

2021 Budget



Port of Seattle®





2021 Budget

Prepared by the
Finance and Budget
Departments

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**Port of Seattle
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For the Fiscal Year Beginning

January 1, 2020

Christopher P. Morill

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Port of Seattle, Washington, for its Annual Budget for the fiscal year beginning January 1, 2020.

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

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

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BUDGET DOCUMENT OVERVIEW

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

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

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I. EXECUTIVE SUMMARY

PORT OF SEATTLE
MEMORANDUM

DATE: December 12, 2020
TO: Port of Seattle Commission
FROM: Stephen P. Metruck, Executive Director
SUBJECT: 2021 Budget Message

Last year, we presented a budget and investments tailored to meet the needs of a region experiencing unprecedented growth. One year later, we present a budget that meets the needs of a region experiencing a different kind of unprecedented change.

Our 2021 budget and five-year capital development plan supports local, regional and statewide economic recovery by drawing on the economic opportunity that flows from developing aviation, maritime commerce, fishing industries and critical trade and travel infrastructure. We also build on our strategies to protect the environment and promote equity, diversity and inclusion in all the work we do.

The COVID-19 economic downturn caused particularly severe declines in travel, trade, and tourism – the lifeblood of the Port. COVID-19 impacted every line of the Port’s business. Losing the entire 2020 cruise season and steep declines in air travel sliced away business activity and connections that took decades to develop. Forecasted losses in activity will leave us with revenues down next year by \$130.8 million, or 16.1 percent compared to the 2020 approved budget. In response, in the 2021 budget we cut operating expenses by \$46.4 or 9.9 percent. The federal CARES Act funding of \$192 million for Sea-Tac Airport was a critical lifeline for providing essential aviation services.

The economic situation forced the Port to make hard choices in our spending plans for next year. We must be responsible stewards of the Port’s assets and taxpayer’s money while also trying to help drive local, regional and state recovery efforts. There is great uncertainty about the pace of regional economic recovery and our key businesses. For 2021, we will budget conservatively and prepare to adjust our plan based on performance of the economy.

COVID 19 RESPONSE

In February of 2020, we learned that COVID-19 had come to our community the very same morning we introduced the new brand for Seattle-Tacoma International Airport: SEA. While the seaport had already felt the impacts of the pandemic in Asia, the rest of our world changed that morning.

Early on, the Commission set out priorities and principles to guide our policy and investment response. Protecting the health and safety of Port workers, employees of our business partners, and the public was our top priority. We focused on safely operating our gateways and maintaining essential services. We reduced non-essential expenditures to create financial flexibility. We reprioritized capital investments and

postponed work on a proposed new cruise terminal until we had better clarity on the return of the global cruise market.

We focused investments on those most impacted by COVID-19. With the Commission's guidance we provided rent and other financial relief to tenants, renegotiated leases, barred evictions to support our business partners, and protected jobs as much as possible.

Our Commission led targeted investments to support the economy. Commissioners approved \$3 million to support 200 youth jobs in Port-related industries and Washington tourism marketing. We maintained the vast majority of our significant capital improvement program, which aids recovery by supporting nearly 1,300 part and full-time workers per month. Collaborating closely with contractors, labor, and health authorities, we developed new protocols to protect contractors to keep essential infrastructure projects moving forward and keep people employed.

The Port continues to support the City of Seattle's tiny house village program on Port property in the Interbay neighborhood. Providing consistent access to shelter, food, hygiene services that meet public health and CDC guidelines helps keep people experiencing homelessness safe during the pandemic. Between January 1, 2020 and September 14, 2020, the village sheltered 70 people and helped seven people transition to long-term housing.

We also donated over 50,000 face coverings to King County hospitals and school community nonprofits.

2020 ACCOMPLISHMENTS

Even as the Port responded to the health and economic crisis, we made major progress towards long-term goals to protect our environment and be the model for equity, diversity and inclusion. Commissioners authorized construction to build a new habitat restoration and shoreline access project site at the old Terminal 117, the most significant habitat restoration project to occur in the Duwamish in the last decade. The airport will reduce its carbon emissions by 50 percent by purchasing renewable natural gas to heat its terminal and power buses.

Our Equity, Diversity, and Inclusion Team introduced its Port-wide program and played a leadership role in helping guide our organization's response to unjust violence against Black Americans that led to a long-overdue reckoning about racism. This includes establishing a new Task Force on Port Policing and Civil Rights to conduct a comprehensive assessment of the Port of Seattle Police Department to ensure alignment with the highest national standards and best practices related to policing. The Port also completed a project to rename six existing Port parks and habitat restoration sites with culturally and ecologically significant names through a community-led process that engaged over 12,000 people.

Our capital project management teams made extraordinary progress on customer service and safety improvements, including installing the new International Arrivals Facility passenger walkway center span, the longest structure of its kind above an active taxi-lane.

INVESTING IN THE FUTURE

The Port's longstanding traditions of fiscal stewardship, and our planning for large capital projects in the future, placed us in a position to help lead the recovery. We continue to follow that philosophy in 2021, which will be a major year for achievements at the Port.

In 2021, the airport will open both the International Arrivals Facility and the North Satellite, two urgently needed projects that reshape the passenger experience at our airport. More space, more amenities, and more light will greet the passenger. More domestic gates and new dual-use domestic and international gates will reduce delays and streamline the travel experience.

We forecast that air service demand will return to 2019 levels by 2024, and that demand will continue to grow in future years. To prepare for the rebound and future needs we continue to invest in baggage system, restroom and other infrastructure improvements as we plan to modernize outdated terminal and lobby facilities.

We recognize that restoring traveler confidence is critical to our economic recovery. With our FlyHealthy@SEA effort, we joined forces with airlines and other airport stakeholders to continue implementing the best possible measures to protect everyone at the airport.

In 2021, the Northwest Seaport Alliance, the joint venture with the Port of Tacoma that operates international cargo facilities in both harbors, will open the first phase of its modernized Terminal 5 in West Seattle. The new big-ship ready terminal will stand out as one of the premier international maritime shipping container terminals on the West Coast, anchoring maritime jobs and global shipping in our community for decades to come.

Expanding economic opportunity takes on an even more important role in these times. The Port will continue its efforts in training and workforce development and the design of the Maritime Innovation Center to incubate companies that will lead in creating maritime and industrial jobs of the future.

To fund these strategies, the Port will continue carefully managing its expenses while maximizing revenue from business operations. As a public Port in Washington, the Port may exercise a limited property taxing authority. We continue to maintain a low rate of the levy, which provides less than five percent of the Port's funds, to supplement operational dollars by converting public investment into public good. Our 2021 budget continues the five-year strategy the Commission laid out in 2018 – increasing the levy by less than \$2.00 per year for the median-valued home – to build up our investment power for strategic investments in job creation, environmental sustainability, and community benefit. For 2021, the planned levy increase is \$1.58 for the median valued home.

In 2021, the levy helps fund maritime and economic development capital projects specifically endorsed by the Commission, regional transportation projects, environmental priorities, and \$8.7 million out of \$14.1 million in economic development and community benefit programs like the Economic Development Partnership Grants and South King County Fund.

While the short-term business outlook might be uncertain, our vision for the future remains bright. Our Century Agenda vision calls us to develop this region as a global logistics hub, tourism destination, and business gateway, and to expand economic growth in all our communities, through innovation,

sustainability, and a focus on equity. Our 2021 budget makes those goals possible and makes us more resilient for whatever challenges lie ahead.

PORT BUSINESS OUTLOOK

- The Airport expects passenger volumes to be down 61 percent in 2020 and forecasts growth of 79 percent in 2021, yet still be down 30 percent compared to the 2019 passenger level.
- Cruise forecasts 25 percent of previously expected passenger volumes at T91 and minimum guarantee lease payment at Pier 66.
- Grain volume is budgeted at 4.2 million metric tons based on tenant's forecast, a 40 percent increase from 2020 budget.
- We project a Recreational Marina occupancy rate of 95 percent, consistent with the 2020 budget and year end forecast.
- Fishing and Commercial Operations forecasts an average occupancy rate of 86 percent, consistent with 2020 budget.
- Commercial Building Properties targets an occupancy of 95 percent or greater at year-end 2021, consistent with current results.

Below is a summary of the key financial results under the 2021 budget:

- Total operating revenues are budgeted at \$680.9 million, a \$130.8 million or 16.1 percent decrease from the 2020 budget.
- Total operating expenses are budgeted at \$423.4 million, a \$46.4 million or 9.9 percent decrease from 2020.
- Net operating income before depreciation is budgeted at \$257.4 million, a \$84.4 million or 24.7 percent decrease from 2020.
- The 2021 capital budget is \$508.5 million, and the five-year capital improvement plan is over \$3.7 billion.

2021 KEY INITIATIVES AND BUDGET DRIVERS

- Implement FlyHealthy@SEA strategies.
- Open the International Arrivals Facility.
- Open Phase 2 of North Satellite Renovation.
- Reduce the airport's carbon footprint through purchase of renewable natural gas.
- Complete the Sustainable Airport Master Plan (SAMP) environmental review.
- Complete the Utility Master Plan.
- Continue planning and early project planning in anticipation of the SAMP completion.
- Continue planning to upgrade and/or reconfigure areas within the Main Terminal such as Checkpoint 3 and Baggage Claim area.
- Continue to focus resources to address pest management issues.
- Implement a consolidated service contract for checkpoint queue management, international arrivals support, and ground transportation support services.
- Continue with development of a programmatic approach to managing airport assets.
- Accelerate the noise insulation program.
- Complete design work on Terminal 91 Uplands light industrial buildings.
- Secure permits and start renovations on the Maritime Innovation Center.
- Implement the Tourism Recovery initiative in partnership with the Washington Tourism Alliance.
- Help Port small business tenants and partners recover from COVID pandemic related challenges.

- Support maritime innovation initiatives to discover, promote and help advance promising maritime ventures and startups.
- Continue to implement Port Commission priorities on Equity, Diversity and Inclusion.
- Continue to invest in workforce development programs and partnerships to develop a talent pipeline for Port-related industries.
- Continue high school and college internship programs to increase opportunities for local students.
- Advance environmental initiatives to ensure the long-term sustainability of Port operations and the region.
- Continue to build internal capabilities through innovation, employee training and development, and process improvements.

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

AVIATION DIVISION

The COVID-19 pandemic has had a devastating impact on the airline industry as demand for air travel has reduced dramatically and revenues have fallen significantly. While we don't anticipate that SEA will return to 2019 passenger level until 2024, we are taking a long-term view on our capital project planning and development. Major capital project development continues to meet the expected needs for the coming years and work continues with environmental review and preliminary planning for the Sustainable Airport Master Plan in 2021. We are also adding significant resources to continue to enhance the safety and security of the traveling public.

As the hub for both Alaska and Delta Airlines, SEA has seen less decline in seat capacity than most of the top North American airports. Airlines have maintained relatively more capacity at their primary hubs and less reliance on international service, which has been particularly hard hit due to international flight restrictions. SEA expects to be down 61 percent this year compared to 2019. We are forecasting to grow 79 percent in 2021, yet still be down 30 percent compared to the 2019 passenger level.

MARITIME DIVISION

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

Cruise forecasts 25 percent of previously expected passenger volumes at T91 due to COVID-19. Grain volume is expected to increase by 40 percent in 2021 due to the strong demand in Asia.

ECONOMIC DEVELOPMENT DIVISION

The Economic Development Division focuses on developing and managing the Port's real estate assets, promoting statewide tourism, economic development and developing minority and women owned business opportunities. Commercial properties are expected to achieve a 95 percent occupancy rate by the end of 2021, which is consistent with current results.

The 2021 budget continues funding for the diversity in contracting program, tourism initiatives, and economic development partnership grants for cities in King County.

THE NORTHWEST SEAPORT ALLIANCE (NWSA)

The Northwest Seaport Alliance (NWSA) is a joint venture between the Port of Seattle and the Port of Tacoma established in 2015 to unify the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the competitiveness of the Puget Sound gateway.

The net income from the NWSA is distributed evenly between the two home ports and the Port of Seattle's 50 percent share of the 2021 net income is forecast to be \$42.3 million, which is included as operating revenue in the Port wide financial statements. The ports also share equally in NWSA capital investments; the Port's share is forecast to be \$67.3 million for 2021 and \$155.6 million over the next 5 years.

OPERATING BUDGET

Prudent management of the budget helps ensure that the Port has the capacity to invest in infrastructure and programs that support regional economic growth. 2021 operating revenues are budgeted at \$680.9 million, a \$130.8 million or 16.1 percent decrease from the 2020 budget. Operating expenses are budgeted at \$423.4 million, a \$46.4 million or 9.9 percent decrease compared to the 2020 budget. Net operating income (before depreciation) is \$257.4 million, a \$84.4 million or 24.7 percent decrease from 2020.

AVIATION

The Aviation Division has two distinct lines of business: Aeronautical and Non-aeronautical. Aeronautical revenues are based primarily on operating and capital cost-recovery formulas charged to airlines operating at SEA. On the Aeronautical side, 2021 operating revenue is budgeted at \$386.7 million, which is 3.7 percent lower than the 2020 budget due to a significant reduction in operating expenses, partially offset by higher debt service resulting from new capital investments and use of CARES grant to pay for some of the debt service. On the Non-aeronautical side, budgeted operating revenues are \$189.5 million, a 33.1 percent decrease from the 2020 budget mainly driven by less demand for Parking, Rental Cars, Ground Transportation, Airport Dining and Retail, and Airport Commercial Properties. Total operating revenues are budgeted at \$576.2 million, a 15.8 percent decrease from 2020. Total operating expenses, including cost allocations from other divisions, are budgeted at \$339.9 million, a 9.9 percent decrease from 2020. Net operating income before depreciation is \$236.3 million.

MARITIME

Maritime Division's operating revenues are budgeted at \$45.3 million, a 28.1 percent decrease from 2020 mainly due to less revenue from Cruise. Total operating expenses, including cost allocations from other divisions, are forecast at \$50.2 million, a 7.6 percent decrease from 2020. Net operating income before depreciation is expected to decrease by \$13.5 million in 2021.

ECONOMIC DEVELOPMENT

Economic Development Division's 2021 operating revenue is budgeted at \$13.3 million, a 30.2 percent decrease from the 2020 budget mainly due to lower revenue from Conference & Event Centers. Total operating expenses, including cost allocations from other divisions, are expected to be \$21.4 million, a 27.1 percent decrease from 2020. Ongoing key budget initiatives in 2021 include strategic investments in the Maritime Innovation Center, diversity in contracting, and the continuation of programs to support tourism and economic development.

CENTRAL SERVICES

The three operating divisions of the Port are supported by a number of administrative departments and other service groups. These groups allocate their expenses according to the level of service they provide to the divisions and the NWSA. Central Services operating expenses are budgeted at \$123.2 million, a \$11.1 million or 8.3 percent reduction from the 2020 budget.

CAPITAL BUDGET

The Port's capital budget is \$508.5 million for 2021 and the five-year capital improvement plan is \$3.7 billion. The plan includes investments in infrastructure renewal and those supporting growth in the Port's business gateways, creating near-term jobs and stimulating long-term economic vitality for the region.

The airport capital budget is \$464.2 million for 2021 and the five-year capital improvement plan is \$3.3 billion. Three major projects, the International Arrivals Facility, North Satellite Modernization program, and Baggage System Optimization account for \$699.6 million in capital expenditures over the next five years. A total of 28 new projects totaling \$728.9 million and a total of \$280.1 million for SAMP preliminary planning/design spending are included in the five-year plan.

The total 2021 capital budget is \$44.3 million for Maritime, Economic Development and other divisions including Stormwater Utility, legacy projects associated with facilities licensed to the NWSA and Central Services, and the five-year capital plan is \$395 million. Major capital projects include Terminal 117 Habitat Restoration, Pier 66 Shore Power/Waterfront Electrification, Terminal 91 Berths 6 and 8 Redevelopment, Terminal 46 North Pier Structure Replacement, Fishermen's Terminal Maritime Innovation Center, and Terminal 91 Uplands Development. In addition, the Port supports investments made by the NWSA CIP; its 50 percent share equals 67.3 million in 2021 and \$155.6 million over the next five years.

TAX LEVY

The 2021 tax levy is budgeted at \$78.7 million, a 3 percent increase from the 2020 levy of \$76.4 million. Based on preliminary King County assessed valuation, the 2021 estimated millage rate is \$0.122, a slight increase from \$0.120 in 2020. The Port Commission had gradually lowered the levy amount since 2009 prior to the 3 percent increase in 2019.

2021 BUDGET HIGHLIGHTS

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

- Total revenues are budgeted at \$987.7 million, which includes \$680.9 million of operating revenues and \$306.8 million of non-operating revenues. With \$750 million of expected proceeds in 2021 from the anticipated sale of revenue bonds, total sources of funds are forecast to be \$1.75 billion.
- Operating revenues are budgeted at \$680.9 million, a \$130.8 million or 16.1 percent decrease from the 2020 budget. The \$386.7 million of Aeronautical revenues are based on cost recovery. Airport Non-Aeronautical revenues are budgeted to be \$189.5 million, a \$93.6 million or 33.1 percent decrease from 2020 budget mainly due to higher revenues from Public Parking, Rental Cars, Ground Transportation, Airport Dining and Retail, and Airport Commercial Properties.
- Non-Airport revenues are projected to be \$104.6 million, a \$22.5 million or 17.7 percent decrease from the 2020 budget. Lower revenues are budgeted for all lines of business except Grain.

- Total expenses are budgeted at \$792.5 million, which includes \$423.4 million of operating expenses, \$176.5 million of depreciation expense, and \$192.6 million of non-operating expenses, the majority of which are comprised of interest and principal on outstanding bonds.
- Operating expenses are down \$46.4 million, or 9.9 percent from the 2020 budget mainly due to:
 - Freezing/eliminating 167.7 vacant FTEs in 2021;
 - No pay increase for non-represented employees and equivalent savings for represented staff;
 - Travel and training limited to minimal amount to maintain certifications; and
 - Contracted services scaled back to those most essential to maintain operations and advance key initiatives.
- The 2021 operating budget includes the following:
 - \$11.4 million in expenditures for environmental stewardship;
 - \$4.9 million to improve customer service at SEA;
 - \$2.7 million for Workforce Development to support job-training programs, Regional Trades Partnership, K-12 Career Connected Learning, Youth Maritime initiative, and Maritime Career Pathways;
 - \$1.1 million for the Office of Equity, Diversity and Inclusion; and
 - \$2.5 million to promote and support statewide tourism initiatives and \$910 thousand in grants to support economic development initiatives in King County cities.
- The Port's budgeted net operating income before depreciation is \$257.4 million, a \$84.4 million or 24.7 percent decrease from the 2020 budget. Net operating income after depreciation is \$80.9 million, \$81.9 million or 50.3 percent lower than the 2020 budget.

TABLE I-1: 2021 BUDGET SUMMARY

COMPREHENSIVE BUDGET (\$ in 000s)		Notes	Aviation	Non-Aviation	Total
Revenues					
1. Aeronautical Revenues			\$ 386,668	\$ -	\$ 386,668
2. Other Operating Revenues	1		189,548	104,645	294,193
Total Operating Revenues			576,215	104,645	680,861
Non-Operating Revenues					
3. Tax Levy			-	78,676	78,676
4. Passenger Facility Charges			67,990	-	67,990
5. Rental Car Customer Facility Charges			24,168	-	24,168
6. Fuel Hydrant			7,022	-	7,022
7. Non-Capital Grants and Donations			38,658	2,251	40,908
8. Capital Contributions			74,911	-	74,911
9. Interest Income			11,379	1,779	13,158
Total Non-Operating Revenues			224,128	82,706	306,833
Total Revenues			800,343	187,351	987,694
Expenses					
1. Operating Expense			339,908	83,505	423,412
2. Depreciation			140,014	36,496	176,509
Non-Operating Expenses					
3. Revenue Bond Interest Expense			149,380	6,611	155,990
4. GO Bond Interest Expense			-	11,268	11,268
5. PFC Bond Interest Expense			2,539	-	2,539
6. Non-Op Environmental Expense			-	10,200	10,200
7. Public Expense			4,130	6,014	10,144
8. Other Non-Op Rev/Expense			224	2,188	2,413
Total Non-Operating Expenses			156,273	36,281	192,553
Total Expenses			636,194	156,281	792,475
Revenues over Expenses			\$ 164,149	\$ 31,070	\$ 195,219
CAPITAL BUDGET		2	Aviation	Non-Aviation	Total
2021 Capital			\$ 464,234	\$ 44,292	\$ 508,526
5-Year CIP (2021-2025)			\$ 3,308,590	\$ 395,052	\$ 3,703,642
EMPLOYEES			Aviation	Non-Aviation	Total
Aviation			1,246.8	-	1,246.8
Maritime			-	262.4	262.4
Economic Development			-	36.0	36.0
Central Services			-	845.5	845.5
Total		3	1,246.8	1,143.9	2,390.7

onepgsum.xlsx

Notes:

- 1) Other operating revenues for Non-Aviation include \$41.9 million NWSA Distributable Revenue.
- 2) The Capital Budget does not include \$54.9 million of the Port's share of NWSA capital spending in 2021 or \$177.4 million over 2021-2025.
- 3) The total includes 167.6 FTEs being frozen in 2021.

TABLE I-2: CASH FLOW SUMMARY

(\$ in 000's)	<u>2021</u>	<u>Percent of Total</u>
Beginning balance of cash & investments	\$ 1,541,604	
<u>SOURCES OF CASH</u>		
Operating Revenues without NWSA	638,587	36.5%
NWSA Distributable Cash	52,254	3.0%
Interest Receipts	13,158	0.8%
Proceeds from Bond Issues	750,000	42.9%
Grants and Capital Contributions	115,819	6.6%
Tax Levy	78,676	4.5%
Passenger Facility Charges	67,990	3.9%
Rental Car Customer Facility Charges	24,168	1.4%
Fuel Hydrant Receipts	7,022	0.4%
Other Receipts	1,645	0.1%
Total	<u>1,749,319</u>	<u>100%</u>
Anticipated available funds	<u>3,290,923</u>	
<u>USES OF CASH</u>		
Expenses from Operations:		
Total Operating Expenses	423,412	29.6%
Debt Service:		
Interest Payments	185,703	13.0%
Bond Redemptions	222,825	15.6%
Total Debt Service	<u>408,528</u>	<u>28.5%</u>
Other Expenses	14,228	1.0%
Public Expense	10,144	0.7%
Payment to NWSA for Capital Expenditures	67,314	4.7%
Capital Expenditures	<u>508,526</u>	<u>35.5%</u>
Total	<u>1,432,151</u>	<u>100%</u>
Ending balance of cash & investments	<u>\$ 1,858,772</u>	
Increase (decrease) of cash during year	\$ 317,168	

cashflow.xlsx

FIGURE I-1: SOURCES OF CASH

(\$ in 000's)

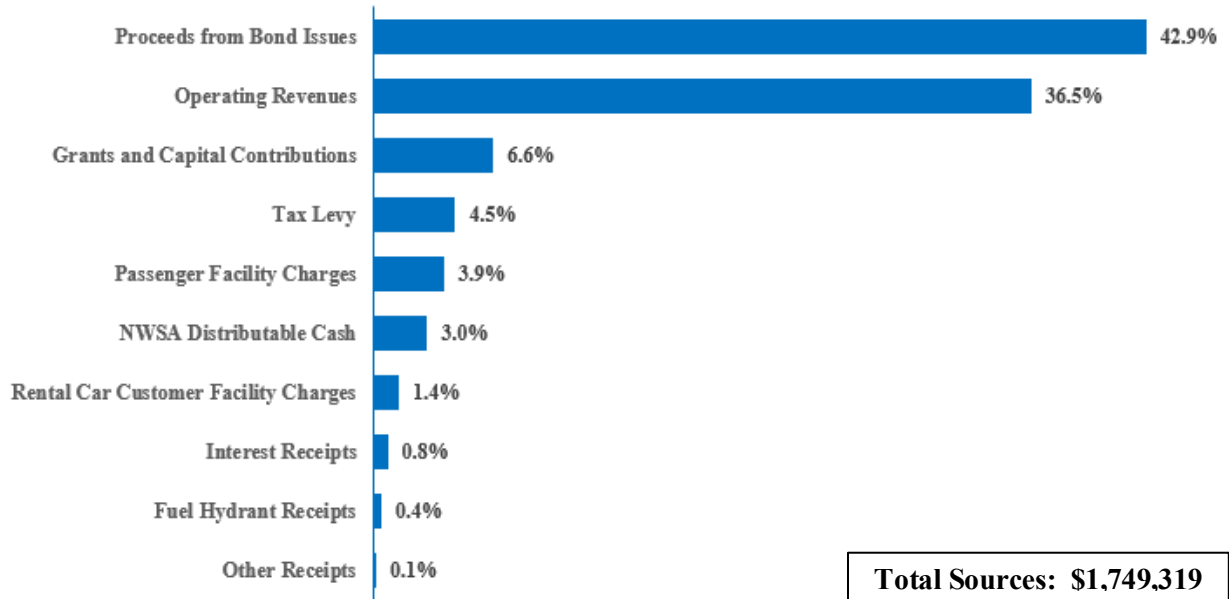
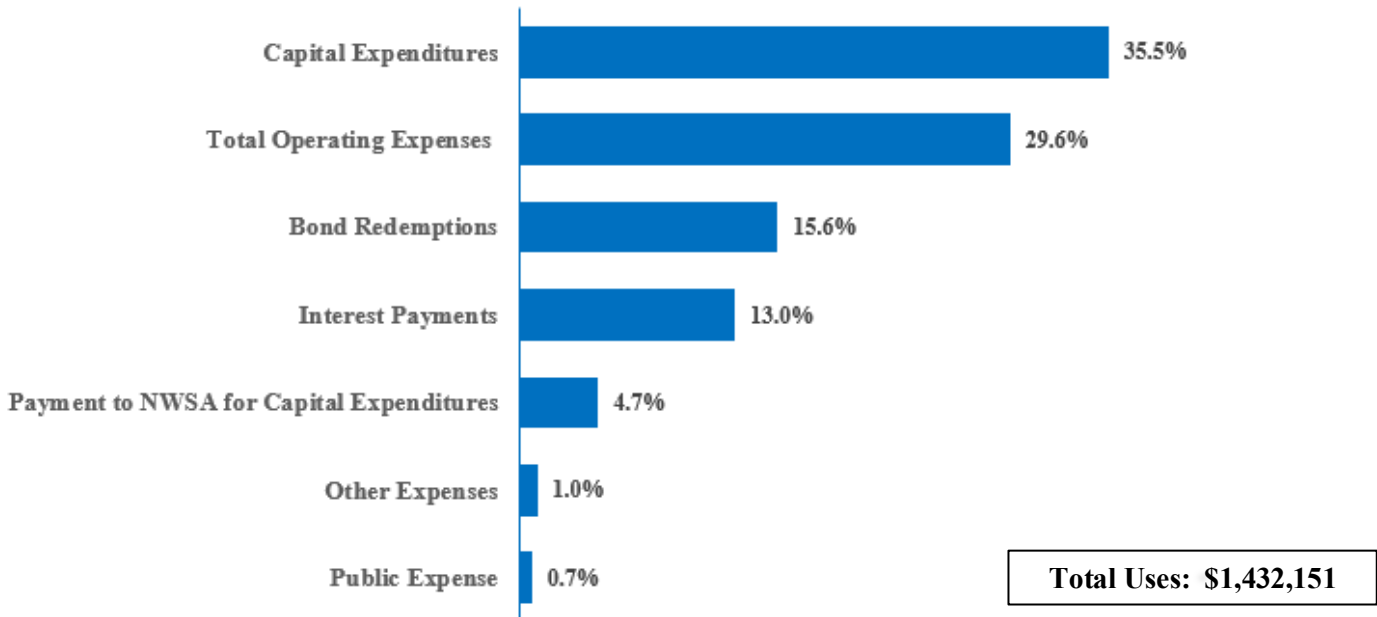


FIGURE I-2: USES OF CASH

(\$ in 000's)



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II. PORT VIEW

A. THE PORT OF SEATTLE

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

The Port is now comprised of three operating divisions, namely Aviation, Maritime, and Economic Development. The Aviation Division manages the Seattle-Tacoma International Airport (SEA). The Maritime Division manages cruise, grain, commercial and recreational marinas, and industrial properties connected with maritime businesses. The Economic Development Division manages the Port’s real estate portfolio as well as develops programs and initiatives to promote tourism in the region and provides support to small businesses. Aside from the three operating divisions, the Port also includes Central Services which provides high quality and cost-effective professional and technical services to the divisions and supports the overall goals of the Port.

B. History of the Port of Seattle

Founded in 1911 by a vote of the people as a special purpose government, the Port of Seattle was the first autonomous municipal corporation in the United States specifically tasked to develop harbor and Port facilities to encourage commerce. The Port was established in an effort by citizens to ensure public ownership of the Seattle harbor. In March 1912, voters approved the Port’s projects that included a plan to build Fishermen’s Terminal which officially opened its doors on January 1914 offering storage rooms, a locker room, offices, headquarters as well as moorage. The new terminal rapidly gained popularity among business and fishing vessel owners and has been home to the North Pacific fishing fleet for more than a century. By late 1915, the Port completed work on Bell Street Pier which housed the original Port headquarters before the relocation to Pier 69 in 1993.

The Port’s concerted efforts to renovate the piers and offer competitive rates were instrumental in increasing domestic and international trade. In 1944, the Port completed construction of Seattle-Tacoma International Airport which was reserved for military use until after World War II. The airport’s official dedication was held on July 9, 1949 attended by more than 30,000 people. During the late 1950’s to the early 1970’s, the South runway was repeatedly lengthened as airlines transitioned away from propeller-driven planes, four concourses were added increasing the number of gates, and Satellite terminals were added to the North and South of the main terminal. In recent years, The Port has undertaken major airport improvements to increase passenger satisfaction and safety such as the addition of the third runway, additional parking spaces, new surface detection radar and lighting, a new concourse, and the ongoing International Arrivals facility and the North Satellite Modernization Project. Aside from investing in airport expansion, the Port has continually contributed to the development of public amenities along Seattle’s waterfront through the construction of container terminals, a grain terminal, cruise terminals, marinas, conference centers, and public parks.

The Port has stayed true to its original mission of promoting economic opportunities and improving the quality of life in the region by advancing trade, travel, and commerce in an equitable, accountable, and environmentally responsible manner. To preserve jobs and to strengthen the Puget Sound gateway, the Port of Seattle along with the Port of Tacoma formed the Northwest Seaport Alliance (NWSA) in August 2015. This partnership unified the two ports’ marine cargo terminal investments, operations, planning, and marketing to make the region more competitive in the global economy, attract more marine cargo, and create new jobs in the region. Together, the ports can more efficiently deploy the significant investments dedicated to infrastructure and speak with a stronger voice on pressing regional and industry-related issues.

In addition to investing in infrastructure, the Port is also committed in fulfilling its goal of becoming the greenest and most energy-efficient port by investing in projects such as restoring urban forests in near-airport communities and the Duwamish River ecology, promoting adoption of Sustainable Aviation Fuels, implementing green building practices, installing electric vehicle charging stations at the airport and other port facilities, becoming the first (and only) port in the U.S. to form its own stormwater utility, and many more. The Port is also fulfilling its goal of promoting racial equity, diversity and inclusion through the implementation of policies and programs such Duwamish Valley Community Equity Program, South King County Fund, and Youth Opportunities program. These programs not only address health and economic inequities but also provide training opportunities and resources for underserved communities to ensure that economic prosperity is equally shared by all communities regardless of race.

C. PORT OF SEATTLE FACILITIES AND SERVICES

The Aviation Division operates SEA, which is located on 2,800 acres, 12 miles south of downtown Seattle. The airport includes 3 runways that are 11,900 feet, 9,425 feet, and 8,500 feet in length and a subway system linking the concourses. SEA is the 8th busiest U.S. airport as measured by passenger volume in 2019 and compared to other large airports, it has relatively high originations and destinations traffic.

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

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

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

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

FIGURE II-1: FACILITY MAP



D. CENTURY AGENDA GOALS

CENTURY AGENDA OVERVIEW



In 2012, the Port celebrated 100 years of service to the Puget Sound region by creating a comprehensive, strategic initiative to guide Port priorities for the next quarter century. That initiative is the Century Agenda. The Century Agenda aligns the Port’s and objectives across all divisions and departments as they address evolving challenges with innovative solutions.

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

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

Since its inception, the Century Agenda has remained the cornerstone of the Port’s long-term strategic planning. The Strategies and Objectives set forward in the Century Agenda are reviewed every five years to ensure it remains a living document and that the aspirational aims it sets forth are aligned to and reflective of the current landscape and the Port’s vision for the future.

OUR MISSION

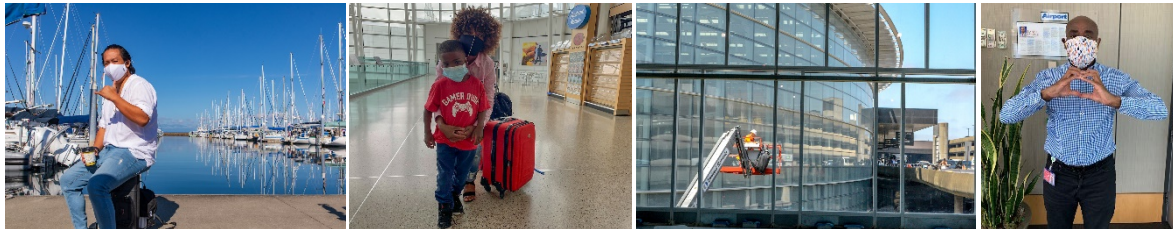
The Port of Seattle's mission is to promote economic opportunities and quality of life in the region by advancing trade, travel, commerce, and job creation in an equitable, accountable, and environmentally responsible manner.

OUR VISION

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

OUR COMMITMENT

We are committed to creating opportunity for all, stewarding our environment responsibly, partnering with surrounding communities, promoting social responsibility, conducting ourselves transparently and holding ourselves accountable.



CENTURY AGENDA GOALS AND OBJECTIVES



Goal 1: Position the Puget Sound region as a premier international logistics hub

Objectives:

1. Meet the Puget Sound region's international trade and cargo needs in an efficient and sustainable manner.
2. Support the continued success and competitiveness of the NWSA.

Goal 2: Advance this region as a leading tourism destination and business gateway

Objectives:

1. Strengthen the competitiveness of SEA in the regional and global marketplace.
2. Continuously improve operational efficiency and customer experience at SEA.

Goal 3: Responsibly Invest in the Economic Growth of the Region and all its Communities

Objectives:

1. Advance Maritime Industries through innovation, strategic investment and capable management of Port facilities.
2. Expand economic, cultural and community benefits of maritime operations and tourism while preserving industrial lands.

Goal 4: Be the greenest and most energy-efficient port in North America

Objectives:

1. Meet all increased energy needs through conservation and renewable sources.
2. Restore, create and enhance 40 additional acres of habitat in the Green/Duwamish watershed and Elliott Bay.
3. Reduce air pollutants and carbon emissions

Strategy 5: Become a Model for Equity, Diversity and Inclusion

Objectives:

1. Increase Investment in WMBE and DBE firms to ensure their increased access to opportunities.
2. Internal and external programs, structures and practices provide equitable opportunities for all.

Strategy 6: Be a Highly Effective Public Agency

Objectives:

1. Partner and engage with external stakeholders to build healthy, safe and equitable communities.
2. Advance the Port's dedication to employee engagement, safety, innovation, and financial stewardship.
3. Set the standard for high-quality, cost-effective, and timely delivery of capital programs.

CENTURY AGENDA (CA) AND ANNUAL BUSINESS PLANS/BUDGETING PROCESS



E. COMMISSIONERS AND OFFICERS

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

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

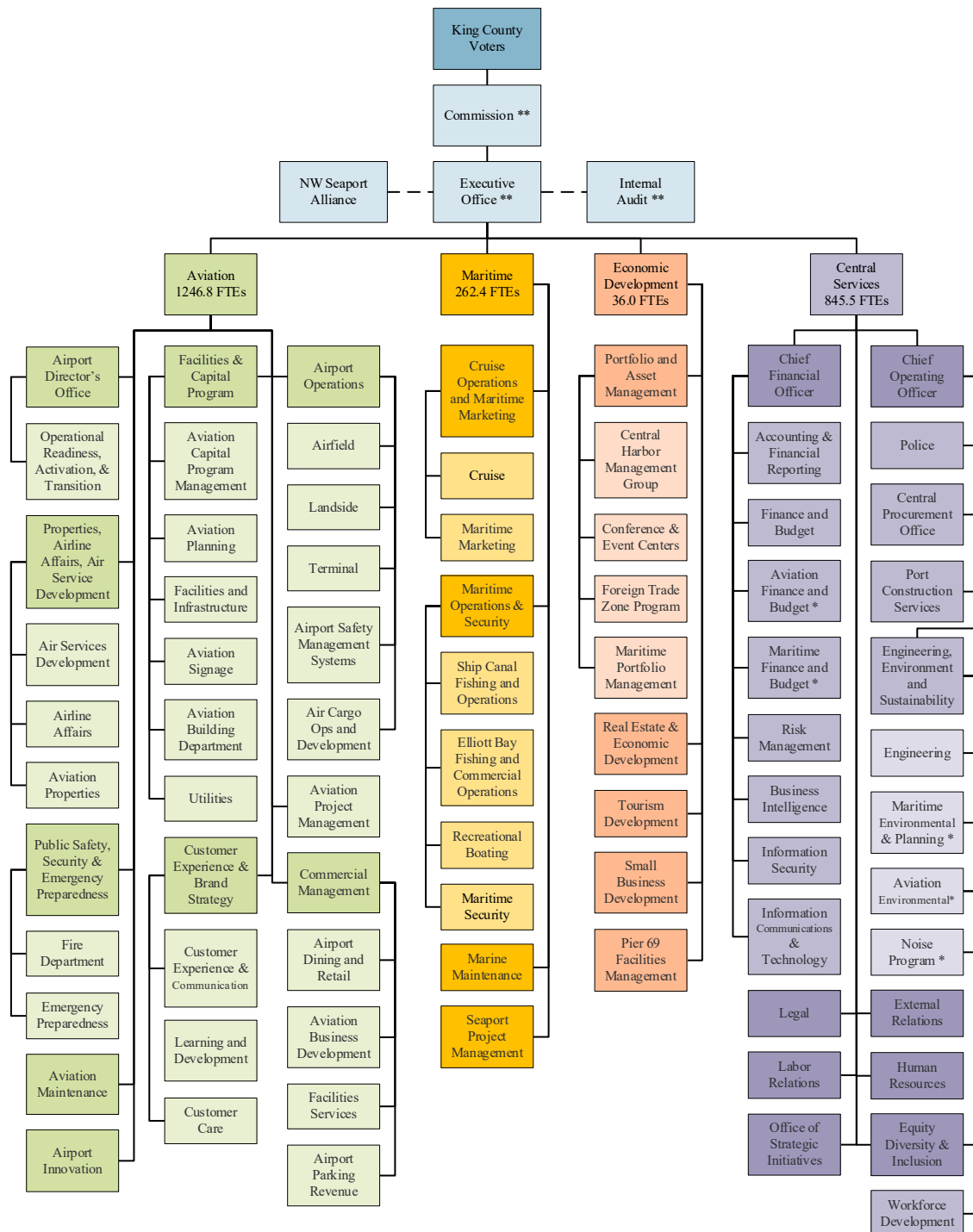
Peter Steinbrueck, President
Fred Felleman, Vice President
Stephanie Bowman, Commissioner
Ryan Calkins, Commissioner
Sam Cho, Commissioner

The senior officers of the Port are:

Steve Metruck, Executive Director
Pearse Edwards, Sr. Director, External Relations
Larry Ehl, Chief of Staff & Sr. Director, Office of Strategic Initiatives
Glenn Fernandes, Director, Internal Audit
David Freiboth, Sr. Director, Labor Relations
Katie Gerard, Sr. Director, Human Resources
Bookda Gheisar, Sr. Director, Equity, Diversity and Inclusion
Stephanie Jones-Stebbins, Managing Director, Maritime Division
Elizabeth Leavitt, Sr. Director, Engineering, Environment and Sustainability
Lance Lyttle, Managing Director, Aviation Division
Dave McFadden, Managing Director, Economic Development Division
Mike Merritt, Senior Policy Director
Pete Ramels, General Counsel & Chief Compliance Officer
Dave Soike, Chief Operating Officer
Dan Thomas, Chief Financial Officer

F. ORGANIZATION CHART

FIGURE II-2: ORGANIZATION CHART



* For reporting purposes, financials and FTEs counted in the respective division being supported.

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

III. BUDGET OVERVIEW

BUDGET OVERVIEW

A. FINANCIAL OVERVIEW

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

TABLE III-1: PORT OF SEATTLE FINANCIAL FORECAST

OPERATING BUDGET	(\$ in 000's)			Forecast				Compound Growth 2021 - 2025
	2020 Approved Budget	2020 Revised Budget	2021 Approved Budget	2022	2023	2024	2025	
Aeronautical Revenue	\$ 401,342	\$ 401,342	\$ 386,668	\$ 471,752	\$ 531,931	\$ 567,104	\$ 586,150	11.0%
Airport Non-Aero Revenues	283,167	135,074	189,548	243,818	266,283	279,226	290,281	11.2%
Non-Airport Revenues	85,171	61,367	62,372	81,868	84,945	88,068	97,826	11.9%
NWSA Distributable Revenue	41,935	41,935	42,273	42,374	42,942	45,784	44,250	1.1%
Total Operating Revenues	811,616	639,717	680,861	839,811	926,102	980,182	1,018,506	10.6%
Total Operating & Maintenance Expenses	469,769	438,081	423,412	470,963	492,656	507,211	522,438	5.4%
Net Operating Income Before Depreciation	341,847	201,637	257,448	368,848	433,446	472,971	496,069	17.8%
Total Depreciation Expense	179,053	179,053	176,509					
Net Operating Income after Depreciation	\$ 162,793	\$ 22,583	\$ 80,939					
								Total 2021 - 2025
Committed Capital Budget	\$ 680,691	\$ 612,923	\$ 548,207	\$ 430,885	\$ 364,321	\$ 376,276	\$ 344,066	\$ 2,063,755
Business Plan Prospective	58,837	7,131	59,884	287,531	364,330	498,390	429,752	1,639,887
CIP Cashflow Adjustment Reserve	(99,066)	(84,500)	(99,565)	58,240	39,825	1,000	500	0
TOTAL CIP	\$ 640,462	\$ 535,554	\$ 508,526	\$ 776,656	\$ 768,476	\$ 875,666	\$ 774,318	\$ 3,703,642

POSBPFOR.XLS

Notes:

- 1) Includes revenue from Maritime, Economic Development, Central Services, and Stormwater Utility.
- 2) Does not include NWSA Distributable Revenue.
- 3) See Section IX for details of Capital Improvement Plan.

B. OPERATING BUDGET OVERVIEW

The 2021 budget comprises of Total Operating Revenues of \$680.9 million and Total Operating Expenses of \$423.4 million. Net Operating Income Before Depreciation calculates to \$257.4 million. Net Operating Income After Depreciation is budgeted at \$80.9 million.

- Aviation Division's Operating Revenues are \$576.2 million, a \$108.3 million or 15.8% decrease from 2020 budget. Total Operating Expenses are budgeted at \$339.9 million. This represents a \$37.4 million or 9.9% decrease compared to the 2020 budget. Net Operating Income Before Depreciation is \$236.3 million.
- Maritime Division's Operating Revenues are \$45.3 million and Total Operating Expenses are \$50.2 million. Net Operating Loss Before Depreciation is \$5.0 million.
- Economic Development Division's Operating Revenues are \$13.3 million while Total Operating Expenses are \$21.4 million. Net Operating Loss Before Depreciation is \$8.1 million.
- Operating Expenses for Central Services are \$123.2 million for 2021.

- The Net Income from the NWSA will be distributed evenly between the two home ports. The Port of Seattle's 50% share of the net income for 2021 is \$42.3 million, which is included as Operating Revenue in the Portwide financial statements.

The 2021 budget for Non-Operating revenues are \$306.8 million while Non-Operating Expenses are \$192.6 million. More information for the Non-Operating Revenues and Expenses can be found from Table III-2.

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

(\$ in 000's)	2017	2018	2019	2020	2020	2020	2021
	Actual	Actual	Actual	Approved Budget	Revised Budget	Forecast	Approved Budget
Notes							
OPERATING REVENUES:							
Total operating revenue	632,031	689,390	764,174	811,616	639,717	505,965	680,861
OPERATING EXPENSES:							
Total operating expenses	372,982	397,638	443,089	469,769	438,081	418,870	423,412
NET OPERATING INCOME BEFORE DEPRECIATION	259,049	291,752	321,085	341,847	201,637	87,095	257,448
DEPRECIATION	165,021	164,362	174,971	179,053	179,053	179,054	176,509
OPERATING INCOME	94,028	127,390	146,114	162,793	22,583	(91,959)	80,939
NON-OPERATING INCOME (EXPENSE):							
Ad valorem tax levy revenues	71,702	71,771	73,801	76,385	76,385	76,385	78,676
Passenger facility charges revenues	88,389	94,070	100,004	99,505	99,505	39,074	67,990
Customer facility charges revenues	25,790	21,802	22,355	23,914	17,630	13,950	24,168
Fuel hydrant facility revenues	7,000	6,942	6,742	7,022	7,022	7,022	7,022
Non capital grants and donations	6,705	1,573	2,880	2,551	2,551	161,452	40,908
Investment income (loss)	12,174	26,287	54,078	27,669	27,669	30,094	13,158
Revenue bonds interest expense	(97,748)	(100,432)	(105,601)	(157,231)	(157,231)	(141,726)	(155,990)
Passenger facility charge revenue bonds interest expense	(4,931)	(4,368)	(3,547)	(2,740)	(2,740)	(2,740)	(2,539)
General obligation bonds interest expense	(13,891)	(13,414)	(12,493)	(12,003)	(12,003)	(11,964)	(11,268)
Public expense	(4,588)	(5,269)	(12,986)	(19,233)	(19,233)	(14,000)	(10,144)
Non-op environmental expense	(4,464)	(10,600)	(118)	(5,000)	(5,000)	(347)	(10,200)
Other income (expense)	(10,441)	(3,217)	(21,959)	(2,905)	(2,905)	(10,905)	(2,413)
Total non-operating income (expense)	75,696	85,145	103,156	37,933	31,650	146,293	39,369
INCOME BEFORE CAPITAL CONTRIBUTIONS	169,724	212,534	249,271	200,727	54,233	54,334	120,308
CAPITAL CONTRIBUTIONS	30,112	43,650	17,736	48,010	48,010	49,345	74,911
INCOME BEFORE SPECIAL ITEM	\$199,836	\$ 256,185	\$267,007	\$248,737	\$102,244	\$ 103,679	\$195,219
SPECIAL ITEM - SR 99 Viaduct Expense	-	(34,923)	-	-	-	-	-
SPECIAL ITEM - Retro Adjust to Net Position	-	(2,736)	-	-	-	-	-
INCREASE IN NET POSITION	\$199,836	\$ 218,526	\$267,007	\$248,737	\$102,244	\$ 103,679	\$195,219
							BDREVEXP
EMPLOYMENT (FTES)	2062.0	2173.0	2263.4	2380.2	2393.7	2393.7	2390.7

TABLE III-3: REVENUES BY MAJOR BUSINESSES

(\$ in 000's)		2019	2020	2020	2021	% Change
		Actual	Approved Budget	Revised Budget	Approved Budget	2020 Bud - 2021 Bud
TOTAL PORT	Notes					
Operating Revenue						
Aeronautical Revenues		\$ 357,598	\$ 401,342	\$ 401,342	\$ 386,668	-3.7%
Public Parking		82,125	89,485	40,813	59,597	-33.4%
Rental Cars - Operations		36,793	37,363	19,209	24,379	-34.8%
Rental Cars - Operating CFC		15,773	13,786	-	2,501	-81.9%
ADR & Terminal Leased Space		68,013	71,845	32,905	51,184	-28.8%
Ground Transportation		20,765	22,299	11,092	13,628	-38.9%
Employee Parking		10,438	10,137	5,100	9,688	-4.4%
Airport Commercial Properties		15,773	16,660	11,854	13,713	-17.7%
Airport Utilities		7,431	8,831	8,831	7,568	-14.3%
Clubs and Lounges		10,274	10,536	4,441	6,221	-41.0%
Cruise		22,410	26,261	5,909	8,558	-67.4%
Recreational Boating		12,484	13,361	13,361	12,915	-3.3%
Fishing & Operations		10,024	9,386	9,386	8,644	-7.9%
Grain		4,266	3,490	3,490	4,903	40.5%
Maritime Portfolio Management		10,108	10,428	10,428	10,259	-1.6%
Central Harbor Management		8,899	9,093	8,793	8,278	-9.0%
Conference & Event Centers		12,239	9,985	6,833	5,035	-49.6%
NWSA Distributable Revenue		47,979	41,935	41,935	42,273	0.8%
Other Revenues		10,783	5,390	3,995	4,848	-10.1%
Total Operating Revenues		764,174	811,616	639,717	680,861	-16.1%

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FIGURE III-1: REVENUES BY MAJOR BUSINESSES

(\$ in 000's)

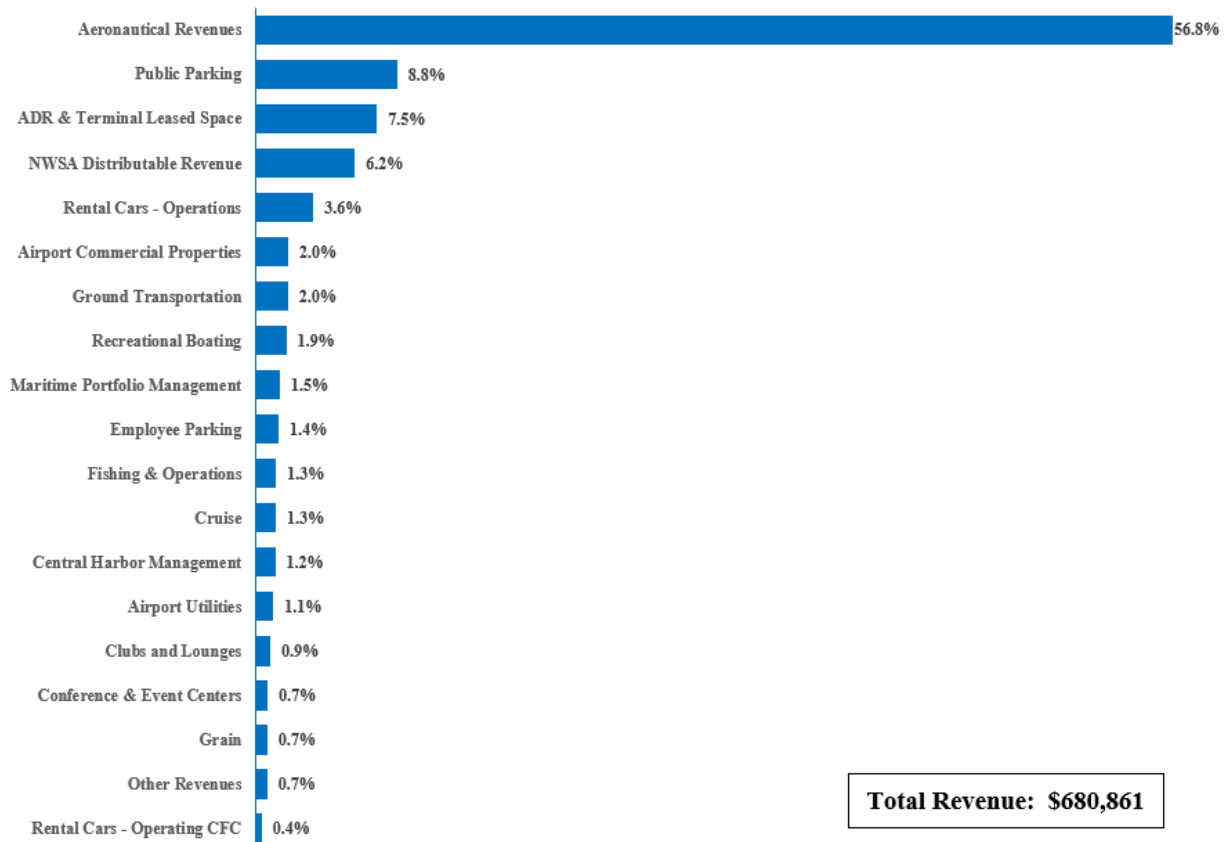


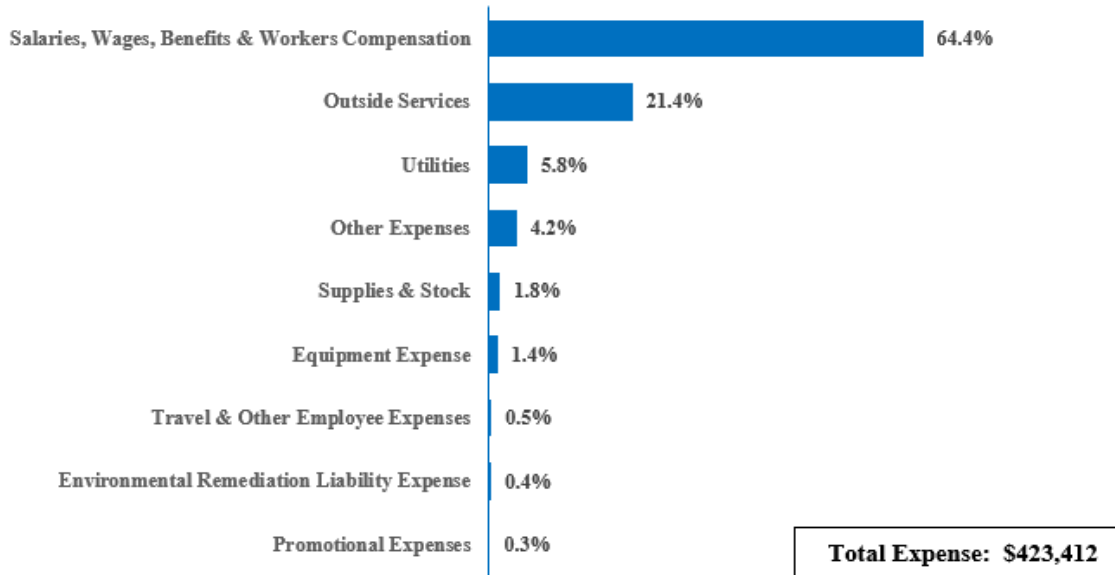
TABLE III-4: EXPENSES BY MAJOR ACCOUNTS

(\$ in 000's)		2019	2020	2020	2021	% Change
		Actual	Approved Budget	Revised Budget	Approved Budget	2020 Bud - 2021 Bud
TOTAL PORT	Notes					
Operating Expense						
Salaries, Wages, Benefits & Workers Compensation		284,066	326,770	320,036	312,945	-4.2%
Equipment Expense		11,865	9,970	7,944	6,758	-32.2%
Utilities		25,838	29,036	28,491	28,000	-3.6%
Supplies & Stock		11,197	9,082	9,990	8,614	-5.1%
Outside Services		106,463	126,169	114,501	103,959	-17.6%
Travel & Other Employee Expenses		5,449	7,029	3,752	2,409	-65.7%
Promotional Expenses		3,022	3,184	1,738	1,369	-57.0%
Other Expenses		29,911	26,717	19,524	20,190	-24.4%
Total O&M without Environmental		477,811	537,956	505,975	484,245	-10.0%
Environmental Remediation Liability Expense		16,525	2,648	878	2,001	-24.4%
Total O&M with Environmental		494,336	540,604	506,852	486,246	-10.1%
Charges to Capital/Govt/Envrs Projects/Overhead Alloc		(52,636)	(70,835)	(68,772)	(62,834)	-11.3%
Expense after Charges to Capital Projects		\$ 441,700	\$ 469,769	\$ 438,081	\$ 423,412	-9.9%

table4.xlsx

FIGURE III-2: EXPENSES BY MAJOR ACCOUNTS

(\$ in 000's)



C. BUDGET OVERVIEW - STAFFING

Port operations have been greatly impacted by the COVID-19 pandemic causing the cancellation of the 2020 cruise season and reduction in passenger activity at Sea-Tac. During late March/early April, the organization took a proactive approach of identifying savings of over \$30.0M in operating expenses and \$40.0M in Cost Improvement Project (CIP) deferrals. Additionally, a hiring freeze has been instituted for all vacant approved Full-Time Equivalent (FTE) positions (authorized during the 2020 budget cycle and between January through early March of this year) as well as backfill positions.

At the start of the 2021 budget cycle, departments were asked to closely evaluate their non-payroll and payroll budget, and as a result, total of 167.6 Full-Time Equivalent (FTE) positions has either been voluntarily frozen or deferred until 2022. The organization is implementing this budget-saving approach in lieu of furloughs or layoffs. The 2021 FTE budget is 2,390.7, a slight increase of 0.4% compared to the 2020 approved budget. In order to streamline the reporting process, a decision has been made during the 2021 budget process to move Center of Expertise (COE) departments from Central Services to Aviation and Maritime divisions. Also, starting in 2021, the internship program would be centrally managed in Human Resources (HR), thus, all college/graduate intern positions from various port departments will be transferred to HR.

Major staffing changes are outlined below:

- The Aviation division has identified a total of 102.3 FTEs that will remain unfilled and unfunded in the 2021 budget. There were 2.0 FTEs approved during the first quarter of 2020, one in Noise Program (will be included in the COE transfer from Central Services) and one in Aviation Project Management Group (AV PMG). Aviation Environmental, Aviation Noise Program, and Aviation F&B (with a total of 44.3 FTEs) will be transferred from Central Services to Aviation in 2021. Additionally, Aviation will add 2.0 FTEs, Art Coordinator and Biometrics Analyst, in 2021.
- Maritime Division has identified a total of 11.0 FTEs that will be deferred and unfunded in 2021. There were 4.0 FTEs in Marine Maintenance and 1.0 FTE in Maritime Environmental (will be included in the COE transfer from Central Services) approved during the first quarter of 2020. For 2021, Marine Maintenance will eliminate 3.0 FTEs but will replace those positions with another 3.0 FTEs (HVAC technician, SWU/SWPP Laborer and Operating Engineer). Maritime Environmental and Seaport Finance, with a total of 37.9 FTEs, will be transferred from Central Services to Maritime in 2021. Maritime Division will add a 0.5 seasonal FTE to help expedite the turnaround for moorage customers at Shilshole Bay Marina in 2021.
- Economic Development Division will eliminate an unfilled, part-time 0.6 Real Estate Analyst approved in 2020 and will add a 1.0 FTE, Innovation Initiatives Manager, in 2021.
- Central Services will defer hiring 43.8 FTEs and eliminate 6.9 unfilled FTEs in 2021. There were 6.6 FTEs (excluding the 2.0 FTEs from COEs) approved during the first quarter of 2020. Central Services will also transfer a total of 82.1 COE positions to Aviation and Maritime divisions in 2021. In turn, Aviation and Maritime Divisions will transfer a total 10.7 college/graduate interns to HR (Central Services). This decision was made in order to streamline the college/graduate internship program which would be centrally managed in HR starting in 2021. To support this expanded internship program, Central Services will add 1.0 FTE, an HR Outreach Specialist, in 2021.

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

TABLE III-5: PORT STAFFING BY DIVISION

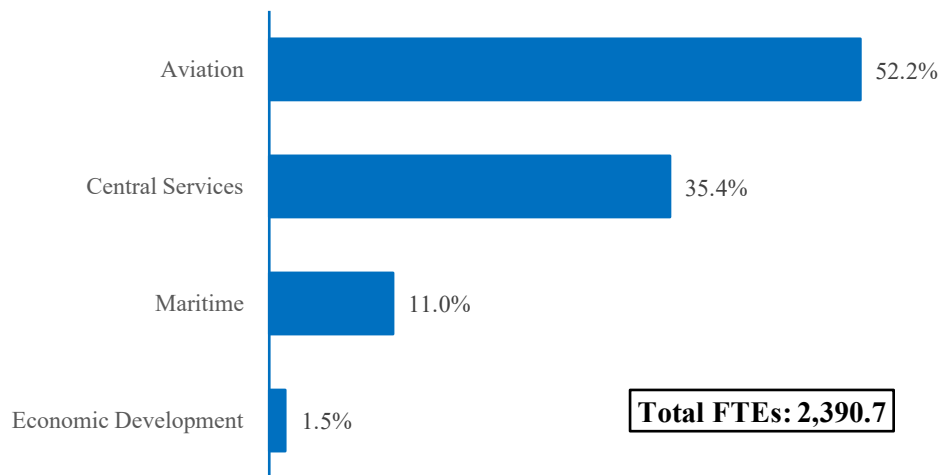
PORT STAFFING (Full-Time Equivalent Positions)		2019 Actual	2020 Approved Budget	2020 Revised Budget	2020 Estimated Actual	2021 Budget	% Change	
Division	Notes						21 Bud- '20 Bud	21 Bud- '20 Est.
Aviation		1,193.0	1,250.5	1,252.5	1,252.5	1,246.8	-0.3%	-0.5%
Maritime		227.4	259.9	264.9	264.9	262.4	1.0%	-0.9%
Economic Development		35.0	35.6	35.6	35.6	36.0	1.1%	1.1%
Central Services		808.0	834.3	840.7	840.7	845.5	1.3%	0.6%
Total FTE's	1	2,263.4	2,380.2	2,393.7	2,393.7	2,390.7	0.4%	-0.1%

FTE.XLS

Note:

- 1) The 2019 Actual, 2020 Budget, and 2020 Est. Actuals for Aviation, Maritime, Economic Development, and Central Services were adjusted to reflect the current organizational structure.

FIGURE III-3: PORT STAFFING BY DIVISION:



D. CAPITAL BUDGET OVERVIEW

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

The 2021 capital budget is \$508.5 million, and the five-year capital improvement plan (CIP) is \$3.7 billion.

The 2021-2025 CIP reflects the Port's continuing commitment to promoting regional economic activity through the investment in the development, expansion, and renewal of Port facilities. For a more detailed discussion of the Port's long-term capital and funding plan, refer to Section IX (Capital Improvement Plan) and Section X (Plan of Finance).

TABLE III-6: CAPITAL BUDGET

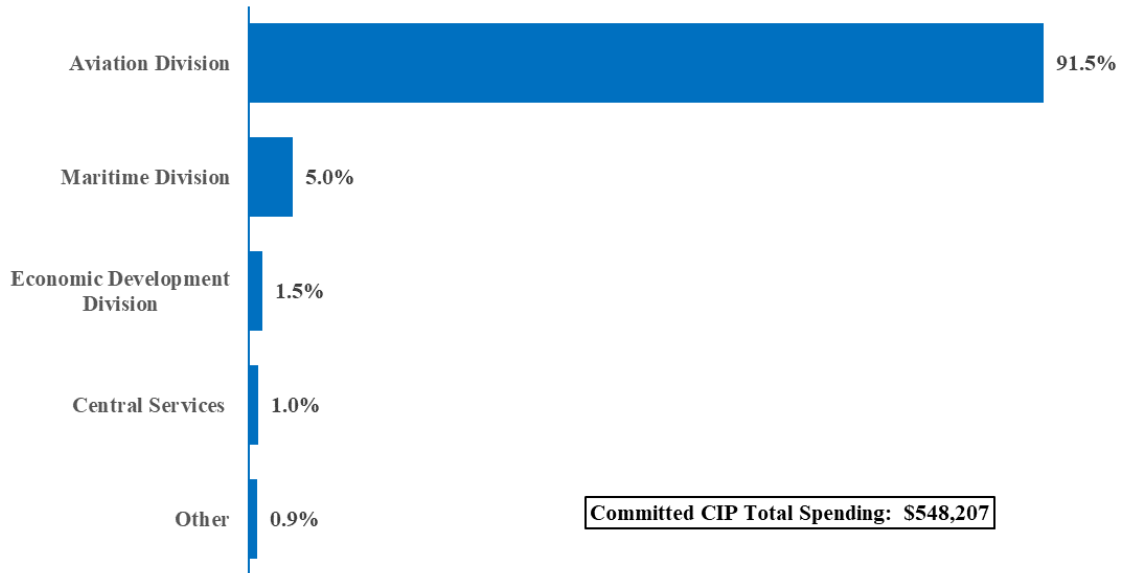
(\$ in 000's)	Notes	2021 Budget	2021-2025 CIP	% of 2021 Total Committed
Committed Capital Projects	1			
Aviation Division		\$ 501,674	\$ 1,741,663	91.5%
Maritime Division		27,438	198,300	5.0%
Economic Development Division		8,410	64,539	1.5%
Central Services		5,644	24,281	1.0%
Other	2	5,041	34,972	0.9%
Total Committed		\$ 548,207	\$ 2,063,755	100.0%
Business Plan Prospective Projects		\$ 59,884	\$ 1,639,887	
CIP Cashflow Adjustment Reserve		\$ (99,565)	\$ -	
Total CIP		\$ 508,526	\$ 3,703,642	

CAPSUM

Notes:

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

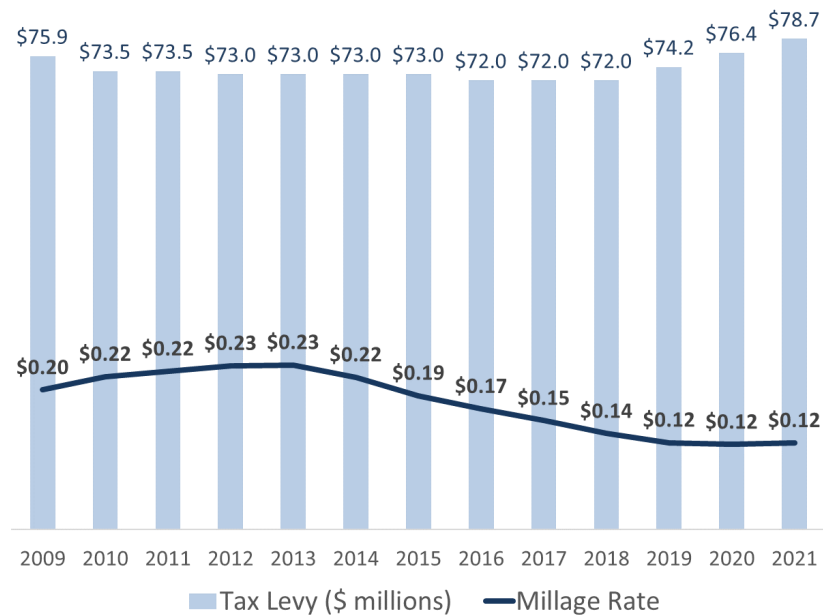
FIGURE III-4: COMMITTED CAPITAL BUDGET
(\$ in 000's)



E. TAX LEVY

- The maximum allowable levy for 2021 is \$108.2 million.
- For 2021 the preliminary levy is \$78.68 million, a 3% increase over the 2020 levy of \$76.38 million.
- The estimated 2021 millage rate is \$0.122.
- Planned levy uses in 2021 include:
 - General Obligation (G.O.) Bond debt service
 - Capital projects reviewed by the Commission
 - NWSA Membership Interest Contribution
 - Regional transportation projects
 - Environmental remediation
 - Airport Community Ecology funding and energy and sustainability policy directives
 - Workforce development, tourism and economic development partnership grants
 - City of SeaTac safety enhancements
 - Local community advertising at Sea-Tac Airport
 - Highline Schools Noise projects
 - South King County Support Funding
 - Duwamish Valley Community Equity Program

FIGURE III-5: TAX LEVY VS. MILLAGE RATE 2009-2021



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IV. AVIATION

AVIATION DIVISION

A. 2021 BUDGET SUMMARY

TABLE IV-1: AVIATION CASH FLOW SUMMARY

(\$ in 000's)	<u>2021</u>	<u>Percent of Total</u>
<u>SOURCES OF CASH</u>		
Operating Revenues	\$ 576,215	37.1%
Interest Receipts	11,379	0.7%
Proceeds from Bond Issues	750,000	48.3%
Grants and Capital Contributions	113,568	7.3%
Tax Levy	-	0.0%
Passenger Facility Charges	67,990	4.4%
Rental Car Customer Facility Charges	24,168	1.6%
Fuel Hydrant Receipts	7,022	0.5%
Other Receipts	1,276	0.1%
Total	\$ 1,551,619	100%
<u>USES OF CASH</u>		
Expenses from Operations:		
Total Operating Expenses	339,908	29.7%
Debt Service:		
Interest Payments	162,088	14.2%
Bond Redemptions	173,330	15.1%
Total Debt Service	335,418	29.3%
Other Expenses	1,471	0.1%
Public Expense	4,130	0.4%
Capital Expenditures	464,234	40.5%
Total	\$ 1,145,160	100%

cashflow1.xlsx, AV

FIGURE IV-1: AVIATION SOURCES OF CASH
(\$ in 000's)

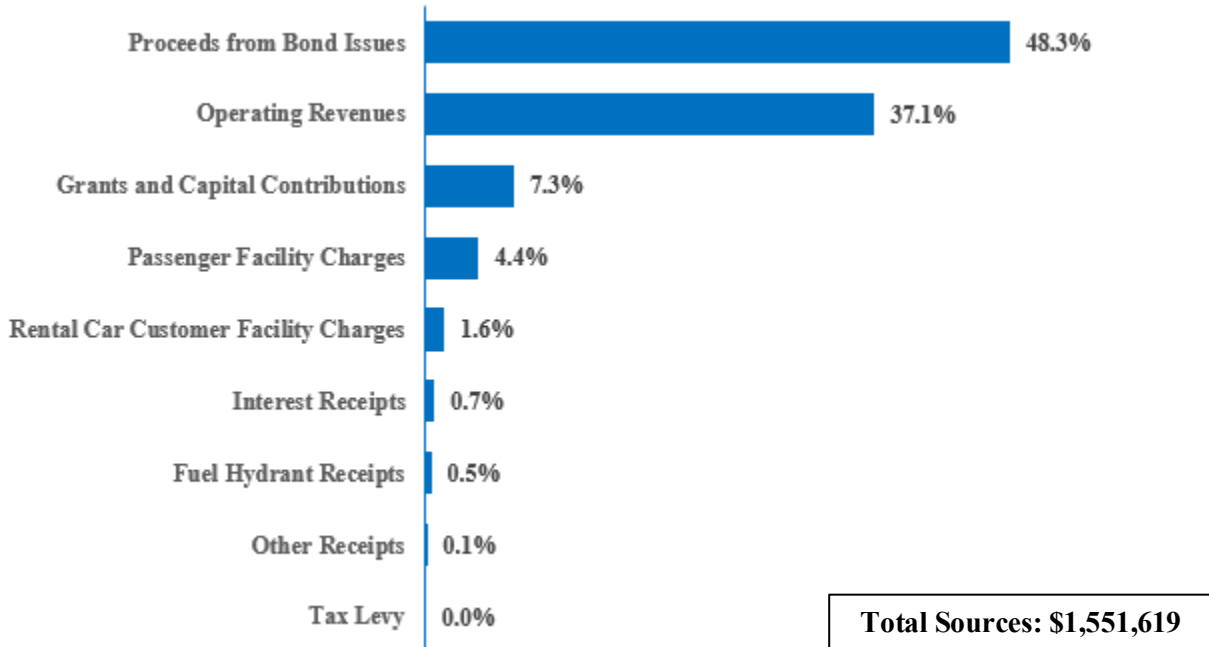
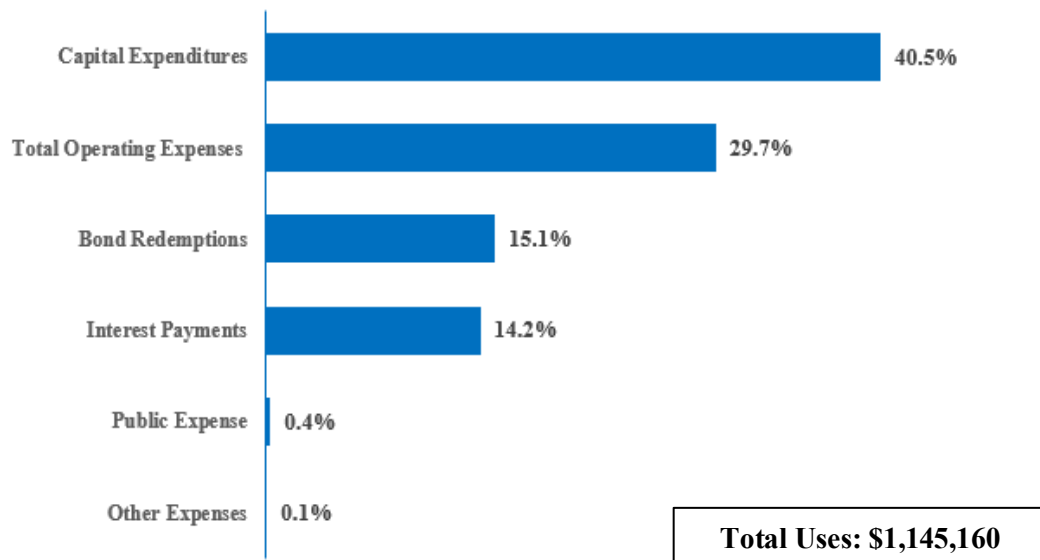


FIGURE IV-2: AVIATION USES OF CASH
(\$ in 000's)



B. FINANCIAL FORECAST

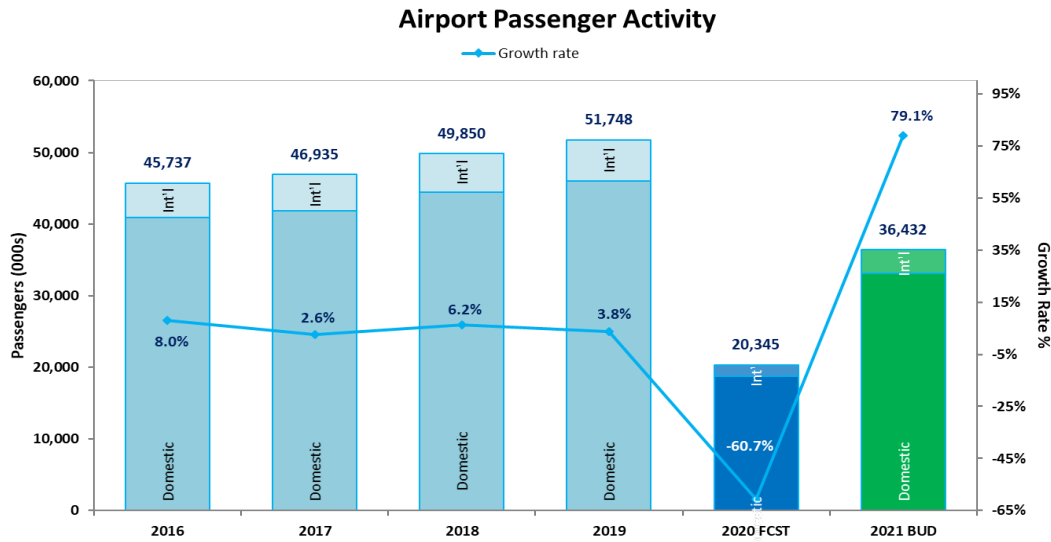
TABLE IV-2: AVIATION FINANCIAL FORECAST

(\$ in 000's)	Approved Budget 2020	Budget 2021	Forecast				Compound Growth 2021-2025
			2022	2023	2024	2025	
OPERATING BUDGET							
Aeronautical Revenues	\$ 401,342	\$ 386,668	\$ 471,752	\$ 531,931	\$ 567,104	\$ 586,150	11.0%
Non-Aeronautical Revenues	283,167	189,548	243,818	266,283	279,226	290,281	11.2%
Total Operating Revenues	684,510	576,215	715,569	798,215	846,330	876,430	11.1%
Operating & Maintenance Expense	269,282	242,072	269,932	282,308	290,777	299,501	2.7%
Central Services and other Division Costs	81,792	73,872	82,374	86,151	88,735	91,397	2.8%
Law Enforcement Costs	26,233	23,964	26,722	27,947	28,785	29,649	3.1%
Total Operating Expense	377,306	339,908	379,028	396,406	408,298	420,547	5.5%
Net Operating Income Before Depreciation	307,203	236,308	336,542	401,809	438,032	455,884	17.9%
Total Depreciation Expense	141,959	140,014					
Net Operating Income After Depreciation	165,244	96,294					
							Total 2021-2025
Committed Capital Budget	608,897	501,674	363,470	286,516	308,791	281,212	1,741,663
Business Plan Prospective	47,307	47,253	272,294	353,438	483,084	410,858	1,566,927
CIP Cashflow Adj Reserve	(86,066)	(84,693)	50,816	33,877	-	-	-
Total Capital Budget	570,138	464,234	686,580	673,831	791,875	692,070	3,308,590

TABLE IV-3: AVIATION KEY MEASURES

	Budget	Budget	Forecast			
	2020	2021	2022	2023	2024	2025
Key Measures (in \$'s)						
Cost per Enplanement (CPE)	13.92	19.62	19.31	20.13	20.58	20.75
O&M per Enplanement	14.15	18.66	16.62	15.98	15.76	15.84
Non-Aero Revenue per Enplanement	10.62	10.41	10.69	10.74	10.78	10.93
Debt per Enplanement	118.96	197.77	180.32	184.01	199.84	211.02
Debt Service Coverage	1.80	1.36	1.47	1.40	1.37	1.39
Traffic (in 000's)						
Enplanements	26,667	18,216	22,800	24,800	25,900	26,547

FIGURE IV-3: AIRPORT PASSENGER ACTIVITY



Total passengers are expected to grow in 2021 by 79.1% from 2020 Forecast.

C. AVIATION DIVISION DESCRIPTION/BUSINESS ASSESSMENT

MISSION: Connecting our region to the world through flight.

VISION: Seattle-Tacoma International Airport (SEA) is a welcoming front door, embodying the spirit of the Northwest – an economic engine and a source of regional pride.

MAJOR/NEW INITIATIVES:

- Implement FlyHealthy@SEA strategies.
- Open the International Arrivals Facility.
- Open Phase 2 of North Satellite Renovation
- Reduce carbon footprint through purchase of renewable natural gas.
- Complete the Sustainable Airport Master Plan (SAMP) environmental review.
- Complete the Utility Master Plan.
- Continue planning and early project planning in anticipation of SAMP completion.
- Continue planning to upgrade and/or reconfigure areas within the Main Terminal such as Checkpoint 3 and Baggage Claim area.
- Continue to focus resources to address pest management issues.
- Implement consolidated service contract for checkpoint queue management, international arrivals support, and ground transportation support services.
- Continue with development of programmatic approach to managing airport assets.
- Accelerate noise insulation program
- Initiate preliminary design/design work for major new capital projects:
 - South Satellite Renovation
 - Main Terminal Infrastructure
 - Post-IAF Opening Airline Realignment
 - Zone 6&7 Ticketing & Checkpoint 5 Reconfiguration
 - Lounges on Concourse A
 - Concourse A Duty Free

DIVISION DESCRIPTION:

The Port of Seattle owns and operates Seattle-Tacoma International Airport (SEA), the 8th busiest airport in the U.S. based on passenger volume in 2019. The Airport is located approximately 12 miles south of downtown Seattle. Currently, the Airport has facilities for commercial passengers, air cargo, general aviation, and aircraft maintenance on a site of approximately 2,800 acres. Airport facilities include the Main Terminal, the South and North Satellites, a parking garage, and a consolidated rental car facility. The Airport has three runways that are 11,900 feet, 9,425 feet, and 8,500 feet in length.

INDUSTRY ASSESSMENT:

Covid-19 has caused a pandemic that has had a devastating impact on the travel industry in general and the airline industry in particular. Beginning in March of 2020, as the severity of the pandemic became clear, demand for air travel reduced dramatically. All airlines have been impacted, with revenue falling well short of costs, resulting in negative cash flow. The magnitude of the drop-in demand for air travel greatly exceeds previous industry low points such as September 11, 2001 and the aftermath of the Great Recession of 2008-2009. The Coronavirus Aid, Relief and Economic Security (CARES) Act that was enacted in March of 2020 included \$58 billion for the airline industry. In order to reduce costs, airlines have reduced seat capacity by retiring or storing aircraft. The major domestic airlines have managed to use the CARES aid and have successfully borrowed to greatly enhance their cash positions and improve the likelihood they will survive a slow recovery.

SEA is a hub for both Alaska and Delta. Alaska announced earlier this year that it intends to join the One World Alliance and thereby expand its partnership with American Airlines. American Airlines, pre-Covid-19 announced that it would establish new international service at SEA.

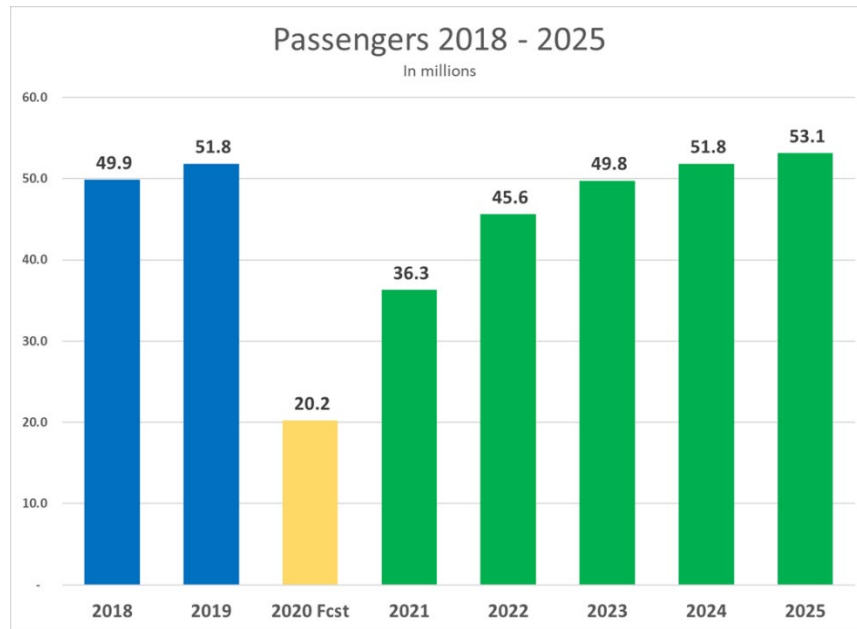
BUSINESS ASSESSMENT/DRIVERS:

Passenger traffic at SEA was down 94% in April of 2020 compared to 2019. From May through August, traffic slowly came back to the point of being down 70% in August compared to August of 2019. For the year, SEA expects to be down 61% compared to 2019. We are forecasting to grow 79% in 2021, yet still be down 30% compared to the 2019 passenger level. Domestic demand is expected to rebound sooner than international. We are estimating that SEA will return to 2019 passenger level in 2024. There is much uncertainty over the path of recovery.

TABLE IV-4: AVIATION PASSENGER FORECAST

	Annual Change Vs. 2019	
2020	-61.0%	-61.0%
2021	79.5%	-30.0%
2022	25.7%	-12.0%
2023	9.1%	-4.0%
2024	4.2%	0.0%
2025	2.5%	2.5%

FIGURE IV-4: AIRPORT PASSENGERS 2018-2025

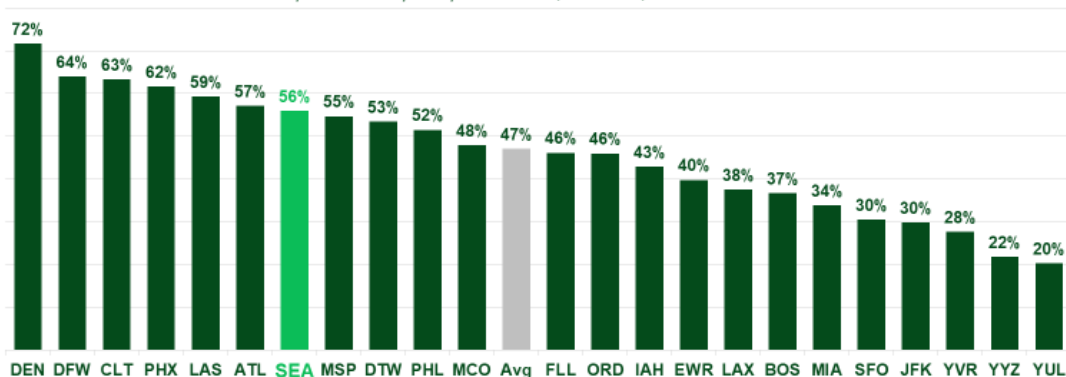


SEA has seen less of a decline in seat capacity than most of the top North American Airports as the chart below shows. Part of the explanation is that SEA is the primary hub for Alaska, and airlines have maintained relatively more capacity at their primary hubs. SEA has seen comparatively less decline in seats than other major west coast airports such as San Francisco (SFO), Los Angeles (LAX) and Vancouver (YVR) due to less reliance on international service, which has been particularly hard hurt due to international flight restrictions.

FIGURE IV-5: AIRPORT OPERATING SEATS COMPARISON

SEA is 9 Points Better than the Average Top North American Airports

Percent of August 2019 Seats Operating in August 2020
Top 20 U.S. Airports plus Toronto, Montréal, and Vancouver



Source: Dite schedules



CHALLENGES AND OPPORTUNITIES:

Strengths:

- Two hub airlines: Alaska and Delta
- New facilities will open, adding capacity: IAF and NSAT
- Port of Seattle staff, ability to adapt and innovate
- SEA brand, FlyHealthy@SEA strategy, tenant engagement
- Support creation/maintenance of jobs

Weaknesses:

- Finances have deteriorated – lower debt service coverage, lower cash balance, lower capital capacity
- Current facilities not designed for passenger/traffic levels; physical distancing; aging infrastructure
- Construction impacts customer service
- Port processes: design review process, hiring, commission review & approval
- Staffing constraints, retirements, challenges filling key positions
- Organizational focus to support declining businesses

Opportunities:

- Regional economy - historically resilient, may bounce back sooner?
- Construction costs and delivery – may be more competitive, less constrained by airport congestion, opportunity to catch up
- Technology: touchless, videoconferencing, teleworking, innovation
- Federal support for airports

Threats:

- Pandemic impact on demand for travel – timing and extent of recovery uncertain
- Airlines in financial trouble – focus on cost cutting, reduced airport costs, retired aircraft reduce supply
- Technology – video conferencing and teleworking could reduce demand for air travel
- Opposition to airport expansion
- Construction costs uncertain due to Covid-19 restrictions
- Non-aeronautical business model paradigm shift

D. OPERATING BUDGET SUMMARY

Background

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

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

On the Non-aeronautical side of the business, the primary goal is to increase cash flow as measured by net operating income (NOI). The net cash flow can be used to directly fund capital improvements and build up cash reserves to meet liquidity targets. In prior years, this cash flow also provided the vast majority of the revenue sharing that was credited to the signatory airlines in accordance with the terms of the Signatory and Lease and Operating Agreement (SLOA). Under the terms of the current SLOA, the revenue sharing provision was phased out, and ended in 2019. The decision to end revenue sharing under the current SLOA reflects the airport's forward focus on directly funding capital improvements and building up cash reserves to meet liquidity targets during a period of increased capital investment.

As described in the Industry Assessment section above, the coronavirus pandemic severely impacted airline travel beginning in early March 2020. In response to plummeting passenger volumes, the airport implemented a hiring freeze in March 2020 and formally revised the 2020 Operating Budget in April 2020. Hiring for vacant positions during 2020 has been limited to critical functions only and requires hiring approval by both an executive leadership hiring panel and final hiring authorization by the Executive Director. In addition, significant non-payroll cost reductions were sought and implemented in 2020.

Overview of Major Changes in 2021 Budget

The 2021 Budget is significantly changed from operating budgets in recent years, due to the impact of the ongoing coronavirus on the airline industry, and specifically on SEA passenger volumes and airport operations. During 2020, passenger volumes fell dramatically with April being the lowest month with enplaned passenger activity 94% lower than the same month in the prior year. Passenger volumes are gradually increasing, but overall passenger volumes in 2020 are expected to be 61% lower for the year than 2019 volumes.

With a multi-year recovery timeline expected, the 2021 Budget was developed based on a passenger volume forecast of 79% growth in 2021 compared to the prior year (due to the deep declines in passenger volumes experienced in 2020), yet still be down 30% compared to the 2019 passenger level. In a strategic effort to navigate this recovery period, the focus of the 2021 Budget is cost reduction and close alignment with key airport initiatives.

As such, the 2021 Budget focused on reducing both payroll and non-payroll costs wherever possible, while maintaining critical airport functions. Payroll cost reductions were largely achieved by identifying 102.3 FTEs from currently vacant positions which will not be filled during 2021. These 102.3 FTEs will be held vacant and have been unfunded in the 2021 Budget. In addition, no pay increases have been

budgeted for 2021. Non-payroll cost reductions were achieved by identifying expense project work that could be slowed down or deferred to future years. When evaluating non-payroll expenses, the airport implemented a modified zero-based budgeting approach and reduced most expense accounts in order to focus on highest priority initiatives only.

Revenues

Coronavirus impacts to Aeronautical rate base revenues are directly tied to airport operating expenses through the cost recovery methodology for rate setting. While operating expenses have been significantly reduced, they have not been reduced as steeply as passenger volumes have declined. As a result, airline rates have risen despite efforts to reduce airport operating expenses. In addition, new facilities will be coming online in 2021 which require increased operating expense and the inclusion of capital costs from those new assets in the airline rate base.

In the 2021 Budget, non-aeronautical revenues are expected to be down \$93.6M, or 33% compared to the 2020 Budget (developed before COVID-19 impacts were known). When compared to 2019 Actuals, the 2021 Budget for non-aeronautical revenue is down \$79.5M or 29.5% due to lower passenger volume. Coronavirus impacts to non-aeronautical lines of business vary depending on the type of business and how closely that business is tied to passenger volume as a key driver of revenue. Non-aero revenue from concession fees or transaction volume (Parking, Rental Car, Ground Transportation, Airport Dining & Retail, Clubs & Lounges, and In-flight Kitchens) are closely aligned with the change in passenger volume and are showing revenue recovery on pace with the return of passenger volumes. Commercial Properties and other non-aero lines of business with revenue from real estate leases structured on a specified rate per sq. ft. for space rent have been relatively unaffected by the COVID-19 decline in enplanements, and partially offset deeper revenue declines from the concession fee revenue sources.

Operating Expense Drivers

Total airport operating expenses (including Central Services costs and environmental remediation costs) are budgeted to decrease by \$37.4M, or 9.9% compared to the 2020 Budget. In response to the coronavirus pandemic and the resulting impact on air travel, the 2021 baseline budget reflects decreased payroll costs and decreased non-payroll costs including a significant reduction in contracted services. Payroll costs in the 2021 budget reflect the combined impact of no pay increases for existing staff and the elimination of budget funding for 102.3 vacant Full-Time Equivalent (FTEs) positions which have been identified to remain vacant during 2021 and are not funded in the 2021 Budget.

The tables on the following pages summarize high level changes to the direct operating and maintenance (O&M) portion of the Aviation Division budget and highlight key elements in the cost reductions and cost increases reflected in the 2021 baseline budget. Total operating expenses for the airport also include costs from Central Services and other divisions, which are not reflected in the detailed tables below.

TABLE IV-5: AVIATION BUDGET SUMMARY – INCREMENTAL CHANGES COMPARED TO PRIOR BUDGET

(\$ in 000's)

Removed 2020 non-recurring expense	(23,335)
Baseline transferred to/from Central Svcs	10
2021 Reductions/Savings in baseline budget	(36,442)
2021 Increases in Charges to Capital	4,728
2021 Increases to baseline budget	9,724
Exceptions: Change in Regulated Materials	(647)
Budget Reduction before new Budget Requests	(45,961)
Proposed 2021 additions (baseline)	12,777
Proposed 2021 additions (non-recurring)	5,957
Subtotal - new Budget Requests	18,734
Incremental Budget Change - Total O&M	(27,227)

TABLE IV-6: AVIATION BASELINE BUDGET TRANSFERS BETWEEN DIVISIONS

2021 Baseline Transfers between Central Services and Aviation division:	\$000's
Software license costs transferred from ICT to Aviation division	521
Transfer Aviation Intern FTEs to HR	(424)
Transfer non-payroll expense from AV Customer Svc to ICT	(86)
Transfer AV employee recognition to HR	(1)
Total Transfers	10
Total 2020 Baseline Transfers out to Central Services	10

TABLE IV-7: AVIATION BASELINE COST REDUCTIONS/SAVINGS

2021 Baseline Cost Reductions/Savings:	\$000's
<u>Payroll Savings (before new FTE requests)</u>	
Vacant positions (102.3) frozen & unfunded in 2021 Budget	10,336
Vacant positions (18) unfunded prior to Budget Request to "unfreeze"	2,289
Reduction in overtime assumption for 2021	1,163
All other payroll savings	174
Total Payroll Decreases	13,962
<u>Non-Payroll Savings (zero based budgeting)</u>	
Reduction in AVPMG recurring outside services costs	5,224
AV Maintenance non-payroll cost reductions	2,770
VIP Hospitality/FSS service contract removed (new budget request)	2,670
Reduction in Clubs & Lounges operating expenses due to lower activity	2,002
Reduction in utility expense (before RNG Budget Request)	1,909
Reduction in Travel & Other Employee expenses	1,816
Reduction in Furniture & Equip Acquisition expense	756
Reduction in Credit Card Fees related to lower revenue	731
AV Environmental non-payroll cost reductions	673
Reduction in Workers Compensation expense	314
Other non-payroll savings (zero based budgeting)	3,615
Total Non-Payroll Baseline Savings	22,480
Total 2021 Baseline Cost Reductions	36,442

TABLE IV-8: AVIATION BASELINE BUDGET DECREASED CHARGES TO CAPITAL PROJECTS

2021 Charges to Capital compared to 2020 Approved Budget:		\$000's
<u>Lower estimated Charges to Capital (increase to OpExp)</u>		
AVPMG decreased Charges to Capital	3,545	
CSS decreased Charges to Capital	805	
AVM decreased Charges to Capital	332	
All other Aviation decreases in Charges to Capital	46	
Total decrease in Charges to Capital		4,728

TABLE IV-9: AVIATION BASELINE BUDGET COST INCREASES

2021 Baseline Cost Increases compared to 2020 Approved Budget:		\$000's
<u>Payroll Increases (before new FTE requests)</u>		
Payroll Vacancy (1.5% vacancy assumption in 2021 Budget after leaving 102 FTEs vacant/unfunded vs. 3.0% vacancy assumption in 2020 Budget)	2,100	
Annualized new FTE's approved in the 2020 Budget	1,721	
Pay increase from Represented labor contracts executed after 2020 Budget	1,293	
Annualized new FTE's approved mid-year 2020	265	
All other Grade/Equity Changes - Non-Represented	467	
All other Grade/Equity Changes - Represented	202	
All other payroll increase/adjustments	7	
Total Baseline Payroll Increases		6,055
<u>Non-Payroll Baseline Increases (before new Budget Requests)</u>		
New Airfield Surface Area Management System	1,083	
Janitorial contractual increase	1,545	
New luggage cart service contract for IAF	542	
Required IAF connectivity cost for U.S. Customs & Border Protection	309	
All other non-payroll increase/adjustments	191	
Total Baseline Non-Payroll Increases		3,670
Total 2020 Baseline Cost Increases		9,724

The following table highlights a few of the key items included in the approved additions to the 2021 Budget.

TABLE IV-10: AVIATION APPROVED KEY ADDITIONS

AV Priority	Purpose/Outcome	2021 Requests (in \$000's)
Customer Experience	FlyHealthy - Terminal Hand Sanitizer Refills	300
	FlyHealthy - Virtual Queuing	300
	Consolidation of existing contracts to gain flexibility with contract employee staffing - Airport Consolidated Contract Support Services - IAF / Terminal / Ground Transportation	3,468
Environment and Sustainability	Be the Greenest and Most Energy-Efficient Port in North America - RNG for Boiler and NCG Operations	979
	Environmental Compliance - Sustainable Airport Master Plan (SAMP) Near-Term Projects (NTP) environmental review	900
Asset Management, Capital Development and Delivery	Operate and Maintain New Facilities - IAF Custodial Service for 2021	3,600
	Operate and Maintain New Facilities - NSAT Elevator Escalator Preventive Maint Contract	596
	Operate and Maintain New Facilities - Zone 2 - North Satellite Custodial Service for 2021 for NSTAR expansion	750
	Planning for Future Facilities Needs - On-Call Planning	1,600
	Planning for Future Facilities Needs - Utility Master Planning	1,200
	Pest Control and Waste Management - Unified Pest Management Contract Support	627
	Strategic Asset Management - Asset Management Program Development	500
Total Non-FTE Highlights		\$ 14,819
Total cost of proposed FTEs	See FTE detail in the table below (unfreezing 18 and 2 new)	1,179
Total	Total of <u>highlighted</u> budget requests	\$ 15,998
	<i>% of total budget requests shown above</i>	<i>85%</i>

The following table lists the new FTEs included in the approved additions to the 2021 Budget.

TABLE IV-11: AVIATION APPROVED FTE ADDITIONS

AV Priority	Purpose/Outcome	FTEs
Health and Safety	Backfill of recently vacated position in order to maintain safety on the airfield movement area	1
Community	Augmentation of the team working to implement Noise Mitigation programs, and a coordinator for the Art program	2
Innovations and Efficiencies	Added resource to a) ensure the implementation of biometric technology complies with CBP regulatory requirements, and b) support the operational use of this technology going forward	1
Customer Experience	5.5 additional bus drivers and 1.5 additional cashiers to support the recovery of the operations	7
Financial Sustainability	Added resources for the ADR and Aviation Properties to support	2
Asset Management, Capital Development and Delivery	1 director of Facilities and Capital Programs, 3 Engineering positions in the Facilities and Maintenance depts 1 Fire Protection Engineer, 1 Baggage Systems Specialist, and 1 Laborer Parking/Fueler Cleaner	7
Total		20

The full list of approved additions to the 2021 Budget, both baseline and non-recurring, are explained below in the context of the Problem/Need/Opportunity they are identified to address.

TABLE IV-12: AVIATION APPROVED ADDITIONS

AV Priority	Problem/Need/Opportunity	Solution	2021 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-Recurring	Total
Health and Safety	Maintain and Improve Safety of Airport Operations Area	Airfield Behavior Based Safety Training Program - Propulo	-	151	-	151
		Annual Membership Fee for Global Biorisk Advisory Council (GBAC) Accreditation	-	10	-	10
		Cargo Facilities Fire Code Consulting	-	-	35	35
		Fire Department - Bunker Gear Replacement	-	-	80	80
		Fire Department - Live Fire Training	-	50	-	50
		Hire Airfield Ops Specialist backfill	1.0	59	-	59
		Fire Department - Live Fire Training - prop rental	-	2	-	2
	Reduce Wildlife Strikes	New Consolidated Wildlife Management Contract	-	-	100	100
Health and Safety Total			1.0	\$ 273	\$ 215	\$ 488

AV Priority	Problem/Need/ Opportunity	Solution	2021 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-Recurring	Total
Security	Maintain and Enhance Overall Security at the Airport	Regulatory "No Fly" monitoring contract	-	24	-	24
		SEA Safety Act Certification Application Maintenance	-	-	8	8
		See Say Airport Security App	-	128	-	128
Security Total			0.0	\$ 152	\$ 8	\$ 159

AV Priority	Problem/Need/ Opportunity	Solution	2021 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-Recurring	Total
Community	Airport Noise Mitigation	Ground Noise Study	-	-	38	38
		Hire a Noise Program Manager	1.0	122	-	122
	Maintain Airport Art	Engage an Art Consultant	-	-	5	5
		Hire an Art Coordinator	1.0	55	-	55
Community Total			2.0	\$ 176	\$ 43	\$ 219

AV Priority	Problem/Need/ Opportunity	Solution	2021 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-Recurring	Total
Innovations and Efficiencies	Passenger Processing and Safety	Biometric Air Exit Vendor Support	-	77	-	77
		Hire a Biometrics Analyst	1.0	76	-	76
Innovations and Efficiencies Total			1.0	\$ 152	\$ -	\$ 152

AV Priority	Problem/Need/ Opportunity	Solution	2021 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-Recurring	Total
Social Responsibility	Need to comply with FAA ACDBE requirements	Hire ADR consultant to assist with preparation of Triannual report and review of joint venture agreements	-	-	55	55
Social Responsibility Total			0.0	\$ -	\$ 55	\$ 55

AV Priority	Problem/Need/ Opportunity	Solution	2021 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-Recurring	Total
Customer Experience	FlyHealthy	Electronic Restroom Alert	-	-	16	16
		Optiqo Quality Control Systems	-	-	24	24
		Terminal Hand Sanitizer Refills	-	300	-	300
		Touchless CUSS Kiosk Bag Tag Printing	-	59	-	59
		Virtual Queuing	-	-	300	300
	Support Recovery of Operations	BAGS INC - Rental Car Curbside Assistance	-	180	-	180
		Hire 3 bus drivers	3.0	113	-	113
		Hire Bus Drivers - Employee Parking	2.5	99	-	99
		Hire Cashiers (PSRR) - Public Parking	1.5	55	-	55
	Consolidation of existing contracts to gain flexibility with contract employee staffing	ACCS - Airport Consolidated Contract Support Services - Ground Transportation Portion	-	333	-	333
		ACCS - Airport Consolidated Contract Support Services - International Arrival Facility Portion	-	1,568	-	1,568
		ACCS - Airport Consolidated Contract Support Services - Terminal Portion	-	1,568	-	1,568
	Processing Passengers	Cruise season wheelchair assistance	-	55	-	55
		Maul Foster & Alongi - Taxi Outreach	-	-	50	50
	Strategic Customer Experience Improvements	Quality Assurance : Confidential Customer Program	-	-	140	140
Skytrax 2021 Terminal Audit		-	-	30	30	
Customer Experience Total			7.0	\$ 4,328	\$ 560	\$ 4,888

AV Priority	Problem/Need/ Opportunity	Solution	2021 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-Recurring	Total
Environment and Sustainability	Be the Greenest and Most Energy-Efficient Port in North America	RNG for Boiler and CNG Operations	-	659	-	659
		RNG for Boiler and CNG Operations - New Baseline	-	320	-	320
	Environmental Compliance	Flight Corridor Safety Program Site Restoration	-	-	45	45
		Sustainable Airport Master Plan (SAMP) Near-Term Projects (NTP) environmental review	-	-	900	900
Environment and Sustainability Total			0.0	\$ 979	\$ 945	\$ 1,924

AV Priority	Problem/Need/ Opportunity	Solution	2021 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-Recurring	Total
Financial Sustainability	Air Service Development	New Air Service Incentive Program - Existing Eligible Services (Cathay Pacific & Singapore)	-	-	250	250
		New Air Service Incentive Program - American Airlines (London)	-	-	200	200
	Increase Non-Aeronautical Revenue	Hire a Senior Manager ADR	1.0	106	-	106
		Hire a Senior Manager Aviation Properties	1.0	53	-	53
		Multi-prong SEA revenue advertising via Pre Booking System Advertising channels	-	60	-	60
		Parking advertising	-	30	-	30
	Financial Sustainability Total			2.0	\$ 249	\$ 450

AV Priority	Problem/Need/ Opportunity	Solution	2021 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-Recurring	Total
Asset Management, Capital Development and Delivery	Meet the Maintenance Needs and Standards of the Existing Facilities	Cable Television System Asset Renewal and Critical Spares	-	-	25	25
		Cargo Facilities Small Works Contracting	-	-	100	100
		Civil System Support	-	50	-	50
		Controls service for new systems installed for Baggage Optimization Project	-	20	-	20
		Controls service for new systems installed for the International Arrivals Facility	-	38	-	38
		Hire a Baggage Systems Specialist	1.0	69	-	69
		Hire a Fire Protection Engineer	1.0	23	-	23
		Hire a Laborer Parking/Fueler Cleaner	1.0	51	-	51
		Hire a Operating Maint Engineer	1.0	39	-	39
		Replace Vitra Glides on Holdroom Seats	-	-	25	25
		Terminal Waste Receptacles for NSTAR	-	118	-	118
		Air Cargo Road Traffic Signal Annual Maintenance	-	15	-	15
		Hire AV F&I Principal Engineer	1.0	48	-	48
		Hire AV F&I Senior Engineer - Civil	1.0	86	-	86
Continued on next slide						

AV Priority	Problem/Need/ Opportunity	Solution	2021 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-Recurring	Total
Asset Management, Capital Development and Delivery, ctd.	Operate and Maintain New Facilities	IAF Contractor Move & Relocate Furniture, etc.	-	-	20	20
		IAF Custodial Service for 2021	-	3,600	-	3,600
		NSAT Elevator Escalator Preventive Maint Contract	-	596	-	596
		Promo Hosting - IAF Grand Opening	-	-	50	50
		Promo Hosting - NSAT Grand Opening	-	-	50	50
		VMS and Access Control for CBP - IAF	-	25	-	25
		Zone 2 – North Satellite Custodial Service for 2021 for NSTAR expansion	-	750	-	750
	Planning for Future Facilities Needs	Hire a director of Facilities and Capital Programs	1.0	124	-	124
		On-Call Planning	-	-	1,400	1,400
		On-Call Planning	-	-	200	200
		Transoft Increase	-	-	3	3
		Utility Master Planning	-	-	1,200	1,200
	Implement Operational Readiness and Airport Transition (ORAT)	CITRI ORAT Software Renewal (Amortized)	-	163	-	163
		Meet or Exceed Requirements for Stormwater Leaving Port-Owned or Operated Facilities				
		IWS Lagoon Liner Condition Assessment and Repair Program	-	-	50	50
		Light Rail Stormwater Vault Treatment Cleaning	-	25	-	25
	Pest Control and Waste Management	Unified Pest Management Contract Support	-	627	-	627
		Unified Pest Management Coordinator Consultant Funding Q1/Q2	-	-	60	60
	Strategic Asset Management	Asset Management Program Development	-	-	500	500
	Asset Management, Capital Development and Delivery Total			7.0	\$ 6,468	\$ 3,682
2021 Budget Requests - Total Proposed			20.0	\$12,777	\$ 5,957	\$18,734

TABLE IV-13: AERONAUTICAL BUSINESS

Aeronautical NOI (S in 000's)	2019	2020	2020	2020	2021	Inc/(Dec) from 2020 Approved Budget	
	Actual	Approved Budget	Revised Budget	Forecast	Approved Budget	\$ Change	% Change
Rate Base Revenues							
Airfield Movement Area	123,436	132,128	132,128	83,775	115,037	(17,091)	-12.9%
Airfield Apron Area	22,016	22,011	22,011	12,910	21,418	(593)	-2.7%
Terminal Rents	205,283	212,943	212,943	175,540	213,147	204	0.1%
Federal Inspection Services (FIS)	12,321	18,162	18,162	4,799	21,454	3,291	18.1%
Total Rate Base Revenues	363,057	385,245	385,245	277,024	371,056	(14,190)	-3.7%
Airfield Commercial Area	11,687	16,097	16,097	16,659	15,612	(485)	-3.0%
Subtotal before Revenue Sharing	374,744	401,342	401,342	293,683	386,668	(14,675)	-3.7%
Revenue Sharing	(17,146)	-	-	-	-	-	-
Total Aeronautical Revenues	357,598	401,342	401,342	293,683	386,668	(14,675)	-3.7%
Total Aeronautical Expenses	236,959	248,799	235,196	228,100	233,042	(15,757)	-6.3%
Aeronautical NOI	120,639	152,544	166,147	65,582	153,626	1,082	0.7%
Debt Service	(110,945)	(121,410)	(121,410)	(66,632)	(130,749)	(9,339)	7.7%
Net Cash Flow	9,694	31,134	44,737	(1,050)	22,877	(8,257)	-26.5%

TABLE IV-14: AERONAUTICAL COST DRIVERS – RATE BASE ONLY

\$ in 000's	2020	2020	2021	Impact on Aero Revenues Budget Change		Impact on Aero Revenues Budget vs Forecast	
	Budget	Forecast	Budget	\$	%	\$	%
O&M ⁽¹⁾	242,981	220,487	227,420	(15,560)	-6.4%	6,933	3.1%
CARES Grant O&M	-	(33,000)	(3,500)	(3,500)		29,500	-89.4%
Net O&M	242,981	187,487	223,920	(19,060)	-7.8%	36,433	19.4%
Debt Service Gross	174,455	167,030	193,302	18,847	10.8%	26,273	15.7%
Debt Service PFC Offset	(62,998)	(38,363)	(47,549)	15,449	-24.5%	(9,186)	23.9%
CARES Grant Debt Service	-	(68,773)	(29,399)	(29,399)		39,374	-57.3%
Net Debt Service	111,457	59,893	116,354	4,897	4.4%	56,461	94.3%
Amortization	32,326	32,493	32,681	355	1.1%	188	0.6%
Space Vacancy	(490)	(1,039)	(1,141)	(652)	133.1%	(102)	9.8%
TSA Operating Grant and Other	(1,028)	(1,824)	(758)	270	-26.3%	1,066	-58.4%
Rate Base Revenues	385,246	277,010	371,056	(14,190)	-3.7%	94,046	34.0%
Commercial area	16,097	16,659	15,612	(485)	-3.0%	(1,047)	-6.3%
Total Aero Revenues	401,343	293,669	386,668	(14,675)	-3.7%	92,999	31.7%

Note:

1) O&M, Debt Service Gross, and Amortization do not include commercial area costs or the international incentive expenses.

Aero Cost Highlights (Change compared to 2020 Budget):

- Operating Expenses decreased by \$15.5M, plus an additional \$3.5M reduction with CARES grant application to O&M –year-over-year decreases as a result of COVID reductions include:

- Aero direct O&M decrease of \$8.9M (about 70% of decrease is from payroll, 30% is from non-payroll)
 - Payroll decrease of \$6.3M – includes reduction from aeronautical share of 102 positions approved in 2020 budget that were frozen in 2020 and will continue to be frozen in 2021, offset by 18 positions approved to unfreeze and 2 new positions approved for 2021. Payroll reflects no standard increases for 2021 payroll year.
 - Travel & Other Employee Expenses decrease of \$560K (77% reduction) due to COVID travel feasibility and limiting costs.
 - Outside Services Contract increase of \$602K Reductions from consolidating major Terminal/FIS/Custom service contracts, reductions of scope in various areas, negotiations of price reductions on contracts with CPO and vendors, savings offset by larger new budget requests with new facilities opening.
 - Other Expenses (Equipment \$685K, Utilities \$44K, Supplies \$197K, Promo \$641K, General/Other \$1.0M) decreases of \$2.6M – includes savings across the board due to COVID spending reductions partially offset by new budget requests.
 - Environmental Remediation Liability expense \$647K decrease – remaining \$2M budget represents: Asbestos removal for Airport Employee Service Center, Phase 2 electric charging stations, Bag Optimization Phase 2, and several smaller projects.
- Other Division Allocations decrease of \$6.8M, including:
 - Central Services Decrease of \$3.4M.
 - Other Divisions Decrease of \$3.4M.
- Debt Service net increased by \$4.9M:
 - Debt Service increase primarily due to – Significant increase in IAF, and increases in Apron Area, PLB and GUTL all from NSAT Renovation/NSTS Lobby, partially offset by decreases in Terminal (Central Terminal Construction, South Terminal Expansion and a few smaller decreases) and Baggage System (STEP Security Bag & Interim Bag System Program).
 - Debt Service large increase is partially offset by application of PFCs and \$29.4M of CARES grant application to DS – overall reducing AMA, AAA, and FIS requirements.
- Amortization (use of Airport Development Funds [ADF]) up \$355K:
 - Amortization increase due to – New assets added including: Conc C Ramp Space Renovation & Air Cargo 5 Ground Board Facility in AAA; Vandelande Screening Lanes-Security Checkpoint Equipment in Terminal; FIMS Resource Management Enhancements in AOS; and administrative allocation increases for Corp Firewall, Project Cost Management System and Supplies Database System in other areas.
 - Increase is partially offset by decrease in Bag System from C1 Baggage back funded by PFCs.
- Space vacancy - \$652K increase due to an increase in unrecovered vacant space (up from 3k sq. ft. to 8k sq. ft.) cost in the Public Accessible offices.

TABLE IV-15: NON-AERONAUTICAL BUSINESS

Non-Aeronautical NOI (\$ in 000's)	2019	2020	2020	2020	2021	Inc/(Dec) from 2020 Approved Budget	
	Actual	Approved Budget	Revised Budget	Forecast	Approved Budget	\$ Change	% Change
Non-Aeronautical Revenues							
Public Parking	82,125	89,485	40,813	35,728	59,597	(29,888)	-33.4%
Rental Cars	52,567	51,149	19,209	15,363	26,880	(24,269)	-47.4%
Ground Transportation	20,765	22,299	11,092	7,701	13,628	(8,671)	-38.9%
Employee Parking	10,438	10,137	5,100	7,652	9,688	(449)	-4.4%
Landside Total	165,894	173,071	76,213	66,444	109,794	(63,277)	-36.6%
Airport Dining & Retail	61,615	66,145	27,753	25,545	45,936	(20,209)	-30.6%
Tenant Marketing	1,273	1,375	244	244	969	(406)	-29.5%
Commercial Properties	15,773	16,660	11,854	10,979	13,713	(2,948)	-17.7%
Clubs and Lounges	10,274	10,536	4,441	3,443	6,221	(4,315)	-41.0%
Non-Airline Terminal Leased Space	6,398	5,700	5,152	5,602	5,248	(452)	-7.9%
AOB Conference Center	462	360	96	60	-	(360)	-100.0%
Commercial Management Total	95,794	100,776	49,540	45,872	72,086	(28,690)	-28.5%
Utilities	7,431	8,831	8,831	5,589	7,568	(1,263)	-14.3%
Other	(82)	489	489	155	100	(389)	-79.6%
Total Non-Aeronautical Revenues	269,037	283,167	135,074	118,060	189,548	(93,620)	-33.1%
Total Non-Aeronautical Expenses	118,286	128,508	113,631	109,401	106,865	(21,642)	-16.8%
Non-Aeronautical NOI	150,752	154,660	21,443	8,658	82,682	(71,977)	-46.5%
Less: CFC Surplus	(6,834)	(4,128)	-	-	-	4,128	-100.0%
Adjusted Non-Aeronautical NOI	143,917	150,531	21,443	8,658	82,682	(67,849)	-45.1%
Debt Service	(49,299)	(50,064)	(50,064)	(32,125)	(53,025)	(2,961)	5.9%
Net Cash Flow	94,619	100,467	(28,621)	(23,467)	29,658	(70,810)	-70.5%

Non-Aero Highlights (Change compared to 2020 Approved Budget):

- Operating Revenue decreased by \$93.6M (33.1%) in the 2021 Budget due to reduced passenger volumes.
 - Coronavirus impacts to non-aeronautical lines of business varied depending on the type of business and how closely that business is tied to passenger volume as a key driver of their revenue.
 - Non-aero revenue from concession fees or transaction volume (Parking, Rental Car, Ground Transportation, Airport Dining & Retail, Clubs & Lounges, and In-flight Kitchens) are closely aligned with the change in passenger volume and are showing revenue recovery on pace with the return of passenger volumes.
 - Commercial Properties and other non-aero lines of business with revenue from real estate leases structured on a specified rate per sq. ft. for space rent have been relatively unaffected by the COVID-19 decline in enplanements, and partially offset deeper revenue declines from the concession fee revenue sources.
- Operating Expenses decreased by \$21.6M (-16.8%) in the 2021 Budget due to specific cost reduction strategies.

- Payroll decrease reflects the combined impact of no pay increases for existing staff and the non-aero share of the elimination of budget funding for 102.3 vacant Full-Time Equivalent (FTEs) positions which have been identified to remain vacant during 2021.
- Travel & Other Employee Expenses decreased 86% due to limited COVID travel feasibility and intentional cost reduction strategies.
- Outside Services Contract expenses decreased by 32% by slowing down expense projects or deferring work to future years.
- Allocations from other divisions decreased by 13% due to Port-wide expense reduction efforts.

TABLE IV-16: NON-AERONAUTICAL KEY INDICATORS

	2019	2020	2020	2021	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
Non Aero Revenues per Enplanement								
Rental Cars - Operations	1.42	1.40	1.51	1.34	(0.06)	-4.5%	(0.17)	-11.4%
Rental Cars - Operating CFC	0.61	0.52	-	0.25	(0.27)	-51.5%	0.25	N/A
Public Parking	3.17	3.36	3.51	3.27	(0.08)	-2.5%	(0.24)	-6.9%
Ground Transportation	0.80	0.84	0.76	0.75	(0.09)	-10.5%	(0.01)	-1.2%
Airport Dining & Retail	2.38	2.48	2.51	2.52	0.04	1.7%	0.01	0.4%
Non-Airline Terminal Leased Space	0.25	0.21	0.55	0.29	0.07	34.8%	(0.26)	-47.7%
Commercial Properties	0.61	0.62	1.08	0.75	0.13	20.5%	(0.33)	-30.3%
Utilities	0.29	0.33	0.55	0.42	0.08	25.5%	(0.13)	-24.4%
Employee Parking	0.40	0.38	0.75	0.53	0.15	39.9%	(0.22)	-29.3%
Clubs and Lounges	0.40	0.40	0.34	0.34	(0.05)	-13.6%	0.00	0.9%
Other	0.06	0.08	0.05	(0.05)	(0.14)	-165.6%	(0.10)	-221.3%
Total Revenue per Enplanement	10.40	10.62	11.61	10.41	(0.21)	-2.0%	(1.20)	-10.3%
ADR Sales per Enplanement	13.12	13.73	12.14	14.18	0.45	3.3%	2.04	16.8%

TABLE IV-17: AVIATION REVENUE BY ACCOUNT

(\$ in 000's)		2019	2020	2020	2021	% Change
Revenue by Account	Notes	Actual	Approved Budget	Revised Budget	Approved Budget	2020 Bud - 2021 Bud
Operating Revenue						
Equipment Rental		\$ 7,222	\$ 7,117	\$ 7,117	\$ 8,246	15.9%
Landing Fees		120,120	128,633	128,633	112,243	-12.7%
Airport Transportation Fees		20,472	22,005	10,898	13,434	-39.0%
Parking Revenue		89,215	96,367	44,330	67,230	-30.2%
Car Rental Revenue		48,643	47,286	15,346	23,017	-51.3%
Revenue from Sale of Utilities		6,821	7,955	7,955	6,801	-14.5%
Property Rental Revenue		305,905	346,339	293,762	318,273	-8.1%
Other Revenues		28,518	28,807	28,375	26,970	-6.4%
Total Operating Revenue		\$ 626,917	\$ 684,510	\$ 536,416	\$ 576,215	-15.8%

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FIGURE IV-6: AVIATION REVENUE BY ACCOUNT

(\$ in 000's)

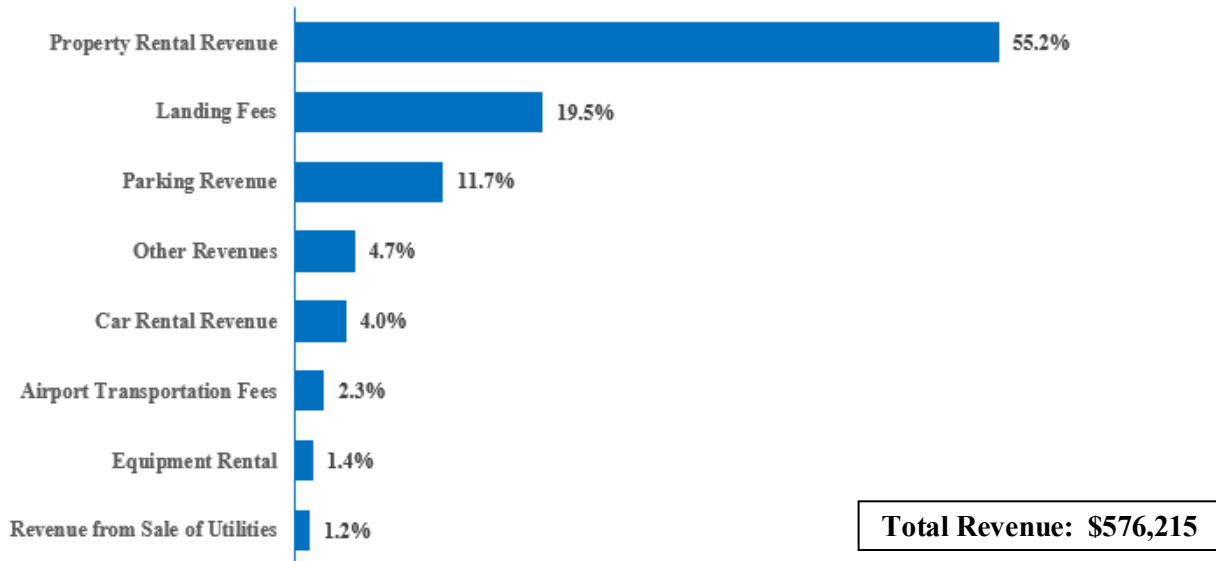


TABLE IV-18: AVIATION OPERATING & MAINTANENCE EXPENSES BY ACCOUNT

(in 000's)		2019	2020	2020	2021	% Change
Expense by Account	Notes	Actual	Approved Budget	Revised Budget	Approved Budget	2020 Bud - 2021 Bud
Salaries, Wages, Benefits & Worker's Comp		\$ 149,099	\$ 162,744	\$ 159,230	\$ 155,232	-4.6%
Equipment Expense		6,187	5,524	4,184	3,625	-34.4%
Utilities		18,196	21,206	20,668	20,266	-4.4%
Supplies & Stock		7,641	5,694	6,755	5,360	-5.9%
Outside Services		69,023	80,061	70,573	65,342	-18.4%
Travel & Other Employee Expenses		2,137	2,450	1,179	640	-73.9%
Promotional Expenses		1,891	1,505	608	657	-56.3%
Other Expenses		16,570	14,912	9,838	12,031	-19.3%
Total O&M without Environmental		270,744	294,098	273,034	263,154	-10.5%
Environmental Remediation Liability Expense		15,900	2,648	878	2,001	-24.4%
Total O&M with Environmental		286,644	296,745	273,912	265,155	-10.6%
Charges to Capital/Govt/Envrs Projects		(21,886)	(27,043)	(26,219)	(22,679)	-16.1%
Total Operating Expense	1	\$ 264,758	\$ 269,702	\$ 247,692	\$ 242,476	-10.1%

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Note:

1) Tables IV-17, 18 & 19 differ from Table IV-2, in that they only reflect the division expenses and do not include central services allocations.

FIGURE IV-7: AVIATION EXPENSE BY ACCOUNT

(\$ in 000's)

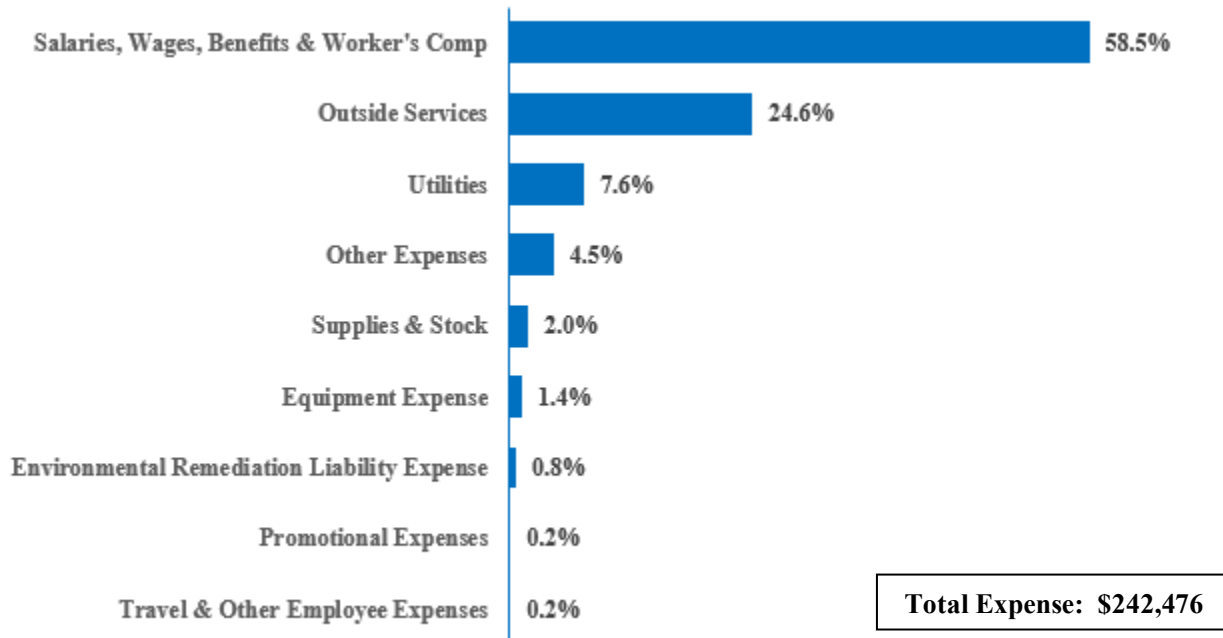


TABLE IV-19: AVIATION REVENUE AND EXPENSE BY BUSINESS GROUP/DEPARTMENT

Aeronautical NOI (S in 000's)	2019	2020	2020	2020	2021	Inc/(Dec) from 2020 Approved Budget	
	Actual	Approved Budget	Revised Budget	Forecast	Proposed Budget	\$ Change	% Change
Rate Base Revenues							
Airfield Movement Area	123,436	132,128	132,128	76,857	122,884	(9,245)	-7.0%
Airfield Apron Area	22,016	22,011	22,011	14,430	20,775	(1,237)	-5.6%
Terminal Rents	205,283	212,943	212,943	184,334	212,861	(82)	0.0%
Federal Inspection Services (FIS)	12,321	18,162	18,162	4,452	17,211	(951)	-5.2%
Total Rate Base Revenues	363,057	385,245	385,245	280,072	373,730	(11,515)	-3.0%
Airfield Commercial Area	11,687	16,097	16,097	16,493	15,612	(485)	-3.0%
Subtotal before Revenue Sharing	374,744	401,342	401,342	296,566	389,342	(12,000)	-3.0%
Revenue Sharing	(17,146)	-	-	-	-	-	
Total Aeronautical Revenues	357,598	401,342	401,342	296,566	389,342	(12,000)	-3.0%
Total Aeronautical Expenses	236,959	248,799	235,196	230,854	232,439	(16,360)	-6.6%
Aeronautical NOI	120,639	152,544	166,147	65,711	156,904	4,360	2.9%
Debt Service	(110,945)	(121,410)	(121,410)	(65,444)	(130,749)	(9,339)	7.7%
Net Cash Flow	9,694	31,134	44,737	267	26,155	(4,979)	-16.0%

AVIATION DIVISION (\\$ in 000's)	2019	2020	2020	2021	Inc/(Dec) from 2020 Approved Budget	
	Actual	Budget 2020	Revised Budget 2020	Approved Budget	\$ Change	% Change
Expenses After Charges to Cap/Govt/Envrs Projects						
<u>BUSINESS UNITS</u>						
Aviation Non-Ops	551	-	-	-	-	
Airport Operations	45,343	49,887	42,087	43,007	(6,880)	-13.8%
Aviation Utilities	20,336	23,550	22,805	22,553	(997)	-4.2%
AV Commercial Management	13,381	15,816	10,984	11,905	(3,910)	-24.7%
TOTAL BUSINESS UNITS	79,610	89,253	75,875	77,466	(11,787)	-13.2%
<u>AVIATION SERVICES</u>						
OperationalReadinessActivation	867	1,422	1,234	1,344	(78)	-5.5%
Aviation Director's Office	1,703	2,412	2,232	1,644	(768)	-31.8%
Airport Innovation	745	1,119	880	951	(168)	-15.0%
Aviation Division Contingency	0	(4,300)	(0)	(2,200)	2,100	-48.8%
Fire Department	17,224	18,723	18,365	17,726	(997)	-5.3%
Airport Security	16,704	18,700	18,700	16,627	(2,073)	-11.1%
Customer Service Department	6,495	6,079	5,191	4,720	(1,358)	-22.3%
AV Project Management Group	3,948	5,426	3,104	2,522	(2,904)	-53.5%
AV Maintenance	92,449	95,713	95,437	99,067	3,354	3.5%
Aviation Finance & Budget	2,587	2,878	2,878	2,683	(195)	-6.8%
Noise Programs	817	1,012	813	839	(173)	-17.1%
AV Environmental Programs Grp	5,680	6,895	5,465	4,839	(2,057)	-29.8%
TOTAL AVIATION SERVICES	149,218	156,080	154,299	150,763	(5,317)	-3.4%
<u>AVIATION FACILITIES</u>						
Aviation Capital Program Mgmt	3,301	2,771	2,086	1,245	(1,526)	-55.1%
Aviation Planning	3,868	4,829	3,333	2,042	(2,787)	-57.7%
AV Facilities & Infrastructure	5,360	9,868	7,457	5,324	(4,544)	-46.0%
Aviation Signage	503	906	545	636	(270)	-29.8%
Aviation Building Department	686	1,053	925	1,042	(11)	-1.1%
TOTAL AVIATION FACILITIES	13,718	19,427	14,346	10,288	(9,138)	-47.0%
<u>OTHER</u>						
AV Risk Expenses	4,223	2,294	2,294	1,958	(337)	-14.7%
AV Environmental Reserve	15,900	2,648	878	2,001	(647)	-24.4%
Aviation Capital to Expense	2,089	-	-	-	-	
TOTAL OTHER	22,212	4,942	3,172	3,959	(983)	-19.9%
Total Operating Expenses (Org Basis)	264,758	269,702	247,692	242,476	(27,226)	-10.1%

E. STAFFING

TABLE IV-20: AVIATION STAFFING

Table IV-20 outlines the full-time equivalent staffing (FTEs) in the 2021 Budget for the Aviation division. The Aviation 2021 Budget is based on funding for 1,144 FTEs, which is 8.5% lower than the 2020 Approved Budget. The decrease in FTEs is due to the decision to keep 102.3 vacant positions unfilled and unfunded in the 2021 Budget. In addition, all Aviation intern positions will be transferred to the Central Services Human Resources department in early 2021 for Port-wide coordination of the intern program.

STAFFING (Full-Time Equivalent Positions) BUSINESS GROUP/DEPARTMENT	2019 Actual	2020 Budget	2020 Est. Act.	2021 Budget	% Change 2021 Bud vs 2020 Bud
AIRPORT OPERATIONS					
Aeronautical Business Group	87.8	89.8	83.0	84.0	-6.4%
Landside Business Group	149.1	150.1	132.5	139.5	-7.1%
Airport Operations	236.9	239.9	215.5	223.5	-6.8%
COMMERCIAL MANAGEMENT					
Aviation Properties	14.5	14.5	12.0	13.0	-10.3%
Airport Dining & Retail	9.7	9.7	10.2	11.2	15.5%
AV Commercial Management	4.3	4.3	4.0	4.0	-5.9%
Parking Revenue Management	3.0	3.0	2.0	2.0	-33.3%
AV Commercial Mgmt & Analysis	2.0	2.0	2.0	2.0	0.0%
Airport Office Building Mgmt	9.5	9.5	6.0	6.0	-36.7%
Utilities	4.0	4.0	4.0	4.0	0.0%
Commercial Management	46.9	46.9	40.2	42.2	-10.1%
AVIATION SERVICES					
Airport Director's Office	8.3	8.3	5.0	7.0	-15.2%
Airport Innovation	4.0	5.0	4.0	5.0	0.0%
Fire Department	100.5	101.5	99.0	100.0	-1.5%
Aviation Finance & Budget	15.5	17.5	16.0	16.0	-8.6%
Aviation Environmental Programs	18.3	19.8	17.0	17.0	-13.9%
Aviation Noise	5.0	6.0	5.0	6.0	0.0%
Customer Service	33.3	37.3	31.2	31.2	0.0%
Airport Security	204.0	212.0	179.5	179.5	-15.3%
Maintenance	408.0	435.0	412.0	415.0	-4.6%
Aviation Project Management	62.0	65.0	56.0	56.0	-13.8%
Total Aviation Services	858.8	907.3	824.7	832.7	-8.2%
AV FACILITIES & CAPITAL PROGRAMS					
Capital Dev Prog Mgmt	7.0	7.0	7.0	7.0	0.0%
Aviation Planning	5.5	5.5	4.0	4.0	-27.3%
Facilities & Infrastructure	25.0	31.0	20.0	22.0	-29.0%
AV Signage	5.0	5.0	5.0	5.0	0.0%
Aviation Building Department	8.0	8.0	8.0	8.0	0.0%
Total Facilities	50.5	56.5	44.0	46.0	-18.6%
TOTAL AVIATION DIVISION BUDGET STAFFING	1,193.0	1,250.5	1,124.44	1,144.44	-8.5%
Frozen/Unfunded Positions Excluded from Budget			120.30	102.34	
Intern FTEs to be transferred to HR in 2021			7.75		
AVIATION DIVISION including Unfunded FTEs	1,193.0	1,250.5	1,252.5	1,246.8	

FTE.XLS

TABLE IV-21: AVIATION FULL-TIME EQUIVALENT STAFF POSITIONS (FTEs) – SUMMARY OF CHANGES

The below table is a summary of all changes in Aviation FTEs from the 2020 Approved Budget to the 2021 Proposed Budget.

2021 Proposed Budget FTEs	FTEs	%
2020 Approved Budget		
Aviation division FTEs	1,207.28	
Central Services FTE's transferred to Aviation division (Aviation COE positions)	<u>43.25</u>	
2020 Approved Budget - Total FTEs in AV presentation	1,250.53	
2020 Changes in FTEs during the year		
2020 mid-year FTE additions - AV division	2.00	0.2%
2020 Adjusted Aviation FTEs before 2021 Budget process	1,252.53	0.2%
2021 Budget Adjustments to Baseline FTEs Before new FTE Requests		
Intern FTEs transferred to Central Services/HR	(7.75)	-0.6%
Vacant FTEs frozen in 2020 & unfunded in 2021 Budget	<u>(120.34)</u>	-9.6%
FTEs in 2021 Baseline Budget BEFORE Budget Requests	1,124.44	-10.1%
Proposed Additional FTEs in 2021 Budget:		
Unfreeze existing vacant FTEs for hiring	18.00	1.4%
New FTEs - strategic functions	<u>2.00</u>	0.2%
Proposed Increase in 2021 Budget FTEs	20.00	1.6%
FTEs Funded in the Proposed Aviation 2021 Budget	1,144.44	91.5%
Net FTEs to remain frozen (unfunded) in 2021 Budget	(102.34)	-8.2%

Note: Percent change in FTEs compared to 2020 Approved Budget for Aviation division restated to include the (3) Central Service departments transferred to Aviation division in mid-2020

TABLE IV-22: AVIATION PROPOSED NEW STAFFING

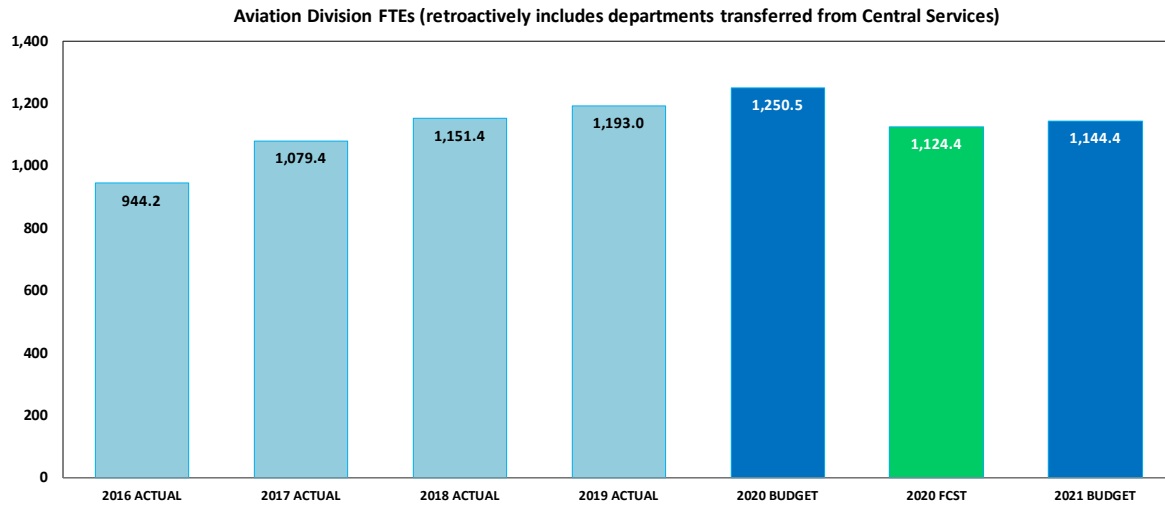
The table below provides a detailed listing of the proposed new FTEs in the 2021 Budget. This list includes both “new” positions that didn’t exist in the prior year, and a list of specific vacant positions which were identified to unfreeze and hire in 2021.

2021 BUDGET ASK	DeptID	Department Name	Job Title	FTE
NEW FTE REQUEST	4100	Aviation Director's Office	Art Coordinator	1.00
	4120	Airport Innovation	Biometrics Analyst	1.00
NEW FTE REQUEST Total				2.00
UNFREEZE FTE	3320	Airfield Operations	Airfield Operations Specialist	1.00
	3360	Noise Programs	Noise Program Manager	1.00
	3420	Public Parking	Parking Services & Revenue Rep (Cashier)	1.50
	3430	Rental Cars	RCF Bus Driver Relief	2.50
	3430	Rental Cars	RCF Bus Driver Part-time	0.50
	3440	Employee Parking	Employee Parking Bus Driver	2.50
	3610	Aviation Properties	Sr Mgr Aviation Properties	1.00
	3650	Airport Dining and Retail	Sr Manager Airport Dining & Retail	1.00
	4100	Aviation Director's Office	Director AV Fac and Capital Prog	1.00
	4400	Fire Department	Fire Protection Engineer	1.00
	4560	AV Facilities & Infrastructure	AV F&I Prinicpal Engineer	1.00
	4560	AV Facilities & Infrastructure	AV F&I Senior Engineer	1.00
	4593	Facility, Fleet, Sys & Grounds	Laborer Parking/Fueler/Cleaner	1.00
	4595	AV Mechanical Systems	Baggage Systems Specialist	1.00
	4595	AV Mechanical Systems	Mechanical Maint Engineer	1.00
	UNFREEZE FTE Total			
Grand Total				20.00

FIGURE IV-8: AVIATION FTES

The graph below provides an overview of airport FTEs over a six-year period, and intentionally excludes those FTEs held vacant and unfunded in the 2020 Forecast and the 2021 Budget in order to provide visibility to staffing/hiring decisions which reduced payroll costs without implementing personnel layoffs or furloughs.

This graph also retroactively reflects the transfer of (4) Central Services departments to the Aviation division in 2020 and 2021 for reporting purposes. The transferred departments, which have exclusively supported the airport over this time period and have historically direct charged 100% of their department costs to the Aviation division, are: Aviation Project Management Group, Aviation Finance & Budget, Aviation Environmental Programs, and Aviation Noise.



F. CAPITAL BUDGET

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

The Aviation Division’s capital plan for 2021 – 2025 calls for spending of \$3.3B. Three mega projects account for \$700M of the spending: North Satellite Renovation & North Satellite Transit Station Lobbies, Baggage Recapitalization/Optimization, and the International Arrivals Facility. Twenty-eight projects totaling \$729 million spending through 2025 were proposed for inclusion as “business plan prospective.” A total of \$280M is included for the preliminary planning and design of the Sustainable Airport Master Plan (SAMP). A total of \$307.5M remains in the Reserve Capital Improvement Projects (CIPs), which is undesignated future spending that will account for undefined future projects or budget increases to existing projects. The CIP Reserve is implemented for the 2021 budget to adjust the cash-flow to reflect projects’ spending trends.

TABLE IV-23: AVIATION PROPOSED CIP

	2020 FCST	Cash Flows (Figures in \$000s)					2021 - 25 TOTAL
		2021	2022	2023	2024	2025	
Three Mega Projects							
International Arrivals Facility	185,340	57,679	-	-	-	-	57,679
NSAT	156,246	93,014	32,956	-	-	-	125,970
Baggage Optimization	19,748	95,000	100,000	113,500	111,000	96,429	515,929
Subtotal - Three Major Projects	361,334	245,693	132,956	113,500	111,000	96,429	699,578
Other Capital Projects	170,914	266,434	277,259	227,201	266,296	255,312	1,292,502
SAMP Preliminary Planning / Design	2,440	5,903	97,739	93,392	62,000	21,050	280,084
Proposed New Projects	1,249	30,897	122,810	145,861	240,063	189,279	728,910
CIPs Reserves	-	-	5,000	60,000	112,516	130,000	307,516
Subtotal	535,937	548,927	635,764	639,954	791,875	692,070	3,308,590
CIP Cashflow Adj Reserve	-	(84,693)	50,816	33,877	-	-	-
Total Proposed CIP	535,937	464,234	686,580	673,831	791,875	692,070	3,308,590

- Three mega projects account for \$700M.
- Proposing 28 new projects totaling \$729M spending through 2025.
- Budget includes place-holder spending for undefined future projects (called “Allowance CIPs”): \$307.5M.
- Proposing SAMP preliminary planning/design spending of \$280M through 2025 (\$300M total).
- Besides preliminary planning/design funds, budget does not include potential projects to be identified by Sustainable Airport Master Plan (SAMP)

TABLE IV-24: AVIATION CAPITAL PROJECTS:

Capital Projects	CIP	2020 FCST	Cash Flows (Figures in \$000s)					2021 - 25 TOTAL
			2021	2022	2023	2024	2025	
Construction Authorized (Status 5-6)								
NS NSAT Renov NSTS Lobbies	C800556	156,246	93,014	32,956	-	-	-	125,970
International Arrivals Fac-IAF	C800583	185,340	57,679	-	-	-	-	57,679
Checked Bag Recap/Optimization	C800612	19,748	95,000	100,000	113,500	111,000	96,429	515,929
2021-25 AFLD Pvmnt&Spprt Infr	C800930	2,149	40,500	37,106	19,934	30,568	19,079	147,187
N. Terminals Utilities Upgrade	C800717	8,538	8,577	8,344	5,280	4,941	-	27,142
Other Construction Authorized Capital Projects	Multiple	125,451	128,497	75,651	36,483	20,889	5,885	267,405
Total - Construction Authorized		497,472	423,267	254,057	175,197	167,398	121,393	1,141,312
Design Authorized (Status 4)								
Widen Arrivals Roadway	C800866	2,020	1,254	1,514	3,539	15,491	16,221	38,019
Checkpoint 1 Relocation	C801093	989	3,600	29,306	3,564	-	-	36,470
Perimeter Intrusion Detect Sys	C800844	189	4,300	6,700	10,000	7,215	-	28,215
Condo Sound Insulation	C200095	878	2,609	4,929	7,651	6,890	163	22,242
Other Design Authorized Capital Projects	Multiple	26,145	64,567	61,053	85,621	111,698	143,283	466,222
Total - Design Authorized		30,221	76,330	103,502	110,375	141,294	159,667	591,168
Pending Authorization (Status 2-3)								
MT Infrastructure Upgrades	C801202	277	3,222	4,070	3,788	3,817	18,772	33,669
South Satellite Improvement	C801203	750	10,000	20,000	34,000	140,000	122,800	326,800
Apartment Sound Insulation	C200096	-	64	6,218	13,554	11,342	20,547	51,725
Zone 6&7 Reconfiguration	C801204	-	5,000	30,000	30,000	25,000	10,000	100,000
Other Pending Capital Projects	Multiple	7,217	31,044	217,917	273,040	303,024	238,891	1,063,916
Total - Pending Authorization		8,244	49,330	278,205	354,382	483,183	411,010	1,576,110
Subtotal		535,937	548,927	635,764	639,954	791,875	692,070	3,308,590
CIP Cashflow Adj Reserve	C801141	-	(84,693)	50,816	33,877	-	-	-
Grand Total		535,937	464,234	686,580	673,831	791,875	692,070	3,308,590

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

Descriptions of capital projects:

- International Arrivals Facility: Build a new Federal Inspection Service (FIS) facility on the east side of Concourse A in order to expand capacity to process arriving international passengers.
- NS NSAT Renov NSTS Lobbies: Renovate/expand the North Satellite to address seismic concerns, upgrade HVAC and lighting, upgrade fixtures, and add eight gates.
- Checked Baggage Recap/Optimization: Replace and reconfigure baggage screening equipment and operations to improve operational efficiency and increase capacity.
- MT Low Voltage System Upgrade: This project covers the renewal and replacement of low voltage (600 volts and below) distribution switchboards, transformers, feeders, panels, motor control centers and tenant metering. The work includes areas in the Main Terminal served by Center and South power centers.
- C1 Building Floor Expansion: Construct three additional floors on top of the airport's C1 building to meet space needs for passenger restrooms, concessions, passenger lounges and other tenant offices.
- Widen Arrivals Roadway: Widen the approach to the Arrivals curbside area from two to three lanes. The total improvement area could extend from Air Cargo Rd to the north Rental Car Bus curb. The existing 4th floor entrance ramp from the Departures curbside to the Main Garage will be demolished.
- Airfield Pavement Replacement: Provide budget for annual replacement of aging airfield pavement and joint seals.

TABLE IV-25: AVIATION PROPOSED NEW PROJECTS

# of Projects	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2021 - 25 TOTAL
			2021	2022	2023	2024	2025	
9	Renewal and replacement	1,102,635	10,978	30,290	56,283	162,856	141,142	401,549
10	Business Need	254,349	11,871	79,383	74,772	62,754	23,706	252,486
8	Regulatory and Contractual	390,767	8,048	12,997	14,455	13,387	24,042	72,929
1	Safety/Security	1,946	-	140	351	1,066	389	1,946
28	TOTAL	1,749,697	30,897	122,810	145,861	240,063	189,279	728,910

- A total of 59 projects were submitted to the Aviation Investment Committee for approval; 28 were approved.
- The proposed projects do not include projects that will come out of SAMP.

I. Renewal and Replacement

TABLE IV-26: AVIATION RENEWAL AND REPLACEMENT PROJECTS

#	CIP	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2021 - 25 TOTAL
				2021	2022	2023	2024	2025	
1	C801177	Airfield Sanitary Sewer Improv	34,592	485	1,532	7,181	7,200	6,424	22,822
2	C801178	Concourse B HVAC	35,000	46	1,765	2,418	6,044	9,098	19,371
3	C801179	Building 161E Retro Commission	10,556	31	1,653	3,088	4,320	1,464	10,556
4	C801180	PLB Renew and Replacement	12,165	297	3,680	6,633	1,555	-	12,165
5	C801181	Chiller Panel Upgrades - II	1,288	31	291	665	301	-	1,288
6	C801182	Flow Meter Replacement CMP	2,954	31	493	976	1,438	16	2,954
7	C801183	Replace Elevators SSB SSC	3,877	31	576	798	993	991	3,389
8	C801187	Potable Water Box Replacements	2,203	26	300	524	1,005	349	2,204
9	C801203	SSAT Renovation/Renewal	1,000,000	10,000	20,000	34,000	140,000	122,800	326,800
		TOTAL	1,102,635	10,978	30,290	56,283	162,856	141,142	401,549

1. Airfield Sanitary Sewer Improv: The project will replace the length of the sewer main serving Concourses B, C, Central Terminal and SSAT. The work will include airfield paving around the apron, and particularly crossing from the concourses to the SSAT. Furthermore, the work will include a water main and electrical duct banks.
2. Concourse B HVAC: The HVAC air handlers on Concourse B are at capacity and are unable to adequately heat and cool the concourse public spaces, mezzanine, and ramp level spaces. The system is unable to accommodate any additional load, which impacts projects adding additional space on the concourses. This project will upsize the existing air handlers and add additional air handlers as needed to be able to heat and cool the concourses, ramp, and mezzanine spaces on Concourse B.
3. Building 161E Retro Commission: Building 161E has failing building systems including HVAC, lighting and control systems, as well as inefficient windows and doors and insufficient security access controls; all need to be replaced to improve efficiency, emissions and security.

4. **PLB Renew and Replacement:** This project will replace the electrical and control systems that ensure the proper function of the PLBs, as well as structural upgrades, as well as work on the walkways and striping.
5. **Chiller Panel Upgrades - II:** The airport chillers are in good condition; however, the existing chiller control panels on chillers 1, 2, 5, 6, and 8 are old and no longer manufactured. If a panel fails, the Port will be unable to replace it and could result in significant downtime for the chiller with the failed panel. Chiller 1 panel is an old analog panel. Chillers 2, 5, 6 and 8 all have panels of the same age which are newer, but still obsolete. This project is the second and final phase of the chiller control panel upgrades.
6. **Flow Meter Replacement CMP:** The Central Plant (CMP) flow meters for the condenser water at the cooling towers and the chilled water loops are near or at the end of their service life. The flow meters are critical to the operation of the entire cooling tower and chilled water loops. This system provides cooling to the entire terminal building and concourses. Recently 4 of the flow meters in Cooling Towers 1 and 2 failed and were replaced under a separate project. The following meters need to be replaced: Six at the cooling towers (2 each at 3, 4 and 5), Sixteen at the Chillers (2 each on 8 chillers), Six at the Heat exchangers (2 each on 3 heat exchangers) and three on the main secondary water loops. TOTAL of thirty-one (31).
7. **Replace Elevators SSB SSC:** The South Satellite elevators are critical for operations. There are only two elevators in the South Satellite (SSAT), they are forced into service for both freight and passenger movement, and they are original to the building. The elevators were installed in 1971 and are well past their useful lives. These elevators need to be replaced to meet new elevator standards, to more efficiently move freight, provide a better passenger experience, ensure we are in compliance with the ADA, and reduce the downtime due to maintenance issues.
8. **Potable Water Box Replacements:** This project will replace 10 potable water boxes on concourse D that are near or at the end of their service life. Additionally, there are 2 more water boxes on concourse C that are near or end of their service life.
9. **South Satellite Renovation and Renewal:** Renovate and modernize the South Satellite (SSAT) facility; to include structural, HVAC, plumbing, electrical, fire suppression/life safety, building shell and communications systems replacement or upgrades as required; interior remodeling to modify the program of the building, and inclusion of passenger amenities.

II. Business Need

TABLE IV-27: AVIATION BUSINESS NEEDS PROJECTS

#	CIP	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2021 - 25 TOTAL
				2021	2022	2023	2024	2025	
1	C801184	Smart Restrooms	1,300	100	315	460	425	-	1,300
2	C801188	PAX Flow Measurements	630	-	630	-	-	-	630
3	C801189	IAF Enhancements Project	1,511	-	100	47	339	492	978
4	C801158	Post IAF Realignment	35,000	110	460	12,500	18,600	2,000	33,670
5	C801204	Zone 6&7 Reconfiguration	100,000	5,000	30,000	30,000	25,000	10,000	100,000
6	C801205	Concourse A Lounge Expansion	60,000	5,000	40,000	15,000	-	-	60,000
7	C801206	Concourse A Duty Free	25,180	630	1,350	1,100	12,050	10,050	25,180
8	C801207	Port Shared-Lounge Conc A	22,000	-	5,000	12,000	5,000	-	22,000
9	C801208	SSAT Lounge & ADR Upgrade	5,000	1,000	1,000	3,000	-	-	5,000
10	C801186	160th Lot Permanent Lighting	3,728	31	528	665	1,340	1,164	3,728
TOTAL			254,349	11,871	79,383	74,772	62,754	23,706	252,486

1. Smart Restrooms: This project will introduce technology to finish automating the following customer needs across the airport’s portfolio of public restrooms with the following objectives:
 - Indicate stall availability
 - Track cleaning cycles
 - Track number of customers using a given restroom
 - Capture customer feedback
 - Sense and notify custodial staff when paper products and supplies are running low

2. PAX Flow Measurements: This project will procure and implement a system that will likely use a variety of technologies to measure the average flow time between common routes in support of the SEA goal to achieve flow times of 45 minutes from the clock tower through security checkpoints and 75 minutes from FIS to end of other concourses (connecting flights).

3. IAF Enhancements Project: This project will address three distinct areas in the IAF that will need enhancements after substantial completion of the facility has occurred. These scope items are listed in order of priority.
 - a) The first area is the intersection where the IAF connecting passenger exit meets the A Concourse. This project will update signage & wayfinding in this area and incorporate a small information hub in the appropriate location.
 - b) The second area is the IAF APC Level. Our concept for passenger processing through the International Arrivals Facility has changed over time. Currently this has modified a large section of the IAF APC Level to no longer require passenger processing kiosks. This project will:
 - Install Vitra standard ADA Seating (no power) by restrooms and elevators
 - Install an Info Hub
 - BIDS & FIDS monitor bank (new BIDS & FIDS – nothing existing)
 - Install infrastructure that supports audio messaging
 - Incorporate a Large Nanolumen (or similar) monitor to be used as an art element.
 - Relocate 12 Global Entry Kiosks to an appropriate location on the APC Level, along with all associated infrastructure.

- c) The third area is the Common Use Baggage Service Offices. This project will repurpose the back area of one of the offices to storage for Airlines operating the BSO. This scope includes having the shelving removed, fitted out with lockers (40-50) that would be assigned, a cipher lock on the door and the windows frosted so that you cannot see in. The other BSO office is to be left as is.
- 4. Post IAF Airline Realignment: Relocate UA (domestic only) off IAF, and relocate DL from Concourse B over to IAF for their international activity. Buildout of office/support space on ramp in Conc. A&B and Main Terminal Bag Claim. Convert several check-in counters at Zone 4 Ticketing to Common Use Config. DL will 'self-perform' all work to relocate ops from Conc B. UA will 'self-perform' buildout/reloc of new lounge on Concourse B
- 5. Zone 6&7 Reconfiguration: For base building work associated with the AS performed renovation of zone 6&7 to include security checkpoint changes, HVAC, Electrical and utility system changes. This place holder would also encompass aesthetic element upgrades to the common spaces.
- 6. Concourse A Lounge Expansion: This Tenant Reimbursement Agreement (TRA) project with Delta Air Lines will result in design and construction a building expansion on the east side of Concourse A, directly south of the IAF. The project will include approximately 15,600 SF of Delta Club (12,000 SF finished space and 3,600 SF undeveloped pocket space), an exterior sky deck (This is not counted in the gross sf, but useable) and about a 1,000 SF concourse level entry reconfiguration. Additionally, 6,000 SF of buildout for the Port Shared-Use Lounge Expansion project, discussed in another project.
- 7. Concourse A Duty Free: Add space for Duty Free Retail operations and storage on Concourse A. The additional space is required to meet increased demand on Concourse A once the International Arrivals Facility opens in 2021.
- 8. Port Shared-Lounge Conc A: Develop approximately 12,600 SF of Port of Seattle shared-use lounge space on Concourse A in conjunction with the Delta component of the lounge expansion.
- 9. SSAT Lounge & ADR Upgrade: Consolidate the existing Delta Lounge on SSAT on to A (with the new planned Delta Build out).
- 10. 160th Lot Permanent Lighting: The GT Lot is used by Uber & Lyft for vehicle staging, & by taxis as well. This project would remove the need for AV Maintenance to reposition & fuel the lights by installing permanent pole mounted light fixtures as is typical in modern parking and GT facilities.

III. Regulatory and Contractual

TABLE IV-28: AVIATION REGULATORY AND CONTRACTUAL PROJECTS

#	CIP	Description	Cost	Cash Flows (Figures in \$000s)					2021 - 25
			Estimate	2021	2022	2023	2024	2025	TOTAL
1	C801171	Snow Dump Improvements	8,177	202	853	1,811	3,012	2,238	8,116
2	C801172	Water Reservoir Rehabilitation	1,572	196	493	862	21	-	1,572
3	C801173	Tyee Pond Effluent Pipe Replac	2,791	220	476	1,051	1,044	-	2,791
4	C801174	Stair Jet bridge Compliance	2,576	20	202	345	378	385	1,330
5	C801175	Single Piers on Concourse D	14,758	725	2,268	4,200	4,918	2,647	14,758
6	C801176	Out-bound Search Rooms in SSAT	353	63	35	148	107	-	353
7	C801209	RCF CSB Re-demising	10,540	3,400	4,600	2,250	90	-	10,340
8	C801202	MT Infrastructure Upgrades	350,000	3,222	4,070	3,788	3,817	18,772	33,669
TOTAL			390,767	8,048	12,997	14,455	13,387	24,042	72,929

- 1. Snow Dump Improvements: Retention capacity at the snow dump areas is not adequate during snow events. This project would expand the northern and southern designated snow dumps, add a new one at Lagoon 3, and consider adding one near the Fuel Tank Farm.
- 2. Water Reservoir Rehabilitation: The reservoir was constructed nineteen years ago as a required fire flow storage vessel. Holds 2 million gallons required for the fire flow. Domestic water cycles through

the water reservoir before coming into the Airport because the water system provides both fire and domestic water. Cycling the water through the reservoir keeps the water fresh. Over the years of use, severe corrosion has appeared in various areas and threatens to cause failure of the roof or side walls and has also put the water quality into some jeopardy. This project will rehabilitate the structure to ensure longevity.

3. Tyee Pond Effluent Pipe Replacement: The Tyee Pond stormwater pond and its' control structures are a regional detention facility that the Port of Seattle owns and operates. This Port detention facility is also regulated by the Department of Ecology Dam Safety Program. The effluent pipe from the pond's control structure is a 1990 vintage baffled 72-inch Corrugated Metal Pipe installed at a 13% incline. This effluent pipe is starting to leak due to metal degradation. As a result, sink holes from displaced soil have started developing near the crest of the detention facility pond wall. Department of Ecology has been notified and has expressed concerns that the infrastructure needs to be repaired immediately. A capital replacement effort is the only long-term solution to the problem, which is worsening in scope and increasing in frequency.
4. Stair Jet bridge Compliance: The Life Safety and Code Evaluation Study completed in 2018 identified doors on Concourse B, C, and D that provide emergency exiting from the aircraft do not swing the right direction as required by NFPA 415. This project will address the code issues for the doors and stairs. Egress stairwells and older stairs do not meet current code requirements, such as open risers, guardrail banister spacing, lighting, etc.
5. Single Piers on Concourse D: Removing the existing piers & replacing them with taller single piers to ensure proper ergonomics for those utilizing the system. Also, this project will address the lighting issue in the area by installing new lights where needed.
6. Out-bound Search Rooms in SSAT: Outbound International flights will incur delays. Until this project is completed US Customs and Border Protection (USCBP) will perform outbound searches in the Passenger Loading Bridges (PLB), which tends to stop aircraft boarding.
7. RCF CSB Re-demising: The RCF opened in May 2012, with the agreement years commencing June 1, 2012. The lease agreement is a 30-year agreement with a 10-year concession agreement, which expires 5/31/2022. The entire facility will be re-bid and new "blocks" will need to be created by the Port. The Port will need to demise the blocks and turn over essentially vanilla shell to the tenants for their buildout process. Demising of the CSB (5th floor customer service building) will need to occur without impacting overall operations of the facility and the renting of vehicles. CFCs are NOT eligible for this project.

IV. Safety and Security

TABLE IV-29: AVIATION SAFETY AND SECURITY PROJECTS

#	CIP	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2021 - 25 TOTAL
				2021	2022	2023	2024	2025	
1	C801185	Keys to Card Readers	1,946	-	140	351	1,066	389	1,946
TOTAL			1,946	-	140	351	1,066	389	1,946

1. Convert current metal keyed baggage induction doors on ticketing level. These doors are a barrier between the public and the secured areas of the Airport.

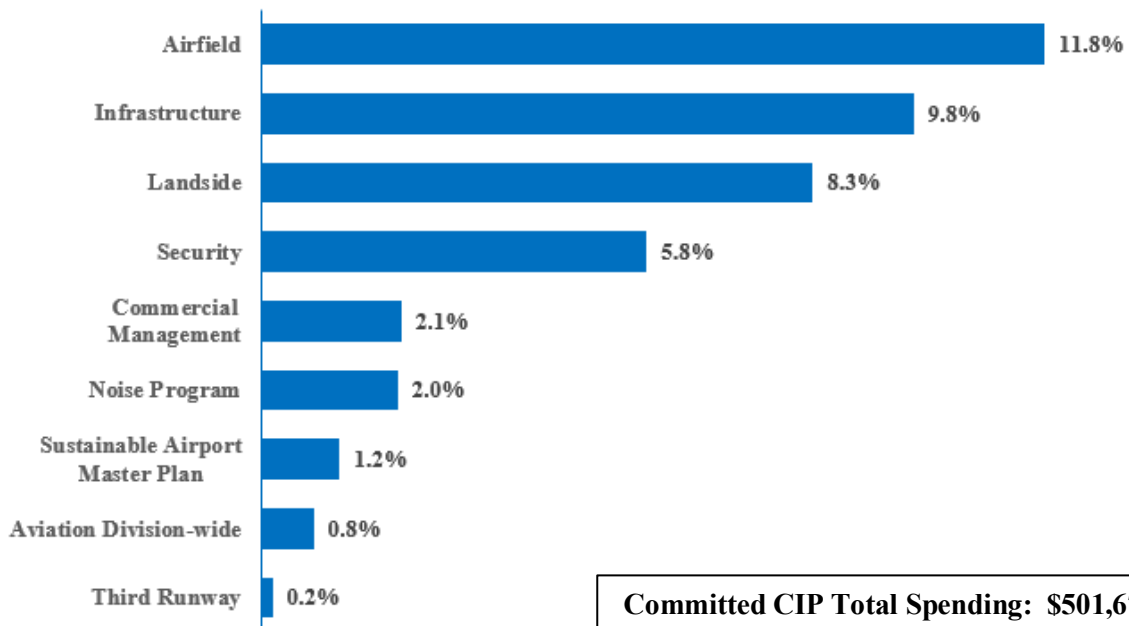
TABLE IV-30: AVIATION CAPITAL BUDGET SUMMARY

(\$ in 000's)	2021 Budget	2021-2025 CIP	% of 2021 Total Committed
Committed Capital Projects			
Terminal and Tenants	\$ 291,047	\$ 1,083,218	58.0%
Airfield	59,180	185,009	11.8%
Infrastructure	49,263	180,471	9.8%
Landside	41,668	115,467	8.3%
Security	29,096	95,112	5.8%
Commercial Management	10,547	21,826	2.1%
Noise Program	10,258	47,805	2.0%
Sustainable Airport Master Plan	5,903	7,284	1.2%
Aviation Division-wide	3,912	4,671	0.8%
Third Runway	800	800	0.2%
Total Committed	\$ 501,674	\$ 1,741,663	100.0%
Business Plan Prospective Projects	\$ 47,253	\$ 1,566,927	
CIP Cashflow Adjustment Reserve	\$ (84,693)	\$ -	
Total CIP	\$ 464,234	\$ 3,308,590	

CAPSUM

FIGURE IV-9: AVIATION CAPITAL BUDGET

(\$ in 000's)



G. AVIATION DIVISION OPERATING STATISTICS

TABLE IV-31: AVIATION OPERATING STATISTICS

Year	(1) Enplaned Passengers		(2) Total Landed Weight		(3) Air Cargo	
	Number	Growth	Pounds	Growth	Metric tons	Growth
2000	14,174	2.7%	23,051	-0.1%	456,920	2.9%
2001	13,506	-4.7%	22,178	-3.8%	401,535	-12.1%
2002	13,362	-1.1%	21,658	-2.3%	374,753	-6.7%
2003	13,356	0.0%	20,790	-4.0%	351,418	-6.2%
2004	14,364	7.6%	20,944	0.7%	347,517	-1.1%
2005	14,632	1.9%	20,186	-3.6%	338,591	-2.6%
2006	14,991	2.5%	20,362	0.9%	341,981	1.0%
2007	15,661	4.5%	21,014	3.2%	319,013	-6.7%
2008	16,085	2.7%	21,519	2.4%	290,205	-9.0%
2009	15,610	-3.0%	20,388	-5.3%	270,142	-6.9%
2010	15,773	1.0%	19,786	-3.0%	283,425	4.9%
2011	16,397	4.0%	20,123	1.7%	279,893	-1.2%
2012	16,597	1.2%	19,897	-1.1%	283,609	1.3%
2013	17,376	4.7%	20,949	5.3%	292,709	3.2%
2014	18,717	7.7%	22,505	7.4%	327,240	11.8%
2015	21,109	12.8%	24,757	10.0%	332,636	1.6%
2016	22,796	8.0%	27,118	9.5%	366,431	10.2%
2017	23,416	2.7%	28,267	4.2%	425,856	16.2%
2018	24,894	6.3%	30,109	6.5%	432,315	1.5%
2019	25,874	3.9%	31,381	4.2%	453,550	4.9%
2020 Budget	26,667	3.1%	31,413	0.1%	456,450	0.6%
2020 Forecast	10,715	-58.6%	18,185	-42.1%	443,985	-2.1%
2021 Budget	18,216	70.0%	23,678	30.2%	457,305	3.0%
Compound Growth						
2009 - 2019		5.2%		4.4%		5.3%
2014 - 2019		6.7%		6.9%		6.7%

Notes:

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

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V. MARITIME

MARITIME DIVISION

A. 2021 BUDGET SUMMARY

TABLE V-1: 2021 CASH FLOW SUMMARY

(\$ in 000's)	2021	Percent of Total
<u>SOURCES OF CASH</u>		
Operating Revenues	\$ 45,280	60.9%
Interest Receipts	1,564	2.1%
Proceeds from Bond Issues	-	0.0%
Grants and Capital Contributions	2,251	3.0%
Tax Levy	24,935	33.6%
Other Receipts	286	0.4%
Total	\$ 74,317	100%
<u>USES OF CASH</u>		
Expenses from Operations:		
Total Operating Expenses	50,243	53.5%
Debt Service:		
Interest Payments	1,202	1.3%
Bond Redemptions	3,833	4.1%
Total Debt Service	5,035	5.4%
Other Expenses	12,196	13.0%
Public Expense	0	0.0%
Capital Expenditures	26,383	28.1%
Total	\$ 93,857	100%

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FIGURE V-1: SOURCES OF CASH
(\$ in 000's)

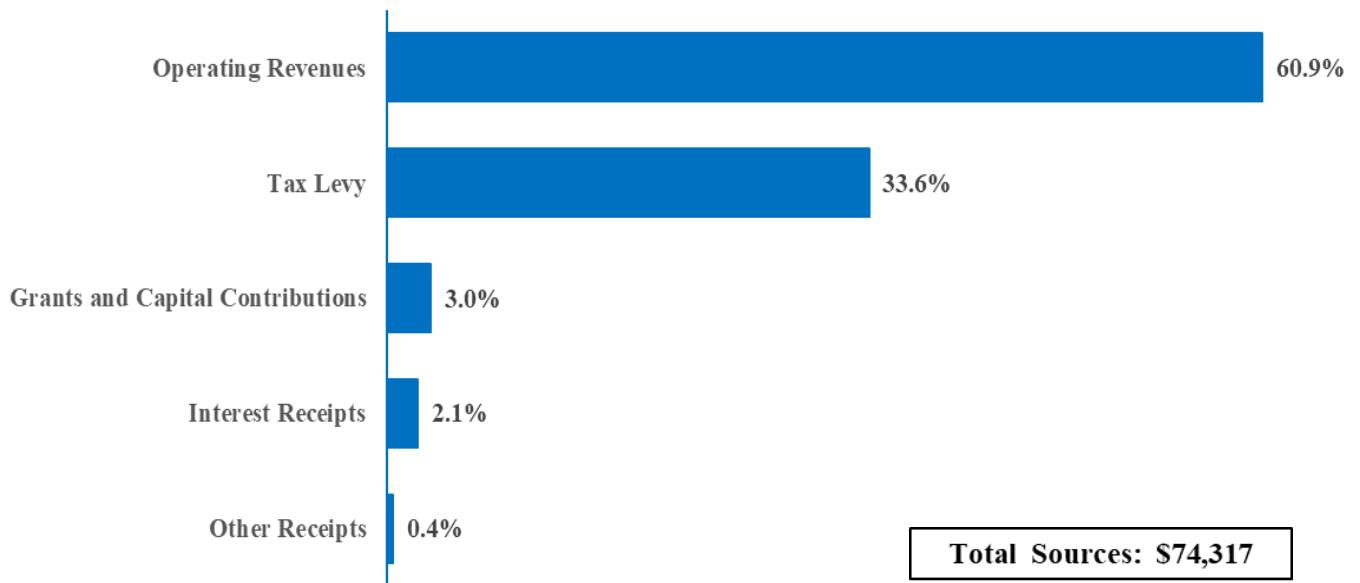
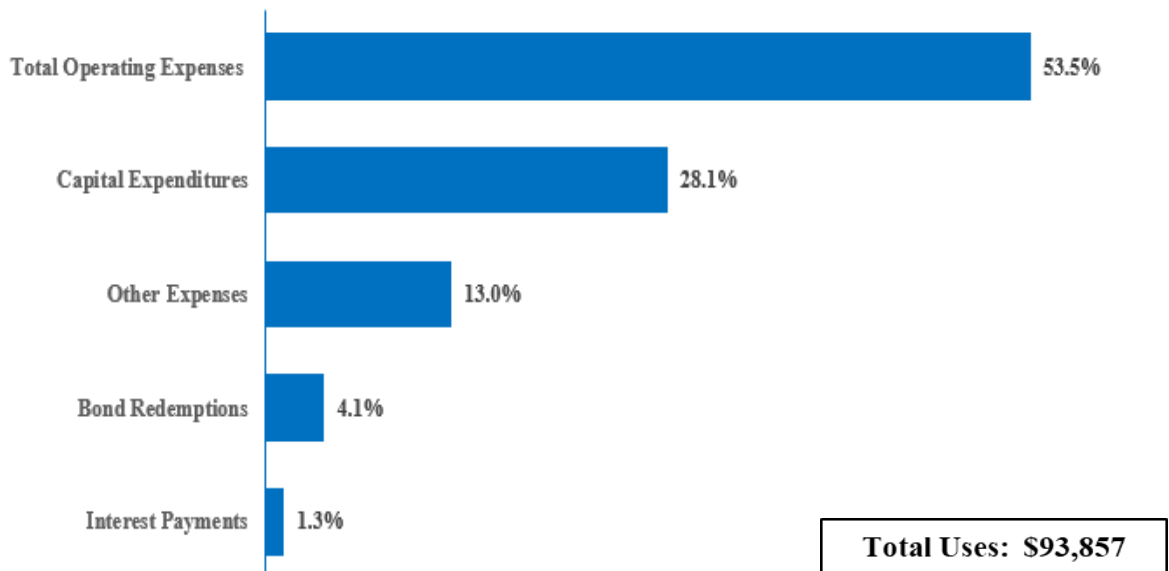


FIGURE V-2: USES OF CASH
(\$ in 000's)



B. FINANCIAL FORECAST

TABLE V-2: FINANCIAL FORECAST

(\$ in 000's)	2020 Approved Budget	2020 Revised Budget	2021 Approved Budget	Forecast				Compound Growth 2021 - 2025
				2022	2023	2024	2025	
OPERATING BUDGET								
Operating Revenue	\$ 62,938	\$ 42,585	\$ 45,280	\$ 56,634	\$ 58,208	\$ 60,022	\$ 67,321	-80.4%
Total Operating Revenues	62,938	42,585	45,280	56,634	58,208	60,022	67,321	-80.4%
Total Operating & Maintenance Expenses	54,396	52,191	50,243	53,216	55,809	57,389	59,093	-81.5%
Net Operating Income Before Depreciation	8,541	(9,606)	(4,963)	3,418	2,399	2,634	8,228	0.0%
Total Depreciation Expense	17,244	17,249	16,899					
Net Operating Income After Depreciation	\$ (8,703)	\$ (26,855)	\$ (21,862)					Total
								2021 - 2025
Committed Capital Budget	\$ 39,596	\$ 27,212	\$ 27,438	\$ 37,637	\$ 32,384	\$ 44,060	\$ 56,781	\$ 198,300
Business Plan Prospective	2,970	-	7,751	9,744	6,049	5,590	10,894	40,028
CIP Cashflow Adjustment Reserve	(5,920)	(7,500)	(8,806)	5,284	3,522	-	-	-
TOTAL CIP	\$ 36,646	\$ 19,712	\$ 26,383	\$ 52,665	\$ 41,955	\$ 49,650	\$ 67,675	\$ 238,328

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Notes:

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

C. MARITIME DIVISION DESCRIPTION/BUSINESS ASSESSMENT

MISSION:

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

VISION:

A vibrant working waterfront generating economic vitality for the region.

MAJOR/NEW INITIATIVES:

- High Performance Organization: Deliver operational excellence and develop our employees.
 - Operational Excellence: Deliver safe, compliant operations and maintain port assets.
 - Integrate and optimize operations of the Maritime Division.
 - Implement operational and safety practices to achieve zero injuries and a 90% safety score.
 - Increase innovation and process improvement at every level of the division.
 - Talent Development: Develop staff capabilities, bench strength and opportunities.
 - Identify and implement targeted training to increase employee capabilities.
 - Engage in Maritime Talent Acquisition Strategy focused on Equity, Diversity & Inclusion in hiring with Human Resources.
 - Enhance and implement employee development plans and career paths.
 - Valued Communication: Provide information that is clear, concise and relevant.
 - Leverage technology to improve quality and efficiency of communications.
 - Develop and implement measures to improve Commission and public communications.

DIVISION DESCRIPTION:

Maritime Division is comprised of several major business groups: Cruise Operations, Recreational Boating, Fishing and Operations, a Grain Terminal, and about half of the Seaport Real Estate portfolio. Additionally, the division includes service groups such as Maritime Marketing, Security, Marine Maintenance, Maritime Environment and Sustainability, and Seaport Project Management.

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

INDUSTRY ASSESSMENT:

Cruise

The global cruise market was shuttered worldwide by the COVID-19 pandemic. As a result, the 2020 Alaska cruise season, which was expected to be a record year of vessel calls and passengers, was cancelled. As of September 2020, the CDC no sail order restricting the start of cruise in the U.S. remains in place through October 31, 2020. In addition, the Canadian Minister of Transport, issued a ban on large cruise ships through October 31, 2020. Global efforts are underway for the resumption of cruise. Early sailings in Europe suggest successful cruise operations can occur with stringent health protocols in place.

While our current focus remains on public health, we are optimistic and look forward to the day when local and federal health authorities can declare it is safe and the cruise industry rebounds.

Fishing and Commercial Operations

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

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

Grain

Terminal operator/tenant, Louis Dreyfus Company, is projecting grain volumes to be about 40% higher in 2021 from 2020 budget due to increased demand for feed stock from China.

Maritime Habitat Initiatives

The Port has submitted a proposal to federal agencies to develop a habitat mitigation bank. Demand for compensatory mitigation credits in the watershed, as well as Natural Resource Damage credits in the Lower Duwamish River, is increasing due to tighter environmental regulations and pending claims. Large-scale projects in the Duwamish River and Elliott Bay may also create new demand. The Port is in a good position given our property ownership and our track record in developing successful restoration projects for use as habitat banks.

Industrial Properties

Strong local consumption and regional trade with Asia have helped keep industrial demand robust for the past decade. An economic downturn in the face of a pandemic, trade tensions with China, and a spec pipeline are potential red flags for the Puget sound region. However, Port pricing and locations have kept occupancy rates near the 95% level.

Recreational Boating

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

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

BUSINESS ASSESSMENT:

Cruise

While berth reservations for 2021 project a record year in vessel calls, total number of revenue passengers is uncertain due to COVID-19. The 2021 budget assumes a conservative scenario with 25% of 2019 actual cruise revenue for Terminal 91 and NCLH's payment of the annual preferential use and lease fees at Pier 66.

Based on continued surveys, the level of satisfaction for Seattle cruise passengers exceeds industry standards. Passengers surveyed express a strong desire to return to Seattle. When cruise and tourism return, the number of pre and post cruise passenger visits is expected to increase in our region over time. Expectations are that a safe and slow resumption of cruise business will commence in 2021.

Fishing and Commercial Operations

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

The commercial property occupancy at both Fishermen's Terminal and the Maritime Industrial Center is 97%, slightly better than the industry wide average long-term occupancy rate of 96%. The focus throughout 2021 will be to retain existing tenants and cultivate new revenue streams. Continuous efforts will be made in offering excellent customer service, increasing rental rate levels on renewals and accommodating space reductions, and expansions while improving space for quality tenants.

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

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

Fishing fleet homeport demand is expected to remain stable in 2021. Fishing, tug, and barge companies are making significant investments in vessel improvements and system upgrades. Other marine industrial moorage is expected to remain stable with moderate growth over time.

Grain

The Pier 86 Grain Terminal handles corn and soybeans from the upper Midwest states. Despite its age, the terminal is still competitive for handling these grain commodities.

Maritime Habitat Initiatives

Interest in Port-provided compensatory mitigation and natural resource damage (NRD) credits is expected to continue to grow as both public and private maritime properties are redeveloped and NRD claims are pursued.

Industrial Properties

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

Shilshole Bay Marina

The monthly moorage occupancy at Shilshole Bay Marina remains strong and is budgeted to meet or exceed 95% for 2021. Due to a large waitlist, the opportunity to increase occupancy rates is centered on quicker slip turnaround times. Moorage rates remain competitive within the Seattle market. Continued success is attributed to the marina's location, docks with good maneuverability and wide navigation channels, a strong and active liveaboard community, and strong customer focus.

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

The commercial property occupancy rate at Shilshole Bay Marina is currently at 100%. The focus throughout 2021 will be to retain existing tenants, continue to grow guest moorage and complete the restroom construction project.

CHALLENGES AND OPPORTUNITIES:

Cruise Challenges

- Coordination with local and federal health authorities as well as Canadian government to allow cruise ships to begin sailing by the beginning of the 2021 cruise season.
- Ensuring the safety of cruise passengers during COVID-19 pandemic.
- Controlling the cost of building, maintaining and operating terminals.
- Increase in environmental regulations for cruise operations in Washington and Alaska.
- Managing traffic congestion at Terminal 91.

Cruise Opportunities

- Pent-up customer demand due to no 2020 cruise season; passengers surveyed express a strong desire to return to Seattle.
- Berth reservations for 2021 anticipate a record year in vessel calls
- Customer interest in bringing larger cruise ships to homeport in Seattle.
- New larger ships with upgrades to current infrastructure and new cruise berth once demand rebounds

Fishing and Commercial Challenges

- Commercial Fishing is a highly regulated industry. Environmental regulations threaten commercial fisheries which is a response to manage and preserve commercially harvested aquatic species.
- Capturing the new business from the revitalized large commercial boat fleet is essential to remain the homeport of the North Pacific Fishing Fleet.
- Controlling the cost of building, maintaining and operating terminals.
- Future planning and capital investment in properties with aging infrastructure.
- Adapting facilities and operations to meet dynamic regulatory environment.
- Attracting new maritime customers and vessel homeport bases within changing land use environment.

Fishing and Commercial Opportunities

- Retaining business from commercial fishing customers who are recapitalizing their fleets.
- Continuing to grow recreational vessel fleet during off-season, as space allows.
- Promoting legislation to incentivize continued growth within the fishing and maritime industry.
- Develop a “Blue Economy” framework accomplished by embracing new Washington State Maritime Cluster organizations; digitalizing and decarbonizing maritime machinery, systems and platforms; embracing Workforce Development and Innovation; and the continued growth and promotion of our Working Waterfront.
- Upgrades to current infrastructure to accommodate larger fishing vessels, Berths 6 & 8 at Terminal 91.
- Attracting vessel homeport bases for seafood, tug and barge fleets.

Grain Challenges and Opportunities

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

- Grain terminal impacted by tariff increases, however the demand for feedstock is unable to be met by other nations.

Maritime Habitat Initiatives Challenges and Opportunities

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

Recreational Marina Challenges

- Maintaining assets responsibly within the Port system while still controlling costs.
- Finding new revenue streams.
- Balancing Port initiatives with operational work.
- Adapting facilities and operations to meet dynamic COVID-19 regulatory environment.
- Providing developmental opportunities to staff without reducing operational functionality.

Recreational Marina Opportunities

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

D. OPERATING BUDGET SUMMARY

Background

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

- Implementation of programs that directly support the Port's initiatives to double the regional economic impacts of our Cruise and Fishing businesses. These activities can generate revenue for the Port.
- Managing other businesses in the portfolio to provide stewardship of public assets for taxpayers. These activities generate revenue through operations and expense through maintenance, repair and renovation.
- Due to COVID-19 impacts in 2020 and likely through 2021, the Division is keeping expenses to a minimum until Cruise sailings recover.

Assumptions

The 2021 Maritime Division Budget is based on the following assumptions:

- Cruise forecasts 25% of expected passenger volumes at T91 and minimum guarantee lease payment at Pier 66.
- Grain volume is budgeted at 4.2 million metric tons based on forecast from tenant, a 40% increase from 2020 budget.
- Recreational Marina occupancy rate of 95%, consistent with 2020 Budget and year end forecast.
- Fishing and Commercial average occupancy rate of 86%, consistent with 2019 budget.
- Commercial Building Properties target an occupancy of 95% or greater at year-end 2021, consistent with current results.
- Salaries and benefits are forecasted using the 2021 budget guidelines of no increase to salaries and specified benefits.
- Utility rates are based on applicable rate changes posted by Seattle Public Utility, Seattle City Light, Puget Sound Energy and other utility vendors, as applicable.

Operating Revenue

- Overall Maritime Division Revenues are budgeted to decrease by \$17.7 million or 28%.
- Cruise revenues planned to decrease by 67% due to risk of demand tapered by COVID-19.
- Bulk Terminals increase is based on feedback from Louis Dreyfus at Terminal 86.
- Maritime Portfolio Management revenue decrease of 2% is driven adjustments in concession fees.
- Fishing and Operations revenues decrease in 2021 from reduced benefit of the Ballard Locks closure.
- Recreational Boating revenue is budgeted to decrease by 3% from 2020 budget. Daily moorage rates will be stable to 2020 with a slight reduction in event driven moorage due to COVID-19.

TABLE V-3: MAJOR REVENUE CHANGES

	(\$ in 000's) Notes	2019 Actual	2020 Approved Budget	2020 Revised Budget	2021 Approved Budget	Change 2020 Bud - 2021 Bud	% Change 2020 Bud - 2021 Bud
REVENUE							
Cruise Operations		\$ 22,410	\$ 26,261	\$ 5,909	\$ 8,558	\$ (17,703)	-67.4%
Bulk Terminals		4,266	3,490	3,490	4,903	1,413	40.5%
Maritime Portfolio Management							
Marina Office & Retail		4,184	4,439	4,439	4,515	77	1.7%
Maritime Industrial		5,924	5,990	5,990	5,744	(246)	-4.1%
Fishing & Operations							
Ship Canal Fishing and Operations		3,929	4,264	4,264	4,135	(128)	-3.0%
Elliott Bay Fishing & Commercial		6,095	5,123	5,123	4,509	(614)	-12.0%
Recreational Boating							
Shilshole Bay Marina		11,538	12,312	12,312	12,130	(182)	-1.5%
Other Marinas		946	1,049	1,049	785	(265)	-25.2%
Parks/Other	1)	(3)	11	11	-	(11)	-100.0%
Operating Revenue		59,289	62,938	42,585	45,280	(17,658)	-28.1%
Total Revenue		\$ 59,289	\$ 62,938	\$ 42,585	\$ 45,280	\$ (17,658)	-28.1%

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Notes:

1) Includes AV and Police misc. revenue offsets to Maritime Division

TABLE V-4: MARITIME REVENUE BY ACCOUNT

(\$ in 000's)						
Notes		2019	2020	2020	2021	
		Actual	Approved Budget	Revised Budget	Approved Budget	
					% Change 2020 Bud - 2021 Bud	
REVENUE BY ACCOUNT						
Operating Revenue						
Dckg, Whrfg, Serv/Facility, Passenger Fee		\$ 6,974	\$ 7,601	\$ 3,471	\$ 2,266	-70.2%
Equipment Rental		293	317	317	191	-39.7%
Berthage & Moorage		14,443	15,476	15,476	15,089	-2.5%
Parking Revenue		22	24	24	24	0.2%
Revenue From Sale of Utilities		1,430	1,414	1,414	1,377	-2.6%
Property Rental Revenue		25,257	26,881	10,658	15,414	-42.7%
Other Revenues		2,017	1,368	1,368	1,337	-2.2%
Total Operating Revenue	1	\$ 50,436	\$ 53,082	\$ 32,730	\$ 35,699	-32.7%

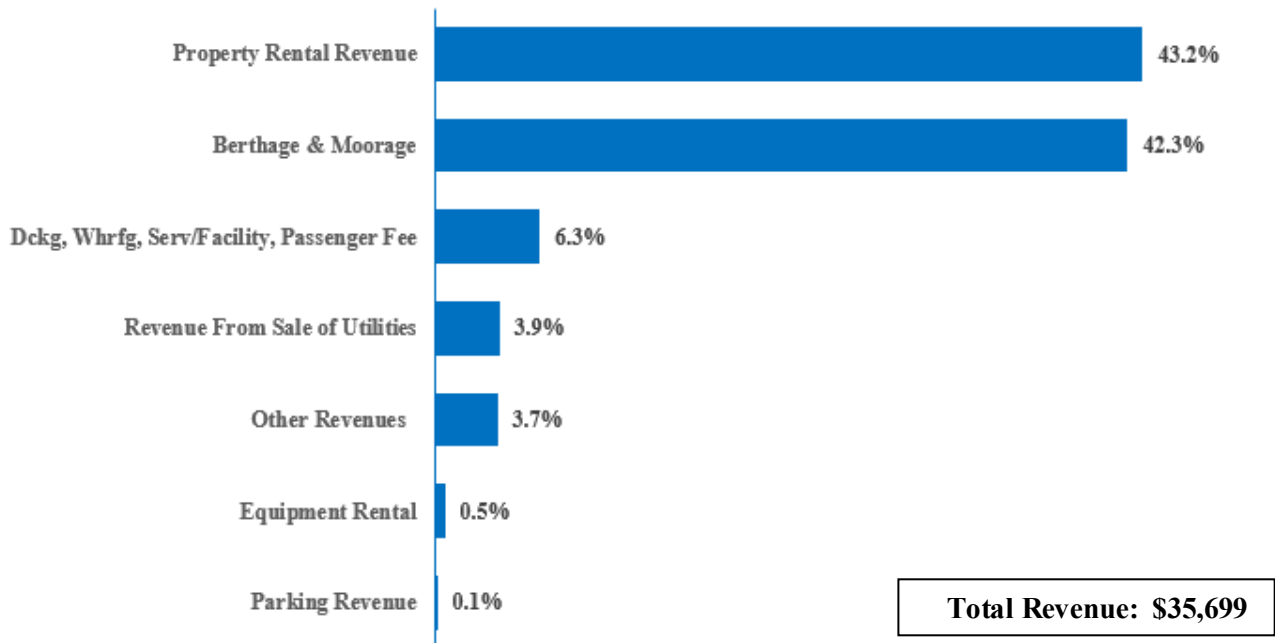
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Notes:

- 1) Revenue does not include allocations from other divisions.

FIGURE V-3: MARITIME REVENUE BY ACCOUNT

(\$ in 000's)



Operating Expense Drivers

Total Maritime Division operating expenses (including direct charges and allocations from Central Services and EDD services groups) are budgeted to decrease by \$4.2 million or 8.3%. The change reflects 11 deferred Full-Time Equivalent (FTE) employees along with major reductions in outside services and discretionary expenses to offset the lost revenue due to COVID-19.

TABLE V-5: MARITIME OPERATING AND MAINTENANCE EXPENSES BY ACCOUNT

(\$ in 000's) Notes	2019 Actual	2020 Approved Budget	2020 Revised Budget	2021 Approved Budget	% Change 2020 Bud - 2021 Bud
EXPENSE BY ACCOUNT					
Salaries, Wages, Benefits & Workers Comp	\$ 32,782	\$ 34,794	\$ 34,295	\$ 34,939	0.4%
Equipment Expense	1,623	1,563	1,272	1,086	-30.5%
Utilities	4,194	4,365	4,365	4,268	-2.2%
Supplies & Stock	2,182	2,023	2,023	2,431	20.2%
Outside Services	6,193	8,552	7,442	5,415	-36.7%
Travel & Other Employee Expenses	508	815	449	151	-81.5%
Promotional Expenses	236	510	352	222	-56.4%
Other Expenses	1,533	3,314	3,312	2,849	-14.0%
Total O&M without Environmental	49,252	55,936	53,510	51,362	-8.2%
Environmental Remediation Liability Expense	400	-	-	-	0.0%
Total O&M with Environmental	49,651	55,936	53,510	51,362	-8.2%
Charges to Capital/Govt/Envrs Projects	(4,667)	(6,034)	(6,127)	(5,618)	-6.9%
Total Budgeted Operating Expense 1	\$ 44,984	\$ 49,902	\$ 47,383	\$ 45,743	-8.3%

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Notes:

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

FIGURE V-4: MARITIME EXPENSE BY ACCOUNT

(\$ in 000's)

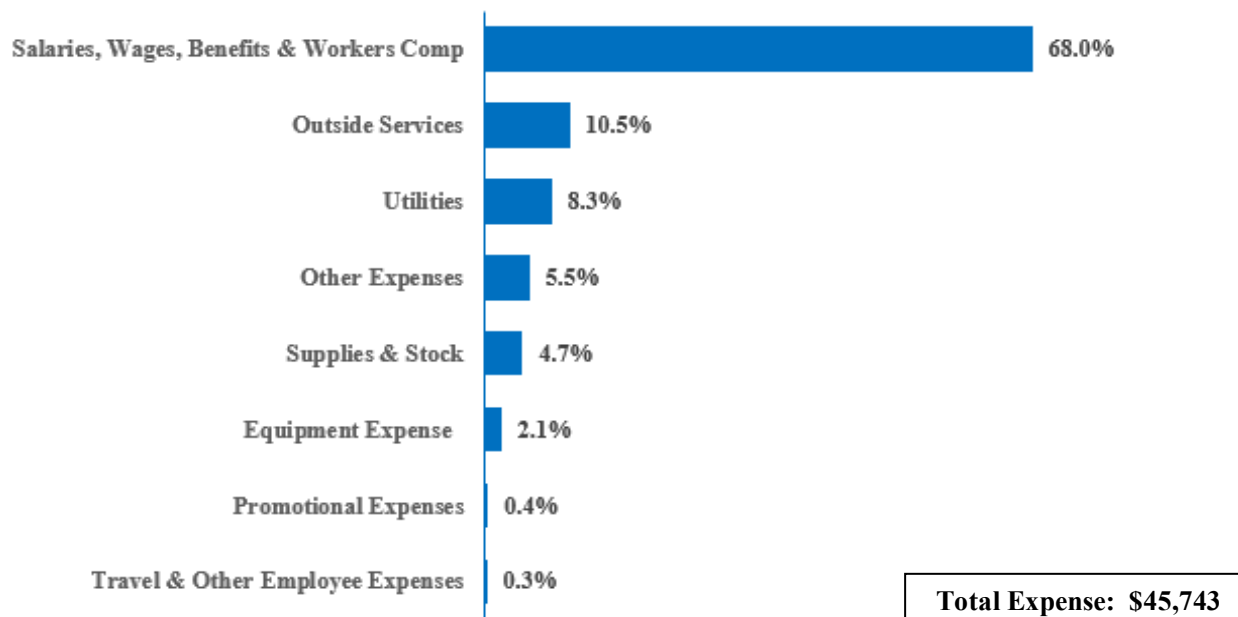


TABLE V-6: MARITIME REVENUE AND EXPENSE BY BUSINESS GROUP/DEPARTMENT

(\$ in 000's)		2019	2020	2020	2021	% Change
BY BUSINESS GROUP/DEPARTMENT	Notes	Actual	Approved Budget	Revised Budget	Approved Budget	2020 Bud - 2021 Bud
REVENUE						
Fishing & Operations		\$ 9,994	\$ 9,274	\$ 9,274	\$ 8,624	-7.0%
Recreational Boating		12,479	13,333	13,333	12,915	-3.1%
Cruise Operations		22,289	26,161	5,809	8,458	-67.7%
Bulk Terminals		4,266	3,484	3,484	4,903	40.7%
Marine Maintenance		1,400	829	829	798	-3.8%
Park		4	-	-	-	0.0%
Maritime Habitat Initiatives		4	-	-	-	0.0%
Total Operating Revenue		50,436	53,082	32,730	35,699	-32.7%
EXPENSES BEFORE CHARGES TO CAP/GOVT/ENVRs PROJECTS						
Business Groups:						
Fishing & Operations		4,976	5,239	5,112	4,850	-7.4%
Recreational Boating		3,558	3,788	3,684	3,620	-4.4%
Cruise Operations		2,796	5,007	4,429	4,901	-2.1%
Bulk Terminals		38	43	43	65	49.7%
Maritime Security		811	2,811	2,803	2,194	-22.0%
Total Business Group Expense		12,179	16,888	16,070	15,630	-7.5%
Service Depts.:						
Maritime Marketing		790	1,193	1,099	742	-37.8%
Maritime Finance		1,778	2,118	2,046	2,002	-5.5%
Maritime Envir & Planning		4,503	4,924	4,257	4,286	-13.0%
Seaport PMG		3,031	3,922	3,831	3,621	-7.7%
Marine Maintenance		25,810	26,282	25,355	24,450	-7.0%
Other						
Maritime Administration		517	931	653	585	-37.2%
Maritime Contingency			(521)	-	(217)	-58.3%
Parks		187	199	199	263	32.1%
Maritime Habitat Initiatives		(7)	-	-	-	0.0%
Maritime Environmental Remediation Liability Expense		400	-	-	-	0.0%
Maritime Capital to Expense		460	-	-	-	0.0%
Total Services Expense		37,468	39,048	37,440	35,732	-8.5%
Total Expenses Before Charges to Cap/Govt /Envrs Projects		49,647	55,936	53,510	51,362	-8.2%
CHARGES TO CAPITAL/ GOVT /ENVRs PROJECTS		(4,667)	(6,034)	(6,127)	(5,618)	-6.9%
OPERATING & MAINTENANCE EXPENSE						
Business Groups:						
Fishing & Operations		4,978	5,239	5,112	4,850	-7.4%
Recreational Boating		3,558	3,788	3,684	3,620	-4.4%
Cruise Operations		2,792	5,007	4,429	4,901	-2.1%
Bulk Terminals		38	43	43	65	49.7%
Maritime Security		811	2,811	2,803	2,194	-22.0%
Total Business Group Expense		12,177	16,888	16,070	15,630	-7.5%
Service Depts.:						
Maritime Marketing		790	1,193	1,099	742	-37.8%
Maritime Finance		1,605	1,942	1,870	1,694	-12.7%
Maritime Envir & Planning		3,275	3,420	2,908	3,041	-11.1%
Seaport PMG		940	1,041	950	947	-8.9%
Marine Maintenance		24,390	24,809	23,635	23,059	-7.1%
Other						
Maritime Administration		517	931	653	585	-37.2%
Maritime Contingency			(521)	-	(217)	-58.3%
Parks		187	199	199	263	32.1%
Maritime Habitat Initiatives		(7)	-	-	-	0.0%
Maritime Environmental Remediation Liability Expense		400	-	-	-	0.0%
Others		4	-	-	-	0.0%
Maritime Capital to Expense		706	-	-	-	0.0%
Total Services Expense		32,807	33,013	31,313	30,114	-8.8%
Total Operating Expense	1	\$ 44,984	\$ 49,902	\$ 47,383	\$ 45,743	-8.3%

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Notes:

1) Expenses do not include Central Services allocations.

E. STAFFING

The Maritime Division is budgeting 262.4 FTEs for 2021 which is a 1.0% increase compared to the 2020 Approved Budget

The following TABLE V-7 outlines the Full-Time Equivalents (FTEs) in the Maritime Division.

TABLE V-7: MARITIME DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions)		2019	2020	2020	2020	2021	% Change
BUSINESS GROUP/DEPARTMENT	Notes	Actual	Approved Budget	Revised Budget	Estimated Actual	Budget	2021 Bud - 2020 Bud
Capital Development	1	20.0	23.0	23.0	23.0	23.0	0.0%
Cruise Operations	2	3.0	4.0	4.0	4.0	4.0	0.0%
Marine Maintenance	3	118.5	143.0	147.0	147.0	147.0	2.8%
Maritime Division Management	4	2.0	5.0	5.0	5.0	5.0	0.0%
Maritime Marketing		3.0	3.0	3.0	3.0	3.0	0.0%
Recreational Marinas & Commercial Operations		44.0	42.0	42.0	42.0	41.4	-1.4%
Elliott Bay Fishing & Commercial Operations	5	4.3	4.3	4.3	4.3	3.9	-7.8%
Fishing & Operations Admin		2.0	2.0	2.0	2.0	2.0	0.0%
Maritime Security		3.0	3.0	3.0	3.0	3.0	0.0%
Recreational Boating	6	22.8	20.8	20.8	20.8	20.5	-1.2%
Ship Canal Fishing & Operations		12.0	12.0	12.0	12.0	12.0	0.0%
Maritime Environment & Sustainability	7	21.3	22.3	23.3	23.3	22.0	-1.3%
Seaport Finance	8	13.6	14.6	14.6	14.6	14.0	-3.8%
Stormwater Utility	9	2.0	3.0	3.0	3.0	3.0	0.0%
TOTAL MARITIME DIVISION		227.4	259.9	264.9	264.9	262.4	1.0%

FTE.XLS

Notes:

- 1) Capital Development added 3.0 FTEs (Project Manager 2, Capital Project Scheduler, and Administrative Assistant) in 2020.
- 2) Cruise added 1.0 FTE (Cruise Services Specialist) in 2020.
- 3) Marine Maintenance converted 24 craft/labor emergency hires to regular FTEs, converted a 0.5 FTE (Facilities Maintenance Manager) into full-time for the 2020 Budget. A total of 4.0 FTEs was added earlier this year. For 2021, Marine Maintenance will eliminate 3.0 FTEs (Administrative Assistant, Inventory Specialist, and SharePoint Administrator) and will add 3.0 FTEs (HVAC technician, SWU/SWPP Laborer, and SWU/SWPP Operating Engineer).
- 4) Maritime Division Management added 3.0 FTEs (Continuous Process Improvement Specialist, Facility Planner and Sr. Manager Planning) in 2020.
- 5) Elliott Bay Fishing & Commercial Operations will transfer a 0.3 FTE (College Intern) to Human Resources (HR) in 2021.
- 6) Recreational Boating eliminated 2.0 FTEs (Customer Service Supervisor and Harbor Accounting Business Analyst) in 2020. Recreational Boating will transfer 0.8 FTE (College Interns) to HR and add a 0.5 seasonal FTE in 2021.
- 7) Maritime Environment & Sustainability added 1.0 FTE, (Limited Duration Sr. Environmental Program Manager) in 2020 and will transfer a total of 1.3 FTEs (College/Graduate Interns) to HR in 2021.
- 8) Seaport Finance added 1.0 FTE (Financial Analyst II) in 2020 and will transfer a total of 0.6 Interns to HR in 2021.
- 9) Stormwater Utility added 1.0 FTE (Sr. Env. Program Manager) from Central Services in 2020.

F. MARITIME CAPITAL BUDGET

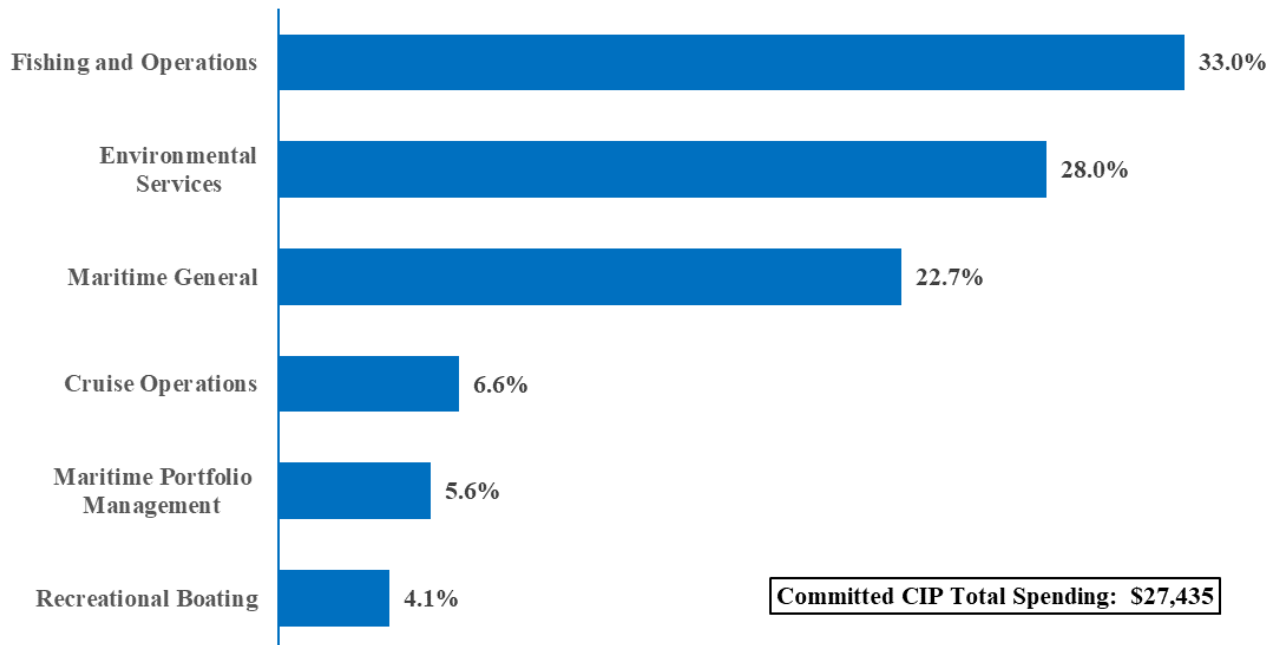
TABLE V-8: MARITIME CAPITAL BUDGET SUMMARY

(\$ in 000's)	2021 Budget	2021-2025 CIP	% of 2021 Total Committed
Committed Capital Projects			
Fishing and Operations	\$ 9,067	\$ 74,702	33.0%
Environmental Services	7,687	13,187	28.0%
Maritime General	6,236	20,008	22.7%
Cruise Operations	1,807	64,605	6.6%
Maritime Portfolio Management	1,525	16,739	5.6%
Recreational Boating	1,116	9,057	4.1%
Total Committed	\$ 27,438	\$ 198,298	100.0%
Business Plan Prospective Projects	\$ 7,751	\$ 40,028	
CIP Cashflow Adjustment Reserve	\$ (8,806)	\$ -	
Total CIP	\$ 26,383	\$ 238,326	

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FIGURE V-5: MARITIME COMMITTED CAPITAL BUDGET

(\$ in 000's)



G. MARITIME DIVISION OPERATING STATISTICS

TABLE V-9: MARITIME OPERATING STATISTICS

Year	Cruise Ship Sailings		Cruise Passengers		Grain	
	Number	Growth	Number	Growth	Metric tons	Growth
2003	99		344,922		3,107,732	
2004	148	49.5%	562,308	63.0%	3,898,491	25.4%
2005	169	14.2%	686,978	22.2%	5,049,107	29.5%
2006	196	16.0%	751,074	9.3%	5,901,821	16.9%
2007	190	-3.1%	780,593	3.9%	5,333,018	-9.6%
2008	210	10.5%	886,039	13.5%	6,400,778	20.0%
2009	218	3.8%	875,433	-1.2%	5,512,164	-13.9%
2010	223	2.3%	931,698	6.4%	5,491,360	-0.4%
2011	195	-12.6%	885,949	-4.9%	5,026,868	-8.5%
2012	202	3.6%	935,000	5.5%	3,161,013	-37.1%
2013	187	-7.4%	870,994	-6.8%	1,351,417	-57.2%
2014	179	-4.3%	823,780	-5.4%	3,618,489	167.8%
2015	192	7.3%	895,055	8.7%	3,778,476	4.4%
2016	203	5.7%	983,539	9.9%	4,389,089	16.2%
2017	218	7.4%	1,071,594	9.0%	4,362,603	-0.6%
2018	216	-0.9%	1,114,888	4.0%	4,378,796	0.4%
2019	211	-2.3%	1,203,317	7.9%	3,403,662	-22.3%
2020 Budget	223	2.3%	1,309,013	22.2%	3,004,000	-11.7%
2020 Forecast	-		-		3,500,000	2.8%
2021 Budget	NA		NA		4,219,000	40.4%

*Current COVID-19 restriction limit meaningful sailing and passenger forecasts.

VI. ECONOMIC DEVELOPMENT

ECONOMIC DEVELOPMENT DIVISION

A. 2021 BUDGET SUMMARY

TABLE VI-1: 2021 ECONOMIC DEVELOPMENT CASHFLOW SUMMARY

(\$ in 000's)	2021	Percent of Total
<u>SOURCES OF CASH</u>		
Operating Revenues	\$ 13,348	65.7%
Interest Receipts	87	0.4%
Proceeds from Bond Issues	-	0.0%
Grants and Capital Contributions	-	0.0%
Tax Levy	6,811	33.5%
Other Receipts	55	0.3%
Total	\$ 20,302	100%
<u>USES OF CASH</u>		
Expenses from Operations:		
Total Operating Expenses	21,413	69.9%
Debt Service:		
Interest Payments	539	1.8%
Bond Redemptions	<u>2,681</u>	8.8%
Total Debt Service	3,220	10.5%
Other Expenses	126	0.4%
Public Expense	-	0.0%
Capital Expenditures	5,874	19.2%
Total	\$ 30,634	100%

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FIGURE VI-1: ECONOMIC DEVELOPMENT SOURCES OF CASH
(\$ in 000's)

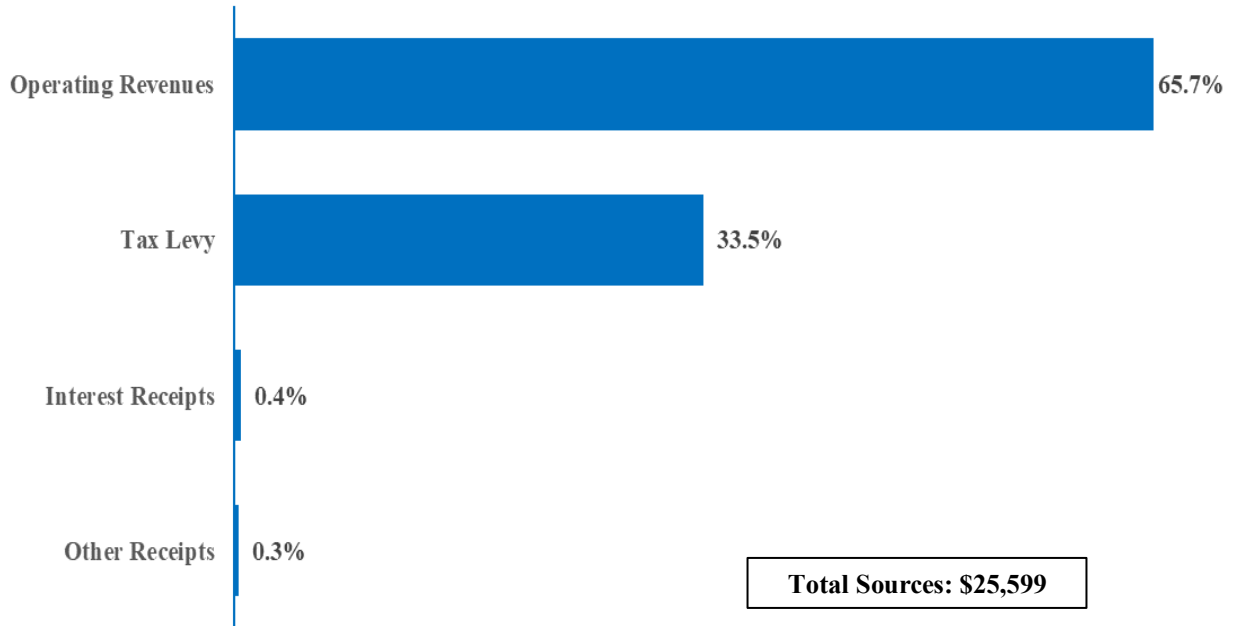
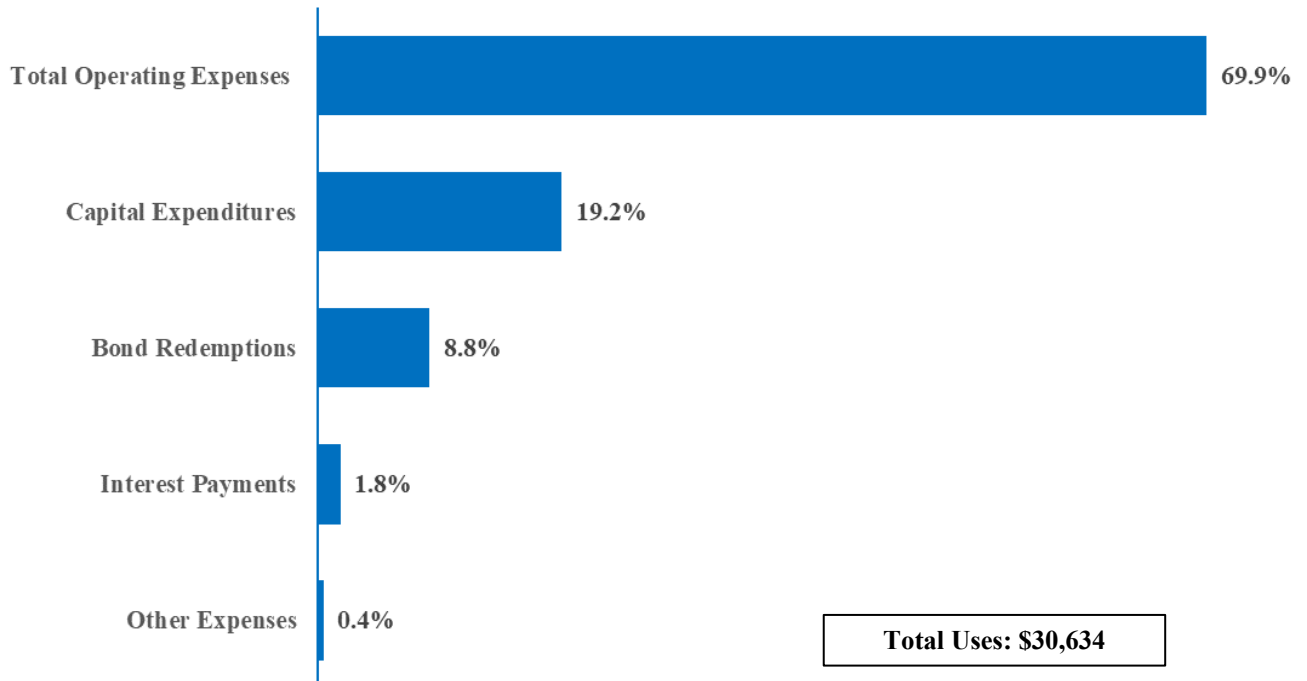


FIGURE VI-2: ECONOMIC DEVELOPMENT USES OF CASH
(\$ in 000's)



B. FINANCIAL FORECAST

TABLE VI-2: ECONOMIC DEVELOPMENT FINANCIAL FORECAST

OPERATING BUDGET	(\$ in 000's)			Forecast				Compound Growth 2021 - 2025
	2020 Approved Budget	2020 Revised Budget	2021 Approved Budget	2022	2023	2024	2025	
Operating Revenue	\$ 19,110	\$ 15,658	\$ 13,348	\$ 21,079	\$ 22,137	\$ 22,965	\$ 24,903	-79.2%
Total Operating Revenues	19,110	15,658	13,348	21,079	22,137	22,965	24,903	-79.2%
Total Operating Expense	29,368	27,222	21,413	27,454	28,786	29,449	30,268	-80.6%
Net Operating Income Before Depreciation	(10,258)	(11,564)	(8,065)	(6,375)	(6,649)	(6,484)	(5,365)	-83.9%
Total Depreciation Expense	3,389	3,392	3,216					
Net Operating Income After Depreciation	(13,647)	(14,956)	(11,281)					
								Total 2021 - 2025
Committed Capital Budget	\$ 14,586	\$ 12,669	\$ 8,410	\$ 22,929	\$ 27,120	\$ 4,995	\$ 1,085	\$ 64,539
Business Plan Prospective	1,215	-	1,030	1,743	2,543	1,716	2,500	9,532
CIP Cashflow Adjustment Reserve	(2,080)	(2,000)	(3,566)	2,140	1,426	-	-	0
TOTAL CIP	\$ 13,721	\$ 10,669	\$ 5,874	\$ 26,812	\$ 31,089	\$ 6,711	\$ 3,585	\$ 74,071

Notes:

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

C. ECONOMIC DEVELOPMENT DESCRIPTION/BUSINESS ASSESSMENT

MISSION:

Create quality jobs in King County and across the state by advancing trade and commerce, promoting manufacturing and maritime growth, and stimulating equitable economic development.

VISION:

The Port’s Economic Development Division will help meet regional need for aviation and maritime services, while advancing economic recovery in all communities we serve. The Economic Development Division will implement initiatives that drive equitable economic development across King County and Washington State:

- Help Port small business tenants and partners recover from COVID pandemic related challenges;
- Implement Tourism Recovery initiative in partnership with WA Tourism Alliance;
- Redevelop Terminal 106 and other Port properties (ex. Des Moines Creek W);
- Support Regional Economic Recovery via Economic Development Partnership Grant Program; and
- Support maritime innovation initiatives to discover, promote and help advance promising maritime ventures and startups.

MAJOR/NEW INITIATIVES:

Diversity in Contracting

- Help Port small business tenants and partners recover from COVID pandemic related challenges.
- Increase WMBE contracting utilization results to reduce disparities in Port contracting processes.

Tourism

- Implement Tourism Recovery initiative in partnership with WA Tourism Alliance.
- Utilize Tourism Grant programs to support tourism recovery and help regenerate consumer confidence in travel.
- Implement cooperative marketing and promotional efforts in countries identified to have strong Alaska cruise demand, “cruise -and-stay”, international air arrival potential or expansion of visitor stays throughout the region (UK/Ireland, Mainland Europe, China, Australia, New Zealand).

Real Estate Development and Asset Management

- Provide appropriate relief measures to tenants impacted by COVID pandemic.
- Redevelop Terminal 106 and other Port properties (ex. Des Moines Creek W).
- Complete design work on Terminal 91 Uplands light industrial buildings.
- Secure permits and start renovations on Maritime Innovation Center.
- Maintain 94% occupancy in Economic Development and Maritime properties.
- Sustain healthy working conditions at Pier 69 Headquarters facility.

Economic Development and Innovation Partnerships

- Support Regional Economic Recovery via Economic Development Partnership Grant Program.
- Support Greater Seattle Partners’ regional economic recovery plan finalization and implementation.
- Support Duwamish Community Equity Partners’ economic development initiatives.
- Support maritime innovation initiatives to discover, promote and help advance promising maritime ventures and startups.

DIVISION DESCRIPTION:

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

Real Estate Development and Planning

The Port owns hundreds of acres of property that can be developed to advance the Century Agenda. Thoughtful development of these properties can create quality jobs, support aviation and maritime industries and generate tax revenues for local government partners.

In a supportive role, the Real Estate Development team is a responsible steward and advocate for the environmental, aviation and maritime divisions. We leverage our real estate land holdings to promote job growth, community development and sustainability. While utilizing our tools via intellectual capital, a broad network, experience and financial capabilities.

Except for housing, the Port’s Real Estate portfolio is made up of every major commercial real estate product type. From raw land to light industrial. From specialty retail to office. The Real Estate Development and Planning team facilitates the development of properties to maximize their highest and best use. The team also identifies and evaluates new property acquisition opportunities and provides counsel to other divisions regarding real estate management and development.

Portfolio and Asset Management

The purpose of the Portfolio and Asset Management Department is to strategically position the Economic Development and Maritime Divisions' diverse portfolios of commercial and industrial real estate assets to achieve positive return on the public's investment through effective asset management with a focus on Maritime and industrial uses. The team works to ensure compliance with all legal, financial, and regulatory aspects of public entity ownership while respecting the environment and aligning with the Port's Century Agenda.

Portfolio and Asset Management manages leasing, marketing, and maintenance and planning for 4 million square feet of conference, office, retail, commercial, and industrial buildings and land and works to enhance the value of the Division's assets through strategic asset planning and repositioning. Portfolio and Asset Management is organized into three groups:

Central Harbor Management Group

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

Maritime Real Estate Portfolio Asset Management

Our team also manages the leasing, marketing, maintenance, and planning for Maritime Division landside real estate assets located from Terminal 91 to Shilshole Bay Marina and includes Terminal 106. This includes retail, office, industrial, warehouse, and land assets.

Lease Administration and Utilities Group

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

Foreign Trade Zone

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

Diversity in Contracting

The Diversity in Contracting (DC) department drives equitable economic development by supporting Women and Minority Business Enterprises (WMBE) and Disadvantaged Business Enterprises (DBE). The DC staff conducts outreach and trainings to ensure that WMBE and DBE firms are aware and capable of responding to Port contracting opportunities. DC staff also helps Port divisions/departments set annual WMBE utilization goals and helps identify WMBE utilization opportunities and requirements for upcoming Port procurements.

Tourism Development

The Tourism department focuses on increasing the economic value of travel for King County and Washington State by leveraging the Port of Seattle's visitor assets (cruise terminals and Sea-Tac International Airport) as integral travel gateways.

Tourism Development operates two unique programs that enable statewide organizations to share their tourism destination marketing messages. Awards (grants) from the Tourism Marketing Support Program and the SEA Airport Spotlight Program afford Destination Marketing Organizations (DMOs), cities, and Chambers of Commerce (non-profits), the opportunity to reach domestic and international non-resident

travelers to promote their unique destinations and events. For 2021 a stronger emphasis on identifying and working with EDI organizations will be enacted through these programs.

The department also partners with the Washington Tourism Alliance (WTA), Visit Seattle and fellow destination marketing organizations (DMOs) to promote domestic and international leisure travel. With the opening up of the new IAF at SEA International Airport and the expectation of the return of the Alaska cruise trade in 2021, the Port's tourism team will work to increase air travel in key identified overseas markets (UK, Ireland, Mainland Europe, Australia, New Zealand, and China) and North America to increase leisure air travel and tourism in the Pacific Northwest.

Because tourism has been disproportionately impacted by COVID-19, the POS Commission voted unanimously to authorize a \$1.5 million joint marketing agreement with Washington Tourism Alliance (WTA), the state's non-profit tourism marketing agency, to aid tourism recovery in the wake of the pandemic. The agreement will help regenerate travel to Seattle, King County and all of Washington state in 2021 and beyond. The multi-tiered program will include advertising, public relations, consumer marketing, public education for "responsible travel" and aid in industry recovery programs.

Pier 69 Facilities Management

The purchase and redevelopment of the Pier 69 site in the late 1980s has proven to be a visionary move that served as a catalyst for the major redevelopment which has since occurred along the central waterfront. Pier 69 is a unique facility and a great example of adaptive reuse; it was constructed in 1931 by American Can Company and was originally used as a salmon cannery warehouse. The vision of the project team transformed the neglected, massive concrete structure into the Class A office building that has now served the Port and our working waterfront tenants for more than a quarter-century.

Pier 69 Facilities Management ensures the functionality of the Pier 69 site by integrating people, place, process, and technology. Our mission is to provide, operate, and maintain a safe, secure, comfortable, effective, and efficient workplace.

Facility management services include asset management, space management and planning, energy management, reception services, event coordination, mailroom/shipping/receiving, and administration of the site Commute Trip Reduction (CTR) program.

Economic Development Administration

The managing director, the economic development manager, and the assistant to the managing director provide general support to the division. This team also implements the Economic Development Partnership program and the Port's maritime innovation initiatives.

Economic Development Partnership Program

In 2016, the Port of Seattle established an economic development fund for King County cities to advance regional economic growth and the Port's Century Agenda. The Port's goals with the grant program are to facilitate growth in business, jobs and economic activity in participating municipalities. At the same time, the partnerships this program establishes will help advance the Port's strategic "Century Agenda" objectives by advancing business development, job creation, and community revitalization region wide.

Maritime Innovation Initiatives

The division helps lead the Port's efforts to advance maritime innovation and establish a maritime innovation center at Fishermen's Terminal. The economic development team coordinates innovation center advisory committee meetings, fact finding trips, and works closely with other government,

education, and private partners to support and stimulate innovation that helps sustain the region's maritime industry.

BUSINESS ASSESSMENT:

REAL ESTATE DEVELOPMENT AND PLANNING

Market Analysis and Assessment:

Today's real estate market has been severely impacted by the outfall from the global outbreak of COVID19 and the ensuing economic crisis. Those impacts are wide and hit all sectors of the real estate economy to varying degrees. This occasion is a marked break from a continuous growth in land and development costs that have characterized the Puget Sound region for well over a decade where the region saw only growth and development pressures on industrial land.

The full impact on the economic slowdown is not known and may not be fully known for several years as enterprises evaluate their real estate needs considering contemporary standards and availability of funds to finance construction projects. However, at this juncture, the industrial submarket has remained relatively strong and projections from market analysts continue to note the strength of the sector, particularly for high bay flex space that supports e-Commerce.

The vacancy rate in the industrial submarket in Seattle and surrounding areas has increased from a historic low of 2.5% to 4% currently despite the crisis vacancy continues to be near historic lows. Even though the industrial sector seems likely to weather the crisis, the tenants of these buildings face an increasingly less certain future, making for overall viability of the market hard to project. Rents are anticipated to maintain 2018 levels, but increases are unlikely to be borne without seriously compromising business fundamentals. Though trailing data shows that there have been little in the way of "give backs" of space, we see the migration of larger users of space, such as Amazon and Walmart, taking back lingering larger format sublease space. (JLL, Trends and Insights, Research industrial market statistics Q1 2021), this is a key driver to monitor on an on-going basis as we move from crisis to the "new normal.

The Puget Sound regional industrial market sector seems no growth for the time being as many transactions and new construction projects are stalled and rent relief requests of impacted businesses are anticipated to continue through the end of the year and possibly beyond. Vacancy rates will continue to remain low, however. SODO, Interbay and other close in areas are likely to be targets as high-level investors seek to buy distressed properties in anticipation of market recovery down the road, leaving buildings empty or underinvested until the market picks back up. For Port properties that fall within the various local clusters, rents are stable and industrial vacancy rates within those clusters are closer to 9%.

PORTFOLIO AND ASSET MANAGEMENT

Leasing

Local Market Analysis and Assessment:

The occupancy level of our Commercial and Industrial Properties is currently at 94% compared to our specific submarket benchmarks which have occupancy of 93-96%. We expect leasing activity to remain stable with current economic conditions. There will be 64,000+ SF of space turning over in 2021 and we expect to retain 90% of those tenants and backfill the rest to reach our occupancy goal.

At the same time, individual properties on the Central Waterfront and Duwamish will continue to wrestle with local challenges (e.g. transportation infrastructure projects) while increasing occupancy and maintaining market rates.

Conference and Event Centers

Market Analysis and Assessment:

Bell Harbor International Conference Center (BHICC) has been a major success over the past twenty-three years. It has helped anchor Seattle's waterfront revitalization, generated significant international interest in the region, contributed significant economic impacts to the region and become an asset that contributes to the Port's bottom line.

The regional conference marketplace is rapidly evolving, and multiple new and compelling event spaces were recently introduced in Seattle, Bellevue and other nearby communities. The legislative mandates issued by the State and the City of Seattle have seriously curtailed production of events, but the team is focusing on the future and has launched an assertive marketing campaign to regain sales momentum.

Despite the pandemic, Bell Harbor occupies a niche position in the local market as a mid-sized flexible event space. It is smaller and more intimate than the Washington State Convention Center (WSSC) and Century Link Field Event Center but larger than most large hotel conference venues. BHICC does not directly compete with the Convention Center and, in fact, fulfills an otherwise missing component for mid-sized flexible event space in the market. Our ability to expand events into the P66 Cruise Terminal allows for large events with appropriate physical distancing and will support our re-emergence.

In the long run, the WS Convention Center expansion will create new opportunities for increased, large conventions that will benefit Bell Harbor. In the short-term, the new hotel rooms created recently in anticipation of the WS Convention Center expansion have arrived a little early and often are attached to meeting space that can easily be offered as a loss leader for selling hotel rooms.

Our niche is still strong, and the ongoing transformation of the Waterfront will only increase the distinction and desirability of our waterfront location and amenities.

PIER 69 FACILITIES MANAGEMENT

Market Analysis and Assessment:

Our Pier 69 headquarters has now been in operation for more than a quarter-century. The facility is well maintained but the building is showing its age and will require significant investment over its second 25 years of service life. Pier 69 is also well positioned to support a healthy and safe environment for workers returning to work after COVID-related health measures are relaxed.

A plan was developed in 2019 to guide the renewal, replacement, and modernization of major building systems through 2042. The plan outlines \$20-25 million of activity through 2027, \$1.5 million of which is stated below in goal #1. An additional \$20-25 million of activity is programmed from 2028 through 2042. This ongoing investment will be required to maintain the effectiveness, efficiency, and sustainability of our Class A office.

DIVERSITY IN CONTRACTING

Market Analysis and Assessment:

COVID-19 has been very challenging for small businesses locally. It has essentially placed all positive economic activity to a standstill, and as a result, some businesses are not knowing if they are going to survive this downturn. The Port, however, is doing its part by not slowing down projects but rather

increasing its timing to continue its economic support of businesses, especially within the construction and construction-related industries.

Due to this support, the Economic Development Division's Diversity in Contracting's (DC) program continued to inject regional and statewide economic vitality and inclusion through the Port's economic recovery efforts by continuing with its robust outreach efforts combined with effective business resiliency and COVID-19 grant application trainings for current and potential WMBE and small business contracting partners.

This continues the economic activity by providing opportunities to small and WMBE firms which are supporting communities through the maintaining of staff and other beneficial economic activities.

Due to our commitment, the Port is rapidly becoming a leader in advancing inclusive procurement policies that support all firms within the Puget Sound Region. For 2021, the DC department is one of the major core elements for advancing the Port-wide WMBE goals.

TOURISM DEVELOPMENT

Market Analysis and Assessment:

As a result of the global COVID 19 pandemic, the tourism industry has been hit especially hard. The 2021 Alaska Cruise season was nonexistent impacting jobs and the tourism economies in Washington and Alaska like no other. For the month of August 2021, King County hotel occupancy was a dismal 34.7%. Job losses in the hospitality and restaurant industry has reached 45,000 statewide. From January through August 2020 SEA International Airport passenger traffic has declined 59.4%.

Because the Port of Seattle's visitor assets (cruise terminals and SEA international Airport) are integral gateways for continued expansion of travel in the Pacific Northwest, Tourism will work to increase the economic value of travel for King County and Washington state. For 2021, Norwegian Cruise Line (NCL) has announced plans to implement a third NCL ship (Sun) to the Seattle Alaska market. RCI is planning to increase capacity in 2021 with a larger ship departing from Seattle. In Alaska (Ketchikan, Sitka, Skagway, Icy Strait Point) all are in the process of planning or building additional docking infrastructure. Although the 2021 Alaska cruise season is nonexistent, early indications and reports from cruise lines, cruise tour operators and the retail cruise travel trade reflect that visitation will be strong in 2021 and beyond.

Despite the cruise industry challenges globally, it is believed that the Alaska cruise trade will be solid. Tourism will focus our efforts to impact, and educate the travel trade and travel media on the merits of selling Alaska cruises and recommending extension of stays to explore the Pacific Northwest thereby increasing leisure air travel to Washington for 2021 and beyond. We will continue to work with fellow destination marketing organizations and attractions to market all of Washington as well as impact and address our strengths, weaknesses, opportunities and threats.

As a result of the Corona Virus impact on SEA International airport as the gateway to all of Washington state, POS and the Tourism department is in a position to play a vital role in collaboration with the Washington Tourism Alliance (WTA) and other visitor stakeholders to bring the visitor industry back to a healthy and important part of Washington state's economy. Our Tourism Marketing Support Program (TMSP), airport spotlight advertising program and the funding identified to assist in COVID-19 recovery will be used to return the tourism and visitor industry back to life after the challenging and difficult 2021 travel season.

ECONOMIC DEVELOPMENT

Economic Development Partnership Program

Market Analysis and Assessment:

As cities in King County look at recovery from the COVID-19 pandemic, the Port of Seattle Economic Development Partnership Program funding positions the Port of Seattle as a major partner and leader in regional economic development. The program provides seed funding to spur economic development projects that integrate each city's economic development strategy and support the Port's Century Agenda goals and 2021 Port-wide Goals. Additionally, as cities look at tough funding choices in the 2021 funding cycle, the program incentivizes all King County cities to allocate staff and funding resources to economic development activities that support Port business interests through the grant's monetary and in-kind matching requirement.

The Port of Seattle Economic Development Partnership Program funding is distinctive in the region in both its approach and mission, compared to other federal, state, and local grant programs. The accessibility of the funding and the simpler reporting requirements, compared to federal and state economic development funding sources, make the grants a flexible funding source for economic development recovery projects.

In recent years, cities have undertaken multi-city, collaborative projects that address regional priorities and pivoted these projects to address COVID-19 recovery. For example, the cities of Kirkland, Bellevue, Renton, Issaquah, and Redmond formed Startup 425 in 2017 and expanded the program in 2021 to provide technical assistance to businesses impacted by COVID-19. In 2021, most King County cities pivoted projects to address COVID-19 recovery in their communities. Port economic development staff were also able to help smaller cities develop economic development projects to support small businesses during COVID-19.

The Economic Development Partnership Program remains a popular program with cities in King County, allowing Port Commissioners to show Port of Seattle economic support in all corners of King County. In response to COVID-19, the Port conveyed an advisory panel of cities to help refine the program to be more responsive to the COVID-19 economic recovery. The panel suggested the following refinements, which staff will be presenting to Commission in July. A program evaluation report published at the end of 2018 found that cities often use the funds provided by the Port of Seattle as seed money for projects that would not have been possible otherwise. Some cities found that the projects undertaken with Port of Seattle funds generated follow-up ideas, or the projects received enough traction to continue regardless of future Port grant funding. Many smaller cities said that the increased economic development capacity was a huge benefit of the program.

Connection to 2021 Port-Wide Goals

The Port of Seattle Economic Development Partnership Program advances regional economic vitality and builds positive partnerships with King County Cities. The program's funding often supports innovative efforts that are outside the general economic development activities for cities and encourage cities to invest resources into economic development through the program matching requirement. To date in 2021, the Port of Seattle has awarded about \$875,000 to 30 cities in King County. Based on cities planned projects and budgets, the cities and the Port will be making a combined investment of about \$1.5 million.

The program positions the Port of Seattle as a key partner for King County cities by providing a flexible funding source for cities to implement economic development activities. Typically, external grant funding for local economic development projects is scarce and city economic development departments have trouble securing local funding.

CHALLENGES AND OPPORTUNITIES:

REAL ESTATE DEVELOPMENT AND PLANNING

Strengths:

- Port does not sell its active and tenanted property as a general rule and therefore can remain a patient steward of these sites through the down turn.
- Strategically located properties along major waterways, near airport and industrial cargo transportation channels.
- Pro-development Port commission determined to add jobs, with a focused mission to improve our region by strategically leveraging our diverse real estate holdings.

Weaknesses:

- Uncertain capital capacity driven by the impact of the COVID19 driven economic downturn, as well as the recent closure and uncertainty of the future of the Port properties are usually encumbered with wetlands, brownfields, and other development limitations that require creative approaches towards redevelopment.
- Long development review timelines and related permitting complexities.

Opportunities:

- Acquiring property to protect industrial lands and to potentially support Duwamish economic/equitable development initiatives.
- Redeveloping Terminal 106 into a significant new property that supports the region's manufacturing
- Fishermen's Terminal redevelopment and the Terminal 91 Uplands development light industrial development projects can support maritime manufacturers and suppliers within the Interbay Manufacturing Industrial Center.
- Longer term development of a Maritime innovation center development at Fishermen's Terminal can help support and drive industry innovation.

Threats:

- Market uncertainty and the inability to accurately project market uptake for Fisherman's Terminal and T91 mean that moving forward on these prospective projects means an higher level of risk compared to the time when these projects were conceived.
- West Seattle Bridge.
- Disruption of the real estate market and work from home.
- Market factors, environmental regulations, and an unprecedented wave of commercial real estate technology innovations that change the way traditional assets are operated.

- Global uncertainty related to the continuing COVID19 crisis and a lack of Federal response to the crisis leading to an ongoing challenge that will likely continue well into 2021.

PORTFOLIO AND ASSET MANAGEMENT

Commercial Properties

Strengths:

- Properties located in desirable areas for maritime and industrial users.
- Experienced Management team familiar with assets, market and tenants.
- Real Estate Managers have created a Leasing Task Team to work collaboratively across all portfolios to address existing and anticipated vacancies.

Weaknesses:

- Improving operating efficiencies in properties with aging infrastructure and implementing energy conservation improvements will require forward planning and capital investment.
- Locations of several properties within the portfolio provide only limited amenities such as public transportation, shopping, dining, etc.
- If hiring freeze continues the group will not have adequate resources to meet objectives at the current level of service to customers and Port needs.

Opportunities:

- The current industrial real estate market remains relatively strong and can support new lease opportunities.

Threats:

- Tenant insecurity and tenant restructuring and giving back space at FT and 102.
- Lower revenues.
- West Seattle Bridge negatively impacts Harbor Marine Corporate Center.
- Changing work patterns are disrupting real estate requests and requirements.

Conference and Event Centers

Strengths:

- New renovated facility with advanced technology to support in person and remote meetings.
- Iconic, niche facility in desirable locations.
- Assertive yet prudent management team with deep experience in the market.
- Developing experience in producing and promoting meetings in the “post-COVID” market.

Weaknesses:

- Parking capacity at Pier 91, Smith Cove Conference and Event Center is very limited and inconveniently located. Also, public transportation options to the site are limited.

Opportunities:

- Hotel room supply: With the significant increase in guest room supply, average room rates have dropped by approximately \$7 year to date. This provides an opportunity to bring conference and event business to the area which has been rate sensitive in the past. Leveraging partnerships with close by hotel properties has proven successful in some market segments which have previously skipped Seattle due to higher prices.
- With our innovative, yet prudent, management operator, Columbia Hospitality, at the cutting edge of the future of meetings, we will create new opportunities and new forms of business meetings and

social events. The success of the first Puget Sound Economic Summit, in September 2020, demonstrated our team’s innovation and flexibility.

Threats:

- Due to the pandemic, events aren’t going on right now and we can project an uncertain future and may occasion the need for new investment in our conference center to comply with new “social distancing requirements” when we do see an event return.
- Consumer confidence for events which entail congregating in large group are at all-time low. Even if we were able to update our properties to accommodate, they may not return.
- Competitive market – the expanding array of new supply now presents a different challenge; there are approximately 23 number of new “event venues” in the city/region offering event related space. To make matters worse, they will offer that event space at extreme discounts to fill their guest room inventory until the supply/demand balance is back on track.
- Increasingly short lead times in the market: There is a continuing trend toward “just-in-time” event planning and the shortening of lead time for events creates challenges in forecasting and logistics.

PIER 69 FACILITIES MANAGEMENT

Strengths:

- The scenic waterfront location and elegant office space facilitate employee recruitment, retention, wellness, and engagement.
- The site has been well maintained and does not have a significant backlog of deferred maintenance.
- The 100% outside air HVAC system and generous workstation allocations are desirable post-COVID-19.

Weaknesses:

- The operation, maintenance, renewal and replacement of aging building systems will require significant investment over the next two decades.
- Capital capacity may lead to deferred maintenance.
- There are limited last-mile transit options for commuters.

Opportunities:

- Reduction of operating and maintenance costs, and increased energy efficiency, by focusing on total cost of ownership when renewing and replacing building systems.
- Creative thinking and partnerships to improve last-mile transit options.

Threats:

- COVID related health issues could negatively impact the utilization and operation of P69.
- Uncertainty regarding the service life of the concrete pier which is now 89 years old.
- The site is located in a liquefaction zone and would likely suffer severe damage during a major earthquake.
- The West Seattle Bridge and traffic congestion related to population growth may increase the difficulty of commuting and make the site less attractive.

DIVERSITY IN CONTRACTING

Strengths:

- Community WMBE excitement for future opportunities.

- Deliberate and strategic outreach and marketing of opportunities in partnerships with WMBE community organizations.
- Port Commission strong commitment to DC policy.
- U.S.DOT's Federal Disadvantage Business Enterprise program (DBE) provisions are very specific towards WMBE's utilization.

Weaknesses:

- Some bias may still exist towards smaller or inexperienced firms.
- DC staff has limited influence over smaller Cat 1 (50K <) contracts.

Opportunities:

- Leveraging limited Small Works provisions (RCW) to improve upon WMBE participation.
- Other government agencies can help leverage Port program
- Continuation of WMBE COVID-19 resiliency business training and support.

Threats:

- Specific set-aside contracting for WMBE businesses only are still constrained by current state contracting laws (I-200) which may impact maximizing Port WMBE results.
- Economic recession and slowdown due to COVID-19. Unsure if WMBE businesses will survive pandemic.
- Threat of litigation surrounding Port Diversity in Contracting processes.

TOURISM DEVELOPMENT

Strengths:

- The Port's build out of infrastructure improvements (IAF and North Satellite) afford opportunity for increased tourism visitation.
- The Port of Seattle's continued commitment to statewide tourism is clear as demonstrated by their consideration of \$1.5 million to the Washington Tourism Alliance to develop a strong post COVID-19 marketing and promotion effort.
- Because of our states unique and diverse public lands and outdoor recreation opportunities, Washington is generally perceived as a safe destination for international travelers.

Weaknesses:

- Uncertainty with respect to the return of air routes and markets at SEA International airport in the fall of 2021 and 2021.
- Challenges inherent in the development and implementation of the appropriate protocols for embarkation and disembarkation of cruise passengers at the Port of Seattle cruise terminals.

Opportunities:

- Cruise passengers often spend extra days in a region or community prior to or post their actual cruise itinerary.
- High quality nature destinations in the State of Washington will be appealing as outdoor recreational opportunities are perceived as a safe way to take holidays.

Threats:

- Consumer anxiety about safety and cost.
- Air travel interest and capacity are greatly impacted by COVID19.

- International travel restrictions such as lengthy visa application processes and countries identifying the USA as an inappropriate or unsafe destination can severely impact visitation.
- The transient, homeless and addiction situation continues to pose a perceived safety issue by visitors experiencing Seattle and select locations in King County.
- Washington state tourism marketing efforts are woefully underfunded and well below neighboring states funding levels.

ECONOMIC DEVELOPMENT

Economic Development Partnership Program

Strengths:

- Grants help advance regional economic vitality during COVID-19.
- Provides niche funding for business assistance, retention, and recruitment projects that are expected to:
 - Promote regional economic diversification and main street recovery;
 - Supports small businesses through technical assistance and tourism development;
 - Diversify local rural and urban economies;
 - Recapture spending within the city;
 - Support development of local supply chains; and
 - Ultimately create jobs and increase economic activity.

Weaknesses:

- Promising regional economic development initiatives can be difficult to scale or expand.
- Funding supports larger cities with approximately 65% of the funds awarded to large cities (9 cities with populations over 50,000 people), 24% of the funds were awarded to mid-size cities (8 cities with populations between 10,000 - 49,999), and 11% of the funds were awarded to small cities (13 cities with populations of less than 10,000.)

Opportunities:

- Assess and highlight impacts from the Economic Development Partnership Program.
- Port funding drives city economic development investments and planning.
- Position Port as a leader and partner in COVID-19 recovery with cities and mayors.

Challenges/ Threats:

- Cities ability to support matching requirements or project staff administration based on constrained city budgets.
- Challenging for cities to measure outcomes on a short-term basis. Many projects undertaken with Port of Seattle grant funds have long-term objectives, which are hard to measure in terms of immediate return on investment.
- Cities often challenged to implement projects in less than a year.

Maritime Innovation Initiatives and Center Development

Strengths

- Established Port lines of business provide partnership and expertise needed to support maritime innovation.
- Port real estate assets can support short and long-term needs for maritime innovation.
- Port staff in constant touch with maritime industry = knows problems and opportunities.

Weaknesses

- Innovation initiatives are new, so patience is needed to define/achieve outcomes.

Opportunities

- To bring world class technologies (Cloud, Cybersecurity, IoT) beneficially to the region's maritime cluster.
- To spur innovations that sustain the region's fishing industry and protect our maritime environment.
- Advancing partnerships with the University of Washington, NOAA, City of Seattle, Maritime Blue, private industry and many other stakeholders.

Threats

- The region's maritime industry is not particularly collaborative.
- Other ports and regions are hungry for talented maritime startups. Two local companies have participated in the Port of Rotterdam's accelerator to advance their startups.

D. ECONOMIC DEVELOPMENT OPERATING BUDGET SUMMARY

Background

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

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

Assumptions

The 2021 Economic Development Division Budget is based on the following assumptions:

- Commercial properties are expected to remain at 95% or greater occupancy at year-end 2021, consistent with a forecasted occupancy of more than 95% at year-end 2020.
- Conference and Event Center revenues are below 2020 Budget due to COVID-19 driven event reduction.
- Economic Development Partnership and Tourism Grants are expected to continue.
- Salaries and benefits are forecasted using the 2021 Budget guidelines of no annual increase to salaries and specified benefit fixed amount/percentage.
- Utility rate increases are based on applicable rate changes posted by Seattle Public Utility, Seattle City Light, Puget Sound Energy and other utility vendors as applicable.

Major Changes in 2021 Budget

The 2021 budget reflects continued expenditures for the Economic Development Partnership Grant Program with King County cities and funding for the Washington Tourism Alliance.

Operating Revenue

Economic Development Division Operating Revenues are budgeted to decrease by \$5.8 million or 30.2% compared to the 2020 budget. Overall, Portfolio & Asset Management's revenues are down due to COVID-19 decreases to the Bell Harbor International Conference and Event Center and Bell Street Garage.

TABLE VI-3: ECONOMIC DEVELOPMENT MAJOR REVENUE CHANGES

	(\$ in 000's)	2019	2020	2020	2021	Change	% Change
	Notes	Actual	Approved Budget	Revised Budget	Approved Budget	2020 Bud - 2021 Bud	2020 Bud - 2021 Bud
REVENUE							
Portfolio & Asset Management		\$ 21,173	\$ 19,108	\$ 15,656	\$ 13,348	\$ (5,760)	-30.1%
Central Harbor Mgmt Group		8,899	9,093	8,793	8,278	(815)	-9.0%
Conference & Event Centers		12,239	9,985	6,833	5,035	(4,950)	-49.6%
Foreign Trade Zone		35	30	30	35	5	16.7%
Others	1)	(21)	2	2	-	(2)	-100.0%
Total Revenue		\$ 21,151	\$ 19,110	\$ 15,658	\$ 13,348	\$ (5,762)	-30.2%

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Notes:

- 1) Includes Police misc. revenue offsets to Economic Development Division

TABLE VI-4: ECONOMIC DEVELOPMENT REVENUE BY ACCOUNT

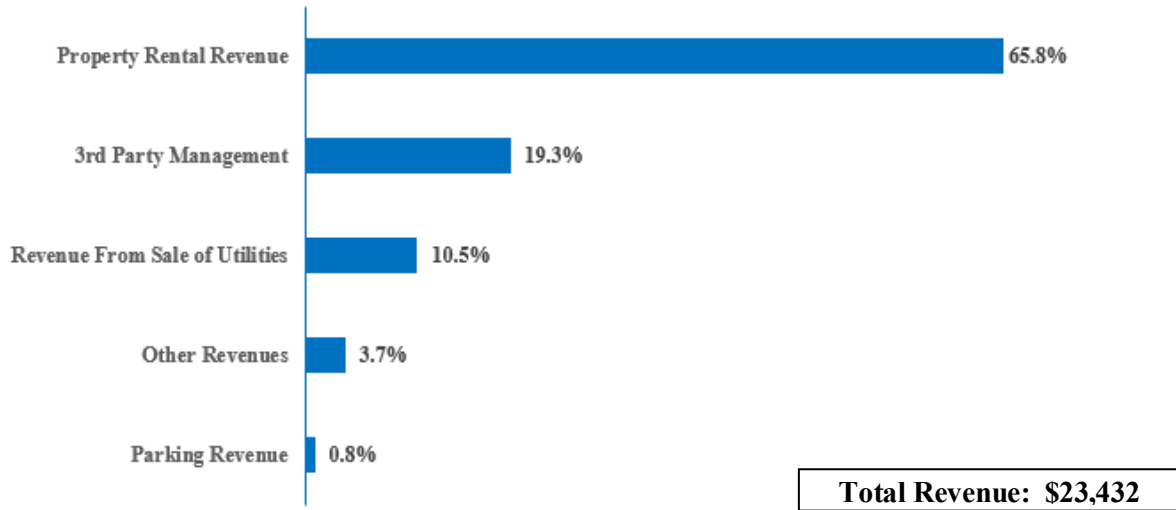
	(\$ in 000's)	2019	2020	2020	2021	% Change
	Notes	Actual	Approved Budget	Revised Budget	Approved Budget	2020 Bud - 2021 Bud
REVENUE BY ACCOUNT						
<u>Operating Revenue</u>						
Parking Revenue		\$ 185	\$ 185	\$ 185	\$ 185	0.0%
Revenue From Sale of Utilities		2,659	2,969	2,969	2,460	-17.2%
Property Rental Revenue		15,720	15,879	15,579	15,420	-2.9%
3rd Party Management		11,616	9,304	6,152	4,511	-51.5%
Other Revenues		853	925	925	857	-7.4%
Total Operating Revenue	1	\$ 31,033	\$ 29,263	\$ 25,811	\$ 23,432	-19.9%

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Notes:

- 1) Revenue does not include allocations from other divisions.

FIGURE VI-3: ECONOMIC DEVELOPMENT REVENUE BY ACCOUNT
(\$ in 000's)



Operating Expense Drivers

Total Economic Development Division operating expenses are budgeted to decrease by \$4.3 million or 17.0% from the 2020 budget driven by variable costs associated with increased Conference and Event Center volumes and cost cutting initiatives.

TABLE VI-5: ECONOMIC DEVELOPMENT OPERATING & MAINTENANCE EXPENSES BY ACCOUNT

(\$ in 000's)		2019	2020	2020	2021	% Change
EXPENSE BY ACCOUNT	Notes	Actual	Approved Budget	Revised Budget	Approved Budget	2020 Bud - 2021 Bud
Salaries, Wages, Benefits & Workers Comp		\$ 3,838	\$ 4,875	\$ 4,875	\$ 4,859	-0.3%
Equipment Expense		241	349	341	188	-46.0%
Utilities		4,772	4,996	4,996	4,708	-5.8%
Supplies & Stock		136	139	119	117	-15.9%
Outside Services		3,450	3,996	5,112	4,662	16.7%
Travel & Other Employee Expenses		268	409	304	238	-41.8%
Promotional Expenses		245	293	240	174	-40.6%
3rd Party Management		9,992	8,783	6,584	5,175	-41.1%
Other Expenses		1,600	1,739	1,402	1,118	-35.7%
Charges to Capital/Govt/Envrs Projects		167	-	-	-	0.0%
Total Operating Expense	1	\$ 24,709	\$ 25,579	\$ 23,972	\$ 21,239	-17.0%

EDbud.xls REdata

Notes:

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

FIGURE VI-4: ECONOMIC DEVELOPMENT EXPENSE BY ACCOUNT
(\$ in 000's)

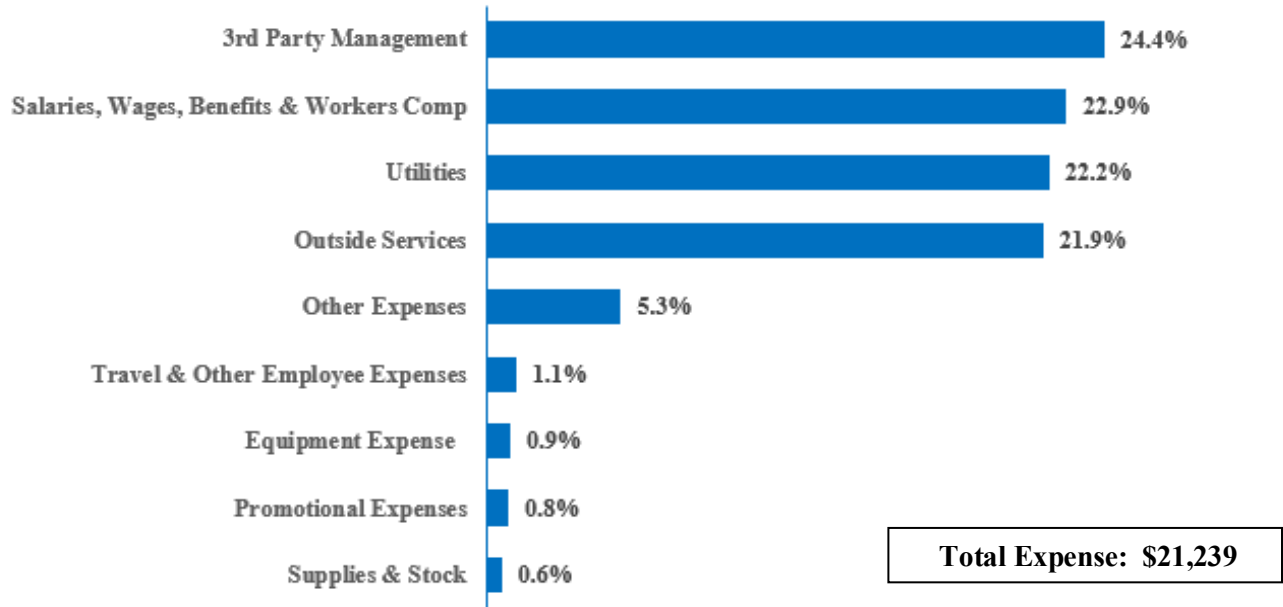


TABLE VI-6: ECONOMIC DEVELOPMENT REVENUE AND EXPENSE BY DEPARTMENT

(in 000's)	2019	2020	2020	2021	% Change
BY DEPARTMENT	Actual	Approved Budget	Revised Budget	Approved Budget	2020 Bud - 2021 Bud
REVENUE					
Portfolio Management	\$ 31,033	\$ 29,263	\$ 25,811	\$ 23,432	-19.9%
Total Operating Revenue	31,033	29,263	25,811	23,432	-19.9%
EXPENSES BEFORE CHARGES TO CAP/ GOVT/ENVRs PROJECTS					
Business Groups:					
Portfolio Management	18,162	17,975	15,734	13,143	-26.9%
Real Estate Development and Planning	395	813	663	633	-22.2%
Total Business Group Expense	18,557	18,788	16,396	13,776	-26.7%
Service Groups and Other:					
Pier 69 Facilities Management	1,855	1,694	1,661	1,578	-6.8%
Tourism	1,338	1,536	2,842	2,481	61.5%
Small Business	883	1,520	1,331	1,510	-0.6%
Economic Development Management	1,680	2,042	1,742	1,895	-7.2%
Economic Development Capital to Expense	229	-	-	-	0.0%
Total Services Group and Other Expense	5,985	6,791	7,576	7,464	9.9%
Total Expenses Before Charges to Cap/Govt/Envrs Projects	24,542	25,579	23,972	21,239	-17.0%
CHARGES TO CAPITAL/GOVT/ENVRs PROJECTS	167	-	-	-	0.0%
OPERATING & MAINTENANCE EXPENSE					
Business Groups:					
Portfolio Management	18,162	17,975	15,734	13,143	-26.9%
Real Estate Development and Planning	395	813	663	633	-22.2%
Total Business Group Expense	18,557	18,788	16,396	13,776	-26.7%
Service Groups and Other:					
Pier 69 Facilities Management	1,855	1,694	1,661	1,578	0.0%
Tourism	1,338	1,536	2,842	2,481	61.5%
Small Business	883	1,520	1,331	1,510	-0.6%
Economic Development Management	1,680	2,042	1,742	1,895	-7.2%
Economic Development Capital to Expense	397	-	-	-	0.0%
Total Services Group and Other Expense	6,153	6,791	7,576	7,464	9.9%
Total Operating Expense	\$ 24,709	\$ 25,579	\$ 23,972	\$ 21,239	-17.0%
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Notes:

1) Expenses do not include Central Services allocations.

E. STAFFING

For 2021, Economic Development is budgeting a total of 36.0 FTEs, a 1.1% change from the 2020 Approved Budget.

The following table outlines the Full-Time Equivalents (FTEs) in the Economic Development Division.

TABLE VI-7: ECONOMIC DEVELOPMENT STAFFING

STAFFING (Full-Time Equivalent Positions)			2020	2020	2020		% Change
BY DEPARTMENT	Notes	2019	Approved	Revised	Estimated	2021	2021 Bud -
		Actual	Budget	Budget	Actual	Budget	2020 Bud
Economic Development Administration	1	3.0	3.0	3.0	3.0	4.0	33.3%
Portfolio & Asset Management	2	14.0	14.6	14.6	14.6	14.0	-4.1%
P69 Facilities Management		5.0	5.0	5.0	5.0	5.0	0.0%
Real Estate Development & Planning		2.0	2.0	2.0	2.0	2.0	0.0%
Diversity in Contracting		8.0	8.0	8.0	8.0	8.0	0.0%
Tourism		3.0	3.0	3.0	3.0	3.0	0.0%
TOTAL ECONOMIC DEVELOPMENT DIVISION		35.0	35.6	35.6	35.6	36.0	1.1%

FTE.XLS

Notes:

- 1) Economic Development Admin will add 1.0 FTE (Innovation Initiatives Manager) in 2021.
- 2) Portfolio & Asset Management will eliminate an unfilled, part-time 0.6 FTE (Real Estate Analyst) in 2021.

F. ECONOMIC DEVELOPMENT CAPITAL BUDGET

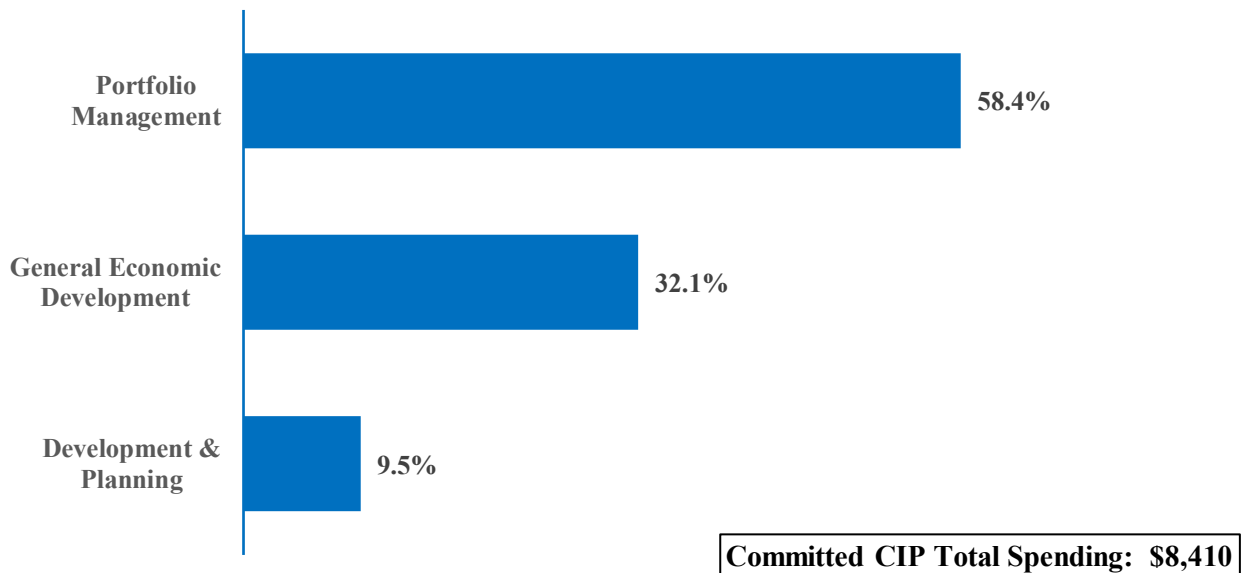
TABLE VI-8: ECONOMIC DEVELOPMENT CAPITAL BUDGET SUMMARY

(\$ in 000's)	2021 Budget	2021-2025 CIP	% of 2021 Total Committed
Committed Capital Projects			
Portfolio Management	\$ 4,908	\$ 9,917	58.4%
General Economic Development	2,702	6,967	32.1%
Development & Planning	800	47,655	9.5%
Total Committed	\$ 8,410	\$ 64,539	100.0%
Business Plan Prospective Projects	\$ 1,030	\$ 9,532	
CIP Cashflow Adjustment Reserve	\$ (3,566)	\$ -	
Total CIP	\$ 5,874	\$ 74,071	

CAPSUM

FIGURE VI-5: ECONOMIC DEVELOPMENT CAPITAL BUDGET

(\$ in 000's)



VII. CENTRAL SERVICES

CENTRAL SERVICES

A. 2021 BUDGET SUMMARY

TABLE VII-1: 2021 BUDGET SUMMARY

(\$ in 000's)							
OPERATING RESULTS	Notes	2019 Actual	2020 Approved Budget	2020 Revised Budget	2021 Approved Budget	Change 2020 Bud - 2021 Bud	% Change 2020 Bud - 2021 Bud
Operating Revenue		\$ 5	\$ -	\$ -	\$ -	\$ -	0.0%
Other Revenue		1,277	40	40	181	141	352.3%
Total Revenue		1,282	40	40	181	141	352.3%
Central Services		113,891	134,279	127,983	123,194	(11,085)	-8.3%
Total Central Services Expense		113,891	134,279	127,983	123,194	(11,085)	-8.3%
Excess of Revenue over Expense		\$ (112,609)	\$ (134,239)	\$ (127,943)	\$ (123,013)	\$ 11,226	-8.4%
Committed Capital Budget		\$ 10,635	\$ 13,703	\$ 13,742	\$ 5,644	\$ (8,059)	-58.8%
Business Plan Prospective		219	6,345	1,949	3,600	(2,745)	-43.3%
CIP Cashflow Adjustment Reserve		-	(5,000)	(3,000)	(2,500)	2,500	-50.0%
Total Capital Budget		\$ 10,854	\$ 15,048	\$ 12,691	\$ 6,744	\$ (8,304)	-55.2%
EMPLOYMENT (TOTAL FTEs)		808.0	834.3	840.7	845.5	11.3	1.3%

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B. CENTRAL SERVICES DESCRIPTION

MISSION:

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

MAJOR AND NEW INITIATIVES:

- Promote Port’s strategy for COVID response to maintain safe operations.
- Continue to provide resources to meet the business needs for the operating divisions.
- Continue to advance environmental sustainability of the Port and the region.
- Connect underserved communities to Port opportunities.
- Train construction pre-apprentices and construction placements in apprenticeships or trade related jobs.
- Continue to support youth participating in maritime experiential events and internships.
- Expand equity, diversity, and inclusion within the Port and across the region.
- Create new Portwide Change Team to develop and implement equity toolkits, tailored for different departments and lines of work.
- Engage Portwide staff in equity trainings and learning opportunities.
- Continue to invest in community programs, such as the South King County Fund and Duwamish Valley Community Equity Program.
- Continue to invest in training our internal Continuous Process Improvement (CPI) program.
- Increase public understanding of Port operational activities, especially in airport-neighboring and near-Port communities and disadvantaged populations.

C. KEY FUNCTIONS AND RESPONSIBILITIES

OVERVIEW:

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

Central Services' functions have evolved and now include 20 departments with organizational restructuring over the past few years. Apart from the traditional support functions, such as Accounting, Human Resources, External Relations, etc., Central Services also includes Police, Engineering, Port Construction Services, and three Centers of Expertise (COEs) – Business Intelligence, Finance and Budget, and Environment and Sustainability.

As part of the re-org in 2020, some COE groups will now have their Budget and FTE numbers roll up to the division they are supporting beginning in 2021. However, they will continue to maintain the same reporting structure within the Central Services division. Aviation Environmental, Noise Program, and Aviation Finance & Budget will rollup into the Aviation Division. Maritime Environmental and Planning, Environmental Finance, and Seaport Finance will rollup into the Maritime division.

The key functions for the Central Services departments in 2021 are as follows:

COMMISSION:

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

The Commission expresses its policy direction through the following mechanisms:

- Reviews the strategies that serve as the framework for the business divisions' and Central Services departments' goals and objectives. These strategies provide the groundwork for prioritizing and allocating resources to programs and projects at the division level.
- Reviews and approves the annual budget. The budget is made available to the general public as required by RCW 53.35.010 and RCW 53.35.045. A Public Hearing for the Introduction of the Preliminary Budget is held before the final passage of the Budget, at which time the Port Commission will make final recommendations and Adopt the budget.
- Sets additional long-term policy goals during public Commission meetings through the passage by majority vote of Commission Resolutions in accordance with RCW 53.08 and the Master Delegation of Authority. These policy goals help advance the Commission's long-term mission of economic development and job creation through promotion of industrial growth and advancement of trade and commerce.
- Reviews and approves public session programs, projects, and select contracts through Commission motions that are introduced and seconded by Commission members, in accordance with the Master Delegation of Authority.
- Oversees the Executive Director to execute the Century Agenda, major programs and goals, objectives, and policy guidelines established by the Port Commission through majority vote at Commission meetings and by Commission approval of the Executive Director's performance goals and objectives. These include policy goals and objectives related to achieving the Port's financial and budgetary annual performance goals, and aligning budget priorities to the Port's core mission,

division goals and objectives that demonstrate that the Executive Director is holding his direct report managers accountable for division-level performance.

- Oversees the Internal Audit function of the Port of Seattle through the Audit Committee made up of two Port Commissioners and a third public member.
- Oversees External Relations and General Counsel which allows the Commission office to have greater input on communicating with the public and directing and accepting legal advice and direction.

EXECUTIVE:

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

LEGAL:

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

ATTORNEY SERVICES:

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

WORKPLACE RESPONSIBILITY:

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

RECORDS MANAGEMENT:

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

EXTERNAL RELATIONS:

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

GOVERNMENT RELATIONS:

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

REGIONAL TRANSPORTATION:

- Advocate for Port interests in regional transportation programs and projects, including those sponsored by the state, county, city or other agencies or partners, including but not limited to; the City of Seattle, Sound Transit, WSDOT, King County, Puget Sound Regional Council (West Seattle Bridge, Gateway Project, ST3, Safe and Swift Corridor, Freight Mobility and Heavy Haul Corridors).
- Work with external agencies on regional transportation policies and issues to leverage Port interests and minimize impacts to the Port, including federal freight planning, Seattle Freight Advisory Board, industrial stakeholders including MIC, SoDo BIA, NSIA.
- Manage internal interests regarding regional transportation across all areas of the Port, including leading the regional transportation strategy team, developing and finalizing Port comment letters throughout formal planning processes; liaison to the NWSA; Airport Ground Transportation Regional Mobility group.

CAPITAL DEVELOPMENT:

- Manage strategy, communications and advocacy for growth and capital programs at Sea-Tac Airport, including the Sustainable Airport Master plan, the Flight Corridor Safety program, communicating airport-related demand, opportunities and benefit and building understanding and support for airport redevelopment.
- Advance regional and state economic vitality, including implementation of the South King County fund, supporting government relations and community engagement to increase visibility of port-related contributions to airport-area communities and the state.
- Advance environmental sustainability, including improved recognition of the Port's environmental programs, and support of the StART federal policy working group.
- Support equity, diversity and inclusion through collaborative efforts on the South King County fund, promote improved understanding of the Port's commitment and programs in these areas, and emphasize improved accessibility at the airport for all communities and populations.

- Strengthen and expand community engagement with focused efforts on community communications and engagement; support of StART roundtable and agenda; community and stakeholder plans for the Flight Corridor Safety program and ongoing ILA engagement with the City of SeaTac.

COMMUNICATIONS:

- Build trust by transparently sharing Executive and Commission policy decisions.
- Promote the Port’s vision for the future; how the Port’s vision meets demand, responds to regional needs, and how a well-run Port benefits communities.
- Support economic and community development objectives by promoting Port-sponsored opportunities.
- Improve customer service and provide a high-quality experience for passengers, tenants, community members, and employees through direct engagement and stories that explain Port programs and projects.
- Increase employee engagement and demonstrate the Port is a great place to work.
- Communicate progress towards key objectives.
- Expand the audience interested in Port news and reach underserved audiences by developing and maintaining communications platforms.

COMMUNITY ENGAGEMENT:

- Develop and strengthen business, community, industry, government, and environmental partnerships throughout King County that support the Port’s mission and key strategies.
- Manage near Port-Community advisory committees (StART, PCAT and NAC) that meet monthly; support port updates, stakeholder engagements and decisions; and provide reporting and administration.
- Administer Commission-supported Community programs including Duwamish Valley Community Equity Program, Airport Community Ecology Fund/Airport Environment & Sustainability Fund and provide support for the South King County Fund.
- Regularly liaise with strategic business and community groups to anticipate emerging issues and broaden the Port’s awareness and understanding of community objectives and priorities.
- Create and execute events, communications, and outreach to facilitate, strengthen and commemorate our operating divisions’ business objectives.
- Initiate and manage “Trade, Business & Community Development” opportunities to support community and strategic partner priorities.
- Conduct ongoing outreach and communications to consult with stakeholders, gain public input to influence port decisions; broaden awareness and understanding for program, policy and regulatory decisions.
- Develop and manage effective public engagement programs that help tell the Port’s story in ways that are relevant to communities.
- Coordinate Commission and CEO events and help facilitate and support their community engagement activities.

EXTERNAL RELATIONS:

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

ACCOUNTING AND FINANCIAL REPORTING:

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

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

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT):

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

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

FINANCE AND BUDGET:

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

BUDGET:

- Plan, coordinate and manage the Port's budget planning process.
- Maintain, enhance, and manage the Port's budget system and its interfaces.
- Provide budget training, workshops, and Management Information System (MIS) training to Port-wide budget support staff.
- Review monthly variance reports and provide monthly Executive Summary Report to the Executive team.
- Plan, coordinate and manage the Port's quarterly financial performance reporting process.
- Develop and refine budget policies and procedures for the Port.

- Provide budget consultation and support to the operating divisions and Central Services departments.
- Provide ad-hoc economic impact analysis.
- File statutory budget.

FINANCE AND TREASURY:

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

BUSINESS INTELLIGENCE:

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

- Facilitating development of Key Performance Indicators (KPIs) and other operational and performance measures, driven by Port focus on metrics and measurement.
- Reducing the level of effort, complexity and process in preparing or mining data for analysis; supports LEAN/CPI initiatives.
- Providing advanced analytical capabilities (e.g. forecasting, etc.) not widely present in organization; required to answer complex business problems.
- Internal capacity for survey research services; driven by need to measure effectiveness, performance, and service quality.
- Facilitating growth of a data-literate, evidence-based decision-making culture at the port; supports Port's high-performance workforce goal.

RISK MANAGEMENT:

- Oversee Property/Casualty Insurance Program.
- Manage claims process, intake, and settlement.
- Recover and collect on claims/damages to the Port.
- Manage Driver/Commercial Driver's License (CDL) program (per Federal Motor Safety Carrier Act), the overall Port fleet safety program, and work with Fleet Management Oversight Team to ensure the Port purchases, maintains, and looks for green fleet opportunities.
- Contractual reviews of leases and goods/services agreements to ensure contain fair and reasonable indemnity and insurance requirements.
- Perform enterprise risk management analysis and training.
- Update annual statements in relation to risk, uncertainty, insurance and claims; Report lost and stolen assets to State Auditor.
- Collaborate with Health and Safety and Construction Safety to ensure a safe workplace for both employees and contractors and the public.

- Collaborate with Police, Fire, and Security to update emergency preparedness procedures and training are kept current.
- Provide risk assessment and review of special events.
- Assist with the review and selection of Self-Funded Medical and Dental plans.

INTERNAL AUDIT:

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

Internal Audit work is guided by two professional standards:

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

OFFICE OF STRATEGIC INITIATIVES:

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

STRATEGIC PLANNING:

- Update the Century Agenda.
- Re-evaluate the fundamentals of the long-term strategic planning.
- Host Disruption Summit to prepare the Port for potential disruption and disruptive innovation.

CONTINUOUS PROCESS IMPROVEMENT:

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

CENTRAL PROCUREMENT OFFICE:

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

HUMAN RESOURCES:

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

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

EMPLOYEE RELATIONS (ER):

- Provide guidance and direction to Port employees, including senior leadership, managers, and individual contributors, regarding employee performance management issues, as well as consultation to identify the appropriate ER intervention such as coaching, fact-finding, investigation, progressive discipline, facilitation/mediation, training, and conflict resolution.
- Manage the interactive process associated with employees' requests for reasonable accommodation
- Ensure Port compliance with our affirmative action responsibilities, which informs, educates, and promotes the Port being an equitable, inclusive and high performing organization.

HEALTH & SAFETY:

- Continuous improvement of workplace health and safety, as well as ensuring compliance to all regulated safety programs, including oversight of the Port's self-insured, self-administered workers compensation program.
- Promote an active safety culture by teaming with employees and management to recognize, evaluate, communicate and control workplace hazards to ensure every employee, contractor and tenant goes home safely.

ORGANIZATIONAL EFFECTIVENESS:

- Support the organization in achieving improved business results through organizational and people effectiveness.
- Address organization-wide business needs such as developing and aligning clear business goals, missions, visions and strategies, defining organization-wide structures and clarifying roles and responsibilities.
- Provide leadership and support for the goals and methodology for improving employee engagement, innovation, building high performance teams, developing and improving cross port collaborations.
- Strategic advisors to the organization as a whole and Port of Seattle divisions ensuring the business has the skills, capabilities, structure, culture and change processes to execute their strategies and deliver on the near- and long-term goals.
- Lead Port-wide strategic initiatives such as engagement, culture and innovation and serve as a liaison between the HR Center of Expertise and assigned business units helping leaders to set direction and translate business goals into HR strategies.
- Provide HR related data to the Port to help HR and other groups make decisions using relevant data.
- Use internal communications as an engine to drive progress toward organizational goals and connect employees to information and resources about key programs, policies, initiatives, events and opportunities that drive employee engagement and knits employees together as a single organization.

TALENT MANAGEMENT:

- Promotes an equitable, inclusive and high performing organization by attracting, engaging and developing diverse talent so that the Port is able to realize its strategic goals.
- Partner with business lines to anticipate and support workforce planning needs, generating awareness through outreach of the Port as an employer of choice, identifying and evaluating top talent and building talent pipelines, and continuously enhancing the experience of employees so they are and continue to be highly engaged.
- Promote an equitable, inclusive and high performing organization by recruiting, engaging and developing diverse talent so the Port realizes its business and community goals.
- Build employee effectiveness through development of common approaches to work, leader and manager preparation and development, employee development, and support of diversity programs and initiatives, the Port is able to build a high performing organization and culture that values employee development, equity, diversity and inclusion.
- Generate increased awareness of the Port as an “employer of choice” and of the numerous opportunities available in Port-related industries. Through award winning internship and Veterans Fellowship programs, the HR Outreach function provides opportunities for youth and transitioning veterans to gain professional civilian experience while developing skills necessary to succeed in their career.

TOTAL REWARDS:

- Ensures the Port offers, directly or indirectly, a competitive total rewards package that supports retention and attraction of employees with the talents, skills and abilities necessary for the Port to fulfill its mission and vision. The Total Rewards package includes all things employees receive as result of their employment relationship with the Port.
- Ensure that pay programs for non-represented employees are internally equitable and externally competitive. To do this, employees supporting this function gather and analyze market pay data to maintain the Port’s non-represented pay ranges at competitive levels, evaluate non-represented jobs to ensure they are administered in competitive pay ranges, and analyze employee pay levels to ensure pay equity.
- Ensure the Port’s benefits programs are competitive so they can support attraction and retention of the employees necessary for the Port to be a high performing organization. This includes managing the self-insured medical and dental plans, the fully insured HMO, vision, life and disability insurance plans, time off plans, commuter benefits, and other benefits including and EAP, retirement, and wellness benefits.
- Responsible for the various recognition programs that support employee engagement by acknowledging actions and contributions that exceed what is normally expected.
- Responsible for enabling technology and business processes that make it easier to do HR business, and for other Port groups to do business with HR. This includes support and maintenance of existing technology systems and business processes, deployment of new functionality, and related improvements to business processes.

LABOR RELATIONS:

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

- Prepare, negotiate, implement and administer the Port’s 22 bargaining agreements.
- Implement LR bargaining strategy and directives from the Commission and Executive Leadership Team.

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

INFORMATION SECURITY:

Information Security is a relatively new department established during the third quarter of 2018. Information Security provides Governance, Protection, Response and Recovery to reduce data risks and enhance the Port's continuity of business operations. The key functions include:

- Perform risk assessments daily to identify recognized threats and threat actors and the probability that these factors will result in an exposure or loss to the Port.
- Perform a cyclical practice of identifying, assessing, classifying, remediating, and mitigating security weaknesses together with fully understanding root cause analysis to address potential flaws in policy, process and, standards.
- Maintain enterprise systems and control systems across the Port.
- Audit and compliance efforts with emphasis to Risk Assessments, and data governance of Payment Card Industry (PCI), Health Insurance Portability and Accountability Act (HIPAA), Criminal Justice Information Services (CJIS) and Privacy data.
- Support the essential function of ensuring the availability and resiliency of the Port's information assets, includes designing and conducting exercises and coordinating with Emergency Preparedness and other regional public and private partners in business continuity planning.
- Manage the User Awareness program, which sets clear cybersecurity expectations for all employees and educates users how to recognize attack vectors, help prevent cyber-related incidents and report potential threats.

OFFICE OF EQUITY, DIVERSITY AND INCLUSION (OEDI):

The Office of Equity, Diversity and Inclusion (OEDI), added in 2019, is charged with ensuring that equity goals are incorporated throughout Port operations and in providing strategic and policy direction on equity issues. Key functions include:

- Lead the conversation about equity with the primary goal to normalize and operationalize racial equity within the Port through modeling and tone setting by leadership, and employee dialogues and learning events that lead to meaningful results. Develop and implement organizational strategies and work plans to support an equity policy.
- Support and collaborate with Human Resources to ensure that the Port's workforce reflects King County demographics and diversity. Encourage equitable approaches to employee participation in Port processes so that all employees regardless of work schedule or shift, have equal opportunity to participate.
- Collaborate with Human Resources to examine disparities and barriers within recruitment, performance evaluation, compensation and advancement/retention/promotion.

- Consult with various organizations (Employee Resource Groups, Diversity Development Council) to infuse equity principles and best practices. Lead and sponsor a national committee of Ports, working on equity strategies and share best practices.
- Manage and recommend strategic investments in workforce development in near-port communities of color and disadvantaged groups in support of a skilled pipeline of workers in port sectors. Implement a workplan that ensures investments and activities produce outcomes that support a skilled workforce in port-related industries.
- Continue to partner with other regional public owners to increase access to construction training and jobs and improve outcomes for individuals living in economically distressed zip codes, women, and people of color.
- Develop maritime career pathway programs for youth and adults. Expand the aviation career pathways work to other targeted, in-demand pathway jobs within the aviation and facilities maintenance career pathway.
- Lead the Port's new Police Assessment Task Force. Create and conduct equity trainings for all employees. Establish a Change-Team comprised of representatives from various port departments who will be trained to become champions of equity and racial justice and work together to advocate for equitable outcomes.

POLICE:

- Provide professional law enforcement services to internal and external Port of Seattle Stakeholders which includes essential emergency and routine response capability allowing airport and seaport operations to continue.
- Traffic mitigation as well as traditional law enforcement functions throughout the Port of Seattle's jurisdiction.
- Provide essential emergency response to mitigate terrorist attacks and other acts of extraordinary violence. Respond with other first response partners to mitigate and stabilize unusual occurrences, disasters and mechanical calamities in order to stabilize the scene and enhance continuity of operations.
- Provide emergency communications amongst first response partners and other critical personnel to assist in scene stabilization and deployment of appropriate resources. Allows for clear and concise communication to support maintaining continuity of operations.
- Support the professional development of the police department to improve the ability to meet future needs of the Port of Seattle.

ENVIRONMENT AND SUSTAINABILITY ADMINISTRATION:

The Environment and Sustainability Administration oversees the COE groups: Aviation Environmental, Noise Program, and Maritime Environmental and Planning which have been transferred back to Aviation and Maritime divisions. This decision was made at the early stages of the 2021 budget cycle in order to streamline the financial reporting process. Environment and Sustainability Administration's key functions and responsibilities are listed below:

- Administer the Airport Community Ecology (ACE)/Forterra Fund which supports the Port's goals of advancing programs dedicated to sustainability and environmental protection. The ACE Fund is a two-pronged approach; the first of which, is to provide funding to community groups for use to improve their local environment. The second approach is to support the long-term forest stewardship in SeaTac, Burien, and Des Moines through Forterra's Green Cities Partnership.
- Provide support to the Commission office in implementing programs that aligns with Century Agenda goal to be the greenest, and most energy-efficient port in North America.
- Oversee the Energy & Sustainability program through continued support in the development of the Sustainability Framework and evaluation of key legislative policies and strategies that will help Port

achieve climate protection goals. Provide funds for projects (i.e. Smith Cove Blue Carbon Pilot Project and Seattle Waterfront Clean Energy Project) to would help mitigate the effects of climate change.

- Manage the Carbon Fuel Standard program. Ensure that funds are available to support the Port's legislative agenda and related analyses as needed. Funds will be used to educate regional and state officials on the carbon reduction benefits associated with advancing renewable fuels and other energy and transportation-related strategies.
- Support the Sea-Grant Fellow Sponsorship administered in partnership with the University of Washington. This program will help deepen understanding of the challenges facing Washington's oceans and coasts as well as help advance both environmental and social equity priorities.

ENGINEERING:

DESIGN AND TECHNICAL SUPPORT:

- Civil/Structural and Mechanical/Electrical design, analysis and CAD drafting.
- Seismic risk analysis and condition assessment of facilities.
- Central repository for all project drawings, as-built, and soils information.
- Maintain technical master specifications.
- CAD compliance reviews.
- Establish and operate remote office facilities to support project requirements.

CONSTRUCTION MANAGEMENT:

- Pre-construction services.
- Field observation/inspection and quality compliance checks.
- Change order management, disputes and claims resolution.
- Construction coordination with Port operations/tenants.
- Construction document management.
- Management of Project Labor Agreements (PLA).

SURVEYING AND MAPPING:

- Topographic and hydrographic surveys.
- Legal descriptions and lease line layouts.
- Utility locates/mapping and aerial mapping.
- Geographic Information System (GIS) data gathering.
- Project staking and validation.

CONSTRUCTION SAFETY:

- Provide Port Safety Training and Orientations for contractors, consultants and Full-Time Employees.
- Review Contractors site safety plans for acceptance.
- Document safety audits of construction projects.
- Coordination with Operations, Fire Dept., PLA, Security, Port Construction Services (PCS), Risk management, Building Department and Maintenance.
- Response to and documentation of incidents, hazardous conditions and complaints.
- Management of safety equipment and personal protective equipment (PPE) supplies for the Engineering Department.
- Management Emergency and Disaster preparedness supplies for the Engineering Department.
- Data management of contractors safety plans, incidents corrective actions, and department training records.

- Data Management of Engineering Department training records.

ENGINEERING GENERAL AND ADMINISTRATION:

- Establish and manage Port remote facilities, assets and fleet in support of Project delivery.
- Emergency Response and Declaration of Emergency Support.
- Engineering administrative services.

PORT CONSTRUCTION SERVICES:

CAPITAL AND EXPENSE CONSTRUCTION MANAGEMENT PORT WIDE

- Provide scope clarification and estimates against existing budgets.
- Provide reporting on budget and schedule.
- Provide small business opportunities in open order and project specific small works contracts.
- Coordinate contract requests with Central Procurement Office to identify opportunities for small businesses.

REGULATED MATERIALS MANAGEMENT (RMM) PORT WIDE

- Review RMM design.
- Provide project abatement, monitoring, and quality control.
- Provide RMM tenant support and maintenance support.
- Provide RMM routine housekeeping.
- Provide asbestos, lead, and silica awareness training.
- Provide indoor air quality and mold inspections.

CONSTRUCTION CREW SUPPORT

- Provide craft labor resources (carpenters, laborers, operators, etc.).
- Provide construction equipment (pick-up trucks, dump trucks, heavy equipment, small tools, etc.).

D. 2021 OPERATING BUDGET SUMMARY

Background:

Central Services departments are the primary supporters of the Port business units. Aside from the growing organizational needs, Century Agenda and Portwide goals drive the budget priorities of Central Services departments. The 2021 budget development approach included the following steps: scrutinizing line-items by account and making appropriate adjustments to the 2020 baseline budget; eliminating incremental pay and refreshing benefit costs for non-represented employees; reviewing new budget requests from individual departments and incorporating costs of approved items.

Overview of Major Changes in 2021 Budget:

The 2021 budget for Central Services is \$123.2M, \$11.1M or 8.3% lower than the 2020 budget. The budget before Capital Charges is \$156.8M, \$14.6M or 8.5% reduction from the 2020 budget. The 2021 budget includes \$1.4M of new budget additions to support the Port’s Century Agenda goals. A list of the new budget additions can be found in the table below.

The 2021 payroll budget decreased by \$6.5M or 5.2% primarily due to (1) Frozen FTEs of \$5.2M, (2) Eliminated FTEs of \$621K, (3) the delayed hiring of FTEs of \$1.1M, and (4) includes a 1.5% vacancy factor of \$1.5M.

2021 non-payroll budget decreased by \$8.2M primarily due to a combination of (1) reduction of \$5.3M to Outside Services, (2) reduction of \$2.0M from Travel & Other Employee Expenses, and another \$935K from the remaining non-payroll categories.

Operating Expense Drivers:

The approved new additions to the 2021 Budget for each Century Agenda goal are summarized in the table below.

Central Services Priority	Resources to support Century Agenda Goals	2021 Budget Requests		
		FTEs	Baseline	One-time
Century Agenda Goal No. 4				
Be the Greenest, and Most Energy Efficient Port in North America.	Sustainable Aviation Fuel (SAF) and Air Emissions Reduction Fund Study	-	250,000	-
	US Department of Energy’s National Renewable Energy Laboratory (NREL) collaboration project	-	-	123,000
	Policy Support for Carbon Initiatives	-	-	75,000
	Total	-	250,000	198,000
Century Agenda Goal No. 5				
Become a Model for Equity, Diversity and Inclusion.	S. King County Fund for Economic Recovery	-	500,000	-
	HR Outreach Specialist	1.0	117,000	-
	Affirmative Action Plan Consulting Services	-	9,000	-
Total	1.0	626,000	-	
Century Agenda Goal No. 6				
Be a Highly Effective Public Agency.	Compensation Program Review Consultant	-	150,000	-
	Employee Engagement Survey	-	70,000	-
	Commission video streaming contract addition	-	50,000	-
	Behavior Based Safety Program Development	-	26,000	-
	Miscellaneous	-	-	24,349
Total	-	296,000	24,349	
Central Services Total - 2021 Budget Requests		1.0	1,172,000	222,349

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

TABLE VII-2: CENTRAL SERVICES EXPENSE BY DEPARTMENT

(\$ in 000's)		2019	2020	2020	2021	% Change
BY DEPARTMENT	Notes	Actual	Approved Budget	Revised Budget	Approved Budget	2020 Bud - 2021 Bud
EXPENSES BEFORE CHARGES TO CAP/GOVT/ENVRs PROJECTS						
Commission		\$ 2,022	\$ 2,292	\$ 2,014	\$ 2,169	-5.3%
Executive		2,018	2,355	2,253	2,285	-3.0%
Legal		5,027	4,059	4,007	3,978	-2.0%
External Relations		7,760	11,174	10,378	9,878	-11.6%
Human Resources		9,193	11,690	10,191	11,385	-2.6%
Labor Relations		1,230	1,386	1,336	1,346	-2.9%
Internal Audit		1,450	1,749	1,589	1,637	-6.4%
Accounting & Financial Reporting		7,441	9,024	8,810	8,724	-3.3%
Information & Communications Technology		26,430	30,301	29,133	28,279	-6.7%
Finance & Budget		2,037	2,219	2,211	2,292	3.3%
Business Intelligence		1,302	2,209	1,516	1,523	-31.1%
Risk Services		3,137	3,438	3,380	3,939	14.6%
Office of Strategic Initiatives		1,448	1,619	1,197	1,059	-34.6%
Central Procurement Office		6,445	8,230	7,423	7,655	-7.0%
Information Security		1,212	1,968	1,915	1,946	-1.1%
Equity, Diversity and Inclusion		2,337	4,465	5,328	3,743	-16.2%
Contingency		39	(2,702)	(100)	(1,502)	-44.4%
Environment & Sustainability		976	1,538	1,214	1,408	-8.5%
Industrial Development Corporation		1	-	-	-	0.0%
Police		27,793	31,444	31,312	28,317	-9.9%
Engineering		25,096	33,412	29,482	27,937	-16.4%
Port Construction Services		8,766	9,627	9,283	8,851	-8.1%
Central Services Capital to Expense		18	-	-	-	0.0%
Total Expenses Before Charges to Cap/Govt/Envrs Projects	1	143,181	171,498	163,871	156,849	-8.5%
CHARGES TO CAPITAL/GOVT/ENVRs PROJECTS						
		(29,291)	(37,219)	(35,887)	(33,655)	-9.6%
OPERATING & MAINTENANCE EXPENSE						
Commission		2,022	2,292	2,014	2,169	-5.3%
Executive		2,018	2,355	2,253	2,285	-3.0%
Legal		4,987	4,001	3,948	3,919	-2.0%
External Relations		7,760	11,070	10,274	9,878	-10.8%
Human Resources		9,187	11,690	10,191	11,385	-2.6%
Labor Relations		1,230	1,386	1,336	1,346	-2.9%
Internal Audit		1,450	1,749	1,589	1,637	-6.4%
Accounting & Financial Reporting		7,341	9,024	8,810	8,724	-3.3%
Information & Communications Technology		23,014	26,013	25,695	24,427	-6.1%
Finance & Budget		2,037	2,219	2,211	2,292	3.3%
Business Intelligence		1,302	2,209	1,516	1,523	-31.1%
Risk Services		3,137	3,438	3,380	3,939	14.6%
Office of Strategic Initiatives		1,448	1,619	1,197	1,059	-34.6%
Central Procurement Office		4,452	5,988	5,289	5,532	-7.6%
Information Security		1,203	1,968	1,915	1,913	-2.8%
Equity, Diversity and Inclusion		2,337	4,465	5,328	3,743	-16.2%
Contingency		39	(2,702)	(100)	(1,502)	-44.4%
Environment & Sustainability		976	1,538	1,214	1,408	-8.5%
Industrial Development Corporation		1	-	-	-	0.0%
Police		27,793	31,444	31,312	28,317	-9.9%
Engineering		5,696	8,765	5,143	5,580	-36.3%
Port Construction Services		4,341	3,748	3,468	3,619	-3.4%
Central Services Capital to Expense		117	-	-	-	0.0%
Total Operating Expenses	1	\$113,891	\$134,279	\$127,983	\$123,194	-8.3%

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Notes:

1) Does not include adjustment for charges into Corporate Sub-Classes from Divisions.

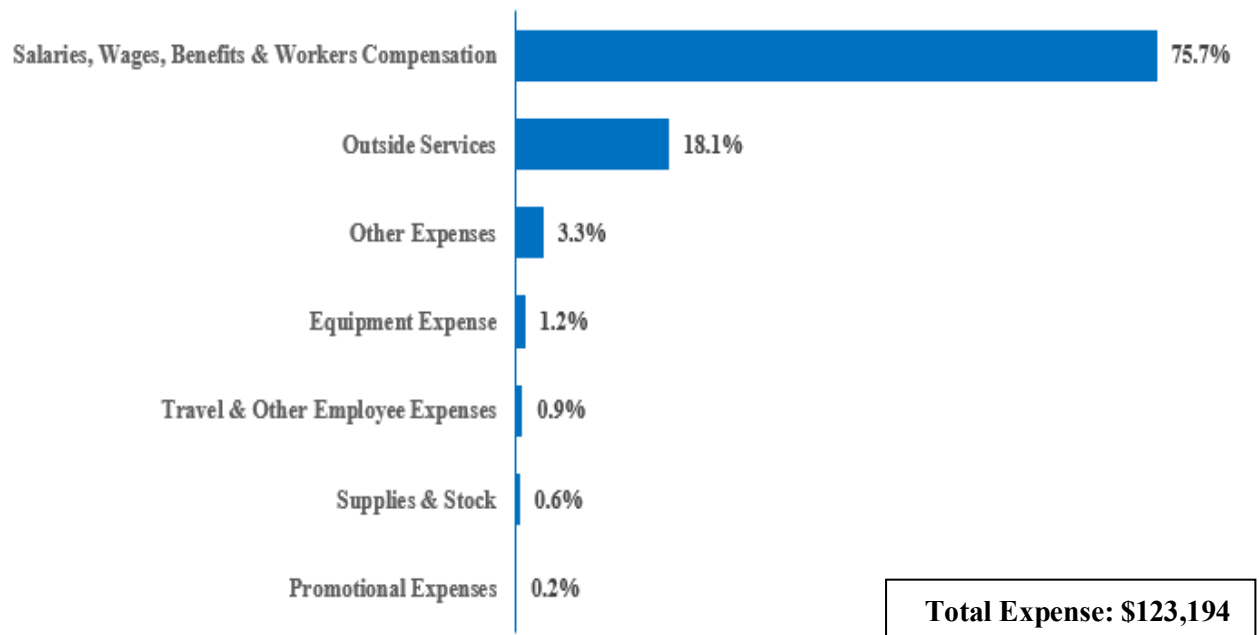
TABLE VII-3: REVENUES AND EXPENSES BY ACCOUNT

(\$ in 000's)		2019	2020	2020	2021	% Change
BY ACCOUNT	Notes	Actual	Approved Budget	Revised Budget	Approved Budget	2020 Bud - 2021 Bud
Revenue						
Property Rental Revenue		\$ 5	\$ -	\$ -	\$ -	0.0%
Other Revenue		1,277	40	40	181	352.3%
Total Administrative Revenue		1,282	40	40	181	352.3%
Expense						
Salaries, Wages, Benefits & Workers Compensation		\$ 104,402	\$ 124,915	\$ 122,195	\$ 118,700	-5.0%
Equipment Expense		2,869	2,526	2,139	1,858	-26.4%
Utilities		29	46	39	33	-29.4%
Supplies & Stock		1,369	1,302	1,169	899	-30.9%
Outside Services		26,553	33,753	31,563	28,465	-15.7%
Travel & Other Employee Expenses		2,548	3,343	1,808	1,378	-58.8%
Promotional Expenses		658	867	528	316	-63.5%
Other Expenses		4,755	4,747	4,429	5,200	9.6%
Total Operating Expenses Before Charges to Cap/Govt/Envrs Projects		143,181	171,498	163,871	156,849	-8.5%
Charges to Capital/Govt/Envrs Projects		(29,291)	(37,219)	(35,887)	(33,655)	-9.6%
Total Administrative Expense		\$ 113,891	\$ 134,279	\$ 127,983	\$ 123,194	-8.3%

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FIGURE VII-1: CENTRAL SERVICES EXPENSE BY ACCOUNT

(\$ in 000's)



E. STAFFING

Every budget cycle (July through December of the preceding year), departments can request for new staff or full-time equivalents (FTEs). Each FTE request must include a justification write-up that goes through the executive review process. Once approved, the new FTE and all associated budget are added in the budget system. The FTE count is included in the commission budget presentations. During the budget year (and after the budget has been adopted), departments may request for additional FTEs to meet unanticipated departmental needs. The request must be approved by the Executive Director and the requesting department must cover the additional FTE costs within their approved budget.

The COVID-19 pandemic has severely affected Port operations. One of the measures undertaken by the organization to mitigate the financial impacts of the COVID-19 pandemic was to implement a hiring freeze for backfill and new vacant FTEs (approved during 2020). However, departments may request an exemption from the hiring freeze by submitting a justification memo to be evaluated by the hiring review panel and approved by the Executive Director. As a result, a total of 21 new FTEs (not including COE positions) have been frozen for the 2021 Budget. Also, during 2021 budget review process, Central Services departments evaluated major categories of their budget including staffing needs. Thus, a total of 22.8 FTEs has been voluntarily deferred until 2022 and unfunded for the 2021 Budget. The frozen and deferred positions are still included in the FTE table below.

Central Services is budgeting a total of 845.5 FTEs for 2021 which represents a 1.3% increase compared to the 2020 approved budget. The 2021 FTE budget includes 1.0 new FTE in HR to help manage the port's intern program. Starting in 2021, the intern program would now be centrally managed in HR and a total of 22.1 college/graduate interns will be transferred from departments across the port to HR. In addition, COE departments (Aviation and Seaport F&B, Aviation and Maritime Env. and Sustainability departments, and Aviation Noise Program) will be transferred back to their respective divisions. This change will streamline the Port's financial reporting process. The table below has been retroactively adjusted to reflect the current financial structure and does not include the COEs.

TABLE VII-4: CENTRAL SERVICES STAFFING

STAFFING (Full-Time Equivalent Positions)		2019	2020	2020	2020	2021	% Change
BY DEPARTMENT	Notes	Actual	Approved Budget	Revised Budget	Estimated Actual	Budget	2021 Bud - 2020 Bud
Commission	1	15.5	16.5	18.5	18.5	18.0	9.1%
Executive Office	2	6.5	6.0	7.0	7.0	7.0	16.7%
Legal	3	17.0	17.0	17.0	17.0	16.0	-5.9%
External Relations	4	36.5	38.0	40.0	40.0	38.0	0.0%
Human Resources	5	71.1	75.1	75.1	75.1	96.3	28.3%
Labor Relations		7.0	7.0	7.0	7.0	7.0	0.0%
Internal Audit	6	11.2	11.0	11.0	11.0	11.0	0.0%
Accounting & Financial Reporting	7	56.7	57.7	57.7	57.7	56.0	-2.9%
Information & Communication Technology	8	127.0	131.0	130.8	130.8	130.8	-0.2%
Finance & Budget	9	12.3	12.0	12.6	12.6	12.6	5.2%
Business Intelligence	10	11.3	11.3	11.3	11.3	10.8	-4.4%
Risk Services		6.0	6.0	6.0	6.0	6.0	0.0%
Office of Strategic Initiatives	11	8.3	9.0	9.0	9.0	9.0	0.0%
Central Procurement Office	12	47.0	51.0	51.0	51.0	51.0	0.0%
Information Security		8.0	8.0	8.0	8.0	8.0	0.0%
Office of Equity, Diversity and Inclusion	13	6.0	9.0	9.0	9.0	9.0	0.0%
Police	14	167.0	169.0	170.0	170.0	166.0	-1.8%
Engineering	15	136.8	140.8	140.8	140.8	134.0	-4.8%
Port Construction Services	16	56.0	58.0	58.0	58.0	58.0	0.0%
Environment & Sustainability	17	1.0	1.0	1.0	1.0	1.0	0.0%
TOTAL CENTRAL SERVICES		808.0	834.3	840.7	840.7	845.5	1.3%

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Notes:

- 1) Commission added 1.0 FTE (Writing/Communications Specialist) for the 2020 Budget and was approved for 2.0 additional FTEs (Commission Specialists) in January 2020. A 0.5 FTE (College Intern) will be transferred to HR in 2021.
- 2) Executive eliminated a 0.5 FTE (Limited Duration College Intern) and added 1.0 FTE (Sr. Policy Advisor) in February 2020.
- 3) Legal will transfer a total of 1.0 FTE (College Interns 2 at 0.5) to HR in 2021.
- 4) External Relations added 1.0 FTE (Graphic Designer), a 0.5 FTE (Regional Transportation Graduate Intern), and converted 1.0 Limited Duration FTE (Env. Engagement Program Manager) to a permanent position for the 2020 Budget. Additionally, the department received approval for 2.0 FTEs (Photographer and Program Coordinator) during the first quarter of 2020. External Relations will transfer 2.0 FTEs (College Interns 4 at 0.5) to HR in 2021.
- 5) Human Resources added 4.0 FTEs (Port Management Training Program/Talent Development Specialist, Workers Comp Claims and Safety Administrative Assistant, Sr. Talent Acquisition Representative, and Employee Relations Consultant) for the 2020 Budget. Human Resources will be adding an HR Outreach Specialist in 2021, eliminate 1.9 FTEs (HS and College/Graduate Interns), and will receive 22.1 FTEs (College/Graduate Interns) from departments across the Port.
- 6) Internal Audit eliminated a 0.2 FTE (College Intern) for 2020 Budget.
- 7) Accounting & Financial Reporting added 1.0 FTE (Credit Analyst) for 2020 Budget. In 2021, a total of 0.65 FTEs (College Interns, 2 at 0.2 and 1 at 0.3) will be transferred to HR and 1.0 FTE (Accountant III) will be eliminated.
- 8) Information & Communication Technology (ICT) added 4.0 FTEs (Software Developer to Sales Force Systems, Desktop Support Specialist, Software Test Engineer, and Web Coordinator) for 2020 Budget. During September 2020, A full-time employee was converted to part-time FTE (0.8).
- 9) Finance and Budget eliminated a 0.3 FTE (Limited Duration Sr. Port Budget Analyst) for the 2020 Budget and was approved for an additional 0.6 FTE (part-time Treasury Analyst) during the first quarter of 2020. Finance and Budget COE were previously comprised of 3 sub-groups: Aviation F&B, Seaport F&B and Corporate F&B; for 2021, Aviation and Maritime F&B will be transferred back to their respective divisions. FTE count has been retroactively adjusted to reflect this change.
- 10) Business Intelligence (BI) will transfer a 0.5 FTE (College Intern) to HR in 2021.
- 11) Office of Strategic Initiatives eliminated a 0.3 FTE (Limited Duration Program Manager) and added 1.0 FTE (Administrative Assistant) for the 2020 Budget.
- 12) Central Procurement Office added 4.0 FTEs (CPO Liaison and Customer Service Manager, Contract Administrator II, Buyer 5/Purchasing Manager, and Buyer 3) for the 2020 Budget.
- 13) Office of Equity, Diversity and Inclusion (OEDI) added 3.0 FTEs (OEDI Aviation Manager, Data/Research and Policy Analyst, and Manager/OEDI Communications) for the 2020 Budget.
- 14) Police added 2.0 FTEs (Police Specialist and Police/Fire Communications Specialist) for the 2020 Budget and received approval for an additional 1.0 FTE (Basic Law Enforcement Academy Instructor) during the first quarter of 2020. Police will eliminate 4.0 FTEs (Traffic Support Specialists) in 2021.
- 15) Engineering added 4.0 FTEs (Engineering Design Technician, Design Engineer 2 (Civil/Structural), BIM Design Technology Specialist, and Construction Management Systems Analyst) for the 2020 Budget. A total of 6.8 FTEs (College Interns) will be transferred to HR in 2021.
- 16) Port Construction Services added 2.0 FTEs (Administrative Assistant and PCS Construction Manager III) for the 2020 Budget.
- 17) Environmental & Sustainability COE was originally comprised of 4 sub-groups: Environment & Sustainability Admin, Aviation Environmental, Maritime Environmental & Planning, and Aviation Noise Program. To streamline the financial reporting process, Aviation Env and Noise will be transferred to Aviation and Maritime Env. will be transferred to Maritime division in 2021. FTE count has been retroactively adjusted to reflect this change.

The table below outlines FTE changes in Central Services during 2020 which includes the following: FTE approved during the first quarter of this year prior to the hiring freeze; COEs transferred to Aviation and Maritime divisions; interns transferred from Aviation and Maritime; FTE reductions for 2021; and new FTE for 2021.

TABLE VII-5: CENTRAL SERVICES FTE CHANGES

2020 Approved Budget (including COEs)	914.4
2020 FTE mid-year additions	
Commission	2.0
Executive	1.0
External Relations	2.0
Corp. Finance & Budget	0.6
Police	1.0
<i>Maritime Env (COE)</i>	1.0
<i>Noise (COE)</i>	1.0
	<u>8.6</u>
2020 mid-year changes	
ICT converted 1 FTE to Part-time	-0.2
	<u>922.8</u>
Adjusted 2020 Baseline	
COEs transferred to the Divisions for 2021 Budget	
<i>Aviation Finance and Budget</i>	(17.5)
<i>Maritime Finance & Budget</i>	(14.6)
<i>Aviation Environmental</i>	(19.8)
<i>Noise</i>	(7.0)
<i>Maritime Environmental & Planning</i>	(23.3)
	<u>(82.1)</u>
Interns transferred from Divisions for 2021 Budget	
Aviation Division (<i>includes COEs</i>)	7.8
Maritime Division (<i>includes COEs</i>)	2.9
	<u>10.7</u>
2021 Reductions	
Human Resources	(1.9)
Accounting & Financial Reporting	(1.0)
Police	(4.0)
	<u>(6.9)</u>
New FTE in 2021	
Human Resources	1.0
	<u>845.5</u>
2021 Budget	<u>845.5</u>

F. CAPITAL BUDGET

Central Services has a total capital budget of \$6.7 million for 2021. For more detail refer to the Capital Improvement Plan, Section IX.

TABLE VII-6 provides a summary of the Central Services 2021-2025 capital budget.

TABLE VII-6: CENTRAL SERVICES CAPITAL BUDGET

(\$ in 000's)	2021 Budget	2021-2025 CIP	% of 2021 Total Committed
Committed Capital Projects			
ICT Business Services	\$ 3,159	\$ 14,159	56.0%
General and Capital Development	2,485	10,122	44.0%
Total Committed	\$ 5,644	\$ 24,281	100.0%
Business Plan Prospective Projects	\$ 3,600	\$ 13,550	
CIP Cashflow Adjustment Reserve	\$ (2,500)	\$ -	
Total CIP	\$ 6,744	\$ 37,831	

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G. FINANCIAL AND FTE SUMMARY

TABLE VII-7: FINANCIAL AND FTE SUMMARY

(\$ in 000's)	2019 Actual	2020 Approved Budget	2020 Revised Budget	2020 Forecast	2021 Approved Budget	Growth 2020 Bud - 2021 Bud
OPERATING BUDGET Notes						
Operating Revenue	\$ 1,282	\$ 40	\$ 40	\$ 2,462	\$ 181	352.3%
Core Central Support Services	75,083	88,785	86,847	85,070	84,270	-5.1%
Police	27,793	31,444	31,312	30,118	28,317	-9.9%
Capital Development	10,038	12,513	8,611	8,804	9,199	-26.5%
Environment & Sustainability	976	1,538	1,214	786	1,408	-8.5%
Total	113,891	134,279	127,983	124,778	123,194	-8.3%
Income from Operations	\$ (112,609)	\$ (134,239)	\$ (127,943)	\$ (122,315)	\$ (123,013)	-8.4%
CAPITAL SPENDING	\$ 10,854	\$ 15,048	\$ 12,691	\$ 9,984	\$ 6,744	-55.2%
TOTAL FTEs	808.0	834.3	840.7	840.7	845.5	1.3%

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Notes:

- 1) Capital Development includes Engineering and Port Construction Services.

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VIII. TAX LEVY

TAX LEVY

A. TAX AT A GLANCE

- The maximum allowable levy for 2021 is \$108.2 million.
- For 2021 the levy will be \$78.68 million, a three percent increase over the 2020 levy of \$76.38 million.
- The estimated 2021 millage rate is \$0.122.
- Planned levy uses in 2021 include:
 - General Obligation (G.O.) Bond debt service
 - Capital projects reviewed by the Commission
 - NWSA Membership Interest Contribution
 - Regional transportation projects
 - Environmental remediation
 - Airport Community Ecology funding and energy and sustainability policy directives
 - Workforce development, tourism and economic development partnership grants
 - City of SeaTac safety enhancements
 - Local community advertising at Sea-Tac Airport
 - South King County Support Funding
 - Sustainable Aviation Fuels and Air Emissions Program
 - Duwamish Valley Community Equity Program

B. TAX LEVY SOURCES

TYPES AND LIMITS OF LEVIES:

Regular Tax Levy

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

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

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

FIGURE VIII-1 shows the maximum levy permitted by law versus the actual levy levied by the Port from 1991 (the last year the Port levied the maximum) to 2021. In 1989, the law was changed whereby a port could have a levy at less than the maximum while preserving the ability to tax up to the maximum in the future if the need is justified. This allows a port to tax at the lower level in the years when the maximum levy is not required but return to the maximum level in years of need. Since 1991, on a cumulative basis, the Port has levied a total of \$581 million less than it could have if it had levied the maximum allowable levy each year.

FIGURE VIII-1: ACTUAL TAX LEVY VS. MAXIMUM ALLOWABLE LEVY: 1991-2021

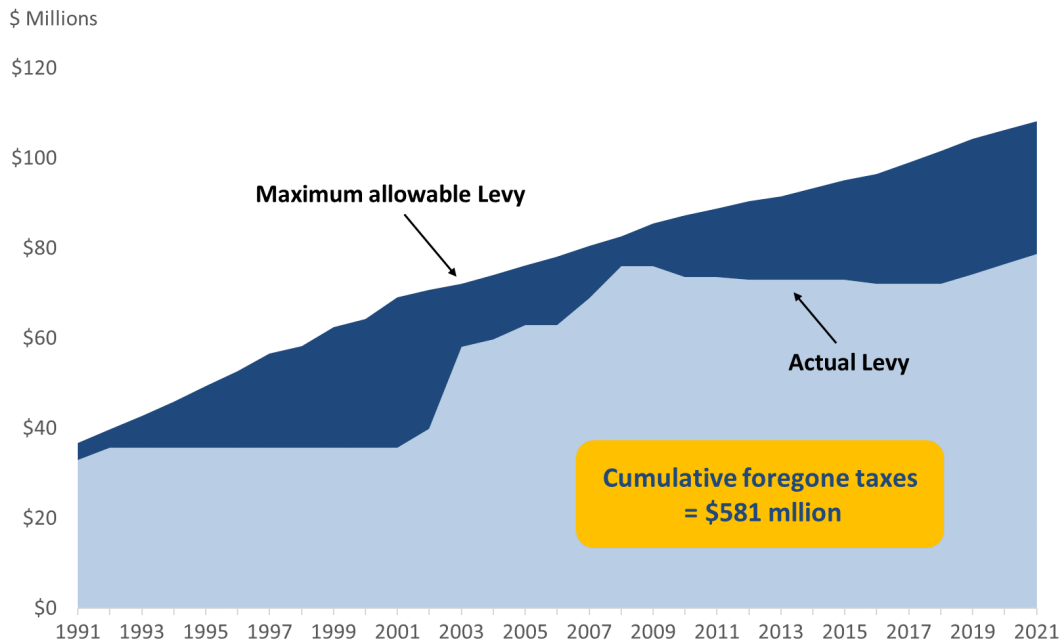
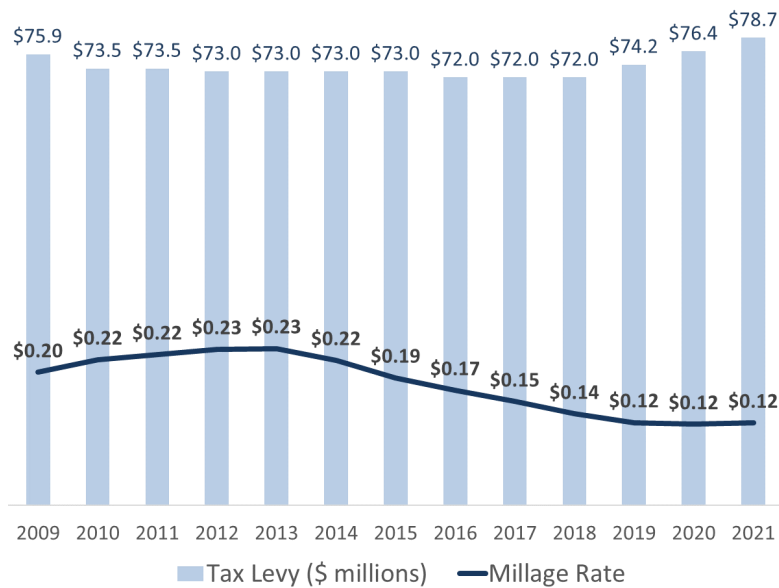


FIGURE VIII-2: TAX LEVY VS. MILLAGE RATE 2009-2021



Special Tax Levies

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

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

Industrial Development District Tax Levies

The Port may also levy property taxes for Industrial Development Districts (under a comprehensive scheme of harbor improvements), for two multi-year periods. The Port of Seattle levied the tax for a six-year period between 1963 and 1968 for property acquisition and development of the lower Duwamish River. In 2015, the rules governing the IDD tax levy were modified by the Washington State Legislature. Under the new rules, if the Port intends to levy this tax for a second multi-year period (not to exceed twenty years), the Port must adopt a resolution approving the use of the second levy period and publish notice of intent to impose such a levy no later than April 1 of the year prior to the first collection year. If a petition is filed with signatures of at least eight percent (8%) of the voters, the question of whether or not the levy can be imposed will be decided by voters. The amount of the Industrial Development Levy that could be imposed is now calculated on the Assessed Valuation of taxable property within the Port District in the year prior to the first collection year. This aggregate amount is calculated at \$2.70/\$1,000 of assessed value and represents the total amount that can be levied over the second levy period. The Port has not levied the second multi-year period, but if the Port were to Levy under this law, Port may levy up to an estimated \$1.8 billion over the twenty-year period, with the collection period beginning no sooner than 2022.

C. TAX LEVY USES

During the annual budget process, the Commission reviews and approves the amount of and use of the tax levy. For 2021 the Commission approved a \$78.68 million, a 3% increase from the \$76.38 million levy in 2020. This increase will help fund important capital investments in Seattle's working waterfront and maritime industries, as well as support community programs and environmental remediation.

The 2021 levy is expected to fund \$38.5 million in G.O. bond debt service. See Table VIII-2 for the complete allocation of 2021 G.O. bond debt service by project. This reflects the current obligations for past investments.

In 2021, The tax levy will help fund \$26.4 million in important capital improvements that invest in key maritime and economic development projects aimed at maintaining Port assets, advancing maritime industries, supporting Seattle's working waterfront, and investing in local communities and the environment. Such projects include Northwest Seaport Alliance (NWSA) container improvements in the North Harbor (Seattle), redevelopment efforts at Fisherman's Terminal and Terminal 91 (berth and uplands improvements), channel deepening in Elliot Bay to accommodate larger container vessels, the Maritime Innovation Center aimed at connecting the local maritime community with education and resources, adding shore power at Pier 66, and habitat restoration at Terminal 117.

In fulfillment of its obligations under the NWSA Charter, the Port approved a net payment of up to \$16 million to the NWSA. This NWSA Membership Interest Contribution payment is being funded with the tax levy and made in three installments. The first net payment of \$5.5 million occurred in 2020, with the second to be completed in 2021 and the final payment scheduled for 2023.

The levy is also expected to fund an estimated \$11.4 million in environmental remediation expenses in 2021 and \$8.7 million on various community support programs described below.

The levy has not traditionally been used for projects at the Airport; however, the Commission has approved the use of the levy for specific community benefit programs not otherwise eligible for Airport funding due to FAA regulations. These include safety enhancements in the City of SeaTac and noise mitigation improvements at certain Highline School District schools near the Airport. The timing of Highline School District funding is dependent on the Highline School District, with no spending expected in 2021.

In 2019, the Commission approved an additional \$15.0 million in funding for two key airport related programs; spending on these programs is not eligible for airport funding and is funded from the tax levy. The programs are \$5.0 million for the development of sustainable airport fuels and reduction of air emissions at the Airport, and \$10.0 million for the support of Airport area communities in south King County. For 2021 the Port expects to spend \$2 million of the South King County fund to support environmental health and sustainability efforts as well as community equity programs and \$250 thousand of the Sustainable Aviation Fuels and Air Emissions Reduction Fund for a study to produce sustainable fuels in partnership with King County.

Additional tax levy uses in 2021 includes support for other community programs, such as: workforce development, tourism grants and economic development partnership grant initiatives, energy and sustainability policy directives, Duwamish Valley Community Equity funding, Airport Community Ecology funding, a partnership with the Washington Tourism Alliance, and support for a local community advertising program at the Airport which aims to showcase nearby cities and destinations.

TABLE VIII-1: SOURCES AND USES OF TAX LEVY

	Notes	2021 (\$ in 000's)
<u>SOURCES</u>		
Prior Year Tax Levy Fund Balance		\$ 8,087
Projected Tax Levy Collection		78,676
Grants & Other Reimbursements		4,351
Total Projected Sources		91,114
<u>USES</u>		
G.O. Debt Service		38,506
Capital Expenditures		26,397
<i>Other Expenditures:</i>		
Environmental Remediation Liability (Non-Aviation)	1	11,412
NWSA Membership Interest Contribution (Net)		5,500
Environmental Grants (ACE) and Energy and Sustainability		585
Workforce Development & Economic Development Programs		2,331
Duwamish Valley Community Equity Program		275
Orca Recovery Program		50
Tourism Grants		1,400
Local Community Advertising Program		382
South King County Fund		2,000
Sustainable Aviation Fuels and Air Emissions Programs		250
City of SeaTac Safety Enhancements		1,400
Total Projected Other Expenditures		25,585
Total Projected Uses		90,487
Projected Ending Tax Levy Fund Balance		\$ 627

Notes:

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

The tax levy, by Washington State statute, may be used broadly for general Port purposes. The Port’s policy has been to prioritize the use of the levy to first pay debt service on previously issued G.O. bonds, which most recently funded the Port’s contribution to the Alaskan Way Viaduct replacement program. G.O. bonds also helped fund critical capital infrastructure investments in and around the Seattle Harbor, including container terminal upgrades and expansions, Fishermen's Terminal improvements, and dock renewals and upgrades at the Terminal 86 grain facility and Terminal 115. The Port forecasts \$38.5 million in G.O. bond debt service in 2021, which is approximately 49% of the total 2021 levy.

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

	2021 (\$ in 000's)
Containers	
East Waterway Dredging	\$ 4,369
T-5 Expansion & Upgrades	2,395
T-46 Expansion Redevelopment	1,172
T-18 Expansion & Upgrade	8,614
T-115 Yard Upgrades	49
Total Containers	16,599
Docks and Commercial Properties	
T-91 Apron & Infrastructure Improvements	1,516
Pier 17 Dock Replacement	29
T-86 Terminal Upgrades	35
Total Docks and Commercial Properties	1,580
Public Expense	
Alaskan Way Viaduct Replacement	15,920
Economic Development Commercial Properties	
World Trade Center	3,228
Fishing	
Fishermen's Terminal Docks & Seawall Renewal	1,178
Total G.O. Bond Debt Service	\$ 38,506

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

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

From time to time, the Port partners with the State and other local governments to invest in mutually beneficial transportation initiatives. The Port currently has an estimated \$70.2 million of tax levy funds set aside in the Commission-designated Transportation & Infrastructure Reserve Fund (TIF), which has been and will be used to fund the Port’s contribution and obligations towards multiple regional mobility and transportation efforts. See Table VIII-3 for summary of project spending.

TABLE VIII-3: USES OF TRANSPORTATION AND INFRASTRUCTURE FUND

(\$ in 000's)	2021	Future Obligations
Beginning TIF Balance	\$ 70,249	\$ 65,635
Project Spending:		
Safe and Swift Corridor	3,500	2,500
Seattle Heavy Haul Network	75	19,750
State Route 509	-	30,000
Other	1,039	799
Total Project Spending	\$ 4,614	\$ 53,049
Transfers to (from) Tax Levy fund - Net	-	12,586
Ending TIF Balance	\$ 65,635	\$ -

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

As the Puget Sound region continues to experience unprecedented growth, the increased traffic has created mobility and safety challenges within local transportation corridors. In 2017, the Port entered into an MOU for \$20.0 million with the City of Seattle to launch the Safe and Swift Corridor Program to support projects and other efforts to improve transportation flow and safety along key freight transportation corridors, including South Spokane Street, 15th Avenue West/Elliott Avenue West/Mercer Street and Lander Street Bridge (completed in October of 2020). The Port paid \$1.0 million of this funding in 2020.

In 2018, the Port, along with multiple local cities, entered into an MOU with the State of Washington for the Gateway Program. The Port agreed to provide \$30.0 million of funding for Washington State Route 509 improvements near the Airport.

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

Approximately \$30 million of these obligations do not occur until after 2025. In an effort to best utilize existing cash resources, the Port has assumed the transfer of \$30 million of TIF funds to the tax levy to be used on various operating and capital needs; this transfer will occur as needed. The plan assumes those funds are repaid back to the TIF from the tax levy when those regional transportation obligations become due.

- **Harbor Development Fund (HDF)**

The Port established the Harbor Development Fund (HDF) in 2017, which was designated to support NWSA capital projects in the North Harbor, most significantly the modernization of Terminal 5. The Port currently has an estimated \$49.3 million of tax levy funds set aside in the HDF for the Terminal 5 modernization project. Once these funds are depleted, expected to occur in 2021, the project will be funded directly from the tax levy or G.O. bonds.

D. GENERAL OBLIGATION CAPACITY

Non-Voted and Voted General Obligation Debt Limitations

Under Washington State law the Port may incur indebtedness payable from ad valorem taxes in an amount not exceeding one-fourth of one percent of the value of the taxable property in the District without a vote of the people. With the assent of three-fifths of the voters voting thereon, the District may incur additional G.O. indebtedness provided the total indebtedness of the Port at any time shall not exceed three-fourths of one percent of the value of the taxable property in the District. For the Port, the following estimates the 2021 debt limit:

Value of Taxable Property ⁽¹⁾	<u>\$ 644,507,098,445</u>
Debt Limit, Non-Voted General Obligation Bonds (.25% of Value of Taxable Property)	1,611,267,746
Less: Outstanding Non-Voted General Obligation Bonds as of 12/31/2020	311,175,000
Less: Capital leases and other general obligations as of 9/30/2020	-
Remaining Capacity of Non-Voted General Obligation Debt	<u>\$ 1,300,092,746</u>
Debt Limit, Total General Obligation Debt (.75% of Value of Taxable Property)	4,833,803,238
Less: Total Outstanding General Obligation as of 12/31/2020	311,175,000
Less: Capital leases and other general obligations as of 9/30/2020	-
Remaining Capacity of Total General Obligation Debt	<u>\$ 4,522,628,238</u>

⁽¹⁾Preliminary assessed valuation as of 10/5/2020

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

Interaction between General Purpose Levy and General Obligation Debt Capacity

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

The Port targets to use no more than 75% of the annual levy collection for debt service and to retain at least 25% for general purposes. In 2021, debt service is projected to comprise 49% of the total levy collected.

E. TAXPAYER EFFECT

For 2021 the Commission approved a \$78.68 million, a 3% increase from the \$76.38 million levy in 2020. The median King County homeowner will pay an estimated \$73.24 in taxes to the Port of Seattle in 2021 compared to \$71.66 in 2020, an increase of \$1.58, based on an estimated median King County home value of \$600,000 in 2020 and 2021.

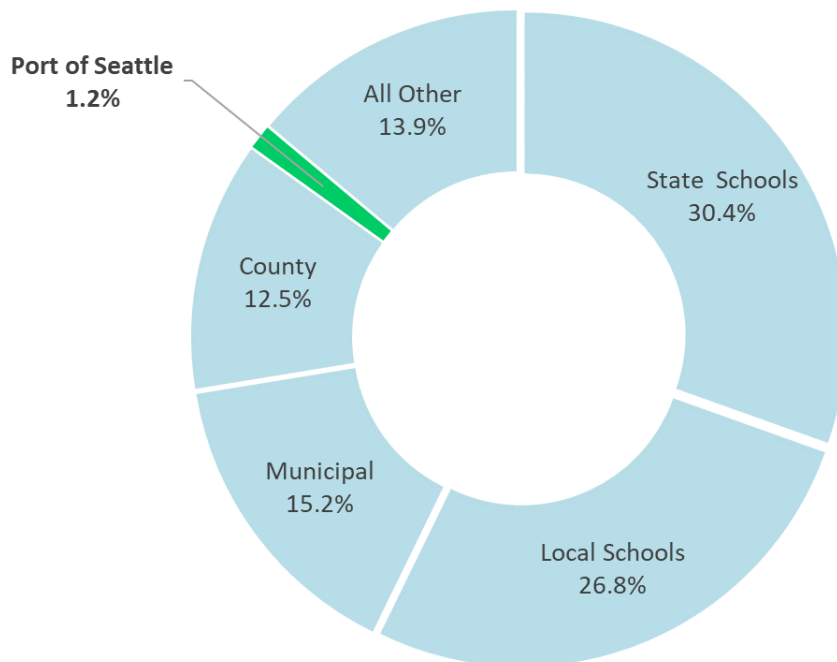
Since 2009, the assessed value has increased 67%, from \$385 billion to approximately \$645 billion for the tax year 2021. During this time, the millage rate (rate paid per \$1,000 Assessed Value) on the Port's tax levy has decreased 38%, from \$0.20 to \$0.12.

Figure VIII-2 above provides the historical millage rate from 2009 to 2021.

F. COUNTY PROPERTY TAX COMPARISON

In 2020, the Port accounted for 1.2% of the total property taxes collected by the County.

FIGURE VIII-3: PERCENTAGE OF TAX LEVIES BY TAXING DISTRICT



IX. CAPITAL IMPROVEMENT PLAN

CAPITAL IMPROVEMENT PLAN

The following pages outline the 2021-2025 Capital Improvement Plan (CIP), including both the Port of Seattle CIP as well as the Port’s 50% funding obligation in the Northwest Seaport Alliance (NWSA) CIP.

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

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

In 2019, the Port undertook an evaluation of its actual capital spending compared to the CIP presented in prior budgets. Analysis indicated that on average, the Port spent 80% of its five-year CIP, but less than 60% of the first year CIP. As a result, the Port implemented a CIP Cashflow Adjustment Reserve for the 2020 Budget and again for the 2021 Budget in order to adjust each division’s CIP cashflows to better reflect expected project spending trends in aggregate.

Table IX-1 below summarizes the 2021-2025 Port of Seattle CIP by division and the forecasted payment to the NWSA for capital expenditures. This table includes Committed and Business Plan Prospective projects. The Port of Seattle CIP is \$508.5 million for 2021 and \$3.7 billion for 2021-2025. The forecasted payment to the NWSA for capital expenditures is \$67.3 million for 2021 and \$155.6 million for 2021-2025.

TABLE IX-1: CAPITAL IMPROVEMENT PLAN

(\$ in 000's)	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u> <u>2021-2025</u>
Aviation	\$ 548,927	\$ 635,764	\$ 639,954	\$ 791,875	\$ 692,070	\$ 3,308,590
Maritime	35,189	47,381	38,433	49,650	67,675	238,328
Economic Development	9,440	24,672	29,663	6,711	3,585	74,071
Central Services	9,244	8,259	6,740	6,600	6,988	37,831
NWSA Joint Venture ⁽¹⁾	3,891	820	13,361	19,330	3,000	40,402
Stormwater Utility	1,400	1,520	500	500	500	4,420
CIP Cashflow Adjustment Reserve	(99,565)	58,240	39,825	1,000	500	0
Subtotal - Port CIP	\$ 508,526	\$ 776,656	\$ 768,476	\$ 875,666	\$ 774,318	\$ 3,703,642
Payment to the NWSA for Capital Expenditures ⁽²⁾	67,314	30,683	9,343	11,763	36,500	155,602
Total Port and 50% NWSA CIP	\$ 575,840	\$ 807,339	\$ 777,819	\$ 887,429	\$ 810,818	\$ 3,859,244

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Notes:

1) Includes North Harbor channel deepening and other 100% Port legacy costs.

2) Represents the Port of Seattle's 50% share of NWSA capital expenditures.

AVIATION DIVISION CAPITAL IMPROVEMENT PLAN

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

Table IX-2 below summarizes the Aviation Division CIP from 2021-2025. The Aviation Division CIP is \$464.2 million for 2021 and \$3.3 billion for 2021-2025.

TABLE IX-2: AVIATION CAPITAL IMPROVEMENT PLAN

(\$ in 000's)	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total 2021-2025</u>
Committed Projects						
Terminal and Tenants	\$ 291,047	\$ 181,139	\$ 183,170	\$ 205,827	\$ 222,035	\$ 1,083,218
Airfield	59,180	54,672	21,259	30,667	19,231	185,009
Infrastructure	49,263	51,520	33,799	28,737	17,152	180,471
Landside	41,668	23,081	12,510	21,987	16,221	115,467
Security	29,096	38,846	19,683	7,487	0	95,112
Noise Program	10,258	7,142	12,248	12,857	5,300	47,805
Commercial Management	10,547	5,322	3,455	1,229	1,273	21,826
Sustainable Airport Master Plan ⁽¹⁾	5,903	989	392	0	0	7,284
Aviation Division-wide	3,912	759	0	0	0	4,671
Third Runway	800	0	0	0	0	800
Subtotal - Aviation Committed CIP	\$ 501,674	\$ 363,470	\$ 286,516	\$ 308,791	\$ 281,212	\$ 1,741,663
Business Plan Prospective Projects ⁽¹⁾	47,253	272,294	353,438	483,084	410,858	1,566,927
CIP Cashflow Adjustment Reserve ⁽²⁾	(84,693)	50,816	33,877	0	0	0
Total Aviation CIP	\$ 464,234	\$ 686,580	\$ 673,831	\$ 791,875	\$ 692,070	\$ 3,308,590

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Notes:

- 1) \$7.3 million of Sustainable Airport Master Plan (SAMP) near-term planning project costs are included in 2021-2025 Committed Projects; \$272.8 million of other SAMP planning and design costs are included in Business Plan Prospective Projects in 2021-2025.
- 2) Adjustment introduced as part of the 2020 Plan of Finance to reflect more achievable levels of capital spending.

Committed Capital Projects:

International Arrivals Facility (IAF): This project will construct a new Federal Inspection Services (FIS) facility on the east side of Concourse A in order to expand capacity to process arriving international passengers. Construction began in 2017 and the Arrivals Hall is nearing substantial completion. After a period of activation testing, the facility is scheduled to open to the public in by Q2 2021.

North Satellite Renovation & Expansion: In collaboration with Alaska Airlines, the Port will renovate and expand the North Satellite to address seismic concerns; upgrade heating, ventilation, air conditioning (HVAC), lighting, and fixtures; and add eight gates. Construction has started and the first phase was completed in July 2019. The second phase of the project will be completed in mid-2021.

Baggage Recapitalization/Optimization: This project will replace and reconfigure baggage screening equipment and operations to improve operational efficiency and increase capacity. The new outbound baggage system will accommodate 60 million annual passengers. The project will be completed in three phases, with the final phase completed by the end of 2026.

Other Committed Capital Projects:

C1 Building Floor Expansion: Construct three additional floors on top of the airport's C1 building to meet space needs for passenger restrooms, concessions, passenger lounges and other tenant offices.

Airfield Pavement Replacement: Annual replacement of aging airfield pavement and joint seals.

Main Terminal Low Voltage System Upgrade: Renewal and replacement of low voltage (600 volts and below) distribution switchboards, transformers, feeders, panels, motor control centers and tenant metering. The work includes areas in the Main Terminal served by Center and South power centers.

Upgrades to Satellite Transit System (STS) Train Control: Upgrades to the STS automatic train control and communication subsystem. The existing hardware is approaching the end of its useful life.

Restroom Upgrades: This project will modernize restroom facilities in Concourses B, C, and D.

Widen Arrivals Roadway: Widen the approach to the Arrivals curbside area from two to three lanes. The total improvement area could extend from Air Cargo Road to the north Rental Car Bus curb. The existing fourth floor entrance ramp from the Departures curbside to the Main Garage will be demolished.

Business Plan Prospective CIP:

The Aviation Business Plan Prospective CIP is composed of project spending for Airfield, Landside, Terminal, Infrastructure, and other Aviation needs including \$272.8 million for Sustainable Airport Master Plan (SAMP) planning and design.

The CIP also includes a project to renovate and modernize the South Satellite (SSAT) facility; to include structural, HVAC, plumbing, electrical, fire suppression/life safety, building shell and communications systems replacement or upgrades as required; interior remodeling, and inclusion of passenger amenities.

Also included is a \$307.5 million reserve for undesignated future spending, which allows for the addition of currently undefined new projects to the plan without increasing the total plan. Prospective projects are, by definition, not yet well scoped, so there is greater uncertainty with regards to timing and costs than with Committed projects. As scoping, design and bidding occurs, each project moves forward in steps to the Commission to request authorization. See Section IV, "Aviation", for a description of major existing and new projects.

MARITIME DIVISION CAPITAL IMPROVEMENT PLAN

General: The Maritime Division's five-year CIP continues investments in waterfront facilities, infrastructure, and the environment.

Table IX-3 below summarizes the Maritime Division CIP from 2021-2025. The Maritime Division CIP is \$26.4 million for 2021 and \$238.3 million for 2021-2025.

TABLE IX-3: MARITIME CAPITAL IMPROVEMENT PLAN

(\$ in 000's)	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u> <u>2021-2025</u>
Committed Projects						
Fishing and Operations	\$ 9,067	\$ 1,735	\$ 12,700	\$ 31,200	\$ 20,000	\$ 74,702
Cruise Operations	1,807	20,500	2,285	5,015	35,000	64,607
Maritime General	6,236	3,960	4,650	3,662	1,500	20,008
Maritime Portfolio Management	1,525	5,206	9,206	802	0	16,739
Environmental Services	7,687	4,696	268	268	268	13,187
Recreational Boating	1,116	1,540	3,275	3,113	13	9,057
Subtotal - Maritime Committed CIP	\$ 27,438	\$ 37,637	\$ 32,384	\$ 44,060	\$ 56,781	\$ 198,300
Business Plan Prospective Projects	7,751	9,744	6,049	5,590	10,894	40,028
CIP Cashflow Adjustment Reserve ⁽¹⁾	(8,806)	5,284	3,522	0	0	0
Total Maritime CIP	\$ 26,383	\$ 52,665	\$ 41,955	\$ 49,650	\$ 67,675	\$ 238,328

CAPSUM

Notes:

1) Adjustment introduced as part of the 2020 Plan of Finance to reflect more achievable levels of capital spending.

Committed Capital Projects:

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

Terminal 46 North Pier Structure Replacement: Replacement of timber and concrete pier structures along the north portion of Terminal 46 to support moorage for larger vessels. This project has been delayed due to the ongoing economic uncertainty.

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

Pier 66 Shore Power/Waterfront Electrification: This project will create a dual voltage 20-megawatt shore power system for the single cruise ship berth at Pier 66.

Two major projects have been delayed due to the current economic and business uncertainty from the COVID-19 pandemic, as follows:

1. New Cruise Facility: Development of a fourth cruise berth and terminal at Terminal 46 as part of a flexible marine transportation facility to support cargo and other marine operations. The project will also complement waterfront redevelopment and improve public access to the shoreline.
2. Fishermen's Terminal (FT) Gateway Building: This project will construct a new building in the area of the existing vacant bank building and two net sheds. The new building is expected to provide approximately 60,000 square feet of light industrial space for maritime businesses. The project also includes site improvements such as lighting and signage at the terminal.

Other Committed Capital Projects:

Fishermen's Terminal Maritime Innovation Center: This project will update and convert the existing Seattle Ship Supply building into a new Maritime Innovation Center in support of the Port's small business incubator program.

Terminal 91 Northwest Fender: This project will replace the timber fender system for berths K, L and M on the northwest corner of Terminal 91. The new fender will be a stronger steel system with greater durability.

Terminal 91 New Cruise Gangway: This project will fabricate and install a new gangway to support larger cruise vessels at the Smith Cove Cruise Terminal.

Jack Block Park Pier Replacement: This project will replace the existing damaged timber pier with a similar concrete pier supported by steel piles.

Committed capital projects also includes replacement/preservation of docks and moorage, facility improvements, fleet replacement, and small capital (under \$300,000) projects.

Business Plan Prospective CIP:

Significant projects include:

Terminal 91 Passenger Upgrades: This project will make improvements the Smith Cove Cruise Terminal to enhance passenger safety and operational efficiency.

Maritime Video Camera Project: Update and extend the surveillance system at the Port's maritime properties.

Fishermen's Terminal C14 Building Improvements: Replacement of building envelope, including windows, doors, roofing, and siding. The project will also replace the HVAC system.

Also included is a CIP reserve for unknown or undefined future projects.

ECONOMIC DEVELOPMENT DIVISION CAPITAL IMPROVEMENT PLAN

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

Table IX-4 below summarizes the Economic Development Division CIP from 2021-2025. The Economic Development Division CIP is \$5.9 million for 2021 and \$74.1 million for 2021-2025.

TABLE IX-4: ECONOMIC DEVELOPMENT CAPITAL IMPROVEMENT PLAN

(\$ in 000's)	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total</u> <u>2021-2025</u>
Committed Projects						
Development & Planning	\$ 800	\$ 17,000	\$ 26,000	\$ 3,855	\$ 0	\$ 47,655
Portfolio Management	4,908	4,109	300	300	300	9,917
General Economic Development	2,702	1,820	820	840	785	6,967
Subtotal - EDD Committed CIP	\$ 8,410	\$ 22,929	\$ 27,120	\$ 4,995	\$ 1,085	\$ 64,539
Business Plan Prospective Projects	1,030	1,743	2,543	1,716	2,500	9,532
CIP Cashflow Adjustment Reserve ⁽¹⁾	(3,566)	2,140	1,426	0	0	0
Total EDD CIP	\$ 5,874	\$ 26,812	\$ 31,089	\$ 6,711	\$ 3,585	\$ 74,071

CAPSUM

Notes:

1) Adjustment introduced as part of the 2020 Plan of Finance to reflect more achievable levels of capital spending.

Committed Capital Projects:

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

Pier 66 HVAC Systems Upgrade: This project replaces the cruise terminal and conference center building's cooling tower, chiller, variable frequency drives and other HVAC system components that are at the end of their service life.

World Trade Center HVAC Replacement: This project replaces the current HVAC system at the end of its service life with a more energy efficient system.

Other Committed projects include elevator upgrades and roof replacements/enhancements at Pier 66, under-dock utility replacement at Pier 69, capitalized tenant improvements, fleet replacement, technology and other small projects.

Business Plan Prospective CIP:

The Economic Development Division Prospective CIP is a combination of revenue/capacity growth, renewal/enhancement, environmental, and safety projects. Renewal/enhancement projects include space reconfiguration/improvements at Pier 69, roof work at Pier 66, and elevator modernization work at the Bell Street Pier Garage. Also included is a general CIP reserve to allow for projects that cannot be determined with certainty as to location, timing, and cost.

CENTRAL SERVICES CAPITAL IMPROVEMENT PLAN

The Central Services five-year CIP consists predominately of technology improvements and upgrades. Approximately 55% of the 2021 technology projects are refreshes of critical infrastructure and security enhancements required to maintain compliance with established industry standards and ensure availability of critical business systems. The remaining technology projects consist of new or upgraded business systems driven by business unit demands or are required to maintain system operations and on-going vendor support

The remainder of the Central Services CIP consists of fleet replacement and small capital acquisition, which largely relate to the replacement of equipment and assets that are at or beyond the end of their useful lives. In 2021, the fleet projects will replace police patrol vehicles, several vehicles used by engineering and Port Construction Services departments, and construction equipment. The remaining portion of the CIP is for a police boat acquisition, engineering and surveying equipment, and other small capital projects.

Table IX-5 below summarizes the Central Services CIP from 2021-2025. The Central Services CIP is \$6.7 million for 2021 and \$37.8 million for 2021-2025.

TABLE IX-5: CENTRAL SERVICES CAPITAL IMPROVEMENT PLAN

(\$ in 000's)	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total 2021-2025</u>
Committed Projects						
ICT Business Services	\$ 3,159	\$ 2,750	\$ 2,750	\$ 2,750	\$ 2,750	\$ 14,159
General and Capital Development	2,485	2,059	1,990	1,850	1,738	10,122
Subtotal - Central Services Committed CIP	\$ 5,644	\$ 4,809	\$ 4,740	\$ 4,600	\$ 4,488	\$ 24,281
Business Plan Prospective Projects	3,600	3,450	2,000	2,000	2,500	13,550
CIP Cashflow Adjustment Reserve⁽¹⁾	(2,500)	0	1,000	1,000	500	0
Total Central Services CIP	\$ 6,744	\$ 8,259	\$ 7,740	\$ 7,600	\$ 7,488	\$ 37,831

CAPSUM

Notes:

1) Adjustment introduced as part of the 2020 Plan of Finance to reflect more achievable levels of capital spending.

OTHER PORT OF SEATTLE CIP

The Port of Seattle CIP also includes North Harbor waterway channel deepening projects, the Terminal 5 approach overpass project, and other NWSA legacy projects. These projects are assumed to be 100% funded by the Port of Seattle, and thus are not included in the NWSA CIP to follow. Additionally, the Port CIP includes projects for its Stormwater Utility, such as outfall upgrades, asset renewal and replacement, small capital acquisitions, and a CIP reserve for unknown or undefined future projects.

NORTHWEST SEAPORT ALLIANCE CAPITAL IMPROVEMENT PLAN

The five-year NWSA CIP focuses on both strategic and maintenance projects, and invests in projects to increase the capacity, extend the life, or improve the safety or efficiency of NWSA-managed property and equipment.

Strategic investments include the construction of major terminal improvements and a stormwater treatment system at the North Harbor (Seattle) Terminal 5, rehabilitation of Terminal 18 and Terminal 46 wharfs, and rehabilitation of the Terminal 46 bulkhead. Strategic investments at the South Harbor (Tacoma) include berth dredging and shore power at Husky Terminal. Maintenance investments include replacement of fender systems and rehabilitation of assigned assets.

Each homeport assumes funding of 50% of the total NWSA CIP, as outlined in Table IX-6 below. Although funds for a project are included in the CIP, projects are not automatically authorized to proceed; The NWSA Managing Members review and approve each project individually. To efficiently allocate resources, the NWSA uses a capital project prioritization methodology which includes two categories for internal management; “Open” projects, which are on-going or ready to move forward and have customer commitment or a high degree of certainty, and “Estimate” projects, which are based on an identified business need or opportunity but have not been fully developed in scope and cost. Only Open projects are included in the budget.

The table below summarizes the Open-status NWSA CIP by home port and shows the Port of Seattle’s 50% funding total, which is \$67.3 million for 2021 and \$155.6 million for 2021-2025. A complete project listing is presented in Attachment 1, and further information on the NWSA CIP can be found in Section XII, “The Northwest Seaport Alliance (NWSA).”

TABLE IX-6 NWSA CAPITAL IMPROVEMENT PLAN

(\$ in 000's)						
Home Port	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Total 2021 - 2025</u>
North Harbor (Seattle)	\$ 114,701	\$ 53,667	\$ 14,686	\$ 20,025	\$ 51,000	\$ 254,079
South Harbor (Tacoma)	19,926	7,698	4,000	3,500	22,000	57,124
NWSA Total	\$134,627	\$61,365	\$18,686	\$23,525	\$73,000	\$ 311,203
Port of Seattle's 50% funding total	\$ 67,314	\$30,683	\$ 9,343	\$11,763	\$36,500	\$ 155,602

PUBLIC EXPENSE

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

Table IX-7 below shows Public Expense projects by division from 2021-2025, which includes \$8.7 million for 2021 and \$40.0 million for 2021-2025.

TABLE IX-7: PUBLIC EXPENSE PROJECTS

(\$ in 000's)		2021	2022	2023	2024	2025	Total 2021 - 2025
Division	CIP Description						
Aviation	Air Cargo Road	\$ 1,406	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,406
	Flight Corridor Safety Program	2,724	0	0	0	0	2,724
	Subtotal - Aviation Public Expense Projects	\$ 4,130	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,130
Joint Venture	Fast Corridor I	196	0	0	0	0	196
	Fast Corridor II	345	0	0	730	69	1,144
	East Marginal Way Phase 2	250	0	0	0	0	250
	North Argo Express Access	248	0	0	0	0	248
	Seattle Heavy Haul Network	75	4,000	4,000	2,000	2,000	12,075
	Safe and Swift	3,500	2,500	0	0	0	6,000
	Gateway SR 509 Program	0	0	0	15,000	0	15,000
Subtotal - Joint Venture Public Expense Projects	\$ 4,614	\$ 6,500	\$ 4,000	\$ 17,730	\$ 2,069	\$ 34,913	
Maritime	Pier 86 Dock Improvements	0	1,000	0	0	0	1,000
	Subtotal - Maritime Public Expense Projects	\$ 0	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 1,000
Total - Public Expense		\$ 8,744	\$ 7,500	\$ 4,000	\$ 17,730	\$ 2,069	\$ 40,043
Total Port Public Expense Projects		\$ 8,744	\$ 7,500	\$ 4,000	\$ 17,730	\$ 2,069	\$ 40,043

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

NON-RECURRING CIP IMPACT

Table IX-8 below shows certain non-recurring capital projects and their corresponding impact on the operating budget. At the airport, the North Satellite renovation, International Arrival Facility construction, and Checked Baggage Optimization project account for \$699.6 million of capital spending from 2021-2025; a \$420.9 million change in operating revenues and a \$122.7 million change in operating expenses from 2021-2025. Other projects did not meet the criteria to be included in this table.

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

(\$ in 000's)	Notes	Recurring (R) or Non-Recurring (NR)	2021	2022	2023	2024	2025	Total 2021 - 2025
Aviation Division:								
NSAT Renovation and Expansion								
		NR						
Capital Spending			\$ 93,014	\$ 32,956	\$ 0	\$ 0	\$ 0	\$ 125,970
Change in Operating Revenues	1		21,909	31,464	27,906	19,323	7,353	107,955
Change in Operating Expenses			4,400	4,532	4,668	4,808	4,952	23,360
International Arrivals Facility								
		NR						
Capital Spending			57,679	0	0	0	0	57,679
Change in Operating Revenues	1		21,365	40,003	44,509	49,070	52,048	206,995
Change in Operating Expenses			15,285	20,213	21,085	21,718	22,369	100,671
Checked Baggage Optimization								
		NR						
Capital Spending			95,000	100,000	113,500	111,000	96,429	515,929
Change in Operating Revenues	1		6,579	14,467	23,315	32,386	40,596	117,343
Change in Operating Expenses			0	0	0	0	0	0
Aviation Subtotal								
Capital Spending			\$ 245,693	\$ 132,956	\$ 113,500	\$ 111,000	\$ 96,429	\$ 699,578
Change in Operating Revenues			\$ 49,853	\$ 85,934	\$ 95,730	\$ 100,779	\$ 99,997	\$ 432,293
Change in Operating Expenses			\$ 19,685	\$ 24,745	\$ 25,753	\$ 26,526	\$ 27,322	\$ 124,031
Maritime Division:								
Economic Development Division:								
Central Services:								
Port-wide Total								
Capital Spending			\$ 245,693	\$ 132,956	\$ 113,500	\$ 111,000	\$ 96,429	\$ 699,578
Change in Operating Revenues			\$ 49,853	\$ 85,934	\$ 95,730	\$ 100,779	\$ 99,997	\$ 432,293
Change in Operating Expenses			\$ 19,685	\$ 24,745	\$ 25,753	\$ 26,526	\$ 27,322	\$ 124,031

Notes:

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

The following reports provide detail of the projects included in the Port’s 2021-2025 Capital Improvement Plan (CIP):

- The projects are organized by the two categories: *Committed* and *Business Plan Prospective*.
- Each project is assigned a number 1 - 6 based on its capital development progress status:
 - Committed
 - 6 = Completed (may have final payment cashflows)
 - 5 = Construction authorized
 - 4 = Design funding authorized
 - 3 = Division level authorized
 - Business Plan Prospective
 - 2 = Business sponsor approved
 - In addition, the Port may have “Other Prospective” projects (Status 1). These projects have been identified as potential future investments but are not included in the CIP.
- Attachment 1 provides the detail of the NWSA Capital Improvement Plan organized by home port.

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5 Year Capital Budget by CIP number

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Selection

Start Year: **2020**

Business Unit: **(ALL)**

Project Status: **3-6**

Division: **(ALL)**

Sponsor: **(ALL)**

CIP Group: **(ALL)**

5 Year Capital Budget by CIP number

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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
Aviation Division										
Airfield										
4	C801035	Remote Aircraft Deicing	5,284	0	0	0	0	5,284	17,700	1,256
CIP Group: Aeronautical Facilities			5,284	0	0	0	0	5,284	17,700	1,256
4	C801051	161D Cargo Bldg Modificat	73	0	0	0	0	73	599	229
5	C801089	Air Cargo 5 Ground Brd Fa	0	0	0	0	0	0	576	565
3	C801126	North Cargo Area Cameras	0	62	33	99	152	346	400	4
CIP Group: Air Cargo			73	62	33	99	152	419	1,575	798
5	C800335	GSE Electrical Chrg Stati	6,521	10,617	381	0	0	17,519	37,596	19,973
5	C800585	Wi-Fi Enhancement Project	743	0	0	0	0	743	10,296	9,112
5	C800781	SSAT Narrow Body Configur	0	0	0	0	0	0	5,500	5,500
5	C800838	Hardstand Equipment Purch	0	0	0	0	0	0	11,800	8,730
5	C800842	AOA Perimeter Fence Line	100	0	0	0	0	100	6,934	4,689
6	C800914	2018 Taxiway Improvement	0	0	0	0	0	0	34,232	34,232
5	C800986	Conc C Ramp Space Renovat	0	0	0	0	0	0	1,681	1,641
3	C801157	South188th Tunnel Lightin	867	4,202	911	0	0	5,980	6,199	9
CIP Group: Airfield Miscellaneous			8,231	14,819	1,292	0	0	24,342	114,238	83,887
6	C800406	RW16C-34C Design and Reco	0	0	0	0	0	0	78,785	78,782
5	C800483	AFLD Pvmnt Program 2016-2	3,022	0	0	0	0	3,022	28,631	10,717
5	C800930	2021-25 AFLD Pvmnt&Spprt	40,500	37,106	19,934	30,568	19,079	147,187	153,500	633
CIP Group: Airfield Pavement			43,522	37,106	19,934	30,568	19,079	150,209	260,916	90,132
4	C800650	Surface Area Management S	2,070	2,685	0	0	0	4,755	6,200	330



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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
CIP Group: Navigational Navaid			2,070	2,685	0	0	0	4,755	6,200	330
Sub Total for: Airfield			59,180	54,672	21,259	30,667	19,231	185,009	400,629	176,403
Aviation Division Wide										
5	C800066	AV/IT Small Capital Proje	1,400	759	0	0	0	2,159	12,493	9,576
CIP Group: IT Projects			1,400	759	0	0	0	2,159	12,493	9,576
5	C800794	Fire Pump Replacement	2,354	0	0	0	0	2,354	4,898	150
5	C801148	Meditation Room Reloc - S	0	0	0	0	0	0	1,000	155
CIP Group: Miscellaneous			2,354	0	0	0	0	2,354	5,898	305
5	C800017	Aviation Small Jobs	39	0	0	0	0	39	9,999	9,961
5	C800018	Aviation Small Capital	75	0	0	0	0	75	3,999	3,925
6	C800099	Aviation Small Capital	44	0	0	0	0	44	6,001	5,862
CIP Group: Small Projects			158	0	0	0	0	158	19,999	19,749
Sub Total for: Aviation Division Wide			3,912	759	0	0	0	4,671	38,390	29,629
Business Development										
4	C800154	Tenant Reimbursement	250	443	426	425	525	2,069	6,708	4,175
CIP Group: Bus. Development Miscellaneous			250	443	426	425	525	2,069	6,708	4,175
5	C800846	Kiosk Program Expansion	33	0	0	0	0	33	1,241	551
5	C800886	Central Terminal Enhancem	277	0	0	0	0	277	3,800	2,751
3	C801111	Airport Food_Bev Intro Ki	397	2,135	2,744	14	0	5,290	5,498	11
CIP Group: Concessions			707	2,135	2,744	14	0	5,600	10,539	3,313
5	C800655	IWS Segregation Meters (C	1,458	111	0	0	0	1,569	2,241	419



5 Year Capital Budget by CIP number

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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
6	C800883	DL Inflight Svcs Relocate	0	0	0	0	0	0	1,261	1,261
5	C800950	Cargo Buildings Improve	3,696	122	257	790	748	5,613	6,607	368
5	C801055	Main Terminal Space Conve	1,074	878	28	0	0	1,980	3,500	979
4	C801146	Delta ACC Relocation	3,362	1,633	0	0	0	4,995	5,000	5
CIP Group: Properties			9,590	2,744	285	790	748	14,157	18,609	3,033
Sub Total for: Business Development			10,547	5,322	3,455	1,229	1,273	21,826	35,856	10,522
Infrastructure										
5	C800762	Telecommunication Meet Me	938	3,054	421	0	0	4,413	5,099	687
5	C800805	Duress System Replacement	125	0	0	0	0	125	751	455
CIP Group: Communication Systems			1,063	3,054	421	0	0	4,538	5,850	1,142
4	C800061	MT Low Voltage Sys Upgrad	7,258	12,372	21,814	22,608	16,152	80,204	86,757	3,329
6	C800538	Alternate Utility Facilit	0	0	0	0	0	0	32,572	32,574
5	C800699	Electric Utility SCADA	4,434	3,254	1,274	949	0	9,911	11,900	1,713
5	C800724	Concourse C New Power Cen	4,864	1,762	431	0	0	7,057	10,446	1,524
5	C800784	Emergency Generator Cont	1,332	430	18	0	0	1,780	2,497	650
5	C800788	OPS Lan Core Switch Upgra	0	0	0	0	0	0	2,983	2,661
5	C800811	Chiller Panel Upgrade	0	0	0	0	0	0	340	313
5	C800826	Arc Flash Mitigation	3,771	2,265	0	0	0	6,036	7,503	364
4	C800944	Building Controls Upgrade	1,872	3,780	3,631	0	0	9,283	9,880	62
CIP Group: Electrical Infrastructure			23,531	23,863	27,168	23,557	16,152	114,271	164,878	43,188
4	C102066	Art Pool	335	136	670	239	1,000	2,380	3,042	182
4	C800945	Terminal Solid Waste Impr	1,020	4,309	242	0	0	5,571	6,198	229



5 Year Capital Budget by CIP number

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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
5	C800980	SD Pond Bird Deterrent Im	589	0	0	0	0	589	10,492	5,961
CIP Group: F&I Miscellaneous Projects			1,944	4,445	912	239	1,000	8,540	19,732	6,372
4	C800924	AC4 Av/Maintenance Upgrad	1,228	862	18	0	0	2,108	2,931	136
CIP Group: Maintenance Facilities			1,228	862	18	0	0	2,108	2,931	136
6	C800497	Airportwide Mech Controls	0	0	0	0	0	0	2,996	2,998
5	C800722	CT Infrastructure Upgrade	734	0	0	0	0	734	21,812	16,049
5	C800798	SSAT Infrastructure HVAC	10,320	9,668	0	0	0	19,988	48,143	18,197
5	C800801	Replace Variable Freq. Dr	872	0	0	0	0	872	3,995	1,645
5	C801027	Building Automation Sys U	0	0	0	0	0	0	812	411
CIP Group: Mechanical Infrastructure			11,926	9,668	0	0	0	21,594	77,758	39,300
5	C800493	Emergency Backup Water Su	994	1,284	0	0	0	2,278	2,740	216
5	C800717	N. Terminals Utilities Up	8,577	8,344	5,280	4,941	0	27,142	38,962	5,327
CIP Group: Water Infrastructure			9,571	9,628	5,280	4,941	0	29,420	41,702	5,543
Sub Total for: Infrastructure			49,263	51,520	33,799	28,737	17,152	180,471	312,851	95,680
Landside										
5	C800956	Employee Parking Bus Purc	8,260	0	0	0	0	8,260	12,435	0
5	C800957	NEPL Improvements	2,468	2,130	1,796	0	0	6,394	6,632	202
CIP Group: Employee Parking			10,728	2,130	1,796	0	0	14,654	19,067	202
6	C101107	So. 160th St. GT Lot Expa	0	0	0	0	0	0	2,182	2,143
CIP Group: Ground Transportation			0	0	0	0	0	0	2,182	2,143



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			2021	2022	2023	2024	2025			
5	C800728	Parking System Replacemen	456	0	0	0	0	456	5,500	4,604
5	C800789	Parking Garage Elevators	4,913	4,504	4,007	6,496	0	19,920	23,175	1,134
4	C800870	Parking Revenue Infrastru	8,401	9,510	2,928	0	0	20,839	22,797	1,015
CIP Group: Public Parking			13,770	14,014	6,935	6,496	0	41,215	51,472	6,754
5	C800810	Rental Car Facility Bus P	9	3,531	0	0	0	3,540	4,403	0
5	C800929	RCF Fleet Tracking & Disp	0	0	0	0	0	0	1,053	889
4	C800975	RCF Camera Replacement	839	963	240	0	0	2,042	2,249	68
5	C800977	RCF Pavement Remediation	2,935	54	0	0	0	2,989	8,304	3,494
4	C801110	RCF Security Improvements	4,443	875	0	0	0	5,318	6,001	153
CIP Group: Rental Cars			8,226	5,423	240	0	0	13,889	22,010	4,602
5	C102112	Service Tunnel Renewal/Re	247	0	0	0	0	247	38,899	34,869
4	C102162	Air Cargo Rd Safety Imp	7,443	0	0	0	0	7,443	10,799	1,185
4	C800866	Widen Arrivals Roadway	1,254	1,514	3,539	15,491	16,221	38,019	49,700	771
CIP Group: Roadways			8,944	1,514	3,539	15,491	16,221	45,709	99,398	36,826
Sub Total for: Landside			41,668	23,081	12,510	21,987	16,221	115,467	194,129	50,527
NOISE Program										
5	C200094	Single Family Home Insula	1,511	2,213	4,597	4,990	1,748	15,059	17,698	2,552
4	C200095	Condo Sound Insulation	2,609	4,929	7,651	6,890	163	22,242	23,353	629
CIP Group: Residential Insulation			4,120	7,142	12,248	11,880	1,911	37,301	41,051	3,180
5	C200007	Highline School Insulatio	6,138	0	0	977	3,389	10,504	101,797	63,445
CIP Group: School Insulation			6,138	0	0	977	3,389	10,504	101,797	63,445



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			2021	2022	2023	2024	2025			
Sub Total for: NOISE Program			10,258	7,142	12,248	12,857	5,300	47,805	142,848	66,625
Security										
5	C800642	Video System Improvements	0	0	0	0	0	0	12,845	12,612
4	C800844	Perimeter Intrusion Detec	4,300	6,700	10,000	7,215	0	28,215	28,499	196
5	C800862	Terminal Security Enhance	9,953	796	0	0	0	10,749	19,395	3,951
5	C800876	INTERIM WESTSIDE FIRESTAT	3,220	569	0	0	0	3,789	9,145	2,772
5	C800878	ARFF Vehicle Replacements	304	0	0	0	0	304	2,200	1,896
5	C800920	ASL Conversion at Checkpo	495	0	0	0	0	495	8,301	4,022
4	C800934	Employee Services Center	5,938	570	0	0	0	6,508	9,335	1,216
5	C800979	Fire Engines & RIV	224	0	0	0	0	224	2,200	26
4	C800984	AF Employee Security Scrc	562	905	6,119	272	0	7,858	7,899	0
4	C801093	Checkpoint 1 Relocation	3,600	29,306	3,564	0	0	36,470	40,000	330
4	C801150	Biometric Air Exit	500	0	0	0	0	500	2,600	0
CIP Group: Security Projects			29,096	38,846	19,683	7,487	0	95,112	142,419	27,022
Sub Total for: Security			29,096	38,846	19,683	7,487	0	95,112	142,419	27,022
Sustainable Airport Master PI										
5	C801109	SAMP Near Term Planning	5,903	989	392	0	0	7,284	9,999	1,198
CIP Group: SAMP Near Term Projects			5,903	989	392	0	0	7,284	9,999	1,198
Sub Total for: Sustainable Airport Master PI			5,903	989	392	0	0	7,284	9,999	1,198
Terminal and Tenants										
5	C800612	Checked Bag Recap/Optimiz	95,000	100,000	113,500	111,000	96,429	515,929	839,584	101,587
5	C800836	Add'l Baggage Makeup Spac	0	0	0	0	0	0	18,499	17,320
6	C800858	Checkpoint 5 Wall Relocat	0	0	0	0	0	0	775	776



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			2021	2022	2023	2024	2025			
CIP Group: Baggage Systems			95,000	100,000	113,500	111,000	96,429	515,929	858,858	119,682
5	C800790	Passenger Flow Image Anal	0	0	0	0	0	0	1,217	1,174
5	C800841	Tenant Network DMARC Upgr	1,027	37	0	0	0	1,064	2,706	993
CIP Group: Communication Systems			1,027	37	0	0	0	1,064	3,923	2,167
5	C800779	Safedock Upgrade & Expans	16,966	1,831	0	0	0	18,797	27,971	1,582
6	C800873	Concourse B Gate Reconfig	0	0	0	0	0	0	7,927	7,926
CIP Group: Gates			16,966	1,831	0	0	0	18,797	35,898	9,509
5	C800556	NS NSAT Renov NSTS Lobbie	93,014	32,956	0	0	0	125,970	691,915	484,990
5	C800638	Concessions Infrastructur	0	0	0	0	0	0	14,889	6,711
5	C800697	Restroom Upgrades Conc B,	5,948	13,880	18,542	6,123	0	44,493	61,960	15,050
6	C800770	Concourse B Roof Replacem	0	0	0	0	0	0	4,479	4,479
5	C800898	Airport Signage Phase 1	1,863	1,848	1,684	564	0	5,959	7,999	858
5	C800959	Seating Repl. and Elec. I	1,092	5,228	2,655	0	0	8,975	9,065	65
CIP Group: Interior Improvements			101,917	53,912	22,881	6,687	0	185,397	790,307	512,153
6	C100287	Bridge Node Ext. Panels	0	0	0	0	0	0	284	286
5	C800793	PLB Renew & Replace Phase	3,235	1,623	0	0	0	4,858	12,999	5,453
5	C801094	Gate S12 PLB Replacement	0	0	0	0	0	0	1,747	1,189
CIP Group: Loading Bridges			3,235	1,623	0	0	0	4,858	15,030	6,928
5	C800782	STS Display Upgrade	0	0	0	0	0	0	3,206	3,065
4	C801043	Upgrades STS Train Contro	4,494	10,238	26,084	27,326	7,157	75,299	75,997	192
CIP Group: STS			4,494	10,238	26,084	27,326	7,157	75,299	79,203	3,257



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			2021	2022	2023	2024	2025			
5	C800583	International Arrivals Fa	57,679	0	0	0	0	57,679	931,444	787,766
5	C800658	Mech Energy Conservation	0	2,062	0	0	0	2,062	6,800	4,736
6	C800702	2015-2016 C Conc Roof Rep	0	0	0	0	0	0	4,720	3,979
5	C800761	B Concourse Ramp Lvl Hold	78	0	0	0	0	78	5,979	5,669
5	C800769	Concourse D Hardstand Hol	0	0	0	0	0	0	35,498	34,583
5	C800818	SSAT Structural Improveme	0	0	0	0	0	0	2,998	2,753
5	C800833	Holdroom Seatings for Con	12	0	0	0	0	12	6,328	6,117
4	C800845	C1 Building Floor Expansi	8,798	9,637	20,705	60,814	118,449	218,403	340,000	752
3	C801118	Zone 2 Common Use Convers	410	1,647	0	0	0	2,057	2,096	33
5	C801149	Tempor Air Handler Concou	1,431	152	0	0	0	1,583	1,998	16
CIP Group: Terminal Facilities			68,408	13,498	20,705	60,814	118,449	281,874	1,337,861	846,404
6	C800925	Zone 3 Common Use Counter	0	0	0	0	0	0	671	670
CIP Group: Ticketing Strategy			0	0	0	0	0	0	671	670
Sub Total for: Terminal and Tenants			291,047	181,139	183,170	205,827	222,035	1,083,218	3,121,751	1,500,770
Third Runway										
5	C801156	Miller Creek Culvert Repl	800	0	0	0	0	800	800	0
CIP Group: Third Runway			800	0	0	0	0	800	800	0
Sub Total for: Third Runway			800	0	0	0	0	800	800	0
SubTotal for: Aviation Division			501,674	363,470	286,516	308,791	281,212	1,741,663	4,399,672	1,958,376
Corporate P&TS										
Corporate P&TS Capital Project										
5	C800009	Infrastructure - Small Ca	1,500	1,500	1,500	1,500	1,500	7,500	36,851	20,733
5	C800012	Services Technology Small	1,000	1,000	1,000	1,000	1,000	5,000	19,509	8,735



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			2021	2022	2023	2024	2025			
3	C800016	Enterprise GIS - Small Ca	250	250	250	250	250	1,250	4,419	1,763
5	C800747	Project Cost Management S	0	0	0	0	0	0	995	994
5	C800909	PeopleSoft Financials Upg	0	0	0	0	0	0	3,600	3,598
5	C801012	Radio System Upgrade	409	0	0	0	0	409	12,800	9,640
5	C801015	New Budget System	0	0	0	0	0	0	334	170
5	C801078	Maximo Upgrade	0	0	0	0	0	0	432	318
5	C801108	Customer Relationship Mgm	0	0	0	0	0	0	1,200	497
CIP Group: Information Technology			3,159	2,750	2,750	2,750	2,750	14,159	80,140	46,448
3	C800450	CDD Fleet Replacement	830	940	995	900	660	4,325	11,149	2,870
3	C800453	Engineering Small Cap	70	374	182	125	230	981	3,249	1,453
3	C800458	Corporate Fleet Replaceme	685	645	713	725	748	3,516	10,709	2,960
4	C801147	FEMA Police Boat Acquisit	800	0	0	0	0	800	901	1
CIP Group: Other Corporate Capital Projec			2,385	1,959	1,890	1,750	1,638	9,622	26,008	7,285
5	C800051	Small Capital Acquisition	100	100	100	100	100	500	3,327	1,728
CIP Group: Small Capital Acquisition			100	100	100	100	100	500	3,327	1,728
Sub Total for: Corporate P&TS Capital Project			5,644	4,809	4,740	4,600	4,488	24,281	109,475	55,461
SubTotal for: Corporate P&TS			5,644	4,809	4,740	4,600	4,488	24,281	109,475	55,461
Economic Development Division										
Development & Planning										
4	C800158	T91 Uplands Dev Phase I	800	17,000	26,000	3,855	0	47,655	48,500	544
CIP Group: Real Estate Development			800	17,000	26,000	3,855	0	47,655	48,500	544
Sub Total for: Development & Planning			800	17,000	26,000	3,855	0	47,655	48,500	544



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			2021	2022	2023	2024	2025			
General Economic Development										
3	C800562	EDD: 2019 Small Projects	0	0	0	0	0	0	328	229
6	C800831	EDD Fleet 2019	0	0	0	0	0	0	0	0
6	C800891	EDD: 2017 Small Projects	0	0	0	0	0	141	142	
3	C800990	EDD Fleet 2021 Beyond	35	70	70	90	35	300	405	0
3	C801004	EDD: 2018 Small Projects	0	0	0	0	0	265	257	
3	C801085	EDD Fleet 2020	0	0	0	0	0	0	0	0
3	C801087	EDD: 2020 Small Projects	0	0	0	0	0	110	0	0
3	C801151	EDD: 2021 Small Projects	565	500	500	500	500	2,565	5,065	0
CIP Group: ED Small Projects			600	570	570	590	535	2,865	6,314	628
3	C800244	EDD Technology Projects	250	250	250	250	250	1,250	2,701	152
5	C800887	P69 Comm Chambers/Lobby R	0	0	0	0	0	420	411	
6	C800888	P69 Solar Panel System	0	0	0	0	0	481	480	
3	C801102	P69 Underdock Utility Rpl	1,800	1,000	0	0	0	2,800	2,930	2
3	C801162	P69 Small Cap (SPMG)	52	0	0	0	0	52	102	0
CIP Group: General ECON DEV - Other			2,102	1,250	250	250	250	4,102	6,634	1,046
Sub Total for: General Economic Development			2,702	1,820	820	840	785	6,967	12,948	1,674
Portfolio Management										
4	C800199	WTC HVAC Replacement	2,100	1,114	0	0	0	3,214	3,526	236
4	C801016	CW Bridge Elev Modernizat	1,293	400	0	0	0	1,693	1,808	40
CIP Group: Central Waterfront			3,393	1,514	0	0	0	4,907	5,334	276
5	C800889	P66 BHICC Interior Modern	50	0	0	0	0	50	10,511	9,161



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			2021	2022	2023	2024	2025			
CIP Group: Conf & Event Centers BHICC			50	0	0	0	0	50	10,511	9,161
5	C801006	P66 HVAC Systems Upgrade	250	1,527	0	0	0	1,777	2,533	588
3	C801103	P66 Roof Upgrades	915	768	0	0	0	1,683	1,743	0
CIP Group: Portfolio Mgmt Other			1,165	2,295	0	0	0	3,460	4,276	588
3	C800126	Tenant Improvements -Capi	300	300	300	300	300	1,500	6,683	2,864
CIP Group: Tenant Improvements			300	300	300	300	300	1,500	6,683	2,864
6	C800196	T102 Bldg Roof HVAC Repla	0	0	0	0	0	0	4,762	4,762
6	C800996	T102 Outdoor Lighting	0	0	0	0	0	0	0	0
CIP Group: Terminal 102			0	0	0	0	0	0	4,762	4,762
Sub Total for: Portfolio Management			4,908	4,109	300	300	300	9,917	31,566	17,651
SubTotal for: Economic Development Division			8,410	22,929	27,120	4,995	1,085	64,539	93,014	19,869
Maritime Division										
Cruise Operations										
4	C800120	P66 Shore Power	952	15,400	100	0	0	16,452	16,729	140
3	C800129	T91 New Cruise Gangways	580	4,800	1,485	15	0	6,880	6,900	0
4	C800582	New Cruise Terminal	0	0	700	4,000	35,000	39,700	124,376	2,301
5	C800592	P66 Cruise Terminal Tenan	0	0	0	0	0	0	15,069	15,068
3	C800613	Cruise Cap Allow - CTA Le	225	250	0	0	0	475	1,052	377
4	C800614	Cruise per Passenger Allo	50	50	0	0	0	100	100	0
3	C800674	P66 Fender Overhaul	0	0	0	0	0	0	2,037	8
6	C800819	BSCT Imp Staff Oversight	0	0	0	0	0	0	279	279
3	C800821	T91 P91W Slope Stabilizat	0	0	0	1,000	0	1,000	1,000	0



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			2021	2022	2023	2024	2025			
CIP Group: Cruise			1,807	20,500	2,285	5,015	35,000	64,607	167,542	18,172
Sub Total for: Cruise Operations			1,807	20,500	2,285	5,015	35,000	64,607	167,542	18,172
Environmental Services										
5	C800995	T117 Restoration	7,687	4,696	268	268	268	13,187	23,802	1,663
CIP Group: Environmental			7,687	4,696	268	268	268	13,187	23,802	1,663
Sub Total for: Environmental Services			7,687	4,696	268	268	268	13,187	23,802	1,663
Fishing and Operations										
5	C800531	FT Docks 3,4,5 Fixed Pier	0	0	0	0	0	0	1,734	1,732
CIP Group: Fishermen's Terminal - Water			0	0	0	0	0	0	1,734	1,732
3	C800598	T46 Replace N Pier Struct	0	0	1,000	5,200	20,000	26,200	49,470	0
3	C800999	Harbor Mooring Dolphins	0	0	0	0	0	0	4,527	27
CIP Group: Maritime Operations - Other			0	0	1,000	5,200	20,000	26,200	53,997	27
4	C102475	T91 Berth 6 & 8 Redev	1,200	1,000	11,700	26,000	0	39,900	40,106	57
6	C800675	P91 South End Fender	0	0	0	0	0	0	2,276	2,277
5	C801097	T91 Northwest Fender	7,717	198	0	0	0	7,915	8,032	73
CIP Group: Maritime Operations - T91			8,917	1,198	11,700	26,000	0	47,815	50,414	2,406
3	C801071	Salmon Bay Fire Suppressi	150	537	0	0	0	687	700	14
CIP Group: Salmon Bay Marina - Water			150	537	0	0	0	687	700	14
Sub Total for: Fishing and Operations			9,067	1,735	12,700	31,200	20,000	74,702	106,845	4,179
Maritime General										
4	C800729	Marina Mgt Sys Replacemen	506	0	0	0	0	506	760	34

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6	C800993	Salmon Bay Marina ACQ	0	0	0	0	0	0	15,929	15,928
3	C801073	MD Tenant Improvements -	250	250	250	250	250	1,250	2,500	0
3	C801074	JBP Pier Replacement	375	220	1,500	1,730	0	3,825	3,980	0
CIP Group: Maritime General Other			1,131	470	1,750	1,980	250	5,581	23,169	15,962
3	C102395	Maritime Technology Proje	250	250	250	250	250	1,250	5,469	2,806
3	C800561	MD: 2019 Small Projects	209	0	0	0	0	209	1,140	341
6	C800734	SEA: 2015 Small Projects	0	0	0	0	0	0	432	431
6	C800797	CRM MM 2015 Small Project	0	0	0	0	0	0	1,078	1,079
3	C800816	MD: 2016 Small Projects	44	0	0	0	0	44	1,555	1,279
3	C800892	MD: 2017 Small Projects	0	0	0	0	0	0	1,884	1,885
3	C801003	MD: 2018 Small Projects	0	0	0	0	0	0	1,350	1,309
3	C801086	MD Fleet 2020	500	0	0	0	0	500	2,750	0
3	C801088	MD: 2020 Small Projects	267	0	0	0	0	267	1,787	327
3	C801090	MD Fleet 2019	0	0	0	0	0	0	1,975	942
3	C801091	MD Fleet 2021 Beyond	2,530	2,740	2,150	932	500	8,852	12,032	0
3	C801152	MD: 2021 + Small Projects	1,305	500	500	500	500	3,305	5,805	0
CIP Group: Maritime Small Projects			5,105	3,490	2,900	1,682	1,250	14,427	37,257	10,399
Sub Total for: Maritime General			6,236	3,960	4,650	3,662	1,500	20,008	60,426	26,362
Maritime Portfolio Management										
4	C800525	FT Gateway Building	1,000	0	0	0	0	1,000	53,350	1,654
4	C801084	FT Maritime Innovation Ce	525	5,000	9,000	802	0	15,327	16,000	373
CIP Group: Fishermens Terminal - Land			1,525	5,000	9,000	802	0	16,327	69,350	2,027



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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
4	C800445	SBM Pad Site Development	0	206	206	0	0	412	500	82
CIP Group: Shilshole Bay Marina - Land			0	206	206	0	0	412	500	82
Sub Total for: Maritime Portfolio Management			1,525	5,206	9,206	802	0	16,739	69,850	2,110
Recreational Boating										
3	C800539	P66 BHM Pile Wraps	0	135	475	2,803	13	3,426	3,475	49
CIP Group: Bell Harbor Marina			0	135	475	2,803	13	3,426	3,475	49
3	C800678	T102 HIM E Dock	551	300	2,800	310	0	3,961	4,101	72
3	C801200	HIM E Dock Power Improvem	0	0	0	0	0	0	45	46
CIP Group: Harbor Island Marina			551	300	2,800	310	0	3,961	4,146	117
5	C800355	SBM Paving	20	0	0	0	0	20	2,061	794
5	C800356	SBM Restrms/Service Bldgs	25	0	0	0	0	25	12,050	8,625
3	C800570	SBM Dock X Pier Replaceme	520	1,105	0	0	0	1,625	1,670	0
CIP Group: Shilshole Bay Marina - Water			565	1,105	0	0	0	1,670	15,781	9,419
Sub Total for: Recreational Boating			1,116	1,540	3,275	3,113	13	9,057	23,402	9,585
SubTotal for: Maritime Division			27,438	37,637	32,384	44,060	56,781	198,300	451,867	62,070
NWSA Joint Venture										
Lease & Asset Management										
3	C800593	West Waterway Deepening	1,091	520	13,011	13,330	0	27,952	28,501	19
CIP Group: Dredging			1,091	520	13,011	13,330	0	27,952	28,501	19
5	C102875	T18 Street Vacation Compl	0	0	0	0	0	0	3,630	3,633
CIP Group: Terminal 18			0	0	0	0	0	0	3,630	3,633
3	C801155	T-30 Bulkhead Stabilizati	992	0	0	0	0	992	1,146	34



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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
CIP Group: Terminal 30			992	0	0	0	0	992	1,146	34
5	C800563	T46 Viaduct Driven Capita	0	0	50	0	0	50	280	232
4	C800620	T46 Pub Acc Mitigation at	1,200	0	0	0	0	1,200	1,468	247
5	C800994	T46 JV Stormwater Improve	0	0	0	0	0	0	5,858	5,860
CIP Group: Terminal 46			1,200	0	50	0	0	1,250	7,606	6,339
5	C102858	T5 Street Vacation Comple	15	0	0	0	0	15	1,445	1,414
4	C801107	T5 Pile Remove Net Tie-Of	343	0	0	0	0	343	458	34
CIP Group: Terminal 5			358	0	0	0	0	358	1,903	1,448
Sub Total for: Lease & Asset Management			3,641	520	13,061	13,330	0	30,552	42,786	11,473
SubTotal for: NWSA Joint Venture			3,641	520	13,061	13,330	0	30,552	42,786	11,473
Stormwater Utility										
SWU General										
5	C800895	T18 SW outfall upgrade	500	1,020	0	0	0	1,520	3,925	2,306
3	C800991	PW Stormwater Sys Renewal	500	500	500	500	500	2,500	3,276	191
CIP Group: SWU Large Capital			1,000	1,520	500	500	500	4,020	7,201	2,497
3	C800837	SWU Small Capital	400	0	0	0	0	400	1,374	634
CIP Group: SWU Small Projects			400	0	0	0	0	400	1,374	634
Sub Total for: SWU General			1,400	1,520	500	500	500	4,420	8,575	3,131
SubTotal for: Stormwater Utility			1,400	1,520	500	500	500	4,420	8,575	3,131
Grand Total:			548,207	430,885	364,321	376,276	344,066	2,063,755	5,105,389	2,110,381

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Selection

Start Year: **2020**

Business Unit: **(ALL)**

Project Status: **2-2**

Division: **(ALL)**

Sponsor: **(ALL)**

CIP Group: **(ALL)**



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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
Aviation Division										
Airfield										
2	C801134	AvOps Wildlife Storage Bu	0	67	98	277	242	684	800	0
2	C801033	Consolidated Deicing Stor	269	185	248	2,398	0	3,100	3,100	0
CIP Group: Aeronautical Facilities			269	252	346	2,675	242	3,784	3,900	0
2	C801179	Building 161E Retro Commi	31	1,653	3,088	4,320	1,464	10,556	10,556	0
2	C801124	Air Cargo Truck Staging Y	136	1,553	1,252	439	0	3,380	3,501	106
CIP Group: Air Cargo			167	3,206	4,340	4,759	1,464	13,936	14,057	106
2	C800772	Fuel Hydrant Pit Program	0	0	0	224	360	584	4,001	0
CIP Group: Aircraft Fueling			0	0	0	224	360	584	4,001	0
2	C801187	Potable Water Box Replace	26	300	524	1,005	349	2,204	2,204	0
2	C801177	Airfield Sanitary Sewer I	485	1,532	7,181	7,200	6,424	22,822	34,592	0
2	C801185	Keys to Card Readers	0	140	351	1,066	389	1,946	1,946	0
2	C801173	Tyee Pond Effluent Pipe R	220	476	1,051	1,044	0	2,791	2,791	0
2	C801172	Water Reservoir Rehabilit	196	493	862	21	0	1,572	1,572	0
2	C801171	Snow Dump Improvements	202	853	1,811	3,012	2,238	8,116	8,176	0
CIP Group: Airfield Miscellaneous			1,129	3,794	11,780	13,348	9,400	39,451	51,281	0
Sub Total for: Airfield			1,565	7,252	16,466	21,006	11,466	57,755	73,239	106
Aviation Division Wide										
2	C801120	PCS Yard Trailer	46	1,231	0	218	0	1,495	1,499	4
CIP Group: Facilities			46	1,231	0	218	0	1,495	1,499	4
2	C801045	Common Use System Replace	314	1,277	1,215	887	0	3,693	3,751	0



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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
CIP Group: IT Projects			314	1,277	1,215	887	0	3,693	3,751	0
2	C801141	CIP Cashflow Mgmt Reserve	-84,693	50,816	33,877	0	0	0	0	0
2	C800754	Non-Aeronautical Reserve	0	5,000	10,000	12,516	30,000	57,516	194,706	0
2	C800753	Aeronautical Reserve	0	0	50,000	100,000	100,000	250,000	1,000,000	0
CIP Group: Miscellaneous			-84,693	55,816	93,877	112,516	130,000	307,516	1,194,706	0
2	C800752	Aviation Small Capital	1,587	1,378	2,650	0	0	5,615	10,001	1,724
2	C800751	Aviation Small Jobs	375	1,875	2,630	3,843	0	8,723	11,997	616
2	C800100	Aviation Small Jobs	400	1,113	0	0	0	1,513	10,000	6,397
CIP Group: Small Projects			2,362	4,366	5,280	3,843	0	15,851	31,998	8,737
Sub Total for: Aviation Division Wide			-81,971	62,690	100,372	117,464	130,000	328,555	1,231,954	8,740
Business Development										
2	C800949	WSDOT Property Purchase	0	3,500	0	0	0	3,500	3,500	0
CIP Group: Properties			0	3,500	0	0	0	3,500	3,500	0
Sub Total for: Business Development			0	3,500	0	0	0	3,500	3,500	0
Infrastructure										
2	C801161	Communication Enhancement	646	1,187	3,317	3,402	2,296	10,848	11,000	0
2	C800937	Fire Suppression Comm Ro	29	643	0	0	0	672	712	37
2	C800935	Access Controls in Comm R	114	594	1,721	305	0	2,734	2,892	38
CIP Group: Communication Systems			789	2,424	5,038	3,707	2,296	14,254	14,604	75
2	C801046	Concourse D Electrical Up	882	2,455	2,909	1,756	0	8,002	8,399	20
2	C800905	Conc C Low Volt. Sys. Upg	969	2,431	1,502	6	0	4,908	6,130	140



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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
2	C800902	Conc B Low Volt. Sys. Upg	741	1,696	0	0	0	2,437	2,672	116
2	C800901	Parking Garage Low Volt.	1,420	1,611	0	0	0	3,031	3,267	126
2	C801037	C4 Generator Control	408	1,469	3,069	1,854	0	6,800	6,800	0
2	C800941	Airport-wide & RCF LED li	18	529	619	1,612	765	3,543	3,600	57
CIP Group: Electrical Infrastructure			4,438	10,191	8,099	5,228	765	28,721	30,868	460
2	C801189	IAF Enhancements Project	0	100	47	339	492	978	1,512	0
2	C801030	Compactor Capacity	130	382	754	352	0	1,618	1,698	81
CIP Group: F&I Miscellaneous Projects			130	482	801	691	492	2,596	3,210	81
2	C800978	VFD Replacement II	9	33	266	581	3,172	4,061	4,300	0
2	C801041	HVAC Capacity Upgrade	207	3,287	3,391	10,470	12,131	29,486	50,000	0
CIP Group: Mechanical Infrastructure			216	3,320	3,657	11,051	15,303	33,547	54,300	0
2	C801038	Domestic Water Piping Pha	24	426	1,003	1,170	6,335	8,958	11,499	0
2	C801036	Departure Drive Drainage	45	389	142	0	0	576	599	23
CIP Group: Water Infrastructure			69	815	1,145	1,170	6,335	9,534	12,098	23
Sub Total for: Infrastructure			5,642	17,232	18,740	21,847	25,191	88,652	115,080	640
Landside										
2	C801128	3rd FL GT Booth Enhanceme	31	239	682	1,693	154	2,799	2,799	0
CIP Group: Ground Transportation			31	239	682	1,693	154	2,799	2,799	0
2	C801186	160th Lot Permanent Light	31	528	665	1,340	1,164	3,728	3,728	0
2	C801042	Landside Pavement Program	31	661	839	3,992	4,031	9,554	10,001	0
CIP Group: Landside Miscellaneous Project			62	1,189	1,504	5,332	5,195	13,282	13,729	0



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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
2	C801209	RCF CSB Re-demising	3,400	4,600	2,250	90	0	10,340	10,540	0
CIP Group: Rental Cars			3,400	4,600	2,250	90	0	10,340	10,540	0
Sub Total for: Landside			3,493	6,028	4,436	7,115	5,349	26,421	27,068	0
NOISE Program										
2	C200098	Places of Worship Sound I	0	2	47	148	4,481	4,678	28,164	0
CIP Group: Miscellaneous Noise Projects			0	2	47	148	4,481	4,678	28,164	0
2	C200097	ATZ Residential Acquisiti	0	47	226	3,029	12	3,314	3,314	0
2	C200096	Apartment Sound Insulatio	64	6,218	13,554	11,342	20,547	51,725	161,819	0
CIP Group: Residential Insulation			64	6,265	13,780	14,371	20,559	55,039	165,133	0
Sub Total for: NOISE Program			64	6,267	13,827	14,519	25,040	59,717	193,297	0
Security										
2	C801159	Exit Breach Cntrl Replace	0	0	0	0	0	0	100	0
2	C801153	FES Relocation - North ST	921	1,053	26	0	0	2,000	2,099	11
2	C801119	Lock Dock Employee Screen	697	662	16	0	0	1,375	1,497	15
2	C801040	Fire Dept Apparatus Repla	2,500	2,500	0	0	0	5,000	5,000	0
CIP Group: Security Projects			4,118	4,215	42	0	0	8,375	8,696	26
Sub Total for: Security			4,118	4,215	42	0	0	8,375	8,696	26
Stormwater										
2	C801123	IWTP Improvements	580	1,781	2,192	8,302	8,280	21,135	26,999	0
2	C801122	IWTP Controls Conversion	445	994	3,932	4,890	339	10,600	10,600	0
CIP Group: Stormwater Projects			1,025	2,775	6,124	13,192	8,619	31,735	37,599	0
Sub Total for: Stormwater			1,025	2,775	6,124	13,192	8,619	31,735	37,599	0



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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
Sustainable Airport Master PI										
2	C801062	SAMP - Airline/Airport Su	0	21,750	20,000	7,000	4,600	53,350	56,500	0
2	C801061	SAMP - 2nd Terminal	0	45,000	45,000	40,000	10,000	140,000	146,750	0
2	C801060	SAMP - Cargo	0	2,000	0	0	0	2,000	2,000	0
2	C801059	SAMP - Airside	0	8,000	8,000	8,000	1,450	25,450	28,500	0
2	C801057	SAMP - Landside	0	20,000	20,000	7,000	5,000	52,000	56,250	0
CIP Group: SAMP Near Term Projects			0	96,750	93,000	62,000	21,050	272,800	290,000	0
Sub Total for: Sustainable Airport Master PI			0	96,750	93,000	62,000	21,050	272,800	290,000	0
Terminal and Tenants										
2	C801127	Baggage Claim Device R&R	1,819	2,171	2,257	2,736	2,018	11,001	11,001	0
CIP Group: Baggage Systems			1,819	2,171	2,257	2,736	2,018	11,001	11,001	0
2	C801076	CTE Curtain Wall Setback	468	1,581	2,410	33	0	4,492	4,600	108
CIP Group: Central Terminal			468	1,581	2,410	33	0	4,492	4,600	108
2	C801053	Terminal Information Hubs	31	64	59	279	256	689	700	0
2	C801050	Restrooms - Mezz, Bag, Ti	0	450	1,551	2,233	4,440	8,674	21,000	0
CIP Group: Interior Improvements			31	514	1,610	2,512	4,696	9,363	21,700	0
2	C801180	PLB Renew and Replacement	297	3,680	6,633	1,555	0	12,165	12,165	0
2	C801174	Stair Jet bridge Complian	20	202	345	378	385	1,330	2,575	0
CIP Group: Loading Bridges			317	3,882	6,978	1,933	385	13,495	14,740	0
2	C801202	MT Infrastructure Upgrade	3,222	4,070	3,788	3,817	18,772	33,669	349,954	0
2	C801188	PAX Flow Measurements	0	630	0	0	0	630	630	0



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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
2	C801181	Chiller Panel Upgrades -	31	291	665	301	0	1,288	1,288	0
2	C801178	Concourse B HVAC	46	1,765	2,418	6,044	9,098	19,371	35,000	0
2	C801176	Out-bound Search Rooms in	63	35	148	107	0	353	353	0
2	C801175	Single Piers on Concourse	725	2,268	4,200	4,918	2,647	14,758	14,758	0
2	C801158	Post IAF Airline Realignm	110	460	12,500	18,600	2,000	33,670	35,000	22
2	C801208	SSAT Lounge & ADR Upgrade	1,000	1,000	3,000	0	0	5,000	5,000	0
2	C801207	Port Shared-Lounge Conc A	0	5,000	12,000	5,000	0	22,000	22,000	0
2	C801206	Concourse A Duty Free	630	1,350	1,100	12,050	10,050	25,180	25,180	0
2	C801205	Concourse A Lounge Expans	5,000	40,000	15,000	0	0	60,000	60,000	0
2	C801203	SSAT Renovation/Renewal	10,000	20,000	34,000	140,000	122,800	326,800	1,000,000	0
2	C801184	Smart Restrooms	100	315	460	425	0	1,300	1,300	0
2	C801183	Replace Elevators SSB SSC	31	576	798	993	991	3,389	3,878	0
2	C801182	Flow Meter Replacement CM	31	493	976	1,438	16	2,954	2,954	0
2	C801125	Mezzanine Security Glass	0	0	0	34	670	704	12,899	0
CIP Group: Terminal Facilities			20,989	78,253	91,053	193,727	167,044	551,066	1,570,194	22
2	C801204	Zone 6&7 Reconfiguration	5,000	30,000	30,000	25,000	10,000	100,000	100,000	0
CIP Group: Ticketing Strategy			5,000	30,000	30,000	25,000	10,000	100,000	100,000	0
Sub Total for: Terminal and Tenants			28,624	116,401	134,308	225,941	184,143	689,417	1,722,235	130
SubTotal for: Aviation Division			-37,440	323,110	387,315	483,084	410,858	1,566,927	3,702,668	9,643
Corporate P&TS										
Corporate P&TS Capital Project										
2	C801201	ID Badge System Upgrade	300	450	0	0	0	750	750	0
2	C801142	Server Virtualization Upg	0	0	0	0	0	0	312	288



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			2021	2022	2023	2024	2025			
2	C801140	Community Communication D	0	500	0	0	0	500	500	0
2	C801139	Applicant Tracking System	0	0	0	0	0	0	0	0
2	C801082	Regional Workforce Tracki	0	0	0	0	0	0	0	0
2	C801081	Fiber Channel	0	0	0	0	0	0	0	0
2	C801080	STIA Network Redundancy	0	1,500	0	0	0	1,500	1,500	0
2	C801079	Exchange Online	0	0	0	0	0	0	0	0
2	C801138	Learning Management Syste	0	0	0	0	0	0	0	0
2	C801137	Environmental Remediation	500	0	0	0	0	500	500	0
2	C801136	Environmental Management	350	0	0	0	0	350	350	0
2	C801083	Phone System Upgrade	1,000	0	0	0	0	1,000	1,900	34
2	C801063	Office Wi-Fi Refresh	1,450	1,000	0	0	0	2,450	2,500	0
2	C801013	Police Records MGMT Syste	0	0	0	0	0	0	0	0
2	C800097	IT Renewal/Replacement	0	0	2,000	2,000	2,500	6,500	21,500	0
CIP Group: Information Technology			3,600	3,450	2,000	2,000	2,500	13,550	29,812	322
2	C801143	CIP Cashflow Mgmt - Corpo	-2,500	0	1,000	1,000	500	0	-2,000	0
CIP Group: Other Corporate Capital Projec			-2,500	0	1,000	1,000	500	0	-2,000	0
Sub Total for: Corporate P&TS Capital Project			1,100	3,450	3,000	3,000	3,000	13,550	27,812	322
SubTotal for: Corporate P&TS			1,100	3,450	3,000	3,000	3,000	13,550	27,812	322
Economic Development Division										
General Economic Development										
2	C801145	CIP Cashflow Mgt - EDD	-3,566	2,140	1,426	0	0	0	-750	0
2	C800216	EDD Reserve	1,000	1,000	1,000	1,500	2,500	7,000	22,000	0
CIP Group: General ECON DEV - Other			-2,566	3,140	2,426	1,500	2,500	7,000	21,250	0



5 Year Capital Budget by CIP number

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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
Sub Total for: General Economic Development			-2,566	3,140	2,426	1,500	2,500	7,000	21,250	0
Portfolio Management										
2	C801064	WTC Garage Elevator Mods	0	50	1,492	216	0	1,758	1,758	0
CIP Group: Central Waterfront			0	50	1,492	216	0	1,758	1,758	0
2	C801104	WTCW Roof Replacement	30	693	51	0	0	774	774	0
CIP Group: Portfolio Mgmt Other			30	693	51	0	0	774	774	0
Sub Total for: Portfolio Management			30	743	1,543	216	0	2,532	2,532	0
SubTotal for: Economic Development Division			-2,536	3,883	3,969	1,716	2,500	9,532	23,782	0
Maritime Division										
Cruise Operations										
2	C801190	Cruise Upgrades COVID19	3,500	1,800	1,000	500	0	6,800	7,000	0
CIP Group: Cruise			3,500	1,800	1,000	500	0	6,800	7,000	0
Sub Total for: Cruise Operations			3,500	1,800	1,000	500	0	6,800	7,000	0
Environmental Services										
2	C801166	Energy Management System	200	200	0	0	0	400	400	0
CIP Group: Environmental			200	200	0	0	0	400	400	0
Sub Total for: Environmental Services			200	200	0	0	0	400	400	0
Fishing and Operations										
2	C800568	FT Net Shed 11 Roof Overl	0	0	0	0	40	40	580	0
2	C800567	FT Net Shed 10 Roof Overl	0	0	0	0	40	40	565	0
CIP Group: Fishermen's Terminal - Water			0	0	0	0	80	80	1,145	0
2	C800181	T10 Mooring Dolphins	0	0	0	0	0	0	4,150	0



5 Year Capital Budget by CIP number

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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
CIP Group: Maritime Operations - Other			0	0	0	0	0	0	4,150	0
2	C800431	P90 East Dredge	0	0	0	0	0	0	3,000	0
CIP Group: Maritime Operations - T91			0	0	0	0	0	0	3,000	0
Sub Total for: Fishing and Operations			0	0	0	0	80	80	8,295	0
Maritime General										
2	C801144	CIP Cashflow Mgt - MD	-8,805	5,283	3,522	0	0	0	-4,250	0
2	C800002	MD Reserve	2,000	2,000	3,000	4,500	8,500	20,000	95,000	0
CIP Group: Maritime General Other			-6,805	7,283	6,522	4,500	8,500	20,000	90,750	0
Sub Total for: Maritime General			-6,805	7,283	6,522	4,500	8,500	20,000	90,750	0
Maritime Portfolio Management										
2	C801096	FT C15 Bldg Misc Improv	0	0	0	120	1,200	1,320	2,332	0
2	C800733	FT C3 Bldg Roof Replace	0	0	0	0	34	34	932	0
2	C801198	FT ADA Compliance Project	871	544	15	0	0	1,430	1,500	0
2	C801164	FT C-14 Downey Bldg Impro	500	2,500	84	0	0	3,084	3,084	0
CIP Group: Fishermens Terminal - Land			1,371	3,044	99	120	1,234	5,868	7,848	0
2	C801163	P90E Timber Pile Caps	580	400	0	0	0	980	1,180	0
CIP Group: Maritime Industrial Facilities			580	400	0	0	0	980	1,180	0
Sub Total for: Maritime Portfolio Management			1,951	3,444	99	120	1,234	6,848	9,028	0
Recreational Boating										
2	C801000	SBM Fuel Float Rehabilita	0	0	50	470	980	1,500	1,600	0
2	C800679	SBM Lower A Dock Impr.	0	0	0	0	100	100	1,050	0



5 Year Capital Budget by CIP number

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Status	CIP#	Name	Forecast					5-year total (2021 - 2025)	Total EstAct	CIP Actuals to closed qtr
			2021	2022	2023	2024	2025			
CIP Group: Shilshole Bay Marina - Water			0	0	50	470	1,080	1,600	2,650	0
Sub Total for: Recreational Boating			0	0	50	470	1,080	1,600	2,650	0
Security										
2	C801020	Maritime Video Camera Pro	0	1,400	1,800	0	0	3,200	3,200	0
2	C801165	MD Access Control Upgrad	100	900	100	0	0	1,100	1,100	0
CIP Group: Maritime Security			100	2,300	1,900	0	0	4,300	4,300	0
Sub Total for: Security			100	2,300	1,900	0	0	4,300	4,300	0
SubTotal for: Maritime Division			-1,054	15,027	9,571	5,590	10,894	40,028	122,423	0
NWSA Joint Venture										
Lease & Asset Management										
2	C800618	EWV Deepening (53+2', 100	0	0	0	0	0	0	12,000	0
CIP Group: Dredging			0	0	0	0	0	0	12,000	0
2	C801210	T5 Approach Overpass	250	300	300	6,000	3,000	9,850	10,000	0
CIP Group: Terminal 5			250	300	300	6,000	3,000	9,850	10,000	0
Sub Total for: Lease & Asset Management			250	300	300	6,000	3,000	9,850	22,000	0
SubTotal for: NWSA Joint Venture			250	300	300	6,000	3,000	9,850	22,000	0
Stormwater Utility										
SWU General										
2	C800992	SWU Contingency	0	0	0	0	0	0	0	0
CIP Group: SWU Large Capital			0	0	0	0	0	0	0	0
Sub Total for: SWU General			0	0	0	0	0	0	0	0
SubTotal for: Stormwater Utility			0	0	0	0	0	0	0	0
Grand Total:			-39,680	345,770	404,155	499,390	430,252	1,639,887	3,898,685	9,964

ATTACHMENT 1: NWSA CAPITAL IMPROVEMENT PLAN

Project Name	(\$ in 000's)					Total
	2021	2022	2023	2024	2025	2021 - 2025
T5 Berth Construction - Phase 2 (1,450' south)	\$ 85,000	\$ 30,000	\$ 6,000	\$ -	\$ -	\$ 121,000
T18 Full Dock Rehabilitation	-	-	1,000	17,000	51,000	69,000
T5 Stormwater Treatment System	14,000	10,055	899	-	-	24,954
T46-S Dock Rehabilitation	-	1,000	5,000	2,400	-	8,400
T5 Management Reserve - capital	2,552	3,237	667	365	-	6,821
T106 CBP Office & Facility Renovation	820	5,100	280	-	-	6,200
T18 Stormwater Utility Upgrade	4,000	-	-	-	-	4,000
T46 N. Substation #1 Replacement	2,300	650	-	-	-	2,950
T5 Reefer Design & Construction North	2,560	170	-	-	-	2,730
T5 Marine Building North	1,681	-	-	-	-	1,681
T46 Central Lighting Controls	-	1,500	-	-	-	1,500
T18 Water Main & Valve Replacement	253	890	-	-	-	1,143
T18 Shore Power Design	100	1,000	-	-	-	1,100
T5 Hydrant Replacement (31) (small project)	-	-	840	-	-	840
T-46 Stormwater Improvements - Basin 2	400	-	-	-	-	400
T46 Dock Rehabilitation	400	-	-	-	-	400
T46 S Timber Apron Sprinkler Replacement	300	-	-	-	-	300
T5 Arrival/Security Bldg Roof Replacement (small project)	-	-	-	260	-	260
T5 RPM Power Supply	250	-	-	-	-	250
T30 Longshore Parking Lot Lighting Upgrade	-	65	-	-	-	65
T5 Clean Truck Gate Equipment	60	-	-	-	-	60
T5 Hydrant Replacement (small project)	25	-	-	-	-	25
North Harbor Total	\$ 114,701	\$ 53,667	\$ 14,686	\$ 20,025	\$ 51,000	\$ 254,079
USACE Husky Berth Dredging	\$ -	\$ -	\$ -	\$ -	\$ 19,000	\$ 19,000
NWSA Unallocated Capital Improvements (placeholder)	3,000	3,000	3,000	3,000	3,000	15,000
Terminal 3/4 Shorepower	5,246	-	-	-	-	5,246
WUT Fender System Replacement	3,502	-	-	-	-	3,502
PCT Fender Replacement	2,578	-	-	-	-	2,578
EB1 Yard Reconfiguration	-	2,179	-	-	-	2,179
Husky Tenant Improvements - EST Paving	2,036	-	-	-	-	2,036
USACE Tacoma Harbor Deepening Design (Husky & WUT)	-	500	1,000	500	-	2,000
T7 Berth B-D Ship Service Water Line Replacement	-	1,098	-	-	-	1,098
Wapato Creek Bridge & Culvert Removal	800	-	-	-	-	800
Clean Drayage System Domestic Terminals - NWSA SH	-	776	-	-	-	776
Electric Forklift	575	-	-	-	-	575
WUT Utility Vault Upgrades	364	-	-	-	-	364
WUT Roof Replacements (Admin & Marine Bldg)	350	-	-	-	-	350
WUT Crane Power Relocation	320	-	-	-	-	320
Blair Dock Fender Replacement	300	-	-	-	-	300
EB1 Lighting Upgrade	251	-	-	-	-	251
CBP Booth & Utilities (WUT)	248	-	-	-	-	248
Main Gate Portable Restroom	-	145	-	-	-	145
NIM Lighting Upgrade	122	-	-	-	-	122
HIM Lighting Upgrade	122	-	-	-	-	122
Parcel 1A (TOTE) Inbound Canopy Roof Replacement	60	-	-	-	-	60
GCP Project Oversight & Coordination	40	-	-	-	-	40
Bldg 900, 700 & Guard Shack Roof Replacements (W. Sitcum)	12	-	-	-	-	12
South Harbor Total	\$ 19,926	\$ 7,698	\$ 4,000	\$ 3,500	\$ 22,000	\$ 57,124
NWSA Total	\$ 134,627	\$ 61,365	\$ 18,686	\$ 23,525	\$ 73,000	\$ 311,203
Port of Seattle's 50% funding total	\$ 67,314	\$ 30,683	\$ 9,343	\$ 11,763	\$ 36,500	\$ 155,602

X. PLAN OF FINANCE

2021-2025 DRAFT PLAN OF FINANCE

A. INTRODUCTION

The Port's Draft Plan of Finance provides a funding plan for anticipated capital investments in the Port's businesses. In the 2021-2025 Draft Plan of Finance (the Plan), the Port separates its capital improvement plan (CIP) and funding resources between the Airport and Non-Airport businesses. The Port owns and operates Seattle-Tacoma International Airport (the "Airport"), and its CIP is self-funded with resources derived from the Airport. The Port's Non-Airport CIP, conversely, shares funding resources derived from those non-airport businesses, which include the Maritime and Economic Development divisions, as well as the Port's share in the Northwest Seaport Alliance (NWSA).

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

The Port's Non-Airport businesses include the Port's fifty percent (50%) interest in the Northwest Seaport Alliance (NWSA), a joint venture with the Port of Tacoma. Both ports have licensed certain marine cargo facilities (i.e. shipping container terminals and certain related industrial properties) to the NWSA, which acts as the exclusive manager and operator of the associated marine cargo business of both ports. The individual ports retain their existing governance structures, budgeting, and ownership of licensed assets, debt, and obligations for repayment of port debt. However, under NWSA management, the two ports' marine cargo terminal investments, operations, planning, and marketing efforts are unified with the goal of strengthening the Puget Sound as an international cargo gateway. For additional information on the NWSA, please refer to Section XII, "The Northwest Seaport Alliance (NWSA)", or visit their website: <https://www.nwseaportalliance.com>

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

In addition to the Port's operating divisions, Central Services (formerly "Corporate") provides professional and technical services to the operating divisions and to the NWSA (per service agreements) as described in Section VII, "Central Services".

The Port also has a storm water utility business, which ensures that fees are utilized for storm water infrastructure improvements on Port properties. The utility funds its capital plan through the rates it sets for its customers – the Port and the NWSA and their tenants – and cannot use its revenues to support other Port businesses; it is therefore excluded from the Port's Plan of Finance.

B. OVERVIEW OF THE DRAFT PLAN OF FINANCE

Each year the Port prepares the Plan as part of its capital management process. The Plan provides a framework for the funding of the Port's anticipated CIP, and is designed as a flexible tool, providing guidance to the Commission and Port staff as planning and investment decisions are made during the coming year. The Plan is based on a five-year CIP (2021-2025) in order to provide better guidance on longer-term funding.

Once each year, the Commission is presented with the Port's five-year CIP and associated funding analysis. By final budget action, the Commission endorses the CIP and establishes the level of the Port's tax levy for the coming year. The first year of the CIP represents the Port's capital budget for the following year (i.e. "2021 Capital Budget"). Each quarter, capital spending forecasts are updated, and actual spending is compared against the approved capital budget; this is reviewed quarterly by Port management and periodically by the Port Commission.

The 2021-2025 Draft Plan of Finance is the culmination of a months-long process that began in March 2020 as the effects of the global pandemic on the Port's businesses became apparent. The Port considered a range of outcomes based on two broad parameters: global management of the pandemic and the economy. Using this framework, the Port developed three scenarios for business activity and financial results; all scenarios incorporated adverse outcomes to varying degrees. For the purpose of the 2021 budget and the 2021-2025 operating forecasts, the Airport used its baseline scenario that assumes 2021 passenger levels are 70% of 2019 levels, returning to 100% in 2024. The Non-Airport businesses used the "middle" scenario, which assumes cruise passengers are 25% of 2019 levels; this scenario also assumes the NWSA experiences continued weak revenues in 2021 with a gradual recovery beginning in 2022. The scenarios have been updated to reflect more current information and are intended to be sufficiently conservative so that any weaker outcome can be accommodated through mid-year adjustments or with the 2022 budget.

The Plan was developed to meet certain financial targets. The target for the Airport is 1.25x coverage on Airport revenue bond debt service. The target for its Non-Airport businesses is 1.80x revenue bond debt service. The Plan is developed to maintain minimum operating fund balances; as a result of the financial impact of the global pandemic, these minimum targets have been increased. The Airport operating fund balance target is increasing from 10 months of Airport related operating and maintenance expenses (O&M) to 18 months by 2025. The minimum General Fund target balance is increasing from 6 months of Non-Airport O&M to 12 months beginning in 2021. The Plan was developed so that these targets are met in most years; temporary declines below the targets may be tolerated if the Plan projects a rebound to meet at least the minimum targets.

Since 1991, the Port Commission has authorized its property tax levy below the maximum allowable levy, thus preserving the flexibility for the Port to increase the levy if needed. The Port levied \$75.9 million in both 2008 and 2009 and reduced the levy to \$72.0 million from 2016-2018. In 2019 and in 2020, the Port raised the levy by 3% in each year, reaching \$76.38 million in 2020, and in 2021, the Port will raise the levy by 3% again to \$78.68 million, which continues to be below the maximum statutory authority of \$108.2 million in 2021. The Plan assumes that the levy will increase again by 3% in both 2022 and 2023; with no additional increases thereafter. Consistent with policy, the Plan uses no more than 75% of the annual tax levy for Limited Tax General Obligation (G.O.) bond debt service, thus retaining at least 25% for general purposes (for 2021, an estimated 49% of the tax levy will be used to pay G.O. bond debt service). The Plan assumes that additional G.O. bonds are issued in 2022 and that approximately 71% of the levy will be used to pay debt service. This policy is more restrictive than the Port's statutory authority for G.O. bond debt. Based on statute, the Port estimates \$1.3 billion of

remaining capacity of non-voted G.O. bond debt at 12/31/2020. For more tax levy information, see Section VIII “Tax Levy.”

C. OVERVIEW OF THE FUNDED CIP

The final funded 2021-2025 CIP is the result of an iterative process that begins with operating and capital forecasts developed and approved by each operating division. These forecasts are then reviewed in the context of the Port’s projected capital funding capacity, with a final review by Port Executive staff and Commission. The final forecasts, including the CIP, are incorporated into the Budget and into the Plan. For information on the Port’s CIP, see Section IX “Capital Improvement Plan.”

Within the CIP, projects are divided into categories that reflect their status in the project development process and determine their funding priority.

- Committed: Committed projects are deemed necessary to achieve key operating and/or financial goals, have undergone financial analysis, and have received at least division-level review and preliminary scoping. This includes projects that are authorized and underway as well as projects not yet authorized, but ready for Commission-level review. These projects receive a specific funding commitment in the CIP.
- Prospective: Prospective projects may also be deemed necessary to achieve operating and/or financial goals but are not yet well-scoped and therefore are less certain as to timing or funding requirements. Prospective projects can be re-classified as Committed once they have met the necessary criteria, so it is important that capital funding be flexible enough to accommodate these projects as well as other changes to the CIP. Prospective projects are further subdivided into two categories as follows:
 - Business Plan Prospective: Projects that are prospective because of uncertainty of scope and timing but are deemed to be critical for achieving operating and/or financial goals. This category may include projects that are contingent obligations associated with leases or other agreements.
 - Other Prospective: Projects that are still in preliminary planning or that are not currently deemed critical in meeting operating and/or financial goals.
- Public Expense Projects: In addition to the CIP, the Port provides funding for several public projects, particularly in the areas of regional transportation and noise mitigation. Because these projects do not result in Port-owned assets, they are accounted for as an expense (i.e. not capitalized); however, they use the same funding sources as capital projects and are included in the funding analysis for the Plan.
- CIP Reserve: The CIP includes one or more “reserves” that serve as placeholders for unspecified future capital projects or cost increases for existing projects. In 2019, Port staff undertook research and analysis on capital spending and developed a CIP Reserve policy. The policy was intended to improve the sizing and timing of forecasted cash flows in the CIP Reserve(s) by incorporating insights from capital forecasting and utilizing historical spending trend analysis.
- CIP Cashflow Adjustment Reserve: For the 2020 CIP, the Port introduced the use of CIP adjustments to better align the timing of forecasted aggregate capital spending with actual experience. This concept was applied again for the 2021-2025 CIP. The CIP Adjustment affects the timing of cash flows only.

Committed projects are designated for funding and are the basis of the Plan. The Plan also includes all Business Plan Prospective projects. As described above, the Port’s overall capital and funding approach for the Plan is separated between Airport and Non-Airport. The Airport is subject to certain regulatory

restrictions, and as such, its CIP is funded separately from the Port's Non-Airport businesses. The Non-Airport CIP includes Maritime and Economic Development Division CIP, the Port's assumed 50% funding of the NWSA CIP, and certain legacy projects at the Port's container terminals that are assumed to be funded only by the Port of Seattle. Both the Airport and Non-Airport operations fund an allocated portion of Central Services CIP.

Note: The Plan below excludes approximately \$4.4 million of storm water utility capital projects from 2021-2025, which are funded with restricted storm water utility funds (fees) only. The storm water utility capital projects are, however, included in the Port CIP presented in Table IX-1 of Section IX, "Capital Improvement Plan".

D. 2021-2025 FUNDING PLAN

AIRPORT

The Aviation Division's 2021-2025 CIP costs an estimated \$3.3 billion, and includes the following three major projects, which total an estimated \$699.6 million during the five-year period:

- Construction of a new International Arrivals Facility (IAF) for international passengers, which is needed to expand capacity to process the Airport's growing international passenger base. Construction is nearing completion and the IAF is expected to be operational by Q2 2021.
- Reconfiguration and optimization of the baggage screening equipment to improve operational efficiency and increase capacity. The new outbound baggage system will accommodate 60 million annual passengers. This project will be completed in three phases, with the final phase in operation by the end of 2026.
- North Satellite Renovation & Expansion (NorthSTAR), which includes expanding, renovating and reconfiguring the North Satellite Terminal and certain main terminal facilities that connect to the North Satellite terminal. This effort will add additional gates, address seismic concerns, and upgrade HVAC, lighting and fixtures. The first phase was completed in 2019, with the second and final phase to be completed in mid-2021.

In addition to these three major projects, there are a number of smaller projects, both new and on-going, which are meant to help the Port manage existing assets in the form of renewal and replacement, improve capacity and customer service to accommodate the growth the Airport experienced prior to the pandemic, and/or improve overall safety and security at the Airport. The Aviation Division's CIP includes \$307.5 million of CIP Reserves which cover undefined future projects or potential budget increases to existing projects. The CIP also assumes Sustainable Airport Master Plan (SAMP) preliminary planning and design spending of \$280.1 million through 2025 but does not include potential projects to be identified in the SAMP, as discussed in Section IV, "Aviation". For more details about the Airport CIP, see Section IX, "Capital Improvement Plan."

TABLE X-1: 2021-2025 AIRPORT CIP (\$ Millions)

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	TOTAL <u>2021 - 2025</u>
Major Projects						
International Arrivals Facility	\$ 57.7	\$ -	\$ -	\$ -	\$ -	\$ 57.7
NSAT	93.0	33.0	-	-	-	126.0
Baggage Optimization	95.0	100.0	113.5	111.0	96.4	515.9
Subtotal - Major Projects	\$ 245.7	\$ 133.0	\$ 113.5	\$ 111.0	\$ 96.4	\$ 699.6
Other Existing Projects	266.4	277.3	227.2	266.3	255.3	1,292.5
Proposed New Projects	30.9	122.8	145.9	240.1	189.3	728.9
SAMP Preliminary Planning / Design	5.9	97.7	93.4	62.0	21.1	280.1
CIP Reserves	-	5.0	60.0	112.5	130.0	307.5
CIP Cash Flow Adjustment Reserve	(84.7)	50.8	33.9	-	-	0.0
Total Airport CIP	\$ 464.2	\$ 686.6	\$ 673.8	\$ 791.9	\$ 692.1	\$ 3,308.6
Allocated Corporate CIP	4.8	6.7	6.3	6.1	6.1	30.0
Total Airport Funded CIP	\$ 469.1	\$ 693.3	\$ 680.1	\$ 798.0	\$ 698.1	\$ 3,338.6

The funding of the Airport CIP includes Airport net income, both existing and future revenue bond proceeds, as well as expected federal grant money for capital improvements for the baggage optimization effort, airfield pavement program, noise mitigation, restroom upgrades, and other security related projects.

In addition to capital grants, the Airport expects to apply \$30 to \$40 million of its \$192 million grant from the Coronavirus Aid, Relief and Economic Security Act (CARES) to pay a portion of debt service and operating expenses in 2021 (most of the funds will be applied to 2020 debt service and expenses). Given this use, the CARES grant funds are not included as a separate funding source but do affect debt service coverage and airline rates.

Passenger Facility Charge (PFC) collections, net of PFC bond debt service and net of PFCs applied to pay existing revenue bond debt service, also provide capital funding.

Customer Facility Charge (CFC) collections, net of the payment of operating and debt service costs associated with the Consolidated Rental Car Facility, provide additional capital funding for Consolidated Rental Car Facility infrastructure upgrades and the acquisition of buses.

Additionally, the Plan anticipates the use of the tax levy to fund the portion of Highline School District noise improvements that are ineligible for Airport funding under FAA regulations.

TABLE X-2: 2021-2025 AIRPORT CIP FUNDING (\$ Millions)

Airport Funding Sources:

Operating Cash ⁽¹⁾	\$ 196.5
Existing Bond Proceeds	184.5
Passenger Facility Charges	-
Customer Facility Charges	24.2
Federal Grants	128.7
Tax Levy ⁽²⁾	1.0
Future Revenue Bond Proceeds	<u>2,803.6</u>
Total Airport Funding Sources	<u>\$ 3,338.6</u>

Airport Capital:

Airport CIP	\$ 3,308.6
Allocated Central Services CIP	<u>30.0</u>
Total Airport Funded Capital	<u>\$ 3,338.6</u>

Notes:

- (1) Includes airport income available after payment of revenue bond debt service. Totals may not add due to rounding.
- (2) For capital spending related to Highline School District improvements that are ineligible for Airport funding.

In addition to the above funding plan for capital projects, the Airport’s Plan includes \$4.1 million of expenditures for Public Expense Projects. For more details about the Port’s public expense projects and their funding, see Section IX, “Capital Improvement Plan”.

NON-AIRPORT

The 2021-2025 Non-Airport CIP costs an estimated \$528.2 million. As mentioned above, this includes the CIP from the Maritime and Economic Development Divisions, as well as the Port’s 50% funding of the NWSA CIP. It also includes certain legacy costs, including channel deepening-related projects at the Port’s container terminals, that are assumed to be funded only by the Port of Seattle. The Plan allocates Non-Airport funding resources, including the tax levy and G.O. bonds, based on management guidelines. See Port of Seattle Funding Guidelines in Section F.

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

- The most significant Maritime capital project is a proposed new cruise facility on a portion of Terminal 46. The project has been delayed due to the current economic and business uncertainty for cruise resulting from the COVID-19 pandemic. The 2021-2025 CIP includes \$39.7 million with planning resuming in 2023 and construction beginning in 2025 and continuing into the following years; However, in 2021 the Port will evaluate the demand for, and the timing of, this project as more information becomes available regarding the post-pandemic recovery of the cruise business . This project would provide a fourth cruise berth to meet strong demand in the Alaska cruise market, provide economic benefits to the Seattle region, complement waterfront redevelopment efforts, and improve public access to the shoreline.

- Berths 6 and 8 Redevelopment at Terminal 91 includes redevelopment of vessel pier moorings and adjoining apron areas of Berths 6 and 8 along the northeast side of Pier 90 to accommodate fishing and commercial vessels.
- The proposed Terminal 46 North Pier Structure Replacement project has also been delayed. This project would replace timber and concrete pier structures along the north portion of Terminal 46 to support moorage for larger vessels.
- The Pier 66 Shore Power and Waterfront Electrification project will create a dual voltage 20-megawatt shore power system for the single cruise ship berth at Pier 66.
- A 13-acre habitat restoration project at Terminal 117 will support Chinook salmon recovery goals and improve public access to the shoreline.
- The Fishermen’s Terminal (FT) Gateway Building project includes the construction of a new building to replace the existing vacant bank building and two net sheds. The new building will provide light industrial space for maritime businesses. The project has been delayed beyond 2025 due to economic uncertainty.
- Other Maritime projects include development of a new Maritime Innovation Center, new cruise gangways at Terminal 91, replacing the timber fender system with a steel pile fender system at Terminal 91, and Jack Block Park pier replacement. The Maritime Division CIP also includes a \$20.0 million CIP Reserve for future unforeseen needs.

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

- The most significant Economic Development capital project is the first phase of redevelopment of the north end of the Terminal 91 uplands. This initial development will construct two 50,000 square foot buildings and associated site infrastructure improvements to support fishing and maritime-related businesses.
- The CIP also includes heating, ventilation, and air-conditioning (HVAC) system upgrades and replacements at the Pier 66 Cruise Terminal, Bell Harbor Conference Center, and at the World Trade Center buildings. Other Economic Development projects largely focus on renewal and replacement of existing assets, primarily at Pier 69 and Pier 66 facilities. The Economic Development Division CIP also includes a \$7.0 million CIP Reserve for future unforeseen needs.

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

Additionally, the Non-Airport funding plan includes 50% funding of all “Open” projects within the NWSA 2021-2025 CIP. Open projects are on-going projects or projects ready to move forward that have customer commitment or a high degree of certainty. The CIP presented in the NWSA budget includes both capital and expense projects, a classification that is driven by accounting rules. Within the Port’s Plan, expense projects are included as a reduction in the forecast of NWSA NOI while capital projects are included in the capital funding needs.

NWSA “Estimate” projects, which are based on an identified business need or opportunity but have not been fully developed in scope and cost, are *excluded* from the NWSA CIP. Additional information on the NWSA CIP can be found in Section XII, “The Northwest Seaport Alliance (NWSA).”

The Port includes in its funding plan certain “legacy projects” that are related to NWSA facilities but are the assumed obligation of the Port, such as channel deepening. Additionally, the Port carries a \$12

million CIP Reserve for the NWSA to account for future projects that are not “Open” and therefore not in the NWSA CIP.

Significant NWSA projects in the North Harbor (Seattle) include the construction of major terminal improvements and the stormwater treatment system at Terminal 5, rehabilitation of Terminal 18 and Terminal 46 wharfs, and rehabilitation of the Terminal 46 bulkhead. The most significant NWSA projects in the South Harbor (Tacoma) are berth dredging and shore power at Husky Terminal.

The funding of the Non-Airport CIP is based on the income projections associated with the Maritime and Economic Development Divisions, and the 50% Port share of the NWSA forecasted cash flow. The Plan targets 1.80x debt service coverage on all Non-Airport revenue bond debt. The Plan includes the use of new G.O. bonds beginning in 2022 and does not include new revenue bonds between 2021-2025. Non-Airport CIP funding sources also include net income, excess General Fund cash above minimum balance requirements, and several capital grants.

Non-Airport funding also includes use of the tax levy for certain Commission-approved capital projects, including but not limited to capital projects in support of the fishing industry, habitat restoration, and other waterfront improvements, along with other real estate development projects in support of the Port’s strategic initiatives.

Tax Levy funding as presented in Table X-3 below represents tax levy cash available for capital after the payment of G.O. Bond debt service. The Plan is based on the 2021 tax levy of \$78.68 million and annual increases of 3% in 2022 and 2023. The Port has also set aside funds into a separate Harbor Development Fund, which has been designated to support NWSA capital projects in the North Harbor, most significantly the modernization of Terminal 5. The Port also expects to leverage the tax levy in the form of future G.O. Bonds to partially fund the 2021-2025 Non-Airport CIP. Based on the operating revenue forecast that incorporates the business and economic impacts of the pandemic, the Port’s plan includes greater reliance on the tax levy and G.O. bonds than on operating revenues.

TABLE X-3: 2021-2025 NON-AIRPORT CIP FUNDING (\$ Millions)

Non-Airport Funding Sources

Operating Cash ⁽¹⁾	\$ 95.6
Grants	15.4
Tax Levy ⁽²⁾	107.0
Harbor Development Fund	49.3
Future G.O. bond proceeds	261.0
Total Non-Airport Funding Sources	\$ 528.2

Non-Airport Capital

Maritime & EDD CIP	\$ 312.4
NWSA - 50% Share (North & South Harbor)	155.6
NWSA - Reserve & Port Projects ⁽³⁾	52.4
Total	\$ 520.4
Allocated Central Services CIP	7.8
Total Non-Airport Funded Capital	\$ 528.2

Notes:

- (1) Includes non-airport income available after payment of revenue bond debt service. Also includes environmental settlement proceeds. Totals may not add due to rounding.
- (2) Assumes 3% annual levy increase from 2021-2023
- (3) Includes \$12 million NWSA CIP reserve, North Harbor channel deepening, and other 100% Port legacy costs in the North Harbor.

In addition to the above funding for capital projects, the Port currently has approximately \$70 million of tax levy funds set aside into the Commission-designated Transportation & Infrastructure Reserve Fund (TIF) to pay the Port’s contribution towards multiple public expense projects for regional mobility and transportation, including the following:

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

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

In an effort to best utilize existing cash resources, the Port has assumed the transfer of \$30 million of TIF funds to the tax levy to be used on various near-term operating and capital needs. This amount represents

the contributions to the regional mobility projects that are anticipated post 2025. The Plan assumes those funds are repaid to the TIF from the tax levy when those regional transportation obligations become due.

CENTRAL SERVICES

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

FINANCIAL IMPLICATIONS AND RISKS

The Plan above includes projects currently identified as Committed and Business Plan Prospective. The Plan incorporates revenue bond debt service coverage targets of 1.25x for the Airport and 1.80x for Non-Airport operations. Port-wide coverage for all revenue bond debt service (irrespective of lien) ranges from a low of 1.30x to a high of 1.47x over the five-year forecast period (calculated assuming that a portion of Airport revenue bond debt service is paid from PFCs and CFCs and that interest is capitalized during construction). Generally speaking, Port-wide revenue bond debt service coverage is heavily influenced by the Airport, and as such aggregate coverage may be reduced over time with the issuance of additional Airport revenue bonds given the Airport-specific target of 1.25x.

There are a number of risks that have been considered within the Plan. The revenue forecast used for developing the Plan has a higher degree of uncertainty than in most years. Although the forecast was based on adverse business assumptions, it is possible that actual performance could be worse. Additionally, the timing and costs of the CIP pose risks. While Committed projects are fairly certain, Business Plan Prospective projects have more uncertainty with regards to scope and timing; an increase in costs or an acceleration of schedule for these projects could change the funding forecast. In addition, the Plan does not include Other Prospective projects, projects that are not currently contemplated but may be required for security, renewal and replacement or to address changes in the business environment, nor “Estimate” projects for the NWSA. If such projects were to move forward, adding them to the Plan could change the funding forecast, although the Port has CIP Reserves to help mitigate this risk. In addition, the forecast is based on a number of assumptions related to operating income and the level of the Port’s tax levy; changes in these assumptions could affect the Plan results as well. To minimize coverage impacts or manage funding shortfalls, the Port could employ several options including:

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

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

E. FINANCING INITIATIVES

As presented above in Table X-2, the Plan anticipates approximately \$2.8 billion of future Airport revenue bond needs during the forecast period, which may require a bond issue as early as 2021 to fund a portion of those costs. The Plan also anticipates the need to issue \$261.0 million of future G.O bonds (see Table X-3) during the forecast period to partially fund the Non-Airport capital plan, although this bond issuance is not expected to be needed in 2021.

As part of the Port's ongoing debt management, staff will continue to monitor opportunities to refund existing bonds for debt service savings.

In April 2020, staff extended the direct-pay letter of credit agreement supporting a series of variable rate debt until June 2021.

In June 2020, the Port entered into an agreement with JP Morgan Chase Bank, National Association to obtain a credit facility up to a maximum amount of \$150,000,000 for a term of three years, for the purpose of providing liquidity in response to the global pandemic. The credit facility is a general obligation of the Port, backed by the full faith and credit of the Port including revenues and tax receipts. As of December 1, 2020, no borrowing on this facility has occurred.

In September 2020, the Port's commercial paper (CP) program authorizing resolution was extended until June 1, 2051 and increased from \$250 million to \$400 million. At this time, \$250 million is supported by direct pay letters of credit. The facility provided by Sumitomo Mitsui Banking Corporation supporting the Port's commercial paper program was successfully extended until October 27, 2023. The Bank of America facility expires in June 2021 and the Port will consider its options to renew or replace.

F. CAPITAL PLANNING RESOURCES

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

PORT OF SEATTLE FUNDING GUIDELINES

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

Tax Levy and G.O. Bonds

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

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

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

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

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

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

Revenue Bonds

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

Industrial Development District (IDD) Levy

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

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

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

Funding vs. Asset Life

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

2021 DRAFT PLAN OF FINANCE ASSUMPTIONS

Capital Improvement Plan

Capital spending projections are aligned with the capital presentations provided to the Port Commission in October and November 2020 and are included in Section IX “Capital Improvement Plan.”

Capital Capacity Calculations

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

- Interest earned on restricted and unrestricted funds based on 1.00% from 2021-2025 for Non-Airport businesses, and 1.00% - 1.75% from 2021-2025 for the Airport.
- All future bonds (revenue and G.O.) are assumed to have the following fixed interest rates:
 - Future bonds issued in 2021 assume a 4.0% interest rate;
 - Future bonds issued in 2022-2025 assume a 4.75% interest rate.
- All future bond issuances assume a 25-year term.
- *First Lien* is the assumed working lien for future Non-Airport revenue bond debt. The Port does not forecast any Non-Airport revenue bond issuance from 2021-2025.
- *Intermediate Lien* is the primary working lien for future Airport revenue bond debt; 80% of the future bond issuances for the Airport are assumed to be funded on the Intermediate Lien.
- *Subordinate Lien* is the assumed lien for the remaining 20% of future Airport revenue bond debt; consistent with the Port’s 20% variable rate debt target.
- 1% gross-up assumed for all future debt issuance to account for costs of issuance.
- 4% - 4.75% and 9% *additional* gross-up assumed for the Debt Service Reserve Fund contribution (cash funded) for future Aviation and Non-airport revenue bond debt, respectively.
- Gross-up for future Aviation debt issuance for assumed 12 months of Capitalized Interest.
- Interest on variable rate bonds (issued in 1997 and 2008) is based on projections of short and long-term tax-exempt variable rates and range from 0.57% to 3.00%.
- 2021 operating revenue and expense forecasts are based on the 2021 preliminary operating budget as of November 2020, with adjustments as appropriate, and may vary slightly from the forecasts in the 2021 final budget.

Tax Levy

- The Port’s tax levy projections are based on a \$78.68 million levy in 2021, which represents a 3.0% increase from the 2020 levy amount, and an additional 3.0% increase in both 2022 and 2023.
- Policy limit of no more than 75% of the annual tax levy devoted to paying annual G.O. bond debt service.
- A tax levy projection model is used to forecast future year assessed value amounts that can affect the forecasted maximum statutory levy.

Revenue and Expense Assumptions

Airport

- The planning assumption for Airport passenger levels affects non-aeronautical revenues and the PFC and CFC collections; it also affects the rates charges to airlines under the cost recovery formulas. For 2021, the Airport is assuming that passengers will be 70% of its 2019 levels, gradually increasing to 100% in 2024.
- Airport aeronautical revenues are determined according to a cost recovery model for airline-utilized property and facilities at the Airport. In 2018, the Port reached an agreement on a new Signatory Lease and Operating Agreement (SLOA IV) to replace the 2013 airline agreement (SLOA III). SLOA IV expires on December 31, 2022. Many of the terms of the SLOA IV agreement are similar to SLOA III; key changes included the reduction in revenues shared with the airlines and changes in the gate allocation methodology.
- SLOA IV established several types of fees designed to recover operating and capital costs of the associated aeronautical facilities on the Airfield and in the Air Terminal. The Airfield is comprised of three areas: The Airfield Apron Area, the Airfield Movement Area and the Airfield Commercial Area, and related costs and fees are calculated separately for each area. Terminal rental rates are based in part on the Terminal Building Requirement, which is computed by multiplying the total of budgeted operating expenses and capital costs, including debt service and debt service coverage (if required), allocated to the terminal, by the ratio of airline rentable space to total rentable space, less any non-signatory airline premiums included in rent payable by non-signatory airlines.

SLOA IV also includes cost recovery on cash-funded assets through an amortization calculation for assets placed in service from 1992 on. The Airport assumes the risk of any vacant non-airline space, in addition to any vacant publicly accessible airline office or club space. Use of the baggage system, passenger loading bridges, airline support systems and equipment and the federal inspection facility is calculated and charged separately; these are also based upon operating expenses and capital costs, and the Port may use non-aeronautical revenues to offset costs associated with the federal inspection facility cost center. A Majority-in-Interest of the airlines can delay new project construction, but not design, for up to 12 months.

Under SLOA IV, revenue sharing was phased out, ending in 2019. The Airport can charge the airlines additional debt service coverage if Airport coverage is below 1.25 times.

The Airport was allocated a total of \$192 million of CARES funds. Of that, \$37.9 million is planned to be applied in 2021 to the payment of a portion of debt service and operating expenses. The remainder was applied in 2020.

- Airport non-aeronautical revenues are based on forecasted passenger levels and the revenue terms of current leases and agreements associated with non-aeronautical businesses.
- Expense projections are based on estimates developed as part of division business planning.
- Operating environmental costs are included in O&M expense, if applicable.
- Certain non-operating revenues and expenses are included; for example, interest earnings, debt-related fees, public expense items and non-operating environmental expenses.
- Federal Airport Improvement Program (AIP) grant reimbursement projects are based on estimated spending on eligible projects and standard reimbursement rates of 75%-80%. Grants from the Transportation Security Administration (TSA) are also included in the total grant funding amount.
- Passenger Facility Charges (PFCs) are estimated based on projected enplanement levels, net of debt service payments on PFC bonds and PFCs applied to pay debt service on Revenue Bonds.

- Customer Facility Charges (CFCs) are estimated based on forecasted transaction days of car rentals at the Airport multiplied by a forecasted daily rate. CFC income (net of debt service) is expected to fund on-going Consolidated Rental Car Facility capital projects.

Non-Airport

- Revenue and expense projections for the Maritime and Economic Development Divisions' long-range operating forecasts are based largely on the terms of existing lease agreements and projected activity levels for any applicable volume-based revenues. Revenues generated from certain new investments were included.
- Cruise, a significant contributor to Maritime net income, forecasted passenger activity in 2021 equal to 25% of 2019 passenger activity; or 38% of 2019 revenues based on fee and lease assumptions, increasing to 77% in 2022-2024, and reaching 2019 revenues in 2025. Other Maritime revenues, in aggregate, are expected to be flat in 2021 and grow gradually thereafter.
- The Port assumed 50% of the forecasted NWSA NOI (before Depreciation) adjusted for the Terminal 46 Contra Revenue as Port operating revenue. The Port, through an Interlocal Agreement, pays the NWSA for the use of a portion of Terminal 46 and this is recognized as a Contra Revenue. As a result, the Port's recognized Distributable Revenue is less than 50 percent of the NWSA total. Additional information on the NWSA operating budget can be found in Section XII, "The Northwest Seaport Alliance (NWSA).
 - The NWSA will distribute cash to each Port based on cash flow from operations, calculated pursuant to General Accepted Accounting Principles (GAAP) plus non-operating net cash flow from interest earnings and capital grants. Cash distributions will be made no less than quarterly based on each Port's percentage of total shares. The NWSA is treated as a joint venture for accounting purposes and the Port expects to recognize as Gross Revenue its 50% share of the NWSA Net Income or Losses (as defined in the NWSA Charter to mean, for each fiscal year or other period, an amount equal to the NWSA net operating income or losses less depreciation plus non-operating income or losses, determined in accordance with GAAP.)
- Operating environmental costs are included in O&M expense, if applicable.
- Certain non-operating revenues and expenses are included; for example, interest earnings, debt-related fees, and the payment of public expenses.

Central Services

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

TABLE X-4: Bond Rating Summary

	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
General Obligation Bonds	Aaa	AAA	AA-
First Lien Revenue Bonds	Aa2	AA-	AA-
Intermediate Lien Revenue Bonds	A1	A+	AA-
Subordinate Lien Revenue Bonds	A2	A+	AA-
Passenger Facility Charge Revenue Bonds	A1	A+	A+
Fuel Hydrant Special Facility Bonds	A1	A-	

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XI. STATUTORY BUDGET

2021 STATUTORY BUDGET

A. INTRODUCTION

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

The 2021 Statutory Budget was provided to the Port Commissioners and made available to the general public as required by law (RCW 53.35.010 and RCW 53.35.045). Notices of the Public Hearing were published on October 28 and November 4, 2020 in the DAILY JOURNAL OF COMMERCE, as required by law (RCW 53.35.020 and RCW 53.35.045). The notices included announcements: that copies of the preliminary budget would be available for distribution to any interested persons on October 22, 2020; that the introduction of the preliminary 2021 Budget and public hearing would be held on November 10, 2020; and that the adoption of the 2021 Budget would be held on November 17, 2020. The final statutory budget was filed with the King County Council on November 23, 2020, as allowed by RCW 53.35.045. The Port also adopted a separate resolution for an increase in the tax levy as required by RCW 84.55.120.

B. STATUTORY BUDGET HIGHLIGHTS

1. Tax Levy

For 2021, the preliminary tax levy is \$78.7 million. The following is a comparison of the tax levy detail between 2020 and 2021:

	Budget 2020		Budget 2021	
	Levy Rate	Levy Amount	Levy Rate	Levy Amount
For General Obligation Bonds	\$ 0.0622	\$ 39,783,253	\$ 0.0597	\$ 38,505,531
For General Purposes	0.0572	36,601,548	0.0623	40,170,813
Total	\$ 0.1194	\$ 76,384,800	\$ 0.1221	\$ 78,676,344

2. Tax Levy Rate

The tax levy rate is a product of dividing the tax levy dollars by the assessed valuation of personal and real properties within the Port District. Therefore, if assessed valuation increases at a greater rate than the increase in the tax levy amount the Port assesses, the tax millage rate would go down even though the Port's levy dollars may have increased. The exact levy rate is determined by the County Assessor after all taxing agencies have requested their levy dollars, and the assessed valuation dollars are certified. The 2020 preliminary assessed valuation as of October 5, 2020 is \$644,507,098,445 after omitted assessments, which are not included in the Port's levy calculation. The 2020 assessed valuation is used for 2021 tax collection. This is an increase from the final assessed valuation per the King County Annual Report for 2020 tax collection, which was \$642,490,492,044 after omitted assessment.

RESOLUTION NO. 3779

A RESOLUTION of the Port Commission of the Port of Seattle adopting the final budget of the Port of Seattle for the year 2021; making, determining, and deciding the amount of taxes to be levied upon the current assessment roll; providing payment of bond redemptions and interest, cost of future capital improvements and acquisitions, and for such general purposes allowed by law which the Port deems necessary; and directing the King County Council as to the specific sums to be levied on all of the assessed properties of the Port of Seattle District in the Year 2021.

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

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

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

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

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

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

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

WHEREAS, the Port of Seattle Commission, on the 20th day of October, 2020, provided the preliminary 2021 Budget of the Port of Seattle to the public and provided for the publication of Notice of Budget Hearing to consider adoption of a final budget, to be heard on the 10th day of November, 2020, when taxpayers might appear and present objections to the preliminary 2021 Budget; and

WHEREAS, a public hearing on the preliminary 2021 Budget was conducted remotely, pursuant to notice duly given, on the 10th of November, 2020, at 12 p.m.; and

WHEREAS, all parties present at said hearing were afforded a full opportunity to present objections to the preliminary 2021 Budget, and the Port Commission being duly advised in the premises; and

WHEREAS, the King County Assessor notified the Commissioners of the Port of Seattle on the 5th day of October, 2020, that the regular levy assessed value of the property lying within the boundaries of the Port of Seattle district ("Port District") for the year 2020 is \$644,507,098,445 (after omitted assessments); and

WHEREAS, the King County Assessor notified the Commissioners of the Port of Seattle on the 5th day of October, 2020, that the maximum allowable levy is \$108,203,198 including \$107,070 levy for prior year refunds, and the Port intends to retain this levy capacity;

NOW, THEREFORE, BE IT RESOLVED by the Port Commission of the Port of Seattle that the preliminary 2021 Budget, as updated and amended at the November 10, 2020, Port Commission hearing, and as may have been further amended by the Port Commission on this 17th of November, 2020, is hereby adopted as the final budget of the Port of Seattle for the Year 2021. Said final budget includes the statutory budget required under RCW 53.35.040. A copy of the final budget shall be made available to the public on the Port of Seattle website.

BE IT FURTHER RESOLVED that the amount of taxes to be levied by the Port of Seattle on the current assessment rolls to provide for payment of bond redemption and interest on the Port of Seattle General Obligation Bonds, for future expenditures for acquisitions and capital improvements and for such general purposes allowed by law which the Port deems necessary be set and deposited is still pending commission approval.

BE IT FURTHER RESOLVED that the King County Council, State of Washington, be notified that the specific sum herein mentioned being a total of \$78,676,344 is necessary to be raised by taxation to meet the payment of bond redemption and interest on Port of Seattle General Obligation Bonds, of future expenditures for acquisitions and capital improvements, and of costs for such general purposes allowed by law which the Port deems necessary, as set forth for the period January 1, 2021, and thereafter; that said King County Council be

respectfully requested to make a levy in said amount for the aforesaid purposes.

BE IT FURTHER RESOLVED that the above is a true and complete listing of levies for the Port District for collection in the year 2021 and they are within the maximums established by law.

ADOPTED by the Port Commission of the Port of Seattle at a duly noticed meeting held this 17th day of November, 2020, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the seal of the Commission.

Fred Felleman

Fred Felleman (Nov 20, 2020 14:48 PST)

Jim H

Peter Steinbrueck

Peter Steinbrueck (Nov 19, 2020 19:28 PST)

Ryan Calkins

Ryan Calkins (Nov 18, 2020 12:55 PST)

Stephanie L. Bowman

Stephanie L. Bowman (Nov 19, 2020 10:06 PST)

Port Commission

RESOLUTION NO. 3780

A RESOLUTION of the Port Commission of the Port of Seattle specifying the dollar and percentage change in the regular property levy from the previous year per RCW 84.55.120; providing for an increase of the levy from \$76,384,800 to \$78,676,344.

WHEREAS, the Port of Seattle in the Commission has met and considered its budget for the calendar year 2021; and

WHEREAS, the Port of Seattle's Commission, after hearing and duly considering all relevant evidence and testimony presented in a public hearing held pursuant to RCW 84.55.120, has determined the Port of Seattle requires a regular levy in the amount of \$78,676,344, which represents the levy rate of approximately \$0.122 per thousand of assessed value; and

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

NOW, THEREFORE, BE IT RESOLVED by the Port Commission of the Port of Seattle that a property tax levy is hereby authorized in the amount of \$78,676,344, an increase of \$2,291,544, a 3.0 percent increase from 2020. Excluding the new construction and refund amount, the increase is \$1,151,713 or 1.5 percent from 2020 for tax filing purposes.

ADOPTED by the Port Commission of the Port of Seattle at a duly noticed meeting held this 17th day of November, 2020, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the seal of the Commission.


Stephanie L. Bowman (Nov 19, 2020 10:05 PST)


Ryan Calkins (Nov 18, 2020 12:56 PST)




Fred Felleman (Nov 20, 2020 16:13 PST)


Peter Steinbrueck (Nov 19, 2020 19:27 PST)

Port Commission

D. TAX LEVY CALCULATION SHEET

TABLE XI-1: TAX LEVY CALCULATION SHEET

TAXING DISTRICT: Port of Seattle

The following determination of your regular levy limit for 2021 property taxes is provided by the King County Assessor pursuant to RCW 84.55.100.

(Note 1)

Using Limit Factor For District	B. C. Calculation of Limit Factor Levy	Using Implicit Price Deflator
106,413,007	Levy basis for calculation: (2020 Limit Factor) (Note 2)	106,413,007
1.0100	x Limit Factor	1.0060
107,477,137	= Levy	107,051,485
8,745,445,584	Local new construction	8,745,445,584
0	+ Increase in utility value (Note 3)	0
8,745,445,584	= Total new construction	8,745,445,584
0.11945	x Last year's regular levy rate	0.11945
1,044,643	= New construction levy	1,044,643
108,521,780	Total Limit Factor Levy	108,096,128
Annexation Levy		
0	Omitted assessment levy (Note 4)	0
108,521,780	Total Limit Factor Levy + new lid lifts	108,096,128
644,507,098,445	÷ Regular levy assessed value less annexations	644,507,098,445
0.16838	= Annexation rate (cannot exceed statutory maximum rate)	0.16772
0	x Annexation assessed value	0
0	= Annexation Levy	0
Lid lifts, Refunds and Total		
0	+ First year lid lifts	0
108,521,780	+ Limit Factor Levy	108,096,128
108,521,780	= Total RCW 84.55 levy	108,096,128
107,070	+ Relevy for prior year refunds (Note 5)	107,070
108,628,850	= Total RCW 84.55 levy + refunds	108,203,198
	Levy Correction: Year of Error (+or-)	
108,628,850	ALLOWABLE LEVY (Note 6)	108,203,198
Increase Information (Note 7)		
0.16855	Levy rate based on allowable levy	0.16789
76,384,801	Last year's ACTUAL regular levy	76,384,801
31,092,336	Dollar increase over last year other than N/C – Annex	30,666,684
40.70%	Percent increase over last year other than N/C – Annex	40.15%
Calculation of statutory levy		
	Regular levy assessed value (Note 8)	644,507,098,445
	x Maximum statutory rate	0.45000
	= Maximum statutory levy	290,028,194
	+Omitted assessments levy	0
	=Maximum statutory levy	290,028,194
	Limit factor needed for statutory levy	Not usable

ALL YEARS SHOWN ON THIS FORM ARE THE YEARS IN WHICH THE TAX IS PAYABLE.
Please read carefully the notes on the reverse side.

Notes:

- 1) Rates for fire districts and the library district are estimated at the time this worksheet is produced. Fire district and library district rates affect the maximum allowable rate for cities annexed to them. These rates *will* change, mainly in response to the actual levy requests from the fire and library districts. Hence, affected cities may have a higher or lower allowable levy rate than is shown here when final levy rates are calculated.
- 2) This figure shows the maximum *allowable levy*, which may differ from any actual prior levy if a district has levied less than its maximum in prior years. The maximum allowable levy excludes any allowable refund levy if the maximum was based on a limit factor. The maximum allowable levy excludes omitted assessments if the maximum was determined by your district's statutory rate limit. If your district passed a limit factor ordinance in the year indicated, that limit factor would help determine the highest allowable levy. However, if the statutory rate limit was more restrictive than your stated limit factor, the statutory rate limit is controlling.
- 3) Any increase in value in state-assessed property is considered to be new construction value for purposes of calculating the respective limits. State-assessed property is property belonging to inter-county utility and transportation companies (telephone, railroad, airline companies and the like).
- 4) An omitted assessment is property value that should have been included on a prior year's roll but will be included on the tax roll for which this worksheet has been prepared. Omitted are assessed and taxed at the rate in effect for the year omitted (RCW 84.40.080-085). Omitted assessments tax is deducted from the levy maximum before calculating the levy rate for current assessments and added back in as a current year's receivable.
- 5) Administrative refunds under RCW 84.69.020 were removed from the levy lid by the 1981 legislature.
- 6) A district is entitled to the lesser of the maximum levies determined by application of the limit under RCW 84.55 and the statutory rate limit. Levies may be subject to further proration if aggregate rate limits set in Article VII of the state constitution and in RCW 84.52.043 are exceeded.
- 7) This section is provided for your information, and to assist in preparing any Increase Ordinance that may be required by RCW 84.55.120. The increase information compares the allowable levy for the next tax year with your ACTUAL levy being collected this year. The actual levy excludes any refund levy and expired temporary lid lifts, if applicable. New construction, annexation and refund levies, as well as temporary lid lifts in their initial year, are subtracted from this year's *allowable* levy before the comparison is made.
- 8) ***Assessed valuations shown are subject to change from error corrections and appeal board decisions recorded between the date of this worksheet and final levy rate determination.***

E. FORECASTED CASH FLOW SUMMARY

TABLE XI-2: FORECASTED CASH FLOW SUMMARY

(\$ in 000's)	2021	Percent of Total
Beginning balance of cash & investments	\$ 1,541,604	
<u>SOURCES OF CASH</u>		
Operating Revenues without NWSA	638,587	36.5%
NWSA Distributable Cash	52,254	3.0%
Interest Receipts	13,158	0.8%
Proceeds from Bond Issues	750,000	42.9%
Grants and Capital Contributions	115,819	6.6%
Tax Levy	78,676	4.5%
Passenger Facility Charges	67,990	3.9%
Rental Car Customer Facility Charges	24,168	1.4%
Fuel Hydrant Receipts	7,022	0.4%
Other Receipts	1,645	0.1%
Total	1,749,319	100%
Anticipated available funds	3,290,923	
<u>USES OF CASH</u>		
Expenses from Operations:		
Total Operating Expenses	423,412	29.6%
Debt Service:		
Interest Payments	185,703	13.0%
Bond Redemptions	222,825	15.6%
Total Debt Service	408,528	28.5%
Other Expenses	14,228	1.0%
Public Expense	10,144	0.7%
Payment to NWSA for Capital Expenditures	67,314	4.7%
Capital Expenditures	508,526	35.5%
Total	1,432,151	100%
Ending balance of cash & investments	\$ 1,858,772	
Increase (decrease) of cash during year	\$ 317,168	

cashflow.xlsx

FIGURE XI-1: SOURCES OF CASH
(\$ in 000's)

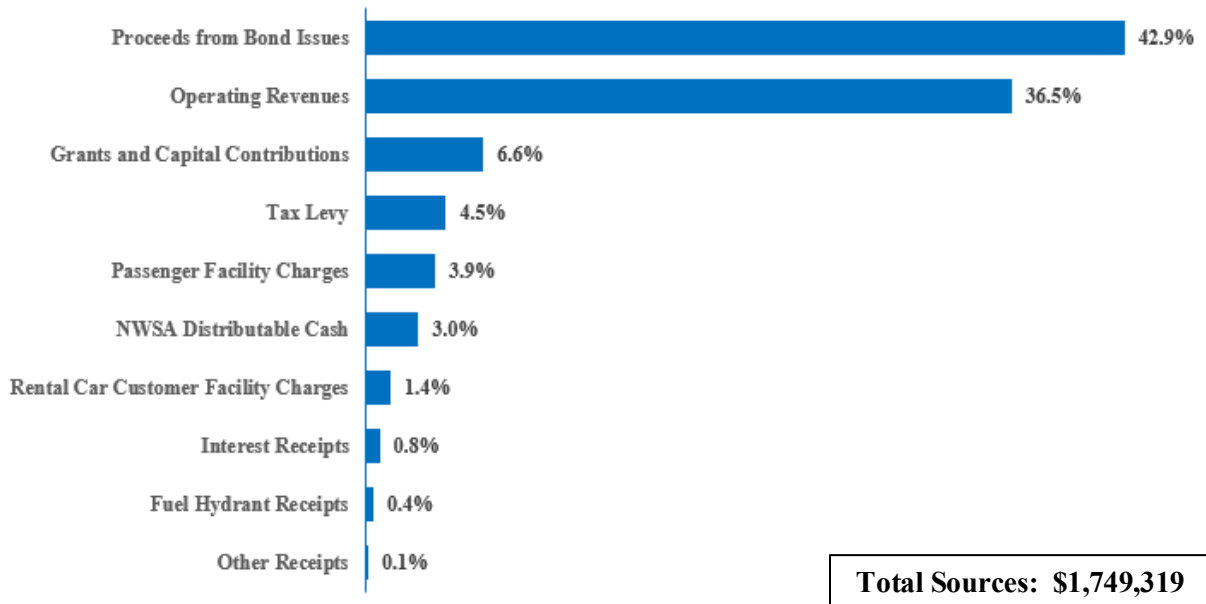
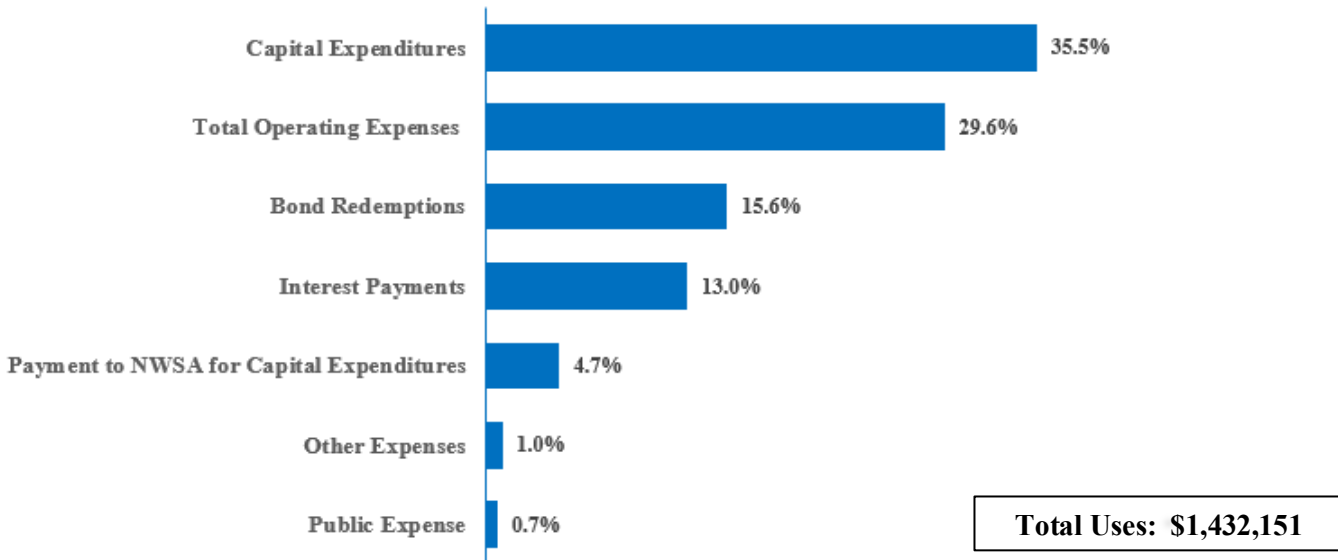


FIGURE XI-2: USES OF CASH
(\$ in 000's)



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XII. THE NORTHWEST SEAPORT ALLIANCE (NWSA)

NORTHWEST SEAPORT ALLIANCE (NWSA)

Port Interest in NWSA (Joint Venture)

The NWSA is a joint venture with the Port of Tacoma for the management of certain facilities licensed to the NWSA including the Port’s container terminals. Each Port is a 50 percent member – receives 50 percent of distributable revenue and provides 50 percent of funding including funding for capital investments.

Table XII -1 provides information on the Port’s operating revenues and expenses related to the NWSA. The NWSA Distributable Revenues are net of NWSA operating expenses (including depreciation of NWSA assets). The Port, through an Interlocal Agreement, pays the NWSA for the use of a portion of Terminal 46 and this is recognized as a Contra Revenue. As a result, the Port’s recognized Distributable Revenue is less than 50 percent of the NWSA total. The Port also has revenues and expenses related to the NWSA and its facilities; the most significant is depreciation expense for the Port owned facilities licensed to the NWSA. The Port’s Operating revenues and expenses are included in Table XII-1.

TABLE XII-1: 2021 OPERATING BUDGET SUMMARY

	2019	2020	2020	2020	2021	Inc/(Dec) from	
	Actual	Approved Budget	Revised Budget	Forecast	Budget	2020 Approved Budget \$	%
\$ in 000's							
Revenue							
NWSA Distributable Revenue	47,979	41,935	41,935	41,935	42,273	338	0.8%
Contra Joint Venture Revenue	-	(1,913)	(1,913)	(1,913)	(1,952)	(38)	2.0%
Subtotal Distributable Revenue from NWSA	47,979	40,022	40,022	40,022	40,322	300	0.7%
Other Service Revenue Tenant Reimbursements	3,000	301	301	301	503	202	67.3%
Port Revenue from NWSA Facilities	-	-	-	250	-	-	NA
Total Revenues	50,979	40,322	40,322	40,572	40,825	502	1.2%
Expenses							
Maintenance Expenses	1,012	707	707	707	587	(120)	-16.9%
JV Direct	3,439	28	28	28	180	152	536.8%
Other Central Services	106	71	71	71	267	196	274.2%
Environmental & Sustainability	127	1	1	1	333	331	23676.2%
Seaport Project Management	20	29	29	29	10	(19)	-65.3%
EDD Expenses	(5)	-	-	-	-	-	NA
Total Expenses	4,699	837	836	836	1,377	540	64.6%
NOI Before Depreciation	46,281	39,486	39,487	39,737	39,448	(38)	-0.1%
Legacy Depreciation for NWSA Facilities	16,204	15,227	15,227	15,227	15,113	(114)	-0.7%
NOI After Depreciation	30,077	24,259	24,260	24,510	24,335	76	0.3%

The Port also makes capital investments. The Port provides 50 percent of the funding for the NWSA capital investments described in the NWSA budget and included in Section IX, “Capital Improvement Plan”. In addition, the Port has certain legacy obligations related to Port owned facilities licensed to the NWSA; these are entirely funded by the Port. More information on the NWSA and Port legacy projects can be found in Section IX.

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THE NORTHWEST
SEAPORT ALLIANCE

The Northwest Seaport Alliance 2021 Budget



A Crane operator at work

Operating Budget and Capital Investment Plan adopted:
November 9, 2020



In June 2020, Inbound Logistics magazine named The Northwest Seaport Alliance in its annual list of “Green 75” supply chain partners. This is the third consecutive year that the NWSA has been recognized for its environmental programs and commitment to sustainability.



In August 2020, Logistics Management Magazine awarded The Northwest Seaport Alliance with a 2020 Quest for Quality award in the West Coast Port category. This is the second year that the NWSA has earned this award. The NWSA ranked second highest among U.S. West Coast ports in the magazine’s annual readership survey of transportation providers. Ports were evaluated on ease of doing business, value, ocean carrier network, intermodal network and operations. The NWSA was one of only four West Coast ports to earn the honor this year.



In July, 2020 the Northwest Seaport Alliance Clean Truck Program was named as a finalist in the International Association of Ports and Harbors’ (IAPH) World Ports Sustainability Program Awards in the Community Outreach and Port City Dialogue category. The IAPH established the World Ports Sustainability Program in 2018. Guided by the 17 United Nations Sustainable Development Goals, it aims to unite sustainability efforts of ports worldwide, encouraging international cooperation between all partners involved in the maritime supply chain.



The Northwest Seaport Alliance joined Green Marine in 2016 and has maintained its continued improvement every year since joining. Green Marine is a voluntary marine industry initiative with the goal of achieving levels of environmental performance that exceed regulatory requirements in areas such as air emissions, greenhouse gases, cargo waste management, community impacts (noise, dust, odors and light), water and land pollution prevention and environmental leadership. There are currently more than 100 ship owners, port authorities, terminals and shipyards from coast to coast, in Canada and the United States, participating in the program.

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To: Managing Members

Date: November 9, 2020

Subject: The Northwest Seaport Alliance Operating Budget and Five-Year Capital Investment Plan

Staff is pleased to present the 2021 Northwest Seaport Alliance (NWSA) Budget. This document informs the Port of Seattle, the Port of Tacoma, citizens and other interested parties about the NWSA's overall goals and strategies, as well as the business environment in which we operate. It highlights our focus on strategic investments that will deliver competitive financial results, build for the future, and continue to create jobs and economic wealth for the Puget Sound region.

The competition within the international container business among ports remains intense as capacity grows with larger ships and volumes are threatened by the ongoing trade war and the uncertainty of a global pandemic. Shipping alliances and terminal operators continue to explore ways in which to improve their financial performance while investing in the infrastructure and or equipment required to handle the freight surge from larger ships.

Over the last five years, the NWSA has made and continues to make the investments necessary to service the larger ships. We completed construction of a new wharf and the purchase of eight new cranes at Husky Terminal in the Tacoma Harbor and will complete the first phase of the redevelopment of the wharfs at Terminal 5 in Seattle this year. These two significant investments alone total over 500 million dollars and provide the NWSA with terminals in both harbors capable of handling the largest vessels in the transpacific trade.

The NWSA creates significant economic activity and family wage jobs in the Puget Sound region and across the state. We provide manufacturers and agricultural producers throughout the nation valuable access to foreign markets. NWSA and our customers business activities generate more than 58,400 direct and indirect jobs and \$12.4 billion of business output based on the most recent study released in 2019 for 2017 data. The NWSA is also an environmental leader in reducing cargo-related air emissions and stormwater pollution.

The current NWSA's Strategic Business Plan includes:

- Enhance NWSA, local and regional transportation infrastructure
- Improve the efficiency and cost competitiveness of the supply chain
- Advance the NWSA's market position in the international and domestic shipping industry
- Increase revenue through growth and diversification
- Advance environmental stewardship

There is significant uncertainty in the global economy going into 2021. Additionally, our industry continues to experience rapid change and unforeseen circumstances that affect global trade. The NWSA will continue to invest in the facilities and infrastructure necessary to keep our position as a leading North American port. Despite the market uncertainty, our Team is focused on increasing the business activities and job growth within the region, while achieving that success in a financially and environmentally sustainable way.

John Wolfe
Chief Executive Officer

Budget Document Overview

The Budget Document consists of these major sections:

I. Overview: This section provides information about the NWSA's facilities and customers. It examines the economic context of the NWSA's operating environment, and it outlines the NWSA's organizational structure.

II. Budget Message: This includes an overview of the budget challenges and opportunities, revenue types and expenditures. The Budget Message outlines the priorities and issues for the budget year and describes changes from the previous year.

III. Business Outlook: This section describes the NWSA's overall goals and strategies. It includes assumptions, potential obstacles and trends that staff used to develop the forecast. These serve as the foundation for the Operating Budget.

IV. Operating Budget: This section provides a summary of the assumptions that form the basis for the NWSA's operating budget. This section includes the operating budget with revenue and expenses by line of business, and details of expected operating costs. This section also provides a five-year financial forecast for the alliance.

V. Five-Year Capital Investment Plan (CIP): The CIP consists of all capitalized and expensed projects that the NWSA plans to complete in the next five years. Capitalized projects affect the NWSA's Profit and Loss statement through depreciation while expensed projects flow directly to the NWSA's net income in the year the expenses are incurred. This section provides details on the CIP including the impact of the capital spending on profitability.

VI. Environmental Stewardship and Planning: This section provides a historical context for the environmental challenges facing the two ports and their surrounding communities. This section also discusses the role of the NWSA Planning department and its work to integrate all aspects of the alliance.

The Northwest Seaport Alliance Overview

Marine Cargo Operating Partnership

The Northwest Seaport Alliance (NWSA) is the first of its kind in North America.

The ports of Seattle and Tacoma joined forces in August 2015 to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs for the region.

Located in the Pacific Northwest in Washington state, the NWSA offers short U.S.-to-Asia transit times, and the infrastructure necessary to quickly move cargo to the U.S. Midwest.

International & Domestic Trade

The NWSA is the fourth-largest gateway for containerized cargo in North America, focused specifically on shipping between Asia and major distribution points in the Pacific Northwest, Midwest, Ohio Valley and the East Coast.

The NWSA is also a major center for bulk, breakbulk, project/heavy-lift cargoes, automobiles and trucks. The NWSA's terminals are located near the second-largest concentration of distribution centers on the West Coast.

Top international trading partners include:

- China/Hong Kong
- Japan
- Republic of Korea
- Vietnam
- Taiwan
- Thailand
- Indonesia
- Philippines
- Malaysia

The value of this two-way international trade totaled more than \$74.9 billion in 2019. Imports were \$59.4 billion and exports were \$15.4 billion.

The Puget Sound is the major cargo gateway to Alaska. More than 80 percent of the total trade volume between Alaska and the lower 48 states moves through the Tacoma and Seattle harbors. Trade with Alaska was estimated at \$5.4 billion in 2018. If it were ranked with the NWSA's international trading partners, Alaska would be fourth. The NWSA also provides connections to Hawaii.

Port of Seattle & Port of Tacoma

The Port of Seattle was created September 5, 1911, in an effort by citizens to ensure public ownership of the Seattle harbor. The Port of Seattle was the first autonomous municipal corporation in the United States specifically tasked to develop harbor and port facilities to encourage commerce. The Port opened Fishermen's Terminal in 1914, its first warehouse in 1915 and began working on the creation of Harbor Island.

The Port of Tacoma was created on November 5, 1918, by the citizens of Pierce County to create job opportunities through trade, as well as in the economic development of Pierce County and the state of Washington.

The Port of Seattle and the Port of Tacoma's geographic boundaries lie within King and Pierce counties, respectively. They are situated on Elliott and Commencement bays in Puget Sound. Because of this strategic location, they offer efficient connections to sea, rail, highway and air transportation networks.

The NWSA ranks among the world's top 50 container gateways with some of the industry's largest container shipping lines calling the Puget Sound. Seventeen international and four domestic shipping lines make regular service calls to the NWSA. The alliance also handles breakbulk, bulk, and auto shipping lines.

Shipping lines have been attracted to the Pacific Northwest because of its proximity to markets for trade, an experienced labor force, natural deep water, available land for expansion, excellent on-dock rail facilities and inland rail service. Rail service is

provided by the BNSF Railway and the Union Pacific Railroad. Currently, approximately 50% of the NWSA import cargo moves out via rail. Excellent highway access is provided via Interstate 5 and Interstate 90.

Through July 2020, the two ports handled about \$35.4 billion of trade. Based on dollar volume, China (including Hong Kong) is the NWSA's largest trading partner. Other leading trading partners include Japan, Vietnam Republic of Korea, and Taiwan.

As the "Gateway to Alaska," the NWSA handles about 3.4 million tons of domestic cargo shipped between the two states annually. Matson, TOTE Maritime Alaska, Northland and Alaska Marine Lines are major shipping lines serving Alaska from the NWSA. Matson also provides service to Hawaii.

The NWSA is both a landlord and an operating organization. The NWSA's maritime marketing efforts focus on attracting cargo and additional shipping lines to its facilities. The NWSA also works with charter shippers and others to move their cargoes through both NWSA and customer-operated facilities in Puget Sound.

The NWSA is a major auto import and processing center, handling vehicles for Kia, Mazda, and Mitsubishi. The Port of Tacoma has a separate facility that processes vehicles from Nissan and Volvo

Additionally, many of the two ports' efforts are focused on industrial development and real estate. They each work to attract major manufacturing and warehouse/distribution centers to King and Pierce counties.

King and Pierce Counties

King and Pierce counties are the first and second most populous metropolitan areas in the state of Washington. The two counties represent a combined population of approximately 3.1 million or 41% of the population of the state of Washington.

Located about halfway between the Oregon and Canadian borders, King and Pierce counties cover 3,916 square miles.

Ports Economic Impact

In 2019, the ports of Tacoma and Seattle announced the results of a joint economic impact study for the

NWSA and the two seaports. The ports serve as a major economic engine for Pierce County, King County, and the state of Washington, creating thousands of family-wage jobs and serving as a catalyst for economic development.

According to the study, in 2017 the two ports' marine cargo activities are related to 58,400 jobs in Washington state that contribute \$12.4 billion in total business output. The two ports' cargo-handling, and leasing activities generate more than \$136 million annually in local and state taxes in Washington.

NWSA Facilities and Services

The ports have licensed to the NWSA facilities related to maritime commerce, including facilities for containerized cargo, automobiles, logs, breakbulk cargo, heavy-lift cargo and project cargoes, as well as intermodal rail terminal operations.

The NWSA's four major waterways – two in Seattle and two in Tacoma – provide 33 ship berths on waterways that are about 51 feet deep. The NWSA facilities are located near I-5 and I-90, allowing access to the Puget Sound market and beyond.

BNSF Railway and the Union Pacific Railroad serve the NWSA's nine on-dock and near-dock intermodal rail yards. The NWSA's intermodal rail facilities help save shippers and shipping lines both time and money.

In Tacoma, Tacoma Rail, a division of Tacoma Public Utilities, provides switching and terminal rail service. Arrival and departure tracks help ensure efficient and reliable access to the mainline railroads.

See Figures 1-1 and 1-2 for an overview of The Northwest Seaport Alliance facilities located in Seattle and Tacoma, respectively.

The Northwest Seaport Alliance governance

The NWSA is a separate governmental entity established as a Port Development Authority (PDA), similar to Public Development Authorities formed by cities and counties. In 2015, the ports successfully sought and received an amendment to Washington law RCW 53 that allows the ports of Tacoma and Seattle to form a PDA for management of maritime activities.

The NWSA is governed by the two ports as equal members, with each port acting through its elected commissioners. Each Port Commission is a Managing Member of the NWSA, with each Managing Member being represented by its Port Commission. Votes by the Managing Members require a simple majority from each commission.

Each port remains a separate legal entity, independently governed by its own elected commissioners. Each port has granted to the PDA a license for the PDA's exclusive use, operation and management of certain facilities, including the collection of revenues. Ownership of the licensed facilities remains with the ports, not the PDA.

The ports remain responsible for their own debt and debt service; the PDA will not borrow funds.

The ports set up an initial 50/50 investment in the PDA; operating income is reported monthly and cash is distributed back to the ports at least quarterly. The PDA has its own annual operating budget and five-year capital investment plan.

The ports contribute to capital construction subject to Managing Members approval; capital funding does not come from working capital.

NWSA Managing Members

The Managing Members are the commissions for each of the two ports. The citizens of Pierce and King counties each elect a five-member Port Commission to govern the ports of Tacoma and Seattle. Each Commission seat is elected every four years, on a staggered basis.

The Managing Members are the final authority for approval of the NWSA's annual budget, long-term leases, policies, long-range development plans, and all construction projects and spending in amounts exceeding the authority of the Chief Executive Officer.

The members of the commissions at the time of this publication are:

Port of Seattle

- Stephanie Bowman
- Ryan Calkins
- Sam Cho

- Fred Felleman
- Peter Steinbrueck

Port of Tacoma

- Kristin Ang
- Deanna Keller
- Dick Marzano
- John McCarthy
- Don Meyer

NWSA Managing Members Meetings

Managing Member meetings are open to the public and are held at various locations in both King and Pierce counties.

For the location and agenda for upcoming Managing Member meeting, as well as minutes for previous Managing Member meetings, you can visit the website at www.nwseaportalliance.com.

The NWSA streams all Managing Member meetings live on the website and are archived for future viewing.

Citizens may contact the Managing Members by calling 800-657-9808. Correspondence may be mailed to:

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

Organizational Structure

The NWSA's daily operations are led by the Chief Executive Officer and the NWSA Executive Team. See the Organizational Chart (Figure I-3 on page I-8).

Executive Team

The Executive Team is comprised of the following positions:

- Chief Executive Officer (CEO)
- Two Deputy CEO's
- General Counsel
- Chief Commercial and Strategy Officer

- Chief Financial Officer
- Chief Operations Officer
- Director of Engineering
- Director of Environmental Programs
- Senior Manager for Government Affairs
- Senior Manager for Communications

The Executive Team oversees all business activities and departments, and with the Managing Members, provides long-term strategic direction. The Executive Team ensures compliance with all regulations relevant to NWSA and port activities, including public meetings and information, environmental protection, labor relations, procurement, security, financial management and other issues. The Chief Operations Officer, Director of Engineering and Director of Environmental Programs provide day to day management of some port staff working on both Port and NWSA related items.

Commercial Group

Led by the Chief Commercial and Strategy Officer, the Commercial Group is comprised of the Business Development team, the Marketing & Business Services Team, and the Real Estate team.

Business Development: International and domestic container, breakbulk, and bulk cargo are core business segments for the NWSA. The Business Development team is responsible for cargo and terminal business development and management, and customer service for these cargoes. The Business Development team plays an important role coordinating efforts with the entire supply chain, including customers, terminal facilities, rail roads, and trucking companies. This team pursues and implements operational improvements to enhance overall efficiency at the NWSA's terminals.

As one of the northernmost gateways on the U.S. West Coast, the Pacific Northwest has long been the primary hub for waterborne trade with Alaska, as well as a major gateway for trans-Pacific trade.

The gateway's on-dock and near-dock intermodal rail yards, along with international and domestic rail services to the U.S. Midwest, are key assets and are

an integral part of the NWSA business. Relationship management with Tacoma Rail, BNSF and Union Pacific (UP) and other rail stakeholders are key functions of this team.

While a significant portion of the Business Development team is focused on the container and associated intermodal business, the NWSA has a robust non-container business. Comprised of breakbulk (Roll On and Roll Off also known as RoRo), bulk and auto cargoes, these non-container businesses make a significant contribution to revenue and further diversify the gateway's business portfolio. Additionally, the NWSA's Tacoma Harbor is designated as a strategic military port for transport of military cargoes.

Auto customers of the NWSA include Kia, Mazda, Nissan, Volvo and Mitsubishi. Auto Warehousing Company (AWC), a tenant, is the largest auto processor on the U.S. West Coast and the Port of Tacoma has a separate auto facility with its tenant, Wallenius Wilhelmsen.

Exports of petroleum products and molasses add to the diversified cargo mix.

The NWSA offers competitive rates and full service to all customers. To help facilitate and grow business, the NWSA has trade and business development representation in Alaska, New Jersey, Hong Kong, China, Vietnam, and Korea.

Marketing and Business Services Team: This team supports the Business Development team and is responsible for research, data analysis, advertising and marketing activities. This team also manages and administers the NWSA tariff. It also supports the goals of the Commercial Group by providing strategic market research and business intelligence, cargo volume tracking and forecasting.

Real Estate Team: Non-terminal industrial and commercial properties and facilities in the Seattle and Tacoma harbor are included in the assets assigned to the NWSA. These properties are a significant source of revenue for the NWSA. Real estate personnel are responsible for leasing, divesting and managing the Port's real estate portfolio.

Located in an industrial zone with room for growth, tenants offer a broad range of services for the

NWSA's international and domestic customers including warehousing and distribution, manufacturing and marine services.

Operations Group

The Operations Group is responsible for the daily operations of NWSA facilities at both ports.

The Operations Group provides coordination with vessel arrivals and departures, and with the associated stevedores. The Operations group orders and manages labor at the North Intermodal Yard and other locations in Tacoma, and is also responsible for customer service. The major focus of this department is to ensure the proper processing of all vessels and freight shipments moving through the Puget Sound gateway.

The Operations Department, in conjunction with Tacoma Rail, is responsible for rail service delivery at the Tacoma Harbor intermodal yards. This department also operates the North Intermodal Yard, and is the only port on the U.S. West Coast with dedicated rail services personnel. Both harbors offer competitive rail service via BNSF Railway and the UP Railroad, and are a major gateway for handling discretionary cargo destined for the Midwest.

Support Services

Support services such as maintenance, security, government affairs, communications, engineering, environmental programs, planning and financial services are provided by NWSA staff and / or service agreements between the alliance and the two ports. Costs for these services are charged by the ports to the alliance based on agreed upon methodologies including direct charge and purchased services.

Commitment to Fiscal Stewardship

The NWSA is intended to support the credit profiles of both ports, and its financial framework is intended to preserve both ports' commitment to financial strength and fiscal stewardship.

Both ports have a solid track record of prudent financial management and strong financial results, including solid debt service coverage and ample liquidity balances.

The ports are committed to ensuring that existing bond pledges and covenants will not be negatively affected. Outstanding bonds will remain obligations of each individual port.

To maintain the rights of each port's existing bondholders, the charter prohibits the NWSA from issuing debt.

Figure I-1.... Northwest Seaport Alliance Facilities – Seattle Harbor

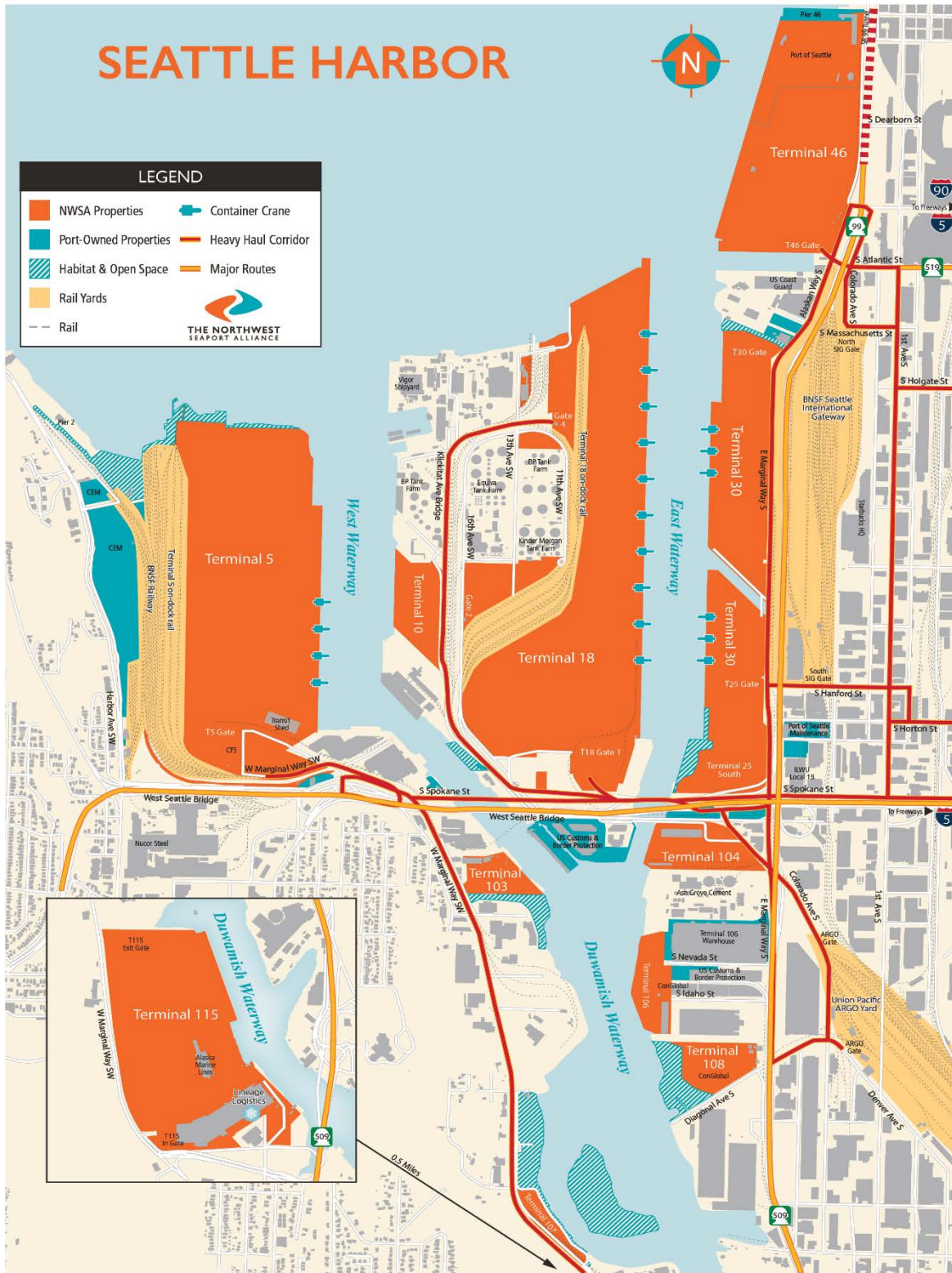


Figure I-2.... Northwest Seaport Alliance Facilities – Tacoma Harbor

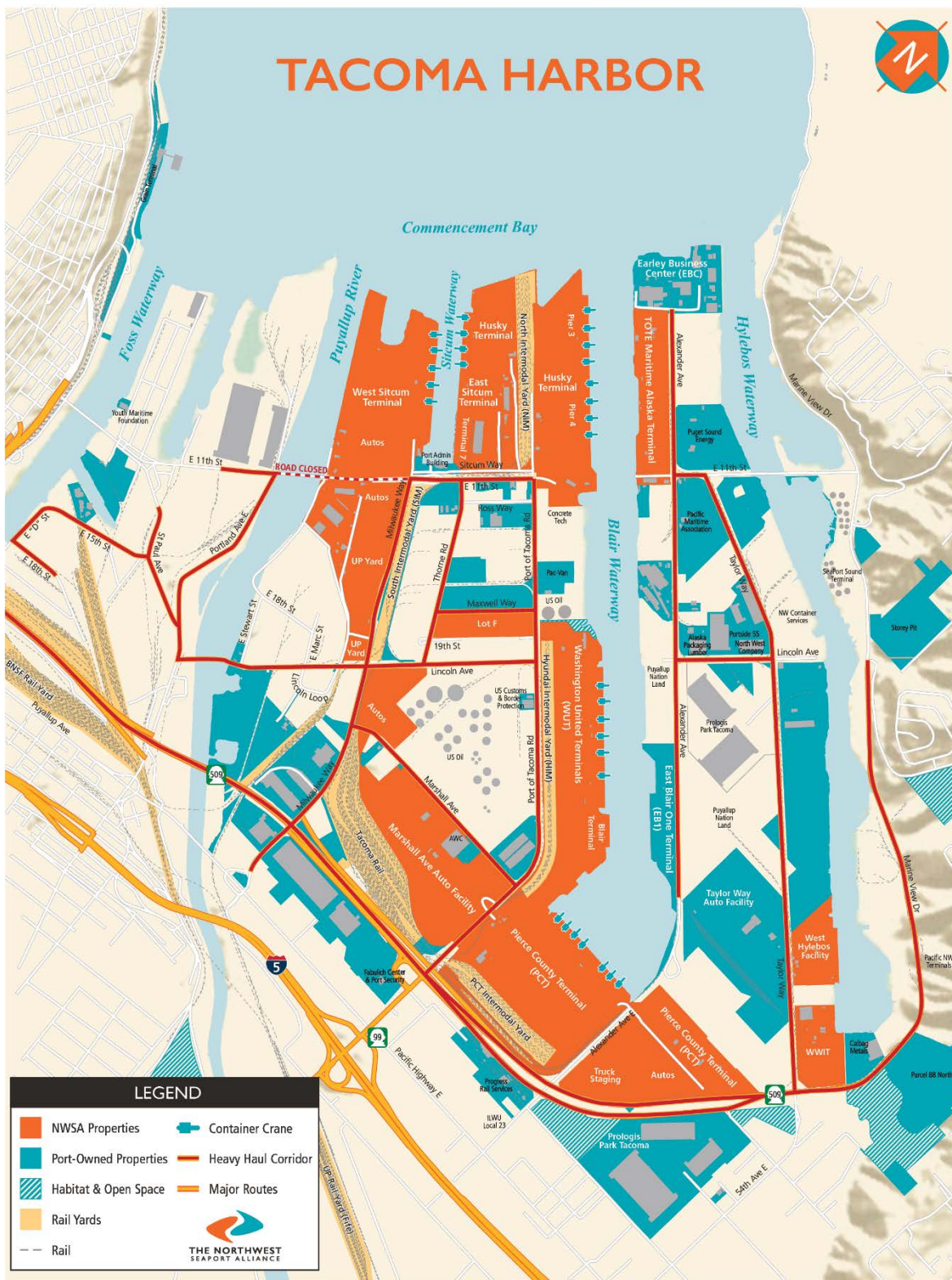
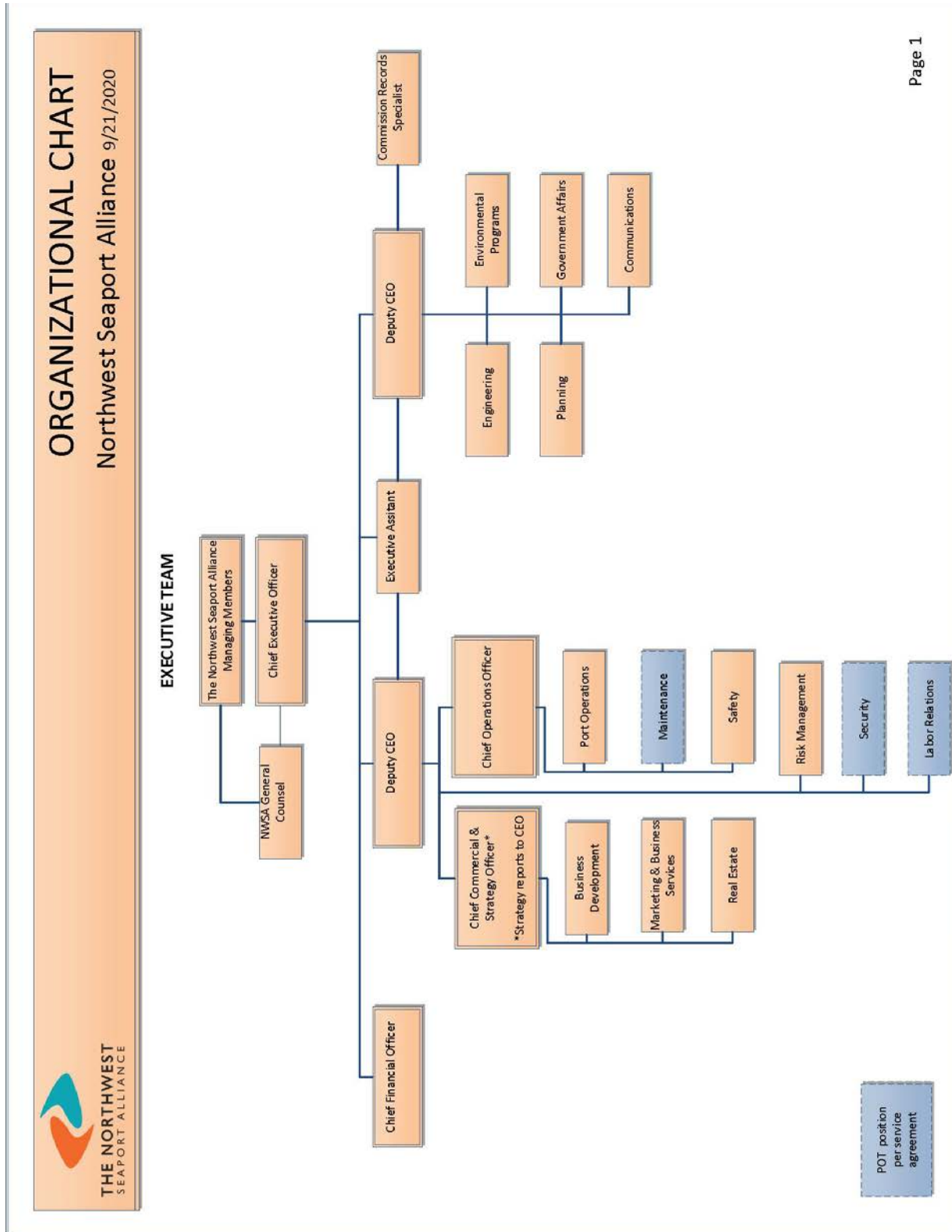


Figure I-3.... The Northwest Seaport Alliance Organizational Chart



II 2021 The Northwest Seaport Alliance Budget Message

NWSA Goals

The NWSA has identified seven strategic initiatives to maintain and grow the maritime business in the Puget Sound. The seven high level strategic initiatives, and supporting priorities are:

1. **Business Development and Commercial Initiatives**

- a. Complete redevelopment of Husky Terminal and Pier 4 in the Tacoma Harbor to increase container throughput and respond to container industry changes
- b. Complete modernization of T5 dock, berth and power infrastructure in the Seattle Harbor to meet future container industry demand, increase throughput, and position The Northwest Seaport Alliance gateway strategically
- c. Maximize gateway cargo potential and diversification and enhance supply chain networks

2. **Gateway Operations**

- a. Enhance cargo and transportation (waterway, roadway and rail) visibility within the gateway to drive improved service delivery
- b. Enhance and improve service delivery key performance indicators (KPIs) with a move toward real-time reporting and analytics
- c. Support Port-area infrastructure investments that support the efficient flow of cargo to and from NWSA facilities
- d. Design and develop appropriate rail support infrastructure in coordination with Tacoma Rail and the Class 1 railroads

3. **Financial Performance**

- a. Effectively Manage Operating Activities to Deliver Expected Financial Results

4. **Environmental Stewardship**

- a. Effectively Manage and monitor the clean truck and clean air strategies and pursue improvements that support the green gateway strategy
- b. Continued focus on water quality at NWSA and tenant run facilities
- c. Develop and implement a green gateway communications strategy

5. **Government Affairs**

- a. Continue to pursue Harbor maintenance tax reform
- b. Support establishment of a Federal West Coast port competitiveness strategy

6. **Planning and Logistics**

- a. Continue engagement in regional transportation and land use planning
- b. Complete a facilities infrastructure plan
- c. Leverage grant opportunities to fund strategic cargo facilities and infrastructure
- d. Support harbor deepening and maintenance dredging in both harbors

7. **Planning and Logistics**

- a. Engage and participate in Diversity, Equity and Inclusion (DEI) training
- b. Continue development and implementation of applications that enhance the business and provide a competitive advantage

Budget Environment

The NWSA operates principally in two industries: terminal services and property rentals. Terminal services involve marine-oriented services including dockage, cargo-handling, storage and related activities. Property rentals include facilities and land used for container terminals, industrial activities, and storage.

As described in further detail in Section III, increased competition from Canadian ports as well as ports located on the U.S. West, Gulf and East coasts, have resulted in reduced cargo through the Puget Sound gateway. The expansion of the Panama Canal has made the all water route to the Gulf and East coasts more attractive for cargo owners. Due to decreased demand for terminal space, competition among ports for container business has increased.

The ports of Seattle and Tacoma responded to these conditions by reducing costs and focusing on the needs of our current customers. NWSA staff continue to review both harbor's physical assets to rationalize the facilities and reduce costs where possible.

Revenues

GASB 87: The NWSA has adopted the new accounting standard for leases known as GASB 87 for 2020. Accordingly, a significant amount of revenue has moved from Lease income in Operating Revenue to Lease Interest Income which is included in non-operating revenue. Prior years have not been restated. Year over year comparisons are impacted by the adoption of GASB 87.

The NWSA has both fixed and variable revenue streams. The majority of NWSA's revenue comes from fixed revenue streams, primarily from leased properties. The leased properties are mainly container terminals, buildings, and industrial and commercial land. The NWSA's container terminal leases with shipping carriers can last 20 years or longer depending on carrier requirements. Building and land leases with more than one-year remaining are considered fixed. Minimum crane hours and minimum intermodal lift requirements specified in certain terminal leases are considered fixed.

The balance of NWSA revenue comes from variable services provided to customers. These services

include intermodal lifts for rail car loading above minimums and per unit charges for automobile unloading and breakbulk cargo. Variable revenues also include equipment rental on an hourly basis for crane hours above minimums and straddle carriers used by terminal leaseholders and month to month building or land leases.

2021 Budget

The NWSA has developed an overall operating budget with projected revenue of \$141.7 million net of the GASB Adjustment (\$192 million gross). Operating income is budgeted to be \$28.2 million, resulting in an operating margin of 19.9 percent (reduced from prior years due to GASB 87). The NWSA net distributable revenue of \$84.5 million, which includes grant and interest income and the GASB 87 Interest. Distributable Cash of \$104.5 million will be distributed evenly between the two home ports. Each port's portion of net income will be included as revenue in their financial reports.

NWSA financial performance reflects the investments it is making to successfully complete our customer commitments while meeting the NWSA financial goals. The operating and capital budgets are based on the cargo forecast in Section III.

Capital Investment Plan Highlights

NWSA projects for the next five years reflect a focus on strategic container terminal development in both harbors. With this focus the NWSA has reviewed potential assets for revenue generation to ensure that financial and economic growth goals are met.

Major 2021 – 2025 capital projects include the following:

Seattle Harbor

- T-5 wharf redevelopment, including a rail quiet zone and electrical upgrades in the City of Seattle's substation.
- T-18 dock rehabilitation and stormwater improvements;
- T5 stormwater treatment improvements

Tacoma Harbor

- Husky berth dredge and tenant improvements including shore power
- WUT and PCT fender system replacements
- Ongoing maintenance of facilities

Both Harbors

- Clean air and stormwater investments;
- Investments in numerous environmental remediation and mitigation projects.

The NWSA's 2021 Capital Investment Plan of \$150.3 million represents the first year of the NWSA's 2021-2025 CIP – a package totaling \$370.1 million in new projects and investments. See Section V for additional details on the Capital Investment Plan.

Financial Measures

Financial measures for the NWSA have been developed to monitor financial performance. The two measures are (1) Net Distributable Cash and (2) Return on Revenue (operating income divided by revenue). These measures help ensure that the NWSA is providing the necessary financial performance required by each home port.

Legislative Impact

Transportation Funding

The NWSA relies on an efficient and well-maintained road and rail network to ensure the smooth movement of cargo to and from its facilities. The Washington Legislature made a significant commitment to infrastructure in 2015, passing a 16-year, \$16 billion statewide transportation package. An estimated \$3.3 billion of those funds will be invested in projects benefiting NWSA terminals.

In 2015 Congress passed the FAST Act, a surface transportation authorization bill that established a new freight funding program. In its Fiscal Year 2019 spending bill, Congress appropriated \$292 million for a port-dedicated infrastructure funding program. Prior to these bills, few federal investment tools have been available to ports and other local government when it comes to freight infrastructure. The new program could assist the NWSA in making strategic investments in mission-critical freight infrastructure, such as marine terminals, roads and rail.

Shorepower Infrastructure Funding

Both the ports of Tacoma and Seattle have provided shorepower at some berths. The NWSA continues to pursue additional opportunities to leverage public and private funding for additional shorepower installations, and ensure terminal designs include shorepower capability. Some of these opportunities include Diesel Emission Reduction Act (DERA), State and Federal Volkswagen Settlement (VW) funding, and TransAlta Centralia Coal Transition Grant funds, along with other emerging sources of state funding.

As part of this effort the NWSA has developed a plan for shore power installations throughout the gateway. The NWSA has accepted a DERA grant from the EPA that would contribute \$1 million to the installation for shore power at Husky Terminal, with design underway and construction planned for 2021. The NWSA also received \$1 million from the TransAlta Transition grant funds, and \$1.1 million in state Volkswagen settlement funds to support the Husky shorepower project. This would allow vessels at this Tacoma Harbor berth to shut their engines off and plug into the local electrical grid for their energy needs.

The expansion of shore power capabilities is consistent with the NWSA Strategic Plan and Northwest Ports Clean Air Strategy to reduce particulate emissions and greenhouse gases.

Navigation Improvement Projects

The largest container vessels calling West Coast ports today have over two times the capacity of those that called just five years ago. To remain a competitive trade gateway, the NWSA is taking steps to upgrade our infrastructure to handle these ships. One such step involves the deepening of the navigation channels that serve its facilities. In 2018, the U.S. Army Corps of Engineers completed a Chief's Report recommending deepening in specific areas adjacent to the NWSA's container terminals in the Seattle Harbor. Congress subsequently authorized the project in the 2018 Water Resources Development Act, and design funds were approved in the Corps' FY20 Work Plan. While channels are mostly -51 feet or deeper, some shallower spots present navigational and safety challenges. The recommendation is to deepen the east and west waterway in the Seattle Harbor to -57 feet MLLW.

This will allow the NWSA to handle fully laden ships larger than 18,000 TEUs. Deepening channels to this depth will require a local financial match of federal dollars, which could come from several sources, including the potential for a contribution from the NWSA.

Additionally, the NWSA in 2018 signed a feasibility cost-sharing agreement with the Corps to initiate a feasibility study of navigation improvements to the Blair Waterway at the Port of Tacoma. The study is almost complete, and in May the project passed the Agency Decision Milestone, in which the Corps' Northwest Division approved the proposed plan to deepen the Blair to -57'. Additional study of this plan will take place over the next several months, and a Chief's Report (comparable to the one referenced above in Seattle) is scheduled to be issued in June 2021. The alliance has contributed approximately \$1.5 million over the course of the three-year study, amounting to half of the study's costs.

Harbor Maintenance Tax (HMT)

The HMT is assessed on ocean-going international imports that land at U.S. ports to pay for maintenance dredging of waterways through the HMT Trust Fund. It is not, however, assessed on importers who route cargo through non-US ports and afterwards move the cargo into U.S. markets by land. Moreover, the NWSA has received little, if any, benefit from the fund because its facilities are located on natural deep-water harbors that do not require significant maintenance dredging. Since 1986 the ports of Seattle and Tacoma have sought reform of the HMT to provide a greater return to donor ports, such as the NWSA, and to ensure U.S. tax code does not disadvantage U.S. ports and maritime cargo.

The Water Resources Reform and Development Act (WRRDA) passed by Congress in 2014 included language that, for the first time in 30 years, partially reformed the federal Harbor Maintenance Tax to the

betterment of Puget Sound ports. The bill authorizes up to \$50 million to be distributed to a select group of donor ports and energy transfer ports. The funds can be used for berth maintenance, the navigation-related maintenance dredging and disposal of contaminated sediments, environmental remediation, or rebates to importers. Congress appropriated \$50 million in donor and energy port funding in FY20. This summer U.S. Customs and Border Protection and the U.S. Army Corps of Engineers finally implemented the customer rebate program authorized under Section 2106 of WRRDA 2014 and checks to top NWSA importers were issued in summer 2020.

Conclusion

The realities of the drastic changes in the global economy have led all ports to examine business and operational strategies.

The NWSA is focused on maximizing the use of existing facilities, working with existing customers to keep them competitive and successful, and making strategic infrastructure investments such as the construction of world class terminals in both harbors that position the gateway for long-term growth. Through coordinated investments in maritime assets, the NWSA will help ensure growth in the cargo flow through the Puget Sound.

The NWSA is placing increased emphasis on the importance of developing and strengthening relationships with labor partners, industry stakeholders, customers, local, state and tribal governments and near-port communities in a collaborative effort to achieve the future vision of the NWSA. This vision must include the road and rail infrastructure that ties the whole system together.

Despite the challenging realities of today's global economy, NWSA management is confident that the plans outlined in this budget will help the gateway remain financially strong, competitive and successful.

III Business Outlook

U.S. Economy

Real gross domestic product (GDP), defined as the value of the production of goods, was -31.7 percent in the second quarter of 2020 and -4.8 percent in the first quarter of 2020, two quarters of negative GDP put the economy in recession. The Department of Commerce Bureau of Economic Analysis (BEA) said, "The decline in second quarter GDP reflected the response to COVID-19, as "stay-at-home" orders issued in March and April were partially lifted in some areas of the country in May and June, and government pandemic assistance payments were distributed to households and businesses. This led to rapid shifts in activity, as businesses and schools continued remote work and consumers and businesses canceled, restricted, or redirected their spending. The full economic effects of the COVID-19 pandemic cannot be quantified in the GDP estimate for the second quarter of 2020 because the impacts are generally embedded in source data and cannot be separately identified."

TTX has real GDP at -32.9 percent in Q2 2020 and expects 2020 GDP to be -5.8 percent. Moody's Analytics projects GDP will not return to pre-COVID-19 levels until early 2022. TTX notes that the second half of 2020 is difficult to predict:

- Will COVID-19 resurge and when will there be a vaccine?
- Will the trade war escalate?
- How long will it take before jobs lost due to the pandemic to return?
- How many businesses forced to close are closed permanently?

The U.S. unemployment rate was at 8.4 percent in August 2020 with 1.4 million jobs added for the month. Most job gains in August occurred in retail trade, in professional and business services, in leisure and hospitality, and in education and health services.

According to the National Association of Realtors, pending and existing home sales are up 15.5 percent and 8.7%, respectively, from a year ago. According to

Lawrence Yun, NAR's chief economist, "The housing market is well past the recovery phase and is now booming with higher home sales compared to the pre-pandemic days. With the sizable shift in remote work, current homeowners are looking for larger homes and this will lead to a secondary level of demand even into 2021."

The Conference Board reported August Consumer Confidence Index at 84.8, down from 91.7 in July. According to the Conference Board's Senior Director of Economic Indicators Lynn Franco, "The Present Situation Index decreased sharply, with consumers stating that both business and employment conditions had deteriorated over the past month. Consumers' optimism about the short-term outlook, and their financial prospects, also declined and continues on a downward path. Consumer spending has rebounded in recent months but increasing concerns amongst consumers about the economic outlook and their financial well-being will likely cause spending to cool in the months ahead."

Between 2019 and 2021 many importers declared bankruptcy, with some closing for good and others reorganizing. In addition, many stores, particularly retail, have announced major layoffs and furloughs. The travel and leisure industry, restaurants and retailers have been strongly impacted by the pandemic as layoffs and declining confidence has caused consumers to reduce spending.

Shipping Industry

The global COVID-19 pandemic has impacted economies around the world and contributed to erratic swings in global container volumes over the first three quarters of the year. As noted above, economic shutdowns around the world in the spring to limit the spread of the virus fueled global unemployment and stifled both production and consumer spending. In response to the decrease in demand, container shipping lines removed cellular capacity from the global container trades by blanking, or cancelling, scheduled sailings to consolidate volumes on fewer ships and reduce operating costs. Equitable freight rates through effective capacity management and additional revenues and bunker surcharges calculated based on higher than actual cost for low-

sulfur fuel oil helped most international carriers realize a profit through the first half of the year.

Many retailers postponed or cancelled consumer goods orders with overseas suppliers in the spring in response to the COVID outbreak. The second half of 2020 saw a significant rebound in consumer demand as the US economy re-opened. Inventory replenishment and a surge in e-commerce orders have contributed to record-breaking import volumes, tight capacity and record slot costs for shippers on the China to US West coast trade lane, despite the introduction of additional ships and premium services to handle the higher volumes. Carrier financials should continue to improve assuming no additional shutdowns due to the pandemic and continued effective capacity management.

In response to the US-China trade war and the pandemic, many importers have accelerated efforts to shift sourcing and production to countries in SE Asia or use a "China + X" strategy to diversify the risk associated with being solely reliant on China. There has been a corresponding increase in manufactured imports from Vietnam and other SE Asian economies. In many cases, origin and transshipment ports in SE Asia are geographically closer (and transits shorter) to the US East Coast, which may cause a partial shift of Asia import volume away from west coast ports.

The ordering of ultra large vessels continues. The top nine ocean carriers have 86 vessels of over 10,000 TEUs on order, equaling a capacity of 1.47M TEUs, with expected delivery through 2023.

In 2020, the composition of carriers that make up the various shipping alliances shifted slightly with HMM joining THE Alliance.

- 2M+Z – Maersk, MSC, ZIM
- Ocean Alliance – CMA CGM, APL, COSCO Shipping, Evergreen, OOCL
- THE Alliance – Hapag Lloyd, Yang Ming, Ocean Network Express (ONE), HMM

Major Independent Carriers – Hamburg Sud and SM Line.

Alliances have concentrated capacity in fewer hands allowing ocean carriers to exercise greater control over capacity on major trade lanes through

coordinated changes to vessel sailings, schedules, and transit times. THE Alliance introduced fewer services with larger vessels in the PNW this year. There has also been further consolidation within the trans-Pacific (TP) trade due to the exit of some established carrier brands. APL, a subsidiary of CMA-CGM, announced that it would withdraw to focus exclusively on servicing the US government and its service on the Guam-Pacific trade. PIL, based in Singapore and another trans-Pacific stalwart, will refocus energy on building business in the North-South trades.

Northwest Seaport Alliance Activity

Containers:

Through August 2020, the NWSA has handled over 2.1 million TEUs (twenty-foot equivalent units), a 17.6 percent decrease year-to-date. Year-over-year volume comparisons are clouded by inflated shipping activity in the preceding year when shippers moved cargo ahead of tariffs, particularly on imports from China. Furthermore, current year volumes have been negatively impacted by a significant increase in blanked sailings as carriers removed capacity to align with a decline in consumer demand resulting from the COVID-19 pandemic and the subsequent economic downturn. On the domestic side, the Alaska container market was negatively impacted by the cancellation of the 2020 cruise season. The Hawaii market has been flat.

Container volume is projected to increase next year as the market recovers, however a second surge of COVID-19 would have negative impacts. Factors that could also impact NWSA international volumes include competition from ports in British Columbia, Canada, and other North American gateways or a possible decline in global trade and the global economy resulting from U.S. and international tariffs and trade policy.

Domestic container volume, which accounts for almost 20 percent of total NWSA volume, would be negatively impacted if the 2021 cruise season were delayed or if the economy were to falter again.

Breakbulk:

Breakbulk cargo is comprised of commodities that are either too large or heavy for containerized shipment. In the case of The Northwest Seaport Alliance, this consists largely of building materials, heavy machinery, boats, and agricultural and construction equipment. For 2020, total breakbulk tonnage (both harbors) is estimated to reach approximately 277 metric tons. Volume is forecasted to be 263K metric tons in 2021 with both the trade war and COVID-19 pandemic having negative impacts.

Autos:

NWSA/POT auto units for 2020 are forecasted to be 134K units, down from the previous year. 2020 volumes were impacted by the down economy. If the economy stabilizes, we should see growth in 2021.

Logs:

The Log business was suspended due to the tariffs and has not been included in the 2020 through 2025 forecast or budget.

Molasses & Petroleum:

Petroleum volumes are forecasted to be 637K metric tons in 2020 and essentially flat thereafter.

Molasses volumes are forecasted to be 46K metric tons in 2020 and essentially flat thereafter.

Table III-1.... Cargo Activity Five-Year Forecast

	Actual					Forecast					
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Non-Container Forecast (Thousands of Metric Tons)											
Breakbulk	234	181	211	249	246	277	263	273	277	282	287
Autos	271	246	225	228	306	189	207	222	226	231	235
Logs	237	177	278	117	76	0	0	0	0	0	0
Petroleum	815	612	716	666	636	637	637	637	637	637	637
Molasses	44	44	36	46	47	46	46	46	46	46	46
Total Tonnage	1,601	1,261	1,465	1,305	1,311	1,150	1,152	1,178	1,187	1,196	1,205
<i>Year over Year change</i>	-13%	-21%	16%	-11%	0%	-12%	0%	2%	1%	1%	1%
Container Forecast (Thousands of TEUs)											
International	2,761	2,859	2,995	3,111	3,058	2,536	2,873	2,930	2,992	3,053	3,115
Domestic	769	757	707	686	717	670	698	707	713	718	724
Total TEUs	3,530	3,616	3,702	3,798	3,775	3,206	3,571	3,637	3,704	3,771	3,839
<i>Year over Year change</i>	3%	2%	2%	3%	-0.6%	-15.1%	11.4%	1.9%	1.8%	1.8%	1.8%
Intermodal Yard Lifts*											
Hyundai Intermodal Yard	132,655	172,901	115,858	112,731	124,778	97,729	106,828	90,170	91,072	91,983	92,903
North Intermodal Yard	227,051	226,329	194,502	177,380	178,205	124,840	143,465	162,625	164,251	165,894	167,553
South Intermodal Yard	90,531	84,068	87,659	99,954	86,271	80,154	82,169	82,992	83,824	84,662	85,509
Pierce County Intermodal Yard	81,581	92,270	75,581	62,959	71,310	49,113	57,900	58,479	59,064	59,654	60,251
Total Intermodal Lifts	531,818	575,568	473,600	453,024	460,564	351,836	390,362	394,267	398,211	402,193	406,215
<i>Year over Year change</i>	3%	8%	-18%	-4%	2%	-24%	11%	1%	1%	1%	1%
Log Board Feet	41,679,250	24,921,280	52,706,190	23,161,000	15,192,000	0	0	0	0	0	0
<i>Year over Year change</i>	-17%	-40%	111%	-56%	-34%	-100%	0%	0%	0%	0%	0%
Vehicle Units (NWSA+POT)	183,305	165,687	146,885	146,147	191,822	134,429	182,961	198,353	202,284	206,293	210,381
<i>Year over Year change</i>	4%	-10%	-11%	-1%	31%	-30%	36%	8%	2%	2%	2%

* Intermodal Lifts Reported for South Harbor only

IV Operating Budget

Overview

The NWSA operating budget revenue is based on cargo volume forecasts (see Table III-1, page III-4), existing terminal and property leases and contractual and tariff-generated revenue. Operating budget expenses were projected based on historical information, as well as levels of expenditures required to support the increases in revenue.

From this information, NWSA staff prepared a realistic budget that supports both the strategic priorities and financial goals of the NWSA.

Departmental budgets estimate the expenses that will be generated in support of the NWSA and its businesses. Expenses fall into one of five categories: Administration, Operations, Security, Environmental or Maintenance. Administration expenses are incurred in the day-to-day management of the NWSA. Operations and Maintenance expenses support the day-to-day management of business activities. Security support is provided by each home port. Environmental expenses are a subset of overall environmental spending, and include clean air and clean water activities, and close coordination with each home port on compliance and monitoring activities.

Business budgets are projections of revenues earned and expenses incurred in the operation of a particular business line. In addition, the NWSA expects to receive funds from other sources including user fees, and investment earnings.

Although capital project spending is planned within the capital budget, capital projects will impact operating budgets for future years through new sources of revenues and increased operating expenses and depreciation costs.

Nature of Business

Washington law authorizes ports to provide and charge rents, tariffs and other fees for docks, wharves and similar harbor facilities, including associated storage and traffic-handling facilities for waterborne

commerce. Ports also may provide freight and passenger terminals and transfer and storage facilities for other modes of transportation, including air, rail and motor vehicles. Finally, ports may acquire and improve lands for sale or lease for industrial or commercial purposes and may create industrial development districts.

The NWSA is a joint venture that operates with the two ports as enterprise funds, allowing the NWSA and the ports to operate in much the same manner as a private business. Operating revenues are comprised of charges to its customers to cover costs associated with the service provided and to support investment in future projects.

Balanced Budget

Based on the Government Finance Officers Association (GFOA) Recommended Budget Practices, a balanced budget "is a basic budgetary constraint intended to ensure that a government does not spend beyond its means."

The NWSA defines "balanced budget" in the following way: Total revenues are sufficient to cover operating expenses for the budget year and to offset the cost of capital investments (depreciation) and anticipated debt costs for any planned future capital investments.

Budget Process

The NWSA budget is a guideline used by management to direct strategic and tactical operations. Typically, more projects and spending are budgeted than may actually occur. This conservative approach ensures that the NWSA's financial goals are still met if business conditions support the full budgeted spending.

The NWSA operates on a calendar year budget cycle that must integrate the budget schedule needs of both home ports. The operating budget and the capital budget are the NWSA's plan for meeting the current needs of its customers, and for implementation of the strategic goals.

The annual budget development begins in June and continues through November. The process begins with the development of strategic objectives and initiatives, which are reviewed by the Managing Members and the Chief Executive Officer. The Managing Members and Chief Executive Officer communicate any strategy changes or policy concerns and gather additional input.

Cargo forecasts, available at the beginning of the budget process, are used to develop the variable portion of the operating budget. During a study session, the Managing Members are presented with a draft budget.

In November, a public hearing is held by each home port to allow for public comment, and to adopt the statutory budget and approve the property tax levy for the home ports. The NWSA's operating income is split evenly between the ports and is shown as revenue to the home ports. After the home port Commission approves and adopts its statutory budget, it is submitted, with the related home port resolutions, to the respective County Councils and Assessor Treasurer offices.

Major Assumptions

Major drivers of the 2021 operating budget are a result of economic and industry trends represented in the cargo forecast.

Revenue

- Existing leases continue per existing lease terms and contracts
- Cargo volumes drive equipment and intermodal revenues and expenses
- Auto and breakbulk imports continue to provide revenue diversity
- Tariff rates are projected to increase between 2.5% and 3.0%
- Property lease rental rates will increase as specified in contracts

Direct Expenses

- The NWSA has direct headcount of 54 positions. Salaries are expected to increase by 3%.
- Major operating expenses include construction of non-NWSA owned infrastructure needed for the

development of T5, and ongoing maintenance of terminal paving, bulkheads and fender systems.

- Depreciation for licensed assets at the time of the formation of the NWSA will remain on the books of the home ports. Depreciation of any new investments that are jointly funded will be charged against the NWSA.

Home port services provided

Each home port is providing services to the alliance, and some NWSA personnel are providing services back to the home ports. These services are provided either by direct charge or purchased services through Inter-local Agreements.

Table IV-4 shows the approximate value of Operating, Maintenance, Environmental, Security and Administrative services purchased by the NWSA from each of the home ports and the services purchased by the Port of Tacoma from the NWSA. This table does not include the value of services provided for capitalized and expensed projects.

Estimating Revenues and Expenses

The NWSA uses several different methods of projecting revenues, depending upon the nature and materiality of the revenue item and the projection period. Specific revenue projection techniques include:

- **Historical Data:** Future revenues are based on historical trends with the assumption that they will continue in the future. When using historical data as a means for projecting revenues, the NWSA analyzes as many as 10 years of data to estimate a rate of growth
- **Business Operations:** Terminal lease/rental agreements, grant agreements, and service contracts provide information for this projection method. These projections may be adjusted to reflect the probable impacts of anticipated changes in the economy, legislation and inflation
- **Judgment Estimates:** This method relies on a person knowledgeable in the field, often a department director, who prepares a revenue projection based on awareness of past and present conditions including fee changes, development plans, marketing campaigns, usage

activity, frequency, volume, weight and similar determinations

- **Current Data:** This method predicts future revenue based on actual or annualized current year revenues and often is used when historical data and trends are not available, or if used, would result in an inaccurate revenue projection
- **Volume:** The NWSA uses the five-year cargo forecast to project volume related revenues

Financial Practices

The NWSA manages its operations to maximize its financial capacity - to provide the necessary provide adequate home port debt service coverage ratios.

Financial Tools

- **Cargo Forecasts:** The NWSA maintains a cargo estimate for each of the next five years. (See Table III-1, page III-4)
- **Five-Year Financial Forecast:** A portion of the operating budget is driven by volumes from the cargo forecast while the majority of the revenue comes from major lease contracts. Planned revenue-generating capital projects are aligned with new revenues and expenses in the five-year operating forecast. The operating budget is monitored throughout the year, noting any

variances that may require corrective action. The Managing Members, Chief Executive Officer and Executive Team review these semi-annually

- **Five-Year Capital Investment Plan:** This plan ties directly to the strategy developed during the budget process. Updated semi-annually, it identifies all proposed projects. Some projects are capitalized and impact future year forecasts through depreciation, while others are expensed in the current year
- **Home Port Plan of Finance:** The financial output of the NWSA will be shared evenly between the home ports and is an input into each home port's five-year plan that identifies each port's ability to fund their business objectives
- **Financial Analysis of Investments:** The NWSA reviews significant capital investments and their related assumptions prior to acceptance into the planned capital budget. Revenue-generating projects are expected to earn a return on investment that meets or exceeds the standards
- **Financial Reporting:** The NWSA creates a variety of reports available electronically or in hard copy

For additional information on accounting policies, see each home port's budget and annual financial reports.

Table IV-1...Statement of Revenue, Expenses by Business*

(\$ millions)	2019 Actual	2020 Budget	2020 Forecast	2021 Budget
Operating Revenues				
NWSA				
Container	160.6	119.5	101.5	113.8
Non Container	21.8	22.1	17.0	18.3
Real Estate	12.7	8.3	9.0	9.6
Other	0.0	0.0	0.0	0.0
Total Operating Revenues	195.0	149.9	127.6	141.7
Direct and Maintenance Expenses				
Container	38.1	41.6	40.7	37.8
Non Container	10.8	9.7	9.4	10.4
Real Estate	0.6	1.1	0.6	0.8
Other	13.9	14.3	13.0	17.1
Total Direct Expenses	63.5	66.7	63.7	66.1
Administration	19.7	22.7	19.9	21.3
Security	4.8	5.7	5.6	4.0
Environmental	1.3	2.6	1.8	2.1
Total Operating Expense before Depreciation	89.2	97.7	91.0	93.5
<i>Operating Income before depreciation</i>	105.8	52.2	36.6	48.2
Depreciation & Amortization	11.3	15.4	14.4	20.0
Total Operating Expense	100.5	113.1	105.4	113.5
Income from Operations	\$94.5	\$36.8	\$22.2	\$28.2
<i>Return on Revenue</i>	48.5%	24.6%	17.4%	19.9%
Non Operating Income (Expense)	1.4	47.1	49.1	56.3
Distributable Income before Special Item	96.0	84.0	71.4	84.5
Special Item				
Distributable Income	\$96.0	\$84.0	\$71.4	\$84.5
Distributable Cash + Lease Interest Cash	\$107.2	\$99.3	\$85.7	\$104.5
Bond Income	\$107.7	\$103.7	\$87.5	\$100.0

* 2020 and 2021 includes impact of GASB 87. Amounts may not foot due to rounding.

Table IV-2....Operating Revenue and Expense Detail*

(\$ millions)	2019 Actual	2020 Budget	2020 Forecast	2021 Budget
Property Rental	\$39.8	(\$2.3)	(\$4.0)	(\$3.2)
Sale of Utilities	1.3	1.2	1.2	1.2
Services Marine Terminals	128.1	125.5	108.1	120.3
Equipment Rentals	16.2	16.3	13.3	14.4
Other Revenue	9.7	9.1	9.1	9.1
Operating Revenue	195.0	149.9	127.6	141.7
Home Port Services Provided	21.6	25.3	22.2	21.5
Port Salaries & Benefits	8.8	10.3	9.6	10.2
Outside Services	8.7	10.8	12.9	5.2
Longshore Labor & Fringe	11.5	11.0	8.5	9.4
Direct Expenses	11.5	11.0	9.7	10.6
Marketing & Global Outreach	0.5	0.7	0.5	0.7
Travel & Hosting	0.5	0.7	0.1	0.5
Maintenance	18.1	19.3	19.7	26.5
Office Equipment & Supplies	0.3	0.3	0.2	0.2
Utilities	4.9	4.7	4.9	5.5
Other Employee Exp	0.1	0.1	0.0	0.1
Other Expenses	1.4	1.1	1.1	1.1
Environmental	1.4	2.3	1.6	1.9
Total Operating Expenses before Dep.	89.2	97.7	91.0	93.5
<i>Operating Income before Depr.</i>	<i>105.8</i>	<i>52.2</i>	<i>36.6</i>	<i>48.2</i>
Depreciation & Amortization	11.3	15.4	14.4	20.0
Total Operating Expenses	\$100.5	\$113.1	\$105.4	\$113.5
Operating Income	\$94.5	\$36.8	\$22.2	\$28.2
<i>Return on Revenue</i>	<i>48.5%</i>	<i>24.6%</i>	<i>17.4%</i>	<i>19.9%</i>
Non Operating Revenue and Expenses	1.4	47.1	49.1	56.3
Net Assets Before Special Items	96.0	84.0	71.4	84.5
Increase in Net Assets	\$96.0	\$84.0	\$71.4	\$84.5
Distributable Cash + Lease Interest Cash	\$107.2	\$99.3	\$85.7	\$104.5
Bond Income	\$107.7	\$103.7	\$87.5	\$100.0

* 2020 and 2021 includes impact of GASB 87. Amounts may not foot due to rounding.

Table IV-3.... Statement of Revenues, Expenses and Changes in Net Position*

	2019 Actual	2020 Forecast	2021 Budget	Change from Prior Year Forecast
(\$ Millions)				
Operating Revenue	\$195.0	\$127.6	\$141.7	11.1%
Total Operating Expenses before Dep.	(89.2)	(91.0)	(93.5)	2.8%
Depreciation & Amortization	(11.3)	(14.4)	(20.0)	38.7%
Operating Income	94.5	22.2	28.2	27.0%
Non Operating Revenues (Expenses)				
Lease Interest Income	0.0	49.0	50.3	2.8%
Interest Income	1.7	1.1	0.5	-53.7%
Premium Discount	(0.1)	(0.1)	0.0	-100.0%
Market Value Adjustments	0.4	0.1	0.0	-100.0%
Non-Capital Grant Income	0.1	0.9	1.0	14.5%
Capital Grant Contributions	3.8	1.9	7.8	321.8%
Other Non Operating Revenue (Expense)	(4.4)	(3.6)	(3.3)	-7.7%
Total Non Operating Income (Expense)	1.4	49.1	56.3	14.6%
Net Distributable Revenue (Net Income)	96.0	71.4	84.5	18.5%
Distributable Cash + Lease Interest Cash				
Net Distributable Revenue (Net Income)	96.0	71.4	84.5	18.5%
Add Depreciation and Amortization	11.3	14.4	20.0	38.7%
Distributable Cash* + Lease Interest Cash	107.2	85.7	104.5	21.9%
Net Position				
Net Position beginning of year	284.0	353.4	492.0	39.2%
Add Contributions and Expected Capital Construction	88.6	153.0	134.6	-12.0%
Add Net Distributable Revenue (Net Income)	96.0	71.4	84.5	18.5%
Less Cash Distributions	(115.2)	(85.7)	(104.5)	21.9%
Net Position end of year	\$353.4	\$492.0	\$606.7	23.3%

* Per charter section 5.3 and charter definition 1.1 (p)

* 2020 and 2021 includes impact of GASB 87. Amounts may not foot due to rounding.

Table IV-4.... Summary of Allocations and Direct Charges*

(\$ Millions)	2019 Actual	2020 Budget	2020 Forecast	2021 Budget
Port of Tacoma to NWSA	\$30.4	\$34.6	\$31.8	\$31.6
Port of Seattle to NWSA	\$8.7	\$9.3	\$8.4	\$9.3
NWSA to Port of Tacoma	\$1.2	\$1.3	\$1.2	\$1.0

Table IV-5.... Six-year Statement of Revenue, Expenses and Change in Assets*

(\$ millions)	2020	2021	2022	2023	2024	2025
Operating Revenue	\$127.6	\$141.7	\$151.3	\$158.7	\$164.2	\$166.3
Total Operating Expenses before Dep.	(91.0)	(93.5)	(92.5)	(98.2)	(96.0)	(97.0)
Depreciation & Amortization	(14.4)	(20.0)	(23.3)	(23.8)	(29.8)	(31.4)
Operating Income	22.2	28.2	35.6	36.7	38.4	37.9
Grant Income	2.7	8.8	5.9	0.0	0.0	0.0
Lease Interest Income	49.0	50.3	51.6	49.3	53.2	50.7
Other Non Operating Income	(2.5)	(2.8)	(8.3)	(0.1)	(0.1)	(0.0)
Net Distributable Revenue	71.4	84.5	84.7	85.9	91.6	88.5
Distributable Cash + Lease Interest Cash	\$85.7	\$104.5	\$108.0	\$109.7	\$121.4	\$119.9
Bond Income	\$87.5	\$100.0	\$110.4	\$109.8	\$121.5	\$120.0

The NWSA is required by the charter to provide at least \$53 million in Bond Income every year to provide adequate cash to the homeports to pay bondholders of bond issues outstanding at the time of the NWSA formation. Table IV-6 provides a forecast of the Bond Income.

Table IV-6.... Six-year Bond Income*

(\$ Millions)	2020	2021	2022	2023	2024	2025
Operating Revenue	127.6	141.7	151.3	158.7	164.2	166.3
Add Non Operating Revenue	52.7	59.7	57.5	49.3	53.3	50.7
Less Capital Grants	(1.9)	(7.8)	(5.9)	(0.0)	0.0	0.0
Less Operating Expenses before Depreciation	(91.0)	(93.5)	(92.5)	(98.2)	(96.0)	(97.0)
Bond Income	\$87.5	\$100.0	\$110.4	\$109.8	\$121.5	\$120.0

* Amounts may not foot due to rounding.



Heavy equipment offloading at EB1
Breakbulk Terminal

V NWSA Capital Investment Plan

Overview

The Northwest Seaport Alliance invests in projects to increase the capacity, extend the life or improve the safety or efficiency of alliance-managed property and equipment.

The five-year Capital Investment Plan (CIP) identifies all projects planned or underway. The CIP provides a mechanism for tracking and managing project budgets and cash flows for five years into the future. Table V-1 shows planned spending on capitalized projects for the five-year time frame. Projects are associated with a program that fall under one of the businesses or under a category called "Infrastructure."

Although funds for a project are included in the CIP, the project is not automatically authorized to proceed. The alliance Managing Members review and approve each project individually. Projects must have the necessary permitting before proceeding.

To achieve its goals, the alliance continues to invest in revenue-generating capital projects that support its businesses. Although the home ports are responsible for the general infrastructure in each respective county, the alliance may also invest in infrastructure projects that support the NWSA's maritime business, as well as increasing rail and road transit of cargo within boundaries between the ports of Seattle and Tacoma. Often, these infrastructure projects are expensed versus capitalized due to accounting requirements.

In addition, environmental projects are planned for meeting or maintaining regulatory requirements, including the development of mitigation and remediation projects. Projects may be expensed or capitalized according to accounting rules.

Summary of Major Projects

By the close of 2020, the NWSA will have completed or neared completion of the following capital projects:

- Upgraded stormwater system at T18
- Repaired T-46 wharf
- Completed significant portions of phase one berth modernization construction at T5
- Funded tenant improvement at Husky
- Completed office improvement for Customs and Border Protection services in Tacoma

The 2021-2025 Capital Investment Plan focuses on the following strategic and maintenance projects:

Strategic investments:

- Completion of phase 1 and phase two berth modernization at North Harbor Terminal 5 and associated infrastructure requirements
- Rehabilitation of T18 and T46-south wharfs
- Rehabilitation of the T46 bulkhead
- T5 stormwater treatment system
- Berth dredging and shore power at Husky

Maintenance investments:

- Replace fender system at WUT and PCT
- Maintenance and rehabilitation of assigned assets

The alliance has a strong commitment to the protection and improvement of the environment. Examples of this commitment include the Clean Truck Program, the Northwest Ports Clean Air Strategy, and significant investment in storm-water improvements.

Strategic development efforts focus on serving existing customers, attracting new customers and building a diverse, dynamic and resilient business base.

Table V-1....Planned Capitalized Project Spending

(\$ Millions)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Historical Capital	80.5	66.7	77.8	82.1						
Planned Capital					153.0	134.6	61.4	18.7	23.5	73.0
Grand Total	\$ 80.5	\$ 66.7	\$ 77.8	\$ 82.1	\$ 153.0	\$ 134.6	\$ 61.4	\$ 18.7	\$ 23.5	\$ 73.0

Capital Investment Plan Priorities

To efficiently allocate human and financial resources, the alliance uses a capital project prioritization methodology. For internal management, the alliance uses two categories:

- **Open:** These are ongoing projects or projects ready to move forward that have customer commitment or a high degree of certainty. Only open projects are included in the budget.
- **Estimate:** These are projects based on an identified business need or opportunity but have not been fully developed in scope and cost.

Capital Investment Plan Projects by Purpose

The alliance classifies CIP projects into three types, (as shown below in Table V-2):

- **Revenue-Generating:** Projects developed for a specific customer that will result in a new revenue stream. The NWSA has designated Port-generated operating cash and revenue bonds to fund most of these projects.
- **Revenue Renewal:** Projects developed to renovate or replace obsolete or aging revenue-producing assets. These projects serve to extend existing revenue streams or ensure existing streams are not lost and may offer additional revenue if replacements enhance the efficiencies of operations or offer additional capabilities or value. The ports have designated port-generated operating cash or revenue bonds to fund most of these projects and may use capital leasing through equipment suppliers or financial institutions.

- **Infrastructure:** Projects developed to enhance infrastructure, support multiple or future customers or to enhance public infrastructure. Sometimes, other public agencies may participate in funding that otherwise comes from port-generated operating cash, the property tax levy, and general obligation bonds or revenue bonds. They often are complex in nature, with multiple public agencies involved in the planning process and execution.

Table V-3 shows Open (excludes estimate) project expenditures during the five-year planning horizon as categorized by accounting treatment.

Accounting rules require some spending to be capitalized and depreciated over time, while other spending is expensed as incurred.

Table V-3 shows that the NWSA intends to implement \$370.1 million worth of planned projects (capitalized and expensed) in the next five years, with \$150.3 million of that total earmarked for 2021. Non-operating and operating projects will be expensed as incurred and are included in the operating budget.

Table V-4 shows the five-year CIP by Line of Business.

Table V-5 shows the expected increase in depreciation when planned projects are completed. The CIP is the total expected spending of 112 projects, 47 of which are capitalized and 65 expensed as incurred. The expensed projects are captured as expenses in the current year budget and four-year operating forecast as incurred. The costs of the capitalized projects are captured as depreciation expense over the estimated life of the projects that may extend beyond five years. The alliance expects depreciation expense will increase when the redevelopment of Terminal 5 is complete and are in-service.

Table V-2....Five-Year Planned Capital Investment Plan by Purpose

(\$ Millions)

	2021	2022	2023	2024	2025	Total
Infrastructure	\$5.0	\$6.4	\$5.0	\$5.0	\$5.1	\$26.5
Renewal	32.2	13.1	18.0	25.6	74.3	163.1
Revenue	113.1	59.1	7.9	0.4	0.0	180.5
Grand Total	\$150.3	\$78.6	\$30.9	\$31.0	\$79.3	\$370.1

Amounts may not foot due to rounding

Table V-3....Five-Year Planned Capital Investment Plan by Accounting Treatment

(\$ Millions)

	2021	2022	2023	2024	2025	Total
Capitalized	\$134.6	\$61.4	\$18.7	\$23.5	\$73.0	\$311.2
Operating Expense	12.6	9.2	12.2	7.5	6.3	47.7
Non-Operating Expense	3.1	8.1	0.0	0.0	0.0	11.2
Grand Total	\$150.3	\$78.6	\$30.9	\$31.0	\$79.3	\$370.1

Amounts may not foot due to rounding

Table V-4....Planned Major Projects by Line of Business

(\$ Millions)

	2021	2022	2023	2024	2025	Total
Container Business	\$136.4	\$52.5	\$22.3	\$22.6	\$71.2	\$304.9
Non Container Business	1.9	2.5	0.3	0.4	0.1	5.2
Infrastructure	12.0	23.6	8.3	8.0	8.1	60.0
Grand Total	\$150.3	\$78.6	\$30.9	\$31.0	\$79.3	\$370.1

Amounts may not foot due to rounding

Table V-5....Depreciation Impact Due To Capitalized Projects

(\$ Millions)

	2021	2022	2023	2024	2025	Total
Container Business	\$ (6.0)	\$ (9.7)	\$ (9.9)	\$ (16.4)	\$ (18.4)	\$ (60.4)
Non Container Business	(0.2)	(0.3)	(0.5)	(0.5)	(0.5)	\$ (1.9)
Real Estate	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	\$ (0.1)
Grand Total	\$ (6.2)	\$ (10.0)	\$ (10.4)	\$ (16.9)	\$ (19.0)	\$ (62.5)

Amounts may not foot due to rounding

Capital Investment Plan Project Descriptions

The NWSA's five-year CIP has been categorized on a business basis, as shown in Figure V-1. The following section provides details of major planned improvements within each business and only includes major projects and equipment.

Container Terminals Business

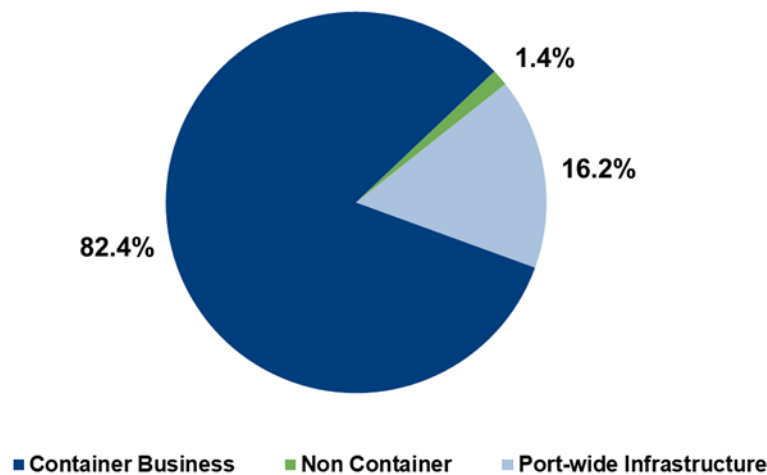
Planned capital expenditures for container terminals will total approximately \$304.9 million over the next five years. The CIP for this business will provide the

funds necessary for the construction of major terminal improvements at the North Harbor Terminal 5; dock rehabilitation at T-18, and T-46, berth dredging and install shore power at Husky terminal and fender replacements at various terminals.

Non-Container Business

Approximately \$5.2 million will be spent on facility improvement for terminal operations and auto businesses.

Figure V-1...Five-Year Capital Investment Plan by Line of Business



Alliance Infrastructure

This section includes capital expenditures that are not specific to a single business and are in support of the alliance's infrastructure or environmental improvements.

- Environmental Programs: These projects include reduction and monitoring of emissions, and ongoing cleanup projects. This also includes the Clean Truck Program, which provides matching funds and incentives to help cover the cost of replacing older trucks with cleaner new trucks.
- Technology: The alliance continues to invest in an operations service center that will allow

customers and cargo owners to track their cargo as it moves through the gateway.

Capital Investment Plan Revisions

The CIP is an integral part of the budget planning process and is reviewed and revised semi-annually. Adjustments in amount and timing are made as required to meet changes in customer or infrastructure requirements.

The alliance maintains sufficient cash reserves to meet the CIP requirements, as well as any unexpected capital requirements, without adversely affecting the ongoing operations of either ports.

VI Environmental Stewardship and NWSA Planning

Environmental stewardship is a high priority for the NWSA. The NWSA Environmental Stewardship Framework has been put into action. Specifically, working with our stakeholders, the NWSA developed a Best-In-Class approach built on a foundation of the following:

- Environmental, economic and financial business decision planning/making are fully integrated;
- Responsive to market and community; and,
- Drives innovative, cost-effective and sustainable solutions.

Program areas of emphasis include:

- Water Quality
- Air Quality and Sustainable Practices
- Remediation
- Habitat Restoration
- Planning
 - Transportation
 - Land Use
 - Facilities

In 2021, the NWSA plans to focus its environmental efforts on water and air quality and greenhouse gas reductions, with the bulk of that work on NWSA licensed properties. The NWSA plans to develop additional sustainability strategies to help shape future leasing strategies.

In addition, the NWSA has partnered with the Port's of Seattle and Tacoma along with other key industry, environmental, state and federal stakeholders to develop a large commercial vessel Quiet Sound program. This program will be managed by Maritime Blue and will study and promote ways to reduce noise impacts to Orca and other marine mammals in Washington State Waters. The Ports of Seattle, Tacoma and the NWSA have committed a total of \$100,000 in 2021 towards this effort to expedite the program's implementation.

Water Quality Program

NWSA's water quality team is comprised of professionals with experience in site inspection, monitoring, project development and delivery, and policy analysis. The goal of this program is to work with internal and external stakeholders to design highly effective, low cost treatment and compliance solutions that meet or exceed Washington State's high water quality standards.

Industrial Stormwater Management Program

The NWSA partnership is the framework for an industrial stormwater management program that is a collaborative effort engaging customers, agencies and environmental organizations in both the Seattle and Tacoma harbors. The goal of the program is to discuss emerging stormwater issues, common problems and solutions and provide stormwater technical assistance to our customers at their request. Staff engage in extensive stakeholder outreach that includes customers, regulators, and environmental organizations.

Research and Develop Cost-Effective Means to Manage Stormwater

The NWSA continues previous work initiated separately by the two ports. The NWSA implements innovative cost-effective treatment methods in the field in an effort to focus in on practical, effective stormwater Best Management Practices (BMPs). This includes conducting pilot studies of new and existing treatment infrastructure results of which are shared with tenants and stakeholders.

Source Control

Controlling pollutants at or near the source is the most cost-effective way of reducing impacted stormwater runoff, managing the risk of costly corrective actions for treatment, and reducing the cost of operations and maintenance of installed stormwater treatment systems. NWSA WQ staff work with customers (as requested) to identify pollutants close to the source and eliminate the source where possible. Using a stepped approach like this, the WQ

team assists customers with effective, cost-effective solutions.

Seattle Harbor Focus

Most Seattle Harbor tenants have installed stormwater treatment at their facilities. The challenge going forward is to reduce the cost of operating and maintaining these systems and, if possible, prevent or eliminate the need for stormwater treatment in selected areas. The Water Quality team continues to focus on maintaining relationships with tenants/customers and working with them to implement at-source and near-source BMPs with these goals in mind. In 2021, WQ staff will spend time with tenants walking their site operations and comparing that to their SWPPPs to help the tenant understand the importance of consistency between operations and plans.

Tacoma Harbor Focus

Many Tacoma Harbor tenants are coming out of consistent attainment with benchmarks for water quality parameters under the Industrial Stormwater General Permit. The Water Quality team continues to work with tenants/customers to implement at-source and near-source BMPs to facilitate cost-effective and successful solutions, and to focus on tenants/customers that may face site challenges to meet water quality criteria or regulatory policy issues. In 2021, WQ staff will spend time with tenants walking their site operations and comparing that to their SWPPPs to help the tenant understand the importance of consistency between operations and plans.

Stormwater Development/Redevelopment

Coordination with each home ports' stormwater permit programs ensures site-specific stormwater requirements are met. This includes the design of appropriate treatment systems and/or system selection based on proposed land use and typical discharges associated with site-specific activities. Projects include redevelopment of terminals in both harbors. Both home ports have developed Stormwater Management Guidance Manuals which give specific guidance for development and redevelopment projects to ensure compliance with MS4 requirements.

Projects

Tenant assistance projects in both harbors include installing downspout treatment boxes, infrastructure assessments to identify potential deficiencies, and source control site visits to assist tenants/customers.

Seattle Harbor Projects

Design for the redevelopment of Terminal 5 is 90% complete. As part of those efforts the NWSA focused on cost-effective stormwater treatment solutions as the facility is updated in partnership with its customer, SSA Marine. The project goal is an effective treatment system that protects the water quality of the west waterway. The project received a \$5M grant from the Department of Ecology's Water Quality program for the phase 1 installation of treatment on 137 acres of the terminal. This is the first grant given to a port and a facility subject to the ISGP. This is the largest grant Ecology has given to support a stormwater facility project.

T-18 is installing its last treatment system. SSA Marine chose a system based on what worked best on the terminal by looking at previously installed projects in four other drainage basins. SSA Marine installed modular wetlands, open media filtration systems and active chemical treatment, Chitosan Enhanced Sand Filtration. The active chemical treatment system was selected for the last drainage basin due to its predictable results in meeting permit benchmarks and O&M costs

Tacoma Harbor Projects

The NWSA has successfully completed the treatment installation at the West Sitcum Terminal and turned over the operating permit to the customer in January 2020. Additionally, the NWSA installed a membrane filtration device and pipe that treats water from the NIM and Maintenance areas and completely bypasses Husky's terminal. This project will allow Husky to install a lower flow and cost treatment system for their terminal operations.

2021 Goals

In 2021 the NWSA water quality team will assist SSA in completing the construction of the Phase 1 stormwater treatment system at T-5 for 137 acres. The team continues to assist other tenants as

requested. In 2021 the NWSA Water Quality (WQ) team will continue to work with tenants on stormwater pollution prevention plan (SWPPPs) updates, pilot additional media blends at the Port of Tacoma Maintenance yard and in the downspout treatment boxes at the T-5 transit shed, and work on the EB1 facility to improve system performance. Additionally, the WQ team will engage with national groups and agencies to advocate for national permit standards for Port Facilities.

Air Quality & Sustainable Practices Program

The Air Quality & Sustainable Practices Program jointly serves the Port of Tacoma and The Northwest Seaport Alliance and focuses on two goals:

1) reducing – and, ultimately, phasing out -- air and climate pollution from seaport related activities; and 2) promoting environmentally sustainable corporate practices. The program collaborates with a wide range of internal and external partners to develop, find funding for, and implement a suite of initiatives, including the Northwest Ports Clean Air Strategy (NWPCAS), the Clean Truck Program, and the Shore Power Program. In addition, the NWSA works to continuously improve the environmental sustainability of its services and operations. In 2020, the team focused the majority of their efforts on updating the NWPCAS, including significant community engagement, stakeholder input and project planning.

Key 2021 goals for the Air Quality & Sustainable Practices Program include the following:

- Finalize, adopt, and begin execution on both the Northwest Ports Clean Air Strategy (NWPCAS) and a customized implementation plan for the NWSA;
- Continue to manage the Clean Truck Program, including the domestic truck scrapping program, outreach and assistance to truckers and terminal operators, and truck data management;
- In collaboration with the Port of Tacoma, Tacoma Public Utilities, and others, launch the Tacoma Harbor Electrification Roadmap (SHERM) to assess the infrastructure needs associated with transitioning to zero-

emission vehicles, equipment, and operations;

- Support implementation of a project at the South Intermodal Yard to replace six diesel-powered yard tractors with zero-emission, all-electric tractors;
- Support shore power design and installation at T-3/T-4 and pursue additional funding for shore power design and installation at T-18;
- Continue to identify, pursue; and secure other grants and other external financial and technical assistance to help advance the NWSA's clean air, climate, and sustainability goals. Continue to partner with the Commercial and Operations teams to highlight and leverage our efforts to position the NWSA as a relatively low-carbon corridor for cargo traveling between the US and Asia;
- Finalize WSU air emissions impact study and integrate findings into NWPCAS implementation; and
- Facilitate the newly formed joint Port of Tacoma/NWSA Clean Air & Climate Action Team (C-CAT), a cross-departmental team to guide implementation of the NWPCAS and the NWSA's associated implementation plan.

Planning & Logistics

The Planning & Logistics Team provides a range of services from strategic to site planning. Some of our primary services include planning for marine terminals and supporting infrastructure, land use planning and advocacy, optimizing port operations and determining the operational and feasibility of new port and marine investments. Planning also coordinates baseline studies and analyses to inform decision-making about development opportunities and operations.

Planning Overview:

- **Facility Planning:** Planning has experience with developing port industrial lands, industrial warehouse location and conceptual layout development and analysis.

- **Operations, Planning, and Research:** Planning supports Port Operations in optimizing gates and terminals, analyzing traffic flow and circulation, and evaluating new communications and data collection technologies.
- **Project Feasibility Development:** The Planning Team maintains a general understanding of all focus areas within the department, to assist with opportunity assessment review and strategic port planning.
- **Economic and Financial Analysis:** Planning coordinates and supports cost benefit studies, economic risk analysis, financial analysis, market studies, multi-modal and system optimization of transportation networks, and defining development concepts and economic strategies.
- **Strategic Planning:** Planning leads the development of strategic plans and supports transportation advocacy and facility planning. The Planning Team reviews and provides comment on new and updated local, state, and federal policy and regulatory documents to protect the interests of the Port. These plans can range from State Freight Master Plans to City Comprehensive Plans.
- **Grant Coordination:** Planning helps coordinate grant application efforts to ensure a unified and sensible approach. We look for grants to help offset the cost of facility, technology, and planning work whenever feasible. Our coordination efforts encompass tracking priority projects and possible grants, and keeping up to date on the progress of projects that benefit from grant dollars. We provide communications and staff support to the Grant Steering Committee.

2021 Planning Goals

The major goals for 2021 include , leading a resiliency assessment study, coordination of Seattle Master Use Permit (MUP) operational condition requirements for Terminal 5, coordination and technical support for Sound Transit on ST3 link extensions north and south and Sounder expansion, technical support for the West Seattle Bridge closure, advocacy at Puget Sound Regional Council, Commercial support for new business opportunities, and continued coordination with the NWSA Government Relations, Operations, and Commercial teams, and coordination of grant opportunities. Planning will also lead the homeport of Tacoma’s work on the Tideflats Subarea Plan and finalization of the Port of Tacoma Strategic Plan. This overlap will help ensure that those key planning/land use and strategic documents take into account the NWSA and its desired opportunities for growth.

Appendix A Bond Income Calculation

The Northwest Seaport Alliance Charter requires the establishment of a Bond Income Calculation. Section 4.2 (b) states:

Bond Income Calculation. Managing Members shall establish and maintain a requirement for the PDA to calculate and establish a minimum level of net income available to pay revenue bond debt service for each Managing Member from the PDA equal to the amount currently required for the Homeports to meet their current bond rate covenants for bond issues outstanding at the time of the formation of the PDA. ("Bond Income Calculation"). In the case of the Port of Seattle, the Bond Income Calculations excludes bonds issued to fund Airport Facilities. The Managing Members shall require the Bond Income Calculation to be reviewed annually as part of the PDA budget process and the Managing Members may adjust the Bond Income Calculation so long as it does not cause any Managing Member to fail to comply with its rate covenant. The PDA may not take any action that reasonably would reduce PDA income below the minimum level established by the Bond Income Calculation unless each Homeport separately votes to approve that action. Such a vote by each Homeport must occur even if the action is within the CEO's authority under the Delegation of Authority Master Policy.

The Northwest Seaport Alliance Charter also specifies required actions associated with each homeports bond rate coverage management. Section 4.2 (c) states:

If net income before depreciation of the PDA is not sufficient for either Homeport to be in compliance with a rate covenant (as currently described in each Homeport's Master Bond Resolutions in effect as of the Effective Date), then:

- (i) Upon that Homeport's request, the PDA shall hire an independent third-party consultant to perform analysis and make recommendations for actions needed to achieve bond covenant compliance.
- (ii) If the consultant recommends an action that the PDA is unwilling, unable or refuses to undertake, either Managing Member can require dissolution of the PDA following the dispute resolution process even if within the Initial Period.
- (iii) The PDA shall have at least four months to respond, act and or dissolve following its receipt of the consultant's recommended action, unless a shorter time is required by the applicable bond covenants.

The Managing Members established the Bond Income Calculation as \$90 million based on the then currently outstanding debt of each Port, the applicable rate covenants and certain other net revenues available for debt service, as appropriate. Due to refunding of bonds outstanding at the time of the formation of the NWSA, the Managing Members approved a reduction of Bond Income to \$52.65 million effective January 1, 2021.

Appendix B Capital Construction

The Northwest Seaport Alliance Charter requires the funding of Capital Construction. Section 3.12 states:

Separate from Working Capital, the PDA shall provide for the funding of capital expenditures (“Capital Construction”) to be funded by a pro rata initial contribution from each Managing Member based on their respective Membership Interests. Managing Members may approve by vote contributions to Capital Construction in amounts other than based on each Managing Members’ pro rata respective Membership Interests on a project-specific basis. Requests for funding Capital Construction shall be based either on the CEO’s periodic projection of PDA capital project cash flow needs or based on project authorizations to the CEO in accordance with the Managing Member’s Delegation of Authority Master Policy Resolution. Managing Members may consider requests for additional contributions to the PDA, the affirmative approval of which will require a vote by each Managing Member. Capital Construction shall be funded by each Managing Member separately and not from Working Capital except to provide short term liquidity per Section 3.7. Distributions of Capital Construction funds will be made expressly subject to either (1) Managing Member approval of capital projects or (2) CEO approval of capital expenditure, where such expenditure is within the levels set in the Delegation of Authority Master Policy.

The Managing Members established the initial Capital Construction as \$27 million based on the proposed 2016 NWSA Capital Improvement Plan. Additions to NWSA Capital Construction have been made as necessary to fund Managing Member approved projects.

Appendix C NWSA Full Time Personnel

<i>As of October 7, 2020</i>	NWSA			
	2019 Actual	2020 Budget	2020 Actual	2021 Budget
Executive	11	13	12	11
External Affairs (Public Affairs & Communications)			-	2
Commercial Business	20	23	20	21
Operations	9	11	9	10
Facilities Development	8	9	9	10
Total	48	56	50	54

The 2021 staffing budget of \$10,226,513 includes the following:

- \$6,989,042 for salaried employees and \$92,265 for hourly employees which includes;
 - \$145,702 for annual pay increases for salaried employees starting April.
 - \$17,141 for annual recognition program paid to salaried employees in April.
 - \$17,141 for marketplace adjustment for salaried employees during the year.
 - Hourly employees will receive a 3.25% raise in April per contract.
 - Average salary of \$126,973.
- Total benefits of \$3,141,206

Changes in NWSA Full Time Personnel from prior budget

- Executive: 1 position moved to Port of Tacoma, 1 eliminated
- External Affairs: 2 new positions
- Commercial Business: Eliminated 2 positions
- Operations: 1 position eliminated
- Facilities Development: 1 position increase transferred from POT

Appendix D NWSA Memberships

Overview

The NWSA and alliance staff are members of several organizations. The NWSA believes that participating in these partnership organizations plays a key role in advancing the NWSA's business objectives and ensures NWSA staff is knowledgeable and productive. These memberships are in addition to, or supplement the home port memberships.

Port Authority Organizations

These memberships assist the NWSA's lobbying efforts on both the state and national levels and keep staff informed about major issues and developments that affect NWSA operations. Membership with the Washington State Public Ports Association remains with the home ports.

Economic Development Organizations

Economic development is a major part of the NWSA's mission. For that reason, the NWSA maintains memberships and works closely with a variety of economic development groups. These memberships help strengthen the NWSA's visibility throughout the world through trade missions and trade shows.

Regional Organizations

Memberships in regional organizations demonstrate the NWSA's commitment to trade on a statewide and regional basis.

Industry Associations and Professional Organizations

These associations and organizations ensure that staff obtains the latest in technical development by taking advantage of meetings, networks and special programs offered by them.

Trade Promotion Organizations

These memberships give the marketing and sales staff important contacts and current industry trade information that enhances the NWSA's overall marketing efforts.

Community Service Groups

The NWSA maintains memberships in these groups as part of its effort to build better community relations, to work more effectively with the business people and to ensure that the NWSA's interests and concerns are addressed in the community.

Annual NWSA Memberships & Personnel Memberships (estimated)

Organization	Annual Dues
American Association of Port Authorities	\$55,000
Pacific Northwest Waterways Association	31,100
Washington Council on International Trade	20,000
International Association of Ports and Harbors	13,000
Green Marine	11,000
All Other Memberships	48,083
Total NWSA Memberships	\$178,183

American Association of Port Authorities

AAPA is an alliance of leading ports in the Western Hemisphere that protects and advances the common interests of its diverse members through advocacy, professional development, relationship-building, and public awareness.

Pacific Northwest Waterways Association

The Association advocates for funding for navigation projects around the region, including those on the Columbia Snake River System, in the Puget Sound and along the Oregon and Washington coasts.

Washington Council on International Trade

The Council is dedicated to advocating for public policies that increase Washington State's international competitiveness.

International Association of Ports and Harbors

A global trade association for seaports worldwide. It is headquartered in Tokyo, Japan.

Green Marine

Green Marine is an environmental certification program for the North American marine industry.

The Northwest Seaport Alliance

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XIII. APPENDICES

APPENDIX A: BUDGET POLICY, PROCESS AND CALENDAR

1. OPERATING BUDGET

a. Budget Policy:

The Port established a budget policy to provide systematic planning as part of the management performance and control. The purpose of this policy is to allow the capability to forecast realizable financial results over definite periods of time. This is accomplished through planning and coordination of the various complex operations and functions of the Port, through systematic communication and the use of the Port's financial control and management information system.

The Operating Budget is an essential tool for business planning, resource allocation, and control. It quantifies business groups and departmental plans for future periods in strategic, operational and monetary terms. This facilitates coordination of plans between divisions/departments and provides a basis for control once the plan is in effect.

Various inputs to the budget planning process are required for it to be meaningful, including forecast of economic trends and business activity levels. Above all, goals, objectives, programs, action plans and performance measures are defined and reviewed annually for consistency and support of the Port's overall mission.

The budget plan is based on assumptions about the success of marketing efforts, demand for services, and the cost, availability and need for people and materials. The budget process provides continual feedback which compares not only actual performance to the plan but also the validity of the assumptions on which the plan was based.

The Operating Budget is a management tool for controlling and analyzing each area of responsibility. Budgeting, as well as the recording of actual costs, is done on an Org basis. An Org is a distinct functional and physical unit. Its performance responsibility can be assigned to one person. There are over 200 Orgs at the Port and each Org has a budget.

Allocated and/or indirect expenses are not budgeted for by the recipient Org. These are costs that are allocated to the business groups/units from service providers. Allocated costs are general support costs that cannot be directly attributed to a business unit, but instead support the entire Port. Costs can come from within the division (intra-division allocation) or from outside the division (inter-department allocation).

Department Directors are responsible for preparing the operating budget for their areas of responsibility, subject to review and approval by several levels within the organization. Orgs can be combined to analyze and report on budgets by functional or business units. Port management needs current, timely, and accurate information to make informed decisions. The objective of the budget process is to provide resource allocation, accountabilities, performance, and control to enhance effective management.

In addition to planning for the business needs of the organization, this process results in a method of comparing actual financial results with the approved budget plan. The appropriateness of the pricing structure or the effects of changes in costs or activity can be observed. This approach gives management the flexibility to evaluate the performance of a particular activity. The Budget Report (a comparison of the proposed budget to the current year's budget and last year's actual) and the Responsibility Report (a comparison of actual results to budget) can advise a manager if things are not going as expected, whether

strategies are being accomplished, and also give them clues as to what might be wrong. The function of controlling and managing the operations of the Port is accomplished with the Operating Budget. The 2021 budget process includes several Commission briefings by the operating divisions and Central Services departments during the year to update the Commission on key issues facing the business groups and to solicit input into overall strategies and objectives. The divisions update the Commission on each business unit with background information, discuss capital and operating plans, and dialogue on major policy issues.

Divisions fine-tune their business and operating goals based on Commission input and put together their budgets.

Key budget events include the following:

- Conduct budget planning meetings with the Executive Management team.
- Publish the budget guidelines/instructions and budget calendar.
- Provide budget system training to budget staff.
- Division and department budget staff prepare their respective budgets.
- Conduct internal budget reviews which include in-depth discussion of revenue and expense assumptions; new programs, initiatives, or other proposed increases in revenue and expenses.
- Review and approval of budget by the Executive Management and Commissioners.
- Release of the budget to the Port Commission and public stakeholders.

The budget staff responds to inquiries of commission and interested stakeholders during commission budget workshops, first and second reading, and adoption of the budget after the public hearings.

In addition to the Operating Budget as stated above, the budget staff prepares the Statutory Budget as defined in RCW 53.35.010 to show “estimated expenditures and the anticipated available funds from which all expenditures are paid.” Being a cash budget, the Statutory Budget establishes the level of the Port’s property tax levy and sets upper limits of expenditures and is not used as an Operating Budget.

b. Budget Adoption:

The budget is provided to the Port Commission and must be made available to the general public as required by law - RCW 53.35.010 and RCW 53.35.045. A Public Hearing for the Introduction of the Preliminary Budget is held before the final passage of the Budget, at which time the Port Commission will make final recommendations and Adopt the budget. An announcement of the public hearing is made in the DAILY JOURNAL OF COMMERCE newspaper and copies of the preliminary budget are made available for distribution to any interested persons by a specified date as required by laws - RCW 53.35.020 and RCW 53.35.045.

Subsequent to the public hearing and Commission adoption of a final plan, the Statutory Budget is then filed with the King County Council and King County Assessor as required by law, by a specified date as allowed by RCW 53.35.045.

c. Monitoring of Budget:

Once an annual budget is in place, the Responsibility Report (comparing actual results to budget) is generated monthly and variances from the budget are analyzed and reported on a monthly basis, and more extensively each quarter, to determine if corrective action is needed. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into the quarterly Financial Performance Report. The Financial Performance Report is a report in narrative format explaining the reason or causes of variances between actual revenues and expenses versus budgeted amounts on a quarterly basis. A good and accurate monthly and quarterly variance/Financial Performance Report is a very important tool for management.

The Financial Performance Report is presented to Executive Management and the Commission quarterly. This allows Executive Management and the Commission to make timely and well-informed decisions.

d. Amending the Operating and Capital Budgets:

The Executive Director of the Port of Seattle is authorized “Within Budget Limits” to transfer budgeted amounts between departments; however, any revisions that alter the total expenses Portwide that are not within the Executive Director Authorized Budget Limits require authorization from the Port Commission.

As per Resolution 3605, as amended, the Port Commission has adopted policy directives delegating administrative authority to the Executive Director for the purpose of day-to-day management and administration of the Port and as stated in sections 20.2.1 and 20.2.2 of said resolution:

20.2.1. "Annually Approved Capital Budget" means the list of capital projects (including small works projects) and the projected total dollar amount of upcoming budget-year spending associated with those projects which is presented to, and reviewed by, the Commission as part of the budget review process (i.e., the first year of the Capital Improvement Plan), or as subsequently amended by the Commission during the budget year.

20.2.2. "Annual Operating Budget" means the budgeted operating and non-operating revenues and expenses reviewed and approved by the Commission as part of the budget process, or as subsequently amended by the Commission during the budget year.

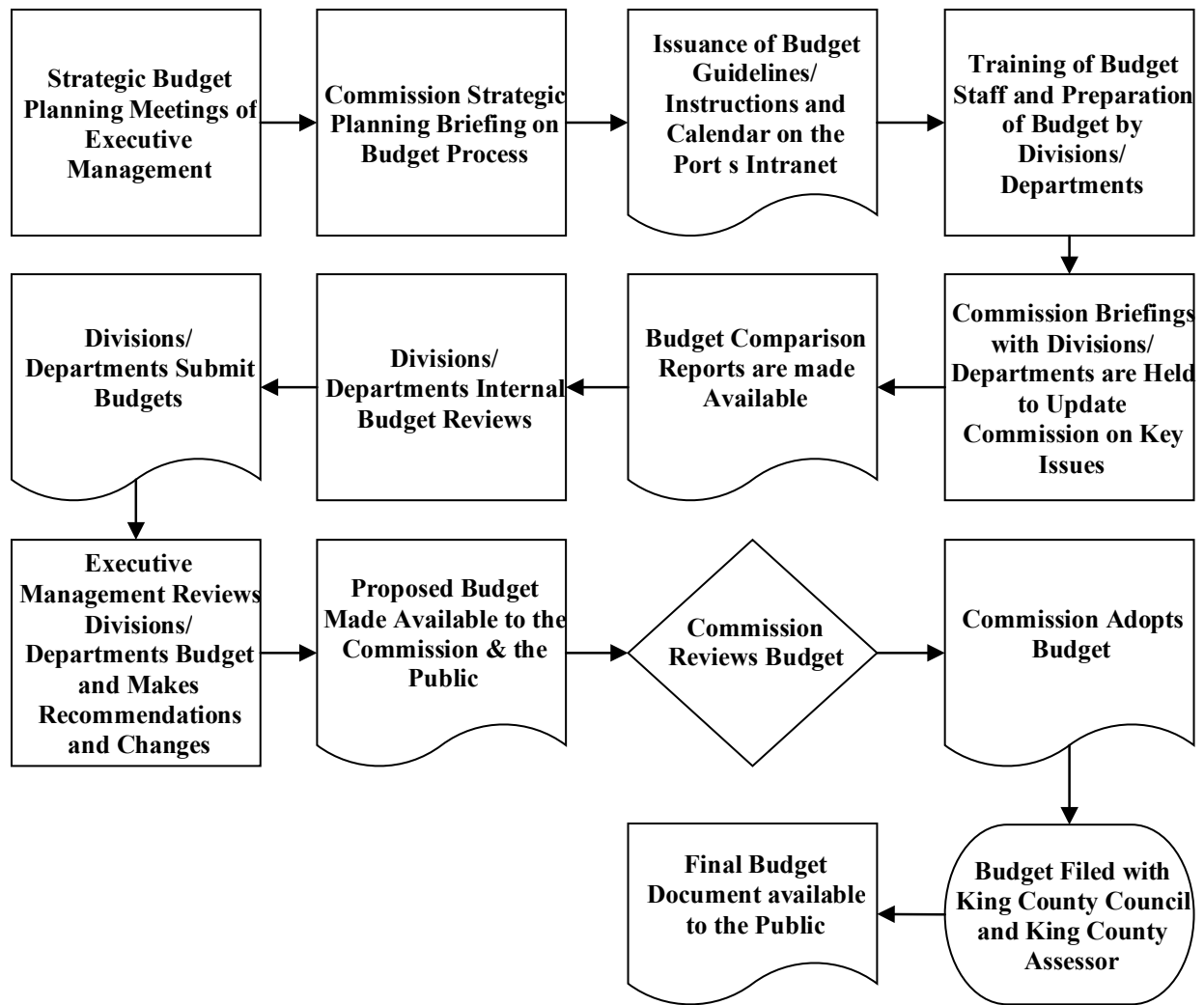
e. Operating Budget Process:

The steps in the 2021 operating budget process are as follows:

- Budget planning meetings with the Executive Team to discuss key strategic initiatives and budget process for 2021.
- Commission strategic and business planning briefing.
- Budget system training for budget users from the various divisions.
- Commission briefing on budget process and providing key budget assumptions to the Commission.
- Issuance of budget guidelines/instructions and budget calendar on the Port’s intranet.
- For the operating divisions, targets are developed based on the divisions’ business forecast.
- For Central Services, initial targets are based on a bottom-up assessment of needed resources to accomplish Portwide strategy/actions plans.
- Several Commission briefings by the operating divisions and Central Services are held during the year to update the Commission on key issues facing the business groups/departments and to solicit input for any changes in strategy.
- Budget system is prepared and made available for input.
- Actual preparation of the budget by divisions/departments.
- Costs of service departments are charged/allocated to the operating divisions and the NWSA according to the policy and the Service Agreements.
- Finance and Budget generates a budget comparison report that compares the proposed budget to the current year’s budget and last year’s actual. Finance and Budget also produces the current year’s Forecast Report.
- Divisions/departments complete their detailed budgets and are reviewed internally by their senior managers and Finance and Budget staff. These reviews include in-depth discussion of revenue and expense assumptions, new programs, initiatives, or other proposed increases in revenue, expenses as well as operational needs.
- Divisions/departments budgets are submitted to Finance and Budget and then reviewed against targets by the Executive Team.

- Executive Team makes recommendations and changes, which are incorporated into divisions and departments budgets.
- Several Commission budget briefings are held on divisions/departments capital budget, operating budget, and Draft Plan of Finance.
- All budget issues are resolved, and changes are entered into the budget system.
- Finance and Budget staff generates various reports, ascertains that all approved changes are incorporated into the budget and reports are accurate.
- Finance and Budget prepares the preliminary budget document and releases the proposed budget to the Port Commission and to the public approximately three weeks before the Introduction and Public Hearing of the 2021 Budget.
- The Introduction and Public Hearing of the budget are held on the second Tuesday of November.
- The Adoption of the budget are held on the third Tuesday of November.
- Statutory Budget is filed with King County Council and the King County Assessor as required by law on the first Monday in December.
- Finance and Budget staff prepares and releases the final budget document to reflect Commission recommendations.
- Finance and Budget staff sets commitment control for Central Services departments and operating divisions.

FIGURE A-1: OPERATING BUDGET PROCESS FLOW CHART



f. Operating Budget Planning Calendar:

<u>Date</u>	<u>Activity</u>
4/01/20	2021 Budget Planning
6/04/20	Commission Budget Retreat including 2021 Budget Process and Development Briefing
7/10/20	Budget System Available for Input
7/15/20	Budget Guidelines/Instructions and Calendar Available
7/24 - 8/01/20	Budget User Training
7/24 - 10/17/20	Preparation of budget by divisions/departments
7/29/20	Commission Budget Retreat on Industry Analysis and SWOT
8/06/20	Commission Budget Retreat on CIP and Tax Levy Discussion
8/07/20	Central Services Departments New Budget Requests Due to Finance & Budget (F&B)
8/10/20	Allocation forms available for review
8/17 - 8/21/20	Executive Review of Central Services Department's New Budget Requests
8/25/20	Central Services Departments Final Entries Completed
8/28/20	Central Services Budget Support Documentation due to F&B
9/01/20	Non-Operating Budgets due to F&B
9/09/20	Executive Review of Central Services' Operating & Capital Budgets
9/11/20	Executive Review of Aviation's Operating and Capital Budgets
9/17 - 9/27/20	Aviation, Maritime and Economic Development Internal Budget Reviews
9/22/20	Commission Briefing on Central Services Operating Budget
10/13/20	Commission Budget Study Sessions for Aviation and Maritime Operating and Capital Budgets
10/20/20	2021 Preliminary Budget document is available to the Commission
10/22/20	2021 Preliminary Budget document is released to the Public
10/27/20	Tax Levy and Draft Plan of Finance Commission Briefing
11/17/20	Adoption of the 2021 Budget
11/30/20	Filing of Budget with King County Council & King County Assessor as required by law
12/15/20	Release of 2021 Final Budget

2. CAPITAL BUDGET

a. Capital Budget Policy:

As part of the Strategic Budgeting process, Finance and Budget produces the Capital Budget and the Draft Plan of Finance. The Capital Budget consists of capital plans or the Capital Improvement Plan (CIP), over a five-year period, for all divisions: Aviation, Maritime, Economic Development and Central Services. The Draft Plan of Finance is a funding plan of the CIP that the Port publishes on an annual basis.

The divisions review and revise their CIP in conjunction with the review of their existing business goals and strategies. The CIP is comprised of Committed projects from the 2020 CIP, less any that have been deleted, plus any Prospective projects that may meet the criteria to move forward to Committed status. The CIP may include Business Plan Prospective projects if coverage targets are met. Divisions are encouraged to review CIP cash flows with respect to timing and reasonableness to ensure effective use of capital capacity.

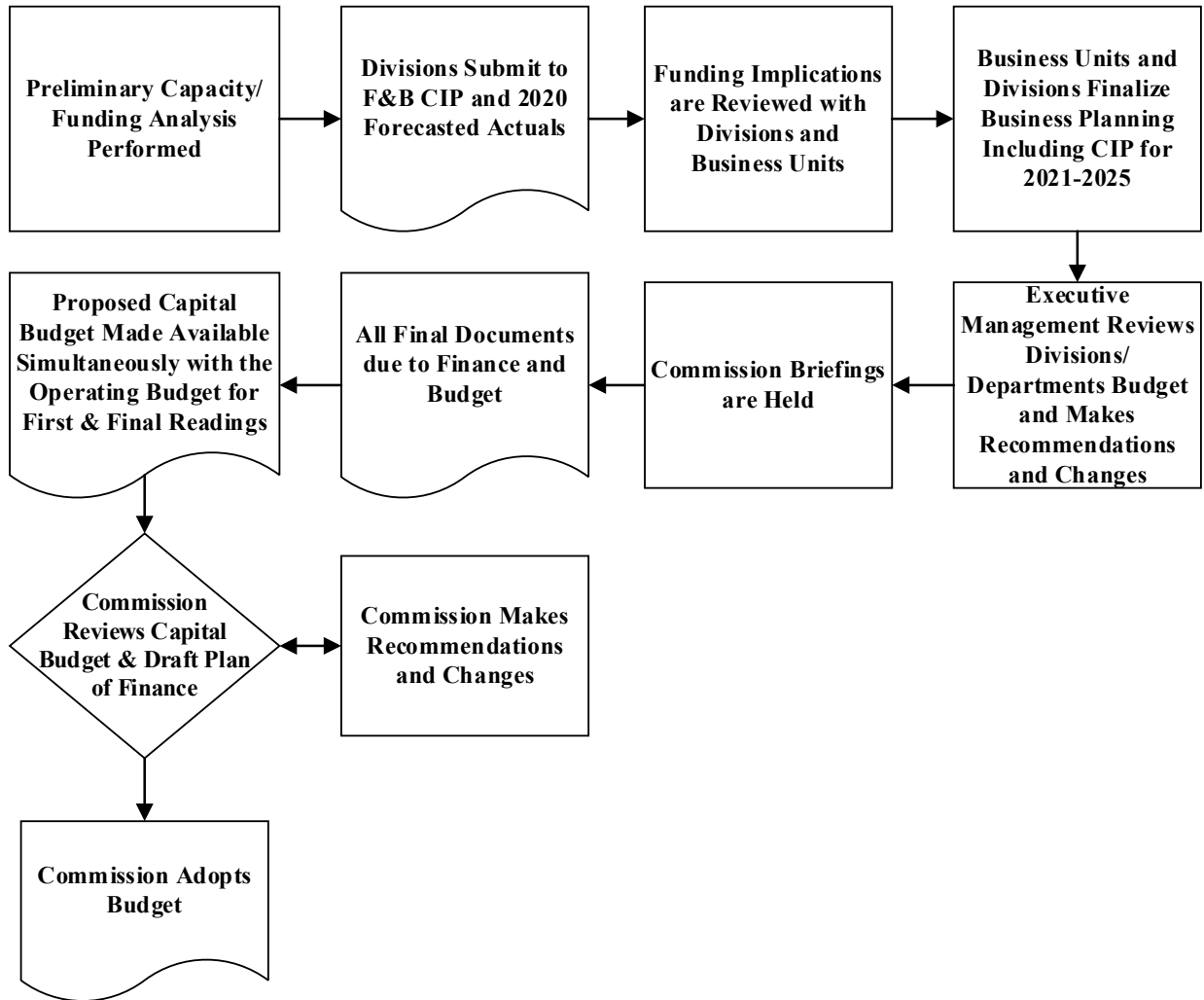
b. Capital Budget Process:

- A preliminary capacity/funding analysis is performed once the 2nd quarter update is completed, but no later than by the end of August.
- At the end of September, divisions submit to Finance and Budget the CIP and 2020 forecasted actual (which includes actual through second quarter). The funding implications of these capital plans are then reviewed with the divisions and business units.
- Following Finance and Budget funding analysis and Executive review of preliminary plans, business units and divisions finalize their operating and financial goals, including their CIP for 2021-2025.
- This information is then reviewed by Executive, presented to the Commission, and included in the 2021 Final Budget document.

After the close of the 2020 fourth quarter in January 2021 and based on the 2020 fourth quarter CIP update, the divisions should have more refined capital spending estimates for 2021. Each division may choose to adjust the spending from the original list of projects in the Capital Budget, to establish the 2021 approved funding amount for each project and for the division as a whole. The adjusted Capital Budget will become the “Approved 2021 Capital Budget” and will be used for quarterly variance reporting during the year.

Note: Even though the Commission reviews the Capital Budget in November, each individual CIP project, with a total cost in excess of \$300,000, is presented and approved by the Commission in public meeting for spending authority.

FIGURE A-2: CAPITAL BUDGET PROCESS FLOW CHART



c. Capital Budget Planning Calendar:

Following is the 2021 Capital Budget planning calendar:

<u>Date</u>	<u>Activity</u>
6/04/20	Commission Budget Retreat with 2021 Budget Process and Development Briefing
8/06/20	2021 Maritime and Economic Development CIP and Funding Briefing
9/06/20	Preliminary Non-Aviation capital capacity analysis by F&B
9/10 - 9/12/20	Executive Review of Operating and Capital Budgets for all divisions
9/13/20	Preliminary Aviation Forecast Model due to F&B
9/17/20	F&B creates “CAPBUD” database from Projects
9/22/20	Commission Study Session on Aviation CIP
9/22/20	Commission Briefing on Central Services’ Operating and Capital Budgets
10/01 - 10/11/20	F&B finalizes Capacity/Funding Analysis
10/13/20	Commission Budget Study Sessions for Aviation Operating and Capital Budgets
10/13/20	Commission Briefing on Maritime and EDD Operating and Capital Budgets
10/27/20	Tax Levy and Draft Plan of Finance Commission Briefing
11/10/20	Introduction and Public Hearing of the 2021 Budget
11/17/20	Adoption of the 2021 Budget
11/30/20	Filing of Budget with King County Council & King County Assessor as required by law
12/15/20	Release of 2021 Final Budget

APPENDIX B: FINANCIAL MANAGEMENT POLICIES

The primary purpose of the Port is to broaden and strengthen the economic base of the port district. The Port uses key criteria in various combinations as it pursues its capital and operating programs and projects. Clearly, national and international economic strengths or weaknesses have a direct bearing upon the Port's financial viability and role as an economic engine for the region.

1. KEY FINANCIAL TOOLS

The Port uses several tools to monitor its financial performance and these are described below

- a. **Long-term Targets**: The Port's long-term targets provide high-level policy guidance. These targets provide guidance to business planning for each division.
- b. **Operating Budget**: The Operating Budget is an essential tool for the Port's management planning, resource allocations, and control. It quantifies line of business and departmental plans for the next year in both operational and monetary terms. Throughout the year, the Responsibility Reports (which compare actual results to budget) are generated monthly and variances from budget are analyzed on a monthly basis, and more extensively each quarter, to determine if corrective action is needed. Divisions and departments prepare a quarterly forecast, which is incorporated into the quarterly Performance Report, which provides explanation of variances from the approved plan and is presented quarterly to Executive Management and Commission in public meetings, as necessary.
- c. **Balanced Budget**: The Port prepares an annual budget and supports, encourages and commits to a balanced budget in which revenues exceed expenses. In so doing, the practice is to pay for all current operating expenses with current revenues and not postpone current year operating expenses to future years or accrue future year's revenues to the current year. The Port's policy further requires that budgeted operating expenses do not exceed budgeted revenues, and on-going expenses do not exceed on-going revenues.
- d. **Operating Forecasts**: Included in the budget document are five-year forecasts or projections of the division's operating revenues and expenses. The first year of this forecast is the Operating Performance Budget.
- e. **Capital Budget and Capital Improvement Plan**: A detailed plan of proposed outlays or capital expenditures arising from the acquisition or improvement of the Port's fixed assets and the proposed means of financing them through bond proceeds, grants and operating revenues. This document serves as an operational and planning tool and it is directly tied to the business goals. The document identifies proposed capital projects at the airport and on the waterfront and prioritizes those projects.
- f. **Capital Improvement Plan (CIP) Reserve**: The Capital Improvement Plan may include one or more CIP reserves to ensure funding capacity for unspecified projects (e.g. renewal and replacement), new initiatives and unforeseen needs. However, CIP reserves are not intended to anticipate all potential future spending and amounts will be determined by considering the data on historical capital trends, existing asset conditions, the status (level of certainty) of CIP forecasts, and any contingent risks that may require funding. The use of CIP reserves will be reviewed with the Commission annually during the budget process.
- g. **Capital Expenditures**: Expenditures that arise from the acquisition or improvement of the Port's fixed assets such as construction of new facility or renovation of existing facility; renewal, replacement or upgrading of mechanical, electrical, communications, HVAC and plumbing systems; computer and office equipment; furniture and fixtures; vehicles, etc.
- h. **Capital Budget Impact on the Operating Budget**: Its impact on the Operating Budget is through Capitalized Labor or Charges to Capital Projects, which include the salaries and benefits costs associated with capital projects. These costs are subtracted out of the operating budget and then budgeted in the capital budget as part of the cost of the project(s). The Operating Budget is also

impacted in the form of increased operating, maintenance and depreciation expenses because of the new assets. Depreciation is a non-cash item that represents the use of long-term assets. Port assets are given a useful life of more than three years when they become active and each year some of that useful life is used up, worn or depreciated. The capitalized labor or charges to capital projects is displayed in table III-3 and the depreciation is displayed in table III-2. The capitalized labor is also displayed in similar tables in sections IV thru VII.

- i. **Plan of Finance**: The Five-year Capital Budget is the basis of the Plan of Finance. This document provides a funding plan of the capital program developed within the financial targets and forecasts described within the Draft Plan of Finance section. The Draft Plan of Finance is prepared and presented to the Port Commission concurrently with the Operating Budget. See further discussion in the Draft Plan of Finance, section X of this book.
- j. **Capital Investment Matrix**: The matrix provides an analytical framework for capital projects. The results of the analysis provide financial and non-financial information for the Port Commission as a guide for capital investment decisions.
- k. **Financial and Operational Indicators Report**: The Port uses financial and operating indicators to monitor its financial performance and budget. This report is produced and distributed monthly to the Port Commission and Executive Management.
- l. **Treasury Management**: Using its internal Treasury since July 2002, the Port has experienced increased investment earnings, faster mobilization of funds, on-line banking capabilities, easier accounts and full control of its cash and investments.
- m. **General Coverage Ratios and Cash Flow Margins**: As part of its financial modeling, the Port targets that Airport cash flow equals 1.25x of all Airport related revenue debt and that Non-Airport cash flow equals 1.8x of all Non-Airport related revenue debt. In addition, the Port targets general obligation bond debt service not to exceed any more than seventy-five percent of the annual tax levy.
- n. **Bond Coverage Ratios**: The Port, through financial modeling, runs projections for its revenue bond debt service coverage ratio. Although the Port has an obligation under First Lien Revenue Bond covenants to maintain a ratio of 1.35x, as a matter of practice a ratio of at least 1.8x is maintained. Debt service coverage may fall below this target level during periods of construction borrowing prior to the time that revenue producing assets come on-line.
- o. **Fund Balances**: Working capital fund balances are maintained in the General Fund and the Airport Development Fund. The targeted level for the General Fund is approximately twelve months of operating and maintenance expenses other than Airport related expenses. The targeted level for the Airport Development Fund is eighteen months of Airport related operating and maintenance expenses to be achieved by 2025. \$5 million in the Renewal and Replacement Fund as required by bond documents.
- p. **Performance/Variance Report**: This report is in narrative format explaining the reasons for or causes of variances between actual revenues and expenses versus budgeted amounts on a quarterly basis. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into this report and it is presented quarterly to Executive Management and the Commission in public meetings.
- q. **Commitment Control**: The Port has in place a commitment control ledger that monitors department budgets, and which prevents departments from exceeding their total budget without appropriate approval.

2. FINANCIAL POLICIES AND DESCRIPTION OF MAJOR FUNDS

This section, pages XIII-11 through 18, presents a summary of the Port's major financial policies and description of its major funds.

- a. **Organization:** Founded in 1911 by a vote of the people as a special purpose government, the Port of Seattle's mission is to promote economic opportunities and quality of life in the region by advancing trade, travel, and commerce in an equitable, accountable, and environmentally responsible manner. The Port is considered a special purpose government with a separately elected commission of five members and is legally separate and fiscally independent of other State or local governments.
- b. **Reporting Entity:** The Port reports the following fund: the Enterprise Fund accounts for all activities and operations of the Port.

There are dozens of sub-funds that are summarized into the Enterprise Fund. The Enterprise fund is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties. Therefore, the Port of Seattle summarizes all of its sub-fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions - Aviation, Maritime, and Economic Development.

Within the Enterprise Fund, the Port segregates non-operating expenses made for other public entities which are generally funded by the ad valorem tax levy. This includes expenses for district schools and infrastructure improvements to the state and region in conjunction with other agencies. These projects are controlled by other governmental entities and are not reflected as Port assets.

In 2015, the Port underwent a series of reorganizations to strategically position the Port to achieve future growth, operational excellence and talent development.

Operation of the Port's main cargo business was transferred to the Northwest Seaport Alliance, a joint venture with the Port of Tacoma, which unified the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the Puget Sound gateway and attract more marine cargo to the region. The remaining Seaport businesses became a part of the new Maritime Division.

The Northwest Seaport Alliance is the fourth-largest trade gateway in North America, behind the ports of Los Angeles and Long Beach, the Port of New York/New Jersey, and the Port of Savannah. The Pacific Northwest is a key region for inbound and outbound United States cargo, moving cargo not only for the regional trade, but also cargo headed to destinations throughout the entire U.S. Midwest, and this Alliance will help the region remain competitive into the future. This is truly historic and signals a new era of cooperation between the ports. Combining the strong cargo terminal operations will make the region more competitive in the global economy and create new jobs in Washington.

The two ports have moved from fierce competitors to bold collaborators to form a new business model for the greater good of the region. The ports recognized how critical the maritime industry is to the state's economy and are proud and excited to strengthen it even more.

Together, the ports can more efficiently deploy the significant investments each port has devoted to infrastructure and speak with a stronger voice on pressing regional and industry-related issues. While the ports remain separate organizations that retain ownership of their respective assets, they formed a port development authority (PDA) to manage the container, break-bulk, auto and some bulk terminals in Seattle and Tacoma. The PDA is governed jointly by the two ports through their elected commissions.

Effective January 1, 2016, the Port is comprised of three operating divisions, namely Aviation, Maritime and Economic Development.

The Aviation Division ("Aviation") operates Seattle-International (Sea-Tac) Airport which serves the predominant air travel needs of a five-county area. The Airport is ranked as 8th busiest airport in the U.S. serving 51.8 million passengers and more than 453,549 metric tons of air cargo in 2019. Thirty airlines serve 91 non-stop domestic and 27 international destinations including Canada, Mexico, and seasonal operations.

The Maritime Division manages industrial property connected with maritime businesses, recreational marinas, Fishermen's Terminal, cruise, grain and maritime operations.

The Economic Development Division focuses on managing the Port's industrial and commercial properties including conference and event centers, encouraging tourism, developing small business opportunities, and providing for workforce development in the aviation, maritime and construction industries.

Central Services provides high quality and cost-effective professional and technical services to the divisions and supports the overall goals of the Port; it also delivers projects and provides technical and contracting services in support of the operating and infrastructure needs of the Port through Capital Development. Central Services expenses are allocated and charged to the operating divisions.

- c. **Basis of Accounting and Budgeting:** The Port does not distinguish between the Basis of Accounting and the Basis of Budgeting since the principles set forth as the Basis of Accounting are observed in the budgeting process. The Port is accounted for on a flow of economic resources measurement focus. The financial statements and the budget are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting under which revenue transactions are recognized when earned and expenses are recognized when incurred, regardless of the time the cash is received or disbursed. The Government Accounting Standard Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port adopted the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance issued by Financial Accounting Standard Board ("FASB") pronouncements which does not conflict with or contradict GASB pronouncements, and eliminates the option to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.
- d. **Use of Estimates:** The preparation of the Port's budget in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in reporting of revenues and expenses in certain instances. Thus, actual amounts could differ from those estimates.
- e. **Operating Revenues:** Fees for services, rents and charges for the use of Port Facilities such as: Dockage, Wharfage, Berthage and Moorage, Airport Transportation Fees, Airport Landing Fees, Equipment, Property Rentals and other revenues generated from the Port's operations are reported as operating revenue.
- f. **Non-Operating Revenues:** Revenues that do not result from the normal operation of the Port's business such as: Ad Valorem Tax Levy, Interest Income, Non-operating Grants, Passenger Facilities Charges, Customer Facilities Charges and other revenues generated from non-operating sources are classified as non-operating.

- g. **Operating & Maintenance Expenses:** Cost or charges that arise from the normal operation of the Port's business. These are costs or services required for a department/division to function. These include Salaries and Benefits, Equipment expense, Supplies and Stock, Travel and Other Employee expenses and all Direct Charges, even those from Central Services and from other Divisions.
- h. **Non-Operating Expenses:** Cost or charges that do not arise from the normal operation of the Port's business. An example is interest expense.
- i. **Capital Policy:** The Port's policy is to capitalize all asset additions or **Tangible Assets [Property, Plant and Equipment]** and **Intangible Assets**, if they exceed \$20,000, whether it is a single payment or an accumulation of related costs and with an estimated useful life of more than three years. Any asset costing less than \$20,000 is expensed. Land, facilities and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on a straight-line basis. Buildings and improvements are assigned lives of 30 to 50 years, equipment 3 to 20 years, and furniture and fixtures 5 to 10 years.
- j. **Debt Policy:** The Port's debt policy is designed to ensure appropriate use and management of debt including compliance with various laws, regulations and agreements and effective management of risk. The policy requires use of an independent financial advisor and describes the roles of Commission and staff. The policy describes the type and structure of debt and sets forth limitations on new debt. Key limitations include minimum debt service coverage requirements for revenue bond debt of 1.25x for the Airport and 1.8x for the non-aeronautical businesses and that General Obligation bond debt service cannot exceed 75% of the annual tax levy. The policy establishes savings targets for refunding ranging from 3% for a current refunding with a short-term maturity/call date to 9% for a LIBOR based swap refunding with a long-term maturity/call date. The policy also provides guidelines for the sale of bonds.
- k. **Ad Valorem Tax Levy:** Ad valorem taxes received by the Port are utilized for the acquisition and construction of facilities, for the payment of principal and interest on GO bonds issued for the acquisition or construction of facilities, for contributions to regional freight mobility improvements, for environmental expenses, for certain operating expenses, and for public expenses. The Port includes ad valorem tax levy revenues and interest expense on GO bonds as non-operating income in the Statement of Revenues and Expenses. The King County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior year. The lien date is January 1. Assessed values are established by the County Assessor at 100% of fair market value. A re-evaluation of all property is required annually. Taxes are due in two equal installments on April 30 and October 31. Collections are distributed to the Port by the County Treasurer.
- l. **Description of Funds:** The Port has a single Enterprise Fund and for management purposes the Port has established multiple sub-funds. The Enterprise Fund accounts for all activities and operations of the Port and for all of its assets and liabilities. The Enterprise fund is connected to the functional units in that it is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties.

Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions (Aviation, Maritime, Economic Development), and Central Services.

Included in the Enterprise Fund is the Port’s Tax levy sub-fund and related Harbor Development and Transportation and Infrastructure sub-funds; these are the Port’s Governmental Funds.

TABLE B-1: FUND BALANCES

	General Government	Debt Service	Current Assets as of September 30, 2020 (\$ mil.)	Net Position as of September 30, 2020 (\$ bil.)
Enterprise Fund	X	X	876.26	\$3.89
Tax levy Sub-funds (1)	X	General Obligation only	156.05 (2)	N/A

(1) Includes Tax Lev, Harbor Development and Transportation and Infrastructure

(2) Included in the Enterprise Fund. Estimate based on cash and investment allocated to the sub-funds, not accrued assets

There is no separate appropriation process to make payments from the Enterprise Fund; funds are deemed appropriated upon spending authorization. Most operating expenditures are authorized with adoption of the budget. Larger contracts, either operating or capital require separate authorization. Sub-funds are used to pay expenditures based on the described uses of the sub-fund.

Descriptions of some of the major sub-funds are:

TABLE B-2: FUND DESCRIPTIONS

<u>Types of Sub-Funds</u>	<u>Sub-Fund Name</u>	<u>Sub-Fund #</u>	<u>Sub-Fund Description</u>
1. Operating	Airport Development Fund (ADF)	03040	This is the operating fund for the Seattle-Tacoma International Airport (Aviation division). The fund receives operating revenues derived from all airport sources and funds operating and maintenance expenses related to the Airport. The fund also receives Airport Improvement Program grants reimbursement receipts. Transfers made from this fund include funding for Aviation related revenue bond fund debt service. Capital acquisition expenditures which are not otherwise funded are also made from this fund. Other expenditures include operating and administrative expenses and non-operating expenditures associated with Central Services that are allocated to Aviation.
	General Fund	00010	The general fund is the operating and capital fund for all Port-owned properties with the exception of the Seattle-Tacoma International Airport (Aviation). This includes Maritime, Economic Development, and the Port’s membership interest in the NWSA (collectively referred to as “non-airport” businesses). Operating revenues derived from these other sources and excluding the Industrial Development Corporation are deposited to this fund. The

<u>Types of Sub-Funds</u>	<u>Sub-Fund Name</u>	<u>Sub-Fund #</u>	<u>Sub-Fund Description</u>
			<p>fund also receives non-operating revenues that are associated with these non-airport businesses or are Central Services in nature. Expenditures from this fund include:</p> <ul style="list-style-type: none"> • Non-airport operating and administrative expenses; capital equipment purchases and construction projects, excluding projects funded with other funding sources (for example, certain expenses may be funded from the tax levy fund, as directed by Port Commission • Operating expenses for Central Services allocated to the non-airport businesses • Central Services capital equipment purchases and capital projects that are ultimately allocated to the operating divisions through allocated depreciation and appropriate portions of capital that is split between the airport and non-airport businesses. • Non-operating expenditures that are directly associated with non-airport businesses. • Port payrolls, purchases of materials, supplies and services, and non-airport capital acquisition expenditures which are not otherwise funded are made from this fund. Periodic reports are generated indicating what general fund monies have been expended for payrolls or accounts payable that properly should have been paid out of the other funds. These amounts will then be transferred from such other funds to the general funds as reimbursements.
	Tax Levy	00020	<p>The Tax Levy fund was established in 2002 and is used to receive the ad valorem taxes levied on real properties within the Port's District (King County). Prior to 2002, the tax levy proceeds were deposited into the General Fund. Other items deposited to this fund include Receipts in lieu of taxes, Tax sales and refunds, Investment income and expense, Tax adjustments, Tax supplements and cancellations. Proceeds are used for General Obligation (G.O.) bonds debt service, and to fund capital, expense and special item projects that meet criteria established by the Port, or as directed by Port Commission.</p>
	Transportation & Infrastructure Reserve (TIF)	00021	<p>Established in 2010, as per the 2010 Commission approved budget, the TIF can be used for any lawful purpose just the same as Tax Levy Fund. The TIF initial funding source is from the Tax Levy fund, and the fund balance is reviewed at least annually with Port staff and Commission.</p>
	Harbor Development Fund (HDF)	00022	<p>In 2017 the Port set aside funds in the HDF to help fund future development in the North Harbor (NWSA). The HDF was initially funded with a portion of the 2017 G.O. bond proceeds, which were issued to reimburse the Port for prior year cash payments made to the State of Washington on the Alaska Way Viaduct project. The HDF is legally separate from any tax levy collections and is available to pay revenue bond debt service, if the Port chooses.</p>

<u>Types of Sub-Funds</u>	<u>Sub-Fund Name</u>	<u>Sub-Fund #</u>	<u>Sub-Fund Description</u>
	Lease Security SSAT/T-18 Fund	03090	Established 2011, this fund represents the Lessee's (SSAT and SSA) Security for Rent Payment in the form of a "Cash Security", to satisfy the lease's Security Requirement.
	Customer Deposits	06010	This fund has been established as a depository of lease deposits and other monies held by the Port as surety but belonging to Port of Seattle customers.
2. Special Facility	Passenger Facilities Charges (PFC) <ul style="list-style-type: none"> • Revenue • Capital 	06054 03060	PFC Revenues are derived from passenger facility charges levied on embarking passengers at Seattle-Tacoma International Airport. The collected revenues are used to pay debt service on PFC Revenue Bonds, debt service on other revenue bonds related to FAA approved projects, and for specifically designated airport facility improvements projects. All PFC's revenues are deposited to the Revenue fund (06054). From the Revenue fund, there is a required monthly transfer to the Debt Service fund (by the 25th of each month) equal to 1/6 th of semi-annual PFC debt service payment. The remaining balance in the Revenue fund, which includes interest earnings, is then transferred to Capital fund (03060).
	Customer Facility Charge (CFC)	CFC01	Established in 2006, the CFC Fund holds revenue derived from charges imposed upon customers of rental car companies accessing the Airport, and taxable revenue bond proceeds issued to fund the Consolidated Rental Car Facility (CRCF). Funds are to be used to pay debt service on those bonds, construction costs for the CRCF project, any future capital maintenance projects, and specified CRCF operating expenses.
	Fuel Hydrant Fund <ul style="list-style-type: none"> • Revenue • Debt Service • Project • Reserve 	Held in Trust	The funds accruing to the Fuel Hydrant Revenue Fund are derived from Pledged Lease Revenue and Other Revenue as defined in Resolution No. 3504, as amended. Funds are to be used to pay Fuel Hydrant bonds debt service. All Fuel Hydrant revenues are deposited to the Revenue account. From the Revenue account, there is a required monthly transfer to the Debt Service account equal to 1/6 th of the semi-annual interest and 1/12 th of the annual principal amounts. The remaining balance of the Reserve account, which is interest earnings, is then transferred to Capital account.
3. Debt Related	Bond Funds	Various	The Port of Seattle issues bonds pursuant to bond resolutions to fund its Capital Improvement Program. Proceeds from bond issues are used to fund construction, capitalized interest and reserves, see below.
	Capitalized Interest Fund (Cap-I)	Various	Established at the time of bond issuance, Cap-I funds are additional bond proceeds to be used to pay interest expense on the bonds before the capital assets funded by the bonds go into use and are able to generate revenue to repay principal.

	Construction Fund (CF)	Various	Proceeds from bond issues are used for the Port's facilities expansions and improvements, land acquisition, and/or pay interest. Separate funds are set up for each bond issue to allow for the tracking and reconciliation of bond proceeds expenditures.
	Debt Service Reserve Fund (DSRF)	Various	Established at the time of bond issuance for the purposes of securing the payment of principal and interest on related outstanding bonds. Terms set forth in the bond covenants dictate how much the Port is required to maintain in the Reserve fund. Not all bond issues have a cash funded Reserve fund; the Port may instead choose to maintain qualified surety and/or a qualified letter of credit.
	Debt Service Fund (DSF)	Various	DSF's serve as pass-through funds. Transfers are made periodically to the DSF, typically on the debt service date, for an amount sufficient to meet the debt service requirements. The source of the funds transfer depends on the related debt and may be made, legally, from any operating fund, but it is the Port's intent to make such transfers from the General Fund, Tax Levy Fund and/or Airport Development Fund.
4. Other Operating	Repair and Renewal Fund	03150	Established pursuant to Master Resolution 3577, Section 4. (b), the proceeds of the fund may be used by the Port to pay extraordinary operating and maintenance expenses, make capital replacements, additions, expansions, repairs and renewals of the facilities of the Port.
	Environmental Settlement	ENVIR	Established 2008, the fund is used for environmental settlement money received for cleanup work the Port is engaged to do. Consequently, there are restrictions on how proceeds are used.
	Industrial Development Corporation (IDC)	IDC01	The IDC of the Port of Seattle is a special purpose government with limited powers. It was established in 1982 pursuant to Revised Code of Washington (Chap. 39.84) for the purpose of facilitating industrial expansion through tax-exempt financing. The IDC fund balance is comprised from compensation from companies that borrow through the IDC, and investment earnings. IDC "surplus" funds may be used for any allowable purposes as provided by state law: allowable under the Port's authorized powers to engage in economic development programs, and for growth management, planning or other economic development purposes.

3. REVENUE AND EXPENSE ASSUMPTIONS

The 2021 Operating Revenues are developed based on the terms of various lease agreements and on forecasted activity levels. Operating Expenses are developed based on historical experience, forecasted activity levels and inflation.

Aviation aeronautical revenues, which are based on cost-recovery, are budgeted at \$389.3 million, a decrease of 3.0% compared to the 2020 budget. Non-aeronautical revenues are budgeted at \$191.6 million which is 32.3% lower than the 2020 budget. The Airport expects declines in all business lines in 2021 due to the decreases in passenger volumes. The 2021 Aviation expenses are expected at \$338.5 million, a decrease of 10.3% from the 2020 budget mainly driven by decreases in payroll, contracted services, and other expenses.

Maritime revenues are budgeted at \$45.3 million, a decrease of 28.1% over the 2020 budget due to the expected revenue decreases in Cruise Operations due to risk of demand tampered by COVID-19. Fishing and Operations revenues are expected to decrease from reduced benefit of the Ballard Locks closure. Bulk Terminals revenues are expected to increase based on feedback from Terminal 86. Maritime expenses are budgeted at \$50.2 million, a decrease of 7.7% compared to the 2020 budget 11 deferred Full-Time Equivalent (FTE) employees along with major reductions in outside services and discretionary expenses to offset the lost revenue due to COVID-19.

Economic Development revenues are anticipated at \$13.3 million, a reduction of 30.2% compared to the 2020 budget due to COVID-19 decreases to the Bell Harbor International Conference and Event Center and Bell Street Garage. The 2021 Economic Development expenses are budgeted at \$21.4 million, a decrease of 27.1% from the 2020 budget driven by variable costs associated with increased Conference and Event Center volumes and cost cutting initiatives.

The key business activities forecast for the Airport, Maritime, and Economic Development divisions are as follows:

- Enplaned passengers are expected to go down by 30% in 2021 compared to 2019.
- Cruise passengers are forecasted in 2021 to be 25% of 2019 actuals.
- Grain volume is expected at 4.2 million metric tons for 2021, a 40% increase from the 2020 budget.
- The average Shilshole Bay Marina occupancy rate is forecast to be 95%, same as 2020.
- Fishing and Commercial Operations occupancy rates are forecast to average 86%, same as 2020.
- Commercial Properties are expected to remain strong at 95% occupancy at the end of 2021, same as 2020.

Portwide salaries for non-represented (exempt and non-exempt) employees are not budgeted for annual Pay for Performance increases for 2021. Benefit costs for employees in non-union jobs are budgeted in two parts:

- The first part is a flat dollar amount per employee per month and covers costs that are not related to employees' pay. This includes medical and dental coverage, Wellness Rewards Program costs, 401(a) contributions, and Flexible Spending Account fees. This amount is \$1,292.5 per employee per month.
- The second part covers costs that are related to employees' pay. This includes FICA, PERS, life and disability insurance as well as PTO and Sick Leave amounts together with the new Washington Paid Family and Medical Leave. These items are estimated to total 22.99% of pay in 2021.

APPENDIX C: BUSINESS ASSESSMENT

1. National and Local Economy and Outlook

The U.S. economy has been severely impacted by the COVID-19 pandemic with the U.S. officially entering recession in February 2020. The Federal government passed a \$3.6 trillion stimulus package while the Federal funds have been lowered to near zero to mitigate the economic fallout triggered by the pandemic. The real GDP for the first quarter of 2020 dropped by 5.0% (SAAR); this only partially demonstrated the effects of the pandemic since mandated closures and social distancing measures were not implemented until the latter part of the first quarter. The second quarter real GDP growth of -31.4% was more reflective of the global pandemic's consequences. The advance estimate for the third quarter real GDP reflected an increase of 33.1% (SAAR); however, this rate was still 2.3% lower than the pre-pandemic GDP. The Economic and Revenue Forecast Council's (ERFC) November forecast reflected a GDP growth of -3.7% for 2020 before increasing to 4.0% in 2021; slower growth rates of 2.9%, 2.1%, 2.0%, and 1.9% are expected starting in 2022 through 2025. Meanwhile, the ERFC's September report estimated that U.S. inflation would reach 1.1% in 2020 and increase to 1.9% in 2021 and 2.0% in 2025. Gasoline prices dropped due to less demand as a result of the social distancing and stay-at-home mandates; however, prices have been trending up in the past few months but still down 16.8% compared to last year. Conversely, disruption in food supplies and the transition away from restaurant dine-in to more meals prepared at home have resulted in higher food prices.

The shutdowns led to mass layoffs in April resulting in 20.8 million job loss and a 14.7% spike in the U.S. unemployment rate. On a positive note, unemployment rates continue to trend down in the last few months from 13.3% in May, 10.2% in July, 8.4% in August, and further dropping to 7.9% in September as states move through various stages of re-opening. The U.S. unemployment rate is anticipated to average 8.2% in 2020, and decline gradually thereafter to 5.8%, 5.0%, 4.5%, 4.4%, 4.3% from 2021 through 2025.

Similarly, Washington state's unemployment rates reached an all-time high of 16.3% in April but have slowly recovered, from 15.1% in May and eventually to 8.5% in August. Additionally, almost half of the jobs lost in March and April were recovered in August. The sector with the highest expected job loss is aerospace with reduction estimated at 9.0% in 2020 and 8.4% in 2021 due to the disruption in airline travel and less demand for new aircrafts. Hospitality and leisure employment are expected to decrease by 19.3% due to challenges in implementing social distancing guidelines. In contrast, jobs in electronic shopping and mail order sector is expected to grow as more and more people transition to online shopping. Electronic shopping and mail order employment growth is projected at 19.7% in 2020 and 8.6% in 2021. Overall, Washington state's employment growth is projected to decrease by 4.7% this year and to average 2.3% on an annual basis starting in 2021 through 2025. Washington state's nominal personal income growth is anticipated at 7.7% in 2020 and is expected at -1.9% in 2021 due the loss of CARES Act support.

Washington housing construction plummeted in the second quarter averaging 40,300 (SAAR) housing units authorized by building permits compared to 49,800 (SAAR) in the first quarter. In July and August, a total of 40,100 units were authorized consisting of 23,900 (SAAR) single-family and 16,200 (SAAR) multi-family units. The number of housing units authorized by building permits is estimated to average 41,300 per year starting in 2021 through 2025. Based on the S&P/Case-Shiller Home Price Indices report, Seattle-area home prices dropped by 0.2% (SA) during April, May, and June but increased to 0.9% in July. Seattle-area consumer price inflation (CPI) rose 1.7% during a 12-month period (between Aug 2019 to Aug 2020); this percentage rate exceeded the 1.3% increase in the U.S. City Average index due to higher energy and food prices. Core inflation only increased 1.4% as opposed to 1.7% for the U.S. City Average. Seattle core inflation is projected at 1.6% in 2020 and expected to increase at an average rate of 2.1% per year between 2021 through 2025.

Source: Washington State Economic and Revenue, <https://erfc.wa.gov/publications>

TABLE C-1: SUMMARY FORECAST

SUMMARY FORECAST (Annual Percent Change)	2018	2019	2020	2021	2022	2023
Washington State Economic Forecast						
Non-farm Payroll Employment (% Ch)	2.4	2.0	-4.7	4.1	3.1	2.0
Unemployment Rate (%)	4.5	4.3	8.8	6.6	5.3	4.6
Personal Income (% Ch)	7.5	5.8	7.7	-1.9	4.8	4.5
Seattle Consumer Price Index (% Ch)	3.2	2.5	1.6	2.5	2.1	1.7
Housing Permits (% Ch)	4.3	1.4	-8.8	-0.1	-3.0	-3.1
Total Population (in 000's)	7,427.6	7,546.4	7,659.4	7,767.5	7,871.7	7,972.4
% Change	1.6	1.6	1.5	1.4	1.3	1.3

Source: Washington State Economic and Revenue Forecast Council, Sept 2020 report. <https://erfc.wa.gov/publications>.

TABLE C-2: STATE EMPLOYMENT BY INDUSTRY

Washington State 2019 Average Employment Classified by Industry			
Industry description	Average Firms	Average Annual Employment	Average Annual Wage
Agriculture, forestry, fishing, and hunting	6,845	103,017	\$33,702
Mining	136	2,248	74,849
Utilities	231	5,174	105,295
Construction	26,254	205,619	67,811
Manufacturing	7,510	290,238	81,234
Wholesale trade	12,484	133,790	82,405
Retail trade	14,062	384,491	62,264
Transportation & warehousing	4,628	104,925	64,709
Information	4,402	143,836	207,103
Finance and insurance	5,875	94,774	100,948
Real estate, rental and leasing	6,909	55,354	58,420
Professional, scientific, and technical services	26,501	208,493	103,935
Management of companies and enterprises	651	45,243	123,508
Administrative and waste management services	12,383	171,641	53,133
Educational services	3,432	45,251	40,223
Health care and social assistance	57,546	432,809	54,647
Arts, entertainment, and recreation	2,894	53,789	33,140
Accommodation and food services	14,727	287,434	25,321
Other services (except public administration)	18,801	102,534	42,584
Government	2,128	567,327	66,945
Total *	228,397	3,437,987	69,606

* Total and average of statewide rollup data. Employment and wages are not shown for some subsectors to avoid disclosure of data for ind. employer.

Source: Washington State Employment Security Department, 2019 annual averages, Statewide 3-digit NAICS <https://esd.wa.gov/labormarketinfo/covered-employment>

TABLE C-3: TOP 10 PUBLIC COMPANIES IN WASHINGTON

<u>Top 10 Companies with HQ in Washington State</u> (ranked by Revenues)			
Company	No. of Employees	Revenues (\$M)	Website
Amazon.com	798,000	\$280,522	www.amazon.com
Costco Wholesale	201,500	152,703	www.costco.com
Microsoft	144,000	125,843	www.microsoft.com
Starbucks	346,000	26,509	www.starbucks.com
Paccar	27,000	25,600	www.paccar.com
Nordstrom	75,000	15,524	www.nordstrom.com
Expedia Group	25,400	12,067	www.expedia.com
Alaska Air Group	24,134	8,781	www.alaskaair.com
Expeditors International	18,000	8,175	www.expeditors.com
Fortive	25,000	7,326	www.weyerhaeuser.com

Source: Fortune 500 list, <https://fortune.com/>

2. Economic Impact Study Summary:

The Port of Seattle retained Community Attributes Inc. (CAI) in 2018 to evaluate the economic impacts generated by Port of Seattle’s aviation and maritime businesses. Cumulatively, the Port’s activities and operations helped generate 121,200 direct jobs and \$19.2 million in business revenue. The combined figures reflect data results for cruise activity included in the 2019 report while airport, cargo, fishing, and other maritime activities were included in the 2018 reports. Moreover, the combined figures include activities at both Seattle and Tacoma cargo terminals managed by the Northwest Seaport Alliance.

Sea-Tac Airport:

Sea-Tac Airport, owned and operated by the Port of Seattle, is an important economic engine for the Pacific Northwest connecting businesses, trade and leisure travelers. Business activity data collected for the 2018 study demonstrated Sea-Tac’s role as a major driving force for regional prosperity generating the following impacts to the local and regional economy:

- A total of 151,400 jobs was generated including 87,300 direct jobs.
- Total personal income was \$7.1 billion.
- Business revenue was \$22.5 billion.
- State taxes of \$415 million reflected both direct and secondary activities.

Commercial Fishing and Recreational Boating Industries:

Port of Seattle’s marinas (Shilshole Bay, Salmon Bay, Bell Harbor and Harbor Island) and other properties serve as critical assets to the region’s recreational boating industry. The Port’s marinas support various economic activities which include Washington’s largest liveaboard community, onsite restaurants, and fuel and vessel maintenance and repairs. The Port also offers moorage for tugboats, barges and research vessels. Furthermore, the Port’s industrial lands are leased by non-maritime tenants such as operators of warehouses for non-containerized cargo, local manufacturers and retailers. Likewise, the Port’s commercial properties (i.e. Fishermen’s Terminal, Maritime Industrial Center, Terminal 91, etc.)

play a major role in supporting the regional fishing industry. These facilities are used by a large majority of the North Pacific Fisheries Fleet as well as other fishing vessels that operate in the Puget Sound and the West Coast of the Olympic Peninsula. The results of the 2019 study underscore the importance of Port facilities in the region; highlights include:

- \$671.3 million of Direct Business Output from Commercial Fishing including 7,000 direct jobs.
- Fishing vessels moored at Port facilities generated gross earnings of more than \$455.0 million in 2017.
- \$729 million of Direct Business Output from Recreational boating including 3,620 jobs.
- Recreational boating generated more than \$357 million in labor compensation.

Maritime Cargo:

In 2015, the ports of Seattle and Tacoma formed the Northwest Seaport Alliance (NWSA) to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs for the region. The Northwest Seaport Alliance represents one of the largest cargo-loading centers in the United States. In 2018, the NWSA commissioned a report on the economic impact of marine cargo. Key points of the 2018 study are as follows:

- NWSA directly supported 20,100 jobs with \$1.9 billion in labor income in 2017.
- Average annual wage including benefits for direct jobs supported by Marine Cargo was approximately \$95,000.
- NWSA marine cargo directly supported \$5.9 billion in business output in 2017.
- Direct and secondary economic activities generated nearly \$136 million in taxes.

Cruise Industry:

Cruise ships utilizing the Port of Seattle facilities support economic activities by procuring supplies from local suppliers and vendors, offering shore services to cruise passengers, and commissioning service companies to repair or service equipment. Furthermore, cruise passengers and crew support the economy through their spending on local goods and services. The 2019 economic impacts of the Port of Seattle's cruise business include:

- Cruise activities create nearly \$900 million a year in total local business revenue.
- Each homeport ship call contributes an average \$4.2 million to the state's economy and supports over 5,500 jobs.
- Estimated \$260.1 million in labor income and business output of \$893.6 million in 2019.

The Full Economic Reports for the Airport, Commercial Fishing and Recreational Boating, Marine Cargo and Cruise are available on the Port's website: <https://www.portseattle.org/page/economic-impact-and-tax-levy>.

APPENDIX D: BOND AMORTIZATION SCHEDULES

TABLE D-1: BOND AMORTIZATION SCHEDULE FOR 2020

Bond Type Series	Original Issue Amount	Issue Date	Outstanding Jan. 1, 2020	2020 Principal Payments		Outstanding Dec. 31, 2020	Interest Payments [1]	
				Due Date	Amount		Due Date	Amount
<u>GENERAL OBLIGATION BONDS</u>								
Limited Tax G.O., Series 2011 Ref	\$74,000,000 [3]	02/23/11	35,270,000	12/01/20	5,305,000	29,965,000	06/01, 12/01	1,943,325
Limited Tax G.O., Series 2013A ref	\$27,630,000 [3]	03/26/13	27,630,000		-	27,630,000	05/01, 11/01	1,272,350
Limited Tax G.O., Series 2013B Taxabl	\$75,165,000 [3]	03/26/13	14,295,000	11/01/20	10,240,000	4,055,000	05/01, 11/01	290,928
Limited Tax G.O., Series 2015	\$156,990,000 [4]	04/28/15	136,300,000	06/01/20	5,850,000	130,450,000	06/01, 12/01	5,955,400
Limited Tax G.O., Series 2017	\$127,345,000	03/07/17	121,975,000	01/01/20	2,900,000	119,075,000	01/01, 07/01	6,026,250
TOTAL GENERAL OBLIGATION BONDS			335,470,000		24,295,000	311,175,000		15,488,253
<u>REVENUE BONDS</u>								
<u>First Lien Bonds</u>								
Series 2003A	\$190,470,000 [5]	07/30/03	25,020,000	07/01/20	12,190,000	12,830,000	01/01, 07/01	1,313,550
Series 2009B-2	\$22,000,326 [6]	07/16/09	47,048,140		-	50,594,112 [6]		-
Series 2011B Refunding	\$97,190,000 [7]	11/30/11	64,965,000	09/01/20	7,175,000	57,790,000	03/01, 09/01	3,248,250
Series 2016B - Ref. 2007B	\$124,380,000 [8]	08/02/16	122,820,000	10/01/20	6,935,000	115,885,000	04/01, 10/01	6,141,000
Series 2016C - Ref. Taxable	\$6,180,000 [8]	08/02/16	5,870,000	10/01/20	395,000	5,475,000	04/01, 10/01	151,911
Total First Lien Bonds			265,723,140		26,695,000	242,574,112		10,854,711
<u>Intermediate Lien Bonds</u>								
Series 2010B New Money	\$157,880,000	07/15/10	138,365,000	06/01/20	3,830,000	134,535,000	6/01,12/01	6,807,313
Series 2010B - Ref. 2005D	\$63,435,000 [9]	07/15/10	57,765,000	06/01/20	1,600,000	56,165,000	6/01,12/01	2,841,913
Series 2010C - Ref. 2000B	\$128,140,000 [10]	07/15/10	77,135,000	02/01/20	14,010,000	63,125,000	02/01,08/01	3,506,500
Series 2012A Refunding	\$342,555,000 [5]	03/14/12	302,555,000		-	302,555,000	02/01,08/01	14,993,200
Series 2012B - Ref. 2001B	\$189,315,000 [11]	03/14/12	83,305,000	08/01/20	15,090,000	68,215,000	02/01,08/01	4,165,250
Series 2013 Revenue Refunding	\$139,105,000 [12]	12/17/13	127,155,000		-	127,155,000	01/01, 07/01	6,332,750
Series 2015A New Money	\$72,010,000	08/06/15	68,370,000	04/01/20	1,950,000	66,420,000	04/01, 10/01	3,292,700
Series 2015B Refunding	\$284,440,000 [13]	08/06/15	211,945,000	03/01/20	23,295,000	188,650,000	03/01, 09/01	10,014,875
Series 2015C New Money	\$226,275,000	08/06/15	212,695,000	04/01/20	6,885,000	205,810,000	04/01, 10/01	10,462,625
Series 2016 Refunding	\$99,095,000 [14]	08/02/16	99,095,000		-	99,095,000	02/01,08/01	4,915,900
Series 2017A Revenue Refunding	\$16,705,000 [15]	08/22/17	16,705,000		-	16,705,000	05/01, 11/01	835,250
Series 2017B Revenue Refunding	\$264,925,000 [15]	08/22/17	248,565,000	05/01/20	15,295,000	233,270,000	05/01, 11/01	7,888,601
Series 2017C New Money	\$313,305,000	08/22/17	312,245,000	05/01/20	7,410,000	304,835,000	05/01, 11/01	15,552,000
Series 2017D New Money	\$93,230,000	08/22/17	82,550,000	05/01/20	8,615,000	73,935,000	05/01, 11/01	3,912,125
Series 2018A New Money	\$470,495,000	06/21/18	470,430,000	05/01/20	3,910,000	466,520,000	05/01, 11/01	22,936,250
Series 2018B New Money	\$85,145,000	06/21/18	83,855,000	05/01/20	7,560,000	76,295,000	05/01, 11/01	4,003,750
Series 2019 New Money	\$457,390,000	08/07/19	457,390,000	04/01/20	-	457,390,000	04/01, 10/01	22,469,500
Total Intermediate Lien Bonds			3,050,125,000		109,450,000	2,940,675,000		144,930,501
<u>Subordinate Lien Bonds</u>								
Series 1997	\$108,830,000	03/26/97	28,430,000	2020	9,195,000 [2]	19,235,000	Various [2]	207,088 [2]
Series 1999A	\$127,140,000 [5]	11/14/02	14,380,000	09/01/20	14,380,000	-	03/01, 09/01	790,900
Series 2008	\$200,715,000 [16]	06/11/08	158,300,000	2020	- [2]	158,300,000	Various [2]	1,163,546 [2]
Total Subordinate Lien Bonds			201,110,000		23,575,000	177,535,000		2,161,534
TOTAL REVENUE BONDS			3,516,958,140		159,720,000	3,360,784,112		157,946,746

SPECIAL REVENUE BONDS

PFC Ref. Bonds Series 2010A	\$79,770,000	[17]	12/01/10	<u>66,550,000</u>	12/01/20	<u>15,440,000</u>	<u>51,110,000</u>	06/01, 12/01	<u>3,327,500</u>
TOTAL SPECIAL REVENUE BONDS				<u>66,550,000</u>		<u>15,440,000</u>	<u>51,110,000</u>		<u>3,327,500</u>

SPECIAL FACILITY REVENUE BONDS

Fuel Facilities Series 2013 ref	\$88,660,000	[18]	06/13/13	<u>68,980,000</u>	06/01/20	<u>3,845,000</u>	<u>65,135,000</u>	06/01, 12/01	<u>3,079,258</u>
TOTAL SPECIAL FACILITY REVENUE BONDS				<u>68,980,000</u>		<u>3,845,000</u>	<u>65,135,000</u>		<u>3,079,258</u>

Notes:

- [1] - Interest Payments shown in this schedule are gross amounts before use of any Capitalized Interest.
 - [2] - Estimated annual total. Interest paid monthly. Interest paid annually or at maturity. Annual principal payments are voluntary and not expected for 2020 or 2021.
 - [3] - Series 2013AB G.O. bonds fully refunded the Series 2004A G.O. bonds and partially refunded the Series 2004B G.O. bonds, the Series 2004C G.O. bonds and the Series 2011 G.O bonds on 3/26/2013. The Series 2004C G.O. Ref. bonds refunded a portion of the Port's 1994B Revenue bonds and a portion of the 1994 G.O. bonds. The Series 2011 G.O. bonds refunded the outstanding 2000B G.O. Bonds.
 - [4] - Series 2015 G.O. fully refunded the outstanding Series 2006 G.O. Ref. Bonds. The Series 2006 G.O bonds refunded a portion of the Port's 1999A Special Facility bonds and a portion of the 2000A G.O. bonds.
 - [5] - Series 2012A Intermediate lien bonds fully refunded the Series 2001A First Lien Revenue bonds and partially refunded the Series 1999A Sub Lien bonds and 2003A First Lien bonds.
 - [6] - Series 2009B-2 First Lien Capital Appreciation Bonds were issued at \$22,000,326 par. The outstanding principal balance at 12/31/2020 includes \$28,593,785.77 of accumulated accreted interest.
 - [7] - Series 2011AB First Lien bonds fully refunded the 1999B and 1999C Special Facility bonds and the 1998 Subordinate Lien series bonds.
 - [8] - Series 2016 ABC First Lien bonds refunded a portion of the outstanding Series 2007A First Lien bonds and all of the Series 2007B First Lien bonds.
 - [9] - Series 2010B-Ref. 2005D Intermediate Lien bonds fully refunded the 2005D Subordinate Lien series bonds.
 - [10] - Series 2010C Intermediate lien bonds refunded a portion of the Port's 2000B First Lien Bonds.
 - [11] - Series 2012B Intermediate Lien bonds refunded a portion of the Series 2001B First Lien bonds and fully refunded the Series 2001C First Lien bonds.
 - [12] - Series 2013 Revenue Refunding Intermediate Lien bonds refunded the outstanding 2003B First Lien series bonds.
 - [13] - Series 2015B Intermediate Lien bonds refunded the outstanding Series 2005A Intermediate Lien bonds. The Series 2005A Intermediate Lien bonds refunded a portion of the Port's 1996A First Lien bonds and a portion of the Port's 1997A First Lien bonds.
 - [14] - Series 2016 Int Lien Refunding bonds refunded the outstanding Series 2006A bonds. The Series 2006A Intermediate Lien bonds refunded the outstanding 2000A First Lien series bonds.
 - [15] - Series 2017A Int. Lien Revenue Refunding bonds fully refunded the Series 2009A First Lien Revenue Bonds. The 2017B bonds refunded a portion of the 2009B-1 First Lien Revenue bonds.
 - [16] - Series 2008 Subordinate Lien bonds refunded the 2003C Subordinate Lien bonds.
 - [17] - Series 2010A PFC Ref. bonds refunded a portion of the 1998A PFC series bonds. Debt service for PFC Ref. bonds will be paid directly out of receipts from PFCs, not out of operating cash flows.
 - [18] - Series 2013 Special Facility Fuel Hydrant bonds fully refunded the 2003 Special Facility Fuel Hydrant bonds. Debt service for Fuel Facilities is paid directly from Fuel Hydrant Facility income, not out of operating cash flows.
- The Port has authority to issue up to \$400 million in Commercial Paper, as of 10/31/2020 the Port had \$27.665 million outstanding.

TABLE D-2: BOND AMORTIZATION SCHEDULE FOR 2021

Bond Type Series	Original Issue Amount	Issue Date	Outstanding Jan. 1, 2021	2021 Principal Payments		Outstanding Dec. 31, 2021	Interest Payments [1]	
				Due Date	Amount		Due Date	Amount
GENERAL OBLIGATION BONDS								
Limited Tax G.O., Series 2011 Ref	\$74,000,000 [3]	02/23/11	29,965,000	12/01/21	5,590,000	24,375,000	06/01, 12/01	1,664,813
Limited Tax G.O., Series 2013A ref	\$27,630,000 [3]	03/26/13	27,630,000		6,325,000	21,305,000	05/01, 11/01	1,272,350
Limited Tax G.O., Series 2013B Taxable	\$75,165,000 [3]	03/26/13	4,055,000	11/01/21	2,830,000	1,225,000	05/01, 11/01	95,344
Limited Tax G.O., Series 2015	\$156,990,000 [4]	04/28/15	130,450,000	06/01/21	6,150,000	124,300,000	06/01, 12/01	5,655,400
Limited Tax G.O., Series 2017	\$127,345,000	03/07/17	119,075,000	01/01/21	3,045,000	116,030,000	01/01, 07/01	5,877,625
TOTAL GENERAL OBLIGATION BONDS			311,175,000		23,940,000	287,235,000		14,565,531
REVENUE BONDS								
<u>First Lien Bonds</u>								
Series 2003A	\$190,470,000 [5]	07/30/03	12,830,000	07/01/21	12,830,000	-	01/01, 07/01	673,575
Series 2009B-2	\$22,000,326 [6]	07/16/09	50,594,112		-	54,407,339 [6]		-
Series 2011B Refunding	\$97,190,000 [7]	11/30/11	57,790,000	09/01/21	8,405,000	49,385,000	03/01, 09/01	2,889,500
Series 2016B - Ref. 2007B	\$124,380,000 [8]	08/02/16	115,885,000	10/01/21	7,280,000	108,605,000	04/01, 10/01	5,794,250
Series 2016C - Ref. Taxable	\$6,180,000 [8]	08/02/16	5,475,000	10/01/21	400,000	5,075,000	04/01, 10/01	146,381
Total First Lien Bonds			242,574,112		28,915,000	217,472,339		9,503,706
<u>Intermediate Lien Bonds</u>								
Series 2010B New Money	\$157,880,000	07/15/10	134,535,000	06/01/21	4,025,000	130,510,000	6/01,12/01	6,610,938
Series 2010B - Ref. 2005D	\$63,435,000 [9]	07/15/10	56,165,000	06/01/21	1,680,000	54,485,000	6/01,12/01	2,759,913
Series 2010C - Ref. 2000B	\$128,140,000 [10]	07/15/10	63,125,000	02/01/21	14,725,000	48,400,000	02/01,08/01	2,788,125
Series 2012A Refunding	\$342,555,000 [5]	03/14/12	302,555,000		13,850,000	288,705,000	02/01,08/01	14,993,200
Series 2012B - Ref. 2001B	\$189,315,000 [11]	03/14/12	68,215,000	08/01/21	15,840,000	52,375,000	02/01,08/01	3,410,750
Series 2013 Revenue Refunding	\$139,105,000 [12]	12/17/13	127,155,000		-	127,155,000	01/01, 07/01	6,332,750
Series 2015A New Money	\$72,010,000	08/06/15	66,420,000	04/01/21	2,040,000	64,380,000	04/01, 10/01	3,200,525
Series 2015B Refunding	\$284,440,000 [13]	08/06/15	188,650,000	03/01/21	24,495,000	164,155,000	03/01, 09/01	8,820,125
Series 2015C New Money	\$226,275,000	08/06/15	205,810,000	04/01/21	7,225,000	198,585,000	04/01, 11/01	10,109,875
Series 2016 Refunding	\$99,095,000 [14]	08/02/16	99,095,000		-	99,095,000	02/01,08/01	4,915,900
Series 2017A Revenue Refunding	\$16,705,000 [15]	08/22/17	16,705,000		-	16,705,000	05/01, 11/01	835,250
Series 2017B Revenue Refunding	\$264,925,000 [15]	08/22/17	233,270,000	05/01/21	15,865,000	217,405,000	05/01, 11/01	7,558,221
Series 2017C New Money	\$313,305,000	08/22/17	304,835,000	05/01/21	7,790,000	297,045,000	05/01, 11/01	15,172,000
Series 2017D New Money	\$93,230,000	08/22/17	73,935,000	05/01/21	9,035,000	64,900,000	05/01, 11/01	3,470,875
Series 2018A New Money	\$470,495,000	06/21/18	466,520,000	05/01/21	11,110,000	455,410,000	05/01, 11/01	22,560,750
Series 2018B New Money	\$85,145,000	06/21/18	76,295,000	05/01/21	7,955,000	68,340,000	05/01, 11/01	3,615,875
Series 2019 New Money	\$457,390,000	08/07/19	457,390,000	04/01/21	4,615,000	452,775,000	04/01, 10/01	22,354,125
Total Intermediate Lien Bonds			2,940,675,000		140,250,000	2,800,425,000		139,509,196
<u>Subordinate Lien Bonds</u>								
Series 1997	\$108,830,000	03/26/97	19,235,000	2021	9,470,000 [2]	9,765,000	Various [2]	109,640 [2]
Series 2008	\$200,715,000 [16]	06/11/08	158,300,000	2021	- [2]	158,300,000	Various [2]	902,310 [2]
Total Subordinate Lien Bonds			177,535,000		9,470,000	168,065,000		1,011,950
TOTAL REVENUE BONDS			3,360,784,112		178,635,000	3,185,962,339		150,024,852

SPECIAL REVENUE BONDS

PFC Ref. Bonds Series 2010A	\$79,770,000	[17]	12/01/10	<u>51,110,000</u>	12/01/21	<u>16,210,000</u>	<u>34,900,000</u>	06/01, 12/01	<u>2,555,500</u>
TOTAL SPECIAL REVENUE BONDS				<u>51,110,000</u>		<u>16,210,000</u>	<u>34,900,000</u>		<u>2,555,500</u>

SPECIAL FACILITY REVENUE BONDS

Fuel Facilities Series 2013 ref	\$88,660,000	[18]	06/13/13	<u>65,135,000</u>	06/01/21	<u>4,040,000</u>	<u>61,095,000</u>	06/01, 12/01	<u>2,882,133</u>
TOTAL SPECIAL FACILITY REVENUE BONDS				<u>65,135,000</u>		<u>4,040,000</u>	<u>61,095,000</u>		<u>2,882,133</u>

Notes:

- [1] - Interest Payments shown in this schedule are gross amounts before use of any Capitalized Interest.
 - [2] - Estimated annual total. Interest paid monthly. Interest paid annually or at maturity. Annual principal payments are voluntary and not expected for 2020 or 2021.
 - [3] - Series 2013AB G.O. bonds fully refunded the Series 2004A G.O. bonds and partially refunded the Series 2004B G.O. bonds, the Series 2004C G.O. bonds and the Series 2011 G.O. bonds on 3/26/2013. The Series 2004C G.O. Ref. bonds refunded a portion of the Port's 1994B Revenue bonds and a portion of the 1994 G.O. bonds. The Series 2011 G.O. bonds refunded the outstanding 2000B G.O. Bonds.
 - [4] - Series 2015 G.O. fully refunded the outstanding Series 2006 G.O. Ref. Bonds. The Series 2006 G.O. bonds refunded a portion of the Port's 1999A Special Facility bonds and a portion of the 2000A G.O. bonds.
 - [5] - Series 2012A Intermediate lien bonds fully refunded the Series 2001A First Lien Revenue bonds and partially refunded the Series 1999A Sub Lien bonds and 2003A First Lien bonds.
 - [6] - Series 2009B-2 First Lien Capital Appreciation Bonds were issued at \$22,000,326 par. The outstanding principal balance at 12/31/2021 includes \$32,407,013.39 of accumulated accreted interest.
 - [7] - Series 2011AB First Lien bonds fully refunded the 1999B and 1999C Special Facility bonds and the 1998 Subordinate Lien series bonds.
 - [8] - Series 2016 ABC First Lien bonds refunded a portion of the outstanding Series 2007A First Lien bonds and all of the Series 2007B First Lien bonds.
 - [9] - Series 2010B-Ref. 2005D Intermediate Lien bonds fully refunded the 2005D Subordinate Lien series bonds.
 - [10] - Series 2010C Intermediate lien bonds refunded a portion of the Port's 2000B First Lien Bonds.
 - [11] - Series 2012B Intermediate Lien bonds refunded a portion of the Series 2001B First Lien bonds and fully refunded the Series 2001C First Lien bonds.
 - [12] - Series 2013 Revenue Refunding Intermediate Lien bonds refunded the outstanding 2003B First Lien series bonds.
 - [13] - Series 2015B Intermediate Lien bonds refunded the outstanding Series 2005A Intermediate Lien bonds. The Series 2005A Intermediate Lien bonds refunded a portion of the Port's 1996A First Lien bonds and a portion of the Port's 1997A First Lien bonds.
 - [14] - Series 2016 Int Lien Refunding bonds refunded the outstanding Series 2006A bonds. The Series 2006A Intermediate Lien bonds refunded the outstanding 2000A First Lien series bonds.
 - [15] - Series 2017A Int. Lien Revenue Refunding bonds fully refunded the Series 2009A First Lien Revenue Bonds. The 2017B bonds refunded a portion of the 2009B-1 First Lien Revenue bonds.
 - [16] - Series 2008 Subordinate Lien bonds refunded the 2003C Subordinate Lien bonds.
 - [17] - Series 2010A PFC Ref. bonds refunded a portion of the 1998A PFC series bonds. Debt service for PFC Ref. bonds will be paid directly out of receipts from PFCs, not out of operating cash flows.
 - [18] - Series 2013 Special Facility Fuel Hydrant bonds fully refunded the 2003 Special Facility Fuel Hydrant bonds. Debt service for Fuel Facilities is paid directly from Fuel Hydrant Facility income, not out of operating cash flows.
- The Port has authority to issue up to \$400 million in Commercial Paper, as of 10/31/2020 the Port had \$27.665 million outstanding.

TABLE D-3: 30 YEAR BOND AMORTIZATION SCHEDULE

Port of Seattle Statement of 30 Years - Calendar Year Mode Outstanding and Closed Debt Service As of 1/1/2021 Primary Sort Issue Group (in thousands) [*Selected Issues]											
	2021	2022	2023	2024	2025	2026 2030	2031 2035	2036 2040	2041 2045	2046 2050	Total
GO Bonds											
INTEREST	14,566	13,423	12,084	10,784	9,860	38,495	25,821	12,164	860	0	138,057
PRINCIPAL	23,940	25,940	27,290	17,240	18,190	60,340	53,795	67,455	16,985	0	311,175
PFC Rev Bonds											
INTEREST	2,556	1,745	894	0	0	0	0	0	0	0	5,194
PRINCIPAL	16,210	17,025	17,875	0	0	0	0	0	0	0	51,110
Rev Int Lien											
INTEREST	139,509	132,903	125,583	118,121	110,539	444,597	268,842	125,636	20,685	0	1,486,415
PRINCIPAL	140,250	158,510	155,830	163,015	136,995	739,970	664,210	524,670	257,225	0	2,940,675
Rev Sr. Lien											
INTEREST	9,504	8,039	7,203	6,323	15,296	62,691	5,860	0	0	0	114,915
PRINCIPAL	28,915	16,985	17,830	18,705	24,228	80,937	26,380	0	0	0	213,980
Rev Sub Lien ¹											
INTEREST	336	323	285	285	285	1,425	732	0	0	0	3,671
PRINCIPAL	0	28,430	0	0	0	0	158,300	0	0	0	186,730
Special Facility Rev Bonds-FH											
INTEREST	2,882	2,675	2,458	2,230	2,029	7,127	996	0	0	0	20,396
PRINCIPAL	4,040	4,240	4,455	4,675	4,865	27,285	15,575	0	0	0	65,135
Interest Total	169,352	159,108	148,507	137,743	138,008	554,334	302,251	137,800	21,545	0	1,768,648
Principal Total	213,355	251,130	223,280	203,635	184,278	908,532	918,260	592,125	274,210	0	3,768,805
Grand Total	382,707	410,238	371,787	341,378	322,286	1,462,866	1,220,511	729,925	295,755	0	5,537,453

1. Assumes an interest rate of 0.18% per annum for all outstanding Subordinate Lien variable rate bonds. Excludes the Port's Subordinate Lien Commercial Paper program, which is authorized in the amount of \$400 million, and as of October 31, 2020 was outstanding in the amount of \$27,665,000.

APPENDIX E: OTHER DETAILED EXPENDITURES

a. Promotional Hosting

Promotional hosting consists of expenses incurred by officials and employees of the Port in connection with hosting others for the purpose of promoting the increased use of Port facilities and services.

TABLE E-1: PROMOTIONAL HOSTING BY DIVISION

DIVISION	2019 Actuals	2020 Budget Approved	2020 Revised Approved	2021 Budget
Aviation	\$ 141,214	\$ 348,525	\$ 68,014	\$ 168,825
Maritime	70,890	114,020	76,070	49,300
Economic Development	86,506	148,140	142,690	50,850
Central Services	161,272	176,785	90,996	41,710
Total	\$ 459,882	\$ 787,470	\$ 377,770	\$ 310,685

Promo.xls

b. Memberships

The 2021 Budget for the Port of Seattle is \$ 1,215,940. The Executive Director may approve additional memberships and increases in dues which could not be foreseen during 2021 budget preparation, provided that the increases do not exceed 10% of the total membership budget.

Memberships are for: (1) associations for the purpose of participating on a cooperative basis with other port districts, airports and with operators of terminal and transportation facilities; (2) associations providing specialized information and services; (3) associations to better qualify certain employees in the performance of specified duties which are assigned to such employees; and (4) associations which are considered to be of particular and special value in connection with the carrying out of the Port's promotion and advertising activities. Membership is an effective way to leverage scarce resources to accomplish objectives that might otherwise be omitted.

TABLE E-2: MEMBERSHIPS

Memberships	2021 Budget
1. Airport Council International	\$ 189,000
2. Washington Public Ports Association-AV	136,239
3. Washington Public Ports Association - Maritime	136,239
4. Greater Seattle Partners	130,000
5. Puget Sound Regional Council & Economic Development	85,200
6. American Association of Airport Executives Legislative Affairs	48,000
7. Greater Seattle Metropolitan Chamber - Annual Membership Dues	41,500
8. American Association of Port Authorities	35,000
9. Airports Council International	28,616
10. Aviation Information Sharing and Analysis Center	25,008
11. American Association of Airport Executives (AAAE)	18,275
12. International Association of Port Authorities	15,000
13. Washington Health Alliance	14,000
14. Washington Council on International Trade	10,000
15. International Air Transport Association	10,000
16. Global Biorisk Advisory Council (GBAC) - Biorisk Accreditation	10,000
17. Other	283,863
TOTAL	\$ 1,215,940

Memberships.xlsx

APPENDIX F: GLOSSARY OF TERMS USED

Account: A record of an activity as revenue or expense, such as fees for services, rents, or as salaries, equipment, supplies, travel, etc.

Accrual: Represents an outstanding obligation for goods and services received or performed but for which payment has not been made.

Accrual Basis of Accounting: It is the basis of accounting under which revenue transactions are recognized when earned and expenses are recognized when incurred, regardless of the time the cash is received or disbursed, or the recording of revenue or expense in the absence of a cash transaction.

Actual: Earned revenue or incurred expense during the stated fiscal year.

Actions: The specific tactics, actions and projects an organization will undertake in an effort to meet the objectives. These statements should reflect how objectives will be achieved.

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

Allocated Expense: These are costs allocated to business groups from service providers. Allocated costs are general support costs that cannot be directly attributed to a business unit, but instead support the entire Port and all its Business Groups. Costs can come from within the division (intra-division) or from outside the division (inter-division).

Amortization: The gradual reduction in the book value of Fixed or Intangible Assets having a limited life by allocating the original cost over the life of the asset. (See Depreciation)

Appropriation: Authorization granted by a legislative body to make expenditures and to incur obligations for a specific use and contains specific limitations as to the amount, purpose, and time when it may be expended.

Assessed Valuation: Is an official government valuation set upon real estate and personal property by the King County Assessor, as a basis for levying property taxes.

Audit: A formal examination of an organization accounts or financial situation.

Balanced Budget: The Port prepares an annual budget and supports, encourages and commits to a balanced budget in which revenues exceed expenses. In so doing, the practice is to pay for all current operating expenses with current revenues and not postpone current year operating expenses to future years or accrue future year's revenues to the current year. The Port policy further requires that budgeted operating expenses do not exceed budgeted revenues, and on-going expenses do not exceed on-going revenues.

Bonds: Is an interest-bearing written instrument promising to pay a specified sum of money (the face value or principal amount) on a specified date (the maturity date) at a specified interest rate. The interest payments and the repayment of the principal are detailed in a bond resolution or ordinance.

Budget: A financial plan, forecast or projection of the Port’s revenues and expenses expected during the stated budget year.

Budget Calendar: A schedule of key dates that the Port follows in the preparation, review and adoption of its annual budget.

Budget Document: The Port’s official written approved budget in document format, prepared by the Port’s Finance and Budget teams.

Budget Message: A general discussion of the proposed budget presented in written format by the Executive Director of the Port to the Port Commission and Public.

Business & Occupation (B&O) Tax: It is a gross receipt tax levied on businesses. Washington State does not have a corporate or personal income tax. Washington’s B&O Tax is calculated on the gross income from activities.

Capital Improvement Plan and Draft Plan of Finance: A detailed five-year plan of proposed capital expenditures arising from the acquisition or improvement of the Port’s fixed assets and the means of financing them through bond proceeds, grants and operating revenues. This document serves as an operational and planning tool. The document identifies proposed capital projects at the airport and on the waterfront and prioritizes those projects.

Capital Capacity: An estimated calculation of the maximum amount available to spend on capital projects, given assumptions about future revenues and expenses and the ability to cover future interest payments per bond covenants and Port policies. See further discussion in the Draft Plan of Finance, section X.

Capital Expenditures: Expenditures that arise from the acquisition or improvement of the Port’s fixed assets such as construction of new facility or renovation of existing facility; renewal, replacement or upgrading of mechanical, electrical, communications, HVAC and plumbing systems; computer and office equipment; furniture and fixtures; vehicles, etc.

Capitalized Labor or Charges to Capital Projects: Includes the salaries and benefits costs associated with capital projects. These costs are subtracted out of the operating expense and then input into the capital budget as part of the cost of the project(s).

CARES Act: The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act.

Cash Disbursements: Is the disbursement or payment of cash for cost incurred in the operation of the Port’s business.

Cash Flow: Illustrates the flow of funds over a period of time incorporating both the operating budget and the capital budget and determines the financial needs.

Cash Receipts: The collection of cash from services and from Port facilities and equipment leased or operated.

Chartfield: A field that contains information that defines a transaction in terms of account number, department code, subclass, fund or program.

Chart of Accounts: It is a long list (“index”) of account numbers and their descriptions.

Comprehensive Annual Financial Report (CAFR): This document, known as the CAFR, is produced by the Port of Seattle annually detailing financial, statistical, budgetary and demographic data and it is distributed to the public.

Contingency: A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

Continuous Process Improvement Program (CPI): CPI is the port's official program to establish a continuous and enduring culture of improvement by utilizing a disciplined and time-tested improvement methodology called "LEAN." A culture of CPI will expand and improve the Port's capabilities, making the Port a stronger, more competitive organization. The CPI program focuses on four key elements:

- Organizational strategies, objectives, and metrics
- Employee empowerment and engagement
- Efficiency
- Innovation

Cost Per Enplanement (CPE): Airline cost per enplanement reflects the overall cost to the airlines for each passenger enplaned. The CPE measures the total costs borne by the passenger airlines operating at the airport divided by the number of enplaned passengers (roughly half of the total passengers). CPE is a key indicator used by the airlines to measure the relative costs of airports.

Customer Facility Charges (CFC): As determined by applicable State legislation, customer facility charges generate revenue to be expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds.

Department/Org: An organizational unit within the Port which is part of a division.

Depreciation: This is a non-cash item that represents the use of long-term assets. Port assets are given a useful life of more than three years when they become active and each year some of that useful life is used up, worn or depreciated (See Amortization.)

Direct Charge: The ability to direct charged for services instead of allocating them, which is charging against another division's/department's subclass to represent where resources were used and dollars spent for the work that was actually done.

Draft Plan of Finance: The Five-year Capital Budget is the basis of the Plan of Finance. A funding plan for the Capital Budget that identifies the types and amounts of funding sources that are expected to be available in the five-year planning period, developed within the financial targets and forecasts described within the Draft Plan of Finance section. The Draft Plan of Finance is prepared and presented to the Port Commission concurrently with the Operating Budget. See further discussion in the Draft Plan of Finance section.

Enterprise Fund: There are dozens of funds that are summarized into the Enterprise Fund. The Enterprise Fund accounts for all activities and operations of the Port. The Enterprise fund is connected to the functional units in that it is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties. Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions (Aviation, Maritime, Economic Development), and Central Services.

Environmental Remediation Liability: The Port’s policy requires accrual of pollution remediation obligation amounts when (a) one of the following specific obligating events is met and (b) the amount can be reasonably estimated. Obligating events include: imminent endangerment to the public; permit violation; named as party responsible for sharing costs; named in a lawsuit to compel participation in pollution remediation; or commenced or legally obligated to commence pollution remediation. Potential cost recoveries such as insurance proceeds, if any, are evaluated separately from the Port’s pollution remediation obligation. Costs incurred for pollution remediation obligation are recorded as environmental expenses unless the expenditures meet specific criteria that allow them to be capitalized. Capitalization criteria include: preparation of property in anticipation of a sale; preparation of property for use if the property was acquired with known or suspected pollution that was expected to be remediated; performance of pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment; or acquisition of property, plant, and equipment that have a future alternative use not associated with pollution remediation efforts.

Equity: The excess of assets over liabilities.

Estimates: Prediction of revenues and expenditures.

Fiscal Year: The Port’s annual accounting period for recording financial transactions begins January 1 and ends December 31, which is the same as the calendar year. It is also called the budget year.

Forecast: An estimate, projection or prediction of revenues and expenses.

Full Time Equivalent: Full Time Equivalent (FTE) employee, where “full-time” equals 100% of a full-time schedule. A full-time employee is represented as a “1.0 FTE” where 1.0 = 100% of a full-time schedule. FTEs represented by less than 1.0, such as 0.8, represent less than a full-time schedule. For example, “0.8 FTE” represents 80% of a full-time schedule.

Fund: Enterprise Fund. The establishment of a sub-fund is to account for money set aside for some specific purpose.

Fund Balance: The Net Position of the Enterprise Fund.

Generally Accepted Accounting Principles (GAAP): Standards and guidelines by which Accounting and Financial Reporting are governed.

General Obligation (G.O.) Bonds and Interest: The Port can borrow money which is intended to be paid back through its taxing authority. The tax levy (See Section VIII) funds the repayment of the principal and interest of these bonds. Port financial policies dictate that G.O. bonds be used for projects that have a long lag between project costs and revenues or are insufficient to support revenue bond financing, the project generates significant economic benefits for taxpayers, and the project is critical to the Port’s core business.

Goals: Written statements that declare what the port/division/department plan to achieve to fulfill its mission.

Governmental Accounting Standards Board (GASB): It is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government Finance Officers Association (of USA and Canada) (GFOA): The purpose of the Government Finance Officers Association is to enhance and promote the professional management of

governments for the public benefit by identifying and developing financial policies and practices and promoting them through education, training and leadership.

Investment in Joint Venture: The Port adopted Joint Venture Accounting beginning January 1, 2016 to account for its 50% share in the Northwest Seaport Alliance (NWSA).

Inter-Division Allocation (Charges): Allocation or Charges from one division to another.

Intra-Division Allocation (Charges): Allocation or Charges from within the division.

Landing Fee: The landing fee rate and resulting landing fee revenues are based on the contractual agreement between the Port's Aviation Division and the airlines. This contractual agreement permits the airlines to land and operate at Sea-Tac Airport. See the discussion of landing fees in Appendix E.

LEAN: Is a management philosophy, a process improvement approach, and a set of methods that seek to identify, eliminate, and reduce non-value added activities or waste within a process. Lean is time tested and is used by several companies, industries, and agencies around the world. Key principles of LEAN are:

- Guiding team members through the steps in process improvement with a trained facilitator
- Measuring the current state of a process
- Analyzing problem areas within a process
- Brainstorming improvement ideas, implementing improvements, and putting in place controls to sustain improvements

Major Funds: There are dozens of funds that are summarized into the Enterprise Fund, which is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties. Therefore, the Port of Seattle summarizes all of its activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions – Aviation, Maritime and Economic Development, and Central Services.

Majority in Interest (MI): Under the terms of the current agreement between the airlines and the airport, the airlines are entitled to vote their approval for particular capital projects that affect the airline rate base.

Millage: A tax rate on property, expressed in mills per dollar of value of the property.

Mission: A brief statement that describes the purpose of an organization's existence. It defines the core purpose of the organization: What your organization does and for whom.

Net Assets: As required by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments, net assets (equity) have been classified on the statement of net assets into the following categories:

- Invested in capital assets – net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted: Net Assets subject to externally imposed stipulations on their use.
- Unrestricted: All remaining net assets that do not meet the definition of “invested in capital assets – net of related debt” or “restricted.”

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

Net Operating Income before Depreciation (NOI): Income from operations after all direct and allocated expenses, but before depreciation, non-operating revenues and expenses has been included.

Non-Airline Revenues: Include concession, parking and other fees not charged directly to the airlines. These revenues help offset the residual landing fee requirement.

Non-Operating Expenses: Cost or charges that do not arise from the normal operation of the Port's business. An example is interest expense.

Non-Operating Revenues: Revenues that do not result from the normal operation of the Port's business such as: Ad Valorem Tax Levy, Interest Income, Non-operating Grants, Passenger Facilities Charges, Customer Facilities Charges and other revenues generated from non-operating sources.

Northwest Seaport Alliance (NWSA): A Joint Venture between the Port of Seattle and the Port of Tacoma formed the Northwest Seaport Alliance, which unifies the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the Puget Sound gateway and attract more marine cargo to the region. It is the fourth-largest trade gateway in North America, behind the ports of Los Angeles and Long Beach, the Port of New York/New Jersey, and the Port of Savannah. It is a separate governmental entity established as a Port Development Authority, similar to Public Development Authorities formed by cities and counties. It is governed equally by the Managing Members who are acting through its home port's elected commissioners. The citizens of Pierce and King Counties each elect a five-member Port Commission to govern the ports of Tacoma and Seattle every four years, on a staggered basis. Each home port will remain a separate legal entity, independently governed by its own elected commissioners.

Objectives: Are statements of specific outcomes that are related to achieving the desired goals/strategies.

Operating Income before Allocations & Depreciation: Direct operating revenues minus direct operating expenses. This does not include any allocated expenses.

Operating & Maintenance Expenses: Cost or charges that arise from the normal operation of Port's business. These are cost or services required for a department/division to function. These include Salaries and Benefits, Equipment expense, Supplies and Stock, Travel and Other Employee expenses and all Direct and allocated charges, from Central Services and from other Divisions.

Operating Revenues: Fees for services, rents, and charges for the use of Port facilities such as: Dockage, Wharfage, Berthage and Moorage, Airport Transportation Fees, Airport Landing Fees, Equipment Rentals, Property Rentals and other revenues generated from port's operations are reported as operating revenue.

ORG: Is an abbreviated term for "Organization" and is the number that identifies departments. It shows where cost originates.

Other Post-Employment Benefits (OPEB): According to the Governmental Accounting Standard Board (GASB) statement 45, government agencies are required to record post-employment benefit costs other than pensions as a liability based on actuarial costs.

Passenger Facilities Charges (PFCs): As determined by applicable federal legislation, passenger facility charges generate revenue to be expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds. PFC revenues received from the airlines are recorded as non-operating income in the statements of revenues, expenses, and changes in net assets upon passenger enplanement.

Passenger Facilities Charges (PFCs) Bonds: Bonds backed by Passenger Facility Charges.

Passenger Traffic: Enplanements, deplanements and connecting passenger activity.

Performance Indicators or Measures: Metrics used by Port management to determine whether a program is achieving or accomplishing its mission efficiently and effectively.

Performance or Operating Budget: A financial plan that incorporates an estimate of proposed revenues and expenses for a given period. A department's budget includes only those revenues and expenditures for which it has control.

Performance or Variance Report: A report in narrative format explaining the reason or causes of variances between actual revenues and expenses versus budgeted amounts for a given period. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into this report and it is presented quarterly to Executive Management and the Commission in public meetings.

Port Commission: It is the governing body of the Port of Seattle, which is comprised of five commissioners elected by the voters of King County to serve four-year term and to establish Port policy.

Program: Represents costs that are tracked and tend to enhance account information.

Repairs and Maintenance: Expenditures for routine maintenance and repairs to structure and minor improvements to property, which do not increase the value of the capital assets.

Resolution: A formal expression of opinion or determination adopted by the Port Commission.

Revenue Bonds: A type of borrowing that is repaid through the dedication of revenues intended to be generated by the investment being funded by the bonds.

Revenue over Expense: The excess or deficit of revenues (operating and non-operating) over expenses (operating and non-operating). The excess of revenues over expenses increases equity, whereas the deficit, expenses over revenues, decrease equity.

Seasonally Adjusted: Monthly figures are seasonally adjusted to account for typical seasonal variations which allows for month-to-month comparison.

Seasonally Adjusted Annual Rate: An calculated rate to reflect the full year, and adjusted to account for the seasonal variations.

Strategies: The broad, overall priorities adopted by the organization in recognition of its operating environment and in pursuit of its mission and vision. Strategies set the stage for decisions on budget, resources, and timeframes.

Statutory Budget: A plan that depicts the cash flows of the Port. It shows the beginning balance, cash receipts and cash disbursements and the balance at the end of the year. This budget must be filed with the King County Council and the King County Assessor as required by law by a specific date. See Section XI.

Subclass: Shows where resources were used and spending occurred. It shows who benefited from the work.

Tax Levy: The amount of money to be raised by the imposition of property taxes. See Section VIII.

Transfers: The movement of money from one fund to another.

Transportation Worker Identification Credential (TWIC): The Transportation Worker Identification Credential, also known as TWIC®, is required by the Maritime Transportation Security Act for workers who need access to secure areas of the nation’s maritime facilities and vessels. It is a tamper-resistant biometric identification card system established through the U.S. Congress Maritime Transportation Security Act (MTSA) and administered by the Transportation Security Administration (TSA) and U.S. Coast Guard. TSA conducts a security threat assessment (background check) to determine a person’s eligibility and issues the credential. U.S. citizens and immigrants in certain immigration categories may apply for the credential. Most mariners licensed by the U.S. Coast Guard also require a credential.

Twenty-foot Equivalent Unit (TEU): The international standard of measurement for the container volume that moves through the Port. One forty-foot container is equivalent to two TEUs.

Values: Principles, standards, characteristics or qualities held in high positive regard by an individual or group. They are often used to guide day-to-day actions.

Variiances: The difference between “actual” and “budget” amounts for revenues and for expenses, which could be either favorable or unfavorable.

Favorable Variance: This is a positive variance and it exists when, in a given period:

- Revenues: Actual revenues are higher than budgeted revenues
- Expenses: Actual expenses are lower than budgeted expenses

Unfavorable Variance: This is a negative variance and it exists when, in a given period:

- Revenues: Actual revenues are lower than budgeted revenues
- Expenses: Actual expenses are higher than budgeted expenses

Vision: A word picture or brief statement of what the organization intends to become or how it sees itself at some point in the future.

APPENDIX G: ACRONYMS AND ABBREVIATIONS

AAPA	American Association of Port Authorities
AAAE	American Association of Airport Executives
ACI	Airports Council International
AEC	Airport Employment Center
AIR 21	Aviation Investment & Reform Act for the 21st Century
APM	Automated People Mover
ARFF	Aviation Regional Fire Fighting
ATC	Air Traffic Control
B&OT	Business and Occupation Tax
BHICC	Bell Harbor International Conference Center
BHM	Bell Harbor Marina
BHS	Baggage Handling System
BLS	Bureau of Labor Statistics
BMP	Best Management Practices
CAFR	Comprehensive Annual Financial Report
CBP	Customs and Border Patrol
CDD	Capital Development Division
CERT	Community Emergency Response Team
CFC	Customer Facility Charges
CFO	Chief Financial Officer
CIP	Capital Improvement Plan
CMMS	Computerized Maintenance Management System
COO	Chief Operating Officer
CPE	Cost Per Enplanement
CPI	Consumer Price Index / Continuous Process Improvement
CPO	Central Procurement Office, a Port department
CTE	Central Terminal Expansion
CY	Calendar Year / Container Yard
DHS	Department of Homeland Security
DNR	Department of Natural Resources
DOT	Department of Transportation
ED	Executive Director
EDD	Economic Development Division
EDI	Equity, Diversity, and Inclusion, a Port Department
EIS	Environmental Impact Statement
EPA	Environmental Protection Agency
ESGR	Employer Support of the Guard Reserve
FAA	Federal Aviation Administration
FAR	Federal Aviation Regulations
FASB	Financial Accounting Standard Board
FAST	Freight Action Strategy Corridor
F&B	Finance and Budget, a Port Department
FEMA	Federal Emergency Management Agency
FIMS	Flight Information Management System
FIS	Federal Inspection Area
FMC	Federal Maritime Commission
FOD	Foreign Object Debris
FTE	Full-time Equivalent Employee

FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association (of USA and Canada)
GIS	Geographical Information System
G.O.	General Obligation (Bond)
GT	Ground Transportation
HCM	Human Capital Management
HDS	Harbor Development Strategy
HR	Human Resources, a Port department
HVAC	Heating, Ventilation and Air Conditioning
IAF	International Arrivals Facility
IDC	Industrial Development Corporation
ILA	Interlocal Agreement
IMC	Intermodal Center
ICT	Information and Communications Technology, a Port Department
JV	Joint Venture
KPI	Key Performance Indicators
LEOFF	Law Enforcement Officers' and Fire Fighters' Retirement System
LOI	Letter of Intent
LOC	Letter of Credit
LR	Labor Relations, a Port Department
LRP	Long Range Plan
MAP	Million Annual Passengers
WMBE	Women & Minority Owned Business Enterprise
MD	Managing Director
MIC	Marine Industrial Center
MIS	Management Information System
MOBI	Marina Operation Boating Inventory System
MOU	Memorandum of Understanding
NAMF	North Area Maintenance Facility
NAC	Neighborhood Advisory Committee
NEPA	National Environmental Policy Act
NMA	National Management Association
NOI	Net Operating Income
NREL	National Renewable Energy Laboratory
NSAT	North Satellite
NTSB	National Transportation Safety Board
NWMTA	Northwest Marine Terminal Association
NWSA	Northwest Seaport Alliance
OEDI	Equity, Diversity, and Inclusion, a Port Department
O&D	Origin and Destination
O&M	Operating and Maintenance Expense
OPEB	Other Post-Employment Benefits
ORG	Organization
PCS	Port Construction Services, a Port department
PDA	Port Development Authority
PERS	Public Employees' Retirement System
PFC	Passenger Facility Charges
PLA	Project Labor Agreement
PM	Project Manager

PMA	Pacific Maritime Association
PMG	Project Management Group, a Port department
PNWA	Pacific North West Waterways Association
POS	Port of Seattle
PPE	Personal Protective Equipment
PPM	Post Panamax
PREP	Performance Review, Evaluation & Planning
PSA	Professional Service Agreement
PSCAA	Puget Sound Clean Air Agency
PSRC	Puget Sound Regional Council
RCF	Rental Car Facility
RCW	Revised Code of Washington
RFP	Request For Proposal
RMM	Regulated Materials Management
SAF	Sustainable Aviation Fuels
SBM	Shilshole Bay Marina
SDS	Storm water Drainage System
SEPA	State Environmental Policy Act
SKC	South King County
SLOA	Signatory Airline Lease and Operating Agreements
SSA	Stevedoring Services of America
STEP	South Terminal Expansion Project
STIA	Seattle-Tacoma International Airport
STS	Satellite Transit System
SWU	Storm Water Utility
USCG	United States Coast Guard
USDA	United States Department of Agriculture
TEU	Twenty-foot Equivalent Unit
TSA	Transportation Security Administration
TWIC	Transportation Worker Identification Credential
UBC	Uniform Building Code
WASPC	Washington Association of Sheriffs and Police Chiefs
WSDOE	Washington State Department of Ecology
WSDOT	Washington State Department of Transportation
WTC	World Trade Center
WPPA	Washington Public Ports Association

APPENDIX H: CHANGES BETWEEN PRELIMINARY BUDGET TO FINAL BUDGET

Aviation Division

- Aeronautical revenues decreased by \$2,675K due to a combination of changes in cost allocation to Aero cost centers and more allocated CARES Act grants to Airfield cost center
- Operating Expenses from the Airport increased by a net of \$1.4M due to:
 - Airfield Surface Area Management System \$1.1M increase
 - New Luggage Carts and Cart Service in IAF of \$542K
 - Existing Software Licensing Contracts transferred to AV of \$521K
 - Membership adjustments of \$6K increase
 - Additional Non-Payroll savings of (\$444.5K)
 - CBP Reimbursables reduced by (\$150K)
 - AV Planning (Satellite Transit System) reduction of (\$100K)
 - Free Bag Tag Printing reduced by (\$58.5K)
 - Additional Payroll savings of (\$31.2K)
- Non-Operating Revenue decreased a net of \$618K
 - Non-Capital Grant decreased by \$300K (a net of \$5.0M reduction adjustment and \$4.7M increase in CARES Act grant for 2021 budget)
- Airport Spotlight Program reduced by \$318K

Maritime Division

- Added the Orca Recovery Program of \$50K

NWSA Joint Venture

- Reduced Contra JV Revenue by \$38K

Economic Development Division

- Added Diversity in Contracting new Memberships of \$8K

Central Services

- External Relations increased Commission video streaming contract by \$50K
- External Relations also increased the SKC Fund by \$500K
- Added Leadership Training for Police Department of \$20K
- Reallocation of SeaTac Office Center Lease expense of \$4.3K (portion of International Arrivals Facility previously capitalized)
- Environmental and Sustainability Admin. added \$250K for SAF

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