



**PORT OF SEATTLE
PRESENTATION TO THE
WESTERN STATES INSTITUTIONAL INVESTORS CONFERENCE
MAY 15, 2018**

**Elizabeth Morrison, Port of Seattle
Director of Corporate Finance**



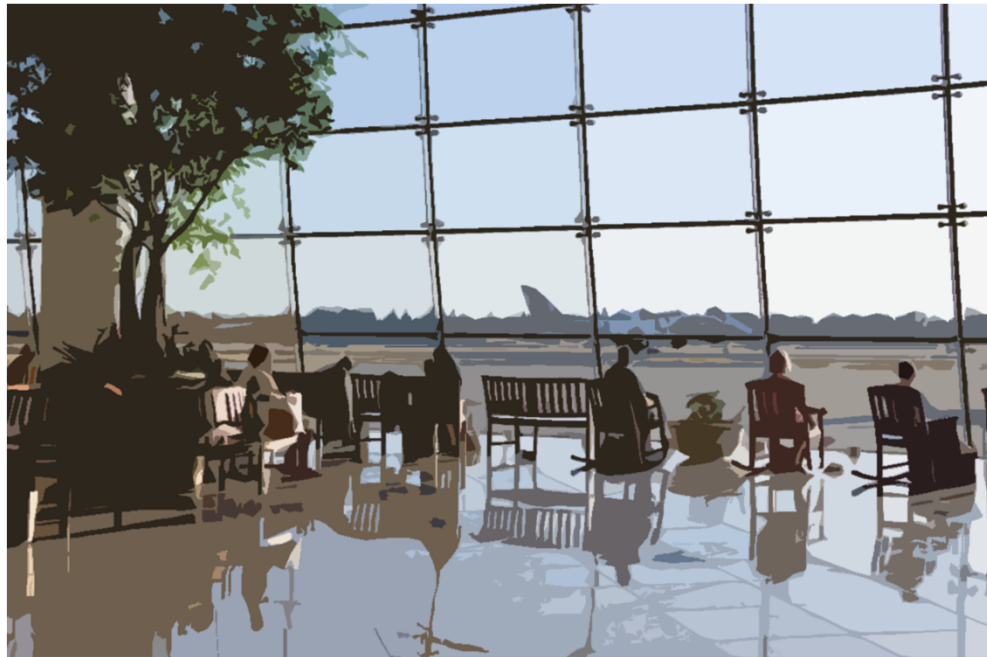
OVERVIEW

Regional Economy

Port Financial Overview

Sea-Tac Airport

Capital Funding



All photos: Don Wilson

The 2017 and 2018 information provided herein is preliminary, subject to change, and is provided for illustrative purposes. The information is limited in scope, is dated as of indicated dates, does not contain all material information concerning the Port, and is not an offer to sell Port bonds. The information includes forward-looking statements (which involve known and unknown risks, uncertainties, and other factors that may cause actual results to be materially different than expressed or expected) that should be viewed with particular caution

Port of Seattle – independent port authority in a growing economy

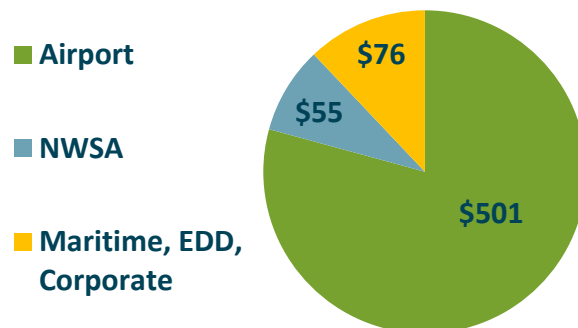
BUSINESSES

- Port operates and manages Sea-Tac International Airport
- Port has a 50% interest in the Northwest Seaport Alliance (NWSA), a joint venture with the Port of Tacoma
- Other businesses include various Maritime and Economic Development Division (EDD) activities

STATUTORY TAXING AUTHORITY

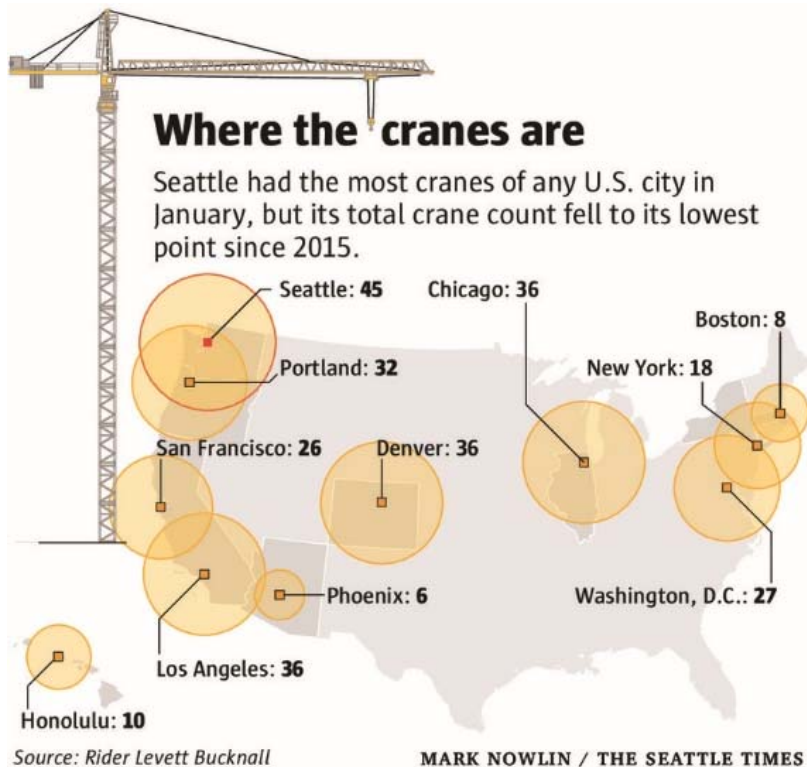
- Port governance: run by five Commissioners elected County-wide
- Port is authorized to levy property taxes within King County
- Actual 2018 property tax levy: \$72.0 million; maximum allowable 2018 levy: \$101.6 million
 - Primarily used for non-Airport purposes; not permitted for revenue bond debt service but can be used for operating expense

2017 OPERATING REVENUE ⁽¹⁾

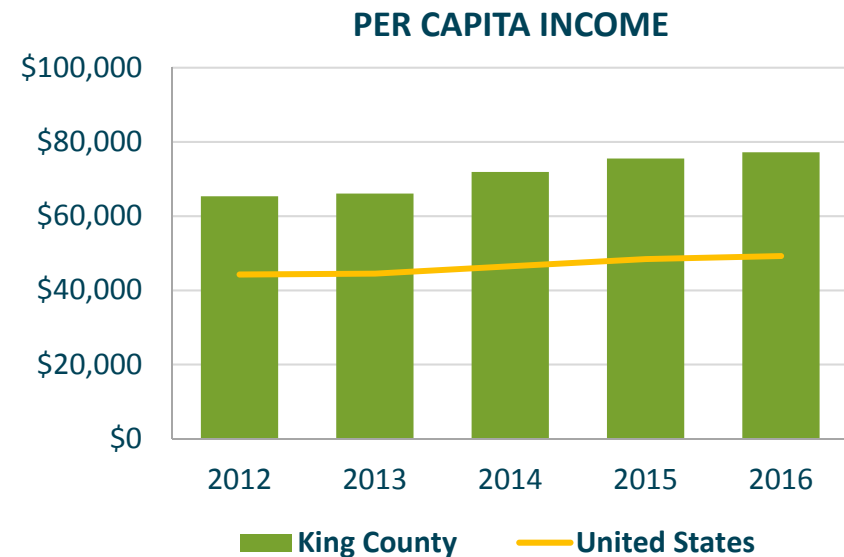


(1) Unaudited, \$ million

Robust regional economy is the basis for Airport growth and sustainability



- King County unemployment remains low, at 3.7% in 2018
- 46% of King County's population has a bachelor's degree or higher (2016), compared to 28% nation-wide
- Puget Sound is home to a wide range of employers that contribute to the vibrant growth in the region



Source: U.S. Department of Commerce

Financial results

- Airport expenses are expected to continue to increase, driven by passenger growth, added services, and inflation
- Non-Airport expenses are increasing to accommodate rising operating costs for new facilities and the Port's community initiatives (partially paid from the tax levy)
- Revenue received from the NWSA expected to decline due to increase in operating expenses, primarily depreciation⁽¹⁾

PORT-WIDE FINANCIAL PERFORMANCE (\$ million)

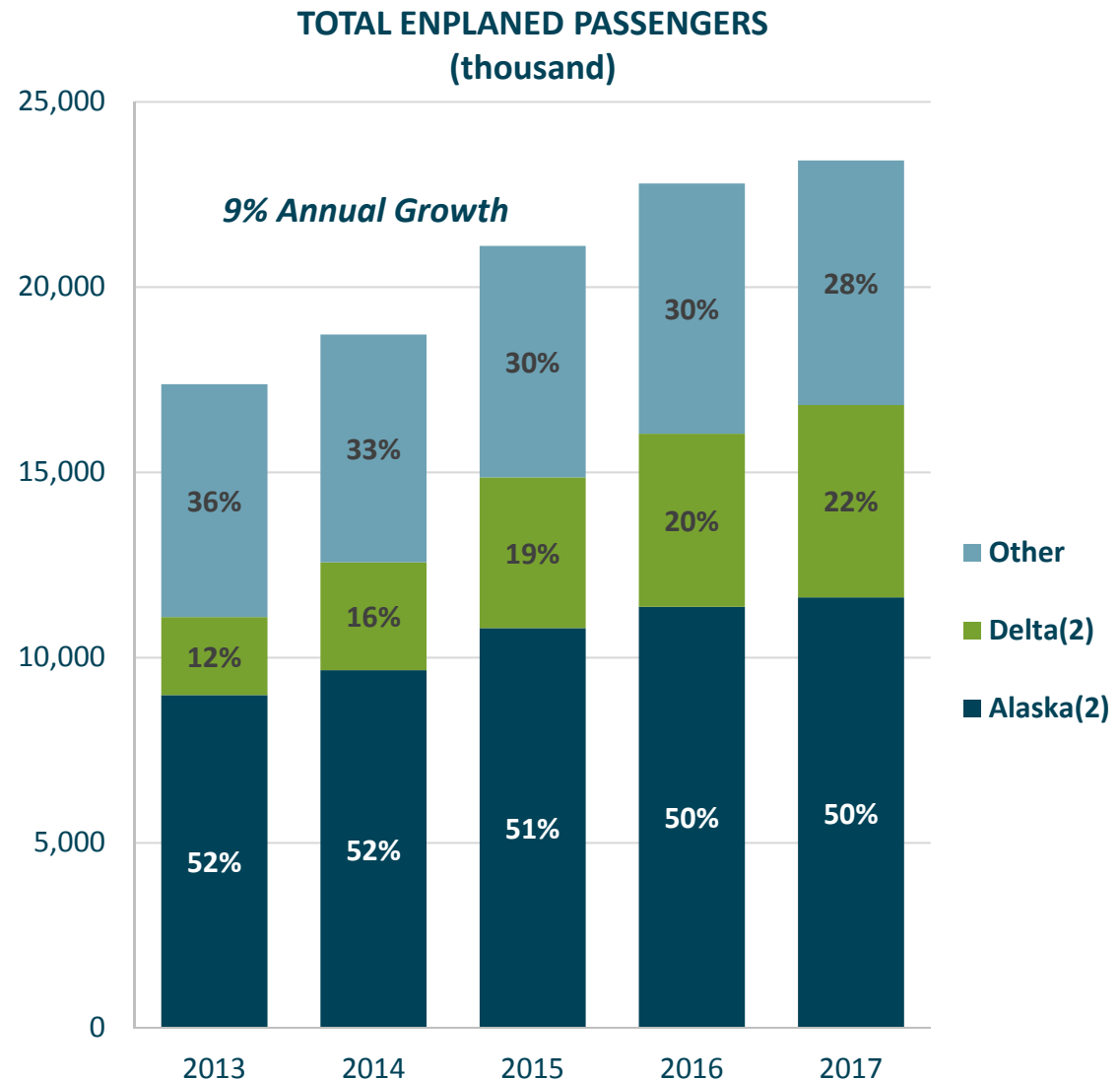
	2016 Actual	2017 Unaudited	2018 Budget
Total Airport Revenue	\$ 465.2	\$ 500.9	\$ 545.9
Airport Operating Expenses	(261.0)	(299.1)	(334.9)
Airport NOI Before Depreciation	\$ 204.2	\$ 201.8	\$ 211.0
Total Non-Airport Revenue	\$ 133.0	\$ 131.1	\$ 124.6
Non-Airport Expenses	(64.0)	(73.9)	(88.0)
Non-Airport NOI Before Depreciation	\$ 69.0	\$ 57.2	\$ 36.6
Total Port NOI Before Depreciation	\$ 273.2	\$ 259.0	\$ 247.6
Key Non-Operating Items			
Tax Levy	\$ 72.0	\$ 72.0	\$ 72.0
GO Bond Debt Service Payments	(35.0)	(36.5)	(43.4)
Passenger Facility Charges	85.6	88.4	91.8

(1) NWSA depreciation in 2017 = \$2.2 million and in 2018 = \$7.4 million, per joint venture accounting

Sea-Tac Airport is the ninth busiest airport in the United States

- 69.4% of passengers began or ended their flight in Seattle in 2016⁽¹⁾
- Number of enplaned passengers grew 4.8% in Q1-2018 (2018 projected to grow 5.0%)
- Southwest, United, and American have a significant presence, accounting for 68% of the “Other” category in 2017

(1) Most recent data available

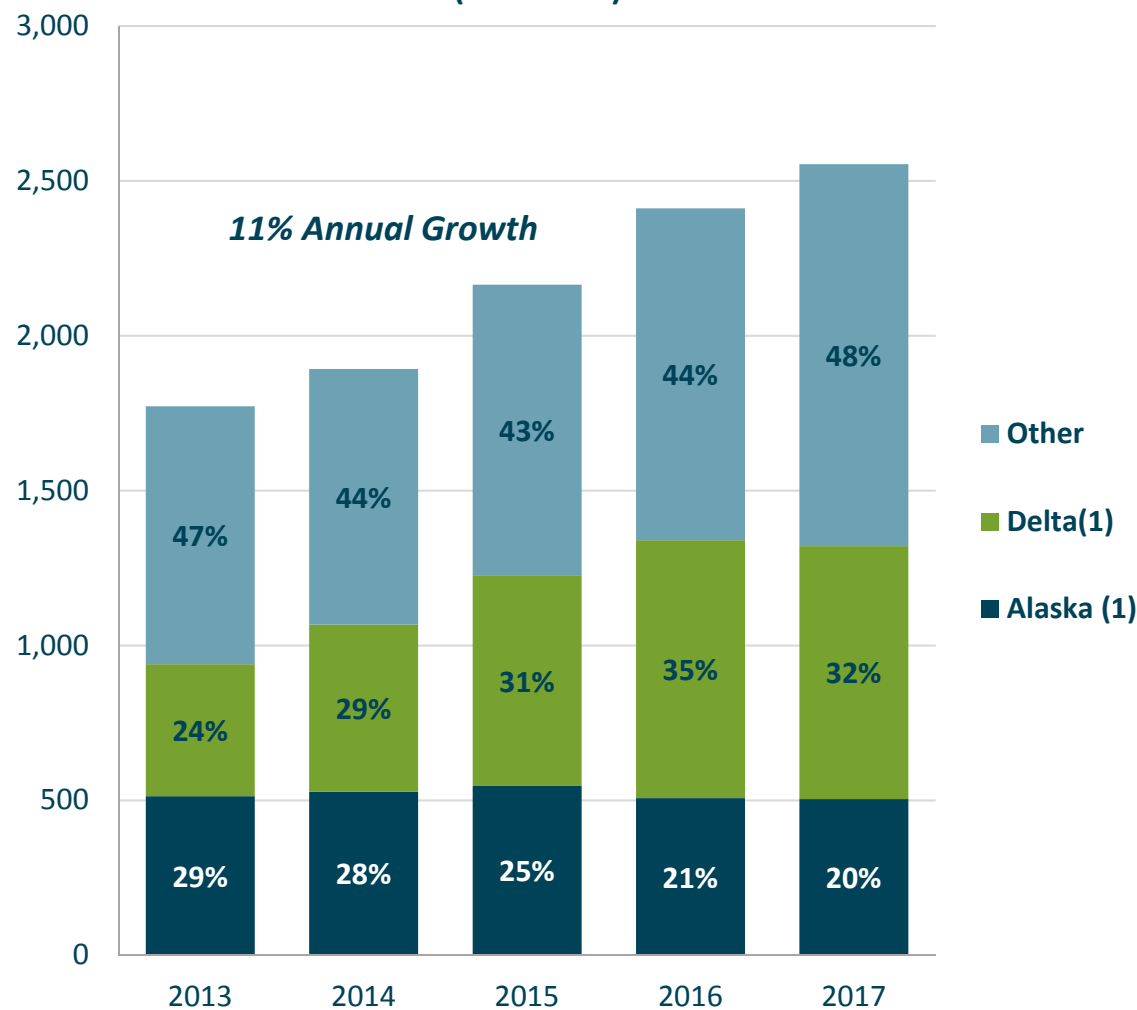


(2) Includes regional affiliate airlines

Sea-Tac Airport has developed into an international gateway, adding to the resiliency generated by the local economy and natural O&D market

- New international hub created by Delta
- Foreign flag carriers are adding service to Seattle
 - new service in 2018: Air France, Aer Lingus, Thomas Cook
- Sea-Tac now has 45 international services, with 22 airlines serving 27 international destinations

INTERNATIONAL ENPLANED PASSENGERS
(thousand)



(1) Includes regional affiliate airlines

Aeronautical costs are paid by the airlines

REVENUES AND EXPENSES

Aeronautical revenues are derived from cost recovery formulas net of revenue sharing based on an airline lease agreement

Expense growth reflects more intensive use of existing facilities, planning for future facility needs, and goals of improving customer service and enhancing security, all of which contributes to increased cost per enplaned passenger (CPE)

- FTEs expected to increase in 2018 (up 23.5% since 2016), primarily due to the Port assuming the employee screening function

AIRLINE AGREEMENT

New five-year airline agreement is being applied retroactively to January 1, 2018

Key elements:

- Similar in most respects to prior agreement
- Maintains the ability to set rates to achieve 1.25x debt service coverage
- Gradually reduces revenue-sharing to 0% in 2020 and beyond

Strong non-aeronautical businesses help maintain competitive CPE

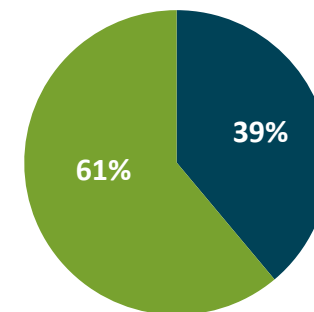
AIRPORT INCOME STATEMENT
(\$ million except CPE)

	2016 Actual	2017 Unaudited	2018 Budget
Aeronautical Revenue ⁽¹⁾	\$ 244.2	\$ 264.1	\$ 301.1
Non-Aeronautical Revenue	221.0	236.8	244.8
Total Revenue	\$ 465.2	\$ 500.9	\$ 545.9
Operating Expenses	(261.0)	(299.1)	(334.9)
NOI Before Depreciation	\$ 204.2	\$ 201.8	\$ 211.0
CPE	\$ 10.10	\$ 10.52	\$ 11.35

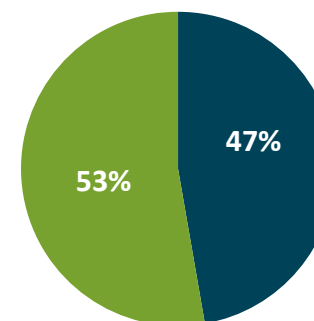
(1) Net of revenue sharing with signatory airlines

**AERONAUTICAL VS
NON-AERONAUTICAL REVENUE**

2013



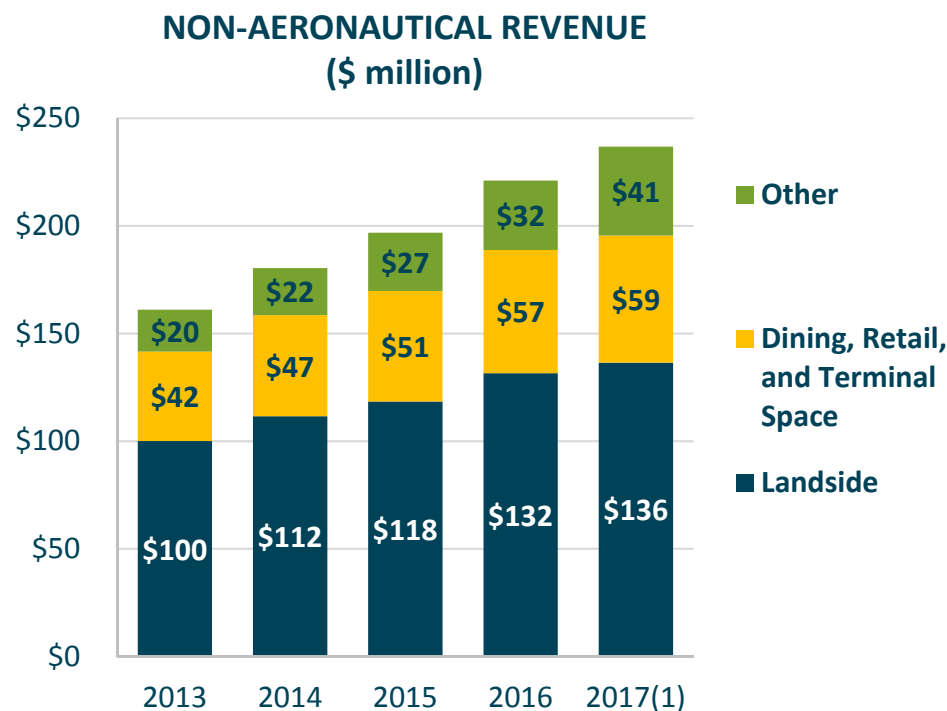
2017



Aeronautical ■
Non-Aeronautical ■

Non-aeronautical revenue grew at an annualized rate of 11.8% from 2013 to 2017, generating strong coverage and low CPE

- **Non-aeronautical** revenue has increased 47.0% since 2013
- **Landside revenue** experienced strong growth, up 36.5% since 2013, despite changing customer preferences
 - Rental car revenues decreased by 5.5%, while ground transport increased 22.5%
 - Parking revenue increased due to strong demand and price inelasticity for premium access



(1) Unaudited

- **Dining and retail** have grown 41.8% since 2013, although redevelopment of terminals may dampen near-term D&R growth

Major Airport capital projects

INTERNATIONAL ARRIVALS FACILITY

- Increases capacity for processing of inbound international passengers
- Adds international access to eight gates
- Completion expected in early 2020

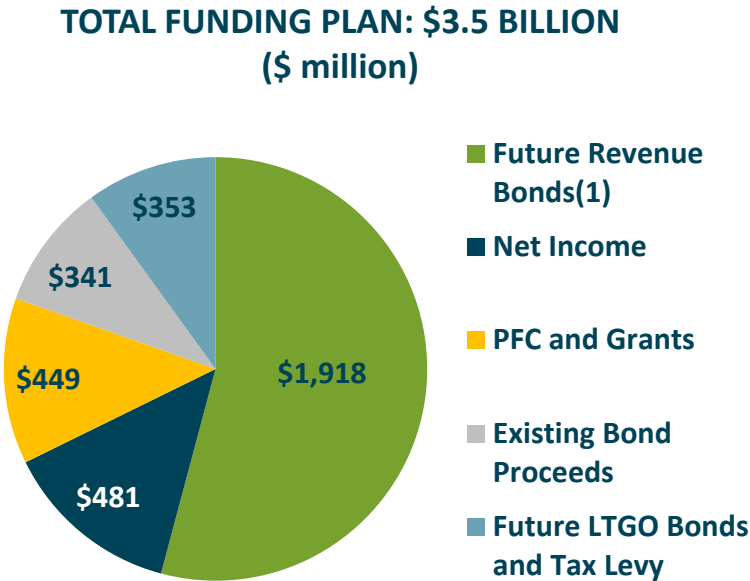
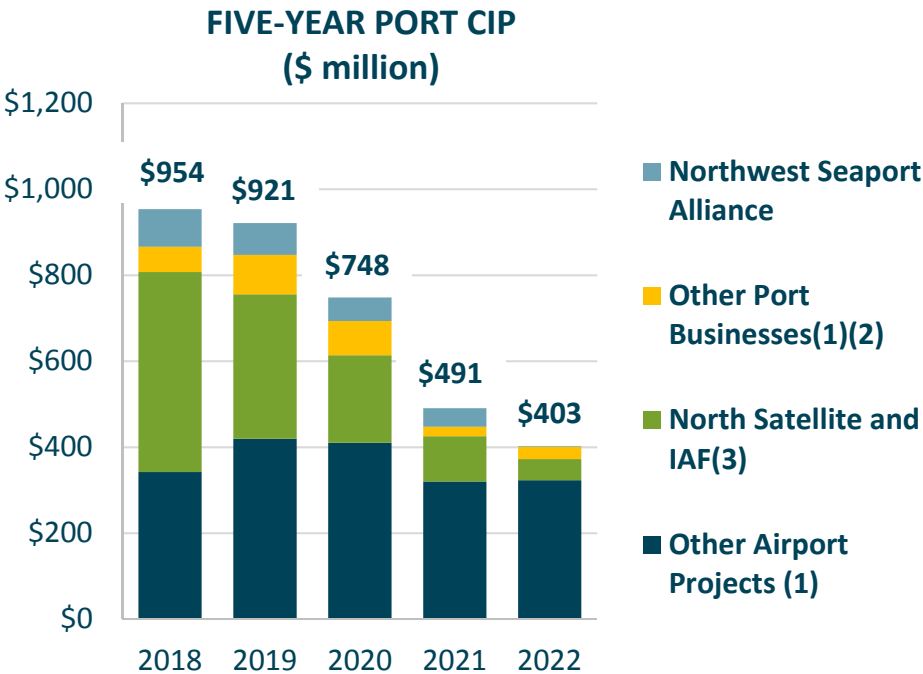


NORTH SATELLITE

- Renovates and expands terminal in collaboration with Alaska Airlines, adding eight new contact gates
- Completion of phase 1 in 2019, phase 2 in 2021
- New Alaska lounge



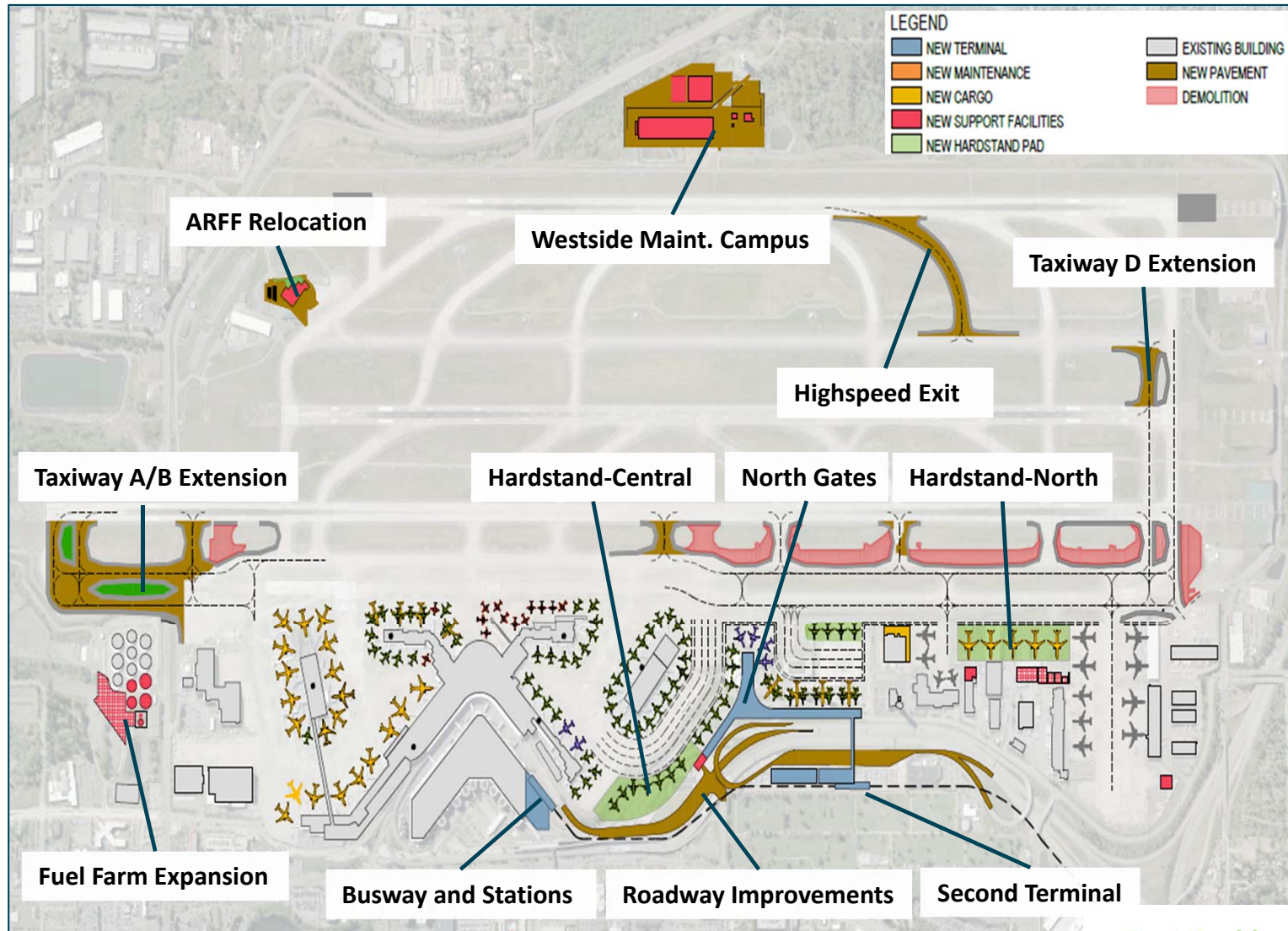
Port’s 2018-2022 CIP totals \$3.5 billion



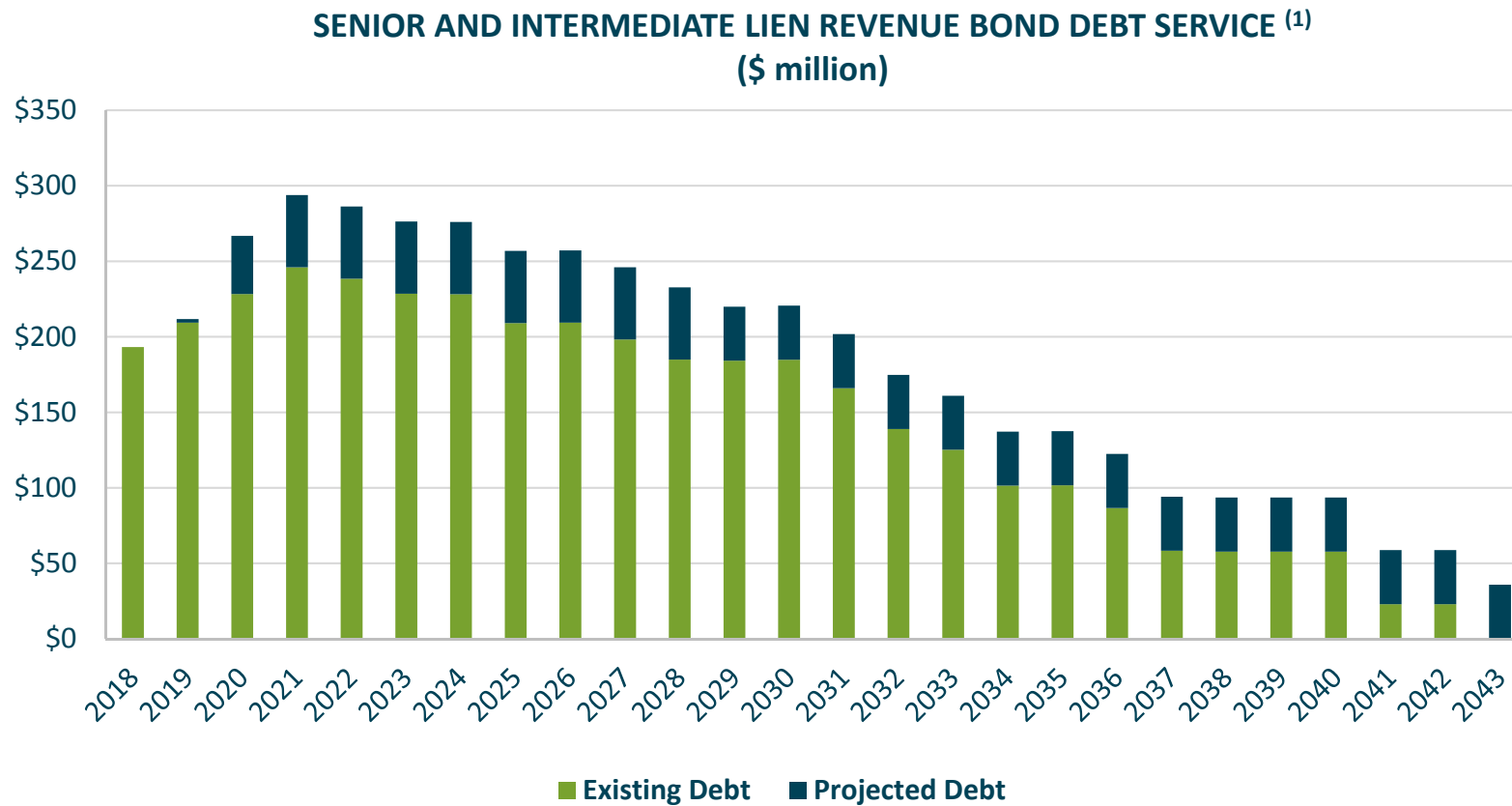
- (1) \$41.2 million and \$9.5 million of Corporate capital costs are allocated to Aviation and Other Port Businesses, respectively
- (2) Consists primarily of Maritime and Economic Development Division
- (3) Final costs are likely to increase

(1) The Port expects to be in the market with fixed rate revenue bonds in June 2018, to fund approximately \$560 million in projects

Future growth at Sea-Tac Airport to accommodate 56 million annual passengers by 2027 – preliminary planning estimate \$4-\$5 billion



Port's debt service structure is intentionally focused on maintaining future capital funding capacity



(1) Net of capitalized interest

CONTACT INFORMATION



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