

A. TAX AT A GLANCE

- The maximum allowable levy for 2010 is \$85.5 million.
- For 2010 the levy will be \$75.9 million.
- The millage rate is estimated to be \$0.2227.
- The 2010 levy will be used for:
 - General Obligation (G.O.) Bond Debt Service
 - Public Asset Expense: Freight Mobility
 - Seaport and Real Estate Environmental Expense
 - A portion of Real Estate operating expenses
 - Capital Improvements
 - Office of Port Jobs

B. TAX LEVY SOURCES

TYPES AND LIMITS OF LEVIES:

Regular Tax Levy

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

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 maybe reduced below the \$0.45 limit for the following reason: RCW Chapter 84.55 limits the annual growth of regular property taxes to the lesser of 1% or the inflation rate, where inflation is measured by the percentage change in the implicit price deflator for personal consumption expenditures for the United States, after adjustments for new construction. This 1% limit factor was instituted by Initiative 747 that Washington State voters approved in November 2001. Prior to the passage of the Initiative, the growth limit was the lesser of 6% or the inflation rate (for levy limit calculation see Section XII Statutory Budget).

Figure IV-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 2010. 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 was 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 \$314 million less than it could have if it had levied the maximum allowable levy each year.

FIGURE IV-1: ACTUAL TAX LEVY VS. MAXIMUM ALLOWABLE LEVY: 1991-2010

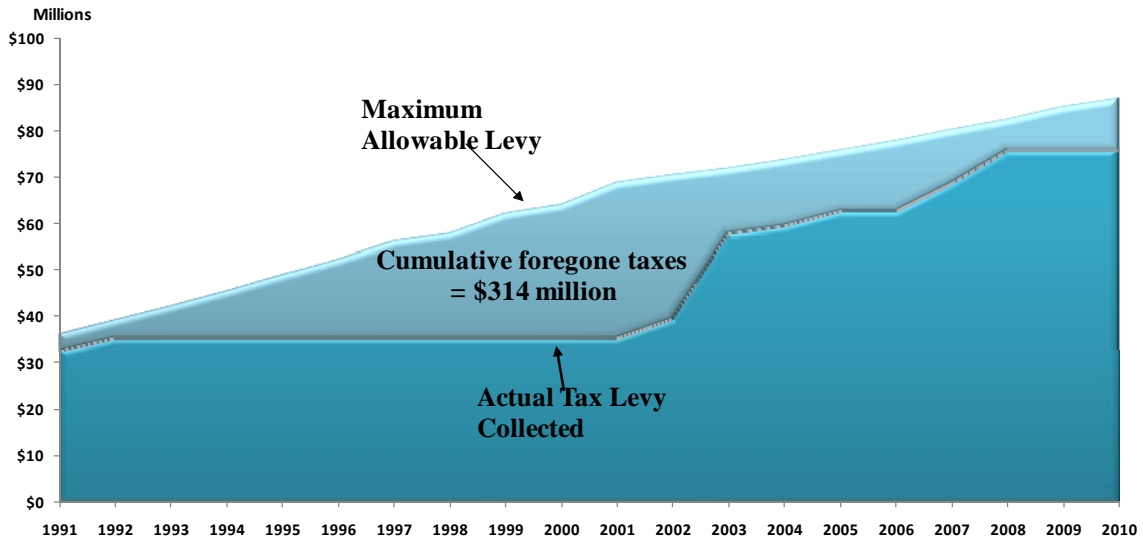
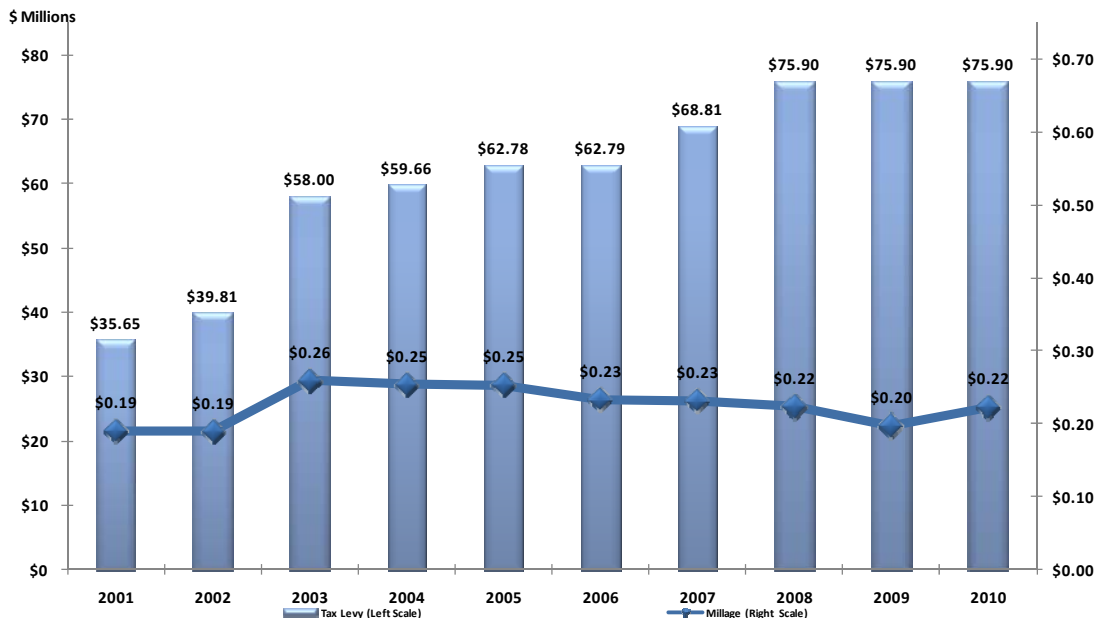


Figure IV-2 shows the historical millage rate from 2001 to 2010. For 2001 and 2002, the Port held the tax levy rate the same. With increased Assessed Value in 2002, the tax levy amount increased by \$4 million. For 2003, the Port increased the tax levy amount to \$58 million or \$0.26 per thousand of assessed value. For 2004, the Port reduced its levy rate to \$0.25, based on an amount that is equivalent to applying the 1% limit factor. The rate was held constant for 2005 at \$0.25. For 2006, the Port held the tax levy amount the same as 2005 at \$62.7 million. In 2007, the millage rate was held constant at \$0.23. In 2008 the Port reduced the levy rate to \$0.2236. For the 2009 and 2010 Budget the Port held the tax levy amount the same as 2008 at \$75.9 million.

FIGURE IV-2: TAX LEVY VS. MILLAGE RATE 2001-2010



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 twelve years only, not to exceed \$0.45 per \$1,000 of Assessed Value of taxable property within the Port District. 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. If the Port intends to levy this tax for a second six years (or the seventh through twelfth year period), the Port must publish notice of intent to impose such a levy and if signatures of at least eight percent (8%) of the voters protest the levy, a special election must be held with majority approval required. The Industrial Development Levy could be imposed at up to \$0.45 per \$1,000 in the first year and the lesser of \$0.45 per \$1,000 or the 1% limit factor described above in subsequent years. The Port has not levied the seventh through twelfth year period but if the Port were to Levy under this law, Port may levy up to an estimated \$943 million over the six year period.

C. TAX LEVY USES

Each year as part of the budget process, the Commission reviews and approves the use of the tax levy. While the levy, by statute, may be used broadly for general Port purposes, by policy the Port uses the levy to fund capital investments in critical Seaport/Real Estate infrastructure and other expenditures providing community benefits such as environmental mitigation in the Seattle Harbor and the Port's regional freight mobility initiative. The Port also uses the levy to fund a small annual contribution to PortJobs, a non-profit organization that helps develop Port and Airport-related career opportunities. The levy has not traditionally been used to fund improvements at Sea-Tac International Airport, which is exclusively supported by user fees; however, the Commission approved the use of levy funds for a noise mitigation project for the Highline School District.

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For 2010, the Port plans to use the regular levy for the debt service on G.O. Bonds (principal and interest), capital improvements, FAST Corridor, environmental costs, a portion of Real Estate operating expenses, Highline Schools noise mitigation and Port JOBS. Table IV-1 shows how the Port plans to spend the levy in 2010. Additional details are provided in Tables IV-2 and IV-3.

TABLE IV-1: SOURCES AND USES OF TAX LEVY

Table IV-1 shows how the Port plans to spend the levy in 2010.

	2010 (in \$ 000's)
<u>SOURCES</u>	
Projected Tax Levy Collection	75,899
Prior Year Levy Fund Balance	48,000
Total Projected Sources	<u>123,899</u>
<u>USES</u>	
Existing G.O. Debt Service - Seaport	38,034
Existing G.O. Debt Service - Real Estate	2,392
Total Projected G.O. Debt Service	<u>40,426</u>
Committed Capital Expenditures	15,346
Expenses	
Public Expense: Seaport Freight Mobility	21,644
Environmental	8,712
Portion of Real Estate Operating	3,450
Port Jobs	46
Aviation NOISE Projects	9,725
Total Expenses	<u>43,577</u>
Capital Expenditures: BP Prospective	<u>5,620</u>
Total Projected Uses	<u>104,969</u>
Projected Ending Balance	18,930

Table IV-2 provides the estimated 2009 project spending that the Port expects to fund with the tax levy on either a direct (cash) basis or with G.O. bond proceeds. At the time of publication, the Port estimates that approximately \$32 million of project spending will be cash funded and approximately \$148 million of 2009 project spending will be funded with G.O. bond proceeds. In addition, any Seaport or Real Estate Business Plan Prospective projects that are advanced in 2009 may be eligible for levy or G.O. bond funding. Prior to issuing G.O. bonds, the Port will update its estimates of project spending and determine which projects will be funded with bond proceeds. **2010 information to be provided in the final budget document.**

TABLE IV-2: DIRECT LEVY OR G.O. BOND FUNDED COMMITTED PROJECTS

Table IV-2 provides the Committed projects that the Port expects to fund with the direct levy or G.O. bond proceeds. **2010 information to be provided in the final budget document.**

	2009 (in \$ 000's)
<u>Seaport</u>	
Containers & Support Properties	
Terminal 5 Crane Improvements	2,370
Terminal 18 Improvement	1,500
Terminal 25 Improvements	17,943
Terminal 10 Upland	4,000
Container Support Yard	28,900
	54,713
Cruise and Industrial Properties	
Terminal 86 Spout Improvement	1,303
Terminal 115 Improvements	5,800
Terminal 91 Improvements	99
	7,202
Others	
Green Port Initiative	2,800
Contingency Renewal and Replacement	4,000
Total Seaport Projects	68,715
<u>Real Estate</u>	
Maritime Industrial Center	800
Rail Corridor	106,955
Fishermen's Terminal	1,200
Green Port Initiative	1,000
P-69 Renewal	1,060
Total Real Estate Projects	111,015
Total Levy and G.O. bond Projects	179,730

TABLE IV-3: EXISTING G.O. BOND DEBT SERVICE BY PROJECTS AND GROUP

Table IV-3 provides the allocation of existing G.O. bond debt service to the projects that were funded by G.O. bonds issued in 1994, 2000, 2004, and 2006. **2010 information to be provided in the final budget document.**

	2009 (in 000's)
Containers	
Stage II Dredge- Phase I	\$922
T-5 Expansion & Upgrades	18,089
T-46 Expansion Redevelopment	4,458
T-18 Expansion & Upgrade	12,074
Total Containers	\$35,544
Docks and Commercial Properties	
T-91 Apron & Infrastructure Improvements	2,219
Pier 17 Dock Replacement	122
T-86 Terminal Upgrades	120
Total Docks and Commercial Properties	\$2,461
Commercial Properties	
World Trade Center Garage	640
Fishing	
Fishermen's Terminal Docks & Seawall Renewal	1,778
Total G.O. Bond Debt Service	\$40,423

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 2010 debt limit:

Value of Taxable Property	\$ 340,791,689,083
Debt Limit, Non-Voted General Obligation Bonds (.25% of Value of Taxable Property)	\$ 851,979,223
Less: Outstanding Non-Voted General Obligation Bonds as of 12/31/2009	\$ 357,315,000
Less: Capital leases and other general obligations as of 9/30/2009	-
Remaining Capacity of Non-Voted General Obligation Debt	\$ 494,664,223
Debt Limit, Total General Obligation Debt (.75% of Value of Taxable Property)	\$ 2,555,937,668
Less: Total Outstanding General Obligation as of 12/31/2009	\$ 357,315,000
Less: Capital leases and other general obligations as of 9/30/2009	-
Remaining Capacity of Total General Obligation Debt	\$ 2,198,622,668

LEVY.XLS

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

Interaction between General Purpose Levy and General Obligation Debt Capacity

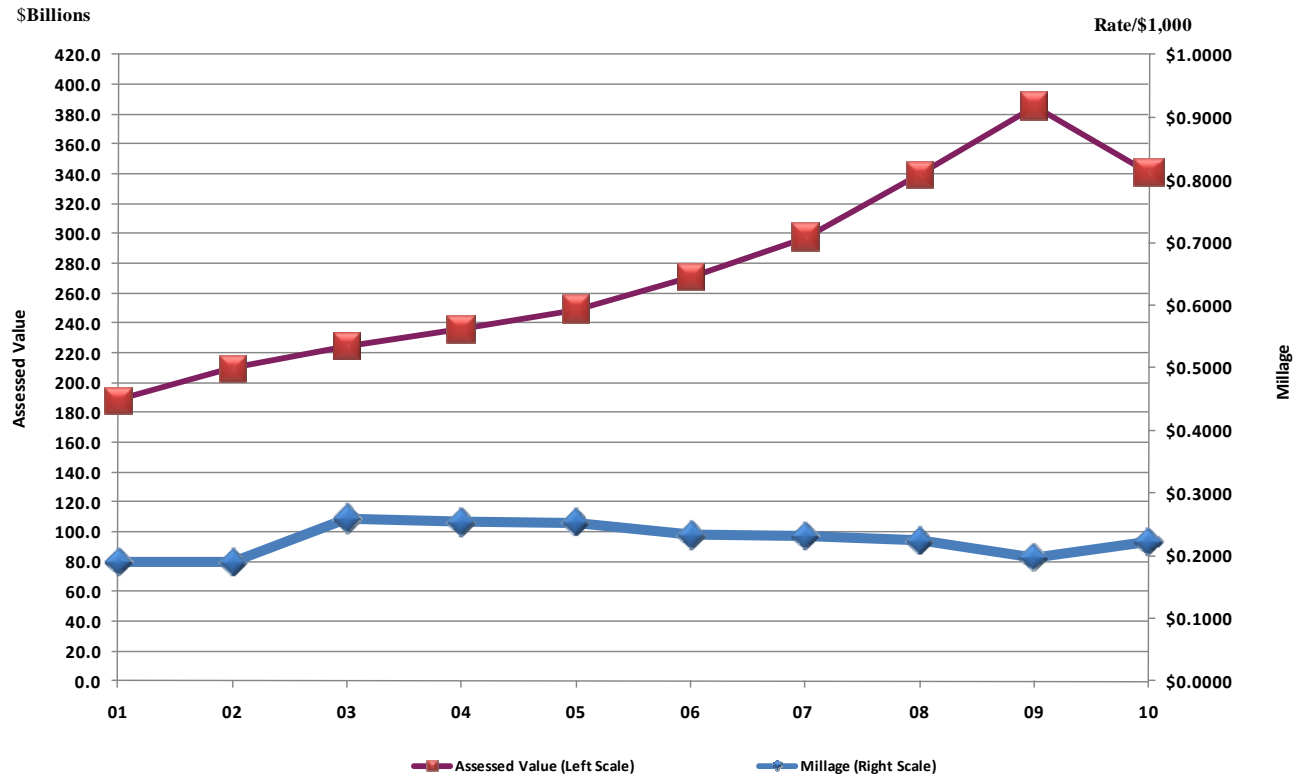
Since the 101% levy limitation applies to the total levy for G.O. debt service and for general Port purposes, an increase in the tax levy for G.O. bonds may result in a decrease in the amount which could be levied for general Port purposes, unless a higher aggregate tax levy was approved by the voters.

Beginning with the 2001 Budget, the Port established a target to use no more than 75% of the levy for debt service and retain at least 25% for general purposes.

E. TAXPAYER EFFECT

Figure IV-3 shows the assessed valuation as compared to the millage rate from 2001 to 2010. The graph shows that the assessed value has increased from \$188 billion in 2001 to an estimated \$340 billion in 2010, while millage (the rate paid per \$1,000 Assessed Value) has increased from \$0.1903 in 2001, to the 2010 rate of \$0.2227. Assessed value for 2010 is estimated to be \$340,781,337,521.

FIGURE IV-3: KING COUNTY ASSESSED VALUATION VS. PORT MILLAGE RATE 2001-2010



F. COUNTY PROPERTY TAX COMPARISON

For 2009, the Port accounted for 2.0% of the total property taxes collected by the County.

FIGURE IV-4: 2009 PERCENTAGE OF TAX LEVIES BY TAXING DISTRICT

