

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

- The Port proposes to collect a total of \$62.7 million in 2006, the same amount as 2005.
- Total proposed levy rate for 2006 is \$0.2333/\$1,000 Assessed Value (\$23 per \$100,000 of assessed value).
- The proposed 2006 levy is \$15.3 million below the current estimated maximum allowable levy of \$78.0 million.
- The 2006 levy will be used for: (For details, see Table IV-1.)
  - General Obligation (G.O.) Bond Debt Service
  - Public Asset Expense: Freight Mobility and SR518
  - Seaport Environmental Expense
  - Seaport Capital Improvements
  - Other 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 XI Statutory Budget).

Figure IV-1 on the next page 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 the budgeted 2006 amount. 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. For 2006 the proposed levy is \$15 million below the estimated maximum levy. Since 1991, on a cumulative basis, the Port has levied a total of \$275 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: 1990-2006**

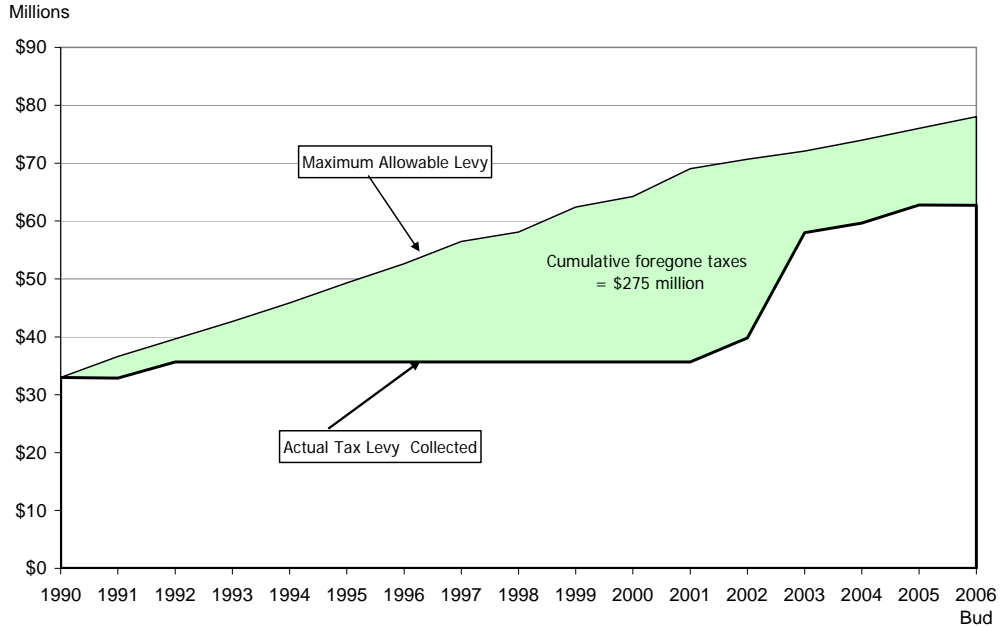
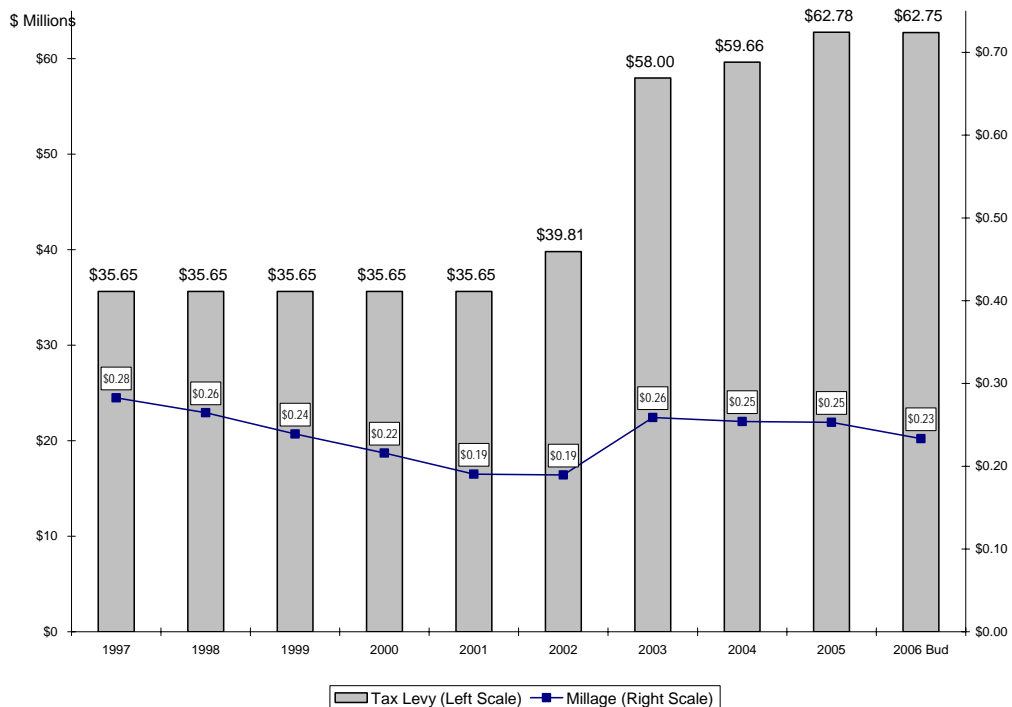


Figure IV-2 below shows the historical millage rate from 1997 to 2006. The rate declined from 1992 through 2001 when the Port kept the tax levy at the same dollar amount. For 2002 the Port held the tax levy rate the same as 2001, with increased Assessed Value the tax levy amount increased by \$4 million. For 2003 the Port increased the tax levy amount to \$58 million or \$.26 per thousand of assessed value. For 2004 the Port reduced its levy rate to \$.25, based on an amount that is equivalent to applying the 1% limit factor. The rate was held constant for 2005 at \$.25. For 2006 the Port is holding the tax levy amount the same as 2005 at \$62.7 million.

**FIGURE IV-2: TAX LEVY VS. MILLAGE RATE 1997-2006**



## **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 \$742 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 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 and an environmental review of the potential expansion of State Route 518, just north of SeaTac Airport.

For 2006 the regular levy is scheduled to be used for the current year's debt service on G.O. Bonds (principal and interest) of \$40.1 million and for current capital improvements, SR 518, FAST Corridor, environmental costs and Port JOBS costs totaling \$22.6 million. Consistent with the Port's current practices, the 2006 tax levy will not be used for general Port operating expenses. Table IV-1 on the next page shows how the Port plans to spend the levy from 2005 through 2006. Additional detail is provided in Tables IV-2 and IV-3.

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

Table IV-1 below shows how the Port plans to spend the levy from 2005 through 2006.

(in 000's)	2005 Est. Act.	2006
<b><u>SOURCES</u></b>		
Annual Tax Levy Collection	\$62,748	\$62,748
Prior Year Levy Balance	34,482	(3,166)
<b>Total Sources</b>	<b>\$97,231</b>	<b>\$59,582</b>
<b><u>USES</u></b>		
General Obligation Debt Service - Existing	37,771	37,683
General Obligation Debt Service - New Issue		2,454
Environmental Expense	7,786	3,975
Regional Transportation <sup>(1)</sup>	2,431	7,500
Port JOBS	79	79
Aviation NOISE Projects <sup>(2)</sup>	13,193	4,940
Economic Development Capital Projects <sup>(3)</sup>	8,789	810
Seaport Capital Projects <sup>(4)</sup>	30,347	1,700
<b>Total Uses</b>	<b>\$100,396</b>	<b>\$59,141</b>
Ending Tax Levy Balance	(\$3,166)	\$441
<small>(1) ( FAST Corridor I &amp; II, E. Marginal/Spokane - Seaport), (SR518 Corr. &amp; Env. - Economic Development)                      (2) Highline &amp; Other Schools Soundproofing                      (3) Northbay, and South Tsubota property acquisition in 2005 only.                      (4) Includes several Container improvements, renewal and replacement projects for Cargo and fishing facilities, and other Seaport small projects</small>		

**TABLE IV-2: DIRECT LEVY FUNDED SEAPORT CAPITAL PROJECTS**

Table IV-2 provides detail of the Seaport projects that are directly funded by the levy.

	(in 000's)	2005 Est. Act.	2006
<b>Containers</b>			
Cranes- Modifications and Maintenance <sup>(1)</sup>		\$550	
T-18- Harbor Island Expansion & North Gate <sup>(1)</sup>		696	
T-25 Container Development <sup>(1, 2)</sup>		19,138	
T-30- Public Access <sup>(1)</sup>		102	1,500
T-5- 75 Acre Development and Completion <sup>(1)</sup>		660	
Harbor-Wide Fender Upgrades <sup>(1)</sup>		1,000	
Total Containers		22,146	1,500
<b>Cruise Upgrades &amp; Enhancements</b>			
		311	200
<b>Fisherman's Terminal Dock Renewal <sup>(1)</sup></b>			
		548	
<b>Properties</b>			
Fisherman's Terminal Waterline <sup>(1)</sup>		1,391	
T-115 Dock Reconstruction <sup>(1)</sup>		1,097	
Total Properties		2,488	
<b>Security</b>			
		512	
<b>Small Projects <sup>(1)</sup></b>			
		4,342	
<b>Total Seaport Capital Levy Projects</b>		<b>\$30,347</b>	<b>\$1,700</b>

<sup>(1)</sup> Funding from 2006 will be provided by other sources.  
<sup>(2)</sup> Newly added during 2005.  
<sup>(3)</sup> Includes preliminary planning, technology and other projects.

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

Table IV-3 shows the allocation of G.O. Bond debt service to the projects that were funded by G.O. bonds issued in 1994, 2000, 2004 and projected 2006.

	(in 000's)	2005 Est. Act.	2006
<b>Containers</b>			
Stage II Dredge- Phase I		\$922	\$922
T-5 Expansion & Upgrades		18,209	18,186
T-46 Expansion Redevelopment		4,458	4,458
T-18 Expansion & Upgrade		9,228	11,633
Total Containers		\$32,817	\$35,199
<b>Docks</b>			
T-91 Apron & Infrastructure Improvements		2,252	2,245
Pier 17 Dock Replacement		122	122
T-86 Terminal Upgrades		120	120
Total Docks		\$2,495	\$2,487
<b>Commercial Properties</b>			
World Trade Center Garage		640	640
<b>Fishing</b>			
Fishermen's Terminal Docks & Seawall Renewal		1,819	1,810
<b>Total G.O. Bond Debt Service</b>		<b>\$37,771</b>	<b>\$40,137</b>

## **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 2006 debt limit:

Value of Taxable Property	<u>\$ 268,995,994,547</u>
Debt Limit, Non-Voted General Obligation Bonds (.25% of Value of Taxable Property)	\$ 672,489,986
Less: Outstanding Non-Voted General Obligation Bonds as of 01/05/2006	434,555,000
Less: Capital leases and other general obligations as of 9/30/2005	-
Remaining Capacity of Non-Voted General Obligation Debt	<u>\$ 237,934,986</u>
Debt Limit, Total General Obligation Debt (.75% of Value of Taxable Property)	\$ 2,017,469,959
Less: Total Outstanding General Obligation as of 01/05/2006	434,555,000
Less: Capital leases and other general obligations as of 9/30/2005	-
Remaining Capacity of Total General Obligation Debt	<u>\$ 1,582,914,959</u>

The Port may and does 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**

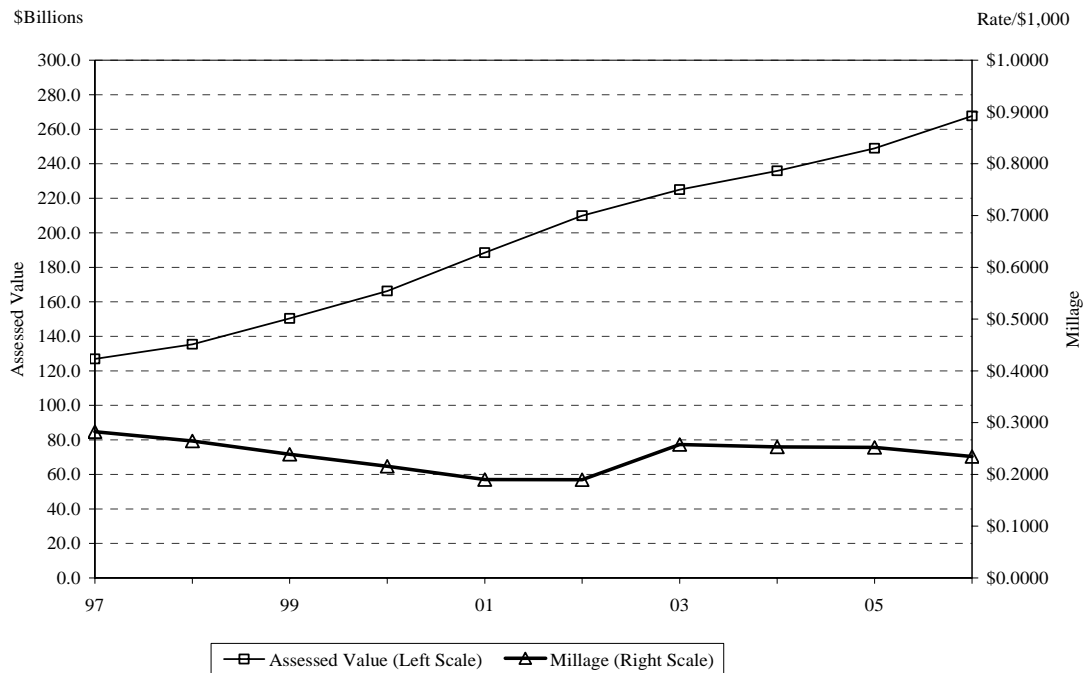
Since the 101% levy limitation applies to the total levy for G.O. debt service and for general Port purposes, an increase in the tax levy for G.O. bonds may result in a decrease in the amount which could be levied for general Port purposes, unless a higher aggregate tax levy was approved by the voters.

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 purpose.

## E. TAXPAYER EFFECT

Figure IV-3 below shows the assessed valuation as compared to the millage rate from 1997 to 2006 proposed. The graph shows that the assessed value has increased from \$127 billion in 1997 to an estimated \$268 billion in 2006, while millage (the rate paid per \$1,000 Assessed Value) has declined from \$0.28 in 1997, to the 2006 budgeted rate of \$0.23.

**FIGURE IV-3: KING COUNTY ASSESSED VALUATION VS. PORT MILLAGE RATE 1997-2006**



## F. COUNTY PROPERTY TAX COMPARISON

For 2005, the Port accounted for 2.4% of the total property taxes collected by the County.

**FIGURE IV-4: 2005 PERCENTAGE OF TAX LEVIES BY TAXING DISTRICT**

