Port of Seattle®
WASHINGTON STATE

Comprehensive Annual Financial Report

As of December 31, 2017 and 2016, and for the years ended December 31, 2017, 2016, and 2015

COMPREHENSIVE ANNUAL FINANCIAL REPORT

As of December 31, 2017 and 2016, and

for the years ended December 31, 2017, 2016 and 2015

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 LEADERSHIP

The Port of Seattle provides critical aviation and maritime services, economic, and environmental programs to foster economic vitality for the entire Puget Sound region. The Port operates Seattle-Tacoma International Airport, fishing, cruise and shipping facilities to create and sustain quality jobs and support our region's growth. These facilities are managed responsibly to ensure financial and environmental excellence.

Prospects for the Port of Seattle and the region as a whole are strong. Our expanding aviation and maritime connections to Asia, Europe and Alaska, coupled with a strong innovative culture, make our region more attractive than ever before.

Seattle-Tacoma International Airport ("Sea-Tac") added four new international routes in 2017, including Virgin Atlantic to London-Heathrow, Norwegian to London-Gatwick, Eurowings to Cologne and Aeromexico to Mexico City, and will add Air France to Paris, Thomas Cook to Manchester and Aer Lingus to Dublin in 2018.

As the Puget Sound regional economy continued its dramatic upward swing in 2017, the Port of Seattle experienced record-breaking demand. Passenger travel at Sea-Tac has increased 41 percent just in the last five years, from 33.2 million passengers in 2012 to 46.9 million in 2017. Air cargo shipments totaled 425,800 tons, up more than 16 percent compared to 2016.

As Seattle grows as an international gateway, the Port is committed to fostering a welcoming and inclusive community for visitors and King County residents, especially our immigrant and refugee communities.

Demand for maritime services continues to grow as well. Seattle's Alaska homeport cruise operation is the West Coast's largest by passenger volume. In 2017, more than 1 million passengers passed through our two cruise terminals. This business generates over 4,000 jobs and $501 million in annual business revenue.

International container operations, operating through the Northwest Seaport Alliance ("NWSA"), a joint venture with the Port of Tacoma, continued to grow to more than 2.9 million containers, compared to 2016.

Some of the most significant capital development and policy highlights from 2017 include:

Aviation and Maritime Services

- We committed $2 billion to airport improvements to expand the North Satellite and construct a new International Arrivals Facility that will improve customer service and reduce delay.
- Norwegian Cruise Line and Port of Seattle unveiled the $30 million renovation of the Bell Street Cruise Terminal at the Port's Pier 66 building. It will welcome the 4,000-passenger Norwegian Bliss, the largest cruise vessel on the West Coast, for the 2018 season.
- We advanced major transportation improvements to benefit commuters and freight in Seattle and near the airport, including a Memorandum of Understanding with the City of Seattle to fully fund the Lander Street Overpass and improve streets where motorists and cargo haulers face congestion.

Economic Opportunity and Equity

- We passed a Priority Hire policy to ensure workers from economically distressed communities have access to jobs in Port construction projects.
- To address historic imbalances in our contracting systems, we developed strategies to triple the number of women and minority firms participating in Port contracts in five years.

- We partnered with local cities and developers on new industrial and manufacturing developments, including an 87-acre business park in Des Moines that will support 3,500 aviation and light industrial jobs.
- We reaffirmed a long-term partnership with the City of SeaTac, which hosts Sea-Tac Airport, to enable airport development and to support a shared commitment to excellent public services.

Sustainability

- We became the first U.S. airport with a 10-year goal to transition to sustainable aviation fuels, and updated our greenhouse gas emission reduction goals in line with the Paris Agreement.
- We joined a renewable energy program through Puget Sound Energy to increase purchases of sustainable renewable wind energy for facilities at the south end of the airport.
- We installed a solar pilot project at our Fishermen's Terminal and moved towards adding a solar array to the roof of our Pier 69 headquarters.

The Port's 2018 budget continues a strong record of investment in infrastructure to support aviation and maritime development, tourism and environmental stewardship. We are committed to sustainably managing public assets to advance our region's values, create jobs and expand economic opportunity in the communities we serve.

Sincerely,

Commission President Courtney Gregoire

Executive Director Stephen P. Metruck

April 27, 2018

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, 2017 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 Executive Director ("ED"), 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 ED 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.

Central Services 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 financial plans and infrastructure needs of the Port through Capital Development. Other port-wide departments include Accounting and Financial Reporting, Business Intelligence, Commission Office, Executive Office, Environmental and Sustainability, Finance and Budget, Human Resources, Information and Communications Technology, Labor Relations, Legal, Police, Public Affairs, Risk Management, Security and Preparedness, and Strategic Initiatives.

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 became 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 Central Services 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. U.S. real gross domestic product is expected to increase to 2.5% in 2018; however, future growth is expected to slowly trend down to 2.0% through 2021. Job gains have remained solid even as the economy approaches full employment. The national unemployment rate has improved from 4.6% in 2016 to 4.1% in 2017 with leisure and hospitality, professional and business services, construction, and manufacturing 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. The U.S. dollar remains weaker than last year, making U.S. exports affordable. Although the global economy has improved, the outlook remains relatively weak as uncertainty around federal fiscal and trade policies continue which can have a direct impact on business in 2018.

Washington's economy is expanding at a solid pace. The unemployment rate declined from an average of 5.7% in 2016 to an average of 4.6% in 2017. During 2017, jobs in both private sector and government increased 3.1% and 2.0%, respectively. The Seattle metropolitan area added about 62,800 jobs in 2017. Approximately 41,700 of the new jobs added in 2017 were in the construction, information technology, leisure and hospitality, trade, transportation, and utilities job markets.

The Port's 2017 performance reflected the vitality of the local economy. Continued economic growth in the U.S. and relatively low oil prices contributed to a growing demand for air service. From 2016 to 2017, the enplanement growth rates for domestic and international passengers were 2.3% and 5.9%, respectively. At Sea-Tac Airport, 46.9 million passengers passed through in 2017, an increase of 2.6% from 2016 and exceeded the all-time record for the seventh consecutive year. The global cruise market continued to grow with demand for larger ships and new product innovations. For the Maritime Division, the 2017 cruise season hosted 218 vessel calls and 1,072,000 passengers, an increase of 9.0% in passengers from 2016. For the Economic Development Division, the local industrial real estate market remained strong but growth slowed while the local commercial real estate market continued to be dominated by technology companies. Overall occupancy level was at 98% in 2017, comparable to the broader Seattle market average.

Business Forecast

In 2012, the Port Commission adopted the Century Agenda, a strategic plan that set 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, along with steady growth in cruise passengers in recent years, have solidly advanced the Port in achieving its Century Agenda. The Port strives to maintain a strong financial position while continuing to invest in business operations that retain and attract customers, create jobs, assure best value and return on investment, and help position the Port for future growth.

In 2018, the Aviation Division expects aeronautical revenues, which are based on cost recovery, to increase by 9.1% compared to 2017, reflecting increases in both capital and operating costs. Anticipated revenue sharing will be $35.8 million, a 15.4% decrease from 2017, and total aeronautical revenues are budgeted to increase by 14.0%. Non-aeronautical revenues are expected to be 3.4% above 2017, due to increased enplaned passengers. Overall growth is expected particularly in Public Parking and Ground Transportation. The Airport maintains a competitive cost per enplanement ("CPE"). The 2018 CPE is budgeted at $11.35 compared to $10.45 in 2017, reflecting the Port's ongoing commitment to manage costs without compromising operational and capital needs. The Aviation Division anticipates continued passenger growth of 5.0% in 2018. To achieve long-term cost management, the Airport will continue to increase the number of continuous improvement projects and will also lead the U.S. airport industry in environmental innovation.

The Maritime Division will continue to focus on managing the cruise business, recreational marinas, Terminal 91, Fisherman's Terminal, and other maritime industrial facilities. For 2018, Cruise forecasts approximately

1,080,000 passengers, a slight increase over 2017 passengers. Grain volume is forecasted to be 4.2 million metric tons in 2018, down from 4.4 million metric tons in 2017. For 2018, occupancy rates at the recreational and commercial fishing marinas are expected to average 95% and 86%, respectively, matching or exceeding 2017 levels. Overall Maritime operating revenues are budgeted at $55.1 million, a slight increase over 2017. Net operating income ("NOI") before depreciation is expected to be $5.5 million in 2018.

The Economic Development Division focuses on developing and managing the Port's real estate portfolio, developing small business opportunities, creating quality jobs and driving economic prosperity throughout Washington State. The 2018 budget targets a 95% occupancy rate, slightly lower than the 2017 actual. Operating revenue from Bell Harbor International Conference Center in 2018 is expected to increase 2.6% from 2017.

For 2018, the Port budgeted total operating revenues of $670.5 million, a 6.1% increase from 2017. Total operating expenses are budgeted at $422.9 million, a 13.4% increase from 2017. NOI before depreciation is budgeted at $247.6 million, a 4.4% decrease from 2017. Depreciation expense is forecasted to be $163.3 million, slightly lower than 2017. NOI after depreciation is budgeted at $84.3 million, a 10.4% decrease from 2017. The total capital budget for 2018 is $895.1 million and the five-year capital improvement program is $3.1 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 2017, the Airport broke new passenger travel records, while contributing $22.5 billion in total local economic activity. The Airport remains the ninth busiest U.S. airport. To support this rapid growth, the Airport broke ground on the new International Arrivals Facility, North Satellite Modernization, and Central Terminal, major projects designed to meet growing demand and enhance customer service.

During 2017, the Airport added four new international airlines, expanding markets globally, including services to the United Kingdom, Germany, and Mexico. In March 2017, Virgin Atlantic began nonstop service from Sea-Tac to London-Heathrow using its most fuel-efficient Boeing 787-9 Dreamliner. Eurowings began nonstop seasonal flights to Cologne, Germany in July 2017 and Norwegian began service to London-Gatwick in September 2017. In November 2017, Aeromexico began daily nonstop service to Mexico City, North America's largest city. In 2018, the Airport will add three more international airlines, with services to Paris, Manchester, and Dublin.

In 2017, the Port experienced the biggest cruise season in its history, welcoming over one million passengers through its cruise terminals. The Port and Norwegian Cruise Line also opened its renovated cruise terminal at Pier 66, which was custom designed to handle the 4,000-passenger Norwegian Bliss. The vessel will be the largest on the West Coast and will travel between Seattle and Alaska in the 2018 cruise season. In 2017, the Port also successfully launched the Port Valet Service to facilitate cruise passengers checking their luggage through to the airport before disembarkation in Seattle.

During 2017, the most significant completed projects or phases in the Aviation Division related to concourse gate reconfigurations, the design and construction of the International Arrivals Facility, interim baggage handling facility enhancements, and improvements at the terminals such as modernizing Concession/Dining and Retail infrastructure and installation of staircases in Central Terminal. 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 2018 include continuing the construction for the North Satellite renovation, the Baggage System Optimization project, the South Satellite renovation, and the International Arrivals Facility. In 2017, the Port Commission approved the purchase of Salmon Bay

Marina, a five-acre property adjacent to the Port's Fishermen's Terminal facility that will support the Century Agenda goal to preserve maritime industrial property for the region's maritime activities. The key initiatives for the Maritime Division in 2018 include capital investments planned at Fishermen's Terminal, Pier 66, Shilshole Bay Marina, and Terminal 91.

The Port continues to demonstrate its commitment to reducing carbon emissions around the Airport and protecting the environment. In December 2017, the Port became the first U.S. airport operator to set a specific timetable and goal for reducing the use of fossil fuels and transitioning all airlines at the Airport to commercially competitive sustainable aviation fuels. Other initiatives include a pilot program through grants funded by the Environmental Protection Agency to improve environmental health outcomes in local communities and launching the Airport Community Ecology ("ACE") Fund, which offers grants to organizations to improve the natural environment in communities around the Airport.

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, 2016. This was the twelfth 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,

Stephen Metruck

Executive Director

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

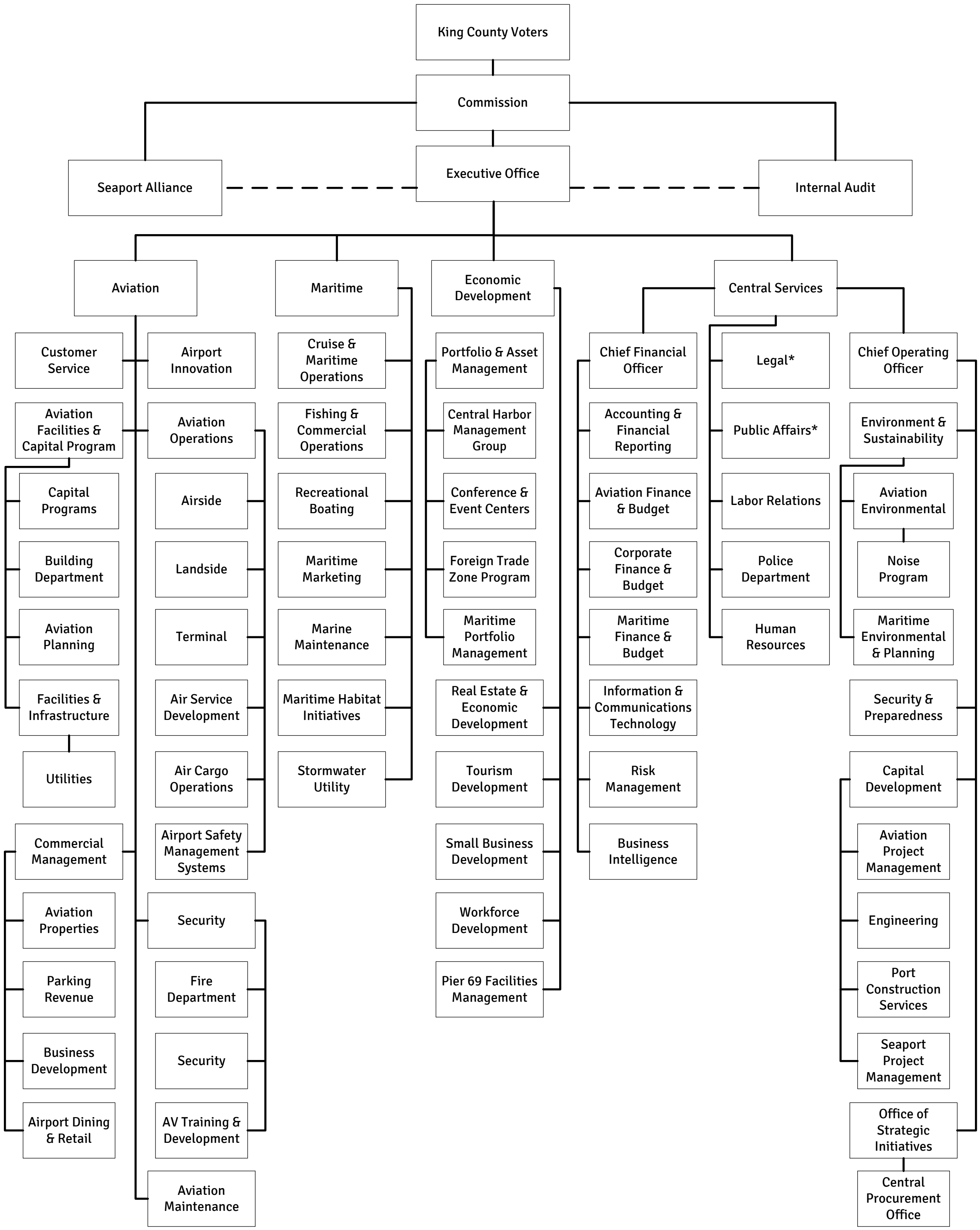
For its Comprehensive Annual Financial Report
For the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

ORGANIZATIONAL CHART FOR 2018



** General Counsel and Public Affairs Senior Director dually report to the Port's Commission and the Executive Director.*

List of Elected and Appointed Officials in 2018

Elected Board of Commissioners

Name	Office	Term Expires
Courtney Gregoire	President	December 31, 2019
Stephanie Bowman	Vice President	December 31, 2021
Ryan Calkins	Secretary	December 31, 2021
Peter Steinbrueck	Commissioner At Large	December 31, 2021
Fred Felleman	Commissioner At Large	December 31, 2019

Appointed Executive Officers and Staff

Stephen Metruck	Executive Director
Dave Soike	Chief Operating 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
Stephanie Jones Stebbins	Managing Director, Maritime Division
Ralph Graves	Senior Director, Capital Development Division
Julie Collins	Senior Director, Public Affairs
Kim DesMarais	Interim 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, 2017 and 2016 and for the years ended December 31, 2017, 2016, and 2015, 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 did not audit the financial statements of the Northwest Seaport Alliance, a joint venture, as discussed in Note 13 to the financial statements, which reflects the Port's Investment in joint venture of $103,255,000 and $65,059,000 as of December 31, 2017 and 2016, and joint venture income of $54,925,000, $61,584,000 and $0 for the years ended December 31, 2017, 2016 and 2015, respectively. 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. 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. 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 opinion.

Opinion

In our opinion, based on our audits and the report of other auditors, 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, 2017 and 2016, 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, 2017, 2016, and 2015 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, Schedule of Port of Seattle's Proportionate Share of Net Pension Asset/Liability ("NPA"/NPL") Enterprise Fund Pension Plans, Schedule of Port of Seattle Contributions Enterprise Fund Pension Plans, Schedule of Changes in Net Pension Liability and Related Ratios Warehousemen's Pension Trust Fund, Schedule of Employer Contributions Warehousemen's Pension Trust Fund, Schedule of Investment Returns Warehousemen's Pension Trust Fund, and Notes to Required Supplementary Information Warehousemen's Pension Trust Fund 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 27, 2018

PORT OF SEATTLE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 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, 2017, 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 information 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 required supplementary information ("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 declined from an average of 5.7% in 2016 to an average of 4.6% in 2017. During 2017, jobs in both private sector and government increased 3.1% and 2.0%, respectively. The Seattle metropolitan area added about 62,800 jobs in 2017. Approximately 41,700 of the new jobs added in 2017 were in the construction, information technology, leisure and hospitality, trade, transportation, and utilities job markets.

The Port's 2017 performance reflected the economic vitality of the local economy. At the Airport, 46.9 million passengers passed through in 2017, an increase of 2.6% from 2016 and exceeded the all-time record for the seventh consecutive year. For the Maritime Division, the 2017 cruise season hosted 218 vessel calls and 1,072,000 passengers, an increase of 9.0% in passengers from 2016. Grain volumes totaled 4.4 million metric tons, a decrease of 1.0% from 2016. For the Economic Development Division, overall occupancy of buildings managed by Portfolio Management was at 98% at the end of 2017, comparable to a broader Seattle market average.

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 remains 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. Starting 2016, the Port’s operating revenues included 50% of the NWSA’s changes in net position.

In 2017, the Port’s share of joint venture income was $54.9 million, a decrease of $6.7 million or 10.8% from 2016. This was due to the NWSA’s higher operating and depreciation expenses along with a $7.8 million nonoperating income recognized in 2016 from a tenant improvement related to a stormwater facility located in North Harbor.

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):

	2017	2016	2015
ASSETS:			
Current, long-term, and other assets	$ 1,654,178	$ 1,199,739	$ 1,351,677
Capital assets	5,685,346	5,505,951	5,508,198
Total assets	$ 7,339,524	$ 6,705,690	$ 6,859,875
DEFERRED OUTFLOWS OF RESOURCES	$ 56,348	$ 35,225	$ 30,633
LIABILITIES:			
Current liabilities	$ 425,379	$ 384,385	$ 379,856
Noncurrent liabilities	3,589,769	3,188,953	3,374,583
Total liabilities	$ 4,015,148	$ 3,573,338	$ 3,754,439
DEFERRED INFLOWS OF RESOURCES	$ 32,541	$ 19,230	$ 29,153
NET POSITION:			
Net investment in capital assets	$ 2,716,718	$ 2,591,049	$ 2,474,130
Restricted	403,685	343,175	318,691
Unrestricted	227,780	214,123	314,095
Total net position	$ 3,348,183	$ 3,148,347	$ 3,106,916

Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $3.3 billion as of December 31, 2017 and $3.1 billion for 2016. Total net position increased $199.8 million from 2016 to 2017 and $41.4 million from 2015 to 2016, respectively.

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 2016 to 2017 and 2015 to 2016, there was an increase of $125.7 million and $116.9 million, respectively, in net investment in capital assets. The changes in this category from 2016 to 2017 were primarily from a $179.4 million increase in total capital assets, net of accumulated depreciation, including construction work in progress. The increase in total capital assets was largely due to higher construction activities in major Aviation programs and creation of new assets, partially offset by related demolitions and ongoing depreciation. The changes in this category from 2015 to 2016 were largely due to scheduled and early principal payments of debt made in 2016.

As of December 31, 2017 and 2016, the restricted net position of $403.7 million and $343.2 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 2016 to 2017 and from 2015 to 2016, there was an increase of $60.5 million and $24.5 million, respectively, in this category. The increase in restricted net position in both years was primarily due to an increase in PFCs from enplanement growth while expenditures remained relatively constant. Capitalized interest fund and restricted debt service reserves associated with the issuance of the 2017 Intermediate Lien Revenue and Refunding Bonds further contributed to the increase from 2016. The increase in this category from 2015 to 2016 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.

As of December 31, 2017, the unrestricted net position was $227.8 million, an increase of $13.7 million from 2016 compared to a $100.0 million decline between 2016 and 2015. While the change between 2017 and 2016 was relatively flat, there was an inflow of cash proceeds from the 2017 Limited Tax General Obligation ("GO") Bonds that offset the debt issued to reimburse unrestricted cash funds for the State Route 99 ("SR 99") Alaskan Way Viaduct Replacement Program payments in 2016. This special item payment was also the reason for the decrease in unrestricted net position between 2016 and 2015. 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 increased from $297.9 million in 2016 to $310.7 million in 2017 while decreased from $305.4 million in 2015 to $297.9 million in 2016. In both periods, changes of these balances were largely attributable to the favorable operating performance of the Airport resulting from enplanement growth as well as timing of capital project spending.

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:

	2017	2016	2015
Operating revenues	$ 632,031	$ 598,467	$ 558,933
Operating expenses	372,982	325,285	317,806
Operating income before depreciation	259,049	273,182	241,127
Depreciation	165,021	164,336	163,338
Operating income	94,028	108,846	77,789
Nonoperating income—net	75,696	62,177	39,399
Capital contributions	30,112	18,108	22,804
Special item—SR 99 Viaduct expense		(147,700)	(120,000)
Increase in net position	199,836	41,431	19,992
Net position—beginning of year	3,148,347	3,106,916	3,086,924
Net position—end of year	$ 3,348,183	$ 3,148,347	$ 3,106,916

Financial Operation Highlights

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

	2017	2016	2015
OPERATING REVENUES:			
Services	$ 260,322	$ 231,326	$ 212,612
Property rentals	304,416	291,874	332,696
Customer facility charge revenues	10,641	12,121	12,663
Operating grants and contract revenues	1,727	1,562	962
Joint venture income	54,925	61,584	
Total operating revenues	$ 632,031	$ 598,467	$ 558,933

During 2017, operating revenues increased $33.6 million or 5.6% from $598.5 million in 2016 to $632.0 million in 2017. Aviation Division operating revenues increased $35.7 million with increases of $19.9 million in aeronautical revenues and $15.8 million in non-aeronautical revenues. Aeronautical revenues are based on cost recovery. The increase in Aeronautical revenues was primarily due to cost recovery on higher operating expenses to support increased airline activity, partially offset by higher revenue sharing in 2017 of $4.9 million under the terms of the airline lease agreement. The growth in non-aeronautical revenues was due to strong performance and increases in (1) Commercial Properties of $7.6 million largely due to a $5.4 million lump sum payment earned in 2017 from Des Moines Creek Business Park Phase II frontage fees, (2) Public Parking of $5.6 million from higher tariff rates and higher volume, (3) Ground Transportation revenues of $2.9 million, (4) Clubs and Lounges of $2.0 million, and (5) Airport Dining and Retail/Terminal Leased Space of $1.7 million. Rental Car revenues decreased by $2.0 million due to the growing availability of transportation alternatives such as light rail, car-sharing, and transportation network companies ("TNC"). Maritime Division operating revenues increased $3.4 million in 2017 over prior year due to increases in (1) Cruise revenues of $2.2 million from passenger growth exceeding the million-passenger mark this year and higher tariff rates, along with operating in a newly renovated Pier 66 Cruise Terminal in May 2017, and (2) Recreational Boating of $0.8 million from higher tariff rates. Economic Development Division operating revenues increased $1.9 million primarily due to increased event activity from the Conference and Events Center of $1.1 million, with an especially strong December, despite the ongoing construction of the Pier 66 Cruise Terminal expansion project and Alaskan Way street construction.

During 2016, operating revenues increased $39.6 million or 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/Terminal Leased Space of $5.9 million, (3) Ground Transportation of $4.0 million, (4) Rental Cars of $3.2 million, and (5) Commercial Properties of $1.3 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 13^{th} 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.

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

	2017	2016	2015
OPERATING EXPENSES:			
Operations and maintenance	$ 282,657	$ 237,964	$ 234,017
Administration	65,722	63,456	60,225
Law enforcement	24,603	23,865	23,564
Total operating expenses	$ 372,982	$ 325,285	$ 317,806

During 2017, operating expenses increased $47.7 million or 14.7% from $325.3 million in 2016 to $373.0 million in 2017. Aviation Division operating expenses increased $37.9 million primarily due to (1) a $12.6 million increase in payroll expenses from additional positions added in areas of Employee Screening, Construction Support, Maintenance, and Rental Car Facility transportation, driven by growth at the Airport, (2) a $5.7 million increase attributable to allocated costs from the Capital Development Division due to increases in construction activity, (3) a net increase of $4.4 million in environmental remediation costs primarily from contaminated soil related to construction at the International Arrivals Facility, (4) a $3.6 million increase from the Des Moines Creek Business Park Phase II prepaid frontage fee, and (5) an increase of $2.7 million due to a write-off of obsolete exit lane equipment previously capitalized. Maritime Division operating expenses increased $1.9 million in direct and allocated expenses. The increase was largely due to (1) increased maintenance costs from higher rates and increased activities, and (2) the launch of Port Valet program which offers cruise passengers complimentary luggage transfer from ship to plane with participating airlines and cruise lines upon disembarkation in Seattle. Economic Development Division operating expenses increased $4.3 million due to (1) higher maintenance expenses, (2) higher conference center expenses, (3) increased support from Central Services, and (4) the second year of the Economic Development Partnership Program. This Partnership Program provides grants to support economic development activities in the local community.

During 2016, operating expenses increased $7.5 million or 2.4% 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 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. 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.

As a result of the above, operating income before depreciation decreased $14.1 million from 2016 to 2017, compared to a $32.1 million increase from 2015 to 2016. Depreciation expense increased $0.7 million and $1.0 million from 2016 to 2017 and 2015 to 2016, respectively.

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

	2017	2016	2015
NONOPERATING INCOME (EXPENSE):			
Ad valorem tax levy revenues	$ 71,702	$ 71,678	$ 72,819
Passenger facility charge revenues	88,389	85,570	79,209
Customer facility charge revenues	25,790	24,715	23,540
Noncapital grants and donations	6,704	6,284	5,358
Fuel hydrant facility revenues	7,000	6,992	6,957
Investment income—net	12,174	8,448	9,122
Revenue and capital appreciation bonds interest expense	(97,748)	(105,567)	(110,128)
Passenger facility charge revenue bonds interest expense	(4,931)	(5,251)	(5,584)
General obligation bonds interest expense	(13,891)	(9,765)	(10,490)
Public expense	(4,588)	(8,560)	(5,023)
Environmental expense—net	(4,464)	(280)	(2,888)
Other (expense) income—net	(10,441)	(12,087)	(23,493)
Total nonoperating income—net	$ 75,696	$ 62,177	$ 39,399
CAPITAL CONTRIBUTIONS	$ 30,112	$ 18,108	$ 22,804
SPECIAL ITEM—SR 99 Viaduct expense		(147,700)	(120,000)

During 2017, nonoperating income—net was $75.7 million, a $13.5 million increase from 2016. Favorable increases included (1) a $2.8 million increase in PFC revenues from higher enplanements, (2) a $3.7 million increase in investment income from higher investment pool balances and interest rates, (3) a net decrease of $4.0 million in bond interest expense mainly due to savings from the issuance of 2017 Intermediate Lien Refunding Bonds, partially offset by increased interest expense from the issuance of 2017 Limited Tax GO Bonds. Further contributing to the favorable increase from 2016 to 2017 was (4) a net decrease of $4.0 million in public expense primarily due to 2016 contributions of $2.1 million to King County's South Park Bridge and $1.3 million for a third eastbound lane on State Route SR 18. The decrease in public expense was partially offset by $2.9 million in 2017 for land transferred to the City of Des Moines for stormwater facility development of the Des Moines Creek Business Park. Favorable increases to nonoperating income was offset by a net increase of $4.2 million in environmental expenses primarily related to the completion of contract closeout settlement negotiations for sediments at Terminal 117 and refined cost estimates for cleanup at Terminal 30 from a new agreed order with the Department of Ecology.

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 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.

Capital Contributions increased $12.0 million over 2016 primarily due to (1) a $13.5 million tenant improvement from Norwegian Cruise Lines ("NCL"), under the terms of the lease agreement, to share capital costs in renovation and expansion of Pier 66 Cruise Terminal, and (2) significant increases in Transportation Security Administration grant revenues relating to the surveillance systems and checked baggage optimization programs at the Airport. These amounts were offset by a continuing decline in grant revenues from the Airport Improvement Program with the completion of the Third Runway embankment and Center Runway construction reimbursable work.

During 2016, capital contributions decreased $4.7 million 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.

The Port recorded its final payment of $147.7 million to the Washington State Department of Transportation ("WSDOT") for the SR 99 Alaskan Way Viaduct Replacement Program as a special item in 2016 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 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 2017 and 2016 was $199.8 million and $41.4 million, respectively. The single largest contributing factor to the $158.4 million increase between the two years was due to the 2016 special 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):

	2017	2016	2015
Total assets	$ 9,879	$ 9,066	$ 9,191
Total liabilities	5	5	5
Total fiduciary net position	$ 9,874	$ 9,061	$ 9,186
Total additions	$ 2,852	$ 2,054	$ 1,384
Total deductions	(2,039)	(2,179)	(2,182)
Increase(decrease) in fiduciary net position	813	(125)	(798)
Fiduciary net position—beginning of year	9,061	9,186	9,984
Fiduciary net position—end of year	$ 9,874	$ 9,061	$ 9,186

Total fiduciary net position as of December 31, 2017 increased by $0.8 million from December 31, 2016 due to an increase in the fair value of investments.

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

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, 2017, amounted to $5.7 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 increased $179.4 million over 2016.

In 2017, the Port's expenditures for capital construction projects totaled $350.7 million of which $321.8 million, $16.2 million, and $4.0 million related to Aviation Division, Maritime Division, and Economic Development Division, respectively. Major Aviation projects spending included $111.4 million for the design and construction of the new International Arrivals Facility; $68.5 million for the North Satellite expansion and renovation; $32.0 million related to Terminal Facilities, such as Concourse D Hardstand Holding Room, Concourse B and C roof replacement, stair case installation in Central Terminal, and carpet replacement in Concourse B and C; $28.4 million related to electrical infrastructure improvements; $23.7 million for interim baggage handling facility enhancements prior to the completion of Baggage Optimization Project slated for 2023; and $22.9 million related to concourse gate reconfiguration and improvements. The most significant Maritime project spending of $14.7 million was for renovation and expansion of Pier 66 Cruise Terminal, a jointly funded project between the Port and NCL.

During 2017, capital construction projects totaling $141.8 million were completed and placed in service as capital assets. The most significant completed projects or phases were in the Aviation Division, including $26.2 million for concourse gate reconfiguration, improvements and operations; $22.3 million for the design and construction of the International Arrivals Facility; $14.9 million in interim baggage handling facility enhancements; and $13.9 million in the air terminal modernizing Concession Dining/Retail Infrastructure, installing stair cases in Central Terminal and replacing carpeting in Concourse B and C along with electrical infrastructure improvements. The Maritime Division completed the renovation and expansion of Pier 66 Cruise

Terminal with its grand re-opening in May 2017. The Cruise Terminal featured three times the square footage within the same walls of the prior facility and was custom designed for the 4,000-passenger Norwegian Bliss, which will become the largest cruise ship on the West Coast when it debuts in the 2018 Alaska season.

During 2017, 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.

In December 2017, the Port Commission approved the purchase of Salmon Bay Marina for $15.7 million, with closing expected in June 2018, to preserve maritime industrial property for Puget Sound region maritime activities.

Additional information on the Port's capital assets can be found in Note 4 in the accompanying notes to the financial statements.

DEBT ADMINISTRATION

As of December 31, 2017, the Port had outstanding revenue bonds and commercial paper of $2.8 billion, a $273 million increase from 2016 due to the issuance of new revenue bonds, partially offset by scheduled principal payments, early extinguishment of debt, and the refunding of existing revenue bonds.

In August, 2017, the Port issued $688.2 million in Series 2017ABCD Intermediate Lien Revenue and Refunding Bonds to fully refund the outstanding Series 2009A First Lien Revenue Bonds, to partially refund the outstanding Series 2009B-1 First Lien Revenue Bonds, to pay for or reimburse costs of capital improvements to Airport facilities, to pay a portion of the interest during construction on the 2017C and 2017D bonds, to pay the costs of issuing the bonds, and to contribute to the Intermediate Lien Common Reserve Fund.

As of December 31, 2017, the Port had outstanding GO bonds of $388.4 million, a $104.7 million increase from 2016 due to the issuance of GO bonds, partially offset by scheduled principal payments. In March 2017, the Port issued $127.3 million in Series 2017 Limited Tax GO Bonds, which were used to reimburse the Port for its 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.

As of December 31, 2017, the Port had outstanding PFC Revenue bonds of $97.6 million, a $13.2 million decrease from 2016 due to a scheduled principal payment.

As of December 31, 2017, the Port had outstanding Fuel Hydrant Special Facility Revenue bonds of $76.1 million, a $3.3 million decrease from 2016 due to a scheduled principal payment.

Since May 2003, the Airport's 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, 2017. 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	AA-	Aaa	AAA
First lien revenue bonds	AA	Aa2	AA-
Intermediate lien revenue bonds	AA-	A1	A+
Subordinate lien revenue bonds	AA-	A2	A+
Passenger facility charge revenue bonds	A+	A1	A+
Fuel hydrant special facility revenue bonds		A2	A-

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, 2017 AND 2016

(In thousands)

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	$ 39,809	$ 51,453
Restricted cash and cash equivalents:		
Bond funds and other	34,930	40,009
Fuel hydrant assets held in trust	3,784	3,633
Short-term investments	194,497	237,050
Restricted short-term investments: Bond funds and other	193,253	191,508
Accounts receivable, less allowance for doubtful accounts of $877 and $858	49,468	43,898
Related party receivable—joint venture	5,070	10,527
Grants-in-aid receivable	11,785	8,353
Taxes receivable	1,221	1,314
Materials and supplies	6,409	6,585
Prepayments and other current assets	6,251	7,960
Total current assets	546,477	602,290
NONCURRENT ASSETS:		
Long-term investments	487,046	283,559
Restricted long-term investments:		
Bond funds and other	492,195	232,048
Fuel hydrant assets held in trust	5,914	5,789
Investment in joint venture	103,255	65,059
Net pension asset	16,197	6,728
Long-term receivable	381	199
Other long-term assets	2,713	4,067
CAPITAL ASSETS:		
Land and air rights	1,997,586	2,000,919
Facilities and improvements	5,183,877	5,095,806
Equipment, furniture, and fixtures	462,724	459,207
Total capital assets	7,644,187	7,555,932
Less accumulated depreciation	(2,381,141)	(2,263,416)
Construction work in progress	422,300	213,435
Total capital assets—net	5,685,346	5,505,951
Total noncurrent assets	6,793,047	6,103,400
Total assets	7,339,524	6,705,690
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred loss on refunding bonds	40,391	12,781
Deferred charges on net pension asset and liability	15,957	22,444
Total deferred outflows of resources	56,348	35,225
TOTAL	$ 7,395,872	$ 6,740,915

See notes to financial statements.

	2017	2016
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 148,640	$ 123,028
Related party payable—joint venture	4,431	7,030
Payroll and taxes payable	40,173	36,152
Bonds interest payable	39,779	36,384
Customer advances	16,706	13,221
Current maturities of long-term debt	175,650	168,570
Total current liabilities	425,379	384,385
NONCURRENT LIABILITIES:		
LONG-TERM LIABILITIES:		
Net pension liability	87,954	107,596
Environmental remediation liability	33,017	42,381
Bonds interest payable	18,683	15,832
Other postemployment benefits obligation	10,302	10,424
Lease securities and other long-term liability	6,187	5,106
Total long-term liabilities	156,143	181,339
LONG-TERM DEBT:		
Revenue and capital appreciation bonds	2,866,439	2,538,942
General obligation bonds	403,999	285,533
Passenger facility charge revenue bonds	85,250	101,076
Fuel hydrant special facility revenue bonds	77,938	82,063
Total long-term debt	3,433,626	3,007,614
Total noncurrent liabilities	3,589,769	3,188,953
Total liabilities	4,015,148	3,573,338
DEFERRED INFLOWS OF RESOURCES:		
Deferred gain on refunding bonds	13,271	15,390
Deferred credits on net pension asset and liability	19,270	3,840
Total deferred inflows of resources	32,541	19,230
NET POSITION:		
Net investment in capital assets	2,716,718	2,591,049
Restricted for:		
Debt service reserves	205,722	177,572
Passenger facility charges	168,395	135,317
Customer facility charges	12,344	16,129
Grants and other	17,224	14,157
Unrestricted	227,780	214,123
Total net position	3,348,183	3,148,347
TOTAL	$ 7,395,872	$ 6,740,915

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, 2017, 2016 AND 2015

(In thousands)

	2017	2016	2015
OPERATING REVENUES:			
Services	$ 260,322	$ 231,326	$ 212,612
Property rentals	304,416	291,874	332,696
Customer facility charge revenues	10,641	12,121	12,663
Operating grants and contract revenues	1,727	1,562	962
Joint venture income	54,925	61,584	
Total operating revenues	632,031	598,467	558,933
OPERATING EXPENSES:			
Operations and maintenance	282,657	237,964	234,017
Administration	65,722	63,456	60,225
Law enforcement	24,603	23,865	23,564
Total operating expenses	372,982	325,285	317,806
NET OPERATING INCOME BEFORE DEPRECIATION	259,049	273,182	241,127
DEPRECIATION	165,021	164,336	163,338
OPERATING INCOME	94,028	108,846	77,789
NONOPERATING INCOME (EXPENSE):			
Ad valorem tax levy revenues	71,702	71,678	72,819
Passenger facility charge revenues	88,389	85,570	79,209
Customer facility charge revenues	25,790	24,715	23,540
Noncapital grants and donations	6,704	6,284	5,358
Fuel hydrant facility revenues	7,000	6,992	6,957
Investment income—net	12,174	8,448	9,122
Revenue and capital appreciation bonds interest expense	(97,748)	(105,567)	(110,128)
Passenger facility charge revenue bonds interest expense	(4,931)	(5,251)	(5,584)
General obligation bonds interest expense	(13,891)	(9,765)	(10,490)
Public expense	(4,588)	(8,560)	(5,023)
Environmental expense—net	(4,464)	(280)	(2,888)
Other (expense) income—net	(10,441)	(12,087)	(23,493)
Total nonoperating income—net	75,696	62,177	39,399
INCOME BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEM	169,724	171,023	117,188
CAPITAL CONTRIBUTIONS	30,112	18,108	22,804
INCOME BEFORE SPECIAL ITEM	199,836	189,131	139,992
SPECIAL ITEM—SR 99 Viaduct expense		(147,700)	(120,000)
INCREASE IN NET POSITION	199,836	41,431	19,992
TOTAL NET POSITION:			
Beginning of year	3,148,347	3,106,916	3,086,924
End of year	$ 3,348,183	$ 3,148,347	$ 3,106,916

See notes to financial statements.

PORT OF SEATTLE — ENTERPRISE FUND

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(In thousands)

	2017	2016	2015
OPERATING ACTIVITIES:			
Cash received from customers	$ 573,286	$ 521,064	$ 584,730
Cash received from joint venture for support services provided	7,127	8,514	
Customer facility charge receipts	10,641	12,121	12,663
Cash paid to suppliers for goods and services	(145,560)	(125,011)	(111,235)
Cash paid to employees for salaries, wages and benefits	(216,157)	(196,623)	(198,466)
Operating grants and contract revenues	1,727	1,562	962
Other	(3,039)	(1,626)	(2,571)
Net cash provided by operating activities	228,025	220,001	286,083
NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance and sale of GO bonds	147,700		120,006
Principal payments on GO bonds	(2,440)	(2,320)	
Interest payments on GO bonds	(6,579)	(4,681)	(2,804)
Cash paid for special item—SR 99 Viaduct expense		(147,700)	(120,000)
Cash paid for environmental remediation liability	(13,081)	(5,457)	(9,032)
Public expense disbursements	(1,827)	(7,764)	(5,360)
Ad valorem tax levy receipts	71,796	71,753	72,941
Noncapital grants and contract revenues	7,647	6,284	5,358
Proceeds from assets held for sale			14,207
Environmental recovery receipts	6,945	2,655	2,746
Receipts from implicit financing			2,236
Net cash provided by (used in) noncapital and related financing activities	210,161	(87,230)	80,298
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	758,375	302,959	704,501
Proceeds used for refunding of revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, and PFC bonds	(328,799)	(319,620)	(376,938)
Principal payments on revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, PFC bonds, and commercial paper	(148,355)	(138,585)	(171,030)
Interest payments on revenue bonds, GO bonds, PFC bonds, fuel hydrant special facility revenue bonds, and commercial paper	(136,490)	(144,770)	(131,777)
Acquisition and construction of capital assets	(338,402)	(179,180)	(192,023)
Deposits and proceeds from sale of capital assets	240	3,830	253
Receipts from capital contributions	9,904	20,307	21,545
Passenger facility charge receipts	87,441	82,130	78,152
Customer facility charge receipts	25,880	24,716	24,117
Fuel hydrant facility revenues	7,000	6,993	6,957
Net cash used in capital and related financing activities	$ (63,206)	$ (341,220)	$ (36,243)

See notes to financial statements.

(Continued)

PORT OF SEATTLE — ENTERPRISE FUND

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(In thousands)

	2017	2016	2015
INVESTING ACTIVITIES:			
Purchases of investment securities	$ (864,131)	$ (296,292)	$ (560,615)
Proceeds from sales and maturities of investments	437,867	577,585	161,953
Interest received on investments	15,640	12,654	9,128
Cash used to fund investment in joint venture	(37,435)	(59,408)	
Cash distributions received from joint venture	56,660	47,542	
Net cash (used in) provided by investing activities	(391,399)	282,081	(389,534)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS (including $525, $678, and $1,027 restricted cash and cash equivalents of fuel hydrant assets held in trust reported as restricted long-term investments, respectively)	(16,419)	73,632	(59,396)
CASH AND CASH EQUIVALENTS:			
Beginning of year	94,417	20,785	80,181
End of year	$ 77,998	$ 94,417	$ 20,785
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:			
Operating income	$ 94,028	$ 108,846	$ 77,789
Miscellaneous nonoperating expense	(3,039)	(1,626)	(2,571)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	165,021	164,336	163,338
(Increase) Decrease in assets:			
Investment in joint venture	(54,925)	(61,584)	
Accounts receivable	82	311	(3,744)
Materials and supplies, prepayments and other	3,625	7,315	3,188
Net pension asset	(9,469)	5,173	2,795
Decrease (Increase) in deferred outflows of resources:			
Deferred charges on net pension asset and liability	6,287	(8,213)	(6,948)
Increase (Decrease) in liabilities:			
Accounts payable and accrued expenses	19,362	(1,093)	46,306
Payroll and taxes payable	3,895	2,990	(4,408)
Lease securities and customer advances	4,627	1,636	6,364
Net pension liability	(18,162)	11,612	20,938
Environmental remediation liability	2,010	2,276	1,591
Other postemployment benefits obligation	(122)	737	209
Increase (Decrease) in deferred inflows of resources:			
Deferred credits on net pension asset and liability	14,805	(12,715)	(18,764)
Net cash provided by operating activities	$ 228,025	$ 220,001	$ 286,083
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Net unrealized investment (loss) gain	$ (6,069)	$ (5,110)	$ (815)
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, 2017 AND 2016

(In thousands)

	2017	2016
ASSETS:		
Cash and cash equivalents	$ 121	$ 134
Investments in mutual fund—fair value:		
Fixed income	3,582	3,446
Domestic equities	3,106	2,753
International equities	2,932	2,589
Total investments	9,620	8,788
Other assets	138	144
Total assets	9,879	9,066
LIABILITIES:		
Accounts payable	5	5
NET POSITION RESTRICTED FOR PENSIONS	$ 9,874	$ 9,061

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, 2017, 2016 AND 2015
(In thousands)

	2017	2016	2015
ADDITIONS:			
Employer contributions	$ 1,500	$ 1,500	$ 1,500
Investment income:			
Net appreciation (depreciation) in fair value of investments	1,152	357	(308)
Dividends	230	227	227
Less investment expenses	(30)	(30)	(35)
Net investment income (loss)	1,352	554	(116)
Total additions	2,852	2,054	1,384
DEDUCTIONS:			
Benefits	1,946	2,093	2,079
Administrative expenses	46	45	46
Professional fees	47	41	57
Total deductions	2,039	2,179	2,182
Net increase (decrease) in net position	813	(125)	(798)
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of year	9,061	9,186	9,984
End of year	$ 9,874	$ 9,061	$ 9,186

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.

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 17 foreign-flag passenger air carriers providing nonstop service from the Airport to 110 cities, including 25 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 ("GAAP") 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 more significant Port's accounting policies are described below.

Use of Estimates—The preparation of the Port's financial statements in conformity with GAAP 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 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 2017 and 2016, 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
2017	$ 1,010	$ 13,528	$ (15,589)	$ 1,630	$ 579
2016	946	11,601	(13,235)	1,698	1,010
2015	1,070	12,295	(14,224)	1,805	946

Employee Benefits—Eligible Port employees accrue paid time off and sick leave. 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 sick leave 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 sick leave 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. In accordance with an amendment to the 401(a) Police Retirement Plan and Trust, the Port also contributes to the Plan and Trust in lieu of pension contributions for certain eligible uniformed law enforcement officers who are precluded by state law from participating in the Washington State PERS or LEOFF retirement plans. 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.

By and large, all eligible Port employees participate in the statewide public employee retirement plans administered by the Washington State Department of Retirement Systems ("DRS"). In addition, the Port is the sole administrator of the Warehousemen's Pension Plan and Trust for former eligible represented employees from the terminated Port's warehousing operations at Terminal 106.

The following tables represent the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for the years ended December 31 (in thousands):

	DRS	Warehousemen's Pension Plan	Total
2017			
Pension assets	$ 16,197	$	$ 16,197
Pension liabilities	77,832	10,122	87,954
Deferred outflows of resources	15,600	357	15,957
Deferred inflows of resources	18,646	624	19,270
Pension expense	8,331	846	9,177
2016			
Pension assets	$ 6,728	$	$ 6,728
Pension liabilities	95,995	11,601	107,596
Deferred outflows of resources	21,886	558	22,444
Deferred inflows of resources	3,840		3,840
Pension expense	8,751	2,116	10,867

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 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—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 was 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 2017 revenue requirements and invoices billed in 2017 for each cost center and for all airlines, including revenue sharing, have been reflected in the 2017 financial statements. SLOA III expired on December 31, 2017 and is on holdover status. On February 27, 2018, the Port Commission approved a Signatory Lease and Operating Agreement ("SLOA IV") which is materially similar to SLOA III. SLOA IV will be in effect for the period of January 1, 2018 through December 31, 2022.

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 that 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 Liability—The Port's policy requires accrual of environmental remediation liability amount 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 a 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 liability. Costs incurred for environmental remediation liability is typically recorded as nonoperating environmental expense unless the expenditure relates to the Port's principal ongoing operations, in which case it is recorded as operating expense. Costs incurred for environmental cleanups 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, 2017 and 2016, the total defeased, but unredeemed, bonds outstanding totaled $277,470,000 and $1,375,000, 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 $120,000,000 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 $147,700,000 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 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. This standard did not apply to the Port.

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 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. This standard did not apply to the Port.

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. This standard did not apply to the Port.

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 reporting periods beginning after June 15, 2016, except for the requirements for the selection of assumptions that deviate from the guidance in an Actuarial Standard of Practice in which the requirements are effective for an employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Port adopted this statement in 2017 and the required disclosure can be found in the RSI.

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.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* This statement establishes criteria for identifying fiduciary activities of all state and local government and addresses how those activities should be reported. This statement is effective for periods beginning after December 15, 2018. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The statement addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The 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 May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This statement addresses accounting and financial reporting requirement for in-substance defeasance of debt in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The statement also requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of the debt to calculate the difference between the reacquisition price and the net carrying amount of the debt. The 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 June 2017, the GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use another entity's nonfinancial assets ("the underlying asset") in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, with the exception of certain regulated leases, such as SLOA IV, and a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The statement is effective for periods beginning after December 15, 2019. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

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 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 U.S. 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, 2017 and 2016, 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, 2017 and 2016, restricted investments—bond funds and other were $720,378,000 and $463,565,000, 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 on the following page 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, 2017 and 2016, the Port's investment pool had 5.2% and 5.7%, 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
2017					
Repurchase agreements *	$ 74,739	$ 74,739	$	$	5.2 %
Level 1					
U.S. Treasury Notes	550,771	229,259	253,112	68,400	38.3
Level 2					
Federal agencies securities:					
Federal Farm Credit Banks	290,834	70,831	90,097	129,906	20.2
Federal Home Loan Bank	268,874	65,369	128,510	74,995	18.7
Federal Home Loan Mortgage Corporation	160,212	9,982	29,793	120,437	11.2
Federal National Mortgage Association	91,598	9,943	24,892	56,763	6.4
Total portfolio	$ 1,437,028	$ 460,123	$ 526,404	$ 450,501	100.0 %
Accrued interest receivable	4,702				
Total cash, cash equivalents and investments	$ 1,441,730				
Percentage of total portfolio	100.0 %	32.0 %	36.6 %	31.4 %	
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 %	

* Includes $4,679,000 and $2,020,000 of cash as of December 31, 2017 and 2016, 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, 2017 and 2016, 33.6% and 31.4%, respectively, of the Fuel Hydrant Investment Pool were invested in 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.

		Maturities (in Years)			Percentage
Investment type	Fair value	Less than 1	1–3	More than 3	of total portfolio
2017					
Wells Fargo Government Institutional Money Market	$ 3,259	$ 3,259	$	$	33.6 %
Level 1					
U.S. Treasury Notes	2,988	2,988			30.9
Level 2					
Federal agencies securities:					
Federal Home Loan Bank	1,956		989	967	20.2
Federal National Mortgage Association	1,480		1,480		15.3
Total portfolio	$ 9,683	$ 6,247	$ 2,469	$ 967	100.0 %
Accrued interest receivable	15				
Total cash, cash equivalents and investments	$ 9,698				
Percentage of total portfolio	100.0 %	64.5 %	25.5 %	10.0 %	

(Continued)

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	$ 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 %	

(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 2017 and 2016, the modified duration of the portfolio was approximately 2.2 and 2.3, respectively. Securities in the portfolio cannot have a maturity longer than ten years from the settlement date.

As of December 31, 2017 and 2016, the modified duration of the Fuel Hydrant Investment Pool were approximately 1.1 and 1.3, respectively. As of December 31, 2017 and 2016, $3,259,000 and $2,955,000, 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. 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, 2017, 2016, and 2015, the Port recognized contingent rent of $310,932,000, $280,620,000, and $265,570,000, 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):

2018	$ 93,318
2019	89,113
2020	81,275
2021	72,257
2022	70,976
Thereafter	405,182
Total	$ 812,121

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: $7,023,000 for 2018, $7,022,000 for 2019, $7,022,000 for 2020, $7,022,000 for 2021, $7,023,000 for 2022, and $68,881,000 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 4. CAPITAL ASSETS

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

	Beginning balance	Additions	Retirements	Ending balance
2017				
Capital assets, not being depreciated:				
Land and air rights	$2,000,919	$ 781	$ (4,114)	$1,997,586
Art collections and others	9,017			9,017
Total	2,009,936	781	(4,114)	2,006,603
Capital assets being depreciated:				
Facilities and improvements	5,095,576	114,515	(26,444)	5,183,647
Equipment, furniture, and fixtures	450,420	39,944	(36,427)	453,937
Total	5,545,996	154,459	(62,871)	5,637,584
Total capital assets	7,555,932	155,240	(66,985)	7,644,187
Less accumulated depreciation for:				
Facilities and improvements	(1,995,995)	(136,251)	11,956	(2,120,290)
Equipment, furniture, and fixtures	(267,421)	(28,770)	35,340	(260,851)
Total	(2,263,416)	(165,021)	47,296	(2,381,141)
Construction work in progress	213,435	350,673	(141,808)	422,300
Total capital assets—net	$5,505,951	$ 340,892	$ (161,497)	$5,685,346
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

For the years ended December 31, 2017 and 2016, net loss on sale and disposition of capital assets of $16,511,000 and $9,062,000, respectively, was recorded in nonoperating other (expense) income—net in the Statement of Revenues, Expenses, and Changes in Net Position. In 2017, the Aviation Division recognized losses of $15,714,000 from demolitions, retirement and sale of capital assets. The most significant losses were retirements of $4,551,000 related to the Baggage System; $2,915,000 from the North Satellite expansion and renovation program; $1,355,000 from the design and reconstruction of the 16C-34C Runway; $1,278,000 from the retirement of obsolete assets related to construction of the International Arrivals Facility; $1,195,000 from the replacement of the parking revenue control system at the Airport garage with a new system; $1,137,000 from the removal of the existing electrical system in Air Cargos 2 and 6 replaced with new 400 Hz Vaults; and a $1,062,000 loss from the sale of land located in the City of Burien to WSDOT for use in construction of State Route 518/Des Moines Memorial Drive Interchange Improvements. Additionally, the Port recognized $610,000 in losses from the sale of 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.

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 HVAC 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 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.

The Port completed its acquisition of the 42-mile Corridor from BNSF Railway in December 2009, as a key step to preserve it for public ownership. 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 Corridor. 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 December 2017, the Port Commission approved the purchase of Salmon Bay Marina for $15,679,000, with closing expected in June 2018, which supports the Century Agenda goal in preserving maritime industrial property for the region's maritime activities. The property is an existing marina strategically located next to Fishermen's Terminal with potential for uplands development.

NOTE 5. LONG-TERM DEBT

The Port's long-term debt outstanding as of December 31, 2017 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	915	915		
Series 2009 A	5.25	2017	20,705	20,705		
Series 2009 B-1	5.74	2018–2019	271,655	258,945		12,710
Series 2009 B-2	0 *	2025–2031	22,000			22,000
Series 2011 A	4	2017	2,110	2,110		
Series 2011 B	5	2018–2026	83,680	5,370		78,310
Series 2016 A	3–5	2018–2019	19,565	7,135		12,430
Series 2016 B	3–5	2019–2032	124,380			124,380
Series 2016 C	1.1–3.32	2018–2032	6,180	65		6,115
Total			587,790	295,245		292,545
Intermediate lien:						
Series 2010 A	4	2017	1,100	1,100		
Series 2010 B	4.25–5	2018–2040	210,895	4,695		206,200
Series 2010 C	5	2018–2024	115,190	12,055		103,135
Series 2012 A	3–5	2018–2033	323,415	10,200		313,215
Series 2012 B	3–5	2018–2024	125,435	13,540		111,895
Series 2012 C	2.062	2017	7,050	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	2018–2035	272,005	16,815		255,190
Series 2015 C	5	2018–2040	225,475	2,975		222,500
Series 2016	4–5	2025–2030	99,095			99,095
Series 2017 A	5	2027–2028			16,705	16,705
Series 2017 B	1.5–3.755	2018–2036		1,880	264,925	263,045
Series 2017 C	5–5.25	2019–2042			313,305	313,305
Series 2017 D	5	2018–2027			93,230	93,230
Total			1,578,825	70,310	688,165	2,196,680
Subordinate lien:						
Series 1997	1.44 **	2022	64,940	18,915		46,025
Series 1999 A	5.5	2018–2020	53,175	12,245		40,930
Series 2008	1.44 **	2033	184,495	8,475		176,020
Commercial paper	1.3	2018	29,655	10,000		19,655
Total			332,265	49,635		282,630
Revenue bond totals			$ 2,498,880	$ 415,190	$ 688,165	$ 2,771,855

(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, 2017.

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	2018–2019	$ 9,715	$ 3,075	$	$ 6,640
Series 2011	5.25–5.75	2018–2025	49,665	4,555		45,110
Series 2013 A	4–5	2021–2023	27,630			27,630
Series 2013 B	1.22–2.77	2018–2025	44,410	9,935		34,475
Series 2015	4–5	2018–2040	152,200	5,040		147,160
Series 2017	5	2018–2042			127,345	127,345
Total			283,620	22,605	127,345	388,360
Passenger facility charge revenue bonds:						
Series 1998 A	5.5	2018–2019	31,020			31,020
Series 2010 A	5	2020–2023	79,770	13,220		66,550
Total			110,790	13,220		97,570
Fuel Hydrant special facility revenue bonds:						
Series 2013	3.45–5	2018–2033	79,460	3,325		76,135
Total			79,460	3,325		76,135
Bond totals			2,972,750	454,340	815,510	3,333,920
Unamortized bond premium (discount)—net			203,434			275,356
Total debt			3,176,184			3,609,276
Less current maturities of long-term debt						
First lien revenue bonds			(19,090)			(19,425)
Intermediate lien revenue bonds			(68,430)			(79,095)
Subordinate lien revenue bonds			(41,900)			(32,575)
General obligation bonds			(22,605)			(25,970)
Passenger facility charge revenue bonds			(13,220)			(15,095)
Fuel Hydrant special facility revenue bonds			(3,325)			(3,490)
Total current maturities of long-term debt			(168,570)			(175,650)
Long-term debt			$ 3,007,614			$ 3,433,626

(Concluded)

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 revenues available to pay revenue bond debt service.

In August 2017, the Port issued $688,165,000 in Series 2017ABCD Intermediate Lien Revenue and Refunding Bonds. Series 2017A, $16,705,000, were used to fully refund the outstanding Series 2009A First Lien Revenue Bonds. Series 2017B, $264,925,000, were used to partially refund the outstanding 2009B-1 First Lien Revenue Bonds. Series 2017C and 2017D, $313,305,000 and $93,230,000, respectively, are being used to pay for or reimburse costs of capital improvements to Airport facilities, and to pay a portion of the interest during construction on the 2017C and 2017D 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 Common Reserve Fund. The bonds have coupon rates ranging from 1.27% to 5.25% with maturities ranging from 2017 to 2042. The interest on the Series 2017 Intermediate Lien Bonds is payable on May 1 and November 1 of each year, commencing on November 1, 2017. Certain maturities of Series 2017ABC Bonds are subject to optional redemption by the Port prior to their scheduled maturities and certain maturities of the Series 2017B and Series 2017C are also subject to mandatory sinking fund redemption. Series 2017D Bonds are not subject to redemption prior to their scheduled maturities. The economic gain resulting from the 2009AB refunding transaction was $80,792,000, while the Port also decreased its aggregate debt service payments by $133,778,000 over the life of the refunding bonds.

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 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.

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, 2017 and 2016, the accreted value of the Series 2009B-2 Taxable Capital Appreciation Revenue Bonds was $40,684,000 and $37,833,000, 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 Variable Rate Demand Bonds ("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, 2017 has decreased to $46,555,000 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%.

  In July 2017 and September 2016, the Port made early principal payments of $18,915,000 and $7,115,000, respectively, to outstanding Series 1997 VRDB.

- *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, 2017 has decreased to $179,087,000 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%.

  In September 2017 and 2016, the Port made early principal payments of $8,475,000 and $8,230,000, respectively, to outstanding Series 2008 VRDB.

There were no borrowings drawn against either LOC during 2017 and 2016, and therefore there were no outstanding obligations to either LOC provider at December 31, 2017 and 2016.

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 $19,655,000 and $29,655,000 at December 31, 2017 and 2016, 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.

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, 2017 and 2016, there were $9,683,000 and $9,404,000, 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 $72,645,000 and $76,135,000, respectively, are included in long-term debt as of December 31, 2017 and 2016.

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, 2017 and 2016.

Capitalized Interest—Interest expense costs capitalized were $9,536,000 and $4,649,000 as of December 31, 2017 and 2016, 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, 2017 are as follows (in thousands):

	Principal	Interest	Total
2018	$ 175,650	$ 148,311	$ 323,961
2019	171,720	140,881	312,601
2020	182,635	132,659	315,294
2021	189,675	124,082	313,757
2022	237,905	115,022	352,927
2023–2027	804,645	473,139	1,277,784
2028–2032	693,705	302,734	996,439
2033–2037	620,475	112,821	733,296
2038–2042	257,510	27,277	284,787
Total	$ 3,333,920	$ 1,576,926	$ 4,910,846

NOTE 6. CONDUIT DEBT

The Port has conduit debt obligations totaling $74,725,000 at December 31, 2017 and 2016, 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, 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
2017						
Net pension liability	$107,596	$ 5,435	$(25,077)	$ 87,954	$	$ 87,954
Environmental remediation liability	55,088	19,691	(23,236)	51,543	18,526	33,017
Bonds interest payable	15,832	2,851		18,683		18,683
Other postemployment benefits obligation	10,424	667	(789)	10,302		10,302
Lease securities and other	5,106	1,378	(297)	6,187		6,187
Total	$194,046	$ 30,022	$(49,399)	$174,669		
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
Unearned revenues	284		(284)			
Lease securities and other	16,817	1,467	(13,178)	5,106		5,106
Total	$190,357	$ 43,249	$(39,560)	$194,046		

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 years ended December 31 were as follows:

	Effective date	PERS Plan 1	PERS Plan 2	PERS Plan 3
2017				
Port	Jan 1 to Jun 30	11.00 %	11.00 %	11.00 %
	Jul 1 to Dec 31	12.52	12.52	12.52
Plan member	Jan 1 to Jun 30	6.00	6.12	varies
	Jul 1 to Dec 31	6.00	7.38	varies
2016				
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 years ended December 31, the Port's employer contributions, excluding administrative expense, made to the PERS Plan 1 and PERS Plan 2/3 were as follows (in thousands):

	PERS Plan 1	PERS Plan 2/3
2017	$ 151	$ 12,882
2016	164	10,979
2015	146	9,761

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 years ended December 31 were as follows:

	Effective date	LEOFF Plan 2 (Fire fighters)	LEOFF Plan 2 (Police officers)
2017			
Port	Jan 1 to Jun 30	5.05 %	8.41 %
	Jul 1 to Dec 31	5.25	8.75
Plan member	Jan 1 to Jun 30	8.41	8.41
	Jul 1 to Dec 31	8.75	8.75
2016			
Port	Jan 1 to Dec 31	5.05 %	8.41 %
Plan member	Jan 1 to Dec 31	8.41	8.41

For the years ended December 31, 2017, 2016, and 2015, the Port's employer contributions, excluding administrative expenses, made to the LEOFF Plan 2 were $1,723,000, $1,663,000, and $1,596,000, respectively.

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

At December 31, 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
2017				
Port's proportionate share of the net pension (liability) asset	$ (40,683)	$ (37,149)	$ 1,144	$ 15,053
State's proportionate share of the net pension asset associated with the Port				9,765
Total	$ (40,683)	$ (37,149)	$ 1,144	$ 24,818
2016				
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

For the years ended December 31, 2017 and 2016, the net pension asset (liability) was measured as of June 30, 2017 and June 30, 2016, respectively, and the total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation as of June 30, 2016 and June 30, 2015, respectively. 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
2017	0.86 %	1.07 %	0.08 %	1.08 %
2016	0.83	1.02	0.07	1.03
Increase from 2016 to 2017	0.03 %	0.05 %	0.01 %	0.05 %

For the years ended December 31, 2017, 2016, and 2015, Port's total operating revenues included ($391,000), $595,000, and ($260,000), respectively for support provided by the State for LEOFF Plan 2, along with the following pension expenses (in thousands):

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2017	$ 4,051	$ 5,503	$ (199)	$ (1,024)
2016	(50)	7,372	(105)	1,534
2015	4,369	5,401	(179)	(706)

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

2017	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
Deferred outflows of resources				
Differences between expected and actual experience	$	$ 3,764	$	$ 662
Changes of assumptions		395		18
Changes in proportion and differences between Port contributions and proportionate share of contributions		2,441		249
Port contributions subsequent to the measurement date	2,942	4,244		885
Total deferred outflows of resources	$ 2,942	$ 10,844	$	$ 1,814
Deferred inflows of resources				
Differences between expected and actual experience	$	$ 1,222	$	$ 571
Net difference between projected and actual earnings on pension plan investments	1,518	9,903	106	3,380
Changes in proportion and differences between Port contributions and proportionate share of contributions		1,354		592
Total deferred inflows of resources	$ 1,518	$ 12,479	$ 106	$ 4,543
2016				
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	$	$
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, 2018. 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
2018	$ (1,026)	$ (3,682)	$ (67)	$ (1,590)
2019	324	871	18	314
2020	(75)	(721)	(7)	(263)
2021	(741)	(3,720)	(50)	(1,470)
2022		597		(108)
Thereafter		776		(497)
Total	$ (1,518)	$ (5,879)	$ (106)	$ (3,614)

Actuarial Assumptions—The total pension asset (liability) was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions used in the June 30, 2016 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 the 2016 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 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, 2017 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	4.9
Real estate	15	5.8
Global equity	37	6.3
Private equity	23	9.3
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	$ (49,560)	$ (40,683)	$ (32,994)
PERS Plans 2/3	(100,084)	(37,149)	14,416
LEOFF Plan 1	849	1,144	1,398
LEOFF Plan 2	(3,257)	15,053	29,972

Payables to the PERS and LEOFF Plans

At December 31, the Port reported payables for the outstanding amount of the required contributions to PERS Plan 1, PERS Plans 2/3, and LEOFF Plan 2 under payroll and taxes payable in the Statement of Net Position as follows (in thousands):

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 2
2017	$ 351	$ 515	$ 127
2016	282	369	123

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 (excess) required contribution	$ (222)	$ 575
Interest on net OPEB obligation	302	115
Adjustment to annual required contribution		(103)
Annual OPEB costs	80	587
Contributions made	(486)	(303)
(Decrease) Increase in net OPEB obligation	(406)	284
Net OPEB obligation beginning of year	7,552	2,872
Net OPEB obligation end of year	$ 7,146	$ 3,156

(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				
2017	$ 80	$ 486	607.5 %	$ 7,146
2016	838	475	56.7	7,552
2015	342	491	143.6	7,189
Retirees Life Insurance Plan				
2017	$ 587	$ 303	51.6 %	$ 3,156
2016	700	326	46.6	2,872
2015	671	313	46.6	2,498

Funding Status—As of December 31, 2017, 2016, and 2015, using the Alternative Measurement Method, the actuarial accrued liability for LEOFF Plan 1 Members' Medical Services Plan benefits was $7,146,000, $7,552,000, and $7,189,000, 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, 2017	$	$ 8,623	%	$ 8,623	$ 94,735	9.1 %
January 1, 2015		8,819		8,819	102,798	8.6
January 1, 2013		8,547		8,547	83,831	10.2

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 66, No. 4, August 14, 2017. The Life Table for Males: U.S. 2014 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 5.9% was used initially, but was changed slightly to an average rate of 5.6% after seven years.

- *Health insurance premiums*—2018 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, 2017, 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 LIABILITY

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 some cases, the Port may also be liable for natural resource damages associated with contaminated properties. 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 2017 was $17,497,000. 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, 2017, 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, 2017, the Port's outstanding environmental remediation liability recorded for this Site was $5,085,000.

The Port has in place a procedure consistent with current accounting rules to recognize liability for environmental cleanups, to the extent that such liability can be reasonably estimated. As of December 31, 2017 and 2016, the Port's environmental remediation liability was $51,543,000 and $55,088,000, respectively, based on reasonable and supportable assumptions, measured at current value using the expected cash flow technique. The Port's environmental remediation liability does not include cost components that are not yet reasonably measurable, and the liability 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, 2017 and 2016, the environmental remediation liability was reduced by $14,432,000 and $18,016,000 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 the 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):

	2017	2016
Funds committed:		
Aviation	$ 796,022	$ 160,037
Maritime	5,800	812
Economic Development	1,882	2,667
Stormwater Utility	793	70
Central Services	171	1,024
Total	$ 804,668	$ 164,610

As of December 31, 2017 and 2016, the Port also made commitments of $656,000 and $1,608,000, respectively, 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, 2017 and 2016, funds authorized by the Port, but not yet committed for all divisions amounted to $312,418,000 and $515,431,000, respectively.

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 remains 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, 2017 and 2016, land, facilities, and equipment—net of accumulated depreciation licensed to the NWSA by the Port was $819,694,000 and $838,257,000, respectively. The related depreciation expense was $17,917,000 and $19,393,000, respectively, for 2017 and 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, 2017 and 2016, the Port's total debt on licensed assets was $378,356,000 and $424,246,000, respectively. 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 Members' 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 2017 and 2016, the Port's equal share of capital construction expenditures were $34,561,000 and $14,570,000, of which $4,155,000 and $7,030,000 were unpaid and included in the related party payable—joint venture in the Port's Statement of Net Position as of December 31, 2017 and 2016, respectively.

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 years ended December 31 are as follows (in thousands):

	2017	2016
Total assets	$ 268,591	$ 203,720
Deferred outflows of resources	481	
Total liabilities	61,195	72,583
Deferred inflows of resources	349	
Total net position	$ 207,528	$ 131,137
Operating revenues	$ 194,985	$ 195,170
Operating expenses	83,715	79,732
Operating income before depreciation	111,270	115,438
Depreciation	2,180	532
Nonoperating income—net	761	8,262
Increase in net position	$ 109,851	$ 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, 2017 and 2016 was $5,070,000 and $10,440,000, respectively.

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

	2017	2016
Working capital	$ 25,500	$ 25,500
Capital construction	62,630	28,070
Construction work in progress	7,887	7,887
50% share of the NWSA's changes in net position	116,510	61,584
Distribution of operating cash	(109,272)	(57,982)
Total investment in joint venture	$ 103,255	$ 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 2017 and 2016, support services provided by the Port to the NWSA were $7,133,000 and $8,545,000, respectively. The support services receivable and the cash distribution receivable totaling $5,070,000 and $10,527,000 were presented as related party receivable —joint venture in the Port's Statement of Net Position as of December 31, 2017 and 2016, respectively.

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.

A summarized comparison of changes in Stormwater Utility operating revenues, operating expenses, and depreciation expense for the years ended December 31, is as follows (in thousands):

	2017	2016	2015
Operating revenues	$ 4,985	$ 4,751	$ 4,403
Operating expenses	4,127	1,710	4,035
Operating income before depreciation	858	3,041	368
Depreciation	1,008	879	1,043
Operating (loss) income	$ (150)	$ 2,162	$ (675)

Internal stormwater utility charges on vacant properties owned by the Port's Maritime and Economic Development divisions included in operating revenues for the years ended December 31 are as follows (in thousands):

	2017	2016	2015
Maritime Division	$ 671	$ 651	$ 857
Economic Development Division	423	423	738
Total operating revenues from internal charges	$ 1,094	$ 1,074	$ 1,595

Operating revenues for the Stormwater Utility and the associated operating expenses from the Maritime and Economic Development divisions were eliminated in the Statement of Revenues, Expenses, and Changes in Net Position.

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):

	2017	2016	2015
Aviation Division:			
Revenues	$ 188,036	$ 173,154	$ 161,650
Number of major customers	2	2	2
Maritime Division:			
Revenues	$ 19,121	$ 16,660	$ 19,168
Number of major customers	2	2	2
Economic Development Division:			
Revenues	$ 1,946	$ 1,882	$ 1,905
Number of major customer	1	1	1
Total:			
Revenues	$ 209,103	$ 191,696	$ 182,723
Number of major customers	5	5	5

Two major customers represented 29.8% of total Port's operating revenues in 2017. Two major customers represented 28.9% of total Port's operating revenues in 2016 and 2015. For Aviation, the revenues from its two major customers accounted for 37.5%, 37.2%, and 38.2% of total Aviation operating revenues in 2017, 2016, and 2015, respectively. For Maritime, the revenues from its two major customers accounted for 35.3%, 32.8%, and 40.6% of total Maritime operating revenues in 2017, 2016, and 2015, respectively. For Economic Development, the revenues from its major customer accounted for 10.9%, 11.8%, and 10.5% of total Economic Development operating revenues in 2017, 2016, and 2015, 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):

	2017	2016	2015
Aviation Division:			
Terminal	$ 146,817	$ 141,549	$ 138,836
Airfield	100,716	88,311	73,386
Public parking	75,106	69,540	63,059
Airport dining and retail/Terminal leased space	58,980	57,253	51,351
Rental car	35,051	37,082	33,851
Commercial properties	16,779	9,195	7,922
Ground transportation	15,684	12,803	8,809
Customer facility charges	10,641	12,122	12,663
Utilities	7,018	7,233	7,000
Operating grants and contract revenues	1,286	941	394
Other	32,838	29,227	25,621
Total Aviation Division operating revenues	$ 500,916	$ 465,256	$ 422,892

(Continued)

	2017	2016	2015
Maritime Division:			
Cruise operations	$ 17,596	$ 15,422	$ 14,414
Recreational boating	11,086	10,255	9,736
Maritime portfolio	10,787	10,255	9,983
Fishing and operations	9,297	9,108	8,457
Grain terminal	5,426	5,382	4,685
Other	(9)	388	(7)
Total Maritime Division operating revenues	$ 54,183	$ 50,810	$ 47,268
Economic Development Division:			
Conference and event centers	$ 9,133	$ 8,022	$ 10,396
Other	8,658	7,881	7,768
Total Economic Development Division operating revenues	$ 17,791	$ 15,903	$ 18,164

(Concluded)

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):

	2017	2016	2015
Aviation Division:			
Operations and maintenance	$ 227,723	$ 190,857	$ 174,750
Administration	51,415	51,247	45,648
Law enforcement	19,976	19,122	17,742
Total Aviation Division operating expenses	$ 299,114	$ 261,226	$ 238,140
Maritime Division:			
Operations and maintenance	$ 29,033	$ 27,957	$ 25,411
Administration	8,972	8,203	4,057
Law enforcement	4,159	4,107	3,975
Total Maritime Division operating expenses	$ 42,164	$ 40,267	$ 33,443
Economic Development Division:			
Operations and maintenance	$ 20,213	$ 16,921	$ 18,169
Administration	4,998	4,042	870
Law enforcement	186	172	167
Total Economic Development Division operating expenses	$ 25,397	$ 21,135	$ 19,206

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):

	2017	2016	2015
Aviation Division:			
Net operating income before depreciation	$ 201,802	$ 204,030	$ 184,752
Depreciation	124,403	122,499	120,826
Operating income	77,399	81,531	63,926
Nonoperating income (expense):			
Passenger facility charge revenues	88,389	85,570	79,209
Customer facility charge revenues	25,790	24,715	23,540
Fuel hydrant facility revenues	7,000	6,992	6,957
Noncapital grants and donations	4,222	1,706	1,637
Investment income—net	9,851	6,875	6,396
Revenue bonds, capital appreciation bond, and fuel hydrant special facility revenue bonds interest expense	(89,568)	(94,581)	(96,957)
PFC revenue bonds interest expense	(4,931)	(5,251)	(5,584)
Public expense	(3,349)	(3,395)	(340)
Environmental income (expense)—net	98	2,272	(46)
Other expense—net	(16,212)	(2,880)	(24,843)
Total nonoperating income (expense) —net	21,290	22,023	(10,031)
Income before capital contributions	98,689	103,554	53,895
Capital contributions	16,575	17,973	22,317
Increase in net position in Aviation Division	$ 115,264	$ 121,527	$ 76,212
Maritime Division:			
Net operating income before depreciation	$ 12,019	$ 10,543	$ 13,825
Depreciation	17,410	17,351	16,935
Operating loss	(5,391)	(6,808)	(3,110)
Nonoperating income (expense):			
Ad valorem tax levy revenues	28,873	11,572	14,143
Noncapital grants and donations	2,299	2,175	923
Investment income—net	2,036	1,397	2,611
Revenue bonds interest expense	(594)	(1,415)	(11,088)
General obligation bonds interest expense	(646)	(844)	(6,397)
Public (expense) income	(471)	(203)	225
Environmental expense—net	(4,314)	(1,801)	(5,243)
Other income (expense)—net	2,266	(2,265)	(346)
Total nonoperating income (expense)—net	29,449	8,616	(5,172)
Income (loss) before capital contributions	24,058	1,808	(8,282)
Capital contributions	13,525		308
Increase (decrease) in net position in Maritime Division	$ 37,583	$ 1,808	$ (7,974)

(Continued)

	2017	2016	2015
Economic Development Division:			
Net operating loss before depreciation	$ (7,606)	$ (5,232)	$ (1,042)
Depreciation	3,863	3,682	3,420
Operating loss	(11,469)	(8,914)	(4,462)
Nonoperating income (expense):			
Ad valorem tax levy revenues	2,246	3,642	8,401
Noncapital grants and donations	26	26	27
Investment income—net	104	53	63
Revenue bonds interest expense	(112)	(132)	(1,967)
General obligation bonds interest expense	(261)	(289)	(625)
Public expense		(2,143)	
Environmental (expense) income—net	(186)	(751)	2,401
Other (expense) income—net	(144)	(6,400)	1,655
Total nonoperating income (expense)—net	1,673	(5,994)	9,955
(Loss) Income before capital contributions	(9,796)	(14,908)	5,493
Capital contributions	12	135	34
(Decrease) increase in net position in Economic Development Division	$ (9,784)	$ (14,773)	$ 5,527

(Concluded)

As reflected in the Statement of Net Position, total assets, excluding the Stormwater Utility assets and total debt, excluding Series 2015 and Series 2017 GO Bonds related to the SR 99 Viaduct expense, as of December 31, by Division are as follows (in thousands):

	2017	2016
Aviation Division:		
Current, long-term, and other assets	$ 1,116,803	$ 832,605
Land, facilities, and equipment—net	3,861,456	3,883,932
Construction work in progress	404,833	194,490
Total Aviation Division assets	$ 5,383,092	$ 4,911,027
Total Aviation Division debt	$ 2,864,149	$ 2,512,721
Maritime Division:		
Current, long-term, and other assets	$ 212,549	$ 133,758
Land, facilities, and equipment—net	420,541	406,734
Construction work in progress	8,766	9,296
Total Maritime Division assets	$ 641,856	$ 549,788
Total Maritime Division debt	$ 90,982	$ 105,137
Economic Development Division:		
Current, long-term, and other assets	$ 48,422	$ 37,165
Land, facilities, and equipment—net	119,722	119,513
Construction work in progress	1,895	2,441
Total Economic Development Division assets	$ 170,039	$ 159,119
Total Economic Development Division debt	$ 14,599	$ 17,000

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:

	2017	2016
Retirees and beneficiaries receiving benefits	144	145
Terminated plan members entitled to but not yet receiving benefits	38	38
Total	182	183

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 contribute 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, 2017 and 2016, the average duration for Vanguard Bond Market Index Fund was 6.1 years and 6.0 years, respectively. As of December 31, 2017 and 2016, the average duration for Dodge and Cox Fixed Income Fund was 4.2 years.

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, 2017 and 2016, the Vanguard Bond Market Index Fund was rated at three stars by Morningstar Credit Ratings, LLC. As of December 31, 2017 and 2016, the Dodge and Cox Fixed Income Fund was rated at five stars and four stars, respectively, 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 $2,932,000 and $2,589,000 in international equity mutual funds that were invested in foreign securities as of December 31, 2017 and 2016, respectively.

Rate of Return—For the year ended December 31, 2017 and 2016, the annual money-weighted rate of return on the Plan investments, net of investment expense, was 15.4% and 6.3%, 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, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, and update procedures were used to roll forward the total pension liability to the measurement date. As of December 31, 2017 and 2016, the Port's net pension liability for this Plan was $10,122,000 and $11,601,000, respectively. For the year ended December 31, 2017, 2016, and 2015, the Port recognized pension expense of $846,000, $2,116,000, and $978,000, respectively. At December 31, 2017, total deferred outflows of resources and deferred inflows of resources resulting from the net difference between projected and actual earnings on pension plan investments were $357,000 and $624,000, respectively. 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 $44,000 annually for 2018, ($3,000) for 2019, ($152,000) for 2020, and ($156,000) for 2021 as future pension expense.

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

	2017	2016
Total pension liability	$ 19,996	$ 20,662
Plan fiduciary net position	(9,874)	(9,061)
Net pension liability	$ 10,122	$ 11,601
Plan fiduciary net position as a percentage of total pension liability	49.4%	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	$ 1,280	$	$ 1,280
Employer contributions		1,500	(1,500)
Net investment income		1,352	(1,352)
Benefit payments	(1,946)	(1,946)	
Administrative expense		(46)	46
Professional fees		(47)	47
Net changes	(666)	813	(1,479)
Balances at beginning of year	20,662	9,061	11,601
Balances at end of year	$ 19,996	$ 9,874	$ 10,122

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, 2017, 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 %	5.9 %
International equities mutual fund	30	6.5
Domestic fixed income mutual fund	40	2.8
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 GO bonds with an average AA credit rating at 3.3%. 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	$ 11,846	$ 10,122	$ 8,644

REQUIRED SUPPLEMENTARY INFORMATION

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

	2017	2016	2015	2014
PERS Plan 1				
Port's proportion of the NPL	0.86 %	0.83 %	0.87 %	0.84 %
Port's proportionate share of the NPL	$ 40,683	$ 44,426	$ 45,557	$ 42,385
Port's covered payroll	$ 1,451	$ 1,440	$ 1,504	$ 1,606
Port's proportionate share of the NPL as a percentage of its covered payroll	2803.79 %	3085.14 %	3029.06 %	2639.17 %
Plan fiduciary net position as a percentage of the total pension liability	61.24 %	57.03 %	59.10 %	61.19 %
PERS Plan 2/3				
Port's proportion of the NPL	1.07 %	1.02 %	1.09 %	1.04 %
Port's proportionate share of the NPL	$ 37,149	$ 51,569	$ 38,826	$ 21,060
Port's covered payroll	$ 104,804	$ 95,817	$ 96,416	$ 89,966
Port's proportionate share of the NPL as a percentage of its covered payroll	35.45 %	53.82 %	40.27 %	23.41 %
Plan fiduciary net position as a percentage of the total pension liability	90.97 %	85.82 %	89.20 %	93.29 %
LEOFF Plan 1				
Port's proportion of the NPA	0.08 %	0.07 %	0.07 %	0.07 %
Port's proportionate share of the NPA	$ 1,144	$ 761	$ 883	$ 881
Port's covered payroll	n/a	n/a	n/a	n/a
Port's proportionate share of the NPA as a percentage of its covered payroll	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	135.96 %	123.74 %	127.36 %	126.91 %
LEOFF Plan 2				
Port's proportion of the NPA	1.08 %	1.03 %	1.07 %	1.04 %
Port's proportionate share of the NPA	$ 15,053	$ 5,967	$ 11,018	$ 13,815
State's proportionate share of the NPA associated with the Port	9,765	3,890	7,285	9,026
Total	$ 24,818	$ 9,857	$ 18,303	$ 22,841
Port's covered payroll	$ 24,778	$ 22,343	$ 22,322	$ 20,753
Port's proportionate share of the NPA as a percentage of its covered payroll	100.16 %	44.12 %	82.00 %	110.06 %
Plan fiduciary net position as a percentage of the total pension asset	113.36 %	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 Four Fiscal Years [(b)]

(in thousands)

	2017	2016	2015	2014
PERS Plan 1				
Contractually required contribution	$ 151	$ 164	$ 146	$ 137
Contributions in relation to the contractually required contribution	(151)	(164)	(146)	(137)
Contribution deficiency (excess)	$	$	$	$
Port's covered payroll	$ 1,289	$ 1,490	$ 1,474	$ 1,515
Contributions as a percentage of covered payroll	11.71 %	11.01 %	9.91 %	9.04 %
PERS Plan 2/3				
Contractually required contribution	$ 12,882	$ 10,979	$ 9,761	$ 8,243
Contributions in relation to the contractually required contribution	(12,882)	(10,979)	(9,761)	(8,243)
Contribution deficiency (excess)	$	$	$	$
Port's covered payroll	$109,605	$ 99,808	$ 98,556	$ 91,306
Contributions as a percentage of covered payroll	11.75 %	11.00 %	9.90 %	9.03 %
LEOFF Plan 2				
Contractually required contribution	$ 1,723	$ 1,663	$ 1,596	$ 1,478
Contributions in relation to the contractually required contribution	(1,723)	(1,663)	(1,596)	(1,478)
Contribution deficiency (excess)	$	$	$	$
Port's covered payroll	$ 24,355	$ 23,911	$ 22,624	$ 21,022
Contributions as a percentage of covered payroll	7.07 %	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 Four Fiscal Years [a]
(in thousands)

	2017	2016	2015	2014
Total pension liability				
Interest expense	$ 1,280	$ 1,255	$ 1,306	$ 1,384
Difference between expected and actual experience		105		(512)
Changes of assumptions		1,044		
Benefit payments	(1,946)	(2,093)	(2,079)	(2,091)
Net change in total pension liability	(666)	311	(773)	(1,219)
Total pension liability—beginning	20,662	20,351	21,124	22,343
Total pension liability—ending	$ 19,996	$ 20,662	$ 20,351	$ 21,124
Plan fiduciary net position				
Employer contributions	$ 1,500	$ 1,500	$ 1,500	$ 1,500
Net investment income	1,352	554	(116)	408
Benefit payments	(1,946)	(2,093)	(2,079)	(2,091)
Administrative expense	(46)	(45)	(46)	(45)
Professional fees	(47)	(41)	(57)	(66)
Net change in plan fiduciary net position	813	(125)	(798)	(294)
Plan fiduciary net position—beginning	9,061	9,186	9,984	10,278
Plan fiduciary net position—ending	$ 9,874	$ 9,061	$ 9,186	$ 9,984
Net pension liability				
Total pension liability—ending	$ 19,996	$ 20,662	$ 20,351	$ 21,124
Plan fiduciary net position—ending	(9,874)	(9,061)	(9,186)	(9,984)
Net pension liability—ending	$ 10,122	$ 11,601	$ 11,165	$ 11,140
Plan fiduciary net position as a percentage of total pension liability	49.4%	43.9%	45.1%	47.3%
Covered payroll [b]	n/a	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
2017	$ 1,218	$ 1,500	$ (282)
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)

(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 Four Fiscal Years [(a)]

Years ended December 31,	Annual money-weighted rate of return, net of investment expense
2017	15.4 %
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, 2016 and update procedures were used to roll forward the total pension liability to the measurement date of December 31, 2017. 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	18 years as of January 1, 2017
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-2014 Combined Mortality Table for Males and Females with blue collar adjustment. Margin for future mortality improvement is accounted for by projecting mortality rates with scale MP-2016.
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 18 year funding period as of January 1, 2017.

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.

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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:

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:

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:

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

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

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

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Schedule 24 – Capital Assets Information—Maritime and Economic Development Facilities, Last Ten Fiscal Years

Schedule 25 – Capital Assets Information—Seattle-Tacoma International Airport, 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
2017	$ 2,716,718	$ 403,685	$ 227,780	$ 3,348,183
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

(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 2012 and 2011. 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)

	2017	2016	2015	2014 [a]	2013 [a]
OPERATING REVENUES:					
Services	$ 260,322	$ 231,326	$ 212,612	$ 195,364	$ 190,662
Property rentals	304,416	291,874	332,696	325,219	342,093
Customer facility charge revenues	10,641	12,121	12,663	13,608	11,367
Operating grants and contract revenues	1,727	1,562	962	298	856
Joint venture income [d]	54,925	61,584			
Total operating revenues	632,031	598,467	558,933	534,489	544,978
OPERATING EXPENSES:					
Operations and maintenance	282,657	237,964	234,017	228,292	227,611
Administration	65,722	63,456	60,225	56,711	55,962
Law enforcement	24,603	23,865	23,564	21,297	23,416
Total operating expenses	372,982	325,285	317,806	306,300	306,989
NET OPERATING INCOME BEFORE DEPRECIATION	259,049	273,182	241,127	228,189	237,989
DEPRECIATION	165,021	164,336	163,338	166,337	171,374
OPERATING INCOME	94,028	108,846	77,789	61,852	66,615
NONOPERATING INCOME (EXPENSE):					
Ad valorem tax levy revenues	71,702	71,678	72,819	72,801	72,738
Passenger facility charge revenues	88,389	85,570	79,209	69,803	64,661
Customer facility charge revenues	25,790	24,715	23,540	19,889	20,389
Noncapital grants and donations	6,704	6,284	5,358	10,159	3,771
Fuel hydrant facility revenues	7,000	6,992	6,957	6,935	7,417
Investment income (loss) —net	12,174	8,448	9,122	11,202	(1,107)
Revenue and capital appreciation bonds interest expense	(97,748)	(105,567)	(110,128)	(108,910)	(115,340)
Passenger facility charge revenue bonds interest expense	(4,931)	(5,251)	(5,584)	(5,906)	(6,212)
General obligation bonds interest expense	(13,891)	(9,765)	(10,490)	(9,475)	(11,479)
Public expense	(4,588)	(8,560)	(5,023)	(6,854)	(6,226)
Environmental expense—net	(4,464)	(280)	(2,888)	(9,142)	(4,765)
Other (expense) income—net	(10,441)	(12,087)	(23,493)	2,109	(411)
Total nonoperating income (expense)—net	75,696	62,177	39,399	52,611	23,436
INCOME BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEM	169,724	171,023	117,188	114,463	90,051
CAPITAL CONTRIBUTIONS	30,112	18,108	22,804	16,746	21,381
INCOME BEFORE SPECIAL ITEM	199,836	189,131	139,992	131,209	111,432
SPECIAL ITEM—SR 99 Viaduct expense [e]		(147,700)	(120,000)		
INCREASE IN NET POSITION	199,836	41,431	19,992	131,209	111,432
TOTAL NET POSITION:					
Beginning of year	3,148,347	3,106,916	3,086,924	2,955,715	2,937,103
Restatement					(92,820)
End of year	$ 3,348,183	$ 3,148,347	$ 3,106,916	$ 3,086,924	$ 2,955,715

(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 2012 and 2011. 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)

	2012 (b)	2011 (b)	2010	2009	2008 (c)
OPERATING REVENUES:					
Services	$ 195,816	$ 185,967	$ 174,562	$ 163,983	$ 187,791
Property rentals	312,739	295,331	284,898	274,584	286,139
Customer facility charge revenues	9,745				
Operating grants and contract revenues	3,406	1,874	3,119	3,023	1,667
Joint venture income (d)					
Total operating revenues	521,706	483,172	462,579	441,590	475,597
OPERATING EXPENSES:					
Operations and maintenance	222,535	195,200	188,678	182,995	209,960
Administration	53,018	50,293	44,837	43,636	44,438
Law enforcement	22,616	21,923	19,949	19,136	20,221
Total operating expenses	298,169	267,416	253,464	245,767	274,619
NET OPERATING INCOME BEFORE DEPRECIATION	223,537	215,756	209,115	195,823	200,978
DEPRECIATION	167,279	158,107	160,775	157,068	144,208
OPERATING INCOME	56,258	57,649	48,340	38,755	56,770
NONOPERATING INCOME (EXPENSE):					
Ad valorem tax levy revenues	72,678	73,179	73,125	75,587	75,680
Passenger facility charge revenues	62,385	62,358	59,744	59,689	60,708
Customer facility charge revenues	20,577	23,669	23,243	21,866	22,947
Noncapital grants and donations	3,348	8,482	12,473	7,153	10,473
Fuel hydrant facility revenues	8,123	7,683	7,911	7,845	2,926
Investment income (loss) —net	8,172	18,884	13,096	17,251	39,004
Revenue and capital appreciation bonds interest expense	(123,327)	(127,193)	(133,239)	(121,148)	(105,517)
Passenger facility charge revenue bonds interest expense	(6,503)	(6,467)	(10,187)	(10,956)	(11,412)
General obligation bonds interest expense	(14,078)	(15,292)	(17,463)	(15,785)	(17,059)
Public expense	(22,876)	(18,703)	(25,085)	(20,370)	(27,494)
Environmental expense—net	(14,358)	(4,335)	(22,730)	(14,676)	(5,659)
Other (expense) income—net	(29,721)	5,693	(7,276)	(10,003)	848
Total nonoperating income (expense)—net	(35,580)	27,958	(26,388)	(3,547)	45,445
INCOME BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEM	20,678	85,607	21,952	35,208	102,215
CAPITAL CONTRIBUTIONS	30,714	21,180	30,519	76,781	52,436
INCOME BEFORE SPECIAL ITEM	51,392	106,787	52,471	111,989	154,651
SPECIAL ITEM—SR 99 Viaduct expense (e)					
INCREASE IN NET POSITION	51,392	106,787	52,471	111,989	154,651
TOTAL NET POSITION:					
Beginning of year	2,885,711	2,804,374	2,751,903	2,639,914	2,489,980
Restatement		(25,450)			(4,717)
End of year	$2,937,103	$2,885,711	$2,804,374	$2,751,903	$2,639,914

(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 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.

(e) In 2016 and 2015, the Port made $147,700,000 and $120,000,000 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.

Schedule 3

AVIATION DIVISION OPERATING REVENUES BY SOURCE

Last Ten Fiscal Years [a]

(accrual basis of accounting)

(in thousands)

	2017	2016	2015	2014	2013
AERONAUTICAL REVENUES:					
Terminal [b]	$146,817	$141,549	$138,836	$137,435	$158,173
Airfield [b]	100,716	88,311	73,386	77,014	84,141
Other	16,580	14,374	13,826	10,839	10,623
Total aeronautical revenues	264,113	244,234	226,048	225,288	252,937
NON-AERONAUTICAL REVENUES:					
Public parking	75,106	69,540	63,059	57,127	52,225
Airport dining and retail/ Terminal leased space	58,980	57,253	51,351	46,954	41,551
Rental cars	35,051	37,082	33,851	32,496	28,472
Customer facility charges	10,641	12,122	12,663	13,608	11,367
Utilities	7,017	7,233	7,000	6,736	6,332
Commercial properties	18,042	9,992	7,922	6,638	6,089
Ground transportation	15,684	12,803	8,809	8,333	7,958
Other	16,282	14,997	12,189	8,524	7,080
Total non-aeronautical revenues	236,803	221,022	196,844	180,416	161,074
Total Aviation Division operating revenues	$500,916	$465,256	$422,892	$405,704	$414,011

	2012	2011	2010	2009	2008
AERONAUTICAL REVENUES:					
Terminal	$145,197	$132,565	$126,595	$118,111	$125,853
Airfield	72,574	59,607	56,647	50,847	65,770
Other	15,194	15,590	15,600	14,091	12,165
Total aeronautical revenues	232,965	207,762	198,842	183,049	203,788
NON-AERONAUTICAL REVENUES:					
Public parking	49,781	49,996	49,416	49,688	59,111
Airport dining and retail/ Terminal leased space	37,998	35,404	33,765	33,482	33,181
Rental cars	28,327	30,746	30,309	33,321	35,592
Customer facility charges	9,745				
Utilities	7,206	7,695	6,408	6,229	5,974
Commercial properties	5,700	5,112	4,917	4,703	6,013
Ground transportation	7,900	7,704	4,912	4,739	4,759
Other	6,401	6,303	5,693	5,185	5,898
Total non-aeronautical revenues	153,058	142,960	135,420	137,347	150,528
Total Aviation Division operating revenues	$386,023	$350,722	$334,262	$320,396	$354,316

(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)

	2017			2008		
Customer	Revenues billed	Rank	Percentage of Aviation Division operating revenues	Revenues billed	Rank	Percentage of Aviation Division operating revenues
Alaska Airlines	$110,138	1	22.0 %	$ 46,426	1	13.1 %
Delta Airlines [a]	77,898	2	15.6	12,787	4	3.6
United Airlines	20,288	3	4.1	16,784	2	4.7
Southwest Airlines	18,171	4	3.6	7,998	9	2.3
American Airlines	17,757	5	3.5			
Horizon Airlines	14,844	6	3.0	12,405	5	3.5
Enterprise Rent A Car	13,575	7	2.7			
Airport Management Services LLC	10,529	8	2.1	8,156	8	2.3
Host International, Inc.	9,658	9	1.9			
Avis Budget Car Rental	8,457	10	1.7	11,219	7	3.2
The Hertz Corporation				13,859	3	3.9
Northwest Airlines [a]				11,938	6	3.4
National Car Rental				7,987	10	2.3
Total	$301,315		60.2 %	$149,559		42.3 %

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

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	Non-signatory airlines/ aircrafts [c]
2017	28,430,527	$ 3.75	$ 4.69
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

(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
2017	$ 429,969	$ 2,977,879	$ 19,655	$ 100,345	$ 81,428	$ 3,609,276
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

Fiscal year	Ratio of total debt to personal income [(b)]	Total debt per capita [(c)]
2017	2.2 %	1,676
2016	1.9	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

(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 2017 ratio is calculated using 2016 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	Percentage of GO bonds to the assessed value of taxable property [a]	GO bonds per capita [b]
2017	$ 388,360	0.1 %	$ 180
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

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

(b) 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, 2017

(in thousands)

Governmental unit	Outstanding	Estimated percentage applicable [a]	Estimated share of direct and overlapping debt
Port of Seattle	$ 388,360	100.0 %	$ 388,360
ESTIMATED OVERLAPPING GENERAL OBLIGATION DEBT:			
King County	820,099	100.0	820,099
Cities and Towns	1,898,182	98.0	1,860,915
School Districts	4,463,039	96.4	4,303,546
Other	426,370	99.6	424,464
Total estimated overlapping debt			7,409,024
Total direct and estimated overlapping debt			$ 7,797,384

(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)

	2017	2016	2015	2014 [i]	2013 [i]
Operating revenues	$ 632,031	$ 598,467	$ 558,933	$ 534,489	$ 544,978
Less: CFC revenues not available to pay revenue bond debt service	(10,641)	(12,122)	(12,663)	(13,608)	(11,367)
Less: SWU revenues not available to pay revenue bond debt service	(4,985)	(4,751)	(4,403)		
Add/Less: Other Port adjustments					
Add/Less: NWSA adjustments [a]	928	266			
Add: Nonoperating income (expense)—net [b]	7,381	5,567	(143)	16,417	13,539
Gross revenue [c]	624,714	587,427	541,724	537,298	547,150
Operating expenses	$ 372,982	$ 325,285	$ 317,806	$ 306,300	$ 306,989
Less: Operating expenses paid from sources other than gross revenue (CFC)	(8,643)	(7,309)	(7,536)	(7,178)	(6,327)
Less: Operating expenses paid from sources other than gross revenue (SWU)	(3,795)	(1,710)	(4,035)		
Less: Operating expenses paid from sources other than gross revenue (Other)					(4)
Less: Port general purpose tax levy [d]	(34,941)	(36,894)	(41,808)	(19,083)	(33,265)
Operating expenses [e]	325,603	279,372	264,427	280,039	267,393
Net revenues available for first lien debt service	$ 299,111	$ 308,055	$ 277,297	$ 257,259	$ 279,757
Debt service on first lien bonds	$ 48,787	$ 52,320	$ 60,740	$ 61,214	$ 80,673
Coverage on first lien bonds	6.13	5.89	4.57	4.20	3.47
Net revenues available for intermediate lien debt service	$ 250,324	$ 255,735	$ 216,557	$ 196,045	$ 199,084
Add: Prior lien debt service offset paid by PFC revenues [f]			419	1,893	3,971
Add: Prior lien debt service offset paid by CFC revenues [g]	19,142	21,431	20,217	19,632	19,667
Available intermediate lien revenues as first adjusted	$ 269,466	$ 277,166	$ 237,193	$ 217,570	$ 222,722
Debt service on intermediate lien bonds	$ 152,749	$ 158,816	$ 133,487	$ 145,522	$ 127,029
Less: Debt service offsets paid from PFC revenues [f]	(33,800)	(25,583)	(28,406)	(29,730)	(28,640)
CFC revenues [g]	(3,563)				
Capitalized interest funds	(12,445)	(12,298)			
Intermediate lien debt service —net of debt service offsets	$ 102,941	$ 120,935	$ 105,081	$ 115,792	$ 98,389
Coverage on intermediate lien bonds	2.62	2.29	2.26	1.88	2.26
Net revenues available for subordinate lien debt service	$ 166,525	$ 156,231	$ 132,112	$ 101,778	$ 124,333
Debt service on subordinate lien bonds [h]	$ 18,295	$ 8,949	$ 5,515	$ 5,836	$ 6,234
Coverage on subordinate lien bonds	9.10	17.46	23.96	17.44	19.94

(Continued)

See notes on page 97.

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

	2012	2011	2010	2009	2008
Operating revenues	$ 521,706	$ 483,172	$ 462,579	$ 441,590	$ 475,597
Less: CFC revenues not available to pay revenue bond debt service	(9,745)	(778)			
Less: SWU revenues not available to pay revenue bond debt service					
Add/Less: Other Port adjustments	5,600	(2,299)	(2,553)	(745)	2,213
Add/Less: NWSA adjustments [a]					
Add: Nonoperating income (expense)—net [b]	2,837	4,993	4,642	13,618	45,577
Gross revenue [c]	520,398	485,088	464,668	454,463	523,387
Operating expenses	$ 298,169	$ 267,416	$ 253,464	$ 245,767	$ 274,619
Less: Operating expenses paid from sources other than gross revenue (CFC)	(6,526)	(791)	(378)	18	(364)
Less: Operating expenses paid from sources other than gross revenue (SWU)					
Less: Operating expenses paid from sources other than gross revenue (Other)	(12)	(166)	(64)	(10)	(10)
Less: Port general purpose tax levy [d]	(32,116)	(33,889)	(32,407)	(34,533)	(34,712)
Operating expenses [e]	259,515	232,570	220,615	211,242	239,533
Net revenues available for first lien debt service	$ 260,883	$ 252,518	$ 244,053	$ 243,221	$ 283,854
Debt service on first lien bonds	$ 107,580	$ 116,365	$ 126,843	$ 107,374	$ 88,467
Coverage on first lien bonds	2.43	2.17	1.92	2.27	3.21
Net revenues available for intermediate lien debt service	$ 153,303	$ 136,153	$ 117,210	$ 135,847	$ 195,387
Add: Prior lien debt service offset paid by PFC revenues [f]	14,814	23,524	21,646	22,116	10,125
Add: Prior lien debt service offset paid by CFC revenues [g]	19,689	19,443	19,042	5,847	
Available intermediate lien revenues as first adjusted	$ 187,806	$ 179,120	$ 157,898	$ 163,810	$ 205,512
Debt service on intermediate lien bonds	$ 82,726	$ 62,532	$ 45,701	$ 42,035	$ 36,662
Less: Debt service offsets paid from PFC revenues [f]	(15,783)	(10,249)	(9,332)	(8,197)	
CFC revenues [g]					
Capitalized interest funds	(3,504)	(7,788)	(2,954)	(7,395)	(14,332)
Intermediate lien debt service —net of debt service offsets	$ 63,439	$ 44,495	$ 33,415	$ 26,443	$ 22,330
Coverage on intermediate lien bonds	2.96	4.03	4.73	6.19	9.20
Net revenues available for subordinate lien debt service	$ 124,367	$ 134,625	$ 124,483	$ 137,367	$ 183,182
Debt service on subordinate lien bonds [h]	$ 19,187	$ 24,451	$ 28,273	$ 34,949	$ 41,511
Coverage on subordinate lien bonds	6.48	5.51	4.40	3.93	4.41

(Concluded)

See notes on page 97.

Schedule 9
REVENUE BONDS COVERAGE BY TYPE

(a) Northwest Seaport Alliance (“NWSA”) adjustments include non-cash adjustment for depreciation of NWSA assets netted from operating revenues, as well as the exclusion of capital grants from NWSA.

(b) 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 Passenger Facility Charges ("PFCs"), Customer Facility Charges ("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 Stormwater Utility (“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.

(c) Gross Revenue reflects annual Port operating revenues, as presented in the Port’s Audited Financial Statements (see Statement of Revenues, Expenses and Changes in Net Position), less certain operating revenues that are not legally available to pay debt service on all revenue bonds. For 2013, Gross Revenue 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.

(d) Port general purpose tax levy represents annual tax levy collections less the payment of General Obligation bond debt service. The Port is permitted, but not obligated, to pay operating expenses with such general purpose tax levy dollars. 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.

(e) Operating Expenses reflect annual Port operating expenses before depreciation, as presented in the Port’s Audited Financial Statements (see Statement of Revenues, Expenses and Changes in Net Position), less certain operating expenses paid with revenues derived from sources other than Gross Revenue, as well as the Port’s general purpose tax levy.

(f) 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.

(g) 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. In 2017, the 2009AB First Lien bonds were partially refunded onto the Intermediate Lien, and as such, CFCs were applied to both First and Intermediate Lien debt service.

(h) From 2009 to 2016, 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.

(i) 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 and 2013 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 2017 (STATUTORY DEBT LIMITATION)

Assessed value of taxable property for 2017 [(a)]	$ 471,456,288
Debt limit (nonvoted debt, including limited tax general obligation bonds)	
0.25% of assessed value of taxable property [(b)]	$ 1,178,641
Less: Outstanding limited tax general obligation bonds	(388,360)
Non-voted general obligation debt margin	$ 790,281
Debt limit, total general obligation debt	
0.75% of assessed value of taxable property [(b)]	$ 3,535,922
Less: Total limited tax general obligation bonds	(388,360)
Voted general obligation debt margin	$ 3,147,562

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
2017	$ 1,178,641	$ (388,360)	$ 790,281	67.1 %
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

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
2017	$ 3,535,922	$ (388,360)	$ 3,147,562	89.0 %
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

(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]
2017	2,154	n/a	n/a	3.5 %
2016	2,105	$ 166,006,277	$ 77.2	3.9
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

State of Washington:

Fiscal year	Population [a]	Personal income [b]	Per capita personal income [b]	Unemployment rate [c]
2017	7,310	$ 416,816,000	$ 56.3	4.6 %
2016	7,184	397,772,297	54.6	5.4
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

(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

	2017			2008		
Type of employer	Employees	Rank	Percentage of total employment	Employees	Rank	Percentage of total employment
Professional and Business Services—*Professional, Scientific and Technical Services*	139,900	1	8.1 %	107,000	2	7.3 %
Government—*Local*	135,300	2	7.8	120,900	1	8.2
Leisure and Hospitality—*Food Services and Drinking Places*	124,000	3	7.2	94,000	3	6.4
Retail—*Unspecified*	114,400	4	6.6	74,000	6	5.0
Professional and Business Services—*Administrative and Support and Waste Management and Remediation*	86,900	5	5.0	77,100	5	5.3
Manufacturing—*Transportation Equipment Manufacturing*	81,300	6	4.7	85,900	4	5.9
Wholesale Trade	74,800	7	4.3	71,300	7	4.9
Educational and Health Services—*Ambulatory Health Care Services*	71,300	8	4.1			
Government—*State*	68,900	9	4.0	61,900	8	4.2
Construction—*Specialty Trade Contractors*	67,200	10	3.9	58,000	10	4.0
Finance Activities—*Finance and Insurance*				58,400	9	4.0
Total	964,000		55.7 %	808,500		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)]
2017	$ 471,456,288	$ 0.15	$ 2.03	$ 1.37	$ 1.95	$ 3.30	$ 1.46	$ 10.26
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

(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
2017	$ 72,011	$ 71,143	98.8 %	$	$ 71,143	98.8 %
2016	72,015	71,114	98.8	716	71,830	99.7
2015	73,004	72,082	98.7	830	72,912	99.9
2014	73,019	72,009	98.6	959	72,968	99.9
2013	73,021	71,932	98.5	1,077	73,009	100.0
2012	73,015	71,879	98.4	1,134	73,013	100.0
2011	73,513	72,290	98.3	1,219	73,509	100.0
2010	73,505	72,141	98.1	1,362	73,503	100.0
2009	75,911	74,384	98.0	1,526	75,910	100.0
2008	75,931	74,532	98.2	1,395	75,927	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	2017 Taxable assessed value	2017 Rank	2017 Percentage of taxable assessed value	2008 Taxable assessed value	2008 Rank	2008 Percentage of taxable assessed value
Microsoft	$ 3,682,344	1	0.8 %	$ 2,428,674	2	0.7 %
Puget Sound Energy/ Gas/Electric	2,426,876	2	0.5	1,498,832	3	0.4
Boeing	2,100,462	3	0.4	3,006,599	1	0.9
Acorn Development LLC	1,897,572	4	0.4			
Essex Property Trust	1,665,284	5	0.4			
Alaska Airlines	1,056,243	6	0.2	623,721	6	0.2
Altus Group US Inc.	970,874	7	0.2			
Union Square Limited	840,558	8	0.2	522,001	9	0.2
BRE Properties	812,347	9	0.2			
AvalonBay Communities Inc.	799,071	10	0.2			
Qwest Corporation Inc.				964,730	4	0.3
T-Mobile				655,591	5	0.2
Archon Group LP				617,531	7	0.2
AT&T Mobility LLC (Cingular Wireless)				564,689	8	0.2
Wright Runstad & Company				432,948	10	0.1
Total	$ 16,251,631		3.5 %	$ 11,315,316		3.4 %

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
2017	20,942	20,862	41,804	2,576	2,553	5,129	46,933
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

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
2017	405,049	8,651	2,338	86	416,124
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

Source: Seattle-Tacoma International Airport Activity Reports

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

Fiscal year	Air Freight		Air mail	Grand total
	Domestic	International		
2017	242,470	123,735	59,651	425,856
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

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		
2017 [(a)]	1,380,652	927,345	650,469	2,958,466	706,863	3,665,329
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

(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 (2008 – 2015) and Northwest Seaport Alliance (2016 – 2017) 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
2017 [(a)]	26,105,730	210,725	715,546	35,980	224,864	278,078	27,570,923
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

(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 (2008 – 2015) and Northwest Seaport Alliance (2016 – 2017) Records

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

Fiscal year	Grain
2017	4,362,603
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

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
2017	218	1,071,594
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

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]	Central Services [d]	Total
2017	976			194	31	826	2,027
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

(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) In 2017, the Corporate Division was renamed Central Services. Central Services include employees assigned to the Central Services Division and Capital Development Division (“CDD”). The CDD, which was established in 2008, houses existing engineering, project management, construction functions, and the Central Procurement Office.

Source: Port of Seattle Human Resources Database

Schedule 24

CAPITAL ASSETS INFORMATION—MARITIME AND ECONOMIC DEVELOPMENT FACILITIES

Last Ten Fiscal Years

	2017	2016	2015	2014	2013
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)	10	13	13	13	13
Storage facilities (in square feet)	177,000	177,000	177,000	177,000	177,000
Maintenance facilities (in square feet)	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 feet)	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 feet)	5	5	5	5	5
Dry warehouse (in square feet)	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 use during the duration of the project.

(c) In 2017, three container cranes were sold to its terminal operator at Terminal 18. In 2013, five of the container cranes were sold to its terminal operator at Terminal 46.

Schedule 24

CAPITAL ASSETS INFORMATION—MARITIME AND ECONOMIC DEVELOPMENT FACILITIES

Last Ten Fiscal Years

	2012	2011	2010	2009	2008
Total Property (in acres)	1,335	1,335	1,335	1,335	1,500
No. of Container Terminals (Terminal 5, 18, 30, 46) [(a)] [(b)]	4	4	4	4	4
Size (in acres)	526	526	526	535	498
Number of berths (1,200—4,450 feet)	11	11	11	11	10
Number of container cranes [(c)]	18	18	18	18	18
Storage facilities (in square feet)	177,000	177,000	177,000	177,000	177,000
Maintenance facilities (in square feet)	112,000	112,000	112,000	112,000	112,000
On-Dock intermodal yard					
Maximum capacity—in full train	14	14	14	14	7
Refrigerated capacity (in reefer plugs)	2,816	2,704	2,704	2,704	2,560
No. of Barge Terminal (Terminal 115) [(a)] [(d)]	1	1	1	1	n/a
Size (in acres)	70	70	70	70	n/a
Number of berths (1,600 feet)	4	4	4	4	n/a
Warehouse capacity (in square feet)	35,000	35,000	35,000	35,000	n/a
Refrigerated capacity (in reefer plugs)	400	400	400	400	n/a
No. of Multi-Use Terminal (Terminal 91) [(d)]	1	1	1	1	n/a
Size (in acres)	212	212	212	212	n/a
Linear feet of berths (8,502 feet)	17	17	17	17	n/a
Storage facilities:					
Cold storage (in million cubic feet)	5	5	5	5	n/a
Dry warehouse (in square feet)	100,000	100,000	100,000	100,000	n/a
No. of Grain Terminal (Terminal 86) [(d)]	1	1	1	1	n/a
Size (in acres)	40	40	40	40	n/a
Number of berths (1,400 feet)	1	1	1	1	n/a
Storage capacity (in million bushels)	4	4	4	4	n/a
No. of Breakbulk Terminals [(d)]	n/a	n/a	n/a	n/a	3
Size (in acres)	n/a	n/a	n/a	n/a	260
Number of berths (400—2,100 feet)	n/a	n/a	n/a	n/a	9
Storage facilities (in acres)	n/a	n/a	n/a	n/a	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	23	n/a
Number of berths (2,400 feet)	2	2	2	2	n/a
Terminal 30 Cruise Facility [(f)]					
Size (in acres)	n/a	n/a	n/a	n/a	26
Number of berths (2,000 feet)	n/a	n/a	n/a	n/a	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

Schedule 25

CAPITAL ASSETS INFORMATION—SEATTLE-TACOMA INTERNATIONAL AIRPORT

Last Ten Fiscal Years

	Fiscal year	Size/Length
Airport area (in acres)	2017	2,500
Apron (in square feet)—commercial airlines	2017	3,061,300
Runways (in feet)		
16L/34R	2017	11,901
16C/34C	2017	9,426
16R/34L	2017	8,500
Rental Car Facility (in square feet) [(a)]	2017	2,100,000

	2017	2016	2015	2014	2013
Terminal (in square feet)					
Airlines	1,106,262	1,143,386	1,136,322	1,126,510	1,107,166
Tenants	327,596	334,717	331,073	332,364	331,433
Port occupied	228,282	234,472	228,136	239,069	236,390
Public/Common	917,515	919,906	920,752	930,209	926,927
Mechanical	514,343	511,469	510,182	497,941	517,805
Total	3,093,998	3,143,950	3,126,465	3,126,093	3,119,721
Number of passenger gates	74	78	80	79	78
Number of Port owned loading bridges	56	58	57	54	59
Parking (spaces assigned)					
Short-term, long-term, and employees	12,180	12,180	11,952	11,952	11,952
Rental Cars [(a)]					
Total	12,180	12,180	11,952	11,952	11,952
Other offsite parking (spaces assigned)					
Economy	1,465	1,465	1,620	1,620	1,620
Employees	4,122	4,122	4,091	4,091	4,091

	2012	2011	2010	2009	2008
Terminal (in square feet)					
Airlines	1,226,044	1,219,955	1,219,955	1,294,473	1,294,473
Tenants	291,071	253,673	253,673	280,639	280,639
Port occupied	299,226	249,544	249,544	280,880	280,880
Public/Common	811,664	867,410	867,410	758,216	758,216
Mechanical	495,009	529,734	529,734	471,951	471,951
Total	3,123,014	3,120,316	3,120,316	3,086,159	3,086,159
Number of passenger gates	79	79	79	79	79
Number of Port owned loading bridges	56	48	48	46	46
Parking (spaces assigned)					
Short-term, long-term, and employees	10,394	9,641	9,641	9,641	9,641
Rental Cars [(a)]		3,276	3,276	3,276	3,276
Total	10,394	12,917	12,917	12,917	12,917
Other offsite parking (spaces assigned)					
Economy	1,620	1,620	1,620	1,620	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

Comprehensive Annual Financial Report

PORT OF SEATTLE COMMISSIONERS

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Ryan Calkins
Fred Felleman
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