

# Port of Seattle's 2018 Budget



Port of Seattle

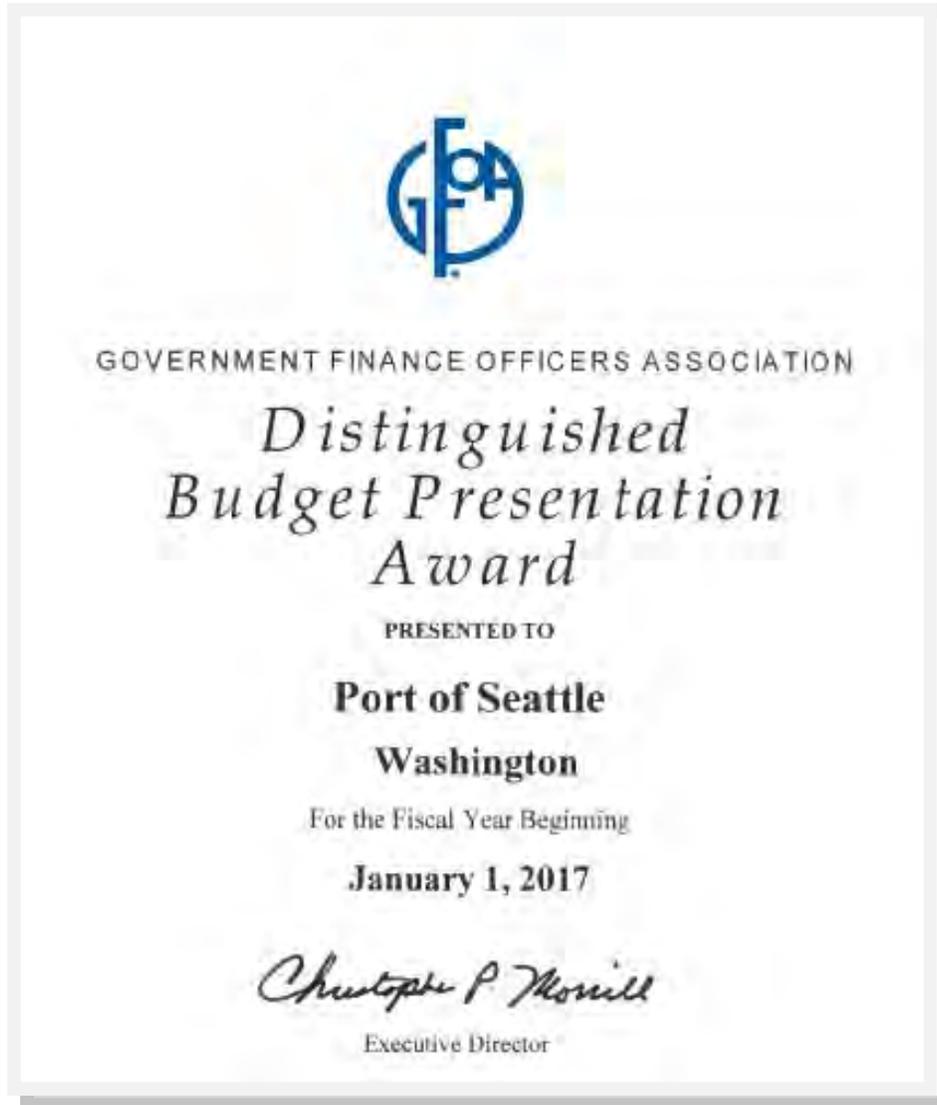


Seattle, Washington

# 2018 Budget

Prepared by the Finance and  
Budget Departments

## Distinguished Budget Presentation Award



The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Port of Seattle for its annual budget for the fiscal year beginning January 1, 2017.

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

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

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## **BUDGET DOCUMENT ORGANIZATION**

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

- **Section I** has the Budget Message from the Executive Director depicting the 2018 plans, budget highlights, and a budget summary. Table I-1 depicts the operating revenues, expenses, capital budget and full-time equivalent positions by division. This table differs from the other tables in section III in that it shows the portion of the Central Services/administrative expense that is not allocated to the divisions. Otherwise, the division expenses would not add up to the total port expenses. Table I-2 is a cash flow summary and charts which depict the sources and uses of port funds.
- **Section II**, the Port View, contains the history of the Port, its facilities and services, its long range plans, its commissioners and officers and organizational chart.
- **Section III**, the Overview of the 2018 budget and five year financial forecast contains an executive summary discussion of the Port's Operating and Non-operating Budget, Capital Budget, and Tax Levy.
  - Table III-1 provides a summary of the financial forecast for the period 2017-2022.
  - Table III-2 summarizes the Port's revenues, expenses, and net assets for the years 2014-2018.
  - Table III-3 summarizes the Port's operating revenues and expenses by major account, 2016-2018.
  - Table III-4 summarizes the Port's staffing by division, 2016-2018.
  - Table III-5 summarizes the Port's Capital Budget, 2018-2022.
- The Operating Division summaries for the Aviation, Maritime, and Economic Development Divisions (**Sections IV through VI**) present a summary of the 2018 budget and five year financial forecast for each business group, operating budget, staffing, and capital budget for each division. The operating budget is presented by business groups/departments as well as by major revenue and expense accounts. One thing to note is that the business groups/departments table in each division (Table IV-6, V-5, VI-5) differs from the other tables in that it shows the division's controllable costs only and does not reflect the direct charges and expense allocations from Central Services, which includes Capital Development.
- **Section VII** presents a summary of Central Services, descriptions of the departments, operating budgets, staffing, and capital budgets.
- A detailed presentation and discussion of the Tax Levy is provided in **Section VIII**.
- Details of the Capital Improvement Plan (CIP) are provided in **Section IX**. A summary page presents the total CIP by business group and by division. Following the summary is a listing of the projects by business group and division.
- The Draft Plan of Finance is provided in **Section X**.
- The Statutory Budget, which is submitted to King County Council and King County Assessor, is provided in **Section XI**.
- **Section XII** contains the budget details for the Northwest Seaport Alliance (NWSA).
- The Appendices in **Section XIII** include detailed information regarding the budget and financial policies, business assessment, bond amortization schedules, other detailed expenditures, glossary of terms used and acronyms.

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**PORT OF SEATTLE**  
**MEMORANDUM**

**DATE:** October 20, 2017  
**TO:** Port of Seattle Commission  
**FROM:** Dave Soike, Interim Executive Director  
**SUBJECT:** 2018 Budget Message

The 2018 budget is designed to advance our Century Agenda strategies and other priorities included in the Long Range Plan, accommodate the strong growth in our operations, and prepare for future growth by continuing to invest in our infrastructure and facilities. With this budget, we can leverage the economic growth in our region to create opportunities for all, increase support for small and disadvantaged businesses, expand job opportunities in the aviation and maritime industries, and protect and improve our environment.

**PORT BUSINESS OUTLOOK**

Seattle-Tacoma International Airport (Sea-Tac) was the fastest growing large airport in the country for the past few years. We anticipate a continued strong growth rate of 5 percent over 2017 for a total of 49.3 million passengers in 2018. This translates into passenger growth of nearly 50 percent since 2012. We also will see a 3.1 percent increase in cruise passengers in 2018 over this year, with more than 1.08 million passengers. We continue to be the leading West Coast cruise port in passenger volumes.

Following are the key financial results we are projecting for 2018 under this proposed budget:

- Total operating revenues are budgeted at \$670.5 million, \$50.2 million or 8.1 percent over 2017.
- Total operating expenses are budgeted at \$422.9 million, \$38.2 million or 9.9 percent over 2017.
- Net operating income before depreciation is budgeted at \$247.6 million, \$12.0 million or 5.1 percent over the 2017 budget.
- The capital budget is \$895.1 million for 2018, and the total capital improvement plan (CIP) is \$3.1 billion over the next five years.

**2018 KEY INITIATIVES AND BUDGET DRIVERS**

- Continue to enhance the safety and security of the traveling public at the airport;
- Position Sea-Tac Airport as the West Coast International Gateway of Choice for international travel by improving customer service;
- Grow international service and support the growth of air cargo;
- Prepare for the region's air transportation needs for next 25 years, and encourage cost-effective expansion of domestic and international passenger and cargo service;
- Support the airport capital development program and complete the Sustainable Airport Master Plan (SAMP);
- Add staffing and resources to catch up with the strong growth at the airport in recent years;
- Add resources to implement Port Commission priorities on Energy and Sustainability, the Equity Program, Priority Hire, and Women and Minority-owned Business Enterprise;
- Restore and enhance waterside habitat along our adjacent shores of the Puget Sound;
- Advance real estate development projects that create quality jobs and support key Port industry clusters;

- Invest in workforce development partnerships that develop a talent pipeline of employees for local employers;
- Create opportunities for small and disadvantaged businesses and companies within blue collar industries;
- Drive tourism opportunities and impacts throughout Washington State;
- Continue high school and college internship programs to increase opportunities for local students;
- Expand public outreach to increase awareness of the Port's contribution to regional economic vitality and to enhance relationships with surrounding communities;
- Strengthen the Port's own Centers of Expertise to leverage capabilities;
- Add necessary staffing and move portions of Capital Development and Central Procurement Office staff to the SeaTac Office Center to address growing airport office space needs.

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

### **AVIATION DIVISION**

The capacity of the Airport to accommodate growth is limited until major new capital projects can be completed. Increasing numbers of flights and passengers also create operational challenges. We are planning for cost-effective expansion under the Sustainable Airport Master Plan (SAMP) and working to increase non-aeronautical revenues through enhancements in airport dining and retail, off-airport property development, and parking services. We are working to enhance customer service by improving airport cleanliness and comfort, as well as wayfinding and passenger processing.

Aeronautical revenues are based primarily on cost-recovery formulas. Since costs are increasing due to growth, revenues are increasing as well. Non-aeronautical revenues reflect growing passenger demand for parking, rental cars, and airport dining and retail services.

Four major projects account for \$1.59 billion in capital expenditures: the North Satellite Modernization program, the International Arrivals Facility, the Baggage System Optimization project, and the South Satellite renovation. The 2018 budget also proposes the addition of 28 new projects totaling \$206 million in spending through 2022. These would join previously approved projects for a total five-year CIP of \$2.8 billion, which does not include potential projects to be identified by the SAMP.

### **MARITIME DIVISION**

The Maritime Division will continue its focus on managing the cruise business, three recreational marinas, Terminal 91, Fishermen's Terminal, and a variety of other maritime industrial facilities.

For 2018, the Port forecasts 1.08 million cruise passengers, a 3.1 percent increase over 2017. Grain volume is forecast to be 4.15 million metric tons in 2018, up 11.6 percent from the 2017 budget. The average Shilshole Bay Marina occupancy rate is forecast to be 95 percent, consistent with 2017. Fishing and Commercial Operations occupancy rates are forecast to average 86 percent, above the 2017 budget of 84 percent.

The proposed five-year CIP for the Maritime Division is \$158.8 million, with capital investments planned at Fishermen's Terminal, Pier 66, Shilshole Bay Marina, and Terminal 91.

### **ECONOMIC DEVELOPMENT DIVISION**

The Economic Development Division focuses on developing and managing the Port's real estate assets; encouraging tourism; developing small business opportunities; and providing for workforce development in the maritime, aviation, manufacturing, aerospace, and construction industries. Commercial properties are

targeting a 95 percent occupancy rate by the end of 2018, which is consistent with current results. Revenue from Bell Harbor International Conference Center in 2018 is expected to increase 19 percent from the 2017 budget.

Program improvements are budgeted in 2018 to continue to fund workforce development, tourism initiatives, and Economic Development Partnership Program grants for cities in King County.

The proposed five-year CIP for the Economic Development Division is \$64.8 million. Major capital investments include Bell Harbor Conference Center Interior Modernization, Terminal 91 Uplands Development, and Pier 66 HVAC Systems Upgrade.

### **THE NORTHWEST SEAPORT ALLIANCE (NWSA)**

In August 2015, the Port of Seattle and the Port of Tacoma formed the Northwest Seaport Alliance (NWSA), a joint venture designed to unify the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the competitiveness of the Puget Sound gateway and attract more marine cargo and jobs to the region.

The net income from the NWSA is distributed evenly between the two home ports and our 50 percent share of the net income is forecast to be \$46.6 million, which is included as operating revenue in the Portwide financial statements. The ports also share equally in NWSA capital investments; the Port's share is forecast to be \$76.2 million. Major ongoing and new projects include acquisition of cranes for the General Central Peninsula, Terminal 46 dock/utility improvements, and modernization of Terminal 5.

### **LOOKING AHEAD**

The 2018 budget will help us further advance the Century Agenda and Long Range Plan. The capital investments in new facilities will support job growth and economic vitality in the region. Major capital projects at Sea-Tac, such as the North Satellite and South Satellite renovations, new International Arrivals Facility, and the Baggage System Optimization will improve the customer experience, reduce congestion, and add capacity to accommodate future growth.

The Port also will continue to invest in capital projects that will enhance our capabilities and improve our infrastructure. Key projects include Habitat Restoration, Terminal 5 Modernization, Fishermen's Terminal strategic plan, Shilshole Bay Marina Restrooms, and other asset stewardship programs. These and other capital investments will enable us to serve our customers and the general public better, provide jobs and economic opportunities to local communities, and improve the environment in our region.

### **OPERATING BUDGET**

Prudent management of the budget helps ensure that we have funds to invest in the opportunities that help to build the regional economy. 2018 operating revenues are budgeted at \$670.5 million, a \$50.2 million or 8.1 percent increase from the 2017 budget. Operating expenses are budgeted at \$422.9 million, a \$38.2 million or 9.9 percent increase compared to the 2017 budget. Net operating income (before depreciation) is \$247.6 million, a 5.1 percent increase from 2017.

### **AVIATION**

The Aviation Division manages both the aeronautical and non-aeronautical sides of Sea-Tac Airport. On the Aeronautical side, budgeted 2018 operating revenue is \$301.1 million, 8.2 percent higher than the 2017 budget. On the Non-aeronautical side, operating revenues are \$244.8 million, an 8.0 percent increase from the 2017 budget. Total operating revenues are budgeted at \$545.9 million, 8.9 percent over 2017. Total operating expenses are budgeted at \$334.9 million. Net operating income before depreciation is \$211.0 million.

## MARITIME

The Maritime Division includes Cruise Operations, as well as the operation and management of marine properties such as Terminal 91, Fishermen's Terminal, and the three recreational boating marinas.

Maritime operating revenues are budgeted at \$55.1 million, a 6.2 percent increase over 2017. Total operating expenses, including cost allocations from other divisions, are forecast at \$49.6 million. Net operating income before depreciation is expected to be \$5.5 million in 2018.

## ECONOMIC DEVELOPMENT

The division's 2018 budgeted revenue is expected to be \$18.5 million, a 15.5 percent increase from the 2017 budget. Total operating expenses are expected to be \$28.8 million, a 1.1 percent decrease from 2017. Ongoing key budget initiatives in 2018 include strategic investments to develop comprehensive career pathways in the aviation and maritime industries, including programs to support high school students, regional trades partnerships, job training in the manufacturing and trucking industries, and the continuation of programs to support small businesses and women and minority-owned businesses.

## CENTRAL SERVICES

The three operating divisions of the Port are supported by a number of administrative departments as well as other service groups. These groups allocate their expenses according to the level of service they provide to the divisions. Central Services operating expenses are budgeted at \$145.2 million.

## **CAPITAL BUDGET**

The total capital budget for 2018 is \$ 895.1 million and the five-year CIP is \$3.1 billion, which reflects the Port's continuing commitment to promoting regional economic vitality through the investment in the development, expansion, and renewal of Port facilities in support of the strategies and objectives outlined in the Port's Century Agenda, Long Range Plan and the 2018 budget and five year forecast of each division.

## **TAX LEVY**

The Port's 2018 Budget assumes a levy amount of \$72.0 million, no change from 2017; however, due to the increase in King County assessed value, the tax levy rate will decrease from \$0.1536 to \$0.1358 per \$1,000 of assessed value based on the preliminary figures from the County. The levy rate has decreased over the past several years as property values have increased and the Port Commission has gradually lowered the levy amount since 2009. The Tax Levy, Section VIII of this document, provides more information regarding the Port's levy.

## **SUMMARY**

We are in a strong financial position heading into 2018. Our responsible, proactive budget management enables us to be reliable stewards of public resources. The 2018 budget positions us well to manage and leverage the region's growing economy, advance our Century Agenda goals and Commission priorities, and to share that prosperity with the community.

### **2018 Budget Highlights**

The Port strives to maintain a strong financial position while continuing to invest in business operations that retain and attract customers, create jobs, assure best value and return on investment, and help position the Port for future growth.

- The 2018 budget includes \$1.7 billion in total expenditures designed to meet the region’s demand for Port services. The budget also aims to return the benefits of growth back to the community through significant environmental and economic development initiatives.
- Operating expenses are \$422.9 million for the 2018 budget, a \$38.2 million or 9.9% increase from the 2017 budget mainly due to payroll increases, janitorial and other contractual increases, the Sustainable Airport Master Plan, and some new and expanded strategic initiatives in 2018.
- The 2018 operating budget also include significant spending for the following:
  - \$12.0 million on environmental and sustainability expenses, including \$711 thousand for new Maritime habitat improvements.
  - \$10.3 million for planning and development to accommodate the airport growth.
  - \$4.0 million to enhance safety and security, including \$1.8 million for 12 new officers in the Police department, for passengers at Sea-Tac Airport;
  - \$3.2 million to improve customer service at Sea-Tac Airport, and \$2.0 million on the Port valet program to spur local tourism by cruise passengers;
  - \$2.6 million in workforce development programs to support internship and job-training programs, and to investigate a new skill center;
  - \$1.5 million to promote and support tourism initiatives for the region, and \$1.0 million in grants to support economic development initiatives in King County cities.
- Operating revenues are budgeted at \$670.5 million, a \$50.2 million or 8.1% increase from the 2017 budget. Excluding Aeronautical revenues, which are based on cost recovery, other Port wide operating revenues are \$369.4 million, an increase of \$24.0 million or 6.9% compared to the 2017 budget mainly due to higher revenues from Public Parking, Ground Transportation, Airport Dining and Retail, Airport Commercial Properties, Airport Clubs & Lounges, Cruise, and Conference & Event Centers.
- Total Revenues are budgeted at \$926.0 million, which include both operating revenues and \$255.6 million of non-operating revenues. This is \$77.0 million or 9.1% higher than the 2017 budgeted Total Revenues. With \$700 million of expected proceeds in 2018 from the anticipated sale of revenue bonds, total sources of funds are forecast to be \$1.6 billion.
- The Port’s budgeted net operating income before depreciation is \$247.6 million, \$12.0 million or a 5.1% increase from the 2017 budget; and net operating income after depreciation is \$84.3 million, \$15.0 million or 21.6% higher than the 2017 budget.
- The Port’s capital budget is \$895.1 million for 2018 and the CIP is \$3.1 billion for the next five years; it includes investments in projects that create near-term jobs and accommodate our future growth, as well as environmental initiatives and projects that stimulate economic growth for the region.
- Major capital projects for 2018 include: International Arrivals Facility, North Satellite and South Satellite renovations, Baggage System Optimization, Habitat Restoration, T-5 Modernization, Fishermen’s Terminal strategic plan, Shilshole Bay Marina Restrooms, and a variety of asset renewal and replacement projects.

**TABLE I-1: 2018 BUDGET SUMMARY**

		(\$ in 000's)					
<b>OPERATING BUDGET</b>	<b>Notes</b>	<b>Aviation</b>	<b>Maritime</b>	<b>Economic Development</b>	<b>NWSA Joint Venture</b>	<b>Central Services &amp; Other</b>	<b>Total</b>
Aeronautical Revenue		\$ 301,082	\$ -	\$ -	\$ -	\$ -	\$ 301,082
Portwide Non-Aeronautical Revenue	1	244,786	55,053	18,522	0	4,390	322,751
NWSA Distributable Revenue		0	0	0	46,647	0	46,647
SLOA III Incentive Straight Line Adj		0	0	0	0	0	0
<b>Total Operating Revenues</b>		<b>545,867</b>	<b>55,053</b>	<b>18,522</b>	<b>46,647</b>	<b>4,390</b>	<b>670,479</b>
<b>Total Operating Expense</b>	2 & 3	<b>334,856</b>	<b>49,578</b>	<b>28,751</b>	<b>4,442</b>	<b>5,258</b>	<b>422,885</b>
<b>Net Operating Income before Depreciation</b>		<b>211,011</b>	<b>5,475</b>	<b>(10,229)</b>	<b>42,205</b>	<b>(868)</b>	<b>247,594</b>
Depreciation		122,830	17,868	4,156	17,234	1,221	163,309
<b>Net Operating Income after Depreciation</b>		<b>88,181</b>	<b>(12,394)</b>	<b>(14,385)</b>	<b>24,971</b>	<b>(2,089)</b>	<b>84,285</b>
Revenue Bond Interest Expense		(114,349)	(889)	(129)	(7,306)	(1)	(122,673)
Interest Income		13,200	2,118	197	198	0	15,713
Non-Op Environmental Expense		0	(2)	0	0	0	(2)
Other Non-Op Income (Expense)	4	(473)	(1,625)	(186)	(306)	(1)	(2,591)
Ad Valorem Tax Levy Revenue	5	0	27,279	5,862	26,243	12,616	72,000
Public Expense		(55)	(564)	0	(8,775)	(1,400)	(10,794)
G.O. Bond Interest & Amortization		0	(603)	(233)	(3,963)	(8,702)	(13,501)
Passenger Facility Charges		91,787	0	0	0	0	91,787
Customer Facility Charges		22,161	0	0	0	0	22,161
Fuel Hydrant revenue	6	7,023	0	0	0	0	7,023
Passenger Facility Charges revenue bond interest expense		(4,437)	0	0	0	0	(4,437)
Non Capital Grants and Donations		4,668	836	0	0	0	5,504
Public Expense Special Item		0	0	0	0	0	0
<b>Net Non-operating and Special Item</b>		<b>19,525</b>	<b>26,550</b>	<b>5,511</b>	<b>6,091</b>	<b>2,512</b>	<b>60,190</b>
<b>Capital Contributions</b>		<b>41,379</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>41,379</b>
<b>Revenue Over Expense</b>		<b>\$ 149,086</b>	<b>\$ 14,156</b>	<b>\$ (8,874)</b>	<b>\$ 31,062</b>	<b>\$ 423</b>	<b>\$ 185,854</b>
<b>CAPITAL BUDGET</b>		<b>Aviation</b>	<b>Maritime</b>	<b>Economic Development</b>	<b>NWSA Joint Venture</b>	<b>Central Services &amp; Other</b>	<b>Total</b>
Committed		\$ 753,582	\$ 49,410	\$ 5,438	\$ 273	\$ 8,483	\$ 817,186
Business Plan Prospective		62,122	5,580	3,740	-	6,500	77,942
<b>Total</b>	7 & 8	<b>\$ 815,704</b>	<b>\$ 54,990</b>	<b>\$ 9,178</b>	<b>\$ 273</b>	<b>\$ 14,983</b>	<b>\$ 895,128</b>
<b>EMPLOYEES</b>		<b>Aviation</b>	<b>Maritime</b>	<b>Economic Development</b>	<b>NWSA Joint Venture</b>	<b>Central Services &amp; Other</b>	<b>Total</b>
Total FTE's		<b>1,040.4</b>	<b>171.0</b>	<b>36.0</b>	<b>0.0</b>	<b>907.1</b>	<b>2,154.5</b>

ONEPGSUM.XLSX

Notes:

- 1) Total Operating Revenues in Central Services & Other include \$182K non-aeronautical revenue from Central Services & a net of \$4.2 million Stormwater Utility & Elimination revenues.
- 2) Total Operating Expenses in Central Services & Other include a net of \$4.5 million Stormwater Utility & Elimination.
- 3) Total Operating Expenses for Central Services before cost allocation to the operating divisions are \$145.2 million.
- 4) Total Other Non-Op Income (Expense) include a net of \$1.4K Stormwater Utility.
- 5) See Tax Levy Section VIII for detail of tax levy use.
- 6) Fuel Hydrant non-cash revenue recorded as non-operating revenues due to an accounting change.
- 7) Total Capital Budget in NWSA Joint Venture does not include \$76.2 million of our share of NWSA capital spending.
- 8) Total Capital Budget in Central Services & Other include a net of \$1.7 million Stormwater Utility.

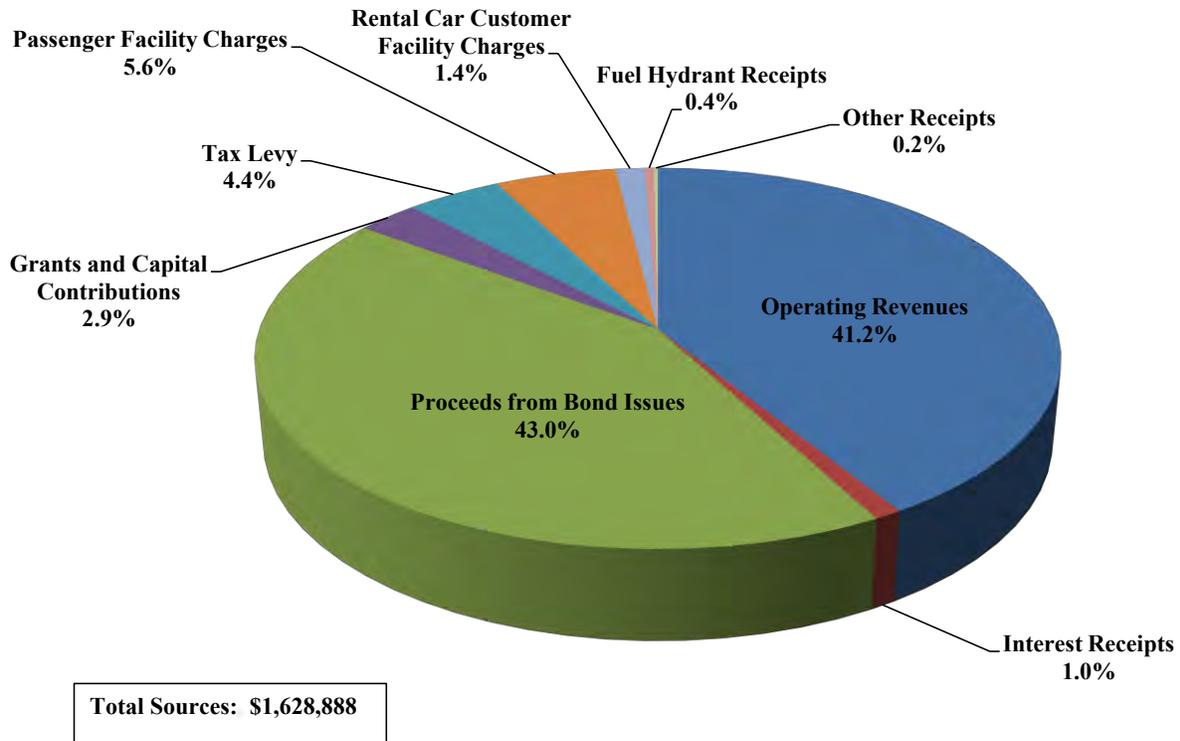
**TABLE I-2: CASH FLOW SUMMARY**

(\$ in 000's)	<u>2018</u>	<u>Percent of Total</u>
<b>Beginning balance of cash &amp; investments</b>	<b>\$ 1,261,178</b>	
<b><u>SOURCES OF CASH</u></b>		
Operating Revenues	670,479	41.2%
Interest Receipts	15,713	1.0%
Proceeds from Bond Issues	700,000	43.0%
Grants and Capital Contributions	46,883	2.9%
Tax Levy	72,000	4.4%
Passenger Facility Charges	91,787	5.6%
Rental Car Customer Facility Charges	22,161	1.4%
Fuel Hydrant Receipts	7,023	0.4%
Other Receipts	2,842	0.2%
<b>Total</b>	<b>1,628,888</b>	<b>100%</b>
<b>Anticipated available funds</b>	<b>2,890,067</b>	
<b><u>USES OF CASH</u></b>		
<b>Expenses from Operations:</b>		
Total Operating Expenses	422,885	24.2%
<b>Debt Service:</b>		
Interest Payments	164,157	9.4%
Bond Redemptions	173,390	9.9%
Total Debt Service	337,547	19.3%
Other Expenses	5,435	0.3%
Public Expense	10,794	0.6%
Payment to NWSA for Capital Expenditures	76,218	4.4%
Capital Expenditures	895,128	51.2%
<b>Total</b>	<b>1,748,006</b>	<b>100%</b>
<b>Ending balance of cash &amp; investments</b>	<b>\$ 1,142,060</b>	
<b>Increase (decrease) of cash during year</b>	<b>\$ (119,118)</b>	

cashflow.xlsx

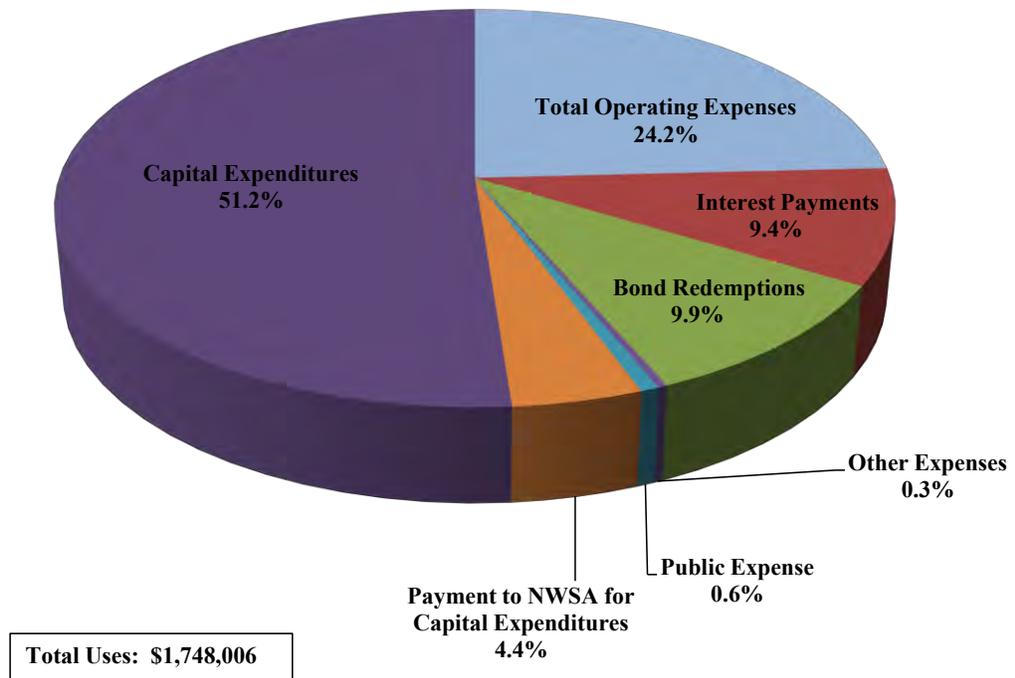
**FIGURE I-1: SOURCES OF FUNDS**

(\$ in 000's)



**FIGURE I-2: USES OF FUNDS**

(\$ in 000's)



## **A. THE PORT OF SEATTLE**

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

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

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

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

## **B. HISTORY OF THE PORT OF SEATTLE**

The Port was established in 1911 in an effort by citizens to ensure public ownership of the Seattle harbor. The Port of Seattle was the first autonomous municipal corporation in the United States specifically tasked to develop harbor and Port facilities to encourage commerce. The Port opened Fishermen’s Terminal in 1912, its first warehouse in 1915 and began working on the creation of Harbor Island. Since then, the Port has developed numerous properties as well as constructed the Seattle-Tacoma International Airport in 1949.

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

## **C. PORT OF SEATTLE FACILITIES AND SERVICES**

Sea-Tac Airport is located on 2,800 acres sixteen miles south of downtown Seattle. The Port has invested over \$4.0 billion in capital improvements at the airport since 1999. The airport includes 3 runways that are 11,900 feet, 9,425 feet, and 8,500 feet in length and a subway system linking the concourses. Sea-Tac is the 9<sup>th</sup> largest U.S. airport as measured by total passengers in 2016 and compared to other large airports, it has relatively high originations and destinations traffic.

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

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

The NWSA, as a Port Development Authority (PDA), is a separate legal entity from the two home ports, and act as the exclusive manager and operator of the container, break-bulk, auto and some bulk terminals in Seattle and Tacoma. The NWSA is the fourth-largest trade gateway in North America, behind the ports of Los Angeles and Long Beach, the Port of New York/New Jersey, and the Port of Savannah. It is the first alliance of its kind in North America, and offers shorter U.S. - to-Asia transits, as well as a deep connection to Alaska.

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



**D. LONG RANGE PLAN**

# CENTURY AGENDA OVERVIEW



In 2012, the Port celebrated 100 years of service to the Puget Sound region by creating a comprehensive, strategic initiative to guide Port priorities for the next quarter century. That initiative is the Century Agenda. The Century Agenda aligns the Port's strategies and objectives to 21<sup>st</sup> century challenges and innovative solutions.

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

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

In 2015, various cross-functional internal LRP development teams were created to ensure "One-Port" participation and ownership of the Century Agenda. These teams operationalize the Century Agenda and drive it from being aspirational to operational in a rolling five-year planning process. The teams include Aviation, Maritime, Small Business Development, Workforce Development, Environmental and High Performance Organization.

## OUR MISSION

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

## OUR VISION

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

## OUR COMMITMENT

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



[www.portseattle.org](http://www.portseattle.org)



# LONG RANGE PLAN OVERVIEW

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



## CENTURY AGENDA

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

### 4 STRATEGIES / 16 OBJECTIVES

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



## HIGH PERFORMANCE ORGANIZATION

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

### 5 STRATEGIES / 11 OBJECTIVES

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

# LONG RANGE PLAN SCORECARD



CENTURY AGENDA	
<b>STATUS</b>	<b>Strategy 1: Logistics Hub</b>
●	Objective 1/Pg. 10 - Grow seaport annual container volume to more than six million twenty-foot equivalent units (TEUs)
✓	Objective 2/Pg. 11 - Structure our relationship with Washington ports to optimize infrastructure investments and financial returns
●	Objective 3/Pg. 12 - Triple air cargo volume to 750,000 metric tons
●	Objective 4/Pg.13 - Triple the value of our outbound cargo to over \$50 billion
●	Objective 5/Pg. 14 - Double the economic value of the fishing and maritime cluster
<b>STATUS</b>	<b>Strategy 2: Tourism &amp; Business Gateway</b>
●	Objective 6/Pg. 15 - Make Seattle-Tacoma International Airport the West Coast "Gateway of Choice" for international travel
●	Objective 7/Pg. 16 - Double the number of international flights and destinations
●	Objective 8/Pg. 17 - Meet the region's air transportation needs at the Airport for the next 25 years and encourage the cost effective-expansion of domestic and international passengers and & cargo service
●	Objective 9/Pg. 18 - Double the economic value of cruise traffic to Washington state
<b>STATUS</b>	<b>Strategy 3: Small Business &amp; Workforce Development</b>
●	Objective 10/Pg. 19 - Increase the proportion of funds spent by the Port with qualified small business firms on construction, consulting, goods and services to 40 percent of the eligible dollars spent
●	Objective 11/Pg. 20 - Increase workforce training, job and business opportunities for local communities in maritime, trade, travel and logistics
<b>STATUS</b>	<b>Strategy 4: Greenest &amp; Most Energy-Efficient Port</b>
●	Objective 12/Pg. 21- Meet all increased energy needs through conservation and renewable sources
●	Objective 13/Pg. 22 - Meet or exceed agency requirements for stormwater leaving Port-owned or -operated facilities
●	Objective 14/Pg. 23 - Reduce air pollutants and carbon emissions
●	Objective 15/Pg. 24 - Anchor the Puget Sound urban industrial land use to prevent sprawl in less-developed areas
●	Objective 16/Pg. 25 - Restore, create and enhance 40 additional acres of habitat in the Green/Duwamish watershed and Elliott Bay

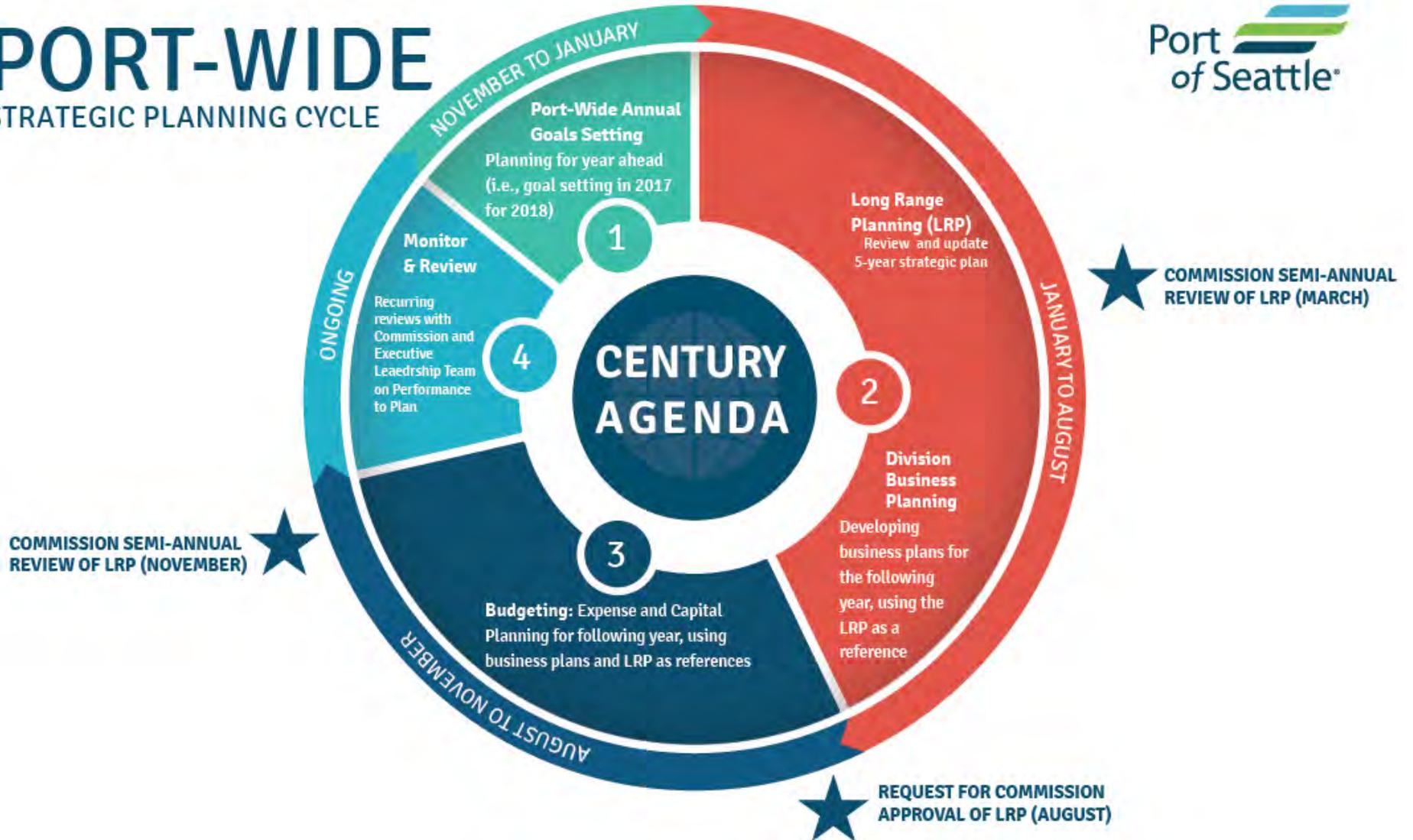
HIGH PERFORMANCE ORGANIZATION	
<b>STATUS</b>	<b>Strategy 1: Customer Satisfaction</b>
●	Objective 1/Pg. 27 - Improve customer service and public engagement
●	Objective 2 /Pg. 28 - Improve process efficiencies & effectiveness
<b>STATUS</b>	<b>Strategy 2: Safety</b>
●	Objective 3 /Pg. 29 - Reduce Port preventable injury rate and severity rate
●	Objective 4 /Pg. 30 - All managers will lead safety performance
<b>STATUS</b>	<b>Strategy 3: One Port</b>
●	Objective 5/Pg. 31 - Strengthen the culture and act as an organization with a shared vision
●	Objective 6/Pg. 32 - Increase Port-wide common and standardized language, business processes, technology tools, and measures
<b>STATUS</b>	<b>Strategy 4: Diversity &amp; Inclusion</b>
●	Objective 7/Pg. 33 - Increase management accountability for equity, diversity and inclusion
●	Objective 8/Pg. 34 - Increase percentage of employees who agree that the Port is committed to equity, diversity and inclusion
●	Objective 9/Pg. 35 - Increase awareness internally and actively share equity, diversity and inclusion programs externally
<b>STATUS</b>	<b>Strategy 5: Talent Development</b>
●	Objective 10/Pg. 36 - Develop our employees' capabilities
●	Objective 11/Pg. 37 - Foster awareness of Port-wide talent

**Status Key**

- Not Started
- ✓ Completed
- On Track
- Mitigation to be developed..
- In Progress



# PORT-WIDE STRATEGIC PLANNING CYCLE



# LONG RANGE PLAN

## CENTURY AGENDA STRATEGIES AND OBJECTIVES



### STRATEGY 1 POSITION THE PUGET SOUND REGION AS A PREMIERE INTERNATIONAL LOGISTICS HUB



- Objective 1** Grow seaport annual container volume to more than 6 million twenty-foot equivalent units (TEUs)
- Objective 2** Structure our relationship with Washington Ports to optimize infrastructure investments and financial returns
- Objective 3** Triple air cargo volume to 750,000 metric tons
- Objective 4** Triple the value of our outbound cargo to over \$50 billion
- Objective 5** Double the economic value of the fishing and maritime cluster

### STRATEGY 2 ADVANCE THIS REGION AS A LEADING TOURISM DESTINATION AND BUSINESS GATEWAY



- Objective 6** Make Seattle-Tacoma International Airport the West Coast "Gateway of Choice" for international travel
- Objective 7** Double the number of international flights and destinations
- Objective 8** Meet the region's air transportation needs at Seattle-Tacoma International Airport for the next 25 years and encourage the cost-effective expansion of domestic and international passenger and cargo service
- Objective 9** Double the economic value of cruise traffic to Washington state

### STRATEGY 3 USE OUR INFLUENCE AS AN INSTITUTION TO PROMOTE SMALL BUSINESS GROWTH AND WORKFORCE DEVELOPMENT



- Objective 10** Increase the proportion of funds spent by the Port with qualified small business firms on construction, consulting, goods and services to 40 percent of the eligible dollars spent
- Objective 11** Increase workforce training, job and business opportunities for local communities in maritime, trade, travel and logistics

### STRATEGY 4 BE THE GREENEST AND MOST ENERGY-EFFICIENT PORT IN NORTH AMERICA



- Objective 12** Meet all increased energy needs through conservation and renewable sources
- Objective 13** Meet or exceed agency requirements for stormwater leaving Port-owned or -operated facilities
- Objective 14** Reduce air pollutants and carbon emissions
- Objective 15** Anchor the Puget Sound urban industrial land use to prevent sprawl in less-developed areas
- Objective 16** Restore, create and enhance 40 additional acres of habitat in the Green/Duwamish watershed and Elliott bay



# LONG RANGE PLAN



## HIGH PERFORMANCE ORGANIZATION STRATEGIES AND OBJECTIVES

### STRATEGY 1 INCREASE CUSTOMER SATISFACTION

#### Objectives

1. Improve customer service and public engagement
2. Improve process efficiencies and effectiveness



### STRATEGY 2 ELIMINATE WORKPLACE INJURIES

#### Objectives

3. Reduce Port preventable injury rate and severity rate
4. All managers will lead safety performance



### STRATEGY 3 ACT AS ONE PORT

#### Objectives

5. Strengthen the culture and act as an organization with a shared vision
6. Increase Port-wide common and standardized language, business processes, technology tools, and measures



### STRATEGY 4 BECOME A MODEL FOR WORKPLACE EQUITY, DIVERSITY AND INCLUSION

#### Objectives

7. Increase management accountability for equity, diversity and inclusion
8. Increase % of employees who agree that the Port is committed to equity, diversity and inclusion
9. Increase awareness internally and actively share equity, diversity and inclusion programs externally



### STRATEGY 5 FOSTER EMPLOYEE DEVELOPMENT AND LEVERAGE TALENT

#### Objectives

10. Develop our employees' capabilities
11. Foster awareness of Port-wide talent



The full Long Range Plan can be found on the Port of Seattle website at <http://www.portseattle.org/About/Pages/default.aspx>.

## **E. COMMISSIONERS AND OFFICERS**

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

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

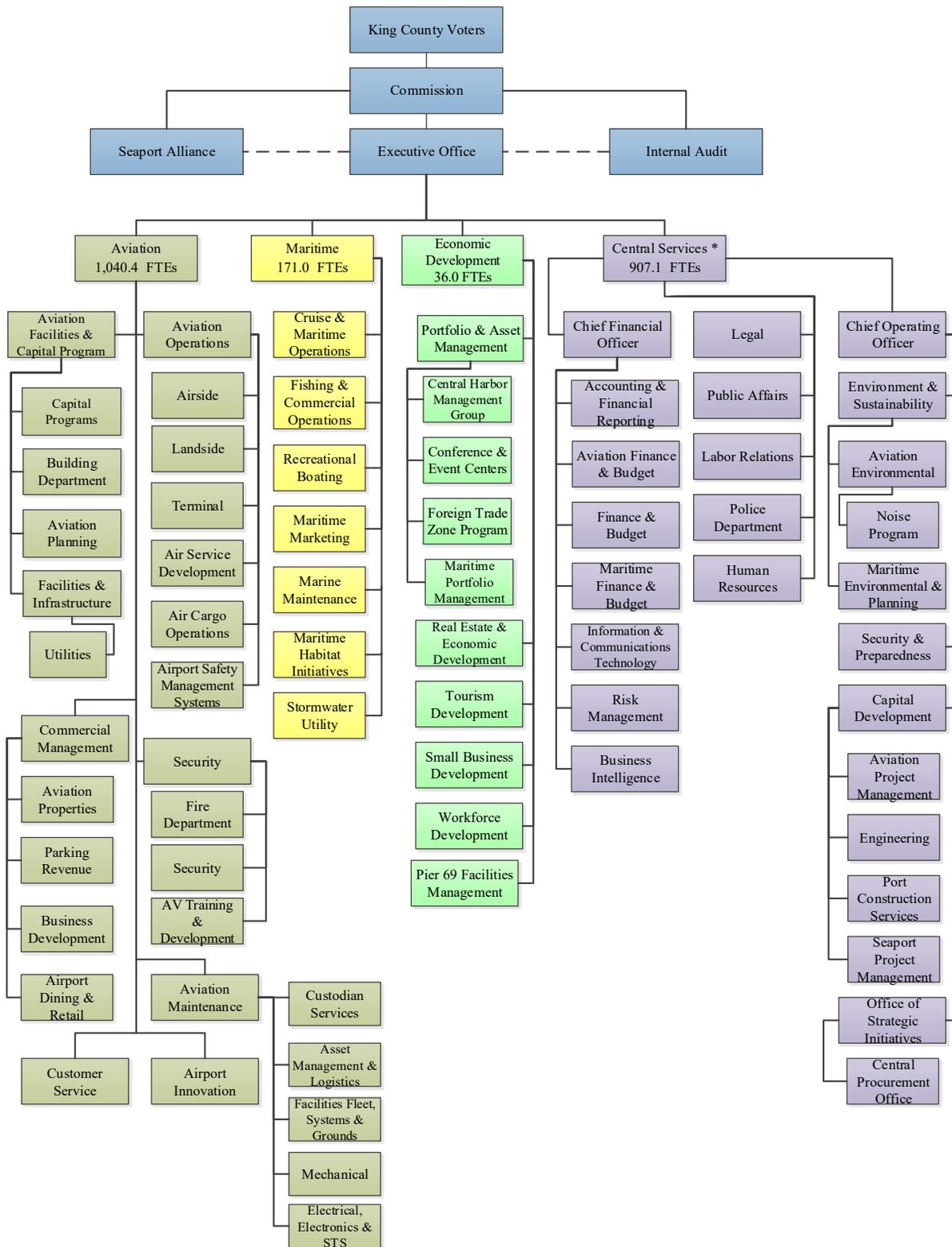
Tom Albro, President  
Courtney Gregoire, Vice President  
Stephanie Bowman, Secretary  
Fred Felleman, Assistant Secretary  
John Creighton, Commissioner-at-Large

The senior officers of the Port are:

Dave Soike, Interim Executive Director and Chief Operating Officer  
Dave Caplan, Sr. Director, Office of Strategic Initiatives  
Julie Collins, Sr. Director, Public Affairs  
Paula Edelstein, Sr. Director, Human Resources  
Larry Ehl, Chief of Staff  
David Freiboth, Sr. Director, Labor Relations  
Ralph Graves, Sr. Director, Capital Development  
Stephanie Jones-Stebbins, Managing Director, Maritime Division  
Elizabeth Leavitt, Sr. Director, Environment and Sustainability  
Lance Lyttle, Managing Director, Aviation Division  
Dave McFadden, Managing Director, Economic Development Division  
Dan Thomas, Chief Financial Officer  
Craig Watson, General Counsel

**F. ORGANIZATION CHART**

**FIGURE II-2: ORGANIZATION CHART**



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

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**A. FINANCIAL OVERVIEW**

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

**TABLE III-1: PORT OF SEATTLE FINANCIAL FORECAST**

(\$ in 000's)		Budget 2017	Budget 2018	Forecast				Compound Growth 2018 - 2022
OPERATING BUDGET	Notes			2019	2020	2021	2022	
Aeronautical Revenue		278,375	301,082	359,967	406,009	464,156	484,269	12.6%
Portwide Non-Aeronautical Revenue	1	298,738	322,751	318,043	327,521	338,285	349,807	2.0%
NWSA Distributable Revenue		46,708	46,647	43,122	42,334	45,815	46,498	-0.1%
SLOA III Incentive Straight Line Adj		(3,576)	-	-	-	-	-	n/a
<b>Total Operating Revenues</b>		<b>620,245</b>	<b>670,479</b>	<b>721,131</b>	<b>775,864</b>	<b>848,257</b>	<b>880,574</b>	<b>7.1%</b>
<b>Total Operating &amp; Maintenance Expenses</b>	1	<b>384,660</b>	<b>422,885</b>	<b>431,092</b>	<b>453,585</b>	<b>476,472</b>	<b>493,862</b>	<b>4.0%</b>
<b>Net Operating Income Before Depreciation</b>		235,585	247,594	290,039	322,279	371,785	386,712	<b>11.8%</b>
Total Depreciation Expense		166,300	163,309					
<b>Net Operating Income after Depreciation</b>		<b>69,285</b>	<b>84,285</b>					
								<b>Total 2018 - 2022</b>
<b>Committed Capital Budget</b>		\$ 546,054	\$ 817,186	\$ 612,808	\$ 381,016	\$ 295,360	\$ 169,576	\$ 2,275,946
<b>Business Plan Prospective</b>		105,523	77,942	175,755	197,987	205,386	178,133	835,203
<b>TOTAL CIP</b>	2	<b>\$ 651,577</b>	<b>\$ 895,128</b>	<b>\$ 788,563</b>	<b>\$ 579,003</b>	<b>\$ 500,746</b>	<b>\$ 347,709</b>	<b>\$ 3,111,149</b>

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Notes:

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

## **B. OPERATING BUDGET OVERVIEW**

### **OVERVIEW**

The 2018 budget proposes total operating revenues of \$670.5 million and total operating expenses of \$422.9 million. Net Operating Income before depreciation calculates to \$247.6 million. Net Operating Income after depreciation is budgeted at \$84.3 million.

### **AVIATION DIVISION**

The Aviation Division operates the Seattle-Tacoma International Airport, which was the 9<sup>th</sup> largest airport in the U.S. in 2016 based on passengers. The compounded annual growth rate for enplaned passenger is 6.8% since 2012. Current and long-term cost management continues to be a strategic focus of Sea-Tac Airport.

Operating revenues are budgeted to be \$545.9 million, a \$44.4 million or 8.9% increase from 2017 budget. Net Aeronautical revenues are budgeted to \$301.1 million, an increase of \$26.3 million or 9.6%; and non-airline revenues are budgeted to be \$244.8 million, an increase of \$18.1 million or 8.0%, compared to 2017 budget.

Total airport operating expenses are budgeted to total \$334.9 million. This represents a \$32.1 million or 10.6% increase compared to the 2017 budget. For the Aviation Division alone, without Central Services allocated costs, the 2018 budget is \$216.4 million, a 12.1% increase from 2017 budget. Net operating income before depreciation is \$211.0 million.

### **MARITIME DIVISION**

The Maritime Division includes four major business groups: Cruise Operations, Fishing and Commercial Operations, Grain and Recreational Marinas. It also includes Marine Maintenance and Maritime Habitat, as well as with direct support from four Centers of Expertise: Environment and Sustainability, Finance & Budget, Security & Preparedness and Real Estate Management. These business and service groups oversee strategic planning, business and facility development, maritime security and the management and operations of maritime facilities including cruise, fishing, grain and multi-purpose terminals, commercial moorage, recreational marinas and related properties.

Maritime operating revenues are \$55.1 million. Total operating expenses including Central Services costs are \$49.6 million. Net operating income before depreciation is \$5.5 million.

### **ECONOMIC DEVELOPMENT DIVISION**

The Economic Development Division is committed to increasing the economic vitality of our region and generating new business opportunities for the Port. This will be accomplished by leveraging the Port's partnerships with local and regional commercial and industrial businesses and real estate partners. The Economic Development Division also intends to identify and pursue opportunities that enhance the region's long-term vitality and ultimately produce new revenue for the Port.

The Economic Development Division integrates the efforts of six functional workgroups: Portfolio and Asset Management, Real Estate Development & Planning, Pier 69 Facilities Management, Small Business Development, Workforce Development, and Tourism Development.

Economic Development operating revenues are \$18.5 million. Total operating expenses including Central Services costs are \$28.8 million. Net operating loss before depreciation is \$10.2 million.

### **CENTRAL SERVICES**

The three operating divisions are supported by a number of functional departments as well as service groups. These functional and service groups allocate their expenses according to the level of service they provide to the divisions. The Central Services departments are vital to the success of the operating divisions and provide essential services such as accounting, legal services, computer support, project delivery, and contracting services. Their services also benefit the public in general and play an indirect role in the success of the operating divisions.

Operating expenses for Central Services are \$145.2 million for 2018.

### **THE NWSA JOINT VENTURE**

The Port of Seattle and the Port of Tacoma formed the Northwest Seaport Alliance (NWSA) in August 2015. The joint venture unifies the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the Puget Sound gateway and attract more marine cargo to the region. It is the fourth-largest trade gateway in North America, behind the ports of Los Angeles and Long Beach, the Port of New York/New Jersey, and the Port of Savannah.

The net income from the NWSA will be distributed evenly between the two home ports and our 50% share of the net income is \$46.6 million, which is included as operating revenue in the Portwide financial statements.

### **NON-OPERATING REVENUE AND EXPENSE**

Non-operating revenues are budgeted to be \$255.6 million. Non-operating expenses, including \$163.3 million of depreciation expense, are budgeted to be \$317.3 million. The budget contains a tax levy amount of \$72.0 million. The millage rate is estimated to be \$0.1358.

### **CASH FLOW SUMMARY**

Table I-2 from section I, page 7, reveals that operating revenues makes up 41.2% of the Port's budgeted \$1,628.9 million cash receipts for 2018. The tax levy is projected to be \$72.0 million and accounts for 4.4% of total budgeted receipts in 2018.

Total cash outlays are budgeted to be \$1,748.0 million for 2018. Total Operating Expenses makes up 24.2% and capital expenditures make up 51.2% of the total cash outflow.

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

(\$ in 000's) Notes	2014 Actual	2015 Actual	2016 Actual	2017 Budget	2017 Forecast	2018 Budget
<b>OPERATING REVENUES:</b>						
<b>Total operating revenue</b>	534,489	558,933	598,467	620,245	623,775	670,479
<b>OPERATING EXPENSES:</b>						
<b>Total operating expenses</b>	306,300	317,806	325,285	384,660	376,118	422,885
<b>NET OPERATING INCOME BEFORE DEPRECIATION</b>	<b>228,189</b>	<b>241,127</b>	<b>273,182</b>	<b>235,585</b>	<b>247,657</b>	<b>247,594</b>
<b>DEPRECIATION</b>	<b>166,337</b>	<b>163,338</b>	<b>164,336</b>	<b>166,300</b>	<b>164,300</b>	<b>163,309</b>
<b>OPERATING INCOME</b>	<b>61,852</b>	<b>77,789</b>	<b>108,846</b>	<b>69,285</b>	<b>83,357</b>	<b>84,285</b>
<b>NON-OPERATING INCOME (EXPENSE):</b>						
Ad valorem tax levy revenues	72,801	72,819	71,678	72,000	72,000	72,000
Passenger facility charges revenues	69,803	79,209	85,570	89,087	92,087	91,787
Customer facility charges revenues	19,889	23,540	24,715	26,300	26,300	22,161
Fuel hydrant facility revenues	6,935	6,957	6,992	7,024	7,024	7,023
Non capital grants and donations	10,159	5,358	6,284	8,595	5,595	5,504
Investment income (loss)	11,202	9,122	8,448	10,822	15,822	15,713
Revenue bonds interest expense	(108,910)	(110,128)	(105,567)	(122,026)	(107,026)	(122,544)
Passenger facility charge revenue bonds interest expense	(5,906)	(5,584)	(5,251)	(4,985)	(4,985)	(4,437)
General obligation bonds interest expense	(9,475)	(10,490)	(9,765)	(17,714)	(14,714)	(13,501)
Public expense	(6,854)	(5,023)	(8,560)	(2,488)	(1,488)	(10,794)
Non-op environmental expense	(9,142)	(2,888)	(280)	(5,441)	(4,441)	(2,250)
Other income (expense)	2,109	(23,493)	(12,087)	257	257	(473)
<b>Total non-operating income (expense)</b>	<b>52,611</b>	<b>39,399</b>	<b>62,177</b>	<b>61,431</b>	<b>86,431</b>	<b>60,190</b>
<b>INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<b>114,463</b>	<b>117,188</b>	<b>171,023</b>	<b>130,716</b>	<b>169,788</b>	<b>144,474</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>16,746</b>	<b>22,804</b>	<b>18,108</b>	<b>15,000</b>	<b>10,000</b>	<b>41,379</b>
<b>INCOME BEFORE SPECIAL ITEM</b>	<b>\$131,209</b>	<b>\$139,992</b>	<b>\$ 189,131</b>	<b>\$145,716</b>	<b>\$179,788</b>	<b>\$185,854</b>
<b>SPECIAL ITEM - SR 99 Viaduct Expense</b>		<b>(120,000)</b>	<b>(147,700)</b>	-	-	-
<b>INCREASE IN NET POSITION</b>	<b>\$131,209</b>	<b>\$ 19,992</b>	<b>\$ 41,431</b>	<b>\$145,716</b>	<b>\$179,788</b>	<b>\$185,854</b>
						BDREVEXP

**TABLE III-3: REVENUES AND EXPENSES BY ACCOUNT CATEGORY**

(\$ in 000's)					
	Notes	2016 Actual	2017 Budget	2018 Budget	% Change 2018 Bud - 2017 Bud
<b>TOTAL PORT</b>					
<b><u>Operating Revenue</u></b>					
Dckg, Whrfg, Serv & Facility, Passenger Fee		\$ 2,840	\$ 2,594	\$ 3,748	44.5%
Equipment Rental		3,371	3,807	4,289	12.7%
Berthage & Moorage		12,412	13,371	14,480	8.3%
Landing Fees		92,518	107,591	122,790	14.1%
Airport Transportation Fees		12,526	14,203	16,670	17.4%
Parking Revenue		76,282	79,527	85,000	6.9%
Car Rental Revenue		45,586	47,036	47,071	0.1%
Revenue from Sale of Utilities		13,880	14,072	15,237	8.3%
Property Rental Revenue		248,267	261,829	279,447	6.7%
NWSA Distributable Revenue		61,584	46,708	46,647	-0.1%
Other Revenue		33,010	32,960	35,402	7.4%
SLOA III Incentive Straight Line Adj		(3,576)	(3,576)	-	-100.0%
<b>Total Operating Revenue</b>		<b>598,701</b>	<b>620,123</b>	<b>670,781</b>	<b>8.2%</b>
<b><u>Operating Expense</u></b>					
Salaries, Wages, Benefits & Workers Compensation		228,606	268,493	290,472	8.2%
Equipment Expense		7,125	7,440	8,216	10.4%
Utilities		21,157	21,769	24,234	11.3%
Supplies & Stock		8,936	8,120	8,869	9.2%
Outside Services		70,857	101,363	112,397	10.9%
Travel & Other Employee Expenses		4,220	6,203	6,401	3.2%
Promotional Expenses		1,178	1,997	2,341	17.2%
Other Expenses		26,467	25,439	28,298	11.2%
<b>Total O&amp;M without Environmental</b>		<b>368,545</b>	<b>440,825</b>	<b>481,228</b>	<b>9.2%</b>
Environmental Remediation Liability Expense		4,579	3,775	4,297	13.8%
<b>Total O&amp;M with Environmental</b>		<b>373,124</b>	<b>444,600</b>	<b>485,525</b>	<b>9.2%</b>
Charges to Capital/Govt /Envrs Projects		(38,022)	(51,532)	(54,910)	6.6%
<b>Expense after Charges to Capital Projects</b>		<b>\$ 335,101</b>	<b>\$ 393,069</b>	<b>\$ 430,615</b>	<b>9.6%</b>

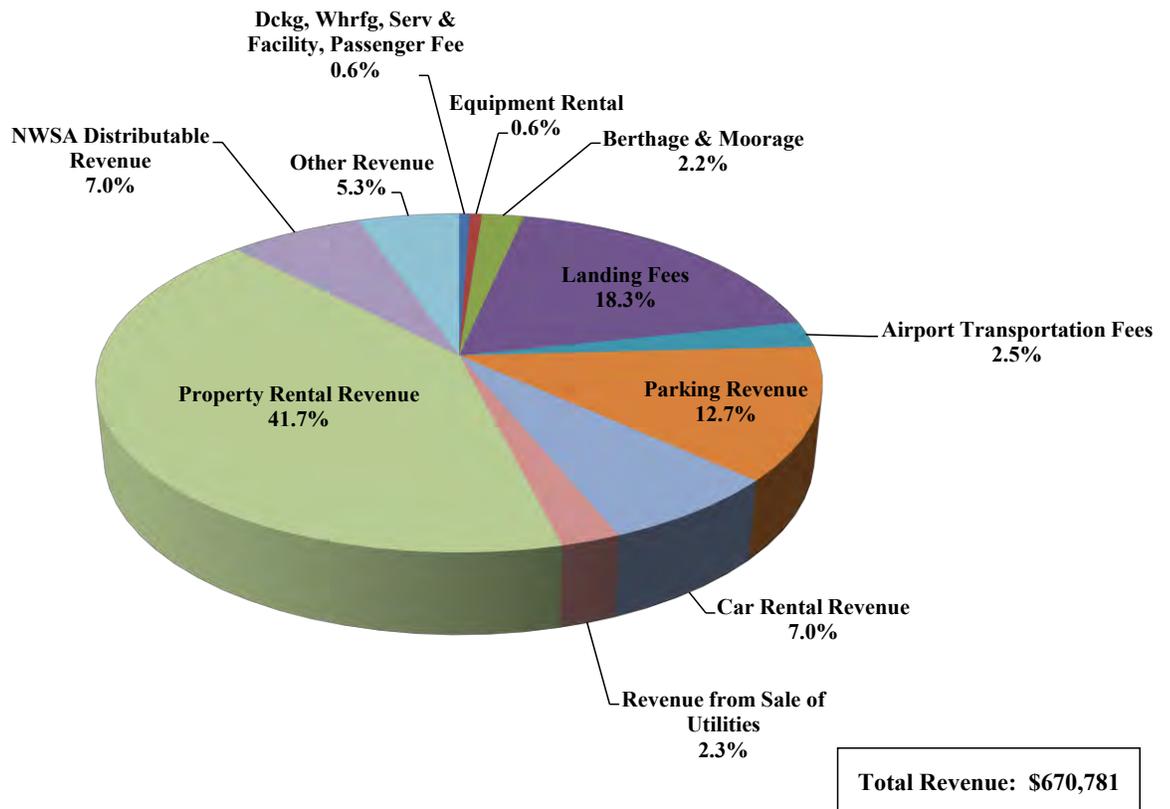
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Notes:

- 1) The 2017 & 2018 revenues and expenses in this table differ from the other tables in that they include allocatable revenues and costs to the Northwest Seaport Alliance (NWSA).

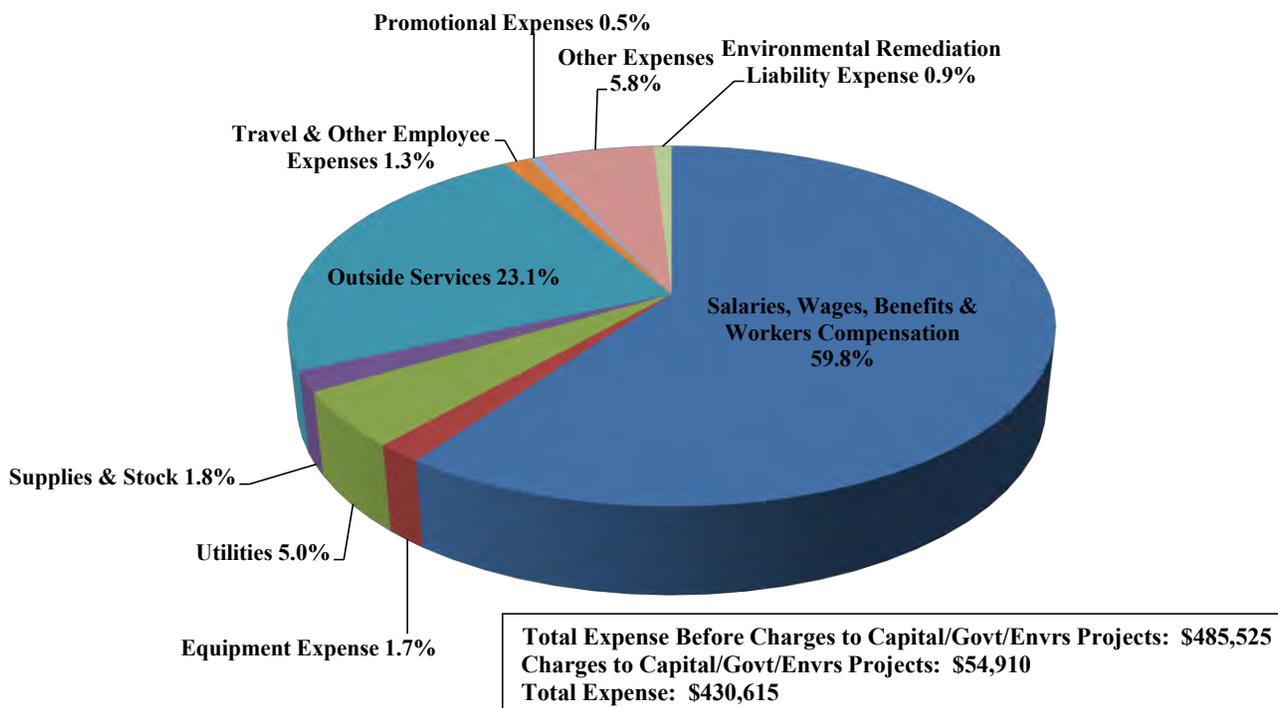
**FIGURE III-1: REVENUES BY SOURCE: 2018**

(\$ in 000's)



**FIGURE III-2: EXPENSES BY USAGE: 2018**

(\$ in 000's)



### **C. BUDGET OVERVIEW - STAFFING**

In 2015, the Port underwent a series of reorganizations to strategically position the Port to achieve future growth, operational excellence, and talent development.

Operation of the Port's main cargo business was transferred to the Northwest Seaport Alliance (NWSA), a joint venture with the Port of Tacoma, which unified the two ports' marine cargo terminal investments, operations, planning, and marketing to strengthen the Puget Sound gateway and attract more marine cargo to the region. The remaining Seaport businesses became a part of the new Maritime Division.

Effective January 1, 2016, the Port is comprised of three operating divisions, namely Aviation, Maritime, and Economic Development.

The Aviation Division serves the predominant air travel needs of a five-county area. The Airport has 19 U.S.-flag passenger air carriers (including regional and commuter air carriers) and fourteen foreign-flag passenger air carriers providing daily nonstop service from the Airport to 107 cities, including 23 foreign cities.

The Maritime Division manages industrial property connected with maritime businesses, recreational marinas, Fishermen's Terminal, cruise, grain, and maritime operations.

The Economic Development Division focuses on managing the Port's industrial and commercial properties including conference and event centers, encouraging tourism, developing small business opportunities, and providing for workforce development in the aviation, maritime, and construction industries.

The 2018 budget proposes a net increase of 123.2 Full-Time Equivalent (FTEs) positions to 2,154.5 FTEs compared to 2,031.3 FTEs in the 2017 budget. Key staffing changes include:

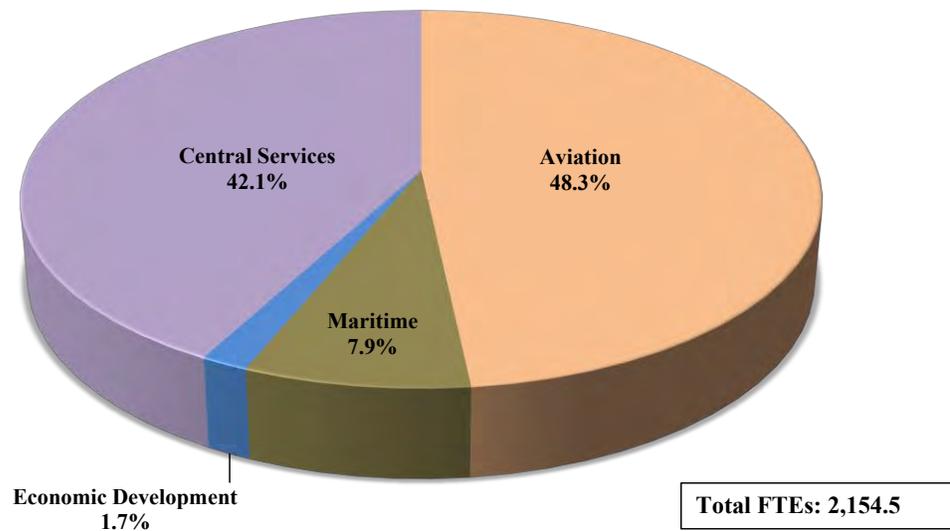
- Aviation proposes to add 60.3 FTEs, including 18.0 FTEs for Phase II of the 100% new Employee Screening function and 42.3 FTEs to support Core Airport functions - Security, Operations, and Maintenance.
- The Maritime Division plans to add 8.7 FTEs to grow Cruise, improve the Waterside Habitat in the Puget Sound and improve Customer Service.
- The Economic Development Division transferred 1.0 FTEs to the Office of Strategic Initiatives and was replaced with the WMBE manager.
- Central Services proposes to add 37.0 new FTEs to implement the Energy & Sustainability Committee recommendations, support development of a Portwide Equity Program, support Portwide Initiatives and Growth needs, and support the capital and operational growth of the divisions.

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

**TABLE III-4: PORT STAFFING BY DIVISION**

PORT STAFFING (Full-Time Equivalent Positions)		2016 Actual	2017 Budget	2017 Est. Act.	2018 Budget	% Change	
						18 Bud- 17 Bud	18 Bud- 17 Est.
Division	Note	842.9	962.9	983.2	1,040.4	8.0%	5.8%
Aviation		157.8	162.3	164.3	171.0	5.4%	4.1%
Maritime		34.5	36.0	35.0	36.0	0.0%	2.9%
Economic Development		832.2	870.1	879.6	907.1	4.2%	3.1%
Central Services		<b>1,867.4</b>	<b>2,031.3</b>	<b>2,062.0</b>	<b>2,154.5</b>	<b>6.1%</b>	<b>4.5%</b>
<b>Total FTE's</b>							

FTE.XLS



**D. CAPITAL BUDGET OVERVIEW**

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

The 2018 Capital Budget reflects the Port's continuing commitment to promoting regional economic activity through the investment of \$895.1 million in the development, expansion, and renewal of Port facilities. For a complete discussion of the Port's long-term capital and funding plan, refer to Sections IX and X, Capital Improvement Plan and Draft Plan of Finance.

Table III-5 below summarizes divisional spending in the 2018 Capital Budget:

**TABLE III-5: CAPITAL BUDGET**

(\$ in 000's)	<b>2018 Budget</b>	<b>2018-2022 CIP</b>	<b>% of 2018 Total Committed</b>
<b>Committed Capital Projects</b>			
Aviation Division	\$753,582	\$2,083,280	92.2%
Maritime Division	49,410	116,388	6.0%
Economic Development Division	5,438	42,779	0.7%
Central Services	6,783	23,984	0.8%
Other	1,973	9,515	0.2%
<b>Total Committed</b>	<b>\$817,186</b>	<b>\$2,275,946</b>	<b>100.0%</b>
<b>Business Plan Prospective Projects</b>	<b>\$77,942</b>	<b>\$835,203</b>	
<b>Total CIP</b>	<b>\$895,128</b>	<b>\$3,111,149</b>	

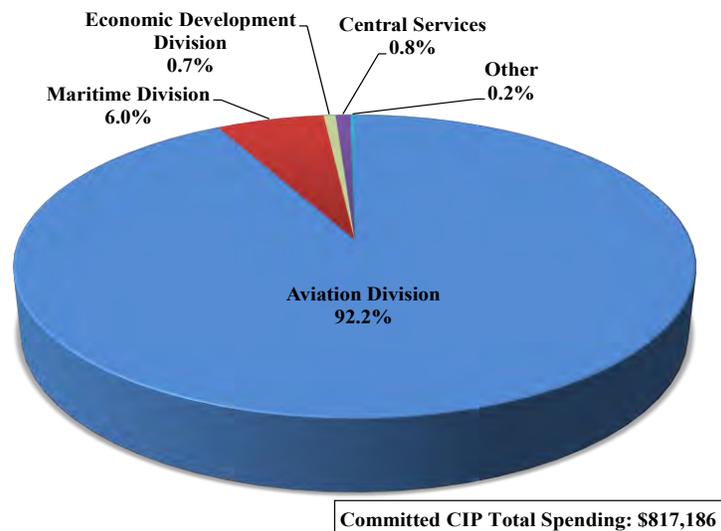
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Notes:

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

**FIGURE III-4 2018 COMMITTED CAPITAL BUDGET**

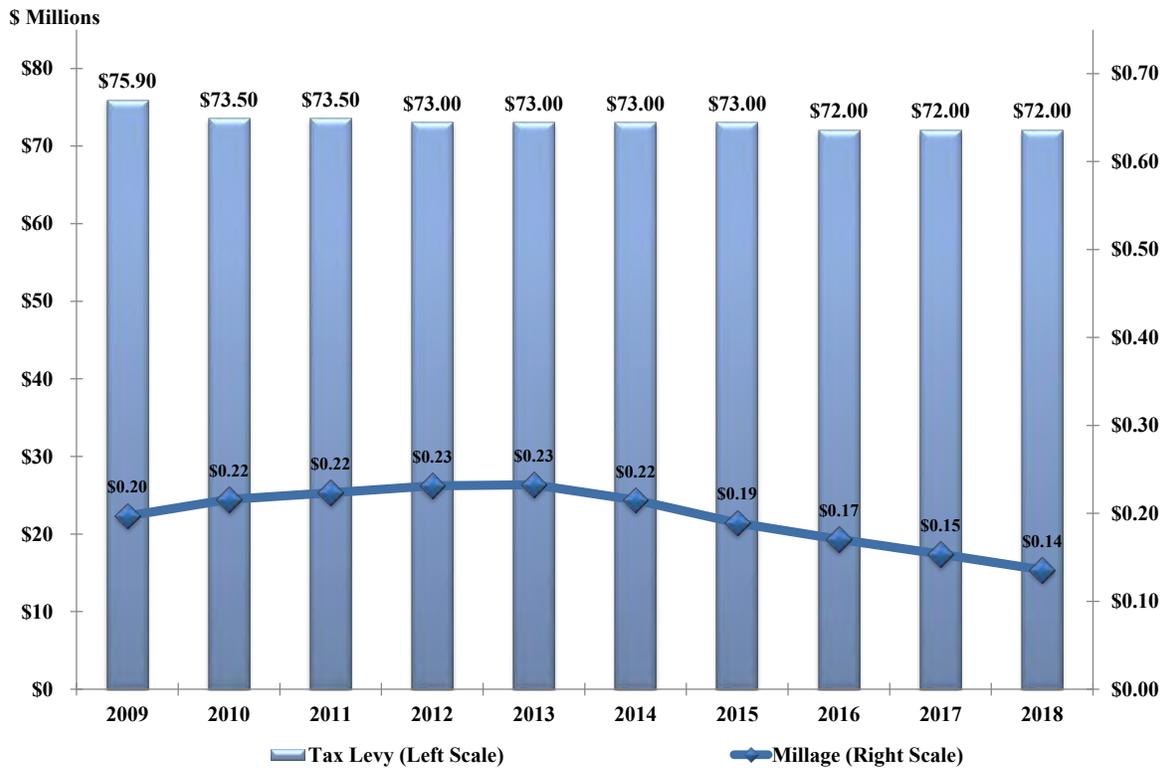
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**E. TAX LEVY**

- The maximum allowable levy for 2018 is \$101.6 million.
- For 2018 the levy will be \$72.0 million.
- The estimated millage rate is \$0.1358.
- The 2018 levy will be used for:
  - General Obligation (G.O.) Bonds Debt Service
  - Regional Transportation projects
  - Environmental Remediation
  - Capital projects meeting specified criteria endorsed by the Commission
  - Economic development initiatives including workforce development, tourism, and economic development partnership programs
  - Other environmental initiatives including Airport Community Ecology funding and energy and sustainability policy directives
  - City of SeaTac security enhancements
  - Local community advertising

**FIGURE III-5: TAX LEVY VS. MILLAGE RATE 2009-2018**



## AVIATION DIVISION

### A. 2018 BUDGET SUMMARY

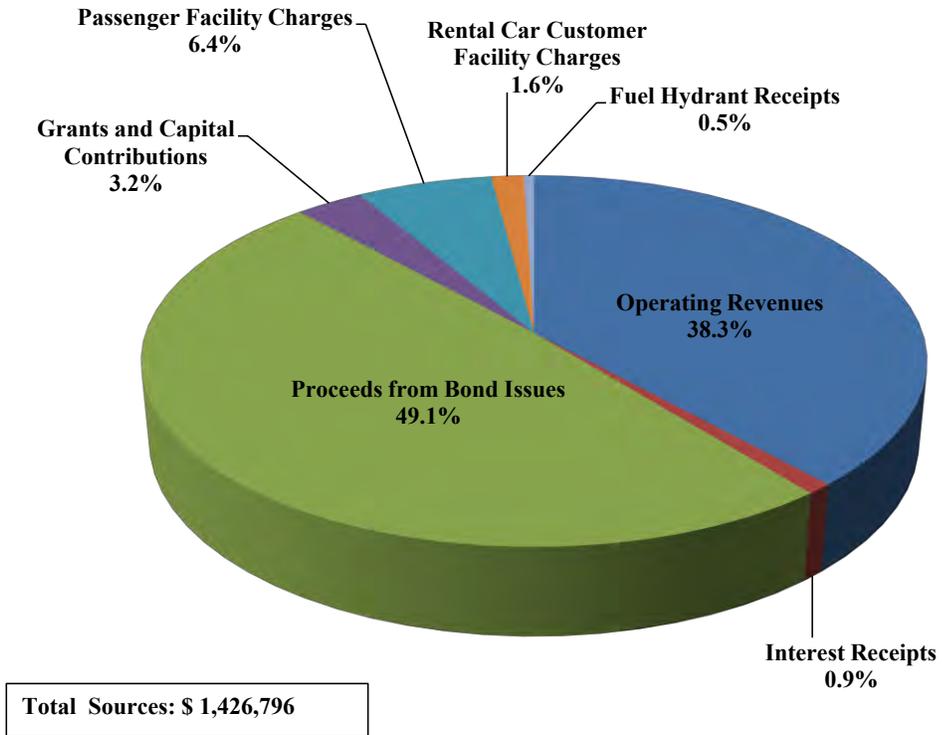
**TABLE IV-1: 2018 CASH FLOW**

(\$ in 000's)	<u>2018</u>	<u>Percent of Total</u>
<b><u>SOURCES OF CASH</u></b>		
Operating Revenues	\$ 545,867	38.3%
Interest Receipts	13,200	0.9%
Proceeds from Bond Issues	700,000	49.1%
Grants and Capital Contributions	46,047	3.2%
Tax Levy	-	0.0%
Passenger Facility Charges	91,787	6.4%
Rental Car Customer Facility Charges	22,161	1.6%
Fuel Hydrant Receipts	7,023	0.5%
Other Receipts	711	0.0%
<b>Total</b>	<b>\$ 1,426,796</b>	<b>100%</b>
<b><u>USES OF CASH</u></b>		
<b>Expenses from Operations:</b>		
Total Operating Expenses	334,856	23.7%
<b>Debt Service:</b>		
Interest Payments	134,847	9.6%
Bond Redemptions	124,685	8.8%
Total Debt Service	259,532	18.4%
Other Expenses	1,183	0.1%
Public Expense	55	0.0%
Capital Expenditures	815,704	57.8%
<b>Total</b>	<b>\$ 1,411,330</b>	<b>100%</b>

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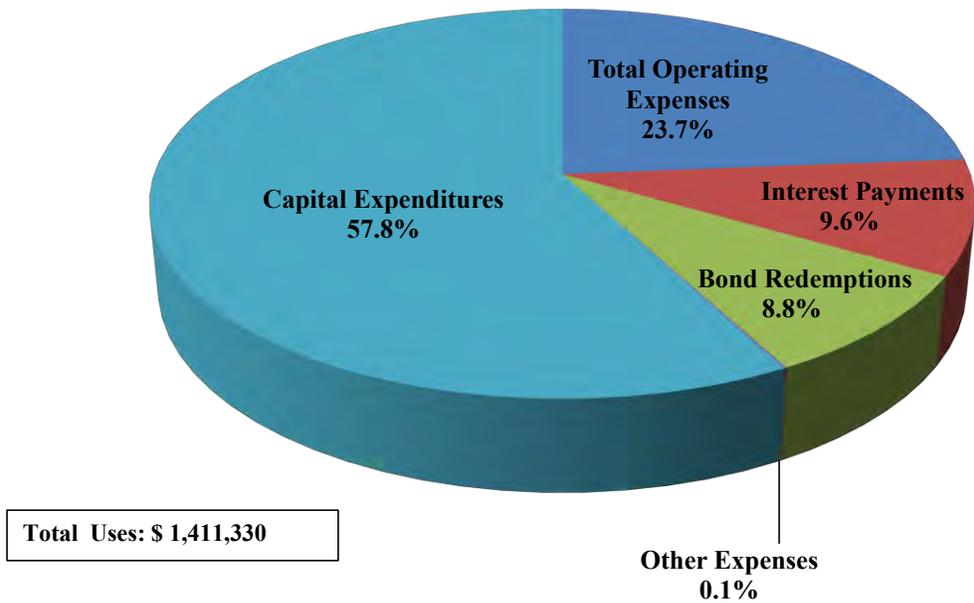
**FIGURE IV-1: SOURCES OF CASH**

(\$ in 000's)



**FIGURE IV-2: USES OF CASH**

(\$ in 000's)



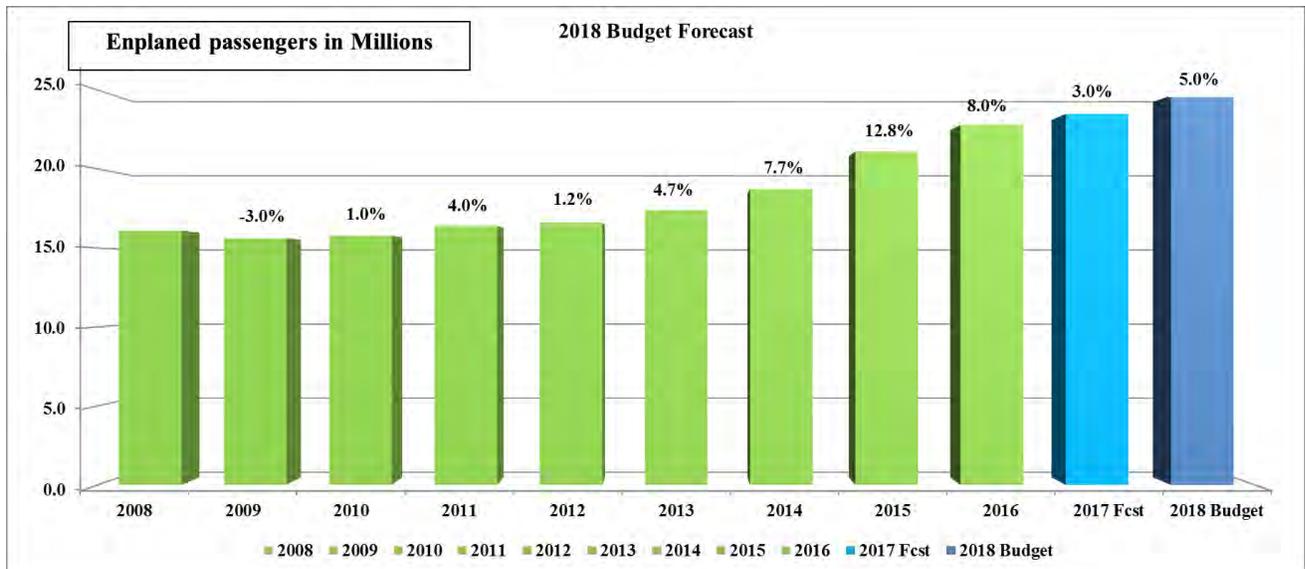
**B. FINANCIAL FORECAST**

**TABLE IV-2: FINANCIAL FORECAST**

(\$ in 000's)	Budget 2017	Budget 2018	Forecast				Compound Growth 2018-2022
			2019	2020	2021	2022	
<b>OPERATING BUDGET</b>							
Aeronautical Revenues	\$ 278,375	\$ 301,082	\$ 359,967	\$ 406,009	\$ 464,156	\$ 484,269	12.6%
Non-Aeronautical Revenues	226,645	244,786	245,756	249,337	253,602	260,069	1.5%
SLOA III Incentive Straight Line Adj	(3,576)	-	-	-	-	-	
<b>Total Operating Revenues</b>	<b>501,444</b>	<b>545,867</b>	<b>605,723</b>	<b>655,346</b>	<b>717,758</b>	<b>744,338</b>	<b>8.1%</b>
Operating & Maintenance Expense	202,130	225,814	237,860	249,985	262,613	273,221	4.9%
Central Services and other Division Costs	81,408	86,868	91,501	96,166	101,024	105,104	4.9%
Law Enforcement Costs	19,173	22,174	23,357	24,548	25,788	26,830	4.9%
<b>Total Operating Expense</b>	<b>302,711</b>	<b>334,856</b>	<b>352,718</b>	<b>370,699</b>	<b>389,425</b>	<b>405,155</b>	<b>4.9%</b>
<b>Net Operating Income Before Depreciation</b>	<b>198,733</b>	<b>211,011</b>	<b>253,005</b>	<b>284,647</b>	<b>328,333</b>	<b>339,183</b>	<b>12.6%</b>
Total Depreciation Expense	126,170	122,830					
<b>Net Operating Income After Depreciation</b>	<b>72,563</b>	<b>88,181</b>					
							<b>Total 2018-2022</b>
<b>Committed Capital Budget</b>	501,539	753,582	571,618	327,078	272,137	158,865	2,083,280
<b>Business Plan Prospective</b>	88,959	62,122	152,594	180,841	186,886	152,963	735,406
<b>Total Capital Budget</b>	<b>\$ 590,498</b>	<b>\$815,704</b>	<b>\$724,212</b>	<b>\$507,919</b>	<b>\$ 459,023</b>	<b>\$ 311,828</b>	<b>\$ 2,818,686</b>

**TABLE IV-3: AVIATION KEY MEASURES**

	Budget 2017	Budget 2018	Forecast			
			2019	2020	2021	2022
<b>Key Measures (in \$'s)</b>						
Cost per Enplanement (CPE)	10.88	11.35	13.57	15.25	17.37	18.00
O&M per Enplanement	12.65	13.58	14.19	14.79	15.41	15.90
Non-Aero Revenue per Enplanement	9.47	9.93	9.89	9.95	10.03	10.21
Debt per Enplanement	108.42	115.90	135.40	148.55	159.15	161.61
Debt Service Coverage	1.50	1.51	1.39	1.33	1.26	1.26
<b>Traffic (in 000's)</b>						
Enplanements	23,929	24,654	24,859	25,065	25,273	25,483



Enplaned passengers are expected to grow by 3.0% in 2017. For 2018, the budget assumes growth of 5.0%.

### **C. AVIATION DIVISION**

**MISSION:** Connecting our region to the world through flight.

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

#### **MAJOR/NEW INITIATIVES:**

- Complete Sustainable Airport Master Plan (SAMP) and initiate environmental review.
- Continue project planning in anticipation of SAMP completion.
- Implement the second phase of full employee screening.
- Implement new janitorial contract with increased emphasis on terminal cleanliness.
- Develop programmatic approach to managing airport assets.
- Implement executive program management function for oversight and coordination of capital program.
- Manage construction progress and customer service impacts to major capital program including: North Satellite, International Arrivals Facility, Baggage Optimization, Concourse D Hardstand Holdroom facility, and Automated Security Lane conversions.
- Continue to implement Airport Dining and Retail (ADR) Master Plan, including infrastructure upgrades, lease phasing strategy and new competitive solicitations and resulting leases.
- Implement parking reservation system to improve customer service and non-airline revenues.

#### **DIVISION DESCRIPTION:**

The Port of Seattle owns and operates Seattle-Tacoma International Airport, the 9th busiest airport in the U.S. based on passengers (up from 13th busiest in 2015). The Airport is located approximately 12 miles south of downtown Seattle. Currently, the Airport has facilities for commercial passengers, air cargo, general aviation, and aircraft maintenance on a site of approximately 2,800 acres. Airport facilities include the Main Terminal, the South and North Satellites, a parking garage, and a consolidated rental car facility. The Airport has three runways that are 11,900 feet, 9,425 feet, and 8,500 feet in length.

**INDUSTRY ASSESSMENT:**

Industry consolidation has left three major legacy carriers: American, United, and Delta. Together with Southwest, these four airlines dominate the U.S. market. Other smaller carriers, such as Alaska, JetBlue, Hawaiian, and Virgin America constitute the next largest group of commercial carriers. Ultra-low-cost carriers such as Spirit, Frontier, and Allegiant make up another group, although these carriers have a very small presence at Sea-Tac airport. With the acquisition of Virgin America by Alaska Air Group, the consolidation is likely done, at least for the near term.

Continued economic growth in the United States and relatively low oil prices have contributed to an environment of continued growth in demand for air service. 2016 marked the seventh year in a row that the U.S. airline industry has been profitable. Consolidation has also contributed to industry profitability by reducing competition on many routes. Alaska Airlines and Delta Air Lines, the two largest carriers at Sea-Tac have both had strong financial results.

With the continued growth by Delta at Sea-Tac, the airport has become a hub for both Alaska and Delta. Through October of 2017, Alaska accounts for 48.4% of passengers at Sea-Tac, while Delta accounts for 22.2%.

**BUSINESS ASSESSMENT/DRIVERS:**

Recent passenger growth at Sea-Tac Airport has propelled it up to becoming the ninth largest airport in North America. In the four years from 2012 – 2016, passenger growth exceeded 37%. Sea-Tac airport became the fastest growing large hub airport in the U.S. in 2016, with passenger growth of 8.0%. The regional economy continues to outpace the national economy, contributing to the passenger growth at Sea-Tac. While growth has slowed in 2017 to an estimated 3%, Sea-Tac will have seen cumulative passenger growth of over 41.5% from 2012 – 2017.

Passenger growth is projected at 5.0% for 2018. Due to construction of the new International Arrivals Facility (IAF) and the expansion and renovation of the North Satellite (NSAT), there will be six gates taken out of service in 2018. Since Sea-Tac is already gate constrained at peak times, accommodating anticipated flight activity in 2018 will require regular hardstand operations (bussing passengers to and from aircraft parked at a remote hardstand). Terminal facilities will be constrained until new space can be added consistent with the master plan (SAMP). While the completion of NSAT in 2021 will provide additional gates, the need for ongoing hardstand operations is expected to continue. To address this shortage of terminal facilities, the Port is moving forward with the development of a Hardstand Terminal on the east side of Concourse D. This terminal, anticipated to be completed by May of 2018, will provide space equivalent to six gate holdrooms for those passengers who will be bussed to aircrafts parked at remote hardstand locations.

In 2018, the airport will have three major projects (IAF, NSAT, and Baggage Optimization) under construction. Capital spending for 2018 is forecasted to exceed \$800 million, more than double the anticipated spending in 2017. The 2018 – 2022 capital plan anticipates spending \$2.8 billion, including 28 new projects totaling \$206 million proposed for inclusion with this budget proposal. These spending figures do not include likely projects to implement SAMP that will be aimed at providing long-term capacity for the airport to accommodate anticipated growth of passengers and cargo.

**CHALLENGES AND OPPORTUNITIES:**

- Implement automated security lane equipment to increase passenger throughput at security checkpoints.
- New janitorial contract with multiple contractors managing different zones to improve overall terminal cleanliness.
- Implementing Phase II of employee screening.
- Need to partner with airlines to successfully utilize hardstand operations: the Port will own and maintain equipment, and airline consortium will operate buses.
- Complete detailed planning and definition of the near-term projects identified in the Master Plan as early as possible in order to prepare for timely construction of critical path projects.
- Maintain and upgrade existing facilities and equipment throughout the airport to accommodate increased utilization.
- Update and/or refurbish critical customer service facilities to adequately meet the accelerated increase in passenger throughput in the terminal (e.g. restrooms, communications infrastructure, etc.).
- Meet growing need for office space and ticket counters to accommodate new airline tenants.
- Increase non-airline revenues to help fund capital program.

**D. 2018 OPERATING BUDGET SUMMARY**

**Background**

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

On the Non-aeronautical side of the business, the primary goal is to increase cash flow as measured by net operating income (NOI). The net cash flow can be used to directly fund capital improvements and build up cash reserves to meet liquidity targets.

This cash flow also provides the vast majority of the revenue sharing that is credited to the signatory airlines in accordance with the terms of the Signatory and Lease and Operating Agreement (SLOA). Under the terms of SLOA, of the net cash flow available for debt service that exceeds 125% of debt service (if any), 50% is credited to the signatory airlines. While the existing SLOA expires on 12/31/17, it is expected that the successor agreement will also include a revenue sharing provision.

**Overview of Major Changes in 2018 Budget**

The 2018 Budget reflects the continued growth in enplanements occurring in 2017 (3.0%) and significant growth expected for 2018 (5.0%). This activity growth and a strong regional economy has stimulated passenger spending for parking, rental cars, and terminal dining and retail. The increase in non-aeronautical revenue contributes to greater revenue sharing, which also minimizes the growth in aeronautical revenues. The multi-year Sustainable Airport Master Plan will be completed in 2017, and planning efforts will shift toward implementation of the multiple projects identified during the master planning process. 2018 will also see a continued ramp up in the airport capital program.

### Revenues

2018 Budget non-aeronautical revenues are up \$18.1 million or 8.0% over the 2017 budget due to increased enplaned passengers at Sea-Tac. Continued growth is expected in all non-aeronautical business units, with particularly strong growth in public parking, ground transportation, and airport dining & retail/terminal leased space.

Aeronautical rate base revenues are budgeted to increase by 8.2%, reflecting increases in both capital and operating costs. Anticipated revenue sharing of \$35.8 million reflects the continued strong growth in non-aeronautical revenues.

### Operating Expense Drivers

Total airport operating expenses (including Central Services costs and environmental remediation costs) are budgeted to increase by \$32.1million, or 10.6% compared to the 2017 Budget. The 2018 baseline budget reflects increases in payroll costs, increased expenses for contracted services, and increased costs associated with rising non-aeronautical revenues. Payroll costs in the 2018 budget reflect the combined impact of existing staff and new Full-Time Equivalent (FTEs) staff added in the 2018 budget to address operational needs at the airport.

New staff added in the 2018 Budget include 17 FTEs to staff the second phase of the new security screening function for airport employees implemented in early 2017, and 39.0 new FTEs added to support the continued growth in passenger volumes and to address operational impacts from the growing airport capital program. The 2018 budget also includes \$15.8 million in non-recurring baseline expenses primarily focused on addressing strategic initiatives throughout the airport.

### **Links to Century Agenda:**

The 2018 Operating Budget includes resources that work on many elements of the Century Agenda.

- International Gateway of Choice – Improve customer service
- Grow international service
- Support growth of cargo
- Meet region’s air transportation needs at Sea-Tac for next 25 years and encourage cost-effective expansion of domestic and int’l passenger and cargo service:
  - Accommodate increased utilization of existing facilities
  - New facility planning and development
  - Asset management – timely renewal and replacement
  - Grow non-aeronautical net operating income
- Support environmental/sustainability objectives

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

### **Aviation 2018 Budget Summary Compared to 2017 Budget:**

2018 Increases to baseline budget	14,751
2018 Reductions/Savings in baseline budget	(2,575)
Removed 2017 one-time expense	(14,507)
Proposed 2018 additions (recurring)	9,943
Proposed 2018 additions (one-time/non-recurring)	15,816
<b>Total Budget Change</b>	<b>23,428</b>

Consistent with the long-term objective of managing the growth of operating and maintenance (O&M) costs, the focus of the 2018 budget is to ensure controlled growth of baseline Airport O&M. Consequently, major non-recurring baseline expenses and exceptions to baseline expenses are segregated from recurring baseline expenses. The 2018 budget has been closely scrutinized and the approved budget is based on expected spending needs for 2018, not the prior year's budget. As a result, the cost increases for payroll and contracted services have been partially offset by significant cuts or savings in the baseline budget. The 12.0% growth in the recurring portion of the baseline budget was considered necessary to support the continued growth in passenger volumes. The non-recurring expenses in the 2018 Budget (\$15.8 million) were considered necessary to address long-term facility needs including SAMP related project planning and to address operational impacts from the significant ramp up in the airport capital program. The following tables provide details of the key elements in the cost reductions and cost increases reflected in the 2018 budget.

The following tables highlights 2018 changes to the baseline budget, as well changes as the non-recurring expense components in the budget.

**Aviation 2018 Baseline Budget Cost Increases:**

<b>2018 Baseline Cost Increases:</b>	<b>\$000's</b>
<u>Payroll Increases (before new FTE requests)</u>	
Average payroll & benefits increase (3.6% blended)	5,057
Impact of annualized new FTE's approved in 2017 Budget	776
Impact of annualized new FTE's approved during 2017	1,272
All other increases to baseline payroll	49
<b>Total Baseline Payroll Increases</b>	<b>7,154</b>
<u>Non-Aero costs related to revenue growth</u>	
Clubs & Lounges - increased operating costs	762
Advertising increase (100% paid by Tenant Mktg fund)	282
Non-Aero B&O tax increase	114
<b>Total Non-Aero Cost Increases</b>	<b>1,158</b>
<u>Contractual &amp; Formulaic Non-Payroll Cost Increases</u>	
Utility rate & commodity cost increase	2,078
Janitorial - incremental impact, multiple zones	1,951
Siemens direct digital control contract	350
Manual Encoder McGee contract	160
SITA/Brock baggage source messaging	31
Schindler elevator service contract	76
ParkingSoft (new contract)	30
Airport Dining & Retail ACDBE Disparity Study	300
All other contract increases	140
Airport to host AMAC conference	150
Aeronautical B&O tax increase	223
Other Non-Payroll Increases (zero based budgeting)	951
<b>Total Contractual &amp; Formulaic Increases</b>	<b>6,439</b>
<b>Total 2018 Baseline Cost Increases</b>	<b>14,751</b>

**Aviation 2018 Baseline Cost Reductions/Savings:**

<b>2018 Baseline Cost Reductions/Savings:</b>		<b>\$000's</b>
<u>Contractual Savings &amp; Formulaic Cost Decreases</u>		
Higher estimated Charges to Capital (offsets higher pa Scheidt Bachmann contract ends (replaced by Parking	1,322	
	371	
<b>Total Contractual &amp; Formulaic Decreases</b>		<b>1,693</b>
<u>Non-Payroll Savings (zero based budgeting)</u>		
RE development owner liaison costs no longer needed	200	
Other non-payroll savings (zero based budgeting)	682	
<b>Additional Non-Payroll Savings</b>		<b>882</b>
<b>Total 2018 Baseline Cost Reductions</b>		<b>2,575</b>

The following table highlights a few of the key items included in the approved additions to the 2018 Budget.

<b>2018 Budget Request Highlights:</b>	<b>\$000's</b>
Employee Screening - Phase II	1,110
Curbside services for Rental Car	500
Electric Cart Service - Link Light Rail	336
SAMP/Environmental Review/Planning	5,200
Executive Program Management consulting support	1,200
Air Service Development - primarily continuation of existing routes	1,000
CBP Reimbursable Services Program (RSP)	500
NERA FAA Pilot Program - final year of FAA grant	2,300
Parking Pre-Booking - expense components of capital project	724
Aviation Biofuels Partnership Fund Development Project	175
Renewable Energy Sourcing and Integration Options	180

The full list of approved additions to the 2018 Budget, both baseline and non-recurring, are explained below in the context of the Problem/Need/Opportunity they are identified to address.

Problem/Need/Opportunity	Solution	2018 Budget Request \$000's		
		FTEs	Baseline	One-time
<b>Safety</b>				
Airfield Safety	Certification (Airport Operations Specialist)	2	168,934	3,000
	Snow Pretreatment Chemicals - runways		200,000	-
	Flight Corridor Safety Program Site Maintenance		75,000	-
	Certified Service Provider Program (CSPP) Development		-	50,000
	Avian Radar upgrade		182,000	-
Implement Safety Management System	USDA Wildlife Services - increase Outside Services Contract		70,000	-
	SafetyCircle engagement throughout airport		270,000	-
	Safety Management System (SMS) OP and Badging training curriculum development program		-	80,000
Other	Airport Duty Manager - Airfield	1	108,761	12,600
	Annual Smoke Control Consultant		50,000	-
	Arc Flash Consultant - ADR/Terminal/Baggage		-	150,000
	Fire Department - Bunker Gear Purchase		-	150,000
	Fire Protection Engineer	1	107,417	2,500
<b>Safety - 2018 Budget Requests</b>		<b>4</b>	<b>1,232,112</b>	<b>448,100</b>

Problem/Need/Opportunity	Solution	2018 Budget Request \$000's		
		FTEs	Baseline	One-time
Opportunity to enhance security - Employee Screening	Employee Screening Manager	1	113,204	2,500
	Screening Supervisor	5	356,751	12,500
	Employee Screener	11	438,785	10,000
Insufficient admin support for growing department	Administrative Assistant - Employee Screening	1	69,659	2,500
Rightsizing to reflect current staffing level	Business training, travel, and employee equipment for Employee Screening (rightsizing)		132,000	-
<b>Security - 2018 Budget Requests</b>		<b>18</b>	<b>1,110,399</b>	<b>27,500</b>
Facility Cleanliness / Appearance / ASQ metrics	Estimated increase in budget for the Custodial Service Contract(s)		679,600	-
	Shift Supervisor - Custodial Services	1	96,116	-
	Pathfinders - (8) emergency hires during peak season		-	143,742
	New Marketing position - Customer Service	1	108,761	2,600
	ASQ increased sample size and weekly reporting		13,380	-
	AVM Small Works Project Coordinator	1	84,862	-
	Journeyman Carpenter	1	89,824	-
	Journeyman Painter	1	66,888	-
	Painters - (3) emergency hires for additional projects		146,160	-
	STS Car Tri-Handle Stanchions - passenger safety in STS cars		-	225,000
	Trash can standardization plan for Airport terminal and landside		-	175,000
	Music Initiative Program - Port 50% share		175,000	-
Train staff on Customer Service	Customer service training and program development		-	145,000
Wayfinding/Processing Passengers	Curbside services for Rental Car		500,000	-
	Electric Cart Service - Link Light Rail		336,000	-
	Indoor Navigation and Innovation Specialist	1	99,852	2,500
	Airline and Passenger Systems Specialist	1	99,852	2,500
<b>Customer Service - 2018 Budget Requests</b>		<b>7</b>	<b>2,496,295</b>	<b>696,342</b>
Air Service Development	Incentive Program - Xiamen Airlines		-	300,000
	Incentive Program - Aeromexico		-	200,000
	Incentive Program - Volaris		-	200,000
	Incentive Program - Norwegian		-	100,000
	Incentive Program - Unnamed Airline		-	200,000
	Promotional event management service for Air Service Development		50,000	-
Increasing Volume	CBP Reimbursable Services Program (RSP)		500,000	-
<b>Grow International Service - 2018 Budget Requests</b>			<b>550,000</b>	<b>1,000,000</b>
Ground Transportation Trip Activity Growth & Complexity	Landside Supervisor	2	181,791	5,000
Employee Parking usage increase	Employee Parking Bus Driver	2	113,547	-
Increasing Volume	Senior Operations Controller (SOC)	1	87,013	2,600
	Airport Duty Manager - Terminal	2	217,522	25,100
<b>Operational Impacts due to Growth - 2018 Budget Requests</b>		<b>7</b>	<b>599,873</b>	<b>32,700</b>
Problem/Need/Opportunity	Solution	2018 Budget Request \$000's		
		FTEs	Baseline	One-time
Complete SAMP	Advanced Planning to further define the SAMP program		-	2,500,000
	SAMP Planning & Transition to Environmental Review		-	500,000
	SAMP Environmental Review		-	1,700,000
	Utility Master Planning support due to SAMP		-	500,000
Augment Planning	Ongoing planning support in all areas not covered through advanced planning		-	750,000
	On call project planning consultant		-	650,000
	SR-518 Corridor Study		-	400,000
	Planning - Graduate Intern	0.5	34,032	-
Manage Complex Capital Program	Executive Program Management consulting support		-	1,200,000
	Accela software - Inspection Request Module/App and Bluebeam Revue Program		-	24,650
Build capacity for capital program delivery	AVM - Mechanical Systems - capital program support	1	99,325	-
	AVM Wireman - Capital Project Plan Review	2	205,480	-
	Electronic Technician	2	205,480	6,500
	Manager, Aviation Finance & Budget	1	131,112	2,500
	Consultant to perform additional project plan review for Structural Engineering, NREC		130,000	-
	Computer and telephone acquisition required for electronic plan review hardware.		-	46,850
	Civil/Structural Standards Update Consultant		-	200,000
	Environmental Review and Permitting position	1	104,019	2,500
	Sr. Administrative Assistant - Capital Development Program Mgmt	1	76,492	2,500
	Permitting office software program annual license fee (Accela)		53,000	-
	Architectural Standards Update Consultant		-	20,000
	Landside Development Manager	1	118,233	2,500
	Firefighter - Construction Inspector	1	131,664	-
<b>Capacity Planning &amp; Development - 2018 Budget Requests</b>		<b>10.5</b>	<b>1,288,837</b>	<b>8,508,000</b>

Problem/Need/Opportunity	Solution	2018 Budget Request \$000's			
		FTEs	Baseline	One-time	
Strategic Asset Management	Manager, Civil/Structural Infrastructure Systems	1	146,719	2,500	
	Road Inventory and Pavement Management Assessment		-	100,000	
	Roadway Asset Management Consultant		-	100,000	
	Cathodic Protection Consultant		-	50,000	
	Manager, Asset Manager	1	146,719	2,500	
	Asset Management System Estimating Consultant		50,000	-	
	Asset Management Building Assessment and develop best practices.		-	150,000	
	Post-Maximo Upgrade Implementation (system improvements)		-	25,000	
Maintaining Existing Assets	AVM Wireman - PLB/GSE	2	205,480	500	
	AVM - Mechanical System - rightsize staff	5	496,622.80	-	
	Increase to AVM Materials Budget - STS, Electronic, and Electrical systems		215,000	-	
	Increase Radio Budget - incremental & replacement radios		200,000	-	
	Backflow Prevention Software - replace existing software		-	15,000	
	Remediate bird waste and install netting/deterrents - ongoing and one-time		10,000	52,140	
	Weed Control (goats) on Port property		50,000	-	
	Replacement program for Flight Information and other display monitors		45,000	-	
	STS Parts Washer Equipment		15,000	-	
	CCTV Civil Utility Mgmt consultant for the CCTV investigation for Sanitary Sewer, IWS, and Stormwater		-	50,000	
	Compactor preventative maintenance & asset management plan		-	38,000	
	Industrial Wastewater Treatment Plant (IWWTP) Operations and Maintenance Manual Update		-	50,000	
	Conf Center AV System Maintenance & Service Agreement		-	18,655	
	Scan, digitize, and archive old plan sets per Washington State Records Management guidelines		9,100	-	
	<b>Asset Management - 2018 Budget Requests</b>		<b>9</b>	<b>1,589,641</b>	<b>654,295</b>
	Problem/Need/Opportunity	Solution	2018 Budget Request \$000's		
FTEs			Baseline	One-time	
FAA requirement every 5 yrs - appraisal of airport properties	Airport appraisal		-	275,000	
Grow Non-Aero NOI	NERA FAA Pilot Program - final year of FAA grant		-	2,300,000	
	Online Parking Pre-Booking and Yield Management System		-	724,000	
	Senior Property Manager, Ground Transportation	1	137,025	-	
	NERA 2 - owner liaison costs (100% reimbursable)		-	30,000	
	NERA 3 - owner liaison costs (100% reimbursable)		-	30,000	
	ADR on-call consultant		200,000	-	
Rightsizing to reflect current usage level	AV Conference Center Assistant	1	74,149	-	
	TNC Holding Lot Honey buckets		40,000	-	
<b>Grow Non-Aero NOI - 2018 Budget Requests</b>		<b>2</b>	<b>451,174</b>	<b>3,359,000</b>	
Century Agenda/Environmental Strategies	Aviation Biofuels Partnership Fund Development Project		-	175,000	
	Renewable Energy Sourcing and Integration Options		-	180,000	
	WADOC/UW Air Quality - Port share of WA state study		-	75,000	
	Part 2 of deicer management study		-	150,000	
	Incremental cost for renewable diesel		30,000	-	
	Janitorial support - pilot project to drain and recycle beverage containers from checkpoints		-	95,000	
	Utility Program Manager	1	118,957	-	
Environmental Compliance	Utilities support for utility metering systems (rightsizing)		110,680	-	
	Sanitary Sewer BOD Surcharge investigation		-	50,000	
	NPDES Permit Renewal Testing and Reporting - 5yr permit requirement		-	145,000	
	Rental of Vactor Truck until asset purchase complete		-	82,617	
<b>Environmental &amp; Sustainability - 2018 Budget Requests</b>		<b>1</b>	<b>259,637</b>	<b>952,617</b>	
Century Agenda	Disparity Study		-	90,000	
Absence of admin support for growing department	Administrative Assistant - AV Finance & Budget	1	79,431	2,500	
Grow Port Intern Program	College Interns (3)	0.75	37,740	-	
Opportunity to enhance employee engagement	Leaders meeting speaker funding		12,000	-	
	Safety Communication and Committee Support		5,000	-	
	Upgrade workstations in Industrial Control Systems (ICS) area		-	25,000	
Opportunity to enhance innovation	Innovation Funding - support implementation		100,000	-	
	Innovation Research Funding		50,000	-	
	Honsha Executive Development Mission (Lean)		-	11,000	
	AAAE Innovation Accelerator Program Fee		5,000	-	
Rightsizing to reflect current staffing level	AVM training (rightsizing)		30,000	-	
	Business training, travel, and employee equipment (rightsizing)		21,355	-	
	Business Travel and Training (rightsizing)		-	8,800	
Rightsizing to reflect current usage level	Increase Printer/Copy paper office supplies expense (rightsizing)		25,000	-	
<b>Other Business Needs - 2018 Budget Requests</b>		<b>1.75</b>	<b>365,526</b>	<b>137,300</b>	
<b>2018 Budget Request Total</b>		<b>60.25</b>	<b>9,943,494</b>	<b>15,815,854</b>	

**Aeronautical Business**

	2016	2017	2017	2018	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
\$ in 000's								
<b>Revenues:</b>								
Movement Area	\$ 94,725	\$ 109,845	\$ 110,050	\$ 125,422	\$ 15,578	14.2%	\$ 15,373	14.0%
Apron Area	14,028	15,957	12,161	15,979	22	0.1%	3,818	31.4%
Terminal Rents	155,846	163,565	164,184	171,854	8,289	5.1%	7,670	4.7%
Federal Inspection Services (FIS)	11,227	12,437	13,028	13,413	976	7.8%	384	3.0%
<b>Total Rate Base Revenues</b>	<b>275,827</b>	<b>301,803</b>	<b>299,423</b>	<b>326,668</b>	<b>24,865</b>	<b>8.2%</b>	<b>27,245</b>	<b>9.1%</b>
Commercial Area	9,379	9,665	10,315	10,212	547	5.7%	(103)	-1.0%
<b>Subtotal before Revenue Sharing</b>	<b>285,206</b>	<b>311,468</b>	<b>309,738</b>	<b>336,880</b>	<b>25,412</b>	<b>8.2%</b>	<b>27,142</b>	<b>8.8%</b>
Revenue Sharing	(37,395)	(33,093)	(39,525)	(35,799)	(2,705)	8.2%	3,726	-9.4%
Other Prior Year Revenues	-	-	-	-	-	0.0%	-	0.0%
<b>Total Aeronautical Revenues</b>	<b>247,811</b>	<b>278,375</b>	<b>270,213</b>	<b>301,082</b>	<b>22,706</b>	<b>8.2%</b>	<b>30,868</b>	<b>11.4%</b>
<b>Total Aeronautical Expenses</b>	<b>168,932</b>	<b>194,592</b>	<b>194,887</b>	<b>216,931</b>	<b>22,339</b>	<b>11.5%</b>	<b>22,044</b>	<b>11.3%</b>
<b>Net Operating Income</b>	<b>78,879</b>	<b>83,783</b>	<b>75,326</b>	<b>84,151</b>	<b>368</b>	<b>0.4%</b>	<b>8,825</b>	<b>11.7%</b>
Debt Service	(89,130)	(87,109)	(85,344)	(90,323)	(3,214)	3.7%	(4,979)	5.8%
<b>Net Cash Flow</b>	<b>\$(10,251)</b>	<b>\$(3,326)</b>	<b>\$(10,018)</b>	<b>\$(6,173)</b>	<b>\$(2,847)</b>	<b>85.6%</b>	<b>\$ 3,845</b>	<b>-38.4%</b>

**Aeronautical Cost Drivers – Rate Base Only**

	2016	2017	2017	2018	Impact on Aero Revenues Budget Change		Impact on Aero Revenues Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
\$ in 000's								
O&M <sup>(1)</sup>	165,427	190,645	190,925	210,433	19,788	10.4%	19,508	10.2%
Debt Service Gross	118,641	117,336	115,562	120,555	3,219	2.7%	4,993	4.3%
Debt Service PFC Offset	(32,831)	(33,099)	(33,084)	(33,015)	83	-0.3%	69	-0.2%
Amortization	28,215	29,637	29,633	32,373	2,737	9.2%	2,740	9.2%
Space Vacancy	(2,638)	(1,486)	(2,229)	(2,650)	(1,164)	78.3%	(421)	18.9%
TSA Operating Grant and Other	(982)	(1,230)	(1,384)	(1,028)	202	-16.4%	356	-25.7%
<b>Rate Base Revenues</b>	<b>275,832</b>	<b>301,803</b>	<b>299,423</b>	<b>326,668</b>	<b>24,865</b>	<b>8.2%</b>	<b>27,245</b>	<b>9.1%</b>

**Aero Highlights (Change compared to 2017 Budget):**

- Operating Expenses up \$22.3M – significant year-over-year increases shown below:
  - Aero direct O&M increase of \$9.1M:
    - Payroll increase includes aeronautical share of 60 new airport FTE's added in the 2018 budget
    - Police officers added for security at the ticket counter areas
    - Utilities expense increase
    - Janitorial costs increase
    - CBP Reimbursable program
    - Employee screening
  - AV Divisional allocations increase of \$7.0M:
    - Advance planning IDIQ, SAMP environmental
    - Executive Program Management Consulting support and other planning support contracts
  - Central Services allocations increase of \$6.2M:
    - Increased expenses from Public Affairs, HRD, Legal, ICT, AV PMG and Police
- Debt Service up \$3.2M:
  - Debt Service increase due to new assets placed in service - completion of snow equipment purchase, Wi-Fi Enhancement project, Hardstand Equipment purchase, Interim Baggage System Program, etc.

- Amortization (use of Airport Development Funds [ADF]) up \$2.7M:
  - Equity amortization increase new assets placed in service - Podiums at S Gates, Carpet and Tile work in Concourse A,B, and Mechanical Node Improvements airport wide, Redundant Fiber Pathway, Wireless Internet Improvements, Significant investments in Baggage System controls, equipment, and infrastructure, etc.
- Space vacancy - \$1.2M increase due to an increase in publicly accessible offices vacant space.

**Non-Aeronautical Business**

\$ in 000's	2016	2017	2017	2018	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
<b>Non-Aero Revenues</b>								
Rental Cars - Operations	\$ 37,082	\$ 37,815	\$ 34,474	\$ 35,294	\$ (2,521)	-6.7%	\$ 820	2.4%
Rental Cars - Operating CFC	12,122	12,931	10,533	15,563	2,632	20.4%	5,030	47.8%
Public Parking	69,540	73,568	73,975	78,572	5,004	6.8%	4,597	6.2%
Ground Transportation	12,803	14,417	14,984	16,884	2,467	17.1%	1,899	12.7%
Airport Dining & Retail & Leased Space	57,253	55,635	57,497	59,087	3,452	6.2%	1,590	2.8%
Commercial Properties	9,992	12,141	17,384	14,706	2,565	21.1%	(2,678)	-15.4%
Utilities	7,233	7,118	7,062	7,556	438	6.1%	494	7.0%
Employee Parking	9,329	8,482	9,482	9,457	974	11.5%	(26)	-0.3%
Clubs and Lounges	3,028	2,729	4,979	5,630	2,901	106.3%	651	13.1%
Other	2,639	1,807	2,085	2,036	229	12.7%	(49)	-2.3%
<b>Total Non-Aero Revenues</b>	<b>221,021</b>	<b>226,645</b>	<b>232,457</b>	<b>244,786</b>	<b>18,141</b>	<b>8.0%</b>	<b>12,329</b>	<b>5.3%</b>
<b>Total Non-Aero Expenses</b>	<b>92,294</b>	<b>108,119</b>	<b>105,744</b>	<b>117,925</b>	<b>9,806</b>	<b>9.1%</b>	<b>12,181</b>	<b>11.5%</b>
<b>Net Operating Income</b>	<b>128,727</b>	<b>118,526</b>	<b>126,712</b>	<b>126,861</b>	<b>8,335</b>	<b>7.0%</b>	<b>148</b>	<b>0.1%</b>
Less: CFC Surplus	(4,899)	(5,561)	(2,808)	(7,142)	1,580	-22.1%	(4,334)	154.4%
<b>Adjusted Non-Aero NOI</b>	<b>123,828</b>	<b>112,965</b>	<b>123,905</b>	<b>119,719</b>	<b>6,754</b>	<b>6.0%</b>	<b>(4,185)</b>	<b>-3.4%</b>
Debt Service	(43,984)	(45,136)	(44,507)	(45,752)	616	-1.3%	(1,245)	2.8%
<b>Net Cash Flow</b>	<b>\$ 79,844</b>	<b>\$ 67,829</b>	<b>\$ 79,397</b>	<b>\$ 73,967</b>	<b>\$ 6,138</b>	<b>9.0%</b>	<b>\$ (5,430)</b>	<b>-6.8%</b>

**Non-Aero Highlights (Change compared to 2017 Budget):**

- Operating Revenue up \$18.1M – 2018 Budget anticipates growth across most major non-airline business units due to growing passenger volumes and improving economy.
- Operating Expenses up \$9.8M – significant year-over-year increases shown below:
  - Non-Aero direct O&M increase of \$7.6M:
    - Payroll increase includes non-aero share of 60 new airport FTE's added in the 2018 budget
    - Non-Aero share of utilities expense and janitorial cost increases
    - Costs related to non-aero revenue growth such as increased utilization of Port-owned airport lounges and the implementation of new parking pre-booking program in 2018
    - Customer Service initiatives such as the electric cart service between the terminal and the light rail station, and reimplementing of curbside assistance for the rental car bussing operation
    - Non-Aero share of SAMP-related planning & environmental review
  - Central Services allocations increase of \$2.3M:
    - Increase reflects non-aero share of allocations from Police, AV PMG, and other Central Services departments

**Non-Airline Key Indicators**

	2016	2017	2017	2018	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
<b>Non Aero Revenues per Enplanement</b>								
Rental Cars - Operations	1.63	1.58	1.47	1.43	(0.15)	-9.4%	(0.04)	-2.5%
Rental Cars - Operating CFC	0.53	0.54	0.45	0.63	0.09	16.8%	0.18	40.7%
Public Parking	3.05	3.07	3.12	3.19	0.11	3.7%	0.07	2.1%
Ground Transportation	0.56	0.60	0.64	0.68	0.08	13.7%	0.05	7.7%
Airport Dining & Retail & Leased Space	2.51	2.33	2.45	2.40	0.07	3.1%	(0.05)	-2.1%
Commercial Properties	0.44	0.51	0.74	0.60	0.09	17.6%	(0.14)	-19.0%
Utilities	0.32	0.30	0.30	0.31	0.01	3.0%	0.00	1.1%
Employee Parking	0.41	0.35	0.40	0.38	0.03	8.2%	(0.02)	-5.0%
Clubs and Lounges	0.13	0.11	0.21	0.23	0.11	100.2%	0.02	7.7%
Other	0.12	0.08	0.09	0.08	0.01	9.4%	(0.01)	-7.0%
<b>Total Revenue per Enplanement</b>	<b>9.70</b>	<b>9.47</b>	<b>9.87</b>	<b>9.93</b>	<b>0.46</b>	<b>4.8%</b>	<b>0.06</b>	<b>0.6%</b>
<b>Primary Concessions Sales / Enpl</b>	<b>12.01</b>	<b>11.61</b>	<b>12.22</b>	<b>11.94</b>	<b>0.33</b>	<b>2.9%</b>	<b>(0.28)</b>	<b>-2.3%</b>

**OPERATING BUDGET SUMMARY**

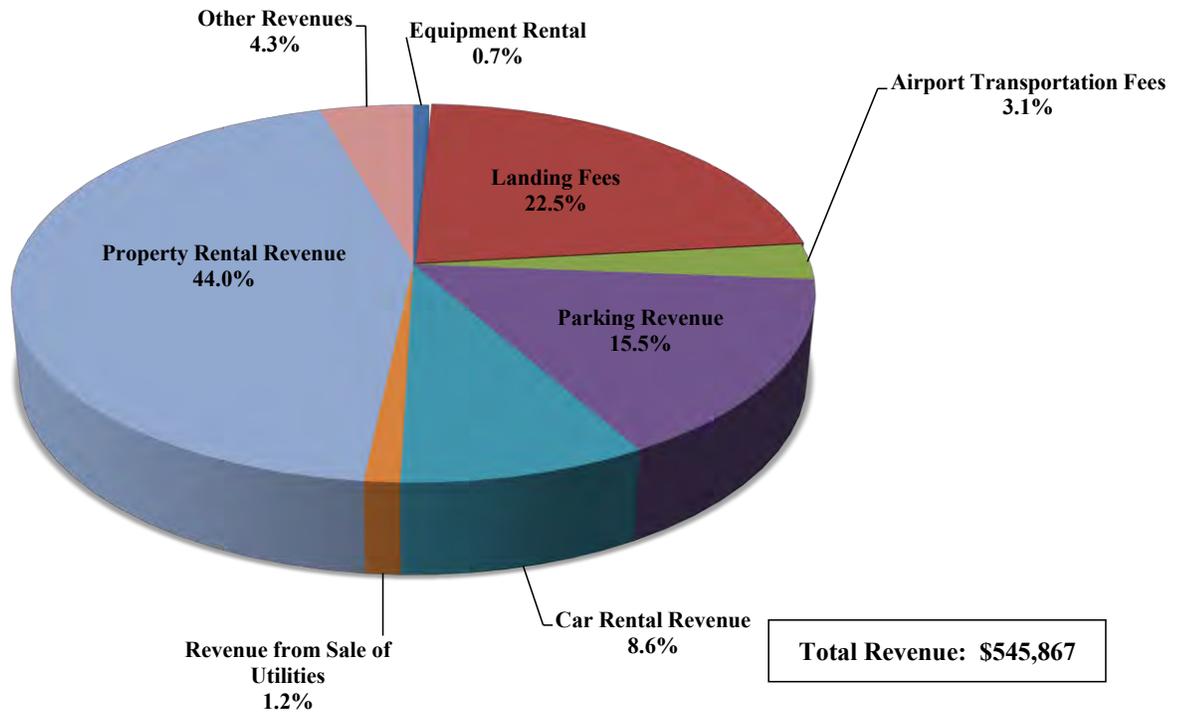
**TABLE IV-4: REVENUE BY ACCOUNT**

(\$ in 000's)		2016	2017	2018	% Change
Revenue by Account	Notes	Actual	Budget	Budget	2018 Bud- 2017 Bud
<b><u>Operating Revenue</u></b>					
Equipment Rental		\$ 3,102	\$ 3,501	\$ 3,995	14.1%
Landing Fees		92,518	107,591	122,790	14.1%
Airport Transportation Fees		12,526	14,203	16,670	17.4%
Parking Revenue		76,085	79,315	84,810	6.9%
Car Rental Revenue		45,586	47,036	47,071	0.1%
Revenue from Sale of Utilities		6,640	6,478	6,784	4.7%
Property Rental Revenue		210,925	223,646	240,032	7.3%
Other Revenues		21,079	23,249	23,715	2.0%
SLOA III Incentive		(3,576)	(3,576)	-	-100.0%
<b>Total Operating Revenue</b>	1	<b>\$ 464,885</b>	<b>\$ 501,444</b>	<b>\$ 545,867</b>	<b>8.9%</b>

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**FIGURE IV-3: AVIATION DIVISION REVENUE BY ACCOUNT**

(\$ in 000's)



**TABLE IV-5: OPERATING & MAINTANENCE EXPENSES BY ACCOUNT**

(in 000's)		2016	2017	2018	% Change
Expense by Account	Notes	Actual	Budget	Budget	2018 Bud- 2017 Bud
Salaries, Wages, Benefits & Worker's Comp		\$ 99,320	\$ 116,694	\$ 128,648	10.2%
Equipment Expense		3,746	2,736	3,356	22.7%
Utilities		14,747	15,187	17,320	14.0%
Supplies & Stock		5,961	5,010	5,337	6.5%
Outside Services		35,883	41,077	48,435	17.9%
Travel & Other Employee Expenses		1,237	1,730	1,884	8.9%
Promotional Expenses		469	996	1,261	26.7%
Other Expenses		11,032	9,893	11,346	14.7%
<b>Total O&amp;M without Environmental</b>		<b>172,394</b>	<b>193,324</b>	<b>217,586</b>	<b>12.6%</b>
Environmental Remediation Liability Expense		4,463	3,775	4,030	6.8%
<b>Total O&amp;M with Environmental</b>		<b>176,858</b>	<b>197,099</b>	<b>221,616</b>	<b>12.4%</b>
Charges to Capital/Govt/Envrs Projects		(3,299)	(3,937)	(5,168)	31.3%
<b>Total Operating Expense</b>	1	<b>\$ 173,558</b>	<b>\$ 193,162</b>	<b>\$216,448</b>	<b>12.1%</b>

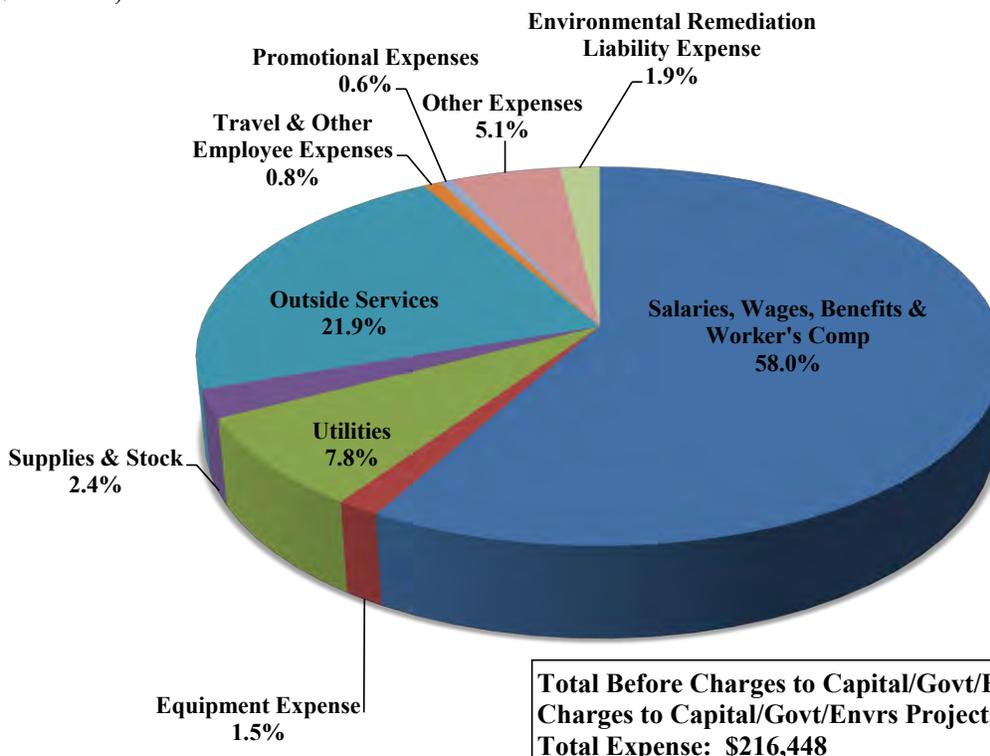
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Note:

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

**FIGURE IV-4: AVIATION DIVISION EXPENSE BY ACCOUNT**

(\$ in 000's)



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

AVIATION DIVISION	2016 Actual	2017 Budget	2018 Budget	% Change 2018 Bud - 2017 Bud
<b>OPERATING REVENUES</b>				
<u>AIRLINE REVENUES</u>				
Movement Area	94,725	109,845	125,422	14.2%
Apron Area	14,028	15,957	15,979	0.1%
Terminal Rents	155,846	163,565	171,854	5.1%
Federal Inspection Services (FIS)	11,227	12,437	13,413	7.8%
<b>Subtotal Rate Base Revenues</b>	<b>275,827</b>	<b>301,803</b>	<b>326,668</b>	<b>8.2%</b>
Commercial Area	9,379	9,665	10,212	5.7%
<b>Subtotal Airline Revenues before Revenue Sharing</b>	<b>285,206</b>	<b>311,468</b>	<b>336,880</b>	<b>8.2%</b>
Revenue Sharing	(37,395)	(33,093)	(35,799)	8.2%
<b>Total Airline Revenues</b>	<b>247,811</b>	<b>278,375</b>	<b>301,081</b>	<b>8.2%</b>
<b>SLOA III Incentive Straight Line Adj.</b>	<b>(3,576)</b>	<b>(3,576)</b>	<b>-</b>	<b>-100.0%</b>
<u>NON-AIRLINE REVENUES</u>				
Public Parking	69,540	73,568	78,572	6.8%
Rental Cars	49,203	50,746	50,857	0.2%
Ground Transportation	12,803	14,417	16,884	17.1%
Airport Dining & Retail	55,196	56,738	54,759	-3.5%
Utilities	7,233	7,118	7,556	6.1%
Other	27,045	24,058	36,159	50.3%
<b>Total Non-Airline Revenues</b>	<b>221,021</b>	<b>226,645</b>	<b>244,786</b>	<b>8.0%</b>
<b>Total Operating Revenues</b>	<b>465,256</b>	<b>501,444</b>	<b>545,867</b>	<b>8.9%</b>
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AVIATION DIVISION	2016 Actual	2017 Budget	2018 Budget	2018 Bud - 2017 Bud
<b>EXPENSES BEFORE CHARGES TO CAP/GOVT/ENVRs PROJECTS</b>				
<u>BUSINESS UNITS</u>				
Airport Operations	46,021	38,792	42,512	9.6%
Commercial Management	8,363	10,755	14,256	32.6%
Utilities	15,296	16,472	19,059	15.7%
<b>Business Units</b>	<b>69,680</b>	<b>66,019</b>	<b>75,827</b>	<b>14.9%</b>
<u>AVIATION SERVICES</u>				
Aviation Director's Office	1,846	1,744	1,597	-8.4%
Capital Development	360	1,638	3,150	92.3%
Airport Innovation	-	-	787	n/a
Fire Department	14,997	15,313	16,504	7.8%
Aviation Planning	2,112	6,123	5,067	-17.2%
Aviation Finance & Budget	1,950	2,184	2,395	9.7%
Noise Programs	722	754	773	2.6%
Customer Service	-	-	321	n/a
Airport Security	8,560	15,810	19,260	21.8%
<b>Aviation Services</b>	<b>30,548</b>	<b>43,567</b>	<b>49,855</b>	<b>14.4%</b>
<u>AVIATION FACILITIES</u>				
AV Facilities & Infrastructure	2,939	4,894	5,722	16.9%
Aviation Signage	541	524	549	4.6%
Airport Building Department	870	1,218	1,586	30.2%
Airport Office Building (included in Commercial Mgmt in the 2018 Budget)	1,124	999	-	-100.0%
AV Environmental Programs Group	3,911	6,555	6,847	4.5%
Aviation Maintenance	65,456	77,318	85,095	10.1%
<b>Aviation Facilities</b>	<b>74,840</b>	<b>91,508</b>	<b>99,799</b>	<b>9.1%</b>
Aviation Risks Expense	3,563	1,482	1,841	24.2%
Aviation Environmental Remediation Liability	4,463	3,775	4,030	6.8%
Aviation Capital to Expense	53	-	-	n/a
<b>Total Expenses Before Charges to Cap/Govt/Envrs Projects</b>	<b>183,147</b>	<b>206,351</b>	<b>231,352</b>	<b>12.1%</b>
<b>CHARGES TO CAPITAL/GOVT /ENVRs PROJECTS</b>	<b>(3,468)</b>	<b>(4,221)</b>	<b>(5,538)</b>	<b>31.2%</b>
<u>OPERATING &amp; MAINTENANCE EXPENSE</u>				
<u>BUSINESS UNITS</u>				
Airport Operations	46,021	38,032	42,276	11.2%
Commercial Management	8,363	10,755	14,256	32.6%
Utilities	15,296	16,472	19,059	15.7%
<b>Business Units</b>	<b>69,680</b>	<b>65,259</b>	<b>75,591</b>	<b>15.8%</b>
<u>AVIATION SERVICES</u>				
Aviation Director's Office	1,846	1,744	1,597	-8.4%
Capital Development	360	1,638	3,150	92.3%
Airport Innovation	-	-	787	n/a
Fire Department	14,947	15,043	15,945	6.0%
Aviation Planning	2,112	6,123	5,067	-17.2%
Aviation Finance & Budget	1,950	2,184	2,395	9.7%
Noise Programs	722	723	742	2.6%
Customer Service	-	-	321	n/a
Airport Security	8,443	15,810	17,830	12.8%
<b>Aviation Services</b>	<b>30,381</b>	<b>43,267</b>	<b>47,835</b>	<b>10.6%</b>
<u>AVIATION FACILITIES</u>				
AV Facilities & Infrastructure	2,343	4,077	4,722	15.8%
Aviation Signage	517	506	509	0.7%
Airport Building Department	297	746	1,039	39.4%
Airport Office Building (included in Commercial Mgmt in the 2018 Budget)	1,124	999	-	-100.0%
AV Environmental Programs Group	3,745	6,301	6,503	3.2%
Aviation Maintenance	63,437	75,719	83,743	10.6%
<b>Aviation Facilities</b>	<b>71,463</b>	<b>88,348</b>	<b>96,516</b>	<b>9.2%</b>
<b>Aviation Operating &amp; Maintenance Expense</b>	<b>171,524</b>	<b>196,873</b>	<b>219,943</b>	<b>11.7%</b>
Aviation Risks Expense	3,563	1,482	1,841	24.2%
Aviation Environmental Remediation Liability	4,463	3,775	4,030	6.8%
Aviation Capital to Expense	129	-	-	n/a
<b>Total Operating Expense</b>	<b>179,679</b>	<b>202,130</b>	<b>225,814</b>	<b>11.7%</b>

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**E. STAFFING**

Table IV-7 outlines the full-time equivalent staffing (FTEs) for the Aviation division. The Aviation 2018 Budget is based on 1,040.4 FTEs, which is 8.0% higher than the 2017 budget.

**TABLE IV-7: AVIATION DIVISION STAFFING**

<b>STAFFING</b> (Full-Time Equivalent Positions)					(a)	
<b>BUSINESS GROUP/DEPARTMENT</b>	<b>Notes</b>	<b>2016 Actual</b>	<b>2017 Budget</b>	<b>2017 Est. Act.</b>	<b>2018 Budget</b>	<b>% Change 2018 Bud vs 2017 Bud</b>
<b><u>AIRPORT OPERATIONS</u></b>						
Aeronautical Business Group	1	94.8	100.8	100.8	106.8	6.0%
Landside Business Group	2	136.1	141.1	141.1	146.1	3.5%
<b>Airport Operations</b>		<b>230.9</b>	<b>241.9</b>	<b>241.9</b>	<b>252.9</b>	<b>4.5%</b>
<b><u>BUSINESS DEVELOPMENT</u></b>						
Aviation Properties		10.5	11.5	11.5	11.5	0.0%
Airport Dining & Retail		8.2	8.5	8.5	8.5	0.0%
Business Development	3	2.3	2.3	2.3	3.3	44.4%
Parking Development		2.0	2.0	2.0	2.0	0.0%
Business Management		2.0	2.0	2.0	2.0	0.0%
Airport Office Building	4	8.4	8.4	8.4	9.4	12.0%
Utilities	5	2.0	3.0	3.0	4.0	33.3%
<b>Business Development</b>		<b>35.3</b>	<b>37.6</b>	<b>37.6</b>	<b>40.6</b>	<b>8.0%</b>
<b><u>AVIATION SERVICES</u></b>						
Airport Director's Office		6.0	5.0	5.0	5.0	0.0%
Customer Service	6				1.0	100%
Airport Innovation	7				2.0	100%
Capital Dev Prog Mgmt	8	4.0	6.0	6.0	7.0	16.7%
Fire Department	(b), 9	80.3	88.3	88.5	90.5	2.5%
Planning	10, 11	0.0	0.0	5.0	5.5	100%
Aviation Finance & Budget	12	0.0	0.0	0.0	0.0	100%
Environmental	12	0.0	0.0	0.0	0.0	100%
Noise Programs	12	0.0	0.0	0.0	0.0	100%
Airport Security	(b), 13	80.0	169.3	184.3	202.3	19.5%
<b>Total Aviation Services</b>		<b>170.3</b>	<b>268.5</b>	<b>288.8</b>	<b>313.3</b>	<b>16.7%</b>
<b><u>FACILITIES</u></b>						
Facilities & Infrastructure	14	20.0	23.0	23.0	25.8	12.0%
AV Signage		4.0	4.0	4.0	4.0	0.0%
Airport Building Department		6.0	8.0	8.0	8.0	0.0%
Maintenance	15	376.0	380.0	380.0	396.0	4.2%
<b>Total Facilities</b>		<b>406.0</b>	<b>415.0</b>	<b>415.0</b>	<b>433.8</b>	<b>4.5%</b>
<b>TOTAL AVIATION DIVISION</b>		<b>842.4</b>	<b>962.9</b>	<b>983.2</b>	<b>1040.4</b>	<b>8.0%</b>

FTE.XLS

Notes:

- a) The 2018 Budget includes an increase of 60.25 FTEs to support Aviation division growth. Those new FTEs are explained in Notes 1-15 below. Of these, 57.25 new FTEs were additions to Aviation division departments and are reflected in Table IV-7. 3.0 new FTEs are in Central Services (Aviation Finance & Budget and Aviation Environmental Programs) which are direct charged 100% to the airport. Aviation FTEs in Central Services are not shown in Table IV-7.
- b) Addition of 15.25 FTEs during 2017:
  - 0.25 College Intern - Fire Department
  - 2.0 Security Supervisors - Security Dept.
  - 13.0 Construction Support Specialists - Security Dept.
- 1) 2018 Budget: Increase of 6.0 FTE positions - Aeronautical Operations
  - 2.0 Airport Operations Manager - Certification
  - 1.0 Airport Duty Manager - Airfield
  - 1.0 Senior Operations Controller (SOC)
  - 2.0 Airport Duty Manager - Terminal
- 2) 2018 Budget: Increase of 5.0 FTE positions - Landside
  - 1.0 Landside Development Manager
  - 2.0 Landside Supervisor
  - 2.0 Employee Parking Bus Driver
- 3) 2018 Budget: Increase of 1.0 FTE position - Business Development
  - 1.0 Senior Property Manager
- 4) 2018 Budget: Increase of 1.0 FTE position - Airport Office Building
  - 1.0 AV Conference Center Assistant
- 5) 2018 Budget: Increase of 1.0 FTE position - Utility Dept.
  - 1.0 Utility Program Manager
- 6) 2018 Budget: Increase of 1.0 FTE position - Customer Service
  - 1.0 New Marketing position - Customer Service
- 7) 2018 Budget: Increase of 2.0 FTE position - Airport Innovation
  - 1.0 Indoor Navigation and Innovation Specialist
  - 1.0 Airline and Passenger Systems Specialist
- 8) 2018 Budget: Increase of 1.0 FTE position - Capital Development Program Mgmt
  - 1.0 Sr. Administrative Assistant
- 9) 2018 Budget: Increase of 2.0 FTE position - Fire Dept.
  - 1.0 Fire Protection Engineer
  - 1.0 Firefighter - Construction Inspector

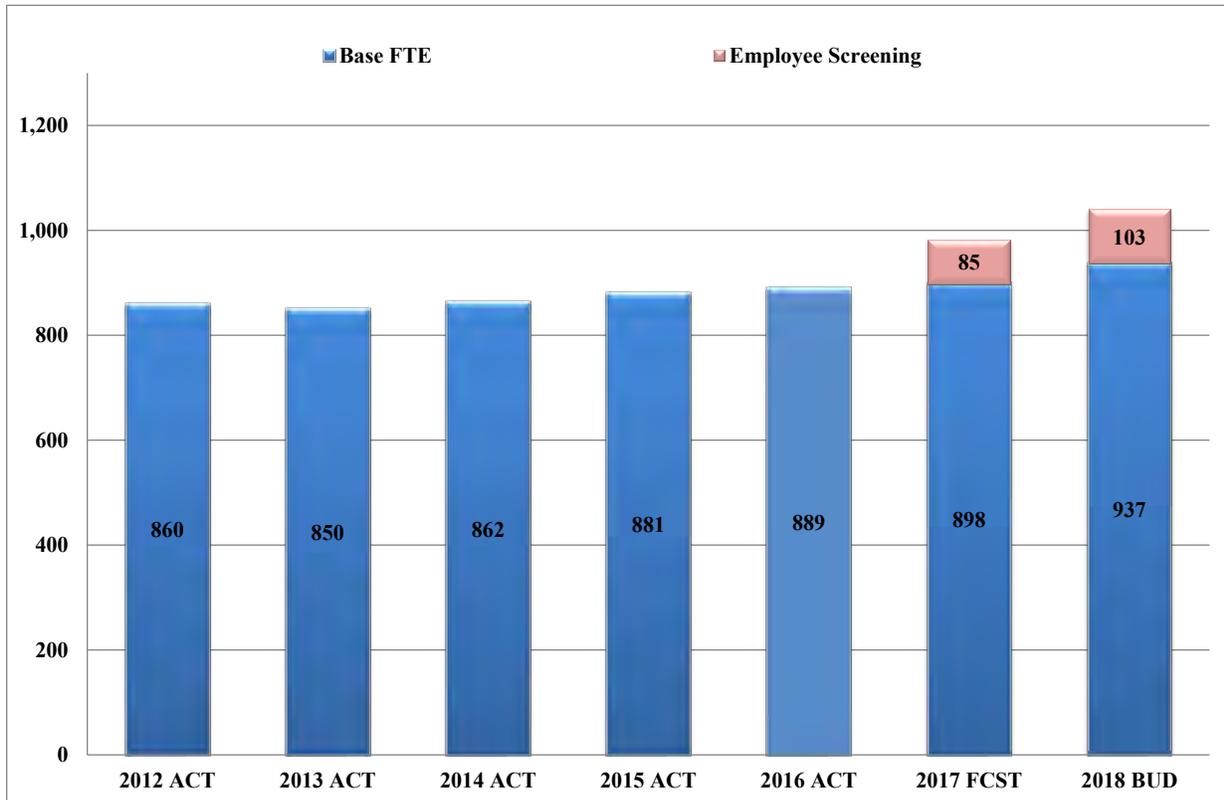
Notes (continued):

- 10) The Aviation Planning department which was in Central Services in the 2017 Budget, was transferred to the Aviation division during 2017.
- 11) 2018 Budget: Increase of 0.5 FTE position - Aviation Planning Dept.  
0.5 College Intern
- 12) This department is in Central Services, but charged 100% to the Aviation division.
- 13) 2018 Budget: Increase of 18.0 FTE positions - Security Dept.  
1.0 Sr. Administrative Assistant  
1.0 Employee Screening Manager  
11.0 Employee Screener  
5.0 Screening Supervisor
- 14) 2018 Budget: Increase of 2.75 FTE positions - Facilities & Infrastructure Dept.  
1.0 Asset Manager  
1.0 Manager, Civil/Structural Infrastructure Systems  
0.75 College Intern
- 15) 2018 Budget: Increase of 16.0 FTE positions - Aviation Maintenance Dept.  
1.0 Shift Supervisor - Custodial Services  
1.0 AVM Small Works Project Coordinator  
1.0 Journeyman Carpenter  
1.0 Journeyman Painter  
2.0 Electronic Technician  
2.0 AVM Wireman - PLB/GSE  
2.0 AVM Wireman - Capital Project Plan Review  
6.0 AVM - Boiler Staff

**Full-Time Equivalent Staff Positions (FTEs)**

<b>2018 Proposed Budget FTEs</b>	<b>FTEs</b>	<b>%</b>
<b>2017 Approved Budget:</b>	<b>962.91</b>	
Transfer in Aviation Planning FTE's from Central Services	5.00	0.5%
<b>2017 Adjusted Baseline</b>	<b>967.91</b>	<b>0.5%</b>
<b>FTE Additions during 2017:</b>		
Security Supervisors	2.00	
Construction Support Specialists (CSS)	13.00	
College Intern - Fire department	0.25	
<b>FTE Additions during 2017:</b>	<b>15.25</b>	<b>1.6%</b>
<b>2018 Budget BEFORE Proposed new FTE's</b>	<b>983.16</b>	<b>2.1%</b>
<b>Proposed New FTEs:</b>		
FTE's for 100% Employee Screening (Phase II)	17.00	1.8%
New FTE's for Core Airport functions:	39.00	4.1%
Landside	5.00	
Commercial Mgmt	2.00	
Airport Operations	6.00	
Maintenance	16.00	
Capital Development Program Mgmt	1.00	
Facilities & Infrastructure	2.00	
Utilities	1.00	
Customer Service	1.00	
Security	1.00	
Fire Dept	2.00	
Airport Innovation	2.00	
New Intern FTE's - College/Graduate	1.25	0.1%
<b>Proposed Increase in 2018 Budget FTEs</b>	<b>57.25</b>	<b>5.9%</b>
<b>2018 Budget Proposed FTEs - Aviation division only</b>	<b>1,040.41</b>	<b>8.0%</b>
<b>plus: Central Services FTE's direct charged 100% to airport</b>	<b>37.25</b>	
<b>2018 Budget FTEs - in Aviation division budget</b>	<b>1,077.66</b>	

The graph below shows the trend of Aviation division FTEs since 2012. Total division staffing of 1,040 FTE’s for 2018 reflects an increase of 77.5 FTEs over the prior year budget level. This increase is comprised of the addition of 57.25 new FTEs added in the 2018 Budget, the addition of 15.25 new FTEs approved during 2017, and the transfer of 5.0 FTEs to the Aviation division from Central Services division during 2017.



**F. CAPITAL BUDGET**

The business assessment at the beginning of this section provides the context for the following capital budget for the Aviation Division. Table IV-8 provides a summary of the Aviation Capital Budget for 2018.

The Aviation Division’s capital plan for 2018 – 2022 calls for spending of \$2.8 billion. Four major projects account for \$1.6 billion of the spending: North Satellite Renovation & North Satellite Transit Station Lobbies, Baggage Recapitalization/Optimization, International Arrivals Facility, and South Satellite Renovation. Twenty-eight projects, totaling \$206 million of spending through 2022, were proposed for inclusion as “business plan prospective.” A total of \$128 million remains in the Allowance Capital Improvement Projects (CIPs), which is undesignated future spending that will account for undefined future projects or budget increases to existing projects. Due to project cost increases and new project approvals, the Allowance CIPs are likely not adequate for future ongoing renewal and replacement costs and customer service needs. The Aviation Division is proposing an increase of \$173 million to the Allowance CIPs, for a total of \$301 million through 2022.

**Links to Century Agenda:**

Included in the capital budget are the following projects that directly support the Century Agenda:

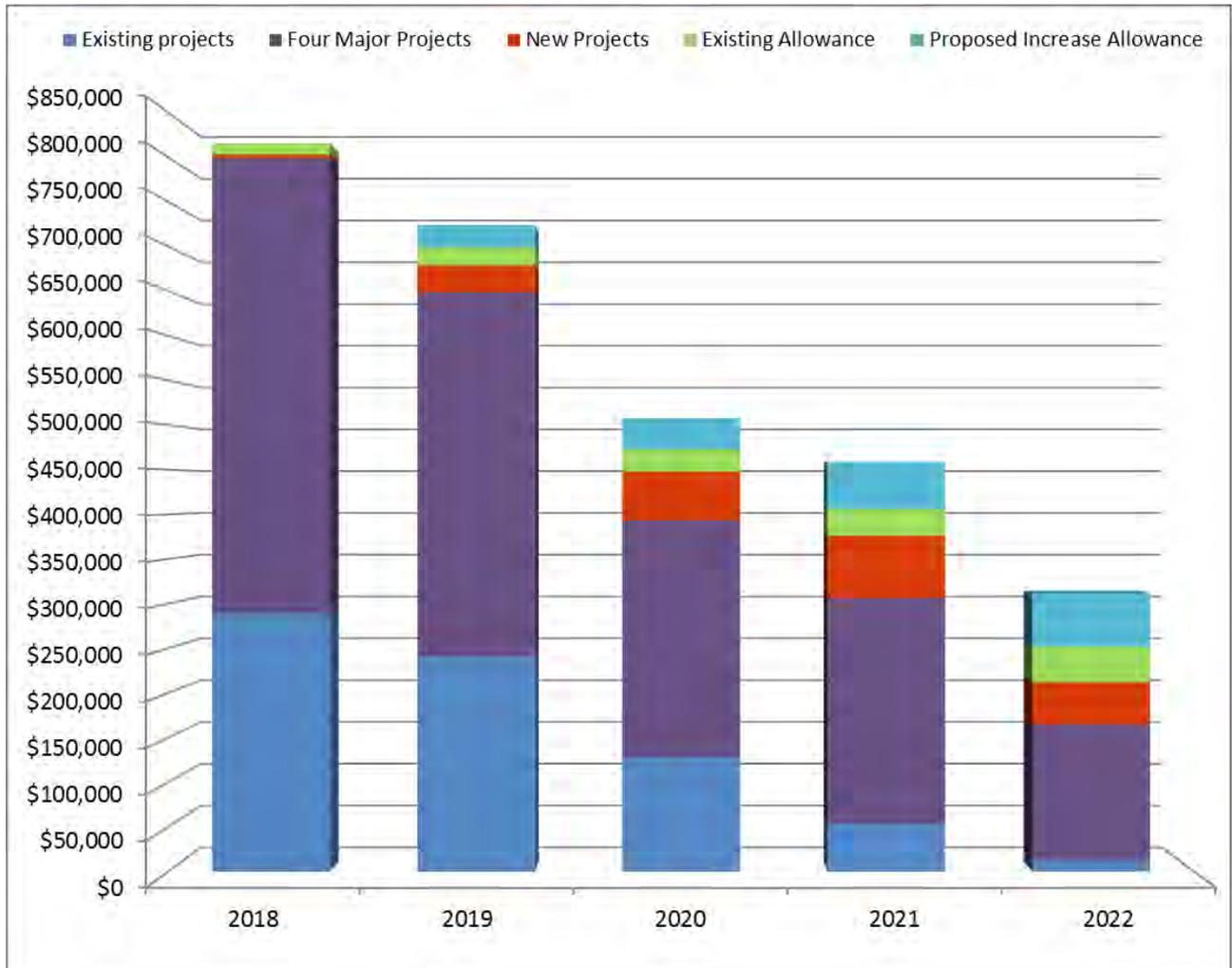
1. Make Sea-Tac Airport the west coast “Gateway of Choice” for international travel and double the number of international flights and destinations.
  - South Satellite Interior Renovations
  - New International Arrivals Facility
2. Meet the region’s air transportation needs for the next 25 years.
  - Baggage Recapitalization/Optimization
  - Expand North Satellite to add gates
3. Meet all increased energy needs through conservation and renewable sources.
  - Alternate Utility Facility
  - North Terminals Utilities Upgrade
  - Main Terminal Low Voltage Systems Upgrade
  - Utility Meter Networking
4. Meet or Exceed Agency Requirements for Storm Water.
  - International Waste System (IWS) Segregation Meters
  - Concourse B, IWS Upgrade
5. Reduce air pollutants and carbon emissions.
  - Pre-conditioned Air Project
  - Electrical Ground Service Infrastructure and Charging Stations

**Summary by Category:**

	2017 Fcst	Cash Flows (Figures in \$000s)					2018 - 22 Total
		2018	2019	2020	2021	2022	
<b>Four Major Projects</b>							
International Arrivals Facility	119,159	320,200	213,245	55,999	-	-	589,444
NSAT	58,835	148,685	133,401	129,836	123,725	13,527	549,174
Baggage Optimization	17,992	40,000	50,000	50,000	50,000	60,000	250,000
South Satellite Renovation	1,107	1,200	12,000	30,000	79,368	79,368	201,936
Subtotal	197,093	510,085	408,646	265,835	253,093	152,895	1,590,554
<b>Other existing projects</b>	188,357	289,163	240,210	127,142	53,193	11,770	721,478
<b>Proposed New Projects</b>	-	3,956	30,356	54,942	69,708	47,163	206,125
<b>Existing Allowance CIPs</b>	2,000	12,500	20,000	25,000	30,000	40,000	127,500
<b>Proposed Allowance Increase</b>	-	-	25,000	35,000	53,029	60,000	173,029
<b>Total Proposed CIP</b>	<b>387,450</b>	<b>815,704</b>	<b>724,212</b>	<b>507,919</b>	<b>459,023</b>	<b>311,828</b>	<b>2,818,686</b>

- Four major projects account for \$1.6 billion.
- Proposing 28 projects totaling \$206 million spending through 2022.
- Budget includes place-holder spending for undefined future projects (called “Allowance CIPs”): \$301 million (\$128 existing plus \$173 million proposed increase).
- Budget does not include potential projects to be identified by Sustainable Airport Master Plan (SAMP).

Summary by Category Chart (In \$000s):



**Major Projects:**

Major Projects	CIP	2017	Cash Flows (Figures in \$000s)					2018 - 2022
			2018	2019	2020	2021	2022	Total
<b>Authorized</b>								
International Arrivals Fac-IAF	C800583	119,159	320,200	213,245	55,999	-	-	589,444
NS NSAT Renov NSTS Lobbies	C800556	58,835	148,685	133,401	129,836	123,725	13,527	549,174
Checked Bag Recap/Optimization	C800612	17,992	40,000	50,000	50,000	50,000	60,000	250,000
SSAT Renovation Project*	C800743	1,107	1,200	12,000	30,000	79,368	79,368	201,936
Restroom Upgrades Conc B, C, D	C800697	1,552	4,367	5,639	7,429	9,137	4,603	31,175
Airfield Pavement Program	C800483	1,149	14,200	12,300	4,526	-	-	31,026
Concourse D Hardstand Holdroom	C800769	6,926	30,000	872	-	-	-	30,872
ASL Conversion at Checkpoints	C800920	365	6,471	23,000	163	-	-	29,634
NS Main Terminal Improvements*	C800545	-	2,000	10,000	10,000	6,833	-	28,833
Service Tunnel Renewal/Replace	C102112	7,793	13,000	9,897	5,778	-	-	28,675
Highline School Insulation	C200007	18	1,982	19,949	3,389	-	977	26,297
Taxiway A,B,L,Q Improvements	C800914	953	21,905	517	-	-	-	22,422
Other (126)		162,940	149,069	76,938	28,903	2,834	390	258,134
<b>Total - Authorized</b>		<b>378,789</b>	<b>753,079</b>	<b>567,758</b>	<b>326,023</b>	<b>271,897</b>	<b>158,865</b>	<b>2,077,622</b>
<b>Pending Authorization</b>								
C1 Building Floor Expansion*	C800845	-	1,500	10,000	21,800	16,700	-	50,000
Condo Sound Insulation	C200095	-	700	7,993	7,995	7,993	-	24,681
Elevators Modernization	C800789	22	5,682	9,186	8,374	-	-	23,242
New Projects	Multiple	-	3,956	30,356	54,942	69,708	47,163	206,125
Allowance CIPs		2,000	12,500	45,000	60,000	83,029	100,000	300,529
Other (33)		6,639	38,287	53,919	28,785	9,696	5,800	136,487
<b>Total - Pending Authorization</b>		<b>8,661</b>	<b>62,625</b>	<b>156,454</b>	<b>181,896</b>	<b>187,126</b>	<b>152,963</b>	<b>741,064</b>
<b>Grand Total</b>		<b>387,450</b>	<b>815,704</b>	<b>724,212</b>	<b>507,919</b>	<b>459,023</b>	<b>311,828</b>	<b>2,818,686</b>

- Four major projects are shown in the top four lines. Spending for these four projects makes up 56% of the total spending for this category.

Descriptions of major projects:

- International Arrivals Facility: Build a new Federal Inspection Service (FIS) facility on the east side of Concourse A in order to expand capacity to process arriving international passengers.
- NS NSAT Renov NSTS Lobbies: Renovate/expand the North Satellite to address seismic concerns, upgrade HVAC and lighting, upgrade fixtures and add eight gates.
- Checked Baggage Recap/Optimization: Replace and reconfigure baggage screening equipment and operations to improve operational efficiency and increase capacity.
- South Satellite Renovation: Renovate the South Satellite to increase the level of service to international departures/arrivals and domestic departure.
- Restroom Upgrades Conc B, C, D: Renovate, enlarge and build new public restrooms on Concourses B, C, and D.
- Airfield Pavement Replacement: Provide budget for annual replacement of aging airfield pavement and joint seals.
- Concourse D Hardstand Terminal: Construct a 32,500 square foot building on the East side of Concourse D in the existing North Ground Transportation Lot in order to provide for remote hardstand operations.
- ASL Conversion at Checkpoints: Install automated screening lanes (ASLs) to increase security effectiveness and efficiency and improve passenger experience.

- NS Main Terminal Improvements: Reconfigure and expand the north main terminal to improve passenger security screening checkpoints, implement interactive wayfinding, modernize terminal finishes, and other updates.
- Service Tunnel Renewal/Replace: Reinforce the tunnel and loading dock areas to meet the building code structural standards.
- Highline School Insulation: Complete a comprehensive sound insulation program for Highline School District schools.
- Taxiway A, B, L, Q Improvements: Relocate or modify four taxiways for safety and continued operational access by aircraft.
- C1 Building Floor Expansion: Construct three additional floors on top of the airport’s C1 building to meet space needs for passenger restrooms, concessions, passenger lounges and other tenant offices.
- Condo Sound Insulation: Insulate condominiums for noise mitigation per outcome of 2014 Part 150 Noise and Land Use Compatibility Plan.
- Elevators Modernization: Modernize elevator lobbies and interiors in the parking garage.

**Proposed New Projects:**

Section	# of Projects	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2018-22 Total
				2018	2019	2020	2021	2022	
I	8	Asset Management	111,603	2,107	9,524	23,527	24,868	19,757	79,783
II	6	Safety & Security	46,606	1,565	7,900	9,488	6,536	16,936	42,425
III	6	Business Need	41,948	284	5,191	13,389	13,821	9,264	41,949
IV	6	Customer Service	36,437	-	4,151	8,359	23,182	746	36,438
V	2	Grow Non-Aero Revenue	5,530	-	3,590	179	1,301	460	5,530
	28	TOTAL	242,124	3,956	30,356	54,942	69,708	47,163	206,125

- A total of 54 projects were submitted to the Aviation Investment Committee for approval; 28 were approved.
- Major projects include Airfield Pavement Replacement, Main Terminal Sprinkler/Smoke Control, Employee Parking Bus Purchase, Stormwater Pond Bird Deterrent Improvements, and Utility Meter Networking projects.
- The proposed projects do not include projects that will come out of SAMP.

**I. Asset Management**

#	CIP	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2018-22 Total
				2018	2019	2020	2021	2022	
1	C800924	AC4 Av/Maintenance Upgrade	4,566	-	525	2,852	1,189	-	4,566
2	C800930	Airfield Pvmnt Repl 2020-2024	72,649	-	225	11,013	13,997	15,594	40,829
3	C800944	Building Controls Upgrade 2018	4,976	-	70	925	3,311	670	4,976
4	C800950	Cargo Buildings Improvements	6,610	-	50	881	2,186	3,493	6,610
5	C800957	NEPL Improvements	6,635	-	1,104	4,959	572	-	6,635
6	C800977	RCF Pavement Remediation	11,417	1,657	7,487	2,273	-	-	11,417
7	C800978	VFD Replacement II	4,300	-	63	624	3,613	-	4,300
8	C800983	Sewer/Catch Basin Cleaner	450	450	-	-	-	-	450
		TOTAL	111,603	2,107	9,524	23,527	24,868	19,757	79,783

1. AC4 AV/Maintenance Upgrade: Update facilities at the Aviation Maintenance offsite workshops/offices. This includes updates to the HVAC, internet and phone lines, restrooms, and ADA access areas.
2. Airfield Pvmnt Repl 2020-2024: Replace aging airfield pavement and joint seal as they reach the end of their useful lives.
3. Building Controls Upgrade 2018: Renew and replace the mechanical controls system at Concourse B, C and D.

4. Cargo Buildings Improvements: Upgrade the Cargo 4 South (C4S) and the Bolonos Building (e.g. roof replacements, HVAC installations, electrical upgrades, etc.).
5. NEPL Improvements: Upgrade the North Employee Parking Lot (NEPL), which was constructed in 1997. Major elements include pavement repairs, security camera installations, automatic sliding gate addition, signage replacement, and interior upgrades.
6. RCF Pavement Remediation: Address pavement performance issues at the Rental Car Facility, such as replacing expansion joints, waterproofing membranes, and asphalt approach road.
7. VFD Replacement II: Replace 47 drives that control critical systems such as air handling supply fans in the Main Terminal, fans and pumps in the Cooling Towers and other critical HVAC systems fans and pumps throughout the airport.
8. Sewer/Catch Basin Cleaner: Purchase a sewer and catch basin cleaning truck to replace the present 2005 model that is past its useful life.

## II. Safety & Security

#	CIP	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2018-22 Total
				2018	2019	2020	2021	2022	
1	C800935	Access Controls in Comm Rooms	2,893	-	895	1,998	-	-	2,893
2	C800937	Fire Suppression Comm Rooms	712	-	50	170	282	210	712
3	C800969	MT Fire Sprinkler-Smoke Cntrl	28,457	-	300	1,639	5,611	16,726	24,276
4	C800975	RCF Camera Replacement	1,180	-	118	419	643	-	1,180
5	C800979	Fire Engines & RIV	1,980	-	1,980	-	-	-	1,980
6	C800980	SD Pond Bird Deterrent Improv	11,384	1,565	4,557	5,262	-	-	11,384
TOTAL			46,606	1,565	7,900	9,488	6,536	16,936	42,425

1. Access Controls in Comm Rooms: Install access control devices for 69 existing communication rooms (e.g. biometric readers, intercoms, contact sensors, etc.).
2. Fire Suppression Comm Rooms: Design and install gaseous fire suppression equipment in main communication distribution rooms.
3. MT Fire Sprinkler-Smoke Cntrl: Provide fire sprinklers and smoke control for main terminal ticketing, esplanade and bag claim areas.
4. RCF Camera Replacement: Replace all 24 existing cameras, as well as expand the system by 12 cameras to provide more complete coverage of the Rental Car Facility (RCF).
5. Fire Engines & RIV: Purchase 2 Structural Engines and 1 Rapid Intervention Vehicle (RIV).
6. SD Pond Bird Deterrent Improv: Develop a viable long term solution for all stormwater ponds bird deterrent infrastructure. The existing bird deterrent system that covers the airport stormwater ponds sustained structural damage from the February 2017 snow event.

## III. Business Need

#	CIP	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2018-22 Total
				2018	2019	2020	2021	2022	
1	C800939	Comm Infrastructure Expansion	1,584	-	35	979	570	-	1,584
2	C800940	Utility Meter Networking	10,367	-	565	1,385	4,799	3,618	10,367
3	C800941	Airport-wide & RCF LED Lights	8,205	-	112	995	1,452	5,646	8,205
4	C800945	South CT Solid Waste Improve	1,876	284	1,592	-	-	-	1,876
5	C800951	AOB Capacity Upgrades & Carpet	1,835	-	1,464	371	-	-	1,835
6	C800956	Employee Parking Bus Purchase	18,081	-	1,423	9,659	7,000	-	18,082
			41,948	284	5,191	13,389	13,821	9,264	41,949

1. Comm Infrastructure Expansion: Provide additional fiber cabling from Concourses B and D, and South Satellite to Main Distribution Rooms.

2. Utility Meter Networking: Upgrade the Port’s meter system to create a modern, networked, smart meter system with data storage and analytical capabilities.
3. Airport-wide & RCF LED Lights: Improve lighting throughout the airport and at the Rental Car Facility, as well as transition the airport to a driver-based lighting standard. Driver-based lights offer better energy efficiency, longer maintenance cycles, and better light quality.
4. South CT Solid Waste Improve: Expand the South CT compost area to handle the future compost projections.
5. AOB Capacity Upgrades & Carpet: Make improvements to the Airport Office Building (AOB) in order to meet the office needs of the Aviation Division over the next five years (e.g. carpet replacement, additional offices, etc.).
6. Employee Parking Bus Purchase: Procure 11 new electric buses for employee transportation between the North Employee Parking Lot (NEPL) and the main parking garage.

#### IV. Customer Service

#	CIP	Description	Cost	Cash Flows (Figures in \$000s)					2018-22
			Estimate	2018	2019	2020	2021	2022	Total
1	C800922	Baggage Claim Refresh	11,037	-	834	2,023	8,181	-	11,038
2	C800928	Zone 1 Curb-to-Gate Biometric	1,800	-	800	1,000	-	-	1,800
3	C800931	Smartphone App - ADA Support	750	-	750	-	-	-	750
4	C800934	Consolidated Employee Business Office	7,264	-	304	915	6,045	-	7,264
5	C800959	Seating Replacement	13,886	-	663	3,521	8,956	746	13,886
6	C800971	Checkpoint Smart LED Lighting	1,700	-	800	900	-	-	1,700
		TOTAL	36,437	-	4,151	8,359	23,182	746	36,438

1. Baggage Claim Refresh: Improve the outdated appearance of baggage claim #5 to #16.
2. Zone 1 Curb-to-Gate Biometric: Implement a biometric "curb to gate experience" for Zone 1 airline passengers.
3. Smartphone App - ADA Support: Implement a new version of the Airport's smartphone app with features to provide accurate and multimodal indoor navigation system for visually and mobility impaired individuals.
4. Consolidated Employee Business Office: Create a new Employee Business Office, which will include credentialing, training, employee parking, key shop, CBP office, and other essential employee-related businesses in a “one-stop shop” service center.
5. Seating Replacement: Replace outdated and worn seating throughout the airport.
6. Checkpoint Smart LED Lighting: Install energy efficient LED lighting with wireless controls, iBeacons, sensors, and visual light communication at the checkpoints.

#### V. Grow Non-Aero Revenue

#	CIP	Description	Cost	Cash Flows (Figures in \$000s)					2018-22
			Estimate	2018	2019	2020	2021	2022	Total
1	C800947	South Satellite Mezz Club	2,030	-	90	179	1,301	460	2,030
2	C800949	WSDOT Property Purchase	3,500	-	3,500	-	-	-	3,500
		TOTAL	5,530	-	3,590	179	1,301	460	5,530

1. South Satellite Mezz Club: Reconfigure Delta’s flight attendant office into a second South Satellite Club@SEA lounge, with a reception area, seating, bar and a kitchen area.
2. WSDOT Property Purchase: Acquire WSDOT property located between the FAA Regional Headquarters and Des Moines Creek Business Park West to enhance the feasibility of the development of these airport properties.

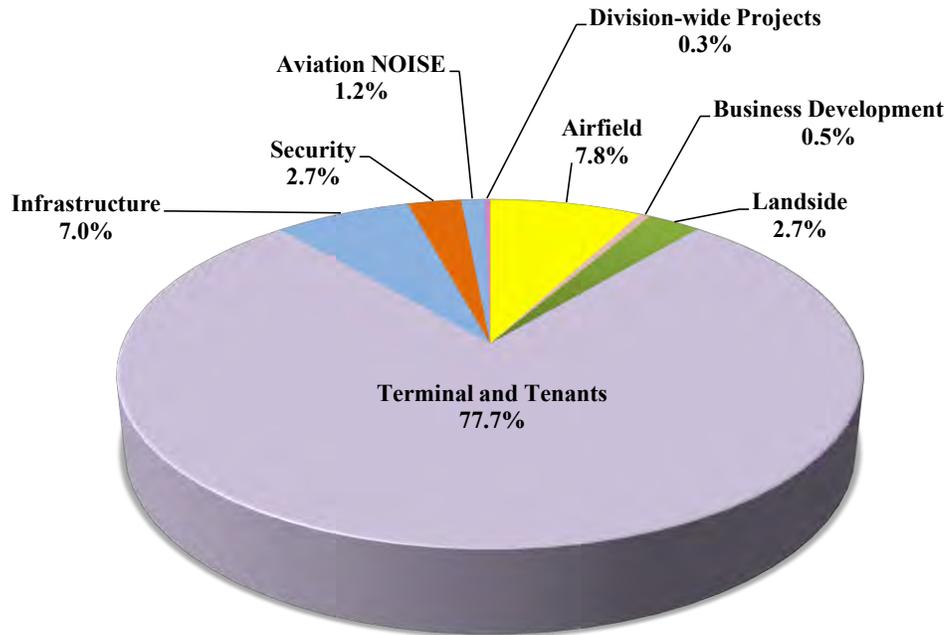
**TABLE IV-8: AVIATION CAPITAL BUDGET SUMMARY**

(\$ in 000's)	<b>2018 Budget</b>	<b>2018-2022 CIP</b>	<b>% of 2018 Total Committed</b>
<b>Committed Capital Projects</b>			
Airfield	\$58,894	\$88,622	7.8%
Business Development	3,908	8,563	0.5%
Landside	20,699	43,233	2.7%
Terminal and Tenants	585,754	1,741,230	77.7%
Infrastructure	52,409	102,748	7.0%
Security	20,671	52,534	2.7%
Aviation NOISE	9,189	40,712	1.2%
Division-wide Projects	2,058	5,638	0.3%
<b>Total Committed</b>	<b>\$753,582</b>	<b>\$2,083,280</b>	<b>100.0%</b>
<b>Business Plan Prospective Projects</b>			
	<b>\$62,122</b>	<b>\$735,406</b>	
<b>Total CIP</b>	<b>\$815,704</b>	<b>\$2,818,686</b>	

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**FIGURE IV-5: AVIATION DIVISION COMMITTED CAPITAL BUDGET**

(In \$000s)



**Committed CIP Total Spending: \$753,582**

**G. AVIATION DIVISION OPERATING STATISTICS**

**TABLE IV-9: AVIATION DIVISION OPERATING STATISTICS**

Year	(1) Enplaned Passengers		(2) Total Landed Weight		(3) Air Cargo	
	Number	Growth	Pounds	Growth	Metric tons	Growth
1999	13,802	31.8%	23,078	24.8%	444,224	8.3%
2000	14,174	2.7%	23,051	-0.1%	456,920	2.9%
2001	13,506	-4.7%	22,178	-3.8%	401,535	-12.1%
2002	13,362	-1.1%	21,658	-2.3%	374,753	-6.7%
2003	13,356	0.0%	20,790	-4.0%	351,418	-6.2%
2004	14,364	7.6%	20,944	0.7%	347,517	-1.1%
2005	14,632	1.9%	20,186	-3.6%	338,591	-2.6%
2006	14,982	2.4%	20,362	0.9%	341,981	1.0%
2007	15,661	4.5%	21,014	3.2%	319,013	-6.7%
2008	16,085	2.7%	21,519	2.4%	290,205	-9.0%
2009	15,610	-3.0%	20,388	-5.3%	270,142	-6.9%
2010	15,773	1.0%	19,786	-3.0%	283,425	4.9%
2011	16,397	4.0%	20,123	1.7%	279,893	-1.2%
2012	16,597	1.2%	19,897	-1.1%	283,609	1.3%
2013	17,376	4.7%	20,949	5.3%	292,709	3.2%
2014	18,717	7.7%	22,505	7.4%	327,240	11.8%
2015	21,109	12.8%	24,757	10.0%	332,636	1.6%
2016	22,796	8.0%	27,118	9.5%	366,431	10.2%
2017 Budget	23,929	5.0%	27,726	2.2%	365,682	-0.2%
2017 Forecast	23,480	3.0%	27,986	3.2%	420,000	14.6%
2018 Budget	24,654	5.0%	29,203	4.3%	432,600	3.0%
<b><u>Compound Growth</u></b>						
2006 - 2016		4.3%		2.9%		0.7%
2011 - 2016		6.8%		6.1%		5.5%

**Notes:**

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

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## MARITIME DIVISION

### A. 2018 BUDGET SUMMARY

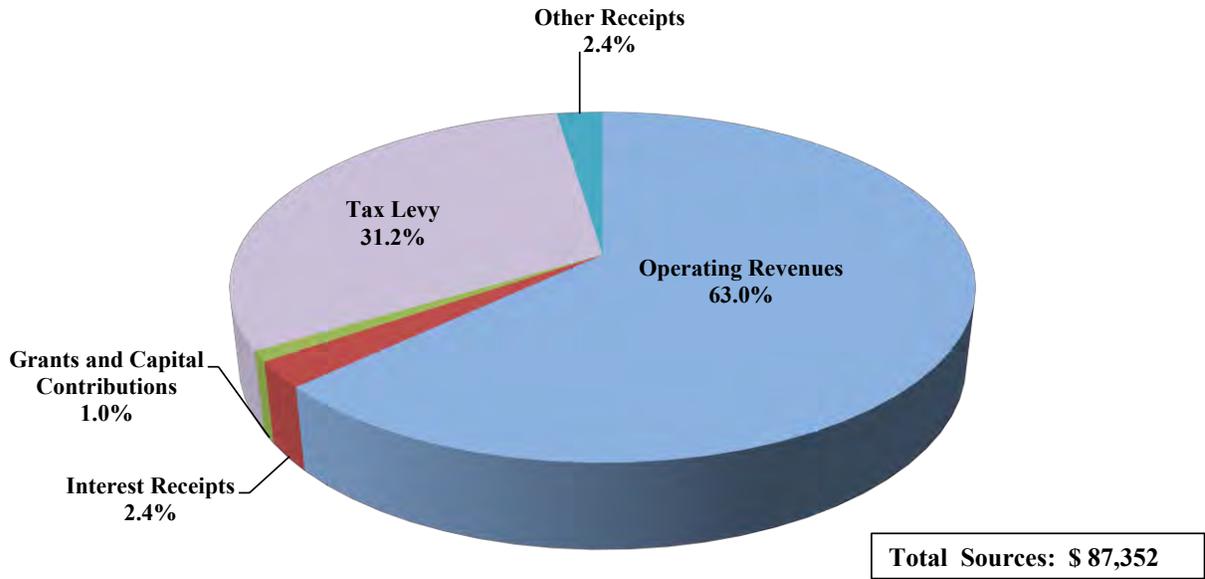
**TABLE V-1: 2018 CASH FLOW SUMMARY**

(\$ in 000's)	<b>2018</b>	<b>Percent of Total</b>
<b><u>SOURCES OF CASH</u></b>		
Operating Revenues	\$ 55,053	63.0%
Interest Receipts	2,118	2.4%
Proceeds from Bond Issues	-	0.0%
Grants and Capital Contributions	836	1.0%
Tax Levy	27,279	31.2%
Other Receipts	2,066	2.4%
<b>Total</b>	<b>\$ 87,352</b>	<b>100%</b>
<b><u>USES OF CASH</u></b>		
<b>Expenses from Operations:</b>		
Total Operating Expenses	49,578	40.2%
<b>Debt Service:</b>		
Interest Payments	2,526	2.0%
Bond Redemptions	11,898	9.7%
Total Debt Service	14,424	11.7%
Other Expenses	3,693	3.0%
Public Expense	564	0.5%
Capital Expenditures	54,990	44.6%
<b>Total</b>	<b>\$ 123,249</b>	<b>100%</b>

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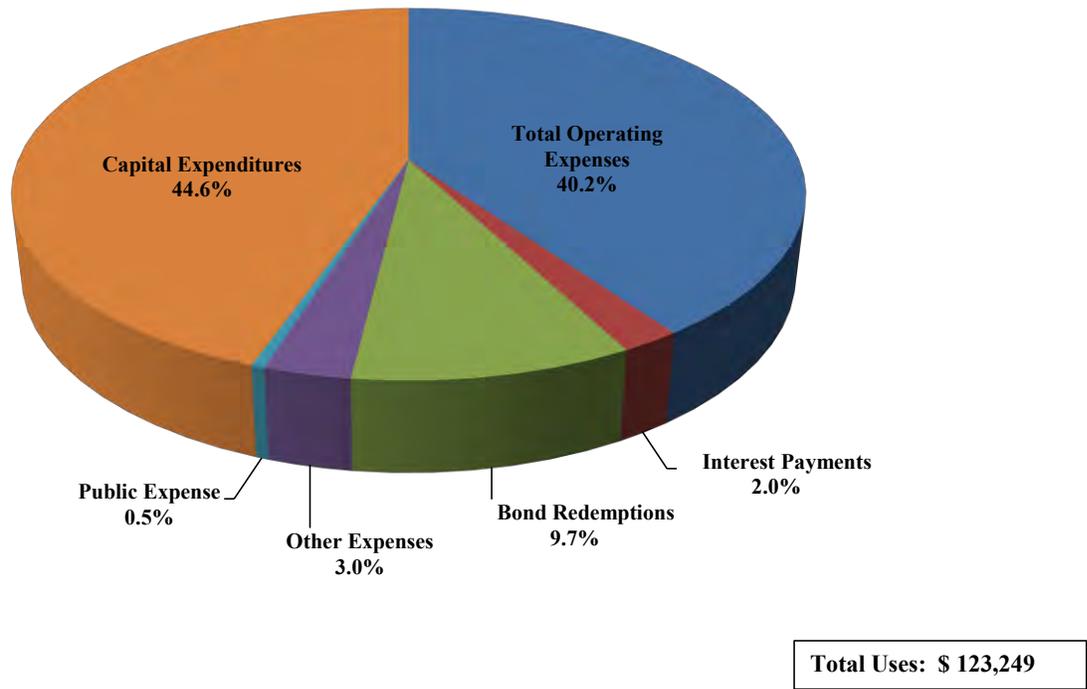
**FIGURE V-1: SOURCES OF CASH**

(\$ in 000's)



**FIGURE V-2: USES OF CASH**

(\$ in 000's)



**B. FINANCIAL FORECAST**

**TABLE V-2: FINANCIAL FORECAST**

OPERATING BUDGET	(\$ in 000's)		Forecast				Compound Growth 2018 - 2022
	Budget 2017	Budget 2018	2019	2020	2021	2022	
Operating Revenue	\$ 51,830	\$ 55,053	\$ 56,527	\$ 58,696	\$ 64,104	\$ 67,056	5.1%
<b>Total Operating Revenues</b>	<b>51,830</b>	<b>55,053</b>	<b>56,527</b>	<b>58,696</b>	<b>64,104</b>	<b>67,056</b>	<b>5.1%</b>
<b>Total Operating &amp; Maintenance Expenses</b>	<b>46,502</b>	<b>49,578</b>	<b>50,716</b>	<b>51,929</b>	<b>54,882</b>	<b>55,390</b>	<b>2.8%</b>
<b>Net Operating Income Before Depreciation</b>	<b>5,327</b>	<b>5,475</b>	<b>5,811</b>	<b>6,767</b>	<b>9,222</b>	<b>11,666</b>	<b>20.8%</b>
Total Depreciation Expense	16,672	17,868					
<b>Net Operating Income After Depreciation</b>	<b>\$ (11,345)</b>	<b>\$ (12,394)</b>					<b>Total</b>
							<b>2018 - 2022</b>
<b>Committed Capital Budget</b>	\$ 29,531	\$ 49,410	\$ 22,408	\$ 28,675	\$ 14,120	\$ 1,775	\$ 116,388
<b>Business Plan Prospective</b>	5,489	5,580	10,913	6,846	6,000	13,070	42,409
<b>TOTAL CIP</b>	<b>\$ 35,020</b>	<b>\$ 54,990</b>	<b>\$ 33,321</b>	<b>\$ 35,521</b>	<b>\$ 20,120</b>	<b>\$ 14,845</b>	<b>\$ 158,797</b>

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Notes:

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

**C. MARITIME DIVISION**

**MISSION:**

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

**VISION:**

A vibrant working waterfront generating economic vitality for the region.

**MAJOR/NEW INITIATIVES:**

- Improve the customer experience.
  - Fund and construct Shilshole Bay Marina’s new bathrooms/lockers/laundry facility.
  - Add resources to streamline billing, reduce front desk wait time, and improve facility management at Shilshole Bay Marina.
  - Implement new vessel management software system to improve marina efficiency.
  - Expand Port Cruise Valet Service.
- Develop a habitat restoration line of business for Port owned waterfront areas.
- High Performance Organization: Deliver operational excellence and develop our employees.
  - Operational Excellence: Deliver safe, compliant operations and maintain port assets.
    - Integrate and optimize operations of the Maritime Division.
    - Implement operational and safety practices to achieve zero injuries.
  - Talent Development: Develop staff capabilities, bench strength and opportunities.
    - Identify and implement targeted training to increase employee capabilities.
    - Engage in succession planning program with Human Resources.
    - Develop and implement employee development plans and career paths.
  - Valued Communication: Provide information that is clear, concise and relevant.
    - Leverage technology to improve quality and efficiency of communications.
    - Develop and implement measures to improve Commission and public communications.

**DIVISION DESCRIPTION:**

The Maritime Division includes four major business groups: Cruise Operations, Fishing and Commercial Operations, Grain, and Recreational Marinas. It also includes Marine Maintenance, Maritime Portfolio Management, Maritime Habitat Initiatives, the Stormwater Utility, and support from four Centers of Expertise: Environment and Sustainability, Finance & Budget, Security Preparedness, and Real Estate Management. These business and service groups are responsible for strategic planning, business and facility development, maritime security and the management and operations of maritime facilities including cruise, fishing, grain and multi-purpose terminals, commercial moorage, recreational marinas, and related properties.

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

**INDUSTRY ASSESSMENT:**

**Cruise**

The global cruise market continues to grow with many lines increasing their focus in Asia and Australia. This market growth is supported by global fleet expansion with larger ships and new product innovations to meet the more sophisticated demands of consumers. There is significant growth in the demand for expedition cruising. The Alaskan cruising market remains strong with cruise lines deploying some of their best ships here in the Northwest. Seattle will welcome the Norwegian Bliss in 2018. The Bliss will be the largest and newest cruise ship to homeport in Seattle. Following its maiden voyage from the shipyard in Germany with promotional stops on its way to Seattle, the Bliss will commence its inaugural season offering weekly cruises to Alaska throughout the summer.

**Fishing and Commercial Operations**

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

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

**Grain**

Terminal operator/tenant, Louis Dreyfus Company, is projecting the 2017/2018 crop year to be somewhat higher from the current crop year with export volume modestly higher. The U.S. share of global trade for

grains is likely to realize some impact from higher competition from other parts of the world, but this is offset by increased global consumption.

### **Maritime Habitat Initiatives**

Demand for compensatory mitigation credits in the watershed, as well as natural resource damage credits in the Lower Duwamish River, is increasing due to tighter environmental regulations and pending (NRD) claims. Large-scale dredging and cleanup projects such as the East Waterway and Lower Duwamish Waterway cleanups, as well as the Seattle Harbor Deepening, may likewise create new demand. Competition in the mitigation market is currently limited to two providers, Bluefield Holdings and King County Mitigation Reserves program.

### **Industrial Properties**

The Puget Sound Industrial Market is expected to continue to grow but at slightly slower pace in 2018 after a strong recovery in the past couple of years. As of the third quarter of 2017, total regional vacancy rate has fallen below 5% with Kent Valley, which has the largest industrial inventory of all the Puget Sound submarkets, at 4% and Seattle Close-In market at 3%.

### **Recreational Boating**

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

The current economy is boosting interest in boating and boat sales. However, Washington State data from the 2<sup>nd</sup> quarter of 2017 indicate that total unit sales are down by 2,589 units vs second quarter sales from 2016. The value of the vessels sold during second quarter of 2017 surpassed 2016 by \$5.3 million which equates to a 2.1% increase. Preliminary third quarter numbers for 2017 indicate a 12.7% increase in new boats sales over 2016, but a decline of 9.5% in used boat sales.

The 2017 Seattle Boat Show saw a slight decrease in attendance of 1.8% compared to 2016, but Puget Sound Marinas have reported higher occupancy numbers throughout the year. Boaters are demanding upscale moorage facilities including high-end amenities, finishes, and architectural details with more customization, automation and personalization. Industry wide, the largest increases in revenues continue to be from in-water rentals (kayaks, paddle boards, etc.), boat rentals, restaurants, leased slips, fuel, and boat sales.

## **BUSINESS ASSESSMENT:**

### **Cruise**

Revenue passenger counts will increase again in 2018 due to larger vessels. The number of vessels for each homeport cruise line and the day of the week will remain the same. Based on continued surveys, the level of satisfaction for Seattle cruise passengers exceeds industry standards. Passengers surveyed express a strong desire to return to Seattle again in the future. The number of pre and post cruise passenger visits is steadily increasing in the region and the number of guests visiting Seattle for the day before heading to the airport increased with the success of the Port Valet Program.

### **Fishing and Commercial Operations**

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

The commercial property occupancy at both Fishermen's Terminal and the Maritime Industrial Center is 97%, slightly better than the office industry wide average long-term occupancy rate of 96%. The main focus throughout 2018 will be to retain existing tenants and cultivate new revenue streams. Continuous efforts will be made in offering excellent customer service, increasing rental rate levels on renewals and accommodating space reductions, and expansions while improving space for quality tenants.

Dock and moorage assets at Fishermen's Terminal are all fairly new with the exception of the Northwest Dock, which is the oldest dock and now approaching thirty years old. Available shore power systems for the various sizes of boats set us apart from our competition. Over the next ten years, the capital plan for the entire Fishermen's Terminal property calls for up to \$90M in projects including the NW Dock improvements, Docks 3, 4, and 5 rehabilitation and corrosion protection to seawalls, Net Shed buildings roof replacements, and the Maritime Industrial Center west and central pier resurfacing. These projects are subject to the overall Port of Seattle capital plan funding priorities.

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

Fishing fleet homeport demand is expected to remain stable in 2018. Fishing, tug, and barge companies are making significant investments in vessel improvements and system upgrades. Other marine industrial moorage is expected to remain stable with moderate growth over time. The energy sector is driving change in maritime facilities as forward effort continues in oil exploration in north Alaska and as liquefied natural gas (LNG) for marine vessels becomes more prevalent in our region.

### **Grain**

The Pier 86 Grain Terminal handles corn and soy beans from the upper Midwest states. Despite its age, the terminal is still competitive for handling these grain commodities. The overall market projection is strong and our terminal should remain competitive and productive for the long term.

### **Maritime Habitat Initiatives**

Interest in Port-provided compensatory mitigation and natural resource damage (NRD) credits grew in 2017 and is expected to continue to grow as maritime properties get redeveloped and NRD claims are pursued. The Port completed one mitigation transaction in 2017 with Louis Dreyfus Company and has been in discussions with several other parties, including Miner's Landing, City of Seattle and King County.

### **Industrial Properties**

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

## **Shilshole Bay Marina**

The monthly moorage occupancy at Shilshole Bay Marina remains strong and finished at 94.6% for 2016. The occupancy was 2.4% lower than 2015, but this was a planned and intentional reduction that was accomplished by raising moorage rates. However, our moorage rates still remain competitive within the Seattle market. The continued high level of success is attributed to the marina's location, docks with good maneuverability and wide navigation channels, a strong and active liveaboard community, and strong customer focus.

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

Over the next five years, several marina improvements are planned or underway, including replacement of 1960's era restroom/shower/laundry buildings, repairs to utilities, parking lot pavement replacement, upgrading or replacing the 1962 fuel dock building and rehabilitation of two docks omitted from the 2006-2008 Dock Replacement Project. The commercial property occupancy rate at Shilshole Bay Marina is currently at 100%. The main focus throughout 2018 will be to retain existing tenants, continue to grow guest moorage and complete the restroom construction project.

## **CHALLENGES AND OPPORTUNITIES:**

### **Cruise Challenges**

- Controlling the cost of building, maintaining and operating terminals.
- Limited capital capacity for investment in cruise terminal modernization to support larger ships.
- Managing traffic congestion at Terminal 91.

### **Cruise Opportunities**

- Increased demand for Expedition Cruising and U.S. homeports.
- Customer interest in bringing larger cruise ships to homeport in Seattle.

### **Fishing and Commercial Challenges**

- Potential for further slow decline of the small fishing boat fleet (less than 40 feet) due to market conditions.
- Capturing the new business from the revitalized large commercial boat fleet is essential to remain the homeport of the North Pacific Fishing Fleet.
- Controlling the cost of building, maintaining and operating terminals.
- Small recreational boat owners are discouraged from taking moorage at Fishermen's Terminal when summer weather is poor.
- Future planning and capital investment in properties with aging infrastructure.
- Implementing energy conservation improvements to enhance operating efficiencies and retain customers.
- Adapting facilities and operations to meet dynamic regulatory environment.
- Attracting new maritime customers and vessel homeport bases within changing land use environment.

### **Fishing and Commercial Opportunities**

- Retaining business from commercial fishing customers who are recapitalizing their fleets.
- Continuing to grow recreational vessel fleet during off-season, as space allows.
- Promoting legislation to incentivise continued growth within the fishing and maritime industry.
- Establishing short term Transportation Worker Identification Credential (TWIC) berths.
- Attracting vessel homeport bases for seafood, tug and barge fleets.
- Asset acquisition to accommodate newly constructed larger fishing vessels.
- Acquiring/developing fishing related shore-side industries, such as fish meal processing, etc.

### **Grain Challenges and Opportunities**

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

### **Maritime Habitat Initiatives Challenges and Opportunities**

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

### **Recreational Marina Challenges**

- Retaining customers and facility availability during upcoming capital improvement projects including Seattle waterfront construction projects.
- Maintaining assets responsibly within the Port system while still controlling costs.
- Building the Shilshole multi-use service buildings (restrooms/showers/laundry) in a way that will meet the long term needs of our customers and increase moorage revenue streams.
- Finding new revenue streams.
- Balancing Port initiatives with operational work.
- Adapting facilities and operations to meet dynamic regulatory environment.
- Providing developmental opportunities to staff without reducing operational functionality.
- The potential for the law to interpret liveaboard ships as falling under the Landlord Tenant Act.

### **Recreational Marina Opportunities**

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

## **D. OPERATING BUDGET SUMMARY**

### **Background**

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

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

### **Assumptions**

The 2018 Maritime Division Budget is based on the following assumptions:

- Cruise forecasts 1,080,527 passengers, an increase of 3.1% from the 2017 budget, due to larger ship sizes.
- Grain volume is budgeted at 4.15 million metric tons based on forecast from tenant, an 11.6% increase from 2017 budget and 3.1% increase from 2017 year end forecast.
- Recreational Marina occupancy rate of 95%, consistent with 2017 Budget and year end forecast.
- Fishing and Commercial average occupancy rate of 86%, consistent with 2017 forecast and above 2017 budget of 84%.
- Commercial Building Properties target an occupancy of 95% or greater at year-end 2018, consistent with current results.
- Salaries and benefits are forecasted using the 2018 budget guidelines of a 3.4% increase to salaries and specified benefit fixed amount/percentage.
- Utility rates are based on applicable rate changes posted by Seattle Public Utility, Seattle City Light, Puget Sound Energy and other utility vendors, as applicable.

### **Operating Revenue**

- Overall Maritime Division Revenues are budgeted to increase by \$2.8 million or 5.4%.
- Cruise revenues will increase due to a 10% increase in passenger volumes as well as year over year rate increases in passenger fees and dockage.
- Bulk Terminals increase is based on feedback from Louis Dreyfus and internal trend analysis at Terminal 86.
- Maritime Portfolio Management revenue increase of 5.2% is driven by new and renewed leases and rate increases.
- Fishing and Operations revenues decrease in 2018 due to the expiration of WSDOT lease and elimination of some net shed lockers in coordination with the Fishermen's Terminal redevelopment work.
- Recreational Boating revenue is budgeted to increase overall due to stable occupancy and increased rates.

**Major Changes in 2018 Budget**

\$'s Thousands	2017 Budget	2018 Budget	18-'17 Bud Change	
			\$	%
<b>REVENUE</b>				
<b>Cruise Operations</b>	16,502	18,150	1,648	10.0%
<b>Bulk Terminals</b>	4,508	5,163	655	14.5%
<b>Maritime Portfolio Management</b>				
Marina Office & Retail	4,012	4,153	141	3.5%
Maritime Industrial	6,605	7,015	410	6.2%
<b>Fishing &amp; Operations</b>				
Fishing & Commercial	3,052	3,085	33	1.1%
Maritime Operations	6,069	5,303	-766	-12.6%
<b>Recreational Boating</b>				
Shilshole Bay Marina	10,284	10,813	529	5.1%
Other Marinas	796	1,353	557	70.0%
Parks	0	17	17	NA
<b>Operating Revenue</b>	<b>51,830</b>	<b>55,053</b>	<b>3,223</b>	<b>6.2%</b>
<b>Total Revenue</b>	<b>51,830</b>	<b>55,053</b>	<b>3,223</b>	<b>6.2%</b>

**Operating Expense Drivers**

Total Maritime Division operating expenses (including direct charges and allocations from Central Services and EDD services groups) are budgeted to increase by \$3.2 million or 6.2%. The change reflects the establishment of the Maritime Habitat Initiatives department and continued expansion of the Port Cruise Valet service. Additionally three new Full-Time Equivalent (FTE) staff were added at our recreational boating marinas to improve customer service related to facility maintenance, front desk wait times, and customer billing.

The full list of approved additions to the 2018 Budget, both baseline and non-recurring, are explained below in the context of the Problem/Need/Opportunity they are identified to address.

Problem/Need/Opportunity	Initiative, FTE, or One-Time Maintenance Work	2018 Budget Request		
		FTEs	Baseline	One-Time
<b>Cruise</b>				
Double the economic value of cruise traffic to Washington state	Port Valet Program - Baggage Service from airport for Cruise passengers to encourage shopping and exploration in the region before and after the cruise.			2,000,000
	Seattle Shuttle Pilot Program at Terminal 91			250,000
	Cruise Marketing Representative	1.0	100,000	100,000
	Cruise Facility Design Consultant			750,000
Address Pier 66 Cruise maintenance needs	Install Bollards around legs of YTD Gangway and new corner guards for Cruise terminal.			15,076
	Renew anodes on the fender panel pin piles.			35,000
<b>Cruise - Total</b>		<b>1.0</b>	<b>100,000</b>	<b>3,150,076</b>
<b>Recreational Boating</b>				
Improve customer service, turnaround times, and amenities at Shilshole Bay Marina	Customer Service Supervisor	1.0	90,000	90,000
	Harbor Asset Coordinator	1.0	68,000	68,000
	Harbor Accountant Business Analyst	1.0	75,000	75,000
	Contracted Janitorial Service			24,000
	Sea bins			20,000
	Install safety ladders & pile cap markers, refurbish G-Dock pilings, repair fuel dock building, remodel M-1 restrooms, re-landscape north parking lot islands, support customer and port efforts to develop parking plan, emergency PA and strobe light, and replace pedestal electric meters.			411,940
Improve features and extend facility life at Bell Harbor Marina	Replace Bell Harbor Marina sign, knuckle paint , extend deck waterlines to end of docks, and restroom refresh.			111,732
<b>Recreational Boating - Total</b>		<b>3.0</b>	<b>233,000</b>	<b>800,672</b>
<b>Other Maritime</b>				
Improve the marine habitat in the Puget Sound	Habitat Portfolio Program Manager	1.0	186,000	186,000
	Portfolio corrective actions.			50,000
	Portfolio planning services			55,000
	Umbrella mitigation banking agreement			85,000
	Carbon sequestration eelgrass study			100,000
	Carbon sequestration kelp and shellfish study			175,000
Address Fishing and Operations maintenance needs	P69 Dolphin removal			100,000
	Terminal 91 - Replace misc. damaged timber fender piles			70,000
Address Maritime Portfolio Management maintenance needs	Fishermen's Terminal - C-3 exterior paint & siding and batten repairs, C-15 central stair case re-flooring, paint C-15 building, C15 posts & bollards painting, C-10 siding repair on north and east side, and landscaping improvement into C-15 lot.			125,820
	Maritime Industrial Center - Replace windows in Tinman Space A-1 Bldg			24,640
	Terminal 91 - Pile cap repair and install bollards around manhole north of W40 bldg. at T-91			26,808
	Terminal 106 - Common area restroom ceiling refresh			3,528
Address Marine Maintenance shop needs	Create new enclosed office, build bathroom on pipe shop, and set up threader in G&S.			41,025
<b>Other Maritime - Total</b>		<b>1.0</b>	<b>186,000</b>	<b>1,042,821</b>
<b>Total Maritime Division</b>		<b>5.0</b>	<b>519,000</b>	<b>4,993,569</b>

**TABLE V-3: REVENUE BY ACCOUNT**

(in 000's)		2016	2017	2018	% Change
REVENUE BY ACCOUNT	Notes	Actual	Budget	Budget	2018 Bud - 2017 Bud
<b>Operating Revenue</b>					
Dckg, Whrfg, Serv/Facility, Passenger Fee		\$ 2,840	\$ 2,594	\$ 3,748	44.5%
Equipment Rental		269	305	295	-3.5%
Berthage & Moorage		12,412	13,371	14,480	8.3%
Parking Revenue		17	44	21	-52.8%
Revenue From Sale of Utilities		1,308	1,358	1,403	3.3%
Property Rental Revenue		22,549	22,843	23,067	1.0%
Other Revenues		1,556	978	1,596	63.2%
<b>Total Operating Revenue</b>	1	<b>\$ 40,951</b>	<b>\$ 41,493</b>	<b>\$ 44,610</b>	<b>7.5%</b>

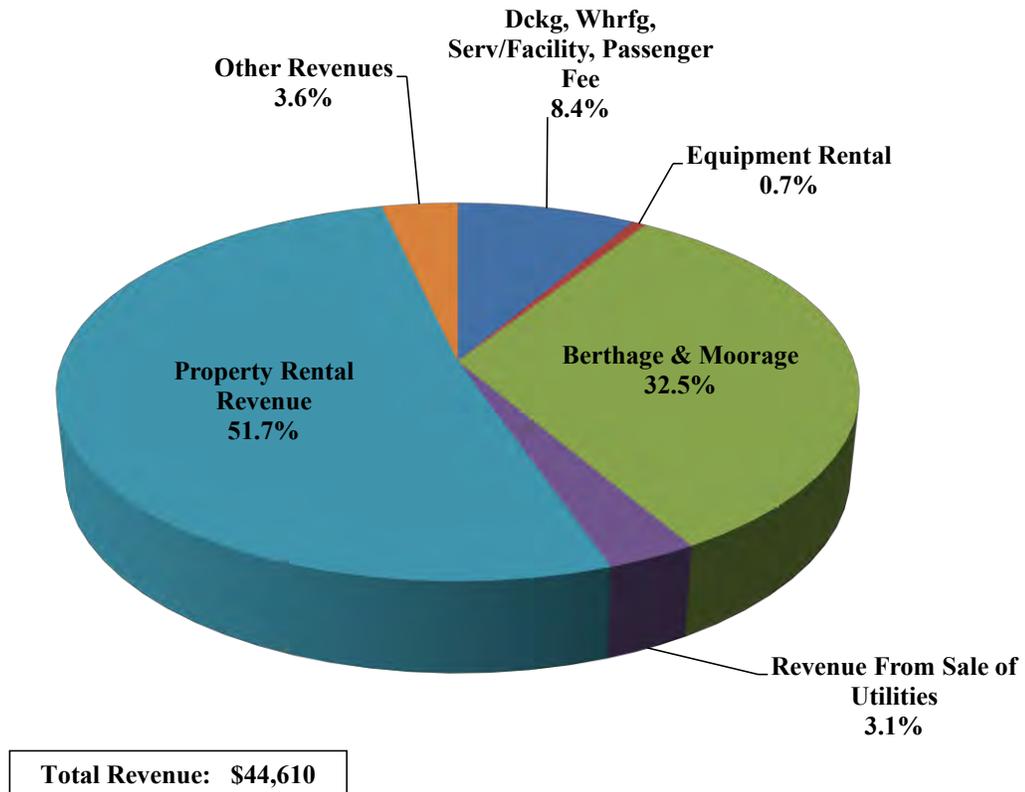
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Notes:

- 1) Revenue does not include allocations from other divisions.

**FIGURE V-3: MARITIME DIVISION REVENUE BY ACCOUNT**

(\$ in 000's)



**TABLE V-4: OPERATING AND MAINTENANCE EXPENSES BY ACCOUNT**

(\$ in 000's)		2016	2017	2018	% Change
EXPENSE BY ACCOUNT	Notes	Actual	Budget	Budget	2018 Bud - 2017 Bud
Salaries, Wages, Benefits & Workers Comp		\$ 19,508	\$ 23,648	\$ 23,977	1.4%
Equipment Expense		1,302	1,320	1,243	-5.8%
Utilities		3,465	3,527	3,776	7.1%
Supplies & Stock		1,502	1,594	1,930	21.1%
Outside Services		3,104	3,613	6,463	78.9%
Travel & Other Employee Expenses		249	353	448	26.9%
Promotional Expenses		114	336	279	-17.0%
Other Expenses		1,370	1,178	1,208	2.5%
<b>Total O&amp;M without Environmental</b>		<b>30,615</b>	<b>35,569</b>	<b>39,325</b>	<b>10.6%</b>
Environmental Remediation Liability Expense		115	-	-	0.0%
<b>Total O&amp;M with Environmental</b>		<b>30,731</b>	<b>35,569</b>	<b>39,325</b>	<b>10.6%</b>
Charges to Capital/Govt/Envrs Projects		(1,212)	(1,238)	(1,425)	15.1%
<b>Total Budgeted Operating Expense</b>	1	<b>\$ 29,519</b>	<b>\$ 34,331</b>	<b>\$ 37,900</b>	<b>10.4%</b>

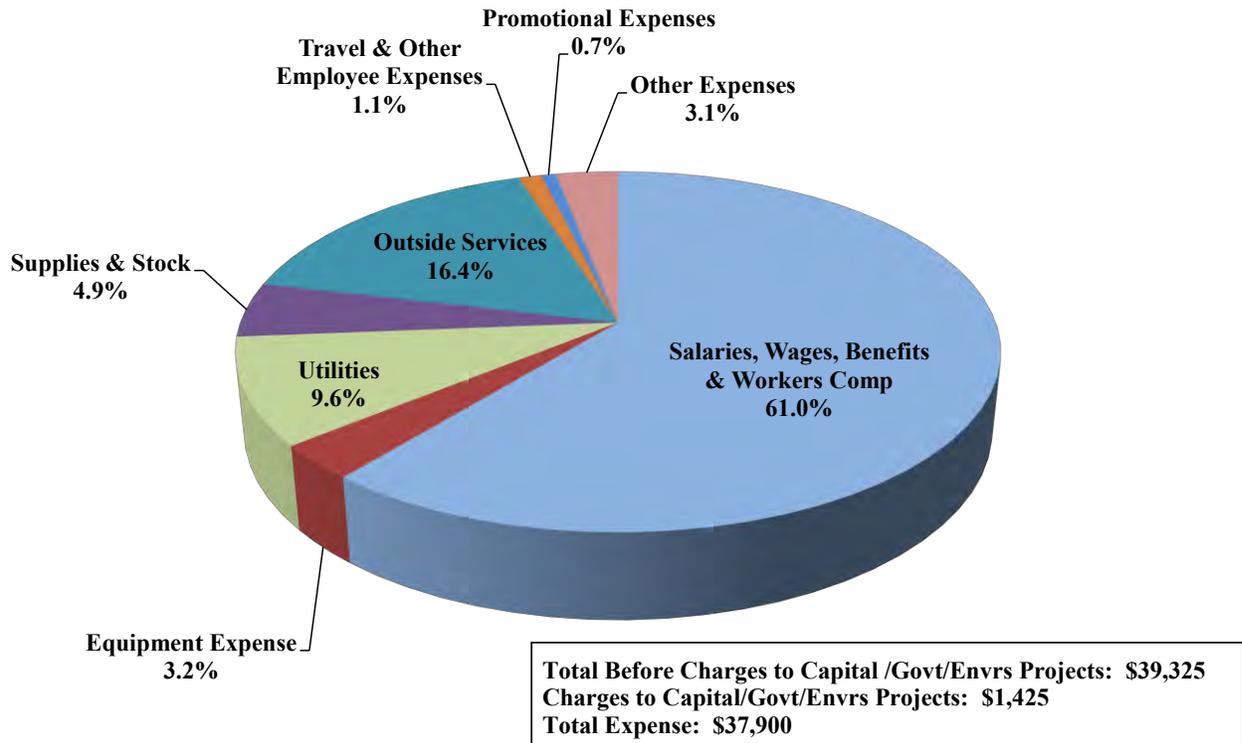
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Notes:

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

**FIGURE V-4: MARITIME DIVISION EXPENSE BY ACCOUNT**

(\$ in 000's)



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

	(\$ in 000's)				
<b>BY BUSINESS GROUP/DEPARTMENT</b>	<b>Notes</b>	<b>2016 Actual</b>	<b>2017 Budget</b>	<b>2018 Budget</b>	<b>% Change 2018 Bud - 2017 Bud</b>
<b>REVENUE</b>					
Fishing & Operations		\$ 8,983	\$ 9,068	\$ 8,325	-8.2%
Recreational Boating		10,253	11,077	12,157	9.8%
Cruise Operations		15,355	16,459	17,985	9.3%
Bulk Terminals		5,358	4,506	5,161	14.5%
Marine Maintenance		1,001	383	982	156.3%
<b>Total Operating Revenue</b>		<b>40,951</b>	<b>41,493</b>	<b>44,610</b>	<b>7.5%</b>
<b>EXPENSES BEFORE CHARGES TO CAP/GOVT/ENVRs PROJECTS</b>					
<b>Business Groups:</b>					
Fishing & Operations		4,209	4,676	4,992	6.8%
Recreational Boating		2,913	3,346	4,220	26.1%
Cruise Operations		2,584	3,660	5,603	53.1%
Bulk Terminals		75	64	74	16.1%
<b>Total Business Group Expense</b>		<b>9,780</b>	<b>11,745</b>	<b>14,889</b>	<b>26.8%</b>
<b>Service Depts.:</b>					
Maritime Marketing		353	484	408	-15.8%
Marine Maintenance		19,804	22,626	22,651	0.1%
<b>Other</b>					
Maritime Administration		484	534	515	-3.5%
Maritime Contingency		-	-	-	
Parks		190	180	150	-16.6%
Maritime Habitat Initiatives		-	-	711	
Maritime Environmental Remediation Liability Expense		115	-	-	
Maritime Capital to Expense		3	-	-	
<b>Total Services Expense</b>		<b>20,950</b>	<b>23,824</b>	<b>24,436</b>	<b>2.6%</b>
<b>Total Expenses Before Charges to Cap/Govt /Envrs Projects</b>		<b>30,731</b>	<b>35,569</b>	<b>39,325</b>	<b>10.6%</b>
<b>CHARGES TO CAPITAL/ GOVT /ENVRs PROJECTS</b>					
		<b>(1,212)</b>	<b>(1,238)</b>	<b>(1,425)</b>	<b>15.1%</b>
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>					
<b>Business Groups:</b>					
Fishing & Operations		4,209	4,676	4,992	6.8%
Recreational Boating		2,913	3,346	4,220	26.1%
Cruise Operations		2,584	3,660	5,603	53.1%
Bulk Terminals		75	64	74	16.1%
<b>Total Business Group Expense</b>		<b>9,780</b>	<b>11,745</b>	<b>14,889</b>	<b>26.8%</b>
<b>Service Depts.:</b>					
Maritime Marketing		353	484	408	-15.8%
Marine Maintenance		18,582	21,388	21,226	-0.8%
<b>Other</b>					
Maritime Administration		484	534	515	-3.5%
Maritime Contingency		-	-	-	
Parks		190	180	150	-16.6%
Maritime Habitat Initiatives		-	-	711	
Maritime Environmental Remediation Liability Expense		115	-	-	
Maritime Capital to Expense		13	-	-	
<b>Total Services Expense</b>		<b>19,738</b>	<b>22,586</b>	<b>23,011</b>	<b>1.9%</b>
<b>Total Operating Expense</b>	1	<b>\$ 29,519</b>	<b>\$ 34,331</b>	<b>\$ 37,900</b>	<b>10.4%</b>

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Notes:

1) Expenses do not include Central Services allocations.

**E. STAFFING**

Maritime Division is comprised of four major business groups: Cruise Operations, Fishing and Commercial Operations, Grain and Recreational Marinas. It also comprises of several service groups which includes Marine Maintenance, Maritime Habitat Initiatives, the Stormwater Utility and support from four Centers of Expertise: Environment and Sustainability, Finance & Budget, Security Preparedness and Real Estate Management. The Maritime Division is budgeting 171.0 FTEs for 2018 which is 8.7 FTEs higher than the 2017 budget.

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

**TABLE V-6: MARITIME DIVISION STAFFING**

<b>STAFFING</b> (Full-Time Equivalent Positions)						
<b>BUSINESS GROUP/DEPARTMENT</b>	<b>Notes</b>	<b>2016 Actual</b>	<b>2017 Budget</b>	<b>2017 Est. Act.</b>	<b>2018 Budget</b>	<b>% Change 2018 Bud - 2017 Bud</b>
<b>Business Groups:</b>						
Habitat	1				1.0	-93.8%
Fishing & Operations (FO)		15.0	16.3	16.3	16.3	0.0%
Cruise Operations (CO)	2	4.0	5.5	6.5	6.5	18.2%
Recreational Boating (RB)	3	17.0	19.0	19.0	24.8	30.3%
Stormwater Utility*		1.0	1.0	1.0	1.0	0.0%
<b>Total Business Groups</b>		<b>37.0</b>	<b>41.8</b>	<b>42.8</b>	<b>49.5</b>	<b>18.6%</b>
<b>Service Departments:</b>						
Maritime Marketing		2.0	2.3	2.3	2.3	0.0%
Marine Maintenance	4	116.8	116.0	117.0	117.0	0.9%
<b>Total Service Departments</b>		<b>118.8</b>	<b>118.3</b>	<b>119.3</b>	<b>119.3</b>	<b>0.8%</b>
<b>Other</b>						
Maritime Administration		2.0	2.3	2.3	2.3	0.0%
<b>TOTAL MARITIME DIVISION</b>		<b>157.8</b>	<b>162.3</b>	<b>164.3</b>	<b>171.0</b>	<b>5.4%</b>

FTE.XLS

Notes:

- 1) Maritime Environmental transferred a position to Habitat.
  - 2) Cruise Operations added a Cruise Marketing Representative.
  - 3) Recreational Boating added 5.8 FTEs - a) Harbor Asset Coordinator, b) Customer Service Supervisor, c) a Harbor Accountant Business Analyst, d) 2 FTEs for Salmon Bay Marina - a Coordinator and a Specialist, and eliminated a .3 Intern.
  - 4) Marine Maintenance added a Materials & Inventory Specialist during 2017.
- \* Includes Stormwater Utility FTE within Maritime.

**F. MARITIME CAPITAL BUDGET**

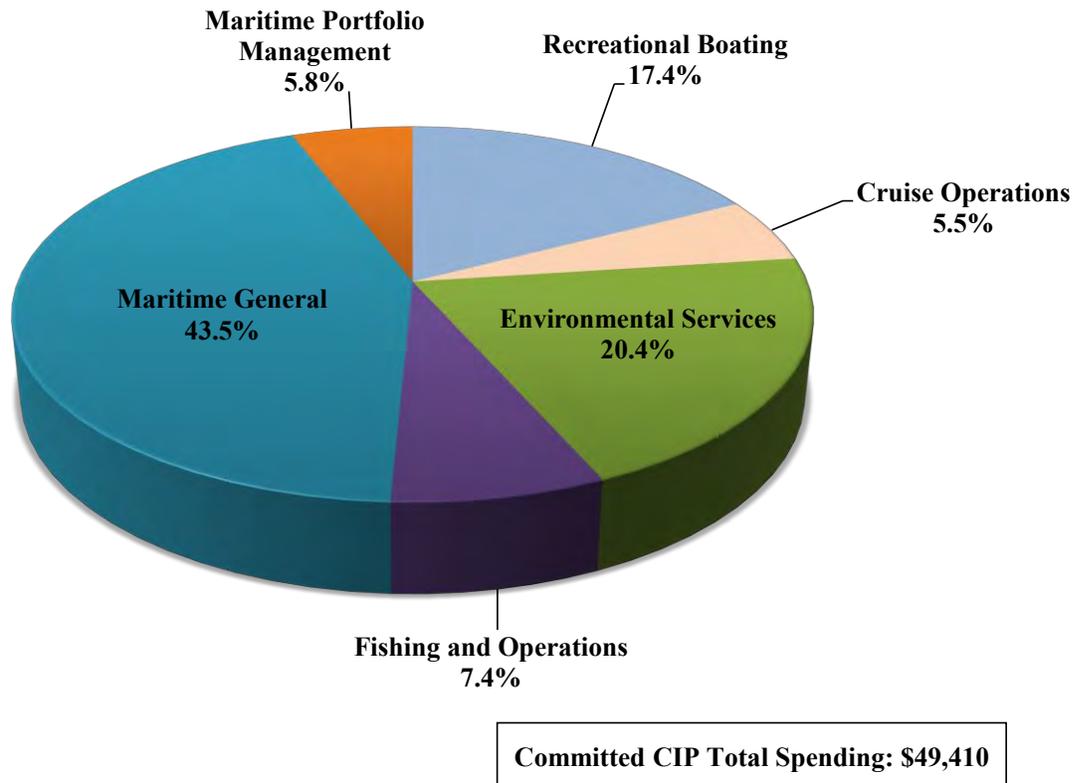
**TABLE V-7: MARITIME DIVISION CAPITAL BUDGET SUMMARY**

(\$ in 000's)	<b>2018 Budget</b>	<b>2018-2022 CIP</b>	<b>% of 2018 Total Committed</b>
<b>Committed Capital Projects</b>			
Recreational Boating	\$8,590	\$8,990	17.4%
Cruise Operations	2,736	2,979	5.5%
Environmental Services	10,100	18,848	20.4%
Fishing and Operations	3,645	3,645	7.4%
Maritime General	21,486	46,778	43.5%
Maritime Portfolio Management	2,853	35,148	5.8%
<b>Total Committed</b>	<b>\$49,410</b>	<b>\$116,388</b>	<b>100.0%</b>
<b>Business Plan Prospective Projects</b>	<b>\$5,580</b>	<b>\$42,409</b>	
<b>Total CIP</b>	<b>\$54,990</b>	<b>\$158,797</b>	

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**FIGURE V-5: MARITIME DIVISION COMMITTED CAPITAL BUDGET**

(\$ in 000's)



**G. MARITIME DIVISION OPERATING STATISTICS**

**TABLE V-8: MARITIME DIVISION OPERATING STATISTICS**

Year	Cruise Ship Sailings		Cruise Passengers		Grain	
	Number	Growth	Number	Growth	Metric tons	Growth
2003	99		344,922		3,107,732	
2004	148	49.5%	562,308	63.0%	3,898,491	25.4%
2005	169	14.2%	686,978	22.2%	5,049,107	29.5%
2006	196	16.0%	751,074	9.3%	5,901,821	16.9%
2007	190	-3.1%	780,593	3.9%	5,333,018	-9.6%
2008	210	10.5%	886,039	13.5%	6,400,778	20.0%
2009	218	3.8%	875,433	-1.2%	5,512,164	-13.9%
2010	223	2.3%	931,698	6.4%	5,491,360	-0.4%
2011	195	-12.6%	885,949	-4.9%	5,026,868	-8.5%
2012	202	3.6%	935,000	5.5%	3,161,013	-37.1%
2013	187	-7.4%	870,994	-6.8%	1,351,417	-57.2%
2014	179	-4.3%	823,780	-5.4%	3,618,489	167.8%
2015	192	7.3%	895,055	8.7%	3,778,476	4.4%
2016	203	5.7%	983,539	9.9%	4,389,089	16.2%
2017 Budget	216	12.5%	1,047,760	17.1%	3,720,000	-1.5%
2017 Forecast	217	13.0%	1,047,760	17.1%	4,026,774	6.6%
2018 Budget	217	0.0%	1,080,527	3.1%	4,150,000	3.1%

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**ECONOMIC DEVELOPMENT DIVISION**

**A. 2018 BUDGET SUMMARY**

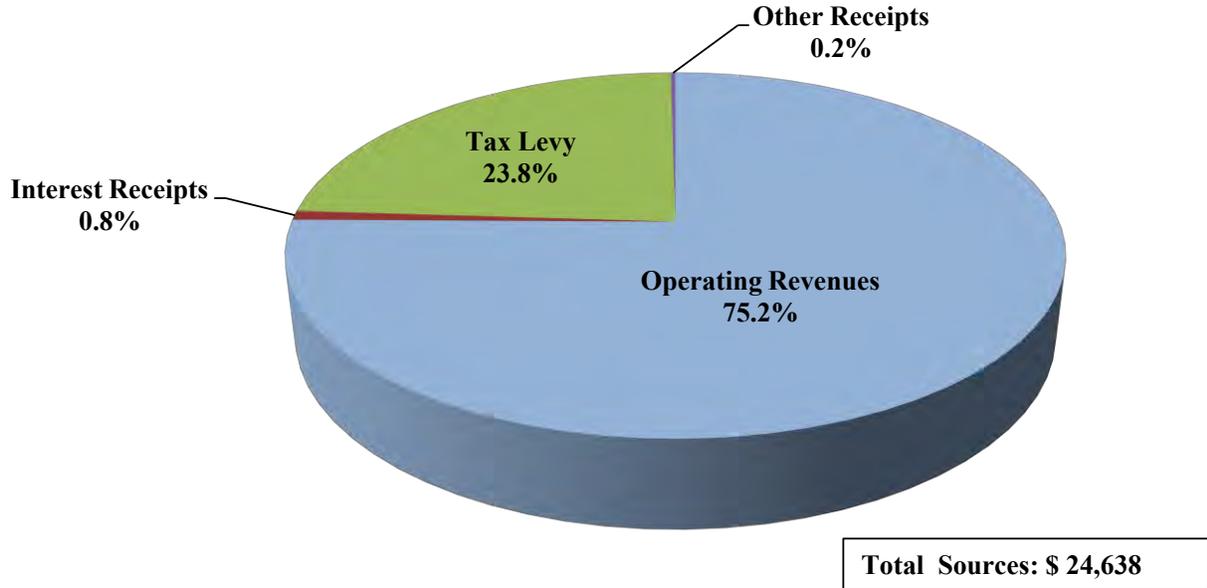
**TABLE VI-1: 2018 CASHFLOW SUMMARY**

(\$ in 000's)	<u>2018</u>	<u>Percent of Total</u>
<b><u>SOURCES OF CASH</u></b>		
Operating Revenues	\$ 18,522	75.2%
Interest Receipts	197	0.8%
Proceeds from Bond Issues	-	0.0%
Grants and Capital Contributions	-	0.0%
Tax Levy	5,862	23.8%
Other Receipts	56	0.2%
<b>Total</b>	<b>\$ 24,638</b>	<b>100%</b>
<b><u>USES OF CASH</u></b>		
<b>Expenses from Operations:</b>		
Total Operating Expenses	28,751	74.2%
<b>Debt Service:</b>		
Interest Payments	590	1.5%
Bond Redemptions	<u>0</u>	<u>0.0%</u>
Total Debt Service	590	1.5%
Other Expenses	242	0.6%
Public Expense	-	0.0%
Capital Expenditures	<u>9,178</u>	<u>23.7%</u>
<b>Total</b>	<b>\$ 38,761</b>	<b>100%</b>

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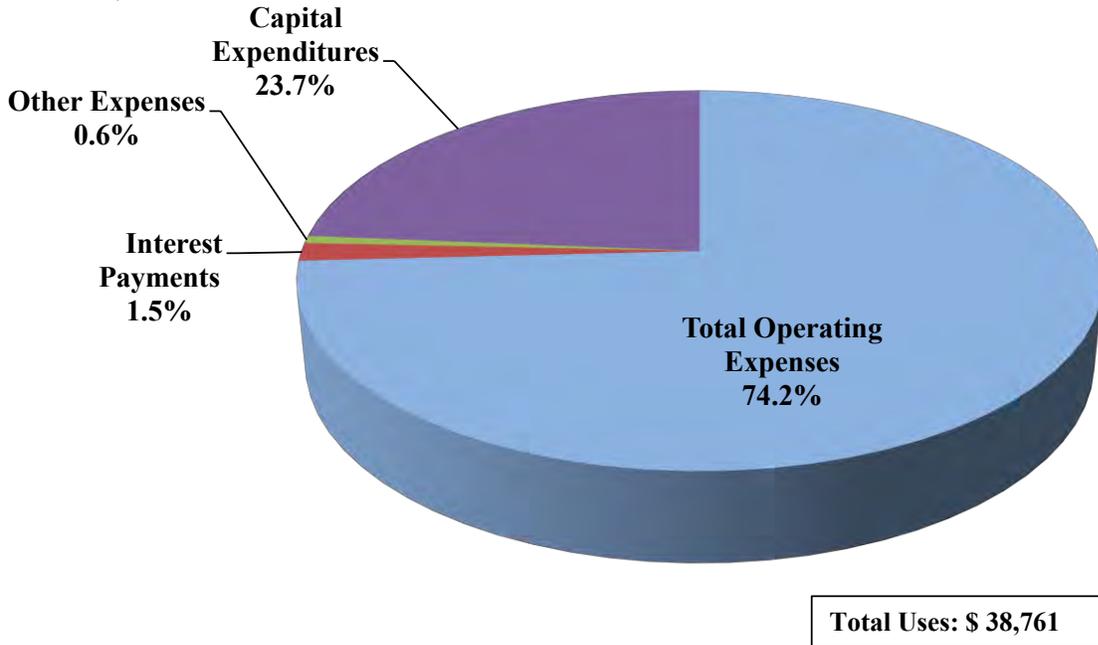
**FIGURE VI-1: SOURCES OF CASH**

(\$ in 000's)



**FIGURE VI-2: USES OF CASH**

(\$ in 000's)



**B. FINANCIAL FORECAST**

**TABLE VI-2: FINANCIAL FORECAST**

OPERATING BUDGET	Notes	Budget 2017	Budget 2018	Forecast				Compound Growth 2018 - 2022
				2019	2020	2021	2022	
Operating Revenue		\$ 16,030	\$ 18,522	\$ 15,759	\$ 19,489	\$ 20,579	\$ 22,682	5.2%
<b>Total Operating Revenues</b>		<b>\$ 16,030</b>	<b>\$ 18,522</b>	<b>\$ 15,759</b>	<b>\$ 19,489</b>	<b>\$ 20,579</b>	<b>\$ 22,682</b>	<b>5.2%</b>
<b>Total Operating Expense</b>		<b>29,069</b>	<b>28,751</b>	<b>27,658</b>	<b>30,957</b>	<b>32,165</b>	<b>33,316</b>	<b>3.8%</b>
<b>Net Operating Income Before Depreciation</b>		<b>(13,039)</b>	<b>(10,229)</b>	<b>(11,899)</b>	<b>(11,469)</b>	<b>(11,586)</b>	<b>(10,634)</b>	<b>-1.0%</b>
Total Depreciation Expense		3,854	4,156					
<b>Net Operating Income After Depreciation</b>		<b>\$ (16,893)</b>	<b>\$ (14,385)</b>					
								<b>Total 2018 - 2022</b>
<b>Committed Capital Budget</b>		\$ 7,765	\$ 5,438	\$ 10,081	\$ 19,100	\$ 4,080	\$ 4,080	\$ 42,779
<b>Business Plan Prospective</b>		8,185	3,740	6,898	3,800	4,500	3,100	22,038
<b>TOTAL CIP</b>	1	<b>\$ 15,950</b>	<b>\$ 9,178</b>	<b>\$ 16,979</b>	<b>\$ 22,900</b>	<b>\$ 8,580</b>	<b>\$ 7,180</b>	<b>\$ 64,817</b>

edbpfor.xlsx

Notes:

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

**C. ECONOMIC DEVELOPMENT DIVISION**

**MISSION:**

To implement the Port of Seattle’s Century Agenda creating quality jobs and driving economic prosperity throughout Washington State.

**VISION:**

The Economic Development Division will implement initiatives that position the King County region for economic success:

- Organize and implement targeted efforts to raise the Port’s and the region’s image as a business location.
- Develop real estate projects that trigger public/private investment and job creation.
- Identify incubator and economic development projects where the Port’s investment could trigger public/private investment, job creation, and return short and long term value to Port of Seattle operations.
- Implement workforce development projects that support the Port’s key sectors (e.g. Aviation, Marine, Goods Movement, Manufacturing, and Construction).
- Increase international visitor traffic to the region through targeted tourism promotions.
- Support and develop small business enterprises that can partner with the Port on public works projects, concession operations and other services.

The Division also manages many of the Port’s key properties including our Pier 69 Headquarters.

The Port is already recognized as a significant driver of regional economic growth but does not have a franchise on economic development and cannot meet the Century Agenda goals unless it works effectively with public and private partners in King County and throughout Washington State.

**MAJOR/NEW INITIATIVES:**

The Economic Development Division will implement the following new or expanded initiatives in 2018:

- Economic Development Partnership Grant Program – provides King County cities with funding to support economic development projects in their communities.
- Implementation of the Port’s Real Estate Strategic Plan to directly support Century Agenda goals through development and investment in the Port’s properties.
- Renewed funding for the Cooperative Tourism Promotion Program which provides funding to local communities and non-profits for promotion of tourist destinations to visitors using airport, cruise terminals, and/or marinas.
- Expanded High School Career Exploration and Intern Program.
- Integrate Women and Minority Business Enterprise programs into the small business procurement process.
- Continued Workforce Development Programs, including Airport Career Pathways and Maritime Industrial Workforce Development.

**DIVISION DESCRIPTION:**

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

**Real Estate Development & Planning**

Real Estate Development & Planning plans and facilitates the development of selected real estate assets currently within its own portfolio and provides development expertise and support to the Maritime and Aviation Divisions. The team also identifies and evaluates new opportunities outside the Port’s current portfolio and completes other transactions related to Port assets.

**Portfolio & Asset Management**

Portfolio & Asset Management leases, markets, and manages the Division’s portfolio of conference, office, retail, commercial, and industrial properties and works to enhance the value of the Division’s assets through strategic asset planning and repositioning. Portfolio & Asset Management is organized into three groups:

**Central Harbor Management Group**

Central Harbor Management Group manages markets, leases and plans for Economic Development Division assets located from Terminal 91 to Pier 2/CEM in West Seattle. This includes various retail, office and industrial properties, and the conference and event centers.

**Lease Administration & Utilities Group**

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

**Foreign Trade Zone**

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

**Small Business**

The Small Business Program supports economic development efforts in the communities we serve and programs helps ensure that port activities are conducted within a framework of equity, inclusion and equal access to economic opportunity.

### **Workforce Development**

The Port's workforce development initiatives provide a roadmap and overarching principles to strengthen the Port's key sectors by ensuring they enjoy a robust talent pipeline. They also leverage the Port's leadership and influence to create high quality jobs, increase access to good jobs, as well as to support career advancement, and expand incomes and shared prosperity for our community.

### **Tourism Development**

The Port's tourism development and promotion program began over thirty years ago. Our marketing efforts include supporting tourism promotion in five key direct flight overseas markets (Japan, China, UK, France and Germany) with a focused effort to increase cruise expenditures in the Pacific Northwest, granting funding to regional destination marketing organizations which will increase visitors' awareness and use of the Port's visitor properties (Sea-Tac airport, cruise terminals and marinas).

### **Pier 69 Facilities Management**

Pier 69 Facilities Management ensures functionality of Port Headquarters by integrating people, place, process, and technology. Operations include reception, motor pool, mailroom, shipping & receiving, conference center, and Clipper Café.

### **INDUSTRY ASSESSMENT:**

#### **Local Real Estate Market:**

##### **Industrial:**

The local industrial real estate market remains strong but growth appears to be slowing. According to Co-Star second quarter 2017 market report, Seattle's industrial market should see average growth over the foreseeable future as new supply still meets growing demand, bringing the overall market to equilibrium. Rental rates increased modestly quarter over quarter and may level off in the next 12 to 18 months as new supply hits the market to meet demand. The vacancy rate has increased to 5.2% market wide, from 4.6% in the second quarter of 2017. In the Southend Puget Sound which includes Kent Valley and most of the airport market, the vacancy rate has increased to 6.5%. The Seattle Downtown industrial vacancy has stayed the same at 1.7%.

##### **Commercial:**

The local commercial real estate market continues to be dominated by the technology industry, which accounts for 90% of preleases and more than 60% of tenants currently in the market. According to Co-Star, the Seattle/Puget Sound Office market ended the second quarter of 2017 with a vacancy rate of 7.8%. Throughout 2018, vacancy will hold steady or slightly increase as new construction begins to deliver. Global tech companies continue their expansion into the Puget Sound market – growing head count, expanding operations and absorbing large blocks of space.

##### **Tourism:**

Tourism is the state's fourth-largest export industry according to Gross Domestic Product (GDP) produced, following software, aerospace and agriculture and processed food. Visitors to Washington State in 2015 spent \$20.7 billion and generated \$1.8 billion in local and state tax revenues. Travel and tourism supported more than 170,500 jobs and generated earnings (payroll) in excess of \$5 billion in our state. According to the US Travel Association, international visitors spend an average of 5 times more than domestic travelers—which makes international tourism a very lucrative market.

**BUSINESS ASSESSMENT:**

**PORTFOLIO & ASSET MANAGEMENT**

**Leasing and Marketing:**

The occupancy level of our Commercial Properties is currently at more than 97% compared to a broader Seattle market occupancy of approximately 93%. We expect leasing activity to remain stable with current economic conditions but will continue to wrestle with local challenges (e.g. transportation infrastructure projects) on the Central Waterfront and Duwamish. Corresponding increases in leasing activity are expected in most other submarkets.

**Operations and Maintenance:**

The commercial real estate industry's focus on energy efficiency has resulted in a downward trend in total operating expenses with approximately two-thirds of the savings achieved in the utility category, underscoring an industry focus on maximizing building efficiency.

A large portion of the operations and maintenance services related to the portfolio are provided through the Marine Maintenance Department. Our teams will continue to work together to improve operating efficiencies, to reduce environmental impact, to budget appropriately, and to manage our expenses in order to maintain and improve the value of our portfolio of real estate assets.

**Capital Investments/Improvements:**

By the end of 2017, the Portfolio and Asset Management team is expected to have overseen roughly \$8.4 million in capital investments being made in the commercial and hospitality properties. Investments will be reflected in sustained existing revenues and improved operating efficiencies intended to position the properties for improving market conditions and opportunity for additional revenue.

**SMALL BUSINESS DEVELOPMENT**

The Economic Development Division's Small Business Program implements outreach and training initiatives to ensure small and disadvantaged businesses have the resources they need to successfully secure Port contracting opportunities. The Port of Seattle's Small Business Program will also work to develop incubators that provide space and entrepreneurial support for Port cluster industries.

**WORKFORCE DEVELOPMENT**

The port sectors supported by Port investments in the areas of small business participation and workforce development (Airport, Maritime and Construction) have rebounded from the recession. Prime businesses are seeking our support to find qualified small businesses as sub-contractors and qualified employees and job-seekers to support their operations, in particular at the airport. The Port has embarked on a major construction program at Sea-Tac Airport, which will provide many opportunities for small businesses and will create jobs for the regional community members.

**REAL ESTATE PLANNING & DEVELOPMENT**

The group's strength lies in a relatively well-located portfolio of underutilized sites in Seattle and areas surrounding the airport. This is particularly significant given the increasingly smaller supply of close-in, well-served industrial land available for development. The real estate portfolio is one of the Economic Development Division's best means of increasing revenue and related job creation. Disposition of the portfolio, however, will require a careful balancing of both financial and the non-financial objectives described in the Century Agenda and applying both a short and long-term filter to potential transactions.

## **TOURISM DEVELOPMENT**

International visitors are “high value”, as they spend more time and more money on vacation than domestic travelers. These “long-haul” travelers typically have up to 3 weeks of vacation, and often visit multiple destinations in one trip. This focus is a successful niche for us, generating multiple international media stories and earning a “Port of the Year” designation from a German cruise publication. The Tourism department will continue to identify means to educate and inform domestic and international cruise offices, tour operators and retail travel agents about cruising from Alaska and pre/post stay extensions in Seattle and the Pacific Northwest that will increase awareness and interest in Seattle as a great cruise and visitor destination.

## **CHALLENGES AND OPPORTUNITIES:**

### **PORTFOLIO & ASSET MANAGEMENT**

#### **Commercial Properties**

##### **Challenges:**

- Having experienced high vacancy rates over an extended period, during the last recession, landlords of commercial real estate will continue to aggressively pursue tenants looking for commercial space. Well-positioned and maintained properties that offer attractive amenity packages more readily benefit from improving market conditions.
- Compliance with legal, financial and regulatory aspects of public entity ownership of real property can result in having a less competitive edge than the private sector in the commercial real estate market (contracting procedures, security deposit requirements, and limited flexibility in negotiations). This is likely to be reflected in achievable lease rates at the lower end of the market range and/or lengthier vacancies through missed opportunities.
- Locations of several properties within the portfolio provide only limited amenities such as public transportation, shopping, dining, walking trails, etc.
- Updating and refurbishing aging infrastructure will require forward planning and capital investment.
- Improving operating efficiencies in properties with aging infrastructure and implementing energy conservation improvements will involve forward planning and capital investment.
- There continues to be concern with local businesses that will be affected by the Alaskan Way Seawall and the upcoming Viaduct Removal Project. Perception in the market is that the disruption from the ongoing work currently underway on the waterfront will continue to negatively affect businesses along the entire waterfront for the next several years with the following potential impacts.
  - Loss of traffic capacity and parking, commute time congestion
  - Walking access is constrained, impacting tourist activity
  - Customer, public, employee and supplier access to businesses are restricted and congested
  - Negative impact to seasonal business volume from both the physical and perceptual blockages
  - Negative impact of construction activity (i.e., noise, congestion, muck)
  - Loss of key infrastructure on the waterfront that serve the public and customer needs
  - Potential tenant’s employee access to waterfront office space may be impeded
  - Limited shopping, activities, and dining choices for employees of potential office tenants
  - Public and potential tenants may likely avoid the waterfront altogether
  - No public transportation along Alaskan Way
  - Northwest Seaport Alliance and Surface Water Utility both present potential for many system configuration challenges, changes to various reports, SharePoint workflow design, and support staff assignments. Until more detail has been developed, we are proceeding to analyze the most likely outcomes in order to be prepared for implementation in a timely manner when the organization structures have been finalized.

**Opportunities:**

- The current real estate market has recovered and is expected to continue to provide new opportunities for additional revenue.

**Conference & Event Centers**

**Challenges:**

- Hotel room supply – Seattle is an increasingly popular destination and hotel room supply is currently down thereby limiting the ability to leverage good rates for out of town conference business.
- Increasingly short lead times in the market – There is a continuing trend toward “just-in-time” event planning and the shortening of lead time for events creates challenges in forecasting and logistics.
- Aging facilities - Updating and refurbishing aging infrastructure will require forward planning and capital investment.
- Competitive market – New and refurbished events spaces are currently in development, offering more space, flexibility and modern amenities. A number of event space venues have recently opened or have been remodeled recently (the Motif, the (Marriott) Renaissance Hotel, the Westin Hotel, the Chihuly Garden and Glass, the Conference Center at the Washington State Convention Center, and MOHAI).
- Schedule conflicts - Cruise activity and departure times often conflict with opportunities for planned events and has a negative impact on event opportunities.
- Parking capacity at Pier 91, Smith Cove Conference and Event Center, is very limited and inconveniently located. Also, transportation options to the site are limited.

**Opportunities:**

- Continued Investment – The rebuilding of the Seattle Waterfront over the next few years presents a distinct opportunity to leverage historical success and iconic heritage to update and refresh the Bell Harbor International Conference and Event Center, the Maritime Event Center and the World Trade Center Seattle in anticipation of renewed regional and international interest.
- Leveraging Paul Schell Center – The renaming of Bell Street Pier provides another opportunity to leverage on ongoing investment in the facilities at Pier 66. Additionally, renaming the entire complex at Pier 66 would also greatly enhance the visibility and search profile of the Conference Center and the cruise terminal.

**SMALL BUSINESS DEVELOPMENT**

**Challenges:**

- How best to respond to the under-representation of minority and women in port contracting, as documented by the 2014 disparity study.
- How to ensure the accurate collection, tracking and reporting of participation by ethnicity in Port business opportunities.
- How to determine transparent, fair and most effective changes to procurement policy and processes to create more opportunities for Minority, Woman, Disadvantage Business Enterprise and Small Business Enterprise firms.
- Reduce internal perceived barriers towards small businesses (i.e. “they can’t perform”, “they are not big enough”, “this is specialized work”, “too risky”).
- Encourage firms to get MWBE businesses certifications.

**Opportunities:**

- Updating the Port’s small business resolution 3618 to add inclusion of women and minority participation goals, thus ensuring a more inclusive program.

- Collecting, tracking and reporting of small business/ethnicity information as part of the small business reports.
- Expanding training programs for small business interested in contracting with the Port.
- Creation of Incubators that support Port sectors:
  - Construction Trades
  - Maritime
  - Food Manufacturing

## **WORKFORCE DEVELOPMENT**

### **Challenges:**

- How to maximize the Port’s legislative authority and funding available for workforce development.
- How best to identify other sources of Expansion Funds – Levy, General Fund, Tenant Charges, Contractor Labor Hour Charges.
- Draft resolutions needed to support/enable new strategy.
- How to support the Commission’s Quality Jobs Strategy.

### **Opportunities:**

- The Port Commission has publicly expressed an interest in the expansion of the workforce development strategy.
- The Interim Executive Director has expressed support in continued Port investments and in the program expansion.
- Source(s) of Expansion Funds – Levy, General Fund, Tenant Charges, Contractor Labor Hour Charges.
- Resolution as needed to support/enable new strategy.
- Quality Jobs – implementation, enforcement, and impact measurement.

## **TOURISM DEVELOPMENT**

### **Challenges:**

- Port of Seattle and Visit Seattle’s agreement calls for both organizations to work collaboratively and cooperatively in promoting the area in selected international markets that have the opportunity to grow leisure visitation. We will collaboratively work to reach consensus with respect to expansion in 2018.

### **Opportunities:**

- Build on “cruise-and-stay program” by investing in joint promotions with cruise lines and tour agencies, and target cruise media for coverage, focusing on the United Kingdom, Europe, and Asia as top cruising markets in the world.
- Develop, build and re-invigorate off-season programming for targeted international markets, partner with top-producing tour agencies and key media for promotion.

## **D. ECONOMIC DEVELOPMENT OPERATING BUDGET SUMMARY**

### **Background**

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

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

**Assumptions**

The 2018 Economic Development Division Budget is based on the following assumptions:

- Commercial properties are expected to remain at 95% or greater occupancy at year-end 2018, consistent with a forecasted occupancy of more than 95% at year-end 2017.
- Conference and Event Center revenues are budgeted to be 11% higher than 2017 Budget due to reduced construction at Pier 66.
- Economic Development Partnership and Tourism Grants are expected to continue.
- Salaries and benefits were forecasted using the 2018 Budget guidelines of a 3.4% increase to salaries and specified benefit fixed amount/percentage.
- Utility rate increases were based on applicable rate changes posted by Seattle Public Utility, Seattle City Light, Puget Sound Energy and other utility vendors as applicable.

**Major Changes in 2018 Budget**

The 2018 budget reflects continued expenditures for the Economic Development Partnership Grant Program with King County cities and funding for the Cooperative Tourism Promotion Program with local communities and non-profits.

Funding for implementation of WMBE (Women and Minority Business Enterprise) program including one new FTE and expansion of the Construction Business Incubator for the Small Business department is included in the 2018 budget.

The 2018 budget also reflects higher revenue and expenses expected from the Bell Harbor International Conference Center over the 2017 Budget.

**Operating Revenue**

Economic Development Division Operating Revenues are budgeted to increase by \$2.5 million or 15.5% compared to the 2017 budget. Overall, Portfolio & Asset Management’s revenues are up due to higher activity at the Conference & Event Centers from reduced construction at the Cruise terminal and higher revenue from the Central Harbor Management Group is expected primarily due to higher occupancy at the Harbor Marina Corporate Center at T-102 and new yard leases at T-115 and T-108.

S's in 000's	2017	2018	'18-'17 Budget Chg	
	Budget	Budget	\$	%
<b>Revenue</b>				
Portfolio & Asset Management	16,028	18,518	2,490	15.5%
<i>Central Harbor Mgmt Group</i>	8,055	8,951	896	11.1%
<i>Conference &amp; Event Centers</i>	7,943	9,537	1,594	20.1%
<i>Foreign Trade Zone</i>	30	30	0	0.0%
Other	2	4	2	100.0%
<b>Total Revenue</b>	<b>16,030</b>	<b>18,522</b>	<b>2,492</b>	<b>15.5%</b>

**Operating Expense Drivers**

Total Economic Development Division operating expenses (including direct charges and allocations from Central Services and Maritime service groups) are budgeted to decrease by \$0.4 million or 1.4% from the 2017 budget. Economic Development expenses are budgeted flat year over year, while there are modest decreases in Capital Development, Environmental & Sustainability, and other departments in Central Services.

The full list of approved additions to the 2018 Budget, both baseline and non-recurring, are explained below in the context of the Problem/Need/Opportunity they are identified to address.

Problem/Need/Opportunity	Initiative, FTE, or One-Time Maintenance Work	2018 Budget Request		
		FTEs	Baseline	One-Time
<b>Real Estate and Portfolio Management</b>				
Implementation of Real Estate Strategic Plan	Appraisals			50,000
	Development Advisory Consulting - Aviation			80,000
	Development Advisory Consulting - Non-Aviation			120,000
Address Central Harbor / Real Estate maintenance needs	Terminal 102 - Update building lobby/floor signage, replace exterior door, refurbish Bldg B&C lobby doors, and install concrete slab stair and handrail Bldg D.			29,788
	Pier 69 - Repair west canopy on SW apron, lobby and commission chamber front entrance improvements that don't qualify as capital. HVAC improvements, and replace 5 existing water coolers w/bottle filling stations.			424,772
	Pier 66 - Paint SW exterior, northside green staircase, and rear-end west exterior awnings.			67,788
	Bell Street Garage - Investigate and remediate water intrusion.			25,981
	Pier 66 - Install fencing and gate door for access control.			49,257
<b>Real Estate and Portfolio Management - Total</b>		<b>0.0</b>	<b>0</b>	<b>847,586</b>
<b>Economic Development</b>				
Advance Tourism in Seattle, the Puget Sound, and Washington State	WeChat Sea-Tac Airport - Pilot			20,000
	Cruise Coupon Offering			20,000
	CORE Communication			260,000
	Visit Seattle			150,000
	Tourism Grants		150,000	150,000
	Tourism Development including International Tourism and Eco-Tourism.			139,000
	World Travel Market Trade Show - London			26,000
	Familiarization Tour		45,000	45,000
	Cruise and Stay Marketing		25,000	25,000
Continued Investment in Workforce Development	Airport Career Pathways Implementation		250,000	250,000
	Maritime Initiative		250,000	250,000
	Construction Trades - Regional Partnership Services		710,000	710,000
	Airport Employment Center		500,000	500,000
	Airport Employment Center and Classroom		350,000	350,000
	Employment Continuity Pool Program		75,000	75,000
	K-12 Career Connected Learning		400,000	400,000
Expand opportunities for women & minority owned businesses and small businesses	WMBE Manager	1.0	129,000	129,000
	WMBE Best Practice and Implementation			50,000
	Champion of Inclusion Recognition Event			20,000
	Procurement Technical Assistance			15,000
	Construction Business Incubator		150,000	150,000
	Business Development Consulting		100,000	100,000
	Small Business Training		75,000	75,000
	Marketing/Communication/Design Services		15,000	15,000
	OMWBE Certification		15,000	15,000
Economic Development Partnership Grants		960,000	960,000	
<b>Economic Development - Total</b>		<b>1.0</b>	<b>4,199,000</b>	<b>4,899,000</b>
<b>Total Economic Development Division</b>		<b>1.0</b>	<b>4,199,000</b>	<b>5,746,586</b>

**TABLE VI-3: REVENUE BY ACCOUNT**

(\$ in 000's)		2016	2017	2018	% Change
REVENUE BY ACCOUNT	Notes	Actual	Budget	Budget	2018 Bud 2017 Bud
<u>Operating Revenue</u>					
Parking Revenue		181	168	169	0.7%
Revenue From Sale of Utilities		2,545	2,682	2,842	5.9%
Property Rental Revenue		14,785	15,340	16,348	6.6%
Other Revenues		8,388	8,345	9,908	18.7%
<b>Total Operating Revenue</b>	1	<b>\$ 25,899</b>	<b>\$ 26,536</b>	<b>\$ 29,267</b>	<b>10.3%</b>

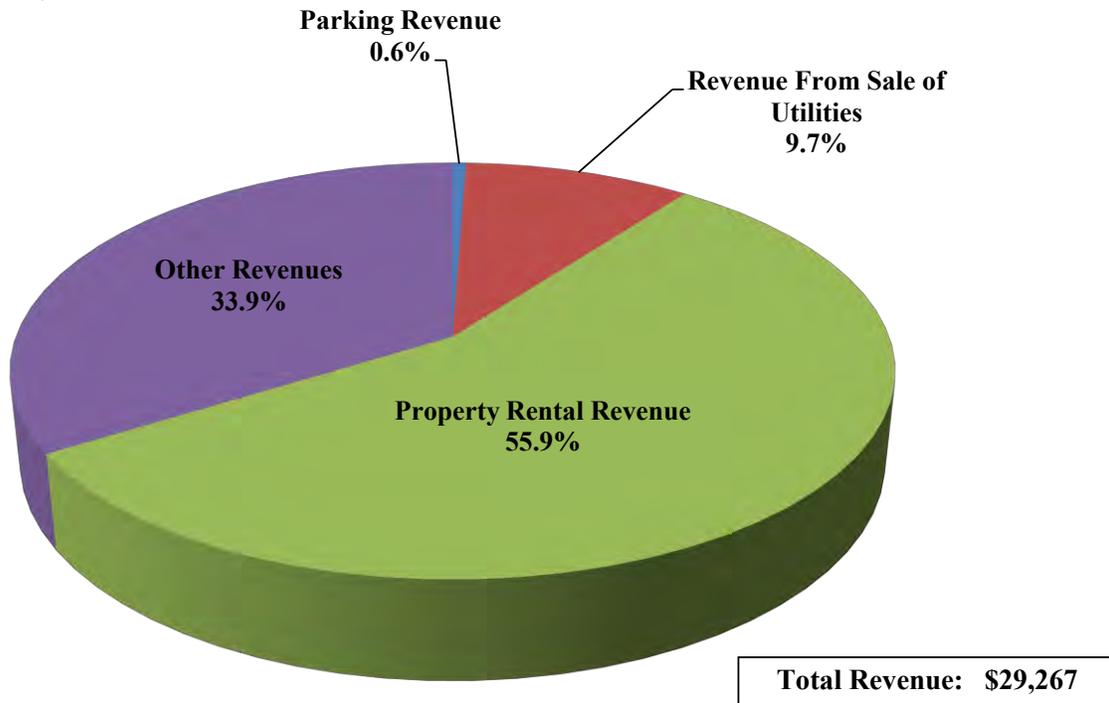
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Notes:

- 1) Revenue does not include allocations from other divisions.

**FIGURE VI-3: ECONOMIC DEVELOPMENT DIVISION REVENUE BY ACCOUNT**

(\$ in 000's)



**TABLE VI-4: OPERATING & MAINTENANCE EXPENSES BY ACCOUNT**

(\$ in 000's)		2016	2017	2018	% Change
EXPENSE BY ACCOUNT	Notes	Actual	Budget	Budget	2018 Bud 2017 Bud
Salaries, Wages, Benefits & Workers Comp		\$ 3,988	\$ 4,951	\$ 4,982	0.6%
Equipment Expense		140	812	540	-33.5%
Utilities		3,935	4,075	4,199	3.1%
Supplies & Stock		197	140	149	5.9%
Outside Services		3,017	6,959	6,167	-11.4%
Travel & Other Employee Expenses		243	301	340	13.1%
Promotional Expenses		186	251	287	14.6%
Other Expenses		8,435	9,203	10,344	12.4%
<b>Total O&amp;M without Environmental</b>		<b>20,141</b>	<b>26,691</b>	<b>27,009</b>	<b>1.2%</b>
Environmental Remediation Liability Expense		-	-	-	0.0%
<b>Total O&amp;M with Environmental</b>		<b>20,141</b>	<b>26,691</b>	<b>27,009</b>	<b>1.2%</b>
Charges to Capital/Govt/Envrs Projects		6	-	-	0.0%
<b>Total Operating Expense</b>	1	<b>\$ 20,148</b>	<b>\$ 26,691</b>	<b>\$ 27,009</b>	<b>1.2%</b>

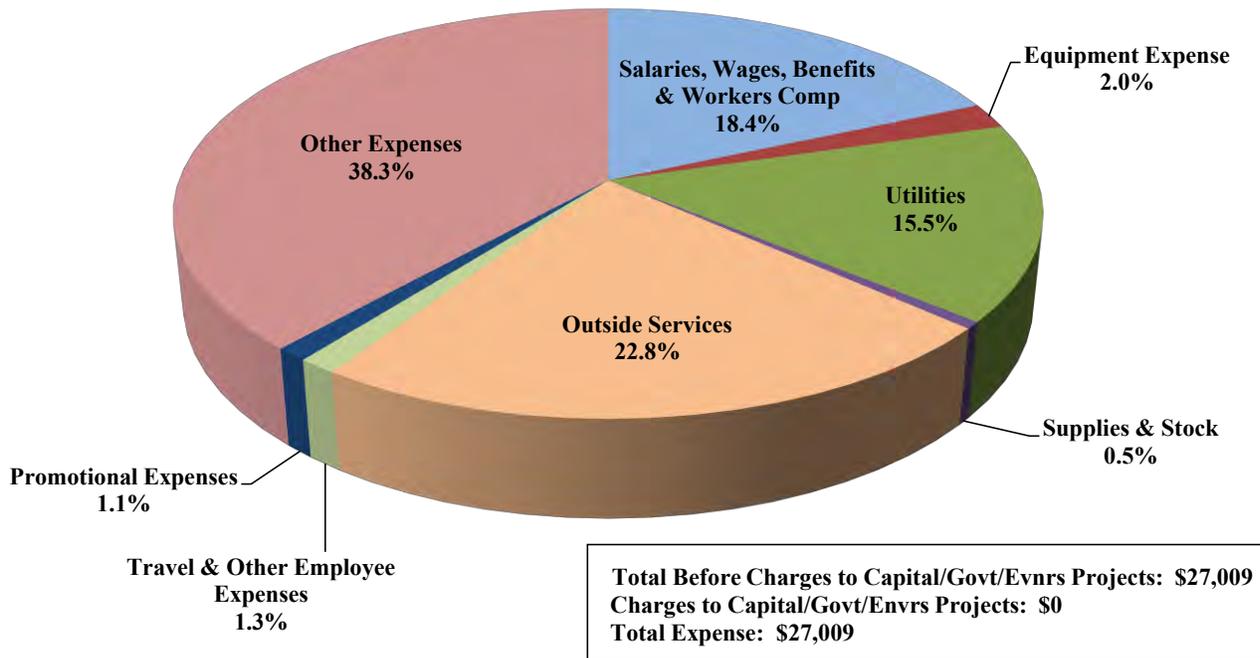
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Notes:

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

**FIGURE VI-4: ECONOMIC DEVELOPMENT DIVISION EXPENSE BY ACCOUNT**

(\$ in 000's)



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

(in 000's)		2016	2017	2018	% Change
BY DEPARTMENT	Notes	Actual	Budget	Budget	2018 Bud - 2017 Bud
<b>REVENUE</b>					
Portfolio Management		\$ 25,899	\$ 26,536	\$ 29,267	10.3%
<b>Total Operating Revenue</b>		<b>25,899</b>	<b>26,536</b>	<b>29,267</b>	<b>10.3%</b>
<b>EXPENSES BEFORE CHARGES TO CAP/ GOVT/ENVRs PROJECTS</b>					
<b>Business Groups:</b>					
Portfolio Management		14,079	16,150	16,178	0.2%
Real Estate Development and Planning		870	1,277	759	-40.6%
<b>Total Business Group Expense</b>		<b>14,949</b>	<b>17,427</b>	<b>16,936</b>	<b>-2.8%</b>
<b>Service Groups and Other:</b>					
Pier 69 Facilities Management		1,567	1,775	2,038	14.8%
Tourism		1,093	1,285	1,460	13.6%
Small Business		356	708	1,405	98.6%
Workforce Development		1,483	2,962	2,917	-1.5%
Economic Development Management		640	2,534	2,253	-11.1%
Economic Development Capital to Expense		53	-	-	
Economic Development Environmental Reserve		-	-	-	
<b>Total Services Group and Other Expense</b>		<b>5,192</b>	<b>9,264</b>	<b>10,072</b>	<b>8.7%</b>
<b>Total Expenses Before Charges to Cap/Govt/Envrs Projects</b>		<b>20,141</b>	<b>26,691</b>	<b>27,009</b>	<b>1.2%</b>
<b>CHARGES TO CAPITAL/GOVT/ENVRs PROJECTS</b>					
		<b>6</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>					
<b>Business Groups:</b>					
Portfolio Management		14,079	16,150	16,178	0.2%
Real Estate Development and Planning		870	1,277	759	-40.6%
<b>Total Business Group Expense</b>		<b>14,949</b>	<b>17,427</b>	<b>16,936</b>	<b>-2.8%</b>
<b>Service Groups and Other:</b>					
Pier 69 Facilities Management		1,567	1,775	2,038	14.8%
Tourism		1,093	1,285	1,460	13.6%
Small Business		356	708	1,405	98.6%
Workforce Development		1,483	2,962	2,917	-1.5%
Economic Development Management		640	2,534	2,253	-11.1%
Economic Development Capital to Expense		59	-	-	
Economic Development Environmental Reserve		-	-	-	
<b>Total Services Group and Other Expense</b>		<b>5,198</b>	<b>9,264</b>	<b>10,072</b>	<b>8.7%</b>
<b>Total Operating Expense</b>	1	<b>\$ 20,148</b>	<b>\$ 26,691</b>	<b>\$ 27,009</b>	<b>1.2%</b>

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Notes:

- 1) Expenses do not include Central Services allocations.

**E. STAFFING**

The Economic Division FTEs count remains flat at 36.0 for 2018. One Analyst in the Workforce Development Department transferred to the Office of Strategic Initiatives and was replaced with the WMBE Manager. There were several transfers of roles within the division to better align with the objectives in the advancement of the Century Agenda.

The following table outlines the Full-Time Equivalents (FTEs) for both regular and other categories in the Economic Development Division.

**TABLE VI-6: ECONOMIC DEVELOPMENT DIVISION STAFFING**

<b>STAFFING</b> (Full-Time Equivalent Positions)						
<b>BY DEPARTMENT</b>	<b>Notes</b>	<b>2016 Actual</b>	<b>2017 Budget</b>	<b>2017 Est. Act.</b>	<b>2018 Budget</b>	<b>% Change 2018 Bud- 2017 Bud</b>
Economic Development Administration		2.0	4.0	4.0	3.0	-25.0%
Portfolio & Asset Management		14.0	14.0	14.0	14.0	0.0%
Central Harbor Mgmt. Group		3.0	3.0	3.0	3.0	0.0%
Maritime Portfolio		3.0	3.0	3.0	3.0	0.0%
Portfolio Mgmt. Admin		8.0	8.0	8.0	8.0	0.0%
P69 Facilities Management		6.0	6.0	6.0	6.0	0.0%
Real Estate Development & Planning		3.0	4.0	4.0	2.0	-50.0%
Small Business		3.0	3.0	3.0	6.0	100.0%
Tourism		3.0	3.0	3.0	3.0	0.0%
Workforce Development	1	3.5	2.0	1.0	2.0	0.0%
<b>TOTAL ECONOMIC DEVELOPMENT DIVISION</b>		<b>34.5</b>	<b>36.0</b>	<b>35.0</b>	<b>36.0</b>	<b>0.0%</b>

FTE.XLS

**Notes:**

- 1) Workforce Development transferred an Analyst to the Office of Strategic Initiatives during 2017 and added a WMBE Manager for 2018 .

**F. ECONOMIC DEVELOPMENT CAPITAL BUDGET**

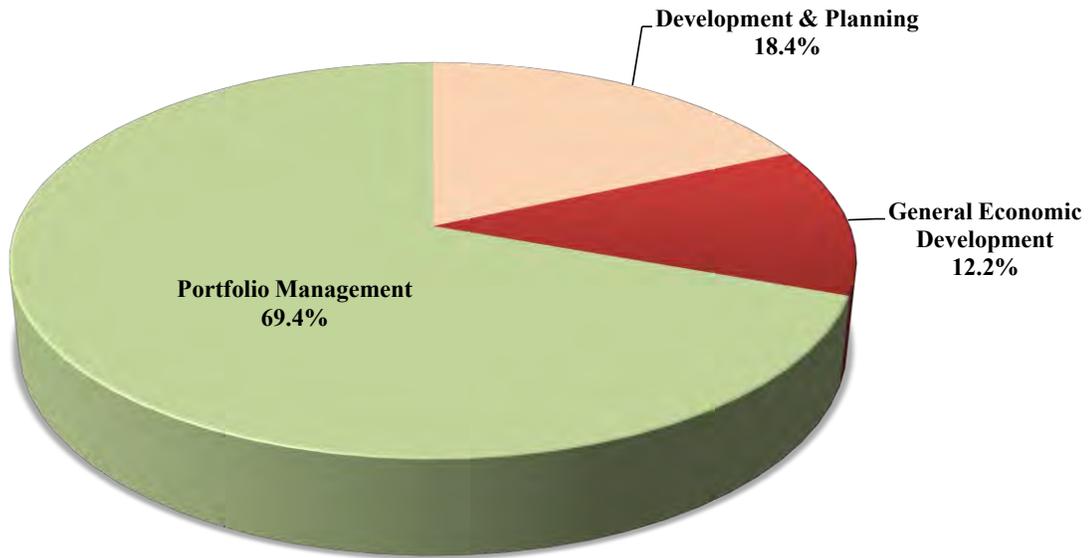
**TABLE VI-7: ECONOMIC DEVELOPMENT DIVISION CAPITAL BUDGET SUMMARY**

(\$ in 000's)	<b>2018 Budget</b>	<b>2018-2022 CIP</b>	<b>% of 2018 Total Committed</b>
<b>Committed Capital Projects</b>			
Development & Planning	\$1,000	\$30,000	18.4%
General Economic Development	662	3,582	12.2%
Portfolio Management	3,776	9,197	69.4%
<b>Total Committed</b>	<b>\$5,438</b>	<b>\$42,779</b>	<b>100.0%</b>
<b>Business Plan Prospective Projects</b>	<b>\$3,740</b>	<b>\$22,038</b>	
<b>Total CIP</b>	<b>\$9,178</b>	<b>\$64,817</b>	

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**FIGURE VI-5: ECONOMIC DEVELOPMENT COMMITTED CAPITAL BUDGET**

(\$ in 000's)



**Committed CIP Total Spending: \$5,438**

## CENTRAL SERVICES

### A. 2018 BUDGET SUMMARY

**TABLE VII-1: 2018 BUDGET SUMMARY**

(\$ in 000's)				Change	% Change
	2016	2017	2018	2018 Bud-	2018 Bud-
<b>OPERATING RESULTS</b>	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>	<b>2017 Bud</b>	<b>2017 Bud</b>
Operating Revenue	\$ 7	\$ -	\$ -	\$ -	0.0%
Other Revenue	1,179	367	182	(185)	-50.5%
<b>Total Revenue</b>	<b>1,186</b>	<b>367</b>	<b>182</b>	<b>(185)</b>	<b>-50.5%</b>
Central Services	111,172	137,942	145,225	7,283	5.3%
<b>Total Central Services Expense</b>	<b>\$ 111,172</b>	<b>\$ 137,942</b>	<b>\$ 145,225</b>	<b>\$ 7,283</b>	<b>5.3%</b>
<b>Excess of Revenue over Expense</b>	<b>\$(109,986)</b>	<b>\$(137,575)</b>	<b>\$(145,044)</b>	<b>\$ (7,468)</b>	<b>5.4%</b>
<b>COMMITTED CAPITAL BUDGET</b>	<b>\$ 4,859</b>	<b>\$ 5,348</b>	<b>\$ 6,783</b>	<b>\$ 1,435</b>	<b>26.8%</b>
<b>EMPLOYMENT (TOTAL FTEs)</b>	<b>832.2</b>	<b>870.1</b>	<b>907.1</b>	<b>36.9</b>	<b>4.2%</b>

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### B. CENTRAL SERVICES

#### MISSION:

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

#### MAJOR AND NEW INITIATIVES

- Implement and support Commission priorities.
  - Add staff and consulting resources to implement the Energy & Sustainability Committee recommendations.
  - Create new positions to support development of a Portwide Equity Program and Priority Hire Program.
  - Add a new position to advance the Women and Minority Business Enterprise (WMBE) Program.
  - Continue to enhance the High School Internship program – 90 interns budgeted.
- Expand public outreach to increase awareness of the Port’s contribution to regional economic vitality and to enhance the relationship with surrounding communities.
  - Additional Public Affairs outreach efforts in 2018 including a “State of the Port” breakfast.
- Strengthen Centers of Expertise to leverage capabilities Portwide.
  - Additional resources for Business Intelligence, Security & Preparedness, and Finance & Budget.
- Support division priorities and business needs.
  - Police Department adding staff to enhance Airport security.
  - Human Resources, Central Procurement Office (CPO), and Accounting & Financial Reporting adding staff to meet growing service demands.
  - Portions of Capital Development and CPO staff moving to SeaTac Office Center due to Airport Office Building space constraints.

## **C. KEY FUNCTIONS & RESPONSIBILITIES**

### **OVERVIEW:**

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

Central Services' functions have evolved and now include 24 departments with organizational restructuring over the past two years. Apart from the traditional support functions, such as Accounting, Human Resources, Public Affairs, etc., Central Services also includes Police and Capital Development, which was formerly a separate division. In addition, four new Centers of Expertise (COEs) were added to Central Services in early 2016. They are Business Intelligence, Finance & Budget, Security & Preparedness and Environment & Sustainability.

The key functions for the Central Services departments in 2018 are:

### **COMMISSION:**

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

The Commission expresses its policy direction through the following mechanisms:

- Reviews the strategies that serve as the framework for the business divisions' and Central Services departments' goals and objectives. These strategies provide the grounding for prioritizing and allocating resources to programs and projects at the division level.
- Reviews and approves the annual budget. The budget is made available to the general public as required by RCW 53.35.010 and RCW 53.35.045. A Public Hearing on the First Budget Reading is held before the Second Reading and Final Passage of the Budget, at which time the Port Commission adopts the budget.
- Sets additional long-term policy goals that keep its long-term mission of economic development and job creation at public Commission meetings through the passage by majority vote of Commission Resolutions, in accordance with RCW 53.08 and the Master Delegation of Authority.
- Reviews and approves public session programs, projects, and select contracts through Commission motions that are introduced and seconded by Commission members, in accordance with the Master Delegation of Authority.
- Employs and retains an Executive Director to implement the goals, objectives, and policy guidelines established by the Port Commission through majority vote at Commission meetings and by Commission approval of the Executive Director's performance goals and objectives. These include policy goals and objectives related to achieving the Port's financial and budgetary annual performance goals, and aligning budget priorities to the Port's core mission, division goals and objectives that demonstrate that the Executive Director is holding his direct report managers accountable for division-level performance.
- Oversees the Internal Audit function of the Port of Seattle through the Audit Committee made up of two Port Commissioners and a third public member.

### **EXECUTIVE:**

- Achieve the operating and performance goals and objectives set by the Commission.
- Oversee the achievement of all divisions' major goals and initiatives.

**LEGAL:**

**ATTORNEY SERVICES:**

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

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

**RECORDS:**

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

**PUBLIC AFFAIRS:**

The Port's Public Affairs department includes a number of key functions, including federal, state and local government relations, which include regional transportation technical and policy expertise; strategic communications; and community engagement.

**GOVERNMENT RELATIONS:**

- Collaborate with Commission and Port business divisions (aviation, maritime and economic development) and Commission to develop legislative funding and policy priorities.
- Work with Port Commission to communicate the Port's Century Agenda, business, transportation, and trade priorities to representatives from federal, state, and local elected officials, agencies, and stakeholders.
- Foster effective relationships between Port-elected officials and senior Port staff with local, state, and federal elected officials to advance the Port's objectives and to represent regional, statewide, and national interests to officials in the Legislative and Executive branches of government.
- Develop partnerships with stakeholders in business, labor, and community organizations in support of trade development, economic growth, transportation infrastructure investment, and responsible environmental regulation.
- Utilize memberships and activities in associations engaged in legislative work to build coalitions and broaden awareness of Port issues and support for Port objectives.
- Provide opportunities for policy makers and staff to learn about the Port of Seattle's business and operations through meaningful tours, briefings, and timely responses to requests for information.
- Continue to advocate for policies and regulations that enhance and expand the ability of the Port and related businesses to move people and commerce efficiently in a competitive global marketplace and educate leaders on the impacts of adverse policy proposals.
- Coordinate legislative advocacy and policy development with the NWSA.

REGIONAL TRANSPORTATION:

- Focus transportation policy analysis and strategies to support funding and freight mobility at local, regional, state, and federal levels.
- Coordinate/collaborate with local jurisdictions, customers, stakeholders, and other interested parties to ensure continued access to Port facilities.
- Advocate/protect/enhance access to Port facilities through key projects.
- Lead efforts to assess key transportation projects that impact the Port.
- Work with the Aviation Division on regional transportation plans to support getting people to and from Sea-Tac.

CAPITAL PROJECT DELIVERY:

- Provide strategy, direction, planning, and implementation of public and stakeholder support of the Port's capital projects and capital programs.
- Educate and engage audiences about Port capital programs, infrastructure investment, and Commission priorities/initiatives in these areas.
- Engage in partnerships with stakeholders in government, business, labor, and community organizations in support of Port capital investments to support trade development, economic growth, transportation infrastructure investment, and responsible environmental regulation.
- Support memberships and activities in associations, build coalitions, and broaden awareness of Port issues and support for Port capital program objectives and economic opportunity through Port investment.
- Work with Capital Project leaders to identify key milestones that inform communication and commission decision timeframes.

COMMUNICATIONS:

- Act to ensure that audiences are aware of opportunities for economic and community development through the Port, and are able to benefit from Commission priorities/initiatives.
- Provide guidance and assistance on customer service oriented communications.
- Manage and execute emergency and crisis communication plans to effectively provide timely information for crisis incidents/issues to the public through mainstream and social media channels, including updating training for staff response and bench strength.
- Provide communications support and planning to commissioners and executive leadership.
- Provide strategy, direction, planning, and implementation of the Port's internal and external communication products.
- Effectively use multiple communication platforms to manage and communicate the Port brand through consistent graphics, messaging, tone, and quality, while applying guidelines and requirements for design and production of Port advertising, marketing, and communication products.

COMMUNITY ENGAGEMENT:

- Enhance the Port's reputation as a public steward and advance business interests by engaging, informing, and forging strategic relationships with stakeholders.
- Deliver programs, events, and communications that strengthen the Port's relationships with its communities and stakeholders, and supports business objectives such as: Terminal 5 Modernization EIS; Northwest Ports Clean Air Strategy and Clean Truck updates; new airport and seaport customers/service; the opening of new facilities; and results from economic impact studies that demonstrate the value of industry.

- Strengthen strategic relationships within neighboring communities such as Airport communities and Duwamish Valley Environmental Justice neighborhoods to support airport operations and future growth, clean air/Superfund projects, and Seaport cargo competitiveness. Work with North Seattle neighborhoods to update cruise, T91 uplands development, and Ship Canal industry initiatives.
- Develop targeted outreach opportunities throughout King County for Commissioners and Executives to engage with area leaders and stakeholders on Century Agenda initiatives.
- Engage King County-wide audiences through public education events such as Port U: Port Unplugged, Port 101 tours, Seafood 101, Maritime 101 promotional campaigns, and working waterfront tours.
- Coordinate sponsorships and tables to support strategic partner events such as Maritime Festival, Duwamish Alive, Duwamish River Festival, Fishermen's Fall Festival, and annual events such as ECOSS, West Seattle Chamber State of the Port, Climate Solutions, and Clean Tech Alliance.

OFFICE OF SOCIAL RESPONSIBILITY:

- Support the Public Affairs team in advancing communications, community engagement, and legislative efforts to achieve the Port's Century Agenda objectives, the Commission policies, and the Executive Director's objectives and directives to staff.
- Provide Policy recommendations to the Port Commission, the Executive Director, Executive Leadership team, and the Sr. Director of Public Affairs that support and promote social impact and economic opportunities in the communities we serve associated with Port activities.
- Facilitate the dialogue between the Port Commissioners, the Executive Director, executive team, staff, and socio-economically disadvantaged communities, including the minority, immigrant and refugee communities.
- Identify opportunities for social impact that will advance the Port's job creation and economic development mission, while supporting the Port communities.
- Support the Port's small business and workforce development programs in order to ensure that inclusion and equal access remain an integral part of these programs sponsored and funded by the Port.
- Report the Port's social impact via the Port's external and internal (Compass) website, social media, dashboards, presentations to staff, and community groups as appropriate.
- Represent the Port's interests internally and externally to support the message and results of the various Port efforts that benefit the disadvantaged, immigrant, and minority communities.
- Recommend external presentation opportunities for Port commissioners, the Executive Director and executives, to present their vision of an inclusive and fair Port.
- Identify and celebrate internal and external social responsibility champions, by collaborating with internal teams in selecting individuals or businesses that deserve recognition.
- Manage the Port's Annual Community Giving Campaign, which supports Port employees' cash donations to non-profit organization through the Port's payroll deduction program.

PUBLIC AFFAIRS:

- Provide strategic guidance and direct the delivery of Public Affairs services to the Port Commissioners, the Executive Director, and business division leaders.
- Lead development and execution of work by the Public Affairs team to support the accomplishment of the Port's 2018 goals and LRP objectives.

**ACCOUNTING AND FINANCIAL REPORTING:**

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

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

**INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT):**

ICT provides reliable, high-quality, cost-effective enterprise-wide infrastructure, hardware, applications, and technology services to support the Divisions and the Port's strategies. ICT's key responsibilities and services focus on effectively administering and managing the Port's enterprise Information and Communications Technology systems, services, and resources in the most cost effective manner.

**FINANCE AND BUDGET:**

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

**BUDGET:**

- Plan, coordinate and manage the Port's budget planning process.
- Maintain, enhance, and manage the Port's budget system and its interfaces.
- Provide budget training, workshops, and Managing Information System (MIS) training to Port wide budget support staff.
- Review monthly variance reports and provide monthly Financial and Operational Indicators Report and Executive Summary Report to the Commission and Executive team.
- Plan, coordinate and manage the Port's quarterly financial performance reporting process.
- Develop and refine budget policies and procedures for the Port.
- Provide budget consultation and support to the operating divisions and Central Services departments.
- Manage the Port economic impact study and other ad-hoc economic impact analysis.

**FINANCE & TREASURY:**

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

**BUSINESS INTELLEGENCE:**

The Business Intelligence Department's core purpose is to transform the ways the Port accesses, analyzes, and shares data. The Business Intelligence Center of Expertise was created to (1) provide advanced analytical and research support, (2) create efficiencies that eliminate information management waste, and (3) grow an analytical culture with data fluency. Key functions include:

- Performance measurement support
- Eliminating information management waste
- Advanced analytics
- Survey research/customer intelligence
- Facilitating growth of an analytical culture with data fluency

**RISK MANAGEMENT:**

- Oversee Property/Casualty Insurance Program
- Manage Claims Process/Intake/Settlement
- Recovery and collections on claims/damages to the Port
- Driver/CDL program (per Federal Motor Safety Carrier Act)
- Contractual Reviews leases, agreements, goods/services
- Risk analysis, enterprise risk management, and training
- Loss reporting, accounting reserve reconciliation, financial statements/bond disclosures
- Collaboration with Health/Safety
- Collaboration with Construction Safety Management
- Reporting of lost and stolen assets to State Auditor
- Emergency planning and preparedness/collaboration with Emergency Planning Department
- Risk assessment and review of special events
- Health Care Strategy Team/Self-Funded Medical and Dental

**INTERNAL AUDIT:**

Internal Audit provides an objective review and assessment of the strategies, processes, systems and other activities that management has implemented in order to achieve the Port's goals and objectives.

Internal Audit conducts audits of Port activities to provide reasonable assurance over:

- Accountability/Transparency
- Fiscal integrity, including lease & concession, and third-party arrangements
- Compliance
- Operations/Controls
- Performance
- Governance

Audits are designed to add value to:

- Port Commission and Audit Committee: Internal Audit provides reasonable assurance to the Commission and the Audit Committee that Port operations are conducted in an effective/efficient manner as intended.
- Port leadership and management: Internal Audit provides independent and objective process evaluations that continue to improve operations, compliance, and accountability at the Port.

Internal Audit conducts risk-based operational/performance audits throughout the Port in accordance with applicable auditing standards and the best practices of the internal auditing profession. This is meant to enhance efficiency and effectiveness of management practices in:

- Governance
- Risk Assessment
- Controls
- Compliance

Our audit work is guided by two professional standards:

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

### **OFFICE OF STRATEGIC INITIATIVES:**

#### **STRATEGIC INITIATIVES:**

- Develop and execute Long Range Plan and provide Lean Training and drive Lean initiatives throughout the Port.

#### **CENTRAL PROCUREMENT OFFICE:**

- Manage the procurement process for all construction contracts, professional and personal service contracts, and goods and service contracts to ensure compliance with legal mandates.
- For consulting and purchasing, lead team negotiations (price, contract terms & conditions) for base contract and amendments. Draft and/or review, negotiate change orders and amendments.
- Provide advice and assistance in contract management, addressing performance problems.
- Close out contracts, ensuring that all closing submittals have been received.
- Provide notification to Commission, with respect to public works contracting, as required, to be in compliance with state law and Resolution 3605.
- Provide training and outreach on procurement and contract issues, including developing appropriate small business programs and opportunities.

### **HUMAN RESOURCES:**

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

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

**STRATEGIC HR:**

- Talent development programs
- Workforce planning and HR data analysis
- Spirit and Wellness program
- Total Rewards strategies and programs
- Succession Planning
- Equity, Diversity and Inclusion strategies and metrics
- HR technology planning
- Organizational development consulting

**CULTURE / CHANGE MANAGEMENT:**

- Range of talent development opportunities (e.g., classes, Internal Internships, MEEM mentoring program)
- Ensure recognition programs support culture change
- Sponsorship of Development & Diversity Council; ASAP; Women's Initiative; partnerships with Employee Resource Groups
- Conflict resolution
- Promote employee health and well being
- Design, facilitate, plan activities to reinvent and/or reinforce workplace culture
- Change management support and consultation
- Enhancing safety culture

**ADMINISTRATION / OPERATIONAL EXCELLENCE:**

- Compensation and benefits administration including analysis to support collective bargaining processes
- Employee Relations (coordination with Workplace Responsibility Office)
- Systems Administration (HCM, Learning Management System, Applicant Tracking, ePerformance, Market Pricing)
- Maintain accurate employee records
- Talent Acquisition
- Health and Safety services and expertise
- Process improvement facilitation
- Internship program
- Employment laws

**COMPLIANCE:**

- Affordable Care Act reporting
- Affirmative Action Plan
- Required training (Safety, Anti-Harassment)
- Workers Compensation claims administration, education
- Required reporting (Workers Compensation, applicant tracking data, EEO-4, Veterans, etc.)
- Safety training

**LABOR RELATIONS:**

The purpose of the Labor Relations (LR) department is to support the Port of Seattle's mission of creating economic vitality in King County by fostering an open, cooperative, and mutually supportive relationship with the Port's employees, organized labor, and the business community. Key functions include:

- Prepare and negotiate the agreements for the Port's 24 bargaining units. Implementing LR bargaining strategy and directives from the Commission and Executive Leadership Team.
- Implementation and administration of the collective bargaining agreements.

- Process grievance and discipline procedures according to the agreements, and represent the Port in PERC and Arbitration proceedings. This includes all levels of discipline, from verbal reprimands to termination, including any corresponding investigations.
- Provide consultation to all Port committees and all divisions on labor matters, including proposed changes in policy in a manner designed to avoid labor disputes.
- Provide consultation and recommendations on policies, practices and procedures concerning labor relations in addition to participation in Port oversight committees.
- Supervise and manage labor community outreach as well as Seaport Alliance LR work. Work with the business community on labor issues and on overlap. Act as the Commission Liaison with Labor, and support the ED in their Labor Outreach strategy.
- Organize, manage, and attend labor business partnership meetings to resolve issues before they become grievances.
- Negotiate PLAs and assist with PLA policy and language.

### **SECURITY AND PREPAREDNESS:**

Security & Preparedness is a new COE with the mission to provide preparedness, protection, and response services for the Port that ensure a reduced risk environment and enhance our continuity of business operations. The key functions include:

- Business Continuity & Disaster Recovery Planning (IT)
- Emergency Preparedness
- Maritime Security
- Information Security
- Compliance
- Awareness, Training & Exercising
- Develop and Maintain Plans & Procedures
- Project Support
- Incident Response
- Threat & Vulnerability Management

### **ENVIRONMENT AND SUSTAINABILITY:**

The Environment & Sustainability is a new COE that includes the Aviation Environmental & Planning, Noise Program, Maritime Environmental & Planning, and Stormwater Utility. Its key functions and responsibilities include:

- Responsible for providing environmental, planning, and sustainability services necessary to ensure regulatory compliance, deliver on sustainability and environmental strategic programs and goals, and provide comprehensive planning services Port-wide.
- Regulatory Compliance: Provide for the services and studies needed to ensure Port compliance.
- Provide leadership, strategic direction, and oversee the management of the Port's Environment and Sustainability department. Effectively mentor staff, communicate decisions, and give direction across the divisions and departments to champion Port values, goals, strategies, and objectives that are specific to environment, planning, and sustainability.
- Direct the management of the Port's vision for environmental efforts and sustainable operations including greenhouse-gas emissions reduction, energy and water conservation, reuse and recycling programs, estuary and soil remediation, sustainable capital project development, and other related initiatives. Direct appropriate and successful implementation of environmental NEPA/SEPA environmental impact statements and permitting. Develop and manage department budget.
- Direct oversight to the planning function at the port to include strategic facilities planning as well as day to day planning for the Airport, Maritime, and Economic Development lines of business.

- Manage NPDES and Waste Discharge Permit Compliance – provide management oversight for treatment and flow control for stormwater.
- Monitor airport outfall to stream and take corrective actions as needed – provide management oversight for treatment and flow control for stormwater.
- Manage SPCC and other spill prevention and response (regulatory).
- Manage solid and hazardous waste compliance (regulatory).
- Identify alternative parts cleaning alternatives (regulatory).
- Complete Wetland 401/404 Permit requirements and other habitat management (regulatory).
- Complete habitat management plan – provide management oversight for habitat management plan and approve plan.
- Manage MTCA program compliance (regulatory).
- Coordinate implementation of water conservation measures.
- Reduce aircraft-related emissions – provide management oversight to come up with at least three incentives for airlines to use emission reduction technologies at SeaTac and approve plan.
- Finalize Strategy for a Sustainable Sea-Tac S3.
- Reduce Port-owned emissions – provide management oversight to reduce GHGs from Port owned sources and approve plan.
- Reduce emissions from on-road vehicle – provide management oversight of plan to conserve energy at SeaTac, and approve plan.
- Assist tenants in meeting recycling and composting requirements – provide management oversight of plan to conserve energy at SeaTac, and approve plan.
- Increase airfield waste diversion; provide management oversight for airfield solid waste diversion effort.
- Increase construction waste diversion; provide management oversight of plan to conserve energy at SeaTac, and approve plan.
- Conduct outreach to passengers on sustainability initiatives – provide management oversight and approve activities.
- Airside planning covers gate/ramp area planning including planning for cargo, airport support, and airline support facilities, airfield planning and airspace planning and protection.
- Terminal planning covers all facilities and functions located in the terminal areas and concourses.
- Landside planning includes planning for all airport roadways, terminal curbs, parking, landside people movers, and facilities to support landside operation such as ground transportation holding lots.
- Regional transportation planning; includes coordination with other agencies and planning for improved access to airport facilities.
- Land use planning to identify the highest and best use of airport property, ensure land use compatibility, and ensure appropriate application/interpretation of FAA land use restrictions.
- Sound insulation program management – provide management oversight for insulation of 20 single family homes.
- Sound insulation program management – provide management oversight for condominium sound insulation project and ensure Commission is informed of the progress.
- FAA Compliance/Regulatory - Noise (regulatory).
- Noise Abatement & Outreach programs – provide management oversight for noise outreach programs.
- Part 150 Project Implementation – provide management oversight of four noise mitigation projects and ensure Commission is informed of the progress.

**POLICE:**

- Provide professional law enforcement services to internal and external Port of Seattle Stakeholders.
- Provide enhanced and overt deterrent to acts of extraordinary violence at key Port of Seattle facilities.
- Support the professional development of the police department to improve the ability to provide these services in the future.

### **CAPITAL DEVELOPMENT:**

The mission of Capital Development is to deliver projects and provide technical services in support of the operating and infrastructure needs of the Port of Seattle and the Northwest Seaport Alliance.

Attuned to the needs and priorities of each of the Port's business divisions, Capital Development is a service provider. As Port employees we are public servants, conscious of our obligations to policy objectives for jobs creation, environmental protection and social responsibility and committed to openness and accountability for all our actions. We strive to employ the best available technology, and most efficient business practices. Our employees are critical to short and long-term success of the organization.

### **AVIATION PROJECT MANAGEMENT:**

- Deliver capital & expense projects for Aviation Division on time, within budget, meeting agreed scope, and with minimal and mutually-agreed impacts on airport operations.
- Ensure that procurement meets requirements of State law, Port policies & procedures, federal grants, and other controlling regulations.
- Assist Aviation Division in initial project scoping, cost estimation, & development of project alternatives.
- Actively seek small and disadvantaged business opportunities in design & construction contracting.
- Support the Port's environmental goals through incorporation of appropriate project elements & through management of projects directly in support of environmental improvements.

### **ENGINEERING:**

- **Design and technical support for Port projects and facilities**
  - Civil/Structural and Mechanical/Electrical design, analysis and CAD drafting
  - Seismic risk analysis and condition assessment of facilities
  - Central repository for all project drawings, as-built, and soils information
  - Maintain technical master specifications
  - CAD compliance reviews
- **Construction management for all major construction projects and tenant construction oversight**
  - Pre-construction services
  - Field observation/inspection and quality compliance checks
  - Change order management, disputes and claims resolution
  - Construction coordination with Port operations/tenants
  - Construction document management
  - Management of Project Labor Agreements (PLA)
- **Construction safety compliance for all construction projects**
  - Provide Port Safety Training and Orientations for contractors, consultants and FTE
  - Review Contractors site safety plans for acceptance
  - Weekly documented audits of construction projects
  - Coordination with Operations, Fire Dept., PLA, Security, PCS, Risk management, Building Department and Maintenance
  - Facilitating Port Safety meetings
  - Response to and documentation of incidents, hazardous conditions and complaints
  - Management of safety equipment and PPE supplies for the Engineering Dept.
  - Management Emergency and Disaster preparedness supplies for the Engineering Dept.
  - Data management of contractors safety plans, incidents corrective actions
  - Data Management of Engineering Dept. training records

- **Surveying and mapping of Port properties**
  - Topographic and hydrographic surveys
  - Legal descriptions and lease line layouts
  - Utility locates/mapping and aerial mapping
  - GIS data gathering
  - Project staking and validation
- **Emergency Response and Declaration of Emergency Support**

SEAPORT PROJECT MANAGEMENT GROUP:

- Complete capital and expense projects at the best value for the Port, within approved budget, in accord with agreed schedule, and within defined project scope.
- Support Economic Development and Maritime Divisions beyond projects including: budget development; business planning; asset management and reporting; community outreach; negotiations; contracting; and technical support and assistance.
- Provide project delivery services for NWSA; support business process development as needed to include budget plan development; business planning; asset management and reporting; community outreach; negotiations; contracting; and technical support and assistance.
- Support Capital Development Division by: coordinating with other CD departments; complying with regulatory agencies; following policies, procedures, and guidelines; and responding to audit inquiries.
- Support the NWSA, Economic Development, and Maritime Divisions in development of a comprehensive asset management plan by providing technical expertise and services as needed.
- In collaboration with the Maritime Environmental & Sustainability team, ensure sustainable engineering features are considered as appropriate during the planning phase of project delivery.
- Incorporate small and disadvantaged business opportunities into all project delivery planning efforts.

PORT CONSTRUCTION SERVICES:

- **Management of Asbestos Abatement in support of construction projects**
  - Review RMM design
  - Provide project monitoring and quality control
  - Monitor project abatement
- **Management of the Asbestos Operations & Maintenance program**
  - Provide RMM tenant support
  - Provide RMM maintenance support
  - Make Periodic inspections
  - Provide RMM routine housekeeping
  - Provide asbestos awareness training
  - Provide indoor air quality and mold inspections
- **Construction Management of small works projects**
  - Track project schedule and budgets
  - Prepare estimates
  - Prepare work authorizations and service directives for small works contractors
  - Perform construction quality inspections
  - Recycle construction debris on projects
- **Small works construction**
  - Provide craft labor resources (carpenters, laborers, operators, etc.)
  - Provide construction equipment (pick-up trucks, dump trucks, heavy equipment, small tools, etc.)

## **D. 2018 OPERATING BUDGET SUMMARY**

Central Services departments are the primary supporters of the Port business units. Strong growth in the operating divisions and more support of the Century Agenda and LRP strategies and objectives require significant new resources for Central Services in 2018. Overall, the 2018 budget increased by \$7.3 million or 5.3% from the 2017 budget mainly due to increases in payroll costs, rent and moving costs to the SeaTac Office Center, and the addition of Full-Time Employees (FTEs) and other expenses in support of the following major initiatives:

- Implement and support Commission priorities.
  - Environment & Sustainability COE added 3 new positions to support the Airport energy conservation, Maritime climate protection and Maritime sustainable development principles.
  - Environment & Sustainability COE added \$400K for the Airport Community Ecology (ACE) Fund and \$200K for the Energy & Sustainability Fund.
  - Human Resources added an Equity Program Manager to support the Portwide Equity Program.
  - Capital Development added a new position to support the Priority Hire Program.
  - Central Procurement Office added a new position to advance the Women and Minority Business Enterprise (WMBE) Program.
  - Human Resources added some budget resources to enhance the High School Internship Program to increase opportunities for local students.
- Expand and enhance public outreach to increase awareness of Port's contribution to regional economic and workforce development.
  - The Port will be hosting the 2018 Airport Minority Advisory Council (AMAC) Conference which added \$93K to the budget.
  - The Port will hold the Annual "State of the Port" Breakfast which added an additional \$25K to the budget.
  - Public Affairs budgeted another \$150K for a Portwide Stakeholder Database (CRM), Environmental Justice Near Port Communities Projects, and other public outreach activities.
- Strengthen Centers of Expertise to leverage capabilities Port wide.
  - Aviation Finance & Budget added 2 new positions – a Manager and an Administrative Assistant.
  - Security & Preparedness added \$220K to enhance the security of various Port systems.
  - Business Intelligence added \$73K to increase the analytical support services.
- Support division priorities and business needs.
  - Police department added 12 new Officers to provide enhanced Airport Terminal security.
  - Central Procurement Office added 2 new Contract Administrators.
  - Accounting & Financial Reporting added a Capital Services Accountant.
  - Internal Audit added an Information Technology (IT) Auditor.
  - Commission Office added a Commission Records Staff Assistant.
  - Human Resources added a Talent Acquisition Representative.
  - Environment & Sustainability department included the following to their budget: \$1.7M for professional services to complete the comprehensive environmental review of the Sustainable Airport Master Plan (SAMP).
  - Capital Development and Central Procurement Office added \$924K for moving some of their staff to SeaTac Office Center due to Airport Office Building space constraints.

### **Operating Expense Drivers**

The full list of approved additions to the 2018 Budget, both baseline and non-recurring, are explained below in the context of the Problem/Need/Opportunity they are identified to address.

Problem/Need/Opportunity	Solution	2018 Budget Request		
		FTEs	Baseline	One-time
<b>Operating Divisions' Growing Needs</b>				
Aviation	Add new Police Officers to enhance Airport security	12.0	1,561,368	234,000
	Move portions of Capital Development and CPO to SeaTac Office Center due to Airport Office Building space constraints - Rent and Move costs		489,237	434,360
	SeaTac's Club Lounge Upgrade			263,000
	Host the 2018 Airport Minority Advisory Council (AMAC) National Conference			92,680
	Aviation Finance & Budget Manager	1.0	131,112	2,500
	Aviation Finance & Budget Administrative Assistant	1.0	79,431	2,500
Maritime/EDD	Maritime Finance & Budget Graduate Intern & Equipment	0.3	14,166	10,500
All Operating Divisions	Building Information Modeling (BIM) Standards & Procedures		300,000	
	New Contract Administrator Positions- CPO Construction/Service Agreements	2.0	215,664	5,138
	Staffing Plan for Capital Development to support the operating divisions' capital needs			150,000
	Technical support for the Contractor Data System (CDS)			80,000
	Port Construction Services (PCS) Construction Equipment			36,500
	Four 800mhz Radios - replacement items			20,000
	Design Build Training driven by an increase in Alternative Delivery procurements			9,000
	Capital Services Accountant III	1.0	114,172	3,000
	Concur P-card system Port use fees			30,000
	<b>Operating Divisions' Growing Needs - 2018 Budget Requests</b>		<b>17.3</b>	<b>2,935,150</b>
<b>Century Agenda Implementation: Small Business/WMBE/Workforce Development</b>				
	Youth Internship Program Expenses		20,775	
	College Intern to support the High School Intern Program	0.6	81,819	
	Add 8 High School Interns (to a total of 90 for 2018)	1.6	44,000	
	Women Minority Business Enterprise (WMBE) Compliance Position	1.0	121,060	
	Priority Hire Coordinator	1.0	127,705	
	Equity Program Manager	1.0	41,899	12,840
<b>Small Business/WMBE/Workforce Development - 2018 Budget Requests</b>		<b>5.2</b>	<b>437,258</b>	<b>12,840</b>
<b>Century Agenda Implementation: Greenest &amp; Most Energy-Efficient Port</b>				
Aviation Environmental	Aviation Biofuels Partnership Fund Development Project			175,000
	Flight Corridor Safety Program Site Maintenance		75,000	
	Janitorial Support			95,000
	NDDes Permit Renewal Testing and Reporting		145,000	
	Sustainable Airport Master Plan (SAMP) Environmental Review			1,700,000
	WADOC/UW Qir Quality			75,000
	Airport Community Ecology (ACE) - Small Grants		200,000	
	Airport Community Ecology (ACE) - Forterra Assessment & Plan		200,000	
	Environmental Review and Permitting Staff	1.0	50,617	2,200
Maritime Environmental	Partnership with a local non-profit to pilot the EPA Ports Initiative's Environmental Justice - Near-port Community Capacity Building/Stakeholder Engagement Project		25,000	
	Pier/Terminal/Shilshole Bay/Fishermen's Terminal/Parks Initial Waste Audit & Report			80,000
	Shoreline and Bulkhead Maintenance and Repair Programmatic Permitting Support			60,000
	Update emissions inventory			65,000
	Three Ports Salish Sea Water Initiative		45,000	
	Smart Meter Purchase			42,000
	Terminal 91 Energy Audit		82,000	
	Maritime Climate Protection Program Manager	1.0	90,744	2,020
Sustainability Development Management Specialist	1.0	90,744	2,020	
Environmental and Sustainability COE	Develop Project Evaluation Criteria and Processes, Energy & Sustainability			200,000
	Research on Internal Carbon Tax			30,000
<b>Greenest &amp; Most Energy-Efficient Port - 2018 Budget Requests</b>		<b>3.0</b>	<b>1,004,106</b>	<b>2,528,240</b>
<b>High Performance Organization (HPO)</b>				
	Port of Seattle Leadership Development Program		125,000	
	HR Communications Consulting Services		75,000	
	HR Benefits Manager - to backfill position for 6 mos.			58,845
	Senior Talent Acquisition Representative	1.0	118,313	6,420
	Executive Office College Intern	0.5	26,640	1,650
	Commission Staff Assistant - Commission Records	1.0	82,159	
	Employee Engagement Survey (Full & Pulse)		33,000	
	Labor Relations Office buildout; Registration for training; Supplies/Software		7,140	31,600
	4-YR Contract Code of Conduct Online Training		8,910	
	Industrial Hygiene Monitoring Consulting Services			89,804
<b>High Performance Organization - 2018 Budget Requests</b>		<b>2.5</b>	<b>476,162</b>	<b>188,319</b>
<b>Other Portwide Business Needs</b>				
Community Outreach	Annual "State of the Port" Breakfast to inform stakeholders of key Port issues		25,000	
	Portwide Stakeholder database		80,000	
	Environmental Justice Near Port Communities Projects		25,000	
	Association of Washington Businesses (AWB) Event Sponsorship		45,000	
Accountability/Transparency	Conduct 2 Outsourced Information Technology Audits in 2018			190,000
	Peer Review - Association of Local Government Auditors			15,000
	Senior Internal Auditor	1.0	146,018	4,970
Payment Card Industry (PCI) Compliance/Network Security	Automated Data Discovery Tool (PCI compliance)		45,000	
	Managed Services (Network Monitoring)		55,000	
	Vulnerability Management Software		30,000	
	Contractor support for risk assessment Threat and Hazard Identification and Risk Assessment			60,000
Continued Process Improvement	Microsoft Consulting Services with the InfoSec Team		10,000	
	Lean Consulting Services/Training Materials/Professional Development		24,600	624,775
	Business Intelligence Performance Measurement training			28,000
Other Portwide Business Needs - 2018 Budget Requests	Business Intelligence Analytical support services		45,000	
	<b>2018 Budget Request Total</b>	<b>29.0</b>	<b>5,383,293</b>	<b>4,995,322</b>

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

**TABLE VII-2: ADMINISTRATIVE EXPENSE BY DEPARTMENT**

(\$ in 000's)		2016	2017	2018	% Change
BY DEPARTMENT	Notes	Actual	Budget	Budget	2018 Bud- 2017 Bud
<b>EXPENSES BEFORE CHARGES TO CAP/GOVT/ENVRs PROJECTS</b>					
Commission		\$ 1,569	\$ 1,830	\$ 1,984	8.4%
Executive		2,185	1,944	2,001	2.9%
Legal		3,450	3,342	3,617	8.2%
Public Affairs		6,034	7,847	8,308	5.9%
Accounting & Financial Reporting		6,550	7,763	8,148	4.9%
Information & Communications Technology		23,045	25,864	27,000	4.4%
Finance & Budget		4,908	6,014	5,953	-1.0%
Business Intelligence		1,004	1,458	1,543	5.8%
Risk Services		3,202	3,470	3,322	-4.3%
Internal Audit		1,455	1,770	1,828	3.3%
Office of Strategic Initiatives		9,640	8,466	8,716	2.9%
Labor Relations		1,268	1,313	1,371	4.4%
Human Resources		7,063	9,035	9,689	7.2%
Security & Preparedness		1,432	2,065	2,394	15.9%
Environment & Sustainability		8,340	13,789	13,096	-5.0%
Police		23,045	23,884	27,065	13.3%
Capital Development Administration		416	447	607	35.8%
Engineering		14,747	25,485	28,535	12.0%
Port Construction Services		7,479	7,793	8,999	15.5%
Aviation Project Management Group		14,904	27,856	26,359	-5.4%
Seaport Project Management Group		2,404	2,611	2,758	5.6%
Central Services Capital to Expense		372	-	-	0.0%
Contingency		369	250	250	0.0%
<b>Total Expenses Before Charges to Cap/Govt/Envr's Projects</b>	<b>1</b>	<b>144,881</b>	<b>184,299</b>	<b>193,543</b>	<b>5.0%</b>
<b>CHARGES TO CAPITAL/GOVT/ENVRs PROJECTS</b>					
		<b>(33,708)</b>	<b>(46,357)</b>	<b>(48,317)</b>	<b>4.2%</b>
<b>OPERATING &amp; MAINTENANCE EXPENSE</b>					
Commission		1,569	1,830	1,984	8.4%
Executive		2,185	1,944	2,001	2.9%
Legal		3,365	3,288	3,617	10.0%
Public Affairs		6,033	7,847	8,308	5.9%
Accounting & Financial Reporting		6,550	7,763	8,148	4.9%
Information & Communications Technology		20,158	22,420	23,308	4.0%
Finance & Budget		4,810	5,873	5,828	-0.8%
Business Intelligence		1,004	1,458	1,543	5.8%
Risk Services		3,202	3,470	3,322	-4.3%
Internal Audit		1,455	1,770	1,828	3.3%
Office of Strategic Initiatives		8,356	6,264	6,776	8.2%
Labor Relations		1,268	1,313	1,371	4.4%
Human Resources		7,001	9,035	9,689	7.2%
Security & Preparedness		1,420	2,065	2,394	15.9%
Environment & Sustainability		6,712	11,932	11,504	-3.6%
Police		23,045	23,884	27,065	13.3%
Capital Development Administration		416	447	607	35.8%
Engineering		4,493	7,092	7,841	10.6%
Port Construction Services		3,488	4,079	5,685	39.4%
Aviation Project Management Group		2,823	13,005	10,977	-15.6%
Seaport Project Management Group		999	912	1,178	29.2%
Central Services Capital to Expense		450	-	-	0.0%
Contingency		369	250	250	0.0%
<b>Total Operating Expenses</b>	<b>1</b>	<b>\$ 111,172</b>	<b>\$ 137,942</b>	<b>\$ 145,225</b>	<b>5.3%</b>

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Notes:

- 1) Does not include adjustment for charges into Central Services SubClasses from Divisions.

**TABLE VII-3: REVENUES AND EXPENSES BY ACCOUNT**

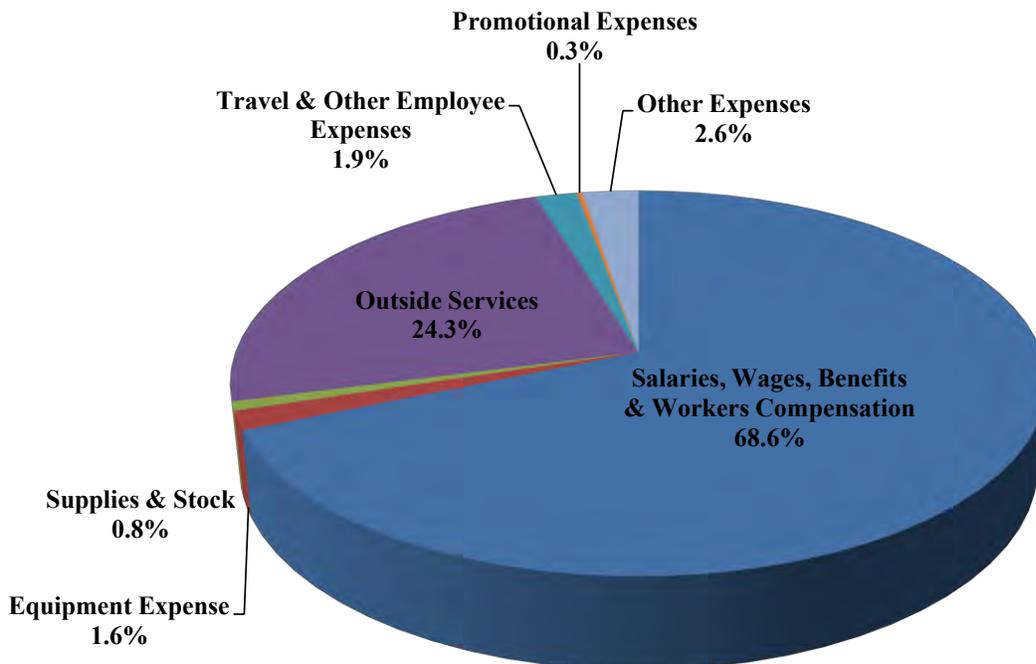
		(\$ in 000's)			% Change
BY ACCOUNT	Notes	2016 Actual	2017 Budget	2018 Budget	2018 Bud-2017 Bud
<b>Revenue</b>					
Equipment Rental		\$ 1	\$ -	\$ -	0.0%
Property Rental Revenue		7	-	-	0.0%
Other Revenue		1,179	367	182	-50.5%
<b>Total Administrative Revenue</b>		<b>1,186</b>	<b>367</b>	<b>182</b>	<b>-50.5%</b>
<b>Expense</b>					
Salaries, Wages, Benefits & Workers Compensation		105,774	123,062	132,732	7.9%
Equipment Expense		1,918	2,572	3,077	19.6%
Utilities		49	84	64	-24.0%
Supplies & Stock		1,276	1,375	1,454	5.7%
Outside Services		28,565	48,418	46,975	-3.0%
Travel & Other Employee Expenses		2,491	3,816	3,722	-2.4%
Promotional Expenses		408	414	513	23.8%
Other Expenses		4,400	4,557	5,006	9.8%
<b>Total Operating Expenses Before Charges to Cap/Govt/Envrs Projects</b>		<b>144,881</b>	<b>184,299</b>	<b>193,543</b>	<b>5.0%</b>
Charges to Capital/Govt/Envrs Projects		(33,708)	(46,357)	(48,317)	4.2%
<b>Total Administrative Expense</b>	1	<b>\$ 111,172</b>	<b>\$ 137,942</b>	<b>\$ 145,225</b>	<b>5.3%</b>

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Notes:

1) Does not include adjustment for charges into Central Services SubClasses from Divisions.

**FIGURE VII-1: ADMINISTRATIVE EXPENSE BY ACCOUNT**



**Total Before Charges to Capital/Govt/Envrs Projects: \$193,543**  
**Charges to Capital/Govt/Envrs Projects: \$48,317**  
**Total Administrative Expense \$145,225**

**E. STAFFING**

Central Services is budgeting 907.1 FTEs for 2018, which is 37.0 FTEs higher than the 2017 budget. The following TABLE VII-4 depicts the proposed staffing requirements for 2018 by department for Central Services. Please see the notes at the bottom of the following table for further explanations.

**TABLE VII-4: CENTRAL SERVICES STAFFING**

STAFFING (Full-Time Equivalent Positions)		2016	2017	2017	2018	% Change
BY DEPARTMENT	Notes	Actual	Budget	Est. Act.	Budget	2018 Bud- 2017 Bud
Commission	1	12.5	14.5	14.5	15.5	6.9%
Executive Office	2	5.0	5.5	5.5	6.0	9.1%
Legal Counsel	3	15.5	15.5	16.5	16.5	6.5%
Public Affairs		32.8	32.5	32.5	32.5	0.0%
Accounting & Financial Reporting	4	55.4	55.4	55.4	56.4	1.8%
Information & Communication Technology	5	120.0	123.0	124.0	124.0	0.8%
Finance and Budget	6	33.0	35.0	35.0	37.3	6.6%
Finance & Budget		11.0	11.0	11.0	11.0	0.0%
Aviation Finance & Budget	6	12.0	13.0	13.0	15.0	15.4%
Maritime Finance & Budget	6	10.0	11.0	11.0	11.3	2.7%
Business Intelligence		7.3	9.3	9.3	9.3	0.0%
Risk Services	7	6.0	6.0	6.3	6.0	0.0%
Internal Audit	8	9.2	9.2	10.2	10.2	10.9%
Office of Strategic Initiative	9	47.0	50.0	50.0	53.0	6.0%
Labor Relations		6.0	7.0	7.0	7.0	0.0%
Human Resources	10	46.5	63.9	63.9	68.1	6.6%
Security & Preparedness	11	8.3	11.3	12.3	12.0	5.9%
Environment & Sustainability	12	43.9	44.6	39.6	42.6	-4.5%
Police	13	133.0	137.0	140.0	152.0	10.9%
Capital Development Administration		2.0	2.0	2.0	2.0	0.0%
Engineering	14	120.5	121.5	128.8	129.8	6.8%
Port Construction Services		49.3	49.0	49.0	49.0	0.0%
Aviation Project Management		62.0	62.0	62.0	62.0	0.0%
Seaport Project Management		17.0	16.0	16.0	16.0	0.0%
<b>TOTAL CENTRAL SERVICES DIVISION</b>		<b>832.2</b>	<b>870.1</b>	<b>879.6</b>	<b>907.1</b>	<b>4.2%</b>

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Notes:

- 1) Commission added a Commission Staff Assistant - Commission Records.
- 2) Executive added a .5 College Intern.
- 3) Legal was approved for a Senior Manager, Workplace Responsibility during 2017.
- 4) Accounting and Financial Reporting was approved for a Capital Services Accountant III.
- 5) Information & Communication Technology received a Construction Management System Analyst from Engineering during 2017.
- 6) Maritime Finance & Budget added a .3 Graduate Intern and Aviation Finance & Budget are adding a Manager and an Administrative Assistant.
- 7) Risk Services deleted the .3 College Intern.
- 8) Internal Audit added a temporary Port Contract Compliance Program Manager during 2017. Also added a Sr. Internal Auditor for 2018 and deleted the temporary Port Contract Compliance Program Manager.
- 9) Office of Strategic initiative was approved for 2 Contract Administrator positions - a CPO Construction and a CPO Service Agreements and a WMBE Compliance position for a total of 3.
- 10) Human Resources added a Sr. Talent Acquisition Representative, an Equity Program Manager, a .6 College Intern and an additional 8 High School Interns.
- 11) Security & Preparedness was approved for a Security Duty Officer during 2017 and deleted the .3 Intern for 2018.
- 12) Environmental & Sustainability was approved for 3 positions for 2018: a) Maritime Climate Protection Program Manager, b) a Sustainability Development Management Specialist and, c) an Environmental Review and Permitting Staff. Aviation Planning, consisting of 5 FTEs, was transferred from Central Services to Aviation Division in early 2017.
- 13) Police was approved for 3 K9 Handlers during 2017 and 12 Police Officers positions for 2018.
- 14) Engineering transferred the Construction Management System Analyst to ICT and were approved for 9.3 positions during 2017: a Utility Located Technician, a Document Specialist, 2.3 College Interns, a Resident Engineer III, 2 Construction Inspectors, a Project Assistant and a Priority Hire Coordinator position.

**F. CAPITAL BUDGET**

Central Services has a total capital budget of \$13.3 million for 2018. For more detail refer to the Capital Improvement Plan, Section IX.

TABLE VII-5 provides a summary of the Central Services 2018 capital budget.

**TABLE VII-5: CENTRAL SERVICES CAPITAL BUDGET**

(\$ in 000's)	<b>2018 Budget</b>	<b>2018-2022 CIP</b>	<b>% of 2018 Total Committed</b>
<b>Committed Capital Projects</b>			
General and Capital Development	\$2,485	\$8,536	36.6%
ICT Business Services	4,298	15,448	63.4%
<b>Total Committed</b>	<b>\$6,783</b>	<b>\$23,984</b>	<b>100.0%</b>
<b>Business Plan Prospective Projects</b>	<b>\$6,500</b>	<b>\$26,350</b>	
<b>Total CIP</b>	<b>\$13,283</b>	<b>\$50,334</b>	

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**G. FINANCIAL AND FTE SUMMARY**

**TABLE VII-6: FINANCIAL AND FTE SUMMARY**

(\$ in 000's)	Actual 2016	2017		Budget 2018	Growth 2018 Bud- 2017 Bud
		Budget	Forecast		
<b>OPERATING BUDGET</b>	<b>Notes</b>				
<b>Operating Revenue</b>	<b>\$ 1,186</b>	<b>\$ 367</b>	<b>\$ 367</b>	<b>\$ 182</b>	<b>-50.5%</b>
Central Services Expense	88,127	114,058	100,830	118,161	3.6%
Law Enforcement Costs	23,045	23,884	23,590	27,065	13.3%
<b>Total</b>	<b>111,172</b>	<b>137,942</b>	<b>124,420</b>	<b>145,225</b>	<b>5.3%</b>
<b>Income from Operations</b>	<b>\$(109,986)</b>	<b>\$(137,575)</b>	<b>\$(124,053)</b>	<b>\$(145,044)</b>	<b>5.4%</b>
<b>CAPITAL SPENDING</b>	<b>\$ 4,859</b>	<b>\$ 5,348</b>	<b>\$ 8,155</b>	<b>\$ 6,783</b>	<b>26.8%</b>
<b>TOTAL FTEs</b>	<b>832.2</b>	<b>870.1</b>	<b>879.6</b>	<b>907.1</b>	<b>4.2%</b>

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## **TAX LEVY**

### **A. TAX AT A GLANCE**

- The maximum allowable levy for 2018 is \$101.6 million.
- For 2018 the levy will be \$72.0 million.
- The estimated millage rate is \$0.1358.
- The 2018 levy will be used for:
  - General Obligation (G.O.) Bonds Debt Service
  - Regional Transportation projects
  - Environmental Remediation
  - Capital projects meeting specified criteria endorsed by the Commission
  - Economic development initiatives including workforce development and economic development partnership programs
  - Other environmental initiatives including Airport Community Ecology funding and energy and sustainability policy directives
  - City of SeaTac security enhancements
  - Local community advertising

### **B. TAX LEVY SOURCES**

#### **TYPES AND LIMITS OF LEVIES:**

##### **Regular Tax Levy**

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

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

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

FIGURE VIII-1 shows the maximum levy permitted by law versus the actual levy levied by the Port from 1991 (the last year the Port levied the maximum) to 2018. In 1989, the law was changed whereby a port could have a levy at less than the maximum while preserving the ability to tax up to the maximum in the future if the need was justified. This allows a port to tax at the lower level in the years when the maximum levy is not required, but return to the maximum level in years of need. Since 1991, on a cumulative basis, the Port has levied a total of \$491 million less than it could have if it had levied the maximum allowable levy each year.

**FIGURE VIII-1: ACTUAL TAX LEVY VS. MAXIMUM ALLOWABLE LEVY: 1991-2018**

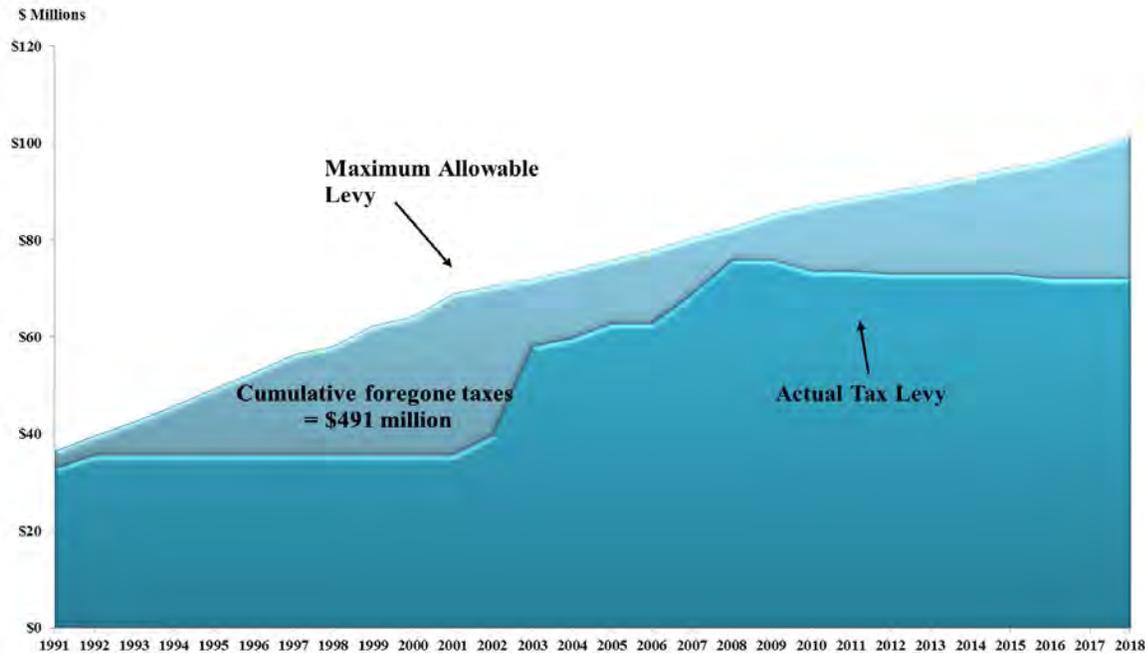
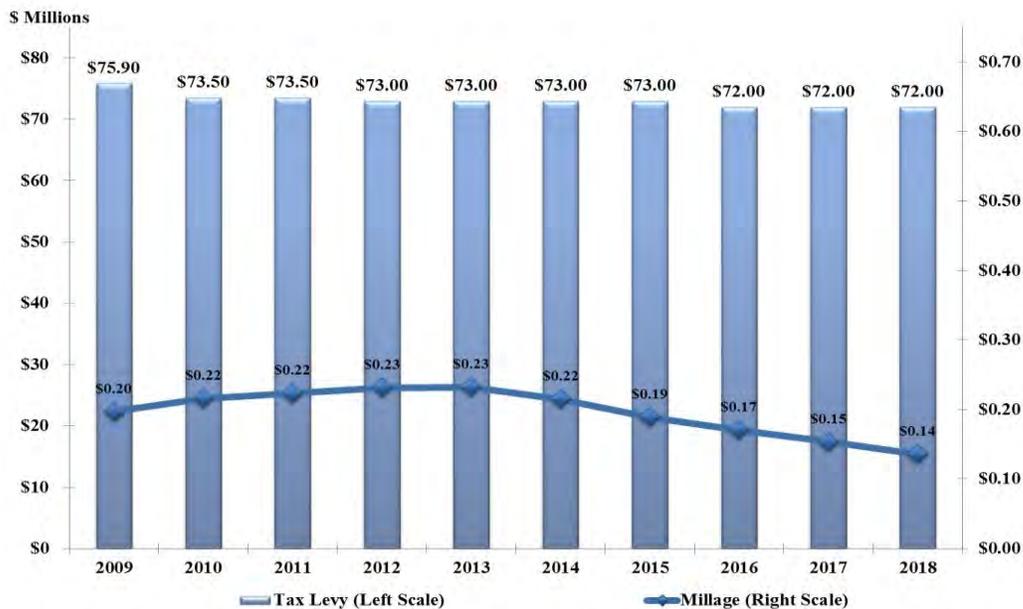


FIGURE VIII-2 shows the historical millage rate from 2009 to 2018. The Port kept the tax levy at \$73.0 million from 2012 to 2015 and lowered it to \$72.0 million for 2016 to 2018.

**FIGURE VIII-2: TAX LEVY VS. MILLAGE RATE 2009-2018**



### **Special Tax Levies**

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

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

### **Industrial Development District Tax Levies**

The Port may also levy property taxes for Industrial Development Districts (under a comprehensive scheme of harbor improvements), for two multi-year periods. The Port of Seattle levied the tax for a six-year period between 1963 and 1968 for property acquisition and development of the lower Duwamish River. In 2015, the rules governing the IDD tax levy were modified by the Washington State Legislature. Under the new rules, if the Port intends to levy this tax for a second multi-year period (not to exceed twenty years), the Port must adopt a resolution approving the use of the second levy period and publish notice of intent to impose such a levy no later than April 1 of the year prior to the first collection year. If a petition is filed with signatures of at least eight percent (8%) of the voters, the question of whether or not the levy can be imposed will be decided by voters. The amount of the Industrial Development Levy that could be imposed is now calculated on the Assessed Valuation of taxable property within the Port District in the year prior to the first collection year. This aggregate amount is calculated at \$2.72/\$1,000 of assessed value and represents the total amount that can be levied over the second levy period. The Port has not levied the second multi-year period, but if the Port were to Levy under this law, Port may levy up to an estimated \$1.5 billion over the twenty year period, with the collection period beginning no sooner than 2019.

### **C. TAX LEVY USES**

During the annual budget process, the Commission reviews and approves the use of the tax levy. The levy, by Washington State statute, may be used broadly for general Port purposes. The Port's policy has been to prioritize the use of the levy to first pay debt service on G.O. bonds issued previously to partially fund critical capital infrastructure investments in and around the Seattle Harbor and to fund the Port's contribution to the Alaskan Way Viaduct replacement program. Projects have included container terminal upgrades and expansions, Fishermen's Terminal improvements, and dock renewals and upgrades at the Terminal 86 grain facility and Terminal 115. The levy has also been used to cash fund investments that foster regional economic growth and provide community benefits. These include environmental remediation in the Seattle Harbor, regional freight mobility initiatives such as FAST Corridor, and support for certain workforce development initiatives. More recently, the Port has also used the levy to fund capital projects and initiatives endorsed by the Commission, including, but not limited to, projects supporting maritime industries. The Port has established a Harbor Development Fund and set aside \$65 million of existing tax levy dollars in support of NWSA capital projects in the North Harbor, most significantly the modernization of Terminal 5.

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

In 2017, the Port entered into an MOU for \$15 million with the City of Seattle to launch the Safe and Swift Corridor Program to support projects and other efforts to improve transportation flow and safety along key freight transportation corridors, including South Spokane Street, East Marginal Way, and 15th Avenue West/Elliott Avenue West/Mercer Street. As the Puget Sound region continues to experience unprecedented growth, the increased population has created mobility and safety challenges within local transportation corridors.

The Port previously set aside tax levy funds into the Commission-designated Transportation & Infrastructure Reserve Fund (TIF) to fund its potential \$20.0 million contribution to the heavy haul network. Additionally, the Port is contributing approximately \$22.4 million of tax levy dollars to the TIF in 2017 to support funding obligations associated with the Safe & Swift Corridor and other known regional transportation commitments.

The levy has not traditionally been used for projects at Sea-Tac International Airport, however, the Commission approved the use of the levy for specific projects not eligible for Airport funding such as noise mitigation improvements at certain Highline School District schools near Sea-Tac Airport. The timing of this funding is dependent on the Highline School District, but isn't expected until 2019 at the earliest.

Planned uses of levy in 2018 will include debt service on existing G.O. Bonds, environmental remediation expenditures, capital improvements meeting specified criteria endorsed by the Commission, including an acquisition of a recreational marina, projects in support of the fishing industry, improvements at Bell Harbor International Conference Center, along with workforce and economic development initiatives. 2018 levy uses will also include funding of the Airport Community Ecology Fund, which was created to support projects and programs that improve ecological and environmental attributes in airport-area communities, and funding of on-going energy and sustainability policy directives.

**TABLE VIII-1: SOURCES AND USES OF TAX LEVY**

TABLE VIII-1 shows how the Port intends to spend the levy in 2018.

<b>Notes</b>	<b>2018</b> <b>(\$ in 000's)</b>
<b><u>SOURCES</u></b>	
Prior Year Levy Fund Balance	\$ 69,472
Projected Tax Levy Collection	72,000
Grants & Other Reimbursements	2,635
Total Projected Sources	144,107
<b><u>USES</u></b>	
Total Projected G.O. Debt Service	43,447
<i>Capital Expenditures:</i>	
NWSA - North Harbor	8,352
Maritime Division	28,013
Economic Development Division	4,910
Total Projected Capital Expenditures	41,275
<i>Other Expenditures:</i>	
Local Community Advertising	461
Airport Community Ecology Fund	400
Energy and Sustainability Policy Directives	200
City of SeaTac Security Enhancements	1,400
Environmental Remediation Liability (Non-Aviation) 1	5,838
EDD: Workforce Development & Partnership Program	2,593
Total Projected Other Expenditures	10,892
Total Projected Uses	95,614
Projected Ending Balance	\$ 48,493

Notes:

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

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

TABLE VIII-2 provides the allocation of existing G.O. bond debt service in 2018 to the projects that were funded by G.O. bonds currently outstanding.

	<b>2018</b> (\$ in 000's)
<b>Containers</b>	
East Waterway Dredging	\$ 732
T-5 Expansion & Upgrades	6,031
T-46 Expansion Redevelopment	4,251
T-18 Expansion & Upgrade	11,067
T-115 Yard Upgrades	178
Total Containers	22,258
<b>Docks and Commercial Properties</b>	
T-91 Apron & Infrastructure Improvements	2,866
Pier 17 Dock Replacement	106
T-86 Terminal Upgrades	126
Total Docks and Commercial Properties	3,098
<b>Public Expense</b>	
Alaskan Way Viaduct Replacement	15,919
<b>Economic Development Commercial Properties</b>	
World Trade Center	541
<b>Fishing</b>	
Fishermen's Terminal Docks & Seawall Renewal	1,631
<b>Total G.O. Bond Debt Service</b>	<b>\$ 43,447</b>

**D. GENERAL OBLIGATION CAPACITY**

**Non-Voted and Voted General Obligation Debt Limitations**

Under Washington State law the Port may incur indebtedness payable from ad valorem taxes in an amount not exceeding one-fourth of one percent of the value of the taxable property in the District without a vote of the people. With the assent of three-fifths of the voters voting thereon, the District may incur additional G.O. indebtedness provided the total indebtedness of the Port at any time shall not exceed three-fourths of one percent of the value of the taxable property in the District. For the Port, the following estimates the 2018 debt limit:

<b>Value of Taxable Property <sup>(1)</sup></b>	<b>\$ 530,058,322,979</b>
Debt Limit, Non-Voted General Obligation Bonds (.25% of Value of Taxable Property)	\$ 1,325,145,807
Less: Outstanding Non-Voted General Obligation Bonds as of 12/31/2017	\$ 388,360,000
Less: Capital leases and other general obligations as of 9/30/2017	-
<b>Remaining Capacity of Non-Voted General Obligation Debt</b>	<b>\$ 936,785,807</b>
Debt Limit, Total General Obligation Debt (.75% of Value of Taxable Property)	\$ 3,975,437,422
Less: Total Outstanding General Obligation as of 12/31/2017	\$ 388,360,000
Less: Capital leases and other general obligations as of 9/30/2017	-
<b>Remaining Capacity of Total General Obligation Debt</b>	<b>\$ 3,587,077,422</b>

<sup>(1)</sup> Preliminary assessed valuation as of 10/13/2017

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

**Interaction between General Purpose Levy and General Obligation Debt Capacity**

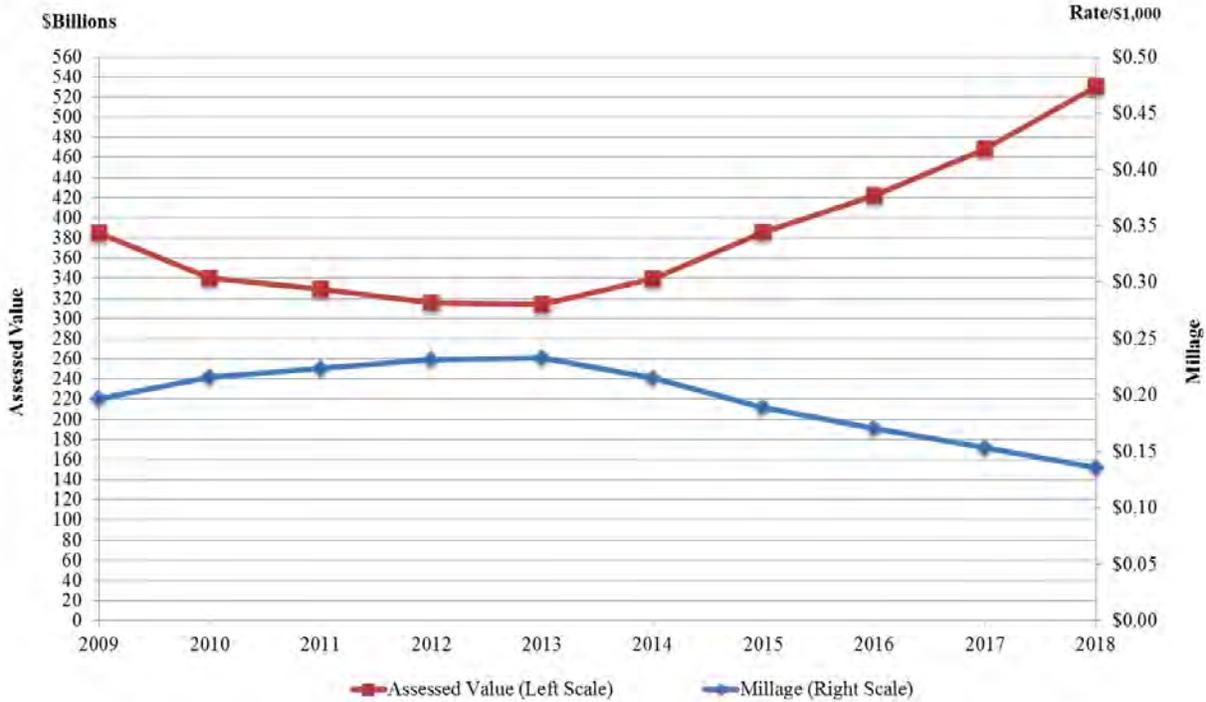
Since the 101% levy limitation applies to the total levy for G.O. debt service and for general Port purposes, an increase in the tax levy for G.O. bonds may result in a decrease in the amount which could be levied for general Port purposes, unless a higher aggregate tax levy was approved by the voters.

Beginning with the 2001 Budget, the Port established a target to use no more than 75% of the levy for debt service and retain at least 25% for general purposes.

**E. TAXPAYER EFFECT**

FIGURE VIII-3 shows the assessed valuation as compared to the millage rate from 2009 to 2018. The graph shows that the assessed value has increased from \$385 billion for the tax year 2009 to an estimated \$530 billion for the tax year 2018, while the millage (the rate paid per \$1,000 Assessed Value) has decreased from \$0.197 in 2009, to the rate of \$0.1358 applicable in 2018. The 2017 preliminary assessed value as of October 13, 2017 is estimated to be \$530,058,322 (The 2017 assessed valuation is used for 2018 tax collection).

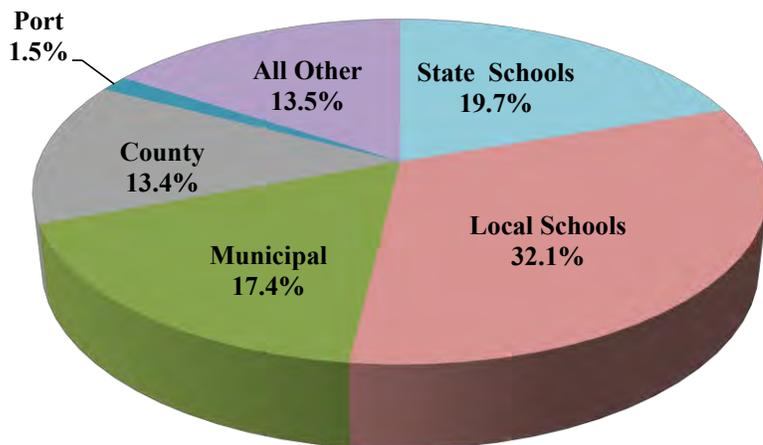
**FIGURE VIII-3: KING COUNTY ASSESSED VALUATION VS. PORT MILLAGE RATE 2009-2018**



**F. COUNTY PROPERTY TAX COMPARISON**

For 2017, the Port accounted for 1.5% of the total property taxes collected by the County.

**FIGURE VIII-4: 2017 PERCENTAGE OF TAX LEVIES BY TAXING DISTRICT**



## CAPITAL IMPROVEMENT PLAN

The following pages provide detail of the projects included in the Port’s 2018-2022 Capital Improvement Plan (CIP). Additional information can be found in each of the divisions’ business plans and operating budgets.

The Port also assumes funding of 50% of the Northwest Seaport Alliance (NWSA) CIP, which can be found in Section XII, “The Northwest Seaport Alliance (NWSA).” The NWSA CIP is excluded from the table below.

Projects in this year’s plan are divided into two categories. *Committed Projects* are ongoing projects or projects that are ready to move forward and for which a funding commitment will be secured. *Business Plan Prospective Projects* are less certain in timing or scope, but are considered critical for achieving business plan goals, and the business unit or division has approved them.

**TABLE IX-1: PORT CAPITAL IMPROVEMENT PLAN**

	(\$ in 000's)						Total 2018-2022
	Est/Act <sup>(1)</sup> 2017	2018	2019	2020	2021	2022	
<b>Committed Projects</b>							
<i>Aviation Division</i>							
Airfield	\$22,224	\$58,894	\$21,390	\$7,625	\$713	\$0	\$88,622
Business Development	6,522	3,908	3,866	600	189	0	8,563
Landside	12,989	20,699	11,011	10,969	164	390	43,233
Terminal and Tenants	284,301	585,754	438,166	289,718	270,094	157,498	1,741,230
Infrastructure	38,138	52,409	36,993	12,919	427	0	102,748
Security	8,378	20,671	31,405	458	0	0	52,534
Aviation NOISE	138	9,189	27,157	3,389	0	977	40,712
Aviation Division-wide	3,692	2,058	1,630	1,400	550	0	5,638
<b>Aviation Division</b>	<b>376,382</b>	<b>753,582</b>	<b>571,618</b>	<b>327,078</b>	<b>272,137</b>	<b>158,865</b>	<b>2,083,280</b>
<i>Maritime Division <sup>(2)</sup></i>							
Recreational Boating	1,297	8,590	200	200	0	0	8,990
Cruise Operations	15,253	2,736	243	0	0	0	2,979
Environmental Services	423	10,100	7,000	1,748	0	0	18,848
Fishing and Operations	2,797	3,645	0	0	0	0	3,645
Maritime General	4,247	21,486	4,965	16,727	1,825	1,775	46,778
Maritime Portfolio Management	2,367	2,853	10,000	10,000	12,295	0	35,148
<b>Maritime Division</b>	<b>26,384</b>	<b>49,410</b>	<b>22,408</b>	<b>28,675</b>	<b>14,120</b>	<b>1,775</b>	<b>116,388</b>
<i>Economic Development Division <sup>(2)</sup></i>							
Development & Planning	299	1,000	5,000	18,000	3,000	3,000	30,000
General Economic Development	876	662	580	780	780	780	3,582
Portfolio Management	3,250	3,776	4,501	320	300	300	9,197
<b>Economic Development Division</b>	<b>4,425</b>	<b>5,438</b>	<b>10,081</b>	<b>19,100</b>	<b>4,080</b>	<b>4,080</b>	<b>42,779</b>
<i>Central Services <sup>(3)</sup></i>							
General and Capital Development	1,404	2,485	1,651	1,321	1,623	1,456	8,536
ICT Business Services	6,751	4,298	2,900	2,750	2,750	2,750	15,448
<b>Central Services</b>	<b>8,155</b>	<b>6,783</b>	<b>4,551</b>	<b>4,071</b>	<b>4,373</b>	<b>4,206</b>	<b>23,984</b>
<i>Other</i>							
Stormwater Utility General	1,407	1,700	1,650	2,092	650	650	6,742
Licensed NWSA Assets	439	273	2,500	0	0	0	2,773
<b>Other</b>	<b>1,846</b>	<b>1,973</b>	<b>4,150</b>	<b>2,092</b>	<b>650</b>	<b>650</b>	<b>9,515</b>
<b>Total Committed</b>	<b>\$417,192</b>	<b>\$817,186</b>	<b>\$612,808</b>	<b>\$381,016</b>	<b>\$295,360</b>	<b>\$169,576</b>	<b>\$2,275,946</b>
<b>Business Plan Prospective Projects</b>							
Aviation Division	\$11,049	\$62,122	\$152,594	\$180,841	\$186,886	\$152,963	\$735,406
Maritime Division	2,046	5,580	10,913	6,846	6,000	13,070	42,409
Economic Development Division	500	3,740	6,898	3,800	4,500	3,100	22,038
Central Services	0	6,500	4,850	5,000	5,000	5,000	26,350
Other <sup>(4)</sup>	0	0	500	1,500	3,000	4,000	9,000
<b>Total Business Plan Prospective</b>	<b>\$13,595</b>	<b>\$77,942</b>	<b>\$175,755</b>	<b>\$197,987</b>	<b>\$205,386</b>	<b>\$178,133</b>	<b>\$835,203</b>
<b>Total Port of Seattle</b>	<b>\$430,787</b>	<b>\$895,128</b>	<b>\$788,563</b>	<b>\$579,003</b>	<b>\$500,746</b>	<b>\$347,709</b>	<b>\$3,111,149</b>

Notes

- <sup>1)</sup> Estimated/Actual 2017 represents six months of actual spending and six months of projected spending.
- <sup>2)</sup> Maritime and Economic Development divisions were created in 2015.
- <sup>3)</sup> Previously referred to as 'Corporate'.
- <sup>4)</sup> Includes \$5.5M total for channel deepening projects under the NWSA Joint Venture division and a \$3.5M total Stormwater Utility contingency for unexpected or undefined projects.

## **AVIATION DIVISION CAPITAL IMPROVEMENT PLAN**

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

### **Major Committed Capital Projects:**

International Arrivals Facility (IAF): This project will construct a new Federal Inspection Services (FIS) facility on the east side of Concourse A in order to expand capacity to process arriving international passengers. Construction is underway and the IAF is expected to be in operation by the fourth quarter of 2019.

Baggage Recapitalization/Optimization: This project will replace and reconfigure baggage screening equipment and operations to improve operational efficiency and increase capacity. The new outbound baggage system will accommodate 60 million annual passengers. The project will be completed in three phases, with the final phase in operation by the fourth quarter of 2024.

North Satellite Renovation & Expansion: In collaboration with Alaska Airlines, the Port will renovate and expand the North Satellite to address seismic concerns; upgrade heating, ventilation, air conditioning (HVAC), lighting, and fixtures; and add eight gates. Construction has started and phase I will be complete in 2019. The second phase of the project will be completed in 2021. Other elements of the NorthSTAR program, such as improvements to vertical circulation on Concourse C and renovation of the baggage systems supporting the North Satellite have been completed.

South Satellite Renovation: The Port will renovate the South Satellite's aging infrastructure to meet airport level of service goals, current building and structural code requirements, and sustainability goals. The planned renovation will include, at a minimum, abatement of regulated materials; renewal or replacement of basic mechanical, electrical, communications, HVAC, and plumbing systems along with seismic upgrades; and improvements to public areas to effectively handle current and growing passenger volumes while meeting environmental standards and objectives. The South Satellite renovation effort has more uncertainty with regards to scope, timing, and cost, but is deemed to be critical.

### **Other Committed Capital Projects:**

Noise Remedy Program: The Port's Noise Remedy Program began in 1971 and is designed to mitigate aircraft noise in neighborhood communities. The program involved the buy-out or insulation of single-family houses, mobile home parks, multi-family buildings, and institutional buildings. The current program involves insulation of single-family homes and future project spending for Highline School District noise mitigation. With the completion of an updated Part 150 study in 2014, the Port has proposed new programs for insulation of additional multi-family buildings and single-family homes.

Concourse D Hardstand Holdroom: This project will construct a 32,500 square foot building on the east side of Concourse D in the existing North Ground Transportation Lot in order to provide for remote hardstand operations. The project will create space equivalent to six gate holdrooms. This project has authorization to execute an alternative public works delivery using the design-build method; the contract was executed in April 2017. Construction has started and the holdroom is expected to be in operation by the second quarter of 2018.

Restroom Upgrades at Concourses B, C, and D: This project will add capacity and modernize restroom facilities in Concourses B, C, and D. This project has authorization to advertise and execute a major works construction contract for the Airline Crew Lounge and Service Facility as the first enabling project. Construction is scheduled to begin in the first quarter of 2018

Automated Screening Lanes Conversion at Checkpoints: This project will upgrade Passenger Security Checkpoints #2, 3, and 5 by installing automated screening lanes (ASL) to increase security effectiveness and efficiency. ASLs automate bin conveyance and the screening process at checkpoints, allowing items to move through screening without physical intervention. This project has authorization to proceed with design and to execute a contract to purchase screening lane equipment. Construction is expected to begin in the first quarter of 2018.

**Business Plan Prospective CIP:**

The Aviation Business Plan Prospective CIP is composed of project spending for Airfield, Landside, Terminal, Infrastructure, and other Aviation needs. The largest project will be the C1 Building Floor Expansion. The budget also includes an allowance for undesignated future spending. This permits the addition of currently undefined new projects to the plan without increasing total spending. Prospective projects are, by definition, not yet well scoped, so there is greater uncertainty with regards to timing and costs than with committed projects. As scoping, design and bidding occurs, each project moves forward in steps to the Commission to request authorization. See Section IV for a description of major existing and new projects.

**MARITIME DIVISION CAPITAL IMPROVEMENT PLAN**

**General:** Maritime's current five-year CIP continues the Port's emphasis on supporting investments in facilities and infrastructure to support the Port's Cruise, Fishing, and Recreational Marina lines of business.

**Major Committed Capital Projects:**

Fishermen's Terminal Long Term Strategic Plan implementation: Initial plans include replacing the existing on-site former bank building, existing West Wall upland equipment storage areas, and the South Wall parking areas with new buildings and/or associated site improvements that support the fishing and maritime cluster, along with refurbishing the historic Ship Supply Building.

Maritime Property Acquisition: Includes acquisition of an existing recreational marina adjacent to Fishermen's Terminal along with the construction of a 60,000 square foot flex industrial building to lease for maritime-related businesses.

Shilshole Bay Marina Restrooms and Facility Building: The existing restroom and shower facilities at Shilshole Bay Marina were built in 1962. These facilities are at the end of life, failing, and do not meet current ADA standards. The new facilities will service the 1,400 moorages slips with 8,000 annual guests.

Other Committed projects: These include tenant improvements, potential habitat restoration, fleet replacement, and other small projects.

**Business Plan Prospective CIP:**

The Maritime Division Prospective CIP is a combination of revenue/capacity growth, renewal/enhancement, and safety projects. Significant projects include dock improvements at Fishermen's Terminal and a second gangway for Cruise operations at Terminal 91. Also included is a general renewal and replacement contingency to allow for projects that cannot be determined with certainty as to location, timing, and cost.

## **ECONOMIC DEVELOPMENT DIVISION CAPITAL IMPROVEMENT PLAN**

**General:** Projects in the Economic Development Division's current five-year CIP are primarily projects associated with new development of industrial property and with the renewal and replacement of infrastructure, building components and systems that are at or beyond the end of their useful lives. Also included is an investment in tenant improvements related to the releasing of space expected to become vacant as existing leases expire.

### **Committed Capital Projects:**

Terminal 91 Uplands Pre-Development: Planning design, permitting, and construction of the site infrastructure to support future development. Improvements include roadways, sewers, lighting, natural gas, communications, landscaping, and other. Goal is to maximize the asset and anchor the Puget Sound urban industrial land use to prevent sprawl in less developed areas in support of the Port's goal to be the greenest and most energy efficient port in North America.

Bell Harbor International Conference Center Interior Modernization: The interior of the conference center has not been refreshed since 1995 and the technology needs to be updated to compete. Additionally there is a focus to add elements to the newly expanded cruise terminal spaces making them function more effectively as event spaces.

Other Committed Projects: These include tenant improvements, fleet replacement, technology and other small projects.

### **Business Plan Prospective CIP:**

The Economic Development Division Prospective CIP is a combination of revenue/capacity growth, renewal/enhancement, and Environmental/Safety projects. Renewal/enhancement projects include HVAC upgrade and replacement at Pier 66, Pier 69, and the World Trade Center. Also included is a general renewal and replacement contingency to allow for projects that cannot be determined with certainty as to location, timing, and cost.

## **CENTRAL SERVICES CAPITAL IMPROVEMENT PLAN**

The Central Services five-year CIP is predominantly technology improvements and upgrades. Approximately 30% of 2018 technology projects are refreshes of critical infrastructure and network security enhancements required to maintain compliance with established industry standards. The remaining technology projects consist mostly of system upgrades, replacements or consolidation of existing systems that require a refresh. These technology projects are all driven by business unit demand, with system upgrades being required to maintain system operations and ongoing vendor support.

A small portion of Central Services CIP is for the replacement of equipment and assets that are at or beyond the end of their useful lives. In 2018, the fleet projects will replace police patrol vehicles, several vehicles used by various departments, and one backhoe. The remaining portion of the CIP is for engineering equipment, such as a 3-D scanner for Survey and a wide-format scanner/plotter.

**NORTHWEST SEAPORT ALLIANCE CAPITAL IMPROVEMENT PLAN**

The NWSA invests in projects to increase the capacity, extend the life or improve the safety or efficiency of NWSA-managed property and equipment. The five-year NWSA CIP focuses on both strategic and maintenance projects. Strategic investments include construction of major terminal improvements at Terminal 5, purchasing eight super-post Panamax container cranes for the General Central Peninsula, reconstruction of pier 4, construction of backland improvements, rehabilitation of the T-46 dock, upgrades to T-46 utilities and electrical, design and construction of T-46 crane rail and berth extension, and the T-18 Stormwater Utility upgrade. Maintenance investments include pile cap repairs and maintenance and rehabilitation of assigned assets.

Each Port assumes funding of 50% of the total NWSA CIP, as outlined in Table IX-2 below. A complete project listing is presented in Attachment 1, and further information on the NWSA CIP can be found in Section XII, “The NWSA”.

**TABLE IX-2: NWSA CAPITAL IMPROVEMENT PLAN**

<b>Home Port</b>	(\$ in 000's)	<i>Est. / Act</i> <sup>(1)</sup>						<b>Total</b>
		<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	
North Harbor	\$	4,212	26,021	125,915	106,578	83,715	150	\$ 342,379
South Harbor		83,356	126,414	21,957	3,000	3,000	3,000	157,371
<b>Total</b>		<b>\$ 87,568</b>	<b>\$152,435</b>	<b>\$147,872</b>	<b>\$109,578</b>	<b>\$ 86,715</b>	<b>\$ 3,150</b>	<b>\$ 499,750</b>
<b>Port of Seattle's 50% funding total</b>		<b>\$ 43,784</b>	<b>\$ 76,218</b>	<b>\$ 73,936</b>	<b>\$ 54,789</b>	<b>\$ 43,358</b>	<b>\$ 1,575</b>	<b>\$ 249,875</b>

Notes

<sup>(1)</sup> Estimated/Actual 2017 represents six months of actual spending and six months of projected spending

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

**TABLE IX-3: PUBLIC EXPENSE PROJECTS**

Division	CIP Description	(\$ in 000's)					5 Year Total
		2018	2019	2020	2021	2022	(2018 - 2022)
Aviation	Air Cargo Road	\$ 55	0	0	0	0	\$ 55
	<b>Subtotal for Airport</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55</b>
Joint Venture	Fast Corridor I	15	0	0	0	0	15
	Fast Corridor II	250	250	95	730	0	1,325
	East Marginal Way Phase 2	280	0	0	0	0	280
	North Argo Express Access	230	0	0	0	0	230
	Seattle Heavy Haul Network	2,000	2,000	2,000	2,000	2,000	10,000
	Safe and Swift	6,000	6,000	8,000	0	0	20,000
	<b>Subtotal for Joint Venture</b>	<b>8,775</b>	<b>8,250</b>	<b>10,095</b>	<b>2,730</b>	<b>2,000</b>	<b>31,850</b>
Maritime	Maritime Air Quality Program	0	200	200	200	0	600
	P66 Alaskan Way St Improvement	564	0	0	0	0	564
	<b>Subtotal for Maritime</b>	<b>564</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>0</b>	<b>1,164</b>
<b>Grand Total - Public Expense</b>		<b>\$ 9,394</b>	<b>\$ 8,450</b>	<b>\$ 10,295</b>	<b>\$ 2,930</b>	<b>\$ 2,000</b>	<b>\$ 33,069</b>

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

**TABLE IX-4: NON-RECURRING CAPITAL IMPROVEMENT PLAN IMPACT ON THE OPERATING BUDGET**

(\$ in 000's)	Notes	Capital Budget Impact	Recurring (R) or Non-Recurring (NR)	2017	2018	2019	2020	2021	2022	Total
				2017	2018	2019	2020	2021	2022	2018-2022
<b>Aviation Division:</b>										
<b>NSAT Renovation and Expansion</b>										
		Yes	NR							
Capital Spending				58,835	148,685	133,401	129,836	123,725	13,527	549,174
Change in Operating Revenues	1			0	0	9,048	8,316	38,490	37,101	92,954
Change in Operating Expenses				0	0	0	0	2,518	2,619	5,137
<b>International Arrivals Facility</b>										
		Yes	NR							
Capital Spending				119,159	320,200	213,245	55,999	-	-	589,444
Change in Operating Revenues	1			0	0	0	16,591	14,664	13,971	45,226
Change in Operating Expenses				0	0	0	1,500	1,560	1,622	4,682
<b>Checked Baggage Optimization</b>										
		Yes	NR							
Capital Spending				17,992	40,000	50,000	50,000	50,000	60,000	250,000
Change in Operating Revenues	1			0	0	2,965	2,965	7,438	11,911	25,277
Change in Operating Expenses				0	0	0	0	0	0	0
<b>Capital Spending</b>				<b>195,986</b>	<b>508,885</b>	<b>396,646</b>	<b>235,835</b>	<b>173,725</b>	<b>73,527</b>	<b>1,388,618</b>
<b>Change in Operating Revenues</b>				<b>0</b>	<b>0</b>	<b>12,013</b>	<b>27,871</b>	<b>60,591</b>	<b>62,982</b>	<b>163,458</b>
<b>Change in Operating Expenses</b>				<b>-</b>	<b>0</b>	<b>0</b>	<b>1,500</b>	<b>4,078</b>	<b>4,241</b>	<b>9,819</b>
<b>Maritime Division:</b>										
		No								0
<b>Economic Development Division:</b>										
		No								0
<b>Corporate</b>										
		No								0
<b>Port-wide Total</b>										
<b>Capital Spending</b>				<b>195,986</b>	<b>508,885</b>	<b>396,646</b>	<b>235,835</b>	<b>173,725</b>	<b>73,527</b>	<b>1,388,618</b>
<b>Change in Operating Revenues</b>				<b>-</b>	<b>0</b>	<b>12,013</b>	<b>27,871</b>	<b>60,591</b>	<b>62,982</b>	<b>163,458</b>
<b>Change in Operating Expenses</b>				<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,500</b>	<b>\$ 4,078</b>	<b>\$ 4,241</b>	<b>\$ 9,819</b>

Table X-3.xls

**Notes:**

- 1) The estimated debt service for this project will be incorporated into the terminal rental cost recovery formula and thus increase revenues.



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Committed Projects

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## Selection

**Start Year:** 2017

**Business Unit:** ALL

**Project Status:** 3 - 6

**Division:** ALL

**Sponsor:** ALL

**CIP Group:** ALL



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Aviation Division</b>											
<b>Airfield</b>											
6	C800479	Fdr 101 Taps/Fire Sta Ele	0	0	0	0	0	0	0	4,156	4,156
<b>CIP Group: Aeronautical Facilities</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,156</b>	<b>4,156</b>
5	C800247	Cargo 2 West Cargo Hardst	434	0	0	0	0	0	0	6,890	6,797
5	C800254	Aircraft RON Parking USPS	6	0	0	0	0	0	0	36,103	36,048
<b>CIP Group: Air Cargo</b>			<b>440</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>42,993</b>	<b>42,845</b>
5	C800390	Cargo 6 Enhancements	690	0	0	0	0	0	0	5,969	5,772
<b>CIP Group: Aircraft Fueling</b>			<b>690</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,969</b>	<b>5,772</b>
5	C800335	GSE Electrical Chrg Stati	1,583	2,700	5,000	2,500	713	0	10,913	30,197	18,035
5	C800585	Wi-Fi Enhancement Project	5,671	3,339	66	0	0	0	3,405	10,532	2,150
5	C800637	Alaska Hangar One Roof	60	0	0	0	0	0	0	1,777	1,752
5	C800775	Plow / Broom Snow Equipme	3,275	0	0	0	0	0	0	3,275	3,275



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
5	C800781	SSAT Narrow Body Configur	282	2,500	2,076	599	0	0	5,175	5,501	221
5	C800834	GBAS Upgrade	132	2,500	897	0	0	0	3,397	3,529	12
5	C800838	Hardstand Equipment Purch	5,276	6,520	0	0	0	0	6,520	11,801	1,670
5	C800842	AOA Perimeter Fence Line	146	5,000	534	0	0	0	5,534	5,680	26
4	C800914	Taxiway A,B,L,Q Improveme	953	21,905	517	0	0	0	22,422	23,501	428
<b>CIP Group: Airfield Miscellaneous</b>			<b>17,378</b>	<b>44,464</b>	<b>9,090</b>	<b>3,099</b>	<b>713</b>	<b>0</b>	<b>57,366</b>	<b>95,793</b>	<b>27,569</b>
6	C102573	Airfield Pavement Replace	298	0	0	0	0	0	0	22,507	22,452
4	C800406	RW16C-34C Design and Reco	2,269	230	0	0	0	0	230	81,463	77,794
5	C800483	Airfield Pavement Program	1,149	14,200	12,300	4,526	0	0	31,026	32,300	734
<b>CIP Group: Airfield Pavement</b>			<b>3,716</b>	<b>14,430</b>	<b>12,300</b>	<b>4,526</b>	<b>0</b>	<b>0</b>	<b>31,256</b>	<b>136,270</b>	<b>100,980</b>
<b>Subtotal for Airfield:</b>			<b>22,224</b>	<b>58,894</b>	<b>21,390</b>	<b>7,625</b>	<b>713</b>	<b>0</b>	<b>88,622</b>	<b>285,181</b>	<b>181,322</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Aviation Division Wide</b>											
5	C800034	No. Expressway Relo Phase	8	0	0	0	0	0	0	102,100	102,097
<b>CIP Group: CDP</b>			<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>102,100</b>	<b>102,097</b>
5	C800688	Construction Logistics Ex	950	65	0	0	0	0	65	8,035	7,319
<b>CIP Group: Facilities</b>			<b>950</b>	<b>65</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65</b>	<b>8,035</b>	<b>7,319</b>
5	C101117	FIMS Phase II	481	0	0	0	0	0	0	8,211	7,730
5	C800066	AV/IT Small Capital Proje	1,112	1,400	1,400	1,400	550	0	4,750	12,494	6,936
6	C800481	CUSE Migration	0	0	0	0	0	0	0	385	386
5	C800693	Noise System Upgrade/Repl	0	0	0	0	0	0	0	1,100	1,100
<b>CIP Group: IT Projects</b>			<b>1,593</b>	<b>1,400</b>	<b>1,400</b>	<b>1,400</b>	<b>550</b>	<b>0</b>	<b>4,750</b>	<b>22,190</b>	<b>16,152</b>
6	C800404	Aeronautical Allowance	0	0	0	0	0	0	0	0	0
6	C800705	Fire Dept ARFF Vehicle	0	0	0	0	0	0	0	1,754	1,754
5	C800760	Auburn Mitigation Road Re	330	375	0	0	0	0	375	716	16



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				2018	2019	2020	2021	2022			
5	C800800	SEA Smartphone App	432	0	0	0	0	0	0	501	223
<b>CIP Group: Miscellaneous</b>			<b>762</b>	<b>375</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>375</b>	<b>2,971</b>	<b>1,993</b>
5	C800017	Aviation Small Jobs	209	218	230	0	0	0	448	10,000	9,413
5	C800018	Aviation Small Capital	170	0	0	0	0	0	0	3,999	3,917
<b>CIP Group: Small Projects</b>			<b>379</b>	<b>218</b>	<b>230</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>448</b>	<b>13,999</b>	<b>13,330</b>
<b>Subtotal for Aviation Division Wide:</b>			<b>3,692</b>	<b>2,058</b>	<b>1,630</b>	<b>1,400</b>	<b>550</b>	<b>0</b>	<b>5,638</b>	<b>149,295</b>	<b>140,891</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Business Development</b>											
4	C800154	Tenant Reimbursement	1,379	500	500	500	189	0	1,689	4,709	1,641
5	C800690	B2 Expansion for DL Club	2,200	0	0	0	0	0	0	13,724	11,578
<b>CIP Group: Bus. Development Miscellaneous</b>			<b>3,579</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>189</b>	<b>0</b>	<b>1,689</b>	<b>18,433</b>	<b>13,219</b>
3	C800846	Kiosk Program Expansion	16	250	874	100	0	0	1,224	1,240	1
5	C800886	Central Terminal Enhancem	142	2,245	2,404	0	0	0	4,649	4,800	36
<b>CIP Group: Concessions</b>			<b>158</b>	<b>2,495</b>	<b>3,278</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>5,873</b>	<b>6,040</b>	<b>37</b>
6	C800651	Town & Country Stormwater	0	0	0	0	0	0	0	333	333
5	C800655	IWS Segregation Meters (C	144	906	88	0	0	0	994	1,142	25
5	C800716	Central Terminal Stairs	1,890	7	0	0	0	0	7	2,493	2,149
5	C800832	NERA Street Purchase	751	0	0	0	0	0	0	751	0
<b>CIP Group: Properties</b>			<b>2,785</b>	<b>913</b>	<b>88</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,001</b>	<b>4,719</b>	<b>2,507</b>
<b>Subtotal for Business Development:</b>			<b>6,522</b>	<b>3,908</b>	<b>3,866</b>	<b>600</b>	<b>189</b>	<b>0</b>	<b>8,563</b>	<b>29,192</b>	<b>15,763</b>



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Status	CIP#	Name	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
			2017	2018	2019	2020	2021			

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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Infrastructure</b>											
6	C800461	IWTP Fiber Installation	0	0	0	0	0	0	0	409	410
5	C800805	Duress System Replacement	626	83	0	0	0	0	83	750	66
5	C800827	STIA Communication Infrass	548	0	0	0	0	0	0	564	36
<b>CIP Group: Communication Systems</b>			<b>1,174</b>	<b>83</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>83</b>	<b>1,723</b>	<b>512</b>
4	C800061	MT Low Voltage Sys Upgrad	329	4,000	8,000	5,621	0	0	17,621	19,639	1,919
5	C800107	C4 UPS System Improvement	2,761	187	0	0	0	0	187	3,663	1,777
6	C800230	Emergency Lighting - Park	0	0	0	0	0	0	0	2,098	2,096
5	C800538	Alternate Utility Facilit	21,616	13,800	293	0	0	0	14,093	36,234	2,642
4	C800699	Electric Utility SCADA	1,261	6,177	1,560	0	0	0	7,737	9,600	1,226
5	C800709	Term Wide Voice Paging Sy	1,184	0	0	0	0	0	0	1,600	815
4	C800724	Concourse C New Power Cen	1,156	2,500	6,000	602	0	0	9,102	10,446	443
6	C800774	Overheight Vehicle Detect	-19	0	0	0	0	0	0	0	0
4	C800784	Emergency Generator Cont	338	1,838	250	0	0	0	2,088	2,500	162



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
5	C800788	OPS Lan Core Switch Upgra	1,818	0	0	0	0	0	2,982	1,760	
<b>CIP Group: Electrical Infrastructure</b>			<b>30,444</b>	<b>28,502</b>	<b>16,103</b>	<b>6,223</b>	<b>0</b>	<b>0</b>	<b>50,828</b>	<b>88,762</b>	<b>12,840</b>
4	C102066	Art Pool	181	250	190	0	0	0	440	802	181
6	C800659	N. Utility Tunnel Steam P	0	0	0	0	0	0	737	737	
5	C800708	S. Util Tunnel Steam Pipe	616	50	0	0	0	0	50	1,000	536
<b>CIP Group: F&amp;I Miscellaneous Projects</b>			<b>797</b>	<b>300</b>	<b>190</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>490</b>	<b>2,539</b>	<b>1,454</b>
4	C800913	Concourse B, IWS Upgrade	43	1,707	0	0	0	0	1,707	1,750	13
<b>CIP Group: Industrial Waste System</b>			<b>43</b>	<b>1,707</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,707</b>	<b>1,750</b>	<b>13</b>
5	C800251	Vertical Convey Modernztn	699	550	0	0	0	0	550	9,667	8,206
5	C800334	Two New CTE Freight Eleva	189	15	0	0	0	0	15	7,889	7,619
5	C800497	Airportwide Mech Controls	529	178	0	0	0	0	178	3,348	2,970
5	C800551	Grease Interceptor Augmnt	1	0	0	0	0	0	0	1,338	1,047
5	C800722	CT Infrastructure Upgrade	522	3,000	6,000	6,000	427	0	15,427	16,812	984



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Status	CIP#	Name	2017	Forecast			5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr		
				2018	2019	2020				2021	2022
5	C800798	SSAT Infrastructure HVAC	639	4,324	6,000	222	0	0	10,546	11,209	264
4	C800801	Replace Variable Freq. Dr	526	2,500	3,500	307	0	0	6,307	6,834	27
<b>CIP Group: Mechanical Infrastructure</b>			<b>3,105</b>	<b>10,567</b>	<b>15,500</b>	<b>6,529</b>	<b>427</b>	<b>0</b>	<b>33,023</b>	<b>57,097</b>	<b>21,117</b>
6	C102032	Sanitary Sewer Pump Sta U	0	0	0	0	0	0	0	872	871
5	C800717	N. Terminals Utilities Up	2,575	11,250	5,200	167	0	0	16,617	20,298	1,682
<b>CIP Group: Water Infrastructure</b>			<b>2,575</b>	<b>11,250</b>	<b>5,200</b>	<b>167</b>	<b>0</b>	<b>0</b>	<b>16,617</b>	<b>21,170</b>	<b>2,553</b>
<b>Subtotal for Infrastructure:</b>			<b>38,138</b>	<b>52,409</b>	<b>36,993</b>	<b>12,919</b>	<b>427</b>	<b>0</b>	<b>102,748</b>	<b>173,041</b>	<b>38,489</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Landside</b>											
5	C101107	So. 160th St. GT Lot Expa	100	2,400	0	0	0	0	2,400	3,001	502
6	C800777	Reuse of S. 28th St. GT L	0	0	0	0	0	0	0	0	0
<b>CIP Group: Ground Transportation</b>			<b>100</b>	<b>2,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,400</b>	<b>3,001</b>	<b>502</b>
6	C800253	Parking System Replacemen	0	0	0	0	0	0	0	5,128	5,129
6	C800274	8th Floor Weather Proofin	0	0	0	0	0	0	0	8,361	8,360
5	C800324	Long-Term Cell Phone Lot	49	50	50	50	87	0	237	2,802	2,536
5	C800451	Doug Fox Site Improvement	372	0	0	0	0	0	0	6,600	6,484
5	C800581	Parking Garage Lights (CA	157	10	0	0	0	0	10	3,037	2,687
5	C800648	Emergency Phones	66	0	0	0	0	0	0	413	375
5	C800728	Parking System Replacemen	2,601	2,236	0	0	0	0	2,236	5,501	1,250
<b>CIP Group: Public Parking</b>			<b>3,245</b>	<b>2,296</b>	<b>50</b>	<b>50</b>	<b>87</b>	<b>0</b>	<b>2,483</b>	<b>31,842</b>	<b>26,821</b>
5	C101110	Consolidate RCF land acq.	10	0	0	0	0	0	0	10,768	10,758
5	C800929	RCF Fleet Tracking & Disp	70	900	85	0	0	0	985	1,055	0



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Status	CIP#	Name	2017	Forecast			5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr		
				2018	2019	2020				2021	2022
<b>CIP Group: Rental Cars</b>			<b>80</b>	<b>900</b>	<b>85</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>985</b>	<b>11,823</b>	<b>10,758</b>
5	C102112	Service Tunnel Renewal/Re	7,793	13,000	9,897	5,778	0	0	28,675	39,190	3,366
4	C102162	Air Cargo Rd Safety Imp	67	720	979	5,141	77	390	7,307	7,440	83
5	C800917	ST Walkway & Bridge Impro	1,704	1,383	0	0	0	0	1,383	3,100	517
<b>CIP Group: Roadways</b>			<b>9,564</b>	<b>15,103</b>	<b>10,876</b>	<b>10,919</b>	<b>77</b>	<b>390</b>	<b>37,365</b>	<b>49,730</b>	<b>3,966</b>
<b>Subtotal for Landside:</b>			<b>12,989</b>	<b>20,699</b>	<b>11,011</b>	<b>10,969</b>	<b>164</b>	<b>390</b>	<b>43,233</b>	<b>96,396</b>	<b>42,047</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>NOISE Program</b>											
4	C200093	Single Family Home Sound	0	0	0	0	0	0	0	7,923	7,919
5	C200094	Single Family Home Insula	120	7,207	7,208	0	0	0	14,415	14,535	0
<b>CIP Group: Residential Insulation</b>			<b>120</b>	<b>7,207</b>	<b>7,208</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,415</b>	<b>22,458</b>	<b>7,919</b>
5	C200007	Highline School Insulatio	18	1,982	19,949	3,389	0	977	26,297	101,799	63,409
<b>CIP Group: School Insulation</b>			<b>18</b>	<b>1,982</b>	<b>19,949</b>	<b>3,389</b>	<b>0</b>	<b>977</b>	<b>26,297</b>	<b>101,799</b>	<b>63,409</b>
<b>Subtotal for NOISE Program:</b>			<b>138</b>	<b>9,189</b>	<b>27,157</b>	<b>3,389</b>	<b>0</b>	<b>977</b>	<b>40,712</b>	<b>124,257</b>	<b>71,328</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Security</b>											
6	C102163	MT 100% Baggage Screening	0	0	0	0	0	0	0	218,903	218,901
6	C800218	Scty Exit Lane Breach Ctr	0	0	0	0	0	0	0	1,325	1,324
6	C800576	Known Crewmember EMPL Byp	0	0	0	0	0	0	0	701	698
5	C800605	Scty Exit Lane Breach Ctr	159	3,858	3,820	136	0	0	7,814	10,950	3,030
5	C800642	Video System Improvements	4,580	4,317	2,054	159	0	0	6,530	13,000	4,210
3	C800862	Terminal Security Enhance	49	2,105	2,131	0	0	0	4,236	4,285	9
3	C800876	Fire Station - Westside	300	1,700	400	0	0	0	2,100	2,400	28
5	C800878	ARFF Vehicle Replacements	2,200	0	0	0	0	0	0	2,200	0
5	C800880	Employee Security Screeni	725	2,220	0	0	0	0	2,220	2,949	430
4	C800920	ASL Conversion at Checkpo	365	6,471	23,000	163	0	0	29,634	29,999	3
<b>CIP Group: Security Projects</b>			<b>8,378</b>	<b>20,671</b>	<b>31,405</b>	<b>458</b>	<b>0</b>	<b>0</b>	<b>52,534</b>	<b>286,712</b>	<b>228,633</b>
<b>Subtotal for Security:</b>			<b>8,378</b>	<b>20,671</b>	<b>31,405</b>	<b>458</b>	<b>0</b>	<b>0</b>	<b>52,534</b>	<b>286,712</b>	<b>228,633</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
6	C800168	C60 - C61 BHS Modificatio	0	0	0	0	0	0	9,558	9,559	
6	C800382	BHS C22-C1, MK1, TC3	0	0	0	0	0	0	5,563	5,562	
6	C800399	C60-C1 Interline Baggage	0	0	0	0	0	0	0	0	
4	C800555	NS Refurbish Baggage Syst	12	0	0	0	0	0	19,341	18,176	
5	C800612	Checked Bag Recap/Optimiz	17,992	40,000	50,000	50,000	50,000	60,000	250,000	444,900	22,293
5	C800802	Airport Auto Baggage Tag	741	407	0	0	0	0	407	1,161	53
4	C800825	Interim Baggage System Pr	6,406	140	0	0	0	0	140	14,200	11,810
5	C800836	Add'l Baggage Makeup Spac	12,699	5,698	0	0	0	0	5,698	18,500	1,052
5	C800858	Checkpoint 5 Wall Relocat	389	126	0	0	0	0	126	1,050	546
<b>CIP Group: Baggage Systems</b>			<b>38,239</b>	<b>46,371</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>60,000</b>	<b>256,371</b>	<b>514,273</b>	<b>69,051</b>
5	C800464	Fiber Infr to Gate Backst	122	0	0	0	0	0	0	3,161	3,146
5	C800790	Passenger Flow Image Anal	890	311	0	0	0	0	311	1,216	54
3	C800841	Tenant Network Demarc Upg	125	465	1,030	955	240	0	2,690	2,815	5



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>CIP Group: Communication Systems</b>			<b>1,137</b>	<b>776</b>	<b>1,030</b>	<b>955</b>	<b>240</b>	<b>0</b>	<b>3,001</b>	<b>7,192</b>	<b>3,205</b>
5	C800019	Gate Utilities Improvem	4,269	750	502	0	0	0	1,252	15,117	12,366
5	C800238	Cent Plant Preconditioned	3,472	150	0	0	0	0	150	54,716	53,938
6	C800543	Replace PLBs at S7, S9 &	0	0	0	0	0	0	0	2,771	2,771
5	C800662	S4 & S6 IC Connection	3	0	0	0	0	0	0	4,422	4,423
5	C800692	Fuel System Modifications	7,008	23	0	0	0	0	23	10,283	6,289
5	C800771	Gate D6 Holdroom for Hard	1,890	74	0	0	0	0	74	2,201	1,239
5	C800873	Concourse B Gate Reconfig	9,769	96	0	0	0	0	96	9,900	233
<b>CIP Group: Gates</b>			<b>26,411</b>	<b>1,093</b>	<b>502</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,595</b>	<b>99,410</b>	<b>81,259</b>
6	C800426	FIS Short-Term Improvem	0	0	0	0	0	0	0	1,637	1,636
4	C800544	NS NorthSTAR Program	60	0	0	0	0	0	0	4,251	4,238
4	C800545	NS Main Terminal Improvem	0	2,000	10,000	10,000	6,833	0	28,833	29,199	367
4	C800547	NS Conc C Vertical Circul	97	0	0	0	0	0	0	15,956	15,609
5	C800549	SSAT Interior Renovations	1,295	5	0	0	0	0	5	5,126	4,459



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
5	C800556	NS NSAT Renov NSTS Lobbie	58,835	148,685	133,401	129,836	123,725	13,527	549,174	658,321	72,064
6	C800615	STIA 2nd Flr Mezz Infra U	0	0	0	0	0	0	0	2,402	2,401
5	C800638	Concessions Infrastructur	2,860	3,200	3,200	3,099	0	0	9,499	14,889	3,989
5	C800697	Restroom Upgrades Conc B,	1,552	4,367	5,639	7,429	9,137	4,603	31,175	33,047	421
4	C800743	SSAT Renovation Project	1,107	1,200	12,000	30,000	79,368	79,368	201,936	600,001	222
5	C800766	Conc A, B, C Carpet Repla	1,233	200	0	0	0	0	200	2,002	1,643
5	C800770	Concourse B Roof Replacem	6,394	570	0	0	0	0	570	7,262	439
5	C800898	Airport Signage Phase 1	15	7,187	799	0	0	0	7,986	8,001	0
<b>CIP Group: Interior Improvements</b>			<b>73,448</b>	<b>167,414</b>	<b>165,039</b>	<b>180,364</b>	<b>219,063</b>	<b>97,498</b>	<b>829,378</b>	<b>1,382,094</b>	<b>107,488</b>
5	C800653	Passenger Loading Bridge	203	0	0	0	0	0	0	5,607	5,603
5	C800695	C3 Holdroom Expansion	534	4,000	1,444	0	0	0	5,444	6,299	556
4	C800793	PLB Renew & Replace Phase	588	4,150	2,200	2,200	791	0	9,341	9,999	134
<b>CIP Group: Loading Bridges</b>			<b>1,325</b>	<b>8,150</b>	<b>3,644</b>	<b>2,200</b>	<b>791</b>	<b>0</b>	<b>14,785</b>	<b>21,905</b>	<b>6,293</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
5	C800782	STS Display Upgrade	2,019	948	0	0	0	0	948	2,970	122
5	C800835	STS Display -S. Loop & Sh	526	0	0	0	0	0	0	579	160
<b>CIP Group: STS</b>			<b>2,545</b>	<b>948</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>948</b>	<b>3,549</b>	<b>282</b>
5	C800473	CUSE at Ticket Cntrs/Gate	56	0	0	0	0	0	0	1,478	1,422
5	C800475	Misc Bldg Improvements AR	328	0	0	0	0	0	0	2,721	2,391
6	C800484	Laptop Power in Concourse	0	0	0	0	0	0	0	1,541	1,540
6	C800495	Facility Monitoring Sys R	0	0	0	0	0	0	0	1,943	1,943
6	C800550	Concourse D Roof Replacem	0	0	0	0	0	0	0	2,896	2,894
6	C800560	MT Mezz Tenant Relocation	0	0	0	0	0	0	0	1,909	1,908
5	C800583	International Arrivals Fa	119,159	320,200	213,245	55,999	0	0	589,444	761,500	88,772
5	C800629	S1 Ramp	8	0	0	0	0	0	0	1,340	1,340
5	C800657	Domestic Water Piping	85	0	0	0	0	0	0	1,452	1,250
5	C800658	Mech Energy Conservation	408	2,323	3,634	200	0	0	6,157	6,803	243
6	C800667	Automated Passport Contro	0	0	0	0	0	0	0	2,004	2,006
4	C800702	2015-2016 C Conc Roof Rep	4,770	318	0	0	0	0	318	5,922	657



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
5	C800761	B Concourse Ramp Lvl Hold	4,476	80	0	0	0	0	80	5,549	2,623
5	C800769	Concourse D Hardstand Hol	6,926	30,000	872	0	0	0	30,872	38,000	628
5	C800818	SSAT Structural Improveme	427	2,799	50	0	0	0	2,849	3,600	286
5	C800833	Holdroom Seatings for Con	3,761	5,282	150	0	0	0	5,432	9,199	68
<b>CIP Group: Terminal Facilities</b>			<b>140,404</b>	<b>361,002</b>	<b>217,951</b>	<b>56,199</b>	<b>0</b>	<b>0</b>	<b>635,152</b>	<b>847,857</b>	<b>109,971</b>
6	C800490	New Window Wall Ticket Zo	0	0	0	0	0	0	0	5,387	5,386
6	C800491	Convert Ticket Zone 2 Pus	0	0	0	0	0	0	0	3,698	3,697
5	C800824	Zone 5 Ticket Lobby Recon	792	0	0	0	0	0	0	951	557
<b>CIP Group: Ticketing Strategy</b>			<b>792</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,036</b>	<b>9,640</b>
<b>Subtotal for Terminal and Tenants:</b>			<b>284,301</b>	<b>585,754</b>	<b>438,166</b>	<b>289,718</b>	<b>270,094</b>	<b>157,498</b>	<b>1,741,230</b>	<b>2,886,316</b>	<b>387,189</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Subtotal for Aviation Division:</b>			376,382	753,582	571,618	327,078	272,137	158,865	2,083,280	4,030,390	1,105,662



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
5	C800009	Infrastructure - Small Ca	1,581	1,500	1,500	1,500	1,500	1,500	7,500	33,424	17,278
5	C800012	Services Technology Small	1,000	1,150	1,000	1,000	1,000	1,000	5,150	17,492	6,619
3	C800016	Enterprise GIS - Small Ca	200	250	250	250	250	250	1,250	4,088	1,388
5	C800162	ID Badge System Replaceme	212	0	0	0	0	0	0	2,499	2,308
5	C800519	Contractor Data System Up	10	0	0	0	0	0	0	668	668
5	C800521	Constr. Doc. Mgt Sys. rep	427	0	0	0	0	0	0	900	681
5	C800746	Maximo Upgrade	371	0	0	0	0	0	0	1,000	817
5	C800747	Project Cost Management S	419	581	0	0	0	0	581	1,000	110
5	C800748	Remote Data Ctr Bus Conti	301	100	0	0	0	0	100	1,300	997
5	C800763	Employee Performance Mgmt	1	0	0	0	0	0	0	316	315
5	C800776	POS Website Redevelopment	679	117	0	0	0	0	117	800	211
5	C800907	Supplier Database System	250	400	150	0	0	0	550	800	0
5	C800908	Corporate Firewall	1,300	200	0	0	0	0	200	1,500	0



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Status	CIP#	Name	2017	Forecast			5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr		
				2018	2019	2020				2021	2022
<b>CIP Group: Information Technology</b>			<b>6,751</b>	<b>4,298</b>	<b>2,900</b>	<b>2,750</b>	<b>2,750</b>	<b>2,750</b>	<b>15,448</b>	<b>65,787</b>	<b>31,392</b>
3	C800450	CDD Fleet Replacement	589	925	962	665	675	417	3,644	6,354	1,312
3	C800453	CDD Small Cap	340	140	108	72	172	132	624	2,310	830
3	C800458	Corporate Fleet Replaceme	275	1,180	381	384	576	707	3,228	7,949	1,375
<b>CIP Group: Other Corporate Capital Projec</b>			<b>1,204</b>	<b>2,245</b>	<b>1,451</b>	<b>1,121</b>	<b>1,423</b>	<b>1,256</b>	<b>7,496</b>	<b>16,613</b>	<b>3,517</b>
5	C800051	Small Capital Acquisition	200	240	200	200	200	200	1,040	3,887	1,649
<b>CIP Group: Small Capital Acquisition</b>			<b>200</b>	<b>240</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>1,040</b>	<b>3,887</b>	<b>1,649</b>
<b>Subtotal for Corporate P&amp;TS Capital Project</b>			<b>8,155</b>	<b>6,783</b>	<b>4,551</b>	<b>4,071</b>	<b>4,373</b>	<b>4,206</b>	<b>23,984</b>	<b>86,287</b>	<b>36,558</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Subtotal for Corporate P&amp;TS:</b>			8,155	6,783	4,551	4,071	4,373	4,206	23,984	86,287	36,558



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Economic Development Division</b>											
<b>Development &amp; Planning</b>											
3	C800158	T91 Uplands Development	299	1,000	5,000	18,000	3,000	3,000	30,000	46,000	67
<b>CIP Group: Real Estate Development</b>			<b>299</b>	<b>1,000</b>	<b>5,000</b>	<b>18,000</b>	<b>3,000</b>	<b>3,000</b>	<b>30,000</b>	<b>46,000</b>	<b>67</b>
<b>Subtotal for Development &amp; Planning:</b>			<b>299</b>	<b>1,000</b>	<b>5,000</b>	<b>18,000</b>	<b>3,000</b>	<b>3,000</b>	<b>30,000</b>	<b>46,000</b>	<b>67</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>General Economic Development</b>											
6	C800359	RE: 2011 Small Projects	0	0	0	0	0	0	0	1,202	1,201
3	C800562	ED: 2019 & Beyond Small P	0	0	300	500	500	500	1,800	3,950	0
3	C800730	ED: 2015 Small Projects	0	0	0	0	0	0	0	460	461
3	C800815	ED: 2016 Small Projects	280	5	0	0	0	0	5	354	257
3	C800831	ED Fleet Replacement	0	30	30	30	30	30	150	350	0
3	C800891	ED: 2017 Small Projects	227	377	0	0	0	0	377	604	33
3	C801004	ED: 2018 Small Projects	0	0	0	0	0	0	0	0	0
<b>CIP Group: ED Small Projects</b>			<b>507</b>	<b>412</b>	<b>330</b>	<b>530</b>	<b>530</b>	<b>530</b>	<b>2,332</b>	<b>6,920</b>	<b>1,952</b>
3	C800244	ED Technology Projects	350	250	250	250	250	250	1,250	2,900	50
6	C800314	P69 Built-Up Roof Replace	0	0	0	0	0	0	0	2,463	2,464
4	C800698	P69 Roof Beam Rehabilitat	8	0	0	0	0	0	0	1,309	1,310
3	C800887	P69 Ext & Lobby Improveme	11	0	0	0	0	0	0	2,513	5



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
		<b>CIP Group: General ECON DEV - Other</b>	369	250	250	250	250	250	1,250	9,185	3,829
		<b>Subtotal for General Economic Development:</b>	876	662	580	780	780	780	3,582	16,105	5,781



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Portfolio Management</b>											
6	C800749	Bell St Gar AI Elevtr Upg	0	0	0	0	0	0	0	0	
4	C800813	P66 Elevator 2,3,4 Upgrad	652	996	0	0	0	0	996	1,819	207
<b>CIP Group: Central Waterfront</b>			<b>652</b>	<b>996</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>996</b>	<b>1,819</b>	<b>207</b>
4	C800814	BHICC Fit & Finish Improv	500	0	0	0	0	0	0	500	374
4	C800889	BHICC Interior Modernizat	289	2,460	4,201	20	0	0	6,681	7,000	69
<b>CIP Group: Conf &amp; Event Centers BHICC</b>			<b>789</b>	<b>2,460</b>	<b>4,201</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>6,681</b>	<b>7,500</b>	<b>443</b>
3	C800126	Tenant Improvements -Capi	200	300	300	300	300	300	1,500	5,448	2,249
<b>CIP Group: Tenant Improvements</b>			<b>200</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>1,500</b>	<b>5,448</b>	<b>2,249</b>
4	C800196	T102 Bldg Roof HVAC Repla	1,609	20	0	0	0	0	20	4,705	3,883
<b>CIP Group: Terminal 102</b>			<b>1,609</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>4,705</b>	<b>3,883</b>
<b>Subtotal for Portfolio Management:</b>			<b>3,250</b>	<b>3,776</b>	<b>4,501</b>	<b>320</b>	<b>300</b>	<b>300</b>	<b>9,197</b>	<b>19,472</b>	<b>6,782</b>



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Status	CIP#	Name	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
			2017	2018	2019	2020	2021			

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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Subtotal for Economic Development Division:</b>			4,425	5,438	10,081	19,100	4,080	4,080	42,779	81,577	12,630



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Maritime Division</b>											
<b>Cruise Operations</b>											
3	C800514	SCCT PAX TERMINAL Improv	0	0	0	0	0	0	0	0	0
4	C800592	Cruise Terminal Tenant Im	14,259	900	0	0	0	0	900	15,251	11,833
4	C800613	Cruise Cap Allow - CTA Le	100	200	200	0	0	0	400	740	239
4	C800614	Cruise per Passenger Allo	0	0	43	0	0	0	43	43	0
3	C800819	BSCT Imp Staff Oversight	87	10	0	0	0	0	10	256	237
4	C800820	P66 Exterior Modernizatio	518	0	0	0	0	0	0	12,998	15
3	C800821	T91 P91W Slope Stabilizat	115	700	0	0	0	0	700	852	102
3	C800910	T91 Camel Replacements	174	926	0	0	0	0	926	1,100	4
<b>CIP Group: Cruise</b>			<b>15,253</b>	<b>2,736</b>	<b>243</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,979</b>	<b>31,240</b>	<b>12,430</b>
<b>Subtotal for Cruise Operations:</b>			<b>15,253</b>	<b>2,736</b>	<b>243</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,979</b>	<b>31,240</b>	<b>12,430</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Environmental Services</b>											
4	C800995	Restoration	423	10,100	7,000	1,748	0	0	18,848	19,271	223
<b>CIP Group: Environmental</b>			<b>423</b>	<b>10,100</b>	<b>7,000</b>	<b>1,748</b>	<b>0</b>	<b>0</b>	<b>18,848</b>	<b>19,271</b>	<b>223</b>
<b>Subtotal for Environmental Services:</b>			<b>423</b>	<b>10,100</b>	<b>7,000</b>	<b>1,748</b>	<b>0</b>	<b>0</b>	<b>18,848</b>	<b>19,271</b>	<b>223</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Fishing and Operations</b>											
4	C800526	FT Net Shed 3,4,5 &6 Roof	2,177	220	0	0	0	0	220	2,599	525
6	C800527	FT Net Shed 9 Roof Replac	0	0	0	0	0	0	0	397	396
<b>CIP Group: Fishermen's Terminal - Water</b>			<b>2,177</b>	<b>220</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>220</b>	<b>2,996</b>	<b>921</b>
6	C800160	T91 Lighting Upgrade	0	0	0	0	0	0	0	1,132	1,133
4	C800675	P91 South End Fender	620	3,425	0	0	0	0	3,425	4,099	90
<b>CIP Group: Maritime Operations - T91</b>			<b>620</b>	<b>3,425</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,425</b>	<b>5,231</b>	<b>1,223</b>
<b>Subtotal for Fishing and Operations:</b>			<b>2,797</b>	<b>3,645</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,645</b>	<b>8,227</b>	<b>2,144</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Maritime General</b>											
4	C800729	Marina Mgt Sys Replacemen	261	276	0	0	0	0	276	549	24
3	C800993	Maritime Property ACQ	204	16,900	1,500	13,600	0	0	32,000	32,204	79
<b>CIP Group: Maritime General Other</b>			<b>465</b>	<b>17,176</b>	<b>1,500</b>	<b>13,600</b>	<b>0</b>	<b>0</b>	<b>32,276</b>	<b>32,753</b>	<b>103</b>
3	C102395	Maritime Technology Proje	250	250	250	250	250	250	1,250	5,359	2,608
3	C800442	Maritime Fleet Replacemen	1,023	1,770	1,210	1,312	1,075	1,025	6,392	12,333	1,084
3	C800561	MD: 2019 & Beyond Small P	0	0	1,975	1,565	500	500	4,540	7,040	0
3	C800734	SEA: 2015 Small Projects	228	0	0	0	0	0	0	422	422
3	C800797	CRM MM 2015 Small Project	80	83	0	0	0	0	83	1,043	904
3	C800816	MD: 2016 Small Projects	1,011	135	0	0	0	0	135	1,614	727
3	C800892	MD: 2017 Small Projects	1,190	385	30	0	0	0	415	1,607	61
3	C801003	MD: 2018 Small Projects	0	1,687	0	0	0	0	1,687	1,687	0
<b>CIP Group: Maritime Small Projects</b>			<b>3,782</b>	<b>4,310</b>	<b>3,465</b>	<b>3,127</b>	<b>1,825</b>	<b>1,775</b>	<b>14,502</b>	<b>31,105</b>	<b>5,806</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Subtotal for Maritime General:</b>			4,247	21,486	4,965	16,727	1,825	1,775	46,778	63,858	5,909



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Maritime Portfolio Management</b>											
3	C800005	FT Paving/Storm Upgrades	0	0	0	0	0	0	0	107	105
5	C800137	FT C15 HVAC Improvements	10	0	0	0	0	0	0	4,731	4,729
6	C800344	FT C-2 (Nordby) Roof & HV	0	0	0	0	0	0	0	2,073	2,072
4	C800525	FT Redevelopment Phase 1	993	1,700	10,000	10,000	12,295	0	33,995	34,996	202
3	C800750	C15 Building Tunnel Impro	0	700	0	0	0	0	700	700	0
<b>CIP Group: Fishermens Terminal - Land</b>			<b>1,003</b>	<b>2,400</b>	<b>10,000</b>	<b>10,000</b>	<b>12,295</b>	<b>0</b>	<b>34,695</b>	<b>42,607</b>	<b>7,108</b>
5	C800439	T91 Substation Upgrades	65	0	0	0	0	0	0	1,902	1,880
4	C800829	T91 Building C-173 Roof O	1,219	53	0	0	0	0	53	1,458	299
<b>CIP Group: Maritime Industrial Facilities</b>			<b>1,284</b>	<b>53</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53</b>	<b>3,360</b>	<b>2,179</b>
4	C800445	SBM Pad Site Development	80	400	0	0	0	0	400	500	40
<b>CIP Group: Shilshole Bay Marina - Land</b>			<b>80</b>	<b>400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>400</b>	<b>500</b>	<b>40</b>
<b>Subtotal for Maritime Portfolio Management:</b>			<b>2,367</b>	<b>2,853</b>	<b>10,000</b>	<b>10,000</b>	<b>12,295</b>	<b>0</b>	<b>35,148</b>	<b>46,467</b>	<b>9,327</b>



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			2017	2018	2019	2020	2021			

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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Recreational Boating</b>											
3	C800678	HIM ABCDE Dock	25	0	0	0	0	0	0	12,460	64
<b>CIP Group: Harbor Island Marina</b>			<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,460</b>	<b>64</b>
3	C800355	SBM Paving	69	1,572	0	0	0	0	1,572	1,728	117
4	C800356	SBM Restrms/Service Bldgs	1,184	6,818	0	0	0	0	6,818	8,529	699
3	C800997	SBM Office Reconfiguratio	19	200	200	200	0	0	600	619	0
<b>CIP Group: Shilshole Bay Marina - Water</b>			<b>1,272</b>	<b>8,590</b>	<b>200</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>8,990</b>	<b>10,876</b>	<b>816</b>
<b>Subtotal for Recreational Boating:</b>			<b>1,297</b>	<b>8,590</b>	<b>200</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>8,990</b>	<b>23,336</b>	<b>880</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Security</b>											
6	C800436	SEA SEC R13 P66 TWIC & T9	0	0	0	0	0	0	0	700	699
<b>CIP Group: Maritime Security - Grants</b>			<b>0</b>	<b>700</b>	<b>699</b>						
<b>Subtotal for Security:</b>			<b>0</b>	<b>700</b>	<b>699</b>						



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Subtotal for Maritime Division:</b>			26,384	49,410	22,408	28,675	14,120	1,775	116,388	193,099	31,612



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>NWSA Joint Venture</b>											
<b>Joint Venture General</b>											
3	C800885	Joint Venture Small Capit	0	0	0	0	0	0	0	111	111
<b>CIP Group: JV Small Projects</b>			<b>0</b>	<b>111</b>	<b>111</b>						
<b>Subtotal for Joint Venture General:</b>			<b>0</b>	<b>111</b>	<b>111</b>						



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Lease &amp; Asset Management</b>											
5	C800546	Argo Yard Roadway Element	6	0	0	0	0	0	0	3,047	3,041
<b>CIP Group: Containers Other</b>			<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,047</b>	<b>3,041</b>
5	C102875	T18 Street Vacation Compl	24	0	0	0	0	0	0	3,654	3,633
<b>CIP Group: Terminal 18</b>			<b>24</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,654</b>	<b>3,633</b>
3	C800563	T46 Viaduct Driven Capita	2	106	0	0	0	0	106	344	240
4	C800620	T46 Pub Acc Mitigation at	33	167	2,500	0	0	0	2,667	2,930	245
5	C800994	T46 JV Stormwater Improve	334	0	0	0	0	0	0	5,614	5,331
<b>CIP Group: Terminal 46</b>			<b>369</b>	<b>273</b>	<b>2,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,773</b>	<b>8,888</b>	<b>5,816</b>
5	C102858	T5 Street Vacation Comple	40	0	0	0	0	0	0	1,440	1,414
<b>CIP Group: Terminal 5</b>			<b>40</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,440</b>	<b>1,414</b>
<b>Subtotal for Lease &amp; Asset Management:</b>			<b>439</b>	<b>273</b>	<b>2,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,773</b>	<b>17,029</b>	<b>13,904</b>



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Status	CIP#	Name	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
			2017	2018	2019	2020	2021			

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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Subtotal for NWSA Joint Venture:</b>			439	273	2,500	0	0	0	2,773	17,140	14,015

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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Stormwater Utility</b>											
<b>SWU General</b>											
3	C800895	T18 SW outfall upgrade	506	1,050	1,000	1,442	0	0	3,492	4,010	118
4	C800897	SWU Industrial Vacuum Tru	625	0	0	0	0	0	0	625	0
3	C800991	PW Stormwater Sys Renewal	30	500	500	500	500	500	2,500	5,030	0
<b>CIP Group: SWU Large Capital</b>			<b>1,161</b>	<b>1,550</b>	<b>1,500</b>	<b>1,942</b>	<b>500</b>	<b>500</b>	<b>5,992</b>	<b>9,665</b>	<b>118</b>
3	C800837	SWU Small Capital	246	150	150	150	150	150	750	2,062	433
<b>CIP Group: SWU Small Projects</b>			<b>246</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>750</b>	<b>2,062</b>	<b>433</b>
<b>Subtotal for SWU General:</b>			<b>1,407</b>	<b>1,700</b>	<b>1,650</b>	<b>2,092</b>	<b>650</b>	<b>650</b>	<b>6,742</b>	<b>11,727</b>	<b>551</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Subtotal for Stormwater Utility:</b>			1,407	1,700	1,650	2,092	650	650	6,742	11,727	551



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Grand Total:</b>			417,192	817,186	612,808	381,016	295,360	169,576	2,275,946	4,420,220	1,201,028

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Business Plan Prospective Projects

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## Selection

**Start Year:** 2017

**Business Unit:** ALL

**Project Status:** 2 - 2

**Division:** ALL

**Sponsor:** ALL

**CIP Group:** ALL



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Aviation Division</b>											
<b>Airfield</b>											
2	C800772	Fuel Hydrant Pit Program	0	0	1,000	1,000	1,000	1,000	4,000	4,000	0
<b>CIP Group: Aircraft Fueling</b>			<b>0</b>	<b>0</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>4,000</b>	<b>4,000</b>	<b>0</b>
2	C800930	Airfield Pvmnt Repl 2020-2	0	0	225	11,013	13,997	15,594	40,829	72,649	0
<b>CIP Group: Airfield Pavement</b>			<b>0</b>	<b>0</b>	<b>225</b>	<b>11,013</b>	<b>13,997</b>	<b>15,594</b>	<b>40,829</b>	<b>72,649</b>	<b>0</b>
2	C800650	Surface Area Management S	40	2,300	2,660	0	0	0	4,960	5,000	0
<b>CIP Group: Navigational Nav aids</b>			<b>40</b>	<b>2,300</b>	<b>2,660</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,960</b>	<b>5,000</b>	<b>0</b>
<b>Subtotal for Airfield:</b>			<b>40</b>	<b>2,300</b>	<b>3,885</b>	<b>12,013</b>	<b>14,997</b>	<b>16,594</b>	<b>49,789</b>	<b>81,649</b>	<b>0</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Aviation Division Wide</b>											
2	C800928	Zone 1 Curb-to-Gate Biome	0	0	800	1,000	0	0	1,800	1,800	0
2	C800931	Smartphone App - ADA Supp	0	0	750	0	0	0	750	750	0
<b>CIP Group: IT Projects</b>			<b>0</b>	<b>0</b>	<b>1,550</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>2,550</b>	<b>2,550</b>	<b>0</b>
2	C800405	Non-Aeronautical Allowanc	0	0	0	0	0	0	0	0	0
2	C800753	Aeronautical Allowance	2,000	7,500	35,000	50,000	73,029	85,000	250,529	667,081	0
2	C800754	Non-Aeronautical Allowanc	0	5,000	10,000	10,000	10,000	15,000	50,000	141,859	0
2	C800794	Fire Pump Replacement	44	507	27	0	0	0	534	580	7
<b>CIP Group: Miscellaneous</b>			<b>2,044</b>	<b>13,007</b>	<b>45,027</b>	<b>60,000</b>	<b>83,029</b>	<b>100,000</b>	<b>301,063</b>	<b>809,520</b>	<b>7</b>
2	C800099	Aviation Small Capital	963	1,717	0	0	0	0	1,717	6,000	3,607
2	C800100	Aviation Small Jobs	2,047	4,800	1,472	0	0	0	6,272	9,999	2,365
2	C800751	Aviation Small Jobs	0	0	0	1,205	2,800	2,900	6,905	12,000	0
2	C800752	Aviation Small Capital	0	78	1,600	1,700	1,800	1,900	7,078	10,000	0



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>CIP Group: Small Projects</b>			3,010	6,595	3,072	2,905	4,600	4,800	21,972	37,999	5,972
<b>Subtotal for Aviation Division Wide:</b>			5,054	19,602	49,649	63,905	87,629	104,800	325,585	850,069	5,979



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Business Development</b>											
2	C800951	AOB Capacity Upgrades & C	0	0	1,464	371	0	0	1,835	1,835	0
<b>CIP Group: Bus. Development Miscellaneous</b>			<b>0</b>	<b>0</b>	<b>1,464</b>	<b>371</b>	<b>0</b>	<b>0</b>	<b>1,835</b>	<b>1,835</b>	<b>0</b>
2	C800883	Central Term Mezzanine Of	10	0	0	0	0	0	0	5,289	5
2	C800947	South Satellite Mezz Club	0	0	90	179	1,301	460	2,030	2,030	0
2	C800949	WSDOT Property Purchase	0	0	3,500	0	0	0	3,500	3,500	0
2	C800950	Cargo Buildings Improveme	0	0	50	881	2,186	3,493	6,610	6,610	0
<b>CIP Group: Properties</b>			<b>10</b>	<b>0</b>	<b>3,640</b>	<b>1,060</b>	<b>3,487</b>	<b>3,953</b>	<b>12,140</b>	<b>17,429</b>	<b>5</b>
<b>Subtotal for Business Development:</b>			<b>10</b>	<b>0</b>	<b>5,104</b>	<b>1,431</b>	<b>3,487</b>	<b>3,953</b>	<b>13,975</b>	<b>19,264</b>	<b>5</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Infrastructure</b>											
2	C800762	Telecommunication Meet Me	279	1,547	1,570	525	0	0	3,642	3,927	52
2	C800935	Access Controls in Comm R	0	0	895	1,998	0	0	2,893	2,893	0
2	C800937	Fire Suppression Comm Ro	0	0	50	170	282	210	712	712	0
2	C800939	Comm Infrastructure Expan	0	0	35	979	570	0	1,584	1,584	0
<b>CIP Group: Communication Systems</b>			<b>279</b>	<b>1,547</b>	<b>2,550</b>	<b>3,672</b>	<b>852</b>	<b>210</b>	<b>8,831</b>	<b>9,116</b>	<b>52</b>
2	C800811	Chiller Panel Upgrade	30	400	70	0	0	0	470	500	0
2	C800826	Arc Flash Mitigation	196	250	6,500	509	0	0	7,259	7,503	104
2	C800901	Parking Garage - Elec. Pa	50	750	1,900	567	0	0	3,217	3,267	0
2	C800902	Conc B - Electrical Panel	50	750	1,500	375	0	0	2,625	2,675	0
2	C800905	Conc C - Electrical Panel	50	1,400	4,000	681	0	0	6,081	6,131	0
2	C800941	Airport-wide & RCF LED li	0	0	112	995	1,452	5,646	8,205	8,205	0
2	C800944	Building Controls Upgrade	0	0	70	925	3,311	670	4,976	4,976	0



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>CIP Group: Electrical Infrastructure</b>			<b>376</b>	<b>3,550</b>	<b>14,152</b>	<b>4,052</b>	<b>4,763</b>	<b>6,316</b>	<b>32,833</b>	<b>33,257</b>	<b>104</b>
2	C800900	Garage Ancillary Renew/Re	75	500	1,200	160	0	0	1,860	1,935	0
2	C800940	Utility Meter Networking	0	0	565	1,385	4,799	3,618	10,367	10,367	0
2	C800945	South CT Solid Waste Impr	0	284	1,592	0	0	0	1,876	1,876	0
2	C800980	SD Pond Bird Deterrent Im	0	1,565	4,557	5,262	0	0	11,384	11,384	0
<b>CIP Group: F&amp;I Miscellaneous Projects</b>			<b>75</b>	<b>2,349</b>	<b>7,914</b>	<b>6,807</b>	<b>4,799</b>	<b>3,618</b>	<b>25,487</b>	<b>25,562</b>	<b>0</b>
2	C800924	AC4 Av/Maintenance Upgrad	0	0	525	2,852	1,189	0	4,566	4,566	0
<b>CIP Group: Maintenance Facilities</b>			<b>0</b>	<b>0</b>	<b>525</b>	<b>2,852</b>	<b>1,189</b>	<b>0</b>	<b>4,566</b>	<b>4,566</b>	<b>0</b>
2	C800903	Conc B - Mechanical Equip	65	500	600	163	0	0	1,263	1,328	0
2	C800978	VFD Replacement II	0	0	63	624	3,613	0	4,300	4,300	0
<b>CIP Group: Mechanical Infrastructure</b>			<b>65</b>	<b>500</b>	<b>663</b>	<b>787</b>	<b>3,613</b>	<b>0</b>	<b>5,563</b>	<b>5,628</b>	<b>0</b>
2	C800493	Water Right Supply Develo	60	140	300	0	0	0	440	500	10



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
2	C800787	NSAT Roofs to Storm Pipin	-1	0	0	0	0	0	0	0	0
2	C800799	Trenchless Replacement of	336	500	5,635	700	0	0	6,835	7,173	38
2	C800804	Water Hammer Attenuation	158	100	150	84	0	0	334	500	16
2	C800864	Water System Alternate So	0	0	0	0	0	0	0	3,000	0
2	C800904	Conc B - Water/Sewer Line	50	750	1,500	336	0	0	2,586	2,636	0
<b>CIP Group: Water Infrastructure</b>			<b>603</b>	<b>1,490</b>	<b>7,585</b>	<b>1,120</b>	<b>0</b>	<b>0</b>	<b>10,195</b>	<b>13,809</b>	<b>64</b>
<b>Subtotal for Infrastructure:</b>			<b>1,398</b>	<b>9,436</b>	<b>33,389</b>	<b>19,290</b>	<b>15,216</b>	<b>10,144</b>	<b>87,475</b>	<b>91,938</b>	<b>220</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Landside</b>											
2	C800956	Employee Parking Bus Purc	0	0	1,423	9,659	7,000	0	18,082	18,082	0
2	C800957	NEPL Improvements	0	0	1,104	4,959	572	0	6,635	6,635	0
<b>CIP Group: Employee Parking</b>			<b>0</b>	<b>0</b>	<b>2,527</b>	<b>14,618</b>	<b>7,572</b>	<b>0</b>	<b>24,717</b>	<b>24,717</b>	<b>0</b>
2	C800789	Elevators Modernization	22	5,682	9,186	8,374	0	0	23,242	23,277	15
2	C800870	Parking Revenue Infrastru	151	4,000	7,000	3,000	460	0	14,460	14,611	1
<b>CIP Group: Public Parking</b>			<b>173</b>	<b>9,682</b>	<b>16,186</b>	<b>11,374</b>	<b>460</b>	<b>0</b>	<b>37,702</b>	<b>37,888</b>	<b>16</b>
2	C800810	RCF Elec Bus Proc & Infra	360	1,440	0	0	0	0	1,440	1,800	0
2	C800975	RCF Camera Replacement	0	0	118	419	643	0	1,180	1,180	0
2	C800977	RCF Pavement Remediation	0	1,657	7,487	2,273	0	0	11,417	11,417	0
<b>CIP Group: Rental Cars</b>			<b>360</b>	<b>3,097</b>	<b>7,605</b>	<b>2,692</b>	<b>643</b>	<b>0</b>	<b>14,037</b>	<b>14,397</b>	<b>0</b>
2	C800143	South Access Property Acq	3,395	0	0	0	0	0	0	3,395	0
2	C800866	Widen Arrivals Approach	90	1,233	1,200	12,575	500	0	15,508	15,599	12



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>CIP Group: Roadways</b>			3,485	1,233	1,200	12,575	500	0	15,508	18,994	12
<b>Subtotal for Landside:</b>			4,018	14,012	27,518	41,259	9,175	0	91,964	95,996	28



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>NOISE Program</b>											
2	C200095	Condo Sound Insulation	0	700	7,993	7,995	7,993	0	24,681	24,681	0
<b>CIP Group: Residential Insulation</b>			<b>0</b>	<b>700</b>	<b>7,993</b>	<b>7,995</b>	<b>7,993</b>	<b>0</b>	<b>24,681</b>	<b>24,681</b>	<b>0</b>
<b>Subtotal for NOISE Program:</b>			<b>0</b>	<b>700</b>	<b>7,993</b>	<b>7,995</b>	<b>7,993</b>	<b>0</b>	<b>24,681</b>	<b>24,681</b>	<b>0</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Security</b>											
2	C800844	Perimeter Intrusion Detec	500	3,204	2,000	2,000	2,296	0	9,500	10,000	0
2	C800934	Employee Business Office	0	0	304	915	6,045	0	7,264	7,264	0
2	C800979	Fire Engines & RIV	0	0	1,980	0	0	0	1,980	1,980	0
2	C800984	AF Employee Security Sere	0	550	0	0	0	0	550	550	0
<b>CIP Group: Security Projects</b>			<b>500</b>	<b>3,754</b>	<b>4,284</b>	<b>2,915</b>	<b>8,341</b>	<b>0</b>	<b>19,294</b>	<b>19,794</b>	<b>0</b>
<b>Subtotal for Security:</b>			<b>500</b>	<b>3,754</b>	<b>4,284</b>	<b>2,915</b>	<b>8,341</b>	<b>0</b>	<b>19,294</b>	<b>19,794</b>	<b>0</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Stormwater</b>											
2	C800983	Sewer/Catch Basin Cleaner	0	450	0	0	0	0	450	450	0
<b>CIP Group: Stormwater Projects</b>			<b>0</b>	<b>450</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>450</b>	<b>450</b>	<b>0</b>
<b>Subtotal for Stormwater:</b>			<b>0</b>	<b>450</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>450</b>	<b>450</b>	<b>0</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
2	C800922	Baggage Claim Refresh	0	0	834	2,023	8,181	0	11,038	11,038	0
<b>CIP Group: Baggage Systems</b>			<b>0</b>	<b>0</b>	<b>834</b>	<b>2,023</b>	<b>8,181</b>	<b>0</b>	<b>11,038</b>	<b>11,038</b>	<b>0</b>
2	C800779	Safedock Upgrade & Expans	29	3,843	0	0	0	0	3,843	3,872	9
<b>CIP Group: Gates</b>			<b>29</b>	<b>3,843</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,843</b>	<b>3,872</b>	<b>9</b>
2	C800959	Seating Replacement	0	0	663	3,521	8,956	746	13,886	13,886	0
2	C800971	Checkpoint Smart LED Ligh	0	0	800	900	0	0	1,700	1,700	0
<b>CIP Group: Interior Improvements</b>			<b>0</b>	<b>0</b>	<b>1,463</b>	<b>4,421</b>	<b>8,956</b>	<b>746</b>	<b>15,586</b>	<b>15,586</b>	<b>0</b>
2	C800875	Additional STS Cars	0	6,525	8,175	2,150	600	0	17,450	17,450	0
<b>CIP Group: STS</b>			<b>0</b>	<b>6,525</b>	<b>8,175</b>	<b>2,150</b>	<b>600</b>	<b>0</b>	<b>17,450</b>	<b>17,450</b>	<b>0</b>
2	C800845	C1 Building Floor Expansi	0	1,500	10,000	21,800	16,700	0	50,000	50,000	0
2	C800969	MT Fire Sprinkler-Smoke C	0	0	300	1,639	5,611	16,726	24,276	28,457	0



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>CIP Group: Terminal Facilities</b>			0	1,500	10,300	23,439	22,311	16,726	74,276	78,457	0
<b>Subtotal for Terminal and Tenants:</b>			29	11,868	20,772	32,033	40,048	17,472	122,193	126,403	9



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Subtotal for Aviation Division:</b>			11,049	62,122	152,594	180,841	186,886	152,963	735,406	1,310,244	6,241



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Corporate P&amp;TS</b>											
<b>Corporate P&amp;TS Capital Project</b>											
2	C800097	IT Renewal/Replacement	0	0	750	5,000	5,000	5,000	15,750	40,750	0
2	C800909	PeopleSoft Financials Upg	0	3,000	2,500	0	0	0	5,500	5,500	0
2	C801012	Radio System Upgrade	0	1,800	0	0	0	0	1,800	1,800	0
2	C801013	Police Records MGMT Syste	0	700	1,300	0	0	0	2,000	2,000	0
2	C801014	STIA Storage Refresh	0	700	0	0	0	0	700	700	0
2	C801015	New Budget System	0	300	300	0	0	0	600	600	0
<b>CIP Group: Information Technology</b>			<b>0</b>	<b>6,500</b>	<b>4,850</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>26,350</b>	<b>51,350</b>	<b>0</b>
<b>Subtotal for Corporate P&amp;TS Capital Project</b>			<b>0</b>	<b>6,500</b>	<b>4,850</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>26,350</b>	<b>51,350</b>	<b>0</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Subtotal for Corporate P&amp;TS:</b>			0	6,500	4,850	5,000	5,000	5,000	26,350	51,350	0

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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Economic Development Division</b>											
<b>General Economic Development</b>											
2	C800216	ED: Contingency Renew.&Re	450	1,000	1,000	3,000	3,000	3,000	11,000	26,450	0
2	C800888	P69 Solar Panel System	0	350	1,000	0	0	0	1,350	1,350	0
2	C801005	P69 West End HVAC	0	675	0	0	0	0	675	675	0
<b>CIP Group: General ECON DEV - Other</b>			<b>450</b>	<b>2,025</b>	<b>2,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>13,025</b>	<b>28,475</b>	<b>0</b>
<b>Subtotal for General Economic Development:</b>			<b>450</b>	<b>2,025</b>	<b>2,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>13,025</b>	<b>28,475</b>	<b>0</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Portfolio Management</b>											
2	C800199	WTC HVAC Replacement	0	215	1,385	0	0	0	1,600	1,600	0
2	C801016	CW Elevator Modernizatio	0	650	1,400	700	0	0	2,750	2,750	0
<b>CIP Group: Central Waterfront</b>			<b>0</b>	<b>865</b>	<b>2,785</b>	<b>700</b>	<b>0</b>	<b>0</b>	<b>4,350</b>	<b>4,350</b>	<b>0</b>
2	C800732	ED BHICC Roof Fall Protec	0	50	463	0	0	0	513	513	0
<b>CIP Group: Conf &amp; Event Centers BHICC</b>			<b>0</b>	<b>50</b>	<b>463</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>513</b>	<b>513</b>	<b>0</b>
2	C801006	P66 HVAC Systems Upgrade	0	300	1,000	100	1,500	100	3,000	3,000	0
2	C801007	P66 Anthony's Mech Roof	0	100	650	0	0	0	750	750	0
<b>CIP Group: Portfolio Mgmt Other</b>			<b>0</b>	<b>400</b>	<b>1,650</b>	<b>100</b>	<b>1,500</b>	<b>100</b>	<b>3,750</b>	<b>3,750</b>	<b>0</b>
2	C800996	T-102 Outdoor Lighting	50	400	0	0	0	0	400	450	0
<b>CIP Group: Terminal 102</b>			<b>50</b>	<b>400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>400</b>	<b>450</b>	<b>0</b>
<b>Subtotal for Portfolio Management:</b>			<b>50</b>	<b>1,715</b>	<b>4,898</b>	<b>800</b>	<b>1,500</b>	<b>100</b>	<b>9,013</b>	<b>9,063</b>	<b>0</b>



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Status	CIP#	Name	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
			2017	2018	2019	2020	2021			

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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Subtotal for Economic Development Division:</b>			500	3,740	6,898	3,800	4,500	3,100	22,038	37,538	0



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Maritime Division</b>											
<b>Cruise Operations</b>											
2	C800129	New Cruise Gangway at T91	10	450	4,030	10	0	0	4,490	4,500	0
2	C800735	P66 Cruise Term Roof Fall	0	50	292	0	0	0	342	342	0
<b>CIP Group: Cruise</b>			<b>10</b>	<b>500</b>	<b>4,322</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>4,832</b>	<b>4,842</b>	<b>0</b>
<b>Subtotal for Cruise Operations:</b>			<b>10</b>	<b>500</b>	<b>4,322</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>4,832</b>	<b>4,842</b>	<b>0</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Fishing and Operations</b>											
2	C800528	FT W Wall N Fender Replac	0	0	0	0	0	0	0	3,050	0
2	C800529	FT W Wall N Sht Pile Crsn	0	0	0	0	0	0	0	2,884	0
2	C800530	FT S Wall Wt End Improvem	50	0	0	0	0	0	0	1,724	0
2	C800531	FT Docks 3,4 5 Fixed Pie	161	2,380	3,859	0	0	0	6,239	6,400	14
2	C800532	FT Dock 4 Fixed Pier Corr	0	0	0	0	0	0	0	0	14
<b>CIP Group: Fishermen's Terminal - Water</b>			<b>211</b>	<b>2,380</b>	<b>3,859</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,239</b>	<b>14,058</b>	<b>28</b>
2	C800307	MIC West & Central Piers	0	0	0	0	0	70	70	965	0
<b>CIP Group: Maritime Industrl Cntr - Water</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>70</b>	<b>70</b>	<b>965</b>	<b>0</b>
<b>Subtotal for Fishing and Operations:</b>			<b>211</b>	<b>2,380</b>	<b>3,859</b>	<b>0</b>	<b>0</b>	<b>70</b>	<b>6,309</b>	<b>15,023</b>	<b>28</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Maritime General</b>											
2	C800002	Contingency Renewal & Rep	1,825	2,000	2,000	6,000	6,000	13,000	29,000	105,825	0
2	C800731	Maint N Office Site Impro	0	0	0	0	0	0	0	0	0
<b>CIP Group: Maritime General Other</b>			<b>1,825</b>	<b>2,000</b>	<b>2,000</b>	<b>6,000</b>	<b>6,000</b>	<b>13,000</b>	<b>29,000</b>	<b>105,825</b>	<b>0</b>
<b>Subtotal for Maritime General:</b>			<b>1,825</b>	<b>2,000</b>	<b>2,000</b>	<b>6,000</b>	<b>6,000</b>	<b>13,000</b>	<b>29,000</b>	<b>105,825</b>	<b>0</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Maritime Portfolio Management</b>											
2	C800733	C3 West Wall Bldg Roof Re	0	25	732	11	0	0	768	768	0
2	C800998	FT C15 Window Replacement	0	675	0	0	0	0	675	675	0
<b>CIP Group: Fishermens Terminal - Land</b>			<b>0</b>	<b>700</b>	<b>732</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>1,443</b>	<b>1,443</b>	<b>0</b>
<b>Subtotal for Maritime Portfolio Management:</b>			<b>0</b>	<b>700</b>	<b>732</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>1,443</b>	<b>1,443</b>	<b>0</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Recreational Boating</b>											
2	C800679	SBM Lower A Dock Impr.	0	0	0	825	0	0	825	825	0
<b>CIP Group: Shilshole Bay Marina - Water</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>825</b>	<b>0</b>	<b>0</b>	<b>825</b>	<b>825</b>	<b>0</b>
<b>Subtotal for Recreational Boating:</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>825</b>	<b>0</b>	<b>0</b>	<b>825</b>	<b>825</b>	<b>0</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Subtotal for Maritime Division:</b>			2,046	5,580	10,913	6,846	6,000	13,070	42,409	127,958	28



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>NWSA Joint Venture</b>											
<b>Lease &amp; Asset Management</b>											
2	C800593	WWW Deepening 53+2,85%Up/	0	0	500	1,000	1,500	2,000	5,000	29,000	0
2	C800618	EWV Deepening (53+2', 100	0	0	0	0	0	500	500	8,000	0
<b>CIP Group: Dredging</b>			<b>0</b>	<b>0</b>	<b>500</b>	<b>1,000</b>	<b>1,500</b>	<b>2,500</b>	<b>5,500</b>	<b>37,000</b>	<b>0</b>
<b>Subtotal for Lease &amp; Asset Management:</b>			<b>0</b>	<b>0</b>	<b>500</b>	<b>1,000</b>	<b>1,500</b>	<b>2,500</b>	<b>5,500</b>	<b>37,000</b>	<b>0</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Subtotal for NWSA Joint Venture:</b>			0	0	500	1,000	1,500	2,500	5,500	37,000	0

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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Stormwater Utility</b>											
<b>SWU General</b>											
2	C800992	SWU Contingency	0	0	0	500	1,500	1,500	3,500	13,000	0
<b>CIP Group: SWU Large Capital</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>1,500</b>	<b>1,500</b>	<b>3,500</b>	<b>13,000</b>	<b>0</b>
<b>Subtotal for SWU General:</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>1,500</b>	<b>1,500</b>	<b>3,500</b>	<b>13,000</b>	<b>0</b>



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Subtotal for Stormwater Utility:</b>			0	0	0	500	1,500	1,500	3,500	13,000	0



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Status	CIP#	Name	2017	Forecast					5 Year Total ( 2018 - 2022 )	Total EstAct	CIP Actuals to Closed Qtr
				2018	2019	2020	2021	2022			
<b>Grand Total:</b>			13,595	77,942	175,755	197,987	205,386	178,133	835,203	1,577,090	6,269

**ATTACHMENT 1: NWSA CAPITAL IMPROVEMENT PLAN**

Home Port	Project Name	(\$ in 000's) Est. / Act <sup>(1)</sup>						Total 2018 - 2022
		2017	2018	2019	2020	2021	2022	
North Harbor	Terminal 5 W6 Transit Shed Standpipe Replacement	\$ -	\$ -	\$ 280	\$ -	\$ -	\$ -	\$ 280
North Harbor	Terminal 5 Hydrant Replacement	-	-	-	100	-	-	100
North Harbor	Terminal 5 Berth Modernization Design	1,514	-	-	-	-	-	-
North Harbor	Terminal 5 Berth Modernization Construction	-	-	100,000	100,000	83,565	-	283,565
North Harbor	Terminal 5 Arrival/Security Bldg Roof Replacement	-	-	80	-	-	-	80
North Harbor	Terminal 18 Water Control Valve Upgrade	100	200	-	-	-	-	200
North Harbor	Terminal 18 Stormwater Utility Upgrade	900	5,075	750	5,600	-	-	11,425
North Harbor	Terminal 18 N Waterline Loop	-	70	-	-	-	-	70
North Harbor	Terminal 18 Dock Rehabilitation (Pile & Toe Repairs)	684	1,127	-	-	-	-	1,127
North Harbor	Terminal 18 Berth 1 Kindermorgan Dock Rehabilitation	180	-	-	-	-	-	-
North Harbor	Terminal 30 Hydrant Replacement	175	-	-	-	-	-	-
North Harbor	Terminal 46 Transformer Rehab	-	-	116	-	-	-	116
North Harbor	Terminal 46 Stormwater Improvements - Basin 2	91	3,269	-	-	-	-	3,269
North Harbor	Terminal 46 New Wash Rack	-	-	842	-	-	-	842
North Harbor	Terminal 46 New Crane Pins	-	90	-	-	-	-	90
North Harbor	Terminal 46 N Fender System Modification	106	-	-	-	-	-	-
North Harbor	Terminal 46 N Crane Rail Extension Apron Upgrade Design & Construction	17	390	8,767	-	-	-	9,157
North Harbor	Terminal 46 Hydrant Replacement	-	90	-	-	-	-	90
North Harbor	Terminal 46 Dock Rehabilitation	276	14,580	14,200	728	-	-	29,508
North Harbor	Terminal 46 Central Lighting Controls	-	-	730	-	-	-	730
North Harbor	Terminal 104 Site Improvements	20	980	-	-	-	-	980
North Harbor	Terminal 115 Rail Switch & Crossing Replacement	150	150	150	150	150	150	750
South Harbor	2202 Port of Tacoma Rd Customs and Border Protection Office Renovation	-	170	1,810	-	-	-	1,810
South Harbor	2810 Marshall Ave Roof Replacement	50	4,150	-	-	-	-	4,150
South Harbor	36,000 lb Forklift	266	-	-	-	-	-	-
South Harbor	APM Terminals Fender System Replacement	1,040	-	-	-	-	-	-
South Harbor	Automated Equipment ID/Optical Character Recognition (AEI/OCR) Enhancements	-	200	-	-	-	-	200
South Harbor	Auto Warehousing Company (AWC) /Sam's Club Driveway Widening	19	180	-	-	-	-	180
South Harbor	BI Tools	-	200	-	-	-	-	200
South Harbor	Blair Terminal Longshore Breakroom (Trailer)	-	85	-	-	-	-	85
South Harbor	Blair Waterway Windsocks	6	70	-	-	-	-	70
South Harbor	Blair/Wapato Creek Culvert Major Repair	-	25	979	-	-	-	1,004
South Harbor	Breakbulk Yard Truck	252	-	-	-	-	-	-
South Harbor	East Blair One Terminal Paving	-	250	-	-	-	-	250
South Harbor	Husky Panamax Container Cranes Acquisition	15,346	29,370	-	-	-	-	29,370
South Harbor	Hyster H100FT Forklift	50	-	-	-	-	-	-
South Harbor	North Intermodal Yard Replace Track 3 & 4 Crossings	180	-	-	-	-	-	-
South Harbor	North Intermodal Yard Storm Water Pipe Replacement	-	1,500	-	-	-	-	1,500
South Harbor	NWSA Unallocated Capital Improvements	750	3,000	3,000	3,000	3,000	3,000	15,000
South Harbor	Parcel 77 Preliminary Design	106	-	-	-	-	-	-
South Harbor	Pier 4 Container Crane Acquisition	10,400	26,000	15,600	-	-	-	41,600
South Harbor	Pier 4 Phase 2 Reconfiguration Design & Construction	51,310	20,000	-	-	-	-	20,000
South Harbor	Pierce County Terminal Customs and Border Protection Booth & Utilities	350	-	-	-	-	-	-
South Harbor	Pierce County Terminal Truck Staging Design & Construction	15	-	-	-	-	-	-
South Harbor	Portac Site Security Enhancements	37	-	-	-	-	-	-
South Harbor	Strad Emission System Replacement	-	135	135	-	-	-	270
South Harbor	Straddle Carrier Purchases	667	3,070	-	-	-	-	3,070
South Harbor	Terminal 7 Berth B-D Ship Service Water Line Replacement	-	480	-	-	-	-	480
South Harbor	Terminal 7 Customs and Border Protection Office Renovation	150	1,150	-	-	-	-	1,150
South Harbor	Terminal 7 Fender Replacement (all berths)	45	6,670	-	-	-	-	6,670
South Harbor	Terminal 7 Warehouse Rehabilitation	17	-	-	-	-	-	-
South Harbor	Terminals 3/4 Gate Complex & Backland Reconfiguration Design & Construction	750	10,500	2,243	-	-	-	12,743
South Harbor	Terminals 3/4 Gate Complex & Backland Reconfiguration Prelim Design	330	-	-	-	-	-	-
South Harbor	Twin 20 Crane Spreaders	-	668	-	-	-	-	668
South Harbor	Washington United Terminals Customs and Border Protection Booth & Utilities	11	238	-	-	-	-	238
South Harbor	Washington United Terminals Fender System Replacement	-	2,800	-	-	-	-	2,800
South Harbor	Washington United Terminals South Intermodal Yard Pavement Replacement	-	1,715	-	-	-	-	1,715
South Harbor	West Hylebos Log Dock Fender Replacement	740	-	-	-	-	-	-
South Harbor	West Sitcum Property Repurpose for Autos	-	925	-	-	-	-	925
South Harbor	West Sitcum Roof Replacements and/or Repairs	-	3,346	-	-	-	-	3,346
South Harbor	West Sitcum Stormwater Treatment	300	7,877	-	-	-	-	7,877
<b>Total</b>		<b>\$ 87,568</b>	<b>\$ 152,435</b>	<b>\$ 147,872</b>	<b>\$ 109,578</b>	<b>\$ 86,715</b>	<b>\$ 3,150</b>	<b>\$ 499,750</b>
<b>Port of Seattle's 50% funding total</b>		<b>\$ 43,784</b>	<b>\$ 76,218</b>	<b>\$ 73,936</b>	<b>\$ 54,789</b>	<b>\$ 43,358</b>	<b>\$ 1,575</b>	<b>\$ 249,875</b>

Notes

<sup>(1)</sup> Estimated/Actual 2017 represents six months of actual spending and six months of projected spending

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## **2018-2022 DRAFT PLAN OF FINANCE**

### **A. INTRODUCTION**

In 2017, the Port of Seattle solidified the organizational restructuring undertaken in 2015 and 2016. While the *Aviation Division*, the Port's largest division, continues to operate separately, the Non-Airport businesses, which share in funding resources, have seen some realignment. In 2015, the Ports of Seattle and Tacoma jointly formed the *Northwest Seaport Alliance* (NWSA) as a Port Development Authority. The NWSA is a separate legal entity from the individual ports, but is governed by the two ports as equal members, with each port acting through its elected commissioners. Both ports have licensed certain marine cargo facilities (i.e. shipping container terminals and certain industrial properties) to the NWSA, which acts as the exclusive manager and operator of the associated marine cargo business of both ports. The individual ports retain their existing governance structures, budgeting, and ownership of licensed assets, debt, and obligations for repayment of port debt. However, under NWSA management, the two ports' marine cargo terminal investments, operations, planning and marketing efforts are unified with the goal of strengthening the Puget Sound gateway, including a focus on ensuring that container facilities will be able to handle the larger ships migrating into the trans-Pacific trade.

For additional information on the NWSA, please refer to Section XII, "The Northwest Seaport Alliance (NWSA)", or visit their website:

<https://www.nwseaportalliance.com>

Other former Port of Seattle Seaport Division businesses and facilities – cruise, the grain terminal and certain other industrial properties – were combined in 2016 with recreational and commercial marinas into the *Maritime Division*. The Port eliminated the Real Estate Division and created an *Economic Development Division* that includes certain commercial properties and has responsibility for the Port's broader economic development activities, including property development, tourism and small business initiatives. In addition to the Port's operating divisions, Central Services (formerly "Corporate") provides high quality and cost-effective professional and technical services to the operating divisions and to the NWSA (per service agreements). The Port also created its own storm water utility business in 2015, taking over management from the City of Seattle in order to ensure that fees were being fully utilized for storm water infrastructure improvements on Port properties.

For the purposes of the 2018-2022 Draft Plan of Finance (the Plan) discussion below, the Port separates funding resources between the *Airport* and *Non-Airport* businesses. The *Airport* capital improvement plan (CIP) is self-funded with Airport resources, with the exception of tax levy funding for a portion of Highline School District noise mitigation investments not eligible for airport funding. The *Non-Airport* CIP combines and shares Non-Airport funding resources.

### **B. OVERVIEW OF THE DRAFT PLAN OF FINANCE**

Each year the Port prepares the Plan as part of its capital management process. The Plan provides a framework for the funding of the Port's anticipated CIP, and is designed as a flexible tool, providing guidance to the Commission and Port staff as planning and investment decisions are made during the coming year. The Plan is based on a five-year CIP (2018-2022) in order to provide better guidance on longer-term funding.

Once a year, the Commission is presented with the Port's five-year CIP and associated funding analysis. By final budget action, the Commission reviews the CIP and establishes the level of the Port's tax levy

for the coming year. The first year of the CIP represents the Port's capital budget for the following year (i.e. "2018 Capital Budget"). Each quarter capital spending forecasts are updated and actual spending is compared against the approved capital budget; this is reviewed quarterly by Port management within each division and periodically by the Port Commission.

### **C. OVERVIEW OF THE FUNDED CIP**

The final funded 2018-2022 CIP is the result of an iterative process that begins with operating and capital forecasts developed and approved by each operating division. These forecasts are then reviewed in the context of the Port's projected capital capacity, with a final review by Port Executive staff and Commission. The final forecasts, including the CIP, are incorporated into the Budget and into the Plan. For information on the Port's CIP, see Section IX "Capital Improvement Plan."

Within the CIP, projects are divided into several categories that determine their funding priority.

- **Committed**: Committed projects are deemed necessary to achieve operating and/or financial goals, are well-scoped, have undergone financial analysis and at least division level review. They include projects that are already underway and authorized as well as projects not yet authorized, but ready for Commission level review. These projects receive a specific funding commitment in the CIP.
- **Prospective**: Prospective projects may also be deemed necessary to achieve operating and/or financial goals, but are not yet well-scoped and therefore are less certain as to timing or funding requirements. Prospective projects can be re-classified as Committed once they have met the necessary criteria, so it is important that capital funding be flexible enough to accommodate these projects as well as other changes to the CIP. Prospective projects are further subdivided into two categories as follows:
  - **Business Plan Prospective**: Projects that are prospective because of uncertainty of scope and timing, but are deemed to be critical for achieving operating and/or financial goals. This category may include projects that are contingent obligations associated with leases or other agreements.
  - **Other Prospective**: Projects that are still in preliminary planning or that are not currently deemed critical in meeting operating and/or financial goals.
- **Public Expense Projects**: In addition to the CIP, the Port participates in several public projects, particularly in the areas of regional transportation and noise mitigation. Because these projects do not result in Port-owned assets, they are accounted for as an expense (i.e. not capitalized); however they use the same funding sources as capital projects and are included in the funding analysis for the Plan.

Committed projects are designated for funding and are the basis of the Plan. The Plan also includes all Business Plan Prospective projects. As described above, the Port's overall capital and funding approach for the Plan is separated between *Airport* and *Non-Airport*. The Airport is subject to certain regulatory restrictions, and as such, its CIP is funded separately from the Port's Non-Airport businesses. The Non-Airport CIP includes Maritime and Economic Development Division CIP, the Port's assumed 50% funding of the NWSA CIP, and certain legacy projects at the Port's container terminals that are to be funded only by the Port of Seattle. Both the Airport and Non-Airport operations fund an allocated portion of Central Services CIP.

Note: The Plan below *excludes* approximately \$10 million of storm water utility capital projects from 2018-2022, which are funded with storm water utility funds (fees) only. The storm water utility capital projects are, however, included in the Port CIP presented in Table IX-1 of Section IX, "Capital Improvement Plan".

The Plan was developed to meet certain financial targets, including 1.25x coverage on Airport revenue bond debt service, and 1.50x coverage on Non-Airport revenue bond debt service, minimum Airport operating fund balance equal to approximately 10 months of operating and maintenance expenses (O&M)

and a minimum Non-Airport operating fund balance equal to 6 months of O&M (for a Port-wide target of 9 months of O&M). The Plan was developed so that these targets are met in most years; temporary declines below the targets may be tolerated if the Plan projects a rebound to meet at least the minimum targets.

Since 1991, the Port Commission has authorized its property tax levy below the maximum allowable levy, thus preserving the flexibility for the Port to increase the levy if needed. The Port levied \$75.9 million in both 2008 and 2009, and has reduced the levy in several years down to \$72.0 million in 2016-2018. Consistent with policy, the Plan uses no more than 75% of the annual tax levy for Limited Tax General Obligation (G.O.) bond debt service, thus retaining at least 25% for general purposes. This policy is more restrictive than the Port's statutory authority for G.O. bond debt. Based on statute, the Port estimates \$936.8 million of remaining capacity of non-voted G.O. bond debt at 12/31/2017. For more tax levy information, see Section VIII "Tax Levy."

#### **D. 2018-2022 FUNDING PLAN**

##### **AIRPORT**

The Aviation Division's 2018-2022 CIP costs an estimated \$2.8 billion, and consists largely of the following four major projects, which total an estimated \$1.6 billion during the five year period:

- Development of a new International Arrivals Facility for international passengers, which is needed to expand capacity to process the Airport's growing international passenger base. Construction of the IAF is underway and is expected to be operational by the end of 2019.
- Reconfiguration and optimization of the baggage screening equipment to improve operational efficiency and increase capacity. The new outbound baggage system will accommodate 60 million annual passengers. This project will be completed in three phases, with the final phase in operation by the end of 2024.
- North Satellite Renovation & Expansion (NorthSTAR), which includes expanding, renovating and reconfiguring the North Satellite Terminal and certain main terminal facilities that connect to the North Satellite terminal. This effort will add additional gates, address seismic concerns, and upgrade HVAC, lighting and fixtures. Construction has begun and Phase I will be complete in 2019, with the second and final phase estimated to be completed in 2021. Other elements of the NorthSTAR program, such as improvements to vertical circulation on Concourse C and renovation of the baggage systems supporting the North Satellite have been completed.
- Renovation of the South Satellite, which will include seismic upgrades of the building, as well as significant HVAC and concourse improvements. The South Satellite renovation effort has more uncertainty with regards to scope, timing, and cost, but is deemed to be critical.

In addition to these four major projects, there are a number of smaller projects, both new and on-going, which are meant to help the Port manage existing assets in the form of renewal and replacement, improve capacity and customer service in response to the rapid growth at the Airport, and improve overall safety and security at SeaTac. The Aviation Division's CIP also includes approximately \$301 million of Allowance CIP's, which cover undefined future projects or budget increases to existing projects. The CIP does not, however, include potential projects to be identified in the Sustainable Airport Master Plan (SAMP), as discussed in Section IV, "Aviation Division". For more details about the Airport CIP, see Section IX, "Capital Improvement Plan."

**TABLE X-1: 2018-2022 AIRPORT CIP (\$ Millions)**

	2018	2019	2020	2021	2022	2018 - 22 Total
<i>Four Major Projects</i>						
International Arrivals Facility	320	213	56	-	-	589
NSAT	149	133	130	124	14	549
Baggage Optimization	40	50	50	50	60	250
South Satellite Renovation	1	12	30	79	79	202
Subtotal	510	409	266	253	153	1,591
Other Existing Projects	289	240	127	53	12	721
Proposed New Projects	4	30	55	70	47	206
Allowance CIPs	13	45	60	83	100	301
<b>Total Airport CIP</b>	<b>816</b>	<b>724</b>	<b>508</b>	<b>459</b>	<b>312</b>	<b>2,819</b>
Allocated Corporate CIP	11	8	7	8	7	41
<b>Total Airport Funded CIP</b>	<b>826</b>	<b>732</b>	<b>515</b>	<b>467</b>	<b>319</b>	<b>2,860</b>

The funding of the Airport CIP includes Airport net income, both existing and future revenue bond proceeds, as well as expected federal grant money for capital improvements for the baggage optimization effort, airfield pavement program, noise mitigation, and other security related projects. Passenger Facility Charge (PFC) collections, net of PFC bond debt service and net of PFCs applied to pay existing revenue bond debt service, also provide capital funding. Customer Facility Charge (CFC) collections, net of the payment of operating and debt service costs associated with the Consolidated Rental Car Facility, may provide additional capital funding for future Consolidated Rental Car Facility upgrades and the acquisition of buses, as necessary. Additionally, the Plan anticipates the use of the tax levy to fund the portion of Highline School District noise improvements that are ineligible for Airport funding.

**TABLE X-2: 2018-2028 AIRPORT CIP FUNDING (\$ Millions)**

<i>Airport Funding Sources:</i>	
Net Income	277
Existing Bond Proceeds	274
Passenger Facility Charges	238
Customer Facility Charges	17
Federal Grants	174
Tax Levy <sup>(1)</sup>	4
Future Revenue Bond Proceeds	1,874
Total Airport Funding Sources	<u>2,860</u>
 <i>Airport Capital:</i>	
Airport CIP	2,819
Allocated Central Services CIP <sup>(2)</sup>	41
Total Airport Funded Capital	<u>2,860</u>

<sup>(1)</sup> For capitals pending related to Highline School District improvements that are ineligible for Airport funding.

<sup>(2)</sup> Assumes funding with Net Income only.

In addition to the above funding plan for capital projects, Aviation’s Plan includes approximately \$55 thousand of expenditures for Public Expense Projects. For more details about the Port’s public expense projects and their funding, see Section IX, “Capital Improvement Plan”.

**NON-AIRPORT**

The 2018-2022 CIP for Non-Airport operations costs an estimated \$491 million, and includes Maritime and Economic Development Division CIP along with the Port’s assumed 50% funding of the NWSA CIP. It also includes certain legacy costs including channel deepening-related projects at the Port’s container terminals that were not transferred to the NWSA but are currently assumed to be funded only by the Port of Seattle (“NWSA – Legacy Port Projects”). The Plan allocates Non-Airport funding resources, including the tax levy, based on management guidelines. See Port of Seattle Funding Guidelines in Section F.

The Maritime Division CIP focuses on investments in facilities and infrastructure to support the Port’s Cruise, Fishing, and Recreational Marina lines of business. The most significant Maritime capital project is associated with the implementation of the Fishermen’s Terminal Long Term Strategic Plan, which includes plans to replace the existing on-site former bank building, West Wall upland equipment storage areas, and the South Wall parking areas with new buildings and/or associated site improvements that support the fishing and maritime cluster, along with refurbishing the historic Ship Supply Building. Another significant project is the acquisition of a recreational marina and development of an industrial building on a portion of the property. Other Maritime projects include upgrades to Shilshole Bay Marina restrooms and facility building, which are at the end of their useful lives, as well as other tenant improvements and potential habitat restoration. The Maritime Division CIP also includes a \$29.0 million contingency for unforeseen needs.

The Economic Development Division CIP focuses on redevelopment of industrial property and the renewal and replacement of infrastructure, building components and systems that are at or beyond the end

of their useful lives. The most significant Economic Development capital project is the predevelopment of the Terminal 91 uplands for future development with the goal of maximizing the asset and to anchor the Puget Sound urban industrial land use in an effort to prevent sprawl in less developed areas. Other Economic Development projects largely focus on renewal and replacement of existing assets and infrastructure, primarily at Bell Harbor International Conference Center, Pier 69, and Pier 66. The Economic Development Division CIP also includes an \$11.0 million contingency. More information on specific Maritime and Economic Development Division projects can be found in Section IX, “Capital Improvement Plan”.

Additionally, the Non-Airport funding plan includes 50% funding of all “Open” projects within the NWSA 2018-2022 CIP. Open projects are on-going projects or projects ready to move forward that have customer commitment or a high degree of certainty. The determination of whether to capitalize or expense a project is driven by accounting rules, and any “Open” projects that are deemed to be expensed are excluded from the NWSA CIP. Such expense projects will reduce the NWSA NOI, and thus reduce the revenues received by each Port. NWSA “Estimate” projects, which are based on an identified business need or opportunity but have not been fully developed in scope and cost, are *excluded* from the NWSA CIP. Additional information on the NWSA CIP can be found in Section XII, “The Northwest Seaport Alliance (NWSA).”

Significant NWSA projects in the North Harbor (Seattle) include the construction of major terminal improvements at Terminal 5, dock rehabilitation and utility/electrical upgrades at Terminal 46, and storm water utility upgrades at Terminal 18. Significant NWSA projects in the South Harbor (Tacoma) include the completion of terminal reconfiguration and improvements at Terminal 4 and the acquisition of eight super-post Panamax container cranes and replacement of straddle carriers on the General Central Peninsula.

The funding of the Non-Airport CIP is based on the income projections associated with the Maritime and Economic Development Divisions, and assumes the 50% Port share of the NWSA forecasted NOI. The Plan targets 1.50x debt service coverage on all Non-Airport revenue bond debt. Non-Airport CIP funding sources include net income, excess General Fund cash above minimum balance requirements, and federal grants for the Terminal 46 Modernization project under the Transportation Investment Generating Economic Recovery (TIGER) grants program. A preliminary funding analysis of the non-Airport CIP resulted in a funding gap that exceeded an amount that is often accommodated within normal spending fluctuations. Consistent with the process described in Section C above, the Port undertook a prioritization exercise. As a result approximately \$59 million of capital projects have been delayed for up to five-years.

Non-Airport funding also includes use of the Tax Levy for certain Commission approved capital projects, which for the Plan include but are not limited to Maritime capital projects in support of fishing industry and Economic Development capital projects in support of certain strategic initiatives. The Port has established a Harbor Development Fund and set aside \$65 million of existing tax levy dollars in support of NWSA capital projects in the North Harbor, most significantly the modernization of Terminal 5. The Port also expects to leverage the tax levy in the form of future General Obligation (G.O.) Bonds to partially fund the 2018-2022 Non-Airport CIP.

**TABLE X-3: 2018-2022 NON-AIRPORT CIP FUNDING (\$ Millions)**

<i>Non-Airport Funding Sources:</i>	
Net Income and Operating Funds	173
Grants	10
Tax Levy	128
Harbor Development Fund	65
Future LTGO Bonds	121
Total Non-Airport Funding Sources	<u>497</u>
 <i>Non-Airport Capital:</i>	
Maritime Division	159
Economic Development Division	65
NWSA - Port 50% share	250
NWSA - Legacy Port Projects	8
Allocated Central Services CIP <sup>(1)</sup>	9
Total Non-Airport Funded Capital	<u>491</u>
 General Fund Capacity	 6

(1) Assumes funding with Net Income and Operating Funds only.

In addition to the above funding for capital projects, the Plan includes an estimated \$33.2 million of expenditures for certain freight mobility public expense projects. For more details about the Port’s public expense projects and their funding, please see Section VIII, “Tax Levy,” and Section IX, “Capital Improvement Plan.”

**CENTRAL SERVICES**

Central Services CIP consists predominantly of technology projects associated with critical infrastructure and network security enhancements required to maintain compliance with established industry standards. A small portion of the CIP is for small capital equipment purchases and vehicle fleet replacement. Central Services CIP is allocated to and funded by the operating divisions, as presented above in Tables X-2 and X-3. See Section IX, “Capital Improvement Plan,” for additional information on the Central Services CIP.

**FINANCIAL IMPLICATIONS AND RISKS**

The Plan above includes projects currently identified as Committed and Business Plan Prospective. The Plans incorporate revenue bond debt service coverage targets of 1.25x for the Airport and 1.50x for Non-Airport operations. Port-wide coverage for all revenue bond debt service (irrespective of lien) ranges from a low of 1.30x to a high of 1.49x over the five-year forecast period (calculated assuming that a portion of Revenue Bond debt service is paid from PFCs and CFCs). Generally speaking, the Port expects that Port-wide debt service coverage will move toward the Airport specific target of 1.25x, as the Airport completes its \$2.8 billion CIP and associated revenue bond debt service factors into the coverage calculation.

There are a number of risks that should be considered within the Plan. While Committed projects are fairly certain, Business Plan Prospective projects have more uncertainty with regards to scope and timing;

an increase in costs or acceleration of schedule for these projects or of the projects that were delayed as a part of the project prioritization process could change the funding forecast. In addition, the Plan does not include Other Prospective projects, projects that are not currently contemplated but may be required for security, renewal and replacement or to address changes in the business environment, nor “Estimate” projects for the NWSA. In addition, the forecast is based on a number of assumptions related to operating income and tax levy collection; changes in these assumptions could affect the Plan results as well. To minimize coverage impacts or manage funding shortfalls, the Port could employ a number of options:

- delay or reduce project spending
- further reduce operating costs or identify additional revenues
- utilize alternative financing for appropriate projects
- seek additional grant funding
- increase airline rates and charges within the limitations of the Airport’s operating agreement
- increase the tax levy, subject to statutory constraints
- implement the Industrial Development District levy

Prior to implementation, these mechanisms would be further evaluated in the context of business planning, asset liability management goals and Port policy objectives. Given potential costs and/or risks associated with each, it is likely that the Port would pursue a balanced approach to minimizing coverage impacts by utilizing a combination of options.

The Plan assumes a flat levy amount of \$72.0 million in 2018-2022, which is below the Port’s actual statutory authority of ~\$101.6 million in 2018. The Port can access additional funding sources including remaining non-voted G.O. bond capacity and voted G.O. bond capacity, assess the tax levy up to the maximum amount or assess an Industrial Development District (IDD) levy (subject to limitations described in Section VIII “Tax Levy”). There are no plans to use these resources at present, but they are available should the Port Commission deem them appropriate.

## **E. FINANCING INITIATIVES**

In March 2017, the Port issued \$127.3 million of 2017 G.O. bonds to reimburse itself for the final two installments paid to the Washington State Department of Transportation related to the Alaskan Way Viaduct replacement program, which the Port funded with cash in 2016. The SR99 project qualified for the lowest cost of debt (tax-exempt governmental bonds), and this financing strategy effectively made available cash resources for other future Port projects that likely wouldn’t qualify for such a low cost of debt.

In August 2017, the Port issued \$688.2 million of 2017 ABCD Intermediate Lien Revenue and Refunding bonds. \$406.5 million was issued to fund on-going Aviation capital projects, and \$281.6 million was issued to refund certain outstanding 2009AB First Lien Revenue bonds, which funded the construction of the Consolidated Rental Car Facility at the Airport. The refunding transaction resulted in net present value savings of approximately \$79.7 million.

As presented above in Table X-2, the Plan anticipates approximately \$1.9 billion of additional future Airport revenue bonds needs during the 2018-2022 forecast period, which may require a bond issue as early as 2018 to fund a portion those costs. Additionally, the Port will continue to monitor opportunities to refund existing bonds for debt service savings.

## **F. CAPITAL PLANNING RESOURCES**

The following information on funding guidelines and financial model assumptions are resources for better understanding the Plan.

### **PORT OF SEATTLE FUNDING GUIDELINES**

Guidelines have been prepared to assist the Commission, Port management, and staff in decisions regarding the allocation of Port funds.

#### **Tax Levy and G.O. Bonds**

Generally, the Port has used tax levy funds for environmental remediation, regional transportation projects, and for certain capital expenditures that meet the following criteria:

- A long lag exists between capital costs and project revenues or the project's financial return will not support revenue bond financing (i.e. the internal rate of return, or IRR, is less than the current cost of debt); and
- The project generates economic benefits for taxpayers.

The Port may also leverage the tax levy with G.O. bonds with a policy limit of no more than 75% of the annual tax levy devoted to paying G.O. bond debt service.

In addition to funding capital projects, the tax levy or G.O. bonds may be used to fund public expense projects, such as the Port's recent contribution to the State of Washington for the Alaskan Way Viaduct replacement program. Similar to capital projects, public expense projects are expected to meet the criteria noted above to be eligible for tax levy or G.O. bond funding. The Port has set aside some tax levy funds into a separate Transportation and Infrastructure Fund to pay for costs of certain regional transportation initiatives.

Based on these criteria, the Plan assumes the tax levy/G.O. funding primarily for certain Port capital projects in support of fishing industry facilities, acquisition of a recreational marina, renewal and replacement of certain Maritime and EDD facilities, and certain NWSA capital projects located in the North Harbor.

Section VIII, "Tax Levy," describes the various uses of the tax levy including the funding of certain capital projects.

#### **Revenue Bonds**

Projects should earn the current cost of debt (in IRR terms) or otherwise be included in the airlines' rate base to be eligible for revenue bond financing. A target senior lien revenue bond coverage ratio of 1.80x will be reviewed annually in light of changing circumstances such as critical funding needs or changes in the airport-airline operating agreement. As mentioned above, the Port targets 1.25x coverage on Airport revenue bond debt service and 1.50x coverage on Non-Airport revenue bond debt service. An adequate cash flow margin (cash flow after debt service) will also be maintained for planning purposes.

#### **Industrial Development District (IDD) Levy**

In order to be considered for IDD levy financing, projects should be critical to core Port business or other major strategic initiatives, and should generate significant economic benefits for taxpayers. Additionally, projects must comply with all applicable legal requirements governing the use of the levy.

### **Airport Improvement Program (AIP) Grants and Passenger Facility Charges (PFCs)**

Projects eligible for AIP grant and PFC funding should be consistent with airport investment strategies and must comply with the regulations of the grant-making agency. Projects focus on high priority safety, security and capacity efforts.

### **Funding vs. Asset Life**

Project funding should in all cases closely match the life of the particular asset financed. For example, long-term financing in the form of 20-30 year revenue or G.O. bonds should only be used for assets having economic lives in a similar range or longer. Shorter-lived assets should be funded through pay-as-you-go or other short-term financing structures.

## **2018 DRAFT PLAN OF FINANCE ASSUMPTIONS**

### **Capital Improvement Plan**

Capital spending projections are aligned with the capital presentations provided to the Port Commission in October and November 2017, and are included in Section IX “Capital Improvement Plan.”

### **Capital Capacity Calculations**

The Port’s capital capacity calculations combine projections of operating revenues, expenses, non-operating items, debt service, and capital spending to determine Port debt financing requirements. Assumptions used in the Plan include:

- Interest earned on restricted and unrestricted funds based on 1.50% from 2018-2022.
- All future bonds (revenue and G.O.) are assumed to have the following fixed interest rates:
  - Future bonds issued in 2018 assume a 4.5% interest rate;
  - Future bonds issued in 2019-2022 assume a 5.5% interest rate.
- All future bond issuances assume a 25-year term.
- *First Lien* is the assumed working lien for future Non-Airport revenue bond debt; no First Lien revenue bonds issued in 2018-2022 time period.
- *Intermediate Lien* is the primary working lien for future Airport revenue bond debt; 80% of the future bond issuances for the Airport are assumed to be funded on the Intermediate Lien.
- *Subordinate Lien* is the assumed lien for the remaining 20% of future Airport revenue bond debt; consistent with the Port’s 20% variable rate debt target.
- 1% gross-up assumed for all future debt issuance to account for costs of issuance.
- 8% and 9% *additional* gross-up assumed for the Debt Service Reserve Fund contribution (cash funded) for future Aviation and Non-airport revenue bond debt, respectively. No future Non-airport revenue bond debt assumed in 2018-2022 time period.
- Gross-up for future Aviation debt issuance for assumed 18 months of Capitalized Interest.
- Interest on variable rate bonds (issued in 1997 and 2008) is based on projections of short and long-term tax-exempt variable rates and range from 1.47% to 3.00%.
- 2018 operating revenue and expense forecasts are based on the 2018 preliminary operating budget as of November 2017, with adjustments as appropriate, and may vary from the forecasts in the 2018 final budget.

### Tax Levy

- The Port's tax levy projections are based on maintaining the levy amount at \$72.0 million.
- A tax levy projection model is used to forecast future year assessed value amounts that can affect the maximum statutory levy.

### Revenue and Expense Assumptions

#### Airport

- Airport aeronautical revenues are determined according to the 2013 airline agreement (SLOA III), which is a cost recovery model for airline-utilized property and facilities at the Airport. SLOA III expires December 31, 2017, but is the basis of the aeronautical forecast for the entire five-year period. The Port is in negotiations with the airlines on a new airline agreement, and will continue operating under SLOA III on a month-to-month holdover status until the earliest of March 31, 2018, or Port Commission approval of a new airline agreement to commence before March 31, 2018. Should a new airline agreement not be agreed to and approved by Port Commission before April 1, 2018, the Port will immediately implement Resolution No. 3677, which specifies a methodology to set airline rates and charges in the absence of a lease agreement.

Airports are not required by the Federal Aviation Administration (FAA) to have lease agreements with airlines, and the FAA has adopted a rates and charges policy for airports. This policy guides airports in setting rates for airline use of airport facilities (e.g., landing fees for use of the airfield, terminal rental rates for use of terminal space, etc.). The Port developed the methodology in Resolution No. 3677 in a manner consistent with this FAA policy.

SLOA III establishes several types of fees designed to recover operating and capital costs of the associated aeronautical facilities on the Airfield and in the Air Terminal. The Airfield is comprised of three areas: the Airfield Apron Area, the Airfield Movement Area and the Airfield Commercial Area, and related costs and fees are calculated separately for each area. Terminal rental rates are based in part on the Terminal Building Requirement, which is computed by multiplying the total of budgeted operating expenses and capital costs, including debt service and debt service coverage (if required), allocated to the terminal, by the ratio of airline rentable space to total rentable space, less any non-signatory airline premiums included in rent payable by non-signatory airlines. SLOA III also includes cost recovery on cash-funded assets through an amortization calculation for assets placed in service from 1992 on. The Airport assumes the risk of any vacant non-airline space, in addition to any vacant publicly accessible airline office or club space. SLOA III provides for the sharing of a portion (50%) of Airport net revenues if Airport debt service coverage exceeds 1.25 times, however the Airport can charge the airlines additional debt service coverage if Airport coverage is below 1.25 times. A Majority-in-Interest of the airlines can delay new project construction, but not design, for up to 12 months.

- Airport non-aeronautical revenues are based on forecasted passenger growth and the revenue terms of current leases and agreements associated with non-aeronautical businesses.
- Expense projections are based on estimates developed as part of division business planning.
- Operating environmental costs are included in O&M expense, if applicable.
- Certain non-operating revenues and expenses are included; for example, interest earnings, debt-related fees, public expense items and non-operating environmental expenses.
- Federal Airport Improvement Program (AIP) grant reimbursement projects are based on estimated spending on eligible projects and standard reimbursement rates of 75%-80%. Grants from the Transportation Security Administration (TSA) are also included in the total grant funding amount.
- Passenger Facility Charges (PFCs) are estimated based on projected enplanement levels, net of debt service payments on PFC bonds and PFCs applied to pay debt service on Revenue Bonds.

- Customer Facility Charges (CFCs) are estimated based on forecasted transaction days of car rentals at the Airport multiplied by a forecasted daily rate. CFC income (net of debt service) is expected to fund any remaining Consolidated Rental Car Facility capital projects.

*Non-Airport*

- Revenue and expense projections are based on the Maritime and Economic Development Divisions' long-range operating forecasts, which are based largely on the terms of existing lease agreements and projected activity levels for any applicable volume based revenues. Revenues generated from certain new investments were included.
- The Port assumed 50% of the forecasted NWSA NOI (before Depreciation) as Port operating revenue.
  - The NWSA will distribute cash to each Port based on cash flow from operations, calculated pursuant to General Accepted Accounting Principles (GAAP). Cash distributions will be made no less than quarterly based on each Port's percentage of total shares. The NWSA is treated as a joint venture for accounting purposes and the Port expects to recognize as Gross Revenue its share (initially 50 percent) of the NWSA Net Income or Losses (as defined in the NWSA Charter to mean, for each fiscal year or other period, an amount equal to the NWSA net operating income or losses less depreciation plus non-operating income or losses, determined in accordance with GAAP).
- Estimated security grant receipts for operating grants are included in gross revenues and the associated expenditures are included in operating expenses, if applicable.
- Operating environmental costs are included in O&M expense, if applicable.
- Certain non-operating revenues and expenses are included; for example, interest earnings, payment of public expenses and other non-operating environmental expenses.

*Central Services*

Central Services expenses are largely distributed to the operating divisions as overhead, with a few specific exceptions.

## 2018 STATUTORY BUDGET

### A. INTRODUCTION

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

The 2018 Preliminary Statutory Budget was provided to the Port Commissioners and made available to the general public as required by law (RCW 53.35.010 and RCW 53.35.045). Two Notices of the Public Hearing were published on October 25, 2017 and on November 1, 2017 on the DAILY JOURNAL OF COMMERCE, as required by law (RCW 53.35.020 and RCW 53.35.045). The two notices included announcements that copies of the preliminary budget would be available for distribution to any interested persons on October 26, 2017, and that the first reading and public hearing on the preliminary budget would be held on November 14, 2017. The final statutory budget was filed with the King County Council on November 30, 2017, as allowed by RCW 53.35.045.

### B. STATUTORY BUDGET HIGHLIGHTS

#### 1. Tax Levy

For 2018, the tax levy amount is assumed to be \$72,000,000. The following is a comparison of the tax levy detail between 2017 and 2018:

	Budget 2017		Budget 2018	
	Levy Rate	Levy Amount	Levy Rate	Levy Amount
<b>For General Obligation Bonds</b>	\$ 0.0737	\$ 34,530,286	\$ 0.0820	\$ 43,446,809
<b>For General Purposes</b>	0.0799	37,469,715	0.0539	28,553,192
<b>Total</b>	<b><u>\$ 0.1536</u></b>	<b><u>\$ 72,000,000</u></b>	<b><u>\$ 0.1358</u></b>	<b><u>\$ 72,000,000</u></b>

#### 2. Tax Levy Rate

The tax levy rate is a product of dividing the tax levy dollars by the assessed valuation of personal and real properties within the Port District. Therefore, if assessed valuation increases at a greater rate than the increase in the tax levy amount the Port assesses, the tax millage rate would go down even though the Port's levy dollars may have increased. The exact levy rate is determined by the County Assessor after all taxing agencies have requested their levy dollars, and the assessed valuation dollars are certified. The 2017 preliminary assessed valuation as of October 13, 2017 is \$530,058,322,979 after omitted assessments, which are not included in the Port's levy calculation (The 2017 assessed valuation is used for 2018 tax collection). This is an increase from the final assessed valuation per the King County Annual Report for 2017 tax collection, which was \$471,456,288,019 after omitted assessment. See section VII, Tax Levy, for additional discussion on the Port's use of the tax levy.

**C. RESOLUTION**

**RESOLUTION NO. 3738, as amended**

**A RESOLUTION** of the Port Commission of the Port of Seattle adopting the final budget of the Port of Seattle for the year 2018; making, determining, and deciding the amount of taxes to be levied upon the current assessment roll; providing payment of bond redemptions and interest, cost of future capital improvements and acquisitions, and for such general purposes allowed by law which the Port deems necessary; and directing the King County Council as to the specific sums to be levied on all of the assessed property of the Port of Seattle District in the Year 2018.

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

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

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

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

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

**WHEREAS**, The Port of Seattle Commission is committed to reducing our carbon footprint and investing in solutions that will propel the Port to become the "greenest" and most efficient port in the nation. We are further committed to assisting those we do business with to encourage and incentivize ways they reach these goals; and

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

**WHEREAS**, the Port of Seattle Commission, on the 26<sup>th</sup> day of October, 2017, provided the preliminary 2018 Budget and Business Plan and Draft Plan of Finance ("2018 Preliminary Budget") of the Port of Seattle to the public and provided for the publication of Notice of Budget Hearing to consider adoption of a final budget, to be heard on the 14<sup>th</sup> day of November, 2017, when taxpayers might appear and present objections to the 2018 Preliminary Budget; and

**WHEREAS**, a public hearing on the 2018 Preliminary Budget was held in the Port Commission Chambers, pursuant to notice duly given, in the City of Seattle, County of King, State of Washington, on the 14<sup>th</sup> of November 2017, at 1 p.m.; and

**WHEREAS**, all parties present at said hearing were afforded a full opportunity to present objections to the 2018 Preliminary Budget, and the Port Commission being duly advised in the premises; and

**WHEREAS**, the King County Assessor notified the Commissioners of the Port of Seattle on the 13<sup>th</sup> day of October, 2017, that the regular levy assessed value of the property lying within the boundaries of the Port of Seattle district ("Port District") for the year 2017 is \$530,058,322,979 (after omitted assessments); and

**WHEREAS**, the King County Assessor notified the Commissioners of the Port of Seattle on the 13<sup>th</sup> day of October, 2017, that the maximum allowable levy is \$101,550,330 including \$189,856 levy for prior year refunds and the Port intends to retain this levy capacity;

**NOW, THEREFORE, BE IT RESOLVED**, by the Port Commission of the Port of Seattle that the 2018 Preliminary Budget, as updated and amended at the November 14, 2017 Port Commission hearing, and as may have been further amended by the Port Commission on this 28<sup>th</sup> of November, 2017, is hereby adopted as the final budget of the Port of Seattle for the Year 2018. Said final budget includes the statutory budget required under RCW 53.35.040. A copy of the final budget shall be made available to the public on the Port of Seattle website.

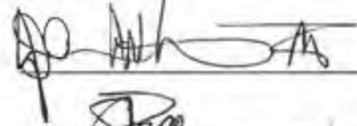
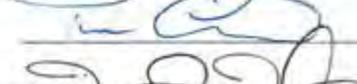
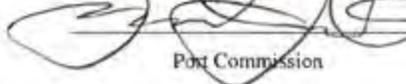
**BE IT FURTHER RESOLVED**, that the amount of taxes to be levied by the Port of Seattle on the current assessment rolls to provide for payment of bond redemption and interest on the Port of Seattle General Obligation Bonds, for future expenditures for acquisitions and capital improvements and for such general purposes allowed by law which the Port deems necessary be set and deposited is \$72,000,000.

**BE IT FURTHER RESOLVED**, that the King County Council, State of Washington, be notified that the specific sum herein mentioned being a total of \$72,000,000 is necessary to be raised by taxation to meet the payment of bond redemption and interest on Port of Seattle General Obligation Bonds, of future expenditures for acquisitions and capital improvements, and of costs for such general purposes allowed by law which the Port deems necessary, as set forth for the period January 1, 2018 and thereafter; that said King County Council be respectfully requested to make a levy in said amount for the aforesaid purposes.

**BE IT FURTHER RESOLVED**, that the above is a true and complete listing of levies for the Port District for collection in the year 2018 and they are within the maximums established by law.

**ADOPTED** by the Port Commission of the Port of Seattle at a duly noticed meeting held this 28<sup>th</sup> day of November, 2017, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the seal of the Commission.



	<b>JOHN CREIGHTON</b>
	<b>STEPHANIE BOWMAN</b>
	<b>COURTNEY GRECOIRE</b>
	<b>TOM WILCO</b>
	<b>FRED FELLEMAN</b>

Port Commission

**D. TAX LEVY CALCULATION SHEET**

**TABLE XI-1: TAX LEVY CALCULATION SHEET**

<b>TAXING DISTRICT:</b>		<b>Port of Seattle</b>
<i>The following determination of your regular levy limit for 2018 property taxes is provided by the King County Assessor pursuant to RCW 84.55.100.</i>		
(Note 1)		
Using Limit Factor For District	Calculation of Limit Factor Levy	Using Implicit Price Deflator
98,833,219	Levy basis for calculation: (2017 Limit Factor) (Note 2)	98,833,219
<b>1.0100</b>	x Limit Factor	<b>1.0155</b>
99,821,551	= Levy	100,365,134
10,036,015,435	Local new construction	10,036,015,435
0	+ Increase in utility value (Note 3)	0
10,036,015,435	= Total new construction	10,036,015,435
0.15334	x Last year's regular levy rate	0.15334
1,538,923	= New construction levy	1,538,923
<b>101,360,474</b>	<b>Total Limit Factor Levy</b>	<b>101,904,057</b>
<b>Annexation Levy</b>		
<b>0</b>	Omitted assessment levy (Note 4)	<b>0</b>
101,360,474	Total Limit Factor Levy + new lid lifts	101,904,057
530,058,322,979	□ Regular levy assessed value less annexations	530,058,322,979
0.19123	= Annexation rate (cannot exceed statutory maximum rate)	0.19225
0	x Annexation assessed value	0
<b>0</b>	<b>= Annexation Levy</b>	<b>0</b>
<b>Lid lifts, Refunds and Total</b>		
0	+ First year lid lifts	0
101,360,474	+ Limit Factor Levy	101,904,057
<b>101,360,474</b>	= Total RCW 84.55 levy	<b>101,904,057</b>
189,856	+ Relevy for prior year refunds (Note 5)	189,856
101,550,330	= Total RCW 84.55 levy + refunds	102,093,913
	Levy Correction: Year of Error (±or-)	
<b>101,550,330</b>	<b>ALLOWABLE LEVY (Note 6)</b>	<b>102,093,913</b>
<b>Increase Information (Note 7)</b>		
0.19158	Levy rate based on allowable levy	0.19261
72,000,000	Last year's ACTUAL regular levy	72,000,000
27,821,551	Dollar increase over last year other than N/C – Annex	28,365,134
38.64%	Percent increase over last year other than N/C – Annex	39.40%
<b>Calculation of statutory levy</b>		
	Regular levy assessed value (Note 8)	530,058,322,979
	x Maximum statutory rate	0.45000
	<b>= Maximum statutory levy</b>	<b>238,526,245</b>
	+Omitted assessments levy	<b>0</b>
	=Maximum statutory levy	<b>238,526,245</b>
	Limit factor needed for statutory levy	Not usable

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

Notes:

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

**E. FORECASTED CASH FLOW SUMMARY**

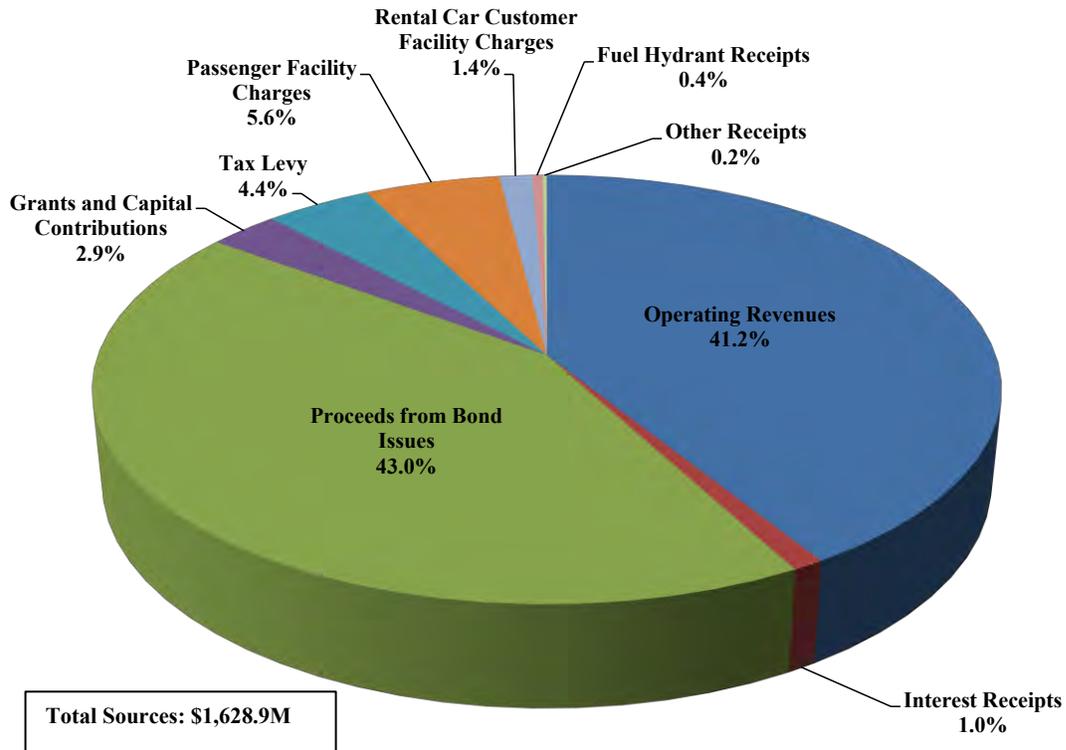
**TABLE XI-2: FORECASTED CASH FLOW SUMMARY**

(\$ in 000's)	<b>2018</b>	<b>Percent of Total</b>
<b>Beginning balance of cash &amp; investments</b>	<b>\$ 1,261,178</b>	
<b><u>SOURCES OF CASH</u></b>		
Operating Revenues	670,479	41.2%
Interest Receipts	15,713	1.0%
Proceeds from Bond Issues	700,000	43.0%
Grants and Capital Contributions	46,883	2.9%
Tax Levy	72,000	4.4%
Passenger Facility Charges	91,787	5.6%
Rental Car Customer Facility Charges	22,161	1.4%
Fuel Hydrant Receipts	7,023	0.4%
Other Receipts	2,842	0.2%
<b>Total</b>	<b>1,628,888</b>	<b>100%</b>
<b>Anticipated available funds</b>	<b>2,890,067</b>	
<b><u>USES OF CASH</u></b>		
<b>Expenses from Operations:</b>		
Total Operating Expenses	422,885	24.2%
<b>Debt Service:</b>		
Interest Payments	164,157	9.4%
Bond Redemptions	173,390	9.9%
Total Debt Service	337,547	19.3%
Other Expenses	5,435	0.3%
Public Expense	10,794	0.6%
Payment to NWSA for Capital Expenditures	76,218	4.4%
Capital Expenditures	895,128	51.2%
<b>Total</b>	<b>1,748,006</b>	<b>100%</b>
<b>Ending balance of cash &amp; investments</b>	<b>\$ 1,142,060</b>	
<b>Increase (decrease) of cash during year</b>	<b>\$ (119,118)</b>	

cashflow.xlsx

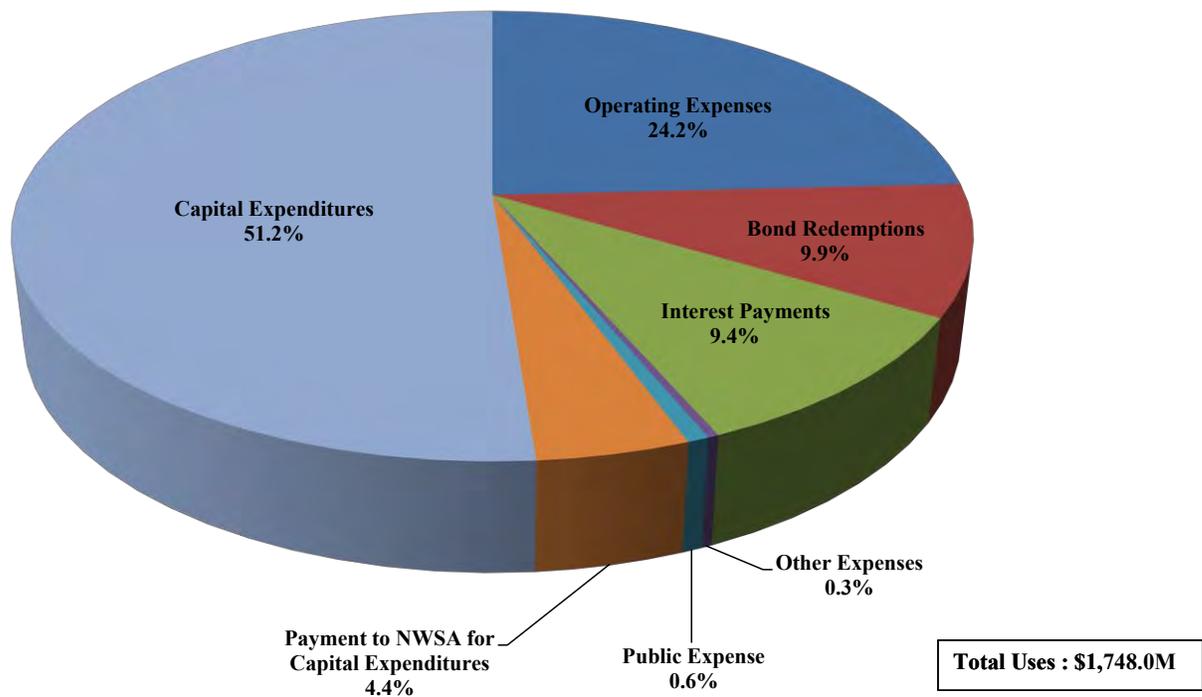
**FIGURE XI-1: SOURCES OF CASH**

(\$ in 000's)



**FIGURE XI-2: USES OF CASH**

(\$ in 000's)



# The Northwest Seaport Alliance 2018 Budget



COSCO TAICANG sailing into Elliott Bay

Operating Budget and Capital Investment Plan adopted:  
November 7, 2017



In June 2017, Inbound Logistics magazine named The Northwest Seaport Alliance in its annual list of “Green 75” supply chain partners. This is the first year that the NWSA has been recognized for its environmental programs and commitment to sustainability. Although this recognition is the first for the alliance, both the Port of Seattle and the Port of Tacoma have been recognized individually for several years.



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

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**To:** Managing Members

**Date:** November 7, 2017

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

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Staff is pleased to present the 2018 Northwest Seaport Alliance (NWSA) Budget. This document informs citizens and other interested parties about the NWSA's overall goals and strategies, as well as the competitive environment in which we operate. It highlights our focus on strategic investments that will deliver competitive financial results, build for the future, and continue to create jobs and economic wealth for the Puget Sound region.

The competition among West Coast ports remains incredibly intense as shipping lines have formed new alliances and terminal operators continue to explore ways in which to reduce costs, including consolidating terminals. The introduction of larger vessels to gain economies of scale has resulted in the need for significant infrastructure investment at West Coast ports. Additionally, West Coast ports are faced with increased competition from ports in Canada, Mexico and the East and Gulf Coasts of the United States.

The NWSA, which was formed to respond to these competitive challenges, has taken action to strengthen the gateway. These actions include a new wharf and eight new cranes at Husky Terminal in the South Harbor, and the redevelopment of Terminal 5 and repairs to Terminal 46 in the North Harbor.

The NWSA creates significant economic activity and family wage jobs in the Puget Sound region and across the state. We provide manufacturers and agricultural producers throughout the region and the nation valuable access to foreign markets. Alliance activity generates over 48,000 direct and indirect jobs based on the most recent study. The NWSA is also an environmental leader in reducing cargo-related air emissions and stormwater pollution.

The NWSA's Strategic Business Plan has several initiatives that:

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

The global economy appears to be robust going into 2018. The NWSA is investing in assets to capture increased market share as shipping volumes increase. We are focused on the financial health of the NWSA and continue to focus on new business opportunities that will create jobs and economic wealth for the Puget Sound gateway.

John Wolfe  
Chief Executive Officer

# Budget Document Overview

The Budget Document consists of these major sections:

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

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

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

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

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

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

# I The Northwest Seaport Alliance Overview

## Marine Cargo Operating Partnership

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

The ports of Seattle and Tacoma joined forces in August 2015 to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs for the region.

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

## International & Domestic Trade

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

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

Top international trading partners include:

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

The value of this two-way international trade totaled more than \$75.1 billion in 2016. Imports were \$58.5 billion and exports were \$16.6 billion of that total.

The Puget Sound is the major cargo gateway to Alaska. More than 80 percent of the total trade volume between Alaska and the lower 48 states moves through the Tacoma and Seattle harbors. Trade with Alaska was estimated at \$5.4 billion in 2017. If it were ranked with the NWSA's international trading partners, Alaska would be fourth. The NWSA also provides connections to Hawaii.

## Port of Seattle & Port of Tacoma

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

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

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

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

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

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

Through August 2017, the two ports handled about \$49.2 billion of trade. Based on dollar volume, China (including Hong Kong) is the NWSA's largest trading partner. Other leading trading partners include Japan, South Korea, Taiwan and Alaska.

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

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

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

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

### **King and Pierce Counties**

King and Pierce counties are the first and second most populous metropolitan areas in the state of Washington. The two counties represent a combined population of approximately 3 million or 41% of the population of the state of Washington.

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

### **Ports Economic Impact**

In October 2014, the ports of Tacoma and Seattle announced the results of a joint economic impact

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

According to the study, the two ports' marine cargo activities are related to 48,100 jobs in Washington state that contribute \$4.1 billion in total income and re-spending. The two ports' cargo-handling, construction and leasing activities generate more than \$379 million annually in local and state taxes in Washington.

### **NWSA Facilities and Services**

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

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

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

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

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

### **The Northwest Seaport Alliance governance**

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

Seattle to form a PDA for management of maritime activities.

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

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

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

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

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

### **NWSA Managing Members**

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

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

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

#### Port of Seattle

- Tom Albro
- Stephanie Bowman
- John Creighton
- Fred Felleman
- Courtney Gregoire

#### Port of Tacoma

- Connie Bacon
- Don Johnson
- Dick Marzano
- Don Meyer
- Clare Petrich

### **NWSA Managing Members Meetings**

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

For the location and agenda for upcoming Managing Member meeting, as well as minutes for previous Managing Member meetings, you can visit the website at [www.nwseaportalliance.com](http://www.nwseaportalliance.com).

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

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

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

### **Organizational Structure**

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

## Executive Team

The Executive Team is comprised of the CEO, two deputy CEO's, 6 chief officers, and executive administrative support. The Executive Team oversees all business activities and departments, and with the Managing Members, provides long-term strategic direction. The Executive Team ensures compliance with all regulations relevant to port activities, including public meetings and information, environmental protection, labor relations, procurement, security, financial management and other issues.

## Commercial Group

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

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

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

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

While a significant portion of the Business Development team is focused on the container and associated intermodal business, the NWSA has a robust non-container business. Comprised of breakbulk (Roll On and Roll Off also known as RoRo),

bulk and auto cargoes, these non-container businesses make a significant contribution to revenue and further diversify the gateway's business portfolio. Additionally, the NWSA's South Harbor is designated as a strategic military port for transport of military cargoes.

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

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

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

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

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

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

## Operations Group

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

The Operations Group provides coordination with vessel arrivals and departures, and with the associated stevedores. The Operations group orders and manages labor at the North Intermodal Yard and other locations in Tacoma, and is also responsible for

customer service. The major focus of this department is to ensure the proper processing of all vessels and freight shipments moving through the Puget Sound gateway.

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

### **Support Services**

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

### **Commitment to Fiscal Stewardship**

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

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

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

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



Figure I-2....Northwest Seaport Alliance Facilities – South Harbor

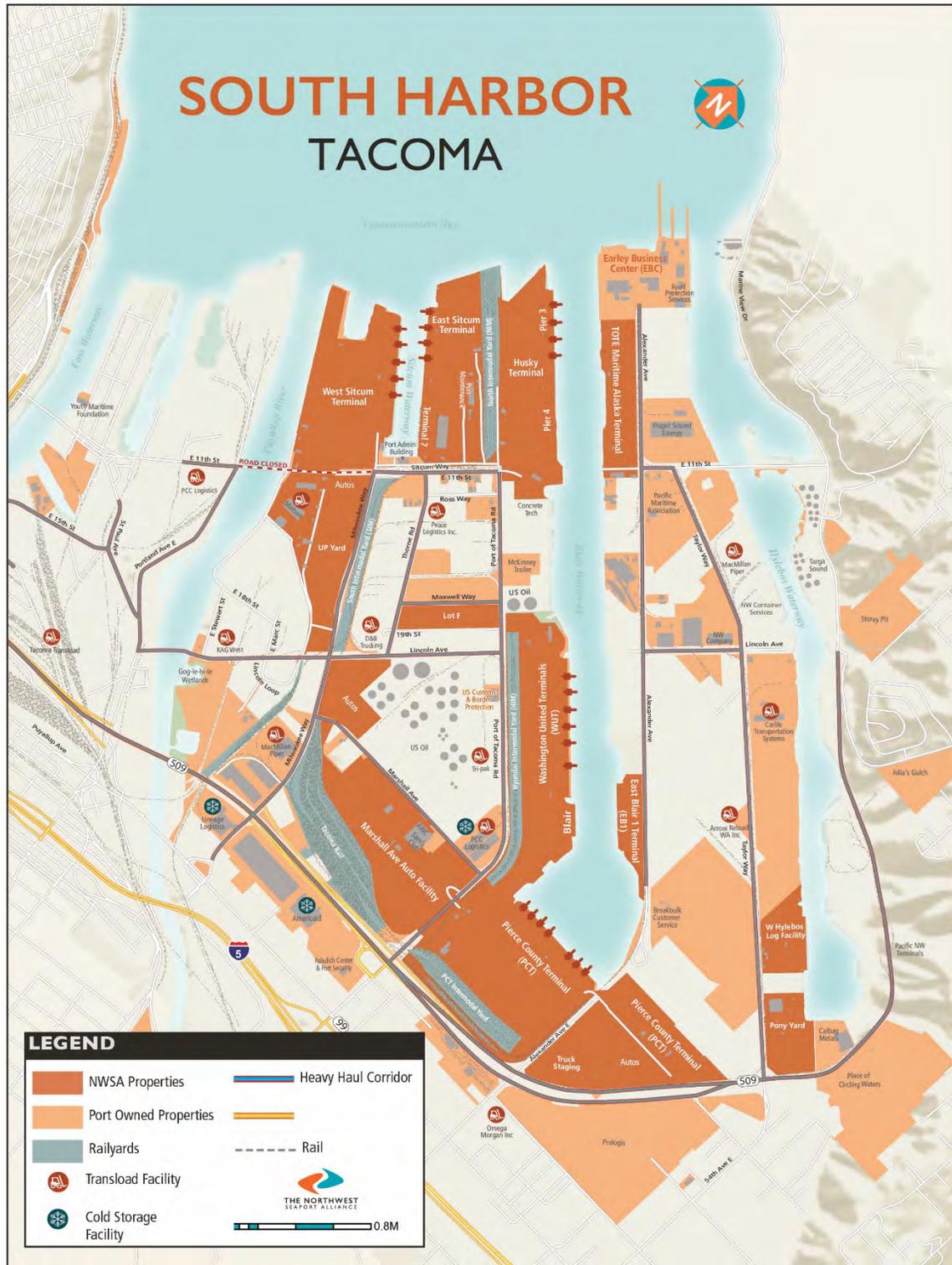
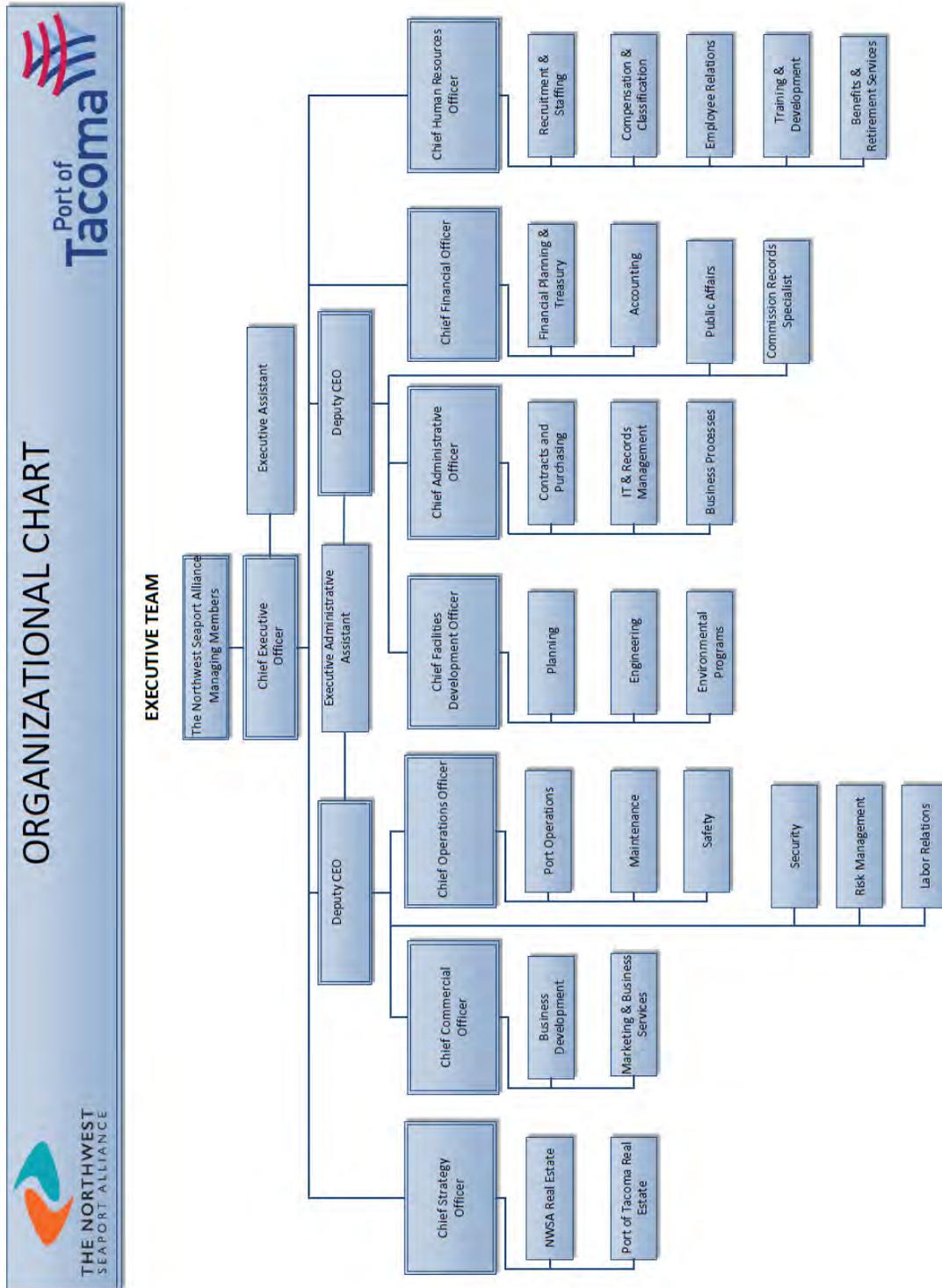


Figure I-3....The Northwest Seaport Alliance Organizational Chart



## II 2018 The Northwest Seaport Alliance Budget Message

### NWSA Goals

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

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

## Budget Environment

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

As described in further detail in Section III, the economic conditions caused by the fiscal crisis of late 2008 have had a significant impact on Asia-Pacific trade, resulting in reduced container cargo volume. The drop in volume, combined with increased competition from Canadian ports as well as ports located on the U.S. West, Gulf and East coasts, have resulted in reduced cargo through the Puget Sound gateway. Due to decreased demand for terminal space, competition among ports for container business has increased.

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

## Revenues

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

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

## 2018 Budget

The NWSA has developed an overall operating budget with projected revenue of \$187.5 million. Operating income is budgeted to be \$85.8 million, resulting in an operating margin of 45.8%. The NWSA net distributable revenue of \$93.3 million, which includes grant and interest income, and cash of \$93.2 million will be distributed evenly between the two home ports. Each port's portion of net income will be included as revenue in their financial reports.

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

## Capital Investment Plan Highlights

NWSA projects for the next five years reflect a focus on industrial development and utilization of existing terminal capacity. With this focus the NWSA has reviewed potential assets for revenue generation to ensure that financial and economic growth goals are met.

Major 2018 – 2022 capital projects include the following:

### North Harbor

- T-5 wharf redevelopment, including a rail quiet zone and electrical upgrades in the City of Seattle's substation.
- T-46 wharf repair and paving;
- T-18 stormwater improvements;
- Removal of obsolete cranes at several terminals; and

### South Harbor

- Completion of a wharf at Husky Terminal to accommodate super post Panamax ships;
- Purchase of eight post-Panamax cranes for Husky terminal;
- Contributions to an improved gate for the General Central Peninsula (Husky and OCT terminals and the North Intermodal Yard);
- Ongoing maintenance of our facilities.

### Both Harbors

- Clean air and stormwater investments;

- Investments in numerous environmental remediation and mitigation projects.

The NWSA's 2018 Capital Investment Plan of \$162.7 million represents the first year of the NWSA's 2018-2022 CIP – a package totaling \$568.9 million in new projects and investments. See Section V for additional details on the Capital Investment Plan.

## Financial Measures

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

## Legislative Impact

### Transportation Funding

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

In 2015 Congress passed the FAST Act, a surface transportation authorization bill that established a new freight funding program. Prior to the FAST Act, few federal investment tools have been available to ports and other local government when it comes to freight infrastructure. The new program could assist the NWSA in making strategic investments in mission-critical freight infrastructure, such as marine terminals, roads and rail.

### North Harbor Navigation Improvement Project

The largest container vessels calling West Coast ports today have over two times the capacity of those that called just five years ago. In order to remain a competitive trade gateway, the NWSA is taking steps to upgrade our infrastructure to handle these ships. One such step is to study whether deepening is needed in specific areas adjacent to the NWSA's container terminals in the North Harbor. While channels are mostly -51 feet or deeper, some

shallower spots present navigational and safety challenges. The NWSA partnered with the U.S. Army Corps of Engineers to conduct a feasibility study for deepening the waterways. The recommendation is to deepen the east and west waterway to -57 feet MLLW. This will allow the NWSA to handle fully laden ships larger than 18,000 TEUs. Deepening channels to this depth will require a local financial match of federal dollars, which could come from several sources, including the potential for a contribution from the NWSA.

### Harbor Maintenance Tax (HMT)

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

The Water Resources Reform and Development Act (WRRDA) passed by Congress in 2014 included language that, for the first time in 30 years, partially reformed the federal Harbor Maintenance Tax to the betterment of Puget Sound ports. The bill allows a select group of donor ports to use HMT funds for berth maintenance and the navigation-related maintenance dredging and disposal of contaminated sediments. The bill also authorizes up to \$50 million in HMT transfers - subject to appropriation - to donor ports and energy ports. This rebate can be used for customer rebates, berth maintenance and in-water environmental remediation. Congress appropriated \$28 million in donor and energy port funding in FY17. Seattle and Tacoma do not plan to spend our ports' share of the funding until the U.S. Army Corps of Engineers issues implementation guidelines for how to administer the customer rebate program authorized under Section 2106 of WRRDA 2014. The NWSA is actively working to encourage the Corps to issue these guidelines, in addition to securing additional

appropriations for—and improvements to—this program.

### **Conclusion**

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

The NWSA is increasingly focused on maximizing the use of existing facilities, working with existing customers to keep them competitive and successful, and continuing to make strategic infrastructure investments that help position the gateway for long-term growth. Through coordinated investments in

maritime assets, the NWSA will help ensure growth in the cargo flow through the Puget Sound.

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

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

## III Business Outlook

### U.S. Economy

Real gross domestic product (GDP), defined as the value of the production of goods, increased at an annual rate of 3.0 percent in the second quarter of 2017, up from 1.2 percent in the first quarter of the year. The Department of Commerce Bureau of Economic Analysis (BEA) said the second-quarter increase in real GDP "reflected positive contributions from (personal consumption expenditures), non-residential fixed investment, exports, federal government spending, and private inventory investment that were partly offset by negative contributions from residential fixed investment and state and local government spending. Imports, which are a subtraction in the calculation of GDP, increased."

According to TTX, "consumer spending continued to be the main driver of GDP growth, although investment and net exports also helped boost GDP." Consumer goods spending rose 2.8 percent in Q2, although month-over-month retail sales fell 0.1 percent in May and 0.2 percent in June as sales of gasoline and food, clothing, restaurants and sporting goods declined. Year-over-year retail sales grew 2.8 percent in June, the first time growth was less than 3.0 percent since September of 2016. TTX expects that second half GDP will remain between 2 percent and 2.5 percent, with consumer spending projected to remain below 3 percent.

The U.S. unemployment rate was at 4.4 percent in August 2017 with 156,000 jobs added for the month. Unemployment has held within a narrow range of 4.3 percent or 4.4 percent since April 2017. Most job gains in August occurred in manufacturing, construction, professional and technical services, healthcare, and mining. Employment growth has averaged 176,000 jobs per month this year. In 2016, the average gain was 187,000.

Hurricanes Harvey and Irma are expected to have a significant impact on home construction in the coming months. Most activity will be concentrated in renovation or reconstruction to repair or replace damaged homes. This will prolong the current new housing shortage well into next year. According to

National Association of Realtors' economist Lawrence Yun, the national median sales price for a home has increased 38 percent over the last five years. Existing-home sales fell 1.7 percent in August, the fourth time in five months. In August, 20 percent of transactions were all-cash sales. According to Yun, "What's ailing the housing market and continues to weigh on overall sales is the inadequate levels of available inventory and the upward pressure it's putting on prices in several parts of the country. Sales have been unable to break out because there are simply not enough homes for sale."

The Conference Board reported August's Consumer Confidence Index at 122.9, up from 120.0 in July. According to the Conference Board, consumers are more "buoyant" about present-day conditions. At the same time, consumers do not expect an acceleration in the pace of economic activity. The perception is that the job market is good, with a growth in the number of consumers who feel that jobs are "plentiful."

### Shipping Industry

The global container shipping industry has been challenged with the problem of anemic global container volume growth and a severe imbalance in the supply and demand of vessel capacity for a number of years. The overcapacity problem that plagues the industry dates back to the last decade, when significant increases in the price of bunker fuel drove global carriers into a race to build and operate the largest, most fuel-efficient vessels as a means to drive down per unit carrying costs.

The number of mega vessels (more than 13,000-TEU capacity) in service - which predominantly serve the major East-West trade lanes is still growing, and vessels continue to get larger. The record for the world's largest containership has been claimed three times in 2017 alone. The OOCL Hong Kong, the current record holder, has a carrying capacity of 21,413 twenty-foot containers. It is projected that this segment of the global fleet will eventually account for more than 10 percent of global TEU capacity

Competition for market share and the resulting downward pressure on freight rates have generated

multi-billion dollar losses for international container lines over a period of time, and ultimately culminated in the bankruptcy of Hanjin Shipping Line, the world's 7th largest international container carrier, in September 2016.

The downturn in the industry, coupled with the drive to scale operations through increased market share and expansion into new trade lanes has forced carriers to re-evaluate their partnerships and also fueled an intense period of M&A activity amongst carriers. With the recent and upcoming mergers and acquisitions, there will be only 12 global carriers by early 2018, and they will control 83 percent of the fleet. In 2016, there were 20 global carriers. Industry analysts suggest that there is still room for more consolidation going forward.

#### 2017 Developments:

- The Japanese carriers, NYK, K-Line and MOL announced plans to merge their operations starting in 2018
- COSCO Shipping Holdings announced plans to acquire OOIL, the parent company of OOCL, and would become the third largest carrier behind Maersk and MSC
- Hapag-Lloyd completes its merger with United Arab Shipping
- Maersk will acquire Hamburg Sud
- CMA CGM will purchase Mercosul Line from Maersk
- TOTE announced plans to enter the U.S. mainland – Hawaii trade lane in 2020 or 2021
- The 14 South Korea container carriers signed an intra-Asia agreement called the Korea Shipping Partnership
- Hyundai closed its California United Terminals at the end of August.

While carrier alliances and vessel sharing agreements are nothing new to the shipping industry, the shuffling of alliance partners continues. The following list compares 2016 alliances with the newly formed alliances launched in April of 2017.

#### 2016 Alliances & Members

- G6 – APL, Hapag-Lloyd, Hyundai Merchant Marine, MOL, NYK Line, OOCL
- CKYH-E – COSCO, “K” Line, Yang Ming Line, Hanjin Shipping Co., Evergreen Line
- 2M – Maersk Line, Mediterranean Shipping
- Ocean 3 – China Shipping Container Line, CMA-CGM, United Arab Shipping Co.

#### 2018 Alliances & Members

- 2M+H – Maersk, MSC, Hyundai
- Ocean Alliance – CMA CGM (APL), COSCO, Evergreen, OOCL
- The Alliance – Hapag Lloyd (UASC), Yang Ming, MOL, NYK, K-Line

Major Independent Carriers – Hamburg Sud, ZIM, PIL, Wan Hai

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

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

vessels, but port congestion could be an issue until infrastructure catches up.

The global container shipping industry will continue to face challenges, although recent carrier financials and an overall improvement in the volume of global trade indicate that things may be looking up. Success or failure will in large part depend on carriers and their ability to manage global capacity and resist the urge to seek market share through lower rates.

### **Northwest Seaport Alliance Activity**

#### Containers:

Through August 2017, the NWSA has handled over 2.4 million TEUs (twenty foot equivalent units), a 5.4 percent increase year-to-date. In April, the newly formed international carrier alliances were launched, impacting NWSA volumes. The gateway saw an overall decrease in container volume and a decrease in full imports and full exports in June and July. Intermodal cargo was also impacted. August volumes, however, showed signs of recovery, increasing 6 percent. On the domestic side, the Alaska market continues to struggle. Hawaii volumes are expected to improve.

Container volume as a whole is projected to increase 1 percent to 2 percent annually over the next several years. Factors that could impact NWSA international volumes in 2017 and 2018 include restructured shipping line service rotations with changes to ports of call based on new alliance agreements. The long-term impact on intermodal and international cargo will be monitored. Competition from ports in British Columbia, Canada could also impact cargo volumes for the gateway. Prince Rupert completed the expansion of the Fairview Container Terminal in August. Capacity increased to 1.3 million TEUS from 850,000 TEUs. Both Vancouver and Prince Rupert continue to aggressively pursue U.S. import and export container volumes.

Domestic container volume, which accounts for approximately 20 percent of total NWSA volume, is expected to decrease 8 percent this year and 6 percent next year, primarily due to the weak Alaska market. Alaska volumes are projected to be down in 2018 due to falling state revenues from low oil prices, a decrease in construction spending, and a decrease in consumer spending. Volume projections for Hawaii

are supported by economic growth forecasted for the state (based on tourism), assuming the U.S. economy stays strong. Larger vessels are also expected to cascade into the Pacific Northwest trade route from routes calling southern California.

#### Breakbulk:

Breakbulk cargo is comprised of commodities that are either too large or unwieldy for containerized shipment. In the case of The Northwest Seaport Alliance, this consists largely of building materials, heavy machinery, boats, and agricultural and construction equipment. For 2017, breakbulk tonnage is estimated to reach approximately 163K metric tons. Volume is forecasted to reach 161K metric tons in 2018, a 1 percent decrease from the previous year. This decline is due to weak market conditions. In addition, some traditional breakbulk cargo is now being transported via container ships to take advantage of low freight rates.

#### Autos:

Auto units for 2017 are forecasted to reach 140K units due to weak consumer demand and an increase in near-sourcing of autos for the North American market from newly constructed factories opening in Mexico. Volumes for 2018 are projected to decrease by 8 percent to 151K units due to new models and stock replenishment. 2019 volumes are expected to decline due to a forecasted drop in auto sales.

#### Logs:

On the NWSA's bulk side of the business, log exports (metric tons) are forecasted to grow 58 percent in 2017 due to a strong demand by China. The forecast for 2018 and beyond assume demand consistent with 2017 levels.

#### Molasses & Petroleum:

Petroleum volumes are projected to remain flat, depending on customer demand. Petroleum is forecasted to be 636K metric tons in 2018.

Molasses volumes are expected to grow 42 percent in 2018. 2017 volumes were negatively impacted by high sugar prices. Molasses volume are forecasted to be 49K metric tons in 2018.

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

	<u>THE NORTHWEST SEAPORT ALLIANCE CARGO ACTIVITY 5-YEAR FORECAST</u>										
	Actual	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<u>Non-Container Forecast (Thousands of Metric Tons)</u>											
Breakbulk	250	253	234	181	163	164	164	168	171	172	
Autos	226	252	271	246	212	223	211	213	215	217	
Logs	389	277	237	177	280	280	280	280	280	280	
Petroleum	788	998	815	612	636	636	636	636	636	636	
Molasses	48	50	44	44	34	49	47	51	51	51	
<b>Total Tonnage</b>	<b>1,701</b>	<b>1,830</b>	<b>1,601</b>	<b>1,260</b>	<b>1,325</b>	<b>1,352</b>	<b>1,337</b>	<b>1,347</b>	<b>1,352</b>	<b>1,356</b>	
<i>Year over Year change</i>	10%	8%	-13%	-21%	5%	2%	-1%	1%	0%	0%	
<u>Container Forecast (Thousands of TEUs)</u>											
International	2,635	2,557	2,761	2,859	2,943	3,041	3,094	3,155	3,218	3,283	
Domestic	<u>821</u>	<u>870</u>	<u>769</u>	<u>757</u>	<u>695</u>	<u>652</u>	<u>640</u>	<u>629</u>	<u>614</u>	<u>599</u>	
<b>Total TEUs</b>	<b>3,456</b>	<b>3,427</b>	<b>3,530</b>	<b>3,616</b>	<b>3,638</b>	<b>3,693</b>	<b>3,733</b>	<b>3,784</b>	<b>3,832</b>	<b>3,882</b>	
<i>Year over Year change</i>	-3%	-1%	3%	2%	1%	2%	1%	1%	1%	1%	
<u>Intermodal Yard Lifts*</u>											
Hyundai Intermodal Yard	158,100	157,234	132,655	172,901	111,966	84,373	85,639	86,923	88,227	89,551	
North Intermodal Yard	169,185	193,772	227,051	226,329	211,377	207,256	296,637	344,126	349,288	354,527	
South Intermodal Yard	83,787	94,924	90,531	84,068	85,727	87,954	89,713	91,507	93,338	95,204	
Pierce County Intermodal Yard	75,293	69,870	81,581	92,270	73,049	70,000	70,700	71,407	72,121	72,842	
<b>Total Intermodal Lifts</b>	<b>486,365</b>	<b>515,800</b>	<b>531,818</b>	<b>575,568</b>	<b>482,119</b>	<b>449,584</b>	<b>542,689</b>	<b>593,964</b>	<b>602,974</b>	<b>612,125</b>	
<i>Year over Year change</i>	11%	6%	3%	8%	-16%	-7%	21%	9%	2%	2%	
<u>Log Board Feet</u>	<b>74,340,580</b>	<b>50,502,920</b>	<b>41,679,250</b>	<b>24,921,280</b>	<b>52,451,115</b>	<b>52,451,115</b>	<b>52,451,115</b>	<b>52,451,115</b>	<b>52,451,115</b>	<b>52,451,115</b>	
<i>Year over Year change</i>	12%	-32%	-17%	-40%	110%	0%	0%	0%	0%	0%	
<u>Vehicle Units</u>	<b>160,419</b>	<b>175,802</b>	<b>183,305</b>	<b>165,687</b>	<b>139,952</b>	<b>150,755</b>	<b>143,217</b>	<b>144,649</b>	<b>146,096</b>	<b>147,557</b>	
<i>Year over Year change</i>	8%	10%	4%	-10%	-16%	8%	-5%	1%	1%	1%	

\* Intermodal Lifts Reported for South Harbor only

## IV Operating Budget

### Overview

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

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

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

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

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

### Nature of Business

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

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

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

### Balanced Budget

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

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

### Budget Process

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

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

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

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

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

### Major Assumptions

Major drivers of the 2018 operating budget are a result of economic and industry trends represented in the cargo forecast.

### Revenue

- Existing leases continue per existing leases and contracts
- Cargo volumes drive equipment and intermodal revenue and expenses
- Auto and breakbulk imports continue to provide revenue diversity
- Tariff rates are projected to increase between 2% and 2.5%
- Property lease rental rates will increase as specified in contracts

### Direct Expenses

- The NWSA has direct headcount of 58 positions. Salaries are expected to increase at 3% growth
- Major operating expenses include removal of obsolete cranes, berth maintenance dredging,

and ongoing maintenance of terminal paving and fender systems

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

### Home port services provided

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

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

### Estimating Revenues and Expenses

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

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

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

### Financial Practices

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

### Financial Tools

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

Managing Members, Chief Executive Officer and Executive Team review these semi-annually

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

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

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

(\$ millions)	<b>2016 Actual</b>	<b>2017 Forecast</b>	<b>2018 Budget</b>
<b>Operating Revenues</b>			
Container	\$163.7	\$163.2	\$158.5
Non Container	20.0	19.3	17.2
Real Estate	11.4	11.4	11.7
Other	-	-	-
<b>Total Operating Revenues</b>	<b>195.2</b>	<b>194.0</b>	<b>187.5</b>
<b>Direct Expenses</b>			
Container	33.5	36.4	35.4
Non Container	8.6	9.0	8.3
Real Estate	0.7	0.7	0.7
Other	12.2	14.7	16.9
<b>Total Direct Expenses</b>	<b>55.0</b>	<b>60.9</b>	<b>61.3</b>
<b>Administration</b>	<b>18.3</b>	<b>22.2</b>	<b>24.2</b>
<b>Security</b>	<b>4.1</b>	<b>4.3</b>	<b>4.8</b>
<b>Environmental</b>	<b>2.2</b>	<b>2.6</b>	<b>4.0</b>
<b>Total Operating Expenses before Depreciation</b>	<b>79.7</b>	<b>90.0</b>	<b>94.3</b>
<b>Depreciation</b>	<b>0.5</b>	<b>2.3</b>	<b>7.4</b>
<b>Total Operating Expense</b>	<b>80.3</b>	<b>92.3</b>	<b>101.7</b>
<b>Income from Operations</b>	<b>\$114.9</b>	<b>\$101.7</b>	<b>\$85.8</b>
<b>Return on Revenue</b>	<b>58.9%</b>	<b>52.4%</b>	<b>45.8%</b>
<b>Non Operating Revenue and Expense</b>	<b>8.3</b>	<b>0.7</b>	<b>7.5</b>
<b>Net Distributable Revenue (Net Income)</b>	<b>\$123.2</b>	<b>\$102.4</b>	<b>\$93.3</b>

Amounts may not foot due to rounding.

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

(\$ millions)	2016	2017	2018
	Actual	Forecast	Budget
Property Rental	\$46.9	\$41.0	\$39.2
Sale of Utilities	1.0	0.9	0.9
Services Marine Terminals	119.6	123.4	119.9
Equipment Rentals	17.1	17.9	17.6
Other Revenue	10.7	10.7	9.9
<b>Operating Revenue</b>	<b>195.2</b>	<b>194.0</b>	<b>187.5</b>
Home Port Services Provided	21.6	21.6	25.1
Port Salaries & Fringe	7.4	8.8	9.9
Outside Services	5.4	7.5	6.3
Longshore Labor & Fringe	12.6	12.8	12.8
Direct Expenses	10.0	9.3	9.5
Marketing & Global Outreach	0.4	0.5	1.5
Travel & Entertainment	0.4	0.6	0.7
Maintenance	14.6	20.8	18.5
Office Equipment & Supplies	0.2	0.2	0.3
Utilities	3.6	3.9	4.4
Other Employee Exp	0.3	0.3	0.3
Other Expenses	1.3	1.0	1.1
Environmental	1.9	2.7	3.8
Depreciation	0.5	2.3	7.4
<b>Total Operating Expenses</b>	<b>\$80.3</b>	<b>\$92.3</b>	<b>\$101.7</b>
<b>Operating Income</b>	<b>\$114.9</b>	<b>\$101.8</b>	<b>\$85.8</b>

Amounts may not foot due to rounding.

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

	2016 Actual	2017 Forecast	2018 Budget	Change from Prior Year Forecast
<i>(\$ Millions)</i>				
Operating Revenue	\$195.2	\$194.0	\$187.5	-3.3%
Total Operating Expenses before Dep.	(79.7)	(90.0)	(94.3)	4.8%
Depreciation	(0.5)	(2.3)	(7.4)	227.1%
<b>Operating Income</b>	<b>114.9</b>	<b>101.7</b>	<b>85.8</b>	<b>-15.6%</b>
<b>Non Operating Revenues (Expenses)</b>				
Interest Income	0.4	0.8	0.9	12.2%
Non-Capital Grant Income	0.0	0.0	0.1	∞
Capital Grant Contributions	0.0	0.1	6.6	10158.5%
Other Non Operating Revenue (Expense)	7.8	(0.1)	0.0	-81.4%
<b>Total Non Operating Income (Expense)</b>	<b>8.3</b>	<b>0.7</b>	<b>7.5</b>	<b>976.4%</b>
<b>Net Distributable Revenue (Net Income)</b>	<b>123.2</b>	<b>102.4</b>	<b>93.3</b>	<b>-8.9%</b>
<b>Distributable Operating Cash</b>				
Net Income	123.2	102.4	93.3	-8.9%
Add Depreciation	0.5	2.3	7.4	227.1%
Less Interest Income	(0.4)	(0.8)	(0.9)	12.2%
Less Capital Grants	0.0	(0.1)	(6.6)	10158.5%
<b>Distributable Operating Cash*</b>	<b>123.3</b>	<b>103.8</b>	<b>93.2</b>	<b>-10.2%</b>
<b>Net Position</b>				
Net Position beginning of year	0.0	131.1	217.3	65.7%
Add Contributions and Expected Capital Construction	123.9	87.6	152.4	74.0%
Add Net Distributable Revenue (Net Income)	123.2	102.4	93.3	-8.9%
Less Cash Distributions	(116.0)	(103.8)	(93.2)	-10.2%
<b>Net Position end of year</b>	<b>\$131.1</b>	<b>\$217.3</b>	<b>\$369.8</b>	<b>70.2%</b>

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

Amounts may not foot due to rounding.

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

<i>(\$ Millions)</i>	2017 Budget	2017 Forecast	2018 Budget
Port of Tacoma to NWSA	\$29.0	\$29.4	\$33.9
Port of Seattle to NWSA	\$8.4	\$8.2	\$7.7
NWSA to Port of Tacoma	\$1.3	\$1.1	\$1.4

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

<i>(\$ in millions)</i>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Operating Revenue	\$187.5	\$207.9	\$221.7	\$228.8	\$235.4
Total Operating Expenses before Dep.	94.3	118.5	121.8	114.6	117.9
Depreciation	7.4	14.2	19.1	23.4	25.4
<b>Operating Income</b>	<b>85.8</b>	<b>75.2</b>	<b>80.7</b>	<b>90.7</b>	<b>92.1</b>
Capital Grant income	6.6	10.2	3.1	0.0	0.0
Other Non Operating Income	0.9	0.9	0.9	0.9	0.9
<b>Net Distributable Revenue</b>	<b>93.3</b>	<b>86.2</b>	<b>84.7</b>	<b>91.6</b>	<b>93.0</b>
<b>Distributable Cash</b>	<b>\$93.2</b>	<b>\$89.4</b>	<b>\$99.8</b>	<b>\$114.1</b>	<b>\$117.4</b>

Amounts may not foot due to rounding



Activity on the Sitcum Waterway

## V NWSA Capital Investment Plan

### Overview

The Northwest Seaport Alliance invests in projects to increase the capacity, extend the life or improve the safety or efficiency of alliance-managed property and equipment.

The five-year Capital Investment Plan (CIP) identifies all projects planned or underway. The CIP provides a mechanism for tracking and managing project budgets and cash flows for five years into the future. Table V-1 shows planned spending on capitalized projects for the five-year time frame. Projects are associated with a program that fall under one of the businesses or under a category called "Infrastructure."

Although funds for a project are included in the CIP, the project is not automatically authorized to proceed. The alliance Managing Members review and approve each project individually. Projects must have the necessary permitting before proceeding.

To achieve its goals, the alliance continues to invest in revenue-generating capital projects that support its businesses. Although the home ports are responsible for the general infrastructure in each respective county, the alliance may also invest in infrastructure projects that support the NWSA's maritime business, as well as increasing rail and road transit of cargo within boundaries between the ports of Seattle and Tacoma. Often, these infrastructure projects are expensed versus capitalized due to accounting requirements.

In addition, environmental projects are planned for meeting or maintaining regulatory requirements, including the development of mitigation and remediation projects. Projects may be expensed or capitalized according to accounting rules.

### Summary of Major Projects

The five-year capital budget focuses on the following strategic and maintenance projects:

Strategic investments:

- Construction of major terminal improvements at the North Harbor Terminal 5
- Purchase eight super-post Panamax container cranes for Husky Terminal
- Rehabilitation of the T-46 dock
- Upgrade T-46 utilities and electrical
- Design and construction of T-46 crane rail and berth extension
- T-18 stormwater utility upgrade

Maintenance investments:

- Pile cap repairs
- Maintenance and rehabilitation of assigned assets

The alliance has a strong commitment to the protection and improvement of the environment. Examples of this commitment include the Clean Truck Program, the Northwest Ports Clean Air Strategy, and significant investment in stormwater improvements.

Strategic development efforts focus on serving existing customers, attracting new customers and building a diverse, dynamic and resilient business base.

**Table V-1....Planned Capitalized Project Spending**

(\$ Millions)	2016	2017	2018	2019	2020	2021	2022
Historical Capital	12.5						
Planned Capital		87.5	152.4	147.9	109.6	86.7	3.2
<b>Grand Total</b>	<b>\$12.5</b>	<b>\$87.5</b>	<b>\$152.4</b>	<b>\$147.9</b>	<b>\$109.6</b>	<b>\$86.7</b>	<b>\$3.2</b>

**Capital Investment Plan Priorities**

To efficiently allocate human and financial resources, the alliance uses a capital project prioritization methodology. For internal management, the alliance uses two categories:

- **Open:** These are ongoing projects or projects ready to move forward that have customer commitment or a high degree of certainty. Only open projects are included in the budget.
- **Estimate:** These are projects based on an identified business need or opportunity, but have not been fully developed in scope and cost.

**Capital Investment Plan Projects by Purpose**

While the stage of the planning process determines the budgetary category of a particular project, project purpose determines the source of financing. The alliance classifies CIP projects into three types, (as shown below in Table V-2):

- **Revenue-Generating:** Projects developed for a specific customer that will result in a new revenue stream. The NWSA has designated Port-generated operating cash and revenue bonds to fund most of these projects.
- **Revenue Renewal:** Projects developed to renovate or replace obsolete or aging revenue-producing assets. These projects serve to extend existing revenue streams and may offer additional revenue if replacements enhance the efficiencies of operations or offer additional capabilities or value. The ports have designated port-generated operating cash or revenue bonds to fund most of these projects and also may use capital leasing through equipment suppliers or financial institutions.
- **Infrastructure:** Projects developed to enhance infrastructure, support multiple or future

customers or to enhance public infrastructure. Sometimes, other public agencies may participate in funding that otherwise comes from port-generated operating cash, the property tax levy, and general obligation bonds or revenue bonds. They often are complex in nature, with multiple public agencies involved in the planning process and execution.

Table V-3 shows Open (excludes estimate) project expenditures during the five-year planning horizon as categorized by accounting treatment.

Accounting rules require some spending to be capitalized and depreciated over time, while other spending is expensed as incurred.

Table V-3 shows that the NWSA intends to implement \$568.9 million worth of planned projects (capitalized and expensed) in the next five years, with \$162.7 million of that total earmarked for 2018. Non-operating and operating projects will be expensed as incurred and are included in the operating budget.

Table V-4 shows the five-year CIP by Line of Business

Table V-5 shows the expected increase in depreciation and revenue when all of the projects are completed. The CIP is the total expected spending of 85 projects, 45 of which are capitalized and 40 expensed as incurred. The expensed projects are captured as expenses in the current year budget and five-year Plan of Finance as incurred. The costs of the capitalized projects are captured as depreciation expense over the estimated life of the projects that may extend beyond five years. The alliance expects depreciation expense will increase when the redevelopment of Terminal 4 is complete and the new cranes are in-service.

*Table V-2....Five-Year Planned Capital Investment Plan by Purpose*

(\$ Millions)

	2018	2019	2020	2021	2022	Total
Infrastructure	\$8.5	\$8.2	\$6.3	\$5.1	\$5.4	\$33.5
Renewal	87.9	14.4	12.9	4.1	4.0	123.3
Revenue	66.3	148.1	109.2	88.5	0.0	412.1
<b>Grand Total</b>	<b>\$162.7</b>	<b>\$170.8</b>	<b>\$128.3</b>	<b>\$97.7</b>	<b>\$9.4</b>	<b>\$568.9</b>

*Table V-3....Five-Year Planned Capital Investment Plan by Accounting Treatment*

(\$ Millions)

	2018	2019	2020	2021	2022	Total
Capitalized	\$152.4	\$147.9	\$109.6	\$86.7	\$3.2	\$499.8
Operating Expense	9.5	19.3	11.9	6.0	6.3	53.0
Non Operating Expense	0.8	3.6	6.9	4.9	0.0	16.1
<b>Grand Total</b>	<b>\$162.7</b>	<b>\$170.8</b>	<b>\$128.4</b>	<b>\$97.6</b>	<b>\$9.5</b>	<b>\$568.9</b>

*Table V-4....Planned Major Projects by Line of Business*

(\$ Millions)

	2018	2019	2020	2021	2022	Total
Container Business	\$136.8	\$159.9	\$119.2	\$90.5	\$1.9	\$508.3
Non Container Business	12.4	0.1	0.4	0.1	0.1	13.0
Infrastructure	13.6	10.7	8.8	7.1	7.4	47.5
<b>Grand Total</b>	<b>\$162.7</b>	<b>\$170.8</b>	<b>\$128.3</b>	<b>\$97.7</b>	<b>\$9.4</b>	<b>\$568.9</b>

*Table V-5....Net Income Impact of Capitalized Projects*

(\$ Millions)

	2018	2019	2020	2021	2022	Total
Container Business	\$136.8	\$159.9	\$119.2	\$90.5	\$1.9	\$508.3
Non Container Business	12.4	0.1	0.4	0.1	0.1	13.0
Infrastructure	13.6	10.7	8.8	7.1	7.4	47.5
<b>Grand Total</b>	<b>\$162.7</b>	<b>\$170.8</b>	<b>\$128.3</b>	<b>\$97.7</b>	<b>\$9.4</b>	<b>\$568.9</b>

### Capital Budget Project Descriptions

The NWSA's five-year CIP has been categorized on a business basis, as shown in Figure V-1. The following section provides details of major planned improvements within each business and only includes major projects and equipment.

### Container Terminals Business

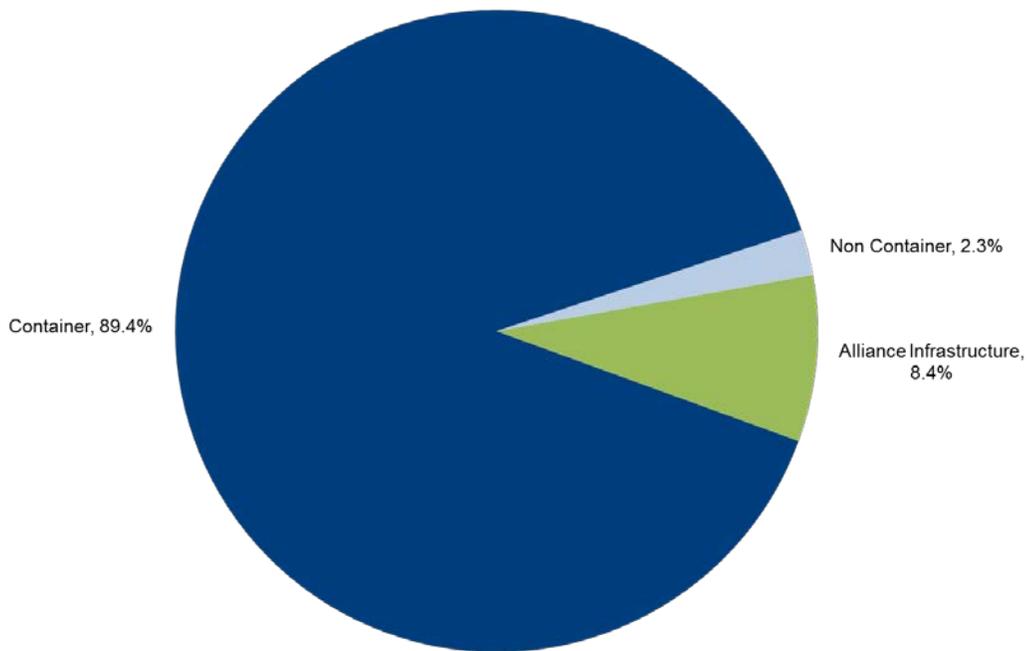
Planned capital expenditures for container terminals will total approximately \$508.3 million over the next five years. The CIP for this business will provide the funds necessary for the construction of major terminal improvements at the North Harbor Terminal 5; T-18

stormwater utility upgrade; T-46 dock rehabilitation, including design and construction; acquire eight container cranes at Husky Terminal, stormwater system at West Sicum Terminal, pile caps repairs, paving repairs and fender replacements at various terminals.

### Non-Container Business

Approximately \$13 million will be spent on facility improvement for terminal operations and auto businesses.

Figure V-1....Five-Year Capital Investment Plan by Line of Business



### Alliance Infrastructure

This section includes capital expenditures that are not specific to a single business, and are in support of the alliance's infrastructure or environmental improvements.

- **Environmental Programs:** These projects include reduction and monitoring of emissions, and ongoing cleanup projects. This also includes the Clean Truck Program, which provides matching funds and incentives to help cover the cost of replacing older trucks with cleaner new trucks.
- **Technology:** The alliance is investing in an operations service center that will allow

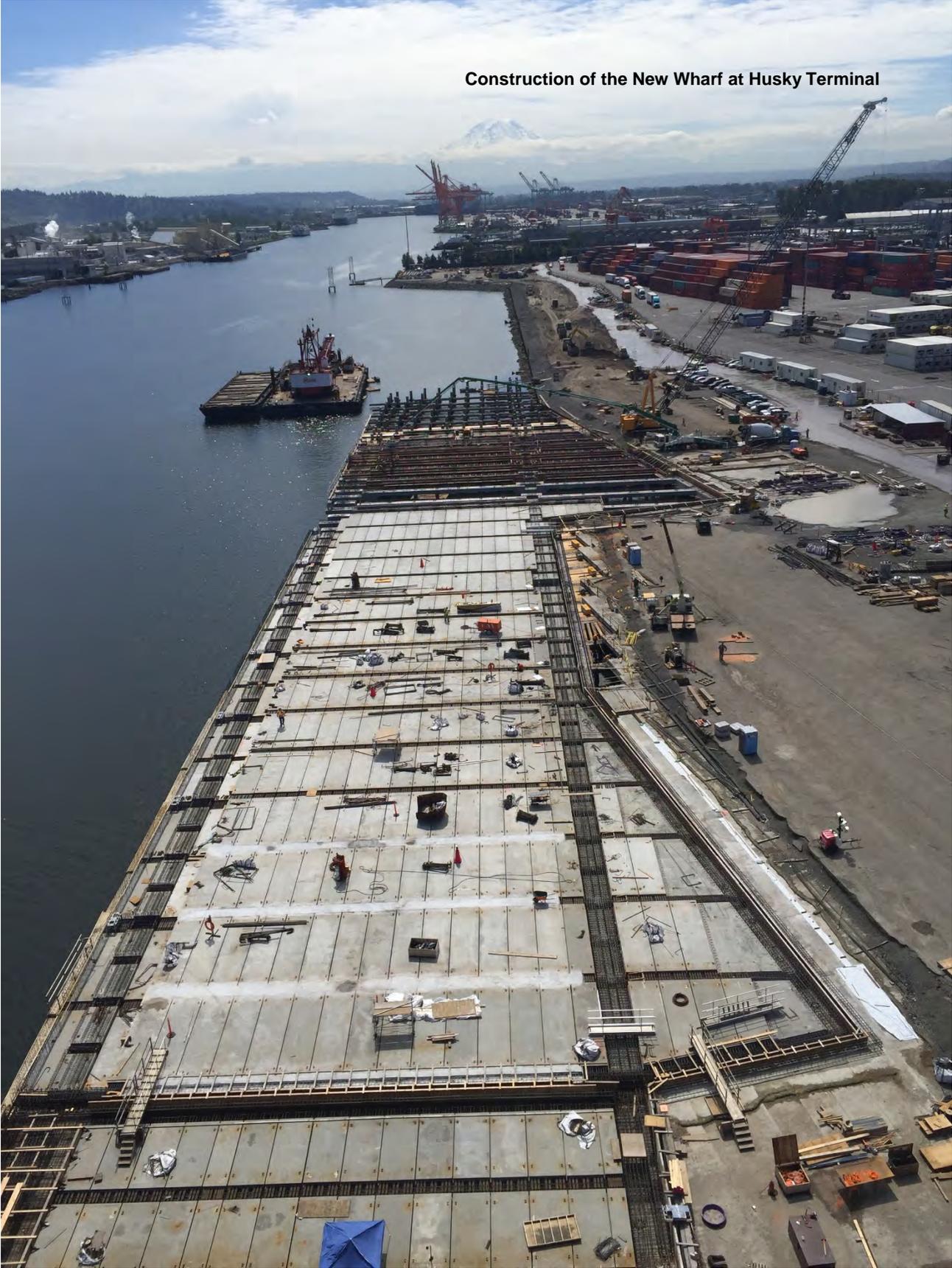
customers and cargo owners to track their cargo as it moves through the gateway.

### Capital Investment Plan Revisions

The CIP is an integral part of the budget planning process and is reviewed and revised semi-annually. Adjustments in amount and timing are made as required to meet changes in customer or infrastructure requirements.

The alliance maintains sufficient cash reserves to meet the CIP requirements, as well as any unexpected capital requirements, without adversely affecting the ongoing operations of either ports.

Construction of the New Wharf at Husky Terminal



## VI Environmental Stewardship and NWSA Planning

Environmental stewardship is a high priority for the NWSA. In 2016 the NWSA Environmental Stewardship Framework was put into action. Specifically, working with our stakeholders, the NWSA developed a Best-In-Class approach built on a foundation of the following:

- Fully integrated environmental, economic and financial business decision planning/making;
- Responsive to market and community;
- Lead market by design and implementation-target market subsidies; and
- Driven by innovative cost/effective solutions.

Program areas of emphasis include:

- Water Quality (source control)
- Air Quality and Sustainable Practices
- Remediation
- Habitat Restoration
- Planning
  - Transportation
  - Land Use
  - Facilities

In 2018, the NWSA plans to focus its environmental efforts on water and air quality, with the bulk of that work on NWSA licensed properties. The NWSA plans to develop additional sustainability strategies to help shape future leasing strategies.

### Water Quality Program

#### Industrial Stormwater Management Program

The NWSA partnership is the framework for an industrial stormwater management program that is a collaborative working group of customers, agencies and environmental organizations in both the North and South harbors. The goal of the Stormwater Workgroup is to be the forum to discuss emerging stormwater issues, common problems and solutions and provide stormwater compliance technical assistance to our customers. Staff engage in extensive stakeholder outreach that includes customers, regulators and the neighboring communities.

#### Research and Develop Cost-Effective Means to Manage Stormwater

The NWSA continues previous work initiated separately by the ports. The NWSA implements innovative cost-effective treatment methods in the field in an effort to focus in on practical, effective stormwater Best Management Practices (BMPs). This includes conducting pilot studies of new and existing treatment infrastructure that are shared with tenants and customers.

#### Source Control

Controlling pollutants at or near the source is the most cost effective way of reducing impacted stormwater runoff, managing the risk of costly corrective actions for treatment, and reducing the cost of operations and maintenance of installed stormwater treatment systems.

#### North Harbor Focus

Most North Harbor tenants have installed or are installing stormwater treatment at their facilities. The challenge going forward is to reduce the cost of operating and maintaining these systems and, if possible, prevent or eliminate the need for stormwater treatment in selected areas. The Stormwater Workgroup continues to focus on maintaining relationships with tenants/customers and work with them to implement at-source and near-source BMPs with these goals in mind.

#### South Harbor Focus

Most South Harbor tenants have reached consistent attainment or are currently meeting benchmarks for water quality sampling under the Industrial Stormwater General Permit. The Stormwater Workgroup continues to work with tenants/customers to implement at-source and near-source BMPs to ensure continued compliance, and to focus on tenants/customers that may face challenges to meet water quality criteria.

## Infrastructure Assessment Program

The Port of Seattle's Stormwater Utility works with the NWSA to facilitate the ongoing assessment of the stormwater system. During the assessment, the lines and vaults are prioritized by condition. Emergency work is completed right away by Marine Maintenance and other work is prioritized based on current functionality and an analysis of cost if maintenance is deferred too long. The Utility anticipates they will have completed most of the assessment by the end of 2019.

## Stormwater Development/Redevelopment

Coordination with home port's MS4 programs ensures site-specific stormwater requirements are met. This includes the design of appropriate treatment systems and/or system selection based on proposed land use and typical discharges associated with site-specific activities. Projects include redevelopment of terminals in both harbors. Both home ports have developed Stormwater Management Guidance Manuals which give specific guidance for development and redevelopment projects to ensure compliance with MS4 requirements.

## Projects

Multiple tenant assistance projects at both harbors include installing downspout treatment boxes, infrastructure assessments to identify potential deficiencies, and source control site visits to assist tenants/customers that are permittees under the Industrial Stormwater General Permit.

### North Harbor Projects

Design for the redevelopment of Terminal 5 is underway. As part of those efforts the NWSA will focus on cost-effective stormwater treatment solutions as the facility is updated in partnership with a long-term customer. The focus for this project will be to set up both the NWSA and the new tenant for stormwater success.

At Terminal 46, NWSA staff have helped the Terminal Operator design a modification to a proprietary system. These modifications are operational and meeting bench marks. With the departure of Seattle Tunnel Partners in the last sub basin, NWSA staff is currently working with Port of Seattle staff to complete

the design and bid documents and is on track to design and install treatment in 2018.

### South Harbor Projects

Stormwater treatment is upgraded as required as part of the reconfiguration of Pier 4 to ensure the terminal has the stormwater infrastructure needed to continue to operate successfully. In the South Harbor a retrofit of an existing oil-water separator and a proprietary water quality vault into media filtration treatment at the EB-1 terminal are complete.

## 2018 Goals

In 2018 the NWSA stormwater staff will complete performance testing at T-46 and turn the system over to the operator. The NWSA will reach substantial completion on a new treatment facility at the West Sitcum terminal in the South Harbor and will continue our Stormwater Working Group meetings with a goal of 60% tenant / customer attendance.

## Air Quality Program

### Northwest Ports Clean Air Strategy

The Northwest Ports Clean Air Strategy (NWPCAS) was adopted in 2008 and updated in 2013 as a collaborative effort among Port of Vancouver (Canada), the Port of Seattle, and the Port of Tacoma to reduce air emissions from shipping and port-related activities. The NWPCAS includes goals to reduce emissions of diesel particulate matter and greenhouse gases, and establishes performance targets for various maritime sectors. The NWPCAS will be updated in 2018 to create goals for 2025.

The 2018 NWSA Strategic Business Plan calls for implementing the NWPCAS and identifies specific measures to achieve that. NWSA staff will continue ongoing collaboration with NWPCAS partners to share information, conduct joint projects and publish annual progress reports to the community. The NWSA will seek opportunities to partner with customers and other stakeholders on grant-funded emission reduction projects and pilot studies.

### Puget Sound Maritime Air Emissions Inventory

In 2005 and 2011, the partners in the Puget Sound Maritime Air Forum, consisting of the ports of

Tacoma, Seattle, Anacortes, Everett and Olympia; along with Washington State Ferries, Puget Sound Clean Air Agency, Western States Petroleum Association, Pacific Merchant Shipping Association, and others, collaborated on the development of a Puget Sound Maritime Air Emissions Inventory. The 2005 inventory formed the basis of the Northwest Ports Clean Air Strategy. The next inventory will be based on emissions in calendar year 2016 and is underway. As the largest port authority in the Puget Sound Maritime Air Forum, the NWSA will manage the 2016 inventory. The results of the 2016 inventory will be used to assess progress in meeting goals and targets of the Northwest Ports Clean Air Strategy and are expected to be completed by December of this year. A scenario tool will also be deployed based on the data collected in the inventories. This tool will help Ports evaluate the effectiveness of proposed technology upgrades and new emission reduction programs.

### **Clean Truck Program**

The ports of Seattle and Tacoma have had separate Clean Truck Programs since 2008, when the NWPCAS was adopted by the respective port Commissions. The NWPCAS Clean Truck Program targets 100% of trucks serving the gateway to have a 2007 model year or equivalent engine.

The NWSA is providing matching funds for a drayage truck replacement project in 2017-2018, which will be managed by the Puget Sound Clean Air Agency and funded primarily by the Environmental Protection Agency Diesel Emissions Reduction Act grant. It will provide incentives for 70 trucks to be scrapped and replaced with cleaner models.

Additionally, the NWSA will partner with near-port community groups to develop projects to further mitigate emissions from port-related activities.

### **Greenhouse Gas Reduction Resolution**

In 2017, the NWSA Managing Members revised the greenhouse gas reduction goal outline in the NWPCAS and adopted greenhouse gas reduction targets in keeping with the Paris Agreement and in alignment with the global reductions necessary for keeping warming to within 2-degrees Celsius by 2050. The Alliance will reduce greenhouse gas emissions within the Puget Sound airshed as follows:

By 2030:

- 50% below 2005 levels (scope 1, 2 & 3 emissions)

By 2050:

- Carbon Neutral (scope 1 & 2 emissions)
- 80% below 2005 levels (scope 3 emissions)

To accomplish these goals, the Alliance will advance initiatives specific to the operations it controls and work to influence other stakeholders whose emissions fall beyond the Port's authority. The Alliance is committed to partnering with tenants, cargo owners, shipping lines, manufacturers, warehousing and other key stakeholders to drive demand for cost-effective and innovative greenhouse gas reduction technologies and solutions to meet our collective goals.

### **Green Marine**

Green Marine is a maritime environmental organization that offers a certification program for the North American marine industry. To receive certification, members benchmark their environmental performance each year and have bi-annual verification of results. The NWSA joined this organization in 2016 and began the self-assessment process. This work will continue in 2018, with results scored and published by Green Marine. NWSA staff participate in technical advisory groups to guide updates to the program.

### **Ship to Shore Power Expansion**

Both the ports of Tacoma and Seattle have provided shorepower at some berths. The NWSA will continue to look for additional opportunities to leverage public and private funding for additional shorepower installations, and ensure terminal designs include shorepower capability. This is consistent with the NWSA Strategic Plan and Northwest Ports Clean Air Strategy to reduce particulate emissions.

### **Planning**

The Planning Team provides a range of services from strategic to site planning. Some of our primary services include planning for marine terminals and supporting infrastructure, port master planning, optimizing port operations and determining the

operational and financial feasibility of new port and marine investments. Port Planning also coordinates baseline studies to facilitate decision making about investments and operations.

Planning Overview:

- **Facility Planning:** Port Planning has experience with developing port industrial lands, equipment costing, industrial warehouse location and layout analysis.
- **Operations, Planning, and Research:** Planning supports Port Operations in optimizing gates and terminals, analyzing traffic flow and circulation, and evaluating new communications and data collection technologies.
- **Project Feasibility Development:** The Planning Team supports Facilities Development by maintaining a general understanding of all focus areas within the group, especially the environmental specialties. With this overall perspective the team is able to assist with opportunity assessment review and strategic port planning.
- **Economic and Financial Analysis:** Services include: cost benefit studies, economic risk analysis, financial analysis, market studies, multi-modal and system optimization of transportation networks, and defining development concepts and economic strategies.
- **Strategic Planning:** Services include: developing business plans, master plans, and financial projections. The Planning

Team reviews and provides comment on new and updated local, state, and federal policy and regulatory documents to protect the interests of the Port. These plans can range from State Freight Master Plans to City Comprehensive Plans.

- **Grant Coordination:** Planning helps coordinate grant application efforts to ensure a unified and sensible approach. We look for grants to help offset the cost of facility, technology, and planning work whenever feasible. Our coordination efforts encompass tracking priority projects and possible grants, and keeping up to date on the progress of projects that benefit from grant dollars. We provide staff support to the Grant Steering Committee.

#### 2018 Planning Goals

The goals for 2018 include initiation of a Tideflats Subarea Plan process with the City of Tacoma, coordination of shoreline permit condition requirements for Terminal 5, increased coordination and communication with the NWSA Operations and Commercial teams, management of Port related grant applications

## Appendix A Bond Income Calculation

The Northwest Seaport Alliance Charter requires the establishment of a Bond Income Calculation. Section 4.2 (b) states:

Bond Income Calculation. Managing Members shall establish and maintain a requirement for the PDA to calculate and establish a minimum level of net income from the PDA equal to the amount currently required for the Homeports to meet their current bond rate covenants ("Bond Income Calculation"). The Managing Members shall require the Bond Income Calculation to be reviewed annually as part of the PDA budget process and the Managing Members may adjust the Bond Income Calculation so long as it does not cause any Managing Member to fail to comply with its rate covenant. The PDA may not take any action that reasonably would reduce PDA income below the minimum level established by the Bond Income Calculation unless each Homeport separately votes to approve that action. Such a vote by each Homeport must occur even if the action is within the CEO's authority under the Delegation of Authority Master Policy. If net income before depreciation of the PDA is not sufficient for either Homeport to be in compliance with a rate covenant (as currently described in each Homeport's Master Bond Resolutions in effect as of the Effective Date), then:

- (i) Upon that Homeport's request, the PDA shall hire an independent third party consultant to perform analysis and make recommendations for actions needed to achieve bond covenant compliance.
- (ii) If the consultant recommends an action that the PDA is unwilling, unable or refuses to undertake, either Managing Member can require dissolution of the PDA following the dispute resolution process even if within the Initial Period.
- (iii) The PDA shall have at least four months to respond, act and or dissolve following its receipt of the consultant's recommended action, unless a shorter time is required by the applicable bond covenants.

The Managing Members established the Bond Income Calculation as \$90 million based on the currently outstanding debt of each Port, the applicable rate covenants and certain other net revenues available for debt service, as appropriate.

## Appendix B Capital Construction

The Northwest Seaport Alliance Charter requires the funding of Capital Construction. Section 3.12 states:

Separate from Working Capital, the PDA shall provide for the funding of capital expenditures ("Capital Construction") to be funded by a pro rata initial contribution from each Managing Member based on their respective Membership Interests. Managing Members may approve by vote contributions to Capital Construction in amounts other than based on each Managing Members' pro rata respective Membership Interests on a project-specific basis. Requests for funding Capital Construction shall be based on the CEO's periodic projection of PDA capital project cash flow needs. Managing Members may consider requests for additional contributions to the PDA, the affirmative approval of which will require a vote by each Managing Member. Capital Construction shall be funded by each Managing Member separately and not from Working Capital. Distributions of Capital Construction funds will be made expressly subject to either ( 1) Managing Member approval of capital projects or (2) CEO approval of capital expenditure, where such expenditure is within the levels set in the Delegation of Authority Master Policy.

The Managing Members established the initial Capital Construction as \$27 million based on the proposed 2016 NWSA Capital Improvement Plan. Additions to NWSA Capital Construction have been made as necessary to fund Managing Member approved projects. As of Q3 2017, a total of \$211 million of Capital Construction funds have been approved.

## Appendix C NWSA Full Time Personnel

	<b>2017 Budget</b>	<b>2017 Actual 10/11/2017</b>	<b>2018 Budget</b>
<b>Executive</b>	13	11	12
<b>Commercial Business</b>	37	28	38
<b>Facilities Development</b>	9	7	8
<b>Total</b>	59	46	58

# Appendix D NWSA Memberships

## Overview

The NWSA pays for a variety of memberships on behalf of the NWSA and/or individual staff. The NWSA believes this investment in partnership organizations plays a key role in advancing the NWSA's business objectives and ensures NWSA staff is knowledgeable and productive. These memberships are in addition to, or supplement the home port memberships.

## Port Authority Organizations

These memberships assist the NWSA's lobbying efforts on both the state and national levels and keep staff informed about major issues and developments that affect NWSA operations. Membership with the Washington State Public Ports Association remains with the home ports.

## Economic Development Organizations

Economic development is a major part of the NWSA's mission. For that reason, the NWSA maintains memberships and works closely with a variety of economic development groups. These memberships help strengthen the NWSA's visibility throughout the world through trade missions and trade shows.

## Regional Organizations

Memberships in regional organizations demonstrate the NWSA's commitment to trade on a statewide and regional basis.

## Industry Associations and Professional Organizations

These associations and organizations ensure that staff obtains the latest in technical development by taking advantage of meetings, networks and special programs offered by them.

## Trade Promotion Organizations

These memberships give the marketing and sales staff important contacts and current industry trade information that enhances the NWSA's overall marketing efforts.

## Community Service Groups

The NWSA maintains memberships in these groups as part of its effort to build better community relations, to work more effectively with the business people and to ensure that the NWSA's interests and concerns are addressed in the community.

## Budgeted annual NWSA Memberships & Personnel Memberships (estimated)

Organization	Annual Dues
American Association of Port Authorities	\$50,000
Pacific Northwest Waterway Association	26,765
WA. Council on Int'l Trade Global Leadership	20,000
Coalition for America's Gateways & Trade Corridors	15,000
All Other Memberships	13,000
<b>Total NWSA Memberships</b>	<b>66,011</b>
	<b>\$190,776</b>

## American Association of Port Authorities

AAPA is an alliance of leading ports in the Western Hemisphere that protects and advances the common interests of its diverse members through advocacy, professional development, relationship-building, and public awareness.

## Pacific Northwest Waterways Association

The Association advocates for funding for navigation projects around the region, including those on the Columbia Snake River System, in the Puget Sound and along the Oregon and Washington coasts.

## Washington Council on International Trade

The Council is dedicated to advocating for public policies that increase Washington State's international competitiveness.

## Coalition for America's Gateways & Trade Corridors

The Coalition raises public and Congressional awareness of the need to expand U.S. freight transportation capabilities and to promote sufficient funding for trade corridors and freight facilities.

## **The Northwest Seaport Alliance**

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## **APPENDIX A: BUDGET POLICY, PROCESS AND CALENDAR**

### **1. OPERATING BUDGET**

#### **a. Budget Policy:**

The Port established a budget policy to provide systematic planning as part of the management performance and control. The purpose of this policy is to allow the capability to forecast realizable financial results over definite periods of time. This is accomplished through planning and coordination of the various complex operations and functions of the Port, through systematic communication and the use of the Port's financial control and management information system.

The Operating Budget is an essential tool for business planning, resource allocation, and control. It quantifies business groups and departmental plans for future periods in strategic, operational and monetary terms. This facilitates coordination of plans between divisions/departments and provides a basis for control once the plan is in effect.

Various inputs to the budget planning process are required for it to be meaningful, including forecast of economic trends and business activity levels. Above all, goals, objectives, programs, action plans and performance measures are defined and reviewed annually for consistency and support of the Port's overall mission.

The budget plan is based on assumptions about the success of marketing efforts, demand for services, and the cost, availability and need for people and materials. The budget process provides continual feedback which compares not only actual performance to the plan but also the validity of the assumptions on which the plan was based.

The Operating Budget is a management tool for controlling and analyzing each area of responsibility. Budgeting, as well as the recording of actual costs, is done on an Org basis. An Org is a distinct functional and physical unit. Its performance responsibility can be assigned to one person. There are over 200 Orgs at the Port. Each Org has a budget. The person assigned to each of these Org budget is responsible for the operating costs of that Org.

Allocated and/or indirect expenses are not budgeted for by the recipient Org. These are costs that are allocated to business groups/unit from service providers. Allocated costs are general support costs that cannot be directly attributed to a business unit, but instead support the entire Port. Costs can come from within the division (intra-division allocation) or from outside the division (inter-department allocation).

Department Directors are responsible for preparing the operating budget for their areas of responsibility, subject to review and approval by several levels within the organization. Orgs can be combined to analyze and report on budgets by functional or business units. Port management needs current, timely and accurate information to make informed decisions. The objective of the budget process is to provide resource allocation, accountabilities, performance, and control to enhance effective management.

In addition to planning for the business needs of the organization, this process results in a method of comparing actual financial results with the approved budget plan. The appropriateness of the pricing structure or the effects of changes in costs or activity can be observed. This approach gives management the flexibility to evaluate the performance of a particular activity. The Budget Report (a comparison of the proposed budget to the current year's budget and last year's actual) and the Responsibility Report (a comparison of actual results to budget) can advise a manager if things are not going as expected, whether strategies are being accomplished, and also give him/her clues as to what might be wrong. The function of controlling and managing the operations of the Port is accomplished with the Operating Budget.

The 2018 budget process included several Commission briefings by the operating divisions and Central Services departments during the year to update the Commission on key issues facing the business groups and to solicit input into overall strategies and objectives. The divisions updated the Commission on each business unit with background information, discussed capital and operating plans and dialogue on major policy issues.

Divisions fine-tuned their business and operating goals based on Commission input and put together budgets.

Key events included budget planning meetings by the Executive Management team, the issuance of the budget guidelines/instructions and budget calendar to divisions, training of budget users on usage of the budget system, actual preparation of the budget by divisions and departments, and internal budget reviews, which included in-depth discussion of revenue and expense assumptions, new programs, initiatives, or other proposed increases in revenue and expenses, reviews and approvals by the Executive Management and Commissioners, and release of the updated proposed budget to the Port Commission and public stakeholders.

Budget staff responded to inquiries of commission and interested stakeholders during commission budget workshops, first and second reading and adoption of the budget after the public hearings.

In addition to the Operating Budget as stated above, the budget staff prepares the Statutory Budget as defined in RCW 53.35.010 to show “estimated expenditures and the anticipated available funds from which all expenditures are paid.” Being a cash budget, the Statutory Budget establishes the level of the Port’s property tax levy and sets upper limits of expenditures, and is not used as an Operating Budget.

**b. Budget Adoption:**

The budget is provided to the Port Commission and must be made available to the general public as required by law - RCW 53.35.010 and RCW 53.35.045. A Public Hearing in the First Budget Reading is held before the Second Reading and Final Passage of Budget, at which time the Port Commission will make final recommendations and adopt the budget. An announcement of the public hearing is made in the DAILY JOURNAL OF COMMERCE newspaper and copies of the preliminary budget is made available for distribution to any interested persons by a specified date as required by law - RCW 53.35.020 and RCW 53.35.045.

Subsequent to the public hearing and Commission adoption of a final plan, the statutory budget and resolution is then filed with the King County Council and King County Assessor as required by law, by a specified date as allowed by RCW 53.35.045.

**c. Monitoring of Budget:**

Once an annual budget is in place, the Responsibility Report (comparing actual results to budget) is generated monthly and variances from budget are analyzed and reported on a monthly basis, and more extensively each quarter, to determine if corrective action is needed. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into the quarterly Performance/Variance Report. The Performance/Variance Report is a report in narrative format explaining the reason or causes of variances between actual revenues and expenses versus budgeted amounts on a quarterly basis. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. This report provides explanation of variances from the approved plan and presented quarterly to Executive Management and the Commission in public meetings. This allows Executive Management and the Commission to make timely and well-informed decisions.

**d. Amending the Operating and Capital Budgets:**

The Executive Director of the Port of Seattle is authorized “Within Budget Limits” to transfer budgeted amounts between departments; however, any revisions that alter the total expenses Portwide that are not within the Executive Director Authorized Budget Limits require authorization from the Port Commission.

As per Resolution 3605, as amended, the Port Commission has adopted policy directives delegating administrative authority to the Executive Director for the purpose of day-to-day management and administration of the Port and as stated in sections 20.2.1 and 20.2.2 of said resolution:

20.2.1. "Annually Approved Capital Budget" means the list of capital projects (including small works projects) and the projected total dollar amount of upcoming budget-year spending associated with those projects which is presented to, and reviewed by, the Commission as part of the budget review process (i.e., the first year of the Capital Improvement Plan), or as subsequently amended by the Commission during the budget year.

20.2.2. "Annual Operating Budget" means the budgeted operating and non-operating revenues and expenses reviewed and approved by the Commission as part of the budget process, or as subsequently amended by the Commission during the budget year.

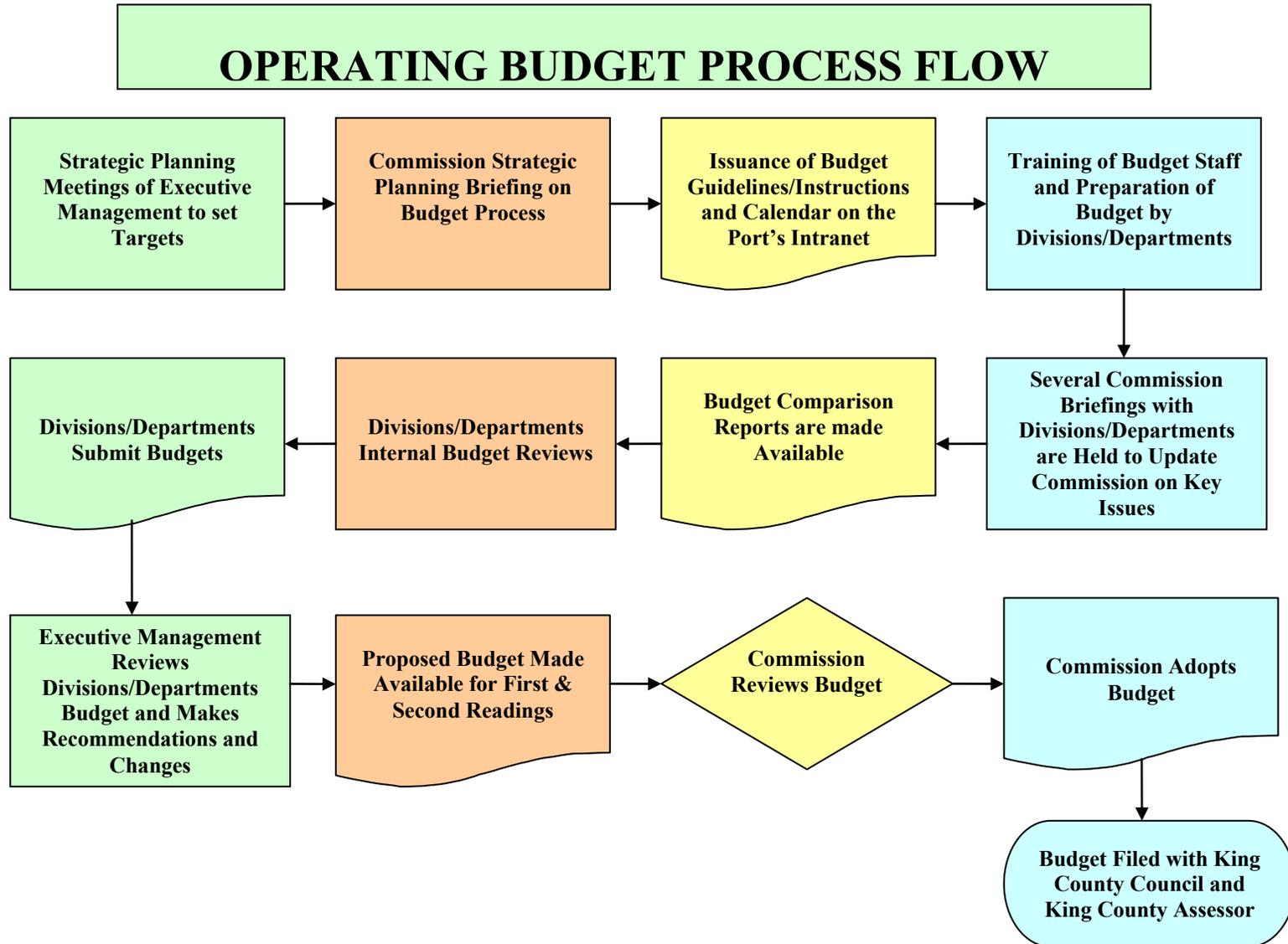
**e. Operating Budget Process:**

The steps in the 2018 operating budget process are as follows:

- Budget planning meetings of the Executive Team to set 2018 operating targets.
- Commission strategic and business planning briefing.
- Training of budget users from the various divisions on the use of the budget system.
- Commission briefing on budget process and key assumptions.
- Issuance of budget guidelines/instructions and budget calendar on the Port’s intranet.
- For the operating divisions, targets are developed based on the divisions’ business forecast.
- For Central Services, initial targets are based on a bottom-up assessment of needed resources to accomplish Portwide strategy/actions plans.
- Several Commission briefings by the operating divisions and Central Services are held during the year to update the Commission on key issues facing the business groups/departments and to solicit input into any changes in strategy.
- Budget system available for input.
- Actual preparation of the budget by divisions/departments.
- Costs of service departments are charged/allocated to operating divisions and the NWSA according to policy and the Service Agreements.
- Finance and Budget generates a budget comparison report, which compares the proposed budget to the current year’s budget and last year’s actual, and also produces the current year’s Forecast Report.
- Divisions/departments complete their detailed budgets and are reviewed internally by their senior managers and Finance and Budget staff. These reviews include in-depth discussion of revenue and expense assumptions, new programs, initiatives, or other proposed increases in revenue, expenses as well as operational needs.
- Divisions/departments budgets are submitted to Finance and Budget and then reviewed against targets by the Executive Team.
- Executive Team makes recommendations and changes, which are incorporated into divisions and departments budgets.
- Several Commission budget briefings are held on divisions/departments capital budget, operating budget, and Draft Plan of Finance.
- All budget issues are resolved and changes are entered and made into the budget system.
- Finance and Budget staff generates various reports and ascertains that all approved changes are incorporated into the budget and reports are accurate.

- Finance and Budget prepares a preliminary budget document and releases the proposed budget to the Port Commission and to the public approximately three weeks before the first reading.
- The First Reading and Public Hearing of the budget will be held on the second Tuesday of November.
- The Second Reading, Final Passage and Adoption of the 2018 budget on the fourth Tuesday of November, at which time the Port Commission makes final recommendations and adopts the budget.
- Statutory Budget is filed with King County Council and the King County Assessor as required by law on the first Friday December.
- Finance and Budget staff prepares and releases the final budget document to reflect Commission recommendations.
- Finance and Budget staff sets commitment control for Central Services departments and operating divisions.

**FIGURE A-1: OPERATING BUDGET PROCESS FLOW CHART**



**f. Operating Budget Planning Calendar:**

<b><u>Date</u></b>	<b><u>Activity</u></b>
06/13/17	Commission Budget Work Session
07/24/17	Budget System Available for Input
07/25/17	Commission Briefing on the Budget
07/26 - 8/03/17	Budget User Training
07/26 - 10/17/17	Preparation of budget by divisions/departments
08/01/17	Budget Guidelines/Instructions and calendar available on the Port's Intranet
08/04/17	Allocation templates available for review
08/09/17	Central Services Departments New Budget Requests Due to F&B
08/22 /17	Commission received the 2018 Budget Assumptions Memo
08/30 - 8/31/17	Central Services Departments Final Entry and Budget Support Documentation due to Finance and Budget
09/01/17	Non-Operating Budgets due to Finance and Budget
09/05 - 9/22/17	Aviation, Maritime and Economic Development Internal Budget Reviews
09/06/17	Executive Management reviews of Central Services Budgets (both Operating & Capital Budgets)
09/07/17	Executive Management reviews of Maritime & Economic Development Budgets (both Operating & Capital Budgets)
09/11/17	Executive Management reviews of Aviation's Budget (both Operating and Capital Budgets)
09/12/17	Commission Discussion on 2018 Budget
09/26/17	Commission Briefing on Central Services Operating & Capital Budgets
10/02 - 10/13/17	Capacity Funding Analysis
10/10/17	Commission Meeting to review Aviation, Maritime, and Economic Development Operating & Capital Budgets
10/16 - 10/20/17	Finance and Budget staff prepares 2018 preliminary budget document
10/24/17	Tax Levy and Draft Plan of Finance Commission Briefings
10/24/17	2018 Preliminary Budget document is available to the Commission
10/26/17	2018 Preliminary Budget document is released to the Public
11/14/17	First Reading and Public Hearing of 2018 Preliminary Budget
11/28/17	Second Reading, Final Passage and Adoption of the 2018 Budget
11/30/17	Filing of Budget with King County Council & King County Assessor as required by law
12/15/17	Release of 2018 Final Budget

## **2. CAPITAL BUDGET**

### **a. Capital Budget Policy:**

As part of the Strategic Budgeting process, Finance and Budget (F&B) produces the Capital Budget and the Draft Plan of Finance. The Capital Budget consists of capital plans or Capital Improvement Plan (CIP), over a five-year period, for all divisions: Aviation, Maritime, Economic Development and Central Services. The Draft Plan of Finance is a funding plan of the CIP that the Port publishes on an annual basis.

The divisions review and revise their CIP in conjunction with the review of their existing business goals and strategies. The CIP is comprised of Committed projects from the 2017 CIP, less any that have been deleted, plus any Prospective projects that may meet the criteria to move forward to Committed status. The CIP may include Business Plan Prospective projects if coverage targets are met. Divisions are encouraged to review CIP cash flows with respect to timing and reasonableness to ensure effective use of capital capacity.

### **b. Capital Budget Process:**

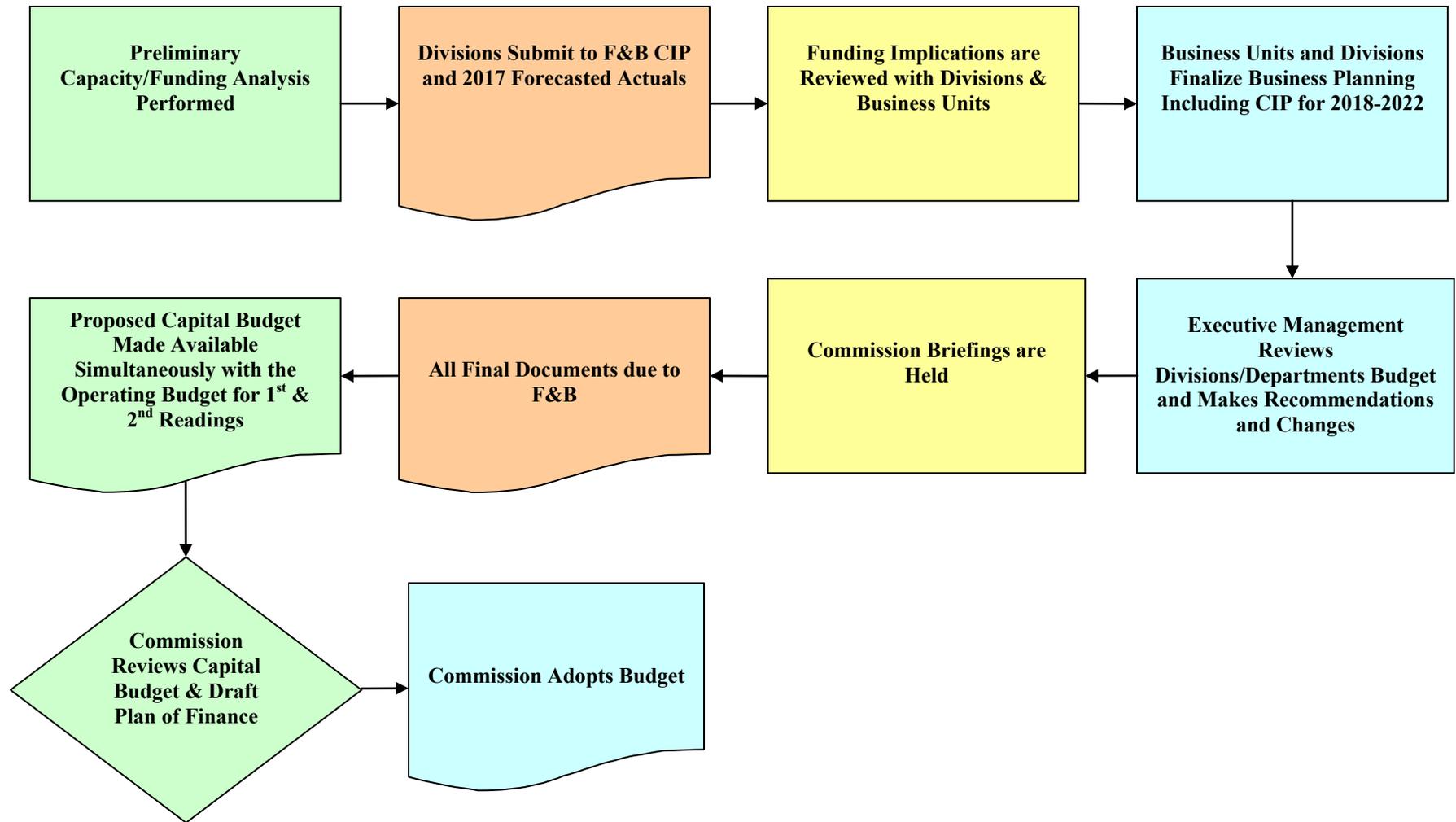
- A preliminary capacity/funding analysis is performed once the 2nd quarter update is completed, but no later than by the end of August.
- At the end of September, divisions submit to Finance & Budget (F&B) the CIP and 2017 forecasted actual (which includes actual through second quarter). The funding implications of these capital plans are then reviewed with the divisions and business units.
- Following F&B funding analysis and Executive review of preliminary plans, business units and divisions finalize their operating and financial goals, including their CIP for 2018 -2022.
- This information is then reviewed with Executive, presented to the Commission, included in the 2018 Budget document.

After the close of the 2017 fourth quarter in January 2018, and based on the 2017 fourth quarter CIP update the divisions should have more refined capital spending estimates for 2018. Each division may choose to adjust the spending for the original list of projects in the Capital Budget, to establish the 2018 approved funding amount for each project and for the division as a whole. The adjusted Capital Budget will become the “Approved 2018 Capital Budget” and will be used for quarterly variance reporting during the year.

**Note:** Even though the Commission reviews the Capital Budget in November, each individual CIP project, with a total costs in excess of \$300,000, is presented and approved by the Commission in public meeting for spending authority.

**FIGURE A-2: CAPITAL BUDGET PROCESS FLOW CHART**

# CAPITAL BUDGET PROCESS FLOW CHART



**c. Capital Budget Planning Calendar:**

Following is the 2018 capital budget planning calendar:

<b><u>Date</u></b>	<b><u>Activity</u></b>
06/13/17	Commission Budget Work Session
07/25/17	Commission Briefing on the Budget
08/21-09/1/17	Preliminary Non-Aviation capital capacity analysis by F&B
09/06- 09/11/17	Executive Review of Operating and Capital Budgets for all divisions
09/08/17	Preliminary Aviation Forecast Model due to F&B
09/26/17	Commission Briefing - Central Services Operating and Capital Budgets
10/02- 10/13/17	Finance and Budget finalizes Capacity/Funding Analysis
10/03/17	Finance and Budget creates “CAPBUD” database from Projects
10/10/17	Commission Briefing – Aviation, Maritime, and Economic Development Operating and Capital Budgets
10/24/17	Preliminary Budget Document available to Commission
10/24/17	Commission Briefing – Tax Levy and Draft Plan of Finance
10/26/17	Release of 2018-2022 Capital Improvement Plan as part of the 2018 Preliminary Budget document
11/14/17	First Reading and Public Hearing of 2018 Preliminary Budget
11/28/17	Second Reading, Final Passage and Adoption of the 2018 Budget
12/15/17	Release of 2018 Final Budget

## **APPENDIX B: FINANCIAL MANAGEMENT POLICIES**

The primary purpose of the Port is to broaden and strengthen the economic base of the port district. The Port uses key criteria in various combinations as it pursues its capital and operating programs and projects. Clearly, national and international economic strengths or weaknesses have a direct bearing upon the Port's financial viability and role as an economic engine for the region.

### **1. KEY FINANCIAL TOOLS**

The Port uses several tools to monitor its financial performance and these are described below

- a. **Long-term Targets**: The Port's long-term targets provide high-level policy guidance. These targets provide guidance to business planning for each division.
- b. **Operating Budget**: The Operating Budget is an essential tool for the Port's management planning, resource allocations, and control. It quantifies line of business and departmental plans for the next year in both operational and monetary terms. Throughout the year, the Responsibility Reports (which compare actual results to budget) are generated monthly and variances from budget are analyzed on a monthly basis, and more extensively each quarter, to determine if corrective action is needed. Divisions and departments prepare a quarterly forecast, which is incorporated into the quarterly Performance Report, which provides explanation of variances from the approved plan and is presented quarterly to Executive Management and Commission in public meetings, as necessary.
- c. **Balanced Budget**: The Port prepares an annual budget and supports, encourages and commits to a balanced budget in which revenues exceed expenses. In so doing, the practice is to pay for all current operating expenses with current revenues and not postpone current year operating expenses to future years or accrue future year's revenues to the current year. The Port's policy further requires that budgeted operating expenses do not exceed budgeted revenues, and on-going expenses do not exceed on-going revenues.
- d. **Operating Forecasts**: Included in the budget document are five-year forecasts or projections of the division's operating revenues and expenses. The first year of this forecast is the Operating Performance Budget.
- e. **Capital Budget and Capital Improvement Plan**: A detailed plan of proposed outlays or capital expenditures arising from the acquisition or improvement of the Port's fixed assets and the proposed means of financing them through bond proceeds, grants and operating revenues. This document serves as an operational and planning tool and it is directly tied to the business goals. The document identifies proposed capital projects at the airport and on the waterfront and prioritizes those projects.
- f. **Capital Expenditures**: Expenditures that arise from the acquisition or improvement of the Port's fixed assets. The expenditures reflected in the capital budget cover projects anticipated to provide modernized Airport, Maritime, and Economic Development facilities for sustained growth of the Port.
- g. **Capital Budget Impact on the Operating Budget**: Its impact on the Operating Budget is through Capitalized Labor or Charges to Capital Projects, which include the salaries and benefits costs associated with capital projects. These costs are subtracted out of the operating budget and then budgeted in the capital budget as part of the cost of the project(s). The Operating Budget is also impacted in the form of increased operating, maintenance and depreciation expenses because of the new assets. Depreciation is a non-cash item that represents the use of long-term assets. Port assets are given a useful life of more than three years when they become active and each year some of that useful life is used up, worn or depreciated. The capitalized labor or charges to capital projects is displayed in table III-3 and the depreciation is displayed in table III-2. The capitalized labor is also displayed in similar tables in sections IV thru VII.
- h. **Plan of Finance**: The Five-year Capital Budget is the basis of the Plan of Finance. This document provides a funding plan of the capital program developed within the financial targets and forecasts described within the Draft Plan of Finance section. The Draft Plan of Finance is prepared and presented to

the Port Commission concurrently with the Operating Budget. See further discussion in the Draft Plan of Finance, section X of this book.

- i. **Capital Investment Matrix**: The matrix provides an analytical framework for capital projects. The results of the analysis provide financial and non-financial information for the Port Commission as a guide for capital investment decisions.
- j. **Financial and Operational Indicators Report**: The Port uses financial and operating indicators to monitor its financial performance and budget. This report is produced and distributed monthly to the Port Commission and Executive Management.
- k. **Treasury Management**: Using its internal Treasury since July 2002, the Port has experienced increased investment earnings, faster mobilization of funds, on-line banking capabilities, easier accounts and full control of its cash and investments.
- l. **General Coverage Ratios and Cash Flow Margins**: As part of its financial modeling, the Port targets that Airport cash flow equals 1.25x of all Airport related revenue debt and that Non-Airport cash flow equals 1.5x of all Non-Airport related revenue debt. In addition, the Port targets general obligation bond debt service not to exceed any more than seventy-five percent of the annual tax levy.
- m. **Bond Coverage Ratios**: The Port, through financial modeling, runs projections for its revenue bond debt service coverage ratio. Although the Port has an obligation under First Lien Revenue Bond covenants to maintain a ratio of 1.35x, as a matter of practice a ratio of at least 1.8x is maintained. Debt service coverage may fall below this target level during periods of construction borrowing prior to the time that revenue producing assets come on-line.
- n. **Fund Balances**: Working capital fund balances are maintained in the General Fund and the Airport Development Fund at a targeted level of approximately nine months of operating and maintenance expenses. The Port maintains \$5 million in the Renewal and Replacement Fund as required by bond documents.
- o. **Performance/Variance Report**: This report is in narrative format explaining the reasons for or causes of variances between actual revenues and expenses versus budgeted amounts on a quarterly basis. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into this report and it is presented quarterly to Executive Management and the Commission in public meetings.
- p. **Commitment Control**: The Port has in place a commitment control ledger that monitors department budgets, and which prevents departments from exceeding their total budget without appropriate approval.

## **2. FINANCIAL POLICIES AND DESCRIPTION OF MAJOR FUNDS**

This section, pages XIII-11 through 18, presents a summary of the Port's major financial policies and description of its major funds.

- a. **Organization**: The Port of Seattle (the "Port") is a municipal corporation of the State of Washington, organized on September 5, 1911, through enabling legislation by consent of the voters within the Port district. In 1942, the local governments in King County selected the Port to operate the Seattle-Tacoma International Airport (the "Airport"). The Port is considered a special purpose government with a separately elected commission of five members and 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 its bonds.
- b. **Reporting Entity**: The Port reports the following fund: the Enterprise Fund accounts for all activities and operations of the Port.

There are dozens of funds that are summarized into the Enterprise Fund. The Enterprise fund is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties. Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions - Aviation, Maritime, and Economic Development.

Within the Enterprise Fund, the Port segregates non-operating expenses made to public entities which are funded by the ad valorem tax levy. This includes expenses for district schools and infrastructure improvements to the state and region in conjunction with other agencies. These projects are controlled by other governmental entities and are not reflected in the Port's financial statements.

In 2015, the Port underwent a series of reorganizations to strategically position the Port to achieve future growth, operational excellence and talent development.

Operation of the Port's main cargo business was transferred to the Northwest Seaport Alliance, a joint venture with the Port of Tacoma, which unified the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the Puget Sound gateway and attract more marine cargo to the region. The remaining Seaport businesses became a part of the new Maritime Division.

The Northwest Seaport Alliance is the fourth-largest trade gateway in North America, behind the ports of Los Angeles and Long Beach, the Port of New York/New Jersey, and the Port of Savannah. The Pacific Northwest is a key region for inbound and outbound United States cargo, moving cargo not only for the regional trade, but also cargo headed to destinations throughout the entire U.S. Midwest, and this Alliance will help the region remain competitive into the future. This is truly historic and signals a new era of cooperation between the ports. Combining the strong cargo terminal operations will make the region more competitive in the global economy and create new jobs in Washington.

The two ports have moved from fierce competitors to bold collaborators to form a new business model for the greater good of the region. The ports recognized how critical the maritime industry is to the state's economy, and are proud and excited to strengthen it even more.

Together, the ports can more efficiently deploy the significant investments each port has devoted to infrastructure and speak with a stronger voice on pressing regional and industry-related issues. While the ports remain separate organizations that retain ownership of their respective assets, they formed a port development authority (PDA) to manage the container, break-bulk, auto and some bulk terminals in Seattle and Tacoma. The PDA is governed jointly by the two ports through their elected commissions.

Effective January 1, 2016, the Port is comprised of three operating divisions, namely Aviation, Maritime and Economic Development.

The Aviation Division ("Aviation") serves the predominant air travel needs of a five-county area. The Airport has 19 U.S.-flag passenger air carriers (including regional and commuter air carriers) and fourteen foreign-flag passenger air carriers providing daily nonstop service from the Airport to 107 cities, including 23 foreign cities.

The Maritime Division manages industrial property connected with maritime businesses, recreational marinas, Fishermen's Terminal, cruise, grain and maritime operations.

The Economic Development Division focuses on managing the Port's industrial and commercial properties including conference and event centers, encouraging tourism, developing small business opportunities, and providing for workforce development in the aviation, maritime and construction industries.

Central Services provides high quality and cost-effective professional and technical services to the divisions and supports the overall goals of the Port; it also delivers projects and provides technical and contracting services in support of the operating and infrastructure needs of the Port through Capital Development. Central Services expenses are allocated and charged to the operating divisions.

- c. **Basis of Accounting and Budgeting:** The Port does not distinguish between the Basis of Accounting and the Basis of Budgeting since the principles set forth as the Basis of Accounting are observed in the budgeting process. The Port is accounted for on a flow of economic resources measurement focus. The financial statements and the budget are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting under which revenue transactions are recognized when earned and expenses are recognized when incurred, regardless of the time the cash is received or disbursed. The Government Accounting Standard Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port adopted the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance issued by Financial Accounting Standard Board ("FASB") pronouncements which does not conflict with or contradict GASB pronouncements, and eliminates the option to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.
- d. **Use of Estimates:** The preparation of the Port's budget in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in reporting of revenues and expenses in certain instances. Thus, actual amounts could differ from those estimates.
- e. **Operating Revenues:** Fees for services, rents and charges for the use of Port Facilities such as: Dockage, Wharfage, Berthage and Moorage, Airport Transportation Fees, Airport Landing Fees, Equipment, Property Rentals and other revenues generated from the Port's operations are reported as operating revenue.
- f. **Non-Operating Revenues:** Revenues that do not result from the normal operation of the Port's business such as: Ad Valorem Tax Levy, Interest Income, Non-operating Grants, Passenger Facilities Charges, Customer Facilities Charges and other revenues generated from non-operating sources are classified as non-operating.
- g. **Operating & Maintenance Expenses:** Cost or charges that arise from the normal operation of the Port's business. These are costs or services required for a department/division to function. These include Salaries and Benefits, Equipment expense, Supplies and Stock, Travel and Other Employee expenses and all Direct Charges, even those from Central Services and from other Divisions.
- h. **Non-Operating Expenses:** Cost or charges that do not arise from the normal operation of the Port's business. An example is interest expense.
- i. **Capital Policy:** The Port's policy is to capitalize all asset additions or **Tangible Assets [Property, Plant and Equipment]** and **Intangible Assets**, if they exceed \$20,000, whether it is a single payment or an accumulation of related costs and with an estimated useful life of more than three years. Any asset costing less than \$20,000 is expensed. Land, facilities and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on a straight-line basis. Buildings and improvements are assigned lives of 30 to 50 years, equipment 3 to 20 years, and furniture and fixtures 5 to 10 years.
- j. **Debt Policy:** The Port's debt policy is designed to ensure appropriate use and management of debt including compliance with various laws, regulations and agreements and effective management of risk. The policy requires use of an independent financial advisor and describes the roles of Commission and staff. The policy describes the type and structure of debt and sets forth limitations on new debt. Key limitations include minimum debt service coverage requirements for revenue bond debt of 1.25x for the Airport and 1.50x for the Maritime and for Economic Development and that General Obligation bond debt service cannot exceed 75% of the annual tax levy. The policy establishes savings targets for refunding ranging from 3% for a current refunding with a short-term maturity/call date to 9% for a LIBOR based

swap refunding with a long-term maturity/call date. The policy also provides guidelines for the sale of bonds.

- k. **Ad Valorem Tax Levy:** Ad valorem taxes received by the Port are utilized for the acquisition and construction of facilities, for the payment of principal and interest on GO bonds issued for the acquisition or construction of facilities, for contributions to regional freight mobility improvements, for environmental expenses, for certain operating expenses, and for public expenses. The Port includes ad valorem tax levy revenues and interest expense on GO bonds as non-operating income in the Statement of Revenues and Expenses. The King County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior year. The lien date is January 1. Assessed values are established by the County Assessor at 100% of fair market value. A re-evaluation of all property is required annually. Taxes are due in two equal installments on April 30 and October 31. Collections are distributed to the Port by the County Treasurer.
- l. **Special Item:** The Port recorded as a special item, a \$120,000,000 payment made to the Washington State Department of Transportation (“WSDOT”) for the State Route 99 (“SR99”) Alaskan Way Viaduct Replacement Program in 2015. This is the first payment based on the funding agreement entered into with WSDOT for the State’s eligible construction cost incurred on the Tunnel Design Build Project. The Port made the remaining \$147,700,000 payment to WSDOT in 2016 and recorded it as a special item. The SR99 Alaskan Way Viaduct Replacement Program will improve movement of freight and other traffic on the west corridors of the Seattle transportation system between the Duwamish and Ballard-Interbay neighborhoods, including easy access to the Port’s cargo, recreational boating, commercial fishing, cruise facilities and the Airport.
- m. **Description of Major Funds:** There are dozens of funds that are summarized into the Enterprise Fund. The Enterprise Fund accounts for all activities and operations of the Port. The Enterprise fund is connected to the functional units in that it is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties.

Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions (Aviation, Maritime, Economic Development), and Central Services. Descriptions of some of the major funds are:

<b>Types of Funds</b>	<b>Fund Name</b>	<b>Fund #</b>	<b>Fund Description</b>
<b>1. Operating</b>	<b>Airport Development Fund (ADF)</b>	03040	This is the operating fund for the Seattle-Tacoma International Airport (Aviation division). The fund receives operating revenues derived from all airport sources, and it funds operating and maintenance expenses related to the Airport. The fund also receives Airport Improvement Program grants reimbursement receipts. Transfers made from this fund include funding for Aviation related revenue bond fund debt service. Capital acquisition expenditures which are not otherwise funded are also made from this fund. Other expenditures include: operating and administrative expenses and non-operating expenditures associated with AVPMG, Central Services and CDD operating expenses and capital expenditures that are allocated to Aviation.
	<b>General Fund</b>	00010	The general fund is the operating and capital fund for all Port-owned properties with the exception of the Seattle-Tacoma International Airport (Aviation). Operating

Types of Funds	Fund Name	Fund #	Fund Description
			<p>revenues derived from all sources other than the Aviation division or the Industrial Development Corporation are deposited to this fund. The fund also receives non-operating revenues that are associated with the Maritime/Economic Development divisions or are Central Services in nature. Expenditures from this fund include:</p> <ul style="list-style-type: none"> <li>• Maritime division operating and administrative expenses; capital equipment purchases and construction projects, excluding projects funded with other funding sources;</li> <li>• Economic Development division revenues &amp; expenses flow through the general fund, however, as directed by Port Commission, certain Economic Development division expenses and capital projects may be funded from the tax levy fund;</li> <li>• Operating expenses for Central Services allocated to the operating divisions; anything directly allocated to an operating division is paid from the appropriate operating fund, General Fund for Maritime/Economic Development and the Airport Development Fund for Aviation;</li> <li>• Central Services capital equipment purchases and capital projects that are ultimately allocated to the operating divisions through allocated depreciation and appropriate portions of capital that is split between the two operating divisions;</li> <li>• Non-operating expenditures that are directly associated with the Maritime and Central Services in nature.</li> <li>• Port payrolls, purchases of materials, supplies and services, and non-Aviation capital acquisition expenditures which are not otherwise funded are made from this fund. Periodic reports are generated indicating what general fund monies have been expended for payrolls or accounts payable that properly should have been paid out of the other funds. These amounts will then be transferred from such other funds to the general funds as reimbursements.</li> </ul>
	<b>General Fund Reserve (GFR)</b>	00011	<p>Established in 2007, the GFR is a sub-fund of the General Fund. It can be used for any lawful purpose just the same as the General Fund. Finance &amp; Budget staff evaluates this fund annually to review its balance relative to General Fund and/or other general purpose funds the Port may have, the annual contribution amount, and to assess the need to have this fund.</p>
	<b>Tax Levy</b>	00020	<p>The Tax Levy fund was established in 2002 and is used to receive the ad valorem taxes levied on real properties within the Port's District (King County). Prior to 2002, the tax levy proceeds were deposited into the General Fund. Other items deposited to this fund include Receipts in lieu of taxes, Tax sales and refunds, Investment income and expense, Tax adjustments, Tax supplements and cancellations. Proceeds are used for General Obligation</p>

<b>Types of Funds</b>	<b>Fund Name</b>	<b>Fund #</b>	<b>Fund Description</b>
			(G.O.) bonds debt service, and to fund capital, expense and special item projects that meet criteria established by the Port, or as directed by Port Commission.
	<b>Transportation &amp; Infrastructure Reserve (TIF)</b>	00021	Established in 2010, as per the 2010 Commission approved budget the TIF can be used for any lawful purpose just the same as Tax Levy Fund. The TIF initial funding source is from the Tax Levy fund, and the fund balance is reviewed at least annually with Port staff and Commission.
	<b>Harbor Development Fund (HDF)</b>	00022	In 2017 as part of 2018 Budget/Plan of Finance, the Port set aside funds in the HDF to help fund future development in the North Harbor (NWSA). The HDF was initially funded with a portion of the 2017 G.O. bond proceeds, which were issued to reimburse the Port for prior year cash payments made to the State of Washington on the Alaska Way Viaduct project. The HDF is legally separate from any tax levy collections and is available to pay revenue bond debt service, if the Port chooses.
	<b>Lease Security SSAT/T-18 Fund</b>	03090	Established December 2011, this fund represents the Lessee's (SSAT and SSA) Security for Rent Payment in the form of a "Cash Security", to satisfy the lease's Security Requirement.
	<b>Customer Deposits</b>	06010	This fund has been established as a depository of lease deposits and other monies held by the Port as surety, but belonging to Port of Seattle customers.
<b>2. Special Facility</b>	<b>Passenger Facilities Charges (PFC) :</b> <ul style="list-style-type: none"> <li>• Revenue</li> <li>• Capital</li> </ul>	06054 03060	PFC Revenues are derived from passenger facility charges levied on embarking passengers at Seattle-Tacoma International Airport. The collected revenues are used to pay debt service on PFC Revenue Bonds, debt service on other revenue bonds related to FAA PFC approved projects, and for specifically-designated airport facility improvements projects. All PFC's revenues are deposited to the Revenue fund (06054). From the Revenue fund, there is a required monthly transfer of monies to the Debt Service fund equal to 1/6 <sup>th</sup> of semi-annual debt service payment by the 25th of each month. The remaining balance of the Revenue fund, which includes interest earnings, is then transferred to Capital fund (03060).
	<b>Customer Facility Charge (CFC)</b>	CFC01	Established in 2006, the CFC Fund holds revenue derived from charges imposed upon customers of rental car companies accessing the Airport, and taxable revenue bond proceeds issued to fund the Consolidated Rental Car Facility (CRCF). Funds are to be used to pay debt service on those bonds, construction costs for the CRCF project, any future capital maintenance projects, and specified

<b>Types of Funds</b>	<b>Fund Name</b>	<b>Fund #</b>	<b>Fund Description</b>
			CRCF operating expenses.
	<b>Fuel Hydrant Fund</b> <ul style="list-style-type: none"> <li>• Revenue</li> <li>• Debt Service</li> <li>• Project</li> <li>• Reserve</li> </ul>	Held in Trust	<p>The funds accruing to the Fuel Hydrant Revenue Fund are derived from Pledged Lease Revenue and Other Revenue as defined in Resolution No. 3504, as amended. Funds are to be used to pay Fuel Hydrant bonds debt service.</p> <p>All Fuel Hydrant revenues are deposited to the Revenue account. From the Revenue account, there is a required monthly transfer to the Debt Service account equal to 1/6<sup>th</sup> of the semi-annual interest and 1/12<sup>th</sup> of the annual principal amounts. The remaining balance of the Reserve account, which is interest earnings, is then transferred to Capital account.</p>
<b>3. Debt Related</b>	<b>Bond Funds</b>	Various	The Port of Seattle issues bonds pursuant to bond resolutions to fund its Capital Improvement Program. Proceeds from bond issues are used to fund construction, capitalized interest and reserves, see below.
	<b>Capitalized Interest Fund (Cap-I)</b>	Various	Established at the time of bond issuance, Cap-I funds are additional bond proceeds to be used to pay interest expense before the capital asset goes into use and is able to generate revenue to repay principal.
	<b>Construction Fund (CF)</b>	Various	Proceeds from bond issues are used for the Port's facilities expansions and improvements, land acquisition, and/or pay interest. Separate funds are set up for each bond issue to allow for the tracking and reconciliation of bond proceeds expenditures.
	<b>Debt Service Reserve Fund (DSRF)</b>	Various	Established at the time of bond issuance for the purposes of securing the payment of principal and interest on related outstanding bonds. Terms set forth in the bond covenants dictate how much the Port is required to maintain in the Reserve fund. Not all bond issues have a cash funded Reserve fund; the Port may instead choose to maintain qualified surety and/or a qualified letter of credit.
	<b>Debt Service Fund (DSF)</b>	Various	The DSF serves as a pass-through fund. Transfers are made periodically to the DSF, typically on the debt service date, for an amount sufficient to meet the debt service requirements. The source of the funds transfer depends on the related debt and may be made, legally, from any operating fund, but it is the Port's intent to make all such transfers from the General or Airport Development Funds.
<b>4. Other Operating</b>	<b>Repair and Renewal Fund</b>	03150	Established pursuant to Master Resolution 3577, Section 4. (b), the proceeds of the fund may be used by the Port to pay extraordinary operating and maintenance expenses, make capital replacements, additions, expansions, repairs and renewals of the facilities of the Port.
	<b>Environmental Settlement</b>	ENVIR	Established 2008, the fund is used for environmental settlement money received for cleanup work the Port is engaged to do. Consequently, there are restrictions on how

<u>Types of Funds</u>	<u>Fund Name</u>	<u>Fund #</u>	<u>Fund Description</u>
			proceeds are used.
	<b>Industrial Development Corporation (IDC)</b>	IDC01	The IDC of the Port of Seattle is a special purpose government with limited powers. It was established in 1982 pursuant to Revised Code of Washington (Chap. 39.84) for the purpose of facilitating industrial expansion through tax-exempt financing. The IDC fund balance is comprised from compensation from companies that borrow through the IDC, and investment earnings. IDC “surplus” funds may be used for any allowable purposes as provided by state law: allowable under the Port’s authorized powers to engage in economic development programs, and for growth management, planning or other economic development purposes.

**3. REVENUE AND EXPENSE ASSUMPTIONS**

Operating revenues are developed based on the terms of various lease agreements and on forecasted activity levels. Operating expenses are developed based on historical experience, forecasted activity levels and inflation.

Aeronautical revenues are based on cost recovery. Non-airline revenues at the Airport are projected to increase by \$18.1 million or 8.0% from the 2017 budget. Maritime revenues are projected to increase by \$3.2 million or 6.2% and Economic Development revenues are anticipated to increase by 2.5 million or 15.5% from the 2017 budget. The key business activities forecast for the Airport, Maritime, and Economic Development divisions are as follows:

- Enplaned passengers: 5.0% up from the 2017 year-end forecast, which is expected to be 3.0% higher than 2016.
- Cruise passengers: 3.1% increase from 2017 budget.
- Grain volume: 11.6% increase from 2017 budget (at 4.15M metric tons).
- Marina occupancy rate: Flat as compared to 2017 budget (at 95%).
- Commercial Properties occupancy rate: Flat as compared to 2017 budget (at 95%).
- Bell Harbor International Conference Center Revenue: 19.0% increase from 2017 budget.

Container volumes are compiled on a combined basis as part of the Northwest Seaport Alliance business plan and budget.

Portwide salaries for exempt and non-exempt employees are budgeted to increase by an average of 3.4% for 2018 and benefit costs are budgeted in two parts for employees in non-union jobs:

- The first part represents the costs that are not salary based. This includes medical and dental coverage, Wellness Rewards program costs, 401(a) contributions, and Flexible Spending Account fees. This amount totals \$1,321.76 per benefit eligible employee per month.
- The second part represents costs that are salary based. This includes FICA, PERS, life and disability insurance as well as PTO and EI amounts. These items total 23.921% of pay.

## **APPENDIX C: BUSINESS ASSESSMENT**

### **a. Local Economy and Outlook**

The U.S. economic figures reported in the second quarter of 2017 remain mostly positive. The real gross domestic product (GDP), defined as the value of the production of goods and services in the United States, increased by 1.2% during the first quarter, and increased by 3.1% in the second quarter of 2017. According to the Washington State Economic and Revenue Forecast, the real GDP is expected to grow by 2.4% in 2018, 2.1% in 2019, and 2.0% in 2020.

A total of 156,000 non-farm jobs were added in the U.S. labor market in August 2017. In the goods-producing category, manufacturing had the highest employment gain of over 36,000 followed by construction with over 28,000 jobs, and mining and logging with over 6,000 jobs. Professional and business services added over 40,000 jobs while the education and health sectors added over 25,000 jobs. In contrast, federal, state, and local government employment rate declined by 9,000 jobs in June 2017.

The U.S. unemployment rate for the August of 2017 was recorded at 4.4%, up from 4.3% in July; however, the August 2017 rate was still considered lower than the pre-recession levels. Initial claims for unemployment benefits rose during the last week of August 2017. The upsurge in unemployment claims can be attributed to the effects of Hurricane Harvey to the U.S. economy, and layoffs in several employment sectors such as retail trade and finance.

Washington State's economy is continually expanding and is expected to outperform the U.S. economy. Home prices in the Seattle area were up by 13.5% in July 2017 compared to the same time last year, and were up by 71% since the December 2011 trough. These prices are expected to surpass the peak recorded in May 2007 by 19%. Relatedly, Washington housing permits for the second quarter of 2017 went up to the Seasonally Adjusted Annual Rate (SAAR) of 43,900 units from 40,800 units during the first quarter of 2017. The 2017 second quarter figure, comprising of 22,500 single-family dwellings and 21,400 multi-family dwellings, was slightly lower than the June forecast amount of 45,300 units (SAAR).

In the last three months, Washington State's nonfarm employment rate increased by 16,000 (Seasonally Adjusted). There were 900 construction jobs and 3,000 government jobs added in June, July, and August. Meanwhile, the manufacturing sector reduced its workforce by 400 jobs, and the aerospace industry cut 1,600 jobs in the same three-month period. Majority of the net new jobs that were created in Washington State came from the private, service-providing industry for a total of 12,500 jobs. The Economic and Revenue Forecast Council is expecting an employment growth rate for Washington State of 2.9% this year, and an average employment growth rate of 1.6% annually in 2018 until 2021. Washington State's unemployment rate for August 2017 was at 4.6% which was lower than the 5.4% rate recorded during the same time last year. The July unemployment rate of 4.5% was the lowest recorded rate in the series since 1976.

Washington State exports decreased 3.4% in the second quarter of 2017 compared to the same time period last year. The decline was primarily due to a 10.1% reduction in exports of transportation equipment comprised mostly of Boeing planes. In contrast, export of other commodities, predominantly manufactured goods, reflected positive over-the-year growth for the last three quarters. Similarly, agricultural goods exports increased by 28.9% and all other commodities rose by 1.9% over the course of the year.

**TABLE C-1: SUMMARY FORECAST**

<b>SUMMARY FORECAST (Annual Percent Change)</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Washington State Economic Forecast</b>					
Employment	2.9	3.1	2.9	2.1	1.6
Unemployment Rate	5.6	5.4	4.6	4.4	4.4
Real Personal Income	4.3	3.3	4.1	2.9	3.7
Consumer Price Index	1.4	2.3	2.9	2.1	2.1
Housing Permits	19.1	9.2	-2.4	0.8	-3.4
Total Population (in 000's)	7,061.4	7,183.7	7,299.9	7,410.6	7,511.9
% Change	1.3	1.7	1.6	1.5	1.4
Age 17 and Under	1,602.8	1,625.8	1,647.3	1,667.2	1,685.4
% of Total	22.7	22.6	22.6	22.5	22.4
Age 6 - 18	1,162.2	1,178.6	1,193.0	1,207.1	1,219.0
% of Total	16.5	16.4	16.3	16.3	16.2
Age 18 and Over	5,458.7	5,557.9	5,652.5	5,743.4	5,826.4
% of Total	77.3	77.4	77.4	77.5	77.6
Age 21 and Over	5,187.1	5,283.8	5,375.1	5,462.7	5,543.8
% of Total	73.5	73.6	73.6	73.7	73.8
Age 20 - 34	1,458.8	1,482.6	1,502.6	1,519.7	1,534.6
% of Total	20.7	20.6	20.6	20.5	20.4
Age 18 - 64	4,431.0	4,484.6	4,531.8	4,571.2	4,603.1
% of Total	62.7	62.4	62.1	61.7	61.3
Age 65 and Over	1,027.7	1,073.3	1,120.7	1,172.2	1,223.4
% of Total	14.6	14.9	15.4	15.8	16.3
Source: Washington State Economic and Revenue Forecast Council, September 2017 <a href="http://www.erc.wa.gov/publications/documents/sep17pub.pdf">http://www.erc.wa.gov/publications/documents/sep17pub.pdf</a>					

**TABLE C-2: STATE EMPLOYMENT BY INDUSTRY**

<b>Washington State 2016 Average Employment Classified by Industry</b>			
<u>Industry description</u>	<u>Average Firms</u>	<u>Average Employment</u>	<u>Average Annual Wage</u>
Agriculture, forestry, fishing, and hunting	7,335	104,700	\$29,963
Mining	160	2,375	67,390
Utilities	223	4,563	88,312
Construction	23,945	174,695	58,841
Manufacturing	7,296	286,272	74,632
Wholesale trade	13,185	130,238	73,949
Retail trade	14,711	363,319	45,902
Transportation & warehousing	4,531	93,829	56,178
Information	3,496	119,982	159,517
Finance and insurance	5,650	92,852	88,391
Real estate, rental and leasing	6,672	48,861	49,385
Professional, scientific, and technical services	23,964	189,804	88,843
Management of companies and enterprises	633	43,111	109,561
Administrative, support, waste management and remediation services	11,676	160,573	47,042
Educational services	3,164	41,192	37,529
Health care and social assistance	52,925	399,684	48,976
Arts, entertainment, and recreation	2,762	49,806	31,491
Accommodation and food services	14,050	268,229	21,295
Other services (except public administration)	18,167	94,922	37,678
Government	2,121	545,714	58,928
<b>Total *</b>	<b>216,668</b>	<b>3,214,722</b>	<b>\$59,090</b>

Source: Washington State Employment Security Department, Employment and Economic Information Quarterly Census of Employment and Wages, Annual Averages 2016 QCEW Preliminary Data  
 \*: Total and average of statewide rollup data  
<https://fortress.wa.gov/esd/employmentdata/reports-publications/industry-reports/quarterly-census-of-employment-and-wages>

**TABLE C-3: TOP 10 PUBLIC COMPANIES IN WASHINGTON**

<b>Washington State top 10 Companies</b> (ranked by 2017 total Revenues)				
<b>Company</b>	<b>Industry</b>	<b># of Employees</b>	<b>2017 Revenues</b> (in billions)	<b>Website</b>
Amazon.com	Retail	341,400	\$136.0	www.amazon.com
Costco Wholesale	Retail	172,000	118.7	www.costco.com
Microsoft	Computer Products	114,000	85.3	www.microsoft.com
Starbucks	Retail	254,000	21.3	www.starbucks.com
Paccar	Transportation	23,000	17.0	www.paccar.com
Nordstrom	Retail	72,500	14.8	www.nordstrom.com
Expedia	Transportation	20,075	8.8	www.expedia.com
Weyerhaeuser	Forest products	10,400	7.9	www.weyerhaeuser.com
Expeditors International	Transportation	16,000	6.1	www.expeditors.com
Alaska Air Group	Transportation	19,112	5.9	www.alaskaair.com

Source: Fortune 500  
<http://beta.fortune.com/fortune500/list/filtered?hqstate=WA>

**b. Economic Impact**

The Port of Seattle retained Martin Associates to evaluate the economic impacts generated by the Seattle seaport, Seattle-Tacoma International Airport and the Port’s non-maritime and non-aviation tenants, based on business activity data collected in 2013-2014. The firm has conducted similar studies at more than 250 seaports and most major airports in North America.

For the seaport, the study measures the impacts of five distinct types of waterborne activity:

- Marine cargo activity
- Fishing activity at marine terminals (and related services)
- Waterborne passenger activity (cruise and shore-side operations)
- Marina activity (recreational and transient boating)
- Non-marine cargo and non-aviation Port of Seattle real estate tenants (restaurant, retail, and industry-related services).

For the airport, the study measures the impacts of five business sectors:

- Airline/airport service sector
- Freight transportation sector
- Passenger ground transportation sector
- Contract construction/consulting services sector
- Visitors’ industry sector

The study includes interviews with 1,067 firms doing business with the Port, plus surveys with 1,400 aviation passengers and 600 cruise passengers and ship crew.

The results provide a snapshot of the economic impact of Port of Seattle in 2013-2014, and impact models for each business unit operated by the Port of Seattle. The study provides models to assess the economic impacts of specific Port of Seattle capital development projects.

By air, land and sea, the Port of Seattle connects passengers and cargo to destinations around the globe. From tourism and international trade to fishing, boating and imported products, the Port affects nearly every person in the Northwest region-generating nearly 216,000 jobs – and affects many others throughout the world.

Successful trade and travel generate substantial – and dependable – revenue, including \$19.8 billion in business revenue in 2013. The Port of Seattle’s airport, seaport and real estate activities contribute to the local and regional economy on multiple levels through the reinvestment and re-spending of Port-generated revenue and income.

Results demonstrate the Port is a strong driving force for sustainable economic vitality. When combined with its tenants, the Port of Seattle is responsible for the direct employment of 129,744 individuals, ranking among the top job-producers in the region including Boeing (74,000), Microsoft (40,000), and the University of Washington (25,000).

Port of Seattle facilities generate the following economic impacts for the local and regional economy in 2013:

- 129,744 direct jobs are generated by Port-owned transportation facilities.
- As the result of local and regional purchases by those individuals, an additional 53,148 induced jobs are supported in the region.
- 33,379 indirect jobs were supported by \$1.1 billion of local purchases by businesses supplying services at the Port-owned facilities.
- \$3.8 billion of direct wages and salaries were received by those 111,317 directly employed by the Port’s transportation infrastructure. As the result of re-spending this income, an additional \$5.1 billion of income and consumption expenditures were created in the Seattle region, primarily King County.
- Businesses providing services at Port-owned marine terminals and Sea-Tac Airport, as well as real estate tenants, received \$17.6 billion of revenue, excluding the value of cargo shipped through the airport and marine facilities, and the landed value of the seafood caught by the fleet using Fishermen’s Terminal, Terminal 91 and the Maritime Industrial Center.
- \$867.0 million of state and local taxes were generated by activity at the Port of Seattle marine terminals, real estate tenants, and Sea-Tac International Airport. Of the \$867.0 million of state and local taxes, the State of Washington receives about \$561.1 million, and the balance, \$305.9 million, was received by local and county governments within the State. In addition, \$439.4 million of federal aviation-specific taxes were generated by activity at Sea-Tac International Airport.

**APPENDIX D: BOND AMORTIZATION SCHEDULES**

**TABLE D-1: BOND AMORTIZATION SCHEDULE FOR 2017**

Bond Type Series	Original Issue Amount	Issue Date	Outstanding Jan. 1, 2017	2017 Principal Payments		Outstanding Dec. 31, 2017	Interest Payments [1]	
				Due Date	Amount		Due Date	Amount
<b>GENERAL OBLIGATION BONDS</b>								
Limited Tax G.O., Series 2004C Ref.	\$131,330,000 [3]	01/27/04	9,715,000	11/01/17	3,075,000	6,640,000	05/01, 11/01	510,038
Limited Tax G.O., Series 2011 Ref	\$74,000,000 [3]	02/23/11	49,665,000	12/01/17	4,555,000	45,110,000	06/01, 12/01	2,699,063
Limited Tax G.O., Series 2013A ref	\$27,630,000 [3]	03/26/13	27,630,000			27,630,000	05/01, 11/01	1,272,350
Limited Tax G.O., Series 2013B Taxabl	\$75,165,000 [3]	03/26/13	44,410,000	11/01/17	9,935,000	34,475,000	05/01, 11/01	673,186
Limited Tax G.O., Series 2015	\$156,990,000 [4]	04/28/15	152,200,000	06/01/17	5,040,000	147,160,000	06/01, 12/01	6,770,650
Limited Tax G.O., Series 2017	\$127,345,000	03/07/17	127,345,000			127,345,000	1/1, 7/1	2,016,296
<b>TOTAL GENERAL OBLIGATION BONDS</b>			<b>410,965,000</b>		<b>22,605,000</b>	<b>388,360,000</b>		<b>13,941,581</b>
<b>REVENUE BONDS</b>								
<u>First Lien Bonds</u>								
Series 2003A	\$190,470,000 [5]	07/30/03	36,600,000			36,600,000	01/01, 07/01	1,921,500
Series 2004 Refunding	\$24,710,000 [8]	06/15/04	915,000	06/01/17	915,000	-	06/01, 12/01	26,306
Series 2009A	\$20,705,000	07/16/09	20,705,000	08/22/17	20,705,000	-	05/01, 11/01	878,668
Series 2009B-1	\$274,255,000 [21]	07/16/09	271,655,000	05/01/17	258,945,000	12,710,000	05/01, 11/01	15,284,073
Series 2009B-2	\$22,000,326 [9]	07/16/09	37,832,925			40,684,355 [9]		
Series 2011A Refunding	\$11,380,000 [10]	11/30/11	2,110,000	09/01/17	2,110,000	-	03/01, 09/01	84,400
Series 2011B Refunding	\$97,190,000 [10]	11/30/11	83,680,000	09/01/17	5,370,000	78,310,000	03/01, 09/01	4,184,000
Series 2016A - Ref. 2007A	\$19,565,000 [11]	08/02/16	19,565,000	10/01/17	7,135,000	12,430,000	04/01, 10/01	974,250
Series 2016B - Ref. 2007B	\$124,380,000 [11]	08/02/16	124,380,000			124,380,000	04/01, 10/01	6,187,800
Series 2016C - Ref. Taxable	\$6,180,000 [11]	08/02/16	6,180,000	10/01/17	65,000	6,115,000	04/01, 10/01	155,616
<b>Total First Lien Bonds</b>			<b>603,622,925</b>		<b>295,245,000</b>	<b>311,229,355</b>		<b>29,696,613</b>
<u>Intermediate Lien Bonds</u>								
Series 2010A Ref. 1998A	\$25,200,000 [13]	07/15/10	1,100,000	06/01/17	1,100,000	-	6/01,12/01	22,000
Series 2010B New Money	\$157,880,000	07/15/10	148,780,000	06/01/17	3,310,000	145,470,000	6/01,12/01	7,324,513
Series 2010B - Ref. 2005D	\$63,435,000 [14]	07/15/10	62,115,000	06/01/17	1,385,000	60,730,000	6/01,12/01	3,057,863
Series 2010C - Ref. 2000B	\$128,140,000 [15]	07/15/10	115,190,000	02/01/17	12,055,000	103,135,000	02/01,08/01	5,458,125
Series 2012A Refunding	\$342,555,000 [5]	03/14/12	323,415,000	08/01/17	10,200,000	313,215,000	02/01,08/01	15,936,200
Series 2012B - Ref. 2001B	\$189,315,000 [6]	03/14/12	125,435,000	08/01/17	13,540,000	111,895,000	02/01,08/01	5,709,600
Series 2012C Refunding	\$80,270,000 [7]	03/14/12	7,050,000	11/01/17	7,050,000	-	05/01, 11/01	145,371
Series 2013 Revenue Refunding	\$139,105,000 [16]	12/17/13	127,155,000			127,155,000	01/01, 07/01	6,332,750
Series 2015A New Money	\$72,010,000	08/06/15	72,010,000			72,010,000	04/01, 10/01	3,497,800
Series 2015B Refunding	\$284,440,000 [17]	08/06/15	272,005,000	03/01/17	16,815,000	255,190,000	03/01, 09/01	13,179,875
Series 2015C New Money	\$226,275,000	08/06/15	225,475,000	04/01/17	2,975,000	222,500,000	04/01, 10/01	11,199,375
Series 2016 Refunding	\$99,095,000 [12]	08/02/16	99,095,000			99,095,000	02/01,08/01	4,902,245
Series 2017A Revenue Refunding	\$16,705,000 [21]	08/22/17	\$16,705,000			16,705,000	05/01, 11/01	160,090
Series 2017B Revenue Refunding	\$264,925,000 [21]	08/22/17	\$264,925,000	11/01/17	1,880,000	263,045,000	05/01, 11/01	1,593,096
Series 2017C New Money	\$313,305,000	08/22/17	\$313,305,000			313,305,000	05/01, 11/01	3,026,465
Series 2017D New Money	\$93,230,000	08/22/17	\$93,230,000			93,230,000	05/01, 11/01	893,454
<b>Total Intermediate Lien Bonds</b>			<b>2,266,990,000</b>		<b>70,310,000</b>	<b>2,196,680,000</b>		<b>82,438,820</b>
<u>Subordinate Lien Bonds</u>								
Series 1997	\$108,830,000	03/26/97	64,940,000	2017	18,915,000 [2]	46,025,000	Various [2]	\$474,037 [2]
Series 1999A	\$127,140,000 [5]	11/14/02	53,175,000	9/1/2017	12,245,000	40,930,000	03/01, 09/01	2,924,625
Series 2008	\$200,715,000 [18]	06/11/08	184,495,000	2017	8,475,000 [2]	176,020,000	Various [2]	\$1,546,149 [2]
<b>Total Subordinate Lien Bonds</b>			<b>302,610,000</b>		<b>39,635,000</b>	<b>262,975,000</b>		<b>4,944,811</b>
<b>TOTAL REVENUE BONDS</b>			<b>3,173,222,925</b>		<b>405,190,000</b>	<b>2,770,884,355</b>		<b>117,080,245</b>

**SPECIAL REVENUE BONDS**

PFC Rev. Bonds Series 1998A	\$118,490,000	[19]	07/16/98	31,020,000		-	31,020,000	06/01, 12/01	1,706,100
PFC Ref. Bonds Series 2010A	\$79,770,000	[19]	12/01/10	79,770,000	12/01/17	13,220,000	66,550,000	06/01, 12/01	3,988,500
<b>TOTAL SPECIAL REVENUE BONDS</b>				<u>110,790,000</u>		<u>13,220,000</u>	<u>97,570,000</u>		<u>5,694,600</u>

**SPECIAL FACILITY REVENUE BONDS**

Fuel Facilities Series 2013 ref	\$88,660,000	[20]	06/13/13	79,460,000	06/01/17	3,325,000	76,135,000	06/01, 12/01	3,616,258
<b>TOTAL SPECIAL FACILITY REVENUE BONDS</b>				<u>79,460,000</u>		<u>3,325,000</u>	<u>76,135,000</u>		<u>3,616,258</u>

**Notes:**

- [1] - Interest Payments shown in this schedule are gross amounts before use of any Capitalized Interest.
  - [2] - Estimated annual total. Interest paid monthly. Principal paid annually or at maturity.
  - [3] - Series 2013AB G.O. bonds fully refunded the Series 2004A G.O. bonds and partially refunded the Series 2004B G.O. bonds, the Series 2004C G.O. bonds and the Series 2011 G.O. bonds on 3/26/2013. The Series 2004C G.O. Ref. bonds refunded a portion of the Port's 1994B Revenue bonds and a portion of the 1994 G.O. bonds. The Series 2011 G.O. bonds refunded the outstanding 2000B G.O. Bonds.
  - [4] - Series 2015 G.O. fully refunded the outstanding Series 2006 G.O. Ref. Bonds. The Series 2006 G.O. bonds refunded a portion of the Port's 1999A Special Facility bonds and a portion of the 2000A G.O. bonds.
  - [5] - Series 2012A Intermediate lien bonds fully refunded the Series 2001A First Lien Revenue bonds and partially refunded the Series 1999A Sub Lien bonds and 2003A First Lien bonds.
  - [6] - Series 2012B Intermediate Lien bonds refunded a portion of the Series 2001B First Lien bonds and fully refunded the Series 2001C First Lien bonds.
  - [7] - Series 2012C Intermediate Lien bonds partially refunded the Series 1999B Sub Lien bonds and Series 2001D First Lien bonds.
  - [8] - Series 2004 First Lien bonds refunded a portion of the Port's First Lien series 1992A, 1994A, 1996B and 1998 revenue bonds.
  - [9] - Series 2009B-2 First Lien Capital Appreciation Bonds were issued at \$22,000,326 par. The outstanding principal balance at 12/31/2017 includes \$18,684,029 of accumulated accreted interest.
  - [10] - Series 2011AB First Lien bonds fully refunded the 1999B and 1999C Special Facility bonds and the 1998 Subordinate Lien series bonds.
  - [11] - Series 2016 ABC First Lien bonds refunded a portion of the outstanding Series 2007A First Lien bonds and all of the Series 2007B First Lien bonds.
  - [12] - Series 2016 Int Lien Refunding bonds refunded the outstanding Series 2006A bonds. The Series 2006A Intermediate Lien bonds refunded the outstanding 2000A First Lien series bonds.
  - [13] - Series 2010A Intermediate Lien bonds refunded the outstanding 1998A First Lien series bonds.
  - [14] - Series 2010B-Ref. 2005D Intermediate Lien bonds fully refunded the 2005D Subordinate Lien series bonds.
  - [15] - Series 2010C Intermediate lien bonds refunded a portion of the Port's 2000B First Lien Bonds.
  - [16] - Series 2013 Revenue Refunding Intermediate Lien bonds refunded the outstanding 2003B First Lien series bonds.
  - [17] - Series 2015B Intermediate Lien bonds refunded the outstanding Series 2005A Intermediate Lien bonds. The Series 2005A Intermediate Lien bonds refunded a portion of the Port's 1996A First Lien bonds and a portion of the Port's 1997A First Lien bonds.
  - [18] - Series 2008 Subordinate Lien bonds refunded the 2003C Subordinate Lien bonds.
  - [19] - Series 2010A PFC Ref. bonds refunded a portion of the 1998A PFC series bonds. Debt service for PFC Ref. bonds will be paid directly out of receipts from PFCs, not out of operating cash flows.
  - [20] - Series 2013 Special Facility Fuel Hydrant bonds fully refunded the 2003 Special Facility Fuel Hydrant bonds. Debt service for Fuel Facilities is paid directly from Fuel Hydrant Facility income, not out of operating cash flows.
  - [21] - Series 2017A Int. Lien Revenue Refunding bonds fully refunded the Series 2009A First Lien Revenue Bonds. The 2017B bonds refunded a portion of the 2009B-1 First Lien Revenue bonds.
- The Port has authority to issue up to \$250 million in Commercial Paper, as of 10/31/2017 the Port had \$19.655 million outstanding.

bondam.xls

**TABLE D-2: BOND AMORTIZATION SCHEDULE FOR 2018**

Bond Type Series	Original Issue Amount	Issue Date	Outstanding Jan. 1, 2018	2018 Principal Payments		Outstanding Dec. 31, 2018	Interest Payments [1]	
				Due Date	Amount		Due Date	Amount
<b>GENERAL OBLIGATION BONDS</b>								
Limited Tax G.O., Series 2004C Ref.	\$131,330,000 [3]	01/27/04	6,640,000	11/01/18	3,235,000	3,405,000	05/01, 11/01	348,600
Limited Tax G.O., Series 2011 Ref	\$74,000,000 [3]	02/23/11	45,110,000	12/01/18	4,795,000	40,315,000	06/01, 12/01	2,459,925
Limited Tax G.O., Series 2013A ref	\$27,630,000 [3]	03/26/13	27,630,000			27,630,000	05/01, 11/01	1,272,350
Limited Tax G.O., Series 2013B Taxabk	\$75,165,000 [3]	03/26/13	34,475,000	11/01/18	10,030,000	24,445,000	05/01, 11/01	581,784
Limited Tax G.O., Series 2015	\$156,990,000 [4]	04/28/15	147,160,000	06/01/18	5,295,000	141,865,000	06/01, 12/01	6,512,275
Limited Tax G.O., Series 2017	\$127,345,000	03/07/17	\$127,345,000	01/01/18	2,615,000	124,730,000	1/1, 7/1	6,301,875
<b>TOTAL GENERAL OBLIGATION BONDS</b>			<b>388,360,000</b>		<b>25,970,000</b>	<b>362,390,000</b>		<b>17,476,809</b>
<b>REVENUE BONDS</b>								
<u>First Lien Bonds</u>								
Series 2003A	\$190,470,000 [5]	07/30/03	36,600,000			36,600,000	01/01, 07/01	1,921,500
Series 2009B-1	\$274,255,000 [18]	07/16/09	12,710,000	05/01/18	5,355,000	7,355,000	05/01, 11/01	575,866
Series 2009B-2	\$22,000,326 [7]	07/16/09	40,684,355			43,750,694 [7]		
Series 2011B Refunding	\$97,190,000 [8]	11/30/11	78,310,000	09/01/18	6,510,000	71,800,000	03/01, 09/01	3,915,500
Series 2016A - Ref. 2007A	\$19,565,000 [9]	08/02/16	12,430,000	10/01/18	7,495,000	4,935,000	04/01, 10/01	617,500
Series 2016B - Ref. 2007B	\$124,380,000 [9]	08/02/16	124,380,000			124,380,000	04/01, 10/01	6,187,800
Series 2016C - Ref. Taxable	\$6,180,000 [9]	08/02/16	6,115,000	10/01/18	65,000	6,050,000	04/01, 10/01	154,966
<b>Total First Lien Bonds</b>			<b>311,229,355</b>		<b>19,425,000</b>	<b>294,870,694</b>		<b>13,373,131</b>
<u>Intermediate Lien Bonds</u>								
Series 2010B New Money	\$157,880,000	07/15/10	145,470,000	06/01/18	3,465,000	142,005,000	6/01,12/01	7,171,688
Series 2010B - Ref. 2005D	\$63,435,000 [11]	07/15/10	60,730,000	06/01/18	1,445,000	59,285,000	6/01,12/01	2,994,038
Series 2010C - Ref. 2000B	\$128,140,000 [12]	07/15/10	103,135,000	02/01/18	12,675,000	90,460,000	02/01,08/01	4,839,875
Series 2012A Refunding	\$342,555,000 [5]	03/14/12	313,215,000	08/01/18	10,660,000	302,555,000	02/01,08/01	15,476,200
Series 2012B - Ref. 2001B	\$189,315,000 [6]	03/14/12	111,895,000	08/01/18	14,085,000	97,810,000	02/01,08/01	5,168,000
Series 2013 Revenue Refunding	\$139,105,000 [13]	12/17/13	127,155,000			127,155,000	01/01, 07/01	6,332,750
Series 2015A New Money	\$72,010,000	08/06/15	72,010,000	04/01/18	1,780,000	70,230,000	04/01, 10/01	3,460,450
Series 2015B Refunding	\$284,440,000 [14]	08/06/15	255,190,000	03/01/18	21,080,000	234,110,000	03/01, 09/01	12,232,500
Series 2015C New Money	\$226,275,000	08/06/15	222,500,000	04/01/18	4,205,000	218,295,000	04/01, 10/01	11,019,875
Series 2016 Refunding	\$99,095,000 [10]	08/02/16	99,095,000			99,095,000	02/01,08/01	4,915,900
Series 2017A Revenue Refunding	\$16,705,000 [18]	08/22/17	16,705,000			16,705,000	05/01, 11/01	835,250
Series 2017B Revenue Refunding	\$264,925,000 [18]	08/22/17	263,045,000	05/01/18	7,210,000	255,835,000	05/01, 11/01	8,233,855
Series 2017C New Money	\$313,305,000	08/22/17	313,305,000			313,305,000	05/01, 11/01	15,790,250
Series 2017D New Money	\$93,230,000	08/22/17	93,230,000	05/01/18	2,490,000	90,740,000	05/01, 11/01	4,599,250
<b>Total Intermediate Lien Bonds</b>			<b>2,196,680,000</b>		<b>79,095,000</b>	<b>2,117,585,000</b>		<b>103,069,880</b>
<u>Subordinate Lien Bonds</u>								
Series 1997	\$108,830,000	03/26/97	46,025,000	2018	8,665,000 [2]	37,360,000	Various [2]	\$676,568 [2]
Series 1999A	\$127,140,000 [5]	11/14/02	40,930,000	9/1/2018	12,920,000	28,010,000	03/01, 09/01	2,251,150
Series 2008	\$200,715,000 [15]	06/11/08	176,020,000	2018	8,730,000 [2]	167,290,000	Various [2]	\$2,587,494 [2]
<b>Total Subordinate Lien Bonds</b>			<b>262,975,000</b>		<b>30,315,000</b>	<b>232,660,000</b>		<b>5,515,212</b>
<b>TOTAL REVENUE BONDS</b>			<b>2,770,884,355</b>		<b>128,835,000</b>	<b>2,645,115,694</b>		<b>121,958,223</b>

**SPECIAL REVENUE BONDS**

PFC Rev. Bonds Series 1998A	\$118,490,000	[16]	07/16/98	31,020,000	12/01/18	15,095,000	15,925,000	06/01, 12/01	1,706,100
PFC Ref. Bonds Series 2010A	\$79,770,000	[16]	12/01/10	66,550,000	12/01/18	-	66,550,000	06/01, 12/01	3,327,500
<b>TOTAL SPECIAL REVENUE BONDS</b>				<u>97,570,000</u>		<u>15,095,000</u>	<u>82,475,000</u>		<u>5,033,600</u>

**SPECIAL FACILITY REVENUE BONDS**

Fuel Facilities Series 2013 ref	\$88,660,000	[17]	06/13/13	76,135,000	06/01/18	3,490,000	72,645,000	06/01, 12/01	3,445,883
<b>TOTAL SPECIAL FACILITY REVENUE BONDS</b>				<u>76,135,000</u>		<u>3,490,000</u>	<u>72,645,000</u>		<u>3,445,883</u>

**Notes:**

- [1] - Interest Payments shown in this schedule are gross amounts before use of any Capitalized Interest.
- [2] - Estimated annual total. Interest paid monthly. Principal paid annually or at maturity.
- [3] - Series 2013AB G.O. bonds fully refunded the Series 2004A G.O. bonds and partially refunded the Series 2004B G.O. bonds, the Series 2004C G.O. bonds and the Series 2011 G.O bonds on 3/26/2013. The Series 2004C G.O. Ref. bonds refunded a portion of the Port's 1994B Revenue bonds and a portion of the 1994 G.O. bonds. The Series 2011 G.O. bonds refunded the outstanding 2000B G.O. Bonds.
- [4] - Series 2015 G.O. fully refunded the outstanding Series 2006 G.O. Ref. Bonds. The Series 2006 G.O bonds refunded a portion of the Port's 1999A Special Facility bonds and a portion of the 2000A G.O. bonds.
- [5] - Series 2012A Intermediate lien bonds fully refunded the Series 2001A First Lien Revenue bonds and partially refunded the Series 1999A Sub Lien bonds and 2003A First Lien bonds.
- [6] - Series 2012B Intermediate Lien bonds refunded a portion of the Series 2001B First Lien bonds and fully refunded the Series 2001C First Lien bonds.
- [7] - Series 2009B-2 First Lien Capital Appreciation Bonds were issued at \$22,000,326 par. The outstanding principal balance at 12/31/2018 includes \$21,750,368 of accumulated accreted interest.
- [8] - Series 2011AB First Lien bonds fully refunded the 1999B and 1999C Special Facility bonds and the 1998 Subordinate Lien series bonds.
- [9] - Series 2016 ABC First Lien bonds refunded a portion of the outstanding Series 2007A First Lien bonds and all of the Series 2007B First Lien bonds.
- [10] - Series 2016 Int Lien Refunding bonds refunded the outstanding Series 2006A bonds. The Series 2006A Intermediate Lien bonds refunded the outstanding 2000A First Lien series bonds.
- [11] - Series 2010B-Ref. 2005D Intermediate Lien bonds fully refunded the 2005D Subordinate Lien series bonds.
- [12] - Series 2010C Intermediate lien bonds refunded a portion of the Port's 2000B First Lien Bonds.
- [13] - Series 2013 Revenue Refunding Intermediate Lien bonds refunded the outstanding 2003B First Lien series bonds.
- [14] - Series 2015B Intermediate Lien bonds refunded the outstanding Series 2005A Intermediate Lien bonds. The Series 2005A Intermediate Lien bonds refunded a portion of the Port's 1996A First Lien bonds and a portion of the Port's 1997A First Lien bonds.
- [15] - Series 2008 Subordinate Lien bonds refunded the 2003C Subordinate Lien bonds.
- [16] - Series 2010A PFC Ref. bonds refunded a portion of the 1998A PFC series bonds. Debt service for PFC Ref. bonds will be paid directly out of receipts from PFCs, not out of operating cash flows.
- [17] - Series 2013 Special Facility Fuel Hydrant bonds fully refunded the 2003 Special Facility Fuel Hydrant bonds. Debt service for Fuel Facilities is paid directly from Fuel Hydrant Facility income, not out of operating cash flows.
- [18] - Series 2017A Int. Lien Revenue Refunding bonds fully refunded the Series 2009A First Lien Revenue Bonds. The 2017B bonds refunded a portion of the 2009B-1 First Lien Revenue bonds.
- The Port has authority to issue up to \$250 million in Commercial Paper, as of 10/31/2017 the Port had \$19.655 million outstanding.

bondam.xls

**APPENDIX E: OTHER DETAILED EXPENDITURES**

**A. Promotional Hosting**

Promotional hosting consists of expenses incurred by officials and employees of the Port in connection with hosting others for the purpose of promoting the increased use of Port facilities and services.

**TABLE E-1: PROMOTIONAL HOSTING BY DIVISION**

<b>DIVISION</b>	<b>Notes</b>	<b>2016 Actual</b>	<b>2017 Budget</b>	<b>2018 Budget</b>
Aviation		\$ 145,179	\$211,580	\$ 206,845
Maritime		21,631	147,220	136,570
Economic Development		69,215	193,480	154,600
Central Services		84,415	126,592	188,935
<b>Total</b>		<b>\$320,441</b>	<b>\$678,872</b>	<b>\$686,950</b>

Promo.xls

**B. Memberships**

The 2018 Budget for the Port of Seattle includes monies sufficient for memberships amounting to a total of \$1,401,260.

In addition, the Executive Director may approve additional memberships and dues increases for 2018, which may arise and which could not be foreseen at this time, provided these increases do not exceed 10% of the total membership’s budget.

Memberships are for associations for the purpose of participating on a cooperative basis with other port districts, airports and with operators of terminal and transportation facilities, associations providing specialized information and services, associations to better qualify certain employees in the performance of specified duties which are assigned to such employees, and associations which are considered to be of particular and special value in connection with the carrying out of the Port's promotion and advertising activities. Membership is an effective way to leverage scarce resources to accomplish objectives that might otherwise be omitted.

## **APPENDIX F: GLOSSARY OF TERMS USED**

**Account:** A record of an activity as revenue or expense, such as fees for services, rents, or as salaries, equipment, supplies, travel, etc.

**Accrual:** Represents an outstanding obligation for goods and services received or performed but for which payment has not been made.

**Accrual Basis of Accounting:** It is the basis of accounting under which revenue transactions are recognized when earned and expenses are recognized when incurred, regardless of the time the cash is received or disbursed.

**Actual:** Earned revenue or incurred expense during the stated fiscal year.

**Actions:** The specific tactics, actions and projects an organization will undertake in an effort to meet the objectives. These statements should reflect how objectives will be achieved.

**Ad Valorem Tax Levy:** Ad valorem taxes received by the Port are utilized for the acquisition and construction of facilities, for the payment of principal and interest on GO bonds issued for the acquisition or construction of facilities, for contributions to regional freight mobility improvements, for environmental expenses, for certain operating expenses, and for public expenses. The Port includes ad valorem tax levy revenues and interest expense on GO bonds as non-operating income in the Statement of Revenues and Expenses.

**Allocated Expense:** These are costs allocated to business groups from service providers. Allocated costs are general support costs that cannot be directly attributed to a business unit, but instead support the entire Port and all its Business Groups. Costs can come from within the division (intra-division) or from outside the division (inter-division.)

**Amortization:** The gradual reduction in the book value of Fixed or Intangible Assets having a limited life by allocating the original cost over the life of the asset. (See Depreciation)

**Appropriation:** Authorization granted by a legislative body to make expenditures and to incur obligations for a specific use and contains specific limitations as to the amount, purpose, and time when it may be expended.

**Assessed Valuation:** Is an official government valuation set upon real estate and personal property by the King County Assessor, as a basis for levying property taxes.

**Audit:** A formal examination of an organization accounts or financial situation.

**Balanced Budget:** The Port prepares an annual budget and supports, encourages and commits to a balanced budget in which revenues exceed expenses. In so doing, the practice is to pay for all current operating expenses with current revenues and not postpone current year operating expenses to future years or accrue future year's revenues to the current year. The Port policy further requires that budgeted operating expenses do not exceed budgeted revenues, and on-going expenses do not exceed on-going revenues.

**Bonds:** Is an interest bearing written instrument promising to pay a specified sum of money (the face value or principal amount) on a specified date (the maturity date) at a specified interest rate. The interest payments and the repayment of the principal are detailed in a bond resolution or ordinance.

**Budget:** A financial plan, forecast or projection of the Port's revenues and expenses expected during the stated budget year.

**Budget Calendar:** A schedule of key dates that the Port follows in the preparation, review and adoption of its annual budget.

**Budget Document:** The Port's official written approved budget in document format, prepared by the Port's Finance and Budget teams.

**Budget Message:** A general discussion of the proposed budget presented in written format by the Executive Director of the Port to the Port Commission and Public.

**Capital Improvement Plan and Draft Plan of Finance:** A detailed five year plan of proposed capital expenditures arising from the acquisition or improvement of the Port's fixed assets and the means of financing them through bond proceeds, grants and operating revenues. This document serves as an operational and planning tool. The document identifies proposed capital projects at the airport and on the waterfront and prioritizes those projects.

**Capital Capacity:** An estimated calculation of the maximum amount available to spend on capital projects, given assumptions about future revenues and expenses and the ability to cover future interest payments per bond covenants and Port policies. See further discussion in the Draft Plan of Finance, section X.

**Capital Expenditures:** Expenditures that arise from the acquisition or improvement of the Port's fixed assets. Port assets are given a useful life of more than three years when they become active. The expenditures reflected in the capital budget cover projects anticipated to provide modernized Seaport, Airport and Real Estate facilities for sustained growth of the Port.

**Capitalized Labor or Charges to Capital Projects:** Includes the salaries and benefits costs associated with capital projects. These costs are subtracted out of the operating expense and then input into the capital budget as part of the cost of the project(s).

**Cash Disbursements:** Is the disbursement or payment of cash for cost incurred in the operation of the Port's business.

**Cash Flow:** Illustrates the flow of funds over a period of time incorporating both the operating budget and the capital budget and determines the financial needs.

**Cash Receipts:** The collection of cash from services and from Port facilities and equipment leased or operated.

**Chartfield:** A field that contains information that defines a transaction in terms of account number, department code, subclass, fund or program.

**Chart of Accounts:** It is a long list ("index") of account numbers and their descriptions.

**Comprehensive Annual Financial Report (CAFR):** This document, known as the CAFR, is produced by the Port of Seattle annually detailing financial, statistical, budgetary and demographic data and it is distributed to the public.

**Contingency:** A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

**Continuous Process Improvement Program (CPI):** CPI is the port's official program to establish a continuous and enduring culture of improvement by utilizing a disciplined and time-tested improvement methodology called "LEAN." A culture of CPI will expand and improve the Port's capabilities, making the Port a stronger, more competitive organization. The CPI program focuses on four key elements:

- Organizational strategies, objectives, and metrics

- Employee empowerment and engagement
- Efficiency
- Innovation

**Cost Per Enplanement (CPE):** Airline cost per enplanement reflects the overall cost to the airlines for each passenger enplaned. The CPE measures the total costs borne by the passenger airlines operating at the airport divided by the number of enplaned passengers (roughly half of the total passengers). CPE is a key indicator used by the airlines to measure the relative costs of airports.

**Customer Facility Charges (CFC):** As determined by applicable State legislation, customer facility charges generate revenue to be expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds.

**Department/Org:** An organizational unit within the Port which is part of a division.

**Depreciation:** This is a non-cash item that represents the use of long-term assets. Port assets are given a useful life of more than three years when they become active and each year some of that useful life is used up, worn or depreciated (See Amortization.)

**Direct Charge:** The ability to direct charged for services instead of allocating them, which is charging against another division's/department's subclass to represent where resources were used and dollars spent for the work that was actually done.

**Draft Plan of Finance:** The Five-year Capital Budget is the basis of the Plan of Finance. A funding plan for the Capital Budget that identifies the types and amounts of funding sources that are expected to be available in the five year planning period, developed within the financial targets and forecasts described within the Draft Plan of Finance section. The Draft Plan of Finance is prepared and presented to the Port Commission concurrently with the Operating Budget. See further discussion in the Draft Plan of Finance section.

**Enterprise Fund:** There are dozens of funds that are summarized into the Enterprise Fund. The Enterprise Fund accounts for all activities and operations of the Port. The Enterprise fund is connected to the functional units in that it is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties. Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions (Aviation, Maritime, Economic Development), and Central Services.

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

**Equity:** The excess of assets over liabilities.

**Estimates:** Prediction of revenues and expenditures.

**Fiscal Year:** The Port's annual accounting period for recording financial transactions begins January 1 and ends December 31, which is the same as the calendar year. It is also called the budget year.

**Forecast:** An estimate, projection or prediction of revenues and expenses.

**Full Time Equivalent:** Full Time Equivalent (FTE) employee, where "full-time" equals 100% of a full-time schedule. A full-time employee is represented as a "1.0 FTE" where 1.0 = 100% of a full-time schedule. FTEs represented by less than 1.0, such as 0.8, represent less than a full-time schedule. For example, "0.8 FTE" represents 80% of a full-time schedule.

**Fund:** The establishment of a fund is to account for money set aside for some specific purpose.

**Generally Accepted Accounting Principles (GAAP):** Standards and guidelines by which Accounting and Financial Reporting are governed.

**General Obligation (G.O.) Bonds and Interest:** The Port can borrow money which is intended to be paid back through its taxing authority. The tax levy (See Section VIII) funds the repayment of the principal and interest of these bonds. Port financial policies dictate that G.O. bonds be used for projects that have a long lag between project costs and revenues or are insufficient to support revenue bond financing, the project generates significant economic benefits for taxpayers, and the project is critical to the Port's core business.

**Goals:** Written statements that declare what the port/division/department plan to achieve to fulfill its mission.

**Governmental Accounting Standards Board (GASB):** It is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Government Finance Officers Association (of USA and Canada) (GFOA):** The purpose of the Government Finance Officers Association is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and practices and promoting them through education, training and leadership.

**Inter-Division Allocation (Charges):** Allocation or Charges from one division to another.

**Intra-Division Allocation (Charges):** Allocation or Charges from within the division.

**Landing Fee:** The landing fee rate and resulting landing fee revenues are based on the contractual agreement between the Port's Aviation Division and the airlines. This contractual agreement permits the airlines to land and operate at Sea-Tac. See the discussion of landing fees in Appendix E.

**LEAN:** Is a management philosophy, a process improvement approach, and a set of methods that seek to identify, eliminate, and reduce non-value added activities or waste within a process. Lean is time tested and is used by several companies, industries, and agencies around the world. Key principles of LEAN are:

- Guiding team members through the steps in process improvement with a trained facilitator
- Measuring the current state of a process
- Analyzing problem areas within a process
- Brainstorming improvement ideas, implementing improvements, and putting in place controls to sustain improvements

**Major Funds:** There are dozens of funds that are summarized into the Enterprise Fund, which is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties. Therefore, the Port of Seattle

summarizes all of its activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions – Aviation, Maritime and Economic Development, and Central Services.

**Majority in Interest (MII):** Under the terms of the current agreement between the airlines and the airport, the airlines are entitled to vote their approval for particular capital projects that affect the airline rate base.

**Millage:** A tax rate on property, expressed in mills per dollar of value of the property.

**Mission:** A brief statement that describes the purpose of an organization's existence. It defines the core purpose of the organization: What your organization does and for whom.

**Net Assets:** As required by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments, net assets (equity) have been classified on the statement of net assets into the following categories:

- Invested in capital assets – net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted: Net Assets subject to externally imposed stipulations on their use.
- Unrestricted: All remaining net assets that do not meet the definition of “invested in capital assets – net of related debt” or “restricted.”

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

**Net Operating Income before Depreciation (NOI):** Income from operations after all direct and allocated expenses, but before depreciation, non-operating revenues and expenses has been included.

**Non-Airline Revenues:** Include concession, parking and other fees not charged directly to the airlines. These revenues help offset the residual landing fee requirement.

**Non-Operating Expenses:** Cost or charges that do not arise from the normal operation of the Port's business. An example is interest expense.

**Non-Operating Revenues:** Revenues that do not result from the normal operation of the Port's business such as: Ad Valorem Tax Levy, Interest Income, Non-operating Grants, Passenger Facilities Charges, Customer Facilities Charges and other revenues generated from non-operating sources.

**Northwest Seaport Alliance (NWSA):** A Joint Venture between the Port of Seattle and the Port of Tacoma formed the Northwest Seaport Alliance, which unifies the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the Puget Sound gateway and attract more marine cargo to the region. It is the third-largest gateway in North America, behind the ports of Los Angeles and Long Beach and the Port of New York/New Jersey. It is a separate governmental entity established as a Port Development Authority, similar to Public Development Authorities formed by cities and counties. It is governed equally by the Managing Members who are acting through its home port's elected commissioners. The citizens of Pierce and King Counties each elect a five-member Port Commission to govern the ports of Tacoma and Seattle every four years, on a staggered basis. Each home port will remain a separate legal entity, independently governed by its own elected commissioners.

**Objectives:** Are statements of specific outcomes that are related to achieving the desired goals/strategies.

**Operating Income before Allocations & Depreciation:** Direct operating revenues minus direct operating expenses. This does not include any allocated expenses.

**Operating & Maintenance Expenses:** Cost or charges that arise from the normal operation of Port's business. These are cost or services required for a department/division to function. These include Salaries and Benefits, Equipment expense, Supplies and Stock, Travel and Other Employee expenses and all Direct and allocated charges, from Central Services and from other Divisions.

**Operating Revenues:** Fees for services, rents, and charges for the use of Port facilities such as: Dockage, Wharfage, Berthage and Moorage, Airport Transportation Fees, Airport Landing Fees, Equipment Rentals, Property Rentals and other revenues generated from port's operations are reported as operating revenue.

**ORG:** Is an abbreviated term for "Organization" and is the number that identifies departments. It shows where cost originates.

**Other Post Employment Benefits (OPEB):** According to the Governmental Accounting Standard Board (GASB) statement 45, government agencies are required to record post employment benefit costs other than pensions as a liability based on actuarial costs.

**Passenger Facilities Charges (PFCs):** As determined by applicable federal legislation, passenger facility charges generate revenue to be expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds. PFC revenues received from the airlines are recorded as non-operating income in the statements of revenues, expenses, and changes in net assets upon passenger enplanement.

**Passenger Facilities Charges (PFCs) Bonds:** Bonds backed by Passenger Facility Charges.

**Passenger Traffic:** Enplanements, deplanements and connecting passenger activity.

**Performance Indicators or Measures:** Metrics used by Port management to determine whether a program is achieving or accomplishing its mission efficiently and effectively.

**Performance or Operating Budget:** A financial plan that incorporates an estimate of proposed revenues and expenses for a given period. A department's budget includes only those revenues and expenditures for which it has control.

**Performance or Variance Report:** A report in narrative format explaining the reason or causes of variances between actual revenues and expenses versus budgeted amounts for a given period. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into this report and it is presented quarterly to Executive Management and the Commission in public meetings.

**Port Commission:** It is the governing body of the Port of Seattle, which is comprised of five commissioners elected by the voters of King County to serve four-year term and to establish Port policy.

**Program:** Represents costs that are tracked and tend to enhance account information.

**Repairs and Maintenance:** Expenditures for routine maintenance and repairs to structure and minor improvements to property, which do not increase the value of the capital assets.

**Resolution:** A formal expression of opinion or determination adopted by the Port Commission.

**Revenue Bonds:** A type of borrowing that is repaid through the dedication of revenues intended to be generated by the investment being funded by the bonds.

**Revenue over Expense:** The excess or deficit of revenues (operating and non-operating) over expenses (operating and non-operating). The excess of revenues over expenses increases equity, whereas the deficit, expenses over revenues, decrease equity.

**Strategies:** The broad, overall priorities adopted by the organization in recognition of its operating environment and in pursuit of its mission and vision. Strategies set the stage for decisions on budget, resources, and timeframes.

**Statutory Budget:** A plan that depicts the cash flows of the Port. It shows the beginning balance, cash receipts and cash disbursements and the balance at the end of the year. This budget must be filed with the King County Council and the King County Assessor as required by law by a specific date. See Section XI.

**Subclass:** Shows where resources were used and spending occurred. It shows who benefited from the work.

**Tax Levy:** The amount of money to be raised by the imposition of property taxes. See Section VIII.

**Transfers:** The movement of money from one fund to another.

**Transportation Worker Identification Credential (TWIC):** The Transportation Worker Identification Credential, also known as TWIC®, is required by the Maritime Transportation Security Act for workers who need access to secure areas of the nation’s maritime facilities and vessels. It is a tamper-resistant biometric identification card system established through the U.S. Congress Maritime Transportation Security Act (MTSA) and administered by the Transportation Security Administration (TSA) and U.S. Coast Guard. TSA conducts a security threat assessment (background check) to determine a person’s eligibility and issues the credential. U.S. citizens and immigrants in certain immigration categories may apply for the credential. Most mariners licensed by the U.S. Coast Guard also require a credential.

**Twenty-foot Equivalent Unit (TEU):** The international standard of measurement for the container volume that moves through the Port. One forty-foot container is equivalent to two TEUs.

**Values:** Principles, standards, characteristics or qualities held in high positive regard by an individual or group. They are often used to guide day-to-day actions.

**Variiances:** The difference between “actual” and “budget” amounts for revenues and for expenses, which could be either favorable or unfavorable.

Favorable Variance: This is a positive variance and it exists when, in a given period:

- Revenues: Actual revenues are higher than budgeted revenues
- Expenses: Actual expenses are lower than budgeted expenses

Unfavorable Variance: This is a negative variance and it exists when, in a given period:

- Revenues: Actual revenues are lower than budgeted revenues
- Expenses: Actual expenses are higher than budgeted expenses

**Vision:** A word picture or brief statement of what the organization intends to become or how it sees itself at some point in the future.

## **APPENDIX G: ACRONYMS and ABBREVIATIONS**

<b>AAPA</b>	American Association of Port Authorities
<b>AAAE</b>	American Association of Airport Executives
<b>ACI</b>	Airports Council International
<b>AEC</b>	Airport Employment Center
<b>AIR 21</b>	Aviation Investment & Reform Act for the 21st Century
<b>AODB</b>	Airport Operations Database
<b>APM</b>	Automated People Mover
<b>ARFF</b>	Aviation Regional Fire Fighting
<b>ATC</b>	Air Traffic Control
<b>B&amp;OT</b>	Business and Occupation Tax
<b>BALA</b>	Basic Airline Lease Agreement
<b>BHICC</b>	Bell Harbor International Conference Center
<b>BHM</b>	Bell Harbor Marina
<b>BHS</b>	Baggage Handling System
<b>BLS</b>	Bureau of Labor Statistics
<b>BMP</b>	Best Management Practices
<b>BY</b>	Budget Year
<b>CAFR</b>	Comprehensive Annual Financial Report
<b>CDD</b>	Capital Development Division, a Port Division
<b>CDP</b>	Comprehensive Development Plan
<b>CERT</b>	Community Emergency Response Team
<b>CFC</b>	Customer Facility Charges
<b>CFO</b>	Chief Financial Officer
<b>CIP</b>	Capital Improvement Plan
<b>CMMS</b>	Computerized Maintenance Management System
<b>COO</b>	Chief Operating Officer
<b>CPE</b>	Cost per Enplanement
<b>CPI</b>	Consumer Price Index
	Continuous Process Improvement
<b>CPO</b>	Central Procurement Office, a Port department
<b>CPR</b>	Cardio Pulmonary Resuscitation
<b>CTDP</b>	Container Terminal Development Plan
<b>CTE</b>	Central Terminal Expansion
<b>CY</b>	Calendar Year
	Container Yard
<b>DHS</b>	Department of Homeland Security
<b>DNR</b>	Department of Natural Resources
<b>DOT</b>	Department of Transportation
<b>ED</b>	Executive Director
<b>EDD</b>	Economic Development Division
<b>EIS</b>	Environmental Impact Statement

<b>EPA</b>	Environmental Protection Agency
<b>ESGR</b>	Employer Support of the Guard Reserve
<b>FAA</b>	Federal Aviation Administration
<b>FAR</b>	Federal Aviation Regulations
<b>FASB</b>	Financial Accounting Standard Board
<b>FAST</b>	Freight Action Strategy Corridor
<b>F&amp;B</b>	Finance and Budget, a Port department
<b>FEMA</b>	Federal Emergency Management Agency
<b>FIDS</b>	Flight Information Display System
<b>FIMS</b>	Flight Information Management System
<b>FIS</b>	Federal Inspection Area
<b>FMC</b>	Federal Maritime Commission
<b>FOD</b>	Foreign Object Debris
<b>FTE</b>	Full-time Equivalent Employee
<b>FTPP</b>	Fishermen's Terminal Piers and Properties
<b>FY</b>	Fiscal Year
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GASB</b>	Governmental Accounting Standards Board
<b>GFOA</b>	Government Finance Officers Association (of USA and Canada)
<b>GIS</b>	Geographical Information System
<b>G.O.</b>	General Obligation (Bond)
<b>GT</b>	Ground Transportation
<b>HCM</b>	Human Capital Management
<b>HDS</b>	Harbor Development Strategy
<b>HR</b>	Human Resources, a Port department
<b>IDC</b>	Industrial Development Corporation
<b>IFO</b>	Income From Operations
<b>ILA</b>	Interlocal Agreement
<b>IMC</b>	Intermodal Center
<b>ICT</b>	Information and Communications Technology, a Port department
<b>KPI</b>	Key Performance Indicators
<b>LEOFF</b>	Law Enforcement Officers' and Fire Fighters' Retirement System
<b>LOI</b>	Letter of Intent
<b>LOC</b>	Letter of Credit
<b>LRP</b>	Long Range Plan
<b>LRT</b>	Light Rail Transit
<b>MAP</b>	Million Annual Passengers
<b>MBE/WBE</b>	Minority & Women Owned Business Enterprise
<b>MD</b>	Managing Director
<b>MIC</b>	Marine Industrial Center
<b>MIS</b>	Management Information System
<b>MOBI</b>	Marina Operation Boating Inventory System
<b>MOU</b>	Memorandum of Understanding

<b>MPT</b>	Main Passenger Terminal
<b>MT</b>	Main Terminal
<b>NAMF</b>	North Area Maintenance Facility
<b>NAC</b>	Neighborhood Advisory Committee
<b>NEPA</b>	National Environmental Policy Act
<b>NEST</b>	New Economic Strategy Triangle
<b>NMA</b>	National Management Association
<b>NOI</b>	Net Operating Income
<b>NTSB</b>	National Transportation Safety Board
<b>NWMTA</b>	Northwest Marine Terminal Association
<b>NWSA</b>	Northwest Seaport Alliance
<b>O&amp;D</b>	Origin and Destination
<b>O&amp;M</b>	Operating and Maintenance Expense
<b>OPEB</b>	Other Post-Employment Benefits
<b>ORG</b>	Organization
<b>P&amp;TS</b>	Professional and Technical Services
<b>PCC</b>	Pacific Coast Congress
<b>PCS</b>	Port Construction Services, a Port department
<b>PDA</b>	Port Development Authority
<b>PERS</b>	Public Employees' Retirement System
<b>PFC</b>	Passenger Facility Charges
<b>PLA</b>	Project Labor Agreement
<b>PM</b>	Project Manager
<b>PMA</b>	Pacific Maritime Association
<b>PMG</b>	Project Management Group
<b>PNWA</b>	Pacific North West Waterways Association
<b>POS</b>	Port of Seattle
<b>PPE</b>	Personal Protective Equipment
<b>PPM</b>	Post Panamax
<b>PREP</b>	Performance Review, Evaluation & Planning
<b>PSA</b>	Professional Service Agreement
<b>PSCAA</b>	Puget Sound Clean Air Agency
<b>PSRC</b>	Puget Sound Regional Council
<b>RAU</b>	Resource Allocation Unit
<b>RCF</b>	Rental Car Facility
<b>RCW</b>	Revised Code of Washington
<b>RE</b>	Real Estate, a Port Division
<b>RFP</b>	Request For Proposal
<b>RMM</b>	Regulated Materials Management
<b>SBM</b>	Shilshole Bay Marina
<b>SDS</b>	Storm water Drainage System
<b>SLOA</b>	Signatory Airline Lease and Operating Agreements
<b>SO</b>	Strategies and Objectives

<b>SPG</b>	Strategic Positioning for Growth
<b>SSA</b>	Stevedoring Services of America
<b>STEP</b>	South Terminal Expansion Project
<b>STIA</b>	Seattle-Tacoma International Airport
<b>STITA</b>	Seattle-Tacoma International Taxi Association
<b>STS</b>	Satellite Transit System
<b>SWU</b>	Storm Water Utility
<b>USCG</b>	United States Coast Guard
<b>USDA</b>	United States Department of Agriculture
<b>TEU</b>	Twenty-foot Equivalent Unit
<b>TSA</b>	Transportation Security Administration
<b>TWIC</b>	Transportation Worker Identification Credential
<b>UBC</b>	Uniform Building Code
<b>WSDOT</b>	Washington State Department of Transportation
<b>WTC</b>	World Trade Center
<b>WPPA</b>	Washington Public Ports Association

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