchases excess non-aviation commercial general liability (namely bodily injury and property damage coverage) insurance, which covers losses involving actual or alleged bodily injury and/or property damage that arises from claims made against the Port by third parties. This is a primary policy with a $1 million per occurrence (claim) retention for general liability occurrences and a limit of $10 million per occurrence. In addition to this primary policy is an excess marine policy with coverage up to a $50 million per occurrence limit, which provides coverage for Port marine exposures (cargo, cruise, marina, and terminal operations). This excess liability policy also includes coverage for the Port's non-aviation operational, automobile, employee benefits, and foreign liability exposures. Coverage includes claims resulting from bodily injury and property damage arising from terrorism acts (under the Terrorism Risk Insurance Program Reauthorization Act of 2007 and reauthorized in 2015). The Port also has a London-based terrorism liability policy that offers $15 million of limits per occurrence and in the annual aggregate for acts of terrorism (whether certified or not) that would apply to any Port operation at any Port location.

The Port purchases a separate airport operator's primary and excess liability insurance policy which covers liability claims from third parties that involve property damage and/or bodily injury arising out of airport operations. The limit of liability is $500 million with a $1 million per occurrence (claim) retention. The annual policy retention aggregate is $1 million. Coverage for events stemming from terrorism and/or war (malicious acts) is included under the Airport operator's primary insurance policy up to a limit of $100 million.

Liability insurance is also purchased to cover exposures and liabilities that could stem from the wrongful or non-intentional acts of Port employees, directors, and Commissioners (Public Official Liability), and employment practices liability ($10 million aggregate limit/$1.5 million per claim retention); fiduciary liability ($5 million limit/no deductible), and law enforcement liability ($15 million limit/$1.5 million per wrongful act retention). The Port also purchases an employee dishonesty policy (also known as a fidelity bond) protecting the Port from liability due to the dishonesty and/or fraudulent acts of Port employees. This policy has a $5 million limit. The Port self-insures its workers' compensation exposure. The Port also insures its vessels for liability under a separate policy with limits of $1 million per occurrence. The Port has a foreign liability master policy that provides liability coverage for property damage and bodily injury for Port employees when engaged in foreign travel. This policy also has coverage for emergency medical expenses and coverage for kidnap and ransom. Finally, the Port has a cyber-liability policy that provides limits up to $10 million in the annual aggregate for various cyber exposures and liability, including breach notification response and expenses, cyber extortion, and damage to data including business interruption.

Third-Party Agreements

Contractors, tenants, and lessees are required to carry at least $1 million of commercial general liability insurance (up to $25 million or more for large construction projects and higher-risk projects) and automobile liability insurance of at least $1 million ($5 million for automobiles operated on the non-movement part of the aircraft operations area and $1 million for automobiles operated on the aircraft movement area of the aircraft operations area). The Port requires airline tenants, with aircraft operations on the airfield at the Airport, to provide between $5 million and $300 million per-occurrence liability limits. Ground handlers, working for the airlines on the airfield and under license to the Port, are required to carry a minimum of $5 million per occurrence of general liability insurance and $5 million per occurrence of automobile liability insurance. Contractors and other third-party vendors working for the Port must also provide proof of workers' compensation coverage for their employees as well as State "stop-gap" coverage that covers employers' liability. The Port requires all contractors, tenants, and lessees to include the

Port as an "additional insured" on their policies of commercial general liability insurance, along with a waiver of subrogation in favor of the Port, and endorsement that requires these parties' insurance to be primary and non-contributory relative to any general liability insurance the Port carries. All contracts and lease agreements require that the Port and its employees, officers, and Commissioners are to be held harmless and indemnified for all actual and alleged claims that arise out of the acts of the Port's contractors, consultants, vendors, licensees, and lessees. Professionals such as engineers, architects, and surveyors are also required to carry professional liability (errors and omissions) insurance for work they do for the Port, with minimum limits of $1 million per claim or wrongful act.

Owner Controlled Insurance Program

The Airport's Capital Improvement Program ("ACIP") construction projects (built between 2001 and 2008) were insured against third-party c general liability claims for property damage and bodily injury under policy that was part of the Owner Controlled Insurance Program ("OCIP") that expired on December 31, 2008. All ACIP work completed prior to the OCIP termination date continued to be covered for potential future claims for property damage and bodily injury through December 31, 2016. The run-out period has ended and there are no open or outstanding claim obligations remaining relative to this former policy. The collateral agreement has ended and there are no more funds to be returned to the Port or to be paid to the Port.

All potential claims that may arise from errors and omissions involving professional work were covered under an OCIP policy covering contractor's pollution liability and errors and omissions (from professional work of engineers and architects). The policy period in which the work leading to the liability occurred ended on December 31, 2018, with a 10-year reporting tail for claims noted following the termination of the policy. The Port secured this policy with collateral that was paid prior to December 31, 2020. One claim against this policy was reported in 2018, prior to the end of the 10-year tail reporting period. The 10-year tail reporting period ended on December 31, 2018, and in the second quarter of 2019, the Port received the balance of the collateral back, along with interest, in an amount that equaled $1,296,431. The Port submitted a claim in May 2018 against the OCIP professional liability coverage policy for damages associated with the glass wall at the Central Terminal Building at the airport. The outcome of this claim is unknown. This was the only claim submitted against the policy. There are no more open policies or collateral agreements that remain in effect relative to the OCIP.

Seaport Alliance

The Charter specifies the terms and identifies the allocation of risk and indemnity obligations. Ownership of the Licensed Properties remains with the licensing ports; thus, both the Port and the Port of Tacoma continue to purchase property insurance individually for their respective properties. Approximately $700 million worth of Port property that is licensed to the Seaport Alliance continues to be insured under the Port's property insurance policy, which was recently renewed on July 1, 2019.

On October 1, 2018, for liability insurance renewal, the Seaport Alliance purchased its own separate excess marine liability insurance policy with limits of $150 million and added the Port as an additional insured; the Port purchased excess marine liability insurance with limits of $50 million for its non-Northwest Seaport Alliance maritime properties. The Seaport Alliance maintains its own primary public entity liability policy with limits of up to $10 million to protect against claims against the Managing Members of the Seaport Alliance, and general liability claims.

The Seaport Alliance is in compliance with State industrial insurance (workers compensation) requirements for the workforce and all Seaport Alliance employees are covered for industrial insurance (workers compensation) in accordance with Title 51 RCW.

CERTAIN INVESTMENT CONSIDERATIONS

The purchase of the Series 2019 Bonds involves investment risk. Prospective purchasers of the Series 2019 Bonds should consider carefully all of the information set forth in this Official Statement, including its appendices, evaluate the investment considerations and merits of an investment in the Series 2019 Bonds and confer with their own tax and financial advisors when considering a purchase of the Series 2019 Bonds.

The Series 2019 Bonds are secured solely by a pledge of Available Intermediate Lien Revenues. The Port's ability to derive Available Intermediate Lien Revenues from the operation of the Port sufficient to pay debt service on the Series 2019 Bonds depends on many factors, some of which are not subject to the control of the Port.

Factors subject to the Port's control, to some degree, include the contractual terms the Port establishes with its tenants, including airlines and container terminal operators, as well as the contractual terms the Port establishes with banks and other entities providing liquidity or credit enhancement for Port obligations and whether and when to amend such terms. In addition, the Port determines, subject to the requirements of the Intermediate Lien Master Resolution, as applicable, whether and when to issue additional indebtedness secured by a lien on Available Intermediate Lien Revenues either senior to, on parity with or subordinate to the lien of the Series 2019 Bonds.

There are many factors outside of the Port's control that can affect activity levels in the Port's operating divisions. Some known factors include the level of economic activity both within and outside of the area served by the Port, general demand for air travel and commodities, the financial condition of the airline and shipping industries, regulation of the Port and Seaport Alliance operations, global health, tariffs, economic conditions, security and other geopolitical concerns, climate change, and natural disasters.

The following section discusses some of the factors affecting Available Intermediate Lien Revenues. The following discussion cannot, however, describe all of the factors that could affect Available Intermediate Lien Revenues. Other factors are discussed elsewhere in this Preliminary Official Statement including without limitation under the heading "OTHER MATTERS—Environmental Concerns." In addition to these known factors, other factors could affect the Port's ability to derive Available Intermediate Lien Revenues sufficient to pay debt service on the Intermediate Lien Parity Bonds.

Uncertainties of the Aviation Industry

The ability of the Port to generate revenues from its Airport operations depends, in part, upon the financial health of the aviation industry. The economic condition of the industry is volatile, and the aviation industry has undergone significant changes, including mergers, acquisitions, consolidations, bankruptcies and closures. The industry is cyclical and subject to intense competition and variable demand. Further, the aviation industry is sensitive to a variety of other factors, including (i) the cost and availability of labor, fuel, aircraft and insurance, (ii) general economic conditions, (iii) international trade, (iv) currency values, (v) competitive considerations, including the effects of airline ticket pricing and increased taxes and fees, (vi) traffic and airport capacity constraints and the national aviation system capacity constraints, (vii) political risk including the uncertainties of federal funding, governmental regulation, including security regulations, fees, and taxes imposed on airlines and passengers, and maintenance and environmental requirements, (viii) passenger demand for air travel, and (ix) disruption caused by airline accidents, natural disasters, criminal incidents and acts of war or terrorism. The aviation industry is also vulnerable to strikes and other union activities. Airlines operating at the Airport have filed for bankruptcy in the past and may do so in the future.

Uncertainties of Aeronautical Revenues

The FAA provides airports with the ability to recover airline-related costs within certain guidelines. Airports may enter into use and lease agreements with airlines or they may set rates and charges by legislative action. The Port currently receives aeronautical revenues pursuant to its agreement with the airlines, which expire on December 31, 2022. The Port also has adopted Resolution No. 3677, as amended, establishing airline rates and charges. Implementation of this resolution is currently suspended during the term of the airline agreements. Upon the expiration or termination of the agreements, the Port may enter into a new agreement with the same or different terms, which may be more or less favorable, or may choose to amend its agreements to respond to adverse economic or other conditions at the Airport. It is also possible that Resolution No. 3677, as amended, or any new rate resolution or amendment to the current rate resolution could be challenged by one or more of the airlines. The airlines are not required to pay for all of the Port's costs at the Airport.

Uncertainties of Non-Aeronautical Revenues

In addition to revenue from the airlines, the Aviation Division has the use of non-aeronautical revenue, such as parking and concession revenue, but also takes the risk that such revenue may not be sufficient to enable the Aviation Division to satisfy from non-aeronautical revenue all of its obligations not covered by aeronautical revenues. The Port's ability to generate revenues at the Airport from its non-airline businesses (including parking, car rentals and terminal concessions such as food and beverage sales) depends, in part, upon the volume of passengers passing through the Airport, economic conditions, and ground transportation and terminal concession preferences, pricing and alternatives. The nature of the businesses that provide concessions and services at the Airport changes as new business models develop. For example, transportation network companies represent a relatively new business model providing service at the Airport and may adversely affect not only other ground transportation businesses but also other Airport businesses, including parking and rental car businesses.

Uncertainties of the Container Shipping Industry

The Port's revenues from the Seaport Alliance depend, in part, upon the financial health of the maritime industry and upon tenants' abilities to compete with other terminals at other ports in North America. The shipping industry and the demand for and utilization of non-aviation facilities is highly competitive and sensitive to a variety of factors, including (i) the cost and availability of labor, fuel and insurance, (ii) general economic conditions, (iii) international trade and changes in trading relationships, (iv) currency values, (v) competitive considerations, (vi) political risks including changes in governmental funding, treaties, tariffs, and regulation, (vii) environmental regulations, and (viii) disruption caused by natural disasters, labor strife, criminal incidents and acts of war or terrorism. The maritime industry is also vulnerable to strikes, slowdowns, lockouts, and other labor activities. Maritime tenants and customers, or their business partners, may file for bankruptcy. See "—Bankruptcy; Dissolution." These factors and therefore the relative attractiveness of the Seaport Alliance may differ significantly from other ports.

Competition from Other Container Ports

The Seaport Alliance competes for market share with other U.S. West Coast ports, as well as with ports in other parts of the United States and in Canada and Mexico. Factors such as the total delivered cost for goods, service reliability, available distribution and transload facilities, road and navigation infrastructure, transit time, environmental concerns, marine and intermodal facilities and the ability to accommodate larger container ships affect carrier decisions (and sometimes shipper directions) about which port(s) to use. Carriers also may form alliances that affect their decisions on port locations. These factors may be affected by developments outside the Seaport Alliance's or Port's control. For example, future developments could impact the Seaport Alliance's market share. Action by other ports to improve or expand their marine facilities, or intermodal service improvements at other ports on the West Coast or elsewhere in North America, could impact the Seaport Alliance's market share. The revenues of the Seaport Alliance may be adversely impacted by increased competition, improvements or additions to marine or supporting facilities at other ports, and pricing decisions by other port facilities; the Port cannot predict the scope of any such impact at this time.

In addition, the imposition of fees that apply only to the Port or only to a subset of ports including the Port (such as fees that only apply to State or U.S. ports, e.g., the harbor maintenance tax on U.S. imports) increases the ocean carriers' cost to use Seaport Alliance facilities and may adversely impact the Port's revenues. The Port cannot predict whether any such additional fees will be imposed or existing fees increased, the amount of such fees or the impact thereof on Port revenues.

In addition to the challenges of the competitive shipping and container port businesses, the revenues of the Seaport Alliance can be unpredictable due to carrier decisions within the Seaport Alliance. Some of the container terminal revenues are based on fixed lease rates and some are based on volume. For example, revenue from rental of equipment like cranes or straddle carriers fluctuates with container volume moves. In addition, the rental rates vary from terminal to terminal and carriers within an alliance have some discretion as to which terminal to call, thus affecting the fees paid to the Seaport Alliance.

Uncertainties Regarding the Seaport Alliance

As described under the heading "NORTHWEST SEAPORT ALLIANCE," the Port and the Port of Tacoma formed the Seaport Alliance as a separate PDA to more effectively address certain risks associated with the container terminal business. The formation of the Seaport Alliance eliminated pricing competition between the two ports by creating a unified gateway, allowed for coordination regarding customer relationships, improved capacity utilization between the two ports, and rationalized strategic capital investments. The operation of the Seaport Alliance may or may not successfully address competitive risks and may create new risks, including the risk associated with the operating and financial performance of additional facilities (which also provide some geographic, facility, tenant and customer diversification), and exposure to the financial strength of the Port of Tacoma to make future capital expenditures.

Under the Seaport Alliance formation documents, the Port has agreed to work cooperatively with the Port of Tacoma, and not to act unilaterally with respect to certain matters. Decisions that could have a material effect on the Port, including new business agreements and leases or amendment to existing agreement and leases and future capital contributions to the Seaport Alliance, must be approved by each Managing Member.

Marine cargo activities at the properties licensed from the ports to the Seaport Alliance are exclusively handled by the Seaport Alliance, and the Seaport Alliance has first right of refusal for new marine cargo opportunities. The Seaport Alliance shares its Net Income (as defined in the Charter) with both Managing Members. It is possible that the Port will realize less operating revenue from the Seaport Alliance net income than it would have received through direct operation of the Licensed Properties. The Seaport Alliance selected as its CEO the CEO of the Port of Tacoma, who initially served in a dual role; as of April, 2019 the Port of Tacoma has hired its own CEO. Other staff serve in dual roles either directly or through service agreements.

The Bond Income Calculation does not include debt service on the obligations issued by either port since formation of the Seaport Alliance or future financial obligations. The Seaport Alliance may be unable to meet this minimum level of net income every year or any year, and this minimum level may not be sufficient in light of the Port's then bond covenants, due to business risks and other factors, including factors outside of the control of the Seaport Alliance and outside of the control of the Port as a Managing Member.

The Alliance ILA and the Charter are subject to amendment with member consent, and the structure of the Seaport Alliance, the Bond Income Calculation, the distribution of cash, dispute resolution, prohibition against borrowing and dissolution provisions are all subject to change. Amendments to the Alliance ILA and Charter generally also require Federal Maritime Commission approval. The Port may also adjust its membership share with the addition or subtraction of properties or capital contributions, subject to Managing Member approval.

Seaport Alliance Capital Projects. There may be future improvements to Licensed Properties or to adjunct infrastructure that are not included in the Seaport Alliance CIP, but may be important to the operations of the Seaport Alliance or to its ability to compete with other ports.

Future Capital Projects

The Port has identified its CIP for the 2019-2024 period. The program is based on identified improvements and current cost and timing estimates and also includes some allowance for unidentified projects. The actual costs and schedules of projects are subject to change, and may result in significantly higher costs than currently estimated. There may be additional improvement needs including without limitation the following: improvements identified in the Sustainable Airport Master Plan or in the real estate and Fishermen's Terminal strategic plans, improvements to accommodate growth in the cruise business, expansion of Terminal 5 or other facilities for the Port or the Seaport Alliance that are necessary to address competitive challenges in the Port's or the Alliance's various businesses, improvements to repurpose facilities, and improvements that are deemed to provide an economic or environmental benefit. There is no guarantee that capital investments will generate new revenues or revenues sufficient to offset costs.

Other Agreements

The Port has entered into various agreements that provide rent and concessions revenue to the Port. Some of the revenue payable under these agreements is based on volume and thus will vary, perhaps substantially. These agreements have various expiration dates. There is no guarantee that agreements will be renewed or that new agreements will have similar provisions and associated revenues. There is also no guarantee that existing agreements will not be amended with terms less favorable than current terms.

Cyber-Security

Computer networks and data transmission and collection are vital to the safe and efficient operations of the Port; which includes the Airport and multiple maritime properties and facilities. The Port collects and stores sensitive data, including intellectual property, security information, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers, partners and employees. The secure processing, maintenance and transmission of this information is critical to industry operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in the efficiency of commerce, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, or disruptions in operations and the services provided, and could cause a loss of confidence in the commercial operations of industries including Airport and Maritime operations, which could ultimately adversely affect Port revenues.

Liquidity and Credit Facilities

The Port has purchased surety bonds from monoline bond insurance companies to satisfy debt service reserve fund obligations in connection with certain outstanding Port debt. In addition, bank letters of credit provide liquidity and credit enhancement for certain of the Port's Subordinate Lien Parity Bonds (variable rate demand obligations and commercial paper). See "APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE PORT—Note 5: Long-Term Debt; Subordinate Lien Variable Rate Demand Bonds." In these and other respects, the Port is exposed to rating and other credit-related risks associated with various monoline insurers and banks.

Although the Port is not obligated to purchase variable rate Subordinate Lien Parity Bonds if a bank fails to honor its letter of credit, the Port is exposed to bank credit risk. Rating downgrades or other credit events affecting the banks, for example, have and can result in higher variable interest rates paid by the Port, either in connection with remarketed bonds or "bank bonds" purchased by the bank upon a failed remarketing or upon a mandatory tender that would be required if an expiring letter of credit cannot be replaced. A Port event of default (or, in certain circumstances, a rating downgrade or withdrawal) under bank reimbursement agreements pursuant to which the letters of credit were issued, among other events, would entitle the bank to require the mandatory tender for purchase of all of the Subordinate Lien Parity Bonds secured by such letter of credit. In that event or upon the purchase by the bank of "bank bonds" resulting from an inability to convert the bonds or to remarket the bonds for a period, to issue new commercial paper or to replace an expiring letter of credit, the Port would be required to reimburse the bank or to purchase or redeem all of such bonds over a three- to five-year period and to pay interest at the higher rates set forth in the applicable reimbursement agreement.

Limitation of Remedies

Under the terms of the Resolution, payments of debt service on Series 2019 Bonds are required to be made only as they become due and the occurrence of a default does not grant a right to accelerate payment of the Series 2019 Bonds. In the event of multiple defaults in payment of principal of or interest on the Series 2019 Bonds, the Series 2019 Bond owners could be required to bring a separate action for each such payment not made. Remedies for defaults are limited to such actions that may be taken at law or in equity. See Appendix G. No mortgage or security interest has been granted or lien created in any real property of the Port to secure the payment of any of the Port's bonds, including the Series 2019 Bonds. Leases with tenants, including airlines and container terminal operators, are subject to bankruptcy proceedings, leading to possible rejection of the leases or to long delays in enforcement.

Various State laws, constitutional provisions, and federal laws and regulations apply to the obligations created by the issuance of the Series 2019 Bonds. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions will not be changed, interpreted, or supplemented in a manner that would have a material adverse effect, directly or indirectly, on the affairs of the Port.

In the event of a default in the payment of principal of and/or interest on the Series 2019 Bonds, the remedies available to the owners of the Series 2019 Bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including the U.S. Bankruptcy Code (the "Bankruptcy Code"). Bond Counsel's opinions as to enforceability to be delivered simultaneously with delivery of the Series 2019 Bonds will be qualified by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency, and equity principles. See the proposed form of Bond Counsel opinion included in Appendix E.

Bankruptcy; Dissolution

The enforceability of the rights and remedies of the Series 2019 Bondholders, the obligations of tenants or customers of the Port and of the Port and the liens and pledges created by the Resolution are subject to the Bankruptcy Code and/or to other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, to equitable principles that may limit the enforcement under State law of certain remedies and to exercise by the United States of America of powers delegated to it by the U.S. Constitution. Some of the risks associated with a bankruptcy, insolvency or dissolution are described below and include the risks of delay in payment and of nonpayment. Potential purchasers of the Series 2019 Bonds should consult their own attorneys and advisors in assessing the risk and the likelihood of recovery in the event the Port, its tenants or customers, or any other party becomes a debtor in a bankruptcy, insolvency or dissolution case prior to the time the Series 2019 Bonds are paid in full.

In addition, payments made by a bankrupt entity within 90 days (up to 366 days if the entity is found to be an insider) of a filing of a bankruptcy case could be deemed to be "avoidable preferences" under the Bankruptcy Code and thus could be subject to recapture in bankruptcy, including from the Series 2019 Bondholders. If an entity is in bankruptcy, parties (including the Series 2019 Bondholders) may be prohibited from taking action to collect from or to enforce obligations of such entity without permission of the bankruptcy court, and the Port may be prevented from making payments to the Series 2019 Bondholders from funds in its possession. These restrictions may result in delays or reductions in payments on the Series 2019 Bonds.

There may be other possible effects of a bankruptcy of the Port or tenants or customers of the Port that could result in delays or reductions in payments on the Series 2019 Bonds, or result in losses to the Series 2019 Bondholders. Regardless of any specific adverse determinations in any such bankruptcy proceeding, the fact of such a bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2019 Bonds.

Tenants or Customers. The bankruptcy of a signatory airline or of another tenant or customer of the Port could result in delays, additional expenses and/or reductions in payments or nonpayment to the Port and, as a result, could reduce Gross Revenue and Available Intermediate Lien Revenue. Bankruptcy law in the United States is governed by the Bankruptcy Code, and federal bankruptcy courts retain jurisdiction over parties that are subject to bankruptcy petitions, voluntarily or involuntarily. Bankruptcy courts have the jurisdiction, within the limits of the Bankruptcy Code, to review debtors' agreements and the debtors' decisions to assume or reject their agreements and to approve, reject or delay payments of debtors' financial and other obligations. Risks associated with bankruptcy include the risk of substantial delay in payment or of non-payment, the risk that the Port might not be able to enforce its other contractual remedies, the risk that the Port may have to return certain payments received during the "preference" period and the risk of additional litigation costs if the Port decides to or is required to participate in bankruptcy proceedings. Bankruptcy of a major tenant or customer could result in long delays and significant costs and possibly in large losses to the Port. Additional requirements, delays, costs or losses could apply in the event that tenants or customers are subject to bankruptcy law of another nation in addition to or in lieu of U.S. bankruptcy laws.

The Port. Under current State law, political subdivisions or public agencies, such as the Port, may be able to file for bankruptcy under chapter 9 of the Bankruptcy Code. In 1935, the Legislature authorized taxing districts in the State to file a petition under Section 80 of chapter IX of the then-applicable Bankruptcy Act of 1898. The 1935 authorizing statute has not been amended notwithstanding the fact that the Bankruptcy Act of 1898 has been superseded. The 1935 authorizing statute likely allows municipalities in the State to seek relief under chapter 9 of the now-applicable Bankruptcy Code. In the event of a chapter 9 bankruptcy filing by the Port, owners of the Series 2019 Bonds may not be able to exercise any of their remedies under the Intermediate Lien Master Resolution, as applicable, during the course of the proceeding. Legal proceedings to resolve issues could be time consuming, and substantial delays or reductions in payments to Series 2019 Bondholders may result.

The Seaport Alliance. Under current State law, as a PDA, the Seaport Alliance is not a taxing district and may not be able to file for bankruptcy under chapter 9 of the Bankruptcy Code. The Charter provides for dissolution under certain circumstances, and for distribution upon dissolution to the member ports. Each Managing Member, to the fullest extent permitted by applicable law, has waived any rights to take any such actions under applicable law, including any right to petition a court for judicial dissolution. By state statute, if a PDA is insolvent or dissolved, the superior court of a county in which the PDA operates has jurisdiction and authority to appoint trustees or receivers of the assets and property of the PDA and to supervise the trusteeship or receivership. All liabilities incurred by a PDA are to be satisfied exclusively from the assets and properties of the PDA. No creditor or other person has any right of action against the port district or districts creating the PDA on account of any debts, obligations, or liabilities of the PDA. The Port of Tacoma may be able to file for bankruptcy under chapter 9 of the Bankruptcy Code.

Laws and Regulation; Taxes

The Port is subject to federal, State, and local laws and regulations. Failure by the Port (or by its contractors or tenants) to comply with, or violations of, statutory and regulatory requirements could result in the loss of grant and PFC funds and in other consequences. These statutory and regulatory requirements are subject to change and could become more stringent and costly for the Port and its customers and tenants and for the Seaport Alliance. For example, statutory or regulatory requirements limiting emissions or otherwise addressing climate change could be implemented or increased. Climate change concerns have led to new or proposed laws and regulations at the federal, state and local level, which could have a material adverse effect on the Port's or Seaport Alliance's operation or the Port's tenants. The Port cannot predict whether future restrictions or limitations on the Port or Seaport Alliance will be imposed, whether future legislation or regulations will affect funding for capital projects or whether such restrictions or legislation or regulations will adversely affect Available Intermediate Lien Revenues.

Federal Funding and Other Actions

The Port and the Seaport Alliance receive federal funds, including through FAA and TSA budgets. A portion of the Port's and the Seaport Alliance's assets also are invested in securities of the U.S. government. These federal funds and investments may be adversely impacted by federal legislative and executive actions, including but not limited to cuts in federal spending. Federal funding is subject to federal legislative action, including through the federal budget process. Budgetary acts, including sequestration, could continue to affect FAA and TSA budgets, operations, and the availability of certain federal grant funds. In addition, budgetary acts and other factors have caused and could cause the FAA and/or the TSA to implement employee furloughs, hiring freezes or other staffing changes (including of air traffic controllers), which could result in flight delays or cancellations. Other federal legislative or executive actions may affect the Port's federal funds and investments, and may have other financial or operating impacts on the Port or the Seaport Alliance. Executive orders regarding immigration or travel could reduce international passenger traffic, for example. The Port, the Seaport Alliance or other state and local jurisdictions also could be affected if the federal government withholds or attempts to withhold federal grants or other funds flowing through or to "sanctuary jurisdictions." The Port can make no representations at this time concerning what impact federal legislative and executive actions would have on Port or Seaport Alliance finances or operations, or the timing or materiality of such impact.

Accounting Rules

The Port is subject to accounting rules and standards promulgated by GASB. These rules may change, requiring the Port at such time to value and state its accounts in ways beyond the Port's ability to control or predict.

Seismic, Climate Change and Natural Disaster Considerations

The Port's facilities and other Licensed Properties are in an area of seismic activity, with frequent small earthquakes and occasional moderate and larger earthquakes. The Port can give no assurance regarding the effect of an earthquake, a tsunami from seismic activity in the State or in other areas, a volcano, mudslide, adverse weather patterns or sea level rise as a result of climate change, or other disasters, or that proceeds of insurance carried by the Port or by the Port of Tacoma, as applicable, would be sufficient, if available, to rebuild and reopen Port facilities or other Licensed Properties or that Port facilities, other Licensed Properties or surrounding facilities and infrastructure could or would be rebuilt and reopened in a timely manner following a major earthquake or other disaster.

In 2015, the Port completed a climate change adaptation study that examined its waterfront maritime facilities. Based on the report's findings, the Port anticipates that, with moderate improvements, these facilities will not experience any major vulnerability within the period of their intended design life (of up to 50 years for certain facilities). The Port cannot guarantee actual outcomes and it is possible that there may be a need for more significant capital investment. In addition, the Port can make no statement regarding the Port of Tacoma owned facilities licensed to the Seaport Alliance.

Continuing Compliance with Tax Covenants; Changes of Law

The Resolution and the Port's tax certificate will contain various covenants and agreements on the part of the Port that are intended to establish and maintain the tax-exempt status of interest on the Series 2019 Bonds. A failure by the Port to comply with such covenants and agreements, including any remediation obligations, could, directly or indirectly, adversely affect the tax-exempt status of interest on the Series 2019 Bonds. Any loss of tax-exemption could cause all of the interest received by the Owners of the Series 2019 Bonds to be taxable. All or a portion of interest on the Series 2019 Bonds also could become subject to federal and/or state income tax as a result of changes of law. Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2019 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax-exempt status of such interest.

INITIATIVES AND REFERENDA

Under the State Constitution, the voters of the State have the ability to initiate legislation and to modify existing laws through the powers of initiative and referendum. An initiative measure is submitted to the voters (if an initiative to the people) or to the Legislature (if an initiative to the Legislature) if the Secretary of State certifies the receipt of a petition signed by at least eight percent of the number of voters registered and voting for the office of governor at the preceding regular gubernatorial election. Certified initiatives to the people are placed on the ballot for the next State-wide general election.

Certified initiatives to the Legislature are submitted to the Legislature at its regular session each January. Once an initiative to the Legislature has been submitted, the Legislature must take one of the following three actions: (i) adopt the initiative as proposed, in which case the initiative becomes law without a vote of the people; (ii) reject or refuse to act on the proposed initiative, in which case the initiative must be placed on the ballot at the next State general election; or (iii) approve an amended version of the proposed initiative, in which case both the amended version and the original initiative must be placed on the next State general election ballot.

A bill passed by the Legislature is referred to the people for final approval or rejection if the Secretary of State certifies the receipt of a petition signed by at least four percent of the number of voters registered and voting for the office of governor at the preceding regular gubernatorial election. Certain actions of the Legislature necessary for the immediate preservation of the public peace, health or safety and the support of State government or its existing institutions are exempt from the referendum process.

Proposed initiatives to the people must be filed within 10 months prior to the next State general election, and the petition signatures must be filed not less than four months before such general election. Proposed initiatives to the Legislature must be filed within 10 months prior to the next regular session of the Legislature, and the petition signatures must be filed not less than 10 days before such regular session of the Legislature. A referendum measure may be filed any time after the Governor has signed the act that the sponsor wants referred to the ballot. Petition signatures must be filed within 90 days after the final adjournment of the legislative session at which the act was passed.

An initiative or referendum approved by a majority of voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws.

In recent years there have been a number of initiatives filed in the State, including initiatives targeting fees and taxes imposed by local jurisdictions or subjecting local jurisdictions to additional requirements. The Port cannot predict whether this trend will continue, whether any filed initiatives will receive the requisite signatures to be certified to the ballot, whether such initiatives will be approved by the voters, whether, if challenged, such initiatives will be upheld by the courts and whether any current or future initiative could have a material adverse impact on the Port's revenues or operations.

LITIGATION AND ADMINISTRATIVE PROCEEDINGS

No Litigation Concerning the Series 2019 Bonds

As of the date of this Official Statement, there is no litigation, to the knowledge of the Port, pending or threatened, challenging the authority of the Port to issue the Series 2019 Bonds or seeking to enjoin the issuance of the Series 2019 Bonds.

Other Litigation and Administrative Proceedings

The Port is a defendant in various legal actions and claims that arise during the normal course of business. Some of these claims may be covered by insurance. The Port is not aware of any legal actions that, in the opinion of Port management, will have a material adverse effect on the financial position, results of operations or cash flows of the Port.

CONTINUING DISCLOSURE

The Port is covenanting for the benefit of the holders and beneficial owners of the Series 2019 Bonds to provide certain financial information and operating data (the "Annual Disclosure Report") by not later than six months following the end of the Port's fiscal year (which currently would be June 30, 2020, for the report for the 2019 fiscal year), and to provide notices of the occurrence of certain enumerated events. The Annual Disclosure Report and notices of listed events are to be filed with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Disclosure Report and in notices of listed events is set forth in Appendix H. These covenants are made by the Port to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12 (the "Rule").

The Port has provided the 2018 audited financial statements for the Seaport Alliance in Appendix B, and may choose to file future Seaport Alliance financial statements on a voluntary basis. The Port is not, however, undertaking or committing to provide financial statements of the Seaport Alliance.

In the past five years, the Port has complied in all material respects with its previous undertakings with regard to the Rule to provide annual reports and notices of enumerated events.

TAX MATTERS

In the opinion of Bond Counsel, interest on the Series 2019 Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series 2019 Bond for any period during which such Series 2019

Bond is held by a "substantial user" of the facilities financed by the Series 2019 Bonds, or by a "related person" to such substantial user within the meaning of Section 147(a) of the Code. Furthermore, interest on the Series 2019 Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals.

Federal income tax law contains a number of requirements that apply to the Series 2019 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the Series 2019 Bonds and the facilities financed or refinanced with proceeds of such bonds and certain other matters. The Port has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the Port comply with the above-referenced covenants and, in addition, will rely on representations by the Port and its advisors with respect to matters solely within the knowledge of the Port and its advisors, respectively, which Bond Counsel has not independently verified. If the Port fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Series 2019 Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2019 Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Series 2019 Bonds. Owners of the Series 2019 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning such bonds, which may include tax issues associated with original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the Series 2019 Bonds should be aware that ownership of the Series 2019 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2019 Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the Series 2019 Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations, such as the Series 2019 Bonds, are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the Series 2019 Bonds to be subject, directly or indirectly, to federal income taxation. From time to time, legislation is proposed that, if enacted, could alter the federal income tax consequences described herein, or otherwise prevent owners of the Series 2019 Bonds from realizing the full current benefit of the tax status of the interest on the Series 2019 Bonds. Prospective purchasers of the Series 2019 Bonds should consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

Bond Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the Port's compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Series 2019 Bonds. Owners of the Series 2019 Bonds are advised that, if the IRS does audit the Series 2019 Bonds under current IRS procedures, at least during the early stages of an audit, the IRS will treat the Port as the taxpayer, and the owners of the Series 2019 Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the Series 2019 Bonds until the audit is concluded, regardless of the ultimate outcome.

Premium. An amount equal to the excess of the purchase price of a Series 2019 Bond over its stated redemption price at maturity constitutes premium on that Series 2019 Bond. A purchase of a Series 2019 Bond must amortize any premium over that Series 2019 Bond's term using constant yield principles, based on the Series 2019 Bond's yield to maturity. As premium is amortized the purchaser's basis in the Series 2019 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2019 Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of Series 2019 Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and the state and local tax consequences of owning such Series 2019 Bonds.

LEGAL MATTERS

Issuance of the Series 2019 Bonds is subject to receipt of the legal opinion of K&L Gates LLP, Bond Counsel to the Port, and to certain other conditions. See Appendix E for the form of the opinion of Bond Counsel. Certain legal matters will be passed upon for the Port by Pacifica Law Group LLP, Disclosure Counsel to the Port. Any opinion of such firm will be addressed solely to the Port, will be limited in scope, and cannot be relied upon by investors.

Certain legal matters will be passed on for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Counsel to the Underwriters. Any opinion of such firm will be addressed solely to the Underwriters, will be limited in scope, and cannot be relied upon by investors.

RATINGS

Moody's Investors Service, S&P Global Ratings and Fitch Ratings have assigned their ratings of "A1," "A+" and "AA-" respectively, to the Series 2019 Bonds. Certain information was supplied by the Port to such rating agencies to be considered in evaluating the Series 2019 Bonds.

The foregoing ratings express only the views of the rating agencies and are not recommendations to buy, sell or hold the Series 2019 Bonds. An explanation of the significance of each of the ratings may be obtained from the rating agency furnishing the rating. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, or any of them, if, in their or its judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Series 2019 Bonds. The Port does not have any obligation to take any action, other than file a listed event notification, if the ratings on the Series 2019 Bonds is changed, suspended or withdrawn.

THE REGISTRAR

The principal of and interest and redemption premium, if any, on the Series 2019 Bonds are payable by the fiscal agent of the State, currently U.S. Bank National Association. For so long as the Series 2019 Bonds remain in a "book-entry only" transfer system, the Registrar will make such payments to DTC, which, in turn, is obligated to remit such principal payments to the DTC participants for subsequent disbursement to the Beneficial Owners of the Series 2019 Bonds. See Appendix F.

FINANCIAL ADVISOR

Piper Jaffray & Co. has served as financial advisor to the Port relative to the sale, timing of the sale, and other factors relating to the Series 2019 Bonds. The financial advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement or other information provided relative to the Series 2019 Bonds. Piper Jaffray & Co. makes no guaranty, warranty or other representation on any matter related to the information contained in this Official Statement. A portion of the financial advisor's compensation for this transaction is contingent on the sale and delivery of the Series 2019 Bonds.

UNDERWRITING

The Series 2019 Bonds are expected to be sold pursuant to a bond purchase contract between the Port and Goldman Sachs & Co. LLC, acting on behalf of itself and on behalf of BofA Securities, Inc.; Barclays Capital, Inc.; Citigroup Global Markets Inc.; Academy Securities, Inc.; Backstrom McCarley Berry & Co., LLC; and The Williams Capital Group, L.P. (collectively, the "Underwriters"). The bond purchase agreement provides that the Underwriters will purchase all of the Series 2019 Bonds if any are purchased and that the obligation of the Underwriters to accept and pay for the Series 2019 Bonds is subject to certain terms and conditions set forth therein, including the approval by counsel of certain legal matters. The Series 2019 Bonds are to be purchased from the Port at an aggregate purchase price of $545,889,277.96 (the $457,390,000.00 principal amount of the Series 2019 Bonds, less Underwriters' discount of $985,627.24, and plus original issue premium of $89,484,905.20.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Port, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Port.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Markets Inc. will compensate Fidelity for its selling efforts.

BofA Securities, Inc., an underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. as part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

The initial public offering prices or yields set forth on the inside cover page may be changed from time to time by the Underwriters without prior notice. The Underwriters may offer and sell the Series 2019 Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices or at yields higher than the yields stated on the inside cover page.

INDEPENDENT CONSULTANT

The Report of the Independent Consultant, prepared by Ricondo & Associates, Inc. (the "Independent Consultant") has been included in this Official Statement with the consent of Ricondo & Associates, Inc., the Independent Consultant, and in reliance upon the Independent Consultant's expertise in preparing such report. As noted in the Report of the Independent Consultant, Ricondo & Associates, Inc., is of the opinion that Available Intermediate Lien Revenues generated in each year from 2019-2024 are expected to be sufficient to comply with the Intermediate Lien Rate Covenant under the Intermediate Lien Master Resolution. Any projection, however, is subject to uncertainties and inevitably some assumptions regarding future trends will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the projected and actual results, and differences may be material. See "APPENDIX C—REPORT OF THE INDEPENDENT CONSULTANT." The Report of the Independent Consultant should be read in its entirety.

INDEPENDENT AUDITOR

The Port's financial statements for the Enterprise Fund and the Warehousemen's Pension Trust Fund as of December 31, 2018 and 2017, and for the years ended December 31, 2018, 2017, and 2016, respectively, included herein as Appendix A, have been audited by Moss Adams LLP, independent auditor, as stated in its report appearing herein. The audited financial statements of the Port are public documents. The Port has not requested that Moss Adams LLP provide consent for inclusion of its audited financial statements in this Official Statement, and Moss Adams LLP has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Further, Moss Adams LLP has not participated in any way in the preparation or review of this Official Statement.

The Seaport Alliance's financial statements for the year ended December 31, 2018, included herein as Appendix B, have been audited by RSM US, LLP, independent auditors. RSM US, LLP has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. RSM US, LLP also has not performed any procedures relating to this Official Statement.

In addition to the annual audit of its financial statements by its independent auditor, the Port also undergoes an annual accountability audit by the Office of the State Auditor ("SAO"). The accountability audit reviews the Port's uses of public resources, compliance with state laws and regulations, its policies and procedures, and internal controls over such matters.

MISCELLANEOUS

The purpose of this Official Statement is to supply information to purchasers of the Series 2019 Bonds. The summaries provided in this Official Statement and in the appendices attached hereto and the documents referred to herein do not purport to be comprehensive or definitive, and all references to the documents summarized are qualified in their entirety by reference to each such document. All references to the Series 2019 Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of the documents referred to herein are available for inspection during the period of the offering at the principal office of the Port.

Statements in this Official Statement, including matters of opinion, projections and forecasts, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Port and the purchasers of the Series 2019 Bonds.

PORT OF SEATTLE

By /s/ Daniel R. Thomas
Chief Financial Officer

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE PORT

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MOSSADAMS

Report of Independent Auditors

To the Port Commission
Port of Seattle
Seattle, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund and the Warehousemen's Pension Trust Fund of the Port of Seattle (the "Port") as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017, and 2016, and the related notes to the financial statements, which collectively comprise the Port's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Northwest Seaport Alliance, a joint venture, as discussed in Note 13 to the financial statements, which reflects the Port's Investment in joint venture of $141,491,000 and $103,255,000 as of December 31, 2018 and 2017, and joint venture income of $55,992,000, $54,925,000 and $61,584,000 for the years ended December 31, 2018, 2017 and 2016, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and in our opinion insofar as it relates to the amounts as included for the Port, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund and the Warehousemen's Pension Trust Fund of the Port of Seattle as of December 31, 2018 and 2017, and the changes in net position and cash flows for the Enterprise Fund, and the changes in fiduciary net position for the Warehousemen's Pension Trust Fund for the years ended December 31, 2018, 2017, and 2016 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, Schedule of Port of Seattle's Proportionate Share of Net Pension Asset/Liability ("NPA"/NPL") - Enterprise Fund Pension Plans, Schedule of Port of Seattle Contributions - Enterprise Fund Pension Plans, Schedule of Changes in Total OPEB Liability and Related Ratios - LEOFF Plan 1 Members'' Medical Savings Plan, Schedule of Changes in Total OPEB Liability and Related Ratios - Retiree Life Insurance Plan, Schedule of Changes in Net Pension Liability and Related Ratios - Warehousemen's Pension Trust Fund, Schedule of Employer Contributions - Warehousemen's Pension Trust Fund, Schedule of Investment Returns - Warehousemen's Pension Trust Fund, and Notes to Required Supplementary Information - Warehousemen's Pension Trust Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Moss Adams LLP

Seattle, Washington
April 29, 2019

Port of Seattle

Management's Discussion and Analysis for the Year Ended December 31, 2018

Introduction

The following Management's Discussion and Analysis (MD&A) of the Port of Seattle's (the Port) activities and financial performance provides an introduction to the financial statements of the Port for the fiscal year ended December 31, 2018, including the Port operations within the Enterprise Fund and the Warehousemen's Pension Trust Fund, with selected comparative information for the years ended December 31, 2018 and 2017.

The Enterprise Fund accounts for all activities and operations of the Port except for the activities included within the Warehousemen's Pension Trust Fund. This includes the Port's major business activities, which are composed of the Aviation, Maritime, and Economic Development divisions. Enterprise Funds are used to account for operations and activities that are financed at least in part by fees or charges to external users. The Warehousemen's Pension Trust Fund accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. The Port became the sole administrator for the Warehousemen's Pension Trust Fund effective May 25, 2004.

The MD&A presents certain required information regarding capital assets and long-term debt activity during the year, including commitments made for capital expenditures. The information contained in this MD&A has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section. The notes are essential to thoroughly understand the data contained in the financial statements.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: MD&A, the basic financial statements, the notes to the financial statements, and the required supplementary information (RSI). The report includes the following three basic financial statements for the Port Enterprise Fund: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The report also includes two basic financial statements for the Warehousemen's Pension Trust Fund: the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

Local Economic Factors

Washington's economy remains on a solid growth path despite concerns over international trade, geopolitical risks, and a maturing economic expansion. The unemployment rate declined slightly from an average of 4.7% in 2017, to 4.5% in 2018. During 2018, jobs in the private sector increased 3.6% while government jobs remained relatively unchanged. The Seattle metropolitan area added about 32,800 jobs in 2018. Approximately 13,300 new jobs added were in information technology and construction.

The Port's 2018 performance reflected the economic vitality of the local economy. At the Seattle-Tacoma International Airport (the Airport), 49.9 million passengers passed through in 2018, an increase of 6.2% from 2017, and exceeded the all-time record for the ninth consecutive year. For the Maritime Division, the 2018 cruise season hosted 216 vessel calls and a record setting 1,115,000 passengers, an increase of 4.0% from 2017. Grain volumes totaled 4.4 million metric tons, close to the previous year's volume. For the Economic Development Division, overall occupancy of buildings managed by Portfolio Management was at 94% at the end of 2018, comparable to a broader Seattle market average.

The Northwest Seaport Alliance

The home ports 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 to the region. On January 1, 2016, the NWSA, a separate legal governmental entity, was formed. It was established as a Port Development Authority, similar to the Public Development Authorities formed by cities and counties. The commissions of each home port serve as the Managing Members of the NWSA. The NWSA is accounted for as a joint venture by the home ports.

Each home port remains a separate legal entity, independently governed by its own elected commissioners. Each home port has granted the NWSA a license for the NWSA's exclusive use, operation, and management of certain facilities, including the collection of revenues. The accounting for revenues and expenses associated with licensed properties become the responsibility of the NWSA. Ownership of the licensed facilities remains with the home ports, not with the NWSA. The NWSA is intended to support the credit profiles of both home ports, and its financial framework will preserve both home ports' commitment to financial strength and fiscal stewardship. The home ports are committed to ensuring existing bond pledges and covenants will not be negatively affected. Outstanding bonds will remain obligations of each individual home port. To maintain the rights of each home port's existing bondholders, the Charter prohibits the NWSA from issuing debt. The NWSA has its own annual operating budget and five-year capital investment plan.

The home ports set up an initial 50/50 investment in the NWSA. The home ports share the NWSA's change in net position and distribution of operating cash equally. The home ports contribute to capital construction projects subject to Managing Member approval. Capital funding does not come from working capital.

On April 2, 2019, in lieu of completing the required revaluation of Membership Interest pursuant to the NWSA Charter, the Managing Members approved and the Port of Seattle Commission agreed to an additional contribution from the Port to the NWSA of up to $32.0 million in recognition that certain forecasted revenue streams in the initial valuation were not secured by long-term contractual agreements. Additionally, the Managing Members authorized the completion of the one-time Membership Interest Affirmation of 50/50 for each home port in satisfaction of the revaluation requirement in the Charter.

In 2018, the Port's share of joint venture income was $56.0 million, an increase of $1.1 million or 1.9% from 2017, primarily due to increases in nonoperating income, partially offset by higher depreciation expense. The increases in nonoperating income included a $3.1 million contributed stormwater improvement asset in the North Harbor and $3.8 million of Transportation Investment Generating Economic Recovery (TIGER) grants relating to capital modernization improvements in Terminal 46.

In 2017, the Port's share of joint venture income was $54.9 million, a decrease of $6.7 million or 10.8% from 2016. This was due to the NWSA's higher operating and depreciation expenses along with a $7.8 million nonoperating income recognized in 2016, from a tenant improvement related to a stormwater facility located in the North Harbor.

During 2018 and 2017, the home ports made capital construction contributions of $83.3 million and $69.1 million, respectively, for container terminal improvements at the North and South Harbors and container crane acquisitions at Husky terminal in the South Harbor.

Additional information on the formation and operations of the joint venture can be found in Note 1 and Note 13, respectively, in the accompanying Notes to Financial Statements.

Enterprise Fund

Financial Position Summary

The Statement of Net Position presents the financial position of the Enterprise Fund of the Port at the end of the fiscal year. The statement includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Enterprise Fund. Net position, the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, is an indicator of the current fiscal health of the organization and the enterprise's financial position over time.

A summarized comparison of the Enterprise Fund assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at December 31 is as follows (in thousands):

	2018	2017	2016
Assets:			
Current, long-term, and other assets	$ 1,989,201	$ 1,654,178	$ 1,199,739
Capital assets	6,158,334	5,685,346	5,505,951
Total assets	$ 8,147,535	$ 7,339,524	$ 6,705,690
Deferred Outflows of Resources	$ 54,866	$ 56,348	$ 35,225
Liabilities:			
Current liabilities	$ 583,985	$ 425,379	$ 384,385
Noncurrent liabilities	4,011,823	3,589,769	3,188,953
Total liabilities	$ 4,595,808	$ 4,015,148	$ 3,573,338
Deferred Inflows of Resources	$ 39,884	$ 32,541	$ 19,230
Net Position:			
Net investment in capital assets	$ 3,107,766	$ 2,716,718	$ 2,591,049
Restricted	377,800	403,685	343,175
Unrestricted	81,143	227,780	214,123
Total net position	$ 3,566,709	$ 3,348,183	$ 3,148,347

Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $3.6 billion as of December 31, 2018, and $3.3 billion for 2017. Total net position increased $218.5 million from 2017 to 2018, and $199.8 million from 2016 to 2017, respectively.

In 2018, the Port adopted two new accounting standards, which required adjustments to the beginning balance of the net position. The Port adopted Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The new standard requires governments providing OPEB benefits to retirees to measure and recognize total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense. The Port also adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets, not through proceeds from refunding debt, are placed in an irrevocable trust to extinguish debt. It also provides guidance relating to prepaid insurance on debt that is extinguished. As a result, the beginning balance of total net position was adjusted and reduced by $2.7 million. Further discussion of the impact from the adoption of these new accounting standards can be found in Note 1 in the accompanying Notes to Financial Statements.

For each year presented, the largest portion of the Enterprise Fund's net position represents its net investment in capital assets. The Port uses these capital assets to provide services to its tenants, passengers, and customers of the Aviation, Maritime, and Economic Development divisions; therefore, these assets are not available for future spending. Although the Port's net investment in capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations as the capital assets themselves cannot be used to liquidate liabilities. From 2017 to 2018, and from 2016 to 2017, there was an increase of $391.0 million and $125.7 million, respectively, in net investment in capital assets. The respective change in this category was an increase of $473.0 million in 2018 and $179.4 million in 2017, in total capital assets, net of accumulated depreciation, including construction work in progress, largely driven by new asset additions and construction activities in major Aviation programs, partially offset by related demolitions and ongoing depreciation.

As of December 31, 2018 and 2017, the restricted net position of $377.8 million and $403.7 million, respectively, was composed mainly of unspent revenue bond proceeds restricted for debt service reserves in accordance with bond covenants, airport Passenger Facility Charges (PFC) subject to federal regulations, and rental car Customer Facility Charges (CFC) subject to state regulations. From 2017 to 2018, there was a decrease of $25.9 million in restricted net position primarily from increased expenditures in major Aviation programs outpacing PFC revenues despite enplanement growth, and an increase in debt service reserves from the issuance of the 2018 Intermediate Lien Revenue Bonds. From 2016 to 2017, there was an increase of $60.5 million in this category primarily due to an increase in PFC revenues from higher enplanements while expenditures remained relatively constant. Capitalized interest fund and restricted debt service reserves associated with the issuance of the 2017 Intermediate Lien Revenue and Refunding Bonds further contributed to the increase.

As of December 31, 2018, the unrestricted net position was $81.1 million, a decrease of $146.6 million from 2017. During 2018, the Port recorded a $34.9 million special item for environmental expense related to the construction cost of a habitat restoration project and $15.9 million for the acquisition of Salmon Bay Marina. While the balance between 2017 and 2016 was relatively unchanged, there was an inflow of cash proceeds from the 2017 Limited Tax General Obligation (GO) Bonds that offset the debt issued to reimburse unrestricted cash funds for the State Route 99 (SR 99) Alaskan Way Viaduct Replacement Program payments made in 2016. Resources from the unrestricted net position may be used to satisfy the Port's ongoing obligations. However, due to federal regulations, resources from Airport operations must be used solely for the Aviation Division's operations. Cash and cash equivalents, and investment balances related to Airport operations decreased $107.1 million from $310.7 million in 2017, to $203.6 million in 2018, while this balance had a slight increase of $12.8 million from 2016 to 2017. In both periods, changes of these balances were largely attributed to major capital project spending at the Airport in order to support increased airline activity and record growth in passenger volume.

Statement of Revenues, Expenses, and Changes in Net Position

The change in net position is an indicator of whether the overall fiscal condition of the Enterprise Fund has improved or worsened during the year. Following is a summary of the Statement of Revenues, Expenses, and Changes in Net Position (in thousands) for the years ended December 31:

	2018	2017	2016
Operating revenues	$ 689,390	$ 632,031	$ 598,467
Operating expenses	397,638	372,982	325,285
Operating income before depreciation	291,752	259,049	273,182
Depreciation	164,362	165,021	164,336
Operating income	127,390	94,028	108,846
Nonoperating income—net	85,145	75,696	62,177
Capital contributions	43,650	30,112	18,108
Special items:			
SR 99 Viaduct expense			(147,700)
Environmental expense	(34,923)		
Increase in net position	221,262	199,836	41,431
Net position—beginning of year, as adjusted (Note 1)	3,345,447	3,148,347	3,106,916
Net position—end of year	$ 3,566,709	$ 3,348,183	$ 3,148,347

Financial Operation Highlights

A summary of operating revenues is as follows (in thousands):

	2018	2017	2016
Operating Revenues:			
Services	$ 274,174	$ 260,322	$ 231,326
Property rentals	339,304	304,416	291,874
Customer facility charge revenues	16,263	10,641	12,121
Operating grants and contract revenues	3,657	1,727	1,562
Joint venture income	55,992	54,925	61,584
Total operating revenues	$ 689,390	$ 632,031	$ 598,467

During 2018, operating revenues increased $57.4 million or 9.1% from $632.0 million in 2017, to $689.4 million in 2018. Aviation Division operating revenues increased $48.1 million, with increases of $27.2 million in aeronautical revenues and $20.9 million in non-aeronautical revenues. Aeronautical revenues are based on cost recovery. The increases in aeronautical revenues were driven by higher rate-based costs to support increased airline activity and a $5.4 million decrease in revenue sharing due to a reduction in revenue sharing percentage from 50% to 40% under the new airline lease agreement in 2018. Growth in non-aeronautical revenues was due to strong performance and increases in (1) Airport Dining and Retail of $5.3 million despite unit closures for planned lease transitions, (2) Public Parking of $5.1 million due to higher tariff rates, (3) Ground Transportation of $3.1 million from continued growth in transportation network company (TNC) activity, and (4) Rental Car of $2.3 million due to growth in average transaction prices in 2018, which offset a continued decline in one day car rentals impacted by the availability of other transportation alternatives such as light rail, car-sharing, and TNCs. Maritime Division operating revenues increased $3.4 million in 2018 over prior year due to increases in (1) Recreational Boating of $1.4 million from increases in tariffs and efficiencies improving occupancy rates, (2) Cruise of $1.3 million from tariff increases and record setting passenger counts from the inaugural sailing of the Norwegian Bliss, the largest cruise vessel on the West Coast for the 2018 season, (3) Fishing and Operations of $0.5 million from improved backfill of recreational vessels at Fisherman's Terminal during the summer fishing season, and (4) Maritime Portfolio of $0.5 million from lease renewals and rent increases comparable to market. Economic Development Division operating revenues increased $2.9 million primarily due to an increase in Conference and Event Center of $2.6 million as a result of the completion of the Pier 66 Cruise Terminal expansion project that increased capacity to offer larger events with customized menus at Bell Harbor International Conference Center.

During 2017, operating revenues increased $33.6 million or 5.6% from $598.5 million in 2016, to $632.0 million in 2017. Aviation Division operating revenues increased $35.7 million with increases of $19.9 million in aeronautical revenues and $15.8 million in non-aeronautical revenues. Aeronautical revenues are based on cost recovery. The increase in aeronautical revenues was primarily due to cost recovery on higher operating expenses to support increased airline activity, partially offset by higher revenue sharing in 2017 of $4.9 million under the terms of the airline lease agreement. The growth in non-aeronautical revenues was due to strong performance and increases in (1) Commercial Properties of $7.6 million largely due to a $5.4 million lump sum payment earned in 2017, from Des Moines Creek Business Park Phase II frontage fees, (2) Public Parking of $5.6 million from higher tariff rates and higher volume, (3) Ground Transportation of $2.9 million, (4) Clubs and Lounges of $2.0 million, and (5) Airport Dining and Retail of $1.7 million. Rental Car revenues decreased by $2.0 million due to the growing availability of transportation alternatives such as light rail, car-sharing, and TNCs. Maritime Division operating revenues increased $3.4 million in 2017, over prior year due to increases in (1) Cruise of $2.2 million from passenger growth exceeding the million-passenger mark in 2017, and higher tariff rates, along with operating in a newly renovated Pier 66 Cruise Terminal in May 2017, and (2) Recreational Boating of $0.8 million from higher tariff rates. Economic Development Division operating revenues increased $1.9 million primarily due to increased event activity from the Conference and Events Center of $1.1 million, with an especially strong December, despite the ongoing construction of the Pier 66 Cruise Terminal expansion project and Alaskan Way street construction.

A summary of operating expenses is as follows (in thousands):

	2018	2017	2016
Operating Expenses:			
Operations and maintenance	$ 297,321	$ 282,657	$ 237,964
Administration	72,568	65,722	63,456
Law enforcement	27,749	24,603	23,865
Total operating expenses	$ 397,638	$ 372,982	$ 325,285

During 2018, operating expenses increased $24.7 million or 6.6% from $373.0 million in 2017, to $397.6 million in 2018. Aviation Division operating expenses increased $19.7 million due to (1) higher payroll expenses of $14.0 million from staffing increases between 2017 and 2018, (2) higher outside services expenses of $6.6 million primarily due to non-recurring expenses focused on addressing strategic initiatives throughout the Airport, and (3) an increase of $4.0 million to write off items that were previously capitalized, primarily from the South Satellite Terminal Renovation project being re-evaluated with new alternatives. The increase in 2018 operating expenses was offset by a one-time amortization of prepaid frontage fees of $3.6 million from the Des Moines Creek Business Park Phase II in 2017. Maritime Division operating expenses increased $1.1 million driven primarily by (1) higher maintenance expenses due to increased wages and heavier workloads, and (2) higher utility expenses. Economic Development Division operating expenses increased $2.3 million due to increased variable costs from higher sales activity at Bell Harbor International Conference Center. These increases were offset by a $15.6 million reduction in operating expenses associated with the defined-benefit pension plans administered by the Washington State Department of Retirement Systems (DRS) due to better than expected earnings on plan investments in 2018.

During 2017, operating expenses increased $47.7 million or 14.7% from $325.3 million in 2016, to $373.0 million in 2017. Aviation Division operating expenses increased $37.9 million primarily due to (1) a $12.6 million increase in payroll expenses from additional positions added in areas of Employee Screening, Construction Support, Maintenance, and Rental Car Facility transportation, driven by growth at the Airport, (2) a $5.7 million increase attributable to allocated costs from the Capital Development Division due to increases in construction activity, (3) a net increase of $4.4 million in environmental remediation costs primarily from contaminated soil related to construction at the International Arrivals Facility (IAF), (4) a $3.6 million increase from the Des Moines Creek Business Park Phase II prepaid frontage fee, and (5) an increase of $2.7 million due to a write-off of obsolete exit lane equipment previously capitalized. Maritime Division operating expenses increased $1.9 million in direct and allocated expenses. The increase was largely due to (1) increased maintenance costs from higher rates and increased activities, and (2) the launch of Port Valet program, which offers cruise passengers complimentary luggage transfer from ship to plane with participating airlines and cruise lines upon disembarkation in Seattle. Economic Development Division operating expenses increased $4.3 million due to (1) higher maintenance expenses, (2) higher conference center expenses, (3) increased support from Central Services, and (4) the second year of the Economic Development Partnership Program. This Partnership Program provides grants to support economic development activities in the local community.

As a result of the above, operating income before depreciation increased $32.7 million from 2017 to 2018, compared to a $14.1 million decrease from 2016 to 2017. Depreciation expense decreased $0.7 million and increased $0.7 million from 2017 to 2018, and 2016 to 2017, respectively.

A summary of nonoperating income (expense)—net, capital contributions, and special items are as follows (in thousands):

	2018	2017	2016
Nonoperating Income (Expense):			
Ad valorem tax levy revenues	$ 71,771	$ 71,702	$ 71,678
Passenger facility charge revenues	94,070	88,389	85,570
Customer facility charge revenues	21,802	25,790	24,715
Noncapital grants and donations	1,573	6,704	6,284
Fuel hydrant facility revenues	6,942	7,000	6,992
Investment income—net	26,287	12,174	8,448
Revenue and capital appreciation bonds interest expense	(100,432)	(97,748)	(105,567)
Passenger facility charge revenue bonds interest expense	(4,368)	(4,931)	(5,251)
General obligation bonds interest expense	(13,414)	(13,891)	(9,765)
Public expense	(5,269)	(4,588)	(8,560)
Environmental expense—net	(10,600)	(4,464)	(280)
Other (expense) income—net	(3,217)	(10,441)	(12,087)
Total nonoperating income—net	$ 85,145	$ 75,696	$ 62,177
Capital Contributions	$ 43,650	$ 30,112	$ 18,108
Special Items:			
SR 99 Viaduct expense			(147,700)
Environmental expense	(34,923)		

During 2018, nonoperating income—net was $85.1 million, a $9.4 million increase from 2017. This was largely due to (1) a $14.1 million increase in investment income from higher investment pool balances and interest rates, (2) a $5.7 million increase in PFC revenues from higher enplanements, and (3) an $8.9 million decrease in losses from demolition, retirement, and sale of capital assets in the Aviation Division. Favorable increases to nonoperating income were offset by (1) a net increase of $6.1 million in environmental expenses primarily related to the Lower Duwamish Waterway Superfund Site, (2) a $5.1 million decrease in noncapital grants and donations mostly related to a higher amount of Department of Ecology grants received in 2017, for cleanup costs at Lora Lake, (3) a $4.0 million decrease in CFC revenues from lower debt service in 2018, and (4) a $1.6 million increase in total bonds interest expense.

During 2017, nonoperating income—net was $75.7 million, a $13.5 million increase from 2016. Favorable increases included (1) a $2.8 million increase in PFC revenues from higher enplanements, (2) a $3.7 million increase in investment income from higher investment pool balances and interest rates, (3) a net decrease of $4.0 million in bond interest expense mainly due to savings from the issuance of 2017 Intermediate Lien Refunding Bonds, partially offset by increased interest expense from the issuance of 2017 Limited Tax GO Bonds. Further contributing to the favorable increase from 2016 to 2017 was (4) a net decrease of $4.0 million in public expense primarily due to 2016 contributions of $2.1 million to King County's South Park Bridge and $1.3 million for a third eastbound lane on State Route SR 18. The decrease in public expense was partially offset by $2.9 million in 2017, for land transferred to the City of Des Moines for stormwater facility development of the Des Moines Creek Business Park. Favorable increases to nonoperating income was offset by a net increase of $4.2 million in environmental expenses primarily related to the completion of contract closeout settlement negotiations for sediments at Terminal 117 and refined cost estimates for cleanup at Terminal 30 from a new agreed order with the Department of Ecology.

Capital contributions increased $13.5 million over 2017, primarily due to (1) $14.5 million in grant revenues received in 2018, from the Airport Improvement Program related to the Taxiway Improvement Project of the Airport's longest runway (16L/34R) as a result of the expansion of the North Satellite Terminal, and (2) a $13.2 million increase in funding from the Transportation Security Administration (TSA) for checked baggage optimization programs at the Airport. The increase in 2018 capital contributions was offset by a one-time tenant improvement of $13.5 million from Norwegian Cruise Lines (NCL) in 2017, to share capital costs in renovation and expansion of Pier 66 Cruise Terminal.

During 2017, capital contributions increased $12.0 million primarily due to (1) a $13.5 million tenant improvement from NCL, under the terms of the lease agreement, to share capital costs in renovation and expansion of Pier 66 Cruise Terminal, and (2) significant increases in TSA grant revenues relating to the surveillance systems and checked baggage optimization programs at the Airport. These amounts were offset by a continuing decline in grant revenues from the Airport Improvement Program with the completion of the Third Runway embankment and Center Runway construction reimbursable work.

The Port is in ongoing settlement negotiations with the Elliot Bay Trustee Council and in 2018, recorded, as a special item, a $34.9 million environmental expense reflecting the cost to construct a habitat restoration project.

The increase in net position for 2018 was $221.3 million, a $21.5 million or 10.7% increase from 2017, reflecting strong operating results year over year.

The increase in net position for 2017 was $199.8 million, a $158.4 million increase from 2016. The single largest contributing factor was the payment of $147.7 million, a special item, made to the Washington State Department of Transportation (WSDOT) relating to the SR 99 Alaskan Way Viaduct Replacement Program in 2016.

Warehousemen's Pension Trust Fund

The Warehousemen's Pension Trust Fund accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. Effective May 25, 2004, the Port became the sole administrator of the Warehousemen's Pension Plan and Trust (the Plan). The Plan was originally established to provide pension benefits for the employees at the Port's warehousing operations at Terminal 106. In late 2002, the Port terminated all warehousing operations following the departure of the principal customer who operated the facility. The Plan provides that only service credited and compensation earned prior to April 1, 2004, shall be utilized to calculate benefits under the Plan, and the Port agrees to maintain the frozen Plan and to contribute funds to the Plan in such amounts that may be necessary to enable the Plan to pay vested accrued benefits as they become due and payable to participants and beneficiaries of the Plan.

The table below is a summarized comparison of the assets, liabilities, and fiduciary net position of the Warehousemen's Pension Trust Fund as of December 31, and changes in fiduciary net position for the years ended December 31 (in thousands).

	2018	2017	2016
Total assets	$ 8,829	$ 9,879	$ 9,066
Total liabilities	6	5	5
Total fiduciary net position	$ 8,823	$ 9,874	$ 9,061
Total additions	$ 889	$ 2,852	$ 2,054
Total deductions	(1,940)	(2,039)	(2,179)
(Decrease) increase in fiduciary net position	(1,051)	813	(125)
Fiduciary net position—beginning of year	9,874	9,061	9,186
Fiduciary net position—end of year	$ 8,823	$ 9,874	$ 9,061

Total fiduciary net position as of December 31, 2018, decreased by $1.1 million from December 31, 2017, due to a decrease in the fair value of investments.

Total fiduciary net position as of December 31, 2017, increased by $0.8 million from December 31, 2016, due to an increase in the fair value of investments.

Additional information on the Port's Warehousemen's Pension Trust Fund can be found in Note 15 in the accompanying Notes to Financial Statements.

Capital Assets

The Port's capital assets, net of accumulated depreciation, for its business activities as of December 31, 2018, amounted to $6.2 billion. Capital assets include land, air rights, facilities and improvements, equipment, furniture and fixtures, and construction work in progress.

In 2018, the Port's expenditures for capital construction projects totaled $652.5 million, of which $615.4 million, $23.5 million, and $1.8 million related to the Aviation Division, Maritime Division, and Economic Development Division, respectively. Aviation construction accounted for 94.3% of total spending for capital construction projects at the Port in 2018. Major Aviation project spending included $223.5 million for the construction of the new IAF, which is scheduled to open in the fall of 2020; $172.7 million for the North Satellite Terminal expansion and renovation; $43.1 million related to the checked baggage optimization programs; $29.7 million on the Taxiway Improvement Project for the Airport's longest runway (16L/34R) as a result of the expansion of the North Satellite Terminal; and $13.5 million on the Service Tunnel Renewal/Replacement project for the construction of seismic and major maintenance improvements.

During 2018, capital construction projects totaling $207.4 million were completed and placed in service as capital assets. The most significant completed projects or phases were in the Aviation Division, including $33.2 million for Concourse D Annex, a 32,500 square foot building to support passengers bused to and from airline flights parked at remote hardstands; $33.2 million for the Alternate Utility Facility, an electrical backup power generation facility; $32.7 million for Taxiway Improvement Projects; and $11.2 million related to the new IAF. The Maritime Division completed the acquisition of Salmon Bay Marina for $15.9 million to preserve maritime industrial property for the region's maritime activities. The property is an existing marina strategically located next to Fishermen's Terminal with potential for uplands development.

During 2018, the Port collected $71.8 million in property taxes through a King County ad valorem tax levy. The Port funds its capital assets from multiple sources, including but not limited to operating income, ad valorem tax levy, PFCs, federal and state grants, and bond proceeds. All capital assets are accounted for within the Enterprise Fund.

Additional information on the Port's capital assets can be found in Note 4 in the accompanying Notes to Financial Statements.

Debt Administration

As of December 31, 2018, the Port had outstanding revenue bonds and commercial paper of $3.3 billion, a $525.8 million increase from 2017, due to the issuance of new revenue bonds and commercial paper, partially offset by principal payments.

In June 2018, the Port issued $555.6 million in Series 2018AB Intermediate Lien Revenue Bonds to pay for or reimburse costs of capital improvements to Airport facilities, to pay a portion of the interest on the 2018A and 2018B bonds during construction, to pay the costs of issuing the bonds, and to contribute to the Intermediate Lien Common Reserve Fund.

As of December 31, 2018, the Port had outstanding GO bonds of $362.4 million, a $26.0 million decrease from 2017, due to scheduled principal payments.

As of December 31, 2018, the Port had outstanding PFC Revenue bonds of $82.5 million, a $15.1 million decrease from 2017, due to a scheduled principal payment.

As of December 31, 2018, the Port had outstanding Fuel Hydrant Special Facility Revenue bonds of $72.6 million, a $3.5 million decrease from 2017, due to a scheduled principal payment.

Since May 2003, the Airport's fuel facilities have been leased to SeaTac Fuel Facilities LLC (the Lessee) for 40 years (including two five-year option periods). The Port owns the fuel system and the Lessee is obligated to collect the fuel system fees and to make monthly rent payments, which include a base rent for the land to the Port and facilities rent to Wells Fargo Bank Northwest, National Association (the Trustee). Facilities rent is established at an amount sufficient to pay semiannual debt service, replenish any deficiency in the debt service reserve fund, and pay other fees associated with the bonds, including the Trustee fee. No ad valorem tax levy revenues or other revenues of the Port (other than fuel facilities lease revenues) are pledged to pay the debt service on the Fuel Hydrant Special Facility Revenue Bonds.

Below are the underlying Port credit ratings as of December 31, 2018. Certain Port bonds include bond insurance or bank letters of credit, and as such, those bonds may assume the credit rating of the associated bond insurer or letter of credit provider.

	Fitch	**Moody's**	**S&P**
General obligation bonds	AA-	Aaa	AAA
First lien revenue bonds	AA	Aa2	AA-
Intermediate lien revenue bonds	AA-	A1	A+
Subordinate lien revenue bonds	AA-	A2	A+
Passenger facility charge revenue bonds	A+	A1	A+
Fuel hydrant special facility revenue bonds		A1	A

Additional information on the Port's debt and conduit debt activities can be found in Note 5 and Note 6, respectively, in the accompanying Notes to Financial Statements.

Port of Seattle—Enterprise Fund

Statement of Net Position as of December 31, 2018 and 2017 (in thousands)

Assets and Deferred Outflows of Resources	**2018**	**2017**
Current Assets:		
Cash and cash equivalents	$ 72,988	$ 39,809
Restricted cash and cash equivalents:		
Bond funds and other	121,833	34,930
Fuel hydrant assets held in trust	3,945	3,784
Short-term investments	130,928	194,497
Restricted short-term investments: bond funds and other	242,738	193,253
Accounts receivable, less allowance for doubtful accounts of $1,325 and $877	47,614	49,468
Related party receivable—joint venture	3,790	5,070
Grants-in-aid receivable	12,862	11,785
Taxes receivable	1,170	1,221
Materials and supplies	6,776	6,409
Prepayments and other current assets	11,220	6,251
Total current assets	655,864	546,477
Noncurrent Assets:		
Long-term investments	399,618	487,046
Restricted long-term investments:		
Bond funds and other	761,514	492,195
Fuel hydrant assets held in trust	5,909	5,914
Investment in joint venture	141,491	103,255
Net pension asset	22,233	16,197
Other long-term assets	2,572	3,094
Capital Assets:		
Land and air rights	2,002,045	1,997,586
Facilities and improvements	5,333,905	5,183,877
Equipment, furniture, and fixtures	486,555	462,724
Total capital assets	7,822,505	7,644,187
Less accumulated depreciation	(2,531,566)	(2,381,141)
Construction work in progress	867,395	422,300
Total capital assets—net	6,158,334	5,685,346
Total noncurrent assets	7,491,671	6,793,047
Total assets	8,147,535	7,339,524
Deferred Outflows of Resources:		
Deferred loss on refunding bonds	39,255	40,391
Deferred charges on net pension asset and liability	15,611	15,957
Total deferred outflows of resources	54,866	56,348
Total	$ 8,202,401	$ 7,395,872

See Notes to Financial Statements.

(Continued)

Port of Seattle—Enterprise Fund

Statement of Net Position as of December 31, 2018 and 2017 (in thousands)

Liabilities, Deferred Inflows of Resources, and Net Position	**2018**	**2017**
Current Liabilities:		
Accounts payable and accrued expenses	$ 178,710	$ 148,640
Related party payable—joint venture	7,236	4,431
Payroll and taxes payable	44,416	40,173
Bonds interest payable	42,657	39,779
Customer advances	19,236	16,706
Current maturities of long-term debt	291,730	175,650
Total current liabilities	583,985	425,379
Noncurrent Liabilities:		
Long-Term Liabilities:		
Net pension liability	66,152	87,954
Environmental remediation liability	67,455	33,017
Bonds interest payable	21,750	18,683
Total other postemployment benefits (OPEB) liability	16,739	10,302
Lease securities and other long-term liability	6,231	6,187
Total long-term liabilities	178,327	156,143
Long-Term Debt:		
Revenue and capital appreciation bonds	3,318,144	2,866,439
General obligation bonds	372,979	403,999
Passenger facility charge revenue bonds	68,707	85,250
Fuel hydrant special facility revenue bonds	73,666	77,938
Total long-term debt	3,833,496	3,433,626
Total noncurrent liabilities	4,011,823	3,589,769
Total liabilities	4,595,808	4,015,148
Deferred Inflows of Resources:		
Deferred gain on refunding bonds	8,708	13,271
Deferred credits on net pension asset and liability	30,307	19,270
Deferred credits on total OPEB liability	869	
Total deferred inflows of resources	39,884	32,541
Net Position:		
Net investment in capital assets	3,107,766	2,716,718
Restricted for:		
Debt service reserves	240,288	205,722
Passenger facility charges	96,957	168,395
Customer facility charges	19,534	12,344
Grants and other	21,021	17,224
Unrestricted	81,143	227,780
Total net position	3,566,709	3,348,183
Total	$ 8,202,401	$ 7,395,872

See Notes to Financial Statements.

(Concluded)

Port of Seattle—Enterprise Fund

Statement of Revenues, Expenses, and Changes in Net Position for the Years Ended December 31, 2018, 2017, and 2016 (in thousands)

	2018	2017	2016
Operating Revenues:			
Services	$ 274,174	$ 260,322	$ 231,326
Property rentals	339,304	304,416	291,874
Customer facility charge revenues	16,263	10,641	12,121
Operating grants and contract revenues	3,657	1,727	1,562
Joint venture income	55,992	54,925	61,584
Total operating revenues	689,390	632,031	598,467
Operating Expenses:			
Operations and maintenance	297,321	282,657	237,964
Administration	72,568	65,722	63,456
Law enforcement	27,749	24,603	23,865
Total operating expenses	397,638	372,982	325,285
Net Operating Income Before Depreciation	291,752	259,049	273,182
Depreciation	164,362	165,021	164,336
Operating Income	127,390	94,028	108,846
Nonoperating Income (Expense):			
Ad valorem tax levy revenues	71,771	71,702	71,678
Passenger facility charge revenues	94,070	88,389	85,570
Customer facility charge revenues	21,802	25,790	24,715
Noncapital grants and donations	1,573	6,704	6,284
Fuel hydrant facility revenues	6,942	7,000	6,992
Investment income—net	26,287	12,174	8,448
Revenue and capital appreciation bonds interest expense	(100,432)	(97,748)	(105,567)
Passenger facility charge revenue bonds interest expense	(4,368)	(4,931)	(5,251)
General obligation bonds interest expense	(13,414)	(13,891)	(9,765)
Public expense	(5,269)	(4,588)	(8,560)
Environmental expense—net	(10,600)	(4,464)	(280)
Other (expense) income—net	(3,217)	(10,441)	(12,087)
Total nonoperating income—net	85,145	75,696	62,177
Income Before Capital Contributions and Special Items	212,535	169,724	171,023
Capital Contributions	43,650	30,112	18,108
Income Before Special Items	256,185	199,836	189,131
Special Items:			
SR 99 Viaduct expense			(147,700)
Environmental expense	(34,923)		
Increase in Net Position	221,262	199,836	41,431
Total Net Position:			
Beginning of year, as adjusted (Note 1)	3,345,447	3,148,347	3,106,916
End of year	$ 3,566,709	$ 3,348,183	$ 3,148,347

See Notes to Financial Statements.

Port of Seattle—Enterprise Fund

Statement of Cash Flows for the Years Ended December 31, 2018, 2017, and 2016 (in thousands)

	2018	2017	2016
Operating Activities:			
Cash received from customers	$ 619,205	$ 573,286	$ 521,064
Cash received from joint venture for support services provided	7,291	7,127	8,514
Customer facility charge receipts	16,263	10,641	12,121
Cash paid to suppliers for goods and services	(152,307)	(145,169)	(125,606)
Cash paid to employees for salaries, wages, and benefits	(240,674)	(216,548)	(196,028)
Operating grants and contract revenues	3,657	1,727	1,562
Other	(2,577)	(3,039)	(1,626)
Net cash provided by operating activities	250,858	228,025	220,001
Noncapital and Related Financing Activities:			
Proceeds from issuance and sale of GO bonds		147,700	
Principal payments on GO bonds	(5,180)	(2,440)	(2,320)
Interest payments on GO bonds	(10,739)	(6,579)	(4,681)
Cash paid for special item—SR 99 Viaduct expense			(147,700)
Cash paid for environmental remediation liability	(6,215)	(13,081)	(5,457)
Public expense disbursements	(4,210)	(1,827)	(7,764)
Ad valorem tax levy receipts	71,822	71,796	71,753
Noncapital grants and contract revenues	1,573	7,647	6,284
Environmental recovery receipts	6,733	6,945	2,655
Net cash provided by (used in) noncapital and related financing activities	53,784	210,161	(87,230)
Capital and Related Financing Activities:			
Proceeds from issuance and sale of revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, PFC bonds, and commercial paper	720,461	758,375	302,959
Proceeds used for refunding of revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, and PFC bonds		(328,799)	(319,620)
Principal payments on revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, PFC bonds, and commercial paper	(169,210)	(148,355)	(138,585)
Interest payments on revenue bonds, GO bonds, PFC bonds, fuel hydrant special facility revenue bonds, and commercial paper	(149,615)	(136,490)	(144,770)
Acquisition and construction of capital assets	(633,835)	(338,402)	(179,180)
Deposits and proceeds from sale of capital assets	86	240	3,830
Receipts from capital contributions	44,542	9,904	20,307
Passenger facility charge receipts	98,041	87,441	82,130
Customer facility charge receipts	21,363	25,880	24,716
Fuel hydrant facility revenues	6,942	7,000	6,993
Net cash used in capital and related financing activities	$ (61,225)	$ (63,206)	$ (341,220)

See Notes to Financial Statements.

(Continued)

Port of Seattle—Enterprise Fund
Statement of Cash Flows for the Years Ended December 31, 2018, 2017, and 2016 (in thousands)

	2018	2017	2016
Investing Activities:			
Purchases of investment securities	$ (564,910)	$ (864,131)	$ (296,292)
Proceeds from sales and maturities of investments	398,578	437,867	577,585
Interest received on investments	24,840	15,640	12,654
Cash used to fund investment in joint venture	(42,359)	(37,435)	(59,408)
Cash distributions received from joint venture	60,700	56,660	47,542
Net cash (used in) provided by investing activities	(123,151)	(391,399)	282,081
Net Increase (Decrease) in Cash and Cash Equivalents:			
(including $502, $525, and $678 restricted cash and cash equivalents of fuel hydrant assets held in trust reported as restricted long-term investments, respectively)	120,266	(16,419)	73,632
Cash and Cash Equivalents:			
Beginning of year	77,998	94,417	20,785
End of year	$ 198,264	$ 77,998	$ 94,417
Reconciliation of Operating Income to Net Cash Flow from Operating Activities:			
Operating income	$ 127,390	$ 94,028	$ 108,846
Miscellaneous nonoperating expense	(2,577)	(3,039)	(1,626)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	164,362	165,021	164,336
(Increase) Decrease in assets:			
Investment in joint venture	(55,992)	(54,925)	(61,584)
Accounts receivable	811	82	311
Materials and supplies, prepayments, and other	4,918	3,625	7,315
Net pension asset	(6,036)	(9,469)	5,173
Decrease (Increase) in deferred outflows of resources	1,136	6,287	(8,213)
Increase (Decrease) in liabilities:			
Accounts payable and accrued expenses	20,745	19,362	(1,093)
Payroll and taxes payable	4,267	3,895	2,990
Lease securities and customer advances	1,440	4,627	1,636
Net pension liability	(20,614)	(18,162)	11,612
Environmental remediation liability	(167)	2,010	2,276
Total OPEB liability	(888)	(122)	737
Increase (Decrease) in deferred inflows of resources	12,063	14,805	(12,715)
Net cash provided by operating activities	$ 250,858	$ 228,025	$ 220,001
Supplemental Schedule of Noncash Investing, Capital, and Financing Activities:			
Net unrealized investment (loss) gain	$ (3,560)	$ (6,069)	$ (5,110)
Construction work in progress transfer to joint venture			7,887

See Notes to Financial Statements.

(Concluded)

Port of Seattle—Warehousemen's Pension Trust Fund
Statement of Fiduciary Net Position as of December 31, 2018 and 2017 (in thousands)

	2018	2017
Assets:		
Cash and cash equivalents	$ 152	$ 121
Investments in mutual fund—fair value:		
Fixed income	3,430	3,582
Domestic equities	2,608	3,106
International equities	2,509	2,932
Total investments	8,547	9,620
Other assets	130	138
Total assets	8,829	9,879
Liabilities:		
Accounts payable	6	5
Net Position Restricted for Pensions	$ 8,823	$ 9,874

See Notes to Financial Statements.

Port of Seattle—Warehousemen's Pension Trust Fund

Statement of Changes in Fiduciary Net Position for the Years Ended December 31, 2018, 2017, and 2016 (in thousands)

	2018	2017	2016
Additions:			
Employer contributions	$ 1,500	$ 1,500	$ 1,500
Investment income:			
Net (depreciation) appreciation in fair value of investments	(842)	1,152	357
Dividends	263	230	227
Less investment expenses	(32)	(30)	(30)
Net investment (loss) income	(611)	1,352	554
Total additions	889	2,852	2,054
Deductions:			
Benefits	1,863	1,946	2,093
Administrative expenses	49	46	45
Professional fees	28	47	41
Total deductions	1,940	2,039	2,179
Net (decrease) increase in net position	(1,051)	813	(125)
Net Position Restricted for Pensions			
Beginning of year	9,874	9,061	9,186
End of year	$ 8,823	$ 9,874	$ 9,061

See Notes to Financial Statements.

Port of Seattle

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

The Port is a municipal corporation 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 Airport. The Port is considered a special purpose government with a separately elected commission of five members. The Port 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 the Port's bonds.

Reporting Entity

The Port reports the following funds:

The Enterprise Fund accounts for all activities and operations of the Port except for the activities included within the Warehousemen's Pension Trust 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.

The Port and its Enterprise Fund is composed of three operating divisions, namely Aviation, Maritime, and Economic Development. The Aviation Division manages the Airport serving the predominant air travel needs of a five-county area. The Airport has 13 United States (U.S.)-flag passenger air carriers (including regional and commuter air carriers) and 18 foreign-flag passenger air carriers providing nonstop service from the Airport to 110 cities, including 24 foreign 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 minority and/or women-owned business opportunities, and providing for workforce development in the aviation, maritime, and construction industries.

The home ports 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 to the region. On January 1, 2016, the NWSA, a separate legal governmental entity, was formed. It is established as a Port Development Authority, similar to the Public Development Authorities formed by cities and counties. The commissions of each home port serve as the Managing Members of the NWSA. The NWSA is accounted for as a joint venture by the home ports.

Each home port remains a separate legal entity, independently governed by its own elected commissioners. The NWSA is governed by its Managing Members, with each Managing Member acting pursuant to the Charter through its elected commissioners. The Managing Members appoint a Chief Executive Officer who is responsible for hiring staff and entering service agreements with the home ports as needed. Staff is composed of certain Port of Tacoma and former Port of Seattle employees assigned either in full or in part to work in roles in the NWSA. In addition, both home ports may provide services through shared service agreements with a portion of staff time allocated to and paid by the NWSA. The NWSA has its own annual operating budget and five-year capital investment plan. The home ports contribute to capital construction projects subject to the Managing Members' approval. Capital funding does not come from working capital.

Each home port has granted the NWSA a license for the NWSA's exclusive use, operation, and management of certain facilities, including the collection of revenues. The accounting for revenues and expenses associated with licensed properties become the responsibility of the NWSA. The NWSA is intended to support the credit profiles of both ports, and its financial framework will preserve both home ports' commitment to financial strength and fiscal stewardship. The home ports are committed to ensuring that existing bond pledges and covenants will not be negatively affected. As the Charter prohibits the NWSA from issuing debt and to maintain the rights of each home port's existing bondholders, bonds outstanding will remain obligations of each home port.

The Warehousemen's Pension Trust Fund accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. On May 25, 2004, the Port became the sole administrator for the Plan. This Plan was originally established to provide pension benefits for the employees at the Port's warehousing operations at Terminal 106. In late 2002, the Port terminated all warehousing operations following the departure of the principal customer who operated the facility. As of May 25, 2004, the Plan is a governmental plan maintained and operated solely by the Port.

For financial reporting purposes, component units are entities that are legally separate organizations for which the Port is financially accountable, and other organizations for which the nature and significance of their relationship with the Port are such that exclusion would cause the Port's financial statements to be misleading or incomplete. Based on these criteria, the following is considered a component unit of the Port's reporting entity.

The Industrial Development Corporation (IDC) is a blended component unit of the Port and is included within the accompanying financial statements. The IDC is a special purpose government with limited powers and is governed by a Board of Directors, which comprises the same members of the Port's Commission. The Port's management has operational responsibility for the IDC. The IDC has issued tax-exempt nonrecourse revenue bonds to finance industrial development for acquiring, constructing, and renovating transshipment and manufacturing facilities within the corporate boundaries of the Port. These revenue bonds are solely payable and secured by revenues derived from the industrial development facilities funded by the revenue bonds and leased to the IDC. The Port has not recorded these obligations, or the related assets, in the accompanying financial statements of the Port, as the Port has no obligation for the outstanding bonds. A copy of the separate financial statements for the IDC may be obtained at:

Port of Seattle
Pier 69
P.O. Box 1209
Seattle, WA 98111

Basis of Accounting

The Port is accounted for on a flow of economic resources measurement focus. The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. as applied to governmental units using the accrual basis of accounting. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant Port accounting policies are described below.

Use of Estimates

The preparation of the Port's financial statements in conformity with GAAP in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are used to record environmental remediation liabilities, litigated and non-litigated loss contingencies, insurance recoveries, allowances for doubtful accounts, grants-in-aid receivable, arbitrage rebate liabilities, healthcare benefit claims liabilities, net pension assets, net pension liabilities, and total OPEB liabilities. Actual results could differ from those estimates.

Significant Risks and Uncertainties

The Port is subject to certain business and casualty risks that could have a material impact on future operations and financial performance. Business risks include economic conditions, collective bargaining disputes, security, litigation, federal, state, and local government regulations, and changes in law. Casualty risks include natural or man-made events that may cause injury or other damages at Port facilities. The Port has a comprehensive risk management program that protects the Port against loss from various adverse casualty events to its property, operations, third-party liabilities, and employees. The Port carries excess commercial insurance to provide a financial means to recover from many of these potential events or losses. The excess commercial insurance coverage is above a self-insured retention that the Port maintains. The Port is a qualified workers compensation self-insurer in the State and administers its own workers compensation claims. Claims, litigation and other settlements have not exceeded the limits of available insurance coverage in any of the past three years, when insurance was applicable.

The Port is self-insured for the majority of its sponsored healthcare plans. Employees covered by these plans pay a portion of the premiums for their coverage. The Port purchased a stop-loss insurance policy for the self-insured healthcare plan to limit the Port's individual claims liability up to $200,000 per year in 2018 and 2017, and to 125% of expected claims in aggregate. Healthcare benefit claims liabilities are not discounted to present value as nearly all healthcare claims are current in nature. The estimated liability is based upon actual claims that have been submitted and authorized for payment as well as actuarially determined claims incurred but not reported. The estimated liability is included in payroll and taxes payable in the Statement of Net Position.

The table below reflects the changes in the claim liabilities for the years ended December 31 (in thousands). Claim payments made during the current year include associated incremental costs such as administration expenses and stop-loss insurance policy premiums. Employees' cost sharing portion of the healthcare plan and retirees' payments for participating in the Port's healthcare plan made during the current year are included as "Other" in the table below. Retirees' participation in the Port's healthcare plan is not implicitly or explicitly subsidized. Effective January 1, 2019, retirees can no longer participate in the Port's healthcare plan.

Years ended December 31,	**2018**	**2017**	**2016**
Beginning balance	$ 579	$ 1,010	$ 946
Current year claims and changes in estimates	14,193	13,528	11,601
Claim payments	(15,091)	(15,589)	(13,235)
Other	1,568	1,630	1,698
Ending balance	$ 1,249	$ 579	$ 1,010

Employee Benefits

Eligible Port employees accrue paid time off and sick leave. The paid time off accrual rates increase based on length of service. A stipulated maximum of paid time off may be accumulated by employees while there is no maximum limit to the amount of sick leave accrual that can be accumulated. Terminated employees are entitled to be paid for unused paid time off. Under certain conditions, terminated employees are entitled to be paid for a portion of unused sick leave accrual.

The Port also offers its eligible union and non-union employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (the 457 Plan). Employees are able to direct their 457 funds to any investment options available under the 457 Plan. The Port placed its deferred compensation plan assets in a separate trust as required under the Small Business Job Protection Act of 1996, and as such, the related assets and liabilities are not included in the Port's financial statements.

On an annual basis, the Port has the option of offering a 401(a) supplemental savings plan (the 401(a) Plan) for non-union employees. The 401(a) Plan establishes a 401(a) tax-deferred savings account for each eligible employee. The Port matches employee contributions to their 457 Plan with a dollar-for-dollar contribution to the 401(a) Plan up to a fixed maximum of $2,200. This matching contribution increases with tenure. Employees are able to direct their 401(a) funds to any investment options available under the 401(a) Plan. The Port placed its supplemental savings plan assets in a separate trust as required under the Small Business Job Protection Act of 1996 and as such, the related assets and liabilities are not included in the Port's financial statements.

The Port contributes to the 401(a) Police Retirement Plan and Trust, and the 401(a) Fire Fighters Retirement Plan and Trust in lieu of Social Security contributions for certain eligible uniformed law enforcement officers and fire fighters who elect not to participate in the Social Security system. In accordance with an amendment to the 401(a) Police Retirement Plan and Trust, the Port also contributes to the Plan and Trust in lieu of pension contributions for certain eligible uniformed law enforcement officers who are precluded by state law from participating in the Washington State PERS or LEOFF retirement plans. This complies with the collective bargaining agreements for employees who participate in these plans. Employees are able to direct their 401(a) funds to any investment options available under the 401(a) Plans. The Port placed the Plans' assets in separate trusts as required under the Small Business Job Protection Act of 1996, and as such, the related assets and liabilities are not included in the Port's financial statements.

By and large, all eligible Port employees participate in the statewide public employee retirement plans administered by the DRS. In addition, the Port is the sole administrator of the Warehousemen's Pension Plan and Trust for former eligible represented employees from the terminated Port's warehousing operations at Terminal 106.

The following tables represent the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* for the years ended December 31 (in thousands):

	DRS	Warehousemen's Pension Plan	Total
2018			
Pension assets	$ 22,233	$	$ 22,233
Pension liabilities	57,219	8,933	66,152
Deferred outflows of resources	14,463	1,148	15,611
Deferred inflows of resources	29,839	468	30,307
Pension expense	376	(635)	(259)
2017			
Pension assets	$ 16,197	$	$ 16,197
Pension liabilities	77,832	10,122	87,954
Deferred outflows of resources	15,600	357	15,957
Deferred inflows of resources	18,646	624	19,270
Pension expense	8,331	846	9,177

Investments and Cash Equivalents

All short-term investments with a maturity of three months or less at the date of purchase are considered to be cash equivalents except for the restricted portion of the fuel hydrant assets held in trust not used to pay the current maturities of Fuel Hydrant Special Revenue Bonds plus accrued interest that is reported as restricted long-term investments in the Statement of Net Position. Investments are carried at fair value plus accrued interest receivable. Investments are stated at fair value, which is the price that would be received in an orderly transaction between market participants at the measurement date. Unrealized gains or losses due to market valuation changes are recognized in investment income—net in the Statement of Revenues, Expenses, and Changes in Net Position.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded for invoices issued to customers in accordance with the contractual arrangements. Unbilled receivables are recorded when revenues are recognized upon service delivery and invoicing occurs at a later date. Finance charges and late fees are recognized on accounts receivable in accordance with contractual arrangements. Interest income on finance charges and late fees are minimal. The Port's policy defines delinquent receivable as 90 days or more past due. The allowance for doubtful accounts is based on specific identification of troubled accounts and delinquent receivables. Accrual of accounts receivable, related finance charges, and late fees are suspended once the accounts receivable is sent to a third party collection agency, placed in dispute or litigation, or the customer has filed for bankruptcy. Accounts receivable are written-off against the allowance when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received.

Grants-in-Aid Receivable

The Port receives federal and state grants-in-aid funds on a reimbursement basis for all divisions, mostly related to construction of Airport and Maritime facilities and other capital activities, along with operating and nonoperating grants to perform enhancements in both Airport and Maritime security as well as environmental prevention/remediation programs.

Materials and Supplies

Materials and supplies are recorded at cost. The Port's policy is to expense materials and supplies when used in operations and to capitalize amounts used in capital projects as construction work in progress.

Investments in Joint Venture

The Port adopted joint venture accounting beginning January 1, 2016, to account for its 50% share in the NWSA. The Port's investment in the NWSA is presented in the Statement of Net Position as investment in joint venture, which is increased by the Port's share in the NWSA's change in net position, additional cash funding, and decreased by the receipt of cash distributions from the NWSA. The Port's share of joint venture income is presented in the Statement of Revenues, Expenses, and Changes in Net Position. Additional information about the investment in joint venture can be found in Note 13.

Capital Assets

Capital assets are stated at cost, less accumulated depreciation. Costs applicable to noise damage remedies, together with the cost of litigation, in exchange for air rights are generally recorded as intangible capital assets. The Port's policy is to capitalize all asset additions equal to or greater than $20,000 and with an estimated life of three years or more. The Port capitalizes interest during construction until the asset is placed into service, based on average construction expenditures and average actual debt service rates for bond funded construction, excluding externally restricted acquisition of specified qualified assets financed with grants or proceeds from tax-exempt debt. Depreciation is computed on a straight-line basis. Buildings and improvements are assigned lives of 30 to 50 years, equipment three to 20 years, and furniture and fixtures five to 10 years. The Port periodically reviews its long-lived assets for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly.

Operating and Nonoperating Revenues

Fees for services, rents, charges for the use of Port facilities, Airport landing fees, operating grants, a portion of CFC revenues, other revenues generated from operations, and joint venture income are reported as operating revenues. Ad valorem tax levy revenues, noncapital grants and donations, PFC revenues, the remaining portion of CFC revenues, fuel hydrant facility revenues, and other income generated from nonoperating sources are classified as nonoperating revenues.

Operating and Nonoperating Expenses

Expenditures related to the Port's principal ongoing operations are reported as operating expenses. Operating expenses include operations and maintenance expenses, administrative expenses, and law enforcement expenses. All other expenses not meeting this definition are reported as nonoperating expenses. Nonoperating expenses include interest, environmental, and public expenses.

Nonexchange Transactions

GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* establishes uniform revenue and expense recognition criteria and financial reporting standards regarding when (i.e., in which fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. When the Port receives value without directly giving equal value in return, these transactions, which include taxes, intergovernmental grants, entitlements, other financial assistance, and nongovernmental contractual agreements are reported as revenues.

- For derived revenue transactions, such as PFC and CFC, the Port recognizes receivables in the period when the exchange transaction on which the fee/charge is imposed occurs or records cash when received, whichever occurs first. Revenue is recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the receivables are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as unearned revenues until the period of the exchange.
- For imposed nonexchange revenue transactions, such as ad valorem tax levy revenues, the Port recognizes receivables in the period when an enforceable legal claim to the receivables arises, i.e. lien date, or records cash when received, whichever occurs first. Resources received in advance before the lien date is reported as deferred inflows of resources.
- For government-mandated nonexchange transactions and voluntary nonexchange transactions, such as grant programs, resources received before the eligibility requirements are met (excluding time requirements) are reported as unearned revenues. Resources received before time requirements are met, but after all other eligibility requirements have been met, are reported as deferred inflows of resources.

When the Port gives value without directly receiving equal value in return, these transactions, which include expenses and infrastructure improvements to the State and region in conjunction with other agencies, are reported as public expense.

Passenger Facility Charges

As determined by applicable federal legislation, which is based upon passenger enplanements, PFC generated revenues are 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 at $4.50 per passenger are recorded as nonoperating income in the Statement of Revenues, Expenses, and Changes in Net Position.

Customer Facility Charges

CFC generated revenues received from rental car companies at $6.00 per transaction day are expended by the Port for eligible capital projects, the payment of principal and interest on specific revenue bonds funding the Rental Car Facility (RCF) at the Airport, and certain related operating expenses. A portion of CFC revenues is recorded as operating revenues as it is associated with the operation of the RCF. The remaining portion of CFC revenues is recorded as nonoperating income in the Statement of Revenues, Expenses, and Changes in Net Position.

Ad Valorem Tax Levy

Ad valorem taxes received by the Port are utilized for the acquisition and construction of facilities, payment of principal and interest on GO bonds issued for the acquisition or construction of facilities, contributions to regional freight mobility improvement, environmental expenses, certain operating and nonoperating expenses, and public expenses. The Port includes ad valorem tax levy revenues and interest expense on GO bonds as nonoperating income in the Statement of Revenues, Expenses, and Changes in Net Position.

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 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 revaluation of all property is required every two years. Taxes are due in two equal installments on April 30 and October 31. Collections are distributed daily to the Port by the County Treasurer.

Payments in Lieu of Taxes

The Port, on behalf of the State of Washington, collects applicable leasehold taxes from its tenants. The taxes are a pass-through to the State and are, therefore, not reflected as an expense or revenue by the Port.

Airline Rates and Charges

On February 27, 2018, the Port Commission approved Signatory Lease and Operating Agreement (SLOA IV), which is materially similar to SLOA III. SLOA IV is in effect for the period of January 1, 2018, through December 31, 2022. SLOA IV is a hybrid-compensatory rate setting methodology. Under SLOA IV, aeronautical rates are set to recover both operating and capital costs by cost center. Key provisions include: (1) cash-funded assets included in capital recovery formulas extend back to 1992, (2) the Airport does not recover costs relating to vacant publicly accessible office space (costs associated with all other airline space are fully recovered), (3) cost recovery formulas permit the Port to charge the airlines 100% of annual debt service allocated to the airlines (unless the Port determines in its sole discretion that a charge above 100% of annual airline debt service is necessary to maintain the total Airport revenue bond coverage at 1.25 times the sum of the annual debt service), and (4) revenue sharing of the cash flow available for debt service above 125% of annual debt service is credited to the signatory airlines as follows: 40% for 2018, 20% for 2019, no revenue sharing for 2020–2022. Settlement calculations comparing 2018 revenue requirements and invoices billed in 2018 for each cost center and for all airlines, including revenue sharing, have been reflected in the 2018 financial statements.

Lease Securities

Under the terms of certain lease agreements, the Port requires or allows its customers or tenants to provide security to satisfy contractual obligations. The Port classifies these amounts as lease securities that are included in noncurrent liability in the Statement of Net Position. The Port is allowed to draw from the lease securities in certain events as defined in these agreements, such as for defaults or delinquencies in rent payment. The balance is determined by the lease terms and is recalculated according to the provisions of the agreements.

Environmental Remediation Liability

The Port's policy requires accrual of an environmental remediation liability 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 a 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 environmental remediation liability. Costs incurred for environmental remediation liability are typically recorded as nonoperating environmental expenses unless the expenditure relates to the Port's principal ongoing operations, in which case it is recorded as operating expense. Costs incurred for environmental cleanups can be capitalized if they meet specific criteria. 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.

Debt Discount and Premium

Debt discounts and premiums relating to the issuance of bonds are amortized over the lives of the related bonds using the effective interest method.

Refunding and Defeasance of Debt

The Port has legally defeased certain bonds by placing proceeds, either in the form of new bond proceeds or existing Port cash, in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not recorded on the accompanying financial statements. As of December 31, 2018 and 2017, the total defeased, but unredeemed, bonds outstanding totaled $277,405,000 and $277,470,000, respectively.

For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as deferred outflow of resources or deferred inflow of resources and recognized as a component of interest expense on a straight-line basis over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Special Items

The Port is in ongoing settlement negotiations with the Elliot Bay Trustee Council and in 2018 recorded, as a special item, a $34.9 million environmental expense reflecting the cost to construct a habitat restoration project.

The Port recorded its payments made to the WSDOT for the SR 99 Alaskan Way Viaduct Replacement Program as special items in 2015 and 2016. The first payment of $120,000,000 made in 2015, was in accordance with the funding agreement entered into with WSDOT for the State's eligible construction costs incurred on the Tunnel Design Build Project. The Port made the remaining $147,700,000 payments to WSDOT in 2016. The SR 99 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.

Net Position

Net position represents all assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Net position is displayed in the Statement of Net Position in the following categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted: Net position subject to externally imposed stipulations on their use.
- Unrestricted: All remaining net position not meeting the definition of "net investment in capital assets" or "restricted."

When both restricted and unrestricted resources are available for the same purpose, restricted net position is considered to be used first over unrestricted net position.

Recently Adopted Accounting Standards and Adjustments

In 2018, the Port adopted the following two new accounting standards:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), effective for periods beginning June 15, 2017. This statement replaced Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* The statement addressed accounting and financial reporting for OPEB that is provided to the employees by state and local governmental employers. This statement also established the standard for recognizing and measuring the related liabilities, deferred outflows and deferred inflows of resources, and OPEB expense.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues,* effective for periods beginning after June 15, 2017. This statement addressed accounting and financial reporting requirements for in-substance defeasance of debt in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. The statement also required that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of the debt to calculate the difference between the reacquisition price and the net carrying amount of the debt.

From the implementation of the above two new accounting standards, total OPEB liability, deferred outflows, and deferred inflows on refunding bonds were remeasured at the beginning of January 1, 2018, and the beginning balance of net position was adjusted and summarized as follows (in thousands):

	Net investment in capital assets	Restricted	Unrestricted	Total net position
December 31, 2017, as previously reported	$ 2,716,718	$ 403,685	$ 227,780	$ 3,348,183
Cumulative effect of GASB 75			(7,325)	(7,325)
Cumulative effect of GASB 86	4,589			4,589
January 1, 2018, as adjusted	$ 2,721,307	$ 403,685	$ 220,455	$ 3,345,447

Recently Issued Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement is effective for periods beginning after June 15, 2018. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* This statement establishes criteria for identifying fiduciary activities of all state and local government and addresses how those activities should be reported. This statement is effective for periods beginning after December 15, 2018. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The statement addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The statement is effective for periods beginning after June 15, 2017. The adoption of this standard did not have a material impact to the Port's financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use another entity's nonfinancial assets (the underlying asset) in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, with the exception of certain regulated leases, such as SLOA IV, and a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The statement is effective for periods beginning after December 15, 2019. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placement*. This statement establishes a new guidance designed to enhance debt-related disclosure in notes to the financial statements, including those addressing direct borrowing and direct placement. It also clarifies which liabilities governments should include in their note disclosures related to debt. The new standard defines debt for purposes of disclosure in notes to finance statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The statement is effective for periods beginning after June 15, 2018. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources statement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The statement is effective for periods beginning after December 15, 2019. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61.* This statement provides guidance clarifying the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. The new standard is intended to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain components units. The statement is effective for periods beginning after December 15, 2018. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

Reclassifications and Presentation

Certain reclassifications of prior years' balances have been made to conform with the current year presentations. Such reclassifications did not affect the total increase in net position or total current or long-term assets or liabilities.

Note 2. Deposits with Financial Institutions and Investments

Deposits

All deposits are covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC), and deposits in excess of FDIC coverage are protected under the Public Deposit Protection Commission (PDPC) of the State of Washington collateral pool program. The PDPC is a statutory authority under Chapter 39.58 RCW. It constitutes a multiple financial institution collateral pool that can make pro rata assessments from all qualified public depositories within the State. Per State statute, all uninsured public deposits are collateralized at no less than 50%. Therefore, in accordance with GASB, *Codification of Governmental Accounting and Financial Reporting Standards,* Section 150.110, PDPC protection is of the nature of collateral, not of insurance. Pledged securities under the PDPC collateral pool are held under the control of the PDPC for the protection of the pool.

Investments

Statutes authorize the Port to invest in savings or time accounts in designated qualified public depositories or in certificates, notes, or bonds of the U.S. government. The Port is also authorized to invest in other obligations of the U.S. or its agencies or of any corporation wholly owned by the government of the U.S., or U.S. dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment, the institution has the U.S. government as its largest shareholder. Statutes also authorize the Port to invest in bankers' acceptances purchased on the secondary market, in Federal Home Loan Bank notes and bonds, Federal Farm Credit Banks consolidated notes and bonds, Federal Home Loan Mortgage Corporation bonds and notes, and Federal National Mortgage Association notes, bonds, debentures, and guaranteed certificates of participation or the obligations of any other U.S. government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System. The Port can also invest in commercial paper and corporate notes, provided both adhere to the investment policies, procedures, and guidelines established by the Washington State Investment Board (WSIB), certificates of deposit with qualified public depositories, local and state general obligations, and revenue bonds issued by Washington State governments that are rated at least "A" by a nationally recognized rating agency.

The Port's investment policy limits the maximum maturity of any investment security purchased to 10 years from the settlement date. The Port's investment policy allows for 100% of the portfolio to be invested in U.S. government Treasury bills, certificates, notes, and bonds. The Port's investment policy limits investments in U.S.

government agency securities to 60%, agency mortgage-backed securities to 10%, certificates of deposit to 15% but no more than 5% per issuer, bankers' acceptances to 20% but no more than 5% per bank, commercial paper to 20% but no more than 3% per issuer, overnight repurchase agreements to 15%, term only repurchase agreements to 25%, reverse repurchase agreements to 5%, agency discount notes to 20%, and municipal securities to 20% of the portfolio with no more than 5% per issuer. Bankers' acceptances can only be purchased on the secondary market and are limited to the largest 50 world banks listed each July in the American Banker. These banks must meet tier one and tier two capital standards. Commercial paper must be purchased on the secondary market, rated no lower than A1/P1, and meet WSIB guidelines. Additionally, the Port is allowed to purchase the following agency mortgage-backed securities: (1) collateralized mortgage pools having a stated final maturity not exceeding the maturity limits of the Port's investment policy, and (2) planned amortization and sequential pay classes of collateralized mortgage obligations collateralized by 15-year agency-issued pooled mortgage securities and having a stated final maturity not exceeding the maturity limits of the Port's investment policy.

The Port's investment policy allows for repurchase and reverse repurchase agreements with maturities of 60 days or less. The investment policy requires that securities collateralizing repurchase agreements must be marked to market daily and have a market value of at least 102% of the cost of the repurchase agreements having maturities less than 30 days and 105% for those having maturities that exceed 30 days. For reverse repurchase agreements, when used for yield enhancement rather than cash management purposes, only "matched book" transactions will be utilized. This means that the maturity date of the acquired security is identical to the end date of the reverse repurchase transaction. Reverse repurchase agreements will only be executed with Primary Government Bond Dealers.

In May 2018, the Port's Investment Policy was amended to add the Washington State Local Government Investment Pool (LGIP), an unrated 2a-7 like pool, to the list of authorized investments.

The LGIP is an external investment pool operated by the Office of the State Treasurer (OST). The LGIP is managed in a manner generally consistent with Rule 2a-7 money market funds, as currently recognized by the Securities and Exchange Commission. Investments are stated at amortized cost, which approximates fair value. The State Treasurer establishes and reviews (at least annually) the LGIP's investment policy, and proposed changes to the policy are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

Fair Value Measurement and Application

The Port categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Port used the following valuation techniques in its fair value measurement. Investment securities classified in Level 1 were valued using prices quoted in active markets for identical securities, and Level 2 were valued using quoted prices for similar assets or liabilities in active markets. The Port did not have any Level 3 investments.

As of December 31, 2018, the Port invested a portion of its investment pool in the LGIP. As of December 31, 2017, the Port's investment pool held repurchase agreements (interest-earning investment contracts). As of December 31, 2018 and 2017, the Fuel Hydrant Investment Pool held a money market fund. None of these were subject to fair value application and were measured at amortized cost.

Investment Portfolio

As of December 31, 2018 and 2017, restricted investments—bond funds and other were $1,126,085,000 and $720,378,000, respectively. These are primarily unspent bond proceeds designated for capital improvements to the Port's facilities and for debt service reserve fund requirements. Others include cash receipts from PFCs, CFCs, and lease securities.

The tables below identify the types and concentration of investments by issuer, and maturities of the Port's investment pool (in thousands). As of December 31, 2018, the LGIP investment was 11.3% of the Port's total investment pool. As of December 31, 2017, the Port's investment pool held 5.2% in repurchase agreements, collateralized with securities backed by the full faith and credit of the U.S. government, and the remainder of the pool is invested in U.S. Treasury Notes and "AAA" and "AA+" rated U.S. government-issued agency securities.

		Maturities (in Years)			Percentage
Investment type	**Fair value**	**Less than 1**	**1–3**	**More than 3**	**of total portfolio**
2018					
Washington State Local Government Investment Pool *	$ 194,821	$ 194,821	$	$	11.3%
Level 1					
U.S. Treasury Notes	455,976	189,909	266,067		26.5
Level 2					
Federal agencies securities:					
Federal Farm Credit Banks	402,041	70,429	179,476	152,136	23.3
Federal Home Loan Bank	324,952	78,210	170,825	75,917	18.9
Federal Home Loan Mortgage Corporation	242,796	10,375	78,367	154,054	14.1
Federal National Mortgage Association	101,252	19,927	49,169	32,156	5.9
Total portfolio	$ 1,721,838	$ 563,671	$ 743,904	$ 414,263	100.0%
Accrued interest receivable	7,781				
Total cash, cash equivalents, and investments	$ 1,729,619				
Percentage of total portfolio	100.0%	32.7%	43.2%	24.1%	
2017					
Repurchase agreements *	$ 74,739	$ 74,739	$	$	5.2%
Level 1					
U.S. Treasury Notes	550,771	229,259	253,112	68,400	38.3
Level 2					
Federal agencies securities:					
Federal Farm Credit Banks	290,834	70,831	90,097	129,906	20.2
Federal Home Loan Bank	268,874	65,369	128,510	74,995	18.7
Federal Home Loan Mortgage Corporation	160,212	9,982	29,793	120,437	11.2
Federal National Mortgage Association	91,598	9,943	24,892	56,763	6.4
Total portfolio	$ 1,437,028	$ 460,123	$ 526,404	$ 450,501	100.0%
Accrued interest receivable	4,702				
Total cash, cash equivalents, and investments	$ 1,441,730				
Percentage of total portfolio	100.0%	32.0%	36.6%	31.4%	

* Includes $8,218,000 and $4,679,000 of cash as of December 31, 2018 and 2017, respectively.

Investment Authorized by Debt Agreements

Investment of Fuel Hydrant debt proceeds held by bond trustees are governed by provisions of the debt agreements and subject to compliance with state law. In May 2003, the Port issued Fuel Hydrant Special Facility Revenue Bonds in the amount of $121,140,000 to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at the Airport. These bonds were fully refunded by the Series 2013 Fuel Hydrant Special Facility Revenue Refunding Bonds in June 2013. The fuel hydrant facility financing is administered by Wells Fargo Bank Northwest, National Association (Trustee).

The tables below identify the types and concentration of investments by issuer, and maturities of the Fuel Hydrant Investment Pool (in thousands). As of December 31, 2018 and 2017, 35.0% and 33.6%, respectively, of the Fuel Hydrant Investment Pool were invested in Wells Fargo Government Money Market Fund – Institutional Class (WFGMMF) Fund with security holdings having maturity limits no longer than 13 months. The WFGMMF Fund holds securities authorized by the statutes, which means at least 80% of the investments are invested in U.S. government obligations, including repurchase agreements collateralized by U.S. government obligations. The remainder of the WFGMMF Fund was invested in "AAA" rated high-quality, short-term money market instruments. Current credit ratings of the WFGMMF are AAAm from S&P and Aaa-mf from Moody's. S&P rates the creditworthiness of money market funds from AAAm (highest) to Dm (lowest). Moody's rates the creditworthiness of money market funds from Aaa-mf (highest) to C-mf (lowest). The balance of the Fuel Hydrant Investment Pool was invested in U.S. Treasury Notes and "AAA" and "AA+" rated U.S. government agency securities. A portion of the proceeds from the Fuel Hydrant bonds, along with monthly facilities rent, are held by the Trustee to satisfy the debt service reserve fund requirement, to make debt service payments, and to pay Trustee and other bond-related fees.

			Maturities (in Years)			
Investment type	**Fair value**	**Less than 1**	**1–3**	**More than 3**	**Percentage of total portfolio**
2018					
Wells Fargo Government Institutional Money Market	$ 3,443	$ 3,443	$	$	35.0%
Level 1					
U.S. Treasury Notes	2,956	2,956			30.1
Level 2					
Federal agencies securities:					
Federal Home Loan Bank	1,959	993	966		19.9
Federal National Mortgage Association	1,478		1,478		15.0
Total portfolio	$ 9,836	$ 7,392	$ 2,444	$	100.0%
Accrued interest receivable	18				
Total cash, cash equivalents, and investments	$ 9,854				
Percentage of total portfolio	100.0%	75.2%	24.8%	%	

(Continued)

Investment type		Fair value		Maturities (in Years) Less than 1		1–3		More than 3	Percentage of total portfolio
2017									
Wells Fargo Government Institutional Money Market	$	3,259	$	3,259	$		$		33.6%
Level 1									
U.S. Treasury Notes		2,988		2,988					30.9
Level 2									
Federal agencies securities:									
Federal Home Loan Bank		1,956				989		967	20.2
Federal National Mortgage Association		1,480				1,480			15.3
Total portfolio	$	9,683	$	6,247	$	2,469	$	967	100.0%
Accrued interest receivable		15							
Total cash, cash equivalents, and investments	$	9,698							
Percentage of total portfolio		100.0%		64.5%		25.5%		10.0%	

(Concluded)

Interest Rate Risk

Interest rate risk is the risk that an investment's fair value decreases as market interest rates rise. The Port manages its exposure to this risk by setting maturity limits and duration targets in its investment policy. The investment pool is managed similarly to a short-term fixed income fund. The modified duration of the portfolio, by policy, has a 2.0 target plus or minus 50 basis points (2.0 is an approximate average life of 27 months). For 2018 and 2017, the modified duration of the portfolio was approximately 1.8 and 2.2, respectively. Securities in the portfolio cannot have a maturity longer than 10 years from the settlement date. The LGIP is limited to high-quality obligations with limited maximum (in general, final maturity will not exceed 397 days) and average maturities [weighted average maturity (WAM) will not exceed 60 days], the effect of which is to minimize both market and credit risk. High-quality, highly liquid securities, with relatively short average maturities reduce the LGIP's price sensitivity to market interest rate fluctuations. As of December 31, 2018, the LGIP WAM was 42 days.

As of December 31, 2018 and 2017, the modified duration of the Fuel Hydrant Investment Pool was approximately 0.8 and 1.1, respectively. As of December 31, 2018 and 2017, $3,443,000 and $3,259,000, respectively, of the Fuel Hydrant Investment Pool was invested in the WFGMMF Fund, was uninsured, and was registered in the name of the Trustee.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counter-party, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To mitigate this risk, the Port's investment policy requires that all security transactions, including repurchase agreements, are settled on a delivery versus payment basis. This means that payment is made simultaneously with the receipt of the securities. The securities are delivered to the Port's safekeeping bank, with the exception of the LGIP. The LGIP investment policy requires that both purchased and collateral securities be held by the master custodian, currently Northern Trust, acting as an independent third party, in its safekeeping or trust department. LGIP participants may contribute and withdraw funds on a daily basis. Participants must inform the OST of any contribution or withdrawal over $1.0 million no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for $1.0 million or less can be requested at any time prior to 10 a.m. on the day of the transaction. However, participants may complete transactions greater than $1.0 million when notification is made between 9 a.m. and 10 a.m., at the sole discretion of the OST. All participants are required to file with the OST documentation containing the names and titles of the officials authorized to contribute or withdraw funds.

Note 3. Accounting for Leases

The Port enters into operating leases with tenants for the use of properties, including Maritime Division cruise terminals and maritime industrial properties, Aviation Division space and land rentals with minimum annual guarantees, and Economic Development Division commercial and industrial properties. As the leased properties involved are in part used by internal Port operations, it is not reasonably determinable to segregate the value of the assets associated with producing minimum rental income from the value of the assets associated with an entire facility. For the years ended December 31, 2018, 2017, and 2016, the Port recognized contingent rent of $348,763,000, $310,932,000, and $280,620,000, respectively. Under certain lease agreements, contingent rent, which comes primarily from concessions and airline agreements, provides for an additional payment to the Port beyond the fixed rent. Contingent rent is based on the tenant's operations, including but not limited to usage, revenues, or volumes.

Minimum future rental income on noncancelable operating leases on Maritime terminals, Airport facilities, and Economic Development properties are as follows (in thousands):

Years ended December 31,	
2019	$ 90,565
2020	85,011
2021	76,940
2022	71,479
2023	64,039
Thereafter	341,262
Total	$ 729,296

Effective June 2003, the Port entered into a lease agreement with SeaTac Fuel Facilities LLC in a fuel system lease, whereby the members are some of the commercial air carriers currently operating at the Airport. The lessee payments of facilities rent are made directly to a trustee in the amounts and at the times required to pay the principal and premium, if any, and interest on the Special Facility Revenue Bonds issued to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at the Airport. The fuel system is intended to be the exclusive system for storage and delivery to commercial air carriers of jet aircraft fuel at the Airport. The lease, which represents an unconditional obligation of the lessee, extends until the later of July 31, 2033, or the repayment of the bonds. SeaTac Fuel Facilities LLC was created by a consortium of airlines operating at the Airport for the purpose of entering the lease and managing the fuel hydrant system. The future rental income is based on debt service requirements which are as follows: $7,022,000 for 2019, $7,022,000 for 2020, $7,022,000 for 2021, $7,023,000 for 2022, $$7,023,000 for 2023, and $61,858,000 for the years thereafter; these amounts are not included in the schedule above. All special facility lease revenues are restricted and are to be used solely for debt service on the bonds and not for Port operations.

Note 4. Capital Assets

Capital assets consist of the following at December 31 (in thousands):

	Beginning balance	Additions	Retirements	Ending balance
2018				
Capital assets, not being depreciated:				
Land and air rights	$ 1,997,586	$ 4,459	$	$ 2,002,045
Art collections and others	9,017			9,017
Total	2,006,603	4,459		2,011,062
Capital assets being depreciated:				
Facilities and improvements	5,183,647	164,811	(14,783)	5,333,675
Equipment, furniture, and fixtures	453,937	30,779	(6,948)	477,768
Total	5,637,584	195,590	(21,731)	5,811,443
Total capital assets	7,644,187	200,049	(21,731)	7,822,505
Less accumulated depreciation for:				
Facilities and improvements	(2,120,290)	(135,606)	8,228	(2,247,668)
Equipment, furniture, and fixtures	(260,851)	(28,756)	5,709	(283,898)
Total	(2,381,141)	(164,362)	13,937	(2,531,566)
Construction work in progress	422,300	652,483	(207,388)	867,395
Total capital assets—net	$ 5,685,346	$ 688,170	$ (215,182)	$ 6,158,334
2017				
Capital assets, not being depreciated:				
Land and air rights	$ 2,000,919	$ 781	$ (4,114)	$ 1,997,586
Art collections and others	9,017			9,017
Total	2,009,936	781	(4,114)	2,006,603
Capital assets being depreciated:				
Facilities and improvements	5,095,576	114,515	(26,444)	5,183,647
Equipment, furniture, and fixtures	450,420	39,944	(36,427)	453,937
Total	5,545,996	154,459	(62,871)	5,637,584
Total capital assets	7,555,932	155,240	(66,985)	7,644,187
Less accumulated depreciation for:				
Facilities and improvements	(1,995,995)	(136,251)	11,956	(2,120,290)
Equipment, furniture, and fixtures	(267,421)	(28,770)	35,340	(260,851)
Total	(2,263,416)	(165,021)	47,296	(2,381,141)
Construction work in progress	213,435	350,673	(141,808)	422,300
Total capital assets—net	$ 5,505,951	$ 340,892	$ (161,497)	$ 5,685,346

For the years ended December 31, 2018 and 2017, net loss on sale and disposition of capital assets of $7,707,000 and $16,511,000, respectively, was recorded in nonoperating other (expense) income—net in the Statement of Revenues, Expenses, and Changes in Net Position. In 2018, the Aviation Division recognized losses of $6,866,000 from demolitions, retirement, and sale of capital assets. The most significant losses were retirements of $3,414,000 related to the Baggage System from the checked baggage optimization programs at the Airport.

In 2017, the Aviation Division recognized losses of $15,714,000 from demolitions, retirement, and sale of capital assets. The most significant losses were retirements of $4,551,000 related to the Baggage System; $2,915,000 from the North Satellite expansion and renovation program; $1,355,000 from the design and reconstruction of the 16C-34C Runway; $1,278,000 from the retirement of obsolete assets related to construction of the IAF; $1,195,000 from the replacement of the parking revenue control system with a new system at the Airport garage; $1,137,000 from the removal of the existing electrical system in Air Cargos 2 and 6 replaced with new 400 Hz Vaults; and a $1,062,000 loss from the sale of land located in the City of Burien to WSDOT for use in construction of State Route 518/Des Moines Memorial Drive Interchange Improvements. Additionally, the Port recognized $610,000 in losses from the sale of cranes No. 70, 71, and 72, and the related spare parts to SSA Terminals, LLC and SSA Containers, Inc., the current tenant at Terminal 18.

In December 2017, the Port Commission approved the purchase of Salmon Bay Marina to support the Century Agenda goal in preserving maritime industrial property for the region's maritime activities. The property is an existing marina strategically located next to Fishermen's Terminal with potential for uplands development. The Port completed the acquisition at a cost of $15,924,000 in 2018.

Note 5. Long-Term Debt

The Port's long-term debt outstanding as of December 31, 2018, consists of the following (in thousands):

Bond type (by Bond issue)	Coupon rates (%)	Maturity dates	Beginning balance	Principal payments and refundings	Issuance	Ending balance
Revenue bonds:						
First lien:						
Series 2003 A	5.25	2019–2021	$ 36,600	$	$	$ 36,600
Series 2009 B-1	5.74	2019	12,710	5,355		7,355
Series 2009 B-2	0 *	2025–2031	22,000			22,000
Series 2011 B	5	2019–2026	78,310	6,510		71,800
Series 2016 A	3–5	2019	12,430	7,495		4,935
Series 2016 B	3–5	2019–2032	124,380			124,380
Series 2016 C	1.3–3.32	2019–2032	6,115	65		6,050
Total			292,545	19,425		273,120
Intermediate lien:						
Series 2010 B	4.25–5	2019–2040	206,200	4,910		201,290
Series 2010 C	5	2019–2024	103,135	12,675		90,460
Series 2012 A	3–5	2021–2033	313,215	10,660		302,555
Series 2012 B	4–5	2019–2024	111,895	14,085		97,810
Series 2013	4.5–5	2022–2029	127,155			127,155
Series 2015 A	3–5	2019–2040	72,010	1,780		70,230
Series 2015 B	5	2019–2035	255,190	21,080		234,110
Series 2015 C	5	2019–2040	222,500	4,205		218,295
Series 2016	4–5	2025–2030	99,095			99,095
Series 2017 A	5	2027–2028	16,705			16,705
Series 2017 B	1.89–3.76	2019–2036	263,045	7,210		255,835
Series 2017 C	5–5.25	2019–2042	313,305			313,305
Series 2017 D	5	2019–2027	93,230	2,490		90,740
Series 2018 A	3.85–5	2019–2043			470,495	470,495
Series 2018 B	5	2019–2028			85,145	85,145
Total			2,196,680	79,095	555,640	2,673,225
Subordinate lien:						
Series 1997	1.71 **	2022	46,025	8,665		37,360
Series 1999 A	5.5	2019–2020	40,930	12,920		28,010
Series 2008	1.71 **	2033	176,020	8,730		167,290
Commercial paper	2.44	2019	19,655	1,000	100,000	118,655
Total			282,630	31,315	100,000	351,315
Revenue bond totals			$ 2,771,855	$ 129,835	$ 655,640	$ 3,297,660

(Continued)

* Capital Appreciation Bonds have a zero coupon rate. The approximate maximum yield to maturity is 7.4%.

** Variable interest rates as of December 31, 2018.

Bond type (by Bond issue)	Coupon rates (%)	Maturity dates	Beginning balance	Principal payments and refundings	Issuance	Ending balance
General obligation bonds:						
Series 2004 C	5.25	2019	$ 6,640	$ 3,235	$	$ 3,405
Series 2011	5.25–5.75	2019–2025	45,110	4,795		40,315
Series 2013 A	4–5	2021–2023	27,630			27,630
Series 2013 B	1.66–2.77	2019–2025	34,475	10,030		24,445
Series 2015	4–5	2019–2040	147,160	5,295		141,865
Series 2017	5	2019–2042	127,345	2,615		124,730
Total			388,360	25,970		362,390
Passenger facility charge revenue bonds:						
Series 1998 A	5.5	2019	31,020	15,095		15,925
Series 2010 A	5	2020–2023	66,550			66,550
Total			97,570	15,095		82,475
Fuel Hydrant special facility revenue bonds:						
Series 2013	3.45–5	2019–2033	76,135	3,490		72,645
Total			76,135	3,490		72,645
Bond totals			3,333,920	174,390	655,640	3,815,170
Unamortized bond premium—net			275,356			310,056
Total debt			3,609,276			4,125,226
Less current maturities of long-term debt:						
First lien revenue bonds			(19,425)			(32,445)
Intermediate lien revenue bonds			(79,095)			(80,490)
Subordinate lien revenue bonds			(32,575)			(132,285)
General obligation bonds			(25,970)			(26,920)
Passenger facility charge revenue bonds			(15,095)			(15,925)
Fuel Hydrant special facility revenue bonds			(3,490)			(3,665)
Total current maturities of long-term debt			(175,650)			(291,730)
Long-term debt			$ 3,433,626			$ 3,833,496

(Concluded)

The Port's long-term debt outstanding as of December 31, 2017, consists of the following (in thousands):

Bond type (by Bond issue)	Coupon rates (%)	Maturity dates	Beginning balance	Principal payments and refundings	Issuance	Ending balance
Revenue bonds:						
First lien:						
Series 2003 A	5.25	2019–2021	$ 36,600	$	$	$ 36,600
Series 2004	5.75	2017	915	915		
Series 2009 A	5.25	2017	20,705	20,705		
Series 2009 B-1	5.74	2018–2019	271,655	258,945		12,710
Series 2009 B-2	0 *	2025–2031	22,000			22,000
Series 2011 A	4	2017	2,110	2,110		
Series 2011 B	5	2018–2026	83,680	5,370		78,310
Series 2016 A	3–5	2018–2019	19,565	7,135		12,430
Series 2016 B	3–5	2019–2032	124,380			124,380
Series 2016 C	1.1–3.32	2018–2032	6,180	65		6,115
Total			587,790	295,245		292,545
Intermediate lien:						
Series 2010 A	4	2017	1,100	1,100		
Series 2010 B	4.25–5	2018–2040	210,895	4,695		206,200
Series 2010 C	5	2018–2024	115,190	12,055		103,135
Series 2012 A	3–5	2018–2033	323,415	10,200		313,215
Series 2012 B	3–5	2018–2024	125,435	13,540		111,895
Series 2012 C	2.06	2017	7,050	7,050		
Series 2013	4.5–5	2022–2029	127,155			127,155
Series 2015 A	3–5	2018–2040	72,010			72,010
Series 2015 B	5	2018–2035	272,005	16,815		255,190
Series 2015 C	5	2018–2040	225,475	2,975		222,500
Series 2016	4–5	2025–2030	99,095			99,095
Series 2017 A	5	2027–2028			16,705	16,705
Series 2017 B	1.5–3.76	2018–2036		1,880	264,925	263,045
Series 2017 C	5–5.25	2019–2042			313,305	313,305
Series 2017 D	5	2018–2027			93,230	93,230
Total			1,578,825	70,310	688,165	2,196,680
Subordinate lien:						
Series 1997	1.44 **	2022	64,940	18,915		46,025
Series 1999 A	5.5	2018–2020	53,175	12,245		40,930
Series 2008	1.44 **	2033	184,495	8,475		176,020
Commercial paper	1.3	2018	29,655	10,000		19,655
Total			332,265	49,635		282,630
Revenue bond totals			$ 2,498,880	$ 415,190	$ 688,165	$ 2,771,855

(Continued)

* Capital Appreciation Bonds have a zero coupon rate. The approximate maximum yield to maturity is 7.4%.

** Variable interest rates as of December 31, 2017.

Bond type (by Bond issue)	Coupon rates (%)	Maturity dates	Beginning balance	Principal payments and refundings	Issuance	Ending balance
General obligation bonds:						
Series 2004 C	5.25	2018–2019	$ 9,715	$ 3,075	$	$ 6,640
Series 2011	5.25–5.75	2018–2025	49,665	4,555		45,110
Series 2013 A	4–5	2021–2023	27,630			27,630
Series 2013 B	1.22–2.77	2018–2025	44,410	9,935		34,475
Series 2015	4–5	2018–2040	152,200	5,040		147,160
Series 2017	5	2018–2042			127,345	127,345
Total			283,620	22,605	127,345	388,360
Passenger facility charge revenue bonds:						
Series 1998 A	5.5	2018–2019	31,020			31,020
Series 2010 A	5	2020–2023	79,770	13,220		66,550
Total			110,790	13,220		97,570
Fuel Hydrant special facility revenue bonds:						
Series 2013	3.45–5	2018–2033	79,460	3,325		76,135
Total			79,460	3,325		76,135
Bond totals			2,972,750	454,340	815,510	3,333,920
Unamortized bond premium—net			203,434			275,356
Total debt			3,176,184			3,609,276
Less current maturities of long-term debt:						
First lien revenue bonds			(19,090)			(19,425)
Intermediate lien revenue bonds			(68,430)			(79,095)
Subordinate lien revenue bonds			(41,900)			(32,575)
General obligation bonds			(22,605)			(25,970)
Passenger facility charge revenue bonds			(13,220)			(15,095)
Fuel Hydrant special facility revenue bonds			(3,325)			(3,490)
Total current maturities of long-term debt			(168,570)			(175,650)
Long-term debt			$ 3,007,614			$ 3,433,626

(Concluded)

Revenue Bonds

Revenue Bonds are payable from and secured solely by a pledge of net revenues of the Port as defined in the Port's bond resolutions. The pledge of net revenues is broadly applied but certain revenues that are separately pledged or restricted from availability to pay revenue bond debt service are excluded; examples include PFCs, CFCs, SeaTac fuel facility rent, and Stormwater Utility revenue. The Port has established a lien upon net revenues, consisting of a First Lien, Intermediate Lien, and Subordinate Lien. By Washington State law, the Port cannot use its tax levy to pay debt service on Revenue Bonds, but can use it to pay operating expenses, thereby increasing revenues available to pay revenue bond debt service.

In June 2018, the Port issued $555,640,000 in Series 2018AB Intermediate Lien Revenue Bonds. Series 2018A and 2018B, $470,495,000 and $85,145,000, respectively, are being used to pay for or reimburse costs of capital improvements to Airport facilities, and to pay a portion of the interest on the 2018A and 2018B bonds during construction. A portion of each bond Series was also used to pay the costs of issuing the bonds and to contribute to the Intermediate Lien Common Reserve Fund. The bonds have coupon rates ranging from 3.85% to 5.00%, with maturities ranging from 2019 to 2043. The interest on the Series 2018 Intermediate Lien Bonds is payable on May 1 and November 1 of each year, commencing on November 1, 2018. Certain maturities of Series 2018A Bonds are subject to optional redemption by the Port prior to their scheduled maturities and certain maturities are also subject to mandatory sinking fund redemption. Series 2018B Bonds are not subject to redemption prior to their scheduled maturities.

In August 2017, the Port issued $688,165,000 in Series 2017ABCD Intermediate Lien Revenue and Refunding Bonds. Series 2017A, $16,705,000, was used to fully refund the outstanding Series 2009A First Lien Revenue Bonds. Series 2017B, $264,925,000, was used to partially refund the outstanding 2009B-1 First Lien Revenue Bonds. Series 2017C and 2017D, $313,305,000 and $93,230,000, respectively, are being used to pay for or reimburse costs of capital improvements to Airport facilities, and to pay a portion of the interest on the 2017C and 2017D bonds during construction. A portion of each bond Series was also used to pay the costs of issuing the bonds and to contribute to the Intermediate Lien Common Reserve Fund. The bonds have coupon rates ranging from 1.27% to 5.25%, with maturities ranging from 2017 to 2042. The interest on the Series 2017 Intermediate Lien Bonds is payable on May 1 and November 1 of each year, commencing on November 1, 2017. Certain maturities of Series 2017ABC Bonds are subject to optional redemption by the Port prior to their scheduled maturities and certain maturities of the Series 2017B and Series 2017C are also subject to mandatory sinking fund redemption. Series 2017D Bonds are not subject to redemption prior to their scheduled maturities. The economic gain resulting from the 2009AB refunding transaction was $80,792,000, while the Port also decreased its aggregate debt service payments by $133,778,000 over the life of the refunding bonds.

Capital Appreciation Revenue Bonds

During July 2009, the Port issued $22,000,000 in Series 2009B-2 Taxable Capital Appreciation Revenue Bonds. Interest on the 2009B-2 Bonds is compounded semiannually but is payable only upon maturity. As of December 31, 2018 and 2017, the accreted value of the Series 2009B-2 Taxable Capital Appreciation Revenue Bonds was $43,751,000 and $40,684,000, respectively, and the ultimate accreted value of $83,600,000 will be reached at final maturity in 2031.

Subordinate Lien Variable Rate Demand Bonds

Included in long-term debt are two Subordinate Lien Variable Rate Demand Bonds (VRDB), Series 1997 and Series 2008, which contain a "put" feature that allows bondholders to demand payment before the maturity of the debt upon proper notice to the Port's remarketing or paying agents. Variable rate interest for these bonds was determined through a weekly remarketing process in which the remarketing agent resets the rate based on market supply and demand for the bonds.

- *Series 1997 VRDB*—In 1997, the Port issued $108,830,000 in Series 1997 Subordinate Lien Revenue Bonds that have a final maturity date of September 1, 2022. The bonds are subject to mandatory tender for purchase and to optional redemption prior to their scheduled maturity. The proceeds of the issuance were used to pay a portion of the costs of acquisitions of the Port's marine facilities and to pay costs of issuing the Series 1997

Bonds. The bonds bear interest at a weekly rate and are subject to purchase on demand with seven days' notice and delivery to the Port's remarketing agent, currently Morgan Stanley & Co., Inc., who receives an annual fee of 0.065% of the outstanding principal amount of the bonds.

On January 14, 2011, the Port entered into a letter of credit (LOC) reimbursement agreement with Bank of America in the amount of $110,082,000. In October 2018, the Port extended the LOC with Bank of America from October 30, 2018, through September 1, 2022, when the bonds mature. The Port is required to pay a quarterly facility fee for the LOC at a rate of 0.39% per annum based on the size of the commitment, which as of December 31, 2018, has decreased to $37,790,000 as the Port continues to make early principal payments on the bonds. If a long-term debt rating to any Subordinate Lien Parity Bonds assigned by S&P, Moody's, or Fitch is lowered, the facility fee will increase for credit ratings below A2/A.

If the remarketing agent is unable to resell any bonds that are "put" within six months of the "put" date and the Port has not replaced the LOC or converted the bonds, the Port has a takeout agreement with Bank of America to convert the bonds to an installment loan payable in 10 equal semiannual installments and bearing an interest rate of no less than 8.5%.

In September 2018 and July 2017, the Port made early principal payments of $8,665,000 and $18,915,000, respectively, to outstanding Series 1997 VRDB.

- *Series 2008 VRDB*—In 2008, the Port issued $200,715,000 in Series 2008 Subordinate Lien Revenue Refunding Bonds that have a final maturity date of July 1, 2033. The bonds are subject to mandatory tender for purchase and to optional redemption prior to their scheduled maturity. The proceeds of the issuance were used to fully refund Series 2003C Subordinate Lien Revenue Bonds and to pay the costs of issuing the Series 2008 Bonds. The bonds bear interest at a weekly rate and are subject to purchase on demand with seven days' notice and delivery to the Port's remarketing agent, currently Morgan Stanley & Co., Inc., who receives an annual fee of 0.065% of the outstanding principal amount of the bonds.

  On June 1, 2013, the Port entered into a LOC agreement with Bank of Tokyo-Mitsubishi UFJ (Bank of Tokyo) in the amount of $204,212,000 that was later extended through June 2, 2020. The Port is required to pay a quarterly facility fee for the LOC in the amount of 0.45% per annum based on the size of the commitment, which as of December 31, 2018, has decreased to $170,205,000 as principal payments have been made on the bonds. If a long-term debt rating to any Subordinate Lien Parity Bonds assigned by S&P, Moody's, or Fitch is lowered, the facility fee will increase for credit ratings below A2/A-.

  If the remarketing agent is unable to resell any bonds that are "put" within six months of the "put" date, the Port has a takeout agreement with Bank of Tokyo to convert the bonds to an installment loan payable in equal quarterly installments over a five-year period and bearing an interest rate no less than 8.5%.

  In September 2018 and 2017, the Port made early principal payments of $8,730,000 and $8,475,000, respectively, to outstanding Series 2008 VRDB.

There were no borrowings drawn against either LOC during 2018 and 2017; therefore, there were no outstanding obligations to either LOC provider at December 31, 2018 and 2017.

Commercial Paper

The Commission authorized the sale of Subordinate Lien Revenue Notes (commercial paper) in an aggregate principal amount not to exceed $250,000,000 for the purpose of financing and refinancing capital improvements within the Port, for working capital, and for paying maturing revenue notes of the same series and/or reimbursing the credit providers for advances made. The Port issued $100.0 million in commercial paper in 2018, to provide working capital liquidity and to help finance capital improvements at the Airport. Commercial paper advances outstanding totaled $118,655,000 and $19,655,000 at December 31, 2018 and 2017, respectively. Commercial paper advances are included in current maturities of long-term debt on the Statement of Net Position.

General Obligation Bonds

GO Bonds are limited tax general obligation of the Port. The Port has statutory authority to levy non-voted property taxes for general purposes and to pay debt service on its limited tax general obligation bonds. The Port has covenanted to make annual levies of ad valorem taxes in amounts sufficient, together with other legally available funds, to pay the principal of and interest on GO Bonds as they shall become due. GO bond holders do not have a security interest in particular revenues or assets of the Port.

In March 2017, the Port issued $127,345,000 in Series 2017 Limited Tax GO Bonds, which were used to reimburse the Port and provide long-term funding for the Port's final 2016 contractual payments, totaling $147,700,000, to WSDOT for the SR 99 Alaskan Way Viaduct Replacement Program, and to pay the costs of issuing the bonds. The bonds have coupon rates of 5% with maturities ranging from 2018 to 2042. The interest on the Series 2017 GO Bonds is payable on July 1 and January 1 of each year, commencing on July 1, 2017. Certain maturities of the Series 2017 GO Bonds are subject to optional redemption by the Port prior to their scheduled maturities.

PFC Revenue Bonds

In 1998, the Port issued $262,500,000 PFC Revenue Bonds, Series 1998 pursuant to a PFC Master Resolution. During December 2010, the Port issued $146,465,000 PFC Revenue Refunding Bonds, Series 2010 to refund certain outstanding Series 1998 PFC Bonds. PFC Bonds are special fund obligations of the Port payable solely from, and secured by, a pledge of PFC revenues imposed by the Airport. The Port, as authorized by the Federal Aviation Administration (FAA), has the authority to use PFC revenues to: pay PFC issued debt; pay eligible projects costs (definitions, terms, and conditions are set by the FAA); and pay revenue bonds debt service related to PFC eligible projects at the Airport. Neither the full faith and credit of the Port nor the taxing power of the Port is pledged for the payment of the principal of or interest on PFC Bonds. PFC Bonds are not secured by a lien on properties or improvements at the Airport nor by a pledge of other revenues derived by the Port.

PFC Revenue Bonds in the amount of $82,475,000 and $97,570,000 were outstanding as of December 31, 2018 and 2017, respectively.

Fuel Hydrant Special Facility Revenue Bonds

In May 2003, the Port issued Fuel Hydrant Special Facility Revenue Bonds in the amount of $121,140,000 to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at the Airport. In June 2013, the Port issued $88,660,000 in Series 2013 Fuel Hydrant Special Facility Revenue Refunding Bonds, which were used to fully refund the outstanding Series 2003 Fuel Hydrant Special Facility Revenue Bonds, and to pay the costs of issuing the bonds.

The Port undertook the development of the fuel system to lower the cost of fuel service at the Airport, improve Airport safety by reducing the need for fuel trucks to operate on the airfield, and address environmental concerns created by the original fuel system. This fuel hydrant facility was fully operational in 2006. The fuel facility is leased for 40 years (including two five-year option periods) to the Lessee, a limited liability company formed by a consortium of airlines for the purpose of providing jet fuel storage and distribution at the Airport. The Port owns the system and the Lessee will oversee day-to-day management. The Lessee is obligated to collect the fuel system fees and to make monthly rent payments including a base rent for the land to the Port and facilities rent to the Trustee. Facilities rent is established at an amount sufficient to pay semiannual debt service, replenish any deficiency in the debt service reserve fund, and pay other fees associated with the bonds, including the Trustee fee. In addition, the Lessee has provided a guaranty and a security agreement to the Trustee, securing the Lessee's obligation to pay principal and interest on the bonds.

Proceeds from the bonds are held by the Trustee. At December 31, 2018 and 2017, there were $9,836,000 and $9,683,000, respectively, of Fuel Hydrant Special Facility Revenue Bonds proceeds and rent payments held for debt service reserve fund and debt service payments. The unspent bond proceeds were reported as current restricted cash and cash equivalents and restricted long-term investments. Additional information on the investment of the unspent bond proceeds of the Fuel Hydrant Special Facility Revenue Bonds can be found in Note 2 in the accompanying Notes to Financial Statements.

Fuel Hydrant Special Facility Revenue Bonds in the amount of $72,645,000 and $76,135,000, respectively, were outstanding as of December 31, 2018 and 2017.

Arbitrage Rebate

The Port monitors the existence of any rebatable arbitrage interest income associated with its tax-exempt debt. The rebate is based on the differential between the interest earnings from the investment of the bond proceeds and the interest expense associated with the respective bonds. Each outstanding bond issue has potential arbitrage rebatable earnings; however, management estimates indicated that no arbitrage rebate liability existed as of December 31, 2018 and 2017.

Capitalized Interest

Interest expense costs capitalized were $19,299,000 and $9,536,000 as of December 31, 2018 and 2017, respectively.

Schedule of Debt Service

Aggregate annual payments on Revenue Bonds, GO Bonds, PFC Bonds, Fuel Hydrant Special Facility Revenue Bonds, and commercial paper outstanding at December 31, 2018 are as follows (in thousands):

	Principal	Interest	Total
2019	$ 291,730	$ 168,328	$ 460,058
2020	194,105	159,502	353,607
2021	208,740	150,161	358,901
2022	249,280	140,151	389,431
2023	211,945	129,666	341,611
2024–2028	876,642	546,354	1,422,996
2029–2033	925,273	337,147	1,262,420
2034–2038	512,290	141,482	653,772
2039–2043	345,165	34,285	379,450
Total	$ 3,815,170	$ 1,807,076	$ 5,622,246

Note 6. Conduit Debt

The Port has conduit debt obligations totaling $74,725,000 at December 31, 2018 and 2017, which are not a liability or contingent liability of the Port. The Port has not recorded these obligations, or the related assets, on the accompanying financial statements, as the Port has no obligation for the outstanding bonds beyond what is provided in the leasing arrangements.

Since 1982, the Port, through its blended component unit, the IDC, has issued tax-exempt nonrecourse revenue bonds to finance industrial development of transshipment and manufacturing facilities within the corporate boundaries of the Port. These revenue bonds are secured by revenues derived from the industrial development facilities funded by the revenue bonds and leased to the IDC. No ad valorem tax levy revenues or other revenues of the Port (other than the IDC lease revenues) are pledged to pay the debt service on the bonds, and no liens (other than the IDC properties) are pledged as collateral for the debt.

Note 7. Long-Term Liabilities

The following is a summary of the net pension liability, environmental remediation liability, bonds interest payable, total OPEB liability, as well as lease securities and other activities that make up the Port's long-term liabilities for the years ended December 31 (in thousands):

	Beginning balance	Additions	Reductions	Ending balance	Current portion	Long-term portion
2018						
Net pension liability	$ 87,954	$ 7,498	$ (29,300)	$ 66,152	$	$ 66,152
Environmental remediation liability [a]	51,543	55,427	(13,682)	93,288	25,833	67,455
Bonds interest payable	18,683	3,067		21,750		21,750
Total OPEB liability [b]	17,627	977	(1,865)	16,739		16,739
Lease securities and other	6,187	1,142	(1,098)	6,231		6,231
Total	$181,994	$ 68,111	$ (45,945)	$204,160		
2017						
Net pension liability	$107,596	$ 5,435	$ (25,077)	$ 87,954	$	$ 87,954
Environmental remediation liability [a]	55,088	19,691	(23,236)	51,543	18,526	33,017
Bonds interest payable	15,832	2,851		18,683		18,683
Total OPEB liability	10,424	667	(789)	10,302		10,302
Lease securities and other	5,106	1,378	(297)	6,187		6,187
Total	$194,046	$ 30,022	$ (49,399)	$174,669		

(a) The current portion of the environmental remediation liability is included in the accounts payable and accrued expenses in the Statement of Net Position.

(b) In 2018, beginning balance was adjusted due to the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), a replacement of GASB No. 45, which required sponsoring employer to record total OPEB liability on the balance sheet.

Note 8. Enterprise Fund Pension Plans

Substantially, all of the Port's full-time and qualifying part-time employees participate in one of the following statewide public employee retirement plans administered by the DRS. The State Legislature establishes and amends laws pertaining to the creation and administration of all public employee retirement systems.

Public Employees' Retirement System (PERS)

Plan Description

PERS' retirement benefit provisions are contained in Chapters 41.34 and 41.40 RCW. PERS is a cost-sharing, multiple-employer retirement system composed of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component. Participants who joined PERS by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those joining thereafter are enrolled in Plan 2 or Plan 3.

PERS is composed of and reported as three separate plans for accounting purposes. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as the terms of the plans define. Therefore, Plan 2/3 is considered a single plan for accounting purposes.

Retirement benefits are financed by employee and employer contributions and investment earnings. All plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Under PERS Plans, annual cost-of-living allowances are linked to the Seattle Consumer Price Index (CPI) to a maximum of 3% annually.

Vesting

Both PERS Plan 1 and Plan 2 members are vested after the completion of five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service, or after five years of service if 12 months of that service are earned after age 44, and are immediately vested in the defined contribution portion of their plan.

Benefits Provided

PERS Plan 1 retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service, capped at 60%. AFC is the average of the member's 24 consecutive highest-paid service credit months. Plan 1 members are eligible for retirement from active status at any age after 30 years of service, at age 55 with at least 25 years of service, or at age 60 with five years of service. Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

PERS Plans 2/3 retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of the member's AFC for Plan 3. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. PERS Plan 2/3 has no cap on years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age for each year before age 65.

Contributions

Each biennium, the Washington State Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. The PERS Plan 1 member contribution rate is established by statute. The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary (OSA) to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarial accrued liability. PERS Plan 3 members can choose their contribution from six contribution rate options ranging from 5% to 15%. Once an option has been selected, the employee contribution rate choice is irrevocable unless the employee changes employers. All employers are required to contribute at the level established by the legislature.

The PERS Plans required contribution rates (expressed as a percentage of covered payroll), excluding an administrative expense of 0.18% from the employer contribution rate, for the years ended December 31 were as follows:

	Effective date	PERS Plan 1	PERS Plan 2	PERS Plan 3
2018				
Port	Jan 1 to Dec 31	12.52%	12.52%	12.52%
Plan member	Jan 1 to Dec 31	6.00	7.38	varies
2017				
Port	Jan 1 to Jun 30	11.00%	11.00%	11.00%
	Jul 1 to Dec 31	12.52	12.52	12.52
Plan member	Jan 1 to Jun 30	6.00	6.12	varies
	Jul 1 to Dec 31	6.00	7.38	varies

For the years ended December 31, the Port's employer contributions, excluding administrative expense, made to the PERS Plan 1 and PERS Plan 2/3 were as follows (in thousands):

	PERS Plan 1	PERS Plan 2/3
2018	$ 173	$ 13,920
2017	151	12,882
2016	164	10,979

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

Plan Description

LEOFF's retirement benefit provisions are contained in Chapters 41.26 and 41.45 RCW. LEOFF is a cost-sharing, multiple-employer retirement system comprising two separate defined benefit pension plans for both membership and accounting purposes. Participants who joined LEOFF by September 30, 1977, are Plan 1 members. LEOFF Plan 1 was closed to new entrants. Those joining thereafter are enrolled in LEOFF Plan 2. Membership includes all full-time local law enforcement officers and fire fighters.

Retirement benefits are financed from employee and employer contributions, investment earnings, and legislative appropriation. The legislature, by means of a special funding arrangement, appropriates money from the State General Fund to supplement the current service liability and fund the prior service costs of the LEOFF Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute.

Both plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Under LEOFF Plan 2, annual cost-of-living allowances are linked to the Seattle CPI to a maximum of 3% annually.

Vesting
Both LEOFF Plans' members are vested after completion of five years of eligible service.

Benefits Provided
LEOFF Plan 1 retirement benefits are determined per year of service and are calculated as a percentage of Final Average Salary (FAS) as follows:

Terms of service	Percentage of FAS
5 to 9 years	1.0%
10 to 19 years	1.5
20 or more years	2.0

FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the consecutive highest-paid 24 months' salary within the last 10 years of service. Members are eligible for retirement with five years of service at age 50.

LEOFF Plan 2 retirement benefits are calculated using 2% of the member's FAS times the member's years of service. FAS is the monthly average of the member's 60 consecutive highest-paid service credit months. Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire before age 53 receive reduced benefits. If the member has at least 20 years of service and is age 50 to 52, the reduction is 3% for each year before age 53. Otherwise, the benefits are actuarially reduced for each year before age 53.

Contributions
LEOFF Plan 1 is fully funded, and no further employer or employee contributions have been required since June 2000. Each biennium, the LEOFF Plan 2 Retirement Board has a statutory duty to set the employer and employee contribution rates for LEOFF Plan 2, based on the recommendations by the OSA, to fully fund the LEOFF Plan 2. All employers are required to contribute at the level established by the legislature.

The LEOFF Plans required contribution rates (expressed as a percentage of covered payroll), excluding an administrative expense of 0.18% from the employer contribution rate, for the years ended December 31 were as follows:

	Effective date	LEOFF Plan 2 (Fire fighters)	LEOFF Plan 2 (Police officers)
2018			
Port	Jan 1 to Dec 31	5.25%	8.75%
Plan member	Jan 1 to Dec 31	8.75	8.75
2017			
Port	Jan 1 to Jun 30	5.05%	8.41%
	Jul 1 to Dec 31	5.25	8.75
Plan member	Jan 1 to Jun 30	8.41	8.41
	Jul 1 to Dec 31	8.75	8.75

For the years ended December 31, 2018, 2017, and 2016, the Port's employer contributions, excluding administrative expenses, made to the LEOFF Plan 2 were $1,837,000, $1,723,000, and $1,663,000, respectively.

Pension Asset/Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At December 31, the amount recognized by the Port as its proportionate share of the net pension asset (liability), the related State support for LEOFF Plan 2 only, and the total portion of the net pension asset (liability) that was associated with the Port were as follows (in thousands):

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2018				
Port's proportionate share of the net pension (liability) asset	$ (38,752)	$ (18,467)	$ 1,382	$ 20,851
State's proportionate share of the net pension asset associated with the Port				13,501
Total	$ (38,752)	$ (18,467)	$ 1,382	$ 34,352
2017				
Port's proportionate share of the net pension (liability) asset	$ (40,683)	$ (37,149)	$ 1,144	$ 15,053
State's proportionate share of the net pension asset associated with the Port				9,765
Total	$ (40,683)	$ (37,149)	$ 1,144	$ 24,818

For the years ended December 31, 2018 and 2017, the net pension asset (liability) was measured as of June 30, 2018, and June 30, 2017, respectively, and the total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation as of June 30, 2017, and June 30, 2016, respectively. The Port's proportion of the net pension asset (liability) was based on a projection of the Port's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, and the state support for LEOFF Plan 2 only, actuarially determined.

The Port's proportionate shares of contributions were measured at June 30 as follows:

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2018	0.87%	1.08%	0.08%	1.03%
2017	0.86	1.07	0.08	1.08
Increase (decrease) from 2017 to 2018	0.01%	0.01%	%	(0.05)%

For the years ended December 31, 2018, 2017, and 2016, the Port's total operating revenues included ($1,234,000), ($391,000), and $595,000, respectively, for support provided by the State for LEOFF Plan 2, along with the following pension expenses (in thousands):

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2018	$ 3,890	$ (138)	$ (232)	$ (3,144)
2017	4,051	5,503	(199)	(1,024)
2016	(50)	7,372	(105)	1,534

At December 31, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2018				
Deferred Outflows of Resources				
Differences between expected and actual experience	$	$ 2,264	$	$ 1,117
Changes of assumptions		216		11
Changes in proportion and differences between Port contributions and proportionate share of contributions		2,002		778
Port contributions subsequent to the measurement date	2,921	4,213		941
Total deferred outflows of resources	$2,921	$ 8,695	$	$ 2,847
Deferred Inflows of Resources				
Differences between expected and actual experience	$	$ 3,233	$	$ 484
Changes of assumptions		5,256		2,993
Net difference between projected and actual earnings on pension plan investments	1,540	11,332	112	3,649
Changes in proportion and differences between Port contributions and proportionate share of contributions		739		501
Total deferred inflows of resources	$ 1,540	$ 20,560	$ 112	$ 7,627
2017				
Deferred Outflows of Resources				
Differences between expected and actual experience	$	$ 3,764	$	$ 662
Changes of assumptions		395		18
Changes in proportion and differences between Port contributions and proportionate share of contributions		2,441		249
Port contributions subsequent to the measurement date	2,942	4,244		885
Total deferred outflows of resources	$ 2,942	$ 10,844	$	$ 1,814
Deferred Inflows of Resources				
Differences between expected and actual experience	$	$ 1,222	$	$ 571
Net difference between projected and actual earnings on pension plan investments	1,518	9,903	106	3,380
Changes in proportion and differences between Port contributions and proportionate share of contributions		1,354		592
Total deferred inflows of resources	$ 1,518	$ 12,479	$ 106	$ 4,543

Deferred outflows of resources related to Port contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability or an increase of the net pension asset in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized as pension expense as follows (in thousands):

Years ended December 31,	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2019	$ 67	$ (1,924)	$	$ (429)
2020	(337)	(3,539)	(25)	(975)
2021	(1,010)	(6,574)	(69)	(2,116)
2022	(260)	(2,206)	(18)	(830)
2023		(588)		(312)
Thereafter		(1,247)		(1,059)
Total	$ (1,540)	$ (16,078)	$ (112)	$ (5,721)

Actuarial Assumptions

The total pension asset (liability) was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the *OSA's 2007-2012 Experience Study Report*. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

- *Inflation*—A 2.75% total economic inflation and a 3.50% salary inflation were used.
- *Salary increases*—In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- *Mortality*—Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.
- *Investment rate of return*—The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by WSIB . Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain three pieces of information for each class of assets the WSIB currently invests in: (1) expected annual return, (2) standard deviation of the annual return, and (3) correlations between the annual returns of each asset class with every other asset class.

  WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The OSA selected a 7.4% long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected returns the WSIB provided.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018, are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Fixed income	20%	1.7%
Tangible assets	7	4.9
Real estate	18	5.8
Global equity	32	6.3
Private equity	23	9.3
Total	100%	

The inflation component used to create the above table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

- *Discount rate*—The discount rate used to measure the total pension asset (liability) was 7.4% for all plans. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plans 2/3 employers whose rates include a component for the PERS Plan 1 unfunded actuarial accrued liability), and contributions from the State are made at current statutorily required rates. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of 7.4% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

Sensitivity of the Port's Proportionate Share of the Net Pension Asset (Liability) to Changes in the Discount Rate

The following presents the Port's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.4%, as well as what the Port's proportionate share of the net pension asset (liability) would be if it were calculated using a plus or minus 1% of the current discount rate (in thousands):

	1% Decrease (6.4%)	Current discount rate (7.4%)	1% Increase (8.4%)
PERS Plan 1	$ (47,624)	$ (38,752)	$ (31,067)
PERS Plans 2/3	(84,469)	(18,467)	35,647
LEOFF Plan 1	1,099	1,382	1,625
LEOFF Plan 2	2,773	20,851	35,596

Payables to the PERS and LEOFF Plans

At December 31, the Port reported payables for the outstanding amount of the required contributions to PERS Plan 1, PERS Plans 2/3, and LEOFF Plan 2 under payroll and taxes payable in the Statement of Net Position as follows (in thousands):

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 2
2018	$ 630	$ 945	$ 250
2017	351	515	127

Pension Plan Fiduciary Net Position

The pension plans' fiduciary net positions are determined on the same basis used by the pension plans. DRS financial statements have been prepared in conformity with GAAP. The retirement plans are accounted for in pension trust funds using the flow of economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized as revenues in the period in which contributions are earned. Employer contributions are recognized when they are due. Benefits and refunds are recognized when due and payable according to the terms of the plans. The WSIB has been authorized by statute (Chapter 43.33A RCW) as having the investment management responsibility for the pension funds. Investments are reported at fair value, and unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Position of the DRS Comprehensive Annual Financial Report. Interest and dividend income is recognized when earned, and capital gains and losses are recognized on a trade-date basis. Purchases and sales of investments are also recorded on a trade-date basis.

Detailed information about PERS' and LEOFF's fiduciary net position is available in the separately issued DRS financial report. A copy of this report may be obtained at:

Department of Retirement Systems
P.O. Box 48380
Olympia, WA 98504-8380
www.drs.wa.gov

Note 9. Postemployment Benefits Other than Pensions

In addition to pension benefits as described in Note 8, the Port provides OPEB.

Plan Descriptions

The Port administers and contributes to two single-employer defined benefit plans: (1) LEOFF Plan 1 Members' Medical Services Plan and (2) Retirees Life Insurance Plan. Under State statute RCW 41.26.150, the Port is required to pay for retired LEOFF Plan 1 members' medical services expenses. Under the Port's life insurance contract, eligible retired employees are provided with life insurance coverage for a death benefit up to $25,000. The Port can establish and amend benefit provisions of the life insurance OPEB plan. There are no separate OPEB plan-related financial reports issued. Both plans do not have assets accumulated in a trust or equivalent arrangement.

At December 31, 2018, the following employees were covered by the plans:

	LEOFF Plan 1 Members' Medical Services Plan	Retirees Life Insurance Plan
Inactive employees or beneficiaries currently receiving benefit payments	33	
Inactive employees entitled to but not yet receiving benefit payments		427
Active employees		1,060
Total	33	1,487

Contributions

For the LEOFF Plan 1 Members' Medical Services Plan, the State establishes and may amend the contribution requirements of plan members and the Port. The LEOFF Plan 1 was closed on September 30, 1977, to new entrants. The contribution requirements of the Retirees Life Insurance Plan are established and may be amended by the Port. For both plans, the Port is required to contribute on a pay-as-you-go basis. The Port's contributions to the LEOFF Plan 1 Members' Medical Services Plan and Retirees Life Insurance Plan were $525,000 and $337,000, respectively, for the year ended December 31, 2018. Plan participants are not required to contribute to either plan.

Total OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The total OPEB liability for LEOFF Plan 1 Members' Medical Services Plan was calculated as of December 31, 2018, using the Alternative Measurement Method. The total OPEB liability for the Retirees Life Insurance Plan was determined by an actuarial valuation as of January 1, 2018. As of December 31, 2018, the Port's total OPEB liability was $16,739,000 for both plans. For the year ended December 31, 2018, the total OPEB expense was $844,000 for both plans. At December 31, 2018, total deferred inflows of resources resulting from changes of assumptions were $869,000, which will be amortized as OPEB expense as follows (in thousands):

Years ended December 31,		
2019	$	(134)
2020		(134)
2021		(134)
2022		(134)
2023		(134)
Thereafter		(199)
Total	$	(869)

Actuarial Methods and Assumptions

For the LEOFF Plan 1 Members' Medical Services Plan, the following simplified assumptions were made when the Alternative Measurement Method was used:

- *Mortality*—Life expectancies were based on mortality tables from the National Vital Statistics Reports, Volume 67, No. 7, November 13, 2018. The Life Table for Males: U.S. 2015 was used.
- *Healthcare cost trend rate*—The expected rate of increase in healthcare expenditure was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 5.8% was used initially, but was changed slightly to an average rate of 6.1% after seven years.
- *Health insurance premiums*—2018 health insurance premiums for retirees, adjusted by the 2019 rate from the National Health Expenditures Projections 2010–2026 Table 1, were used as the basis for calculation of the present value of total benefits to be paid.
- *Discount rate*—An average index rate of 3.7% as of December 31, 2018, for 20-year general obligation municipal bonds with an average rating of AA was used.
- *Inflation rate*—No explicit inflation rate assumption was used as this underlying assumption was already included in the healthcare cost trend rate.

For the Retirees Life Insurance Plan, an actuarial valuation was performed as of January 1, 2018, and update procedures were used to roll forward total OPEB liability to December 31, 2018, by using the Entry Age Normal Cost Method. The valuation is prepared on the projected benefit basis. The present value of each participant's expected benefit payable at retirement or termination is determined, based on age, gender, compensation, and the interest rate assumed to be earned in the future. The calculations take into account the probability of a participant's death or termination of employment prior to becoming eligible for a benefit. Future salary increases are also anticipated. The present value of the expected benefits payable on account of the active participants is added to the present value of the expected future payments to retired participants to obtain the present value of all expected benefits payable from the Plan on account of the present group of participants.

The employer contributions required to support the benefits of the Plan are determined following a level funding approach and consist of a normal cost contribution and an accrued liability contribution.

The following actuarial assumptions applied to all periods included in the measurement:

- *Mortality*—Fully generational mortality based on the RP-2014 tables with no collar adjustments. Mortality rates are improved annually with two-dimensional Scale MP-2016.
- *Salary increases*—An estimated payroll growth of 3.5% per year was used.
- *Discount rate*—An average index rate of 3.7% as of December 30, 2018, for 20-year general obligation municipal bonds with an average rating of AA was used.

Change in Total OPEB Liability

Changes in the Port's total OPEB liability for both plans for the current year were as follows (in thousands):

	LEOFF Plan 1 Members' Medical Services Plan	Retirees Life Insurance Plan
Service cost	$	$ 286
Interest expense	240	343
Changes of assumptions	107	(1,003)
Employer contributions	(525)	(336)
Net changes	(178)	(710)
Total OPEB liability beginning of year, as previously reported	7,146	3,156
Cumulative effective of GASB Statement No. 75	86	7,239
Total OPEB liability beginning of year, as adjusted	7,232	10,395
Total OPEB liability end of year	$ 7,054	$ 9,685

For the LEOFF Plan 1 Members' Medical Services Plan, changes in assumptions reflect a slight increase of expected healthcare cost as of December 31, 2018.

For the Retirees Life Insurance Plan, changes of assumptions reflect a change in the discount rate to 3.7% as of December 31, 2018, and updating the demographic assumptions to reflect the current State of Washington actuarial assumptions.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the plans, calculated using the discount rate of 3.7%, as well as what the total OPEB liability would be if it were calculated using a plus or minus 1% of the current discount rate (in thousands):

	1% Decrease (2.7%)	Current discount rate (3.7%)	1% Increase (4.7%)
LEOFF Plan 1 Members' Medical Services Plan	$ 7,586	$ 7,054	$ 6,576
Retirees Life Insurance Plan	11,391	9,685	8,331

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the plans, calculated using the healthcare cost trend rates of 5.8%, as well as what the total OPEB liability would be if it were calculated using a plus or minus 1% of the current discount rate (in thousands):

	1% Decrease (4.8%)	Healthcare cost trend rate (5.8%)	1% Increase (6.8%)
LEOFF Plan 1 Members' Medical Services Plan	$ 6,644	$ 7,054	$ 7,499

Note 10. Environmental Remediation Liability

The Port has identified a number of contaminated sites on Aviation, Maritime, and Economic Development properties and facilities that must be investigated for the presence of hazardous substances and remediated in compliance with federal and state environmental laws and regulations. Some Port facilities may require asbestos abatement, and some properties owned or operated by the Port may have unacceptable levels of contaminants in soil, sediments, and/or groundwater. In some cases, the Port has been designated by the federal government as a Potentially Responsible Party (PRP), and/or by the state government as a "Potentially Liable Person" for the investigation and cleanup of properties owned by the Port or where the Port may have contributed to site contamination. Although the Port may not ultimately bear all liability for the contamination, under federal and state law, the Port is presumptively liable as the property owner or as a party that contributed contamination to a site, and it is often practically and financially beneficial for the Port to take initial responsibility to manage and pay for the cleanup. In some cases, the Port may also be liable for natural resource damages (NRD) associated with contaminated properties. In each of these matters, the Port is cooperating with the notifying agency and taking appropriate action with other parties to investigate and remediate environmental damage or contamination. Currently, it is not possible to determine the full extent of the Port's liability in these matters.

Lower Duwamish Waterway Superfund Site (the Site)

The Port is one of many PRPs at the Site and is a member of the Lower Duwamish Waterway Group, along with King County, the City of Seattle, and the Boeing Company, that, among other remedial actions, funded the Remedial Investigation and Feasibility Study (RI/FS). The RI/FS study was substantially completed and the Port's share of RI/FS costs through 2018 was $19,796,000. In November 2014, the Environmental Protection Agency (EPA) released a Record of Decision (ROD) for the Site cleanup remedy. The ROD included a cleanup cost estimate of $342 million (present value discounted at 2.3% based on a study completed in 2012); the undiscounted cost estimate calculated at the time was $395 million. EPA also estimated the range of potential remedy costs from $277 million to $593 million. EPA acknowledged there is significant uncertainty as to the accuracy of its cost estimates. A more accurate estimate will not be available until after completion of an extensive sampling and design effort. This project will result in additional cleanup efforts related to implementation of EPA's Site ROD.

In November 2012, the EPA issued general notification letters to over 200 parties informing them of their potential liability for the Lower Duwamish Waterway cleanup. The Lower Duwamish Waterway Group, who were the parties to the RI/FS Administrative Order on Consent, invited some of those parties to participate in a confidential alternative dispute resolution process led by a neutral allocator (the allocation process) to resolve their respective shares of past and future costs. As of December 31, 2018, the allocation process is ongoing. Parties participating in the allocation process will share the cost of the allocator and the process. The estimated recoveries to reduce the amount of liability are unknown at this time. As of December 31, 2018 and 2017, the Port's outstanding environmental remediation liability recorded for this Site was $10,165,000 and $5,085,000, respectively.

The Port has in place a procedure consistent with current accounting rules to recognize liability for environmental cleanups, to the extent that such liability can be reasonably estimated. As of December 31, 2018 and 2017, the Port's environmental remediation liability was $93,288,000 and $51,543,000, respectively, based on reasonable and supportable assumptions, measured at current value using the expected cash flow technique. The Port is in ongoing settlement negotiations regarding NRD and in 2018 recorded, as a special item, a $34,923,000 environmental expense reflecting the cost to construct a habitat restoration project. The Port anticipates recovering some or all of this cost from other PRPs following its settlement, though the timing of such recovery is unknown. The Port's environmental remediation liability does not include cost components that are not yet reasonably measurable, and the liability will change over time due to changes in costs of goods and services, changes in remediation technology, and changes in governing laws and regulations.

In many cases, the Port has successfully recovered Port-incurred investigation and cleanup costs from other responsible parties. The Port will continue to seek appropriate recoveries in the future. As of December 31, 2018 and 2017, the environmental remediation liability was reduced by $28,173,000 and $14,432,000, respectively, for estimated unrealized recoveries.

Note 11. Contingencies

The Port is a defendant in various legal actions and claims. Although certain lawsuits and claims are significant in amount, the final dispositions are not determinable, and in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or results of operations of the Port. In some cases, the Port has provided adequate contingent liability.

Amounts received or receivable under grants-in-aid programs are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already received, may constitute a liability of the Port. The amount, if any, of expenditures that may be disallowed cannot be determined at this time, although the Port expects such amounts, if any, to be insignificant.

Note 12. Commitments

The Port has made commitments for acquisition and construction as of December 31 as follows (in thousands):

	2018	2017
Funds committed:		
Aviation	$ 271,112	$ 796,022
Maritime	3,361	5,800
Economic Development	1,523	1,882
Central Services	863	171
Stormwater Utility	229	793
Total	$ 277,088	$ 804,668

As of December 31, 2018 and 2017, the Port also made commitments of $5,963,000 and $656,000, respectively, for acquisition and construction for the NWSA. However, this amount was not included in the schedule above as the Port expects to be reimbursed by the NWSA once the construction expenditure is incurred for the NWSA.

In addition, as of December 31, 2018 and 2017, funds authorized by the Port but not yet committed for all divisions amounted to $1,750,494,000 and $316,571,000, respectively.

Note 13. Joint Venture

A summarized Statement of Net Position of the NWSA as of December 31 and its Statement of Revenues, Expenses, and Changes in Net Position for the years ended December 31 are as follows (in thousands):

	2018	2017
Total assets	$ 342,152	$ 268,591
Deferred outflows of resources	1,652	481
Total liabilities	58,547	61,195
Deferred inflows of resources	1,258	349
Total net position	$ 283,999	$ 207,528

	2018	2017	2016
Operating revenues	$ 192,574	$ 194,985	$ 195,170
Operating expenses	82,827	83,715	79,732
Operating income before depreciation	109,747	111,270	115,438
Depreciation	6,305	2,180	532
Nonoperating income—net	8,543	761	8,262
Increase in net position	$ 111,985	$ 109,851	$ 123,168

A copy of the NWSA financial report may be obtained at:

The Northwest Seaport Alliance
P.O. Box 2985
Tacoma, WA 98401-2985

The home ports share the NWSA's change in net position and distribution of operating cash equally. In 2018 and 2017, the Port's 50% share of the NWSA's change in net position was $55,992,000 and $54,925,000, respectively, presented in the Port's Statement of Revenues, Expenses, and Changes in Net Position as joint venture income. Distribution of operating cash from the NWSA is generally received in the following month. The Port's receivable for cash distributions earned through December 31, 2018 and 2017 was $3,790,000 and $5,070,000, respectively, and presented in the Port's Statement of Net Position as related party receivable—joint venture.

The Port's investment in the joint venture as of December 31 is as follows (in thousands):

	2018	2017
Working capital	$ 25,500	$ 25,500
Capital construction	104,294	62,630
Construction work in progress	7,887	7,887
50% share of the NWSA's changes in net position	172,502	116,510
Distribution of operating cash	(168,692)	(109,272)
Total investment in joint venture	$ 141,491	$ 103,255

As of December 31, 2018 and 2017, land, facilities, and equipment—net of accumulated depreciation licensed to the NWSA by the Port were $803,097,000 and $819,694,000, with related depreciation expense of $16,599,000 and $17,917,000, respectively. As of December 31, 2018 and 2017, the Port's total debt on licensed assets was $342,060,000 and $378,356,000, respectively.

During 2018 and 2017, the Port's 50% share of capital construction expenditures were $41,663,000 and $34,561,000, of which $3,459,000 and $4,155,000 were unpaid and included in the Port's Statement of Net Position as related party payable—joint venture as of December 31, 2018 and 2017, respectively. Additionally, $3,777,000 and $269,000 of pass-through TIGER grants, reimbursable expenditures from the Port of Seattle to the NWSA relating to capital modernization improvements spent on Terminal 46, were unpaid by the Department of Transportation as of December 31, 2018 and 2017, respectively. This amount was included in related party payable—joint venture.

A broad spectrum of support services such as maintenance, security, public affairs, capital development, procurement, labor relations, environmental planning, information technology, finance, and accounting are provided by service agreements between the NWSA and the home ports during the start-up and transition period as the NWSA continues to set up its efforts in building the back office infrastructure and staffing open positions. Costs for these services are charged by the home ports to the NWSA based on agreed-upon methodologies including direct charge and allocation. In 2018 and 2017, support services provided by the Port to the NWSA were $7,657,000 and $7,133,000, respectively.

On April 2, 2019, in lieu of completing the required revaluation of Membership Interest pursuant to the NWSA Charter, the Managing Members approved, and the Port of Seattle Commission agreed to an additional contribution from the Port of Seattle to the NWSA of up to $32,000,000 in recognition that certain forecasted revenue streams in the initial valuation were not secured by long-term contractual agreements. Additionally, the Managing Members authorized the completion of the one-time Membership Interest Affirmation of 50/50 for each home port in satisfaction of the revaluation requirement in the Charter.

Note 14. Business Information

The Enterprise Fund's major business activities and operations consist of Airport facilities, Maritime terminals, Economic Development properties, and the Stormwater Utility established and effective on January 1, 2015, for Port-owned properties located within the City of Seattle. Indirect costs have been allocated to Airport facilities, Maritime terminals, and Economic Development properties using various methods based on estimated hours of work, expenses, full-time equivalent positions, and other factors. The Port's operating revenues are derived from various sources. Aviation's operating revenues are derived primarily from its airline agreements, concession agreements, and other business arrangements. Maritime's operating revenues are principally derived from the leasing of Maritime terminal facilities, recreational marinas, and industrial fishing terminals. Economic Development's operating revenues are primarily derived from the conference and event centers as well as the leasing of commercial and industrial real estate. The Stormwater Utility's operating revenues are primarily derived from collecting stormwater utility fees from tenants.

A summarized comparison of changes in Stormwater Utility operating revenues, operating expenses, and depreciation expense for the years ended December 31, is as follows (in thousands):

	2018	2017	2016
Operating revenues	$ 5,285	$ 4,985	$ 4,751
Operating expenses	5,214	4,127	1,710
Operating income before depreciation	71	858	3,041
Depreciation	1,117	1,008	879
Operating (loss) income	$ (1,046)	$ (150)	$ 2,162

Internal stormwater utility charges on vacant properties owned by the Port's Maritime and Economic Development divisions included in operating revenues for the years ended December 31 are as follows (in thousands):

	2018	2017	2016
Maritime Division	$ 760	$ 671	$ 651
Economic Development Division	330	423	423
Total operating revenues from internal charges	$ 1,090	$ 1,094	$ 1,074

Operating revenues for the Stormwater Utility and the associated operating expenses from the Maritime and Economic Development divisions were eliminated in the Statement of Revenues, Expenses, and Changes in Net Position.

Operating revenues, excluding the Stormwater Utility's operating revenues, as reflected in the Statement of Revenues, Expenses, and Changes in Net Position, from the Port's major customers for the years ended December 31 are as follows (in thousands):

	2018	2017	2016
Aviation Division:			
Revenues	$ 205,028	$ 188,036	$ 173,154
Number of major customers	2	2	2
Maritime Division:			
Revenues	$ 13,710	$ 19,121	$ 16,660
Number of major customers	1	2	2
Economic Development Division:			
Revenues	$	$ 1,946	$ 1,882
Number of major customers		1	1
Total:			
Revenues	$ 218,738	$ 209,103	$ 191,696
Number of major customers	3	5	5

Two major customers represented 29.7%, 29.8%, and 28.9% of total Port operating revenues in 2018, 2017, and 2016, respectively. For Aviation, revenues from its two major customers accounted for 37.4%, 37.5%, and 37.2% of total Aviation operating revenues in 2018, 2017, and 2016, respectively. For Maritime, revenues from one major customer accounted for 23.8% of total Maritime operating revenues in 2018. Revenues from two major customers accounted for 35.3% and 32.8% of total Maritime operating revenues in 2017 and 2016, respectively. No single major customer represented more than 10% of total Economic Development operating revenues in 2018. In 2017 and 2016, revenues from one major customer accounted for 10.9% and 11.8% of total Economic Development operating revenues, respectively.

Operating revenues, excluding the Stormwater Utility's operating revenues, as reflected in the Statement of Revenues, Expenses, and Changes in Net Position, from the Port's major sources for the years ended December 31 are as follows (in thousands):

	2018	2017	2016
Aviation Division:			
Terminal	$ 163,758	$ 146,817	$ 141,549
Airfield	109,749	100,716	88,311
Public parking	80,212	75,106	69,540
Airport dining and retail/Terminal leased space	64,323	58,980	57,253
Rental car	37,306	35,051	37,082
Ground transportation	18,772	15,684	12,803
Customer facility charges	16,263	10,641	12,122
Commercial properties	13,801	16,779	9,195
Utilities	7,206	7,018	7,233
Operating grants and contract revenues	1,634	1,286	941
Other	35,950	32,838	29,227
Total Aviation Division operating revenues	$ 548,974	$ 500,916	$ 465,256
Maritime Division:			
Cruise operations	$ 18,880	$ 17,596	$ 15,422
Recreational boating	12,529	11,086	10,255
Maritime portfolio	11,305	10,787	10,255
Fishing and operations	9,763	9,297	9,108
Grain terminal	5,167	5,426	5,382
Other	(69)	(9)	388
Total Maritime Division operating revenues	$ 57,575	$ 54,183	$ 50,810
Economic Development Division:			
Conference and event centers	$ 11,703	$ 9,133	$ 8,022
Other	9,002	8,658	7,881
Total Economic Development Division operating revenues	$ 20,705	$ 17,791	$ 15,903

Operating expenses, excluding the Stormwater Utility's operating expenses but including internal charges from the Stormwater Utility on vacant properties owned by the Port for the Maritime and Economic Development divisions, as reflected in the Statement of Revenues, Expenses, and Changes in Net Position, from the Port's major functions by Division for the years ended December 31 are as follows (in thousands):

	2018	2017	2016
Aviation Division:			
Operations and maintenance	$ 238,676	$ 227,723	$ 190,857
Administration	57,438	51,415	51,247
Law enforcement	22,734	19,976	19,122
Total Aviation Division operating expenses	$ 318,848	$ 299,114	$ 261,226
Maritime Division:			
Operations and maintenance	$ 29,494	$ 29,033	$ 27,957
Administration	9,117	8,972	8,203
Law enforcement	4,641	4,159	4,107
Total Maritime Division operating expenses	$ 43,252	$ 42,164	$ 40,267

(Continued)

	2018	2017	2016
Economic Development Division:			
Operations and maintenance	$ 22,459	$ 20,213	$ 16,921
Administration	5,018	4,998	4,042
Law enforcement	174	186	172
Total Economic Development Division operating expenses	$ 27,651	$ 25,397	$ 21,135

(Concluded)

Statement of Revenues, Expenses, and Changes in Net Position by Division, excluding the Stormwater Utility, for the years ended December 31 are as follows (in thousands):

	2018	2017	2016
Aviation Division:			
Net operating income before depreciation	$ 230,126	$ 201,802	$ 204,030
Depreciation	124,203	124,403	122,499
Operating income	105,923	77,399	81,531
Nonoperating income (expense):			
Passenger facility charge revenues	94,070	88,389	85,570
Customer facility charge revenues	21,802	25,790	24,715
Noncapital grants and donations	1,017	4,222	1,706
Fuel hydrant facility revenues	6,942	7,000	6,992
Investment income—net	22,535	9,851	6,875
Revenue bonds, capital appreciation bond, and fuel hydrant special facility revenue bonds interest expense	(92,475)	(89,568)	(94,581)
PFC revenue bonds interest expense	(4,368)	(4,931)	(5,251)
Public expense	(2,757)	(3,349)	(3,395)
Environmental income—net	108	98	2,272
Other expense—net	(7,349)	(16,212)	(2,880)
Total nonoperating income (expense)—net	39,525	21,290	22,023
Income before capital contributions	145,448	98,689	103,554
Capital contributions	41,984	16,575	17,973
Increase in net position in Aviation Division	$ 187,432	$ 115,264	$ 121,527
Maritime Division:			
Net operating income before depreciation	$ 14,323	$ 12,019	$ 10,543
Depreciation	18,022	17,410	17,351
Operating loss	(3,699)	(5,391)	(6,808)
Nonoperating income (expense):			
Ad valorem tax levy revenues	23,240	28,873	11,572
Noncapital grants and donations	502	2,299	2,175
Investment income—net	3,251	2,036	1,397
Revenue bonds interest expense	(781)	(594)	(1,415)
General obligation bonds interest expense	(621)	(646)	(844)
Public expense	(1,001)	(471)	(203)
Environmental expense—net	(10,341)	(4,314)	(1,801)
Other income (expense)—net	5,487	2,266	(2,265)
Total nonoperating income (expense)—net	19,736	29,449	8,616
Income before capital contributions	16,037	24,058	1,808
Capital contributions	1,600	13,525	
Special item—environmental expense	(34,923)		
(Decrease) increase in net position in Maritime Division	$ (17,286)	$ 37,583	$ 1,808

(Continued)

	2018	2017	2016
Economic Development Division:			
Net operating loss before depreciation	$ (6,946)	$ (7,606)	$ (5,232)
Depreciation	3,992	3,863	3,682
Operating loss	(10,938)	(11,469)	(8,914)
Nonoperating income (expense):			
Ad valorem tax levy revenues	1,943	2,246	3,642
Noncapital grants and donations	21	26	26
Investment income—net	192	104	53
Revenue bonds interest expense	(71)	(112)	(132)
General obligation bonds interest expense	(264)	(261)	(289)
Public expense			(2,143)
Environmental expense—net	(366)	(186)	(751)
Other expense—net	(764)	(144)	(6,400)
Total nonoperating income (expense)—net	691	1,673	(5,994)
Loss before capital contributions	(10,247)	(9,796)	(14,908)
Capital contributions	66	12	135
Decrease in net position in Economic Development Division	$ (10,181)	$ (9,784)	$ (14,773)

(Concluded)

As reflected in the Statement of Net Position, total assets, excluding the Stormwater Utility assets and total debt, excluding Series 2015 and Series 2017 GO Bonds related to the SR 99 Viaduct expense, as of December 31, by Division are as follows (in thousands):

	2018	2017
Aviation Division:		
Current, long-term, and other assets	$ 1,419,733	$ 1,116,803
Land, facilities, and equipment—net	3,898,296	3,861,456
Construction work in progress	848,650	404,833
Total Aviation Division assets	$ 6,166,679	$ 5,383,092
Total Aviation Division debt	$ 3,415,598	$ 2,864,149
Maritime Division:		
Current, long-term, and other assets	$ 197,323	$ 212,549
Land, facilities, and equipment—net	432,638	420,541
Construction work in progress	5,892	8,766
Total Maritime Division assets	$ 635,853	$ 641,856
Total Maritime Division debt	$ 77,338	$ 90,982
Economic Development Division:		
Current, long-term, and other assets	$ 42,964	$ 48,422
Land, facilities, and equipment—net	114,711	119,722
Construction work in progress	1,935	1,895
Total Economic Development Division assets	$ 159,610	$ 170,039
Total Economic Development Division debt	$ 14,343	$ 14,599

Note 15. Warehousemen's Pension Trust Fund

In late 2002, the Port terminated all warehousing operations at Terminal 106 following the departure of the principal customer who operated the facility. Prior to closing the warehouse, the Port had provided pension and health benefits to represented employees under a collective bargaining agreement with Local #9 of the International Longshore and Warehouse Union. The benefits were administered by two separate trusts, the Warehousemen's Pension Trust and the Local #9 Health and Welfare Trust. The Port made quarterly contributions to each trust in an amount sufficient to provide the required contractual benefits and the trusts were jointly administered by trustees appointed by both Local #9 and the Port.

Upon expiration of the contract with Local #9, the Port ceased making contributions to the Health and Welfare Trust and provided employees with the ability to maintain their health coverage by self-paying premiums through the Port's health care plan. The Port also ceased making contributions to the Warehousemen's Pension Trust.

On May 25, 2004, the Port became the sole administrator for the Plan and commenced contributions to the Plan. The Plan is a governmental plan maintained and operated solely by the Port as a single-employer defined benefit plan.

Since its closing in 2002, the Warehouseman's Pension Plan became a frozen plan, where no new members were accepted. The only members of the Plan are retirees and beneficiaries receiving benefits as well as terminated members who have a vested right to a future benefit under the Plan.

Summary of Significant Accounting Policies

Basis of Accounting
The financial statements are prepared using the accrual basis of accounting. Port contributions are recognized in the period in which the contributions are made. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Investments
Investments, 100% in mutual funds, are reported at fair value and classified as Level 1, using inputs from quoted prices in active markets for identical assets. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rates.

Plan Description

Plan Administration
The administration and operation of the Plan is vested in a three-member Board of Trustees from the Port. The Board of Trustees has the authority to amend this Plan as they may determine. However, an amendment may not decrease a Plan member's accrued benefit.

The Plan provides that only service credited and compensation earned prior to April 1, 2004, shall be utilized to calculate benefits under the Plan. There are no separate financial statements of the Plan issued.

Membership of the Plan consisted of the following at December 31:

	2018	**2017**
Retirees and beneficiaries receiving benefits	133	144
Terminated plan members entitled to but not yet receiving benefits	35	38
Total	168	182

Vesting and Benefits Provided

The Plan provides normal, early, and disability retirement benefits, as well as a preretirement death benefit or survivor annuity for a surviving spouse. The Plan provides a single life annuity and a 50% or 75% joint and survivor benefit for married participants. Retirement benefit amounts are calculated based on the number of years of credited service multiplied by a tiered monthly benefit rate established in the Plan document within a range of $20 to $100. For Plan members who terminated employment prior to January 1, 1992, normal retirement age with full benefit is 65 with at least five years of credited service. Effective January 1, 1992, normal retirement age with full benefit is 62 after completing five years or more of credited service. Plan members who are age 55 and have completed 10 years of credited service may elect an early retirement, with benefits reduced by a quarter of one percentage for each month the early retirement date precedes the normal retirement date. However, a Plan member with 30 years of credited service may retire at age 55 without a reduction in benefits. A Plan member who is disabled with 15 years of credited service is eligible for disability retirement. If the disabled Plan member is age 55, the disability retirement benefit shall be the normal retirement benefit, or the benefit shall be the normal retirement benefit earned to the disability retirement date, reduced by 5/12 of one percentage for each month the disability retirement date precedes the month the Plan member attains the age of 55.

Contributions

The Port agrees to maintain and contribute funds to the Plan in an amount sufficient to pay the vested accrued benefits of participating members and the beneficiaries when the benefits become due. Members do not make contributions. The Board of Trustees establishes the employer's contribution amount based on an actuarially determined contribution recommended by an independent actuary.

Investments

Investment Policy

The Plan's investment policy in regard to the allocation of the invested assets is established and may be amended by the Board of Trustees. The policy allows the Plan to invest in contracts with insurance companies that are rated no lower than A by at least two major rating agencies. The Plan is allowed to invest in commercial paper with A1/P1 rating. Certificates of deposit or banker's acceptances can only be purchased from domestic banks with net worth in excess of $2 billion and that satisfy tier 1 and tier 2 capital requirements. Bank deposits or short-term investment accounts must be maintained by the Plan's custodian. Repurchase agreements can only be entered with Federal Reserve reporting dealers and maintained in accordance with Federal Reserve guidelines. Only U.S. registered mutual funds or ERISA-qualified commingled funds whose investment strategies and governing documents have been reviewed and approved by the Board of Trustees can be purchased. The Plan's investment policy allows for 30% plus or minus 5% of the portfolio to be invested in domestic equities securities, 30% plus or minus 5% of the portfolio to be invested in international equities securities, and 40% plus or minus 5% of the portfolio to be invested in fixed income securities.

Interest Rate Risk

Interest rate risk is the risk that an investment's fair value decreases as market interest rate increases. In general, the longer the duration of an investment, the greater sensitivity of its fair value to changes in market interest rates. Through its investment policy, the Plan manages its exposure to fair value losses from increasing interest rates by investing in a diversified portfolio of index fund and professionally managed mutual funds. For the fixed income mutual funds, the Plan manages its exposure to change in interest rates by investing in intermediate-term bonds. As of December 31, 2018, the average duration for PIMCO Income Fund was 2.0 years. As of December 31, 2018 and 2017, the average duration for Dodge and Cox Fixed Income Fund was 4.3 and 4.2 years, respectively.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk is measured by the assignment of ratings by nationally recognized rating agencies. As of December 31, 2018, the Plan's investment in the PIMCO Income Fund had an average credit quality rating of "A", and Dodge and Cox Fixed Income Fund had an average credit quality rating of "AA" as of December 31, 2018 and 2017.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan had $2,509,000 and $2,932,000 in international equity mutual funds that were invested in foreign securities as of December 31, 2018 and 2017, respectively.

Rate of Return

For the year ended December 31, 2018 and 2017, the annual money-weighted rate of return on the Plan investments, net of investment expense, was (6.4%) and 15.4%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

Net Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources

The Port's net pension liability related to the Warehousemen's Pension Plan was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. As of December 31, 2018 and 2017, the Port's net pension liability for this Plan was $8,933,000 and $10,122,000 respectively. For the year ended December 31, 2018, 2017, and 2016, the Port recognized pension expense of ($635,000), $846,000, and $2,116,000, respectively. At December 31, 2018, total deferred outflows of resources and deferred inflows of resources resulting from the net difference between projected and actual earnings on pension plan investments were $1,148,000 and $468,000, respectively. At December 31, 2017, total deferred outflows of resources and deferred inflows of resources resulting from the net difference between projected and actual earnings on pension plan investments were $357,000 and $624,000, respectively. The Plan will recognize $244,000 annually for 2019, $96,000 for 2020, $92,000 for 2021, and $248,000 for 2022 as future pension expense.

The components of the net pension liability at December 31 were as follows (in thousands):

	2018	2017
Total pension liability	$ 17,756	$ 19,996
Plan fiduciary net position	(8,823)	(9,874)
Net pension liability	$ 8,933	$ 10,122
Plan fiduciary net position as a percentage of total pension liability	49.7%	49.4%

Changes in Net Pension Liability

The table below identifies changes in the Port's net pension liability for the Warehousemen's Pension Plan for the current year (in thousands).

	Total pension liability	Plan fiduciary net position	Net pension liability
Interest expense	$ 1,239	$	$ 1,239
Employer contributions		1,500	(1,500)
Net investment loss		(611)	611
Difference between expected and actual experience	(1,616)		(1,616)
Benefit payments	(1,863)	(1,863)	
Administrative expense		(49)	49
Professional fees		(28)	28
Net changes	(2,240)	(1,051)	(1,189)
Balances at beginning of year	19,996	9,874	10,122
Balances at end of year	$ 17,756	$ 8,823	$ 8,933

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the Entry Age Normal Cost Method and the following actuarial assumptions, applied to all periods included in the measurement:

- *Mortality*—Life expectancies were based on the RP-2014 Combined Mortality Table for Males and Females with blue collar adjustment. Margin for future mortality improvement is accounted for by projecting mortality rates using Scale MP-2016.
- *Investment rate of return*—A rate of 6.5% was used, which is the long-term expected rate of return on the Plan's investment, net of plan investment expense and including inflation. This rate was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the Plan's Board of Trustees after considering input from the Plan's investment consultant and actuary.

  For each major asset class that is included in the Plan's target asset allocation as of December 31, 2018, these best estimates are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Domestic equities mutual fund	30%	5.7%
International equities mutual fund	30	6.3
Domestic fixed income mutual fund	40	2.9
Total	100%	

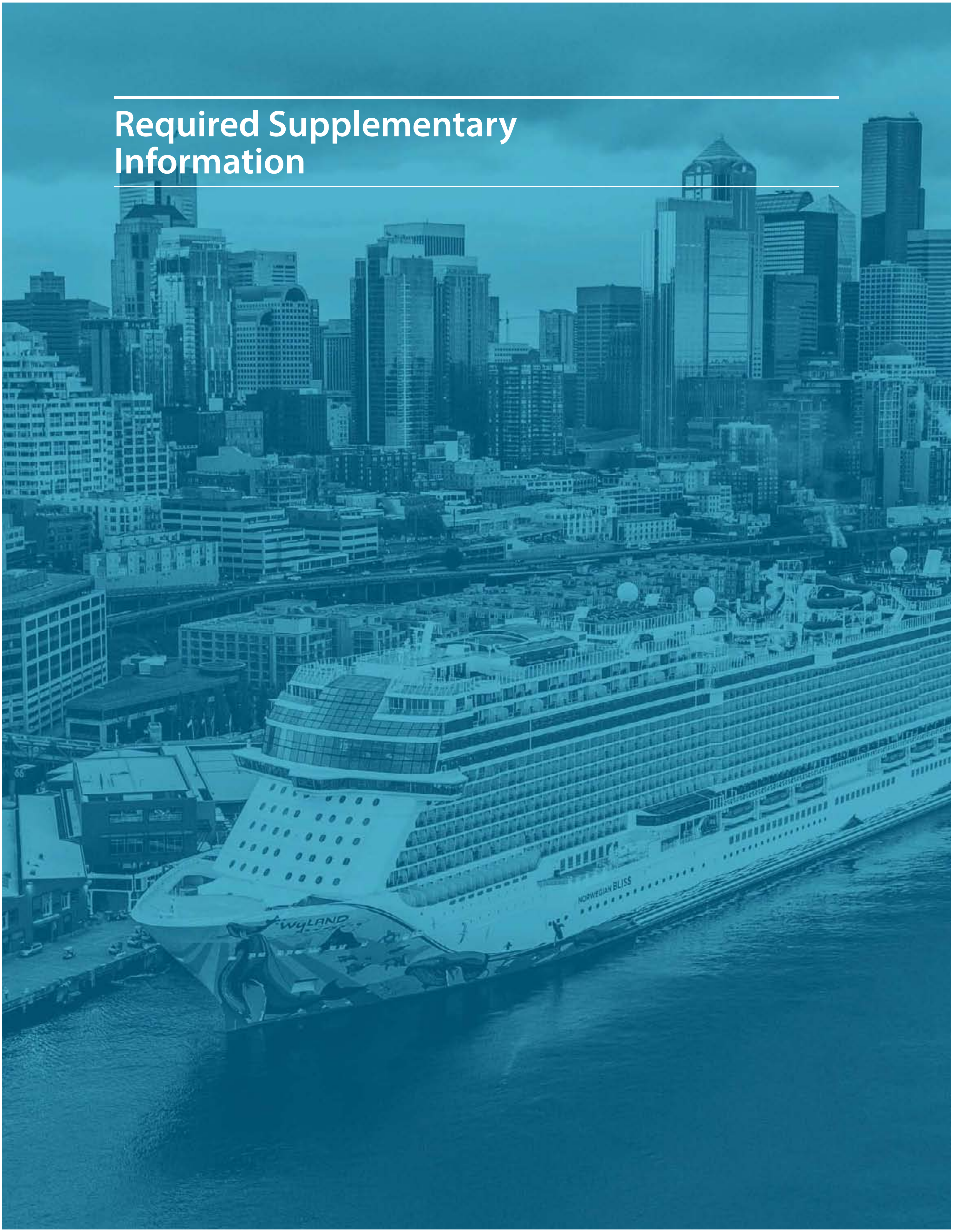
- *Discount rate*—A single discount rate of 6.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on the Plan's investments at 6.5% and the tax-exempt municipal bond rate on an index of 20-year GO bonds with an average AA credit rating at 3.7%. The projection of cash flows used to determine this single discount rate assumed the employer contributions will be made at the actuarially determined contribution rates in accordance with the Port's long-term funding policy. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a plus or minus 1% of the current discount rate (in thousands):

	1% Decrease (5.5%)	Current discount rate (6.5%)	1% Increase (7.5%)
Net pension liability	$ 10,453	$ 8,933	$ 7,629

Required Supplementary Information



Schedule of Port of Seattle's Proportionate Share of Net Pension Asset/Liability (NPA/NPL) Enterprise Fund Pension Plans

Last Five Fiscal Years [(a)] (in thousands)	2018	2017	2016	2015	2014
PERS Plan 1					
Port's proportion of the NPL	0.87%	0.86%	0.83%	0.87%	0.84%
Port's proportionate share of the NPL	$ 38,752	$ 40,683	$ 44,426	$ 45,557	$ 42,385
Port's covered payroll	$ 1,450	$ 1,451	$ 1,440	$ 1,504	$ 1,606
Port's proportionate share of the NPL as a percentage of its covered payroll	2672.55%	2803.79%	3085.14%	3029.06%	2639.17%
Plan fiduciary net position as a percentage of the total pension liability	63.22%	61.24%	57.03%	59.10%	61.19%
PERS Plan 2/3					
Port's proportion of the NPL	1.08%	1.07%	1.02%	1.09%	1.04%
Port's proportionate share of the NPL	$ 18,467	$ 37,149	$ 51,569	$ 38,826	$ 21,060
Port's covered payroll	$ 111,910	$ 104,804	$ 95,817	$ 96,416	$ 89,966
Port's proportionate share of the NPL as a percentage of its covered payroll	16.50%	35.45%	53.82%	40.27%	23.41%
Plan fiduciary net position as a percentage of the total pension liability	95.77%	90.97%	85.82%	89.20%	93.29%
LEOFF Plan 1					
Port's proportion of the NPA	0.08%	0.08%	0.07%	0.07%	0.07%
Port's proportionate share of the NPA	$ 1,382	$ 1,144	$ 761	$ 883	$ 881
Port's covered payroll	n/a	n/a	n/a	n/a	n/a
Port's proportionate share of the NPA as a percentage of its covered payroll	n/a	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	144.42%	135.96%	123.74%	127.36%	126.91%
LEOFF Plan 2					
Port's proportion of the NPA	1.03%	1.08%	1.03%	1.07%	1.04%
Port's proportionate share of the NPA	$ 20,851	$ 15,053	$ 5,967	$ 11,018	$ 13,815
State's proportionate share of the NPA associated with the Port	13,501	9,765	3,890	7,285	9,026
Total	$ 34,352	$ 24,818	$ 9,857	$ 18,303	$ 22,841
Port's covered payroll	$ 24,512	$ 24,778	$ 22,343	$ 22,322	$ 20,753
Port's proportionate share of the NPA as a percentage of its covered payroll	140.14%	100.16%	44.12%	82.00%	110.06%
Plan fiduciary net position as a percentage of the total pension asset	118.50%	113.36%	106.04%	111.67%	116.75%

(a) This schedule is presented prospectively starting fiscal year ended 2014, coinciding with the implementation and restatement of GASB Statement No. 68.

Schedule of Port of Seattle's Contributions Enterprise Fund Pension Plans [a]

Last Five Fiscal Years [b] (in thousands)	2018	2017	2016	2015	2014
PERS Plan 1					
Contractually required contribution	$ 173	$ 151	$ 164	$ 146	$ 137
Contributions in relation to the contractually required contribution	(173)	(151)	(164)	(146)	(137)
Contribution deficiency (excess)	$	$	$	$	$
Port's covered payroll	$ 1,398	$ 1,289	$ 1,490	$ 1,474	$ 1,515
Contributions as a percentage of covered payroll	12.37%	11.71%	11.01%	9.91%	9 .04%
PERS Plan 2/3					
Contractually required contribution	$ 13,920	$ 12,882	$ 10,979	$ 9,761	$ 8,243
Contributions in relation to the contractually required contribution	(13,920)	(12,882)	(10,979)	(9,761)	(8,243)
Contribution deficiency (excess)	$	$	$	$	$
Port's covered payroll	$ 110,897	$ 109,605	$ 99,808	$ 98,556	$ 91,306
Contributions as a percentage of covered payroll	12.55%	11.75%	11.00%	9.90%	9 .03%
LEOFF Plan 2					
Contractually required contribution	$ 1,837	$ 1,723	$ 1,663	$ 1,596	$ 1,478
Contributions in relation to the contractually required contribution	(1,837)	(1,723)	(1,663)	(1,596)	(1,478)
Contribution deficiency (excess)	$	$	$	$	$
Port's covered payroll	$ 25,389	$ 24,355	$ 23,911	$ 22,624	$ 21,022
Contributions as a percentage of covered payroll	7.24%	7.07%	6.95%	7.05%	7 .03%

(a) LEOFF Plan 1 is fully funded, and no further employer or employee contributions have been required since June 2000.

(b) This schedule is presented prospectively starting fiscal year ended 2014, coinciding with the implementation and restatement of GASB Statement No. 68.

Schedule of Changes in Total OPEB Liability and Related Ratios LEOFF Plan 1 Members' Medical Services Plan

Current Fiscal Year [a] (in thousands)		2018
Interest expense	$	240
Changes of assumptions		107
Contributions		(525)
Net change in total OPEB liability		(178)
Total OPEB liability—beginning		7,232
Total OPEB liability—ending	$	7,054
Covered payroll [b]		n/a
Total OPEB liability as a % of covered payroll		n/a

(a) This schedule is presented prospectively starting fiscal year ended 2018, coinciding with the implementation of GASB No. 75 in fiscal year 2018.

(b) Annual covered payroll was not applicable as LEOFF Plan 1 has no active employees.

Schedule of Changes in Total OPEB Liability and Related Ratios Retirees Life Insurance Plan

Current Fiscal Year [a] (in thousands)		2018
Service cost	$	286
Interest expense		343
Changes of assumptions		(1,003)
Benefit payments		(336)
Net change in total OPEB liability		(710)
Total OPEB liability—beginning		10,395
Total OPEB liability—ending	$	9,685
Covered payroll	$	100,356
Total OPEB liability as a % of covered payroll		9.7%

(a) This schedule is presented prospectively starting fiscal year ended 2018, coinciding with the implementation of GASB No. 75 in fiscal year 2018.

Schedule of Changes in Net Pension Liability and Related Ratios Warehousemen's Pension Trust Fund

Last Five Fiscal Years[a] (in thousands)	2018	2017	2016	2015	2014
Total pension liability					
Interest expense	$ 1,239	$ 1,280	$ 1,255	$ 1,306	$ 1,384
Difference between expected and actual experience	(1,616)		105		(512)
Changes of assumptions			1,044		
Benefit payments	(1,863)	(1,946)	(2,093)	(2,079)	(2,091)
Net change in total pension liability	(2,240)	(666)	311	(773)	(1,219)
Total pension liability—beginning	19,996	20,662	20,351	21,124	22,343
Total pension liability—ending	$ 17,756	$ 19,996	$ 20,662	$ 20,351	$ 21,124
Plan fiduciary net position					
Employer contributions	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500
Net investment (loss) income	(611)	1,352	554	(116)	408
Benefit payments	(1,863)	(1,946)	(2,093)	(2,079)	(2,091)
Administrative expense	(49)	(46)	(45)	(46)	(45)
Professional fees	(28)	(47)	(41)	(57)	(66)
Net change in plan fiduciary net position	(1,051)	813	(125)	(798)	(294)
Plan fiduciary net position—beginning	9,874	9,061	9,186	9,984	10,278
Plan fiduciary net position—ending	$ 8,823	$ 9,874	$ 9,061	$ 9,186	$ 9,984
Net pension liability					
Total pension liability—ending	$ 17,756	$ 19,996	$ 20,662	$ 20,351	$ 21,124
Plan fiduciary net position—ending	(8,823)	(9,874)	(9,061)	(9,186)	(9,984)
Net pension liability—ending	$ 8,933	$ 10,122	$ 11,601	$ 11,165	$ 11,140
Plan fiduciary net position as a percentage of total pension liability	49.7%	49.4%	43.9%	45.1%	47.3%
Covered payroll[b]	n/a	n/a	n/a	n/a	n/a

(a) This schedule is presented prospectively starting fiscal year ended 2014, coinciding with the implementation of GASB Statement No. 67 in fiscal year 2014.

(b) Annual covered payroll was not applicable as the operation was terminated in 2002.

Schedule of Employer Contributions Warehousemen's Pension Trust Fund [a]

Last Ten Fiscal Years (in thousands)

Years ended December 31,	Actuarially determined contribution [b]	Actual contribution	Contribution (excess) deficiency
2018	$ 1,108	$ 1,500	$ (392)
2017	1,218	1,500	(282)
2016	1,147	1,500	(353)
2015	1,118	1,500	(382)
2014	1,201	1,500	(299)
2013	1,304	1,500	(196)
2012	1,456	1,500	(44)
2011	1,412	1,500	(88)
2010	1,505	1,500	5
2009	1,659	1,500	159

(a) Annual covered payroll was not applicable as the operation was terminated in 2002.

(b) Prior to 2014, the Annual Required Contribution amounts are presented for the Actuarially Determined Contributions.

Schedule of Investment Returns Warehousemen's Pension Trust Fund

Last Five Fiscal Years [a]

Years ended December 31,	Annual money-weighted rate of return, net of investment expense
2018	(6.4)%
2017	15.4
2016	6.3
2015	(1.2)
2014	4.1

(a) This schedule is presented prospectively starting fiscal year ended 2014, coinciding with the implementation of GASB Statement No. 67 in fiscal year 2014.

Notes to Required Supplementary Information Warehousemen's Pension Trust Fund for the Year Ended December 31, 2018

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions
The actuarially determined contribution rates in the schedule are calculated as of December 31, 2017, for the year of 2018. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	17 years as of January 1, 2018
Asset valuation method	Market value
Investment rate of return	6.5%
Discount rate	6.5%
Retirement age	100% assumed retirement at earliest eligibility age–age 55 for members with at least 10 years of service and age 62 for members with less than 10 years of service.
Mortality	RP-2014 Combined Mortality Table for Males and Females with blue collar adjustment. Margin for future mortality improvement is accounted for by projecting mortality rates with scale MP-2016.
Other information	There were no benefit changes during the year.
	Employer contributions are determined such that contributions will fund the projected benefits over a closed 16-year funding period as of January 1, 2019.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE NORTHWEST SEAPORT ALLIANCE

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The Northwest Seaport Alliance

Financial Report
December 31, 2018

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The Northwest Seaport Alliance
Financial Report

For The Year Ended
December 31, 2018

Contents

RSM US LLP

Independent Auditor's Report

The Managing Members
The Northwest Seaport Alliance
Tacoma, Washington

Report on the Financial Statements
We have audited the accompanying financial statements of The Northwest Seaport Alliance (the NWSA) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which, collectively, comprise the NWSA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to NWSA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of NWSA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the NWSA as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information: Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of NWSA's share of net pension asset/liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2019, on our consideration of the NWSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the NWSA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NWSA's internal control over financial reporting and compliance.

RSM US LLP

Tacoma, Washington
April 5, 2019

The Northwest Seaport Alliance
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2018 and 2017

INTRODUCTION

The Northwest Seaport Alliance (NWSA) Management Discussion and Analysis (MD&A) of financial activities and performance introduces the 2018 and 2017 financial statements of the NWSA, a Port Development Authority. NWSA management prepared this MD&A and readers should consider it in conjunction with the financial statements and the notes thereto.

The notes are essential to a full understanding of the data contained in the financial statements. This report also presents information about the formation of the NWSA and certain required supplementary financial information.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: MD&A, the basic financial statements and the notes to the financial statements. The financial statements include: the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows.

The statements of net position present information on the NWSA's assets and deferred outflows and liabilities and deferred inflows, with the difference between the assets and deferred outflows, and liabilities and deferred inflows reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the NWSA is improving or deteriorating. The statements of revenues, expenses and changes in net position shows how the NWSA's net position changed during the year. These changes are reported in the period in which the underlying event occurs, regardless of the timing of related cash flows.

Formation of The Northwest Seaport Alliance
The ports of Seattle and Tacoma (the home ports) joined forces in August 2015, forming the NWSA to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs to the region.

The NWSA is a special purpose governmental entity established as a Port Development Authority (PDA), similar to Public Development Authorities formed by cities and counties. The PDA is governed by the home ports as equal members (each a "Managing Member" and collectively, "Managing Members") with each home port acting through its elected commissioners. As approved, the charter for the NWSA ("Charter") may be amended only by mutual agreement of the Managing Members. Each home port will remain a separate legal entity, independently governed by its own elected commissioners. Each home port has granted to the NWSA a license for the NWSA's exclusive use, operation and management of certain facilities, but ownership of the licensed facilities remains with the home ports, not with the NWSA.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Membership Interests

The home ports made an initial contribution of certain cargo terminals and related marine cargo business activities to the NWSA through license agreements (“Licensed Properties”). Under these agreements, the NWSA is charged with managing the properties as an agent on behalf of the Managing Members. The initial contribution of each home port to the NWSA was 50 percent (based on the value of the contributed facilities using cash flow forecasts for each parcel that went to the NWSA) with a revaluation review that was deferred until 2019 by the Managing Members. The revaluation review is to determine if material changes in cash flows from the Licensed Properties have occurred since the initial valuation. A change in the valuation of the cash flow forecasts of these facilities could result in a change in Membership Interests. The Managing Members shall approve any change in Membership Interest by vote, to include provision for addressing any change to distributions and allocations as a result of the change in Membership Interest. Changes in Membership Interest do not affect a Managing Member’s voting rights under the Charter, as votes are not weighted by or otherwise determined by Membership Interest.

On April 2, 2019, In lieu of completing the required reevaluation of Membership Interest, the Managing Members approved, and the Port of Seattle commission agreed to an additional contribution from the Port of Seattle to the NWSA of up to $32 million in recognition that certain forecasted revenue streams in the initial valuation were not secured by long-term contractual agreements. Additional information is provided in Note 11, Subsequent Events.

Financial Framework

The NWSA intends to support the credit profiles of both home ports, and its financial framework will preserve both ports’ commitment to financial strength and fiscal stewardship. The NWSA distributes cash to each home port based on cash flow from operations, calculated pursuant to generally accepted accounting principles (GAAP). Distributions are to be made no less than quarterly based on each Managing Member’s Membership Interest. Cash flow from operations will be distributed to home ports and not retained by the NWSA for funding capital investments.

The NWSA is responsible for capital investments, including renewal and replacement projects and new development. Both home ports work cooperatively with the NWSA to develop an annual capital investment plan for approval by each Managing Member. Capital funding will be provided by joint contributions from the home ports. Each Managing Member must approve its capital contributions.

The Charter recognizes that each home port’s respective share of revenues received by the NWSA with respect to the Licensed Properties has been or may be pledged in connection with the home port’s bond obligations. Under the Charter, the Managing Members instruct the Chief Executive Officer (CEO) to manage the PDA in a prudent and reasonable manner in support of the home ports’ respective bond covenants. The home ports shall keep the CEO and the NWSA management informed of their respective bond obligations, and shall each notify the other home port of any proposed change to such home port’s governing bond resolutions as soon as practical before adoption. The Charter does not modify or alter the obligations of each home port with respect to its own bond obligations. The NWSA does not assume any obligations to the home ports’ bondholders.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

With respect to bonds of each home port that were outstanding at the time of the formation of the NWSA, the Managing Members shall establish and maintain a requirement for the NWSA to calculate and establish a minimum level of net income from the NWSA equal to the amount required for the home ports to meet their bond rate covenants in effect at the time of formation of the NWSA ("Bond Income Calculation," initially calculated to be $90 million). The Managing Members shall require the Bond Income Calculation to be reviewed annually as part of the NWSA budget process and the Managing Members may adjust the Bond Income Calculation so long as it does not cause any home port to fail to comply with its rate covenant in effect at the time of formation of the NWSA. The NWSA may not take any action that reasonably would reduce NWSA income below the minimum level established by the Bond Income Calculation unless each Managing Member separately votes to approve that action. Such a vote by each Managing Member must occur even if the action is within the CEO's delegated authority. The Bond Income Calculation is subject to adjustment, including reductions resulting from payment or refunding of bonds outstanding at the time of the formation of the NWSA.

Funding

The NWSA's operations began January 1, 2016. Each home port provided an initial contribution for working capital of $25.5 million, for a total initial working capital funding of $51.0 million. Working capital cannot be redirected to fund capital construction as defined in the Charter.

Future needs are evaluated during the annual budget process or if the working capital reserve should decline below a target minimum established by the Managing Members. Managing Members each must vote affirmatively to approve additional working capital contributions.

In 2016, each home port also provided initial capital construction contributions of $13.5 million (totaling $27.0 million), equal to the budgeted capital investment plan. The home ports also provided $8.9 million and $7.9 million, respectively, in noncash construction in process for capital projects that started in the home ports and were completed by NWSA. Throughout the year the home ports provided additional combined contributions of $29.1 million to fund capital construction cash flow needs for 2016.

During 2017, the home ports made capital construction contributions of $69.1 million of which $61.2 million was spent on container terminal improvements and container crane acquisitions at Husky Terminal on Pier 4 and $3.4 million was spent on Terminal 5 (T5) design and other terminal developments in the North Harbor.

During 2018, the home ports funded NWSA's capital construction spending of $83.3 million in 2018, of which $51.2 million was spent on container cranes and improvements on Pier 4, $15.0 million was for stormwater improvements, and $8.0 million for dock improvements at Terminal 46. More information is presented in the Capital Assets section below.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Position Summary
The statements of net position present the financial position of the NWSA. The statements include all of the NWSA's assets and deferred outflows, and liabilities and deferred inflows. Net position serves as an indicator of the NWSA's financial position. The NWSA's current assets consist primarily of cash and cash equivalents, investments and accounts receivable.

Statements of Net Position (dollars in thousands):

	2018	2017	2016
Current assets	$ 91,948	$ 100,803	$ 119,740
Capital assets, net	234,235	152,228	80,532
Long-term investments	13,369	12,535	-
Other assets	2,600	3,025	3,447
Total assets	$ 342,152	$ 268,591	$ 203,719
Deferred outflows of resources	$ 1,652	$ 481	$ -
Current liabilities	$ 36,837	$ 41,553	$ 58,927
Noncurrent liabilities	21,710	19,642	13,655
Total liabilities	$ 58,547	$ 61,195	$ 72,582
Deferred inflows of resources	$ 1,258	$ 349	$ -
Net investment in capital assets	$ 234,235	$ 152,228	$ 80,532
Unrestricted	49,764	55,300	50,605
Total net position	$ 283,999	$ 207,528	$ 131,137

The NWSA's total net position was $284.0 million at December 31, 2018. Of this amount, $234.2 million was the net investment in capital assets and $49.8 million was unrestricted and available to finance operating activities. The NWSA's total net position was $207.5 million at December 31, 2017. Of this amount, $152.2 million was the net investment in capital assets and $55.3 million was unrestricted and available to finance operating activities. The NWSA's net investment in capital assets represents capital assets for the NWSA's terminal and real estate facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The change in net position is an indicator of whether the overall fiscal condition of the NWSA has improved or worsened during the year. The following summary compares operating results for 2018, 2017 and 2016.

Statements of Revenues, Expenses and Changes in Net Position (dollars in thousands):

	2018	2017	2016
Operating revenues	$ 192,574	$ 194,985	$ 195,170
Operating expenses	89,132	85,895	80,264
Operating income	103,442	109,090	114,906
Non-operating revenues (expenses):			
Interest income	1,254	777	755
Net increase (decrease) in the fair value of investments	23	(43)	(328)
Other non-operating income (expense), net	3,361	(297)	7,835
Total non-operating revenues, net	4,638	437	8,262
Capital grant contributions	3,905	324	-
Increase in net position before Managing Members contributions (distributions), net	$ 111,985	$ 109,851	$ 123,168
Increase in net position before Managing Members contributions (distributions), net	$ 111,985	$ 109,851	$ 123,168
Managing Members contributions (distributions), net	(35,514)	(33,460)	7,969
Increase in net position	76,471	76,391	131,137
Net position, beginning of year	207,528	131,137	-
Net position, end of year	$ 283,999	$ 207,528	$ 131,137

The NWSA operates three major business lines:

Container business: International and domestic container cargo is a core business for the NWSA. 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 an integral part of the container business. The NWSA also has on-dock intermodal yards that generate revenue from loading containers to and from rail cars.

Non-container business: This line of business is comprised of breakbulk (roll-on and roll-off, also known as RoRo), bulk and auto cargoes. Aside from handling agricultural and mining equipment and other rolling stock, 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.

Real estate business: This line of business is focused on non-terminal industrial and commercial properties and facilities that complement the container and non-container businesses and offer a broad range of services for the NWSA's international and domestic customers, including warehousing, distribution, manufacturing and marine services.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

A summary of revenue and operating expenses for the years ended December 31 is presented in the following table (dollars in thousands):

	2018	2017	2016
Revenue:			
Container	$ 159,667	$ 162,695	$ 163,711
Non-container	20,745	20,750	20,013
Real estate	12,162	11,540	11,446
Total revenue	192,574	194,985	195,170
Operating expenses	89,132	85,895	80,264
Operating income	$ 103,442	$ 109,090	$ 114,906

2018 Revenues, Expenses and Changes in Net Position versus the Prior Year

Container business revenue decreased $3.0 million as container revenues were down $4.0 million primarily due to the APM Terminal lease termination payment in the prior year of $5.7 million. The new shipping alliances that were formed in 2017 continued to shift cargo from the South Harbor to the North Harbor and Canada, increasing Terminal 18 revenue by $2.6 million and decreasing revenues at East Sitcum and Husky terminals by $1.0 million. The shifting of cargo also decreased intermodal revenue by $0.7 million at the north intermodal yard in the South Harbor.

Breakbulk revenues were up $0.5 million as the mix of higher weight cargo increased revenue based on tonnage. Auto revenues were down $0.4 million due to a 4 percent decrease in auto units as Kia shifted production from Asia to Mexico.

Real estate revenue was up $0.6 million over the prior year due to short-term rents at Terminal 5 of $0.2 million, and multiple other locations had increased rent revenue due to escalations.

Operating expense of $89.1 million increased $3.2 million over the prior year. Depreciation expense increased by $4.1 million as a result of new asset additions and operating expenses were up by $1.1 million for Terminal 46 apron and crane rail design. These increases were offset by lower variable intermodal operating costs (longshore labor, equipment expense) of $1.3 million at the north intermodal yard due to container cargo shifting to the North Harbor and Canada and a decrease of $1.0 million from the 2017 extended gate program that was initiated to improve truck turn times and mitigate traffic congestion.

Non-operating income in 2018 was $4.2 million more than the prior year primarily due to the contributed stormwater improvement asset of $3.1 million at Terminal 18. Interest income and an adjustment in fair value of investments of $0.7 million was up $0.3 million versus 2017 due to the rising interest rate environment.

Capital grant contributions from the TIGER grant were $3.8 million in 2018 and $0.3 million in 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2017 Revenues, Expenses and Changes in Net Position versus the Prior Year

Container revenue of $162.7 million was down $1.0 million versus the prior year. Rent revenue at Terminal 5 was down $5.4 million due to the expiration of a lease with Foss Maritime. The Grand Alliance also did not renew its lease at Washington United Terminal and the cargo was diverted from Washington United Terminal and Pierce County Terminal to Husky Terminal and Terminal 18 (T18). Husky Terminal benefited from this shift of cargo as it increased their crane and strad revenue $2.9 million over the prior year. However, expiration of the lease at East Sitcum Terminal offset the increase at Husky by $2.0 million versus the prior year. In 2017, the inland point intermodal cargo handled at NWSA trended down, while local cargo transported via truck increased which reduced intermodal volume and revenue. The lease expirations at East Sitcum Terminal and at Washington United Terminal shifted cargo to Husky Terminal and to Terminal 18 and resulted in an intermodal revenue reduction of $3.9 million over the previous year.

These were offset by positive variances of $5.7 million at West Sitcum terminal, for the payment that became due as a result of APM exercising its early termination option and a $1.0 million annual rental adjustment at Terminal 18.

Non-container revenue of $20.8 million was up $0.7 million versus the prior year. Breakbulk revenue was up $1.2 million due to military moves which were offset by auto business revenues down $0.4 million as volumes decreased by 11 percent due to an automobile customer shifting production to Mexico from Asia, resulting in lower storage revenue.

Real estate revenue of $11.5 million was up $0.1 million for annual rent escalations.

Operating expense of $85.9 million was up $5.6 million and 7.0 percent compared to the prior year. Maintenance costs increased $2.6 million primarily for facility improvements to buildings and paving of $1.5 million and increased crane and strad repairs of $0.8 million. Depreciation expense was up $1.6 million over the prior year for assets (container crane upgrades, building and roof renovations, rail, and yard improvements) placed into service in 2016 and 2017. Administrative expenses were up $1.2 million as consulting costs were up $0.9 million for IT system development to replace older systems and governmental affairs consulting that was recorded in the home ports in the prior year. Operations expenses were up $0.4 million primarily due to revenue-related operating expenses to support non-container revenue that increased by $0.7 million, offset by North Harbor maintenance dredging down $0.5 million from the prior year. Environmental expense was down $0.4 million versus the prior year due to dredging-related environmental costs of $0.9 million in the North Harbor in 2016, offset by environmental project spending up $0.5 million compared with the prior year.

This resulted in operating income of $109.1 million compared to prior year operating income of $114.9 million, a decrease of $5.8 million.

Non-Operating Income

Net non-operating income increased $4.2 million over the prior year from contribution income of $3.1 million for the tenant's contribution to stormwater improvements in the North Harbor and higher interest income.

Non-operating income in 2017 was $7.8 million less than the prior year primarily due to the contributed stormwater improvement asset of $7.8 million in 2016. Interest income and an adjustment in fair value of investments of $0.7 million was up $0.3 million versus 2016 due to the rising interest rate environment.

Capital grant contributions were $0.3 million in 2017 from the TIGER grant that is funding improvements on Terminal 46 in the North Harbor.

Net Position

The net position reflects the investments received from the home ports, and the NWSA's earnings and distributions to Managing Members. The net position is presented as follows (dollars in thousands):

Description	2017	2018 Activity	2018
Working capital contributions	$ 51,000	$ -	$ 51,000
Capital construction contributions	125,260	83,326	208,586
Non-cash capital work-in-process contributions	16,793	-	16,793
Total contributions	193,053	83,326	276,379
Increase in net position before Managing Members contributions and distributions	233,019	111,985	345,004
Distributions to Managing Members	(218,544)	(118,840)	(337,384)
Net position, end of year	$ 207,528	$ 76,471	$ 283,999

Capital assets: The home ports provided NWSA with initial funding of $27.0 million to support a five-year capital investment plan in 2016. Additional capital construction contributions to support the capital investment plan are reviewed at least annually as part of the budget process or may occur during the year when major projects are authorized by the Managing Members. The investments in capital assets, also referred to as post-formation assets, may include buildings, improvements, machinery and equipment, and construction in process. The Charter restricts the purchase of land.

During 2018, capital construction contributions from the home ports amounted to $83.3 million with major projects presented in the following table (dollars in thousands):

Pier 4 redevelopment and container cranes	$ 51,211
North and South Harbor terminal stormwater improvements	15,041
Terminal 46 dock rehabilitation	8,028
Container straddle carriers	3,080
Marine terminal dock fender replacements	1,657
Air quality systems infrastructure	1,389
Terminals 5 and 18 dock rehabilitation design and improvements	1,255
	$ 81,661

During 2016 and 2017, the Managing Members authorized additional capital construction contributions for redevelopment of Pier 4 and the backlands, improvements to the gate, and a total of eight cranes to support an amended terminal lease agreement in the South Harbor. The total estimated project costs for this terminal are $255.0 million of which $149.3 million has been spent through 2018 with project completion expected in 2020. Home port capital construction contributions during 2017 and 2016 were $69.1 million and $56.1 million, respectively, of which $98.1 million funded Pier 4 construction and container cranes and $27.1 million funded building, facility and stormwater improvements.

The NWSA's investment in capital assets, net of depreciation, for its business activities as of December 31, 2018, 2017 and 2016, amounted to $234.2 million, $152.2 million and $80.5 million, respectively. This investment in capital assets includes building and land improvements, machinery and equipment, and construction in process. See Note 3 for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)

REQUEST FOR INFORMATION

The Northwest Seaport Alliance designed this financial report to provide our citizens, customers, investors and creditors with an overview of the NWSA's finances. If you have questions or need additional information please visit our website at http://www.nwseaportalliance.com or contact: Chief Financial Officer, P.O. Box 2985, Tacoma, Washington, 98401-2985, Telephone 800-657-9808.

Financial Statements

The Northwest Seaport Alliance

Statements of Net Position
December 31, 2018 and 2017
(Dollars in Thousands)

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 10,261	$ 7,134
Investments, at fair value	53,807	60,225
Trade accounts receivable, net of allowance for doubtful accounts	14,448	21,555
Related-party receivable - Managing Members	10,696	9,028
Prepayments and other current assets	2,736	2,861
Total current assets	91,948	100,803
Non-current assets:		
Long-term investments:		
Restricted investments, at fair value	13,369	12,535
Long-term investments	13,369	12,535
Capital assets:		
Buildings	11,637	4,991
Improvements	125,810	17,553
Machinery and equipment	55,604	2,832
Construction in process	50,203	129,564
Total cost	243,254	154,940
Less accumulated depreciation	9,019	2,712
Net capital assets	234,235	152,228
Other assets	2,600	3,025
Total noncurrent assets	250,204	167,788
Total assets	$ 342,152	$ 268,591
Deferred outflows of resources		
Pension deferred outflows	$ 1,652	$ 481

See notes to financial statements.

The Northwest Seaport Alliance

Statements of Net Position
December 31, 2018 and 2017
(Dollars in Thousands)

	2018	2017
Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	$ 26,597	$ 19,024
Related-party payable - Managing Members	8,833	21,391
Payroll and taxes payable	1,407	1,138
Total current liabilities	36,837	41,553
Noncurrent liabilities:		
Security deposits	14,415	13,619
Net pension liability	3,059	2,123
Other noncurrent liabilities	4,236	3,900
Total noncurrent liabilities	21,710	19,642
Total liabilities	$ 58,547	$ 61,195
Deferred inflows of resources		
Pension deferred inflows	$ 1,258	$ 349
Net position:		
Net investment in capital assets	$ 234,235	$ 152,228
Unrestricted	49,764	55,300
Total net position	$ 283,999	$ 207,528

See notes to financial statements.

The Northwest Seaport Alliance

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2018 and 2017
(Dollars in Thousands)

	2018	2017
Operating revenues:		
Property rentals	$ 192,574	$ 194,985
Total operating revenues	192,574	194,985
Operating expenses:		
Operations	41,298	40,800
Maintenance	15,786	17,329
Administration	19,283	19,560
Security	4,306	4,235
Environmental	2,154	1,791
Total before depreciation	82,827	83,715
Depreciation	6,305	2,180
Total operating expenses	89,132	85,895
Operating income	103,442	109,090
Non-operating revenues (expenses):		
Interest income	1,254	777
Net increase (decrease) in the fair value of investments	23	(43)
Other non-operating income (expense), net	3,361	(297)
Total non-operating revenues, net	4,638	437
Increase in net position, before capital contributions	108,080	109,527
Capital grant contributions	3,905	324
Increase in net position before Managing Members contributions and distributions	111,985	109,851
Capital construction contributions	83,326	69,120
Distributions to Managing Members	(118,840)	(102,580)
Total Managing Members investment	(35,514)	(33,460)
Beginning of year, net position	207,528	131,137
Net position, end of year	$ 283,999	$ 207,528

See notes to financial statements.

The Northwest Seaport Alliance

Statements of Cash Flows
Years Ended December 31, 2018 and 2017
(Dollars in Thousands)

	2018	2017
Cash flows from operating activities:		
Cash received from customers	$ 200,183	$ 184,104
Cash paid to suppliers, longshore labor and employees	(43,088)	(49,644)
Cash paid to home ports for support services	(38,252)	(35,779)
Cash held for customer deposits	796	3,864
Net cash provided by operating activities	119,639	102,545
Cash flows from non-capital financing activities:		
Cash distributions to Managing Members	(121,400)	(113,320)
Net cash used in non-capital financing activities	(121,400)	(113,320)
Cash flows from capital and related financing activities:		
Cash received from Managing Members for capital construction	85,435	75,678
Acquisition and construction of capital assets	(87,590)	(76,624)
Cash received from federal grants	155	112
Net cash used in capital and related financing activities	(2,000)	(834)
Cash flows from investing activities:		
Purchases of investments	(96,841)	(65,142)
Proceeds from sales and maturities of investment securities	102,500	61,300
Interest received on investments	1,229	767
Net cash provided by (used in) investing activities	6,888	(3,075)
Net increase (decrease) in cash	3,127	(14,684)
Cash and cash equivalents:		
Beginning of year	7,134	21,818
End of year	$ 10,261	$ 7,134

(Continued)

The Northwest Seaport Alliance

Statements of Cash Flows (Continued)
Years Ended December 31, 2018 and 2017
(Dollars in Thousands)

	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 103,442	$ 109,090
Adjustments to reconcile operating income to net cash provided by operating activities:		
Non-operating income (expense)	731	(249)
Depreciation	6,305	2,180
Changes in assets and liabilities:		
Decrease (increase) in trade accounts receivable	7,527	(10,024)
Decrease (increase) in prepayments and other current assets	126	(622)
Increase in accounts payable and accrued liabilities	3,594	4,627
Decrease in related-party payable - Managing Members	(3,814)	(7,700)
Increase in security deposits	812	3,175
Increase in payroll and taxes payable	242	77
Increase in pension related accounts	674	1,991
Total adjustments and changes	16,197	(6,545)
Net cash provided by operating activities	$ 119,639	$ 102,545
Non-cash investing and financing activities:		
Capital asset additions and other purchases financed with accounts payable	$ 866	$ 4,739
Contributions receivable from Managing Members for capital construction	$ 6,919	$ 9,028
Distributions payable to Managing Members	$ (7,580)	$ (10,140)
Increase (decrease) in fair value of investments	$ 23	$ (43)

See notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Reporting entity: The ports of Seattle and Tacoma formed The Northwest Seaport Alliance (NWSA), a special purpose governmental entity established as a Port Development Authority (PDA), with an effective date of August 4, 2015 (the Effective Date). The PDA was formed pursuant to a provision in Title 53 Revised Code of Washington (RCW) that grants ports that meet certain criteria the authority to create a separate PDA, similar to public development authorities created by Washington cities and counties. Each Port Commission is a Managing Member of the NWSA. Each port will remain a separate legal entity, independently governed by its own elected commissioners. As formed, the NWSA is to continue for an indefinite term until dissolution. As approved, the Charter for the NWSA may be amended only by mutual agreement of both ports as the NWSA's Managing Members. On January 1, 2016, the NWSA became a separate legal entity.

The State Legislature granted qualifying ports the authority to create a PDA for the management of maritime activities and to allow ports to act cooperatively and use financial resources strategically, while remaining separate entities and complying with federal regulations. Pursuant to the PDA statute, if a PDA is created jointly by more than one port district, the PDA must be managed by each port district as a member, in accordance with the terms of the statute and the Charter. Any port district that creates a PDA must oversee the affairs, operations, and funds of the PDA to correct any deficiency, and ensure the purposes of each program undertaken are reasonably accomplished. The statute permits a PDA, in managing maritime activities of a port district or districts, to own and sell real and personal property; to enter into contracts, to sue and be sued; to loan and borrow funds; to issue bonds, notes, and other evidences of indebtedness; to transfer funds, real or personal property, property interests, or services; and to perform community services related to maritime activities managed by the PDA. As previously discussed, the statute allows, but the Charter prohibits, the NWSA to issue bonds, borrow funds, or enter into other debt instruments. By statute, PDAs do not have the power of eminent domain or the power to levy taxes or special assessments. In transferring real property to a PDA, the port district or districts creating the PDA must impose appropriate deed restrictions necessary to ensure the continued use of the property for the public purpose for which the property is transferred.

The NWSA is governed by its Managing Members, with each Managing Member acting pursuant to the Charter through its elected commissioners. The Managing Members appointed a Chief Executive Officer who is responsible for staffing and day-to-day operations. In addition, both Managing Members provide services through support service agreements with a portion of staff time allocated to and reimbursed by the NWSA.

Effective January 1, 2016, the revenues and expenses associated with Licensed Properties were accounted for and reported by the NWSA. The home ports agreed to share investments, earnings and distributions on a 50/50 basis. The home ports initial contribution of Licensed Properties to the NWSA was 50 percent (based on the value of the contributed facilities using cash flow forecasts for each parcel that went to the NWSA). The initial cash investment totaling $78 million, of which $51 million funded working capital and $27 million funded capital construction projects, were shared equally. The home ports contributed an additional $16.8 million of non-cash work in process capital projects that started in the home ports and will be completed by NWSA for an opening investment of $94.8 million.

Note 1. Summary of Significant Accounting Policies (Continued)

The NWSA distributes cash to each home port based on cash flow from operations, calculated pursuant to generally accepted accounting principles (GAAP). Distributions are to be made no less than quarterly based on each Managing Member's percentage of total shares; however, distributions have generally been made in the following month after the amount due was determined. Additional information about the formation of the NWSA is presented in the MD&A.

Nature of business: The PDA is used to account for the general operations of the NWSA as more fully described below.

The NWSA is authorized by Washington law to provide and charge rentals, tariffs and other fees for docks, wharves and similar harbor facilities, including associated storage and traffic handling facilities, for waterborne commerce. The NWSA may also provide freight and passenger terminals and transfer and storage facilities for other modes of transportation, including air, rail and motor vehicles.

Measurement focus, basis of accounting and presentation: The financial statements of the NWSA have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The NWSA is accounted for on a flow of economic resources measurement focus and the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The accounting records of the NWSA are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09, RCW. The NWSA also follows the Uniform System of Accounts for Port Districts in the State of Washington.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements. Significant estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the NWSA include depreciation, pension related accounts, investments and the allocation of expenses from each home port. Actual results could differ from those estimates.

Significant risks and uncertainties: The NWSA is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, collective bargaining disputes, federal, state and local government regulations, and changes in law.

The formation of the NWSA is intended to reduce pricing competition between the home ports by creating a unified gateway, to allow for coordination regarding customer relationships, to improve capacity utilization between the home ports, and to rationalize strategic capital investments. The formation of the NWSA may or may not successfully address these risks, and may create new risks, including the risks associated with a new joint venture funded by the Managing Members with equal Membership Interests, and reliance on the financial strength of the home ports to fund future capital expenditures and shortfall in working capital.

Note 1. Summary of Significant Accounting Policies (Continued)

The Charter requires that the NWSA maintain the Bond Income Calculation and not to take any action that would reasonably reduce its income below this minimum net operating income level unless each Managing Member votes separately to approve that action. This minimum net operating level was established based on the amount required at formation of the NWSA for the Managing Members to meet their then current bond rate covenants, and may not always reflect the amount required to meet bond rate covenants on a go-forward basis.

If net operating income before depreciation of the NWSA is not sufficient for either home port to be in compliance with a rate covenant (as described in each Managing Member's governing bond resolutions in effect as of the Effective Date), then: (i) upon that Managing Member's request, the NWSA 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 NWSA is unwilling, unable or refuses to undertake, either Managing Member can require dissolution of the NWSA following the dispute resolution process even if within the "Initial Period" (as defined in the Charter, "the expiration of 20 years following the NWSA's formation"); and (iii) the NWSA 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 NWSA selected as its Chief Executive Officer, the Chief Executive Officer of the Port of Tacoma, who may serve in those dual roles for up to five years.

Cash: Cash represents cash and demand deposits. The NWSA maintains its cash in bank deposit accounts, which are covered by the Public Deposit Protection Commission of the State of Washington.

Trade accounts receivable: Trade accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying delinquent accounts and by using historical experience applied to an aging of accounts. Trade accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts at December 31, 2018 and 2017, was $3.5 million and $2.4 million, respectively.

Investments: Investments are stated at fair value which is the price that would be received in an orderly transaction between market participants at the measurement date. The NWSA also has investments in the state Local Government Investment Pool (LGIP). The LGIP is similar to a money market fund recognized by the Securities and Exchange Commission. The LGIP invests in U.S. Agency Securities, Repurchase Agreements, U.S. Treasury Securities, Interest Bearing Bank Deposits, and Certificates of Deposit. The investments are limited to high-quality obligations with limited maximum and average maturities. These investments are valued at amortized cost. Interest income on investments is recognized as earned. Interest income and changes in the fair value of investments are recognized on the statements of revenues, expenses and changes in net position. The NWSA's general policy is to not hold more than 20 percent of its holdings in any one investment. See Note 2 for further information.

Capital assets and depreciation: Capital assets are recorded at cost. Donated assets are recorded at acquisition value on the date donated.

Note 1. Summary of Significant Accounting Policies (Continued)

The NWSA's policy is to capitalize all asset additions greater than $20,000 and with an estimated life of more than three years. Depreciation is computed on the straight-line method. The following lives are used:

	Years
Buildings and improvements	10-75
Machinery and equipment	3-20

Preliminary costs incurred for proposed projects are reported as construction in process on the statements of net position during the period of construction. As projects are constructed, the project costs are transferred to the appropriate capital asset accounts; charges that relate to abandoned projects are expensed when the project is abandoned.

Net position: Net position consists of net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation which was $234.2 million and $152.2 million at December 31, 2018 and 2017, respectively. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the NWSA or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. There were no restrictions on net position at December 31, 2018 and 2017. The unrestricted component of net position is the net amount of the assets less liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position was $49.8 million and $55.3 million at December 31, 2018 and 2017, respectively.

Retentions payable: The NWSA enters into construction contracts that may include retention provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the NWSA. The NWSA's policy is to pay the retention due only after completion and acceptance have occurred. Retentions payable totaled $219,000 and $130,000 at December 31, 2018 and 2017, respectively. Retentions payable are included in accounts payable and accrued liabilities on the accompanying statements of net position.

Federal and state grants: The NWSA may receive federal and state grants as reimbursement for construction of facilities and other capital projects. These grants are included in capital grant contributions on the accompanying statements of revenues, expenses and changes in net position.

Employee benefits: The NWSA accrues unpaid vacation and sick leave benefit amounts as earned and payable upon termination. These benefits are accrued at current rates of compensation. Accrued vacation and sick leave are included in payroll and taxes payable and amounted to $405,000 and $198,000, respectively, at December 31, 2018, and $398,000 and $195,000, respectively, at December 31, 2017. Vacation and sick leave paid in 2018 were $363,000 and $222,000, respectively, and $345,000 and $185,000, respectively, in 2017. The estimated total amount of vacation and sick leave expected to be paid in 2019 is $405,000 and $198,000, respectively. Vacation benefits allow for a maximum hours accrual of two years of benefit and the benefit balance is paid out upon termination. Sick leave benefits allow for a maximum of 120 hours to accrue each year and hours over 240 are cashed out annually and the balance is paid out upon termination.

Note 1. Summary of Significant Accounting Policies (Continued)

The NWSA provides health care benefits for eligible employees through the voluntary employees' beneficiary association (VEBA) which is a tax-exempt health and welfare trust and through the health reimbursement arrangement (HRA) plan. The NWSA employees were grandfathered into the plan because of their prior employment with the home ports (plan closed to employees hired after April 1, 2013). The plan requires the NWSA to contribute $229 and $222 per month in 2018 and 2017, respectively, to the VEBA accounts of eligible employees. The NWSA contributed $81,000 and $82,000 to eligible employee VEBA accounts in 2018 and 2017, respectively.

The NWSA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all NWSA employees, permits them to defer a portion of their salary until future years. In accordance with GASB authoritative guidance, accounting and reporting for Internal Revenue Code Section 457 deferred compensation plans, employee assets are not reflected in the NWSA's financial statements. This plan is fully funded and held in an external trust.

Pensions: The NWSA's full-time and qualifying part-time employees participate in the cost-sharing, multiple-employer public employee defined benefit retirement plans administered by the Washington State Department of Retirement Systems (DRS). On January 1, 2017, the NWSA established a separate account with DRS and recorded its share of the DRS pension liability. In 2016, the NWSA employees were on the Port of Tacoma DRS account and the NWSA made all required contributions directly to DRS for its employees.

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Washington State Department of Retirement Systems Plan (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported to PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value (see Note 6).

Environmental remediation costs: The NWSA environmental remediation 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; NWSA named as party responsible for sharing costs; NWSA 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 NWSA's pollution remediation obligation. Costs incurred for pollution remediation obligations are typically recorded as non-operating environmental expenses unless the expenditures relate to the NWSA's principal ongoing operations, in which case they are recorded as operating expenses. Costs incurred for pollution remediation obligations can be capitalized if they meet specific criteria. 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.

The NWSA licenses property from the home ports for its operations. Remediation costs associated with contamination on Licensed Properties that occurred before the formation of the NWSA shall remain the responsibility of the home port in which the Licensed Property is located. Remediation costs associated with redevelopment on Licensed Properties shall be the responsibility of the NWSA. At December 31, 2018 and 2017, the NWSA determined that there was no environmental remediation liability to be recognized.

Note 1. Summary of Significant Accounting Policies (Concluded)

Lease securities: Under the terms of certain Licensed Property lease agreements, the NWSA's customers or tenants are required to provide security in the event of delinquencies in rent payment, default, or other events defined in these agreements. The security amounts are determined by lease terms. The NWSA held $14.4 million and $13.6 million in lease securities at December 31, 2018 and 2017, respectively.

Operating and non-operating revenues and expenses: Property rental revenues are charges for use of the NWSA's facilities and are reported as operating revenue. Other revenues generated from non-operating sources are classified as non-operating.

Operating expenses are costs primarily related to the property rental activities. Interest expense and other expenses incurred not related to the operations of the NWSA's terminal and property rental activities are classified as non-operating.

Recent accounting pronouncements: In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported and this statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The NWSA is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In May 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The NWSA is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

In August 2018, GASB issued Statement No.90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. The NWSA is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

Recent accounting pronouncement, adopted: In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. The requirements of this statement are effective for reporting periods beginning after June 15, 2017. The adoption of this standard in the current year did not have an effect on the financial statements and related disclosures.

Note 2. Deposits and Investments

Discretionary deposits: The NWSA's cash of $10.3 million and $7.1 million at December 31, 2018 and 2017, respectively, were deposited in qualified depositories as required by state statute. Deposits in excess of federal depository insurance coverage are covered by the Public Deposit Protection Commission of the State of Washington (PDPC). The PDPC is a statutory authority under Chapter 39.58 RCW. Currently, all public depositories with the state fully collateralize uninsured public deposits at 50 percent.

Investments: State of Washington statutes authorize the NWSA to invest in direct obligations of the U.S. Government, certificates of deposit, bankers' acceptances, repurchase agreements, commercial paper, supranationals and certain municipal bonds. These investments must be placed with or through qualified public depositories of the State of Washington.

Risks:

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The NWSA's investment guideline is to maximize investment return while preserving liquidity. To the extent possible, the NWSA will attempt to match its investments with anticipated cash flow requirements using the specific-identification method. The NWSA does not have a formal interest rate risk policy.

Concentration risk: Concentration risk is defined as holdings greater than 5 percent as noted in the table below. The NWSA does not have a formal concentration risk policy.

Credit risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The local government investment pool (LGIP) is an external investment pool, as defined by the GASB. The NWSA does not have a formal credit risk policy.

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the NWSA will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. To minimize this risk, the NWSA's policy requires that all security transactions are settled "delivery versus payment." This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the NWSA's safekeeping bank. With the exception of the Washington State LGIP, the NWSA's investment securities are registered, or held by the NWSA or its agent in the NWSA's name. The certificates of deposit are covered by the PDPC. The PDPC is a statutory authority under Chapter 39.58 RCW. The PDPC approves which banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC by requiring banks and thrifts to pledge securities as collateral.

The LGIP manages a portfolio of securities that meet the maturity, quality, diversification and liquidity requirements set forth by the GASB for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The funds are limited to high quality obligations with regulated maximum and average maturities to minimize both market and credit risk. LGIP participants may contribute and withdraw funds on a daily basis. Participants must inform the Office of the State Treasurer of any contribution or withdrawal over $1 million no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for $1 million or less can be requested at any time prior to 10 a.m. on the day of the transaction. However, participants may complete transactions greater than $1 million when notification is made between 9 a.m. and 10 a.m., at the sole discretion of the Office of the State Treasurer. All participants are required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds.

Note 2. Deposits and Investments (Continued)

Investments and restricted investments for long-term-lease deposit and clean truck program funding on the statements of net position are as follows (dollars in thousands):

	2018	2017
Investments	$ 53,807	$ 60,225
Restricted investments at fair value	13,369	12,535
Total deposits and investments	$ 67,176	$ 72,760

The tables below identify the types of investments, concentration of investments in any one issuer, and maturities of the NWSA investment portfolio as of December 31, 2018 and 2017 (dollars in thousands):

	2018				
		Maturities (in Years)			
Investment Type	Carrying Value	Less than 1	1-3	More than 3	Percentage of Total Portfolio
Federal Home Loan Bank	$ 11,398	$ -	$ 8,872	$ 2,526	17.0%
Federal National Mortgage Association	4,961	4,961	-	-	7.4%
Municipal Bonds	7,711	-	3,500	4,211	11.4%
Supranationals	6,949	4,962	1,987	-	10.3%
United States Treasury Bonds	7,971	6,015	-	1,956	11.9%
State Local Investment Pool *	28,186	28,186	-	-	42.0%
Total investments	$ 67,176	$ 44,124	$ 14,359	$ 8,693	100.00%
Percentage of total portfolio		65.7%	21.4%	12.9%	100.0%

	2017				
		Maturities (in Years)			
Investment Type	Carrying Value	Less than 1	1-3	More than 3	Percentage of Total Portfolio
Federal Home Loan Bank	$ 8,864	$ -	$ 4,918	$ 3,946	12.2%
Federal National Mortgage Association	6,952	2,000	4,952	-	9.6%
Municipal Bonds	5,825	-	3,538	2,287	8.0%
Supranationals	1,969	-	1,969	-	2.7%
United States Treasury Bonds	1,969	-	-	1,969	2.7%
State Local Investment Pool *	47,181	47,181	-	-	64.8%
Total investments	$ 72,760	$ 49,181	$ 15,377	$ 8,202	100.0%
Percentage of total portfolio		67.6%	21.1%	11.3%	100.0%

* Investments in Washington State Local Government Investment Pool. The investments in the pool are valued at the amortized cost of the pool shares.

See Note 10 for information regarding NWSA's fair value measurement of its investments.

Note 2. Deposits and Investments (Concluded)

The tables below identify the credit risk of the NWSA's Investment portfolio as of December 31, 2018 and 2017 (dollars in thousands):

	2018						
	Moody's Equivalent Credit Ratings						
Investment Type	Carrying Value	A1	Aa3	Aa2	Aa1	Aaa	No Rating
Federal Home Loan Bank	$ 11,398	$ -	$ -	$ -	$ -	$ 11,398	$ -
Federal National Mortgage Association	4,961	-	-	-	4,961	-	-
Municipal Bonds	7,711	-	2,165	1,984	3,562	-	-
Supranationals	6,949	-	-	-	-	6,949	-
United States Treasury Bonds	7,971	-	-	-	-	7,971	-
State Local Investment Pool *	28,186	-	-	-	-	-	28,186
Total	$ 67,176	$ -	$ 2,165	$ 1,984	$ 8,523	$ 26,318	$ 28,186

	2017						
	Moody's Equivalent Credit Ratings						
Investment Type	Carrying Value	A1	Aa3	Aa2	Aa1	Aaa	No Rating
Federal Home Loan Bank	$ 8,864	$ -	$ -	$ -	$ -	$ 8,864	$ -
Federal National Mortgage Association	6,952	-	-	-	-	6,952	-
Municipal Bonds	5,825	-	2,286	2,006	1,533	-	-
Supranationals	1,969	-	-	-	-	1,969	-
United States Treasury Bonds	1,969	-	-	-	-	1,969	-
State Local Investment Pool *	47,181	-	-	-	-	-	47,181
Total	$ 72,760	$ -	$ 2,286	$ 2,006	$ 1,533	$ 19,754	$ 47,181

* Investments in Washington State Local Government Investment Pool. The investments in the pool are valued at the amortized cost of the pool shares.

Note 3. Capital Assets

The following capital asset activity took place during 2018 and 2017 (dollars in thousands):

	2018				
	Beginning of Year	Additions	Transfers	Retirements and Other	End of Year
Capital assets not being depreciated:					
Construction in process	$ 129,564	$ 80,689	$ (164,304)	$ 4,254	$ 50,203
Total capital assets not being depreciated	129,564	80,689	(164,304)	4,254	50,203
Capital assets being depreciated:					
Buildings	4,991	-	6,646	-	11,637
Improvements	17,553	3,094	105,163	-	125,810
Machinery and equipment	2,832	277	52,495	-	55,604
Total capital assets being depreciated	25,376	3,371	164,304	-	193,051
Less accumulated depreciation:					
Buildings	(830)	(852)	-	(2)	(1,684)
Improvements	(1,105)	(3,314)	-	-	(4,419)
Machinery and equipment	(777)	(2,139)	-	-	(2,916)
Total accumulated depreciation	(2,712)	(6,305)	-	(2)	(9,019)
Net, capital assets being depreciated	22,664	(2,934)	164,304	(2)	184,032
Net, capital assets	$ 152,228	$ 77,755	$ -	$ 4,252	$ 234,235

Note 3. Capital Assets (Concluded)

	2017				
	Beginning of Year	Additions	Transfers	Retirements and Other	End of Year
Capital assets not being depreciated:					
Construction in process	$ 60,722	$ 68,920	$ (5,034)	$ 4,956	$ 129,564
Total capital assets not being depreciated	60,722	68,920	(5,034)	4,956	129,564
Capital assets being depreciated:					
Buildings	4,706	-	285	-	4,991
Improvements	14,322	-	3,231	-	17,553
Machinery and equipment	1,314	-	1,518	-	2,832
Total capital assets being depreciated	20,342	-	5,034	-	25,376
Less accumulated depreciation:					
Buildings	(156)	(674)	-	-	(830)
Improvements	(173)	(932)	-	-	(1,105)
Machinery and equipment	(203)	(574)	-	-	(777)
Total accumulated depreciation	(532)	(2,180)	-	-	(2,712)
Net, capital assets being depreciated	19,810	(2,180)	5,034	-	22,664
Net, capital assets	$ 80,532	$ 66,740	$ -	$ 4,956	$ 152,228

Note 4. Risk Management

The NWSA is exposed to various risks of loss related to torts; damage to, theft of, and destruction of assets or cargo; natural disasters; and employee injuries. To limit its exposure, the NWSA purchases a variety of insurance policies. For marine general liability, the NWSA purchases $150 million in coverage, subject to a $500,000 deductible. All risk property insurance is purchased by the home ports to include assets owned by the NWSA situated on home port land and the NWSA is listed as a named insured where its interest applies. For details concerning property insurance, please consult the notes to the year-end financial reports for the respective home ports.

The NWSA is self-insured for its regular medical coverage. The liability for unpaid medical claims is included in payroll and taxes payable on the accompanying statements of net position and is expected to be paid in 2019. Excess loss coverage has been purchased through an outside provider to limit individual loss to $110,000. Self-insured claim activity for December 31, 2018, 2017 and 2016, is as follows (dollars in thousands):

	2018	2017	2016
Claims liability, beginning of year	$ 121	$ 105	$ -
Claims reserve	1,308	748	735
Payments on claims	(1,072)	(732)	(630)
Claims liability, end of year	$ 357	$ 121	$ 105

The NWSA is self-insured for workers' compensation losses. These losses are subject to a $1.25 million self-insured retention as a Named Insured under the Port of Tacoma's excess workers' compensation policy. The estimated liability for workers' compensation is included in payroll and taxes payable on the accompanying statements of net position. At December 31, 2018, the estimated self-insurance liability for workers' compensation was $21,000 and this amount is expected to be paid in 2019. At December 31, 2017, the estimated self-insurance liability for workers' compensation was $22,000. The liability for unpaid claims represents the estimated future indemnity, medical, rehabilitation, and legal costs for all open claims.

Workers' compensation claim activity for December 31, 2018 and 2017, are as follows (dollars in thousands):

	2018	2017
Claims liability, beginning of year	$ 22	$ -
Claims incurred during the year	71	28
Changes in estimate for prior year claims	(8)	-
Payments on claims	(64)	(6)
Claims liability, end of year	$ 21	$ 22

Note 5. Lease Commitments

The NWSA leases land, office space and other equipment under operating leases that expire through 2023. Future minimum lease payments under non-cancellable operating leases are as follows (dollars in thousands):

Years ending December 31:		
2019	$	1,282
2020		1,061
2021		500
2022		500
2023		500
Total minimum payments required	$	3,843

Total rent expense under non-cancellable operating leases for the year ended December 31, 2018, was $1,227,000.

The NWSA, as a lessor (via licensing agreements with the home ports), leases land and facilities under terms of 1 to 42 years. In addition, some properties are rented on a month-to-month basis. Future minimum rents receivable under non-cancellable operating leases and subleases are as follows (dollars in thousands):

Years ending December 31:		
2019	$	105,491
2020		102,972
2021		99,443
2022		97,050
2023		97,225
Thereafter		1,059,055
Total minimum future rents	$	1,561,236

Licensed assets of the home ports and NWSA assets held for rental and leasing purposes for the year ended December 31, 2018, are as follows (dollars in thousands):

Land	$	659,302
Buildings, improvements and equipment, net		735,947
Total, net of accumulated depreciation	$	1,395,249

Note 6. Pension Plans

The NWSA's full-time and qualifying part-time employees participate in the cost-sharing, multiple-employer public employee defined benefit retirement plans (PERS) administered by the Washington State Department of Retirement Systems. On January 1, 2017, the NWSA established a separate account with DRS. Prior to January 1, 2017, the NWSA employees remained on the Port of Tacoma payroll and participated in PERS under the Port of Tacoma DRS account. The NWSA made all required contributions directly to DRS prior to 2017.

Note 6. Pensions (Continued)

Historical trend and other information regarding each plan are presented in the Washington State Department of Retirement Systems comprehensive annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
P. O. Box 48380
Olympia, WA 98504-8380
Internet Address: www.drs.wa.gov

Plan description and benefits: PERS was established in 1947, and its retirement benefit provisions are contained in Chapters 41.34 and 41.40 RCW. PERS is a cost-sharing, multiple-employer retirement system composed of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the Legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs (HERPs).

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although members can only be a member of either Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as the terms of the plans define. Therefore, Plan 2/3 is considered a single plan for accounting purposes.

As of June 30, 2018, 398 employers and 772 non-employer contributing entities were participating in PERS Plan 1. The plan is closed to new entrants. PERS 1 members were vested after the completion of five years of eligible service. PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are calculated using 2 percent of the member's Average Final Compensation (AFC) times the member's years of service. AFC is the average of the member's 24 consecutive highest-paid service credit months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Members retiring from inactive status before the age of 65 may also receive actuarially reduced benefits. Other benefits include duty and nonduty disability payments, an optional Cost-of-Living Adjustment (COLA), and a one-time, duty-related death benefit, if found eligible by the Washington State Department of Labor & Industries.

The PERS Plan 1 member contribution rate is established by statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18 percent.

Note 6. Pensions (Continued)

PERS Plan 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service or after five years of service if 12 months of that service are earned after age 44. PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits for Plan 2 are calculated using 2 percent of the member's AFC times the member's years of service. Retirement defined benefits for Plan 3 are calculated using 1 percent of AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. PERS Plan 2/3 has no cap on years of service credit.

Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments; a COLA based on the Consumer Price Index, capped at 3 percent annually; and a one-time, duty-related death benefit, if found eligible by the Washington State Department of Labor & Industries.

The PERS Plan 2/3 employer and employee contribution rates are developed by the OSA to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarial accrued liability and an administrative expense that is currently set at 0.18 percent.

PERS Plan 3 members are immediately vested in the defined contribution portion of their plan. PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate when joining membership and can change rates only when changing employers. As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5 percent and a maximum of 15 percent; members have six rate options to choose from. Employers do not contribute to the defined contribution benefits.

Contributions: The required contribution rates, expressed as a percentage of covered payrolls, as of December 31, 2018 and 2017, were:

	2018		
	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	12.83%	12.83%	12.83%
Employee	6.00%	7.41%	***

	2017		
	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	12.70%	12.70%	12.70%**
Employee	6.00%	7.38%	***

* The employer rates include the employer administrative expense fee of 0.18% for 2018 and 2017
** Plan 3 defined benefit portion only
*** Rate selected by PERS 3 members, 5% minimum to 15% maximum

Note 6. Pensions (Continued)

Both the NWSA and the employees made the required contributions. The NWSA's required contributions for the year ended December 31 is as follows (dollars in thousands):

	PERS Plan 1	PERS Plan 2/3	Total
Years ended December 31:			
2018	$ 309	$ 472	$ 781
2017	286	411	697

Pension liabilities, pension expense, and deferred inflows and outflows of resources related to pensions: At December 31, 2018 and 2017, the NWSA reported a liability of $3.1 million and $2.1 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The NWSA's proportion of the net pension liability was based on a projection of the NWSA's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. At June 30, 2018, the NWSA's proportionate share of net pension liability and the change in proportionate share from June 30, 2017, is presented in the following table (dollars in thousands):

	PERS 1	PERS 2/3	Total
NWSA's proportionate share of the net pension liability:			
2018	$ 2,052	$ 1,007	$ 3,059
2017	1,093	1,030	2,123

	PERS 1	PERS 2/3
NWSA's proportionate share of the net pension liability:		
2018	0.0459%	0.0590%
2017	0.0230%	0.0296%
Change in proportionate share	0.0229%	0.0294%

	PERS 1	PERS 2/3	Total
NWSA's net pension expense/(benefit):			
2018	$ 982	$ (308)	$ 674
2017	987	1,004	1,991

Note 6. Pensions (Continued)

For the year ended December 31, 2018 and 2017, deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources (dollars in thousands):

	2018		
	PERS 1	PERS 2/3	Total
Sources of deferred outflow of resources:			
Net difference between projected and actual earnings on pension plan investments (2)	$ -	$ -	$ -
Changes in assumptions (1)	-	12	12
Differences between expected and actual experience (1)	-	123	123
Changes in proportion and differences between NWSA contributions and proprtionate share of contributions (1)	-	1,111	1,111
NWSA contributions subsequent to measurement date	165	241	406
Total	$ 165	$ 1,487	$ 1,652
Sources of deferred inflow of resources:			
Net difference between projected and actual earnings on pension plan investments (2)	$ (82)	$ (618)	$ (700)
Changes in assumptions (1)	-	(287)	(287)
Differences between expected and actual experience (1)	-	(176)	(176)
Changes in proportion and differences between NWSA contributions and proportionate share of contributions (1)	-	(95)	(95)
Total	$ (82)	$ (1,176)	$ (1,258)

(1) The recognition period for each plan is equal to the average of the expected remaining service lives of all employees provided with pensions through the pension plan, which was determined at the beginning of the measurement date.
(2) The recognition period is closed, 5-year period for all plans.

Note 6. Pensions (Continued)

	2017		
	PERS 1	PERS 2/3	Total
Sources of deferred outflow of resources:			
Net difference between projected and actual earnings on pension plan investments (2)	$ -	$ -	$ -
Changes in assumptions (1)	-	11	11
Differences between expected and actual experience (1)	-	104	104
Changes in proportion and differences between NWSA contributions and proprtionate share of contributions (1)	-	-	-
NWSA contributions subsequent to measurement date	147	219	366
Total	$ 147	$ 334	$ 481
Sources of deferred inflow of resources:			
Net difference between projected and actual earnings on pension plan investments (2)	$ (41)	$ (274)	$ (315)
Changes in assumptions (1)	-	-	-
Differences between expected and actual experience (1)	-	(34)	(34)
Changes in proportion and differences between NWSA contributions and proportionate share of contributions (1)	-	-	-
Total	$ (41)	$ (308)	$ (349)

(1) The recognition period for each plan is equal to the average of the expected remaining service lives of all employees provided with pensions through the pension plan, which was determined at the beginning of the measurement date.
(2) The recognition period is closed, 5-year period for all plans.

As of December 31, 2018, deferred outflows of resources related to pensions resulting from NWSA's contributions subsequent to the measurement date were $406,000 and will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

	PERS 1	PERS 2/3	Total
Years ending December 31:			
2019	$ 4	$ 96	$ 100
2020	(18)	(9)	(27)
2021	(53)	(181)	(234)
2022	(15)	57	42
2023	-	145	145
Thereafter	-	(38)	(38)
Total	$ (82)	$ 70	$ (12)

Note 6. Pensions (Continued)

Actuarial assumptions: The 2018 pension liability (TPL) for each of the plans was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to June 30, 2018. Besides the discount rate, the actuarial assumptions used in the June 30, 2017, valuation were based on the results of the 2007-2012 Experience Study Report and the 2017 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

The 2017 pension liability (TPL) for each of the plans was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to June 30, 2017. Besides the discount rate, the actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' Comprehensive Annual Financial Report located on the DRS employer-resource GASB webpage. These assumptions reflect the results of OSA's 2007-2012 Experience Study and the 2017 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report are as follows:

Inflation: 2.75 percent total economic inflation; 3.50 percent salary inflation (2017: 3.0 percent for total economic inflation; 3.75 percent for salary inflation).

Salary increases: In addition to the base 3.50 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity (2017: salaries were expected to grow 3.75 percent).

Mortality rates: Rates were based on the *RP-2000* reports, "Combined Healthy Table" and "Combined Disabled Table", which the Society of Actuaries publishes. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetimes.

Long-term expected rate of return: For 2018, the OSA selected a 7.40 percent long-term expected rate of return on pension plan investments using a building-block method (2017: 7.5 percent long-term expected rate of return). In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA) and simulated expected investment returns the Workplace Safety & Insurance Board (WSIB) provided.

The CMAs contain three pieces of information for each class of assets WSIB currently invests in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

Note 6. Pensions (Continued)

Estimated rates of return by asset class: Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, is summarized in the table below.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed income	20%	1.70%
Tangible assets	7%	4.90%
Real estate	18%	5.80%
Global equity	32%	6.30%
Private equity	23%	9.30%
	100%	

The inflation component used to create the table is 2.20 percent and represents WSIB's most recent long-term estimate of broad economic inflation.

Discount rate: The discount rate used to measure the total 2018 pension liability was 7.40 percent for all plans (2017: 7.5 percent). To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members.

Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS Plans 2 and 3 employers, whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent (2017: 7.5 percent) was used as the discount rate to determine the total liability.

Note 6. Pensions (Concluded)

Sensitivity net pension liability to changes in the discount rate: The table below presents the net pension liability of employers, calculated using the discount rate of 7.40 percent as well as what employers' net pension liability would be if it were calculated using a discount rate 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate (dollars in thousands):

	Pension Trust	1% Decrease	Discount Rate	1% Increase
December 31, 2018:				
Discount rate		6.40%	7.40%	8.40%
Proportionate share of net pension liability	PERS 1	$ 2,521	$ 2,052	$ 1,645
Proportionate share of net pension liability/(asset)	PERS 2/3	4,606	1,007	(1,944)

	Pension Trust	1% Decrease	Discount Rate	1% Increase
December 31, 2017:				
Discount rate		6.50%	7.50%	8.50%
Proportionate share of net pension liability	PERS 1	$ 1,332	$ 1,093	$ 887
Proportionate share of net pension liability/(asset)	PERS 2/3	2,774	1,030	(400)

Detailed information about the pension plan's fiduciary net position is available in the separately issued DRS financial reports. Additional actuarial and pension plan information is included in the DRS 2017 Comprehensive Annual Financial Report (CAFR), including descriptions of actuarial data, assumptions, methods, and plan provisions relied on for the preparation of GASB 67 and GASB 68. Additional details regarding this information is included in OSA's 2017 Actuarial Valuation Report on the OSA website.

Note 7. Commitments and Contingencies

Commitments: The NWSA has entered into separate contractual agreements for terminal maintenance, infrastructure improvements, environmental projects, and professional services. At December 31, 2018, the remaining commitments on these agreements amounted to $41.4 million.

Description	Remaining Commitments (Thousands)
Terminal projects	$ 39,800
Environmental	305
Other (including professional services)	1,315
	$ 41,420

During NWSA's start-up period, the Port of Tacoma and the Port of Seattle, acting as agents for the NWSA per support services agreements, issued contracts on behalf of the NWSA. The remaining commitments on these contracts totaled $6,411,000 at December 31, 2018, of which $448,000 are related to contracts issued by the Port of Tacoma and $5,963,000 are related to contracts issued by the Port of Seattle. Both ports will be reimbursed by the NWSA.

The NWSA agreed to purchase support services from both home ports during NWSA's startup and transition period. See Note 9, Related-Party Transactions, for additional information.

Note 7. Commitments and Contingencies (Concluded)

Contingencies: The NWSA is named as a defendant in various lawsuits incidental to carrying out its function. The NWSA believes its ultimate liability, if any, will not be material to the financial statements.

Note 8. Major Customers

Operating revenues for the year ended December 31, 2018, of $192.6 million included $139.0 million, or 72 percent, of operating revenue from ten customers. The top three customers accounted for 55 percent of operating revenues from the top ten customers, and 40 percent of total operating revenues. Receivables from the ten significant customers totaled $6.7 million, or 46 percent, of total trade receivables at December 31, 2018.

Operating revenues for the year ended December 31, 2017, of $195.0 million included $135.2 million, or 69 percent, of operating revenue from ten customers. The top three customers accounted for 56 percent of operating revenues from the top ten customers, and 39 percent of the total operating revenues. Receivables from the ten significant customers totaled $4.8 million, or 27 percent, of total trade receivables at December 31, 2017.

Note 9. Related-Party Transactions

As more fully described in the MD&A, Note 1, Summary of Significant Accounting Policies, and Note 7, Commitments and Contingencies, the NWSA entered into licensing agreements with each home port for the exclusive use, operation and management of certain facilities or Licensed Properties. These licensing agreements generated 100 percent of NWSA revenues in 2018 and 2017.

Support services agreements: The NWSA entered into support services agreements with the home ports to receive support services during NWSA's start-up and transition period as the NWSA works to set up its back office infrastructure and staff positions. The support services received by the NWSA include finance, human resources, information technology, public affairs, risk management, capital construction and environmental project management and contracting, equipment and facilities maintenance, security, and office infrastructure. Support services charged to the NWSA from the home ports totaled $38.2 million and $38.8 million in 2018 and 2017, respectively. The expenses are included in operating expenses on the accompanying statements of revenues, expenses and changes in net position.

The NWSA entered into support services agreements with the Port of Tacoma to provide the Port of Tacoma executive management, commercial, environmental and planning support services. Support services provided to the Port of Tacoma by NWSA amounted to $1.4 million in 2018 and 2017. The amount of operating expenses on the accompanying statements of revenues, expenses and changes in net position are net of the charges to the Port of Tacoma. The NWSA did not enter into agreements to provide support services to the Port of Seattle.

Related-party receivable and payable: The NWSA generally repays the home ports for support services and operating costs incurred as agents for the NWSA, in the following month, after the amount due is determined. At December 31, 2018 and 2017, $1.2 million and $11.3 million, respectively, were payable to the home ports and are presented on the statements of net position as related-party payable - Managing Members.

The NWSA distributes cash flow from operations, calculated pursuant to GAAP to the home ports. Distributions have generally been made in the following month, after the amount due is determined. At December 31, 2018 and 2017, $7.6 million and $10.1 million, respectively, were payable to the home ports and are presented on the statements of net position as related-party payable - Managing Members.

Note 9. Related-Party Transactions (Concluded)

The home ports generally fund capital contribution requirements in the following month, after the amount due is determined. During 2018 and 2017, home ports contributed $83.3 million and $69.1 million, respectively, of funding for capital construction projects in accordance with the capital investment plan approved by the Managing Members. At December 31, 2018 and 2017, $10.7 million and $9.0 million, respectively, were receivable from the home ports and are presented on the statements of net position as related-party receivable - Managing Members.

The Managing Members also serve as commissioners for their respective home ports. Additionally, the NWSA CEO also serves as the CEO of the Port of Tacoma. The CEO will serve in dual roles until a Port of Tacoma CEO is hired in 2019.

Note 10. Fair Value Measurements

The NWSA's assets that are measured and reported on a fair value basis are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the NWSA performs a detailed analysis of the assets and liabilities that are subject to the guidance. The NWSA's fair value measurements are evaluated by an independent third-party vendor. The third-party vendor uses a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. Level 1 inputs are quoted prices in active markets for identical assets assessed at the measurement date. An active market for the asset is a principal market in which transactions for the asset are open to many and occur with sufficient frequency and volume. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there isn't sufficient activity, and/or where price quotations vary substantially either over time or among market makers (some brokered markets, for example), or in which little information is released publicly. The NWSA does not have any Level 3 assets or liabilities at December 31, 2018 and 2017.

Note 10. Fair Value Measurements (Concluded)

The tables below present the balances of assets measured at fair value by level within the hierarchy at December 31, 2018 and 2017 (dollars in thousands):

	Fair Value of Investments as of December 31, 2018		
	Level 1	Level 2	Total
Investments:			
Federal Home Loan Bank	$ -	$ 11,398	$ 11,398
Federal National Mortgage Association	-	4,961	4,961
Municipal Bonds	2,165	5,546	7,711
Supranational Bonds	-	6,949	6,949
United States Treasury Bonds	7,971	-	7,971
Total investments	$ 10,136	$ 28,854	$ 38,990

	Fair Value of Investments as of December 31, 2017		
	Level 1	Level 2	Total
Investments:			
Federal Home Loan Bank	$ -	$ 8,864	$ 8,864
Federal National Mortgage Association	2,000	4,952	6,952
Municipal Bonds	2,286	3,539	5,825
Supranational Bonds	-	1,969	1,969
United States Treasury Bonds	1,969	-	1,969
Total investments	$ 6,255	$ 19,324	$ 25,579

Note 11. Subsequent Events

On April 2, 2019, the Managing Members and the Port of Seattle commission authorized the completion of the one-time Membership Interest Affirmation of 50/50 for each home port in satisfaction of the NWSA Charter. In lieu of completing the required reevaluation of Membership Interest, the Port of Seattle agreed to pay up to $32 million additional contribution to the NWSA. This additional contribution was in recognition that certain forecasted revenue streams not secured by long-term contractual agreements in the initial valuation may not be achieved without the redevelopment of Terminal 5. This additional contribution with be made to the NWSA in three installments. The first two installments of $11 million each will be made on or around March 31, 2020 and 2021, respectively. The final installment will be made in 2024 and may be adjusted if the actual redevelopment costs are less than the program authorization. The Managing Members also authorized the distribution of these affirmation payments to the home ports equally after the NWSA receives the funds from the Port of Seattle.

The Northwest Seaport Alliance

Required Supplementary Information

Schedule of The Northwest Seaport Alliance's Share of Net Pension Asset/Liability (NPA/NPL)
December 31, 2018 and 2017
(Dollars in Thousands)

	2018	2017
PERS Plan 1		
NWSA's proportion of NPL	0.0459%	0.0230%
NWSA's proportionate share of NPL	$ 2,052	$ 1,093
NWSA's covered-employee payroll	$ -	$ -
NWSA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	NA	NA
Plan fiduciary net pension position as a percentage of the total pension liability	63.22%	61.24%
Contractually required contribution	$ 309	$ 286
Contributions in relation to the contractually required contribution	(326)	(286)
Contribution excess	(17)	$ -
NWSA's covered-employee payroll	$ -	$ -
Contributions as a percentage of covered-employee payroll	0%	0%
PERS Plan 2/3		
NWSA's proportion of NPL	0.0590%	0.0296%
NWSA's proportionate share of NPL	$ 1,007	$ 1,030
NWSA's covered-employee payroll	$ 6,151	$ 5,844
NWSA's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	16.4%	17.6%
Plan fiduciary net pension position as a percentage of the total pension liability	95.8%	91.0%
Contractually required contribution	$ 472	$ 411
Contributions in relation to the contractually required contribution	(495)	(411)
Contribution excess	$ (23)	$ -
NWSA's covered-employee payroll	$ 6,440	$ 5,844
Contributions as a percentage of covered-employee payroll	7.7%	7.0%

(1) Information presented prospectively beginning with December 31, 2017, prior year reported with Port of Tacoma.

Notes to required supplementary information

See Note 6 of the financial statements for additional information on the plan.

APPENDIX C

REPORT OF THE INDEPENDENT CONSULTANT

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July 12, 2019 APPENDIX C

Report of the Independent Consultant

Seattle-Tacoma International Airport

Port of Seattle Intermediate Lien Revenue Bonds, Series 2019 (AMT)

Prepared for:

Port of Seattle

Prepared by:

RICONDO
20 North Clark Street, Suite 1500
Chicago, IL 60602
312-606-0611

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RICONDO®

July 12, 2019

Mr. Dan Thomas
Chief Financial Officer
Port of Seattle
Pier 69-2711 Alaskan Way
Seattle, Washington 98121

RE: Port of Seattle Intermediate Lien Revenue Bonds, Series 2019

Dear Mr. Thomas:

Ricondo & Associates, Inc. (Ricondo) is pleased to present this Report of the Airport Consultant (Report) for inclusion as Appendix C in the Official Statement for issuance by the Port of Seattle (the Port) of Intermediate Lien Revenue Bonds, Series 2019 (the 2019 Bonds), to be issued pursuant to the Port's Intermediate Lien Master Resolution and Intermediate Lien Series Resolution (together, the Intermediate Lien Resolution).

The 2019 Bonds will be secured under the Intermediate Lien Resolution by a lien on and pledge of Available Intermediate Lien Revenues, as further described in the attached report.

The Port will use the proceeds from the sale of the 2019 Bonds, together with other available funds, to fund projects in the Airport Capital Program, as well as to fund certain other costs, including capitalized interest, a reserve account deposit and the costs of issuance of the 2019 Bonds.

Unless otherwise defined herein, all capitalized terms in this Report are used as defined in the Official Statement for the 2019 Bonds and/or the Intermediate Lien Resolution.

In addition to the 2019 Bonds, the financial analysis presented in Chapter 5 of this Report includes the assumed issuance of additional future bonds to fund the 2019-2024 Capital Program described herein.

This Report presents the information, review, and analysis assembled by and undertaken by Ricondo to demonstrate the ability of the Port to comply with the requirements of the Rate Covenant of the Intermediate Lien Resolution for the period from 2019 through 2024 (the period consistent with the Certificate Period as defined in the Intermediate Lien Resolution and as relevant to the projects to be funded with the 2019 Bonds) based on the assumptions regarding the planned issuance of the 2019 Bonds established by the Port through consultation with its financial advisors, underwriters, and the financing team. In preparing the Report, Ricondo has reviewed historical trends and has reviewed the forecasts prepared by the Port in connection with the ability of the Air Trade Area (as defined herein) to generate demand for airline service at the Airport, the amount of airline service and passenger activity at the Airport, and the generation of Available Intermediate Lien Revenues by the Port.

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The Report is organized as follows:

- Summary of Findings
- Chapter 1: The 2019 Bonds
- Chapter 2: The Airport Facilities and Capital Program
- Chapter 3: Demographic and Economic Analysis
- Chapter 4: Air Traffic
- Chapter 5: Financial Analysis

The Port generates revenue from two main categories of business: (1) Seattle-Tacoma International Airport (the Airport) and (2) various maritime facilities and real estate properties (the Non-Airport Businesses). The Port has provided financial forecasts for both the Airport and Non-Airport Businesses for purposes of presenting consolidated financial results and debt service coverage.

Ricondo has conducted independent analysis of historical Airport activity and Airport financial results, and the Port's forecast of future Airport activity and Airport financial results. For Non-Airport Businesses, Ricondo has relied on the Port's financial forecast, without conducting independent analysis. The information presented in the Report is focused on the Airport. Information regarding Non-Airport Businesses is presented in the Official Statement, which Ricondo has reviewed but not verified. Ricondo has also reviewed the Port's forecast of consolidated financial results in order to determine that, on a forecast basis, the Port's forecast demonstrates the ability to comply with the Rate Covenant of the Intermediate Lien Resolution.

On the basis of the results presented in this Report, Ricondo is of the opinion that the Available Intermediate Lien Revenues generated each year from 2019 to 2024 are expected to be sufficient to comply with the Rate Covenant established in the Intermediate Lien Resolution. Although summary information is provided, a complete understanding of the justification for the conclusions cannot be attained without reading the Report in its entirety.

Ricondo has separately provided a Certificate for the Port, demonstrating that the Port is in compliance with Section 5 of the Intermediate Lien Resolution, related to the requirements for the issuance of additional parity bonds.

Founded in 1989, Ricondo is a full-service aviation consulting firm providing airport physical and financial planning services to airport owners and operators, airlines, and federal and state agencies. Ricondo has prepared Reports of the Airport Consultant in support of over $32 billion of airport-related revenue bonds since 1996. Ricondo is not registered as a municipal advisor under Section 15B of the Securities Exchange Act of 1934. Ricondo is not acting as a municipal advisor and has not been engaged by the Port to provide advice with respect to the structure, timing, terms, or other similar matters concerning the issuance of municipal securities. The assumptions regarding such matters included in this Report were provided by the

Port or the Port's financial advisors or underwriters or, with the Port's approval, were derived from general, publicly available data approved by the Port. Ricondo owes no fiduciary duty to the Port. The Port should discuss the information and analysis contained in this Report with internal and external advisors and experts that the Port deems appropriate before taking any action. Any opinions, assumptions, views, or information contained herein are not intended to be, and do not constitute, "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934.

The techniques and methodologies used by Ricondo in preparing this Report are consistent with industry practices for similar studies in connection with airport revenue bond sales. While Ricondo believes the approach and assumptions used in this Report are reasonable, some assumptions regarding future trends and events detailed in this Report, including the implementation schedule and the forecasts of passenger activity and financial performance, may not materialize. Therefore, actual performance will likely differ from the forecasts set forth in this Report, and the variations may be material. In developing its analysis, Ricondo used information from various sources, including the Port, the underwriters, the financial advisors, federal and local governmental agencies, and independent private providers of economic and aviation industry data, as identified in the notes accompanying the related tables and exhibits in this Report. Ricondo believes these sources to be reliable but has not audited the data and does not warrant their accuracy. The analysis presented is based on conditions known as of the date of this letter. Ricondo has no obligation to update this Report on an ongoing basis.

Sincerely,

Ricondo & Associates, Inc.

RICONDO & ASSOCIATES, INC.

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SUMMARY OF FINDINGS

The Port of Seattle (the Port) engaged Ricondo & Associates, Inc. (Ricondo) to prepare this Report of the Independent Consultant (the Report) to provide an independent assessment of the issuance of Intermediate Lien Revenue Bonds, Series 2019 (the 2019 Bonds) as Intermediate Lien Parity Bonds and the ability of the Port to meet the Rate Covenant in the Intermediate Lien Resolution.

On the basis of the analyses set forth in this Report, Ricondo is of the opinion that the Revenues generated each year from 2019 through 2024 (FY ending December) are expected to be sufficient to comply with the Rate Covenant in the Intermediate Lien Resolution.

The following sections summarize the assumptions, projections, and findings based on, or developed, in order to review the financial projections prepared by the Port. Ricondo has concluded that the Port's financial forecasts are reasonable for purposes of demonstrating the ability to comply with the Rate Covenant in the Intermediate Lien Resolution. Additional detail is included in Chapters 1 through 5 of this Report. The Report should be read in its entirety.

2019 BONDS

The Port will use the proceeds from the sale of the 2019 Bonds, together with other available funds, to:

(i) fund portions of the Airport Capital Program
(ii) fund the Intermediate Lien Reserve Account requirements for the 2019 Bonds
(iii) fund capitalized interest on the 2019 Bonds
(iv) pay costs related to the issuance of the 2019 Bonds

Table S-1 presents the estimated uses of the proceeds of the 2019 Bonds, based on information available as of the date of this Report. These preliminary estimates, presented for illustrative purposes, are consistent with the Port's forecast of annual debt service on the 2019 Bonds reflected in the financial analysis herein. The estimates are subject to change with final pricing of the 2019 Bonds, but based on input from the Port and the Port's financial advisor, it is not expected that any such changes will represent material changes from the annual debt service forecast by the Port and presented in this Report, in relation to the overall financial forecasts and associated conclusions.

Additional information on the 2019 Bonds is provided in Chapter 1 of this Report.

TABLE S-1 2019 BONDS SOURCES AND USES

	2019 BONDS TOTAL
Sources	
Par Amount of Bonds	$456,360,000
Net Original Issue Premium	91,457,575
Total Sources of Funds at Closing	**$547,817,575**
Uses	
Construction Fund Deposit	$480,200,000
Capitalized Interest Deposit	44,085,033
Reserve Account Deposit	21,667,560
Underwriters' Discount and Cost of Issuance	1,864,981
Total Uses of Funds at Closing	**$547,817,575**

NOTE: Totals may not add due to rounding.
SOURCE: Piper Jaffray & Co., July 10, 2019.

THE AIRPORT FACILITIES AND CAPITAL PROGRAM

Seattle-Tacoma International Airport (SEA or the Airport) is the largest commercial-service airport serving Seattle and the surrounding region. The Airport occupies approximately 2,500 acres of land 12 miles south of downtown Seattle. Its primary facilities consist of the airfield, terminal area, rental car facility, air cargo areas, maintenance/support areas, and surface access/parking areas. The airfield can accommodate large commercial aircraft flying to long-range international destinations. The main terminal and associated concourses, including two satellite concourses, have a total of 87 gates, as well as facilities to process international passengers. An eight-level parking garage has approximately 13,000 parking spaces.

The Port Capital Program for the period 2019 to 2024 includes both Airport and non-Airport projects, totaling approximately $4.1 billion. The estimated cost of the 2019-2024 Airport Capital Program (Airport-related projects only) totals approximately $3.3 billion. The Port has proposed to use approximately $480.2 million in proceeds from the 2019 Bonds to partially fund the following ongoing development projects at the Airport:

- North Satellite Modernization
- International Arrivals Facility
- Baggage Handling System Optimization
- Concourses B, C, and D Restroom Upgrades
- North Terminals Utilities Upgrades
- South Satellite Infrastructure HVAC

While all of the projects to be funded with the 2019 Bond proceeds will be at the Airport, construction schedules and priorities may need to be realigned. Accordingly, the projects to be funded and the amount of funding from the 2019 Bond proceeds may be adjusted. The Port does, however, anticipate that there are sufficient capital requirements to be met with the 2019 Bond proceeds.

A variety of funding sources are projected to be used to fund the Airport Capital Program, including the 2019 Bonds, future bonds, existing bond proceeds, Port funds, Passenger Facility Charge (PFC) and Customer Facility Charge (CFC) revenues, and federal grants.

Additional information regarding current Airport facilities and the Airport Capital Program is provided in Chapter 2 of this Report.

DEMOGRAPHIC AND ECONOMIC ANALYSIS

The demand for air transportation is, to a large degree, dependent upon the demographic and economic characteristics of an airport's air trade area.[1] This relationship is particularly true for origin and destination (O&D) passenger traffic, which has represented about 70 percent of demand at the Airport in recent years. Therefore, demand for airline travel at the Airport is influenced by the local characteristics of the area served, along with individual airline decisions regarding service in support of connecting activity.

[1] The geographical area served by an airport is commonly referred to as an airport's air trade area. For purposes of this Report, the Airport's Air Trade Area consists of the Seattle-Tacoma Combined Statistical Area (CSA). For more information, see Section 3.1 of this Report.

The Airport's Air Trade Area (ATA) has a large, diverse economic base that supports business and leisure travel. Projected economic variables indicate the ATA will remain a destination that attracts both business and tourist visitors, positively affecting the demand for future inbound airline travel. Projected ATA economic variables further support the continued growth of local outbound passengers.

Table S-2 presents selected 2018 and 2028 economic figures for the ATA and for the United States. Additional information on the demographic and economic characteristics of the ATA is provided in Chapter 3 of this Report.

TABLE S-2 PROJECTED SELECT ECONOMIC VARIABLES (2018–2028)

VARIABLE	2018	2028	CAGR 2018–2028
Air Trade Area Population	4,806,308	5,476,487	1.3%
Washington State Population	7,472,096	8,487,429	1.3%
United States Population	328,910,940	360,689,467	0.9%
Air Trade Area Per Capita Personal Income	$57,148	$62,413	0.9%
Washington State Per Capita Personal Income	$50,949	$56,108	1.0%
United States Per Capita Personal Income	$46,097	$51,873	1.2%
Air Trade Area Per Capita Gross Regional Product	$73,466	$78,182	0.6%
Washington State Per Capita Gross Regional Product	$61,110	$65,157	0.6%
United States Per Capita Gross Domestic Product	$53,519	$58,288	0.9%

NOTES:
Dollar amounts are in 2009 dollars.
CAGR – Compound Annual Growth Rate
SOURCE: Woods & Poole Economics, Inc., *Complete Economic and Demographic Data Source (CEDDS)*, April 2018.

AIR TRAFFIC

Seattle's location in the Pacific Northwest and its large and growing local O&D market make the Airport a natural gateway to the Asia-Pacific region, as well as an attractive location for airline hubbing operations. Two major airlines, Alaska Airlines and Delta Air Lines, operate large connecting hubs at the Airport. The expansion of both airline hubs has driven growth in enplaned passengers at a 7.5 percent compound annual growth rate between 2013 and 2018, exceeding the US national average of 3.8 percent during the same period.[2]

The Port's forecasts of aviation demand (i.e., enplaned passengers, aircraft operations, and landed weight) were developed considering the following:

- historical activity, including passenger volume and revenue trends at the Airport and across the industry
- recent trends and projections of local and national socioeconomic factors
- anticipated use of the Airport by Alaska Airlines, Delta Air Lines, and other airlines

Passenger activity is forecast by the Port to grow at a compound annual growth rate of 1.6 percent from the base year of 2018 through the end of 2028.

[2] SEA enplaned passenger growth represents the fiscal year ending December; the US national average growth rate is based on the US Department of Transportation T-100 database and represents the year ending September.

Additional information on air traffic is provided in Chapter 4 of this Report. **Table S-3** summarizes historical and forecast enplaned passengers at the Airport through 2028.

TABLE S-3 HISTORICAL AND FORECAST ENPLANED PASSENGERS

	DOMESTIC		INTERNATIONAL		TOTAL	
YEAR	ENPLANED PASSENGERS	ANNUAL GROWTH	ENPLANED PASSENGERS	ANNUAL GROWTH	ENPLANED PASSENGERS	ANNUAL GROWTH
Historical						
2009	14,296,186		1,314,012		15,610,198	
2010	14,363,581	0.5%	1,409,767	7.3%	15,773,348	1.0%
2011	14,913,831	3.8%	1,483,657	5.2%	16,397,488	4.0%
2012	14,982,946	0.5%	1,614,378	8.8%	16,597,324	1.2%
2013	15,604,129	4.1%	1,772,187	9.8%	17,376,316	4.7%
2014	16,824,379	7.8%	1,892,399	6.8%	18,716,778	7.7%
2015	18,944,106	12.6%	2,164,650	14.4%	21,108,756	12.8%
2016	20,385,030	7.6%	2,411,088	11.4%	22,796,118	8.0%
2017	20,861,988	2.3%	2,553,594	5.9%	23,415,582	2.7%
2018	22,200,368	6.4%	2,693,970	5.5%	24,894,338	6.3%
Forecast						
2019	23,062,493	3.9%	2,827,619	5.0%	25,890,112	4.0%
2020	23,727,701	2.9%	2,939,114	3.9%	26,666,815	3.0%
2021	23,964,890	1.0%	2,998,798	2.0%	26,963,688	1.1%
2022	24,204,420	1.0%	3,059,447	2.0%	27,263,867	1.1%
2023	24,446,313	1.0%	3,121,074	2.0%	27,567,387	1.1%
2024	24,690,592	1.0%	3,183,694	2.0%	27,874,287	1.1%
2025	24,937,281	1.0%	3,247,322	2.0%	28,184,603	1.1%
2026	25,186,401	1.0%	3,311,972	2.0%	28,498,373	1.1%
2027	25,437,978	1.0%	3,377,659	2.0%	28,815,637	1.1%
2028	25,692,035	1.0%	3,444,398	2.0%	29,136,433	1.1%
Compound Annual Growth Rate						
2009 – 2013	2.2%		7.8%		2.7%	
2013 – 2018	7.3%		8.7%		7.5%	
2009 – 2018	5.0%		8.3%		5.3%	
2018 – 2028	1.5%		2.5%		1.6%	

SOURCE: Port of Seattle, May 2019.

FINANCIAL ANALYSIS

Chapter 5 of this Report presents the Port's financial framework, and describes the cost and other financial implications of the issuance of the 2019 Bonds and the future bonds necessary to complete the funding of the Port's Airport Capital Program anticipated from 2019 through 2024. The chapter further describes the revenues, Operating Expenses, Debt Service, Application of Revenues, and Debt Service Coverage as they relate to the Intermediate Lien Resolution requirements.

Table S-4 presents the forecast Debt Service coverage ratio for the Intermediate Lien Revenue Bonds from 2019 through 2024.

As shown in Table S-4, the Intermediate Lien Debt Service coverage ratio is projected to meet the Rate Covenant in the Intermediate Lien Master Resolution in each year from 2019 through 2024.

The Official Statement provides a summary of the terms of the Intermediate Lien Master Resolution, including the Rate Covenant.

Ricondo has separately prepared a Certificate for the Port which demonstrates that the Port has met the requirements for the issuance of additional Intermediate Lien Parity Bonds.

TABLE S-4 DEBT SERVICE COVERAGE

(Dollars in Thousands for Fiscal Years Ending December 31)

	FORECAST					
	2019	2020	2021	2022	2023	2024
Gross Revenue						
Operating Revenues	$ 767,182,045	$ 812,317,429	$ 906,583,336	$ 971,175,261	$ 1,006,160,333	$ 1,051,092,232
Excess CFC Revenue	(4,309,035)	(3,693,409)	(2,500,993)	(2,172,855)	(2,135,671)	(2,009,565)
SWU Net Revenue Not Available to Pay Debt Service	(636,046)	(904,858)	(1,204,378)	(1,537,472)	(1,907,253)	(2,062,963)
	$ 762,236,964	**$ 807,719,162**	**$ 902,877,964**	**$ 967,464,934**	**$ 1,002,117,409**	**$ 1,047,019,704**
Application of Gross Revenue						
Operating Expenses	$ 459,281,014	$ 469,015,290	$ 495,407,567	$ 516,396,701	$ 538,100,533	$ 559,478,110
Net Non-Operating (Revenues) and Expenses	1,678,874	371,248	5,675,089	9,702,085	25,660,460	25,083,349
Tax Levy Adjustment	(30,712,883)	(19,251,080)	(19,719,411)	(21,222,462)	(23,642,336)	(34,991,861)
	$ 430,247,006	**$ 450,135,458**	**$ 481,363,245**	**$ 504,876,324**	**$ 540,118,656**	**$ 549,569,598**
Net Revenues Available for Debt Service	**$ 331,989,958**	**$ 357,583,704**	**$ 421,514,719**	**$ 462,588,610**	**$ 461,998,753**	**$ 497,450,106**
Revenue Bond Debt Service [1]						
First Lien Debt Service	$ 44,752,389	$ 37,549,711	$ 38,418,819	$ 25,024,466	$ 30,381,944	$ 31,568,646
Net Revenue Available for Intermediate Lien Debt Service	$ 287,237,569	$ 320,033,994	$ 383,095,900	$ 437,564,144	$ 431,616,809	$ 465,881,461
Prior Lien debt service offset paid by CFC Revenue	7,566,000	-	-	-	-	-
Available Intermediate Lien Revenues as First Adjusted	294,803,569	320,033,994	383,095,900	437,564,144	431,616,809	465,881,461
Debt Service on Intermediate Lien Bonds	$ 207,189,259	$ 240,106,571	$ 293,018,306	$ 330,585,886	$ 345,467,117	$ 361,562,112
Less: Debt Service Offsets Paid From						
PFC Revenues [2]	(27,040,000)	(56,467,997)	(57,265,385)	(58,066,431)	(73,896,036)	(74,718,698)
CFC Revenues	(15,806,554)	(23,609,133)	(23,848,753)	(24,091,566)	(24,340,104)	(24,585,326)
Capitalized Interest Funds	(37,641,710)	(7,463,069)	-	-	-	-
Intermediate Lien Debt Service Net of Debt Service Offsets	$ 126,700,995	$ 152,566,371	$ 211,904,168	$ 248,427,889	$ 247,230,976	$ 262,258,088
Coverage on Intermediate Lien Bonds	**2.33**	**2.10**	**1.81**	**1.76**	**1.75**	**1.78**

NOTES:

1 Represents outstanding and Future Bonds, including the Series 2019 Bonds.

2 Assumes 80 percent of the debt service offsets paid from PFC Revenues are applied to Intermediate Lien bonds debt service.

SOURCE: Port of Seattle, May 2019.

1. THE 2019 BONDS

1.1 THE 2019 BONDS

The 2019 Bonds will be issued by the Port of Seattle (the Port) pursuant to the Intermediate Lien Master Resolution (No. 3540) and the 2019 Bonds Intermediate Lien Series Resolution (No. 3758), and together, referred to herein as the Intermediate Lien Resolution.

The Port issues bonds under different lien arrangements in the following order of security and revenue priority: (1) First Lien Bonds, (2) a reserved lien for future bonds, (3) Intermediate Lien Bonds, (4) Second Reserved Lien Bonds, and (5) Subordinate Lien Bonds. The Intermediate Lien Bonds, including the 2019 Bonds, are secured by net revenues after the payment of Operating Expenses not paid from other sources and debt service on First Lien Bonds and any future reserved lien bonds, as further described in this section. The Official Statement for the 2019 Bonds provides information on the outstanding debt at each of these lien levels.

Unless otherwise defined herein, all capitalized terms in this Report of the Independent Consultant (Report) are used as defined in the Official Statement for the 2019 Bonds and/or the Intermediate Lien Resolution.

The Port will use the proceeds from the sale of the 2019 Bonds, together with other available funds, to:

(i) fund portions of the Airport Capital Program, as herein defined
(ii) fund the Intermediate Lien Reserve Account requirements for the 2019 Bonds
(iii) fund capitalized interest on the 2019 Bonds
(iv) pay costs related to the issuance of the 2019 Bonds

Table 1-1 presents the estimated uses of the proceeds of the 2019 Bonds, based on information available as of the date of this Report. These preliminary estimates, presented for illustrative purposes, are consistent with the Port's forecast of annual debt service on the 2019 Bonds reflected in the financial analysis herein. The estimates are subject to change with final pricing of 2019 Bonds, but based on input from the Port and the Port's financial advisor, it is not expected that any such changes will represent material changes from the annual debt service forecast by the Port and presented in this Report, in relation to the overall financial forecasts and associated conclusions.

TABLE 1-1 2019 BONDS SOURCES AND USES

	2019 BONDS TOTAL
Sources	
Par Amount of Bonds	$456,360,000
Net Original Issue Premium	91,457,575
Total Sources of Funds at Closing	**$547,817,575**
Uses	
Construction Fund Deposit	$480,200,000
Capitalized Interest Deposit	44,085,033
Reserve Account Deposit	21,667,560
Underwriters' Discount and Cost of Issuance	1,864,981
Total Uses of Funds at Closing	**$547,817,575**

NOTE: Totals may not add due to rounding.
SOURCE: Piper Jaffray & Co., July 10, 2019.

1.2 INTERMEDIATE LIEN RESOLUTION

1.2.1 SECURITY FOR THE 2019 BONDS

Pursuant to the terms of the Intermediate Lien Resolution, the 2019 Bonds will be secured by a pledge of the Port's Gross Revenue that is junior to the Port's First Lien Bonds, on a parity with other Intermediate Lien Bonds, and senior to the Port's Subordinate Lien Bonds and other subordinate lien obligations. Gross Revenue is defined in the Intermediate Lien Resolution. In general, Gross Revenue includes revenues earned by the Port, less certain exclusions such as Passenger Facility Charge (PFC) revenue.

1.2.2 RATE COVENANT

The Rate Covenant of the Intermediate Lien Resolution requires the Port to generate revenue sufficient to produce:

1. Available Intermediate Lien Revenues as First Adjusted at least equal to 110 percent of the amount due
2. Available Intermediate Lien Revenues as Second Adjusted at least equal to 125 percent of the amount due

The term Available Intermediate Lien Revenues is defined in the Intermediate Lien Resolution and described in the Official Statement for the 2019 Bonds, summarized as follows: Gross Revenue of the Port after providing for payments of Operating Expenses, First Lien Bonds debt service, First Lien Bonds reserve requirements, and any other payment prior to the Intermediate Lien.

The term Available Intermediate Lien Revenues as First Adjusted is defined in the Intermediate Lien Resolution. In general, Available Intermediate Lien Revenues as First Adjusted is Available Intermediate Lien Revenues increased by Prior Lien Debt Service Offsets and subject to certain further adjustments. The term Available Intermediate Lien Revenues as Second Adjusted is defined in the Intermediate Lien Resolution. In general, Available Intermediate Lien Revenues as Second Adjusted is Available Intermediate Lien Revenues as First Adjusted plus the Available Coverage Amount. These defined terms, and the specific adjustment amounts, are reflected in the financial forecasts presented in this Report. The Intermediate Lien Resolution and the Official Statement for the 2019 Bonds have additional detail regarding the various definitions of revenues used in the Rate Covenant.

1.2.3 FLOW OF FUNDS

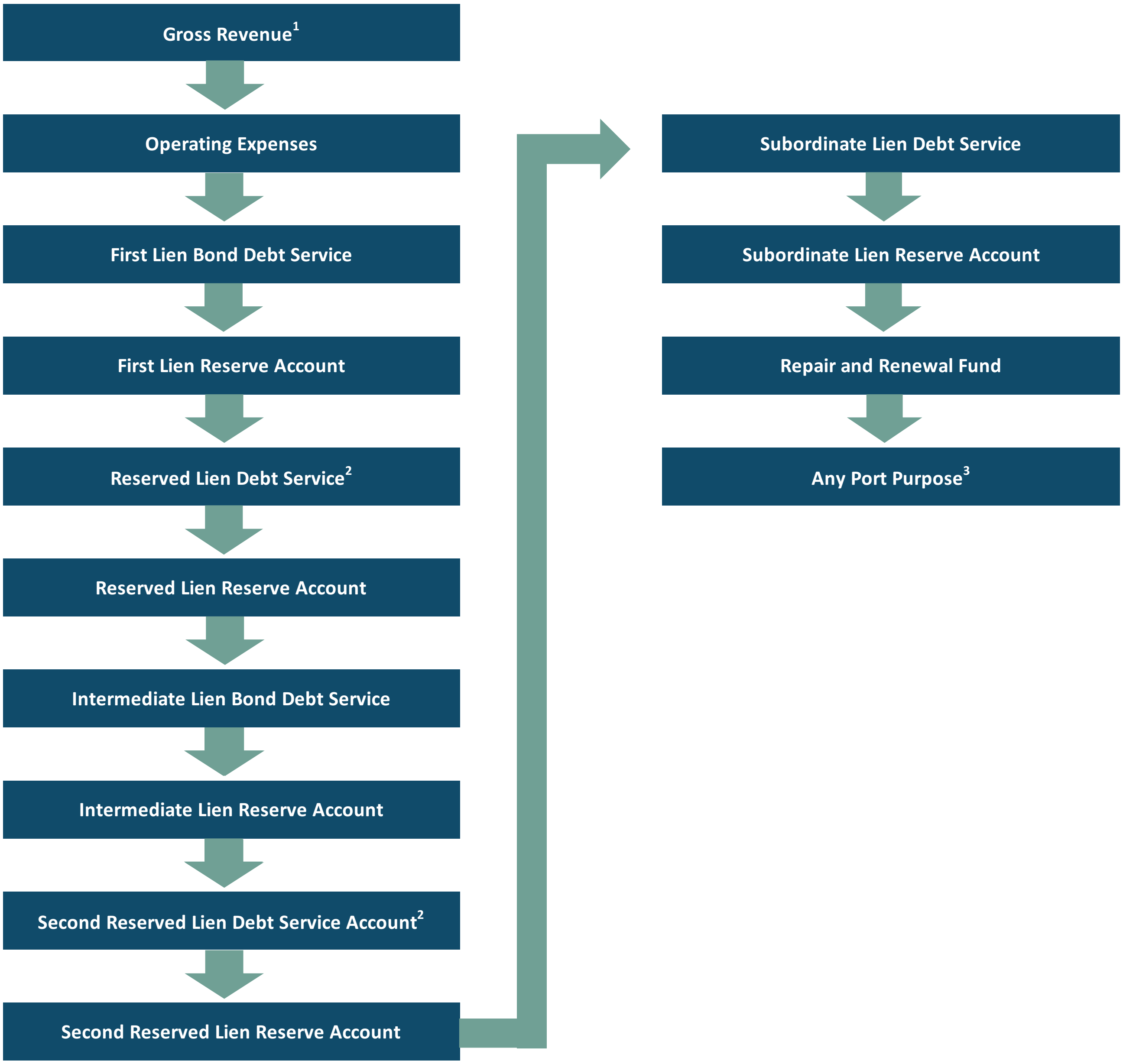
The forecast application of Gross Revenue, or otherwise referred to as the Flow of Funds, is defined in the Intermediate Lien Resolution. The Flow of Funds identified in the Intermediate Lien Resolution is illustrated graphically on **Exhibit 1-1**.

1.2.4 ADDITIONAL BONDS

Additional Intermediate Lien Bonds, except in the case of Refunding Bonds and Completion Bonds (both as defined in the Resolution), may be issued only upon the satisfaction of certain conditions, as described in the Intermediate Lien Master Resolution. With regard to issuance of the 2019 Bonds, a separate certificate will be prepared verifying the Port's compliance with the Additional Bonds Test.

The Port may issue Refunding Bonds, either by satisfying the debt service coverage requirement or by satisfying the applicable requirements of the Intermediate Lien Resolution regarding the issuance of Intermediate Lien Parity Bonds.

EXHIBIT 1-1 FLOW OF FUNDS IN REVENUE FUND



NOTES:
1 PFC/CFC revenues are not defined as Gross Revenue, but are permitted to pay certain revenue bond debt service.
2 No Reserved Lien or Second Reserved Lien debt is currently outstanding.
3 Moneys may be applied, used, and withdrawn by the Port for any lawful Port purposes.
SOURCE: Intermediate Lien Resolution, adopted June 14, 2005.

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2. THE AIRPORT FACILITIES AND CAPITAL PROGRAM

Seattle-Tacoma International Airport (SEA or the Airport) is the primary commercial-service airport serving Seattle and the surrounding region. This chapter summarizes the existing Airport facilities, and it describes the Airport Capital Program (defined herein), which includes the projects anticipated to be funded with the 2019 Bonds.

2.1 AIRPORT FACILITIES

The Airport occupies approximately 2,500 acres of land 12 miles south of downtown Seattle. Its primary facilities consist of the airfield, terminal area, rental car facilities, air cargo areas, maintenance/support areas, and surface access/parking areas. These facilities are described in the following subsections. **Exhibit 2-1** shows the existing layout of the Airport.

2.1.1 AIRFIELD

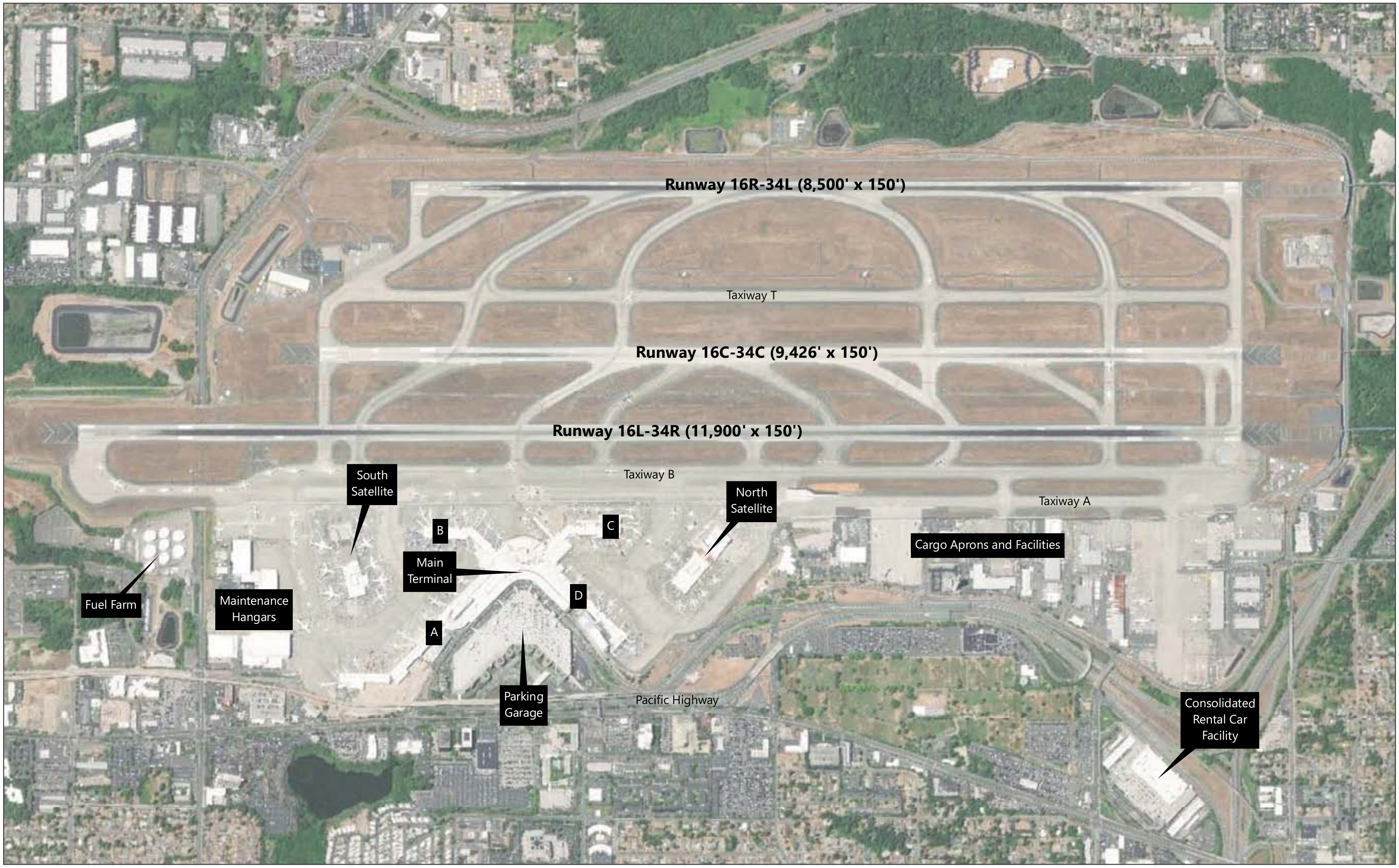
The Airport's airfield has three parallel runways, with lengths of 11,900 feet, 9,426 feet, and 8,500 feet. A network of taxiways, aprons, and aircraft holding areas supports the existing runways and associated aircraft operations. All runways have electronic and other navigational aids that permit aircraft to land in most weather conditions.

The airfield can accommodate the operation of large commercial aircraft to many long-range destinations. Large passenger aircraft frequently operate at the Airport, including the Airbus A340-500, Boeing 747-400, and Boeing 777-300. In addition to passenger airlines, large air cargo aircraft, such as the Boeing 747-800F, also use the Airport on a regular basis. The Airport is also capable of accommodating Airbus A380 aircraft, which operate at the Airport on an unscheduled basis. Among the longest scheduled flights from the Airport are Singapore (8,068 miles from the Airport), Dubai (7,425 miles), Hong Kong (6,489 miles), and Shenzhen (6,486 miles).

2.1.2 PASSENGER TERMINALS

The airlines serving the Airport operate from passenger terminal facilities that include: the Main Terminal with four concourses; a North Satellite Terminal; and a South Satellite Terminal. The North and South Satellite Terminals are connected to the Main Terminal via an underground automated people mover (APM). The Airport has a total of 87 gates. Of the 87 total gates, 12 gates are currently not in use due to construction, so the Port has a total of 75 gates to assign to airlines. Most gates are equipped with passenger loading bridges, which connect the terminal buildings to the aircraft, with some gates providing access to covered walkways used for ground loading of passengers. The South Satellite Terminal has facilities to process international passengers.

All gates within the terminal facility are assigned by the Port for either common use or preferential use. Most gates are leased to airlines on a preferential use basis, with a requirement for airlines to maintain minimum utilization levels. The number of assigned gates changes each year, in connection with, for example, construction activity that affects the number of available gates. Effective 2019, the Port has assigned 63 gates on a preferential basis, and made 12 gates available to airlines on a common use basis. The number of common use gates available to airlines is adjusted annually, based on the Port's review of activity and needs.



SOURCES: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community (aerial basemap).

EXHIBIT 2-1

AIRPORT LAYOUT

The Port is currently constructing improvements and expansions to the passenger terminal facilities. These improvements include eight additional gates in the North Satellite Terminal and a new International Arrivals Facility (IAF) connected to the Main Terminal, which will provide capacity for some of the continued growth in passenger activity at the Airport.

2.1.3 GROUND TRANSPORTATION

Ground transportation access to/from the Airport is provided via a network of off-Airport highways and roadways, which are not owned or managed by the Port. However, the Port maintains coordination with relevant agencies as input to planning for the growth in activity at the Airport. The Airport is also served by a light rail service from downtown Seattle.

The on-Airport roadways and curbsides serve the passenger terminal buildings, parking facilities, rental car facility, and other Airport facilities, such as cargo buildings, general aviation facilities, and aircraft maintenance areas.

The Airport has an eight-level parking garage connected directly to the Main Terminal via pedestrian bridges. The parking garage has approximately 13,000 parking spaces, of which approximately 11,000 are used for public parking, and the remainder are allocated to other uses, such as employee parking and staging of commercial vehicles. The Airport has a remote surface parking lot with approximately 1,500 public parking spaces and a remote employee parking lot with approximately 4,100 parking spaces, both served by shuttle bus operations.

The Airport has a five-level consolidated rental car facility (RCF) used by all on-Airport rental car companies. A shuttle bus operation is used to transport passengers between the RCF and the Main Terminal.

2.1.4 OTHER FACILITIES

The Airport has other facilities for Airport-related activities, such as air cargo, general aviation, and aircraft maintenance.

In addition to the Airport, the Port owns non-Airport facilities, including marine cargo facilities, cruise terminals, marinas, and industrial and commercial real estate. These non-Airport facilities are described in the Official Statement.

2.2 THE AIRPORT CAPITAL PROGRAM

The Port maintains a capital program to invest in Airport and non-Airport facilities, based on assessments of demand growth, facility needs, financial feasibility, and other factors. The Port Capital Program from 2019 through 2024 includes both Airport and non-Airport projects with a total estimated cost of approximately $4.1 billion, as summarized on Exhibit A at the end of this Report. The financial projections presented in the exhibits at the end of this report reflect the assumed funding of the total $4.1 billion Port Capital Program.

For purposes of this Report, the focus is on the $3.3 billion Airport Capital Program, which is a portion of the overall Port Capital Program, as shown on Exhibit A at the end of this Report. The Airport Capital Program includes projects currently underway and funded with proceeds of previous bonds, projects to be funded with the proceeds of 2019 Bonds, and projects to be funded with the proceeds of future debt, along with various other sources of funds available to the Port.

In 2013, the Port initiated the Sustainable Airport Master Plan (SAMP) process to assess facility capacity and demand over five-, ten-, and 20-year timeframes. Planning for the first of two SAMP phases (near-term projects) is substantially complete. Actual construction of SAMP projects is estimated to begin after 2022, with no such construction assumed in the Airport Capital Program through 2024. The signatory airlines have approved spending of approximately $300 million for planning and design of SAMP projects. Other SAMP related projects may be added if appropriate and pursuant to any required Port and airline approval processes.

2.2.1 FUNDING APPROVAL FOR PROJECTS IN THE AIRPORT CAPITAL PROGRAM

The latest Signatory Lease and Operating Agreement (SLOA) took effect on January 1, 2018. The SLOA includes a provision whereby a Majority-in-Interest (MII) of signatory airlines may request a 12-month delay on construction of a new project and a 180-day delay on construction of a previously approved project under certain conditions prescribed in the agreement. The SLOA includes a list of previously approved capital improvement projects totaling approximately $3 billion, and representing the majority of the 2019-2024 Airport Capital Program. The projects described in this section to be funded with proceeds of the 2019 Bonds, have been approved by the signatory airlines.

As described in the section above, airline approval for capital projects includes approval to spend approxmiately$300 million for preliminary project planning and design for gate capacity expansion on the north side of the Airport, associated with SAMP projects. There is not yet any approval for construction of SAMP projects, and it is not expected that any SAMP projects are required in order to achieve the 2019-2024 financial forecasts.

2.2.2 SUMMARY OF AIRPORT CAPITAL PROJECTS

The Airport Capital Program, reflected in the financial analysis included in this Report, is estimated to cost approximately $3.3 billion from 2019 to 2024. **Table 2-1** summarizes estimated Airport project expenditures by category from 2019 to 2024, which include projects funded in part with proceeds from the proposed 2019 Bonds, as well as other projects.

TABLE 2-1 AIRPORT CAPITAL PROGRAM COSTS BY CATEGORY (2019–2024)

PROJECT CATEGORY	2019 BONDS PROJECTS[1]	OTHER AIRPORT PROJECTS	TOTAL CAPITAL PROGRAM
Administrative/Small Projects	$-	$92,062	$92,062
Airfield	-	247,035	247,035
Air Cargo	-	10,450	10,450
Baggage	290,106	11,037	301,143
Electric Ground Support Equipment	-	11,400	11,400
Fire/ARFF Infrastructure and Equipment	-	9,983	9,983
Federal Inspection Facilities	554,633	-	554,633
Gate Utilities	-	50,221	50,221
Non-Aviation-Related[2]	-	252,938	252,938
Loading Bridges	-	8,209	8,209
Roadways	-	80,422	80,422
Stormwater	-	449	449
Terminal	481,718	1,221,629	1,703,347
Total	**$1,326,457**	**$1,995,835**	**$3,322,292**

NOTES: Fiscal Years ending December 31; amounts in thousands.
ARFF – Aircraft Rescue and Firefighting
1 Projects funded in part with proceeds from the proposed 2019 Bonds.
2 Includes projects primarily related to landside facilities, such as the parking garage and rental car facility, as well as the general replacement and enhancement of equipment and systems.
SOURCE: Port of Seattle, May 2019.

2.2.2.1 PROJECTS FUNDED WITH 2019 BONDS

The Port has identified six projects (collectively referred to as the 2019 Bonds Projects) to be funded in part with approximately $480.2 million in proceeds from the 2019 Bonds. **Table 2-2** shows the estimated expenditures for these projects from 2019 to 2024, along with the amount of proceeds from the proposed 2019 Bonds that may be used to partially fund each project. **Exhibit 2-2** depicts the 2019 Bonds Projects. While all of the projects to be funded with the 2019 Bond proceeds will be at the Airport, construction schedules and priorities may need to be realigned. Accordingly, the projects to be funded and the amount of funding from the 2019 Bond proceeds may be adjusted. The Port does, however, anticipate that there are sufficient capital requirements to be met with the 2019 Bond proceeds.

TABLE 2-2 2019 BONDS PROJECTS

PROJECT NAME BY CATEGORY	REFERENCE	2019–2024 PROJECT COSTS	PROCEEDS FROM 2019 BONDS
Federal Inspection Facilities Projects			
International Arrivals Facility (IAF)	[A]	$554,633	215,000
Baggage Projects			
Baggage Handling System Optimization	[B]	290,106	20,000
Terminal Projects			
North Satellite Modernization		383,344	200,000
Concourses B, C, and D Restroom Upgrades		34,363	8,000
North Terminals Utilities Upgrades		17,558	7,200
South Satellite Infrastructure HVAC		46,453	30,000
Total Terminal Projects	[C]	481,718	245,200
Total	**[A]+[B]+[C]**	**$1,326,457**	**$480,200**

NOTES: Fiscal Years ending December 31; amounts in thousands.
HVAC – Heating, Ventilation, and Air Conditioning
SOURCE: Port of Seattle, May 2019.

- **North Satellite Modernization**: This project involves renovation and expansion of the North Satellite. Project features include eight new aircraft gates (20 new/renovated gates in total), a new upper-level mezzanine, renovated interior, seismic upgrades, baggage handling improvements, renovation of the North Satellite Transit System stations, access walkways/elevators/stairway improvements, and a new Alaska Airlines lounge (funded by Alaska Airlines). The project is scheduled to be constructed in two phases. Phase 1 began in February 2017 and is scheduled to open at the end of July 2019. It includes the additional gates, upper-level mezzanine, and Alaska Airlines lounge. Renovation projects will be completed in Phase 2, with completion estimated in spring 2021.
- **International Arrivals Facility**: The Port is building a new, expanded IAF to meet growing regional demand for international service, to enhance the passenger experience, to advance the region as a leading tourism and business gateway, and to help achieve the Port's goal to allow for the anticipated increase in the number of international flights and destinations over the next 25 years. The current facility in the South Satellite is beyond peak capacity.

  The IAF will be a multilevel 450,000-square-foot facility located east of the current Concourse A. An aerial walkway will span approximately 900 feet across and 85 feet above an existing taxilane and aprons; it will connect arriving international passengers from the South Satellite across the top of Concourse A to the new IAF. A new security corridor along the face of the existing Concourse A will allow the arriving passengers from eight international widebody aircraft gates in Concourse A to directly access the IAF. These gates will also allow dual use for domestic flights into Concourse A.

SOURCES: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community (aerial basemap); Port of Seattle, Airport Layout Plan, March 2016 (project footprints).

EXHIBIT 2-2

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2019 BONDS PROJECTS

The IAF program will feature several capacity enhancements. International-capable gates will increase from 12 to 20. Passenger processing capacity will more than double to 2,600 passengers per hour. Baggage claim carousels will increase from four to seven. Enhanced technologies will allow faster passport check clearance, and minimum passenger connection time is estimated to decrease from 90 minutes to 75 minutes. The IAF is planned to be substantially complete and open for use in mid-2020.

- **Baggage Handling System Optimization**: A new baggage handling system will replace an aging conveyor system and will allow the Airport to meet current and future growth. The project replaces six individual baggage screening systems with a centralized system that optimizes operation of the checked baggage system. The new system will increase screening capacity and will allow bags to be checked in from any ticket counter and be conveyed to any makeup device. Additional benefits include increased reliability, redundancy, and security. The project is designed to accommodate 60 million annual passengers. The three-phase implementation began in 2017 and is anticipated to be complete by the second quarter of 2025.
- **Concourses B, C, and D Restroom Upgrades**: This project relocates airline activities that do not require customer contact from the concourse level to the ramp level to make room for new and/or expanded restrooms. All existing public restrooms on Concourses B, C, and D will be renovated. The project also includes new/expanded restrooms near the end of Concourse B, at Gate C2/3 and at Gate D1/2. The project began in July 2016 and is anticipated to be completed in spring 2022.
- **North Terminals Utilities Upgrades**: This project will upsize the existing steam and chilled water supply system to support the North Satellite expansion/renovation program. Project work began in September 2010 and is anticipated to be completed by June 2021.
- **South Satellite Infrastructure HVAC**: This project will improve the effectiveness and reliability of the heating, ventilation, and air conditioning (HVAC) system for the South Satellite, a terminal that has seen dramatic passenger growth. The project includes replacement and upgrade of the existing air handler and HVAC system on the concourse level, as well as the ceiling, lights and associated electrical equipment, fire sprinkler system, signage, portions of the terminal-wide voice paging system, column cladding, and carpet. The project started in September 2016 and is scheduled to be completed in September 2021.

2.2.2.2 OTHER PROJECTS IN THE AIRPORT CAPITAL PROGRAM

Other Airport capital projects are estimated to cost approximately $2.0 billion from 2019 to 2024. As shown in Table 2-1, these projects cover a broad range of project types, with other terminal-related projects estimated to total over $1.2 billion in project cost. These projects are expected to be financed by a combination of sources including existing and future bond proceeds, Port cash, PFC revenues, CFC revenues, and federal grants.

2.2.3 SOURCES AND USES OF FUNDS FOR THE AIRPORT CAPITAL PROGRAM

Exhibit A at the end of the Report presents the estimated sources and uses of funds for the Airport Capital Program projects included in this Report's financial analysis. Debt service on previously issued bonds, the 2019 Bonds, and future bonds needed to complete the funding of the Airport Capital Program is discussed in Chapter 5 and is reflected in the financial projections included therein; incremental Operating Expenses and revenues resulting from the completion of the Airport Capital Program are also discussed. The following subsections describe the funding sources for the Airport Capital Program, which is summarized in **Table 2-3**.

TABLE 2-3 PLANNED 2019-2024 AIRPORT CAPITAL PROGRAM FUNDING

PLANNED FUNDING SOURCES	2019–2024 PROJECT COSTS	PERCENT OF TOTAL FUNDING
Series 2019 Bonds	$480,200	14.5%
Future Bond Proceeds	1,332,281	40.1%
Existing Bond Proceeds	684,076	20.6%
Port Funds	661,991	19.9%
PFC Revenues	55,254	1.7%
CFC Revenues	8,653	0.3%
Federal Grants	96,442	2.9%
Tax Levy	3,394	0.1%
Total Funding Sources	**$3,322,292**	**100.0%**

NOTES: Fiscal Years ending December 31; dollar amounts in thousands.
SOURCE: Port of Seattle, May 2019.

2.2.3.1 PROPOSED 2019 BONDS

The 2019 Bonds are assumed to be issued to fund, in whole or in part, approximately $480.2 million of the Airport Capital Program, as shown previously on Table 2-2.

2.2.3.2 FUTURE REVENUE BONDS

An estimated $1.3 billion in future revenue bonds is expected to be used to fund the Airport Capital Program. The Port has developed assumptions regarding the issuance of bonds under the different existing lien levels: First Lien, Intermediate Lien, and Subordinate Lien. These assumptions are reflected in the forecasts presented in this Report.

2.2.3.3 EXISTING BOND PROCEEDS

Approximately $684.1 million of the proceeds of previously issued bonds are available for the Airport Capital Program and these funds are forecast to be used primarily in 2019 and 2020.

2.2.3.4 PORT CASH

The Port expects to use approximately $662.0 million of internally generated cash to fund costs of the Airport Capital Program.

2.2.3.5 PASSENGER FACILITY CHARGE REVENUE

The Port receives revenue from a $4.50 PFC at the Airport. PFC revenues are first used to pay debt service on outstanding PFC bonds. After the payment of PFC bonds debt service, PFC revenues are available for (1) paying for approved PFC-eligible projects on a pay-as-you-go basis and/or (2) paying debt service on bonds issued for approved PFC-eligible projects.

The Port anticipates using approximately 90 percent of its annual PFC revenues to pay and offset revenue bond debt service in the following priority: (1) debt service on PFC-backed bonds; and (2) debt service on outstanding revenue bonds associated with funding of the IAF, Runway 16R-34L, and other terminal projects, including Concourse A improvements and the North Satellite improvements.

The Port intends to retain 10 percent of annual PFC revenues for new "pay-as-you-go" projects and to moderate the rate base as needed. In the 2019-2024 Airport Capital Program, this is reflected in the assumed use of approximately $55.3 million of PFC revenues to fund a portion of the costs of certain projects on a pay-as-you-go basis.

2.2.3.6 CUSTOMER FACILITY CHARGE REVENUE

The Port is authorized to impose a CFC on customers of rental car companies accessing the Airport. CFC revenues are not included in the Port's defined Gross Revenues, and are restricted to specific uses at the Airport. The Port currently collects a CFC of $6.00 per rental car transaction day; it is permitted to use the revenues only to pay operating and capital costs associated with the RCF. Through 2024, the Port expects to use approximately $8.7 million of CFC revenues toward the Airport Capital Plan, specifically to pay for RCF pavement remediation and fleet tracking.

2.2.3.7 FEDERAL GRANTS

The Port receives federal grants from the Federal Aviation Administration (FAA) under the Airport Improvement Program (AIP), as well as from the Transportation Security Administration (TSA). AIP entitlement grants are received by the Port on the basis of the number of passengers and the amount of cargo at the Airport, and they are subject to a reduction of 75 percent in grants due to the Port's imposition of a $4.50 PFC. The Port also receives AIP discretionary grants for certain eligible projects based on prioritization of competing projects throughout the United States.

The Port expects to receive approximately $96.4 million in federal grants to fund the Airport Capital Program during the period from 2019 to 2024. TSA grant funding is expected to be approximately $50.6 million for the Baggage Handling System Optimization project and for the video system improvements. AIP entitlement and discretionary grants are expected to be used for the Baggage Handling System Optimization project and for the Concourses B, C, and D Restroom Upgrades, as well as other Airport projects.

2.2.3.8 TAX LEVY

The Port has statutory authority to levy property taxes within its boundaries, which are the same as the boundaries of King County. The Port may use Tax Levy proceeds to pay for any Port purpose except for the payment of debt service on Port revenue bonds. The Port has not used the Tax Levy to fund Airport capital costs except for noise mitigation for the Highline School District. Approximately $3.4 million of revenues from the Tax Levy are expected to be used for that Airport project as part of the Port's overall Capital Program.

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3. DEMOGRAPHIC AND ECONOMIC ANALYSIS

The demand for air transportation is, to a large degree, dependent upon the demographic and economic characteristics of the geographical area served by an airport, commonly referred to as an airport's air trade area. This dependence is particularly significant for origin and destination (O&D) passenger traffic, which has historically accounted for approximately 70 percent of the passenger traffic at the Airport. In 2018, 71 percent of passenger traffic at the Airport was comprised of O&D passenger traffic. The major portion of demand for air transportation at the Airport, therefore, is influenced more by the local characteristics of the area served by the Airport than by individual airline decisions regarding service patterns in support of connecting activity. This chapter presents data indicating that the Airport's Air Trade Area (ATA) has an economic base capable of supporting increased airline traffic.

3.1 THE AIR TRADE AREA

The borders of an airport's air trade area are influenced by such factors as the location of other metropolitan areas and their associated airport facilities. For purposes of this Report, the ATA for the Airport consists of the Seattle-Tacoma Combined Statistical Area. As presented on **Exhibit 3-1**, the ATA encompasses the following nine counties in the state of Washington: Island, King, Kitsap, Lewis, Mason, Pierce, Skagit, Snohomish, and Thurston.

3.2 DEMOGRAPHIC ANALYSIS

3.2.1 POPULATION

Population growth is a key factor regarding demand for airline travel. Data in **Table 3-1** show the ATA added approximately 562,000 to its population between 2009 and 2018, or approximately 62,000 per year. The historical rates of population growth for the ATA and the state of Washington were higher than that of the United States—a relationship that is expected to continue through 2028. For the period from 2018 to 2028, the ATA population is projected to increase at a compound annual growth rate (CAGR) of 1.31 percent—somewhat higher than what is projected for the state of Washington and the United States (1.28 percent and 0.93 percent, respectively). The projected increase of approximately 670,000 new residents in the ATA during this period is expected to generate additional demand for airline service at the Airport.

3.2.2 AGE DISTRIBUTION AND EDUCATION

Demand for airline travel varies by age group, and this is a factor influencing O&D passenger activity at the Airport. According to Consumer Expenditure Survey data from the US Department of Labor, Bureau of Labor Statistics, in the United States, persons between the ages of 35 and 54 account for 44 percent of expenditures on airfares.[1]

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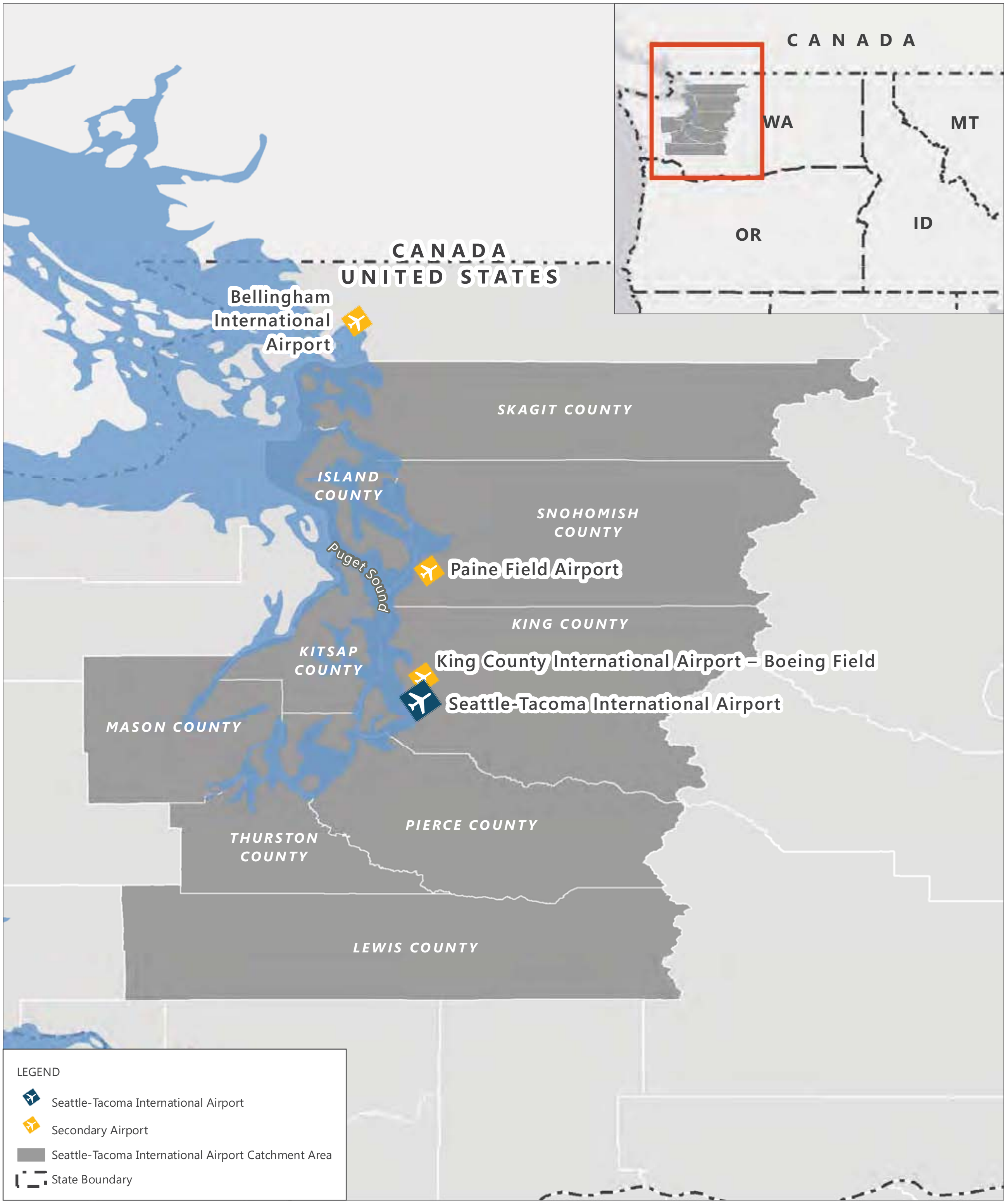
[1] New Strategist Press, *Who's Buying for Travel,* 12th ed. Ithaca, NY: New Strategist Press, 2018. Data in *Who's Buying for Travel* are based on the US Department of Labor, Bureau of Labor Statistics' Consumer Expenditure Survey, an ongoing nationwide survey of household spending.



SOURCES: Esri, HERE, Garmin, OpenStreetMap Contributors, and the GIS User Community, June 2019 (basemap); US Census Bureau, Geography Division, TIGER/Line Shapefiles, 2018 (county and state boundaries); US National Atlas Airports, 2018 (airports); ESRI, 2010 (water).

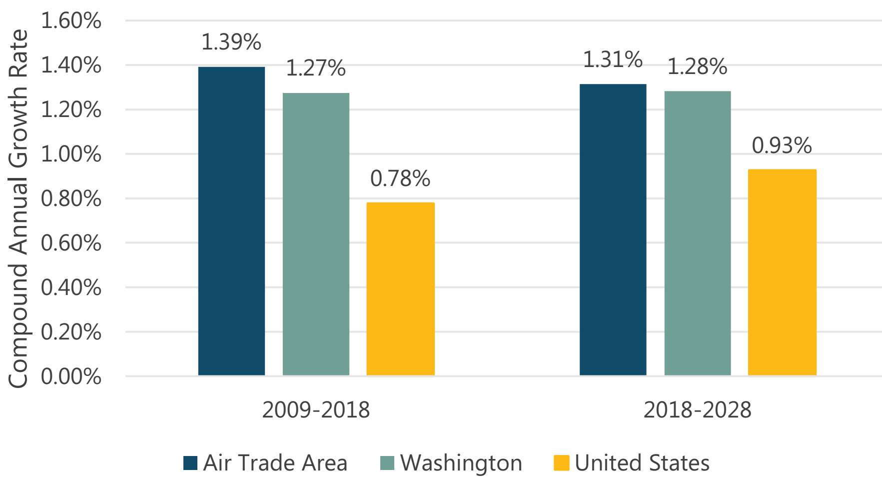
NORTH 0 35 mi

EXHIBIT 3-1

SEATTLE-TACOMA INTERNATIONAL AIRPORT CATCHMENT AREA

TABLE 3-1 HISTORICAL AND PROJECTED POPULATION (2009–2028)

	HISTORICAL		PROJECTED
AREA	2009	2018E	2028
Air Trade Area	4,243,987	4,806,308	5,476,487
Washington	6,667,426	7,472,096	8,487,429
United States	306,771,494	328,910,940	360,689,467



SOURCE: Woods & Poole Economics, Inc., *2018 Complete Economic and Demographic Data Source (CEDDS)*, April 2018.

In 2018, residents in the ATA aged 35 to 54 accounted for approximately 26.8 percent of the population. Thus, the age group that generates the most expenditures on airfares is represented in the ATA at a somewhat higher rate than the same population groups in both the state of Washington (25.6 percent) and the United States (25.3 percent).[2]

According to Consumer Expenditure Survey data, persons with a college degree generate a high percentage of expenditures on airline travel[3]. Data indicate 74.0 percent of airfares are purchased by college graduates, while 18.0 percent are purchased by consumers who have had some college, and 8.0 percent are purchased by consumers who never attended college.[4] In 2017, the most recent year of data available from the US Census Bureau, 38.9 percent of citizens in the Air Trade Area age 25 and older had a bachelor's degree or higher, compared with 34.4 percent for Washington and 30.9 percent for the United States.[5]

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2 Woods & Poole Economics, Inc., *2018 Complete Economic and Demographic Data Source (CEDDS)*, April 2018.

3 U.S. Bureau of Labor Statistics, Consumer Expenditure Survey in 2017.

4 New Strategist Press, *Who's Buying for Travel,* 12th ed. Ithaca, NY: New Strategist Press, 2018.

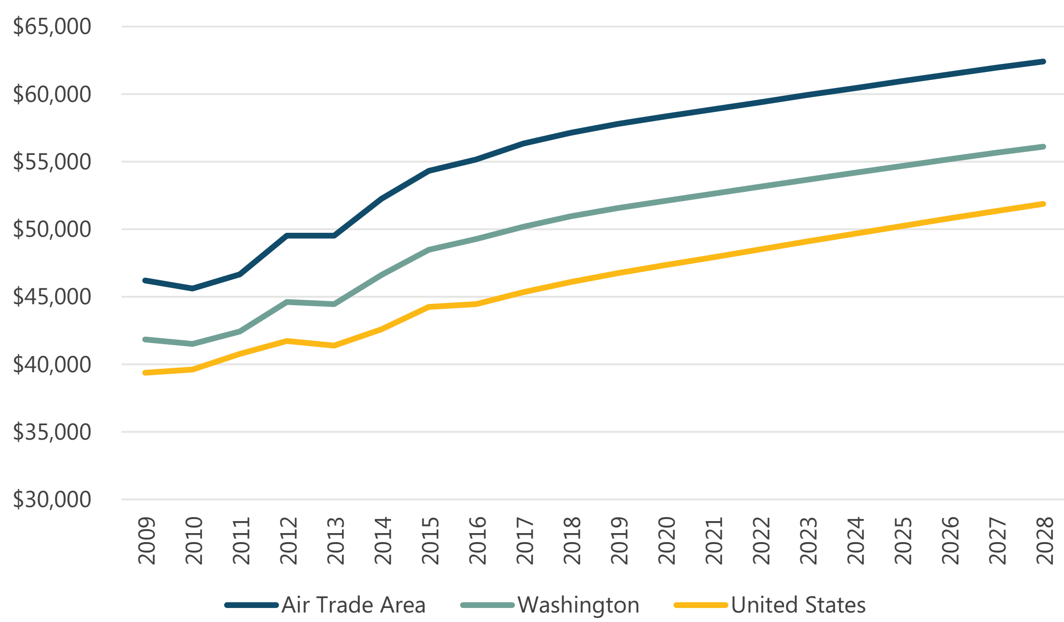
5 U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates, December 2018.

3.2.3 PER CAPITA PERSONAL INCOME

Another key indicator of a region's demand for airline travel is per capita personal income.[6] Per capita personal income indicates the relative affluence of a region's residents, as well as their ability to afford airline travel. It can also be an indicator of an area's attractiveness to business and leisure travelers. Regions with higher per capita personal income often have stronger business connections to the rest of the nation, as well as a more developed market for tourism.

Exhibit 3-2 presents historical and projected per capita personal income for 2009 through 2028 for the ATA, the state of Washington, and the United States. As shown, between 2009 and 2018, per capita personal income in the ATA was higher than that of Washington and the United States. Per capita personal income for the ATA increased at a CAGR of 2.4 percent between 2009 and 2018, which is higher than the rate in both the state of Washington (2.2 percent) and the United States (1.8 percent) during the same period.

EXHIBIT 3-2 PER CAPITA PERSONAL INCOME (2009–2028)



ANNUAL PER CAPITA PERSONAL INCOME GROWTH	AIR TRADE AREA	WASHINGTON	UNITED STATES
2009–2018E	2.4%	2.2%	1.8%
2018–2028 (Projected)	0.9%	1.0%	1.2%

NOTE: Amounts are in 2009 dollars.
SOURCE: Woods & Poole Economics, Inc., *2018 Complete Economic and Demographic Data Source (CEDDS)*, April 2018.

[6] Per capita personal income is the sum of wages and salaries, other labor income, proprietors' income, rental income, dividend income, personal interest income, and transfer payments, less personal contributions for government social insurance, divided by the region's population.

The table within Exhibit 3-2 also shows projected per capita personal income in the ATA is expected to increase at a CAGR of 0.9 percent, from $57,148 in 2018 to $62,413 in 2028.[7] The projected growth rate for per capita personal income in the ATA (0.9 percent) is somewhat lower than that of the state of Washington (1.0 percent) and the United States (1.2 percent) between 2018 and 2028. The forecast growth in per capital personal income in the ATA is expected to moderate, which is reasonable considering the recent historical growth above the national average. The average per capita income in the ATA is forecast to continue to exceed the averages for the State and the nation.

3.2.4 HOUSEHOLD INCOME DISTRIBUTION

An additional indicator of the market potential for air transportation demand is the percentage of households in the higher income categories; as income increases, air transportation becomes more affordable and, therefore, is generally used more frequently. **Table 3-2** presents percentages of households in selected per capita personal income categories for 2017 as expressed in 2009 dollars. As presented, 42.8 percent of households in the ATA had personal income of $75,000 or more in 2017, which was higher than the percentage of households in these income categories for the state of Washington (38.2 percent) and the nation (33.6 percent).

TABLE 3-2 PERCENTAGE OF HOUSEHOLDS IN INCOME CATEGORIES (2017)

INCOME CATEGORY (IN 2009 DOLLARS)	AIR TRADE AREA	WASHINGTON	UNITED STATES
Less than $29,999	21.4%	24.4%	29.0%
$30,000 to $59,999	24.5%	26.1%	26.9%
$60,000 to $74,999	11.3%	11.3%	10.5%
$75,000 to $99,999	14.9%	14.3%	12.6%
$100,000 or More	27.9%	23.9%	21.0%

SOURCE: Woods & Poole Economics, Inc., 2017 Complete Economic and Demographic Data Source (CEDDS), April 2018.

3.3 ECONOMIC ANALYSIS

3.3.1 PER CAPITA GROSS DOMESTIC/REGIONAL PRODUCT

Per capita gross domestic product (GDP; US-level data) and per capita gross regional product (GRP; state- and county-level data) are measures of the market value of all final goods and services produced within a defined geographic area, divided by the total population of the area. These indicators are broad measures of the economic health of an area and, consequently, of the area's potential demand for airline travel.

Exhibit 3-3 presents historical and projected per capita GRP data for the ATA and the state of Washington, as well as per capita GDP data for the United States, for 2009 through 2028.[8] The ATA's per capita GRP increased from $61,746 in 2009 to $73,466 in 2018. Per capita GRP for the ATA increased at a CAGR of 1.9 percent between 2009 and 2018, which is similar to the CAGR for the state of Washington (1.8 percent) and somewhat higher than the CAGR for the United States (1.5 percent) during the same period.

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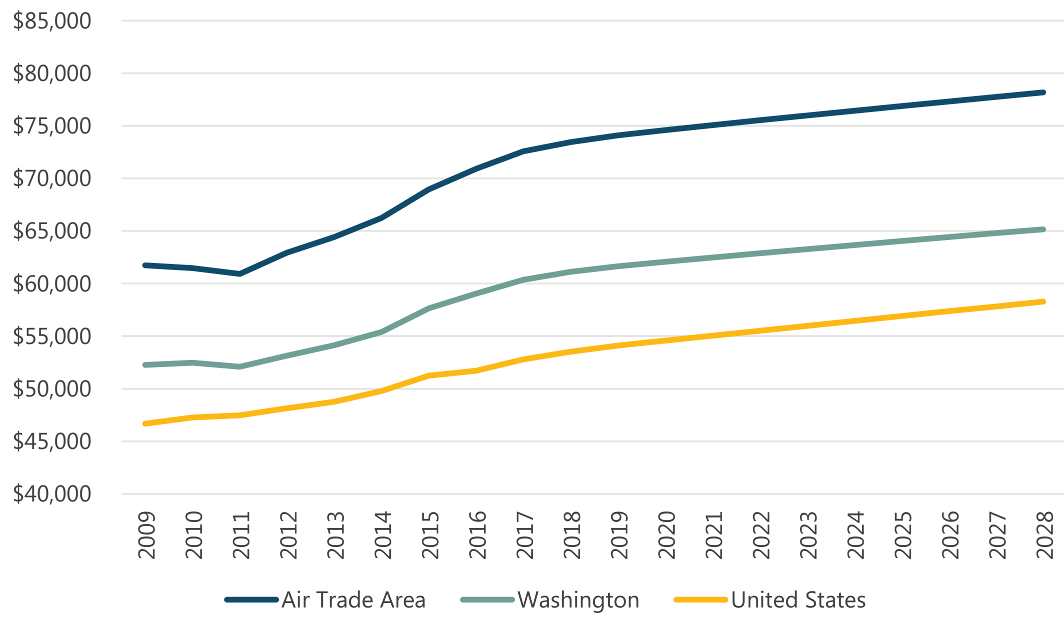
7 Amounts are in 2009 dollars.

8 Amounts are in 2009 dollars.

EXHIBIT 3-3 PER CAPITA GROSS DOMESTIC/REGIONAL PRODUCT (2009–2028)



ANNUAL PER CAPITA GDP/GRP GROWTH	AIR TRADE AREA	WASHINGTON	UNITED STATES
2009–2018	1.9%	1.8%	1.5%
2018–2028 (Projected)	0.6%	0.6%	0.9%

NOTES: Amounts are in 2009 dollars.
ATA – Air Trade Area
GDP – Gross Domestic Product
GRP – Gross Regional Product
SOURCE: Woods & Poole Economics, Inc., *2017 Complete Economic and Demographic Data Source (CEDDS)*, April 2018.

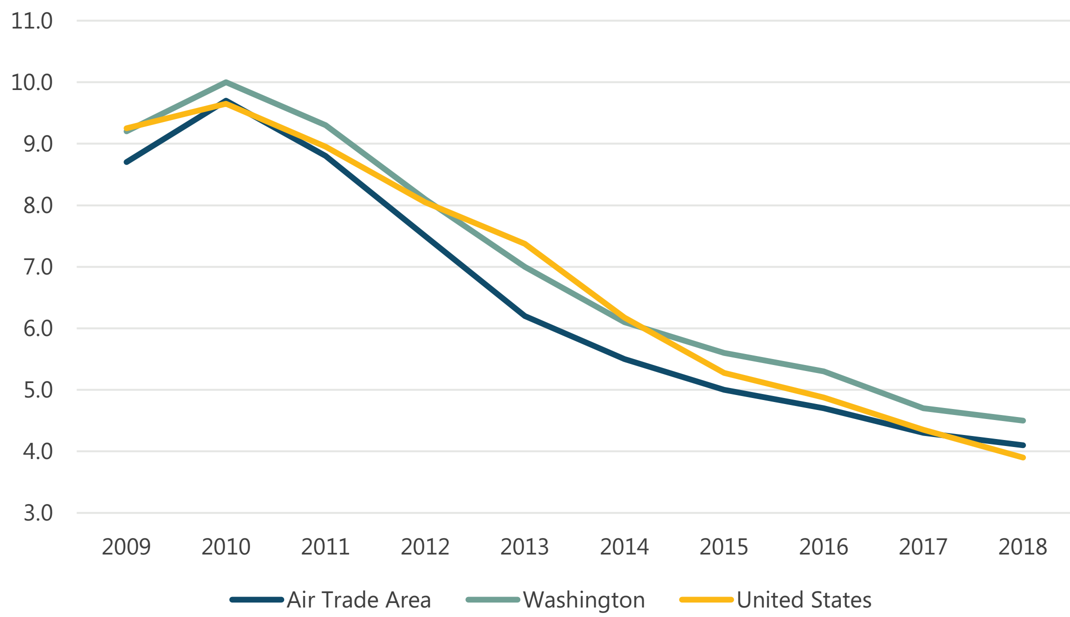
Per capita GRP for the ATA is projected to increase from $73,466 in 2018 to $78,182 in 2028. This increase represents a CAGR of 0.6 percent for the ATA, which is equal to the forecast for the state of Washington but somewhat lower relative to the United States (0.9 percent) over the same period. As with per capita income, it is reasonable to expect that the growth rates for per capita GRP will moderate in the forecast period, following a period of strong historical growth. The absolute level of GRP per capita in the ATA is forecast to continue to exceed comparable levels in the state and nation.

3.3.2 EMPLOYMENT TRENDS

Between 2009 and 2018, the ATA labor force grew at a CAGR of approximately 1.1 percent—higher than the rate of both the state of Washington (0.8 percent) and the United States (0.6 percent).

Exhibit 3-4 shows the annual unemployment rate in the ATA followed the same trend as that of the United States and the state of Washington from 2009 through 2018.

EXHIBIT 3-4 UNEMPLOYMENT RATE (2009–2018)



NOTE: Data represent annual averages of non-seasonally adjusted quarterly employment rates.
SOURCE: US Department of Labor, Bureau of Labor Statistics, May 2019.

In February 2019, the unemployment rate in the ATA was 4.4 percent (non–seasonally adjusted).[9] This was less than the 5.2 percent non–seasonally adjusted unemployment rate in the state of Washington and higher than the 4.1 percent rate in the United States.[10]

Table 3-3 shows total non-agricultural employment for the nation, the state of Washington, and the ATA. The ATA's nonagricultural employment experienced a CAGR of 2.2 percent from 2009 to 2018, which exceeds the growth rate of both the state of Washington (1.9 percent) and the nation (1.4 percent).

3.3.3 BUSINESS CLIMATE

A relatively high percentage of Seattle-area residents are highly skilled and educated. Over 57 percent of Seattle's adult residents hold a bachelor's degree or higher, which is nearly twice the national average, and the nation's largest concentration of STEM (science, technology, engineering, and math) workers reside in Washington state.[11,12] STEM workers are attracted to high-paying technology jobs, which are well represented in the area. Inflows of money to the technology industry spill over into a variety of local services, such as food, law, health care, and real estate.[13]

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[9] Monthly unemployment data published for the ATA are not seasonally adjusted.

[10] In February 2019, the seasonally adjusted unemployment rate was 4.5 percent in the state of Washington and 3.8 percent in the United States.

[11] Economic Development Council of Seattle and King County, September 2018.

[12] Scott Cohn, "Washington is America's Top State for Business in 2017," CNBC, July 2017.

[13] Noah Smith, "Seattle and Columbus Show How Cities Can Win," Bloomberg, May 2018.

TABLE 3-3 NON-AGRICULTURAL EMPLOYMENT, IN THOUSANDS (2009–2018)

INCOME CATEGORY (IN 2009 DOLLARS)	AIR TRADE AREA	WASHINGTON	UNITED STATES
2009	1,688	2,863	131,313
2010	1,667	2,836	130,362
2011	1,695	2,873	131,932
2012	1,734	2,920	134,175
2013	1,782	2,984	136,381
2014	1,832	3,057	138,958
2015	1,889	3,145	141,843
2016	1,951	3,243	144,352
2017	1,999	3,321	146,624
2018	2,047	3,406	149,074
CAGR, 2009-2018	2.2%	1.9%	1.4%

NOTE: Data represent annual averages of nonseasonally adjusted monthly non-farm employment.
SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, May 2019.

Incentives for doing business in the Seattle-King County area include tax exemptions and credits, customized employee training, and low interest loans.[14] Washington state has no income or corporate income tax[15], but wages and rents are among the highest in the nation.[16] Well-established industry clusters in the region include aerospace and defense, information and communications technology, clean technology, financial and business services, life science and health, maritime and logistics, outdoor recreation, and fashion and apparel. Emerging industry sectors include biomedical devices, interactive media, e-commerce, big data/cloud, clean energy, and space exploration.[17]

The Seattle region is undergoing sustained population and economic growth, with companies continuing to strategically position themselves in the area. Among the Fortune 500 companies, 31 operated research and engineering hubs in Seattle in 2017; it was just 7 in 2010.[18] Out-of-state companies attracted to the region's talent are opening or have opened strategic locations in the region, including Apple, Google, Facebook, Dropbox, Twitter, Alibaba, and SpaceX.

3.3.4 MAJOR EMPLOYERS AND FORTUNE 500 HEADQUARTERS

Table 3-4 lists the 25 largest employers in the state of Washington. Two of the top five largest companies in the world by market capitalization are headquartered in the ATA (Amazon and Microsoft – representing a combined $1.5 trillion capitalization).[19] In addition to providing an important source of local employment, the private sector employers depend on airline passenger and freight services for the continued health and expansion of their enterprises.

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[14] Economic Development Council of Seattle and King County, September 2018.

[15] While Washington has no corporate income tax, it does have the business and occupation (B&O) tax which is a tax on gross receipts. Some cities in Washington state, including Seattle, also have versions of the Business & Occupation Tax which they levy on businesses on top of the state B&O tax.

[16] Scott Cohn, "Washington is America's Top State for Business in 2017," CNBC, July 2017.

[17] Economic Development Council of Seattle and King County, September 2018.

[18] Ronald Brownstein, "Can Seattle Handle Its Own Growth?", The Atlantic, November 2017.

[19] Forbes Global 2000 ranking, June 2018.

TABLE 3-4 LARGEST EMPLOYERS IN WASHINGTON STATE (2018)

COMPANY	NUMBER OF STATEWIDE EMPLOYEES	INDUSTRY
The Boeing Co.	69,830	Aerospace and Defense
Joint Base Lewis-McChord	54,000	Military
Amazon.com Inc.	52,000	Retail
Microsoft Corp.	51,362	Technology
University of Washington, Seattle	46,824	Higher Education
Navy Region Northwest	46,015	Military
Providence St. Joseph Health	43,000	Health Care
Safeway Inc. & Albertsons LLC	21,320	Food and Drug Stores
Walmart Inc.	19,412	Retail
Costco Wholesale Corp.	18,010	Retail
MultiCare Health System	17,170	Health Care
Fred Meyer Stores	16,069	Food and Drug Stores
King County Government	15,851	Government
Starbucks Corp.	14,132	Food and Beverage
CHI Franciscan Health	12,368	Health Care
City of Seattle	11,664	Government
Seattle Public Schools	11,431	Government
Alaska Air Group	9,594	Airline
Nordstrom Inc.	9,200	Retail
Virginia Mason Health Group	8,759	Health Care
Washington State University	8,248	Higher Education
T-Mobile US. Inc.	7,896	Technology
Kaiser Permanente	7,672	Health Care
Expedia Group Inc.	4,300	Technology
Spokane Public Schools	4,203	Government

SOURCE: Puget Sound Business Journal, "Largest Employers," July 2019.

Major employers represent a wide range of industries. These include aerospace and defense (The Boeing Co.); retail (Amazon, Walmart, Costco); technology (Microsoft, T-Mobile); higher education (University of Washington, Seattle, Washington State University); health care (Providence St. Joseph Health, MultiCare Health System, and CHI Franciscan Health, among others); food and drug stores (Safeway Inc. & Albertsons LLC, Fred Meyer Stores); food and beverage (Starbucks Co); and airline companies (Alaska Air Group Inc.).

The Boeing Co. operates manufacturing facilities which employ nearly 70,000 people in the state of Washington. Tech companies are heavily represented in the State of Washington and the ATA; both Amazon and Microsoft are headquartered in the ATA, representing the largest US companies involved in e-commerce and software delivery, respectively. Walmart and Fred Meyer Stores each employ over 15,000 in the state of Washington and are heavily investing in e-commerce. Nordstrom Inc., a major retailer with headquarters in Seattle, employs over 9,000 people in the state of Washington.

Key military and education institutions further drive economic activity. Joint Base Lewis-McChord is a training mobilization center for key military services west of the Rocky Mountains, and Navy Region Northwest is represented at Puget Sound, the Navy's third largest fleet concentration area. The University of Washington, Seattle employs approximately 46,000 faculty and staff in the ATA.

Each year *Fortune* magazine ranks the top 500 US public companies in terms of annual revenue. According to the 2019 rankings, Seattle is home to 11 Fortune 500 companies: Amazon, Costco, Microsoft, Starbucks, Expedia, Paccar, Alaska Air Group, Weyerhaeuser, Expeditors International of Washington, Nordstrom, and Fortive.

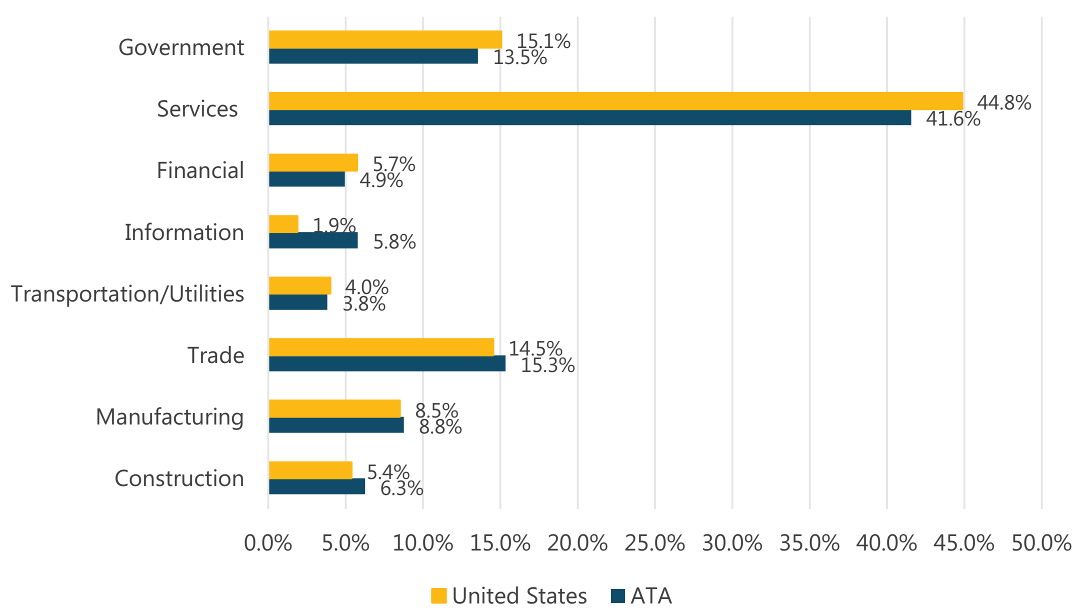
3.3.5 MAJOR INDUSTRY SECTORS

Exhibit 3-5 presents data for nonagricultural employment by major industry sector, which indicates the sources of jobs in the ATA's economy. This exhibit compares employment by industry in the ATA to data for the United States in 2018.

The ATA had greater percentages of employment in the information, trade, manufacturing, and construction sectors as compared to the United States in 2018. Government, services, financial, and transportation/utility jobs in the ATA accounted for lower shares of employment in 2018 compared with the United States.

Data on Exhibit 3-5 indicate the ATA has a diversified employment base that is expected to provide the region with a stable foundation to withstand periodic downturns in the business cycle.

EXHIBIT 3-5 JOBS BY MAJOR INDUSTRY SECTORS (2018)



NOTES:
Nonagricultural civilian employment only.
Construction employment includes mining and forestry industries.
SOURCE: Bureau of Labor Statistics, *Employment, Hours, and Earnings Database,* https://www.bls.gov/data/ (accessed May 2019).

3.3.6 AIR TRADE AREA TOURISM INDUSTRY

Approximately 40.9 million people traveled to the ATA in 2018,[20] representing a 2.5 percent increase over the visitor level in 2017. Visitors in 2018 spent approximately $7.9 billion, resulting in $11.3 billion in economic impact when

[20] Visit Seattle 2019 Annual Report, https://www.visitseattle.org/about-us/annual-report/.

considering both direct and indirect impacts. It is estimated that 1 in 18 jobs in King County is sustained by the tourism industry.

Seattle and its surrounding region have been cited as a top travel destination by Travel Pulse, CNN Travel, AAA, and USA Today. Seattle and its surrounding region host a variety of cultural institutions, including art museums, science museums, performing arts facilities (symphony, opera, theater), and comedy venues. Other visitor attractions include the Space Needle, Pike Place Market, the Seattle Aquarium, and the Woodland Park Zoo. Major league sports based in the ATA include football, soccer, and baseball. A National Hockey League (NHL) expansion team has been formed to be based in Seattle, and current plans are for this new team to begin play in the 2021-2022 NHL season. Seattle is also known for its Museum Month, Taste Washington event, and its cultural tourism. The Port's cruise industry also attracts leisure travelers, with a record high of 1.1 million revenue passengers traveling through its cruise terminals in 2018.[21] The region's wide array of cultural choices and entertainment options is an important factor supporting repeat visitation. The ability to see attractions or undertake activities that were missed on a previous visit is an important factor in a visitor's intent to return to a travel destination.

The Washington State Convention Center is the ATA's primary meeting and exhibition venue. In 2016, more than $723 million in total economic impact was associated with Convention Center bookings.[22] In 2017, the Convention Center hosted over 165,000 guests, and central business district hotel occupancy reached a record high of 84 percent.[23] More than 350 event proposals have been turned down in the past five years due to lack of space/timing constraints in the existing building.[24] Therefore, construction is underway on an addition to the Convention Center, planned to open in 2022. Located one block northeast of the existing facility, the Summit Building will double the square footage of existing meeting space. The new facility will feature 250,000 square feet of exhibition space, 115,000 square feet of meeting rooms, and 60,000 square feet of ballroom space.[25] In addition, the draw of Seattle as a travel destination has resulted in the addition of approximately 2,000 hotel rooms in 2018, more additions than in the previous four years combined.[26,27]

3.4 ECONOMIC OUTLOOK

3.4.1 SHORT-TERM ECONOMIC OUTLOOK

The US economy expanded at a moderate and steady rate in 2017, with employment growing by an average of 175,000 jobs per month.[28] In 2018, US employment growth averaged 202,083 jobs per month.[29] The most recently published survey of business economists from the National Association for Business Economics (NABE) indicates consensus for economic growth to slow in 2019 and 2020. A majority of NABE survey panelists cite external

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[21] Port of Seattle, *Port Once Again Tops One Million Cruise Visitors*, November 2018.

[22] Visit Seattle, 2017-2018 Annual Report and Corporate Capabilities, March 2019.

[23] Washington State Convention Center, 2017 Annual Report.

[24] Washington State Convention Center, *Washington State Convention Center Summit Building Breaks Ground*, August 18, 2018.

[25] Visit Seattle, 2017-2018 Annual Report and Corporate Capabilities, March 2019.

[26] Hotel openings in 2018 included the Hyatt Regency Seattle. Accounting for more than half the new hotel rooms (1,260 out of approximately 2,000) in 2018, the Hyatt Regency Seattle is the largest hotel in the Pacific Northwest.

[27] Downtown Seattle Association, *Development Guide 2018 Year End Update*, March 2019.

[28] U.S. Department of Commerce, Bureau of Labor Statistics, 2017 Employment Situation, www.bls.gov/schedule/ archives/empsit_nr.htm.

[29] U.S. Department of Commerce, Bureau of Labor Statistics, 2018 Employment Situation, www.bls.gov/schedule/ archives/empsit_nr.htm.

headwinds from trade policy and slower global growth as risks to national economic growth.[30]

NABE's most recent survey (March 2019) also indicated consensus for real GDP growth to slow from 2.9 percent in 2018 to 2.4 percent in 2019 and 2.0 percent in 2020.

3.4.2 LONG-TERM ECONOMIC OUTLOOK

Table 3-5 presents selected 2018 and 2028 economic figures for the ATA and the United States, including population, personal income, and GRP and GDP. Growth expectations for these variables in the ATA are generally equivalent to those of the United States, and they indicate the ongoing capacity of the ATA to continue to generate demand for air travel services from 2019 to 2028.

TABLE 3-5 PROJECTED SELECT ECONOMIC VARIABLES (2018–2028)

VARIABLE	2018	2028	CAGR 2018–2028
Air Trade Area Population	4,806,308	5,476,487	1.3%
Washington State Population	7,472,096	8,487,429	1.3%
United States Population	328,910,940	360,689,467	0.9%
Air Trade Area Per Capita Personal Income	$57,148	$62,413	0.9%
Washington State Per Capita Personal Income	$50,949	$56,108	1.0%
United States Per Capita Personal Income	$46,097	$51,873	1.2%
Air Trade Area Per Capita Gross Regional Product	$73,466	$78,182	0.6%
Washington State Per Capita Gross Regional Product	$61,110	$65,157	0.6%
United States Per Capita Gross Domestic Product	$53,519	$58,288	0.9%

NOTES:
Dollar amounts are in 2009 dollars.
CAGR – Compound Annual Growth Rate
SOURCE: Woods & Poole Economics, Inc., *Complete Economic and Demographic Data Source (CEDDS)*, April 2018.

3.4.3 CONCLUSIONS

The ATA has a population of over 4.8 million that is projected to increase to approximately 5.5 million by 2028.

Per capita personal income in the ATA is higher than US levels. The ATA's 2018 per capita personal income ($57,148) was 24 percent higher than in the rest of the United States ($46,097).

The ATA's 2.0 million jobs contributed to a GRP of more than $350 billion in 2018. The ATA's GRP is projected to increase by 21 percent, in real terms, to approximately $428 billion by 2028.

The data cited in this chapter support the conclusion that the ATA has a large and diverse economy that can support increased airline traffic demand.

[30] National Association for Business Economics, *NABE Outlook*, March 2019.

4. AIR TRAFFIC

Chapter 4 describes the airlines serving the Airport, the historical Airport activity, the factors affecting aviation demand, and the forecast of Airport activity.

4.1 NATIONAL PERSPECTIVE OF THE AIRPORT

Based on US Department of Transportation (US. DOT) survey data, the Seattle market was ranked eighth in the nation in terms of domestic O&D passengers in CY 2018. The largest Airport in the Pacific Northwest, the Airport is close to population centers on the west coast of the United States, and its geographic location makes it a natural gateway to destinations in the Asia-Pacific region. With its location, facilities to accommodate domestic and international passengers, and airline hub operations, the Airport is a key component of the national air transportation system.

Table 4-1 presents the Airport's national rankings of activity for CY 2017 (most recent data available from Airports Council International). The Airport served approximately 46.9 million enplaned and deplaned passengers, or approximately 129,000 average daily passengers, during this period. This is an increase from the approximately 45.7 million passengers, or approximately 125,000 average daily passengers, in 2016. The Airport ranked 14th nationwide in total aircraft operations, with approximately 416,000 takeoffs and landings; it ranked 9th nationwide in total passengers; it ranked 18th nationwide in total cargo.

Alaska Airlines (Alaska) and Delta Air Lines (Delta) operate connecting hub operations at the Airport.

4.2 AIRLINES SERVING THE AIRPORT

The Airport is an important O&D market within the networks of the passenger airlines that it accommodates. The Airport also serves as a connecting hub for both Alaska and Delta. **Table 4-2** lists the airlines serving the Airport, and includes seasonal service.

Table 4-3 presents the scheduled US airlines that have served the Airport at any time since 2009. The Airport has had the benefit of a large and stable airline base, which has helped promote competitive pricing and scheduling diversity in the Airport's major domestic markets. As of the 12 months ending June 2019, Alaska and its regional affiliates provided nonstop service from the Airport to 84 domestic markets and 8 international markets; Delta and its regional affiliates provided nonstop service to 48 domestic markets and 16 international markets from the Airport.

In addition to Alaska, Delta, and their regional affiliates, other major US airlines at the Airport include network airlines American Airlines (American), Hawaiian Airlines (Hawaiian), United Airlines (United), and five low-cost carriers (LCCs): Frontier Airlines (Frontier), JetBlue Airways (JetBlue), Southwest Airlines (Southwest), Spirit Airlines (Spirit), and Sun Country Airlines (Sun Country). Together, these airlines provide nonstop service to a total of 37 domestic markets and 21 international markets.

TABLE 4-1 TOP 20 NATIONWIDE RANKING OF AIRPORT ACTIVITY (12 MONTHS ENDING DECEMBER 2017)

	RANKINGS BY AIRCRAFT OPERATIONS		RANKINGS BY TOTAL PASSENGERS		RANKINGS BY TONS OF CARGO	
RANK	AIRPORT	TOTAL OPERATIONS	AIRPORT	TOTAL PASSENGERS	AIRPORT	TOTAL CARGO (METRIC TONS)
1	Atlanta (ATL)	879,560	Atlanta (ATL)	103,902,992	Memphis (MEM)	4,336,752
2	Chicago (ORD)	867,049	Los Angeles (LAX)	84,557,968	Anchorage (ANC)[1]	2,713,230
3	Los Angeles (LAX)	700,362	Chicago (ORD)	79,828,183	Louisville (SDF)	2,602,695
4	Dallas/Fort Worth (DFW)	654,344	Dallas/Fort Worth (DFW)	67,092,194	Los Angeles (LAX)	2,158,324
5	Denver (DEN)	574,966	Denver (DEN)	61,379,396	Miami (MIA)	2,071,722
6	Charlotte (CLT)	553,817	New York (JFK)	59,392,500	Chicago (ORD)	1,721,807
7	Las Vegas (LAS)	542,994	San Francisco (SAN)	55,822,129	New York (JFK)	1,350,599
8	San Francisco (SAN)	460,343	Las Vegas (LAS)	48,565,117	Indianapolis (IND)	1,038,620
9	Houston (IAH)	450,383	**Seattle (SEA)**	**46,934,194**	Cincinnati (CVG)	944,995
10	New York (JFK)	446,459	Charlotte (CLT)	45,909,899	Dallas/Fort Worth (DFW)	809,929
11	Newark (EWR)	443,249	Orlando (MCO)	44,611,265	Newark (EWR)	800,000
12	Phoenix (PHX)	430,968	Miami (MIA)	44,071,313	Atlanta (ATL)	685,338
13	Minneapolis (MSP)	416,213	Phoenix (PHX)	43,921,670	Ontario (ONT)	593,947
14	**Seattle (SEA)**	**416,124**	Newark (EWR)	43,234,161	Oakland (OAK)	567,354
15	Miami (MIA)	413,287	Houston (IAH)	40,696,189	San Francisco (SAN)	561,805
16	Boston (BOS)	401,371	Boston (BOS)	38,454,539	Honolulu (HNL)	517,361
17	Detroit (DTW)	395,357	Minneapolis (MSP)	38,034,341	Houston (IAH)	450,842
18	New York (LGA)	379,911	Detroit (DTW)	34,701,497	**Seattle (SEA)**	**425,856**
19	Phoenix (PHX)	378,777	Fort Lauderdale (FLL)	32,511,053	Philadelphia (PHL)	419,785
20	Philadelphia (PHL)	369,925	Philadelphia (PHL)	29,585,754	Phoenix (PHX)	339,822

NOTES:
All results are preliminary.
1 ANC data include transit freight.
SOURCE: Airports Council International, *2017 North American Airport Traffic Report (final),* June 2018.

TABLE 4-2 PASSENGER AIRLINES SERVING THE AIRPORT

SCHEDULED US AIRLINES (14)[1]	FOREIGN-FLAG AIRLINES (23)[1]
Alaska Airlines	Aer Lingus
American Airlines	Aeroméxico
American Eagle	Air Canada
Compass Airlines	Air Canada Jazz
Delta Air Lines	Air France
Frontier Airlines	All Nippon
Hawaiian Airlines	Asiana Airlines
Horizon Air	British Airways
JetBlue Airways	Cathay Pacific
SkyWest Airlines	Condor Flugdienst
Southwest Airlines	EVA Air
Spirit Airlines	Emirates
Sun Country Airlines	Eurowings
United Airlines	Hainan Airlines
	Icelandair
	Japan Airlines
	Korean Air Lines
	Lufthansa
	Norwegian Air
	Thomas Cook Airlines
	Virgin Atlantic Airways
	Volaris
	XiamenAir

NOTE:
1 Scheduled for the 12 months ending June 2019.
SOURCES: Port of Seattle, April 2019; Innovata, April 2019.

TABLE 4-3 SCHEDULED US PASSENGER AIRLINE BASE

AIRLINES	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019[1]
Alaska Airlines[2]	●	●	●	●	●	●	●	●	●	●	●
American Airlines[3]	●	●	●	●	●	●	●	●	●	●	●
Delta Air Lines[4]	●	●	●	●	●	●	●	●	●	●	●
SkyWest Airlines (Delta Connection, United Express, Alaska)	●	●	●	●	●	●	●	●	●	●	●
Frontier Airlines	●	●	●	●	●	●	●	●	●	●	●
Hawaiian Airlines	●	●	●	●	●	●	●	●	●	●	●
Horizon Air (Alaska)	●	●	●	●	●	●	●	●	●	●	●
JetBlue Airways	●	●	●	●	●	●	●	●	●	●	●
Southwest Airlines	●	●	●	●	●	●	●	●	●	●	●
Sun Country Airlines	●	●	●	●	●	●	●	●	●	●	●
United Airlines[5]	●	●	●	●	●	●	●	●	●	●	●
Compass Airlines (Delta, American)						●	●	●	●	●	●
American Eagle								●	●	●	●
Spirit Airlines								●	●	●	●
Airlines No Longer Serving Airport:											
Delta Connection/Mesaba	●	●	●								
Republic Airlines			●								
Total Airlines Serving the Airport	**12**	**12**	**13**	**11**	**11**	**12**	**12**	**14**	**14**	**14**	**14**

NOTES:

1 Scheduled service in 2019, as of June 2019.

2 In December 2016, Alaska and Virgin America merged. The FAA granted a single operating certificate on January 11, 2018. All data include Virgin America carriers.

3 In December 2013, American and US Airways merged. The FAA granted a single operating certificate on April 8, 2015. All data include US Airways carriers.

4 In October 2008, Delta and Northwest Airlines merged. The FAA granted Delta a single operating certificate on January 1, 2010. All data include Northwest Airlines carriers.

5 In October 2010, United and Continental Airlines merged. The FAA granted United a single operating certificate on November 30, 2011. All data include Continental Airlines carriers.

SOURCES: Port of Seattle, April 2019; Innovata, May 2019.

Table 4-4 lists the foreign-flag airlines that have served the Airport since 2009. Nine of the 23 foreign-flag airlines currently serving the Airport have operated at the Airport each year since at least 2009. In addition, the number of new airlines has steadily grown since 2015. Twelve new foreign-flag airlines have begun service to the Airport since 2015 (Volaris and XiamenAir in 2016; Aeroméxico, Norwegian, Virgin Atlantic Airways, and Eurowings in 2017; Aer Lingus, Air France, and Thomas Cook Airlines in 2018; and Cathay Pacific, Japan Airlines, and Singapore Airlines in 2019).[1]

In addition to the passenger airlines, all-cargo airlines also provide service at the Airport. These all cargo airlines include ABX Air, Air China Cargo, Air Transport International, Atlas Air, Cargolux, China Cargo, Empire, FedEx, Kalitta Air, and Lufthansa Cargo.

Exhibit 4-1 presents the market shares, as measured by 2018 total enplaned passengers at the Airport. In 2018, Alaska and Delta, and their regional affiliates, represented approximately 72.1 percent of the enplaned passengers at the Airport.

4.3 HISTORICAL AIRPORT ACTIVITY

The following subsections describe the Airport's historical passenger activity and air service.

4.3.1 ENPLANED PASSENGER ACTIVITY AND AIRLINE OPERATIONS

Table 4-5 presents historical data on enplaned passengers at the Airport. Total enplaned passengers at the Airport increased by a CAGR of 5.3 percent from 2009 to 2018. Factors such as new international service, a healthy local economy, and competition between Alaska and Delta have positively impacted enplaned passenger growth at the Airport. In 2018, the Airport set a record for annual enplaned passengers, with a total of 24.9 million. Through the first five months of 2019, the number of enplaned passengers at the Airport increased 3.1 percent from the same period in 2018.

Exhibit 4-2 presents the enplaned passenger trends for Alaska and Delta (including their respective merger partners and regional affiliates), system-wide and at the Airport, from 2009 to 2017 (the latest data available for this comparison). Between 2009 and 2017, Alaska's system-wide enplaned passengers increased 66.5 percent, and at the Airport Alaska's enplaned passengers increased 51.4 percent. Over this same period, Delta's system-wide enplaned passengers have grown 17.0 percent, while the number of Delta's enplaned passengers at the Airport increased 166.2 percent. This serves to illustrate two points: (1) Alaska has continued the significant growth of its system, which is focused on the Airport; and (2) Delta has significantly increased its operations at the Airport compared to the airline's system-wide growth trends.

4.3.1.1 DOMESTIC ENPLANED PASSENGERS AND OPERATIONS

Exhibit 4-3 depicts trends in domestic enplaned passengers and operations over a 10-year period.

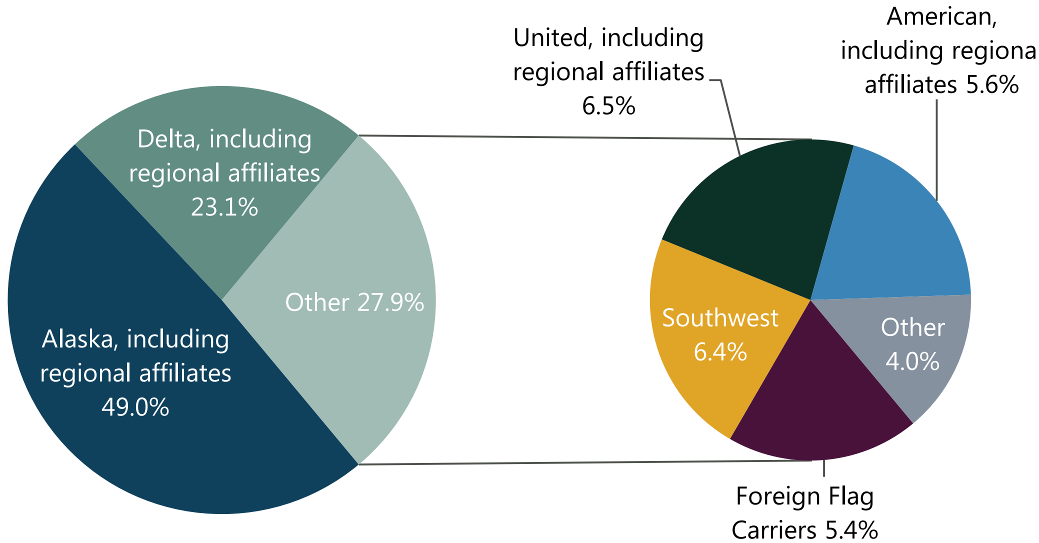
[1] Aeroméxico in 2017 and Air France in 2018 were recommencing previously discontinued service at the Airport.

TABLE 4-4 FOREIGN-FLAG AIRLINE BASE

AIRLINES	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019[1]
Air Canada	●	●	●	●	●	●	●	●	●	●	●
Air Canada Jazz	●	●	●	●	●	●	●	●	●	●	●
Asiana Airlines	●	●	●	●	●	●	●	●	●	●	●
British Airways	●	●	●	●	●	●	●	●	●	●	●
EVA Air	●	●	●	●	●	●	●	●	●	●	●
Hainan Airlines	●	●	●	●	●	●	●	●	●	●	●
Icelandair	●	●	●	●	●	●	●	●	●	●	●
Korean Air	●	●	●	●	●	●	●	●	●	●	●
Lufthansa	●	●	●	●	●	●	●	●	●	●	●
Air France	●	●	●	●	●					●	●
Aeroméxico	●	●							●	●	●
SAS	●										
Condor Flugdienst			●	●	●	●	●	●	●	●	●
All Nippon				●	●	●	●	●	●	●	●
Emirates				●	●	●	●	●	●	●	●
Volaris								●	●	●	●
XiamenAir								●	●	●	●
Norwegian									●	●	●
Virgin Atlantic Airways									●	●	●
Eurowings									●	●	
Aer Lingus										●	●
Thomas Cook Airlines										●	●
Cathay Pacific											●
Japan Airlines											●
Singapore Airlines[2]											●
Total Airlines Serving the Airport	**12**	**11**	**11**	**13**	**13**	**12**	**12**	**14**	**18**	**21**	**23**

NOTES:
1 Scheduled service in 2019, as of June 2019.
2 Singapore Airlines scheduled to start service at the Airport in September 2019.
SOURCES: Port of Seattle, April 2019; Innovata, April 2019.

EXHIBIT 4-1 2018 AIRLINE MARKET SHARE (MEASURED BY ENPLANED PASSENGERS)



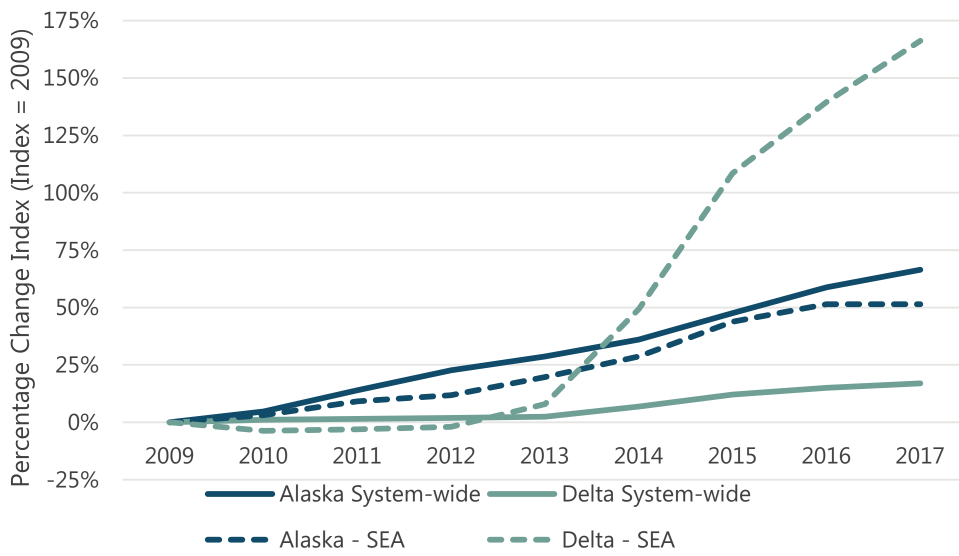
NOTE: Alaska, American, Delta, and United include regional affiliates.
SOURCE: Port of Seattle, April 2019.

TABLE 4-5 HISTORICAL ENPLANED PASSENGERS

	DOMESTIC		INTERNATIONAL		TOTAL	
YEAR	ENPLANED PASSENGERS	ANNUAL GROWTH	ENPLANED PASSENGERS	ANNUAL GROWTH	ENPLANED PASSENGERS	ANNUAL GROWTH
2009	14,296,186		1,314,012		15,610,198	
2010	14,363,581	0.5%	1,409,767	7.3%	15,773,348	1.0%
2011	14,913,831	3.8%	1,483,657	5.2%	16,397,488	4.0%
2012	14,982,946	0.5%	1,614,378	8.8%	16,597,324	1.2%
2013	15,604,129	4.1%	1,772,187	9.8%	17,376,316	4.7%
2014	16,824,379	7.8%	1,892,399	6.8%	18,716,778	7.7%
2015	18,944,106	12.6%	2,164,650	14.4%	21,108,756	12.8%
2016	20,385,030	7.6%	2,411,088	11.4%	22,796,118	8.0%
2017	20,861,988	2.3%	2,553,594	5.9%	23,415,582	2.7%
2018	22,200,368	6.4%	2,693,970	5.5%	24,894,338	6.3%
Jan – May 2018	8,269,503		1,060,898		9,330,401	
Jan – May 2019	8,551,575	3.4%	1,069,424	0.8%	9,620,999	3.1%
Compound Annual Growth Rate						
2009 – 2013	2.2%		7.8%		2.7%	
2013 – 2018	7.3%		8.7%		7.5%	
2009 – 2018	5.0%		8.3%		5.3%	

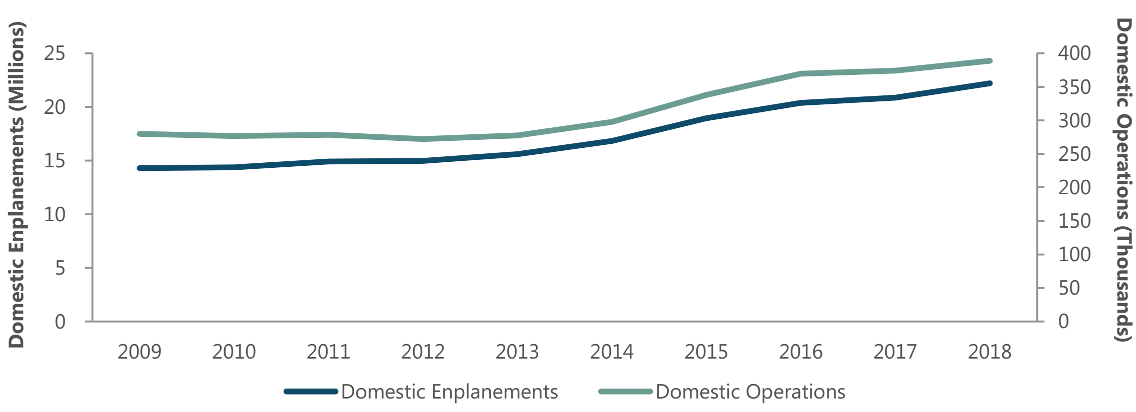
SOURCE: Port of Seattle, June 2019.

EXHIBIT 4-2 ALASKA AND DELTA ENPLANED PASSENGER TRENDS



NOTES:
Includes regional affiliate airline and merged airlines (Virgin America and Northwest Airlines).
Annual systemwide data for 2018 not yet available.
SOURCES: Port of Seattle, April 2019; US Department of Transportation, T-100 Database, May 2019.

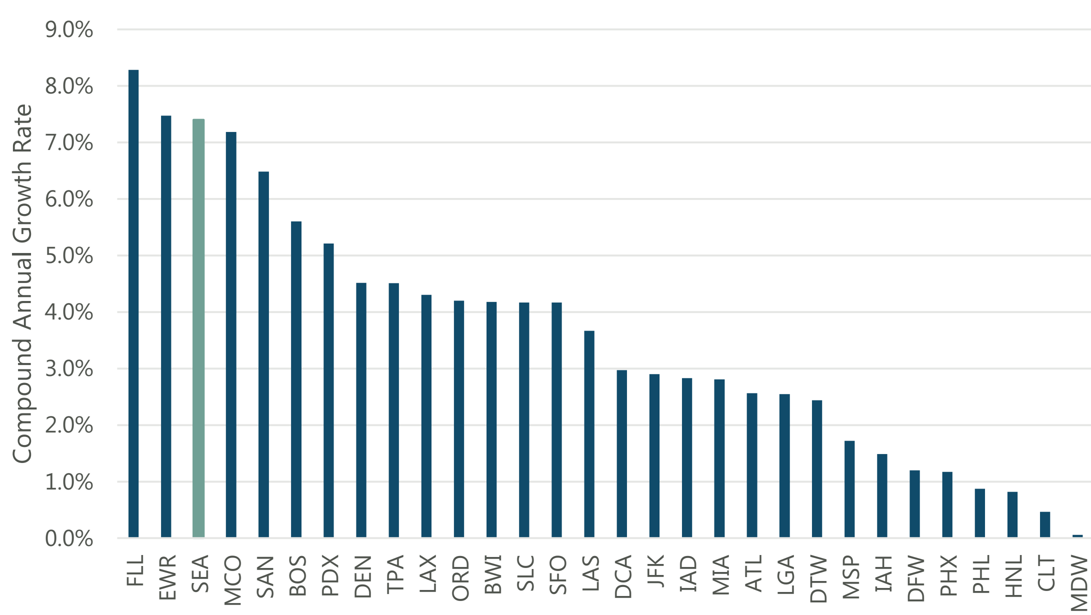
EXHIBIT 4-3 DOMESTIC ENPLANED PASSENGERS AND OPERATIONS



SOURCE: Port of Seattle, April 2019.

Domestic enplaned passengers grew at a CAGR of 2.2 percent between 2009 and 2013, as the Airport recovered to prerecession activity levels. Total enplaned passengers increased 7.7 percent in 2014 as Delta accelerated the development of its hub at the Airport. In 2015, domestic enplaned passengers increased 12.6 percent over 2014. Scheduled domestic seat capacity increased 11.9 percent during this period. The growth was due in large part to Delta, whose domestic seat capacity increased 41.9 percent on greater frequency to existing destinations and the addition of 10 new destinations. Alaska also increased domestic seat capacity at the Airport by 11.6 percent. Delta's scheduled domestic seat capacity at the Airport increased 20.7 percent in 2016, as the airline continued to add destinations. American also added service to its hub at Los Angeles International Airport (LAX). In 2016 Low Cost Carrier (LCC) Spirit Airlines launched service from the Airport to Las Vegas McCarran International Airport (LAS) and LAX. Scheduled domestic seat capacity for all airlines increased 9.6 percent in 2016, while domestic enplaned passengers for all airlines increased 7.6 percent. In 2017, domestic enplaned passengers for all airlines at the Airport grew 2.3 percent on a 2.0 percent increase in departing seats. In 2018, domestic departing seats grew 7.4 percent, and enplaned passengers grew 6.4 percent. While Alaska and Delta represented the largest component of capacity growth in 2018, United and Spirit both added departing seats at a faster rate than the hub airlines. Spirit launched service to four new destinations in 2018: Dallas/Fort Worth International Airport (DFW), Fort Lauderdale-Hollywood International Airport (FLL), Minneapolis-St. Paul International Airport (MSP) and Chicago O'Hare International Airport (ORD). In 2018 United increased seat capacity between the Airport and its hubs at Denver International Airport (DEN), Newark Liberty International Airport (EWR), George Bush Intercontinental Airport in Houston (IAH) and San Francisco International Airport (SFO). In 2019, domestic departing seats are scheduled to increase 4.5 percent year over year with Alaska, Delta and American, as well as LCCs JetBlue, Frontier and Sun Country all increasing their capacity at the Airport. As depicted on **Exhibit 4-4**, the Airport ranked third among all US large-hub airports as measured by growth in domestic enplaned passenger volumes in the last five years. In the first quarter of 2019, domestic enplaned passengers increased 3.9 percent over the same period the prior year.

EXHIBIT 4-4 DOMESTIC ENPLANED PASSENGER GROWTH AT US LARGE-HUB AIRPORTS: 2014-2018

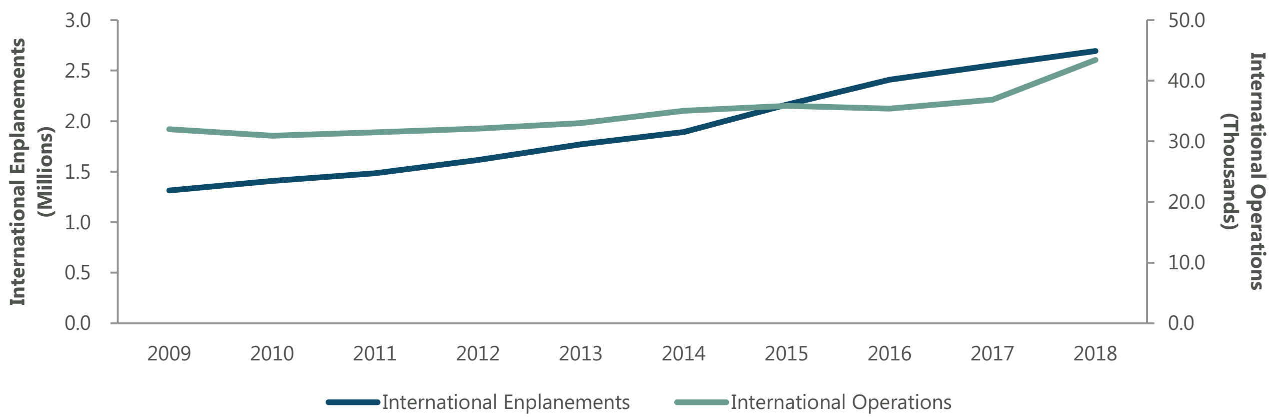


NOTE: CAGR for 2014 to 2018.
SOURCE: US Department of Transportation, T-100 Database, May 2019.

4.3.1.2 INTERNATIONAL ENPLANED PASSENGERS AND AIRCRAFT OPERATIONS

Exhibit 4-5 depicts trends in international enplaned passengers and operations over a 10-year period from 2009 to 2018.

EXHIBIT 4-5 INTERNATIONAL ENPLANED PASSENGERS AND OPERATIONS



SOURCE: Port of Seattle, April 2019.

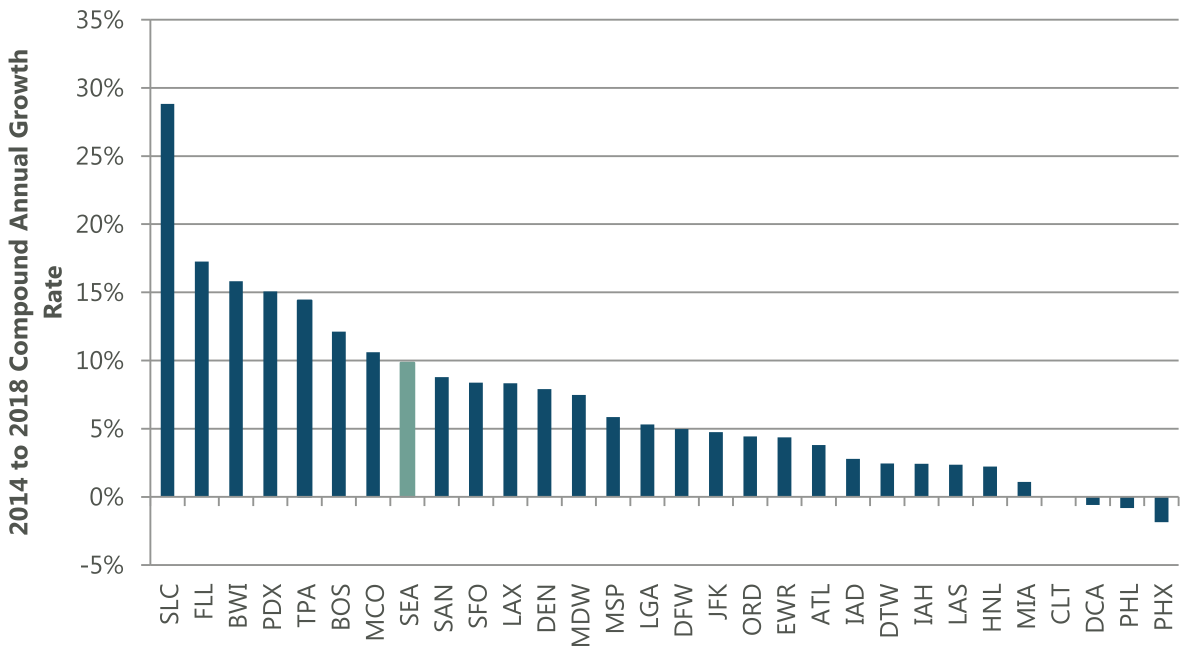
International passengers have steadily grown since 2009, increasing more than 5 percent in each year and at an 8.3 percent CAGR between 2009 and 2018. The expansion of international service by Delta in combination with new foreign-flag airlines at the Airport is responsible for this growth.

Delta launched an expansion of international service from the Airport in 2010, and since then has increased the number of international destinations it serves from 4 in 2010 to 15 in 2018. Delta's international growth at SEA represents the largest international expansion during this period across all of Delta's hubs in terms of destinations served, total departures and departing ASMs. The airline provides service from the Airport to destinations in Canada, Mexico, Europe, and Asia.

New foreign flag airline international service was initiated to Guadalajara, Mexico (Volaris) and Shenzhen, China (XiamenAir) in 2016; to Cologne-Bonn, Germany (Eurowings), London-Heathrow, United Kingdom (Virgin Atlantic), Mexico City, Mexico (Aeroméxico), and Munich, Germany (Condor) in 2017; and to Dublin, Ireland (Aer Lingus) and Manchester, England (Thomas Cook Airlines) in 2018. New international service to Singapore (Singapore Airlines) is scheduled to begin in September 2019.

In 2018, international enplaned passengers increased 5.5 percent from the prior year. As shown on **Exhibit 4-6**, the Airport ranked eighth among all US large-hub airports as measured by growth in international enplaned passenger volumes in the last five years.

EXHIBIT 4-6 2014 TO 2018 INTERNATIONAL ENPLANED PASSENGER GROWTH AT US LARGE-HUB AIRPORTS



NOTE: CAGR for 12 months ending November 2014 and November 2018 (November 2018 represents the latest international enplanement data available).
SOURCE: US Department of Transportation, T-100 Database, May 2019.

Table 4-6 presents total enplaned passengers by airline at the Airport from 2014 through 2018. The total enplaned passenger share of Alaska and its regional affiliates has decreased since 2014 (from 53.1 percent to 49.0 percent). This is due to growth by Delta and other airlines at the Airport exceeding Alaska enplaned passenger growth. Delta and its regional affiliates have experienced an increased share of enplaned passengers over the same period (from 15.6 percent to 23.1 percent), due to significant additions of flights and seats to existing and new domestic and international locations. Southwest United, American and Hawaiian have all increased their total volume of passengers even as their share of passengers has decreased due to Delta's expansion. **Exhibit 4-7** illustrates the airline share of passengers at the Airport in 2014 and 2018.

4.3.2 AIR SERVICE

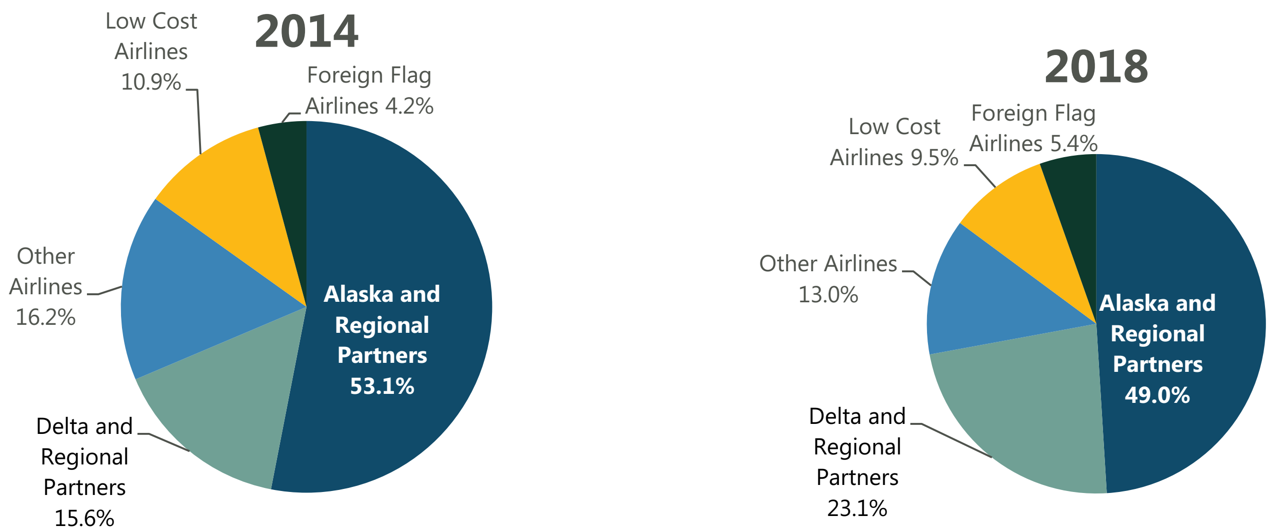
Table 4-7 presents the historical O&D and connecting enplaned passenger shares at the Airport. While O&D enplaned passengers have continued to increase, the O&D enplaned passenger share of total enplaned passengers at the Airport has fluctuated. From 2009 to 2016, the O&D enplaned passenger share of total enplaned passengers at the Airport decreased from 74.7 percent to 69.5 percent, due to the significant growth in the connecting hub operations of Alaska and Delta. From 2016 to 2018, the O&D enplaned passenger share increased to 71.2%, attributed to the strong growth in locally-generated O&D passenger demand.

TABLE 4-6 HISTORICAL TOTAL ENPLANED PASSENGERS BY AIRLINE

		2014		2015		2016		2017		2018	
	AIRLINE	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE	ENPLANED PASSENGERS	SHARE
	Alaska[1,2]	**9,932,349**	**53.1%**	**11,052,618**	**52.4%**	**11,639,112**	**51.1%**	**11,622,823**	**49.6%**	**12,203,013**	**49.0%**
	Delta[1]	**2,912,159**	**15.6%**	**4,066,182**	**19.3%**	**4,642,326**	**20.4%**	**5,135,059**	**21.9%**	**5,747,298**	**23.1%**
1	Alaska Airlines	7,064,298	37.7%	8,015,023	38.0%	8,519,624	37.4%	8,748,422	37.4%	9,437,072	37.9%
2	Delta Air Lines	2,462,690	13.2%	3,031,467	14.4%	3,437,809	15.1%	3,777,153	16.1%	4,411,408	17.7%
3	Horizon Air	2,402,239	12.8%	2,555,106	12.1%	2,561,063	11.2%	2,237,212	9.6%	2,281,352	9.2%
4	Southwest Airlines	1,493,989	8.0%	1,612,200	7.6%	1,710,854	7.5%	1,549,631	6.6%	1,583,717	6.4%
5	United Airlines	1,483,275	7.9%	1,373,235	6.5%	1,382,426	6.1%	1,457,218	6.2%	1,548,285	6.2%
6	American Airlines[3]	1,252,582	6.7%	1,306,521	6.2%	1,353,126	5.9%	1,308,266	5.6%	1,297,397	5.2%
7	Compass Airlines	213,336	1.1%	430,968	2.0%	477,549	2.1%	572,839	2.4%	965,851	3.9%
8	Delta Connection/SkyWest	236,133	1.3%	603,747	2.9%	756,987	3.3%	841,537	3.6%	370,039	1.5%
9	Alaska/SkyWest	191,208	1.0%	224,461	1.1%	286,668	1.3%	385,128	1.6%	339,865	1.4%
10	Spirit Airlines	0	0.0%	0	0.0%	148,757	0.7%	250,448	1.1%	294,975	1.2%
11	JetBlue Airways	294,523	1.6%	301,572	1.4%	287,549	1.3%	277,544	1.2%	279,100	1.1%
12	Hawaiian Airlines	194,685	1.0%	193,814	0.9%	206,509	0.9%	199,911	0.9%	199,252	0.8%
13	Virgin America	274,604	1.5%	258,028	1.2%	271,757	1.2%	252,061	1.1%	144,724	0.6%
14	Frontier Airlines	194,128	1.0%	131,005	0.6%	163,331	0.7%	140,066	0.6%	128,518	0.5%
15	British Airways	123,022	0.7%	120,653	0.6%	132,360	0.6%	129,579	0.6%	126,837	0.5%
	Other	836,066	4.5%	950,956	4.5%	1,099,749	4.8%	1,288,567	5.5%	1,485,946	6.0%
	Airport Total [4]	**18,716,778**	**100.0%**	**21,108,756**	**100.0%**	**22,796,118**	**100.0%**	**23,415,582**	**100.0%**	**24,894,338**	**100.0%**

NOTES:
1 Share totals for Alaska and Delta carriers combined include regional affiliates and are separate from the Airport total calculation.
2 Includes Virgin America.
3 Includes US Airways.
4 Columns may not add to totals shown because of rounding.
SOURCE: Port of Seattle, April 2019.

EXHIBIT 4-7 2014 AND 2018 AIRLINE MARKET SHARES



NOTE: LCCs include Frontier, JetBlue, Spirit, Sun Country, and Southwest.
SOURCE: Port of Seattle, April 2019.

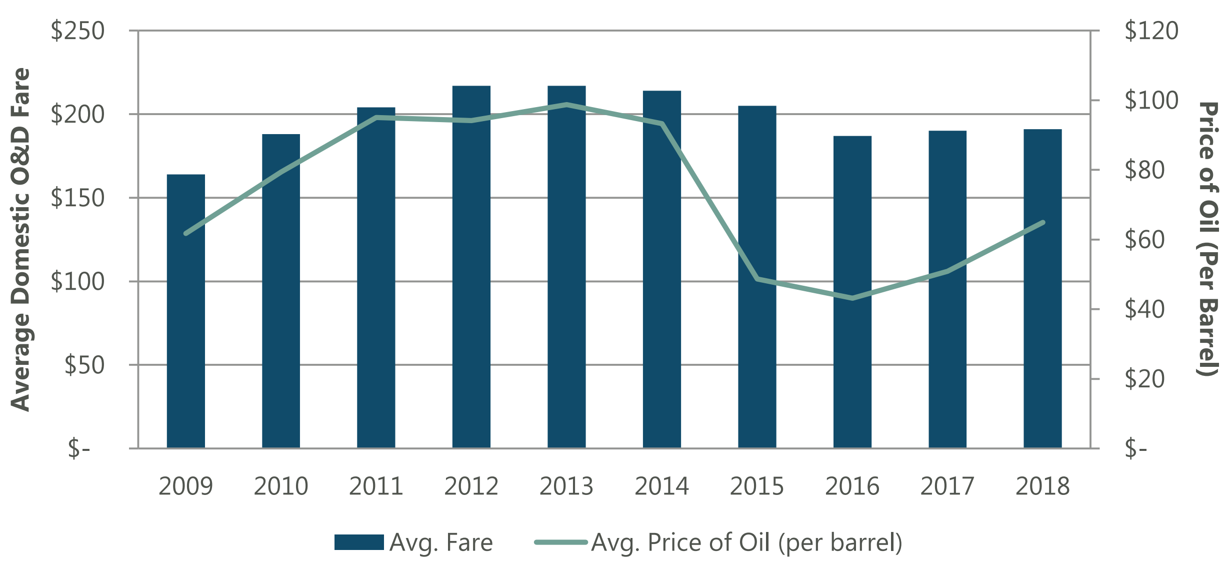
TABLE 4-7 HISTORICAL ORIGIN AND DESTINATION AND CONNECTING ENPLANED PASSENGERS

YEAR	TOTAL ORIGINATING ENPLANED PASSENGERS	ORIGINATING ENPLANED PASSENGER ANNUAL GROWTH	TOTAL CONNECTING ENPLANED PASSENGERS	CONNECTING ENPLANED PASSENGER ANNUAL GROWTH	TOTAL ENPLANED PASSENGERS	TOTAL ENPLANED PASSENGER ANNUAL GROWTH	ORIGINATING ENPLANED PASSENGER PERCENTAGE
2009	11,660,818		3,949,380		15,610,198		74.7%
2010	11,766,918	0.9%	4,006,430	1.4%	15,773,348	1.0%	74.6%
2011	12,068,551	2.6%	4,328,937	8.0%	16,397,488	4.0%	73.6%
2012	12,132,644	0.5%	4,464,680	3.1%	16,597,324	1.2%	73.1%
2013	12,719,463	4.8%	4,656,853	4.3%	17,376,316	4.7%	73.2%
2014	13,588,381	6.8%	5,128,397	10.1%	18,716,778	7.7%	72.6%
2015	14,712,803	8.3%	6,395,953	24.7%	21,108,756	12.8%	69.7%
2016	15,843,302	7.7%	6,952,816	8.7%	22,796,118	8.0%	69.5%
2017	16,484,570	4.0%	6,931,012	-0.3%	23,415,582	2.7%	70.4%
2018	17,724,769	7.5%	7,169,569	3.4%	24,894,338	6.3%	71.2%
Compound Annual Growth Rate							
2009 – 2013	2.2%		4.2%		2.7%		
2013 – 2018	6.9%		9.0%		7.5%		
2009 – 2018	4.8%		6.8%		5.3%		

SOURCES: Sabre MIDT, May 2019; US Department of Transportation, T-100 Database, May 2019; US Department of Transportation, O&D Survey, May 2019.

Exhibit 4-8 shows historical average domestic O&D fares at the Airport and the average annual oil prices between 2009 and 2018. There were fluctuations in the price of oil during this period which impacted airlines' operating costs. As oil prices increased between 2009 and 2012 airlines were able to increase fares to offset the higher cost structure. As oil prices decreased from 2013 through 2016, the decrease in operating costs enabled airlines to profitably grow capacity at lower fares. Should the price of oil return to the levels of 2011 to 2014, the airlines may reduce capacity and capture revenue growth through higher fares.

EXHIBIT 4-8 AVERAGE DOMESTIC O&D FARES AT THE AIRPORT AND AVERAGE ANNUAL PRICE OF OIL



NOTES: O&D – Origin and Destination
Domestic O&D revenue passengers and fares.
Fares exclude ancillary fees.
Price of oil averaged over the calendar year.
All values are nominal.
SOURCES: US Department of Transportation, DB1B Survey, April 2019; US Department of Energy, April 2019.

An important characteristic of an airport's activity is the distribution of the airport's O&D markets, which is a function of air travel demand and available services and facilities. **Table 4-8** presents data on the Airport's top 20 domestic O&D markets in 2018, as measured by the number of passengers. Only one domestic O&D market is a short-haul market (between 1 and 600 miles), twelve are medium-haul (between 601 and 1,800 miles), and seven are long-haul markets (over 1,800 miles). At least two airlines serve each of the top 20 domestic O&D markets.

TABLE 4-8 TOP 20 DOMESTIC ORIGIN AND DESTINATION PASSENGER MARKETS FOR THE AIRPORT IN 2018

RANK	MARKET	TRIP LENGTH [1]	TOTAL O&D PASSENGERS [2]	WEEKLY NONSTOP DEPARTURES [3]	NUMBER OF AIRLINES [3]	AIRLINES[4]
1	Los Angeles[5]	MH	3,426,780	364	5	AS, AA, DL, B6, UA
2	San Francisco[6]	MH	3,013,641	393	4	AS, DL, WN, UA
3	Las Vegas	MH	1,316,105	140	4	AS, DL, WN, NK
4	New York[7]	LH	1,243,640	142	5	AS, AA, DL, B6, UA
5	Phoenix	MH	1,161,724	117	4	AS, AA, DL, WN
6	Denver	MH	1,020,005	155	5	AS, DL, F9, WN, UA
7	San Diego	MH	1,014,606	104	3	AS, DL, WN
8	Chicago[8]	MH	957,216	169	6	AS, AA, DL, WN, NK, UA
9	Washington, DC[9]	LH	833,056	70	5	AS, DL, WN, NK, UA
10	Dallas[10]	MH	752,924	123	4	AS, AA, WN, NK
11	Sacramento	MH	641,933	107	3	AS, DL, WN
12	Boston	LH	586,994	61	3	AS, DL, B6
13	Minneapolis–St. Paul	MH	549,294	97	4	AS, DL, NK, SY
14	Honolulu/Oahu	LH	490,553	35	3	AS, DL, HA
15	Spokane	SH	482,600	158	2	AS, DL
16	Atlanta	LH	477,291	83	2	AS, DL
17	Salt Lake City	MH	462,461	90	2	AS, DL
18	Houston[11]	LH	457,388	70	4	AS, WN, NK, UA
19	Anchorage	MH	456,843	194	4	AS, DL, B6, SY
20	Orlando	LH	398,453	25	2	AS, DL
	Top 20 Markets		**19,743,508**	**2,697**		
	All Markets		**29,231,093**	**4,154**		

WEIGHTED AVERAGE	TRIP LENGTH
Airport [12]	1,615 miles
United States	1,538 miles

NOTES: O&D – Origin and Destination
1 (SH) Short Haul = 1 to 600 miles
(MH) Medium Haul = 601 to 1,800 miles
(LH) Long Haul = over 1,800 miles
2 Includes arriving and departing passengers.
3 For the week of July 9, 2018.
4 AA-American, AS-Alaska, B6-JetBlue, DL-Delta, F9-Frontier, HA-Hawaiian, NK-Spirit, UA-United, WN-Southwest, SY-Sun Country
5 Includes Los Angeles International, John Wayne-Orange County, Ontario International, Bob Hope, and Long Beach Airports.
6 Includes San Francisco International, Metropolitan Oakland International, and Norman Y. Mineta San Jose International Airports.
7 Includes John F. Kennedy International, Newark Liberty International, and LaGuardia Airports.
8 Includes Chicago O'Hare International and Chicago Midway International Airports.
9 Includes Washington Dulles International, Ronald Reagan Washington National, and Baltimore/Washington International Thurgood Marshall Airports.
10 Includes Dallas Fort Worth International and Dallas Love Field Airports.
11 Includes George Bush Intercontinental and William P. Hobby Airports.
12 Weighted average calculated for all of the Airport's O&D markets.
SOURCES: US Department of Transportation, DB1B Survey, April 2019; Innovata, May 2019.

Also shown in Table 4-8 are the number of weekly nonstop departures in each of the Airport's top 20 domestic O&D markets for the week of July 9, 2018, which represents an average week of the busiest month of the year, as measured by scheduled departures. **Exhibit 4-9** illustrates the domestic markets served nonstop from the Airport as of June 2019. An average of 575 domestic departures per day were scheduled to 90 nonstop destinations in June, which reflects an increase of 11 destinations since June 2009. **Exhibit 4-10** illustrates the international markets served nonstop from the Airport as of June 2019. During the month of June 2019, the Airport is scheduled to average 65 international departures per day to 25 nonstop destinations, an increase of 8 destinations since June 2009.

4.3.3 AIRCRAFT OPERATIONS

Table 4-9 presents aircraft operation levels at the Airport by major user group between 2009 and 2018.

4.3.3.1 GENERAL AVIATION OPERATIONS

In 2018, general aviation activity at the Airport was low compared to airline operations, accounting for approximately 0.6 percent of total aircraft operations at the Airport.

4.3.4 LANDED WEIGHT

Table 4-10 presents the shares of landed weight for the passenger airlines and the all-cargo operators serving the Airport from 2014 through 2018. Landed weight increased year over year throughout the outlook period, a CAGR of 7.8 percent over the 5-year period.

4.3.5 AIR CARGO VOLUMES

Table 4-11 presents historical enplaned and deplaned air cargo weight at the Airport between 2009 and 2018. Similar to the passenger airlines, the air cargo industry has been impacted in recent years by the global economy, foreign currencies, uncertainties in the Middle East, and new security regulations. Between 2009 and 2018, cargo volumes at the Airport increased at a CAGR of 5.4 percent. Air cargo at the Airport increased 16.2 percent in 2017 and 1.5 percent in 2018. Between 2009 and 2018, the CAGR for international cargo was 6.8 percent, while the CAGR for domestic cargo was 4.7 percent.

4.4 IMPORTANCE OF THE AIRPORT TO AIRLINES

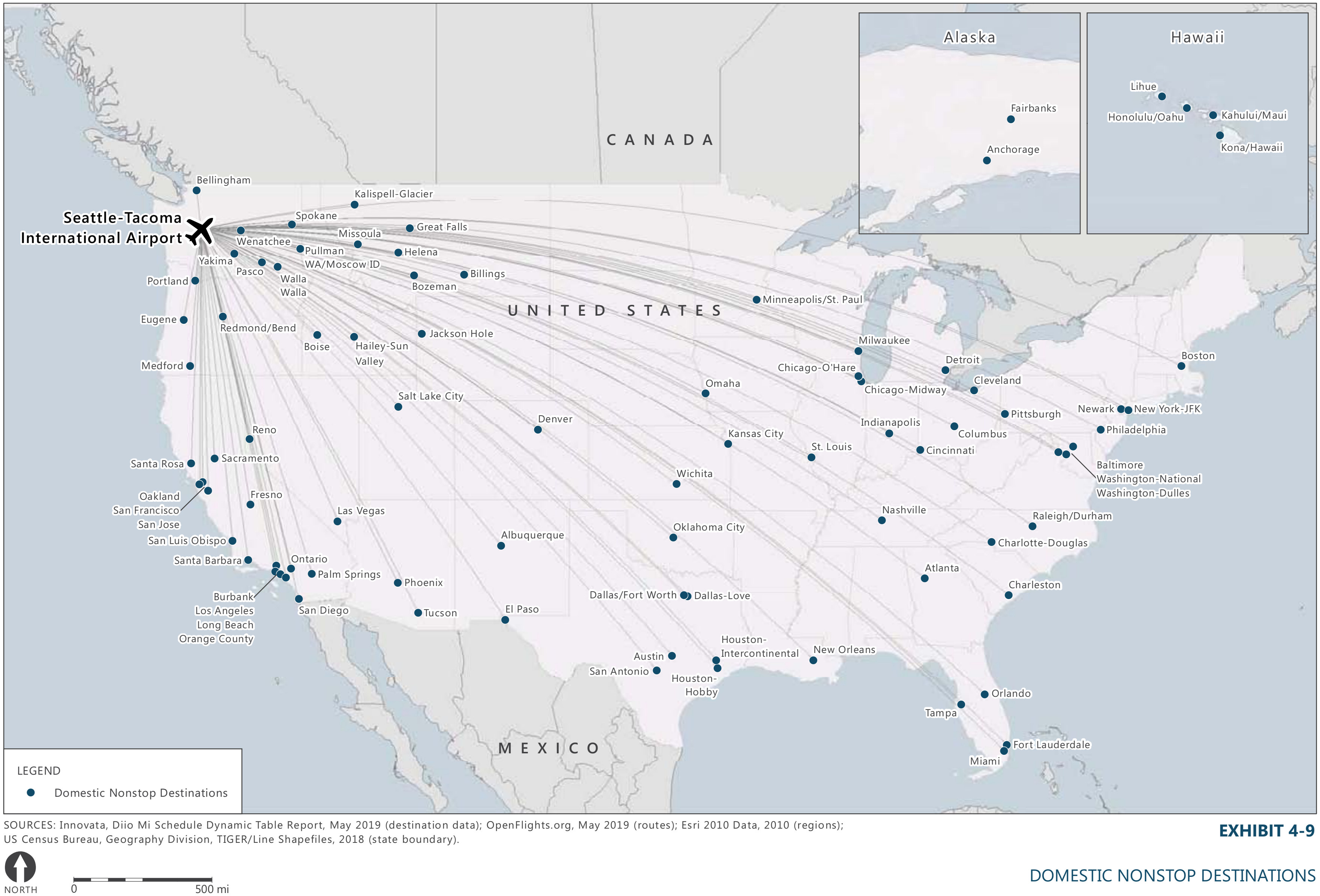
4.4.1 HUB AIRLINES

The Airport is a critical component of the route networks of Alaska and Delta, which together represented 72.1 percent of the Airport's total passengers in 2018. As presented on **Exhibit 4-11,** these two airlines represent most of the growth at the Airport over the past 5 years.

4.4.1.1 ALASKA AIRLINES

Alaska is the fifth largest US-based airline in terms of passengers and operating revenue. In December 2016 Alaska closed its acquisition of Virgin America and completed the operational integration of the two airlines in January 2018. The consolidated airline operates a fleet of 237 mainline aircraft and in 2018 the airline operated approximately 1,100 average daily departures to 117 destinations.[2] Alaska operates its largest hub at the Airport with 306 scheduled average daily departures from the Airport in June 2019 to 82 destinations in the United States and 5 international destinations. As presented in **Table 4-12**, the Airport represents the largest component of the Alaska Airlines route network, with more than twice as many daily departures than the next largest hub.

[2] Diio Mi, *Summary Fleet Report*, May 10, 2019 (fleet data).



SOURCES: Innovata, Diio Mi Schedule Dynamic Table Report, May 2019 (destination data); OpenFlights.org, May 2019 (routes); Esri 2010 Data, 2010 (regions); US Census Bureau, Geography Division, TIGER/Line Shapefiles, 2018 (state boundary).

EXHIBIT 4-9

DOMESTIC NONSTOP DESTINATIONS

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SOURCES: Esri, HERE, DeLorme, MapmyIndia, OpenStreetMap Contributors, and the GIS User Community, May 2019 (basemap); Innovata, Diio Mi Schedule Dynamic Table Report, May 2019 (destination data); OpenFlights.org, May 2019 (routes).

NORTH 0 1,200 mi

EXHIBIT 4-10

INTERNATIONAL NONSTOP DESTINATIONS

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TABLE 4-9 HISTORICAL AIRCRAFT OPERATIONS

YEAR	DOMESTIC[1]	INTERNATIONAL[1]	TOTAL AIRLINES[1]	GENERAL AVIATION	MILITARY	TOTAL
2009	279,938	31,982	311,920	3,046	73	324,767
2010	276,556	30,928	307,484	3,262	114	319,928
2011	278,184	31,500	309,684	3,708	149	322,869
2012	272,030	32,084	304,114	3,604	133	316,367
2013	277,516	33,008	310,524	3,510	80	322,484
2014	297,840	35,056	332,896	4,113	127	346,162
2015	337,890	35,848	373,738	4,160	125	387,219
2016	369,318	35,372	404,690	2,822	93	419,271
2017	373,896	36,888	410,784	2,338	86	427,518
2018	388,760	43,430	432,190	2,625	87	450,626
Compound Annual Growth Rate						
2009 – 2018	3.7%	3.5%	3.7%	(1.6%)	2.0%	3.7%

NOTE:
1 Includes all-cargo operations.
SOURCE: Port of Seattle, April 2019.

TABLE 4-10 HISTORICAL LANDED WEIGHT BY AIRLINE

		2014		2015		2016		2017		2018		2014 TO 2018
	AIRLINE	LANDED WEIGHT	SHARE	LANDED WEIGHT	SHARE	LANDED WEIGHT	SHARE	LANDED WEIGHT	SHARE	LANDED WEIGHT	SHARE	COMPOUND ANNUAL GROWTH RATE
1	Alaska Airlines	7,095,757	31.5%	7,956,530	32.1%	8,554,576	31.4%	9,009,600	31.7%	9,829,508	32.4%	8.5%
2	Delta Air Lines	3,240,684	14.4%	3,643,861	14.7%	4,226,376	15.5%	4,452,232	15.7%	5,147,471	17.0%	12.3%
3	Horizon Air	2,384,478	10.6%	2,482,970	10.0%	2,457,593	9.0%	2,188,322	7.7%	2,391,037	7.9%	0.1%
4	Southwest Airlines	1,539,530	6.8%	1,654,594	6.7%	1,766,708	6.5%	1,590,069	5.6%	1,657,326	5.5%	1.9%
5	United Airlines	1,639,468	7.3%	1,426,778	5.8%	1,456,936	5.3%	1,473,073	5.2%	1,548,459	5.1%	-1.4%
6	American Airlines	770,428	3.4%	734,381	3.0%	1,391,743	5.1%	1,339,258	4.7%	1,339,608	4.4%	14.8%
7	Compass Airlines	271,238	1.2%	538,890	2.2%	633,176	2.3%	694,257	2.4%	1,201,254	4.0%	45.1%
8	FedEx	811,955	3.6%	795,416	3.2%	852,257	3.1%	871,107	3.1%	881,431	2.9%	2.1%
9	Delta Connection/SkyWest	321,430	1.4%	796,219	3.2%	978,827	3.6%	1,042,825	3.7%	473,037	1.6%	10.1%
10	Air Transport Int'l	764	0.0%	594	0.0%	80,470	0.3%	179,291	0.6%	394,759	1.3%	376.8%
11	Alaska/SkyWest	202,664	0.9%	293,377	1.2%	349,930	1.3%	455,435	1.6%	387,600	1.3%	17.6%
12	JetBlue Airways	318,808	1.4%	327,483	1.3%	309,889	1.1%	285,621	1.0%	328,485	1.1%	0.8%
13	Korean Air	332,593	1.5%	387,086	1.6%	313,689	1.2%	354,220	1.2%	315,471	1.0%	-1.3%
14	Hawaiian Airlines	301,122	1.3%	297,781	1.2%	301,791	1.1%	304,359	1.1%	313,582	1.0%	1.0%
15	Asiana Airlines	247,750	1.1%	240,806	1.0%	249,750	0.9%	286,510	1.0%	310,752	1.0%	5.8%
	Other	3,025,846	13.4%	3,180,552	12.8%	3,351,814	12.3%	3,904,348	13.7%	3,830,045	12.6%	6.1%
	Airport Total	**22,504,515**	**100.0%**	**24,757,318**	**100.0%**	**27,275,525**	**100.0%**	**28,430,527**	**100.0%**	**30,349,825**	**100.0%**	**7.8%**

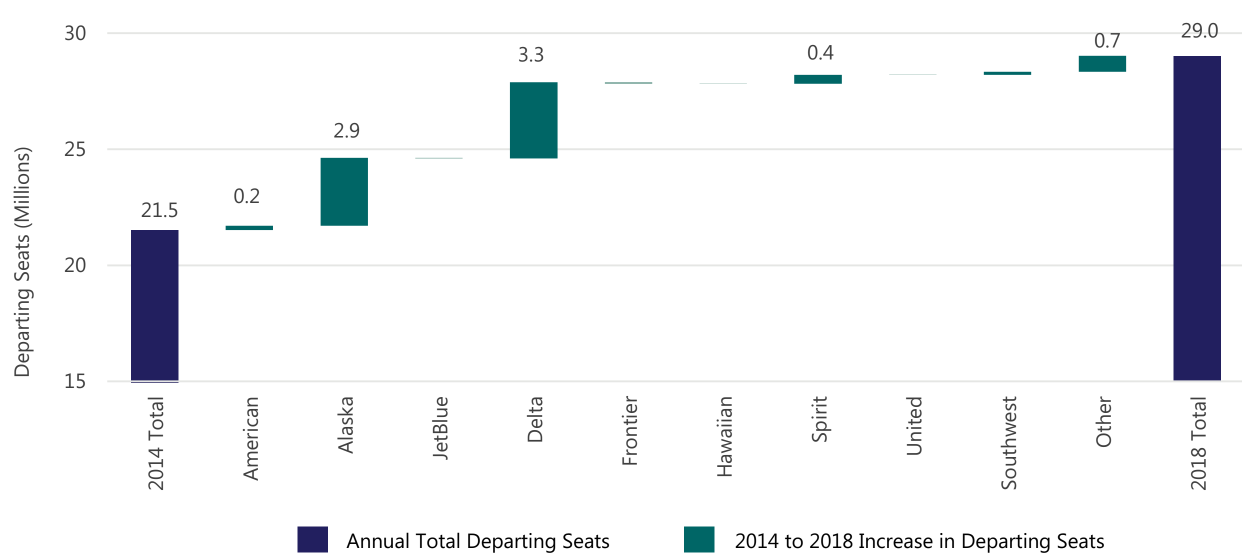
NOTE: Weight in 1,000-pound units.
SOURCE: Port of Seattle, April 2019.

TABLE 4-11 HISTORICAL ENPLANED AND DEPLANED CARGO WEIGHT

YEAR	DOMESTIC CARGO	ANNUAL GROWTH	INTERNATIONAL CARGO	ANNUAL GROWTH	TOTAL CARGO	ANNUAL GROWTH
2009	195,111		75,105		270,216	
2010	198,342	1.7%	84,949	13.1%	283,291	4.8%
2011	197,687	(0.3%)	82,206	(3.2%)	279,893	(1.2%)
2012	201,483	1.9%	82,128	(0.1%)	283,611	1.3%
2013	203,536	1.0%	89,173	8.6%	292,709	3.2%
2014	218,410	7.3%	108,829	22.0%	327,239	11.8%
2015	215,705	(1.2%)	116,931	7.4%	332,636	1.6%
2016	250,220	16.0%	116,210	(0.6%)	366,430	10.2%
2017	299,559	19.7%	126,297	8.7%	425,856	16.2%
2018	296,005	(1.2%)	136,311	7.9%	432,316	1.5%
Compound Annual Growth Rate						
2009 – 2018	4.7%		6.8%		5.4%	

NOTES:
1 Weight in metric tons.
2 Includes freight and mail.
SOURCE: Port of Seattle, May 2019.

EXHIBIT 4-11 CHANGE IN DEPARTING SEAT CAPACITY BY AIRLINE (CY 2014 TO CY 2018)



SOURCE: Innovata, May 2019.

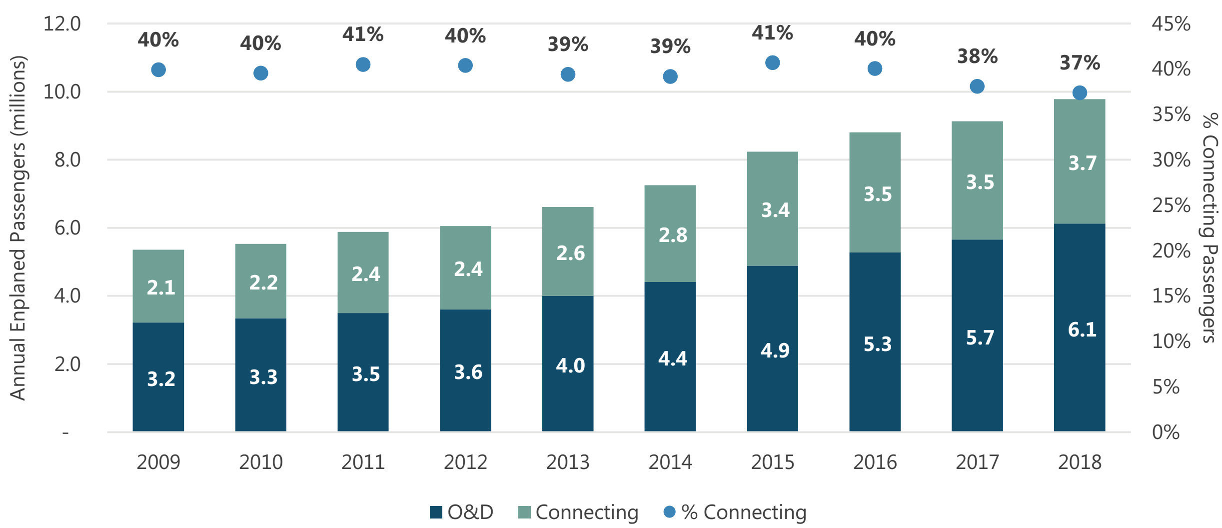
TABLE 4-12 ALASKA AIRLINES JUNE 2019 DEPARTURES AND DESTINATIONS SERVED BY HUB / FOCUS CITY

			DESTINATIONS SERVED			
RANK	AIRPORT	AVERAGE DAILY DEPARTURES	DOMESTIC	CANADA	LATIN AMERICA	TOTAL
1	**Seattle-Tacoma International Airport**	**306**	**82**	**5**	**-**	**87**
2	Portland International Airport	138	49	1	-	50
3	San Francisco International Airport	85	28	-	2	30
4	Los Angeles International Airport	71	21	-	9	30
5	San Diego International Airport	50	28	-	2	30
6	Ted Stevens Anchorage International Airport	50	16	-	-	16

SOURCE: Innovata, May 2019.

Over the past 10 years Alaska has expanded its hub operation at the Airport to accommodate growing demand for air travel in the Air Trade Area. As shown on **Exhibit 4-12**, Alaska's total enplaned passengers have steadily increased every year since 2009, with O&D passengers growing at a slightly faster rate than connecting passengers. During this period, the proportion of connecting passengers decreased from 40 percent to 37 percent.

EXHIBIT 4-12 ALASKA AIRLINES 2009 TO 2018 SEA ENPLANED PASSENGERS



NOTES: O&D – Origin and Destination
Includes historical Virgin America.
SOURCES: Port of Seattle, May 2019; US Department of Transportation, O&D Survey, May 2019.

4.4.1.2 DELTA AIR LINES

Delta Air Lines is the second largest airline in the United States and in the world in terms of passengers and operating revenues. Delta operates a fleet of 899 aircraft, and in 2018 Delta operated approximately 5,000 average daily departures to 334 destinations.[3] In 2013 Delta initiated the development of a hub operation and transpacific gateway at the Airport. Between 2012 and 2018 the number of destinations served by Delta from the Airport increased from 13 to 63, while departing seat capacity more than tripled. Delta and Alaska historically maintained an extensive airline alliance, including reciprocal codeshare and loyalty program cooperation, until May 2017. This alliance cooperation permitted Delta to operate a virtual hub at the Airport by connecting passengers across the Delta and Alaska networks. The two airlines ended their alliance cooperation as Delta expanded service at the Airport and substituted connectivity to Alaska with connectivity to its own network.

Table 4-13 presents the average daily departures and destinations served for each of Delta's eight hubs in June 2019. The Airport is the seventh largest hub in terms of average daily departures and is tied with Detroit Metropolitan Wayne Country Airport for the highest number of transpacific destinations served.

TABLE 4-13 DELTA AIR LINES JUNE 2019 DEPARTURES AND DESTINATIONS SERVED BY HUB / FOCUS CITY

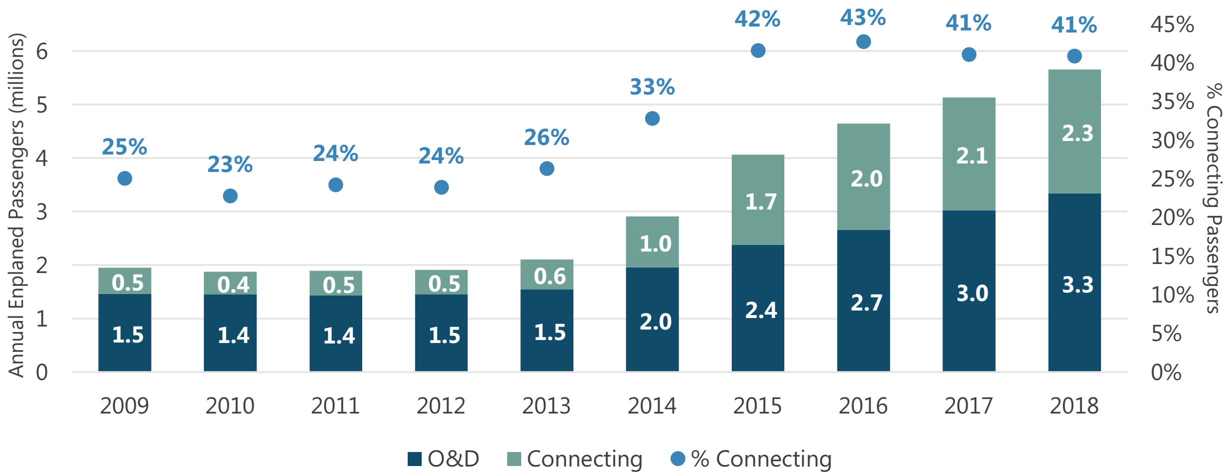
			DESTINATIONS SERVED					
RANK	AIRPORT	AVERAGE DAILY DEPARTURES	DOMESTIC	CANADA	LATIN AMERICA	TRANSATLANTIC	TRANSPACIFIC	TOTAL
1	Hartsfield-Jackson Atlanta International Airport	907	156	3	47	17	3	226
2	Detroit Metropolitan Wayne County Airport	388	111	4	6	6	5	132
3	Minneapolis–Saint Paul International Airport	378	116	7	2	4	2	131
4	Salt Lake City International Airport	253	86	3	4	3	0	96
5	LaGuardia Airport (New York)	237	64	3	0	0	0	67
6	John F. Kennedy International Airport (New York)	173	47	3	15	28	0	93
7	**Seattle-Tacoma International Airport**	**146**	**43**	**3**	**0**	**2**	**5**	**53**
8	Los Angeles International Airport	143	41	0	7	2	3	53

SOURCE: Innovata, May 2019.

Exhibit 4-13 presents the trend of Delta's growth at the Airport. Between 2009 and 2012 Delta passenger activity was steady at approximately 1.9 million enplaned passengers, 25 percent of which were connecting. With the development of the hub operation, starting in 2013, O&D and connecting passengers have steadily increased every year through 2018. During this period, the proportion of connecting passengers has increased to 41 percent.

3 Diio Mii, *Summary Fleet Report*, May 10, 2019 (fleet data).

EXHIBIT 4-13 DELTA AIR LINES 2009 TO 2018 SEA ENPLANED PASSENGERS



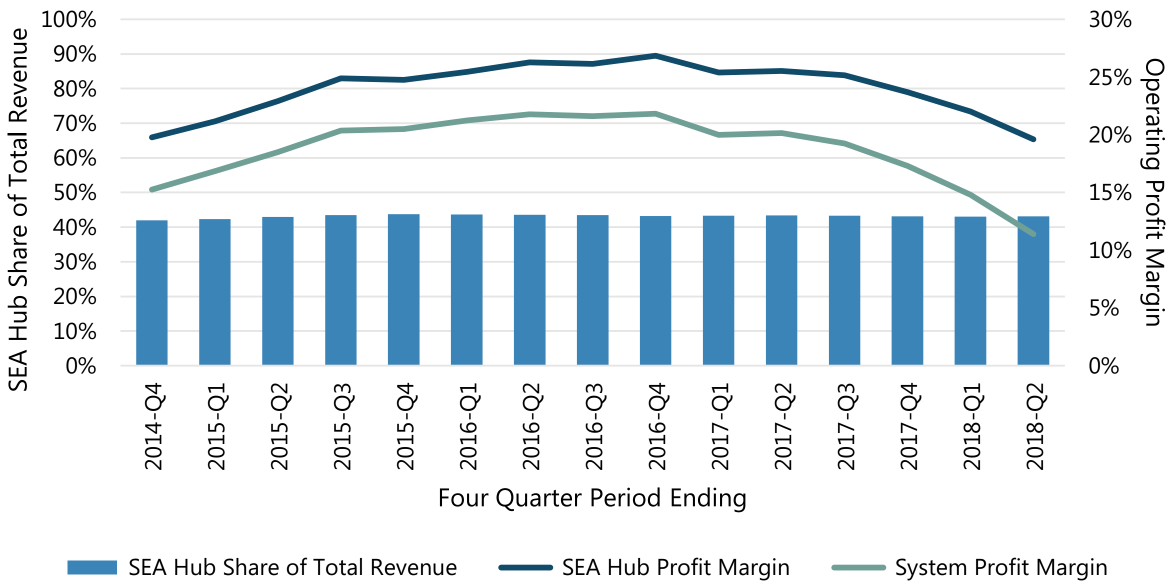
NOTE: O&D – Origin and Destination
SOURCES: Port of Seattle, May 2019; US Department of Transportation, O&D Survey, May 2019.

4.4.1.3 ESTIMATED PROFITABILITY OF THE ALASKA AND DELTA HUBS

Ricondo analyzed publicly available sources of financial and operational data and applied commonly used allocation methodologies in the airline industry to derive estimates of the relative profitability of Alaska's and Delta's hub operations at the Airport. Ticket revenue was attributed to hubs using DOT O&D data accessed at the individual itinerary level and was prorated to flight segments using a distance-based proration methodology. Non-ticket revenue was allocated using drivers that include revenue passenger miles and cargo volumes. Cost allocation drivers included block hours, departures, revenue passenger miles, available seat miles, and ticket revenue. Aircraft-type specific allocation rates were used where reporting is available at that level of detail to represent the economic impact of the mix of fleet types operating across the hubs. While Ricondo has applied commonly used approaches to the alignment of costs and revenues with activity-based allocation drivers, the estimates of relative hub profitability may differ from those of airlines that employ many different methodologies using detailed internal data sources.

The evaluation of the relative profitability of Alaska and Delta at the Airport considers the distinct role of the Airport in each airline's route network. Alaska has a well-established hub operation at the Airport, which represents over 40 percent of Alaska's total operating revenue. Alaska's other focus city operations do not necessarily represent appropriate peers for comparison. As such, Alaska's hub operation at the airport is compared to the Alaska system average to evaluate financial performance. **Exhibit 4-14** presents a comparison of Alaska's estimated operating profit margin for its SEA hub to the system average operating profit margin as well as the SEA hub's share of total operating revenue on a rolling four-quarter basis. The SEA hub has consistently outperformed the Alaska system average since 2014.

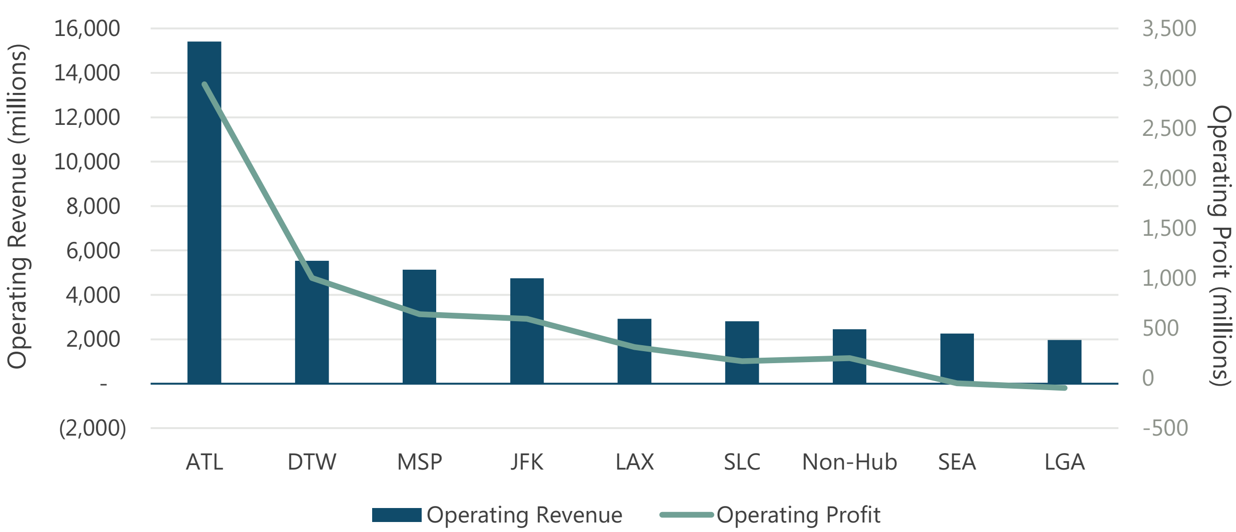
EXHIBIT 4-14 ESTIMATE OF ALASKA AIRLINES OPERATING REVENUE AND PROFIT MARGIN



NOTE: Includes historical Virgin America.
SOURCE: Ricondo & Associates, Inc., May 2019 (analysis).

Launched in 2013, Delta's hub operation at the Airport is relatively young and significantly smaller than Delta's other connecting hubs. **Exhibit 4-15** presents the estimated operating revenue and operating profit for each of Delta's hubs in the year ending Q2 2018. The Airport was the seventh (out of eight) largest hub in terms of estimated operating revenue and operating profit.

EXHIBIT 4-15 ESTIMATE OF DELTA AIR LINES PROFITABILITY BY HUB – YEAR ENDING Q2 2018



SOURCE: Ricondo & Associates, Inc., May 2019 (analysis).

The financial performance of Delta's SEA hub relative to other Delta hubs can be attributed to the following factors:

- The SEA hub is a new and growing component of the Delta route network. New hubs and focus cities take time to mature, as incremental capacity initially drives down average fares. Over time, unit revenues and profitability improve as the airline grows its market presence and develops a larger local base of loyal customers.
- Delta has a large share of the market at its three largest hubs (ATL, DTW and MSP). Its dominant presence in these markets, which represent over half of Delta's total operating revenue, supports higher operating profit margins and drives up the Delta system average.
- Transpacific markets represent a larger share of total hub revenue at the Airport (21.7 percent in the year ending Q2 2018) than any other Delta hub. In recent years Delta's transpacific margins have decreased at a faster rate than other regions, down from an estimated 23.4 percent for year ending Q4 2016 to 14.4 percent for the year ending Q2 2018. Foreign carriers have grown capacity across the Pacific, driving down fares and pressuring transpacific profit margins for all U.S. carriers.

While the estimate of Delta's profitability at the Airport is an indicator of relative performance compared to other Delta hubs, financial metrics do not fully capture the strategic value the Airport represents to the airline. The Airport is a critical gateway to the Asia-Pacific region, and it is geographically well-positioned to accommodate local and connecting transpacific passengers. The hub also generates presence in the Northwest region and provides geographical balance to Delta's route network, which is larger in the eastern half of the United States. This expanded presence strengthens Delta's loyalty program, improves access to key corporate contracts, and drives incremental revenue across the broader Delta network. Delta has generated strong financial returns at the system level, and its continued investment in the SEA hub demonstrates the airline's commitment to a strategically critical market.

Facility improvements currently underway, including the International Arrivals Facility, will support Delta's continued expansion of its hub operation at the Airport. According to the Port, Delta has been constrained in its ability to increase international service, due to current international facility limitations. The new International Arrivals Facility will provide capacity for potential increases in international service. This growth would contribute to increased market presence and economies of scale, which will support improved profitability.

4.4.2 LOW-COST CARRIERS

In 2018 five low cost carriers (LCCs) served the Airport: Southwest, Spirit, JetBlue, Frontier, and Sun Country. LCCs focus on point to point service and typically discount fares as they expand into new markets. This expansion stimulates demand as competing carriers match the LCCs' lower fares. **Table 4-14** presents the enplaned passengers for each of the LCCs from 2009 to 2018. Southwest is the largest LCC serving the Airport, followed by Spirit, which launched service from the Airport in 2016. Despite growth in aggregate LCC passengers, which represent a CAGR of 3.1 percent over the past 10 years, LCC share of total passengers has decreased from 11.5 percent in 2009 to 9.5 percent in 2018. The LCC loss of share of total passengers is due in large part to the growth of Alaska and Delta.

TABLE 4-14 LOW-COST CARRIER ENPLANED PASSENGERS

YEAR	SOUTHWEST	SPIRIT	JETBLUE	FRONTIER	SUN COUNTRY	TOTAL LCC	TOTAL LCC ANNUAL CHANGE	ALL AIRLINES	LCC SHARE OF ALL AIRLINES
2009	1,374,667		217,618	166,297	33,788	**1,792,370**		15,610,198	11.5%
2010	1,355,946		218,802	199,806	40,111	**1,814,665**	1.2%	15,773,348	11.5%
2011	1,442,418		237,916	244,933	44,650	**1,969,917**	8.6%	16,397,488	12.0%
2012	1,403,814		260,785	268,590	46,802	**1,979,991**	0.5%	16,597,324	11.9%
2013	1,482,430		296,350	214,348	52,516	**2,045,644**	3.3%	17,376,316	11.8%
2014	1,493,989		294,523	194,128	62,333	**2,044,973**	0.0%	18,716,778	10.9%
2015	1,612,200		301,572	131,005	63,061	**2,107,838**	3.1%	21,108,756	10.0%
2016	1,710,854	148,757	287,549	163,331	63,579	**2,374,070**	12.6%	22,796,118	10.4%
2017	1,549,631	250,448	277,544	140,066	58,482	**2,276,171**	-4.1%	23,415,582	9.7%
2018	1,583,717	294,975	279,100	128,518	68,547	**2,354,857**	3.5%	24,894,338	9.5%
CAGR 2009 – 2018	1.6%	NA	2.8%	-2.8%	8.2%	**3.1%**		5.3%	

NOTES:
LCC – Low-Cost Carrier
SOURCE: Port of Seattle, May 2019.

4.5 FACTORS AFFECTING AVIATION DEMAND AT THE AIRPORT

This section discusses qualitative factors that could influence future aviation activity at the Airport.

4.5.1 NATIONAL ECONOMY

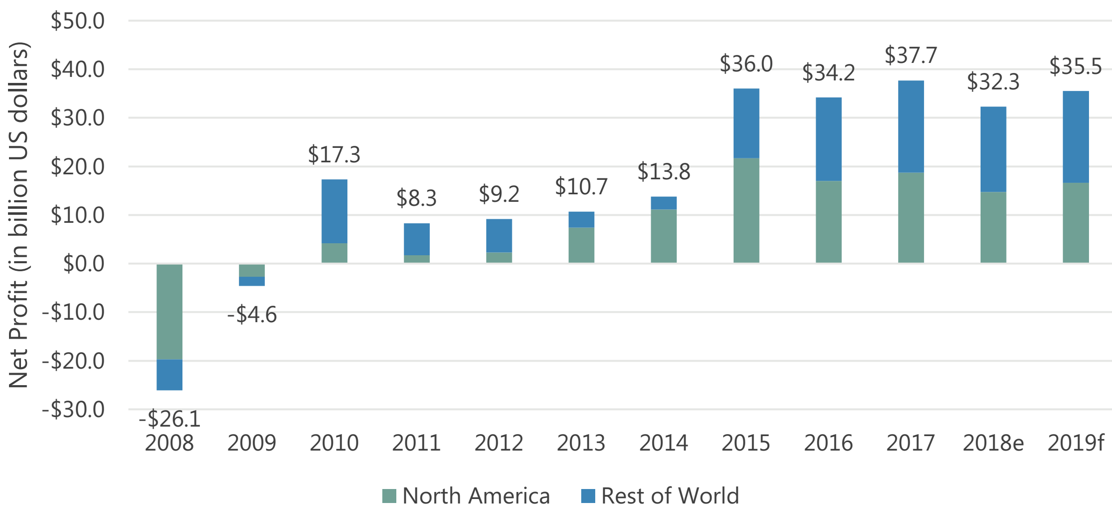
Historically, trends in airline travel have been closely correlated with national economic trends, most notably changes in GDP. Section 3.4 describes the general economic trends, both national and local, that may influence demand for air service over time. National per capita GDP is expected to increase 0.9 percent annually through 2024, which should support generally increasing demand for air service. Actual economic activity may differ from this projection, especially on a year-to-year basis. Demand for air service may be impacted by changes in economic performance.

4.5.2 STATE OF THE AIRLINE INDUSTRY

In the aftermath of the terrorist attacks on September 11, 2001, the US airline industry experienced a material adverse shift in the demand for airline travel, which exacerbated problems for a US airline industry already weakened by a slowing economy and rising labor and fuel costs. The result was 4 years of reported industry operating losses in 2001 through 2004, totaling more than $22 billion (excluding extraordinary charges and gains). Following these years, the airline industry recovered through 2007, with US airlines posting combined operating profits in all 3 years.[4] In 2008 and through the first half of 2009, the combination of record-high fuel prices, the Great Recession, and a weak dollar resulted in the worst financial environment for US airlines since the September 11 terrorist attacks. **Exhibit 4-16** shows airline profitability for North America and for the rest of the world from CY 2008 to forecast CY 2019.

[4] Airlines for America, *2009 Economic Report*, August 2009.

EXHIBIT 4-16 NET PROFIT OF COMMERCIAL AIRLINES WORLDWIDE (CY 2008 – CY 2019)



NOTES: e = estimate, f = forecast

SOURCES: International Air Transport Association, Airline Industry Economic Performance Data Tables, December 2015; International Air Transport Association, Airline Industry Economic Performance Data Tables, December 2018.

In 2008, many domestic network airlines announced significant capacity reductions; increased fuel surcharges, airfares, and ancillary fees; and instituted other measures to address the challenges associated with a weakened revenue environment. After a $4.6 billion loss in 2009, the global airline industry recovered and remained profitable, with annual net profits ranging from $8.3 billion (2011) to $17.3 billion (2010). Globally, passenger traffic increased 6.3 percent from 2013 to 2014. After a $13.8 billion net profit for the global airline industry in 2014, the industry recorded $36.0 billion in profits in 2015. North American airline net profits reached $21.7 billion in 2015, compared with $11.1 billion in 2014. Declining fuel prices since 2014 have enabled greater capacity growth and have sustained profitability. North American airlines grew capacity 4.7 percent in 2016, a further 3.8 percent in 2017, and an estimated 4.8 percent in 2018. North American airline net profit reached $18.7 billion in 2017 and an estimated $14.7 billion in 2018, and the International Air Transport Association projects it will grow to $16.6 billion in 2019.[5]

4.5.3 MERGERS AND ACQUISITIONS

US airlines have merged or acquired competitors to achieve operational and commercial synergies and to improve their financial performance. A wave of consolidation began in 2005 when America West Airlines merged with US Airways, retaining the US Airways brand for the consolidated airline. In 2009, Delta acquired Northwest Airlines. In 2010, United merged with Continental Airlines. In 2011, Southwest acquired AirTran Airways. In 2013, US Airways and American merged, with the consolidated airline retaining the American Airlines brand. The most recent consolidation occurred in 2016 when Alaska Airlines acquired Virgin America. The two airlines completed their operational integration in 2018. This consolidation across the industry has resulted in the realignment of some capacity as airlines integrate their networks and rationalize their deployment of aircraft and departing seats. Further

[5] International Air Transport Association, *Airline Industry Economic Performance*, December 2018.

consolidation of the US airline industry could affect the amount of capacity offered and could alter the competitive landscape.

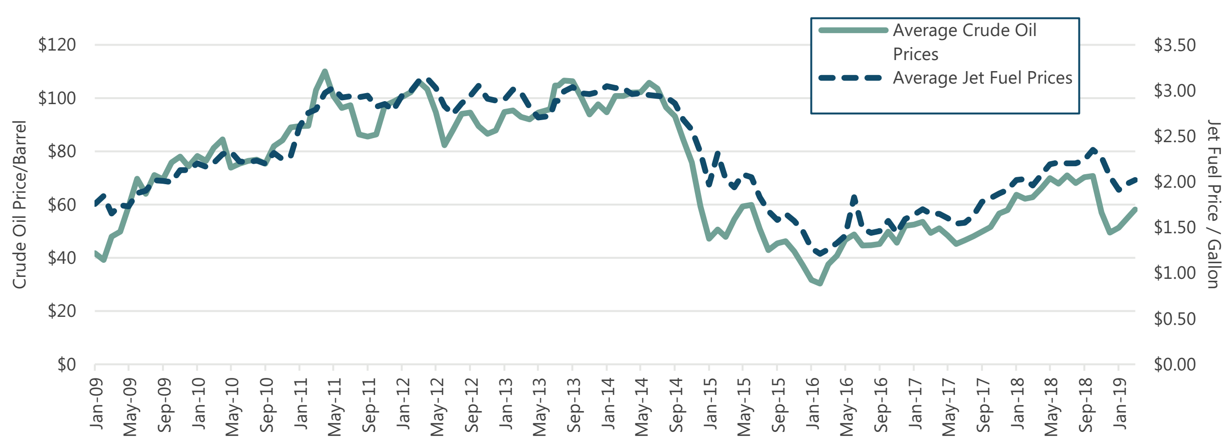
4.5.4 COST OF AVIATION FUEL

As of the third quarter of 2018, jet fuel accounted for 20.9 percent of total airline operating costs, second only to labor, according to the airline trade organization Airlines for America.[6] As recently as 2014, jet fuel represented an airline's largest operating expense, and the cost of fuel is one of the most significant and volatile factors affecting the airline industry.

Exhibit 4-17 depicts monthly average jet fuel and crude oil prices from January 2009 through March 2019. The average price of jet fuel increased from $1.76 per gallon in January 2009 to maintain levels above $2.50 between January 2011 and November 2014, peaking at $3.13 in April 2012. Prices then declined, reaching a low of $1.14 per gallon in February 2016. From there, the average price of jet fuel grew to $2.27 per gallon in November 2018. The average price of jet fuel in March 2019 was $2.02 per gallon, well below the previously sustained high prices of 2011 through 2014.

Fluctuating fuel costs will continue to affect airline profitability, and this could lead to changes in air service as airlines restructure air service to address increases or decreases in the cost of fuel.

EXHIBIT 4-17 HISTORICAL MONTHLY AVERAGES OF JET FUEL AND CRUDE OIL PRICES



SOURCES: US Bureau of Transportation Statistics, May 2019 (average jet fuel prices); US Energy Information Administration, May 2019 (average crude oil prices).

6 Airlines for America, *Passenger Airline Cost Index (PACI)*, http://airlines.org/dataset/a4a-quarterly-passenger-airline-cost-index-u-s-passenger-airlines/ (accessed May 8, 2019).

4.5.5 THREAT OF TERRORISM AND GEOPOLITICAL ISSUES

Since the terrorist attacks of September 11, 2001, the threat of terrorism incidents against either domestic or world aviation poses a risk to achieving the activity forecasts contained herein. Tighter security measures have restored the public's confidence in the integrity of US and world aviation security systems. However, any terrorist incident aimed at aviation could have an immediate and significant impact on the demand for aviation services.

In addition to specific incidents of terrorism, geopolitical instability may adversely impact access to, or demand for, air service to international destinations. As an international gateway, the Airport provides service to Asia, Europe, the Middle East, and Latin America and any instability in these regions or specific countries could reduce demand for international air service.

4.5.6 OPERATIONAL CAPACITY OF THE NATIONAL AIRSPACE SYSTEM

One of the FAA's concerns is how increased delays at busy airports impact the efficiency of the National Airspace System. In its report *Airport Capacity Needs in the National Airspace System* (January 2015), the FAA stated the need to address delays that remain at key airports since its 2007 assessment, as well as the need to implement NextGen airspace system improvements. NextGen is a program to modernize the national air traffic control infrastructure by employing a satellite enabled navigation system that optimizes utilization of airspace and increases capacity of the national airspace system. The report emphasized the need to continue to invest in system improvements with airfield enhancements and NextGen capabilities.

4.5.7 OTHER AIRPORTS IN THE REGION

Two other commercial service airports are in the region: Paine Field and Bellingham International Airport. These regional airports and their relationship to the Airport are described in this section.

4.5.7.1 PAINE FIELD

Paine Field (PAE) is located approximately 35 miles north of the Airport in Everett, Washington. The drive time between downtown Seattle and PAE, which can vary considerably due to traffic conditions, is approximately 40 minutes. Until 2019 PAE primarily served as a general aviation facility, as well as home to the Boeing Everett Factory, which is the final assembly location for Boeing widebody aircraft. In March 2019 Alaska and United launched commercial service from PAE. Alaska has 18 scheduled daily departures from PAE to 8 destinations through October 2019, adding service to a ninth destination in November 2019. All of the destinations Alaska serves from PAE are also served by Alaska from the Airport. United has 6 scheduled daily departures from PAE to 2 destinations, both of which United also serves from the Airport. Currently scheduled activity represents the maximum permitted per FAA regulations, which limit commercial operations to 24 daily departures. Commercial activity is further constrained by the capacity of the passenger terminal which only has two gates. **Table 4-15** presents the November 2019 average daily flights and seats from PAE and the Airport for all destinations served from PAE. The Airport has 88 percent share of the departures and 93 percent share of the departing seats on overlapping routes.

TABLE 4-15 DESTINATIONS SERVED FROM PAINE FIELD IN NOVEMBER 2019

DESTINATION	PAINE FIELD DAILY FLIGHTS	PAINE FIELD DAILY SEATS	SEA-TAC DAILY FLIGHTS	SEA-TAC DAILY SEATS	SEA-TAC SHARE DAILY FLIGHTS	SEA-TAC SHARE DAILY SEATS
San Francisco International	6	443	27	3,727	82%	89%
Portland International	3	238	26	2,252	89%	90%
Los Angeles International	3	228	29	4,120	91%	95%
Denver International	2	152	19	3,127	91%	95%
Las Vegas McCarran International	2	152	18	2,897	90%	95%
Phoenix Sky Harbor International	2	152	16	2,754	89%	95%
San Diego International	2	152	13	1,985	86%	93%
Norman Y. Mineta San Jose International	2	152	16	2,283	89%	94%
John Wayne (Orange County, CA)	1	76	12	1,541	92%	95%
Palm Springs International	1	66	3	524	79%	89%
Total	**24**	**1,811**	**179**	**25,210**	**88%**	**93%**

SOURCE: Innovata, June 2019.

Because the service offered from PAE is currently limited by regulatory and facility constraints, PAE is not expected to represent a significant competitive threat to the Airport in terms of the number of passengers served, and associated financial results. However, it is possible that the operators of PAE will request approval for expanded facilities and air service operations, and it is possible that FAA would approve such requests. Thus, should the FAA ease restrictions on commercial operations and the growth in demand warrant expansion of the terminal facility, there could be further growth of air service from PAE. We have reviewed this potential. For the period considered for this Report, 2019-2024, we do not believe that any potential increase in facility development and air service at PAE would materially adversely affect the traffic and financial forecasts that the Port has prepared, and we have reviewed, to develop our conclusions.

4.5.7.2 BELLINGHAM INTERNATIONAL AIRPORT

Bellingham International Airport (BLI) is located 108 miles north of the Airport in Bellingham, Washington. The drive time between downtown Seattle and BLI, which can vary considerably due to traffic conditions, is approximately 90 minutes. BLI serves as a focus city for Allegiant Airlines, which operates four average daily departures to eight destinations, seven of which are served nonstop from the Airport. Phoenix-Mesa Gateway Airport (AZA) in Mesa, Arizona is the one destination served from BLI that is not served from the Airport. However, four airlines operate nonstop service between the Airport and Phoenix Sky Harbor International Airport (PHX), the primary airport in the Phoenix metropolitan area. Alaska serves the Airport from BLI, as well as two other destinations that Alaska also serves from the Airport. **Table 4-16** presents the 2019 average daily flights and seats from BLI and the Airport for all destinations served from BLI. The Airport has 87 percent share of the departures and 90 percent share of the departing seats on overlapping routes.

BLI's distance from SEA's catchment area and its relatively small scope of service limits the degree to which BLI represents a competitive threat to SEA. However, expansion of air service from BLI could impact demand for air travel from SEA.

TABLE 4-16 DESTINATIONS SERVED FROM BELLINGHAM INTERNATIONAL AIRPORT IN 2019

	BELLINGHAM INTERNATIONAL		SEA		SEA SHARE	
DESTINATION	AVERAGEDAILY FLIGHTS	DAILY SEATS	DAILY FLIGHTS	DAILY SEATS	DAILY FLIGHTS	DAILY SEATS
Seattle-Tacoma International	4.5	376	0	0	0%	0%
Las Vegas McCarran International	1.8	285	8	1,324	82%	82%
Oakland International	0.5	82	4	641	88%	89%
Palm Springs International	0.4	67	3	498	88%	88%
Phoenix-Mesa Gateway	0.4	60	0	0	0%	0%
Los Angeles International	0.4	59	14	2,178	97%	97%
Kahului	0.2	38	2	338	90%	90%
San Diego International	0.2	32	8	1,269	97%	98%
Tucson International	0.1	19	1	251	93%	93%
Ted Stevens Anchorage International	0.1	13	16	2,757	99%	100%
Ellison Onizuka Kona International	0.1	14	2	314	96%	96%
Total	**8.8**	**1,044**	**59**	**9,569**	**87%**	**90%**

NOTE: Totals may not add due to rounding.
SOURCE: Innovata, May 2019

4.5.7.3 KING COUNTY INTERNATIONAL AIRPORT – BOEING FIELD

King County International Airport – Boeing Field (BFI) is located approximately 8 miles north of SEA. BFI is primarily a general aviation and cargo airport with some limited charter passenger service. Currently, there is no scheduled commercial passenger service from BFI. While there are no regulatory restrictions on commercial service from BFI, airspace interactions between BFI and the Airport limit the degree to which BFI can support a meaningful expansion of operations.

4.6 FORECASTS OF AVIATION DEMAND

Forecasts of aviation demand (i.e., enplaned passengers, aircraft operations, and landed weight) were developed by the Port of Seattle considering historical activity, including passenger volume and revenue trends at the Airport and across the industry, historical trends and projections of local and national socioeconomic factors, and anticipated trends in the use of the Airport by Alaska, Delta and other airlines. The following subsection describes the methodologies used in forecasting activity at the Airport, and it also presents the results of those forecasts through 2028.

4.6.1 ASSUMPTIONS UNDERLYING THE FORECASTS

Forecasts of enplaned passengers, aircraft operations, and landed weight were based on a number of underlying assumptions:

- The Airport will continue its role serving O&D passengers and as a connecting hub for Alaska and Delta. The Airport will continue to serve as a connecting hub within the United States domestic route network and will continue to be an important international gateway for transpacific, transatlantic and Canadian passenger traffic.
- There will be no terrorist incidents through 2024 that would have significant, negative, and prolonged effects on aviation demand at the Airport or nationwide.

- There will be no cyber-attacks or breaches of information technology systems that would result in a prolonged disruption in the efficient operation of the Airport and/or the airlines serving the Airport.
- Economic disturbances will occur through 2024, causing year-to-year variations in airline traffic; however, long-term economic growth is assumed.
- No major “acts of God” that may disrupt the national or global airspace system will occur through 2024 that would negatively affect aviation demand.
- Major health issues, such as H1N1, SARS, or Zika, are not expected to have a prolonged impact on demand through 2024.

Many of the factors influencing aviation demand cannot be quantified, and any forecast is subject to uncertainties. As a result, the forecast should not be viewed as precise. Actual airline traffic at the Airport may differ from the forecasts presented herein, because events and circumstances do not occur as expected, and these differences may be material.

4.6.2 NEAR-TERM (2019) ENPLANED PASSENGERS AND OPERATIONS FORECAST METHODOLOGY

The Port’s near-term forecast was based on an analysis of published airline schedules for 2019. Flight segment-level estimates of performance were developed based on trends of load factors and completion rates identified through analysis of actual aviation activity through December 2018, as well as through analysis of US DOT passenger traffic and operational data available through December 2018. Estimates of load factors and completion rates, based on historical activity and trends, were applied to scheduled capacity to derive enplaned passenger and operations forecasts for the balance of 2019.

4.6.3 LONG-TERM (2020 – 2028) ENPLANED PASSENGERS AND OPERATIONS FORECAST METHODOLOGY

The Port’s forecast considers independent analyses of domestic and international, as well as O&D and connecting passengers to develop the long-term forecast of enplaned passengers and passenger operations.

4.6.3.1 LONG-TERM DOMESTIC PASSENGER FORECAST

Domestic O&D passenger demand growth rates at the Airport were derived using socioeconomic regression analysis. Socioeconomic regression analysis is used to identify predictive relationships between a dependent variable (e.g., passenger volume, passenger revenue, or other metric representing passenger demand) and one or more independent variables (e.g., socioeconomic factors, such as population, employment, per capita personal income). These relationships, or regression models, can be employed to forecast future growth in aviation activity using projections of independent variables.

Socioeconomic regression analysis identified predictive relationships between domestic O&D passenger demand at the Airport and socioeconomic variables, as well as average domestic airfares for travel to and from SEA. Domestic connecting passenger volumes were based on an analysis of historical connecting passenger volumes by airline and as a proportion of domestic O&D passengers. The forecast assumes Alaska and Delta will continue to use the Airport as a connecting hub and the volume of connecting passengers will increase as both airlines grow their service from the Airport, which will further enable connecting opportunities. As shown in **Table 4-17**, domestic enplaned passengers are forecast to increase at a CAGR of 1.5 percent between 2018 and 2028.

TABLE 4-17 HISTORICAL AND FORECAST ENPLANED PASSENGERS

	DOMESTIC		INTERNATIONAL		TOTAL	
YEAR	ENPLANED PASSENGERS	ANNUAL GROWTH	ENPLANED PASSENGERS	ANNUAL GROWTH	ENPLANED PASSENGERS	ANNUAL GROWTH
Historical						
2009	14,296,186		1,314,012		15,610,198	
2010	14,363,581	0.5%	1,409,767	7.3%	15,773,348	1.0%
2011	14,913,831	3.8%	1,483,657	5.2%	16,397,488	4.0%
2012	14,982,946	0.5%	1,614,378	8.8%	16,597,324	1.2%
2013	15,604,129	4.1%	1,772,187	9.8%	17,376,316	4.7%
2014	16,824,379	7.8%	1,892,399	6.8%	18,716,778	7.7%
2015	18,944,106	12.6%	2,164,650	14.4%	21,108,756	12.8%
2016	20,385,030	7.6%	2,411,088	11.4%	22,796,118	8.0%
2017	20,861,988	2.3%	2,553,594	5.9%	23,415,582	2.7%
2018	22,200,368	6.4%	2,693,970	5.5%	24,894,338	6.3%
Forecast						
2019	23,062,493	3.9%	2,827,619	5.0%	25,890,112	4.0%
2020	23,727,701	2.9%	2,939,114	3.9%	26,666,815	3.0%
2021	23,964,890	1.0%	2,998,798	2.0%	26,963,688	1.1%
2022	24,204,420	1.0%	3,059,447	2.0%	27,263,867	1.1%
2023	24,446,313	1.0%	3,121,074	2.0%	27,567,387	1.1%
2024	24,690,592	1.0%	3,183,694	2.0%	27,874,287	1.1%
2025	24,937,281	1.0%	3,247,322	2.0%	28,184,603	1.1%
2026	25,186,401	1.0%	3,311,972	2.0%	28,498,373	1.1%
2027	25,437,978	1.0%	3,377,659	2.0%	28,815,637	1.1%
2028	25,692,035	1.0%	3,444,398	2.0%	29,136,433	1.1%
Compound Annual Growth Rate						
2009 – 2013	2.2%		7.8%		2.7%	
2013 – 2018	7.3%		8.7%		7.5%	
2009 – 2018	5.0%		8.3%		5.3%	
2018 – 2028	1.5%		2.5%		1.6%	

SOURCE: Port of Seattle, May 2019.

4.6.3.2 LONG-TERM INTERNATIONAL PASSENGER FORECAST

International O&D passenger trends at the Airport are influenced by the strength of the Seattle area economy and the growing presence of global companies based in the area. The level of international service is further supported by the shorter flight times to destinations in Asia as compared to other North American transpacific gateways, as well as the strong airline alliance portfolios of Alaska and Delta, both of which have multiple international alliance partners that serve the Airport. The Port's long-term forecast of international passengers was based on an analysis of international markets and city pairs and was benchmarked to industry forecasts on international markets prepared by Boeing, Airbus, and the FAA. International connecting passengers are forecast to increase due to the continuing development of the Delta hub, as well as growth of the Alaska network, which accommodates international connecting passengers from both of Alaska's international operations and those of its international alliance partners. As shown in Table 4-17, international enplaned passengers are forecast to increase at a CAGR of 2.5 percent.

4.6.4 OPERATIONS AND LANDED WEIGHT FORECAST

Table 4-18 presents the historical operations and landed weight from 2009 through 2018 as well as the Port's forecast through 2028. Both operations and landed weight are forecast to increase at a CAGR of 1.2 percent between 2018 and 2028.

TABLE 4-18 HISTORICAL AND FORECAST OPERATIONS AND LANDED WEIGHT

YEAR	TOTAL OPERATIONS	OPERATIONS YOY	LANDED WEIGHT	LANDED WEIGHT YOY
Historical				
2009	311,920		20,424,646	
2010	307,484	-1.4%	19,834,101	-2.9%
2011	309,684	0.7%	20,193,785	1.8%
2012	304,114	-1.8%	19,986,628	-1.0%
2013	310,524	2.1%	20,949,155	4.8%
2014	332,896	7.2%	22,504,515	7.4%
2015	373,738	12.3%	24,757,318	10.0%
2016	404,690	8.3%	27,275,525	10.2%
2017	410,784	1.5%	28,430,527	4.2%
2018	432,190	5.2%	30,349,825	6.8%
Forecast				
2019	439,673	1.7%	30,637,494	0.9%
2020	441,496	0.4%	30,788,725	0.5%
2021	443,326	0.4%	30,940,946	0.5%
2022	445,164	0.4%	31,094,168	0.5%
2023	447,010	0.4%	31,248,398	0.5%
2024	448,863	0.4%	31,403,648	0.5%
2025	458,202	2.1%	32,043,059	2.0%
2026	467,735	2.1%	32,695,563	2.0%
2027	477,466	2.1%	33,361,431	2.0%
2028	487,400	2.1%	34,040,936	2.0%
Compound Annual Growth Rate				
2009 – 2013	-0.1%		0.6%	
2013 – 2018	6.8%		7.7%	
2009 – 2018	3.7%		4.5%	
2018 – 2028	1.2%		1.2%	

NOTES: YOY – Year over Year

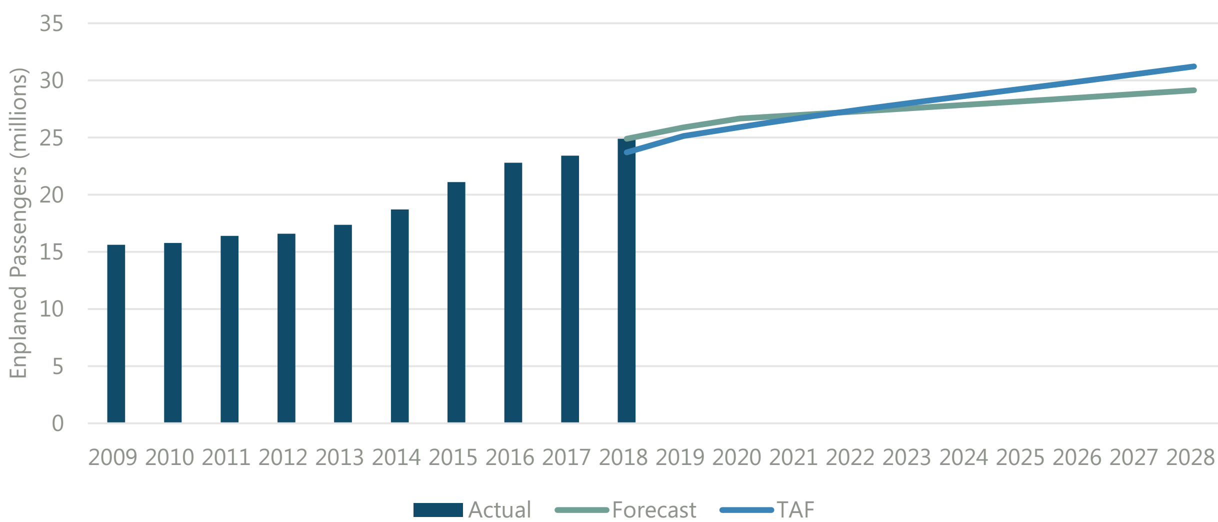
Operations represents passenger and cargo carriers and excludes general aviation and military.

SOURCE: Port of Seattle, May 2019.

4.6.5 COMPARISON OF ACTIVITY FORECASTS

Exhibit 4-18 compares the forecast of enplaned passengers to the FAA's 2018 *Terminal Area Forecast (TAF)*. Between 2018 and 2028, this Report forecasts enplaned passengers to increase from 24.9 million to 29.1 million (a CAGR of 1.6 percent), while the FAA TAF forecasts enplaned passengers at the Airport to increase from 23.7 million to 31.2 million in the corresponding federal fiscal year (a CAGR of 2.8 percent). The Port is currently reviewing its forecast with the FAA. This review may result in a change to the forecast. However, the Port does not believe that any forecast update would be materially different form the forecast presented in this report.

EXHIBIT 4-18 ENPLANED PASSENGER FORECAST COMPARISON



NOTES: TAF – Terminal Area Forecast
The FAA TAF is presented on a federal FY (October through September) basis and excludes nonrevenue passengers.
SOURCES: Port of Seattle, April 2019; Federal Aviation Administration, *2018 Terminal Area Forecast*, downloaded May 16, 2019.

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5. FINANCIAL ANALYSIS

Chapter 5 presents the Port's financial framework, Revenues, Operating Expenses, Debt Service, Application of Revenues, and Debt Service Coverage as it relates to the Rate Covenant of the Intermediate Lien Resolution .

The debt service included in the financial analysis reflects debt service on outstanding Revenue Bonds, the 2019 Bonds, and future Revenue Bonds that are forecast to be issued to partially fund the Port's 2019-2024 Capital Program. Financing assumptions for the 2019 Bonds and future Revenue Bonds are described in Section 5.4.

As mentioned earlier, the Port has provided financial forecasts for both the Airport and Non-Airport Businesses, for purposes of presenting consolidated financial results and debt service coverage.

Ricondo has conducted independent analysis of historical Airport financial results, and the Port's forecast of future Airport financial results. For Non-Airport Businesses, Ricondo has relied on the Port's financial forecast, without conducting independent analysis. Therefore, although the consolidated financial results contain results for both Airport and Non-Airport Businesses, the information presented in this Section 5 is focused on review and analysis of Airport financial results. Information regarding Non-Airport financial results is presented in the Official Statement, which Ricondo has reviewed but not verified. Ricondo has reviewed the Port's forecast of consolidated financial results in order to determine that, on a forecast basis, the Port's forecast demonstrates the ability to comply with the Rate Covenant of the Intermediate Lien Resolution.

5.1 FINANCIAL FRAMEWORK

The Port owns and operates the Airport, as well as other maritime and real estate businesses (referred to herein as Non-Airport Businesses). The Port's fiscal year ends December 31. The Port manages financial operations in accordance with generally accepted accounting principles, and as required by the provisions of various legal agreements, including the bond resolutions and airline agreement. In 2015, the Port reached agreement with the Port of Tacoma to establish the Northwest Seaport Alliance (NWSA), a joint venture which manages maritime cargo terminals and other properties at both Ports. Beginning in 2016, the Port recognizes as Gross Revenue its 50 percent share of NWSA net income.

5.1.1 BOND RESOLUTIONS

As described in Chapter 1, the Port currently issues bonds at different lien levels:

- First Lien Bonds are issued in accordance with the terms of the First Lien Master Resolution (No. 3577) and related series resolutions.
- Intermediate Lien Bonds are issued in accordance with the terms of the Intermediate Lien Master Resolution (No. 3540) and related series resolutions.
- Subordinate Lien Bonds are issued in accordance with the terms of the subordinate lien resolutions for each series.

All Port-issued bonds are secured by a pledge of the Port's consolidated revenues associated with both Airport and Non-Airport Businesses.

5.1.2 AIRLINE USE AND LEASE AGREEMENT

A new Signatory Lease and Operating Agreement (SLOA) went into effect in 2018, following the expiration of the previous five-year use agreement. The new SLOA is a five-year agreement that formalizes the rights and responsibilities of the airline tenants of the Airport that are signatory to the agreement (the Signatory Airlines) and the Port of Seattle. It sets forth the Port's main financial and operational arrangement with the Signatory Airlines and provides, among other elements, contractual support of the Signatory Airlines for Revenue Bonds issued by the Port and certain other obligations related to funding Airport capital projects. The SLOA includes funding approval for various capital projects at the Airport and has an expiration date of December 31, 2022.

5.1.2.1 SIGNATORY AIRLINES

The Signatory Airlines comprise the airlines which have executed the SLOA. As of June 2019, there were 36 Signatory Airlines, representing more than 90 percent of the enplaned passengers and landed weight at the Airport.

Each Signatory Airline has the right to participate in the Majority-in-Interest (MII) approval process, provided that the Signatory Airline meets a minimum annual landed weight threshold. Signatory Airlines are eligible to receive assignments of Exclusive Use Premises and Preferential Use Premises at the Airport, including Preferential Use Gate Space, if the Signatory Airline is a Gate Eligible Airline, defined as meeting the requirement of operating at least 6.0 average daily weighted aircraft turns.

The financial projections presented herein reflect the rate-setting methodology set forth in the SLOA , as well as assume the most significant current Signatory Airlines will remain signatory to the SLOA.

The SLOA does not provide airlines with exclusive-use gates. Rather, Signatories qualifying as Gate Eligible Airlines are given the first right to schedule use of preferential gates. Gate Eligible Airlines can earn additional preferential gates by increasing flight activity. Reallocation of the preferential gates occurs on a yearly basis effective January 1 each year. During periods of activity without scheduled use, the Port can allocate such preferential gates for use by another airline. Common-use gates are available for assignment by the Port to any airline.

5.1.2.2 DEBT SERVICE COVERAGE

As outlined in the SLOA, Capital Costs allocable to the Signatory Airlines in a given fiscal year may include a charge for debt service coverage if the charge is "necessary to maintain total Airport debt service coverage at no less than 1.25 times the sum of debt service for that Fiscal Year." The Port's financial forecast indicates that Airport debt service coverage is expected to be greater than 1.25 times annual debt service for each year of the period from 2019 to 2024, and, therefore, no debt service coverage payments from the airlines are anticipated to be required or included in the forecast.

5.1.2.3 CAPITAL PROJECT APPROVAL

The SLOA outlines the agreement between the Signatory Airlines and the Port with respect to Capital Improvement approvals. The SLOA includes a list of previously approved Capital Improvement projects (the Approved Projects). The Port may undertake the Approved Projects without further review by the Signatory Airlines, provided that the Approved Project's cost attributable to the Airline Rate Bases does not exceed 110 percent of the amount that was estimated at the time of approval. The six projects anticipated to be funded with proceeds from the 2019 Bonds are noted as Approved Projects.

Any additional new Capital Improvement project is subject to Signatory Airline MII review and approval if the Airline Rate-Based Capital Cost is at or above ten million dollars, subject to certain exceptions. Signatory Airline MII review may result in the delay of construction of a new project for a period of up to 12 months, or, in the case of adjustments to previously approved projects, a construction delay of up to 180 days.

5.1.2.4 DESCRIPTION OF RATE SETTING METHODOLOGY

Under the SLOA, terminal rental rates and airline landing fees are established using a compensatory rate-setting methodology, whereby airline rates and charges are calculated to recover any net remaining costs for each Airline-Supported Cost Center (Cost Center). To allocate the net cost of operating, maintaining, improving, and expanding the Airport among the Signatory Airlines, various physical and functional areas of the Airport are separated into Cost Centers for the purposes of accounting for Operating Expenses, revenues, and debt service. Non-Signatory Airlines must pay a 1.25 times premium on all rates and charges.

Landing Fees are calculated by first determining the net cost of the Airfield Movement Area, which consists of portions of the following: sum of Operating Expenses and capital costs,[1] minus the sum of projected Other Airfield Movement Area Revenues and any Non-Signatory Premiums paid in Landing Fees for the following Fiscal Year. The estimated Landing Fee is then calculated by dividing the Airfield Movement Area Requirement by the estimated total Maximum Gross Landed Weight for the following Fiscal Year.

Terminal rental rates are calculated in a similar manner. Operating Expenses (net of Open Storage and TSA Operating Grant) and capital costs allocated to the Terminal Building Area are multiplied by the ratio of airline rentable space to total rentable space and offset by Non-Signatory Premiums to arrive at the Total Terminal Building Requirement.

The Terminal Building Area net deficit is paid by the Airline Parties in the form of the Terminal Rental Rate, which is calculated by dividing the Terminal Building Requirement by the Airline Rentable Space. The Port distinguishes between four separate types of space (Groups A, B, C, and D), ranging from Gates (Group A) to closed storage (Group D). The costs assigned to the rentable space within each of the four groups bear the following relativities to each other on a square foot basis: 2.0 (Group A), 1.0 (Group B), 0.5 (Group C), and 0.25 (Group D). The aggregate costs assigned to all four groups will equal the Terminal Building Requirement. The total baggage claim requirement includes both the terminal rental requirement for the baggage claim area as well as an approximate 5 percent share of baggage system costs. The total requirement is allocated among Airlines using a 90/10 methodology, whereby 90 percent of the requirement is allocated based on deplaned domestic passengers and 10 percent of the requirement is to be allocated equally among all Signatory Airlines. As with all charges, Non-Signatory Airlines pay a 1.25 premium on the baggage claim charge per deplaned domestic passenger.

In addition to landing fees and terminal rates, separate fees are calculated each year for Airline use of each of the ramp tower, passenger airline apron, passenger loading bridges, and FIS area. The requirement for each of these areas is calculated using the same general methodology as the Landing Fee and Terminal Building Area requirements: allocable Capital Costs and Operating Expenses are totaled to determine the gross requirement, and Non-Signatory premiums and any applicable revenues are subtracted from the gross requirement to determine the total cost due from the Signatory Airlines.

Airline revenue sharing was included in the prior SLOA, but by agreement with the airlines is phased out in the new SLOA. Under the new SLOA, the revenue sharing percentage is reduced from 40 percent in 2018 to 20 percent in

[1] Capital costs under the Agreement allocable to each cost center include debt service net of pledged or applied PFC revenues, amortization allocable to Capital Improvements funded with airport revenue, and debt service coverage requirement, if applicable.

2019, and there is no revenue sharing for the period from 2020 to 2022. For purposes of the forecast, it is assumed that there will be no revenue sharing after 2022.

5.2 REVENUES

The Port's operating revenues consist of Airline Revenue, Airport Non-Airline Revenue, and Non-Airport Revenue, as described in the following sections.

5.2.1 AIRLINE REVENUES

Airline revenues are generated from rates calculated in the following cost centers:

- **Terminal Building:** The Terminal Building cost center includes revenues collected from Terminal Rental Rate charges associated with both leased space and common use fees.
- **Airfield Movement Area**: The Airfield Movement Area includes revenues from landing fees and also includes ID Badging revenue, General Aviation, and Weyerhauser hangar lease revenues.
- **Baggage System**: The Baggage System includes revenues associated with baggage makeup and baggage claim rate charges.
- **Apron Area**: The Apron Area includes revenues associated with the Passenger Airline Apron Fee, ramp tower revenues, RON parking revenues/GSE ramp storage, and hardstands and STAC revenues.
- **Airfield Commercial Area**: The Airfield Commercial Area includes airline revenues related to commercial properties, cargo operations, and fuel hydrant revenues.
- **Passenger Loading Bridges**: The Passenger Loading Bridges cost center includes revenues received from the Passenger Loading Bridge rents and fees.
- **Airport Operating Systems, Gate Utilities, eGSE, and FIS**: Revenue is collected from the airlines to recover the cost of capital and Operating Expenses associated with each of these cost centers.

Exhibit B presents the airline revenue resulting from these rentals, fees, and charges. Total airline revenue is forecast for $368 million in 2019 and is forecast to increase to $398 million in 2020, an increase of 8 percent which is primarily attributable to the agreed upon cessation of revenue sharing. Annual increases in 2021, 2022, 2023, and 2024 are 17 percent, 9 percent, 4 percent, and 6 percent, respectively. The 17 percent and 9 percent anticipated revenue growth is primarily due to increases in airline rates and charges (such as terminal building, baggage system, and passenger loading bridge fees) due to additional debt service allocable to airline cost centers. Additional Operating Expenses allocable to the airline cost centers also contribute to the increased rates, although to a lesser extent. Operating Expenses and debt service are discussed in further detail in Sections 5.3 and 5.4, respectively.

Historical airline revenue is shown in **Table 5-1**. As airline revenue has increased at a CAGR of 6.6 percent from 2014 to 2018, airline cost per enplaned passenger (CPE) has decreased at a CAGR of 1.6 percent, from $11.49 in 2014 to $10.79 in 2018. CPE is forecast to increase to $19.00 in 2024, due primarily to the investment in capital projects to accommodate future growth at the Airport.

TABLE 5-1 HISTORICAL AIRLINE REVENUES (2014–2018)

	2014	2015	2016	2017	2018	COMPOUND ANNUAL GROWTH RATE (2014-2018)
Airline Revenue	$225,288	$226,048	$244,234	$264,114	$291,267	6.6%
Airline Cost per Enplaned Passenger	11.49	10.12	10.10	10.52	10.79	-1.6%

NOTE: Dollars in thousands for FYs ending December 31.
SOURCE: Port of Seattle, May 2019.

5.2.2 AIRPORT NON-AIRLINE REVENUES

The most important sources of Non-Airline Revenues are public parking, airport dining and retail (concessions), automobile rentals, ground transportation, and commercial properties. These Revenues are discussed in the following subsections and presented in **Table 5-2**.

TABLE 5-2 HISTORICAL AIRPORT NON-AIRLINE REVENUES (2014–2018)

	2014	2015	2016	2017	2018	COMPOUND ANNUAL GROWTH RATE (2014-2018)
Public Parking	$57,128	$63,059	$69,540	$75,106	$80,212	8.9%
Airport Dining and Retail (Concessions)	46,954	51,351	55,196	54,611	59,021	5.9%
Rental Car [1]	46,104	46,514	49,203	45,691	53,569	3.8%
Ground Transportation	8,333	8,809	12,803	15,684	18,772	22.5%
Commercial Properties	6,638	7,922	9,992	18,042	15,434	23.5%
Utilities	6,736	7,000	7,233	7,017	7,206	1.7%
Employee Parking, Club International Lounge, Non-Airline Terminal Leased Space, and Other [2]	8,523	12,189	17,054	20,651	23,491	27.8%
Total Airport Non-Airline Revenues	**$180,416**	**$196,844**	**$221,022**	**$236,803**	**$257,706**	**9.3%**

NOTES: Dollars in thousands for FYs ending December 31.
1 Rental car revenue includes the Port's revenue from rental car sales as well as the portion of CFC revenue which is treated as operating revenue (total CFC revenue less CFC revenue used to pay debt service).
2 Other revenues include tenant marketing, Airport conference center, and service organizations revenue.
SOURCE: Port of Seattle Comprehensive Annual Financial Report, 2018; Port of Seattle, March 2019.

5.2.2.1 PUBLIC PARKING REVENUES

Parking revenues at the Airport are a function of on-Airport parking demand and the availability of parking spaces demanded. Several factors influence on-Airport parking demand, such as the variety of parking products offered; off-Airport parking competition; availability of alternative transportation, such as public transportation and taxis, as well as the impact of transportation network companies (TNCs), such as Uber and Lyft; and the cost and convenience associated with each of these facilities and alternatives.

The Port currently offers short- and long-term parking in the approximately 13,000-space Airport parking garage. The parking space on the 4th floor of the garage, known as Terminal Direct parking, provides direct access to the Main Terminal via the fourth-floor skybridges. As of June 2019, hourly and daily parking rates for Terminal Direct parking are $5 and $37, respectively, while rates for general parking (Floors 1-3 and 5-8) are $4 hourly or $30 per day. Weekly parking rates are available on the general parking floors for $140 per week. In addition, the Port offers unlimited access to the Terminal Direct floor of the garage for $375 per month. The Port also provides a reduced corporate rate ($22/day Premier Corporate parking in the general parking area) for participating companies, as well as a recurring billing program, Passport Parking, for frequent customers. The Port also collects approximately $3 million annually in concessions revenue (as a percentage of sales) from Doug Fox, a remote parking lot. Several off-Airport parking competitors serving the Airport provide parking facilities and a shuttle service to and from the Airport.

Parking revenues for 2019 are estimated at $83.5 million, or 31.5 percent of airport Non-Airline Revenues. Over the past four years (2014-2018), parking revenues at the Airport have increased at a CAGR of 8.9 percent. Historic increases can be attributed to growth in originating passengers as well as increased parking rates, such as the tariff increases implemented in July 2018 (Premier Corporate and Passport Parking programs) and April 2017 (general parking).

A shift in Airport access mode choices may occur in the future. However, the Port expects to continue to refine their strategic plan for parking products, in terms of facilities, services, technology, and pricing, and as a result to appeal to passengers and generate revenue.

Parking revenues are projected to increase at a CAGR of 4.8 percent from 2019 through 2024. The anticipated growth in parking revenues is attributable to increased resident air traffic, an anticipated parking rate increase in 2019, and the implementation of a parking revenue control system and an automated parking guidance system.

5.2.2.2 CONCESSIONS

Concessionaires operate approximately 45 dining options in the terminal buildings at the Airport. These outlets include a mixture of national and local Seattle brands. In addition, approximately 45 retail outlets are located throughout the Airport, including several new and gifts outlets operated by Hudson as well as several luxury brand shops, such as Swarovski and Coach.

The Port has a retail concessions agreement with Hudson, which operates 14 separate retail stores at the Airport, as well as agreements with additional various retailers. The agreements with Hudson expire in 2022 and 2024 and provide the Port a percentage of gross revenues ranging from 9.0 to 19.0 percent. The agreements with the various other retailers expire between 2022 and 2028 and provide the Port a percentage of gross revenues ranging from 9.0 percent to 16.5 percent.

Host International operates ten food and beverage outlets at the Airport under an agreement which expires in 2023 and provides the Port with a percentage of gross revenues (ranging from 12.0 percent to 15.0 percent), subject to a MAG. The Port holds additional agreements with other food and beverage providers which expire between 2019 and 2029 and provide the Port a percentage of gross revenues ranging from 5.0 to 20.5 percent. The Port also currently has a duty free agreement with Dufry North America which expires in 2020. Under the agreement, the Port receives concessions fees ranging from 28.0 percent and 37.0 percent of gross revenues.

Many of the Port's agreements with terminal concessionaires are expiring between 2019 and 2024. It is assumed that new agreements will be implemented with substantially similar terms.

The Port anticipates expanding the Airport's dining and retail square footage by approximately 35 percent by 2024. In 2019, the Port undertook a Central Terminal Renovation Project, adding 10,000 square feet of dining and seating space at the Airport. As a result, five new restaurants are now operating at the Airport in the Central Terminal area. Two additional dining options are scheduled to open in 2020.

The forecast concessions revenues for 2019 are $59.7 million, or 22.5 percent of Airport Non-Airline Revenues. Over the past four years (2014-2018), concessions revenues at the Airport have increased at a CAGR of 5.9 percent. Concessions revenues are projected to increase at a CAGR of 5.2 percent from 2019 through 2024. The anticipated growth is attributable to the combination of inflation, enplanement growth, as well as the addition of new tenants.

5.2.2.3 AUTOMOBILE RENTALS

A total of 14 rental car brands currently operate at the Airport: Alamo, Avis, Budget, Dollar, Enterprise, E-Z, Firefly, Fox, Hertz, National, Payless, Rent-a-Wreck, Sixt, and Thrifty. Nearly all rental car operations are located on-Airport at a dedicated rental car facility. Busing is provided 24-hours a day, picking up outside of the baggage claim area at the north and south ends of the Main Terminal. Avis Budget Group, Inc., operates the Avis, Budget, and Payless brands; Enterprise Holdings, Inc., operates the Alamo, Enterprise, and National brands; and The Hertz Corporation operates the Hertz, Dollar, Firefly, and Thrifty brands. E-Z, Fox, Rent-a-Wreck, and Sixt operate as independent brands.

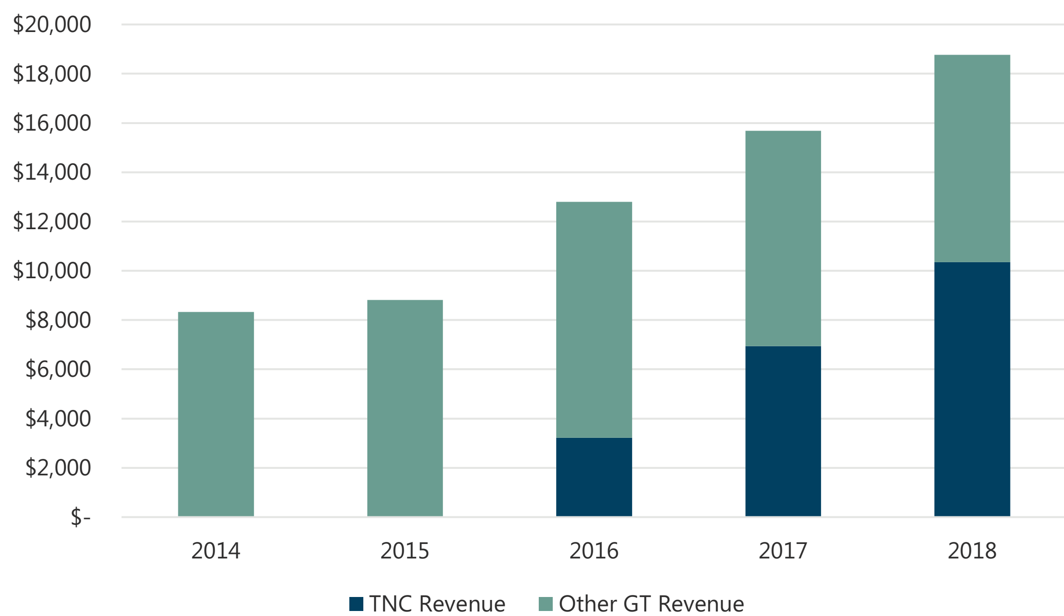
The Port holds both a facility lease and a concession agreement with the rental car companies. The facility lease provides for the rental car companies' use of the rental car facility, was signed in 2012 and extends for at least 30 years. The concession agreement requires payment to the Port in the amount of 10% of rental car gross revenues or the MAG, whichever is greater. The rental car concession agreement held between the rental car companies and the Port is up for renegotiation in 2022, during which time it is assumed that a new agreement will be undertaken with substantially similar terms.

Automobile rental revenues for 2019 are forecast to reach $51.4 million, or 19.4 percent of Airport Non-Airline Revenues. Automobile rental revenue included as operating revenue includes both the Port's share of gross sales (approximately 10 percent) as well as a portion of CFC revenue which is considered operating revenue (total CFC revenue less CFC revenue used to pay debt service). Over the past four years (2014-2018), rental car operating revenues at the Airport have increased at a CAGR of 3.8 percent. Alternative modes of transportation such as TNCs (Uber and Lyft) and peer-to-peer automobile rental companies (Turo) have entered the market during this time period. The Port's number of rental car transactions per originating passenger has decreased from 8.79% in 2016 to 8.09% in 2018., corresponding with the introduction of Transportation Network Company (TNC) operations at the Airport. Automobile rental revenues are projected to increase at a CAGR of 0.3 percent from 2019 through 2024, reflecting increases in O&D enplaned passengers, inflation, and an estimated decrease in the number of rental car transactions per O&D enplaned passenger (ranging from 7.55 percent in 2019 to 6.35 percent in 2024). The CFC forecast assumes an increase in the CFC rate per transaction day from $6.00 in 2019 to $6.55 in 2024.

5.2.2.4 GROUND TRANSPORTATION

The Port receives ground transportation revenues from commercial ground transportation entities such as taxicabs, limousines, and TNCs. As shown on **Exhibit 5-1**, Ground Transportation revenue increased from $8.3 million in 2014 to $18.8 million in 2018, a CAGR of 23 percent. The growth in this source of revenue is attributable to the rapid growth in the activity of TNCs, such as Uber and Lyft, as illustrated on the chart below. The growth in TNC activity has had some adverse impact on the business of other commercial ground transportation operators, such as taxis and limos, but the primary impact has been an overall significant increase in ground transportation revenue for the Airport. This is attributable to the fact that in many cases TNCs have been used as a substitute for private vehicle trips that would not otherwise generate revenues for the Airport, and thus replaced a trip that contributes no revenue with a trip that contributes a per-trip fee.

EXHIBIT 5-1 TNC AND OTHER GROUND TRANSPORTATION REVENUE



SOURCE: Port of Seattle Financial Performance Report, for selected years.

Since becoming formally permitted at the Airport in FY 2016, TNCs have grown rapidly and contributed revenue that increased from $3.2 million in FY 2016 to $10.3 million in FY 2018. According to the Port's records, TNCs accounted for 41 percent of Ground Transportation trips in FY 2018. This is consistent with most other large hub airports in the U.S., which have seen rapid growth in both TNC trip activity and revenue generation during the past several years.

The Port has assumed that this growth in revenue will moderate in future years and has forecast Ground Transportation revenue to increase at a CAGR of 3.7 percent during the period from 2019 to 2024. The 3.7 percent CAGR is estimated based on forecast O&D enplaned passenger growth and an estimated increase in Ground Transportation revenue per trip from $6.00 in 2019 to $6.40 in 2024. The moderated growth assumed within the period from 2019 to 2024 allows for a conservative estimate of revenues to the Port.

5.2.2.5 COMMERCIAL PROPERTIES

The Port leases certain on-Airport commercial property and also receives revenue from in-flight kitchen facilities. In total, commercial properties revenue account for $14.9 million in 2019 forecast revenues, representing approximately 5.6 percent of Airport non-airline revenues. Over the past four years (2014-2018), commercial properties revenues at the Airport have increased at a CAGR of 23.5 percent. For purposes of this financial analysis, Commercial Properties Revenues are assumed by the Port to increase at a CAGR of 4.2 percent from 2019 through 2024.

5.2.2.6 EMPLOYEE PARKING

Employee parking revenues for the Port's 2019 forecast include approximately $10.1 million in Airport Non-Airline Revenue. For purposes of this financial analysis, Employee Parking revenues are projected to increase at a CAGR of 1.3 percent from 2019 through 2024.

5.2.2.7 UTILITIES

Forecast utility revenues for 2019 total approximately $7.7 million; these revenues are forecast to increase at a CAGR of 3.9 percent from 2019 through 2024. Over the past four years (2014-2018), utilities revenue at the Airport have increased at a CAGR of 1.7 percent.

5.2.2.8 OTHER AIRPORT NON-AIRLINE REVENUES

Additional Airport Non-Airline Revenues are associated with Club International Lounge, non-airline terminal leased space, tenant marketing, airport conference, and service organization revenues, and are forecast to comprise approximately $27.3 million in 2019. These revenues are forecast to increase at a CAGR of 3.1 percent from 2019 through 2024.

5.2.3 CONSOLIDATED PORT REVENUES

In addition to revenues associated with the Airport, the Port derives revenues from maritime and other commercial and industrial properties.

The Port also licenses its container shipping terminals, and associated industrial properties, to the Northwest Seaport Alliance. In accordance with the Charter of the Seaport Alliance, the Seaport Alliance shares a portion of its net revenue with the Port. The Port recognizes as Gross Revenue its 50 percent share of NWSA net income.

As shown in **Table 5-3**, the Port's operating revenue increased from $534.5 million in 2014 to $689.4 million in 2018, representing a CAGR of 6.6 percent. Airport Non-Airline Revenue CAGR of 9.3 percent exceeded the rate of increase for both the Airline Revenues (6.6 percent CAGR) and Non-Airport Revenue (2.2 percent CAGR). A primary contributor to the increase in Non-Airport Revenue is the addition of the Port's share of NWSA net income beginning in 2016. Each of the Port's sources of revenue are described in more detail in the following sections.

TABLE 5-3 HISTORICAL PORTWIDE OPERATING REVENUES (2014–2018)

	2014	2015	2016	2017	2018	COMPOUND ANNUAL GROWTH RATE (2014-2018)
Airline Revenue	$225,288	$226,048	$244,234	$264,114	$291,267	6.6%
Airport Non-Airline Revenue	180,416	196,844	221,022	236,803	257,707	9.3%
Non-Airport Revenue	128,785	136,041	133,211	131,114	140,415	2.2%
Total Port Operating Revenues	**$534,489**	**$558,933**	**$598,467**	**$632,031**	**$689,390**	**6.6%**

NOTES: Dollars in thousands for FYs ending December 31.
From 2014 to 2015, Port of Seattle maritime activity was recorded as gross revenue and gross operating expense. From 2016 to 2018, following the NWSA agreement, the Port recognizes as Gross Revenue its 50 percent share of NWSA net income. See the Official Statement for additional information regarding NWSA, and the associated financial operations.
SOURCE: Port of Seattle Comprehensive Annual Financial Report, 2017 and 2018; Port of Seattle, March 2019.

Non-Airport operating revenues are forecast to total approximately $134.0 million in 2019 and include maritime operating revenues, operating revenues from the NWSA, economic development operating revenues, and stormwater utility revenues. The Port's projection of consolidated Port operating revenues can be found in Exhibit D. The Port's forecast assumes that any agreements expiring during the course of the period from 2019 to 2024 will be renewed with substantially similar terms.

5.2.3.1 MARITIME OPERATING REVENUES

Revenues from maritime operations, excluding operating revenues from the NWSA, are forecast to total approximately $59.7 million in 2019. The Port receives revenues from cruise activities, recreational boating, fishing and operations, maritime property leases, and grain terminal revenues. Maritime operating revenues are projected to increase at a CAGR of 5.2 percent from 2019 through 2024. The Port's forecast includes revenue from a new cruise terminal beginning in 2022.

5.2.3.2 PORT OPERATING REVENUES FROM NWSA

The Port of Seattle's revenues related to the NWSA properties (forecast to reach approximately $48.7 million in 2019) equal approximately half of NWSA net income. Port revenues received from the NWSA are projected to increase at a CAGR of 3.9 percent from 2019 through 2024, reflecting the growth anticipated by NWSA and the terms of the various lease agreements.

5.2.3.3 ECONOMIC DEVELOPMENT OPERATING REVENUES

The Port's Economic Development Division is responsible for workforce development initiatives, small business policy, tourism promotion, and additional real estate development. Revenues in this category, derived primarily from commercial leases and the Conference and Event Centers, are forecast to reach approximately $19.7 million in 2019.

For purposes of this financial analysis, Economic Development operating revenues are projected to increase at a CAGR of 4.3 percent from 2019 through 2024.

5.3 OPERATING EXPENSES

5.3.1 AIRPORT OPERATING EXPENSES

The Port's Airport Operating Expenses include expenses associated with operating and maintaining the Airport, including the airfield, terminal, and landside facilities. The Port's Airport Operating Expenses include direct operating Airport expenses, expensed capital and environmental remediation liability, and Airport expenses charged from other divisions. Historical Airport Operating Expenses for 2014-2018 are shown **Table 5-4**.

Airport operating direct expenses include payroll, outside services, utilities, supplies and stock, and other operating expenses necessary for maintaining the Airport. Airport direct expenses grew at a CAGR of 8.9 percent from 2014 to 2018, with growth distributed relatively equally between each of the direct expense categories (payroll, outside services, utilities, and other Airport expenses).

Expensed capital and environmental remediation liability more than doubled in 2017, due primarily to additional remediation required for contaminated soil at the International Arrivals Facility construction site.

Charges from other divisions represent costs which are incurred by the Port's police, capital development, and other central services are allocable to the Airport. Charges from other divisions increased at a CAGR of 6.6 percent from 2014 to 2018.

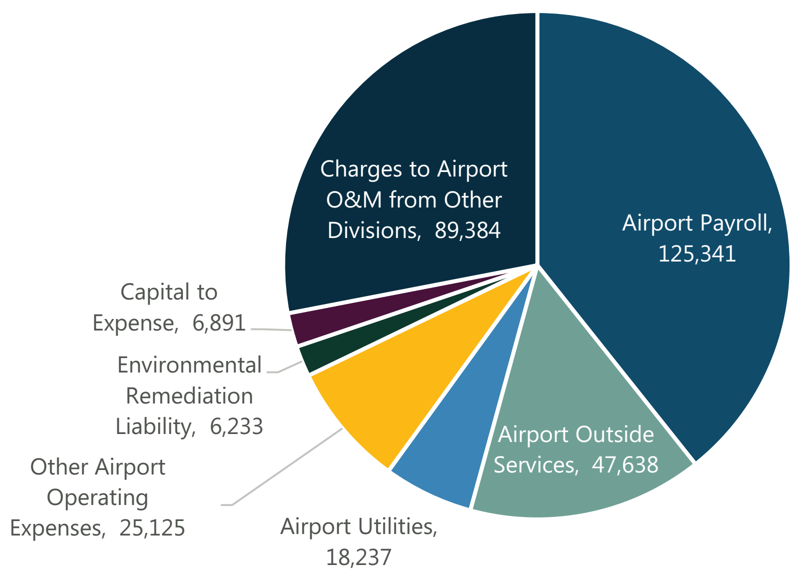
TABLE 5-4 HISTORICAL AIRPORT OPERATING EXPENSES (2014–2018)

	2014	2015	2016	2017	2018	COMPOUND ANNUAL GROWTH RATE (2014-2018)
Airport Direct Expenses	$153,608	$162,596	$175,087	$200,184	$216,341	8.9%
Expensed Capital and Environmental Remediation Liability	5,259	4,321	4,592	11,668	13,124	25.7%
Charges from Other Divisions	69,305	71,223	81,547	87,262	89,384	6.6%
Total Airport Operating Expense	**$228,172**	**$238,140**	**$261,226**	**$299,114**	**$318,849**	**8.7%**

NOTE: Dollars in thousands for FYs ending December 31.
SOURCE: Port of Seattle Comprehensive Annual Financial Report, 2017 and 2018; Port of Seattle, March 2019.

Exhibit 5-2 presents the Port's 2018 Airport Operating Expenses by cost category.

EXHIBIT 5-2 2018 AIRPORT OPERATING EXPENSES BY COST CATEGORY (IN THOUSANDS)



SOURCE: Port of Seattle, March 2019.

Projected Airport Operating Expenses are shown on Exhibit E. In total, Airport Operating Expenses are projected to increase from $369.4 million in 2019 to $453.0 million in 2024, representing a CAGR of 4.2 percent. Existing Operating Expenses are projected to increase at a CAGR of 3.6 percent from 2019 to 2024, largely due to inflation, while the remaining increase is due to added operating expenses associated with planned Airport improvement projects. The portion of the projected Airport Operating Expense growth associated with the Port's planned Airport capital projects total approximately $5.9 million in 2020 and increase to a total of approximately $13.1 million in 2024. In particular, the added Operating Expenses associated with capital projects includes assumptions for additional employees beginning in 2020, as well as additional maintenance costs required for the North Satellite, International Arrivals Facility, and other Airport improvements.

5.3.2 CONSOLIDATED PORT OPERATING EXPENSES

Portwide Operating Expenses for 2014 through 2018 are presented in **Table 5-5**.

TABLE 5-5 HISTORICAL OPERATING EXPENSES (2014–2018)

	2014	2015	2016	2017	2018	COMPOUND ANNUAL GROWTH RATE (2014-2018)
Total Airport Operating Expense	$228,172	$238,140	$261,226	$299,114	$318,849	8.7%
Non-Airport Operating Expenses [1]	78,128	79,666	64,059	73,868	78,789	0.2%
Total Portwide Operating Expenses (thousands)	**$306,300**	**$317,806**	**$325,285**	**$372,982**	**$397,638**	**6.7%**

NOTES: Dollars in thousands for FYs ending December 31.
1 Operating expenses associated with Northwest Seaport Alliance properties are not included in the Port's Non-Airport Operating Expenses as of 2016.
SOURCE: Port of Seattle Comprehensive Annual Financial Report, 2017 and 2018; Port of Seattle, March 2019.

As shown, total Portwide Operating Expenses increased from $306.3 million in 2014 to $397.6 million in 2018, reflecting a CAGR of 6.7 percent. Between 2016 and 2017, total operating expenses increased 14.7 percent, driven in large part by increases in operating expenses related to additional Airport staff positions, added expensed capital due to ongoing capital improvements, and additional environmental remediation costs as described in the prior section.

As shown on Exhibit F, total Operating Expenses are projected to increase from approximately $459.3 million in 2019 to approximately $559.5 million in 2024, reflecting a CAGR of 4.0 percent. Operating Expense projections are based on the type of expense, expectations of future inflation (assumed to be 2.5 percent annually from 2019 to 2024), and incremental Operating Expenses related to the completion of Airport Capital Program projects. Non-Airport Operating Expenses are projected to increase at a CAGR of 3.4 percent, primarily due to inflation and the added maintenance associated with the upcoming Terminal 46 lease.

5.4 DEBT SERVICE

Projected annual debt service on all currently outstanding Revenue Bonds and projected future Revenue Bonds, is discussed in this section. Projected debt service is provided in Exhibit G.

Previously issued Revenue Bonds have been used in part to fund prior capital projects at the Airport and other Port properties.

5.4.1 OUTSTANDING DEBT SERVICE

Total outstanding Revenue Bond debt service totals approximately $293.3 million in 2019. Outstanding Revenue Bond debt service is projected to remain relatively stable, ranging from between $290.5 million and $318.4 million throughout the period from 2019 to 2024.

5.4.2 2019 BOND DEBT SERVICE

Proceeds from the 2019 Bonds are anticipated to be used, in part, to fund approximately $480 million of the Airport Capital Program.

The 2019 Bonds are assumed to have a term of 25 years, and for purposes of this Report, interest on the 2019 Bonds is assumed at 4.4 to 5.3 percent.

Debt service payable on the 2019 Bonds is projected to be approximately $8.2 million in 2020 and then increase to approximately $41.3 million in 2024.

5.4.3 DEBT SERVICE ON FUTURE REVENUE BONDS

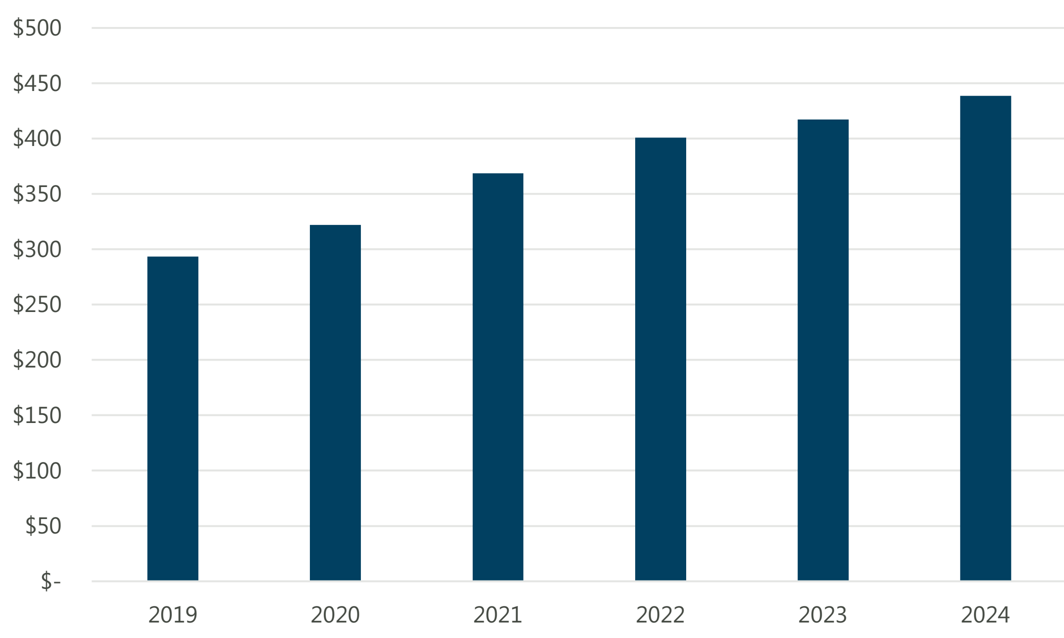
This financial analysis includes debt service on future Revenue Bonds to be issued to fund the Port's Capital Program described in Chapter 2 of this Report. Future bonds are anticipated to fund an additional $1.3 billion of Airport Capital Program projects, including those considered Business Plan Prospective projects, through 2024. Business Plan Prospective projects are projects considered important for achieving business plan goals, have business unit or division approval, and are expected to move through the funding commitment process, but are less certain in timing or scope and are not yet under contract so can more easily be deferred.

Future Revenue Bonds are each assumed to have a term of 25 years, and for purposes of this Report, interest on future Revenue Bonds is assumed at 5.3 percent.

As shown on **Exhibit 5-3**, total Revenue Bond debt service is budgeted to be approximately $293.3 million in 2019, and it is projected to increase to approximately $438.6 million in 2024.

EXHIBIT 5-3 PROJECTED DEBT SERVICE

(In millions, Fiscal Years Ending December 31)



SOURCE: Port of Seattle, May 2019.

5.5 APPLICATION OF REVENUES

As described in the Intermediate Lien Master Resolution, Gross Revenues include all revenues derived by the Port with the exception of (1) proceeds of any borrowing, (2) revenue that may not be pledged for revenue bond debt service, such as the Tax Levy, CFCs, federal grants, and storm water utility revenue; (3) PFCs and federal grants, (4) payments made to the Port under Credit Facilities issued to pay or secure payment of a particular series of obligations, (5) insurance proceeds other than business interruption insurance, (6) income pledged separately for Special Revenue Bonds, and (7) income from investments pledged to the payment of bonds.

The application of Gross Revenues, also described in the Intermediate Lien Master Resolution, is summarized below:

- First, to pay Operating Expenses not paid from other sources (this excludes the general purpose portion of the Tax Levy and the portion of CFCs paid with operating expenses)
- Second, to make all required payments on First Lien Bonds
- Third, to make any needed payments in reserve accounts established to secure payment of First Lien Bonds
- Fourth, to make all required payments on any revenue bonds or other revenue obligations having a lien which is subordinate to the First Lien Bonds but senior to its Intermediate Lien Parity Bonds
- Fifth, to make all required payments on Intermediate Lien Bonds, including the Series 2019 Bonds
- Sixth, to make all required payments into the Intermediate Lien Reserve Account
- Seventh, to make all required payments on any revenue bonds or other revenue obligations having a lien which is subordinate to the Intermediate Lien Bonds but senior to its Subordinate Lien Parity Bonds
- Eighth, to make all payments required to be made into any reserve account securing Reserved Lien Revenue Bonds
- Ninth, to make all required payments on Subordinate Lien Bonds
- Tenth, to make all required payments into the reserve account securing the Subordinate Lien Bonds
- Eleventh, to make any payments necessary to maintain the required balance in the Repair and Renewal Fund
- Twelfth, to retire or purchase any outstanding bonds or to make necessary improvements or repairs to Port Facilities, or any other lawful Port purpose

The Port's application of Gross Revenues, including payments on the proposed 2019 Bonds, is shown in Exhibit H.

5.6 INTERMEDIATE LIEN REVENUE BOND DEBT SERVICE COVERAGE

Exhibit I presents the debt service coverage ratios projected for Intermediate Lien Revenue Bonds from 2019 through 2024. As contained in the Intermediate Lien Master Resolution, the Port has covenanted that, for so long as any Intermediate Lien Parity Bonds are outstanding, the Port will at all times establish, maintain, and collect rentals, tariffs, rates, fees and charges in the operation of all of its business that will produce in each fiscal year:

1. Available Intermediate Lien Revenues as First Adjusted at least equal to 110 percent of the Amount Due, and
2. Available Intermediate Lien Revenues as Second Adjusted at least equal to 125 percent of the Amount Due

Additional information regarding the Intermediate Lien Master Resolution can be found in the Official Statement for the 2019 Bonds. As shown in Exhibit I, the debt service coverage on the Intermediate Lien Bonds, using the first and more restrictive of the two tests listed above, remains above 1.10 throughout the period from 2019 to 2024. Therefore, the Intermediate Lien Debt Service coverage ratio is projected to meet the requirement for the 2019 Bonds to be issued as Intermediate Lien Parity Bonds. A separate certificate will be prepared verifying the Port's compliance with the Additional Bonds Test.

APPENDIX A

Financial Projection Tables

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EXHIBIT A PORT 2019-2024 CAPITAL PROGRAM - ESTIMATED PROJECT COSTS AND FUNDING SOURCES

(In Thousands)

	AIRPORT	NON-AIRPORT [2]	PORT TOTAL
Capital Program Project Costs [1]			
2019 Bonds Projects [3]	$ 1,326,457	$ -	$ 1,326,457
Other Capital Program Projects	1,995,835	685,649	2,681,483
Total Capital Program	**$ 3,322,292**	**$ 685,649**	**$ 4,007,941**
Capacity/(Deferrals) [4]		78,648	78,648
Total Capital Program after Deferrals	**$ 3,322,292**	**$ 764,296**	**$ 4,086,588**
Planned Funding Sources			
Series 2019 Bonds	$ 480,200		$ 480,200
Future Bond Proceeds	1,332,281	81,340	1,413,621
Future GO Bond Proceeds		277,000	277,000
Existing Bond Proceeds	684,076		684,076
Port Funds	661,991	335,728	997,719
PFC Funds	55,254		55,254
CFC Funds	8,653		8,653
Federal Grants [5]	96,442	3,738	100,180
Tax Levy	3,394	66,491	69,885
Total Funding Sources	**$ 3,322,292**	**$ 764,296**	**$ 4,086,588**

NOTES:

1 Includes costs associated with design, construction cost inflation, program management, and contingency.

2 Represents costs and funding sources associated with the Seaport Alliance and other Non-Airport Port Businesses

3 The 2019 Bonds Projects include North Satellite Moderization, International Arrivals Facility, Baggage Handling System Optimization, Concourse B, C, and D Restroom Upgrades, North Terminal Utilities Upgrades, and South Satellite Infrastructure HVAC. These projects are estimated to be partially funded with approximately $480.2 million of proceeds from the 2019 Bonds.

4 Represents capacity for additional Non-Airport project costs from 2019 to 2024 based on current operating forecasts and funding targets. Actual project capacity or deferrals will depend on whether or not certain funding targets are met.

5 Includes approximately $50.6 million TSA grants; approximately $45.8 million of FAA Airport Improvement Program grants and approximately $3.7 million of grants for Non-Airport projects

SOURCE: Port of Seattle.

EXHIBIT B AIRLINE REVENUE

	ACTUAL 2018	FORECAST 2019	2020	2021	2022	2023	2024
Airline Revenues							
Terminal Building	$ 137,998,239	$ 175,000,910	$ 162,453,108	$ 206,122,342	$ 240,366,615	$ 249,678,918	$ 269,301,035
Airfield Movement Area	116,761,652	130,149,156	141,060,769	148,439,867	147,930,620	150,954,859	155,583,652
Baggage System	21,709,058	21,986,478	24,171,427	30,612,936	35,691,987	38,261,082	43,490,090
Airfield Apron Area	15,589,848	19,886,746	22,590,855	23,473,629	24,651,533	25,905,637	27,172,600
FIS	14,790,154	13,479,296	19,060,766	27,019,583	27,568,121	29,226,903	30,982,583
Airfield Commercial Area	10,257,390	13,115,773	13,571,973	14,045,492	14,536,994	15,047,170	15,576,738
Gate Utilities	5,844,020	4,585,139	8,285,573	8,859,076	9,708,200	10,171,868	10,213,594
Passenger Loading Bridges	3,722,762	4,378,096	5,127,537	5,625,662	5,842,168	5,967,978	6,097,518
EGSE and Airport Operating Systems	1,457,329	1,573,429	1,877,572	1,952,063	2,291,258	2,337,282	2,379,225
Less: Revenue Sharing	(36,863,388)	(15,682,048)	-	-	-	-	-
Total Airline Revenues	**$ 291,267,064**	**$ 368,472,975**	**$ 398,199,580**	**$ 466,150,650**	**$ 508,587,496**	**$ 527,551,696**	**$ 560,797,035**
Passenger Airline Revenues Per Enplaned Passenger							
Total Airline Revenues		$ 368,472,975	$ 398,199,580	$ 466,150,650	$ 508,587,496	$ 527,551,696	$ 560,797,035
Less Non-Passenger Airline Revenues							
Cargo Landing Fees		(9,630,423)	(10,516,080)	(11,368,885)	(11,209,951)	(11,545,305)	(12,009,025)
Airfield Commercial Area Revenues		(13,115,773)	(13,571,973)	(14,045,492)	(14,536,994)	(15,047,170)	(15,576,738)
Other Non-Passenger Airline Revenues		(3,223,036)	(3,319,727)	(3,419,319)	(3,521,899)	(3,627,556)	(3,736,382)
Passenger Airline Revenues		$ 342,503,743	$ 370,791,800	$ 437,316,954	$ 479,318,653	$ 497,331,666	$ 529,474,890
Total Enplaned Passengers		25,890,112	26,666,815	26,963,688	27,263,867	27,567,387	27,874,287
Passenger Airline Revenues Per Enplaned Passenger		**$13.23**	**$13.90**	**$16.22**	**$17.58**	**$18.04**	**$19.00**

SOURCE: Port of Seattle, May 2019.

EXHIBIT C AIRPORT NON-AIRLINE REVENUE

	ACTUAL	FORECAST					
	2018	2019	2020	2021	2022	2023	2024
Airport Non-Airline Revenues							
Public Parking	$ 80,211,886	$ 83,481,439	$ 91,150,000	$ 94,547,000	$ 98,484,000	$ 102,720,000	$ 105,374,000
Airport Dining and Retail (Concessions)	59,021,374	59,684,030	65,069,960	69,639,074	71,798,178	74,369,501	77,037,143
Rental Car [1]	53,569,419	51,363,838	51,456,000	50,804,000	51,013,000	51,662,000	52,205,000
Ground Transportation	18,772,352	20,238,000	21,590,498	21,859,000	22,485,000	23,723,000	24,313,000
Commercial Properties	15,433,617	14,909,257	16,330,360	16,882,971	17,317,905	18,040,740	18,348,700
Employee Parking	10,269,305	10,134,000	10,133,341	10,430,761	10,654,545	10,471,761	10,807,545
Utilities	7,206,329	7,701,494	8,300,000	8,549,000	8,805,000	9,069,000	9,341,000
Clubs and Lounges	6,801,648	9,110,478	9,369,187	9,595,258	9,789,316	9,986,504	10,186,871
Non-Airline Terminal Leased Space	5,301,743	5,898,709	6,554,591	6,796,667	6,996,645	7,155,064	7,317,814
Other [2]	1,119,051	2,204,519	2,204,117	2,314,297	2,371,179	2,439,125	2,508,359
Total Airport Non-Airline Revenues	**$ 257,706,725**	**$ 264,725,764**	**$ 282,158,054**	**$ 291,418,028**	**$ 299,714,768**	**$ 309,636,696**	**$ 317,439,432**

NOTES:

1 Rental car revenue includes the Port's revenue from rental car sales as well as the portion of CFC revenue which is treated as operating revenue (total CFC revenue less CFC revenue used to pay debt service).

2 Other Non-Airline revenue includes revenue associated with tenant marketing, the Airport conference center, and service organizations.

SOURCE: Port of Seattle, May 2019.

EXHIBIT D CONSOLIDATED PORT OPERATING REVENUES

	ACTUAL	FORECAST					
	2018	2019	2020	2021	2022	2023	2024
Airline	$ 291,267,064	$ 368,472,975	$ 398,199,580	$ 466,150,650	$ 508,587,496	$ 527,551,696	$ 560,797,035
Airport Non-Airline	257,706,725	264,725,764	282,158,054	291,418,028	299,714,768	309,636,696	317,439,432
Non-Airport	140,414,856	133,983,306	131,959,794	149,014,658	162,872,996	168,971,941	172,855,766
Total Port Operating Revenue	**$ 689,388,645**	**$ 767,182,045**	**$ 812,317,429**	**$ 906,583,336**	**$ 971,175,261**	**$ 1,006,160,333**	**$ 1,051,092,232**
	87.4%	*11.3%*	*5.9%*	*11.6%*	*7.1%*	*3.6%*	*4.5%*
Non-Airport Operating Revenue							
Maritime	$ 57,574,856	$ 59,729,408	$ 63,833,678	$ 66,931,859	$ 74,198,381	$ 77,783,591	$ 81,123,822
Northwest Seaport Alliance [1]	55,992,000	48,734,032	44,470,985	53,439,385	58,671,550	59,750,269	59,032,774
Economic Development	20,705,000	19,725,347	17,385,462	21,859,631	22,663,013	23,496,144	24,360,136
Other [2]	6,143,000	5,794,519	6,269,669	6,783,782	7,340,052	7,941,937	8,339,033
Total Non-Airport Operating Revenue	**$ 140,414,856**	**$ 133,983,306**	**$ 131,959,794**	**$ 149,014,658**	**$ 162,872,996**	**$ 168,971,941**	**$ 172,855,766**

NOTES:

1 Represents the Port's 50 percent share of Northwest Seaport Alliance net income.

2 Includes operating revenues of the Stormwater Utility and an immaterial amount of corporate operating revenues.

SOURCE: Port of Seattle, May 2019.

EXHIBIT E AIRPORT OPERATING EXPENSES

	ACTUAL	FORECAST					
	2018	2019	2020	2021	2022	2023	2024
Existing Operating Expenses	$ 318,848,918	$ 369,359,187	$ 368,595,950	$ 384,899,788	$ 401,855,779	$ 419,490,010	$ 439,909,611
Incremental Operating Expenses (related to CIP)	-	-	5,853,241	10,186,871	11,237,175	12,086,662	13,070,128
Total Airport	**$ 318,848,918**	**$ 369,359,187**	**$ 374,449,191**	**$ 395,086,659**	**$ 413,092,954**	**$ 431,576,672**	**$ 452,979,739**
Airport Operating Expense by Cost Center							
Terminal Building	$ 112,502,885	$ 109,134,415	$ 101,005,069	$ 111,021,923	$ 119,006,446	$ 127,092,037	$ 136,165,055
Airfield Movement Area	83,918,908	95,989,111	102,365,914	105,810,680	109,284,922	112,898,134	117,414,059
Nonairline	82,218,837	124,835,909	128,440,421	133,059,035	137,797,383	142,716,785	148,550,456
Baggage System	10,337,093	10,493,958	10,857,635	11,324,378	11,777,354	12,248,448	12,738,386
FIS	12,228,146	9,964,637	12,035,211	13,049,723	13,608,281	14,173,143	14,765,732
Airfield Apron Area	8,346,999	10,430,071	10,775,151	11,189,332	11,615,180	12,058,061	12,540,384
Airfield Commercial Area	4,622,713	4,834,582	4,825,500	5,006,650	5,193,455	5,387,732	5,603,241
Passenger Loading Bridges	1,593,733	2,204,809	2,613,727	3,033,153	3,154,479	3,280,658	3,411,884
Gate Utilities, EGSE, and Airport Operating Systems	3,079,604	1,471,694	1,530,562	1,591,785	1,655,456	1,721,674	1,790,541
Total Airport Operating Expenses	**$ 318,848,918**	**$ 369,359,187**	**$ 374,449,191**	**$ 395,086,659**	**$ 413,092,954**	**$ 431,576,672**	**$ 452,979,739**

SOURCE: Port of Seattle, May 2019.

EXHIBIT F CONSOLIDATED PORT OPERATING EXPENSES

	ACTUAL	FORECAST					
	2018	2019	2020	2021	2022	2023	2024
Total Airport	**$ 318,848,918**	**$ 369,359,187**	**$ 374,449,191**	**$ 395,086,659**	**$ 413,092,954**	**$ 431,576,672**	**$ 452,979,739**
Non-Airport Operating Expenses							
Maritime	$ 43,251,912	$ 50,821,894	$ 55,342,374	$ 57,182,791	$ 59,087,052	$ 61,057,455	$ 63,093,869
Economic Development	27,650,740	31,114,576	29,374,263	33,339,062	34,444,464	35,462,071	36,627,530
Other [1]	7,886,257	7,985,358	9,849,463	9,799,055	9,772,231	10,004,334	6,776,972
Total Non-Airport Operating Expenses	**$ 78,788,908**	**$ 89,921,828**	**$ 94,566,099**	**$ 100,320,908**	**$ 103,303,747**	**$ 106,523,860**	**$ 106,498,371**
Portwide Operating Expenses	**$ 397,637,827**	**$ 459,281,014**	**$ 469,015,290**	**$ 495,407,567**	**$ 516,396,701**	**$ 538,100,533**	**$ 559,478,110**

NOTE:

1 Includes operating expenses of the Stormwater Utility and an immaterial amount of corporate operating expenses.

SOURCE: Port of Seattle, May 2019.

EXHIBIT G DEBT SERVICE ON REVENUE BONDS

	FORECAST					
	2019	2020	2021	2022	2023	2024
First Lien						
Outstanding	$ 44,752,389	$ 37,549,711	$ 38,418,706	$ 25,024,281	$ 25,032,687	$ 25,028,014
Future Bonds	-	-	114	185	5,349,257	6,540,631
	$ 44,752,389	**$ 37,549,711**	**$ 38,418,819**	**$ 25,024,466**	**$ 30,381,944**	**$ 31,568,646**
Intermediate Lien						
Outstanding	$ 207,189,259	$ 231,911,001	$ 252,790,071	$ 258,663,459	$ 248,662,047	$ 248,385,469
2019 Bonds [1]	-	8,195,569	39,968,787	41,341,718	41,341,718	41,341,718
Future Bonds [2]	-	-	259,448	30,580,710	55,463,352	71,834,925
	$ 207,189,259	**$ 240,106,571**	**$ 293,018,306**	**$ 330,585,886**	**$ 345,467,117**	**$ 361,562,112**
Subordinate Lien						
Outstanding	$ 37,654,245	$ 39,043,250	$ 23,868,150	$ 23,872,050	$ 13,909,050	$ 13,907,400
Future Bonds [2]	-	2,048,892	10,057,059	17,980,607	24,201,267	28,294,161
Commercial Paper	3,706,270	3,333,651	3,340,744	3,314,744	3,288,744	3,262,744
	$ 41,360,515	**$ 44,425,793**	**$ 37,265,952**	**$ 45,167,401**	**$ 41,399,061**	**$ 45,464,304**
Total Revenue Bond Debt Service	**$ 293,302,162**	**$ 322,082,074**	**$ 368,703,078**	**$ 400,777,752**	**$ 417,248,121**	**$ 438,595,062**
Total Outstanding	$ 293,302,162	$ 311,837,613	$ 318,417,670	$ 310,874,533	$ 290,892,528	$ 290,583,627
2019 Bonds	-	8,195,569	39,968,787	41,341,718	41,341,718	41,341,718
Future Bonds	-	2,048,892	10,316,620	48,561,502	85,013,876	106,669,718
Total Revenue Bond Debt Service	**$ 293,302,162**	**$ 322,082,074**	**$ 368,703,078**	**$ 400,777,752**	**$ 417,248,121**	**$ 438,595,062**

NOTES:

1 Preliminary estimate of 2019 Bonds debt service is based on 4.3 percent - 5.3 percent interest rates, 25 year bond term, a required debt service reserve fund deposit, 1 - 1.5 years of capitalized interest, and estimated cost of issuance.

2 Future Bonds debt service based on 5.3 percent interest rate, 25-year term, a required debt service reserve fund deposit, 1 - 1.5 years of capitalized interest, and estimated cost of issuance. Future Bonds are assumed 80 percent on the Intermediate lien and 20 percent on the Subordinate lien.

SOURCE: Port of Seattle, May 2019.

EXHIBIT H APPLICATION OF GROSS REVENUE

	FORECAST					
	2019	2020	2021	2022	2023	2024
Gross Revenue						
Operating Revenues	$ 767,182,045	$ 812,317,429	$ 906,583,336	$ 971,175,261	$ 1,006,160,333	$ 1,051,092,232
Excess CFC Revenue	(4,309,035)	(3,693,409)	(2,500,993)	(2,172,855)	(2,135,671)	(2,009,565)
SWU Net Revenue Not Available to Pay Debt Service	(636,046)	(904,858)	(1,204,378)	(1,537,472)	(1,907,253)	(2,062,963)
	$ 762,236,964	**$ 807,719,162**	**$ 902,877,964**	**$ 967,464,934**	**$ 1,002,117,409**	**$ 1,047,019,704**
Application of Gross Revenue						
Operating Expenses	$ 459,281,014	$ 469,015,290	$ 495,407,567	$ 516,396,701	$ 538,100,533	$ 559,478,110
Net Non-Operating (Revenues) and Expenses [1]	1,678,874	371,248	5,675,089	9,702,085	25,660,460	25,083,349
Tax Levy Adjustment [2]	(30,712,883)	(19,251,080)	(19,719,411)	(21,222,462)	(23,642,336)	(34,991,861)
	$ 430,247,006	**$ 450,135,458**	**$ 481,363,245**	**$ 504,876,324**	**$ 540,118,656**	**$ 549,569,598**
Revenue Bond Debt Service [3]						
First Lien Debt Service	$ 44,752,389	$ 37,549,711	$ 38,418,819	$ 25,024,466	$ 30,381,944	$ 31,568,646
Intermediate Lien Debt Service	207,189,259	240,106,571	293,018,306	330,585,886	345,467,117	361,562,112
Subordinate Lien Debt Service	41,360,515	44,425,793	37,265,952	45,167,401	41,399,061	45,464,304
Debt Service offset paid by PFC Revenue [4]	(33,800,000)	(70,584,997)	(71,581,731)	(72,583,039)	(92,370,045)	(93,398,373)
Debt Service offset paid by CFC Revenue	(23,372,554)	(23,609,133)	(23,848,753)	(24,091,566)	(24,340,104)	(24,585,326)
Debt Service offset paid by Capitalized Interest	(37,641,710)	(7,463,069)	-	-	-	-
	$ 198,487,898	**$ 220,424,876**	**$ 273,272,594**	**$ 304,103,147**	**$ 300,537,972**	**$ 320,611,363**
Remaining Gross Revenue [5]	$ 133,502,059	$ 137,158,829	$ 148,242,126	$ 158,485,463	$ 161,460,781	$ 176,838,743
Total Uses of Gross Revenue	**$ 762,236,964**	**$ 807,719,162**	**$ 902,877,964**	**$ 967,464,934**	**$ 1,002,117,409**	**$ 1,047,019,704**

NOTES:

1 Includes interest income, environmental expense, operating grants, and other miscellaneous adjustments.

2 Represents forecasted Tax Levy collections less General Obligation Bond debt service.

3 Represents outstanding and forecast Future Bonds, including the planned 2019 intermediate lien bond issuance.

4 Assumes 80 percent of the debt service offsets paid from PFC Revenues are applied to Intermediate Lien bonds debt service and 20 percent are applied to Subordinate Lien bonds debt service.

5 Remaining gross revenues may be used to retire or purchase any outstanding bonds or to make necessary improvements or repairs to Port Facilities, or any other lawful Port purpose.

SOURCE: Port of Seattle, May 2019.

EXHIBIT I DEBT SERVICE COVERAGE

	FORECAST 2019	2020	2021	2022	2023	2024
Gross Revenue						
Operating Revenues	$ 767,182,045	$ 812,317,429	$ 906,583,336	$ 971,175,261	$ 1,006,160,333	$ 1,051,092,232
Excess CFC Revenue	(4,309,035)	(3,693,409)	(2,500,993)	(2,172,855)	(2,135,671)	(2,009,565)
SWU Net Revenue Not Available to Pay Debt Service	(636,046)	(904,858)	(1,204,378)	(1,537,472)	(1,907,253)	(2,062,963)
	$ 762,236,964	**$ 807,719,162**	**$ 902,877,964**	**$ 967,464,934**	**$ 1,002,117,409**	**$ 1,047,019,704**
Application of Gross Revenue						
Operating Expenses	$ 459,281,014	$ 469,015,290	$ 495,407,567	$ 516,396,701	$ 538,100,533	$ 559,478,110
Net Non-Operating (Revenues) and Expenses	1,678,874	371,248	5,675,089	9,702,085	25,660,460	25,083,349
Tax Levy Adjustment	(30,712,883)	(19,251,080)	(19,719,411)	(21,222,462)	(23,642,336)	(34,991,861)
	$ 430,247,006	**$ 450,135,458**	**$ 481,363,245**	**$ 504,876,324**	**$ 540,118,656**	**$ 549,569,598**
Net Revenues Available for Debt Service	**$ 331,989,958**	**$ 357,583,704**	**$ 421,514,719**	**$ 462,588,610**	**$ 461,998,753**	**$ 497,450,106**
Revenue Bond Debt Service [1]						
First Lien Debt Service	$ 44,752,389	$ 37,549,711	$ 38,418,819	$ 25,024,466	$ 30,381,944	$ 31,568,646
Net Revenue Available for Intermediate Lien Debt Service	$ 287,237,569	$ 320,033,994	$ 383,095,900	$ 437,564,144	$ 431,616,809	$ 465,881,461
Prior Lien debt service offset paid by CFC Revenue	7,566,000	-	-	-	-	-
Available Intermediate Lien Revenues as First Adjusted	294,803,569	320,033,994	383,095,900	437,564,144	431,616,809	465,881,461
Debt Service on Intermediate Lien Bonds	$ 207,189,259	$ 240,106,571	$ 293,018,306	$ 330,585,886	$ 345,467,117	$ 361,562,112
Less: Debt Service Offsets Paid From						
PFC Revenues [2]	(27,040,000)	(56,467,997)	(57,265,385)	(58,066,431)	(73,896,036)	(74,718,698)
CFC Revenues	(15,806,554)	(23,609,133)	(23,848,753)	(24,091,566)	(24,340,104)	(24,585,326)
Capitalized Interest Funds	(37,641,710)	(7,463,069)	-	-	-	-
Intermediate Lien Debt Service Net of Debt Service Offsets	$ 126,700,995	$ 152,566,371	$ 211,904,168	$ 248,427,889	$ 247,230,976	$ 262,258,088
Coverage on Intermediate Lien Bonds	**2.33**	**2.10**	**1.81**	**1.76**	**1.75**	**1.78**

NOTES:

1 Represents outstanding and Future Bonds, including the Series 2019 Bonds.

2 Assumes 80 percent of the debt service offsets paid from PFC Revenues are applied to Intermediate Lien bonds debt service.

SOURCE: Port of Seattle, May 2019.

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APPENDIX D

SUMMARY OF THE PORT'S TAXING POWER

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PORT'S TAXING POWER

Taxing Authority

The Port of Seattle (the "Port") has statutory authority to levy property taxes within its boundaries (which are co-terminus with the boundaries of King County (the "County")) for general purposes of the Port, including the establishment of a capital improvement fund for future capital improvements and the repayment of unlimited tax and limited tax general obligation ("LTGO") bonds of the Port, to finance certain industrial development activities and to fund special projects (the "Tax Levy"). In the County, property taxes are collected by the County's Department of Finance (the "County Treasurer") and distributed to the various taxing districts (including the Port) that levy *ad valorem* taxes upon taxable property within the County. See "TAX LEVY RATES, RECORDS AND PROCEDURES" below.

The Tax Levy may be imposed at a rate not to exceed $0.45 per $1,000 of assessed value of taxable property within the Port district, as described below under "Tax Levy." However, the Tax Levy is also subject to the 101 percent statutory limitation on annual increases described below under "Levy Limits." Thus, the maximum Tax Levy is determined by the first to be reached of the $0.45 millage rate or the 101 percent statutory limitation. The Port's 2019 Tax Levy is budgeted to be $74.2 million (a millage rate of $ 0.122250) as shown in Table D-1, entitled "Recent Tax Levy Activity."

Levy Limits

Tax levies for port districts are subject to certain statutory limitations, but not to the tax levy limitations set by the State Constitution. The statutory limitation on annual increases in the dollar amount of regular property taxes is set forth in chapter 84.55 RCW, which limits the total dollar amount of regular property taxes levied by an individual taxing district to the amount of such taxes levied in the highest of the three most recent years, multiplied by a limit factor, plus an adjustment to account for taxes on new construction at the previous year's rate. The limit factor is defined as the greater of (i) the lesser of 101 percent or 100 percent plus inflation (the implicit price deflator for personal consumption for the United States); or (ii) any percentage up to 101 percent, if approved by a majority vote plus one vote of the governing body of the taxing district, upon a finding of substantial need. Because the regular property tax increase limitation applies to the total dollar amount levied rather than to levy rates, increases in the assessed value of all property in the taxing district (excluding new construction) that exceed the growth in taxes allowed by the limit factor result in decreased regular tax levy rates, unless voters authorize a higher levy amount. Decreases in the assessed value of all property in the taxing district could require a higher regular tax levy rate to produce the same total dollar amount. Chapter 84.55 RCW permits any taxing district, including the Port, to seek approval from the electors for a tax increase in excess of the levy limitation. In addition, chapter 84.55 RCW provides that, should the Port levy an amount less than the maximum allowed under the levy limitation in any year beginning in 1986, the Port may "bank" future levy capacity. If the Port banks levy capacity, the Port may levy taxes in any subsequent year in an amount up to the maximum that would have been allowed had it levied to the full extent of the levy limitation in each prior year.

Tax Levy

Pursuant to its statutory authority, the Port may impose the Tax Levy without a vote of the electors to pay debt service on its LTGO bonds (but not debt service on Port revenue bonds) and to fund general purposes of the Port, including capital expenditures and maintenance and operation expenses. For general purposes such as operating expenses and capital improvements, the Tax Levy may be imposed at a rate not to exceed $0.45 per $1,000 of assessed value of taxable property within the Port district, subject to the statutory limitations on annual increases in the dollar amount of the Tax Levy described above under "Levy Limits" and under "TAX LEVY RATES, RECORDS AND PROCEDURES—Assessed Value Determinations." For the purpose of paying LTGO bonds, the Tax Levy is not subject to the $0.45 per $1,000 rate limitation applicable to the general purpose portion of the Tax Levy, but is subject to the statutory limitations on annual increases in the dollar amount of the Tax Levy described above under "Levy Limits." The Commission determines the actual amount of the Tax Levy each year as part of the Port's business planning process described below.

Also as part of the Port's annual business planning process, the Commission provides guidance on and reviews the proposed uses of the Tax Levy. In addition to the payment of general obligation ("G.O.") bond debt service, the

Port's current guidelines recommend that the Tax Levy be used to fund expenditures that do not have a sufficient revenue source and that provide economic benefits to County residents. The Port expects the uses to include certain capital costs and certain operating expenses related to the Port's economic development initiatives, certain environmental liabilities and regional transportation initiatives. The Port is authorized under State law to issue G.O. bonds to refund Port revenue bonds, but has no current plans to do so.

TAX LEVY RATES, RECORDS AND PROCEDURES

Assessed Value Determinations

The County Assessor (the "Assessor") determines the value of all real property and certain personal property throughout the County that is subject to *ad valorem* taxation, with the exception of certain public service properties such as utility and transportation properties, for which values are determined by the State Department of Revenue. The Assessor is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the State Department of Revenue.

For tax purposes, the assessed value of property is 100 percent of the property's actual value. All real property is subject to revaluation at least every four years, although since 1995, the Assessor's policy has been to revalue residential property every year. Personal property (generally only personal property used in the operation of a business) is listed by the Assessor on a roll at its currently assessed value (based in part upon reports provided by the property owners), and the roll is filed in the Assessor's office. Not all property is subject to taxation. State statutes provide annual exemptions for property owned by numerous types of nonprofit entities and for farm and historical properties and provide exemptions or deferrals for certain retired or disabled persons whose incomes are below specified limits. In addition, certain improvements to real property are not taxed during the first three years after completion of the improvements. By October 15 of each year, the Assessor is required to file its annual revaluation report with the State Department of Revenue and by November of each year is required to provide its assessed value report to each taxing district that levies *ad valorem* taxes on property within the County, including the Port. The Assessor's determinations are subject to revision by the County Board of Appeals and Equalization and, if appealed, are subject to further revision by the State Board of Tax Appeals. See "—Tax Collection Procedures."

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The following table shows the assessed value for taxable property within the Port district for purposes of the Port's Tax Levy and the Port's maximum and total Tax Levies in years 2015 through 2019.

TABLE D-1
RECENT TAX LEVY ACTIVITY
2015 – 2019

Tax Year	Port District Assessed Value(1)	Maximum Port Tax Levy(2)	Total Port Tax Levy(1)(3)	Total Port Tax Levy Rate(4)	General Obligation Bond Debt Service
2019	$606,623,698,132	$104,177,556	$74,160,000	$0.122250	$43,447,118
2018	534,662,434,753	101,612,964	72,012,219	0.134687	43,446,809
2017	471,456,288,019	99,019,205	72,010,667	0.152741	36,546,581
2016	426,335,605,837	96,659,602	72,015,418	0.168917	34,524,417
2015	388,118,855,592	95,220,093	73,003,849	0.188097	30,948,152

(1) Per King County's Annual Reports for the purposes of the Tax Levy collected in the year identified in the column titled "Tax Year."
(2) Maximum amount that would be permitted to be collected within the statutory levy limitation, taking into account the Port's banked levy capacity. Amount is based on the assessed value provided in the County's Certification of Assessed Valuation, which may be different than the final assessed value provided in the County's Annual Report.
(3) Tax Levy allocable for general purposes plus the Tax Levy allocable for limited tax G.O. bond debt service. The amount of Tax Levy receipts shown in Table D-2, entitled "Tax Collection Record, 2014-2018," was derived from the County's Receivables Summary but includes supplements and cancellations and may differ from the totals reported by the County (above) by an immaterial amount.
(4) Per $1,000 of assessed value. Derived from "Port District Assessed Value" and "Total Port Tax Levy" amounts above.
Sources: *King County Assessor's Office and Port of Seattle*.

Tax Collection Procedures

The Commission levies property taxes in specific dollar amounts. The rates for all taxes levied for all taxing districts in the County are determined, calculated and fixed by the Assessor, based upon the assessed value of the taxable property within the various taxing districts in the County. The Assessor extends the tax levied within each taxing district upon a tax roll, which contains the total amounts of taxes levied and to be collected, and assigns a tax account number to each tax lot. The tax roll is delivered to the County Treasurer, who is responsible for the billing and collection of taxes due for each account. Tax bills are required to be sent in February. All taxes are due and payable on April 30 of each tax year, but if the amount due from a taxpayer exceeds $50, one-half may be paid by April 30 and the balance no later than October 31 of that year. A penalty of three percent is assessed for taxes delinquent as of January 1 and a penalty of eight percent is assessed for taxes delinquent as of July 1. Interest, at a rate of 12 percent per annum, computed monthly on the full tax amount, is also assessed on delinquent tax bills.

The methods of giving notice of payment of taxes due, accounting for the money collected, dividing the taxes collected among the various taxing districts (including the Port), and giving notice of delinquency and collection procedures are all determined by detailed statutes. The lien for personal property taxes that have been levied by the Commission prior to filing of federal tax liens is prior to such federal tax liens. In all other respects, the lien for property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, the County Treasurer may commence foreclosure of a tax lien on real property after three years have passed since the first delinquency, but may not sell property eligible for deferral of taxes.

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Tax Collection Records

The following table shows the Port's Tax Levy for 2014 through 2018 and the amount and percentages of the tax collected in the year due and as of December 31, 2018.

TABLE D-2
TAX COLLECTION RECORD
2014-2018

Year	Amount of Tax Levy(1)(2)	Amount Collected in Year Due	% Collected in Year Due	Amount Collected as of 12/31/2018(2)	% of Tax Levy Collected as of 12/31/2018
2018	$72,012,220	$71,149,641	98.80	71,149,641	98.80
2017	72,010,668	71,143,056	98.80	71,143,056	99.75
2016	72,015,418	71,114,870	98.75	71,830,461	99.90
2015	73,003,847	72,082,049	98.74	72,911,800	99.99
2014	73,018,695	72,009,166	98.62	72,967,533	99.95

(1) The amount of the actual Tax Levy varies from the budgeted amounts shown in Table D-1 because of adjustments in assessed values and levy rates made by the County.
(2) The amounts of Tax Levy receipts were derived from the King County Tax Receivables Summary but include supplements and cancellations and may differ from the totals reported by the County by an immaterial amount.
Source: Port of Seattle, from King County Tax Receivables Summary.

Principal Taxpayers

The following table lists the 10 largest taxpayers in the County and the assessed value of their property for the purposes of the Tax Levy for collection in 2019.

TABLE D-3
KING COUNTY LARGEST TAXPAYERS
TAX LEVY FOR COLLECTION IN 2019

Taxpayer	2018 Assessed Value	Percent of Total Assessed Value
Microsoft	$3,611,188,746	0.68
Boeing	3,169,975,359	0.59
Puget Sound Energy/Gas/Electric	2,545,355,885	0.48
Amazon.com	2,163,075,848	0.40
Essex Property Trust	1,782,318,236	0.33
Alaska Airlines	1,275,106,777	0.24
Union Square LLC	1,031,082,306	0.19
Prologis - RE Tax	1,029,155,500	0.19
Altus Group US Inc.	986,718,030	0.18
AvalonBay Communities Inc.	839,669,977	0.16
Kemper Development	772,726,653	0.14
Total assessed value of top 10 taxpayers	$19,206,373,317	3.59
Total assessed value of all other taxpayers	515,456,061,436	96.41
Total 2018 assessed value for taxes due in 2019	$534,662,434,753	100.00

Source: King County Department of Assessments.

OTHER PORT TAXING AUTHORITY

Voted Tax Levy for Unlimited Tax General Obligation Bonds

If general obligation bonds are approved by a vote of the electors, the Port may impose an excess levy to produce funds equal to the amount required to make principal and interest payments on unlimited tax general obligation bonds. Such excess levy would not be subject to any current statutory limitations. The Port currently has no such unlimited tax general obligation bonds outstanding and none approved for issuance.

The Industrial Development Levy

For improvements within industrial development districts created by a port district, an additional $0.45 per $1,000 assessed value of taxable property within the Port district (the "Industrial Development Levy") may be levied for up to 12 years. The Port levied the Industrial Development Levy for six years, but has not levied this tax for the seventh through twelfth years. To levy the Industrial Development Levy for the remaining six years, the Port would be required to publish notice of intent to impose such a levy not later than June 1 of the first year of the levy. If at least eight percent of voters who voted in the last gubernatorial election protest the levy within a 90-day period, a special election must be held and a majority of the voters of the Port district voting on the levy must approve the levy. The State Legislature (the "Legislature"), in the 2015 legislative session, provided an additional multi-year levy option for port districts' Industrial Development Levy (RCW 53.36.160). Port districts, if they meet certain criteria, may levy the Industrial Development Levy for up to three multi-year levy periods. Each multi-year levy period may exceed 20 years from the date of the first levy in that period. First- and second-year levy periods do not have to be consecutive and may not overlap. The aggregate revenue that may be collected during each of the first- and second-year levy periods may not exceed the sum of: (i) $2.70/$1,000 of assessed value multiplied by the assessed valuation for taxes collected in the base year; plus (ii) the difference between (A) the maximum allowable amount that could have been collected under RCW 84.55.010 for the first six years of the collection period and (B) the amount calculated in (i). If a port district elects to use multi-year levy periods, the second multi-year levy period is subject to the potential election requirement described above.

The Port last levied the Industrial Development Levy in 1968 and has no current plans to levy all or any portion of the remaining Industrial Development Levy.

The Dredging Levy

With the approval of the majority of voters within the Port district, an additional $0.45 per $1,000 assessed value of taxable property within the Port district may be levied for dredging, canal construction, leveling, or filling (the "Dredging Levy"). The Port has never imposed the Dredging Levy.

DEBT INFORMATION

Port District General Obligation Debt Limitation

Under State law, the Port may incur G.O. 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 Port district without a vote of the electors. With the assent of three-fifths of the electors voting thereon, subject to a validation requirement, the Port may incur additional G.O. indebtedness, provided the total indebtedness of the Port at any time does not exceed three-fourths of one percent of the value of the taxable property in the Port district. The limit on incurring indebtedness does not apply to obligations payable from revenues (special funds) or assessments.

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The following tables provide information regarding the outstanding general obligation debt of the Port.

TABLE D-4

OUTSTANDING GENERAL OBLIGATION DEBT[(1)]

Limited Tax General Obligation Bonds	Final Maturity	Amount Outstanding
Limited Tax General Obligation Refunding Bonds, 2004C	11/01/2019	$ 3,405,000
Limited Tax General Obligation Refunding Bonds, 2011 (AMT)	12/01/2025	40,315,000
Limited Tax General Obligation Refunding Bonds, 2013A (Non-AMT)	11/01/2023	27,630,000
Limited Tax General Obligation Refunding Bonds, 2013B (Taxable)	11/01/2025	24,445,000
Limited Tax General Obligation and Refunding Bonds, 2015	06/01/2040	136,300,000
Limited Tax General Obligation Bonds, 2017	01/01/2042	121,975,000
Total Nonvoted General Obligation Debt		**$ 354,070,000**
Unlimited Tax General Obligation Bonds		
None		
Voted Bonds Total		**$ -0-**
Total General Obligation Direct Debt of the Port		**$ 354,070,000**

(1) As of June 2, 2019.
Source: Port of Seattle.

The following table reflects the estimated 2019 general obligation debt limit for the Port.

TABLE D-5

ESTIMATED DEBT LIMIT[(1)]

Total Assessed Value (determined in 2018 for 2019 Tax Levy)[(2)]	$606,623,698,132
Debt Limit, Nonvoted Debt, Including LTGO Bonds (0.25% of Value of Taxable Property)	$1,516,559,245
Less: Outstanding LTGO Bonds (including capital leases)	(354,070,000)
Remaining Capacity for LTGO Debt	$1,162,489,245
Debt Limit, Total, Voted and Nonvoted Debt, General Obligation Debt (0.75% of Value of Taxable Property)	$4,549,6477,736
Less: Outstanding LTGO Bonds (including capital leases)	(354,070,000)
Less: Outstanding Unlimited Tax General Obligation Bonds	-0-
Remaining Capacity for Total General Obligation Debt	$4,195,607,736

(1) As of June 2, 2019.
(2) Per King County Assessor's Office Annual Report.
Source: Port of Seattle and King County Assessor's Office.

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

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K&L GATES

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August 7, 2019

Port of Seattle
Seattle, Washington

Goldman Sachs & Co. LLC
Seattle, Washington

BofA Securities, Inc.
Seattle, Washington

Barclays Capital Inc.
Seattle, Washington

Citigroup Global Markets Inc.
Seattle, Washington

Academy Securities, Inc.
New York, New York

Backstrom McCarley Berry & Co., LLC
San Francisco, California

The Williams Capital Group, L.P.
Sacramento, California

Re: Port of Seattle Intermediate Lien Revenue Bonds, Series 2019 (AMT) — $457,390,000

Ladies and Gentlemen:

We have acted as bond counsel to the Port of Seattle (the "Port") and have examined a certified transcript of the proceedings taken in the matter of the issuance by the Port of its Intermediate Lien Revenue Bonds, Series 2019 (AMT), in the aggregate principal amount of $457,390,000 (the "Series 2019 Bonds"), issued pursuant to Resolution No. 3540 of the Port Commission (the "Intermediate Lien Master Resolution"), and Resolution No. 3758 of the Port Commission (the "Series Resolution" and, together with the Intermediate Lien Master Resolution, the "Resolution"), for the purpose of paying or reimbursing costs of capital improvements to aviation facilities, making a deposit to the Intermediate Lien Reserve Account, paying capitalized interest on all or a portion of the Series 2019 Bonds, and paying issuance costs. Capitalized terms used herein which are not otherwise defined shall have the meanings given such terms in the Resolution.

The Series 2019 Bonds are subject to redemption prior to their stated maturities as provided in the Bond Purchase Contract.

Regarding questions of fact material to our opinion, we have relied on representations of the Port in the Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Series 2019 Bonds have been legally issued and constitute valid and binding obligations of the Port, except to the extent that the enforcement of the rights and remedies of the owners of the Series 2019 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases. Both principal of and interest on the Series 2019 Bonds are payable solely out of a special fund of the Port designated as the "Port of Seattle Intermediate Lien Revenue Bond Fund" (the "Intermediate Lien Bond Fund") and the Intermediate Lien Reserve Account.

2. The Port has obligated and bound itself to set aside and pay into the Intermediate Lien Bond Fund out of Available Intermediate Lien Revenues and the money in the Revenue Fund amounts sufficient to pay the principal of and interest on the Series 2019 Bonds as the same become due. The Port has further bound itself to pay into the Revenue Fund, as collected, all Gross Revenue.

3. The Port has further pledged in the Resolution that payments to be made out of Gross Revenue and moneys in the Revenue Fund into the Intermediate Lien Bond Fund and into the Intermediate Lien Reserve Account shall be a first and prior lien and charge upon the Net Revenues, subject to the liens thereon of any Permitted Prior Lien Bonds and equal in rank to the lien and charge upon such Net Revenues of the amounts required to pay the Outstanding Intermediate Lien Revenue Bonds, Net Payments on any Parity Derivative Product, and any other revenue bonds hereafter issued on a parity therewith as provided in the Resolution. The Port has reserved the right to enter into Parity Derivative Products and issue bonds in the future with a lien against the Available Intermediate Lien Revenues on a parity with the lien thereon of Intermediate Lien Parity Bonds.

4. Interest on the Series 2019 Bonds is excludable from gross income for federal income tax purposes, except for interest on any Series 2019 Bonds for any period during which such Series 2019 Bonds is held by a "substantial user" of the facilities financed or refinanced by the Series 2019 Bonds, or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"); however, interest on the Series 2019 Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in this paragraph is subject to the condition that the Port comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2019 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Port has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2019 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2019 Bonds.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material relating to the Series 2019 Bonds (except to the extent, if any, specifically addressed by separate opinion to the Underwriters), and we express no opinion relating thereto or relating to the undertaking of the

Port to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

The Series 2019 Bonds are not “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Series 2019 Bonds. Owners of the Series 2019 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2019 Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

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APPENDIX F

DTC AND ITS BOOK-ENTRY SYSTEM

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DTC AND ITS BOOK-ENTRY ONLY SYSTEM

The following information has been provided by The Depository Trust Company, New York, New York ("DTC"). The Port makes no representation regarding the accuracy or completeness thereof. Each actual purchaser of a Series 2019 Bond (a "Beneficial Owner") should therefore confirm the following with DTC or the Participants (as hereinafter defined).

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2019 Bond certificate will be issued for the aggregate principal amount of the Series 2019 Bonds, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019 Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2019 Bonds may wish to take certain steps to augment the transmission to them of

notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2019 Bond documents. For example, Beneficial Owners of Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2019 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Port as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Series 2019 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Port or the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar, or the Port, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Port or the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the Port or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Series 2019 Bond certificates are required to be printed and delivered.

10. To the extent permitted by law, the Port may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2019 Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Port believes to be reliable, but the Port takes no responsibility for the accuracy thereof.

APPENDIX G

COPIES OF THE INTERMEDIATE LIEN MASTER RESOLUTION AND THE SERIES RESOLUTION

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PORT OF SEATTLE

RESOLUTION NO. 3540, AS AMENDED

A RESOLUTION OF THE PORT COMMISSION OF THE PORT OF SEATTLE AUTHORIZING REVENUE BONDS OF THE PORT DISTRICT TO BE ISSUED IN SERIES TO FINANCE ANY LEGAL PURPOSE OF THE PORT DISTRICT; CREATING AND ESTABLISHING AN INTERMEDIATE LIEN UPON NET REVENUES OF THE PORT DISTRICT FOR THE PAYMENT OF SUCH BONDS; AND MAKING COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING.

ADOPTED: June 14, 2005

Prepared by:

PRESTON GATES & ELLIS LLP
Seattle, Washington

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RESOLUTION NO. 3540, AS AMENDED

A RESOLUTION OF THE PORT COMMISSION OF THE PORT OF SEATTLE AUTHORIZING REVENUE BONDS OF THE PORT DISTRICT TO BE ISSUED IN SERIES TO FINANCE ANY LEGAL PURPOSE OF THE PORT DISTRICT; CREATING AND ESTABLISHING AN INTERMEDIATE LIEN UPON NET REVENUES OF THE PORT DISTRICT FOR THE PAYMENT OF SUCH BONDS; AND MAKING COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING.

WHEREAS, the Port of Seattle (the "Port"), a municipal corporation of the State of Washington, owns and operates a system of marine terminals and properties and Seattle-Tacoma International Airport; and

WHEREAS, the Port has authorized the issuance of revenue bonds in one or more series pursuant to Resolution No. 3059, adopted on February 2, 1990 and most recently amended by Resolution No. 3436, adopted on July 11, 2000 (the "First Lien Master Resolution"); and

WHEREAS, the Port has issued and currently has outstanding 18 series of first lien revenue bonds pursuant to the First Lien Master Resolution, as follows:

Resolution Number	Date of Issue		Original Principal Amt.	Currently Outstanding (6/2/05)	Final Maturity Dates
3111	04/01/1992	(A)	$25,450,000	$ 395,000	11/1/2005
3155	02/01/1994	(A)	27,135,000	17,495,000	12/1/2011
3155	02/01/1994	(C)	51,755,000	17,845,000	07/1/2009
3215	04/01/1996	(A)	31,820,000	31,820,000	09/1/2021
3215	04/01/1996	(B)	74,520,000	53,315,000	09/1/2017
3242	05/01/1997	(A)	120,375,000	120,375,000	10/1/2022
3242	05/01/1997	(B)	19,985,000	2,230,000	10/1/2005
3275	05/01/1998	(A)	73,180,000	32,640,000	06/1/2017
3430	08/10/2000	(A)	130,690,000	130,690,000	02/1/2030
3430	08/10/2000	(B)	221,590,000	210,125,000	02/1/2024

3430	09/06/2000	(D)	28,085,000	13,135,000	02/1/2011
3462	10/17/2001	(A)	176,105,000	176,105,000	04/1/2031
3462	10/17/2001	(B)	251,380,000	251,380,000	04/1/2024
3462	10/17/2001	(C)	12,205,000	12,205,000	12/1/2014
3462/3467	08/07/2002	(D)	68,580,000	65,075,000	11/1/2017
3509	08/20/2003	(A)	190,470,000	190,470,000	07/1/2033
3509	08/20/2003	(B)	164,900,000	164,900,000	07/1/2029
3528	06/30/2004		24,710,000	23,380,000	06/1/2017

("Outstanding First Lien Bonds"); and

WHEREAS, each of the resolutions authorizing the issuance of the Outstanding First Lien Bonds permits the Port to issue its revenue bonds having a lien on Net Revenues (as such term is defined in the First Lien Master Resolution) subordinate to the lien thereon of the Outstanding First Lien Bonds; and

WHEREAS, the Port has issued and currently has outstanding six series of subordinate lien revenue bonds, as follows:

Authorizing Resolution Number	Date of Original Issue	Original Principal Amt.	Currently Outstanding (6/2/05)	Final Maturity Dates
3238[1]	03/26/1997	$108,830,000	$ 108,830,000	09/01/2022
3276[2]	05/01/1998	27,930,000	20,605,000	08/01/2017
3354[3]	09/01/99 (A)	127,140,000	121,840,000	09/01/2024
3354[3]	09/01/99 (B)	116,815,000	102,560,000	09/01/2016
3456	(CP)	250,000,000	59,255,000	06/01/2021
3510	08/20/03 (C)	200,000,000	200,000,000	07/01/2033

[1] Amended by Resolution No. 3351, as amended, adopted on August 24, 1999.
[2] Amended by Resolution No. 3353, as amended, adopted on August 24, 1999.
[3] Amended by Resolution No. 3496, as amended, adopted on November 12, 2002.

(the "Outstanding Subordinate Lien Bonds"); and

WHEREAS, each of the resolutions, as amended, authorizing the issuance of the Outstanding Subordinate Lien Bonds (identified in the chart above) authorized the Port to issue revenue obligations having a prior lien on the revenues available to pay debt service on the Outstanding Subordinate Lien Bonds; and

WHEREAS, the Commission deems it advisable and in the best interest of the Port to establish a separate lien of revenue bonds of the Port that may hereafter be issued for any of its legal purposes under the provisions, terms and conditions of this resolution; and

WHEREAS, the principal of and interest on the bonds authorized by this resolution shall be payable solely from and shall constitute a lien and charge against Available Intermediate Lien Revenues (hereinafter defined);

NOW, THEREFORE, BE IT RESOLVED BY THE PORT COMMISSION OF THE PORT OF SEATTLE, WASHINGTON, as follows:

Section 1. Definitions. As used in this resolution, the following words and phrases shall have the meanings hereinafter set forth unless the context clearly shall indicate that another meaning is intended:

Accreted Value means (1) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the initial principal amount of such Intermediate Lien Parity Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (2) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Intermediate Lien Parity Bonds plus the amount of discounted principal which has accreted since the date of issue. In each case the Accreted Value shall be determined in accordance with the provisions of the Series Resolution authorizing the issuance of such Intermediate Lien Parity Bonds.

The ***Amount Due*** (for purposes of the Rate Covenant) in each fiscal year of the Port shall be equal to (a) Scheduled Debt Service, plus (b) amounts required to be deposited during such fiscal year from Available Intermediate Lien Revenues into the Intermediate Lien Reserve Account plus (c) any other amounts due to any Credit Facility Issuer or any Liquidity Facility Issuer, but excluding from the foregoing (i) payments made or to be made from refunding debt and capitalized debt service or other money irrevocably (by Commission resolution) set aside for such payment and (ii) Intermediate Lien Debt Service Offsets identified by the Port in a certificate of the Designated Port Representative.

Annual Debt Service means the total amount of Debt Service for any series of Outstanding Intermediate Lien Parity Bonds in any fiscal year or Base Period.

Available Coverage Amount means the unrestricted balance in the Revenue Fund at the end of the two most recent fiscal years of the Port, whichever is lower. No amounts may be included in the Available Coverage Amount unless such amounts are legally available for payment of debt service on Intermediate Lien Parity Bonds.

Available Intermediate Lien Revenues mean the Gross Revenue of the Port after providing for the payments set forth in paragraphs First, Second, Third and Fourth of Section 2 of this resolution, excluding any Released Revenues.

Available Intermediate Lien Revenues as First Adjusted means Available Intermediate Lien Revenues increased (without duplication) by Prior Lien Debt Service Offsets identified by the Port in a certificate of the Designated Port Representative and subject to further adjustment to reflect the following:

(a) It is the intent of the Port that regularly scheduled net payments under derivative products (interest rate hedges) with respect to Port revenue obligations (regardless of lien position) be reflected in the calculation of debt service obligations with respect to those revenue obligations and not as adjustments to Gross Revenue or Operating Expenses; and

(b) Gross Revenue and Operating Expenses may be adjusted, regardless of then applicable generally accepted accounting principles, for certain items (e.g., to omit) in order to more fairly reflect the Port's annual operating performance.

Available Intermediate Lien Revenues as Second Adjusted means Available Intermediate Lien Revenues as First Adjusted plus the Available Coverage Amount.

Balloon Maturity Bonds means any Intermediate Lien Parity Bonds that are so designated in the Series Resolution pursuant to which such Intermediate Lien Parity Bonds are issued. Commercial paper (obligations with a maturity of not more than 270 days from the date of issuance) shall be deemed to be Balloon Maturity Bonds.

Base Period means any consecutive 12-month period selected by the Designated Port Representative out of the 30-month period next preceding the date of issuance of an additional series of Intermediate Lien Parity Bonds.

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Intermediate Lien Parity Bonds (including persons holding Intermediate Lien Parity Bonds through nominees, depositories or other intermediary).

Bond Counsel means a firm of lawyers nationally recognized and accepted as bond counsel and so employed by the Port for any purpose under this resolution applicable to the use of that term.

BMA Municipal Swap Index means the Bond Market Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by the Bond Market

Association; *provided*, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successor, then BMA Municipal Swap Index shall mean such other reasonably comparable index selected by the Designated Port Representative.

Capital Appreciation Bonds means Intermediate Lien Parity Bonds all or a portion of the interest on which is compounded, accumulated and payable only upon redemption, conversion or on the maturity date of such Intermediate Lien Parity Bonds. If so provided in the Series Resolution authorizing their issuance, Intermediate Lien Parity Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which Intermediate Lien Parity Bonds no longer are Capital Appreciation Bonds, they shall be deemed Outstanding in a principal amount equal to their Accreted Value.

Certificate Period means a period commencing with the year of issuance of the proposed series of Intermediate Lien Parity Bonds and ending with the third complete fiscal year following the earlier of (i) the projected Date of Commercial Operation of the Facilities to be financed with the proceeds of the proposed Intermediate Lien Parity Bonds; or (ii) the date on which no portion of the interest on the proposed series of Intermediate Lien Parity Bonds will be paid from the proceeds of such Intermediate Lien Parity Bonds (such date to be determined in accordance with the Port's proposed schedule of expenditures).

Commission means the elected governing body of the Port, or any successor thereto as provided by law.

Consultant means at any time an independent consultant recognized in marine or aviation matters or an engineer or engineering firm or other expert appointed by the Port to perform the duties of the Consultant as required by this resolution. For the purposes of delivering any certificate required by Section 5 hereof and making the calculation required by Section 5 hereof, the term Consultant shall also include any independent public accounting firm appointed by the Port to make such calculation or to provide such certificate or the financial advisor appointed by the Port to make such calculation or to provide such certificate.

Costs of Construction means all costs paid or incurred by the Port in connection with the acquisition and construction of capital additions, improvements and betterments to and extensions of the Facilities, and the placing of the same in operation, including, but without limiting the generality of the foregoing, paying all or a portion of the interest on the series of Intermediate Lien Parity Bonds or any portion thereof issued to finance the costs of such improvements during the period of construction of such improvements, and for a period of time thereafter; paying amounts required to meet any reserve requirement for the fund or account established or maintained for such series of Intermediate Lien Parity Bonds from the proceeds thereof; paying or reimbursing the Port or any fund thereof or any other person for expenses incident and properly allocable to the acquisition and construction of said improvements and the placing of the same in operation; and all other items of expense incident and properly allocable to the acquisition and construction of said additions and improvements, the financing of the same and the placing of the same in operation.

A ***Credit Event*** occurs when (a) a Qualified Letter of Credit terminates, (b) the issuer of Qualified Insurance or a Qualified Letter of Credit shall become insolvent or no longer be in existence, or (c) a Qualified Letter of Credit or Qualified Insurance no longer meets the requirements established therefor in the definition thereof.

Credit Facility means a policy of municipal bond insurance, a letter of credit, surety bond, guarantee or other financial instrument or any combination of the foregoing, which obligates a third party to make payment or provide funds for the payment of financial obligations of the Port, including but not limited to payment of the scheduled principal of and interest on Intermediate Lien Parity Bonds.

Credit Facility Issuer means the issuer of any Credit Facility.

Date of Commercial Operation means the date upon which any Facilities are first ready for normal continuous operation or, if portions of the Facilities are placed in normal continuous operation at different times, shall mean the midpoint of the dates of continuous operation of all portions of such Facilities, as estimated by the Port or, if used with reference to Facilities to be acquired, shall mean the date on which such acquisition is final.

Debt Service means, for any period of time and for the purpose of determining compliance with the conditions for issuance of Intermediate Lien Parity Bonds set forth in Section 5 and for the purpose of calculating the Intermediate Lien Reserve Requirement,

(a) with respect to any Outstanding Original Issue Discount Bonds or Capital Appreciation Bonds that are not designated as Balloon Maturity Bonds in the Series Resolution authorizing their issuance and that have not been associated with a Parity Derivative Product, the principal amount equal to the Accreted Value thereof maturing, converting or scheduled for redemption in such period, including the interest payable during such period;

(b) with respect to any Outstanding Fixed Rate Bonds that have not been associated with a Parity Derivative Product, an amount equal to (1) the principal amount of such Intermediate Lien Parity Bonds due or subject to mandatory redemption during such period and for which no sinking fund installments have been established, (2) the amount of any payments required to be made during such period into any sinking fund established for the payment of the principal of any such Intermediate Lien Parity Bonds, plus (3) all interest payable during such period on any such Intermediate Lien Parity Bonds Outstanding and, with respect to Intermediate

Lien Parity Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund installments will be applied to the redemption or retirement of such Intermediate Lien Parity Bonds on the date specified in the Series Resolution authorizing such Intermediate Lien Parity Bonds;

(c) with respect to all other series of Intermediate Lien Parity Bonds Outstanding, other than Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds, specifically including but not limited to Balloon Maturity Bonds and Intermediate Lien Parity Bonds bearing variable rates of interest and that have not been associated with a Parity Derivative Product, an amount for any period equal to the amount which would be payable (1) as principal on such Intermediate Lien Parity Bonds during such period (computed on the assumption that the amount of Intermediate Lien Parity Bonds Outstanding as of the date of such computation would be amortized in accordance with the mandatory redemption provisions, if any, set forth in the Series Resolution authorizing the issuance of such Intermediate Lien Parity Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 30 years after the date of issuance to provide for essentially level annual debt service during such period) plus (2) interest at an interest rate equal to (A) the 10-year average of the BMA Municipal Swap Index, plus (B) 1.5%;

(d) With respect to Intermediate Lien Parity Bonds that bear variable rates of interest and have been associated with a Parity Derivative Product with fixed Port Parity Payments, an amount equal to:

(1) principal to be paid on such Intermediate Lien Parity Bonds calculated as set forth in (c)(1) above, plus

(2) assumed interest equal to

(A) the fixed Port Parity Payments to be paid to a Reciprocal Payor, minus

(B) the Reciprocal Parity Payment calculated by determining the average interest rate over the prior 12 months if the Parity Derivative Product was then in effect or that would have been paid during the prior 12 months based on the rate formula for the Reciprocal Parity Payment set forth in the Parity Derivative Product, plus

(C) (i) if the Intermediate Lien Parity Bonds bear interest that is exempt from general federal income taxation interest on the associated Intermediate Lien Parity Bonds calculated at the average BMA Municipal Swap Index during the previous 12 months, <u>or</u> (ii) if the Intermediate Lien Parity Bonds bear interest that is subject to general federal income taxation, interest on the associated Intermediate Lien Parity Bonds calculated at the average one-month LIBOR during the 12-month period immediately preceding the date of calculation;

(e) With respect to Intermediate Lien Parity Bonds that bear variable rates of interest and have been associated with a Parity Derivative Product with variable Port Parity Payments, an amount equal to:

(1) principal to be paid on such Intermediate Lien Parity Bonds calculated as set forth in (c)(1) above, plus

(2) assumed interest equal to

(A) the variable Port Parity Payments calculated by determining the average interest rate over the prior 12 months if the Parity Derivative Product was then in effect or that would have been paid during the prior 12 months based on the rate formula for the Port Parity Payment set forth in the Parity Derivative Product, minus

(B) the Reciprocal Parity Payment calculated by determining the average interest rate over the prior 12 months if the Parity Derivative Product was then in effect or that would have been paid during the prior 12 months based on the rate formula for the Reciprocal Parity Payment set forth in the Parity Derivative Product, plus

(C) (i) if the Intermediate Lien Parity Bonds bear interest that is exempt from general federal income taxation, interest on the associated Intermediate Lien Parity Bonds calculated at the average Municipal Swap Index during the previous 12 months, <u>or</u> (ii) if the Intermediate Lien Parity Bonds bear interest that is subject to general federal income taxation, interest on the associated Intermediate Lien Parity Bonds calculated at the average one-month LIBOR during the 12-month period immediately preceding the date of calculation; and

(f) With respect to any Fixed Rate Bonds that have been associated with a Parity Derivative Product, an amount equal to:

(1) the principal to be paid on such Intermediate Lien Parity Bonds calculated as set forth in (b)(1) and (b)(2) above, plus

(2) assumed interest equal to:

(A) the Port Parity Payment, calculated by determining the average interest rate over the prior 12 months if the Parity Derivative Product was then in effect or that would have been paid during the prior 12 months based on the rate formula for the Port Parity Payment set forth in the Parity Derivative Product, minus

(B) the Reciprocal Parity Payment to be paid to the Port; provided that if the Reciprocal Parity Payment is based on a variable rate then the Reciprocal Parity Payment shall be calculated by determining the average interest rate over the prior 12 months if the Parity Derivative Product was then in effect or that would have been paid during the prior 12 months based on the rate formula for the Reciprocal Parity Payment set forth in the Parity Derivative Product, plus

(C) the interest on the associated Fixed Rate Bonds calculated as set forth in (b)(3) above.

With respect to any Intermediate Lien Parity Bonds payable in other than U.S. Dollars, Debt Service shall be calculated as provided in the Series Resolution authorizing the issuance of such Intermediate Lien Parity Bonds. With respect to any series of Intermediate Lien Parity Bonds that is associated with a Parity Derivative Product with a notional amount that is less than the then Outstanding principal amount of such series of Intermediate Lien Parity Bonds, Debt Service shall be calculated separately for the portion of such Intermediate Lien Parity Bonds associated with the Parity Derivative Product and, without duplication, the portion not so associated.

Debt Service also shall be net of any principal and/or interest (not including any amount deposited in any reserve account for payment of principal and/or interest) funded from proceeds of any Intermediate Lien Parity Bonds or from earnings thereon. For the purpose of determining compliance with the conditions for issuance of Intermediate Lien Parity Bonds set forth in Section 5 (and not for the purposes of calculating the Intermediate Lien Reserve Requirement), Debt Service also shall be net of Intermediate Lien Debt Service Offsets, subject to the conditions set forth in Section 5.

Debt Service shall include reimbursement obligations (and interest accruing thereon) then owing to any Credit Facility Issuer or Liquidity Facility Issuer to the extent authorized herein or in another Series Resolution.

Designated Port Representative means the Chief Executive Officer of the Port, the Deputy Chief Executive Officer of the Port or the Chief Financial Officer of the Port (or the successor in function to such person(s)) or such other person as may be directed by resolution of the Commission.

Facilities means all equipment and all property, real and personal, or any interest therein, whether improved or unimproved, now or hereafter (for as long as any Intermediate Lien Parity Bonds of the Port shall be Outstanding) owned, operated, used, leased or managed by the Port.

First Lien Bonds means the Outstanding First Lien Bonds and any bonds issued by the Port in the future under a "Series Resolution", as defined in the First Lien Master Resolution, and pursuant to Section 7 of the First Lien Master Resolution, which provides that such bonds shall be on a parity of lien with other series of First Lien Bonds.

First Lien Master Resolution means Resolution No. 3059, as amended by Resolution No. 3214, Resolution No. 3241, and Resolution No. 3436 of the Commission, and as the same may be amended in the future in accordance with its terms.

Fitch means Fitch, Inc., organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody's) designated by the Designated Port Representative.

Fixed Rate Bonds means those Intermediate Lien Parity Bonds other than Capital Appreciation Bonds, Original Issue Discount Bonds or Balloon Maturity Bonds issued under a Series Resolution in which the rate of interest on such Intermediate Lien Parity Bonds is fixed and determinable through their final maturity or for a specified period of time. If so provided in the Series Resolution authorizing their issuance, Intermediate Lien Parity Bonds may be deemed to be Fixed Rate Bonds for only a portion of their term. Fixed Rate Bonds also shall include two or more series of Intermediate Lien Parity Bonds simultaneously issued under a Series Resolution and which, collectively, bear interest at a fixed and determinable rate for a specified period of time.

Gross Revenue means all income and revenue derived by the Port from any source whatsoever except:

(a) the proceeds of any borrowing by the Port and the earnings thereon (other than earnings on proceeds deposited in reserve funds);

(b) income and revenue that may not legally be pledged for revenue bond debt service;

(c) passenger facility charges, head taxes, federal grants or substitutes therefor allocated to capital projects;

(d) payments made under Credit Facilities issued to pay or secure the payment of a particular series of obligations;

(e) proceeds of insurance or condemnation proceeds other than business interruption insurance;

(f) income and revenue of the Port separately pledged and used by it to pay and secure the payment of the principal of and interest on any issue or series of Special Revenue Bonds of the Port issued to acquire, construct, equip, install or improve part or all of the particular facilities from which such income and revenue are derived, *provided that* nothing in this subparagraph (f) shall permit the withdrawal from Gross Revenue of any income or revenue derived or to be derived by the Port from any income producing facility that shall have been contributing to Gross Revenue prior to the issuance of such Special Revenue Bonds; and

(g) income from investments irrevocably pledged to the payment of bonds issued or to be refunded under any refunding bond plan of the Port.

Notwithstanding the foregoing, the Port may elect to pledge the foregoing exceptions from Gross Revenue and/or any other receipts at any time as additional security for any one or more series of obligations and thereby include such exception and/or receipts in Gross Revenue for such series of obligations; but if and only to the extent that such receipts may legally be used to pay debt service on such series of obligations.

Intermediate Lien Bond Fund means the fund of that name established pursuant to Section 3 of this resolution.

Intermediate Lien Debt Service Offsets means receipts of the Port that are not included in Gross Revenue and that are legally available and/or pledged by the Port to pay debt service on Intermediate Lien Parity Bonds, but excluding any receipts that have been designated as Prior Lien Debt Service Offsets.

Intermediate Lien Parity Bonds means the bonds, notes or other evidences of indebtedness issued from time to time in series pursuant to and under authority of Section 3 hereof. The term ***Intermediate Lien Parity Bonds*** may include reimbursement obligations of the Port to the issuer of a Credit Facility.

Intermediate Lien Reserve Account means the account of that name established within the Intermediate Lien Bond Fund pursuant to Section 3 of this resolution.

Intermediate Lien Reserve Requirement means a dollar amount equal to average Annual Debt Service on all Outstanding Intermediate Lien Parity Bonds, determined and calculated as of the date of issuance of each Series of Intermediate Lien Parity Bonds (and recalculated upon the issuance of a subsequent Series of Intermediate Lien Parity Bonds and also, at the Port's option, upon the payment of principal of Intermediate Lien Parity Bonds).

LIBOR means the rate offered for U.S. dollar deposits on the London Inter-Bank Market, or any comparable successor rate.

Liquidity Facility means a line of credit, standby purchase agreement or other financial instrument or any combination of the foregoing, which obligates a third party to make payment or to provide funds for the payment of the purchase price of Intermediate Lien Parity Bonds.

Liquidity Facility Issuer means the issuer of any Liquidity Facility.

Maximum Annual Debt Service means, with respect to any Outstanding series of Intermediate Lien Parity Bonds, the highest remaining Annual Debt Service for such series of Intermediate Lien Parity Bonds.

Moody's means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term Moody's shall be deemed to refer to any other nationally recognized securities rating agency (other than Fitch or S&P) selected by the Designated Port Representative.

Net Payments means, for a period of time and with respect to a Parity Derivative Product, the difference between Reciprocal Parity Payments and Port Parity Payments which may be reflected as a positive or negative number on the financial statements of the Port (i.e., the net amount to be received by or paid by the Port for a period of time as a result of netting Reciprocal Parity Payments and Port Parity Payments).

Net Revenues means Gross Revenue less any part thereof that must be used to pay Operating Expenses.

Operating Expenses means the current expenses incurred for operation or maintenance of the Facilities (other than Special Facilities), as defined under generally accepted accounting principles applicable to the Port, in effect from time to time, excluding (i) any allowances for depreciation or amortization, or (ii) interest on any obligations of the Port incurred in connection with and payable from Gross Revenue.

Original Issue Discount Bonds means Intermediate Lien Parity Bonds which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Bonds in the Series Resolution authorizing their issuance.

Other Derivative Product means a payment agreement entered into in connection with one or more series of Intermediate Lien Parity Bonds between the Port and a counterparty permitted under Chapter 39.96 RCW, as amended from time to time, or any successor statute, which is not a Parity Derivative Product.

Outstanding, when used as of a particular time with reference to Intermediate Lien Parity Bonds, means all Intermediate Lien Parity Bonds delivered under a Series Resolution except those identified as no longer "Outstanding" under the terms established in the respective Series Resolution.

Outstanding First Lien Bonds means, collectively, the Port's outstanding Revenue Bonds, Series 1992A, issued pursuant to Resolution No. 3111, as amended; Revenue Bonds, Series 1994A and Revenue Bonds, Series 1994C issued pursuant to Resolution No. 3155, as amended, Revenue Bonds, Series 1996A and Series 1996B issued pursuant to Resolution No. 3215, as amended; Revenue Bonds, Series 1997A and Series 1997B issued pursuant to

Resolution No. 3242, as amended; and Revenue Refunding Bonds, Series 1998 issued pursuant to Resolution No. 3275, as amended; Revenue Bonds, Series 2000A and Series 2000B and Revenue Refunding Bonds, Series 2000D issued pursuant to Resolution No. 3430, as amended; Revenue Bonds, Series 2001A and Series 2001B and Revenue Refunding Bonds, Series 2001C issued pursuant to Resolution No. 3462, as amended; Revenue Refunding Bonds, Series 2001D issued pursuant to Resolution No. 3462, as amended, and Resolution No. 3467; and Revenue Bonds, Series 2003A and Series 2003B issued pursuant to Resolution No. 3509, as amended, and Revenue Refunding Bonds, 2004 (Taxable) issued pursuant to Resolution No. 3528, as amended.

Outstanding Subordinate Lien Bonds means, collectively, the Port's outstanding Subordinate Lien Revenue Bonds, Series 1997 issued pursuant to Resolution No. 3238, as amended by Resolution No. 3351, as amended, adopted on August 24, 1999; Subordinate Lien Refunding Revenue Bonds, 1998 issued pursuant to Resolution No. 3276, as amended by Resolution No. 3353, as amended, adopted on August 24, 1999; Subordinate Lien Revenue Bonds, Series 1999A and Series 1999B, issued pursuant to Resolution No. 3354, as amended; and Subordinate Lien Revenue Notes (Commercial Paper) issued pursuant to Resolution No. 3456, as amended; and Subordinate Lien Revenue Bonds, Series 2003C issued pursuant to Resolution No. 3510, as amended.

Parity Derivative Product means a written contract or agreement between the Port and a Reciprocal Payor permitted under Chapter 39.96 RCW, as amended from time to time, or any successor statute, obligating the Port to make Net Payments on a parity of lien with Intermediate Lien Parity Bonds.

Paying Agent shall mean any person, firm, association, corporation or public body as designated and appointed from time to time by resolution of the Commission or by a Series Resolution to act as paying agent for one or more series of Intermediate Lien Parity Bonds.

Permitted Prior Lien Bonds means and includes the First Lien Bonds and any other revenue bonds or revenue obligations that may be issued in the future at the discretion of the Port payable from Gross Revenues available after the payment of the amounts described in paragraphs <u>First</u>, <u>Second</u>, and <u>Third</u> of Section 2 of this resolution and having a lien on Net Revenues superior to the lien thereon of the Intermediate Lien Parity Bonds.

Port means the Port of Seattle, a municipal corporation of the State of Washington, as now or hereafter constituted, or the corporation, authority, board, body, commission, department or officer succeeding to the principal functions of the Port or to whom the powers vested in the Port shall be given by law.

Port Parity Payment means any payment, other than a termination or other nonscheduled payment, required to be made by or on behalf of the Port under a Parity Derivative Product and which is determined according to a formula set forth in a Parity Derivative Product and calculated without regard to netting.

Port Other Payment means any payment, other than a termination or other nonscheduled payment, required to be made by or on behalf of the Port under an Other Derivative Product and which is determined according to a formula set forth in such Other Derivative Product and calculated without regard to netting.

Prior Lien Debt Service Offsets means receipts of the Port that are not included in Gross Revenue and that are legally available and/or pledged by the Port to pay debt service on Permitted Prior Lien Bonds.

Qualified Insurance means any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) (i) which insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in one of the two highest Rating Categories by one or more of the Rating Agencies for unsecured debt or insurance underwriting or claims paying ability or (ii) if as a result of the issuance of its policies, the obligations insured thereby to be rated in one of the two highest Rating Categories by one or more of the Rating Agencies.

Qualified Letter of Credit means any irrevocable letter of credit issued by a financial institution, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

Rate Covenant has the meaning given such term in Section 6(a) of this resolution.

Rating Agency means Fitch, Moody's or S&P.

Rating Category means the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

Reciprocal Parity Payment means any payment, other than a termination or other nonscheduled payment, to be made to, or for the benefit of, the Port under a Parity Derivative Product by the Reciprocal Payor and which is determined according to a formula set forth in a Parity Derivative Product and calculated without regard to netting.

Reciprocal Other Payment means any payment, other than a termination or other nonscheduled payment, to be made to, or for the benefit of, the Port under an Other Derivative

Product by the Port's counterparty and which is determined according to a formula set forth in such Other Derivative Product and calculated without regard to netting.

Reciprocal Payor means any counterparty to a Parity Derivative Product that is obligated to make one or more Reciprocal Parity Payments thereunder and that satisfies then existing State law requirements for such counterparties.

Registered Owner means the person named as the registered owner of an Intermediate Lien Parity Bond in the bond register maintained by the Registrar for such Intermediate Lien Parity Bonds.

Registrar means any person, firm, association, corporation or public body as designated and appointed from time to time by resolution of the Commission or by a Series Resolution, to act as registrar for one or more series of Intermediate Lien Parity Bonds.

Released Revenues shall mean income or revenue of the Port previously included in Available Intermediate Lien Revenue in respect of which the following have been delivered by or to the Port:

(a) a certificate of the Designated Port Representative identifying the income or revenue to be removed from the definition of Available Intermediate Lien Revenue and certifying the Port is in compliance with all requirements of this resolution;

(b) a certificate of an independent certified public accountant to the effect that Available Intermediate Lien Revenues, excluding the income or revenues proposed to become Released Revenues, for each of the two audited fiscal years prior to the date of such certificate were equal to at least 150% of Maximum Annual Debt Service on then Outstanding Intermediate Lien Parity Bonds;

(c) a certificate of a Consultant to the effect that based upon current knowledge of the operations of the Port, Available Intermediate Lien Revenues, excluding the income or revenues proposed to become Released Revenues, for the current fiscal year will be equal to at least 150% of Maximum Annual Debt Service on then Outstanding Intermediate Lien Parity Bonds;

(d) Rating Agency confirmation that the ratings then assigned to any Intermediate Lien Parity Bonds by such Rating Agency will not be reduced or withdrawn as a result of such withdrawal of Released Revenues; and

(e) an opinion of Bond Counsel to the effect that the exclusion of such revenues from the definition of Available Intermediate Lien Revenues and from the pledge, charge and lien of this resolution will not in and of itself cause the interest on any Outstanding Intermediate Lien Parity Bond issued as tax-exempt securities to be included in gross income for purposes of federal income tax.

Repair and Renewal Fund means the special fund authorized to be created pursuant to Section 4(B) of the First Lien Master Resolution.

Reserved Lien Revenue Bonds means those revenue bonds and other revenue obligations issued or incurred by the Port payable from Gross Revenue and having liens on Net Revenues subordinate to that of the Intermediate Lien Parity Bonds and prior to the lien thereon of the Subordinate Lien Parity Bonds.

Revenue Fund means, collectively, the Port's general fund, airport development fund and any other fund established in the office of the Treasurer of the Port for the receipt of Gross Revenues.

Scheduled Debt Service means the amounts required in a fiscal year to be paid by the Port as scheduled debt service (principal and interest) on Outstanding Intermediate Lien Parity Bonds, adjusted by Net Payments during such fiscal year.

Series Resolution means a resolution authorizing the issuance of a series of Intermediate Lien Parity Bonds, as such resolution may thereafter be amended or supplemented. Each Series Resolution shall be supplemental to this resolution.

S&P means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term S&P shall be deemed to refer to any other nationally recognized securities rating agency (other than Moody's or Fitch) selected by the Designated Port Representative.

Special Facilities means particular facilities financed with the proceeds of Special Revenue Bonds.

Special Revenue Bonds means any issue or series of revenue bonds, revenue warrants or other revenue obligations of the Port issued to directly or indirectly acquire (by purchase, lease or otherwise), construct, equip, install or improve part or all of particular facilities and which are payable from and secured by the income and revenue from such facilities.

Subordinate Lien Parity Bonds means and includes the Outstanding Subordinate Lien Bonds and any other revenue bonds or revenue obligations that may be issued in the future at the discretion of the Port payable from Gross Revenues available after the payment of the amounts described in paragraphs First through Eighth of Section 2 of this resolution.

Tax Maximum means the maximum dollar amount permitted by the Internal Revenue Code of 1986, as amended, including applicable regulations thereunder, to be allocated to a bond reserve account from bond proceeds without requiring a balance to be invested at a restricted yield.

Treasurer means the Chief Financial Officer of the Port, or any other public officer as may hereafter be designated pursuant to law to have the custody of Port funds.

Interpretation. In this resolution, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein, "hereunder" and any similar terms, as used in this resolution, refer to this resolution as a whole and not to any particular article, section, subdivision or clause hereof, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of this resolution;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, limited liability companies and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this resolution, nor shall they affect its meaning, construction or effect;

(e) All references herein to "articles," "sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and

(f) Whenever any consent or direction is required to be given by the Port, such consent or direction shall be deemed given when given by the Designated Port

Representative or his or her designee, respectively, and all references herein to the Designated Port Representative shall be deemed to include references to his or her designee, as the case may be.

Section 2. Priority of Use of Gross Revenue. The Port's Gross Revenue shall be deposited in the Revenue Fund as collected. The Revenue Fund shall be held separate and apart from all other funds and accounts of the Port, and the Gross Revenue deposited therein shall be used only for the following purposes and in the following order of priority:

First, to pay Operating Expenses not paid from other sources;

Second, to make all payments, including sinking fund payments, required to be made into the debt service account(s) within any redemption fund maintained for First Lien Bonds to pay the principal of and interest and premium, if any, on any First Lien Bonds;

Third, to make all payments required to be made into any reserve account(s) maintained for First Lien Bonds to secure the payment of any First Lien Bonds;

Fourth, to make all payments required to be made into any other revenue bond redemption fund and debt service account or reserve account created therein to pay and secure the payment of the principal of, premium, if any, and interest on any revenue bonds or other revenue obligations of the Port having liens upon the Net Revenues and the money in the Revenue Fund junior and inferior to the lien thereon for the payment of the principal of, premium, if any, and interest on any First Lien Bonds, but prior to the lien thereon of Intermediate Lien Parity Bonds;

Fifth, to make payments necessary to be paid into any bond fund or debt service account created to pay the debt service on Intermediate Lien Parity Bonds to pay the principal of and interest on Intermediate Lien Parity Bonds and, without duplication, to make Net Payments due with respect to any Parity Derivative Product secured by a pledge of and lien on Available Intermediate Lien Revenues on an equal and ratable basis with Outstanding Intermediate Lien Parity Bonds;

Sixth, to make all payments required to be made into the Intermediate Lien Reserve Account;

Seventh, to make payments necessary to be paid into any bond fund or debt service account created to pay the debt service on Reserved Lien Revenue Bonds to pay the principal of and interest on Reserved Lien Revenue Bonds;

Eighth, to make all payments required to be made into any reserve account(s) securing Reserved Lien Revenue Bonds;

Ninth, to make payments necessary to be paid into any bond fund or debt service account created to pay the debt service on Subordinate Lien Parity Bonds, including, but not limited to the Subordinate Lien Bond Fund to pay the principal of and interest on Subordinate Lien Parity Bonds;

Tenth, to make all payments required to be made into the reserve account(s) securing Subordinate Lien Parity Bonds;

Eleventh, to make all payments required to be made into the Repair and Renewal Fund under the terms of the First Lien Master Resolution to maintain any required balance therein; and

Twelfth, to retire by redemption or purchase any outstanding revenue bonds or other revenue obligations of the Port as authorized in the various resolutions of the Commission authorizing their issuance or to make necessary additions, betterments, improvements and repairs to or extension and replacements of the Facilities, or any other lawful Port purposes.

Notwithstanding the foregoing, the obligations of the Port to make nonscheduled payments under a Parity Derivative Product (i.e., any termination payment or other fees) and/or make any payment pursuant to an Other Derivative Product may be payable from Gross Revenue available after Sixth above, as set forth in such Parity Derivative Product or Other Derivative Product.

Section 3. Authorization of Intermediate Lien Parity Bonds; Intermediate Lien Bond Fund; Intermediate Lien Reserve Account. Subject to Section 5 of this resolution, revenue bonds of the Port, unlimited in amount, to be known as the "Port of Seattle Intermediate Lien Revenue Bonds," are hereby authorized to be issued in series, and each such series may be issued from time to time pursuant to this resolution in such amounts and upon such terms and conditions as the Commission may from time to time deem to be necessary or advisable, for any purposes of the Port now or hereafter permitted by law.

The Intermediate Lien Parity Bonds and the lien thereof created and established hereunder shall be obligations only of the Intermediate Lien Bond Fund and the Intermediate Lien Reserve Account therein (herein created). The Intermediate Lien Parity Bonds shall be payable solely from and secured solely by Available Intermediate Lien Revenues available after providing for the payments specified in paragraph First through Fourth of Section 2 of this resolution; provided, however, that any series of Intermediate Lien Parity Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for that series of Intermediate Lien Parity Bonds.

A special fund of the Port designated the "Port of Seattle Intermediate Lien Revenue Bond Fund" (the "Intermediate Lien Bond Fund") is hereby authorized to be created in the office of the Treasurer of the Port for the purpose of paying and securing the payment of Intermediate

Lien Parity Bonds. The Intermediate Lien Bond Fund shall be held separate and apart from all other funds and accounts of the Port and shall be a trust fund for the owners of Intermediate Lien Parity Bonds.

The Port hereby irrevocably obligates and binds itself for as long as any Intermediate Lien Parity Bonds remain Outstanding to set aside and pay into the Intermediate Lien Bond Fund from Available Intermediate Lien Revenues or money in the Revenue Fund, on or prior to the respective dates the same become due (and if such payment is made on the due date, such payment shall be made in immediately available funds):

(1) Such amounts as are required to pay the interest scheduled to become due on Outstanding Intermediate Lien Parity Bonds; and

(2) Such amounts with respect to Outstanding Intermediate Lien Parity Bonds as are required (A) to pay maturing principal, (B) to make any required sinking fund payments, and (C) to redeem Outstanding Intermediate Lien Parity Bonds in accordance with any mandatory redemption provisions.

Said amounts so pledged to be paid into such special funds are hereby declared to be a prior lien and charge upon the Net Revenues superior to all other liens and charges of any kind or nature whatsoever except for the liens and charges thereon of Permitted Prior Lien Bonds and except for liens and charges equal in rank that may be made thereon to pay Net Payments due pursuant to any Parity Derivative Product and to pay and secure the payment of the principal of, premium, if any, and interest on Intermediate Lien Parity Bonds issued under authority of a Series Resolution in accordance with the provisions of Sections 4 and 5 of this resolution.

The Bonds shall not in any manner or to any extent constitute general obligations of the Port or of the State of Washington, or of any political subdivision of the State of Washington.

An Intermediate Lien Reserve Account (the "Intermediate Lien Reserve Account") is hereby authorized to be created by the Treasurer of the Port within the Intermediate Lien Bond Fund for the further purpose of securing the payment of the principal of, premium, if any, and interest on all Outstanding Intermediate Lien Parity Bonds. The Port shall make deposits therein as provided in this section so that the balance therein shall be at least equal to the Intermediate Lien Reserve Requirement.

The Intermediate Lien Reserve Requirement may be funded at the date of issuance of Intermediate Lien Parity Bonds or may be funded in equal monthly deposits over a period of time (not greater than three years) established in Series Resolution(s); provided, however, that the dollar amount required to be contributed, if any, as a result of the issuance of a Series of Intermediate Lien Parity Bonds shall not be greater than the Tax Maximum. If the dollar amount required to be contributed at the time of issuance of a Series exceeds the Tax Maximum, then the amount required to be contributed shall be equal to the Tax Maximum; the Intermediate Lien Reserve Requirement shall be adjusted accordingly and remain in effect until the earlier of (i) at the Port's option, a payment of principal of Intermediate Lien Parity Bonds or (ii) the issuance of a subsequent Series of Intermediate Lien Parity Bonds (when the Intermediate Lien Reserve Requirement shall be re-calculated).

The Intermediate Lien Reserve Requirement shall be maintained by deposits of cash and/or qualified investments, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. The Designated Port Representative may decide to utilize Qualified Insurance or Qualified Letter(s) of Credit to satisfy all or a portion of the Intermediate Lien Reserve Requirement. Upon such election, the Designated Port Representative is hereby authorized to execute and deliver one or more agreements with issuers of Qualified Insurance or

Qualified Letters of Credit to effect the delivery of the appropriate instrument. To the extent that the Port obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash or securities in the Intermediate Lien Reserve Account, all or a portion of the money on hand in the Intermediate Lien Reserve Account shall be transferred to the fund or account specified by the Designated Port Representative. In computing the amount on hand in the Intermediate Lien Reserve Account, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the lower of the face amount thereof and the amount available to be drawn thereunder, and all other obligations purchased as an investment of moneys therein shall be valued on a marked to market basis, at least once annually. As used herein, the term "cash" shall include U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier's check; and the deposit to the Intermediate Lien Reserve Account may be satisfied by the transfer of investments to such account. If a deficiency in the Intermediate Lien Reserve Requirement shall exist as a result of the foregoing valuation, such deficiency shall be made up within a year thereof.

If the balance on hand in the Intermediate Lien Reserve Account is sufficient to satisfy the Intermediate Lien Reserve Requirement, amounts in excess of such Intermediate Lien Reserve Requirement shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the Intermediate Lien Bond Fund and the Intermediate Lien Reserve Account to pay the principal of, premium, if any, and interest on all Outstanding Intermediate Lien Parity Bonds, the money in the Intermediate Lien Reserve Account may be used to pay such principal and interest. If the balance on deposit in the Intermediate Lien Reserve Account is at least equal to the Intermediate Lien Reserve Requirement, money in the Intermediate Lien

Reserve Account in excess of the Intermediate Lien Reserve Requirement may be transferred to the fund or account specified in writing by the Designated Port Representative.

If a deficiency in the Intermediate Lien Bond Fund shall occur, such deficiency shall be made up from the Intermediate Lien Reserve Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of investments held in the Intermediate Lien Reserve Account, in such amounts as will provide cash in the Intermediate Lien Reserve Account sufficient to make up any such deficiency with respect to the Intermediate Lien Parity Bonds, and if a deficiency still exists immediately prior to an interest payment date and after the transfer of cash from the Intermediate Lien Reserve Account to the Intermediate Lien Bond Fund, the Port shall then draw from any Qualified Letter of Credit or Qualified Insurance then credited to the Intermediate Lien Reserve Account for the Intermediate Lien Parity Bonds in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. Reimbursement may be made to the issuer of any Qualified Letter of Credit or Qualified Insurance in accordance with the reimbursement agreement related thereto, and after making necessary provision for the payments required to be made in paragraphs <u>First</u> through <u>Fifth</u> of Section 2 of this resolution. If the Port shall have failed to make any payment required to be made under such reimbursement agreement for Intermediate Lien Parity Bonds, the issuer shall be entitled to exercise all remedies available at law or under this resolution; provided, however, that no acceleration of the Intermediate Lien Parity Bonds shall be permitted, and no remedies that adversely affect Registered Owners of the Intermediate Lien Parity Bonds shall be permitted. Any deficiency created in the Intermediate Lien Reserve Account by reason of any such withdrawal shall be made up within one year from Qualified Insurance or a Qualified Letter of

Credit or out of Available Intermediate Lien Revenues (or out of any other moneys on hand legally available for such purpose), in 12 equal monthly installments, after first making necessary provision for all payments required to be made into the Intermediate Lien Bond Fund within such year.

To the extent that the Port has obtained Qualified Insurance or a Qualified Letter of Credit to satisfy its obligations under this Section 3, amounts then available to be drawn under such Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Intermediate Lien Reserve Account by this Section 3 to the extent that such payments and credits are insured by the issuer of such Qualified Insurance, or are to be made or guaranteed by a Qualified Letter of Credit. If a Credit Event occurs, the Intermediate Lien Reserve Requirement shall be satisfied (A) within one year after the occurrence of such Credit Event with other Qualified Insurance or another Qualified Letter of Credit, or (B) within three years (in three equal annual installments) after the occurrence of such Credit Event, out of Available Intermediate Lien Revenues (or out of other money on hand and legally available for such purpose) after first making necessary provisions for all payments required to be made into the Intermediate Lien Bond Fund.

Section 4. Authorization of Series of Intermediate Lien Parity Bonds. The Port may issue hereunder from time to time one or more series of Intermediate Lien Parity Bonds by means of a Series Resolution for any purpose of the Port now or hereafter permitted by law, provided that the Port shall comply with the terms and conditions for the issuance of Intermediate Lien Parity Bonds hereinafter set forth in this Section 4 and in Section 5 hereof.

Each series of Intermediate Lien Parity Bonds shall be authorized by a Series Resolution which shall, among other provisions, specify and provide for:

(a) the authorized maximum principal amount, designation and series of such Intermediate Lien Parity Bonds;

(b) the general purpose or purposes for which such series of Intermediate Lien Parity Bonds is being issued, and the deposit, disbursement and application of the proceeds of the sale of the Intermediate Lien Parity Bonds of such series;

(c) the maximum interest rate or rates on the Intermediate Lien Parity Bonds of such series (which may be a rate of zero) or, if the interest rate or rates shall be variable, the method for determining such interest rates;

(d) the circumstances, if any, under which the Intermediate Lien Parity Bonds of such series will be deemed to be no longer Outstanding;

(e) the currency or currencies in which the Intermediate Lien Parity Bonds of such series are payable;

(f) the denominations of, and the manner of dating, numbering, and, if necessary, authenticating, the Intermediate Lien Parity Bonds of such series;

(g) the Paying Agent or Paying Agents, if any, for the Intermediate Lien Parity Bonds of such series and the duties and obligations thereof;

(h) the place or places of payment of the principal, redemption price, if any, or purchase price, if any, of and interest on, the Intermediate Lien Parity Bonds of such series;

(i) the tender agent or tender agents, if any, for the Intermediate Lien Parity Bonds of such series and the duties and obligations thereof;

(j) the remarketing agent or remarketing agents, if any, for the Intermediate Lien Parity Bonds of such series and the duties and obligations thereof;

(k) the Registrar or Registrars, if any, for the Intermediate Lien Parity Bonds of such series and the duties and obligations thereof;

(l) the form or forms of the Intermediate Lien Parity Bonds of such series and any coupons attached thereto, which may include but shall not be limited to, registered form, bearer form with or without coupons, and book-entry form, and the methods, if necessary, for the registration, transfer and exchange of the Intermediate Lien Parity Bonds of such series;

(m) the terms and conditions, if any, for the redemption of the Intermediate Lien Parity Bonds of such series prior to maturity, including the redemption date or dates, the redemption price or prices and other applicable redemption terms; provided that the Series Resolution may authorize the Chief Executive Officer of the Port to fix the terms and conditions for the redemption of the Intermediate Lien Parity Bonds of such series prior to maturity, including the redemption date or dates, the redemption price or prices and other applicable redemption terms under such terms and conditions approved by resolution of the Commission;

(n) the terms and conditions, if any, for the purchase of the Intermediate Lien Parity Bonds of such series upon any optional or mandatory tender for purchase prior to maturity, including the tender date or dates, the purchase date or dates, the purchase price or prices and other applicable terms; provided that the Series Resolution may authorize the Chief Executive Officer of the Port to fix the terms and conditions for the tender of the Intermediate Lien Parity Bonds of such series prior to maturity, including the tender date or dates, the purchase date or dates, the purchase price or prices and other applicable terms under such terms and conditions approved by resolution of the Commission;

(o) the manner of sale of the Intermediate Lien Parity Bonds of such series, with or without a premium or a discount, including the sale of Original Issue Discount

Intermediate Lien Parity Bonds; provided that the Series Resolution may authorize the Chief Executive Officer of the Port to establish the issue price of the Intermediate Lien Parity Bonds, including a premium or a discount, under such terms and conditions approved by resolution of the Commission;

(p) if so determined by the Port, the authorization of and any terms and conditions with respect to credit or liquidity support for the Intermediate Lien Parity Bonds of such series and the pledge or provision of moneys, assets or security other than Net Revenues to or for the payment of the Intermediate Lien Parity Bonds of such series or any portion thereof;

(q) a special fund or account to provide for the payment of the Intermediate Lien Parity Bonds of such series and, if so determined by the Port, any other special funds or accounts for the Intermediate Lien Parity Bonds of such series and the application of moneys or security therein;

(r) the amount, if any, to be deposited or credited to the Intermediate Lien Reserve Account; and

(s) any other provisions which the Port deems necessary or desirable in connection with the Intermediate Lien Parity Bonds of such series.

Section 5. Permitted Prior Lien Bonds; Conditions of Issuance of Intermediate Lien Parity Bonds.

(a) *Permitted Prior Lien Bonds.* As provided in the First Lien Master Resolution, the Port reserves the right to issue one or more series of First Lien Bonds by means of a "Series Resolution" (as such term is defined and required under the First Lien Master Resolution) for any purpose of the Port now or hereafter permitted by law, provided that the Port shall comply with the terms and conditions for the issuance of First Lien Bonds set forth in the

First Lien Master Resolution. In addition, the Port also reserves the right to issue obligations payable from Net Revenues available after payment of the amounts described in paragraphs First through Third of Section 2 of this resolution, and having lien(s) on such Net Revenues prior to the lien of the Intermediate Lien Parity Bonds and the Outstanding Subordinate Lien Bonds. Such obligations shall be subject to such terms, conditions and covenants set forth in their respective authorizing resolutions.

(b) *Future Intermediate Lien Parity Bonds - General Provisions.* All Intermediate Lien Parity Bonds authorized to be issued under Series Resolutions, upon fulfillment of the conditions of this resolution, shall be issued on a parity of lien with one another, having an equal lien and charge upon the Available Intermediate Lien Revenues of the Port.

The Port hereby further covenants and agrees with the owners and holders of each of the Intermediate Lien Parity Bonds for as long as any of the same remain Outstanding that it will not issue any Intermediate Lien Parity Bonds that constitute a charge and lien upon the Available Intermediate Lien Revenues equal to the lien thereon of Outstanding Intermediate Lien Parity Bonds, unless at the time of the issuance of such Intermediate Lien Parity Bonds the Port is not in default under this resolution, and the Port meets the conditions set forth in subsection (c) below or meets either of the conditions described in (1) or (2) below.

(1) Certificate Required. There shall have be delivered prior to or on the date of the issuance of the Intermediate Lien Parity Bonds, either

(A) a certificate prepared as provided below and executed by the Designated Port Representative stating that Available Intermediate Lien Revenues as First Adjusted during the Base Period were at least equal to 110 percent of Annual Debt Service in each year of the Certificate Period with respect to all Intermediate Lien Parity Bonds then Outstanding and then proposed to be issued; or

(B) a Consultant's certificate, prepared as provided below, stating that projected Available Intermediate Lien Revenues as First Adjusted will be at least equal to 110 percent of Annual Debt Service in each year of the Certificate Period.

If Intermediate Lien Debt Service Offsets or Prior Lien Debt Service Offsets are or have been used in order to comply with Section 6(a)(1) or (2), then for the purposes of meeting the conditions of this Section 5, the Port shall, by resolution (which may be a Series Resolution), identify and irrevocably pledge the receipts that constitute such Intermediate Lien Debt Service Offset or Prior Lien Debt Service Offsets for a period not less than the duration of the Certificate Period.

The Designated Port Representative's certificate, described in (A) above shall be based upon the financial statements of the Port for the Base Period, corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor's office of the State of Washington, or any successor to the duties thereof, or by an independent certified public accounting firm for the Base Period.

In making the computations of projected Available Intermediate Lien Revenues for the purpose of certifying compliance with the conditions specified in (B) above, the Consultant shall use as a basis the Available Intermediate Lien Revenues for the Base Period corroborated by the certified statements of the Division of Municipal Corporations of the State Auditor's office of the State of Washington, or any successor to the duties thereof, or by an independent certified public accounting firm for the Base Period. The Consultant shall make such adjustments to Available Intermediate Lien Revenues (including those described in establishing Available Intermediate

Lien Revenues as First Adjusted) in order to compute projected Available Intermediate Lien Revenues as he/she/it deems reasonable as set forth in writing to the Port.

Compliance with the coverage requirements of this Section 5 shall be demonstrated conclusively by a certificate delivered in accordance with this subsection (b).

(2) No Certificate Required. A certificate shall not be required as a condition to the issuance of Intermediate Lien Parity Bonds:

(A) if the Intermediate Lien Parity Bonds are being issued for refunding purposes upon compliance with the provisions of subsection (c) of this section; or

(B) if the Intermediate Lien Parity Bonds are being issued to pay Costs of Construction of Facilities for which indebtedness has been issued previously and the principal amount of such indebtedness being issued for completion purposes does not exceed an amount equal to an aggregate of 15% of the principal amount of indebtedness theretofore issued for such Facilities and reasonably allocable to the Facilities to be completed as shown in a written certificate of the Designated Port Representative, stating that the scope, nature and purpose of such Facilities has not materially changed and that the net proceeds of such indebtedness being issued for completion purposes will be sufficient, together with other available funds of the Port, to complete such Facilities.

(c) *Intermediate Lien Parity Bonds For Refunding Purposes.* The Port may issue Intermediate Lien Parity Bonds for refunding purposes, as follows:

(1) Intermediate Lien Parity Bonds may be issued at any time for the purpose of refunding (including by purchase) Intermediate Lien Parity Bonds including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption (or purchase), any deposits to a reserve account or to purchase a Qualified Letter of

Credit or Qualified Insurance, any termination amount with respect to an associated Parity Derivative Product or Other Derivative Product, and the expenses of issuing the Intermediate Lien Parity Bonds and of effecting such refunding upon delivery of a certificate as provided in subsection (b)(2) above. Such refunding Intermediate Lien Parity Bonds also may be issued without a certificate if:

(A) the latest maturity of the Intermediate Lien Parity Bonds to be issued is not later than the latest maturity of the Intermediate Lien Parity Bonds to be refunded (were such refunding not to occur), and the increase in Annual Debt Service as a result of such refunding in any year is less than the greater of (i) $25,000 or (ii) 5% of such Annual Debt Service on the Intermediate Lien Parity Bonds to be refunded; or

(B) the latest maturity of the Intermediate Lien Parity Bonds to be issued is later than the latest maturity of the Intermediate Lien Parity Bonds to be refunded (were such refunding not to occur), and the Maximum Annual Debt Service on all Intermediate Lien Parity Bonds to be Outstanding after the issuance of the refunding Intermediate Lien Parity Bonds shall not be greater than Maximum Annual Debt Service were such refunding not to occur.

(2) Intermediate Lien Parity Bonds may be issued at any time for the purpose of refunding (including by purchase) any Permitted Prior Lien Bonds, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption of such bonds (or purchase), any deposits to a reserve account or to purchase a Qualified Letter of Credit or Qualified Insurance, any termination amount with respect to an associated derivative product, and the expenses of issuing the Intermediate Lien Parity Bonds to purchase or refund the same and of effecting such refunding; provided, however, that prior to the

issuance of such Intermediate Lien Parity Bonds the Port must provide a certificate if such a certificate would be required by subsection (c)(1) of this section if the Permitted Prior Lien Bonds to be refunded were Intermediate Lien Parity Bonds. For the purposes of determining whether a certificate is required by subsection (c)(1) and for the purpose of preparing any such certificate, the debt service on the Permitted Prior Lien Bonds shall be calculated as if such Permitted Prior Lien Bonds were Intermediate Parity Lien Bonds.

(3) Intermediate Lien Parity Bonds may be issued without the requirement of a certificate pursuant to this section for the purpose of refunding (including by purchase) any Permitted Prior Lien Indebtedness or Intermediate Lien Parity Bonds at any time within one year prior to their maturity or mandatory redemption date if sufficient Available Intermediate Lien Revenues or other moneys are not expected to be available for payment at maturity or mandatory redemption,.

(d) *Liens Subordinate to Intermediate Lien Parity Bonds.* Nothing herein contained shall prevent the Port from issuing revenue bonds or other obligations (including any Other Derivative Product) which are a charge upon the Available Intermediate Lien Revenues junior or inferior to the payments required by this resolution to be made out of such Available Intermediate Lien Revenues to pay and secure the payment of any Intermediate Lien Parity Bonds. Such junior or inferior obligations shall not be subject to acceleration. This prohibition against acceleration shall not be deemed to prohibit mandatory tender or other tender provisions with respect to variable rate obligations or to prohibit the payment of a termination amount with respect to an Other Derivative Product or a Parity Derivative Product.

Section 6. Specific Covenants. The Port hereby makes the following covenants and agreements with the owners and holders of each of the Intermediate Lien Parity Bonds for as long as any of the same remain Outstanding.

(a) *Rate Covenant.* The Port will at all times establish, maintain and collect rentals, tariffs, rates, fees, and charges in the operation of all of its businesses as long as any Intermediate Lien Parity Bonds are Outstanding that will produce in each fiscal year

(1) Available Intermediate Lien Revenues as First Adjusted at least equal to 110% of the Amount Due; and

(2) Available Intermediate Lien Revenues as Second Adjusted at least equal to 125% of the Amount Due.

Subsections (a)(1) and (2) are separate rather than cumulative calculations regarding the sufficiency of Available Intermediate Lien Revenues and are together to be considered as the Port's "Rate Covenant".

If the Available Intermediate Lien Revenues as First Adjusted or if Available Intermediate Lien Revenues as Second Adjusted in any fiscal year are less than required to fulfill the Rate Covenant, then the Port will retain a Consultant to make recommendations as to operations and the revision of schedules of rentals, tariffs, rates, fees and charges; and upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Commission, on the basis of such recommendations and other available information, will establish rentals, tariffs, rates, fees and charges for services and operations which will be necessary to meet the Rate Covenant in the fiscal year during which such adjustments are made. If the Commission has taken the steps set forth in this paragraph and the Available Intermediate Lien Revenues as First Adjusted or if Available Intermediate Lien

Revenues as Second Adjusted in the fiscal year in which adjustments are made nevertheless are not sufficient to meet the Rate Covenant, there shall be no default under this Section 6(a) during such fiscal year, unless the Port fails to meet the Rate Covenant for two consecutive fiscal years.

(b) *Payment of Intermediate Lien Parity Bonds.* The Port will duly and punctually pay or cause to be paid out of the Intermediate Lien Bond Fund the principal of and interest on the Intermediate Lien Parity Bonds at the times and places as provided in each Series Resolution and in said Intermediate Lien Parity Bonds provided and will at all times faithfully perform and observe any and all covenants, undertakings and provisions contained in this resolution, the Series Resolution, as applicable, and in the Intermediate Lien Parity Bonds.

(c) *Maintenance and Operations.* The Port will at all times keep and maintain all of the Facilities in good repair, working order and condition, and will at all times operate the same and the business or businesses in connection therewith in an efficient manner and at a reasonable cost.

(d) *Sale of Certain Facilities.* In the event any Facility or part thereof which contributes in some measure to the Gross Revenue is sold by the Port or is condemned pursuant to the power of eminent domain, the Port will apply the net proceeds of such sale or condemnation to capital expenditures upon or for Facilities which will contribute in some measure to the Gross Revenue or to the retirement of Bonds then Outstanding.

(e) *Insurance of Facilities.* The Port will keep or arrange to keep all Facilities insured, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the Commission or the Designated Port Representative shall deem necessary.

(f) *Insurance Against Port Liability.* The Port will at all times keep or arrange to keep in full force and effect policies of public liability and property damage insurance which will protect the Port against anyone claiming damages of any kind or nature, if such insurance is obtainable at reasonable rates and upon reasonable conditions, in such amounts and with such deductibles as the Commission or the Designated Port Representative shall deem necessary.

(g) *Maintenance of Books and Records.* The Port will keep and maintain proper books of account and accurate records of all of its revenue, including tax receipts, received from any source whatsoever, and of all costs of administration and maintenance and operation of all of its business that are in accordance with generally accepted accounting principles as in effect from time to time. On or before 120 days after each fiscal year the Port will prepare or cause to be prepared an operating statement of all of the business of the Port for such preceding fiscal year. Each such annual statement shall contain a statement in detail of the Gross Revenue, tax receipts, expenses of administration, expenses of normal operation, expenses of normal and extraordinary maintenance and repair, and expenditures for capital purposes of the Port for such fiscal year and shall contain a statement as of the end of such year showing the status of all funds and accounts of the Port pertaining to the operation of its business and the status of all of the funds and accounts created by various resolutions of the Commission authorizing the issuance of outstanding bonds and other obligations payable from the Gross Revenue. Copies of such statements shall be placed on file in the main office of the Port and shall be open to inspection at any reasonable time by the owners of Intermediate Lien Parity Bonds.

(h) *Disposal of Income Properties.* In the event of voluntary or involuntary sale, lease, or other conveyance, transfer or disposal of all or substantially all of its Facilities, the Port shall require that contemporaneously with such disposition, there shall be paid into a special fund a sum which shall be sufficient to defease all Intermediate Lien Parity Bonds then Outstanding; provided, however, that such defeasance will not be required so long as the Port maintains primary responsibility for the management and operation of the affected Facilities and provided further that all Available Intermediate Lien Revenue from such Facilities continues to be pledged to all Intermediate Lien Parity Bonds then Outstanding.

Section 7. Derivative Products. The Port hereby reserves the right to enter into Parity Derivative Products and Other Derivative Products. The Port may amend this resolution, within the limitations permitted in Sections 8 or 9, to accommodate new or modified definitions of Debt Service in connection with a Parity Derivative Product if the Parity Derivative Product includes Port Parity Payments or Reciprocal Parity Payments not then contemplated or otherwise addressed by the definition of Debt Service. If the Port enters into a Parity Derivative Product with respect to previously Outstanding Intermediate Lien Parity Bonds or Intermediate Lien Parity Bonds to be issued subsequent to the effective date of the Parity Derivative Product, the Port shall not be required to satisfy the conditions set forth in Section 5 of this resolution with respect to the Parity Derivative Product. Each Parity Derivative Product shall set forth the manner in which the Port Parity Payments and Reciprocal Parity Payments are to be calculated and a schedule of payment dates. This resolution may be amended in the future to reflect the lien position and priority of any payments made in connection with a Parity Derivative Product; *provided, however*, that termination amounts under Derivative Parity Products must be subordinate to the lien of Intermediate Lien Parity Bonds.

Section 8. Amendments Without Bondowner Consent. This resolution may be amended or supplemented from time to time, without the consent of the Registered Owners by a resolution or resolutions amendatory or supplemental to this resolution adopted by the Commission for one or more of the following purposes:

(a) to add additional covenants of the Commission or to surrender any right or power herein conferred upon the Port; provided that such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Port contained in this resolution;

(b) to confirm as further assurance any pledge or provision for payment of the Intermediate Lien Parity Bonds under and the subjection to any lien, claim or pledge created or to be created by the provisions of this resolution of the Available Intermediate Lien Revenues or of any other moneys, securities or funds;

(c) to cure any ambiguity or to cure, correct or supplement any defective (whether because of any inconsistency with any other provision hereof or otherwise) provision of this resolution in such manner as shall not be inconsistent with this resolution or to make any other provisions with respect to matters or questions arising under this resolution, provided such action shall not impair the security hereof or materially and adversely affect the interests of the Registered Owners; or

(d) to prescribe further limitations and restrictions upon the issuance of Intermediate Lien Parity Bonds and the incurring of indebtedness by the Port payable from the Available Intermediate Lien Revenues which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;

(e) to provide or modify procedures permitting Registered Owners to utilize a certificated system of registration for Bonds; or

(f) to modify, alter, amend, supplement or restate this resolution in any and all respects necessary, desirable or appropriate in connection with the delivery of a Credit Facility, Liquidity Facility or other security or liquidity arrangement; or

(g) to modify, alter, amend, supplement or restate this resolution in any and all respects necessary, desirable or appropriate in order to satisfy the requirements of any Rating Agency which may from time to time provide a rating on the Bonds, or in order to obtain or retain such rating on any Intermediate Lien Parity Bonds as is deemed necessary by the Port; or

(h) to qualify this resolution under the Trust Indenture Act of 1939, as amended;

(i) for any purpose, if such amendment becomes effective only following a mandatory tender of all Intermediate Lien Parity Bonds for purchase; or

(j) to modify any of the provisions of this resolution in any other respects; provided that such modifications shall not materially and adversely affect the rights of any Intermediate Lien Parity Bondowners or that such modifications shall not take effect until all then Outstanding Intermediate Lien Parity Bonds are no longer Outstanding.

Notwithstanding anything in this Section 8 to the contrary, without the specific consent of the Registered Owners of each Intermediate Lien Parity Bond, no such resolution amending or supplementing the provisions hereof or of any Series Resolution shall reduce the percentage of Intermediate Lien Parity Bonds, the Registered Owners of which are required to consent to any such resolution amending or supplementing the provisions hereof; or give to any Intermediate Lien Parity Bond or Intermediate Lien Parity Bonds any preference over any other Intermediate

Lien Parity Bond or Intermediate Lien Parity Bonds secured hereby. No resolution amending or supplementing the provisions hereof or any Series Resolution shall change the date of payment of the principal of any Intermediate Lien Parity Bond, or reduce the principal amount or Accreted Value of any Intermediate Lien Parity Bond, or change the rate or extend the time of payment of interest thereof, or reduce any premium payable upon the redemption or prepayment thereof, or advance the date upon which any Intermediate Lien Parity Bond may first be called for redemption prior to its fixed maturity date (except as provided in the Series Resolution authorizing the issuance of such Intermediate Lien Parity Bond) without the specific consent of the Registered Owner of that Intermediate Lien Parity Bond; and no such amendment shall change or modify any of the rights or obligations of any Paying Agent or other agent for a series of Intermediate Lien Parity Bonds without its written assent thereto.

Section 9. Amendments With Registered Owners' Consent. This resolution may be amended from time to time by a supplemental resolution approved by the Registered Owners of a majority in aggregate principal amount of the Intermediate Lien Parity Bonds then Outstanding; provided, that (a) no amendment shall be made which affects the rights of some but fewer than all of the Registered Owners of the Outstanding Intermediate Lien Parity Bonds without the consent of the Registered Owners of a majority in aggregate principal amount of the Intermediate Lien Parity Bonds so affected, and (b) except as expressly authorized hereunder, no amendment that alters the interest rates on any Intermediate Lien Parity Bonds, the maturity date, interest payment dates, purchase upon tender or redemption provisions of any Intermediate Lien Parity Bonds, this Section 9 without the consent of the Registered Owners of all Outstanding Intermediate Lien Parity Bonds affected thereby. For the purpose of consenting to amendments under this Section 9 except for amendments that alter the interest rate on any Intermediate Lien

Parity Bonds, the maturity date, interest payment dates, purchase upon tender or redemption of any Bonds, the Credit Facility Issuer shall be deemed to be the sole Registered Owner of the Bonds that are payable from such Credit Facility and that are then Outstanding.

Section 10. Resolution and Laws a Contract with Intermediate Lien Parity Bondowners. This resolution is adopted under the authority of and in full compliance with the Constitution and laws of the State of Washington, including Title 53 of the Revised Code of Washington, as amended and supplemented. In consideration of the purchase and acceptance of the Intermediate Lien Parity Bonds by those who shall hold the same from time to time, the provisions of this resolution and of any Series Resolution and of said laws shall constitute a contract with the owner or owners of each Intermediate Lien Parity Bond, and the obligations of the Port and its Commission under said laws and under this resolution and under any Series Resolution shall be enforceable by any court of competent jurisdiction; and the covenants and agreements herein set forth to be performed on behalf of the Port shall be for the equal benefit, protection and security of the owners of any and all of the Intermediate Lien Parity Bonds.

Section 11. Defaults and Remedies. The Port hereby finds and determines that the failure or refusal of the Port or any of its officers to perform the covenants and obligations of this resolution will endanger the operation of the Facilities and the application of Gross Revenue and such other money, funds and securities to the purposes herein set forth. Any one or more of the following shall constitute a default under this resolution:

(a) The Port shall fail to make a payment of the principal of any Intermediate Lien Parity Bonds when the same shall become due and payable whether by maturity or scheduled redemption prior to maturity; provided, that a failure to make a payment of the principal of a Series shall not constitute a payment default under any other Series not otherwise in default;

(b) The Port shall fail to make a payment of any installment of interest on any Intermediate Lien Parity Bonds when the same shall become due and payable; provided, that a failure to make payment of interest on a Series shall not constitute a payment default under any other Series not otherwise in default; or

(c) The Port shall default in the observance or performance of any other covenants, conditions, or agreements on the part of the Port contained in this resolution, and such default shall have continued for a period of 90 days.

In determining whether a payment default has occurred or whether a payment on the Intermediate Lien Parity Bonds has been made under this resolution no effect shall be given to payments made under a Credit Facility that is a policy of municipal bond insurance or surety bond. Upon the occurrence and continuation of a default, a Credit Facility Issuer of a Credit Facility that is not a line of credit shall be entitled to waive any default or to exercise, on behalf of the owners of Intermediate Lien Parity Bonds insured by such Credit Facility Issuer, any of the remedies provided under this section and, for as long as such Credit Facility Issuer is not in default of its obligations under the Credit Facility, such Credit Facility Issuer shall be the only party entitled to waive any default or exercise the remedies provided under this section. There may not be any acceleration of the Intermediate Lien Parity Bonds, and a default under one Series of Intermediate Lien Parity Bonds shall not constitute a default under another Series of Intermediate Lien Parity Bonds not then in default.

Upon the occurrence of a default and so long as such default shall not have been remedied and subject to the foregoing paragraph, a Bondowners' Trustee may be appointed for the Intermediate Lien Parity Bonds by the owners of a majority in principal amount of the Outstanding Intermediate Lien Parity Bonds of the series then in default by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys-in-fact duly authorized and delivered to such Bondowners' Trustee, notification thereof being given to the Port. Any Bondowners' Trustee appointed under the provisions of this Section 11 shall be a bank or trust company organized under the laws of a state or a national banking association. The fees and expenses of a Bondowners' Trustee shall be borne by the Bondowners and not by the Port. The bank or trust company acting as a Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed by the owners of a majority in principal amount of the Intermediate Lien Parity Bonds Outstanding of the series then in default, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys-in-fact duly authorized.

The Bondowners' Trustee appointed in the manner herein provided, and each successor thereto, is hereby declared to be a trustee for the owners of all the Intermediate Lien Parity Bonds for which such appointment is made and is empowered to exercise all the rights and powers herein conferred on the Bondowners' Trustee.

A Bondowners' Trustee may upon the happening of a default and during the continuation thereof, take such steps and institute such suits, actions or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Bondowners to collect any amounts due and owing the Port, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this resolution.

Any action, suit or other proceedings instituted by a Bondowners' Trustee hereunder shall be brought in its name as trustee for the Bondowners represented by such Trustee and all such rights of action upon or under any of the Intermediate Lien Parity Bonds may be brought by a Bondowners' Trustee or the provisions of this resolution may be enforced by a Bondowners' Trustee without the possession of any of said Intermediate Lien Parity Bonds, and without the production of the same at any trial or proceedings relating thereto except where otherwise required by law, and the respective owners of said Intermediate Lien Parity Bonds by purchase of such Intermediate Lien Parity Bonds shall be conclusively deemed irrevocably to appoint a Bondowners' Trustee the true and lawful trustee to the respective owners of said Intermediate Lien Parity Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums that become distributable on account of said Intermediate Lien Parity Bonds; to execute any paper or documents for the receipt of such moneys, and to do all acts with respect thereto that the Bondowner himself might have done in person. Nothing herein contained shall be deemed to authorize or empower any Bondowners' Trustee to consent to accept or adopt, on behalf of any owner of said Intermediate Lien Parity Bonds, any plan of reorganization or adjustment affecting the said Intermediate Lien Parity Bonds or any right of any owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the Port shall be a party.

Subject to the rights of a Credit Facility Issuer set forth in this section, no owner of any one or more of the Intermediate Lien Parity Bonds shall have any right to institute any action, suit or proceedings at law or in equity for the enforcement of the same, unless default shall have happened and be continuing, and unless no Bondowners' Trustee has been appointed as herein provided, but any remedy herein authorized to be exercised by a Bondowners' Trustee may be exercised individually by any Bondowner, in his own name and on his own behalf or for the benefit of all Bondowners, in the event no Bondowners' Trustee has been appointed, or with the consent of the Bondowners' Trustee if such Bondowners' Trustee has been appointed; provided however, that nothing in this resolution or in the Intermediate Lien Parity Bonds shall affect or impair the obligation of the Port which is absolute and unconditional, to pay from Available Intermediate Lien Revenues the principal of and interest on said Intermediate Lien Parity Bonds to the respective owners thereof at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such owners to enforce such payments.

The remedies herein conferred upon or reserved to the owners of the Intermediate Lien Parity Bonds and to a Bondowners' Trustee are not intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. The privileges herein granted shall be exercised from time to time and continued so long as and as often as the occasion therefor may arise and no waiver of any default hereunder, whether by a Bondowners' Trustee or by the owners of Intermediate Lien Parity Bonds, shall extend to or shall affect any subsequent default or shall impair any rights or remedies consequent thereon. No delay or omission of the Bondowners or of a Bondowners' Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein.

Upon any such waiver, such default shall cease to exist, and any default arising therefrom shall be deemed to have been cured, for every purpose of this resolution; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 12. Moneys Held by Paying Agents One Year After Due Date. Unless otherwise provided in the Series Resolution authorizing a series of Intermediate Lien Parity Bonds, moneys or securities held by the Paying Agents in trust for the payment and discharge or purchase of any of the Intermediate Lien Parity Bonds which remain unclaimed for one year after the date when such Intermediate Lien Parity Bonds are purchased or shall have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by such Paying Agents at such date, or for one year after the date of deposit of such moneys if deposited with the Paying Agents after the date when such Intermediate Lien Parity Bonds become due and payable, shall be repaid by the Paying Agents to the Port free from the trust created by this resolution and the Paying Agents shall thereupon be released and discharged with respect thereto, and the owners of the Intermediate Lien Parity Bonds of the series payable from such moneys shall look only to the Port for the payment of such Intermediate Lien Parity Bonds.

Section 13. Severability. If any one or more of the provisions of this resolution shall be declared by any court of competent jurisdiction to be contrary to law, then such provision or provisions shall be deemed separable from, and shall in no way affect the validity of, any of the other provisions of this resolution or of the Intermediate Lien Parity Bonds issued pursuant to the terms hereof.

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INTERMEDIATE LIEN
SERIES RESOLUTION

PORT OF SEATTLE

RESOLUTION NO. 3758

A RESOLUTION of the Port of Seattle Commission authorizing the issuance and sale of intermediate lien revenue bonds in one or more series in the aggregate principal amount of not to exceed $550,000,000, for the purpose of financing or refinancing capital improvements to aviation facilities; setting forth certain bond terms and covenants; and delegating authority to approve final terms and conditions and the sale of the bonds.

ADOPTED: June 11, 2019

Prepared by:

K&L GATES LLP

PORT OF SEATTLE
Resolution No. 3758
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[*] This Table of Contents and the cover page are for convenience of reference and are not intended to be a part of this series resolution.

RESOLUTION NO. 3758

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WHEREAS, the Port has authorized the issuance of revenue bonds in one or more series pursuant to Resolution No. 3059, as amended, of the Commission, adopted on February 2, 1990, as amended and restated by Resolution No. 3577 of the Commission adopted on February 27, 2007 (collectively, the "First Lien Master Resolution"), each series being payable from the Net Revenues (as such term is defined in the First Lien Master Resolution); and

WHEREAS, the Port currently has outstanding six series of first lien revenue bonds pursuant to the First Lien Master Resolution, as follows:

Authorizing Resolution Number	Date of Original Issue	Series	Original Principal Amount	Principal Amount Outstanding (06/02/2019)	Final Maturity Date
3509	08/20/2003	(A)	$ 190,470,000	$ 36,600,000	07/01/2021
3619	07/16/2009	(B-2)	22,000,326[1]	45,111,525[1]	05/01/2031
3653	12/13/2011	(B)	97,190,000	71,800,000	09/01/2026
3721	08/02/2016	(A)	19,565,000	4,935,000	10/01/2019
3721	08/02/2016	(B)	124,380,000	124,380,000	10/01/2032
3721	08/02/2016	(C)	6,180,000	6,050,000	10/01/2032

(1) Series 2009B-2 Bonds are capital appreciation bonds; total principal amount outstanding includes accreted interest through June 2, 2019.

(the "Outstanding First Lien Bonds"); and

WHEREAS, the Port has authorized the issuance of intermediate lien revenue bonds having a lien on Net Revenues subordinate to the lien thereon of the Outstanding First Lien Parity Bonds in one or more series pursuant to Resolution No. 3540, as amended, adopted on June 14, 2005 (the "Intermediate Lien Master Resolution"); and

WHEREAS, the Port currently has outstanding fifteen series of intermediate lien revenue bonds pursuant to the Intermediate Lien Master Resolution, as follows:

Authorizing Resolution Number	Date of Original Issue	Series	Original Principal Amount	Principal Amount Outstanding (06/02/2019)	Final Maturity Date
3637	08/04/2010	(B)	$ 221,315,000	$ 196,130,000	06/01/2040
3637	08/04/2010	(C)	128,140,000	77,135,000	02/01/2024
3658	03/14/2012	(A)	342,555,000	302,555,000	08/01/2033
3658	03/14/2012	(B)	189,315,000	97,810,000	08/01/2024
3684	12/17/2013		139,105,000	127,155,000	07/01/2029
3709	08/06/2015	(A)	72,010,000	68,370,000	04/01/2040
3709	08/06/2015	(B)	284,440,000	211,945,000	03/01/2035
3709	08/06/2015	(C)	226,275,000	212,695,000	04/01/2040
3722	08/02/2016		99,095,000	99,095,000	02/01/2030
3735	08/22/2017	(A)	16,705,000	16,705,000	05/01/2028
3735	08/22/2017	(B)	264,925,000	248,565,000	05/01/2036
3735	08/22/2017	(C)	313,305,000	312,245,000	05/01/2042
3735	08/22/2017	(D)	93,230,000	82,550,000	05/01/2027
3749	06/21/2018	(A)	470,495,000	470,430,000	05/01/2043
3749	06/21/2018	(B)	85,145,000	83,855,000	05/01/2028

(the "Outstanding Intermediate Lien Bonds"); and

WHEREAS, the First Lien Master Resolution and the Intermediate Lien Master Resolution permit the Port to issue its revenue bonds having a lien on Net Revenues and Available Intermediate Lien Revenues (as such terms are defined in the Intermediate Lien Master Resolution) subordinate to the lien thereon of the Outstanding Intermediate Lien Bonds; and

WHEREAS, the Port currently has outstanding four series of subordinate lien revenue bonds, as follows:

Authorizing Resolution Number	Date of Original Issue	Series	Original Principal Amount	Principal Amount Outstanding (06/02/2019)	Final Maturity Date
3238	03/26/1997		$ 108,830,000	$ 37,360,000	09/01/2022
3354	09/01/1999	(A)	127,140,000	28,010,000	09/01/2020
3456	(CP)		250,000,000	118,655,000	06/01/2021
3598	06/17/2008		200,715,000	167,290,000	07/01/2033

(the "Outstanding Subordinate Lien Bonds"); and

WHEREAS, the Port wishes to finance or refinance certain capital improvements to aviation facilities (hereinafter defined as the "Projects") through the issuance of the Series 2019 Bonds (as hereinafter defined); and

WHEREAS, the Intermediate Lien Master Resolution permits the Port to issue its revenue bonds having a lien on Available Intermediate Lien Revenues (as such term is defined in the Intermediate Lien Master Resolution) on a parity with the lien thereon of the Outstanding Intermediate Lien Bonds upon compliance with certain conditions; and

WHEREAS, the Port has determined that such conditions will be met; and

WHEREAS, pursuant to RCW 53.40.030, the Port Commission may delegate authority to the Executive Director of the Port to approve the interest rates, maturity dates, redemption rights, interest payment dates, and principal maturities under such terms and conditions as are approved by resolution; and

WHEREAS, the Port has provided notice of and held a public hearing on the issuance of the Series 2019 Bonds as required by Section 147(f) of the Internal Revenue Code, as amended; and

WHEREAS, it is deemed necessary and desirable that the Series 2019 Bonds be sold pursuant to one or more negotiated sale(s) as herein provided;

NOW, THEREFORE, BE IT RESOLVED BY THE PORT COMMISSION OF THE PORT OF SEATTLE, as follows:

Section 1. Definitions. Unless otherwise defined herein, the terms used in this series resolution, including the preamble hereto, that are defined in the Intermediate Lien Master Resolution shall have the meanings set forth in the Intermediate Lien Master Resolution. In addition, the following terms shall have the following meanings in this series resolution:

Beneficial Owner means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2019 Bonds (including persons holding Series 2019 Bonds through nominees, depositories or other intermediaries).

Bond Counsel means a firm of lawyers nationally recognized and accepted as bond counsel and so employed by the Port for any purpose under this series resolution applicable to the use of that term.

Bond Insurance Commitment means the commitment(s) of the Bond Insurer, if any, to insure one or more series, or certain principal maturities thereof, all or a portion of the Series 2019 Bonds.

Bond Insurance Policy means the policy(ies) of municipal bond insurance, if any, delivered by the Bond Insurer at the time of issuance and delivery of Series 2019 Bonds to be insured pursuant to the Bond Insurance Commitment.

Bond Insurer means the municipal bond insurer(s), if any, that has committed to insure one or more series, or certain principal maturities thereof, of the Series 2019 Bonds, pursuant to the Bond Insurance Commitment.

Bond Purchase Contract means each of the Bond Purchase Contract(s) for the Series 2019 Bonds of one or more series, providing for the purchase of the Series 2019 Bonds of such series by the Underwriters and setting forth certain terms authorized to be approved by the Designated Port Representative as provided in Section 8 of this series resolution.

Bond Register means the registration books maintained by the Registrar containing the name and mailing address of the owner of each Series 2019 Bond or nominee of such owner and the principal amount and number of Series 2019 Bonds held by each owner or nominee.

Code means the Internal Revenue Code of 1986, as amended, and all applicable regulations and rulings relating thereto.

Continuing Disclosure Undertaking means each undertaking for ongoing disclosure executed by the Port pursuant to Section 15 of this series resolution.

Designated Port Representative, for purposes of this series resolution, means the Executive Director of the Port or the Chief Financial Officer of the Port (or the successor in function to such person(s)) or such other person as may be directed by resolution of the Commission.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Series 2019 Bonds pursuant to Section 6 of this series resolution.

Executive Director means the Executive Director of the Port, or any successor to the functions of his/her office.

Federal Tax Certificate means the certificate(s) of that name executed and delivered by the Designated Port Representative at the time of issuance and delivery of the Series 2019 Bonds issued on a federally tax-exempt basis.

First Lien Master Resolution means Resolution No. 3059, as amended, of the Commission adopted on February 2, 1990, as amended and restated by Resolution No. 3577 of the Commission adopted on February 27, 2007.

Government Obligation has the meaning given to such term in RCW Chapter 39.53, as amended from time to time.

Intermediate Lien Master Resolution means Resolution No. 3540, as amended, of the Commission adopted on June 14, 2005.

Letter of Representations means the blanket issuer letter of representations from the Port to DTC, dated August 28, 1995.

MSRB means the Municipal Securities Rulemaking Board or any successors to its functions. Until otherwise designated by the MSRB or the United States Securities and Exchange Commission, any information, reports or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system, currently located at www.emma.msrb.org.

Outstanding Intermediate Lien Bonds mean the Port's outstanding intermediate lien revenue bonds identified in the recitals to this series resolution.

Projects mean the capital projects listed in <u>Exhibit A</u> hereto.

Record Date means the close of business on the 15th day prior to each day on which a payment of interest on the Series 2019 Bonds is due and payable.

Registered Owner means the person named as the registered owner of a Series 2019 Bond in the Bond Register.

Registrar means the fiscal agent of the State of Washington, appointed by the Designated Port Representative for the purposes of registering and authenticating the Series 2019 Bonds, maintaining the Bond Register and effecting transfer of ownership of the Series 2019 Bonds.

The term ***Registrar*** shall include any successor to the fiscal agent, if any, hereinafter appointed by the Designated Port Representative.

Rule means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended from time to time.

Series 2019 Bonds mean the Port of Seattle Intermediate Lien Revenue Bonds, Series 2019, authorized to be issued by Section 3 of this series resolution with appropriate description and series designations as provided for by the Designated Port Representative.

Series 2019 Reserve Account Deposit means the amount, if any, that is required to be added to the reserve account balances in the Intermediate Lien Reserve Account to satisfy the Intermediate Lien Reserve Requirement and that is identified in a closing certificate or certificates of the Port.

Subordinate Lien Bond Resolutions mean, collectively, Resolution No. 3238, as amended; Resolution No. 3354, as amended; Resolution No. 3456, as amended; and Resolution No. 3598, as amended.

Surety Bond means the surety bond(s), if any, issued by the Surety Bond Issuer on the date of issuance of the Series 2019 Bonds for the purpose of satisfying the Series 2019 Reserve Account Deposit. There may be more than one Surety Bond.

Surety Bond Agreement means any Agreement(s) between the Port and the Surety Bond Issuer with respect to the Surety Bond(s).

Surety Bond Issuer means any issuer(s) of the Surety Bond(s).

Underwriters mean, collectively, Goldman Sachs & Co. LLC; BofA Securities, Inc.; Barclays Capital, Inc.; Citigroup Global Markets Inc.; Academy Securities, Inc.; Backstrom McCarley Berry & Co., LLC; and The Williams Capital Group, L.P.

Rules of Interpretation. In this series resolution, unless the context otherwise requires:

(a) The terms "hereby," "hereof," "hereto," "herein, "hereunder" and any similar terms, as used in this series resolution, refer to this series resolution as a whole and not to any particular article, section, subdivision or clause hereof, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before the date of this series resolution;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, limited liability companies and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this series resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this series resolution, nor shall they affect its meaning, construction or effect;

(e) All references herein to "articles," "sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and

(f) Except as explicitly provided herein, whenever any consent or direction is required to be given by the Port, such consent or direction shall be deemed given when given by the Designated Port Representative.

Section 2. Plan of Finance. The Port intends to undertake improvements to its airport facilities at the locations described on Exhibit A (the "Projects") attached hereto and incorporated by this reference herein. A portion of the costs of the Projects are expected to be paid, refinanced or reimbursed with the proceeds of the Series 2019 Bonds.

Section 3. Authorization of Series 2019 Bonds. The Port shall issue bonds in one or more series (the "Series 2019 Bonds"). The proceeds of the Series 2019 Bonds shall be used for the purpose of providing part of the funds necessary to (i) pay (or pay subordinate lien commercial paper notes issued to pay) or to reimburse the Port for all or a portion of the costs of the Projects; (ii) at the option of the Designated Port Representative, capitalize interest on all or a portion of the Series 2019 Bonds; (iii) make a Series 2019 Reserve Account Deposit or purchase a Surety Bond therefor, if required; and (iv) pay all or a portion of the costs incidental to the foregoing and to the issuance of the Series 2019 Bonds.

The aggregate principal amount of the Series 2019 Bonds to be issued under this series resolution shall not exceed $550,000,000. The aggregate principal amount of Series 2019 Bonds shall be determined by the Executive Director, pursuant to the authority granted in Section 8 of this series resolution.

Section 4. Series 2019 Bond Details.

(a) *Series 2019 Bonds*. The Series 2019 Bonds shall be issued in one or more series, shall be designated as "Port of Seattle Intermediate Lien Revenue Bonds, Series 2019," with such description and additional designations for each series for identification purposes as may be approved by the Designated Port Representative, shall be registered as to both principal and interest, shall be issued in the aggregate principal amount set forth in the Bond Purchase Contract, shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification, shall be dated their date of delivery to the Underwriters, and shall be in the denomination of $5,000 each or any integral multiple of $5,000 within a series and maturity. The Series 2019 Bonds of each series shall bear interest from their date of delivery to the Underwriters until the Series 2019 Bonds bearing such interest have been paid or their payment duly provided for, at the rates, payable on the dates, set forth in the Bond Purchase Contract for each series and shall mature on the dates and in the years and in the principal amounts set forth in the Bond Purchase Contract, all as approved by the Executive Director pursuant to Section 8 of this series resolution.

(b) *Limited Obligations.* The Series 2019 Bonds shall be obligations only of the Intermediate Lien Bond Fund and the Intermediate Lien Reserve Account created under the Intermediate Lien Master Resolution and shall be payable and secured as provided in the Intermediate Lien Master Resolution and this series resolution. The Series 2019 Bonds do not constitute an indebtedness of the Port within the meaning of the constitutional provisions and limitations of the State of Washington.

Section 5. Redemption and Purchase.

(a) *Optional Redemption*. The Series 2019 Bonds of one or more series and maturities may be subject to optional redemption on the dates, at the prices and under the terms relating to such series set forth in the Bond Purchase Contract, all as approved by the Executive Director pursuant to Section 8 of this series resolution.

(b) *Mandatory Redemption.* The Series 2019 Bonds of one or more series and maturities may be subject to mandatory redemption to the extent, if any, set forth in the Bond Purchase Contract relating to such series, all as approved by the Executive Director pursuant to Section 8 of this series resolution.

(c) *Purchase of Series 2019 Bonds for Retirement*. The Port reserves the right to use at any time any surplus Gross Revenue available after providing for the payments required by paragraphs First through Fifth of Section 2(a) of the First Lien Master Resolution, including the payments required by paragraphs First through Eleventh of the priority for use of Gross Revenue set forth in the Intermediate Lien Master Resolution, to purchase for retirement any of the

Series 2019 Bonds offered to the Port at any price deemed reasonable to the Designated Port Representative.

(d) *Selection of Series 2019 Bonds for Redemption*. If Series 2019 Bonds are called for optional redemption, the series, maturities, and interest rates of such Series 2019 Bonds to be redeemed shall be selected by the Port. If any Series 2019 Bonds to be redeemed (optional or mandatory) then are held in book-entry-only form, the selection of such Series 2019 Bonds within a series, maturity, and interest rate to be redeemed within a maturity and interest rate shall be made in accordance with the operational arrangements then in effect at DTC (or at a substitute depository, if applicable). If the Series 2019 Bonds to be redeemed are no longer held in book-entry-only form, the selection of such Series 2019 Bonds to be redeemed shall be made in the following manner. If the Port redeems at any one time fewer than all of the Series 2019 Bonds having the same maturity date and interest rate within a series, the particular Series 2019 Bonds or portions of Series 2019 Bonds to be redeemed within the series, maturity, and interest rate shall be selected by lot (or in such other random manner determined by the Registrar) in increments of $5,000. In the case of a Series 2019 Bond within a series, maturity, and interest rate of a denomination greater than $5,000, the Port and Registrar shall treat each Series 2019 Bond of the applicable series, maturity and interest rate as representing such number of separate Series 2019 Bonds each of the denomination of $5,000 as is obtained by dividing the actual principal amount of such Series 2019 Bonds of the applicable series, maturity, and interest rate by $5,000. In the event that only a portion of the principal amount of a Series 2019 Bond is redeemed, upon surrender of such Series 2019 Bond at the principal office of the Registrar there shall be issued to the Registered Owner, without charge therefor, for the then-unredeemed balance of the principal amount thereof a Series 2019 Bond or, at the option of the Registered

Owner, a Series 2019 Bond of like series, maturity, and interest rate in any of the denominations herein authorized.

(e) *Notice of Redemption.* Written notice of any redemption of Series 2019 Bonds prior to maturity shall be given by the Registrar on behalf of the Port by first class mail, postage prepaid, not less than 20 days nor more than 60 days before the date fixed for redemption to the Registered Owners of Series 2019 Bonds that are to be redeemed at their last addresses shown on the Bond Register. This requirement shall be deemed complied with when notice is mailed to the Registered Owners at their last addresses shown on the Bond Register, whether or not such notice is actually received by the Registered Owners.

So long as the Series 2019 Bonds are in book-entry only form, notice of redemption shall be given to Beneficial Owners of Series 2019 Bonds to be redeemed in accordance with the operational arrangements then in effect at DTC (or its successor or alternate depository), and neither the Port nor the Registrar shall be obligated or responsible to confirm that any notice of redemption is, in fact, provided to Beneficial Owners.

Each notice of redemption (which notice in the case of optional redemption may be conditional and/or may be rescinded at the option of the Port) prepared and given by the Registrar to Registered Owners of Series 2019 Bonds shall contain the following information: (1) the date fixed for redemption, (2) the redemption price, (3) if fewer than all outstanding Series 2019 Bonds of a series are to be redeemed, the identification by series, maturity, and interest rate (and, in the case of partial redemption, the principal amounts) of the Series 2019 Bonds to be redeemed, (4) whether, in the case of optional redemption, the notice of redemption is conditional and, if conditional, the conditions to redemption, (5) that (unless the conditions, if any, to redemption have not been satisfied or unless the notice of redemption shall have been rescinded) such Series 2019 Bonds will become due and payable and interest shall cease to accrue from the date fixed for redemption if and to the extent in each case funds have been provided to the Registrar for the redemption of such Series 2019 Bonds on the date fixed for redemption the redemption price will become due and payable upon each Series 2019 Bond or portion called for redemption, and that (unless the conditions, if any, to redemption have not been satisfied or unless the notice of redemption shall have been rescinded) interest shall cease to accrue from the date fixed for redemption if and to the extent that funds have been provided to the Registrar for the redemption of such Series 2019 Bonds, (6) that the Series 2019 Bonds are to be surrendered for payment at the principal office of the Registrar, (7) the CUSIP numbers of all Series 2019 Bonds being redeemed, (8) the dated date of the Series 2019 Bonds being redeemed, (9) the rate of interest for each Series 2019 Bond being redeemed, (10) the date of the notice, and (11) any other information deemed necessary by the Registrar to identify the Series 2019 Bonds being redeemed.

Upon the payment of the redemption price of Series 2019 Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue, series and maturity, the Series 2019 Bonds being redeemed with the proceeds of such check or other transfer, or in the case of a payment to DTC shall be accompanied by an informational communication evidencing the CUSIP and related informational details with respect to each security being paid by wire transfer.

(f) *Effect of Redemption*. Unless the Port has rescinded a notice of optional redemption (or unless the Port provided a conditional notice of optional redemption and the conditions for the optional redemption set forth therein are not satisfied), the Series 2019 Bonds to be redeemed shall become due and payable on the date fixed for redemption, and the Port shall transfer to the Registrar amounts that, in addition to other money, if any, held by the Registrar for such purpose, will be sufficient to redeem, on the date fixed for redemption, all of the Series

2019 Bonds to be redeemed. If and to the extent that funds have been provided to the Registrar for the redemption of Series 2019 Bonds then from and after the date fixed for redemption for such Series 2019 Bond or portion thereof, interest on each such Series 2019 Bond shall cease to accrue and such Series 2019 Bond or portion thereof shall cease to be Outstanding.

(g) *Amendment of Notice Provisions*. The foregoing notice provisions of this section, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 6. Registration, Exchange and Payments.

(a) *Registrar/Bond Register*. The Port hereby specifies and adopts the system of registration and transfer for the Series 2019 Bonds approved by the Washington State Finance Committee, which utilizes the fiscal agent of the State of Washington, for the purposes of registering and authenticating the Series 2019 Bonds, maintaining the Bond Register and effecting transfer of ownership of the Series 2019 Bonds (the "Registrar"). The Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient records for the registration and transfer of the Series 2019 Bonds (the "Bond Register"), which shall be open to inspection by the Port. The Registrar may be removed at any time at the option of the Designated Port Representative upon prior notice to the Registrar, DTC (or its successor or alternate depository), each party entitled to receive notice pursuant to the Continuing Disclosure Undertaking and a successor Registrar appointed by the Designated Port Representative. No resignation or removal of the Registrar shall be effective until a successor shall have been appointed and until the successor Registrar shall have accepted the duties of the Registrar hereunder. The Registrar is authorized, on behalf of the Port, to authenticate and deliver Series

2019 Bonds transferred or exchanged in accordance with the provisions of such Series 2019 Bonds and this series resolution and to carry out all of the Registrar's powers and duties under this series resolution. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Series 2019 Bonds.

(b) *Registered Ownership*. Except as provided in the last sentence of Section 6(c) or the Continuing Disclosure Undertaking authorized pursuant to Section 15 of this series resolution, the Port and the Registrar may deem and treat the Registered Owner of each Series 2019 Bond as the absolute owner for all purposes, and neither the Port nor the Registrar shall be affected by any notice to the contrary. Payment of any such Series 2019 Bond shall be made only as described in subsection (h) of this Section 6, but the transfer of such Series 2019 Bond may be registered as herein provided. All such payments made as described in subsection (h) of this Section 6 shall be valid and shall satisfy the liability of the Port upon such Series 2019 Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations*. The Series 2019 Bonds shall initially be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Series 2019 Bonds as eligible for deposit at DTC, the Port has heretofore executed and delivered to DTC the Letter of Representations.

Neither the Port nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Series 2019 Bonds for the accuracy of any records maintained by DTC (or any successor or alternate depository) or any DTC participant, the payment by DTC (or any successor or alternate depository) or any DTC participant of any amount in respect of the principal of or interest on Series 2019 Bonds, any notice that is permitted or required to be given to Registered Owners under this series resolution (except such notices as shall be required to be given by the Port to the Registrar or, by the

Registrar, to DTC or any successor or alternate depository), the selection by DTC or by any DTC participant of any person to receive payment in the event of a partial redemption of the Series 2019 Bonds, or any consent given or other action taken by DTC (or any successor or alternate depository) as the Registered Owner. So long as any Series 2019 Bonds are held in fully immobilized form, DTC or its successor depository shall be deemed to be the owner and Registered Owner for all purposes, and all references in this series resolution to the Registered Owners shall mean DTC (or any successor or alternate depository) or its nominee and shall not mean the owners of any beneficial interest in any Series 2019 Bonds. Notwithstanding the foregoing, if a Bond Insurance Policy is issued for any series or maturity of the Series 2019 Bonds and so long as the Bond Insurer is not in default under its Policy, the Bond Insurer shall be deemed to be the owner, Registered Owner, and holder of all bonds of that series or maturity for the purpose of granting consents and exercising voting rights with respect thereto and for any other purpose identified and specified in the Bond Insurance Commitment accepted by the Port as a condition of issuance of the Bond Insurance Policy.

(d) *Use of Depository*.

(1) The Series 2019 Bonds shall be registered initially in the name of CEDE & Co., as nominee of DTC, with a single Series 2019 Bond for each series and maturity having the same interest rate in a denomination equal to the total principal amount of such series and maturity. Registered ownership of such immobilized Series 2019 Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, or to any other nominee requested by an authorized representative of DTC, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Port pursuant to subsection (2)

below or such substitute depository's successor or nominee; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Port to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Port may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Registrar shall, upon receipt of all outstanding Series 2019 Bonds, together with a written request on behalf of the Port, issue a single new Series 2019 Bond for each series and maturity then outstanding, registered in the name of such successor or substitute depository, or its nominee, all as specified in such written request of the Port.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Port determines that it is in the best interest of the Beneficial Owners of the Series 2019 Bonds of any series that the Series 2019 Bonds of that series be provided in certificated form, the ownership of such Series 2019 Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully immobilized form. The Port shall deliver a written request to the Registrar, together with a supply of definitive Series 2019 Bonds (of the appropriate series and maturities) in certificated form, to issue Series 2019 Bonds in any authorized denominations. Upon receipt by the Registrar of all then outstanding Series 2019 Bonds (of the appropriate series), together with a written request on behalf of the Port to the Registrar, new Series 2019 Bonds of such series shall be issued in the

appropriate denominations and registered in the names of such persons as are provided in such written request.

(e) *Registration of the Transfer of Ownership or the Exchange of Series 2019 Bonds; Change in Denominations*. The transfer of any Series 2019 Bond may be registered and any Series 2019 Bond may be exchanged, but no transfer of any Series 2019 Bond shall be valid unless the Series 2019 Bond is surrendered to the Registrar with the assignment form appearing on such Series 2019 Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Series 2019 Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee, a new Series 2019 Bond (or Series 2019 Bonds at the option of the Registered Owner) of the same date, series, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, as and naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Series 2019 Bond, in exchange for such surrendered and canceled Series 2019 Bond. Any Series 2019 Bond may be surrendered to the Registrar, together with the assignment form appearing on such Series 2019 Bond duly executed, and exchanged, without charge, for an equal aggregate principal amount of Series 2019 Bonds of the same date, series, maturity and interest rate, in any authorized denomination. The Registrar shall not be obligated to register the transfer or exchange of any Series 2019 Bond during a period beginning at the opening of business on the Record Date with respect to an interest payment date and ending at the close of business on such interest payment date, or, in the case of any proposed redemption of the Series 2019 Bonds, after the mailing of notice of the call for redemption of such Series 2019 Bonds.

(f) *Registrar's Ownership of Series 2019 Bonds*. The Registrar may become the Registered Owner of any Series 2019 Bond with the same rights it would have if it were not the

Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the rights of the Registered Owners of the Series 2019 Bonds.

(g) *Registration Covenant*. The Port covenants that, until all Series 2019 Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Series 2019 Bond that complies with the provisions of Section 149 of the Code.

(h) *Place and Medium of Payment*. The principal of, premium, if any, and interest on the Series 2019 Bonds shall be payable in lawful money of the United States of America. Interest on the Series 2019 Bonds shall be calculated on the basis of a 360-day year and twelve 30-day months. For so long as all Series 2019 Bonds are in fully immobilized form with DTC, payments of principal, premium, if any, and interest shall be made as provided to the parties entitled to receive payment as of each Record Date in accordance with the operational arrangements of DTC described in the Letter of Representations. In the event that the Series 2019 Bonds are no longer in fully immobilized form with DTC (or its successor or alternate depository), interest on the Series 2019 Bonds shall be paid by check mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register as of the Record Date, and principal and premium, if any, of the Series 2019 Bonds shall be payable by check upon presentation and surrender of such Series 2019 Bonds by the Registered Owners at the principal office of the Registrar; provided, however, that if so requested in writing prior to the opening of business on the Record Date by the Registered Owner of at least $1,000,000 aggregate principal amount of Series 2019 Bonds of a series, interest on such Series 2019 Bonds will be paid thereafter by wire transfer on the date due to an account with a bank located within the United States.

Section 7. Pledge of Available Intermediate Lien Revenues; Series 2019 Reserve Account Deposit. Pursuant to the Intermediate Lien Master Resolution, the Intermediate Lien Bond Fund and the Intermediate Lien Reserve Account have been created for the purpose of paying and securing the payment of the principal of, premium, if any, and interest on all outstanding Intermediate Lien Parity Bonds. The Port hereby irrevocably obligates and binds itself for as long as any Series 2019 Bonds remain Outstanding to set aside and pay into the Intermediate Lien Bond Fund from Available Intermediate Lien Revenues or money in the Revenue Fund, on or prior to the respective dates the same become due (and if such payment is made on the due date, such payment shall be made in immediately available funds):

(1) Such amounts as are required to pay the interest scheduled to become due on Series 2019 Bonds; and

(2) Such amounts with respect to Series 2019 Bonds as are required (A) to pay maturing principal, (B) to make any required sinking fund payments, and (C) to redeem Series 2019 Bonds in accordance with any mandatory redemption provisions.

Said amounts so pledged to be paid into such special funds are hereby declared to be a prior lien and charge upon the Gross Revenue superior to all other liens and charges of any kind or nature whatsoever except for (i) Operating Expenses, (ii) liens and charges thereon of Permitted Prior Lien Bonds, and (iii) liens and charges equal in rank that have or may be made thereon to pay Net Payments due pursuant to any Parity Derivative Product and to pay and secure the payment of the principal of, premium, if any, and interest on Outstanding Intermediate Lien Bonds and any Intermediate Lien Parity Bonds issued in the future under authority of a Series Resolution in accordance with the provisions of Sections 4 and 5 of the Intermediate Lien Master Resolution.

The Series 2019 Reserve Account Deposit, if any, shall be deposited in the Intermediate Lien Reserve Account (or shall be satisfied through the issuance of one or more Surety Bonds) on the date of issuance of the Series 2019 Bonds. Together with existing reserve account balances in the Intermediate Lien Reserve Account, the Series 2019 Reserve Account Deposit shall be at least sufficient to meet the Intermediate Lien Reserve Requirement.

The Designated Port Representative may decide to utilize one or more Surety Bonds to satisfy the Series 2019 Reserve Account Deposit; provided that each Surety Bond meets the qualifications for Qualified Insurance. Upon such election, the Designated Port Representative is hereby authorized to execute and deliver one or more Surety Bond Agreements with one or more Surety Bond Issuers to effect the delivery of the Surety Bond(s).

Section 8. Sale of Series 2019 Bonds. The Series 2019 Bonds shall be sold at one or more negotiated sale(s) to the Underwriters pursuant to the terms of the applicable Bond Purchase Contract. The Designated Port Representative is hereby authorized to negotiate terms for the purchase of the Series 2019 Bonds and to execute one or more Bond Purchase Contracts, with such terms (including the Series 2019 Reserve Account Deposit) as are approved by the Executive Director pursuant to this section and consistent with this series resolution and the Intermediate Lien Master Resolution. The Port Commission has been advised by the Port's financial advisor that market conditions are fluctuating and, as a result, the most favorable market conditions may occur on a day other than a regular meeting date of the Commission. The Commission has determined that it would be in the best interest of the Port to delegate to the Executive Director for a limited time the authority to approve the number of series, final series designations, and with respect to each series, the date of sale, interest rates, maturity dates, aggregate principal amount, principal amounts and prices of each maturity, redemption rights, and other terms and conditions of the Series 2019 Bonds. The Executive Director is hereby authorized to approve the number of series, final series designations, and with respect to each series, the date of sale, interest rates, maturity dates, aggregate principal amount, principal amounts of each maturity and redemption rights for the Series 2019 Bonds in the manner provided hereafter (A) so long as the aggregate principal amount of the Series 2019 Bonds does not exceed the maximum principal amount set forth in Section 3 and (B) so long as the true interest cost for the Series 2019 Bonds of a series does not exceed 5.00% per annum.

In determining the number of series, final series designations, the date of sale, interest rates, prices, maturity dates, aggregate principal amount, principal maturities, redemption rights or provisions of the Series 2019 Bonds for approval and the Series 2019 Reserve Account Deposit, the Designated Port Representative, in consultation with Port staff and the Port's financial advisor, shall take into account those factors that, in his judgment, will result in the most favorable interest cost on the Series 2019 Bonds of a series, including, but not limited to, current financial market conditions and current interest rates for obligations comparable in tenor and quality to the Series 2019 Bonds. Subject to the terms and conditions set forth in this section, the Designated Port Representative is hereby authorized to execute the final form of the Bond Purchase Contract, upon the Executive Director's approval of the number of series, final series designations, the date of sale, interest rates, maturity dates, aggregate principal amount, principal maturities and redemption rights set forth therein. Following the execution of the Bond Purchase Contract, the Executive Director or Designated Port Representative shall provide a report to the Commission, describing the final terms of the Series 2019 Bonds approved pursuant to the authority delegated in this section. The authority granted to the Designated Port Representative and the Executive Director by this section shall expire on December 31, 2019, 2019. If a Bond Purchase Contract for the Series 2019 Bonds has not been executed by December 31, 2019, the authorization for the issuance of the Series 2019 Bonds of that series shall be rescinded, and the Series 2019 Bonds shall not be issued nor their sale approved unless the Series 2019 Bonds shall have been re-authorized by resolution of the Commission. The resolution reauthorizing the issuance and sale of the Series 2019 Bonds may be in the form of a new series resolution repealing this series resolution in whole or in part (only with respect to the Series 2019 Bonds not issued) or may be in the form of an amendatory resolution approving a bond purchase contract or extending or establishing new terms and conditions for the authority delegated under this section.

Upon the adoption of this series resolution, the proper officials of the Port including the Designated Port Representative, are authorized and directed to undertake all other actions necessary for the prompt execution and delivery of the Series 2019 Bonds to the Underwriters thereof and further to execute all closing certificates and documents required to effect the closing and delivery of the Series 2019 Bonds in accordance with the terms of the Bond Purchase Contract.

The Designated Port Representative and other Port officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Series 2019 Bonds to the Underwriters and for the proper application and use of the proceeds of sale of the Series 2019 Bonds. In furtherance of the foregoing, the Designated Port Representative is authorized to approve and enter into agreements for the payment of costs of issuance, including Underwriters' discount, the fees and expenses specified in the Bond Purchase Contract, including fees and expenses of the Underwriters and other retained services, including Bond Counsel, disclosure counsel, rating agencies, fiscal agent, financial advisory services, independent consultant, and other expenses customarily incurred in connection with the issuance and sale of bonds.

The Designated Port Representative is authorized to ratify, execute, deliver and approve for purposes of the Rule, on behalf of the Port, the final official statement(s) (and to approve, deem final and deliver any preliminary official statement) and any supplement thereto relating to the issuance and sale of the Series 2019 Bonds and the distribution of the Series 2019 Bonds pursuant thereto with such changes, if any, as may be deemed by him/her to be appropriate.

Section 9. Application of Series 2019 Bond Proceeds. The proceeds of the Series 2019 Bonds (exclusive of the Underwriters' discount and any amounts that may be designated by the Designated Port Representative in a closing certificate to be allocated to pay costs of issuance or any Bond Insurance Policy premium and/or a Surety Bond premium) shall be applied as follows:

(1) An amount(s), if any, specified by the Designated Port Representative shall be deposited into one or more capitalized interest accounts (hereinafter authorized to be created);

(2) An amount specified by the Designated Port Representative as required to pay the Series 2019 Reserve Account Deposit shall be deposited into the Intermediate Lien Reserve Account; and

(3) An amount specified by the Designated Port Representative shall be deposited into one or more capital project accounts, used to refinance commercial paper, and used to pay costs of issuance and, together with other available moneys, to pay costs of the Projects.

If interest on the Series 2019 Bonds is to be capitalized, the Treasurer of the Port is hereby authorized and directed to create one or more capitalized interest accounts for the purpose of holding certain Series 2019 Bond proceeds and interest earnings thereon to be used and disbursed to pay interest on the Series 2019 Bonds through the date or dates specified by the Designated Port Representative.

The Treasurer shall invest the net proceeds of the Series 2019 Bonds in such obligations as may now or hereafter be permitted to port districts of the State of Washington by law and that will mature prior to the date on which such money shall be needed. Earnings on such investments, except as may be required to pay rebatable arbitrage pursuant to the Federal Tax Certificate, may be used for Port purposes or transferred to the Intermediate Lien Bond Fund for the uses and purposes therein provided.

The Port shall maintain books and records regarding the use and investment of proceeds of Series 2019 Bonds in order to maintain compliance with its obligations under its Federal Tax Certificate.

Section 10. Tax Covenants.

(a) *General.* The Port covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on such Series 2019 Bonds issued on a federally tax-exempt basis, and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exclusion from gross income for federal income tax purposes of the interest on such Series 2019 Bonds. The Port shall comply with its covenants set forth in the Federal Tax Certificate with respect to such Series 2019 Bonds.

(b) *No Bank Qualification*. The Series 2019 Bonds shall not be qualified tax-exempt obligations pursuant to Section 265(b) of the Code for investment by financial institutions.

Section 11. Lost, Stolen, Mutilated or Destroyed Series 2019 Bonds. In case any Series 2019 Bond shall be lost, stolen, mutilated or destroyed, the Registrar may execute and deliver a new Series 2019 Bond of like series, maturity, date, number and tenor to the Registered Owner thereof upon the owner's paying the expenses and charges of the Port in connection therewith and upon his/her filing with the Port evidence satisfactory to the Port that such Series 2019 Bond was actually lost, stolen or destroyed (including the presentation of a mutilated Series 2019 Bond) and of his/her ownership thereof, and upon furnishing the Port and the Registrar with indemnity satisfactory to both.

Section 12. Form of Series 2019 Bonds and Registration Certificate. The Series 2019 Bonds shall be in substantially the following form:

[DTC HEADING]

UNITED STATES OF AMERICA

NO. ______ $____________

STATE OF WASHINGTON
PORT OF SEATTLE
INTERMEDIATE LIEN REVENUE BOND,
SERIES 2019[A][B] (AMT)

Maturity Date: ________, _____ CUSIP No. _______

Interest Rate:

Registered Owner: Cede & Co.

Principal Amount:

THE PORT OF SEATTLE, a municipal corporation organized and existing under and by virtue of the laws of the State of Washington (the "Port"), promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, solely from the special fund of the Port known as the "Port of Seattle Revenue Intermediate Lien Bond Fund" (the "Intermediate Lien Bond Fund") created by Resolution No. 3540, as amended (the "Intermediate Lien Master Resolution" and together with Resolution No. 3758, hereinafter collectively referred to as the "Bond Resolution"), the Principal Amount indicated above and to pay interest thereon from the Intermediate Lien Bond Fund from the date of initial delivery, or the most recent date to which interest has been paid or duly provided for or until payment of this bond at the Interest Rate set forth above, payable semiannually on the first days of each __________ and __________ beginning on __________ 1, 20___. The principal of, premium, if any, and interest on this bond are payable in lawful money of the United States of America. Principal, premium, if any, and interest shall be paid as provided in the Blanket Issuer Letter of Representations (the "Letter of Representations") by the Port to The Depository Trust Company ("DTC") (or its successor or alternate depository) or other registered owner. Capitalized terms used in this bond which are not specifically defined have the meanings given such terms in the

Bond Resolution. The Treasurer of the Port has appointed the fiscal agent for the State of Washington as the initial registrar, authenticating and paying agent for the bonds of this series.

This bond is one of a series of bonds of the Port in the aggregate principal amount of $__________, of like date, tenor and effect, except as to number, amount, rate of interest and date of maturity and is issued pursuant to the Bond Resolution to pay costs of capital improvement projects. [Simultaneously herewith, the Port is issuing one other series of revenue bonds: its Revenue Bonds, Series 2019[A][B] (AMT) in the principal amount of $___________].

The bonds of this issue maturing on and after ________ 1, ____ shall be subject to optional redemption in advance of their scheduled maturity on and after ____________ in whole or in part on any date at a price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.

[The bonds of this issue maturing on _______ 1, ___ shall be redeemed by the Port on _______ 1 of the following years in the following principal amounts at a price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption:

Redemption Dates	Amounts
	$

* Final Maturity]

The bonds of this series are private activity bonds. The bonds of this series are not "qualified tax-exempt obligations" eligible for investment by financial institutions within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

The Port hereby covenants and agrees with the owner and holder of this bond that it will keep and perform all the covenants of this bond and the Bond Resolution.

The Port does hereby pledge and bind itself to set aside and pay into the Intermediate Lien Bond Fund and Intermediate Lien Reserve Account from Available Intermediate Lien Revenues or money in the Revenue Fund the various amounts required by the Bond Resolution to be paid into and maintained in said Fund and Account, all within the times provided by said Bond Resolution.

The amounts pledged to be paid out of Gross Revenue into the Intermediate Lien Bond Fund and Intermediate Lien Reserve Account are hereby declared to be a first and prior lien and charge upon the Gross Revenue, subject to the payment of Operating Expenses of the Port and subject further to the liens thereon of the Permitted Prior Lien Bonds and equal in rank to the lien and charge upon such Gross Revenue of the amounts required to pay and secure the payment of any Net Payments due pursuant to any Parity Derivative Product, any Outstanding Intermediate Lien Bonds and any revenue bonds of the Port hereafter issued on a parity with the Outstanding Intermediate Lien Bonds and the bonds of this issue.

The Port has further bound itself to establish, maintain and collect rentals, tariffs, rates and charges in the operation of all of its businesses for as long as any bonds of this issue are outstanding that it will make available, for the payment of the principal thereof and interest thereon as the same shall become due, Available Intermediate Lien Revenues in an amount equal to or greater than the Rate Covenant defined in the Intermediate Lien Master Resolution.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Registrar.

It is hereby certified and declared that this bond and the bonds of this issue are issued pursuant to and in strict compliance with the Constitution and laws of the State of Washington and resolutions of the Port and that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed.

IN WITNESS WHEREOF, the Port of Seattle has caused this bond to be executed by the manual or facsimile signatures of the President and Secretary of the Port Commission, and the corporate seal of the Port to be impressed or a facsimile thereof imprinted hereon as of the ____ day of __________, 2019.

PORT OF SEATTLE

By ________/s/________
President, Port Commission

ATTEST:
________/s/________
Secretary, Port Commission

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _______________

This bond is one of the bonds described in the within mentioned Bond Resolution and is one of the Intermediate Lien Revenue Bonds, Series 2019[A][B] (AMT) of the Port of Seattle, dated _____________, 2019.

WASHINGTON STATE FISCAL AGENT, as Registrar

By ____
Authorized Signer

* * * * * * * *

In the event any Series 2019 Bonds are no longer in fully immobilized form, the form of such Series 2019 Bonds may be modified to conform to printing requirements and the terms of this series resolution.

Section 13. Execution. The Series 2019 Bonds shall be executed on behalf of the Port with the manual or facsimile signature of the President of its Commission, shall be attested by the manual or facsimile signature of the Secretary thereof and shall have the seal of the Port impressed or a facsimile thereof imprinted thereon.

Only such Series 2019 Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this series resolution. Such Certificate of Authentication shall be conclusive evidence that the Series 2019 Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this series resolution.

In case either of the officers of the Port who shall have executed the Series 2019 Bonds shall cease to be such officer or officers of the Port before the Series 2019 Bonds so signed shall have been authenticated or delivered by the Registrar, or issued by the Port, such Series 2019 Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the Port as though those who signed the same had continued to be such officers of the Port. Any Series 2019 Bond may also be signed and attested on behalf of the Port by such persons as on the actual date of execution of such Series 2019 Bond shall be the proper officers of the Port although on the original date of such Series 2019 Bond any such person shall not have been such officer.

Section 14. Defeasance. In the event that money and/or noncallable Government Obligations that are direct obligations of the United States or obligations unconditionally guaranteed by the United States maturing or having guaranteed redemption prices at the option of the owner at such time or times and bearing interest to be earned thereon in amounts (together with such money, if any) sufficient to redeem and retire part or all of the Series 2019 Bonds in accordance with their terms, are hereafter irrevocably delivered to the Registrar for payment such Series 2019 Bonds or set aside in a special account and pledged to effect such redemption and retirement, and, if the Series 2019 Bonds are to be redeemed prior to maturity, irrevocable notice, or irrevocable instructions to give notice of such redemption has been delivered to the Registrar, then no further payments need be made into the Intermediate Lien Bond Fund or any account therein for the payment of the principal of, premium, if any, and interest on the Series 2019 Bonds so provided for and such Series 2019 Bonds shall then cease to be entitled to any lien, benefit or security of the Intermediate Lien Master Resolution or this series resolution, except the right to receive the funds so set aside and pledged and such notices of redemption, if any, and such Series 2019 Bonds shall no longer be deemed to be Outstanding hereunder, under the Intermediate Lien Master Resolution or under any resolution authorizing the issuance of bonds or other indebtedness of the Port.

The Port shall provide notice of defeasance of any Series 2019 Bonds to the Registered Owners of the Series 2019 Bonds being defeased, to the Bond Insurer, if any, and to each party entitled to receive notice under the Continuing Disclosure Undertaking authorized pursuant to Section 15 of this series resolution.

Section 15. Undertaking to Provide Ongoing Disclosure. The Designated Port Representative is authorized to, in his or her discretion, execute and deliver a Continuing Disclosure Undertaking providing for an undertaking by the Port to assist the Underwriters in complying with the Rule.

Section 16. Bond Insurance. The payments of the principal of and interest on one or more series, or principal maturities within one or more series, of the Series 2019 Bonds may be insured by the issuance of the Bond Insurance Policy. The Designated Port Representative may solicit proposals from municipal bond insurance companies, and the Designated Port Representative, in consultation with the Port's financial advisor, is hereby authorized to select the proposal that is deemed to be the most cost effective and further to execute the Bond Insurance Commitment with the Bond Insurer, which may include such covenants and conditions as shall be approved by the Designated Port Representative.

Section 17. Compliance with Parity Conditions. The Commission hereby finds and determines as required by Section 5(b) of the Intermediate Lien Master Resolution, as follows:

First: The Port is not in default of its covenant under Section 5 of the Intermediate Lien Master Resolution; and

Second: The Commission has been assured that prior to the issuance and delivery of the Series 2019 Bonds, the Port will meet the conditions set forth in Section 5(c) of the Intermediate Lien Master Resolution and/or will deliver either:

(A) a certificate prepared as provided in the Intermediate Lien Master Resolution and executed by the Designated Port Representative stating that Available Intermediate Lien Revenues as First Adjusted during the Base Period were at least equal to 110 percent of Annual Debt Service in each year of the Certificate Period with respect to all Intermediate Lien Parity Bonds then Outstanding and then proposed to be issued; or

(B) a Consultant's certificate, prepared as provided in the Intermediate Lien Master Resolution and stating that projected Available Intermediate Lien Revenues as First Adjusted will be at least equal to 110 percent of Annual Debt Service in each year of the Certificate Period with respect to all Intermediate Lien Parity Bonds then Outstanding and then proposed to be issued.

The limitations contained in the conditions provided in Section 5(b) of the Intermediate Lien Master Resolution having been complied with, the payments required herein to be made out of the Available Intermediate Lien Revenues to pay and secure the payment of the principal of, premium, if any, and interest on the Series 2019 Bonds shall constitute a lien and charge upon such a charge and lien upon the Available Intermediate Lien Revenues equal to the lien thereon of Outstanding Intermediate Lien Parity Bonds.

Section 18. Severability. If any one or more of the covenants or agreements provided in this series resolution to be performed on the part of the Port shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this series resolution and shall in no way affect the validity of the other provisions of this series resolution or of any Intermediate Lien Parity Bonds.

Section 19. Effective Date. This series resolution shall be effective immediately upon its adoption.

EXHIBIT A

PROJECTS

Runway, apron and safety areas construction, repairs and improvements; airfield infrastructure construction, repairs and upgrades; noise mitigation; Airport Terminal and parking garage construction, modification, repairs, improvements including equipment acquisition; roadway and ground transportation improvements; airport support systems and services improvements; planning work relating to future facilities on or near the Airport; property acquisitions for Airport expansion adjacent or near to the Airport and other airport improvements that are functionally related to the airfield, air terminal and Airport property improvements described above at Seattle-Tacoma International Airport, 17801 Pacific Highway South, Seatac, WA 98158, which is owned and operated by the Port.

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APPENDIX H

PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Port of Seattle (the "Port") in connection with the issuance of its $457,390,000 Intermediate Lien Revenue Bonds, Series 2019 (AMT). The Port covenants and agrees as follows:

For purposes of the Port's undertaking (the "undertaking") pursuant to Securities and Exchange Commission Rule 15c2-12 (the "Rule"), "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2019 Bond, including persons holding Series 2019 Bonds through nominees or depositories or other intermediaries.

(a) *Financial Statements/Operating Data.*

(1) *Annual Disclosure Report*. The Port covenants and agrees that not later than six months after the end of each fiscal year (the "Submission Date"), commencing June 30, 2020 for the fiscal year ending December 31, 2019, the Port shall provide or cause to be provided to the Municipal Securities Rulemaking Board (the "MSRB"), an annual report (the "Annual Disclosure Report") that is consistent with the requirements of part (2) of this subsection (a). The Annual Disclosure Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in part (2) of this subsection (a); provided that any audited annual financial statements may be submitted separately from the balance of the Annual Disclosure Report and later than the Submission Date if such audited financial statements are not available by the Submission Date. If the Port's fiscal year changes, the Port shall give notice of such change in the same manner as notice is to be given of the occurrence of an event listed in subsection (b), and if for any fiscal year the Port does not furnish an Annual Disclosure Report to the MSRB, by the Submission Date, the Port shall send to MSRB notice of its failure to furnish such report pursuant to subsection (c).

(2) *Content of Annual Disclosure Reports*. The Port's Annual Disclosure Report shall contain or include by reference the following:

(A) *Audited financial statements*. Audited financial statements, prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis accounting, except that if any audited financial statements are not available by the Submission Date, the Annual Disclosure Report shall contain audited financial statements in a format similar to the audited financial statements most recently prepared for the Port, and the Port's audited financial statements shall be filed in the same manner as the Annual Disclosure Report when and if they become available.

(B) *Operating and Financial Information.* Annual financial information and operating data with respect to the Port, including historical financial information and operating data of the type provided in the final Official Statement for the Series 2019 Bonds dated July 18, 2019 under the headings "OUTSTANDING PORT INDEBTEDNESS" (e.g. outstanding principal amounts), "THE AIRPORT," "OTHER PORT BUSINESSES," "PORT FINANCIAL MATTERS" and in Appendix D under the heading "Tax Levy Rates, Records and Procedures" to the extent such information or data is not included in the Port's financial statements provided under subsection (A). The Port also will provide the following Seaport Alliance historical operating data: information regarding container facility leases of the type provided in "Table 10: Container Facility Leases" and information regarding annual container volumes of the type provided in "Table 11: Container Volumes for Seaport Alliance."

Any or all of the listed items may be included by specific reference to other documents, including official statements of debt issues of the Port, or of any related entity, that have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Port shall identify clearly each document so included by reference.

(b) *Listed Events*. The Port agrees to provide or cause to be provided to the MSRB, in a timely manner, not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Series 2019 Bonds:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2019 Bonds, or other material events affecting the tax status of the Series 2019 Bonds;

7. Modifications to the rights of Series 2019 Bond owners, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of the Series 2019 Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Port;

13. The consummation of a merger, consolidation, or acquisition involving the Port or the sale of all or substantially all of the assets of the Port, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a financial obligation of the Port, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Port, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Port, any of which reflect financial difficulties.

Solely for purposes of information, but without intending to modify the Port's undertaking, with respect to the notice regarding property securing the repayment of the Series 2019 Bonds, that there is no property securing the repayment of the Series 2019 Bonds.

(c) *Financial Obligation*. The term "financial obligation" means (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(d) *Notice Upon Failure to Provide Financial Data*. The Port agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of its failure to provide the annual financial information described in subsection (a) above on or prior to the Submission Date.

(e) *Format for Filings with the MSRB*. All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(f) *Termination/Modification*. The Port's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance (if notice of such defeasance is given as provided above) or payment in full of all of the Series 2019 Bonds. The undertaking, or any provision hereof, shall be null and void if the Port (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require the undertaking, or any such provision, have been repealed retroactively or otherwise do not apply to the Series 2019 Bonds; and (2) notifies the MSRB of such opinion and the cancellation of the undertaking. The Port may amend the undertaking and any provision of the undertaking may be waived, in accordance with the Rule; *provided that* (A) if the amendment or waiver relates to the provisions of subsections (a)(1), (a)(2) or (b) above, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2019 Bonds, or the type of business conducted; (B) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2019 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (C) the amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the beneficial owners of the Series 2019 Bonds.

In the event of any amendment of or waiver of a provision of the undertaking, the Port shall describe such amendment in the next Annual Disclosure Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Port. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under subsection (b), and (ii) the Annual Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(g) *Registered Owner's and Beneficial Owners' Remedies Under the Undertaking*. A Registered Owner's and the beneficial owners' right to enforce the provisions of the undertaking shall be limited to a right to obtain specific enforcement of the Port's obligations under the undertaking, and any failure by the Port to comply with the provisions of the undertaking shall not be a default under the Resolution.

(h) *Additional Information*. Nothing in the undertaking shall be deemed to prevent the Port from disseminating any other information, using the means of dissemination set forth in the undertaking or any other means of communication, or including any other information in any Annual Disclosure Report or notice of occurrence of an event, in addition to that which is required by the undertaking. If the Port chooses to include any information in any Annual Disclosure Report or notice of the occurrence of an event in addition to that specifically required by this undertaking, the Port shall have no obligation under the Resolution to update such information or to include it in any future Annual Disclosure Report or notice of occurrence of an event.

PORT OF SEATTLE

By: ___________________________________
Designated Port Representative

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APPENDIX I

DEMOGRAPHIC AND ECONOMIC INFORMATION

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DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

Historical and current population figures for the State as well as King County, Pierce County and Snohomish County (collectively the Seattle Metropolitan Area), the two largest cities in King County, and the unincorporated areas of King County are given below.

TABLE I-1

POPULATION[1]

Year	Washington	King County	Pierce County	Snohomish County	Seattle	Bellevue	Unincorporated King County
2019	7,546,410	2,226,300	888,300	818,700	747,300	145,300	248,275
2018	7,427,570	2,190,200	872,220	805,120	730,400	142,400	247,240
2017	7,310,300	2,153,700	859,400	789,400	713,700	140,700	247,060
2016	7,183,700	2,105,100	844,490	772,860	686,800	139,400	245,920
2015	7,061,410	2,052,800	830,120	757,600	662,400	135,000	253,280

(1) Estimates are as of April 1 of each year.
Source: State of Washington, Office of Financial Management.

Per Capita Income

The following table presents per capita personal income for the Seattle Metropolitan Area, the County, the State, and the United States.

TABLE I-2

PER CAPITA INCOME

	2017[1]	2016	2015	2014	2013
Seattle Metropolitan Area[2]	$ 61,667	$ 58,845	$ 56,819	$ 54,558	$ 51,062
King County	83,383	79,323	76,226	72,696	66,692
State of Washington	57,896	55,519	53,776	51,505	48,237
United States	51,640	49,246	48,451	46,494	44,493

(1) As of March 2019.
(2) Average of King County, Pierce County, and Snohomish County.
Source: U.S. Bureau of Economic Analysis, U.S. Department of Commerce.

Construction

The table below lists the value of housing construction for which building permits have been issued by entities within King County. The value of public construction is not included in this table.

TABLE I-3

RESIDENTIAL BUILDING PERMIT VALUES[(1)]
KING COUNTY

	New Single Family Units		New Multi-Family Units		
Year	**Number**	**Value**	**Number**	**Value**	**Total Value**
2019[(2)]	1,610	$ 642,810,495	5,742	$ 390,575,982	$ 840,191,245
2018	4,442	1,747,483,826	14,018	1,642,109,582	3,389,593,408
2017	4,356	1,735,074,421	14,285	2,174,576,693	3,909,651,114
2016	4,254	1,616,722,532	13,445	1,759,255,696	2,375,978,228
2015	4,010	1,539,049,136	14,527	2,227,509,189	3,766,558,325
2014	4,215	1,478,116,875	10,488	1,401,889,919	2,880,006,794
2013	4,419	1,419,065,243	7,858	1,053,237,846	2,472,303,089

(1) Estimates with imputation.
(2) Through May, 2019

Source: U S. Bureau of the Census.

Retail Activity

The following table presents taxable retail sales in King County, Pierce County, Snohomish County and the City of Seattle.

TABLE I-4

TAXABLE RETAIL SALES

Year	King County	Pierce County	Snohomish County	City of Seattle
2018	$ 69,018,354,390	$ 17,592,771,533	$ 15,673,269,688	$ 28,292,069,881
2017	62,910,608,935	16,081,078,014	14,509,899,633	26,005,147,210
2016	59,530,882,870	14,878,550,727	13,618,314,632	24,287,539,378
2015	54,890,159,770	13,846,294,222	12,641,937,656	22,407,443,037
2014	49,638,174,066	12,736,324,142	11,699,234,128	19,995,171,842

Source: Washington State Department of Revenue.

Industry and Employment

The following table presents State-wide employment data for certain major employers in the Puget Sound area.

TABLE I-5

MAJOR EMPLOYERS

Employer	Full-Time Employees In State
The Boeing Company	69,830
Joint Base Lewis-McChord	54,000
Amazon.com Inc.	52,000
Microsoft Corp.	51,362
University of Washington	46,824
Navy Region Northwest	46,015
Providence Health & Services	43,000
Safeway Inc. & Albertsons LLC	21,320
Walmart Inc.	19,412
Costco Wholesale Corp.	18,010
Multicare Health System	17,170
Fred Meyer Stores	16,069
King County Government	15,851
Starbucks Coffee Co.	14,132
CHI Franciscan Health	12,368
City of Seattle	11,664
Seattle Public Schools	11,431
Alaska Air Group Inc.	9,594
Nordstrom, Inc.	9,200
Virginia Mason Health System	8,759
Washington State University	8,248
T-Mobile US Inc.	7,896
Kaiser Permanente	7,672
Expedia Group Inc.	4,300
Spokane Public Schools	4,203

Source: Puget Sound Book of Lists, as of June 28, 2019

TABLE I-6

**RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT
SEATTLE METROPOLITAN DIVISION
(KING AND SNOHOMISH COUNTIES)
(NOT SEASONALLY ADJUSTED)**

	2019[1]	2018	2017	2016	2015
Civilian Labor Force	1,721,585	1,689,157	1,656,633	1,616,655	1,579,690
Total Employment	1,661,609	1,629,509	1,594,791	1,551,401	1,510,470
Total Unemployment	60,249	59,648	61,842	65,254	69,220
Percent of Labor Force	3.5%	3.5%	3.7%	4.0%	4.4%

(1) Preliminary average through April 2019.

Source: Washington State Employment Security Department.

TABLE I-7

RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT
WASHINGTON STATE
(NOT SEASONALLY ADJUSTED)

	2019[1]	2018	2017	2016	2015
Civilian Labor Force	3,871,406	3,793,095	3,718,900	3,635,200	3,545,904
Total Employment	3,676,202	3,662,299	3,543,665	3,444,126	3,345,496
Total Unemployment	195,204	170,796	175,235	191,074	200,408
Percent of Labor Force	5.0%	4.5%	4.7%	5.3%	5.7%

(1) Preliminary average through April 2019.
Source: Washington State Employment Security Department.

TABLE I-8

RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT
UNITED STATES
(SEASONALLY ADJUSTED)(1)

	2019[2]	2018	2017	2016	2015
Civilian Labor Force	162,470,000	161,582,000	160,310,000	159,191,000	157,134,000
Total Employment	156,645,000	155,001,000	153,337,000	151,440,000	148,845,000
Total Unemployment	5,824,000	6,580,000	6,973,000	7,751,000	8,289,000
Percent of Labor Force	3.6%	4.1%	4.4%	4.9%	5.3%

(1) Data extracted on May 3, 2019.
(2) Preliminary average through April, 2019.
Source: U.S. Department of Labor Bureau of Labor Statistics.

TABLE I-9

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
SEATTLE-BELLEVUE-EVERETT METROPOLITAN STATISTICAL AREA
(KING AND SNOHOMISH COUNTIES)
(NOT SEASONALLY ADJUSTED)

NAICS INDUSTRY	2019[1]	2018	2017	2016	2015
TOTAL NONFARM	1,740,860	1,724,233	1,685,275	1,644,425	1,592,692
Total Private	1,524,720	1,505,758	1,463,983	1,426,600	1,379,800
Goods Producing	270,420	264,817	259,592	262,183	258,467
Mining and Logging	800	800	792	775	800
Construction	103,640	102,258	96,800	92,445	86,133
Manufacturing	165,980	161,758	162,000	168,983	171,533
Service Providing	1,470,440	1,49,417	1,425,683	1,382,242	1,334,225
Trade, Transportation, and Utilities	322,340	323,692	316,533	301,850	291,825
Information	117,960	115,758	108,544	102,183	94,633
Financial Activities	88,000	86,558	84,275	83,242	82,058
Professional and Business Services	264,900	262,250	255,642	249,508	240,933
Educational and Health Services	228,240	221,267	213,842	207,767	200,258
Leisure and Hospitality	173,260	171,967	166,858	161,642	154,992
Other Services	59,600	59,450	58,708	58,225	56,633
Government	216,140	218,475	221,292	217,825	212,892
Workers in Labor/Management Disputes	0	0	0	0	0

(1) Annual average through May 2019
Source: Washington State Employment Security Department.

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Port of Seattle

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