



CITIZEN BUDGET GUIDE

TWENTY NINETEEN



Final Budget
November 13, 2018



PORT OF EVERETT COMMISSIONERS



BRUCE FINGARSON
District 1



TOM STIGER
District 2



GLEN BACHMAN
District 3

PORT CHIEF EXECUTIVE OFFICER



LES REARDANZ



LISA LEFEBBER
Acting CEO

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ABOUT THE PORT

The Port of Everett is an economic development enterprise carrying out the public's trust to manage and develop resources, transportation facilities and supporting infrastructure to enable community opportunity. The Port of Everett strives to bring jobs, business and tourism to its local and surrounding communities, as well as maintain the overall environmental health of our waterfront.

The Port of Everett operates three lines of business: 1.) International shipping terminals; 2.) Marina facilities; and 3.) Real Estate development. The Port operates eight shipping berths situated on approximately 100 acres of land, and specializes in high-value and heavy cargoes, such as transformers, forest products, energy, farm equipment, etc. The seaport is a vital link for the aerospace industry, handling all of the oversized parts of the Boeing 747, 767 (commercial and military), 777 and 777X airplane production lines.

The Port of Everett runs the largest public marina on the West Coast with more than 2,300 recreational boating slips and a 13-lane public boat launch facility. On the real estate side, the Port owns 3,000 acres of waterfront property, including Jetty Island, and is working to restore economic prosperity to the waterfront. The Port's properties also provide numerous public access and recreational opportunities for Port District residents to enjoy.

Port activities support more than 35,000 jobs for the surrounding community.

VISION

We are valued for operating in a sustainable manner that improves the community, environment and economy.

MISSION

The Port of Everett is an Economic Development Enterprise carrying out the public's trust to manage and develop resources, transportation facilities and supporting infrastructure to enable community opportunity.

CORE VALUES

- We exemplify the highest ethical standards
- We honor our commitments to our community
- We are high-performers that value the privilege of public service
- We embrace the richness of a diverse community
- We are responsible stewards of community resources and the environment
- We are mutually dependent and supportive of our partners

2019 BUDGET MESSAGE

The Port of Everett Commissioners along with Port staff have been implementing the Port Commission's vision by working through a strategic process to identify a budget and financing plan that allows the Port to address the significant opportunities that are before it. The Port is budgeting for total expenditures in 2019 of \$102 million. This total consists of:

- Capital investments of \$58.7 million, plus 2018 project carry-over funds of \$9.8 million
- Operating expenses of \$24.2 million
- Principal and interest payments on outstanding debt of \$6.3 million
- Environmental cleanups of \$2.1 million, not including interest expense
- Non-operating expenses (i.e. public access) of \$900,000.

The 2019 budget proposes a 5-year Capital Improvement Plan that will allow the Everett waterfront to continue to develop as a place of commerce as well as a place for our citizens and guests to recreate. This budget also assumes that the Port will operate in a manner that serves our customers and our constituents with excellence in service and with quality facilities.

The highlight of the Port's 2019 budget is the proposed 5-year Capital Improvement Plan. This budget includes 145 projects both large and small that will accomplish our strategic initiatives to:

- Provide for modernization of the Port's seaport facilities
- Complete Fisherman's Harbor, the first phase of our planned Waterfront Place Central development
- Invest in replacement and repair of infrastructure in the seaport and in our marina
- Continue our investment in both the cleanup of legacy

contamination as well as in developing public access facilities for our citizens to enjoy

- The Port will also invest in longer term efforts to enhance our marina and in optimizing our real estate holdings

Each of these efforts will require significant investment. The budget proposes that the Port would have 53 active projects and invest \$60.8 million in 2019. Over the next five years, the Port's capital plan has \$387.4 million in capital needs, of which \$282 million are in the opportunity category.

From an operational standpoint, operating revenues are budgeted at \$30.2 million. These revenues will be used to cover all of the Port's direct operational expenses including all of the Port's administrative overhead. This budget assumes a 1.1% increase in revenues, with small growth in all three revenue divisions. The budgeted operating expenses total \$24.2 million, a 3% decrease from the 2018 budget.

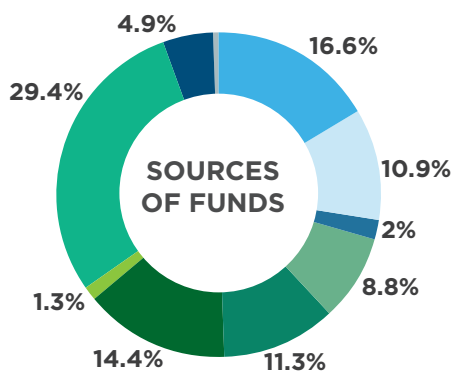
The Port is planning on Non-Operating Revenues of \$5.4 million, which is expected to come primarily from the collection of property taxes and interest earnings. The budget has included a 1% increase in the property tax receipts (see page 11).

Along with the cash flow generated from Operating and Non-operating sources, the Port expects to secure \$14.7 million in 2019 from land sales and plans on issuing \$30 million in General Obligations bonds. It also proposes financing its capital plan through a combination of cash reserves, the sale of properties and federal and state grants and loans.

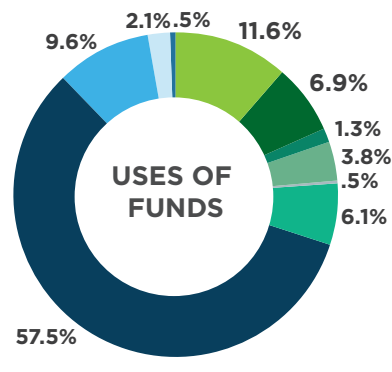
The Port of Everett Commission held a formal public hearing, along with numerous regular Port Commission meetings on the budget, along with a formal comment period. No public comments were received. The budget is scheduled for adoption on November 13, 2018.

John R. Carter
Chief Financial Officer

2019 BUDGET FUNDING PLAN: \$102 MILLION



- 16.6% ● Seaport Revenues
- 10.9% ● Marina Revenues
- 2% ● Properties Revenues
- 8.8% ● Cash Reserves
- 11.3% ● Grants/Third Party
- 14.4% ● Sale of Property
- 1.3% ● Capital Contributions
- 29.4% ● Debt Issuance
- 4.9% ● Property Taxes
- .4% ● Non-Operating



- 11.6% ● Seaport Operations
- 6.9% ● Marina Operations
- 1.3% ● Properties Operations
- 3.8% ● Administrative Expense
- .5% ● Non-Operating Expense
- 6.1% ● Debt Payments
- 57.5% ● Capital Investments
- 9.6% ● 2018 Capital Carry Forward
- 2.1% ● Environmental Remediation
- .5% ● Public Access Expenditures

2019 BUDGET OVERVIEW

- Total Operating Revenue: \$30.2 million
- Total Operating Expenses: \$24.2 million
- Total Capital Budget: \$58.7 million
- Port Tax Collection: \$5 million
- New Debt Issuance: \$30 million
- Annual Debt Service: \$6.3 million
- Net Operating Income: \$6.01 million

2019 FUNDING PLAN INCLUDES:

- General Obligation Bonds: \$30 million
- Environmental Grants: \$1.2 million
- Grants: \$10.3 million
- Property Sales: \$14.7 million

BUDGET ASSUMPTIONS

- Modest growth in all three business lines
- Tariffs still affecting Seaport business
- Doesn't include major environmental cleanups and future phases of the Seaport Modernization or Waterfront Place Central projects

STRATEGIC INITIATIVES

In 2019, the Port of Everett is implementing its Seaport Modernization, Waterfront Place and Riverside Business Park Projects totalling \$60.8 million and consisting of 53 individual projects for 2019. The Port Commission's top two capital priorities are to modernize our Seaport and create a new waterfront neighborhood with the Waterfront Place Central Development.

#1 SEAPORT MODERNIZATION 17 PROJECTS

Modernize the Port of Everett Seaport to meet 21st Century infrastructure needs

- South Terminal Wharf & Electrical Upgrades
- Mill A Interim Action 2
- Cargo Handling Equipment
- South Terminal Wharf Extension
- South Terminal (WeyCo Mill A) Cleanup
- Pacific Terminal Wharf Extension

Total: \$195 M
2019 Expenditures: \$24 M

#2 CREATING A NEW WATERFRONT COMMUNITY: WATERFRONT PLACE

24 PROJECTS

Initiate phasing of new waterfront community including primary infrastructure

- New retail buildings
- Fisherman's Harbor in-water and upland construction
- Central Marina Improvements - NE Corner
- Wharf's Edge Infrastructure Improvements
- Millwright District Infrastructure Improvements
- Esplanade District Infrastructure Improvements
- SE Millwright Loop

Total: \$72 M
2019 Expenditures: \$6.7 M

#3 TAKING CARE OF FACILITIES: MAINTENANCE/ PRESERVATION

24 PROJECTS

Provide for asset replacement, maintenance and preservation

- Pier 3 Pile Restoration Program
- Marine Terminal Electrical Upgrades
- Replace Marina Guide Piles and Collars Program
- Fender Pile Replacement Program
- Marina Float Rehabilitation Program
- Tenant Upgrades
- Pavement Upgrade Program
- Infrastructure Upgrades

Total: \$20 M
2019 Expenditures: \$2 M

#4 LEAD IN REMEDIATING HISTORIC CONTAMINATION

6 PROJECTS

Continue to aggressively implement strategy to remediate historic pollution in and around Port properties and put them back into productive use*

- Riverside Business Park - ASARCO Cleanup
- Exxon/Mobil Site Cleanup
- East Waterway Cleanup
- Natural Resource Damages
- Ameron Hulbert Clean-Up

Total: \$12.2 M
2019 Expenditures: \$3.9 M

*Mill A Cleanup, Waterfront Place and Bay Wood Cleanups reflected in other initiatives

#5 DEVELOP SUSTAINABLE MARINA OPERATIONS

10 PROJECTS

Develop and implement a comprehensive marina services plan to ensure success of marina operations and funding for recapitalization

- Marina Maintenance Dredging
- Marina Recapitalization Phases 1-3
- Central G Dock Replacement
- Craftsman District Expansion Phase 3

Total: \$72.3 M
2019 Expenditures: \$7.4 M

#6 ENHANCING/OPTIMIZING REAL ESTATE

13 PROJECTS

Expand the Port's lease portfolio and enhance under-utilized real estate

- Riverside Utilities & Public Access Improvements
- Blue Heron Slough Mitigation Bank
- Land Acquisition Opportunities
- Bay Wood Cleanup

Total: \$60 M
2019 Expenditures: \$16.9

#7 ENHANCING PUBLIC ACCESS

3 PROJECTS

Ensuring appropriate public access to the waterfront

- Waterfront Place Public Open Space*
- Boat Launch Dredging
- Jetty Landing Restroom Refurbishment
- Riverside Business Park Access Improvements*

Total: \$6 M
2019 Expenditures: \$55 K

*Approximately \$25 million of public access enhancements are included in Initiatives 2 and 6

#8: OTHER PROJECTS

- Support job creation and mitigate regulatory requirements
- Cargo handling equipment

Total: \$2.2 M
2019 Expenditures: \$390 K



1. SEAPORT MODERNIZATION



2. WATERFRONT PLACE



DID YOU KNOW?

2019: \$60.8 million in capital and environmental investment in 53 projects.

Total need: 145 construction projects totaling \$392 million in capital need.



SOUTH TERMINAL MODERNIZATION - PHASE II

The South Terminal facility is a key piece of the Port's overall Seaport Modernization efforts. It's the largest of the Port's docks by land footprint; however, the dock was originally built in the 1970s to support log operations, and in its current state, can only accommodate 500 pounds per square foot (psf). Modern cargo operations require a minimum of 1,000 psf. The South Terminal Modernization Project (Phase II) strengthens the remaining 560-feet of the 700-foot South Terminal dock structure (140-feet was strengthened as part of Phase I in 2015) and makes electrical upgrades at the wharf. Upon completion, the dock will be strong enough to accommodate two, 100-foot gauge rail-mounted container cranes and provide vaults for ships to plug into shorepower while at the dock. In 2018, the Port completed two rail upgrade projects totaling more than \$8 million. With the help of the Port's 2-percent for public access policy, the project is also generating \$586,000 to the city of Everett to improve public access along the waterfront that doesn't conflict with a vibrant working waterfront.

The Seaport Modernization was supported by dozens of businesses, educational institutions and public agencies in our region. It was also made possible by both of our U.S. Senators: the project received nearly \$22 million in federal loans from the TIGER grant program established by Sen. Murray and FAST Lane grant program from Sen. Cantwell, as well as the Congestion Mitigation Air Quality (CMAQ) program.

SEAPORT MODERNIZATION

Project TIMELINE	Capital INVESTMENT	State & Federal SUPPORT
2015-2020	\$52.4 Million	\$22 Million

DOCK STRENGTHENING | \$31 M

Increase the strength of the South Terminal Wharf from 500 pounds per square foot to 1,000 pounds per square foot to accommodate modern cargo operations and support two, 100-foot gauge container cranes.

RAIL UPGRADES | \$7.3 M

Construct 3,300 lineal feet of on-terminal railroad tracks to support an expanded South Terminal. (Completed)

WAREHOUSE MOVE | \$2.1 M

Relocate the nearly 40,000 square foot warehouse from the South Terminal adjacent to the new rail spur to support rail loading operations. (Completed)

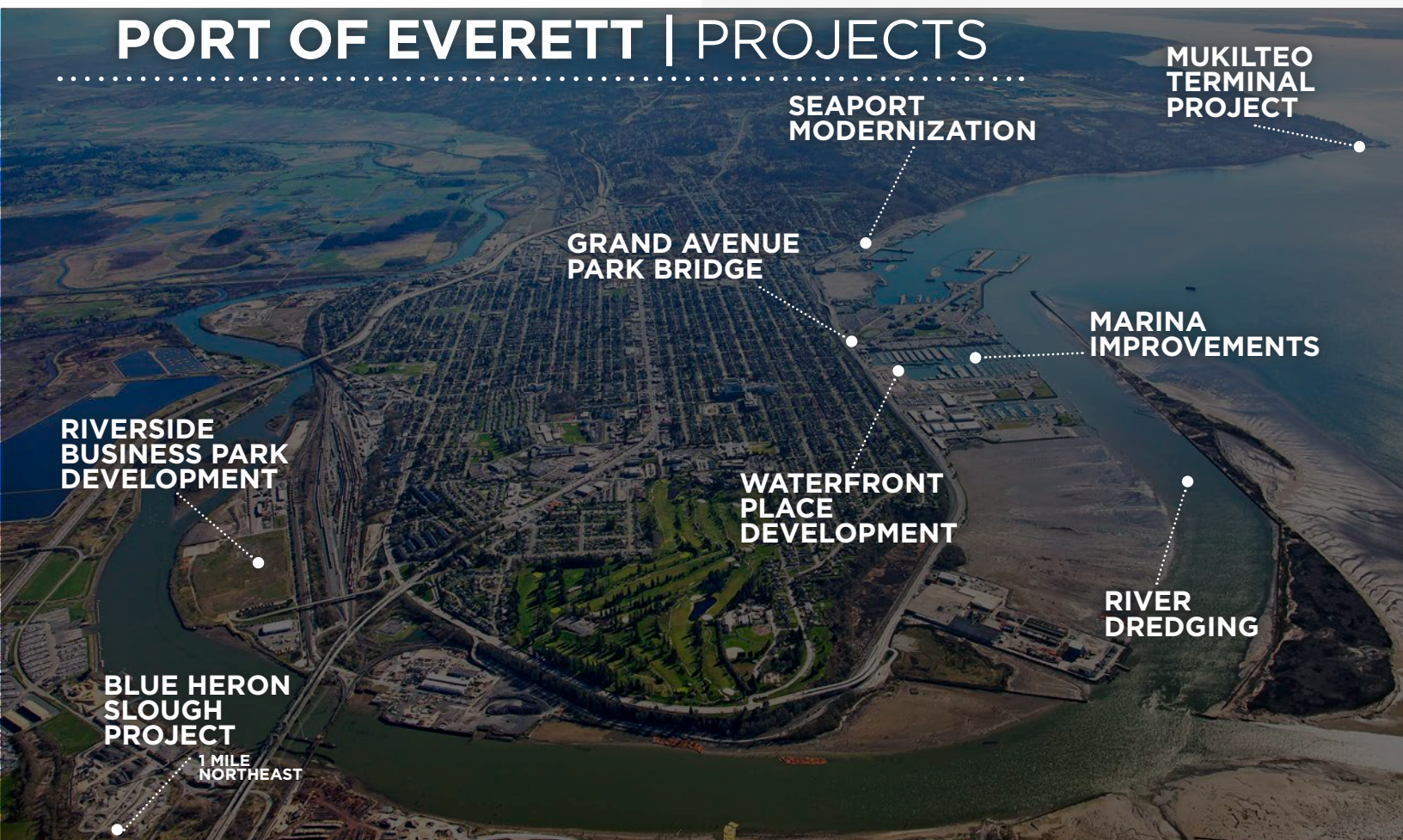
CARGO HANDLING EQUIPMENT | \$5 M

Acquire, transport, paint and maintain two, 100-foot gauge container cranes.

DREDGING | \$7 M

Dredge the South Terminal berth to -40 MLLW and install new mooring dolphins and a new portable fendering system to allow for a 950-foot vessel.

PORT OF EVERETT | PROJECTS



MUKILTEO TERMINAL PROJECT

SEAPORT MODERNIZATION

GRAND AVENUE PARK BRIDGE

MARINA IMPROVEMENTS

RIVERSIDE BUSINESS PARK DEVELOPMENT

WATERFRONT PLACE DEVELOPMENT

RIVER DREDGING

BLUE HERON SLOUGH PROJECT

1 MILE NORTHEAST

INTERNATIONAL SEAPORT

BUDGET OVERVIEW

- Operating Revenue: \$16.9 Million
- Operating Expenses: \$11.8 Million
- 2019 Capital Budget: \$22.7 Million
- 56% of Total Port Operating Revenues
- 30% Operating Margin

BUDGET ASSUMPTIONS

- Steady aerospace business
- Flat growth in project cargoes
- Margins expected to improve
- Trade tariffs continue

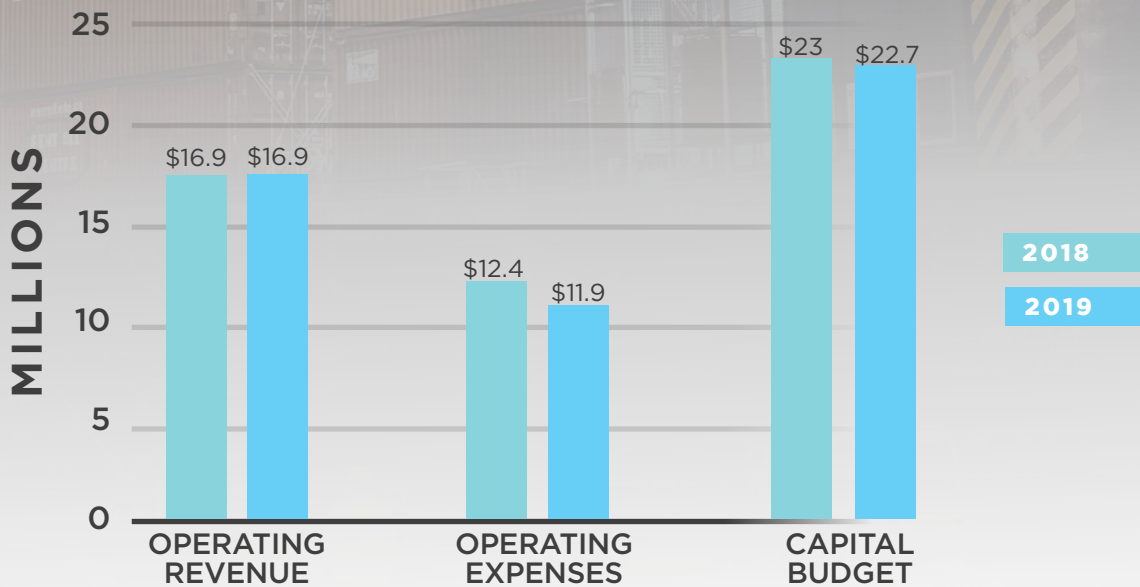
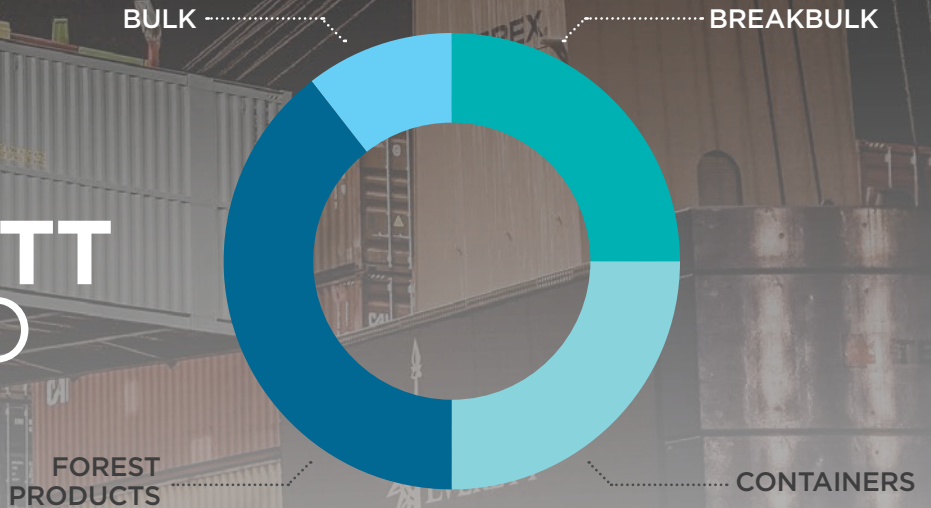
COMMUNITY BENEFITS

- Supports major employer in Washington state
- More than 34,000 jobs supported
- Generates nearly \$373 million in tax revenue

CHALLENGES

- Federal policy uncertainty
- Exports affected by strong U.S. dollar
- Canadian Dollar vs. U.S. dollar
- Russian sanctions

PORT OF EVERETT CARGO MIX

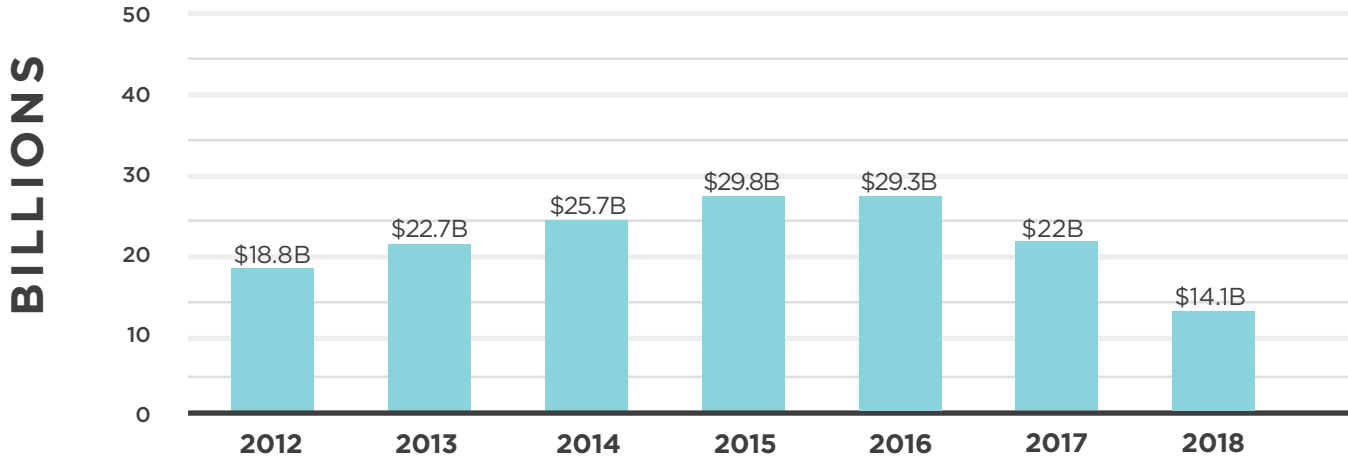


EXPORT OVERVIEW

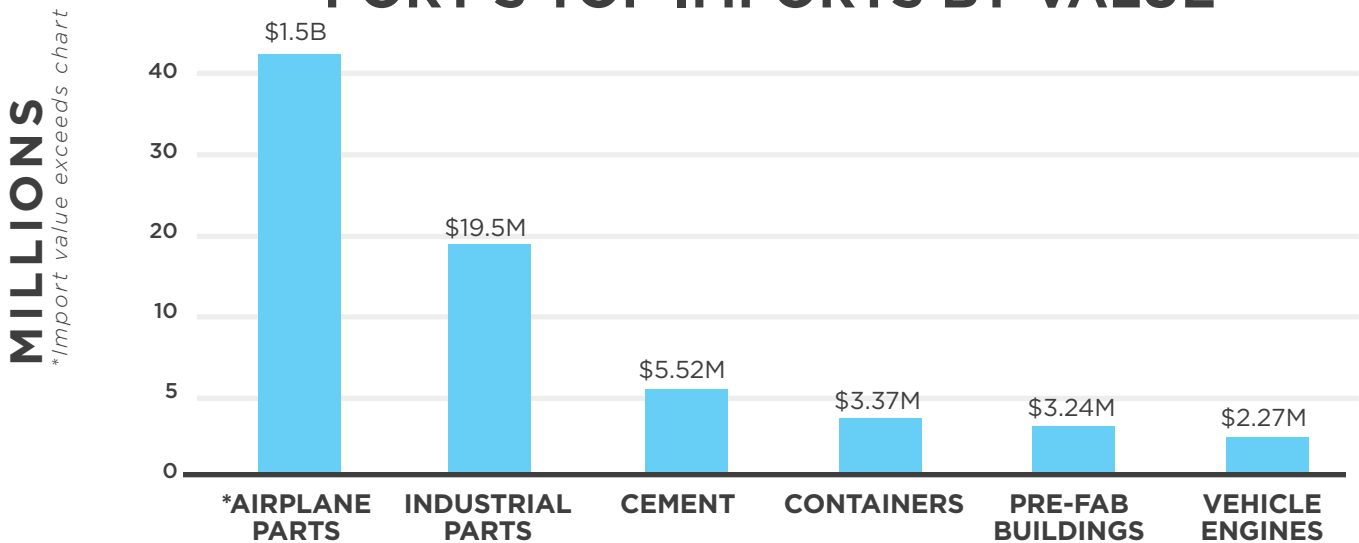
DID YOU KNOW?

60% of all jobs in Snohomish County are tied to trade

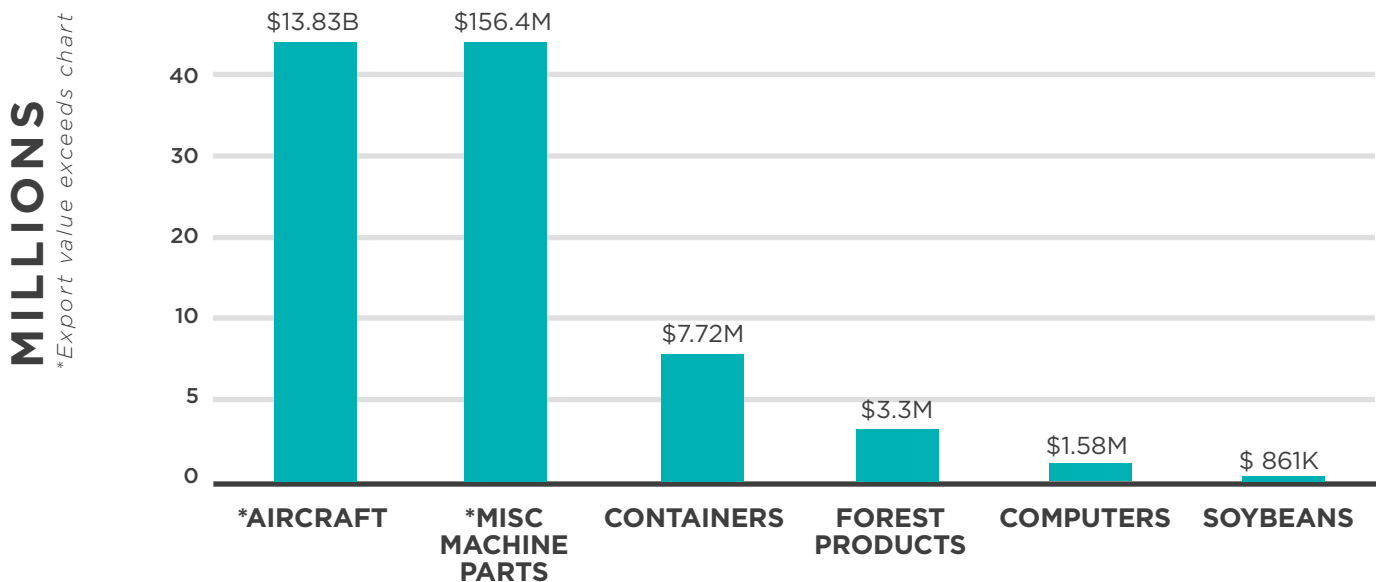
OUR EXPORT VALUE



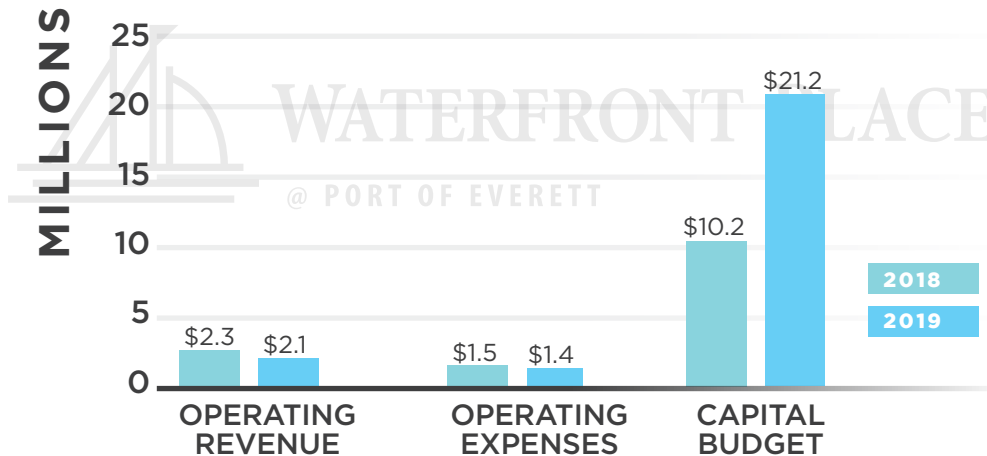
PORT'S TOP IMPORTS BY VALUE



PORT'S TOP EXPORTS BY VALUE



REAL ESTATE | WATERFRONT PLACE



BUDGET OVERVIEW

- Operating Revenue: \$2.1 Million
- Operating Expenses: \$1.4 Million
- 2019 Capital Budget: \$21.2 Million
- 7% of Total Port Operating Revenues
- 8% Decline in Revenues
- 35% Operating Margin

BUDGET ASSUMPTIONS

- Revenues expected to decline due to sale of leased assets
- Occupancy will remain at nearly 100%

COMMUNITY BENEFITS

- Investing in a new waterfront community
- Improving public access to the waterfront
- Creating opportunities for job growth

CHALLENGES

- Timing of new development revenues
- Capital investment to realize stable real estate revenues

2018 ACTIVE PORT LEASES

- All Ocean Services
- NOV Ameron International
- Anthony's Restaurants: Homeport
- Anthony's Restaurants: Woodfire
- B&B Marine
- Bay Psychiatric, Inc.
- Everett Bayside
- Bellingham Yacht Sales
- Bluewater Distilling
- Brusco Tug and Barge
- Cross Water Yacht Sales
- Dunlap Industrial Supply
- Dunlap Tug and Barge
- Eagle Mortgage
- EvCC ORCA
- Everett Clinic Medical Group
- Everett Farmer's Market
- Everett Yacht Club
- Everett Yacht Service & Repair
- East West Gold
- Hat Island
- Inn at Port Gardner (Grace K Corp)
- Lehigh Cement
- Marine Power Service
- Milltown Sailing Association, Inc.
- Northwest Retina, LLC
- OceanGate
- Port Gardner Yacht Brokerage
- Propulsion Controls Engineering, Inc.
- Scuttlebutt Brewing Co
- Seas the Day Café
- Seaworthy
- SIS Holdings
- SDA-Site Development Associates
- WSU-School of Food Science
- Waters Edge Salon
- Western Wash. Medical Group, Inc.
- Westview, LLC (Stuchel)
- Vigor Marine
- Your Boat Shop

2018 WATERFRONT EVENTS

- Port Centennial - 5k Fun Run, Pancake Breakfast & Maritime Parade
- 23 Farmers Markets
- 19 Summer Concerts
- 6 Outdoor Movies
- Jetty Island Days
- Food Truck Fridays
- 6 Bus & Harbor Tours
- Everett Blackmouth Derby
- Jetty Island Race
- Everett Half Marathon
- Milltown Sailing Swap Meet
- Mukilteo Yacht Club Opening Day of Boating
- Marina Cleanup Day
- Fresh Paint Arts Festival
- Wheels on the Waterfront
- Salmon for Soldiers
- Everett No-Coho Blackmouth Salmon Derby
- Walk to End Alzheimer's
- Holiday on the Bay
- Tall Ship Lady Washington
- Race to Unravel
- Everett Sail & Power Squadron Vessel Safety Checks
- One World Lantern Festival
- Caravan Theatre Ship Shows
- Out of the Darkness Walk
- Historic Everett Presentation, Ribbon Cutting & Bike Tour
- Everett Coho Derby
- Everett Junior Police Academy Presentation
- Jetty Island Kite boarding Competition
- Firefighter Fishing Derby

ENVIRONMENT

COMMUNITY BENEFITS

- Restores and enhances the health of the Puget Sound
- Restores economic prosperity to under-utilized assets
- Creates jobs

CHALLENGES

- Funding uncertainty
- Continued depressed oil prices since 2014 decline have reduced available funds for environmental remediation
- Washington State Legislature continues to expand the uses of the voter-approved Model Toxics Control Account funds, which were specifically meant to remediate historic contamination

2018 ENVIRONMENTAL ACHIEVEMENTS

- Air Emissions: Completed the 2016 Puget Sound Air Emissions Inventory Report, demonstrating a reduction of air emissions including greenhouse gasses of 47% on average as compared with 2011, despite an increase in cargo throughput
- Stormwater: Started construction on two new innovative end-of-pipe stormwater treatment systems at the terminals and marina, adding to the Port's stormwater treatment system program, bringing clean stormwater to the Puget Sound
- Clean Marina Programs: Recertified by Clean Marina Washington, ensuring a healthy environment at our marina
- Green Marine Program: Became certified member of Green Marine, ensuring a healthy environment at our marine terminals
- Marina Dredging: Obtained all permits necessary and started construction dredging work
- Restoration: Started construction on 365-acre Blue Heron Slough mitigation and restoration site
- Development: Facilitated several property development transactions
- Cleanup Funding: Obtained \$675,000 in grant funding from the Department of Ecology for the Ameron-Hulbert cleanup
- Cleanups: started permitting and design for a second interim action at the Mill-A site, started the engineering design of a phased cleanup at the Ameron-Hulbert site - both scheduled for construction in 2019.

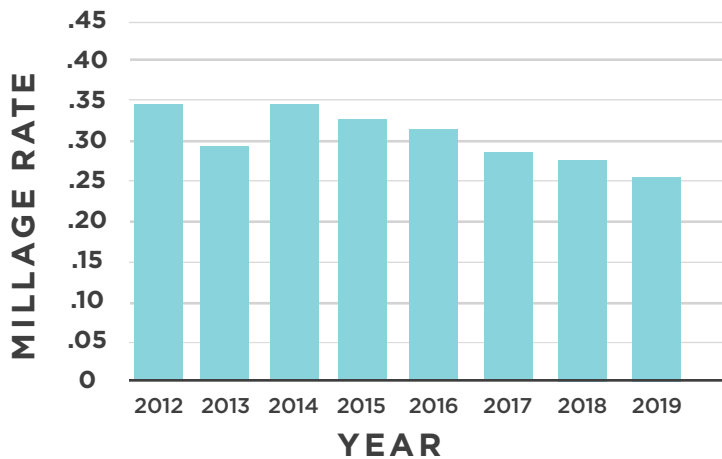
HOW IS THE \$46 MILLION IN CLEANUPS FUNDED?

- 46% Port Operations
- 10% Taxes
- 44% Ecology/Others

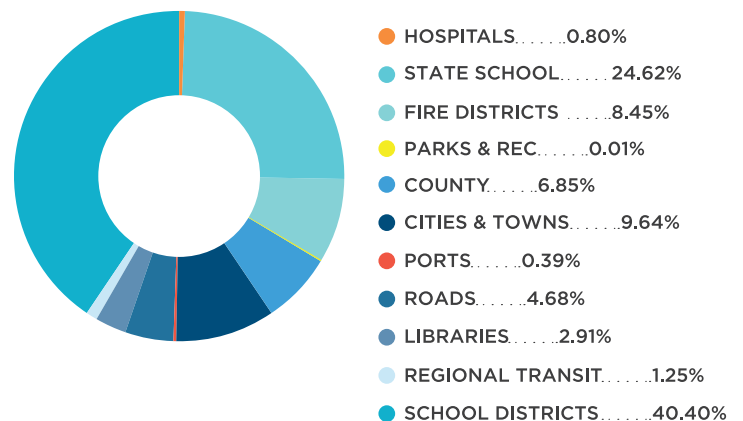


TAX RATE TRENDS

LEGAL TAX LIMIT - .45



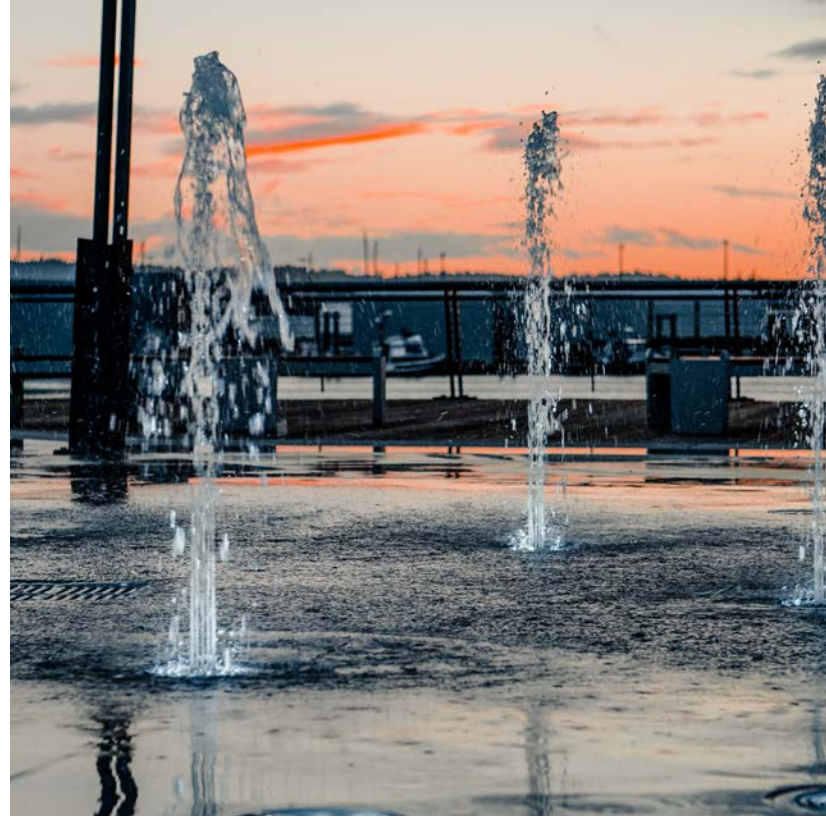
SNOHOMISH COUNTY DISTRIBUTION OF TAXES 2018



PUBLIC ACCESS

2019 PROPOSED PROPERTY TAX LEVY

- **PORT PORTION OF TAX BILL:** Total estimated annual Port tax for a \$400,000 home in 2018 is \$108. In 2019, it is projected to be \$102.
- **MILLAGE RATE:** \$.256-cents per assessed \$1,000
- **TOTAL TAX COLLECTION:** \$5 million
- **HOW ARE THE TAXES USED?** Environmental restoration and public access.
- **HOW ARE THE TAXES NOT USED?** Any operating costs, including salaries and benefits.
- **WHAT DO I GET IN RETURN?** Provides necessary infrastructure to support more than 35,000 jobs (82% in Snohomish County); and \$373 million in state and local taxes that help fund schools, public safety and social services. Allows the Port to take an active role in restoring contaminated property and creating waterfront access.



PACIFIC RIM PLAZA

Pacific Rim Plaza is the central gathering point at Fisherman's Harbor and is the heart of Port's Waterfront Place Central development. The plaza, which was completed in 2018, features a public dock walk, an over-water viewing platform, a family-friendly splash park and an international trade tribute.

SPLASH PARK

A key feature at Pacific Rim Plaza is the splash park fountain. This feature provides a fun-family gathering space in the center of the plaza with views of the marina and Everett's fishing fleet in the forefront.

VIEWING PLATFORM

Pacific Rim Plaza includes a timber decked viewing platform that overlooks the Port's Central Marina and new Guest Dock 5 (to be constructed in 2019).

A TRIBUTE TO TRADE

Incorporated into the Plaza is the Port of Everett's tie to international trade. Flag poles welcome visitors to the Plaza identifying the Port's trading partners: Korea, Russia, Japan, Canada and China. The flags symbolize the importance and long history of international commerce in Everett. For special events or when an international trade partner visits the Port, the flags can be switched to the flag of that nation. The Plaza will include a globe feature depicting trade routes to and from our trading ports.

GUEST DOCK 5

This year, the Port of Everett will begin construction on its newest guest dock - Guest Dock 5. The new 750-foot dock is situated on the western edge of Fisherman's Harbor within the Port's Central Marina basin. Plans for the dock include an 8-foot wide main float. An 80-foot

ADA gangway provides access to the south, and to the north, the dock connects to an existing pier and gate house to provide a continuous public dock walk allowing visitors seamless connection from the upland amenities to the water.

In 2018, the Port saw a record year at the guest docks with 1,703 nights of moorage in July and nearly 5,000 year-to-date. In 2014, the total annual guest moorage stays was 2,708. This new dock will allow the Port to accommodate the increase in guest moorage and support economic development and local spending. Based on the 2015 Martin Associates study, the average boater spends \$220 at local businesses while in Port.



DID YOU KNOW?

The Port plans to invest more than \$29.2 million in public access improvements from 2017-2021





Port of
EVERETT

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