



# ANNUAL FINANCIAL REPORT

As of December 31, 2020 and 2019, and for the years  
ended December 31, 2020, 2019, and 2018

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# Annual Financial Report

As of December 31, 2020 and 2019, and for the years  
ended December 31, 2020, 2019, and 2018

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This report was prepared by  
the Accounting and Financial Reporting Department



Washington State

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# Introductory Section

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## Letter from the Leadership

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

The novel coronavirus (COVID-19) economic downturn caused particularly severe declines in travel, trade, and tourism—the lifeblood of the Port. COVID-19 impacted every line of the Port's business. Losing the entire 2020 cruise season and steep declines in air travel sliced away business activity and connections that took decades to develop.

The economic situation forced the Port to make hard choices in 2020. We worked diligently to continue to be responsible stewards of the Port's assets and taxpayers' money while also trying to help drive local, regional, and state recovery efforts. Though there is great uncertainty about the pace of regional economic recovery and for our key businesses, we respond with optimistic fiscal conservatism and prepare to adjust our plan based on the performance of the economy.

Early on in the pandemic, we recognized that protecting the health and safety of Port workers, employees of our business partners, and the public was our top priority. We focused on safely operating our gateways and maintaining essential services. We reduced non-essential expenditures to create financial flexibility. We reprioritized capital investments and postponed work on a proposed new cruise terminal until we have better clarity on the return of the global cruise market.

The Port's longstanding traditions of fiscal stewardship and our planning for large capital projects in the future positioned us to help lead the recovery. We continue to follow that philosophy in 2021, which will be a major year for achievements at the Port.

While the short-term business outlook might be uncertain, our vision for the future in the longer term remains bright. Our Century Agenda vision calls on us to develop this region as a global logistics hub, tourism destination, and business gateway. We are expanding economic growth in all our communities through

innovation and sustainability with a focus on equity. 2020 was a challenging year for everyone. We rely on our collaborators, values, and resilience as we work to help our regional economy rebound and recover. Thank you for your continued support for the Port!

### Our Businesses

- Experienced a 61.3% drop of airport passenger traffic at SEA in 2020 due to the COVID-19 pandemic
- Adjusted to the cancelled Alaska 2020 cruise season, which resulted in significant drop in Non-Airport revenue
- Made significant progress on SEA's International Arrivals Facility and Phase II of North Satellite Renovation
- Introduced the Port-wide Equity, Diversity, and Inclusion program
- Established a new Task Force to conduct a comprehensive assessment of the Port of Seattle Police Department to ensure alignment with the highest national standards and best practices related to policing and civil rights
- Authorized another two years of funding for Washington Maritime Blue Initiative which will help advance innovation in the maritime industries

### Our Community

- Launched the first grant cycle of the South King County Fund to mitigate the impacts of the pandemic on the community and support regional recovery
- Added resources for Duwamish Valley Community Equity Program
- Added \$1.5 million for a Youth Opportunity Initiative to provide funding to support 200 youth employments
- Added \$1.5 million to support Tourism opportunities for the region and state when needed
- Completed a project to rename six existing Port parks and habitat restoration sites with culturally and ecologically significant names through a community-led process that engaged more than 12,000 people

### Our Environment

- Awarded the sixth and final round of the Airport Community Ecology (ACE) Fund to support environmental projects in communities near the airport
- Began the construction to build a new habitat restoration and shoreline access project site at the old Terminal 117, the most significant habitat restoration project to occur in the Duwamish in the last decade
- Executed a 10-year contract starting October 2020 to purchase the full amount of renewable natural gas for airport uses needed to meet the Port's 2030 carbon reduction goal 10 years early
- Presented Environmental Excellence Awards and Fly Quiet Awards to 12 commercial and non-profit partners for their key initiatives that help the Port achieve its environmental goals
- Approved the interlocal agreement to restore a segment of Miller Creek in Burien and SeaTac
- Received the 2020 Environmental Stewardship Award from the Washington Public Ports Association for ongoing projects to reduce underwater noise for South Resident orcas



Commission President Fred Felleman



Executive Director Stephen P. Metruck





April 30, 2021

To the Port of Seattle Commission:

The Annual Financial Report of the Port of Seattle as of and for the year ended December 31, 2020, is enclosed. All amounts are rounded to the nearest thousand dollars for presentation purposes within this report.

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

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

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

This letter of transmittal is designed to complement the Management's Discussion and Analysis, and should be read in conjunction with it, the Independent auditors' report and the audited Financial Statements.

## Profile of the Port

The Port is a municipal corporation of the State of Washington (the State), organized on September 5, 1911, under the State statute RCW 53.04.010 et seq. In 1942, the local governments in King County, Washington (the County) selected the Port to build and operate SEA.

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

The Port is composed of three operating divisions, namely, Aviation, Maritime, and Economic Development. The Aviation Division manages SEA. 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 minority and/or women-owned business opportunities, and providing for workforce development in the aviation, maritime, and construction industries.

Central Services provides high-quality and cost-effective professional and technical services to the operating divisions and supports the overall goals of the Port; it also delivers projects and provides technical services in support of the financial plans and infrastructure investments of the Port. Central Services departments include Accounting and Financial Reporting; Business Intelligence; Central Procurement; Commission Office; Engineering, Environment, and Sustainability; Equity, Diversity, and Inclusion; Executive Office; External Relations; Finance and Budget; Information Communications and Technology; Information Security; Human Resources; Labor Relations; Legal; Police; Port Construction Services; Risk Management; and Strategic Initiatives.

In August 2015, the ports of Seattle and Tacoma (the home ports) created the Northwest Seaport Alliance (NWSA) to unify management of marine cargo terminal investments, operations, planning, and marketing to strengthen the Puget Sound gateway and attract more businesses and jobs to the region. Combining the cargo terminal operations makes the region more competitive in the global economy and supports the retention and creation of jobs in Washington by allowing the home ports to more efficiently deploy capital investments in container facilities and to speak with a stronger, unified voice on pressing regional and industry-related issues. The NWSA is the fourth-largest trade gateway in North America, behind the ports of Los Angeles and Long Beach, the Port of New York/New Jersey, and the Georgia Port Authority. The NWSA, a Port Development Authority, is a separate legal and governmental entity. As of January 1, 2016, the NWSA has been accounted for as a joint venture between the home ports. Operation of the Port's containerized cargo business and related industrial properties were exclusively licensed to NWSA, while the remaining businesses became part of the Maritime Division in 2016.

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

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

## Economy and Outlook

A year after the COVID-19 pandemic first drove the U.S. economy into the deepest downturn in decades, the economic forecast points to a rebound – although there is still a way to go. More Americans are now receiving the vaccine each day. Certain states are slowly loosening their restrictions and increasingly reopening their economies. Retail sales have accelerated, and consumer confidence and restaurant businesses have all improved. In March 2021, the U.S. Senate passed a \$1.9 trillion fiscal stimulus package containing direct checks for millions of Americans and extending supplemental jobless aid. Despite some improvement, economic activities remain below the pre-pandemic peak. As of March 2021, real gross domestic product (GDP) is projected to grow 5.7%, 4.1%, 2.4%, 2.2%, and 2.1% for years 2021 through 2025, respectively. The unemployment rate has trended downward as shutdowns have been lifted and the economy continues to recover. After spiking in April 2020 at 14.8%, the unemployment rate has fallen to 6.2% in February 2021 and is expected to average 5.5% in 2021, with most job gains projected in leisure and hospitality.

Washington State continues to recover from the recession, but growth has slowed. The two federal stimulus packages from last December and one approved in March 2021 are contributing to improvement in retail activities, and housing construction got off to a strong start in the first quarter of 2021. Washington exports continue to decline, mostly driven by transportation equipment – airplanes. Boeing and aerospace-related employers are expected to continue to shed jobs due to the consolidation of 787 production in South Carolina. The software sector in Washington did not experience a significant decline during the recession and is expected to see positive growth in 2021. During the pandemic, companies in electronic shopping and the mail order sector benefited from increased sales as consumers shifted to online purchasing rather than in-person shopping. The State's unemployment rate declined to 5.6% in February 2021, down significantly from the 16.3% rate reached in April 2020. Washington unemployment is expected to be 6.8% in 2021, followed by 5.1%, 4.4%, 4.3%, and 4.3% for years 2022 through 2025, respectively.

Global air passenger traffic plunged due to safety concerns and travel restrictions imposed during the pandemic. The Port experienced an unprecedented decline in passengers passing through SEA in 2020, ending a run of an all-time record for ten consecutive years. At SEA, only 20 million passengers passed through in 2020, a 61.3% decline from the previous year's level. Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding provided a critical lifeline permitting SEA to continue providing essential airport services and to support airport tenants. The cancellation of the entire 2020 cruise season severely impacted the Maritime Division while cancellations and renovation at the Bell Harbor International Conference Center considerably diminished the Economic Development Division's financial performance. The Port has pursued prudent fiscal policies by implementing cost reduction measures across all divisions. The Port has also been following local public health organizations and federal agency guidelines to support the health, safety, and well-being of its employees, travelers, and customers while maintaining the essential operations of the Port.

## Business Forecast

In 2012, the Commission adopted the Century Agenda, a strategic plan that set aspirational goals for the Port over the subsequent 25 years, starting with an overarching goal of generating 100,000 new jobs in the region by 2036. Steady growth in airline travel, air cargo services, and cruise passengers, and high occupancy rates at the marinas and business properties through 2019 supported the Port in achieving its Century Agenda. The emergence of COVID-19 in 2020 set back the Port's progress towards these goals but emphasized the importance of a well-diversified economy in the face of unpredictable events, such as pandemics. The Port remains committed to the Century Agenda and strives to maintain a strong financial position to create regional economic prosperity, increase support for minority and/or women-owned businesses, expand opportunities in the aviation and maritime industries, support workforce development, and protect and improve our environmental and community health.

The Aviation Division does not anticipate SEA passenger traffic will return to 2019 levels until 2025. In the near-term, aeronautical revenues, which are based on cost recovery, are expected to increase in 2021 by 29.8% compared to 2020, driven by increased airline activity and offset by the pandemic-related cost reduction measures, such as a freeze on hiring and wage growth. Additionally, the federal government has awarded SEA

\$42.8 million as part of the Coronavirus Response and Relief Supplemental Appropriation (CRRSA) Act and approximately \$150 million from the American Rescue Plan (ARP) Act to help mitigate the loss of revenue caused by the pandemic. Non-aeronautical revenues, which are primarily volume driven, are expected to increase by 62.7% in 2021 over 2020, reflecting a partial recovery of enplanements, which are expected to increase 81.4% in 2021. The 2021 CPE is budgeted at \$19.6 compared to \$26.5 in 2020.

The Maritime Division will continue its focus on managing recreational marinas, Terminal 91, Fishermen's Terminal, and a variety of other maritime industrial facilities. Cruise revenues were budgeted at \$8.6 million in 2021, or 38.4% of 2019 levels. As of the date of this publication, however, the U.S. Centers for Disease Control and Prevention has not authorized cruises from U.S. ports due to the pandemic, and a ban on cruise stops in Canadian ports by the Canadian government has placed the Port's 2021 Alaskan cruise season in jeopardy. Grain volume is expected to remain relatively stable at 4.2 million metric tons. For 2021, occupancy rates at the recreational and commercial fishing marinas are expected to average 95% and 86%, respectively, about the same levels as the prior year. Overall Maritime operating revenues are budgeted at \$45.3 million, a 7.5% increase over 2020. Net operating income (NOI) before depreciation is expected to reflect a loss of \$5 million.

The Economic Development Division focuses on developing and managing the Port's real estate portfolio, developing minority and/or women-owned business opportunities, creating quality jobs, and driving economic prosperity through Washington State. The 2021 budget projects the real estate portfolio's occupancy rate remains steady as in 2020 at 94%. Operating revenue from Conference and Event Centers is expected to be \$5 million, an increase of \$3.4 million from 2020, and at 41.1% of 2019's pre-pandemic level.

The Port's share of NWSA joint venture income for 2021 is budgeted at \$40.3 million, a 9.4% increase over 2020, reflecting a gradual recovery from the pandemic. Both home ports share equally in NWSA capital expenditures as investments in the joint venture. The Port's share is forecasted to be \$67.3 million for 2021 and \$155.6 million over the next five years, which are in addition to the Port's capital budget.

The Port continues to effectively manage through the pandemic challenges. For 2021, the Port budgeted total operating revenues of \$680.9 million, a 33.3% increase from 2020. Budgeted total operating expenses are \$423.4 million, a 3.6% increase from 2020. NOI before depreciation is budgeted at \$257.4 million, a 152.1% increase from 2020. NOI after depreciation is budgeted at \$80.9 million, a 203.9% increase from 2020. Total capital budget for 2021 is \$508.5 million and the five-year capital improvement program is \$3.7 billion, reflecting the Port's commitment to invest in projects that create jobs and accommodate future growth as well as projects that stimulate economic growth for the region.

### Major Initiatives

The Port remains steadfast in navigating the economic headwinds brought on by the global pandemic while also positioning itself to support regional economic recovery in the post-pandemic world. Recovery to pre-pandemic levels is expected to be a gradual process. The 2021 budget focused on resource conservation, largely by freezing payroll and reducing non-payroll costs wherever possible while maintaining critical functions. In preparation for the longer-term, the Aviation Division plans to open the International Arrival Facility in mid-2021 and continue developing plans for additional investment to promote SEA to airlines and their customers, such as Qatar Airways, which recently began direct service to Doha. SEA is also developing plans for the second phase of the North Satellite Modernization; Main Terminal improvements in ticketing, bag check, and security checkpoint areas; a multi-story expansion with amenities and tenant space on Concourse C as well as infrastructure projects, such as replacing and reconfiguring baggage screening equipment and operations to improve operational efficiency along with increased capacity. Additionally, the Maritime and Economic Development Divisions have projects planned to enhance COVID-19 safety measures for cruise terminals and to bring clean electric shore power to the Pier 66 cruise terminal. Many projects are focused around Terminal 91 including updates to commercial fishing berths and design for upland maritime industrial development. A new Maritime Innovation Center will also be developed at Fishermen's Terminal.



The Port maintains its commitment to the environment through ongoing efforts, such as preliminary planning and design in support of the Sustainable Airport Master Plan. Additionally, the Port's Terminal 117 Habitat Restoration and Duwamish Shoreline Access Project will create upland habitat and restore priority habitat for Chinook salmon and other imperiled species in the Duwamish River.

The Port continues its commitment to equity through a variety of efforts including the South King County Fund, established in 2018, to develop equity-based partnerships and provide resources and support to near-airport communities. The Port provided \$1 million of grants in 2020 and \$1.5 million will be available for 2021 focused on supporting regional recovery from impacts of the pandemic. Also, the Port will launch a Port-wide effort to identify and eliminate sources of racial bias in the workplace and conduct an assessment of the Port of Seattle Police Department's policies and practices.

### Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Port for its Annual Financial Report for the fiscal year ended December 31, 2019. This was the fifteenth consecutive year that the Port has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Financial Report. This report must satisfy both generally-accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Dan Thomas  
Chief Financial Officer



Rudy Caluza  
Director, Accounting & Financial Reporting



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Port of Seattle  
Washington**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

**December 31, 2019**

*Christopher P. Morrell*

Executive Director/CEO

# Organizational Chart for 2021



\* General Counsel, Internal Audit Director, and Senior Director of External Relations dually report to the Port's Commission and the Executive Director.

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## List of Elected and Appointed Officials in 2021

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### Elected Board of Commissioners

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Name	Office	Term Expires
Fred Felleman	President	December 31, 2023
Ryan Calkins	Vice President	December 31, 2021
Sam Cho	Secretary	December 31, 2023
Stephanie Bowman	Commissioner at Large	December 31, 2021
Peter Steinbrueck	Commissioner at Large	December 31, 2021

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### Appointed Executive Officers

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Name	Office
Stephen Metruck	Executive Director
Dave Soike	Chief Operating Officer
Dan Thomas	Chief Financial Officer
Pete Ramels	General Counsel
Larry Ehl	Chief of Staff
Lance Lyttle	Managing Director, Aviation Division
David McFadden	Managing Director, Economic Development Division
Stephanie Jones Stebbins	Managing Director, Maritime Division
Bookda Gheisar	Senior Director, Equity, Diversity, and Inclusion
Pearse Edwards	Senior Director, External Relations
Katie Gerard	Senior Director, Human Resources
David Freiboth	Senior Director, Labor Relations
Arlyn Purcell	Acting Senior Director, Engineering, Environment, and Sustainability
Glenn Fernandes	Internal Audit Director



# Financial Section







## Report of Independent Auditors

To the Port Commission  
Port of Seattle  
Seattle, Washington

### Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund and the Warehousemen's Pension Trust Fund of the Port of Seattle (the "Port") as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019, and 2018, and the related notes to the financial statements, which collectively comprise the Port's financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Northwest Seaport Alliance, a joint venture, as discussed in Note 13 to the financial statements, which reflects the Port's Investment in joint venture of \$229,692,000 and \$176,179,000 as of December 31, 2020 and 2019, respectively, and joint venture income of \$36,869,000, \$47,979,000, and \$55,992,000 for the years ended December 31, 2020, 2019, and 2018, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and in our opinion insofar as it relates to the amounts as included for the Port, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund and fiduciary net position of the Warehousemen's Pension Trust Fund of the Port of Seattle as of December 31, 2020 and 2019, and the changes in net position and cash flows for the Enterprise Fund, and the changes in fiduciary net position for the Warehousemen's Pension Trust Fund for the years ended December 31, 2020, 2019, and 2018 in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, Schedule of Port of Seattle's Proportionate Share of Net Pension Asset/Liability (NPA/NPL) - Enterprise Fund Pension Plans, Schedule of Port of Seattle Contributions - Enterprise Fund Pension Plans, Schedule of Changes in Total OPEB Liability and Related Ratios - LEOFF Plan 1 Members' Medical Savings Plan, Schedule of Changes in Total OPEB Liability and Related Ratios - Retirees Life Insurance Plan, Schedule of Changes in Net Pension Liability and Related Ratios - Warehousemen's Pension Trust Fund, Schedule of Employer Contributions - Warehousemen's Pension Trust Fund, Schedule of Investment Returns - Warehousemen's Pension Trust Fund, and notes to Required Supplementary Information - Warehousemen's Pension Trust Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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



Seattle, Washington  
April 30, 2021



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# Port of Seattle

## Management's Discussion and Analysis for the Year Ended December 31, 2020

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### Introduction

The following Management's Discussion and Analysis (MD&A) of the Port of Seattle's (the Port) activities and financial performance provides an introduction to the financial statements of the Port for the fiscal year ended December 31, 2020, including the Port operations within the Enterprise Fund and the Warehousemen's Pension Trust Fund reported as a Fiduciary Fund with selected comparative information for the years ended December 31, 2020 and 2019.

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

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

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### Overview of the Financial Statements

The financial section of this annual report consists of four parts: MD&A, the basic financial statements, the notes to the financial statements, and the required supplementary information (RSI). The report includes the following three basic financial statements for the Port Enterprise Fund: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The report also includes two basic financial statements for the Fiduciary Fund: the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

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### Local Economic Factors

In 2020, Washington's economy experienced an economic crisis from the widespread business closures and decline in consumer and business spending due to the novel coronavirus (COVID-19) pandemic. The unemployment rate increased significantly from an average of 4.3% in 2019, to 8.4% in 2020. During 2020, jobs in the private sector decreased 6.5% while government jobs fell 8.1%. The Seattle metropolitan area lost about 70,100 jobs in 2020. However, approximately 9,800 new jobs were added in specialty trade and employment services.

The Port's 2020 performance reflected an unprecedented decrease in operating revenues caused by the pandemic. At the Seattle-Tacoma International Airport (SEA), only 20 million passengers passed through in 2020, a decrease of 61.3% from 2019, reflecting the restrictions and suspension of travel in response to the pandemic. In March 2020, the U.S. Centers for Disease Control and Prevention issued a "No Sail" order for U.S. cruise operations to be on indefinite hold until the resolution of the public health emergency. As a result, in 2020 the Maritime Division had no cruise vessel calls and passengers. Grain volumes totaled 4.2 million metric tons, a

24.6% increase from 2019, due to greater demand for feedstock, corn, and soybeans from China in the second half of 2020. For the Economic Development Division, overall occupancy of buildings managed by Portfolio Management remained fairly unchanged at 94% at the end of 2020.

On March 27, 2020, the U.S. Congress passed the Coronavirus Aid, Relief and Economic Security (CARES) Act, which included \$10 billion of funding to support U.S. airports that experienced severe economic disruption caused by the COVID-19 public health emergency. The funds were distributed to eligible airports to prevent, prepare for, and respond to the impacts of this emergency. The funds were provided directly from the U.S. Treasury's General Fund, and the Federal Aviation Administration (FAA) Office of Airports administered the grant funds to these airports. SEA was awarded a \$192.1 million federal grant to help lessen the significant economic stress affecting the airport. As of December 31, 2020, SEA applied and received \$147.1 million of the awarded federal grant and the remaining \$45 million is allocated to 2021.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriation (CRRSA) Act was signed into law. It included nearly \$2 billion of economic relief for eligible U.S. airports and airport concessions. The FAA established the Airport Coronavirus Response Grant Program (ACRGP) to distribute this relief. SEA was awarded a \$37.4 million ACRGP grant to lessen the economic stress affecting the airport. SEA was also awarded \$5.4 million of concession relief which will provide tenant relief from rent and other minimum annual guarantee payments to on-airport car rental, on-airport parking, and in-terminal airport concessions.

On March 11, 2021, the American Rescue Plan (ARP) Act was signed into law providing additional relief for the pandemic. The ARP Act included \$8 billion of funding for U.S. airports to cover costs of operations, personnel, cleaning, and also included additional rent relief and mitigation for other costs incurred by airport concessionaires that are small businesses and minority-owned. At this time, the Port is awaiting guidance from the FAA on the allocation and eligibility requirements for this relief.

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## The Northwest Seaport Alliance

The home 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 to the region. On January 1, 2016, the Northwest Seaport Alliance (NWSA), a separate legal governmental entity, was formed. It was established as a Port Development Authority, similar to the Public Development Authorities formed by cities and counties. The commissions of each home port serve as the Managing Members of the NWSA. The NWSA is accounted for as a joint venture by the home ports.

Each home port remains a separate legal entity, independently governed by its own elected commissioners. Each home port has granted the NWSA a license for the NWSA's exclusive use, operation, and management of certain facilities, including the collection of revenues. Accounting for revenues and expenses associated with licensed properties became the responsibility of the NWSA. Ownership of the licensed facilities remains with the home ports, not with the NWSA. The NWSA is intended to support the credit profiles of both home ports, and its financial framework preserves both home ports' commitment to financial stewardship. The home ports are committed to ensuring existing bond pledges and covenants will not be negatively affected. Outstanding bonds remain the obligations of each individual home port. To maintain the rights of each home port's existing bondholders, the Charter prohibits the NWSA from issuing debt. The NWSA has its own annual operating budget and five-year capital investment plan.

The home ports set up an initial 50/50 investment in the NWSA. The home ports share the NWSA's change in net position and distribution of operating cash equally. The home ports contribute to capital construction projects subject to Managing Member approval. Capital funding does not come from working capital.

On April 2, 2019, the Managing Members and the Port of Seattle Commission (the Commission) authorized the completion of a one-time Membership Interest Affirmation of 50/50 for each home port in satisfaction of the NWSA Charter. In lieu of completing the required reevaluation of Membership Interest, the Port agreed to pay up to \$32 million additional contribution to the NWSA. This additional contribution was to recognize that certain forecasted revenue streams, not secured by long-term contractual agreements in the initial valuation, would not

be achieved without the redevelopment of Terminal 5. This additional contribution is being made to the NWSA in three installments. The first and second installment of \$11 million was made in March 2020 and 2021, respectively. The final installment will be made in 2024, and may be adjusted downward if the actual Terminal 5 redevelopment costs are less than the program authorization. The Managing Members also authorized the distribution of these affirmation payments to the home ports equally after the NWSA receives the funds from the Port.

In 2019, both the Managing Members and the Commission approved an Interlocal Agreement between the Port and the NWSA to facilitate development by the Port of a new cruise terminal at Terminal 46 as part of a flexible marine transportation facility. The Port's cruise facility was planned to occupy the northern 29 acres of the overall 86.5-acre terminal. The remainder of the site will be maintained by the NWSA as a marine cargo facility and for administrative use. This new cruise terminal project was postponed in 2020 due to the pandemic's uncertain impact on the Alaskan cruise market. The Port agreed to pay the NWSA monthly for the use of Terminal 46 starting January 1, 2020, for 23 years with four options to extend for 5-year terms. In 2020, the Port's payment to the NWSA was \$3.8 million. In 2020, the Port's 50% share of the NWSA's change in net position, joint venture income, was reduced by \$1.9 million, 50% of the \$3.8 million, due to the elimination of profit on the intra-entity transaction.

In 2020, the Port's share of joint venture income before the elimination of profit on the intra-entity transaction was \$38.8 million, a decrease of \$9.2 million or 19.2% from 2019, primarily due to decline in operating revenue and higher operating expense. Restrictions introduced in response to the pandemic and the ongoing U.S.-China trade negotiations disrupted cargo operations through the supply chain decreasing cargo volume and operating revenues. Higher operating expense was largely from costs to modernize container terminals for ultra-large ships that require larger cranes and associated terminal infrastructure improvements.

In 2019, the Port's share of joint venture income was \$48 million, a decrease of \$8 million or 14.3% from 2018, driven primarily by higher operating expenses and depreciation expenses. Increases in 2019 operating expenses were mostly due to removal costs of old cranes that were no longer in service in the North Harbor and higher maintenance expenses on the four new super post-Panamax cranes at Husky Terminal. Increases in 2019 depreciation expenses were a result of new asset additions, mainly for new cranes and improvements in the South Harbor.

In 2020, the home ports made capital construction contributions of \$129.6 million primarily for the modernization of container terminals for ultra-large ships and redevelopment of Terminal 5. In 2019, the home ports made capital construction contributions of \$88.6 million for container terminal improvements at the North and South Harbors and container crane acquisitions at Husky Terminal in the South Harbor.

Additional information on the formation and operations of the joint venture can be found in Note 1 and Note 13, respectively, in the accompanying Notes to Financial Statements.

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## Enterprise Fund

### Financial Position Summary

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

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

	2020	2019	2018
Assets:			
Current, long-term, and other assets	\$ 1,502,533	\$ 2,013,925	\$ 1,989,201
Capital assets	6,883,775	6,579,546	6,158,334
Total assets	\$ 8,386,308	\$ 8,593,471	\$ 8,147,535
Deferred Outflows of Resources	\$ 58,843	\$ 54,666	\$ 54,398
Liabilities:			
Current liabilities	\$ 459,917	\$ 477,930	\$ 583,985
Noncurrent liabilities	4,040,574	4,294,459	4,011,823
Total liabilities	\$ 4,500,491	\$ 4,772,389	\$ 4,595,808
Deferred Inflows of Resources	\$ 25,839	\$ 42,032	\$ 39,416
Net Position:			
Net investment in capital assets	\$ 3,266,254	\$ 3,212,698	\$ 3,107,766
Restricted	288,067	340,262	377,800
Unrestricted	364,500	280,756	81,143
Total net position	\$ 3,918,821	\$ 3,833,716	\$ 3,566,709

Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$3.9 billion as of December 31, 2020, and \$3.8 billion for 2019. Total net position increased \$85.1 million from 2019 to 2020, and \$267 million from 2018 to 2019, respectively.

For each year presented, the largest portion of the Enterprise Fund's net position represents its net investment in capital assets. The Port uses these capital assets to provide services to its tenants, passengers, and customers of the Aviation, Maritime, and Economic Development divisions; therefore, these assets are not available for future spending. Although the Port's net investment in capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations as the capital assets themselves cannot be used to liquidate liabilities. From 2019 to 2020, and from 2018 to 2019, there was an increase of \$53.6 million and \$104.9 million, respectively, in net investment in capital assets. The respective change in this category was an increase of \$304.2 million in 2020, and \$421.2 million in 2019, in total capital assets, net of accumulated depreciation, including construction work in progress, largely driven by new asset additions and construction activities in major Aviation programs, partially offset by related demolitions and ongoing depreciation.

As of December 31, 2020 and 2019, the restricted net position of \$288.1 million and \$340.3 million, respectively, was composed mainly of bond proceeds restricted for debt service reserves in accordance with bond covenants, airport Passenger Facility Charges (PFC) subject to federal regulations, and rental car Customer Facility Charges (CFC) subject to state regulations. From 2019 to 2020, and from 2018 to 2019, there was a decrease of \$52.2



million and \$37.5 million, respectively, in the restricted net position. The decrease in this category from 2019 to 2020 was largely due to a \$41.9 million decrease in restricted debt service reserves, of which \$31.7 million was related to debt service payments made from the bond funds associated with the 2017C, 2018A, and 2019 Intermediate Lien Revenue Bonds. Furthermore, there was a reduction in the restricted debt service reserve required for the outstanding PFC Bonds as the 1998A PFC Revenue Bonds were paid off in late 2019. In 2020, SEA passenger activity dropped 61.3% from prior year, contributing to a significant decline in PFC and CFC revenues and a decrease in the restricted net position. The decrease from 2018 to 2019 was due to increases in capital spending in major Aviation programs outpacing increases in the PFC revenues. This decrease was partially offset by an increase in the debt service reserve from the issuance of 2019 and 2018AB Intermediate Lien Revenue Bonds.

As of December 31, 2020 and 2019, the unrestricted net position was \$364.5 million and \$280.8 million, respectively. From 2019 to 2020, and from 2018 to 2019, there was an increase of \$83.7 million and \$199.6 million, respectively. In 2020, the CARES Act grant of \$147.1 million was recorded as noncapital grants and donations and contributed to the majority of the increases in the unrestricted net position. The Port received reimbursement of \$103.8 million and \$43.3 million for debt service payments and operating expenses, respectively. In 2019, a delay in expenditures funded by the Port's tax levy contributed to the increases in the unrestricted net position. During 2018, the Port recorded a \$34.9 million special item for environmental expense related to the construction cost of a habitat restoration project and \$15.9 million for the acquisition of Salmon Bay Marina. Both non-recurring transactions in 2018 further contributed to the increases in the unrestricted net position in 2019 over 2018. Resources from the unrestricted net position may be used to satisfy the Port's ongoing obligations. However, due to federal regulations, resources from SEA operations must be used solely for the Aviation Division's operations. Cash and cash equivalents, and investment balances related to SEA operations decreased \$12.5 million from \$307.1 million in 2019, and increased \$103.5 million from \$203.6 million in 2018. In 2020, the decrease was largely due to a decline in non-aeronautical revenues resulting from the pandemic despite receiving funding from the CARES Act grant and re-prioritizing certain capital spending. In 2019, changes were largely attributed to major capital project spending at SEA in order to support increased airline activity and record growth in passenger volume experienced at that time.

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

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

	2020	2019	2018
Operating revenues	\$ 510,827	\$ 764,173	\$ 689,390
Operating expenses	408,680	443,088	397,638
Operating income before depreciation	102,147	321,085	291,752
Depreciation	180,086	174,971	164,362
Operating (loss) income	(77,939)	146,114	127,390
Nonoperating income—net	142,135	103,157	85,145
Capital contributions	20,909	17,736	43,650
Special items:			
Environmental expense			(34,923)
Increase in net position	85,105	267,007	221,262
Net position—beginning of year	3,833,716	3,566,709	3,345,447
Net position—end of year	\$ 3,918,821	\$ 3,833,716	\$ 3,566,709

## Financial Operation Highlights

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

	2020	2019	2018
Operating Revenues:			
Services	\$ 186,488	\$ 296,326	\$ 274,174
Property rentals	284,768	400,235	339,304
Customer facility charge revenues		15,773	16,263
Operating grants and contract revenues	2,702	3,860	3,657
Joint venture income	36,869	47,979	55,992
Total operating revenues	\$ 510,827	\$ 764,173	\$ 689,390

During 2020, operating revenues decreased \$253.3 million or 33.2% from \$764.2 million in 2019, to \$510.8 million in 2020. The pandemic inflicted a severe economic disruption globally and domestically, and the Port was no exception. At SEA, passenger activity declined 61.3% compared to 2019. The passenger activity decline was strongly reflected in Aviation Division operating revenues which declined by \$212.3 million, with decreases of \$59.7 million in aeronautical revenues and \$152.6 million in non-aeronautical revenues. Aeronautical revenues are based on cost recovery. The decrease in aeronautical revenue was due to (1) Port-wide pandemic related cost cutting measures as well as decreased variable costs associated with significant decline in activity, and (2) \$94.3 million of CARES Act grant fund applied to offset aeronautical revenue requirements charged to airlines. Revenue sharing under the Signatory Lease and Operating Agreement IV (SLOA IV) also ended in 2020. Non-aeronautical revenue experienced an unfavorable impact closely aligned with the decline in passenger activity compared to 2019, particularly in Public Parking of \$47.6 million, Rental Car of \$35.9 million, Airport Dining and Retail of \$36.8 million, and Ground Transportation of \$14.2 million. Maritime Division operating revenues were also impacted by the pandemic with a reduction of \$17.2 million compared to 2019. The cancellation of the 2020 Alaska cruise season resulted in an \$18.6 million reduction in Cruise revenues, which was slightly offset by a \$0.9 million increase in Grain revenues driven by increased volume in the second half of the year. Economic Development Division operating revenues decreased \$11.7 million mostly due to lower volumes from Conference and Event Centers as a result of pandemic-related cancellations and renovation of the Bell Harbor International Conference Center.

During 2019, operating revenues increased \$74.8 million or 10.8% from \$689.4 million in 2018, to \$764.2 million in 2019. Aviation Division operating revenues increased \$77.6 million, with increases of \$66.3 million in aeronautical revenues and \$11.3 million in non-aeronautical revenues. Aeronautical revenues are based on cost recovery. The increase in aeronautical revenues was primarily driven by higher rate-based costs to support increased airline activity and a \$19.7 million decrease in revenue sharing due to a reduction in sharing percentage from 40% to 20% under the SLOA IV in 2019. The growth in non-aeronautical revenue was due to strong performance and increases in (1) Clubs and Lounges of \$3.5 million, (2) Airport Dining and Retail of \$3.6 million, primarily from Food & Beverage sales on Concourse D and Central Terminal, partially offset by a decline on North Satellite, and (3) Ground Transportation of \$2 million reflecting continued growth in the transportation network company activities, and (4) Public Parking of \$1.9 million due to higher enplanements and net impact of parking rate increase to General Parking beginning in July 2019. Maritime Division operating revenues increased \$1.7 million. The increase in revenue was primarily due to a \$3.5 million increase in Cruise revenues from higher passenger volumes and rate increase, partially offset by a \$0.9 million in Grain from a reduction in volumes as a result of trade tariffs from China, and a \$1.2 million reduction in Portfolio Management revenues mostly from a lease expiration with the Washington State Department of Transportation (WSDOT) at Terminal 106. Economic Development Division operating revenues increased \$0.4 million due to increases in Conference and Event activities.

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

	2020	2019	2018
Operating Expenses:			
Operations and maintenance	\$ 300,932	\$ 335,532	\$ 297,321
Administration	78,337	76,413	72,568
Law enforcement	29,411	31,143	27,749
Total operating expenses	\$ 408,680	\$ 443,088	\$ 397,638

During 2020, operating expenses decreased \$34.4 million or 7.8% from \$443.1 million in 2019, to \$408.7 million in 2020. In response to the economic disruption caused by the pandemic, the Port took immediate actions to reduce operating expenses through a hiring freeze, reduced discretionary spending, and other cost saving measures. Aviation Division operating expenses before depreciation decreased \$27 million primarily due to (1) an \$18.3 million decrease in environmental remediation costs from non-recurring costs recorded in 2019, mostly from contaminated soil and asbestos removal from projects at the North Satellite, and the Heating, Ventilation, and Air-Conditioning (HVAC) system at the South Satellite, and (2) a \$10.5 million decrease from both cost reduction measures and decreased variable costs associated with a significant decline in activity due to the pandemic. Maritime Division operating expenses before depreciation increased \$1.6 million primarily from (1) an increase of \$2.6 million to write-off previously capitalized costs for construction of a new cruise terminal at Terminal 46, which was postponed due to the pandemic's uncertain impact on the Alaska cruise market, and (2) an increase of \$1.9 million from the first-year payment of \$3.8 million to the NWSA for the use of Terminal 46, netted by 50% due to the elimination of profit on the intra-entity transaction. These increases were offset by Port-wide pandemic-related cost cutting initiatives. Economic Development Division operating expenses before depreciation decreased \$7.1 million, mostly due to variable costs associated with lower volumes from Conference and Event Centers as a result of pandemic-related cancellations.

During 2019, operating expenses increased \$45.5 million or 11.4% from \$397.6 million in 2018, to \$443.1 million in 2019. Aviation Division operating expenses before depreciation increased \$37.8 million primarily due to (1) approximately \$7.3 million in payroll expenses from increased staffing, (2) a \$7.1 million non-recurring expense from outside services focused on addressing strategic initiatives, including planning studies to maximize existing terminal space, utility master plan, and the ongoing environmental review of the Sustainable Aviation Master Plan, (3) a \$9.7 million increase in environmental remediation costs primarily from contaminated soil and asbestos removal from projects at the North Satellite, and the HVAC system at the South Satellite, and (4) increases in other expenses primarily attributable to allocated payroll and outside service costs from Central Services and Law Enforcement, partially offset by a reduction of \$4.8 million in write-offs from projects that were previously capitalized. Maritime Division operating expenses before depreciation increased \$5.4 million, primarily from (1) \$1.6 million in payroll and contracted work, (2) \$1.2 million in write-offs from projects that were previously capitalized at Pier 66 Cruise Terminal and Fishermen's Terminal, (3) \$0.9 million in environmental remediation costs primarily relating to decommissioning costs of monitoring wells and other clean-up projects in Fishermen's Terminal, and (4) \$0.7 million to support growth in Environmental & Sustainability initiatives. Economic Development Division operating expenses before depreciation remained relatively unchanged from 2018, due to the delay of various project spending to 2020 and beyond.

As a result of the above, operating income before depreciation decreased \$218.9 million in 2020 and increased \$29.3 million in 2019. Depreciation expenses increased \$5.1 million and \$10.6 million in 2020 and 2019, respectively.

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

	2020	2019	2018
<b>Nonoperating Income (Expense):</b>			
Ad valorem tax levy revenues	\$ 76,196	\$ 73,801	\$ 71,771
Passenger facility charge revenues	34,637	100,004	94,070
Customer facility charge revenues	15,429	22,355	21,802
Noncapital grants and donations	149,913	2,880	1,573
Fuel hydrant facility revenues	6,886	6,742	6,942
Investment income—net	41,406	54,078	26,287
Revenue and capital appreciation bonds interest expense	(133,149)	(105,601)	(100,432)
Passenger facility charge revenue bonds interest expense	(2,670)	(3,547)	(4,368)
General obligation bonds interest expense	(11,850)	(12,492)	(13,414)
Public expense	(6,658)	(12,986)	(5,269)
Environmental expense—net	(5,971)	(118)	(10,600)
Other (expense) income—net	(22,034)	(21,959)	(3,217)
<b>Total nonoperating income—net</b>	<b>\$ 142,135</b>	<b>\$ 103,157</b>	<b>\$ 85,145</b>
<b>Capital Contributions</b>	<b>\$ 20,909</b>	<b>\$ 17,736</b>	<b>\$ 43,650</b>
<b>Special Items:</b>			
Environmental expense			(34,923)

During 2020, nonoperating income—net was \$142.1 million, a \$39 million increase from 2019. The increase was largely driven by the \$147.1 million CARES Act grant received from the FAA. Further favorable increases included a \$6.3 million reduction in public expense primarily resulted from (1) less spending on the Safe and Swift Corridor program, (2) a delay in the Heavy Haul Network project, and (3) a one-time, non-recurring reimbursement to the Transportation Security Administration (TSA) for their screening lanes and machines in 2019. Favorable increases to nonoperating income were offset by (1) a \$65.4 million decrease in PFC revenues as a result of a sharp drop in air travel due to restrictions imposed by governments around the world as well as suspensions of non-essential travel by businesses and organizations, (2) a \$6.9 million decrease in CFC revenues due to a prolonged decline in travel and restrictions, (3) a \$27.5 million increase in revenue bonds interest expense largely driven by a full year of interest expense recorded for the 2019 Intermediate Lien Revenue Bonds issued in late 2019, and with the adoption of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, interest expense incurred before a construction was completed would have been capitalized in prior years is now being expensed starting in 2020, (4) a net \$12.7 million decrease in investment income from lower investment pool balances and interest rates, and (5) a net \$5.9 million increase in environmental remediation expense. While the balance of other (expense) income—net between 2020 and 2019 was relatively unchanged, the Port recorded, as nonoperating other income in 2020, \$22.8 million out of a \$24.9 million settlement from Great American Insurance Company for certain past environmental remediation costs associated with the Lower Duwamish Waterway, Harbor Island/East Waterway, and Terminal 91. This favorable increase was offset by increases in losses from demolition, retirement, and sale of capital assets in 2020. The most significant losses were retirements related to the construction of a new baggage handling system at SEA resulting in a loss of \$22.7 million.

During 2019, nonoperating income—net was \$103.2 million, an \$18 million increase from 2018. Favorable increases included (1) a \$27.8 million increase in investment income from higher investment pool balances and interest rates, (2) a \$5.9 million increase in PFC revenues from higher enplanements, and (3) a net decrease of \$10.5 million in environmental expenses. These increases were offset by \$13.9 million net increases in losses from demolition, retirement, and sale of capital assets. The most significant losses were retirements of \$14 million related to the first phase of the North Satellite expansion and renovation of a 46-year-old terminal at SEA that opened in 2019. Additionally, a \$7.8 million increase in public expenses primarily related to a reimbursement to TSA of their screening lanes and machines for the International Arrivals Facility at SEA, and a \$5.2 million increase in total revenue bonds interest expense further contributed to the offset.

In 2020, capital contributions increased \$3.2 million over 2019, mainly due to a \$10.9 million increase in grant revenues received from the Airport Improvement Program (AIP) related to the rehabilitation of Taxiway B, the reconstruction of Taxilane W, and cargo aprons. The increases were offset in part by decreases due to the continued winding down of the TSA Checked Baggage Optimization projects at SEA.

In 2019, capital contributions decreased \$25.9 million from 2018, primarily due to the winding down and closeout of TSA for Checked Baggage Optimization projects at SEA and lower grant revenues from the AIP related to the Taxiway Improvement Project.

In 2019, special items decreased \$34.9 million from 2018, due to the settlement negotiations with the Elliot Bay Trustee Council (EBTC) in 2018. The Port recorded a \$34.9 million of environmental expense, as a special item, reflecting the cost to construct a habitat restoration project. The Port is in continued negotiation with EBTC.

Increase in net position in 2020 was \$85.1 million, a decrease of \$181.9 million or 68.1% from \$267 million in 2019. This significant reduction was due to the unprecedented impacts of the pandemic on all divisions from curtailed passenger traffic, loss of the cruise season, and sharply reduced conference activities.

Net position increased \$45.7 million or 20.7% from \$221.3 million in 2018, to \$267 million in 2019. It reflected the economic vitality of the local economy through the Port's strong operating results in 2019: all-time record of SEA passenger traffic, record setting cruise passenger volume, and solid conference and event centers revenues.

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## Warehousemen's Pension Trust Fund

The Fiduciary Fund accounts for the Warehousemen's Pension Trust Fund. The Warehousemen's Pension Trust Fund accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. Effective May 25, 2004, the Port became the sole administrator of the Warehousemen's Pension Plan and Trust (the Plan). The Plan was originally established to provide pension benefits for the employees at the Port's warehousing operations at Terminal 106. In late 2002, the Port terminated all warehousing operations following the departure of the principal customer who operated the facility. The Plan provides that only service credited and compensation earned prior to April 1, 2004, shall be utilized to calculate benefits defined under the Plan, and the Port agrees to maintain the frozen Plan and to contribute funds to the Plan in such amounts that may be necessary to enable the Plan to pay vested accrued benefits as they become due and payable to participants and beneficiaries of the Plan. Additional information on the Port's Warehousemen's Pension Trust Fund can be found in Note 15 in the accompanying Notes to Financial Statements.

In 2020, the Port adopted GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The Port concluded that the three 401(a) defined contribution plans no longer meet the criteria to be reported as fiduciary activities to be presented as fiduciary funds except for the Warehousemen's Pension Trust Fund. As a result, the Port restated the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position as of and for the years ended December 31, 2019 and 2018, respectively. Additional information can be found in Note 1 in the accompanying Notes to Financial Statements.



The following table is a summarized comparison of the assets, liabilities, and fiduciary net position of the Warehousemen's Pension Trust Fund as of December 31, and changes in fiduciary net position for the years ended December 31 (in thousands).

	2020	2019 (Restated)	2018 (Restated)
Total assets	\$ 10,890	\$ 10,016	\$ 8,829
Total liabilities	6	6	6
Total fiduciary net position	\$ 10,884	\$ 10,010	\$ 8,823
Total additions	\$ 2,715	\$ 3,075	\$ 889
Total deductions	(1,841)	(1,888)	(1,940)
Increase (Decrease) in fiduciary net position	874	1,187	(1,051)
Fiduciary net position—beginning of year	10,010	8,823	9,874
Fiduciary net position—end of year	\$ 10,884	\$ 10,010	\$ 8,823

Total fiduciary net position as of December 31, 2020 and 2019, increased by \$0.9 million and \$1.2 million, respectively, due to an increase in the fair value of investments.

## Capital Assets

The Port's capital assets, net of accumulated depreciation, for its business activities as of December 31, 2020, amounted to \$6.9 billion. Capital assets include land, air rights, facilities and improvements, equipment, furniture and fixtures, and construction work in progress.

In 2020, the Port's expenditures for capital construction projects totaled \$542.3 million, of which \$503.9 million, \$23.1 million, and \$8.2 million related to the Aviation Division, Maritime Division, and Economic Development Division, respectively. Aviation construction accounted for 92.9% of total spending for capital construction projects at the Port in 2020. Major Aviation project spending included \$164.2 million for the North Satellite expansion and renovation; \$158.2 million for construction of the new International Arrivals Facility; \$45.5 million to Checked Baggage Optimization programs; \$26.6 million on Airfield-related improvements for the taxiway and pavement, along with providing infrastructure and facility improvements, and increasing the fence heights of the airfield perimeter fence; \$24.4 million on mechanical infrastructure, most of which related to the South Satellite HVAC system; and \$12.5 million for Security projects in the terminals, checkpoint and airport fire department. Maritime construction included \$10.8 million for construction of new service buildings at Shilshole Bay Marina.

During 2020, capital construction projects totaling \$280.3 million were completed and placed in service as capital assets, of which \$239.1 million, \$17.4 million, and \$11 million related to the Aviation, Maritime and Economic Development divisions respectively. The most significant project completions occurred in the Aviation division which accounted for 87.3% of total additions to new capital assets in 2020. Major Aviation projects included \$85.7 million relating to Checked Baggage Optimization programs; \$36.8 million relating to airport Service Tunnels; \$32.4 million of interior improvements primarily relating to the North Satellite and Restroom Upgrades; \$28.2 million of Airfield-related assets including taxiway and pavement betterments and perimeter fencing; and \$21.9 million of mechanical, electrical and HVAC infrastructure in the Central Terminal. The Maritime Division completed projects mostly related to \$15.4 million of new service buildings at Shilshole Bay Marina. The Economic Development Division completed projects mostly related to \$10.9 million of interior modernization of Bell Harbor International Conference Center at Pier 66.

During 2020, the Port collected \$75.8 million in property taxes through a King County ad valorem tax levy. The Port funds its capital assets from multiple sources, including but not limited to operating income, ad valorem tax levy, PFCs, federal and state grants, and bond proceeds. All capital assets are accounted for within the Enterprise Fund.

In February 2021, the Commission approved the acquisition of a 14.3-acre WSDOT-owned parcel in Des Moines, Washington. The purchase price was \$2.9 million and related fees, including predevelopment costs, due diligence and feasibility studies, with closing expected in the second quarter of 2021. This property will support development of an adjacent Port-owned property and add value to the overall development of the Des Moines Creek Business Park.

Additional information on the Port's capital assets can be found in Note 4 in the accompanying Notes to Financial Statements.

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## Debt Administration

As of December 31, 2020, the Port had outstanding revenue bonds and commercial paper of \$3.4 billion, a \$149.3 million decrease from 2019, primarily due to principal payments on revenue bonds and commercial paper. The decrease was partially offset by the issuance of \$30.8 million of commercial paper in 2020 to redeem or defease certain outstanding revenue bond debt service due in 2020 and 2021.

As of December 31, 2020, the Port had outstanding GO Bonds of \$311.2 million, a \$24.3 million decrease from 2019, due to scheduled principal payments.

As of December 31, 2020, the Port had outstanding PFC Revenue Bonds of \$51.1 million, a \$15.4 million decrease from 2019, due to a scheduled principal payment.

As of December 31, 2020, the Port had outstanding Fuel Hydrant Special Facility Revenue Bonds of \$65.1 million, a \$3.8 million decrease from 2019, due to a scheduled principal payment.

Below are the underlying Port credit ratings as of December 31, 2020. Certain Port bonds include bond insurance or bank letters of credit, and as such, those bonds may assume the credit rating of the associated bond insurer or letter of credit provider.

	<b>Fitch</b>	<b>Moody's</b>	<b>S&amp;P</b>
General obligation bonds	AA-	Aaa	AAA
First lien revenue bonds	AA	Aa2	AA-
Intermediate lien revenue bonds	AA-	A1	A+
Subordinate lien revenue bonds	AA-	A2	A+
Passenger facility charge revenue bonds	A+	A1	A+
Fuel hydrant special facility revenue bonds		A1	A-

In February 2021, S&P lowered its long-term rating on the Port's PFC Revenue bonds from A+ to A. Based on the application of updated ratings criteria, S&P also lowered its long-term rating on the Port's GO bonds from AAA to AA-.

Additional information on the Port's debt and conduit debt activities can be found in Note 5 and Note 6, respectively, in the accompanying Notes to Financial Statements.

# Port of Seattle—Enterprise Fund

## Statement of Net Position as of December 31, 2020 and 2019 (in thousands)

Assets and Deferred Outflows of Resources	2020	2019
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 265,547	\$ 157,590
Restricted cash and cash equivalents:		
Bond funds and other	193,707	220,853
Fuel hydrant assets held in trust	3,184	4,110
Short-term investments	147,997	172,906
Restricted short-term investments: bond funds and other	107,582	242,427
Accounts receivable, less allowance for doubtful accounts of \$1,308 and \$2,062	39,087	52,526
Related party receivable—joint venture	5,170	9,648
Grants-in-aid receivable	15,862	10,154
Taxes receivable	1,490	1,114
Materials and supplies	7,908	7,315
Prepayments and other current assets	9,708	7,847
Total current assets	797,242	886,490
<b>Noncurrent Assets:</b>		
Long-term investments	253,052	375,560
Restricted long-term investments:		
Bond funds and other	188,753	541,855
Fuel hydrant assets held in trust	6,769	5,796
Investment in joint venture	229,692	176,179
Net pension asset	23,667	26,390
Other long-term assets	3,358	1,655
<b>Capital Assets:</b>		
Land and air rights	1,987,185	2,006,216
Facilities and improvements	5,755,677	5,597,050
Equipment, furniture, and fixtures	591,793	561,030
Total capital assets	8,334,655	8,164,296
Less accumulated depreciation	(2,798,327)	(2,670,162)
Construction work in progress	1,347,447	1,085,412
Total capital assets—net	6,883,775	6,579,546
Total noncurrent assets	7,589,066	7,706,981
Total assets	8,386,308	8,593,471
<b>Deferred Outflows of Resources:</b>		
Deferred loss on refunding bonds	33,840	36,523
Deferred charges on net pension asset and liability	22,610	16,698
Deferred charges on total other postemployment benefits (OPEB) liability	2,393	1,445
Total deferred outflows of resources	58,843	54,666
<b>Total</b>	<b>\$ 8,445,151</b>	<b>\$ 8,648,137</b>

See Notes to Financial Statements.

(Continued)

# Port of Seattle—Enterprise Fund

## Statement of Net Position as of December 31, 2020 and 2019 (in thousands)

Liabilities, Deferred Inflows of Resources, and Net Position	2020	2019
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 94,051	\$ 119,110
Related party payable—joint venture	7,363	8,793
Payroll and taxes payable	52,947	50,774
Bonds interest payable	42,959	45,907
Customer advances and unearned revenues	21,202	41,586
Current maturities of long-term debt	241,395	211,760
Total current liabilities	459,917	477,930
<b>Noncurrent Liabilities:</b>		
Long-Term Liabilities:		
Net pension liability	51,124	50,626
Environmental remediation liability	61,270	59,906
Bonds interest payable	28,593	25,047
Total OPEB liability	20,436	18,878
Lease securities and other long-term liability	7,230	6,962
Total long-term liabilities	168,653	161,419
Long-Term Debt:		
Revenue and capital appreciation bonds	3,454,298	3,666,356
General obligation bonds	317,128	344,778
Passenger facility charge revenue bonds	35,838	52,662
Fuel hydrant special facility revenue bonds	64,657	69,244
Total long-term debt	3,871,921	4,133,040
Total noncurrent liabilities	4,040,574	4,294,459
Total liabilities	4,500,491	4,772,389
<b>Deferred Inflows of Resources:</b>		
Deferred gain on refunding bonds	6,635	7,063
Deferred credits on net pension asset and liability	18,509	34,233
Deferred credits on total OPEB liability	695	736
Total deferred inflows of resources	25,839	42,032
<b>Net Position:</b>		
Net investment in capital assets	3,266,254	3,212,698
Restricted for:		
Debt service reserves	222,662	264,546
Passenger facility charges	16,798	25,420
Customer facility charges	16,217	25,667
Grants and other	32,390	24,629
Unrestricted	364,500	280,756
Total net position	3,918,821	3,833,716
<b>Total</b>	<b>\$ 8,445,151</b>	<b>\$ 8,648,137</b>

See Notes to Financial Statements.

(Concluded)

# Port of Seattle—Enterprise Fund

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

### for the Years Ended December 31, 2020, 2019, and 2018 (in thousands)

	2020	2019	2018
<b>Operating Revenues:</b>			
Services	\$ 186,488	\$ 296,326	\$ 274,174
Property rentals	284,768	400,235	339,304
Customer facility charge revenues		15,773	16,263
Operating grants and contract revenues	2,702	3,860	3,657
Joint venture income	36,869	47,979	55,992
Total operating revenues	510,827	764,173	689,390
<b>Operating Expenses:</b>			
Operations and maintenance	300,932	335,532	297,321
Administration	78,337	76,413	72,568
Law enforcement	29,411	31,143	27,749
Total operating expenses	408,680	443,088	397,638
Net Operating Income Before Depreciation	102,147	321,085	291,752
Depreciation	180,086	174,971	164,362
Operating (Loss) Income	(77,939)	146,114	127,390
<b>Nonoperating Income (Expense):</b>			
Ad valorem tax levy revenues	76,196	73,801	71,771
Passenger facility charge revenues	34,637	100,004	94,070
Customer facility charge revenues	15,429	22,355	21,802
Noncapital grants and donations	149,913	2,880	1,573
Fuel hydrant facility revenues	6,886	6,742	6,942
Investment income—net	41,406	54,078	26,287
Revenue and capital appreciation bonds interest expense	(133,149)	(105,601)	(100,432)
Passenger facility charge revenue bonds interest expense	(2,670)	(3,547)	(4,368)
General obligation bonds interest expense	(11,850)	(12,492)	(13,414)
Public expense	(6,658)	(12,986)	(5,269)
Environmental expense—net	(5,971)	(118)	(10,600)
Other (expense) income—net	(22,034)	(21,959)	(3,217)
Total nonoperating income—net	142,135	103,157	85,145
Income Before Capital Contributions and Special Items	64,196	249,271	212,535
Capital Contributions	20,909	17,736	43,650
Income Before Special Items	85,105	267,007	256,185
<b>Special Items:</b>			
Environmental expense			(34,923)
Increase in Net Position	85,105	267,007	221,262
<b>Total Net Position:</b>			
Beginning of year	3,833,716	3,566,709	3,345,447
End of year	\$ 3,918,821	\$ 3,833,716	\$ 3,566,709

See Notes to Financial Statements.



# Port of Seattle—Enterprise Fund

## Statement of Cash Flows for the Years Ended

### December 31, 2020, 2019, and 2018 (in thousands)

	2020	2019	2018
<b>Operating Activities:</b>			
Cash received from customers	\$ 451,007	\$ 664,164	\$ 619,205
Cash received from joint venture for support services provided	8,069	7,452	7,291
Customer facility charge receipts		15,773	16,263
Cash paid to suppliers for goods and services	(181,702)	(208,563)	(152,307)
Cash paid to employees for salaries, wages, and benefits	(273,089)	(256,359)	(240,674)
Operating grants and contract revenues receipts	2,702	3,860	3,657
Other	(3,180)	(2,232)	(2,577)
Net cash provided by operating activities	3,807	224,095	250,858
<b>Noncapital and Related Financing Activities:</b>			
Principal payments on GO bonds	(5,730)	(5,450)	(5,180)
Interest payments on GO bonds	(10,194)	(10,473)	(10,739)
Cash paid for environmental remediation liability	(5,730)	(7,719)	(6,215)
Cash paid for public expenses	(5,641)	(12,614)	(4,210)
Ad valorem tax levy receipts	75,819	73,857	71,822
Noncapital grants and donations receipts	149,913	2,880	1,573
Environmental recovery receipts	26,702	4,996	6,733
Net cash provided by noncapital and related financing activities	225,139	45,477	53,784
<b>Capital and Related Financing Activities:</b>			
Proceeds from issuance and sale of revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, PFC bonds, and commercial paper	30,815	545,016	720,461
Proceeds used for refunding of revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, and PFC bonds	(27,455)		
Principal payments on revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, PFC bonds, and commercial paper	(190,635)	(286,545)	(169,210)
Interest payments on revenue bonds, GO bonds, PFC bonds, fuel hydrant special facility revenue bonds, and commercial paper	(173,189)	(165,760)	(149,615)
Acquisition and construction of capital assets	(542,202)	(588,715)	(633,835)
Deposits and proceeds from sale of capital assets	7,595	960	86
Receipts from capital contributions	14,436	18,210	44,542
Passenger facility charge receipts	43,589	93,936	98,041
Customer facility charge receipts	16,770	22,624	21,363
Fuel hydrant facility revenues	6,886	6,742	6,942
Net cash used in capital and related financing activities	\$ (813,390)	\$ (353,532)	\$ (61,225)

See Notes to Financial Statements.

(Continued)

# Port of Seattle—Enterprise Fund

## Statement of Cash Flows for the Years Ended

### December 31, 2020, 2019, and 2018 (in thousands)

	2020	2019	2018
<b>Investing Activities:</b>			
Purchases of investment securities	\$ (331,839)	\$ (353,627)	\$ (564,910)
Proceeds from sales and maturities of investments	975,532	579,125	398,578
Interest received on investments	28,812	34,528	24,840
Cash used to fund investment in joint venture	(76,509)	(40,737)	(42,359)
Cash distributions received from joint venture	65,043	52,250	60,700
Net cash provided by (used in) investing activities	661,039	(271,539)	(123,151)
<b>Net Increase (Decrease) in Cash and Cash Equivalents:</b>			
(including \$0, \$3,290, and \$502 restricted cash and cash equivalents of fuel hydrant assets held in trust reported as restricted long-term investments, respectively)	76,595	187,579	120,266
<b>Cash and Cash Equivalents:</b>			
Beginning of year	385,843	198,264	77,998
End of year	\$ 462,438	\$ 385,843	\$ 198,264
<b>Reconciliation of Operating Income to</b>			
<b>Net Cash Flow from Operating Activities:</b>			
Operating (loss) income	\$ (77,939)	\$ 146,114	\$ 127,390
Miscellaneous nonoperating expense	(3,180)	(2,232)	(2,577)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation	180,086	174,971	164,362
(Increase) Decrease in assets:			
Investment in joint venture	(38,782)	(47,979)	(55,992)
Accounts receivable	2,038	(687)	811
Materials and supplies, prepayments, and other	3,291	8,327	4,918
Net pension asset	2,723	(4,157)	(6,036)
(Increase) Decrease in deferred outflows of resources	(6,860)	(3,680)	1,136
(Decrease) Increase in liabilities:			
Accounts payable and accrued expenses	(17,699)	(15,133)	17,994
Payroll and taxes payable	2,168	6,358	4,267
Customer advances, unearned revenues, and lease securities	(19,602)	(31,492)	4,191
Net pension liability	2,367	(13,640)	(20,614)
Environmental remediation liability	(10,243)	1,301	(167)
Total OPEB liability	1,558	2,140	(888)
(Decrease) Increase in deferred inflows of resources	(16,119)	3,884	12,063
Net cash provided by operating activities	\$ 3,807	\$ 224,095	\$ 250,858
<b>Supplemental Schedule of Noncash Investing, Capital, and Financing Activities:</b>			
Net unrealized investment gain (loss)	\$ 14,728	\$ 17,204	\$ (3,560)

See Notes to Financial Statements.

(Concluded)

## Port of Seattle—Warehousemen’s Pension Trust Fund

### Statement of Fiduciary Net Position as of December 31, 2020 and 2019 (in thousands)

	2020	2019 (Restated)
<b>Assets:</b>		
Cash and cash equivalents	\$ 129	\$ 58
Investments in mutual funds—fair value:		
Fixed income	3,872	3,736
Domestic Equities	3,537	3,048
International equities	3,223	3,048
Total investments	10,632	9,832
Other assets	129	126
Total assets	10,890	10,016
<b>Liabilities:</b>		
Accounts payable	6	6
Net position restricted for pensions	\$ 10,884	\$ 10,010

See Notes to Financial Statements.

# Port of Seattle—Warehousemen’s Pension Trust Fund

## Statement of Changes in Fiduciary Net Position for the Years Ended

### December 31, 2020, 2019, and 2018 (in thousands)

	2020	2019 (Restated)	2018 (Restated)
Additions:			
Employer contributions	\$ 1,500	\$ 1,500	\$ 1,500
Investment income:			
Net appreciation (depreciation) in fair value of investments	995	1,308	(842)
Dividends	255	302	263
Less investment expenses	(35)	(35)	(32)
Net investment income (loss)	1,215	1,575	(611)
Total additions	2,715	3,075	889
Deductions:			
Benefits	1,760	1,791	1,863
Administrative expenses	51	49	49
Professional fees	30	48	28
Total deductions	1,841	1,888	1,940
Net increase (decrease) in net position	874	1,187	(1,051)
Net position restricted for pensions			
Beginning of year	10,010	8,823	9,874
End of year	\$ 10,884	\$ 10,010	\$ 8,823

See Notes to Financial Statements.

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# Port of Seattle

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies

#### Organization

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

#### Reporting Entity

##### Enterprise Fund

The Enterprise Fund accounts for all activities and operations of the Port, except for the activities included as Fiduciary Fund. The Enterprise Fund is used to account for operations and activities that are financed at least in part by fees or charges to external users.

The Port and its Enterprise Fund are composed of three operating divisions, namely, Aviation, Maritime, and Economic Development. The Aviation Division manages SEA serving the predominant air travel needs of a five-county area. SEA has 12 U.S.-flag passenger air carriers (including regional and commuter air carriers) and 9 foreign-flag passenger air carriers providing nonstop service from SEA to 100 cities, including 13 foreign cities. The Maritime Division manages industrial property connected with maritime businesses, recreational marinas, Fishermen's Terminal, cruise, grain, and maritime operations. The Economic Development Division focuses on managing the Port's industrial and commercial properties including conference and event centers, encouraging tourism, developing minority and/or women-owned business opportunities, and providing for workforce development in the aviation, maritime, and construction industries.

##### Joint Venture

The home 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 to the region. On January 1, 2016, the Northwest Seaport Alliance (NWSA), a separate legal governmental entity, was formed. It is established as a Port Development Authority, similar to the Public Development Authorities formed by cities and counties. The commissions of each home port serve as the Managing Members of the NWSA. The NWSA is accounted for as a joint venture by the home ports.

Each home port remains a separate legal entity, independently governed by its own elected commissioners. The NWSA is governed by its Managing Members, with each Managing Member acting pursuant to the Charter through its elected commissioners. The Managing Members appoint a Chief Executive Officer who is responsible for hiring staff and entering into service agreements with the home ports as needed. In addition, both home ports may provide services through shared service agreements with a portion of staff time allocated to and paid by the NWSA. The NWSA has its own annual operating budget and five-year capital investment plan. The home ports contribute to capital construction projects subject to the Managing Members' approval. Capital funding does not come from working capital.

Each home port has granted the NWSA a license for the NWSA's exclusive use, operation, and management of certain facilities, including the collection of revenues. Accounting for revenues and expenses associated with licensed properties becomes the responsibility of the NWSA. The NWSA was designed to support the credit



profiles of both ports, and its financial framework preserves both home ports' commitment to financial stewardship. The home ports are committed to ensuring that existing bond pledges and covenants will not be negatively affected. As the Charter prohibits the NWSA from issuing debt and to maintain the rights of each home port's existing bondholders, bonds outstanding will remain obligations of each home port.

### **Fiduciary Fund**

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

### **Blended Component Unit**

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

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

A copy of the separate financial statements for the IDC may be obtained at:

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

### **Basis of Accounting**

The Port is accounted for on a flow of economic resources measurement focus. The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. as applied to governmental units using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant Port accounting policies are described below.

### **Use of Estimates**

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

## Significant Risks and Uncertainties

The Port is subject to certain business and casualty risks that could have a material impact on future operations and financial performance. Business risks include economic conditions; collective bargaining disputes; security; litigation; federal, state, and local government regulations; changes in law; and unforeseen and unpredictable events such as the novel coronavirus (COVID-19) pandemic. Casualty risks include natural or man-made events that may cause injury or other damage at Port facilities. The Port has a comprehensive risk management program that protects the Port against loss from various adverse casualty events to its property, operations, third-party liabilities, and employees. The Port carries excess commercial insurance to provide financial means to recover from many of these potential events or losses. The excess commercial insurance coverage is above a self-insured retention that the Port maintains. The Port is a qualified workers compensation self-insurer in the state and administers its own workers compensation claims. Claims, litigation, and other settlements have not exceeded the limits of available insurance coverage in any of the past three years, when insurance was applicable.

The Port is self-insured for the majority of its sponsored healthcare plans. Employees covered by these plans pay a portion of the premiums for their coverage. The Port purchased a stop-loss insurance policy for the self-insured healthcare plan to limit the Port's individual claims liability per year up to \$250,000 and \$200,000 in 2020 and 2019, respectively and to 200% and 125% of expected claims in aggregate for 2020 and 2019, respectively. The increase in the stop loss retention was based on claims analysis of past and projected future activities. Healthcare benefit claims liabilities are not discounted to present value as nearly all healthcare claims are current in nature. The estimated liability is based on actual claims that have been submitted and authorized for payment as well as actuarially determined claims incurred but not reported. The estimated liability is included in payroll and taxes payable in the Statement of Net Position.

The following table reflects the changes in the claim liabilities for the years ended December 31 (in thousands). Claim payments made during the current year include associated incremental costs such as administration expenses and stop-loss insurance policy premiums. Employees' cost sharing portion of the healthcare plan and retirees' payments for participating in the Port's healthcare plan made during the current year are included as "Other" in the following table. Retirees' participation in the Port's healthcare plan is not implicitly or explicitly subsidized. Effective January 1, 2019, retirees could no longer participate in the Port's healthcare plan.

<b>Years ended December 31,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 1,253	\$ 1,249	\$ 579
Current year claims and changes in estimates	15,320	16,553	14,193
Claim payments	(17,276)	(18,090)	(15,091)
Other	1,697	1,541	1,568
Ending balance	\$ 994	\$ 1,253	\$ 1,249

## Compensated Absences

Eligible Port employees accrue paid time off and sick leave. The paid time off accrual rates increase based on length of service. A stipulated maximum of paid time off may be accumulated by employees while there is no maximum limit to the amount of sick leave accrual that can be accumulated. Terminated employees are entitled to be paid for unused paid time off. Under certain conditions, terminated employees are entitled to be paid for a portion of unused sick leave accrual. The following table reflects the changes in accrued paid time off and sick leave liabilities for the years ended December 31 (in thousands). The estimated liability is included in payroll and taxes payable in the Statement of Net Position.

<b>Years ended December 31,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 28,257	\$ 26,166	\$ 24,459
Earned	25,483	23,266	21,402
Used and forfeiture	(20,204)	(21,175)	(19,695)
Ending balance	\$ 33,536	\$ 28,257	\$ 26,166

## Employee Benefits

The Port offers its eligible represented and non-represented employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (the 457 Plan). The Port also sponsors three 401(a) defined contribution plans. Employees in the 457 and 401(a) plans are able to direct their funds to any investment options available in the respective plans, and the Port places the plans' assets in separate trusts as required under the Small Business Job Protection Act of 1996. As such, the related assets and liabilities are not included in the Port's financial statements.

The three 401(a) defined contribution plans are as follows:

- The Port offers a 401(a) Supplemental Savings Plan for non-represented employees. This plan establishes a 401(a) tax-deferred savings account for each eligible employee. The Port matches employee contributions to their deferred compensation plan under the 457 Plan with a dollar-for-dollar contribution to the 401(a) Plan up to a fixed maximum of \$2,200 per participant, per year. The amount of the matching contribution is based on employee tenure.
- The Port contributes to the 401(a) Police Retirement Plan in lieu of Social Security contributions for represented uniformed law enforcement officers. The Port also contributes to the 401(a) Police Retirement Plan in lieu of pension contributions for uniformed law enforcement officers who are precluded by state law from participating in the statewide public employee retirement plans administered by the Department of Retirement Systems (DRS).
- The Port contributes to the 401(a) Fire Fighters Retirement Plan in lieu of Social Security contributions for represented fire fighters. The Port also contributes \$1.15 per hour worked by each employee to the participant's 401(a) account as an additional payment.

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

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

	DRS	Warehousemen's Pension Trust	Total
<b>2020</b>			
Pension assets	\$ 23,667	\$	\$ 23,667
Pension liabilities	45,946	5,178	51,124
Deferred outflows of resources	22,610		22,610
Deferred inflows of resources	17,778	731	18,509
Pension expense	3,727	(19)	3,708
<b>2019</b>			
Pension assets	\$ 26,390	\$	\$ 26,390
Pension liabilities	43,579	7,047	50,626
Deferred outflows of resources	16,698		16,698
Deferred inflows of resources	33,856	377	34,233
Pension expense	1,709	674	2,383

## Investments and Cash Equivalents

All short-term investments with a maturity of three months or less at the date of purchase are considered to be cash equivalents except for the restricted portion of the fuel hydrant assets held in trust not used to pay the current maturities of Fuel Hydrant Special Revenue Bonds plus accrued interest that is reported as restricted

long-term investments in the Statement of Net Position. Investments are carried at fair value plus accrued interest receivable. Investments are stated at fair value, which is the price that would be received in an orderly transaction between market participants at the measurement date. Unrealized gains or losses due to market valuation changes are recognized in investment income—net in the Statement of Revenues, Expenses, and Changes in Net Position.

### Accounts Receivable and Allowance for Doubtful Accounts

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

### Grants-in-Aid Receivable

The Port receives federal and state grants-in-aid funds on a reimbursement basis for all divisions, mostly related to construction of SEA and Maritime facilities and other capital activities, along with operating and nonoperating grants to perform enhancements in both SEA and Maritime security as well as environmental prevention/remediation programs.

### Materials and Supplies

Materials and supplies are recorded at cost. The Port's policy is to expense materials and supplies when used in operations and to capitalize amounts used in capital projects as construction work in progress.

### Investments in Joint Venture

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

### Capital Assets

Capital assets are stated at cost, less accumulated depreciation. Costs applicable to airport noise damage remedies, together with the cost of litigation, in exchange for air rights are generally recorded as intangible capital assets. The Port's policy is to capitalize all asset additions equal to or greater than \$20,000 and with an estimated life of three years or more. Depreciation is computed on a straight-line basis. Buildings and improvements are assigned lives of 30 to 50 years, equipment three to 20 years, and furniture and fixtures five to 10 years. The Port periodically reviews its long-lived assets for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly.

### Operating and Nonoperating Revenues

Fees for services, rents, charges for the use of Port facilities, airport landing fees, operating grants, a portion of Customer Facility Charges (CFC) revenues, and other revenues generated from operations as well as joint venture income are reported as operating revenues. Ad valorem tax levy revenues, noncapital grants and donations, Passenger Facility Charges (PFC) revenues, the remaining portion of CFC revenues for debt service payments, fuel hydrant facility revenues, and other income generated from nonoperating sources are classified as nonoperating revenues.

## Operating and Nonoperating Expenses

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

## Nonexchange Transactions

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

- For derived revenue transactions, such as PFC and CFC, the Port recognizes receivables in the period when the exchange transaction on which the fee/charge is imposed occurs or records cash when received, whichever occurs first. Revenue is recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the receivables are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as unearned revenues until the period of the exchange.
- For imposed nonexchange revenue transactions, such as ad valorem tax levy revenues, the Port recognizes receivables in the period when an enforceable legal claim to the receivables arises, i.e. lien date, or records cash when received, whichever occurs first. Resources received in advance of the lien date are reported as deferred inflows of resources.
- For government-mandated nonexchange transactions and voluntary nonexchange transactions, such as grant programs, resources received before the eligibility requirements are met (excluding time requirements) are reported as unearned revenues. Resources received before time requirements are met, but after all other eligibility requirements have been met, are reported as deferred inflows of resources.

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

On March 27, 2020, the U.S. Congress passed the Coronavirus Aid, Relief and Economic Security (CARES) Act, which included \$10 billion of funding to support U.S. airports that experienced severe economic disruption caused by the COVID-19 public health emergency. The funds were distributed to eligible airports to prevent, prepare for, and respond to the impacts of this emergency. The funds were provided directly from the U.S. Treasury's General Fund, and the Federal Aviation Administration (FAA) Office of Airports administered the grant funds to these airports. SEA was awarded a \$192,133,000 federal grant to help lessen the significant economic stress affecting the airport. As of December 31, 2020, SEA applied and received \$147,148,000 of the awarded federal grant and the remaining \$45,000,000 is allocated to 2021.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriation (CRRSA) Act was signed into law. It included nearly \$2 billion of economic relief for eligible U.S. airports and airport concessions. The FAA established the Airport Coronavirus Response Grant Program (ACRGP) to distribute this relief. SEA was awarded \$37,365,000 ACRGP grant to lessen the economic stress affecting the airport. SEA was also awarded \$5,355,000 of concession relief. It will provide tenant relief from rent and other minimum annual guarantee payments to on-airport car rental, on-airport parking, and in-terminal airport concessions.

On March 11, 2021, the American Rescue Plan (ARP) Act was signed into law providing additional relief for the pandemic. The ARP Act included \$8 billion of funding for U.S. airports to cover costs of operations, personnel, cleaning, and also included additional rent relief and mitigation for other costs incurred by airport



concessionaires that are small businesses and minority-owned. At this time, the Port is awaiting guidance from the FAA on the allocation and eligibility requirements for this relief.

### Passenger Facility Charges

As determined by applicable federal legislation, which is based upon passenger enplanements, PFC generated revenues are expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds. PFC revenues received from the airlines at \$4.5 per passenger are recorded as nonoperating income in the Statement of Revenues, Expenses, and Changes in Net Position.

### Customer Facility Charges

CFC-generated revenues received from rental car companies at \$6 per transaction day are expended by the Port for eligible capital projects, the payment of principal and interest on specific revenue bonds funding the Rental Car Facility (RCF) at SEA, and certain related operating expenses. A portion of CFC revenues is recorded as operating revenues as it is associated with the operation of the RCF. The remaining portion of CFC revenues is recorded as nonoperating income in the Statement of Revenues, Expenses, and Changes in Net Position.

### Ad Valorem Tax Levy

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

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 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 revaluation of all property is required every two years. Taxes are due in two equal installments on April 30 and October 31. Collections are distributed daily to the Port by the County Treasurer.

### Airline Rates and Charges

On February 27, 2018, the Commission approved Signatory Lease and Operating Agreement (SLOA IV), which is materially similar to SLOA III. SLOA IV is in effect for the period of January 1, 2018, through December 31, 2022. SLOA IV is a hybrid-compensatory rate setting methodology. Under SLOA IV, aeronautical rates are set to recover both operating and capital costs by cost center. Key provisions include: (1) cash-funded assets included in capital recovery formulas extending back to 1992, (2) SEA does not recover costs relating to vacant publicly accessible office space (costs associated with all other airline space are fully recovered), (3) cost recovery formulas permit the Port to charge the airlines 100% of annual debt service allocated to the airlines (unless the Port determines in its sole discretion that a charge above 100% of annual airline debt service is necessary to maintain the total SEA revenue bond coverage at 1.25 times the sum of the annual debt service), and (4) revenue sharing of the cash flow available for debt service above 125% of annual debt service is credited to the signatory airlines as follows: 40% for 2018, 20% for 2019, and no revenue sharing for 2020–2022. Settlement calculations comparing 2020 revenue requirements and invoices billed in 2020 for each cost center and for all airlines have been reflected in the 2020 financial statements.

### Lease Securities

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

## Environmental Remediation Liability

The Port's policy requires accrual of an environmental remediation liability when (a) one of the following specific obligating events is met, and (b) the amount can be reasonably estimated. Obligating events include imminent endangerment to the public, permit violation, named as a party responsible for sharing costs, named in a lawsuit to compel participation in pollution remediation, or commenced or legally obligated to commence pollution remediation. Potential cost recoveries such as insurance proceeds, if any, are evaluated separately from the Port's environmental remediation liability. Costs incurred for environmental remediation liability are typically recorded as nonoperating environmental expenses unless the expenditure relates to the Port's principal ongoing operations, in which case it is recorded as operating expense. Costs incurred for environmental cleanups can be capitalized if they meet specific criteria. Capitalization criteria include: preparation of property in anticipation of a sale, preparation of property for use if the property was acquired with known or suspected pollution that was expected to be remediated, performance of pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment, or acquisition of property, plant, and equipment that has a future alternative use not associated with pollution remediation efforts.

## Debt Discount and Premium

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

## Refunding and Defeasance of Debt

The Port has legally defeased certain bonds by placing proceeds, either in the form of new bond proceeds or existing Port cash, in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not recorded on the accompanying financial statements. As of December 31, 2020 and 2019, the total defeased, but unredeemed, bonds outstanding totaled \$15,910,000 and \$1,185,000, respectively.

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

## Special Items

From the settlement negotiations with the Elliot Bay Trustee Council (EBTC) in 2018, the Port recorded, as a special item, a \$34,923,000 environmental expense reflecting the cost to construct a habitat restoration project. The Port is in continued negotiation with EBTC.

## Net Position

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

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted: Net position subject to externally imposed stipulations on their use.
- Unrestricted: All remaining net position not meeting the definition of "net investment in capital assets" or "restricted."

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

## Recently Adopted Accounting Standards and Adjustments

In 2020, the Port adopted the following new accounting standards.

- In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources statement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The statement is effective for periods beginning after December 15, 2019. The Port applied this Statement on a prospective basis, and interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated. As of December 31, 2020 and 2019, interest expense costs capitalized were \$0 and \$28,293,000, respectively. The related disclosure was removed from Note 5 in the accompanying Notes to Financial Statements.
- In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for the periods beginning after June 15, 2018, and later. This statement is effective upon issuance. As a result, the Port will postpone implementation of Statement No. 87.
- In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This statement provides guidance to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Some requirements of this statement related to defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans are effective upon issuance. The remaining requirements are effective for periods beginning after June 15, 2021. The Port adopted this statement and concluded that the three 401(a) defined contribution plans and the 457 Plan no longer meet the criteria to be reported as fiduciary activities and to be presented as fiduciary funds. As a result, the Port restated the 2019 and 2018 financial statements by removing the three 401(a) defined contribution plans from the Statement of Fiduciary Net Position as of December 31, 2019, the Statement of Changes in Fiduciary Net Position for the years ended December 31, 2019 and 2018 and the related accompanying Notes to Financial Statements. The additional disclosure information was implemented when the Port adopted GASB Statement No. 84, *Fiduciary Activities* in 2019.

In 2019, the Port adopted the following new accounting standards:

- In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement is effective for periods beginning after June 15, 2018. The adoption of this standard did not have a material impact to the Port's financial statements.
- In April 2018, the GASB issued Statement No. 88, *Certain Disclosure Related to Debt*, including Direct Borrowings and Direct Placement. This statement establishes new guidance designed to enhance debt-related disclosures in notes to the financial statements, including those addressing direct borrowing and direct placement. It also clarifies which liabilities governments should include in their note disclosures related to debt. The new standard defines debt for purposes of disclosure in notes to the financial statements as a

liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The statement is effective for periods beginning after June 15, 2018. Additional disclosure information can be found in Note 5 in the accompanying Notes to Financial Statements.

### Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of a contractual right to use another entity's nonfinancial assets (the underlying asset) for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, except for certain regulated leases, such as SLOA IV, and a lessee is required to recognize a lease liability and an intangible right-to-use leased assets, thereby enhancing the relevance and consistency of information about the government's leasing activities. The statement is effective for periods beginning after June 15, 2021, as amended by GASB Statement No. 95. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. This statement provides guidance clarifying the existing definition of a conduit debt obligation, establishes that a conduit debt obligation is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improves required note disclosures. The statement is effective for periods beginning after December 15, 2021, as amended by GASB Statement No. 95. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This Statement addresses a variety of topics, including specific provisions related to leases, certain intra-entity transfers between a primary government and a component unit's defined benefit pension plan or defined benefit OPEB plan, reporting of OPEB plan assets accumulated outside of a qualified trust, certain requirements related to fiduciary activities' postemployment benefit arrangements, measurement of asset retirement obligations resulting from a government acquisition, public entity risk pools, fair value measurements, and derivative instrument terminology. The statement is effective for periods beginning after June 15, 2021, as amended by GASB Statement No. 95. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate. The removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate is effective for periods ending after December 31, 2022, as amended by GASB Statement No. 95. All other requirements of this Statement are effective for periods beginning after June 15, 2021, as amended by GASB Statement No. 95. This statement did not apply to the Port.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement provides guidance to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). APAs are agreements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The statement is effective for periods beginning after June 15, 2022. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement defines an SBITA, establishes that an SBITA results in a right-to-

use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments (including implementation costs of an SBITA), and requires note disclosures regarding an SBITA. The statement is effective for periods beginning after June 15, 2022. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

### Reclassifications and Presentation

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

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## Note 2. Deposits with Financial Institutions and Investments

### Deposits

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

### Investments

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

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



sequential pay classes of collateralized mortgage obligations collateralized by 15-year agency-issued pooled mortgage securities and having a stated final maturity not exceeding the maturity limits of the Port's investment policy.

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

In May 2018, the Port's investment policy was amended to add the Washington State Local Government Investment Pool (LGIP), an unrated 2a-7 like pool, to the list of authorized investments.

The LGIP is an external investment pool operated by the Office of the State Treasurer (OST). The LGIP is managed in a manner generally consistent with Rule 2a-7 money market funds, as currently recognized by the Securities and Exchange Commission. Investments are stated at amortized cost, which approximates fair value. The State Treasurer establishes and reviews (at least annually) the LGIP's investment policy, and proposed changes to the policy are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

### Fair Value Measurement and Application

The Port categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The Port used the following valuation techniques in its fair value measurement. Investment securities classified in Level 1 were valued using prices quoted in active markets for identical securities, and Level 2 were valued using quoted market prices for similar assets or liabilities in active markets. The Port did not have any Level 3 investments.

The Port's investment portfolio in LGIP, managed similarly as a 2a-7 money market fund, or Wells Fargo Government Institutional Money Market Fund (WFGMMF), were not subject to fair value application and were measured at amortized cost.

### Investment Portfolio

As of December 31, 2020 and 2019, restricted investments—bond funds and other were \$490,042,000 and \$1,005,135,000, respectively. These are primarily unspent bond proceeds designated for capital improvements to the Port's facilities and for debt service reserve fund requirements. Others include cash receipts from PFCs, CFCs, and lease securities.

The following tables identify the types and concentration of investments by issuer, and maturities of the Port's investment pool (in thousands). As of December 31, 2020 and 2019, the LGIP investment was 39.8% and 22.2% of the Port's total investment pool, respectively.

Investment type	Fair value	Maturities (in Years)			Percentage of total portfolio
		Less than 1	1–3	More than 3	
2020					
Washington State Local Government Investment Pool *	\$ 459,254	\$ 459,254	\$	\$	39.8%
Level 1					
U.S. Treasury Notes	122,892	70,098		52,794	10.7
Level 2					
Federal agencies securities:					
Federal Farm Credit Banks	216,193	80,812	20,824	114,557	18.7
Federal Home Loan Bank	218,743	52,482	6,862	159,399	19.0
Federal Home Loan Mortgage Corporation	103,240	20,123	83,117		9.0
Federal National Mortgage Association	32,142	25,182	6,960		2.8
Total portfolio	\$ 1,152,464	\$ 707,951	\$ 117,763	\$ 326,750	100.0%
Accrued interest receivable	4,174				
Total cash, cash equivalents, and investments	\$ 1,156,638				
Percentage of total portfolio	100.0%	61.4%	10.2%	28.4%	
2019					
Washington State Local Government Investment Pool *	\$ 378,443	\$ 378,443	\$	\$	22.2%
Level 1					
U.S. Treasury Notes	269,794	200,098	69,695		15.8
Level 2					
Federal agencies securities:					
Federal Farm Credit Banks	444,449	90,395	126,490	227,564	26.1
Federal Home Loan Bank	381,572	50,611	77,293	253,669	22.4
Federal Home Loan Mortgage Corporation	167,856	60,044	53,847	53,965	9.9
Federal National Mortgage Association	60,885	4,997	34,985	20,903	3.6
Total portfolio	\$ 1,702,999	\$ 784,588	\$ 362,310	\$ 556,101	100.0%
Accrued interest receivable	8,192				
Total cash, cash equivalents, and investments	\$ 1,711,191				
Percentage of total portfolio	100.0%	46.1%	21.3%	32.6%	

\* Includes \$2,984,000 and \$2,746,000 of cash as of December 31, 2020 and 2019, respectively.

## Investment Authorized by Debt Agreements

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

The following tables identify the types and concentration of investments by issuer and maturities of the Fuel Hydrant Investment Pool (in thousands). As of December 31, 2020 and 2019, 32% and 74.8%, respectively, of the Fuel Hydrant Investment Pool were invested in the WFGMMF with security holdings having maturity limits no longer than 13 months. The WFGMMF holds securities authorized by the statutes, which means at least 80% of the investments are invested in U.S. government obligations, including repurchase agreements collateralized by U.S. government obligations. The remainder of the WFGMMF was invested in AAA rated high-quality, short-term money market instruments. Current credit ratings of the WFGMMF are AAAm from S&P and Aaa-mf from Moody's. S&P rates the creditworthiness of money market funds from AAAm (highest) to Dm (lowest). Moody's rates the creditworthiness of money market funds from Aaa-mf (highest) to C-mf (lowest). The balance of the Fuel Hydrant Investment Pool was invested in U.S. Treasury Notes and AAA and AA+ rated U.S. government agency securities. A portion of the proceeds from the Fuel Hydrant bonds, along with monthly facilities rent, are held by the Trustee to satisfy the debt service reserve fund requirement, to make debt service payments, and to pay Trustee and other bond-related fees.

Investment type	Fair value	Maturities (in Years)			Percentage of total portfolio
		Less than 1	1–3	More than 3	
2020					
Wells Fargo Government Institutional Money Market Fund	\$ 3,184	\$ 3,184	\$	\$	32.0%
Level 1					
U.S. Treasury Notes	507		507		5.1
Level 2					
Federal agencies securities:					
Federal Home Loan Bank	1,005	1,005			10.1
Federal National Mortgage Association	5,241			5,241	52.8
Total portfolio	\$ 9,937	\$ 4,189	\$ 507	\$ 5,241	100.0%
Accrued interest receivable	16				
Total cash, cash equivalents, and investments	\$ 9,953				
Percentage of total portfolio	100.0%	42.2%	5.1%	52.7%	

(Continued)

Investment type	Fair value	Maturities (in Years)			Percentage of total portfolio
		Less than 1	1–3	More than 3	
2019					
Wells Fargo Government Institutional Money Market Fund	\$ 7,400	\$ 7,400	\$	\$	74.8%
Level 1					
U.S. Treasury Notes					
Level 2					
Federal agencies securities:					
Federal Home Loan Bank	993		993		10.0
Federal National Mortgage Association	1,499	1,499			15.2
Total portfolio	\$ 9,892	\$ 8,899	\$ 993	\$	100.0%
Accrued interest receivable	14				
Total cash, cash equivalents, and investments	\$ 9,906				
Percentage of total portfolio	100.0%	90.0%	10.0%		

(Concluded)

### Interest Rate Risk

Interest rate risk is the risk that an investment's fair value decreases as market interest rates rise. The Port manages its exposure to this risk by setting maturity limits and duration targets in its investment policy. The investment pool is managed similarly to a short-term fixed income fund. The modified duration of the portfolio, by policy, has a 2 target plus or minus 50 basis points (2 is an approximate average life of 27 months). For 2020 and 2019, the modified duration of the portfolio was approximately 2.3 and 2.5, respectively. Securities in the portfolio cannot have a maturity longer than 10 years from the settlement date. The LGIP is limited to high-quality obligations with limited maximum (in general, final maturity will not exceed 397 days) and average maturities [weighted average maturity (WAM) will not exceed 60 days], the effect of which is to minimize both market and credit risk. High-quality, highly liquid securities, with relatively short average maturities reduce the LGIP's price sensitivity to market interest rate fluctuations. As of December 31, 2020 and 2019, the LGIP WAM was 49 days and 51 days, respectively.

As of December 31, 2020 and 2019, the modified duration of the Fuel Hydrant Investment Pool was approximately 2.5 and 0.2, respectively. As of December 31, 2020 and 2019, \$3,184,000 and \$7,400,000, respectively, of the Fuel Hydrant Investment Pool was invested in the WFGMMF, was uninsured, and was registered in the name of the Trustee.

### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counter-party, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To mitigate this risk, the Port's investment policy requires that all security transactions, including repurchase agreements, are settled on a delivery versus payment basis. This means that payment is made simultaneously with the receipt of the securities. The securities are delivered to the Port's safekeeping bank, with the exception of the LGIP. The LGIP investment policy requires that both purchased and collateral securities be held by the master custodian, currently Northern Trust, acting as an independent third party, in its safekeeping or trust department. LGIP participants may contribute and withdraw funds on a daily basis. Participants must inform the OST of any contribution or withdrawal over \$1 million no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for \$1 million or less can be requested at any time prior to 10 a.m. on the day of the transaction. However, participants may complete transactions greater than \$1 million when notification is made between 9 a.m. and 10 a.m., at the sole discretion of the OST. All participants are required to file with the OST documentation containing the names and titles of the officials authorized to contribute or withdraw funds.

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### Note 3. Accounting for Leases

The Port enters into operating leases with tenants for the use of properties, including Maritime Division cruise terminals and maritime industrial properties, Aviation Division space and land rentals with minimum annual guarantees, and Economic Development Division commercial and industrial properties. As the leased properties involved are in part used by internal Port operations, it is not reasonably determinable to segregate the value of the assets associated with producing minimum rental income from the value of the assets associated with an entire facility. For the years ended December 31, 2020, 2019, and 2018, the Port recognized contingent rent revenue of \$304,094,000, \$430,335,000 and \$348,763,000, respectively. Under certain lease agreements, contingent rent, which comes primarily from concessions and airline agreements, provides for an additional payment to the Port beyond the fixed rent. Contingent rent is based on the tenant's operations, including but not limited to usage, revenues, or volumes.

Minimum future rental income on noncancelable operating leases on Maritime terminals, SEA facilities, and Economic Development properties are as follows (in thousands):

**Years ended December 31,**

2021	\$ 74,955
2022	62,562
2023	44,957
2024	36,543
2025	32,437
Thereafter	352,565
Total	\$ 604,019

In 2020, the Commission authorized short-term economic relief to customers, airlines, concessionaires and tenants located at various Port properties to address impacts of the economic crisis resulting from the COVID-19 pandemic. Therefore, the Port established a Deferral Payment Program with its customers for the financial sustainability of the Port's operations given the public health measures imposed on the Port and its customers. For the year ended December 31, 2020, the amount of operating revenues, mainly related to property rentals, included in the Deferral Payment Program was \$61,122,000. As of December 31, 2020, the outstanding amount included in current accounts receivable was \$10,860,000. The majority of the repayment periods for the outstanding balances range from six months to thirty months.

Effective June 2003, the Port entered into a fuel system lease with SeaTac Fuel Facilities LLC, whereby the members are some of the commercial air carriers currently operating at SEA. The lessee payments of facilities rent are made directly to a trustee in the amounts and at the times required to pay the principal and premium, if any, and interest on the Special Facility Revenue Bonds issued to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at SEA. The fuel system is intended to be the exclusive system for storage and delivery to commercial air carriers of jet aircraft fuel at SEA. The lease, which represents an unconditional obligation of the lessee, extends until the later of July 31, 2033, or the repayment of the bonds. SeaTac Fuel Facilities LLC was created by a consortium of airlines operating at SEA for the purpose of entering the lease and managing the fuel hydrant system. The future rental income is based on debt service requirements which are as follows: \$7,022,000 for 2021, \$7,023,000 for 2022, \$7,023,000 for 2023, \$6,996,000 for 2024, \$6,985,000 for 2025, and \$47,878,000 for the years thereafter; these amounts are not included in the table above. All special facility lease revenues are restricted and are to be used solely for debt service on the bonds and not for Port operations.



## Note 4. Capital Assets

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

	Beginning balance	Additions/ transfers	Retirements/ transfers	Ending balance
<b>2020</b>				
Capital assets, not being depreciated:				
Land and air rights	\$ 2,006,216	\$ 168	\$ (19,199)	\$ 1,987,185
Art collections and others	9,017			9,017
Total	2,015,233	168	(19,199)	1,996,202
Capital assets being depreciated:				
Facilities and improvements	5,596,821	228,683	(70,056)	5,755,448
Equipment, furniture, and fixtures	552,242	45,054	(14,291)	583,005
Total	6,149,063	273,737	(84,347)	6,338,453
Total capital assets	8,164,296	273,905	(103,546)	8,334,655
Less accumulated depreciation for:				
Facilities and improvements	(2,364,754)	(145,908)	38,973	(2,471,689)
Equipment, furniture, and fixtures	(305,408)	(34,178)	12,948	(326,638)
Total	(2,670,162)	(180,086)	51,921	(2,798,327)
Construction work in progress	1,085,412	542,327	(280,292)	1,347,447
Total capital assets—net	\$ 6,579,546	\$ 634,146	\$ (331,917)	\$ 6,883,775
<b>2019</b>				
Capital assets, not being depreciated:				
Land and air rights	\$ 2,002,045	\$ 4,272	\$ (101)	\$ 2,006,216
Art collections and others	9,017			9,017
Total	2,011,062	4,272	(101)	2,015,233
Capital assets being depreciated:				
Facilities and improvements	5,333,675	310,996	(47,850)	5,596,821
Equipment, furniture, and fixtures	477,768	85,428	(10,954)	552,242
Total	5,811,443	396,424	(58,804)	6,149,063
Total capital assets	7,822,505	400,696	(58,905)	8,164,296
Less accumulated depreciation for:				
Facilities and improvements	(2,247,668)	(143,490)	26,404	(2,364,754)
Equipment, furniture, and fixtures	(283,898)	(31,481)	9,971	(305,408)
Total	(2,531,566)	(174,971)	36,375	(2,670,162)
Construction work in progress	867,395	617,178	(399,161)	1,085,412
Total capital assets—net	\$ 6,158,334	\$ 842,903	\$ (421,691)	\$ 6,579,546

For the years ended December 31, 2020 and 2019, net loss on sale and disposition of capital assets of \$44,029,000 and \$21,572,000, respectively, was recorded in nonoperating other (expense) income—net in the Statement of Revenues, Expenses, and Changes in Net Position. In 2020, the Aviation Division recognized losses of \$43,368,000 from demolitions, retirement, and sale of capital assets. The most significant losses of 2020 were due to retirements related to construction of a new baggage handling system at SEA resulting in a loss of \$22,668,000. In February 2020, the Port completed the sale of land to the Washington State Department of Transportation (WSDOT) for use in construction of the State's future State Route 509 and proposed south access to SEA. The Port received proceeds of \$7,410,000 from the WSDOT, resulting in a loss on the sale of \$11,789,000. Ongoing construction of North Satellite Modernization Project at SEA resulted in the retirement of infrastructure assets yielding a loss of \$2,085,000 while renovation of an aircraft sewage facility generated a loss on retirement of \$3,634,000.

In 2019, the Aviation Division recognized losses of \$19,717,000 from demolitions, retirement, and sale of capital assets. The most significant losses were retirements of \$13,954,000 related to the first phase of the North Satellite Modernization Project to complete the expansion and renovation of a 46-year-old terminal at SEA, opened in 2019. An additional \$2,035,000 loss of retirements were related to the Baggage System from the Checked Baggage Optimization programs at SEA. In 2019, the Port also recorded losses of \$2,058,000 from retirement of capital assets related to the Terminal 5 Modernization Project on facilities licensed to the NWSA. Modernization of Terminal 5 would allow container vessels up to 18,000 Twenty-Foot Equivalent Unit (TEU) to call at this terminal.

In February 2021, the Commission approved the acquisition of a 14.3-acre WSDOT-owned parcel in Des Moines, Washington. The purchase price was \$2,900,000 and related fees, including predevelopment costs, due diligence and feasibility studies, with closing expected in the second quarter of 2021. This property will support development of an adjacent Port-owned property and add value to the overall development of the Des Moines Creek Business Park.

## Note 5. Long-Term Debt

The Port's long-term debt outstanding as of December 31, 2020, consists of the following (in thousands):

Bond type (by Bond issue)	Coupon rates (%)	Maturity dates	Beginning balance	Principal payments and refundings	Issuance	Ending balance
Revenue bonds:						
First lien:						
Series 2003 A	5.25	2021	\$ 25,020	\$ 12,190	\$	\$ 12,830
Series 2009 B-2	0 *	2025-2031	22,000			22,000
Series 2011 B	5	2021-2026	64,965	7,175		57,790
Series 2016 B	5	2021-2032	122,820	6,935		115,885
Series 2016 C	1.65-3.32	2021-2032	5,870	395		5,475
Total			240,675	26,695		213,980
Intermediate lien:						
Series 2010 B	4.25-5	2022-2040	196,130	11,135		184,995
Series 2010 C	5	2022-2024	77,135	28,735		48,400
Series 2012 A	3-5	2021-2033	302,555			302,555
Series 2012 B	5	2021-2024	83,305	15,090		68,215
Series 2013	4.5-5	2022-2029	127,155			127,155
Series 2015 A	3-5	2021-2040	68,370	1,950		66,420
Series 2015 B	5	2021-2035	211,945	23,295		188,650
Series 2015 C	5	2021-2040	212,695	6,885		205,810
Series 2016	4-5	2025-2030	99,095			99,095
Series 2017 A	5	2027-2028	16,705			16,705
Series 2017 B	2.23-3.76	2021-2036	248,565	15,295		233,270
Series 2017 C	5-5.25	2021-2042	312,245	7,410		304,835
Series 2017 D	5	2021-2027	82,550	8,615		73,935
Series 2018 A	3.85-5	2021-2043	470,430	3,910		466,520
Series 2018 B	5	2021-2028	83,855	7,560		76,295
Series 2019	4-5	2021-2044	457,390			457,390
Total			3,050,125	129,880		2,920,245
Subordinate lien:						
Series 1997	0.12 **	2022	28,430	9,195		19,235
Series 1999 A	5.5	2020	14,380	14,380		
Series 2008	0.12 **	2033	158,300			158,300
Commercial paper	0.18	2021	17,655		30,815	48,470
Total			218,765	23,575	30,815	226,005
Revenue bond totals			\$ 3,509,565	\$ 180,150	\$ 30,815	\$ 3,360,230

(Continued)

\* Capital Appreciation Bonds have a zero coupon rate. The approximate maximum yield to maturity is 7.4%.

\*\* Variable interest rates as of December 31, 2020.

<b>Bond type (by Bond issue)</b>	<b>Coupon rates (%)</b>	<b>Maturity dates</b>	<b>Beginning balance</b>	<b>Principal payments and refundings</b>	<b>Issuance</b>	<b>Ending balance</b>
General obligation bonds:						
Series 2011	5.25–5.75	2021–2025	\$ 35,270	\$ 5,305	\$	\$ 29,965
Series 2013 A	4–5	2021–2023	27,630			27,630
Series 2013 B	2.17–2.77	2021–2025	14,295	10,240		4,055
Series 2015	4–5	2021–2040	136,300	5,850		130,450
Series 2017	5	2021–2042	121,975	2,900		119,075
Total			335,470	24,295		311,175
Passenger facility charge revenue bonds:						
Series 2010 A	5	2021–2023	66,550	15,440		51,110
Total			66,550	15,440		51,110
Fuel Hydrant special facility revenue bonds:						
Series 2013	3.45–5	2021–2033	68,980	3,845		65,135
Total			68,980	3,845		65,135
Bond totals			3,980,565	223,730	30,815	3,787,650
Unamortized bond premium—net			364,235			325,666
Total debt			4,344,800			4,113,316
Less current maturities of long-term debt:						
First lien revenue bonds			(26,695)			(28,915)
Intermediate lien revenue bonds			(109,450)			(119,820)
Subordinate lien revenue bonds			(32,035)			(48,470)
General obligation bonds			(24,295)			(23,940)
Passenger facility charge revenue bonds			(15,440)			(16,210)
Fuel Hydrant special facility revenue bonds			(3,845)			(4,040)
Total current maturities of long-term debt			(211,760)			(241,395)
Long-term debt			\$ 4,133,040			\$ 3,871,921

(Concluded)

The Port's long-term debt outstanding as of December 31, 2019, consists of the following (in thousands):

<b>Bond type (by Bond issue)</b>	<b>Coupon rates (%)</b>	<b>Maturity dates</b>	<b>Beginning balance</b>	<b>Principal payments and refundings</b>	<b>Issuance</b>	<b>Ending balance</b>
Revenue bonds:						
First lien:						
Series 2003 A	5.25	2020–2021	\$ 36,600	\$ 11,580	\$	\$ 25,020
Series 2009 B-1	5.74	2019	7,355	7,355		
Series 2009 B-2	0 *	2025–2031	22,000			22,000
Series 2011 B	5	2020–2026	71,800	6,835		64,965
Series 2016 A	5	2019	4,935	4,935		
Series 2016 B	5	2020–2032	124,380	1,560		122,820
Series 2016 C	1.4–3.32	2020–2032	6,050	180		5,870
Total			273,120	32,445		240,675
Intermediate lien:						
Series 2010 B	4.25–5	2020–2040	201,290	5,160		196,130
Series 2010 C	5	2020–2024	90,460	13,325		77,135
Series 2012 A	3–5	2021–2033	302,555			302,555
Series 2012 B	5	2020–2024	97,810	14,505		83,305
Series 2013	4.5–5	2022–2029	127,155			127,155
Series 2015 A	3–5	2020–2040	72,230	1,860		68,370
Series 2015 B	5	2020–2035	234,110	22,165		211,945
Series 2015 C	5	2020–2040	218,295	5,600		212,695
Series 2016	4–5	2025–2030	99,095			99,095
Series 2017 A	5	2027–2028	16,705			16,705
Series 2017 B	2.01–3.76	2020–2036	255,835	7,270		248,565
Series 2017 C	5–5.25	2020–2042	313,305	1,060		312,245
Series 2017 D	5	2020–2027	90,740	8,190		82,550
Series 2018 A	3.85–5	2020–2043	470,495	65		470,430
Series 2018 B	5	2020–2028	85,145	1,290		83,855
Series 2019	4–5	2021–2044			457,390	457,390
Total			2,673,225	80,490	457,390	3,050,125
Subordinate lien:						
Series 1997	1.58 **	2022	37,360	8,930		28,430
Series 1999 A	5.5	2020	28,010	13,630		14,380
Series 2008	1.58 **	2033	167,290	8,990		158,300
Commercial paper	1.21	2020	118,655	101,000		17,655
Total			351,315	132,550		218,765
Revenue bond totals			\$ 3,297,660	\$ 245,485	\$ 457,390	\$ 3,509,565

(Continued)

\* Capital Appreciation Bonds have a zero coupon rate. The approximate maximum yield to maturity is 7.4%.

\*\* Variable interest rates as of December 31, 2019.



<b>Bond type (by Bond issue)</b>	<b>Coupon rates (%)</b>	<b>Maturity dates</b>	<b>Beginning balance</b>	<b>Principal payments and refundings</b>	<b>Issuance</b>	<b>Ending balance</b>
General obligation bonds:						
Series 2004 C	5.25	2019	\$ 3,405	\$ 3,405	\$	\$
Series 2011	5.25–5.75	2020–2025	40,315	5,045		35,270
Series 2013 A	4–5	2021–2023	27,630			27,630
Series 2013 B	1.91–2.77	2020–2025	24,445	10,150		14,295
Series 2015	4–5	2020–2040	141,865	5,565		136,300
Series 2017	5	2020–2042	124,730	2,755		121,975
Total			362,390	26,920		335,470
Passenger facility charge revenue bonds:						
Series 1998 A	5.5	2019	15,925	15,925		
Series 2010 A	5	2020–2023	66,550			66,550
Total			82,475	15,925		66,550
Fuel Hydrant special facility revenue bonds:						
Series 2013	3.45–5	2020–2033	72,645	3,665		68,980
Total			72,645	3,665		68,980
Bond totals			3,815,170	291,995	457,390	3,980,565
Unamortized bond premium—net			310,056			364,235
Total debt			4,125,226			4,344,800
Less current maturities of long-term debt:						
First lien revenue bonds			(32,445)			(26,695)
Intermediate lien revenue bonds			(80,490)			(109,450)
Subordinate lien revenue bonds			(132,285)			(32,035)
General obligation bonds			(26,920)			(24,295)
Passenger facility charge revenue bonds			(15,925)			(15,440)
Fuel Hydrant special facility revenue bonds			(3,665)			(3,845)
Total current maturities of long-term debt			(291,730)			(211,760)
Long-term debt			\$ 3,833,496			\$ 4,133,040

(Concluded)

## Revenue Bonds

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

In August 2019, the Port issued \$457,390,000 in Series 2019 Intermediate Lien Revenue Bonds, which are being used to pay for or reimburse costs of capital improvements to SEA facilities, to pay a portion of the interest on the 2019 bonds during construction, to pay the costs of issuing the bonds, and to contribute to the Intermediate Lien Common Reserve Fund. The bonds have coupon rates ranging from 4% to 5%, with maturities ranging from 2021 to 2044. The interest on the Series 2019 Bonds is payable on April 1 and October 1 of each year, commencing on October 1, 2019. Certain maturities of Series 2019 Bonds are subject to optional redemption by the Port prior to their scheduled maturities and certain maturities are also subject to mandatory sinking fund redemption.

## Capital Appreciation Revenue Bonds

During July 2009, the Port issued \$22,000,000 in Series 2009B-2 Taxable Capital Appreciation Revenue Bonds. Interest on the 2009B-2 Bonds is compounded semiannually but is payable only upon maturity. As of December 31, 2020 and 2019, the accreted value of the Series 2009B-2 Taxable Capital Appreciation Revenue Bonds was \$50,594,000 and \$47,048,000 respectively, and the ultimate accreted value of \$83,600,000 will be reached at final maturity in 2031.

## Subordinate Lien Variable Rate Demand Bonds

Included in long-term debt are two Subordinate Lien Variable Rate Demand Bonds (VRDB), Series 1997 and Series 2008. These bonds bear interest at a weekly rate determined through a remarketing process in which the remarketing agent, currently Morgan Stanley, resets the rate based on market supply and demand for the bonds. The bonds are subject to mandatory tender for purchase and to optional redemption prior to their scheduled maturities. The bonds also contain a "put" feature that, in their current mode, gives bondholders the option to demand payment before the bonds mature, with seven days' notice delivered to the Port's remarketing and fiscal agents. These bonds are both backed by letters of credit (LOC).

- *Series 1997 VRDB*—In 1997, the Port issued \$108,830,000 in Series 1997 Subordinate Lien Revenue Bonds that have a final maturity date of September 1, 2022. The proceeds were used toward the cost of acquiring certain marine facilities and to pay costs of issuing the Series 1997 Bonds.

On January 14, 2011, the Port entered into a LOC reimbursement agreement with Bank of America in the amount of \$110,082,000. In October 2018, the Port extended the LOC with Bank of America from October 30, 2018 through September 1, 2022, when the bonds mature. As of December 31, 2020, the stated amount on the LOC was \$19,456,000. If the remarketing agent is unable to resell any bonds that are "put" within six months of the "put" date and the Port has not replaced the LOC or converted the bonds, the Port has a reimbursement agreement with Bank of America to convert the bonds to an installment loan payable in 10 equal semiannual installments bearing an interest rate of no less than 8.5%. The Port made early principal payments of \$9,195,000 and \$8,930,000 in 2020 and 2019, respectively, to outstanding Series 1997 VRDB.

- *Series 2008 VRDB*—In 2008, the Port issued \$200,715,000 in Series 2008 Subordinate Lien Revenue Refunding Bonds that have a final maturity date of July 1, 2033. The proceeds were used to fully refund Series 2003C Subordinate Lien Revenue Bonds and to pay the costs of issuing the Series 2008 Bonds.

On June 1, 2013, the Port entered into a LOC agreement with MUFG Bank, Ltd., f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd in the amount of \$204,212,000. In April 2020 the Port and MUFG Bank, Ltd. entered into a second amendment to the agreement, which extended the scheduled expiration date from June 2, 2020 to June 2, 2021 and modified other terms. As of December 31, 2020, the stated amount on the LOC was

\$161,058,000. If the remarketing agent is unable to resell any bonds that are “put” within six months of the “put” date, the Port has a reimbursement agreement with MUFG Bank, Ltd. to convert the bonds to an installment loan payable in equal quarterly installments over a five-year period bearing an interest rate no less than 8.5%. The Port made an early principal payment of \$8,990,000 in 2019 to outstanding Series 2008 VRDB. No principal payment was made in 2020.

There were no borrowings drawn against either LOC during 2020 and 2019; therefore, there were no outstanding obligations to either LOC provider at December 31, 2020 or 2019.

### Commercial Paper

In September 2020, the Commission approved amendments to the Port’s Subordinate Lien Revenue Notes (commercial paper) program authorizing resolution to extend the expiration until June 1, 2041 and to increase the aggregate authorized principal amount from \$250 million to \$400 million for the purpose of financing and refinancing capital improvements within the Port, for working capital, and for paying maturing revenue notes of the same series and/or reimbursing the credit providers for advances made. Commercial paper is to have a maturity of no longer than 270 days; upon maturity, the notes are either paid down by the Port or remarketed by Barclays Capital, Inc.

The Port’s commercial paper program is backed by two direct pay LOC’s.

- On October 29, 2010, the Port entered into a LOC reimbursement agreement with Bank of America in the amount of \$108,000,000, amended in 2015 to \$130,000,000. In October 2018, the Port amended the LOC with Bank of America and extended the expiration date to June 1, 2021.

If the Port were to draw liquidity under the reimbursement agreement and the remarketing agent is unable to resell any notes within six months, and if the Port has not replaced the LOC or converted the bonds, the Port is able to convert the commercial paper to an installment loan payable to Bank of America in 10 equal, semiannual installments bearing an interest rate of no less than 8.5%.

- On November 20, 2015, the Port entered into a LOC reimbursement agreement with Sumitomo Mitsui Banking Corporation (Sumitomo) in the amount of \$125,000,000, with an expiration date of November 19, 2020. In October 2020, the Port and Sumitomo entered into a first amendment to the agreement to extend the expiration date to October 27, 2023 and to modify other terms.

If the Port were to draw liquidity under the reimbursement agreement and the remarketing agent is unable to resell any notes within six months, and if the Port has not replaced the LOC or converted the bonds, the Port is able to convert the commercial paper to an installment loan payable to Sumitomo in 10 equal, semiannual installments bearing an interest rate of no less than 9.5%.

There were no outstanding obligations to either LOC provider at December 31, 2020 and 2019.

In 2020, the Port issued \$30,815,000 of commercial paper to redeem or defease certain outstanding revenue bond debt service due in 2020 and 2021. On September 25, 2020, the Port issued \$10,010,000 of taxable commercial paper to defease a portion of the outstanding 2016B First Lien Revenue Refunding Bonds due on October 1, 2020. On December 16, 2020, the Port issued \$20,805,000 of tax-exempt commercial paper to redeem a portion of the 2010B Intermediate Lien Revenue and Refunding Bonds due on June 1, 2021, and to defease a portion of the 2010C Intermediate Lien Revenue Refunding Bonds due on February 1, 2021. The purpose of the commercial paper issuance in 2020 was to restructure a portion of Port’s debt in order to preserve cash and decrease airline costs during the pandemic. The Port will continue to monitor this commercial paper and assess different options for repayment depending on the path of the economic recovery. Options for paying off the commercial paper include, but are not limited to, paying down the commercial paper with existing Port resources as feasible or refunding the commercial paper as part of a future bond issuance.

In 2019, the Port paid down \$100 million of commercial paper that was issued in 2018 to provide working capital liquidity, as well as to help finance capital improvements at SEA.

Commercial paper advances outstanding totaled \$48,470,000 and \$17,655,000 at December 31, 2020 and 2019, respectively. Commercial paper advances are included in current maturities of long-term debt on the Statement of Net Position.

### General Obligation Bonds

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

On April 28, 2020, the Commission provided approval for the Port to obtain a bank facility in the form of a line of credit or a term loan. In June 2020 the Port entered into an agreement with JP Morgan Chase Bank, National Association to obtain a revolving credit facility up to a maximum amount of \$150,000,000 for a term of three years, for the purpose of providing liquidity in response to the global pandemic. The facility is a general obligation of the Port, backed by the full faith and credit of the Port including revenues and tax receipts, and the variable rate of interest is based on the LIBOR plus a spread based on the Port's GO bond ratings. As of December 31, 2020, no borrowing on this facility has occurred.

### PFC Revenue Bonds

In 1998, the Port issued \$262,500,000 of PFC Revenue Bonds, Series 1998 pursuant to a PFC Master Resolution. During December 2010, the Port issued \$146,465,000 of PFC Revenue Refunding Bonds, Series 2010 to refund certain outstanding Series 1998 PFC Bonds. PFC Bonds are special fund obligations of the Port payable solely from, and secured by, a pledge of PFC revenues imposed by SEA. The Port, as authorized by the FAA, has the authority to use PFC revenues to: pay PFC issued debt; pay eligible projects costs (definitions, terms, and conditions are set by the FAA); and pay revenue bond debt service related to PFC eligible projects at SEA. Neither the full faith and credit of the Port nor the taxing power of the Port is pledged for the payment of the principal of or interest on PFC Bonds. PFC Bonds are not secured by a lien on properties or improvements at SEA, nor by a pledge of other revenues derived by the Port.

PFC Revenue Bonds in the amount of \$51,110,000 and \$66,550,000 were outstanding as of December 31, 2020 and 2019, respectively.

### Fuel Hydrant Special Facility Revenue Bonds

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

The Port undertook the development of the fuel system to lower the cost of fuel service at SEA, improve SEA safety by reducing the need for fuel trucks to operate on the airfield, and address environmental concerns created by the original fuel system. This fuel hydrant facility was fully operational in 2006. The fuel facility is leased for 40 years (including two five-year option periods) to the Lessee, a limited liability company formed by a consortium of airlines for the purpose of providing jet fuel storage and distribution at SEA. The Port owns the system and the Lessee will oversee day-to-day management. The Lessee is obligated to collect the fuel system fees and to make monthly rent payments including a base rent for the land to the Port and facilities rent to the Trustee. Facilities rent is established at an amount sufficient to pay semiannual debt service, replenish any deficiency in the debt service reserve fund, and pay other fees associated with the bonds, including the Trustee fee.

In addition, the Lessee has provided a guaranty and a security agreement to the Trustee, securing the Lessee's obligation to pay principal and interest on the bonds. Proceeds from the bonds are held by the Trustee. At December 31, 2020 and 2019, there were \$9,937,000 and \$9,892,000, respectively, of Fuel Hydrant Special

Facility Revenue Bonds proceeds and rent payments held for debt service reserve fund and debt service payments. The unspent bond proceeds were reported as current restricted cash and cash equivalents and restricted long-term investments.

Additional information on the investment of the unspent bond proceeds of the Fuel Hydrant Special Facility Revenue Bonds can be found in Note 2 in the accompanying Notes to Financial Statements.

Fuel Hydrant Special Facility Revenue Bonds in the amount of \$65,135,000 and \$68,980,000 were outstanding as of December 31, 2020 and 2019, respectively.

### Events of Default, Termination, and Acceleration Clauses

In the event of a default, owners of Port bonds may pursue remedies available under the terms of respective bond resolutions but are limited to such actions that may be taken at law or in equity. No mortgage or security interest has been granted or lien created in any real property of the Port to secure the payment of any of the Port's bonds. Port bonds are not subject to acceleration upon an event of default.

### Arbitrage Rebate

The Port monitors the existence of any rebatable arbitrage interest income associated with its tax-exempt debt. The rebate is based on the differential between the interest earnings from the investment of the bond proceeds and the interest expense associated with the respective bonds. Each outstanding bond issue has potential arbitrage rebatable earnings; however, management estimates indicated that no arbitrage rebate liability existed as of December 31, 2020 and 2019.

### Schedule of Debt Service

Aggregate annual payments on Revenue Bonds, GO Bonds, PFC Bonds, Fuel Hydrant Special Facility Revenue Bonds, and commercial paper outstanding at December 31, 2020, are as follows (in thousands):

	Principal	Interest	Total
2021	\$ 241,395	\$ 168,735	\$ 410,130
2022	241,935	158,992	400,927
2023	223,280	148,412	371,692
2024	203,635	137,648	341,283
2025	184,278	137,913	322,191
2026–2030	908,532	553,859	1,462,391
2031–2035	918,260	302,007	1,220,267
2036–2040	592,125	137,800	729,925
2041–2045	274,210	21,545	295,755
Total	\$3,787,650	\$1,766,911	\$5,554,561

## Note 6. Conduit Debt

The Port has conduit debt obligations totaling \$74,725,000 at December 31, 2020 and 2019, which are not a liability or contingent liability of the Port. The Port has not recorded these obligations, or the related assets, on the accompanying financial statements, as the Port has no obligation for the outstanding bonds beyond what is provided in the leasing arrangements.

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



## Note 7. Long-Term Liabilities

The following is a summary of the net pension liability, environmental remediation liability, bonds interest payable, total OPEB liability, as well as lease securities and other activities that make up the Port's long-term liabilities for the years ended December 31 (in thousands):

	Beginning balance	Additions	Reductions	Ending balance	Current portion	Long-term portion
<b>2020</b>						
Net pension liability	\$ 50,626	\$ 13,434	\$ (12,936)	\$ 51,124	\$	\$ 51,124
Environmental remediation liability <sup>(a)</sup>	90,716	6,983	(13,745)	83,954	22,684	61,270
Bonds interest payable	25,047	3,546		28,593		28,593
Total OPEB liability	18,878	2,689	(1,131)	20,436		20,436
Lease securities and other	6,962	870	(602)	7,230		7,230
Total	\$192,229	\$ 27,522	\$ (28,414)	\$191,337		
<b>2019</b>						
Net pension liability	\$ 66,152	\$ 6,750	\$ (22,276)	\$ 50,626	\$	\$ 50,626
Environmental remediation liability <sup>(a)</sup>	93,288	32,219	(34,791)	90,716	30,810	59,906
Bonds interest payable	21,750	3,297		25,047		25,047
Total OPEB liability	16,739	3,308	(1,169)	18,878		18,878
Lease securities and other	6,231	1,903	(1,172)	6,962		6,962
Total	\$204,160	\$ 47,477	\$ (59,408)	\$192,229		

(a) The current portion of the environmental remediation liability is included in the accounts payable and accrued expenses in the Statement of Net Position.

## Note 8. Enterprise Fund Pension Plans

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

### Public Employees' Retirement System (PERS)

#### Plan Description

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

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

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

## Vesting

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

## Benefits Provided

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

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

## Contributions

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

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

	Effective date	PERS Plan 1	PERS Plan 2	PERS Plan 3
<b>2020</b>				
Port	Jan 1 to Aug 31	12.68%	12.68%	12.68%
	Sep 1 to Dec 31	12.79	12.79	12.79
Plan member	Jan 1 to Dec 31	6.00	7.90	varies
<b>2019</b>				
Port	Jan 1 to Jun 30	12.65%	12.65%	12.65%
	Jul 1 to Dec 31	12.68	12.68	12.68
Plan member	Jan 1 to Jun 30	6.00	7.41	varies
	Jul 1 to Dec 31	6.00	7.90	varies

For the years ended December 31, the Port's employer contributions, excluding administrative expense, made to the PERS Plan 1 and PERS Plan 2/3 were as follows (in thousands):

	PERS Plan 1	PERS Plan 2/3
2020	\$ 127	\$ 18,653
2019	149	15,993
2018	173	13,920

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

#### Plan Description

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

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

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

#### Vesting

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

#### Benefits Provided

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

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

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

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

## Contributions

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

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

	Effective date	LEOFF Plan 2 (Fire fighters)	LEOFF Plan 2 (Police officers)
<b>2020</b>			
Port	Jan 1 to Dec 31	5.15%	8.59%
Plan member	Jan 1 to Dec 31	8.59	8.59
<b>2019</b>			
Port	Jan 1 to Jun 30	5.25%	8.75%
	Jul 1 to Dec 31	5.15	8.59
Plan member	Jan 1 to Jun 30	8.75	8.75
	Jul 1 to Dec 31	8.59	8.59

For the years ended December 31, 2020, 2019, and 2018, the Port's employer contributions, excluding administrative expenses, made to LEOFF Plan 2 were \$2,170,000, \$2,107,000, and \$1,837,000, respectively.

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

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

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
<b>2020</b>				
Port's proportionate share of the net pension (liability) asset	\$ (31,506)	\$ (14,440)	\$ 1,464	\$ 22,203
State's proportionate share of the net pension asset associated with the Port				14,197
Total	\$ (31,506)	\$ (14,440)	\$ 1,464	\$ 36,400
<b>2019</b>				
Port's proportionate share of the net pension (liability) asset	\$ (33,048)	\$ (10,531)	\$ 1,529	\$ 24,861
State's proportionate share of the net pension asset associated with the Port				16,281
Total	\$ (33,048)	\$ (10,531)	\$ 1,529	\$ 41,142

For the years ended December 31, 2020 and 2019, the net pension asset (liability) was measured as of June 30, 2020, and June 30, 2019, respectively, and the total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation as of June 30, 2019, and June 30, 2018, respectively.

The Port's proportion of the net pension asset (liability) was based on a projection of the Port's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, and the state support for LEOFF Plan 2 only, actuarially determined.

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

	<b>PERS Plan 1</b>	<b>PERS Plan 2/3</b>	<b>LEOFF Plan 1</b>	<b>LEOFF Plan 2</b>
2020	0.89%	1.13%	0.08%	1.09%
2019	0.86	1.08	0.08	1.07
Change between years	0.03%	0.05%	0.00%	0.02%

For the years ended December 31, 2020, 2019, and 2018, the Port's total operating revenues included \$(323,000), \$(525,000), and \$(1,234,000), respectively, for support provided by the State for LEOFF Plan 2, along with the following pension expenses (in thousands):

	<b>PERS Plan 1</b>	<b>PERS Plan 2/3</b>	<b>LEOFF Plan 1</b>	<b>LEOFF Plan 2</b>
2020	\$ 2,893	\$ 1,797	\$ (78)	\$ (885)
2019	1,126	2,116	(101)	(1,432)
2018	3,890	(138)	(232)	(3,144)

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

	<b>PERS Plan 1</b>	<b>PERS Plan 2/3</b>	<b>LEOFF Plan 1</b>	<b>LEOFF Plan 2</b>
<b>2020</b>				
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$	\$ 5,169	\$	\$ 3,072
Changes of assumptions		206		32
Changes in proportion and differences between Port contributions and proportionate share of contributions		2,269		582
Port contributions subsequent to the measurement date	3,888	6,282		1,110
<b>Total deferred outflows of resources</b>	<b>\$ 3,888</b>	<b>\$ 13,926</b>	<b>\$</b>	<b>\$ 4,796</b>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$	\$ 1,810	\$	\$ 393
Changes of assumptions		9,864		3,438
Net difference between projected and actual earnings on pension plan investments	175	733	15	247
Changes in proportion and differences between Port contributions and proportionate share of contributions				1,103
<b>Total deferred inflows of resources</b>	<b>\$ 175</b>	<b>\$ 12,407</b>	<b>\$ 15</b>	<b>\$ 5,181</b>

(Continued)

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
<b>2019</b>				
Deferred Outflows of Resources				
Differences between expected and actual experience	\$	\$ 3,017	\$	\$ 1,789
Changes of assumptions		270		41
Changes in proportion and differences between Port contributions and proportionate share of contributions		1,573		680
Port contributions subsequent to the measurement date	3,195	5,063		1,070
Total deferred outflows of resources	\$ 3,195	\$ 9,923	\$	\$ 3,580
Deferred Inflows of Resources				
Differences between expected and actual experience	\$	\$ 2,264	\$	\$ 447
Changes of assumptions		4,419		2,798
Net difference between projected and actual earnings on pension plan investments	2,208	15,329	158	5,097
Changes in proportion and differences between Port contributions and proportionate share of contributions		123		1,013
Total deferred inflows of resources	\$ 2,208	\$ 22,135	\$ 158	\$ 9,355

(Concluded)

Deferred outflows of resources related to Port contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability or an increase of the net pension asset in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized as pension expense as follows (in thousands):

Years ended December 31,	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2021	\$ (796)	\$ (5,476)	\$ (54)	\$ (1,683)
2022	(25)	(917)	(3)	(316)
2023	243	772	16	232
2024	403	1630	26	646
2025		(327)		(246)
Thereafter		(445)		(128)
Total	\$ (175)	\$ (4,763)	\$ (15)	\$ (1,495)

### Actuarial Assumptions

The total pension asset (liability) was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of OSA's 2013 - 2018 Demographic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report.

- *Inflation*—A 2.75% total economic inflation and a 3.5% salary inflation were used.
- *Salary increases*—In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.



- *Mortality*—Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates. OSA applied offsets to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale to project mortality rates after the 2010 base table. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.
- *Investment rate of return*—The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain three pieces of information for each class of assets the WSIB currently invests in: (1) expected annual return, (2) standard deviation of the annual return, and (3) correlations between the annual returns of each asset class with every other asset class.
- WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The OSA selected a 7.4% long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected returns the WSIB provided.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2020, are summarized in the following table:

<b>Asset class</b>	<b>Target allocation</b>	<b>Long-term expected real rate of return</b>
Fixed income	20%	2.2%
Tangible assets	7	5.1
Real estate	18	5.8
Global equity	32	6.3
Private equity	23	9.3
Total	100%	

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

- *Discount rate*—The discount rate used to measure the total pension asset (liability) was 7.4% for all plans. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 unfunded actuarial accrued liability), and contributions from the State are made at current statutorily required rates. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of 7.4% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset (liability).

### Change in Assumptions and Methods

Actuarial results that OSA provided within the June 30, 2019, valuation reflect the following changes in assumptions and methods:

- OSA updated their demographic assumptions based on the results of their latest demographic experience study. The study is completed every six years and includes updates to a wide range of behavior and demographic assumptions.
- OSA updated the Early Retirement Factors and Joint-and-Survivor Factors used in their model. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.

- OSA simplified their modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed their method to updating certain data items that change annually. Examples include the public safety duty-related death lump sum and Washington state average wage. OSA has set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025.

### Sensitivity of the Port's Proportionate Share of the Net Pension Asset (Liability) to Changes in the Discount Rate

The following presents the Port's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.4%, as well as what the Port's proportionate share of the net pension asset (liability) would be if it were calculated using plus or minus 1% of the current discount rate (in thousands):

	<b>1% Decrease (6.4%)</b>	<b>Current discount rate (7.4%)</b>	<b>1% Increase (8.4%)</b>
PERS Plan 1	\$ (39,463)	\$ (31,506)	\$ (24,566)
PERS Plans 2/3	(89,847)	(14,440)	47,659
LEOFF Plan 1	1,191	1,464	1,699
LEOFF Plan 2	440	22,203	40,024

### Payables to the PERS and LEOFF Plans

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

	<b>PERS Plan 1</b>	<b>PERS Plan 2/3</b>	<b>LEOFF Plan 2</b>
2020	\$ 243	\$ 397	\$ 102
2019	670	1,116	222

### Pension Plan Fiduciary Net Position

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

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

Department of Retirement Systems  
P.O. Box 48380  
Olympia, WA 98504-8380  
[www.drs.wa.gov](http://www.drs.wa.gov)

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## Note 9. Postemployment Benefits Other than Pensions

In addition to pension benefits as described in Note 8, the Port provides OPEB.

### Plan Descriptions

The Port administers and contributes to two single-employer defined OPEB plans: (1) LEOFF Plan 1 Members' Medical Services Plan and (2) Retirees Life Insurance Plan. Under State statute RCW 41.26.150, the Port is required to pay for retired LEOFF Plan 1 members' medical services expenses. Under the Port's life insurance contract, eligible retired employees are provided with life insurance coverage for a death benefit up to \$25,000. The Port can establish and amend benefit provisions of the life insurance OPEB plan. There are no separate OPEB plan-related financial reports issued. Neither plan has assets accumulated in a trust or equivalent arrangement.

At December 31, 2020, the following employees were covered by the plans:

	<b>LEOFF Plan 1 Members' Medical Services Plan</b>	<b>Retirees Life Insurance Plan</b>
Inactive employees or beneficiaries currently receiving benefit payments	28	
Inactive employees entitled to but not yet receiving benefit payments		440
Active employees		1,089
<b>Total</b>	<b>28</b>	<b>1,529</b>

### Contributions

For the LEOFF Plan 1 Members' Medical Services Plan, the State establishes and may amend the contribution requirements of plan members and the Port. The LEOFF Plan 1 was closed on September 30, 1977, to new entrants. The contribution requirements of the Retirees Life Insurance Plan are established and may be amended by the Port. For both plans, the Port is required to contribute on a pay-as-you-go basis. The Port's contributions to the LEOFF Plan 1 Members' Medical Services Plan and Retirees Life Insurance Plan were \$668,000 and \$356,000, respectively, for the year ended December 31, 2020. The Port's contributions to the LEOFF Plan 1 Members' Medical Services Plan and Retirees Life Insurance Plan were \$824,000 and \$345,000, respectively, for the year ended December 31, 2019. Plan participants are not required to contribute to either plan.

### Total OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

Total OPEB liability for the LEOFF Plan 1 Members' Medical Services Plan was calculated as of December 31, 2020, using the Alternative Measurement Method. Total OPEB liability for the Retirees Life Insurance Plan was determined by an actuarial valuation as of January 1, 2020, and update procedures were used to roll forward the total OPEB liability to December 31, 2020. As of December 31, 2020 and 2019, the Port's total OPEB liability for the two plans was \$20,436,000 and \$18,878,000, respectively. For the years ended December 31, 2020 and 2019, total OPEB expense for the two plans was \$1,593,000, and \$1,730,000, respectively.

No deferred outflows or inflows of resources were reported for the LEOFF Plan 1 Members' Medical Services Plan due to the Alternative Measurement Method being used for a closed plan.

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

	2020	2019
<b>Deferred Outflows of Resources</b>		
Differences between expected and actual experience	\$	\$
Changes of assumptions	2,393	1,445
Total deferred outflows of resources	\$ 2,393	\$ 1,445
<b>Deferred Inflows of Resources</b>		
Differences between expected and actual experience	\$ 93	\$
Changes of assumptions	602	736
Total deferred inflows of resources	\$ 695	\$ 736

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Retirees Life Insurance Plan will be amortized as OPEB expense as follows (in thousands):

**Years ended December 31,**

2021	\$	252
2022		252
2023		252
2024		252
2025		318
Thereafter		372
Total	\$	1,698

### Actuarial Methods and Assumptions

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

- *Mortality*—Life expectancies were based on mortality tables from the National Vital Statistics Reports, Volume 69, No. 12, November 17, 2020. The Life Table for Males: U.S. 2018 was used.
- *Healthcare cost trend rate*—The expected rate of increase in healthcare expenditure was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 5.7% was used initially but was changed slightly to an average rate of 5.6% after seven years.
- *Health insurance premiums*—2018 health insurance premiums for retirees, adjusted by the 2019-2021 rates from the National Health Expenditures Projections 2012–2028 Table 1, were used as the basis for calculation of the present value of total benefits to be paid.
- *Discount rate*—An average index rate of 2% as of December 31, 2020, for 20-year general obligation municipal bonds with an average rating of AA was used.
- *Inflation rate*—No explicit inflation rate assumption was used as this underlying assumption was already included in the healthcare cost trend rate.

For the Retirees Life Insurance Plan, an actuarial valuation was performed as of January 1, 2020, and update procedures were used to roll forward total OPEB liability to December 31, 2020, by using the Entry Age Normal Cost Method. The valuation is prepared on the projected benefit basis. The present value of each participant's expected benefit payable at retirement or termination is determined based on age, gender, compensation, and the interest rate assumed to be earned in the future. The calculations take into account the probability of a participant's death or termination of employment prior to becoming eligible for a benefit. Future salary increases are also anticipated. The present value of the expected benefits payable on account of the active participants is added to the present value of the expected future payments to retired participants to obtain the present value of all expected benefits payable from the Plan on account of the present group of participants.

The employer contributions required to support the benefits of the Plan are determined following a level funding approach and consist of a normal cost contribution and an accrued liability contribution.

The following actuarial assumptions applied to all periods included in the measurement:

- *Post-retirement mortality*—Fully generational mortality based on the Headcount Weighted Pub-2010 General Healthy Annuitant tables for all PERS plans. Fully generational mortality based on the Headcount Weighted Pub-2010 Safety Annuitant tables for LEOFF Plan 2 with a one year setback for males. Mortality rates are improved with the Long-Term MP-2017 Scale.
- *Disabled mortality*—Fully generational mortality based on the Pub-2010 General Disabled tables for all PERS plans. Fully generational mortality based on the Pub-2010 Safety Disabled tables for LEOFF Plan 2. Mortality rates are improved with the Long-Term MP-2017 Scale.
- *Pre-retirement mortality*—Fully generational mortality based on the Headcount Weighted Pub-2010 General Employee tables for all PERS plans. Fully generational mortality based on the Headcount Weighted Pub-2010 Safety Employee tables for LEOFF Plan 2. Mortality rates are improved with the Long-Term MP-2017 Scale.
- *Salary increases*—An estimated payroll growth of 3.5% per year was used.
- *Discount rate*—An average index rate of 2% as of December 31, 2020, for 20-year general obligation municipal bonds with an average rating of AA was used.

### Change in Total OPEB Liability

Changes in the Port's total OPEB liability for both plans for the current year were as follows (in thousands):

	LEOFF Plan 1 Members' Medical Services Plan	Retirees Life Insurance Plan
Service cost	\$	\$ 349
Interest expense	200	316
Difference between expected and actual experience		(107)
Changes of assumptions	476	1,348
Employer contributions	(668)	(356)
Net changes	8	1,550
Total OPEB liability beginning of year	7,264	11,614
Total OPEB liability end of year	\$ 7,272	\$ 13,164

For the LEOFF Plan 1 Members' Medical Services Plan, changes in assumptions reflect a change in the discount rate to 2% as of December 31, 2020, and a slight change in expected healthcare cost as of December 31, 2020.

For the Retirees Life Insurance Plan, changes of assumptions reflect a change in the discount rate to 2% as of December 31, 2020 and updating the demographic assumptions to reflect the current State of Washington actuarial assumptions.

### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the plans, calculated using the discount rate of 2%, as well as what the total OPEB liability would be if it were calculated using plus or minus 1% of the current discount rate (in thousands):

	<b>1% Decrease (1%)</b>	<b>Current discount rate (2%)</b>	<b>1% Increase (3%)</b>
LEOFF Plan 1 Members' Medical Services Plan	\$ 7,838	\$ 7,272	\$ 6,766
Retirees Life Insurance Plan	15,727	13,164	11,151

### Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the plans, calculated using the healthcare cost trend rates of 5.7%, as well as what the total OPEB liability would be if it were calculated using plus or minus 1% of the current cost trend (in thousands):

	<b>1% Decrease (4.7%)</b>	<b>Healthcare cost trend rate (5.7%)</b>	<b>1% Increase (6.7%)</b>
LEOFF Plan 1 Members' Medical Services Plan	\$ 6,843	\$ 7,272	\$ 7,739

## Note 10. Environmental Remediation Liability

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

### East Waterway Superfund Site (the East Waterway Site)

The Port is one of many PRPs at the East Waterway Site and is a member of the East Waterway Group, along with King County and the City of Seattle. Among other remedial actions, the East Waterway Group funded the Supplemental Remedial Investigation and Feasibility Study (SRI/FS), which was finalized in 2019. The Port's share of SRI/FS accumulated costs through 2020 was \$9,422,000. The Environmental Protection Agency (EPA) has not yet released a Record of Decision (ROD) for the East Waterway Site cleanup remedy. The Feasibility Study bracketed range of cost estimates, excluding the no action alternative, was between \$256 million and \$411 million (based on current value in 2016 dollars); the study was completed in 2019. The EPA acknowledged there is significant uncertainty as to the accuracy of this estimate. A more accurate estimate will not be available until after selection of a remedy, completion of an extensive sampling and design effort, and allocation of costs between PRPs. As of December 31, 2020 and 2019, the Port's outstanding environmental remediation liability recorded was \$1,480,000 and \$786,000, respectively.



### Lower Duwamish Waterway Superfund Site (the Duwamish Site)

The Port is one of many PRPs at the Duwamish Site and is a member of the Lower Duwamish Waterway Group, along with King County, the City of Seattle, and the Boeing Company, that, among other remedial actions, funded the Remedial Investigation and Feasibility Study (RI/FS). The RI/FS study was substantially completed and the Port's share of RI/FS costs through 2020 was \$20,012,000. In November 2014, the EPA released a ROD for the Duwamish Site cleanup remedy. The ROD included a cleanup cost estimate of \$342 million (present value discounted at 2.3% based on a study completed in 2012); the undiscounted cost estimate calculated at the time was \$395 million. The EPA also estimated the range of potential remedy costs from \$277 million to \$593 million. The EPA acknowledged there is significant uncertainty as to the accuracy of its cost estimates. A more accurate estimate will not be available until after completion of an extensive sampling and design effort. This project will result in additional cleanup efforts related to implementation of the EPA's Site ROD.

In November 2012, the EPA issued general notification letters to over 200 parties informing them of their potential liability for the Lower Duwamish Waterway cleanup. The Lower Duwamish Waterway Group, who were the parties to the RI/FS Administrative Order on Consent, invited some of those parties to participate in a confidential alternative dispute resolution process led by a neutral allocator (the allocation process) to resolve their respective shares of past and future costs. As of December 31, 2020, the allocation process is ongoing. Parties participating in the allocation process will share the cost of the allocator and the process. The estimated recoveries to reduce the amount of liability are unknown at this time. As of December 31, 2020 and 2019, the Port's outstanding environmental remediation liability recorded for the Duwamish Site was \$7,390,000 and \$7,363,000 respectively.

The Port has in place a procedure consistent with current accounting rules to recognize liability for environmental cleanups, to the extent that such liability can be reasonably estimated. As of December 31, 2020 and 2019, the Port's environmental remediation liability was \$83,954,000 and \$90,716,000 respectively, based on reasonable and supportable assumptions, measured at current value using the expected cash flow technique. The Port is in ongoing settlement negotiations regarding NRD and in 2018 recorded, as a special item, a \$34,923,000 environmental expense reflecting the cost to construct a habitat restoration project. The Port anticipates recovering some or all of this cost from other PRPs following its settlement, though the timing of such recovery is unknown. The Port's environmental remediation liability does not include cost components that are not yet reasonably measurable, and the liability will change over time due to changes in costs of goods and services, changes in remediation technology, and changes in governing laws and regulations.

In many cases, the Port has successfully recovered Port-incurred investigation and cleanup costs from other responsible parties. The Port will continue to seek appropriate recoveries in the future. As of December 31, 2020 and 2019, the environmental remediation liability was reduced by \$24,483,000 and \$36,431,000 respectively, for estimated unrealized recoveries. During 1964—1985, the Port had primary insurance coverage through predecessors of Great American Insurance Company (GAIC), which provides defense and indemnity coverage to the Port for environmental investigation and cleanup costs associated with the Lower Duwamish Waterway, Harbor Island/East Waterway, and Terminal 91 (Contaminated Sites). In August 2020, the Port and GAIC entered into a Settlement Agreement and Release (Settlement). As a result, the Port received a payment of \$24,939,000 from GAIC for certain past and future costs associated with the Contaminated Sites. The Port recorded \$22,819,000 related to past costs in nonoperating other (expense) income—net in the Statement of Revenues, Expenses, and Changes in Net Position. The remaining amount of \$2,120,000 related to future costs was included in environmental remediation liability in the Statement of Net Position. The Settlement requires the Port to reimburse GAIC for certain costs that are recovered from other responsible parties on an annual basis, starting in 2021.

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### Note 11. Contingencies

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

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

## Note 12. Commitments

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

	2020	2019
Funds committed:		
Aviation	\$ 550,209	\$ 399,425
Maritime	10,227	15,679
Economic Development	3,708	8,247
Stormwater Utility	293	241
Total	\$ 564,437	\$ 423,592

As of December 31, 2020 and 2019, the Port also made commitments of \$95,362,000 and \$189,107,000, respectively, for acquisition and construction for the NWSA. However, this amount was not included in the schedule above as the Port expects to be reimbursed by the NWSA once the construction expenditure is incurred for the NWSA.

In addition, as of December 31, 2020 and 2019, funds authorized by the Port but not yet committed for all divisions amounted to \$1,574,153,000 and \$1,437,177,000, respectively.

## Note 13. Joint Venture

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

	2020	2019
Total assets	\$ 503,628	\$ 427,820
Deferred outflows of resources	1,377	1,488
Total liabilities	54,845	74,537
Deferred inflows of resources	758	1,395
Total net position	\$ 449,402	\$ 353,376

	2020	2019	2018
Operating revenues	\$ 184,327	\$ 195,022	\$ 192,574
Operating expenses	93,795	89,229	82,827
Operating income before depreciation	90,532	105,793	109,747
Depreciation	13,810	11,272	6,305
Nonoperating income—net	842	1,437	8,543
Increase in net position	\$ 77,564	\$ 95,958	\$ 111,985

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

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

In 2019, both the Managing Members and the Commission approved an Interlocal Agreement between the Port and the NWSA to facilitate development by the Port of a new cruise terminal at Terminal 46 as part of a flexible marine transportation facility. The Port's cruise facility was planned to occupy the northern 29 acres of the overall 86.5-acre terminal. The remainder of the site will be maintained by the NWSA as a marine cargo facility and for administrative use. This new cruise terminal project was postponed in 2020 due to the pandemic's uncertain impact on the Alaskan cruise market. The Port agreed to pay the NWSA monthly for the use of Terminal 46 starting January 1, 2020, for 23 years, with four options to extend for 5-year terms. In 2020, the Port's payment to the NWSA was \$3,826,000. After 2020, the annual payment is subject to a 2% annual increase. In 2020, the Port's 50% share of the NWSA's change in net position, joint venture income, was reduced by \$1,913,000, 50% of the \$3,826,000, due to the elimination of profit on the intra-entity transaction.

The home ports share the NWSA's change in net position and distribution of operating cash equally. In 2020 and 2019, the Port's 50% share of the NWSA's change in net position before the elimination of profit on the intra-entity transaction was \$38,782,000 and \$47,979,000, respectively, presented in the Port's Statement of Revenues, Expenses, and Changes in Net Position as joint venture income.

Distribution of operating cash from the NWSA is generally received in the following month. The Port's receivable for cash distributions earned through December 31, 2020 and 2019, was \$5,170,000 and \$9,135,000, respectively. As of December 31, 2020 and 2019, disbursements paid by the Port on behalf of the NWSA was \$0 and \$513,000, respectively. These amounts are presented in the Port's Statement of Net Position as related party receivable—joint venture.

On April 2, 2019, the Managing Members and the Commission authorized the completion of the one-time Membership Interest Affirmation of 50/50 for each home port in satisfaction of the NWSA Charter. In lieu of completing a required reevaluation of Membership Interest, the Port agreed to pay up to \$32,000,000 additional contribution to the NWSA. This additional contribution was in recognition that certain forecast revenue streams, not secured by long-term contractual agreements in the initial valuation, would not have been achieved without the redevelopment of Terminal 5. This additional contribution is being made to the NWSA in three installments. The first and second installment of \$11,000,000 was made in March 2020 and 2021, respectively. The final installment will be made in 2024, and may be adjusted downward if the actual Terminal 5 redevelopment costs are less than the program authorization. The Managing Members also authorized the distribution of these affirmation payments to the home ports equally after the NWSA receives the funds from the Port.

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

	2020	2019
Working capital	\$ 25,500	\$ 25,500
Membership interest affirmation	11,000	
Capital construction	213,407	148,598
Construction work in progress	7,887	7,887
50% share of the NWSA's changes in net position	259,263	220,481
Distribution of operating cash	(281,865)	(226,287)
Distribution of membership interest affirmation	(5,500)	
Total investment in joint venture	\$ 229,692	\$ 176,179

As of December 31, 2020 and 2019, land, facilities, and equipment—net of accumulated depreciation licensed to the NWSA by the Port were \$773,162,000 and \$787,605,000, with related depreciation expenses of \$14,764,000 and \$15,831,000, respectively. As of December 31, 2020 and 2019, the Port's total debt on licensed assets was \$282,891,000 and \$315,454,000, respectively.

During 2020 and 2019, the Port's 50% share of capital construction expenditures were \$64,809,000 and \$44,305,000, of which \$6,327,000 and \$7,027,000 were unpaid and included in the Port's Statement of Net Position as related party payable—joint venture as of December 31, 2020 and 2019, respectively. Additionally, \$1,036,000 and \$1,766,000 of pass-through National Infrastructure Investments grants, reimbursable expenditures from the Port to the NWSA relating to capital modernization improvements spent on Terminal 46, were unpaid by the Department of Transportation as of December 31, 2020 and 2019, respectively. This amount was included in related party payable—joint venture.

A broad spectrum of support services such as maintenance, security, public affairs, project delivery, procurement, labor relations, environmental planning, information technology, finance, and accounting are provided by service agreements between the NWSA and the home ports. Costs for these services are charged by the home ports to the NWSA based on agreed-upon methodologies including direct charge and allocation. In 2020 and 2019, support services provided by the Port to the NWSA were \$8,018,000 and \$7,456,000, respectively.

## Note 14. Business Information

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

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

	2020	2019	2018
Operating revenues	\$ 6,374	\$ 5,839	\$ 5,285
Operating expenses	4,742	5,233	5,214
Operating income before depreciation	1,632	606	71
Depreciation	1,240	1,209	1,117
Operating income (loss)	\$ 392	\$ (603)	\$ (1,046)

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

	2020	2019	2018
Maritime Division	\$ 1,177	\$ 805	\$ 760
Economic Development Division	604	535	330
Total operating revenues from internal charges	\$ 1,781	\$ 1,340	\$ 1,090

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

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

	2020	2019	2018
Aviation Division:			
Revenues	\$ 194,958	\$ 232,984	\$ 205,028
Number of major customers	2	2	2
Maritime Division:			
Revenues	\$ 5,032	\$ 21,964	\$ 13,710
Number of major customers	1	2	1
Economic Development Division:			
Revenues	\$ 1,054	\$	\$
Number of major customers	1		
Total:			
Revenues	\$ 201,044	\$ 254,948	\$ 218,738
Number of major customers	4	4	3

Two major customers represented 38.2%, 30.5%, and 29.7% of total Port operating revenues in 2020, 2019, and 2018, respectively. For Aviation, revenues from its two major customers accounted for 47%, 37.2%, and 37.4% of total Aviation operating revenues in 2020, 2019, and 2018, respectively. For Maritime, revenues from one major customer accounted for 12% and 23.8% of total Maritime operating revenues in 2020 and 2018, respectively. Revenues from two major customers accounted for 37.1% of total Maritime operating revenues in 2019. Revenues from one major customer accounted for 11.1% of total Economic Development operating revenues in 2020. No single major customer represented more than 10% of total Economic Development operating revenues in 2019 and 2018.

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

	2020	2019	2018
Aviation Division:			
Terminal	\$ 179,249	\$ 206,958	\$ 163,758
Airfield	88,537	129,157	109,749
Public parking	34,502	82,125	80,212
Airport dining and retail/Terminal leased space	31,234	68,013	64,323
Rental car	16,637	36,793	37,306
Ground transportation	6,557	20,765	18,772
Customer facility charges		15,773	16,263
Commercial properties	10,766	15,773	13,801
Utilities	5,672	7,431	7,206
Operating grants and contract revenues			1,634
Other	41,228	43,847	35,950
Total Aviation Division operating revenues	\$ 414,382	\$ 626,635	\$ 548,974

(Continued)

	2020	2019	2018
<b>Maritime Division:</b>			
Cruise operations	\$ 3,824	\$ 22,410	\$ 18,880
Recreational boating	13,483	13,369	12,529
Maritime portfolio	10,074	10,108	11,305
Fishing and operations	9,583	9,139	9,763
Grain terminal	5,142	4,266	5,167
Other	4	(3)	(69)
<b>Total Maritime Division operating revenues</b>	<b>\$ 42,110</b>	<b>\$ 59,289</b>	<b>\$ 57,575</b>
<b>Economic Development Division:</b>			
Conference and event centers	\$ 1,662	\$ 12,239	\$ 11,703
Other	7,808	8,912	9,002
<b>Total Economic Development Division operating revenues</b>	<b>\$ 9,470</b>	<b>\$ 21,151</b>	<b>\$ 20,705</b>

(Concluded)

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

	2020	2019	2018
<b>Aviation Division:</b>			
Operations and maintenance	\$ 243,972	\$ 270,821	\$ 238,676
Administration	60,548	59,898	57,438
Law enforcement	25,159	25,915	22,734
Operating expenses before depreciation	329,679	356,634	318,848
Depreciation	142,412	136,234	124,203
<b>Total Aviation Division operating expenses</b>	<b>\$ 472,091</b>	<b>\$ 492,868</b>	<b>\$ 443,051</b>
<b>Maritime Division:</b>			
Operations and maintenance	\$ 37,816	\$ 34,322	\$ 29,494
Administration	9,168	9,712	9,117
Law enforcement	3,244	4,610	4,641
Operating expenses before depreciation	50,228	48,644	43,252
Depreciation	17,624	17,627	18,022
<b>Total Maritime Division operating expenses</b>	<b>\$ 67,852</b>	<b>\$ 66,271</b>	<b>\$ 61,274</b>
<b>Economic Development Division:</b>			
Operations and maintenance	\$ 15,815	\$ 22,465	\$ 22,459
Administration	4,573	4,962	5,018
Law enforcement	223	236	174
Operating expenses before depreciation	20,611	27,663	27,651
Depreciation	3,611	3,698	3,992
<b>Total Economic Development Division operating expenses</b>	<b>\$ 24,222</b>	<b>\$ 31,361</b>	<b>\$ 31,643</b>



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

	2020	2019
Aviation Division:		
Current, long-term, and other assets	\$ 874,207	\$ 1,409,608
Land, facilities, and equipment—net	4,179,996	4,127,896
Construction work in progress	1,321,605	1,058,974
Total Aviation Division assets	\$ 6,375,808	\$ 6,596,478
Total Aviation Division debt	\$ 3,507,038	\$ 3,692,845
Maritime Division:		
Current, long-term, and other assets	\$ 182,368	\$ 160,743
Land, facilities, and equipment—net	421,910	420,664
Construction work in progress	11,479	9,726
Total Maritime Division assets	\$ 615,757	\$ 591,133
Total Maritime Division debt	\$ 50,242	\$ 55,348
Economic Development Division:		
Current, long-term, and other assets	\$ 60,978	\$ 41,418
Land, facilities, and equipment—net	117,132	111,115
Construction work in progress	2,468	5,298
Total Economic Development Division assets	\$ 180,578	\$ 157,831
Total Economic Development Division debt	\$ 12,531	\$ 12,787

## Note 15. Warehousemen's Pension Trust Fund

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

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

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

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

## Summary of Significant Accounting Policies

### Basis of Accounting

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

### Investments

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

## Plan Description

### Plan Administration

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

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

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

	2020	2019
Retirees and beneficiaries receiving benefits	124	133
Terminated plan members entitled to but not yet receiving benefits	31	35
Total	155	168

### Vesting and Benefits Provided

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

### Contributions

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

## Investments

### Investment Policy

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

### Interest Rate Risk

Interest rate risk is the risk that an investment's fair value decreases as market interest rate increases. In general, the longer the duration of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Through its investment policy, the Plan manages its exposure to fair value losses from increasing interest rates by investing in a diversified portfolio of index fund and professionally managed mutual funds. For the fixed income mutual funds, the Plan manages its exposure to change in interest rates by investing in intermediate-term bonds. As of December 31, 2020 and 2019, the average duration for PIMCO Income Fund was 1.9 and 0.4 years, respectively. As of December 31, 2020 and 2019, the average duration for Dodge and Cox Fixed Income Fund was 4.9 and 4.3 years, respectively.

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk is measured by the assignment of ratings by nationally recognized rating agencies. As of December 31, 2020 and 2019, the Plan's investment in the PIMCO Income Fund had an average credit quality rating of A- and A, respectively, and Dodge and Cox Fixed Income Fund had an average credit quality rating of AA as of December 31, 2020 and 2019.

### Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan had \$3,223,000 and \$3,048,000 in international equity mutual funds that were invested in foreign securities as of December 31, 2020 and 2019, respectively.

### Rate of Return

For the year ended December 31, 2020 and 2019, the annual money-weighted rate of return on the Plan investments, net of investment expense, was 12.4% and 18.3%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

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

The Port's net pension liability related to the Warehousemen's Pension Trust was measured as of December 31, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, and update procedures were used to roll forward the total pension liability to the measurement date. As of December 31, 2020 and 2019, the Port's net pension liability for this Plan was \$5,178,000 and \$7,047,000, respectively. For the year ended December 31, 2020, 2019, and 2018, the Port recognized pension (credit) expense of \$(19,000), \$674,000, and \$(635,000), respectively. As of December 31, 2020 and 2019, the total deferred inflows of resources resulting from the net difference between projected and actual earnings on pension plan investments was \$731,000 and \$377,000, respectively. The Plan will recognize \$(226,000) for 2021, \$(70,000) for 2022, \$(320,000) for 2023 and \$(115,000) for 2024, as future pension credit.

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

	2020	2019
Total pension liability	\$ 16,062	\$ 17,057
Plan fiduciary net position	(10,884)	(10,010)
Net pension liability	\$ 5,178	\$ 7,047
Plan fiduciary net position as a percentage of total pension liability	67.8%	58.7%

### Changes in Net Pension Liability

The following table identifies changes in the Port's net pension liability for the Warehousemen's Pension Trust for the current year (in thousands).

	Total pension liability	Plan fiduciary net position	Net pension liability
Interest expense	\$ 1,055	\$	\$ 1,055
Employer contributions		1,500	(1,500)
Net investment income		1,215	(1,215)
Difference between expected and actual experience	(290)		(290)
Benefit payments	(1,760)	(1,760)	
Administrative expenses		(51)	51
Professional fees		(30)	30
Net changes	(995)	874	(1,869)
Balances at beginning of year	17,057	10,010	7,047
Balances at end of year	\$ 16,062	\$ 10,884	\$ 5,178

### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the Entry Age Normal Cost Method and the following actuarial assumptions, applied to all periods included in the measurement:

- *Mortality*—Life expectancies were based on the RP-2014 Combined Mortality Table for Males and Females with blue collar adjustment. Margin for future mortality improvement is accounted for by projecting mortality rates using Scale MP-2016.
- *Investment rate of return*—A rate of 6.5% was used, which is the long-term expected rate of return on the Plan's investment, net of plan investment expenses and including inflation. This rate was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return were adopted by the Plan's Board of Trustees after considering input from the Plan's investment consultant and actuary.

For each major asset class that is included in the Plan's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

<b>Asset class</b>	<b>Target allocation</b>	<b>Long-term expected real rate of return</b>
Domestic equities mutual fund	30%	6.1%
International equities mutual fund	30	6.9
Domestic fixed income mutual fund	40	3.2
Total	100%	

- *Discount rate*—A single discount rate of 6.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on the Plan's investments at 6.5% and the tax-exempt municipal bond rate on an index of 20-year GO Bonds with an average AA credit rating at 2%. The projection of cash flows used to determine this single discount rate assumed the employer contributions will be made at the actuarially determined contribution rates in accordance with the Port's long-term funding policy. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### **Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

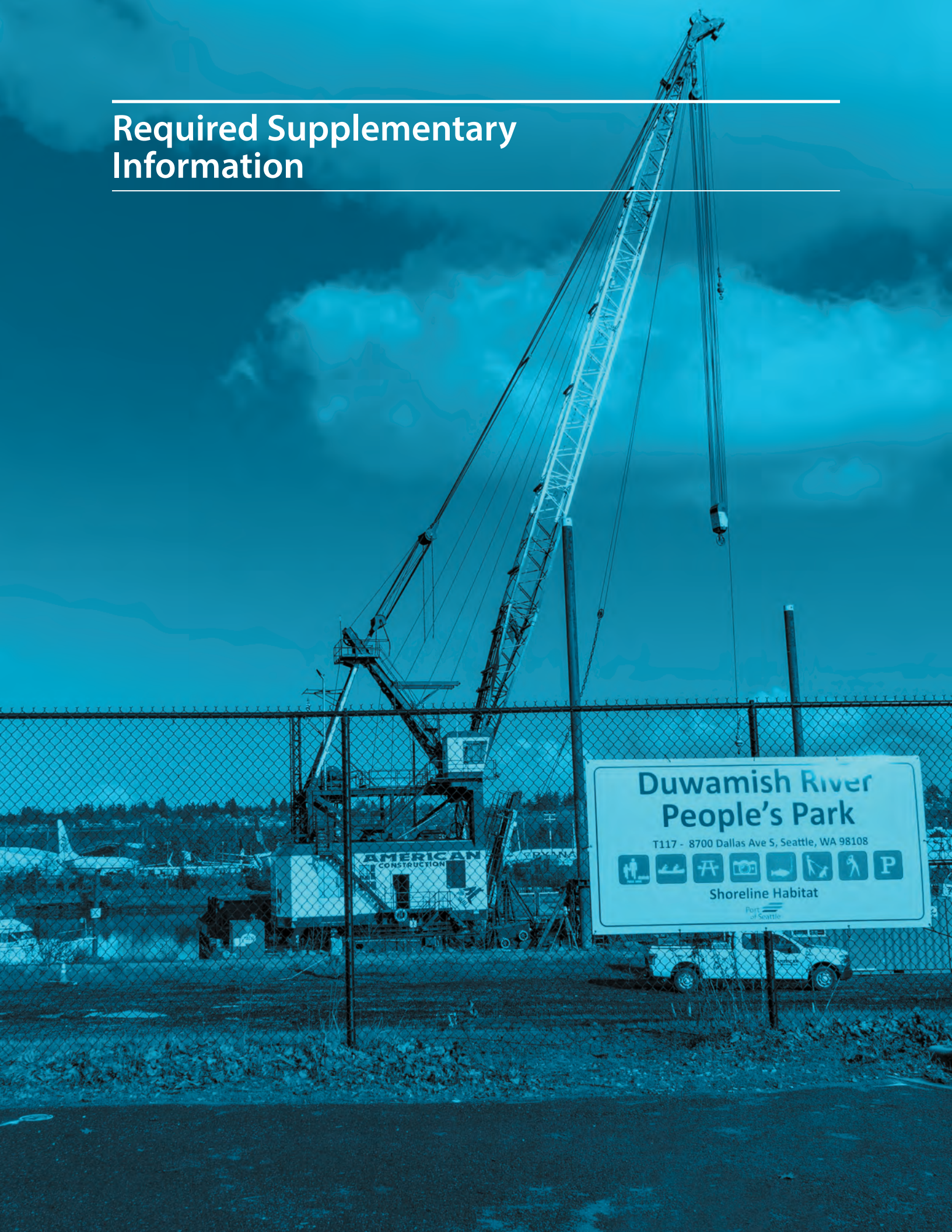
The following presents the net pension liability of the Plan, calculated using the discount rate of 6.5%, as well as what the net pension liability would be if it were calculated using plus or minus 1% of the current discount rate (in thousands):

	<b>1% Decrease (5.5%)</b>	<b>Current discount rate (6.5%)</b>	<b>1% Increase (7.5%)</b>
Net pension liability	\$ 6,502	\$ 5,178	\$ 4,036

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# Required Supplementary Information



## Schedule of Port of Seattle's Proportionate Share of Net Pension Asset/Liability (NPA/NPL) Enterprise Fund Pension Plans

Last Seven Fiscal Years <sup>(a)</sup> (in thousands)	2020	2019
<b>PERS Plan 1</b>		
Port's proportion of the NPL	0.89%	0.86%
Port's proportionate share of the NPL	\$ 31,506	\$ 33,048
Port's covered payroll	\$ 1,067	\$ 1,141
Port's proportionate share of the NPL as a percentage of its covered payroll	2952.76%	2896.14%
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%
<b>PERS Plan 2/3</b>		
Port's proportion of the NPL	1.13%	1.08%
Port's proportionate share of the NPL	\$ 14,440	\$ 10,531
Port's covered payroll	\$ 131,998	\$ 117,866
Port's proportionate share of the NPL as a percentage of its covered payroll	10.94%	8.93%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%
<b>LEOFF Plan 1</b>		
Port's proportion of the NPA	0.08%	0.08%
Port's proportionate share of the NPA	\$ 1,464	\$ 1,529
Port's covered payroll	n/a	n/a
Port's proportionate share of the NPA as a percentage of its covered payroll	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	146.88%	148.78%
<b>LEOFF Plan 2</b>		
Port's proportion of the NPA	1.09%	1.07%
Port's proportionate share of the NPA	\$ 22,203	\$ 24,861
State's proportionate share of the NPA associated with the Port	14,197	16,281
Total	\$ 36,400	\$ 41,142
Port's covered payroll	\$ 29,767	\$ 27,404
Port's proportionate share of the NPA as a percentage of its covered payroll	122.28%	150.13%
Plan fiduciary net position as a percentage of the total pension asset	115.83%	119.43%

(Continued)

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



## Schedule of Port of Seattle's Proportionate Share of Net Pension Asset/Liability (NPA/NPL) Enterprise Fund Pension Plans

Last Seven Fiscal Years <sup>(a)</sup> (in thousands)	2018	2017	2016	2015	2014
<b>PERS Plan 1</b>					
Port's proportion of the NPL	0.87%	0.86%	0.83%	0.87%	0.84%
Port's proportionate share of the NPL	\$ 38,752	\$ 40,683	\$ 44,426	\$ 45,557	\$ 42,385
Port's covered payroll	\$ 1,450	\$ 1,451	\$ 1,440	\$ 1,504	\$ 1,606
Port's proportionate share of the NPL as a percentage of its covered payroll	2672.55%	2803.79%	3085.14%	3029.06%	2639.17%
Plan fiduciary net position as a percentage of the total pension liability	63.22%	61.24%	57.03%	59.10%	61.19%
<b>PERS Plan 2/3</b>					
Port's proportion of the NPL	1.08%	1.07%	1.02%	1.09%	1.04%
Port's proportionate share of the NPL	\$ 18,467	\$ 37,149	\$ 51,569	\$ 38,826	\$ 21,060
Port's covered payroll	\$ 111,910	\$ 104,804	\$ 95,817	\$ 96,416	\$ 89,966
Port's proportionate share of the NPL as a percentage of its covered payroll	16.50%	35.45%	53.82%	40.27%	23.41%
Plan fiduciary net position as a percentage of the total pension liability	95.77%	90.97%	85.82%	89.20%	93.29%
<b>LEOFF Plan 1</b>					
Port's proportion of the NPA	0.08%	0.08%	0.07%	0.07%	0.07%
Port's proportionate share of the NPA	\$ 1,382	\$ 1,144	\$ 761	\$ 883	\$ 881
Port's covered payroll	n/a	n/a	n/a	n/a	n/a
Port's proportionate share of the NPA as a percentage of its covered payroll	n/a	n/a	n/a	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	144.42%	135.96%	123.74%	127.36%	126.91%
<b>LEOFF Plan 2</b>					
Port's proportion of the NPA	1.03%	1.08%	1.03%	1.07%	1.04%
Port's proportionate share of the NPA	\$ 20,851	\$ 15,053	\$ 5,967	\$ 11,018	\$ 13,815
State's proportionate share of the NPA associated with the Port	13,501	9,765	3,890	7,285	9,026
Total	\$ 34,352	\$ 24,818	\$ 9,857	\$ 18,303	\$ 22,841
Port's covered payroll	\$ 24,512	\$ 24,778	\$ 22,343	\$ 22,322	\$ 20,753
Port's proportionate share of the NPA as a percentage of its covered payroll	140.14%	100.16%	44.12%	82.00%	110.06%
Plan fiduciary net position as a percentage of the total pension asset	118.50%	113.36%	106.04%	111.67%	116.75%

(Concluded)

## Schedule of Port of Seattle's Contributions Enterprise Fund Pension Plans<sup>(a)</sup>

Last Seven Fiscal Years <sup>(b)</sup> (in thousands)	2020	2019
<b>PERS Plan 1</b>		
Contractually required contribution	\$ 131	\$ 149
Contributions in relation to the contractually required contribution	(131)	(149)
Contribution deficiency (excess)	\$	\$
Port's covered payroll	\$ 1,029	\$ 1,174
Contributions as a percentage of covered payroll	12.73%	12.69%
<b>PERS Plan 2/3</b>		
Contractually required contribution	\$ 17,293	\$ 15,993
Contributions in relation to the contractually required contribution	(17,293)	(15,993)
Contribution deficiency (excess)	\$	\$
Port's covered payroll	\$ 136,206	\$ 126,312
Contributions as a percentage of covered payroll	12.70%	12.66%
<b>LEOFF Plan 2</b>		
Contractually required contribution	\$ 2,015	\$ 2,107
Contributions in relation to the contractually required contribution	(2,015)	(2,107)
Contribution deficiency (excess)	\$	\$
Port's covered payroll	\$ 28,456	\$ 29,274
Contributions as a percentage of covered payroll	7.08%	7.20%

(Continued)

(a) LEOFF Plan 1 is fully funded and no further employer or employee contributions have been required since June 2000.

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

## Schedule of Port of Seattle's Contributions Enterprise Fund Pension Plans<sup>(a)</sup>

Last Seven Fiscal Years <sup>(b)</sup> (in thousands)	2018	2017	2016	2013	2014
<b>PERS Plan 1</b>					
Contractually required contribution	\$ 173	\$ 151	\$ 164	\$ 146	\$ 137
Contributions in relation to the contractually required contribution	(173)	(151)	(164)	(146)	(137)
Contribution deficiency (excess)	\$	\$	\$	\$	\$
Port's covered payroll	\$ 1,398	\$ 1,289	\$ 1,490	\$ 1,474	\$ 1,515
Contributions as a percentage of covered payroll	12.37%	11.71%	11.01%	9.91%	9.04%
<b>PERS Plan 2/3</b>					
Contractually required contribution	\$ 13,920	\$ 12,882	\$ 10,979	\$ 9,761	\$ 8,243
Contributions in relation to the contractually required contribution	(13,920)	(12,882)	(10,979)	(9,761)	(8,243)
Contribution deficiency (excess)	\$	\$	\$	\$	\$
Port's covered payroll	\$ 110,897	\$ 109,605	\$ 99,808	\$ 98,556	\$ 91,306
Contributions as a percentage of covered payroll	12.55%	11.75%	11.00%	9.90%	9.03%
<b>LEOFF Plan 2</b>					
Contractually required contribution	\$ 1,837	\$ 1,723	\$ 1,663	\$ 1,596	\$ 1,478
Contributions in relation to the contractually required contribution	(1,837)	(1,723)	(1,663)	(1,596)	(1,478)
Contribution deficiency (excess)	\$	\$	\$	\$	\$
Port's covered payroll	\$ 25,389	\$ 24,355	\$ 23,911	\$ 22,624	\$ 21,022
Contributions as a percentage of covered payroll	7.24%	7.07%	6.95%	7.05%	7.03%

(Concluded)

## Schedule of Changes in Total OPEB Liability and Related Ratios LEOFF Plan 1 Members' Medical Services Plan

Last Three Fiscal Years <sup>(a)</sup> (in thousands)	2020	2019	2018
Interest expense	\$ 200	\$ 262	\$ 240
Changes of assumptions	476	772	107
Contributions	(668)	(824)	(525)
Net change in total OPEB liability	8	210	(178)
Total OPEB liability—beginning	7,264	7,054	7,232
Total OPEB liability—ending	\$ 7,272	\$ 7,264	\$ 7,054
<b>Covered payroll<sup>(b)</sup></b>	n/a	n/a	n/a
<b>Total OPEB liability as a % of covered payroll</b>	n/a	n/a	n/a

(a) This schedule is presented prospectively starting fiscal year ended 2018, coinciding with the implementation of GASB No. 75 in fiscal year 2018.

(b) Annual covered payroll was not applicable as LEOFF Plan 1 has no active employees.

## Schedule of Changes in Total OPEB Liability and Related Ratios Retirees Life Insurance Plan

Last Three Fiscal Years <sup>(a)</sup> (in thousands)	2020	2019	2018
Service cost	\$ 349	\$ 250	\$ 286
Interest expense	316	357	343
Difference between expected and actual experience	(107)		
Changes of assumptions	1,348	1,667	(1,003)
Benefit payments	(356)	(345)	(336)
Net change in total OPEB liability	1,550	1,929	(710)
Total OPEB liability—beginning	11,614	9,685	10,395
Total OPEB liability—ending	\$ 13,164	\$ 11,614	\$ 9,685
<b>Covered payroll</b>	\$ 126,040	\$ 103,868	\$ 100,356
<b>Total OPEB liability as a % of covered payroll</b>	10.4%	11.2%	9.7%

(a) This schedule is presented prospectively starting fiscal year ended 2018, coinciding with the implementation of GASB No. 75 in fiscal year 2018.



## Schedule of Changes in Net Pension Liability and Related Ratios Warehousemen's Pension Trust Fund

Last Seven Fiscal Years <sup>(a)</sup> (in thousands)	2020	2019
<b>Total pension liability</b>		
Interest expense	\$ 1,055	\$ 1,092
Difference between expected and actual experience	(290)	
Changes of assumptions		
Benefit payments	(1,760)	(1,791)
Net change in total pension liability	(995)	(699)
Total pension liability—beginning	17,057	17,756
Total pension liability—ending	\$ 16,062	\$ 17,057
<b>Plan fiduciary net position</b>		
Employer contributions	\$ 1,500	\$ 1,500
Net investment income (loss)	1,215	1,575
Benefit payments	(1,760)	(1,791)
Administrative expenses	(51)	(49)
Professional fees	(30)	(48)
Net change in plan fiduciary net position	874	1,187
Plan fiduciary net position—beginning	10,010	8,823
Plan fiduciary net position—ending	\$ 10,884	\$ 10,010
<b>Net pension liability</b>		
Total pension liability—ending	\$ 16,062	\$ 17,057
Plan fiduciary net position—ending	(10,884)	(10,010)
Net pension liability—ending	\$ 5,178	\$ 7,047
<b>Plan fiduciary net position as a percentage of total pension liability</b>	67.8%	58.7%
<b>Covered payroll<sup>(b)</sup></b>	n/a	n/a

(Continued)

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

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

## Schedule of Changes in Net Pension Liability and Related Ratios Warehousemen's Pension Trust Fund

Last Seven Fiscal Years <sup>(a)</sup> (in thousands)	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Interest expense	\$ 1,239	\$ 1,280	\$ 1,255	\$ 1,306	\$ 1,384
Difference between expected and actual experience	(1,616)		105		(512)
Changes of assumptions			1,044		
Benefit payments	(1,863)	(1,946)	(2,093)	(2,079)	(2,091)
Net change in total pension liability	(2,240)	(666)	311	(773)	(1,219)
Total pension liability—beginning	19,996	20,662	20,351	21,124	22,343
Total pension liability—ending	\$ 17,756	\$ 19,996	\$ 20,662	\$ 20,351	\$ 21,124
<b>Plan fiduciary net position</b>					
Employer contributions	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Net investment income (loss)	(611)	1,352	554	(116)	408
Benefit payments	(1,863)	(1,946)	(2,093)	(2,079)	(2,091)
Administrative expenses	(49)	(46)	(45)	(46)	(45)
Professional fees	(28)	(47)	(41)	(57)	(66)
Net change in plan fiduciary net position	(1,051)	813	(125)	(798)	(294)
Plan fiduciary net position—beginning	9,874	9,061	9,186	9,984	10,278
Plan fiduciary net position—ending	\$ 8,823	\$ 9,874	\$ 9,061	\$ 9,186	\$ 9,984
<b>Net pension liability</b>					
Total pension liability—ending	\$ 17,756	\$ 19,996	\$ 20,662	\$ 20,351	\$ 21,124
Plan fiduciary net position—ending	(8,823)	(9,874)	(9,061)	(9,186)	(9,984)
Net pension liability—ending	\$ 8,933	\$ 10,122	\$ 11,601	\$ 11,165	\$ 11,140
<b>Plan fiduciary net position as a percentage of total pension liability</b>					
	49.7%	49.4%	43.9%	45.1%	47.3%
<b>Covered payroll<sup>(b)</sup></b>					
	n/a	n/a	n/a	n/a	n/a

(Concluded)

## Schedule of Employer Contributions Warehousemen's Pension Trust Fund<sup>(a)</sup>

Last Ten Fiscal Years (in thousands)

Years ended December 31,	Actuarially determined contribution <sup>(b)</sup>	Actual contribution	Contribution (excess)
2020	\$ 856	\$ 1,500	\$ (644)
2019	1,021	1,500	(479)
2018	1,108	1,500	(392)
2017	1,218	1,500	(282)
2016	1,147	1,500	(353)
2015	1,118	1,500	(382)
2014	1,201	1,500	(299)
2013	1,304	1,500	(196)
2012	1,456	1,500	(44)
2011	1,412	1,500	(88)

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

(b) Prior to 2014, the Annual Required Contribution amounts are presented for the Actuarially Determined Contributions.

## Schedule of Investment Returns Warehousemen's Pension Trust Fund

Last Seven Fiscal Years<sup>(a)</sup>

Years ended December 31,	Annual money-weighted rate of return, net of investment expense
2020	12.4%
2019	18.3
2018	(6.4)
2017	15.4
2016	6.3
2015	(1.2)
2014	4.1

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

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## Notes to Required Supplementary Information

### Warehousemen's Pension Trust Fund for the Year Ended December 31, 2020

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#### Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule are calculated as of December 31, 2019, for the year of 2020. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years as of January 1, 2020
Asset valuation method	Market value
Investment rate of return	6.5%
Discount rate	6.5%
Retirement age	100% assumed retirement at earliest eligibility age—age 55 for members with at least 10 years of service and age 62 for members with less than 10 years of service.
Mortality	RP-2014 Blue Collar Combined Healthy Mortality Table with blue collar adjustments projected with Scale MP-2016.
Other information	There were no benefit changes during the year.  Employer contributions are determined such that contributions will fund the projected benefits over a closed, 14-year funding period as of January 1, 2021.



# Statistical Section









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# Port of Seattle

## Statistical Section Narrative and Schedules

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This section of the Port's annual financial report contains detailed information as context for understanding what the financial statements, note disclosures, and required supplementary information present about the Port's overall financial health.

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### Contents

#### Financial Trends

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

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

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

#### Revenue Capacity

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

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

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

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

#### Debt Capacity

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

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

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

Schedule 8 – Computation of Direct and Overlapping General Obligation Debt, as of December 31, 2020

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

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

## Demographic and Economic Information

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

Schedule 11 – Demographic Statistics, Last Ten Fiscal Years

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

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

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

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

## Operating Information

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

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

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

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

Schedule 19 – Containerized Volume, Last Ten Fiscal Years

Schedule 20 – Cargo Volume, Last Ten Fiscal Years

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

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

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

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

Schedule 25 – Capital Assets Information—Seattle-Tacoma International Airport, Last Ten Fiscal Years

## Schedule 1 Net Position by Component

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

Fiscal year	Net investment in capital assets	Restricted	Unrestricted	Total net position
2020	\$ 3,266,254	\$ 288,067	\$ 364,500	\$ 3,918,821
2019	3,212,698	340,262	280,756	3,833,716
2018 <sup>(a)</sup>	3,107,766	377,800	81,143	3,566,709
2017	2,716,718	403,685	227,780	3,348,183
2016	2,591,049	343,175	214,123	3,148,347
2015	2,474,130	318,691	314,095	3,106,916
2014 <sup>(b)</sup>	2,424,133	252,005	410,786	3,086,924
2013 <sup>(b)</sup>	2,299,824	241,967	413,924	2,955,715
2012 <sup>(c)</sup>	2,263,999	208,829	464,275	2,937,103
2011 <sup>(c)</sup>	2,328,751	135,664	421,296	2,885,711

(a) In 2018, the Port adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) and GASB Statement No. 86, *Certain Debt Extinguishment Issues*, by adjusting the beginning balance of the total net position as of January 1, 2018. The adjustments included recording the OPEB liability and the related deferred outflows and deferred inflows from the OPEB liability and the refunding gain/loss on extinguished debt.

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

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

## Schedule 2 Changes in Net Position

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

	2020	2019	2018 <sup>(a)</sup>	2017	2016
Operating Revenues:					
Services	\$ 186,488	\$ 296,326	\$ 274,174	\$ 260,322	\$ 231,326
Property rentals	284,768	400,235	339,304	304,416	291,874
Customer facility charge revenues		15,773	16,263	10,641	12,121
Operating grants and contract revenues	2,702	3,860	3,657	1,727	1,562
Joint venture income <sup>(d)</sup>	36,869	47,979	55,992	54,925	61,584
Total operating revenues	510,827	764,173	689,390	632,031	598,467
Operating Expenses:					
Operations and maintenance	300,932	335,532	297,321	282,657	237,964
Administration	78,337	76,413	72,568	65,722	63,456
Law enforcement	29,411	31,143	27,749	24,603	23,865
Total operating expenses	408,680	443,088	397,638	372,982	325,285
Net Operating Income					
Before Depreciation	102,147	321,085	291,752	259,049	273,182
Depreciation	180,086	174,971	164,362	165,021	164,336
Operating (Loss) Income	(77,939)	146,114	127,390	94,028	108,846
Nonoperating Income (Expense):					
Ad valorem tax levy revenues	76,196	73,801	71,771	71,702	71,678
Passenger facility charge revenues	34,637	100,004	94,070	88,389	85,570
Customer facility charge revenues	15,429	22,355	21,802	25,790	24,715
Noncapital grants and donations	149,913	2,880	1,573	6,704	6,284
Fuel hydrant facility revenues	6,886	6,742	6,942	7,000	6,992
Investment income (loss)—net	41,406	54,078	26,287	12,174	8,448
Revenue and capital appreciation bonds interest expense	(133,149)	(105,601)	(100,432)	(97,748)	(105,567)
Passenger facility charge revenue bonds interest expense	(2,670)	(3,547)	(4,368)	(4,931)	(5,251)
General obligation bonds interest expense	(11,850)	(12,492)	(13,414)	(13,891)	(9,765)
Public expense	(6,658)	(12,986)	(5,269)	(4,588)	(8,560)
Environmental expense—net	(5,971)	(118)	(10,600)	(4,464)	(280)
Other (expense) income—net	(22,034)	(21,959)	(3,217)	(10,441)	(12,087)
Total nonoperating income (expense)—net	142,135	103,157	85,145	75,696	62,177
Income Before Capital Contributions and Special Items					
Contributions and Special Items	64,196	249,271	212,535	169,724	171,023
Capital Contributions	20,909	17,736	43,650	30,112	18,108
Income Before Special Items	85,105	267,007	256,185	199,836	189,131
Special Items:					
State Route 99 Viaduct expense <sup>(e)</sup>					(147,700)
Environmental expense <sup>(f)</sup>			(34,923)		
Increase In Net Position	85,105	267,007	221,262	199,836	41,431
Total Net Position:					
Beginning of year	3,833,716	3,566,709	3,348,183	3,148,347	3,106,916
Adjustment			(2,736)		
Restatement					
End of year	\$ 3,918,821	\$ 3,833,716	\$ 3,566,709	\$ 3,348,183	\$ 3,148,347

See notes on page 106.

(Continued)

## Schedule 2 Changes In Net Position

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

	2015	2014 <sup>(b)</sup>	2013 <sup>(b)</sup>	2012 <sup>(c)</sup>	2011 <sup>(c)</sup>
Operating Revenues:					
Services	\$ 212,612	\$ 195,364	\$ 190,662	\$ 195,816	\$ 185,967
Property rentals	332,696	325,219	342,093	312,739	295,331
Customer facility charge revenues	12,663	13,608	11,367	9,745	
Operating grants and contract revenues	962	298	856	3,406	1,874
Joint venture income <sup>(d)</sup>					
Total operating revenues	558,933	534,489	544,978	521,706	483,172
Operating Expenses:					
Operations and maintenance	234,017	228,292	227,611	222,535	195,200
Administration	60,225	56,711	55,962	53,018	50,293
Law enforcement	23,564	21,297	23,416	22,616	21,923
Total operating expenses	317,806	306,300	306,989	298,169	267,416
Net Operating Income					
Before Depreciation	241,127	228,189	237,989	223,537	215,756
Depreciation	163,338	166,337	171,374	167,279	158,107
Operating (Loss) Income	77,789	61,852	66,615	56,258	57,649
Nonoperating Income (Expense):					
Ad valorem tax levy revenues	72,819	72,801	72,738	72,678	73,179
Passenger facility charge revenues	79,209	69,803	64,661	62,385	62,358
Customer facility charge revenues	23,540	19,889	20,389	20,577	23,669
Noncapital grants and donations	5,358	10,159	3,771	3,348	8,482
Fuel hydrant facility revenues	6,957	6,935	7,417	8,123	7,683
Investment income (loss)—net	9,122	11,202	(1,107)	8,172	18,884
Revenue and capital appreciation bonds interest expense	(110,128)	(108,910)	(115,340)	(123,327)	(127,193)
Passenger facility charge revenue bonds interest expense	(5,584)	(5,906)	(6,212)	(6,503)	(6,467)
General obligation bonds interest expense	(10,490)	(9,475)	(11,479)	(14,078)	(15,292)
Public expense	(5,023)	(6,854)	(6,226)	(22,876)	(18,703)
Environmental expense—net	(2,888)	(9,142)	(4,765)	(14,358)	(4,335)
Other (expense) income—net	(23,493)	2,109	(411)	(29,721)	5,693
Total nonoperating income (expense)—net	39,399	52,611	23,436	(35,580)	27,958
Income Before Capital Contributions and Special Items					
Contributions and Special Items	117,188	114,463	90,051	20,678	85,607
Capital Contributions	22,804	16,746	21,381	30,714	21,180
Income Before Special Items	139,992	131,209	111,432	51,392	106,787
Special Items:					
State Route 99 Viaduct expense <sup>(e)</sup>	(120,000)				
Environmental expense <sup>(f)</sup>					
Increase in Net Position	19,992	131,209	111,432	51,392	106,787
Total Net Position:					
Beginning of year	3,086,924	2,955,715	2,937,103	2,885,711	2,804,374
Adjustment					
Restatement			(92,820)		(25,450)
End of year	\$ 3,106,916	\$ 3,086,924	\$ 2,955,715	\$ 2,937,103	\$ 2,885,711

See notes on page 106.

(Concluded)

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## Schedule 2   Changes in Net Position

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- (a) In 2018, the Port adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) and GASB Statement No. 86, *Certain Debt Extinguishment Issues*, by adjusting the beginning balance of the total net position as of January 1, 2018. The adjustments included recording the OPEB liability and the related deferred outflows and deferred inflows from the OPEB liability and the refunding gain/loss on extinguished debt.
- (b) In 2015, the Port adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, by restating the financial statements for 2014 and 2013. The restatement included recognizing the long-term obligations for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits.
- (c) In 2013, the Port adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, by restating the financial statements for 2012 and 2011. The restatement included primarily the write-off of deferred finance costs as of January 1, 2011, except for a portion related to prepaid insurance costs and surety costs.
- (d) In 2016, the Port adopted joint venture accounting as of January 1, 2016, to account for its 50% share of the NWSA's changes in net position.
- (e) In 2016 and 2015, the Port made \$147.7 million and \$120 million payments, respectively, as a special item, to WSDOT for the State Route 99 Alaskan Way Viaduct Replacement Program.
- (f) In 2018, the Port is in ongoing settlement negotiations with EBTC. The Port recorded, as a special item, a \$34.9 million environmental expense reflecting the cost to construct a habitat restoration project.



## Schedule 3 Aviation Division Operating Revenues by Source

Last Ten Fiscal Years <sup>(a)</sup> (accrual basis of accounting) (in thousands)

	2020	2019	2018	2017	2016
<b>Aeronautical Revenues:</b>					
Terminal	\$ 179,249	\$ 206,958	\$ 163,758	\$ 146,817	\$ 141,549
Airfield	88,537	129,157	109,749	100,716	88,311
Other	30,123	21,483	17,761	16,580	14,374
Total aeronautical revenues	297,909	357,598	291,268	264,113	244,234
<b>Non-Aeronautical Revenues:</b>					
Public parking	34,502	82,125	80,212	75,106	69,540
Airport dining and retail/ Terminal leased space	31,234	68,013	64,323	58,980	57,253
Rental cars	16,637	36,793	37,306	35,051	37,082
Customer facility charges <sup>(c)</sup>		15,773	16,263	10,641	12,122
Utilities	5,672	7,431	7,206	7,018	7,233
Commercial properties	10,766	15,773	15,435	18,042	9,992
Ground transportation	6,557	20,765	18,772	15,684	12,803
Other	11,105	22,364	18,189	16,281	14,997
Total non-aeronautical revenues	116,473	269,037	257,706	236,803	221,022
Total Aviation Division operating revenues	\$ 414,382	\$ 626,635	\$ 548,974	\$ 500,916	\$ 465,256
	2015	2014	2013	2012	2011
<b>Aeronautical Revenues:</b>					
Terminal <sup>(b)</sup>	\$ 138,836	\$ 137,435	\$ 158,173	\$ 145,197	\$ 132,565
Airfield <sup>(b)</sup>	73,386	77,014	84,141	72,574	59,607
Other	13,826	10,839	10,623	15,194	15,590
Total aeronautical revenues	226,048	225,288	252,937	232,965	207,762
<b>Non-Aeronautical Revenues:</b>					
Public parking	63,059	57,127	52,225	49,781	49,996
Airport dining and retail/ Terminal leased space	51,351	46,078	40,688	37,233	34,637
Rental cars	33,851	32,496	28,472	28,327	30,746
Customer facility charges <sup>(c)</sup>	12,663	13,608	11,367	9,745	
Utilities	7,000	6,736	6,332	7,206	7,695
Commercial properties	7,922	6,638	6,089	5,700	5,112
Ground transportation	8,809	8,333	7,958	7,900	7,704
Other	12,189	9,400	7,943	7,166	7,070
Total non-aeronautical revenues	196,844	180,416	161,074	153,058	142,960
Total Aviation Division operating revenues	\$ 422,892	\$ 405,704	\$ 414,011	\$ 386,023	\$ 350,722

(a) A significant amount of the aeronautical revenue follows the terms of the signatory airline lease and operating agreements SLOA II (years 2006–2012), SLOA III (years 2013–2017), and SLOA IV (years 2018–2022).

(b) For 2013, terminal and airfield revenues included (1) a one-time recognition of \$17.9 million from the removal of the security fund liability when SLOA II expired, and (2) \$14.3 million straight-line rent adjustments for the lease incentive provided under SLOA III.

(c) Total CFC revenues include both operating revenues from operations and nonoperating revenues used to pay debt service.

## Schedule 4 Aviation Division Principal Customers

Current Year and Nine Years Ago (in thousands)

Customer	2020			2011		
	Revenues billed	Rank	Percentage of Aviation Division operating revenues	Revenues billed	Rank	Percentage of Aviation Division operating revenues
Alaska Airlines	\$ 116,163	1	28.0%	\$ 72,404	1	20.6%
Delta Airlines	78,795	2	19.0	27,809	2	7.9
Horizon Airlines	21,617	3	5.2	15,657	4	4.5
United Airlines <sup>(a)</sup>	17,660	4	4.3	20,998	3	6.0
Southwest Airlines	14,716	5	3.6	13,419	5	3.8
American Airlines	14,146	6	3.4	8,282	6	2.4
Airport Management Services LLC	7,369	7	1.8	7,612	10	2.2
Enterprise Rent A Car	6,530	8	1.6			
Federal Express	6,374	9	1.5			
Host International, Inc.	5,078	10	1.2	7,664	9	2.2
Continental Airlines <sup>(a)</sup>				8,088	8	2.3
The Hertz Corporation				8,125	7	2.3
Total	\$ 288,448		69.6%	\$ 190,058		54.2%

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

## Schedule 5 Aviation Division Landed Weight and Landing Fees

Last Ten Fiscal Years <sup>(a)</sup> (in thousands, except for landing fee)

Fiscal year	Landed weight (in pounds)	Landing fees (per 1,000 pounds) <sup>(b)</sup>	
		Signatory airlines	Non-signatory airlines/aircrafts <sup>(c)</sup>
2020	20,261,962	\$ 4.07	\$ 5.09
2019	31,562,353	3.84	4.81
2018	30,349,825	3.77	4.71
2017	28,430,527	3.75	4.69
2016	27,275,525	3.40	4.25
2015	24,757,318	3.11	3.89
2014	22,504,515	3.33	4.16
2013	20,949,155	3.38	4.22
2012	19,986,628	3.15	3.47
2011	20,193,785	3.00	3.30

(a) Aeronautical revenues follow the terms of the signatory airline lease and operating agreements SLOA II (years 2006–2012), SLOA III (years 2013–2017), and SLOA IV (years 2018–2022).

(b) During 2006 to 2012, landing fee rates for each year were based on billed landing fee revenues as of the last day of each preceding fiscal year. Landing fee rates were based on settlement calculations following the terms of SLOA III during 2013–2017 and SLOA IV during 2018–2020.

(c) Under the terms of SLOA III and SLOA IV, rates for non-signatory airlines/aircrafts are 25% higher than the same rates for signatory airlines.

## Schedule 6 Ratios of Outstanding Debt by Type

Last Ten Fiscal Years (in thousands, except for total debt per capita)

Fiscal year	General obligation bonds <sup>(a)</sup>	Revenue and capital appreciation bonds <sup>(a)</sup>	Commercial paper	Passenger facility charge revenue bonds <sup>(a)</sup>	Fuel hydrant special facility revenue bonds <sup>(a)</sup>	Total debt
2020	\$ 341,068	\$ 3,603,033	\$ 48,470	\$ 52,048	\$ 68,697	\$ 4,113,316
2019	369,073	3,816,881	17,655	68,102	73,089	4,344,800
2018	399,899	3,444,709	118,655	84,632	77,331	4,125,226
2017	429,969	2,977,879	19,655	100,345	81,428	3,609,276
2016	308,138	2,638,707	29,655	114,296	85,388	3,176,184
2015	333,110	2,772,752	38,655	127,734	89,230	3,361,481
2014	235,159	2,600,350	42,655	140,840	92,977	3,111,981
2013	295,175	2,712,465	42,655	153,626	96,650	3,300,571
2012	322,056	2,803,806	42,655	166,106	101,114	3,435,737
2011	348,157	2,853,488	42,655	178,300	103,903	3,526,503

Fiscal year	Ratio of total debt to personal income <sup>(b)</sup>	Total debt per capita <sup>(c)</sup>
2020	1.9%	\$ 1,819
2019	2.0	1,952
2018	2.0	1,884
2017	2.0	1,676
2016	1.9	1,509
2015	2.2	1,637
2014	2.2	1,543
2013	2.6	1,665
2012	2.8	1,756
2011	3.1	1,815

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

(b) See Schedule 11 for Personal Income of King County data used in this calculation. The 2020 ratio is calculated using 2019 Personal Income figure.

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

## Schedule 7 Ratios of General Obligation (GO) Bonds

Last Ten Fiscal Years (in thousands, except for GO bonds per capita)

Fiscal year	GO bonds <sup>(a)</sup>	Percentage of GO bonds to the assessed value of taxable property <sup>(b)</sup>	GO bonds per capita <sup>(c)</sup>
2020	\$ 341,068	0.1%	\$ 151
2019	369,073	0.1	166
2018	399,899	0.1	183
2017	429,969	0.1	200
2016	308,138	0.1	146
2015	333,110	0.1	162
2014	235,159	0.1	117
2013	295,175	0.1	149
2012	322,056	0.1	165
2011	348,157	0.1	179

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

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

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

## Schedule 8 Computation of Direct and Overlapping General Obligation Debt

As of December 31, 2020 (in thousands)

Governmental unit	Outstanding	Estimated percentage applicable <sup>(b)</sup>	Estimated share of direct and overlapping debt
Port of Seattle <sup>(a)</sup>	\$ 311,175	100.0%	\$ 311,175

Estimated Overlapping General Obligation Debt:

King County	684,499	100.0	684,499
Cities and Towns	1,823,269	97.6	1,779,001
School Districts	5,473,790	95.7	5,236,530
Other	400,222	99.7	399,194
Total estimated overlapping debt			8,099,224

Total direct and estimated overlapping debt	\$	8,410,399
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(a) Presented at par value, excluding unamortized bond premiums and discounts.

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

Source: King County Financial Management Section

## Schedule 9 Revenue Bonds Coverage by Type

Last Ten Fiscal Years (in thousands, except for revenue coverage ratios)

	2020	2019	2018	2017	2016
Operating revenues	\$ 510,827	\$ 764,173	\$ 689,390	\$ 632,031	\$ 598,467
Less: CFC revenues not available to pay revenue bond debt service		(15,773)	(16,263)	(10,641)	(12,122)
Less: SWU revenues not available to pay revenue bond debt service	(6,374)	(5,839)	(5,285)	(4,985)	(4,751)
Add/Less: Other Port adjustments <sup>(a)</sup>					
Add/Less: NWSA adjustments <sup>(b)</sup>	7,688	5,655	(591)	928	266
Add: Nonoperating income (expense)—net <sup>(c)</sup>	181,786	14,030	12,174	7,381	5,567
Gross revenue <sup>(d)</sup>	693,927	762,246	679,425	624,714	587,427
Operating expenses	\$ 408,680	\$ 443,088	\$ 397,638	\$ 372,982	\$ 325,285
Less: Operating expenses paid from sources other than gross revenue (CFC)	(8,003)	(8,591)	(8,787)	(8,643)	(7,309)
Less: Operating expenses paid from sources other than gross revenue (SWU)	(4,742)	(4,567)	(4,660)	(3,795)	(1,710)
Less: Operating expenses paid from sources other than gross revenue (Other)					
Less: Port general purpose tax levy <sup>(e)</sup>	(35,835)	(30,050)	(28,134)	(34,941)	(36,894)
Operating expenses <sup>(f)</sup>	360,100	399,880	356,057	325,603	279,372
Net revenues available for first lien debt service	\$ 333,827	\$ 362,366	\$ 323,368	\$ 299,111	\$ 308,055
Debt service on first lien bonds	\$ 27,544	\$ 44,752	\$ 32,798	\$ 48,787	\$ 52,320
Coverage on first lien bonds	12.12	8.10	9.86	6.13	5.89
Net revenues available for intermediate lien debt service	\$ 306,283	\$ 317,614	\$ 290,570	\$ 250,324	\$ 255,735
Add: Prior lien debt service offset paid by PFC revenues <sup>(g)</sup>	5,887				
Add: Prior lien debt service offset paid by CFC revenues <sup>(h)</sup>		6,227	5,869	19,142	21,431
Available intermediate lien revenues as first adjusted	\$ 312,170	\$ 323,841	\$ 296,439	\$ 269,466	\$ 277,166
Debt service on intermediate lien bonds	\$ 254,381	\$ 210,560	\$ 192,022	\$ 152,749	\$ 158,816
Less: Debt service offsets paid from PFC revenues <sup>(g)</sup>	(26,571)	(33,800)	(33,800)	(33,800)	(25,583)
CFC revenues <sup>(h)</sup>	(13,601)	(16,111)	(15,930)	(3,563)	
Capitalized interest funds	(31,683)	(39,202)	(34,132)	(12,445)	(12,298)
Intermediate lien debt service —net of debt service offsets	\$ 182,526	\$ 121,447	\$ 108,160	\$ 102,941	\$ 120,935
Coverage on intermediate lien bonds	1.71	2.67	2.74	2.62	2.29
Net revenues available for subordinate lien debt service	\$ 129,644	\$ 202,394	\$ 188,279	\$ 166,525	\$ 156,231
Debt service on subordinate lien bonds <sup>(i)</sup>	\$ 19,160	\$ 19,243	\$ 25,246	\$ 18,295	\$ 8,949
Coverage on subordinate lien bonds	6.77	10.52	7.46	9.10	17.46

See notes on page 113.

(Continued)

## Schedule 9 Revenue Bonds Coverage by Type

Last Ten Fiscal Years (in thousands, except for revenue coverage ratios)

	2015	2014 <sup>(j)</sup>	2013 <sup>(j)</sup>	2012	2011
Operating revenues	\$ 558,933	\$ 534,489	\$ 544,978	\$ 521,706	\$ 483,172
Less: CFC revenues not available to pay revenue bond debt service	(12,663)	(13,608)	(11,367)	(9,745)	(778)
Less: SWU revenues not available to pay revenue bond debt service	(4,403)				
Add/Less: Other Port adjustments <sup>(a)</sup>				5,600	(2,299)
Add/Less: NWSA adjustments <sup>(b)</sup>					
Add: Nonoperating income (expense)—net <sup>(c)</sup>	(143)	16,417	13,539	2,837	4,993
Gross revenue <sup>(d)</sup>	541,724	537,298	547,150	520,398	485,088
Operating expenses	\$ 317,806	\$ 306,300	\$ 306,989	\$ 298,169	\$ 267,416
Less: Operating expenses paid from sources other than gross revenue (CFC)	(7,536)	(7,178)	(6,327)	(6,526)	(791)
Less: Operating expenses paid from sources other than gross revenue (SWU)					
Less: Operating expenses paid from sources other than gross revenue (Other)	(4,035)		(4)	(12)	(166)
Less: Port general purpose tax levy <sup>(e)</sup>	(41,808)	(19,083)	(33,265)	(32,116)	(33,889)
Operating expenses <sup>(f)</sup>	264,427	280,039	267,393	259,515	232,570
Net revenues available for first lien debt service	\$ 277,297	\$ 257,259	\$ 279,757	\$ 260,883	\$ 252,518
Debt service on first lien bonds	\$ 60,740	\$ 61,214	\$ 80,673	\$ 107,580	\$ 116,365
Coverage on first lien bonds	4.57	4.20	3.47	2.43	2.17
Net revenues available for intermediate lien debt service	\$ 216,557	\$ 196,045	\$ 199,084	\$ 153,303	\$ 136,153
Add: Prior lien debt service offset paid by PFC revenues <sup>(g)</sup>	419	1,893	3,971	14,814	23,524
Add: Prior lien debt service offset paid by CFC revenues <sup>(h)</sup>	20,217	19,632	19,667	19,689	19,443
Available intermediate lien revenues as first adjusted	\$ 237,193	\$ 217,570	\$ 222,722	\$ 187,806	\$ 179,120
Debt service on intermediate lien bonds	\$ 133,487	\$ 145,522	\$ 127,029	\$ 82,726	\$ 62,532
Less: Debt service offsets paid from PFC revenues <sup>(g)</sup>	(28,406)	(29,730)	(28,640)	(15,783)	(10,249)
CFC revenues <sup>(h)</sup>					
Capitalized interest funds				(3,504)	(7,788)
Intermediate lien debt service —net of debt service offsets	\$ 105,081	\$ 115,792	\$ 98,389	\$ 63,439	\$ 44,495
Coverage on intermediate lien bonds	2.26	1.88	2.26	2.96	4.03
Net revenues available for subordinate lien debt service	\$ 132,112	\$ 101,778	\$ 124,333	\$ 124,367	\$ 134,625
Debt service on subordinate lien bonds <sup>(i)</sup>	\$ 5,515	\$ 5,836	\$ 6,234	\$ 19,187	\$ 24,451
Coverage on subordinate lien bonds	23.96	17.44	19.94	6.48	5.51

See notes on page 113.

(Concluded)



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## Schedule 9 Revenue Bonds Coverage by Type

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- (a) Historical adjustment includes straight-line lease revenue adjustments.
- (b) NWSA adjustments include non-cash adjustments for depreciation of NWSA assets netted from operating revenues and public expense, as well as the exclusion of capital grants and donations for capital purposes from the NWSA.
- (c) Nonoperating income (expense)—net is adjusted for the following: Interest expense, income that is not legally available to be pledged for revenue bonds debt service such as PFCs, CFCs, tax levy, fuel hydrant facility revenues, donations for capital purposes, grants for capital projects, monies received and used for capital projects owned by other government entities (public expense projects), and other nonoperating SWU revenues and expenses. Certain non-cash items, such as depreciation, are excluded, while other nonoperating revenues and expenses, such as environmental expense, are adjusted to a cash basis. The Port may also include certain proceeds from the sale of capital and non-capital assets in the year the proceeds are received. In 2018, the Port recorded, as a special item, a \$34.9 million environmental expense reflecting the cost to construct a habitat restoration project in the Port's 2018 Statement of Revenues, Expenses, and Changes in Net Position. This special item and related payments are excluded from this schedule.
- (d) Gross Revenue reflects annual Port operating revenues, as presented in the Port's Audited Financial Statements (see Statement of Revenues, Expenses and Changes in Net Position), less certain operating revenues that are not legally available to pay debt service on all revenue bonds. For 2013, Gross Revenue included (1) a one-time recognition of revenue, \$17.9 million, from the removal of security fund liability upon the expiration of SLOA II, and (2) \$14.3 million straight-line rent adjustments for the lease incentive provided under SLOA III.
- (e) Port general purpose tax levy represents annual tax levy collections less the payment of General Obligation bond debt service. The Port is permitted, but not obligated, to pay operating expenses with such general purpose tax levy dollars. In 2015 and 2016, the Port made its contractual payment in the amount of \$120 million and \$147.7 million, respectively, to the WSDOT for the State Route 99 Alaskan Way Viaduct Replacement Program. These payments were accounted for as a special item in the Port's 2015 and 2016 Statement of Revenues, Expenses, and Changes in Net Position, and were funded by the issuances of 2015 LTGO bonds and 2017 LTGO bonds, respectively. The debt service associated with the 2015 LTGO bonds is included in the calculation of the Port's general purpose tax levy, beginning in 2015, but the actual payment to WSDOT is excluded from the schedule as the funds were used for capital projects owned by other governmental entities.
- (f) Operating Expenses reflect annual Port operating expenses before depreciation, as presented in the Port's Audited Financial Statements (see Statement of Revenues, Expenses and Changes in Net Position), less certain operating expenses paid with revenues derived from sources other than Gross Revenue, as well as the Port's general purpose tax levy.
- (g) During 2008, the Port implemented using PFC revenues toward other specific revenue bonds debt service related to eligible projects. The Port, as authorized by the FAA, has the authority to use PFCs to pay: (1) debt service on bonds secured solely with PFCs; (2) eligible projects costs (definitions, terms, and conditions are set by the FAA); and (3) revenue bonds debt service related to eligible PFC projects.
- (h) Washington State law provides for the Port's authority to impose CFCs on rental car transactions at SEA. CFCs may only be used to pay costs associated with the consolidated rental car facility including the payment of debt service on bonds issued to fund the facility. During 2009, the Port began using CFCs to pay debt service on related bonds. In 2017, the 2009AB First Lien bonds were partially refunded onto the Intermediate Lien, and as such, CFCs were applied to both First and Intermediate Lien debt service.
- (i) From 2009 to 2016, the Port used PFCs to pay eligible subordinate lien debt service and associated debt fees. However, such amounts are not permitted offsets in the legal coverage calculation on subordinate lien bonds.
- (j) During 2015, the Port adopted the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, by restating the financial statements for 2014 and 2013, in operating revenues, operating expenses, and nonoperating income—net.

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

## Schedule 10 Legal Debt Margin Information

Last Ten Fiscal Years (in thousands)

### Legal Debt Limitation Calculation for Fiscal Year 2020 (Statutory Debt Limitation)

Assessed value of taxable property for 2020 <sup>(a)</sup>	\$ 642,490,492
Debt limit (non-voted debt, including limited tax general obligation bonds)	
0.25% of assessed value of taxable property <sup>(b)</sup>	\$ 1,606,226
Less: Outstanding limited tax general obligation bonds	(311,175)
Non-voted general obligation debt margin	\$ 1,295,051
Debt limit, total general obligation debt	
0.75% of assessed value of taxable property <sup>(b)</sup>	\$ 4,818,679
Less: Total limited tax general obligation bonds	(311,175)
Voted general obligation debt margin	\$ 4,507,504

### Non-Voted General Obligation:

Fiscal year	Debt limit	Less: Total debt applicable to the debt limit	Debt margin	Debt margin as a percentage of the debt limit
2020	\$ 1,606,226	\$ (311,175)	\$ 1,295,051	80.6%
2019	1,516,559	(335,470)	1,181,089	77.9
2018	1,336,656	(362,390)	974,266	72.9
2017	1,178,641	(388,360)	790,281	67.1
2016	1,065,839	(283,620)	782,219	73.4
2015	970,297	(305,535)	664,762	68.5
2014	851,609	(225,420)	626,189	73.5
2013	786,866	(283,815)	503,051	63.9
2012	798,652	(312,005)	486,647	60.9
2011	826,037	(336,120)	489,917	59.3

### Voted General Obligation:

Fiscal year	Debt limit	Less: Total debt applicable to the debt limit	Debt margin	Debt margin as a percentage of the debt limit
2020	\$ 4,818,679	\$ (311,175)	\$ 4,507,504	93.5%
2019	4,549,678	(335,470)	4,214,208	92.6
2018	4,009,968	(362,390)	3,647,578	91.0
2017	3,535,922	(388,360)	3,147,562	89.0
2016	3,197,517	(283,620)	2,913,897	91.1
2015	2,910,891	(305,535)	2,605,356	89.5
2014	2,554,827	(225,420)	2,329,407	91.2
2013	2,360,597	(283,815)	2,076,782	88.0
2012	2,395,957	(312,005)	2,083,952	87.0
2011	2,478,112	(336,120)	2,141,992	86.4

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

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

## Schedule 11 Demographic Statistics

Last Ten Fiscal Years (in thousands)

### King County:

Fiscal year	Population <sup>(a)</sup>	Personal income <sup>(b)</sup>	Per capita personal income <sup>(b)</sup>	Unemployment rate <sup>(c)</sup>
2020	2,261	\$ n/a	\$ n/a	7.5%
2019	2,226	213,956,690	95.0	3.0
2018	2,190	201,962,200	90.4	3.5
2017	2,154	182,495,475	83.4	3.7
2016	2,105	166,006,277	77.2	3.9
2015	2,053	153,554,091	72.5	4.4
2014	2,017	143,260,986	68.9	4.6
2013	1,982	128,330,859	62.7	5.2
2012	1,957	120,627,950	60.1	7.1
2011	1,943	113,922,436	57.8	8.4

### State of Washington:

Fiscal year	Population <sup>(a)</sup>	Personal income <sup>(b)</sup>	Per capita personal income <sup>(b)</sup>	Unemployment rate <sup>(c)</sup>
2020	7,656	\$ 525,643,400	\$ 68.3	8.4%
2019	7,546	494,189,000	64.9	4.3
2018	7,428	467,399,039	62.0	4.5
2017	7,310	428,765,189	57.9	4.7
2016	7,184	397,772,297	54.6	5.4
2015	7,061	372,125,338	51.9	5.7
2014	6,968	350,321,729	50.3	6.1
2013	6,882	327,870,951	47.6	7.0
2012	6,818	313,212,035	45.9	8.2
2011	6,768	302,529,308	44.7	9.2

(a) State of Washington, Office of Financial Management (all figures are estimated).

(b) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

(c) Rates were average unemployment rates for the year obtained from Washington State, Employment Security Department, Labor Market, and Economic Analysis Branch.

## Schedule 12 Principal Employers of Seattle <sup>(a)</sup>

Current Year and Nine Years Ago

Type of employer	2020			2011		
	Employees	Rank	Percentage of total employment	Employees	Rank	Percentage of total employment
Professional and Business Services— <i>Professional, Scientific, and Technical Services</i>	163,200	1	9.6%	110,000	2	7.6%
Retail— <i>Unspecified</i>	131,600	2	7.7	73,600	6	5.1
Government— <i>Local</i>	131,500	3	7.7	118,100	1	8.2
Professional and Business Services— <i>Administrative and Support and Waste Management and Remediation</i>	90,200	4	5.3	74,000	5	5.1
Leisure and Hospitality— <i>Food Services and Drinking Places</i>	87,500	5	5.2	95,800	3	6.7
Information— <i>Software Publishers</i>	78,600	6	4.6	51,000	10	3.5
Manufacturing— <i>Transportation Equipment Manufacturing</i>	75,400	7	4.4	91,000	4	6.3
Construction— <i>Specialty Trade Contractors</i>	73,700	8	4.3			
Educational and Health Services— <i>Ambulatory Health Care Services</i>	70,500	9	4.2	59,200	9	4.1
Wholesale Trade	69,400	10	4.1	66,600	7	4.6
Government— <i>State</i>				60,800	8	4.2
<b>Total</b>	<b>971,600</b>		<b>57.1%</b>	<b>800,100</b>		<b>55.4%</b>

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

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

## Schedule 13 Assessed Value and Estimated Actual Value of Taxable Property and Direct and Overlapping Property Tax Rates per \$1,000 of Assessed Value

Last Ten Fiscal Years (in thousands, except for tax rates)

Fiscal year	Port district assessed value <sup>(a)</sup>	Port of Seattle property tax rates	Overlapping property tax rates					Total direct and overlapping property tax <sup>(d)</sup>
			Washington State	King County	Cities and towns <sup>(b)</sup>	School districts <sup>(b)</sup>	Other <sup>(c)</sup>	
2020	\$642,490,492	\$ 0.12	\$ 3.03	\$ 1.24	\$ 1.63	\$ 2.65	\$ 1.22	\$ 9.89
2019	606,623,698	0.12	2.63	1.21	1.66	2.38	1.21	9.21
2018	534,662,435	0.14	2.92	1.32	1.77	3.07	1.32	10.54
2017	471,456,288	0.15	2.03	1.37	1.95	3.30	1.46	10.26
2016	426,335,606	0.17	2.17	1.33	2.02	3.40	1.41	10.50
2015	388,118,856	0.19	2.29	1.34	1.99	3.50	1.24	10.55
2014	340,643,616	0.22	2.47	1.52	2.26	3.76	1.32	11.55
2013	314,746,207	0.23	2.57	1.54	2.39	3.83	1.27	11.83
2012	319,460,937	0.23	2.42	0.90	2.35	3.60	1.78	11.28
2011	330,414,999	0.22	2.28	1.34	2.22	3.39	1.27	10.72

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

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

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

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

Source: King County Department of Assessments Annual Reports

## Schedule 14 Port of Seattle's Property Tax Levies and Collections

Last Ten Fiscal Years (in thousands)

Fiscal years ended Dec 31,	Taxes levied for the fiscal year <sup>(a)</sup>	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2020	\$ 76,396	\$ 75,252	98.5%	\$	\$ 75,252	98.5%
2019	74,162	73,353	98.9	580	73,933	99.7
2018	72,012	71,150	98.8	773	71,923	99.9
2017	72,011	71,143	98.8	855	71,998	100.0
2016	72,015	71,114	98.8	913	72,027	100.0
2015	73,004	72,082	98.7	926	73,008	100.0
2014	73,019	72,009	98.6	961	72,970	99.9
2013	73,021	71,932	98.5	1,093	73,025	100.0
2012	73,015	71,879	98.4	1,143	73,022	100.0
2011	73,513	72,290	98.3	1,235	73,525	100.0

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

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

## Schedule 15 King County Principal Property Taxpayers

Current Year and Nine Years Ago (in thousands)

Taxpayer	2020			2011		
	Taxable assessed value	Rank	Percentage of taxable assessed value	Taxable assessed value	Rank	Percentage of taxable assessed value
Microsoft	\$ 4,327,562	1	0.7%	\$ 2,562,589	2	0.8%
Amazon.Com	3,370,178	2	0.5			
Boeing	3,260,744	3	0.5	3,154,560	1	1.0
Puget Sound Energy/ Gas/Electric	2,320,986	4	0.4	1,581,647	3	0.5
Essex Property Trust	2,056,460	5	0.3			
Union Square Limited	1,170,294	6	0.2	427,548	9	0.1
Prologis - RE Tax	1,056,855	7	0.2			
Altus Group US Inc.	939,144	8	0.1			
Acorn Development LLC	886,431	9	0.1			
GC Columbia LLC	858,324	10	0.1			
Qwest Corporation Inc.				838,897	4	0.3
AT&T Mobility LLC (Cingular Wireless)				747,952	5	0.2
T-Mobile				660,825	6	0.2
Alaska Airlines				622,027	7	0.2
W2007 Seattle (formerly Archon Group LP)				522,085	8	0.2
Wright Runstad & Company				353,747	10	0.1
Total	\$20,246,978		3.1%	\$11,471,877		3.6%

Source: King County Department of Assessments



## Schedule 16 Seattle-Tacoma International Airport Passengers Level

Last Ten Fiscal Years (in thousands)

Fiscal year	Domestic			International			Grand total
	Deplaned	Enplaned	Total	Deplaned	Enplaned	Total	
2020	9,317	9,373	18,690	701	670	1,371	20,061
2019	23,085	23,016	46,101	2,870	2,858	5,728	51,829
2018	22,222	22,200	44,422	2,734	2,694	5,428	49,850
2017	20,942	20,862	41,804	2,576	2,553	5,129	46,933
2016	20,486	20,385	40,871	2,455	2,411	4,866	45,737
2015	19,016	18,944	37,960	2,216	2,165	4,381	42,341
2014	16,851	16,824	33,675	1,930	1,892	3,822	37,497
2013	15,643	15,604	31,247	1,807	1,772	3,579	34,826
2012	14,992	14,983	29,975	1,634	1,614	3,248	33,223
2011	14,924	14,914	29,838	1,501	1,484	2,985	32,823

Source: Seattle-Tacoma International Airport Activity Reports

## Schedule 17 Seattle-Tacoma International Airport Aircraft Operations Level

Last Ten Fiscal Years (in number of flights)

Fiscal year	Air carrier	Air taxi	General aviation	Military/ Training	Grand total
2020	290,130	3,899	1,848	171	296,048
2019	443,817	4,456	2,135	79	450,487
2018	427,170	8,509	2,625	87	438,391
2017	405,049	8,651	2,338	86	416,124
2016	399,742	9,513	2,822	93	412,170
2015	368,722	8,401	4,160	125	381,408
2014	325,425	10,813	4,113	127	340,478
2013	299,156	14,440	3,510	80	317,186
2012	291,664	14,196	3,604	133	309,597
2011	295,763	15,327	3,708	149	314,947

Source: Seattle-Tacoma International Airport Activity Reports

## Schedule 18 Seattle-Tacoma International Airport Air Cargo Level

Last Ten Fiscal Years (in metric tons)

Fiscal year <sup>(a)</sup>	Air Freight		Grand total
	Domestic	International	
2020	351,352	103,232	454,584
2019	306,670	146,879	453,549
2018	296,004	136,311	432,315
2017	299,559	126,297	425,856
2016	250,219	116,210	366,429
2015	215,705	116,931	332,636
2014	218,410	108,829	327,239
2013	203,537	89,173	292,710
2012	201,483	82,128	283,611
2011	197,687	81,938	279,625

(a) As of January 1, 2020, the Port no longer tracked air mail separately; it is now incorporated into domestic and international freight.

Source: Seattle-Tacoma International Airport Activity Reports

## Schedule 19 Containerized Volume

Last Ten Fiscal Years [in twenty-foot equivalent units (TEU), a measure of container volume]

Fiscal year <sup>(a)</sup>	International Containers				Domestic containers	Grand total
	Import full	Export full	Empty	Total		
2020	1,253,818	790,620	591,197	2,635,635	684,744	3,320,379
2019	1,369,251	913,332	775,763	3,058,346	716,957	3,775,303
2018	1,452,623	953,495	705,114	3,111,232	686,394	3,797,626
2017	1,380,785	964,067	650,459	2,995,311	706,863	3,702,174
2016	1,391,590	984,274	482,951	2,858,815	756,938	3,615,753
2015	469,807	352,180	240,155	1,062,142	342,260	1,404,402
2014	432,128	376,320	165,564	974,012	379,488	1,353,500
2013	543,146	454,615	192,820	1,190,581	373,878	1,564,459
2012	728,436	517,876	267,239	1,513,551	339,625	1,853,176
2011	768,807	604,409	323,061	1,696,277	320,862	2,017,139

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

Source: Port of Seattle (2011–2015) and Northwest Seaport Alliance (2016–2020) Records

## Schedule 20 Cargo Volume

Last Ten Fiscal Years (in metric tons)

<b>Fiscal year</b> <sup>(a)</sup>	<b>Container cargo</b>	<b>Non-containerized break bulk</b>	<b>Petroleum</b>	<b>Molasses</b>	<b>Autos</b>	<b>Logs</b>	<b>Total</b>
2020	25,508,550	291,623	677,469	42,400	244,612		26,764,654
2019	28,671,813	246,412	636,150	46,661	305,816	75,757	29,982,609
2018	28,868,125	249,055	665,670	45,686	228,295	116,790	30,173,621
2017	26,107,522	210,725	715,546	35,980	225,109	278,078	27,572,960
2016	26,766,258	181,372	612,224	43,666	246,421	176,928	28,026,869
2015	11,225,499	31,876	815,380	43,731			12,116,486
2014	11,462,069	56,031	997,977	49,913			12,565,990
2013	13,578,052	64,040	788,419	48,240			14,478,751
2012	15,924,439	67,784	620,587	74,831			16,687,641
2011	16,666,262	63,642	862,780	48,300			17,640,984

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

Source: Port of Seattle (2011–2015) and Northwest Seaport Alliance (2016–2020) Records

## Schedule 21 Port of Seattle Grain Volume

Last Ten Fiscal Years (in metric tons)

<b>Fiscal year</b>	<b>Grain</b>
2020	4,239,804
2019	3,403,661
2018	4,378,796
2017	4,362,603
2016	4,389,089
2015	3,778,476
2014	3,618,489
2013	1,351,417
2012	3,161,013
2011	5,026,868

Source: Port of Seattle Records

## Schedule 22 Port of Seattle Cruise Traffic

Last Ten Fiscal Years

Fiscal year	Cruise vessel calls	Cruise passengers
2020 <sup>(a)</sup>		
2019	211	1,210,722
2018	216	1,114,888
2017	218	1,071,594
2016	203	983,539
2015	192	898,032
2014	179	823,780
2013	187	870,994
2012	202	934,900
2011	196	885,949

(a) There were no cruise vessel calls and passengers in 2020 due to the COVID-19 pandemic. The Centers for Disease Control issued a No-Sail order in 2020 for U.S. cruise operations to be on indefinite hold until resolution of the public health emergency.

Source: Port of Seattle Record

## Schedule 23 Number of Port of Seattle Employees by Division <sup>(a)</sup>

Last Ten Fiscal Years

Fiscal year	Aviation <sup>(e)</sup>	Seaport <sup>(b)</sup>	Real Estate <sup>(b)</sup>	Maritime <sup>(c)(e)</sup>	Economic Development <sup>(c)(e)</sup>	Central Services <sup>(d)(e)</sup>	Total
2020	1,136			242	28	730	2,136
2019	1,126			215	30	826	2,197
2018	1,030			194	30	858	2,112
2017	976			194	31	826	2,027
2016	832			175	31	771	1,809
2015	858	51	171			699	1,779
2014	856	55	174			695	1,780
2013	836	58	176			693	1,763
2012	842	56	181			681	1,760
2011	754	57	178			671	1,660

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

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

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

(d) In 2017, the Corporate Division was renamed Central Services Division, which includes employees in the Capital Development department (CDD) serving capital project delivery functions. The CDD, which was established in 2008, houses existing engineering, project management, and construction functions.

(e) In July 2019, capital project delivery functions were moved from the CDD within the Central Services Division to the operating divisions. The Aviation Project Management department moved to the Aviation Division. The Seaport Project Management department moved to the Maritime Division. Engineering and Port Construction Services departments remain in the Central Services Division. The CDD was inactivated.

Source: Port of Seattle Human Resources Database

## Schedule 24 Capital Assets Information—Maritime and Economic Development Facilities

Last Ten Fiscal Years

	2020	2019	2018	2017	2016
Total Property (in acres)	1,340	1,340	1,340	1,335	1,335
No. of Container Terminals (Terminal 5, 18, 30, 46) <sup>(a)(b)</sup>	4	4	4	4	4
Size (in acres)	521	521	521	526	526
Number of berths (1,200–4,450 feet)	11	11	11	11	11
Number of container cranes <sup>(c)</sup>	3	9	10	10	13
Storage facilities (in square feet)	177,000	177,000	177,000	177,000	177,000
Maintenance facilities (in square feet)	112,000	112,000	112,000	112,000	112,000
On-Dock intermodal yard					
Maximum capacity—in full train	14	14	14	14	14
Refrigerated capacity (in reefer plugs)	2,845	2,845	2,845	2,816	2,816
No. of Barge Terminal (Terminal 115) <sup>(a)</sup>	1	1	1	1	1
Size (in acres)	70	70	70	70	70
Number of berths (1,600 feet)	4	4	4	4	4
Warehouse capacity (in square feet)	35,000	35,000	35,000	35,000	35,000
Refrigerated capacity (in reefer plugs)	780	780	780	400	400
No. of Multi-Use Terminal (Terminal 91)	1	1	1	1	1
Size (in acres)	212	212	212	212	212
Linear feet of berths (8,502 feet)	17	17	17	17	17
Storage facilities:					
Cold storage (in million cubic feet)	2	5	5	5	5
Dry warehouse (in square feet)	310,544	100,000	100,000	100,000	100,000
No. of Grain Terminal (Terminal 86)	1	1	1	1	1
Size (in acres)	40	40	40	40	40
Number of berths (1,400 feet)	1	1	1	1	1
Storage capacity (in million bushels)	4	4	4	4	4
No. of Cruise Terminals	2	2	2	2	2
Bell Street Cruise Terminal (Terminal 66)					
Size (in acres)	4	4	4	4	4
Number of berths (1,545–1,600 feet)	1	1	1	1	1
Smith Cove Cruise Terminal (Terminal 91) <sup>(d)</sup>					
Size (in acres)	23	23	23	23	23
Number of berths (2,400 feet)	2	2	2	2	2

(Continued)

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

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

(c) In 2020, the Port sold six cranes at Terminal 5. In 2019, three container cranes were removed from Terminal 18 and one container crane was removed from Terminal 46; the Port purchased three container cranes at Terminal 46 from its terminal operator. In 2017, three container cranes were sold to its terminal operator at Terminal 18. In 2013, five of the container cranes were sold to its terminal operator at Terminal 46.

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

Source: Port of Seattle Records

## Schedule 24 Capital Assets Information—Maritime and Economic Development Facilities

Last Ten Fiscal Years

	2015	2014	2013	2012	2011
Total Property (in acres)	1,335	1,335	1,335	1,335	1,335
No. of Container Terminals (Terminal 5, 18, 30, 46) <sup>(a)(b)</sup>	4	4	4	4	4
Size (in acres)	526	526	526	526	526
Number of berths (1,200–4,450 feet)	11	11	11	11	11
Number of container cranes <sup>(c)</sup>	13	13	13	18	18
Storage facilities (in square feet)	177,000	177,000	177,000	177,000	177,000
Maintenance facilities (in square feet)	112,000	112,000	112,000	112,000	112,000
On-Dock intermodal yard					
Maximum capacity—in full train	14	14	14	14	14
Refrigerated capacity (in reefer plugs)	2,816	2,816	2,816	2,816	2,704
No. of Barge Terminal (Terminal 115) <sup>(a)</sup>	1	1	1	1	1
Size (in acres)	70	70	70	70	70
Number of berths (1,600 feet)	4	4	4	4	4
Warehouse capacity (in square feet)	35,000	35,000	35,000	35,000	35,000
Refrigerated capacity (in reefer plugs)	400	400	400	400	400
No. of Multi-Use Terminal (Terminal 91)	1	1	1	1	1
Size (in acres)	212	212	212	212	212
Linear feet of berths (8,502 feet)	17	17	17	17	17
Storage facilities:					
Cold storage (in million cubic feet)	5	5	5	5	5
Dry warehouse (in square feet)	100,000	100,000	100,000	100,000	100,000
No. of Grain Terminal (Terminal 86)	1	1	1	1	1
Size (in acres)	40	40	40	40	40
Number of berths (1,400 feet)	1	1	1	1	1
Storage capacity (in million bushels)	4	4	4	4	4
No. of Cruise Terminals	2	2	2	2	2
Bell Street Cruise Terminal (Terminal 66)					
Size (in acres)	4	4	4	4	4
Number of berths (1,545–1,600 feet)	1	1	1	1	1
Smith Cove Cruise Terminal (Terminal 91) <sup>(d)</sup>					
Size (in acres)	23	23	23	23	23
Number of berths (2,400 feet)	2	2	2	2	2

(Concluded)



## Schedule 25 Capital Assets Information—Seattle-Tacoma International Airport

Last Ten Fiscal Years

	Fiscal year		Size/Length		
Airport area (in acres)	2020		2,500		
Apron (in square feet)—commercial airlines	2020		3,061,300		
Runways (in feet)					
16L/34R	2020		11,901		
16C/34C	2020		9,426		
16R/34L	2020		8,500		
Rental Car Facility (in square feet) <sup>(a)</sup>	2020		2,100,000		

	2020	2019	2018	2017	2016
Terminal (in square feet)					
Airlines	1,106,432	1,104,944	1,124,073	1,106,262	1,143,386
Tenants	314,830	313,506	327,145	327,596	334,717
Port-occupied	216,364	221,044	225,688	228,282	234,472
Public/Common	929,979	922,856	931,725	917,515	919,906
Mechanical	540,221	545,511	520,655	514,343	511,469
Total	3,107,826	3,107,861	3,129,286	3,093,998	3,143,950
Number of passenger gates	73	73	76	74	78
Number of Port-owned loading bridges	66	58	58	56	58
Parking (spaces assigned)					
Short-term, long-term, and employees	12,025	12,100	12,100	12,180	12,180
Rental Cars <sup>(a)</sup>					
Total	12,025	12,100	12,100	12,180	12,180
Other offsite parking (spaces assigned)					
Economy	1,455	1,465	1,465	1,465	1,465
Employees	4,141	4,141	4,141	4,122	4,122

	2015	2014	2013	2012	2011
Terminal (in square feet)					
Airlines	1,136,322	1,126,510	1,107,166	1,226,044	1,219,955
Tenants	331,073	332,364	331,433	291,071	253,673
Port-occupied	228,136	239,069	236,390	299,226	249,544
Public/Common	920,752	930,209	926,927	811,664	867,410
Mechanical	510,182	497,941	517,805	495,009	529,734
Total	3,126,465	3,126,093	3,119,721	3,123,014	3,120,316
Number of passenger gates	80	79	78	79	79
Number of Port-owned loading bridges	57	54	59	56	48
Parking (spaces assigned)					
Short-term, long-term, and employees	11,952	11,952	11,952	10,394	9,641
Rental Cars <sup>(a)</sup>					3,276
Total	11,952	11,952	11,952	10,394	12,917
Other offsite parking (spaces assigned)					
Economy	1,620	1,620	1,620	1,620	1,620
Employees	4,091	4,091	4,091	4,091	4,091

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

Source: Port of Seattle Records



Port of Seattle®

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Annual Financial  
Report

Port of Seattle  
P.O. Box 1209  
Seattle, WA 98111  
U.S.A.  
(206) 787-3000



#### EXECUTIVE DIRECTOR

Stephen P. Metruck

#### PORT OF SEATTLE COMMISSION

Stephanie Bowman  
Ryan Calkins  
Sam Cho  
Fred Felleman  
Peter Steinbrueck