

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

- The maximum allowable levy for 2008 is \$82.6 million.
- For 2008 the levy will be \$75.9 million.
- The millage rate is estimated to be \$0.2250
- The 2008 levy will be used for:
  - General Obligation (G.O.) Bond Debt Service
  - Public Asset Expense: Freight Mobility
  - Seaport Environmental Expense
  - 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 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 2008. 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 \$292 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: 1991-2008**

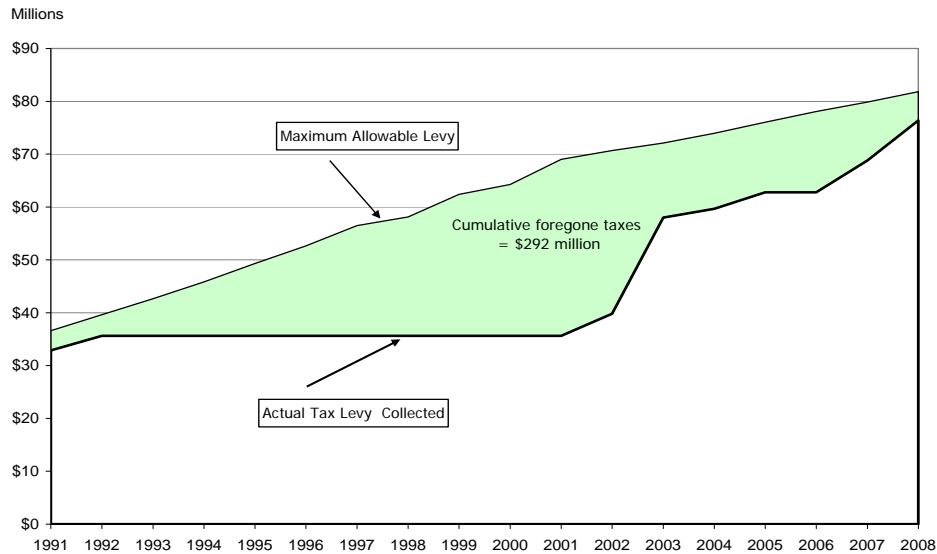
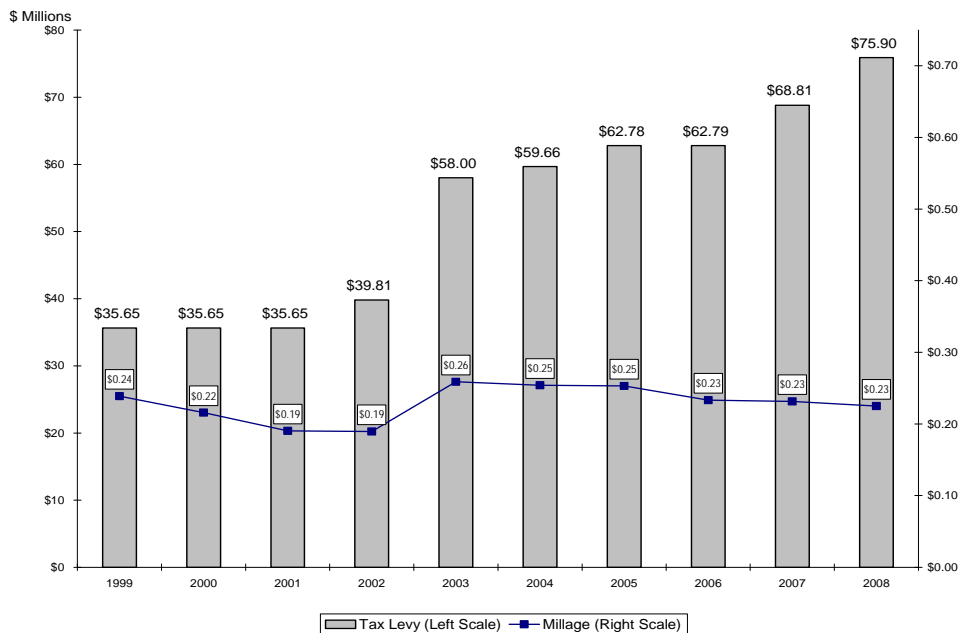


Figure IV-2 shows the historical millage rate from 1999 to 2008. The rate declined from 1992 through 2001 when the Port kept the tax levy at the same dollar amount. For 2002, the Port held the tax levy rate the same as 2001, with increased Assessed Value the tax levy amount increased by \$4 million. For 2003, the Port increased the tax levy amount to \$58 million or \$0.26 per thousand of assessed value. For 2004, the Port increased the tax levy amount to \$59 million or \$0.25 per thousand of assessed value. For 2005, the Port increased the tax levy amount to \$62.78 million or \$0.25 per thousand of assessed value. For 2006, the Port reduced its levy rate to \$0.23, based on an amount that is equivalent to applying the 1% limit factor. The rate was held constant for 2007 at \$0.23. For 2008, the Port reduced the levy rate to \$0.225.

**FIGURE IV-2: TAX LEVY VS. MILLAGE RATE 1999-2008**



## **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 \$924 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.

For 2008, the regular levy is being used for the debt service on G.O. Bonds (principal and interest), capital improvements, FAST Corridor, environmental costs, Highline Schools noise mitigation and Port JOBS. Consistent with the Port's current practices, the 2008 tax levy will not be used for general Port operating expenses. Table IV-1 shows how the Port plans to spend the levy in 2008. 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 2008

	<b>2008</b> (in \$ 000's)
<b><u>SOURCES</u></b>	
Projected Tax Levy Collection	75,899
Prior Year Levy Fund Balance	23,106
Total Projected Sources	<u>99,005</u>
<b><u>USES</u></b>	
Existing G.O. Debt Service	40,434
Projected new G.O. D.S.	14,092
Total Projected G.O. Debt Service	<u>54,526</u>
Committed Capital Expenditures	10,145
Expenses	
Public Expense: Seaport (FAST Corridor I & II)	7,540
Environmental Expense	4,336
Port Jobs	46
Aviation NOISE Projects	12,275
Total Expenses	<u>24,197</u>
Total Projected Uses	<u>88,869</u>
Projected Ending Balance	10,136

Table IV-2 provides the Committed projects 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 \$10 million of projects will be cash funded and approximately \$136 million of projects will be funded with G.O. bond proceeds. In addition, any Seaport or Real Estate Business Plan Prospective projects that are advanced in 2008 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.

**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.

	<b>2008</b>
	(in \$ 000's)
<b><u>Seaport</u></b>	
<b>Containers &amp; Support Properties</b>	
Terminal 5 Improvements	1,210
Terminal 46 Improvements	500
Terminal 10 Upland	6,554
	<u>8,264</u>
<b>Cruise &amp; Industrial Properties</b>	
Terminal 115 Improvements	7,496
Terminal 91 Improvements	9,254
	<u>16,750</u>
<b>Others</b>	
Green Port Initiative	5,000
Seaport Security	1,572
<b>Total Seaport Levy Projects</b>	<u><u>31,586</u></u>
<b><u>Real Estate</u></b>	
North Bay Utilities (Korry)	1,500
Rail Corridor	103,000
Fishermen's Terminal	5,961
Small Projects	4,383
<b>Total Real Estate Levy Projects</b>	<u><u>114,844</u></u>
<b>Total Committed Levy Projects</b>	<u><u>146,430</u></u>

**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.

	2008 (in 000's)
<b>Containers</b>	
Stage II Dredge- Phase I	\$922
T-5 Expansion & Upgrades	18,094
T-46 Expansion Redevelopment	4,459
T-18 Expansion & Upgrade	12,078
Total Containers	\$35,553
<b>Docks and Commercial Properties</b>	
T-91 Apron & Infrastructure Improvements	2,220
Pier 17 Dock Replacement	122
T-86 Terminal Upgrades	120
Total Docks and Commercial Properties	\$2,462
<b>Commercial Properties</b>	
World Trade Center Garage	640
<b>Fishing</b>	
Fishermen's Terminal Docks & Seawall Renewal	1,779
<b>Total G.O. Bond Debt Service</b>	<b>\$40,434</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 2008 debt limit:

Value of Taxable Property	<u>\$ 339,426,558,980</u>
Debt Limit, Non-Voted General Obligation Bonds (.25% of Value of Taxable Property)	\$ 848,566,397
Less: Outstanding Non-Voted General Obligation Bonds as of 12/31/2007	\$ 397,835,000
Less: Capital leases and other general obligations as of 9/30/2007	-
Remaining Capacity of Non-Voted General Obligation Debt	<u>\$ 450,731,397</u>
Debt Limit, Total General Obligation Debt (.75% of Value of Taxable Property)	\$ 2,545,699,192
Less: Total Outstanding General Obligation as of 12/31/2007	\$ 397,835,000
Less: Capital leases and other general obligations as of 9/30/2007	-
Remaining Capacity of Total General Obligation Debt	<u>\$ 2,147,864,192</u>

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**

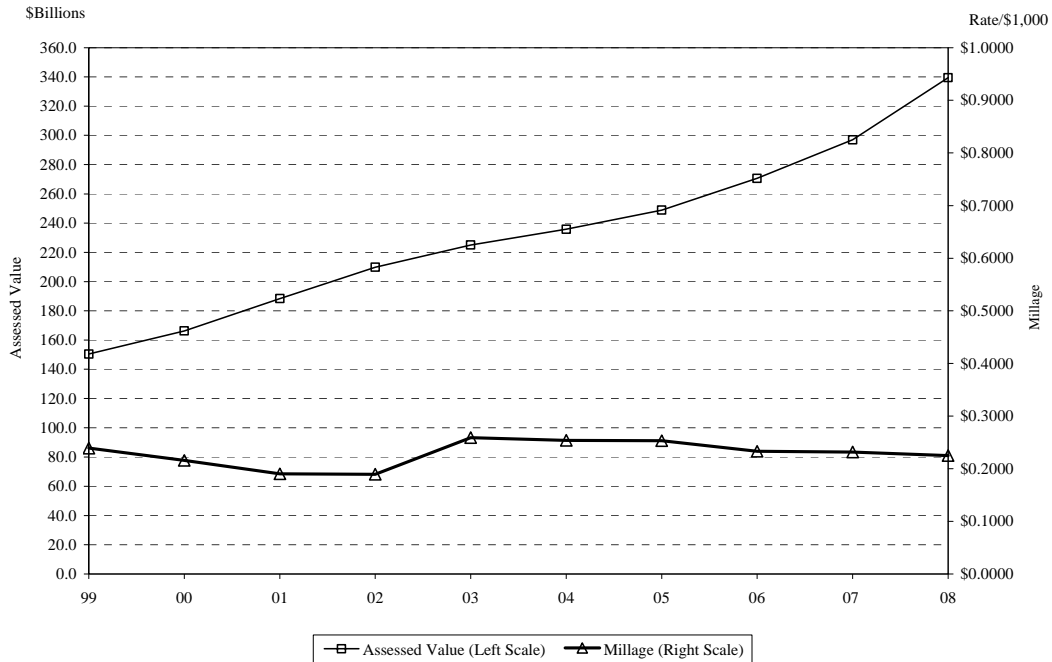
Since the 101% levy limitation applies to the total levy for G.O. debt service and for general Port purposes, an increase in the tax levy for G.O. bonds may result in a decrease in the amount which could be levied for general Port purposes, unless a higher aggregate tax levy was approved by the voters.

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 1999 to 2008. The graph shows that the assessed value has increased from \$150 billion in 1999 to an estimated \$337 billion in 2008, while millage (the rate paid per \$1,000 Assessed Value) has declined from \$0.239 in 1999, to the 2008 rate of \$0.2250. Assessed value for 2008 is estimated to be \$339,426,558,980.

**FIGURE IV-3: KING COUNTY ASSESSED VALUATION VS. PORT MILLAGE RATE 1999-2008**



## F. COUNTY PROPERTY TAX COMPARISON

For 2007, the Port accounted for 2.0% of the total property taxes collected by the County.

**FIGURE IV-4: 2007 PERCENTAGE OF TAX LEVIES BY TAXING DISTRICT**

