

Comprehensive Annual Financial Report

As of December 31, 2018 and 2017, and for the years
ended December 31, 2018, 2017, and 2016

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ended December 31, 2018, 2017, and 2016

This report was prepared by
the Accounting and Financial Reporting Department



Washington State

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Introductory Section





Letter from the Leadership

The Port of Seattle (the Port) moves travelers and cargo to jobs, homes, business opportunities, and leisure destinations across the country and around the world, supporting thousands of jobs through our global gateways. Port assets and industrial lands play an essential, irreplaceable, and unique role in our region's economy. Our natural deep-water harbor, our history as a trade hub that predates our presence, and our longstanding cultural connections to Asia make global connectivity part of our culture.

Our facilities and property range in scope from a half-acre park to one of the fastest growing airports in the United States and one of the nation's largest international shipping gateways.

Last year, we served nearly 50 million passengers at Seattle-Tacoma International Airport (the Airport) of which over 5 million were international passengers. Our air cargo operations support over 5,200 jobs and over \$1.2 billion in business revenues. In 2018, we welcomed three new additional international routes, including Air France to Paris, Thomas Cook Airlines to Manchester, and Aer Lingus to Dublin. In addition, Singapore Airlines to Singapore, Japan Airlines to Tokyo, and Cathay Pacific Airways to Hong Kong will commence service in 2019.

The Northwest Seaport Alliance (NWSA), a joint venture of the ports of Seattle and Tacoma, operates the fourth largest gateway in North America, serving farmers, manufacturers, retailers, service providers, and consumers throughout the Pacific Northwest. The most recent economic impact study found that the marine cargo operations in our Seattle and Tacoma harbors supported more than 58,000 jobs across the state, generated over \$12.4 billion in economic activity, and produced \$136 million in state and local taxes to support education, police, fire services, and road improvements.

More than one million passengers came through our cruise terminals in 2018 to experience the trip of a lifetime. With more than 200 departures to Alaska, cruise and coastal tourism continues to be among the fastest growing economic activities on a working waterfront. The Port is also home to the North Pacific fishing fleet, which exports hundreds of millions of dollars of sustainably harvested seafood through our gateway.

As we create jobs and advance economic opportunities, we are committed to sustainably managing public assets to advance our region's values, protecting the environment and fostering more equitable, welcoming, and inclusive communities. Some of the most significant capital development and policy highlights from 2018 include:

Aviation and Maritime Services

- We completed a 2018–2022 Signatory Lease and Operating Agreement between the Port and signatory airlines for the use of facilities at the Airport. The Port and the airlines signed a Memorandum of Understanding to work together to develop a strategic plan to reduce community and environmental impacts from existing and forecasted aviation growth.
- We convened an expert review panel to cost and schedule for the new International Arrivals Facility (IAF), to be ready for passengers in the fall of 2020.
- The Managing Members of the NWSA adopted a motion authorizing the Chief Executive Officer to prepare the new North Harbor International Container Lease, complete Terminal 5 Modernization Project Bid documents, and prepare for submission of a term lease agreement and a construction funding request in early 2019 for authorization.

Economic Opportunity and Equity

- The Port, City of SeaTac, and IAC Properties broke ground on a 26-acre underdeveloped property to create a 460,000 square foot industrial facility that will employ approximately 400 full-time workers. Tenants may include food processors, manufacturers, and logistics providers that support the aviation and air cargo industries.
- We hosted the largest and most diverse class of high school and college interns ever, offering opportunities to 150 students. Our internship program is almost five times larger than it was in 2015.
- We adopted a Welcoming Port policy that aims to increase support for immigrant, refugee, and traditionally underserved communities. We continue to raise our standards for improving equal access to services, benefits, and opportunities for immigrants and refugees who utilize Port services and resources.
- We passed a motion establishing an equity pilot program and established a working group to develop an all gender restroom plan.
- We passed a motion establishing a comprehensive strategy to combat human-trafficking through our facilities through policies, training, and public awareness.
- We implemented our Diversity in Contracting policy to triple the number of women and minority firms participating in Port contracts in five years and our Priority Hire policy on our Port construction projects.
- We sponsored and presented the Airport Minority Advisory Council (AMAC) annual Airport Business Diversity Conference in Seattle, bringing more than one thousand guests to our city and providing education, advocacy, and networking opportunities for local business owners.

Sustainability

- In partnership with the NWSA, we now require 100 percent of heavy-duty drayage trucks calling on international container facilities to meet or surpass U.S. Environmental Protection Agency emission standards for engine model year 2007 or newer. The NWSA also created a loan program specifically designed to assist economically disadvantaged owner-operators to transition.
- We worked closely with our federal delegation to ensure the remaining seven Highline schools received federal noise insulation grants.
- We launched the Blue Carbon Pilot Project, an innovative project to install kelp, eelgrass, and shellfish beds at Smith Cove. In October, we seeded over 6,000 pounds of native Olympia oysters to improve water quality.
- We were proud to be part of the Washington Maritime Blue strategy initiative and delivered the final report that lays out a comprehensive plan to accelerate sustainable technology innovation and best practices throughout Washington's maritime industry.
- The Port is taking a leadership role in fostering development of sustainable aviation fuels to reduce emissions and greenhouse gas production.

2019 Budget

The Port's 2019 budget and 2019–2023 capital investment plan make historic investments that will anchor jobs for future generations, benefit community and environmental health, and provide long-term financial sustainability.

In 2019, the Port will make significant progress on major airport capital projects, including the North Satellite modernization, new IAF, Central Terminal renovation, Baggage Handling Optimization program, and continued airport dining and retail redevelopment.

The Port will make significant progress on critical maritime projects, including efforts to develop a new cruise berth, redevelop the maritime and light industrial uplands at Terminal 91, improve and modernize facilities for commercial fishing at Fishermen's Terminal and Terminal 91, expand the use of shore power throughout our working waterfront, and expand waterfront restoration habitat projects. Through the NWSA, the Port will make major progress on the redevelopment of Terminal 5 as the most sustainable and efficient international cargo terminal in our North Harbor.

With the partnership of our industries and communities, the Port will continue to provide essential trade, travel, and logistics services to a thriving region, while supporting communities to be the most equitable, sustainable, and successful in the world.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie Bowman". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Commission President Stephanie Bowman

A handwritten signature in black ink that reads "AP Metruck". The signature is bold and blocky, with a long horizontal flourish extending to the right.

Executive Director Stephen P. Metruck



April 29, 2019

To the Port of Seattle Commission:

The Comprehensive Annual Financial Report (CAFR) of the Port of Seattle as of and for the year ended December 31, 2018, is enclosed. This report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this letter of transmittal, an organizational chart, and a list of principal officials. The Financial Section, beginning with the independent auditor's report, contains management's discussion and analysis (MD&A), Enterprise Fund and Warehousemen's Pension Trust Fund financial statements, and notes to the financial statements. The Statistical Section includes selected financial, economic, and demographic data. All amounts are rounded to the nearest thousand dollars in the MD&A and the notes to the financial statements for presentation purposes within this report.

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

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

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

This letter of transmittal is designed to complement the MD&A, which provides a narrative introduction, overview, and analysis of the basic financial statements and should be read in conjunction with it.

Profile of the Port

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

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

The Port is composed of three operating divisions, namely Aviation, Maritime, and Economic Development. The Aviation Division manages the Airport. The Maritime Division manages industrial property connected with maritime businesses, recreational marinas, Fishermen's Terminal, cruise, grain, and maritime operations. The Economic Development Division focuses on managing the Port's industrial and commercial properties including conference and event centers, encouraging tourism, developing minority and/or women-owned business opportunities, and providing for workforce development in the aviation, maritime, and construction industries.

Central Services provides high-quality and cost-effective professional and technical services to the operating divisions and supports the overall goals of the Port; it also delivers projects and provides technical services in support of the financial plans and infrastructure needs of the Port through Capital Development. Other port-wide departments include Accounting and Financial Reporting, Business Intelligence, Central Procurement, Commission Office, Environment and Sustainability, Equity Program, Executive Office, Finance and Budget, Human Resources, Information Communications and Technology, Labor Relations, Legal, Police, Public Affairs, Risk Management, and Strategic Initiatives.

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

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

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

Economy and Outlook

The United States (U.S.) economy continues to expand at a solid but slowing pace. The forecast for real gross domestic product growth in 2019 will remain relatively unchanged from 2018, at 2.4%; however, future growth is expected to be 1.9%, 1.7%, 1.9%, and 2.0% from 2020 through 2023. Job gains have remained solid even as the

economy is at full employment. The national unemployment rate has fallen to below 4.0% due to large employment gains in manufacturing, professional and business services, education and health services, leisure and hospitality industries, and construction. Global economic growth appears to be slowing, and U.S. exports could be hindered as the U.S. dollar strengthens. Home prices continue to appreciate despite a stall in the housing market recovery. Inflation is expected to remain moderate, and real consumer spending is forecasted to continue to grow. There remains uncertainty in the U.S. economic forecast as a result of increased geopolitical tensions and unexpected shifts in monetary policies that could have a direct impact on business in 2019.

Washington's economy remains on a solid growth path and is expected to outperform the U.S. economy. The unemployment rate declined slightly from an average of 4.7% in 2017, to 4.5% in 2018. During 2018, jobs in the private sector increased 3.6% while government jobs remained relatively unchanged. The Seattle metropolitan area added about 32,800 jobs in 2018. Approximately 13,300 new jobs added were in information technology and construction.

The Port's 2018 performance reflected the economic vitality of the local economy. At the Airport, 49.9 million passengers passed through in 2018, an increase of 6.2% from 2017, and exceeded the all-time record for the ninth consecutive year. For the Maritime Division, the 2018 cruise season hosted 216 vessel calls and a record setting 1.1 million passengers, an increase of 4.0% from 2017. Grain volumes totaled 4.4 million metric tons, close to the previous year's volume. For the Economic Development Division, overall occupancy of buildings managed by Portfolio Management was at 94% at the end of 2018, comparable to a broader Seattle market average.

Business Forecast

In 2012, the Port Commission adopted the Century Agenda, a strategic plan that set aspirational goals for the Port over the next 25 years, starting with an overarching goal of generating 100,000 new jobs in the region by 2036. Record growth in airline travel, air cargo services, and cruise passengers and high occupancy rates at the marinas and business properties have solidly advanced the Port in achieving its Century Agenda. The Port strives to maintain a strong financial position while continuing to create opportunities that will span generations, increase support for minority and/or women-owned businesses, expand opportunities in the aviation and maritime industries, support workforce development, and protect and improve our environmental and community health.

In 2019, the Aviation Division expects aeronautical revenues, which are based on cost recovery, to increase by 15.9% compared to 2018, reflecting increases in both capital and operating costs. Anticipated revenue sharing will be \$15.7 million, a 57.5% decrease from 2018, as a result of the terms of the new Signatory Lease and Operating Agreement (SLOA IV). Total aeronautical revenues are budgeted to increase by 25.5% from higher rate-based costs to support increased airline activity and reduced revenue sharing. Non-aeronautical revenues are expected to remain flat compared to 2018. The Airport maintains a competitive cost per enplanement (CPE). The 2019 CPE is budgeted at \$13.39 compared to \$10.79 in 2018, which reflects an increase in rate base costs and decreases in revenue sharing under SLOA IV. The Aviation Division anticipates continued passenger growth of 3.0% in 2019. To achieve long-term cost management, the Airport will continue to increase the number of continuous improvement projects and will also lead the U.S. airport industry in environmental innovation.

The Maritime Division will continue to focus on managing the cruise business, recreational marinas, Terminal 91, Fisherman's Terminal, and a variety of other maritime industrial facilities. For 2019, Cruise forecasts 1.2 million passengers, a 7.6% increase over 2018, due to larger cruise vessels as the Port continues to be the leading West Coast cruise port in passenger volumes. Grain volume is forecasted to be 3.6 million metric tons in 2019, down from 4.4 million metric tons in 2018, due to the current trade environment and tariffs. For 2019, occupancy rates at the recreational and commercial fishing marinas are expected to average 95% and 86%, respectively, about the same levels as the previous year. Overall Maritime operating revenues are budgeted at \$59.7 million, a 3.7% increase over 2018. Net operating income (NOI) before depreciation is expected to be \$8.9 million in 2019.

The Economic Development Division focuses on developing and managing the Port's real estate portfolio, developing minority and/or women-owned business opportunities, creating quality jobs, and driving economic

prosperity throughout Washington State. The 2019 budget targets a 95% occupancy rate, a slight increase over 2018 actual, for its real estate portfolio. Operating revenue from Bell Harbor International Conference Center is expected to be \$9.1 million in 2019, a 9.3% decrease from 2018.

For 2019, the Port budgeted total operating revenues of \$753.3 million, a 9.3% increase from 2018. Total operating expenses are budgeted at \$455.0 million, a 14.4% increase from 2018. NOI before depreciation is budgeted at \$298.3 million, a 2.2% increase from 2018. Depreciation expense is forecasted to be \$168.7 million, a 2.6% increase from 2018. NOI after depreciation is budgeted at \$129.6 million, a 1.7% increase from 2018. The total capital budget for 2019 is \$1.0 billion and the five-year capital improvement program is \$3.1 billion, which reflects the Port's commitment to invest in projects that create near-term jobs and accommodate future growth, as well as projects that stimulate economic growth for the region.

Major Initiatives

The Airport continues to experience record growth. In 2018, overall passenger volume at the Airport reached 49.9 million, becoming the eighth busiest U.S. airport for passenger volume. The Airport remains one of the largest job generators in the region, with 151,000 jobs supported by the airport, either directly or through multiplier effects. To support this rapid growth, the Airport reached construction milestones in the new 450,000 square foot International Arrivals Facility (IAF) and revealed updates to the Central Terminal renovation, which will add 10,000 square feet of dining and retail space with ADA accessibility improvements. These major projects are designed to meet growing demands and enhance customer service.

During 2018, the Airport added three new international airlines, expanding markets globally, including services to France, Ireland, and the United Kingdom. In March 2018, Air France began offering nonstop service to Paris, Aer Lingus began nonstop service to Dublin, and Thomas Cook Airlines held their inaugural flight to Manchester in May 2018. In 2019, the Airport will add three more international airlines and one new international service, with services to Tokyo-Narita, Osaka, Hong Kong, and Singapore.

In 2018, the Port is celebrating 20 years serving the cruise industry by welcoming over one million passengers through its cruise terminals for the second consecutive year. The Port welcomed the 4,000 passenger Norwegian Bliss in May 2018, the largest cruise vessel on the West Coast, as it began its inaugural season cruising to Alaska. More growth is anticipated in the coming year, with the arrival of the Royal Caribbean Ovation of the Seas, a 4,180 passenger vessel that will be the largest on the West Coast in 2019, and the addition of the Norwegian Joy, a 4,000 passenger sister ship of the Norwegian Bliss.

During 2018, the most significant completed projects or phases in the Aviation Division related to Concourse D Annex to support passengers bused to and from airline flights parked at remote hardstands, the Alternate Utility Facility, an electrical backup power generation facility, the Taxiway Improvement Project, and IAF-related projects in anticipation of its opening in the fall of 2020. The Port continues to invest in new facilities and infrastructure to improve customer experience, reduce congestion, and add capacity to accommodate future growth at the Airport. Other Aviation Division initiatives for 2019 include the North Satellite Modernization program, the Baggage Handling Optimization program, and the preliminary planning and design of the Sustainable Airport Master Plan. The key initiatives for the Maritime Division in 2019 include capital investments for Fishermen's Terminal Redevelopment, Terminal 117 Habitat Restoration, Terminal 91 Uplands Development, and a new cruise terminal at Terminal 46. The Port acquired Salmon Bay Marina in 2018, a five-acre property adjacent to the Port's Fishermen's Terminal facility that will support the Century Agenda goal to preserve maritime industrial property for the region's maritime activities.

The Port continues to demonstrate its commitment to reducing carbon emissions around the Airport and protecting the environment. In March 2018, the Port created its 2018 Energy and Sustainability Committee to reduce greenhouse gas emissions and protect the air and water quality of surrounding communities. The Port announced partnerships with 13 airlines in May 2018, to replace 50% of traditional jet fuel with sustainable biofuel by 2050. Other initiatives include restoring a 4.5 acre habitat along the shoreline of Terminal 5 and launching the innovative Blue Carbon pilot program to create habitat, trap carbon in the environment, reduce ocean acidification, and improve water quality.

All of these initiatives will help the Port to serve customers and the general public better, provide jobs and economic opportunities to local communities, and improve the environment in the Pacific Northwest.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Port of Seattle for its comprehensive annual financial report for the fiscal year ended December 31, 2017. This was the thirteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Dan Thomas". The signature is written in a cursive, flowing style.

Dan Thomas
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**Port of Seattle
Washington**

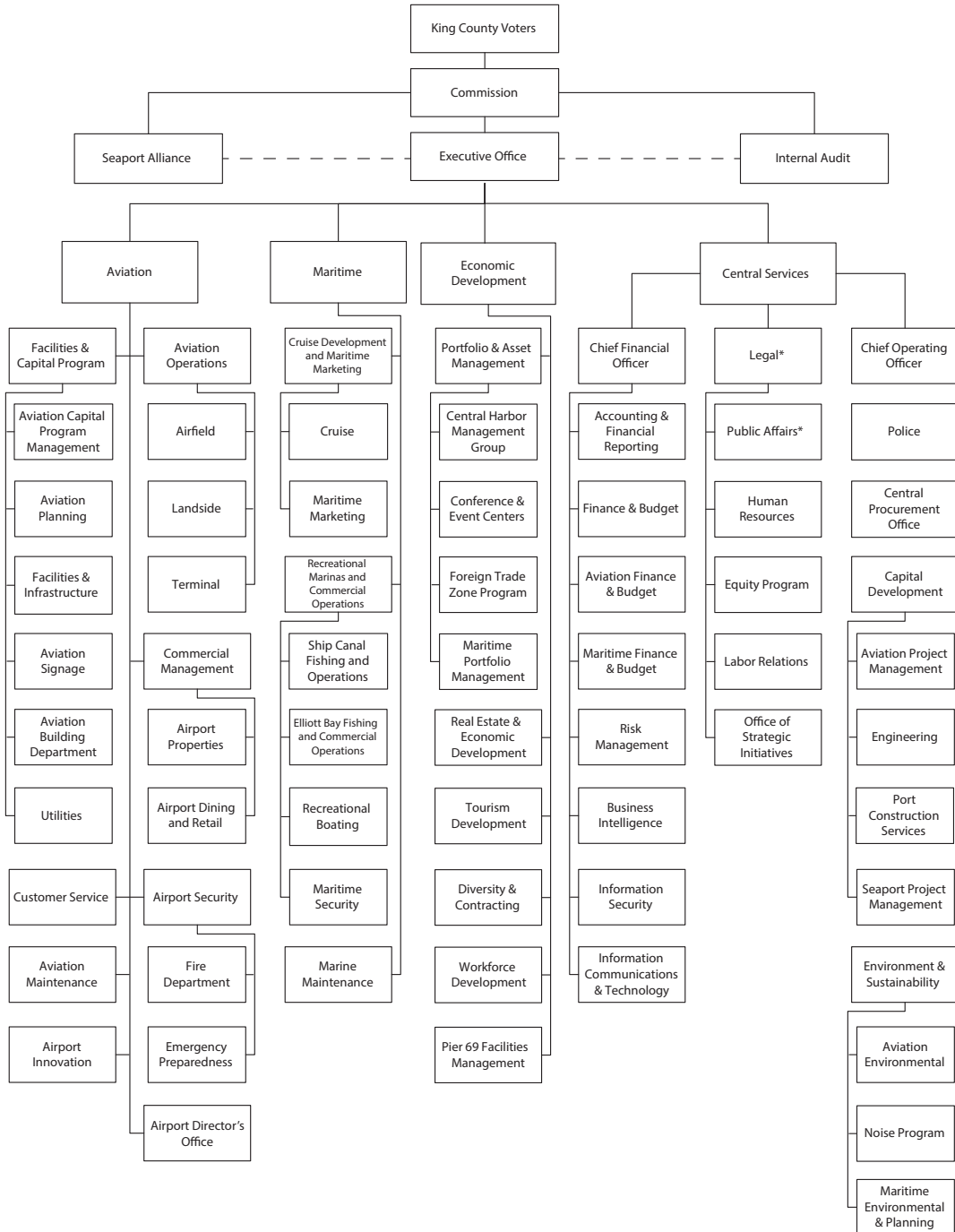
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

Organizational Chart for 2019



* General Counsel and Public Affairs Senior Director dually report to the Port's Commission and the Executive Director.

List of Elected and Appointed Officials in 2019

Elected Board of Commissioners

Name	Office	Term Expires
Stephanie Bowman	President	December 31, 2021
Fred Felleman	Vice President	December 31, 2019
Peter Steinbrueck	Secretary	December 31, 2021
Ryan Calkins	Commissioner at Large	December 31, 2021
Courtney Gregoire	Commissioner at Large	December 31, 2019

Appointed Executive Officers and Staff

Name	Office
Stephen Metruck	Executive Director
Dave Soike	Chief Operating Officer
Dan Thomas	Chief Financial Officer
Pete Ramels	General Counsel
Larry Ehl	Chief of Staff
Lance Lyttle	Managing Director, Aviation Division
David McFadden	Managing Director, Economic Development Division
Stephanie Jones Stebbins	Managing Director, Maritime Division
Ralph Graves	Senior Director, Capital Development Division
Pearse Edwards	Senior Director, External Relations
Katie Gerard	Senior Director, Human Resources
David Freiboth	Senior Director, Labor Relations
Elizabeth Leavitt	Senior Director, Environment and Sustainability
Rod Covey	Chief of Police

Financial Section



Report of Independent Auditors

To the Port Commission
Port of Seattle
Seattle, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund and the Warehousemen's Pension Trust Fund of the Port of Seattle (the "Port") as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017, and 2016, and the related notes to the financial statements, which collectively comprise the Port's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Northwest Seaport Alliance, a joint venture, as discussed in Note 13 to the financial statements, which reflects the Port's Investment in joint venture of \$141,491,000 and \$103,255,000 as of December 31, 2018 and 2017, and joint venture income of \$55,992,000, \$54,925,000 and \$61,584,000 for the years ended December 31, 2018, 2017 and 2016, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and in our opinion insofar as it relates to the amounts as included for the Port, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund and the Warehousemen's Pension Trust Fund of the Port of Seattle as of December 31, 2018 and 2017, and the changes in net position and cash flows for the Enterprise Fund, and the changes in fiduciary net position for the Warehousemen's Pension Trust Fund for the years ended December 31, 2018, 2017, and 2016 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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



Seattle, Washington
April 29, 2019

Port of Seattle

Management's Discussion and Analysis for the Year Ended December 31, 2018

Introduction

The following Management's Discussion and Analysis (MD&A) of the Port of Seattle's (the Port) activities and financial performance provides an introduction to the financial statements of the Port for the fiscal year ended December 31, 2018, including the Port operations within the Enterprise Fund and the Warehousemen's Pension Trust Fund, with selected comparative information for the years ended December 31, 2018 and 2017.

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

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

Overview of the Financial Statements

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

Local Economic Factors

Washington's economy remains on a solid growth path despite concerns over international trade, geopolitical risks, and a maturing economic expansion. The unemployment rate declined slightly from an average of 4.7% in 2017, to 4.5% in 2018. During 2018, jobs in the private sector increased 3.6% while government jobs remained relatively unchanged. The Seattle metropolitan area added about 32,800 jobs in 2018. Approximately 13,300 new jobs added were in information technology and construction.

The Port's 2018 performance reflected the economic vitality of the local economy. At the Seattle-Tacoma International Airport (the Airport), 49.9 million passengers passed through in 2018, an increase of 6.2% from 2017, and exceeded the all-time record for the ninth consecutive year. For the Maritime Division, the 2018 cruise season hosted 216 vessel calls and a record setting 1,115,000 passengers, an increase of 4.0% from 2017. Grain volumes totaled 4.4 million metric tons, close to the previous year's volume. For the Economic Development Division, overall occupancy of buildings managed by Portfolio Management was at 94% at the end of 2018, comparable to a broader Seattle market average.

The Northwest Seaport Alliance

The home ports joined forces in August 2015, to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs to the region. On January 1, 2016, the NWSA, a separate legal governmental entity, was formed. It was established as a Port Development Authority, similar to the Public Development Authorities formed by cities and counties. The commissions of each home port serve as the Managing Members of the NWSA. The NWSA is accounted for as a joint venture by the home ports.

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

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

On April 2, 2019, in lieu of completing the required revaluation of Membership Interest pursuant to the NWSA Charter, the Managing Members approved and the Port of Seattle Commission agreed to an additional contribution from the Port to the NWSA of up to \$32.0 million in recognition that certain forecasted revenue streams in the initial valuation were not secured by long-term contractual agreements. Additionally, the Managing Members authorized the completion of the one-time Membership Interest Affirmation of 50/50 for each home port in satisfaction of the revaluation requirement in the Charter.

In 2018, the Port's share of joint venture income was \$56.0 million, an increase of \$1.1 million or 1.9% from 2017, primarily due to increases in nonoperating income, partially offset by higher depreciation expense. The increases in nonoperating income included a \$3.1 million contributed stormwater improvement asset in the North Harbor and \$3.8 million of Transportation Investment Generating Economic Recovery (TIGER) grants relating to capital modernization improvements in Terminal 46.

In 2017, the Port's share of joint venture income was \$54.9 million, a decrease of \$6.7 million or 10.8% from 2016. This was due to the NWSA's higher operating and depreciation expenses along with a \$7.8 million nonoperating income recognized in 2016, from a tenant improvement related to a stormwater facility located in the North Harbor.

During 2018 and 2017, the home ports made capital construction contributions of \$83.3 million and \$69.1 million, respectively, for container terminal improvements at the North and South Harbors and container crane acquisitions at Husky terminal in the South Harbor.

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

Enterprise Fund

Financial Position Summary

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

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

	2018	2017	2016
Assets:			
Current, long-term, and other assets	\$ 1,989,201	\$ 1,654,178	\$ 1,199,739
Capital assets	6,158,334	5,685,346	5,505,951
Total assets	\$ 8,147,535	\$ 7,339,524	\$ 6,705,690
Deferred Outflows of Resources	\$ 54,866	\$ 56,348	\$ 35,225
Liabilities:			
Current liabilities	\$ 583,985	\$ 425,379	\$ 384,385
Noncurrent liabilities	4,011,823	3,589,769	3,188,953
Total liabilities	\$ 4,595,808	\$ 4,015,148	\$ 3,573,338
Deferred Inflows of Resources	\$ 39,884	\$ 32,541	\$ 19,230
Net Position:			
Net investment in capital assets	\$ 3,107,766	\$ 2,716,718	\$ 2,591,049
Restricted	377,800	403,685	343,175
Unrestricted	81,143	227,780	214,123
Total net position	\$ 3,566,709	\$ 3,348,183	\$ 3,148,347

Assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$3.6 billion as of December 31, 2018, and \$3.3 billion for 2017. Total net position increased \$218.5 million from 2017 to 2018, and \$199.8 million from 2016 to 2017, respectively.

In 2018, the Port adopted two new accounting standards, which required adjustments to the beginning balance of the net position. The Port adopted Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). The new standard requires governments providing OPEB benefits to retirees to measure and recognize total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense. The Port also adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*. This statement establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets, not through proceeds from refunding debt, are placed in an irrevocable trust to extinguish debt. It also provides guidance relating to prepaid insurance on debt that is extinguished. As a result, the beginning balance of total net position was adjusted and reduced by \$2.7 million. Further discussion of the impact from the adoption of these new accounting standards can be found in Note 1 in the accompanying Notes to Financial Statements.

For each year presented, the largest portion of the Enterprise Fund's net position represents its net investment in capital assets. The Port uses these capital assets to provide services to its tenants, passengers, and customers of the Aviation, Maritime, and Economic Development divisions; therefore, these assets are not available for future spending. Although the Port's net investment in capital assets is reported net of related debt, it is noted that the

resources required to repay this debt must be provided annually from operations as the capital assets themselves cannot be used to liquidate liabilities. From 2017 to 2018, and from 2016 to 2017, there was an increase of \$391.0 million and \$125.7 million, respectively, in net investment in capital assets. The respective change in this category was an increase of \$473.0 million in 2018 and \$179.4 million in 2017, in total capital assets, net of accumulated depreciation, including construction work in progress, largely driven by new asset additions and construction activities in major Aviation programs, partially offset by related demolitions and ongoing depreciation.

As of December 31, 2018 and 2017, the restricted net position of \$377.8 million and \$403.7 million, respectively, was composed mainly of unspent revenue bond proceeds restricted for debt service reserves in accordance with bond covenants, airport Passenger Facility Charges (PFC) subject to federal regulations, and rental car Customer Facility Charges (CFC) subject to state regulations. From 2017 to 2018, there was a decrease of \$25.9 million in restricted net position primarily from increased expenditures in major Aviation programs outpacing PFC revenues despite enplanement growth, and an increase in debt service reserves from the issuance of the 2018 Intermediate Lien Revenue Bonds. From 2016 to 2017, there was an increase of \$60.5 million in this category primarily due to an increase in PFC revenues from higher enplanements while expenditures remained relatively constant. Capitalized interest fund and restricted debt service reserves associated with the issuance of the 2017 Intermediate Lien Revenue and Refunding Bonds further contributed to the increase.

As of December 31, 2018, the unrestricted net position was \$81.1 million, a decrease of \$146.6 million from 2017. During 2018, the Port recorded a \$34.9 million special item for environmental expense related to the construction cost of a habitat restoration project and \$15.9 million for the acquisition of Salmon Bay Marina. While the balance between 2017 and 2016 was relatively unchanged, there was an inflow of cash proceeds from the 2017 Limited Tax General Obligation (GO) Bonds that offset the debt issued to reimburse unrestricted cash funds for the State Route 99 (SR 99) Alaskan Way Viaduct Replacement Program payments made in 2016. Resources from the unrestricted net position may be used to satisfy the Port's ongoing obligations. However, due to federal regulations, resources from Airport operations must be used solely for the Aviation Division's operations. Cash and cash equivalents, and investment balances related to Airport operations decreased \$107.1 million from \$310.7 million in 2017, to \$203.6 million in 2018, while this balance had a slight increase of \$12.8 million from 2016 to 2017. In both periods, changes of these balances were largely attributed to major capital project spending at the Airport in order to support increased airline activity and record growth in passenger volume.

Statement of Revenues, Expenses, and Changes in Net Position

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

	2018	2017	2016
Operating revenues	\$ 689,390	\$ 632,031	\$ 598,467
Operating expenses	397,638	372,982	325,285
Operating income before depreciation	291,752	259,049	273,182
Depreciation	164,362	165,021	164,336
Operating income	127,390	94,028	108,846
Nonoperating income—net	85,145	75,696	62,177
Capital contributions	43,650	30,112	18,108
Special items:			
SR 99 Viaduct expense			(147,700)
Environmental expense	(34,923)		
Increase in net position	221,262	199,836	41,431
Net position—beginning of year, as adjusted (Note 1)	3,345,447	3,148,347	3,106,916
Net position—end of year	\$ 3,566,709	\$ 3,348,183	\$ 3,148,347

Financial Operation Highlights

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

	2018	2017	2016
Operating Revenues:			
Services	\$ 274,174	\$ 260,322	\$ 231,326
Property rentals	339,304	304,416	291,874
Customer facility charge revenues	16,263	10,641	12,121
Operating grants and contract revenues	3,657	1,727	1,562
Joint venture income	55,992	54,925	61,584
Total operating revenues	\$ 689,390	\$ 632,031	\$ 598,467

During 2018, operating revenues increased \$57.4 million or 9.1% from \$632.0 million in 2017, to \$689.4 million in 2018. Aviation Division operating revenues increased \$48.1 million, with increases of \$27.2 million in aeronautical revenues and \$20.9 million in non-aeronautical revenues. Aeronautical revenues are based on cost recovery. The increases in aeronautical revenues were driven by higher rate-based costs to support increased airline activity and a \$5.4 million decrease in revenue sharing due to a reduction in revenue sharing percentage from 50% to 40% under the new airline lease agreement in 2018. Growth in non-aeronautical revenues was due to strong performance and increases in (1) Airport Dining and Retail of \$5.3 million despite unit closures for planned lease transitions, (2) Public Parking of \$5.1 million due to higher tariff rates, (3) Ground Transportation of \$3.1 million from continued growth in transportation network company (TNC) activity, and (4) Rental Car of \$2.3 million due to growth in average transaction prices in 2018, which offset a continued decline in one day car rentals impacted by the availability of other transportation alternatives such as light rail, car-sharing, and TNCs. Maritime Division operating revenues increased \$3.4 million in 2018 over prior year due to increases in (1) Recreational Boating of \$1.4 million from increases in tariffs and efficiencies improving occupancy rates, (2) Cruise of \$1.3 million from tariff increases and record setting passenger counts from the inaugural sailing of the Norwegian Bliss, the largest cruise vessel on the West Coast for the 2018 season, (3) Fishing and Operations of \$0.5 million from improved backfill of recreational vessels at Fisherman's Terminal during the summer fishing season, and (4) Maritime Portfolio of \$0.5 million from lease renewals and rent increases comparable to market. Economic Development Division operating revenues increased \$2.9 million primarily due to an increase in Conference and Event Center of \$2.6 million as a result of the completion of the Pier 66 Cruise Terminal expansion project that increased capacity to offer larger events with customized menus at Bell Harbor International Conference Center.

During 2017, operating revenues increased \$33.6 million or 5.6% from \$598.5 million in 2016, to \$632.0 million in 2017. Aviation Division operating revenues increased \$35.7 million with increases of \$19.9 million in aeronautical revenues and \$15.8 million in non-aeronautical revenues. Aeronautical revenues are based on cost recovery. The increase in aeronautical revenues was primarily due to cost recovery on higher operating expenses to support increased airline activity, partially offset by higher revenue sharing in 2017 of \$4.9 million under the terms of the airline lease agreement. The growth in non-aeronautical revenues was due to strong performance and increases in (1) Commercial Properties of \$7.6 million largely due to a \$5.4 million lump sum payment earned in 2017, from Des Moines Creek Business Park Phase II frontage fees, (2) Public Parking of \$5.6 million from higher tariff rates and higher volume, (3) Ground Transportation of \$2.9 million, (4) Clubs and Lounges of \$2.0 million, and (5) Airport Dining and Retail of \$1.7 million. Rental Car revenues decreased by \$2.0 million due to the growing availability of transportation alternatives such as light rail, car-sharing, and TNCs. Maritime Division operating revenues increased \$3.4 million in 2017, over prior year due to increases in (1) Cruise of \$2.2 million from passenger growth exceeding the million-passenger mark in 2017, and higher tariff rates, along with operating in a newly renovated Pier 66 Cruise Terminal in May 2017, and (2) Recreational Boating of \$0.8 million from higher tariff rates. Economic Development Division operating revenues increased \$1.9 million primarily due to increased event activity from the Conference and Events Center of \$1.1 million, with an especially strong December, despite the ongoing construction of the Pier 66 Cruise Terminal expansion project and Alaskan Way street construction.

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

	2018	2017	2016
Operating Expenses:			
Operations and maintenance	\$ 297,321	\$ 282,657	\$ 237,964
Administration	72,568	65,722	63,456
Law enforcement	27,749	24,603	23,865
Total operating expenses	\$ 397,638	\$ 372,982	\$ 325,285

During 2018, operating expenses increased \$24.7 million or 6.6% from \$373.0 million in 2017, to \$397.6 million in 2018. Aviation Division operating expenses increased \$19.7 million due to (1) higher payroll expenses of \$14.0 million from staffing increases between 2017 and 2018, (2) higher outside services expenses of \$6.6 million primarily due to non-recurring expenses focused on addressing strategic initiatives throughout the Airport, and (3) an increase of \$4.0 million to write off items that were previously capitalized, primarily from the South Satellite Terminal Renovation project being re-evaluated with new alternatives. The increase in 2018 operating expenses was offset by a one-time amortization of prepaid frontage fees of \$3.6 million from the Des Moines Creek Business Park Phase II in 2017. Maritime Division operating expenses increased \$1.1 million driven primarily by (1) higher maintenance expenses due to increased wages and heavier workloads, and (2) higher utility expenses. Economic Development Division operating expenses increased \$2.3 million due to increased variable costs from higher sales activity at Bell Harbor International Conference Center. These increases were offset by a \$15.6 million reduction in operating expenses associated with the defined-benefit pension plans administered by the Washington State Department of Retirement Systems (DRS) due to better than expected earnings on plan investments in 2018.

During 2017, operating expenses increased \$47.7 million or 14.7% from \$325.3 million in 2016, to \$373.0 million in 2017. Aviation Division operating expenses increased \$37.9 million primarily due to (1) a \$12.6 million increase in payroll expenses from additional positions added in areas of Employee Screening, Construction Support, Maintenance, and Rental Car Facility transportation, driven by growth at the Airport, (2) a \$5.7 million increase attributable to allocated costs from the Capital Development Division due to increases in construction activity, (3) a net increase of \$4.4 million in environmental remediation costs primarily from contaminated soil related to construction at the International Arrivals Facility (IAF), (4) a \$3.6 million increase from the Des Moines Creek Business Park Phase II prepaid frontage fee, and (5) an increase of \$2.7 million due to a write-off of obsolete exit lane equipment previously capitalized. Maritime Division operating expenses increased \$1.9 million in direct and allocated expenses. The increase was largely due to (1) increased maintenance costs from higher rates and increased activities, and (2) the launch of Port Valet program, which offers cruise passengers complimentary luggage transfer from ship to plane with participating airlines and cruise lines upon disembarkation in Seattle. Economic Development Division operating expenses increased \$4.3 million due to (1) higher maintenance expenses, (2) higher conference center expenses, (3) increased support from Central Services, and (4) the second year of the Economic Development Partnership Program. This Partnership Program provides grants to support economic development activities in the local community.

As a result of the above, operating income before depreciation increased \$32.7 million from 2017 to 2018, compared to a \$14.1 million decrease from 2016 to 2017. Depreciation expense decreased \$0.7 million and increased \$0.7 million from 2017 to 2018, and 2016 to 2017, respectively.

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

	2018	2017	2016
Nonoperating Income (Expense):			
Ad valorem tax levy revenues	\$ 71,771	\$ 71,702	\$ 71,678
Passenger facility charge revenues	94,070	88,389	85,570
Customer facility charge revenues	21,802	25,790	24,715
Noncapital grants and donations	1,573	6,704	6,284
Fuel hydrant facility revenues	6,942	7,000	6,992
Investment income—net	26,287	12,174	8,448
Revenue and capital appreciation bonds interest expense	(100,432)	(97,748)	(105,567)
Passenger facility charge revenue bonds interest expense	(4,368)	(4,931)	(5,251)
General obligation bonds interest expense	(13,414)	(13,891)	(9,765)
Public expense	(5,269)	(4,588)	(8,560)
Environmental expense—net	(10,600)	(4,464)	(280)
Other (expense) income—net	(3,217)	(10,441)	(12,087)
Total nonoperating income—net	\$ 85,145	\$ 75,696	\$ 62,177
Capital Contributions	\$ 43,650	\$ 30,112	\$ 18,108
Special Items:			
SR 99 Viaduct expense			(147,700)
Environmental expense	(34,923)		

During 2018, nonoperating income—net was \$85.1 million, a \$9.4 million increase from 2017. This was largely due to (1) a \$14.1 million increase in investment income from higher investment pool balances and interest rates, (2) a \$5.7 million increase in PFC revenues from higher enplanements, and (3) an \$8.9 million decrease in losses from demolition, retirement, and sale of capital assets in the Aviation Division. Favorable increases to nonoperating income were offset by (1) a net increase of \$6.1 million in environmental expenses primarily related to the Lower Duwamish Waterway Superfund Site, (2) a \$5.1 million decrease in noncapital grants and donations mostly related to a higher amount of Department of Ecology grants received in 2017, for cleanup costs at Lora Lake, (3) a \$4.0 million decrease in CFC revenues from lower debt service in 2018, and (4) a \$1.6 million increase in total bonds interest expense.

During 2017, nonoperating income—net was \$75.7 million, a \$13.5 million increase from 2016. Favorable increases included (1) a \$2.8 million increase in PFC revenues from higher enplanements, (2) a \$3.7 million increase in investment income from higher investment pool balances and interest rates, (3) a net decrease of \$4.0 million in bond interest expense mainly due to savings from the issuance of 2017 Intermediate Lien Refunding Bonds, partially offset by increased interest expense from the issuance of 2017 Limited Tax GO Bonds. Further contributing to the favorable increase from 2016 to 2017 was (4) a net decrease of \$4.0 million in public expense primarily due to 2016 contributions of \$2.1 million to King County's South Park Bridge and \$1.3 million for a third eastbound lane on State Route SR 18. The decrease in public expense was partially offset by \$2.9 million in 2017, for land transferred to the City of Des Moines for stormwater facility development of the Des Moines Creek Business Park. Favorable increases to nonoperating income was offset by a net increase of \$4.2 million in environmental expenses primarily related to the completion of contract closeout settlement negotiations for sediments at Terminal 117 and refined cost estimates for cleanup at Terminal 30 from a new agreed order with the Department of Ecology.

Capital contributions increased \$13.5 million over 2017, primarily due to (1) \$14.5 million in grant revenues received in 2018, from the Airport Improvement Program related to the Taxiway Improvement Project of the Airport's longest runway (16L/34R) as a result of the expansion of the North Satellite Terminal, and (2) a \$13.2 million increase in funding from the Transportation Security Administration (TSA) for checked baggage optimization programs at the Airport. The increase in 2018 capital contributions was offset by a one-time tenant

improvement of \$13.5 million from Norwegian Cruise Lines (NCL) in 2017, to share capital costs in renovation and expansion of Pier 66 Cruise Terminal.

During 2017, capital contributions increased \$12.0 million primarily due to (1) a \$13.5 million tenant improvement from NCL, under the terms of the lease agreement, to share capital costs in renovation and expansion of Pier 66 Cruise Terminal, and (2) significant increases in TSA grant revenues relating to the surveillance systems and checked baggage optimization programs at the Airport. These amounts were offset by a continuing decline in grant revenues from the Airport Improvement Program with the completion of the Third Runway embankment and Center Runway construction reimbursable work.

The Port is in ongoing settlement negotiations with the Elliot Bay Trustee Council and in 2018, recorded, as a special item, a \$34.9 million environmental expense reflecting the cost to construct a habitat restoration project.

The increase in net position for 2018 was \$221.3 million, a \$21.5 million or 10.7% increase from 2017, reflecting strong operating results year over year.

The increase in net position for 2017 was \$199.8 million, a \$158.4 million increase from 2016. The single largest contributing factor was the payment of \$147.7 million, a special item, made to the Washington State Department of Transportation (WSDOT) relating to the SR 99 Alaskan Way Viaduct Replacement Program in 2016.

Warehousemen's Pension Trust Fund

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

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

	2018	2017	2016
Total assets	\$ 8,829	\$ 9,879	\$ 9,066
Total liabilities	6	5	5
Total fiduciary net position	\$ 8,823	\$ 9,874	\$ 9,061
Total additions	\$ 889	\$ 2,852	\$ 2,054
Total deductions	(1,940)	(2,039)	(2,179)
(Decrease) increase in fiduciary net position	(1,051)	813	(125)
Fiduciary net position—beginning of year	9,874	9,061	9,186
Fiduciary net position—end of year	\$ 8,823	\$ 9,874	\$ 9,061

Total fiduciary net position as of December 31, 2018, decreased by \$1.1 million from December 31, 2017, due to a decrease in the fair value of investments.

Total fiduciary net position as of December 31, 2017, increased by \$0.8 million from December 31, 2016, due to an increase in the fair value of investments.

Additional information on the Port's Warehousemen's Pension Trust Fund can be found in Note 15 in the accompanying Notes to Financial Statements.

Capital Assets

The Port's capital assets, net of accumulated depreciation, for its business activities as of December 31, 2018, amounted to \$6.2 billion. Capital assets include land, air rights, facilities and improvements, equipment, furniture and fixtures, and construction work in progress.

In 2018, the Port's expenditures for capital construction projects totaled \$652.5 million, of which \$615.4 million, \$23.5 million, and \$1.8 million related to the Aviation Division, Maritime Division, and Economic Development Division, respectively. Aviation construction accounted for 94.3% of total spending for capital construction projects at the Port in 2018. Major Aviation project spending included \$223.5 million for the construction of the new IAF, which is scheduled to open in the fall of 2020; \$172.7 million for the North Satellite Terminal expansion and renovation; \$43.1 million related to the checked baggage optimization programs; \$29.7 million on the Taxiway Improvement Project for the Airport's longest runway (16L/34R) as a result of the expansion of the North Satellite Terminal; and \$13.5 million on the Service Tunnel Renewal/Replacement project for the construction of seismic and major maintenance improvements.

During 2018, capital construction projects totaling \$207.4 million were completed and placed in service as capital assets. The most significant completed projects or phases were in the Aviation Division, including \$33.2 million for Concourse D Annex, a 32,500 square foot building to support passengers bused to and from airline flights parked at remote hardstands; \$33.2 million for the Alternate Utility Facility, an electrical backup power generation facility; \$32.7 million for Taxiway Improvement Projects; and \$11.2 million related to the new IAF. The Maritime Division completed the acquisition of Salmon Bay Marina for \$15.9 million to preserve maritime industrial property for the region's maritime activities. The property is an existing marina strategically located next to Fishermen's Terminal with potential for uplands development.

During 2018, the Port collected \$71.8 million in property taxes through a King County ad valorem tax levy. The Port funds its capital assets from multiple sources, including but not limited to operating income, ad valorem tax levy, PFCs, federal and state grants, and bond proceeds. All capital assets are accounted for within the Enterprise Fund.

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

Debt Administration

As of December 31, 2018, the Port had outstanding revenue bonds and commercial paper of \$3.3 billion, a \$525.8 million increase from 2017, due to the issuance of new revenue bonds and commercial paper, partially offset by principal payments.

In June 2018, the Port issued \$555.6 million in Series 2018AB Intermediate Lien Revenue Bonds to pay for or reimburse costs of capital improvements to Airport facilities, to pay a portion of the interest on the 2018A and 2018B bonds during construction, to pay the costs of issuing the bonds, and to contribute to the Intermediate Lien Common Reserve Fund.

As of December 31, 2018, the Port had outstanding GO bonds of \$362.4 million, a \$26.0 million decrease from 2017, due to scheduled principal payments.

As of December 31, 2018, the Port had outstanding PFC Revenue bonds of \$82.5 million, a \$15.1 million decrease from 2017, due to a scheduled principal payment.

As of December 31, 2018, the Port had outstanding Fuel Hydrant Special Facility Revenue bonds of \$72.6 million, a \$3.5 million decrease from 2017, due to a scheduled principal payment.

Since May 2003, the Airport's fuel facilities have been leased to SeaTac Fuel Facilities LLC (the Lessee) for 40 years (including two five-year option periods). The Port owns the fuel system and the Lessee is obligated to collect the fuel system fees and to make monthly rent payments, which include a base rent for the land to the Port and facilities rent to Wells Fargo Bank Northwest, National Association (the Trustee). Facilities rent is established at an amount sufficient to pay semiannual debt service, replenish any deficiency in the debt service reserve fund, and pay other fees associated with the bonds, including the Trustee fee. No ad valorem tax levy revenues or other revenues of the Port (other than fuel facilities lease revenues) are pledged to pay the debt service on the Fuel Hydrant Special Facility Revenue Bonds.

Below are the underlying Port credit ratings as of December 31, 2018. Certain Port bonds include bond insurance or bank letters of credit, and as such, those bonds may assume the credit rating of the associated bond insurer or letter of credit provider.

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

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

Port of Seattle—Enterprise Fund

Statement of Net Position as of December 31, 2018 and 2017 (in thousands)

Assets and Deferred Outflows of Resources	2018	2017
Current Assets:		
Cash and cash equivalents	\$ 72,988	\$ 39,809
Restricted cash and cash equivalents:		
Bond funds and other	121,833	34,930
Fuel hydrant assets held in trust	3,945	3,784
Short-term investments	130,928	194,497
Restricted short-term investments: bond funds and other	242,738	193,253
Accounts receivable, less allowance for doubtful accounts of \$1,325 and \$877	47,614	49,468
Related party receivable—joint venture	3,790	5,070
Grants-in-aid receivable	12,862	11,785
Taxes receivable	1,170	1,221
Materials and supplies	6,776	6,409
Prepayments and other current assets	11,220	6,251
Total current assets	655,864	546,477
Noncurrent Assets:		
Long-term investments	399,618	487,046
Restricted long-term investments:		
Bond funds and other	761,514	492,195
Fuel hydrant assets held in trust	5,909	5,914
Investment in joint venture	141,491	103,255
Net pension asset	22,233	16,197
Other long-term assets	2,572	3,094
Capital Assets:		
Land and air rights	2,002,045	1,997,586
Facilities and improvements	5,333,905	5,183,877
Equipment, furniture, and fixtures	486,555	462,724
Total capital assets	7,822,505	7,644,187
Less accumulated depreciation	(2,531,566)	(2,381,141)
Construction work in progress	867,395	422,300
Total capital assets—net	6,158,334	5,685,346
Total noncurrent assets	7,491,671	6,793,047
Total assets	8,147,535	7,339,524
Deferred Outflows of Resources:		
Deferred loss on refunding bonds	39,255	40,391
Deferred charges on net pension asset and liability	15,611	15,957
Total deferred outflows of resources	54,866	56,348
Total	\$ 8,202,401	\$ 7,395,872

See Notes to Financial Statements.

(Continued)

Port of Seattle—Enterprise Fund

Statement of Net Position as of December 31, 2018 and 2017 (in thousands)

Liabilities, Deferred Inflows of Resources, and Net Position	2018	2017
Current Liabilities:		
Accounts payable and accrued expenses	\$ 178,710	\$ 148,640
Related party payable—joint venture	7,236	4,431
Payroll and taxes payable	44,416	40,173
Bonds interest payable	42,657	39,779
Customer advances	19,236	16,706
Current maturities of long-term debt	291,730	175,650
Total current liabilities	583,985	425,379
Noncurrent Liabilities:		
Long-Term Liabilities:		
Net pension liability	66,152	87,954
Environmental remediation liability	67,455	33,017
Bonds interest payable	21,750	18,683
Total other postemployment benefits (OPEB) liability	16,739	10,302
Lease securities and other long-term liability	6,231	6,187
Total long-term liabilities	178,327	156,143
Long-Term Debt:		
Revenue and capital appreciation bonds	3,318,144	2,866,439
General obligation bonds	372,979	403,999
Passenger facility charge revenue bonds	68,707	85,250
Fuel hydrant special facility revenue bonds	73,666	77,938
Total long-term debt	3,833,496	3,433,626
Total noncurrent liabilities	4,011,823	3,589,769
Total liabilities	4,595,808	4,015,148
Deferred Inflows of Resources:		
Deferred gain on refunding bonds	8,708	13,271
Deferred credits on net pension asset and liability	30,307	19,270
Deferred credits on total OPEB liability	869	
Total deferred inflows of resources	39,884	32,541
Net Position:		
Net investment in capital assets	3,107,766	2,716,718
Restricted for:		
Debt service reserves	240,288	205,722
Passenger facility charges	96,957	168,395
Customer facility charges	19,534	12,344
Grants and other	21,021	17,224
Unrestricted	81,143	227,780
Total net position	3,566,709	3,348,183
Total	\$ 8,202,401	\$ 7,395,872

See Notes to Financial Statements.

(Concluded)

Port of Seattle—Enterprise Fund

Statement of Revenues, Expenses, and Changes in Net Position

for the Years Ended December 31, 2018, 2017, and 2016 (in thousands)

	2018	2017	2016
Operating Revenues:			
Services	\$ 274,174	\$ 260,322	\$ 231,326
Property rentals	339,304	304,416	291,874
Customer facility charge revenues	16,263	10,641	12,121
Operating grants and contract revenues	3,657	1,727	1,562
Joint venture income	55,992	54,925	61,584
Total operating revenues	689,390	632,031	598,467
Operating Expenses:			
Operations and maintenance	297,321	282,657	237,964
Administration	72,568	65,722	63,456
Law enforcement	27,749	24,603	23,865
Total operating expenses	397,638	372,982	325,285
Net Operating Income Before Depreciation	291,752	259,049	273,182
Depreciation	164,362	165,021	164,336
Operating Income	127,390	94,028	108,846
Nonoperating Income (Expense):			
Ad valorem tax levy revenues	71,771	71,702	71,678
Passenger facility charge revenues	94,070	88,389	85,570
Customer facility charge revenues	21,802	25,790	24,715
Noncapital grants and donations	1,573	6,704	6,284
Fuel hydrant facility revenues	6,942	7,000	6,992
Investment income—net	26,287	12,174	8,448
Revenue and capital appreciation bonds interest expense	(100,432)	(97,748)	(105,567)
Passenger facility charge revenue bonds interest expense	(4,368)	(4,931)	(5,251)
General obligation bonds interest expense	(13,414)	(13,891)	(9,765)
Public expense	(5,269)	(4,588)	(8,560)
Environmental expense—net	(10,600)	(4,464)	(280)
Other (expense) income—net	(3,217)	(10,441)	(12,087)
Total nonoperating income—net	85,145	75,696	62,177
Income Before Capital Contributions and Special Items	212,535	169,724	171,023
Capital Contributions	43,650	30,112	18,108
Income Before Special Items	256,185	199,836	189,131
Special Items:			
SR 99 Viaduct expense			(147,700)
Environmental expense	(34,923)		
Increase in Net Position	221,262	199,836	41,431
Total Net Position:			
Beginning of year, as adjusted (Note 1)	3,345,447	3,148,347	3,106,916
End of year	\$ 3,566,709	\$ 3,348,183	\$ 3,148,347

See Notes to Financial Statements.

Port of Seattle—Enterprise Fund

Statement of Cash Flows for the Years Ended

December 31, 2018, 2017, and 2016 (in thousands)

	2018	2017	2016
Operating Activities:			
Cash received from customers	\$ 619,205	\$ 573,286	\$ 521,064
Cash received from joint venture for support services provided	7,291	7,127	8,514
Customer facility charge receipts	16,263	10,641	12,121
Cash paid to suppliers for goods and services	(152,307)	(145,169)	(125,606)
Cash paid to employees for salaries, wages, and benefits	(240,674)	(216,548)	(196,028)
Operating grants and contract revenues	3,657	1,727	1,562
Other	(2,577)	(3,039)	(1,626)
Net cash provided by operating activities	250,858	228,025	220,001
Noncapital and Related Financing Activities:			
Proceeds from issuance and sale of GO bonds		147,700	
Principal payments on GO bonds	(5,180)	(2,440)	(2,320)
Interest payments on GO bonds	(10,739)	(6,579)	(4,681)
Cash paid for special item—SR 99 Viaduct expense			(147,700)
Cash paid for environmental remediation liability	(6,215)	(13,081)	(5,457)
Public expense disbursements	(4,210)	(1,827)	(7,764)
Ad valorem tax levy receipts	71,822	71,796	71,753
Noncapital grants and contract revenues	1,573	7,647	6,284
Environmental recovery receipts	6,733	6,945	2,655
Net cash provided by (used in) noncapital and related financing activities	53,784	210,161	(87,230)
Capital and Related Financing Activities:			
Proceeds from issuance and sale of revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, PFC bonds, and commercial paper	720,461	758,375	302,959
Proceeds used for refunding of revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, and PFC bonds		(328,799)	(319,620)
Principal payments on revenue bonds, GO bonds, fuel hydrant special facility revenue bonds, PFC bonds, and commercial paper	(169,210)	(148,355)	(138,585)
Interest payments on revenue bonds, GO bonds, PFC bonds, fuel hydrant special facility revenue bonds, and commercial paper	(149,615)	(136,490)	(144,770)
Acquisition and construction of capital assets	(633,835)	(338,402)	(179,180)
Deposits and proceeds from sale of capital assets	86	240	3,830
Receipts from capital contributions	44,542	9,904	20,307
Passenger facility charge receipts	98,041	87,441	82,130
Customer facility charge receipts	21,363	25,880	24,716
Fuel hydrant facility revenues	6,942	7,000	6,993
Net cash used in capital and related financing activities	\$ (61,225)	\$ (63,206)	\$ (341,220)

See Notes to Financial Statements.

(Continued)

Port of Seattle—Enterprise Fund
Statement of Cash Flows for the Years Ended
December 31, 2018, 2017, and 2016 (in thousands)

	2018	2017	2016
Investing Activities:			
Purchases of investment securities	\$ (564,910)	\$ (864,131)	\$ (296,292)
Proceeds from sales and maturities of investments	398,578	437,867	577,585
Interest received on investments	24,840	15,640	12,654
Cash used to fund investment in joint venture	(42,359)	(37,435)	(59,408)
Cash distributions received from joint venture	60,700	56,660	47,542
Net cash (used in) provided by investing activities	(123,151)	(391,399)	282,081
Net Increase (Decrease) in Cash and Cash Equivalents:			
(including \$502, \$525, and \$678 restricted cash and cash equivalents of fuel hydrant assets held in trust reported as restricted long-term investments, respectively)	120,266	(16,419)	73,632
Cash and Cash Equivalents:			
Beginning of year	77,998	94,417	20,785
End of year	\$ 198,264	\$ 77,998	\$ 94,417
Reconciliation of Operating Income to			
Net Cash Flow from Operating Activities:			
Operating income	\$ 127,390	\$ 94,028	\$ 108,846
Miscellaneous nonoperating expense	(2,577)	(3,039)	(1,626)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	164,362	165,021	164,336
(Increase) Decrease in assets:			
Investment in joint venture	(55,992)	(54,925)	(61,584)
Accounts receivable	811	82	311
Materials and supplies, prepayments, and other	4,918	3,625	7,315
Net pension asset	(6,036)	(9,469)	5,173
Decrease (Increase) in deferred outflows of resources	1,136	6,287	(8,213)
Increase (Decrease) in liabilities:			
Accounts payable and accrued expenses	20,745	19,362	(1,093)
Payroll and taxes payable	4,267	3,895	2,990
Lease securities and customer advances	1,440	4,627	1,636
Net pension liability	(20,614)	(18,162)	11,612
Environmental remediation liability	(167)	2,010	2,276
Total OPEB liability	(888)	(122)	737
Increase (Decrease) in deferred inflows of resources	12,063	14,805	(12,715)
Net cash provided by operating activities	\$ 250,858	\$ 228,025	\$ 220,001
Supplemental Schedule of Noncash Investing, Capital, and Financing Activities:			
Net unrealized investment (loss) gain	\$ (3,560)	\$ (6,069)	\$ (5,110)
Construction work in progress transfer to joint venture			7,887

See Notes to Financial Statements.

(Concluded)

Port of Seattle—Warehousemen’s Pension Trust Fund
Statement of Fiduciary Net Position as of
December 31, 2018 and 2017 (in thousands)

	2018	2017
Assets:		
Cash and cash equivalents	\$ 152	\$ 121
Investments in mutual fund—fair value:		
Fixed income	3,430	3,582
Domestic equities	2,608	3,106
International equities	2,509	2,932
Total investments	8,547	9,620
Other assets	130	138
Total assets	8,829	9,879
Liabilities:		
Accounts payable	6	5
Net Position Restricted for Pensions	\$ 8,823	\$ 9,874

See Notes to Financial Statements.

Port of Seattle—Warehousemen’s Pension Trust Fund
Statement of Changes in Fiduciary Net Position for the Years Ended
December 31, 2018, 2017, and 2016 (in thousands)

	2018	2017	2016
Additions:			
Employer contributions	\$ 1,500	\$ 1,500	\$ 1,500
Investment income:			
Net (depreciation) appreciation in fair value of investments	(842)	1,152	357
Dividends	263	230	227
Less investment expenses	(32)	(30)	(30)
Net investment (loss) income	(611)	1,352	554
Total additions	889	2,852	2,054
Deductions:			
Benefits	1,863	1,946	2,093
Administrative expenses	49	46	45
Professional fees	28	47	41
Total deductions	1,940	2,039	2,179
Net (decrease) increase in net position	(1,051)	813	(125)
Net Position Restricted for Pensions			
Beginning of year	9,874	9,061	9,186
End of year	\$ 8,823	\$ 9,874	\$ 9,061

See Notes to Financial Statements.

Port of Seattle

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

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

Reporting Entity

The Port reports the following funds:

The Enterprise Fund accounts for all activities and operations of the Port except for the activities included within the Warehousemen's Pension Trust Fund. The Enterprise Fund is used to account for operations and activities that are financed at least in part by fees or charges to external users.

The Port and its Enterprise Fund is composed of three operating divisions, namely Aviation, Maritime, and Economic Development. The Aviation Division manages the Airport serving the predominant air travel needs of a five-county area. The Airport has 13 United States (U.S.)-flag passenger air carriers (including regional and commuter air carriers) and 18 foreign-flag passenger air carriers providing nonstop service from the Airport to 110 cities, including 24 foreign cities. The Maritime Division manages industrial property connected with maritime businesses, recreational marinas, Fishermen's Terminal, cruise, grain, and maritime operations. The Economic Development Division focuses on managing the Port's industrial and commercial properties including conference and event centers, encouraging tourism, developing minority and/or women-owned business opportunities, and providing for workforce development in the aviation, maritime, and construction industries.

The home ports joined forces in August 2015, to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs to the region. On January 1, 2016, the NWSA, a separate legal governmental entity, was formed. It is established as a Port Development Authority, similar to the Public Development Authorities formed by cities and counties. The commissions of each home port serve as the Managing Members of the NWSA. The NWSA is accounted for as a joint venture by the home ports.

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

Each home port has granted the NWSA a license for the NWSA's exclusive use, operation, and management of certain facilities, including the collection of revenues. The accounting for revenues and expenses associated with

licensed properties become the responsibility of the NWSA. The NWSA is intended to support the credit profiles of both ports, and its financial framework will preserve both home ports' commitment to financial strength and fiscal stewardship. The home ports are committed to ensuring that existing bond pledges and covenants will not be negatively affected. As the Charter prohibits the NWSA from issuing debt and to maintain the rights of each home port's existing bondholders, bonds outstanding will remain obligations of each home port.

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

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

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

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

Basis of Accounting

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

Use of Estimates

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

Significant Risks and Uncertainties

The Port is subject to certain business and casualty risks that could have a material impact on future operations and financial performance. Business risks include economic conditions, collective bargaining disputes, security,

litigation, federal, state, and local government regulations, and changes in law. Casualty risks include natural or man-made events that may cause injury or other damages at Port facilities. The Port has a comprehensive risk management program that protects the Port against loss from various adverse casualty events to its property, operations, third-party liabilities, and employees. The Port carries excess commercial insurance to provide a financial means to recover from many of these potential events or losses. The excess commercial insurance coverage is above a self-insured retention that the Port maintains. The Port is a qualified workers compensation self-insurer in the State and administers its own workers compensation claims. Claims, litigation and other settlements have not exceeded the limits of available insurance coverage in any of the past three years, when insurance was applicable.

The Port is self-insured for the majority of its sponsored healthcare plans. Employees covered by these plans pay a portion of the premiums for their coverage. The Port purchased a stop-loss insurance policy for the self-insured healthcare plan to limit the Port's individual claims liability up to \$200,000 per year in 2018 and 2017, and to 125% of expected claims in aggregate. Healthcare benefit claims liabilities are not discounted to present value as nearly all healthcare claims are current in nature. The estimated liability is based upon actual claims that have been submitted and authorized for payment as well as actuarially determined claims incurred but not reported. The estimated liability is included in payroll and taxes payable in the Statement of Net Position.

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

Years ended December 31,	2018	2017	2016
Beginning balance	\$ 579	\$ 1,010	\$ 946
Current year claims and changes in estimates	14,193	13,528	11,601
Claim payments	(15,091)	(15,589)	(13,235)
Other	1,568	1,630	1,698
Ending balance	\$ 1,249	\$ 579	\$ 1,010

Employee Benefits

Eligible Port employees accrue paid time off and sick leave. The paid time off accrual rates increase based on length of service. A stipulated maximum of paid time off may be accumulated by employees while there is no maximum limit to the amount of sick leave accrual that can be accumulated. Terminated employees are entitled to be paid for unused paid time off. Under certain conditions, terminated employees are entitled to be paid for a portion of unused sick leave accrual.

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

On an annual basis, the Port has the option of offering a 401(a) supplemental savings plan (the 401(a) Plan) for non-union employees. The 401(a) Plan establishes a 401(a) tax-deferred savings account for each eligible employee. The Port matches employee contributions to their 457 Plan with a dollar-for-dollar contribution to the 401(a) Plan up to a fixed maximum of \$2,200. This matching contribution increases with tenure. Employees are able to direct their 401(a) funds to any investment options available under the 401(a) Plan. The Port placed its supplemental savings plan assets in a separate trust as required under the Small Business Job Protection Act of 1996 and as such, the related assets and liabilities are not included in the Port's financial statements.

The Port contributes to the 401(a) Police Retirement Plan and Trust, and the 401(a) Fire Fighters Retirement Plan and Trust in lieu of Social Security contributions for certain eligible uniformed law enforcement officers and fire fighters who elect not to participate in the Social Security system. In accordance with an amendment to the 401(a) Police Retirement Plan and Trust, the Port also contributes to the Plan and Trust in lieu of pension contributions for certain eligible uniformed law enforcement officers who are precluded by state law from participating in the Washington State PERS or LEOFF retirement plans. This complies with the collective bargaining agreements for employees who participate in these plans. Employees are able to direct their 401(a) funds to any investment options available under the 401(a) Plans. The Port placed the Plans' assets in separate trusts as required under the Small Business Job Protection Act of 1996, and as such, the related assets and liabilities are not included in the Port's financial statements.

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

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

	DRS	Warehousemen's Pension Plan	Total
2018			
Pension assets	\$ 22,233	\$	\$ 22,233
Pension liabilities	57,219	8,933	66,152
Deferred outflows of resources	14,463	1,148	15,611
Deferred inflows of resources	29,839	468	30,307
Pension expense	376	(635)	(259)
2017			
Pension assets	\$ 16,197	\$	\$ 16,197
Pension liabilities	77,832	10,122	87,954
Deferred outflows of resources	15,600	357	15,957
Deferred inflows of resources	18,646	624	19,270
Pension expense	8,331	846	9,177

Investments and Cash Equivalents

All short-term investments with a maturity of three months or less at the date of purchase are considered to be cash equivalents except for the restricted portion of the fuel hydrant assets held in trust not used to pay the current maturities of Fuel Hydrant Special Revenue Bonds plus accrued interest that is reported as restricted long-term investments in the Statement of Net Position. Investments are carried at fair value plus accrued interest receivable. Investments are stated at fair value, which is the price that would be received in an orderly transaction between market participants at the measurement date. Unrealized gains or losses due to market valuation changes are recognized in investment income—net in the Statement of Revenues, Expenses, and Changes in Net Position.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded for invoices issued to customers in accordance with the contractual arrangements. Unbilled receivables are recorded when revenues are recognized upon service delivery and invoicing occurs at a later date. Finance charges and late fees are recognized on accounts receivable in accordance with contractual arrangements. Interest income on finance charges and late fees are minimal. The Port's policy defines delinquent receivable as 90 days or more past due. The allowance for doubtful accounts is based on specific identification of troubled accounts and delinquent receivables. Accrual of accounts receivable,

related finance charges, and late fees are suspended once the accounts receivable is sent to a third party collection agency, placed in dispute or litigation, or the customer has filed for bankruptcy. Accounts receivable are written-off against the allowance when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received.

Grants-in-Aid Receivable

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

Materials and Supplies

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

Investments in Joint Venture

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

Capital Assets

Capital assets are stated at cost, less accumulated depreciation. Costs applicable to noise damage remedies, together with the cost of litigation, in exchange for air rights are generally recorded as intangible capital assets. The Port's policy is to capitalize all asset additions equal to or greater than \$20,000 and with an estimated life of three years or more. The Port capitalizes interest during construction until the asset is placed into service, based on average construction expenditures and average actual debt service rates for bond funded construction, excluding externally restricted acquisition of specified qualified assets financed with grants or proceeds from tax-exempt debt. Depreciation is computed on a straight-line basis. Buildings and improvements are assigned lives of 30 to 50 years, equipment three to 20 years, and furniture and fixtures five to 10 years. The Port periodically reviews its long-lived assets for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly.

Operating and Nonoperating Revenues

Fees for services, rents, charges for the use of Port facilities, Airport landing fees, operating grants, a portion of CFC revenues, other revenues generated from operations, and joint venture income are reported as operating revenues. Ad valorem tax levy revenues, noncapital grants and donations, PFC revenues, the remaining portion of CFC revenues, fuel hydrant facility revenues, and other income generated from nonoperating sources are classified as nonoperating revenues.

Operating and Nonoperating Expenses

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

Nonexchange Transactions

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

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

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

Passenger Facility Charges

As determined by applicable federal legislation, which is based upon passenger enplanements, PFC generated revenues are expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds. PFC revenues received from the airlines at \$4.50 per passenger are recorded as nonoperating income in the Statement of Revenues, Expenses, and Changes in Net Position.

Customer Facility Charges

CFC generated revenues received from rental car companies at \$6.00 per transaction day are expended by the Port for eligible capital projects, the payment of principal and interest on specific revenue bonds funding the Rental Car Facility (RCF) at the Airport, and certain related operating expenses. A portion of CFC revenues is recorded as operating revenues as it is associated with the operation of the RCF. The remaining portion of CFC revenues is recorded as nonoperating income in the Statement of Revenues, Expenses, and Changes in Net Position.

Ad Valorem Tax Levy

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

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior year. The lien date is January 1. Assessed values are established by the County Assessor at 100% of fair market value. A revaluation of all property is required every two years. Taxes are due in two equal installments on April 30 and October 31. Collections are distributed daily to the Port by the County Treasurer.

Payments in Lieu of Taxes

The Port, on behalf of the State of Washington, collects applicable leasehold taxes from its tenants. The taxes are a pass-through to the State and are, therefore, not reflected as an expense or revenue by the Port.

Airline Rates and Charges

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

Lease Securities

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

Environmental Remediation Liability

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

Debt Discount and Premium

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

Refunding and Defeasance of Debt

The Port has legally defeased certain bonds by placing proceeds, either in the form of new bond proceeds or existing Port cash, in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not recorded on the accompanying financial statements. As of December 31, 2018 and 2017, the total defeased, but unredeemed, bonds outstanding totaled \$277,405,000 and \$277,470,000, respectively.

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

Special Items

The Port is in ongoing settlement negotiations with the Elliot Bay Trustee Council and in 2018 recorded, as a special item, a \$34.9 million environmental expense reflecting the cost to construct a habitat restoration project.

The Port recorded its payments made to the WSDOT for the SR 99 Alaskan Way Viaduct Replacement Program as special items in 2015 and 2016. The first payment of \$120,000,000 made in 2015, was in accordance with the funding agreement entered into with WSDOT for the State's eligible construction costs incurred on the Tunnel Design Build Project. The Port made the remaining \$147,700,000 payments to WSDOT in 2016. The SR 99 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.

Net Position

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

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

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

Recently Adopted Accounting Standards and Adjustments

In 2018, the Port adopted the following two new accounting standards:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), effective for periods beginning June 15, 2017. This statement replaced Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The statement addressed accounting and financial reporting for OPEB that is provided to the employees by state and local governmental employers. This statement also established the standard for recognizing and measuring the related liabilities, deferred outflows and deferred inflows of resources, and OPEB expense.
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017. This statement addressed accounting and financial reporting requirements for in-substance defeasance of debt in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. The statement also required that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of the debt to calculate the difference between the reacquisition price and the net carrying amount of the debt.

From the implementation of the above two new accounting standards, total OPEB liability, deferred outflows, and deferred inflows on refunding bonds were remeasured at the beginning of January 1, 2018, and the beginning balance of net position was adjusted and summarized as follows (in thousands):

	Net investment in capital assets	Restricted	Unrestricted	Total net position
December 31, 2017, as previously reported	\$ 2,716,718	\$ 403,685	\$ 227,780	\$ 3,348,183
Cumulative effect of GASB 75			(7,325)	(7,325)
Cumulative effect of GASB 86	4,589			4,589
January 1, 2018, as adjusted	\$ 2,721,307	\$ 403,685	\$ 220,455	\$ 3,345,447

Recently Issued Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement is effective for periods beginning after June 15, 2018. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local government and addresses how those activities should be reported. This statement is effective for periods beginning after December 15, 2018. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The statement addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The statement is effective for periods beginning after June 15, 2017. The adoption of this standard did not have a material impact to the Port's financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use another entity's nonfinancial assets (the underlying asset) in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, with the exception of certain regulated leases, such as SLOA IV, and a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. The statement is effective for periods beginning after December 15, 2019. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placement*. This statement establishes a new guidance designed to enhance debt-related disclosure in notes to the financial statements, including those addressing direct borrowing and direct placement. It also clarifies which liabilities governments should include in their note disclosures related to debt. The new standard defines debt for purposes of disclosure in notes to finance statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The statement is effective for periods beginning after June 15, 2018. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources statement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The statement is effective for periods beginning after December 15, 2019. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This statement provides guidance clarifying the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. The new standard is intended to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain components units. The statement is effective for periods beginning after December 15, 2018. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

Reclassifications and Presentation

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

Note 2. Deposits with Financial Institutions and Investments

Deposits

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

Investments

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

The Port's investment policy limits the maximum maturity of any investment security purchased to 10 years from the settlement date. The Port's investment policy allows for 100% of the portfolio to be invested in U.S. government Treasury bills, certificates, notes, and bonds. The Port's investment policy limits investments in U.S.

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

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

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

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

Fair Value Measurement and Application

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

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

As of December 31, 2018, the Port invested a portion of its investment pool in the LGIP. As of December 31, 2017, the Port's investment pool held repurchase agreements (interest-earning investment contracts). As of December 31, 2018 and 2017, the Fuel Hydrant Investment Pool held a money market fund. None of these were subject to fair value application and were measured at amortized cost.

Investment Portfolio

As of December 31, 2018 and 2017, restricted investments—bond funds and other were \$1,126,085,000 and \$720,378,000, respectively. These are primarily unspent bond proceeds designated for capital improvements to the Port's facilities and for debt service reserve fund requirements. Others include cash receipts from PFCs, CFCs, and lease securities.

The tables below identify the types and concentration of investments by issuer, and maturities of the Port's investment pool (in thousands). As of December 31, 2018, the LGIP investment was 11.3% of the Port's total investment pool. As of December 31, 2017, the Port's investment pool held 5.2% in repurchase agreements, collateralized with securities backed by the full faith and credit of the U.S. government, and the remainder of the pool is invested in U.S. Treasury Notes and "AAA" and "AA+" rated U.S. government-issued agency securities.

Investment type	Fair value	Maturities (in Years)			Percentage of total portfolio
		Less than 1	1-3	More than 3	
2018					
Washington State Local					
Government Investment Pool *	\$ 194,821	\$ 194,821	\$	\$	11.3%
Level 1					
U.S. Treasury Notes	455,976	189,909	266,067		26.5
Level 2					
Federal agencies securities:					
Federal Farm Credit Banks	402,041	70,429	179,476	152,136	23.3
Federal Home Loan Bank	324,952	78,210	170,825	75,917	18.9
Federal Home Loan Mortgage Corporation	242,796	10,375	78,367	154,054	14.1
Federal National Mortgage Association	101,252	19,927	49,169	32,156	5.9
Total portfolio	\$ 1,721,838	\$ 563,671	\$ 743,904	\$ 414,263	100.0%
Accrued interest receivable	7,781				
Total cash, cash equivalents, and investments	\$ 1,729,619				
Percentage of total portfolio	100.0%	32.7%	43.2%	24.1%	
2017					
Repurchase agreements *	\$ 74,739	\$ 74,739	\$	\$	5.2%
Level 1					
U.S. Treasury Notes	550,771	229,259	253,112	68,400	38.3
Level 2					
Federal agencies securities:					
Federal Farm Credit Banks	290,834	70,831	90,097	129,906	20.2
Federal Home Loan Bank	268,874	65,369	128,510	74,995	18.7
Federal Home Loan Mortgage Corporation	160,212	9,982	29,793	120,437	11.2
Federal National Mortgage Association	91,598	9,943	24,892	56,763	6.4
Total portfolio	\$ 1,437,028	\$ 460,123	\$ 526,404	\$ 450,501	100.0%
Accrued interest receivable	4,702				
Total cash, cash equivalents, and investments	\$ 1,441,730				
Percentage of total portfolio	100.0%	32.0%	36.6%	31.4%	

* Includes \$8,218,000 and \$4,679,000 of cash as of December 31, 2018 and 2017, respectively.

Investment Authorized by Debt Agreements

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

The tables below identify the types and concentration of investments by issuer, and maturities of the Fuel Hydrant Investment Pool (in thousands). As of December 31, 2018 and 2017, 35.0% and 33.6%, respectively, of the Fuel Hydrant Investment Pool were invested in Wells Fargo Government Money Market Fund – Institutional Class (WFGMMF) Fund with security holdings having maturity limits no longer than 13 months. The WFGMMF Fund holds securities authorized by the statutes, which means at least 80% of the investments are invested in U.S. government obligations, including repurchase agreements collateralized by U.S. government obligations. The remainder of the WFGMMF Fund was invested in “AAA” rated high-quality, short-term money market instruments. Current credit ratings of the WFGMMF are AAAm from S&P and Aaa-mf from Moody’s. S&P rates the creditworthiness of money market funds from AAAm (highest) to Dm (lowest). Moody’s rates the creditworthiness of money market funds from Aaa-mf (highest) to C-mf (lowest). The balance of the Fuel Hydrant Investment Pool was invested in U.S. Treasury Notes and “AAA” and “AA+” rated U.S. government agency securities. A portion of the proceeds from the Fuel Hydrant bonds, along with monthly facilities rent, are held by the Trustee to satisfy the debt service reserve fund requirement, to make debt service payments, and to pay Trustee and other bond-related fees.

Investment type	Fair value	Maturities (in Years)			Percentage of total portfolio
		Less than 1	1–3	More than 3	
2018					
Wells Fargo Government Institutional Money Market	\$ 3,443	\$ 3,443	\$	\$	35.0%
Level 1					
U.S. Treasury Notes	2,956	2,956			30.1
Level 2					
Federal agencies securities:					
Federal Home Loan Bank	1,959	993	966		19.9
Federal National Mortgage Association	1,478		1,478		15.0
Total portfolio	\$ 9,836	\$ 7,392	\$ 2,444	\$	100.0%
Accrued interest receivable	18				
Total cash, cash equivalents, and investments	\$ 9,854				
Percentage of total portfolio	100.0%	75.2%	24.8%	%	

(Continued)

Investment type	Fair value	Maturities (in Years)			Percentage of total portfolio
		Less than 1	1-3	More than 3	
2017					
Wells Fargo Government Institutional Money Market	\$ 3,259	\$ 3,259	\$	\$	33.6%
Level 1					
U.S. Treasury Notes	2,988	2,988			30.9
Level 2					
Federal agencies securities:					
Federal Home Loan Bank	1,956		989	967	20.2
Federal National Mortgage Association	1,480		1,480		15.3
Total portfolio	\$ 9,683	\$ 6,247	\$ 2,469	\$ 967	100.0%
Accrued interest receivable	15				
Total cash, cash equivalents, and investments	\$ 9,698				
Percentage of total portfolio	100.0%	64.5%	25.5%	10.0%	

(Concluded)

Interest Rate Risk

Interest rate risk is the risk that an investment's fair value decreases as market interest rates rise. The Port manages its exposure to this risk by setting maturity limits and duration targets in its investment policy. The investment pool is managed similarly to a short-term fixed income fund. The modified duration of the portfolio, by policy, has a 2.0 target plus or minus 50 basis points (2.0 is an approximate average life of 27 months). For 2018 and 2017, the modified duration of the portfolio was approximately 1.8 and 2.2, respectively. Securities in the portfolio cannot have a maturity longer than 10 years from the settlement date. The LGIP is limited to high-quality obligations with limited maximum (in general, final maturity will not exceed 397 days) and average maturities [weighted average maturity (WAM) will not exceed 60 days], the effect of which is to minimize both market and credit risk. High-quality, highly liquid securities, with relatively short average maturities reduce the LGIP's price sensitivity to market interest rate fluctuations. As of December 31, 2018, the LGIP WAM was 42 days.

As of December 31, 2018 and 2017, the modified duration of the Fuel Hydrant Investment Pool was approximately 0.8 and 1.1, respectively. As of December 31, 2018 and 2017, \$3,443,000 and \$3,259,000, respectively, of the Fuel Hydrant Investment Pool was invested in the WFGMMF Fund, was uninsured, and was registered in the name of the Trustee.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counter-party, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To mitigate this risk, the Port's investment policy requires that all security transactions, including repurchase agreements, are settled on a delivery versus payment basis. This means that payment is made simultaneously with the receipt of the securities. The securities are delivered to the Port's safekeeping bank, with the exception of the LGIP. The LGIP investment policy requires that both purchased and collateral securities be held by the master custodian, currently Northern Trust, acting as an independent third party, in its safekeeping or trust department. LGIP participants may contribute and withdraw funds on a daily basis. Participants must inform the OST of any contribution or withdrawal over \$1.0 million no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for \$1.0 million or less can be requested at any time prior to 10 a.m. on the day of the transaction. However, participants may complete transactions greater than \$1.0 million when notification is made between 9 a.m. and 10 a.m., at the sole discretion of the OST. All participants are required to file with the OST documentation containing the names and titles of the officials authorized to contribute or withdraw funds.

Note 3. Accounting for Leases

The Port enters into operating leases with tenants for the use of properties, including Maritime Division cruise terminals and maritime industrial properties, Aviation Division space and land rentals with minimum annual guarantees, and Economic Development Division commercial and industrial properties. As the leased properties involved are in part used by internal Port operations, it is not reasonably determinable to segregate the value of the assets associated with producing minimum rental income from the value of the assets associated with an entire facility. For the years ended December 31, 2018, 2017, and 2016, the Port recognized contingent rent of \$348,763,000, \$310,932,000, and \$280,620,000, respectively. Under certain lease agreements, contingent rent, which comes primarily from concessions and airline agreements, provides for an additional payment to the Port beyond the fixed rent. Contingent rent is based on the tenant's operations, including but not limited to usage, revenues, or volumes.

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

Years ended December 31,

2019	\$	90,565
2020		85,011
2021		76,940
2022		71,479
2023		64,039
Thereafter		341,262
Total	\$	729,296

Effective June 2003, the Port entered into a lease agreement with SeaTac Fuel Facilities LLC in a fuel system lease, whereby the members are some of the commercial air carriers currently operating at the Airport. The lessee payments of facilities rent are made directly to a trustee in the amounts and at the times required to pay the principal and premium, if any, and interest on the Special Facility Revenue Bonds issued to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at the Airport. The fuel system is intended to be the exclusive system for storage and delivery to commercial air carriers of jet aircraft fuel at the Airport. The lease, which represents an unconditional obligation of the lessee, extends until the later of July 31, 2033, or the repayment of the bonds. SeaTac Fuel Facilities LLC was created by a consortium of airlines operating at the Airport for the purpose of entering the lease and managing the fuel hydrant system. The future rental income is based on debt service requirements which are as follows: \$7,022,000 for 2019, \$7,022,000 for 2020, \$7,022,000 for 2021, \$7,023,000 for 2022, \$7,023,000 for 2023, and \$61,858,000 for the years thereafter; these amounts are not included in the schedule above. All special facility lease revenues are restricted and are to be used solely for debt service on the bonds and not for Port operations.

Note 4. Capital Assets

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

	Beginning balance	Additions	Retirements	Ending balance
2018				
Capital assets, not being depreciated:				
Land and air rights	\$ 1,997,586	\$ 4,459	\$	\$ 2,002,045
Art collections and others	9,017			9,017
Total	2,006,603	4,459		2,011,062
Capital assets being depreciated:				
Facilities and improvements	5,183,647	164,811	(14,783)	5,333,675
Equipment, furniture, and fixtures	453,937	30,779	(6,948)	477,768
Total	5,637,584	195,590	(21,731)	5,811,443
Total capital assets	7,644,187	200,049	(21,731)	7,822,505
Less accumulated depreciation for:				
Facilities and improvements	(2,120,290)	(135,606)	8,228	(2,247,668)
Equipment, furniture, and fixtures	(260,851)	(28,756)	5,709	(283,898)
Total	(2,381,141)	(164,362)	13,937	(2,531,566)
Construction work in progress	422,300	652,483	(207,388)	867,395
Total capital assets—net	\$ 5,685,346	\$ 688,170	\$ (215,182)	\$ 6,158,334
2017				
Capital assets, not being depreciated:				
Land and air rights	\$ 2,000,919	\$ 781	\$ (4,114)	\$ 1,997,586
Art collections and others	9,017			9,017
Total	2,009,936	781	(4,114)	2,006,603
Capital assets being depreciated:				
Facilities and improvements	5,095,576	114,515	(26,444)	5,183,647
Equipment, furniture, and fixtures	450,420	39,944	(36,427)	453,937
Total	5,545,996	154,459	(62,871)	5,637,584
Total capital assets	7,555,932	155,240	(66,985)	7,644,187
Less accumulated depreciation for:				
Facilities and improvements	(1,995,995)	(136,251)	11,956	(2,120,290)
Equipment, furniture, and fixtures	(267,421)	(28,770)	35,340	(260,851)
Total	(2,263,416)	(165,021)	47,296	(2,381,141)
Construction work in progress	213,435	350,673	(141,808)	422,300
Total capital assets—net	\$ 5,505,951	\$ 340,892	\$ (161,497)	\$ 5,685,346

For the years ended December 31, 2018 and 2017, net loss on sale and disposition of capital assets of \$7,707,000 and \$16,511,000, respectively, was recorded in nonoperating other (expense) income—net in the Statement of Revenues, Expenses, and Changes in Net Position. In 2018, the Aviation Division recognized losses of \$6,866,000 from demolitions, retirement, and sale of capital assets. The most significant losses were retirements of \$3,414,000 related to the Baggage System from the checked baggage optimization programs at the Airport.

In 2017, the Aviation Division recognized losses of \$15,714,000 from demolitions, retirement, and sale of capital assets. The most significant losses were retirements of \$4,551,000 related to the Baggage System; \$2,915,000 from the North Satellite expansion and renovation program; \$1,355,000 from the design and reconstruction of the 16C-34C Runway; \$1,278,000 from the retirement of obsolete assets related to construction of the IAF; \$1,195,000 from the replacement of the parking revenue control system with a new system at the Airport garage; \$1,137,000 from the removal of the existing electrical system in Air Cargos 2 and 6 replaced with new 400 Hz Vaults; and a \$1,062,000 loss from the sale of land located in the City of Burien to WSDOT for use in construction of State Route 518/Des Moines Memorial Drive Interchange Improvements. Additionally, the Port recognized \$610,000 in losses from the sale of cranes No. 70, 71, and 72, and the related spare parts to SSA Terminals, LLC and SSA Containers, Inc., the current tenant at Terminal 18.

In December 2017, the Port Commission approved the purchase of Salmon Bay Marina to support the Century Agenda goal in preserving maritime industrial property for the region's maritime activities. The property is an existing marina strategically located next to Fishermen's Terminal with potential for uplands development. The Port completed the acquisition at a cost of \$15,924,000 in 2018.

Note 5. Long-Term Debt

The Port's long-term debt outstanding as of December 31, 2018, consists of the following (in thousands):

Bond type (by Bond issue)	Coupon rates (%)	Maturity dates	Beginning balance	Principal payments and refundings	Issuance	Ending balance
Revenue bonds:						
First lien:						
Series 2003 A	5.25	2019–2021	\$ 36,600	\$	\$	\$ 36,600
Series 2009 B-1	5.74	2019	12,710	5,355		7,355
Series 2009 B-2	0 *	2025–2031	22,000			22,000
Series 2011 B	5	2019–2026	78,310	6,510		71,800
Series 2016 A	3–5	2019	12,430	7,495		4,935
Series 2016 B	3–5	2019–2032	124,380			124,380
Series 2016 C	1.3–3.32	2019–2032	6,115	65		6,050
Total			292,545	19,425		273,120
Intermediate lien:						
Series 2010 B	4.25–5	2019–2040	206,200	4,910		201,290
Series 2010 C	5	2019–2024	103,135	12,675		90,460
Series 2012 A	3–5	2021–2033	313,215	10,660		302,555
Series 2012 B	4–5	2019–2024	111,895	14,085		97,810
Series 2013	4.5–5	2022–2029	127,155			127,155
Series 2015 A	3–5	2019–2040	72,010	1,780		70,230
Series 2015 B	5	2019–2035	255,190	21,080		234,110
Series 2015 C	5	2019–2040	222,500	4,205		218,295
Series 2016	4–5	2025–2030	99,095			99,095
Series 2017 A	5	2027–2028	16,705			16,705
Series 2017 B	1.89–3.76	2019–2036	263,045	7,210		255,835
Series 2017 C	5–5.25	2019–2042	313,305			313,305
Series 2017 D	5	2019–2027	93,230	2,490		90,740
Series 2018 A	3.85–5	2019–2043			470,495	470,495
Series 2018 B	5	2019–2028			85,145	85,145
Total			2,196,680	79,095	555,640	2,673,225
Subordinate lien:						
Series 1997	1.71 **	2022	46,025	8,665		37,360
Series 1999 A	5.5	2019–2020	40,930	12,920		28,010
Series 2008	1.71 **	2033	176,020	8,730		167,290
Commercial paper	2.44	2019	19,655	1,000	100,000	118,655
Total			282,630	31,315	100,000	351,315
Revenue bond totals			\$ 2,771,855	\$ 129,835	\$ 655,640	\$ 3,297,660

(Continued)

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

** Variable interest rates as of December 31, 2018.

Bond type (by Bond issue)	Coupon rates (%)	Maturity dates	Beginning balance	Principal payments and refundings	Issuance	Ending balance
General obligation bonds:						
Series 2004 C	5.25	2019	\$ 6,640	\$ 3,235	\$	\$ 3,405
Series 2011	5.25–5.75	2019–2025	45,110	4,795		40,315
Series 2013 A	4–5	2021–2023	27,630			27,630
Series 2013 B	1.66–2.77	2019–2025	34,475	10,030		24,445
Series 2015	4–5	2019–2040	147,160	5,295		141,865
Series 2017	5	2019–2042	127,345	2,615		124,730
Total			388,360	25,970		362,390
Passenger facility charge revenue bonds:						
Series 1998 A	5.5	2019	31,020	15,095		15,925
Series 2010 A	5	2020–2023	66,550			66,550
Total			97,570	15,095		82,475
Fuel Hydrant special facility revenue bonds:						
Series 2013	3.45–5	2019–2033	76,135	3,490		72,645
Total			76,135	3,490		72,645
Bond totals			3,333,920	174,390	655,640	3,815,170
Unamortized bond premium—net			275,356			310,056
Total debt			3,609,276			4,125,226
Less current maturities of long-term debt:						
First lien revenue bonds			(19,425)			(32,445)
Intermediate lien revenue bonds			(79,095)			(80,490)
Subordinate lien revenue bonds			(32,575)			(132,285)
General obligation bonds			(25,970)			(26,920)
Passenger facility charge revenue bonds			(15,095)			(15,925)
Fuel Hydrant special facility revenue bonds			(3,490)			(3,665)
Total current maturities of long-term debt			(175,650)			(291,730)
Long-term debt			\$ 3,433,626			\$ 3,833,496

(Concluded)

The Port's long-term debt outstanding as of December 31, 2017, consists of the following (in thousands):

Bond type (by Bond issue)	Coupon rates (%)	Maturity dates	Beginning balance	Principal payments and refundings	Issuance	Ending balance
Revenue bonds:						
First lien:						
Series 2003 A	5.25	2019–2021	\$ 36,600	\$	\$	\$ 36,600
Series 2004	5.75	2017	915	915		
Series 2009 A	5.25	2017	20,705	20,705		
Series 2009 B-1	5.74	2018–2019	271,655	258,945		12,710
Series 2009 B-2	0 *	2025–2031	22,000			22,000
Series 2011 A	4	2017	2,110	2,110		
Series 2011 B	5	2018–2026	83,680	5,370		78,310
Series 2016 A	3–5	2018–2019	19,565	7,135		12,430
Series 2016 B	3–5	2019–2032	124,380			124,380
Series 2016 C	1.1–3.32	2018–2032	6,180	65		6,115
Total			587,790	295,245		292,545
Intermediate lien:						
Series 2010 A	4	2017	1,100	1,100		
Series 2010 B	4.25–5	2018–2040	210,895	4,695		206,200
Series 2010 C	5	2018–2024	115,190	12,055		103,135
Series 2012 A	3–5	2018–2033	323,415	10,200		313,215
Series 2012 B	3–5	2018–2024	125,435	13,540		111,895
Series 2012 C	2.06	2017	7,050	7,050		
Series 2013	4.5–5	2022–2029	127,155			127,155
Series 2015 A	3–5	2018–2040	72,010			72,010
Series 2015 B	5	2018–2035	272,005	16,815		255,190
Series 2015 C	5	2018–2040	225,475	2,975		222,500
Series 2016	4–5	2025–2030	99,095			99,095
Series 2017 A	5	2027–2028			16,705	16,705
Series 2017 B	1.5–3.76	2018–2036		1,880	264,925	263,045
Series 2017 C	5–5.25	2019–2042			313,305	313,305
Series 2017 D	5	2018–2027			93,230	93,230
Total			1,578,825	70,310	688,165	2,196,680
Subordinate lien:						
Series 1997	1.44 **	2022	64,940	18,915		46,025
Series 1999 A	5.5	2018–2020	53,175	12,245		40,930
Series 2008	1.44 **	2033	184,495	8,475		176,020
Commercial paper	1.3	2018	29,655	10,000		19,655
Total			332,265	49,635		282,630
Revenue bond totals			\$ 2,498,880	\$ 415,190	\$ 688,165	\$ 2,771,855

(Continued)

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

** Variable interest rates as of December 31, 2017.

Bond type (by Bond issue)	Coupon rates (%)	Maturity dates	Beginning balance	Principal payments and refundings	Issuance	Ending balance
General obligation bonds:						
Series 2004 C	5.25	2018–2019	\$ 9,715	\$ 3,075	\$	\$ 6,640
Series 2011	5.25–5.75	2018–2025	49,665	4,555		45,110
Series 2013 A	4–5	2021–2023	27,630			27,630
Series 2013 B	1.22–2.77	2018–2025	44,410	9,935		34,475
Series 2015	4–5	2018–2040	152,200	5,040		147,160
Series 2017	5	2018–2042			127,345	127,345
Total			283,620	22,605	127,345	388,360
Passenger facility charge revenue bonds:						
Series 1998 A	5.5	2018–2019	31,020			31,020
Series 2010 A	5	2020–2023	79,770	13,220		66,550
Total			110,790	13,220		97,570
Fuel Hydrant special facility revenue bonds:						
Series 2013	3.45–5	2018–2033	79,460	3,325		76,135
Total			79,460	3,325		76,135
Bond totals			2,972,750	454,340	815,510	3,333,920
Unamortized bond premium—net			203,434			275,356
Total debt			3,176,184			3,609,276
Less current maturities of long-term debt:						
First lien revenue bonds			(19,090)			(19,425)
Intermediate lien revenue bonds			(68,430)			(79,095)
Subordinate lien revenue bonds			(41,900)			(32,575)
General obligation bonds			(22,605)			(25,970)
Passenger facility charge revenue bonds			(13,220)			(15,095)
Fuel Hydrant special facility revenue bonds			(3,325)			(3,490)
Total current maturities of long-term debt			(168,570)			(175,650)
Long-term debt			\$ 3,007,614			\$ 3,433,626

(Concluded)

Revenue Bonds

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

In June 2018, the Port issued \$555,640,000 in Series 2018AB Intermediate Lien Revenue Bonds. Series 2018A and 2018B, \$470,495,000 and \$85,145,000, respectively, are being used to pay for or reimburse costs of capital improvements to Airport facilities, and to pay a portion of the interest on the 2018A and 2018B bonds during construction. A portion of each bond Series was also used to pay the costs of issuing the bonds and to contribute to the Intermediate Lien Common Reserve Fund. The bonds have coupon rates ranging from 3.85% to 5.00%, with maturities ranging from 2019 to 2043. The interest on the Series 2018 Intermediate Lien Bonds is payable on May 1 and November 1 of each year, commencing on November 1, 2018. Certain maturities of Series 2018A Bonds are subject to optional redemption by the Port prior to their scheduled maturities and certain maturities are also subject to mandatory sinking fund redemption. Series 2018B Bonds are not subject to redemption prior to their scheduled maturities.

In August 2017, the Port issued \$688,165,000 in Series 2017ABCD Intermediate Lien Revenue and Refunding Bonds. Series 2017A, \$16,705,000, was used to fully refund the outstanding Series 2009A First Lien Revenue Bonds. Series 2017B, \$264,925,000, was used to partially refund the outstanding 2009B-1 First Lien Revenue Bonds. Series 2017C and 2017D, \$313,305,000 and \$93,230,000, respectively, are being used to pay for or reimburse costs of capital improvements to Airport facilities, and to pay a portion of the interest on the 2017C and 2017D bonds during construction. A portion of each bond Series was also used to pay the costs of issuing the bonds and to contribute to the Intermediate Lien Common Reserve Fund. The bonds have coupon rates ranging from 1.27% to 5.25%, with maturities ranging from 2017 to 2042. The interest on the Series 2017 Intermediate Lien Bonds is payable on May 1 and November 1 of each year, commencing on November 1, 2017. Certain maturities of Series 2017ABC Bonds are subject to optional redemption by the Port prior to their scheduled maturities and certain maturities of the Series 2017B and Series 2017C are also subject to mandatory sinking fund redemption. Series 2017D Bonds are not subject to redemption prior to their scheduled maturities. The economic gain resulting from the 2009AB refunding transaction was \$80,792,000, while the Port also decreased its aggregate debt service payments by \$133,778,000 over the life of the refunding bonds.

Capital Appreciation Revenue Bonds

During July 2009, the Port issued \$22,000,000 in Series 2009B-2 Taxable Capital Appreciation Revenue Bonds. Interest on the 2009B-2 Bonds is compounded semiannually but is payable only upon maturity. As of December 31, 2018 and 2017, the accreted value of the Series 2009B-2 Taxable Capital Appreciation Revenue Bonds was \$43,751,000 and \$40,684,000, respectively, and the ultimate accreted value of \$83,600,000 will be reached at final maturity in 2031.

Subordinate Lien Variable Rate Demand Bonds

Included in long-term debt are two Subordinate Lien Variable Rate Demand Bonds (VRDB), Series 1997 and Series 2008, which contain a "put" feature that allows bondholders to demand payment before the maturity of the debt upon proper notice to the Port's remarketing or paying agents. Variable rate interest for these bonds was determined through a weekly remarketing process in which the remarketing agent resets the rate based on market supply and demand for the bonds.

- *Series 1997 VRDB*—In 1997, the Port issued \$108,830,000 in Series 1997 Subordinate Lien Revenue Bonds that have a final maturity date of September 1, 2022. The bonds are subject to mandatory tender for purchase and to optional redemption prior to their scheduled maturity. The proceeds of the issuance were used to pay a portion of the costs of acquisitions of the Port's marine facilities and to pay costs of issuing the Series 1997

Bonds. The bonds bear interest at a weekly rate and are subject to purchase on demand with seven days' notice and delivery to the Port's remarketing agent, currently Morgan Stanley & Co., Inc., who receives an annual fee of 0.065% of the outstanding principal amount of the bonds.

On January 14, 2011, the Port entered into a letter of credit (LOC) reimbursement agreement with Bank of America in the amount of \$110,082,000. In October 2018, the Port extended the LOC with Bank of America from October 30, 2018, through September 1, 2022, when the bonds mature. The Port is required to pay a quarterly facility fee for the LOC at a rate of 0.39% per annum based on the size of the commitment, which as of December 31, 2018, has decreased to \$37,790,000 as the Port continues to make early principal payments on the bonds. If a long-term debt rating to any Subordinate Lien Parity Bonds assigned by S&P, Moody's, or Fitch is lowered, the facility fee will increase for credit ratings below A2/A.

If the remarketing agent is unable to resell any bonds that are "put" within six months of the "put" date and the Port has not replaced the LOC or converted the bonds, the Port has a takeout agreement with Bank of America to convert the bonds to an installment loan payable in 10 equal semiannual installments and bearing an interest rate of no less than 8.5%.

In September 2018 and July 2017, the Port made early principal payments of \$8,665,000 and \$18,915,000, respectively, to outstanding Series 1997 VRDB.

- *Series 2008 VRDB*—In 2008, the Port issued \$200,715,000 in Series 2008 Subordinate Lien Revenue Refunding Bonds that have a final maturity date of July 1, 2033. The bonds are subject to mandatory tender for purchase and to optional redemption prior to their scheduled maturity. The proceeds of the issuance were used to fully refund Series 2003C Subordinate Lien Revenue Bonds and to pay the costs of issuing the Series 2008 Bonds. The bonds bear interest at a weekly rate and are subject to purchase on demand with seven days' notice and delivery to the Port's remarketing agent, currently Morgan Stanley & Co., Inc., who receives an annual fee of 0.065% of the outstanding principal amount of the bonds.

On June 1, 2013, the Port entered into a LOC agreement with Bank of Tokyo-Mitsubishi UFJ (Bank of Tokyo) in the amount of \$204,212,000 that was later extended through June 2, 2020. The Port is required to pay a quarterly facility fee for the LOC in the amount of 0.45% per annum based on the size of the commitment, which as of December 31, 2018, has decreased to \$170,205,000 as principal payments have been made on the bonds. If a long-term debt rating to any Subordinate Lien Parity Bonds assigned by S&P, Moody's, or Fitch is lowered, the facility fee will increase for credit ratings below A2/A-.

If the remarketing agent is unable to resell any bonds that are "put" within six months of the "put" date, the Port has a takeout agreement with Bank of Tokyo to convert the bonds to an installment loan payable in equal quarterly installments over a five-year period and bearing an interest rate no less than 8.5%.

In September 2018 and 2017, the Port made early principal payments of \$8,730,000 and \$8,475,000, respectively, to outstanding Series 2008 VRDB.

There were no borrowings drawn against either LOC during 2018 and 2017; therefore, there were no outstanding obligations to either LOC provider at December 31, 2018 and 2017.

Commercial Paper

The Commission authorized the sale of Subordinate Lien Revenue Notes (commercial paper) in an aggregate principal amount not to exceed \$250,000,000 for the purpose of financing and refinancing capital improvements within the Port, for working capital, and for paying maturing revenue notes of the same series and/or reimbursing the credit providers for advances made. The Port issued \$100.0 million in commercial paper in 2018, to provide working capital liquidity and to help finance capital improvements at the Airport. Commercial paper advances outstanding totaled \$118,655,000 and \$19,655,000 at December 31, 2018 and 2017, respectively. Commercial paper advances are included in current maturities of long-term debt on the Statement of Net Position.

General Obligation Bonds

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

In March 2017, the Port issued \$127,345,000 in Series 2017 Limited Tax GO Bonds, which were used to reimburse the Port and provide long-term funding for the Port's final 2016 contractual payments, totaling \$147,700,000, to WSDOT for the SR 99 Alaskan Way Viaduct Replacement Program, and to pay the costs of issuing the bonds. The bonds have coupon rates of 5% with maturities ranging from 2018 to 2042. The interest on the Series 2017 GO Bonds is payable on July 1 and January 1 of each year, commencing on July 1, 2017. Certain maturities of the Series 2017 GO Bonds are subject to optional redemption by the Port prior to their scheduled maturities.

PFC Revenue Bonds

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

PFC Revenue Bonds in the amount of \$82,475,000 and \$97,570,000 were outstanding as of December 31, 2018 and 2017, respectively.

Fuel Hydrant Special Facility Revenue Bonds

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

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

Proceeds from the bonds are held by the Trustee. At December 31, 2018 and 2017, there were \$9,836,000 and \$9,683,000, respectively, of Fuel Hydrant Special Facility Revenue Bonds proceeds and rent payments held for debt service reserve fund and debt service payments. The unspent bond proceeds were reported as current restricted cash and cash equivalents and restricted long-term investments. Additional information on the investment of the unspent bond proceeds of the Fuel Hydrant Special Facility Revenue Bonds can be found in Note 2 in the accompanying Notes to Financial Statements.

Fuel Hydrant Special Facility Revenue Bonds in the amount of \$72,645,000 and \$76,135,000, respectively, were outstanding as of December 31, 2018 and 2017.

Arbitrage Rebate

The Port monitors the existence of any rebatable arbitrage interest income associated with its tax-exempt debt. The rebate is based on the differential between the interest earnings from the investment of the bond proceeds and the interest expense associated with the respective bonds. Each outstanding bond issue has potential arbitrage rebatable earnings; however, management estimates indicated that no arbitrage rebate liability existed as of December 31, 2018 and 2017.

Capitalized Interest

Interest expense costs capitalized were \$19,299,000 and \$9,536,000 as of December 31, 2018 and 2017, respectively.

Schedule of Debt Service

Aggregate annual payments on Revenue Bonds, GO Bonds, PFC Bonds, Fuel Hydrant Special Facility Revenue Bonds, and commercial paper outstanding at December 31, 2018 are as follows (in thousands):

	Principal	Interest	Total
2019	\$ 291,730	\$ 168,328	\$ 460,058
2020	194,105	159,502	353,607
2021	208,740	150,161	358,901
2022	249,280	140,151	389,431
2023	211,945	129,666	341,611
2024–2028	876,642	546,354	1,422,996
2029–2033	925,273	337,147	1,262,420
2034–2038	512,290	141,482	653,772
2039–2043	345,165	34,285	379,450
Total	\$ 3,815,170	\$ 1,807,076	\$ 5,622,246

Note 6. Conduit Debt

The Port has conduit debt obligations totaling \$74,725,000 at December 31, 2018 and 2017, which are not a liability or contingent liability of the Port. The Port has not recorded these obligations, or the related assets, on the accompanying financial statements, as the Port has no obligation for the outstanding bonds beyond what is provided in the leasing arrangements.

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

Note 7. Long-Term Liabilities

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

	Beginning balance	Additions	Reductions	Ending balance	Current portion	Long-term portion
2018						
Net pension liability	\$ 87,954	\$ 7,498	\$ (29,300)	\$ 66,152	\$	\$ 66,152
Environmental remediation liability ^(a)	51,543	55,427	(13,682)	93,288	25,833	67,455
Bonds interest payable	18,683	3,067		21,750		21,750
Total OPEB liability ^(b)	17,627	977	(1,865)	16,739		16,739
Lease securities and other	6,187	1,142	(1,098)	6,231		6,231
Total	\$181,994	\$ 68,111	\$ (45,945)	\$204,160		
2017						
Net pension liability	\$107,596	\$ 5,435	\$ (25,077)	\$ 87,954	\$	\$ 87,954
Environmental remediation liability ^(a)	55,088	19,691	(23,236)	51,543	18,526	33,017
Bonds interest payable	15,832	2,851		18,683		18,683
Total OPEB liability	10,424	667	(789)	10,302		10,302
Lease securities and other	5,106	1,378	(297)	6,187		6,187
Total	\$194,046	\$ 30,022	\$ (49,399)	\$174,669		

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

(b) In 2018, beginning balance was adjusted due to the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), a replacement of GASB No. 45, which required sponsoring employer to record total OPEB liability on the balance sheet.

Note 8. Enterprise Fund Pension Plans

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

Public Employees' Retirement System (PERS)

Plan Description

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

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

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

Vesting

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

Benefits Provided

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

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

Contributions

Each biennium, the Washington State Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. The PERS Plan 1 member contribution rate is established by statute. The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary (OSA) to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarial accrued liability. PERS Plan 3 members can choose their contribution from six contribution rate options

ranging from 5% to 15%. Once an option has been selected, the employee contribution rate choice is irrevocable unless the employee changes employers. All employers are required to contribute at the level established by the legislature.

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

	Effective date	PERS Plan 1	PERS Plan 2	PERS Plan 3
2018				
Port	Jan 1 to Dec 31	12.52%	12.52%	12.52%
Plan member	Jan 1 to Dec 31	6.00	7.38	varies
2017				
Port	Jan 1 to Jun 30	11.00%	11.00%	11.00%
	Jul 1 to Dec 31	12.52	12.52	12.52
Plan member	Jan 1 to Jun 30	6.00	6.12	varies
	Jul 1 to Dec 31	6.00	7.38	varies

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

	PERS Plan 1	PERS Plan 2/3
2018	\$ 173	\$ 13,920
2017	151	12,882
2016	164	10,979

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

Plan Description

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

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

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

Vesting

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

Benefits Provided

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

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

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

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

Contributions

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

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

	Effective date	LEOFF Plan 2 (Fire fighters)	LEOFF Plan 2 (Police officers)
2018			
Port	Jan 1 to Dec 31	5.25%	8.75%
Plan member	Jan 1 to Dec 31	8.75	8.75
2017			
Port	Jan 1 to Jun 30	5.05%	8.41%
	Jul 1 to Dec 31	5.25	8.75
Plan member	Jan 1 to Jun 30	8.41	8.41
	Jul 1 to Dec 31	8.75	8.75

For the years ended December 31, 2018, 2017, and 2016, the Port's employer contributions, excluding administrative expenses, made to the LEOFF Plan 2 were \$1,837,000, \$1,723,000, and \$1,663,000, respectively.

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

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

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2018				
Port's proportionate share of the net pension (liability) asset	\$ (38,752)	\$ (18,467)	\$ 1,382	\$ 20,851
State's proportionate share of the net pension asset associated with the Port				13,501
Total	\$ (38,752)	\$ (18,467)	\$ 1,382	\$ 34,352

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2017				
Port's proportionate share of the net pension (liability) asset	\$ (40,683)	\$ (37,149)	\$ 1,144	\$ 15,053
State's proportionate share of the net pension asset associated with the Port				9,765
Total	\$ (40,683)	\$ (37,149)	\$ 1,144	\$ 24,818

For the years ended December 31, 2018 and 2017, the net pension asset (liability) was measured as of June 30, 2018, and June 30, 2017, respectively, and the total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation as of June 30, 2017, and June 30, 2016, respectively. The Port's proportion of the net pension asset (liability) was based on a projection of the Port's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, and the state support for LEOFF Plan 2 only, actuarially determined.

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

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2018	0.87%	1.08%	0.08%	1.03%
2017	0.86	1.07	0.08	1.08
Increase (decrease) from 2017 to 2018	0.01%	0.01%	%	(0.05)%

For the years ended December 31, 2018, 2017, and 2016, the Port's total operating revenues included (\$1,234,000), (\$391,000), and \$595,000, respectively, for support provided by the State for LEOFF Plan 2, along with the following pension expenses (in thousands):

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2018	\$ 3,890	\$ (138)	\$ (232)	\$ (3,144)
2017	4,051	5,503	(199)	(1,024)
2016	(50)	7,372	(105)	1,534

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

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2018				
Deferred Outflows of Resources				
Differences between expected and actual experience	\$	\$ 2,264	\$	\$ 1,117
Changes of assumptions		216		11
Changes in proportion and differences between Port contributions and proportionate share of contributions		2,002		778
Port contributions subsequent to the measurement date	2,921	4,213		941
Total deferred outflows of resources	\$2,921	\$ 8,695	\$	\$ 2,847
Deferred Inflows of Resources				
Differences between expected and actual experience	\$	\$ 3,233	\$	\$ 484
Changes of assumptions		5,256		2,993
Net difference between projected and actual earnings on pension plan investments	1,540	11,332	112	3,649
Changes in proportion and differences between Port contributions and proportionate share of contributions		739		501
Total deferred inflows of resources	\$ 1,540	\$ 20,560	\$ 112	\$ 7,627
2017				
Deferred Outflows of Resources				
Differences between expected and actual experience	\$	\$ 3,764	\$	\$ 662
Changes of assumptions		395		18
Changes in proportion and differences between Port contributions and proportionate share of contributions		2,441		249
Port contributions subsequent to the measurement date	2,942	4,244		885
Total deferred outflows of resources	\$ 2,942	\$ 10,844	\$	\$ 1,814
Deferred Inflows of Resources				
Differences between expected and actual experience	\$	\$ 1,222	\$	\$ 571
Net difference between projected and actual earnings on pension plan investments	1,518	9,903	106	3,380
Changes in proportion and differences between Port contributions and proportionate share of contributions		1,354		592
Total deferred inflows of resources	\$ 1,518	\$ 12,479	\$ 106	\$ 4,543

Deferred outflows of resources related to Port contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability or an increase of the net pension asset in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized as pension expense as follows (in thousands):

Years ended December 31,	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 1	LEOFF Plan 2
2019	\$ 67	\$ (1,924)	\$	\$ (429)
2020	(337)	(3,539)	(25)	(975)
2021	(1,010)	(6,574)	(69)	(2,116)
2022	(260)	(2,206)	(18)	(830)
2023		(588)		(312)
Thereafter		(1,247)		(1,059)
Total	\$ (1,540)	\$ (16,078)	\$ (112)	\$ (5,721)

Actuarial Assumptions

The total pension asset (liability) was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the OSA's 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

- *Inflation*—A 2.75% total economic inflation and a 3.50% salary inflation were used.
- *Salary increases*—In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- *Mortality*—Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.
- *Investment rate of return*—The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best-estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain three pieces of information for each class of assets the WSIB currently invests in: (1) expected annual return, (2) standard deviation of the annual return, and (3) correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The OSA selected a 7.4% long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected returns the WSIB provided.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2018, are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Fixed income	20%	1.7%
Tangible assets	7	4.9
Real estate	18	5.8
Global equity	32	6.3
Private equity	23	9.3
Total	100%	

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

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

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

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

	1% Decrease (6.4%)	Current discount rate (7.4%)	1% Increase (8.4%)
PERS Plan 1	\$ (47,624)	\$ (38,752)	\$ (31,067)
PERS Plans 2/3	(84,469)	(18,467)	35,647
LEOFF Plan 1	1,099	1,382	1,625
LEOFF Plan 2	2,773	20,851	35,596

Payables to the PERS and LEOFF Plans

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

	PERS Plan 1	PERS Plan 2/3	LEOFF Plan 2
2018	\$ 630	\$ 945	\$ 250
2017	351	515	127

Pension Plan Fiduciary Net Position

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

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

Department of Retirement Systems
P.O. Box 48380
Olympia, WA 98504-8380
www.drs.wa.gov

Note 9. Postemployment Benefits Other than Pensions

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

Plan Descriptions

The Port administers and contributes to two single-employer defined benefit plans: (1) LEOFF Plan 1 Members' Medical Services Plan and (2) Retirees Life Insurance Plan. Under State statute RCW 41.26.150, the Port is required to pay for retired LEOFF Plan 1 members' medical services expenses. Under the Port's life insurance contract, eligible retired employees are provided with life insurance coverage for a death benefit up to \$25,000. The Port can establish and amend benefit provisions of the life insurance OPEB plan. There are no separate OPEB plan-related financial reports issued. Both plans do not have assets accumulated in a trust or equivalent arrangement.

At December 31, 2018, the following employees were covered by the plans:

	LEOFF Plan 1 Members' Medical Services Plan	Retirees Life Insurance Plan
Inactive employees or beneficiaries currently receiving benefit payments	33	
Inactive employees entitled to but not yet receiving benefit payments		427
Active employees		1,060
Total	33	1,487

Contributions

For the LEOFF Plan 1 Members' Medical Services Plan, the State establishes and may amend the contribution requirements of plan members and the Port. The LEOFF Plan 1 was closed on September 30, 1977, to new entrants. The contribution requirements of the Retirees Life Insurance Plan are established and may be amended by the Port. For both plans, the Port is required to contribute on a pay-as-you-go basis. The Port's contributions to the LEOFF Plan 1 Members' Medical Services Plan and Retirees Life Insurance Plan were \$525,000 and \$337,000, respectively, for the year ended December 31, 2018. Plan participants are not required to contribute to either plan.

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

The total OPEB liability for LEOFF Plan 1 Members' Medical Services Plan was calculated as of December 31, 2018, using the Alternative Measurement Method. The total OPEB liability for the Retirees Life Insurance Plan was determined by an actuarial valuation as of January 1, 2018. As of December 31, 2018, the Port's total OPEB liability was \$16,739,000 for both plans. For the year ended December 31, 2018, the total OPEB expense was \$844,000 for both plans. At December 31, 2018, total deferred inflows of resources resulting from changes of assumptions were \$869,000, which will be amortized as OPEB expense as follows (in thousands):

Years ended December 31,

2019	\$	(134)
2020		(134)
2021		(134)
2022		(134)
2023		(134)
Thereafter		(199)
Total	\$	(869)

Actuarial Methods and Assumptions

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

- *Mortality*—Life expectancies were based on mortality tables from the National Vital Statistics Reports, Volume 67, No. 7, November 13, 2018. The Life Table for Males: U.S. 2015 was used.
- *Healthcare cost trend rate*—The expected rate of increase in healthcare expenditure was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 5.8% was used initially, but was changed slightly to an average rate of 6.1% after seven years.
- *Health insurance premiums*—2018 health insurance premiums for retirees, adjusted by the 2019 rate from the National Health Expenditures Projections 2010–2026 Table 1, were used as the basis for calculation of the present value of total benefits to be paid.
- *Discount rate*—An average index rate of 3.7% as of December 31, 2018, for 20-year general obligation municipal bonds with an average rating of AA was used.
- *Inflation rate*—No explicit inflation rate assumption was used as this underlying assumption was already included in the healthcare cost trend rate.

For the Retirees Life Insurance Plan, an actuarial valuation was performed as of January 1, 2018, and update procedures were used to roll forward total OPEB liability to December 31, 2018, by using the Entry Age Normal Cost Method. The valuation is prepared on the projected benefit basis. The present value of each participant's expected benefit payable at retirement or termination is determined, based on age, gender, compensation, and the interest rate assumed to be earned in the future. The calculations take into account the probability of a participant's death or termination of employment prior to becoming eligible for a benefit. Future salary increases are also anticipated. The present value of the expected benefits payable on account of the active participants is added to the present value of the expected future payments to retired participants to obtain the present value of all expected benefits payable from the Plan on account of the present group of participants.

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

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

- *Mortality*—Fully generational mortality based on the RP-2014 tables with no collar adjustments. Mortality rates are improved annually with two-dimensional Scale MP-2016.
- *Salary increases*—An estimated payroll growth of 3.5% per year was used.
- *Discount rate*—An average index rate of 3.7% as of December 30, 2018, for 20-year general obligation municipal bonds with an average rating of AA was used.

Change in Total OPEB Liability

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

	LEOFF Plan 1 Members' Medical Services Plan	Retirees Life Insurance Plan
Service cost	\$	\$ 286
Interest expense	240	343
Changes of assumptions	107	(1,003)
Employer contributions	(525)	(336)
Net changes	(178)	(710)
Total OPEB liability beginning of year, as previously reported	7,146	3,156
Cumulative effective of GASB Statement No. 75	86	7,239
Total OPEB liability beginning of year, as adjusted	7,232	10,395
Total OPEB liability end of year	\$ 7,054	\$ 9,685

For the LEOFF Plan 1 Members' Medical Services Plan, changes in assumptions reflect a slight increase of expected healthcare cost as of December 31, 2018.

For the Retirees Life Insurance Plan, changes of assumptions reflect a change in the discount rate to 3.7% as of December 31, 2018, and updating the demographic assumptions to reflect the current State of Washington actuarial assumptions.

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

The following presents the total OPEB liability of the plans, calculated using the discount rate of 3.7%, as well as what the total OPEB liability would be if it were calculated using a plus or minus 1% of the current discount rate (in thousands):

	1% Decrease (2.7%)	Current discount rate (3.7%)	1% Increase (4.7%)
LEOFF Plan 1 Members' Medical Services Plan	\$ 7,586	\$ 7,054	\$ 6,576
Retirees Life Insurance Plan	11,391	9,685	8,331

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

The following presents the total OPEB liability of the plans, calculated using the healthcare cost trend rates of 5.8%, as well as what the total OPEB liability would be if it were calculated using a plus or minus 1% of the current discount rate (in thousands):

	1% Decrease (4.8%)	Healthcare cost trend rate (5.8%)	1% Increase (6.8%)
LEOFF Plan 1 Members' Medical Services Plan	\$ 6,644	\$ 7,054	\$ 7,499

Note 10. Environmental Remediation Liability

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

Lower Duwamish Waterway Superfund Site (the Site)

The Port is one of many PRPs at the Site and is a member of the Lower Duwamish Waterway Group, along with King County, the City of Seattle, and the Boeing Company, that, among other remedial actions, funded the Remedial Investigation and Feasibility Study (RI/FS). The RI/FS study was substantially completed and the Port's share of RI/FS costs through 2018 was \$19,796,000. In November 2014, the Environmental Protection Agency (EPA) released a Record of Decision (ROD) for the Site cleanup remedy. The ROD included a cleanup cost estimate of \$342 million (present value discounted at 2.3% based on a study completed in 2012); the undiscounted cost estimate calculated at the time was \$395 million. EPA also estimated the range of potential remedy costs from \$277 million to \$593 million. EPA acknowledged there is significant uncertainty as to the accuracy of its cost estimates. A more accurate estimate will not be available until after completion of an extensive sampling and design effort. This project will result in additional cleanup efforts related to implementation of EPA's Site ROD.

In November 2012, the EPA issued general notification letters to over 200 parties informing them of their potential liability for the Lower Duwamish Waterway cleanup. The Lower Duwamish Waterway Group, who were the parties to the RI/FS Administrative Order on Consent, invited some of those parties to participate in a confidential alternative dispute resolution process led by a neutral allocator (the allocation process) to resolve their respective shares of past and future costs. As of December 31, 2018, the allocation process is ongoing. Parties participating in the allocation process will share the cost of the allocator and the process. The estimated recoveries to reduce the amount of liability are unknown at this time. As of December 31, 2018 and 2017, the Port's outstanding environmental remediation liability recorded for this Site was \$10,165,000 and \$5,085,000, respectively.

The Port has in place a procedure consistent with current accounting rules to recognize liability for environmental cleanups, to the extent that such liability can be reasonably estimated. As of December 31, 2018 and 2017, the Port's environmental remediation liability was \$93,288,000 and \$51,543,000, respectively, based on reasonable and supportable assumptions, measured at current value using the expected cash flow technique. The Port is in ongoing settlement negotiations regarding NRD and in 2018 recorded, as a special item, a \$34,923,000 environmental expense reflecting the cost to construct a habitat restoration project. The Port anticipates recovering some or all of this cost from other PRPs following its settlement, though the timing of such recovery is unknown. The Port's environmental remediation liability does not include cost components that are not yet reasonably measurable, and the liability will change over time due to changes in costs of goods and services, changes in remediation technology, and changes in governing laws and regulations.

In many cases, the Port has successfully recovered Port-incurred investigation and cleanup costs from other responsible parties. The Port will continue to seek appropriate recoveries in the future. As of December 31, 2018 and 2017, the environmental remediation liability was reduced by \$28,173,000 and \$14,432,000, respectively, for estimated unrealized recoveries.

Note 11. Contingencies

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

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

Note 12. Commitments

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

	2018	2017
Funds committed:		
Aviation	\$ 271,112	\$ 796,022
Maritime	3,361	5,800
Economic Development	1,523	1,882
Central Services	863	171
Stormwater Utility	229	793
Total	\$ 277,088	\$ 804,668

As of December 31, 2018 and 2017, the Port also made commitments of \$5,963,000 and \$656,000, respectively, for acquisition and construction for the NWSA. However, this amount was not included in the schedule above as the Port expects to be reimbursed by the NWSA once the construction expenditure is incurred for the NWSA.

In addition, as of December 31, 2018 and 2017, funds authorized by the Port but not yet committed for all divisions amounted to \$1,750,494,000 and \$316,571,000, respectively.

Note 13. Joint Venture

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

	2018	2017
Total assets	\$ 342,152	\$ 268,591
Deferred outflows of resources	1,652	481
Total liabilities	58,547	61,195
Deferred inflows of resources	1,258	349
Total net position	\$ 283,999	\$ 207,528

	2018	2017	2016
Operating revenues	\$ 192,574	\$ 194,985	\$ 195,170
Operating expenses	82,827	83,715	79,732
Operating income before depreciation	109,747	111,270	115,438
Depreciation	6,305	2,180	532
Nonoperating income—net	8,543	761	8,262
Increase in net position	\$ 111,985	\$ 109,851	\$ 123,168

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

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

The home ports share the NWSA's change in net position and distribution of operating cash equally. In 2018 and 2017, the Port's 50% share of the NWSA's change in net position was \$55,992,000 and \$54,925,000, respectively, presented in the Port's Statement of Revenues, Expenses, and Changes in Net Position as joint venture income. Distribution of operating cash from the NWSA is generally received in the following month. The Port's receivable for cash distributions earned through December 31, 2018 and 2017 was \$3,790,000 and \$5,070,000, respectively, and presented in the Port's Statement of Net Position as related party receivable—joint venture.

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

	2018	2017
Working capital	\$ 25,500	\$ 25,500
Capital construction	104,294	62,630
Construction work in progress	7,887	7,887
50% share of the NWSA's changes in net position	172,502	116,510
Distribution of operating cash	(168,692)	(109,272)
Total investment in joint venture	\$ 141,491	\$ 103,255

As of December 31, 2018 and 2017, land, facilities, and equipment—net of accumulated depreciation licensed to the NWSA by the Port were \$803,097,000 and \$819,694,000, with related depreciation expense of \$16,599,000 and \$17,917,000, respectively. As of December 31, 2018 and 2017, the Port's total debt on licensed assets was \$342,060,000 and \$378,356,000, respectively.

During 2018 and 2017, the Port's 50% share of capital construction expenditures were \$41,663,000 and \$34,561,000, of which \$3,459,000 and \$4,155,000 were unpaid and included in the Port's Statement of Net Position as related party payable—joint venture as of December 31, 2018 and 2017, respectively. Additionally, \$3,777,000 and \$269,000 of pass-through TIGER grants, reimbursable expenditures from the Port of Seattle to the NWSA relating to capital modernization improvements spent on Terminal 46, were unpaid by the Department of Transportation as of December 31, 2018 and 2017, respectively. This amount was included in related party payable—joint venture.

A broad spectrum of support services such as maintenance, security, public affairs, capital development, procurement, labor relations, environmental planning, information technology, finance, and accounting are provided by service agreements between the NWSA and the home ports during the start-up and transition period as the NWSA continues to set up its efforts in building the back office infrastructure and staffing open positions. Costs for these services are charged by the home ports to the NWSA based on agreed-upon methodologies including direct charge and allocation. In 2018 and 2017, support services provided by the Port to the NWSA were \$7,657,000 and \$7,133,000, respectively.

On April 2, 2019, in lieu of completing the required revaluation of Membership Interest pursuant to the NWSA Charter, the Managing Members approved, and the Port of Seattle Commission agreed to an additional contribution from the Port of Seattle to the NWSA of up to \$32,000,000 in recognition that certain forecasted revenue streams in the initial valuation were not secured by long-term contractual agreements. Additionally, the Managing Members authorized the completion of the one-time Membership Interest Affirmation of 50/50 for each home port in satisfaction of the revaluation requirement in the Charter.

Note 14. Business Information

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

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

	2018	2017	2016
Operating revenues	\$ 5,285	\$ 4,985	\$ 4,751
Operating expenses	5,214	4,127	1,710
Operating income before depreciation	71	858	3,041
Depreciation	1,117	1,008	879
Operating (loss) income	\$ (1,046)	\$ (150)	\$ 2,162

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

	2018	2017	2016
Maritime Division	\$ 760	\$ 671	\$ 651
Economic Development Division	330	423	423
Total operating revenues from internal charges	\$ 1,090	\$ 1,094	\$ 1,074

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

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

	2018	2017	2016
Aviation Division:			
Revenues	\$ 205,028	\$ 188,036	\$ 173,154
Number of major customers	2	2	2
Maritime Division:			
Revenues	\$ 13,710	\$ 19,121	\$ 16,660
Number of major customers	1	2	2
Economic Development Division:			
Revenues	\$	\$ 1,946	\$ 1,882
Number of major customers		1	1
Total:			
Revenues	\$ 218,738	\$ 209,103	\$ 191,696
Number of major customers	3	5	5

Two major customers represented 29.7%, 29.8%, and 28.9% of total Port operating revenues in 2018, 2017, and 2016, respectively. For Aviation, revenues from its two major customers accounted for 37.4%, 37.5%, and 37.2% of total Aviation operating revenues in 2018, 2017, and 2016, respectively. For Maritime, revenues from one major customer accounted for 23.8% of total Maritime operating revenues in 2018. Revenues from two major customers accounted for 35.3% and 32.8% of total Maritime operating revenues in 2017 and 2016, respectively. No single major customer represented more than 10% of total Economic Development operating revenues in 2018. In 2017 and 2016, revenues from one major customer accounted for 10.9% and 11.8% of total Economic Development operating revenues, respectively.

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

	2018	2017	2016
Aviation Division:			
Terminal	\$ 163,758	\$ 146,817	\$ 141,549
Airfield	109,749	100,716	88,311
Public parking	80,212	75,106	69,540
Airport dining and retail/Terminal leased space	64,323	58,980	57,253
Rental car	37,306	35,051	37,082
Ground transportation	18,772	15,684	12,803
Customer facility charges	16,263	10,641	12,122
Commercial properties	13,801	16,779	9,195
Utilities	7,206	7,018	7,233
Operating grants and contract revenues	1,634	1,286	941
Other	35,950	32,838	29,227
Total Aviation Division operating revenues	\$ 548,974	\$ 500,916	\$ 465,256
Maritime Division:			
Cruise operations	\$ 18,880	\$ 17,596	\$ 15,422
Recreational boating	12,529	11,086	10,255
Maritime portfolio	11,305	10,787	10,255
Fishing and operations	9,763	9,297	9,108
Grain terminal	5,167	5,426	5,382
Other	(69)	(9)	388
Total Maritime Division operating revenues	\$ 57,575	\$ 54,183	\$ 50,810
Economic Development Division:			
Conference and event centers	\$ 11,703	\$ 9,133	\$ 8,022
Other	9,002	8,658	7,881
Total Economic Development Division operating revenues	\$ 20,705	\$ 17,791	\$ 15,903

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

	2018	2017	2016
Aviation Division:			
Operations and maintenance	\$ 238,676	\$ 227,723	\$ 190,857
Administration	57,438	51,415	51,247
Law enforcement	22,734	19,976	19,122
Total Aviation Division operating expenses	\$ 318,848	\$ 299,114	\$ 261,226
Maritime Division:			
Operations and maintenance	\$ 29,494	\$ 29,033	\$ 27,957
Administration	9,117	8,972	8,203
Law enforcement	4,641	4,159	4,107
Total Maritime Division operating expenses	\$ 43,252	\$ 42,164	\$ 40,267

(Continued)

	2018	2017	2016
Economic Development Division:			
Operations and maintenance	\$ 22,459	\$ 20,213	\$ 16,921
Administration	5,018	4,998	4,042
Law enforcement	174	186	172
Total Economic Development Division operating expenses	\$ 27,651	\$ 25,397	\$ 21,135

(Concluded)

Statement of Revenues, Expenses, and Changes in Net Position by Division, excluding the Stormwater Utility, for the years ended December 31 are as follows (in thousands):

	2018	2017	2016
Aviation Division:			
Net operating income before depreciation	\$ 230,126	\$ 201,802	\$ 204,030
Depreciation	124,203	124,403	122,499
Operating income	105,923	77,399	81,531
Nonoperating income (expense):			
Passenger facility charge revenues	94,070	88,389	85,570
Customer facility charge revenues	21,802	25,790	24,715
Noncapital grants and donations	1,017	4,222	1,706
Fuel hydrant facility revenues	6,942	7,000	6,992
Investment income—net	22,535	9,851	6,875
Revenue bonds, capital appreciation bond, and fuel hydrant special facility revenue bonds interest expense	(92,475)	(89,568)	(94,581)
PFC revenue bonds interest expense	(4,368)	(4,931)	(5,251)
Public expense	(2,757)	(3,349)	(3,395)
Environmental income—net	108	98	2,272
Other expense—net	(7,349)	(16,212)	(2,880)
Total nonoperating income (expense)—net	39,525	21,290	22,023
Income before capital contributions	145,448	98,689	103,554
Capital contributions	41,984	16,575	17,973
Increase in net position in Aviation Division	\$ 187,432	\$ 115,264	\$ 121,527
Maritime Division:			
Net operating income before depreciation	\$ 14,323	\$ 12,019	\$ 10,543
Depreciation	18,022	17,410	17,351
Operating loss	(3,699)	(5,391)	(6,808)
Nonoperating income (expense):			
Ad valorem tax levy revenues	23,240	28,873	11,572
Noncapital grants and donations	502	2,299	2,175
Investment income—net	3,251	2,036	1,397
Revenue bonds interest expense	(781)	(594)	(1,415)
General obligation bonds interest expense	(621)	(646)	(844)
Public expense	(1,001)	(471)	(203)
Environmental expense—net	(10,341)	(4,314)	(1,801)
Other income (expense)—net	5,487	2,266	(2,265)
Total nonoperating income (expense)—net	19,736	29,449	8,616
Income before capital contributions	16,037	24,058	1,808
Capital contributions	1,600	13,525	
Special item—environmental expense	(34,923)		
(Decrease) increase in net position in Maritime Division	\$ (17,286)	\$ 37,583	\$ 1,808

(Continued)

	2018	2017	2016
Economic Development Division:			
Net operating loss before depreciation	\$ (6,946)	\$ (7,606)	\$ (5,232)
Depreciation	3,992	3,863	3,682
Operating loss	(10,938)	(11,469)	(8,914)
Nonoperating income (expense):			
Ad valorem tax levy revenues	1,943	2,246	3,642
Noncapital grants and donations	21	26	26
Investment income—net	192	104	53
Revenue bonds interest expense	(71)	(112)	(132)
General obligation bonds interest expense	(264)	(261)	(289)
Public expense			(2,143)
Environmental expense—net	(366)	(186)	(751)
Other expense—net	(764)	(144)	(6,400)
Total nonoperating income (expense)—net	691	1,673	(5,994)
Loss before capital contributions	(10,247)	(9,796)	(14,908)
Capital contributions	66	12	135
Decrease in net position in Economic Development Division	\$ (10,181)	\$ (9,784)	\$ (14,773)

(Concluded)

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

	2018	2017
Aviation Division:		
Current, long-term, and other assets	\$ 1,419,733	\$ 1,116,803
Land, facilities, and equipment—net	3,898,296	3,861,456
Construction work in progress	848,650	404,833
Total Aviation Division assets	\$ 6,166,679	\$ 5,383,092
Total Aviation Division debt	\$ 3,415,598	\$ 2,864,149
Maritime Division:		
Current, long-term, and other assets	\$ 197,323	\$ 212,549
Land, facilities, and equipment—net	432,638	420,541
Construction work in progress	5,892	8,766
Total Maritime Division assets	\$ 635,853	\$ 641,856
Total Maritime Division debt	\$ 77,338	\$ 90,982
Economic Development Division:		
Current, long-term, and other assets	\$ 42,964	\$ 48,422
Land, facilities, and equipment—net	114,711	119,722
Construction work in progress	1,935	1,895
Total Economic Development Division assets	\$ 159,610	\$ 170,039
Total Economic Development Division debt	\$ 14,343	\$ 14,599

Note 15. Warehousemen’s Pension Trust Fund

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

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

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

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

Summary of Significant Accounting Policies

Basis of Accounting

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

Investments

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

Plan Description

Plan Administration

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

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

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

	2018	2017
Retirees and beneficiaries receiving benefits	133	144
Terminated plan members entitled to but not yet receiving benefits	35	38
Total	168	182

Vesting and Benefits Provided

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

Contributions

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

Investments

Investment Policy

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

Interest Rate Risk

Interest rate risk is the risk that an investment's fair value decreases as market interest rate increases. In general, the longer the duration of an investment, the greater sensitivity of its fair value to changes in market interest rates. Through its investment policy, the Plan manages its exposure to fair value losses from increasing interest rates by investing in a diversified portfolio of index fund and professionally managed mutual funds. For the fixed income mutual funds, the Plan manages its exposure to change in interest rates by investing in intermediate-term bonds. As of December 31, 2018, the average duration for PIMCO Income Fund was 2.0 years. As of December 31, 2018 and 2017, the average duration for Dodge and Cox Fixed Income Fund was 4.3 and 4.2 years, respectively.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk is measured by the assignment of ratings by nationally recognized rating agencies. As of December 31, 2018, the Plan's investment in the PIMCO Income Fund had an average credit quality rating of "A", and Dodge and Cox Fixed Income Fund had an average credit quality rating of "AA" as of December 31, 2018 and 2017.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan had \$2,509,000 and \$2,932,000 in international equity mutual funds that were invested in foreign securities as of December 31, 2018 and 2017, respectively.

Rate of Return

For the year ended December 31, 2018 and 2017, the annual money-weighted rate of return on the Plan investments, net of investment expense, was (6.4%) and 15.4%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

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

The Port's net pension liability related to the Warehousemen's Pension Plan was measured as of December 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. As of December 31, 2018 and 2017, the Port's net pension liability for this Plan was \$8,933,000 and \$10,122,000 respectively. For the year ended December 31, 2018, 2017, and 2016, the Port recognized pension expense of (\$635,000), \$846,000, and \$2,116,000, respectively. At December 31, 2018, total deferred outflows of resources and deferred inflows of resources resulting from the net difference between projected and actual earnings on pension plan investments were \$1,148,000 and \$468,000, respectively. At December 31, 2017, total deferred outflows of resources and deferred inflows of resources resulting from the net difference between projected and actual earnings on pension plan investments were \$357,000 and \$624,000, respectively. The Plan will recognize \$244,000 annually for 2019, \$96,000 for 2020, \$92,000 for 2021, and \$248,000 for 2022 as future pension expense.

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

	2018	2017
Total pension liability	\$ 17,756	\$ 19,996
Plan fiduciary net position	(8,823)	(9,874)
Net pension liability	\$ 8,933	\$ 10,122
Plan fiduciary net position as a percentage of total pension liability	49.7%	49.4%

Changes in Net Pension Liability

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

	Total pension liability	Plan fiduciary net position	Net pension liability
Interest expense	\$ 1,239	\$	\$ 1,239
Employer contributions		1,500	(1,500)
Net investment loss		(611)	611
Difference between expected and actual experience	(1,616)		(1,616)
Benefit payments	(1,863)	(1,863)	
Administrative expense		(49)	49
Professional fees		(28)	28
Net changes	(2,240)	(1,051)	(1,189)
Balances at beginning of year	19,996	9,874	10,122
Balances at end of year	\$ 17,756	\$ 8,823	\$ 8,933

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the Entry Age Normal Cost Method and the following actuarial assumptions, applied to all periods included in the measurement:

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

For each major asset class that is included in the Plan's target asset allocation as of December 31, 2018, these best estimates are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Domestic equities mutual fund	30%	5.7%
International equities mutual fund	30	6.3
Domestic fixed income mutual fund	40	2.9
Total	100%	

- *Discount rate*—A single discount rate of 6.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on the Plan's investments at 6.5% and the tax-exempt municipal bond rate on an index of 20-year GO bonds with an average AA credit rating at 3.7%. The projection of cash flows used to determine this single discount rate assumed the employer contributions will be made at the actuarially determined contribution rates in accordance with the Port's long-term funding policy. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (5.5%)	Current discount rate (6.5%)	1% Increase (7.5%)
Net pension liability	\$ 10,453	\$ 8,933	\$ 7,629

Required Supplementary Information



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

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

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

Schedule of Port of Seattle's Contributions Enterprise Fund Pension Plans ^(a)

Last Five Fiscal Years ^(b) (in thousands)	2018	2017	2016	2015	2014
PERS Plan 1					
Contractually required contribution	\$ 173	\$ 151	\$ 164	\$ 146	\$ 137
Contributions in relation to the contractually required contribution	(173)	(151)	(164)	(146)	(137)
Contribution deficiency (excess)	\$	\$	\$	\$	\$
Port's covered payroll	\$ 1,398	\$ 1,289	\$ 1,490	\$ 1,474	\$ 1,515
Contributions as a percentage of covered payroll	12.37%	11.71%	11.01%	9.91%	9.04%
PERS Plan 2/3					
Contractually required contribution	\$ 13,920	\$ 12,882	\$ 10,979	\$ 9,761	\$ 8,243
Contributions in relation to the contractually required contribution	(13,920)	(12,882)	(10,979)	(9,761)	(8,243)
Contribution deficiency (excess)	\$	\$	\$	\$	\$
Port's covered payroll	\$ 110,897	\$ 109,605	\$ 99,808	\$ 98,556	\$ 91,306
Contributions as a percentage of covered payroll	12.55%	11.75%	11.00%	9.90%	9.03%
LEOFF Plan 2					
Contractually required contribution	\$ 1,837	\$ 1,723	\$ 1,663	\$ 1,596	\$ 1,478
Contributions in relation to the contractually required contribution	(1,837)	(1,723)	(1,663)	(1,596)	(1,478)
Contribution deficiency (excess)	\$	\$	\$	\$	\$
Port's covered payroll	\$ 25,389	\$ 24,355	\$ 23,911	\$ 22,624	\$ 21,022
Contributions as a percentage of covered payroll	7.24%	7.07%	6.95%	7.05%	7.03%

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

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

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

Current Fiscal Year ^(a) (in thousands)	2018
Interest expense	\$ 240
Changes of assumptions	107
Contributions	(525)
Net change in total OPEB liability	(178)
Total OPEB liability—beginning	7,232
Total OPEB liability—ending	\$ 7,054
Covered payroll^(b)	n/a
Total OPEB liability as a % of covered payroll	n/a

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

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

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

Current Fiscal Year ^(a) (in thousands)	2018
Service cost	\$ 286
Interest expense	343
Changes of assumptions	(1,003)
Benefit payments	(336)
Net change in total OPEB liability	(710)
Total OPEB liability—beginning	10,395
Total OPEB liability—ending	\$ 9,685
Covered payroll	\$ 100,356
Total OPEB liability as a % of covered payroll	9.7%

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

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

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

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

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

Schedule of Employer Contributions Warehousemen's Pension Trust Fund ^(a)

Last Ten Fiscal Years (in thousands)

Years ended December 31,	Actuarially determined contribution ^(b)	Actual contribution	Contribution (excess) deficiency
2018	\$ 1,108	\$ 1,500	\$ (392)
2017	1,218	1,500	(282)
2016	1,147	1,500	(353)
2015	1,118	1,500	(382)
2014	1,201	1,500	(299)
2013	1,304	1,500	(196)
2012	1,456	1,500	(44)
2011	1,412	1,500	(88)
2010	1,505	1,500	5
2009	1,659	1,500	159

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

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

Schedule of Investment Returns Warehousemen's Pension Trust Fund

Last Five Fiscal Years ^(a)

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

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

Notes to Required Supplementary Information

Warehousemen’s Pension Trust Fund for the Year Ended December 31, 2018

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule are calculated as of December 31, 2017, for the year of 2018. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	17 years as of January 1, 2018
Asset valuation method	Market value
Investment rate of return	6.5%
Discount rate	6.5%
Retirement age	100% assumed retirement at earliest eligibility age—age 55 for members with at least 10 years of service and age 62 for members with less than 10 years of service.
Mortality	RP-2014 Combined Mortality Table for Males and Females with blue collar adjustment. Margin for future mortality improvement is accounted for by projecting mortality rates with scale MP-2016.
Other information	There were no benefit changes during the year. Employer contributions are determined such that contributions will fund the projected benefits over a closed 16-year funding period as of January 1, 2019.

Statistical Section



Port of Seattle

Statistical Section Narrative and Schedules

This section of the Port's comprehensive annual financial report contains detailed information as a context for understanding what the information in the financial statements and note disclosures present about the Port's overall financial health. Unless otherwise noted, the information in this section is derived from the annual financial reports for the relevant year.

Contents

Financial Trends

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

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

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

Revenue Capacity

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

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

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

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

Debt Capacity

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

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

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

Schedule 8 – Computation of Direct and Overlapping General Obligation Debt, as of December 31, 2018

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

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

Demographic and Economic Information

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

Schedule 11 – Demographic Statistics, Last Ten Fiscal Years

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

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

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

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

Operating Information

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

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

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

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

Schedule 19 – Containerized Volume, Last Ten Fiscal Years

Schedule 20 – Cargo Volume, Last Ten Fiscal Years

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

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

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

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

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

Schedule 1 Net Position by Component

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

Fiscal year	Net investment in capital assets	Restricted	Unrestricted	Total net position
2018 ^(a)	\$ 3,107,766	\$ 377,800	\$ 81,143	\$ 3,566,709
2017	2,716,718	403,685	227,780	3,348,183
2016	2,591,049	343,175	214,123	3,148,347
2015	2,474,130	318,691	314,095	3,106,916
2014 ^(b)	2,424,133	252,005	410,786	3,086,924
2013 ^(b)	2,299,824	241,967	413,924	2,955,715
2012 ^(c)	2,263,999	208,829	464,275	2,937,103
2011 ^(c)	2,328,751	135,664	421,296	2,885,711
2010	2,248,793	127,308	428,273	2,804,374
2009	2,240,259	104,893	406,751	2,751,903

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

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

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

Schedule 2 Changes in Net Position

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

	2018 ^(a)	2017	2016	2015	2014 ^(b)
Operating Revenues:					
Services	\$ 274,174	\$ 260,322	\$ 231,326	\$ 212,612	\$ 195,364
Property rentals	339,304	304,416	291,874	332,696	325,219
Customer facility charge revenues	16,263	10,641	12,121	12,663	13,608
Operating grants and contract revenues	3,657	1,727	1,562	962	298
Joint venture income ^(d)	55,992	54,925	61,584		
Total operating revenues	689,390	632,031	598,467	558,933	534,489
Operating Expenses:					
Operations and maintenance	297,321	282,657	237,964	234,017	228,292
Administration	72,568	65,722	63,456	60,225	56,711
Law enforcement	27,749	24,603	23,865	23,564	21,297
Total operating expenses	397,638	372,982	325,285	317,806	306,300
Net Operating Income					
Before Depreciation	291,752	259,049	273,182	241,127	228,189
Depreciation	164,362	165,021	164,336	163,338	166,337
Operating Income	127,390	94,028	108,846	77,789	61,852
Nonoperating Income (Expense):					
Ad valorem tax levy revenues	71,771	71,702	71,678	72,819	72,801
Passenger facility charge revenues	94,070	88,389	85,570	79,209	69,803
Customer facility charge revenues	21,802	25,790	24,715	23,540	19,889
Noncapital grants and donations	1,573	6,704	6,284	5,358	10,159
Fuel hydrant facility revenues	6,942	7,000	6,992	6,957	6,935
Investment income (loss)—net	26,287	12,174	8,448	9,122	11,202
Revenue and capital appreciation bonds interest expense	(100,432)	(97,748)	(105,567)	(110,128)	(108,910)
Passenger facility charge revenue bonds interest expense	(4,368)	(4,931)	(5,251)	(5,584)	(5,906)
General obligation bonds interest expense	(13,414)	(13,891)	(9,765)	(10,490)	(9,475)
Public expense	(5,269)	(4,588)	(8,560)	(5,023)	(6,854)
Environmental expense—net	(10,600)	(4,464)	(280)	(2,888)	(9,142)
Other (expense) income—net	(3,217)	(10,441)	(12,087)	(23,493)	2,109
Total nonoperating income (expense)—net	85,145	75,696	62,177	39,399	52,611
Income Before Capital Contributions and Special Items					
Contributions and Special Items	212,535	169,724	171,023	117,188	114,463
Capital Contributions	43,650	30,112	18,108	22,804	16,746
Income Before Special Items	256,185	199,836	189,131	139,992	131,209
Special Items:					
SR 99 Viaduct expense ^(e)			(147,700)	(120,000)	
Environmental expense ^(f)	(34,923)				
Increase In Net Position	221,262	199,836	41,431	19,992	131,209
Total Net Position:					
Beginning of year	3,348,183	3,148,347	3,106,916	3,086,924	2,955,715
Adjustment	(2,736)				
Restatement					
End of year	\$ 3,566,709	\$ 3,348,183	\$ 3,148,347	\$ 3,106,916	\$ 3,086,924

See notes on page 104.

(Continued)

Schedule 2 Changes In Net Position

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

	2013 ^(b)	2012 ^(c)	2011 ^(c)	2010	2009
Operating Revenues:					
Services	\$ 190,662	\$ 195,816	\$ 185,967	\$ 174,562	\$ 163,983
Property rentals	342,093	312,739	295,331	284,898	274,584
Customer facility charge revenues	11,367	9,745			
Operating grants and contract revenues	856	3,406	1,874	3,119	3,023
Joint venture income ^(d)					
Total operating revenues	544,978	521,706	483,172	462,579	441,590
Operating Expenses:					
Operations and maintenance	227,611	222,535	195,200	188,678	182,995
Administration	55,962	53,018	50,293	44,837	43,636
Law enforcement	23,416	22,616	21,923	19,949	19,136
Total operating expenses	306,989	298,169	267,416	253,464	245,767
Net Operating Income					
Before Depreciation	237,989	223,537	215,756	209,115	195,823
Depreciation	171,374	167,279	158,107	160,775	157,068
Operating Income	66,615	56,258	57,649	48,340	38,755
Nonoperating Income (Expense):					
Ad valorem tax levy revenues	72,738	72,678	73,179	73,125	75,587
Passenger facility charge revenues	64,661	62,385	62,358	59,744	59,689
Customer facility charge revenues	20,389	20,577	23,669	23,243	21,866
Noncapital grants and donations	3,771	3,348	8,482	12,473	7,153
Fuel hydrant facility revenues	7,417	8,123	7,683	7,911	7,845
Investment income (loss)—net	(1,107)	8,172	18,884	13,096	17,251
Revenue and capital appreciation bonds interest expense	(115,340)	(123,327)	(127,193)	(133,239)	(121,148)
Passenger facility charge revenue bonds interest expense	(6,212)	(6,503)	(6,467)	(10,187)	(10,956)
General obligation bonds interest expense	(11,479)	(14,078)	(15,292)	(17,463)	(15,785)
Public expense	(6,226)	(22,876)	(18,703)	(25,085)	(20,370)
Environmental expense—net	(4,765)	(14,358)	(4,335)	(22,730)	(14,676)
Other (expense) income—net	(411)	(29,721)	5,693	(7,276)	(10,003)
Total nonoperating income (expense)—net	23,436	(35,580)	27,958	(26,388)	(3,547)
Income Before Capital Contributions and Special Items					
Contributions and Special Items	90,051	20,678	85,607	21,952	35,208
Capital Contributions	21,381	30,714	21,180	30,519	76,781
Income Before Special Items	111,432	51,392	106,787	52,471	111,989
Special Items:					
SR 99 Viaduct expense ^(e)					
Environmental expense ^(f)					
Increase in Net Position	111,432	51,392	106,787	52,471	111,989
Total Net Position:					
Beginning of year	2,937,103	2,885,711	2,804,374	2,751,903	2,639,914
Adjustment					
Restatement	(92,820)		(25,450)		
End of year	\$ 2,955,715	\$ 2,937,103	\$ 2,885,711	\$ 2,804,374	\$ 2,751,903

See notes on page 104.

(Concluded)

Schedule 2 Changes in Net Position

- (a) In 2018, the Port adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) and GASB Statement No. 86, *Certain Debt Extinguishment Issues*, by adjusting the beginning balance of the total net position as of January 1, 2018. The adjustments included recording the OPEB liability and the related deferred outflows and deferred inflows from the OPEB liability and the refunding gain/loss on extinguished debt.
- (b) In 2015, the Port adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, by restating the financial statements for 2014 and 2013. The restatement included recognizing the long-term obligations for pension benefits as a liability and to more comprehensively and comparably measure the annual costs of pension benefits.
- (c) In 2013, the Port adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, by restating the financial statements for 2012 and 2011. The restatement included primarily the write-off of deferred finance costs as of January 1, 2011, except for a portion related to prepaid insurance costs and surety costs.
- (d) In 2016, the Port adopted joint venture accounting as of January 1, 2016, to account for its 50% share of the NWSA's changes in net position.
- (e) In 2016 and 2015, the Port made \$147,700,000 and \$120,000,000 payments, respectively, as a special item, to WSDOT for the SR 99 Alaskan Way Viaduct Replacement Program.
- (f) In 2018, the Port is in ongoing settlement negotiations with the Elliot Bay Trustee Counsel. The Port recorded, as a special item, a \$34.9 million environmental expense reflecting the cost to construct a habitat restoration project.

Schedule 3 Aviation Division Operating Revenues by Source

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

	2018	2017	2016	2015	2014
Aeronautical Revenues:					
Terminal	\$ 163,758	\$ 146,817	\$ 141,549	\$ 138,836	\$ 137,435
Airfield	109,749	100,716	88,311	73,386	77,014
Other	17,761	16,580	14,374	13,826	10,839
Total aeronautical revenues	291,268	264,113	244,234	226,048	225,288
Non-Aeronautical Revenues:					
Public parking	80,212	75,106	69,540	63,059	57,127
Airport dining and retail/ Terminal leased space	64,323	58,980	57,253	51,351	46,954
Rental cars	37,306	35,051	37,082	33,851	32,496
Customer facility charges	16,263	10,641	12,122	12,663	13,608
Utilities	7,206	7,017	7,233	7,000	6,736
Commercial properties	15,435	18,042	9,992	7,922	6,638
Ground transportation	18,772	15,684	12,803	8,809	8,333
Other	18,189	16,282	14,997	12,189	8,524
Total non-aeronautical revenues	257,706	236,803	221,022	196,844	180,416
Total Aviation Division operating revenues	\$ 548,974	\$ 500,916	\$ 465,256	\$ 422,892	\$ 405,704
	2013	2012	2011	2010	2009
Aeronautical Revenues:					
Terminal ^(b)	\$ 158,173	\$ 145,197	\$ 132,565	\$ 126,595	\$ 118,111
Airfield ^(b)	84,141	72,574	59,607	56,647	50,847
Other	10,623	15,194	15,590	15,600	14,091
Total aeronautical revenues	252,937	232,965	207,762	198,842	183,049
Non-Aeronautical Revenues:					
Public parking	52,225	49,781	49,996	49,416	49,688
Airport dining and retail/ Terminal leased space	41,551	37,998	35,404	33,765	33,482
Rental cars	28,472	28,327	30,746	30,309	33,321
Customer facility charges	11,367	9,745			
Utilities	6,332	7,206	7,695	6,408	6,229
Commercial properties	6,089	5,700	5,112	4,917	4,703
Ground transportation	7,958	7,900	7,704	4,912	4,739
Other	7,080	6,401	6,303	5,693	5,185
Total non-aeronautical revenues	161,074	153,058	142,960	135,420	137,347
Total Aviation Division operating revenues	\$ 414,011	\$ 386,023	\$ 350,722	\$ 334,262	\$ 320,396

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

(b) For 2013, terminal and airfield revenues included (1) a one-time recognition of \$17,880,000 from the removal of the security fund liability when SLOA II expired, and (2) \$14,304,000 straight-line rent adjustments for the lease incentive provided under SLOA III.

Schedule 4 Aviation Division Principal Customers

Current Year and Nine Years Ago (in thousands)

Customer	2018			2009		
	Revenues billed	Rank	Percentage of Aviation Division operating revenues	Revenues billed	Rank	Percentage of Aviation Division operating revenues
Alaska Airlines	\$ 118,403	1	21.6%	\$ 91,320	1	28.5%
Delta Airlines ^(a)	86,625	2	15.8	12,485	7	3.9
United Airlines ^(b)	21,725	3	4.0	26,126	2	8.2
Horizon Airlines	20,852	4	3.8	18,651	3	5.8
Southwest Airlines	19,508	5	3.6	18,059	4	5.6
American Airlines	17,832	6	3.2	12,485	8	3.9
Airport Management Services LLC	14,592	7	2.7			
Enterprise Rent A Car	14,295	8	2.6			
Avis Budget Car Rental	8,501	9	1.5	10,448	9	3.3
Host International, Inc.	7,692	10	1.4			
Northwest Airlines ^(a)				16,560	5	5.2
The Hertz Corporation				13,342	6	4.2
Continental Airlines ^(b)				10,339	10	3.2
Total	\$ 330,025		60.2%	\$ 229,815		71.8%

(a) Northwest Airlines merged with Delta Airlines in 2008 and the integration was completed in 2010.

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

Schedule 5 Aviation Division Landed Weight and Landing Fees

Last Ten Fiscal Years ^(a) (in thousands, except for landing fee)

Fiscal year	Landed weight (in pounds)	Landing fees (per 1,000 pounds) ^(b)	
		Signatory airlines	Non-signatory airlines/aircrafts ^(c)
2018	30,349,825	\$ 3.77	\$ 4.71
2017	28,430,527	3.75	4.69
2016	27,275,525	3.40	4.25
2015	24,757,318	3.11	3.89
2014	22,504,515	3.33	4.16
2013	20,949,155	3.38	4.22
2012	19,986,628	3.15	3.47
2011	20,193,785	3.00	3.30
2010	19,834,101	3.00	3.30
2009	20,424,646	2.96	3.26

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

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

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

Schedule 6 Ratios of Outstanding Debt by Type

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

Fiscal year	General obligation bonds ^(a)	Revenue and capital appreciation bonds ^(a)	Commercial paper	Passenger facility charge revenue bonds ^(a)	Fuel hydrant special facility revenue bonds ^(a)	Total debt
2018	\$ 399,899	\$ 3,444,709	\$ 118,655	\$ 84,632	\$ 77,331	\$ 4,125,226
2017	429,969	2,977,879	19,655	100,345	81,428	3,609,276
2016	308,138	2,638,707	29,655	114,296	85,388	3,176,184
2015	333,110	2,772,752	38,655	127,734	89,230	3,361,481
2014	235,159	2,600,350	42,655	140,840	92,977	3,111,981
2013	295,175	2,712,465	42,655	153,626	96,650	3,300,571
2012	322,056	2,803,806	42,655	166,106	101,114	3,435,737
2011	348,157	2,853,488	42,655	178,300	103,903	3,526,503
2010	344,742	2,828,657	94,305	190,556	106,564	3,564,824
2009	368,416	2,726,162	156,800	200,149	109,132	3,560,659

Fiscal year	Ratio of total debt to personal income ^(b)	Total debt per capita ^(c)
2018	2.3%	\$ 1,884
2017	2.0	1,676
2016	1.9	1,509
2015	2.2	1,637
2014	2.2	1,543
2013	2.6	1,665
2012	2.8	1,756
2011	3.1	1,815
2010	3.4	1,846
2009	3.3	1,865

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

(b) See Schedule 11 for Personal Income of King County data used in this calculation. The 2018 ratio is calculated using 2017 Personal Income figure.

(c) See Schedule 11 for Population of King County data used in this calculation (all figures are estimated with the exception of 2010, which is actual census data).

Schedule 7 Ratios of General Obligation (GO) Bonds

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

Fiscal year	GO bonds ^(a)	Percentage of GO bonds to the assessed value of taxable property ^(b)	GO bonds per capita ^(c)
2018	\$ 399,899	0.1%	\$ 183
2017	429,969	0.1	200
2016	308,138	0.1	146
2015	333,110	0.1	162
2014	235,159	0.1	117
2013	295,175	0.1	149
2012	322,056	0.1	165
2011	348,157	0.1	179
2010	344,742	0.1	179
2009	368,416	0.1	193

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

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

(c) See Schedule 11 for Population of King County data used in this calculation (all figures are estimated, except 2010 figures are actual census data).

Schedule 8 Computation of Direct and Overlapping General Obligation Debt

As of December 31, 2018 (in thousands)

Governmental unit	Outstanding	Estimated percentage applicable ^(b)	Estimated share of direct and overlapping debt
Port of Seattle ^(a)	\$ 362,390	100.0%	\$ 362,390
Estimated Overlapping General Obligation Debt:			
King County	738,126	100.0	738,126
Cities and Towns	1,843,910	97.8	1,803,047
School Districts	5,230,226	96.1	5,026,509
Other	408,431	99.6	406,819
Total estimated overlapping debt			7,974,501
Total direct and estimated overlapping debt			\$ 8,336,891

(a) Presented at par value, excluding unamortized bond premiums and discounts.

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

Source: King County Financial Management Section

Schedule 9 Revenue Bonds Coverage by Type

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

	2018	2017	2016	2015	2014 ⁽ⁱ⁾
Operating revenues	\$ 689,390	\$ 632,031	\$ 598,467	\$ 558,933	\$ 534,489
Less: CFC revenues not available to pay revenue bond debt service	(16,263)	(10,641)	(12,122)	(12,663)	(13,608)
Less: SWU revenues not available to pay revenue bond debt service	(5,285)	(4,985)	(4,751)	(4,403)	
Add/Less: Other Port adjustments ^(a)					
Add/Less: NWSA adjustments ^(b)	(591)	928	266		
Add: Nonoperating income (expense)—net ^(c)	12,174	7,381	5,567	(143)	16,417
Gross revenue ^(d)	679,425	624,714	587,427	541,724	537,298
Operating expenses	\$ 397,638	\$ 372,982	\$ 325,285	\$ 317,806	\$ 306,300
Less: Operating expenses paid from sources other than gross revenue (CFC)	(8,787)	(8,643)	(7,309)	(7,536)	(7,178)
Less: Operating expenses paid from sources other than gross revenue (SWU)	(4,660)	(3,795)	(1,710)	(4,035)	
Less: Operating expenses paid from sources other than gross revenue (Other)					
Less: Port general purpose tax levy ^(e)	(28,134)	(34,941)	(36,894)	(41,808)	(19,083)
Operating expenses ^(f)	356,057	325,603	279,372	264,427	280,039
Net revenues available for first lien debt service	\$ 323,368	\$ 299,111	\$ 308,055	\$ 277,297	\$ 257,259
Debt service on first lien bonds	\$ 32,798	\$ 48,787	\$ 52,320	\$ 60,740	\$ 61,214
Coverage on first lien bonds	9.86	6.13	5.89	4.57	4.20
Net revenues available for intermediate lien debt service	\$ 290,570	\$ 250,324	\$ 255,735	\$ 216,557	\$ 196,045
Add: Prior lien debt service offset paid by PFC revenues ^(g)				419	1,893
Add: Prior lien debt service offset paid by CFC revenues ^(h)	5,869	19,142	21,431	20,217	19,632
Available intermediate lien revenues as first adjusted	\$ 296,439	\$ 269,466	\$ 277,166	\$ 237,193	\$ 217,570
Debt service on intermediate lien bonds	\$ 192,022	\$ 152,749	\$ 158,816	\$ 133,487	\$ 145,522
Less: Debt service offsets paid from PFC revenues ^(g)	(33,800)	(33,800)	(25,583)	(28,406)	(29,730)
Less: CFC revenues ^(h)	(15,930)	(3,563)			
Less: Capitalized interest funds	(34,132)	(12,445)	(12,298)		
Intermediate lien debt service —net of debt service offsets	\$ 108,160	\$ 102,941	\$ 120,935	\$ 105,081	\$ 115,792
Coverage on intermediate lien bonds	2.74	2.62	2.29	2.26	1.88
Net revenues available for subordinate lien debt service	\$ 188,279	\$ 166,525	\$ 156,231	\$ 132,112	\$ 101,778
Debt service on subordinate lien bonds ⁽ⁱ⁾	\$ 25,246	\$ 18,295	\$ 8,949	\$ 5,515	\$ 5,836
Coverage on subordinate lien bonds	7.46	9.10	17.46	23.96	17.44

See notes on page 111.

(Continued)

Schedule 9 Revenue Bonds Coverage by Type

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

	2013 ⁽ⁱ⁾	2012	2011	2010	2009
Operating revenues	\$ 544,978	\$ 521,706	\$ 483,172	\$ 462,579	\$ 441,590
Less: CFC revenues not available to pay revenue bond debt service	(11,367)	(9,745)	(778)		
Less: SWU revenues not available to pay revenue bond debt service					
Add/Less: Other Port adjustments ^(a)		5,600	(2,299)	(2,553)	(745)
Add/Less: NWSA adjustments ^(b)					
Add: Nonoperating income (expense)—net ^(c)	13,539	2,837	4,993	4,642	13,618
Gross revenue ^(d)	547,150	520,398	485,088	464,668	454,463
Operating expenses	\$ 306,989	\$ 298,169	\$ 267,416	\$ 253,464	\$ 245,767
Less: Operating expenses paid from sources other than gross revenue (CFC)	(6,327)	(6,526)	(791)	(378)	18
Less: Operating expenses paid from sources other than gross revenue (SWU)					
Less: Operating expenses paid from sources other than gross revenue (Other)	(4)	(12)	(166)	(64)	(10)
Less: Port general purpose tax levy ^(e)	(33,265)	(32,116)	(33,889)	(32,407)	(34,533)
Operating expenses ^(f)	267,393	259,515	232,570	220,615	211,242
Net revenues available for first lien debt service	\$ 279,757	\$ 260,883	\$ 252,518	\$ 244,053	\$ 243,221
Debt service on first lien bonds	\$ 80,673	\$ 107,580	\$ 116,365	\$ 126,843	\$ 107,374
Coverage on first lien bonds	3.47	2.43	2.17	1.92	2.27
Net revenues available for intermediate lien debt service	\$ 199,084	\$ 153,303	\$ 136,153	\$ 117,210	\$ 135,847
Add: Prior lien debt service offset paid by PFC revenues ^(g)	3,971	14,814	23,524	21,646	22,116
Add: Prior lien debt service offset paid by CFC revenues ^(h)	19,667	19,689	19,443	19,042	5,847
Available intermediate lien revenues as first adjusted	\$ 222,722	\$ 187,806	\$ 179,120	\$ 157,898	\$ 163,810
Debt service on intermediate lien bonds	\$ 127,029	\$ 82,726	\$ 62,532	\$ 45,701	\$ 42,035
Less: Debt service offsets paid from PFC revenues ^(g)	(28,640)	(15,783)	(10,249)	(9,332)	(8,197)
Less: Debt service offsets paid from CFC revenues ^(h)					
Less: Capitalized interest funds		(3,504)	(7,788)	(2,954)	(7,395)
Intermediate lien debt service —net of debt service offsets	\$ 98,389	\$ 63,439	\$ 44,495	\$ 33,415	\$ 26,443
Coverage on intermediate lien bonds	2.26	2.96	4.03	4.73	6.19
Net revenues available for subordinate lien debt service	\$ 124,333	\$ 124,367	\$ 134,625	\$ 124,483	\$ 137,367
Debt service on subordinate lien bonds ⁽ⁱ⁾	\$ 6,234	\$ 19,187	\$ 24,451	\$ 28,273	\$ 34,949
Coverage on subordinate lien bonds	19.94	6.48	5.51	4.40	3.93

See notes on page 111.

(Concluded)

Schedule 9 Revenue Bonds Coverage by Type

- (a) Historical adjustment includes straight-line lease revenue adjustments.
- (b) NWSA adjustments include non-cash adjustments for depreciation of NWSA assets netted from operating revenues and public expense, as well as the exclusion of capital grants and donations for capital purposes from the NWSA.
- (c) Nonoperating income (expense)—net is adjusted for the following: Interest expense, income that is not legally available to be pledged for revenue bonds debt service such as PFCs, CFCs, tax levy, fuel hydrant facility revenues, donations for capital purposes, grants for capital projects, monies received and used for capital projects owned by other government entities (public expense projects), and other nonoperating SWU revenues and expenses. Certain non-cash items, such as depreciation are excluded, while other nonoperating revenues and expenses, such as environmental expense, are adjusted to a cash basis. The Port may also include certain proceeds from the sale of capital and non-capital assets in the year the proceeds are received. In 2018, the Port recorded, as a special item, a \$34.9 million environmental expense reflecting the cost to construct a habitat restoration project in the Port's 2018 Statement of Revenues, Expenses, and Changes in Net Position. This special item and related payments are excluded from this schedule.
- (d) Gross Revenue reflects annual Port operating revenues, as presented in the Port's Audited Financial Statements (see Statement of Revenues, Expenses and Changes in Net Position), less certain operating revenues that are not legally available to pay debt service on all revenue bonds. For 2013, Gross Revenue included (1) a one-time recognition of revenue, \$17,880,000, from the removal of security fund liability upon the expiration of SLOA II, and (2) \$14,304,000 straight-line rent adjustments for the lease incentive provided under SLOA III.
- (e) Port general purpose tax levy represents annual tax levy collections less the payment of General Obligation bond debt service. The Port is permitted, but not obligated, to pay operating expenses with such general purpose tax levy dollars. In 2015 and 2016, the Port made its contractual payment, in the amount of \$120,000,000 and \$147,700,000, respectively, to the WSDOT for the SR 99 Alaskan Way Viaduct Replacement Program. These payments were accounted for as a special item in the Port's 2015 and 2016 Statement of Revenues, Expenses, and Changes in Net Position, and were funded by the issuances of 2015 LTGO bonds and 2017 LTGO bonds, respectively. The debt service associated with the 2015 LTGO bonds is included in the calculation of the Port's general purpose tax levy, beginning in 2015, but the actual payment to WSDOT is excluded from the schedule as the funds were used for capital projects owned by other governmental entities.
- (f) Operating Expenses reflect annual Port operating expenses before depreciation, as presented in the Port's Audited Financial Statements (see Statement of Revenues, Expenses and Changes in Net Position), less certain operating expenses paid with revenues derived from sources other than Gross Revenue, as well as the Port's general purpose tax levy.
- (g) During 2008, the Port implemented using PFC revenues toward other specific revenue bonds debt service related to eligible projects. The Port, as authorized by the FAA, has the authority to use PFCs to pay: (1) debt service on bonds secured solely with PFCs; (2) eligible projects costs (definitions, terms, and conditions are set by the FAA); and (3) revenue bonds debt service related to eligible PFC projects.
- (h) Washington State law provides for the Port's authority to impose CFCs on rental car transactions at the Airport. CFCs may only be used to pay costs associated with the consolidated rental car facility including the payment of debt service on bonds issued to fund the facility. During 2009, the Port began using CFCs to pay debt service on related bonds. In 2017, the 2009AB First Lien bonds were partially refunded onto the Intermediate Lien, and as such, CFCs were applied to both First and Intermediate Lien debt service.
- (i) From 2009 to 2016, the Port used PFCs to pay eligible subordinate lien debt service and associated debt fees. However, such amounts are not permitted offsets in the legal coverage calculation on subordinate lien bonds.
- (j) During 2015, the Port adopted the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, by restating the financial statements for 2014 and 2013, in operating revenues, operating expenses, and nonoperating income—net.

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

Schedule 10 Legal Debt Margin Information

Last Ten Fiscal Years (in thousands)

Legal Debt Limitation Calculation for Fiscal Year 2018 (Statutory Debt Limitation)

Assessed value of taxable property for 2018 ^(a)	\$ 534,662,435
Debt limit (nonvoted debt, including limited tax general obligation bonds)	
0.25% of assessed value of taxable property ^(b)	\$ 1,336,656
Less: Outstanding limited tax general obligation bonds	(362,390)
Non-voted general obligation debt margin	\$ 974,266
Debt limit, total general obligation debt	
0.75% of assessed value of taxable property ^(b)	\$ 4,009,968
Less: Total limited tax general obligation bonds	(362,390)
Voted general obligation debt margin	\$ 3,647,578

Non-Voted General Obligation:

Fiscal year	Debt limit	Less: Total debt applicable to the debt limit	Debt margin	Debt margin as a percentage of the debt limit
2018	\$ 1,336,656	\$ (362,390)	\$ 974,266	72.9%
2017	1,178,641	(388,360)	790,281	0.7
2016	1,065,839	(283,620)	782,219	73.4
2015	970,297	(305,535)	664,762	68.5
2014	851,609	(225,420)	626,189	73.5
2013	786,866	(283,815)	503,051	63.9
2012	798,652	(312,005)	486,647	60.9
2011	826,037	(336,120)	489,917	59.3
2010	854,929	(335,500)	519,429	60.8
2009	967,224	(357,315)	609,909	63.1

Voted General Obligation:

Fiscal year	Debt limit	Less: Total debt applicable to the debt limit	Debt margin	Debt margin as a percentage of the debt limit
2018	\$ 4,009,968	\$ (362,390)	\$ 3,647,578	91.0%
2017	3,535,922	(388,360)	3,147,562	89.0
2016	3,197,517	(283,620)	2,913,897	91.1
2015	2,910,891	(305,535)	2,605,356	89.5
2014	2,554,827	(225,420)	2,329,407	91.2
2013	2,360,597	(283,815)	2,076,782	88.0
2012	2,395,957	(312,005)	2,083,952	87.0
2011	2,478,112	(336,120)	2,141,992	86.4
2010	2,564,786	(335,500)	2,229,286	86.9
2009	2,901,673	(357,315)	2,544,358	87.7

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

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

Schedule 11 Demographic Statistics

Last Ten Fiscal Years (in thousands)

King County:

Fiscal year	Population ^(a)	Personal income ^(b)	Per capita personal income ^(b)	Unemployment rate ^(c)
2018	2,190	n/a	n/a	3.4%
2017	2,154	\$ 182,495,475	\$ 83.4	3.7
2016	2,105	166,006,277	77.2	3.9
2015	2,053	153,554,091	72.5	4.4
2014	2,017	143,260,986	68.9	4.6
2013	1,982	128,330,859	62.7	5.2
2012	1,957	120,627,950	60.1	7.1
2011	1,943	113,922,436	57.8	8.4
2010	1,931	106,401,739	54.9	8.8
2009	1,909	109,053,408	56.9	8.0

State of Washington:

Fiscal year	Population ^(a)	Personal income ^(b)	Per capita personal income ^(b)	Unemployment rate ^(c)
2018	7,428	\$ 458,017,000	\$ 60.8	4.5%
2017	7,310	428,765,189	57.9	4.7
2016	7,184	397,772,297	54.6	5.4
2015	7,061	372,125,338	51.9	5.7
2014	6,968	350,321,729	50.3	6.1
2013	6,882	327,870,951	47.6	7.0
2012	6,818	313,212,035	45.9	8.2
2011	6,768	302,529,308	44.7	9.2
2010	6,725	292,950,106	43.6	9.6
2009	6,668	278,236,435	41.8	8.9

(a) State of Washington, Office of Financial Management (all figures are estimated with the exception of 2010, which is actual census data).

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

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

Schedule 12 Principal Employers of Seattle ^(a)

Current Year and Nine Years Ago

Type of employer	2018			2009		
	Employees	Rank	Percentage of total employment	Employees	Rank	Percentage of total employment
Professional and Business Services— <i>Professional, Scientific and Technical Services</i>	143,300	1	8.2%	100,300	2	7.2%
Government— <i>Local</i>	138,000	2	7.9	120,600	1	8.7
Leisure and Hospitality— <i>Food Services and Drinking Places</i>	124,400	3	7.1	90,300	3	6.5
Retail— <i>Unspecified</i>	121,000	4	6.9	69,300	6	5.0
Professional and Business Services— <i>Administrative and Support and Waste Management and Remediation</i>	89,900	5	5.1	69,600	5	5.0
Manufacturing— <i>Transportation Equipment Manufacturing</i>	84,000	6	4.8	80,900	4	5.8
Wholesale Trade	74,200	7	4.2	66,500	7	4.8
Educational and Health Services— <i>Ambulatory Health Care Services</i>	74,000	8	4.2	57,700	9	4.2
Construction— <i>Specialty Trade Contractors</i>	71,300	9	4.1			
Information — <i>Software Publishers</i>	65,000	10	3.7			
Government— <i>State</i>				60,600	8	4.4
Finance Activities— <i>Finance and Insurance</i>				52,900	10	3.8
Total	985,100		56.2%	768,700		55.4%

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

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

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

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

Fiscal year	Port district assessed value ^(a)	Port of Seattle property tax rates	Overlapping property tax rates					Total direct and overlapping property tax ^(d)
			Washington State	King County	Cities and towns ^(b)	School districts ^(b)	Other ^(c)	
2018	\$534,662,435	\$ 0.14	\$ 2.92	\$ 1.32	\$ 1.77	\$ 3.07	\$ 1.32	\$ 10.54
2017	471,456,288	0.15	2.03	1.37	1.95	3.30	1.46	10.26
2016	426,335,606	0.17	2.17	1.33	2.02	3.40	1.41	10.50
2015	388,118,856	0.19	2.29	1.34	1.99	3.50	1.24	10.55
2014	340,643,616	0.22	2.47	1.52	2.26	3.76	1.32	11.55
2013	314,746,207	0.23	2.57	1.54	2.39	3.83	1.27	11.83
2012	319,460,937	0.23	2.42	0.90	2.35	3.60	1.78	11.28
2011	330,414,999	0.22	2.28	1.34	2.22	3.39	1.27	10.72
2010	341,971,517	0.22	2.22	1.28	2.14	3.01	1.15	10.02
2009	386,889,728	0.20	1.96	1.10	1.87	2.56	1.07	8.76

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

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

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

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

Source: King County Department of Assessments Annual Reports

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

Last Ten Fiscal Years (in thousands)

Fiscal years ended Dec 31,	Taxes levied for the fiscal year ^(a)	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2018	\$ 72,012	\$ 71,150	98.8%	\$	\$ 71,150	98.8%
2017	72,011	71,143	98.8	688	71,831	99.7
2016	72,015	71,114	98.8	832	71,946	99.9
2015	73,004	72,082	98.7	913	72,995	100.0
2014	73,019	72,009	98.6	972	72,981	99.9
2013	73,021	71,932	98.5	1,084	73,016	100.0
2012	73,015	71,879	98.4	1,124	73,003	100.0
2011	73,513	72,290	98.3	1,234	73,524	100.0
2010	73,505	72,141	98.1	1,363	73,504	100.0
2009	75,911	74,384	98.0	1,523	75,907	100.0

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

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

Schedule 15 King County Principal Property Taxpayers

Current Year and Nine Years Ago (in thousands)

Taxpayer	2018			2009		
	Taxable assessed value	Rank	Percentage of taxable assessed value	Taxable assessed value	Rank	Percentage of taxable assessed value
Microsoft	\$ 3,611,189	1	0.7%	\$ 2,414,302	2	0.6%
Boeing	3,169,975	2	0.6	3,085,914	1	0.8
Puget Sound Energy/ Gas/Electric	2,545,356	3	0.5	1,559,248	3	0.4
Amazon	2,163,076	4	0.4			
Essex Property Trust	1,782,318	5	0.3			
Alaska Airlines	1,275,107	6	0.2	603,997	8	0.2
Union Square Limited	1,031,082	7	0.2	614,241	7	0.2
Prologis - RE Tax	1,029,156	8	0.2			
Altus Group US Inc.	986,718	9	0.2			
AvalonBay Communities Inc.	839,670	10	0.2			
Archon Group LP				789,322	4	0.2
Qwest Corporation Inc.				786,171	5	0.2
T-Mobile				633,839	6	0.2
AT&T Mobility LLC (Cingular Wireless)				583,687	9	0.2
Columbia Center Property LLC				513,360	10	0.1
Total	\$18,433,647		3.5%	\$11,584,081		3.1%

Source: King County Department of Assessments

Schedule 16 Seattle-Tacoma International Airport Passengers Level

Last Ten Fiscal Years (in thousands)

Fiscal year	Domestic			International			Grand total
	Deplaned	Enplaned	Total	Deplaned	Enplaned	Total	
2018	22,222	22,200	44,422	2,734	2,694	5,428	49,850
2017	20,942	20,862	41,804	2,576	2,553	5,129	46,933
2016	20,486	20,385	40,871	2,455	2,411	4,866	45,737
2015	19,016	18,944	37,960	2,216	2,165	4,381	42,341
2014	16,851	16,824	33,675	1,930	1,892	3,822	37,497
2013	15,643	15,604	31,247	1,807	1,772	3,579	34,826
2012	14,992	14,983	29,975	1,634	1,614	3,248	33,223
2011	14,924	14,914	29,838	1,501	1,484	2,985	32,823
2010	14,381	14,364	28,745	1,398	1,410	2,808	31,553
2009	14,298	14,296	28,594	1,320	1,314	2,634	31,228

Source: Seattle-Tacoma International Airport Activity Reports

Schedule 17 Seattle-Tacoma International Airport Aircraft Operations Level

Last Ten Fiscal Years

Fiscal year	Air carrier	Air taxi	General aviation	Military/ Training	Grand total
2018	427,170	8,509	2,625	87	438,391
2017	405,049	8,651	2,338	86	416,124
2016	399,742	9,513	2,822	93	412,170
2015	368,722	8,401	4,160	125	381,408
2014	325,425	10,813	4,113	127	340,478
2013	299,156	14,440	3,510	80	317,186
2012	291,664	14,196	3,604	133	309,597
2011	295,763	15,327	3,708	149	314,947
2010	292,016	18,562	3,262	114	313,954
2009	297,621	17,133	3,046	73	317,873

Source: Seattle-Tacoma International Airport Activity Reports

Schedule 18 Seattle-Tacoma International Airport Air Cargo Level

Last Ten Fiscal Years (in metric tons)

Fiscal year	Air Freight		Air mail	Grand total
	Domestic	International		
2018	241,397	133,274	57,644	432,315
2017	242,470	123,735	59,651	425,856
2016	194,754	114,349	57,326	366,429
2015	162,013	115,357	55,266	332,636
2014	167,729	107,752	51,758	327,239
2013	155,868	88,580	48,262	292,710
2012	155,221	82,090	46,300	283,611
2011	152,211	81,918	45,496	279,625
2010	152,995	85,440	44,990	283,425
2009	151,183	74,297	43,857	269,337

Source: Seattle-Tacoma International Airport Activity Reports

Schedule 19 Containerized Volume

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

Fiscal year	International Containers			Total	Domestic containers	Grand total
	Import full	Export full	Empty			
2018 ^(a)	1,452,623	953,495	705,114	3,111,232	686,394	3,797,626
2017 ^(a)	1,380,785	964,067	650,459	2,995,311	706,863	3,702,174
2016 ^(a)	1,391,590	984,274	482,951	2,858,815	756,938	3,615,753
2015	469,807	352,180	240,155	1,062,142	342,260	1,404,402
2014	432,128	376,320	165,564	974,012	379,488	1,353,500
2013	543,146	454,615	192,820	1,190,581	373,878	1,564,459
2012	728,436	517,876	267,239	1,513,551	339,625	1,853,176
2011	768,807	604,409	323,061	1,696,277	320,862	2,017,139
2010	897,074	544,579	380,114	1,821,767	304,002	2,125,769
2009	611,850	454,757	207,562	1,274,169	300,055	1,574,224

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

Source: Port of Seattle (2009–2015) and Northwest Seaport Alliance (2016–2018) Records

Schedule 20 Cargo Volume

Last Ten Fiscal Years (in metric tons)

Fiscal year	Container cargo	Non-containerized break bulk					Total
			Petroleum	Molasses	Autos	Logs	
2018 ^(a)	28,869,249	248,933	665,670	45,686	228,295	116,790	30,174,623
2017 ^(a)	26,107,522	210,725	715,546	35,980	225,109	278,078	27,572,960
2016 ^(a)	26,766,258	181,372	612,224	43,666	246,421	176,928	28,026,869
2015	11,225,499	31,876	815,380	43,731			12,116,486
2014	11,462,069	56,031	997,977	49,913			12,565,990
2013	13,578,052	64,040	788,419	48,240			14,478,751
2012	15,924,439	67,784	620,587	74,831			16,687,641
2011	16,666,262	63,642	862,780	48,300			17,640,984
2010	16,182,401	66,140	802,843	40,173			17,091,557
2009	12,128,351	63,868	783,618	36,936			13,012,773

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

Source: Port of Seattle (2009–2015) and Northwest Seaport Alliance (2016–2018) Records

Schedule 21 Port of Seattle Grain Volume

Last Ten Fiscal Years (in metric tons)

Fiscal year	Grain
2018	4,378,796
2017	4,362,603
2016	4,389,089
2015	3,778,476
2014	3,618,489
2013	1,351,417
2012	3,161,013
2011	5,026,868
2010	5,491,360
2009	5,512,164

Source: Port of Seattle Marine Terminal Information System

Schedule 22 Port of Seattle Cruise Traffic

Last Ten Fiscal Years

Fiscal year	Cruise vessel calls	Cruise passengers
2018	216	1,114,888
2017	218	1,071,594
2016	203	983,539
2015	192	898,032
2014	179	823,780
2013	187	870,994
2012	202	934,900
2011	196	885,949
2010	223	931,698
2009	218	875,433

Source: Port of Seattle Records

Schedule 23 Number of Port of Seattle Employees by Division ^(a)

Last Ten Fiscal Years

Fiscal year	Aviation	Seaport ^(b)	Real Estate ^(b)	Maritime ^(c)	Economic Development ^(c)	Central Services ^(d)	Total
2018	1,030			194	30	858	2,112
2017	976			194	31	826	2,027
2016	832			175	31	771	1,809
2015	858	51	171			699	1,779
2014	856	55	174			695	1,780
2013	836	58	176			693	1,763
2012	842	56	181			681	1,760
2011	754	57	178			671	1,660
2010	727	58	162			642	1,589
2009	736	58	152			629	1,575

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

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

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

(d) In 2017, the Corporate Division was renamed Central Services. Central Services include employees assigned to the Central Services Division and Capital Development Division (CDD). The CDD, which was established in 2008, houses existing engineering, project management, and construction functions.

Source: Port of Seattle Human Resources Database

Schedule 24 Capital Assets Information—Maritime and Economic Development Facilities

Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Total Property (in acres)	1,335	1,335	1,335	1,335	1,335
No. of Container Terminals (Terminal 5, 18, 30, 46) ^{(a)(b)}	4	4	4	4	4
Size (in acres)	521	526	526	526	526
Number of berths (1,200—4,450 feet)	11	11	11	11	11
Number of container cranes ^(c)	10	10	13	13	13
Storage facilities (in square feet)	177,000	177,000	177,000	177,000	177,000
Maintenance facilities (in square feet)	112,000	112,000	112,000	112,000	112,000
On-Dock intermodal yard					
Maximum capacity—in full train	14	14	14	14	14
Refrigerated capacity (in reefer plugs)	2,845	2,816	2,816	2,816	2,816
No. of Barge Terminal (Terminal 115) ^{(a)(d)}	1	1	1	1	1
Size (in acres)	70	70	70	70	70
Number of berths (1,600 feet)	4	4	4	4	4
Warehouse capacity (in square feet)	35,000	35,000	35,000	35,000	35,000
Refrigerated capacity (in reefer plugs)	780	400	400	400	400
No. of Multi-Use Terminal (Terminal 91) ^(d)	1	1	1	1	1
Size (in acres)	212	212	212	212	212
Linear feet of berths (8,502 feet)	17	17	17	17	17
Storage facilities:					
Cold storage (in million cubic feet)	5	5	5	5	5
Dry warehouse (in square feet)	100,000	100,000	100,000	100,000	100,000
No. of Grain Terminal (Terminal 86) ^(d)	1	1	1	1	1
Size (in acres)	40	40	40	40	40
Number of berths (1,400 feet)	1	1	1	1	1
Storage capacity (in million bushels)	4	4	4	4	4
No. of Breakbulk Terminals ^(d)	n/a	n/a	n/a	n/a	n/a
Size (in acres)	n/a	n/a	n/a	n/a	n/a
Number of berths (400—2,100 feet)	n/a	n/a	n/a	n/a	n/a
Storage facilities (in acres)	n/a	n/a	n/a	n/a	n/a
No. of Cruise Terminals	2	2	2	2	2
Bell Street Cruise Terminal (Terminal 66)					
Size (in acres)	4	4	4	4	4
Number of berths (1,545—1,600 feet)	1	1	1	1	1
Smith Cove Cruise Terminal (Terminal 91) ^(e)					
Size (in acres)	23	23	23	23	23
Number of berths (2,400 feet)	2	2	2	2	2
Terminal 30 Cruise Facility ^(f)					
Size (in acres)	n/a	n/a	n/a	n/a	n/a
Number of berths (2,000 feet)	n/a	n/a	n/a	n/a	n/a

(Continued)

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

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

(c) In 2017, three container cranes were sold to its terminal operator at Terminal 18. In 2013, five of the container cranes were sold to its terminal operator at Terminal 46.

Schedule 24 Capital Assets Information—Maritime and Economic Development Facilities

Last Ten Fiscal Years

	2013	2012	2011	2010	2009
Total Property (in acres)	1,335	1,335	1,335	1,335	1,335
No. of Container Terminals (Terminal 5, 18, 30, 46) ^{(a)(b)}	4	4	4	4	4
Size (in acres)	526	526	526	526	535
Number of berths (1,200—4,450 feet)	11	11	11	11	11
Number of container cranes ^(c)	13	18	18	18	18
Storage facilities (in square feet)	177,000	177,000	177,000	177,000	177,000
Maintenance facilities (in square feet)	112,000	112,000	112,000	112,000	112,000
On-Dock intermodal yard					
Maximum capacity—in full train	14	14	14	14	14
Refrigerated capacity (in reefer plugs)	2,816	2,816	2,704	2,704	2,704
No. of Barge Terminal (Terminal 115) ^{(a)(d)}	1	1	1	1	1
Size (in acres)	70	70	70	70	70
Number of berths (1,600 feet)	4	4	4	4	4
Warehouse capacity (in square feet)	35,000	35,000	35,000	35,000	35,000
Refrigerated capacity (in reefer plugs)	400	400	400	400	400
No. of Multi-Use Terminal (Terminal 91) ^(d)	1	1	1	1	1
Size (in acres)	212	212	212	212	212
Linear feet of berths (8,502 feet)	17	17	17	17	17
Storage facilities:					
Cold storage (in million cubic feet)	5	5	5	5	5
Dry warehouse (in square feet)	100,000	100,000	100,000	100,000	100,000
No. of Grain Terminal (Terminal 86) ^(d)	1	1	1	1	1
Size (in acres)	40	40	40	40	40
Number of berths (1,400 feet)	1	1	1	1	1
Storage capacity (in million bushels)	4	4	4	4	4
No. of Breakbulk Terminals ^(d)	n/a	n/a	n/a	n/a	n/a
Size (in acres)	n/a	n/a	n/a	n/a	n/a
Number of berths (400—2,100 feet)	n/a	n/a	n/a	n/a	n/a
Storage facilities (in acres)	n/a	n/a	n/a	n/a	n/a
No. of Cruise Terminals	2	2	2	2	2
Bell Street Cruise Terminal (Terminal 66)					
Size (in acres)	4	4	4	4	4
Number of berths (1,545—1,600 feet)	1	1	1	1	1
Smith Cove Cruise Terminal (Terminal 91) ^(e)					
Size (in acres)	23	23	23	23	23
Number of berths (2,400 feet)	2	2	2	2	2
Terminal 30 Cruise Facility ^(f)					
Size (in acres)	n/a	n/a	n/a	n/a	n/a
Number of berths (2,000 feet)	n/a	n/a	n/a	n/a	n/a

(Concluded)

(d) Prior to 2009, multi-use, barge, and grain terminal data was combined and reported as breakbulk terminals.

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

(f) Terminal 30 operated as a cruise terminal from 2003 through 2008. Terminal 30 cruise facility was demolished after the 2008 cruise season, and the terminal was reactivated as a container terminal in 2009.

Source: Port of Seattle Records

Schedule 25 Capital Assets Information—Seattle-Tacoma International Airport

Last Ten Fiscal Years

	Fiscal year	Size/Length
Airport area (in acres)	2018	2,500
Apron (in square feet)—commercial airlines	2018	3,061,300
Runways (in feet)		
16L/34R	2018	11,901
16C/34C	2018	9,426
16R/34L	2018	8,500
Rental Car Facility (in square feet) ^(a)	2018	2,100,000

	2018	2017	2016	2015	2014
Terminal (in square feet)					
Airlines	1,124,073	1,106,262	1,143,386	1,136,322	1,126,510
Tenants	327,145	327,596	334,717	331,073	332,364
Port occupied	225,688	228,282	234,472	228,136	239,069
Public/Common	931,725	917,515	919,906	920,752	930,209
Mechanical	520,655	514,343	511,469	510,182	497,941
Total	3,129,286	3,093,998	3,143,950	3,126,465	3,126,093
Number of passenger gates	76	74	78	80	79
Number of Port owned loading bridges	58	56	58	57	54
Parking (spaces assigned)					
Short-term, long-term, and employees	12,100	12,180	12,180	11,952	11,952
Rental Cars ^(a)					
Total	12,100	12,180	12,180	11,952	11,952
Other offsite parking (spaces assigned)					
Economy	1,465	1,465	1,465	1,620	1,620
Employees	4,141	4,122	4,122	4,091	4,091

	2013	2012	2011	2010	2009
Terminal (in square feet)					
Airlines	1,107,166	1,226,044	1,219,955	1,219,955	1,294,473
Tenants	331,433	291,071	253,673	253,673	280,639
Port occupied	236,390	299,226	249,544	249,544	280,880
Public/Common	926,927	811,664	867,410	867,410	758,216
Mechanical	517,805	495,009	529,734	529,734	471,951
Total	3,119,721	3,123,014	3,120,316	3,120,316	3,086,159
Number of passenger gates	78	79	79	79	79
Number of Port owned loading bridges	59	56	48	48	46
Parking (spaces assigned)					
Short-term, long-term, and employees	11,952	10,394	9,641	9,641	9,641
Rental Cars ^(a)			3,276	3,276	3,276
Total	11,952	10,394	12,917	12,917	12,917
Other offsite parking (spaces assigned)					
Economy	1,620	1,620	1,620	1,620	1,620
Employees	4,091	4,091	4,091	4,091	4,091

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

Source: Port of Seattle Records



**Port Of Seattle
Commissioners**

Stephanie Bowman
Ryan Calkins
Fred Felleman
Courtney Gregoire
Peter Steinbrueck

Executive Director

Stephen P. Metruck

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Comprehensive Annual
Financial Report

