Port of Seattle
WASHINGTON STATE

# Comprehensive Annual Financial Report

As of December 31, 2016 and 2015,
and for the years ended December 31,
2016, 2015 and 2014

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

As of December 31, 2016 and 2015, and

for the years ended December 31, 2016, 2015 and 2014

This report was prepared by the

Accounting and Financial Reporting Department

Port of Seattle®

Washington State

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# PORT OF SEATTLE

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# INTRODUCTORY SECTION

## LETTER FROM THE COMMISSION PRESIDENT

Since 1911 the Port of Seattle has managed the city's harbor facilities for the benefit of all. Today, we work in partnership through the Northwest Seaport Alliance to manage those assets. In addition to our marine cargo facilities, the Port also manages Fishermen's Terminal, two cruise ship terminals, and three recreational boating marinas. On the aviation side, the Port operates Seattle-Tacoma International Airport, one of the fastest growing airports in the nation.

### Innovating and Collaborating for Shared Economic Prosperity

In 2016 we began several major capital projects to manage growth at the airport. The modernization of the North Satellite and the new International Arrivals Facility will provide the capacity needed to keep up with growing demand for air service. We are working with our partner airlines, as well as our airport communities, to ensure that we continue to support economic development while being a good neighbor. Near the airport, we finalized the lease to develop the 86-acre Des Moines Creek Business Park, which will provide hundreds of jobs in that community.

Last year we created innovative partnership programs that proved so successful that we are continuing them. We funded nearly $1 million in Economic Development Partnership awards to 31 King County cities and we provided 13 grants to support tourism across the state. These new programs help governments and non-profit organizations achieve local results that benefit people throughout Washington. Another new partnership was developed in 2016 with the City of Seattle as we traveled together on a study mission to Hamburg, Germany. Our shared goal for the trip was to initiate a conversation and find new ways to strengthen livability and build prosperity right here at home.

### Supporting Small Businesses and Creating Jobs

In 2016, the Port awarded two-thirds of airport dining and retail leases to small businesses, part of our commitment to economic inclusion and support for job creation. We also provided training for 18 small-business owners. We expanded our internship program, tripling the number of positions from 34 to 115. We also funded training programs that help to create career pathways for skilled workers in key industries.

Based on a 2014 economic study, Sea-Tac Airport supports nearly 172,000 direct and indirect jobs, including more than 18,000 at the airport. About 21 percent of those are held by people who live around the airport. Initiatives are also underway to help to develop a pipeline of workers trained in the specific skills needed in all types of maritime careers. Maritime jobs pay better, on average, than other jobs in the state.

### Conducting Business in a Sustainable Manner

In 2016 the Port advanced its goal to power every flight leaving Sea-Tac Airport with sustainable aviation biofuel, the first U.S. airport to recommend a long-term approach to developing an aviation biofuel industry. Sea-Tac also renewed its accreditation for reducing carbon emissions and became the first airport in the nation to require either a green vehicle-only fleet or a Port-initiated green standard for taxi and rideshare services. We also continued our work to manage stormwater runoff, becoming the first U.S. airport to receive salmon-safe certification for protecting water quality.

### Depending on Talented Port Staff Members

The Port's employees continue to demonstrate their commitment to serving our region. Their work on behalf of the Port and their volunteer contributions to local organizations make our community stronger. We are thankful for their dedication, innovation, and collaboration, which are core to successfully achieving our mission.

Sincerely,

Tom Albro
Commission President

**LETTER FROM THE INTERIM CEO**

2016 was a record-breaking year for the Port of Seattle. We set records by every metric and outperformed others in the industry, even against difficult headwinds.

- Seattle-Tacoma International Airport continues to set passenger travel records. Sea-Tac airport now ranks as the ninth busiest airport in the U.S. by total passenger volume and experienced its sixth consecutive year of record-breaking growth in 2016. In just five years, Sea-Tac airport’s passenger totals increased by nearly 50 percent. In 2016, we added three new international carriers flying to China, Mexico, and London, and four new cargo carriers.

- Our air cargo business is booming; we shipped 10% more metric tons in 2016 than the prior year. Sea-Tac airport manages more than 366,000 metric tons of total cargo each year and handles the third most international cargo among airports on the West Coast (excluding Alaska), with 12 international destinations.

- We spent 2016 gathering input on the Sustainable Airport Master Plan. This will be a blueprint for meeting long-term needs created by demands for air service, and it includes concepts for the airfield, terminal, roadways, and cargo facilities. Some projects needed to manage demand, such as a new International Arrivals Facility, the North Satellite Modernization, and a baggage-system upgrade, are already underway.

- Our marine cargo business, which operates through an innovative partnership with the Northwest Seaport Alliance, grew last year even while most ports saw declines. In 2016, the Alliance saw the highest marine cargo volumes since 2007, including a 13% increase in exports.

- The Port saw a 9.5% increase in cruise passengers in 2016, making it another record year. Also last year, the Port was named Best North American Homeport by Cruise Critic. The cruise ship terminals at Bell Street Cruise Terminal at Pier 66 and Smith Cove Cruise Terminal at Terminal 91 served seven major cruise lines, and a total of 203 vessels, carrying nearly one million passengers, called in Seattle. Each ship call brings in $2.6 million to the local economy. Overall, the Seattle cruise industry generates 3,647 jobs and $441 million in annual business revenue for our community.

- In 2016, the Port undertook major improvements to the Pier 66 cruise terminal in partnership with Norwegian Cruise Lines. The renovated interior of the terminal will accommodate more passengers and improve mobility for passengers when arriving and departing. The improvements come in time for the 2018 arrival of the largest cruise ship to homeport on the west coast of the U.S.

These initiatives, and many more like them, are helping the Port to achieve our mission of creating opportunity for all through job creation, economic development, and stewardship of our environment and our aviation and maritime infrastructure.

Sincerely,

Dave Soike
Interim Chief Executive Officer

April 24, 2017

To the Port of Seattle Commission:

The Comprehensive Annual Financial Report ("CAFR") of the Port of Seattle (the "Port") as of and for the year ended December 31, 2016 is enclosed. This report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this letter of transmittal, organizational chart, and list of principal officials. The Financial Section, beginning with the independent auditor's report, contains management's discussion and analysis ("MD&A"), Enterprise Fund and Warehousemen's Pension Trust Fund financial statements, and notes to the financial statements. The Statistical Section includes selected financial, economic, and demographic data. All amounts are rounded to the nearest thousand dollars in the MD&A and the notes to the financial statements for presentation purposes within this report.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, in this report rests with management of the Port. On the basis that the cost of internal controls should not outweigh their benefits, the Port has established a comprehensive framework of internal controls to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

A firm of independent auditors is engaged each year to conduct an audit of the Port's financial statements in accordance with auditing standards generally accepted in the United States of America. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The audit includes an examination, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements, assessment of the accounting principles used and significant estimates made by management, as well as the overall presentation of the financial statements. In planning and performing their audit, the independent auditors give consideration to the Port's comprehensive framework of internal controls in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements. The independent auditor's report is presented as the first component in the Financial Section following this letter.

The independent audit of the financial statements of the Port included a broader federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, involving the administration of Federal awards. These reports are available in the Port's separately issued Single Audit Report.

This letter of transmittal is designed to complement the MD&A, which provides a narrative introduction, overview, and analysis to the basic financial statements, and should be read in conjunction with it.

**Profile of the Port**

The Port is a municipal corporation of the State of Washington (the "State"), organized on September 5, 1911, under the State statute RCW 53.04.010 et seq. In 1942, the local governments in King County, Washington (the "County") selected the Port to operate the Seattle-Tacoma International Airport (the "Airport").

Port policies are established by a five-member Commission elected at-large by the voters of the County for four-year terms. The Commission appoints the Chief Executive Officer ("CEO"), who oversees daily operations of the organization. Through resolutions and directives, the Commission sets policy for the Port. These policies are then implemented by the CEO and his executive staff.

The Port is comprised of three operating divisions, namely Aviation, Maritime, and Economic Development. The Aviation Division manages the Airport. 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.

Corporate provides high quality and cost-effective professional and technical services to the operating divisions and supports the overall goals of the Port; it also delivers projects and provides technical services in support of the business plans and infrastructure needs of the Port through Capital Development. Other port-wide departments include Accounting and Financial Reporting, Business Intelligence, Commission Office, Executive, Environmental and Sustainability, Finance and Budget, Human Resources, Information and Communications Technology, Labor Relations, Legal, Public Affairs, Police, Security and Preparedness, and Risk Management.

In August 2015, the ports of Seattle and Tacoma ("the home ports") created the Northwest Seaport Alliance ("NWSA") to unify management of marine cargo terminal investments, operations, planning and marketing to strengthen the Puget Sound gateway and attract more businesses and jobs to the region. Combining the cargo terminal operations will make the region more competitive in the global economy and create new jobs in Washington by allowing the home ports to more efficiently deploy capital investments at the container facilities and to speak with a stronger, unified voice on pressing regional and industry-related issues. 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 Georgia Port Authority. The NWSA, a Port Development Authority, is a separate legal and governmental entity. As of January 1, 2016, the NWSA has been accounted for as a joint venture between the home ports. Operation of the Port's marine cargo business was exclusively licensed to NWSA, while the remaining businesses have become part of the Maritime Division in 2016.

The operating budget is an essential component of the management planning and control process. It quantifies business division or departmental plans for future periods in strategic, operational and monetary terms. The budget process includes a series of Commission briefings with the operating divisions as well as corporate departments during the year; these briefings inform Commissioners about key issues facing the business groups so that Commissioners can provide guidance on necessary changes in strategies and objectives.

Divisional business plans and budgets are often revised to reflect Commission input. On an annual basis, each division presents a preliminary budget to the Commission and the Commission reviews the budget and votes on its adoption. Once the annual budget is in place, variances from the budget are analyzed monthly (with a more extensive analysis conducted quarterly), to determine if corrective action is needed. Progress in achieving budget targets is a short-term measure of progress in achieving strategic business plan targets.

## Economy and Outlook

The United States ("U.S.") economy continues to grow at a moderate pace. The U.S. real gross domestic product is expected to increase to 2.2% in 2017; however, future growth is expected to slowly trend down to 2.0% through 2021 as the economic recovery matures. Job gains have slowed this year, although the unemployment rate is now at pre-recession levels. The national unemployment rate has improved from 5.0% in 2015 to 4.6% in 2016, with professional and business services, education and health, and leisure and hospitality experiencing the highest industry employment growth. The housing market continues to improve at a slow pace and oil prices have remained low, freeing up resources for consumers. Personal income growth increased 3.9% year over year, which was driven by growth in interest income, rental income and wages and salaries. However, there are still uncertainties over the U.S. economic outlook. Global economic growth remains weak, and geopolitical events have added to risks abroad. Employment growth has been inconsistent in 2016 and on average has been weaker than 2015, with retail trade and manufacturing sectors suffering employment declines. The strong U.S. dollar has resulted in a drop in exports and brought the capital-intensive manufacturing sector to a standstill. Although the drop in oil prices is good for overall growth, it has lowered the incentive for additional investment by energy companies. Weakness in economic growth abroad remains a challenge to the U.S. recovery. As the U.S. dollar continues to strengthen, it makes U.S. exports more expensive to the rest of the world. These factors could slow the U.S. economic recovery and could have a direct impact on business in 2017.

Meanwhile, Washington's economy is expanding at a solid pace. The unemployment rate remained at an average of 5.7% in 2016. During 2016, jobs in both private sector and government increased 2.6% and 2.5%, respectively. The largest urban center, the Seattle metropolitan area, represented 50.7% of the workforce of Washington State and added about 52,500 jobs in 2016 from 2015. Approximately 39,500 of the new jobs added were in the information technology, education, health services, leisure and hospitality, government, and construction job markets.

The Port's 2016 performance reflected the recovery of the local economy. At the Airport, 45.7 million passengers passed through in 2016, an increase of 8% from 2015 and exceeded the all-time record for the sixth consecutive year. For the Maritime Division, the 2016 cruise season hosted 203 vessel calls and 984,000 passengers, an increase of 9.5% in passengers from 2015. Grain volumes totaled 4.4 million metric tons, an increase of 16.2% from 2015. For the Economic Development Division, occupancy levels at commercial properties were at 95% in 2016, slightly higher compared to a broader Seattle market average occupancy of approximately 93%.

As the overall economic recovery begins to slow to a moderate pace, Washington's economy is expected to outperform the U.S. economy in terms of growth in employment and personal income during 2017.

## Business Forecast

The Port Commission has adopted the Century Agenda, a strategic plan that sets aspirational goals for the Port over the next twenty five years—starting with an overarching goal of generating 100,000 new jobs in the region by 2036. Growth in airline travel and air cargo services, high occupancy rates at the marinas and business properties, and steady growth in cruise passengers, provide the opportunity to achieve the Century Agenda 25-year goals in the next 10 years. The Port continues to budget prudently while striving to retain and attract customers, create jobs, and help position the Port for future growth.

In 2017, the Aviation Division expects aeronautical base revenues to increase by 9.4% compared to 2016, reflecting increases in both capital and operating costs. Anticipated revenue sharing will be over $33.1 million and total aeronautical revenues are budgeted to increase by 12.3%. Non-aeronautical revenues are expected to be 2.5% above 2016, due to increased enplaned passengers. Continued overall growth is expected, particularly in public parking, airport dining and retail, ground transportation, commercial properties and rental cars. The Airport maintains a competitive cost per enplanement (“CPE”). The 2017 CPE is budgeted at $10.88 compared to $10.10 in 2016, reflecting the Port’s ongoing commitment to manage costs without compromising operational and capital needs. The Aviation Division anticipates continued passenger growth of 4.0% in 2017. To achieve long-term cost management, the Airport will continue to increase the number of continuous improvement projects and also lead the U.S. airport industry in environmental innovation.

The Maritime Division will continue to manage the cruise business, recreational marinas, Terminal 91, Fisherman’s Terminal, and other maritime industrial facilities. For 2017, Cruise forecasts approximately 1,040,000 passengers, a 5.7% increase over 2016. Grain volume from Terminal 86 is forecast to be 3.7 million metric tons in 2017, down from 4.4 million metric tons in 2016. For 2017, occupancy rates at the recreational marinas and commercial fishing are expected to average at 95% and 83%, respectively, matching 2016 levels. Overall Maritime operating revenues are budgeted at $51.8 million, a slight increase over 2016. Net operating income (“NOI”) before depreciation is expected to be $5.3 million in 2017.

The Economic Development Division focuses on managing the Port’s real estate portfolio, encouraging tourism, developing small business opportunities, and providing for workforce development in the aviation, maritime, and construction industries. The 2017 budget targets a 95% occupancy rate which approximates 2016 results. Operating revenue from Bell Harbor International Conference Center in 2017 is expected to be down 4.3% from 2016. The overlap of the seawall construction and the removal of the Alaskan Way Viaduct continue to have a negative impact on the leasing of much of the commercial space owned by the Port since it is located in proximity to these public construction projects.

For 2017, the Port budgeted total operating revenues of $620.2 million, a 3.6% increase from 2016. Total operating expenses are budgeted at $384.7 million, an 18.3% increase from 2016. NOI before depreciation is budgeted at $235.6 million, a 13.8% decrease from 2016. Depreciation expense is forecast to be $166.3 million, slightly higher than in 2016. NOI after depreciation is budgeted at $69.3 million, a 36.3% decrease from 2016. The total capital budget for 2017 is $651.6 million and the five-year capital improvement program is $2.7 billion, which reflects the Port's continuing commitment to promote regional economic activity through investment in the development, expansion, and renewal of Port facilities in support of the strategies and objectives outlined in the Port’s Century Agenda and division business plans.

**Major Initiatives**

The Airport continues to experience record growth. In 2016, the Airport served 45.7 million passengers, vaulting Sea-Tac to be the 9th busiest U.S. airport based on passenger volume, up from the 13th spot in 2015. To support this rapid growth, construction on the International Arrivals Facility began and contracts were executed to begin preliminary construction for the North Satellite building expansion.

During 2016, a total of eight new passenger and cargo carriers announced services at the Airport, expanding markets globally, including China, London, Guadalajara, and Russia. In June 2016, DHL, the world’s leading international express service provider, began daily cargo service at the Airport, and in September 2016, Xiamen Airlines added new nonstop service to Shenzhen, China. Virgin Atlantic will begin nonstop service from Seattle-Tacoma International Airport to London-Heathrow using its most fuel-efficient Boeing 787-9 Dreamliner beginning in March 2017.

In 2016, the 9th annual Cruse Critic Editors’ Picks Awards named the Port of Seattle as the “Best North American Homeport – 2016.” Also in October 2016, the Port of Seattle and Norwegian Cruise Line announced the Norwegian *Bliss*, the newest ship in the Norwegian fleet, will homeport in Seattle beginning in 2018 at Pier 66. The vessel will be the largest on the West Coast and will travel between Seattle and Alaska.

During 2016, the most significant completed projects were in the Aviation Division related to the reconstruction of Center Runway and the Delta Sky Club expansion at the Airport. The Port will continue to invest in new facilities and infrastructure to improve customer experience, reduce congestion, and add capacity to accommodate future growth. The Aviation Division's initiatives for 2017 include: continuing the construction for the North Satellite renovation, known as the NorthSTAR project; construction of a new International Arrivals Facility; construction of the Baggage System Optimization project, and the South Satellite renovation. The key initiatives for the Maritime Division in 2017 include the modernization of Bell Street Cruise Terminal at Pier 66 through partnerships with Norwegian Cruise Line and other asset stewardship programs.

The Port continues to demonstrate its commitment in reducing carbon emissions around the airport and protecting the environment. In June 2016, the Port became the first U.S. airport to receive the Salmon-Safe certification for its environmental practices that protect Puget Sound water quality and the salmon habitat. Other initiatives include: a long-term approach to develop an aviation biofuel industry; accreditation program to require either a green vehicle-only fleet or a Port-initiated green standard for taxi and rideshare services where each of these rideshare companies has committed to the high environmental standards set by the Port.

All of these initiatives will help the Port to serve customers and the general public better, provide jobs and economic opportunities to local communities, and improve the environment in the Pacific Northwest.

**Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to Port of Seattle for its comprehensive annual financial report for the fiscal year ended December 31, 2015. This was the eleventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of the Port's Finance and Budget teams, and the Accounting & Financial Reporting Department. We wish to express our appreciation to all who assisted and contributed to the preparation of this report. Credit also must be given to the Commissioners and Executive Officers for their unfailing support to ensure fiscal transparency and accountability, and to maintain the Port's financial statements in conformance with the highest professional standards.

Respectfully submitted,

Dave Soike

Interim Chief Executive Officer

Dan Thomas

Chief Financial Officer

Rudy Caluza

Director, Accounting & Financial Reporting (AFR)

Debbi Browning

AFR Assistant Director, General Accounting & Business Technology

Lisa Lam

AFR Assistant Director, Revenue Services & Financial Reporting/Controls

Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Port of Seattle**

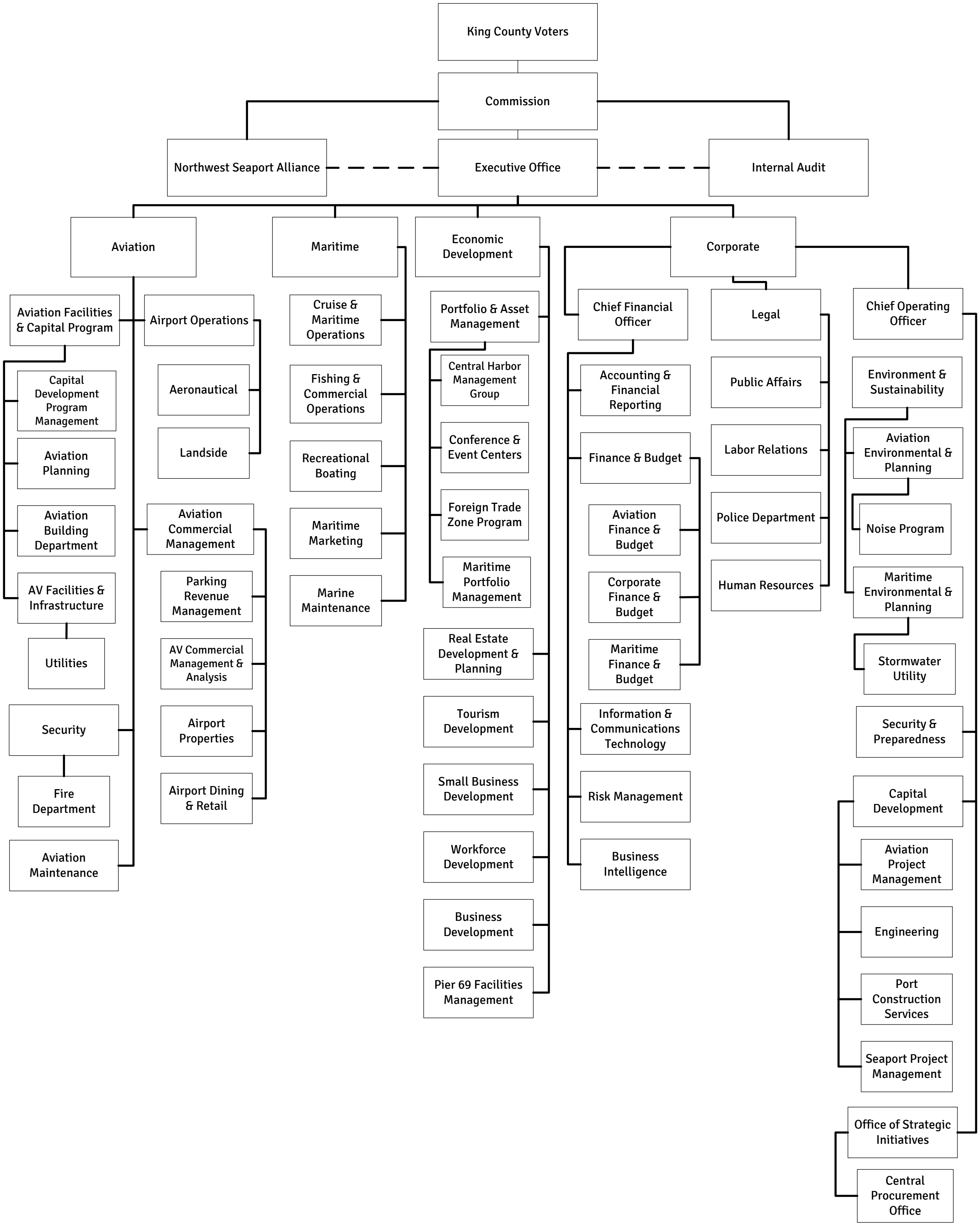
**Washington**

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

**December 31, 2015**

Executive Director/CEO

## ORGANIZATIONAL CHART FOR 2017




*Note: As part of the reorganization, a number of departments/teams providing enterprise-wide leadership, policy, consultation and services related to a particular area of focus such as Business Development, Business Intelligence, Environmental and Sustainability, and Finance and Budget are following a matrix management structure. A matrix management structure for the Port means that some functions will have a dual reporting relationship, both a direct ("solid") and an indirect ("dotted line") way to report.*

## List of Elected and Appointed Officials in 2017

### Elected Board of Commissioners

| Name | Office | Term Expires |
|---|---|---|
| Tom Albro | President | December 31, 2017 |
| Courtney Gregoire | Vice President | December 31, 2019 |
| Stephanie Bowman | Secretary | December 31, 2017 |
| Fred Felleman | Assistant Secretary | December 31, 2019 |
| John Creighton | Commissioner At Large | December 31, 2017 |

### Appointed Executive Officers and Staff

| | |
|---|---|
| Dave Soike | Interim Chief Executive Officer |
| Dan Thomas | Chief Financial Officer |
| Craig Watson | General Counsel |
| Larry Ehl | Chief of Staff |
| Lance Lyttle | Managing Director, Aviation Division |
| David McFadden | Managing Director, Economic Development Division |
| Lindsay Pulsifer | Managing Director, Maritime Division |
| Ralph Graves | Senior Director, Capital Development Division |
| Dave Caplan | Senior Director, Office of Strategic Initiatives |
| Julie Collins | Senior Director, Public Affairs |
| Paula Edelstein | Senior Director, Human Resources |
| David Freiboth | Senior Director, Labor Relations |
| Elizabeth Leavitt | Senior Director, Environment and Sustainability |
| Rod Covey | Chief of Police |

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# FINANCIAL SECTION

## REPORT OF INDEPENDENT AUDITORS

To the Port Commission
Port of Seattle
Seattle, Washington

### Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund and the Warehousemen's Pension Trust Fund of the Port of Seattle (the "Port") as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Port's financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. We did not audit the financial statements of the Northwest Seaport Alliance, a joint venture, which reflects total assets of $65,059,000 and total revenue of $61,583,771 for the year ended December 31, 2016. Those statements were audited by other auditors, whose report has been furnished to us, and in our opinion insofar as it relates to the amounts as included for the Port, is based solely on the report of other auditors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund and the Warehousemen's Pension Trust Fund of the Port of Seattle as of December 31, 2016 and 2015, and the changes in net position and cash flows for the Enterprise Fund, and the changes in fiduciary net position for the Warehousemen's Pension Trust Fund for the years ended December 31, 2016, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of proportionate share of the net pension liability and contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

Moss Adams LLP

Seattle, Washington
April 24, 2017

### INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") of the Port of Seattle's (the "Port") activities and financial performance provides an introduction to the financial statements of the Port for the fiscal year ended December 31, 2016, including the Port operations within the Enterprise Fund and the Warehousemen's Pension Trust Fund, with selected comparative information for the years ended December 31, 2016 and 2015.

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

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

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

### LOCAL ECONOMIC FACTORS

Washington's economy is expanding at a solid pace. The unemployment rate remained at an average of 5.7% in 2016 from 2015. During 2016, jobs in both private sector and government increased 2.6% and 2.5%, respectively. The Seattle metropolitan area added about 52,500 jobs in 2016 from 2015. Approximately 39,500 of the new jobs added in 2016 were in the information technology, education, health services, leisure and hospitality, government, and construction job markets.

The Port's 2016 performance reflected the recovery of the local economy. At the Airport, 45.7 million passengers passed through in 2016, an increase of 8% from 2015 and exceeded the all-time record for the sixth consecutive year. For the Maritime Division, the 2016 cruise season hosted 203 vessel calls and 984,000 passengers, an increase of 9.5% in passengers from 2015. Grain volumes totaled 4.4 million metric tons, an increase of 16.2% from 2015. For the Economic Development Division, occupancy levels at commercial properties were at 95% in 2016, slightly higher compared to a broader Seattle market average occupancy of approximately 93%.

## THE NORTHWEST SEAPORT ALLIANCE

The ports of Seattle and Tacoma ("the home ports") joined forces in August 2015 to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs to the region by creating The Northwest Seaport Alliance ("NWSA"). The NWSA is a separate governmental entity established as a Port Development Authority, similar to Public Development Authorities formed by cities and counties.

Each Port Commission is a Managing Member of the NWSA. Each home port will remain a separate legal entity, independently governed by its own elected commissioners. Each home port has granted the NWSA a license for the NWSA's exclusive use, operation and management of certain facilities, including the collection of revenues. Ownership of the licensed facilities remains with the home ports, not with the NWSA. The NWSA is intended to support the credit profiles of both home ports, and its financial framework will preserve both home ports' commitment to financial strength and fiscal stewardship. The home ports are committed to ensure existing bond pledges and covenants will not be negatively affected. Outstanding bonds will remain obligations of each individual home port. To maintain the rights of each home port's existing bondholders, the charter prohibits the NWSA from issuing debt. The home ports set up an initial 50/50 investment in the NWSA. NWSA's operating cash flows back to the home ports on a monthly basis. The NWSA has its own annual operating budget and five-year capital investment plan. The home ports contribute to capital construction projects subject to Managing Member approval. Capital funding does not come from working capital.

On January 1, 2016, the NWSA became a separate legal entity to be accounted for as a joint venture. Accordingly, the Port transferred $12.9 million in cash with the related assets and liabilities, primarily lease securities and customer advances, to the NWSA as the opening balance for the formation of the new entity. Additionally, the Port transferred $39.0 million of cash (consisting of working capital, and capital construction funds) and $7.9 million of construction work in progress to the NWSA for its 50% share in the entity. The reduction of cash and construction work in progress was offset by an increase in the investment in joint venture reflected as a noncurrent asset in the Port's Statement of Net Position as of January 1, 2016. The Port's operating revenues in 2016 included 50% of the NWSA's changes in net position in 2016.

Additional information on the joint venture can be found in Note 13 in the accompanying notes to the financial statements.

## ENTERPRISE FUND

### Financial Position Summary

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

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

| | 2016 | 2015 | 2014 (Restated) |
|---|---|---|---|
| ASSETS: | | | |
| Current, long-term, and other assets | $ 1,199,739 | $ 1,351,677 | $ 1,032,463 |
| Capital assets | 5,505,951 | 5,508,198 | 5,501,400 |
| Total assets | $ 6,705,690 | $ 6,859,875 | $ 6,533,863 |
| DEFERRED OUTFLOWS OF RESOURCES | $ 35,225 | $ 30,633 | $ 29,142 |
| LIABILITIES: | | | |
| Current liabilities | $ 384,385 | $ 379,856 | $ 334,375 |
| Noncurrent liabilities | 3,188,953 | 3,374,583 | 3,102,698 |
| Total liabilities | $ 3,573,338 | $ 3,754,439 | $ 3,437,073 |
| DEFERRED INFLOWS OF RESOURCES | $ 19,230 | $ 29,153 | $ 39,008 |
| NET POSITION: | | | |
| Net investment in capital assets | $ 2,591,049 | $ 2,474,130 | $ 2,424,133 |
| Restricted | 343,175 | 318,691 | 252,005 |
| Unrestricted | 214,123 | 314,095 | 410,786 |
| Total net position | $ 3,148,347 | $ 3,106,916 | $ 3,086,924 |

Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $3.1 billion as of December 31, 2016 and 2015. Total net position increased $41.4 million from 2015 to 2016 and $20.0 million from 2014 to 2015, respectively.

In 2015, the Port adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The Port adopted both statements retroactively by restating the financial statements, for all periods presented, to account for the multiple-employer cost-sharing plans that the Port participates in the Washington State Retirement System and the Warehousemen's Pension Plan. The new accounting standards require governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a net pension liability, and to more comprehensively and comparably measure the annual costs of pension benefits instead of reporting pension expense based on cash contributions paid to the plans. As a result, operating revenues, operating expenses, and nonoperating income—net for 2014 were restated and reduced by $0.4 million, $3.0 million, and $0.8 million, respectively. Further discussion of the impact of the adoption of these new accounting standards can be found in Note 1, Note 8, and Note 15 in the accompanying notes to the financial statements and the related RSI.

For each year presented, the largest portion of the Enterprise Fund's net position represents its net investment in capital assets. The Port uses these capital assets to provide services to its tenants, passengers, and customers of the Aviation, Maritime and Economic Development Divisions; consequently, these assets are not available for future spending. Although the Port's net investment in capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities. From 2015 to 2016 and 2014 to 2015, there was an increase of $116.9 million and $50.0 million, respectively, in net investment in capital assets. Total capital assets, net of accumulated depreciation, including construction work in progress remained relatively constant between years. The changes in this category from 2015 to 2016 were largely due to scheduled and early principal payments of debt made in 2016. The issuance of 2015 Intermediate Lien Revenue and Refunding Bonds, along with an increase in deferred inflows of resources resulting from the refunding debt transaction primarily accounted for the changes in this category from 2014 to 2015.

As of December 31, 2016 and 2015, the restricted net position of $343.2 million and $318.7 million, respectively, was comprised mainly of unspent revenue bond proceeds restricted for debt service reserves in accordance with bond covenants, airport Passenger Facility Charges ("PFC") subject to Federal regulations, and rental car Customer Facility Charges ("CFC") subject to State regulations. From 2015 to 2016 and from 2014 to 2015, there was an increase of $24.5 million and $66.7 million, respectively, in this category. The increase in restricted net position from prior year was primarily due to an increase in PFCs from enplanement growth in conjunction with the timing of PFC related expenditures. This increase was offset by a decrease in restricted debt service reserves associated with interest payments made starting in 2016 from the capitalized interest fund of 2015 Intermediate Lien Revenue and Refunding Bonds. The increase from 2014 to 2015 was primarily due to higher PFCs resulting from growth in enplanements in conjunction with the timing of PFC and CFC related expenditures, as well as the addition of restricted debt service reserves associated with the issuance of the 2015 Intermediate Lien Revenue and Refunding Bonds.

As of December 31, 2016, the unrestricted net position was $214.1 million, a decrease of $100.0 million from $314.1 million in 2015. The decrease was largely attributable to the $147.7 million payment made by the Port as a special item in 2016 for the State Route 99 ("SR 99") Alaskan Way Viaduct Replacement Program. Resources from the unrestricted net position may be used to satisfy the Port's ongoing obligations. However, amounts from Airport operations must be used solely for the Aviation Division's ongoing obligations due to federal regulations. Cash and cash equivalents, and investment balances related to Airport operations decreased from 2015 to 2016 from $305.4 million to $297.9 million, respectively, primarily due to the timing of capital project spending during the year. The increase from 2014 to 2015 from $256.2 million to $305.4 million, respectively, was largely attributed to the favorable operating performance of the Airport from enplanement growth in 2015.

**Statement of Revenues, Expenses, and Changes in Net Position**

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

| | 2016 | 2015 | 2014 (Restated) |
|---|---|---|---|
| Operating revenues | $ 598,467 | $ 558,933 | $ 534,489 |
| Operating expenses | 325,285 | 317,806 | 306,300 |
| Operating income before depreciation | 273,182 | 241,127 | 228,189 |
| Depreciation | 164,336 | 163,338 | 166,337 |
| Operating income | 108,846 | 77,789 | 61,852 |
| Nonoperating income—net | 62,177 | 39,399 | 52,611 |
| Capital contributions | 18,108 | 22,804 | 16,746 |
| Special item—SR 99 Viaduct expense | (147,700) | (120,000) | |
| Increase in net position | 41,431 | 19,992 | 131,209 |
| Net position—beginning of year, as restated (Note 1) | 3,106,916 | 3,086,924 | 2,955,715 |
| Net position—end of year | $ 3,148,347 | $ 3,106,916 | $ 3,086,924 |

**Financial Operation Highlights**

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

| | 2016 | 2015 | 2014 (Restated) |
|---|---|---|---|
| OPERATING REVENUES: | | | |
| Services | $ 231,326 | $ 212,612 | $ 195,364 |
| Property rentals | 291,874 | 332,696 | 325,219 |
| Customer facility charge revenues | 12,121 | 12,663 | 13,608 |
| Operating grants and contract revenues | 1,562 | 962 | 298 |
| Joint venture income | 61,584 | | |
| Total operating revenues | $ 598,467 | $ 558,933 | $ 534,489 |

During 2016, operating revenues increased 7.1% from $558.9 million in 2015 to $598.5 million in 2016. Aviation Division operating revenues increased $42.4 million largely due to growth in non-aeronautical revenues of $24.2 million and aeronautical revenues of $18.2 million. Aeronautical revenues are based on cost recovery and the increase in aeronautical revenues of $26.2 million was primarily due to cost recovery on new assets placed in service and higher operating expenses to support increased airline activity. This was partially offset by higher revenue sharing in 2016 of $7.9 million under the terms of the airline lease agreement. The growth in non-aeronautical revenues was due to strong performance and increases in (1) Public Parking of $6.5 million, (2) Airport Dining and Retail of $4.7 million, (3) Ground Transportation of $4.0 million, (4) Rental Cars of $2.7 million, and (5) Commercial Properties of $2.0 million. All increases were driven by higher passenger volumes. Aviation experienced passenger growth of 8% making the Airport the ninth busiest airport in North America for 2016 based on passenger volume compared to 13th place in 2015. Maritime Division operating revenues increased $3.5 million due to revenue increases in all operations including (1) higher Grain Terminal volumes, (2) Fishing and Operations revenue growth of 8% driven by rate increases and expanded utilization of moorage and Port assets, (3) Cruise with more sailings due to higher passenger volumes of 9.5% over 2015, and (4) Recreational Boating from rate increases. Starting January 1, 2016, the NWSA became a separate legal entity to be accounted for as a joint venture. As such, operating revenues in 2016 no longer included revenues from the cargo terminals for container operations and industrial properties but instead included $61.6 million, 50% of the NWSA's changes in net position in 2016. Economic Development Division operating revenues decreased by $2.3 million from prior year primarily due to lower Conference and Event Center revenues impacted by construction related to Pier 66 cruise terminal expansion.

During 2015, operating revenues increased 4.6% from $534.5 million in 2014 to $558.9 million in 2015. Aviation Division operating revenues increased $17.2 million largely due to growth in non-aeronautical revenues of $16.4 million. This was driven by increased passenger volumes with strong performance in (1) Public Parking reflecting an increase of $5.9 million, (2) Airport Dining and Retail concessions with an increase of $4.7 million, and (3) Commercial Properties with an increase of $1.3 million. Aeronautical revenues were relatively flat compared to 2014 due to a $12.4 million increase in airline revenue sharing which essentially offset an increase in aeronautical cost recovery revenue driven by new assets placed in service and higher operating expenses to support increased airline activity. Maritime Division operating revenues increased $3.5 million due to (1) a $1.4 million increase in Cruise revenues from higher passenger volumes and rate increases, and (2) a $0.9 million increase in Grain Terminal revenues from higher volumes and increased contract rates. Container revenues decreased slightly from 2014 despite of an increase in volume. While Container revenues from Terminal 46 increased by $1.2 million from higher lift volumes exceeding the minimum annual guarantee, this increase was offset by lower Container revenues of $1.2 million from the limited interim use of Terminal 5 following the closure of the terminal for redevelopment and the Eagle Marine lease cancellation in 2014. Shilshole Bay Marina and Fishermen's Terminal revenues increased due to higher moorage occupancy and rates while Fishermen's Terminal benefitted from an early termination lump sum payment from an office tenant. Starting January 1, 2015, the Port established its Stormwater Utility for Port-owned properties located within the City of Seattle. As a result, $2.8 million of Surface Water Utility fees were paid directly by the tenants to the Stormwater Utility in 2015. In 2014 and prior years, they were reported as Maritime and Economic Development Divisions operating revenues. Economic Development Division operating revenues increased by $1.9 million primarily due to Conference and Event Center revenue increases of $1.4 million from strong sales and a vibrant regional economy. Commercial Properties revenue increased due to increased activity at the Bell Street Garage and increased rent at Harbor Marina Corporate Center, World Trade Center West, and Bell Street Retail.

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

| | 2016 | 2015 | 2014 (Restated) |
|---|---|---|---|
| OPERATING EXPENSES: | | | |
| Operations and maintenance | $ 237,964 | $ 234,017 | $ 228,292 |
| Administration | 63,456 | 60,225 | 56,711 |
| Law enforcement | 23,865 | 23,564 | 21,297 |
| Total operating expenses | $ 325,285 | $ 317,806 | $ 306,300 |

During 2016, operating expenses increased from $317.8 million in 2015 to $325.3 million in 2016. Aviation Division operating expenses increased $23.1 million due to (1) targeted spending to support increased passenger volumes including security checkpoint queue management contractor costs of $2.2 million, (2) increased janitorial services of $2.5 million, (3) higher payroll costs of $2.6 million, and (4) outside service costs related to the Burien's Northeast Redevelopment Area ("NERA") 3 grant spending of $1.1 million. In addition, there was an increase in corporate and other division allocations of $10.0 million of which the largest related to (1) Central Procurement and Project Management departments costs of $4.0 million for process improvement, and (2) Police from increased payroll costs, uniform and protective equipment costs, worker's compensation and litigated expenses. Maritime Division operating expenses increased $6.8 million from 2015 in direct and allocated expenses. This increase was driven by increases in Police and corporate allocations resulting from a change in methodology with the creation of the NWSA comprised of cargo terminals and industrial properties which are no longer part of Maritime Division in 2016. Maritime operating expenses also increased due to (1) higher utility expenses where the largest amount related to surface water, and (2) mitigation costs tied to the Pier 66 cruise terminal expansion. Economic Development Division operating expenses increased $1.9 million primarily due to (1) $2.1 million higher corporate allocations, (2) a reduction of contingent liability of $1.4 million from favorable determinations of lawsuits brought forth by adjacent property owners of the Eastside Rail Corridor (the "Corridor") recognized in 2015, and (3) a $0.3 million increase in consulting services for property appraisals and evaluations along with new Economic Development Partnership Programs started in mid-2016. This Partnership Program was developed to support economic development activities in 31 cities in King County and the local community. These increases were offset by (1) a decrease of $1.6 million in expenses due to lower sales activity in the Conference and Event Center resulting from Pier 66 cruise terminal expansion, and (2) $0.5 million lower maintenance expenses due to less work charged to Bell Harbor International Conference Center and World Trade Center.

During 2015, operating expenses increased from $306.3 million in 2014 to $317.8 million in 2015. In 2015, the Port recognized a one-time lump sum payroll expense of $4.9 million paid to exempt employees for transitioning the workforce to a 40-hour work week. Aviation Division operating expenses increased $10.0 million primarily due to higher payroll expenses of $4.9 million, outside services expenses of $3.7 million, environmental expenses of $2.3 million, and divisional allocations of $1.9 million. These increases were offset by lower capital to expense charges of $3.1 million compared to 2014. Maritime Division operating expenses increased $1.9 million primarily due to a feasibility study, outside legal expenses, and increased security costs at Terminal 5. Additionally, maintenance expenses increased at Terminal 5 and Terminal 46 primarily due to

Storm Water Pollution plans, replacement and installation of a sewer lift station, maintenance of fire service systems, as well as annual inspections and repairs of the fire hydrants. Container expenses increased due to corporate charges for the formation of the NWSA and the configurations for interim use of Terminal 5. Economic Development Division operating expenses decreased by $4.2 million, largely due to a reduction of contingent liability of $1.4 million from favorable determinations of lawsuits brought forth by adjacent property owners of the Corridor. In addition, operating expenses decreased due to a higher proportion of tenant improvements qualifying for capitalization. These decreases were slightly offset by increased expenses due to higher volume of activities in the Conference and Event Centers.

As a result of the above, operating income before depreciation increased $32.1 million from 2015 to 2016, compared to a $12.9 million increase from 2014 to 2015. Depreciation expense increased by $1.0 million from 2015 to 2016 and decreased $3.0 million from 2014 to 2015.

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

| | 2016 | 2015 | 2014 (Restated) |
|---|---|---|---|
| NONOPERATING INCOME (EXPENSE): | | | |
| Ad valorem tax levy revenues | $ 71,678 | $ 72,819 | $ 72,801 |
| Passenger facility charge revenues | 85,570 | 79,209 | 69,803 |
| Customer facility charge revenues | 24,715 | 23,540 | 19,889 |
| Noncapital grants and donations | 6,284 | 5,358 | 10,159 |
| Fuel hydrant facility revenues | 6,992 | 6,957 | 6,935 |
| Investment income—net | 8,448 | 9,122 | 11,202 |
| Revenue and capital appreciation bonds interest expense | (105,567) | (110,128) | (108,910) |
| Passenger facility charge revenue bonds interest expense | (5,251) | (5,584) | (5,906) |
| General obligation bonds interest expense | (9,765) | (10,490) | (9,475) |
| Public expense | (8,560) | (5,023) | (6,854) |
| Environmental expense—net | (280) | (2,888) | (9,142) |
| Other (expense) income—net | (12,087) | (23,493) | 2,109 |
| Total nonoperating income—net | $ 62,177 | $ 39,399 | $ 52,611 |
| CAPITAL CONTRIBUTIONS | $ 18,108 | $ 22,804 | $ 16,746 |
| SPECIAL ITEM—SR 99 Viaduct expense | (147,700) | (120,000) | |

During 2016, nonoperating income—net was $62.2 million, a $22.8 million increase from 2015 nonoperating income—net. The increase was largely due to a decrease in losses from the retirement of panel replacements on the Center Runway of $8.6 million and loss on sale of property to the City of SeaTac for $13.3 million in the Aviation Division in 2015 compared to 2016 activity of which the largest retirement related to a Heating, Ventilation and Air Conditioning ("HVAC") system retirement in Concourse A of $1.2 million. Additionally, an increase in passenger enplanements in 2016 from 2015 contributed to an increase in PFC revenues in 2016. The Economic Development Division had a loss on the sale of the Eastside Rail Corridor assets of $4.6 million and additional retirements of Odyssey Museum tenant improvements of $1.4 million with the expansion of the cruise terminal and event center facilities at Pier 66. Larger expenditures in public expense in 2016 included a $2.1 million second and final contribution to King County's South Park Bridge and a $1.3 million installment payment relating to environmental work and design of a third eastbound lane on State Route SR18.

During 2015, nonoperating income—net was $39.4 million, a $13.2 million decrease from 2014. This was largely due to (1) an $8.6 million loss on retirement of Aviation capital assets resulting from panel replacements for the Center Runway, (2) a $13.3 million loss on sale of property to the City of SeaTac for use in its Connecting 28th/24th Avenue South Project, (3) a $10.8 million settlement from a bankruptcy claim against an asbestos insulation manufacturer received in 2014, and (4) decreases in noncapital grants and donations from Department of Ecology grant activity in 2015. This was offset by a decrease in environmental expense in Terminal 30 and Terminal 117 in 2015, and an increase in PFC revenues in 2015 due to increased enplanements.

During 2016, capital contributions decreased $4.7 primarily due to lower grant revenues from the Airport Improvement Program specifically related to the Third Runway embankment work for $6.1 million including stream relocation, drainage, fill and erosion protection that prepared the site for pavement. This decrease was partially offset by a slight increase in grant reimbursements related to the Center Runway construction in 2016 and 2015 of $16.4 million and $15.1 million, respectively.

During 2015, capital contributions increased $6.1 million primarily due to increase in grant revenues from Airport Improvement Program reimbursements for Center Runway construction.

The Port recorded its payments made to the Washington State Department of Transportation ("WSDOT") for the SR 99 Alaskan Way Viaduct Replacement Program as special items in 2015 and 2016. The first payment of $120.0 million made in 2015 was in accordance with the funding agreement entered into with WSDOT for the State's eligible construction costs incurred on the Tunnel Design Build Project. The Port made the remaining $147.7 million payments to WSDOT in 2016. The SR 99 Alaskan Way Viaduct Replacement Program will improve movement of freight and other traffic on the west corridors of the Seattle transportation system between the Duwamish and Ballard-Interbay neighborhoods, including easy access to the Port's cargo, recreational boating, commercial fishing, cruise facilities and the Airport.

Increase in net position for 2016 and 2015 was $41.4 million and $20.0 million, respectively. The $21.4 million increase between the two years was primarily due to increased net operating income and nonoperating income–net, slightly offset by the $27.7 million increase in the payment made to WSDOT relating to the SR 99 Alaskan Way Viaduct Replacement Program.

**WAREHOUSEMEN'S PENSION TRUST FUND**

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

A summarized comparison of the assets, liabilities, and fiduciary net position of the Warehousemen's Pension Trust Fund as of December 31, and changes in fiduciary net position for the years ended December 31 is as follows (in thousands):

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Total assets | $ 9,066 | $ 9,191 | $ 9,988 |
| Total liabilities | | | |
| Total fiduciary net position | $ 9,066 | $ 9,191 | $ 9,988 |
| | | | |
| Total additions | $ 2,054 | $ 1,384 | $ 1,908 |
| Total deductions | (2,179) | (2,182) | (2,202) |
| Decrease in fiduciary net position | (125) | (798) | (294) |
| Fiduciary net position—beginning of year | 9,186 | 9,984 | 10,278 |
| Fiduciary net position—end of year | $ 9,061 | $ 9,186 | $ 9,984 |

Total fiduciary net position as of December 31, 2016 remained relatively unchanged compared to 2015.

Total fiduciary net position as of December 31, 2015 decreased by $0.8 million from December 31, 2014 mainly due to a decline in the fair value of investments.

Additional information on the Port's Warehousemen's Pension Trust Fund can be found in Note 15 in the accompanying notes to the financial statements.

## CAPITAL ASSETS

The Port's capital assets as of December 31, 2016, amounted to $5.5 billion (net of accumulated depreciation). This investment in capital assets includes land, air rights, facilities and improvements, equipment, furniture and fixtures, and construction work in progress. The Port's investment in capital assets after accumulated depreciation remained relatively constant between years.

In 2016, the Port's expenditures for capital construction projects totaled $184.7 million of which $160.5 million, $12.9 million, and $4.7 million related to Aviation Division, Maritime Division, and Economic Development Division, respectively. Major Aviation projects included $41.6 million related to design and construction of the new International Arrivals Facility, $28.3 million related to the North Satellite expansion and renovation, $11.2 million related to the Delta Sky Club expansion, and $10.7 million related to reconstruction of the Center Runway. The most significant Maritime and Economic Development project spending related to $1.5 million in Terminal 91 upgrades and $2.8 million in Terminal 102 roof and HVAC replacement, respectively.

During 2016, capital construction projects totaling $87.3 million were completed and placed in service as capital assets. The most significant completed projects were in the Aviation Division relating to the reconstruction of Center Runway for $11.6 million and the Delta Sky Club expansion for $11.6 million.

During 2016, the Port collected $71.8 million in property taxes through a King County ad valorem tax levy. The Port funds its capital assets from multiple sources, including but not limited to operating income, ad valorem tax levy, PFCs, Federal and State grants, and bond proceeds. All capital assets are accounted for within the Enterprise Fund.

The Port achieved its goal in preserving the 42-mile Corridor for public ownership. In January 2015, the Port received a cash payment of $13.2 million from King County for the total outstanding balance including accrued interest related to the Purchase and Sale Agreement entered in 2013 for a portion of the Southern Segment and an easement over portions of the Freight Segment of the Corridor. In November 2015, the Port received a cash payment of $1.1 million from City of Woodinville related to the Purchase and Sale Agreement entered in 2014 for a portion of the Freight Segment (within Woodinville Corporate Limits and Bothell Corporate Limits) of the Corridor. No gain or loss was recorded on either transaction. In March 2016, the Port completed the sale of the remaining portions of the Corridor and any improvements located in Snohomish County, including the Snohomish River Bridge to Snohomish County for $3.5 million. The Port recorded a loss on the sale of these capital assets of $4.6 million in 2016.

In January 2015, the Port agreed to sell three cranes and the related spare parts to SSA Terminals, LLC and SSA Containers, Inc., the current tenant at Terminal 18. The Port estimates a loss of $1.1 million will be reported on the sale of these capital assets in 2017, along with the Port's 50% share of the associated sales tax.

Additional information on the Port's capital assets can be found in Note 3 in the accompanying notes to the financial statements.

**DEBT ADMINISTRATION**

As of December 31, 2016, the Port had outstanding revenue bonds and commercial paper of $2.5 billion, a $172.4 million decrease from 2015 due to scheduled principal payments, early extinguishment of debt, and the refunding of existing revenue bonds.

In 2016, the Port issued $150.1 million in Series 2016ABC First Lien Revenue Refunding Bonds to partially refund the outstanding Series 2007A First Lien Revenue Bonds, to fully refund the outstanding Series 2007B First Lien Revenue Bonds, pay the costs of issuing the bonds, and to contribute to the First Lien Common Reserve Fund. Also in 2016, the Port issued $99.1 million in Series 2016 Intermediate Lien Revenue Refunding Bonds to fully refund the outstanding Series 2006 Intermediate Lien Revenue Refunding Bonds, and to pay the costs of issuing the bonds.

As of December 31, 2016, the Port had outstanding General Obligation ("GO") bonds of $283.6 million, a $21.9 million decrease from 2015 due to scheduled principal payments.

As of December 31, 2016, the Port had outstanding PFC Revenue bonds of $110.8 million, a $12.5 million decrease from 2015 due to a scheduled principal payment.

As of December 31, 2016, the Port had outstanding Fuel Hydrant Special Facility Revenue bonds of $79.5 million, a $3.2 million decrease from 2015 due to a scheduled principal payment.

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

Below are the underlying Port credit ratings as of December 31, 2016. Certain Port bonds include bond insurance or bank letters of credit, and as such, those bonds may assume the credit rating of the associated bond insurer or letter of credit provider.

| | Fitch | Moody's | S&P |
|---|---|---|---|
| General obligation bonds | AAA | Aa1 | AAA |
| First lien revenue bonds | AA | Aa2 | AA- |
| Intermediate lien revenue bonds | A+ | A1 | A+ |
| Subordinate lien revenue bonds | A | A2 | A+ |
| Passenger facility charge revenue bonds | A | A1 | A+ |
| Fuel hydrant special facility revenue bonds | | A2 | A- |

In January 2017, Fitch changed most of the Port's credit ratings based on their criteria revision. Fitch downgraded its ratings of the Port's GO bonds from AAA to AA-, upgraded its ratings of the Port's Intermediate Revenue bonds from A+ to AA-, upgraded its ratings of the Port's Subordinate Lien Revenue bonds from A to AA-, and upgraded its ratings of the Port's PFC Revenue bonds from A to A+. Also, in January 2017, Moody's upgraded its ratings of the Port's GO bonds from Aa1 to Aaa.

In March 2017, the Port issued $127.3 million in Series 2017 Limited Tax GO Bonds, which were used to reimburse the Port and provide long-term funding for the Port's final 2016 contractual payments, totaling $147.7 million, to WSDOT for the SR 99 Alaskan Way Viaduct Replacement Program, and pay the costs of issuing the bonds.

Additional information on the Port's debt and conduit debt activities can be found in Note 5 and Note 6, respectively, in the accompanying notes to the financial statements.

# PORT OF SEATTLE — ENTERPRISE FUND

## STATEMENT OF NET POSITION
## AS OF DECEMBER 31, 2016 AND 2015
(In thousands)

| | 2016 | 2015 |
|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 51,453 | $ 9,965 |
| Restricted cash and cash equivalents: | | |
| Bond funds and other | 40,009 | 6,294 |
| Fuel hydrant assets held in trust | 3,633 | 3,499 |
| Short-term investments | 237,050 | 209,229 |
| Restricted short-term investments: Bond funds and other | 191,508 | 145,416 |
| Accounts receivable, less allowance for doubtful accounts of $858 and $218 | 43,898 | 42,794 |
| Related party receivable—joint venture | 10,527 | |
| Grants-in-aid receivable | 8,353 | 10,688 |
| Taxes receivable | 1,314 | 1,393 |
| Materials and supplies | 6,585 | 6,883 |
| Prepayments and other current assets | 7,960 | 8,223 |
| Total current assets | 602,290 | 444,384 |
| NONCURRENT ASSETS: | | |
| Long-term investments | 283,559 | 515,047 |
| Restricted long-term investments: | | |
| Bond funds and other | 232,048 | 361,438 |
| Fuel hydrant assets held in trust | 5,789 | 6,029 |
| Investment in joint venture | 65,059 | |
| Net pension asset | 6,728 | 11,901 |
| Long-term receivable | 199 | 7,447 |
| Other long-term assets | 4,067 | 5,431 |
| CAPITAL ASSETS: | | |
| Land and air rights | 2,000,919 | 2,008,635 |
| Facilities and improvements | 5,095,806 | 5,048,814 |
| Equipment, furniture, and fixtures | 459,207 | 443,273 |
| Total capital assets | 7,555,932 | 7,500,722 |
| Less accumulated depreciation | (2,263,416) | (2,108,483) |
| Construction work in progress | 213,435 | 115,959 |
| Total capital assets—net | 5,505,951 | 5,508,198 |
| Total noncurrent assets | 6,103,400 | 6,415,491 |
| Total assets | 6,705,690 | 6,859,875 |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| Deferred loss on refunding bonds | 12,781 | 16,222 |
| Deferred charges on net pension asset and liability | 22,444 | 14,411 |
| Total deferred outflows of resources | 35,225 | 30,633 |
| TOTAL | $ 6,740,915 | $ 6,890,508 |

See notes to financial statements.

| | 2016 | 2015 |
|---|---|---|
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expenses | $ 123,028 | $ 120,453 |
| Related party payable—joint venture | 7,030 | |
| Payroll and taxes payable | 36,152 | 34,341 |
| Bonds interest payable | 36,384 | 41,725 |
| Customer advances | 13,221 | 12,777 |
| Current maturities of long-term debt | 168,570 | 170,560 |
| Total current liabilities | 384,385 | 379,856 |
| NONCURRENT LIABILITIES: | | |
| LONG-TERM LIABILITIES: | | |
| Net pension liability | 107,596 | 95,548 |
| Environmental remediation liability | 42,381 | 48,429 |
| Bonds interest payable | 15,832 | 13,181 |
| Other postemployment benefits obligation | 10,424 | 9,687 |
| Lease securities and other long-term liability | 5,106 | 16,817 |
| Total long-term liabilities | 181,339 | 183,662 |
| LONG-TERM DEBT: | | |
| Revenue and capital appreciation bonds | 2,538,942 | 2,678,392 |
| General obligation bonds | 285,533 | 311,195 |
| Passenger facility charge revenue bonds | 101,076 | 115,284 |
| Fuel hydrant special facility revenue bonds | 82,063 | 86,050 |
| Total long-term debt | 3,007,614 | 3,190,921 |
| Total noncurrent liabilities | 3,188,953 | 3,374,583 |
| Total liabilities | 3,573,338 | 3,754,439 |
| DEFERRED INFLOWS OF RESOURCES: | | |
| Deferred gain on refunding bonds | 15,390 | 12,597 |
| Deferred credits on net pension asset and liability | 3,840 | 16,556 |
| Total deferred inflows of resources | 19,230 | 29,153 |
| NET POSITION: | | |
| Net investment in capital assets | 2,591,049 | 2,474,130 |
| Restricted for: | | |
| Debt service reserves | 177,572 | 188,181 |
| Passenger facility charges | 135,317 | 104,704 |
| Customer facility charges | 16,129 | 15,335 |
| Grants and other | 14,157 | 10,471 |
| Unrestricted | 214,123 | 314,095 |
| Total net position | 3,148,347 | 3,106,916 |
| TOTAL | $ 6,740,915 | $ 6,890,508 |

See notes to financial statements.

# PORT OF SEATTLE — ENTERPRISE FUND

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
## FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(In thousands)

| | 2016 | 2015 | 2014 (Restated) |
|---|---|---|---|
| OPERATING REVENUES: | | | |
| Services | $ 231,326 | $ 212,612 | $ 195,364 |
| Property rentals | 291,874 | 332,696 | 325,219 |
| Customer facility charge revenues | 12,121 | 12,663 | 13,608 |
| Operating grants and contract revenues | 1,562 | 962 | 298 |
| Joint venture income | 61,584 | | |
| Total operating revenues | 598,467 | 558,933 | 534,489 |
| OPERATING EXPENSES: | | | |
| Operations and maintenance | 237,964 | 234,017 | 228,292 |
| Administration | 63,456 | 60,225 | 56,711 |
| Law enforcement | 23,865 | 23,564 | 21,297 |
| Total operating expenses | 325,285 | 317,806 | 306,300 |
| NET OPERATING INCOME BEFORE DEPRECIATION | 273,182 | 241,127 | 228,189 |
| DEPRECIATION | 164,336 | 163,338 | 166,337 |
| OPERATING INCOME | 108,846 | 77,789 | 61,852 |
| NONOPERATING INCOME (EXPENSE): | | | |
| Ad valorem tax levy revenues | 71,678 | 72,819 | 72,801 |
| Passenger facility charge revenues | 85,570 | 79,209 | 69,803 |
| Customer facility charge revenues | 24,715 | 23,540 | 19,889 |
| Noncapital grants and donations | 6,284 | 5,358 | 10,159 |
| Fuel hydrant facility revenues | 6,992 | 6,957 | 6,935 |
| Investment income—net | 8,448 | 9,122 | 11,202 |
| Revenue and capital appreciation bonds interest expense | (105,567) | (110,128) | (108,910) |
| Passenger facility charge revenue bonds interest expense | (5,251) | (5,584) | (5,906) |
| General obligation bonds interest expense | (9,765) | (10,490) | (9,475) |
| Public expense | (8,560) | (5,023) | (6,854) |
| Environmental expense—net | (280) | (2,888) | (9,142) |
| Other (expense) income—net | (12,087) | (23,493) | 2,109 |
| Total nonoperating income—net | 62,177 | 39,399 | 52,611 |
| INCOME BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEM | 171,023 | 117,188 | 114,463 |
| CAPITAL CONTRIBUTIONS | 18,108 | 22,804 | 16,746 |
| INCOME BEFORE SPECIAL ITEM | 189,131 | 139,992 | 131,209 |
| SPECIAL ITEM—SR 99 Viaduct expense | (147,700) | (120,000) | |
| INCREASE IN NET POSITION | 41,431 | 19,992 | 131,209 |
| TOTAL NET POSITION: | | | |
| Beginning of year, as restated (Note 1) | 3,106,916 | 3,086,924 | 2,955,715 |
| End of year | $ 3,148,347 | $ 3,106,916 | $ 3,086,924 |

See notes to financial statements.

# PORT OF SEATTLE — ENTERPRISE FUND

## STATEMENT OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(In thousands)

| | 2016 | 2015 | 2014 (Restated) |
|---|---|---|---|
| OPERATING ACTIVITIES: | | | |
| Cash received from customers | $ 521,064 | $ 584,730 | $ 549,055 |
| Cash received from joint venture for support services provided | 8,514 | | |
| Customer facility charge receipts | 12,121 | 12,663 | 13,608 |
| Cash paid to suppliers for goods and services | (122,710) | (111,235) | (132,300) |
| Cash paid to employees for salaries, wages and benefits | (198,924) | (198,466) | (187,439) |
| Operating grants and contract revenues | 1,562 | 962 | 298 |
| Other | (1,626) | (2,571) | (1,611) |
| Net cash provided by operating activities | 220,001 | 286,083 | 241,611 |
| NONCAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Proceeds from issuance and sale of GO bonds | | 120,006 | |
| Principal payments on GO bonds | (2,320) | | (15,275) |
| Interest payments on GO bonds | (4,681) | (2,804) | (571) |
| Cash paid for special item—SR 99 Viaduct expense | (147,700) | (120,000) | |
| Cash paid for environmental remediation liability | (5,457) | (9,032) | (19,627) |
| Public expense disbursements | (7,764) | (5,360) | (4,049) |
| Ad valorem tax levy receipts | 71,753 | 72,941 | 72,926 |
| Noncapital grants and contract revenues | 6,284 | 5,358 | 10,159 |
| Proceeds from assets held for sale | | 14,207 | |
| Environmental recovery receipts | 2,655 | 2,746 | 11,923 |
| Litigation settlement receipt | | | 10,847 |
| Receipts from implicit financing | | 2,236 | |
| Net cash (used in) provided by noncapital and related financing activities | (87,230) | 80,298 | 66,333 |
| CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Proceeds from issuance and sale of revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, PFC bonds, and commercial paper | 302,959 | 704,501 | |
| Proceeds used for refunding of revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, and PFC bonds | (319,620) | (376,938) | |
| Principal payments on revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, PFC bonds, and commercial paper | (138,585) | (171,030) | (158,246) |
| Interest payments on revenue bonds, GO bonds, PFC bonds, fuel hydrant special facility revenue bonds, and commercial paper | (144,770) | (131,777) | (135,310) |
| Acquisition and construction of capital assets | (179,180) | (192,023) | (185,853) |
| Deposits and proceeds from sale of capital assets | 3,830 | 253 | 4,432 |
| Receipts from capital contributions | 20,307 | 21,545 | 15,111 |
| Passenger facility charge receipts | 82,130 | 78,152 | 69,140 |
| Customer facility charge receipts | 24,716 | 24,117 | 19,925 |
| Fuel hydrant facility revenues | 6,993 | 6,957 | 6,935 |
| Net cash used in capital and related financing activities | $ (341,220) | $ (36,243) | $ (363,866) |

See notes to financial statements.

(Continued)

# PORT OF SEATTLE — ENTERPRISE FUND

## STATEMENT OF CASH FLOWS

## FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(In thousands)

| | 2016 | 2015 | 2014 (Restated) |
|---|---|---|---|
| INVESTING ACTIVITIES: | | | |
| Purchases of investment securities | $ (296,292) | $ (560,615) | $ (732,616) |
| Proceeds from sales and maturities of investments | 577,585 | 161,953 | 782,305 |
| Interest received on investments | 12,654 | 9,128 | 7,895 |
| Cash used to fund investment in joint venture | (59,408) | | |
| Cash distributions received from joint venture | 47,542 | | |
| Net cash provided by (used in) investing activities | 282,081 | (389,534) | 57,584 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (including $678, $1,027, and $909 restricted cash and cash equivalents of fuel hydrant assets held in trust reported as restricted long-term investments, respectively) | 73,632 | (59,396) | 1,662 |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of year | 20,785 | 80,181 | 78,519 |
| End of year | $ 94,417 | $ 20,785 | $ 80,181 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES: | | | |
| Operating income | $ 108,846 | $ 77,789 | $ 61,852 |
| Miscellaneous nonoperating (expense) income | (1,626) | (2,571) | (1,611) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 164,336 | 163,338 | 166,337 |
| (Increase) Decrease in assets: | | | |
| Investment in joint venture | (61,584) | | |
| Accounts receivable | 311 | (3,744) | 16,406 |
| Materials and supplies, prepayments and other | 7,315 | 3,188 | 12,717 |
| Net pension asset | 5,173 | 2,795 | (9,979) |
| (Increase) Decrease in deferred outflows of resources: | | | |
| Deferred charges on net pension asset and liability | (8,213) | (6,948) | (1,999) |
| (Decrease) Increase in liabilities: | | | |
| Accounts payable and accrued expenses | (1,093) | 46,306 | (11,873) |
| Payroll and taxes payable | 2,990 | (4,408) | (2,487) |
| Lease securities and customer advances | 1,636 | 6,364 | 4,383 |
| Net pension liability | 11,612 | 20,938 | (25,927) |
| Environmental remediation liability | 2,276 | 1,591 | (1,951) |
| Other postemployment benefits obligation | 737 | 209 | 423 |
| (Decrease) Increase in deferred inflows of resources: | | | |
| Deferred credits on net pension asset and liability | (12,715) | (18,764) | 35,320 |
| Net cash provided by operating activities | $ 220,001 | $ 286,083 | $ 241,611 |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES: | | | |
| Net unrealized investment (loss) gain | $ (5,110) | $ (815) | $ 3,036 |
| Construction work in progress transfer to joint venture | 7,887 | | |

See notes to financial statements.

(Concluded)

# PORT OF SEATTLE — WAREHOUSEMEN'S PENSION TRUST FUND

## STATEMENT OF FIDUCIARY NET POSITION
## AS OF DECEMBER 31, 2016 AND 2015
(In thousands)

| | 2016 | 2015 |
|---|---|---|
| ASSETS: | | |
| Cash and cash equivalents | $ 134 | $ 237 |
| Investments in mutual fund—fair value: | | |
| Fixed income | 3,446 | 3,624 |
| Domestic equities | 2,753 | 2,640 |
| International equities | 2,589 | 2,542 |
| Total investments | 8,788 | 8,806 |
| Other assets | 144 | 148 |
| Total assets | 9,066 | 9,191 |
| LIABILITIES: | | |
| Accounts payable | 5 | 5 |
| NET POSITION RESTRICTED FOR PENSIONS | $ 9,061 | $ 9,186 |

See notes to financial statements.

# PORT OF SEATTLE — WAREHOUSEMEN'S PENSION TRUST FUND

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
## FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(In thousands)

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| ADDITIONS: | | | |
| Employer contributions | $ 1,500 | $ 1,500 | $ 1,500 |
| Investment income: | | | |
| Net appreciation (depreciation) in fair value of investments | 357 | (308) | 202 |
| Dividends | 227 | 227 | 251 |
| Less investment expenses | (30) | (35) | (45) |
| Net investment income (loss) | 554 | (116) | 408 |
| Total additions | 2,054 | 1,384 | 1,908 |
| DEDUCTIONS: | | | |
| Benefits | 2,093 | 2,079 | 2,091 |
| Administrative expenses | 45 | 46 | 45 |
| Professional fees | 41 | 57 | 66 |
| Total deductions | 2,179 | 2,182 | 2,202 |
| Net decrease in net position | (125) | (798) | (294) |
| NET POSITION RESTRICTED FOR PENSIONS | | | |
| Beginning of year | 9,186 | 9,984 | 10,278 |
| End of year | $ 9,061 | $ 9,186 | $ 9,984 |

See notes to financial statements.

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Organization***—The Port of Seattle (the "Port") is a municipal corporation organized on September 5, 1911, through enabling legislation by consent of the voters within the Port district. In 1942, the local governments in King County selected the Port to operate the Seattle-Tacoma International Airport (the "Airport"). The Port is considered a special purpose government with a separately elected commission of five members. The Port is legally separate and fiscally independent of other state or local governments. The Port has no stockholders or equity holders. All revenues or other receipts must be disbursed in accordance with provisions of various statutes, applicable grants, and agreements with the holders of the Port's bonds.

***Reporting Entity***—The Port reports the following funds: the Enterprise Fund accounts for all activities and operations of the Port except for the activities included within the Warehousemen's Pension Trust Fund. The Enterprise Fund is used to account for operations and activities that are financed at least in part by fees or charges to external users.

In 2015, the Port underwent a series of reorganizations to strategically position the Port to achieve future growth, operational excellence and talent development. Effective January 1, 2016, the Port and its Enterprise Fund is comprised of three operating divisions, namely Aviation, Maritime, and Economic Development. The Aviation Division manages the Airport serving the predominant air travel needs of a five-county area. The Airport has 14 United States ("U.S.") flag passenger air carriers (including regional and commuter air carriers) and 14 foreign-flag passenger air carriers providing nonstop service from the Airport to 107 cities, including 23 foreign cities. The Maritime Division manages industrial property connected with maritime businesses, recreational marinas, Fishermen's Terminal, cruise, grain, and maritime operations. The Economic Development Division focuses on managing the Port's industrial and commercial properties including conference and event centers, encouraging tourism, developing small business opportunities, and providing for workforce development in the aviation, maritime, and construction industries.

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

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

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

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

***Basis of Accounting***—The Port is accounted for on a flow of economic resources measurement focus. The financial statements are prepared in accordance with generally accepted accounting principles in the U.S. as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards 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 Standards Board ("FASB") pronouncements which do not conflict with or contradict GASB pronouncements. It also eliminates the option to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements. The more significant Port's accounting policies are described below.

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

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

The Port is self-insured for majority of its sponsored healthcare plans. Employees covered by these plans pay a portion of the premiums for their coverage. The Port purchased a stop-loss insurance policy for the self-insured healthcare plan to limit the Port's individual claims liability up to $200,000 per year in 2016 and 2015, and to 125% of expected claims in aggregate. Healthcare benefit claims liabilities are not discounted to present value as nearly all healthcare claims are current in nature. The estimated liability is based upon actual claims that have been submitted and authorized for payment as well as actuarially determined claims incurred but not reported. The estimated liability is included in payroll and taxes payable in the Statement of Net Position.

The table below reflects the changes in the claim liabilities for the years ended December 31 (in thousands). Claim payments made during the current year include associated incremental costs such as administration expenses and stop-loss insurance policy premiums. Employees' cost sharing portion of the healthcare plan and retirees' payments for participating in the Port's healthcare plan made during the current year are included as "Other" in the table below. Retirees' participation in the Port's healthcare plan is not implicitly or explicitly subsidized.

| Years ended December 31, | Beginning balance | Current year claims and changes in estimates | Claim payments | Other | Ending balance |
|---|---|---|---|---|---|
| 2016 | $ 946 | $ 11,601 | $ (13,235) | $ 1,698 | $ 1,010 |
| 2015 | 1,070 | 12,295 | (14,224) | 1,805 | 946 |
| 2014 | 1,423 | 11,724 | (13,800) | 1,723 | 1,070 |

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

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

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

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

***Investments and Cash Equivalents***—All short-term investments with a maturity of three months or less at the date of purchase are considered to be cash equivalents except for the restricted portion of the fuel hydrant assets held in trust not used to pay the current maturities of Fuel Hydrant Special Revenue Bonds plus accrued interest that is reported as restricted long-term investments in the Statement of Net Position. Investments are carried at fair value plus accrued interest receivable. Fair values are determined based on quoted market rates. Unrealized gains or losses due to market valuation changes are recognized in investment income—net in the Statement of Revenues, Expenses, and Changes in Net Position.

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

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

***Materials and Supplies***—Materials and supplies are recorded at the lower of cost or market. The Port's policy is to expense materials and supplies when used in operations and to capitalize amounts used in capital projects as construction work in progress.

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

***Capital Assets***—Capital assets are stated at cost, less accumulated depreciation. Costs applicable to noise damage remedies, together with the cost of litigation, in exchange for air rights are generally recorded as intangible capital assets. The Port's policy is to capitalize all asset additions equal to or greater than $20,000 and with an estimated life of three years or more. The Port capitalizes interest during construction until the asset is placed into service, based on average construction expenditures and average actual debt service rates for bond funded construction, excluding externally restricted acquisition of specified qualified assets financed with grants or proceeds from tax-exempt debt. Depreciation is computed on a straight-line basis. Buildings and improvements are assigned lives of 30 to 50 years, equipment 3 to 20 years, and furniture and fixtures 5 to 10 years. The Port periodically reviews its long-lived assets for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly.

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

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

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

- For derived revenue transactions, such as PFC and CFC, the Port recognizes receivables in the period when the exchange transaction on which the fee/charge is imposed occurs or records cash when received, whichever occurs first. Revenue is recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the receivables are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as unearned revenues until the period of the exchange.

- For imposed nonexchange revenue transactions, such as ad valorem tax levy revenues, the Port recognizes receivables in the period when an enforceable legal claim to the receivables arises, i.e. lien date, or records cash when received, whichever occurs first. Resources received in advance before the lien date is reported as deferred inflows of resources.

- For government-mandated nonexchange transactions and voluntary nonexchange transactions, such as grant programs, resources received before the eligibility requirements are met (excluding time requirements) are reported as unearned revenues. Resources received before time requirements are met, but after all other eligibility requirements have been met, is reported as deferred inflows of resources.

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

***Passenger Facility Charges***—As determined by applicable Federal legislation, which are based upon passenger enplanements, PFC generated revenues are expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds. PFC revenues received from the airlines at $4.50 per passenger, are recorded as nonoperating income in the Statement of Revenues, Expenses, and Changes in Net Position.

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

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

The King County ("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 every two years. Taxes are due in two equal installments on April 30 and October 31. Collections are distributed daily to the Port by the County Treasurer.

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

***Airline Rates and Charges***—During 2013, the Port reached agreement with the airlines for the new Signatory Lease and Operating Agreement ("SLOA III"). SLOA III is effective for the period January 1, 2013 through December 31, 2017. SLOA III is a hybrid-compensatory rate setting methodology. Under SLOA III, aeronautical rates are set to recover both operating and capital costs by cost center. Key provisions include: (1) a one-time reduction in the revenue requirement of $17,880,000, from the removal of the security fund liability when SLOA II expired, (2) cash funded assets included in capital recovery formulas extend back to 1992, (3) Airport does not recover costs relating to vacant publicly accessible office space (costs associated with all other airline space are fully recovered), (4) cost recovery formulas permit the Port to charge the airlines 100% of annual debt service allocated to the airlines (unless the Port determines in its sole discretion that a charge above 100% of annual airline debt service is necessary to maintain the total Airport revenue bond coverage at 1.25 times the sum of the annual debt service), and (5) revenue sharing of 50% of the cash flow available for debt service above 125% of annual debt service is credited to the signatory airlines. Settlement calculations comparing 2016 revenue requirements and invoices billed in 2016 for each cost center and for all airlines, including revenue sharing, have been reflected in the 2016 financial statements.

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

***Environmental Remediation Liabilities***—The Port's policy requires accrual of environmental remediation liabilities 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 environmental remediation liabilities. Costs incurred for environmental remediation liabilities are typically recorded as nonoperating environmental expenses unless the expenditures relate to the Port's principal ongoing operations, in which case they are recorded as operating expenses. Costs incurred for environmental remediation liabilities can be capitalized if they meet specific criteria. Capitalization criteria include: preparation of property in anticipation of a sale, preparation of property for use if the property was acquired with known or suspected pollution that was expected to be remediated, performance of pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment, or acquisition of property, plant, and equipment that have a future alternative use not associated with pollution remediation efforts.

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

***Refunding and Defeasance of Debt***—The Port has legally defeased certain bonds by placing proceeds, either in the form of new bond proceeds or existing Port cash, in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not recorded on the accompanying financial statements. As of December 31, 2016 and

2015, the total defeased, but unredeemed, bonds outstanding totaled $1,375,000 and $3,380,000, respectively.

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

***Special Item***—The Port recorded its payments made to the Washington State Department of Transportation ("WSDOT") for the SR 99 Alaskan Way Viaduct Replacement Program as special items in 2015 and 2016. The first payment of $120.0 million made in 2015 was in accordance with the funding agreement entered into with WSDOT for the State's eligible construction costs incurred on the Tunnel Design Build Project. The Port made the remaining $147.7 million payments to WSDOT in 2016. The SR 99 Alaskan Way Viaduct Replacement Program will improve movement of freight and other traffic on the west corridors of the Seattle transportation system between the Duwamish and Ballard-Interbay neighborhoods, including easy access to the Port's cargo, recreational boating, commercial fishing, cruise facilities and the Airport.

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

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- Restricted: Net position subject to externally imposed stipulations on their use.

- Unrestricted: All remaining net position not meeting the definition of "net investment in capital assets" or "restricted."

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

***Recently Issued Accounting Pronouncements***—In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. This statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. This statement also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. This statement is effective for periods beginning after June 15, 2015. The Port adopted this statement in 2016 and the required disclosure of the Port's investments can be found in Note 2.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. This statement is effective for periods beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of

Statement No. 68, which are effective for periods beginning after June 15, 2016. This standard did not apply to the Port.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans ("OPEB")*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*. This statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This statement is effective for periods beginning June 15, 2016. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement replaces Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and Statement No. 57*, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* This statement addresses accounting and financial reporting for OPEB that is provided to the employees by the state and local governmental employers. This statement also establishes the standard for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is effective for periods beginning June 15, 2017. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*. This statement reduces the generally accepted accounting principles ("GAAP") hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement is effective for periods beginning after June 15, 2015 and should be applied retroactively. The adoption of this standard did not have any material impact to the Port's financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement provides financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (1) whether current-year revenues were sufficient to pay for current-year services, (2) compliance with finance-related legal or contractual requirements, (3) where a government's financial resources come from and how it uses them, and (4) financial position and economic condition and how they have changed over time. This statement is effective for periods beginning after December 15, 2015. The adoption of this standard did not have any material impact to the Port's financial statements.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.* This statement amends the scope and applicability of Statement No. 68 to exclude certain cost-sharing multiple-employer defined benefit pension plans that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. This statement is effective for periods beginning after December 15, 2015. The adoption of this standard did not have any material impact to the Port's financial statements.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost. This statement is effective for periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for periods beginning after December 15, 2015. This standard did not apply to the Port.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No.14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement is effective for periods beginning after June 15, 2016. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognizes assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. This statement is effective for periods beginning after December 15, 2016. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In March 2016, the GASB issued Statement No.82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No.73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for periods beginning after June 15, 2017. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

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

***Restatement***—In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* This statement replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures.* This statement revises and establishes new financial reporting requirements for governments participating in single-employer and multiple-employer defined benefit pension plans, cost-sharing plans and defined contribution plans. This statement requires governments providing defined benefit pensions to recognize its long-term obligation for pension benefits as a liability for the first time. Changes in the net pension asset and liability are recorded in the period incurred, as pension expense, or as deferred outflows of resources, or deferred inflows of resources, depending on the nature of the change. Differences between projected and actual earnings on pension plan investments are amortized over five years. Changes as a result of differences between expected and actual experience, and changes in actuarial assumptions for all plan types, as well as changes in proportion and differences between Port's contributions and its proportionate share of contributions related to multiple-employer cost-sharing plans are amortized over the weighted average remaining service lives of all participants. The amortized amount is recognized as a component of pension expense beginning with the period in which they are incurred.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This statement amends Statement No. 68 to require that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The Port adopted both statements retroactively by restating the financial statements for all periods presented. The beginning balance of net position was reduced by $92,820,000 and restated as of January 1, 2013 for the following: (1) removal of $828,000 of pension asset related to the Warehousemen's Pension Plan previously reported under Statement No. 27, (2) recognition of net pension liabilities of $89,372,000 and $12,064,000 related to the multiple-employer cost-sharing plans that the Port participates in the Washington State Retirement System and the Warehousemen's Pension Plan, respectively, (3) recognition of net pension assets of $4,717,000 related to the multiple-employer cost-sharing plans that the Port participates in the Washington State Retirement System, and (4) recognition of $4,727,000 in deferred outflow of resources related to the additional contribution to the multiple-employer cost-sharing plans that the Port participates in the Washington State Retirement System under Statement No. 71.

The required disclosures for the multiple-employer cost-sharing plans that the Port participates in the Washington State Retirement System and the Warehousemen's Pension Plan can be found in Note 8 and Note 15, respectively, in the accompanying notes to the financial statements and the related required supplementary information.

The following table shows the restated balances within the financial statements (in thousands):

| | As previously reported | Effect of restatement | As restated |
|---|---|---|---|
| **2014 ENTERPRISE FUND** | | | |
| STATEMENT OF NET POSITION | | | |
| CURRENT ASSETS: | | | |
| Prepayments and other current assets | $ 16,397 | $ 376 | $ 16,773 |
| LONG-TERM ASSETS: | | | |
| Other long-term assets | 14,294 | (1,481) | 12,813 |
| Net pension asset | | 14,696 | 14,696 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred charges on net pension asset and liability | | 6,916 | 6,916 |
| LONG-TERM LIABILITIES: | | | |
| Net pension liability | | 74,585 | 74,585 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Deferred credits on net pension assets and liability | | 35,320 | 35,320 |
| NET POSITION: | | | |
| Restricted for: | | | |
| Grants and other | 1,883 | 6,238 | 8,121 |
| Unrestricted | 506,422 | (95,636) | 410,786 |

(Continued)

| | As previously reported | Effect of restatement | As restated |
|---|---|---|---|
| **2014 ENTERPRISE FUND** | | | |
| STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | | | |
| OPERATING REVENUES: | | | |
| Operating grants and contract revenues | 747 | (449) | 298 |
| OPERATING EXPENSES: | | | |
| Operations and maintenance | 229,323 | (1,031) | 228,292 |
| Administration | 56,794 | (83) | 56,711 |
| Law enforcement | 23,217 | (1,920) | 21,297 |
| NONOPERATING INCOME (EXPENSE): | | | |
| Other (expense) income—net | 1,272 | 837 | 2,109 |
| TOTAL NET POSITION: | | | |
| Beginning of year | 3,048,535 | (92,820) | 2,955,715 |

(Concluded)

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

## NOTE 2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

(“WSIB”), certificates of deposit with qualified public depositories, local and state general obligations, and revenue bonds issued by Washington State governments that are rated at least “A” by a nationally recognized rating agency.

The Port’s investment policy limits the maximum maturity of any investment security purchased to ten years from the settlement date. The Port’s investment policy allows for 100% of the portfolio to be invested in U.S. government Treasury bills, certificates, notes, and bonds. The Port’s investment policy limits investments in U.S. government agency securities to 60%, agency mortgage-backed securities to 10%, certificates of deposit to 15% but no more than 5% per issuer, bankers’ acceptances to 20% but no more than 5% per bank, commercial paper to 20% but no more than 3% per issuer, overnight repurchase agreements to 15%, term only repurchase agreements to 25%, reverse repurchase agreements to 5%, agency discount notes to 20%, and municipal securities to 20% of the portfolio with no more than 5% per issuer. Bankers’ acceptances can only be purchased on the secondary market and are limited to the largest 50 world banks listed each July in the American Banker. These banks must meet tier one and tier two capital standards. Commercial paper must be purchased on the secondary market, rated no lower than A1/P1, and meet WSIB guidelines. Additionally, the Port is allowed to purchase the following agency mortgage backed securities: (1) collateralized mortgage pools having a stated final maturity not exceeding the maturity limits of the Port’s investment policy, and (2) planned amortization and sequential pay classes of collateralized mortgage obligations collateralized by 15-year agency-issued pooled mortgage securities and having a stated final maturity not exceeding the maturity limits of the Port’s investment policy.

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

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

The Port used the following valuation techniques in its fair value measurement. Investment securities classified in Level 1 were valued using prices quoted in active markets for identical securities, and Level 2 were valued using prices determined by the use of quoted prices for similar assets or liabilities in active markets. The Port did not have any Level 3 investments. Additionally, as of December 31, 2016 and 2015, the Port’s investment pool held repurchase agreements (interest-earning investment contracts), and the Fuel Hydrant Investment Pool held a money market fund; none of which were subject to fair value application.

***Investment Portfolio***—As of December 31, 2016 and 2015, restricted investments—bond funds and other were $463,565,000 and $513,148,000, respectively. These are primarily unspent bonds proceeds designated for capital improvements to the Port's facilities and for debt service reserve fund requirements. Others include cash receipts from PFCs, CFCs and lease securities.

The tables below identify the types and concentration of investments by issuer, and maturities of the Port's investment pool as of December 31 (in thousands). Investments of bond proceeds held in trust are not included in the tables. As of December 31, 2016 and 2015, the Port's investment pool had 5.7% and 1.3%, respectively, of the portfolio invested in repurchase agreements, collateralized with securities backed by the full faith and credit of the U.S. Government, and the remainder of the pool is invested in "AAA" and "AA+" rated U.S. Government agencies, treasury securities, and municipal bonds.

| Investment type | Fair value | Maturities (in Years) Less than 1 | 1–3 | More than 3 | Percentage of total portfolio |
|---|---|---|---|---|---|
| **2016** | | | | | |
| Repurchase agreements * | $ 58,751 | $ 58,751 | $ | $ | 5.7 % |
| Level 1 | | | | | |
| U.S. Treasury Notes | 285,306 | 265,314 | 19,992 | | 27.6 |
| Level 2 | | | | | |
| Federal agencies securities: | | | | | |
| Federal Farm Credit Banks | 200,171 | 29,354 | 45,818 | 124,999 | 19.4 |
| Federal Home Loan Bank | 180,892 | 77,872 | 28,994 | 74,026 | 17.5 |
| Federal Home Loan Mortgage Corporation | 185,299 | 54,995 | 9,997 | 120,307 | 17.9 |
| Federal National Mortgage Association | 116,531 | 24,963 | 30,330 | 61,238 | 11.3 |
| Municipal Bonds | 5,667 | 5,667 | | | 0.6 |
| Total portfolio | $ 1,032,617 | $ 516,916 | $ 135,131 | $ 380,570 | 100.0 % |
| Accrued interest receivable | 3,010 | | | | |
| Total cash, cash equivalents and investments | $ 1,035,627 | | | | |
| Percentage of total portfolio | 100.0 % | 50.1 % | 13.1 % | 36.8 % | |
| **2015** | | | | | |
| Repurchase agreements * | $ 16,259 | $ 16,259 | $ | $ | 1.3 % |
| Level 1 | | | | | |
| U.S. Treasury Notes | 464,656 | 149,907 | 314,749 | | 37.3 |
| Level 2 | | | | | |
| Federal agencies securities: | | | | | |
| Federal Farm Credit Banks | 242,275 | 84,654 | 59,262 | 98,359 | 19.5 |
| Federal Home Loan Bank | 177,563 | 87,749 | 40,357 | 49,457 | 14.3 |
| Federal Home Loan Mortgage Corporation | 195,641 | | 114,658 | 80,983 | 15.7 |
| Federal National Mortgage Association | 142,678 | 29,899 | 55,183 | 57,596 | 11.4 |
| Municipal Bonds | 5,879 | | 5,879 | | 0.5 |
| Total portfolio | $ 1,244,951 | $ 368,468 | $ 590,088 | $ 286,395 | 100.0 % |
| Accrued interest receivable | 2,438 | | | | |
| Total cash, cash equivalents and investments | $ 1,247,389 | | | | |
| Percentage of total portfolio | 100.0 % | 29.6 % | 47.4 % | 23.0 % | |

* Includes $2,020,000 and $559,000 of cash as of December 31, 2016 and 2015, respectively.

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

The tables below identify the types and concentration of investments by issuer, and maturities of the Fuel Hydrant Investment Pool (in thousands). As of December 31, 2016 and 2015, 31.4% and 47.6%, respectively, of the Fuel Hydrant Investment Pool were invested in Rule 2a7 qualified Wells Fargo Government Money Market Fund – Institutional Class ("WFGMMF") Fund with security holdings having maturity limits no longer than 13 months. The WFGMMF Fund holds securities authorized by the statutes, which means at least 80% of the investments are invested in U.S. Government obligations, including repurchase agreements collateralized by U.S. Government obligations. The remainder of the WFGMMF Fund was invested in "AAA" rated high-quality short-term money market instruments. The balance of the Fuel Hydrant Investment Pool was invested in U.S. Treasury Notes and "AAA" and "AA+" rated U.S. Government agency securities. A portion of the proceeds from the Fuel Hydrant bonds, along with monthly facilities rent, are held by the Trustee in order to satisfy the debt service reserve fund requirement, to make debt service payments, and to pay Trustee and other bond-related fees.

| Investment type | Fair value | Maturities (in Years) Less than 1 | 1–3 | More than 3 | Percentage of total portfolio |
|---|---|---|---|---|---|
| **2016** | | | | | |
| Wells Fargo Government Institutional Money Market Fund | $ 2,955 | $ 2,955 | $ | $ | 31.4 % |
| Level 1 | | | | | |
| U.S. Treasury Notes | 3,000 | 3,000 | | | 31.9 |
| Level 2 | | | | | |
| Federal agencies securities: | | | | | |
| Federal Home Loan Bank | 1,959 | | 994 | 965 | 20.8 |
| Federal National Mortgage Association | 1,490 | | | 1,490 | 15.9 |
| Total portfolio | $ 9,404 | $ 5,955 | $ 994 | $ 2,455 | 100.0 % |
| Accrued interest receivable | 18 | | | | |
| Total cash, cash equivalents and investments | $ 9,422 | | | | |
| Percentage of total portfolio | 100.0 % | 63.3 % | 10.6 % | 26.1 % | |

(Continued)

| Investment type | Fair value | Maturities (in Years) Less than 1 | 1–3 | More than 3 | Percentage of total portfolio |
|---|---|---|---|---|---|
| **2015** | | | | | |
| Wells Fargo Government Institutional Money Market Fund | $ 4,527 | $ 4,527 | $ | $ | 47.6 % |
| Level 1 | | | | | |
| U.S. Treasury Notes | 4,992 | 2,000 | 2,992 | | 52.4 |
| Level 2 | | | | | |
| Federal agencies securities: | | | | | |
| Federal Home Loan Bank | | | | | |
| Federal National Mortgage Association | | | | | |
| Total portfolio | $ 9,519 | $ 6,527 | $ 2,992 | $ | 100.0 % |
| Accrued interest receivable | 9 | | | | |
| Total cash, cash equivalents and investments | $ 9,528 | | | | |
| Percentage of total portfolio | 100.0 % | 68.6 % | 31.4 % | % | |

(Concluded)

***Interest Rate Risk***—Interest rate risk is the risk that an investment's fair value decreases as market interest rates rise. The Port manages its exposure to this risk by setting maturity limits and duration targets in its investment policy. The investment pool is managed similarly to a short-term fixed income fund. The modified duration of the portfolio, by policy, has a 2.0 target plus or minus 50 basis points (2.0 is an approximate average life of 27 months). For 2016 and 2015, the modified duration of the portfolio was approximately 2.3 and 2.1, respectively. Securities in the portfolio cannot have a maturity longer than ten years from the settlement date.

As of December 31, 2016 and 2015, the modified duration of the Fuel Hydrant Investment Pool were approximately 1.3 and 0.3, respectively. As of December 31, 2016 and 2015, $2,955,000 and $4,527,000, respectively, of the Fuel Hydrant Investment Pool was invested in the WFGMMF Fund, was uninsured, and was registered in the name of the Trustee.

***Custodial Credit Risk***—Custodial credit risk is the risk that, in the event of the failure of the counter-party, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To mitigate this risk, the Port's investment policy requires all security transactions, including repurchase agreements, are settled on a delivery versus payment basis. This means that payment is made simultaneously with the receipt of the securities. The securities are delivered to the Port's safekeeping bank.

## NOTE 3. CAPITAL ASSETS

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

| | Beginning balance | Additions | Retirements | Ending balance |
|---|---|---|---|---|
| **2016** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and air rights | $ 2,008,635 | $ 995 | $ (8,711) | $ 2,000,919 |
| Art collections and others | 9,017 | | | 9,017 |
| Total | 2,017,652 | 995 | (8,711) | 2,009,936 |
| Capital assets being depreciated: | | | | |
| Facilities and improvements | 5,048,584 | 55,193 | (8,201) | 5,095,576 |
| Equipment, furniture, and fixtures | 434,486 | 21,316 | (5,382) | 450,420 |
| Total | 5,483,070 | 76,509 | (13,583) | 5,545,996 |
| Total capital assets | 7,500,722 | 77,504 | (22,294) | 7,555,932 |
| Less accumulated depreciation for: | | | | |
| Facilities and improvements | (1,864,476) | (136,117) | 4,598 | (1,995,995) |
| Equipment, furniture, and fixtures | (244,007) | (28,219) | 4,805 | (267,421) |
| Total | (2,108,483) | (164,336) | 9,403 | (2,263,416) |
| Construction work in progress | 115,959 | 184,734 | (87,258) | 213,435 |
| Total capital assets—net | $ 5,508,198 | $ 97,902 | $ (100,149) | $ 5,505,951 |
| **2015** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land and air rights | $ 2,023,040 | $ 2,578 | $ (16,983) | $ 2,008,635 |
| Art collections and others | 9,017 | | | 9,017 |
| Total | 2,032,057 | 2,578 | (16,983) | 2,017,652 |
| Capital assets being depreciated: | | | | |
| Facilities and improvements | 4,930,136 | 153,097 | (34,649) | 5,048,584 |
| Equipment, furniture, and fixtures | 415,923 | 30,787 | (12,224) | 434,486 |
| Total | 5,346,059 | 183,884 | (46,873) | 5,483,070 |
| Total capital assets | 7,378,116 | 186,462 | (63,856) | 7,500,722 |
| Less accumulated depreciation for: | | | | |
| Facilities and improvements | (1,752,785) | (136,591) | 24,900 | (1,864,476) |
| Equipment, furniture, and fixtures | (229,169) | (26,747) | 11,909 | (244,007) |
| Total | (1,981,954) | (163,338) | 36,809 | (2,108,483) |
| Construction work in progress | 105,238 | 195,939 | (185,218) | 115,959 |
| Total capital assets—net | $ 5,501,400 | $ 219,063 | $ (212,265) | $ 5,508,198 |

For the years ended December 31, 2016 and 2015, net loss on sale and disposition of capital assets of $9,062,000 and $22,894,000, respectively, were recorded in nonoperating other (expense) income—net in the Statement of Revenues, Expenses, and Changes in Net Position. In 2016, the Aviation Division, Maritime Division and Economic Development Division recognized losses of $2,433,000, $198,000, and $6,448,000, respectively, from the demolition, retirement and sale of capital assets. A significant loss in the Aviation Division was related to the retirement of a heating, ventilation and air-conditioning system in Concourse A of $1,248,000. Other notable losses were in the Economic Development Division which included a $4,602,000 loss on the sale of the remaining portion of the Eastside Rail Corridor (the "Corridor") located in the Snohomish County and a $1,406,000 loss on the retirement of the Odyssey Museum tenant improvements with the expansion of the cruise terminal and event center facilities at Pier 66.

In 2015, the Aviation Division, Maritime Division, and Economic Development Division recognized net losses (gains) of $22,931,000, $(88,000), and $176,000, respectively, from the demolition, retirement and sale of capital assets. The most significant losses were in the Aviation Division related to panel replacements for the Center Runway of $8,612,000 and a $13,332,000 loss on sale of property to the City of SeaTac for use in its Connecting $28^{th}/24^{th}$ Avenue South Project. The same site was also identified by WSDOT as the interchange site for the future SR 509 extension to I-5. The sale of this property will improve the traffic access to the Airport from the south, with improved road services from the Des Moines Creek Business Park and other Port properties in the cities of Des Moines and SeaTac.

The Port completed its acquisition of the 42-mile Corridor from BNSF Railway in December 2009, as a key first step to preserve it in public ownership. The Corridor included an active freight segment (the "Freight Segment") and a railbanked segment (the "Southern Segment"). To maximize the Corridor's benefit to the entire region, the Port partnered with several local regional agencies to share the purchase and public ownership of the Southern Segment, subject to a Memorandum of Understanding dated November 5, 2009.

During 2010, a portion of the Southern Segment was sold to the City of Redmond for $10,000,000 and an easement over the Corridor was sold to Puget Sound Energy for $13,753,000. During 2012, a portion of the Southern Segment along with a transportation easement over the remaining Port-owned portion of the Southern Segment was sold to Sound Transit for $13,752,000. Another portion of the Southern Segment was sold to the City of Kirkland in 2012 for $5,000,000. During 2013, the remaining portion of the Southern Segment along with an easement over portions of the Freight Segment was sold to King County for $13,897,000, net of the $1,903,000 paid by King County in 2009 for a multipurpose easement. During 2014, the Port sold a portion of the Freight Segment (within Woodinville Corporate Limits and Bothell Corporate Limits) to the City of Woodinville. The sale closed in November 2015 for $1,100,000. No gain or loss was recorded on this sale. In March 2016, the Port completed the sale of the remaining portions of the Corridor and any improvements located in Snohomish County, including the Snohomish River Bridge to Snohomish County for $3,500,000. The Port recorded a loss on the sale of these capital assets of $4,602,000 in 2016.

In January 2015, the Port agreed to sell cranes, No. 70, 71, and 72, and the related spare parts to SSA Terminals, LLC and SSA Containers, Inc., the current tenant at Terminal 18, pursuant to the terms of the Third Amendment to the Crane Agreement. On January 1, 2016, the Port granted the NWSA a license for its exclusive use, operation and management of certain facilities, including the collection of revenues while ownership of the licensed facilities remains with the Port. On February 7, 2017, the Managing Members of the NWSA adopted a resolution declaring the cranes and related spare parts surplus for the Port's purposes and authorized the sale in accordance with the terms of the agreement entered in 2015. The Port estimates a loss of $1,100,000 will be reported on the sale of these capital assets in 2017, along with the Port's 50% share of the associated sales tax.

## NOTE 4. ACCOUNTING FOR LEASES

The Port enters into operating leases with tenants for the use of properties, including Maritime Division cruise terminals and maritime portfolio, Aviation Division space and land rentals with minimum annual guarantees, and Economic Development Division commercial and industrial properties. As the leased properties involved are in part used by internal Port operations, it is not reasonably determinable to segregate the value of the assets associated with producing minimum rental income from the value of the assets associated with an entire facility. For the years ended December 31, 2016, 2015, and 2014, the Port recognized contingent rent of $280,620,000, $265,570,000, and $260,343,000, respectively. Under certain lease agreements, contingent rent, which comes primarily from concessions and airline agreements, provides for an additional payment to the Port beyond the fixed rent. Contingent rent is based on the tenant's operations, including but not limited to usage, revenues, or volumes.

Minimum future rental income on noncancelable operating leases on Maritime terminals, Airport facilities and Economic Development properties for the years ended December 31 are as follows (in thousands):

| | |
|---|---|
| 2017 | $ 99,544 |
| 2018 | 78,127 |
| 2019 | 71,019 |
| 2020 | 61,638 |
| 2021 | 55,869 |
| Thereafter | 270,400 |
| Total | $ 636,597 |

Effective June 2003, the Port entered into a lease agreement with SeaTac Fuel Facilities LLC in a fuel system lease whereby the members are some of the commercial air carriers currently operating at the Airport. The lessee payments of facilities rent are made directly to a trustee in the amounts and at the times required to pay the principal and premium, if any, and interest on the Special Facility Revenue Bonds issued to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at the Airport. The fuel system is intended to be the exclusive system for storage and delivery to commercial air carriers of jet aircraft fuel at the Airport. The lease, which represents an unconditional obligation of the lessee, extends until the later of July 31, 2033, or the repayment of the bonds. SeaTac Fuel Facilities LLC was created by a consortium of airlines operating at the Airport for the purpose of entering the lease and managing the fuel hydrant system. The future rental income is based on debt service requirements which are as follows: $7,024,000 for 2017, $7,023,000 for 2018, $7,022,000 for 2019, $7,022,000 for 2020, $7,022,000 for 2021, and $75,903,000 for the years thereafter; these amounts are not included in the schedule above. All special facility lease revenues are restricted and are to be used solely for debt service on the bonds and not for Port operations.

## NOTE 5. LONG-TERM DEBT

The Port's long-term debt outstanding as of December 31, 2016 consists of the following (in thousands):

| Bond type (by Bond issue) | Coupon rates (%) | Maturity dates | Beginning balance | Principal payments and refundings | Issuance | Ending balance |
|---|---|---|---|---|---|---|
| Revenue bonds: | | | | | | |
| First lien: | | | | | | |
| Series 2003 A | 5.25 | 2019–2021 | $ 36,600 | $ | $ | $ 36,600 |
| Series 2004 | 5.75 | 2017 | 1,945 | 1,030 | | 915 |
| Series 2007 A | 3.75–5 | 2016 | 27,880 | 27,880 | | |
| Series 2007 B | 4.05–5 | 2016 | 154,820 | 154,820 | | |
| Series 2009 A | 5.25 | 2027–2028 | 20,705 | | | 20,705 |
| Series 2009 B-1 | 5.74–7.264 | 2017–2036 | 273,635 | 1,980 | | 271,655 |
| Series 2009 B-2 | 0 * | 2025–2031 | 22,000 | | | 22,000 |
| Series 2011 A | 4 | 2017 | 4,115 | 2,005 | | 2,110 |
| Series 2011 B | 5 | 2017–2026 | 88,380 | 4,700 | | 83,680 |
| Series 2016 A | 3–5 | 2017–2019 | | | 19,565 | 19,565 |
| Series 2016 B | 3–5 | 2019–2032 | | | 124,380 | 124,380 |
| Series 2016 C | 1–3.32 | 2017–2032 | | | 6,180 | 6,180 |
| Total | | | 630,080 | 192,415 | 150,125 | 587,790 |
| Intermediate lien: | | | | | | |
| Series 2005 C | 5 | 2016 | 8,170 | 8,170 | | |
| Series 2006 | 4.75–5 | 2016 | 124,625 | 124,625 | | |
| Series 2010 A | 4 | 2017 | 2,160 | 1,060 | | 1,100 |
| Series 2010 B | 4–5 | 2017–2040 | 215,380 | 4,485 | | 210,895 |
| Series 2010 C | 5 | 2017–2024 | 126,660 | 11,470 | | 115,190 |
| Series 2012 A | 3–5 | 2017–2033 | 333,170 | 9,755 | | 323,415 |
| Series 2012 B | 3–5 | 2017–2024 | 138,455 | 13,020 | | 125,435 |
| Series 2012 C | 2.062 | 2017 | 23,010 | 15,960 | | 7,050 |
| Series 2013 | 4.5–5 | 2022–2029 | 127,155 | | | 127,155 |
| Series 2015 A | 3–5 | 2018–2040 | 72,010 | | | 72,010 |
| Series 2015 B | 5 | 2017–2035 | 284,440 | 12,435 | | 272,005 |
| Series 2015 C | 5 | 2017–2040 | 226,275 | 800 | | 225,475 |
| Series 2016 | 4–5 | 2025–2030 | | | 99,095 | 99,095 |
| Total | | | 1,681,510 | 201,780 | 99,095 | 1,578,825 |
| Subordinate lien: | | | | | | |
| Series 1997 | 0.73 ** | 2022 | 72,055 | 7,115 | | 64,940 |
| Series 1999 A | 5.5 | 2017–2020 | 56,255 | 3,080 | | 53,175 |
| Series 2008 | 0.73 ** | 2033 | 192,725 | 8,230 | | 184,495 |
| Commercial paper | 0.7 | 2017 | 38,655 | 9,000 | | 29,655 |
| Total | | | 359,690 | 27,425 | | 332,265 |
| Revenue bond totals | | | $ 2,671,280 | $ 421,620 | $ 249,220 | $ 2,498,880 |

(Continued)

* Capital Appreciation Bonds have a zero coupon rate. The approximate maximum yield to maturity is 7.4%.
** Variable interest rates as of December 31, 2016.

| Bond type (by Bond issue) | Coupon rates (%) | Maturity dates | Beginning balance | Principal payments and refundings | Issuance | Ending balance |
|---|---|---|---|---|---|---|
| General obligation bonds: | | | | | | |
| Series 2004 C | 5.25 | 2017–2019 | $ 12,640 | $ 2,925 | $ | $ 9,715 |
| Series 2011 | 5.25–5.75 | 2017–2025 | 54,000 | 4,335 | | 49,665 |
| Series 2013 A | 4–5 | 2021–2023 | 27,630 | | | 27,630 |
| Series 2013 B | 0.92–2.77 | 2017–2025 | 54,275 | 9,865 | | 44,410 |
| Series 2015 | 4–5 | 2017–2040 | 156,990 | 4,790 | | 152,200 |
| Total | | | 305,535 | 21,915 | | 283,620 |
| Passenger facility charge revenue bonds: | | | | | | |
| Series 1998 A | 5.5 | 2019 | 31,020 | | | 31,020 |
| Series 2010 A | 5 | 2017–2023 | 79,770 | | | 79,770 |
| Series 2010 B | 5 | 2016 | 12,450 | 12,450 | | |
| Total | | | 123,240 | 12,450 | | 110,790 |
| Fuel Hydrant special facility revenue bonds: | | | | | | |
| Series 2013 | 3.45–5 | 2017–2033 | 82,640 | 3,180 | | 79,460 |
| Total | | | 82,640 | 3,180 | | 79,460 |
| Bond totals | | | 3,182,695 | 459,165 | 249,220 | 2,972,750 |
| Unamortized bond premium (discount)—net | | | 178,786 | | | 203,434 |
| Total debt | | | 3,361,481 | | | 3,176,184 |
| Less current maturities of long-term debt | | | | | | |
| First lien revenue bonds | | | (16,870) | | | (19,090) |
| Intermediate lien revenue bonds | | | (74,410) | | | (68,430) |
| Subordinate lien revenue bonds | | | (41,735) | | | (41,900) |
| General obligation bonds | | | (21,915) | | | (22,605) |
| Passenger facility charge revenue bonds | | | (12,450) | | | (13,220) |
| Fuel Hydrant special facility revenue bonds | | | (3,180) | | | (3,325) |
| Total current maturities of long-term debt | | | (170,560) | | | (168,570) |
| Long-term debt | | | $ 3,190,921 | | | $ 3,007,614 |

(Concluded)

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

In August 2016, the Port issued $150,125,000 in Series 2016ABC First Lien Revenue Refunding Bonds. Series 2016A First Lien bonds, $19,565,000, were used to partially refund the outstanding Series 2007A First Lien Revenue Bonds. Series 2016B and 2016C, $124,380,000 and $6,180,000, respectively, were used to fully refund the outstanding Series 2007B First Lien Revenue Bonds. A portion of each bond Series was also used to pay the costs of issuing the bonds and to contribute to the First Lien Common Reserve Fund. The bonds have coupon rates ranging from 1% to 5% with maturities ranging from 2017 to 2032. The interest on the Series 2016 First Lien Bonds is payable on April 1 and October 1 of each year, commencing on October 1, 2016. Certain maturities of Series 2016BC Bonds are subject to optional redemption by the Port prior to their scheduled maturities. Series 2016A First Lien Bonds are not subject to redemption prior to their scheduled maturities. The economic gain resulting from the 2007AB refunding transaction was $35,797,000, while the Port also decreased its aggregate debt service payments by $42,184,000 over the life of the refunding bonds.

In August 2016, the Port also issued $99,095,000 in Series 2016 Intermediate Lien Revenue Refunding Bonds, which were used to fully refund the outstanding Series 2006 Intermediate Lien Revenue Refunding Bonds and to pay the costs of issuing the bonds. The bonds have coupon rates ranging from 4% to 5% with maturities ranging from 2025 to 2030. The interest on the Series 2016 Intermediate Lien Bonds is payable on February 1 and August 1 of each year, commencing on February 1, 2017. Certain maturities of Series 2016 Intermediate Lien Bonds are subject to optional redemption by the Port prior to their scheduled maturities. The economic gain resulting from the 2006 Intermediate Lien refunding transaction was $30,566,000, while the Port also decreased its aggregate debt service payments by $38,322,000 over the life of the refunding bonds.

In September 2016, the Port made early principal payments of $7,115,000 and $8,230,000 to outstanding Subordinate Lien Variable Rate Demand Bonds ("VRDB's"), Series 1997 and Series 2008, respectively.

In September 2016, the Port also made an early principal payment of $2,745,000 to the Series 2005C Intermediate Lien Revenue Refunding Bonds. A loss of $51,000 was recognized on the early extinguishment of debt and reported as nonoperating other (expense) income—net in the Statement of Revenues, Expenses, and Changes in Net Position.

In August 2015, the Port issued $582,725,000 in Series 2015ABC Intermediate Lien Revenue and Refunding Bonds. Series 2015A, $72,010,000, and 2015C, $226,275,000, are being used to pay for or reimburse costs of capital improvements to Airport facilities, and to capitalize a portion of the interest on the 2015A and 2015C Bonds. Series 2015B, $284,440,000, were used to fully refund the Series 2005A Intermediate Lien Revenue and Refunding Bonds. A portion of each bond Series was also used to pay the costs of issuing the bonds and to contribute to the Intermediate Lien Reserve Account. The bonds have coupon rates ranging from 2% to 5% with maturities ranging from 2016 to 2040. The interest on the Series 2015A and Series 2015C Bonds is payable on April 1 and October 1 of each year, commencing on April 1, 2016. The interest on the Series 2015B Bonds is payable on March 1 and September 1 of each year, commencing on March 1, 2016. Certain maturities of Series 2015ABC Bonds are subject to optional redemption prior to their scheduled maturities, and certain maturities of the Series 2015A and Series 2015C are also subject to mandatory sinking fund redemption. The economic gain resulting from the 2005A Intermediate Lien refunding transaction was $42,320,000, while the Port also decreased its aggregate debt service payments by $55,005,000 over the life of the refunding bonds.

In September 2015, the Port made early principal payments of $36,775,000 and $7,990,000 to outstanding Subordinate Lien VRDB's, Series 1997 and Series 2008, respectively.

***Capital Appreciation Revenue Bonds***—During July 2009, the Port issued $22,000,000 in Series 2009B-2 Taxable Capital Appreciation Revenue Bonds. Interest on the 2009B-2 Bonds is compounded semiannually, but is payable only upon maturity. As of December 31, 2016 and 2015, the accreted value of the Series 2009B-2 Taxable Capital Appreciation Revenue Bonds was $37,833,000 and $35,181,000, respectively, and the ultimate accreted value of $83,600,000 will be reached at final maturity in 2031.

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

- *Series 1997 VRDB*—In 1997, the Port issued $108,830,000 in Series 1997 Subordinate Lien Revenue Bonds that have a final maturity date of September 1, 2022. The bonds are subject to mandatory tender for purchase and to optional redemption prior to their scheduled maturity. The proceeds of the issuance were used to pay a portion of the costs of acquisitions of the Port's marine facilities and to pay costs of issuing the Series 1997 Bonds. The bonds bear interest at a weekly rate, and are subject to purchase on demand with seven days' notice and delivery to the Port's remarketing agent, currently Morgan Stanley & Co., Inc., who receives an annual fee of 0.065% of the outstanding principal amount of the bonds.

  On January 14, 2011, the Port entered into a letter of credit ("LOC") reimbursement agreement with Bank of America in the amount of $110,082,000. In December 2015, the Port extended the LOC with Bank of America through January 15, 2019. The Port is required to pay a quarterly facility fee for the LOC at a rate of 0.39% per annum based on the size of the commitment, which as of December 31, 2016 has decreased to $65,687,000 as the Port continues to make early principal payments on the bonds. If a long-term debt rating to any Subordinate Lien Parity Bonds assigned by S&P, Moody's or Fitch is lowered, the facility fee will increase for credit ratings below A2/A.

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

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

  On June 1, 2013, the Port entered into a LOC agreement with Bank of Tokyo-Mitsubishi UFJ ("Bank of Tokyo") in the amount of $204,212,000. In April 2016, the Port extended the LOC with Bank of Tokyo through June 2, 2020. The Port is required to pay a quarterly facility fee for the LOC in the amount of 0.45% per annum based on the size of the commitment, which as of December 31, 2016 has decreased to $187,710,000 as principal payments have been made on the bonds. If a long-term debt rating to any Subordinate Lien Parity Bonds assigned by S&P, Moody's or Fitch is lowered, the facility fee will increase for credit ratings below A2/A-.

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

There were no borrowings drawn against either LOC during 2016 and 2015, and therefore there were no outstanding obligations to either LOC provider at December 31, 2016 and 2015.

***Commercial Paper***—The Commission authorized the sale of Subordinate Lien Revenue Notes ("commercial paper") in an aggregate principal amount not to exceed $250,000,000 for the purpose of financing and refinancing capital improvements within the Port, for working capital, and for paying maturing revenue notes of the same series and/or reimbursing the credit providers for advances made. Commercial paper advances outstanding totaled $29,655,000 and $38,655,000 at December 31, 2016 and 2015, respectively. Commercial paper advances are included in current maturities of long-term debt on the Statement of Net Position.

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

During March 2015, the Port issued $156,990,000 in Series 2015 Limited Tax GO and Refunding Bonds, which were used to fund the Port's first contractual payment in the amount of $120,000,000 to WSDOT for the SR 99 Alaskan Way Viaduct Replacement Program, partially refund the outstanding Series 2006 Limited Tax GO Refunding Bonds, and pay the costs of issuing the bonds. The bonds have coupon rates ranging from 4% to 5% with maturities ranging from 2016 to 2040. The interest on the Series 2015 GO and Refunding Bonds is payable on June 1 and December 1 of each year, commencing on June 1, 2015. Certain maturities of Series 2015 GO and Refunding Bonds are subject to optional redemption prior to their scheduled maturities. The economic gain resulting from the refunding was $11,030,000, while the Port also decreased its aggregate debt service payments by $12,760,000 over the life of the Refunding Bonds.

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

***PFC Revenue Bonds***—PFC Bonds are special fund obligations of the Port payable solely from, and secured by, a pledge of PFC revenues imposed by the Airport. The bond proceeds are used to finance or refinance eligible capital projects at the Airport. Neither the full faith and credit of the Port nor the taxing power of the Port is pledged for the payment of the principal of or interest on PFC Bonds. PFC Bonds are not secured by a lien on properties or improvements at the Airport nor by a pledge of other revenues derived by the Port.

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

The Port undertook the development of the fuel system to lower the cost of fuel service at the Airport, improve Airport safety by reducing the need for fuel trucks to operate on the airfield, and address environmental concerns created by the original fuel system. This fuel hydrant facility was fully operational in 2006. The fuel facility is leased for 40 years (including two five-year option periods) to SeaTac Fuel Facilities LLC ("Lessee"), a limited liability company formed by a consortium of airlines for the purpose of providing jet fuel storage and distribution at the Airport. The Port owns the system and the Lessee will oversee day-to-day management. The Lessee is obligated to collect the fuel system fees and to make monthly rent payments including a base rent for the land to the Port and facilities rent to Wells Fargo Bank Northwest, National Association ("Trustee").

Facilities rent is established at an amount sufficient to pay semiannual debt service, replenish any deficiency in the debt service reserve fund, and pay other fees associated with the bonds, including the Trustee fee. In addition, the Lessee has provided a guaranty and a security agreement to the Trustee, securing the Lessee's obligation to pay principal and interest on the bonds.

Proceeds from the bonds are held by the Trustee. At December 31, 2016 and 2015, there were $9,404,000 and $9,519,000, respectively, of Fuel Hydrant Special Facility Revenue Bonds proceeds and rent payments held for debt service reserve fund and debt service payments. The unspent bond proceeds were reported as current restricted cash and cash equivalents and restricted long-term investments. Additional information on the investment of the unspent bond proceeds of the Fuel Hydrant Special Facility Revenue Bonds can be found in Note 2 in the accompanying notes to the financial statements.

Fuel Hydrant Special Facility Revenue Bonds in the amount of $76,135,000 and $79,460,000, respectively, are included in long-term debt as of December 31, 2016 and 2015.

***Arbitrage Rebate***—The Port monitors the existence of any rebatable arbitrage interest income associated with its tax-exempt debt. The rebate is based on the differential between the interest earnings from the investment of the bond proceeds and the interest expense associated with the respective bonds. Each outstanding bond issue has potential arbitrage rebatable earnings; however, management estimates indicated that no arbitrage rebate liability existed as of December 31, 2016 and 2015.

***Capitalized Interest***—Interest expense costs capitalized were $4,649,000 and $3,936,000 as of December 31, 2016 and 2015, respectively.

***Schedule of Debt Service***—Aggregate annual payments on Revenue Bonds, GO Bonds, PFC Bonds, Fuel Hydrant Special Facility Revenue Bonds and commercial paper outstanding at December 31, 2016 are as follows (in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| 2017 | $ 168,570 | $ 136,083 | $ 304,653 |
| 2018 | 143,680 | 129,679 | 273,359 |
| 2019 | 152,445 | 122,864 | 275,309 |
| 2020 | 148,415 | 115,637 | 264,052 |
| 2021 | 153,940 | 108,360 | 262,300 |
| 2022–2026 | 779,118 | 445,305 | 1,224,423 |
| 2027–2031 | 650,177 | 299,933 | 950,110 |
| 2032–2036 | 623,845 | 99,566 | 723,411 |
| 2037–2041 | 152,560 | 15,145 | 167,705 |
| Total | $ 2,972,750 | $ 1,472,572 | $ 4,445,322 |

## NOTE 6. CONDUIT DEBT

The Port has conduit debt obligations totaling $74,725,000 at December 31, 2016 and 2015, which are not a liability or contingent liability of the Port. The Port has not recorded these obligations, or the related assets, on the accompanying financial statements, as the Port has no obligation for the outstanding bonds beyond what is provided in the leasing arrangements.

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

## NOTE 7. LONG-TERM LIABILITIES

The following is a summary of the net pension liability, environmental remediation liability, bonds interest payable, other postemployment benefits obligation, accrued election expense, unearned revenues as well as lease securities and other activities which make up the Port's long-term liabilities for the years ended December 31 (in thousands):

| | Beginning balance | Additions | Reductions | Ending balance | Current portion | Long-term portion |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| Net pension liability | $ 95,548 | $ 19,982 | $ (7,934) | $ 107,596 | $ | $ 107,596 |
| Environmental remediation liability | 54,840 | 17,611 | (17,363) | 55,088 | 12,707 | 42,381 |
| Bonds interest payable | 13,181 | 2,651 | | 15,832 | | 15,832 |
| Other postemployment benefits obligation | 9,687 | 1,538 | (801) | 10,424 | | 10,424 |
| Accrued election expense | 844 | 1,009 | (764) | 1,089 | 1,089 | |
| Unearned revenues | 284 | | (284) | | | |
| Lease securities and other | 16,817 | 1,467 | (13,178) | 5,106 | | 5,106 |
| Total | $ 191,201 | $ 44,258 | $ (40,324) | $ 195,135 | | |
| **2015** | | | | | | |
| Net pension liability | $ 74,585 | $ 27,027 | $ (6,064) | $ 95,548 | $ | $ 95,548 |
| Environmental remediation liability | 59,256 | 11,481 | (15,897) | 54,840 | 6,411 | 48,429 |
| Bonds interest payable | 10,715 | 2,466 | | 13,181 | | 13,181 |
| Other postemployment benefits obligation | 9,478 | 1,013 | (804) | 9,687 | | 9,687 |
| Accrued election expense | 1,744 | 1,308 | (2,208) | 844 | 844 | |
| Unearned revenues | 2,489 | | (2,205) | 284 | 284 | |
| Lease securities and other | 16,194 | 3,343 | (2,720) | 16,817 | | 16,817 |
| Total | $ 174,461 | $ 46,638 | $ (29,898) | $ 191,201 | | |

## NOTE 8. ENTERPRISE FUND PENSION PLANS

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

### Public Employees' Retirement System ("PERS")

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

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

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

***Vesting***—Both PERS Plans 1 and Plan 2 members are vested after the completion of 5 years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service, or after 5 years of service if 12 months of that service are earned after age 44, and are immediately vested in the defined contribution portion of their plan.

***Benefits Provided***—PERS Plan 1 retirement benefits are determined as 2% of the member's average final compensation ("AFC") times the member's years of service, capped at 60%. AFC is the average of the member's 24 consecutive highest-paid service credit months. Plan 1 members are eligible for retirement from active status at any age after 30 years of service, at age 55 with at least 25 years of service or at age 60 with 5 years of service. Members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

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

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

The PERS Plans required contribution rates (expressed as a percentage of covered payroll), excluding an administrative expense of 0.18% from the employer contribution rate, for the year ended December 31, 2016 were as follows:

| | Effective date | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 |
|---|---|---|---|---|
| Port | Jan 1 to Dec 31 | 11.00 % | 11.00 % | 11.00 % |
| Plan member | Jan 1 to Dec 31 | 6.00 | 6.12 | varies |

For the year ended December 31, 2016, the Port's employer contributions, excluding administrative expense, made to the PERS Plan 1, and PERS Plan 2/3 were $164,000, and $10,979,000, respectively.

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

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

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

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

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

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

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

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

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

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

The LEOFF Plans required contribution rates (expressed as a percentage of covered payroll), excluding an administrative expense of 0.18% from the employer contribution rate, for the year ended December 31, 2016 were as follows:

| | Effective date | LEOFF Plan 2 (Fire fighters) | LEOFF Plan 2 (Police officers) |
|---|---|---|---|
| Port | Jan 1 to Dec 31 | 5.05 % | 8.41 % |
| Plan member | Jan 1 to Dec 31 | 8.41 | 8.41 |

For the year ended December 31, 2016, the Port's employer contribution made, excluding administrative expense, to the LEOFF Plan 2, was $1,663,000.

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

At December 31, 2016, the amount recognized by the Port as its proportionate share of the net pension asset (liability), the related State support for LEOFF Plan 2 only, and the total portion of the net pension asset (liability) that was associated with the Port were as follows (in thousands):

| | PERS Plan 1 | PERS Plan 2/3 | LEOFF Plan 1 | LEOFF Plan 2 |
|---|---|---|---|---|
| Port's proportionate share of the net pension (liability) asset | $ (44,426) | $ (51,569) | $ 761 | $ 5,967 |
| State's proportionate share of the net pension asset associated with the Port | | | | 3,890 |
| Total | $ (44,426) | $ (51,569) | $ 761 | $ 9,857 |

The net pension asset (liability) was measured as of June 30, 2016, and the total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation as of June 30, 2015. The Port's proportion of the net pension asset (liability) was based on a projection of the Port's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, and the State support for LEOFF Plan 2 only, actuarially determined.

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

| | PERS Plan 1 | PERS Plan 2/3 | LEOFF Plan 1 | LEOFF Plan 2 |
|---|---|---|---|---|
| 2016 | 0.83 % | 1.02 % | 0.07 % | 1.03 % |
| 2015 | 0.87 | 1.09 | 0.07 | 1.07 |
| Decrease from 2015 to 2016 | (0.04)% | (0.07)% | 0.00 % | (0.04)% |

For the year ended December 31, 2016, the Port recognized $595,000 of operating revenue for support provided by the State for LEOFF Plan 2, along with the following pension expense (in thousands):

| | PERS Plan 1 | PERS Plan 2/3 | LEOFF Plan 1 | LEOFF Plan 2 |
|---|---|---|---|---|
| Pension expense | $ (50) | $ 7,372 | $ (105) | $ 1,534 |

At December 31, 2016, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

| | PERS Plan 1 | PERS Plan 2/3 | LEOFF Plan 1 | LEOFF Plan 2 |
|---|---|---|---|---|
| **Deferred outflows of resources** | | | | |
| Differences between expected and actual experience | $ | $ 2,746 | $ | $ 818 |
| Changes of assumptions | | 533 | | 22 |
| Net difference between projected and actual earnings on pension plan investments | 1,119 | 6,311 | 77 | 2,144 |
| Changes in proportion and differences between Port contributions and proportionate share of contributions | | 1,596 | | 311 |
| Port contributions subsequent to the measurement date | 2,391 | 3,023 | | 795 |
| Total deferred outflows of resources | $ 3,510 | $ 14,209 | $ 77 | $ 4,090 |
| **Deferred inflows of resources** | | | | |
| Differences between expected and actual experience | $ | $ 1,702 | $ | $ |
| Changes of assumptions | | | | |
| Net difference between projected and actual earnings on pension plan investments | | | | |
| Changes in proportion and differences between Port contributions and proportionate share of contributions | | 1,969 | | 169 |
| Total deferred inflows of resources | $ | $ 3,671 | $ | $ 169 |

Deferred outflows of resources related to Port contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability or an increase of the net pension asset in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized as pension expense as follows (in thousands):

| Years ended December 31, | PERS Plan 1 | PERS Plan 2/3 | LEOFF Plan 1 | LEOFF Plan 2 |
|---|---|---|---|---|
| 2017 | $ (275) | $ 230 | $ (16) | $ (9) |
| 2018 | (275) | 37 | (16) | (9) |
| 2019 | 1,027 | 4,379 | 67 | 1,792 |
| 2020 | 642 | 2,869 | 42 | 1,246 |
| 2021 | | | | 106 |
| Total | $ 1,119 | $ 7,515 | $ 77 | $ 3,126 |

***Actuarial Assumptions***—The total pension asset (liability) was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the *OSA's 2007-2012 Experience Study Report*. Additional assumptions for subsequent events and law changes are current as of 2015 actuarial valuation report.

- *Inflation*—A 3% total economic inflation and a 3.75% salary inflation were used.

- *Salary increases*—In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- *Mortality*—Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

- *Investment rate of return*—The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board ("WSIB"). Those expected returns make up one component of WSIB's Capital Market Assumptions ("CMAs"). The CMAs contain three pieces of information for each class of assets the WSIB currently invests in: (1) expected annual return, (2) standard deviation of the annual return, and (3) correlations between the annual returns of each asset class with every other asset class.

  WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The OSA selected a 7.5% long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected returns the WSIB provided.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 were summarized in the following table:

| Asset class | Target allocation | Long-term expected real rate of return |
|---|---|---|
| Fixed income | 20 % | 1.7 % |
| Tangible assets | 5 | 4.4 |
| Real estate | 15 | 5.8 |
| Global equity | 37 | 6.6 |
| Private equity | 23 | 9.6 |
| Total | 100 % | |

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

- *Discount rate*—The discount rate used to measure the total pension asset (liability) was 7.5% for all plans. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plans 2/3 employers whose rates include a component for the PERS Plan 1 unfunded actuarial accrued liability), and contributions from the State are made at current statutorily required rates. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of 7.5% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

***Sensitivity of the Port's Proportionate Share of the Net Pension Asset (Liability) to Changes in the Discount Rate***—The following presents the Port's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.5%, as well as what the Port's proportionate share of the net pension asset (liability) would be if it were calculated using a plus or minus 1% of the current discount rate (in thousands):

| | 1% Decrease (6.5%) | Current discount rate (7.5%) | 1% Increase (8.5%) |
|---|---|---|---|
| PERS Plan 1 | $ (53,573) | $ (44,426) | $ (36,554) |
| PERS Plans 2/3 | (94,948) | (51,569) | 26,845 |
| LEOFF Plan 1 | 452 | 761 | 1,025 |
| LEOFF Plan 2 | (16,732) | 5,967 | 23,074 |

**Payables to the PERS and LEOFF Plans**

At December 31, 2016, the Port reported a payable of $282,000, $369,000, and $123,000 for the outstanding amount of the required contributions to PERS Plan 1, PERS Plans 2/3, and LEOFF Plan 2, respectively. These payables were reported under payroll and taxes payable in the Statement of Net Position.

**Pension Plan Fiduciary Net Position**

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

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

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

## NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to pension benefits as described in Note 8, the Port provides other postemployment benefits ("OPEB").

***Plan Descriptions***—The Port administers and contributes to two single-employer defined benefit plans: (1) LEOFF Plan 1 Members' Medical Services Plan and (2) Retirees Life Insurance Plan. Under State statute RCW 41.26.150, the Port is required to pay for retired LEOFF Plan 1 members' medical services expenses. Under the Port's life insurance contract, eligible retired employees are provided with life insurance coverage for a death benefit up to $25,000. The Port can establish and amend benefit provisions of the life insurance OPEB plan. There are no separate OPEB plan related financial reports issued.

***Funding Policy and Annual OPEB Costs***—For the LEOFF Plan 1 Members' Medical Services Plan, the State establishes and may amend the contribution requirements of plan members and the Port. The contribution requirements of the Retirees Life Insurance Plan are established and may be amended by the Port. The Port's annual OPEB cost for the current year and the related information for each plan are as follows (in thousands):

| | LEOFF Plan 1 Members' Medical Services Plan [(a)] | Retirees Life Insurance Plan |
|---|---|---|
| Contribution rates: | | |
| Port | Pay-as-you-go | Pay-as-you-go |
| Plan members | n/a | n/a |
| Annual required contribution | $ 550 | $ 689 |
| Interest on net OPEB obligation | 288 | 100 |
| Adjustment to annual required contribution | | (89) |
| Annual OPEB costs | 838 | 700 |
| Contribution made | (475) | (326) |
| Increase (Decrease) in net OPEB obligation | 363 | 374 |
| Net OPEB obligation beginning of year | 7,189 | 2,498 |
| Net OPEB obligation end of year | $ 7,552 | $ 2,872 |

(a) As the LEOFF Plan 1 Members' Medical Services Plan has less than 100 plan members, the Port elected to use the Alternative Measurement Method to estimate the annual required contribution.

The schedule of employer contributions at December 31 are as follows (in thousands):

| Years ended December 31, | Annual OPEB costs | Employer contributions | Percentage contributed | Net OPEB obligation |
|---|---|---|---|---|
| LEOFF Plan 1 Members' Medical Services Plan | | | | |
| 2016 | $ 838 | $ 475 | 56.7 % | $ 7,552 |
| 2015 | 342 | 491 | 143.6 | 7,189 |
| 2014 | 585 | 479 | 81.9 | 7,338 |
| Retirees Life Insurance Plan | | | | |
| 2016 | $ 700 | $ 326 | 46.6 % | $ 2,872 |
| 2015 | 671 | 313 | 46.6 | 2,498 |
| 2014 | 625 | 308 | 49.3 | 2,140 |

***Funding Status***—As of December 31, 2016, 2015, and 2014, using the Alternative Measurement Method, the actuarial accrued liability for LEOFF Plan 1 Members' Medical Services Plan benefits was $7,552,000, $7,189,000, and $7,338,000, respectively, all of which was unfunded.

For the Retirees Life Insurance Plan, the most recent actuarial valuation data and the two preceding actuarial valuation data with funding progress were as follows (in thousands):

| Actuarial valuation date | Actuarial value of assets | Actuarial accrued liability (AAL) | Funded ratio | Unfunded AAL (UAAL) | Covered payroll | UAAL as a percentage of covered payroll |
|---|---|---|---|---|---|---|
| January 1, 2015 | $ | $ 8,819 | % | $ 8,819 | $ 102,798 | 8.6 % |
| January 1, 2013 | | 8,547 | | 8,547 | 83,831 | 10.2 |
| January 1, 2011 | | 7,613 | | 7,613 | 71,108 | 10.7 |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment rate of return, payroll growth rate and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

***Actuarial Methods and Assumptions***—Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

- *Mortality*—Life expectancies were based on mortality tables from the National Vital Statistics Reports, Volume 65, No. 8, November 28, 2016. The Life Table for Males: U.S. 2012 was used.

- *Healthcare cost trend rate*—The expected rate of increase in healthcare expenditure was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 6.0% was used initially, but was changed slightly to an average rate of 5.8% after seven years.

- *Health insurance premiums*—2017 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

- *Investment rate of return*—A rate of 4% was used, which is an estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits.

- *Inflation rate*—No explicit inflation rate assumption was used as this underlying assumption was already included in the investment rate of return.

Additionally, the unfunded actuarial accrued liability is not amortized as the LEOFF Plan 1 Members' Medical Services Plan is closed to new entrants and all of the plan members have retired.

For the Retirees Life Insurance Plan, as of January 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability is determined by the independent actuary using the Projected Unit Credit actuarial cost method. The actuarial assumptions included a 4% investment rate of return, which is an estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits. No explicit inflation rate assumption was used as this underlying assumption was already included in the investment rate of return. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a 30-year open period, assuming payroll growth of 3.5% per year.

## NOTE 10. ENVIRONMENTAL REMEDIATION LIABILITIES

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

***Lower Duwamish Waterway Superfund Site (the "Site")***—The Port is one of many PRPs at the Site and is a member of the Lower Duwamish Waterway Group, along with King County, the City of Seattle and the Boeing Company, that, among other remedial actions, funded the Remedial Investigation and Feasibility Study ("RI/FS"). The RI/FS study was substantially completed and the Port's share of RI/FS costs through 2016 was $15,719,000. In November 2014, the Environmental Protection Agency ("EPA") released a Record of Decision ("ROD") for the Site cleanup remedy. The ROD included a cleanup cost estimate of $342 million (present value discounted at 2.3% based on a study completed in 2012); the current value (not discounted) is $395 million. EPA's current value for the remedy ranges from $277 million to $593 million. EPA acknowledged there is significant uncertainty as to the accuracy of this estimate. A more accurate estimate will not be available until after completion of an extensive sampling and design effort. This project will result in additional cleanup efforts as a result of future regulatory orders.

In November 2012, the EPA issued general notification letters to over 200 parties informing them of their potential liability for the Lower Duwamish Waterway cleanup. The Lower Duwamish Waterway Group, who were the parties to the RI/FS Administrative Order on Consent invited some of those parties to participate in a confidential alternative dispute resolution process led by a neutral allocator (the "allocation process") to resolve their respective shares of past and future costs. As of December 31, 2016, the allocation process is ongoing. Parties participating in the allocation process will share the cost of the allocator and the process. The estimated recoveries to reduce the amount of liability are unknown at this time. As of December 31, 2016, the outstanding environmental remediation liability recorded for this Site was $6,798,000.

The Port has in place a procedure consistent with current accounting rules to recognize liabilities for environmental cleanups, to the extent that such liabilities can be reasonably estimated. As of December 31, 2016 and 2015, the Port's environmental remediation liabilities were $55,088,000 and $54,840,000, respectively, based on reasonable and supportable assumptions, measured at current value using the expected cash flow technique. The Port's environmental remediation liabilities do not include cost components that are not yet reasonably measurable. The Port's environmental remediation liabilities will change over time due to changes in costs of goods and services, changes in remediation technology, and changes in governing laws and regulations.

In many cases, the Port has successfully recovered Port-incurred investigation and cleanup costs from other responsible parties. The Port will continue to seek appropriate recoveries in the future. As of December 31, 2016 and 2015, the environmental remediation liabilities were reduced by $18,016,000 and $13,818,000, respectively, for estimated unrealized recoveries.

**NOTE 11. CONTINGENCIES**

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

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

On January 1, 2015, the Port established a stormwater utility pursuant to RCW 53.08.040, RCW 53.08.043, and other statutes. The utility serves Port-owned land located within the City of Seattle (the "City") limits as defined in the Port Stormwater Utility Charter approved by a resolution of the Port Commission on November 25, 2014. In November 2016, the City and the Port entered into an Interlocal Agreement (the "ILA") pursuant to Chapter 39.34 RCW and approved by the City Council and Port Commission to serve as the operating agreement between the two utilities. In consideration for the City's release and settlement of all potential claims and other benefits to the Port that the City provided in the ILA, the Port paid the City $3,993,000 in December 2016. This amount was recognized as operating expense in the Statement of Revenues, Expenses, and Changes in Net Position.

## NOTE 12. COMMITMENTS

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

| | 2016 |
|---|---|
| Funds committed: | |
| Aviation | $ 160,037 |
| Economic Development | 2,667 |
| Corporate | 1,024 |
| Maritime | 812 |
| Stormwater Utility | 70 |
| Total | $ 164,610 |

As of December 31, 2016, the Port also made commitments of $1,608,000 for acquisition and construction for the NWSA. However, this amount was not included in the schedule above as the Port expects to be reimbursed by the NWSA once construction expenditure is incurred for the NWSA.

In addition, as of December 31, 2016, funds authorized by the Port, but not yet committed for all divisions amounted to $515,431,000.

## NOTE 13. JOINT VENTURE

In August 2015, the ports of Seattle and Tacoma joined forces to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs to the region by creating the NWSA, a separate governmental entity established as a Port Development Authority, similar to Public Development Authorities formed by cities and counties.

The NWSA 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. Each home port has granted the NWSA a license for the NWSA's exclusive use, operation and management of certain facilities, including the collection of revenues. Ownership of the licensed facilities remains with the home ports, not with the NWSA. As of December 31, 2016, land, facilities, and equipment —net of accumulated depreciation licensed to the NWSA by the Port was $838,181,000. The related depreciation expense was $19,396,000 for 2016. The NWSA is intended to support the credit profiles of both ports, and its financial framework will preserve both home ports' commitment to financial strength and fiscal stewardship. The home ports are committed to ensure existing bond pledges and covenants will not be negatively affected. Outstanding bonds will remain obligations of each individual home port. As of December 31, 2016, the Port's total debt on licensed assets was $424,246,000. To maintain the rights of each home port's existing bondholders, the charter prohibits the NWSA from issuing debt. The NWSA has its own annual operating budget and five-year capital investment plan. The home ports contribute to capital construction projects subject to the Managing Member approval. Capital funding does not come from working capital.

On January 1, 2016, the NWSA became a separate legal entity to be accounted for as a joint venture. Accordingly, the Port transferred $12,867,000 in cash with the related assets and liabilities, primarily lease securities and customer advances, to the NWSA as the opening balance for the formation of the new entity. Additionally, the Port transferred $25,500,000 of cash for working capital, $13,500,000 of cash for capital construction, and $7,887,000 of construction work in progress (that started in the Port but will be completed by the NWSA) to the NWSA for its 50% share in the entity. The reduction of cash and construction work in progress was offset by an increase in the investment in joint venture, reflected as a noncurrent asset in the Port's Statement of Net Position as of January 1, 2016. During 2016, the Port's equal share of capital construction expenditures was $14,570,000, of which $7,030,000 was unpaid and reported as related party payable—joint venture in the Port's Statement of Net Position as of December 31, 2016.

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

| | 2016 |
|---|---|
| Total assets | $ 203,720 |
| Total liabilities | 72,583 |
| Total net position | $ 131,137 |
| | |
| Operating revenues | $ 195,170 |
| Operating expenses | 79,732 |
| Operating income before depreciation | 115,438 |
| Depreciation | 532 |
| Nonoperating income—net | 8,262 |
| Increase in net position | $ 123,168 |

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

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

The home ports share the NWSA's change in net position and distribution of operating cash equally. The Port's 50% share of the NWSA's change in net position is presented in the Port's Statement of Revenues, Expenses, and Changes in Net Position as joint venture income. Distribution of operating cash from the NWSA is generally received in the following month. The Port's receivable for cash distributions earned through December 31, 2016 was $10,440,000.

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

| | 2016 |
|---|---|
| Working capital | $ 25,500 |
| Capital construction | 28,070 |
| Construction work in progress | 7,887 |
| 50% share of the NWSA's changes in net position | 61,584 |
| Distribution of operating cash | (57,982) |
| Total investment in joint venture | $ 65,059 |

A broad spectrum of support services such as maintenance, security, public affairs, capital development, procurement, labor relations, environmental planning, information technology, finance and accounting are provided by service agreements between the NWSA and the home ports during the start-up and transition period as the NWSA continues to ramp up its efforts in building the back office infrastructure and staffing open positions. Costs for these services are charged by the home ports to the NWSA based on agreed upon methodologies including direct charge and allocation. In 2016, Port provided support services to the NWSA totaled $8,545,000, of which $87,000 related to support services receivable outstanding as of December, 31,

2016. The support services receivable and the cash distribution receivable totaling $10,527,000 were presented as related party receivable —joint venture in the Port's Statement of Net Position as of December 31, 2006.

## NOTE 14. BUSINESS INFORMATION

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

For the year ended December 31, 2016, Stormwater Utility operating revenue was $4,751,000, of which $651,000 and $423,000 were from internal stormwater utility charges on vacant properties owned by the Port for the Maritime Division and the Economic Development Division, respectively. As such, operating revenues for the Stormwater Utility of $1,074,000 and the associated amount of operating expenses for the Maritime and Economic Development Divisions were eliminated in the Statement of Revenues, Expenses, and Changes in Net Position. For the year ended December 31, 2016, Stormwater Utility operating expense, depreciation expense and operating income before depreciation was $1,710,000, $879,000, and $3,041,000, respectively.

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

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Aviation Division: | | | |
| Revenues | $ 173,154 | $ 161,650 | $ 138,436 |
| Number of major customers | 2 | 2 | 2 |
| Maritime Division: | | | |
| Revenues | $ 16,660 | $ 19,168 | $ 12,960 |
| Number of major customers | 2 | 2 | 1 |
| Economic Development Division: | | | |
| Revenues | $ 1,882 | $ 1,905 | $ 1,674 |
| Number of major customer | 1 | 1 | 1 |
| Total: | | | |
| Revenues | $ 191,696 | $ 182,723 | $ 153,070 |
| Number of major customers | 5 | 5 | 4 |

Two major customers represented 28.9% of total Port's operating revenues in 2016 and 2015 and one major customer represented 17.5% of total Port's operating revenues in 2014. For Aviation, the revenues from its two major customers accounted for 37.2%, 38.2%, and 34.1% of total Aviation operating revenues in 2016, 2015, and 2014, respectively. For Maritime, the revenues from its two major customers accounted for 32.8% and 40.6% of total Maritime operating revenues in 2016 and 2015, respectively. The revenues from one major customer accounted for 29.6% of total Maritime operating revenues in 2014. For Economic Development, the revenues from its major customer accounted for 11.8%, 10.5%, and 10.3% of total Economic Development operating revenues in 2016, 2015, and 2014, respectively.

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

| | 2016 | 2015 | 2014 (Restated) |
|---|---|---|---|
| Aviation Division: | | | |
| Terminal | $ 141,549 | $ 138,836 | $ 137,435 |
| Airfield | 88,311 | 73,386 | 77,014 |
| Public parking | 69,540 | 63,059 | 57,127 |
| Airport dining and retail | 56,348 | 51,607 | 46,954 |
| Rental car | 37,082 | 33,851 | 32,496 |
| Customer facility charges | 12,122 | 12,663 | 13,608 |
| Ground transportation | 12,803 | 8,809 | 8,333 |
| Commercial properties | 9,195 | 7,922 | 6,638 |
| Utilities | 7,233 | 7,000 | 6,736 |
| Operating grants and contract revenues | 941 | 394 | 301 |
| Other | 30,132 | 25,365 | 19,062 |
| Total Aviation Division operating revenues | $ 465,256 | $ 422,892 | $ 405,704 |
| Maritime Division: | | | |
| Cruise operations | $ 15,422 | $ 14,414 | $ 12,993 |
| Maritime portfolio | 10,255 | 9,983 | 9,662 |
| Recreational boating | 10,255 | 9,736 | 9,433 |
| Fishing and operations | 9,108 | 8,457 | 7,866 |
| Grain terminal | 5,382 | 4,685 | 3,785 |
| Other | 388 | (7) | (6) |
| Total Maritime Division operating revenues | $ 50,810 | $ 47,268 | $ 43,733 |
| Economic Development Division: | | | |
| Conference and event centers | $ 8,022 | $ 10,396 | $ 8,957 |
| Other | 7,881 | 7,768 | 7,293 |
| Total Economic Development Division operating revenues | $ 15,903 | $ 18,164 | $ 16,250 |

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

| | 2016 | 2015 | 2014 (Restated) |
|---|---|---|---|
| Aviation Division: | | | |
| Operations and maintenance | $ 190,857 | $ 174,750 | $ 169,637 |
| Administration | 51,247 | 45,648 | 42,438 |
| Law enforcement | 19,122 | 17,742 | 16,097 |
| Total Aviation Division operating expenses | $ 261,226 | $ 238,140 | $ 228,172 |

(Continued)

| | 2016 | 2015 | 2014 (Restated) |
|---|---|---|---|
| Maritime Division: | | | |
| Operations and maintenance | $ 27,957 | $ 25,411 | $ 24,177 |
| Administration | 8,203 | 4,057 | 3,709 |
| Law enforcement | 4,107 | 3,975 | 3,634 |
| Total Maritime Division operating expenses | $ 40,267 | $ 33,443 | $ 31,520 |
| Economic Development Division: | | | |
| Operations and maintenance | $ 16,921 | $ 18,169 | $ 21,603 |
| Administration | 4,042 | 870 | 1,760 |
| Law enforcement | 172 | 167 | 18 |
| Total Economic Development Division operating expenses | $ 21,135 | $ 19,206 | $ 23,381 |

(Concluded)

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

| | 2016 | 2015 | 2014 (Restated) |
|---|---|---|---|
| Aviation Division: | | | |
| Net operating income before depreciation | $ 204,030 | $ 184,752 | $ 177,532 |
| Depreciation | 122,499 | 120,826 | 123,579 |
| Operating income | 81,531 | 63,926 | 53,953 |
| Nonoperating income (expense): | | | |
| Ad valorem tax levy revenues | | | 4,732 |
| Passenger facility charge revenues | 85,570 | 79,209 | 69,803 |
| Customer facility charge revenues | 24,715 | 23,540 | 19,889 |
| Fuel hydrant facility revenues | 6,992 | 6,957 | 6,935 |
| Noncapital grants and donations | 1,706 | 1,637 | 1,679 |
| Investment income—net | 6,875 | 6,396 | 7,399 |
| Revenue bonds, capital appreciation bond, and fuel hydrant special facility revenue bonds interest expense | (94,581) | (96,957) | (95,017) |
| PFC revenue bonds interest expense | (5,251) | (5,584) | (5,906) |
| Public expense | (3,395) | (340) | (3,183) |
| Environmental income (expense)—net | 2,272 | (46) | 232 |
| Other (expense) income—net | (2,880) | (24,843) | 5,136 |
| Total nonoperating income (expense) —net | 22,023 | (10,031) | 11,699 |
| Income before capital contributions | 103,554 | 53,895 | 65,652 |
| Capital contributions | 17,973 | 22,317 | 12,933 |
| Increase in net position in Aviation Division | $ 121,527 | $ 76,212 | $ 78,585 |

(Continued)

| | 2016 | 2015 | 2014 (Restated) |
|---|---|---|---|
| Maritime Division: | | | |
| Net operating income before depreciation | $ 10,543 | $ 13,825 | $ 12,213 |
| Depreciation | 17,351 | 16,935 | 16,543 |
| Operating loss | (6,808) | (3,110) | (4,330) |
| Nonoperating income (expense): | | | |
| Ad valorem tax levy revenues | 11,572 | 14,143 | 21,105 |
| Noncapital grants and donations | 2,175 | 923 | 5,633 |
| Investment income—net | 1,397 | 2,611 | 3,706 |
| Revenue bonds interest expense | (1,415) | (11,088) | (11,947) |
| General obligation bonds interest expense | (844) | (6,397) | (8,384) |
| Public expense | (203) | 225 | (583) |
| Environmental expense—net | (1,801) | (5,243) | (9,895) |
| Other expense—net | (2,265) | (346) | (583) |
| Total nonoperating income (expense)—net | 8,616 | (5,172) | (948) |
| Income (loss) before capital contributions | 1,808 | (8,282) | (5,278) |
| Capital contributions | | 308 | 1,847 |
| Increase (decrease) in net position in Maritime Division | $ 1,808 | $ (7,974) | $ (3,431) |
| Economic Development Division: | | | |
| Net operating loss before depreciation | $ (5,232) | $ (1,042) | $ (7,131) |
| Depreciation | 3,682 | 3,420 | 3,560 |
| Operating loss | (8,914) | (4,462) | (10,691) |
| Nonoperating income (expense): | | | |
| Ad valorem tax levy revenues | 3,642 | 8,401 | 5,133 |
| Noncapital grants and donations | 26 | 27 | 1,341 |
| Investment income—net | 53 | 63 | 97 |
| Revenue bonds interest expense | (132) | (1,967) | (1,945) |
| General obligation bonds interest expense | (289) | (625) | (1,091) |
| Public expense | (2,143) | | |
| Environmental (expense) income—net | (751) | 2,401 | 521 |
| Other (expense) income—net | (6,400) | 1,655 | 39 |
| Total nonoperating (loss) income—net | (5,994) | 9,955 | 4,095 |
| (Loss) Income before capital contributions | (14,908) | 5,493 | (6,596) |
| Capital contributions | 135 | 34 | 1,107 |
| (Decrease) Increase in net position in Economic Development Division | $ (14,773) | $ 5,527 | $ (5,489) |

(Concluded)

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

| | 2016 | 2015 |
|---|---|---|
| Aviation Division: | | |
| Current, long-term, and other assets | $ 832,605 | $ 905,315 |
| Land, facilities, and equipment—net | 3,883,932 | 3,938,334 |
| Construction work in progress | 194,490 | 99,338 |
| Total Aviation Division assets | $ 4,911,027 | $ 4,942,987 |
| Total Aviation Division debt | $ 2,512,721 | $ 2,643,792 |
| Maritime Division: | | |
| Current, long-term, and other assets | $ 133,758 | $ 286,043 |
| Land, facilities, and equipment—net | 406,734 | 419,067 |
| Construction work in progress | 9,296 | 1,636 |
| Total Maritime Division assets | $ 549,788 | $ 706,746 |
| Total Maritime Division debt | $ 105,137 | $ 118,861 |
| Economic Development Division: | | |
| Current, long-term, and other assets | $ 37,165 | $ 82,605 |
| Land, facilities, and equipment—net | 119,513 | 129,736 |
| Construction work in progress | 2,441 | 639 |
| Total Economic Development Division assets | $ 159,119 | $ 212,980 |
| Total Economic Development Division debt | $ 17,000 | $ 19,348 |

## NOTE 15. WAREHOUSEMEN'S PENSION TRUST FUND

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

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

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

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

### Summary of Significant Accounting Policies

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

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

### Plan Description

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

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

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

| | 2016 | 2015 |
|---|---|---|
| Retirees and beneficiaries receiving benefits | 145 | 144 |
| Terminated plan members entitled to but not yet receiving benefits | 38 | 45 |
| Total | 183 | 189 |

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

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

**Investments**

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

***Interest Rate Risk***—Interest rate risk is the risk that an investment's fair value decreases as market interest rate increases. In general, the longer the duration of an investment, the greater sensitivity of its fair value to changes in market interest rates. Through its investment policy, the Plan manages its exposure to fair value losses from increasing interest rates by investing in a diversified portfolio of index fund and professionally managed mutual funds. For the fixed income mutual funds, the Plan manages its exposure to change in interest rates by investing in intermediate-term bonds. As of December 31, 2016 and 2015, the average duration for Vanguard Bond Market Index Fund was 6.0 years and 5.7 years, respectively. As of December 31, 2016 and 2015, the average duration for Dodge and Cox Fixed Income Fund was 4.2 years and 4.1 years, respectively.

***Credit Risk***—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk is measured by the assignment of rating by nationally recognized rating agencies. As of December 31, 2016 and 2015, the Vanguard Bond Market Index Fund was rated at three stars by Morningstar Credit Ratings, LLC. As of December 31, 2016 and 2015, the Dodge and Cox Fixed Income Fund was rated at four stars by Morningstar Credit Ratings, LLC.

***Foreign Currency Risk***—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan had $2,589,000 and $2,542,000 in international equity mutual funds that were invested in foreign securities as of December 31, 2016 and 2015, respectively.

***Rate of Return***—For the year ended December 31, 2016 and 2015, the annual money-weighted rate of return on the Plan investments, net of investment expense, was 6.3% and (1.2)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

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

The Port's net pension liability related to the Warehousemen's Pension Plan was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, and the Port's net pension liability for this Plan was $11,601,000. For the year ended December 31, 2016, the Port recognized pension expense of $2,116,000. At December 31, 2016, total deferred outflows of resources resulting from the net difference between projected and actual earnings on pension plan investments was $558,000. The Plan will recognize $200,000 annually for years 2017 through 2018, $153,000 for 2019, and the remaining balance of $4,000 in 2020 as future pension expense.

The components of the net pension liability at December 31, 2016, were as follows (in thousands):

| | |
|---|---|
| Total pension liability | $ 20,662 |
| Plan fiduciary net position | (9,061) |
| Net pension liability | $ 11,601 |
| | |
| Plan fiduciary net position as a percentage of total pension liability | 43.9% |

**Changes in Net Pension Liability**

Changes in the Port's net pension liability for the Warehousemen's Pension Plan for the current year were as follows (in thousands):

| | Total pension liability | Plan fiduciary net position | Net pension liability |
|---|---|---|---|
| Interest expense | $ 1,255 | $ | $ 1,255 |
| Employer contributions | | 1,500 | (1,500) |
| Net investment income | | 554 | (554) |
| Difference between expected and actual experience | 105 | | 105 |
| Changes of assumptions | 1,044 | | 1,044 |
| Benefit payments | (2,093) | (2,093) | |
| Administrative expense | | (45) | 45 |
| Professional fees | | (41) | 41 |
| Net changes | 311 | (125) | 436 |
| | | | |
| Balances at beginning of year | 20,351 | 9,186 | 11,165 |
| Balances at end of year | $ 20,662 | $ 9,061 | $ 11,601 |

***Actuarial Assumptions***—The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the Entry Age Normal Cost Method and the following actuarial assumptions, applied to all periods included in the measurement:

- *Mortality*—Life expectancies were based on the RP-2014 Combined Mortality Table for Males and Females with blue collar adjustment. Margin for future mortality improvement is accounted for by projecting mortality rates using Scale MP-2016.

- *Investment rate of return*—A rate of 6.5% was used, which is the long-term expected rate of return on the Plan's investment, net of plan investment expense and including inflation. This rate was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the Plan's Board of Trustees after considering input from the Plan's investment consultant and actuary.

  For each major asset class that is included in the Plan's target asset allocation as of December 31, 2016, these best estimates are summarized in the following table:

| Asset class | Target allocation | Long-term expected real rate of return |
|---|---|---|
| Domestic equities mutual fund | 30 % | 4.0 % |
| International equities mutual fund | 30 | 4.4 |
| Domestic fixed income mutual fund | 40 | 0.7 |
| Total | 100 % | |

- *Discount rate*—A single discount rate of 6.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on the Plan's investments at 6.5% and the tax-exempt municipal bond rate on an index of 20-year general obligation bonds with an average AA credit rating at 3.8%. The projection of cash flows used to determine this single discount rate assumed the employer contributions will be made at the actuarially determined contribution rates in accordance with the Port's long-term funding policy. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***—The following presents the net pension liability of the Plan, calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using a plus or minus 1% of the current discount rate (in thousands):

| | 1% Decrease (5.5%) | Current discount rate (6.5%) | 1% Increase (7.5%) |
|---|---|---|---|
| Net pension liability | $ 13,421 | $ 11,601 | $ 10,043 |

## REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF PORT OF SEATTLE'S PROPORTIONATE SHARE OF NET PENSION ASSET/LIABILITY ("NPA/NPL")**
**ENTERPRISE FUND PENSION PLANS**
Last Three Fiscal Years [(a)]
(in thousands)

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| **PERS Plan 1** | | | |
| Port's proportion of the NPL | 0.83 % | 0.87 % | 0.84 % |
| Port's proportionate share of the NPL | $ 44,426 | $ 45,557 | $ 42,385 |
| Port's covered-employee payroll | $ 1,440 | $ 1,504 | $ 1,606 |
| Port's proportionate share of the NPL as a percentage of its covered-employee payroll | 3085.14 % | 3029.06 % | 2639.17 % |
| Plan fiduciary net position as a percentage of the total pension liability | 57.03 % | 59.10 % | 61.19 % |
| **PERS Plan 2/3** | | | |
| Port's proportion of the NPL | 1.02 % | 1.09 % | 1.04 % |
| Port's proportionate share of the NPL | $ 51,569 | $ 38,826 | $ 21,060 |
| Port's covered-employee payroll | $ 95,817 | $ 96,416 | $ 89,966 |
| Port's proportionate share of the NPL as a percentage of its covered-employee payroll | 53.82 % | 40.27 % | 23.41 % |
| Plan fiduciary net position as a percentage of the total pension liability | 85.82 % | 89.20 % | 93.29 % |
| **LEOFF Plan 1** | | | |
| Port's proportion of the NPA | 0.07 % | 0.07 % | 0.07 % |
| Port's proportionate share of the NPA | $ 761 | $ 883 | $ 881 |
| Port's covered-employee payroll | n/a | n/a | n/a |
| Port's proportionate share of the NPA as a percentage of its covered-employee payroll | n/a | n/a | n/a |
| Plan fiduciary net position as a percentage of the total pension asset | 123.74 % | 127.36 % | 126.91 % |
| **LEOFF Plan 2** | | | |
| Port's proportion of the NPA | 1.03 % | 1.07 % | 1.04 % |
| Port's proportionate share of the NPA | $ 5,967 | $ 11,018 | $ 13,815 |
| State's proportionate share of the NPA associated with the Port | 3,890 | 7,285 | 9,026 |
| Total | $ 9,857 | $ 18,303 | $ 22,841 |
| Port's covered-employee payroll | $ 22,343 | $ 22,322 | $ 20,753 |
| Port's proportionate share of the NPA as a percentage of its covered-employee payroll | 44.12 % | 82.00 % | 110.06 % |
| Plan fiduciary net position as a percentage of the total pension asset | 106.04 % | 111.67 % | 116.75 % |

(a) This schedule is presented prospectively starting fiscal year ended 2014, coinciding with the implementation and restatement of GASB Statement No. 68.

**SCHEDULE OF PORT OF SEATTLE CONTIBUTIONS**
**ENTERPRISE FUND PENSION PLANS** [(a)]
Last Three Fiscal Years [(b)]
(in thousands)

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| **PERS Plan 1** | | | |
| Contractually required contribution | $ 164 | $ 146 | $ 137 |
| Contributions in relation to the contractually required contribution | (164) | (146) | (137) |
| Contribution deficiency (excess) | $ | $ | $ |
| Port's covered-employee payroll | $ 1,490 | $ 1,474 | $ 1,515 |
| Contributions as a percentage of covered-employee payroll | 11.01 % | 9.91 % | 9.04 % |
| **PERS Plan 2/3** | | | |
| Contractually required contribution | $ 10,979 | $ 9,761 | $ 8,243 |
| Contributions in relation to the contractually required contribution | (10,979) | (9,761) | (8,243) |
| Contribution deficiency (excess) | $ | $ | $ |
| Port's covered-employee payroll | $ 99,808 | $ 98,556 | $ 91,306 |
| Contributions as a percentage of covered-employee payroll | 11.00 % | 9.90 % | 9.03 % |
| **LEOFF Plan 2** | | | |
| Contractually required contribution | $ 1,663 | $ 1,596 | $ 1,478 |
| Contributions in relation to the contractually required contribution | (1,663) | (1,596) | (1,478) |
| Contribution deficiency (excess) | $ | $ | $ |
| Port's covered-employee payroll | $ 23,911 | $ 22,624 | $ 21,022 |
| Contributions as a percentage of covered-employee payroll | 6.95 % | 7.05 % | 7.03 % |

(a) Law Enforcement Officers' and Fire Fighters' Retirement System ("LEOFF") Plan 1 is fully funded, and no further employer or employee contributions have been required since June 2000.

(b) This schedule is presented prospectively starting fiscal year ended 2014, coinciding with the implementation and restatement of GASB Statement No. 68.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**
**WAREHOUSEMEN'S PENSION TRUST FUND**
Last Three Fiscal Years [(a)]
(in thousands)

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| **Total pension liability** | | | |
| Interest expense | $ 1,255 | $ 1,306 | $ 1,384 |
| Difference between expected and actual experience | 105 | | (512) |
| Changes of assumptions | 1,044 | | |
| Benefit payments | (2,093) | (2,079) | (2,091) |
| Net change in total pension liability | 311 | (773) | (1,219) |
| Total pension liability—beginning | 20,351 | 21,124 | 22,343 |
| Total pension liability—ending | $ 20,662 | $ 20,351 | $ 21,124 |
| **Plan fiduciary net position** | | | |
| Employer contributions | $ 1,500 | $ 1,500 | $ 1,500 |
| Net investment income | 554 | (116) | 408 |
| Benefit payments | (2,093) | (2,079) | (2,091) |
| Administrative expense | (45) | (46) | (45) |
| Professional fees | (41) | (57) | (66) |
| Net change in plan fiduciary net position | (125) | (798) | (294) |
| Plan fiduciary net position—beginning | 9,186 | 9,984 | 10,278 |
| Plan fiduciary net position—ending | $ 9,061 | $ 9,186 | $ 9,984 |
| **Net pension liability** | | | |
| Total pension liability—ending | $ 20,662 | $ 20,351 | $ 21,124 |
| Plan fiduciary net position—ending | (9,061) | (9,186) | (9,984) |
| Net pension liability—ending | $ 11,601 | $ 11,165 | $ 11,140 |
| **Plan fiduciary net position as a percentage of total pension liability** | 43.9% | 45.1% | 47.3% |
| **Covered payroll** [(b)] | n/a | n/a | n/a |

(a) This schedule is presented prospectively starting fiscal year ended 2014, coinciding with the implementation of GASB Statement No. 67 in fiscal year 2014.

(b) Annual covered payroll was not applicable as the operation was terminated in 2002.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**
**WAREHOUSEMEN'S PENSION TRUST FUND** [(a)]
Last Ten Fiscal Years
(in thousands)

| Years ended December 31, | Actuarially determined contribution [(b)] | Actual contribution | Contribution (excess) deficiency |
|---|---|---|---|
| 2016 | $ 1,147 | $ 1,500 | $ (353) |
| 2015 | 1,118 | 1,500 | (382) |
| 2014 | 1,201 | 1,500 | (299) |
| 2013 | 1,304 | 1,500 | (196) |
| 2012 | 1,456 | 1,500 | (44) |
| 2011 | 1,412 | 1,500 | (88) |
| 2010 | 1,505 | 1,500 | 5 |
| 2009 | 1,659 | 1,500 | 159 |
| 2008 | 1,290 | 1,500 | (210) |
| 2007 | 1,325 | 1,500 | (175) |

(a) Annual covered payroll was not applicable as the operation was terminated in 2002.
(b) Prior to 2014, the Annual Required Contribution (“ARC”) amounts are presented for the Actuarially Determined Contributions.

**SCHEDULE OF INVESTMENT RETURNS**
**WAREHOUSEMEN'S PENSION TRUST FUND**
Last Three Fiscal Years [(a)]

| Years ended December 31, | Annual money-weighted rate of return, net of investment expense |
|---|---|
| 2016 | 6.3 % |
| 2015 | (1.2) |
| 2014 | 4.1 |

(a) This schedule is presented prospectively starting fiscal year ended 2014, coinciding with the implementation of GASB Statement No. 67 in fiscal year 2014.

***Methods and Assumptions Used in Calculations of Actuarially Determined Contributions***—The actuarially determined contribution rates in the schedule are calculated as of December 31, 2015 for the year of 2016. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

| | |
|---|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed |
| Remaining amortization period | 19 years as of January 1, 2016 |
| Asset valuation method | Market value |
| Investment rate of return | 6.5% |
| Discount rate | 6.5% |
| Retirement age | 100% assumed retirement at earliest eligibility age–age 55 for members with at least 10 years of service and age 62 for members with less than 10 years of service. |
| Mortality | RP-2000 Blue Collar Combined Healthy Mortality Table projected to 2020 with Scale AA |
| Other information | There were no benefit changes during the year. |
| | Employer contributions are determined such that contributions will fund the projected benefits over a closed 19 year funding period as of January 1, 2016. |

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# STATISTICAL SECTION

# PORT OF SEATTLE

## STATISTICAL SECTION NARRATIVE AND SCHEDULES

This section of the Port's comprehensive annual financial report contains detailed information as a context for understanding what the information in the financial statements and note disclosures present about the Port's overall financial health. Unless otherwise noted, the information in this section is derived from the annual financial reports for the relevant year.

**CONTENTS**

**FINANCIAL TRENDS**

These schedules contain trend information to help the reader understand how the Port's financial performance and well-being has changed over time. The schedules are presented from the Enterprise Fund perspective. Schedules included are:

Schedule 1 – Net Position by Component, Last Ten Fiscal Years

Schedule 2 – Changes in Net Position, Last Ten Fiscal Years

**REVENUE CAPACITY**

These schedules contain information to help the reader assess the Port's major revenues source, the Aviation Division, its operating revenues, principal customers, landed weight and landing fees. Schedules included are:

Schedule 3 – Aviation Division Operating Revenues by Source, Last Ten Fiscal Years

Schedule 4 – Aviation Division Principal Customers, Current Year and Nine Years Ago

Schedule 5 – Aviation Division Landed Weight and Landing Fees, Last Ten Fiscal Years

**DEBT CAPACITY**

These schedules present information to help the reader assess the affordability of the Port's current levels of outstanding debt and the Port's ability to issue additional debt in the future. Details regarding outstanding debt can be found in the notes to the financial statements. Schedules included are:

Schedule 6 – Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

Schedule 7 – Ratios of General Obligation ("GO") Bonds, Last Ten Fiscal Years

Schedule 8 – Computation of Direct and Overlapping General Obligation Debt, as of December 31, 2016

Schedule 9 – Revenue Bonds Coverage by Type, Last Ten Fiscal Years

Schedule 10 – Legal Debt Margin Information, Last Ten Fiscal Years

**DEMOGRAPHIC AND ECONOMIC INFORMATION**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Port's financial activities take place. Schedules included are:

Schedule 11 – Demographic Statistics, Last Ten Fiscal Years

Schedule 12 – Principal Employers of Seattle, Current Year and Nine Years Ago

Schedule 13 – Assessed Value and Estimated Actual Value of Taxable Property and Direct and Overlapping Property Tax Rates Per $1,000 of Assessed Value, Last Ten Fiscal Years

Schedule 14 – Port of Seattle's Property Tax Levies and Collections, Last Ten Fiscal Years

Schedule 15 – King County Principal Property Taxpayers, Current Year and Nine Years Ago

**OPERATING INFORMATION**

These schedules contain information about the Port's operations and resources to help the reader understand how the Port's financial information relates to the services it provides and the activities it performs. Schedules included are:

Schedule 16 – Seattle-Tacoma International Airport Passengers Level, Last Ten Fiscal Years

Schedule 17 – Seattle-Tacoma International Airport Aircraft Operations Level, Last Ten Fiscal Years

Schedule 18 – Seattle-Tacoma International Airport Air Cargo Level, Last Ten Fiscal Years

Schedule 19 – Containerized Volume, Last Ten Fiscal Years

Schedule 20 – Cargo Volume, Last Ten Fiscal Years

Schedule 21 – Port of Seattle Grain Volume, Last Ten Fiscal Years

Schedule 22 – Port of Seattle Cruise Traffic, Last Ten Fiscal Years

Schedule 23 – Number of Port of Seattle Employees by Division, Last Ten Fiscal Years

Schedule 24 – Capital Assets Information—Seattle-Tacoma International Airport, Last Ten Fiscal Years

Schedule 25 – Capital Assets Information—Maritime and Economic Development Facilities, Last Ten Fiscal Years

**Schedule 1**
**NET POSITION BY COMPONENT**
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

| Fiscal year | Net investment in capital assets | Restricted | Unrestricted | Total net position |
|---|---|---|---|---|
| 2016 | $ 2,591,049 | $ 343,175 | $ 214,123 | $ 3,148,347 |
| 2015 | 2,474,130 | 318,691 | 314,095 | 3,106,916 |
| 2014 (a) | 2,424,133 | 252,005 | 410,786 | 3,086,924 |
| 2013 (a) | 2,299,824 | 241,967 | 413,924 | 2,955,715 |
| 2012 (b) | 2,263,999 | 208,829 | 464,275 | 2,937,103 |
| 2011 (b) | 2,328,751 | 135,664 | 421,296 | 2,885,711 |
| 2010 | 2,248,793 | 127,308 | 428,273 | 2,804,374 |
| 2009 | 2,240,259 | 104,893 | 406,751 | 2,751,903 |
| 2008 (c) | 2,236,171 | 68,796 | 334,947 | 2,639,914 |
| 2007 | 2,107,104 | 93,486 | 289,390 | 2,489,980 |

(a) In 2015, the Port adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions– an amendment of GASB Statement No. 27*, by restating the financial statements for 2014 and 2013. The restatement included recognizing the long-term obligations for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits.

(b) In 2013, the Port adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, by restating the financial statements for 2011 and 2012. The restatement included primarily the write-off of deferred finance costs as of January 1, 2011, except for a portion related to prepaid insurance costs and surety costs.

(c) In 2008, beginning balance of net position was restated due to the adoption of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* which required the environmental remediation liability to be re-measured at the beginning of January 1, 2008.

**Schedule 2**
**CHANGES IN NET POSITION**
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

| | 2016 | 2015 | 2014 [(a)] | 2013 [(a)] | 2012 [(b)] |
|---|---|---|---|---|---|
| OPERATING REVENUES: | | | | | |
| Services | $ 231,326 | $ 212,612 | $ 195,364 | $ 190,662 | $ 195,816 |
| Property rentals | 291,874 | 332,696 | 325,219 | 342,093 | 312,739 |
| Customer facility charge revenues | 12,121 | 12,663 | 13,608 | 11,367 | 9,745 |
| Operating grants and contract revenues | 1,562 | 962 | 298 | 856 | 3,406 |
| Joint venture income [(e)] | 61,584 | | | | |
| Total operating revenues | 598,467 | 558,933 | 534,489 | 544,978 | 521,706 |
| OPERATING EXPENSES: | | | | | |
| Operations and maintenance | 237,964 | 234,017 | 228,292 | 227,611 | 222,535 |
| Administration | 63,456 | 60,225 | 56,711 | 55,962 | 53,018 |
| Law enforcement | 23,865 | 23,564 | 21,297 | 23,416 | 22,616 |
| Total operating expenses | 325,285 | 317,806 | 306,300 | 306,989 | 298,169 |
| NET OPERATING INCOME BEFORE DEPRECIATION | 273,182 | 241,127 | 228,189 | 237,989 | 223,537 |
| DEPRECIATION | 164,336 | 163,338 | 166,337 | 171,374 | 167,279 |
| OPERATING INCOME | 108,846 | 77,789 | 61,852 | 66,615 | 56,258 |
| NONOPERATING INCOME (EXPENSE): | | | | | |
| Ad valorem tax levy revenues | 71,678 | 72,819 | 72,801 | 72,738 | 72,678 |
| Passenger facility charge revenues | 85,570 | 79,209 | 69,803 | 64,661 | 62,385 |
| Customer facility charge revenues | 24,715 | 23,540 | 19,889 | 20,389 | 20,577 |
| Noncapital grants and donations | 6,284 | 5,358 | 10,159 | 3,771 | 3,348 |
| Fuel hydrant facility revenues | 6,992 | 6,957 | 6,935 | 7,417 | 8,123 |
| Investment income (loss) —net | 8,448 | 9,122 | 11,202 | (1,107) | 8,172 |
| Revenue and capital appreciation bonds interest expense | (105,567) | (110,128) | (108,910) | (115,340) | (123,327) |
| Passenger facility charge revenue bonds interest expense | (5,251) | (5,584) | (5,906) | (6,212) | (6,503) |
| General obligation bonds interest expense | (9,765) | (10,490) | (9,475) | (11,479) | (14,078) |
| Public expense | (8,560) | (5,023) | (6,854) | (6,226) | (22,876) |
| Environmental expense—net | (280) | (2,888) | (9,142) | (4,765) | (14,358) |
| Other (expense) income—net | (12,087) | (23,493) | 2,109 | (411) | (29,721) |
| Total nonoperating income (expense)—net | 62,177 | 39,399 | 52,611 | 23,436 | (35,580) |
| INCOME BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEM | 171,023 | 117,188 | 114,463 | 90,051 | 20,678 |
| CAPITAL CONTRIBUTIONS | 18,108 | 22,804 | 16,746 | 21,381 | 30,714 |
| INCOME BEFORE SPECIAL ITEM | 189,131 | 139,992 | 131,209 | 111,432 | 51,392 |
| SPECIAL ITEM—SR 99 Viaduct expense [(d)] | (147,700) | (120,000) | | | |
| INCREASE IN NET POSITION | 41,431 | 19,992 | 131,209 | 111,432 | 51,392 |
| TOTAL NET POSITION: | | | | | |
| Beginning of year | 3,106,916 | 3,086,924 | 2,955,715 | 2,937,103 | 2,885,711 |
| Restatement | | | | (92,820) | |
| End of year | $ 3,148,347 | $ 3,106,916 | $ 3,086,924 | $ 2,955,715 | $ 2,937,103 |

(Continued)

(a) In 2015, the Port adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions– an amendment of GASB Statement No. 27*, by restating the financial statements for 2014 and 2013. The restatement included recognizing the long-term obligations for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits.

(b) In 2013, the Port adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, by restating the financial statements for 2011 and 2012. The restatement included primarily the write-off of deferred finance costs as of January 1, 2011, except for a portion related to prepaid insurance costs and surety costs.

**Schedule 2**
**CHANGES IN NET POSITION**
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

| | 2011 (b) | 2010 | 2009 | 2008 (c) | 2007 |
|---|---|---|---|---|---|
| OPERATING REVENUES: | | | | | |
| Services | $ 185,967 | $ 174,562 | $ 163,983 | $ 187,791 | $ 168,679 |
| Property rentals | 295,331 | 284,898 | 274,584 | 286,139 | 279,378 |
| Customer facility charge revenues | | | | | |
| Operating grants and contract revenues | 1,874 | 3,119 | 3,023 | 1,667 | 1,777 |
| Joint venture income (e) | | | | | |
| Total operating revenues | 483,172 | 462,579 | 441,590 | 475,597 | 449,834 |
| OPERATING EXPENSES: | | | | | |
| Operations and maintenance | 195,200 | 188,678 | 182,995 | 209,960 | 178,957 |
| Administration | 50,293 | 44,837 | 43,636 | 44,438 | 38,761 |
| Law enforcement | 21,923 | 19,949 | 19,136 | 20,221 | 19,179 |
| Total operating expenses | 267,416 | 253,464 | 245,767 | 274,619 | 236,897 |
| NET OPERATING INCOME BEFORE DEPRECIATION | 215,756 | 209,115 | 195,823 | 200,978 | 212,937 |
| DEPRECIATION | 158,107 | 160,775 | 157,068 | 144,208 | 141,588 |
| OPERATING INCOME | 57,649 | 48,340 | 38,755 | 56,770 | 71,349 |
| NONOPERATING INCOME (EXPENSE): | | | | | |
| Ad valorem tax levy revenues | 73,179 | 73,125 | 75,587 | 75,680 | 68,617 |
| Passenger facility charge revenues | 62,358 | 59,744 | 59,689 | 60,708 | 61,011 |
| Customer facility charge revenues | 23,669 | 23,243 | 21,866 | 22,947 | 21,802 |
| Noncapital grants and donations | 8,482 | 12,473 | 7,153 | 10,473 | 3,258 |
| Fuel hydrant facility revenues | 7,683 | 7,911 | 7,845 | 2,926 | 8,054 |
| Investment income (loss) —net | 18,884 | 13,096 | 17,251 | 39,004 | 61,072 |
| Revenue and capital appreciation bonds interest expense | (127,193) | (133,239) | (121,148) | (105,517) | (113,907) |
| Passenger facility charge revenue bonds interest expense | (6,467) | (10,187) | (10,956) | (11,412) | (11,844) |
| General obligation bonds interest expense | (15,292) | (17,463) | (15,785) | (17,059) | (15,720) |
| Public expense | (18,703) | (25,085) | (20,370) | (27,494) | (8,654) |
| Environmental expense—net | (4,335) | (22,730) | (14,676) | (5,659) | (4,903) |
| Other (expense) income—net | 5,693 | (7,276) | (10,003) | 848 | (29,599) |
| Total nonoperating income (expense)—net | 27,958 | (26,388) | (3,547) | 45,445 | 39,187 |
| INCOME BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEM | 85,607 | 21,952 | 35,208 | 102,215 | 110,536 |
| CAPITAL CONTRIBUTIONS | 21,180 | 30,519 | 76,781 | 52,436 | 94,888 |
| INCOME BEFORE SPECIAL ITEM | 106,787 | 52,471 | 111,989 | 154,651 | 205,424 |
| SPECIAL ITEM—SR 99 Viaduct expense (d) | | | | | |
| INCREASE IN NET POSITION | 106,787 | 52,471 | 111,989 | 154,651 | 205,424 |
| TOTAL NET POSITION: | | | | | |
| Beginning of year | 2,804,374 | 2,751,903 | 2,639,914 | 2,489,980 | 2,284,556 |
| Restatement | (25,450) | | | (4,717) | |
| End of year | $2,885,711 | $2,804,374 | $2,751,903 | $2,639,914 | $2,489,980 |

(Concluded)

(c) In 2008, beginning balance of net position was restated due to the adoption of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which required the environmental remediation liability to be re-measured at the beginning of January 1, 2008.

(d) In 2015 and 2016, the Port made $120,000,000 and $147,700,000 payments, respectively, as a special item, to the Washington State Department of Transportation (“WSDOT”) for the State Route 99 (“SR 99”) Alaskan Way Viaduct Replacement Program.

(e) In 2016, the Port adopted joint venture accounting as of January 1, 2016 to account for its 50% share of the NWSA’s changes in net position.

**Schedule 3**

**AVIATION DIVISION OPERATING REVENUES BY SOURCE**

Last Ten Fiscal Years [(a)]
(accrual basis of accounting)
(in thousands)

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| AERONAUTICAL REVENUES: | | | | | |
| Terminal [(b)] | $141,549 | $138,836 | $137,435 | $158,173 | $145,197 |
| Airfield [(b)] | 88,311 | 73,386 | 77,014 | 84,141 | 72,574 |
| Other | 14,374 | 13,826 | 10,839 | 10,623 | 15,194 |
| Total aeronautical revenues | 244,234 | 226,048 | 225,288 | 252,937 | 232,965 |
| NON-AERONAUTICAL REVENUES: | | | | | |
| Public parking | 69,540 | 63,059 | 57,127 | 52,225 | 49,781 |
| Airport dining and retail | 56,348 | 51,607 | 46,954 | 41,551 | 37,998 |
| Rental cars | 37,082 | 33,851 | 32,496 | 28,472 | 28,327 |
| Customer facility charges | 12,122 | 12,663 | 13,608 | 11,367 | 9,745 |
| Utilities | 7,233 | 7,000 | 6,736 | 6,332 | 7,206 |
| Commercial properties | 9,992 | 7,922 | 6,638 | 6,089 | 5,700 |
| Ground transportation | 12,803 | 8,809 | 8,333 | 7,958 | 7,900 |
| Other | 15,902 | 11,933 | 8,524 | 7,080 | 6,401 |
| Total non-aeronautical revenues | 221,022 | 196,844 | 180,416 | 161,074 | 153,058 |
| Total Aviation Division operating revenues | $465,256 | $422,892 | $405,704 | $414,011 | $386,023 |

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| AERONAUTICAL REVENUES: | | | | | |
| Terminal | $132,565 | $126,595 | $118,111 | $125,853 | $129,145 |
| Airfield | 59,607 | 56,647 | 50,847 | 65,770 | 53,158 |
| Other | 15,590 | 15,600 | 14,091 | 12,165 | 11,742 |
| Total aeronautical revenues | 207,762 | 198,842 | 183,049 | 203,788 | 194,045 |
| NON-AERONAUTICAL REVENUES: | | | | | |
| Public parking | 49,996 | 49,416 | 49,688 | 59,111 | 55,463 |
| Airport dining and retail | 35,404 | 33,765 | 33,482 | 33,181 | 31,085 |
| Rental cars | 30,746 | 30,309 | 33,321 | 35,592 | 36,408 |
| Customer facility charges | | | | | |
| Utilities | 7,695 | 6,408 | 6,229 | 5,974 | 5,590 |
| Commercial properties | 5,112 | 4,917 | 4,703 | 6,013 | 5,313 |
| Ground transportation | 7,704 | 4,912 | 4,739 | 4,759 | 4,445 |
| Other | 6,303 | 5,693 | 5,185 | 5,898 | 5,671 |
| Total non-aeronautical revenues | 142,960 | 135,420 | 137,347 | 150,528 | 143,975 |
| Total Aviation Division operating revenues | $350,722 | $334,262 | $320,396 | $354,316 | $338,020 |

(a) Significant amount of the aeronautical revenue follows the terms of the signatory airline lease and operating agreements SLOA II (years 2006–2012) and SLOA III (years 2013–2017).

(b) For 2013, terminal and airfield revenues included (1) a one-time recognition of $17,880,000, from the removal of the security fund liability when SLOA II expired, and (2) $14,304,000, straight-line rent adjustments for the lease incentive provided under SLOA III.

**Schedule 4**
**AVIATION DIVISION PRINCIPAL CUSTOMERS**
Current Year and Nine Years Ago
(in thousands)

| Customer | 2016 Revenues billed | 2016 Rank | 2016 Percentage of Aviation Division operating revenues | 2007 Revenues billed | 2007 Rank | 2007 Percentage of Aviation Division operating revenues |
|---|---|---|---|---|---|---|
| Alaska Airlines | $104,206 | 1 | 22.4 % | $ 90,654 | 1 | 26.8 % |
| Delta Airlines [a] | 68,948 | 2 | 14.8 | 16,694 | 6 | 4.9 |
| United Airlines [b] | 20,197 | 3 | 4.3 | 32,547 | 2 | 9.6 |
| Southwest Airlines | 18,657 | 4 | 4.0 | 18,962 | 5 | 5.6 |
| American Airlines | 17,347 | 5 | 3.7 | 13,690 | 8 | 4.1 |
| Horizon Airlines | 15,533 | 6 | 3.3 | 19,828 | 4 | 5.9 |
| Enterprise Rent A Car | 12,880 | 7 | 2.8 | | | |
| Airport Management Services LLC | 11,845 | 8 | 2.5 | | | |
| Host International, Inc. | 10,563 | 9 | 2.3 | | | |
| Avis Budget Car Rental | 8,508 | 10 | 1.8 | 11,262 | 9 | 3.3 |
| Northwest Airlines [a] | | | | 21,827 | 3 | 6.5 |
| The Hertz Corporation | | | | 13,903 | 7 | 4.1 |
| Continental Arilines [b] | | | | 10,317 | 10 | 3.1 |
| Total | $288,684 | | 61.9 % | $249,684 | | 73.9 % |

(a) Northwest Airlines merged with Delta Airlines in 2008 and the integration was completed in 2010.
(b) Continental Airlines merged with United Airlines in 2010 and the integration was completed in 2012.

**Schedule 5**
**AVIATION DIVISION LANDED WEIGHT AND LANDING FEES**
Last Ten Fiscal Years [a]
(in thousands, except for landing fee)

| Fiscal year | Landed weight (in pounds) | Landing fees (per 1,000 pounds) [b] Signatory airlines | Landing fees (per 1,000 pounds) [b] Non-signatory airlines/ aircrafts [c] |
|---|---|---|---|
| 2016 | 27,275,525 | $ 3.40 | $ 4.25 |
| 2015 | 24,757,318 | 3.11 | 3.89 |
| 2014 | 22,504,515 | 3.33 | 4.16 |
| 2013 | 20,949,155 | 3.38 | 4.22 |
| 2012 | 19,986,628 | 3.15 | 3.47 |
| 2011 | 20,193,785 | 3.00 | 3.30 |
| 2010 | 19,834,101 | 3.00 | 3.30 |
| 2009 | 20,424,646 | 2.96 | 3.26 |
| 2008 | 21,565,247 | 2.62 | 2.88 |
| 2007 | 21,241,494 | 2.49 | 2.74 |

(a) Aeronautical revenues follow the terms of the signatory airline lease and operating agreements SLOA II (years 2006–2012) and SLOA III (years 2013–2017).
(b) During 2006 to 2012, landing fee rates for each year were based on billed landing fee revenues as of the last day of each preceding fiscal year. Starting 2013, landing fee rates were based on the settlement calculations for the year following the terms of the SLOA III.
(c) Under the terms of SLOA III, rates for non-signatory airlines/aircrafts are 25% higher than the same rates for signatory airlines.

**Schedule 6**
**RATIOS OF OUTSTANDING DEBT BY TYPE**
Last Ten Fiscal Years
(in thousands, except for total debt per capita)

| Fiscal year | General obligation bonds [(a)] | Revenue and capital appreciation bonds [(a)] | Commercial paper | Passenger facility charge revenue bonds [(a)] | Fuel hydrant special facility revenue bonds [(a)] | Total debt |
|---|---|---|---|---|---|---|
| 2016 | $ 308,138 | $ 2,638,707 | $ 29,655 | $ 114,296 | $ 85,388 | $ 3,176,184 |
| 2015 | 333,110 | 2,772,752 | 38,655 | 127,734 | 89,230 | 3,361,481 |
| 2014 | 235,159 | 2,600,350 | 42,655 | 140,840 | 92,977 | 3,111,981 |
| 2013 | 295,175 | 2,712,465 | 42,655 | 153,626 | 96,650 | 3,300,571 |
| 2012 | 322,056 | 2,803,806 | 42,655 | 166,106 | 101,114 | 3,435,737 |
| 2011 | 348,157 | 2,853,488 | 42,655 | 178,300 | 103,903 | 3,526,503 |
| 2010 | 344,742 | 2,828,657 | 94,305 | 190,556 | 106,564 | 3,564,824 |
| 2009 | 368,416 | 2,726,162 | 156,800 | 200,149 | 109,132 | 3,560,659 |
| 2008 | 391,205 | 2,482,178 | 153,540 | 209,751 | 111,684 | 3,348,358 |
| 2007 | 413,188 | 2,539,777 | 186,250 | 218,909 | 118,186 | 3,476,310 |

| Fiscal year | Ratio of total debt to personal income [(b)] | Total debt per capita [(c)] |
|---|---|---|
| 2016 | 2.1 % | 1,509 |
| 2015 | 2.2 | 1,637 |
| 2014 | 2.2 | 1,543 |
| 2013 | 2.6 | 1,665 |
| 2012 | 2.8 | 1,756 |
| 2011 | 3.1 | 1,815 |
| 2010 | 3.4 | 1,846 |
| 2009 | 3.3 | 1,865 |
| 2008 | 3.1 | 1,777 |
| 2007 | 3.3 | 1,868 |

(a) Presented net of unamortized bond premiums and discounts.
(b) See Schedule 11 for Personal Income of King County data used in this calculation. The 2016 ratio is calculated using 2015 Personal Income figure.
(c) See Schedule 11 for Population of King County data used in this calculation (all figures are estimated with the exception of 2010, which is actual census data).

**Schedule 7**

**RATIOS OF GENERAL OBLIGATION ("GO") BONDS**

Last Ten Fiscal Years

(in thousands, except for GO bonds per capita)

| Fiscal year | GO bonds [a] | Percentage of GO bonds to the assessed value of taxable property [b] | GO bonds per capita [c] |
|---|---|---|---|
| 2016 | $ 308,138 | 0.1 % | $ 146 |
| 2015 | 333,110 | 0.1 | 162 |
| 2014 | 235,159 | 0.1 | 117 |
| 2013 | 295,175 | 0.1 | 149 |
| 2012 | 322,056 | 0.1 | 165 |
| 2011 | 348,157 | 0.1 | 179 |
| 2010 | 344,742 | 0.1 | 179 |
| 2009 | 368,416 | 0.1 | 193 |
| 2008 | 391,205 | 0.1 | 208 |
| 2007 | 413,188 | 0.1 | 222 |

(a) Presented net of unamortized bond premiums and discounts.

(b) See Schedule 13 for assessed value of taxable property data.

(c) See Schedule 11 for Population of King County data used in this calculation (all figures are estimated; except 2010 figures are actual census data).

**Schedule 8**

**COMPUTATION OF DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT**

As of December 31, 2016

(in thousands)

| Governmental unit | Outstanding | Estimated percentage applicable [a] | Estimated share of direct and overlapping debt |
|---|---|---|---|
| Port of Seattle | $ 283,620 | 100.0 % | $ 283,620 |
| ESTIMATED OVERLAPPING GENERAL OBLIGATION DEBT: | | | |
| King County | 764,587 | 100.0 | 764,587 |
| Cities and Towns | 1,926,382 | 97.7 | 1,882,800 |
| School Districts | 3,921,626 | 96.2 | 3,773,586 |
| Other | 458,060 | 99.5 | 455,921 |
| Total estimated overlapping debt | | | 6,876,894 |
| Total direct and estimated overlapping debt | | | $ 7,160,514 |

(a) As general obligation debt is repaid with property taxes, the percentage of overlapping general obligation debt applicable to the Port is estimated using taxable assessed property values. Applicable percentages were estimated by ratio of assessed valuation of property in overlapping unit subject to taxation in reporting unit to total valuation of property subject to taxation in reporting unit.

*Source: King County Financial Management Section*

**Schedule 9**
**REVENUE BONDS COVERAGE BY TYPE**
Last Ten Fiscal Years
(in thousands, except for revenue coverage ratios)

| | 2016 | 2015 | 2014 [h] | 2013 | 2012 |
|---|---|---|---|---|---|
| Gross revenues available for revenue bond debt service [a] | $ 581,860 | $ 541,867 | $ 520,881 | $ 533,611 | $ 517,561 |
| Operating expenses [b] | 325,285 | 317,806 | 306,300 | 306,989 | 298,169 |
| Less: Operating expenses paid from sources other than gross revenues | (9,019) | (11,571) | (7,178) | (6,331) | (6,538) |
| Less: Port general purpose tax levy [c] | (36,894) | (41,808) | (19,083) | (33,265) | (32,116) |
| Adjusted operating expenses | 279,372 | 264,427 | 280,039 | 267,393 | 259,515 |
| Nonoperating income (expense)—net [d] | 5,567 | (143) | 16,417 | 13,539 | 2,837 |
| Net revenues available for first lien debt service | $ 308,055 | $ 277,297 | $ 257,259 | $ 279,757 | $ 260,883 |
| Debt service on first lien bonds | $ 52,320 | $ 60,740 | $ 61,214 | $ 80,673 | $ 107,580 |
| Coverage on first lien bonds | 5.89 | 4.57 | 4.20 | 3.47 | 2.43 |
| Net revenues available for intermediate lien debt service | $ 255,736 | $ 216,557 | $ 196,045 | $ 199,084 | $ 153,303 |
| Add: Prior lien debt service offset paid by PFC revenues [e] | | 419 | 1,893 | 3,971 | 14,814 |
| Add: Prior lien debt service offset paid by CFC revenues [f] | 21,431 | 20,217 | 19,632 | 19,667 | 19,689 |
| Available intermediate lien revenues as first adjusted | $ 277,167 | $ 237,193 | $ 217,570 | $ 222,722 | $ 187,806 |
| Debt service on intermediate lien bonds —gross of debt service offsets | $ 146,518 | $ 133,487 | $ 145,522 | $ 127,029 | $ 79,222 |
| Less: Debt service offsets paid from PFC revenues [e] | (25,583) | (28,406) | (29,730) | (28,640) | (15,783) |
| Intermediate lien debt service —net of debt service offsets | $ 120,935 | $ 105,081 | $ 115,792 | $ 98,389 | $ 63,439 |
| Coverage on intermediate lien bonds | 2.29 | 2.26 | 1.88 | 2.26 | 2.96 |
| Net revenues available for subordinate lien debt service | $ 156,232 | $ 132,112 | $ 101,778 | $ 124,333 | $ 124,367 |
| Debt service on subordinate lien bonds [g] | $ 8,949 | $ 5,515 | $ 5,836 | $ 6,234 | $ 19,187 |
| Coverage on subordinate lien bonds [g] | 17.46 | 23.96 | 17.44 | 19.94 | 6.48 |

(Continued)

(a) Gross revenues represent total operating revenues adjusted for Customer Facility Charges ("CFCs"), Passenger Facility Charges ("PFCs"), and Stormwater Utility ("SWU") revenues as they are not legally available to pay debt service on all revenue bonds. For 2013, gross revenues included (1) a one-time recognition of revenue, $17,880,000, from the removal of security fund liability upon the expiration of SLOA II, and (2) $14,304,000, straight-line rent adjustments for the lease incentive provided under SLOA III.

(b) Operating expenses exclude depreciation and are adjusted for certain operating expenses paid with revenues derived from sources other than gross revenues such as consolidated rental car facility related operating expenses paid from CFCs and SWU operating expenses paid from SWU operating revenues. Operating expenses are also reduced by that portion of the Port's property tax levy available to pay operating expenses (i.e. Port general purpose tax levy).

(c) In 2015 and 2016, the Port made its contractual payment, in the amount of $120,000,000 and $147,700,000, respectively, to the WSDOT for the SR 99 Alaskan Way Viaduct Replacement Program. These payments were accounted for as a special item in the Port's 2015 and 2016 Statement of Revenues, Expenses, and Changes in Net Position, and were funded by the issuances of 2015 Limited Tax General Obligation ("LTGO") bonds and 2017 LTGO bonds, respectively. The debt service associated with the 2015 LTGO bonds is included in the calculation of the Port's general purpose tax levy, beginning in 2015, but the actual payment to WSDOT is excluded from the schedule as the funds were used for capital projects owned by other governmental entities.

(d) Nonoperating income (expense)—net is adjusted for the following: Interest expense, income that is not legally available to be pledged for revenue bonds debt service such as PFCs, CFCs, tax levy, fuel hydrant facility revenues, donations for capital purposes, grants for capital projects, monies received and used for capital projects owned by other government entities ("public expense projects") and other nonoperating SWU revenues and expenses. Certain non-cash items, such as depreciation are excluded, while other nonoperating revenues and expenses, such as environmental expense, are adjusted to a cash basis. The Port may also include certain proceeds from the sale of capital and non-capital assets in the year the proceeds are received.

**Schedule 9**
**REVENUE BONDS COVERAGE BY TYPE**
Last Ten Fiscal Years
(in thousands, except for revenue coverage ratios)

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Gross revenues available for revenue bond debt service [a] | $ 480,095 | $ 460,026 | $ 440,845 | $ 477,810 | $ 449,281 |
| Operating expenses [b] | 267,416 | 253,464 | 245,767 | 274,619 | 236,897 |
| Less: Operating expenses paid from sources other than gross revenues | (957) | (442) | 8 | (374) | |
| Less: Port general purpose tax levy [c] | (33,889) | (32,407) | (34,533) | (34,712) | (27,928) |
| Adjusted operating expenses | 232,570 | 220,615 | 211,242 | 239,533 | 208,969 |
| Nonoperating income (expense)—net [d] | 4,993 | 4,642 | 13,618 | 45,577 | 12,973 |
| Net revenues available for first lien debt service | $ 252,518 | $ 244,053 | $ 243,221 | $ 283,854 | $ 253,285 |
| Debt service on first lien bonds | $ 116,365 | $ 126,843 | $ 107,374 | $ 88,467 | $ 87,640 |
| Coverage on first lien bonds | 2.17 | 1.92 | 2.27 | 3.21 | 2.89 |
| Net revenues available for intermediate lien debt service | $ 136,153 | $ 117,210 | $ 135,847 | $ 195,387 | $ 165,645 |
| Add: Prior lien debt service offset paid by PFC revenues [e] | 23,524 | 21,646 | 22,116 | 10,125 | |
| Add: Prior lien debt service offset paid by CFC revenues [f] | 19,443 | 19,042 | 5,847 | | |
| Available intermediate lien revenues as first adjusted | $ 179,120 | $ 157,898 | $ 163,810 | $ 205,512 | $ 165,645 |
| Debt service on intermediate lien bonds —gross of debt service offsets | $ 54,744 | $ 42,747 | $ 34,640 | $ 22,330 | $ 14,079 |
| Less: Debt service offsets paid from PFC revenues [e] | (10,249) | (9,332) | (8,197) | | |
| Intermediate lien debt service —net of debt service offsets | $ 44,495 | $ 33,415 | $ 26,443 | $ 22,330 | $ 14,079 |
| Coverage on intermediate lien bonds | 4.03 | 4.73 | 6.19 | 9.20 | 11.77 |
| Net revenues available for subordinate lien debt service | $ 134,625 | $ 124,483 | $ 137,367 | $ 183,182 | $ 151,566 |
| Debt service on subordinate lien bonds [g] | $ 24,451 | $ 28,273 | $ 34,949 | $ 41,511 | $ 42,006 |
| Coverage on subordinate lien bonds [g] | 5.51 | 4.40 | 3.93 | 4.41 | 3.61 |

(Concluded)

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

(f) Washington State law provides for the Port's authority to impose CFCs on rental car transactions at the Airport. CFCs may only be used to pay costs associated with the consolidated rental car facility including the payment of debt service on bonds issued to fund the facility. During 2009, the Port began using CFCs to pay debt service on related bonds.

(g) Starting in 2009, the Port used PFCs to pay eligible subordinate lien debt service and associated debt fees. However, such amounts are not permitted offsets in the legal coverage calculation on subordinate lien bonds.

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

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

**Schedule 10**
**LEGAL DEBT MARGIN INFORMATION**
Last Ten Fiscal Years
(in thousands)

LEGAL DEBT LIMITATION CALCULATION FOR FISCAL YEAR 2016 (STATUTORY DEBT LIMITATION)

| | |
|---|---|
| Assessed value of taxable property for 2016 [a] | $ 426,335,606 |
| Debt limit (nonvoted debt, including limited tax general obligation bonds) | |
| 0.25% of assessed value of taxable property [b] | $ 1,065,839 |
| Less: Outstanding limited tax general obligation bonds | (283,620) |
| Less: Capital leases and other general obligations | |
| Non-voted general obligation debt margin | $ 782,219 |
| Debt limit, total general obligation debt | |
| 0.75% of assessed value of taxable property [b] | $ 3,197,517 |
| Less: Total limited tax general obligation bonds | (283,620) |
| Less: Capital leases and other general obligations | |
| Voted general obligation debt margin | $ 2,913,897 |

NON-VOTED GENERAL OBLIGATION:

| Fiscal year | Debt limit | Less: Total debt applicable to the debt limit | Debt margin | Debt margin as a percentage of the debt limit |
|---|---|---|---|---|
| 2016 | $ 1,065,839 | $ (283,620) | $ 782,219 | 73.4 % |
| 2015 | 970,297 | (305,535) | 664,762 | 68.5 |
| 2014 | 851,609 | (225,420) | 626,189 | 73.5 |
| 2013 | 786,866 | (283,815) | 503,051 | 63.9 |
| 2012 | 798,652 | (312,005) | 486,647 | 60.9 |
| 2011 | 826,037 | (336,120) | 489,917 | 59.3 |
| 2010 | 854,929 | (335,500) | 519,429 | 60.8 |
| 2009 | 967,224 | (357,315) | 609,909 | 63.1 |
| 2008 | 852,489 | (378,065) | 474,424 | 55.7 |
| 2007 | 746,888 | (397,835) | 349,053 | 46.7 |

VOTED GENERAL OBLIGATION:

| Fiscal year | Debt limit | Less: Total debt applicable to the debt limit | Debt margin | Debt margin as a percentage of the debt limit |
|---|---|---|---|---|
| 2016 | $ 3,197,517 | $ (283,620) | $ 2,913,897 | 91.1 % |
| 2015 | 2,910,891 | (305,535) | 2,605,356 | 89.5 |
| 2014 | 2,554,827 | (225,420) | 2,329,407 | 91.2 |
| 2013 | 2,360,597 | (283,815) | 2,076,782 | 88.0 |
| 2012 | 2,395,957 | (312,005) | 2,083,952 | 87.0 |
| 2011 | 2,478,112 | (336,120) | 2,141,992 | 86.4 |
| 2010 | 2,564,786 | (335,500) | 2,229,286 | 86.9 |
| 2009 | 2,901,673 | (357,315) | 2,544,358 | 87.7 |
| 2008 | 2,557,466 | (378,065) | 2,179,401 | 85.2 |
| 2007 | 2,240,664 | (397,835) | 1,842,829 | 82.2 |

(a) See Schedule 13 for assessed value of taxable property data.
(b) Under Washington law, the Port may incur general obligation indebtedness payable from ad valorem taxes in an amount not exceeding one-fourth of one percent of the value of the taxable property in the Port district without a vote of the electors. With the assent of three-fifths of the electors voting thereon, subject to a validation requirement, the Port may incur additional general obligation indebtedness, provided the total indebtedness of the Port at any time does not exceed three-fourths of one percent of the value of the taxable property in the Port district.

**Schedule 11**
**DEMOGRAPHIC STATISTICS**
Last Ten Fiscal Years
(in thousands)

**King County:**

| Fiscal year | Population [a] | Personal income [b] | Per capita personal income [b] | Unemployment rate [c] |
|---|---|---|---|---|
| 2016 | 2,105 | n/a | n/a | 4.2 % |
| 2015 | 2,053 | $ 153,554,091 | $ 72.5 | 4.4 |
| 2014 | 2,017 | 143,260,986 | 68.9 | 4.6 |
| 2013 | 1,982 | 128,330,859 | 62.7 | 5.2 |
| 2012 | 1,957 | 120,627,950 | 60.1 | 7.1 |
| 2011 | 1,943 | 113,922,436 | 57.8 | 8.4 |
| 2010 | 1,931 | 106,401,739 | 54.9 | 8.8 |
| 2009 | 1,909 | 109,053,408 | 56.9 | 8.0 |
| 2008 | 1,884 | 109,551,329 | 58.1 | 4.3 |
| 2007 | 1,861 | 106,805,239 | 57.7 | 3.9 |

**State of Washington:**

| Fiscal year | Population [a] | income [b] | Per capita personal income [b] | Unemployment rate [c] |
|---|---|---|---|---|
| 2016 | 7,184 | $ 389,859,000 | $ 53.5 | 5.7 % |
| 2015 | 7,061 | 372,125,338 | 51.9 | 5.7 |
| 2014 | 6,968 | 350,321,729 | 50.3 | 6.1 |
| 2013 | 6,882 | 327,870,951 | 47.6 | 7.0 |
| 2012 | 6,818 | 313,212,035 | 45.9 | 8.2 |
| 2011 | 6,768 | 302,529,308 | 44.7 | 9.2 |
| 2010 | 6,725 | 292,950,106 | 43.6 | 9.6 |
| 2009 | 6,668 | 278,236,435 | 41.8 | 8.9 |
| 2008 | 6,588 | 277,397,233 | 42.4 | 5.3 |
| 2007 | 6,488 | 267,276,000 | 41.2 | 4.7 |

(a) State of Washington, Office of Financial Management (all figures are estimated with the exception of 2010, which is actual census data)
(b) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce
(c) Rates were average unemployment rates for the year obtained from Washington State, Employment Security Department, Labor Market and Economic Analysis Branch.

**Schedule 12**

**PRINCIPAL EMPLOYERS OF SEATTLE** [(a)]

Current Year and Nine Years Ago

| | 2016 | | | 2007 | | |
|---|---|---|---|---|---|---|
| Type of employer | Employees | Rank | Percentage of total employment | Employees | Rank | Percentage of total employment |
| Professional and Business Services—*Professional, Scientific and Technical Services* | 133,200 | 1 | 8.0 % | 106,400 | 2 | 7.1 % |
| Government—*Local* | 131,700 | 2 | 7.9 | 117,800 | 1 | 7.9 |
| Leisure and Hospitality—*Food Services and Drinking Places* | 120,700 | 3 | 7.2 | 96,700 | 3 | 6.5 |
| Retail—*Unspecified* | 98,900 | 4 | 5.9 | 76,300 | 6 | 5.1 |
| Manufacturing—*Transportation Equipment Manufacturing* | 87,800 | 5 | 5.3 | 84,300 | 4 | 5.7 |
| Professional and Business Services—*Administrative and Support and Waste Management and Remediation* | 85,500 | 6 | 5.1 | 84,200 | 5 | 5.6 |
| Wholesale Trade | 72,900 | 7 | 4.4 | 72,800 | 7 | 4.9 |
| Educational and Health Services—*Ambulatory Health Care Services* | 70,000 | 8 | 4.2 | | | |
| Government—*State* | 68,200 | 9 | 4.1 | 60,300 | 10 | 4.0 |
| Construction—*Specialty Trade Contractors* | 60,100 | 10 | 3.6 | 64,300 | 8 | 4.3 |
| Finance Activities—*Finance and Insurance* | | | | 61,600 | 9 | 4.1 |
| Total | 929,000 | | 55.7 % | 824,700 | | 55.2 % |

(a) Total nonfarm, seasonally adjusted, as of December of each fiscal year in Seattle metropolitan area.

*Source: Washington State Employment Security Department Labor Market and Economic Analysis*

**Schedule 13**

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY AND DIRECT AND OVERLAPPING PROPERTY TAX RATES PER $1,000 OF ASSESSED VALUE**

Last Ten Fiscal Years

(in thousands, except for tax rates)

| Fiscal year | Port district assessed value [(a)] | Port of Seattle property tax rates | Overlapping property tax rates: Washington State | King County | Cities and towns [(b)] | School districts [(b)] | Other [(c)] | Total direct and overlapping property tax [(d)] |
|---|---|---|---|---|---|---|---|---|
| 2016 | $ 426,335,606 | $ 0.17 | $ 2.17 | $ 1.33 | $ 2.02 | $ 3.40 | $ 1.41 | $ 10.50 |
| 2015 | 388,118,856 | 0.19 | 2.29 | 1.34 | 1.99 | 3.50 | 1.24 | 10.55 |
| 2014 | 340,643,616 | 0.22 | 2.47 | 1.52 | 2.26 | 3.76 | 1.32 | 11.55 |
| 2013 | 314,746,207 | 0.23 | 2.57 | 1.54 | 2.39 | 3.83 | 1.27 | 11.83 |
| 2012 | 319,460,937 | 0.23 | 2.42 | 0.90 | 2.35 | 3.60 | 1.78 | 11.28 |
| 2011 | 330,414,999 | 0.22 | 2.28 | 1.34 | 2.22 | 3.39 | 1.27 | 10.72 |
| 2010 | 341,971,517 | 0.22 | 2.22 | 1.28 | 2.14 | 3.01 | 1.15 | 10.02 |
| 2009 | 386,889,728 | 0.20 | 1.96 | 1.10 | 1.87 | 2.56 | 1.07 | 8.76 |
| 2008 | 340,995,440 | 0.22 | 2.13 | 1.21 | 2.02 | 2.65 | 1.13 | 9.36 |
| 2007 | 298,755,199 | 0.23 | 2.33 | 1.29 | 2.30 | 2.83 | 0.89 | 9.87 |

(a) Ratio of total assessed to total estimated value is 100%. Assessed value is shown net of exempt property and it is the same assessed value for King County.

(b) This is an average rate based on the total assessed value of cities and towns, and all school districts. Each city and district has its own rate.

(c) These are average rates based on the total King County rates less cities and towns, school districts, Port, County, and Washington State rates. Each district within this group has its own assessed property value and rates.

(d) This is an average rate based on total tax levies for King County and total assessed property value in King County.

*Source: King County Department of Assessments Annual Reports*

**Schedule 14**

**PORT OF SEATTLE'S PROPERTY TAX LEVIES AND COLLECTIONS**

Last Ten Fiscal Years

(in thousands)

| Fiscal years ended Dec 31, | Taxes levied for the fiscal year [(a)] | Collected within the fiscal year of the levy: Amount | Percentage of levy | Collections in subsequent years | Total collections to date: Amount | Percentage of levy |
|---|---|---|---|---|---|---|
| 2016 | $ 72,015 | $ 71,114 | 98.8 % | | $ 71,114 | 98.8 % |
| 2015 | 73,004 | 72,082 | 98.7 | 710 | 72,792 | 99.7 |
| 2014 | 73,019 | 72,009 | 98.6 | 866 | 72,875 | 99.8 |
| 2013 | 73,021 | 71,932 | 98.5 | 1,059 | 72,991 | 100.0 |
| 2012 | 73,015 | 71,879 | 98.4 | 1,125 | 73,004 | 100.0 |
| 2011 | 73,513 | 72,290 | 98.3 | 1,226 | 73,516 | 100.0 |
| 2010 | 73,505 | 72,141 | 98.1 | 1,351 | 73,492 | 100.0 |
| 2009 | 75,911 | 74,384 | 98.0 | 1,526 | 75,910 | 100.0 |
| 2008 | 75,931 | 74,532 | 98.2 | 1,398 | 75,930 | 100.0 |
| 2007 | 68,863 | 67,703 | 98.3 | 1,156 | 68,859 | 100.0 |

(a) Includes cancellations and supplements, and generally differs from the totals reported by King County by an immaterial amount.

*Source: Port of Seattle, from King County Tax Receivables Summary*

**Schedule 15**

**KING COUNTY PRINCIPAL PROPERTY TAXPAYERS**

Current Year and Nine Years Ago

(in thousands)

| Taxpayer | 2016 Taxable assessed value | 2016 Rank | 2016 Percentage of taxable assessed value | 2007 Taxable assessed value | 2007 Rank | 2007 Percentage of taxable assessed value |
|---|---|---|---|---|---|---|
| Microsoft | $ 3,621,281 | 1 | 0.8 % | $ 1,931,019 | 2 | 0.6 % |
| Boeing | 2,702,506 | 2 | 0.6 | 2,620,891 | 1 | 0.9 |
| Puget Sound Energy/ Gas/Electric | 2,514,642 | 3 | 0.6 | 1,216,897 | 3 | 0.4 |
| Alaska Airlines | 963,559 | 4 | 0.2 | 522,386 | 6 | 0.2 |
| BRE Properties | 677,539 | 5 | 0.2 | | | |
| Union Square Limited | 666,082 | 6 | 0.2 | 455,476 | 9 | 0.2 |
| Kemper Development (formerly Bel Square Managers) | 630,212 | 7 | 0.1 | | | |
| Qwest Corporation Inc. | 598,441 | 8 | 0.1 | 787,911 | 4 | 0.3 |
| GC Columbia LLC (Columbia Center Property LLC) | 531,505 | 9 | 0.1 | | | |
| AT&T Mobility LLC (Cingular Wireless) | 531,062 | 10 | 0.1 | 554,820 | 5 | 0.2 |
| Bank of America | | | | 510,348 | 7 | 0.2 |
| T-Mobile | | | | 490,385 | 8 | 0.2 |
| Wright Runstad & Company | | | | 344,898 | 10 | 0.1 |
| Total | $ 13,436,829 | | 3.0 % | $ 9,435,031 | | 3.3 % |

*Source: King County Department of Assessments*

**Schedule 16**

**SEATTLE-TACOMA INTERNATIONAL AIRPORT PASSENGERS LEVEL**

Last Ten Fiscal Years

(in thousands)

| Fiscal year | Domestic Deplaned | Domestic Enplaned | Domestic Total | International Deplaned | International Enplaned | International Total | Grand total |
|---|---|---|---|---|---|---|---|
| 2016 | 20,486 | 20,385 | 40,871 | 2,455 | 2,411 | 4,866 | 45,737 |
| 2015 | 19,016 | 18,944 | 37,960 | 2,216 | 2,165 | 4,381 | 42,341 |
| 2014 | 16,851 | 16,824 | 33,675 | 1,930 | 1,892 | 3,822 | 37,497 |
| 2013 | 15,643 | 15,604 | 31,247 | 1,807 | 1,772 | 3,579 | 34,826 |
| 2012 | 14,992 | 14,983 | 29,975 | 1,634 | 1,614 | 3,248 | 33,223 |
| 2011 | 14,924 | 14,914 | 29,838 | 1,501 | 1,484 | 2,985 | 32,823 |
| 2010 | 14,381 | 14,364 | 28,745 | 1,398 | 1,410 | 2,808 | 31,553 |
| 2009 | 14,298 | 14,296 | 28,594 | 1,320 | 1,314 | 2,634 | 31,228 |
| 2008 | 14,627 | 14,647 | 29,274 | 1,485 | 1,437 | 2,922 | 32,196 |
| 2007 | 14,272 | 14,313 | 28,585 | 1,363 | 1,348 | 2,711 | 31,296 |

*Source: Seattle-Tacoma International Airport Activity Reports*

**Schedule 17**
**SEATTLE-TACOMA INTERNATIONAL AIRPORT AIRCRAFT OPERATIONS LEVEL**
Last Ten Fiscal Years

| Fiscal year | Air carrier | Air taxi | General aviation | Military/ Training | Grand total |
|---|---|---|---|---|---|
| 2016 | 399,742 | 9,513 | 2,822 | 93 | 412,170 |
| 2015 | 368,722 | 8,401 | 4,160 | 125 | 381,408 |
| 2014 | 325,425 | 10,813 | 4,113 | 127 | 340,478 |
| 2013 | 299,156 | 14,440 | 3,510 | 80 | 317,186 |
| 2012 | 291,664 | 14,196 | 3,604 | 133 | 309,597 |
| 2011 | 295,763 | 15,327 | 3,708 | 149 | 314,947 |
| 2010 | 292,016 | 18,562 | 3,262 | 114 | 313,954 |
| 2009 | 297,621 | 17,133 | 3,046 | 73 | 317,873 |
| 2008 | 306,431 | 34,527 | 4,174 | 110 | 345,242 |
| 2007 | 276,954 | 64,745 | 5,240 | 107 | 347,046 |

*Source: Seattle-Tacoma International Airport Activity Reports*

**Schedule 18**
**SEATTLE-TACOMA INTERNATIONAL AIRPORT AIR CARGO LEVEL**
Last Ten Fiscal Years
(in metric tons)

| Fiscal | Air Freight | | Air | Grand |
|---|---|---|---|---|
| year | Domestic | International | mail | total |
| 2016 | 194,754 | 114,349 | 57,326 | 366,429 |
| 2015 | 162,013 | 115,357 | 55,266 | 332,636 |
| 2014 | 167,729 | 107,752 | 51,758 | 327,239 |
| 2013 | 155,868 | 88,580 | 48,262 | 292,710 |
| 2012 | 155,221 | 82,090 | 46,300 | 283,611 |
| 2011 | 152,211 | 81,918 | 45,496 | 279,625 |
| 2010 | 152,995 | 85,440 | 44,990 | 283,425 |
| 2009 | 151,183 | 74,297 | 43,857 | 269,337 |
| 2008 | 161,854 | 83,499 | 44,852 | 290,205 |
| 2007 | 181,994 | 88,752 | 48,267 | 319,013 |

*Source: Seattle-Tacoma International Airport Activity Reports*

**Schedule 19**
**CONTAINERIZED VOLUME**
Last Ten Fiscal Years
(in twenty-foot equivalent units, "TEUs", a measure of container volume)

| Fiscal year | International Containers | | | | Domestic containers | Grand total |
|---|---|---|---|---|---|---|
| | Import full | Export full | Empty | Total | | |
| 2016 (a) | 1,391,590 | 984,274 | 482,951 | 2,858,815 | 756,938 | 3,615,753 |
| 2015 | 469,807 | 352,180 | 240,155 | 1,062,142 | 342,260 | 1,404,402 |
| 2014 | 432,128 | 376,320 | 165,564 | 974,012 | 379,488 | 1,353,500 |
| 2013 | 543,146 | 454,615 | 192,820 | 1,190,581 | 373,878 | 1,564,459 |
| 2012 | 728,436 | 517,876 | 267,239 | 1,513,551 | 339,625 | 1,853,176 |
| 2011 | 768,807 | 604,409 | 323,061 | 1,696,277 | 320,862 | 2,017,139 |
| 2010 | 897,074 | 544,579 | 380,114 | 1,821,767 | 304,002 | 2,125,769 |
| 2009 | 611,850 | 454,757 | 207,562 | 1,274,169 | 300,055 | 1,574,224 |
| 2008 | 664,322 | 429,275 | 272,057 | 1,365,654 | 327,996 | 1,693,650 |
| 2007 | 810,453 | 498,844 | 314,351 | 1,623,648 | 345,010 | 1,968,658 |

(a) As of January 1, 2016, the Port's container operation was licensed to the NWSA; hence starting in 2016, volume reported represents total activities in the joint venture.

*Source: Port of Seattle (2007 – 2015) and Northwest Seaport Alliance (2016) Records*

**Schedule 20**
**CARGO VOLUME**
Last Ten Fiscal Years
(in metric tons)

| Fiscal year | Container Cargo | Non-containerized break bulk | Petroleum | Molasses | Autos | Logs | Total |
|---|---|---|---|---|---|---|---|
| 2016 (a) | 26,766,258 | 181,372 | 612,224 | 43,666 | 246,421 | 176,928 | 28,026,869 |
| 2015 | 11,225,499 | 31,876 | 815,380 | 43,731 | | | 12,116,486 |
| 2014 | 11,462,069 | 56,031 | 997,977 | 49,913 | | | 12,565,990 |
| 2013 | 13,578,052 | 64,040 | 788,419 | 48,240 | | | 14,478,751 |
| 2012 | 15,924,439 | 67,784 | 620,587 | 74,831 | | | 16,687,641 |
| 2011 | 16,666,262 | 63,642 | 862,780 | 48,300 | | | 17,640,984 |
| 2010 | 16,182,401 | 66,140 | 802,843 | 40,173 | | | 17,091,557 |
| 2009 | 12,128,351 | 63,868 | 783,618 | 36,936 | | | 13,012,773 |
| 2008 | 12,408,129 | 106,854 | 938,463 | 65,019 | | | 13,518,465 |
| 2007 | 14,533,879 | 116,571 | 1,064,744 | 46,648 | | | 15,761,842 |

(a) As of January 1, 2016, the Port's cargo operation was licensed to the NWSA; hence starting in 2016, volume reported represents total activities in the joint venture.

*Source: Port of Seattle (2007 – 2015) and Northwest Seaport Alliance (2016) Records*

**Schedule 21**
**PORT OF SEATTLE GRAIN VOLUME**
Last Ten Fiscal Years
(in metric tons)

| Fiscal year | Grain |
|---|---|
| 2016 | 4,389,089 |
| 2015 | 3,778,476 |
| 2014 | 3,618,489 |
| 2013 | 1,351,417 |
| 2012 | 3,161,013 |
| 2011 | 5,026,868 |
| 2010 | 5,491,360 |
| 2009 | 5,512,164 |
| 2008 | 6,400,778 |
| 2007 | 5,333,018 |

*Source: Port of Seattle Marine Terminal Information System*

**Schedule 22**
**PORT OF SEATTLE CRUISE TRAFFIC**
Last Ten Fiscal Years

| Fiscal year | Cruise vessel calls | Cruise passengers |
|---|---|---|
| 2016 | 203 | 983,539 |
| 2015 | 192 | 898,032 |
| 2014 | 179 | 823,780 |
| 2013 | 187 | 870,994 |
| 2012 | 202 | 934,900 |
| 2011 | 196 | 885,949 |
| 2010 | 223 | 931,698 |
| 2009 | 218 | 875,433 |
| 2008 | 210 | 886,039 |
| 2007 | 190 | 780,593 |

*Source: Port of Seattle Records*

**Schedule 23**

**NUMBER OF PORT OF SEATTLE EMPLOYEES BY DIVISION** [a]

Last Ten Fiscal Years

| Fiscal year | Aviation | Seaport [b] | Real Estate [b] | Maritime [c] | Economic Development [c] | Corporate [d] | Total |
|---|---|---|---|---|---|---|---|
| 2016 | 832 | | | 175 | 31 | 771 | 1,809 |
| 2015 | 858 | 51 | 171 | | | 699 | 1,779 |
| 2014 | 856 | 55 | 174 | | | 695 | 1,780 |
| 2013 | 836 | 58 | 176 | | | 693 | 1,763 |
| 2012 | 842 | 56 | 181 | | | 681 | 1,760 |
| 2011 | 754 | 57 | 178 | | | 671 | 1,660 |
| 2010 | 727 | 58 | 162 | | | 642 | 1,589 |
| 2009 | 736 | 58 | 152 | | | 629 | 1,575 |
| 2008 | 805 | 59 | 153 | | | 668 | 1,685 |
| 2007 | 822 | 212 | | | 11 | 554 | 1,599 |

(a) Number of employees includes regular and temporary (both full-time and part-time employees), interns, veterans fellows, and commissioners (excluding contractors and consultants) as of the last day of each fiscal year.

(b) The Real Estate Division was formed in 2008 to allow the Seaport Division to concentrate on its core business. The Real Estate Division incorporated some employees from the Seaport Division, Corporate, and former Economic Development Division. The Seaport Division and the Real Estate Division became inactive upon reorganization in 2016.

(c) As a result of a series of reorganizations in 2016, the Maritime Division was formed, and the Economic Development Division was reestablished.

(d) Corporate includes employees assigned to the Corporate Division and Capital Development Division (“CDD”). The CDD, which was established in 2008, houses existing engineering, project management (previously resided in Aviation and Seaport Divisions), construction functions, and the Central Procurement Office.

*Source: Port of Seattle Human Resources Database*

**Schedule 24**
**CAPITAL ASSETS INFORMATION—SEATTLE-TACOMA INTERNATIONAL AIRPORT**
Last Ten Fiscal Years

| | Fiscal year | Size/Length |
|---|---|---|
| Airport area (in acres) | 2016 | 2,500 |
| Apron (in square foot)—commercial airlines | 2016 | 3,061,300 |
| Runways (in feet) | | |
| 16L/34R | 2016 | 11,901 |
| 16C/34C | 2016 | 9,426 |
| 16R/34L | 2016 | 8,500 |
| Rental Car Facility (in square foot) [a] | 2016 | 2,100,000 |

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Terminal (in square foot) | | | | | |
| Airlines | 1,143,386 | 1,136,322 | 1,126,510 | 1,107,166 | 1,226,044 |
| Tenants | 334,717 | 331,073 | 332,364 | 331,433 | 291,071 |
| Port occupied | 234,472 | 228,136 | 239,069 | 236,390 | 299,226 |
| Public/Common | 919,906 | 920,752 | 930,209 | 926,927 | 811,664 |
| Mechanical | 511,469 | 510,182 | 497,941 | 517,805 | 495,009 |
| Total | 3,143,950 | 3,126,465 | 3,126,093 | 3,119,721 | 3,123,014 |
| Number of passenger gates | 78 | 80 | 79 | 78 | 79 |
| Number of Port owned loading bridges | 58 | 57 | 54 | 59 | 56 |
| Parking (spaces assigned) | | | | | |
| Short-term, long-term, and employees | 12,180 | 11,952 | 11,952 | 11,952 | 10,394 |
| Rental Cars [a] | | | | | |
| Total | 12,180 | 11,952 | 11,952 | 11,952 | 10,394 |
| Other offsite parking (spaces assigned) | | | | | |
| Economy | 1,465 | 1,620 | 1,620 | 1,620 | 1,620 |
| Employees | 4,122 | 4,091 | 4,091 | 4,091 | 4,091 |

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Terminal (in square foot) | | | | | |
| Airlines | 1,219,955 | 1,219,955 | 1,294,473 | 1,294,473 | 1,294,473 |
| Tenants | 253,673 | 253,673 | 280,639 | 280,639 | 280,639 |
| Port occupied | 249,544 | 249,544 | 280,880 | 280,880 | 280,880 |
| Public/Common | 867,410 | 867,410 | 758,216 | 758,216 | 758,216 |
| Mechanical | 529,734 | 529,734 | 471,951 | 471,951 | 471,951 |
| Total | 3,120,316 | 3,120,316 | 3,086,159 | 3,086,159 | 3,086,159 |
| Number of passenger gates | 79 | 79 | 79 | 79 | 79 |
| Number of Port owned loading bridges | 48 | 48 | 46 | 46 | 46 |
| Parking (spaces assigned) | | | | | |
| Short-term, long-term, and employees | 9,641 | 9,641 | 9,641 | 9,641 | 9,641 |
| Rental Cars [a] | 3,276 | 3,276 | 3,276 | 3,276 | 3,276 |
| Total | 12,917 | 12,917 | 12,917 | 12,917 | 12,917 |
| Other offsite parking (spaces assigned) | | | | | |
| Economy | 1,620 | 1,620 | 1,620 | 2,400 | 2,400 |
| Employees | 4,091 | 4,091 | 4,091 | 4,091 | 4,091 |

(a) Parking space was temporarily unassigned since the Rental Car Facility was completed and became operational in May 2012.

*Source: Port of Seattle Records*

**Schedule 25**
**CAPITAL ASSETS INFORMATION—MARITIME AND ECONOMIC DEVELOPMENT FACILITIES**
Last Ten Fiscal Years

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Total Property (in acres) | 1,335 | 1,335 | 1,335 | 1,335 | 1,335 |
| No. of Container Terminals (Terminal 5, 18, 30, 46) (a) (b) | 4 | 4 | 4 | 4 | 4 |
| Size (in acres) | 526 | 526 | 526 | 526 | 526 |
| Number of berths (1,200—4,450 feet) | 11 | 11 | 11 | 11 | 11 |
| Number of container cranes (c) | 24 | 24 | 24 | 30 | 30 |
| Storage facilities (in square foot) | 177,000 | 177,000 | 177,000 | 177,000 | 177,000 |
| Maintenance facilities (in square foot) | 112,000 | 112,000 | 112,000 | 112,000 | 112,000 |
| On-Dock intermodal yard | | | | | |
| Maximum capacity—in full train | 14 | 14 | 14 | 14 | 14 |
| Refrigerated capacity (in reefer plugs) | 2,816 | 2,816 | 2,816 | 2,816 | 2,816 |
| No. of Barge Terminal (Terminal 115) (a) (d) | 1 | 1 | 1 | 1 | 1 |
| Size (in acres) | 70 | 70 | 70 | 70 | 70 |
| Number of berths (1,600 feet) | 4 | 4 | 4 | 4 | 4 |
| Warehouse capacity (in square foot) | 35,000 | 35,000 | 35,000 | 35,000 | 35,000 |
| Refrigerated capacity (in reefer plugs) | 400 | 400 | 400 | 400 | 400 |
| No. of Multi-Use Terminal (Terminal 91) (d) | 1 | 1 | 1 | 1 | 1 |
| Size (in acres) | 212 | 212 | 212 | 212 | 212 |
| Linear feet of berths (8,502 feet) | 17 | 17 | 17 | 17 | 17 |
| Storage facilities: | | | | | |
| Cold storage (in million cubic foot) | 5 | 5 | 5 | 5 | 5 |
| Dry warehouse (in square foot) | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| No. of Grain Terminal (Terminal 86) (d) | 1 | 1 | 1 | 1 | 1 |
| Size (in acres) | 40 | 40 | 40 | 40 | 40 |
| Number of berths (1,400 feet) | 1 | 1 | 1 | 1 | 1 |
| Storage capacity (in million bushels) | 4 | 4 | 4 | 4 | 4 |
| No. of Breakbulk Terminals (d) | n/a | n/a | n/a | n/a | n/a |
| Size (in acres) | n/a | n/a | n/a | n/a | n/a |
| Number of berths (400—2,100 feet) | n/a | n/a | n/a | n/a | n/a |
| Storage facilities (in acres) | n/a | n/a | n/a | n/a | n/a |
| No. of Cruise Terminals | 2 | 2 | 2 | 2 | 2 |
| Bell Street Cruise Terminal (Terminal 66) | | | | | |
| Size (in acres) | 4 | 4 | 4 | 4 | 4 |
| Number of berths (1,545—1,600 feet) | 1 | 1 | 1 | 1 | 1 |
| Smith Cove Cruise Terminal (Terminal 91) (e) | | | | | |
| Size (in acres) | 23 | 23 | 23 | 23 | 23 |
| Number of berths (2,400 feet) | 2 | 2 | 2 | 2 | 2 |
| Terminal 30 Cruise Facility (f) | | | | | |
| Size (in acres) | n/a | n/a | n/a | n/a | n/a |
| Number of berths (2,000 feet) | n/a | n/a | n/a | n/a | n/a |

(Continued)

(a) Starting January 2016, Container Terminals and Barge Terminal were licensed to the NWSA.

(b) Container Terminal 5 was vacant starting in August 2014 while the design and permitting phase of multi-year Terminal 5 Modernization project is underway. The terminal will be leased for interim uses during the duration of the project.

(c) The Port owns six container cranes and the rest are owned by tenants. The six container cranes at Terminal 5 have been surplused and are no longer in use effective July 31, 2014.

**Schedule 25**
**CAPITAL ASSETS INFORMATION—MARITIME AND ECONOMIC DEVELOPMENT FACILITIES**
Last Ten Fiscal Years

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Total Property (in acres) | 1,335 | 1,335 | 1,335 | 1,500 | 1,500 |
| No. of Container Terminals (Terminal 5, 18, 30, 46) (a) (b) | 4 | 4 | 4 | 4 | 4 |
| Size (in acres) | 526 | 526 | 535 | 498 | 498 |
| Number of berths (1,200—4,450 feet) | 11 | 11 | 11 | 10 | 10 |
| Number of container cranes (c) | 24 | 24 | 24 | 25 | 26 |
| Storage facilities (in square foot) | 177,000 | 177,000 | 177,000 | 177,000 | 177,000 |
| Maintenance facilities (in square foot) | 112,000 | 112,000 | 112,000 | 112,000 | 112,000 |
| On-Dock intermodal yard | | | | | |
| Maximum capacity—in full train | 14 | 14 | 14 | 7 | 7 |
| Refrigerated capacity (in reefer plugs) | 2,704 | 2,704 | 2,704 | 2,560 | 2,560 |
| No. of Barge Terminal (Terminal 115) (a) (d) | 1 | 1 | 1 | n/a | n/a |
| Size (in acres) | 70 | 70 | 70 | n/a | n/a |
| Number of berths (1,600 feet) | 4 | 4 | 4 | n/a | n/a |
| Warehouse capacity (in square foot) | 35,000 | 35,000 | 35,000 | n/a | n/a |
| Refrigerated capacity (in reefer plugs) | 400 | 400 | 400 | n/a | n/a |
| No. of Multi-Use Terminal (Terminal 91) (d) | 1 | 1 | 1 | n/a | n/a |
| Size (in acres) | 212 | 212 | 212 | n/a | n/a |
| Linear feet of berths (8,502 feet) | 17 | 17 | 17 | n/a | n/a |
| Storage facilities: | | | | | |
| Cold storage (in million cubic foot) | 5 | 5 | 5 | n/a | n/a |
| Dry warehouse (in square foot) | 100,000 | 100,000 | 100,000 | n/a | n/a |
| No. of Grain Terminal (Terminal 86) (d) | 1 | 1 | 1 | n/a | n/a |
| Size (in acres) | 40 | 40 | 40 | n/a | n/a |
| Number of berths (1,400 feet) | 1 | 1 | 1 | n/a | n/a |
| Storage capacity (in million bushels) | 4 | 4 | 4 | n/a | n/a |
| No. of Breakbulk Terminals (d) | n/a | n/a | n/a | 3 | 3 |
| Size (in acres) | n/a | n/a | n/a | 260 | 260 |
| Number of berths (400—2,100 feet) | n/a | n/a | n/a | 9 | 9 |
| Storage facilities (in acres) | n/a | n/a | n/a | 86 | 86 |
| No. of Cruise Terminals | 2 | 2 | 2 | 2 | 2 |
| Bell Street Cruise Terminal (Terminal 66) | | | | | |
| Size (in acres) | 4 | 4 | 4 | 4 | 4 |
| Number of berths (1,545—1,600 feet) | 1 | 1 | 1 | 1 | 1 |
| Smith Cove Cruise Terminal (Terminal 91) (e) | | | | | |
| Size (in acres) | 23 | 23 | 23 | n/a | n/a |
| Number of berths (2,400 feet) | 2 | 2 | 2 | n/a | n/a |
| Terminal 30 Cruise Facility (f) | | | | | |
| Size (in acres) | n/a | n/a | n/a | 26 | 26 |
| Number of berths (2,000 feet) | n/a | n/a | n/a | 2 | 2 |

(Concluded)

(d) Prior to 2009, multi-use, barge and grain terminal data was combined and reported as breakbulk terminals.

(e) Smith Cove Cruise Terminal is used only half of the year as a cruise terminal. Smith Cove Cruise Terminal specifications are included in Terminal 91 multi-use terminal specifications.

(f) Terminal 30 operated as a cruise terminal from 2003 through 2008. Terminal 30 cruise facility was demolished after the 2008 cruise season, and the terminal was reactivated as a container terminal in 2009.

*Source: Port of Seattle Records*

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# Comprehensive Annual Financial Report

## PORT OF SEATTLE COMMISSIONERS

Tom Albro
Stephanie Bowman
John Creighton
Fred Felleman
Courtney Gregoire

## INTERIM CHIEF EXECUTIVE OFFICER

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