

Preliminary Budget

2020

Port 
of Seattle®

A large, decorative graphic consisting of several overlapping, rounded rectangular shapes in shades of blue and green, arranged in a descending staircase pattern from left to right. The shapes are semi-transparent, allowing the colors of the underlying shapes to be visible.

2020 Budget

Preliminary

Prepared by the
Finance and Budget
Departments



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Port of Seattle
Washington**

For the Fiscal Year Beginning

January 1, 2019

Christopher P. Morrill

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Port of Seattle for its annual budget for the fiscal year beginning January 1, 2019.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is only valid for a period of one year. We believe that our current budget continues to conform to the requirements of the program, and we are submitting it to the GFOA to determine its eligibility for another award.



DATE: October 18, 2019
TO: Port Commission
FROM: Stephen P. Metruck, Executive Director *SPM*
SUBJECT: Port of Seattle Preliminary 2020 Budget

I am pleased to submit the Port's proposed 2020 Budget, which identifies the plans, programs and resources needed to respond to the unprecedented growth in our business gateways as well as advance key initiatives focused on operational efficiency, environmental sustainability, community engagement, economic development and equity, diversity and inclusion. The Preliminary 2020 budget is aligned with the Port's Century Agenda strategies, our 2020 goals and is fiscally responsible. My approach in preparing the budget was to use a "zero-base" mindset to reduce unnecessary spending, use greater discipline in developing realistic spending plans, identify potential cost savings along with new budget requests and incorporate a staff vacancy factor to reduce budget variances that we typically experience due to routine personnel turnover freeing up funds to meet other needs.

The budget includes total operating revenues of \$813 million, an 8% increase over the 2019 budget, and total operating expenses are \$472 million, a 3.6% increase over 2019. Budgeted Net Operating Income is \$342 million, 14.6% above 2019. Key drivers of the operating budget include innovation, sustainability, safety and security, customer service, organizational effectiveness and equity.

The Capital Investment Plan (CIP), which amounts to \$3.4 billion over the next five years, continues our commitment to investing in regional infrastructure to grow our transportation gateways, create jobs and stimulate economic development. Signature projects at Sea-Tac International Airport include completion of the International Arrivals Facility and North Satellite expansion/renovation, baggage system optimization and preliminary design of projects related to the Sustainable Airport Master Plan. The Maritime and Economic Development Division CIP advances the Port's Waterfront Strategy with significant investments in a new Cruise Terminal at Terminal 46, Terminal 91 uplands development, habitat restoration, and development at Fishermen's Terminal. In addition to its CIP, the Port is also investing \$184 million over the next five years in the Northwest Seaport Alliance capital program, which includes modernizing Terminal 5 to make it one of the most efficient container terminals on the West Coast. The CIP also includes \$107 million of additional funding primarily for preservation of critical maritime infrastructure.

I would like to acknowledge Port staff for their substantial efforts in developing the preliminary budget and associated materials—their work is greatly appreciated. I look forward to the Commission's review and discussion of the proposed budget and obtaining your continued input and comments.

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BUDGET DOCUMENT OVERVIEW

This document contains the operating, capital and statutory budgets, Long Range Plan, and draft plan of finance for the Port of Seattle and is organized as follows:

- **Section I**, Executive Summary, provides key business outlook, key budget drivers, budget highlights, and budget summary.
- **Section II**, Port View, contains the Port's history, facilities and services, long range plans, commissioners and officers, and organizational chart.
- **Section III**, Overview, presents the five-year financial forecast and outlines the Port's operating and non-operating budget, capital budget, and tax levy.
- **Sections IV through VI** feature the Operating Division summaries for Aviation, Maritime, and Economic Development, respectively. Each Division section present a discussion of the 2019 budget and five-year financial forecast for each business group as well as operating budget, staffing, and capital budget. The operating budget is presented by business groups/departments and by major revenue and expense accounts.
- **Section VII**, Central Services, presents descriptions of each department as well as summaries of operating budgets, staffing, and capital budgets.
- **Section VIII**, Tax Levy, provides a detailed presentation and discussion of tax levy sources and uses including interaction between general purpose levy and general obligation debt capacity.
- **Section IX**, Capital Improvement Plan (CIP), provides detailed discussion and a summary page presenting the total CIP by business group and by division. A listing of the projects by business group and division is provided at the end of the section.
- **Section X**, Draft Plan of Finance, includes an overview of the funded CIP, a discussion of the airport and non-airport funding plan, financing initiatives and capital planning resources.
- **Section XI**, Statutory Budget, which is submitted to King County Council and King County Assessor, provides an introduction, budget highlights and resolution, and tax levy calculation.
- **Section XII**, NWSA, contains overview, budget message, business outlook, budget details, capital investment plan and environmental stewardship and planning for the Northwest Seaport Alliance (NWSA).
- **Section XIII**, Appendices, includes detailed information regarding the budget and financial policies, business assessment, bond amortization schedules, other detailed expenditures, a glossary of terms, and acronyms used.

I. EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

OVERVIEW

The 2020 budget responds to the needs of the Port's businesses, customers and community stakeholders. This budget will also help the Port prepare for future growth through strategic investments in regional infrastructure, facilities, transportation, environmental sustainability, community programs, and economic development initiatives.

In addition to expanding services, this budget invests in projects that will preserve existing assets as well as generate new revenues to fund future infrastructure and improvements to Port assets. This budget strengthens the safety and security of the Port and the traveling public, improves customer service at Port facilities and accommodates the organizational needs for growing operations. With this budget, the Port will leverage the economic strength of the Puget Sound region to create opportunities that will span generations, increase support for small and disadvantaged businesses, expand job opportunities in the aviation and maritime industries, support workforce development, promote equity and protect and improve regional environmental and community health.

This budget also helps the Port build organizational capability, efficiency and effectiveness through innovation and advances the Century Agenda strategies and objectives. The Port is in a strong financial position heading into 2020. Prudent and proactive budget management enables the Port to be a responsible steward of public resources and provide investments that enhance the economic vitality of the Puget Sound region.

PORT BUSINESS OUTLOOK

- Seattle-Tacoma International Airport (Sea-Tac) has experienced significant growth in the past few years. The Airport anticipates continued passenger growth of 3 percent on top of 4 percent forecasted growth in 2019 for a total of 53.3 million passengers in 2020. This translates into a compound annual growth rate of 7.4 percent and a total passenger growth of 53.5 percent since 2013.
- The Cruise business continues to grow. The Maritime division is forecasting a record 1.3 million cruise passengers in 2020, an 8.8 percent increase over this year. The Port continues to be the leading West Coast cruise port in passenger volumes.
- Grain volume is forecast to be 3.0 million metric tons in 2020, down 16 percent from the 2019 budget due to the current trade environment and tariffs that have dampened agricultural exports.
- The average Shilshole Bay Marina occupancy rate is forecast to be 95 percent, consistent with 2019 while Fishing and Commercial Operations occupancy rates are forecast to average 86 percent, the same as 2019.
- Commercial Properties are expected to remain strong at 95 percent occupancy at the end of 2020.

Below is a summary of the key financial results under the 2020 budget:

- Total operating revenues are budgeted at \$813.3 million, \$60.1 million or 8.0 percent over the 2019 budget.
- Total operating expenses are budgeted at \$471.6 million, \$16.6 million or 3.6 percent over 2019.
- Net operating income before depreciation is budgeted at \$341.7 million, \$43.5 million or 14.6 percent over 2019.
- The 2020 capital budget is \$640.5 million and the five-year capital improvement plan is over \$3.4 billion.

2020 KEY INITIATIVES AND BUDGET DRIVERS

- Continue to improve customer service for the Airport and Maritime businesses.
- Continue to enhance the safety and security of the traveling public, employees, and Port facilities.
- Implement the Airport and waterfront capital development programs to reduce congestion, improve service for our customers, and prepare for the region’s needs for the future.
- Foster financial sustainability by growing Port operating revenues.
- Continue the Sustainable Airport Master Plan (SAMP) environmental review and preliminary planning.
- Continue implementation of the Ground Transportation Access Plan (GTAP), Airport Dining and Retail Master (ADR) Plan, Infrastructure Systems Master Plan, and Main Terminal Optimization Plan for the Airport.
- Advance the new Cruise Terminal at Pier 46 and Terminal 91 Uplands Development.
- Complete modernization of Bell Harbor International Conference Center.
- Advance environmental initiatives to ensure the long-term sustainability of Port operations and the region.
- Add resources to implement Port Commission priorities on Equity, Diversity and Inclusion.
- Continue to invest in workforce development programs and partnerships to develop a talent pipeline for Port-related industries.
- Support Diversity in Contracting to create opportunities for small and disadvantaged businesses in the region.
- Promote and support tourism development throughout Washington state using Tourism Grants and the Spotlight Airport Advertising program.
- Implement cooperative marketing and promotional efforts in countries identified to have strong Alaskan cruise demand and “cruise-and-stay” potential.
- Implement maritime innovation initiatives and identify a permanent location for a maritime innovation center.
- Continue high school and college internship programs to increase opportunities for local students.
- Expand community engagement programs to increase awareness of the Port’s contribution to regional economic vitality and to strengthen relationships with surrounding communities.
- Continue to build internal capabilities through innovation, employee training and development, and process improvements.

You can find the budget summary and highlights in the next few pages, and the budget details in various sections of the budget document.

AVIATION DIVISION

Current capacity constraints at the Airport create operational challenges as the numbers of flights and passengers continue to grow. Several large capital projects are under development to meet the growing needs of the airport and work continues with environmental review and preliminary planning for the Sustainable Airport Master Plan (SAMP) in 2020. The airport is also adding significant resources to continue to improve customer service and to enhance the safety and security of the traveling public.

Passenger growth at in recent years has propelled Sea-Tac Airport to the eighth busiest airport in the United States. The regional economy remains strong, contributing to the passenger growth at Sea-Tac. Growth picked up in 2018 to 6.2 percent after 2.6 percent in 2017. The budget for 2020 is for passenger growth of 3 percent.

MARITIME DIVISION

The Maritime Division will continue to support the region's ocean economy through its focus on managing the cruise business, four recreational marinas, Terminal 91, Fishermen's Terminal, and a variety of other maritime industrial facilities.

The division is leveraging assets in the cruise business and the grain terminal to help support the regional fishing fleet, environment, and local maritime businesses to achieve its financial goal of positive net operating income after depreciation by 2024. While a drop in grain volumes is expected in 2020 due to the current trade environment, the division is forecasting a continued growth in cruise vessel size and passenger counts for Alaskan cruises from Seattle's homeport.

ECONOMIC DEVELOPMENT DIVISION

The Economic Development Division focuses on developing and managing the Port's real estate assets, promoting statewide tourism, and developing minority and women owned business opportunities. Workforce development programs in the maritime, aviation, manufacturing, and construction industries managed by the division are being transferred to the new Office of Equity, Diversity and Inclusion. Commercial properties are expected to achieve a 95 percent occupancy rate by the end of 2020, which is consistent with current results.

The 2020 budget continues funding for the diversity in contracting program, tourism initiatives, and economic development partnership grants for cities in King County.

THE NORTHWEST SEAPORT ALLIANCE (NWSA)

The Northwest Seaport Alliance (NWSA) is a joint venture between the Port of Seattle and the Port of Tacoma established in 2016 to unify the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the competitiveness of the Puget Sound gateway.

The net income from the NWSA is distributed evenly between the two home ports and the Port of Seattle's 50 percent share of the 2020 net income is forecast to be \$41.5 million, which is included as operating revenue in the Portwide financial statements. The ports also share equally in NWSA capital investments; the port's share is forecast to be \$62.4 million for 2020 and \$184.1 million over the next 5 years. Major ongoing and new projects include modernization of Terminal 5, Terminal 46 dock rehabilitation, and acquisition of container cranes.

OPERATING BUDGET

Prudent management of the budget helps ensure that the Port has the capacity to invest in infrastructure and programs that support regional economic growth. 2020 operating revenues are budgeted at \$813.3 million, a \$60.1 million or 8.0 percent increase from the 2019 budget. Operating expenses are budgeted at \$471.6 million, a \$16.6 million or 3.6 percent increase compared to the 2019 budget. Net operating income (before depreciation) is \$341.7 million, a \$43.5 million or 14.6 percent increase from 2019.

AVIATION

The Aviation Division manages both the aeronautical and non-aeronautical business operations at Sea-Tac Airport. On the Aeronautical side, the 2020 operating revenue is budgeted at \$401.6 million which is 9.8 percent higher than the 2019 budget. On the Non-aeronautical side, operating revenues are \$283.2 million, a 9.1 percent increase from the 2019 budget. Total operating revenues are budgeted at \$684.7 million, a 9.5 percent increase over 2019. Total operating expenses, including cost allocations from other divisions, are budgeted at \$377.7 million, a 3.2 percent increase over 2019. Net operating income before depreciation is \$307.0 million.

The Airport has two distinct lines of business: Aeronautical and Non-aeronautical. Aeronautical revenues are based primarily on operating and capital cost-recovery formulas charged to airlines operating at Sea-Tac. Due to a combination of higher costs resulting from new investments and a phasing out of revenue sharing with the airlines, Aeronautical revenues are forecast to increase by 9.8 percent in 2020. Non-aeronautical revenues are forecast to be 9.1 percent over 2019, mainly driven by growing demand for parking, ground transportation, airport dining and retail services, and clubs and lounges.

MARITIME

The Maritime Division includes cruise operations as well as the operation and management of marine properties such as Terminal 91, Fishermen's Terminal, and four recreational boating marinas. Maritime operating revenues are budgeted at \$62.9 million, a 5.4 percent increase over 2019. Total operating expenses, including cost allocations from other divisions, are forecast at \$56.2 million, a 10.6 percent increase from 2019. Net operating income before depreciation is expected to be \$6.7 million in 2020.

ECONOMIC DEVELOPMENT

Economic Development Division's 2020 budgeted revenue is expected to be \$19.1 million, a 3.1 percent decrease from the 2019 budget. Total operating expenses, including cost allocations from other divisions, are expected to be \$29.0 million, a 5.5 percent decrease from 2019. Ongoing key budget initiatives in 2020 include strategic investments to develop comprehensive career pathways in the aviation and maritime industries, diversity in contracting, and the continuation of programs to support tourism and economic development.

CENTRAL SERVICES

The three operating divisions of the Port are supported by a number of administrative departments and other service groups. These groups allocate their expenses according to the level of service they provide to the divisions and the NWSA. Central Services operating expenses are budgeted at \$150.3 million.

CAPITAL BUDGET

The Port's capital budget is \$640.5 million for 2020 and the five-year capital improvement plan is \$3.4 billion; it includes investments supporting growth in the Port's business gateways, creating near-term jobs and stimulating long-term economic growth for the region.

The airport capital budget is \$570.1 million for 2020 and the five-year capital improvement plan is \$2.9 billion. Three major projects: the International Arrivals Facility, the North Satellite Modernization program, and the Baggage System Optimization project account for \$730.7 million in capital expenditures over the next five years. The 2020 budget also proposes an addition of 34 new projects totaling \$233.2 million in the five-year plan. A total of \$291.4 million is included for preliminary planning related to SAMP.

The total 2020 capital budget is \$70.3 million for Maritime, Economic Development, other businesses primary for Stormwater Utility, and Central Services and the five-year capital plan is \$520 million. Major capital projects include Fishermen's Terminal Redevelopment, Terminal 117 Habitat Restoration, Terminal 91 Uplands Development, New Cruise Terminal, Waterfront Electrification, and Bell Harbor International Conference Center Interior Modernization.

TAX LEVY

The 2020 tax levy is budgeted at \$76.4 million, a 3 percent increase from 2019 levy of \$74.2 million. Based on preliminary King County assessed valuation, the 2020 estimated millage rate is \$0.120, a decrease from \$0.123 in 2019. The levy rate has decreased over the past several years as property values have increased and the Port Commission has gradually lowered the levy amount since 2009 prior to the 3 percent increase from 2019.

2020 BUDGET HIGHLIGHTS

The Port strives to maintain a strong financial position while continuing to make investments that retain and attract customers, create jobs, provide community benefits, and help position the Port for future growth.

- Total revenues are budgeted at \$1,098.4 million, which include \$813.3 million of operating revenues and \$285.1 million of non-operating revenues. With \$600 million of expected proceeds in 2020 from the anticipated sale of revenue bonds, total sources of funds are forecast to be \$1.70 billion.
- Operating revenues are budgeted at \$813.3 million, a \$60.1 million or 8.0% increase from the 2019 budget. The \$401.5 million of Aeronautical revenues are based on cost recovery. Airport Non-Aeronautical revenues are budgeted to be \$283.2 million, \$23.6 million or 9.1% increase from 2019 budget mainly due to higher revenues from Public Parking, Ground Transportation, Airport Dining and Retail, Airport Commercial Properties, and Airport Clubs & Lounges.
- Non-Airport revenues are projected to be \$128.6 million, a \$470 thousand or 0.4% increase from the 2019 budget. Higher revenues from Cruise and Conference & Event Centers are partially offset by \$2.1 million reduction in the NWSA Distributable Revenue.
- Total Expenses are budgeted at \$849.8 million, which include \$471.6 million of operating expenses, \$179.1 million of depreciation expenses, and \$199.1 million of non-operating expenses, the majority of which are comprised of interest and principal on outstanding bonds.
- Operating expenses are \$471.6 million for the 2020 budget, a \$16.6 million or 3.6% increase from the 2019 budget mainly due to:
 - \$15.8 million in net payroll increases for existing staff and new staffing;
 - \$12.4 million in non-payroll increase for contractual increases, third party management expenses (more than offset by higher operating revenues), and a variety of new and expanded strategic initiatives in 2020.
 - The non-payroll increase is partially offset by a \$11.6 million reduction in Environmental Remediation Expenses from 2019.
- The 2020 operating budget includes the following:
 - \$12.9 million in expenditures for environmental stewardship;
 - \$19.3 million in planning for future airport facilities to meet the strong growth in passenger volumes;
 - \$2.7 million to enhance safety and security for the traveling public and Port facilities;
 - \$5.2 million to improve customer service at Sea-Tac Airport, and \$1.2 million on the Port valet program, which allows cruise passengers to remotely check their luggage upon disembarkation for delivery at the airport;
 - \$2.9 million for Workforce Development to support job-training programs, the regional Career Connected Learning initiative, and Port internships;
 - \$1.6 million for the new Office of Equity, Diversity and Inclusion, which also manages the Workforce Development noted above.
 - \$2.6 million to promote and support statewide tourism initiatives and \$1.0 million in grants to support economic development initiatives in King County cities.
- The Port's budgeted net operating income before depreciation is \$341.7 million, a \$43.5 million or 14.6% increase from the 2019 budget. Net operating income after depreciation is \$162.7 million, \$33.1 million or 25.5% higher than the 2019 budget.

TABLE I-1: 2020 BUDGET SUMMARY

COMPREHENSIVE BUDGET (\$ in 000s)		Notes	Aviation	Non-Aviation	Total
Revenues					
1. Aeronautical Revenues			\$ 401,563	\$ -	\$ 401,563
2. Other Operating Revenues	1		283,168	128,584	411,753
Total Operating Revenues			684,731	128,584	813,315
Non-Operating Revenues					
3. Tax Levy			702	75,683	76,385
4. Passenger Facility Charges			99,505	-	99,505
5. Rental Car Customer Facility Charges			23,914	-	23,914
6. Fuel Hydrant			7,022	-	7,022
7. Non-Capital Grants and Donations			2,403	148	2,551
8. Capital Contributions			48,010	-	48,010
9. Interest Income			24,339	3,331	27,669
Total Non-Operating Revenues			205,895	79,161	285,056
Total Revenues			890,626	207,746	1,098,371
Expenses					
1. Operating Expense			377,695	93,892	471,587
2. Depreciation			142,067	36,989	179,056
Non-Operating Expenses					
3. Revenue Bond Interest Expense			149,841	7,390	157,231
4. GO Bond Interest Expense			-	12,003	12,003
5. PFC Bond Interest Expense			2,740	-	2,740
6. Non-Op Environmental Expense			-	5,000	5,000
7. Public Expense			6,313	12,920	19,233
8. Other Non-Op Rev/Expense			(169)	3,074	2,905
Total Non-Operating Expenses			158,725	40,387	199,112
Total Expenses			678,488	171,268	849,755
Revenues over Expenses			\$ 212,138	\$ 36,478	\$ 248,616
CAPITAL BUDGET					
		2	Aviation	Non-Aviation	Total
2020 Capital			\$ 570,138	\$ 70,324	\$ 640,462
5-Year CIP (2020-2024)			\$ 2,922,962	\$ 520,064	\$ 3,443,026
EMPLOYEES					
			Aviation	Non-Aviation	Total
Aviation			1,206.3	-	1,206.3
Maritime			-	223.0	223.0
Economic Development			-	35.6	35.6
Central Services			-	914.4	914.4
Total			1,206.3	1,173.0	2,379.2

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Notes:

- 1) Other operating revenues for Non-Aviation include \$41.5 million NWSA Distributable Revenue.
- 2) The Capital Budget does not include \$62.4 million of the Port's share of NWSA capital spending in 2020 and \$184.1 million in spending over 2020-2024.

TABLE I-2: CASH FLOW SUMMARY

(\$ in 000's)	2020	Percent of Total
Beginning balance of cash & investments	\$ 1,541,604	
<u>SOURCES OF CASH</u>		
Operating Revenues	813,315	47.8%
Interest Receipts	27,669	1.6%
Proceeds from Bond Issues	600,000	35.3%
Grants and Capital Contributions	50,561	3.0%
Tax Levy	76,385	4.5%
Passenger Facility Charges	99,505	5.9%
Rental Car Customer Facility Charges	23,914	1.4%
Fuel Hydrant Receipts	7,022	0.4%
Other Receipts	2,345	0.1%
Total	1,700,716	100%
Anticipated available funds	3,242,320	
<u>USES OF CASH</u>		
Expenses from Operations:		
Total Operating Expenses	471,587	29.3%
Debt Service:		
Interest Payments	194,080	12.1%
Bond Redemptions	212,565	13.2%
Total Debt Service	406,645	25.3%
Other Expenses	10,164	0.6%
Public Expense	19,233	1.2%
Payment to NWSA for Capital Expenditures	62,380	3.9%
Capital Expenditures	640,462	39.8%
Total	1,610,471	100%
Ending balance of cash & investments	\$ 1,631,849	
Increase (decrease) of cash during year	\$ 90,245	

cashflow.xlsx

FIGURE I-1: SOURCES OF CASH

(\$ in 000's)

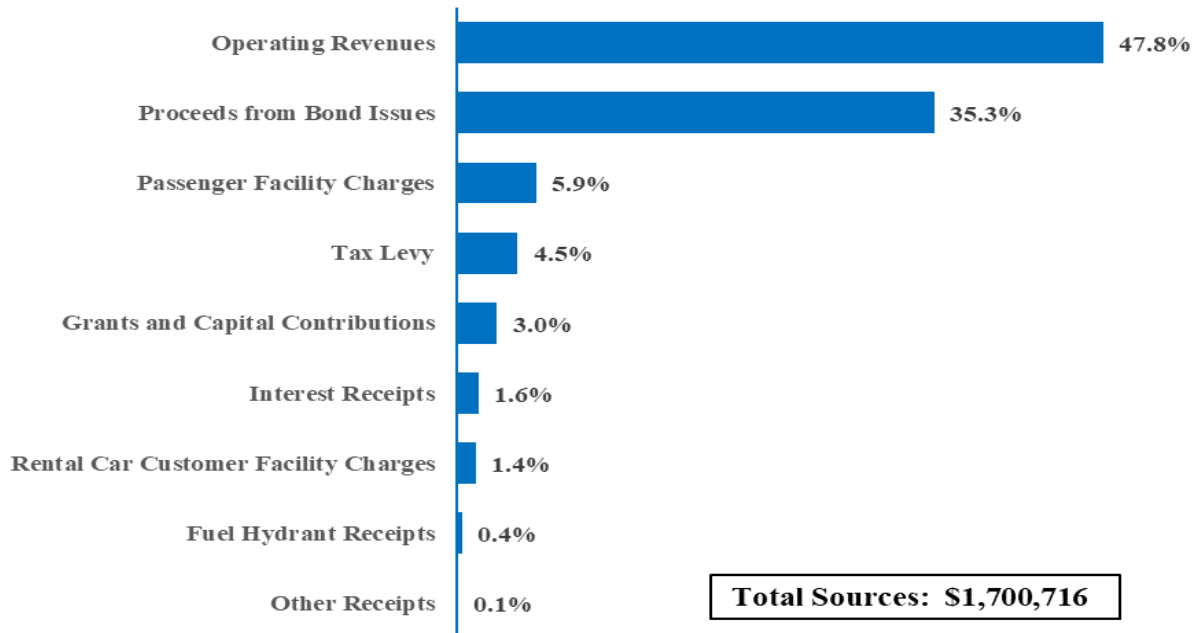
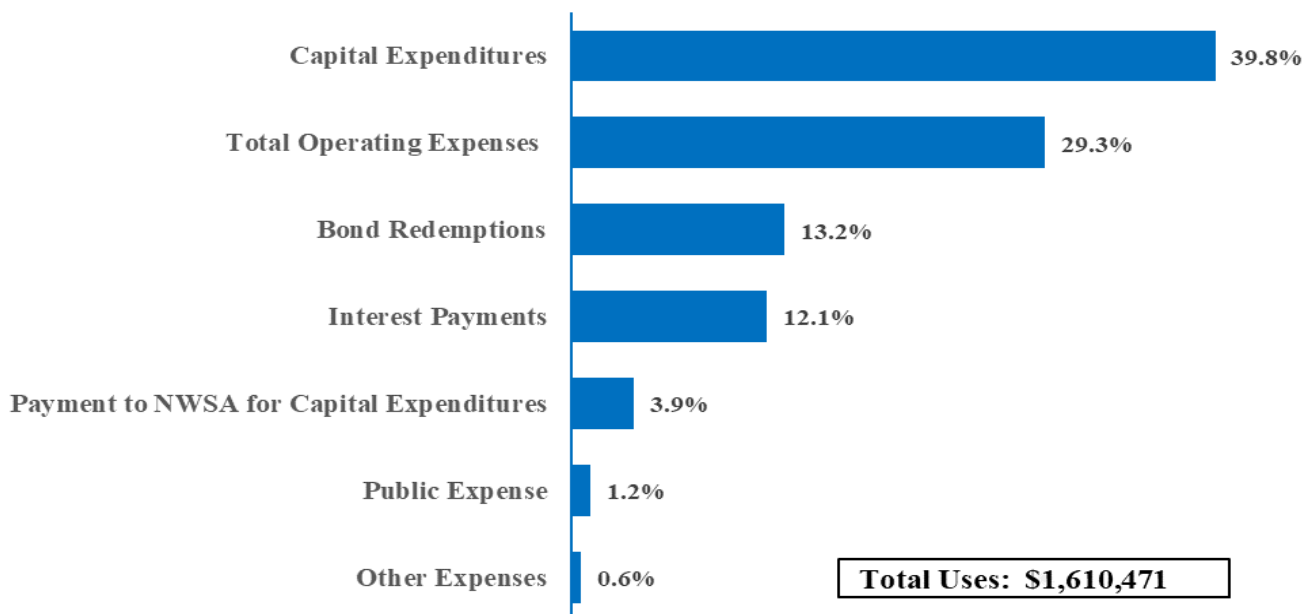


FIGURE I-2: USES OF CASH

(\$ in 000's)



II. PORT VIEW

A. THE PORT OF SEATTLE

The Port of Seattle, (the “Port”), is a public enterprise with unique authority operating in an international, market-driven environment. The Port provides services to its customers in order to return benefits to the citizens of King County, giving careful consideration to the economic, social, and environmental implications of its decisions.

The Port is now comprised of three operating divisions, namely Aviation, Maritime, and Economic Development. The Aviation Division manages the Seattle-Tacoma International Airport, (“Sea-Tac”). The Maritime Division manages cruise, grain, commercial and recreational marinas, and industrial properties connected with maritime businesses. The Economic Development Division manages the Port’s real estate portfolio, and plans and facilitates the development of selected real estate assets, tourism, small business and workforce development.

Central Services provides high quality and cost-effective professional and technical services to the divisions and supports the overall goals of the Port; it also delivers capital projects and provides technical services in support of the financial plans and infrastructure needs of the Port.

In August of 2015, the Port of Seattle and the Port of Tacoma formed the Northwest Seaport Alliance (NWSA), which unifies the two ports’ marine cargo terminal investments, operations, planning, and marketing. The goals for combining the two ports’ cargo terminal operations include strengthening the Puget Sound gateway, making the region more competitive in the global economy, attracting more marine cargo, and creating new jobs in the region. Together, the ports can more efficiently deploy the significant investments each port has devoted to infrastructure, and speak with a stronger voice on pressing regional and industry-related issues.

B. HISTORY OF THE PORT OF SEATTLE

Founded in 1911 by a vote of the people as a special purpose government, the Port of Seattle’s mission is to promote economic opportunities and quality of life in the region by advancing trade, travel, and commerce in an equitable, accountable, and environmentally responsible manner.

The Port was established in an effort by citizens to ensure public ownership of the Seattle harbor. The Port of Seattle was the first autonomous municipal corporation in the United States specifically tasked to develop harbor and Port facilities to encourage commerce. The Port opened Fishermen’s Terminal in 1912, its first warehouse in 1915 and began working on the creation of Harbor Island. Since then, the Port has developed numerous properties including construction of the Seattle-Tacoma International Airport in 1949.

The Port’s mission hasn’t changed over the years, but its scope of services has expanded considerably. The Port continues to upgrade and modernize its facilities to meet current and future market demands. The Port has added container terminals, a grain terminal, cruise terminals, marinas, public parks, and viewpoints and has contributed significantly to the development of public amenities along Seattle’s waterfront.

C. PORT OF SEATTLE FACILITIES AND SERVICES

The Aviation Division operates Sea-Tac Airport which is located on 2,800 acres sixteen miles south of downtown Seattle. The airport includes 3 runways that are 11,900 feet, 9,425 feet, and 8,500 feet in length and a subway system linking the concourses. Sea-Tac is the 8th busiest U.S. airport as measured by total passengers in 2018 and compared to other large airports, it has relatively high originations and destinations traffic.

The Maritime Division operates 2 cruise vessel terminals with a total of 3 berths. The division also manages a fully automated grain terminal and Fishermen's Terminal, which is home to the North Pacific factory trawler fishing fleet as well as other general-purpose maritime facilities. In addition, the Maritime Division leases industrial property connected with these cruise, cargo, and factory trawler fishing businesses.

The Economic Development Division manages the Port's holdings in commercial real estate, developable property, tourism, small business opportunities, and workforce development in the maritime and aviation industries. This allows the Maritime and Aviation divisions to concentrate on their core businesses.

The NWSA, as a Port Development Authority (PDA), is a separate legal entity from the two home ports, and acts as the exclusive manager and operator of the container, break-bulk, auto and some bulk terminals in Seattle and Tacoma. 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 Port of Savannah. It is the first alliance of its kind in North America, and offers shorter U.S. - to-Asia transits, as well as a deep connection to Alaska.

The airport, cruise business, marinas, Fishermen's Terminal, grain terminals, and certain industrial real estate, such as the Northwest Innovation Works and Puget Sound Energy facilities, and Terminal 91 uplands, remain outside the Alliance.

FIGURE II-1: FACILITY MAP



D. LONG RANGE PLAN

CENTURY AGENDA OVERVIEW



In 2012, the Port celebrated 100 years of service to the Puget Sound region by creating a comprehensive, strategic initiative to guide Port priorities for the next quarter century. That initiative is the Century Agenda. The Century Agenda aligns the Port's and objectives across all divisions and departments as they address evolving challenges with innovative solutions.

For more than 100 years the Port has generated jobs and growth for King County and the greater region by advancing trade and commerce, promoting industrial growth, and stimulating economic development. The Port leverages its real estate, capital assets and financial capabilities to engage and improve the Puget Sound Region as an anchor institution and it brings those resources to bear in accomplishing the goals established by the Century Agenda.

Two years prior to the centennial, the Commission launched an extensive public engagement effort and formed a Century Agenda Committee to guide the Port's long-range vision. More than 1,000 people attended over 60 events and engagements to help develop what are now known as Strategies and Objectives, along with a proposed Mission and Commitment. Each year since, the Port staff has identified action plans that are incorporated in the Port business plans and budget to advance progress towards achieving the Century Agenda Vision, Strategies (Pg. 6), and Objectives (Pg. 9).

Since its inception, the Century Agenda has remained the cornerstone of the Port's long-term strategic planning. The Strategies and Objectives set forward in the Century Agenda are reviewed every five years to ensure it remains a living document and that the aspirational aims it sets forth are aligned to and reflective of the current landscape and the Port's vision for the future.

OUR MISSION

The Port of Seattle is a public agency that creates jobs by advancing trade and commerce, promoting industrial growth, and stimulating economic development.

OUR VISION

Over the next 25 years we will add 100,000 jobs through economic growth led by the Port of Seattle, for a total of 300,000 port-related jobs in the region, while reducing our environmental footprint.

OUR COMMITMENT

The Port of Seattle creates economic opportunity for all, stewards our environment responsibly, partners with surrounding communities, promotes social responsibility, conducts ourselves transparently, and holds ourselves accountable. We will leave succeeding generations a stronger Port.



www.portseattle.org



LONG RANGE PLAN OVERVIEW

The Long Range Plan (LRP) allows the Port to more effectively and transparently improve the Port's ability to support the local economy by creating 100,000 new jobs for the Puget Sound region while addressing key environmental opportunities and social responsibility of all its stakeholders. Both Century Agenda and High Performance Organization Strategies and Objectives are important in the development of the LRP and to ultimately achieve the vision for supporting the local economy.



CENTURY AGENDA

Focused on external growth: moving people and cargo, community engagement and environmental stewardship

4 STRATEGIES / 16 OBJECTIVES

- Strategy 1. Position the Puget Sound Region as a Premier International Logistics Hub
- Strategy 2. Advance this Region as a Leading Tourism Destination and Business Gateway
- Strategy 3. Use Our Influence as an Institution to Promote Small Business Growth and Workforce Development
- Strategy 4. Be the Greenest, and Most Energy Efficient Port in North America



HIGH PERFORMANCE ORGANIZATION

Focused on operations excellence, organizational alignment, and a people-centric organization

5 STRATEGIES / 11 OBJECTIVES

- Strategy 1. Increase Customer Satisfaction
- Strategy 2. Eliminate Workplace Injuries
- Strategy 3. Act as One Port
- Strategy 4. Become a Model for Workplace Equity, Diversity and Inclusion
- Strategy 5. Foster Employee Development and Leverage Talent

The Century Agenda and Long Range Plan are currently undergoing modification.



ANNUAL CENTURY AGENDA AND PORTWIDE GOAL PLANNING PROCESS





PRELIMINARY 2020 PORTWIDE GOALS

Portwide Goal 1

Operate Effective Maritime and Aviation Transportation Gateways and Execute Capital Improvement Program

Portwide Goal 2

Capably execute all Port programs within the Five-Year Capital Investment Plan

Portwide Goal 3

Drive Regional and Statewide Economic Vitality

Portwide Goal 4

Advance Environmental Sustainability of the Port and Region

Portwide Goal 5

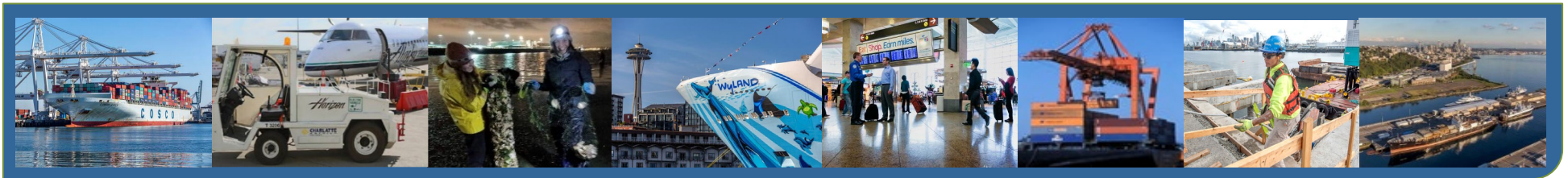
Enhance Workforce Development to Support Regional Port-Related Industries

Portwide Goal 6

Expand Equity, Diversity, and Inclusion within the Port and across the Region to make tangible differences and deliver benefits for all

Portwide Goal 7

Operate as a Highly Effective and Equitable Public Agency



E. COMMISSIONERS AND OFFICERS

The Port Commission is the legally constituted governing body of the Port of Seattle. As a governing body of a special purpose municipal corporation, it is charged with the responsibility of fulfilling legislatively mandated purposes and objectives.

The Port Commission is made up of five elected individuals. At the time of this publication, they are:

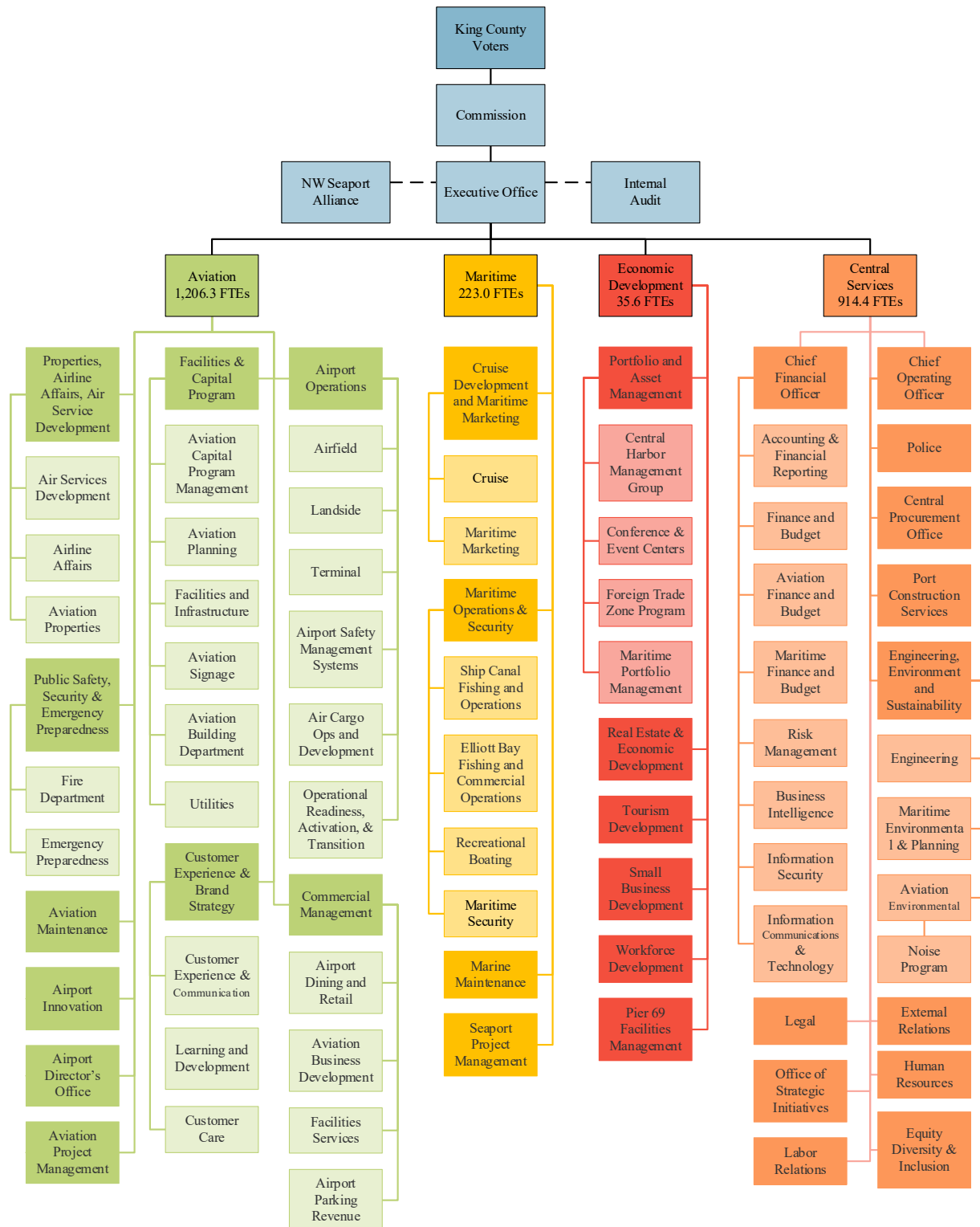
Stephanie Bowman, President
Fred Felleman, Vice President
Ryan Calkins, Commissioner
Courtney Gregoire, Commissioner
Peter Steinbrueck, Commissioner

The senior officers of the Port are:

Steve Metruck, Executive Director
Dave Soike, Chief Operating Officer
Dan Thomas, Chief Financial Officer
Larry Ehl, Chief of Staff & Sr. Director, Office of Strategic Initiative
Lance Lyttle, Managing Director, Aviation Division
Stephanie Jones-Stebbins, Managing Director, Maritime Division
Dave McFadden, Managing Director, Economic Development Division
Pearse Edwards, Sr. Director, External Relations
David Freiboth, Sr. Director, Labor Relations
Katie Gerard, Sr. Director, Human Resources
Bookda Gheisar, Sr. Director, Equity, Diversity and Inclusion
Elizabeth Leavitt, Sr. Director, Engineering, Environment and Sustainability
Pete Ramels, General Counsel & Chief Compliance Officer

F. ORGANIZATION CHART

FIGURE II-2: ORGANIZATION CHART



*For reporting purposes, Commission Office, Executive Office, and Internal Audit all roll up to Central Services.

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III. BUDGET OVERVIEW

BUDGET OVERVIEW

A. FINANCIAL OVERVIEW

Table III-1 below is a summary of the combined financial forecasts of the Port's operating divisions, which can be found in Sections IV, V and VI.

TABLE III-1: PORT OF SEATTLE FINANCIAL FORECAST

(\$ in 000's)	Notes	Budget 2019	Budget 2020	Forecast				Compound Growth 2020 - 2024
				2021	2022	2023	2024	
OPERATING BUDGET								
Aeronautical Revenue		\$ 365,604	\$ 401,563	\$ 441,471	\$ 483,165	\$ 501,485	\$ 527,764	7.1%
Portwide Non-Aeronautical Revenue	1	343,741	370,253	391,066	403,854	431,073	446,884	4.8%
NWSA Distributable Revenue		43,911	41,500	35,400	45,850	48,250	51,400	5.5%
Total Operating Revenues		753,255	813,315	867,937	932,868	980,808	1,026,048	6.0%
Total Operating & Maintenance Expenses	1	454,986	471,587	501,341	520,295	540,478	563,734	4.6%
Net Operating Income Before Depreciation		298,269	341,728	366,596	412,573	440,330	462,314	7.8%
Total Depreciation Expense		168,676	179,056					
Net Operating Income after Depreciation		\$ 129,593	\$ 162,672					Total
								2020 - 2024
Committed Capital Budget		\$ 912,626	\$ 681,691	\$ 494,542	\$ 340,629	\$ 206,131	\$ 140,810	\$ 1,863,803
Business Plan Prospective		88,811	57,837	199,500	312,267	433,191	576,428	1,579,223
CIP Cashflow Adjustment Reserve		0	(99,066)	34,000	20,066	25,000	20,000	0
TOTAL CIP	2	\$1,001,437	\$ 640,462	\$ 728,042	\$ 672,962	\$ 664,322	\$ 737,238	\$ 3,443,026

POSBPFOR.XLS

Notes:

- 1) Includes revenue from Central Services, Stormwater Utility & Elimination and corresponding offset to allocated charges from Central Services departments.
- 2) See Section IX for details of Capital Improvement Plan.

B. OPERATING BUDGET OVERVIEW

The 2020 budget comprises of total operating revenues of \$813.3 million and total operating expenses of \$471.6 million. Net Operating Income before depreciation calculates to \$341.7 million. Net Operating Income after depreciation is budgeted at \$162.7 million.

- Aviation Division's operating revenues are \$684.7 million, a \$59.6 million or 9.5% increase from 2019 budget. Total airport operating expenses are budgeted at \$377.7 million. This represents a \$11.6 million or 3.2% increase compared to the 2019 budget. Net operating income before depreciation is \$307.0 million.
- Maritime Division's operating revenues are \$62.9 million and total operating expenses including Central Services costs are \$56.2 million. Net operating income before depreciation is \$6.8 million.
- Economic Development Division's operating revenues are \$19.1 million while total operating expenses including Central Services costs are \$29.0 million. Net operating loss before depreciation is \$9.9 million.
- Operating expenses for Central Services are \$150.3 million for 2020.

- The net income from the NWSA will be distributed evenly between the two home ports. The Port of Seattle's 50% share of the net income for 2019 is \$41.5 million, which is included as operating revenue in the Portwide financial statements.

The 2019 budget for Non-operating revenues are \$237.0 million while Non-operating expenses are \$199.1 million. More information for the non-op revenues and expenses can be found from Table III-2.

TABLE III-2: REVENUES, EXPENSES, AND NET ASSETS

(\$ in 000's) Notes	2016 Actual	2017 Actual	2018 Actual	2019 Budget	2019 Forecast	2020 Budget
OPERATING REVENUES:						
Total operating revenue	598,467	632,031	689,390	753,255	765,865	813,315
OPERATING EXPENSES:						
Total operating expenses	325,285	372,982	397,638	454,986	443,443	471,587
NET OPERATING INCOME BEFORE DEPRECIATION	273,182	259,049	291,752	298,269	322,422	341,728
DEPRECIATION	164,336	165,021	164,362	168,676	168,676	179,056
OPERATING INCOME	108,846	94,028	127,390	129,593	153,746	162,672
NON-OPERATING INCOME (EXPENSE):						
Ad valorem tax levy revenues	71,678	71,702	71,771	74,160	74,160	76,385
Passenger facility charges revenues	85,570	88,389	94,070	95,185	98,185	99,505
Customer facility charges revenues	24,715	25,790	21,802	23,482	23,482	23,914
Fuel hydrant facility revenues	6,992	7,000	6,942	7,022	7,022	7,022
Non capital grants and donations	6,284	6,704	1,573	2,655	1,955	2,551
Investment income (loss)	8,448	12,174	26,287	30,903	36,903	27,669
Revenue bonds interest expense	(105,567)	(97,748)	(100,432)	(129,429)	(119,429)	(157,231)
Passenger facility charge revenue bonds interest expense	(5,251)	(4,931)	(4,368)	(3,606)	(3,606)	(2,740)
General obligation bonds interest expense	(9,765)	(13,891)	(13,414)	(12,689)	(12,689)	(12,003)
Public expense	(8,560)	(4,588)	(5,269)	(21,009)	(13,009)	(19,233)
Non-op environmental expense	(280)	(4,464)	(10,600)	(5,000)	(5,000)	(5,000)
Other income (expense)	(12,087)	(10,441)	(3,217)	(1,415)	(21,415)	(2,905)
Total non-operating income (expense)	62,177	75,696	85,145	60,258	66,558	37,934
INCOME BEFORE CAPITAL CONTRIBUTIONS	171,023	169,724	212,534	189,851	220,304	200,606
CAPITAL CONTRIBUTIONS	18,108	30,112	43,650	49,345	49,345	48,010
INCOME BEFORE SPECIAL ITEM	\$ 189,131	\$ 199,836	\$ 256,185	\$ 239,197	\$ 269,650	\$ 248,616
SPECIAL ITEM - SR 99 Viaduct Expense	(147,700)		(34,923)	-	-	-
SPECIAL ITEM - Retro Adjust to Net Position			(2,736)	-	-	-
INCREASE IN NET POSITION	\$ 41,431	\$ 199,836	\$ 218,526	\$ 239,197	\$ 269,650	\$ 248,616

BDREVEXP

TABLE III-3: REVENUES AND EXPENSES BY ACCOUNT CATEGORY

(\$ in 000's)					
	Notes	2018 Actual	2019 Budget	2020 Budget	
TOTAL PORT				% Change 2020 Bud - 2019 Bud	
Operating Revenue					
Dckg, Whrfg, Serv & Facility, Passenger Fee		\$ 7,541	\$ 9,458	\$ 7,601	-19.6%
Equipment Rental		4,381	6,150	7,434	20.9%
Berthage & Moorage		11,077	15,421	15,476	0.4%
Landing Fees		113,227	127,790	128,738	0.7%
Airport Transportation Fees		18,348	19,520	22,005	12.7%
Parking Revenue		87,388	89,474	96,576	7.9%
Car Rental Revenue		49,737	46,291	47,286	2.2%
Revenue from Sale of Utilities		15,182	16,465	17,049	3.5%
Property Rental Revenue		287,483	340,366	389,209	14.4%
NWSA Distributable Revenue		55,992	43,911	41,500	-5.5%
Other Revenue		39,655	38,952	40,450	3.8%
SLOA III Incentive Straight Line Adj		-	-	-	0.0%
Total Operating Revenue		690,011	753,796	813,325	7.9%
Operating Expense					
Salaries, Wages, Benefits & Workers Compensation		268,092	308,932	327,612	6.0%
Equipment Expense		10,646	8,038	9,989	24.3%
Utilities		25,604	28,181	29,066	3.1%
Supplies & Stock		10,962	8,872	9,158	3.2%
Outside Services		100,360	115,330	126,827	10.0%
Travel & Other Employee Expenses		4,842	6,926	7,029	1.5%
Promotional Expenses		1,955	2,650	3,184	20.2%
Other Expenses		30,593	31,281	35,722	14.2%
Total O&M without Environmental		453,053	510,209	548,589	7.5%
Environmental Remediation Liability Expense		5,577	14,259	2,648	-81.4%
Total O&M with Environmental		458,630	524,468	551,237	5.1%
Charges to Capital/Govt /Envrs Projects		(53,076)	(61,741)	(70,303)	13.9%
Expense after Charges to Capital Projects		\$ 405,554	\$ 462,727	\$ 480,933	3.9%

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FIGURE III-1: REVENUES BY SOURCE: 2020

(\$ in 000's)

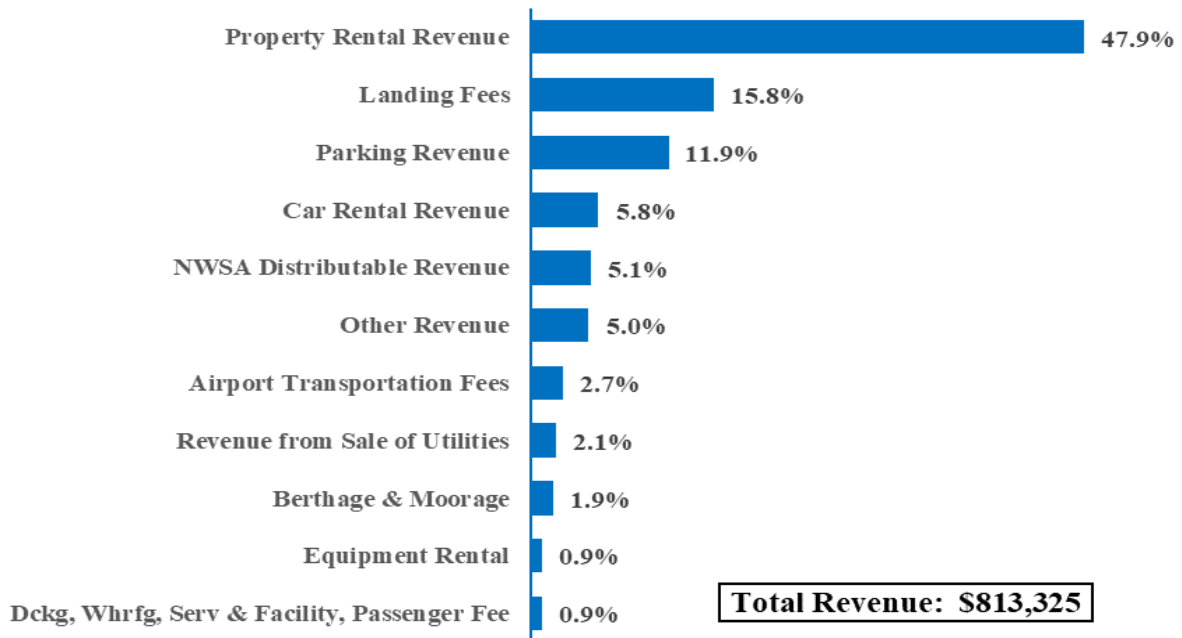
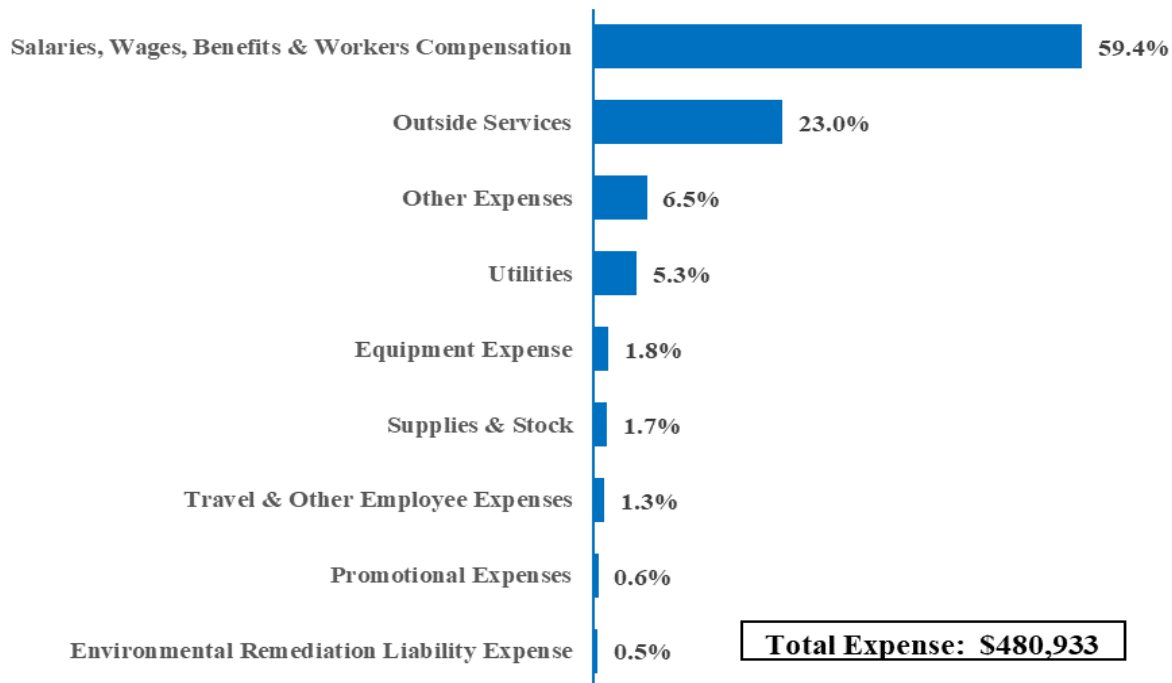


FIGURE III-2: EXPENSES BY USAGE: 2020

(\$ in 000's)



C. BUDGET OVERVIEW - STAFFING

The 2020 budget includes a total of 2,379.2 Full-Time Equivalent (FTE) positions, an increase of 5.5% compared to the 2019 budget. As part of the 2019 organizational realignment, Aviation Project Management Group (AV PMG) and Seaport Project Management Group (PMG) were transferred from Central Services to Aviation and Maritime divisions, respectively. However, the 2018 Actual and 2019 Budget totals were restated to reflect the current organizational structure. Key staffing changes include:

- Aviation Division FTEs will increase by 38.8 or 3.3% for 2020 budget. Major changes that occurred in 2019 include the transfer of AV PMG from Central Services, several mid-year additions as well as elimination of vacant positions resulting in a net reduction of 14.3 compared to the approved 2019 budget. A total of 53.0 new FTEs is proposed for 2020, majority of which will be in Aviation Maintenance.
- The Maritime Division FTEs will increase by 34.0 or 18% for 2020. The biggest change in 2019 was the transfer of Seaport PMG from Central Services; however, the 2018 Actual and 2019 Budget baseline were adjusted to reflect the current organizational tree. Therefore, the 2019 changes reflect a net increase of 3.5 over the 2019 approved budget. The proposed 2020 FTE for Maritime is 30.5 which includes: (1) additions from Cruise, Maritime Administration, Marine Maintenance, Seaport PMG, and Stormwater Utility; (2) staff reduction; (3) conversion of 24 craft/labor emergency hires to regular FTEs.
- Economic Development Division FTEs will decrease by 0.4 or 1.1% for 2020. In 2019, Economic Development transferred 1.0 FTE to Maritime division and 2.0 FTES to Central Services, and added 2.0 FTEs in Diversity in Contracting resulting in a 2019 baseline decrease of 1.0 FTE. A total of 0.6 FTE is proposed for 2020, an addition of a part-time position in Portfolio Management Administration.
- Central Services FTEs will increase by 51.8 or 6.0% in 2020. Among the key changes that occurred in 2019 include the transfers of AV PMG and Seaport PMG to the divisions, elimination of Capital Development Administration, and mid-year approvals. The sum of these changes resulted in a 2019 baseline increase of 20.0 FTEs. A total of 35 new FTEs is proposed for 2020 to implement and support Portwide goals.

More information for each of these categories is provided in the Aviation, Maritime, Economic Development, and Central Services sections of this document (Sections IV to VII).

TABLE III-4: PORT STAFFING BY DIVISION

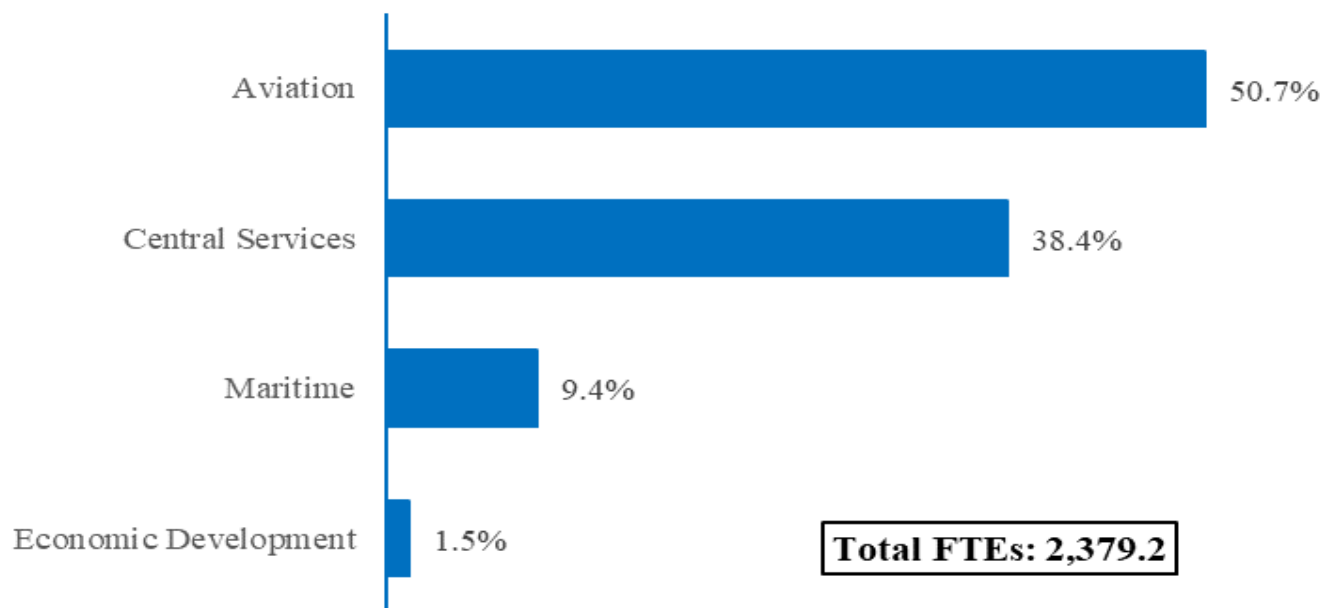
PORT STAFFING (Full-Time Equivalent Positions)		2018	2019	2019	2020	% Change	
						20 Bud- 19 Bud	20 Bud- 19 Est.
Division	Notes	Actual	Budget	Est. Act.	Budget		
Aviation		1,113.4	1,167.5	1,153.3	1,206.3	3.3%	4.6%
Maritime		188.0	189.0	192.5	223.0	18.0%	15.8%
Economic Development		35.0	36.0	35.0	35.6	-1.1%	1.7%
Central Services		836.6	862.6	882.6	914.4	6.0%	3.6%
Total FTE's	1	2,173.0	2,255.1	2,263.3	2,379.2	5.5%	5.1%

FTE.XLS

Note:

- 1) Aviation & Seaport PMGs were moved from Central Services to the Aviation & Maritime divisions, respectively, as part of the 2019 organizational realignment. The 2018 Actual and 2019 Budget totals for Aviation, Maritime and Central Services were adjusted to reflect the current 2020 organizational structure.

FIGURE III-3: PORT STAFFING BY DIVISION:



D. CAPITAL BUDGET OVERVIEW

For the Port to meet the waterborne and air transportation needs of the region and to serve its customers, it must invest in the acquisition, development, and maintenance of long-term assets. For an organization as large and diverse as the Port, this requires comprehensive long-term capital planning which synthesizes the existing and anticipated business environment, careful estimates of customer demand for facilities, available resources, and the priorities of the organization.

The 2020 capital budget is \$640.5 million, and the five-year capital improvement plan (CIP) is \$3.4 billion.

The 2020-2024 CIP reflects the Port's continuing commitment to promoting regional economic activity through the investment in the development, expansion, and renewal of Port facilities. For a more detailed discussion of the Port's long-term capital and funding plan, refer to Section IX (Capital Improvement Plan) and Section X (Plan of Finance).

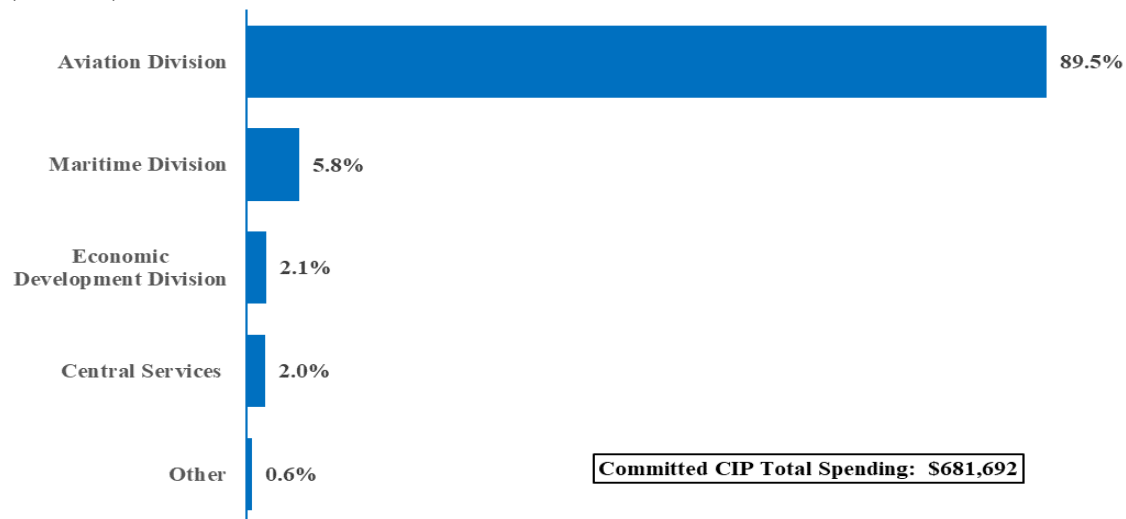
TABLE III-5: CAPITAL BUDGET

(\$ in 000's)	2020 Budget	2020-2024 CIP	% of 2020 Total Committed
Committed Capital Projects ⁽¹⁾			
Aviation Division	\$ 608,897	\$ 1,463,251	89.5%
Maritime Division	39,596	270,063	5.8%
Economic Development Division	14,586	61,917	2.1%
Central Services	13,703	32,037	2.0%
Other ⁽²⁾	3,909	6,534	0.6%
Total Committed	\$ 680,691	\$ 1,833,802	100.0%
Business Plan Prospective Projects	\$ 58,837	\$ 1,609,224	
CIP Cashflow Adjustment Reserve	\$ (99,066)	\$ -	
Total CIP	\$ 640,462	\$ 3,443,026	

CAPSUM

FIGURE III-4: COMMITTED CAPITAL BUDGET

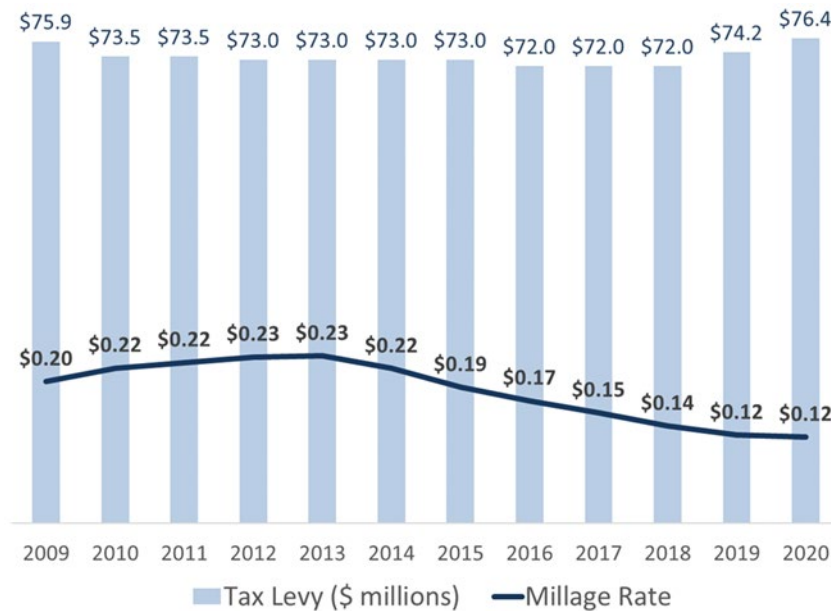
(\$ in 000's)



E. TAX LEVY

- The maximum allowable levy for 2020 is \$106.3 million.
- For 2020 the preliminary levy is \$76.38 million, a three percent increase over the 2019 levy of \$74.16 million.
- The estimated 2020 millage rate is \$0.120.
- The 2020 levy will be used for:
 - General Obligation (G.O.) Bonds Debt Service
 - Capital projects specifically endorsed by the Commission
 - Regional Transportation projects
 - Environmental Remediation
 - Airport Community Ecology funding and energy and sustainability policy directives
 - Workforce development, tourism and economic development partnership grants
 - City of SeaTac safety enhancements
 - Local community advertising at Sea-Tac Airport
 - Highline Schools Noise Projects
 - South King County Fund
 - Sustainable Aviation Fuels and Air Emissions Program
 - Duwamish Valley Community Equity Program

FIGURE III-5: TAX LEVY VS. MILLAGE RATE 2009-2020



IV. AVIATION

AVIATION DIVISION

A. 2020 BUDGET SUMMARY

TABLE IV-1: 2020 CASH FLOW

(\$ in 000's)	<u>2020</u>	<u>Percent of Total</u>
<u>SOURCES OF CASH</u>		
Operating Revenues	\$ 684,731	45.8%
Interest Receipts	24,339	1.6%
Proceeds from Bond Issues	600,000	40.1%
Grants and Capital Contributions	50,414	3.4%
Tax Levy	2,957	0.2%
Passenger Facility Charges	99,505	6.7%
Rental Car Customer Facility Charges	23,914	1.6%
Fuel Hydrant Receipts	7,022	0.5%
Other Receipts	1,954	0.1%
Total	\$ 1,494,834	100%
<u>USES OF CASH</u>		
Expenses from Operations:		
Total Operating Expenses	377,695	29.3%
Debt Service:		
Interest Payments	168,239	13.1%
Bond Redemptions	164,570	12.8%
Total Debt Service	332,809	25.8%
Other Expenses	1,698	0.1%
Public Expense	6,313	0.5%
Capital Expenditures	570,138	44.2%
Total	\$ 1,288,653	100%

cashflow.xlsx, AV

FIGURE IV-1: SOURCES OF CASH

(\$ in 000's)

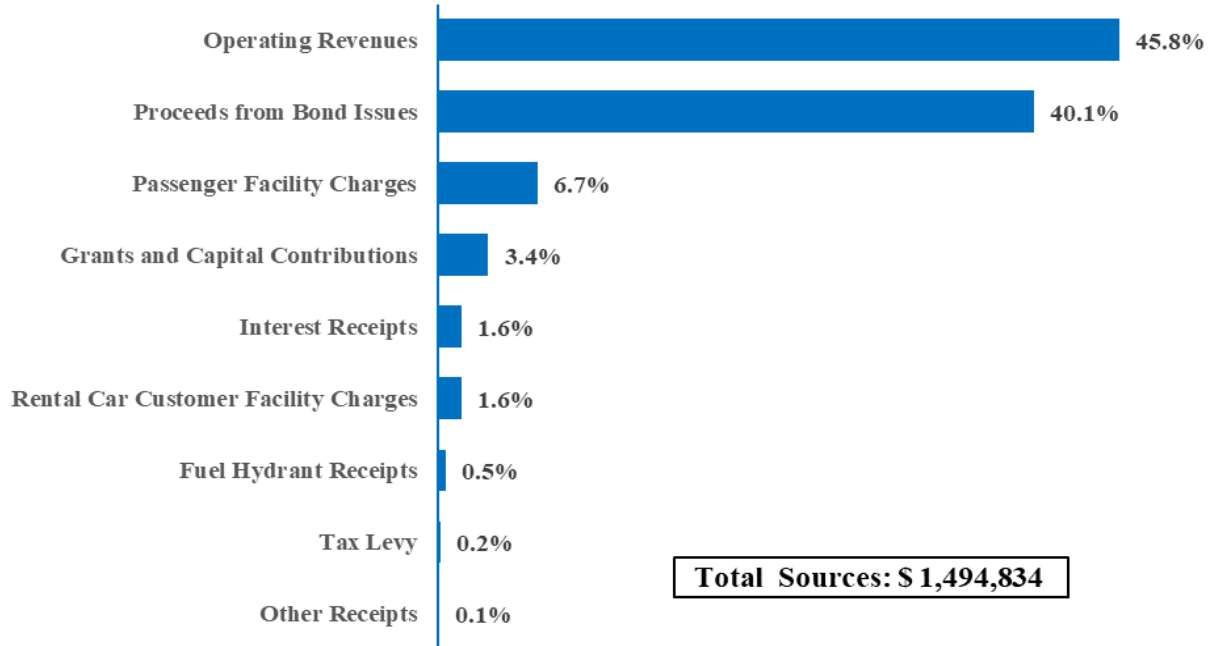
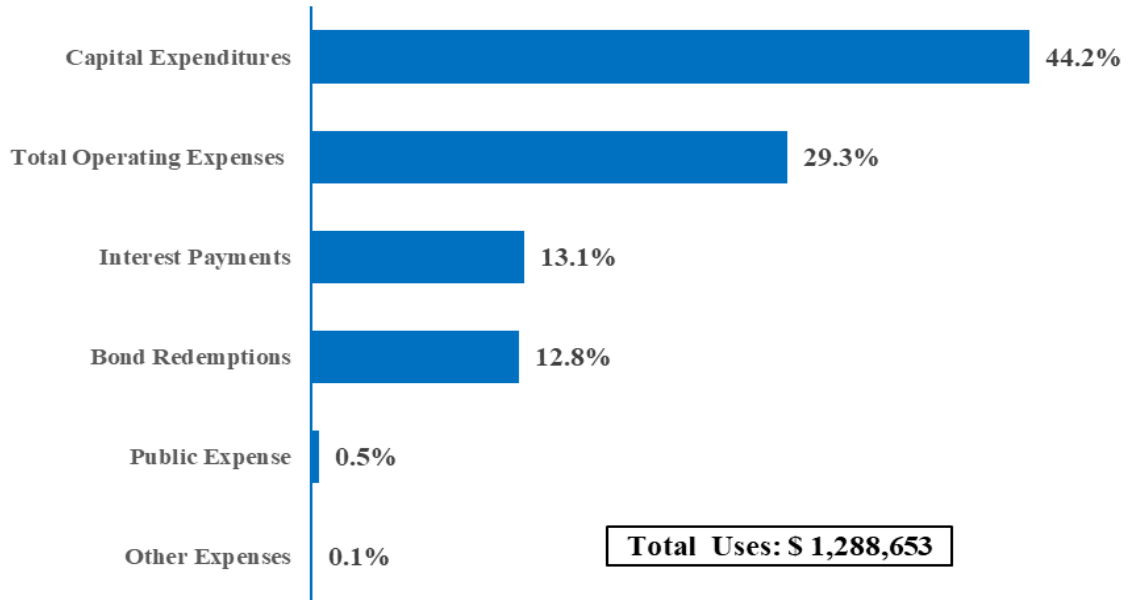


FIGURE IV-2: USES OF CASH

(\$ in 000's)



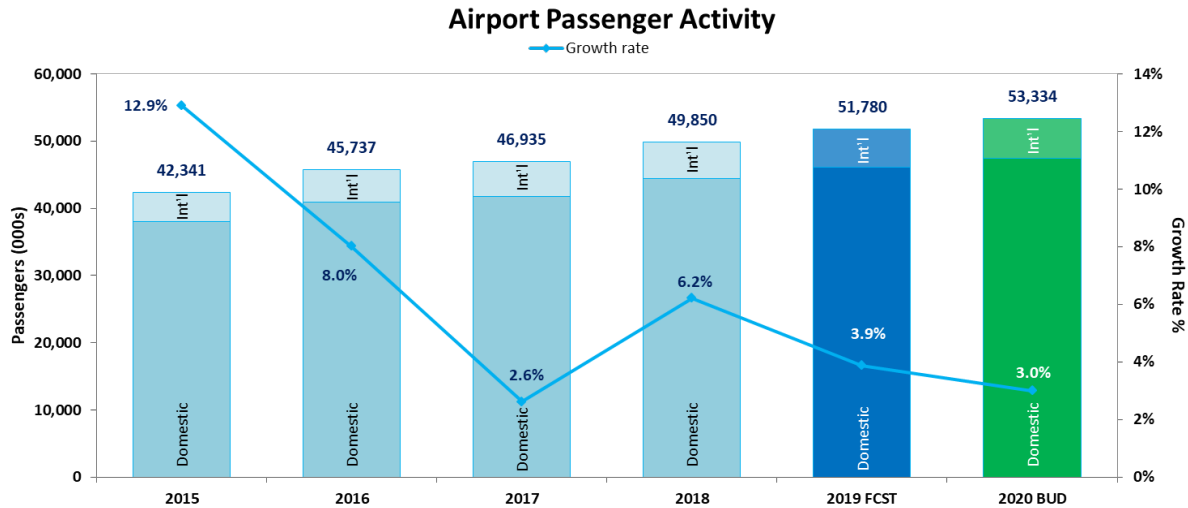
B. FINANCIAL FORECAST

TABLE IV-2: FINANCIAL FORECAST

OPERATING BUDGET	(\$ in 000's)		Forecast				Compound Growth 2020-2024
	Budget 2019	Budget 2020	2021	2022	2023	2024	
Aeronautical Revenues	\$ 365,604	\$ 401,563	\$ 441,471	\$ 483,165	\$ 501,485	\$ 527,764	7.1%
Non-Aeronautical Revenues	259,537	283,168	294,088	303,706	315,037	324,281	3.4%
Total Operating Revenues	625,140	684,731	735,559	786,871	816,522	852,045	5.6%
Operating & Maintenance Expense	266,245	269,260	287,664	300,527	310,195	324,253	5.1%
Central Services and other Division Costs	74,723	82,004	87,609	91,527	94,471	98,752	7.2%
Law Enforcement Costs	25,137	26,431	28,238	29,501	30,450	31,830	6.1%
Total Operating Expense	366,105	377,695	403,511	421,555	435,116	454,835	4.8%
Net Operating Income Before Depreciation	259,036	307,035	332,048	365,316	381,406	397,211	6.6%
Total Depreciation Expense	130,845	142,067					
Net Operating Income After Depreciation	128,191	164,968					
							Total 2020-2024
Committed Capital Budget	859,993	608,897	392,369	194,287	145,553	122,146	1,463,251
Business Plan Prospective	75,461	47,307	184,945	276,856	401,486	549,116	1,459,711
CIP Cashflow Adj Reserve	-	(86,066)	50,000	36,066	-	-	-
Total Capital Budget	\$ 935,454	\$570,138	\$627,314	\$507,208	\$ 547,039	\$ 671,262	\$ 2,922,962

TABLE IV-3: AVIATION KEY MEASURES

Key Measures (in \$'s)	Budget	Budget	Forecast			
	2019	2020	2021	2022	2023	2024
Cost per Enplanement (CPE)	13.39	13.93	16.21	17.49	17.89	18.76
O&M per Enplanement	14.42	14.16	14.91	15.34	15.60	16.07
Non-Aero Revenue per Enplanement	10.22	10.62	10.87	11.05	11.30	11.46
Debt per Enplanement	127.28	118.96	126.40	132.35	139.53	151.72
Debt Service Coverage	1.65	1.80	1.77	1.70	1.77	1.74
Traffic (in 000's)						
Enplanements	25,394	26,667	27,067	27,474	27,887	28,305



Total passengers are expected to grow in 2020 by 3.0% from 2019 Forecast.

C. AVIATION DIVISION

MISSION: Connecting our region to the world through flight.

VISION: Sea-Tac is a welcoming front door, embodying the spirit of the Northwest – an economic engine and a source of regional pride.

MAJOR/NEW INITIATIVES:

- Reduce carbon footprint through purchase of renewable natural gas.
- Increase airport art conservation budget.
- Continue with Sustainable Airport Master Plan (SAMP) environmental review.
- Continue planning and early project planning in anticipation of SAMP completion.
- Continue to evaluate projects coming from the Main Terminal Optimization Plan.
- Continue with Ground Transportation Access Plan.
- Open the International Arrivals Facility.
- Continue to focus resources to address pest management issues.
- Initiate airfield/airspace study.
- Continue with infrastructure systems master plan.
- Complete development of programmatic approach to managing airport assets.
- Improve customer service with enhanced staffing support at security checkpoints and other hot spots.
- Improve security by implementing random employee screening.
- Continue to implement Airport Dining and Retail (ADR) Master Plan, including infrastructure upgrades, to provide enhanced dining and retail opportunities.
- Implement parking reservation system to improve customer service and non-airline revenues.

DIVISION DESCRIPTION:

The Port of Seattle owns and operates Seattle-Tacoma International Airport, the 8th busiest airport in the U.S. based on passengers (2018 data). The Airport is located approximately 12 miles south of downtown Seattle. Currently, the Airport has facilities for commercial passengers, air cargo, general aviation, and aircraft maintenance on a site of approximately 2,800 acres. Airport facilities include the Main Terminal, the South and North Satellites, a parking garage, and a consolidated rental car facility. The Airport has three runways that are 11,900 feet, 9,425 feet, and 8,500 feet in length.

INDUSTRY ASSESSMENT:

Industry consolidation has left three major legacy carriers: American, United, and Delta. Together with Southwest, these four airlines dominate the U.S. market. The next tier of airlines is composed of Alaska, JetBlue, and Hawaiian. Ultra-low-cost carriers such as Spirit, Frontier, and Allegiant make up another group, although these carriers have a very small presence at Sea-Tac airport.

Continued economic growth in the United States and relatively low oil prices over the past five years have contributed to a period of exceptional profitability for the U.S. airline industry. Consolidation has also contributed to industry profitability by reducing competition on many routes. In 2019, the price of oil has fluctuated within a range that has remained below the 2018 high. Some airlines (particularly American and Southwest) have been impacted by the grounding of the Boeing 737 MAX. Still mid-year 2019 earnings reports from major airlines show the industry remains profitable.

Sea-Tac is a hub for both Alaska and Delta. Through August of 2019, Alaska accounts for 48.9% of passengers at Sea-Tac, while Delta accounts for 24.6%.

BUSINESS ASSESSMENT/DRIVERS:

Passenger growth at in recent years has propelled Sea-Tac Airport to the 8th busiest airport in the United States. The regional economy remains strong, contributing to the passenger growth at Sea-Tac. Growth picked up in 2018 to 6.2% after 2.6% in 2017. Passenger growth for 2019 is anticipated to be 4%. The budget for 2020 is for passenger growth of 3%.

Sea-Tac has been successful in attracting new international services in 2019 with the addition of Cathay Pacific, Japan Airlines and Singapore Airlines. The International Arrivals Facility is expected to open in August of 2020, providing additional capacity to process arriving international passengers.

With increasing passenger growth and constrained facilities (landside and terminal), the airport will focus on a combination of addressing immediate customer service priorities through enhanced staffing for peak periods and planning future facilities.

CHALLENGES AND OPPORTUNITIES:

- Optimize use of terminal space and facilities. The Port completed the Main Terminal Optimization Plan that identified a number of potential projects to increase capacity and efficiency in the existing terminal.
- Continue the implementation of automated security lane equipment to increase passenger throughput at security checkpoints.
- Improve customer service in congested facilities, during construction.
- Improve airfield safety in spice of increased traffic/utilization.
- Add future terminal/gate capacity.
- Balance investment in existing facilities while preserving capital capacity for facility growth.
- Maintain debt service coverage levels: increase non-aeronautical revenues and manage cost growth.

D. 2020 OPERATING BUDGET SUMMARY

Background

From a financial perspective, the Aviation Division has two sides to its business: Aeronautical and Non-aeronautical.

On the Aeronautical side, where airline rates are set to recover costs, the Port's goal is to manage costs. The primary measure of an airport's cost to the airlines is the airline cost per enplanement (CPE). The "costs" include the operating and maintenance costs attributable to the airfield and the airline share of the terminal operating and maintenance costs (based on the percentage of revenue producing space split between airlines and other Port tenants), as well as the corresponding capital costs (either debt service or equity amortization). The Port does not charge airlines for the capital costs of any asset funded by Passenger Facility Charges (PFCs) or grants.

On the Non-aeronautical side of the business, the primary goal is to increase cash flow as measured by net operating income (NOI). The net cash flow can be used to directly fund capital improvements and build up cash reserves to meet liquidity targets. In prior years, this cash flow also provided the vast majority of the revenue sharing that was credited to the signatory airlines in accordance with the terms of the Signatory and Lease and Operating Agreement (SLOA). Under the terms of the current SLOA, which went into effect on 1/1/2018, of the net cash flow available for debt service that exceeds 125% of debt service (if any), 40% was credited to the signatory airlines in 2018. That percentage declined to 20% in 2019 and revenue sharing was eliminated effective 1/1/2020. Under the prior SLOA (effective 1/1/2013 – 12/31/2017) revenue sharing was set at 50% for all five years of that agreement. The change in revenue sharing percentage under the current SLOA reflects the airport's focus on directly funding capital improvements and building up cash reserves to meet liquidity targets during a period of increased capital investment.

Overview of Major Changes in 2020 Budget

The 2020 Budget reflects an expected steady growth of 3.0% in enplanements for the year, which builds on an expected growth of 4.0% in 2019, and actual growth of 6.4% in the 2018 calendar year. This activity growth and a strong regional economy has stimulated passenger spending for parking, other ground transportation modes, terminal dining and retail, and increased demand in common-use clubs/lounges. The multi-year Sustainable Airport Master Plan continues to be refined, and planning efforts will shift toward implementation of the multiple projects identified during the master planning process. 2020 will also see a continued ramp up in the airport capital program.

Revenues

2020 Budget non-aeronautical revenues are up \$23.6M, or 9.1%, over the 2019 budget due to anticipated growth across all major non-airline units due to growing passenger volume and improving economy. Strong growth expected in public parking, airport dining & retail, ground transportation, clubs & lounges, and commercial properties, with more modest growth expected in Rental Car activity.

Aeronautical rate base revenues are budgeted to increase by 4.6%, which reflects increases in both capital and operating costs, as well as reflecting the impact of the elimination of revenue sharing in 2020. Under the current SLOA agreement, the revenue sharing percentage decreased from 40% in 2018 to 20% in 2019, and revenue sharing is eliminated starting in 2020.

Operating Expense Drivers

Total airport operating expenses (including Central Services costs and environmental remediation costs) are budgeted to increase by \$11.6M, or 3.2% compared to the 2019 Budget. The 2020 baseline budget reflects increased payroll costs, increased expenses for contracted services, and increased costs associated with rising non-aeronautical revenues. Payroll costs in the 2020 budget reflect the combined impact of existing staff and new Full-Time Equivalent (FTEs) staff added in the 2020 budget to address operational needs at the airport. The 2020 budget also includes \$23.3M in non-recurring operating expenses primarily focused on addressing strategic initiatives throughout the airport.

Cost increases in the 2020 budget are partially offset by a year-over-year reduction of \$11.6M in non-recurring environmental remediation liability expense. The higher cost for this remediation in the prior year budget related to two major construction projects which required extensive remediation of regulated materials (the International Arrivals Facility and the North Satellite Terminal expansion).

The following table summarizes high level changes to the direct operating and maintenance (O&M) portion of the Aviation Division budget. Total operating expenses for the airport also include costs from Central Services and other divisions, which are not reflected in the summary below.

Aviation 2020 Budget Summary – Incremental Changes Compared to 2019 Budget:
(\$ in 000's)

Removed 2019 non-recurring expense	(22,115)
Baseline transferred from Central Svcs	7,047
Baseline transferred to Central Svcs	-
2020 Reductions/Savings in baseline budget	(5,046)
2020 Payroll Vacancy assumption (3.0%)	(4,300)
2020 Increases in Charges to Capital	(5,887)
2020 Increases to baseline budget	20,426
Proposed 2020 additions (baseline)	7,979
Proposed 2020 additions (non-recurring)	23,335
Budget Change before Exceptions	21,439
Exceptions: Regulated Materials	(11,612)
Incremental Budget Change - Total O&M	9,827

Consistent with the long-term objective of managing the growth of operating and maintenance (O&M) costs, the focus of the 2020 budget is to ensure controlled growth of baseline Airport O&M. Consequently, major non-recurring baseline expenses and exceptions to baseline expenses are segregated from recurring baseline expenses. The 2020 budget has been closely scrutinized and the approved budget is based on expected spending needs for 2020, not the prior year's budget. As a result, the cost increases for payroll and contracted services have been partially offset by significant cuts or savings in the baseline budget. The 3.2% growth in total operating expenses reflects the combined impact of significant cost reductions where feasible, offset by budget increases to advance strategic initiatives and baseline budget increase necessary to support the continued growth in passenger volumes. The non-recurring expenses in the 2020 Budget (\$23.3M) were considered necessary to address long-term facility needs including SAMP related project planning and to address operational impacts from the significant ramp up in the airport capital program.

The following tables highlight key elements in the cost reductions and cost increases reflected in the 2020 baseline budget, as well as providing detail for the non-recurring expense components of the budget.

Aviation 2020 Baseline Budget Transfers from Central Services:

2020 Baseline Transfers to Aviation from Central Services:	\$000's
IAF project (2) FTEs transferred to AVM	254
AVPMG department transferred to AV division	6,794
Total Transfers	7,047
Total 2020 Baseline Transfers in from Central Services	7,047

Aviation 2020 Baseline Cost Reductions/Savings:

2020 Baseline Cost Reductions/Savings:	\$000's
<u>Payroll Savings (before new FTE requests)</u>	
Vacant positions eliminated in 2020 Budget	1,805
Payroll Vacancy (3.0% assumption) in 2020 Budget	4,300
Payroll hiring differences	90
Total Payroll Decreases	6,195
<u>Non-Payroll Savings (zero based budgeting)</u>	
EPM remove prior year capitalized portion	1,080
New Air Incentives (removed 2019 Budget late additions)	200
CBP reimbursable (rightsize expected payments)	200
Other non-payroll savings (zero based budgeting)	1,671
Additional Non-Payroll Savings	3,151
Total 2020 Baseline Cost Reductions	9,346

Aviation 2020 Baseline Budget Increased Charges to Capital Projects:

2020 Charges to Capital Increase:	\$000's
<u>Higher estimated Charges to Capital</u>	
AVPMG increased Charges to Capital	5,080
All other Aviation increases in Charges to Capital	807
Total Increase in Charges to Capital	5,887

Aviation 2020 Baseline Budget Cost Increases:

2020 Baseline Cost Increases:	\$000's
<u>Payroll Increases (before new FTE requests)</u>	
Non-Represented payroll & benefits increase (3.9% average)	1,740
Represented pay & benefits increase (per labor agreements)	4,943
Annualized new FTE's approved in 2019 Budget	2,418
Annualized new FTE's approved during 2019	2,838
Job evaluation outcomes	692
Total Baseline Payroll Increases	12,632
<u>Non-Aero costs related to revenue growth</u>	
Clubs & Lounges - higher demand/increased volume	1,174
Advertising increase (100% paid by Tenant Mktg fund)	290
Non-Aero Credit Card fee increase	44
Non-Aero B&O tax increase	150
Total Non-Aero Cost Increases due to growth	1,657
<u>Contractual & Formulaic Non-Payroll Cost Increases</u>	
AVPMG Outside Svc (right-sized for 2020 expense projects)	3,239
Taxi curbside management contract (full year estimate)	739
AVM - Janitorial contract increase	807
AVM - Baggage System data reporting (BROCK) contract	140
All other AV Maintenance contracts	83
Lost & Found (new contract in 2019)	404
Aeronautical B&O tax increase	53
Other Non-Payroll Increases (zero based budgeting)	672
Total Contractual & Formulaic Increases	6,137
Total 2020 Baseline Cost Increases	20,426

The following table highlights a few of the key items included in the approved additions to the 2020 Budget.

AV Priority	Purpose/Outcome	2020 Requests
Community and Social Responsibility	Maintain public art - increase art conservation budget	305
Customer Service	Enhance facility cleanliness and appearance - window cleaning	600
	Increase customer service for arriving international passengers - increase contracted staff support	667
	Reduce passenger wait times at checkpoints - queue management staffing contract	2,500
Environment and Sustainability	Reduce carbon foot print - utilize renewable natural gas	1,474
Facilities, Planning and Capital Projects	Complete Sustainable Airport Master Plan	1,800
	Preserve critical asset - repair spalling in garage	500
	Maintain increased spending on pest control	784
	Advanced and on-call planning for existing and future facilities to define projects and better understand emerging challenges	4,200
	Initiate utilities master plan to enhance understanding of investments needed to support existing and future facilities	2,000
	Complete and implement asset management program to plan and prioritize future renewal and replacement investments	2,000
	New janitorial contract for International Arrivals Facility	1,300
	Downsize but continue with Executive Program Management contract to support capital program oversight	750
Financial Performance	Attract and retain new air service - incentive payments	950
Total Non-FTE Highlights		19,830
Total cost of proposed FTEs	See FTE detail in the table below	3,511
Total	Total of highlighted budget requests	23,341

The following table lists the new FTEs included in the approved additions to the 2020 Budget.

AV Priority	Purpose/Outcome	FTEs
Community and Social Responsibility	Increase capacity to implement Part 150 Noise insulation programs	1.00
Customer Service	Enhance capacity to implement customer service programs and training to improve ASQ scores	1.75
	Improve customer experience and wayfinding	5.00
Environment and Sustainability	Implement environmental sustainability framework for new Aviation projects	1.50
Facility Planning and Capital Projects	Increase capacity to plan, manage and implement capital projects	8.25
	Enhance baggage system oversight and maintenance	4.00
	Maintain new facilities and equipment, deferred maintenance on existing facilities	9.00
	Increase custodial quality assurance	1.00
Financial Performance	Adequately maintain civil infrastructure utilities, stormwater system and solid waste utilities	12.00
	Increase capacity for financial analysis and reporting for non-aero business and capital project funding	2.00
Innovation and Efficiencies	Extend hours of operation for load dock for ADR deliveries	1.00
	Increase capacity to implement shark tank innovation ideas	1.00
Safety	Enhance ramp safety	1.00
	Increase Port-wide emergency preparedness capacity	1.00
Security	Implement random employee screening	6.00
	Increase capacity to process background checks for badges	1.00
	Increase capacity for security monitoring and dispatch	1.00
Total		57.50

The full list of approved additions to the 2020 Budget, both baseline and non-recurring, are explained below in the context of the Problem/Need/Opportunity they are identified to address.

AV Priority	Problem/Need/Opportunity	Solution	2020 Budget Requests (in \$000's)				
			FTEs	Baseline	Non-recurring	Total	
Community and Social Responsibility	Airport Noise Mitigation	Ground Noise Study	-	-	100	100	
		Hire a Noise Programs Coordinator	1.0	70	2	72	
		Noise DNL Contours Update	-	-	25	25	
	Promote Small Business and Community	Small Business, ACDBE Community Engagement	-	100	-	100	
		Red Tail Hawks' Event Support	-	5	-	5	
	Maintain Airport Art	Public Art Collection Conservation	-	-	305	305	
Community and Social Responsibility Total			1.0	\$175	\$432	\$607	
AV Priority	Problem/Need/Opportunity	Solution	2020 Budget Requests (in \$000's)				
			FTEs	Baseline	Non-recurring	Total	
Customer Service	Facilities Cleanliness and Appearance	Airport-Wide Window Cleaning Service		-	600	600	
		Removal of Obsolete Analog Clocks		-	30	30	
	Increase the Level of Visibility to the	Pathfinder Uniforms Refresh		-	8	8	
		Volunteer Uniforms Refresh		-	19	19	
	Strategic Customer Experience Improvements	Promotional Hosting Volunteer Recognition		1	7	8	
		Skytrax Terminal Assessment		-	30	30	
		Website Accessibility Evaluation – Open Doors Organization Report		-	75	75	
		Hire a Coordinated Airport Communications Strategy Consultant		-	200	200	
		Hire a consultant for SEA Customer Experience QA Program		50	-	50	
		College Intern - Customer Communications	0.5	29	3	32	
		Hire a Customer Experience Manager	1.0	68	3	71	
		Security Checkpoint Queue Management Contract		-	2,500	2,500	
	Reduce Passenger Wait Times at Checkpoints	Customer Experience Initiatives		50	-	50	
		CISS/VIP Hospitality Scope Increase		-	667	667	
		Signage and Wayfinding Masterplan and STIA Terminal Signage Modifications for Concourses B and D		-	250	250	
	Wayfinding/Processing Passengers	STS Info System Graphic Support		50	-	50	
		Hire a Journeyman Sign Writer	1.00	55	3	58	
		Hire Additional Pathfinders	3.00	126	11	137	
		Hire an Accessibility Coordinator	1.00	75	-	75	
		Hire an Airport Employee Experience Consultant		-	40	40	
	Host Targeted Training to Deliver Exceptional Customer Service	Managing Challenging Customer Interactions Skills Training		20	-	20	
		WE ARE Training		36	-	36	
		College Intern - Customer Service Training	0.25	13	-	13	
		Online Customer Service Basic Skills Courses		30	-	30	
		Customer Service Learning Brown Bag Speakers		8	-	8	
	Customer Service Total			6.75	\$611	\$4,627	\$5,237

AV Priority	Problem/Need/ Opportunity	Solution	2020 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-recurring	Total
Employees	Foster Employee Development and Leverage Talent	Bluebeam Software Training	-	10	-	10
		ORAT World Summit Conference	-	-	14	14
		Mental Health First Aid Course	-	6	-	6
		ORAT Staff Retreat & AAAE Memberships	-	5	-	5
		Quarterly Employee Engagement Activities	-	2	-	2
		Fleet Maintenance Staff Training and Conference Attendance	-	-	10	10
		ACI Airports@Work Conference Support - Airport Tour and Welcome Gifts	-	-	25	25
		Plan Reading Course on Construction Plans and Blueprints	-	10	-	10
		Travel Budget Right-sizing- Air Services	-	28	-	28
		Software License Right-Sizing - Fire Department	-	22	-	22
Employees Total			-	\$83	\$48	\$131
AV Priority	Problem/Need/ Opportunity	Solution	2020 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-recurring	Total
Environment and Sustainability	Be the Greenest and Most Energy-Efficient Port in North America	Hire an Environmental Program Manager	1.0	90	2	92
		College Intern - Recycling	0.5	33	2	35
		Support Costs for Transportation Management Association	-	-	50	50
		Purchase of Renewable Natural Gas	-	1,474	-	1,474
		Purchase of Renewable Diesel	-	19	-	19
	Environment Compliance	Flight Corridor Safety Program Habitat	-	-	60	60
		Complete Airport's 5-year NPDES Permit Renewal Application	-	-	75	75
	Implement Clean-Up Projects Across the Port	Contaminated Site Management - Per- and polyfluoroalkyl substances (PFAS)	-	-	255	255
Environment and Sustainability Total			1.5	\$1,616	\$444	\$2,060

AV Priority	Problem/Need/ Opportunity	Solution	2020 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-recurring	Total
Facility Planning and Capital Projects	Airport Office Building Requirement	AOB Conference Center Chair Replacement	-	0	50	50
		AOB Cubicle Densification	-	0	295	295
		AOB Furniture Inventory Management Service	-	53	0	53
		AOB Kitchen Supplies	-	12	0	12
		AOB Paper Shredding Service	-	1	0	1
	Complete the Sustainable Airport Master Plan	SAMP Environmental Review - AV Environmental	-	0	1,500	1,500
		SAMP Environmental Support - AV Planning	-	0	300	300
	Implement Operational Readiness and Airport Transition (ORAT)	ORAT Software and Licenses	-	6	75	81
		Hire an ORAT Consultant	-	150	0	150
	Meet or Exceed Requirements for Stormwater Leaving Port-Owned or	IWS Lagoon Liner Condition Assessment and	-	0	50	50
		Light Rail Stormwater Vault Treatment Cleaning	-	0	25	25
		Hire an Operating Engineer for Industrial Waste Treatment Plant (IWTP)	1.0	70	0	70
	Meet the Maintenance Needs and Standards of the Existing Facilities Under Increasing Demand	Escalator Hand Rail Upgrade	-	0	80	80
		North Cargo Properties-Mechanical Systems	-	0	78	78
		Passenger Loading Bridges (PLB) Pre-Conditioned Air (PCA) Units	-	0	15	15
		Purchase Laser Alignment Tool and Replacement of Tools	-	0	10	10
		RCF Small Operator Improvements - Required Reallocation (fully reimbursable)	-	0	50	50
		Repair eGSE Charger Billable Data Reporting	-	0	45	45
		Secondary Containment for Transformer	-	0	20	20
		STS Signage Technical Support	-	0	28	28
		Terminal LED Lighting Upgrades	-	30	0	30
		Hire a Carpenter	1.0	62	0	62
		Hire an Operating Engineer Boiler Room	1.0	70	4	74
		Hire Additional Operating Engineers – Conveyor	2.0	136	4	140
		Hire an Inventory Specialist for AV Maintenance	1.0	50	4	53
		Hire Additional Baggage System Supervisors	2.0	118	4	122
		Hire Additional Electronic Technicians	2.0	134	7	141
		Civil Infrastructure Program Support	-	0	300	300
		STAC Budget Right-Sizing to Implement Increased Volume and Additional Services		73	10	83
		Hire Additional Field Crews	11.0	466	33	499
		Hire an Operating Engineer Boiler Room - VAV (HVAC/Utilities for Terminal)	1.0	70	4	74
		Garage Spall Repairs		0	500	500
	Travel and Training Budget Right-Sizing - AV Maintenance		0	12	12	
	Pest Control and Waste Management	Standard Waste Receptacle Replacement		0	300	300
		Compactor Repairs and Increased Preventive Maintenance		0	50	50
		Unified Pest Management Contract Funding		0	784	784
	Coordinate Capital Program Development and Implement Capital Program	EPM Consulting for Capital Program	-	0	750	750
		Hire an AV Capital Programs Development	1.0	76	3	79
		Hire a Systems Administrator for AVPMG	1.0	99	0	99
		Hire a Capital Project Manager III (ADR tenant projects)	1.0	123	0	123
		Hire an AV Project Controls Analyst	1.0	84	0	84

Continued on next page

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AV Priority	Problem/Need/ Opportunity	Solution	2020 Budget Requests (in \$000's)				
			FTEs	Baseline	Non-recurring	Total	
Facility Planning	Planning for Future Facilities Needs	Airfield/Airspace Study	-	0	250	250	
		Building Dept - Consultant Design Review & Field Inspection Services	-	0	220	220	
		Controls service for new systems installed for Baggage Optimization	-	0	50	50	
		Deep Well Injection Geotechnical Study	-	0	300	300	
		IAF Simulation Support	-	0	99	99	
		Utilities Master Planning	-	0	2,000	2,000	
		Hire an Associate Planner	1.0	67	3	71	
		Hire a Fire Protection Engineer	1.0	75	3	78	
		On Call Capital Programs Planning - SSAT, Roadmaps and Business Case Development	-	0	700	700	
		Advanced Planning on Facilities, The Main Terminal Optimization Plan (MTOP), Sustainable Airport Master Plan(SAMP) and Ground Transportation Access Plan (GTAP)	-	0	2,300	2,300	
		Landscape Master Plan Rehab Projects	-	0	291	291	
		On-call Planning on Emerging Issues	-	0	950	950	
		Enhance Facility Cleanliness	Hire a Custodial Quality Assurance Specialist	1.0	58	4	62
	Pressure Washing of Lower and Upper Drives Concrete Structures		-	50	0	50	
	Zone 5 (IAF) Custodial Service Contract		-	1,300	0	1,300	
	Maintain New Facilities	Hire a Painter (IAF)	1.0	49	0	49	
		Hire a Painter (Cargo)	1.0	49	0	49	
		Hire a Carpenter(Cargo)	1.0	62	0	62	
		Hire an Operating Engineer Boiler Room - Cargo	1.0	70	4	74	
		Connectivity/Software Licenses for CBP in IAF	-	220	0	220	
		Cargo Facility Maintenance (Outside Svcs)	-	0	250	250	
		Strategic Asset Management	Infrastructure Nomenclature System Implications	-	0	20	20
	Landside Pavement Management Program		-	0	100	100	
	Neighborhood Field Office Training Room		-	0	50	50	
	STS Tunnel Integrity Study		-	0	125	125	
	College Intern - Architecture		0.25	14	3	17	
	Hire an Architect - Facilities and Infrastructure		1.0	73	4	77	
	Asset Management Program Implementation		-	0	2,000	2,000	
	Continuous Commissioning for Testing and Balancing services		-	100	0	100	
	Asset Management System for Fire Department	-	27	0	27		
	Facility Planning and Capital Projects Total			34.25	\$4,097	\$15,216	\$19,313
	AV Priority	Problem/Need/ Opportunity	Solution	2020 Budget Requests (in \$000's)			
				FTEs	Baseline	Non-recurring	Total
Financial Performance	Keep Airline Costs Competitive Through Increase Non-Aeronautical Revenue and Improve Capital Business Process	ADR - Kiosk Program Upkeep and Repair	-	0	150	150	
		SEA Visitor Pass Program E Secure Fee	-	0	40	40	
		Hire a Temporary Staffing for Pre-Book Parking	-	0	225	225	
		Hire a Financial Analyst II - Grants and Capital	1.0	70	2	72	
		Hire a Sr. Financial Systems & Business Analyst - Financial Report Efficiency	1.0	82	2	84	
		Hire a Load Dock Coordinator - Volume Increase and Extended Hours	1.0	45	0	45	
		Hire a Consultant to Develop Business Case for New Non-Aero Revenue (Tenant Broadband	-	0	75	75	
		Hire a Consultant to Implement Driver Outreach Added Taxi Pilot Program	-	0	86	86	
		Air Service Development	New Air Service Incentive Program - Joint Promotional Funds	-	0	950	950
	Financial Performance Total			3.0	\$197	\$1,530	\$1,727

AV Priority	Problem/Need/ Opportunity	Solution	2020 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-recurring	Total
Innovation and Efficiencies	Keep Up the Pace with the Rapid Growth of the Leverage Employee Innovation to Solve Business Challenges	Critical Asset Monitoring (CAM) IoT Pilot Project	-	0	199	199
		Equipment	-	50	0	50
		Crowdsourced Innovation Software	-	50	0	50
		Innovation Consulting Funding	-	0	100	100
		Hire an Innovation Program Manager	1.0	86	4	89
		Hire a Consultant for STIA Key Access System Evaluation	-	0	50	50
Innovation and Efficiencies Total			1.0	\$186	\$353	\$538

AV Priority	Problem/Need/ Opportunity	Solution	2020 Budget Requests (in \$000's)				
			FTEs	Baseline	Non-recurring	Total	
Safety	Continuously Improve Safety of Airport Operations Area	GSE Inspection Auditing Services	-	50	0	50	
		Certified Service Provide Program(CSPP) Implementation Consultation Services	-	0	50	50	
		Hire a Certified Service Provide Program(CSPP) Manager	1.0	77	3	80	
		Ramp Tower Contract Staffing Increase for Air Traffic Demand	-	220	0	220	
		Fire Department - Bunker Gear Replacement	-	0	45	45	
		Completion of Tow/Taxi Virtual Reality for E-Learning Development	-	0	75	75	
		Targeted Safety Subject Matter Expertise Training	-	0	50	50	
		Safety Act Certification	-	0	100	100	
		Horizon Air - Follow Up Items After Action Report	-	0	25	25	
	Facility Life-Safety Enhancements	Firearm Tracking Software	-	3	0	3	
		Origami Software Licensing and Integration Plug-Ins	-	10	5	15	
		Smoke Control Systems Testing	-	190	0	190	
			Public Access AEDs Replacement	-	0	35	35
	Reduce Wildlife Strikes	Increase for Consolidated Wildlife Contracts	-	0	100	100	
	Prepare for Emergencies	Hire an Emergency Preparedness Coordinator	1.0	64	3	66	
		FAA Regulatory Triennial Exercise	-	0	135	135	
Safety Total			2.0	\$613	\$626	\$1,239	

AV Priority	Problem/Need/ Opportunity	Solution	2020 Budget Requests (in \$000's)			
			FTEs	Baseline	Non-recurring	Total
Security	Enhance Overall Security at the Airport by Staffing Increase, Training and Equipment Maintenance	Airport Security Awareness Training	-	25	0	25
		Employee Screening Equipment Maintenance	-	51	0	51
		Hire a Sr. Operations Controller for Airport Communications Center	1.0	49	3	53
		Hire a Consultant to Evaluate Physical Security of Airport Substations	-	0	53	53
		Hire a Background Checking Specialist - Increased Volume and Requests	1.0	51	4	55
		Hire Additional Employee Screeners - Implement Random Unpredictable Screening	6.0	224	0	224
Security Total			8.0	\$400	\$60	\$460

2020 Budget Requests - Total Proposed			57.5	\$7,979	\$23,335	\$31,313
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Aeronautical Business

\$ in 000's	2017	2018	2019	2019	2020	Budget Change		Budget vs Forecast	
	Actual	Actual	Budget	Forecast	Budget	\$	%	\$	%
Revenues:									
Airfield Movement Area	108,638	116,703	130,873	129,230	132,233	1,360	1.0%	3,003	2.3%
Airfield Apron Area	16,771	15,627	19,714	12,295	22,017	2,303	11.7%	9,723	79.1%
Terminal Rents	155,431	169,318	203,319	211,805	213,048	9,729	4.8%	1,243	0.6%
Federal Inspection Services (FIS)	18,612	16,226	14,521	14,297	18,167	3,647	25.1%	3,870	27.1%
Total Rate Base Revenues	299,452	317,874	368,426	367,627	385,466	17,039	4.6%	17,838	4.9%
Airfield Commercial Area	10,574	10,257	12,859	13,116	16,097	3,238	25.2%	2,981	22.7%
Subtotal before Revenue Sharing	310,026	328,131	381,286	380,743	401,563	20,277	5.3%	20,819	5.5%
Revenue Sharing	(42,311)	(36,863)	(15,682)	(16,637)	-	(15,682)	-100.0%	(16,637)	-100.0%
Other Prior Year Revenues	(26)	-	-	-	-	-	NA	-	NA
Total Aeronautical Revenues	267,690	291,268	365,604	364,106	401,563	35,959	9.8%	37,456	10.3%
Total Aeronautical Expenses	195,414	211,101	243,102	241,821	249,030	5,929	2.4%	7,210	3.0%
Net Operating Income	72,276	80,167	122,502	122,286	152,532	30,030	24.5%	30,247	24.7%
Debt Service	(86,564)	(91,673)	(109,343)	(113,820)	(121,410)	12,066	11.0%	7,590	6.7%
Net Cash Flow	(14,288)	(11,506)	13,159	8,466	31,123	17,964	136.5%	22,657	267.6%

Aeronautical Cost Drivers – Rate Base Only

\$ in 000's	2018	2019	2019	2020	Impact on Aero Revenues Budget Change		Impact on Aero Revenues Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
O&M ⁽¹⁾	206,076	237,387	235,076	243,203	5,816	2.5%	8,128	3.5%
Debt Service Gross	115,419	136,513	137,696	174,455	37,942	27.8%	36,759	26.7%
Debt Service PFC Offset	(32,987)	(33,045)	(33,060)	(62,998)	(29,953)	90.6%	(29,938)	90.6%
Net Debt Service	82,432	103,468	104,636	111,457	7,989	7.7%	6,821	6.5%
Amortization	32,371	30,121	30,583	32,326	2,206	7.3%	1,743	5.7%
Space Vacancy	(2,132)	(1,521)	(1,609)	(493)	1,029	-67.6%	1,116	-69.4%
TSA Operating Grant and Other	(873)	(1,028)	(1,059)	(1,028)	0	0.0%	30	-2.9%
Rate Base Revenues	317,874	368,426	367,627	385,466	17,039	4.6%	17,838	4.9%
Commercial area	10,257	12,859	13,116	16,097	3,238	25.2%	2,981	22.7%
Total Aero Revenues	328,131	381,286	380,743	401,563	20,277	5.3%	20,819	5.5%

(1) O&M, Debt Service Gross, and Amortization do not include commercial area costs or the international incentive expenses

Aero Highlights (Change compared to 2019 Budget):

- Operating Expenses increased by \$5.8M – significant year-over-year increases include:
 - Aero direct O&M increase of \$1.8M (of which a majority of the increases are driven by new non-recurring costs):
 - Payroll increase of \$4.8M – includes both payroll increases within existing positions as well as new airport FTE's added in the 2020 budget.
 - Outside Services Contract increases of \$4.9M – Advanced Planning for major projects, On-Call Planning, Queue Management Support for Security Checkpoints, International Support Services, Customer Service Support and other related initiatives, and Pest Management.
 - Other Expense increases of \$3.7M – includes Promotional Incentives for new airlines, Renewable Natural Gas, and other general expenses.
 - ERL \$11.6M decrease – Contaminated Soils & Asbestos – NSAT & IAF.
 - Other Division Allocations increase of \$4.0M, including:

- Central Services Increase of \$3.7M.
- Other Divisions Increase of \$397K.
- Debt Service up \$8.0M:
 - Debt Service increase primarily due to - Perimeter Intrusion Detect System \$946K, Surface Area Management System \$740K, SD Pond Bird Deterrent Improvement \$322K, Remote Aircraft Deicing \$686K, Hardstand Equipment Purchase 2019 \$375K, Checked Bag Recap/Optimization \$147K, Additional Baggage Makeup Space IAF \$1.3M, and Safedock Upgrade & Expansion \$1.5M.
- Amortization (use of Airport Development Funds [ADF]) up \$2.2M:
 - Amortization increase due to – Debt Service exclusions \$793K, new assets added to Concourse C Roof CR-1, 2 & 3 \$149K; STIA Telecom Conc B \$66K, CUSS Ticket Counters \$56K and others \$172K; 2018 Public Expenses for Vandelande Screening Lanes \$366K and IAF FAA Fiber Optic Cable Replacement in 2018 \$240k; and others \$364k.
- Space vacancy - \$1.0M increase due to a decrease in unrecovered vacant space (down from 12k sq. ft. to 3k sq. ft.) cost in the Public Accessible offices and VIP lounges.

Non-Aeronautical Business

\$ in 000's	2017	2018	2018	2019	2019	2020	Budget Change	
	Actual	Budget	Actual	Budget	Forecast	Budget	\$	%
Non-Aero Revenues								
Public Parking	75,106	78,572	80,212	82,350	84,072	89,485	7,135	8.7%
Airport Dining & Retail	54,611	54,759	59,021	59,484	59,962	66,145	6,661	11.2%
Rental Cars	45,691	50,857	53,569	50,079	51,703	51,149	1,071	2.1%
Ground Transportation	15,684	16,884	18,772	19,734	20,706	22,299	2,565	13.0%
Commercial Properties	18,042	14,706	15,434	14,219	15,471	16,660	2,441	17.2%
Port Common Use Lounges	5,041	5,630	6,802	8,520	10,329	10,536	2,015	23.7%
Other Non-Aero Revenue	22,627	23,378	23,896	25,150	26,188	26,894	1,744	6.9%
Total Non-Aero Revenues	236,803	244,786	257,707	259,537	268,431	283,168	23,632	9.1%
Total Non-Aero Expenses	103,702	117,925	107,748	123,003	121,283	128,665	5,662	4.6%
Net Operating Income	133,101	126,861	149,959	136,534	147,148	154,503	17,970	13.2%
Less: CFC Surplus	(2,750)	(7,142)	(6,157)	(3,993)	(4,769)	(4,128)	135	3.4%
Adjusted Non-Aero NOI	130,351	119,719	143,802	132,540	142,379	150,375	17,835	13.5%
Debt Service	(44,495)	(45,752)	(44,545)	(49,352)	(49,093)	(50,064)	712	1.4%
Net Cash Flow	85,856	73,967	99,257	83,188	93,287	100,311	17,123	20.6%

Non-Aero Highlights (Change compared to 2019 Budget):

- Operating Revenue increased by \$23.6M – 2020 Budget anticipates growth across all major non-airline units due to growing passenger volume and improving economy.
- Operating Expenses up \$5.6M – significant year-over-year increases include:
 - Payroll increase includes non-aero share of 53 new airport FTE's added in the 2020 budget.
 - Costs related to non-aero revenue growth such as increased utilization of Port-owned airport lounges and the implementation of new parking pre-booking pilot program in late-2019.
 - Non-Aero share of:
 - Customer Service initiatives such as seasonal customer service staff to facilitate efficient passenger flow through increasingly congested passenger terminals.
 - Environment & Sustainability initiatives such as utilizing renewable natural gas to reduce the carbon footprint from employee parking and rental car busing operations.
 - Continuation of SAMP-related planning & environmental review costs.
 - Increased charges from Central Services and other divisions

Non-Aeronautical Key Indicators

	2017	2018	2019	2019	2020	Budget Change		Budget vs Forecast	
	Actual	Actual	Budget	Forecast	Budget	\$	%	\$	%
Non Aero Revenues per Enplanement									
Rental Cars - Operations	1.50	1.50	1.44	1.43	1.40	(0.03)	-2.4%	(0.03)	-2.2%
Rental Cars - Operating CFC	0.45	0.65	0.54	0.56	0.52	(0.02)	-3.6%	(0.05)	-8.4%
Public Parking	3.21	3.22	3.24	3.25	3.36	0.11	3.5%	0.11	3.3%
Ground Transportation	0.67	0.75	0.78	0.80	0.84	0.06	7.6%	0.04	4.6%
Airport Dining & Retail	2.33	2.37	2.34	2.32	2.48	0.14	5.9%	0.16	7.1%
Non-Airline Terminal Leased Space	0.19	0.21	0.19	0.23	0.21	0.02	10.6%	(0.01)	-5.9%
Commercial Properties	0.77	0.62	0.56	0.60	0.62	0.06	11.6%	0.03	4.6%
Utilities	0.30	0.29	0.32	0.31	0.33	0.01	4.4%	0.02	6.8%
Employee Parking	0.41	0.41	0.40	0.39	0.38	(0.02)	-4.7%	(0.01)	-2.9%
Clubs and Lounges	0.22	0.27	0.34	0.40	0.40	0.06	17.7%	(0.00)	-1.0%
Other	0.07	0.04	0.08	0.08	0.08	0.00	3.4%	0.00	0.5%
Total Revenue per Enplanement	10.11	10.35	10.22	10.37	10.62	0.40	3.9%	0.25	2.4%
ADR Sales per Enplanement	18.64	18.97	18.48	18.24	19.40	0.92	5.0%	1.16	6.4%

OPERATING BUDGET SUMMARY

TABLE IV-4: REVENUE BY ACCOUNT

(\$ in 000's)		2018	2019	2020	% Change
Revenue by Account	Notes	Actual	Budget	Budget	2020 Bud- 2019 Bud
<u>Operating Revenue</u>					
Equipment Rental		\$ 4,076	\$ 5,879	\$ 7,117	21.0%
Landing Fees		113,227	127,790	128,738	0.7%
Airport Transportation Fees		18,348	19,520	22,005	12.7%
Parking Revenue		87,188	89,266	96,367	8.0%
Car Rental Revenue		49,737	46,291	47,286	2.2%
Revenue from Sale of Utilities		6,586	7,315	7,956	8.8%
Property Rental Revenue		246,173	302,901	346,449	14.4%
Other Revenues		24,329	26,179	28,813	10.1%
SLOA III Incentive		-	-	-	0.0%
Total Operating Revenue	1	\$ 549,663	\$ 625,140	\$ 684,731	9.5%

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FIGURE IV-3: AVIATION DIVISION REVENUE BY ACCOUNT

(\$ in 000's)

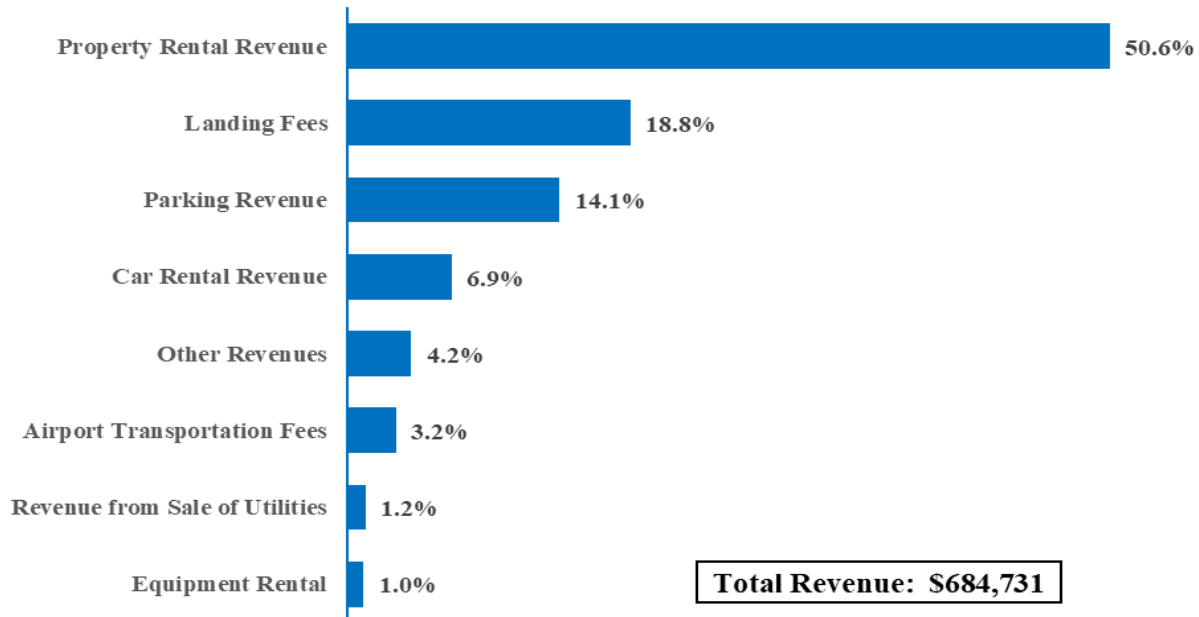


TABLE IV-5: OPERATING & MAINTANENCE EXPENSES BY ACCOUNT

(in 000's)					
Expense by Account	Notes	2018 Actual	2019 Budget	2020 Budget	% Change 2020 Bud-2019 Bud
Salaries, Wages, Benefits & Worker's Comp		\$ 131,133	\$ 147,480	\$ 156,180	5.9%
Equipment Expense		4,739	3,886	5,507	41.7%
Utilities		18,306	20,272	21,206	4.6%
Supplies & Stock		6,997	5,413	5,592	3.3%
Outside Services		62,728	68,613	75,866	10.6%
Travel & Other Employee Expenses		1,880	2,475	2,317	-6.4%
Promotional Expenses		1,070	1,579	1,453	-7.9%
Other Expenses		14,242	13,475	14,861	10.3%
Total O&M without Environmental		241,095	263,194	282,983	7.5%
Environmental Remediation Liability Expense		6,233	14,259	2,648	-81.4%
Total O&M with Environmental		247,328	277,453	285,630	2.9%
Charges to Capital/Govt/Envrs Projects		(20,049)	(20,745)	(26,739)	28.9%
Total Operating Expense	1	\$ 227,279	\$ 256,708	\$ 258,891	0.9%

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Note:

1) Tables IV-4, 5 & 6 differ from Table IV-2, in that they only reflect the division expenses and do not include central services allocations.

FIGURE IV-4: AVIATION DIVISION EXPENSE BY ACCOUNT

(\$ in 000's)

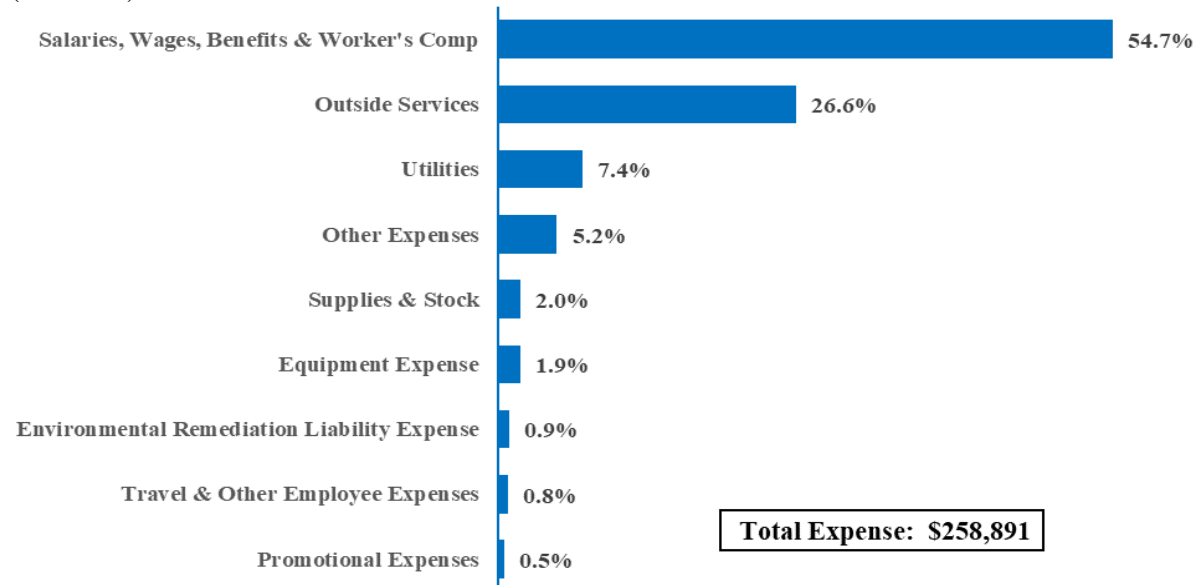


TABLE IV-6: REVENUE AND EXPENSE BY BUSINESS GROUP/DEPARTMENT

AVIATION DIVISION	(in 000's) Notes	2018 Actual	2019 Budget	2020 Budget	% Change 2020 Bud - 2019 Bud
OPERATING REVENUES					
<u>AIRLINE REVENUES</u>					
Airfield Movement Area		116,703	130,873	132,233	1.0%
Airfield Apron Area		15,627	19,714	22,017	11.7%
Terminal Rents		169,300	203,319	213,048	4.8%
Federal Inspection Services (FIS)		16,226	14,521	18,167	25.1%
Subtotal Rate Base Revenues		317,856	368,426	385,466	4.6%
Airfield Commercial Area		10,257	12,859	16,097	25.2%
Subtotal Airline Revenues before Revenue Sharing		328,114	381,286	401,563	5.3%
Revenue Sharing		(36,863)	(15,682)	-	-100.0%
Total Airline Revenues		291,250	365,604	401,563	9.8%
<u>NON-AIRLINE REVENUES</u>					
Public Parking		80,212	82,350	89,485	8.7%
Rental Cars		53,569	50,079	51,149	2.1%
Ground Transportation		18,772	19,734	22,299	13.0%
Airport Dining & Retail		59,021	59,484	66,145	11.2%
Utilities		7,206	8,058	8,832	9.6%
Other		39,632	39,831	45,258	13.6%
Total Non-Airline Revenues		258,413	259,537	283,168	9.1%
Total Operating Revenues		549,663	625,140	684,731	9.5%

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(in 000's) Notes	2018 Actual	2019 Budget	2020 Budget	% Change 2020 Bud - 2019 Bud
AVIATION DIVISION				
EXPENSES BEFORE CHARGES TO CAP/GOVT/ENVRs PROJECTS				
BUSINESS UNITS				
Airport Operations	40,360	45,446	51,311	12.9%
Commercial Management	12,714	13,018	15,816	21.5%
Utilities	20,103	22,704	23,550	3.7%
Business Units	73,177	81,168	90,677	11.7%
AVIATION SERVICES				
Aviation Director's Office	1,358	1,804	2,412	33.7%
Capital Development	2,544	4,597	2,962	-35.6%
Airport Innovation	569	1,112	1,119	0.7%
Fire Department	16,232	18,163	19,391	6.8%
Aviation Planning	4,611	6,598	4,829	-26.8%
Customer Service	2,766	8,072	6,079	-24.7%
Airport Security	17,279	18,717	20,720	10.7%
Aviation Project Management Group (AVPMG)	21,008	20,856	24,568	17.8%
Aviation Maintenance	86,214	89,190	98,537	10.5%
Aviation Services	152,581	169,107	180,617	6.8%
AVIATION FACILITIES				
AV Facilities & Infrastructure	4,493	8,414	10,906	29.6%
Aviation Signage	514	677	1,038	53.4%
Airport Building Department	1,330	1,619	1,750	8.1%
Aviation Facilities	6,337	10,709	13,695	27.9%
Aviation Risks Expense	3,640	2,209	2,294	3.9%
Aviation Environmental Remediation Liability	6,233	14,259	2,648	-81.4%
Aviation Capital to Expense	5,361	-	-	n/a
Payroll Vacancy Assumption	()	-	(4,300)	n/a
Total Expenses Before Charges to Cap/Govt/Envr's Projects	247,328	277,453	285,630	2.9%
CHARGES TO CAPITAL/GOVT /ENVRs PROJECTS	(20,049)	(20,745)	(26,739)	28.9%
EXPENSES AFTER CHARGES TO CAP/GOVT/ENVRs PROJECTS				
BUSINESS UNITS				
Airport Operations	40,112	45,446	51,311	12.9%
Commercial Management	12,714	13,018	15,816	21.5%
Utilities	20,100	22,704	23,550	3.7%
Business Units	72,926	81,168	90,677	11.7%
AVIATION SERVICES				
Aviation Director's Office	1,358	1,804	2,412	33.7%
Capital Development	2,423	3,365	2,771	-17.6%
Airport Innovation	569	1,112	1,119	0.7%
Fire Department	15,876	17,596	18,723	6.4%
Aviation Planning	4,611	6,598	4,829	-26.8%
Customer Service	2,766	8,072	6,079	-24.7%
Airport Security	16,217	18,082	18,700	3.4%
Aviation Project Management Group (AVPMG)	4,876	6,794	5,426	-20.1%
Aviation Maintenance	84,159	86,404	95,686	10.7%
Aviation Services	132,854	149,826	155,745	4.0%
AVIATION FACILITIES				
AV Facilities & Infrastructure	3,643	7,486	9,868	31.8%
Aviation Signage	442	636	906	42.5%
Airport Building Department	650	1,123	1,053	-6.2%
Aviation Facilities	4,735	9,245	11,827	27.9%
Aviation Operating & Maintenance Expense	210,516	240,239	258,249	7.5%
Aviation Risks Expense	3,640	2,209	2,294	3.9%
Aviation Environmental Remediation Liability	6,233	14,259	2,648	-81.4%
Aviation Capital to Expense	6,891	-	-	n/a
Payroll Vacancy Assumption	()	-	(4,300)	n/a
Total Operating Expense	227,279	256,708	258,891	0.9%

E. STAFFING

Table IV-7 outlines the full-time equivalent staffing (FTEs) for the Aviation division. The Aviation 2020 Budget is based on 1,206.3 FTEs, which is 3.3% higher than the 2019 Budget (restated to reflect the transfer of Aviation Project Management group from Central Services to the Aviation division).

TABLE IV-7: AVIATION DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions) BUSINESS GROUP/DEPARTMENT	2018 Actual	2019 Budget	2019 Est. Act.	2020 Budget	% Change 2020 Bud vs 2019 Bud
<u>AIRPORT OPERATIONS</u>					
Aeronautical Business Group	77.8	86.8	87.8	89.8	3.5%
Landside Business Group	145.1	148.1	149.1	150.1	1.4%
Airport Operations	222.9	234.9	236.9	239.9	2.1%
<u>COMMERCIAL MANAGEMENT</u>					
Aviation Properties	11.5	12.5	14.5	14.5	16.0%
Airport Dining & Retail	8.5	9.5	9.7	9.7	2.6%
AV Commercial Management	3.3	3.3	4.3	4.3	30.8%
Parking Revenue Management	2.0	3.0	3.0	3.0	0.0%
AV Commercial Mgmt & Analysis	2.0	2.0	2.0	2.0	0.0%
Airport Office Building Mgmt	9.4	9.5	9.5	9.5	0.0%
Utilities	4.0	4.0	4.0	4.0	0.0%
Commercial Management	40.6	43.7	46.9	46.9	7.4%
<u>AVIATION SERVICES</u>					
Airport Director's Office	6.0	6.5	8.3	8.3	26.9%
Customer Service	32.3	46.3	33.3	37.3	-19.5%
Airport Innovation	4.0	4.0	4.0	5.0	25.0%
Capital Dev Prog Mgmt	7.0	7.0	7.0	7.0	0.0%
Fire Department	90.5	99.5	100.5	101.5	2.0%
Planning	5.5	5.5	5.5	5.5	0.0%
Airport Security	210.0	210.5	204.0	212.0	0.7%
Maintenance	396.0	409.0	407.0	434.0	6.1%
Aviation Project Management	62.0	61.8	62.0	65.0	5.3%
Total Aviation Services	813.3	850.0	831.5	875.5	3.0%
<u>FACILITIES</u>					
Facilities & Infrastructure	24.8	26.0	25.0	31.0	19.2%
AV Signage	4.0	5.0	5.0	5.0	0.0%
Aviation Building Department	8.0	8.0	8.0	8.0	0.0%
Total Facilities	36.8	39.0	38.0	44.0	12.8%
TOTAL AVIATION DIVISION	1,113.4	1,167.5	1,153.28	1,206.28	3.3%

FTE.XLS

The table below summarizes FTE changes in the Aviation division during 2019, including transfers from Central Services division, incremental new FTEs added after the 2019 Budget was approved, and vacant positions eliminated. The staffing changes reflected below are included in the estimated staffing level for year-end 2019 of 1,153.3 FTEs.

FTE Changes During 2019	FTEs
2019 Approved Budget FTEs	1,105.78
<u>2019 transfers IN from Central Services</u>	
Electronic Technicians (from Engineering for IAF project)	2.00
A VPMG department transferred to AV Division	62.00
2019 transfers IN from Central Services	64.00
<u>2019 mid-year FTE Additions</u>	
Landside Billing Specialist (taxi pilot)	1.00
Property Manager I (taxi pilot)	1.00
Pathfinder (IAF support)	1.00
LTD Airport Duty Manager (IAF support)	1.00
Firefighter E (early hire to cover LT disability)	1.00
AV Chief Operating Officer (AV re-org)	1.00
Admin Assistant - ADO (AV re-org)	1.00
AV Director - Properties, Airline Affairs, Air Svc Dev (AV re-org)	1.00
Admin Assistant - new Director (AV re-org)	1.00
Airline Affairs Manager (AV re-org)	1.00
Construction Support Specialist (right-size existing staff hours)	10.00
Senior Access Controllers (labor requirement - exit lane monitoring)	6.00
College intern - Airport Dining & Retail program	0.25
2019 mid-year FTE Additions:	26.25
Subtotal - FTEs added during 2019	90.25
<u>2019 mid-year FTE eliminations</u>	
Lost & Found Staffing (LTD) - not needed after new contract signed	(6.00)
Admin Assist for F&I (LTD position expired)	(1.00)
College intern - Art program (1yr only, candidate not found)	(0.25)
2019 mid-year FTE eliminations	(7.25)
<u>Vacant FTE positions eliminated in the 2020 Budget</u>	
Phase I - Full Employee Screening (vacant FTEs removed)	(6.00)
Phase II - Full Employee Screening (not funded in 2019 Budget)	(16.00)
AVM - ORG 4593 (EH - funded in 2019 Budget, not needed in 2020)	(4.00)
Pathfinders (EH - funded in 2019 Budget, not needed in 2020)	(8.00)
Property Manager I (re-purposed for AV re-org use)	(1.00)
College intern - Emergency Preparedness	(0.50)
Vacant FTE positions eliminated in the 2020 Budget	(35.50)
Subtotal - Vacant FTEs eliminated in the 2020 Baseline Budget:	(42.75)
FTEs in 2020 Baseline Budget BEFORE Budget Requests	1,153.28

Full-Time Equivalent Staff Positions (FTEs)

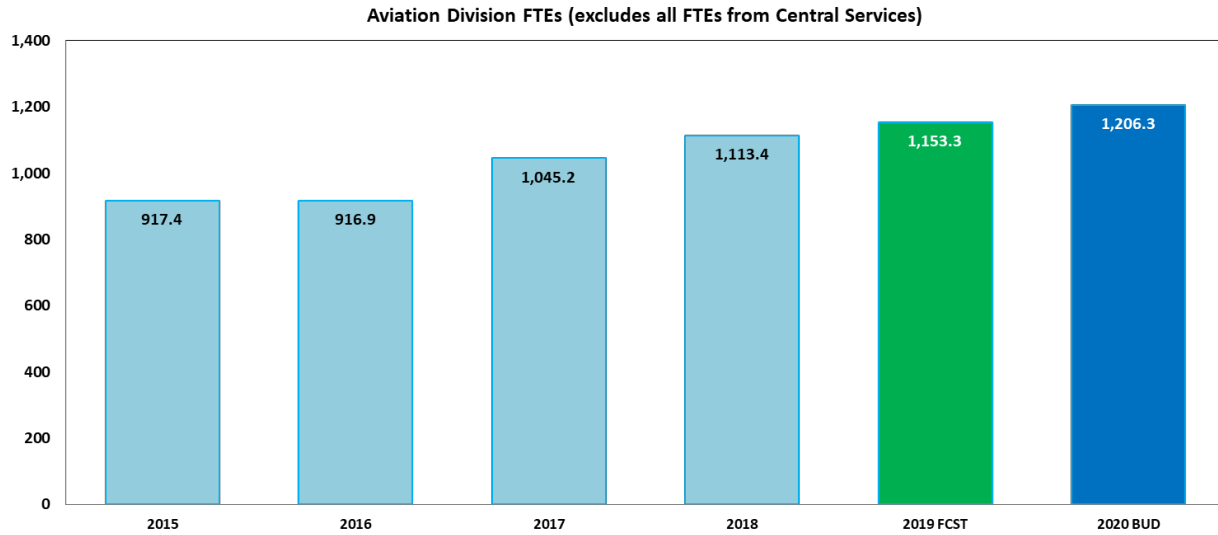
2020 Proposed Budget FTEs	FTEs	%
2019 Approved Budget	1,105.78	
2019 FTE Transfers between divisions (net zero impact to total FTEs)		
2019 FTE transfers IN from Central Services	64.00	
2019 FTE Transfers	64.00	
2019 Adjusted Baseline	1,169.78	
2019 Changes in FTEs during the year		
2019 mid-year FTE additions	26.25	
Vacant FTEs eliminated during 2019	(42.75)	
2019 Mid-year Changes in FTEs	(16.50)	-1.4%
Proposed New FTEs in 2020 Budget:	52.00	4.4%
Aviation Maintenance FTEs	27.00	
Aviation Security FTEs	8.00	
Customer Service FTE's	4.00	
Terminal Operations FTE's	2.00	
Landside Operations FTEs	1.00	
Fire Department FTEs	1.00	
Capital Development/Facilities & Infrastructure FTE's	3.00	
Aviation Planning FTEs	1.00	
Aviation Sign Shop FTEs	1.00	
Aviation Innovation FTEs	1.00	
AVPMGFTEs	3.00	
New Intern FTE's - College/Graduate	1.00	0.1%
Proposed Increase in 2020 Budget FTEs	53.00	
2020 Budget Proposed FTEs	1,206.28	3.1%
plus: Central Services FTE's direct charged 100% to airport	43.25	
2020 Budget FTE's - in Aviation division budget	1,249.53	

Note: percent changes compared to 2019 Approved Budget after internal FTE transfers

The table below provides a detailed listing of the new FTEs by department for new positions added in the 2020 Budget.

2020 Proposed Budget FTEs		FTEs
AV Facilities and Capital Programs FTE's		5.0
AV Capital Programs Development Manager	1.0	
Architect - AV F&I	1.0	
Accessibility Coordinator - AV F&I	1.0	
Associate Planner - AV Planning	1.0	
Journeyman Sign Writer	1.0	
Maintenance FTE's		27.0
AVM Inventory Specialist	1.0	
Baggage System Supervisors	2.0	
Operating Engineer - Conveyor Shop	2.0	
Operating Engineer - Boiler Room (Cargo/Terminal)	3.0	
Operating Engineer - Industrial Waste Treatment Plant	1.0	
Electronic Technicians	2.0	
Field Crew (coverage details pending)	11.0	
Carpenters (coverage details pending)	2.0	
Painters (IAF/Cargo)	2.0	
Custodial Quality Assurance Specialist	1.0	
Security FTE's		8.0
Employee Screeners (random screening)	6.0	
Background Checking Specialist (badging)	1.0	
Emergency Preparedness Coordinator	1.0	
Customer Service FTE's		4.0
Customer Experience Manager	1.0	
Pathfinders	3.0	
Aviation Project Management Group		3.0
Systems Administrator for AVPMG project tracking	1.0	
Capital Project Manager III (ADR tenant projects)	1.0	
AV Project Controls Analyst	1.0	
Terminal Operations FTE's		2.0
Senior Operations Controller (C4)	1.0	
Certified Service Provider Program (CSPP) Manager	1.0	
Landside FTE's		1.0
Load Dock Coordinator	1.0	
Fire Department FTE's		1.0
Fire Protection Engineer	1.0	
AV Innovation FTE's		1.0
Innovation Program Manager	1.0	
New Intern FTE's - College/Graduate		1.0
Aviation division - college/graduate interns	1.0	
Aviation Division Subtotal		53.0
AV Environmental & Noise Programs [Central Services]		2.0
Environmental Program Manager (Sustainability)	1.0	
Noise Program Coordinator	1.0	
Aviation Finance & Budget [Central Services]		2.0
Sr. Financial System & Business Analyst	1.0	
Financial Analyst (Grants & Capital Programs)	1.0	
New Intern FTE's - College/Graduate [Central Services]		0.5
Intern (charged 100% to airport)	0.5	
2020 Proposed New FTEs:		57.5

The graph below reflects total airport FTEs (excluding FTEs from Central Services that direct charge 100% to the airport). For this view, the 2020 Budget increased by 53 new FTEs in the Aviation Division.



Note: AVPMG is included retro-actively from 2015 through 2020.

F. CAPITAL BUDGET

The business assessment at the beginning of this section provides the context for the following capital budget for the Aviation Division.

The Aviation Division’s capital plan for 2020 – 2024 calls for spending of \$2.9B. Three major projects account for \$730.6M of the spending: North Satellite Renovation & North Satellite Transit Station Lobbies, Baggage Recapitalization/Optimization, and the International Arrivals Facility. Thirty-four projects, totaling \$233.2M of spending through 2024 were proposed for inclusion as “business plan prospective.” A total of \$291.4M is included for the preliminary planning and design of the Sustainable Airport Master Plan (SAMP). A total of \$680M remains in the Reserve Capital Improvement Projects (CIPs), which is undesignated future spending that will account for undefined future projects or budget increases to existing projects.-The CIP Cash Management Reserve is implemented for the 2020 budget to adjust the cash-flow to reflect projects’ spending trends.

	2019 FCST	Cash Flows (Figures in \$000s)					2020 - 24 TOTAL
		2020	2021	2022	2023	2024	
Three Major Projects							
International Arrivals Facility	338,500	207,000	9,133	-	-	-	216,133
NSAT	133,086	134,800	105,470	9,988	-	-	250,258
Baggage Optimization	25,565	44,300	55,000	55,000	55,000	55,000	264,300
Subtotal - Three Major Projects	497,151	386,100	169,603	64,988	55,000	55,000	730,692
Other Capital Projects	154,977	250,291	309,456	192,527	141,294	94,066	987,633
SAMP Preliminary Planning / Design	5,600	16,000	76,500	94,750	68,000	36,200	291,450
Proposed New Projects	1,863	3,813	21,755	38,877	82,746	85,996	233,188
CIPs Reserves	-	-	-	80,000	200,000	400,000	680,000
Subtotal	659,591	656,204	577,314	471,142	547,039	671,262	2,922,962
CIP Cash Management Reserve	-	(86,066)	50,000	36,066			
Total Proposed CIP	659,591	570,138	627,314	507,208	547,039	671,262	2,922,962

- Three major projects account for \$731M.
- Proposing 34 new projects totaling \$233M spending through 2024.
- Budget includes place-holder spending for undefined future projects (called “Allowance CIPs”): \$680M.
- Proposing SAMP preliminary planning/design spending of \$291M through 2024 (\$300M total).
- Besides preliminary planning/design funds, budget does not include potential projects to be identified by Sustainable Airport Master Plan (SAMP).

Capital Projects:

Capital Projects	CIP	2019 FCST	Cash Flows (Figures in \$000s)					2020 - 24 TOTAL
			2020	2021	2022	2023	2024	
Construction Authorized								
NS NSAT Renov NSTS Lobbies	C800556	133,086	134,800	105,470	9,988	-	-	250,258
International Arrivals Fac-IAF	C800583	338,500	207,000	9,133	-	-	-	216,133
Checked Bag Recap/Optimization	C800612	25,565	44,300	55,000	55,000	55,000	55,000	264,300
Subtotal		497,151	386,100	169,603	64,988	55,000	55,000	730,692
Other Authorized Capital Projects		140,360	174,025	78,038	22,504	1,636	8,134	284,337
Total - Construction Authorized		637,511	560,125	247,642	87,492	56,636	63,134	1,015,029
Design Authorized								
MT Low Voltage Sys Upgrade	C800061	699	5,050	9,000	18,500	20,000	16,350	68,900
C1 Building Floor Expansion	C800845	581	4,000	10,000	20,000	10,000	5,194	49,194
Widen Arrivals Roadway	C800866	708	2,056	5,600	10,500	30,300	297	48,753
Remote Aircraft Deicing	C801035	521	1,810	20,649	1,320	-	-	23,779
Other Design Authorized Capital Projects		6,476	28,773	55,298	24,395	11,617	6,571	126,654
Total - Design Authorized		8,286	41,689	100,547	74,715	71,917	28,412	317,280
Pending Authorization								
Airfield Pvmnt Repl 2021-2024	C800930	46	-	42,600	34,000	23,500	36,700	136,800
MT Fire Sprinkler-Smoke Cntrl	C800969	150	5,049	13,000	9,963	9,963	9,963	47,938
Upgrades STS Train Control	C801043	91	1,125	4,925	20,000	16,000	14,859	56,909
Baggage Claim Device R&R Prog	C801127	-	-	2,935	6,058	24,597	32,850	66,440
Subtotal - Pending		287	6,174	63,460	70,021	74,060	94,372	308,087
Other Pending Capital Projects		14,750	48,217	165,665	238,914	344,426	485,344	1,282,566
Total - Pending Authorization		15,036	54,391	229,125	308,935	418,486	579,716	1,590,653
Subtotal		660,833	656,204	577,314	471,142	547,039	671,262	2,922,962
CIP Cash Management Reserve Complete / Canceled		- (1,243)	(86,066)	50,000	36,066	-	-	(0)
Grand Total		659,591	570,138	627,314	507,208	547,039	671,262	2,922,962

* Cash flows and budgets are preliminary and may substantially change.

Descriptions of capital projects:

- **International Arrivals Facility:** Build a new Federal Inspection Service (FIS) facility on the east side of Concourse A in order to expand capacity to process arriving international passengers.
- **NS NSAT Renov NSTS Lobbies:** Renovate/expand the North Satellite to address seismic concerns, upgrade HVAC and lighting, upgrade fixtures and add eight gates.
- **Checked Baggage Recap/Optimization:** Replace and reconfigure baggage screening equipment and operations to improve operational efficiency and increase capacity.
- **MT Low Voltage System Upgrade:** This project covers the renewal and replacement of low voltage (600 volts and below) distribution switchboards, transformers, feeders, panels, motor control centers and tenant metering. The work includes areas in the Main Terminal served by Center and South power centers.
- **C1 Building Floor Expansion:** Construct three additional floors on top of the airport's C1 building to meet space needs for passenger restrooms, concessions, passenger lounges and other tenant offices.
- **Widen Arrivals Roadway:** Widen the approach to the Arrivals curbside area from two to three lanes. The total improvement area could extend from Air Cargo Rd to the north Rental Car Bus curb. The existing 4th floor entrance ramp from the Departures curbside to the Main Garage will be demolished.
- **Remote Aircraft Deicing:** Construct three remote aircraft deicing locations on taxiway A. Each location would accommodate 2 ADG III aircraft.

- Airfield Pavement Replacement: Provide budget for annual replacement of aging airfield pavement and joint seals.
- MT Fire Sprinkler – Smoke Control: Provide and install fire sprinklers and smoke control system in Main Terminal Ticketing, baggage claim and esplanade areas.
- Upgrades STS Train Control: The Automatic Train Control and Communication Subsystem needs to be upgraded.
- Baggage Claim R&R (Renewal and Replacement) Program: Program to replace and renew various aspects of the baggage claim.

Proposed New Projects:

# of Projects	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2020 - 24 TOTAL
			2020	2021	2022	2023	2024	
11	Asset Stewardship	180,850	1,708	10,545	20,164	51,333	59,376	143,125
5	Capacity	55,500	187	321	1,929	1,063	2,389	5,889
5	Safety & Security	20,600	672	3,419	3,330	4,853	2,437	14,711
8	Customer Experience	53,150	1,011	4,655	6,630	7,411	5,378	25,084
5	Community & Environment	52,500	236	2,815	6,825	18,085	16,416	44,378
34	TOTAL	362,600	3,813	21,755	38,877	82,746	85,996	233,188

- A total of 38 projects were submitted to the Aviation Investment Committee for approval; 34 were approved.
- The proposed projects do not include projects that will come out of SAMP.

I. Asset Stewardship

#	Description	Cost Estimate	Cash Flows (Figures in \$000s)				2020 - 24 TOTAL	
			2020	2021	2022	2023		2024
1	Baggage Claim Device R&R Prog	71,000	-	2,935	6,058	24,597	32,850	66,440
2	Common Use System Replacement	3,750	178	619	1,303	1,191	459	3,750
3	Domestic Water Piping Phase 2	11,500	-	564	1,079	3,642	4,001	9,285
4	3rd FL GT Booth Enhancements	2,800	5	204	348	1,674	570	2,800
5	Landside Pavement Program	20,000	-	40	1,517	2,555	8,097	12,209
6	C4 Generator Control	6,800	142	1,071	3,069	2,462	55	6,800
7	Concourse D Electrical Upgrade	8,400	636	1,320	2,909	3,055	481	8,400
8	Cooling Tower Upgrades	3,800	-	-	-	-	252	252
9	Carpet Renewal/Replacement - Concourse	1,300	-	-	99	252	430	781
10	HVAC Upgrade Concourses C & D	50,000	629	3,342	3,316	11,497	12,164	30,948
11	PCS Yard Trailer Replacement	1,500	118	451	466	408	16	1,459
	TOTAL	180,850	1,708	10,545	20,164	51,333	59,376	143,125

1. Baggage Claim Device R&R Program: Baggage claim device renewal and replacement program will prioritize the sixteen baggage claim devices and create a multiyear program to replace these devices based on age and condition. The oldest claim devices are 15 and 16, which were rebuilt in 1998, and originally installed in 1975-1985. Baggage claim 15 and 16 are flat plates and showing increased maintenance, and reliability issues. The intent of this program would be to replace two claim devices a year for the next 7 years. This would allow the Airport to keep operating bag claim and replace the aging devices.
2. Common Use System Replacement: Seattle-Tacoma International Airport provides the common-use passenger processing system used by all international airlines and several domestic airlines. This system is an essential element of airline operations. Additionally, a common-use system provides the airport the ability to maximize limited gate and counter resources by assigning multiple users to the same counter or

gate resource. The airport is currently on the second iteration of a common-use platform which was put into service approximately ten years ago.

3. Domestic Water Piping Phase 2: In phase 1, 50-year-old domestic water piping mains were replaced in the underground service tunnel and mechanical rooms. Maintenance activities disassembled some domestic water piping in the Main Terminal and a large amount of mineral build up was found. Phase 2 will replace the 50-year-old domestic water piping that connect the water mains from phase 1 to all of the restrooms and Airport Dining and Retail (ADR) facilities in the Main Terminal. This project does not include any piping in the concourses.
4. 3rd FL GT Booth Enhancements: This project will expand and renovate the Ground Transportation Offices on the 3rd floor of the parking garage. This project will also explore the addition of internal employee restrooms, increase cell coverage and WIFI, update an upstairs breakroom and relocate a data center in the adjacent booth.
5. Landside Pavement Program: This Landside Pavement Replacement 2020-2024 project will fund the initial five years of the continuous landside pavement renewal and replacement program described above. This project supports the Century Agenda Strategy to position the Puget Sound region as a premier international logistics hub by maintaining the most basic of infrastructure: pavement.
6. C4 Generator Control: The C4 generator provides back-up power to the C4 area, which includes the ACC, ECC, and 911 dispatch. The generator was initially installed during the STEP project (2004) with controls provided by GE Fanuc Programmable Logic Controller (PLC). GE no longer produces or supports the Fanuc PLC therefore software upgrades and hardware are difficult to obtain. The Port has recently standardized using Allen Bradley PLCs. This project would replace the obsolete PLC with the new standard. In addition, the HVAC controls for the generator room will be transferred to the building controls system that is used airport wide.
7. Concourse D Electrical Upgrade: Areas of Concourse D do not have electrical capacity. At the end of Concourse D, there are no available circuits and few viable locations for new panels. This leads to small tenant and Port projects having to install new infrastructure, adding cost and complexity to projects. This project will add an electrical room on Concourse D and populate it with electrical panels to serve ongoing project needs. In addition, the tenant distribution panels on Concourse D are obsolete and need to be replaced in order to support current and future ADR projects.
8. Cooling Tower Upgrades: There are 5 cooling towers currently serving the airport. In the winter, the cooling tower system is split in half, one side serving the Chillers, and the other serving the heat exchangers. The current supply for makeup water is subject to frequent shutdowns for construction and repair projects. Test coupon and pH measurement stations are used to test corrosion levels and water quality. A test coupon is a piece of metal that is left in the flow of water being tested. After a period of time, the coupon can be inspected to determine the amount of corrosion and build up. Currently, the water is manually tested using a procedure that is less accurate than using a test coupon and pH measurement station. In addition, the filtration system will need to be upgraded. This will allow for the most efficient use of the cooling towers.
9. Carpet Renewal/Replacement - Concourse D: This project will replace currently carpeted areas in publicly accessible spaces on D Concourse including hold rooms and common areas with new carpet tiles.
10. HVAC Upgrade Concourses C & D: The HVAC air handlers on Concourses C & D are at capacity and are unable to adequately heat and cool the concourse public spaces, mezzanine, and ramp level spaces. The system is unable to accommodate any additional load, which impacts projects adding additional space on the concourses. This project will upsize the existing air handlers and add additional air handlers as needed to be able to heat and cool the concourses, ramp, and mezzanine spaces on Concourse C and D.

11. PCS Yard Trailer Replacement: This project will procure and install a new modular building to house Port Construction Services (PCS) staff.

II. Capacity

#	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2020 - 24 TOTAL
			2020	2021	2022	2023	2024	
1	North End Airport Support Equipment Area	10,000	-	-	-	-	470	470
2	New Leasable Space	28,600	-	-	-	-	1,251	1,251
3	Pre-Security Tenant Offices	7,900	-	-	-	-	382	382
4	North Cargo Area Improvements	5,500	-	-	-	-	286	286
5	Air Cargo Truck Staging Yard	3,500	187	321	1,929	1,063	-	3,500
TOTAL		55,500	187	321	1,929	1,063	2,389	5,889

1. North End Airport Support Equipment Area: Sea-Tac has gone from 14th busiest to 8th busiest US airport in very short order. The space to store ground support equipment, during this time (and for the preceding years) has considerably diminished. Storage areas around the gates has diminished as more gates have been squeezed in around the terminal. Ground Support Equipment (GSE) storage in remote areas has diminished due to remote gate operations. GSE storage in the cargo areas has diminished due to additional cargo activity. This area could also be used to store impounded GSE as part of the certified service provider program. Work would include paving the area, some amount of grading, including a water oil separator, increasing available stormwater detention, and relocating the perimeter fence to keep the area on the AOA
2. New Leasable Space: This project will convert several vacant and/or undeveloped spaces in the airport into occupiable spaces. The spaces can then be used for Port functions, contractor offices/break rooms or can be leased to airport tenants for a variety of uses.
3. Pre-Security Tenant Offices: This project will convert several vacant and/or undeveloped spaces in the airport into occupiable spaces. The spaces can then be used for Port functions, contractor offices/break rooms or can be leased to airport tenants for a variety of uses.
4. North Cargo Area Improvements: All cargo freighter operations require either their internal auxiliary power or external shore power to conduct load/unload operations. Additionally, as cargo aircraft are loaded, they can become “tail heavy” (imbalanced as the result of more weight behind the main gear than in front of it), causing the aircraft to tip back on the main gear and rest on the tail of the aircraft. To prevent the aircraft from tipping, two types of tilt prevention apparatuses are used: tail stands and nose tethers. A tail stand is a pole or tripod that is temporarily positioned under the aircraft tail, preventing the tail from tipping down toward the apron; a nose tether anchors the nose wheel of an aircraft to fasteners mounted in the apron pavement. There are presently 5 in-ground power units, and 4 sets of nose tether units at Cargo 6 and at the western Cargo 2 ramp area which were installed by the Cargo Hardstand Improvements project in 2013 (STIA-1302).
5. Air Cargo Truck Staging Yard: As with many operational trends at the Airport, the number of commercial trucks calling at airport facilities has increased. Trucking associated with airfreight facilities can result in landside congestion, generating concern and complaints from customers and tenants, as well as stakeholders such as FAA, Port Security and Port Police. Similar to situations with taxicabs, TNCs and other vehicle streams, commercial trucks can, at times of peak activity, overwhelm the capacity of specific facilities. Trucks that are waiting for cargo warehouse dock doors to become available have few acceptable options and may end up along curbs or in center turn lanes, potentially blocking other vehicles and causing roadway congestion.

III. Safety & Security

#	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2020 - 24 TOTAL
			2020	2021	2022	2023	2024	
1	Load Dock Employee Screening	1,500	118	451	466	408	16	1,459
2	Mezzanine Security Glass	12,900	491	1,657	2,743	2,286	2,292	9,468
3	North cargo area cameras	400	64	61	121	109	45	400
4	AvOps Wildlife Storage Building	800	-	-	-	-	84	84
5	Fire Department Apparatus Renewal	5,000	-	1,250	-	2,050	-	3,300
	TOTAL	20,600	672	3,419	3,330	4,853	2,437	14,711

1. Load Dock Employee Screening: As part of the Airport’s plan to ensure safe and secure operations, the Airport is striving for 100% employee screening. Currently, there is access control to the secure side of the terminal on the load dock, but no employee screening. Employee screening on the load dock would be collocated with inspections for deliveries in order to provide screening for employees, vendors, contractors, and their personal items. This project would provide an AIT and x-ray.
2. Mezzanine Security Glass: This project will replace the currently installed glass railing on the mezzanine level, GML hall and other areas that provide unfettered elevated access over publicly occupied space with a 7-8 ft. high glass wall.
3. North cargo area cameras: The north cargo area, comprised of Cargo 1, 2, 3 and 4, hosted more than 6,300 live cargo operations in 2018. This operational total excludes passenger RON activity. In addition, the Cargo 1 ramp area was the location where the Horizon Air aircraft theft incident occurred in August 2018, is out of existing range of consistent camera surveillance. At present the cargo areas north of Cargo 6 area is monitored by only 3 cameras on the existing Genetec security system.
4. AvOps Wildlife Storage Building: The project is designed to address the lack of consolidated storage and the absence of an all-season outdoor training. The Wildlife Program now stores equipment in at least 4 primary locations, two of which are located outside of the AOA fence line making equipment access time consuming and the sensitive/hazardous equipment itself more vulnerable to theft. The largest storage space located at Air Cargo East (not the Air Cargo 4 maintenance building) will eventually be needed by a paying tenant. There are no other suitable locations for the 63 Port and Port-contracted personnel to store equipment. Of these, 37 are Port employees with Qualified Wildlife Personnel (QWP) responsibilities under the Wildlife Hazard Management Plan (WHMP), Appendix A of the Airport Certification Manual (ACM), that must be trained at least annually.
5. Fire Department Apparatus Renewal Replacement: This proposal addresses the Port of Seattle Fire Department apparatus replacement plan from 2019- 2023. It is intended to address the major apparatus needs on the horizon. These purchases will allow the Fire Department to schedule the replacement of aging apparatus that has reached the end of its useful life.

IV. Customer Experience

#	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2020 - 24 TOTAL
			2020	2021	2022	2023	2024	
1	Smoking Shelters	550	-	-	-	-	77	77
2	Terminal Information Hubs	700	74	111	227	206	82	700
3	Port shared lounge Conc A exp	7,700	566	2,375	2,475	2,159	84	7,659
4	Digital Signage: Ticketing, Baggage Claim and Drives	5,000	371	1,209	1,143	1,143	1,044	4,910
5	Play Area Renovation	1,100	-	93	192	371	353	1,008
6	Restroom Renewal/Replacement Main Terminal, Mezz & Bag	21,000	-	866	2,592	3,532	2,921	9,911
7	SSAT Meditation Room	1,100	-	-	-	-	96	96
8	Restroom Renewal/Replacement Concourse A, CTE	16,000	-	-	-	-	722	722
TOTAL		53,150	1,011	4,655	6,630	7,411	5,378	25,084

1. Smoking Shelters: Smokers do not use smoking areas and often stand in doorways or up close to the building in order to stay protected from the elements. In September 2009, WA state passed legislation prohibiting smoking within 25 feet of doors, windows and ventilation into buildings. Since then, the Port has struggled with confining smokers to specific areas at the ends of the drive lanes. In order to encourage smokers to use the designated smoking areas, Av/Ops would like to install a covered shelter to protect smokers from the elements on the South end of the Upper Drive, and North end of the Lower Drive.
2. Terminal Information Hubs: This project will install three work stations (information hubs) in areas throughout the terminal pre-security. These hubs can be staffed, but will also offer digital information, video conferencing, language service phones and printed material. This project proposes a larger information hub (approx. 100 sq. ft.) in the checkpoint 3 breezeway that will have space for 2 staff as well as electronic customer service elements that can assist customers when the desk isn't staffed. Additionally, this project would install two smaller (approx. 50 sq. ft.) information hubs on the North and South ends of the Baggage Claim Level against the Window Wall. These areas will have space for 1 staff member as well as electronic customer service elements that can assist customers when the desk isn't staffed. As part of the project design this project will vet the placement of these hubs - to be located at key decision points in the terminal.
3. Port shared lounge Conc A exp: This project will expand the Port Common Use Lounge on Concourse A (Club at SEA) by 1,500 sq. ft. in to an unused & unfinished storage space to the east of the existing lounge. This work will require a sprinkler renovation and HVAC update to the entire space. During this expansion the lounge will be renovated to include an internal first-class lounge area, two shower suites and a reconfiguration/expansion of the kitchen and bar/food service area. This project will also refresh other FFE (furniture, fixtures and equipment) in the lounge that is past its useful life.
4. Digital Signage: Ticketing, Baggage Claim and Drives: This project addresses the renewal and replacement of static and aging digital signage pre-security with electronic displays. The integration of digital signage in ticketing, on the airport drives and in the baggage claim level will allow for content (airline identification, etc.) to be displayed dynamically and updated more frequently. The content can be scheduled or automatically changed depending on the real-time conditions in the terminal or on the airport drives. With the influx of carriers and common use utilization, it is important that the Port is able to direct passengers and deliver critical information more efficiently to our customers.
5. Play Area Renovation: This project will update and reconfigure the children's play area on Concourse A to better serve our passengers. Key elements to address during refresh include the addition of tables, charging, better seating, HVAC upgrades and storage. This project will address the aesthetics and comfort of the space by partnering with the Art Team to explore temporary art, varied and durable seating, durable wall material, climbing toys and introduce projector driven interactive media in the space. This project would also like to make some changes to the family restroom to include an adult changing table and relocating the paper towel dispenser to make a safer space. Also requesting updates to the nursing

mother’s rooms to be more in-line with Port standards to include a sink and counters, dividers and a warmer aesthetic.

6. Restroom Renewal/Replacement Main Terminal, Mezzanine & Baggage Claim: This project will renovate all men’s women’s and family restrooms on Main Terminal Mezzanine (4 sets), Main Terminal Ticketing Esplanade (2 sets), Main Terminal Baggage Claim Level (4 sets).
7. SSAT Meditation Room: This project will create a multi-faith room that offers Sea-Tac Airport passengers and employees a quiet retreat for prayer and meditation at the Mezzanine level of the South Satellite.
8. Restroom Renewal/Replacement Concourse A, CTE: This project will renovate all men’s, women’s and family restrooms on Concourse A (6 sets), GML Ticketing level and GML Baggage Claim level as well as Central Terminal (2 sets).

V. Community & Environment

#	Description	Cost Estimate	Cash Flows (Figures in \$000s)				2020 - 24 TOTAL	
			2020	2021	2022	2023		2024
1	IWTP Improvements	27,000	93	1,827	1,813	6,937	8,207	18,878
2	IWTP Controls Conversion	10,600	143	987	2,712	4,648	2,109	10,600
3	Apartment Sound Insulation (Pilot Project)	2,300	-	-	2,300	-	-	2,300
4	ATZ Residential Acquisition	11,500	-	-	-	6,500	5,000	11,500
5	Places of Worship Sound Insulation (Pilot Project)	1,100	-	-	-	-	1,100	1,100
TOTAL		52,500	236	2,815	6,825	18,085	16,416	44,378

1. IWTP Improvements: Surface water runoff collected from the terminal and cargo areas is processed at the Industrial Waste Water Treatment Plant (IWTP). The IWTP treats for fuels, oils grease, suspended solids and adjusts pH; it does not treat Biological Oxygen Demand (BOD) that is generated from airline operation deicing activities. The high BOD is conveyed to King County waste water treatment plant that the Airport discharges with a 5-year permit cycle. The last permit cycle, King County reduced the amount of BOD the Airport is allowed to discharge. This project, in conjunction with the IWTP controls project, will allow the IWTP to comply with future discharge limitations in conjunction with other efforts to reduce glycol at the Airport by allowing for exterior mixing and the addition of a 1-million-gallon storage tank.
2. IWTP Controls Conversion: Industrial Wastewater Treatment Plant (IWTP) utilizes a programable logic control (PLC) system which requires an outside consultant to reprogram and reconfigure whenever the PLC's are replaced or changed. The system was installed over fifteen years ago and the PLC's are obsolete, and replacements are unavailable. Regulatory flows and diversion of high BOD effluent is at risk due to this obsolescence. Control of the IWTP is not possible from the main central mechanical plant control room due to the PLC control system. This project will upgrade the controls to the Airport’s DDC system, which will allow control of the IWTP from the main central mechanical plant. This project will also ensure the Port is able to report to Midway or Valley View Sewer districts.
3. Apartment Sound Insulation (Pilot Project): This project will provide sound insulation for one pilot project for an apartment building within the noise remedy boundary. The Part 150 study recommended starting with the one pilot project to understand the unique circumstances that will be encountered both with tenants, owners and existing structural conditions. The goal of the project is to reduce aircraft noise to an interior noise level of 45 decibels or less through the addition of new sound rated windows, doors and ventilation. This project is a mitigation outcome of the Part 150 Study approved by the Port in 2014.
4. ATZ Residential Acquisition: The Approach Transition Zone (ATZ) is an area extending 2500 feet past the Runway Protection Zone off the end of each runway. The 3rd runway’s ATZ were identified in the EIS

for the 3rd runway master plan update and was also approved in the subsequent Part 150 Studies. The residential housing in the north ATZ was acquired in 2009. The 2014 Part 150 Study further identified the South ATZ as an area for voluntary acquisition of residential parcels due to low flying aircraft and noise. There are approximately 16 single family homes and 6 apartment buildings that may be eligible for voluntary buyout in this area. Once acquired the land will be re-zoned to airport compatible (industrial/commercial).

5. Places of Worship Sound Insulation (Pilot Project): This project will provide sound insulation for one pilot program for a place of worship within the noise remedy boundary. The Part 150 Study recommended starting with the one pilot project to understand the unique circumstances that will be encountered with structural conditions. The goal of the project is to reduce aircraft noise to an interior noise level of 45dB or less through the addition of new sound rated windows, doors and ventilation. An aviation easement is required in exchange for sound insulation. The associated aviation easement provides air right protections for the Port. This project is a mitigation outcome of the Part 150 Study approved by the Port in 2014.

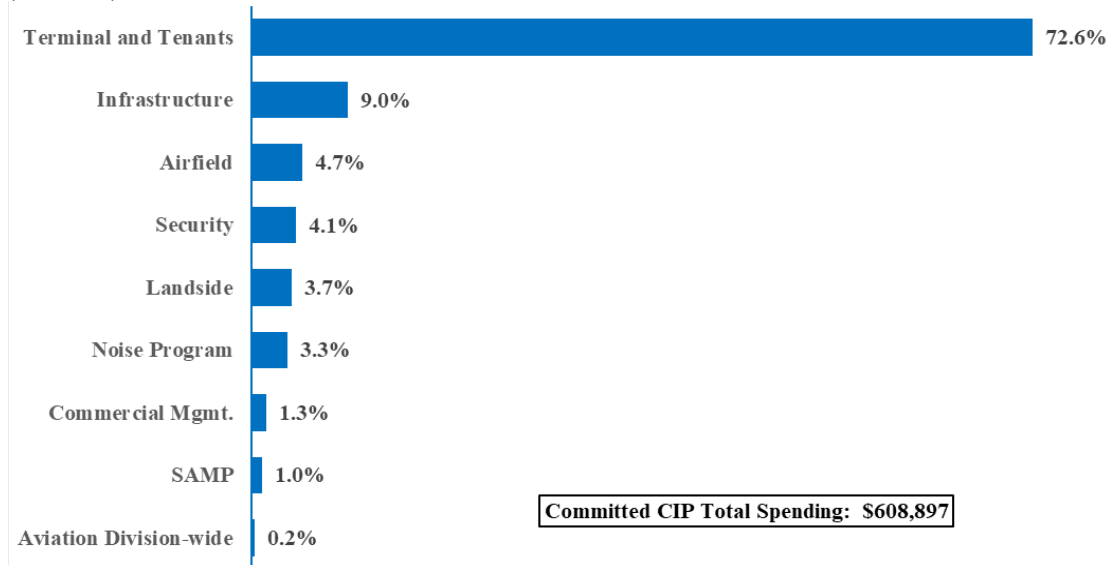
TABLE IV-8: AVIATION CAPITAL BUDGET SUMMARY

(\$ in 000's)	2020 Budget	2020-2024 CIP	% of 2020 Total Committed
Committed Capital Projects			
Terminal and Tenants	\$ 441,841	\$ 859,659	72.6%
Infrastructure	54,549	165,636	9.0%
Airfield	28,861	201,105	4.7%
Security	25,086	50,661	4.1%
Landside	22,820	112,285	3.7%
Noise Program	20,236	50,505	3.3%
Commercial Management	8,104	13,942	1.3%
Sustainable Airport Master Plan (SAM)	6,000	6,000	1.0%
Aviation Division-wide	1,400	3,456	0.2%
Total Committed	\$ 608,897	\$ 1,463,251	100.0%
Business Plan Prospective Projects	\$ 47,307	\$ 1,459,711	
CIP Cashflow Adjustment Reserve	\$ (86,066)	\$ -	
Total CIP	\$ 570,138	\$ 2,922,962	

CAPSUM

FIGURE IV-5: AVIATION DIVISION CAPITAL BUDGET

(\$ in 000's)



G. AVIATION DIVISION OPERATING STATISTICS

TABLE IV-9: AVIATION DIVISION OPERATING STATISTICS

Year	(1) Enplaned Passengers		(2) Total Landed Weight		(3) Air Cargo	
	Number	Growth	Pounds	Growth	Metric tons	Growth
2000	14,174	2.7%	23,051	-0.1%	456,920	2.9%
2001	13,506	-4.7%	22,178	-3.8%	401,535	-12.1%
2002	13,362	-1.1%	21,658	-2.3%	374,753	-6.7%
2003	13,356	0.0%	20,790	-4.0%	351,418	-6.2%
2004	14,364	7.6%	20,944	0.7%	347,517	-1.1%
2005	14,632	1.9%	20,186	-3.6%	338,591	-2.6%
2006	14,991	2.5%	20,362	0.9%	341,981	1.0%
2007	15,661	4.5%	21,014	3.2%	319,013	-6.7%
2008	16,085	2.7%	21,519	2.4%	290,205	-9.0%
2009	15,610	-3.0%	20,388	-5.3%	270,142	-6.9%
2010	15,773	1.0%	19,786	-3.0%	283,425	4.9%
2011	16,397	4.0%	20,123	1.7%	279,893	-1.2%
2012	16,597	1.2%	19,897	-1.1%	283,609	1.3%
2013	17,376	4.7%	20,949	5.3%	292,709	3.2%
2014	18,717	7.7%	22,505	7.4%	327,240	11.8%
2015	21,109	12.8%	24,757	10.0%	332,636	1.6%
2016	22,796	8.0%	27,118	9.5%	366,431	10.2%
2017	23,416	2.7%	28,267	4.2%	425,856	16.2%
2018	24,894	6.3%	30,109	6.5%	438,391	2.9%
2019 Budget	25,394	2.0%	29,603	-1.7%	447,500	2.1%
2019 Forecast	25,890	4.0%	30,326	0.7%	447,500	2.1%
2020 Budget	26,667	3.0%	31,413	3.6%	456,450	2.0%
Compound Growth						
2007 - 2018		4.1%		3.0%		2.9%
2012 - 2018		7.1%		7.3%		8.5%

Notes:

- (1) Passengers in thousands
- (2) Weight in thousands
- (3) In Metric Tons

V. MARITIME

MARITIME DIVISION

A. 2020 BUDGET SUMMARY

TABLE V-1: 2020 CASH FLOW SUMMARY

(\$ in 000's)	<u>2020</u>	<u>Percent of Total</u>
<u>SOURCES OF CASH</u>		
Operating Revenues	\$ 62,938	76.3%
Interest Receipts	2,935	3.6%
Proceeds from Bond Issues	-	0.0%
Grants and Capital Contributions	148	0.2%
Tax Levy	16,162	19.6%
Other Receipts	305	0.4%
Total	\$ 82,487	100%
<u>USES OF CASH</u>		
Expenses from Operations:		
Total Operating Expenses	56,185	52.5%
Debt Service:		
Interest Payments	1,601	1.5%
Bond Redemptions	5,504	5.1%
Total Debt Service	7,105	6.6%
Other Expenses	7,052	6.6%
Public Expense	0	0.0%
Capital Expenditures	36,646	34.3%
Total	\$ 106,988	100%

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FIGURE V-1: SOURCES OF CASH

(\$ in 000's)

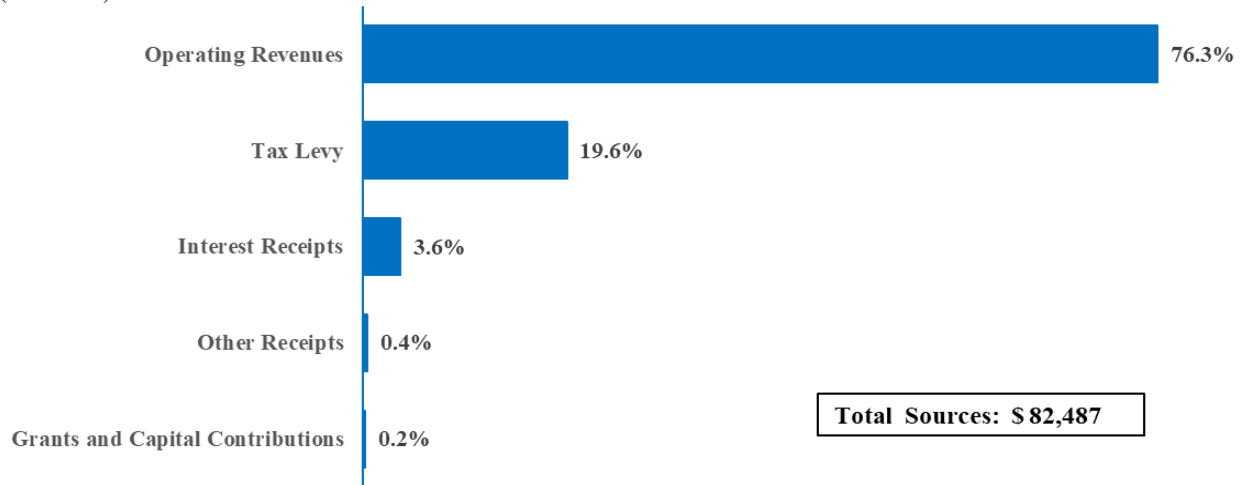
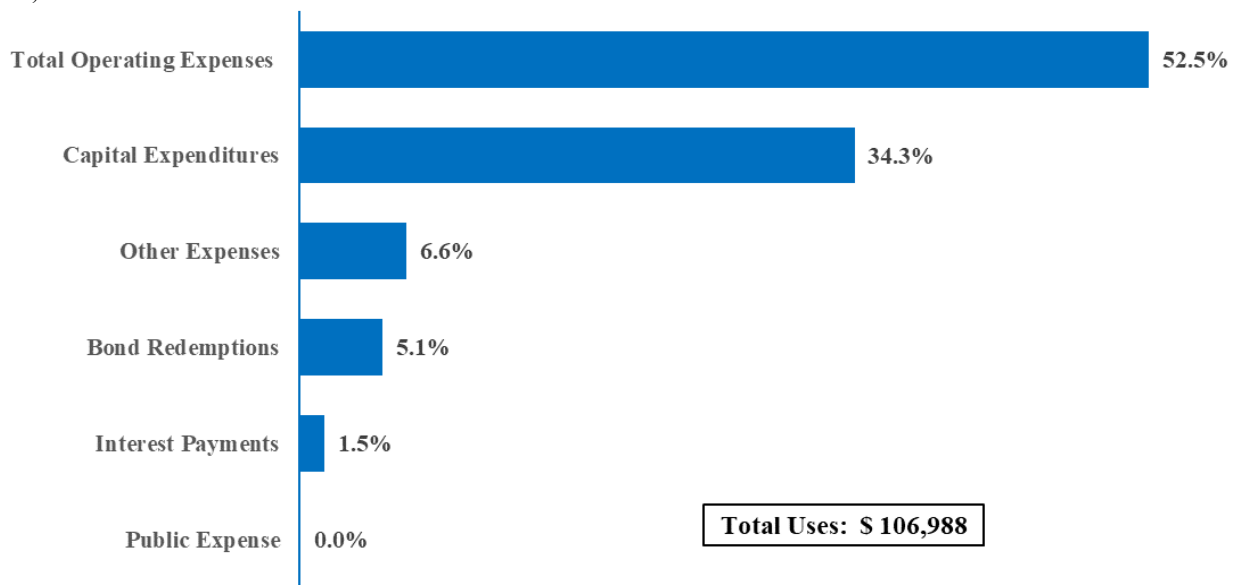


FIGURE V-2: USES OF CASH

(\$ in 000's)



B. FINANCIAL FORECAST

TABLE V-2: FINANCIAL FORECAST

(\$ in 000's)	Budget 2019	Budget 2020	Forecast				Compound Growth 2020 - 2024
			2021	2022	2023	2024	
OPERATING BUDGET							
Operating Revenue	\$ 59,729	\$ 62,938	\$ 68,296	\$ 70,106	\$ 83,620	\$ 87,832	8.7%
Total Operating Revenues	59,729	62,938	68,296	70,106	83,620	87,832	8.7%
Total Operating & Maintenance Expenses	50,822	56,185	57,154	56,498	61,496	63,662	3.2%
Net Operating Income Before Depreciation	8,908	6,753	11,143	13,608	22,124	24,169	37.5%
Total Depreciation Expense	17,613	17,195					
Net Operating Income After Depreciation	\$ (8,705)	\$ (10,441)					Total
							2020 - 2024
Committed Capital Budget	\$ 28,105	\$ 39,596	\$ 85,968	\$ 126,065	\$ 12,762	\$ 5,672	\$ 270,063
Business Plan Prospective	5,350	2,970	11,144	30,260	29,020	23,407	96,801
CIP Cashflow Adjustment Reserve	-	(5,920)	(13,320)	(12,580)	17,760	14,060	-
TOTAL CIP	\$ 33,455	\$ 36,646	\$ 83,792	\$143,745	\$ 59,542	\$ 43,139	\$ 366,864

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Notes:

1) See Section IX for details of Capital Improvement Plan.

C. MARITIME DIVISION

MISSION:

Enrich our maritime legacy by leveraging our properties to create waterfront opportunities and grow maritime jobs in a financially and environmentally sustainable way.

VISION:

A vibrant working waterfront generating economic vitality for the region.

MAJOR/NEW INITIATIVES:

- Maritime Division expects to achieve positive Net Operating Income including depreciation by 2024 based on the following strategy:
 - Leverage cruise and grain business to help support the regional fishing fleet, environment and local maritime small businesses
 - Manage expense growth
 - Balance port revenue growth with supporting vital maritime industries
 - Execute 5-year Capital Plan
- High Performance Organization: Deliver operational excellence and develop our employees.
 - Operational Excellence: Deliver safe, compliant operations and maintain port assets.
 - Integrate and optimize operations of the Maritime Division.
 - Implement operational and safety practices to achieve zero injuries and a 90% safety score.
 - Increase innovation and process improvement at every level of the division.
 - Talent Development: Develop staff capabilities, bench strength and opportunities.
 - Identify and implement targeted training to increase employee capabilities.
 - Engage in Maritime Talent Acquisition Strategy focused on Equity, Diversity & Inclusion in hiring with Human Resources.
 - Develop and implement employee development plans and career paths.

- Valued Communication: Provide information that is clear, concise and relevant.
 - Leverage technology to improve quality and efficiency of communications.
 - Develop and implement measures to improve Commission and public communications.

DIVISION DESCRIPTION:

Maritime Division is comprised of several major business groups: Cruise Operations, Recreational Boating, Fishing and Operations, a Grain Terminal, and about half of the Seaport Real Estate portfolio. Additionally, the division includes service groups such as Maritime Marketing, Security, Marine Maintenance, Maritime Environmental, and Seaport Project Management.

The Maritime Division and its facilities serve a diverse mix of year-round and seasonal activities. From April through October, Smith Cove Cruise Terminal and Bell Harbor Cruise Terminal serve as homeports for cruise ships headed to Alaska. From October through May, Fishermen’s Terminal and Terminal 91, serve as homeports for the North Pacific fishing fleet and factory trawlers. Throughout the year, recreational boats are served at Bell Harbor Marina, Harbor Island Marina, Salmon Bay Marina, and Shilshole Bay Marina – the latter two being home to vibrant liveaboard communities. The Maritime Division also operates the Maritime Industrial Center and leases Terminal 86, a fully automated grain terminal, along with other industrial properties connected with these maritime activities and businesses.

INDUSTRY ASSESSMENT:

Cruise

The global cruise market continues to grow with many lines increasing their focus in Asia and Australia. This market growth is supported by global fleet expansion with larger ships and new product innovations to meet the more sophisticated demands of consumers. There is significant growth in the demand for expedition cruising. The Alaskan cruise market remains strong with cruise lines deploying some of their best ships here in the Northwest. Seattle welcomed the Norwegian Joy and Royal Caribbean Ovation of the Seas in 2019.

Fishing and Commercial Operations

The Alaska commercial fishing industry remains strong with the Alaska fisheries recognized as the most successfully managed in the world. With sustainable fisheries in the Bering Sea, Bristol Bay, and Gulf of Alaska fisheries, the commercial fishing industry that homeports in Seattle remains stable. Commercial fishing companies are revitalizing their fleets by building new boats to replace aging fishing vessels. Although Alaska ports are working to build better infrastructure to support the small boat fleets, Puget Sound continues to be very attractive for off season moorage for all sizes of commercial boats due to better weather conditions conducive to working on boats. It also provides an established parts supply and maintenance service network.

The industry continues to adapt to an evolving regulatory environment, fishing industry consolidation and more limited marine terminal options. The North American Emissions Control Area (ECA) requires more stringent emission reductions for ocean going vessels operating within coastal waters. This puts a higher burden of compliance on vessels transiting between Seattle and Alaska, when compared to vessels on transpacific voyages, because the entire voyage is within the ECA. In addition, ongoing consolidation of the commercial fishing fleet is driving changes in facilities and services to meet the needs of larger homeport operations. The availability of suitable and affordable marine terminals is growing increasingly scarce in the Northwest.

Grain

Terminal operator/tenant, Louis Dreyfus Company, is projecting grain volumes to be about 16% lower in 2020 from 2019 budget due to the current political climate and tariffs that have been put in place.

Maritime Habitat Initiatives

Demand for compensatory mitigation credits in the watershed, as well as Natural Resource Damage (NRD) credits in the Lower Duwamish River, is increasing due to tighter environmental regulations and pending claims. Large-scale projects in the Duwamish River and Elliott Bay may also create new demand. The Port has submitted a proposal to federal agencies to develop a habitat mitigation bank. There is competition in the mitigation market; however, the Port is in a good position given our property ownership and our track record in developing successful restoration projects.

Industrial Properties

The Puget Sound Industrial Market is expected to continue to grow but at slightly slower pace in 2019 after a strong recovery in the past couple of years. As of the third quarter of 2019, total regional vacancy rate has fallen below 5%.

Recreational Boating

The Recreational Boating industry continues to face such challenges as: the high cost of boats and boating, attracting younger generations, emerging environmental regulatory restrictions, and reduced access to water. Boating is primarily a middle-class lifestyle as 71.5% of American boat owners have a household income less than \$100,000.

Boaters are demanding upscale moorage facilities including high-end amenities, finishes, and architectural details with more customization, automation and personalization. Industry wide, the largest increases in revenues continue to be from in-water rentals (kayaks, paddle boards, etc.), boat rentals, restaurants, leased slips, fuel, and boat sales.

BUSINESS ASSESSMENT:

Cruise

Revenue passenger counts are expected to increase again in 2020 due to larger vessels. The number of vessels is expected to rise about 5% as well. Based on continued surveys, the level of satisfaction for Seattle cruise passengers exceeds industry standards. Passengers surveyed express a strong desire to return to Seattle again in the future. The number of pre and post cruise passenger visits is steadily increasing in the region and the number of guests visiting Seattle for the day before heading to the airport increased with the success of the Port Valet Program.

Fishing and Commercial Operations

Commercial fishing vessel moorage demand remains steady with annual occupancy over 80%, even with the majority of customers leaving to work in Alaska for various parts of the year. The small commercial fishing boats (less than 40 feet) market is most at risk due to the expense of operating a boat, owners retiring, and boats relocating. This loss of commercial fishing moorage business is somewhat offset by monthly moorage for smaller recreational vessels which do not require year round moorage.

The commercial property occupancy at both Fishermen's Terminal and the Maritime Industrial Center is 97%, slightly better than the industry wide average long-term occupancy rate of 96%. The main focus throughout 2020 will be to retain existing tenants and cultivate new revenue streams. Continuous efforts will be made in offering excellent customer service, increasing rental rate levels on renewals and accommodating space reductions, and expansions while improving space for quality tenants.

Dock and moorage assets at Fishermen's Terminal are all fairly new with the exception of the Northwest Dock, which is the oldest dock and now approaching thirty years old. Available shore power systems for the various sizes of boats set us apart from our competition.

The financial outlook is projected to be stable as staff continues to look at Fishermen's Terminal in an entrepreneurial fashion for revenue generating opportunities. Revenue gains are expected from an increased number of recreational vessels, while the recapitalization of the large vessel fishing fleet replaced old vessels with new ones, not necessarily adding vessels to their respective fleets. Moorage rates at the terminal for fishing and commercial vessels lead the market when compared to other Puget Sound public ports. Recreational vessel rates at the terminal are at market as compared to local marinas.

Fishing fleet homeport demand is expected to remain stable in 2020. Fishing, tug, and barge companies are making significant investments in vessel improvements and system upgrades. Other marine industrial moorage is expected to remain stable with moderate growth over time.

Grain

The Pier 86 Grain Terminal handles corn and soy beans from the upper Midwest states. Despite its age, the terminal is still competitive for handling these grain commodities. Volumes will likely decrease given the ongoing tariff impact on export volumes.

Maritime Habitat Initiatives

Interest in Port-provided compensatory mitigation and natural resource damage (NRD) credits is expected to continue to grow as both public and private maritime properties are redeveloped and NRD claims are pursued.

Industrial Properties

Consistent with the regional figures discussed under the Industry Assessment, the forecast for the Seattle Close-In industrial market is for lease rates to remain steady, with slight upticks in rents possible. Demand for seaport industrial properties is expected to remain consistent. The Maritime Industrial Portfolio Management staff will continue to manage the industrial portfolio for the purpose of maximizing revenue by balancing rental rates (demand) with fluctuating supply to match the performance of the local Seattle Close-In market.

Shilshole Bay Marina

The monthly moorage occupancy at Shilshole Bay Marina remains strong and is budgeted to meet or exceed 95% for 2020. Due to a large waitlist, the opportunity to increase occupancy rates is centered on quicker slip turnaround times. Moorage rates remain competitive within the Seattle market, and will lead the market with a 5% across the board rate increase. Continued success is attributed to the marina's location, docks with good maneuverability and wide navigation channels, a strong and active liveaboard community, and strong customer focus.

The marina waitlist has lengthened, and we currently have approximately 500 individuals waiting for slips. Most of those on the waitlist are waiting for a liveaboard slip. We are currently at our maximum live-aboard slip capacity of 350. Liveaboard demand continues to escalate due to extremely high housing costs in the Seattle area.

Over the next five years, several marina improvements are planned or underway, including replacement of 1960's era restroom/shower/laundry buildings, repairs to utilities, and parking lot pavement replacement. The commercial property occupancy rate at Shilshole Bay Marina is currently at 100%. The focus throughout 2020 will be to retain existing tenants, continue to grow guest moorage and complete the restroom construction project.

CHALLENGES AND OPPORTUNITIES:

Cruise Challenges

- Controlling the cost of building, maintaining and operating terminals.
- Port cruise facilities not meeting future demand for berth space and larger ships.
- Increase in environmental regulations for cruise operations in Washington and Alaska.
- Managing traffic congestion at Terminal 91.

Cruise Opportunities

- Increased demand for Expedition Cruising and U.S. homeports.
- Customer interest in bringing larger cruise ships to homeport in Seattle.
- New larger ships with upgrades to current infrastructure and new cruise berth.

Fishing and Commercial Challenges

- Commercial Fishing is a highly regulated industry. Environmental regulations threaten commercial fisheries which is a response to manage and preserve commercially harvested aquatic species.
- Capturing the new business from the revitalized large commercial boat fleet is essential to remain the homeport of the North Pacific Fishing Fleet.
- Controlling the cost of building, maintaining and operating terminals.
- Future planning and capital investment in properties with aging infrastructure.
- Adapting facilities and operations to meet dynamic regulatory environment.
- Attracting new maritime customers and vessel homeport bases within changing land use environment.

Fishing and Commercial Opportunities

- Retaining business from commercial fishing customers who are recapitalizing their fleets.
- Continuing to grow recreational vessel fleet during off-season, as space allows.
- Promoting legislation to incentivise continued growth within the fishing and maritime industry.
- Develop a “Blue Economy” framework accomplished by embracing new Washington State Maritime Cluster organizations; digitalizing and decarbonizing maritime machinery, systems and platforms; embracing Workforce Development and Innovation; and the continued growth and promotion of our Working Waterfront.
- Upgrades to current infrastructure to accommodate larger fishing vessels, Berths 6 & 8 at Terminal 91.
- Attracting vessel homeport bases for seafood, tug and barge fleets.

Grain Challenges and Opportunities

- Grain volume can fluctuate significantly from year to year due to weather and market conditions.
- Revenues from the grain terminal include a minimum annual guarantee and otherwise are subject to upside and downside depending on volumes.
- Grain terminal impacted severely by tariff increases, specifically on soybeans.

Maritime Habitat Initiatives Challenges and Opportunities

- Construction costs associated with habitat projects in the urban maritime environment are escalating. However, these costs affect both the Port and our competition.
- NRD credit demand is directly correlated to the rate at which the Trustee Council generates settlements. While the size of the NRD market is potentially substantial, to date the Trustees have proceeded with settlements very slowly.
- The Port has significant land assets in the Duwamish which are suitable for restoration purposes but more limited in the middle and upper watershed.
- The capacity for restoration projects to generate carbon sequestration benefits is beginning to be realized, though the accounting methodology is complex.

Recreational Marina Challenges

- Maintaining assets responsibly within the Port system while still controlling costs.
- Building the Shilshole multi-use service buildings (restrooms/showers/laundry) in a way that will meet the long term needs of our customers.
- Finding new revenue streams.
- Balancing Port initiatives with operational work.
- Adapting facilities and operations to meet dynamic regulatory environment.
- Providing developmental opportunities to staff without reducing operational functionality.

Recreational Marina Opportunities

- Exploring new lines of business that were previously not within the Port's strategy, such as dry stack boat storage.
- Leveraging new technologies to create efficiencies, such as marina software update and handheld technology.
- Increasing moorage revenue due to current high demand.
- Leveraging partnerships to create opportunities with organizations such as the Ballard High School Maritime Academy, Seattle Maritime Academy, The Adventuress, and the Northwest Marine Trade Association.

D. OPERATING BUDGET SUMMARY

Background

From a financial standpoint, the Maritime Division's activities are:

- Implementation of programs that directly support the Port's initiatives to double the regional economic impacts of our Cruise and Fishing businesses. These activities can generate revenue for the Port.
- Managing other businesses in the portfolio to provide stewardship of public assets for taxpayers. These activities generate revenue through operations and expense through maintenance, repair and renovation.

Assumptions

The 2020 Maritime Division Budget is based on the following assumptions:

- Cruise forecasts 1.3 million passengers, an increase of 8.8% from the 2019 budget, due to larger ship sizes and more sailings.
- Grain volume is budgeted at 3.0 million metric tons based on forecast from tenant, a 16.1% decrease from 2019 budget.
- Recreational Marina occupancy rate of 95%, consistent with 2019 Budget and year end forecast.
- Fishing and Commercial average occupancy rate of 86%, consistent with 2019 budget.
- Commercial Building Properties target an occupancy of 95% or greater at year-end 2020, consistent with current results.
- Salaries and benefits are forecasted using the 2020 budget guidelines of a 3.9% increase to salaries and specified benefit fixed amount/percentage.
- Utility rates are based on applicable rate changes posted by Seattle Public Utility, Seattle City Light, Puget Sound Energy and other utility vendors, as applicable.

Operating Revenue

- Overall Maritime Division Revenues are budgeted to increase by \$3.2 million or 5.4%.
- Cruise revenues will increase by 17.2% due to increase in passenger volumes as well as year over year rate increases in passenger fees and dockage.
- Bulk Terminals decrease is based on feedback from Louis Dreyfus at Terminal 86.
- Maritime Portfolio Management revenue increase of 1% is driven by CPI.
- Fishing and Operations revenues decrease in 2020 due to the final year of service for the 700 ft Ocean Phoenix.
- Recreational Boating revenue is budgeted to increase by 4.4% due to stable occupancy and increased rates.

Major Changes in 2020 Budget

\$'s in 000's	2019	2020	20-'19 Budget Chg	
	Budget	Budget	\$	%
REVENUE				
Cruise Operations	22,406	26,261	3,856	17.2%
Grain Terminals	4,254	3,490	(764)	-18.0%
Maritime Portfolio Management				
Marina Office & Retail	4,366	4,439	72	1.7%
Maritime Industrial	5,962	5,990	28	0.5%
Fishing & Operations				
Ship Canal Fishing and Operations	4,021	4,264	243	6.0%
Elliott Bay Fishing & Commercial	5,927	5,123	-804	-13.6%
Recreational Boating				
Shilshole Bay Marina	11,742	12,312	569	4.8%
Other Marinas	1052	1,049	(3)	-0.3%
Parks	0	11	11	NA
Total Revenue	59,729	62,938	3,208	5.4%

Operating Expense Drivers

Total Maritime Division operating expenses (including direct charges and allocations from Central Services and EDD services groups) are budgeted to increase by \$5.4 million or 10.6%. The change reflects the first year of a \$3.8M payment to the NWSA. Additionally, 5.5 net new Full-Time Equivalent (FTE) staff were added with the focus on executing an ambitious capital program, more effectively managing property maintenance, and handling growth for the Cruise Operations.

TABLE V-3: REVENUE BY ACCOUNT

(in 000's)		2018	2019	2020	% Change
REVENUE BY ACCOUNT	Notes	Actual	Budget	Budget	2020 Bud - 2019 Bud
Operating Revenue					
Dckg, Whrfg, Serv/Facility, Passenger Fee		\$ 7,541	\$ 9,458	\$ 7,601	-19.6%
Equipment Rental		306	271	317	17.3%
Berthage & Moorage		11,075	15,421	15,476	0.4%
Parking Revenue		16	24	24	0.0%
Revenue From Sale of Utilities		1,428	1,573	1,414	-10.1%
Property Rental Revenue		24,635	21,981	26,881	22.3%
Other Revenues		2,300	1,421	1,368	-3.8%
Total Operating Revenue	1	\$ 47,300	\$ 50,148	\$ 53,082	5.9%

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Notes:

1) Revenue does not include allocations from other divisions.

FIGURE V-3: MARITIME DIVISION REVENUE BY ACCOUNT

(\$ in 000's)

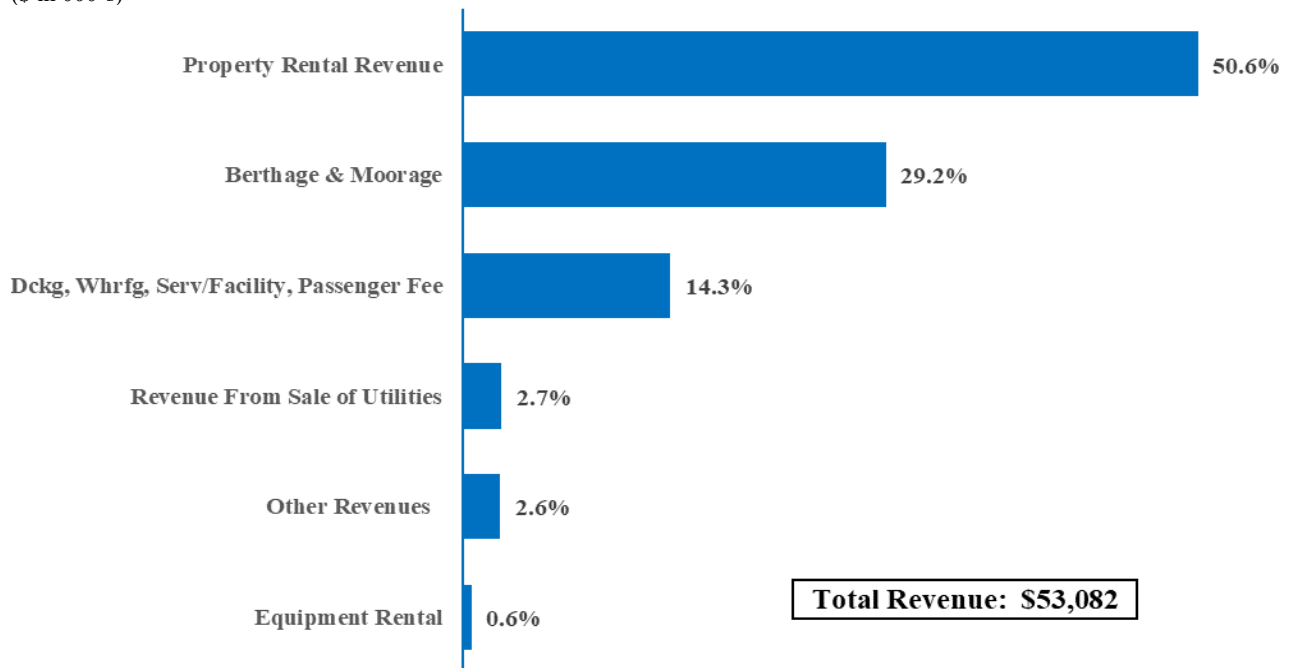


TABLE V-4: OPERATING AND MAINTENANCE EXPENSES BY ACCOUNT

(\$ in 000's)		2018	2019	2020	% Change
EXPENSE BY ACCOUNT	Notes	Actual	Budget	Budget	2020 Bud - 2019 Bud
Salaries, Wages, Benefits & Workers Comp		\$ 26,439	\$ 28,263	\$ 29,328	3.8%
Equipment Expense		1,669	1,497	1,538	2.7%
Utilities		3,987	4,236	4,362	3.0%
Supplies & Stock		2,574	2,094	2,013	-3.9%
Outside Services		3,932	5,414	7,405	36.8%
Travel & Other Employee Expenses		326	524	706	34.7%
Promotional Expenses		139	332	490	47.5%
Other Expenses		1,201	1,096	4,965	353.0%
Total O&M without Environmental		40,267	43,456	50,807	16.9%
Environmental Remediation Liability Expense		(455)	-	-	0.0%
Total O&M with Environmental		39,812	43,456	50,807	16.9%
Charges to Capital/Govt/Envrs Projects		(3,268)	(3,276)	(4,354)	32.9%
Total Budgeted Operating Expense	1	\$ 36,544	\$ 40,181	\$ 46,453	15.6%

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Notes:

- 1) Tables V-4 & 5 differ from Table V-2, in that they only reflect the division expenses and do not include Central Services allocations.

FIGURE V-4: MARITIME DIVISION EXPENSE BY ACCOUNT

(\$ in 000's)

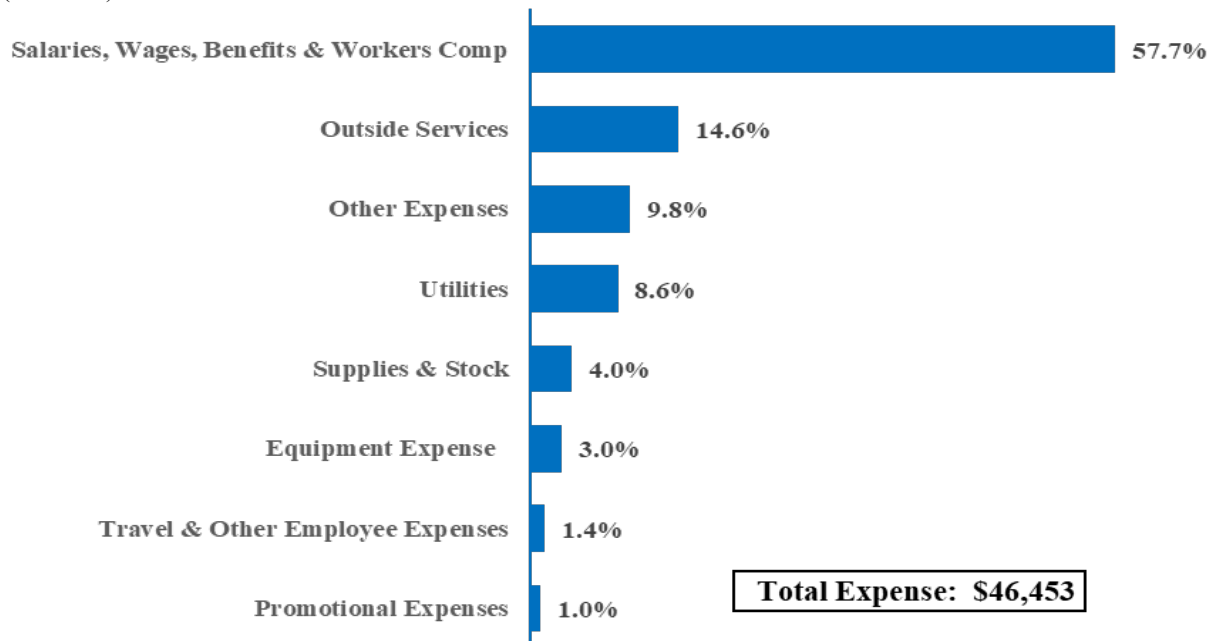


TABLE V-5: MARITIME REVENUE AND EXPENSE BY BUSINESS GROUP/DEPARTMENT

(\$ in 000's)		2018	2019	2020	% Change
BY BUSINESS GROUP/DEPARTMENT	Notes	Actual	Budget	Budget	2020 Bud - 2019 Bud
REVENUE					
Fishing & Operations		\$ 9,853	\$ 9,858	\$ 9,274	-5.9%
Recreational Boating		11,947	12,791	13,333	4.2%
Cruise Operations		18,695	22,313	26,161	17.2%
Bulk Terminals		5,167	4,252	3,484	-18.1%
Marine Maintenance		1,638	935	829	-11.3%
Maritime Security		-	-	-	
Total Operating Revenue		47,300	50,148	53,082	5.9%
EXPENSES BEFORE CHARGES TO CAP/GOVT/ENVRs PROJECTS					
Business Groups:					
Fishing & Operations		4,960	5,240	5,239	0.0%
Recreational Boating		3,341	3,836	3,788	-1.3%
Cruise Operations		3,145	3,499	6,920	97.8%
Maritime Security		65	1,295	2,811	117.1%
Bulk Terminals		124	61	43	-28.9%
Total Business Group Expense		11,634	13,931	18,802	35.0%
Service Depts.:					
Maritime Marketing		278	1,031	1,193	15.7%
Seaport PMG		2,584	2,909	3,922	34.8%
Marine Maintenance		24,968	24,850	26,282	5.8%
Other					
Maritime Administration		441	560	931	66.2%
Maritime Contingency			-	(521)	
Parks		161	175	199	13.6%
Maritime Habitat Initiatives		199	-	-	
Maritime Environmental Remediation Liability Expense		(455)	-	-	
Maritime Capital to Expense		-	-	-	
Total Services Expense		28,177	29,525	32,005	8.4%
Total Expenses Before Charges to Cap/Govt/Envrs Projects		39,811	43,456	50,807	16.9%
CHARGES TO CAPITAL/ GOVT /ENVRs PROJECTS					
		(3,268)	(3,276)	(4,354)	32.9%
OPERATING & MAINTENANCE EXPENSE					
Business Groups:					
Fishing & Operations		4,960	5,240	5,239	0.0%
Recreational Boating		3,341	3,836	3,788	-1.3%
Cruise Operations		2,903	3,499	6,920	97.8%
Maritime Security		65	1,295	2,811	117.1%
Bulk Terminals		124	61	43	-28.9%
Total Business Group Expense		11,393	13,931	18,802	35.0%
Service Depts.:					
Maritime Marketing		278	1,031	1,193	15.7%
Seaport PMG		1,052	1,096	1,041	-5.0%
Marine Maintenance		23,518	23,387	24,809	6.1%
Other					
Maritime Administration		441	560	931	66.2%
Maritime Contingency			-	(521)	
Parks		161	175	199	13.6%
Maritime Habitat Initiatives		156	-	-	
Maritime Environmental Remediation Liability Expense		(455)	-	-	
Maritime Capital to Expense		-	-	-	
Total Services Expense		25,151	26,249	27,651	5.3%
Total Operating Expense	1	\$ 36,544	\$ 40,181	\$ 46,453	15.6%

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Notes:

1) Expenses do not include Central Services allocations.

E. STAFFING

The Maritime Division is budgeting 223.0 FTEs for 2020 which is 34.0 FTEs higher than the 2019 budget largely due to the transfer of Seaport Project Management Group from Central Services.

The following TABLE V-6 outlines the Full-Time Equivalent (FTEs) in the Maritime Division.

TABLE V-6: MARITIME DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions)						
BUSINESS GROUP/DEPARTMENT	Notes	2018 Actual	2019 Budget	2019 Est. Act.	2020 Budget	% Change 2020 Bud - 2019 Bud
Cruise Development and Maritime Marketing:						
Cruise	1	6.5	3.0	3.0	4.0	33.3%
Maritime Marketing		2.3	3.0	3.0	3.0	0.0%
Recreational Marinas and Commercial Operations:						
Fishing & Operations		12.0	14.0	14.0	14.0	0.0%
Recreational Boating	2	24.8	22.8	22.8	20.8	-8.8%
Maritime Operations		4.3	4.3	4.3	4.3	0.0%
Maritime Security	3	2.0	2.0	3.0	3.0	50.0%
Total Business Groups		51.8	49.0	50.0	49.0	0.0%
Service Departments:						
Maritime Administration	4	2.3	2.0	2.0	5.0	150.0%
Marine Maintenance	5	116.0	120.0	118.5	143.0	19.2%
Habitat		1.0	0.0	0.0	0.0	NA
Seaport Project Management	6	16.0	16.0	20.0	23.0	43.8%
Stormwater Utility	7	1.0	2.0	2.0	3.0	50.0%
Total for Others		136.3	140.0	142.5	174.0	24.3%
TOTAL MARITIME DIVISION		188.0	189.0	192.5	223.0	18.0%

FTE.XLS

Notes:

- 1) Cruise will add 1.0 FTE (Cruise Services Specialist) in 2020.
- 2) Recreational Boating will eliminate 2.0 FTEs (Customer Service Supervisor and Harbor Accounting Business Analyst) in 2020.
- 3) Maritime Security received 1.0 FTE transfer from to Economic Development Division (P69 Facilities Management) during 2019.
- 4) Maritime Administration will add 3.0 FTEs (Continuous Process Improvement Specialist, Facility Planner and Sr. Manager Planning) in 2020.
- 5) Marine Maintenance eliminated 1.0 limited-duration FTE (Purchasing Specialist) in 2019. For 2020, Marine Maintenance will convert 24 craft/labor emergency hires to regular FTEs, convert a 0.5 FTE (Facilities Maintenance Manager) into full-time, eliminate 1.0 FTE (Sr. Fleet Manager), and add 1.0 FTE (Administrative Assistant).
- 6) Seaport Project Management (with 20.0 FTEs) was transferred from Central Services as part of the 2019 organizational realignment. A total of 3.0 FTEs (Project Manager 2, Capital Project Scheduler, and Administrative Assistant) will be added in 2020. The 2018 Actual and 2019 Budget totals were adjusted to reflect the current 2020 organizational structure.
- 7) The total includes Stormwater Utility. The Stormwater Utility department received 1.0 FTE (Sr. Env. Program Manager) from Central Services in 2019 and will add 1.0 FTE (Env. Management Specialist) in 2020.

F. MARITIME CAPITAL BUDGET

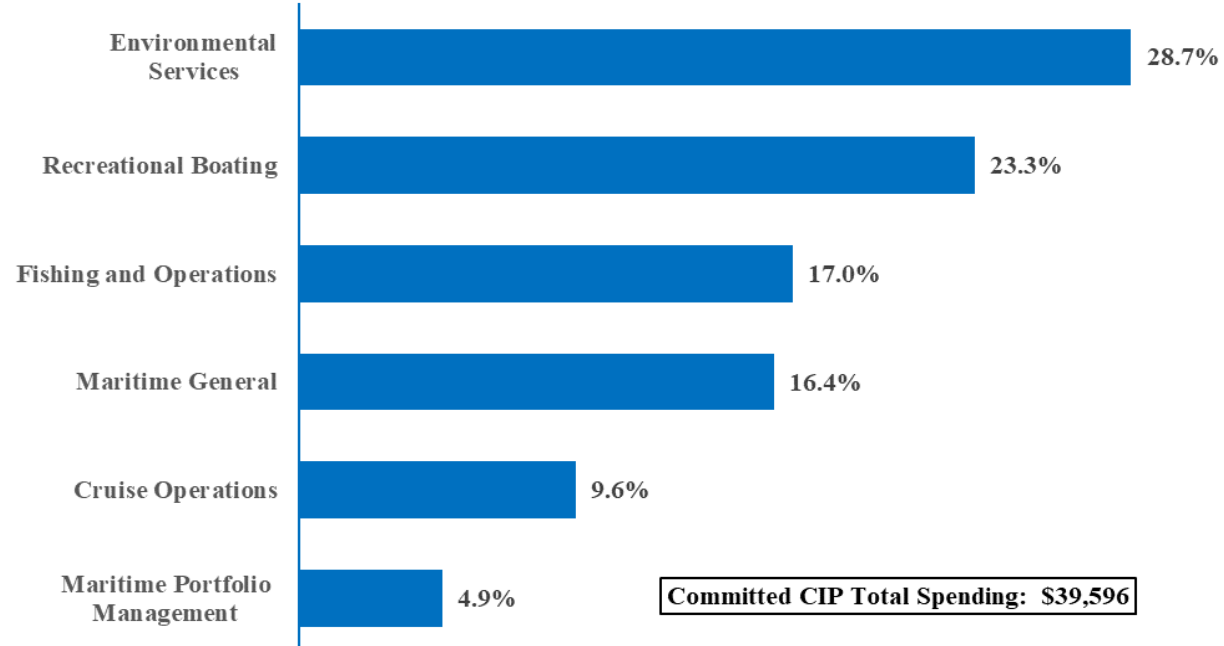
TABLE V-7: MARITIME DIVISION CAPITAL BUDGET SUMMARY

(\$ in 000's)	2020 Budget	2020-2024 CIP	% of 2020 Total Committed
Committed Capital Projects			
Environmental Services	\$ 11,376	\$ 22,835	28.7%
Recreational Boating	9,230	17,275	23.3%
Fishing and Operations	6,745	59,154	17.0%
Maritime General	6,495	19,330	16.4%
Cruise Operations	3,790	117,700	9.6%
Maritime Portfolio Management	1,960	33,769	4.9%
Total Committed	\$ 39,596	\$ 270,063	100.0%
Business Plan Prospective Projec	\$ 2,970	\$ 96,801	
CIP Cashflow Adjustment Reserv	\$ (5,920)	\$ -	
Total CIP	\$ 36,646	\$ 366,864	

CAPSUM

FIGURE V-5: MARITIME COMMITTED CAPITAL BUDGET

(\$ in 000's)



G. MARITIME DIVISION OPERATING STATISTICS

TABLE V-8: MARITIME DIVISION OPERATING STATISTICS

Year	Cruise Ship Sailings		Cruise Passengers		Grain	
	Number	Growth	Number	Growth	Metric tons	Growth
2003	99		344,922		3,107,732	
2004	148	49.5%	562,308	63.0%	3,898,491	25.4%
2005	169	14.2%	686,978	22.2%	5,049,107	29.5%
2006	196	16.0%	751,074	9.3%	5,901,821	16.9%
2007	190	-3.1%	780,593	3.9%	5,333,018	-9.6%
2008	210	10.5%	886,039	13.5%	6,400,778	20.0%
2009	218	3.8%	875,433	-1.2%	5,512,164	-13.9%
2010	223	2.3%	931,698	6.4%	5,491,360	-0.4%
2011	195	-12.6%	885,949	-4.9%	5,026,868	-8.5%
2012	202	3.6%	935,000	5.5%	3,161,013	-37.1%
2013	187	-7.4%	870,994	-6.8%	1,351,417	-57.2%
2014	179	-4.3%	823,780	-5.4%	3,618,489	167.8%
2015	192	7.3%	895,055	8.7%	3,778,476	4.4%
2016	203	5.7%	983,539	9.9%	4,389,089	16.2%
2017	218	7.4%	1,071,594	9.0%	4,362,603	-0.6%
2018	216	-0.9%	1,114,888	4.0%	4,378,796	0.4%
2019 Budget	211	-2.3%	1,203,317	7.9%	3,580,000	-18.2%
2019 Forecast	212	-2.8%	1,204,064	12.4%	3,488,267	-20.3%
2020 Budget	223	5.2%	1,309,013	8.7%	3,004,000	-13.9%

VI. ECONOMIC DEVELOPMENT

ECONOMIC DEVELOPMENT DIVISION

A. 2020 BUDGET SUMMARY

TABLE VI-1: 2020 CASHFLOW SUMMARY

(\$ in 000's)	<u>2020</u>	<u>Percent of Total</u>
<u>SOURCES OF CASH</u>		
Operating Revenues	\$ 19,110	58.4%
Interest Receipts	174	0.5%
Proceeds from Bond Issues	-	0.0%
Grants and Capital Contributions	-	0.0%
Tax Levy	13,375	40.9%
Other Receipts	64	0.2%
Total	\$ 32,723	100%
<u>USES OF CASH</u>		
Expenses from Operations:		
Total Operating Expenses	29,025	66.7%
Debt Service:		
Interest Payments	560	1.3%
Bond Redemptions	0	0.0%
Total Debt Service	560	1.3%
Other Expenses	180	0.4%
Public Expense	-	0.0%
Capital Expenditures	13,721	31.6%
Total	\$ 43,487	100%

Cashflow.xls ED

FIGURE VI-1: SOURCES OF CASH

(\$ in 000's)

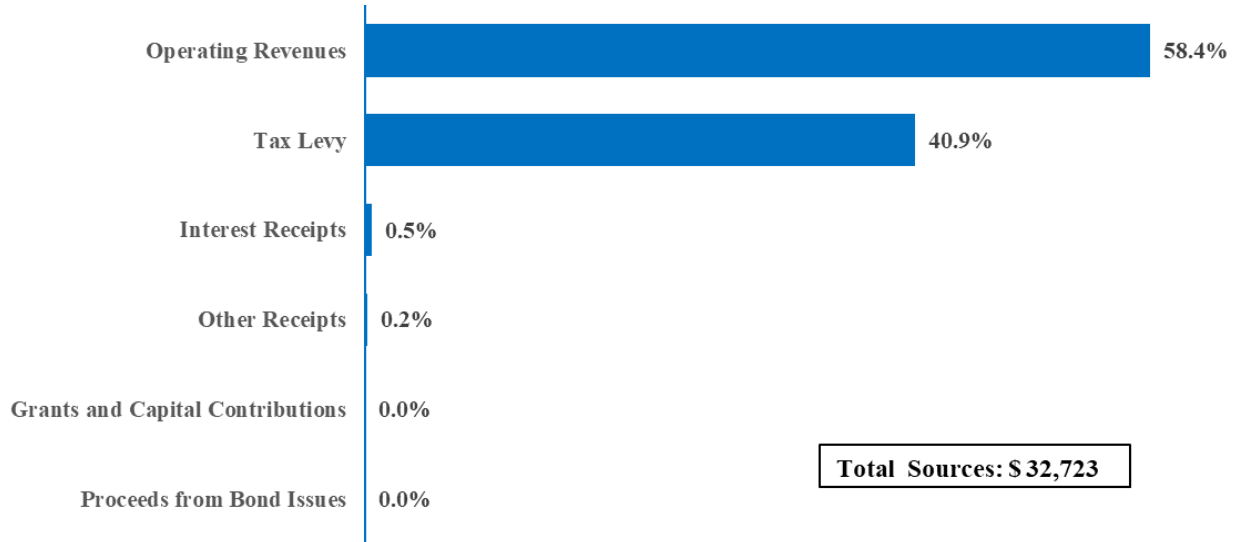
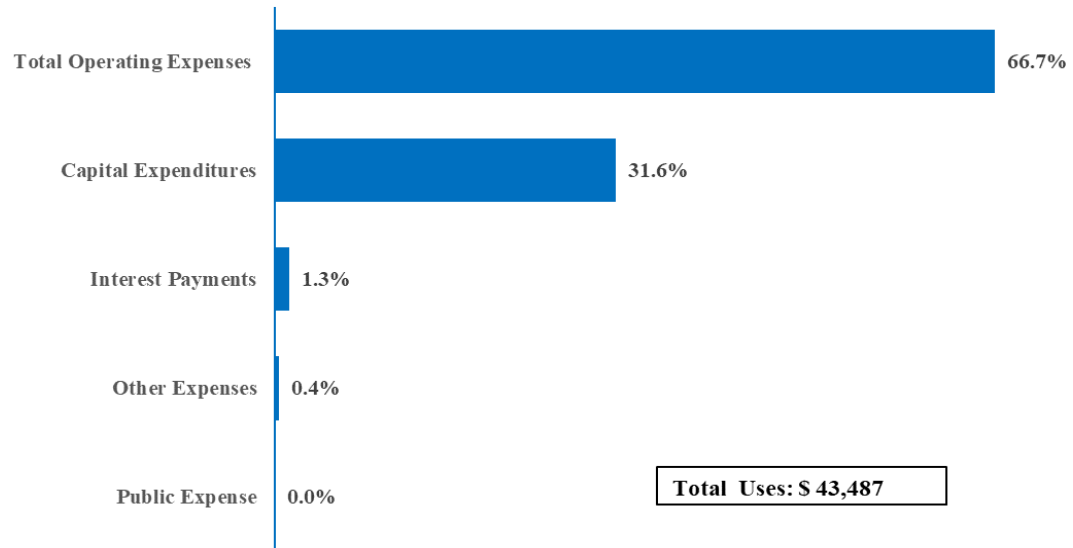


FIGURE VI-2: USES OF CASH

(\$ in 000's)



B. FINANCIAL FORECAST

TABLE VI-2: FINANCIAL FORECAST

OPERATING BUDGET	(\$ in 000's)		Forecast				Compound Growth 2020 - 2024
	Budget 2019	Budget 2020	2021	2022	2023	2024	
Operating Revenue	\$ 19,725	\$ 19,110	\$ 21,498	\$ 22,301	\$ 24,074	\$ 25,778	7.8%
Total Operating Revenues	19,725	19,110	21,498	22,301	24,074	25,778	7.8%
Total Operating Expense	30,445	29,025	29,739	30,831	31,941	32,758	3.1%
Net Operating Income Before Depreciation	(10,720)	(9,915)	(8,241)	(8,530)	(7,867)	(6,981)	8.4%
Total Depreciation Expense	3,784	3,351					
Net Operating Income After Depreciation	\$ (14,504)	\$ (13,267)					
							Total 2020 - 2024
Committed Capital Budget	\$ 6,046	\$ 14,586	\$ 10,811	\$ 15,120	\$ 15,050	\$ 6,350	\$ 61,917
Business Plan Prospective	2,175	1,215	1,686	4,051	1,685	2,905	11,542
CIP Cashflow Adjustment Reserve	0	(2,080)	(4,680)	(4,420)	6,240	4,940	0
TOTAL CIP	\$ 8,221	\$ 13,721	\$ 7,817	\$ 14,751	\$ 22,975	\$ 14,195	\$ 73,459

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Notes:

- 1) See Section IX for details of Capital Improvement Plan.

C. ECONOMIC DEVELOPMENT DIVISION

MISSION:

Create quality jobs in King County and across the state by advancing trade and commerce, promoting manufacturing and maritime growth, and stimulating equitable economic development.

VISION:

The Port's Economic Development Division will help meet the regional need for aviation and maritime services, while increasing economic opportunities in all communities we serve. The Economic Development Division will implement initiatives that drive regional economic vitality while advancing equity, diversity and inclusion:

- Develop and promote Port business opportunities for Women and Minority Business Enterprises (WMBE), Veteran, LGBTQ, and other disadvantaged businesses;
- Increase international and domestic visitor traffic to the region through targeted tourism promotion;
- Develop real estate projects that support the Port's key industries and create quality jobs;
- Manage port properties effectively (including the Port's Pier 69 Headquarters); and
- Build partnerships that advance innovation and economic development.

MAJOR/NEW INITIATIVES:

Diversity in Contracting

- Implement outreach and technical assistance programs to support Diversity in Contracting (DC) and Airport Disadvantaged Business Enterprise programs; and
- Help divisions and departments establish 2020 Diversity in Contracting WMBE utilization goals.

Tourism and Economic Development Partnerships

- Manage Economic Development and Tourism grant programs (including Spotlight airport advertising);
- Implement cooperative marketing and promotional efforts in countries identified to have strong Alaskan cruise demand, and “cruise-and-stay” potential (UK/Ireland, Mainland Europe, China, Australia, New Zealand etc.); and
- Implement maritime innovation initiatives and identify permanent location for innovation center.

Real Estate Development and Asset Management

- Complete modernization of Bell Harbor International Conference Center.
- Maintain 94% occupancy in Economic Development and Maritime properties.
- Finalize T106 ground lease and initiate ground lease RFPs for CEM and Des Moines Creek West.
- Initiate design work for Terminal 91 Uplands development. Complete 30 percent design work for the Fishermen’s Terminal Gateway building and Maritime Innovation Center / Seattle Ship Supply building.
- Manage Pier 69 Headquarters facility and make needed investments to sustain this key asset.

DIVISION DESCRIPTION:

The division is comprised of the following six business and service groups:

Real Estate Development and Planning

The Port owns hundreds of acres of property that can be developed to advance the Century Agenda. Thoughtful development of these properties can create quality jobs, support aviation and maritime industries and generate tax revenues for local government partners.

In a supportive role, the Real Estate Development team is a thoughtful steward and advocate for the environmental, aviation and maritime divisions. We leverage our real estate land holdings to promote job growth, community development and sustainability.

The Port’s Real Estate portfolio is made up of every major commercial real estate product type except housing. From raw land to light industrial to specialty retail, the Real Estate Development and Planning team facilitates the development of properties to maximize their highest and best use. The team also identifies and evaluates new property acquisition opportunities and provides counsel to other divisions regarding real estate management and development.

Portfolio and Asset Management

The purpose of the Portfolio and Asset Management Department is to strategically position the Economic Development and Maritime Divisions’ diverse portfolios of commercial and industrial real estate assets to achieve positive return on the public’s investment through effective asset management with a focus on Maritime and industrial uses. The team works to ensure compliance with all legal, financial, and regulatory aspects of public entity ownership while respecting the environment and aligning with the Port’s Century Agenda.

Portfolio and Asset Management manages leasing, marketing, and maintenance and planning for 4 million square feet of conference, office, retail, commercial, and industrial buildings and land and works to enhance the value of the Division’s assets through strategic asset planning and repositioning. Portfolio and Asset Management is organized into four groups:

Central Harbor Management Group

Central Harbor Management Group is responsible for Division assets located from Terminal 91 to Pier 2/CEM in West Seattle. This responsibility includes various retail, office and industrial properties, and the conference and event centers.

Lease Administration and Utilities Group

Lease Administration and Utilities Group processes and administers all agreements for both the Economic Development and Maritime divisions. This responsibility includes monitoring for compliance with all agreement terms including insurance, surety, lease provisions, and amendments. The team also reads meters, processes payments, and bills customers for over 255 utility meters.

Foreign Trade Zone

Foreign Trade Zone manages and markets the use of the Port's Foreign Trade Zone for the benefit of businesses that import/export goods from/to other countries.

Maritime Real Estate Portfolio Asset Management

Our team also manages the leasing, marketing, maintenance, and planning for Maritime Division landside real estate assets located from Terminal 91 to Shilshole Bay Marina and also includes Terminal 106. This management includes retail, office, industrial, warehouse, and land assets.

Diversity in Contracting

The Diversity in Contracting (DC) department drives equitable economic development by supporting Women and Minority Business Enterprises (WMBE) and Disadvantaged Business Enterprises (DBE). The DC staff conducts outreach and training to ensure that WMBE and DBE firms are aware and capable of responding to Port contracting opportunities. DC staff also helps Port divisions/departments set annual WMBE utilization goals and helps identify WMBE utilization opportunities and requirements for Port consulting, architectural and engineering and construction projects.

Tourism Development

The Tourism department focuses on increasing the economic value of travel for King County and Washington State by leveraging the Port of Seattle's visitor assets (cruise terminals and Sea-Tac International Airport) as integral travel gateways.

Tourism Development operates two unique programs that enable statewide organizations to share their tourism destination marketing messages. Awards (grants) from the Tourism Marketing Support Program and the Sea-Tac Airport Spotlight Program afford Destination Marketing Organizations (DMOs), cities, and Chambers of Commerce (non-profits), the opportunity to reach domestic and international non-resident travelers to promote their unique destinations and events.

The department also partners with Visit Seattle, the Washington Tourism Alliance (WTA), and fellow destination marketing organizations (DMOs) to promote domestic and international leisure travel. With the increase in Sea-Tac Airport nonstop international flights and the strong growth of the Alaska cruise trade from Seattle, the Port's tourism team supports cruise tourism development in key identified overseas markets (UK, Ireland, Mainland Europe, Australia, New Zealand, and China) to increase cruise related travel expenditures in the Pacific Northwest.

Pier 69 Facilities Management

The purchase and redevelopment of the Pier 69 site in the late 1980s has proven to be a visionary move that served as a catalyst for the major redevelopment which has since occurred along the central waterfront. Pier 69 is a unique facility and a great example of adaptive reuse; it was constructed in 1931 by American Can Company and was originally used as a salmon cannery warehouse. The vision of the project team transformed

the neglected, massive concrete structure into the Class A office building that has now served the Port and our working waterfront tenants for more than a quarter-century.

Pier 69 Facilities Management ensures the functionality of the Pier 69 site by integrating people, place, process, and technology. Our mission is to provide, operate, and maintain a safe, secure, comfortable, effective, and efficient workplace.

Facility management services include asset management, space management and planning, energy management, reception services, event coordination, mailroom/shipping/receiving, and administration of the site Commute Trip Reduction (CTR) program.

Economic Development Administration

The managing director, the economic development manager, and the assistant to the managing director provide general support to the division. This team also implements the Economic Development Partnership program and the Port's maritime innovation initiatives.

Economic Development Partnership Program

In 2016, the Port of Seattle established an economic development fund for King County cities to advance regional economic growth and the Port's Century Agenda. The Port's goals with the grant program are to facilitate growth in business, jobs and economic activity in participating municipalities. At the same time, the partnerships this program establishes will help advance the Port's strategic "Century Agenda" objectives by advancing business development, job creation, and community revitalization region-wide.

Maritime Innovation Initiative

The division helps lead the Port's efforts to advance maritime innovation and establish a Maritime Innovation Center at Fishermen's Terminal. The economic development team coordinates innovation center advisory committee meetings, fact-finding trips, and works closely with other government, education, and private partners to support and stimulate innovation that helps sustain the region's maritime industry.

BUSINESS ASSESSMENT:

REAL ESTATE DEVELOPMENT AND PLANNING

Market Analysis and Assessment:

The vacancy rate in the industrial submarket in Seattle and surrounding areas is relatively low at 2.5% and the real estate market maintained the momentum seen in 2018, so vacancy continues to be near all-time historic lows. Despite a slight softening in vacancy and absorption, tenant activity is stable, and the majority of the industrial markets demonstrated rent growth. (JLL, Trends and Insights, Research industrial market statistics Q1 2019) This stability is a key driver for further industrial development. Research also shows E-commerce contributes 40% of industrial absorption in 2018 (Shaw Lupton, slupton@costar.com, Juan Arias, jarias@costar.com, March 29, 2018).

The Puget Sound regional industrial market sector continues to see a high level of leasing activity, and rents are seeing new peaks. Vacancy rates will continue to remain low. Construction activity is still robust, with a very active pipeline of new projects with multi-story warehouse design being the latest trend to capitalize on the last mile distribution market in SODO, Interbay and other close in areas. Economic forecasts point to a healthy regional economy and a strong regional industrial real estate market. For Port properties that fall within the various local clusters, rents are stable and industrial vacancy rates within those clusters are closer to 5%.

PORTFOLIO AND ASSET MANAGEMENT

Leasing

Local Market Analysis and Assessment:

The occupancy level of our Commercial and Industrial Properties is currently at 94% compared to our specific submarket benchmarks which have occupancy of 93-96%. We expect leasing activity to remain stable with current economic conditions. There will be 64,000+ SF of space turning over in 2020 and we expect to retain 90% of those tenants and backfill the rest to reach our occupancy goal.

At the same time, individual properties on the Central Waterfront and Duwamish will continue to wrestle with local challenges (e.g. transportation infrastructure projects) while increasing occupancy and maintaining market rates.

Conference and Event Centers

Market Analysis and Assessment:

Bell Harbor International Conference Center (BHICC) has been a major success over the past twenty-three years. It has helped anchor Seattle's waterfront revitalization, generated significant international interest in the region, contributed significant economic impacts to the region and become an asset that contributes to the Port's bottom line.

The regional conference marketplace is rapidly evolving and multiple new and compelling event spaces are being introduced in Seattle, Bellevue and other nearby communities. Though our facility is iconic and enjoys the distinct advantage of a showcase position on the central waterfront, it is showing its age and the proposed refresh will help us maintain our high performance in the hospitality market. The proposed modernization project should resolve this issue.

Bell Harbor occupies a niche position in the local market as a mid-sized flexible event space. It is smaller and more intimate than the Washington State Convention Center (WSSC) and Century Link Field Event Center but larger than most large hotel conference venues. BHICC does not directly compete with the WSSC and, in fact, fulfills an otherwise missing component for mid-sized flexible event space in the market.

In the long run, the upcoming WSCC will create new opportunities for increased, large conventions that benefit Bell Harbor. In the short-term, the new hotel rooms created recently in anticipation of the WSCC expansion have arrived a little early and often are attached to meeting space that can easily be offered as a loss leader for selling hotel rooms.

Our niche is still strong and the ongoing transformation of the waterfront will only increase the distinction and desirability of our waterfront location and amenities.

PIER 69 FACILITIES MANAGEMENT

Market Analysis and Assessment:

Our Pier 69 headquarters has now been in operation for more than a quarter-century. The beautiful location and facility have served the Port well, but the building is showing its age and will require significant investment over its second 25 years of service life.

A plan was developed in 2019 to guide the renewal, replacement, and modernization of major building systems through 2042. The plan outlines \$20-25 million of activity through 2027. An additional \$20-25 million of activity is programmed from 2028 through 2042. This ongoing investment will be required to maintain the effectiveness, efficiency, and sustainability of our Class A office.

DIVERSITY IN CONTRACTING

Market Analysis and Assessment:

The Economic Development Division helped create the new Diversity in Contracting (DC) program last year in an effort to expand equity, diversity, and inclusion within the Port and across the region. More specifically, address contracting disparities which includes low WMBE utilization results (e.g. .3% African American, .5% Hispanic, 1.1% Asian). While the Port is making progress on WMBE utilization, it still falls below performance at other public agencies. The Port will need to continue with robust outreach efforts combined with effective training for current and potential WMBE contracting partners.

Diversity in Contracting is a core program for advancing the 2020 Port-wide Goal of expanding equity, diversity and inclusion across the region. DC also drives regional and statewide economic vitality and inclusion by growing businesses owned by people from diverse backgrounds, increasing economic activity to historically under-utilized firms, and providing opportunities to WMBE firms that in-turn support communities through new hires and other benefitable economic activity.

The Port is becoming a leader in advancing inclusive procurement policies that support all firms within the Puget Sound Region.

TOURISM DEVELOPMENT

Market Analysis and Assessment:

With the Port of Seattle's visitor assets (cruise terminals and Sea-Tac International Airport) providing integral gateways for continued expansion of travel in the Pacific Northwest, Tourism's efforts will focus to increase the economic value of travel for King County and Washington state.

Cruise Line International Association (CLIA) projects 30 million cruise travelers globally for 2019. Over the next eight years, an additional 124 new ship builds are on order. By 2027, CLIA estimates the global cruise visitor number will increase by 25% reaching 40 million cruisers. For 2020, Norwegian Cruise Line group has announced plans to implement a fourth ship (NCL Sun) to the Seattle Alaska market. In addition to the Port of Seattle's planned build-out of a fourth terminal at Pier 46, communities in Alaska (Ketchikan, Sitka, Skagway,

and Icy Strait Point) are in the process of planning or building additional docking infrastructure – all of which has the potential to support the growth of the Alaska cruise market.

International air travel to Seattle and Washington will continue to increase and the international cruise market is an important component of that growth. Seattle and King County visitor research indicates the international traveler represents 16% of the total visitors spend; although, they are only 7.1% of the actual total visitor volume to the area.

- International air traffic thru Seattle increased 5.8% in 2018. Additional international destinations and carriers are scheduled for startup in 2019 and the International Arrivals Facility will open in 2020.
- Cruise traffic from Europe had the largest percentage of increase (17.1%) over any other international markets.
- CLIA states that Australia leads the established cruise markets in penetration rates. 5.8% of the population took an ocean cruise in 2018 (one in every 17 Australians).
- According to Bloomberg News, the estimated number of Chinese cruise travelers will reach 4.5 million by 2020.

With the continued growth of the Alaska cruise trade and Sea-Tac Airport international gateways, Tourism will focus our efforts to impact and educate the travel trade and travel media on the merits of selling Alaska cruises and recommending extension of stays to explore the Pacific Northwest, to increase leisure air travel to Washington. We will continue to work with fellow destination marketing organizations and attractions to market all of Washington as well as impact and address our strengths, weaknesses, opportunities and threats.

ECONOMIC DEVELOPMENT

Economic Development Partnership Program

Market Analysis and Assessment:

The Port of Seattle Economic Development Partnership Program funding is distinctive in the region in both its approach and mission, compared to other federal, state, and local grant programs. The program provides seed funding to spur economic development projects that integrate each city's economic development strategy and support the Port's Century Agenda goals and 2020 Port-wide Goals.

In recent years, cities have undertaken multi-city, collaborative projects that address regional goals and needs. For example, the cities of Kirkland, Bellevue, and Redmond formed a partnership called the Innovation Triangle dedicated to promoting East King County as an international destination for technology companies.

The Economic Development Partnership Program remains a popular program with cities in King County, allowing Port Commissioners to show Port of Seattle economic support in all corners of King County. A program evaluation report published at the end of 2018 found that cities often use the funds provided by the Port of Seattle as seed money for projects that would not have been possible otherwise. Some cities found that the projects undertaken with Port of Seattle funds generated follow-up ideas, or the projects received enough traction to continue regardless of future Port grant funding. Many smaller cities said that the increased economic development capacity was a huge benefit of the program.

Connection to 2020 Port-Wide Goals

The Port of Seattle Economic Development Partnership Program advances regional economic vitality and builds positive partnerships with King County Cities. The program's funding often supports innovative efforts that are outside the general economic development activities for cities and encourage cities to invest resources into economic development through the program matching requirement. In 2018 alone, cities expended \$657,000 in matching funds and resources to support regional economic development – a roughly \$100,000 increase over the minimum threshold that cities said they would allocate to program projects.

The program also positions the Port of Seattle as a key partner for King County cities by providing a flexible funding source for cities to implement economic development activities. Typically, external grant funding for local economic development projects is scarce and city economic development departments have trouble securing local funding.

CHALLENGES AND OPPORTUNITIES:

REAL ESTATE DEVELOPMENT AND PLANNING

Strengths:

- Market timing coupled with a continuum of stable industrial development demand.
- Strategically located properties along major waterways, near airport and industrial cargo transportation channels.
- Pro-development Port commission determined to add jobs, with a focused mission to improve our region by strategically leveraging our diverse real estate holdings.

Weaknesses:

- Port properties are usually encumbered with wetlands, brownfields, and other development limitations that require creative approaches towards redevelopment.
- Long development review timelines and related permitting complexities.

Opportunities:

- Acquiring property to protect industrial lands and to potentially support Duwamish economic/equitable development initiatives.
- Developing aviation properties to create economic and workforce development opportunities for residents in South King County.
- Redeveloping Terminal 106 into a significant new property that supports the region's manufacturing and logistics industries.
- Fishermen's Terminal redevelopment and the Terminal 91 Uplands development light industrial development projects can support maritime manufacturers and suppliers within the Interbay Manufacturing Industrial Center.
- Longer term development of a Maritime innovation center development at Fishermen's Terminal can help support and drive industry innovation.

Threats:

- Market factors, environmental regulations, and an unprecedented wave of commercial real estate technology innovations that change the way traditional assets are operated.
- Political polarization and global uncertainty.
- The real estate cycle in Seattle has been particularly long and as a result it is harder to predict when and if a slow down will impact the Port's industrial development projects.

PORTFOLIO AND ASSET MANAGEMENT

Commercial Properties

Strengths:

- Properties located in desirable areas for maritime and industrial users.
- Experienced Management team familiar with assets, market and tenants.
- Real Estate Managers have created a Leasing Task Team to work collaboratively across all portfolios to address existing and anticipated vacancies.

Weaknesses:

- Compliance with legal, financial, and regulatory aspects of public entity ownership of real property can result in having a less competitive edge vis-a-vis the private sector in the commercial real estate market. Contracting procedures, security deposit requirements, and limited flexibility in negotiations are constraints. These constraints might be reflected in lease rates toward the lower end of the market range and/or lengthier vacancies through missed opportunities at some properties.
- Locations of several properties within the portfolio provide only limited amenities such as public transportation, shopping, dining, etc.
- Improving operating efficiencies in properties with aging infrastructure and implementing energy conservation improvements will require forward planning and capital investment.

Opportunities:

- The current real estate market remains relatively stable and is expected to continue to provide new opportunities for additional revenue.

Threats:

- Potential economic downturn may affect growth of local businesses' need for space.
- There continues to be concern with local businesses that will be affected by the ongoing Viaduct Removal and Alaskan Way Street Improvement Projects. The perception in the market is that the disruption from the ongoing work construction currently underway on the waterfront will continue to negatively affect businesses along the entire waterfront for the next several years.

Conference and Event Centers

Strengths:

- Iconic, niche facility in desirable locations.
- Assertive yet prudent management team with deep experience in the market.
- Cruise Terminal Expansion: The recent expansion of the Cruise related spaces at 66 creates a renewed opportunity to (continue to) market the larger spaces to an ever-expanding audience.
- Continued Investment: The rebuilding of the Seattle Waterfront over the next few years presents a distinct opportunity to leverage our historical financial success and iconic heritage. Updating and refreshing Bell Harbor International Conference and Event Center and the World Trade Center Seattle will prepare us for the renewed regional and international interest.

Weaknesses:

- Aging facilities: Updating and refurbishing aging infrastructure will require forward planning and continued capital investment.
- Schedule conflicts: Cruise related activity, which should receive priority from an economic impact perspective, often conflicts with selling and scheduling events. As cruise activity increases there is a corresponding negative impact on event sales.
- Parking capacity at Pier 91, Smith Cove Conference and Event Center is very limited and inconveniently located. Also, public transportation options to the site are limited.

Opportunities:

- Hotel room supply: With the significant increase in guest room supply, average room rates have dropped by approximately \$7 year to date. This provides an opportunity to bring conference and event business to the area which has been rate sensitive in the past. Leveraging partnerships with close by hotel properties has proven successful in some market segments which have previously skipped Seattle due to higher prices.
- Strong economy and growing appreciation of Seattle as a destination, hospitality businesses will thrive.
- Planned expansion of WS Convention Center will bring increased, larger conventions that feed smaller venues like Bell Harbor.

Threats:

- Hotel room supply: Seattle is an increasingly popular destination and limited hotel room supply decreases the ability to leverage good rates for out of town conference business. This challenge has been off-set in the near-term (2019-2022) with the significant increase in guest room supply which has recently come on line in anticipation of the need for more inventory to support the Washington State Convention Center expansion now under construction and slated to open Summer of 2022 with the first signed contract in November of 2022.
- Competitive market: The expanding array of new supply now presents a different challenge; there are approximately 23 number of new “event venues” in the city/region offering event related space. To make matters worse, they will offer that event space at extreme discounts to fill their guest room inventory until the supply/demand balance is back on track.
- Refurbished event spaces: Additionally, there are several regional event facilities offering more space, flexibility, and modern amenities. A number of event space venues have recently opened or been remodeled (the Motif, the (Marriott) Renaissance Hotel, the Westin Hotel, the Chihuly Garden and Glass, the Conference Center at the Washington State Convention Center, and Museum of History and Industry).
- Increasingly short lead times in the market: There is a continuing trend toward “just-in-time” event planning and the shortening of lead time for events creates challenges in forecasting and logistics.

PIER 69 FACILITIES MANAGEMENT

Strengths:

- The scenic waterfront location and elegant office space facilitate employee recruitment, retention, wellness, and engagement.
- The site has been well maintained and does not have a significant backlog of deferred maintenance.
- The site is energy efficient when benchmarked with similar building types.

Weaknesses:

- The operation, maintenance, renewal and replacement of aging building systems will require significant investment over the next two decades.
- Uncertainty regarding the service life of the concrete pier which is now 89 years old.

Opportunities:

- A recent appraisal indicated a \$100M value for the site.
- Creative thinking and partnerships to improve last-mile transit options.

Threats:

- There are limited last-mile transit options for commuters.
- The site is located in a liquefaction zone and would likely suffer severe damage during a major earthquake.
- Traffic congestion related to population growth may increase the difficulty of commuting and make the site less attractive.

DIVERSITY IN CONTRACTING

Strengths:

- New program with new community WMBE excitement for future Port opportunities.
- Changes within current Port contracting language which includes setting direct WMBE aspirational goals and inclusion plans as part of the solicitation.
- Deliberate and strategic outreach and marketing of opportunities in partnerships with WMBE community organizations.
- U.S.DOT's Federal Disadvantage Business Enterprise program (DBE) provisions are very specific towards WMBE's utilization.

Weaknesses:

- Specific set-aside contracting for WMBE businesses only are still constrained by current state contracting laws (I-200) which may impact maximizing Port WMBE results.

Opportunities:

- Collecting, tracking, and reporting of ethnicity information as part of the DC reports.
- Expanding training programs for WMBE and DBE businesses interested in contracting with the Port.
- Leveraging limited Small Works provisions (RCW) to improve upon WMBE participation.
- Expanded media, social networks, and promotion of DC program.
- Support the expansion of WMBE businesses in fields lacking diversity.

Challenges:

- Accurate collection, tracking, and reporting of participation by ethnicity in Port business opportunities.
- How to determine transparent, fair, and most effective changes to procurement policy and processes to create more opportunities for Minority, Woman, Disadvantage Business Enterprise, and Small Business Enterprise firms.
- Reduce internal perceived barriers towards WMBE businesses (i.e. "they can't perform", "they are not big enough", "this is specialized work", "too risky", "cost more").
- Setting advanced WMBE goals for construction is difficult without historical utilization data.

TOURISM DEVELOPMENT

Strengths:

- The Port's capital improvements (International Arrivals Facility, North Satellite, a fourth cruise terminal) create opportunities for increased tourism visitation.
- The Tourism department's effort on trade and media familiarization tours with Visit Seattle, the Washington Tourism Alliance and statewide destination marketing organizations reinforces the Port of Seattle's role as major air and sea gateway for Washington.
- Our Tourism Marketing Support and Advertising Spotlight programs have reinforced the Ports perception as a positive team player and leader promoting all of Washington.
- Like most of the USA, Washington State is generally perceived as a safe destination for international travelers.

Weaknesses:

- The ability to process agreements for the Tourism Marketing Support Program in a timely fashion has hampered implementation of projects.
- Communications between POS departments can continue improve, thereby enabling Tourism to develop comprehensive marketing strategies.

Opportunities:

- CLIA’s 2018 Consumer Survey revealed nearly 80% of all cruisers prefer to book a cruise via a travel consultant. Because of the complexity in consumer cruise travel decision making, Tourism will target efforts to impact and educate the cruise related sales specialists, cruise tour operators and travel media by building on the “cruise and stay program” and investing in joint marketing promotions. These efforts are targeted to reach important travel influencers. Targeted markets include UK, Ireland, Mainland Europe, Australia and New Zealand.
- The Tourism Marketing Support Program and Airport Spotlight Program will continue to offer smaller destination marketing organizations and attractions throughout Washington the opportunity to impact travelers utilizing the Port’s visitor gateways (cruise terminals and Sea-Tac International Airport).
- Like most of the USA, Washington State and the Pacific Northwest are generally perceived as a safe destination for international travelers.

Threats:

- Destinations along the west coast are intently keen upon obtaining home porting and port of calls for their destinations. Specifically, Anchorage, Vancouver, Astoria, San Francisco, Los Angeles and San Diego are going to be diligent in attempting to obtain a portion of the growing Alaska trade.
- Hotel availability and pricing in Seattle is challenging despite the addition of new properties.
- Fluctuating international exchange rates and the health of United States and global economies can negatively impact tourism and travel numbers.
- International travel restrictions such as lengthy visa application processes and countries identifying the USA as an inappropriate or unsafe destination can severely impact visitation.
- The transient, homeless and addiction situation can pose a perceived safety issue by visitors experiencing Seattle and select locations in King County.
- Washington State’s national and international tourism marketing efforts are woefully underfunded and well below neighboring states’ funding levels.
- Washington’s perceived brand and the brand marketing approach is lacking.

ECONOMIC DEVELOPMENT

Economic Development Partnership Program

Strengths:

- Grants help advance regional economic vitality. “The Port of Seattle grant program has been invaluable to cities to invest in local and regional partnerships,” according to a program evaluation report completed in late 2018.
- Spurs productive regional partnerships. The program has allowed cities to connect with other cities in the region and create partnerships that can be leveraged for future initiatives and pooling of resources allowing cities to offer services they wouldn’t be able to be funded alone.
- Provides niche funding for business assistance, retention, and recruitment projects that are expected to:
 - Promote regional economic diversification;
 - Promote entrepreneurship and small business growth;
 - Attract foreign investment;
 - Diversify local rural and urban economies;

- Recapture spending within the city;
- Support development of local supply chains; and
- Ultimately create jobs and increase economic activity.

Weaknesses:

- The program funding formula does not allow the Port to provide additional funding support to high-impact economic development projects or projects that could significantly support key Port of Seattle priorities like the 2020 Port-wide Goals.

Opportunities:

- Continue to streamline contracting and grant administration processes.
- Work to better assess and highlight impacts from the Economic Development Partnership Program.

Challenges/ Threats:

- It is challenging for cities to measure outcomes on a short-term basis. Many projects undertaken with Port of Seattle grant funds have long-term objectives, which are hard to measure in terms of immediate return on investment.
- Cities often challenged to implement projects in less than a year.

Maritime Innovation Initiatives and Center Development

Strengths

- Established Port lines of business provide partnership and expertise needed to support maritime innovation.
- Port real estate assets can support short and long term needs for maritime innovation.
- Port staff are knowledgeable about the maritime industry and staff understands the problems and opportunities.

Weaknesses

- Port support for Maritime Blue plan is informal – an MOU would help clarify roles/responsibilities as well as annual partner commitments.
- Innovation initiatives are new, so patience is needed to define/achieve outcomes.

Opportunities

- To bring world class technologies (Cloud, Cybersecurity, IoT) beneficially to the region's maritime cluster.
- To spur innovations that sustain the region's fishing industry and protect our maritime environment.
- Advancing partnerships with the University of Washington, NOAA, City of Seattle, Maritime Blue, private industry and many other stakeholders.
- To realize maritime innovations that can support regional economic vitality, cluster competitiveness, and Port NOI.

Threats

- The region’s maritime industry is not particularly collaborative.
- Other ports and regions are hungry for talented maritime startups. Two local companies have participated in the Port of Rotterdam’s accelerator to advance their startups.

D. ECONOMIC DEVELOPMENT OPERATING BUDGET SUMMARY

Background

From a financial standpoint, the Economic Development Division’s activities are:

- Implementation of programs that directly support the Port’s initiatives to promote women and minority businesses, tourism, and Maritime Innovation. In general, these activities do not directly generate revenue for the Port.
- Managing and developing real estate assets to support Century Agenda goals and to maximize financial returns for taxpayers. These activities additionally generate revenue for both the Maritime and Aviation Divisions. The Division is also responsible for the management of the Port’s Pier 69 headquarters building.

Assumptions

The 2020 Economic Development Division Budget is based on the following assumptions:

- Commercial properties are expected to remain at 95% or greater occupancy at year-end 2020, consistent with a forecasted occupancy of more than 95% at year-end 2019.
- Conference and Event Center revenues are below 2019 Budget due to estimated 6 months of construction down time.
- Economic Development Partnership and Tourism Grants are expected to continue.
- Salaries and benefits are forecasted using the 2020 Budget guidelines of a 3.9% increase to salaries and specified benefit fixed amount/percentage.
- Utility rate increases are based on applicable rate changes posted by Seattle Public Utility, Seattle City Light, Puget Sound Energy and other utility vendors as applicable.

Major Changes in 2020 Budget

The 2020 budget reflects continued expenditures for the Economic Development Partnership Grant Program with King County cities and funding for the Cooperative Tourism Promotion Program with local communities and non-profits.

Operating Revenue

Economic Development Division Operating Revenues are budgeted to decrease by \$0.6 million or 3.1% compared to the 2019 budget. Overall, Portfolio & Asset Management’s revenues are down due to construction down time related to the Bell Harbor modernization project at the Conference & Event Centers.

S's in 000's	2019	2020	Budget Change	
	Budget	Budget	\$	%
Revenue				
Portfolio & Asset Management	19,725	19,108	-617	-3.1%
<i>Central Harbor Mgmt Group</i>	8,895	9,093	197	2.2%
<i>Conference & Event Centers</i>	10,795	9,985	-810	-7.5%
<i>Foreign Trade Zone</i>	35	30	-5	-14.3%
Other	0	2	2	NA
Total Revenue	19,725	19,110	-615	-3.1%

Operating Expense Drivers

Total Economic Development Division operating expenses (including direct charges and allocations from Central Services and Maritime service groups) are budgeted to decrease by \$1.4 million or 4.7% from the 2019 budget driven by variable costs associated with increased Conference and Event Center volumes and lower maintenance expenses.

TABLE VI-3: REVENUE BY ACCOUNT

(\$ in 000's)					
REVENUE BY ACCOUNT	Notes	2018 Actual	2019 Budget	2020 Budget	% Change 2020 Bud 2019 Bud
Operating Revenue					
Berthage and Moorage		\$ 2			
Parking Revenue		184	185	185	0.0%
Revenue From Sale of Utilities		2,973	3,013	2,969	-1.4%
Property Rental Revenue		16,583	15,484	15,879	2.5%
3rd Party Management		11,084	10,256	9,304	-9.3%
Other Revenues		905	910	925	1.6%
Total Operating Revenue	1	\$ 31,731	\$ 29,848	\$ 29,263	-2.0%

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Notes:

- Revenue does not include allocations from other divisions.

FIGURE VI-3: ECONOMIC DEVELOPMENT DIVISION REVENUE BY ACCOUNT

(\$ in 000's)

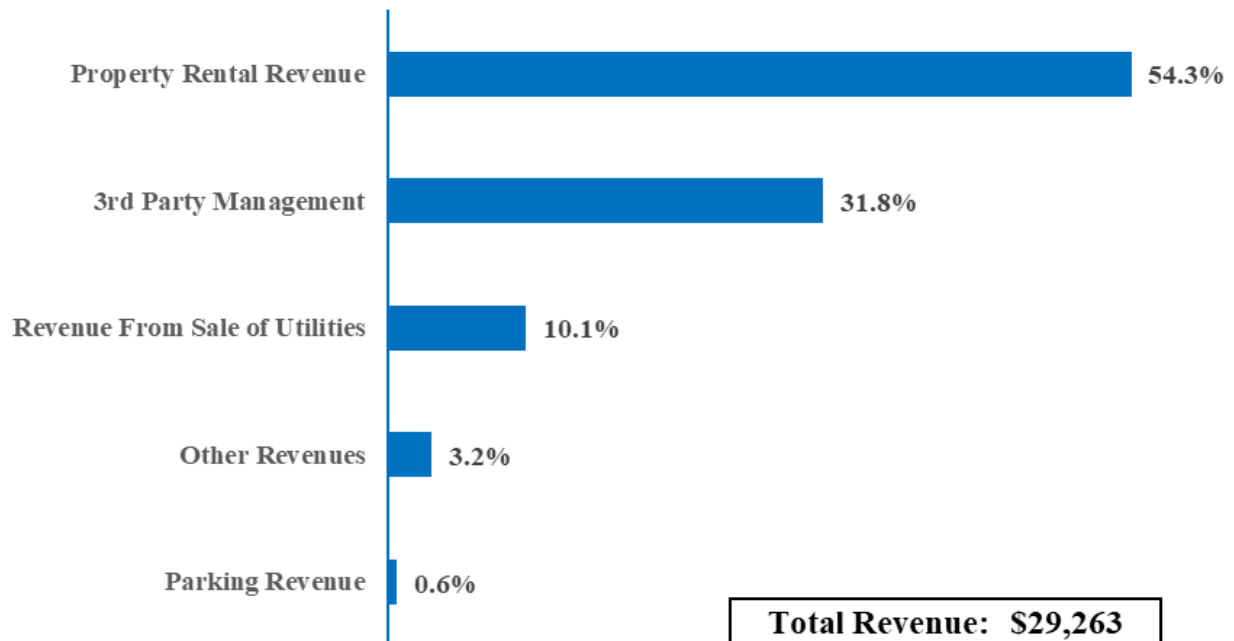


TABLE VI-4: OPERATING & MAINTENANCE EXPENSES BY ACCOUNT

(\$ in 000's)		2018	2019	2020	% Change
EXPENSE BY ACCOUNT	Notes	Actual	Budget	Budget	2020 Bud 2019 Bud
Salaries, Wages, Benefits & Workers Comp		\$ 3,994	\$ 4,636	\$ 4,875	5.2%
Equipment Expense		253	387	349	-9.9%
Utilities		4,351	4,848	4,996	3.0%
Supplies & Stock		130	150	139	-7.6%
Outside Services		3,110	4,160	3,996	-3.9%
Travel & Other Employee Expenses		208	455	409	-10.2%
Promotional Expenses		244	254	293	15.3%
3rd Party Management		9,516	9,007	8,783	-2.5%
Other Expenses		1,550	1,964	1,739	-11.4%
Charges to Capital/Govt/Envrs Projects		(5)	-	-	0.0%
Total Operating Expense	1	\$ 23,351	\$ 25,862	\$ 25,579	-1.1%

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Notes:

1) Table VI-4 differs from Table VI-2, in that it only reflects the division expenses and does not include Central Services allocations.

FIGURE VI-4: ECONOMIC DEVELOPMENT DIVISION EXPENSE BY ACCOUNT

(\$ in 000's)

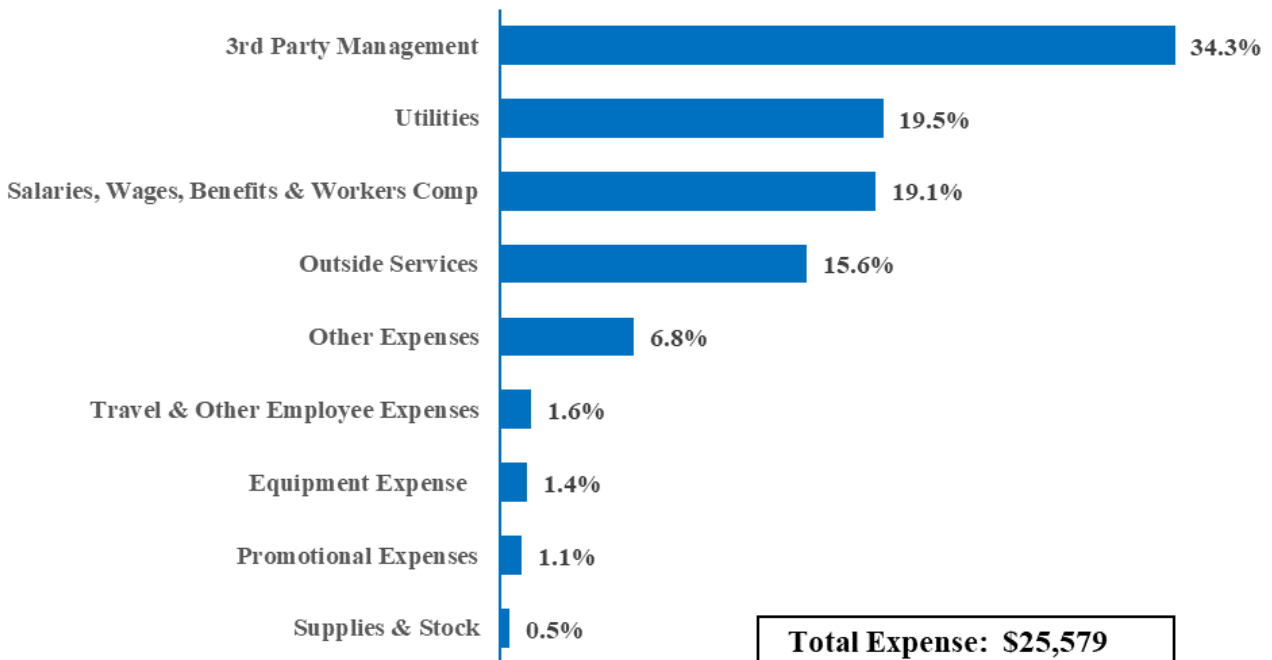


TABLE VI-5: ECONOMIC DEVELOPMENT REVENUE AND EXPENSE BY DEPARTMENT

(in 000's)		2018	2019	2020	% Change
BY DEPARTMENT	Notes	Actual	Budget	Budget	2020 Bud - 2019 Bud
REVENUE					
Portfolio Management		\$ 31,731	\$ 29,848	\$ 29,263	-2.0%
Total Operating Revenue		31,731	29,848	29,263	-2.0%
EXPENSES BEFORE CHARGES TO CAP/ GOVT/ENVRS PROJECTS					
Business Groups:					
Portfolio Management		17,370	17,978	17,975	0.0%
Real Estate Development and Planning		604	775	813	4.8%
Total Business Group Expense		17,974	18,754	18,788	0.2%
Service Groups and Other:					
Pier 69 Facilities Management		1,655	1,936	1,694	-12.5%
Tourism		1,408	1,521	1,536	1.0%
Small Business		694	1,197	1,520	26.9%
Economic Development Management		1,622	2,455	2,042	-16.8%
Economic Development Capital to Expense		3	-	-	
Economic Development Environmental Reserve		-	-	-	
Total Services Group and Other Expense		5,382	7,108	6,791	-4.5%
Total Expenses Before Charges to Cap/Govt/Envrs Projects		23,356	25,862	25,579	-1.1%
CHARGES TO CAPITAL/GOVT/ENVRS PROJECTS					
		(5)	-	-	0.0%
OPERATING & MAINTENANCE EXPENSE					
Business Groups:					
Portfolio Management		17,362	17,978	17,975	0.0%
Real Estate Development and Planning		604	775	813	4.8%
Total Business Group Expense		17,966	18,754	18,788	0.2%
Service Groups and Other:					
Pier 69 Facilities Management		1,657	1,936	1,694	-12.5%
Tourism		1,408	1,521	1,536	1.0%
Small Business		694	1,197	1,520	26.9%
Economic Development Management		1,622	2,455	2,042	-16.8%
Economic Development Capital to Expense		5	-	-	
Economic Development Environmental Reserve		-	-	-	
Total Services Group and Other Expense		5,385	7,108	6,791	-4.5%
Total Operating Expense	1	\$ 23,351	\$ 25,862	\$ 25,579	-1.1%

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Notes:

1) Expenses do not include Central Services allocations.

E. STAFFING

The total 2020 FTE count is lower by 0.4 compared to the 2019 budget. In 2019, Economic Development added 2.0 new FTEs in Diversity in Contracting, and transferred of 1.0 FTE to Maritime division and 2.0 FTE to Central Services. A 0.6 FTE will be added in 2020.

The following table outlines the Full-Time Equivalents (FTEs) in the Economic Development Division.

TABLE VI-6: ECONOMIC DEVELOPMENT DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions)						% Change
BY DEPARTMENT	Notes	2018 Actual	2019 Budget	2019 Est. Act.	2020 Budget	2020 Bud - 2019 Bud
Economic Development Administration		3.0	3.0	3.0	3.0	0.0%
Portfolio & Asset Management	1	14.0	14.0	14.0	14.6	4.3%
Central Harbor Mgmt. Group		3.0	3.0	3.0	3.0	0.0%
Maritime Portfolio		3.0	3.0	3.0	3.0	0.0%
Portfolio Mgmt. Admin		8.0	8.0	8.0	8.6	7.5%
P69 Facilities Management	2	6.0	6.0	5.0	5.0	-16.7%
Real Estate Development & Planning		2.0	2.0	2.0	2.0	0.0%
Diversity in Contracting	3	5.0	6.0	8.0	8.0	33.3%
Tourism		3.0	3.0	3.0	3.0	0.0%
Workforce Development	4	2.0	2.0	0.0	0.0	-100.0%
TOTAL ECONOMIC DEVELOPMENT DIVISION		35.0	36.0	35.0	35.6	-1.1%
FTE.XLS						

Notes:

- 1) Portfolio & Asset Management will add a 0.6 FTE (part-time) Real Estate Analyst in 2020.
- 2) P69 Facilities Management transferred 1.0 FTE (Administrative Assistant) to Maritime division during 2019.
- 3) Diversity in Contracting added 2.0 FTEs (Disadvantaged Business Enterprise Specialist and Outreach & Training Manager) in 2019.
- 4) Workforce Development, with 2.0 FTEs (Manager and Sr. Admin. Assist.), was transferred to Central Services as part of the 2019 organizational realignment.

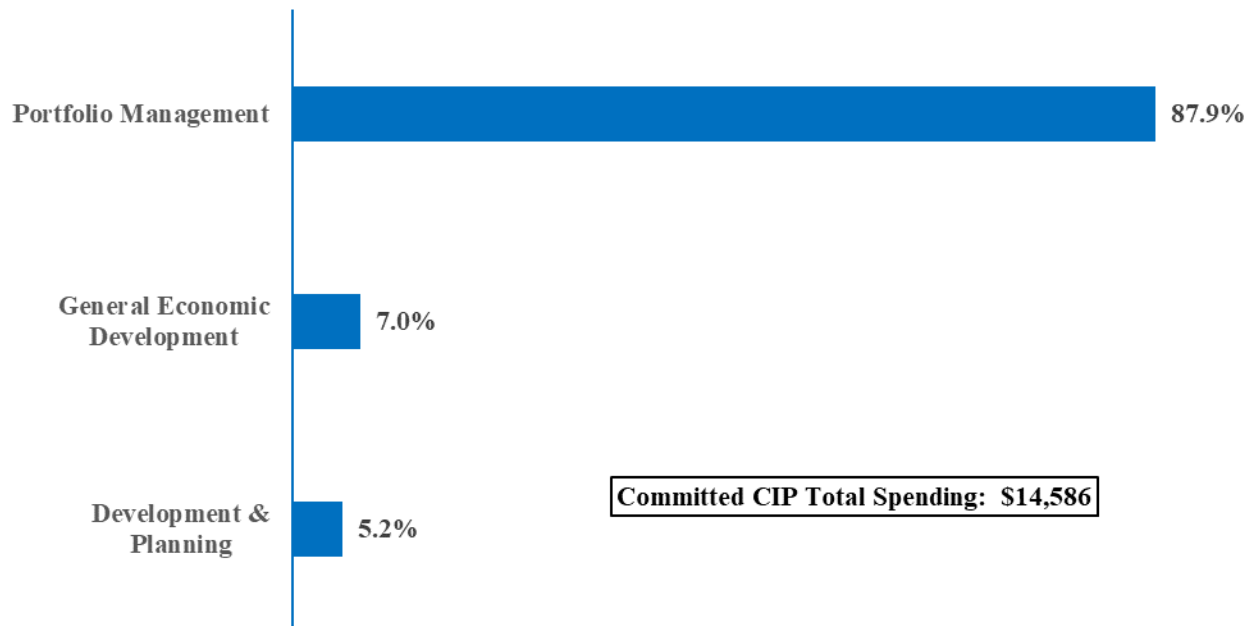
F. ECONOMIC DEVELOPMENT CAPITAL BUDGET

TABLE VI-7: ECONOMIC DEVELOPMENT DIVISION CAPITAL BUDGET SUMMARY

(\$ in 000's)	2020 Budget	2020-2024 CIP	% of 2020 Total Committed
Committed Capital Projects			
Portfolio Management	\$ 12,816	\$ 18,827	87.9%
General Economic Development	1,018	4,288	7.0%
Development & Planning	752	38,802	5.2%
Total Committed	\$ 14,586	\$ 61,917	100.0%
Business Plan Prospective Projec	\$ 1,215	\$ 11,542	
CIP Cashflow Adjustment Reserv	\$ (2,080)	\$ -	
Total CIP	\$ 13,721	\$ 73,459	

CAPSUM

FIGURE VI-5: ECONOMIC DEVELOPMENT DIVISION CAPITAL BUDGET
(\$ in 000's)



VII. CENTRAL SERVICES

CENTRAL SERVICES

A. 2020 BUDGET SUMMARY

TABLE VII-1: 2020 BUDGET SUMMARY

(\$ in 000's)					
	2018	2019	2020	Change	% Change
OPERATING RESULTS	Actual	Budget	Budget	2020Bud- 2019 Bud	2020Bud- 2019 Bud
Notes					
Operating Revenue	\$ 9	\$ -	\$ -	\$ -	0.0%
Other Revenue	(509)	185	40	(145)	-78.4%
Total Revenue	(500)	185	40	(145)	-78.4%
Central Services	116,097	139,900	150,331	10,430	7.5%
Total Central Services Expense	\$ 116,097	\$ 139,900	\$ 150,331	\$ 10,430	7.5%
Excess of Revenue over Expense	\$ (116,597)	\$(139,715)	\$(150,291)	\$ (10,575)	7.6%
COMMITTED CAPITAL BUDGET	\$ 9,707	\$ 13,482	\$ 13,703	\$ 221	1.6%
EMPLOYMENT (TOTAL FTEs)	836.6	862.6	914.4	51.8	6.0%

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B. CENTRAL SERVICES

MISSION:

Central Services provides high quality and cost-effective professional and technical services to the operating divisions and supports the strategies and objectives of the Port.

MAJOR AND NEW INITIATIVES:

- Operate Effective Maritime and Aviation Transportation Gateways
 - Additional staff and resources to meet the growing needs for the operating divisions.
 - Providing resources to continue LEAN consultant.
- Execute all Port Programs within the Five-Year Capital Investment Plan
 - Providing resources to continue the Sustainable Airport Master Plan environmental review.
 - Adding staff and resources to support capital programs.
- Drive Regional and Statewide Economic Vitality
 - Additional resources for regional transportation.
- Advance Environmental Sustainability of the Port and Region
 - Additional staff and resources for Environmental and Noise programs.
 - Adding resources for orca recovery initiative planning and implementation.
- Enhance Workforce Development to Support Regional Port-Related Industries
 - Re-organizing the Workforce Development team to better align the growing service needs.
 - Adding new resources for Maritime Secondary Education initiative.
- Expand Equity, Diversity, and Inclusion within the Port and across the Region
 - Creation of the new Office of Equity, Diversity, and Inclusion.
 - Adding new resources for the Duwamish Valley Community Equity Program.
- Operate as a Highly Effective and Equitable Public Agency
 - Additional resources for staff training and development.
 - Adding staff and resources to meet the growing needs for Information and Communication Technology.

C. KEY FUNCTIONS AND RESPONSIBILITIES

OVERVIEW:

Central Services provides a number of essential services to the three operating divisions of the Port and to the Northwest Seaport Alliance (the NWSA) per service agreements. Central Services departments are vital to the success of the operating divisions and the NWSA and benefit the public in general.

Central Services' functions have evolved and now include 20 departments with organizational restructuring over the past few years. Apart from the traditional support functions, such as Accounting, Human Resources, External Relations, etc., Central Services also includes Police, Engineering, Port Construction Services, and three Centers of Expertise (COEs) – Business Intelligence, Finance and Budget, and Environment and Sustainability.

As part of the re-org in 2019, Aviation Project Management Group and Seaport Project Management Group were transferred from Central Services to the Aviation Division and Maritime Division, respectively. Additionally, the new Office of Equity, Diversity and Inclusion was created in 2019 to support the Port's commitment to social justice and promote equity, diversity and inclusion in the workplace and throughout the region. The Workforce Development organization was also transferred to the Office of Equity, Diversity and Inclusion from the Economic Development Division.

The key functions for the Central Services departments in 2020 are as follows:

COMMISSION:

The Port Commission is the legally constituted governing body of the Port of Seattle. Its primary duties are to establish policies on behalf of the community that guide the Port's future and maintain its global competitiveness, and to execute its fiduciary responsibilities in overseeing the expenditure of public funds. As a governing body of a special purpose municipal corporation, the Commission is charged with fulfilling the law as the basis for appropriate policy, and establishing policy as the basis for appropriate practices, activities, and procedures.

The Commission expresses its policy direction through the following mechanisms:

- Reviews the strategies that serve as the framework for the business divisions' and Central Services departments' goals and objectives. These strategies provide the groundwork for prioritizing and allocating resources to programs and projects at the division level.
- Reviews and approves the annual budget. The budget is made available to the general public as required by RCW 53.35.010 and RCW 53.35.045. A Public Hearing for the Introduction of the Preliminary Budget is held before the final passage of the Budget, at which time the Port Commission will make final recommendations and Adopt the budget.
- Sets additional long-term policy goals during public Commission meetings through the passage by majority vote of Commission Resolutions in accordance with RCW 53.08 and the Master Delegation of Authority. These policy goals help advance the Commission's long-term mission of economic development and job creation through promotion of industrial growth and advancement of trade and commerce.
- Reviews and approves public session programs, projects, and select contracts through Commission motions that are introduced and seconded by Commission members, in accordance with the Master Delegation of Authority.
- Oversees the Executive Director to execute the long-range plans, major programs and goals, objectives, and policy guidelines established by the Port Commission through majority vote at Commission meetings and by Commission approval of the Executive Director's performance goals and objectives. These include policy goals and objectives related to achieving the Port's financial and budgetary annual performance goals, and aligning budget priorities to the Port's core mission, division goals and objectives that demonstrate that the Executive Director is holding his direct report managers accountable for division-level performance.
- Oversees the Internal Audit function of the Port of Seattle through the Audit Committee made up of two Port Commissioners and a third public member.

EXECUTIVE:

- Achieve the operating and performance goals and objectives set by the Commission.
- Select and manage all staff and outside resources needed to carry out long-range plans, major programs and projects, and to maintain facilities.
- Oversee the achievement of the Portwide goals, as well as all divisions' major goals and initiatives.

LEGAL:

Legal is comprised of Attorney Services, which includes Workplace Responsibility and Records.

ATTORNEY SERVICES:

- Provide legal analysis, advice, expertise, opinions, and similar services, including: drafting, reviewing and interpreting contracts, agreements, statutes, regulations, judicial opinions, and other legal materials and documents.
- Provide prosecution and defense of claims and litigation.
- Provide assistance with settlements and negotiations.
- Provide representation in arbitration, mediations, and other forms of dispute resolution; representation before hearings boards, and other administrative or legislative bodies.
- Receive and manage reported violations and monitor workplace investigations and outcomes.

WORKPLACE RESPONSIBILITY:

- Provide overall leadership and coordination of the Port's ethics and compliance program.
- Publish and interpret the Code of Conduct, promote ethics awareness, provide ethics training, foster organization and individual commitment to the port's ethical values.
- Provide guidance on ethics and whistleblower issues; and oversee the Workplace Responsibility program, the process for responding to reported Code of Conduct and whistleblower violations.

RECORDS MANAGEMENT:

- Manage and provide public record administration, including public disclosure.
- Provide Portwide assistance with regard to records management issues including retention scheduling, archiving, and public disclosure.
- Manage Port records in accordance with State retention requirements.
- Manage the Portwide Records Center in SharePoint.

EXTERNAL RELATIONS:

The Port's External Relations department serves several key functions including federal, state, and local government relations; capital project delivery, which includes regional transportation technical and policy expertise; strategic communications; and community engagement.

GOVERNMENT RELATIONS:

- Collaborate with Commission and Port business divisions (Aviation, Maritime and Economic Development) and Commission to develop legislative funding and policy priorities.
- Work with Port Commission to communicate the Port's Century Agenda, business, transportation, and trade priorities to representatives from federal, state, and local elected officials, agencies, and stakeholders.
- Foster effective relationships between Port-elected officials and senior Port staff with local, state, and federal elected officials to advance the Port's objectives and to represent regional, statewide, and national interests to officials in the Legislative and Executive branches of government.
- Develop partnerships with stakeholders in business, labor, and community organizations in support of trade development, economic growth, transportation infrastructure investment, and responsible environmental regulation.

- Utilize memberships and activities in associations engaged in legislative work to build coalitions and broaden awareness of Port issues and support for Port objectives.
- Provide opportunities for policy makers and staff to learn about the Port of Seattle's business and operations through meaningful tours, briefings, and timely responses to requests for information.
- Continue to advocate for policies and regulations that enhance and expand the ability of the Port and related businesses to move people and commerce efficiently in a competitive global marketplace and educate leaders on the impacts of adverse policy proposals.
- Coordinate legislative advocacy and policy development with the NWSA.

REGIONAL TRANSPORTATION:

- Advocate for Port interests in regional transportation programs and projects, including those sponsored by the state, county, city or other agencies or partners, including the City of Seattle, Sound Transit, WSDOT, King County, Puget Sound Regional Council.
- Work with external agencies on regional transportation policies and issues to leverage Port interests and minimize impacts to the Port, including federal freight planning, Seattle Freight Advisory Board, industrial stakeholders including MIC, SoDo BIA, NSIA.
- Manage internal interests regarding regional transportation across all areas of the Port, including leading the regional transportation strategy team, developing and finalizing Port comment letters throughout formal planning processes; liaison to NW Seaport Alliance; Airport Ground Transportation Regional Mobility group.

CAPITAL PROJECT DELIVERY:

- Manage strategy, communications and advocacy for growth and capital programs at Sea-Tac Airport, including the Sustainable Airport Master plan, the Flight Corridor Safety program, communicating airport-related demand, opportunities and benefit and building understanding and support for airport redevelopment.
- Advance regional and state economic vitality, including implementation of the South King County fund, supporting government relations and community engagement to increase visibility of port-related contributions to airport-area communities and the state.
- Advance environmental sustainability, including improved recognition of the Port's environmental programs, and support of the StART federal policy working group.
- Support equity, diversity and inclusion through collaborative efforts on the South King County fund, promote improved understanding of the Port's commitment and programs in these areas, and emphasize improved accessibility at the airport for all communities and populations.
- Strengthen and expand community engagement with focused efforts on community communications and engagement; support of StART roundtable and agenda; community and stakeholder plans for the Flight Corridor Safety program and ongoing ILA engagement with the City of SeaTac.

COMMUNICATIONS:

- Support economic and community development objectives by promoting Port of Seattle opportunities.
- Improve customer service and provide a high-quality experience for passengers, tenants, community members, and employees through direct engagement and stories that explain Port projects.
- Increase employee engagement and demonstrate the Port is a great place to work.
- Communicate how a well-run Port benefits local communities.
- Ensure transparency for the public by promoting community engagement opportunities and sharing policy decisions by leadership.
- Communicate the Port's progress towards key objectives.
- Maintain engaging communications platforms to continually expand the audience interested in Port news.
- Develop new communications platforms to reach underserved audiences.

COMMUNITY ENGAGEMENT:

- Develop and strengthen business, community, industry, government, and environmental partnerships that support the Port’s mission and key strategies.
- Regularly liaise with strategic business and community groups to anticipate emerging issues and broaden the Port’s awareness and understanding of community objectives and priorities.
- Create and execute events, communications, and outreach to facilitate, strengthen and commemorate our operating divisions’ business objectives.
- Initiate and manage “Trade, Business & Community Development” opportunities to support community and strategic partner priorities.
- Conduct ongoing outreach and communications to consult with stakeholders, gain public input to influence port decisions; broaden awareness and understanding for program, policy and regulatory decisions.
- Develop and manage effective public engagement programs that help tell the Port’s story in ways that are relevant to communities.
- Coordinate Commission and CEO events and help facilitate and support their community engagement activities.

EXTERNAL RELATIONS:

- Provide strategic guidance and direct the delivery of External Relations services to the Port Commissioners, the Executive Director, and business division leaders.
- Lead development and execution of work by the External Relations team to support the accomplishment of the Port’s goals and LRP objectives.

ACCOUNTING AND FINANCIAL REPORTING:

The Accounting and Financial Reporting (AFR) department’s key operational responsibilities and services include:

- Portwide core accounting and financial reporting services.
- Port accounting policies and procedures development and enforcement.
- Industry prescribed accounting and financial reporting standards compliance assurance.
- Annual Port financial statements preparation and issuance.
- Recurring fiscal management reporting.
- Accounts payable administration.
- Payroll administration.
- P-card and Travel card administration.
- Leases and customer billing administration.
- Accounts receivable and revenues administration.
- Credit and collection enforcement.
- General ledger administration.
- Capital projects costing and capital assets accounting (including physical inventory).
- Cash/investment and debt accounting.
- Grants billing and reporting.
- Airport Passenger Facility Charge (PFC) accounting and reporting.
- Airport Customer Facility Charge (CFC) accounting.
- Corporate credit cards and procurement cards administration.
- Employee expense claims and reimbursements.
- Business tax administration.
- External audits facilitation.
- NW Seaport Alliance, North Harbor, accounting/financial reporting.

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT):

ICT provides state of the art technology and related services in a cost effective, secure, and highly reliable manner that can rapidly respond to the Division and individual department's requirements which will enable them to achieve their business objectives and to support Port strategies. Key functions include:

- Infrastructure (Data Management, Telephony, Network).
- Personal Computing (PC Support, Smartphone/iPad).
- Systems Delivery.
- 24/7 Service desk.

FINANCE AND BUDGET:

The overall goal of the Finance and Budget (F&B) department is to continuously improve the institution's management of its debts, assets, budget, and resources. Key functions include:

BUDGET:

- Plan, coordinate and manage the Port's budget planning process.
- Maintain, enhance, and manage the Port's budget system and its interfaces.
- Provide budget training, workshops, and Management Information System (MIS) training to Portwide budget support staff.
- Review monthly variance reports and provide monthly Executive Summary Report to the Executive team.
- Plan, coordinate and manage the Port's quarterly financial performance reporting process.
- Develop and refine budget policies and procedures for the Port.
- Provide budget consultation and support to the operating divisions and Central Services departments.
- Passenger Facility Charge (PFC) and grant program administration.
- Rate model reporting, development and settlement.
- Internal control monitoring.
- File statutory budget.

FINANCE AND TREASURY:

- Existing debt management: bond proceeds usage reconciliation; regulatory compliance and financial reporting; bad money analysis; arbitrage rebate calculations; provide financial updates to ratings agencies; investor relations; letter-of-credit renewals and replacements.
- Manage new debt issuance.
- Manage engagements with outside financial advisor, bond and disclosure counsel and underwriters.
- Coordination of short and long-term funding plans for future capital needs; development and monitoring of the Port's annual Capital Improvement Plan and Plan of Finance; tax levy funds management.
- Industrial Development Corporation Administration.
- Treasury functions include Cash and Investment portfolio management and management of the Port's banking contract.

BUSINESS INTELLEGENCE:

The Business Intelligence Department's core purpose is to transform the ways the Port accesses, analyzes, and shares data. Business Intelligence Center of Expertise provides advanced analytical and research support, creates efficiencies that eliminate information management waste, and fosters an analytical culture with data fluency. Key functions include:

- Facilitating development of KPIs and other operational and performance measures, driven by Port focus on metrics and measurement.
- Reducing the level of effort, complexity and process in preparing or manipulating data for analysis; supports LEAN/CPI initiatives.

- Providing advanced analytical capabilities (e.g. forecasting, etc) not widely present in organization; required to answer complex business problems.
- Internal capacity for survey research services; driven by need to measure effectiveness, performance, and service quality.
- Facilitating growth of a data-literate, evidence-based decision-making culture at the port; supports Port's high-performance workforce goal.

RISK MANAGEMENT:

- Oversee Property/Casualty Insurance Program.
- Manage claims process, intake, and settlement.
- Recover and collect on claims/damages to the Port.
- Manage Driver/Commercial Driver's License (CDL) program (per Federal Motor Safety Carrier Act) and work with Fleet Management Oversight Team to ensure the Port purchases, maintains, and looks for green fleet opportunities.
- Contractual reviews of leases and goods/services agreements.
- Perform enterprise risk management analysis and training.
- Update annual statements in relation to risk, uncertainty, insurance and claims; Report lost and stolen assets to State Auditor.
- Collaborate with Health and Safety and Construction Safety to ensure a safe workplace for both employees and contractors and the public.
- Collaborate with Police, Fire and Security to update emergency preparedness procedures and training are kept current.
- Provide risk assessment and review of special events.
- Assist with the review and selection of Self-Funded Medical and Dental plans.

INTERNAL AUDIT:

Internal Audit conducts risk-based operational/performance audits throughout the Port in accordance with applicable auditing standards and the best practices of the internal auditing profession. Audit results are designed to add value and improve and strengthen accountability, increase fiscal integrity, provide greater transparency in governance and decision making, and improve investment of public resources to advance trade and commerce, promote industrial growth, stimulate economic development, and create jobs. In addition, audit results are intended to enhance efficiency and effectiveness of management practices in governance, risk assessment, controls and compliance.

Internal Audit work is guided by two professional standards:

- Government Auditing Standards - issued by the Comptroller General of the United States.
- International Professional Practices Framework (IPPF) - issued by The Institute of Internal Auditors.

OFFICE OF STRATEGIC INITIATIVES:

Office of Strategic Initiatives (OSI) comprise of Strategic Planning unit and Continuous Process Improvement unit.

STRATEGIC PLANNING:

- Update the Century Agenda.
- Re-evaluate the fundamentals of the long-term strategic planning.
- Host Disruption Summit to prepare the Port for potential disruption and disruptive innovation.

CONTINUOUS PROCESS IMPROVEMENT:

- Provide LEAN Training to foster understanding of LEAN principles.
- Implement LEAN initiatives throughout the Port.

CENTRAL PROCUREMENT OFFICE:

- Manage the procurement process for all construction contracts, professional and personal service contracts, and goods and service contracts to ensure compliance with legal mandates.
- Lead team negotiations (price, contract terms and conditions) for base contract; draft and/or review, negotiate change orders and amendments.
- Provide advice and assistance in contract management, addressing performance problems.
- Close out contracts, ensuring that all closing submittals have been received.
- Provide notification to Commission, with respect to public works contracting, as required, for compliance with state law and Resolution 3605.
- Provide training and outreach on procurement and contract issues, including developing appropriate small business programs and opportunities.
- Develop program and training to include Diversity in Contracting in the Port's consulting procurements and major construction contracts. Active management of contract requirements. Provide updates to Commission on the program.

HUMAN RESOURCES:

Apart from providing core services listed below, Human Resources is also focused on broader issues such as attracting and retaining a diverse work force; succession preparation; process improvement; performance management aligned with values, strategies and business plans; and developing metrics that drive decisions.

The list that follows reflects services Human Resources provides daily, many of which also respond to the bigger picture, longer-term concerns described above.

EMPLOYEE RELATIONS (ER):

- Provide guidance and direction to Port employees, including senior leadership, managers, and individual contributors, regarding employee performance management issues, as well as consultation to identify the appropriate ER intervention such as coaching, fact-finding, investigation, progressive discipline, facilitation/mediation, training, and conflict resolution.
- Manage the interactive process associated with employees' requests for reasonable accommodation
- Ensure Port compliance with our affirmative action responsibilities, which informs, educates, and promotes the Port being an equitable, inclusive and high performing organization.

HEALTH & SAFETY:

- Continuous improvement of workplace health and safety, as well as ensuring compliance to all regulated safety programs, including oversight of the Port's self-insured, self-administered workers compensation program.
- Promote an active safety culture by teaming with employees and management to recognize, evaluate, communicate and control workplace hazards to ensure every employee, contractor and tenant goes home safely.

ORGANIZATIONAL EFFECTIVENESS:

- Support the organization in achieving improved business results through organizational and people effectiveness.
- Address organization-wide business needs such as developing and aligning clear business goals, missions, visions and strategies, defining organization-wide structures and clarifying roles and responsibilities.
- Provide leadership and support for the goals and methodology for improving employee engagement, innovation, building high performance teams, developing and improving cross port collaborations.
- Strategic advisors to the organization as a whole and Port of Seattle divisions ensuring the business has the skills, capabilities, structure, culture and change processes to execute their strategies and deliver on the near- and long-term goals.

- Lead Port-wide strategic initiatives such as engagement, culture and innovation and serve as a liaison between the HR Center of Expertise and assigned business units helping leaders to set direction and translate business goals into HR strategies.
- Provide HR related data to the Port to help HR and other groups make decisions using relevant data.
- Use internal communications as an engine to drive progress toward organizational goals and connect employees to information and resources about key programs, policies, initiatives, events and opportunities that drive employee engagement and knits employees together as a single organization.

TALENT MANAGEMENT:

- Promotes an equitable, inclusive and high performing organization by attracting, engaging and developing diverse talent so that the Port is able to realize its strategic goals.
- Partner with business lines to anticipate and support workforce planning needs, generating awareness through outreach of the Port as an employer of choice, identifying and evaluating top talent and building talent pipelines, and continuously enhancing the experience of employees so they are and continue to be highly engaged.
- Promote an equitable, inclusive and high performing organization by recruiting, engaging and developing diverse talent so the Port realizes its business and community goals.
- Build employee effectiveness through development of common approaches to work, leader and manager preparation and development, employee development, and support of diversity programs and initiatives, the Port is able to build a high performing organization and culture that values employee development, equity, diversity and inclusion.
- Generate increased awareness of the Port as an “employer of choice” and of the numerous opportunities available in Port-related industries. Through award winning internship and Veterans Fellowship programs, the HR Outreach function provides opportunities for youth and transitioning veterans to gain professional civilian experience while developing skills necessary to succeed in their career.

TOTAL REWARDS:

- Ensures the Port offers, directly or indirectly, a competitive total rewards package that supports retention and attraction of employees with the talents, skills and abilities necessary for the Port to fulfill its mission and vision. The Total Rewards package includes all things employees receive as result of their employment relationship with the Port.
- Ensure that pay programs for non-represented employees are internally equitable and externally competitive. To do this, employees supporting this function gather and analyze market pay data to maintain the Port’s non-represented pay ranges at competitive levels, evaluate non-represented jobs to ensure they are administered in competitive pay ranges, and analyze employee pay levels to ensure pay equity.
- Ensure the Port’s benefits programs are competitive so they can support attraction and retention of the employees necessary for the Port to be a high performing organization. This includes managing the self-insured medical and dental plans, the fully insured HMO, vision, life and disability insurance plans, time off plans, commuter benefits, and other benefits including and EAP, retirement, and wellness benefits.
- Responsible for the various recognition programs that support employee engagement by acknowledging actions and contributions that exceed what is normally expected.
- Responsible for enabling technology and business processes that make it easier to do HR business, and for other Port groups to do business with HR. This includes support and maintenance of existing technology systems and business processes, deployment of new functionality, and related improvements to business processes.

LABOR RELATIONS:

Labor Relations (LR) offers the best possible representation of the Port's interests by engaging in collaborative relationships with employee organizations through open communication and dialogue. LR also provides strategic expertise and assistance to positively affect operations, reduce exposure and support a talented workforce to help propel the Port and region into the future. Key functions include:

- Prepare, negotiate, implement and administer the Port's 23 bargaining agreements.
- Implement LR bargaining strategy and directives from the Commission and Executive Leadership Team.
- Process grievance and disciplinary procedures according to the agreements.
- Represent the Port in Public Employment Relations Commission (PERC) and Arbitration proceedings.
- Participate in Port oversight committees; provide consultation to all Port committees and all divisions on labor matters, including proposed changes in policies, practices and procedures in a manner designed to avoid labor disputes.
- Supervise and manage labor community outreach as well as Seaport Alliance LR work. Act as the Commission Liaison with Labor and support the Executive Director in their Labor Outreach strategy to facilitate positive labor relations across the region.
- Organize, manage, and attend labor business partnership meetings to resolve issues before they become grievances.
- Negotiate Project Labor Agreements (PLA) and assist with PLA policy and language.

INFORMATION SECURITY:

Information Security is a relatively new department established during the third quarter of 2018. Information Security provides Governance, Protection, Response and Recovery to reduce data risks and enhance the Port's continuity of business operations. The key functions include:

- Maintain enterprise systems and control systems across the Port.
- Audit and compliance efforts with emphasis to Risk Assessments, and data governance of Payment Card Industry (PCI), Health Insurance Portability and Accountability Act (HIPAA), Criminal Justice Information Services (CJIS) and Privacy data.

OFFICE OF EQUITY, DIVERSITY AND INCLUSION (EDI):

Office of Equity, Diversity and Inclusion is a new department that was added in 2019 with the main goal of supporting the objective in the Port's strategic plan to become a model of equity, diversity and inclusion. Key functions include:

- Designs, shapes and implements an overarching equity, diversity and inclusion vision and strategy for the Port to be an organization that works to eliminate systemic organizational marginalization and promotes equity, diversity and inclusion practices that are evidenced through culture and leadership.
- Ensure that equity goals and objectives are incorporated throughout Port operations and providing strategic and policy direction on equity issues.
- Lead Portwide EDI training classes. New employees required to take EDI class as part of orientation.
- Evaluate and clarify Port values and practices with the goal of increasing equity, diversity and inclusion internally and externally in the region the Port serves.
- Lead Port staff to develop and implement organizational strategies and work plans to support an equity policy.
- Provide strategic direction and lead long term vision and planning. Develop and implement technical assistance program for Port departments and employees.
- Develop communication and feedback mechanisms to ensure the Port is able to identify, discuss and address equity issues impacting the Port's communities, partners and staff.
- Serve as a liaison with other local, state and federal government agencies on equity related topics and issues and build strong partnerships within the Port as well as with our community partners and stakeholders.

- Implement equity focused workforce development initiatives that support the Port's key sectors (e.g. Aviation, Maritime and Construction).

POLICE:

- Provide professional law enforcement services to internal and external Port of Seattle Stakeholders which includes essential emergency and routine response capability allowing airport operations to continue.
- Traffic mitigation as well as traditional law enforcement functions throughout the Port of Seattle's jurisdiction.
- Provide essential emergency response to mitigate terrorist attacks and other acts of extraordinary violence. Respond with other first response partners to mitigate and stabilize unusual occurrences, disasters and mechanical calamities in order to stabilize the scene and enhance continuity of operations.
- Support the professional development of the police department to improve the ability to meet future needs of the Port of Seattle.

ENVIRONMENT AND SUSTAINABILITY:

The Environment and Sustainability includes the Aviation Environmental, Noise Program, and Maritime Environmental and Planning. Its key functions and responsibilities include:

AVIATION ENVIRONMENTAL:

- Stormwater Program: provide environmental support to maintain compliance with the Airport's National Pollutant Discharge Elimination System (NPDES) permit and waste discharge permit consistent with the associated Century Agenda to meet or exceed these regulations. These permits authorize the discharge of industrial and construction stormwater to adjacent creeks and lakes, industrial wastewater to Puget Sound and the King County wastewater treatment plant and industrial sanitary wastewater to the Midway sewage treatment plant. Compliance with these permits is mandatory with violations not to exceed \$10,000 per day. Permits require regular monitoring of discharges from 11 outfalls, and Industrial Wastewater Treatment Plant, specialized testing for effluent toxicity, other specialized studies, administration development treatment and flow control requirements. The Program also develops guidelines and initiatives and works with airport staff and tenants to meet the requirements for Salmon Safe certification.
- Natural Resources Program: provide services necessary to comply with the Airport's 1997 MPU Section 401 certification and Section 404 permit from the Department of Ecology (Ecology) and US Army Corps of Engineers, respectively. Program requirements extend through 2022 and include management of over 160 acres of wetlands around the Airport and in Auburn, habitat restoration and maintenance for the Flight Corridor Safety Program.
- Contaminated Sites, Solid Waste and Hazardous Materials program: monitor and provide oversight of construction contaminated soil, management of Port-generated hazardous waste, and oversight of underground and above ground storage tanks; remediation of Lora Lake site.
- Air Quality program: develop regulatory and voluntary air-related initiatives which include ensuring that the Port comply with all the requirements in the Airport's Air Permit. Provide additional support for the development and implementation of initiatives to meet the Port's Century Agenda goal to reduce air emissions by 50%.
- SEPA/NEPA function: ensure compliance with the State Environmental Policy Act (SEPA) and the National Environmental Policy Act (NEPA). Conduct comprehensive environmental reviews for all airport projects that could impact the environment, as well as actively engaging key stakeholders such as the Federal Aviation Administration (FAA) and neighboring communities.
- Waste Reduction and Recycling function: implement initiatives designed to divert airport wastes away from landfills through strategies that reduce, reuse or recycle our solid waste and enable the airport to meet the aggressive goal of diverting 60% of waste generated at the Terminal. Conduct waste audits and develop strategic plans to ensure that the airport can meet diversion goals year over year, even with significant passenger growth.
- Climate function: develop new sources of biofuels such as renewable natural gas that can be used at the airport to heat the terminal, develop emission inventories for certification under the Airports Carbon

Accreditation (ACA) program, and report the Airport's emissions to the Washington State Department of Ecology. Collaborate with aviation stakeholders such as Boeing and Alaska Airlines to conduct studies necessary to create a market for aviation biofuels at Sea-Tac Airport.

- Energy function: provide assistance to other departments such as Operations and Facilities and Infrastructure to estimate the carbon benefits of reducing energy throughout the Terminal and on the airfield. Develop initiatives that allow the Airport to use different forms of energy such as providing electric vehicle charging stations throughout the Airport property and nearby locations as appropriate.
- Transportation function: develop initiatives aimed at reducing the environmental impacts associated with transportation from both commuting employees and passengers which include Commute Trip Reduction Program, Transportation Network Companies (TNCs), and taxi contracts.

NOISE PROGRAM:

- Sound Insulation Program Management is intended to reduce the impact of aircraft noise in eligible homes and schools located near the Airport. This program is an outcome of the recent Part 150 that was approved by the FAA in 2014 to provide modifications to homes to reduce interior noise levels.
- FAA Noise Compliance/Regulatory Program ensures that the Airport is in compliance with the FAA in monitoring noise contours which is conducted every three years and must meet the obligation of evaluating noise conditions.
- Noise Abate and Outreach Programs provide information to communities regarding airport noise, collect noise complaints, conduct research to determine root cause, compile all written correspondence, and provide presentations to different communities.
- Part 150 Project Implementation involves management oversight and implementation of the Part 150 Noise Compatibility Plan, which is necessary to receive grant funding for noise projects. The plan includes developing and implementing sound insulation programs, noise impacted acquisitions, flight procedures, and noise modeling and monitoring.

MARITIME ENVIRONMENTAL AND PLANNING:

- Energy Efficiency: Reduce energy use and Greenhouse gas (GHG) emissions from Port Maritime facilities. Participate in regional maritime strategic partnerships and develop clean air policies.
- Monitor Stormwater for regulatory compliance and report findings to Department of Ecology (DOE) for both the Stormwater Utility and in support of operating business units.
- Ensure compliance with local, state and federal regulations including but not limited to Green Marine certification, Derelict Vessels, Spill Prevention, Dangerous Waste (DW) designation and disposal, Underground Storage Tank (UST) monitoring, Spill Response.
- Capacity planning; perform due diligence related to potential environmental remediation when buying new properties; support maximizing cost recovery including grants, insurance, allocation and settlements.
- Develop habitat along Duwamish and Elliott Bay to meet Century Agenda goal.
- Participate in regional maritime strategic partnerships and drive clean air policy.
- Direct appropriate and successful implementation of environmental National and State Environmental Policy Acts (NEPA/SEPA) environmental impact statements and permitting.
- Ensure that methods to manage permits for federal, state and local agencies are cost effective and regulatory compliant.
- Compile technical data and mapping information for internal and external customers.
- Manage and implement the Port's Environmental Remediation Liability Program and public benefit projects including clean truck program.
- Preserve industrial lands and complete facility strategic plans.

ENGINEERING:

DESIGN AND TECHNICAL SUPPORT:

- Civil/Structural and Mechanical/Electrical design, analysis and CAD drafting.

- Seismic risk analysis and condition assessment of facilities.
- Central repository for all project drawings, as-built, and soils information.
- Maintain technical master specifications.
- CAD compliance reviews.
- Establish and operate remote office facilities to support project requirements.

CONSTRUCTION MANAGEMENT:

- Pre-construction services.
- Field observation/inspection and quality compliance checks.
- Change order management, disputes and claims resolution.
- Construction coordination with Port operations/tenants.
- Construction document management.
- Management of Project Labor Agreements (PLA).

SURVEYING AND MAPPING:

- Topographic and hydrographic surveys.
- Legal descriptions and lease line layouts.
- Utility locates/mapping and aerial mapping.
- Geographic Information System (GIS) data gathering.
- Project staking and validation.

CONSTRUCTION SAFETY:

- Provide Port Safety Training and Orientations for contractors, consultants and Full-Time Employees.
- Review Contractors site safety plans for acceptance.
- Weekly documented audits of construction projects.
- Coordination with Operations, Fire Dept., PLA, Security, Port Construction Services (PCS), Risk management, Building Department and Maintenance.
- Response to and documentation of incidents, hazardous conditions and complaints.
- Management of safety equipment and personal protective equipment (PPE) supplies for the Engineering Department.
- Management Emergency and Disaster preparedness supplies for the Engineering Department.
- Data management of contractors safety plans, incidents corrective actions, and department training records.
- Data Management of Engineering Department training records.

ENGINEERING GENERAL AND ADMINISTRATION:

- Management of Port remote facilities, asset and fleet in support of Project delivery.
- Emergency Response and Declaration of Emergency Support.
- Engineering administrative services.

PORT CONSTRUCTION SERVICES:

CONSTRUCTION MANAGEMENT OF SMALL WORKS CONSTRUCTION:

- Provide craft labor resources (carpenters, laborers, operators, etc.).
- Provide construction equipment (pick-up trucks, dump trucks, heavy equipment, small tools, etc.).
- Provide scope clarification and estimates against existing budgets.
- Provide reporting on budget and schedule.
- Recycle construction debris on projects.

PROJECT MANAGEMENT OF SMALL WORKS CONSTRUCTION PROJECTS:

- Communicate with Finance and Budget departments for approval of scope and budget.
- Prepare estimates, work authorizations and service directives for small works contractors.
- Provide required templates and checklists to Capital Services for review of plan and asset management.
- Coordinate with partner departments for design review and approvals.
- Reporting on project schedule and budgets.
 - Perform construction quality inspections and document control for close out requirements.

MANAGEMENT OF ASBESTOS ABATEMENT IN SUPPORT OF CONSTRUCTION PROJECTS:

- Review Regulated Materials Management (RMM) design.
- Provide project monitoring and quality control.
- Monitor project abatement.

MANAGEMENT OF THE ASBESTOS OPERATIONS AND MAINTENANCE PROGRAM:

- Provide RMM tenant support, RMM maintenance support, and RMM routine housekeeping.
- Make periodic inspections.
- Provide asbestos, lead, and silica awareness training.
- Provide indoor air quality and mold inspections.

PROVIDE SMALL BUSINESS OPPORTUNITIES IN OPEN ORDER AND PROJECT SPECIFIC SMALL WORKS CONTRACTS:

- Coordinate contract requests with Central Procurement Office to identify opportunities for small businesses.

D. 2020 OPERATING BUDGET SUMMARY

Background:

Central Services departments are the primary supporters of the Port business units. Aside from the growing organizational needs, Century Agenda and Portwide goals drive the budget priorities of Central Services departments. The 2020 budget development approach included the following steps: scrutinizing line-items by account and making appropriate adjustments to the 2019 baseline budget; adding incremental pay and benefit costs for baseline employees; reviewing new budget requests from individual departments and incorporating costs of approved items.

Overview of Major Changes in 2020 Budget:

The 2020 budget for Central Services is \$150.3 million, \$10.4 million or 7.5% higher than the 2019 budget. The 2020 budget includes \$8.6M of new budget additions, which includes savings of \$1.5M from the baseline/new budget requests.

The 2020 payroll budget increased by \$7.2 million or 3.9% due to (1) a 3.9% average pay increase for existing non-represented staff, (2) contractual increases for existing represented employees, (3) the annualized payroll costs for the new FTEs added in 2019, (4) the additional payroll costs for 35 new FTEs proposed for 2020, and (5) offset by a 3% vacancy factor of \$2.6 million and \$450 thousand reduction in Police overtime.

2020 non-payroll budget increases by \$3.2 million due to a combination of (1) removing \$3.8M non-recurring items from the baseline, (2) more overhead charges to capital, and (3) new budget additions for 2020 (see details below).

Operating Expense Drivers:

The approved additions to the 2020 Budget for each Portwide goal are summarized in the table below and the full list of approved items are provided in the next two pages.

Portwide Goals	Total Amount	FTE
Portwide Goal 1: Operate Effective Maritime and Aviation Transportation Gateways and Execute Capital Improvement Program	1,437,414	10.0
Portwide Goal 2: Capably execute all Port programs within the Five-Year Capital Investment Plan	2,164,818	4.0
Portwide Goal 3: Drive Regional and Statewide Economic Vitality	24,863	0.5
Portwide Goal 4: Advance Environmental Sustainability of the Port and Region	1,542,305	5.5
Portwide Goal 5: Enhance Workforce Development to Support Regional Port-Related Industries	100,000	-
Portwide Goal 6: Expand Equity, Diversity, and Inclusion within the Port and across the Region to make tangible differences and deliver benefits for all	977,568	3.0
Portwide Goal 7: Operate as a Highly Effective and Equitable Public Agency	2,336,209	12.0
TOTAL	8,583,178	35.0

Central Services Priority	Resources to support Portwide Goals	2020 Budget Requests		
		FTEs	Baseline	One-time
Portwide Goal No. 1				
Operate Effective Maritime and Aviation Transportation Gateways and Execute Capital Improvement Program	LEAN Consultant to support the CPI/Lean initiatives	-	-	350,000
	J.D. Power North American Airport Survey	-	-	50,000
	Manager, CPO Liaison & Customer Service to oversee procurement process for divisions and capital program	1.0	159,699	-
	Contract Administrator 2 to support divisions and capital program	1.0	97,073	-
	Purchasing Manager to support divisions and capital program	1.0	112,740	-
	Buyer 3 to support complex procurement and capital program	1.0	102,664	-
	PCS Construction Manager III for capital and expense projects	1.0	43,490	-
	PCS Administrative Assistant	1.0	59,585	-
	Aviation Graphic Designer to develop airport signage and promotional materials	1.0	106,713	-
	Maritime Financial Analyst II to implement Marine Maintenance project budgeting	1.0	104,192	-
	Aviation Sr. Financial Systems & Business Analyst	1.0	84,160	-
	Aviation Financial Analyst II - Grants and Capital Programs	1.0	72,097	-
	Postage for Mailers to Communities	-	30,000	-
	Sea-Tac Stakeholder Advisory Round Table (StART) Facilitation to build relationships and collaboration for the surrounding communities.	-	75,000	-
	Creative services to support Port marketing of key events	-	-	100,000
	Staff training for new Constituent Resource Management (CRM) Database	-	-	25,000
Service Quality and Brand Performance Measurement System (for Sea-Tac, branding, etc.) reduction	-	-135,000	-	
Total		10.0	912,414	525,000
Portwide Goal No. 2				
Capably execute all Port programs within the Five-Year Capital Investment Plan	Sustainable Airport Master Plan Environmental Review	-	-	1,500,000
	International Arrivals Facility (IAF) Executive Review Panelist Consultants	-	-	125,000
	Rational Decision Analysis Modeling Consultant to aid in appraisal of operational and capital work situations	-	-	80,000
	Terminal 46 Cruise Facility Community Engagement	-	-	135,000
	Engineering Design Technician for capital and expense projects	1.0	31,153	-
	Design Engineer 2 (Civil/Structural)	1.0	37,037	-
	Building Informational Modeling Design Technology Specialist	1.0	87,464	-
	Construction Management Systems Analyst to support CIP and SAMP project	1.0	109,164	-
	Construction and Inspections Permitting Liaison	-	60,000	-
Total		4.0	324,818	1,840,000
Portwide Goal No. 3				
Drive Regional and Statewide Economic Vitality	Regional Transportation Graduate Student Intern	0.50	-	24,863
Total		0.5	-	24,863
Portwide Goal No. 4				
Advance Environmental Sustainability of the Port and Region	Commission Consultant for Biofuels	-	-	50,000
	Earth Day 2020 Community Engagement	-	-	50,000
	Program costs for Aviation Environmental Engagement Program Manager	-	17,000	-
	Permanent Environmental Engagement Program Manager	1.0	147,913	-
	Carbon Policy Assistance	-	-	150,000
	Duwamish Valley Community Action: Project Design and Permitting for shoreline restoration	-	25,000	-
	Staff support for Orca Recovery Initiative planning and implementation	1.0	143,704	-
	Southern Resident Orca Recovery Program	-	50,000	-
	Staff Support for implementation of Sustainability In Capital Design	1.0	81,128	-
	College Intern Recycling	0.5	32,373	-
	Contaminated Site Management, PFAS	-	255,000	-
	Flight Corridor Safety Program Habitat Management	-	-	60,000
	Environmental Program Manager	1.0	84,797	-
	Transportation Management Association Support that will provide commute trip reduction benefits	-	-	50,000
	National Pollutant Discharge Elimination System (NPDES) Permit Renewal Application Support	-	-	75,000
	Ground Noise Study	-	-	100,000
	Noise Programs Coordinator	1.0	35,391	-
	Noise Contours	-	-	25,000
	Duwamish Valley Community Action: Habitat Restoration and Stewardship to provide youth "green training" to improve social equity	-	40,000	-
	Commuter Benefits Program Enhancements	-	70,000	-
Total		5.5	982,305	560,000

Central Services Priority	Resources to support Portwide Goals	2020 Budget Requests		
		FTEs	Baseline	One-time
Portwide Goal No. 5				
Enhance Workforce Development to Support Regional Port-Related Industries	Maritime Secondary Education	-	100,000	-
Total		-	100,000	-
Portwide Goal No. 6				
Expand Equity, Diversity, and Inclusion within the Port and across the Region to make tangible differences and deliver benefits for all	Non-English Language Proficient Communications	-	-	40,000
	Equity Diversity and Inclusion (EDI) Aviation Manager	1.0	162,183	-
	EDI Analyst, Data/Research and Policy Analysis	1.0	146,202	-
	Manager EDI Communications	1.0	162,183	-
	Implementation of the new EDI strategy	-	175,000	-
	Duwamish Valley Community Equity Program	-	292,000	-
Total		3.0	937,568	40,000
Portwide Goal No. 7				
Operate as a Highly Effective and Equitable Public Agency	Port Management Training Program	-	34,125	-
	Port Management Training Program/Talent Development Specialist	1.0	116,686	-
	Applicant Tracking System and Implementation Consulting Services	-	43,000	-
	Compensation Program Consulting Support	-	75,000	-
	Temporary Agency Services	-	35,000	-
	Workers Comp Claims and Safety Administrative Assistant	1.0	100,770	-
	Sr. Talent Acquisition Representative	1.0	140,923	-
	Employee Relations Consultant	1.0	105,465	-
	Increase in Outside Legal Services	-	250,000	-
	Insurance tracking platform/cloud based	-	40,000	-
	Increase in software costs	-	676,000	-
	Network hardware maintenance	-	133,000	-
	Rightsize PC Refresh cost	-	322,000	-
	Software Developers to Sales Force Systems to provide new features and support	1.0	39,836	-
	Desktop Support Specialist	1.0	109,467	-
	Software Test Engineer	1.0	37,173	-
	Web Coordinator	1.0	89,588	-
	Storytelling with Data Workshops	-	-	17,500
	Storytelling Consultant	-	-	25,000
	Conferences / Travel	-	-	20,000
	OSI Administrative Assistant	1.0	87,998	-
	Disruptions Summit	-	-	10,000
	Jail Cost Increase	-	50,000	-
	Police/Fire Communication Specialist	1.0	80,141	-
	Police Specialist	1.0	67,018	-
	Credit Analyst	1.0	125,018	-
	SharePoint Migration Oversight	-	-	15,000
	East King County Community & Government Relations Program Budget	-	70,500	-
	Port-Hosted Travel Education Program	-	100,000	-
	Savings/Offset (OT Reduction) for Police	-	-450,000	-
	Savings offset for External Relations	-	-180,000	-
	Commission Contingency Reduction	-	-50,000	-
Total		12.0	2,248,709	87,500
Central Services Total - 2020 Budget Requests		35.0	5,505,815	3,077,363

The following Tables VII-2 and VII-3 and Figure VII-1 illustrate the administrative expense for Central Services by department and by account:

TABLE VII-2: CENTRAL SERVICES EXPENSE BY DEPARTMENT

(\$ in 000's)		2018	2019	2020	% Change
BY DEPARTMENT	Notes	Actual	Budget	Budget	2020 Bud- 2019 Bud
EXPENSES BEFORE CHARGES TO CAP/GOVT/ENVRs PROJECTS					
Commission		\$ 1,848	\$ 2,153	\$ 2,165	0.5%
Executive		2,136	1,995	2,355	18.1%
Legal		3,995	3,624	4,059	12.0%
External Relations		7,362	8,367	11,174	33.5%
Human Resources		8,430	10,250	11,690	14.0%
Labor Relations		1,079	1,330	1,386	4.2%
Internal Audit		1,521	1,916	1,749	-8.7%
Accounting & Financial Reporting		7,199	8,500	9,024	6.2%
Information & Communications Technology		25,413	27,774	30,301	9.1%
Finance & Budget		5,645	6,635	7,215	8.7%
Business Intelligence		1,323	2,139	2,209	3.2%
Risk Services		3,095	3,328	3,438	3.3%
Office of Strategic Initiatives		1,596	1,776	1,619	-8.8%
Central Procurement Office		6,072	6,847	8,230	20.2%
Security and Preparedness		376	-	-	0.0%
Information Security		954	1,774	1,968	11.0%
Equity, Diversity and Inclusion		1,561	3,271	4,465	36.5%
Contingency		185	250	(2,702)	-1180.6%
Environment & Sustainability		10,306	14,916	14,565	-2.4%
Police		23,911	30,778	31,444	2.2%
Engineering		23,707	32,088	33,559	4.6%
Port Construction Services		8,081	7,911	9,627	21.7%
Total Expenses Before Charges to Cap/Govt/Envrs Projects	1	145,795	177,620	189,541	6.7%
CHARGES TO CAPITAL/GOVT/ENVRs PROJECTS					
		(29,699)	(37,720)	(39,210)	4.0%
OPERATING & MAINTENANCE EXPENSE					
Commission		1,848	2,153	2,165	0.5%
Executive		2,136	1,995	2,355	18.1%
Legal		3,948	3,568	4,001	12.1%
Public Affairs		7,362	8,367	11,070	32.3%
Human Resources		8,430	10,250	11,690	14.0%
Labor Relations		1,079	1,330	1,386	4.2%
Internal Audit		1,521	1,916	1,749	-8.7%
Accounting & Financial Reporting		6,842	8,500	9,024	6.2%
Information & Communications Technology		21,961	23,966	26,013	8.5%
Finance & Budget		5,593	6,371	7,039	10.5%
Business Intelligence		1,323	2,139	2,209	3.2%
Risk Services		3,095	3,328	3,438	3.3%
Office of Strategic Initiatives		1,596	1,776	1,619	-8.8%
Central Procurement Office		4,630	4,678	5,988	28.0%
Security and Preparedness		376	-	-	0.0%
Information Security		934	1,774	1,968	11.0%
Equity, Diversity and Inclusion		1,561	3,271	4,465	36.5%
Contingency		185	250	(2,702)	-1180.6%
Environment & Sustainability		8,770	13,224	12,866	-2.7%
Police		23,908	30,778	31,444	2.2%
Engineering		5,478	7,530	8,796	16.8%
Port Construction Services		3,522	2,739	3,748	36.8%
Total Operating Expenses	1	\$ 116,097	\$ 139,900	\$ 150,331	7.5%

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Notes:

1) Does not include adjustment for charges into Corporate Sub-Classes from Divisions.

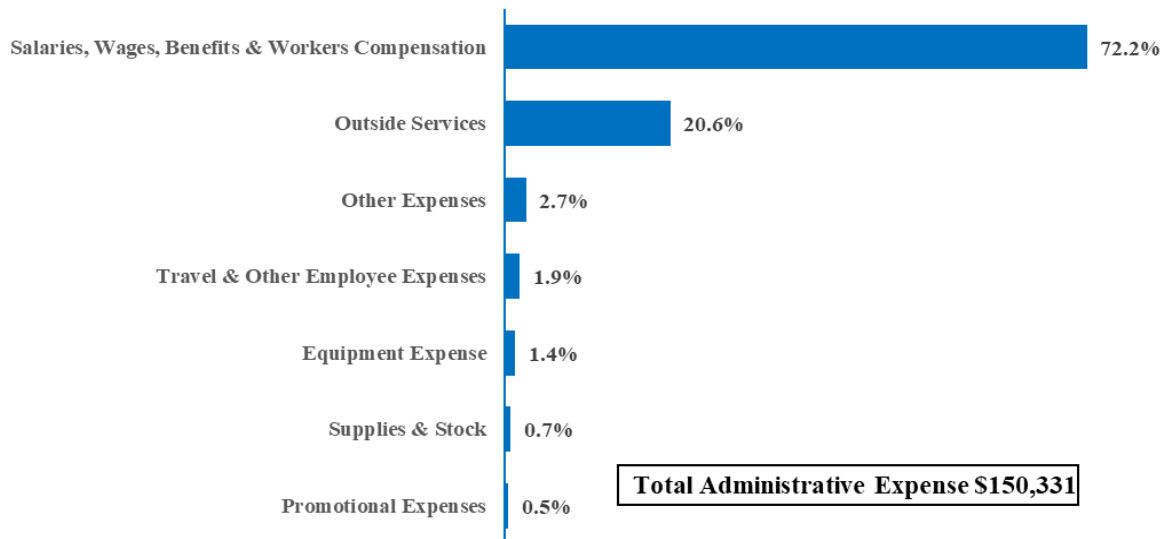
TABLE VII-3: REVENUES AND EXPENSES BY ACCOUNT

(\$ in 000's)					
BY ACCOUNT	Notes	2018 Actual	2019 Budget	2020 Budget	% Change 2020Bud- 2019 Bud
Revenue					
Property Rental Revenue		9	-	-	0.0%
Other Revenue		(509)	185	40	-78.4%
Total Administrative Revenue		(500)	185	40	-78.4%
Expense					
Salaries, Wages, Benefits & Workers Compensation		106,339	128,326	136,829	6.6%
Equipment Expense		3,985	2,265	2,568	13.4%
Utilities		36	52	49	-5.0%
Supplies & Stock		1,261	1,215	1,415	16.5%
Outside Services		27,754	36,512	39,095	7.1%
Travel & Other Employee Expenses		2,425	3,466	3,585	3.4%
Promotional Expenses		502	486	939	93.2%
Other Expenses		3,492	5,299	5,061	-4.5%
Total Operating Expenses Before Charges to Cap/Govt/Envrs Projects		145,795	177,620	189,541	6.7%
Charges to Capital/Govt/Envrs Projects		(29,699)	(37,720)	(39,210)	4.0%
Total Administrative Expense		\$ 116,097	\$ 139,900	\$ 150,331	7.5%

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FIGURE VII-1: CENTRAL SERVICES EXPENSE BY ACCOUNT

(\$ in 000's)



E. STAFFING

Central Services is budgeting 914.4 FTEs for 2020, which is 51.8 FTEs higher than the 2019 budget. The following TABLE VII-4 depicts the proposed staffing requirements for 2020 by department for Central Services. Please see the notes on the following page for further explanations.

TABLE VII-4: CENTRAL SERVICES STAFFING

STAFFING (Full-Time Equivalent Positions)						
BY DEPARTMENT	Notes	2018 Actual	2019 Budget	2019 Est. Act.	2020 Budget	% Change 2020 Bud - 2019 Bud
Commission		15.5	15.5	15.5	15.5	0.0%
Executive Office	1	5.5	5.5	6.5	6.0	9.1%
Legal	2	16.5	16.5	17.0	17.0	3.0%
External Relations	3	34.5	34.5	36.5	38.0	10.1%
Human Resources	4	68.1	68.1	71.1	75.1	10.3%
Labor Relations		7.0	7.0	7.0	7.0	0.0%
Internal Audit	5	10.2	11.2	11.2	11.0	-1.8%
Accounting & Financial Reporting	6	56.4	56.4	56.7	57.7	2.2%
Information & Communication Technology	7	124.0	124.0	127.0	131.0	5.6%
Finance & Budget	8	11.0	12.3	12.3	12.0	-2.0%
Aviation Finance & Budget	9	15.0	15.5	15.5	17.5	12.9%
Maritime Finance & Budget	10	12.3	13.3	13.6	14.6	9.4%
Business Intelligence	11	9.3	10.3	11.3	11.3	9.8%
Risk Services		6.0	6.0	6.0	6.0	0.0%
Office of Strategic Initiative	12	9.0	8.3	8.3	9.0	9.1%
Central Procurement Office	13	44.0	47.0	47.0	51.0	8.5%
Information Security		6.0	8.0	8.0	8.0	0.0%
Office of Equity, Diversity and Inclusion	14	0.0	2.0	6.0	9.0	0.0%
Police	15	162.0	166.0	167.0	169.0	1.8%
Capital Development Administration	16	2.0	2.0	0.0	0.0	-100.0%
Engineering	17	130.8	138.8	137.8	141.8	2.2%
Port Construction Services	18	49.0	51.0	56.0	58.0	13.7%
Environment & Sustainability	19	42.6	43.6	45.6	49.1	12.6%
TOTAL CENTRAL SERVICES	20	836.6	862.6	882.6	914.4	6.0%

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Notes:

- 1) Executive office added 1.0 FTE (Deputy Chief of Staff) in 2019 and will eliminate a 0.5 FTE (Limited-duration College Intern) for 2020.
- 2) Legal added a 0.5 FTE (College Intern) for 2019.
- 3) During 2019, External Relations received approval for 3.0 FTEs (East King County Community Engagement Gov't. Relations Manager, Administrative and Policy Specialist, and Community Engagement Program Manager); received 1.0 FTE (Capital Project Marketing Specialist) from Engineering; and transferred 2.0 FTEs (Administrative Assistant and Director of Social Responsibility) to Office of Equity, Diversity and Inclusion. For 2020, External Relations will add 1.0 FTE (Graphic Designer), a 0.5 FTE (Regional Transportation Graduate Intern), and will convert 1.0 Limited-duration FTE (Env. Engagement Program Manager) to a permanent position.

- 4) Human Resources added 3.0 FTEs (HR Data Analyst, Workers Compensation Claims Manager, and Commuter Benefits Program Administrator) in 2019. For 2020, Human Resources will add 4.0 FTEs (Port Management Training Program/Talent Development Specialist, Workers Comp Claims and Safety Administrative Assistant, Sr. Talent Acquisition Representative, and Employee Relations Consultant).
- 5) Internal Audit will eliminate a 0.2 FTE (College Intern) in 2020.
- 6) Accounting & Financial Reporting added a 0.25 FTE (College Intern) in 2019 and will add 1.0 FTE (Credit Analyst) in 2020.
- 7) During 2019, Information & Communication Technology (ICT) added 1.0 FTE (Desktop Support Specialist for Police support) and received 2.0 FTEs (Telecomm Infrastructure Engineer and Project Manager) from Engineering. ICT will add 4.0 FTEs (Software Developer to Sales Force Systems, Desktop Support Specialist, Software Test Engineer, and Web Coordinator) in 2020.
- 8) Finance and Budget will eliminate a 0.25 FTE (Limited-duration Sr. Port Budget Analyst) in 2020.
- 9) Aviation Finance & Budget will add 2.0 FTEs (Sr. Financial Systems & Business Analyst and Financial Analyst II - Grants and Capital Programs) in 2020.
- 10) Maritime Finance & Budget added a 0.25 FTE (College Intern) in 2019 and will add 1.0 FTE (Financial Analyst II) in 2020.
- 11) Business Intelligence (BI) will add 1.0 FTE (BI Assistant) in 2020.
- 12) Office of Strategic Initiative will eliminate a 0.25 FTE (Limited-duration Program Manager) and add 1.0 FTE (Administrative Assistant) in 2020.
- 13) Central Procurement Office will add 4.0 FTEs (CPO Liaison and Customer Service Manager, Contract Administrator II, Buyer 5/Purchasing Manager, and Buyer 3) in 2020.
- 14) During 2019, Office of Equity, Diversity and Inclusion (EDI) received 2.0 FTEs (Administrative Assistant and Director of Social Responsibility) from External Relations. Additionally, Workforce Development department (with 2.0 FTEs: Manager and Sr. Administrative Assistant) was transferred from Economic Development Division. In 2020, EDI will add 3.0 FTEs (EDI Aviation Manager, Data/Research and Policy Analyst, and Manager/EDI Communications).
- 15) Police added 1.0 FTE (Auto Theft Task Force Detective) in 2019 and will add 2.0 FTEs (Police Specialist and Police/Fire Communications Specialist) in 2020.
- 16) Capital Development Administration was eliminated as part of the 2019 organizational realignment.
- 17) In 2019, Engineering transferred 2.0 FTEs (Electronic Tech Systems Foreman) to Aviation Maintenance, 2.0 FTEs (Project Manager and Telecommunications Infrastructure Engineer) to ICT, and 1.0 FTE (Capital Project Marketing Specialist) to External Relations. Engineering also received mid-year approval for 4.0 FTEs (Construction Labor Specialist, 2 Construction Inspector II and Resident Engineer II). A total of 4.0 FTEs (Engineering Design Technician, Design Engineer 2 (Civil/Structural), BIM Design Technology Specialist, and Construction Management Systems Analyst) will be added in 2020.
- 18) Port Construction Services added 5.0 FTEs (laborers) in 2019 and will add 2.0 FTEs (Administrative Assistant and PCS Construction Manager III) in 2020.
- 19) Environmental & Sustainability added 2.0 FTEs (Limited-duration Sr. Env. Management Specialist and Transportation Management Program Manager) in 2019. For 2020, Environmental & Sustainability will add 4.0 FTEs (Orca Recovery Initiative Planning and Implementation staff, Support staff for the Implementation of Sustainability in Capital Design, Env. Program Manager, Noise Programs Coordinator, and 0.5 Intern for the Recycling Program); and transfer 1.0 FTE (Sr Environmental Program Manager) to the Stormwater Utility.
- 20) Total FTE count for 2019 Budget was adjusted to reflect 940.30 instead of 940.35 due to discrepancy in Intern count.

F. CAPITAL BUDGET

Central Services has a total capital budget of \$15.0 million for 2020. For more detail refer to the Capital Improvement Plan, Section IX.

TABLE VII-5 provides a summary of the Central Services 2020-2024 capital budget.

TABLE VII-5: CENTRAL SERVICES CAPITAL BUDGET

(\$ in 000's)	2020 Budget	2020-2024 CIP	% of 2020 Total Committed
Committed Capital Projects			
ICT Business Services	\$ 10,057	\$ 21,061	73.4%
General and Capital Development	3,646	10,976	26.6%
Total Committed	\$ 13,703	\$ 32,037	100.0%
Business Plan Prospective Projects	\$ 6,345	\$ 11,170	
CIP Cashflow Adjustment Reserve	\$ (5,000)	\$ -	
Total CIP	\$ 15,048	\$ 43,207	

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G. FINANCIAL AND FTE SUMMARY

TABLE VII-6: FINANCIAL AND FTE SUMMARY

(\$ in 000's)	Actual 2018	2019		Budget 2020	Growth 2020Bud- 2019 Bud
		Budget	Forecast		
OPERATING BUDGET Notes					
Operating Revenue	\$ (500)	\$ 185	\$ 498	\$ 40	-78.4%
Central Services Expense	92,188	109,122	105,357	118,887	8.9%
Law Enforcement Costs	23,908	30,778	29,578	31,444	2.2%
Total	116,097	139,900	134,934	150,331	7.5%
Income from Operations	\$ (116,597)	\$ (139,715)	\$ (134,436)	\$ (150,291)	7.6%
CAPITAL SPENDING	\$ 9,707	\$ 13,482	\$ 11,414	\$ 13,703	1.6%
TOTAL FTEs	836.6	862.6	882.6	914.4	6.0%

admhist.xls

VIII. TAX LEVY

TAX LEVY

A. TAX AT A GLANCE

- The maximum allowable levy for 2020 is \$106.3 million.
- For 2020 the preliminary levy is \$76.38 million, a three percent increase over the 2019 levy of \$74.16 million.
- The estimated 2020 millage rate is \$0.120.
- The 2020 levy will be used for:
 - General Obligation (G.O.) Bonds Debt Service
 - Capital projects specifically endorsed by the Commission
 - Regional Transportation projects
 - Environmental Remediation
 - Airport Community Ecology funding and energy and sustainability policy directives
 - Workforce development, tourism and economic development partnership grants
 - City of SeaTac safety enhancements
 - Local community advertising at Sea-Tac Airport
 - Highline Schools Noise Projects
 - South King County Fund
 - Sustainable Aviation Fuels and Air Emissions Program
 - Duwamish Valley Community Equity Program

B. TAX LEVY SOURCES

TYPES AND LIMITS OF LEVIES:

Regular Tax Levy

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property value listed as of the prior year. Assessed values are established by the County Assessor at 100% of fair market value. A re-evaluation of all properties is required annually.

Taxes are due in two equal installments on April 30 and October 31. Collections are distributed to the Port by the County Treasurer.

The Port is permitted to levy up to \$0.45 per \$1,000 of Assessed Valuation for general Port purposes under Washington State law in Revised Code of Washington (“RCW”) Chapter 53.36. The levy may go beyond the \$0.45 limit to provide for G.O. Bonds debt service. However, the rate may be reduced below the \$0.45 limit for the following reason: RCW Chapter 84.55 limits the annual growth of regular property taxes to the lesser of 1% or the inflation rate, where inflation is measured by the percentage change in the implicit price deflator for personal consumption expenditures for the United States, after adjustments for new construction. This 1% limit factor was instituted by Initiative 747 that Washington State voters approved in November 2001. Prior to the passage of the Initiative, the growth limit was the lesser of 6% or the inflation rate (for levy limit calculation see Section XI Statutory Budget).

FIGURE VIII-1 shows the maximum levy permitted by law versus the actual levy levied by the Port from 1991 (the last year the Port levied the maximum) to 2020. In 1989, the law was changed whereby a port could have a levy at less than the maximum while preserving the ability to tax up to the maximum in the future if the need is justified. This allows a port to tax at the lower level in the years when the maximum levy is not required, but return to the maximum level in years of need. Since 1991, on a cumulative basis, the Port has levied a total of \$551 million less than it could have if it had levied the maximum allowable levy each year.

FIGURE VIII-1: ACTUAL TAX LEVY VS. MAXIMUM ALLOWABLE LEVY: 1991-2020

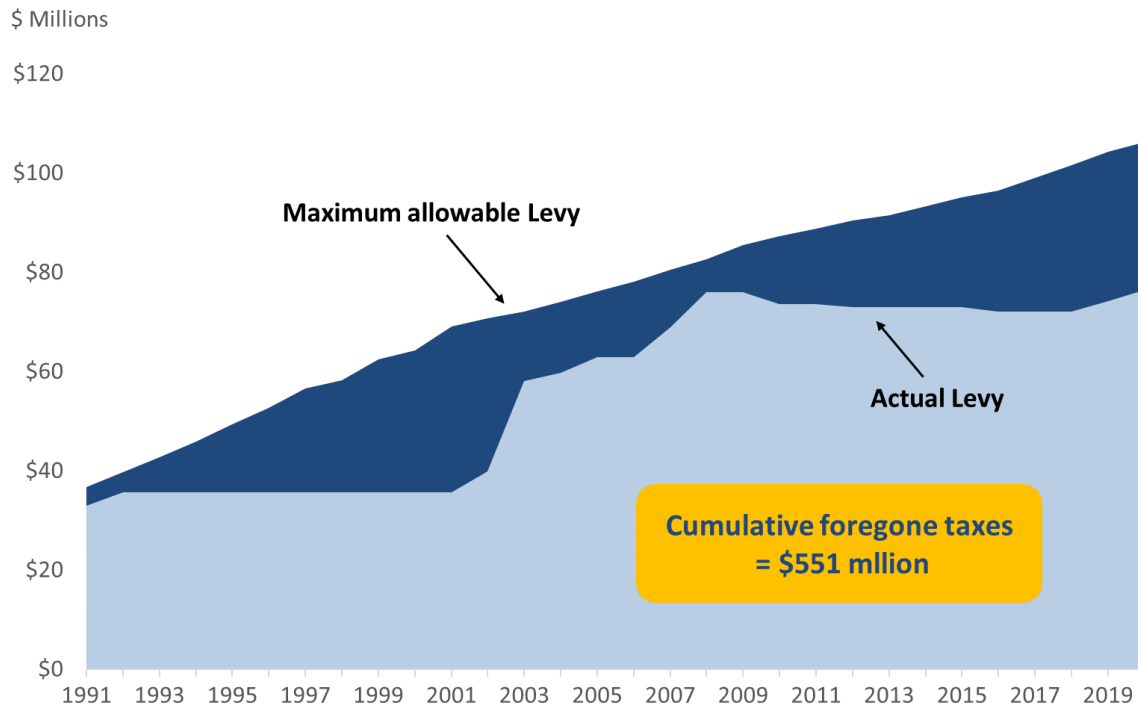
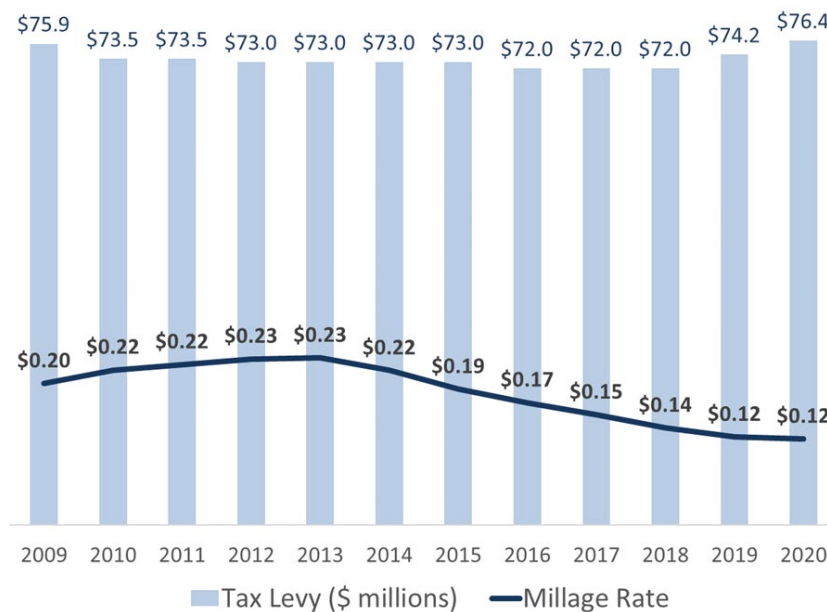


FIGURE VIII-2 shows the historical millage rate from 2009 to 2020.

FIGURE VIII-2: TAX LEVY VS. MILLAGE RATE 2009-2020



Special Tax Levies

Special levies approved by the voters are not subject to the same limitations as the regular levy.

The Port can levy property taxes for dredging, canal construction, leveling or filling upon approval of the majority of voters within the Port District, not to exceed \$0.45 per \$1,000 of Assessed Value of taxable property within the Port District.

Industrial Development District Tax Levies

The Port may also levy property taxes for Industrial Development Districts (under a comprehensive scheme of harbor improvements), for two multi-year periods. The Port of Seattle levied the tax for a six-year period between 1963 and 1968 for property acquisition and development of the lower Duwamish River. In 2015, the rules governing the IDD tax levy were modified by the Washington State Legislature. Under the new rules, if the Port intends to levy this tax for a second multi-year period (not to exceed twenty years), the Port must adopt a resolution approving the use of the second levy period and publish notice of intent to impose such a levy no later than April 1 of the year prior to the first collection year. If a petition is filed with signatures of at least eight percent (8%) of the voters, the question of whether or not the levy can be imposed will be decided by voters. The amount of the Industrial Development Levy that could be imposed is now calculated on the Assessed Valuation of taxable property within the Port District in the year prior to the first collection year. This aggregate amount is calculated at \$2.70/\$1,000 of assessed value and represents the total amount that can be levied over the second levy period. The Port has not levied the second multi-year period, but if the Port were to Levy under this law, Port may levy up to an estimated \$1.8 billion over the twenty-year period, with the collection period beginning no sooner than 2021.

C. TAX LEVY USES

During the annual budget process, the Commission reviews and approves the amount of and use of the tax levy. For 2020 the preliminary tax levy is \$76.38 million, a 3% increase from the \$74.16 million levy in 2019. This increase will help fund a significant 2020-2024 capital improvement plan that invests in key maritime and economic development projects aimed at maintaining Port assets, advancing maritime industries, supporting Seattle's working waterfront, and investing in local communities and the environment. Such projects include Northwest Seaport Alliance (NWSA) container improvements in the North Harbor (Seattle), specifically the Terminal 5 modernization effort, as well as redevelopment efforts at Fisherman's Terminal and Terminal 91, and habitat restoration at Terminal 117.

The 2020 levy is expected to fund \$39.8 million in G.O. bond debt service. See Table VIII-2 for the complete allocation of 2020 G.O. bond debt service by project.

In 2020, the Port estimates funding \$24.8 million of capital expenditures with the tax levy. In addition to the projects already noted, other projects include NWSA container infrastructure improvements at facilities located in the North Harbor, other maritime projects in support of the fishing industry, uplands industrial development and berth improvement projects at Terminal 91, as well as the modernization of Bell Harbor International Conference Center at Pier 66. The levy is also expected to fund an additional \$8.2 million in environmental remediation expenses in 2020.

The levy has not traditionally been used for projects at the Airport; however, the Commission has approved the use of the levy for specific community benefit programs not otherwise eligible for Airport funding due to FAA regulations. These include safety enhancements in the City of SeaTac and noise mitigation improvements at certain Highline School District schools near the Airport. The timing of Highline School District funding is dependent on the Highline School District, with certain spending expected in 2020.

In 2019, the Commission approved an additional \$15 million for two key airport programs; spending on these programs that is not eligible for airport funding is expected to come from the tax levy. The programs are \$5 million for the development of sustainable airport fuels and reduction of air emissions at the Airport, and \$10

million for the support of Airport area communities in south King County. Specific uses, guidelines, and timelines for these expenditures are currently being developed, and may include support for addressing airport noise and for other projects that support environmental health and enhance sustainability.

The remaining tax levy uses in 2020 go towards various community programs including: workforce development, small business, tourism grants, economic development partnership grant initiatives, energy and sustainability policy directives, Duwamish Valley Community Equity funding, Airport Community Ecology funding, and support for a local community advertising program at the Airport which aims to showcase nearby cities and destinations.

TABLE VIII-1 provides a summary of estimated Sources and Uses of the tax levy in 2020.

TABLE VIII-1: SOURCES AND USES OF TAX LEVY

	Notes	2020 (\$ in 000's)
<u>SOURCES</u>		
Prior Year Tax Levy Fund Balance		\$ 10,597
Projected Tax Levy Collection		76,385
Grants & Other Reimbursements		13,313
Total Projected Sources		100,295
<u>USES</u>		
G.O. Debt Service		39,783
Capital Expenditures		24,783
<i>Other Expenditures:</i>		
Environmental Remediation Liability (Non-Aviation)	1	8,184
NWSA Membership Interest Contribution		5,500
Environmental Grants (ACE) and Energy and Sustainability		772
Workforce Development & EDD Partnership Program		2,362
Duwamish Valley Community Equity Program		292
Tourism Grants		200
Local Community Advertising Program		1,148
Workforce Development Pilot Program - Airport		300
South King County Fund		1,500
Sustainable Aviation Fuels and Air Emissions Programs		-
City of SeaTac Safety Enhancements		1,400
Highline Schools Noise Projects		3,472
Total Projected Other Expenditures		25,131
Total Projected Uses		89,698
Projected Ending Tax Levy Fund Balance		\$ 10,597

Notes:

- 1) Includes projected cashflows for environmental projects already or expected to be booked as liabilities.

The tax levy, by Washington State statute, may be used broadly for general Port purposes. The Port’s policy has been to prioritize the use of the levy to first pay debt service on previously issued G.O. bonds, which most recently funded the Port’s contribution to the Alaskan Way Viaduct replacement program. G.O. bonds also helped fund critical capital infrastructure investments in and around the Seattle Harbor, including container terminal upgrades and expansions, Fishermen's Terminal improvements, and dock renewals and upgrades at the Terminal 86 grain facility and Terminal 115. The Port forecasts \$39.8 million in G.O. bond debt service in 2020, which is approximately 52% of the total 2020 levy.

TABLE VIII-2 provides the allocation of existing G.O. bond debt service scheduled in 2020 to the projects that were previously funded by G.O. bonds.

TABLE VIII-2: EXISTING G.O. BOND DEBT SERVICE BY PROJECTS AND GROUP

	2020 (\$ in 000's)
Containers	
East Waterway Dredging	\$ 732
T-5 Expansion & Upgrades	2,444
T-46 Expansion Redevelopment	4,219
T-18 Expansion & Upgrade	11,041
T-115 Yard Upgrades	176
Total Containers	18,613
Docks and Commercial Properties	
T-91 Apron & Infrastructure Improvements	2,851
Pier 17 Dock Replacement	105
T-86 Terminal Upgrades	125
Total Docks and Commercial Properties	3,081
Public Expense	
Alaskan Way Viaduct Replacement	15,924
Economic Development Commercial Properties	
World Trade Center	541
Fishing	
Fishermen's Terminal Docks & Seawall Renewal	1,625
Total G.O. Bond Debt Service	\$ 39,783

The Port has also used existing tax levy funds to support the following:

- **Transportation & Infrastructure Reserve Fund (TIF)**

From time to time, the Port partners with the State and other local governments to invest in mutually beneficial transportation initiatives. The Port currently has an estimated \$66.7 million of tax levy funds set aside in the Commission-designated Transportation & Infrastructure Reserve Fund (TIF), which has been and will be used to fund the Port’s contribution and obligations towards multiple regional mobility and transportation efforts. See Table VIII-3 for summary of project spending.

TABLE VIII-3: USES OF TRANSPORTATION AND INFRASTRUCTURE FUND

(\$ in 000's)	2020	Future Obligations
Beginning TIF Balance	\$ 66,706	\$ 55,186
Project Spending:		
Safe and Swift Corridor	8,500	7,500
Seattle Heavy Haul Network	2,000	16,000
State Route 509	-	30,000
Other	1,020	730
Total Project Spending	\$ 11,520	\$ 54,230
Ending TIF Balance	\$ 55,186	\$ 956

In 2015, the Port entered into a Memorandum of Understanding (MOU) with the City of Seattle to establish a heavy haul network, which will allow heavier cargo containers to be transported between the Port of Seattle, industrial businesses and rail yards. The MOU provides the framework to repair and build roadways within the network, calls for semi-annual safety inspections of heavy haul trucks, and aligns weight regulations with the state and other municipalities across the country. The heavy haul network will also eliminate citations from the State Patrol to truck drivers for carrying overweight loads. As part of this MOU, the Port agreed to fund between \$10.0 million and \$20.0 million over a 20-year period for existing and future roadway repairs and reconstruction within the network. The Port forecasts \$2.0 million of this funding will occur in 2019.

As the Puget Sound region continues to experience unprecedented growth, the increased traffic has created mobility and safety challenges within local transportation corridors. In 2017, the Port entered into an MOU for \$20 million with the City of Seattle to launch the Safe and Swift Corridor Program to support projects and other efforts to improve transportation flow and safety along key freight transportation corridors, including South Spokane Street, 15th Avenue West/Elliott Avenue West/Mercer Street and Lander Street Bridge (currently underway and expected to be complete in mid-2020). The Port forecasts \$4.0 million of this funding will occur in 2019.

In 2018, the Port, along with multiple local cities, entered into an MOU with the State of Washington for the Gateway Program. The Port agreed to provide \$30 million of funding for Washington State Route 509 improvements near the Airport.

The TIF will also help continue funding other public expense items related to regional mobility and transportation such as East Marginal Way grade separation, North Argo Yard Express Access, and the Freight Action Strategy for Seattle-Tacoma (FAST) Corridor Partnership.

- **Harbor Development Fund (HDF)**

The Port established the Harbor Development Fund (HDF) in 2017, which was designated to support NWSA capital projects in the North Harbor, most significantly the modernization of Terminal 5. The Port anticipates contributing an additional \$50 million of tax levy funds to the HDF in 2019, giving the HDF a total of approximately \$96 million to help fund these capital improvements.

D. GENERAL OBLIGATION CAPACITY

Non-Voted and Voted General Obligation Debt Limitations

Under Washington State law the Port may incur indebtedness payable from ad valorem taxes in an amount not exceeding one-fourth of one percent of the value of the taxable property in the District without a vote of the people. With the assent of three-fifths of the voters voting thereon, the District may incur additional G.O. indebtedness provided the total indebtedness of the Port at any time shall not exceed three-fourths of one percent of the value of the taxable property in the District. For the Port, the following estimates the 2020 debt limit:

Value of Taxable Property ⁽¹⁾	<u>\$ 636,879,445,421</u>
Debt Limit, Non-Voted General Obligation Bonds (.25% of Value of Taxable Property)	1,592,198,614
Less: Outstanding Non-Voted General Obligation Bonds as of 12/31/2019	335,470,000
Less: Capital leases and other general obligations as of 9/30/2019	-
Remaining Capacity of Non-Voted General Obligation Debt	<u>\$ 1,256,728,614</u>
Debt Limit, Total General Obligation Debt (.75% of Value of Taxable Property)	4,776,595,841
Less: Total Outstanding General Obligation as of 12/31/2019	335,470,000
Less: Capital leases and other general obligations as of 9/30/2019	-
Remaining Capacity of Total General Obligation Debt	<u>\$ 4,441,125,841</u>

⁽¹⁾ Preliminary assessed valuation as of 10/1/2019

The Port may levy property taxes sufficient for the payment of principal and interest on voted G.O. indebtedness. The existing limitation provides that unless a higher rate is approved by a majority of the voters at an election, the increase in regular total property taxes payable in the following year shall not exceed the lesser of inflation or one percent of the amount of regular property taxes lawfully levied for such district in the highest of the three most recent years in which such taxes were levied for such district, plus an additional dollar amount calculated by multiplying the increase in assessed value in that district resulting from new construction and improvements to property by the regular property tax levy rate of that district for the preceding year. With a super majority vote, the Port Commission can increase the levy by 1% if inflation is less than 1%.

Interaction between General Purpose Levy and General Obligation Debt Capacity

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

The Port targets to use no more than 75% of the annual levy collection for debt service and to retain at least 25% for general purposes. In 2020, debt service is projected to comprise 52% of the total levy collected.

E. TAXPAYER EFFECT

For 2020 the preliminary tax levy is \$76.38 million, a 3% increase from the \$74.16 million levy in 2019. The median King County homeowner will pay an estimated \$73.32 in taxes to the Port of Seattle in 2020 compared to \$71.59 in 2019, an increase of \$1.74, based on an estimated median King County home value of \$611,000 in 2020.

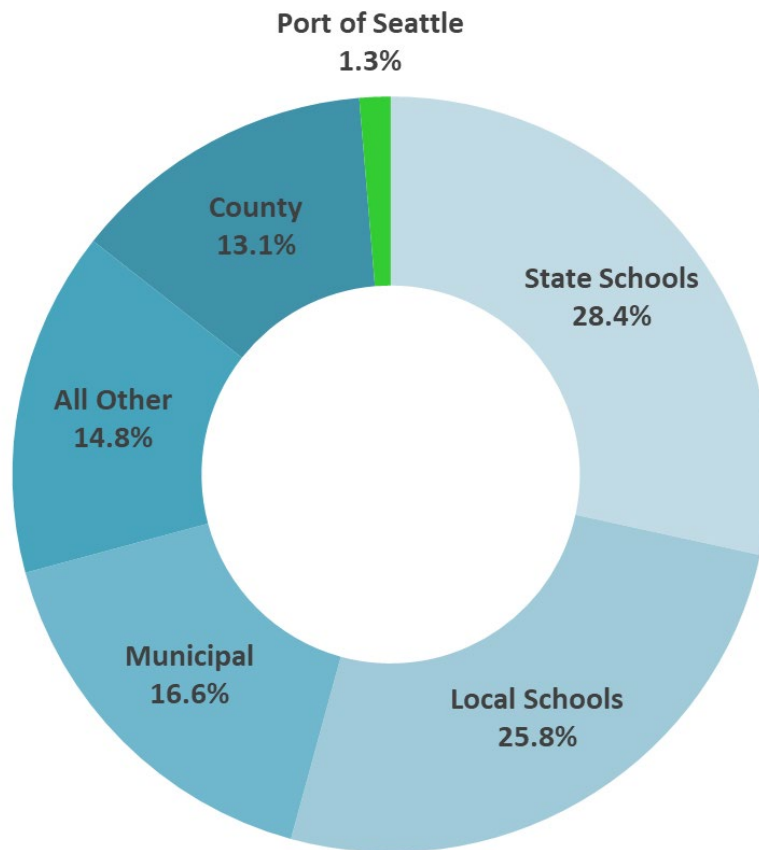
Since 2009, the assessed value has increased 65%, from \$385 billion to approximately \$637 billion for the tax year 2020. During this time, the millage rate (rate paid per \$1,000 Assessed Value) on the Port’s tax levy has decreased 39%, from \$0.20 to \$0.12.

Figure VIII-2 above provides the historical millage rate from 2009 to 2020.

F. COUNTY PROPERTY TAX COMPARISON

In 2019, the Port accounted for 1.3% of the total property taxes collected by the County.

FIGURE VIII-3: 2019 PERCENTAGE OF TAX LEVIES BY TAXING DISTRICT



IX. CAPITAL IMPROVEMENT PLAN

CAPITAL IMPROVEMENT PLAN

The following pages outline the 2020-2024 Capital Improvement Plan (CIP), including both the Port of Seattle CIP as well as the Port’s 50% funding obligation in the Northwest Seaport Alliance (NWSA) CIP.

The Port of Seattle CIP is derived primarily from its operating divisions, namely Aviation, Maritime, and Economic Development (EDD). It also includes CIP related to Central Services (formerly Corporate), Stormwater Utility and other NWSA legacy capital projects that are assumed to be 100% funded by the Port of Seattle. Projects in the Port’s CIP are divided into two categories. **Committed Projects** are ongoing projects or projects that are ready to move forward and for which a funding commitment will be secured. **Business Plan Prospective Projects** are less certain in timing or scope, but are considered critical for achieving business plan goals, and the business unit or division has approved them.

The Port is also responsible for 50% of the NWSA CIP, which includes CIP in both North and South Harbors. Additional detail on the NWSA CIP can be found in Section XII, “The Northwest Seaport Alliance (NWSA).”

In 2019, the Port undertook an evaluation of its actual capital spending compared to the CIP presented in prior budgets. Analysis indicated that on average, the Port spent eighty percent of its five-year CIP, but less than sixty percent of the first year CIP. As a result, the Port is implementing a CIP Cashflow Adjustment Reserve for the 2020 budget to adjust each division’s CIP cashflows to better reflect expected project spending trends in aggregate.

TABLE IX-1: CAPITAL IMPROVEMENT PLAN

(\$ in 000's)	<i>Est/Act</i> ⁽¹⁾						Total <u>2020-2024</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	
Aviation	\$ 660,834	\$ 656,204	\$ 577,314	\$ 471,143	\$ 547,039	\$ 671,262	\$ 2,922,962
Maritime	14,934	42,566	97,112	156,325	41,782	29,079	366,864
Economic Development	5,059	15,801	12,497	19,171	16,735	9,255	73,459
Central Services	11,914	20,048	5,944	5,407	5,816	5,992	43,207
NWSA Joint Venture ⁽²⁾	89	2,805	525	200	27,300	1,000	31,830
Stormwater Utility	1,619	2,104	650	650	650	650	4,704
CIP Cashflow Adjustment Reserve	0	(99,066)	34,000	20,066	25,000	20,000	0
Subtotal - Port CIP	\$ 694,449	\$ 640,462	\$ 728,042	\$ 672,962	\$ 664,322	\$ 737,238	\$ 3,443,026
Payment to the NWSA for Capital Expenditures ⁽³⁾	59,289	62,380	52,145	35,747	19,326	14,500	184,097
Total Port and 50% NWSA CIP	\$ 753,738	\$ 702,842	\$ 780,187	\$ 708,709	\$ 683,648	\$ 751,738	\$ 3,627,123

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Notes:

This table includes Committed and Business Plan Prospective projects.

¹⁾ Estimated/Actual 2019 represents six months of actual spending and six months of projected spending.

²⁾ Includes North Harbor channel deepening and other 100% Port legacy costs.

³⁾ Represents the Port of Seattle's 50% share of NWSA capital expenditures.

AVIATION DIVISION CAPITAL IMPROVEMENT PLAN

General: The Committed CIP is focused on meeting capacity and customer needs, and maintaining existing assets through ongoing renewal and replacement.

TABLE IX-2: AVIATION DIVISION CAPITAL IMPROVEMENT PLAN

(\$ in 000's)	<i>Est/Act</i> ⁽¹⁾						Total 2020-2024
	2019	2020	2021	2022	2023	2024	
Committed Projects							
Airfield	\$ 28,503	\$ 28,861	\$ 74,065	\$ 37,320	\$ 24,159	\$ 36,700	\$ 201,105
Commercial Management	6,424	8,104	2,420	2,901	517	0	13,942
Landside	23,475	22,820	30,002	23,795	34,900	768	112,285
Terminal and Tenants	536,730	441,841	201,800	90,824	65,000	60,194	859,659
Infrastructure	28,634	54,549	43,601	31,136	20,000	16,350	165,636
Sustainable Airport Master Plan ⁽²⁾	4,000	6,000	0	0	0	0	6,000
Stormwater	449	0	0	0	0	0	0
Security	13,377	25,086	24,721	854	0	0	50,661
Noise Program	4,361	20,236	14,358	6,800	977	8,134	50,505
Aviation Division-wide	(118)	1,400	1,400	656	0	0	3,456
Subtotal - Aviation Committed CIP	\$ 645,835	\$ 608,897	\$ 392,369	\$ 194,287	\$ 145,553	\$ 122,146	\$ 1,463,251
Business Plan Prospective Projects ⁽²⁾	14,999	47,307	184,945	276,856	401,486	549,116	1,459,711
CIP Cashflow Adjustment Reserve ⁽³⁾	0	(86,066)	50,000	36,066	0	0	0
Total Aviation CIP	\$ 660,834	\$ 570,138	\$ 627,314	\$ 507,208	\$ 547,039	\$ 671,262	\$ 2,922,962

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Notes:

¹⁾ Estimated/Actual 2019 represents six months of actual spending and six months of projected spending.

²⁾ \$6.0 million of Sustainable Airport Master Plan (SAMP) near-term planning project costs are included in 2020 Committed Projects; \$285.5 million of other SAMP planning and design costs are included in Business Plan Prospective Projects in 2020-2024.

³⁾ Adjustment introduced as part of the 2020 Plan of Finance to reflect more achievable levels of capital spending.

Committed Capital Projects:

International Arrivals Facility (IAF): This project will construct a new Federal Inspection Services (FIS) facility on the east side of Concourse A in order to expand capacity to process arriving international passengers. Construction is underway and the IAF is expected to be in operation by the third quarter of 2020.

North Satellite Renovation & Expansion: In collaboration with Alaska Airlines, the Port will renovate and expand the North Satellite to address seismic concerns; upgrade heating, ventilation, air conditioning (HVAC), lighting, and fixtures; and add eight gates. Construction has started and the first phase was completed in July, 2019. The second phase of the project will be completed in 2021.

Baggage Recapitalization/Optimization: This project will replace and reconfigure baggage screening equipment and operations to improve operational efficiency and increase capacity. The new outbound baggage system will accommodate 60 million annual passengers. The project will be completed in three phases, with the final phase completed by the second quarter of 2025.

Other Committed Capital Projects:

Airfield Pavement Replacement: Annual replacement of aging airfield pavement and joint seals.

Main Terminal Low Voltage System Upgrade: Renewal and replacement of low voltage (600 volts and below) distribution switchboards, transformers, feeders, panels, motor control centers and tenant metering. The work includes areas in the Main Terminal served by Center and South power centers.

C1 Building Floor Expansion: Construct three additional floors on top of the airport’s C1 building to meet space needs for passenger restrooms, concessions, passenger lounges and other tenant offices.

Widen Arrivals Roadway: Widen the approach to the Arrivals curbside area from two to three lanes. The total improvement area could extend from Air Cargo Road to the north Rental Car Bus curb. The existing fourth floor entrance ramp from the Departures curbside to the Main Garage will be demolished.

Business Plan Prospective CIP:

The Aviation Business Plan Prospective CIP is composed of project spending for Airfield, Landside, Terminal, Infrastructure, and other Aviation needs including \$285.5 million for Sustainable Airport Master Plan (SAMP) planning and design. The budget also includes a \$680.0 million reserve for undesignated future spending, which allows for the addition of currently undefined new projects to the plan without increasing total spending. Prospective projects are, by definition, not yet well scoped, so there is greater uncertainty with regards to timing and costs than with committed projects. As scoping, design and bidding occurs, each project moves forward in steps to the Commission to request authorization. See Section IV, “Aviation”, for a description of major existing and new projects.

MARITIME DIVISION CAPITAL IMPROVEMENT PLAN

General: The Maritime Division’s five-year CIP continues the Port’s emphasis on supporting investments in facilities, infrastructure and the environment, and in modernizing and maintain Seattle’s working waterfront.

TABLE IX-3: MARITIME DIVISION CAPITAL IMPROVEMENT PLAN

(\$ in 000's)	<i>Est/Act</i> ⁽¹⁾						Total 2020-2024
	2019	2020	2021	2022	2023	2024	
Committed Projects							
Recreational Boating	\$ 3,450	\$ 9,230	\$ 5,204	\$ 2,833	\$ 8	\$ 0	\$ 17,275
Cruise Operations	2,738	3,790	33,510	75,300	4,100	1,000	117,700
Environmental Services	375	11,376	10,604	285	285	285	22,835
Fishing and Operations	905	6,745	17,565	30,347	3,960	537	59,154
Maritime General	4,727	6,495	4,085	3,300	3,100	2,350	19,330
Maritime Portfolio Management	719	1,960	15,000	14,000	1,309	1,500	33,769
Subtotal - Maritime Committed CIP	\$ 12,914	\$ 39,596	\$ 85,968	\$ 126,065	\$ 12,762	\$ 5,672	\$ 270,063
Business Plan Prospective Projects	2,020	2,970	11,144	30,260	29,020	23,407	96,801
CIP Cashflow Adjustment Reserve ⁽²⁾	0	(5,920)	(13,320)	(12,580)	17,760	14,060	0
Total Maritime CIP	\$ 14,934	\$ 36,646	\$ 83,792	\$ 143,745	\$ 59,542	\$ 43,139	\$ 366,864

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Notes:

¹⁾ Estimated/Actual 2019 represents six months of actual spending and six months of projected spending.

²⁾ Adjustment introduced as part of the 2020 Plan of Finance to reflect more achievable levels of capital spending.

Committed Capital Projects:

New Cruise Facility: Development of a fourth cruise berth and terminal at Terminal 46 as part of a flexible marine transportation facility to support cargo and other marine operations. The project will also complement waterfront redevelopment and improve public access to the shoreline.

Terminal 91 Berths 6 and 8 Redevelopment: Redevelopment of vessel pier moorings and adjoining apron areas of Berths 6 and 8 along the northeast side of Pier 90 to accommodate fishing and commercial vessels.

Terminal 117 Restoration: This 13-acre habitat restoration project at Terminal 117 will support chinook salmon recovery goals and improve public access to the shoreline.

Fishermen's Terminal (FT) Gateway Building: This project will construct a new building in the area of the existing vacant bank building and two net sheds. The new building is expected to provide approximately 60,000 square feet of light industrial space for maritime businesses. The project also includes site improvements such as lighting and signage at the terminal.

Pier 66 Shorepower/Waterfront Electrification: This project will create a dual voltage 20-megawatt shore power system for the single cruise ship berth at Pier 66.

Other Committed Capital Projects:

Fishermen's Terminal Maritime Innovation Center: This project will update and convert the existing Seattle Ship Supply building into a new Maritime Innovation Center in support of the Port's small business incubator program.

Salmon Bay Marina Docks D and E Replacement: Replacement of floating Docks D and E with new permitted dock configuration to improve safety and dock utilization.

Terminal 91 Northwest Fender: This project will replace the timber fender system for berths K, L and M on the northwest corner of Terminal 91. The new fender will be a stronger steel system with greater durability.

Fishermen's Terminal Docks 3, 4, and 5 Pier Improvements: Installation of protective systems on Docks 3, 4, and 5 to prevent corrosion and enhance pile capacity.

Committed capital projects also includes replacement/preservation of docks and moorage, tenant improvements, fleet replacement, and small capital (under \$300,000) projects.

Business Plan Prospective CIP:

Significant projects include:

Terminal 46 North Pier Structure Replacement: Replacement timber and concrete pier structures along the north portion of Terminal 46 to support moorage for larger vessels.

Terminal 91 New Cruise Gangway: This project will fabricate and install a new gangway to support larger cruise vessels at the Smith Cove Cruise Terminal.

Jack Block Park Pier Replacement: This project will replace the existing damaged timber pier with a similar concrete pier supported by steel piles.

Also included is a CIP reserve for unknown or undefined future projects.

ECONOMIC DEVELOPMENT DIVISION CAPITAL IMPROVEMENT PLAN

General: Projects in the Economic Development Division’s five-year CIP are primarily associated with new development of industrial property and preservation of existing assets. Also included is an investment in tenant improvements related to the releasing of space expected to become vacant as existing leases expire.

TABLE IX-4: EDD CAPITAL IMPROVEMENT PLAN

(\$ in 000's)	<i>Est/Act</i> ⁽¹⁾						Total 2020-2024
	2019	2020	2021	2022	2023	2024	
Committed Projects							
Development & Planning	\$ 203	\$ 752	\$ 4,750	\$ 14,000	\$ 14,000	\$ 5,300	\$ 38,802
General Economic Development	1,192	1,018	950	820	750	750	4,288
Portfolio Management	2,604	12,816	5,111	300	300	300	18,827
Subtotal - EDD Committed CIP	\$ 3,999	\$ 14,586	\$ 10,811	\$ 15,120	\$ 15,050	\$ 6,350	\$ 61,917
Business Plan Prospective Projects	1,060	1,215	1,686	4,051	1,685	2,905	11,542
CIP Cashflow Adjustment Reserve ⁽²⁾	0	(2,080)	(4,680)	(4,420)	6,240	4,940	0
Total EDD CIP	\$ 5,059	\$ 13,721	\$ 7,817	\$ 14,751	\$ 22,975	\$ 14,195	\$ 73,459

CAPSUM

Notes:

¹⁾ Estimated/Actual 2019 represents six months of actual spending and six months of projected spending.

²⁾ Adjustment introduced as part of the 2020 Plan of Finance to reflect more achievable levels of capital spending.

Committed Capital Projects:

Terminal 91 Uplands Development: This initial development will construct two 50,000 square foot buildings and associated site infrastructure improvements. The new facilities will support fishing and maritime related businesses.

Bell Harbor International Conference Center Interior Modernization: This project will modernize the conference center by reconfiguring space for greater flexibility and expanded leasable area. The project will also upgrade the audio/visual/data/lighting systems and replace carpeting and window coverings.

Pier 66 HVAC Systems Upgrade: This project replaces the cruise terminal and conference center building’s cooling tower, chiller, variable frequency drives and other HVAC system components that are at the end of their service life.

WTC HVAC Replacement: This project replaces the current HVAC system at the end of its service life with a more energy efficient system.

Other Committed projects include elevator upgrades at Pier 66, capitalized tenant improvements, fleet replacement, technology and other small projects.

Business Plan Prospective CIP:

The Economic Development Division Prospective CIP is a combination of revenue/capacity growth, renewal/enhancement, environmental, and safety projects. Renewal/enhancement projects include space reconfiguration/improvements at Pier 69, roof work at Pier 66, and elevator modernization work at the Bell Street Pier Garage. Also included is a general CIP reserve to allow for projects that cannot be determined with certainty as to location, timing, and cost.

CENTRAL SERVICES CAPITAL IMPROVEMENT PLAN

The Central Services five-year CIP consists predominately of technology improvements and upgrades. Approximately 50% of the 2020 technology projects are refreshes of critical infrastructure and security enhancements required to maintain compliance with established industry standards and ensure availability of critical business systems. The remaining technology projects consist of new or upgraded business systems driven by business unit demands or are required to maintain system operations and on-going vendor support.

The remainder of the Central Services CIP consists of fleet replacement and small capital acquisition, which largely relate to the replacement of equipment and assets that are at or beyond the end of their useful lives. In 2020, the fleet projects will replace police patrol vehicles, several vehicles used by engineering and Port Construction Services departments, and construction equipment. The remaining portion of the CIP is for engineering and surveying equipment and other small capital projects.

TABLE IX-5: CENTRAL SERVICES CAPITAL IMPROVEMENT PLAN

(\$ in 000's)	<i>Est/Act</i> ⁽¹⁾						Total 2020-2024
	2019	2020	2021	2022	2023	2024	
Committed Projects							
ICT Business Services	\$ 10,351	\$ 10,057	\$ 2,751	\$ 2,751	\$ 2,751	\$ 2,751	\$ 21,061
General and Capital Development	1,063	3,646	1,468	1,556	2,065	2,241	10,976
Subtotal - Central Services Committed CIP	\$ 11,414	\$ 13,703	\$ 4,219	\$ 4,307	\$ 4,816	\$ 4,992	\$ 32,037
Business Plan Prospective Projects	500	6,345	1,725	1,100	1,000	1,000	11,170
CIP Cashflow Adjustment Reserve ⁽²⁾	0	(5,000)	2,000	1,000	1,000	1,000	0
Total Central Services CIP	\$ 11,914	\$ 15,048	\$ 7,944	\$ 6,407	\$ 6,816	\$ 6,992	\$ 43,207

CAPSUM

Notes:

¹⁾ Estimated/Actual 2019 represents six months of actual spending and six months of projected spending.

²⁾ Adjustment introduced as part of the 2020 Plan of Finance to reflect more achievable levels of capital spending.

OTHER PORT OF SEATTLE CIP

The Port of Seattle CIP also includes North Harbor waterway channel deepening projects and other NWSA legacy projects. These projects are assumed to be 100% funded by the Port of Seattle, and thus are not included in the NWSA CIP to follow. Additionally, the Port CIP includes projects for its Stormwater Utility, such as outfall upgrades, asset renewal and replacement, small capital acquisitions, and a CIP reserve for unknown or undefined future projects.

NORTHWEST SEAPORT ALLIANCE CAPITAL IMPROVEMENT PLAN

The five-year NWSA CIP focuses on both strategic and maintenance projects, and invests in projects to increase the capacity, extend the life, or improve the safety or efficiency of NWSA-managed property and equipment. Strategic investments include the construction of major terminal improvements at the North Harbor Terminal 5, shorepower and tenant improvements for Husky Terminal in the South Harbor, dock rehabilitation at Terminal 46, and dock rehabilitation and stormwater utility upgrades at Terminal 18. Maintenance investments include replacement of fender systems and rehabilitation of assigned assets.

Each homeport assumes funding of 50% of the total NWSA CIP, as outlined in Table IX-6 below. A complete project listing is presented in Attachment 1, and further information on the NWSA CIP can be found in Section XII, “The Northwest Seaport Alliance (NWSA).”

TABLE IX-6: NWSA CAPITAL IMPROVEMENT PLAN

(\$ in 000's)	<i>Est. / Act</i> ⁽¹⁾						Total 2020 - 2024
	2019	2020	2021	2022	2023	2024	
Home Port							
North Harbor (Seattle)	\$ 54,087	\$ 100,184	\$ 98,246	\$ 66,698	\$ 35,651	\$ 26,000	\$ 326,779
South Harbor (Tacoma)	64,492	24,575	6,043	4,796	3,000	3,000	41,414
NWSA Total	\$118,578	\$124,759	\$104,289	\$ 71,494	\$ 38,651	\$ 29,000	\$ 368,193
Port of Seattle's 50% funding total	\$ 59,289	\$ 62,380	\$ 52,145	\$ 35,747	\$ 19,326	\$ 14,500	\$ 184,097

Notes:

⁽¹⁾ Estimated/Actual 2019 represents six months of actual spending and six months of projected spending.

PUBLIC EXPENSE

In addition to the Committed and Business Plan Prospective project categories, the Port may also invest in Public Expense projects, where the Port collaborates with other local governments to provide funding without directly receiving an asset in return. Certain Public Expense costs are related to projects that would otherwise meet the criteria of a Committed or Business Plan Prospective capital project but are expensed (rather than capitalized) per accounting rules. Common examples of Port Public Expense projects include improvements or contributions toward improvements on non-Port properties, such as projects in support of regional transportation needs. Public Expense projects are often a required component of other Port Committed projects.

TABLE IX-7: PUBLIC EXPENSE PROJECTS

(\$ in 000's)		2020	2021	2022	2023	2024	Total 2020 - 2024
<u>Division</u>	<u>CIP Description</u>						
Aviation	Air Cargo Road	\$ 270	\$ 1,892	\$ 0	\$ 0	\$ 0	\$ 2,162
	Vanderlande Screening Lanes	5,500	0	0	0	0	5,500
	Flight Corridor Safety Program	543	1,038	0	0	0	1,581
	Subtotal - Aviation Public Expense Projects	\$ 6,313	\$ 2,930	\$ 0	\$ 0	\$ 0	\$ 9,243
Joint Venture	Fast Corridor I	225	0	0	0	0	225
	Fast Corridor II	345	0	730	0	0	1,075
	East Marginal Way Phase 2	250	0	0	0	0	250
	North Argo Express Access	200	0	0	0	0	200
	Seattle Heavy Haul Network	2,000	2,000	2,000	2,000	2,000	10,000
	Safe and Swift	8,500	7,500	0	0	0	16,000
	Gateway SR 509 Program	0	0	0	4,285	4,285	8,570
Subtotal - Joint Venture Public Expense Projects	\$ 11,520	\$ 9,500	\$ 2,730	\$ 6,285	\$ 6,285	\$ 36,320	
Total Port Public Expense Projects		\$ 17,833	\$ 12,430	\$ 2,730	\$ 6,285	\$ 6,285	\$ 45,563

The Port may also incur Public Expenses related to certain non-project expenditures, such as the Port's annual \$1.4 million payment to the City of SeaTac for safety enhancements. This payment is made pursuant to an interlocal agreement between the Port and City of SeaTac, and is to be used for public safety and enforcement of traffic and parking standards. This payment is not project-related and is excluded from the table above.

The following reports provide detail of the projects included in the Port’s 2020-2024 Capital Improvement Plan (CIP).

- The projects are organized by the two categories: ***Committed*** and ***Business Plan Prospective***.
- Each project is assigned a number 1-6 based on its capital development progress status:
 - Committed
 - 6 = Completed (may have final payment cashflows)
 - 5 = Construction authorized
 - 4 = Design funding authorized
 - 3 = Division level authorized
 - Business Plan Prospective
 - 2 = Business sponsor approved
 - In addition, the Port may have “Other Prospective” projects (Status 1). These projects have been identified as potential future investments but are not included in the CIP.
- Attachment 1 includes the detail of the NWSA Capital Improvement Plan organized by home port.

Port of Seattle 5 Year Capital Budget
Committed Projects

Division / CIP Sponsor	Status	CIP	Description	Est./ Act. 2019	2020	2021	2022	2023	2024	Total 2020-2024	Est./ Act. CIP Total
Aviation											
Airfield	5	C800335	GSE Electrical Chrg Stations	816	2,500	5,425	2,000	659	-	10,584	30,197
	5	C800483	AFLD Pvmnt Program 2016-2020	10,248	12,375	2,206	-	-	-	14,581	25,831
	5	C800585	Wi-Fi Enhancement Project	633	2,532	150	-	-	-	2,682	11,534
	5	C800781	SSAT Narrow Body Configuration	2,766	1,017	-	-	-	-	1,017	5,501
	5	C800834	GBAS Upgrade	4	2,843	593	-	-	-	3,436	3,530
	5	C800838	Hardstand Equipment Purchase	2,112	3,093	-	-	-	-	3,093	11,812
	5	C800842	AOA Perimeter Fence Line	5,876	519	-	-	-	-	519	6,934
	5	C800914	2018 Taxiway Improvement Proj	1,878	80	-	-	-	-	80	34,238
	5	C800986	Conc C Ramp Space Renovation	1,348	92	-	-	-	-	92	1,782
	5	C801089	Air Cargo 5 Ground Brd Facilit	550	-	-	-	-	-	-	550
	4	C800650	Surface Area Management System	1,706	2,000	2,442	-	-	-	4,442	6,200
	4	C801035	Remote Aircraft Deicing	521	1,810	20,649	1,320	-	-	23,779	24,300
	3	C800930	2021-25 AFLD Pvmnt&Spprt Infr	45	-	42,600	34,000	23,500	36,700	136,800	156,299
			Airfield Total	28,503	28,861	74,065	37,320	24,159	36,700	201,105	318,708
Aviation Division Wide	5	C101117	FIMS Phase II	25	-	-	-	-	-	-	8,210
	5	C800017	Aviation Small Jobs	226	-	-	-	-	-	-	9,999
	5	C800066	AV/IT Small Capital Projects	1,230	1,400	1,400	656	-	-	3,456	12,494
	5	C800688	Construction Logistics Expansn	4	-	-	-	-	-	-	7,710
	5	C800760	Auburn Mitigation Road Removal	(1)	-	-	-	-	-	-	547
	5	C800982	CDD & CPO Office Relocation	(1,602)	-	-	-	-	-	-	1,621
			Aviation Division Wide Total	(118)	1,400	1,400	656	-	-	3,456	40,581
Commercial Management	5	C800655	IWS Segregation Meters (CA)	161	1,500	315	-	-	-	1,815	2,242
	5	C800846	Kiosk Program Expansion	424	672	-	-	-	-	672	1,241
	5	C800883	DL Inflight Svcs Relocate TRA	1,038	-	-	-	-	-	-	1,272
	5	C800886	Central Terminal Enhancements	2,316	844	-	-	-	-	844	3,801
	5	C800950	Cargo Buildings Improvements	754	3,801	-	1,997	-	-	5,798	6,609
	5	C801055	Main Terminal Space Conversion	933	762	1,580	379	-	-	2,721	3,660
	4	C800154	Tenant Reimbursement	798	525	525	525	517	-	2,092	6,709
			Commercial Management Total	6,424	8,104	2,420	2,901	517	-	13,942	25,534
Infrastructure	6	C800107	C4 UPS System Improvements	4	-	-	-	-	-	-	3,031
	5	C800493	Emergency Backup Water Supply	208	977	1,477	-	-	-	2,454	2,739
	5	C800497	Airportwide Mech Controls Sys	13	-	-	-	-	-	-	3,348
	5	C800538	Alternate Utility Facility	85	-	-	-	-	-	-	33,033
	5	C800699	Electric Utility SCADA	406	3,500	3,475	2,951	-	-	9,926	11,899
	5	C800717	N. Terminals Utilities Upgrade	763	7,200	8,800	796	-	-	16,796	20,298
	5	C800722	CT Infrastructure Upgrade Proj	8,779	554	-	-	-	-	554	19,312
	5	C800762	Telecommunication Meet Me Room	241	3,125	190	-	-	-	3,315	3,927
	5	C800788	OPS Lan Core Switch Upgrade	387	-	-	-	-	-	-	2,982
	5	C800798	SSAT Infrastructure HVAC	6,185	21,000	11,000	8,267	-	-	40,267	47,908
	5	C800801	Replace Variable Freq. Drive	172	2,000	1,435	-	-	-	3,435	3,996
	5	C800805	Duress System Replacement	314	21	-	-	-	-	21	750
	5	C800811	Chiller Panel Upgrade	232	68	-	-	-	-	68	900

Port of Seattle 5 Year Capital Budget

Committed Projects

Division / CIP Sponsor	Status	CIP	Description	Est./ Act. 2019	2020	2021	2022	2023	2024	Total 2020-2024	Est./ Act. CIP Total
	5	C800826	Arc Flash Mitigation	188	5,000	2,063	-	-	-	7,063	7,502
	5	C800980	SD Pond Bird Deterrent Improv	8,659	1,704	-	-	-	-	1,704	10,491
	4	C102066	Art Pool	-	250	-	-	-	-	250	803
	4	C800061	MT Low Voltage Sys Upgrade	698	5,050	9,000	18,500	20,000	16,350	68,900	86,759
	4	C800724	Concourse C New Power Center	215	3,000	5,499	622	-	-	9,121	10,446
	4	C800784	Emergency Generator Control	325	1,100	662	-	-	-	1,762	2,501
	4	C801027	Building Automation Sys Upgrad	760	-	-	-	-	-	-	812
			Infrastructure Total	28,634	54,549	43,601	31,136	20,000	16,350	165,636	273,437
Landside	6	C800810	Rental Car Facility Bus Purcha	(218)	-	-	-	-	-	-	-
	6	C800956	Employee Parking Bus Purchase	(206)	-	-	-	-	-	-	-
	5	C101107	So. 160th St. GT Lot Expansion	105	-	-	-	-	-	-	2,501
	5	C101110	Consolidate RCF land acq.	(34)	-	-	-	-	-	-	10,724
	5	C102112	Service Tunnel Renewal/Replace	11,083	1,250	-	-	-	-	1,250	39,190
	5	C800143	South Access Property Acq.	3,395	-	-	-	-	-	-	3,395
	5	C800728	Parking System Replacement	1,438	788	-	-	-	-	788	5,500
	5	C800929	RCF Fleet Tracking & Displays	770	-	-	-	-	-	-	1,055
	5	C800957	NEPL Improvements	141	5,009	1,457	-	-	-	6,466	6,634
	5	C800977	RCF Pavement Remediation	3,573	4,528	-	-	-	-	4,528	8,304
	4	C102162	Air Cargo Rd Safety Imp D/C	428	1,100	5,700	413	-	-	7,213	7,990
	4	C800789	Parking Garage Elevators Moder	1,317	2,489	8,192	6,000	4,600	471	21,752	23,275
	4	C800866	Widen Arrivals Roadway	709	2,056	5,600	10,500	30,300	297	48,753	50,000
	4	C800870	Parking Revenue Infrastructure	974	5,600	9,053	6,882	-	-	21,535	22,798
			Landside Total	23,475	22,820	30,002	23,795	34,900	768	112,285	181,366
Noise Program	5	C200007	Highline School Insulation	43	14,000	7,800	-	977	4,574	27,351	101,798
	5	C200094	Single Family Home Insulation	2,912	1,000	-	-	-	3,560	4,560	7,854
	4	C200095	Condo Sound Insulation	1,406	5,236	6,558	6,800	-	-	18,594	20,000
			Noise Program Total	4,361	20,236	14,358	6,800	977	8,134	50,505	129,652
Security	6	C800880	Employee Security Screening	(27)	-	-	-	-	-	-	996
	5	C800605	Scty Exit Lane Breach Ctrl-Ph2	89	12	7,711	-	-	-	7,723	9,165
	5	C800642	Video System Improvements Proj	2,142	26	-	-	-	-	26	12,845
	5	C800862	Terminal Security Enhancements	5,375	7,265	-	-	-	-	7,265	15,323
	5	C800876	Fire Station - Westside	958	4,000	343	-	-	-	4,343	6,001
	5	C800878	ARFF Vehicle Replacements	1,958	-	-	-	-	-	-	2,199
	5	C800920	ASL Conversion at Checkpoints	1,536	4,710	-	-	-	-	4,710	8,301
	5	C800979	Fire Engines & RIV	350	1,600	-	-	-	-	1,600	2,200
	4	C800844	Perimeter Intrusion Detect Sys	123	2,528	7,323	-	-	-	9,851	9,999
	4	C800934	Employee Services Center	803	3,595	3,344	617	-	-	7,556	8,494
	4	C800984	AF Employee Security Screening	70	1,350	6,000	237	-	-	7,587	7,900
			Security Total	13,377	25,086	24,721	854	-	-	50,661	83,423
Stormwater	5	C800983	Sewer/Catch Basin Cleaner	449	-	-	-	-	-	-	449
			Stormwater Total	449	-	-	-	-	-	-	449
Sustainable Airport Master Plan	5	C801109	SAMP Near Term Planning	4,000	6,000	-	-	-	-	6,000	10,000

Port of Seattle 5 Year Capital Budget

Committed Projects

Division / CIP Sponsor	Status	CIP	Description	Est./ Act. 2019	2020	2021	2022	2023	2024	Total 2020-2024	Est./ Act. CIP Total
Sustainable Airport Master Plan Total				4,000	6,000	-	-	-	-	6,000	10,000
Terminal and Tenants	6	C800019	Gate Utilities Improvements	4	-	-	-	-	-	-	13,351
	6	C800858	Checkpoint 5 Wall Relocation	1	-	-	-	-	-	-	775
	5	C800556	NS NSAT Renov NSTS Lobbies	133,086	134,800	105,470	9,988	-	-	250,258	659,825
	5	C800583	International Arrivals Fac-IAF	338,500	207,000	9,133	-	-	-	216,133	931,445
	5	C800612	Checked Bag Recap/Optimization	25,564	44,300	55,000	55,000	55,000	55,000	264,300	444,584
	5	C800638	Concessions Infrastructure	1,006	552	7,981	-	-	-	8,533	14,889
	5	C800658	Mech Energy Conservation (CA)	4,369	1,670	-	-	-	-	1,670	6,803
	5	C800697	Restroom Upgrades Conc B, C, D	5,141	14,000	10,000	5,221	-	-	29,221	38,338
	5	C800761	B Concourse Ramp Lvl Holdroom	152	-	-	-	-	-	-	5,983
	5	C800769	Concourse D Hardstand Holdroom	2,369	233	-	-	-	-	233	35,711
	5	C800770	Concourse B Roof Replacement	219	-	-	-	-	-	-	5,262
	5	C800779	Safedock Upgrade & Expansion	1,022	24,039	2,440	-	-	-	26,479	27,971
	5	C800782	STS Display Upgrade	408	-	-	-	-	-	-	3,206
	5	C800790	Passenger Flow Image Analytics	634	-	-	-	-	-	-	1,217
	5	C800793	PLB Renew & Replace Phase 2	4,168	3,965	76	-	-	-	4,041	12,999
	5	C800818	SSAT Structural Improvements	231	-	-	-	-	-	-	2,999
	5	C800833	Holdroom Seatings for Conc B&C	4,865	250	-	-	-	-	250	6,909
	5	C800836	Add'l Baggage Makeup Space IAF	15,271	-	-	-	-	-	-	18,498
	5	C800841	Tenant Network DMARC Upgrade	746	1,150	500	217	-	-	1,867	2,816
	5	C800873	Concourse B Gate Reconfigure	104	-	-	-	-	-	-	8,002
	5	C800898	Airport Signage Phase 1	169	5,500	1,200	398	-	-	7,098	7,999
	5	C800925	Zone 3 Common Use Counters	9	62	-	-	-	-	62	718
	5	C801094	Gate S12 PLB Replacement	1,429	321	-	-	-	-	321	1,750
	4	C800702	2015-2016 C Conc Roof Replace	108	-	-	-	-	-	-	4,721
	4	C800743	SSAT Renovation Project	(3,426)	-	-	-	-	-	-	-
	4	C800845	C1 Building Floor Expansion	581	4,000	10,000	20,000	10,000	5,194	49,194	50,000
Terminal and Tenants Total				536,730	441,842	201,800	90,824	65,000	60,194	859,660	2,306,771
Aviation Total				645,835	608,898	392,367	194,286	145,553	122,146	1,463,250	3,369,921

Central Services

Corporate P&TS Capital Project	5	C800009	Infrastructure - Small Cap	1,250	1,382	1,500	1,500	1,500	1,500	7,382	34,727
	5	C800012	Services Technology Small Cap	600	1,000	1,000	1,000	1,000	1,000	5,000	17,744
	5	C800051	Small Capital Acquisition-Corp	200	200	200	200	200	200	1,000	3,847
	5	C800747	Project Cost Management System	317	-	-	-	-	-	-	967
	5	C800907	Supplier Database System	410	-	-	-	-	-	-	800
	5	C800909	PeopleSoft Financials Upgrade	1,575	-	-	-	-	-	-	3,600
	5	C801012	Radio System Upgrade	5,311	5,623	-	-	-	-	5,623	14,800
	5	C801015	New Budget System	272	328	-	-	-	-	328	600
	5	C801078	Maximo Upgrade	30	470	-	-	-	-	470	500
	5	C801108	Customer Relationship Mgmt Sys	400	1,000	-	-	-	-	1,000	1,400
	3	C800016	Enterprise GIS - Small Cap	189	250	250	250	250	250	1,250	4,143
	3	C800450	CDD Fleet Replacement	300	1,644	635	527	680	805	4,291	10,465
	3	C800453	CDD Small Cap	351	314	110	122	190	125	861	3,182
	3	C800458	Corporate Fleet Replacement	212	1,488	523	707	995	1,111	4,824	10,622

Port of Seattle 5 Year Capital Budget

Committed Projects

Division / CIP Sponsor	Status	CIP	Description	Est./ Act. 2019	2020	2021	2022	2023	2024	Total 2020-2024	Est./ Act. CIP Total
Corporate P&TS Capital Project Total				11,417	13,699	4,218	4,306	4,815	4,991	32,029	107,397
Central Services Total				11,417	13,699	4,218	4,306	4,815	4,991	32,029	107,397

Economic Development

Development & Planning	4	C800158	T91 Uplands Development	203	752	4,750	14,000	14,000	5,300	38,802	39,278
Development & Planning Total				203	752	4,750	14,000	14,000	5,300	38,802	39,278
General Economic Development	5	C800887	P69 Commission Chambers Refres	258	-	-	-	-	-	-	351
	5	C800888	P69 Solar Panel System	266	-	-	-	-	-	-	481
	3	C800244	EDD Technology Projects	170	250	250	250	250	250	1,250	2,821
	3	C800562	EDD: 2019 Small Projects	298	230	-	-	-	-	230	528
	3	C800831	EDD Fleet 2019	-	30	-	-	-	-	30	30
	3	C800990	EDD Fleet 2021 Beyond	-	-	200	70	-	-	270	440
	3	C801004	EDD: 2018 Small Projects	201	18	-	-	-	-	18	249
	3	C801085	EDD Fleet 2020	-	200	-	-	-	-	200	200
	3	C801087	EDD: 2020+ Small Projects	-	290	500	500	500	500	2,290	4,790
General Economic Development Total				1,193	1,018	950	820	750	750	4,288	9,890
Portfolio Management	5	C800889	P66 BHICC Interior Modernize	750	10,353	10	-	-	-	10,363	11,560
	5	C801006	P66 HVAC Systems Upgrade	666	763	1,000	-	-	-	1,763	2,442
	4	C800813	P66 Elevator 2,3,4 Upgrades	2	-	-	-	-	-	-	1,612
	3	C800126	Tenant Improvements -Capital	1,023	300	300	300	300	300	1,500	6,886
	3	C800199	WTC HVAC Replacement	113	700	3,052	-	-	-	3,752	3,899
	3	C801016	CW Bridge Elev Modernizations	50	700	750	-	-	-	1,450	1,500
Portfolio Management Total				2,604	12,816	5,112	300	300	300	18,828	27,899
Economic Development Total				4,000	14,586	10,812	15,120	15,050	6,350	61,918	77,067

Maritime

Cruise Operations	5	C800592	P66 Cruise Terminal Tenant Imp	1,370	-	-	-	-	-	-	15,250
	4	C800582	New Cruise Terminal	1,060	2,840	20,000	72,000	4,100	-	98,940	100,000
	4	C800613	Cruise Cap Allow - CTA Lease	200	200	225	250	-	-	675	1,226
	4	C800614	Cruise per Passenger Allowance	43	50	50	50	-	-	150	193
	3	C800120	P66 Shore Power	65	700	13,235	3,000	-	-	16,935	17,000
	3	C800819	B SCT Imp Staff Oversight	1	-	-	-	-	-	-	280
	3	C800821	T91 P91W Slope Stabilization	-	-	-	-	-	1,000	1,000	1,264
Cruise Operations Total				2,739	3,790	33,510	75,300	4,100	1,000	117,700	135,213
Environmental Services	5	C800995	T117 Restoration	375	11,376	10,604	285	285	285	22,835	25,311
Environmental Services Total				375	11,376	10,604	285	285	285	22,835	25,311
Fishing and Operations	5	C800526	FT Net Shed 3,4,5,6 Roof Rpl	2	-	-	-	-	-	-	2,546
	4	C800531	FT Docks 3,4,5 Fixed Pier Imp	637	2,475	-	-	-	-	2,475	3,332
	4	C800675	P91 South End Fender	13	-	-	-	-	-	-	2,276
	4	C801070	SaBM Docks D,E Replacement	145	125	1,000	4,000	3,810	-	8,935	9,080
	3	C102475	T91 Berth 6 & 8 Redev	29	400	10,000	24,571	-	-	34,971	35,000

Port of Seattle 5 Year Capital Budget

Committed Projects

Division / CIP Sponsor	Status	CIP	Description	Est./ Act. 2019	2020	2021	2022	2023	2024	Total 2020-2024	Est./ Act. CIP Total
	3	C800999	T5 Harbor Mooring Dolphins	30	145	2,550	1,776	-	-	4,471	4,501
	3	C801028	T91 Pier Stormwater Imp Ph 1	-	-	1,050	-	-	-	1,050	1,050
	3	C801069	Salmon Bay Marina Facility Upg	1	-	-	-	-	-	-	1
	3	C801071	Salmon Bay Fire Suppression	13	-	-	-	150	537	687	700
	3	C801097	T91 Northwest Fender	35	3,600	2,965	-	-	-	6,565	6,600
			Fishing and Operations Total	905	6,745	17,565	30,347	3,960	537	59,154	65,086
Maritime General	4	C800729	Marina Mgt Sys Replacement	163	-	-	-	-	-	-	286
	4	C800993	Salmon Bay Marina ACQ	3	-	-	-	-	-	-	15,942
	3	C102395	Maritime Technology Projects	176	250	250	250	250	250	1,250	5,336
	3	C800442	MD Fleet 2018 and Prior	239	-	-	-	-	-	-	3,078
	3	C800561	MD: 2019 Small Projects	990	540	320	-	-	-	860	1,850
	3	C800797	CRM MM 2015 Small Projects	43	-	-	-	-	-	-	1,058
	3	C800816	MD: 2016 Small Projects	429	-	-	-	-	-	-	1,577
	3	C800892	MD: 2017 Small Projects	524	-	-	-	-	-	-	2,111
	3	C801003	MD: 2018 Small Projects	731	-	-	-	-	-	-	1,221
	3	C801073	EDD Tenant Improvements - Cap	-	-	250	250	250	250	1,000	2,250
	3	C801086	MD Fleet 2020 Beyond	-	2,750	-	-	-	-	2,750	2,750
	3	C801088	MD: 2020+ Small Projects	-	2,955	865	500	500	750	5,570	8,320
	3	C801090	MD Fleet 2019	1,429	-	-	-	-	-	-	1,429
	3	C801091	MD Fleet 2021 Beyond	-	-	2,400	2,300	2,100	1,100	7,900	12,175
			Maritime General Total	4,727	6,495	4,085	3,300	3,100	2,350	19,330	59,383
Maritime Portfolio Management	5	C800829	T91 Building C-173 Roof Overl	2	-	-	-	-	-	-	1,378
	4	C800445	SBM Pad Site Development	110	310	-	-	-	-	310	476
	4	C800525	FT Gateway Building	381	1,000	10,000	10,000	847	-	21,847	23,744
	4	C801024	SaBM Uplands	1	-	-	-	-	1,500	1,500	20,547
	4	C801084	FT Maritime Innovation Center	225	650	5,000	4,000	462	-	10,112	10,337
			Maritime Portfolio Management Total	719	1,960	15,000	14,000	1,309	1,500	33,769	56,482
Recreational Boating	5	C800356	SBM Restrms/Service Bldgs Rep	2,721	7,976	-	-	-	-	7,976	12,108
	4	C800355	SBM Paving	725	1,007	-	-	-	-	1,007	2,042
	3	C800539	P66 BHM Pile Wraps	-	160	700	2,583	8	-	3,451	3,500
	3	C800678	T102 HIM E Dock	-	100	3,550	250	-	-	3,900	3,965
	3	C801002	SBM Boat Wash	4	-	954	-	-	-	954	958
			Recreational Boating Total	3,450	9,243	5,204	2,833	8	-	17,288	22,573
			Maritime Total	12,915	39,609	85,968	126,065	12,762	5,672	270,076	364,048
NWSA Joint Venture											
Lease & Asset Management	5	C102858	T5 Street Vacation Completion	-	30	-	-	-	-	30	1,445
	5	C800994	T46 JV Stormwater Improvements	19	-	-	-	-	-	-	5,858
	4	C800620	T46 Pub Acc Mitigation at T117	50	1,500	-	-	-	-	1,500	1,794
	4	C801107	T5 Pile Remove Net Tie-Off Pls	-	275	25	-	-	-	300	300
			Lease & Asset Management Total	69	1,805	25	-	-	-	1,830	9,397
			NWSA Joint Venture Total	69	1,805	25	-	-	-	1,830	9,397

Port of Seattle 5 Year Capital Budget
Committed Projects

Division / CIP Sponsor	Status	CIP	Description	Est./ Act. 2019	2020	2021	2022	2023	2024	Total 2020-2024	Est./ Act. CIP Total	
Stormwater Utility												
SWU General	4	C800895	T18 SW outfall upgrade	1,137	1,454	-	-	-	-	1,454	4,037	
	4	C800897	SWU Industrial Vacuum Truck	1	-	-	-	-	-	-	563	
	3	C800837	SWU Small Capital	80	150	150	150	150	150	750	2,194	
	3	C800991	PW Stormwater Sys Renewal	400	500	500	500	500	500	2,500	5,457	
			SWU General Total	1,618	2,104	650	650	650	650	4,704	12,251	
			Stormwater Utility Total	1,618	2,104	650	650	650	650	4,704	12,251	
			Total Committed Projects	675,854	680,701	494,040	340,427	178,830	139,809	1,833,807	3,940,081	

Port of Seattle 5 Year Capital Budget
Business Plan Prospective Projects

Division / CIP Sponsor	Status	CIP	Description	Est./ Act. 2019	2020	2021	2022	2023	2024	Total 2020-2024	Est./ Act. CIP Total	
Aviation												
Airfield	2	C800772	Fuel Hydrant Pit Program	-	1,000	1,000	1,000	1,000	-	4,000	4,000	
	2	C801031	Cargo 6 RON Expansion	-	447	-	-	-	-	447	447	
	2	C801033	Consolidated Deicing Storage	116	217	1,709	1,058	-	-	2,984	3,100	
	2	C801051	161D Cargo Bldg Modifications	93	206	601	-	-	-	807	900	
	2	C801124	Air Cargo Truck Staging Yard	-	187	321	1,929	1,063	-	3,500	3,500	
	2	C801126	North Cargo Area Cameras	-	64	61	121	109	45	400	400	
	2	C801131	North End Airport Support EQPT	-	-	-	-	-	470	470	10,000	
	2	C801134	AvOps Wildlife Storage Buildin	-	-	-	-	-	84	84	800	
	2	C801135	North Cargo Area Improvements	-	-	-	-	-	286	286	5,500	
			Airfield Total	209	2,121	3,692	4,108	2,172	885	12,978	28,647	
Aviation Division Wide	2	C800099	Aviation Small Capital	176	-	-	-	-	-	-	6,000	
	2	C800100	Aviation Small Jobs	2,404	1,200	1,200	844	-	-	3,244	10,001	
	2	C800751	Aviation Small Jobs	1,249	2,619	3,133	2,900	2,095	-	10,747	11,999	
	2	C800752	Aviation Small Capital	2,068	2,100	2,100	2,100	1,632	-	7,932	10,001	
	2	C800753	Aeronautical Reserve	-	-	-	75,000	180,000	375,000	630,000	1,445,000	
	2	C800754	Non-Aeronautical Reserve	-	-	-	5,000	20,000	25,000	50,000	195,244	
	2	C800794	Fire Pump Replacement	59	298	201	-	-	-	499	580	
	2	C801045	Common Use System Replacement	-	178	619	1,303	1,191	459	3,750	3,750	
	2	C801054	Smoking Shelters S. Upper Driv	-	-	-	-	-	77	77	550	
	2	C801120	PCS Yard Trailer	41	118	451	466	408	16	1,459	1,500	
	2	C801141	CIP Cashflow Adj. Reserve - AV	-	(86,066)	50,000	36,066	-	-	-	-	
			Aviation Division Wide Total	5,997	(79,553)	57,704	123,679	205,326	400,552	707,708	1,684,625	
Commercial Management	2	C800947	South Satellite Mezz Club	-	-	-	-	-	90	90	2,030	
	2	C800949	WSDOT Property Purchase	3,500	-	-	-	-	-	-	3,500	
	2	C800951	AOB Capacity Upgrades & Carpet	26	1,594	215	-	-	-	1,809	4,828	
	2	C801056	New Leasable Space	-	-	-	-	-	1,251	1,251	28,600	
	2	C801111	Shared Kitchen: Food Trucks	-	-	4,400	-	-	-	4,400	4,400	
			Commercial Management Total	3,526	1,594	4,615	-	-	1,341	7,550	43,358	
Infrastructure	2	C800799	Trenchless Replacement of Pipe	-	-	6,979	-	-	-	6,979	7,174	
	2	C800804	Water Hammer Attenuation	4	150	319	-	-	-	469	501	
	2	C800900	Garage Ancillary Renew/Replace	13	300	1,614	-	-	-	1,914	1,936	
	2	C800901	Parking Garage Low Volt. Sys	142	614	1,461	977	61	-	3,113	3,267	
	2	C800902	Conc B Low Volt. Sys. Upgrade	143	655	1,154	710	-	-	2,519	2,674	
	2	C800903	Conc B - Mechanical Equipment	4	460	600	252	-	-	1,312	1,329	
	2	C800905	Conc C Low Volt. Sys. Upgrade	135	785	3,297	1,884	-	-	5,966	6,132	
	2	C800924	AC4 Av/Maintenance Upgrade	55	680	3,000	798	-	-	4,478	4,566	
	2	C800935	Access Controls in Comm Rooms	35	750	1,000	1,103	-	-	2,853	2,893	
	2	C800937	Fire Suppression Comm Rooms	18	685	-	-	-	-	685	713	
	2	C800939	Comm Infrastructure Expansion	40	242	612	616	74	-	1,544	1,584	
	2	C800940	Utility Meter Networking	11	-	1,560	6,254	2,541	-	10,355	10,367	
	2	C800941	Airport-wide & RCF LED lights	87	560	950	2,625	3,375	608	8,118	8,205	
	2	C800944	Building Controls Upgrade 2018	106	785	3,300	785	-	-	4,870	4,976	

Port of Seattle 5 Year Capital Budget
Business Plan Prospective Projects

Division / CIP Sponsor	Status	CIP	Description	Est./ Act. 2019	2020	2021	2022	2023	2024	Total 2020-2024	Est./ Act. CIP Total
	2	C800945	Terminal Solid Waste Imprvmnts	139	425	1,223	57	-	-	1,705	6,200
	2	C800978	VFD Replacement II	50	675	2,500	1,075	-	-	4,250	4,300
	2	C801030	Compactor Capacity	80	375	1,000	245	-	-	1,620	1,700
	2	C801036	Departure Drive Drainage	21	240	230	109	-	-	579	600
	2	C801037	C4 Generator Control	-	142	1,071	3,069	2,462	55	6,799	6,799
	2	C801038	Domestic Water Piping Phase 2	-	-	564	1,079	3,642	4,001	9,286	11,501
	2	C801039	Elevator/Escalator Comm. Cards	-	-	-	-	-	1,400	1,400	6,000
	2	C801041	HVAC Capacity Upgrade	-	629	3,342	3,316	11,497	12,164	30,948	49,999
	2	C801046	Concourse D Electrical Upgrade	-	636	1,320	2,909	3,055	481	8,401	8,401
	2	C801047	Cooling Tower Upgrades	-	-	-	-	-	252	252	3,799
			Infrastructure Total	1,083	9,788	37,096	27,863	26,707	18,961	120,415	155,616
Landside	2	C800975	RCF Camera Replacement	100	600	480	-	-	-	1,080	1,180
	2	C801042	Landside Pavement Program	-	-	40	1,517	2,555	8,097	12,209	20,000
	2	C801110	RCF Security Improvements	50	710	1,000	-	-	-	1,710	1,760
	2	C801128	3rd FL GT Booth Enhancements	-	5	204	348	1,674	570	2,801	2,801
			Landside Total	150	1,315	1,724	1,865	4,229	8,667	17,800	25,741
Noise Program	2	C200096	Apartment Sound Insulation	-	-	-	2,300	-	-	2,300	2,300
	2	C200097	ATZ Residential Acquisition	-	-	-	-	6,500	5,000	11,500	11,500
	2	C200098	Places of Worship Sound Insula	-	-	-	-	-	1,100	1,100	1,100
			Noise Program Total	-	-	-	2,300	6,500	6,100	14,900	14,900
Security	2	C801040	Fire Dept Apparatus Replace	1,700	-	1,250	-	2,050	-	3,300	5,000
	2	C801093	Checkpoint I Relocation	100	1,900	-	-	-	-	1,900	2,000
	2	C801119	Lock Dock Employee Screening	41	118	451	466	408	16	1,459	1,500
			Security Total	1,841	2,018	1,701	466	2,458	16	6,659	8,500
Stormwater	2	C801122	IWTP Controls Conversion	-	143	987	2,712	4,648	2,109	10,599	10,599
	2	C801123	IWTP Improvements	-	93	1,827	1,813	6,937	8,207	18,877	26,999
			Stormwater Total	-	236	2,814	4,525	11,585	10,316	29,476	37,598
Sustainable Airport Master Plan	2	C801057	SAMP - Landside	500	3,750	20,000	20,000	10,000	1,250	55,000	56,250
	2	C801059	SAMP - Airside	500	1,500	9,000	8,000	8,000	1,050	27,550	28,500
	2	C801060	SAMP - Cargo	-	500	1,500	-	-	-	2,000	2,000
	2	C801061	SAMP - 2nd Terminal	-	1,500	34,000	45,000	35,000	30,000	145,500	146,750
	2	C801062	SAMP - Airline/Airport Support	600	2,750	12,000	21,750	15,000	3,900	55,400	56,500
			Sustainable Airport Master Plan Total	1,600	10,000	76,500	94,750	68,000	36,200	285,450	290,000
Terminal and Tenants	2	C800875	Additional STS Cars	56	175	4,175	500	14,000	-	18,850	18,909
	2	C800922	Baggage Claim Refresh	-	2,750	8,287	-	-	-	11,037	11,037
	2	C800959	Seating Replacement	22	2,000	7,000	4,864	-	-	13,864	14,347
	2	C800969	MT Fire Sprinkler-Smoke Cntrl	150	5,049	13,000	9,963	9,963	9,963	47,938	68,014
	2	C800971	Checkpoint Smart LED Lighting	73	700	867	60	-	-	1,627	2,472
	2	C801034	Digital Signage	41	371	1,209	1,143	1,143	1,044	4,910	5,000
	2	C801043	Upgrades STS Train Control	91	1,125	4,925	20,000	16,000	14,859	56,909	57,000
	2	C801044	Carpet Replacement - Conc D	-	-	-	99	252	430	781	1,300

Port of Seattle 5 Year Capital Budget
Business Plan Prospective Projects

Division / CIP Sponsor	Status	CIP	Description	Est./ Act. 2019	2020	2021	2022	2023	2024	Total 2020-2024	Est./ Act. CIP Total
	2	C801049	Restroom Upgrade Conc A & CTE	-	-	-	-	-	722	722	16,000
	2	C801050	Restrooms - Mezz, Bag, Ticket	-	-	866	2,592	3,532	2,921	9,911	21,001
	2	C801053	Digital Directories	-	74	111	227	206	82	700	700
	2	C801076	CTE Curtain Wall Setback	119	423	1,600	2,450	-	-	4,473	4,600
	2	C801121	Port Shared Lounge Conc A Exp	41	566	2,375	2,475	2,159	84	7,659	7,700
	2	C801125	Mezzanine Security Glass	-	491	1,657	2,743	2,286	2,292	9,469	12,900
	2	C801127	Baggage Claim Device R&R Prog	-	-	2,935	6,058	24,597	32,850	66,440	71,000
	2	C801129	Play Area Renovation	-	-	93	192	371	353	1,009	1,101
	2	C801132	Pre-Security Tenant Offices 2	-	-	-	-	-	382	382	7,901
	2	C801133	SSAT Meditation Room	-	-	-	-	-	96	96	1,100
			Terminal and Tenants Total	593	13,724	49,100	53,366	74,509	66,078	256,777	322,082

Aviation Total	14,999	(38,757)	234,946	312,922	401,486	549,116	1,459,713	2,611,067
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Central Services

Corporate P&TS Capital Project	2	C801143	CIP Cashflow Adj. Reserve - Corporate	-	(5,000)	2,000	1,000	1,000	1,000	-	-
	2	C800097	IT Renewal/Replacement	-	-	-	1,000	1,000	1,000	3,000	18,000
	2	C801063	Office Wi-Fi Refresh	-	1,500	1,000	-	-	-	2,500	2,500
	2	C801079	Exchange Online	50	300	-	-	-	-	300	350
	2	C801080	STIA Network Redundancy	100	1,350	-	-	-	-	1,350	1,450
	2	C801083	Phone System Upgrade	300	1,600	-	-	-	-	1,600	1,900
	2	C801136	Environmental Management Info	-	200	150	-	-	-	350	350
	2	C801137	Environmental Remediation MGMT	-	145	255	100	-	-	500	500
	2	C801138	Learning Management System Rep	-	400	-	-	-	-	400	400
	2	C801139	Applicant Tracking System	-	350	-	-	-	-	350	350
	2	C801140	Community Communication Displ.	-	180	320	-	-	-	500	500
	2	C801142	Server Virtualization Upgrade	50	318	-	-	-	-	318	368
			Corporate P&TS Capital Project Total	500	1,343	3,725	2,100	2,000	2,000	11,168	26,668

Central Services Total	500	1,343	3,725	2,100	2,000	2,000	11,168	26,668
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Economic Development

General Economic Development	2	C800216	EDD Reserve	1,000	1,000	1,000	1,500	1,500	1,500	6,500	22,500
	2	C801065	Repurpose P69 datacenter space	-	-	-	-	-	70	70	720
	2	C801101	P69 Clerestory and Skylight Re	-	-	50	750	-	-	800	800
	2	C801112	P69 Lobby Improv V Wall Ph2	60	165	-	-	-	-	165	225
	2	C801145	CIP Cashflow Adj. Reserve - EDD	-	(2,080)	(4,680)	(4,420)	6,240	4,940	-	-
			General Economic Development Total	1,060	(915)	(3,630)	(2,170)	7,740	6,510	7,535	24,245

Portfolio Management	2	C801007	P66 Anthony's Mech Roof	-	-	-	-	25	675	700	750
	2	C801064	WTC Garage Elevator Mods	-	-	50	1,750	130	-	1,930	1,930
	2	C801103	P66 Roof Upgrades	-	50	586	51	-	-	687	687
	2	C801104	WTCW Roof Replacement	-	-	-	-	30	660	690	741
			Portfolio Management Total	-	50	636	1,801	185	1,335	4,007	4,108

Economic Development Total	1,060	(865)	(2,994)	(369)	7,925	7,845	11,542	28,353
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Port of Seattle 5 Year Capital Budget
Business Plan Prospective Projects

Division / CIP Sponsor	Status	CIP	Description	Est./ Act. 2019	2020	2021	2022	2023	2024	Total 2020-2024	Est./ Act. CIP Total	
Maritime												
Maritime General	2	C801144	CIP Cashflow Adj. Reserve - MD	-	(5,920)	(13,320)	(12,580)	17,760	14,060	-	-	
			Maritime General Total	-	(5,920)	(13,320)	(12,580)	17,760	14,060	-	-	
Cruise Operations	2	C800129	T91 New Cruise Gangway	-	30	450	4,000	20	-	4,500	4,500	
	2	C800674	P66 Fender Overhaul	20	580	1,139	10	-	-	1,729	1,749	
			Cruise Operations Total	20	610	1,589	4,010	20	-	6,229	6,249	
Fishing and Operations	2	C800181	T10 Mooring Dolphins	-	-	-	-	-	100	100	4,150	
	2	C800598	T46 Replace N Pier Structure	-	-	3,600	22,000	25,000	13,751	64,351	64,351	
	2	C800741	T106 Mooring Dolphins	-	-	-	-	-	100	100	3,040	
			Fishing and Operations Total	-	-	3,600	22,000	25,000	13,951	64,551	71,541	
Maritime General	2	C800002	MD Reserve	2,000	2,000	2,000	4,000	4,000	6,500	18,500	95,500	
	2	C801074	JBP Pier Replacement	-	300	2,595	-	-	-	2,895	2,895	
			Maritime General Total	2,000	2,300	4,595	4,000	4,000	6,500	21,395	98,395	
Maritime Portfolio Management	2	C800733	FT C3 Bldg Roof Replace	-	-	-	-	-	686	686	752	
			Maritime Portfolio Management Total	-	-	-	-	-	686	686	752	
Recreational Boating	2	C800570	SBM Dock X Pier Replacement	-	60	1,360	250	-	-	1,670	1,670	
	2	C801000	SBM Fuel Float Rehabilitation	-	-	-	-	-	470	470	1,250	
			Recreational Boating Total	-	60	1,360	250	-	470	2,140	2,920	
Security	2	C801020	Maritime Video Camera Project	-	-	-	-	-	1,800	1,800	3,200	
			Security Total	-	-	-	-	-	1,800	1,800	3,200	
			Maritime Total	2,020	(2,950)	(2,176)	17,680	46,780	37,467	96,801	183,057	
NWSA Joint Venture												
Lease & Asset Management	2	C800593	WWW Deepening 53+2,85%Up/15%IW	20	1,000	500	200	26,300	-	28,000	28,020	
	2	C800618	EWV Deepening (53+2', 100%IW)	-	-	-	-	1,000	1,000	2,000	12,000	
			Lease & Asset Management Total	20	1,000	500	200	27,300	1,000	30,000	40,020	
			NWSA Joint Venture Total	20	1,000	500	200	27,300	1,000	30,000	40,020	
			Total Business Plan Prospective Projects	18,599	(40,229)	234,001	332,533	485,491	597,428	1,609,224	2,889,165	

ATTACHMENT 1: NWSA CAPITAL IMPROVEMENT PLAN

Home Port	Project Name	(\$ in 000's) Est. / Act ⁽¹⁾						Total
		2019	2020	2021	2022	2023	2024	2020 - 2024
North Harbor	T5 Berth Modernization Construction - Phase 1 (1,450' north)	\$ 40,228	\$ 80,000	\$ 20,000	\$ -	\$ -	\$ -	\$ 100,000
North Harbor	T5 Berth Modernization Construction - Phase 2 (1,450' south)	-	-	60,000	50,000	21,483	-	131,483
North Harbor	T5 Stormwater Treatment System	106	400	10,000	10,000	9,494	-	29,894
North Harbor	T5 Berth Modernization Design	3,176	-	-	-	-	-	-
North Harbor	T5 Hydrant Replacement (small project)	-	300	-	-	-	-	300
North Harbor	T5 North Maritime Longshore Building	285	400	1,300	-	-	-	1,700
North Harbor	T5 South Maritime Longshore Building	-	-	83	1,698	14	-	1,795
North Harbor	T5 W6 Transit Shed Standpipe Replacement (small project)	-	280	-	-	-	-	280
North Harbor	T5 Arrival/Security Bldg Roof Replacement (small project)	-	-	-	-	260	-	260
North Harbor	T18 Full Dock Rehabilitation	-	-	-	-	1,000	17,000	18,000
North Harbor	T18 Stormwater Utility Upgrade	1,651	7,374	617	-	-	-	7,991
North Harbor	T18 Water Control Valve Upgrade (small project)	-	300	-	-	-	-	300
North Harbor	T46 Central Lighting Controls	-	1,500	-	-	-	-	1,500
North Harbor	T46 Dock Rehabilitation	8,204	3,647	-	-	-	-	3,647
North Harbor	T46 Hydrant Replacement (small project)	90	-	-	-	-	-	-
North Harbor	T46 N. Substation #1 Replacement	-	1,250	-	-	-	-	1,250
North Harbor	T46 S Timber Apron Sprinkler Replacement	-	300	-	-	-	-	300
North Harbor	T46 Stormwater Improvements - Basin 2	209	3,058	-	-	-	-	3,058
North Harbor	T46 Transformer Rehab	-	200	-	-	-	-	200
North Harbor	T46-S Dock Rehabilitation	-	-	1,000	5,000	2,400	-	8,400
North Harbor	Clean Drayage System - NWSA NH	138	-	-	-	-	-	-
North Harbor	T104 Site Improvements	-	-	-	-	1,000	-	1,000
North Harbor	T106 NH CBP Office & Facility Improvements	-	1,025	5,246	-	-	-	6,271
North Harbor	T115 W2 Sprinkler Main Replacement (no stage 2)	-	150	-	-	-	-	150
North Harbor	T30 Dock Rehabilitation	-	-	-	-	-	9,000	9,000
South Harbor	Husky Panamax Container Cranes Acquisition (4)	4,897	-	-	-	-	-	-
South Harbor	Husky Shore Power	-	1,242	2,393	1,796	-	-	5,431
South Harbor	Husky Tenant Improvements	5,107	6,744	-	-	-	-	6,744
South Harbor	Pier 4 Container Crane Acquisition	36,261	-	-	-	-	-	-
South Harbor	2810 Marshall Ave Roof Replacement	3,357	-	-	-	-	-	-
South Harbor	Blair Terminal Longshore Breakroom (Trailer)	85	-	-	-	-	-	-
South Harbor	Breakbulk Pre-Advice Notification (PAN) - Phase 1	29	-	-	-	-	-	-
South Harbor	CBP Booth & Utilities (WUT)	-	248	-	-	-	-	248
South Harbor	Clean Drayage System Domestic Terminals - NWSA SH	-	776	-	-	-	-	776
South Harbor	Clean Drayage System Int'l Terminals- NWSA SH	58	-	-	-	-	-	-
South Harbor	Clean Drayage System Int'l Truck Que Sites	53	-	-	-	-	-	-
South Harbor	Display RFID Turn & Queue Times on NWSA Website	200	100	-	-	-	-	100
South Harbor	E. Sitcum Crane Power Vault Lids Replacement	45	-	-	-	-	-	-
South Harbor	E. Sitcum Terminal Stormwater Improvements	83	-	-	-	-	-	-
South Harbor	EB1 Yard Reconfiguration	98	1,946	-	-	-	-	1,946
South Harbor	Emissions Exhaust System for SSA	56	-	-	-	-	-	-
South Harbor	EST SW Vault Reconfiguration Basin 1 & 2	284	-	-	-	-	-	-
South Harbor	FRATIS CCTV Equipment - Phase 2 SH inside terminals	-	140	-	-	-	-	140
South Harbor	GCP Project Oversight & Coordination	50	100	-	-	-	-	100
South Harbor	NIM Curved Track Replacement (tracks 4, 5, 6 & 8)	1,294	-	-	-	-	-	-
South Harbor	NIM Stormwater Pipe Extension (located on Husky)	774	20	-	-	-	-	20
South Harbor	NIM Stormwater Pipe Replacement	2	-	-	-	-	-	-
South Harbor	NIM Stormwater Treatment System (located on Husky)	699	-	-	-	-	-	-
South Harbor	PCT Truck Staging Culvert Replacement	1,026	955	-	-	-	-	955
South Harbor	Pony Lumber Lighting Upgrade	(4)	-	-	-	-	-	-
South Harbor	Replace Sewer Line at EST Mnt Bldg	100	-	-	-	-	-	-
South Harbor	RFID in Truck Que Ingates - NWSA SH	200	716	-	-	-	-	716
South Harbor	SH CBP Office Improvements	500	2,350	-	-	-	-	2,350
South Harbor	Straddle Carrier Purchases	179	-	-	-	-	-	-
South Harbor	T7 Berth B-D Ship Service Water Line Replacement	68	467	-	-	-	-	467
South Harbor	T7 Fender Replacement (all berths)	603	-	-	-	-	-	-
South Harbor	T7 Warehouse Gutter Guards	73	-	-	-	-	-	-
South Harbor	W. Sitcum Bullrail Replacement for Autos	-	241	-	-	-	-	241
South Harbor	West Sitcum Stormwater Treatment	4,342	-	-	-	-	-	-
South Harbor	Bldg 100 & 950 Roof Replacements (W. Sitcum)	1,410	-	-	-	-	-	-
South Harbor	Bldg 600 Roof Upgrade & Skylight Replacement (W. Sitcum)	1,232	-	-	-	-	-	-
South Harbor	Bldg 900, 700 & Guard Shack Roof Replacements (W. Sitcum)	216	1,263	-	-	-	-	1,263
South Harbor	WUT Fender System Replacement	-	3,687	-	-	-	-	3,687
South Harbor	WUT Intermodal Yard Paving Replacement	924	-	-	-	-	-	-
South Harbor	WUT Utility Vault Upgrades	190	580	650	-	-	-	1,230
South Harbor	NWSA Unallocated Capital Improvements (placeholder)	-	3,000	3,000	3,000	3,000	3,000	15,000
NWSA Total		\$ 118,578	\$ 124,759	\$ 104,289	\$ 71,494	\$ 38,651	\$ 29,000	\$ 368,193
Port of Seattle's 50% funding total		\$ 59,289	\$ 62,380	\$ 52,145	\$ 35,747	\$ 19,326	\$ 14,500	\$ 184,097

Notes

⁽¹⁾ Estimated/Actual 2019 represents six months of actual spending and six months of projected spending

X. PLAN OF FINANCE

2020-2024 DRAFT PLAN OF FINANCE

The Draft Plan of Finance will be included as part of the 2020 Final Budget.

Thank You

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XI. STATUTORY BUDGET

2020 STATUTORY BUDGET

A. INTRODUCTION

The "statutory" budget as defined in RCW 53.35.010 is to portray "the estimated expenditures and the anticipated available funds from which all expenditures are to be paid." As a cash budget, the Statutory Budget establishes the need for the tax levy, sets upper limits on expenditures, and is not used as an operating budget. The function of controlling and managing the operations of the Port is accomplished with the Operating Budget, which is provided in Sections IV through VII.

The preliminary 2020 Statutory Budget is provided to the Port Commissioners and made available to the general public as required by law (RCW 53.35.010 and RCW 53.35.045). Two Notices of the Public Hearing will be published on October 30, 2019 and on November 6, 2019 in the DAILY JOURNAL OF COMMERCE, as required by law (RCW 53.35.020 and RCW 53.35.045). The two notices will include announcements that copies of the preliminary budget would be available for distribution to any interested persons on October 24, 2019, that the introduction of the preliminary 2020 Budget and public hearing will be held on November 12, 2019, and that the adoption of the 2020 Budget will be held on November 19, 2019. The final statutory budget was filed with the King County Council by December 2, 2019, as allowed by RCW 53.35.045. In addition, RCW 84.55.120 requires that the Port adopt a separate resolution for an increase in the tax levy.

B. STATUTORY BUDGET HIGHLIGHTS

1. Tax Levy

For 2020 the tax levy is assumed at \$76.4 million. The following is a comparison of the tax levy detail between 2019 and 2020:

	Budget 2019		Budget 2020	
	Levy Rate	Levy Amount	Levy Rate	Levy Amount
For General Obligation Bonds	\$ 0.0718	\$ 43,447,118	\$ 0.0625	\$ 39,783,253
For General Purposes	0.0508	30,712,882	0.0575	36,601,548
Total	<u>\$ 0.1226</u>	<u>\$ 74,160,000</u>	<u>\$ 0.1199</u>	<u>\$ 76,384,800</u> ⁽¹⁾

⁽¹⁾ 2020 Port levy is pending commission approval

2. Tax Levy Rate

The tax levy rate is a product of dividing the tax levy dollars by the assessed valuation of personal and real properties within the Port District. Therefore, if assessed valuation increases at a greater rate than the increase in the tax levy amount the Port assesses, the tax millage rate would go down even though the Port's levy dollars may have increased. The exact levy rate is determined by the County Assessor after all taxing agencies have requested their levy dollars, and the assessed valuation dollars are certified. The 2019 preliminary assessed valuation as of October 1, 2019 is \$636,879,445,421 after omitted assessments, which are not included in the Port's levy calculation (The 2019 assessed valuation is used for 2020 tax collection). This is an increase from the final assessed valuation per the King County Annual Report for 2019 tax collection, which was \$604,858,079,431 after omitted assessment. See section VII, Tax Levy, for additional discussion on the Port's use of the tax levy.

C. RESOLUTIONS

RESOLUTION NO. 3763

A RESOLUTION of the Port Commission of the Port of Seattle adopting the final budget of the Port of Seattle for the year 2020; making, determining, and deciding the amount of taxes to be levied upon the current assessment roll; providing payment of bond redemptions and interest, cost of future capital improvements and acquisitions, and for such general purposes allowed by law which the Port deems necessary; and directing the King County Council as to the specific sums to be levied on all of the assessed properties of the Port of Seattle District in the Year 2020.

WHEREAS, the Port of Seattle in the Century Agenda commits to create economic opportunity for all, steward our environmental responsibly, partner with surrounding communities, promote social responsibility, conduct ourselves transparently, and hold ourselves accountable; and

WHEREAS, the Port of Seattle's Century Agenda outlined goals of meeting current demand as a business gateway and tourism hub for the region, and further expressed the need to anticipate future growth of the region and to prepare for the ensuing demand for cruise, maritime, and aviation all for the economic benefit of the region; and

WHEREAS, the Port of Seattle Commission is committed to the responsible stewardship of public tax revenue, financial transparency, and an open budget process; and

WHEREAS, the Port of Seattle and its Commission are committed to making strategic investments necessary to promote a thriving maritime and industrial economy and recognize that increasing pressure on industrial lands and freight corridors in the region threatens the viability of this sector; and

WHEREAS, the long-term viability of the maritime and industrial sector is dependent on a robust and well-trained workforce and the sector is facing both an aging workforce and a limited influx of trained younger workers to replace those approaching retirement and the need to strengthen training and pathways into the sector; and

WHEREAS, the Port of Seattle Commission is committed to reducing our carbon footprint by investing in solutions to become the "greenest" and most efficient port in the nation and we are further committed to assisting and incentivizing those we do business with in order to reach these goals; and

WHEREAS, the Port of Seattle Commission has determined that the mission of the Port is to create good jobs in the region by advancing trade and commerce, promoting manufacturing and maritime growth, and stimulating economic development; and

WHEREAS, the Port of Seattle Commission, on the 22nd day of October, 2019, provided the preliminary 2020 Budget of the Port of Seattle to the public and provided for the publication of Notice of Budget Hearing to consider adoption of a final budget, to be heard on the 12th day of November, 2019, when taxpayers might appear and present objections to the preliminary 2020 Budget; and

WHEREAS, a public hearing on the preliminary 2020 Budget was held in the Port Commission Chambers, pursuant to notice duly given, in the City of Seattle, County of King, State of Washington, on the 12th of November, 2019, at 12 p.m.; and

WHEREAS, all parties present at said hearing were afforded a full opportunity to present objections to the preliminary 2020 Budget, and the Port Commission being duly advised in the premises; and

WHEREAS, the King County Assessor notified the Commissioners of the Port of Seattle on the 1st day of October, 2019, that the regular levy assessed value of the property lying within the boundaries of the Port of Seattle district ("Port District") for the year 2019 is \$636,879,445,421 (after omitted assessments); and

WHEREAS, the King County Assessor notified the Commissioners of the Port of Seattle on the 1st day of October, 2019, that the maximum allowable levy is \$106,250,147 including \$0 levy for prior year refunds, and the Port intends to retain this levy capacity;

NOW, THEREFORE, BE IT RESOLVED by the Port Commission of the Port of Seattle that the preliminary 2020 Budget, as updated and amended at the November 12, 2019, Port Commission hearing, and as may have been further amended by the Port Commission on this 19th of November, 2019, is hereby adopted as the final budget of the Port of Seattle for the Year 2020. Said final budget includes the statutory budget required under RCW 53.35.040. A copy of the final budget shall be made available to the public on the Port of Seattle website.

BE IT FURTHER RESOLVED that the amount of taxes to be levied by the Port of Seattle on the current assessment rolls to provide for payment of bond redemption and interest on the Port of Seattle General Obligation Bonds, for future expenditures for acquisitions and

capital improvements and for such general purposes allowed by law which the Port deems necessary be set and deposited is still pending commission approval.

BE IT FURTHER RESOLVED that the King County Council, State of Washington, be notified that the specific sum herein mentioned being a total of \$76,384,800 is necessary to be raised by taxation to meet the payment of bond redemption and interest on Port of Seattle General Obligation Bonds, of future expenditures for acquisitions and capital improvements, and of costs for such general purposes allowed by law which the Port deems necessary, as set forth for the period January 1, 2020, and thereafter; that said King County Council be respectfully requested to make a levy in said amount for the aforesaid purposes.

BE IT FURTHER RESOLVED that the above is a true and complete listing of levies for the Port District for collection in the year 2020 and they are within the maximums established by law.

ADOPTED by the Port Commission of the Port of Seattle at a duly noticed meeting held this 19th day of November, 2019, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the seal of the Commission.

Port of Seattle Commissioners

RESOLUTION NO. 3764

A **RESOLUTION** of the Port Commission of the Port of Seattle specifying the dollar and percentage change in the regular property levy from the previous year per RCW 84.55.120; providing for an increase of the levy from \$74,160,000 to \$76,384,800.

WHEREAS, the Port of Seattle in the Commission has met and considered its budget for the calendar year 2020; and

WHEREAS, the Port of Seattle's Commission, after hearing and duly considering all relevant evidence and testimony presented in a public hearing held pursuant to RCW 84.55.120, has determined the Port of Seattle requires a regular levy in the amount of \$76,384,800, which represents the levy rate of approximately \$0.120 per thousand of assessed value; and

WHEREAS, the levy amount includes an increase in property tax revenue from the previous year to discharge the expenses and obligations of the district in its best interest;

NOW, THEREFORE, BE IT RESOLVED by the Port Commission of the Port of Seattle that a property tax levy is hereby authorized in the amount of \$76,384,800, an increase of \$2,224,800, a 3.0 percent increase from 2019. Excluding the new construction and refund amount, the increase is \$1,035,306 or 1.4 percent from 2019 for tax filing purposes.

ADOPTED by the Port Commission of the Port of Seattle at a duly noticed meeting held this 19th day of November, 2019, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the seal of the Commission.

Port of Seattle Commissioners

D. TAX LEVY CALCULATION SHEET

TABLE XI-1: TAX LEVY CALCULATION SHEET

TAXING DISTRICT: Port of Seattle

The following determination of your regular levy limit for 2020 property taxes is provided by the King County Assessor pursuant to RCW 84.55.100.

(Note 1)

Using Limit Factor For District	Calculation of Limit Factor Levy	Using Implicit Price Deflator
104,020,449	Levy basis for calculation: (2019 Limit Factor) (Note 2)	104,020,449
1.0100	x Limit Factor	1.0140
105,060,653	= Levy	105,472,574
9,697,490,848	Local new construction	9,697,490,848
0	+ Increase in utility value (Note 3)	0
9,697,490,848	= Total new construction	9,697,490,848
0.12266	x Last year's regular levy rate	0.12266
1,189,494	= New construction levy	1,189,494
106,250,147	Total Limit Factor Levy	106,662,068
Annexation Levy		
0	Omitted assessment levy (Note 4)	0
106,250,147	Total Limit Factor Levy + new lid lifts	106,662,068
636,879,445,421	÷ Regular levy assessed value less annexations	636,879,445,421
0.16683	= Annexation rate (cannot exceed statutory maximum rate)	0.16748
0	x Annexation assessed value	0
0	= Annexation Levy	0
Lid lifts, Refunds and Total		
0	+ First year lid lifts	0
106,250,147	+ Limit Factor Levy	106,662,068
106,250,147	= Total RCW 84.55 levy	106,662,068
0	+ Relevy for prior year refunds (Note 5)	0
106,250,147	= Total RCW 84.55 levy + refunds	106,662,068
	Levy Correction: Year of Error _____ (+or-)	
106,250,147	ALLOWABLE LEVY (Note 6)	106,662,068
Increase Information (Note 7)		
0.16683	Levy rate based on allowable levy	0.16748
74,160,000	Last year's ACTUAL regular levy	74,160,000
30,900,653	Dollar increase over last year other than N/C – Annex	31,312,574
41.67%	Percent increase over last year other than N/C – Annex	42.22%
Calculation of statutory levy		
	Regular levy assessed value (Note 8)	636,879,445,421
	x Maximum statutory rate	0.45000
	= Maximum statutory levy	286,595,750
	+Omitted assessments levy	0
	=Maximum statutory levy	286,595,750
	Limit factor needed for statutory levy	Not usable

ALL YEARS SHOWN ON THIS FORM ARE THE YEARS IN WHICH THE TAX IS PAYABLE.
Please read carefully the notes on the reverse side.

Notes:

- 1) Rates for fire districts and the library district are estimated at the time this worksheet is produced. Fire district and library district rates affect the maximum allowable rate for cities annexed to them. These rates *will* change, mainly in response to the actual levy requests from the fire and library districts. Hence, affected cities may have a higher or lower allowable levy rate than is shown here when final levy rates are calculated.
- 2) This figure shows the maximum *allowable levy*, which may differ from any actual prior levy if a district has levied less than its maximum in prior years. The maximum allowable levy excludes any allowable refund levy if the maximum was based on a limit factor. The maximum allowable levy excludes omitted assessments if the maximum was determined by your district's statutory rate limit. If your district passed a limit factor ordinance in the year indicated, that limit factor would help determine the highest allowable levy. However, if the statutory rate limit was more restrictive than your stated limit factor, the statutory rate limit is controlling.
- 3) Any increase in value in state-assessed property is considered to be new construction value for purposes of calculating the respective limits. State-assessed property is property belonging to inter-county utility and transportation companies (telephone, railroad, airline companies and the like).
- 4) An omitted assessment is property value that should have been included on a prior year's roll but will be included on the tax roll for which this worksheet has been prepared. Omits are assessed and taxed at the rate in effect for the year omitted (RCW 84.40.080-085). Omitted assessments tax is deducted from the levy maximum before calculating the levy rate for current assessments and added back in as a current year's receivable.
- 5) Administrative refunds under RCW 84.69.020 were removed from the levy lid by the 1981 legislature.
- 6) A district is entitled to the lesser of the maximum levies determined by application of the limit under RCW 84.55 and the statutory rate limit. Levies may be subject to further proration if aggregate rate limits set in Article VII of the state constitution and in RCW 84.52.043 are exceeded.
- 7) This section is provided for your information, and to assist in preparing any Increase Ordinance that may be required by RCW 84.55.120. The increase information compares the allowable levy for the next tax year with your ACTUAL levy being collected this year. The actual levy excludes any refund levy and expired temporary lid lifts, if applicable. New construction, annexation and refund levies, as well as temporary lid lifts in their initial year, are subtracted from this year's *allowable* levy before the comparison is made.
- 8) ***Assessed valuations shown are subject to change from error corrections and appeal board decisions recorded between the date of this worksheet and final levy rate determination.***

E. FORECASTED CASH FLOW SUMMARY

TABLE XI-2: FORECASTED CASH FLOW SUMMARY

(\$ in 000's)	<u>2020</u>	<u>Percent of Total</u>
Beginning balance of cash & investments	\$ 1,541,604	
<u>SOURCES OF CASH</u>		
Operating Revenues	813,315	47.8%
Interest Receipts	27,669	1.6%
Proceeds from Bond Issues	600,000	35.3%
Grants and Capital Contributions	50,561	3.0%
Tax Levy	76,385	4.5%
Passenger Facility Charges	99,505	5.9%
Rental Car Customer Facility Charges	23,914	1.4%
Fuel Hydrant Receipts	7,022	0.4%
Other Receipts	2,345	0.1%
Total	<u>1,700,716</u>	<u>100%</u>
Anticipated available funds	<u>3,242,320</u>	
<u>USES OF CASH</u>		
Expenses from Operations:		
Total Operating Expenses	471,587	29.3%
Debt Service:		
Interest Payments	194,080	12.1%
Bond Redemptions	<u>212,565</u>	<u>13.2%</u>
Total Debt Service	406,645	25.3%
Other Expenses	10,164	0.6%
Public Expense	19,233	1.2%
Payment to NWSA for Capital Expenditures	62,380	3.9%
Capital Expenditures	<u>640,462</u>	<u>39.8%</u>
Total	<u>1,610,471</u>	<u>100%</u>
Ending balance of cash & investments	<u>\$ 1,631,849</u>	
Increase (decrease) of cash during year	\$ 90,245	

cashflow.xlsx

FIGURE XI-1: SOURCES OF CASH

(\$ in 000's)

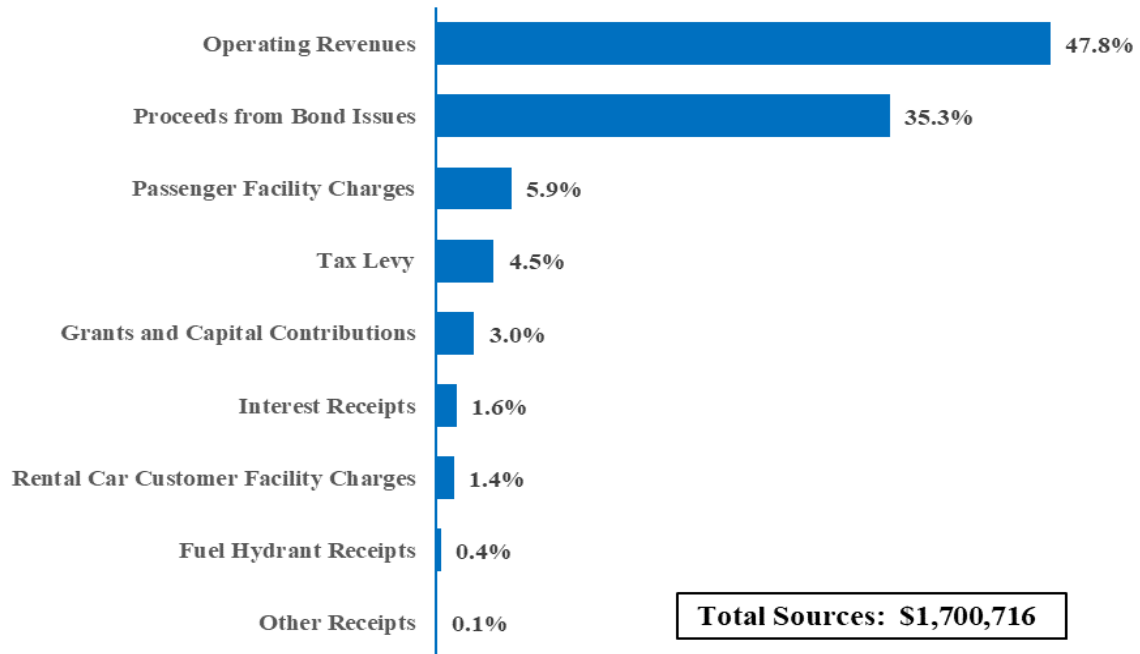
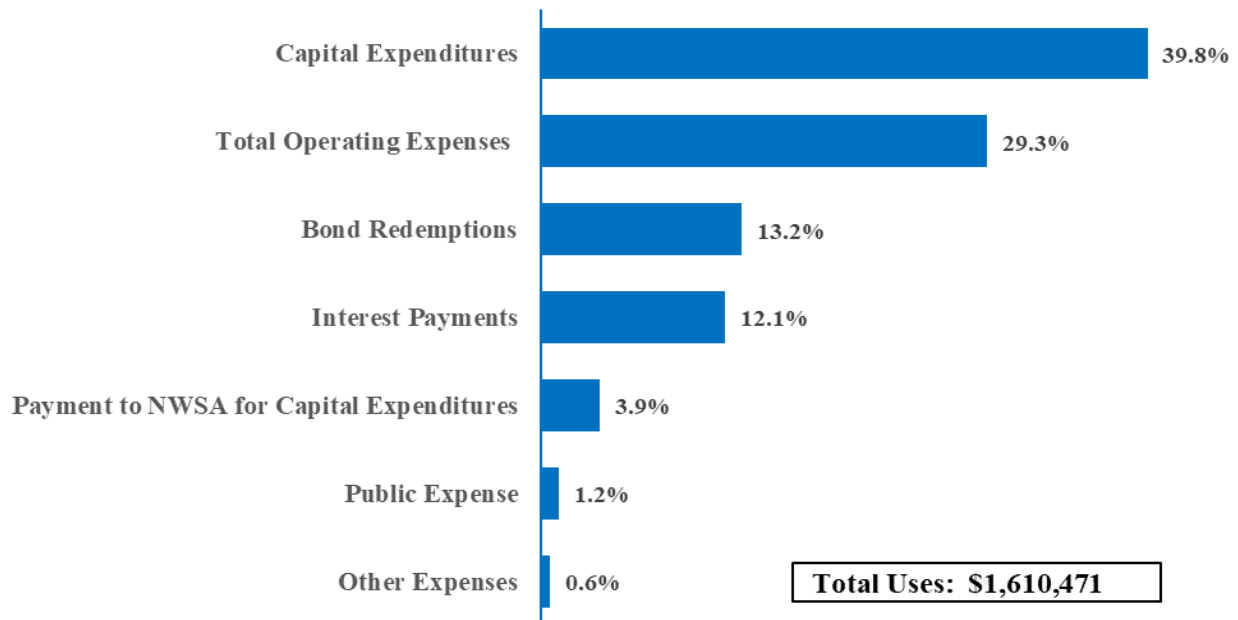


FIGURE XI-2: USES OF CASH

(\$ in 000's)



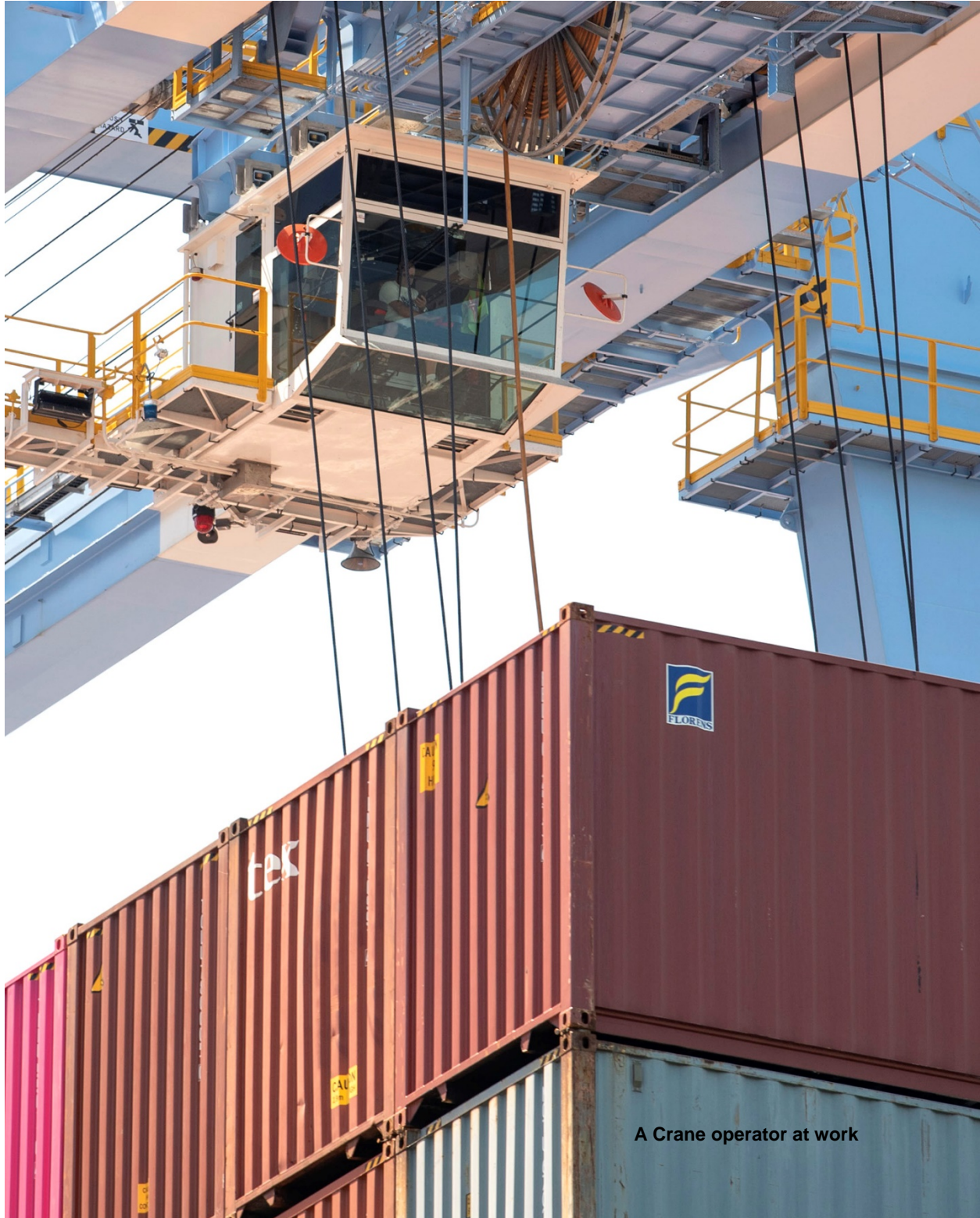
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XII. THE NORTHWEST SEAPORT ALLIANCE (NWSA)



THE NORTHWEST
SEAPORT ALLIANCE

The Northwest Seaport Alliance 2020 Budget



A Crane operator at work



In July 2019, Inbound Logistics magazine named The Northwest Seaport Alliance in its annual list of “Green 75” supply chain partners. This is the third consecutive year that the NWSA has been recognized for its environmental programs and commitment to sustainability. Although this recognition is the first for the alliance, both the Port of Seattle and the Port of Tacoma have been recognized individually for several years.



In August 2019, Logistics Management Magazine awarded The Northwest Seaport Alliance with a 2017 Quest for Quality award in the West Coast Port category. This is the second year that the NWSA has earned this award. The NWSA ranked second highest among U.S. West Coast ports in the magazine’s annual readership survey of transportation providers. Ports were evaluated on ease of doing business, value, ocean carrier network, intermodal network and operations. The NWSA was one of only four West Coast ports to earn the honor this year.

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To: Managing Members

Date: November 14, 2019

Subject: The Northwest Seaport Alliance Operating Budget and Five-Year Capital Investment Plan

Staff is pleased to present the 2020 Northwest Seaport Alliance (NWSA) Budget. This document informs citizens and other interested parties about the NWSA's overall goals and strategies, as well as the business environment in which we operate. It highlights our focus on strategic investments that will deliver competitive financial results, build for the future, and continue to create jobs and economic wealth for the Puget Sound region.

The competition within the international container business among ports remains intense as capacity grows with larger ships and volumes are threatened by the ongoing trade war and softening of the Global marketplace. Shipping alliances and terminal operators continue to explore ways in which to improve their financial performance while investing in the infrastructure and or equipment required to handle the freight surge from larger ships.

Over the last four years, the NWSA has made and continues to make the investments necessary to service the larger ships. We completed construction of a new wharf and the purchase of eight new cranes at Husky Terminal in the Tacoma Harbor and have started the redevelopment of the wharfs at Terminal 5 in Seattle. These two significant investments alone total over 500 million dollars and provide the NWSA with terminals in both harbors capable of handling the largest vessels in the transpacific trade.

The NWSA creates significant economic activity and family wage jobs in the Puget Sound region and across the state. We provide manufacturers and agricultural producers throughout the nation valuable access to foreign markets. NWSA and our customers business activities generate more than 58,400 direct and indirect jobs and \$12.4 billion of business output based on the most recent study released in 2019 for 2017 data. The NWSA is also an environmental leader in reducing cargo-related air emissions and stormwater pollution.

The current NWSA's Strategic Business Plan includes:

- Enhance NWSA, local and regional transportation infrastructure
- Improve the efficiency and cost competitiveness of the supply chain
- Advance the NWSA's market position in the international and domestic shipping industry
- Increase revenue through growth and diversification
- Advance environmental stewardship

There is significant uncertainty in the global economy going into 2020. Additionally, our industry continues to experience rapid change and unforeseen circumstances that affect global trade. In 2020, the NWSA will initiate an update to our Gateway Master Plan to help us be ready to respond to market changes and to position us to continue to be a leading port in N. America. Despite the market uncertainty, our Team is focused on increasing the business activities and job growth within the region, while achieving that success in a financially and environmentally sustainable way.

John Wolfe

Chief Executive Officer

Budget Document Overview

The Budget Document consists of these major sections:

I. Overview: This section provides information about the NWSA's facilities and customers. It examines the economic context of the NWSA's operating environment, and it outlines the NWSA's organizational structure.

II. Budget Message: This includes an overview of the budget challenges and opportunities, revenue types and expenditures. The Budget Message outlines the priorities and issues for the budget year and describes changes from the previous year.

III. Business Outlook: This section describes the NWSA's overall goals and strategies. It includes assumptions, potential obstacles and trends that staff used to develop the forecast. These serve as the foundation for the Operating Budget.

IV. Operating Budget: This section provides a summary of the assumptions that form the basis for the NWSA's operating budget. This section includes the operating budget with revenue and expenses by line of business, and details of expected operating costs. This section also provides a five-year financial forecast for the alliance.

V. Five-Year Capital Investment Plan (CIP): The CIP consists of all capitalized and expensed projects that the NWSA plans to complete in the next five years. Capitalized projects affect the NWSA's Profit and Loss statement through depreciation while expensed projects flow directly to the NWSA's net income in the year the expenses are incurred. This section provides details on the CIP including the impact of the capital spending on profitability.

VI. Environmental Stewardship and Planning: This section provides a historical context for the environmental challenges facing the two ports and their surrounding communities. This section also discusses the role of the NWSA Planning department and its work to integrate all aspects of the alliance.

I The Northwest Seaport Alliance Overview

Marine Cargo Operating Partnership

The Northwest Seaport Alliance (NWSA) is the first of its kind in North America.

The ports of Seattle and Tacoma 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 for the region.

Located in the Pacific Northwest in Washington state, the NWSA offers short U.S.-to-Asia transit times, and the infrastructure necessary to quickly move cargo to the U.S. Midwest.

International & Domestic Trade

The NWSA is the fourth-largest gateway for containerized cargo in North America, focused specifically on shipping between Asia and major distribution points in the Pacific Northwest, Midwest, Ohio Valley and the East Coast.

The NWSA is also a major center for bulk, breakbulk, project/heavy-lift cargoes, automobiles and trucks. The NWSA's terminals are located near the second-largest concentration of distribution centers on the West Coast.

Top international trading partners include:

- China/Hong Kong
- Japan
- Republic of Korea
- Taiwan
- Vietnam
- Indonesia
- Thailand
- Malaysia
- Australia

The value of this two-way international trade totaled more than \$77.5 billion in 2018. Imports were \$60.9 billion and exports were \$16.6 billion of that total.

The Puget Sound is the major cargo gateway to Alaska. More than 80 percent of the total trade volume between Alaska and the lower 48 states moves through the Tacoma and Seattle harbors. Trade with Alaska was estimated at \$5.4 billion in 2018. If it were ranked with the NWSA's international trading partners, Alaska would be fourth. The NWSA also provides connections to Hawaii.

Port of Seattle & Port of Tacoma

The Port of Seattle was created September 5, 1911, in an effort by citizens to ensure public ownership of the Seattle harbor. The Port of Seattle was the first autonomous municipal corporation in the United States specifically tasked to develop harbor and port facilities to encourage commerce. The Port opened Fishermen's Terminal in 1914, its first warehouse in 1915 and began working on the creation of Harbor Island.

The Port of Tacoma was created on November 5th, 1918 by the citizens of Pierce County to create job opportunities through trade, as well as in the economic development of Pierce County and the state of Washington.

The Port of Seattle and the Port of Tacoma's geographic boundaries lie within King and Pierce counties, respectively. They are situated on Commencement and Elliott bays in Puget Sound. Because of this strategic location, they offer efficient connections to sea, rail, highway and air transportation networks.

The NWSA ranks among the world's top 45 container gateways with some of the industry's largest container shipping lines calling the Puget Sound. Nineteen international and four domestic shipping lines make regular service calls to the NWSA. The alliance also handles breakbulk, bulk, and auto shipping lines.

Shipping lines have been attracted to the Pacific Northwest because of its proximity to markets for trade, an experienced labor force, natural deep water, available land for expansion, excellent on-dock rail facilities and inland rail service. Rail service is

provided by the BNSF Railway and the Union Pacific Railroad. Currently, approximately 50% to 60% of the NWSA import cargo moves out via rail. Excellent highway access is provided via Interstate 5 and Interstate 90.

Through August 2019, the two ports handled about \$50.8 billion of trade. Based on dollar volume, China (including Hong Kong) is the NWSA's largest trading partner. Other leading trading partners include Japan, South Korea, Taiwan and Vietnam.

As the "Gateway to Alaska," the NWSA handles about 3.4 million tons of domestic cargo shipped between the two states annually. Matson, TOTE Maritime Alaska, and Alaska Marine Lines are major shipping lines serving Alaska from the NWSA. Matson also provides service to Hawaii.

The NWSA is both a landlord and an operating organization. The NWSA's maritime marketing efforts focus on attracting cargo and additional shipping lines to its facilities. The NWSA also works with charter shippers and others to move their cargoes through both NWSA and customer-operated facilities in Puget Sound.

The NWSA is a major auto import and processing center, handling vehicles for Kia, Mazda, and Mitsubishi.

Additionally, many of the two ports' efforts are focused on industrial development and real estate. They each work to attract major manufacturing and warehouse/distribution centers to King and Pierce counties.

King and Pierce Counties

King and Pierce counties are the first and second most populous metropolitan areas in the state of Washington. The two counties represent a combined population of approximately 3.1 million or 41% of the population of the state of Washington.

Located about halfway between the Oregon and Canadian borders, King and Pierce counties cover 3,916 square miles.

Ports Economic Impact

In 2019, the ports of Tacoma and Seattle announced the results of a joint economic impact study for the

NWSA and the two seaports. The ports serve as a major economic engine for Pierce County, King County, and the state of Washington, creating thousands of family-wage jobs and serving as a catalyst for economic development.

According to the study, in 2017 the two ports' marine cargo activities are related to 58,400 jobs in Washington state that contribute \$12.4 billion in total business output. The two ports' cargo-handling, and leasing activities generate more than \$136 million annually in local and state taxes in Washington.

NWSA Facilities and Services

The ports have licensed to the NWSA facilities related to maritime commerce, including facilities for containerized cargo, automobiles, logs, breakbulk cargo, heavy-lift cargo and project cargoes, as well as intermodal rail terminal operations.

The NWSA's four major waterways – two in Seattle and two in Tacoma – provide 33 ship berths on waterways that are about 51 feet deep. The NWSA facilities are located near I-5 and I-90, allowing access to the Puget Sound market and beyond.

BNSF Railway and the Union Pacific Railroad serve the NWSA's nine on-dock and near-dock intermodal rail yards. The NWSA's intermodal rail facilities help save shippers and shipping lines both time and money.

In Tacoma, Tacoma Rail, a division of Tacoma Public Utilities, provides switching and terminal rail service. Arrival and departure tracks help ensure efficient and reliable access to the mainline railroads.

See Figures 1-1 and 1-2 for an overview of The Northwest Seaport Alliance facilities located in Seattle (North Harbor) and Tacoma (South Harbor), respectively.

The Northwest Seaport Alliance governance

The NWSA is a separate governmental entity established as a Port Development Authority (PDA), similar to Public Development Authorities formed by cities and counties. In 2015, the ports successfully sought and received an amendment to Washington law RCW 53 that allows the ports of Tacoma and

Seattle to form a PDA for management of maritime activities.

The NWSA is governed by the two ports as equal members, with each port acting through its elected commissioners. Each Port Commission is a Managing Member of the NWSA, with each Managing Member being represented by its Port Commission. Votes by the Managing Members require a simple majority from each commission.

Each port remains a separate legal entity, independently governed by its own elected commissioners. Each port has granted to the PDA a license for the PDA's exclusive use, operation and management of certain facilities, including the collection of revenues. Ownership of the licensed facilities remains with the ports, not the PDA.

The ports remain responsible for their own debt and debt service; the PDA will not borrow funds.

The ports set up an initial 50/50 investment in the PDA; operating income is reported monthly and cash is distributed back to the ports at least quarterly. The PDA has its own annual operating budget and five-year capital investment plan.

The ports contribute to capital construction subject to Managing Members approval; capital funding does not come from working capital.

NWSA Managing Members

The Managing Members are the commissions for each of the two ports. The citizens of Pierce and King counties each elect a five-member Port Commission to govern the ports of Tacoma and Seattle. Each Commission seat is elected every four years, on a staggered basis.

The Managing Members are the final authority for approval of the NWSA's annual budget, long-term leases, policies, long-range development plans, and all construction projects and spending in amounts exceeding the authority of the Chief Executive Officer.

The members of the commissions at the time of this publication are:

Port of Seattle

- Stephanie Bowman
- Ryan Calkins

- Fred Felleman
- Courtney Gregoire
- Peter Steinbrueck

Port of Tacoma

- Don Johnson
- Dick Marzano
- John McCarthy
- Don Meyer
- Clare Petrich

NWSA Managing Members Meetings

Managing Member meetings are open to the public and are held at various locations in both King and Pierce counties.

For the location and agenda for upcoming Managing Member meeting, as well as minutes for previous Managing Member meetings, you can visit the website at www.nwseaportalliance.com.

The NWSA streams all Managing Member meetings live on the website and are archived for future viewing.

Citizens may contact the Managing Members by calling 800-657-9808. Correspondence may be mailed to:

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

Organizational Structure

The NWSA's daily operations are led by the Chief Executive Officer and the NWSA Executive Team. See the Organizational Chart (Figure I-3 on page I-8).

Executive Team

The Executive Team is comprised of the CEO, two deputy CEO's, seven chief officer positions, and executive administrative support. The Executive Team oversees all business activities and departments, and with the Managing Members, provides long-term strategic direction. The Executive Team ensures compliance with all regulations relevant to NWSA and port activities, including public meetings and information, environmental protection,

labor relations, procurement, security, financial management and other issues. The NWSA executive team provide day to day management of Port staff working on both Port and NWSA related items.

Commercial Group

Led by the Chief Commercial Officer and the Chief Strategy Officer, the Commercial Group is comprised of the Business Development team, the Marketing & Business Services Team, and two Real Estate teams, one for the NWSA, and one for the Port of Tacoma.

Business Development: International and domestic container, breakbulk, and bulk cargo are core business segments for the NWSA. The Business Development team is responsible for cargo and terminal business development and management, and customer service for all of these cargos. The Business Development team plays an important role coordinating efforts with the entire supply chain, including customers, terminal facilities, rail roads, and trucking companies. This team pursues and implements operational improvements to enhance overall efficiency at the NWSA's terminals.

As one of the northernmost gateways on the U.S. West Coast, the Pacific Northwest has long been the primary hub for waterborne trade with Alaska, as well as a major gateway for trans-Pacific trade.

The gateway's on-dock and near-dock intermodal rail yards, along with international and domestic rail services to the U.S. Midwest, are key assets and are an integral part of the NWSA business. Relationship management with Tacoma Rail, BNSF and Union Pacific (UP) and other rail stakeholders are key functions of this team.

While a significant portion of the Business Development team is focused on the container and associated intermodal business, the NWSA has a robust non-container business. Comprised of breakbulk (Roll On and Roll Off also known as RoRo), bulk and auto cargoes, these non-container businesses make a significant contribution to revenue and further diversify the gateway's business portfolio. Additionally, the NWSA's South Harbor is designated as a strategic military port for transport of military cargoes.

Auto customers include Kia, Mazda, and Mitsubishi. Auto Warehousing Company (AWC), a tenant, is the largest auto processor on the U.S. West Coast.

Exports of logs, petroleum products and molasses add to the diversified cargo mix.

The NWSA offers competitive rates and full service to all customers. To help facilitate and grow business, the NWSA has trade and business development representation in Alaska, New Jersey, Japan, Hong Kong, China and Korea.

Marketing and Business Services Team: This team supports the Business Development team and is responsible for research, data analysis, advertising and marketing activities. This team also manages and administrates the NWSA tariff. It also supports the goals of the Commercial Group by providing strategic market research and business intelligence, cargo volume tracking and forecasting.

NWSA Real Estate Team: Non-terminal industrial and commercial properties and facilities in the North and South harbor are included in the assets assigned to the NWSA. These properties are a significant source of revenue for the NWSA. Real estate personnel are responsible for leasing, divesting and managing the Port's real estate portfolio.

Located in an industrial zone with room for growth, tenants offer a broad range of services for the NWSA's international and domestic customers including warehousing and distribution, manufacturing and marine services.

Operations Group

The Operations Group is responsible for the daily operations of NWSA facilities at both ports.

The Operations Group provides coordination with vessel arrivals and departures, and with the associated stevedores. The Operations group orders and manages labor at the North Intermodal Yard and other locations in Tacoma, and is also responsible for customer service. The major focus of this department is to ensure the proper processing of all vessels and freight shipments moving through the Puget Sound gateway.

The Operations Department, in conjunction with Tacoma Rail, is responsible for rail service delivery at

the South Harbor intermodal yards. This department also operates the North Intermodal Yard, and is the only port on the U.S. West Coast with dedicated rail services personnel. Both harbors offer competitive rail service via BNSF Railway and the UP Railroad, and are a major gateway for handling discretionary cargo destined for the Midwest.

Support Services

Support services such as maintenance, security, public affairs, facilities development and financial services are provided by service agreements between the alliance and the two ports. Costs for these services are charged by the ports to the alliance based on agreed upon methodologies including direct charge and purchased services.

Commitment to Fiscal Stewardship

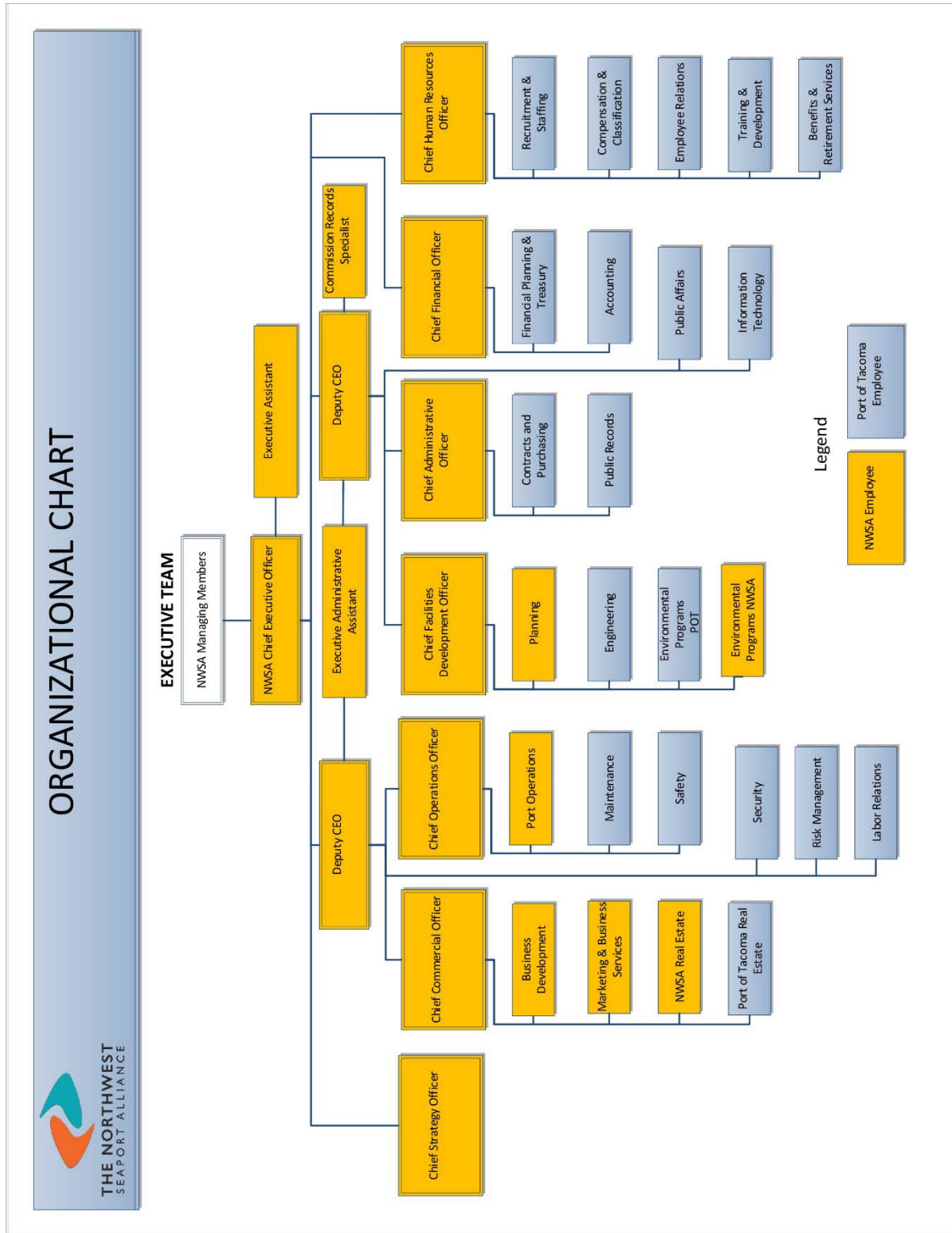
The NWSA is intended to support the credit profiles of both ports, and its financial framework is intended to preserve both ports' commitment to financial strength and fiscal stewardship.

Both ports have a solid track record of prudent financial management and strong financial results, including solid debt service coverage and ample liquidity balances.

The ports are committed to ensuring that existing bond pledges and covenants will not be negatively affected. Outstanding bonds will remain obligations of each individual port.

To maintain the rights of each port's existing bondholders, the charter prohibits the NWSA from issuing debt.

Figure I-3....The Northwest Seaport Alliance Organizational Chart



II 2020 The Northwest Seaport Alliance Budget Message

NWSA Goals

The NWSA has identified six commercial goals to maintain and grow the maritime business in the Puget Sound.

1. **Improve Licensed Alliance Terminal and Waterway Assets to Meet Market Demand**
 - a. Redevelop Husky Terminal and Pier 4 in the South Harbor to increase container throughput and respond to container industry changes
 - b. Modernization of T5 dock, berth and power infrastructure in the North Harbor to meet future container industry demand, increase throughput, and position The Northwest Seaport Alliance gateway strategically
 - c. Complete Seattle Harbor Navigation Improvement project
 - d. Work with U.S. Army Corps of Engineers (USACE) to begin a deepening project study for Tacoma waterways
 - e. Facilitate collaboration between terminal operators and ocean carriers for alliance consolidation
2. **Enhance Alliance, Local and Regional Transportation Infrastructure**
 - a. Participate in partner agency planning efforts to ensure that the alliance's needs are considered and that plans support future business growth
 - b. In partnership with local, state and federal stakeholders, facilitate improvement projects to vital roadways that service alliance customers
 - c. Update the ports of Tacoma and Seattle's Land Use and Transportation Plans and work to maintain and improve freight mobility along the alliance's truck routes
 - d. Design and develop appropriate rail support infrastructure in coordination with Tacoma Rail and the Class 1 railroads
3. **Improve Efficiency and Cost Competitiveness of the Supply Chain**
 - a. Improve the efficiency, service level and cost competitiveness of the intermodal product through the PNW gateway
 - b. Advance Operations Service Center (OSC) initiatives with the mission of providing "best in class" service delivery and customer care to our customers and stakeholders
4. **Advance the Alliance's Market Position in the International Shipping Industry**
 - a. Develop marketing materials and outreach programs to advance NWSA competitive position and value proposition with key customer segments
 - b. Develop and implement a comprehensive business development strategy targeting international container carriers, BCOs, NVOs and other supply chain partners
5. **Increase Revenue Through Growth and Diversification**
 - a. Facilitate new project cargo, breakbulk, auto and bulk business opportunities
 - b. Develop and execute a comprehensive business strategy to support the Seaport Alliance's domestic container business
6. **Advance Environmental Stewardship**
 - a. Partner with customers to find innovative solutions to our customers' environmental challenges
 - b. Continuously improve operational efficiency and emission reductions

Budget Environment

The NWSA operates principally in two industries: terminal services and property rentals. Terminal services involve marine-oriented services including dockage, cargo-handling, storage and related activities. Property rentals include facilities and land used for container terminals, industrial activities, and storage.

As described in further detail in Section III, increased competition from Canadian ports as well as ports located on the U.S. West, Gulf and East coasts, have resulted in reduced cargo through the Puget Sound gateway. The expansion of the Panama Canal has made the all water route to the Gulf and East coasts more attractive for cargo owners. Due to decreased demand for terminal space, competition among ports for container business has increased.

The ports of Seattle and Tacoma responded to these conditions by reducing costs and focusing on the needs of our current customers. NWSA staff continue to review both harbor's physical assets to rationalize the facilities and reduce costs where possible.

Revenues

GASB 87: The NWSA has adopted the new accounting standard for leases known as GASB 87 for 2020. Accordingly, a significant amount of revenue has moved from Lease income in Operating Revenue to Lease Interest Income which is included in non-operating revenue. Prior years have not been restated. Year over year comparisons are impacted by the adoption of GASB 87.

The NWSA has both fixed and variable revenue streams. The majority of NWSA's revenue comes from fixed revenue streams, primarily from leased properties. The leased properties are mainly container terminals, buildings, and industrial and commercial land. The NWSA's container terminal leases with shipping carriers can last 20 years or longer depending on carrier requirements. Building and land leases with more than one-year remaining are considered fixed. Minimum crane hours and minimum intermodal lift requirements specified in certain terminal leases are considered fixed.

The balance of NWSA revenue comes from variable services provided to customers. These services include intermodal lifts for rail car loading above minimums and per unit charges for automobile unloading and breakbulk cargo. Variable revenues also include equipment rental on an hourly basis for crane hours above minimums and straddle carriers used by terminal leaseholders and month to month building or land leases.

2020 Budget

The NWSA has developed an overall operating budget with projected revenue of \$149.9 million. Operating income is budgeted to be \$36.0 million, resulting in an operating margin of twenty-four percent (reduced from prior years due to GASB 87). The NWSA net distributable revenue of \$83.0 million, which includes grant and interest income, and cash of \$103.8 million will be distributed evenly between the two home ports. Each port's portion of net income will be included as revenue in their financial reports.

NWSA financial performance reflects the investments it is making to successfully complete our customer commitments while meeting the NWSA financial goals. The operating and capital budgets are based on the cargo forecast in Section III.

Capital Investment Plan Highlights

NWSA projects for the next five years reflect a focus on strategic container terminal development in both harbors. With this focus the NWSA has reviewed potential assets for revenue generation to ensure that financial and economic growth goals are met.

Major 2020 – 2024 capital projects include the following:

North Harbor

- T-5 wharf redevelopment, including a rail quiet zone and electrical upgrades in the City of Seattle's substation.
- T-46 wharf repair and paving;
- T5 and T-18 stormwater improvements;
- T18 and T30 full dock rehabilitations

South Harbor

- Husky tenant improvements including shore power

- WUT fender system replacement
- Development of facilities for Customs and Border Patrol staff
- Ongoing maintenance of our facilities.

Both Harbors

- Clean air and stormwater investments;
- Investments in numerous environmental remediation and mitigation projects.

The NWSA's 2020 Capital Investment Plan of \$146 million represents the first year of the NWSA's 2020-2024 CIP – a package totaling \$441.2 million in new projects and investments. See Section V for additional details on the Capital Investment Plan.

Financial Measures

Financial measures for the NWSA have been developed to monitor financial performance. The two measures are (1) Net Distributable Revenue and (2) Return on Assets. These measures help ensure that the NWSA is providing the necessary financial performance required by each home port.

Legislative Impact

Transportation Funding

The NWSA relies on an efficient and well-maintained road and rail network to ensure the smooth movement of cargo to and from its facilities. The Washington Legislature made a significant commitment to infrastructure in 2015, passing a 16-year, \$16 billion statewide transportation package. An estimated \$3.3 billion of those funds will be invested in projects benefiting NWSA terminals.

In 2015 Congress passed the FAST Act, a surface transportation authorization bill that established a new freight funding program. In its Fiscal Year 2019 spending bill, Congress appropriated \$292 million for a port-dedicated infrastructure funding program. Prior to these bills, few federal investment tools have been available to ports and other local government when it comes to freight infrastructure. The new program could assist the NWSA in making strategic investments in mission-critical freight infrastructure, such as marine terminals, roads and rail.

Shorepower Infrastructure Funding

During the 2019 legislative session, state lawmakers authorized a \$4.4 million investment in shorepower infrastructure at the NWSA's Terminal 5. This would allow vessels at berth to shut their engines off and plug into the local electrical grid for their energy needs.

Shore power infrastructure, however, is not essential to the operation of the terminal. It is expensive and often does not "pencil out" for the terminal operators without outside capital.

The NWSA projects shore power at T-5 would reduce carbon emissions by 1,666 tons per year and NOx emissions by 66 tons per year. The state would also see reduced diesel particulate matter emissions.

Additionally secured \$1 million in federal Diesel Emissions Reduction Act grant funding for additional shorepower investments at Husky Container Terminal. To fully fund this project, the NWSA will seek additional state dollars in 2020 to match this federal investment.

Navigation Improvement Projects

The largest container vessels calling West Coast ports today have over two times the capacity of those that called just five years ago. To remain a competitive trade gateway, the NWSA is taking steps to upgrade our infrastructure to handle these ships. One such step involves the deepening of the navigation channels that serve its facilities. In 2018, the U.S. Army Corps of Engineers completed a Chief's Report recommendation deepening in specific areas adjacent to the NWSA's container terminals in the North Harbor. Congress subsequently authorized construction of the project in the 2018 Water Resources Development Act. While channels are mostly -51 feet or deeper, some shallower spots present navigational and safety challenges. The recommendation is to deepen the east and west waterway in the North Harbor to -57 feet MLLW. This will allow the NWSA to handle fully laden ships larger than 18,000 TEUs. Deepening channels to this depth will require a local financial match of federal dollars, which could come from several sources, including the potential for a contribution from the NWSA.

Additionally, the NWSA in 2018 signed a feasibility cost-sharing agreement with the Corp to initiate a feasibility study of navigation improvements to the Blair Waterway at the Port of Tacoma. The study will evaluate navigation improvement alternatives, including deepening. This is a first step to what could potentially result in a Chief's Report comparable to the one referenced above in Seattle. The alliance is committed to contribute up to \$1.5 million over the next three years for half of the costs of the feasibility study.

Harbor Maintenance Tax (HMT)

The HMT is assessed on ocean-going international imports that land at U.S. ports to pay for maintenance dredging of waterways through the HMT Trust Fund. It is not, however, assessed on importers who route cargo through non-US ports and afterwards move the cargo into U.S. markets by land. Moreover, the NWSA has received little, if any, benefit from the fund because its facilities are located on natural deep water harbors that do not require significant maintenance dredging. Since 1986 the ports of Seattle and Tacoma have sought reform of the HMT to provide a greater return to donor ports, such as the NWSA, and to ensure U.S. tax code does not disadvantage U.S. ports and maritime cargo.

The Water Resources Reform and Development Act (WRRDA) passed by Congress in 2014 included language that, for the first time in 30 years, partially reformed the federal Harbor Maintenance Tax to the betterment of Puget Sound ports. The bill authorizes up to \$50 million to be distributed to a select group of donor ports and energy transfer ports. The funds can be used for berth maintenance, the navigation-related maintenance dredging and disposal of contaminated sediments, environmental remediation, or rebates to

importers. Congress appropriated \$50 million in donor and energy port funding in FY19. Seattle and Tacoma do not plan to spend our ports' share of the funding until the U.S. Army Corps of Engineers issues implementation guidelines for how to administer the customer rebate program authorized under Section 2106 of WRRDA 2014. The NWSA is actively working to encourage the Corps to issue these guidelines, in addition to securing additional appropriations for—and improvements to—this program.

Conclusion

The realities of the drastic changes in the global economy have led all ports to examine business and operational strategies.

The NWSA is focused on maximizing the use of existing facilities, working with existing customers to keep them competitive and successful, and making strategic infrastructure investments such as the construction of world class terminals in both harbors that position the gateway for long-term growth. Through coordinated investments in maritime assets, the NWSA will help ensure growth in the cargo flow through the Puget Sound.

The NWSA is placing increased emphasis on the importance of developing and strengthening relationships with labor partners, industry stakeholders, customers, and local, state and tribal governments in a collaborative effort to achieve the future vision of the NWSA. This vision must include the road and rail infrastructure that ties the whole system together.

Despite the challenging realities of today's global economy, NWSA management is confident that the plans outlined in this budget will help the gateway remain financially strong, competitive and successful.

III Business Outlook

U.S. Economy

Real gross domestic product (GDP), defined as the value of the production of goods, was 2.1 percent in the second quarter of 2019 and 3.1 percent in the first quarter of 2019. The Department of Commerce Bureau of Economic Analysis (BEA) said the second-quarter real GDP had “positive contributions from personal consumption expenditures (PCE), federal government spending, and state and local government spending that were partly offset by negative contributions from private inventory investment, exports, nonresidential fixed investment and residential fixed investment.”

TTX expects a full-year GDP of 2 percent for 2019. Wages and salaries are expected to continue trending upward. Retail sales are forecast to grow 3.4 percent for the full year. TTX also predicts the likelihood of a recession in 2019 as low. Several factors that could raise the risk of recession include the trade war and rising fiscal deficits. Business inventory levels are expected to decline during the second half of the year.

The U.S. unemployment rate was at 3.7 percent in August 2019 with 130,000 jobs added for the month. Most job gains in August occurred in health care and financial activities. According to TTX, “As for many economic sectors, the trade war could turn things around in employment and income in the near term. Wage growth, which had been trending up over the last two years, has been down slightly over the past few months. Still, it is unlikely to fall significantly until whenever there is a next recession.”

According to the National Association of Realtors, existing home sales are up 0.6 percent from a year ago. Falling mortgage rates are improving housing affordability, but lower-priced homes are in short supply. According to Lawrence Yun, NAR’s chief economist, “Mortgage rates are important to consumers, but so is confidence about the nation’s overall economic outlook. Home buying is a serious long-term decision and current low or even lower future mortgage rates may not in themselves meaningfully boost sales unless accompanied by improved consumer confidence.”

The Conference Board reported August Consumer Confidence Index at 135.1, down from 135.8 in July. According to the Conference Board’s Senior Director of Economic Indicators Lynn Franco, “While other parts of the economy may show some weakening, consumers have remained confident and willing to spend. However, if the recent escalation in trade and tariff tensions persists, it could potentially dampen consumers’ optimism regarding the short-term economic outlook.”

Shipping Industry

The global container shipping industry continues to struggle with imbalance in the supply and demand of vessel capacity. The overcapacity problem dates to the last decade, when the high price of bunker fuel drove global carriers to build and operate the largest, most fuel-efficient vessels to drive down per unit container carrying costs. Competition for market share and the resulting downward pressure on freight rates has resulted in multi-billion-dollar losses for international container lines over time.

The orderbook for mega vessels (more than 13,000-TEU capacity) which predominantly serve the major East-West trade lanes is shrinking, but vessels continue to get larger. It is projected that this segment of the global fleet will eventually account for more than 10 percent of global TEU capacity.

The new generation of ultra-large container ships (ULCS) is also having a ripple effect across the U.S. port industry. As the mega-ships come into service in Asia-Europe, vessels they have replaced are slowly being redeployed, primarily to the trans-Pacific trade. These larger ships, with carrying capacity of between 10,000 and 14,000 TEUs, require deeper water, more berth space and additional cranes with a longer reach to work the breadth of the ship. The larger container volume on each ship also puts a strain on landside infrastructure as terminals need more yard space for the loading and unloading of containers, and additional backlands for container storage and operational support. Seaports across the U.S. are engaged in major dredging and infrastructure improvement projects to accommodate the larger vessels, but port congestion could be an issue until infrastructure catches up. The downturn in the

industry, coupled with the drive to scale operations forced carriers to re-evaluate their partnerships and fueled an intense period of M&A activity amongst carriers over the last few years. In 2016, there were 20 global carriers. As of 2019, there are 12 global carriers, and they control 84.7 percent of the fleet. Industry analysts suggest that there is still room for more consolidation going forward.

In 2019, the composition of carriers that make up the various shipping alliances shifted slightly. ZIM joined the 2M Alliance. It was also announced that Hyundai Merchant Marine (HMM) will join THE Alliance in 2020.

- 2M+Z – Maersk, MSC, ZIM
- Ocean Alliance – CMA CGM, APL, COSCO, Evergreen, OOCL
- THE Alliance – Hapag Lloyd, Yang Ming, Ocean Network Express (ONE)

Major Independent Carriers – Hamburg Sud, HMM, PIL, Wan Hai and SM Line.

Formation of these new alliances has concentrated capacity in fewer hands and allowed ocean carriers to exercise more control over available capacity on major trade lanes through coordinated changes to vessel sailings, schedules, and transit times, thereby influencing freight rates. Longer service strings with more port calls help carriers deploy excess capacity that would otherwise be running empty or delayed at great expense. Next year, THE Alliance expects fewer services with larger vessels in the PNW.

Carrier financials will again face pressure in 2020 when a new International Maritime Organization (IMO) mandate requiring ocean carriers to use fuels with a sulfur content no higher than 0.5 percent goes into effect on January 1. Ocean carriers can meet the new requirement by retrofitting vessels with special fuel scrubbers, a costly and time-consuming process or burning the new, more costly 0.5 percent low-sulfur fuel. The estimated cost to international shipping lines is estimated at \$10-\$15 billion.

The global container shipping industry will continue to face challenges; recent carrier financials are down, and global trade is slowing. Success or failure will in large part depend on carriers and their ability to

manage global capacity and resist the urge to seek market share through lower rates.

Northwest Seaport Alliance Activity

Containers:

Through August 2019, the NWSA has handled over 2.5 million TEUs (twenty-foot equivalent units), a 5.8 percent increase year-to-date. Volumes have been strong as importers have moved orders forward to stay ahead of tariffs. On the domestic side, the Alaska container market shows signs of recovery, although this could be derailed by in-state political tension and state budget constraints. The Hawaii market has improved, and larger vessels have been introduced to the service.

Container volume is projected to increase annually over the next several years due to larger vessels. Furthermore, 2019 volumes will be positively impacted by the PN4 service introduced in 2018. Factors that could impact NWSA international volumes include competition from ports in British Columbia, Canada, and other North American gateways or a possible decline in global trade and the global economy resulting from U.S. and international tariffs and trade policy.

Domestic container volume, which accounts for almost 20 percent of total NWSA volume, is also expected to increase annually over the next five years.

Breakbulk:

Breakbulk cargo is comprised of commodities that are either too large or heavy for containerized shipment. In the case of The Northwest Seaport Alliance, this consists largely of building materials, heavy machinery, boats, and agricultural and construction equipment. For 2019, breakbulk tonnage is estimated to reach approximately 280 metric tons. Volume is forecasted to reach 310K metric tons in 2020, resulting from new business and increased volume on current services.

Autos:

NWSA/POT auto units for 2020 are forecasted to reach 191K units, up 31% from the previous year. This is due to the new Port of Tacoma auto managed by the NWSA.

Logs:

On the NWSA's bulk side of the business, log exports (metric tons) are forecasted to decline 34 percent in 2019 as demand from China, the primary customer, has dropped off significantly due to tariffs. The Log business has been suspended due to the tariffs and has not been included in the 2020 through 2024 forecast or budget.

Molasses & Petroleum:

Petroleum volumes in 2019 are projected to be 575K metric tons, essentially flat compared with the previous.

Molasses volumes are forecasted to be 49K metric tons in 2019. Molasses volumes are expected to grow 8 percent in 2019 and 2020.

Table III-1.....Cargo Activity Five-Year Forecast

	Actual					Forecast				
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Non-Container Forecast (Thousands of Metric Tons)										
Breakbulk	234	181	211	249	280	310	313	318	327	336
Autos	271	246	225	228	277	285	204	206	208	210
Logs	237	177	278	117	76	0	0	0	0	0
Petroleum	815	612	716	666	575	575	575	575	575	575
Molasses	44	44	36	46	49	53	53	53	53	53
Total Tonnage	1,601	1,261	1,465	1,305	1,257	1,223	1,145	1,152	1,163	1,174
Year over Year change	-13%	-21%	16%	-11%	-4%	-3%	-6%	1%	1%	1%
Container Forecast (Thousands of TEUs)										
International	2,761	2,859	2,995	3,111	3,196	3,279	3,363	3,448	3,536	3,627
Domestic	769	757	707	686	726	748	763	779	796	812
Total TEUs	3,530	3,616	3,702	3,798	3,922	4,027	4,126	4,227	4,332	4,439
Year over Year change	3%	2%	2%	3%	3%	3%	2%	2%	2%	2%
Intermodal Yard Lifts*										
Hyundai Intermodal Yard	132,655	172,901	115,858	112,731	119,737	126,056	129,081	130,372	131,676	132,992
North Intermodal Yard	227,051	226,329	194,502	177,380	198,019	199,999	201,851	203,723	205,613	207,521
South Intermodal Yard	90,531	84,068	87,659	99,954	93,633	95,505	96,460	97,425	98,399	99,383
Pierce County Intermodal Yard	81,581	92,270	75,581	62,959	85,024	85,874	86,733	87,600	88,476	89,361
Total Intermodal Lifts	531,818	575,568	473,600	453,024	496,412	507,434	514,126	519,120	524,164	529,258
Year over Year change	3%	8%	-18%	-4%	10%	2%	1%	1%	1%	1%
Log Board Feet	41,679,250	24,921,280	52,706,190	23,161,000	15,192,000	0	0	0	0	0
Year over Year change	-17%	-40%	111%	-56%	-34%	-100%	0%	0%	0%	0%
Vehicle Units (NWSA+POT)	183,305	165,687	146,885	146,147	191,131	207,511	182,275	191,972	203,332	216,684
Year over Year change	4%	-10%	-11%	-1%	31%	9%	-12%	5%	6%	7%

* Intermodal Lifts Reported for South Harbor only

IV Operating Budget

Overview

The NWSA operating budget revenue is based on cargo volume forecasts (see Table III-1, page III-4), existing terminal and property leases and contractual and tariff-generated revenue. Operating budget expenses were projected based on historical information, as well as levels of expenditures required to support the increases in revenue.

From this information, NWSA staff prepared a realistic budget that supports both the strategic priorities and financial goals of the NWSA.

Departmental budgets estimate the expenses that will be generated in support of the NWSA and its businesses. Expenses fall into one of five categories: Administration, Operations, Security, Environmental or Maintenance. Administration expenses are incurred in the day-to-day management of the NWSA. Operations and Maintenance expenses support the day-to-day management of business activities. Security support is provided by each home port. Environmental expenses are a subset of overall environmental spending, and include clean air and clean water activities, and close coordination with each home port on compliance and monitoring activities.

Business budgets are projections of revenues earned and expenses incurred in the operation of a particular business line. In addition, the NWSA expects to receive funds from other sources including user fees, and investment earnings.

Although capital project spending is planned within the capital budget, capital projects will impact operating budgets for future years through new sources of revenues and increased operating expenses and depreciation costs.

Nature of Business

Washington law authorizes ports to provide and charge rents, tariffs and other fees for docks, wharves and similar harbor facilities, including associated storage and traffic-handling facilities for waterborne

commerce. Ports also may provide freight and passenger terminals and transfer and storage facilities for other modes of transportation, including air, rail and motor vehicles. Finally, ports may acquire and improve lands for sale or lease for industrial or commercial purposes and may create industrial development districts.

The NWSA is a joint venture that operates with the two ports as enterprise funds, allowing the NWSA and the ports to operate in much the same manner as a private business. Operating revenues are comprised of charges to its customers to cover costs associated with the service provided and to support investment in future projects.

Balanced Budget

Based on the Government Finance Officers Association (GFOA) Recommended Budget Practices, a balanced budget "is a basic budgetary constraint intended to ensure that a government does not spend beyond its means."

The NWSA defines "balanced budget" in the following way: Total revenues are sufficient to cover operating expenses for the budget year and to offset the cost of capital investments (depreciation) and anticipated debt costs for any planned future capital investments.

Budget Process

The NWSA budget is a guideline used by management to direct strategic and tactical operations. Typically, more projects and spending are budgeted than may actually occur. This conservative approach ensures that the NWSA's financial goals are still met if business conditions support the full budgeted spending.

The NWSA operates on a calendar year budget cycle that must integrate the budget schedule needs of both home ports. The operating budget and the capital budget are the NWSA's plan for meeting the current needs of its customers, and for implementation of the strategic goals.

The annual budget development begins in August and continues through November. The process begins with the development of strategic objectives and initiatives, which are reviewed by the Managing Members and the Chief Executive Officer. The Managing Members and Chief Executive Officer communicate any strategy changes or policy concerns and gather additional input.

Cargo forecasts, available at the beginning of September, are used to develop the variable portion of the operating budget. During a study session, the Managing Members are presented with a draft budget.

In November, a public hearing is held by each home port to allow for public comment, and to adopt the statutory budget and approve the property tax levy for the budget year. The NWSA's operating income is split evenly between the ports and is shown as revenue to the home ports. After the home port Commission approves and adopts its statutory budget, it is submitted, with the related home port resolutions, to the respective County Councils and Assessor Treasurer offices.

Major Assumptions

Major drivers of the 2020 operating budget are a result of economic and industry trends represented in the cargo forecast.

Revenue

- Existing leases continue per existing lease terms and contracts
- Cargo volumes drive equipment and intermodal revenues and expenses
- Auto and breakbulk imports continue to provide revenue diversity
- Tariff rates are projected to increase between 2.5% and 3.0%
- Property lease rental rates will increase as specified in contracts

Direct Expenses

- The NWSA has direct headcount of 58 positions. Salaries are expected to increase by 3%.
- Major operating expenses include construction of non-NWSA owned infrastructure needed for the

development of T5, and ongoing maintenance of terminal paving, bulkheads and fender systems.

- Depreciation for licensed assets at the time of the formation of the NWSA will remain on the books of the home ports. Depreciation of any new investments that are jointly funded will be charged against the NWSA.

Home port services provided

Each home port is providing services to the alliance, and some NWSA personnel are providing services back to the home ports. These services are provided either by direct charge or purchased services through Inter-local Agreements.

Table IV-4 shows the approximate value of Operating, environmental, and Administrative services purchased by the NWSA from each of the home ports and the services purchased by the Port of Tacoma from the NWSA. This table does not include the value of services provided for capitalized and expensed projects.

Estimating Revenues and Expenses

The NWSA uses several different methods of projecting revenues, depending upon the nature and materiality of the revenue item and the projection period. Specific revenue projection techniques include:

- **Historical Data:** Future revenues are based on historical trends with the assumption that they will continue in the future. When using historical data as a means for projecting revenues, the NWSA analyzes as many as 10 years of data to estimate a rate of growth
- **Business Operations:** Terminal lease/rental agreements, grant agreements, and service contracts provide information for this projection method. These projections may be adjusted to reflect the probable impacts of anticipated changes in the economy, legislation and inflation
- **Judgment Estimates:** This method relies on a person knowledgeable in the field, often a department director, who prepares a revenue projection based on awareness of past and present conditions including fee changes, development plans, marketing campaigns, usage

activity, frequency, volume, weight and similar determinations

- **Current Data:** This method predicts future revenue based on actual or annualized current year revenues and often is used when historical data and trends are not available, or if used, would result in an inaccurate revenue projection
- **Volume:** The NWSA uses the five-year cargo forecast to project budgeted revenues

Financial Practices

The NWSA manages its operations to maximize its financial capacity - to provide the necessary provide adequate home port debt service coverage ratios.

Financial Tools

- **Cargo Forecasts:** The NWSA maintains a cargo estimate for each of the next five years. (See Table III-1, page III-4)
- **Five-Year Financial Forecast:** A portion of the operating budget is driven by volumes from the cargo forecast while the majority of the revenue comes from major lease contracts. Planned revenue-generating capital projects are aligned with new revenues and expenses in the five-year operating forecast. The operating budget is monitored throughout the year, noting any

variances that may require corrective action. The Managing Members, Chief Executive Officer and Executive Team review these semi-annually

- **Five-Year Capital Investment Plan:** This plan ties directly to the strategy developed during the budget process. Updated semi-annually, it identifies all proposed projects. Some projects are capitalized and impact future year forecasts through depreciation, while others are expensed in the current year
- **Home Port Plan of Finance:** The financial output of the NWSA will be shared evenly between the home ports and is an input into each home port's five-year plan that identifies each port's ability to fund their business objectives
- **Financial Analysis of Investments:** The NWSA reviews significant capital investments and their related assumptions prior to acceptance into the planned capital budget. Revenue-generating projects are expected to earn a return on investment that meets or exceeds the standards
- **Financial Reporting:** The NWSA creates a variety of reports available electronically or in hard copy

For additional information on accounting policies, see each home port's budget and annual financial reports.

Table IV-1...Statement of Revenue, Expenses by Business*

<i>(\$ millions)</i>	2018 Actual	2019 Budget	2019 Forecast	2020 Budget
Operating Revenues				
NWSA				
Container	159.7	168.4	164.4	119.5
Non Container	20.7	18.6	22.6	22.1
Real Estate	12.2	12.5	12.9	8.3
Other	0.0	0.0	0.0	0.0
Total Operating Revenues	192.6	199.4	199.9	149.9
Direct Expenses				
Container	32.7	38.0	39.3	39.7
Non Container	9.2	11.3	10.3	9.8
Real Estate	0.9	0.8	0.6	1.1
Other	14.3	17.3	14.6	16.0
Total Direct Expenses	57.1	67.4	64.9	66.6
Administration	19.3	23.6	20.9	24.0
Security	4.3	4.6	4.8	5.7
Environmental	2.2	3.9	2.2	2.6
Total Operating Expense before Depreciation	82.8	99.5	92.8	98.9
<i>Operating Income before depreciation</i>	<i>109.7</i>	<i>100.0</i>	<i>107.0</i>	<i>51.0</i>
Depreciation & Amortization	6.3	13.5	11.2	15.4
Total Operating Expense	89.1	112.9	104.0	114.3
Income from Operations	\$103.4	\$86.5	\$95.9	\$35.6
<i>Return on Revenue</i>	<i>53.7%</i>	<i>43.4%</i>	<i>48.0%</i>	<i>23.7%</i>
Non Operating Income (Expense)	8.5	1.1	3.7	47.4
Net Income before Special Item	112.0	87.6	99.6	83.0
Special Item				
Net Income	\$112.0	\$87.6	\$99.6	\$83.0

* 2020 includes impact of GASP 87. Amounts may not foot due to rounding.

Table IV-2....Operating Revenue and Expense Detail*

(\$ millions)	2018	2019	2019	2020
	Actual	Budget	Forecast	Budget
Property Rental	\$40.7	\$43.3	\$40.7	(\$6.1)
Sale of Utilities	1.0	1.0	1.1	1.2
Services Marine Terminals	124.2	127.2	131.0	129.3
Equipment Rentals	16.7	18.3	17.7	16.3
Other Revenue	10.0	9.8	9.5	9.1
Operating Revenue	192.6	199.4	199.9	149.9
Home Port Services Provided	20.4	23.6	23.3	25.6
Port Salaries & Benefits	10.2	10.0	9.6	10.3
Outside Services	5.2	7.2	8.0	10.9
Longshore Labor & Fringe	10.4	10.4	11.6	11.0
Direct Expenses	11.4	11.3	11.5	11.0
Marketing & Global Outreach	0.6	0.8	0.6	0.7
Travel & Hosting	0.5	0.7	0.5	0.7
Maintenance	15.7	25.3	19.1	20.3
Office Equipment & Supplies	0.3	0.4	0.3	0.3
Utilities	4.4	4.8	4.6	4.7
Other Employee Exp	0.2	0.1	0.1	0.1
Other Expenses	1.3	1.0	1.4	1.1
Environmental	2.3	3.7	2.2	2.3
Depreciation & Amortization	6.3	13.5	11.2	15.4
Total Operating Expenses	\$89.1	\$112.9	\$104.0	\$114.3
Operating Income	\$103.4	\$87.1	\$96.5	\$35.6

* 2020 includes impact of GASP 87. Amounts may not foot due to rounding.

Table IV-3....Statements of Revenues, Expenses and Changes in Net Position

	2018 Actual	2019 Budget	2019 Forecast	2020 Budget	Change from Prior Year Forecast
(\$ Millions)					
Operating Revenue	\$192.6	\$199.4	\$199.9	\$149.9	-25.0%
Total Operating Expenses before Dep.	(82.8)	(99.5)	(92.8)	(98.9)	6.6%
Depreciation & Amortization	(6.3)	(13.5)	(11.2)	(15.4)	37.7%
Operating Income	103.4	86.5	95.9	35.6	-62.9%
Non Operating Revenues (Expenses)					
Lease Interest Income	0.0	0.0	0.0	47.5	
Interest Income	1.4	1.7	1.8	1.8	-1.0%
Premium Discount	(0.2)	(0.2)	(0.2)	(0.1)	-20.3%
Market Value Adjustments	0.0	0.0	0.4	0.0	-100.0%
Non-Capital Grant Income	0.3	0.5	0.1	2.4	2358.3%
Capital Grant Contributions	3.6	3.8	4.3	2.9	-32.5%
Other Non Operating Revenue (Expense)	3.4	(4.6)	(2.8)	(7.1)	154.7%
Total Non Operating Income (Expense)	8.5	1.1	3.7	47.4	1185.7%
Net Distributable Revenue (Net Income)	112.0	87.6	99.6	83.0	-16.6%
Distributable Cash + Lease Interest Cash					
Operating Income Before Depreciation	109.7		107.0	51.0	-52.4%
Add Non Capital Grants	0.3	0.5	0.1	2.4	2358.3%
Add Capital Grants	3.6	3.8	4.3	2.9	-32.5%
Add Lease Interest Income	0.0	0.0	0.0	47.5	
Distributable Cash* + Lease Interest Cash	113.7	104.3	111.4	103.8	-6.9%
Net Position					
Net Position beginning of year	207.5	313.0	284.0	390.7	37.6%
Add Contributions and Expected Capital Construction	83.3	162.7	118.6	124.8	5.2%
Add Net Distributable Revenue (Net Income)	112.0	87.6	99.6	83.0	-16.6%
Less Cash Distributions	(118.8)	(104.3)	(111.4)	(103.8)	-6.9%
Net Position end of year	\$284.0	\$459.1	\$390.7	\$494.6	26.6%

* Per charter section 5.3 and charter definition 1.1 (p)

* 2020 includes impact of GASP 87. Amounts may not foot due to rounding.

Table IV-4.... Summary of Allocations and Direct Charges

(\$ Millions)	2018 Actual	2019 Budget	2019 Forecast	2020 Budget
Port of Tacoma to NWSA	\$28.3	\$35.0	\$32.4	\$34.2
Port of Seattle to NWSA	\$8.5	\$8.4	\$8.5	\$9.3
NWSA to Port of Tacoma	\$1.2	\$1.4	\$1.2	\$1.3

Table IV-5.... Six-year Statement of Revenue, Expenses and Change in Assets*

(\$ in millions)	2019	2020	2021	2022	2023	2024
Operating Revenue	\$199.9	\$149.9	\$159.2	\$168.0	\$176.4	\$192.7
Total Operating Expenses before Dep.	92.8	98.9	109.2	97.3	99.8	101.9
Depreciation & Amortization	11.2	15.4	21.1	22.8	22.3	27.8
Operating Income	95.9	35.6	28.9	47.8	54.3	63.1
Grant Income	4.4	5.3	1.6	0.5	0.0	0.0
Lease Interest Income	0.0	47.5	45.4	43.1	40.7	38.2
Other Non Operating Income	-0.7	-5.4	-5.1	0.2	1.5	1.5
Net Distributable Revenue	99.6	83.0	70.8	91.7	96.5	102.8
Distributable Cash + Lease Interest Cash	\$111.4	\$103.8	\$97.0	\$114.2	\$117.3	\$129.1

*2020 to 2024 includes impact of GASP 87. Amounts may not foot due to rounding

The NWSA is required by the charter to provide at least \$90 million in Bond Income every year to provide adequate cash to the homeports to pay bondholders of bond issues outstanding at the time of the NWSA formation. Table IV-6 provides a forecast of the Bond Income.

Table IV-6.... Six-year Bond Income*

(\$ Millions)	2019	2020	2021	2022	2023	2024
Operating Revenue	\$199.9	\$149.9	\$159.2	\$168.0	\$176.4	\$192.7
Add Non Operating Revenue	6.5	54.4	48.7	45.3	42.4	39.8
Less Capital Grants	(4.3)	(2.9)	(1.6)	(0.5)	0.0	0.0
Less Operating Expenses before Depreciation	(92.8)	(98.9)	(109.2)	(97.3)	(99.8)	(101.9)
Bond Income	\$109.3	\$102.5	\$97.0	\$115.4	\$119.0	\$130.7

2020 to 2024 includes impact of GASP 87. Amounts may not foot due to rounding



Heavy equipment offloading at EB1 Breakbulk Terminal

V NWSA Capital Investment Plan

Overview

The Northwest Seaport Alliance invests in projects to increase the capacity, extend the life or improve the safety or efficiency of alliance-managed property and equipment.

The five-year Capital Investment Plan (CIP) identifies all projects planned or underway. The CIP provides a mechanism for tracking and managing project budgets and cash flows for five years into the future. Table V-1 shows planned spending on capitalized projects for the five-year time frame. Projects are associated with a program that fall under one of the businesses or under a category called "Infrastructure."

Although funds for a project are included in the CIP, the project is not automatically authorized to proceed. The alliance Managing Members review and approve each project individually. Projects must have the necessary permitting before proceeding.

To achieve its goals, the alliance continues to invest in revenue-generating capital projects that support its businesses. Although the home ports are responsible for the general infrastructure in each respective county, the alliance may also invest in infrastructure projects that support the NWSA's maritime business, as well as increasing rail and road transit of cargo within boundaries between the ports of Seattle and Tacoma. Often, these infrastructure projects are expensed versus capitalized due to accounting requirements.

In addition, environmental projects are planned for meeting or maintaining regulatory requirements, including the development of mitigation and remediation projects. Projects may be expensed or capitalized according to accounting rules.

Summary of Major Projects

The five-year Capital Investment Plan focuses on the following strategic and maintenance projects:

By the close of 2019, the NWSA will have completed or neared completion of the following capital projects:

- Placed in-service the second set of four super-post Panamax container cranes at Husky Terminal
- Constructed stormwater treatment system at West Sitcum Terminal
- Replaced roof at AWC
- Removed cranes at T18 and T46
- Implemented RFID at both harbors
- Repaired T-46 wharf
- Completed design for T5 and started construction phase

Strategic investments:

- Construction of major terminal improvements at the North Harbor Terminal 5
- Rehabilitation of T18, T30 and T-46 dock
- Rehab bulkhead T-46 NW
- Pave T46
- T-18 stormwater utility upgrade
- Husky shore power

Maintenance investments:

- Replace fender system
- Maintenance and rehabilitation of assigned assets

The alliance has a strong commitment to the protection and improvement of the environment. Examples of this commitment include the Clean Truck Program, the Northwest Ports Clean Air Strategy, and significant investment in stormwater improvements.

Strategic development efforts focus on serving existing customers, attracting new customers and building a diverse, dynamic and resilient business base.

Table V-1....Planned Capitalized Project Spending

(\$ millions)	2016	2017	2018	2019	2020	2021	2022	2023	2024
Historical Capital	80.5	66.7	77.8						
Planned Capital				154.6	124.8	104.3	71.5	38.7	29.0
Grand Total	\$ 80.5	\$ 66.7	\$ 77.8	\$ 154.6	\$ 124.8	\$ 104.3	\$ 71.5	\$ 38.7	\$ 29.0

Capital Investment Plan Priorities

To efficiently allocate human and financial resources, the alliance uses a capital project prioritization methodology. For internal management, the alliance uses two categories:

- **Open:** These are ongoing projects or projects ready to move forward that have customer commitment or a high degree of certainty. Only open projects are included in the budget
- **Estimate:** These are projects based on an identified business need or opportunity but have not been fully developed in scope and cost

Capital Investment Plan Projects by Purpose

The alliance classifies CIP projects into three types, (as shown below in Table V-2):

- **Revenue-Generating:** Projects developed for a specific customer that will result in a new revenue stream. The NWSA has designated Port-generated operating cash and revenue bonds to fund most of these projects
- **Revenue Renewal:** Projects developed to renovate or replace obsolete or aging revenue-producing assets. These projects serve to extend existing revenue streams or ensure existing streams are not lost and may offer additional revenue if replacements enhance the efficiencies of operations or offer additional capabilities or value. The ports have designated port-generated operating cash or revenue bonds to fund most of these projects and also may use capital leasing through equipment suppliers or financial institutions

- **Infrastructure:** Projects developed to enhance infrastructure, support multiple or future customers or to enhance public infrastructure. Sometimes, other public agencies may participate in funding that otherwise comes from port-generated operating cash, the property tax levy, and general obligation bonds or revenue bonds. They often are complex in nature, with multiple public agencies involved in the planning process and execution

Table V-3 shows Open (excludes estimate) project expenditures during the five-year planning horizon as categorized by accounting treatment.

Accounting rules require some spending to be capitalized and depreciated over time, while other spending is expensed as incurred.

Table V-3 shows that the NWSA intends to implement \$441.1 million worth of planned projects (capitalized and expensed) in the next five years, with \$145.9 million of that total earmarked for 2020. Non-operating and operating projects will be expensed as incurred and are included in the operating budget.

Table V-4 shows the five-year CIP by Line of Business

Table V-5 shows the expected increase in depreciation when all of the projects are completed. The CIP is the total expected spending of 148 projects, 68 of which are capitalized and 80 expensed as incurred. The expensed projects are captured as expenses in the current year budget and four-year operating forecast as incurred. The costs of the capitalized projects are captured as depreciation expense over the estimated life of the projects that may extend beyond five years. The alliance expects depreciation expense will increase when the redevelopment of Terminal 5 is complete and are in-service.

Table V-2....Five-Year Planned Capital Investment Plan by Purpose

(\$ Millions)

	2020	2021	2022	2023	2024	Total
Infrastructure	\$8.8	\$7.6	\$5.9	\$6.1	\$5.8	\$34.2
Renewal	\$38.4	\$16.4	\$11.2	\$9.0	\$30.6	\$105.5
Revenue	98.7	108.7	63.0	31.0	0.0	301.4
Grand Total	\$145.9	\$132.7	\$80.0	\$46.0	\$36.4	\$441.1

Amounts may not foot due to rounding

Table V-3....Five-Year Planned Capital Investment Plan by Accounting Treatment

(\$ Millions)

	2020	2021	2022	2023	2024	Total
Capitalized	\$124.8	\$104.3	\$71.5	\$38.7	\$29.0	\$368.2
Operating Expense	\$14.4	\$21.9	\$7.3	\$7.4	\$7.4	\$58.4
Non-Operating Expense	6.7	6.5	1.2	0.0	0.0	14.5
Grand Total	\$145.9	\$132.7	\$80.0	\$46.0	\$36.4	\$441.1

Amounts may not foot due to rounding

Table V-4....Planned Major Projects by Line of Business

(\$ Millions)

	2020	2021	2022	2023	2024	Total
Container Business	\$123.2	\$110.3	\$69.9	\$36.9	\$27.5	\$367.9
Non Container Business	\$3.6	\$0.0	\$0.0	\$0.0	\$0.1	\$3.8
Infrastructure	19.1	22.3	10.1	9.1	8.8	69.4
Grand Total	\$145.9	\$132.7	\$80.0	\$46.0	\$36.4	\$441.1

Amounts may not foot due to rounding

Table V-5....Depreciation Impact Due To Capitalized Projects

(\$ Millions)

	2020	2021	2022	2023	2024	Total
Container Business	\$ (6.4)	\$ (12.4)	\$ (14.3)	\$ (14.6)	\$ (20.9)	\$ (68.7)
Non Container Business	(0.7)	(1.0)	(1.0)	(1.0)	(0.6)	(4.3)
Infrastructure	(0.9)	(1.3)	(1.6)	(1.6)	(1.3)	(6.6)
Grand Total	\$ (8.0)	\$ (14.7)	\$ (16.9)	\$ (17.2)	\$ (22.8)	\$ (79.6)

Amounts may not foot due to rounding

Capital Investment Plan Project Descriptions

The NWSA's five-year CIP has been categorized on a business basis, as shown in Figure V-1. The following section provides details of major planned improvements within each business and only includes major projects and equipment.

Container Terminals Business

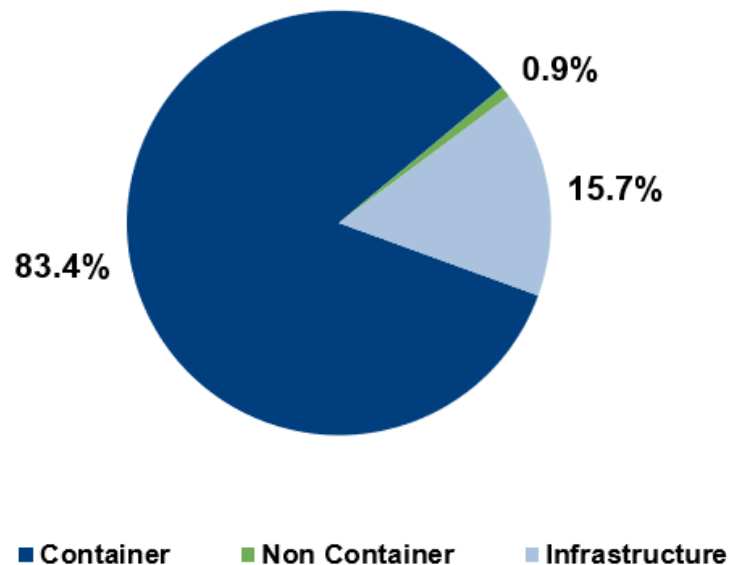
Planned capital expenditures for container terminals will total approximately \$367.9 million over the next five years. The CIP for this business will provide the funds necessary for the construction of major terminal

improvements at the North Harbor Terminal 5; T-18 stormwater utility upgrade; T-18, T-30 and T-46 dock rehabilitation, including design and construction paving repairs and fender replacements at various terminals.

Non-Container Business

Approximately \$3.8 million will be spent on facility improvement for terminal operations and auto businesses.

Figure V-1....Five-Year Capital Investment Plan by Line of Business



Alliance Infrastructure

This section includes capital expenditures that are not specific to a single business and are in support of the alliance's infrastructure or environmental improvements.

- Environmental Programs: These projects include reduction and monitoring of emissions, and ongoing cleanup projects. This also includes the Clean Truck Program, which provides matching

funds and incentives to help cover the cost of replacing older trucks with cleaner new trucks

- Technology: The alliance is investing in an operations service center that will allow customers and cargo owners to track their cargo as it moves through the gateway

Capital Investment Plan Revisions

The CIP is an integral part of the budget planning process and is reviewed and revised semi-annually. Adjustments in amount and timing are made as required to meet changes in customer or infrastructure requirements.

The alliance maintains sufficient cash reserves to meet the CIP requirements, as well as any unexpected capital requirements, without adversely affecting the ongoing operations of either ports.



Aerial view of the N. Harbor in Seattle.

VI Environmental Stewardship and NWSA Planning

Environmental stewardship is a high priority for the NWSA. The NWSA Environmental Stewardship Framework has been put into action. Specifically, working with our stakeholders, the NWSA developed a Best-In-Class approach built on a foundation of the following:

- Fully integrated environmental, economic and financial business decision planning/making;
- Responsive to market and community; and,
- Driver of innovative cost/effective and sustainable solutions.

Program areas of emphasis include:

- Water Quality (source control)
- Air Quality and Sustainable Practices
- Remediation
- Habitat Restoration
- Planning
 - Transportation
 - Land Use
 - Facilities

In 2020, the NWSA plans to focus its environmental efforts on water and air quality and greenhouse gas reductions, with the bulk of that work on NWSA licensed properties. The NWSA plans to develop additional sustainability strategies to help shape future leasing strategies.

Water Quality Program

NWSA's water quality team is comprised of professionals with experience in site inspection, monitoring, project development and delivery, and policy analysis. The goal of this program is to work with internal and external stakeholders to design highly effective, low cost solutions that meet or exceed Washington State's high water quality standards.

Industrial Stormwater Management Program

The NWSA partnership is the framework for an industrial stormwater management program that is a collaborative effort engaging customers, agencies and environmental organizations in both the North and South harbors. The goal of the program is to discuss emerging stormwater issues, common problems and solutions and provide stormwater technical assistance to our customers at their request. Staff engage in extensive stakeholder outreach that includes customers, regulators, environmental organizations and the neighboring communities.

Research and Develop Cost-Effective Means to Manage Stormwater

The NWSA continues previous work initiated separately by the two ports. The NWSA implements innovative cost-effective treatment methods in the field in an effort to focus in on practical, effective stormwater Best Management Practices (BMPs). This includes conducting pilot studies of new and existing treatment infrastructure that are shared with tenants and customers.

Source Control

Controlling pollutants at or near the source is the most cost-effective way of reducing impacted stormwater runoff, managing the risk of costly corrective actions for treatment, and reducing the cost of operations and maintenance of installed stormwater treatment systems. NWSA WQ staff work with customers (as requested) to identify pollutants close to their source and eliminate the source where possible. Using a stepped approach like this, the WQ team assists customers with effective, cost-effective solutions.

North Harbor Focus

Most North Harbor tenants have installed or are installing stormwater treatment at their facilities. The challenge going forward is to reduce the cost of operating and maintaining these systems and, if possible, prevent or eliminate the need for stormwater treatment in selected areas. The Water Quality team continues to focus on maintaining relationships with tenants/customers and working with them to

implement at-source and near-source BMPs with these goals in mind.

South Harbor Focus

Many South Harbor tenants have reached consistent attainment or are currently meeting benchmarks for water quality parameters under the Industrial Stormwater General Permit. The Water Quality team continues to work with tenants/customers to implement at-source and near-source BMPs to facilitate cost-effective and successful solutions, and to focus on tenants/customers that may face site challenges to meet water quality criteria or regulatory policy issues.

Stormwater Development/Redevelopment

Coordination with each home ports' stormwater permit programs ensures site-specific stormwater requirements are met. This includes the design of appropriate treatment systems and/or system selection based on proposed land use and typical discharges associated with site-specific activities. Projects include redevelopment of terminals in both harbors. Both home ports have developed Stormwater Management Guidance Manuals which give specific guidance for development and redevelopment projects to ensure compliance with MS4 requirements.

Projects

Tenant assistance projects in both harbors include installing downspout treatment boxes, infrastructure assessments to identify potential deficiencies, and source control site visits to assist tenants/customers.

North Harbor Projects

Design for the redevelopment of Terminal 5 is underway. As part of those efforts the NWSA is focused on cost-effective stormwater treatment solutions as the facility is updated in partnership with its customer, SSA Marine. The project goal is an effective, lowest cost treatment system that protects the water quality of the west waterway.

South Harbor Projects

At the East Sitcum Terminal, the NWSA is installing an end-of pipe retrofit of an existing treatment vault to support the Husky backlands reconfiguration and pipe

replacement project currently planned for 2020. The NWSA has successfully completed the treatment installation at the West Sitcum Terminal and anticipates turning over the operating permit to the customer in 2020.

2020 Goals

In 2020 the NWSA water quality team will assist SSA in completing the engineering design for stormwater at T-5. The team continues to assist other tenants as requested. The new 2020 ISGP will be released in December 2019 with an effective date of January 1, 2020. NWSA is evaluating its response to this permit and its impacts to NWSA and tenant operations. The Water Quality team also has two pilot projects planned for 2020.

Air Quality Program

Northwest Ports Clean Air Strategy

The Northwest Ports Clean Air Strategy (NWPCAS) was adopted in 2008 and updated in 2013 as a collaborative effort among Port of Vancouver (Canada), the Port of Seattle, and the Port of Tacoma to reduce air emissions from shipping and port-related activities. The NWPCAS includes goals to reduce emissions of diesel particulate matter and greenhouse gases, and establishes performance targets for various maritime sectors. The NWPCAS will be updated in 2020 to create goals for 2025 and beyond.

The NWPCAS identifies specific measures to achieve beyond compliance air quality and greenhouse gas objectives. NWSA staff will continue ongoing collaboration with NWPCAS partners to share information, conduct joint projects and publish annual progress reports to the community. The NWSA will seek opportunities to partner with customers and other stakeholders on grant-funded emission reduction projects and pilot studies.

Puget Sound Maritime Air Emissions Inventory

In 2005, 2011 and 2016 the partners in the Puget Sound Maritime Air Forum, consisting of the ports of Tacoma, Seattle, Anacortes, Everett and Olympia; along with Washington State Ferries, Puget Sound Clean Air Agency, Western States Petroleum Association, Pacific Merchant Shipping Association,

and others, collaborated on the development of a Puget Sound Maritime Air Emissions Inventory. The 2005 inventory formed the basis of the Northwest Ports Clean Air Strategy. The latest inventory was based on emissions in calendar year 2016 and was completed in early 2018. As the largest port authority in the Puget Sound Maritime Air Forum, the NWSA managed the 2016 inventory. The results of the 2016 inventory demonstrated that we met both our overarching diesel particulate reductions goals and our greenhouse gas reductions goals four years earlier than anticipated. A scenario tool was also deployed based on the data collected in the inventories. This tool helps Ports evaluate the effectiveness of proposed technology upgrades and new emission reduction programs. NWSA plans to initiate the next emissions inventory in 2021.

Clean Truck Program

The NWPCAS Clean Truck Program targets 100% of trucks serving the gateway to have a 2007 model year or equivalent engine.

In 2019, the NWSA and its terminal operators took the bold step of prohibiting truckers that call at our international marine terminal facilities from entering those terminals if they operated model year trucks of 2006 or older. Radio Frequency Identification Tags (RFID) readers have been installed at all international container terminals and are used to validate that trucks entering the terminals are model year 2007 or newer. In addition, the NWSA partnered with the Washington State Department of Ecology, the Puget Sound Clean Air Agency, the City of Seattle and received a Clean Diesel Grant to pool our resources and created a loan loss reserve fund to assist truckers with purchasing a compliant truck. The loan loss reserve program was discontinued as planned in spring 2019 after the clean truck deadline was successfully implemented.

In order to continue making progress towards phasing out pre 2007 trucks from domestic terminals and providing support for drivers serving the international terminals, NWSA has negotiated for continued use of Clean Diesel Grant funds from the Department of Ecology to provide incentives for drivers who wish to scrap their trucks and replace them with newer models. In close consultation with the trucking community, the NWSA will determine the future

direction of the Clean Truck Program through the 2020 Northwest Ports Clean Air Strategy Update.

Greenhouse Gas Reduction Resolution

In 2017, the NWSA Managing Members revised the greenhouse gas reduction goal outline in the NWPCAS and adopted greenhouse gas reduction targets in keeping with the Paris Agreement and in alignment with the global reductions necessary for keeping warming to within 2-degrees Celsius by 2050. The alliance will reduce greenhouse gas emissions within the Puget Sound airshed as follows:

By 2030:

- 50% below 2005 levels (scope 1, 2 & 3 emissions)

By 2050:

- Carbon Neutral (scope 1 & 2 emissions)
- 80% below 2005 levels (scope 3 emissions)

To accomplish these goals, the alliance will advance initiatives specific to the operations it controls and work to influence other stakeholders whose emissions fall beyond the Port's authority. The alliance is committed to partnering with tenants, cargo owners, shipping lines, manufacturers, warehousing and other key stakeholders to drive demand for cost-effective and innovative greenhouse gas reduction technologies and solutions to meet our collective goals.

Green Marine

Green Marine is a maritime environmental organization that offers a certification program for the North American marine industry. To receive certification, members benchmark their environmental performance each year and have bi-annual verification of results. The NWSA joined this organization in 2016 and began the self-assessment process. This work will continue in 2020, with results scored and published by Green Marine. NWSA staff participate in technical advisory groups to guide updates to the program.

Ship to Shore Power Expansion

Both the ports of Tacoma and Seattle have provided shorepower at some berths. The NWSA continues to pursue additional opportunities to leverage public and

private funding for additional shorepower installations, and ensure terminal designs include shorepower capability. Some of these opportunities include Diesel Emission Reduction Act (DERA), Federal Volkswagen Settlement (VW) funding, and TransAlta Centralia Coal Transition Grant funds, along with other emerging sources of state funding. As part of this effort the NWSA has developed a draft plan for shore power installations throughout the gateway. Pending Managing Member approval, NWSA plans to accept a DERA grant from the EPA that would contribute \$1 million to the installation for shore power at Husky Terminal, with design planned in 2020 and construction in 2021. The expansion of shore power capabilities is consistent with the NWSA Strategic Plan and Northwest Ports Clean Air Strategy to reduce particulate emissions and greenhouse gases.

Energy Planning

Zero emission equipment and vehicles are quickly being developed and demonstrated and would provide opportunities to reduce emissions once fully commercially available. In addition, since electrical energy is cheaper than fuel, there is significant potential for the total cost of ownership for electric vehicles and equipment to be lower than diesel if the purchase price is appropriately reduced.

While zero emission equipment and vehicles could provide these advantages substantial infrastructure investments would be necessary to support them. In 2020 and 2021, the NWSA plans to develop an "Electrification Roadmap" for the South Harbor, quantifying the energy needs to power operations at the port, determining the infrastructure required to meet those energy needs, working with the utility to evaluate the grid's capability to supply the required energy, and create a plan for making these infrastructure investments over time. The Port of Seattle is leading a similar effort in Seattle, which will cover NWSA's North Harbor facilities.

Planning

The Planning Team provides a range of services from strategic to site planning. Some of our primary services include planning for marine terminals and supporting infrastructure, port master planning, optimizing port operations and determining the operational and financial feasibility of new port and marine investments. Port Planning also coordinates

baseline studies to facilitate decision making about investments and operations.

Planning Overview:

- **Facility Planning:** Port Planning has experience with developing port industrial lands, equipment costing, industrial warehouse location and layout analysis.
- **Operations, Planning, and Research:** Planning supports Port Operations in optimizing gates and terminals, analyzing traffic flow and circulation, and evaluating new communications and data collection technologies.
- **Project Feasibility Development:** The Planning Team supports Facilities Development by maintaining a general understanding of all focus areas within the group, especially the environmental specialties. With this overall perspective the team is able to assist with opportunity assessment review and strategic port planning-
- **Economic and Financial Analysis:** Services include: cost benefit studies, economic risk analysis, financial analysis, market studies, multi-modal and system optimization of transportation networks, and defining development concepts and economic strategies.
- **Strategic Planning:** Services include developing business plans, master plans, and strategic planning. The Planning Team reviews and provides comment on new and updated local, state, and federal policy and regulatory documents to protect the interests of the Port. These plans can range from State Freight Master Plans to City Comprehensive Plans.
- **Grant Coordination:** Planning helps coordinate grant application efforts to ensure a unified and sensible approach. We look for grants to help offset the cost of facility, technology, and planning work whenever feasible. Our coordination efforts encompass

tracking priority projects and possible grants, and keeping up to date on the progress of projects that benefit from grant dollars. We provide staff support to the Grant Steering Committee.

2020 Planning Goals

The major goals for 2020 include completion of the NWSA Gateway Master Plan, coordination of shoreline permit condition requirements for Terminal 5, coordination with Sound Transit on ST3 link extensions north and south and Sounder expansion, advocacy at Puget Sound Regional Council, and continued coordination with the NWSA Operations and Commercial teams, and coordination of grant applications



A Sea Lion in Commencement Bay

Appendix A Bond Income Calculation

The Northwest Seaport Alliance Charter requires the establishment of a Bond Income Calculation. Section 4.2 (b) states:

Bond Income Calculation. Managing Members shall establish and maintain a requirement for the PDA to calculate and establish a minimum level of net income from the PDA equal to the amount currently required for the Homeports to meet their current bond rate covenants ("Bond Income Calculation"). The Managing Members shall require the Bond Income Calculation to be reviewed annually as part of the PDA budget process and the Managing Members may adjust the Bond Income Calculation so long as it does not cause any Managing Member to fail to comply with its rate covenant. The PDA may not take any action that reasonably would reduce PDA income below the minimum level established by the Bond Income Calculation unless each Homeport separately votes to approve that action. Such a vote by each Homeport must occur even if the action is within the CEO's authority under the Delegation of Authority Master Policy. If net income before depreciation of the PDA is not sufficient for either Homeport to be in compliance with a rate covenant (as currently described in each Homeport's Master Bond Resolutions in effect as of the Effective Date), then:

- (i) Upon that Homeport's request, the PDA shall hire an independent third-party consultant to perform analysis and make recommendations for actions needed to achieve bond covenant compliance.
- (ii) If the consultant recommends an action that the PDA is unwilling, unable or refuses to undertake, either Managing Member can require dissolution of the PDA following the dispute resolution process even if within the Initial Period.
- (iii) The PDA shall have at least four months to respond, act and or dissolve following its receipt of the consultant's recommended action, unless a shorter time is required by the applicable bond covenants.

The Managing Members established the Bond Income Calculation as \$90 million based on the currently outstanding debt of each Port, the applicable rate covenants and certain other net revenues available for debt service, as appropriate.

Appendix B Capital Construction

The Northwest Seaport Alliance Charter requires the funding of Capital Construction. Section 3.12 states:

Separate from Working Capital, the PDA shall provide for the funding of capital expenditures ("Capital Construction") to be funded by a pro rata initial contribution from each Managing Member based on their respective Membership Interests. Managing Members may approve by vote contributions to Capital Construction in amounts other than based on each Managing Members' pro rata respective Membership Interests on a project-specific basis. Requests for funding Capital Construction shall be based on the CEO's periodic projection of PDA capital project cash flow needs. Managing Members may consider requests for additional contributions to the PDA, the affirmative approval of which will require a vote by each Managing Member. Capital Construction shall be funded by each Managing Member separately and not from Working Capital. Distributions of Capital Construction funds will be made expressly subject to either (1) Managing Member approval of capital projects or (2) CEO approval of capital expenditure, where such expenditure is within the levels set in the Delegation of Authority Master Policy.

The Managing Members established the initial Capital Construction as \$27 million based on the proposed 2016 NWSA Capital Improvement Plan. Additions to NWSA Capital Construction have been made as necessary to fund Managing Member approved projects.

Appendix C NWSA Full Time Personnel

	NWSA			
	2018 Actual	2019 Budget	2019 Actual	2020 Budget
<i>As of September 30, 2019</i>				
Executive	12	12	12	13
Commercial Business	22	26	20	23
Operations	10	11	10	11
Facilities Development	9	9	8	9
Total	53	58	50	56

The 2020 staffing budget of \$10,292,969 includes the following:

- \$6,998,670 for salaried employees and \$78,196 for hourly employees which includes;
 - \$149,123.11 for annual pay increases for salaried employees starting April.
 - \$17,543.89 for annual bonus paid to salaried employees in April.
 - \$17,543.89 for marketplace adjustment for salaried employees during the year.
 - Hourly employees will receive a 3% raise in April per contract.
 - Average salary of \$123,115.
- Total benefits of \$3,208,203

Appendix D NWSA Memberships

Overview

The NWSA and alliance staff are members of several organizations. The NWSA believes that participating in these partnership organizations plays a key role in advancing the NWSA's business objectives and ensures NWSA staff is knowledgeable and productive. These memberships are in addition to, or supplement the home port memberships.

Port Authority Organizations

These memberships assist the NWSA's lobbying efforts on both the state and national levels and keep staff informed about major issues and developments that affect NWSA operations. Membership with the Washington State Public Ports Association remains with the home ports.

Economic Development Organizations

Economic development is a major part of the NWSA's mission. For that reason, the NWSA maintains memberships and works closely with a variety of economic development groups. These memberships help strengthen the NWSA's visibility throughout the world through trade missions and trade shows.

Regional Organizations

Memberships in regional organizations demonstrate the NWSA's commitment to trade on a statewide and regional basis.

Industry Associations and Professional Organizations

These associations and organizations ensure that staff obtains the latest in technical development by taking advantage of meetings, networks and special programs offered by them.

Trade Promotion Organizations

These memberships give the marketing and sales staff important contacts and current industry trade information that enhances the NWSA's overall marketing efforts.

Community Service Groups

The NWSA maintains memberships in these groups as part of its effort to build better community relations, to work more effectively with the business people and to ensure that the NWSA's interests and concerns are addressed in the community.

Annual NWSA Memberships & Personnel Memberships (estimated)

Organization	Annual Dues
American Association of Port Authorities	\$55,000
Pacific Northwest Waterways Association	30,000
Washington Council on International Trade	20,000
Green Marine	11,000
All Other Memberships	61,796
Total NWSA Memberships	\$177,796

American Association of Port Authorities

AAPA is an alliance of leading ports in the Western Hemisphere that protects and advances the common interests of its diverse members through advocacy, professional development, relationship-building, and public awareness.

Pacific Northwest Waterways Association

The Association advocates for funding for navigation projects around the region, including those on the Columbia Snake River System, in the Puget Sound and along the Oregon and Washington coasts.

Washington Council on International Trade

The Council is dedicated to advocating for public policies that increase Washington State's international competitiveness.

Green Marine

Green Marine is an environmental certification program for the North American marine industry.

The Northwest Seaport Alliance

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XIII. APPENDICES

APPENDIX A: BUDGET POLICY, PROCESS AND CALENDAR

1. OPERATING BUDGET

a. Budget Policy:

The Port established a budget policy to provide systematic planning as part of the management performance and control. The purpose of this policy is to allow the capability to forecast realizable financial results over definite periods of time. This is accomplished through planning and coordination of the various complex operations and functions of the Port, through systematic communication and the use of the Port's financial control and management information system.

The Operating Budget is an essential tool for business planning, resource allocation, and control. It quantifies business groups and departmental plans for future periods in strategic, operational and monetary terms. This facilitates coordination of plans between divisions/departments and provides a basis for control once the plan is in effect.

Various inputs to the budget planning process are required for it to be meaningful, including forecast of economic trends and business activity levels. Above all, goals, objectives, programs, action plans and performance measures are defined and reviewed annually for consistency and support of the Port's overall mission.

The budget plan is based on assumptions about the success of marketing efforts, demand for services, and the cost, availability and need for people and materials. The budget process provides continual feedback which compares not only actual performance to the plan but also the validity of the assumptions on which the plan was based.

The Operating Budget is a management tool for controlling and analyzing each area of responsibility. Budgeting, as well as the recording of actual costs, is done on an Org basis. An Org is a distinct functional and physical unit. Its performance responsibility can be assigned to one person. There are over 200 Orgs at the Port and each Org has a budget.

Allocated and/or indirect expenses are not budgeted for by the recipient Org. These are costs that are allocated to the business groups/units from service providers. Allocated costs are general support costs that cannot be directly attributed to a business unit, but instead support the entire Port. Costs can come from within the division (intra-division allocation) or from outside the division (inter-department allocation).

Department Directors are responsible for preparing the operating budget for their areas of responsibility, subject to review and approval by several levels within the organization. Orgs can be combined to analyze and report on budgets by functional or business units. Port management needs current, timely, and accurate information to make informed decisions. The objective of the budget process is to provide resource allocation, accountabilities, performance, and control to enhance effective management.

In addition to planning for the business needs of the organization, this process results in a method of comparing actual financial results with the approved budget plan. The appropriateness of the pricing structure or the effects of changes in costs or activity can be observed. This approach gives management the flexibility to evaluate the performance of a particular activity. The Budget Report (a comparison of the proposed budget to the current year's budget and last year's actual) and the Responsibility Report (a comparison of actual results to budget) can advise a manager if things are not going as expected, whether strategies are being accomplished, and also give them clues as to what might be wrong. The function of controlling and managing the operations of the Port is accomplished with the Operating Budget.

The 2020 budget process includes several Commission briefings by the operating divisions and Central Services departments during the year to update the Commission on key issues facing the business groups and to solicit input into overall strategies and objectives. The divisions update the Commission on each business unit with background information, discuss capital and operating plans, and dialogue on major policy issues.

Divisions fine-tune their business and operating goals based on Commission input and put together their budgets.

Key budget events include the following:

- Conduct budget planning meetings with the Executive Management team.
- Publish the budget guidelines/instructions and budget calendar.
- Provide budget system training to budget staff.
- Division and department budget staff prepare their respective budgets.
- Conduct internal budget reviews which include in-depth discussion of revenue and expense assumptions; new programs, initiatives, or other proposed increases in revenue and expenses.
- Review and approval of budget by the Executive Management and Commissioners.
- Release of the budget to the Port Commission and public stakeholders.

The budget staff responds to inquiries of commission and interested stakeholders during commission budget workshops, first and second reading, and adoption of the budget after the public hearings.

In addition to the Operating Budget as stated above, the budget staff prepares the Statutory Budget as defined in RCW 53.35.010 to show “estimated expenditures and the anticipated available funds from which all expenditures are paid.” Being a cash budget, the Statutory Budget establishes the level of the Port’s property tax levy and sets upper limits of expenditures and is not used as an Operating Budget.

b. Budget Adoption:

The budget is provided to the Port Commission and must be made available to the general public as required by law - RCW 53.35.010 and RCW 53.35.045. A Public Hearing for the Introduction of the Preliminary Budget is held before the final passage of the Budget, at which time the Port Commission will make final recommendations and Adopt the budget. An announcement of the public hearing is made in the DAILY JOURNAL OF COMMERCE newspaper and copies of the preliminary budget are made available for distribution to any interested persons by a specified date as required by laws - RCW 53.35.020 and RCW 53.35.045.

Subsequent to the public hearing and Commission adoption of a final plan, the Statutory Budget and resolution is then filed with the King County Council and King County Assessor as required by law, by a specified date as allowed by RCW 53.35.045.

c. Monitoring of Budget:

Once an annual budget is in place, the Responsibility Report (comparing actual results to budget) is generated monthly and variances from the budget are analyzed and reported on a monthly basis, and more extensively each quarter, to determine if corrective action is needed. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into the quarterly Performance/Variance Report. The Performance/Variance Report is a report in narrative format explaining the reason or causes of variances between actual revenues and expenses versus budgeted amounts on a quarterly basis. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. This report provides explanation of variances from the approved plan and is presented quarterly to Executive Management and the Commission in public meetings. This allows Executive Management and the Commission to make timely and well-informed decisions.

d. Amending the Operating and Capital Budgets:

The Executive Director of the Port of Seattle is authorized “Within Budget Limits” to transfer budgeted amounts between departments; however, any revisions that alter the total expenses Portwide that are not within the Executive Director Authorized Budget Limits require authorization from the Port Commission.

As per Resolution 3605, as amended, the Port Commission has adopted policy directives delegating administrative authority to the Executive Director for the purpose of day-to-day management and administration of the Port and as stated in sections 20.2.1 and 20.2.2 of said resolution:

20.2.1. "Annually Approved Capital Budget" means the list of capital projects (including small works projects) and the projected total dollar amount of upcoming budget-year spending associated with those projects which is presented to, and reviewed by, the Commission as part of the budget review process (i.e., the first year of the Capital Improvement Plan), or as subsequently amended by the Commission during the budget year.

20.2.2. "Annual Operating Budget" means the budgeted operating and non-operating revenues and expenses reviewed and approved by the Commission as part of the budget process, or as subsequently amended by the Commission during the budget year.

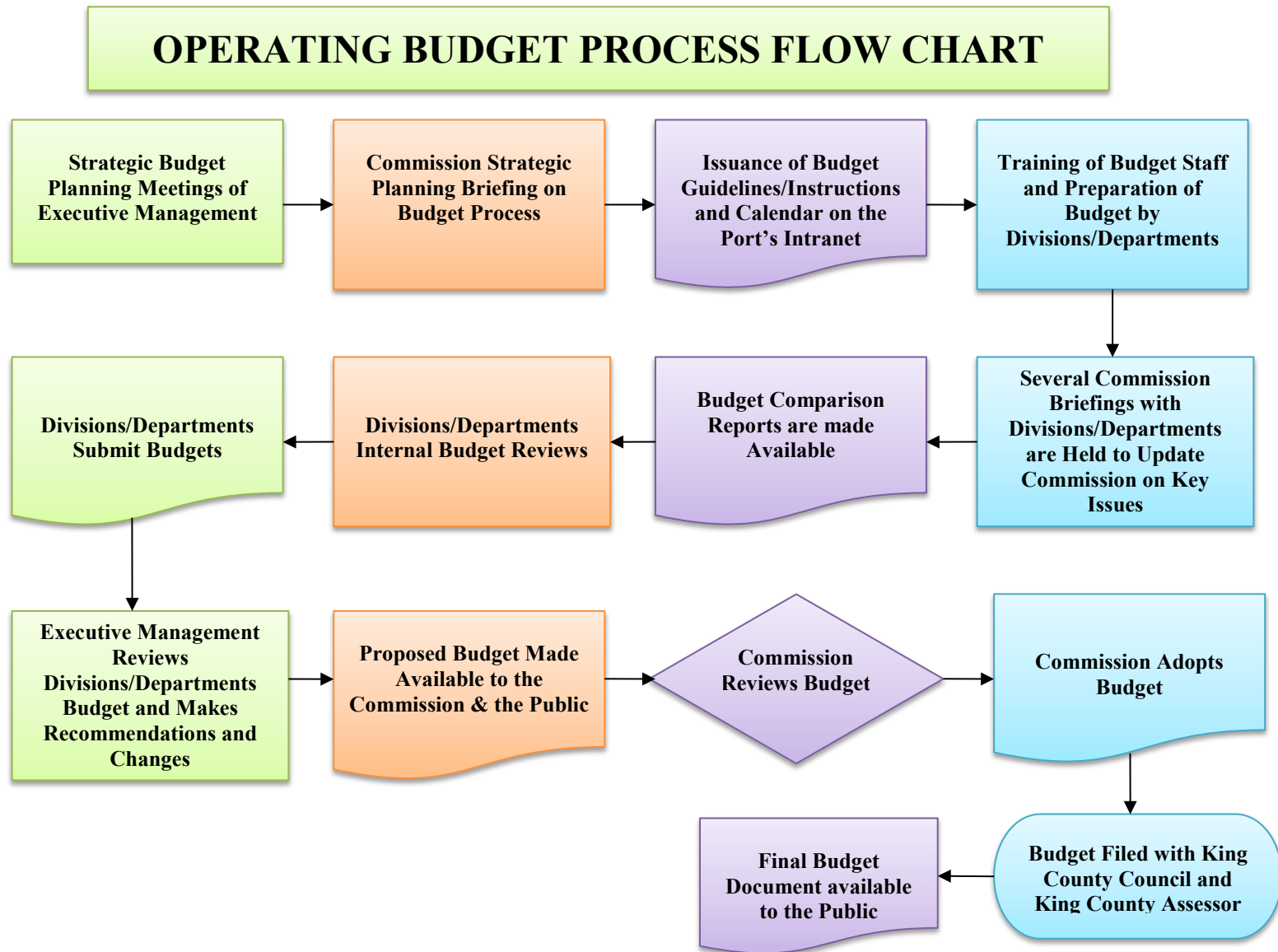
e. Operating Budget Process:

The steps in the 2020 operating budget process are as follows:

- Budget planning meetings with the Executive Team to discuss key strategic initiatives and budget process for 2020.
- Commission strategic and business planning briefing.
- Budget system training for budget users from the various divisions.
- Commission briefing on budget process and providing key budget assumptions to the Commission.
- Issuance of budget guidelines/instructions and budget calendar on the Port’s intranet.
- For the operating divisions, targets are developed based on the divisions’ business forecast.
- For Central Services, initial targets are based on a bottom-up assessment of needed resources to accomplish Portwide strategy/actions plans.
- Several Commission briefings by the operating divisions and Central Services are held during the year to update the Commission on key issues facing the business groups/departments and to solicit input for any changes in strategy.
- Budget system is prepared and made available for input.
- Actual preparation of the budget by divisions/departments.
- Costs of service departments are charged/allocated to the operating divisions and the NWSA according to the policy and the Service Agreements.
- Finance and Budget generates a budget comparison report that compares the proposed budget to the current year’s budget and last year’s actual. Finance and Budget also produces the current year’s Forecast Report.
- Divisions/departments complete their detailed budgets and are reviewed internally by their senior managers and Finance and Budget staff. These reviews include in-depth discussion of revenue and expense assumptions, new programs, initiatives, or other proposed increases in revenue, expenses as well as operational needs.
- Divisions/departments budgets are submitted to Finance and Budget and then reviewed against targets by the Executive Team.
- Executive Team makes recommendations and changes, which are incorporated into divisions and departments budgets.
- Several Commission budget briefings are held on divisions/departments capital budget, operating budget, and Draft Plan of Finance.
- All budget issues are resolved, and changes are entered into the budget system.

- Finance and Budget staff generates various reports, ascertains that all approved changes are incorporated into the budget and reports are accurate.
- Finance and Budget prepares the preliminary budget document and releases the proposed budget to the Port Commission and to the public approximately three weeks before the Introduction and Public Hearing of the 2020 Budget.
- The Introduction and Public Hearing of the budget are held on the second Tuesday of November.
- The Adoption of the budget are held on the third Tuesday of November.
- Statutory Budget is filed with King County Council and the King County Assessor as required by law on the first Monday in December.
- Finance and Budget staff prepares and releases the final budget document to reflect Commission recommendations.
- Finance and Budget staff sets commitment control for Central Services departments and operating divisions.

FIGURE A-1: OPERATING BUDGET PROCESS FLOW CHART



f. Operating Budget Planning Calendar:

<u>Date</u>	<u>Activity</u>
02/13/19	2020 Budget Planning
05/30/19	2020 Budget Kickoff Meeting
06/04/19	Commission Budget Retreat including 2020 Budget Process and Development Briefing
06/11/19	2020 Aviation Business Plan and Budget Development Briefing
06/25/19	2020 Maritime Business Plan and Budget Development Briefing
07/09/19	2020 Economic Development Business Plan and Budget Development Briefing
07/15/19	Budget Guidelines/Instructions and calendar available on the Port's intranet
07/23/19	Budget System Available for Input
07/24 - 8/01/19	Budget User Training
07/24 - 10/17/19	Preparation of budget by divisions/departments
08/02/19	Allocation forms available for review
08/08/19	Central Services Departments New Budget Requests Due to Finance & Budget (F&B)
08/19-08/22/19	Executive Review of Central Services Department's New Budget Requests
08/28 - 8/29/19	Central Services Departments Final Entry and Budget Support Documentation due to F&B
09/06/19	Executive Review of Central Services' Operating & Capital Budgets
09/06/19	Non-Operating Budgets due to F&B
09/11/19	Executive Review of Maritime & Economic Development's Operating & Capital Budgets
09/12/19	Executive Review of Aviation's Operating and Capital Budgets
09/17 - 9/27/19	Aviation, Maritime and Economic Development Internal Budget Reviews
09/24/19	Commission Briefing on Central Services Operating Budget
10/08/19	Commission Budget Study Sessions for Aviation and Maritime Operating and Capital Budgets
10/22/19	Tax Levy and Draft Plan of Finance Commission Briefing
10/22/19	2020 Preliminary Budget document is available to the Commission
10/24/19	2020 Preliminary Budget document is released to the Public
11/12/19	Introduction and Public Hearing of the 2020 Budget
11/19/19	Adoption of the 2020 Budget
11/25/19	Filing of Budget with King County Council & King County Assessor as required by law
12/13/19	Release of 2020 Final Budget

2. CAPITAL BUDGET

a. Capital Budget Policy:

As part of the Strategic Budgeting process, Finance and Budget produces the Capital Budget and the Draft Plan of Finance. The Capital Budget consists of capital plans or the Capital Improvement Plan (CIP), over a five-year period, for all divisions: Aviation, Maritime, Economic Development and Central Services. The Draft Plan of Finance is a funding plan of the CIP that the Port publishes on an annual basis.

The divisions review and revise their CIP in conjunction with the review of their existing business goals and strategies. The CIP is comprised of Committed projects from the 2019 CIP, less any that have been deleted, plus any Prospective projects that may meet the criteria to move forward to Committed status. The CIP may include Business Plan Prospective projects if coverage targets are met. Divisions are encouraged to review CIP cash flows with respect to timing and reasonableness to ensure effective use of capital capacity.

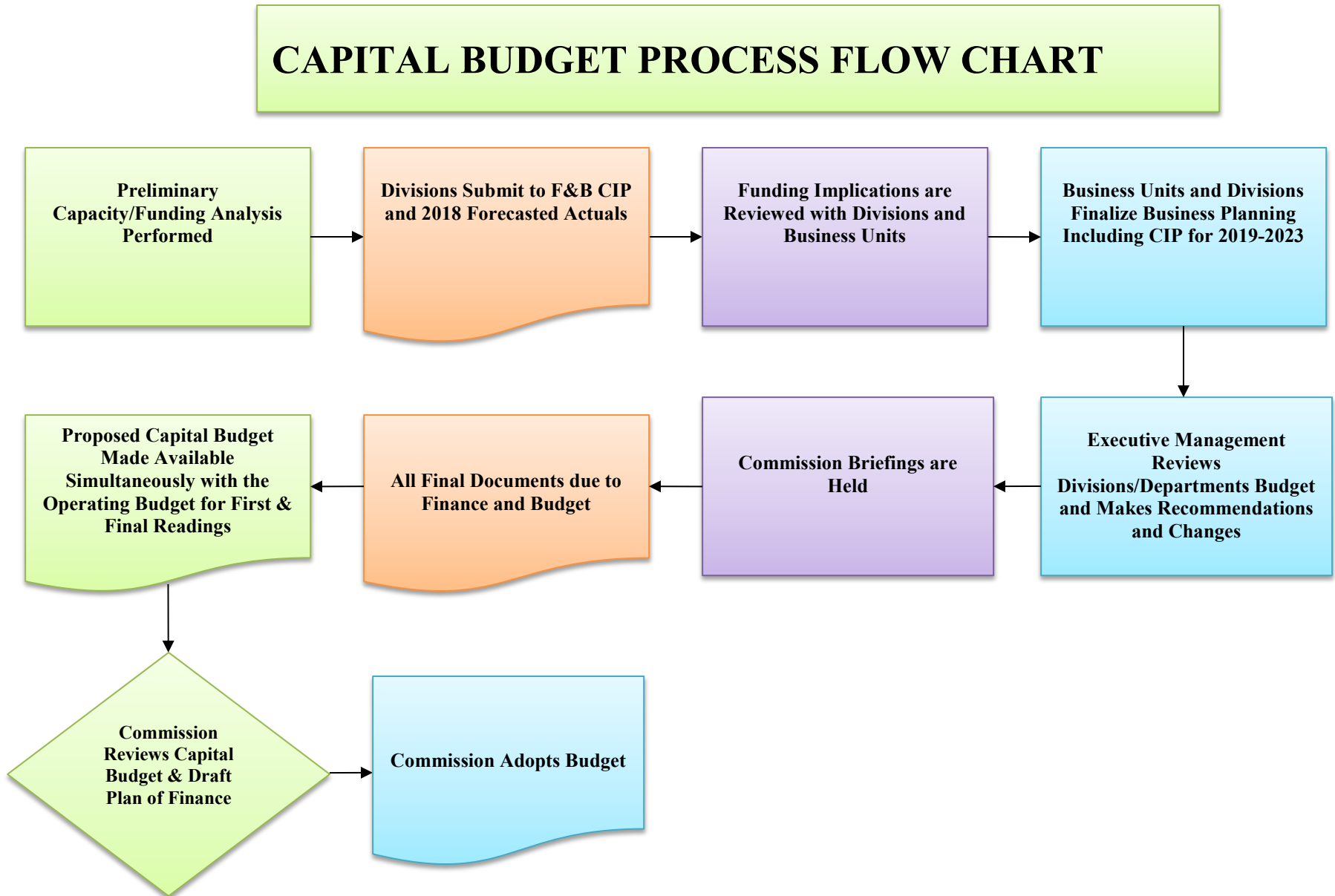
b. Capital Budget Process:

- A preliminary capacity/funding analysis is performed once the 2nd quarter update is completed, but no later than by the end of August.
- At the end of September, divisions submit to Finance and Budget the CIP and 2019 forecasted actual (which includes actual through second quarter). The funding implications of these capital plans are then reviewed with the divisions and business units.
- Following Finance and Budget funding analysis and Executive review of preliminary plans, business units and divisions finalize their operating and financial goals, including their CIP for 2020-2024.
- This information is then reviewed by Executive, presented to the Commission, and included in the 2020 Final Budget document.

After the close of the 2019 fourth quarter in January 2020 and based on the 2019 fourth quarter CIP update, the divisions should have more refined capital spending estimates for 2020. Each division may choose to adjust the spending from the original list of projects in the Capital Budget, to establish the 2020 approved funding amount for each project and for the division as a whole. The adjusted Capital Budget will become the “Approved 2020 Capital Budget” and will be used for quarterly variance reporting during the year.

Note: Even though the Commission reviews the Capital Budget in November, each individual CIP project, with a total cost in excess of \$300,000, is presented and approved by the Commission in public meeting for spending authority.

FIGURE A-2: CAPITAL BUDGET PROCESS FLOW CHART



c. Capital Budget Planning Calendar:

Following is the 2020 Capital Budget planning calendar:

<u>Date</u>	<u>Activity</u>
06/04/19	Commission Budget Retreat including 2020 Budget Process and Development Briefing
09/06/19	Preliminary Non-Aviation capital capacity analysis by F&B
09/06-09/12/19	Executive Review of Operating and Capital Budgets for all divisions
09/13/19	Preliminary Aviation Forecast Model due to F&B
09/17/19	F&B creates “CAPBUD” database from Projects
09/24/19	Commission Briefing on Central Services’ Operating and Capital Budgets
10/01-10/11/19	F&B finalizes Capacity/Funding Analysis
10/08/19	Commission Budget Study Sessions for Aviation and Maritime Operating and Capital Budgets
10/22/19	Tax Levy and Draft Plan of Finance Commission Briefing
11/12/19	Introduction and Public Hearing of the 2020 Budget
11/19/19	Adoption of the 2020 Budget
11/25/19	Filing of Budget with King County Council & King County Assessor as required by law
12/13/19	Release of 2020 Final Budget

APPENDIX B: FINANCIAL MANAGEMENT POLICIES

The primary purpose of the Port is to broaden and strengthen the economic base of the port district. The Port uses key criteria in various combinations as it pursues its capital and operating programs and projects. Clearly, national and international economic strengths or weaknesses have a direct bearing upon the Port's financial viability and role as an economic engine for the region.

1. KEY FINANCIAL TOOLS

The Port uses several tools to monitor its financial performance and these are described below

- a. **Long-term Targets**: The Port's long-term targets provide high-level policy guidance. These targets provide guidance to business planning for each division.
- b. **Operating Budget**: The Operating Budget is an essential tool for the Port's management planning, resource allocations, and control. It quantifies line of business and departmental plans for the next year in both operational and monetary terms. Throughout the year, the Responsibility Reports (which compare actual results to budget) are generated monthly and variances from budget are analyzed on a monthly basis, and more extensively each quarter, to determine if corrective action is needed. Divisions and departments prepare a quarterly forecast, which is incorporated into the quarterly Performance Report, which provides explanation of variances from the approved plan and is presented quarterly to Executive Management and Commission in public meetings, as necessary.
- c. **Balanced Budget**: The Port prepares an annual budget and supports, encourages and commits to a balanced budget in which revenues exceed expenses. In so doing, the practice is to pay for all current operating expenses with current revenues and not postpone current year operating expenses to future years or accrue future year's revenues to the current year. The Port's policy further requires that budgeted operating expenses do not exceed budgeted revenues, and on-going expenses do not exceed on-going revenues.
- d. **Operating Forecasts**: Included in the budget document are five-year forecasts or projections of the division's operating revenues and expenses. The first year of this forecast is the Operating Performance Budget.
- e. **Capital Budget and Capital Improvement Plan**: A detailed plan of proposed outlays or capital expenditures arising from the acquisition or improvement of the Port's fixed assets and the proposed means of financing them through bond proceeds, grants and operating revenues. This document serves as an operational and planning tool and it is directly tied to the business goals. The document identifies proposed capital projects at the airport and on the waterfront and prioritizes those projects.
- f. **Capital Improvement Plan (CIP) Reserve**: The Capital Improvement Plan may include one or more CIP reserves to ensure funding capacity for unspecified projects (e.g. renewal and replacement), new initiatives and unforeseen needs. However, CIP reserves are not intended to anticipate all potential future spending and amounts will be determined by considering the data on historical capital trends, existing asset conditions, the status (level of certainty) of CIP forecasts, and any contingent risks that may require funding. The use of CIP reserves will be reviewed with the Commission annually during the budget process.
- g. **Capital Expenditures**: Expenditures that arise from the acquisition or improvement of the Port's fixed assets such as construction of new facility or renovation of existing facility; renewal, replacement or upgrading of mechanical, electrical, communications, HVAC and plumbing systems; computer and office equipment; furniture and fixtures; vehicles, etc.
- h. **Capital Budget Impact on the Operating Budget**: Its impact on the Operating Budget is through Capitalized Labor or Charges to Capital Projects, which include the salaries and benefits costs associated with capital projects. These costs are subtracted out of the operating budget and then budgeted in the capital budget as part of the cost of the project(s). The Operating Budget is also impacted in the form of increased operating, maintenance and depreciation expenses because of the new assets. Depreciation is a non-cash item that represents the use of long-term assets. Port assets are given a useful life of more than

three years when they become active and each year some of that useful life is used up, worn or depreciated. The capitalized labor or charges to capital projects is displayed in table III-3 and the depreciation is displayed in table III-2. The capitalized labor is also displayed in similar tables in sections IV thru VII.

- i. **Plan of Finance:** The Five-year Capital Budget is the basis of the Plan of Finance. This document provides a funding plan of the capital program developed within the financial targets and forecasts described within the Draft Plan of Finance section. The Draft Plan of Finance is prepared and presented to the Port Commission concurrently with the Operating Budget. See further discussion in the Draft Plan of Finance, section X of this book.
- j. **Capital Investment Matrix:** The matrix provides an analytical framework for capital projects. The results of the analysis provide financial and non-financial information for the Port Commission as a guide for capital investment decisions.
- k. **Financial and Operational Indicators Report:** The Port uses financial and operating indicators to monitor its financial performance and budget. This report is produced and distributed monthly to the Port Commission and Executive Management.
- l. **Treasury Management:** Using its internal Treasury since July 2002, the Port has experienced increased investment earnings, faster mobilization of funds, on-line banking capabilities, easier accounts and full control of its cash and investments.
- m. **General Coverage Ratios and Cash Flow Margins:** As part of its financial modeling, the Port targets that Airport cash flow equals 1.25x of all Airport related revenue debt and that Non-Airport cash flow equals 1.8x of all Non-Airport related revenue debt. In addition, the Port targets general obligation bond debt service not to exceed any more than seventy-five percent of the annual tax levy.
- n. **Bond Coverage Ratios:** The Port, through financial modeling, runs projections for its revenue bond debt service coverage ratio. Although the Port has an obligation under First Lien Revenue Bond covenants to maintain a ratio of 1.35x, as a matter of practice a ratio of at least 1.8x is maintained. Debt service coverage may fall below this target level during periods of construction borrowing prior to the time that revenue producing assets come on-line.
- o. **Fund Balances:** Working capital fund balances are maintained in the General Fund and the Airport Development Fund at a targeted level of approximately nine months of operating and maintenance expenses. The Port maintains \$5 million in the Renewal and Replacement Fund as required by bond documents.
- p. **Performance/Variance Report:** This report is in narrative format explaining the reasons for or causes of variances between actual revenues and expenses versus budgeted amounts on a quarterly basis. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into this report and it is presented quarterly to Executive Management and the Commission in public meetings.
- q. **Commitment Control:** The Port has in place a commitment control ledger that monitors department budgets, and which prevents departments from exceeding their total budget without appropriate approval.

2. FINANCIAL POLICIES AND DESCRIPTION OF MAJOR FUNDS

This section, pages XIII-11 through 18, presents a summary of the Port's major financial policies and description of its major funds.

- a. **Organization:** Founded in 1911 by a vote of the people as a special purpose government, the Port of Seattle's mission is to promote economic opportunities and quality of life in the region by advancing trade, travel, and commerce in an equitable, accountable, and environmentally responsible manner. The Port is considered a special purpose government with a separately elected commission of five members and is legally separate and fiscally independent of other State or local governments.

- b. **Reporting Entity:** The Port reports the following fund: the Enterprise Fund accounts for all activities and operations of the Port.

There are dozens of funds that are summarized into the Enterprise 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 of Airport Facilities, Maritime and Economic Development properties. Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions - Aviation, Maritime, and Economic Development.

Within the Enterprise Fund, the Port segregates non-operating expenses made to public entities which are funded by the ad valorem tax levy. This includes expenses for district schools and infrastructure improvements to the state and region in conjunction with other agencies. These projects are controlled by other governmental entities and are not reflected in the Port's financial statements.

In 2015, the Port underwent a series of reorganizations to strategically position the Port to achieve future growth, operational excellence and talent development.

Operation of the Port's main cargo business was transferred to the Northwest Seaport Alliance, a joint venture with the Port of Tacoma, which unified the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the Puget Sound gateway and attract more marine cargo to the region. The remaining Seaport businesses became a part of the new Maritime Division.

The Northwest Seaport Alliance 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 Port of Savannah. The Pacific Northwest is a key region for inbound and outbound United States cargo, moving cargo not only for the regional trade, but also cargo headed to destinations throughout the entire U.S. Midwest, and this Alliance will help the region remain competitive into the future. This is truly historic and signals a new era of cooperation between the ports. Combining the strong cargo terminal operations will make the region more competitive in the global economy and create new jobs in Washington.

The two ports have moved from fierce competitors to bold collaborators to form a new business model for the greater good of the region. The ports recognized how critical the maritime industry is to the state's economy, and are proud and excited to strengthen it even more.

Together, the ports can more efficiently deploy the significant investments each port has devoted to infrastructure and speak with a stronger voice on pressing regional and industry-related issues. While the ports remain separate organizations that retain ownership of their respective assets, they formed a port development authority (PDA) to manage the container, break-bulk, auto and some bulk terminals in Seattle and Tacoma. The PDA is governed jointly by the two ports through their elected commissions.

Effective January 1, 2016, the Port is comprised of three operating divisions, namely Aviation, Maritime and Economic Development.

The Aviation Division ("Aviation") operates Seattle-International (Sea-Tac) Airport which serves the predominant air travel needs of a five-county area. The Airport is ranked as 8th busiest airport in the U.S. serving 49.8 million passengers and more than 432,315 metric tons of air cargo in 2018. Thirty-two airlines serve 91 non-stop domestic and 29 international destinations including Canada, Mexico, and seasonal operations.

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 divisions and supports the overall goals of the Port; it also delivers projects and provides technical and contracting services in support of the operating and infrastructure needs of the Port through Capital Development. Central Services expenses are allocated and charged to the operating divisions.

- c. **Basis of Accounting and Budgeting:** The Port does not distinguish between the Basis of Accounting and the Basis of Budgeting since the principles set forth as the Basis of Accounting are observed in the budgeting process. The Port is accounted for on a flow of economic resources measurement focus. The financial statements and the budget are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting under which revenue transactions are recognized when earned and expenses are recognized when incurred, regardless of the time the cash is received or disbursed. The Government Accounting Standard Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port adopted the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance issued by Financial Accounting Standard Board ("FASB") pronouncements which does not conflict with or contradict GASB pronouncements, and eliminates the option to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.
- d. **Use of Estimates:** The preparation of the Port's budget in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in reporting of revenues and expenses in certain instances. Thus, actual amounts could differ from those estimates.
- e. **Operating Revenues:** Fees for services, rents and charges for the use of Port Facilities such as: Dockage, Wharfage, Berthage and Moorage, Airport Transportation Fees, Airport Landing Fees, Equipment, Property Rentals and other revenues generated from the Port's operations are reported as operating revenue.
- f. **Non-Operating Revenues:** Revenues that do not result from the normal operation of the Port's business such as: Ad Valorem Tax Levy, Interest Income, Non-operating Grants, Passenger Facilities Charges, Customer Facilities Charges and other revenues generated from non-operating sources are classified as non-operating.
- g. **Operating & Maintenance Expenses:** Cost or charges that arise from the normal operation of the Port's business. These are costs or services required for a department/division to function. These include Salaries and Benefits, Equipment expense, Supplies and Stock, Travel and Other Employee expenses and all Direct Charges, even those from Central Services and from other Divisions.
- h. **Non-Operating Expenses:** Cost or charges that do not arise from the normal operation of the Port's business. An example is interest expense.
- i. **Capital Policy:** The Port's policy is to capitalize all asset additions or **Tangible Assets [Property, Plant and Equipment]** and **Intangible Assets**, if they exceed \$20,000, whether it is a single payment or an accumulation of related costs and with an estimated useful life of more than three years. Any asset costing less than \$20,000 is expensed. Land, facilities and equipment are stated at cost, less accumulated depreciation. 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.

- j. **Debt Policy:** The Port’s debt policy is designed to ensure appropriate use and management of debt including compliance with various laws, regulations and agreements and effective management of risk. The policy requires use of an independent financial advisor and describes the roles of Commission and staff. The policy describes the type and structure of debt and sets forth limitations on new debt. Key limitations include minimum debt service coverage requirements for revenue bond debt of 1.25x for the Airport and 1.8x for the non-aeronautical businesses and that General Obligation bond debt service cannot exceed 75% of the annual tax levy. The policy establishes savings targets for refunding ranging from 3% for a current refunding with a short-term maturity/call date to 9% for a LIBOR based swap refunding with a long-term maturity/call date. The policy also provides guidelines for the sale of bonds.
- k. **Ad Valorem Tax Levy:** Ad valorem taxes received by the Port are utilized for the acquisition and construction of facilities, for the payment of principal and interest on GO bonds issued for the acquisition or construction of facilities, for contributions to regional freight mobility improvements, for environmental expenses, for certain operating expenses, and for public expenses. The Port includes ad valorem tax levy revenues and interest expense on GO bonds as non-operating income in the Statement of Revenues and Expenses. The King 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 annually. Taxes are due in two equal installments on April 30 and October 31. Collections are distributed to the Port by the County Treasurer.
- l. **Special Item:** The Port recorded as a special item, a \$120,000,000 payment made to the Washington State Department of Transportation (“WSDOT”) for the State Route 99 (“SR99”) Alaskan Way Viaduct Replacement Program in 2015. This is the first payment based on the funding agreement entered into with WSDOT for the State’s eligible construction cost incurred on the Tunnel Design Build Project. The Port made the remaining \$147,700,000 payment to WSDOT in 2016 and recorded it as a special item. The SR99 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.
- m. **Description of Major Funds:** There are dozens of funds that are summarized into the Enterprise Fund. The Enterprise Fund accounts for all activities and operations of the Port. The Enterprise fund is connected to the functional units in that it is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties.

Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions (Aviation, Maritime, Economic Development), and Central Services. Descriptions of some of the major funds are:

Types of Funds	Fund Name	Fund #	Fund Description
1. Operating	Airport Development Fund (ADF)	03040	This is the operating fund for the Seattle-Tacoma International Airport (Aviation division). The fund receives operating revenues derived from all airport sources, and it funds operating and maintenance expenses related to the Airport. The fund also receives Airport Improvement Program grants reimbursement receipts. Transfers made from this fund include funding for Aviation related revenue bond fund debt service. Capital acquisition expenditures which are not otherwise funded are also made from this fund. Other expenditures include: operating and administrative expenses and non-operating expenditures associated with Central Services that are

<u>Types of Funds</u>	<u>Fund Name</u>	<u>Fund #</u>	<u>Fund Description</u>
			allocated to Aviation.
	General Fund	00010	<p>The general fund is the operating and capital fund for all Port-owned properties with the exception of the Seattle-Tacoma International Airport (Aviation). Operating revenues derived from all sources other than the Aviation division or the Industrial Development Corporation are deposited to this fund. The fund also receives non-operating revenues that are associated with the Maritime/Economic Development divisions or are Central Services in nature. Expenditures from this fund include:</p> <ul style="list-style-type: none"> • Maritime division operating and administrative expenses; capital equipment purchases and construction projects, excluding projects funded with other funding sources; • Economic Development division revenues & expenses flow through the general fund, however, as directed by Port Commission, certain Economic Development division expenses and capital projects may be funded from the tax levy fund; • Operating expenses for Central Services allocated to the operating divisions; anything directly allocated to an operating division is paid from the appropriate operating fund, General Fund for Maritime/Economic Development and the Airport Development Fund for Aviation; • Central Services capital equipment purchases and capital projects that are ultimately allocated to the operating divisions through allocated depreciation and appropriate portions of capital that is split between the two operating divisions; • Non-operating expenditures that are directly associated with the Maritime and Central Services in nature. • Port payrolls, purchases of materials, supplies and services, and non-Aviation capital acquisition expenditures which are not otherwise funded are made from this fund. Periodic reports are generated indicating what general fund monies have been expended for payrolls or accounts payable that properly should have been paid out of the other funds. These amounts will then be transferred from such other funds to the general funds as reimbursements.
	General Fund Reserve (GFR)	00011	<p>Established in 2007, the GFR is a sub-fund of the General Fund. It can be used for any lawful purpose just the same as the General Fund. Finance & Budget staff evaluates this fund annually to review its balance relative to General Fund and/or other general purpose funds the Port may have, the annual contribution amount, and to assess the need to have this fund.</p>
	Tax Levy	00020	<p>The Tax Levy fund was established in 2002 and is used to receive the ad valorem taxes levied on real properties within the Port's District (King County). Prior to 2002, the tax levy proceeds were deposited into the General Fund. Other items deposited to this fund include Receipts in lieu of taxes, Tax sales and refunds, Investment income and</p>

Types of Funds	Fund Name	Fund #	Fund Description
			expense, Tax adjustments, Tax supplements and cancellations. Proceeds are used for General Obligation (G.O.) bonds debt service, and to fund capital, expense and special item projects that meet criteria established by the Port, or as directed by Port Commission.
	Transportation & Infrastructure Reserve (TIF)	00021	Established in 2010, as per the 2010 Commission approved budget, the TIF can be used for any lawful purpose just the same as Tax Levy Fund. The TIF initial funding source is from the Tax Levy fund, and the fund balance is reviewed at least annually with Port staff and Commission.
	Harbor Development Fund (HDF)	00022	In 2017 as part of 2018 Budget/Plan of Finance, the Port set aside funds in the HDF to help fund future development in the North Harbor (NWSA). The HDF was initially funded with a portion of the 2017 G.O. bond proceeds, which were issued to reimburse the Port for prior year cash payments made to the State of Washington on the Alaska Way Viaduct project. The HDF is legally separate from any tax levy collections and is available to pay revenue bond debt service, if the Port chooses.
	Lease Security SSAT/T-18 Fund	03090	Established December 2011, this fund represents the Lessee's (SSAT and SSA) Security for Rent Payment in the form of a "Cash Security", to satisfy the lease's Security Requirement.
	Customer Deposits	06010	This fund has been established as a depository of lease deposits and other monies held by the Port as surety, but belonging to Port of Seattle customers.
2. Special Facility	Passenger Facilities Charges (PFC) : <ul style="list-style-type: none"> • Revenue • Capital 	06054 03060	PFC Revenues are derived from passenger facility charges levied on embarking passengers at Seattle-Tacoma International Airport. The collected revenues are used to pay debt service on PFC Revenue Bonds, debt service on other revenue bonds related to FAA PFC approved projects, and for specifically-designated airport facility improvements projects. All PFC's revenues are deposited to the Revenue fund (06054). From the Revenue fund, there is a required monthly transfer of monies to the Debt Service fund equal to 1/6 th of semi-annual debt service payment by the 25 th of each month. The remaining balance of the Revenue fund, which includes interest earnings, is then transferred to Capital fund (03060).
	Customer Facility Charge (CFC)	CFC01	Established in 2006, the CFC Fund holds revenue derived from charges imposed upon customers of rental car companies accessing the Airport, and taxable revenue bond proceeds issued to fund the Consolidated Rental Car Facility (CRCF). Funds are to be used to pay debt service on those bonds, construction costs for the CRCF project, any future capital maintenance projects, and specified CRCF operating expenses.
	Fuel Hydrant Fund <ul style="list-style-type: none"> • Revenue • Debt Service 	Held in Trust	The funds accruing to the Fuel Hydrant Revenue Fund are derived from Pledged Lease Revenue and Other Revenue as defined in Resolution No. 3504, as amended. Funds are to be used to pay Fuel Hydrant bonds debt service.

Types of Funds	Fund Name	Fund #	Fund Description
	<ul style="list-style-type: none"> • Project • Reserve 		All Fuel Hydrant revenues are deposited to the Revenue account. From the Revenue account, there is a required monthly transfer to the Debt Service account equal to 1/6 th of the semi-annual interest and 1/12 th of the annual principal amounts. The remaining balance of the Reserve account, which is interest earnings, is then transferred to Capital account.
3. Debt Related	Bond Funds	Various	The Port of Seattle issues bonds pursuant to bond resolutions to fund its Capital Improvement Program. Proceeds from bond issues are used to fund construction, capitalized interest and reserves, see below.
	Capitalized Interest Fund (Cap-I)	Various	Established at the time of bond issuance, Cap-I funds are additional bond proceeds to be used to pay interest expense before the capital asset goes into use and is able to generate revenue to repay principal.
	Construction Fund (CF)	Various	Proceeds from bond issues are used for the Port's facilities expansions and improvements, land acquisition, and/or pay interest. Separate funds are set up for each bond issue to allow for the tracking and reconciliation of bond proceeds expenditures.
	Debt Service Reserve Fund (DSRF)	Various	Established at the time of bond issuance for the purposes of securing the payment of principal and interest on related outstanding bonds. Terms set forth in the bond covenants dictate how much the Port is required to maintain in the Reserve fund. Not all bond issues have a cash funded Reserve fund; the Port may instead choose to maintain qualified surety and/or a qualified letter of credit.
	Debt Service Fund (DSF)	Various	The DSF serves as a pass-through fund. Transfers are made periodically to the DSF, typically on the debt service date, for an amount sufficient to meet the debt service requirements. The source of the funds transfer depends on the related debt and may be made, legally, from any operating fund, but it is the Port's intent to make all such transfers from the General or Airport Development Funds.
4. Other Operating	Repair and Renewal Fund	03150	Established pursuant to Master Resolution 3577, Section 4. (b), the proceeds of the fund may be used by the Port to pay extraordinary operating and maintenance expenses, make capital replacements, additions, expansions, repairs and renewals of the facilities of the Port.
	Environmental Settlement	ENVIR	Established 2008, the fund is used for environmental settlement money received for cleanup work the Port is engaged to do. Consequently, there are restrictions on how proceeds are used.
	Industrial Development Corporation (IDC)	IDC01	The IDC of the Port of Seattle is a special purpose government with limited powers. It was established in 1982 pursuant to Revised Code of Washington (Chap. 39.84) for the purpose of facilitating industrial expansion through tax-exempt financing. The IDC fund balance is comprised from compensation from companies that borrow through the IDC, and investment earnings. IDC "surplus" funds may be used for any allowable purposes as provided by state law: allowable under the Port's

<u>Types of Funds</u>	<u>Fund Name</u>	<u>Fund #</u>	<u>Fund Description</u>
			authorized powers to engage in economic development programs, and for growth management, planning or other economic development purposes.

3. REVENUE AND EXPENSE ASSUMPTIONS

Operating revenues are developed based on the terms of various lease agreements and on forecasted activity levels. Operating expenses are developed based on historical experience, forecasted activity levels and inflation.

The 2020 Aviation aeronautical revenues, which are based on cost-recovery, are budgeted at \$401.6 million, an increase of 9.8% compared to the 2019 budget. Non-aeronautical revenues are budgeted at \$283.2 million which is 9.1% higher than the 2019 budget. The Airport expects steady enplanement growth of 3.0% in 2020. Strong performances are expected in several lines of business such as public parking, airport dining & retail, ground transportation, clubs & lounges, and commercial properties whereas modest growth is expected in Rental car. The 2020 Aviation expenses are expected at \$377.7 million, an increase of 3.2% over the 2019 budget mainly driven by increases in payroll, contracted services, costs associated with rising non-aeronautical revenues as well as non-recurring baseline expenses to address operation needs and support strategic initiatives.

The 2020 Maritime revenues are budgeted at 62.9 million, an increase 5.4% over the 2019 budget due to the expected revenue increases in Cruise and in Recreational Boating. Recreational boating revenue is expected to increase 4.4% in 2020 due to stable occupancy and increased rates while Cruise revenue growth is projected to grow 11% in 2020 because of larger cruise vessels and more sailings. Maritime expenses are budgeted at \$56.2 million, an increase of 10.6% compared to the 2019 budget mainly due to the first scheduled payment to NWSA for T46 as well as the addition of resources to support the capital program and meet operational needs.

Economic Development revenues are anticipated at \$19.1 million, a reduction of 3.1% compared to the 2019 budget due to the estimated 6 months of construction down time at the Bell Harbor Conference and Event Center. The 2020 Economic Development expenses are budgeted at \$29.0 million, a decrease of 4.4% from the 2019 budget driven by variable costs associated the Conference and Event Center activities and lower maintenance expenses.

The key business activities forecast for the Airport, Maritime, and Economic Development divisions are as follows:

- Enplaned passengers are expected to grow by 3.0% for 2020.
- Cruise passengers are forecasting at a record 1.3 million for 2020, an 8.8% increase from 2019 budget.
- Grain volume is forecast to be 3.0 million metric tons for 2020, a 16% decrease from the 2019 budget.
- The average Shilshole Bay Marina occupancy rate is forecast to be 95 percent, same as 2019.
- Fishing and Commercial Operations occupancy rates are forecast to average 86 percent, same as 2019.
- Commercial Properties are expected to remain strong at 95% occupancy at the end of 2020, same as 2019.

Portwide salaries for exempt and non-exempt employees are budgeted to increase by an average of 3.9% for 2020. Benefit costs for employees in non-union jobs are budgeted in two parts:

- The first part is a flat dollar amount per employee per month and covers costs that are not related to employees’ pay. This includes medical and dental coverage, Wellness Rewards Program costs, 401(a) contributions, and Flexible Spending Account fees. This amount is \$1,222.71 per employee per month.
- The second part covers costs that are related to employees’ pay. This includes FICA, PERS, life and disability insurance as well as PTO and Sick Leave amounts together with the new Washington Paid Family and Medical Leave. These items are estimated to total 24.216% of pay in 2020.

APPENDIX C: BUSINESS ASSESSMENT

1. Local Economy and Outlook

The U.S. economy continues to grow at a modest rate. The increase in real gross domestic product (GDP) for the second quarter of 2019 was 2.0% (SAAR) which was slightly lower than the 3.1% increase recorded during the first quarter of 2019. Additionally, the 11.1% dip in nonresidential construction contributed to the slight drop in fixed investment of 1.4% (SAAR) during the second quarter. In contrast, final sales for second quarter rose 3.0% (SAAR) compared to 2.6% during the first quarter. Consumer spending increased 4.6% (SAAR) in the second quarter after a moderate growth of 1.1% (SAAR) in the first quarter due largely to the upsurge in durable goods spending. Imports remained steady but exports decreased by 5.7% (SAAR). Trade tensions stemming from increase in tariffs and the appreciation of the U.S. currency compared to other currencies were some of the factors that contributed to the decline in U.S. exports.

The U.S. employment growth seems to be decelerating; however, the U.S. unemployment rate remains relatively low. A monthly average of 156,000 net new jobs has been added in the last three months compared to 223,000 net new jobs added per month in 2018. A total of 130,000 nonfarm jobs, 12,000 in goods-producing industry and 84,000 jobs in the private service-providing sector were added in August 2019. Health care industry had the most employment gain adding more than 23,900 jobs, followed by temporary help services at 15,400 and professional and technical services at 14,800. Social assistance generated 12,900 new jobs while the general merchandise sector eliminated 14,800 jobs. Meanwhile, the average hourly wages rose by \$0.11, 3.2% higher compared to last year. The U.S. unemployment rate for the first half of 2019 remained at 3.6% and is expected to increase slightly to 3.7% at the end of the year.

The Economic and Revenue Forecast Council projects that Washington State's economy will continue to outperform the U.S. economy. The June forecast anticipated an increase of 15,600 (SA) in nonfarm payroll employment; however, the recorded increase for June through August was 5,200 more than the expected amount. Similarly, the private services-providing sectors contributed a total of 15,100 new jobs and the manufacturing sector generated 2,300 new jobs, most of which came from the aerospace segment. Government jobs increased by 3,900 whereas construction jobs decreased by 300. The state's unemployment rate for August was at 4.6%, which has remained the same since May 2019. This rate is slightly higher than the all-time low of 4.4% recorded in October 2018. The employment growth rate for 2019 is projected at 1.9% while the average growth rate for the next three years is expected at 1.2% per year. The nominal personal income growth forecast for 2019 is 5.6% and average growth rate forecast for 2020 through 2023 is 4.8%.

The 27.6% reduction in Washington State exports during the second quarter of 2019 compared to the same period last year was due to the 41.9% decline in transportation equipment exports most likely affected by the suspension of Boeing 737 Max deliveries. Similarly, agricultural products exports decreased 22.4% while other commodities dropped 5.6% compared to 2018.

During the second quarter of 2019, Washington state housing construction surpassed the June forecast by 600 units. A total of 48,600 housing units (SAAR) was authorized in the second quarter, up by 4,800 units compared to the first quarter actuals. More than half of the 48,600 units were comprised of multi-family units while the rest consisted of single-family units. In general, Seattle home prices has been declining since June 2018, however, a slight increase of 0.5% (SA) was recorded in July of this year. Consumer price inflation in the Seattle area has remained above the national average. The Seattle Consumer Price Index (CPI) has climbed to 3.2% over a one-year period starting in August 2018. This percentage was higher than the U.S. city average of 1.8% partly due to higher shelter costs. The national over-the-year shelter cost inflation was recorded at 3.4% while Seattle's rate was recorded at 4.8%. Likewise, Seattle's core prices rose 1.3% higher than the U.S. City Average.

Source: Washington State Economic and Revenue Forecasts for September 2019, <https://erfc.wa.gov/publications>

TABLE C-1: SUMMARY FORECAST

SUMMARY FORECAST (Annual Percent Change)	2017	2018	2019	2020	2021
Washington State Economic Forecast					
Non-farm Payroll Employment (% Ch)	2.8	2.4	2.1	2.0	1.3
Unemployment Rate (%)	4.9	4.6	4.5	4.6	4.7
Real Personal Income (% Ch)	4.1	4.6	4.5	3.3	2.6
Seattle Consumer Price Index (% Ch)	1.5	1.9	1.7	1.8	2.1
Housing Permits (% Ch)	10.9	9.6	-5.6	-4.8	-2.2
Total Population (in 000's)	7,310.3	7,427.6	7,539.8	7,649.8	7,753.2
% Change	1.8	1.6	1.5	1.5	1.4

Source: Washington State Economic and Revenue Forecasts for September 2019, <https://erfc.wa.gov/publications>

TABLE C-2: STATE EMPLOYMENT BY INDUSTRY

Washington State 2018 Average Employment Classified by Industry			
Industry description	Average Firms	Average Annual Employment	Average Annual Wage
Agriculture, forestry, fishing, and hunting	7,028	106,794	\$32,397
Mining	142	2,569	71,045
Utilities	225	5,034	99,748
Construction	25,753	199,975	64,422
Manufacturing	7,488	284,094	79,352
Wholesale trade	12,769	133,560	80,237
Retail trade	14,302	379,637	58,842
Transportation & warehousing	4,589	103,459	60,334
Information	4,038	133,091	194,774
Finance and insurance	5,822	94,497	95,010
Real estate, rental and leasing	6,944	53,451	55,109
Professional, scientific, and technical services	25,776	201,638	101,189
Management of companies and enterprises	631	44,601	118,075
Administrative and waste management services	12,210	168,627	50,321
Educational services	3,327	44,058	38,982
Health care and social assistance	54,966	421,679	52,672
Arts, entertainment, and recreation	2,830	52,803	32,545
Accommodation and food services	14,547	282,931	24,006
Other services (except public administration)	18,793	99,103	40,340
Government	2,111	561,343	63,835
Total *	224,289	3,372,944	66,156

* Total and average of statewide rollup data. Employment and wages are not shown for some subsectors to avoid disclosure of data for ind. employer.
Source: Washington State Employment Security Department, 2018 annual averages, Statewide 3 digit NAICS
<https://esd.wa.gov/labormarketinfo/covered-employment>

TABLE C-3: TOP 10 PUBLIC COMPANIES IN WASHINGTON

Washington State top 10 Companies <i>(ranked by 2019 total Revenues)</i>			
Company	# of Employees	2019 Revenues (\$M)	Website
Amazon.com	647,500	\$232,887	www.amazon.com
Costco Wholesale	194,000	141,576	www.costco.com
Microsoft	131,000	110,360	www.microsoft.com
Starbucks	291,000	24,720	www.starbucks.com
Paccar	28,000	23,496	www.paccar.com
Nordstrom	74,000	15,860	www.nordstrom.com
Expedia	24,500	11,223	www.expedia.com
Alaska Air Group	23,376	8,264	www.alaskaair.com
Expeditors International	17,400	8,138	www.expeditors.com
Weyerhaeuser	9,300	7,476	www.weyerhaeuser.com

Source: Fortune 500, <https://fortune.com/fortune500/search/>

2. Economic Impact

The Port of Seattle retained Community Attributes Inc. (CAI) in 2018 to evaluate the economic impacts generated by Port of Seattle’s aviation and maritime businesses. Cumulatively, the Port’s activities and operations helped generate 121,200 direct jobs and \$19.2 million in business revenue. The combined figures reflect data results for cruise activity included in the 2019 report while airport, cargo, fishing, and other maritime activities were included in the 2018 reports. Moreover, the combined figures include activities at both Seattle and Tacoma cargo terminals managed by the Northwest Seaport Alliance.

Sea-Tac Airport:

Sea-Tac Airport, owned and operated by the Port of Seattle, is an important economic engine for the Pacific Northwest connecting businesses, trade and leisure travelers. Business activity data collected for the 2018 study demonstrated Sea-Tac’s role as a major driving force for regional prosperity generating the following impacts to the local and regional economy:

- A total of 151,400 jobs was generated including 87,300 direct jobs.
- Total personal income was \$7.1 billion.
- Business revenue was \$22.5 billion.
- State taxes of \$415 million reflected both direct and secondary activities.

Commercial Fishing and Recreational Boating Industries:

Port of Seattle’s marinas (Shilshole Bay, Salmon Bay, Bell Harbor and Harbor Island) and other properties serve as critical assets to the region’s recreational boating industry. The Port’s marinas support various economic activities which include Washington’s largest liveaboard community, onsite restaurants, and fuel and vessel maintenance and repairs. The Port also offers moorage for tugboats, barges and research vessels. Furthermore, the Port’s industrial lands are leased by non-maritime tenants such as operators of warehouses for non-containerized cargo, local manufacturers and retailers. Likewise, the Port’s commercial properties (i.e.

Fishermen's Terminal, Maritime Industrial Center, Terminal 91, etc.) play a major role in supporting the regional fishing industry. These facilities are used by a large majority of the North Pacific Fisheries Fleet as well as other fishing vessels that operate in the Puget Sound and the West Coast of the Olympic Peninsula. The results of the 2019 study underscore the importance of Port facilities in the region; highlights include:

- \$671.3 million of Direct Business Output from Commercial Fishing including 7,000 direct jobs.
- Fishing vessels moored at Port facilities generated gross earnings of more than \$455.0 million in 2017.
- \$729 million of Direct Business Output from Recreational boating including 3,620 jobs.
- Recreational boating generated more than \$357 million in labor compensation.

Maritime Cargo:

In 2015, the ports of Seattle and Tacoma formed the Northwest Seaport Alliance (NWSA) to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs for the region. The Northwest Seaport Alliance represents one of the largest cargo-loading centers in the United States. In 2018, the NWSA commissioned a report on the economic impact of marine cargo. Key points of the 2018 study are as follows:

- NWSA directly supported 20,100 jobs with \$1.9 billion in labor income in 2017.
- Average annual wage including benefits for direct jobs was close to \$95,000.
- NWSA marine cargo directly supported \$5.9 billion in business output in 2017.
- Direct and secondary economic activities generated nearly \$136 million in taxes.

Cruise Industry:

The cruise ship industry continues to grow in Seattle. This year the Port celebrated 20 years as a cruise homeport welcoming approximately 213 vessels and 1.2 million passengers. Cruise ships utilizing the Port of Seattle facilities support economic activities by procuring supplies from local suppliers and vendors, offering shore services to cruise passengers, and commissioning service companies to repair or service equipment. Furthermore, cruise passengers and crew support the economy through their spending on local goods and services. The 2019 economic impacts of the Port of Seattle's cruise business include:

- Cruise activities create nearly \$900 million a year in total local business revenue.
- Each homeport ship call contributes an average \$4.2 million to the state's economy and supports over 5,500 jobs.
- The 2019 estimated total economic impact (including direct, indirect and induced impact) is \$260.1 million in labor income.
- Business output for 2019 is estimated at \$893.6 million.

The Full Economic Reports for the Airport, Commercial Fishing and Recreational Boating, Marine Cargo and Cruise are available on the Port's website: <https://www.portseattle.org/page/economic-impact-and-tax-levy>.

3. Fast/Fun Facts about the Port

Five Fast/Fun Facts about Canine Police Officers

When you're traveling through Sea-Tac Airport, you may have noticed dogs patrolling the ticketing area or working in the terminal. These four-legged police officers are well-loved by travelers and airport employees alike, but did you ever wonder what they actually do all day?

These cute canines are working professionals and aren't here to play. They are on the hunt for explosives at the airport and seaport and play a key role in keeping facilities, employees, and travelers safe. Their speed and flexibility in uncovering explosives and their ability to follow suspicious odors often give them an edge over mechanical detection devices.

The Port of Seattle Police Department (POSPD) canine team is currently made up of 12 canines of a variety of breeds that specialize in detecting explosives and narcotics. Read on for five fast/fun facts about the Port of Seattle Police Department's canine program.

1. Canines and their handlers are like family

It takes anywhere from 18 months to two years for a handler and the dog to bond to the point where the handler can read the subtleties of their dog's behavior. When an officer is paired with a canine, they are taking on more than a new coworker or partner at work. They patrol together, take lunch breaks together, and at the end of the shift, they head home together. Canines spend time away from work living the life of a typical dog, napping, playing, chasing sticks, and relaxing with the family. The partnership doesn't end when a canine retires from life as a working dog. After retirement, the canine lives at home with the handler full time.

2. Canines train every day to keep their skills fresh

As with anything, practice makes perfect. Canines have a big job in keeping us safe and the Port of Seattle Police Department takes that very seriously. The current group of canines bring a wide range of experience to the Port, from just a few months to over seven years of experience. Regardless of experience level, all canines train to maintain and improve their skills.

What does canine training look like? Handlers and canines train throughout the airport and seaport to ensure that sniffing out a threat is second nature. They practice on and around aircraft, in warehouses, waterfront cargo, vehicles, and through open fields to keep them efficient and effective.

Eight of the Port's canine teams were trained at the Transportation Security Administration canine training center at Lackland Air Force Base. There, dogs are trained to sniff stationary objects for explosives. The Port's other three canine teams are Air-Scent-trained, which means they detect odors on a moving target, they search whatever moves. POSPD is the first law enforcement agency in the state to have certified working Air-scent teams. Three more Air-scent teams are slotted to join the force.

Also, just like many of us work for a paycheck, canines work for a reward. Canine handlers figure out what makes their pup happy, like playing with a toy or receiving attention, and every time the dog is successful in tracking a scent, they are rewarded.

The POSPD decoy program allows Air-scent-trained dogs to practice on volunteers who walk through the airport carrying luggage.

3. Dogs' sense of smell is so sensitive that handlers must design training activities that continue to challenge the canines

Dogs are smart enough to remember the unique scent of a volunteer long after their work as a decoy is over. To avoid this and to maintain the integrity of the training, volunteers must wait a month after volunteering before signing up again.

Once a bag or piece of luggage is used as part of a decoy training, POSPD must destroy the bag because the dog will always be able to track the scent of explosives long after it is used as a decoy.

Because a piece of luggage can only be used once in the training, the department goes through around 100 bags a year. Having a supply of bags to train with is important. A local luggage manufacturer in Kent donates luggage with minor defects to train the police dogs.

4. Despite being a relatively small police agency, Port of Seattle canines travel far and wide to ensure public safety

Canines work in and around the Port of Seattle facilities and assist both regional police agencies and federal partners. They have traveled to California and Georgia to assist with national football championships and have gone to Washington D.C. for the Presidential inauguration.

They also attend children's events such as Make-A-Wish®, the American Airlines Snowball Express, the Delta Airlines North Pole Fantasy Flight, and Chief for a Day. Like the other officers in the department, canines work hard to keep us safe and serve as community ambassadors.

5. Becoming a canine handler is a competitive process

POSPD officers interested in being a canine handler go through a competitive process to be paired with a canine. They are selected from a pool of many qualified applicants, but notable qualities include a love of dogs, being a team player, and accepting criticism well.

Because canines and handlers spend so much time together, handlers are matched with canines with similar personalities, and a compatible home life and energy level.

Five Fast/Fun Facts about Cruise Ships in Seattle

Every year like clockwork, the cruise ships entering Seattle waters herald the beginning of our less-rainy season (sometimes called summer). It also means lots of people from other parts come to marvel at our beautiful scenery, spend money in our local businesses, and remind us that our own vacation time (and hopefully the nice weather) is just around the corner.

Because cruise ships in Seattle boost the local economy, here are a few facts about cruising that are important to know:

1. This year celebrates 20 years of cruising in Seattle

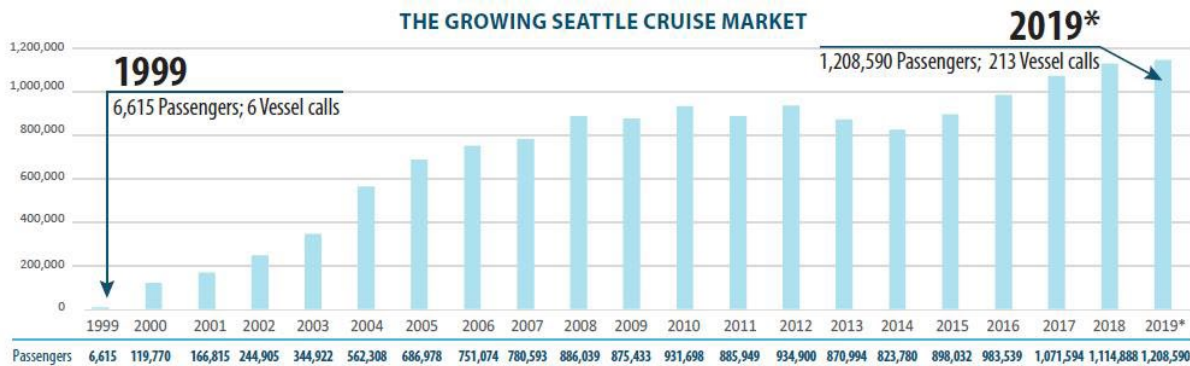
Time sure flies when Alaska cruisers are having fun! In 1999, cruise ships were a novelty in Seattle, with six vessels and a little more than 6,000 passengers. Since then, Seattle has emerged as the premier hub for Alaska and Pacific Northwest cruises, with more than 213 vessel calls projected between April and October 2019.

2. More than one million cruise passengers visit Seattle every summer

In 2017, Seattle celebrated the first milestone of welcoming one million cruise visitors to the region between April and October. Since 2017, cruise visitors continue to rise:

2018 1.114 million passengers

2019 1.208 million passengers forecast



These visitors have a positive economic impact on the region:

- An average cruise visitor spends \$1,547 in Seattle businesses on lodging, entertainment, food and beverage, transportation, and souvenirs during their visit
- Each vessel call supports an estimated \$4.2 million in economic activity for our region
- Suppliers from across the state, including seafood and produce companies, florists, farmers, vineyards, and maritime support industries have built strong businesses selling to cruise companies

3. Seattle was one of the first ports to plug in a cruise ship at the dock

The Port of Seattle’s goal is to be the most environmentally progressive port in North America. Working with Cochran Marine to develop the first technology, we were the first port in the U.S. in 2004 to install shore power capabilities at two cruise berths. Plugging in a large ship at the cruise terminal eliminates the need to run the ship’s engines for up to 10 hours in order to keep onboard systems running. This reduces emissions and helps keep our environment clean.

It’s such a good idea that the new cruise terminal will also have shore power.

The cruise industry and the Port have been working hard for decades to protect the environment by:

- Implementing a voluntary clean water agreement between the Port, the cruise lines, and regulators
- Managing wastewater discharge long before it was mandated by regulatory requirements

- Decreasing emissions from ocean going vessels, including cruise ships entering Puget Sound, by more than 67 percent over the last 10 years
- Executing rigorous solid waste handling and recycling programs that support our environmental values here in Washington
- Creating storm water best management practices for cruise vessel maintenance and operations while at-berth

4. The largest passenger ship to travel through the Panama Canal calls Seattle home

Just last May 14, 2018, the newly-commissioned Norwegian Bliss, (20 decks; 2,200 cabins; 4,000 passengers) made its maiden voyage from Germany to arrive in Seattle, its new home port. It's the ninth-largest cruise ship ever built and made the Panama Canal transit just two years after it was expanded to accommodate larger ships. Seattle's natural deep water harbor can accommodate these ships.

5. Provisioning a cruise ship is no small potatoes

In fact, it's a lot of potatoes (and many other fresh foods) that are purchased from local suppliers. For example, one ship carrying 3,080 passengers would need the following fresh provisions (and more) to feed passengers on a one week cruise:

- 11,460 pounds of seafood
- 91,000 pounds of fresh fruits and vegetables
- 69,000 local eggs

Local suppliers keep cruise ships provisioned when they are in Seattle and support other businesses that supply products to the cruise lines. In fact, one local bakery uses 40,000 pounds of butter every three weeks to make enough croissants to supply the cruise ships.

Five Fast/Fun Facts about Commercial Fishing

Every old-timer in Seattle probably has a fishing story to tell from the good old days. But the days of fishermen bringing their catch home and putting their money into the local economy aren't just a quaint tale from the past, they're a thriving part of our present and future. For more than 100 years commercial fishing has been a cornerstone of the regional economy and the Port of Seattle has played, and continues to play, a critical role in supporting the industry at facilities like Fishermen's Terminal, the Maritime Industrial Center, and Terminal 91.

Here are a few fast/fun facts about fishing that aren't just fish tales.

1. Seattle is sometimes called the "southern office" of Alaska

With the vitality of the North Pacific Fishing Fleet, the economies of Washington and Alaska are interdependent.

Of the 300 commercial fishing vessels that used Port of Seattle facilities in 2017, 226 of these vessels actively fished in Alaskan waters to catch Pollock, Alaskan king crab, groundfish, salmon, and other seafood. Port of Seattle moorage customers harvested 1.3 metric tons of seafood in the North Pacific Fisheries, with equivalent gross earnings of between \$259.1 million and \$455 million, adjusted for inflation.

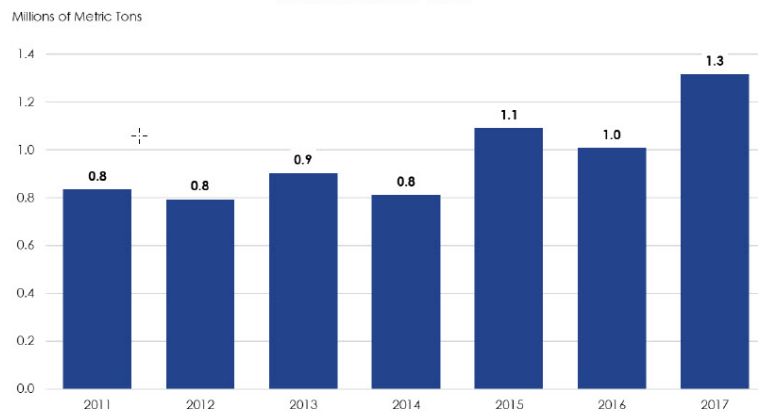
2. Fishing vessels based at Port of Seattle moorage facilities supply 13% of the total U.S. commercial fishing harvest by tonnage

Port tenants harvested 1.3 metric tons in North Pacific Fisheries in 2017

Gross earnings in Alaska's fisheries totaled \$1 billion in 2017. The 226 boats moored at Port facilities account for \$455 million, or 44% of that total

Seafood is one of the top export commodities shipped out of the ports of Seattle and Tacoma, with a total value in 2016 of \$637.9 million. The top 10 seafood exports that come out of Seattle and Tacoma Harbors include: sockeye, pink, king, silver and chum salmon; halibut; Pacific cod, lingcod; rockfish, Pollock, and sablefish (black cod); crab, shrimp, clams, oysters and mussels

Exhibit 32. Tonnage Harvested by Port of Seattle Customers in North Pacific Fisheries, 2011-2017



Sources: Alaska Commercial Fishing Entry Commission, 2018; Community Attributes Inc., 2019.

3. Historic Fishermen's Terminal also has a 100-year-old marine railway

Fishermen's Terminal became the first operational Port of Seattle property in 1914. The Port recognized the importance of building a facility that would provide a spot for commercial fishermen to moor, repair, and provision their boats in the off season. Until then, there had not been a home port for fishermen who were forced to search for moorage wherever they could find it.

In 1919, a marine way was installed at Fishermen’s Terminal. A marine way is like a train track that runs from below the waterline onto land. A boat can be floated into a cradle on the rail tracks and pulled onshore with a winch for hull repairs and maintenance.

Fast forward to 2019 and commercial fishing is a thriving, technology-driven, modern business that literally feeds the regional economy. And as a historic building and still the epicenter of the region’s fishing industry, it’s time for several facility updates that will improve long-term financial stability by developing new light industrial space and creating new jobs.

4. Commercial fishing is big business

Fishing vessels that moored at Port of Seattle facilities operating in the Alaskan fisheries generated gross earnings of more \$455 million in 2017. Maritime support services like vessel maintenance and repair, processing, and cold storage located on Port properties also generate additional revenues. Factoring in all segments of commercial fishing at the Port of Seattle, these activities generated more than \$671.2 million in business output in 2017.

5. The average age of a maritime worker in Washington State is 54 years old

That means that trained and skilled workforce in commercial fishing and related industries are needed now as the “silver tsunami” of workers begins to retire.

In 2017, commercial fishing activities on Port of Seattle properties generated 7,200 jobs with a payroll of \$313.4 million.

One of the Port of Seattle’s top priorities is training maritime workers of the future. In April 2019, the Port established the Workforce Development Special Committee, chaired by Commissioners Stephanie Bowman and Ryan Calkins. The committee will review the Port’s Century Agenda strategy around workforce development and update the Port’s workforce development policy and the five-year strategic plan. The committee will also provide recommendations for the development of a feasibility study around a maritime high school and related business plan.

Five Fast/Fun Facts about Wildlife at Sea-Tac Airport

Like most airports, Sea-Tac has large tracts of open, improved land that provide an added buffer for both safety and noise mitigation ... and an appealing home for animals. Wildlife and airplanes are a less than optimal combination, so Sea-Tac has a few strategies for keeping them separate and safe. A coyote deterrent fence around the perimeter of the airfield keeps most larger animals out, but birds are a bigger challenge as they can fly over the fence and get access to the airfield.

It may come as a surprise that the airport has a robust wildlife management program that plays a vital role in keeping passengers, facilities, employees, and wildlife safe.

Here are five things you may not have known about Sea-Tac's wildlife program.

1. Sea-Tac has a full-time wildlife biologist on staff

In 1976, Sea-Tac was the first U.S. airport to employ a full-time biologist and to develop an ecological approach to maintaining aviation safety and protecting wildlife. It's now become common for larger airports to have biologists on staff.

Sea-Tac has the oldest wildlife program in the country — celebrating our 40-year anniversary in 2016 — that keeps both animals and people safe by reducing the chance that the two never meet on the runway or in the air.

2. Sea-Tac is a world leader when it comes to using technology to avoid bird strikes

Another first for Sea-Tac Airport in August 2007, when we became the first airport in the world to use avian radar in a long-term monitoring effort to detect potentially hazardous bird activity on and near an airport. The radar acts like a powerful pair of eyes that see much farther and higher than human observers, who are limited to viewing only during daylight hours.

3. Sea-Tac Airport traps and relocates birds of prey to keep them off the airfield

Through the Raptor Strike Avoidance Program, biologists trap birds of prey on the Sea-Tac airfield and safely relocate them to Skagit County. The program moves 100 birds a year and helps avoid bird strikes, which can be dangerous for aircraft, passengers, and birds. Red-tailed hawks are one of the largest species near the airport and we spend more time monitoring their hunting and breeding behavior than any other species at Sea-Tac.

In addition to relocation, staff also use a variety of (sanctioned) methods to ensure that birds don't get too comfortable near the airfield: starter's pistols, shooting firecrackers, and sounding an air horn.

4. Sea-Tac's wildlife program also includes tracking down our furry friends

Occasionally, pets may wander onto airport property or become separated from owners in the terminal, and biologists work hard to return these pets to their worried owners. Dogs have escaped from faulty kennels on nearby Air Cargo Road and made their way through the coyote deterrent fence. Cats have slipped away from their owners and had to be retrieved from the terminal ceiling. A snare pole is an essential part of any airport wildlife biologist's toolkit to help reunite these animals safely with their families.

5. There are bee hives at Sea-Tac Airport

Airports are abuzz with airplane takeoffs and landings and people rushing to make their way to their destination. Amidst that activity, Sea-Tac Airport is also home to a large colony of honey bees, an efficient and sustainable ecosystem that benefits the environment. As many as 36 bee hives filled with thriving honeybees are located in three different apiaries around the airfield.

The hives have been in place at Sea-Tac since 2013, when the Port of Seattle joined forces with local nonprofit The Common Acre to establish Flight Path, a project that has turned the unused green spaces on the south end of Sea-Tac into a native pollinator habitat — and in the process, produced a breed of bees better suited for survival in the coming years.

APPENDIX D: BOND AMORTIZATION SCHEDULES

TABLE D-1: BOND AMORTIZATION SCHEDULE FOR 2019

Bond Type Series	Original Issue Amount	Issue Date	Outstanding Jan. 1, 2019	2019 Principal Payments		Outstanding Dec. 31, 2019	Interest Payments [1]	
				Due Date	Amount		Due Date	Amount
GENERAL OBLIGATION BONDS								
Limited Tax G.O., Series 2004C Ref.	\$131,330,000 [3]	01/27/04	3,405,000	11/01/19	3,405,000	-	05/01, 11/01	178,763
Limited Tax G.O., Series 2011 Ref	\$74,000,000 [3]	02/23/11	40,315,000	12/01/19	5,045,000	35,270,000	06/01, 12/01	2,208,188
Limited Tax G.O., Series 2013A ref	\$27,630,000 [3]	03/26/13	27,630,000		-	27,630,000	05/01, 11/01	1,272,350
Limited Tax G.O., Series 2013B Taxabl	\$75,165,000 [3]	03/26/13	24,445,000	11/01/19	10,150,000	14,295,000	05/01, 11/01	459,418
Limited Tax G.O., Series 2015	\$156,990,000 [4]	04/28/15	141,865,000	06/01/19	5,565,000	136,300,000	06/01, 12/01	6,240,775
Limited Tax G.O., Series 2017	\$127,345,000	03/07/17	124,730,000	01/01/19	2,755,000	121,975,000	01/01, 07/01	6,167,625
TOTAL GENERAL OBLIGATION BONDS			362,390,000		26,920,000	335,470,000		16,527,118
REVENUE BONDS								
<u>First Lien Bonds</u>								
Series 2003A	\$190,470,000 [5]	07/30/03	36,600,000	07/01/19	11,580,000	25,020,000	01/01, 07/01	1,921,500
Series 2009B-1	\$274,255,000 [18]	07/16/09	7,355,000	05/01/19	7,355,000	-	05/01, 11/01	211,089
Series 2009B-2	\$22,000,326 [7]	07/16/09	43,750,694		-	47,048,140 [7]		-
Series 2011B Refunding	\$97,190,000 [8]	11/30/11	71,800,000	09/01/19	6,835,000	64,965,000	03/01, 09/01	3,590,000
Series 2016A - Ref. 2007A	\$19,565,000 [9]	08/02/16	4,935,000	10/01/19	4,935,000	-	04/01, 10/01	242,750
Series 2016B - Ref. 2007B	\$124,380,000 [9]	08/02/16	124,380,000	10/01/19	1,560,000	122,820,000	04/01, 10/01	6,187,800
Series 2016C - Ref. Taxable	\$6,180,000 [9]	08/02/16	6,050,000	10/01/19	180,000	5,870,000	04/01, 10/01	154,251
Total First Lien Bonds			294,870,694		32,445,000	265,723,140		12,307,389
<u>Intermediate Lien Bonds</u>								
Series 2010B New Money	\$157,880,000	07/15/10	142,005,000	06/01/19	3,640,000	138,365,000	6/01,12/01	6,994,063
Series 2010B - Ref. 2005D	\$63,435,000 [11]	07/15/10	59,285,000	06/01/19	1,520,000	57,765,000	6/01,12/01	2,919,913
Series 2010C - Ref. 2000B	\$128,140,000 [12]	07/15/10	90,460,000	02/01/19	13,325,000	77,135,000	02/01,08/01	4,189,875
Series 2012A Refunding	\$342,555,000 [5]	03/14/12	302,555,000		-	302,555,000	02/01,08/01	14,993,200
Series 2012B - Ref. 2001B	\$189,315,000 [6]	03/14/12	97,810,000	08/01/19	14,505,000	83,305,000	02/01,08/01	4,745,450
Series 2013 Revenue Refunding	\$139,105,000 [13]	12/17/13	127,155,000		-	127,155,000	01/01, 07/01	6,332,750
Series 2015A New Money	\$72,010,000	08/06/15	70,230,000	04/01/19	1,860,000	68,370,000	04/01, 10/01	3,379,175
Series 2015B Refunding	\$284,440,000 [14]	08/06/15	234,110,000	03/01/19	22,165,000	211,945,000	03/01, 09/01	11,151,375
Series 2015C New Money	\$226,275,000	08/06/15	218,295,000	04/01/19	5,600,000	212,695,000	04/01, 10/01	10,774,750
Series 2016 Refunding	\$99,095,000 [10]	08/02/16	99,095,000		-	99,095,000	02/01,08/01	4,915,900
Series 2017A Revenue Refunding	\$16,705,000 [18]	08/22/17	16,705,000		-	16,705,000	05/01, 11/01	835,250
Series 2017B Revenue Refunding	\$264,925,000 [18]	08/22/17	255,835,000	05/01/19	7,270,000	248,565,000	05/01, 11/01	8,110,934
Series 2017C New Money	\$313,305,000	08/22/17	313,305,000	05/01/19	1,060,000	312,245,000	05/01, 11/01	15,763,750
Series 2017D New Money	\$93,230,000	08/22/17	90,740,000	05/01/19	8,190,000	82,550,000	05/01, 11/01	4,332,250
Series 2018A New Money	\$470,495,000	06/21/18	470,495,000	05/01/19	65,000	470,430,000	05/01, 11/01	23,035,625
Series 2018B New Money	\$85,145,000	06/21/18	85,145,000	05/01/19	1,290,000	83,855,000	05/01, 11/01	4,225,000
Series 2019 New Money	\$457,390,000	08/07/19	-		-	457,390,000	10/01	3,370,425
Total Intermediate Lien Bonds			2,673,225,000		80,490,000	3,050,125,000		130,069,684
<u>Subordinate Lien Bonds</u>								
Series 1997	\$108,830,000	03/26/97	37,360,000	2019	8,930,000 [2]	28,430,000	Various [2]	661,873 [2]
Series 1999A	\$127,140,000 [5]	11/14/02	28,010,000	09/01/19	13,630,000	14,380,000	03/01, 09/01	1,540,550
Series 2008	\$200,715,000 [15]	06/11/08	167,290,000	2019	8,990,000 [2]	158,300,000	Various [2]	2,605,684 [2]
Total Subordinate Lien Bonds			232,660,000		31,550,000	201,110,000		4,808,108
TOTAL REVENUE BONDS			3,200,755,694		144,485,000	3,516,958,140		147,185,180

SPECIAL REVENUE BONDS

PFC Rev. Bonds Series 1998A	\$118,490,000	[16]	07/16/98	15,925,000	12/01/19	15,925,000	-	06/01, 12/01	875,875
PFC Ref. Bonds Series 2010A	\$79,770,000	[16]	12/01/10	66,550,000	12/01/19	-	66,550,000	06/01, 12/01	3,327,500
TOTAL SPECIAL REVENUE BONDS				<u>82,475,000</u>		<u>15,925,000</u>	<u>66,550,000</u>		<u>4,203,375</u>

SPECIAL FACILITY REVENUE BONDS

Fuel Facilities Series 2013 ref	\$88,660,000	[17]	06/13/13	72,645,000	06/01/19	3,665,000	68,980,000	06/01, 12/01	3,267,008
TOTAL SPECIAL FACILITY REVENUE BONDS				<u>72,645,000</u>		<u>3,665,000</u>	<u>68,980,000</u>		<u>3,267,008</u>

Notes:

- [1] - Interest Payments shown in this schedule are gross amounts before use of any Capitalized Interest.
 - [2] - Estimated annual total. Interest paid monthly. Principal paid annually or at maturity.
 - [3] - Series 2013AB G.O. bonds fully refunded the Series 2004A G.O. bonds and partially refunded the Series 2004B G.O. bonds, the Series 2004C G.O. bonds and the Series 2011 G.O bonds on 3/26/2013. The Series 2004C G.O. Ref. bonds refunded a portion of the Port's 1994B Revenue bonds and a portion of the 1994 G.O. bonds. The Series 2011 G.O. bonds refunded the outstanding 2000B G.O. Bonds.
 - [4] - Series 2015 G.O. fully refunded the outstanding Series 2006 G.O. Ref. Bonds. The Series 2006 G.O bonds refunded a portion of the Port's 1999A Special Facility bonds and a portion of the 2000A G.O. bond
 - [5] - Series 2012A Intermediate lien bonds fully refunded the Series 2001A First Lien Revenue bonds and partially refunded the Series 1999A Sub Lien bonds and 2003A First Lien bonds.
 - [6] - Series 2012B Intermediate Lien bonds refunded a portion of the Series 2001B First Lien bonds and fully refunded the Series 2001C First Lien bonds.
 - [7] - Series 2009B-2 First Lien Capital Appreciation Bonds were issued at \$22,000,326 par. The outstanding principal balance at 12/31/2019 includes \$25,047,814 of accumulated accreted interest.
 - [8] - Series 2011AB First Lien bonds fully refunded the 1999B and 1999C Special Facility bonds and the 1998 Subordinate Lien series bonds.
 - [9] - Series 2016 ABC First Lien bonds refunded a portion of the outstanding Series 2007A First Lien bonds and all of the Series 2007B First Lien bonds.
 - [10] - Series 2016 Int Lien Refunding bonds refunded the outstanding Series 2006A bonds. The Series 2006A Intermediate Lien bonds refunded the outstanding 2000A First Lien series bonds.
 - [11] - Series 2010B-Ref. 2005D Intermediate Lien bonds fully refunded the 2005D Subordinate Lien series bonds.
 - [12] - Series 2010C Intermediate lien bonds refunded a portion of the Port's 2000B First Lien Bonds.
 - [13] - Series 2013 Revenue Refunding Intermediate Lien bonds refunded the outstanding 2003B First Lien series bonds.
 - [14] - Series 2015B Intermediate Lien bonds refunded the outstanding Series 2005A Intermediate Lien bonds. The Series 2005A Intermediate Lien bonds refunded a portion of the Port's 1996A First Lien bonds and a portion of the Port's 1997A First Lien bonds.
 - [15] - Series 2008 Subordinate Lien bonds refunded the 2003C Subordinate Lien bonds.
 - [16] - Series 2010A PFC Ref. bonds refunded a portion of the 1998A PFC series bonds. Debt service for PFC Ref. bonds will be paid directly out of receipts from PFCs, not out of operating cash flows.
 - [17] - Series 2013 Special Facility Fuel Hydrant bonds fully refunded the 2003 Special Facility Fuel Hydrant bonds. Debt service for Fuel Facilities is paid directly from Fuel Hydrant Facility income, not out of operating cash flows.
 - [18] - Series 2017A Int. Lien Revenue Refunding bonds fully refunded the Series 2009A First Lien Revenue Bonds. The 2017B bonds refunded a portion of the 2009B-1 First Lien Revenue bonds.
- The Port has authority to issue up to \$250 million in Commercial Paper, as of 10/31/2019 the Port had \$67.655 million outstanding.

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TABLE D-2: BOND AMORTIZATION SCHEDULE FOR 2020

Bond Type Series	Original Issue Amount	Issue Date	Outstanding Jan. 1, 2020	2020 Principal Payments		Outstanding Dec. 31, 2020	Interest Payments [1]	
				Due Date	Amount		Due Date	Amount
GENERAL OBLIGATION BONDS								
Limited Tax G.O., Series 2011 Ref	\$74,000,000 [3]	02/23/11	35,270,000	12/01/19	5,305,000	29,965,000	06/01, 12/01	1,943,325
Limited Tax G.O., Series 2013A ref	\$27,630,000 [3]	03/26/13	27,630,000		-	27,630,000	05/01, 11/01	1,272,350
Limited Tax G.O., Series 2013B Taxabl	\$75,165,000 [3]	03/26/13	14,295,000	11/01/19	10,240,000	4,055,000	05/01, 11/01	290,928
Limited Tax G.O., Series 2015	\$156,990,000 [4]	04/28/15	136,300,000	06/01/19	5,850,000	130,450,000	06/01, 12/01	5,955,400
Limited Tax G.O., Series 2017	\$127,345,000	03/07/17	121,975,000	01/01/19	2,900,000	119,075,000	01/01, 07/01	6,026,250
TOTAL GENERAL OBLIGATION BONDS			335,470,000		24,295,000	311,175,000		15,488,253
REVENUE BONDS								
First Lien Bonds								
Series 2003A	\$190,470,000 [5]	07/30/03	25,020,000	07/01/19	12,190,000	12,830,000	01/01, 07/01	1,313,550
Series 2009B-2	\$22,000,326 [6]	07/16/09	47,048,140		-	50,594,112 [6]		-
Series 2011B Refunding	\$97,190,000 [7]	11/30/11	64,965,000	09/01/19	7,175,000	57,790,000	03/01, 09/01	3,248,250
Series 2016B - Ref. 2007B	\$124,380,000 [8]	08/02/16	122,820,000	10/01/19	6,935,000	115,885,000	04/01, 10/01	6,141,000
Series 2016C - Ref. Taxable	\$6,180,000 [8]	08/02/16	5,870,000	10/01/19	395,000	5,475,000	04/01, 10/01	151,911
Total First Lien Bonds			265,723,140		26,695,000	242,574,112		10,854,711
Intermediate Lien Bonds								
Series 2010B New Money	\$157,880,000	07/15/10	138,365,000	06/01/19	3,830,000	134,535,000	6/01,12/01	6,807,313
Series 2010B - Ref. 2005D	\$63,435,000 [9]	07/15/10	57,765,000	06/01/19	1,600,000	56,165,000	6/01,12/01	2,841,913
Series 2010C - Ref. 2000B	\$128,140,000 [10]	07/15/10	77,135,000	02/01/19	14,010,000	63,125,000	02/01,08/01	3,506,500
Series 2012A Refunding	\$342,555,000 [5]	03/14/12	302,555,000		-	302,555,000	02/01,08/01	14,993,200
Series 2012B - Ref. 2001B	\$189,315,000 [11]	03/14/12	83,305,000	08/01/19	15,090,000	68,215,000	02/01,08/01	4,165,250
Series 2013 Revenue Refunding	\$139,105,000 [12]	12/17/13	127,155,000		-	127,155,000	01/01, 07/01	6,332,750
Series 2015A New Money	\$72,010,000	08/06/15	68,370,000	04/01/19	1,950,000	66,420,000	04/01, 10/01	3,292,700
Series 2015B Refunding	\$284,440,000 [13]	08/06/15	211,945,000	03/01/19	23,295,000	188,650,000	03/01, 09/01	10,014,875
Series 2015C New Money	\$226,275,000	08/06/15	212,695,000	04/01/19	6,885,000	205,810,000	04/01, 10/01	10,462,625
Series 2016 Refunding	\$99,095,000 [14]	08/02/16	99,095,000		-	99,095,000	02/01,08/01	4,915,900
Series 2017A Revenue Refunding	\$16,705,000 [15]	08/22/17	16,705,000		-	16,705,000	05/01, 11/01	835,250
Series 2017B Revenue Refunding	\$264,925,000 [15]	08/22/17	248,565,000	05/01/19	15,295,000	233,270,000	05/01, 11/01	7,888,601
Series 2017C New Money	\$313,305,000	08/22/17	312,245,000	05/01/19	7,410,000	304,835,000	05/01, 11/01	15,552,000
Series 2017D New Money	\$93,230,000	08/22/17	82,550,000	05/01/19	8,615,000	73,935,000	05/01, 11/01	3,912,125
Series 2018A New Money	\$470,495,000	06/21/18	470,430,000	05/01/19	3,910,000	466,520,000	05/01, 11/01	22,936,250
Series 2018B New Money	\$85,145,000	06/21/18	83,855,000	05/01/19	7,560,000	76,295,000	05/01, 11/01	4,003,750
Series 2019 New Money	\$457,390,000	08/07/19	457,390,000	04/01/19	-	457,390,000	04/01, 10/01	22,469,500
Total Intermediate Lien Bonds			3,050,125,000		109,450,000	2,940,675,000		144,930,501
Subordinate Lien Bonds								
Series 1997	\$108,830,000	03/26/97	28,430,000	2019	9,195,000 [2]	19,235,000	Various [2]	454,880 [2]
Series 1999A	\$127,140,000 [5]	11/14/02	14,380,000	09/01/19	14,380,000	-	03/01, 09/01	790,900
Series 2008	\$200,715,000 [16]	06/11/08	158,300,000	2019	9,265,000 [2]	149,035,000	Various [2]	2,532,800 [2]
Total Subordinate Lien Bonds			201,110,000		32,840,000	168,270,000		3,778,580
TOTAL REVENUE BONDS			3,516,958,140		168,985,000	3,351,519,112		159,563,792

SPECIAL REVENUE BONDS

PFC Ref. Bonds Series 2010A	\$79,770,000	[17]	12/01/10	<u>66,550,000</u>	12/01/19	<u>15,440,000</u>	<u>51,110,000</u>	06/01, 12/01	<u>3,327,500</u>
TOTAL SPECIAL REVENUE BONDS				<u>66,550,000</u>		<u>15,440,000</u>	<u>51,110,000</u>		<u>3,327,500</u>

SPECIAL FACILITY REVENUE BONDS

Fuel Facilities Series 2013 ref	\$88,660,000	[18]	06/13/13	<u>68,980,000</u>	06/01/19	<u>3,845,000</u>	<u>65,135,000</u>	06/01, 12/01	<u>3,079,258</u>
TOTAL SPECIAL FACILITY REVENUE BONDS				<u>68,980,000</u>		<u>3,845,000</u>	<u>65,135,000</u>		<u>3,079,258</u>

Notes:

- [1] - Interest Payments shown in this schedule are gross amounts before use of any Capitalized Interest.
- [2] - Estimated annual total. Interest paid monthly. Principal paid annually or at maturity.
- [3] - Series 2013AB G.O. bonds fully refunded the Series 2004A G.O. bonds and partially refunded the Series 2004B G.O. bonds, the Series 2004C G.O. bonds and the Series 2011 G.O bonds on 3/26/2013. The Series 2004C G.O. Ref. bonds refunded a portion of the Port's 1994B Revenue bonds and a portion of the 1994 G.O. bonds. The Series 2011 G.O. bonds refunded the outstanding 2000B G.O. Bonds.
- [4] - Series 2015 G.O. fully refunded the outstanding Series 2006 G.O. Ref. Bonds. The Series 2006 G.O bonds refunded a portion of the Port's 1999A Special Facility bonds and a portion of the 2000A G.O. bonds.
- [5] - Series 2012A Intermediate lien bonds fully refunded the Series 2001A First Lien Revenue bonds and partially refunded the Series 1999A Sub Lien bonds and 2003A First Lien bonds.
- [6] - Series 2009B-2 First Lien Capital Appreciation Bonds were issued at \$22,000,326 par. The outstanding principal balance at 12/31/2020 includes \$28,593,785.77 of accumulated accreted interest.
- [7] - Series 2011AB First Lien bonds fully refunded the 1999B and 1999C Special Facility bonds and the 1998 Subordinate Lien series bonds.
- [8] - Series 2016 ABC First Lien bonds refunded a portion of the outstanding Series 2007A First Lien bonds and all of the Series 2007B First Lien bonds.
- [9] - Series 2010B-Ref. 2005D Intermediate Lien bonds fully refunded the 2005D Subordinate Lien series bonds.
- [10] - Series 2010C Intermediate lien bonds refunded a portion of the Port's 2000B First Lien Bonds.
- [11] - Series 2012B Intermediate Lien bonds refunded a portion of the Series 2001B First Lien bonds and fully refunded the Series 2001C First Lien bonds.
- [12] - Series 2013 Revenue Refunding Intermediate Lien bonds refunded the outstanding 2003B First Lien series bonds.
- [13] - Series 2015B Intermediate Lien bonds refunded the outstanding Series 2005A Intermediate Lien bonds. The Series 2005A Intermediate Lien bonds refunded a portion of the Port's 1996A First Lien bonds and a portion of the Port's 1997A First Lien bonds.
- [14] - Series 2016 Int Lien Refunding bonds refunded the outstanding Series 2006A bonds. The Series 2006A Intermediate Lien bonds refunded the outstanding 2000A First Lien series bonds.
- [15] - Series 2017A Int. Lien Revenue Refunding bonds fully refunded the Series 2009A First Lien Revenue Bonds. The 2017B bonds refunded a portion of the 2009B-1 First Lien Revenue bonds.
- [16] - Series 2008 Subordinate Lien bonds refunded the 2003C Subordinate Lien bonds.
- [17] - Series 2010A PFC Ref. bonds refunded a portion of the 1998A PFC series bonds. Debt service for PFC Ref. bonds will be paid directly out of receipts from PFCs, not out of operating cash flows.
- [18] - Series 2013 Special Facility Fuel Hydrant bonds fully refunded the 2003 Special Facility Fuel Hydrant bonds. Debt service for Fuel Facilities is paid directly from Fuel Hydrant Facility income, not out of operating cash flows.

The Port has authority to issue up to \$250 million in Commercial Paper, as of 10/31/2019 the Port had \$67.655 million outstanding.

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APPENDIX E: OTHER DETAILED EXPENDITURES

a. Promotional Hosting

Promotional hosting consists of expenses incurred by officials and employees of the Port in connection with hosting others for the purpose of promoting the increased use of Port facilities and services.

TABLE E-1: PROMOTIONAL HOSTING BY DIVISION

DIVISION	2018 Actual	2019 Budget	2020 Budget
Aviation	\$ 161,111	\$ 209,235	\$ 296,525
Maritime	84,234	75,270	94,020
Economic Development	128,448	173,260	158,590
Central Services	88,287	146,435	238,335
Total	\$462,080	\$604,200	\$787,470

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b. Memberships

The 2020 Budget for the Port of Seattle is \$ 1,285,987. The Executive Director may approve additional memberships and increases in dues which could not be foreseen during 2020 budget preparation, provided that the increases do not exceed 10% of the total membership budget.

Memberships are for: (1) associations for the purpose of participating on a cooperative basis with other port districts, airports and with operators of terminal and transportation facilities; (2) associations providing specialized information and services; (3) associations to better qualify certain employees in the performance of specified duties which are assigned to such employees; (4) associations which are considered to be of particular and special value in connection with the carrying out of the Port's promotion and advertising activities. Membership is an effective way to leverage scarce resources to accomplish objectives that might otherwise be omitted.

APPENDIX F: GLOSSARY OF TERMS USED

Account: A record of an activity as revenue or expense, such as fees for services, rents, or as salaries, equipment, supplies, travel, etc.

Accrual: Represents an outstanding obligation for goods and services received or performed but for which payment has not been made.

Accrual Basis of Accounting: It is the basis of accounting under which revenue transactions are recognized when earned and expenses are recognized when incurred, regardless of the time the cash is received or disbursed, or the recording of revenue or expense in the absence of a cash transaction.

Actual: Earned revenue or incurred expense during the stated fiscal year.

Actions: The specific tactics, actions and projects an organization will undertake in an effort to meet the objectives. These statements should reflect how objectives will be achieved.

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

Allocated Expense: These are costs allocated to business groups from service providers. Allocated costs are general support costs that cannot be directly attributed to a business unit, but instead support the entire Port and all its Business Groups. Costs can come from within the division (intra-division) or from outside the division (inter-division.)

Amortization: The gradual reduction in the book value of Fixed or Intangible Assets having a limited life by allocating the original cost over the life of the asset. (See Depreciation)

Appropriation: Authorization granted by a legislative body to make expenditures and to incur obligations for a specific use and contains specific limitations as to the amount, purpose, and time when it may be expended.

Assessed Valuation: Is an official government valuation set upon real estate and personal property by the King County Assessor, as a basis for levying property taxes.

Audit: A formal examination of an organization accounts or financial situation.

Balanced Budget: The Port prepares an annual budget and supports, encourages and commits to a balanced budget in which revenues exceed expenses. In so doing, the practice is to pay for all current operating expenses with current revenues and not postpone current year operating expenses to future years or accrue future year's revenues to the current year. The Port policy further requires that budgeted operating expenses do not exceed budgeted revenues, and on-going expenses do not exceed on-going revenues.

Bonds: Is an interest bearing written instrument promising to pay a specified sum of money (the face value or principal amount) on a specified date (the maturity date) at a specified interest rate.

The interest payments and the repayment of the principal are detailed in a bond resolution or ordinance.

Budget: A financial plan, forecast or projection of the Port's revenues and expenses expected during the stated budget year.

Budget Calendar: A schedule of key dates that the Port follows in the preparation, review and adoption of its annual budget.

Budget Document: The Port's official written approved budget in document format, prepared by the Port's Finance and Budget teams.

Budget Message: A general discussion of the proposed budget presented in written format by the Executive Director of the Port to the Port Commission and Public.

Business & Occupation (B&O) Tax: It is a gross receipt tax levied on businesses. Washington State does not have a corporate or personal income tax. Washington's B&O Tax is calculated on the gross income from activities.

Capital Improvement Plan and Draft Plan of Finance: A detailed five-year plan of proposed capital expenditures arising from the acquisition or improvement of the Port's fixed assets and the means of financing them through bond proceeds, grants and operating revenues. This document serves as an operational and planning tool. The document identifies proposed capital projects at the airport and on the waterfront and prioritizes those projects.

Capital Capacity: An estimated calculation of the maximum amount available to spend on capital projects, given assumptions about future revenues and expenses and the ability to cover future interest payments per bond covenants and Port policies. See further discussion in the Draft Plan of Finance, section X.

Capital Expenditures: Expenditures that arise from the acquisition or improvement of the Port's fixed assets such as construction of new facility or renovation of existing facility; renewal, replacement or upgrading of mechanical, electrical, communications, HVAC and plumbing systems; computer and office equipment; furniture and fixtures; vehicles, etc.

Capitalized Labor or Charges to Capital Projects: Includes the salaries and benefits costs associated with capital projects. These costs are subtracted out of the operating expense and then input into the capital budget as part of the cost of the project(s).

Cash Disbursements: Is the disbursement or payment of cash for cost incurred in the operation of the Port's business.

Cash Flow: Illustrates the flow of funds over a period of time incorporating both the operating budget and the capital budget and determines the financial needs.

Cash Receipts: The collection of cash from services and from Port facilities and equipment leased or operated.

Chartfield: A field that contains information that defines a transaction in terms of account number, department code, subclass, fund or program.

Chart of Accounts: It is a long list ("index") of account numbers and their descriptions.

Comprehensive Annual Financial Report (CAFR): This document, known as the CAFR, is produced by the Port of Seattle annually detailing financial, statistical, budgetary and demographic data and it is distributed to the public.

Contingency: A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

Continuous Process Improvement Program (CPI): CPI is the port's official program to establish a continuous and enduring culture of improvement by utilizing a disciplined and time-tested improvement methodology called "LEAN." A culture of CPI will expand and improve the Port's capabilities, making the Port a stronger, more competitive organization. The CPI program focuses on four key elements:

- Organizational strategies, objectives, and metrics
- Employee empowerment and engagement
- Efficiency
- Innovation

Cost Per Enplanement (CPE): Airline cost per enplanement reflects the overall cost to the airlines for each passenger enplaned. The CPE measures the total costs borne by the passenger airlines operating at the airport divided by the number of enplaned passengers (roughly half of the total passengers). CPE is a key indicator used by the airlines to measure the relative costs of airports.

Customer Facility Charges (CFC): As determined by applicable State legislation, customer facility charges generate revenue to be expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds.

Department/Org: An organizational unit within the Port which is part of a division.

Depreciation: This is a non-cash item that represents the use of long-term assets. Port assets are given a useful life of more than three years when they become active and each year some of that useful life is used up, worn or depreciated (See Amortization.)

Direct Charge: The ability to direct charged for services instead of allocating them, which is charging against another division's/department's subclass to represent where resources were used and dollars spent for the work that was actually done.

Draft Plan of Finance: The Five-year Capital Budget is the basis of the Plan of Finance. A funding plan for the Capital Budget that identifies the types and amounts of funding sources that are expected to be available in the five-year planning period, developed within the financial targets and forecasts described within the Draft Plan of Finance section. The Draft Plan of Finance is prepared and presented to the Port Commission concurrently with the Operating Budget. See further discussion in the Draft Plan of Finance section.

Enterprise Fund: There are dozens of funds that are summarized into the Enterprise Fund. The Enterprise Fund accounts for all activities and operations of the Port. The Enterprise fund is connected to the functional units in that it is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties. Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions (Aviation, Maritime, Economic Development), and Central Services.

Environmental Remediation Liability: The Port’s policy requires accrual of pollution remediation obligation amounts when (a) one of the following specific obligating events is met and (b) the amount can be reasonably estimated. Obligating events include: imminent endangerment to the public; permit violation; named as party responsible for sharing costs; named in a lawsuit to compel participation in pollution remediation; or commenced or legally obligated to commence pollution remediation. Potential cost recoveries such as insurance proceeds, if any, are evaluated separately from the Port’s pollution remediation obligation. Costs incurred for pollution remediation obligation are recorded as environmental expenses unless the expenditures meet specific criteria that allow them to be capitalized. 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.

Equity: The excess of assets over liabilities.

Estimates: Prediction of revenues and expenditures.

Fiscal Year: The Port’s annual accounting period for recording financial transactions begins January 1 and ends December 31, which is the same as the calendar year. It is also called the budget year.

Forecast: An estimate, projection or prediction of revenues and expenses.

Full Time Equivalent: Full Time Equivalent (FTE) employee, where “full-time” equals 100% of a full-time schedule. A full-time employee is represented as a “1.0 FTE” where 1.0 = 100% of a full-time schedule. FTEs represented by less than 1.0, such as 0.8, represent less than a full-time schedule. For example, “0.8 FTE” represents 80% of a full-time schedule.

Fund: The establishment of a fund is to account for money set aside for some specific purpose.

Generally Accepted Accounting Principles (GAAP): Standards and guidelines by which Accounting and Financial Reporting are governed.

General Obligation (G.O.) Bonds and Interest: The Port can borrow money which is intended to be paid back through its taxing authority. The tax levy (See Section VIII) funds the repayment of the principal and interest of these bonds. Port financial policies dictate that G.O. bonds be used for projects that have a long lag between project costs and revenues or are insufficient to support revenue bond financing, the project generates significant economic benefits for taxpayers, and the project is critical to the Port’s core business.

Goals: Written statements that declare what the port/division/department plan to achieve to fulfill its mission.

Governmental Accounting Standards Board (GASB): It is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government Finance Officers Association (of USA and Canada) (GFOA): The purpose of the Government Finance Officers Association is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and practices and promoting them through education, training and leadership.

Investment in Joint Venture: The Port adopted Joint Venture Accounting beginning January 1, 2016 to account for its 50% share in the Northwest Seaport Alliance (NWSA).

Inter-Division Allocation (Charges): Allocation or Charges from one division to another.

Intra-Division Allocation (Charges): Allocation or Charges from within the division.

Landing Fee: The landing fee rate and resulting landing fee revenues are based on the contractual agreement between the Port's Aviation Division and the airlines. This contractual agreement permits the airlines to land and operate at Sea-Tac Airport. See the discussion of landing fees in Appendix E.

LEAN: Is a management philosophy, a process improvement approach, and a set of methods that seek to identify, eliminate, and reduce non-value added activities or waste within a process. Lean is time tested and is used by several companies, industries, and agencies around the world. Key principles of LEAN are:

- Guiding team members through the steps in process improvement with a trained facilitator
- Measuring the current state of a process
- Analyzing problem areas within a process
- Brainstorming improvement ideas, implementing improvements, and putting in place controls to sustain improvements

Major Funds: There are dozens of funds that are summarized into the Enterprise Fund, which is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties. Therefore, the Port of Seattle summarizes all of its activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions – Aviation, Maritime and Economic Development, and Central Services.

Majority in Interest (MI): Under the terms of the current agreement between the airlines and the airport, the airlines are entitled to vote their approval for particular capital projects that affect the airline rate base.

Millage: A tax rate on property, expressed in mills per dollar of value of the property.

Mission: A brief statement that describes the purpose of an organization's existence. It defines the core purpose of the organization: What your organization does and for whom.

Net Assets: As required by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments, net assets (equity) have been classified on the statement of net assets into the following categories:

- Invested in capital assets – net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted: Net Assets subject to externally imposed stipulations on their use.
- Unrestricted: All remaining net assets that do not meet the definition of "invested in capital assets – net of related debt" or "restricted."

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

Net Operating Income before Depreciation (NOI): Income from operations after all direct and allocated expenses, but before depreciation, non-operating revenues and expenses has been included.

Non-Airline Revenues: Include concession, parking and other fees not charged directly to the airlines. These revenues help offset the residual landing fee requirement.

Non-Operating Expenses: Cost or charges that do not arise from the normal operation of the Port's business. An example is interest expense.

Non-Operating Revenues: Revenues that do not result from the normal operation of the Port's business such as: Ad Valorem Tax Levy, Interest Income, Non-operating Grants, Passenger Facilities Charges, Customer Facilities Charges and other revenues generated from non-operating sources.

Northwest Seaport Alliance (NWSA): A Joint Venture between the Port of Seattle and the Port of Tacoma formed the Northwest Seaport Alliance, which unifies the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the Puget Sound gateway and attract more marine cargo to the region. It 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 Port of Savannah. It is a separate governmental entity established as a Port Development Authority, similar to Public Development Authorities formed by cities and counties. It is governed equally by the Managing Members who are acting through its home port's elected commissioners. The citizens of Pierce and King Counties each elect a five-member Port Commission to govern the ports of Tacoma and Seattle every four years, on a staggered basis. Each home port will remain a separate legal entity, independently governed by its own elected commissioners.

Objectives: Are statements of specific outcomes that are related to achieving the desired goals/strategies.

Operating Income before Allocations & Depreciation: Direct operating revenues minus direct operating expenses. This does not include any allocated expenses.

Operating & Maintenance Expenses: Cost or charges that arise from the normal operation of Port's business. These are cost or services required for a department/division to function. These include Salaries and Benefits, Equipment expense, Supplies and Stock, Travel and Other Employee expenses and all Direct and allocated charges, from Central Services and from other Divisions.

Operating Revenues: Fees for services, rents, and charges for the use of Port facilities such as: Dockage, Wharfage, Berthage and Moorage, Airport Transportation Fees, Airport Landing Fees, Equipment Rentals, Property Rentals and other revenues generated from port's operations are reported as operating revenue.

ORG: Is an abbreviated term for "Organization" and is the number that identifies departments. It shows where cost originates.

Other Post-Employment Benefits (OPEB): According to the Governmental Accounting Standard Board (GASB) statement 45, government agencies are required to record post-employment benefit costs other than pensions as a liability based on actuarial costs.

Passenger Facilities Charges (PFCs): As determined by applicable federal legislation, passenger facility charges generate revenue to be 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 are recorded as non-operating income in the statements of revenues, expenses, and changes in net assets upon passenger enplanement.

Passenger Facilities Charges (PFCs) Bonds: Bonds backed by Passenger Facility Charges.

Passenger Traffic: Enplanements, deplanements and connecting passenger activity.

Performance Indicators or Measures: Metrics used by Port management to determine whether a program is achieving or accomplishing its mission efficiently and effectively.

Performance or Operating Budget: A financial plan that incorporates an estimate of proposed revenues and expenses for a given period. A department's budget includes only those revenues and expenditures for which it has control.

Performance or Variance Report: A report in narrative format explaining the reason or causes of variances between actual revenues and expenses versus budgeted amounts for a given period. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into this report and it is presented quarterly to Executive Management and the Commission in public meetings.

Port Commission: It is the governing body of the Port of Seattle, which is comprised of five commissioners elected by the voters of King County to serve four-year term and to establish Port policy.

Program: Represents costs that are tracked and tend to enhance account information.

Repairs and Maintenance: Expenditures for routine maintenance and repairs to structure and minor improvements to property, which do not increase the value of the capital assets.

Resolution: A formal expression of opinion or determination adopted by the Port Commission.

Revenue Bonds: A type of borrowing that is repaid through the dedication of revenues intended to be generated by the investment being funded by the bonds.

Revenue over Expense: The excess or deficit of revenues (operating and non-operating) over expenses (operating and non-operating). The excess of revenues over expenses increases equity, whereas the deficit, expenses over revenues, decrease equity.

Seasonally Adjusted: Monthly figures are seasonally adjusted to account for typical seasonal variations which allows for month-to-month comparison.

Seasonally Adjusted Annual Rate: An calculated rate to reflect the full year, and adjusted to account for the seasonal variations.

Strategies: The broad, overall priorities adopted by the organization in recognition of its operating environment and in pursuit of its mission and vision. Strategies set the stage for decisions on budget, resources, and timeframes.

Statutory Budget: A plan that depicts the cash flows of the Port. It shows the beginning balance, cash receipts and cash disbursements and the balance at the end of the year. This budget must be filed with the King County Council and the King County Assessor as required by law by a specific date. See Section XI.

Subclass: Shows where resources were used and spending occurred. It shows who benefited from the work.

Tax Levy: The amount of money to be raised by the imposition of property taxes. See Section VIII.

Transfers: The movement of money from one fund to another.

Transportation Worker Identification Credential (TWIC): The Transportation Worker Identification Credential, also known as TWIC®, is required by the Maritime Transportation Security Act for workers who need access to secure areas of the nation’s maritime facilities and vessels. It is a tamper-resistant biometric identification card system established through the U.S. Congress Maritime Transportation Security Act (MTSA) and administered by the Transportation Security Administration (TSA) and U.S. Coast Guard. TSA conducts a security threat assessment (background check) to determine a person’s eligibility and issues the credential. U.S. citizens and immigrants in certain immigration categories may apply for the credential. Most mariners licensed by the U.S. Coast Guard also require a credential.

Twenty-foot Equivalent Unit (TEU): The international standard of measurement for the container volume that moves through the Port. One forty-foot container is equivalent to two TEUs.

Values: Principles, standards, characteristics or qualities held in high positive regard by an individual or group. They are often used to guide day-to-day actions.

Variiances: The difference between “actual” and “budget” amounts for revenues and for expenses, which could be either favorable or unfavorable.

Favorable Variance: This is a positive variance and it exists when, in a given period:

- Revenues: Actual revenues are higher than budgeted revenues
- Expenses: Actual expenses are lower than budgeted expenses

Unfavorable Variance: This is a negative variance and it exists when, in a given period:

- Revenues: Actual revenues are lower than budgeted revenues
- Expenses: Actual expenses are higher than budgeted expenses

Vision: A word picture or brief statement of what the organization intends to become or how it sees itself at some point in the future.

APPENDIX G: ACRONYMS AND ABBREVIATIONS

AAPA	American Association of Port Authorities
AAAE	American Association of Airport Executives
ACI	Airports Council International
AEC	Airport Employment Center
AIR 21	Aviation Investment & Reform Act for the 21st Century
APM	Automated People Mover
ARFF	Aviation Regional Fire Fighting
ATC	Air Traffic Control
B&OT	Business and Occupation Tax
BHICC	Bell Harbor International Conference Center
BHM	Bell Harbor Marina
BHS	Baggage Handling System
BLS	Bureau of Labor Statistics
BMP	Best Management Practices
CAFR	Comprehensive Annual Financial Report
CDD	Capital Development Division
CERT	Community Emergency Response Team
CFC	Customer Facility Charges
CFO	Chief Financial Officer
CIP	Capital Improvement Plan
CMMS	Computerized Maintenance Management System
COO	Chief Operating Officer
CPE	Cost Per Enplanement
CPI	Consumer Price Index/ Continuous Process Improvement
CPO	Central Procurement Office, a Port department
CTE	Central Terminal Expansion
CY	Calendar Year / Container Yard
DHS	Department of Homeland Security
DNR	Department of Natural Resources
DOT	Department of Transportation
ED	Executive Director
EDD	Economic Development Division
EDI	Equity, Diversity, and Inclusion, a Port Department
EIS	Environmental Impact Statement
EPA	Environmental Protection Agency
ESGR	Employer Support of the Guard Reserve
FAA	Federal Aviation Administration
FAR	Federal Aviation Regulations
FASB	Financial Accounting Standard Board
FAST	Freight Action Strategy Corridor
F&B	Finance and Budget, a Port Department
FEMA	Federal Emergency Management Agency
FIMS	Flight Information Management System
FIS	Federal Inspection Area
FMC	Federal Maritime Commission
FOD	Foreign Object Debris
FTE	Full-time Equivalent Employee
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles

GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association (of USA and Canada)
GIS	Geographical Information System
G.O.	General Obligation (Bond)
GT	Ground Transportation
HCM	Human Capital Management
HDS	Harbor Development Strategy
HR	Human Resources, a Port department
HVAC	Heating, Ventilation and Air Conditioning
IAF	International Arrivals Facility
IDC	Industrial Development Corporation
ILA	Interlocal Agreement
IMC	Intermodal Center
ICT	Information and Communications Technology, a Port Department
KPI	Key Performance Indicators
LEOFF	Law Enforcement Officers' and Fire Fighters' Retirement System
LOI	Letter of Intent
LOC	Letter of Credit
LR	Labor Relations, a Port Department
LRP	Long Range Plan
MAP	Million Annual Passengers
WMBE	Women & Minority Owned Business Enterprise
MD	Managing Director
MIC	Marine Industrial Center
MIS	Management Information System
MOBI	Marina Operation Boating Inventory System
MOU	Memorandum of Understanding
NAMF	North Area Maintenance Facility
NAC	Neighborhood Advisory Committee
NEPA	National Environmental Policy Act
NMA	National Management Association
NOI	Net Operating Income
NSAT	North Satellite
NTSB	National Transportation Safety Board
NWMTA	Northwest Marine Terminal Association
NWSA	Northwest Seaport Alliance
O&D	Origin and Destination
O&M	Operating and Maintenance Expense
OPEB	Other Post-Employment Benefits
ORG	Organization
PCS	Port Construction Services, a Port department
PDA	Port Development Authority
PERS	Public Employees' Retirement System
PFC	Passenger Facility Charges
PLA	Project Labor Agreement
PM	Project Manager
PMA	Pacific Maritime Association
PMG	Project Management Group, a Port department
PNWA	Pacific North West Waterways Association
POS	Port of Seattle
PPE	Personal Protective Equipment
PPM	Post Panamax

PREP	Performance Review, Evaluation & Planning
PSA	Professional Service Agreement
PSCAA	Puget Sound Clean Air Agency
PSRC	Puget Sound Regional Council
RCF	Rental Car Facility
RCW	Revised Code of Washington
RFP	Request For Proposal
RMM	Regulated Materials Management
SBM	Shilshole Bay Marina
SDS	Storm water Drainage System
SEPA	State Environmental Policy Act
SLOA	Signatory Airline Lease and Operating Agreements
SSA	Stevedoring Services of America
STEP	South Terminal Expansion Project
STIA	Seattle-Tacoma International Airport
STS	Satellite Transit System
SWU	Storm Water Utility
USCG	United States Coast Guard
USDA	United States Department of Agriculture
TEU	Twenty-foot Equivalent Unit
TSA	Transportation Security Administration
TWIC	Transportation Worker Identification Credential
UBC	Uniform Building Code
WASPC	Washington Association of Sheriffs and Police Chiefs
WSDOE	Washington State Department of Ecology
WSDOT	Washington State Department of Transportation
WTC	World Trade Center
WPPA	Washington Public Ports Association

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