

# Port of Tacoma 2024 Budget



**Statutory Budget and Tax Levy adopted: November 21, 2023**

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**To:** Port of Tacoma Commission  
**Date:** November 21, 2024  
**Subject:** Port of Tacoma 2024 Budget

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The Port of Tacoma is pleased to present its 2024 Annual Budget. Thank you to our Port Commissioners for their leadership, guidance, and support and to Port staff for their work in developing this budget.

This budget document reflects our commitment to prudent fiscal management and economic stability while laying the foundation for the future as we work to increase business activity and job growth in a financially and environmentally sustainable way.

The 2024 budget builds on the successes of the previous year, which include partnering with Tacoma Public Schools to begin the planning process for a new Port Maritime Center and Maritime 253 Skills Center; winning an EPA Phoenix Award for our work in brownfields remediation; completion of the 20-acre Lower Wapato Creek Habitat site, and connecting with the community through our increasingly popular bus and boat tours.

The Port is a critical link in the local and regional economy. This year and beyond, we will continue to prioritize investments to grow our competitive advantages, increase economic activity in Pierce County and meet our overall Strategic Plan goals.

The Port of Tacoma looks forward to continuing to serve our customers, tenants, and community. Thank you to our employees and labor partners for your ongoing dedication and commitment to the Port's success.

Here's to a healthy, safe and successful 2024.

A handwritten signature in blue ink that reads 'Eric Johnson'.

Eric Johnson, Executive Director

## Budget Document Overview

- I. **Port of Tacoma Overview:** Historical information about the Port of Tacoma (“Port”), the development of other ports throughout Washington state and an examination of the economic context of the Port’s operating environment and organizational structure.
- II. **Budget Message:** An overview of the Port’s budget challenges and opportunities, revenue types and expenditures, information on the Port’s 2021-2026 Strategic Plan (including mission, values, goals, strategies, and implementation plans), and priorities and issues for the budget year and changes from the previous year.
- III. **Business Outlook:** Assumptions, potential obstacles, and trends that Port staff used to develop the cargo forecast that serve as the foundation for the Operating Budget.
- IV. **Operating Budget:** Summary of the assumptions that form the basis for the Port’s operating budget, including year-over-year operating budget comparisons, a snapshot of revenue and expenses by line of business, details of expected non-operating costs, and revenue from The Northwest Seaport Alliance (“NWSA”) to the Port.
- V. **Five-Year Capital Investment Plan (CIP):** All capitalized and expensed projects the Port plans to complete in the next five years, excluding investment commitments from the Port to the NWSA. Capitalized projects affect the Port’s Profit and Loss statement through depreciation while expensed projects flow directly to the Port’s net income the year expenses are incurred. This section provides details on the CIP including the impact of Capital spending on Port profitability.
- VI. **Tax Levy:** Details on how the Port’s tax levy is developed and used, in addition to historical tax information and data comparing the Port’s tax levy to the levy assessed by other entities within Pierce County.
- VII. **Plan of Finance:** Explanation of revenue and expense trends and assumptions as well as discussion of long-term capital projects and the Port’s plan for funding these projects. This section also incorporates the entire impact of the Port and the Port’s share of the NWSA’s operating income and CIP on the Port’s financial performance.
- VIII. **Environmental Stewardship:** Historical context for environmental challenges facing the Port and our surrounding community and an outline of the Port’s priorities and investments in cleaning up and protecting the land, water, and air around Commencement Bay, and addressing climate change.
- IX. **Summary of Significant Accounting Policies:** A summary of the accounting policies the Port follows in developing the budget, as well as how the Port reports actual financial results — an accumulation of all the important financial rules the Port follows.
- X. **Debt Guidelines:** Describes how the Port manages debt, including criteria for issuing, refunding, and retiring debt. This section also describes tools the Port may use to minimize debt interest rate risks.

**Appendices:** The appendices provide additional information useful to the reader.

**Addendum: The Northwest Seaport Alliance (NWSA):** A separate document describing the NWSA including the Operating Budget, Capital Investment Plan and other items related to the NWSA.

# I. Port of Tacoma Overview

## Washington State Ports

Ports play an important role in the economic vitality of Washington state, the most trade-dependent state in the United States.

Ports in Washington state evolved in much the same way as those in other parts of the world. Wherever people settled near the water, boats, ships, and barges were needed to move people and goods.

Docks, floats, piers, gangways and other conveniences were built to accommodate marine traffic. From their very start, ports became centers for population, business, and trade.

In 1889, the new Washington State Constitution declared that beds of navigable waters belonged to the citizens. The Washington State Legislature designated harbor areas and provided a system for leasing waterfront tidelands and uplands in those areas.

In the late 1800s, most of Washington's port and dock facilities were privately controlled. In 1911, the Legislature enacted laws that granted citizens the right to establish port districts and oversee their development and operation.

The Port District Act of 1911 was the culmination of a long struggle to achieve public control over areas that were essentially public in their impacts, such as commerce.

*“Port districts are hereby authorized to be established in the various counties of the state for the purposes of acquisition, construction, maintenance, operation, development and regulation within the district of harbor improvements, rail or motor vehicle transfer and terminal facilities, water transfer and terminal facilities, air transfer and terminal facilities, or any combination of such transfer and terminal facilities, and other commercial transportation, transfer, handling, storage, and terminal facilities, and industrial improvements”* (Revised Code of Washington 53.04.010).

## Port of Tacoma

Created by Pierce County, Washington voters on November 5, 1918, the Port of Tacoma plays a major role in international trade as well as in the economic development of Pierce County and the State of Washington. Today, the Port is one of the leading seaports in North America, with strong trade ties with Alaska, Asia and the rest of the world.

The Port's geographic boundaries lie within Pierce County and are situated on Commencement Bay in South Puget Sound. Because of this strategic location, it offers efficient connections to sea, rail, highway and air transportation networks.

The Port is an independent municipal corporation that operates under state-enabling legislation. The Port is a separate entity from the City of Tacoma, Pierce County and the State of Washington. Although each of these are separate entities, they often work together on economic development and transportation projects to create more jobs and business opportunities.

In the spirit of working together to improve the economies of Puget Sound, the Port joined forces with the Port of Seattle in August 2015 to create The Northwest Seaport Alliance (NWSA). The NWSA gateway is the 4<sup>th</sup> largest container gateway in the U.S. and a major

gateway for trade with Asia and Alaska. (See the addendum for additional information on the NWSA.) With most of the maritime assets assigned to the NWSA, the Port's efforts are focused on industrial development, real estate and growth of our bulk business. The Port works to attract major manufacturing and warehouse/distribution centers to Tacoma/Pierce County.

The Port owns approximately 2,500 acres located in the Commencement Bay Tideflats of Tacoma, Washington. The Port leases land for industrial development on Port-owned properties separate from its marine terminal areas. Port properties include warehouse/ industrial sites, a grain terminal, and areas for industrial development.

## **Pierce County**

Pierce County is the second most populous metropolitan area in the State of Washington. Located about halfway between the Oregon and Canadian borders, Pierce County covers 1,790 square miles. Within this area are 10 hospitals, 15 public school districts, a large number of private schools, two vocational-technical colleges, two community colleges and six four-year colleges and universities. Pierce County boasts a diversified economy. The manufacturing sector produces forest products, chemicals, metals, aerospace and agricultural products. It also is home to Joint Base Lewis-McChord, Madigan Army Medical Center and Camp Murray.

## **Port Facilities and Services**

The Port owns and maintains facilities related to maritime commerce, including facilities for containerized cargo, automobiles, dry bulks such as grain, and breakbulk, heavy-lift and project cargoes. Many of these assets are now assigned to the NWSA.

The Port's two major waterways, the Blair and Sitcum, can accommodate six miles (9.7 kilometers) of deep-water berthing. The waterways are about 51 feet deep. Excellent connections to inland highway and rail transportation networks help expedite cargo moving through Tacoma.

In 1981, the Port pioneered on-dock intermodal rail when it opened the North Intermodal Yard, the first of its kind on the West Coast. All international container terminals in Tacoma are now equipped with on-dock rail capabilities. This innovation helps the Port, and its customers efficiently handle international import containerized cargo heading east via rail to markets such as Chicago and Columbus, Ohio.

Three highway interchanges link the Port and its main terminals to Interstate 5 (see Figure I-1 below). (See the NWSA addendum for more information on intermodal services.)

## **Port of Tacoma Commission**

Voters in Pierce County elect a five-member Port Commission to govern the Port. Each commission seat is elected every four years, on a staggered basis.

The Port Commission establishes the tax levy collected by the Port. The Commission is also the final authority for approval of the Port's annual budget, long-term leases, sales and purchases of land, policies, long-range development plans, financing and all construction projects and spending in amounts exceeding the authority of the Port's Executive Director.

The Port Commission hires the Port's Executive Director, who is responsible for hiring staff and managing the Port's daily operations. The Port Commissioners at the time of this publication are: Kristin Ang, Deanna Keller, Dick Marzano, John McCarthy, and Don Meyer.

## **Port Commission Meetings**

Commission meetings are open to the public and are held at: The Fabulich Center, 3600 Port of Tacoma Road, Tacoma, WA 98424

Commission meetings are streamed live and archived for on-demand viewing on the Port's website, [www.portoftacoma.com/commission](http://www.portoftacoma.com/commission). Meeting agendas and minutes can also be found on the website.

The public can contact the Port Commission by calling the Port's Executive Department at 253-383-9402. Correspondence to the Port Commission can be mailed to: Commission, Port of Tacoma, P.O. Box 1837 Tacoma, WA 98401. (See the addendum for information concerning contacting the NWSA Managing Members.)

## **Port Organizational Structure**

The Port's Executive Director is responsible for Port economic development, compliance and properties not licensed to the NWSA. The Executive Director is supported by staff who support both the Port and the NWSA. (See the Organizational Chart, Figure I-2.)

## **Leadership**

Port leadership is comprised of the Executive Director, the Chief Financial and Administrative Officer, the Chief Human Resources Officer, the Chief of Strategic Projects & Commission Relations, several department directors, and executive administrative support. The Port purchases management oversight for operations, maintenance, engineering, and environmental services from the NWSA via an inter-local agreement.

## **Real Estate**

Led by the Director, Real Estate, non-terminal industrial and commercial properties, and facilities complement the properties licensed to the NWSA and are a significant source of revenue for the Port. Real estate personnel are responsible for leasing, growing, divesting, and managing the Port's real estate portfolio.

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

The Port retained the grain terminal in the Real Estate business, which has a long-term lease, as well as the East Blair One wharf, which is leased to the NWSA for the NWSA's breakbulk business. Additionally, the Port opened a new auto terminal in 2018, which the Port also retained. The new auto terminal is leased to Wallenius Wilhelmsen Solutions, an auto processing company that handles imported autos for several manufacturers.

## **Operations**

Led by the Deputy Executive and Chief Operations Officer for the NWSA, the Operations Group is responsible for the daily operations of the Port and is comprised of the Operations and Maintenance Departments.

## **Operations Department**

The Operations group mainly supports the operations of the NWSA. (See NWSA Addendum Section I.) The operations group manages the Blair and Sitcum waterways so that NWSA and Port maritime operations work harmoniously. This department collaborates with members of the supply chain to promote policies, procedures and technologies that improve operational efficiency.

## **Maintenance Department**

The Maintenance group consists of two departments: Equipment and Facilities. Employees of both departments remain Port employees but are responsible for equipment and facility repair/maintenance of Port-owned as well as NWSA licensed assets in the south harbor. Maintenance responsibilities include grounds, buildings and cranes to vehicles and straddle carriers.

## **Security**

The Security Department supports the sustainable, economic viability of the Port by consistently contributing to a safe and secure environment for all through professionalism, respect, and integrity. The Security Department supports emergency operations, actively promotes the safety and security of the Port community, maintains the Port's maritime domain awareness, and aligns the security practices with the United States' critical infrastructure protection policies. The Port's Security Department also works closely with other entities, including U.S. Coast Guard, Customs and Border Protection, local police, and fire departments. Security Department staff are Port employees, but they provide services to NWSA-assigned properties through the service level agreement. The Port's Security group also provides security at the West Sitcum Terminal.

## **Support Organizations**

The Support Organizations provide services to the Port and NWSA. Day-to-day management of these teams is performed by the leaders in the Port and the NWSA.

## **Engineering, Environmental and Planning Group**

Led by the NWSA Deputy CEO, the Engineering, Environmental and Planning teams are responsible for long-term planning and development of Port assets, and all Port-related environmental issues.

## **Engineering**

The Engineering Department personnel are Port employees but provide design and construction management services and deliver state-of-the-art facilities to both the Port and NWSA. The Engineering and Environmental Departments work collaboratively to abide by and meet local, state, and federal regulations.

## **Planning and Logistics**

Planning and Logistics coordinates with state, regional, and local stakeholders to identify freight mobility infrastructure and technology needs, provides industrial land-use policy and regulatory advocacy, and supports preliminary terminal design to advance port operational through-put and capacity. The team also manages the grant program and coordinates grant efforts and communications for the Port and NWSA.

## **Environmental**

The Environmental Department develops and implements comprehensive programs to minimize the effects of Port operations on air, water and sediment quality, and address climate change. Environmental staff are located both in the Port and NWSA and provide services to each organization through the service level agreement. This department works with permitting agencies to facilitate terminal development projects, maintains regulatory compliance, and develops innovative “beyond compliance” environmental solutions. Department staff monitors and provides input on the drafting of environmental ordinances and regulations significant to the Port and informs the public of the Port’s environmental activities.

## **Finance and Administration Group**

Led by the Chief Financial and Administrative Officer, the Finance and Administration Group is responsible for the administrative tasks that keep the Port and NWSA functioning. This group includes the departments of Finance and Accounting, Contracts, Purchasing, Security and Public Records. In addition to supporting the Port, these departments also provide services to the NWSA through the service level agreements.

## **Finance and Accounting**

The mission of the Finance and Accounting Department is to create value through strategic financial planning and timely, accurate accounting practices. In addition to partnering with business leaders to grow profitable businesses and create jobs, its role is to collect, invest and disburse Port funds and provide monthly and annual financial reports in accordance with state and federal laws as authorized by the Commission. Services provided by the Port’s Finance and Accounting Department include general accounting, payroll, accounts payable, accounts receivable, treasury, capital financing, financial planning, budgeting and internal auditing.

## **Contracts and Purchasing**

The Contracts and Purchasing Department provides support for the acquisition of supplies, materials and services and ensures compliance with public procurement laws and regulations.

## **Public Records**

The Public Records Department ensures full compliance with all public records requests submitted to the Port and NWSA. In addition, this department develops and updates public records policies and procedures for both organizations.

## **Information Technology**

Led by the Director, Information Technology, the Information Technology Department works to champion and make possible the innovative application of technologies that enhance the overall performance of the Port. The department partners with Port businesses, functional departments and other Port stakeholders to improve the flow and efficiency of the freight movement through application of technology.

## **Human Resources**

Led by the Chief Human Resources Officer, the Human Resources Department is responsible for: work-force development, which includes attracting, retaining and developing employees; setting compensation; administering benefits; organization-wide training; managing employee

relations; and creating a constructive, diverse culture. The Human Resources Department is responsible for personnel assigned to both the Port and the NWSA. Services to the NWSA are provided through the service level agreement.

### **Government Affairs**

Led by the Director, Government Affairs, the Government Affairs Department staff advances the Port's legislative priorities and manages the organization's relationships with elected and appointed officials at the city, county, state and federal levels. The Department also manages public outreach programs, including Port tours, a speaker's bureau, school programs and work with community groups.

### **Communications**

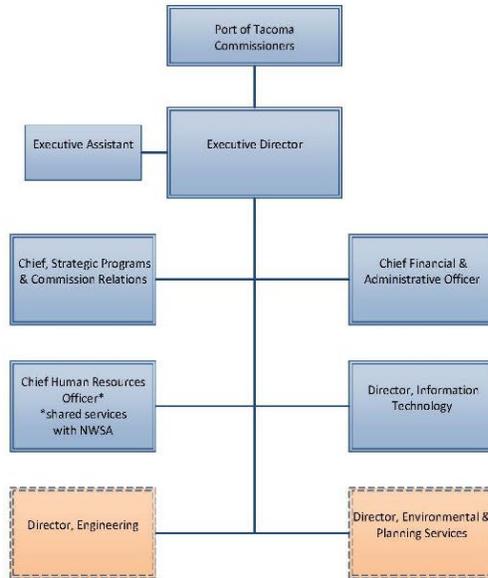
Led by the Director, Communications, the Communications Department staff develops and implements communications plans and tactics in support of the Port's mission, strategic plan, and initiatives, for internal and external audiences through a variety of channels. The department also manages media relations and the Port's website and social media channels.

Figure I-1....Map of Port of Tacoma Owned Properties



Figure I-2.... Port of Tacoma Organizational Chart

ORGANIZATIONAL CHART  
Port of Tacoma



NWSA position  
per service  
agreement

## II. 2024 Budget Message

### Strategic Direction

The Port's 2021-2026 Strategic Plan was approved by the Port of Tacoma Commission in April 2021. The plan describes the Port's mission and values, while also identifying goal areas where the Port will direct its focus and resources over the next five years. The 2021-2026 Strategic Plan can be viewed at: [www.portoftacoma.com/planning/strategic-plan](http://www.portoftacoma.com/planning/strategic-plan).

### 2021-2026 Strategic Plan

In early 2020, commissioners and staff began work on a new strategic plan to replace the 2012 strategic plan developed before the creation of the NWSA. Due to the pandemic, extensive community outreach plans were quickly shifted to exclusively online methods. Throughout 2020 and into 2021, utilizing a variety of "virtual" channels, including an online open house, website, remote public and community meetings and other direct communications, we received extensive input and feedback from the community, which was used to help develop the strategic plan. (See page 24 of the [Strategic Plan](#) for data on outreach efforts.)

**Mission:** The Port of Tacoma makes strategic investments in our harbor and community to promote prosperity, trade, and jobs, while protecting and enhancing our environment.

**Values:** Integrity and Transparency | Excellence | Adaptability | Stewardship | Teamwork and Partnerships | Health and Safety | Diversity, Equity, and Inclusion

**Foundational Goals:** To further our unique and important role in the community and beyond, the Port has established five foundational goals that will guide our priorities through 2026.

- **Economic Vitality:** Advance living-wage job creation and business development opportunities in Pierce County with a focus on marine trade, manufacturing, and transportation.
- **Environmental Leadership:** Protect and enhance the environment of Commencement Bay and the Puyallup River by continuing to clean up contaminated land, improve habitat and water quality, and minimize air emissions from Port operations.
- **Organizational Success:** Create and sustain a transparent culture prioritizing the Port's fiduciary role as trustee of public assets and commitment to financial responsibility.
- **Transportation Advocacy:** Promote road, rail and navigation infrastructure and technology improvements to strengthen the regional maritime industry and economy.
- **Community Connections:** Engage and advance relationships with the Pierce County community and beyond in a timely, accessible, and inclusive way.



### Strategies and Implementation Plan

Each of the above foundational goals is accompanied by a set of strategies designed to support and achieve the Port's mission. (The strategies corresponding to each goal area can be viewed in the [Strategic Plan](#).) A corresponding Implementation Plan provides details on specific actions

that will be undertaken to advance and measure progress on the foundational goals and supporting strategies.

Each annual budget will be informed by the Implementation Plan which will include details on timing and resource needs. (See page 22 of the [Strategic Plan](#) for more details on the relationship between the Strategic Plan and the budget.)

## **Budget Environment**

The NWSA is responsible for the container terminal, container intermodal, break bulk, and auto businesses and a maritime related real estate portfolio. The Port is responsible for its bulk terminal, non-container intermodal, terminal security, and Port auto terminal businesses and a diverse real estate portfolio.

## **Revenues and Expenses**

The Port receives 50 percent of the net income from the NWSA. Operating income received is treated as revenue per joint venture accounting rules.

Additionally, the Port has both fixed and variable revenue streams from the real estate and bulk lines of business. The majority of Port staff remain with the Port. A large portion of the Port's staff costs, however, are charged to the NWSA through service level agreements. See section IV for information on the Port's operating budget.

## **2024 Budget**

The Port of Tacoma has developed an overall operating budget with projected revenue of \$99.8 million (\$42.6 million from Port of Tacoma operations and \$57.2 million from the NWSA JV). Total operating income is budgeted to be \$38.6 million, resulting in an operating margin of 38.7 percent. The Port's net income is projected to be \$72.4 million.

The Port's financial performance reflects investments the NWSA and the Port are making to successfully complete commitments to customers while meeting the Port's financial goals. The operating and capital budgets are based on the cargo forecast in Section III for the Port, and Section III of the Addendum for NWSA.

## **Capital Investment Plan Highlights**

The Port's projects for the next five years reflect an increased focus on investments to support the new Strategic Plan, environmental projects, information technology upgrades, industrial development, and the establishment of a new Maritime Center. With this focus, the Port has also reviewed potential assets for revenue generation and budgeted for additional land acquisitions to ensure that financial and economic growth goals are met.

Major 2024 capital projects include the following:

- Land acquisitions to continue revenue growth
- Development of environmental mitigation habitat
- Remediation of historically contaminated properties
- Addition of an electric vehicle charging station at the existing Port administration building
- Initiation of planning and development for a new Maritime Center building
- Infrastructure Investments

The Port's \$101.3 million 2024 capital budget represents the first year of the Port's 2024-2028 capital plan – a package totaling \$349 million in new projects and investments. (See Section V for additional details on the Capital Investment Plan.)

### **Financial Issues and Measures**

To provide interest rate stability for planned major projects, in 2007 the Port entered into three forward starting payment agreements (aka SWAPS) starting in 2011, totaling \$230 million with third-party partners. Although the planned projects have not moved forward, the SWAPS are still in place and the Port was required to deliver variable rate bonds totaling \$80 million in 2011, \$130 million in 2012, and \$20 million in 2013 to match to the SWAPS. Alternatively, the Port could terminate the SWAPS at market value, which would cost the Port approximately \$17.1 million as of September 29, 2023. The Port has sufficient variable rate debt outstanding to match these swaps as required by state law. An increase in overall interest rates would reduce the cost of terminating these SWAPS and could result in the SWAPS providing value to the Port. The Port continues to monitor the SWAP valuations and will take the best course of action to minimize the risk and cost to the Port. The Port canceled the Morgan Stanley swap in December 2016 at no cost to the Port. The Port's financial measures indicate how well the Port plans and executes its operations, capital budget and financing. The measures are shown in Section VII.

### **Tax Levy**

In addition to the global economic climate, other business and political and civic developments can have an impact on the Port's daily operations and long-term goals. Assessed property values in Pierce County increased by approximately 0.6 percent in 2023, and new construction decreased by approximately 20.3 percent in value, to a Total Taxable Regular Value of \$191,634,741,724 compared to last year's \$191,187,912,091. Property values slowed this past year, but new construction or improvement projects are expected to grow in the future. (See Section VI for additional details on the Port's tax levy.)

### **Legislative Impacts**

Developments in the political arena and changes in legislation often have significant financial implications for the Port. Recent legislation that has impacted the Port includes:

#### *Remedial Action Grant Funding*

The Port relies upon Remedial Action Grant (RAG) funding authorized by the state's Model Toxics Control Act (MTCA) to help remediate contaminated properties it owns. MTCA imposes a hazardous substance tax (HST) on the first possession of toxics on hazardous chemicals to fund RAG grants and other toxics-related programs.

During the 2023 state legislative session, the state included funding in its biennial capital budget for two Port of Tacoma remediation projects: \$2 million for the Earley Business Center and \$5 million for the Arkema Manufacturing site.

#### *Transportation Funding*

The Port relies on an efficient and well-maintained road and rail network to ensure the smooth movement of cargo to and from its facilities. The Washington Legislature in 2015 made a significant commitment to infrastructure, passing a 16-year, \$16 billion statewide transportation

package. An estimated \$3.3 billion of those funds will be invested in projects benefiting Port terminals.

One project of note is the State Route 167 project. The state intends to complete the remaining six miles of this critical freight corridor, improving connectivity between the Port's marine cargo facilities and Interstate 5 and the Green River and Puyallup River valleys—home to the second largest cluster of warehouses and distribution centers on the west coast. During the 2022 legislative session, lawmakers passed the *Move Ahead WA* statewide transportation package, appropriating an additional \$433 million for the Puget Sound Gateway program, which includes both the completion of SR 167 and SR 509.

Completion of this highway requires a \$130 million local match. In 2018, the Port entered into a memorandum of understanding (MOU) pertaining to local participation in the SR-167 project with the Washington State Department of Transportation and other local project stakeholders. The MOU stipulates that anticipated financial contributions by the Port and other stakeholders only become binding commitments when embedded in interlocal agreements, and the conditions therein are approved by the proposed funding entity. In December 2018, the Port committed to a \$3 million contribution for Phase 1A of the project. In December 2019, the Port committed to a \$22 million contribution in future years subject to WSDOT achieving certain construction milestones. In March 2021, the Commission approved a second ILA with WSDOT, contributing \$12.8 million in real estate and fill material to the project. In July 2022, the Commission approved a third ILA with WSDOT, contributing up to 2 acres of wetland mitigation bank credits to the project. If the full 2 credits are utilized, the Port's outstanding obligation to the project would be reduced by an additional \$0.8 million. The Port anticipates Commission consideration for a fourth and final ILA in 2024 for the balance of its outstanding obligation to the project.

## **Port Security**

The Port's security force focuses on physical security and facilitates the Port and NWSA's mission by maintaining proactive vigilance and protecting functions required to sustain safe and free flow of commerce. Port security is committed to protecting the safety of our people and facilities and supporting programs that protect our surrounding community.

Security at the Port involves an integrated, multi-agency approach, including state, local and federal government jurisdictions as well as the private sector. The Port of Tacoma Patrol is responsible for Port-operated facilities and Port-owned land and assets while the tenant companies have responsibility for security at the Port's leased terminals. The Port's Security Department terminal security officers currently provide security at the W. Sitcum Terminal. In addition, the Port supports tenant security when required and coordinates operations with Customs and Border Protection, U.S. Coast Guard, Department of Agriculture, the FBI and state and local law enforcement agencies as necessary on overall security issues that impact the general Port area.

As a steward of public funds, the Port's Security Department has been successful in leveraging grant funding received from the Department of Homeland Security (DHS) through the Port Security Grant Program to enhance security infrastructure. In conjunction with Port of Seattle security, we coordinate our efforts and resources to enhance the Port's Maritime Transportation Security Awareness. The Port leverages grant funding as needed to meet regulatory requirements of the maritime industry.

Port Security personnel reinforce stewardship of public trust by maintaining an active security

program to strengthen our security posture while working with local and regional partners to safeguard people, facilities, and the surrounding community.

## **Conclusion**

The realities of the drastic changes in the global economy have led all ports to re-examine business and operational strategies. This examination helped lead to the formation of the NWSA.

At the Port, we remain focused on maximizing the use of existing Port and NWSA facilities, working with our customers to keep them competitive and successful, and continuing to make strategic infrastructure investments that position the Puget Sound for long-term growth.

Additionally, the Port will, through its Strategic Plan, identify new areas of growth that increase the economic activity in Pierce County in a sustainable, and environmentally responsible manner.

We are also placing increased emphasis on the importance of developing and strengthening relationships with labor partners, industry stakeholders, customers, and local, state, and tribal governments, as we work together to achieve the future vision of the Port and NWSA. This vision must include the road and rail infrastructure that ties the whole system together.

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



### III. Business Outlook

#### U.S. Economy

According to the Department of Commerce Bureau of Economic Analysis (BEA), real gross domestic product (GDP), defined as the value of the production of goods, increased 4.7 percent in the second quarter of 2023 and 6.1 percent in the first quarter of 2023. BEA said, *“The increase in real GDP reflected increases in consumer spending, nonresidential fixed investment, state and local government spending, private inventory investment, and federal government spending that were partly offset by decreases in exports and residential fixed investment.”*

TTX, a railcar and freight management company, reports GDP as 2.4% in the second quarter and 2% in the first quarter. TTX cites, *“Solid economic fundamentals in the form of consistent consumer spending, a strong labor market, persistent business investment and improving inflation have offset headwinds from elevated interest rates, weaker trade activity and tighter financial conditions,”* as the causes for the increase.

Inflation levels in the second quarter of 2022 were the highest since 1981. By the end of the second quarter of 2023, personal consumption expenditures (chain-weighted CPI) had fallen to 3.0% year-over-year and the core inflation rate reached 4.1%. According to TTX, real disposable income grew at a faster annual rate than headline inflation.

In addition, inflation-adjusted retail inventories are around 1% higher than pre-pandemic levels. Excluding motor vehicle and parts inventories, retail inventories were around 14% higher than the pre-pandemic peak and almost 24% higher than the 20-year average.

Western economies are showing a softening in their inflation metrics due to declines in commodity prices, the normalization of supply chains, and the effects of increased interest rates. Interest rate trends in Latin America are showing signs of deceleration. In Asia, inflation is easing in India, South Korea, and the Philippines. China is close to experiencing deflation due to a slowdown in domestic consumer demand. Most major economies are showing signs of slowing.

TTX is forecasting North American containerized imports will decline 12.9% and intact intermodal volumes will decline 8.2%.

The U.S. unemployment rate was at 3.5 percent in July 2023 with 187,000 jobs added for the month. According to the Bureau of Labor Statistics, *“Job gains occurred in health care, social assistance, financial activities, and wholesale trade.”*

According to the National Association of Realtors (NAR), existing home sales fell 2.2% in July. Lawrence Yun, NAR’s chief economist, suggested that two factors are driving current sales activity – inventory availability and mortgage rates. Unfortunately, both have been unfavorable to buyers.

The Conference Board reported July 2023 Consumer Confidence Index at 117.0, up from 110.1 in July, reaching its highest level since July 2021. The Conference Board’s Chief Economist Dana Peterson attributed the improvement to consumers sentiment about both current conditions and expectations for the future.

## POT Activity

Grain volumes in 2023 are projected to decline 50 percent vs. 2022 and to recover in 2024, but weak global demand is expected to prevent major growth in the upcoming years. Volumes can fluctuate based on external factors such as weather, crop year, value of the dollar, and diplomatic relationships.

Gypsum is a commodity used by a port tenant to make wallboard and other construction material. It is projected to be 162K metric tons in 2024.

See the NWSA budget addendum for information on the container, intermodal, breakbulk and auto volume forecast.

**Table III-1 – Cargo Activity Five Year Forecast**

<b><u>PORT OF TACOMA CARGO ACTIVITY 5-YEAR FORECAST</u></b>											
	<u>Actual</u>					<u>Forecast</u>					
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
<u>Non-Container Forecast (Thousands of Metric Tons)</u>											
<u>Bulk</u>											
Grain	4,622	3,057	4,957	5,386	4,581	2,288	3,580	3,500	3,500	3,500	3,500
Gypsum	221	251	154	223	240	193	163	163	163	163	163
<b>Total Bulk Tonnage</b>	<b>4,843</b>	<b>3,308</b>	<b>5,111</b>	<b>5,609</b>	<b>4,821</b>	<b>2,481</b>	<b>3,743</b>	<b>3,663</b>	<b>3,663</b>	<b>3,663</b>	<b>3,663</b>
<i>Year over Year Change</i>	-1.0%	-31.7%	54.5%	9.7%	-14.1%	-48.5%	50.8%	-2.1%	0.0%	0.0%	0.0%

## **IV. Operating Budget**

### **Overview**

The Port's operating budget is based on 50 percent of the NWSA's net operating income plus lease and cargo related income from Port-managed properties. Volume forecasts for the Port and NWSA are shown in Table III-1, page III-2 of this document and page III-4 of the NWSA addendum, respectively. Operating budget expenses were projected based on historical information for the Port. Operational expenses for the NWSA are included in the net income received by the NWSA.

From the Port and NWSA information, Port staff created a realistic budget that supports both organization priorities and financial goals.

Departmental budgets estimate the expenses that will be generated in support of the Port and NWSA. Expenses fall into one of five categories: Administration, Operations, Security, Environmental or Maintenance. These expenses can be in support of the Port and/or the NWSA. Administration expenses are incurred in the day-to-day management of the Port. Operations, Security and Maintenance expenses support the day-to-day management of business activities. Environmental expenses are a subset of overall environmental spending and include ongoing compliance and monitoring activities.

Business budgets are projections of revenues earned and expenses incurred in the operation of a particular business line. In addition, the Port expects to receive funds from various other sources including property tax levy, user fees, government grants, bond proceeds and investment earnings.

Although capital project spending is planned within the capital budget, capital projects will impact operating budgets for future years through new sources of revenues, increased operating expenses and depreciation costs. Fifty percent of the NWSA capital project expenses will be included in the Port's plan of finance.

### **Nature of Business**

Washington law authorizes ports to provide and charge rents, tariffs and other fees for docks, wharves, and similar harbor facilities, including associated storage and traffic handling facilities for waterborne commerce. Ports may also provide freight and passenger terminals and transfer and storage facilities for other modes of transportation, including air, rail, and motor vehicles. Finally, ports may acquire and improve lands for sale or lease for industrial or commercial purposes and create industrial development districts.

The Port operates as an enterprise fund, allowing it to operate in much the same manner as a private business. Operating revenues are comprised of charges to its customers to cover costs associated with the service provided and to support investment in future projects.

### **Balanced Budget**

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

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

The Port uses the full-accrual basis for budgeting, consistent with the basis for accounting. This method recognizes the financial effect of events that impact the Port during the accounting period, regardless of whether cash was received or spent.

### **Budget Process**

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

The Port operates on a calendar year budget cycle as shown in Appendix D. The operating budget and the capital budget are the Port’s plan for meeting the current needs of its customers, and for implementation of its Strategic Plan initiatives.

The annual budget development begins in July and continues through November. The process begins with the development of strategic objectives and initiatives for the Port and the NWSA. These objectives are reviewed by the Port’s Commissioners and the Executive Director, and the NWSA’s Managing Members and CEO.

Cargo forecasts, available at the beginning of September, are used to develop the operating and capital budgets for both organizations. During separate study sessions, a draft budget is presented to the Port Commission and the NWSA Managing Members.

In November, a public hearing is held to address public interest, and to adopt the Port’s tax levy and statutory budget, which includes the Port’s portion of net income and CIP from the NWSA. After the Port Commission approves and adopts the statutory budget, it is submitted, with the Commission resolutions, to the Pierce County Council and the Office of the Assessor Treasurer on or before November 30th.

Once filed, the statutory budget is a legal, public document and can be amended only after proper notification is given and a public hearing is held. Any amendments to the budget must be submitted with amended resolutions to the Pierce County Council’s office.

After filing the original statutory budget, the Port conducts a subsequent mid-year forecast of operating revenues and expenses and makes any necessary adjustments based on a monthly budget-to-actual analysis. This helps management measure how the Port is progressing. The mid-year update is not filed with the County or adopted by the Commission.

### **Major Assumptions**

Major drivers of the 2024 operating budget are a result of economic and industry trends represented in the cargo forecast and targeted spending to support the implementation of the Strategic Plan.

## Revenues

- Fifty percent of the NWSA net income. (See the NWSA addendum for additional information.)
- Lease revenue for POT managed properties per contract.
- Property lease rental rates will increase as specified in contracts.

## Expense

- Budgeted salary increases include a 5.0% pool for non-represented staff and negotiated hourly wage rates for represented staff. Additionally, \$227,174 was included for salary market adjustments to aid in employee retention. A significant portion of staff costs are allocated to the NWSA per service level agreements.
- Allocations and department closing include charges to projects, specific costs at revenue locations, and charges to the NWSA. Total allocations of services to NWSA of \$32.8 million (See Table IV-3).
- Budgeted headcount has increased to 226 from 2023's budgeted 223 to address information technology resource needs and provide additional full-time Port Patrol that will reduce over-time hours. The five Port of Tacoma Commissioners and part time security officers are excluded from this number (See Appendix J).
- Increased outside services due to multiple one-time projects and ongoing data services.
- Depreciation is decreasing due to no new significant capital investments in 2023.
- 2024 environmental expenses will be higher than 2023 forecast by \$1.2 million.
- Port and Port staff memberships in professional and trade organizations total approximately \$354,676 (See Appendix C).

## Non-Operating Revenue and Expense

- Grant income of \$18.9 million.
- Net interest income of \$9.4 million.
- Net revenue bond interest expense of \$15.4 million.
- Tax Levy (See Section VI).

## Estimating Revenues and Expenses

The Port uses several different methods of projecting revenues, depending upon the nature and materiality of the revenue item and the projection period.

Specific revenue projection techniques include:

- **Historical Data:** Future revenues are based on historical trends with the assumption that they will continue in the future. When using historical data as a means for projecting revenues, the Port analyzes as many as 10 years of data to estimate a rate of growth.

- **Business Operations:** Lease/rental agreements, grant agreements and service contracts provide information for this projection method. These projections may be adjusted to reflect the probable impacts of anticipated changes in the economy, legislation, and inflation.
- **Judgment Estimates:** This method relies on a person knowledgeable in the field, often a department director, who prepares a revenue projection based on awareness of past and present conditions including fee changes, development plans, marketing campaigns, usage activity, frequency, volume, weight, and similar determinations.
- **Current Data:** This method predicts future revenue based on actual or annualized current year revenues and often is used when historical data and trends are not available, or if used, would result in an inaccurate revenue projection.
- **Volume:** The Port uses the five-year cargo forecast to project budgeted revenues where appropriate.

### Financial Practices

The Port manages its debt and investment portfolios to maximize its financial capacity to maintain strong debt service coverage ratios and positive cash flows, with a goal of keeping the Port financially sound to better serve its customers, the surrounding business community, and the residents of Pierce County.

### Financial Tools

- **Cargo Forecasts:** The Port and the NWSA each create cargo forecasts for the next five years (See Section III).
- **Five-Year Operating Budget:** The operating budget is driven by revenue from the NWSA, volumes from the cargo forecast, and major lease contracts. Planned revenue-generating capital projects are aligned with new revenues and expenses in the five-year operating budget. The operating budget is monitored throughout the year, noting any variances that may require corrective action. The Commission, Executive Director and Leadership Team review these semi-annually.
- **Five-Year Capital Investment Plan:** This plan ties directly to the strategy developed during the budget process. Updated semi-annually, it identifies all proposed projects. Some projects are capitalized and impact future year forecasts through depreciation while others are expensed in the current year.
- **Plan of Finance:** This is a five-year plan that identifies the Port's ability to fund its business objectives. It evaluates the capital budget, describes debt practices, outlines a plan to fund projects and reaffirms the Port's system of performance measurements.
- **Financial Analysis of Investments:** The Port reviews significant capital investments and their related assumptions prior to acceptance into the planned capital budget. Revenue generating projects earn a return on revenue that meets or exceeds the Port's standards.
- **Financial Reporting:** The Port creates a variety of reports available electronically or in hard copy.

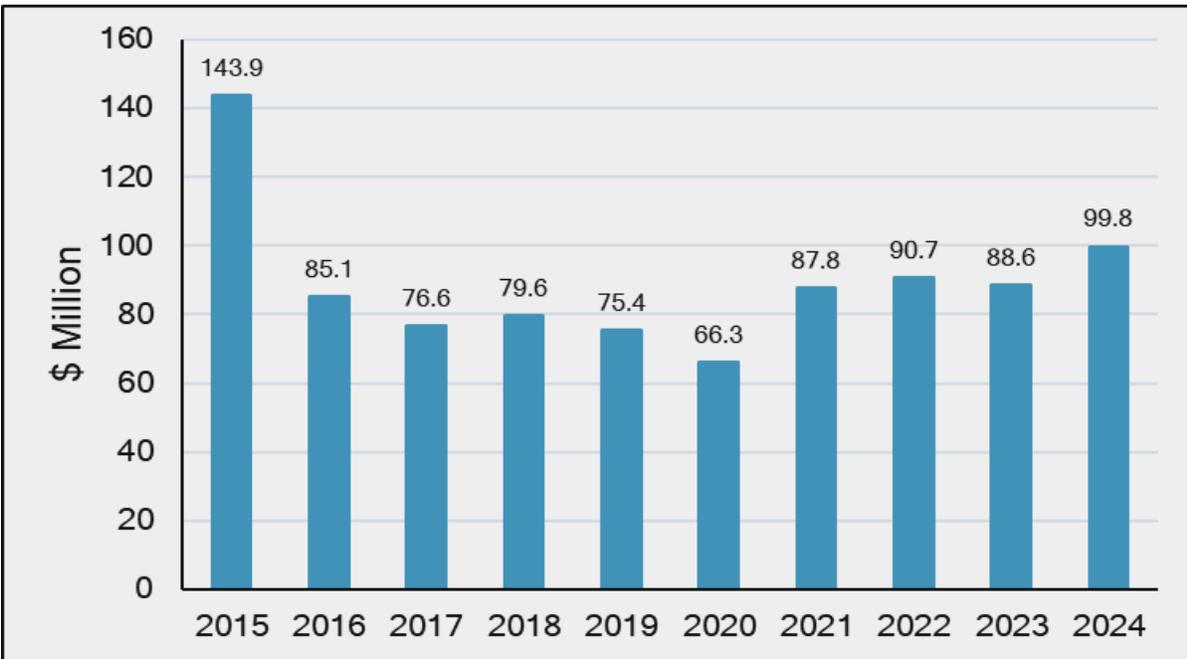
For additional information on accounting policies, see Section IX.

**Table IV-1....Statement of Revenue, Expenses and Change in Assets by Business\***

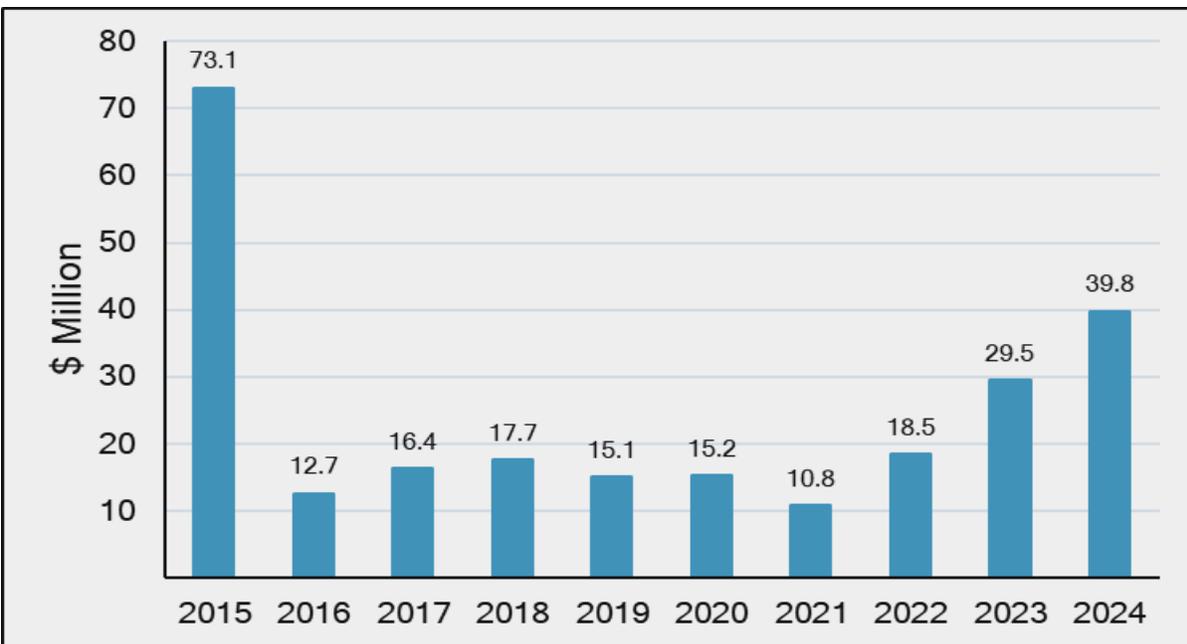
<i>(\$ millions)</i>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>
	<b>Actual</b>	<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>
<b>Operating Revenues</b>				
NWSA	\$55.4	\$50.3	\$50.5	\$57.2
Container	3.6	3.8	3.7	4.0
Non Container	3.3	5.4	6.7	8.0
Real Estate	28.5	29.5	27.7	30.6
Other	0.0	0.1	0.0	0.0
<b>Total Operating Revenues</b>	<b>90.7</b>	<b>88.9</b>	<b>88.6</b>	<b>99.8</b>
<b>Direct Expenses</b>				
Container	2.8	3.4	2.9	3.3
Non Container	0.4	0.3	1.4	3.2
Real Estate	5.6	8.0	6.3	10.5
Other	(0.4)	2.6	2.8	2.8
<b>Total Direct Expenses</b>	<b>8.4</b>	<b>14.3</b>	<b>13.3</b>	<b>19.8</b>
<b>Administration</b>	6.3	10.7	9.6	12.0
<b>Security</b>	1.8	2.2	2.1	2.4
<b>Environmental</b>	1.9	6.8	4.4	5.6
<b>Total Operating Expense before Depreciation</b>	18.5	34.1	29.5	39.8
<b>Depreciation</b>	23.3	22.3	22.5	21.4
<b>Total Operating Expense</b>	<b>41.7</b>	<b>56.4</b>	<b>52.0</b>	<b>61.2</b>
<b>Operating Income</b>	<b>\$49.0</b>	<b>\$32.5</b>	<b>\$36.6</b>	<b>\$38.6</b>
<i>Return on Revenue</i>	<i>54.0%</i>	<i>36.6%</i>	<i>41.3%</i>	<i>38.7%</i>
Non Operating Income (Expense)	(17.2)	17.9	2.8	11.5
<b>Income before Tax Levy and Expense</b>	<b>31.8</b>	<b>50.4</b>	<b>39.3</b>	<b>50.1</b>
<b>Ad Valorem Tax Levy</b>	24.6	25.3	25.3	26.0
GO Interest	(4.1)	(3.9)	(3.9)	(3.7)
<b>Net Tax Levy</b>	<b>\$20.5</b>	<b>\$21.3</b>	<b>\$21.4</b>	<b>\$22.3</b>
<b>Net Income</b>	<b>\$52.2</b>	<b>\$71.8</b>	<b>\$60.7</b>	<b>\$72.4</b>

May not foot due to rounding

**Figure IV-1... Operating Revenue by Year**



**Figure IV-2.... Operating Expense by Year**



*(Excluding depreciation)*

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

(\$ millions)	2022	2023	2023	2024
	Actual	Budget	Forecast	Budget
Property Rental	\$28.1	\$28.9	\$27.0	\$29.6
Sale of Utilities	0.7	0.8	1.1	1.3
Services Marine Terminals	4.7	6.9	7.9	9.6
Other Revenue	57.3	52.4	52.5	59.3
<b>Operating Revenue</b>	<b>90.7</b>	<b>88.9</b>	<b>88.6</b>	<b>99.8</b>
Port Salaries & Benefits	31.9	40.2	39.8	42.4
Outside Services	6.6	9.7	8.0	12.1
Direct Expenses	2.1	2.0	3.0	5.0
Marketing & Global Outreach	0.5	0.6	0.6	0.7
Travel & Hosting	0.1	0.2	0.1	0.2
Maintenance	8.7	9.1	8.7	12.8
Office Equipment & Supplies	0.4	0.6	0.5	0.5
Utilities	1.9	1.8	1.7	2.2
Other Employee Exp	0.5	0.8	0.6	0.7
Other Expenses	0.2	3.4	1.5	2.4
Environmental	2.0	6.8	4.4	5.6
Depreciation & Amortization	23.3	22.3	22.5	21.4
Allocations & Department Closings	(36.3)	(41.2)	(39.5)	(44.8)
<b>Total Operating Expenses</b>	<b>\$41.7</b>	<b>\$56.4</b>	<b>\$52.0</b>	<b>\$61.2</b>
<b>Operating Income</b>	<b>\$49.0</b>	<b>\$32.5</b>	<b>\$36.6</b>	<b>\$38.6</b>
<i>Return on Revenue</i>	<i>54%</i>	<i>37%</i>	<i>41%</i>	<i>39%</i>
Non Operating Revenue and Expenses	(17.2)	17.9	2.8	11.5
<b>Income Before Tax Levy &amp; Expenses</b>	<b>31.8</b>	<b>50.4</b>	<b>39.3</b>	<b>50.1</b>
<b>Ad Valorem Tax Levy</b>	<b>24.6</b>	<b>25.3</b>	<b>25.3</b>	<b>26.0</b>
GO Interest	4.1	3.9	3.9	3.7
<b>Net Tax Levy</b>	<b>20.5</b>	<b>21.3</b>	<b>21.4</b>	<b>22.3</b>
Net Assets Before Special Items	52.2	71.8	60.7	72.4
<b>Increase in Net Assets</b>	<b>\$52.2</b>	<b>\$71.8</b>	<b>\$60.7</b>	<b>\$72.4</b>

\*May not foot due to rounding.

**Table IV-3....Summary of Services Purchase**

(\$ Millions)	2022	2023	2023	2024
	Actual	Budget	Forecast	Budget
Port of Tacoma to NWSA	\$27.7	\$31.9	\$29.4	\$32.8
NWSA to Port of Tacoma	\$0.9	\$0.9	\$0.9	\$0.8

**Table IV-4....Non-Operating Revenue and Expense Detail\***

(\$ millions)	2022	2023	2023	2024
	Actual	Budget	Forecast	Budget
<b>Grant Income</b>				
Capital Grant Income	0.6	9.5	9.4	17.4
Non-Capital Grant Income	0.7	0.2	0.2	1.5
<b>Interest Income</b>				
Interest Income	4.2	6.9	7.2	8.9
Premium Discount	(0.7)	(0.6)	(0.4)	0.5
<b>Non Operating Income</b>				
Gain (Loss) Sale Facil	(0.3)	(2.0)	(1.8)	(1.9)
Sale of Scrap	0.0	0.0	0.0	0.0
Leasehold Tax Distrib	0.1	0.1	0.1	0.1
St. Forest Board Rcpt	0.1	0.0	0.0	0.0
Purchase Discounts Taken	0.0	0.0	0.0	0.0
Misc Non Op Inc	0.6	0.0	0.1	0.0
HMT Fund Income	2.7	23.0	3.4	3.4
<b>Investment Gain Loss</b>	<b>(10.8)</b>	<b>0.0</b>	<b>1.9</b>	<b>0.0</b>
<b>Non Operating Revenue</b>	<b>(2.6)</b>	<b>37.1</b>	<b>20.1</b>	<b>30.0</b>
<b>Revenue Bond Interest Expense</b>				
Int Expense General	0.0	0.0	0.0	0.0
Int Exp Rev Bonds Debt Serv	11.1	14.0	14.2	14.1
Int Exp Commrc'l Paper	0.0	0.0	0.0	0.0
Other Bond Fees	0.2	0.2	0.2	0.2
Letter of Credit Fee	0.9	1.1	1.1	1.1
Swap Interest Due	8.5	8.2	8.2	7.9
Swap Interest Receivable	(2.5)	(5.4)	(5.9)	(5.7)
Amort Deferred Debt Service (Rev)	1.1	1.3	1.3	1.2
SWAP Refunding Amortization	(1.1)	(1.0)	(1.0)	(1.0)
Bond Disc Debt Serv	0.0	0.0	0.0	0.0
Bond Premium Debt Service (Rev)	(2.5)	(2.4)	(2.4)	(2.3)
Capitalized Interest	0.0	0.0	0.0	0.0
<b>Other Non Operating Expense</b>				
Election Expense	0.3	1.0	1.0	0.0
Bank Service Fee	0.0	0.0	0.0	0.0
Other Investment and debt expense	0.1	0.1	0.0	0.1
Public Expense/LEDIF	(1.4)	2.0	0.4	1.3
Misc Non Op Exp	(0.2)	0.2	0.4	1.7
<b>Non Operating Expense</b>	<b>\$14.6</b>	<b>\$19.2</b>	<b>\$17.3</b>	<b>\$18.5</b>
<b>Non Operating Revenue and Expenses</b>	<b>(\$17.2)</b>	<b>\$17.9</b>	<b>\$2.8</b>	<b>\$11.5</b>

\*May not foot due to rounding.

**Table IV-5....Statements of Revenues, Expenses and Changes in Net Position\***

(\$ Millions)	2022 Actual	2023 Forecast	2024 Budget	Change from Prior Year Forecast
Operating Revenue	\$90.7	\$88.6	\$99.8	12.7%
Total Operating Expenses	41.7	52.0	61.2	17.6%
<b>Operating Income</b>	<b>49.0</b>	<b>36.6</b>	<b>38.6</b>	<b>5.7%</b>
<b>Non Operating Revenues (Expenses)</b>				
Ad Valorem Tax Revenues	24.6	25.3	26.0	2.8%
Interest on General Obligation Bonds	(4.1)	(3.9)	(3.7)	-4.8%
<i>Net Ad Valorem Tax Revenues</i>	\$20.5	\$21.4	\$22.3	4.2%
Lease Interest Income	8.5	3.5	0.0	-100.0%
Interest Income	3.5	6.8	9.5	38.3%
Net Increase (Decrease) in the Fair Value of Investments	(10.8)	1.9	0.0	-100.0%
Revenue Bond Interest Expense	(15.8)	(15.6)	(15.4)	-1.3%
Other Non Operating Expenses, net	(3.3)	(3.2)	(0.0)	-99.8%
<b>Total Non Operating Income (Expense), net</b>	<b>2.6</b>	<b>14.8</b>	<b>16.3</b>	<b>10.6%</b>
<b>Increase (Decrease) in Net Position Before Capital Contributions</b>	<b>51.6</b>	<b>51.3</b>	<b>55.0</b>	<b>7.1%</b>
Capital Grant Contributions	0.6	9.4	17.4	85.7%
Special Item	0.0	0.0	0.0	
<b>Increase (Decrease) in Net Position before Special Item</b>	<b>52.2</b>	<b>60.7</b>	<b>72.4</b>	<b>19.2%</b>
<b>Net Position</b>				
Net Position Beginning of Year	\$647.0	\$699.2	\$760.0	8.7%
Net Position End of Year	\$699.2	\$760.0	\$832.3	9.5%

\*May not foot due to rounding

### Definition of Net Position (Equity)

The statement of revenues, expenses and changes in net position is a report indicating whether an organization's financial condition has improved or declined as a result of the year's activities. Changes in net position are reported as the underlying events occur, regardless of the timing of related cash flows.

The Port of Tacoma expects its net position to increase in 2024 by \$72.4 million from the estimated 2024 results.



Breakbulk Cargo at EB1 on the Blair Waterway with the POT owned auto processing center in the back

## V. Capital Investment Plan

### Overview

The Port invests in projects to increase the capacity, extend the life of, or improve the safety or efficiency of Port-owned property and equipment.

New projects in the Capital Investment Plan that are \$100,000 or greater have been vetted through the Investment Decision and Development Process (IDDP). The IDDP is a two-stage planning development.

- Stage 1 (Opportunity Assessment) is to document new investment opportunities, identify any conflicts and receive input from all potentially affected departments/teams. Leadership management makes the decision to pursue the opportunity in the next stage.
- Stage 2 (Alternatives Analysis) is to assess the initial viability of a project, consider and evaluate alternatives, conduct a project screening, and consider long-range capital planning.

The five-year Capital Investment Plan (CIP) identifies all projects planned or under way. The CIP provides a mechanism for tracking and managing project budgets and cash flows for five years into the future. Table V-1 shows historical and planned capital spending of the capital budget for a ten-year time frame. Projects are associated with a program that fall under one of the “Businesses” or under a category called “Port-wide Infrastructure.”

Although funds for a project are included in the CIP, the project is not automatically authorized to proceed. Each project is reviewed and approved individually by the Port Commission and must have the necessary permitting before proceeding. The CIP for the NWSA is not included in this section. (See the NWSA addendum.)

To achieve its goals, the Port continues to invest in revenue-generating capital projects that support its businesses. The Port also will invest in infrastructure projects that support the Port’s maritime business, as well as increasing rail and road transit of cargo within and surrounding the Tideflats. Often, these infrastructure projects are expensed versus capitalized due to accounting requirements.

In addition, environmental projects are planned for meeting or maintaining regulatory requirements, including the development of mitigation and remediation projects. Projects may be expensed or capitalized according to accounting rules.

### Summary of Major Projects

With the Port’s 2021-2026 Strategic Plan completed, the five-year capital budget focuses on road and waterway infrastructure improvements, enhanced security, and environmental projects highlighted in the plan. By the close of 2023, the Port will have completed or neared completion the following capital projects:

- Rehabilitate aspects of the Port administration building and Fabulich Center
- Land acquisitions
- Industrial warehouse demolitions
- Maintenance and rehabilitation of Port assets

New Development in the five-year CIP includes the following, among several other projects:

- Electric Vehicle Charging Station at Port Administration Building
- Information Technology Upgrades and Security Enhancements, including replacement of financial and procurement systems
- Channel dredging of the Blair Waterway at Husky and WUT terminals and PCT Turning Basin
- Construction of an off-dock container support facility
- Replace rail switches in the Banana Yard
- Maintenance and rehabilitation of Port assets
- Design and construction of a Maritime Center
- East Commencement habitat construction
- Environmental cleanups for land stewardship

Infrastructure improvements will better position the current and future cargo volume levels.

The Port has a strong commitment to protecting and improving the environment and addressing climate change. Recent examples of this commitment are the cleanup of historic contamination sites, such as the Hylebos Waterway Superfund project, the protection of existing wetlands and fisheries throughout the Tideflats and Commencement Bay, and adoption of the 2020 Northwest Ports Clean Air Strategy. Other environmental projects include environmental coordination, continued investigations of underground storage tanks contamination and other restoration and monitoring.

Strategic development efforts focus on serving existing customers, attracting new customers, and building a diverse, dynamic, and resilient business base.

**Table V-1.... Historical and Planned Capitalized Spending**

(\$ Millions)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Historical Capital	14.2	5.5	7.8	8.6						
Planned Capital					31.2	83.3	37.8	50.9	32.5	84.8
<b>Grand Total</b>	<b>\$14.2</b>	<b>\$5.5</b>	<b>\$7.8</b>	<b>\$8.6</b>	<b>\$31.2</b>	<b>\$83.3</b>	<b>\$37.8</b>	<b>\$50.9</b>	<b>\$32.5</b>	<b>\$84.8</b>

### Capital Investment Plan Priorities

To efficiently allocate human and financial resources, the Port uses a capital project prioritization methodology. For internal management, the Port uses two categories:

- **Open:** These are ongoing projects or projects ready to move forward that have customer commitment or a high degree of certainty. Only open projects are funded in the Plan of Finance.
- **Estimate:** These are projects based on an identified business need or opportunity but have not been fully developed in scope and cost.

## Capital Investment Plan Projects by Purpose

While the stage of the planning process determines the budgetary category of a specific project, project purpose determines the source of financing. The Port classifies CIP projects into three types, (as shown below in Table V-2):

- **Revenue-Generating:** Projects developed for a specific customer that will result in a new revenue stream. The Port has designated Port-generated operating cash and revenue bonds to fund most of these projects.
- **Revenue Renewal:** Projects developed to renovate or replace obsolete or aging revenue-producing assets. These projects serve to extend existing revenue streams or ensure existing streams are not lost and may offer additional revenue if replacements enhance the efficiencies of operations or offer additional capabilities or value. The Port has designated Port-generated operating cash or revenue bonds to fund most of these projects and may use capital leasing through equipment suppliers or financial institutions.
- **Infrastructure:** Projects developed to enhance infrastructure, support multiple or future customers, or enhance public infrastructure. Sometimes, other public agencies may participate in funding that otherwise comes from Port-generated operating cash, the property tax levy, and general obligation bonds or revenue bonds. They often are complex in nature, with multiple public agencies involved in the planning process and execution.

Table V-3 shows Open (excludes Estimate) project expenditures during the five-year planning horizon as categorized by accounting treatment.

Accounting rules require some spending to be capitalized and depreciated over time, while other spending is expensed as incurred.

The Port's policy is to capitalize all asset additions greater than \$20,000 and with an estimated useful life of more than three years. Depreciation is computed on the straight-line method. The economic lives of capitalized assets range from three years to 20 years for machinery and equipment while economic lives of buildings and improvements range from 10 years to 75 years.

Table V-3 shows that the Port intends to implement \$349 million worth of planned projects in the next five years, with \$101 million of that total earmarked for 2024. Non-operating and operating projects will be expensed as incurred and are included in the operating budget.

Table V-4 shows the five-year CIP by Line of Business. The investments assigned to Rail Equipment and Channel Dredging are for infrastructure and dredging the Port is responsible for to support the NWSA.

Table V-5 shows the expected increase in depreciation and revenue when planned projects are completed. The CIP is the total expected spending of 200 projects, 84 of which are capitalized and 116 expensed as incurred.

The expensed projects are captured as expenses in the current year budget and five-year Plan of Finance as incurred. The costs of the capitalized projects are captured as depreciation expense over the estimated useful life of the projects which may extend beyond three years. The Port does not expect any significant increase in operating expenses associated with the additional capital projects.

**Table V-2.... Five-Year Planned Capital Investments by Purpose**

(\$ Millions)

	2024	2025	2026	2027	2028	Total
Infrastructure	\$53.4	\$27.7	\$31.8	\$21.1	\$59.7	\$193.6
Renewal	21.8	12.3	17.2	22.7	32.8	106.8
Revenue	26.1	10.2	11.0	0.9	0.8	48.9
<b>Grand Total</b>	<b>\$101.3</b>	<b>\$50.2</b>	<b>\$60.0</b>	<b>\$44.6</b>	<b>\$93.2</b>	<b>\$349.3</b>

May not foot due to rounding.

**Table V-3.... Five-Year Planned Capital Investments by Accounting Treatment**

(\$ Millions)

	2024	2025	2026	2027	2028	Total
Capitalized	\$83.3	\$37.8	\$50.9	\$32.5	\$84.8	\$289.4
Operating Expense	15.2	11.2	7.7	10.9	7.3	52.4
Non-Operating Expense	2.7	1.2	1.3	1.2	1.1	7.6
<b>Grand Total</b>	<b>\$101.3</b>	<b>\$50.2</b>	<b>\$60.0</b>	<b>\$44.6</b>	<b>\$93.2</b>	<b>\$349.3</b>

May not foot due to rounding.

**Table V-4.... Five-Year Planned Major Projects by Line of Business**

(\$ Millions)

	2024	2025	2026	2027	2028	Total
Rail Equip. & Channel Dredging	\$5.6	\$1.4	\$15.7	\$21.3	\$30.8	\$74.8
Real Estate	70.1	17.8	14.9	4.3	3.5	110.6
Port-Wide Infrastructure	25.7	31.0	29.4	19.0	59.0	164.0
<b>Grand Total</b>	<b>\$101.3</b>	<b>\$50.2</b>	<b>\$60.0</b>	<b>\$44.6</b>	<b>\$93.2</b>	<b>\$349.3</b>

May not foot due to rounding.

**Table V-5.... Depreciation Impact Due To Capital Investments**

(\$ Millions)

	2024	2025	2026	2027	2028	Total
Rail Equip. & Channel Dredging	(\$0.0)	(\$0.3)	(\$0.4)	(\$0.4)	(\$0.4)	(\$1.5)
Real Estate	(0.6)	(3.0)	(3.0)	(3.0)	(2.9)	(12.5)
Port-Wide Infrastructure	(1.8)	(2.1)	(3.3)	(2.8)	(3.7)	(13.7)
<b>Grand Total</b>	<b>(\$2.5)</b>	<b>(\$5.4)</b>	<b>(\$6.6)</b>	<b>(\$6.2)</b>	<b>(\$7.0)</b>	<b>(\$27.7)</b>

May not foot due to rounding.

## **Capital Budget Project Descriptions**

The following section provides details of major planned improvements within each business and only includes major projects and equipment.

### **Rail Equipment & Channel Dredging**

Planned capital expenditures for container terminals over the next five years will total approximately \$75 million. The CIP will provide the funds necessary for channel dredging at Husky and WUT terminals and PCT Turning Basin and replace rail switches in the Banana Yard.

### **Industrial & Commercial Real Estate**

The Port will invest \$111 million in real estate improvements to include land acquisition, construction of an off-dock container support facility, and habitat construction at East Commencement. The CIP also includes several site investigations and remediation cleanups.

### **Port-Wide Infrastructure**

This section includes capital expenditures not specific to a single business and are in support of the Port's infrastructure or environmental improvements.

- Design and construction of a new maritime center
- Environmental Programs: These projects include investigation, reduction and monitoring of emissions, municipal stormwater permit program and ongoing clean-up projects
- Technology: The Port will update and implement technology improvements to increase efficiency and productivity
- Capital and operating expense contingency for emergent issues

### **Capital Investment Plan Revisions**

The CIP is an integral part of the budget planning process and is reviewed and revised semi-annually. Adjustments in amount and timing are made as required to meet changes in customer or infrastructure requirements.

The Port maintains sufficient cash reserves to meet the CIP requirements, as well as any unexpected capital requirements, without adversely affecting the ongoing operations of the Port.



Lower Wapato Creek Mitigation site

## VI. Tax Levy

### Tax Levy At-a-Glance

- The levy increases by \$727,080 from \$25,336,951 to \$26,064,031. The increase is due to a flat 3% increase in the amount collected, a growth rate consistent with the methodology of the last three years where a flat rate was used but a change from prior years which used a constant levy rate resulting in a total levy that fluctuated with changes in property values and increases in first-time taxes on new construction.
- Target millage rate of \$0.13601 per \$1,000 assessed value, a 2.8% increase from the previous year and a 26% decrease from the Port's constant millage rate prior to four years ago.
- Tax levy for a \$300,000 assessed value home for 2024 will be \$40.80, \$1.10 more than 2023.
- The total levy will be used for the following:

Interest payments	\$5,065,292
Principal payments	7,178,000
<u>Governmental Projects</u>	<u>13,820,739</u>
Total	\$26,064,031

### Tax Levy Sources

The Pierce County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. The County levies taxes annually (January 1) on property value listed as of the prior May 31. To determine valuation, the County revalues property every six years. The value of the property placed on the assessment rolls for property tax purposes may not always be the true and fair market value; (RCW 84.04.020 and RCW 84.04.030).

Property owners pay taxes in two equal installments on April 30 and October 31. The Pierce County Treasurer distributes collections to the Port on a monthly basis. By law, the Port can levy up to 45 cents per \$1,000 of assessed valuation for general Port purposes. Tax levy ceiling increases have been limited since 1985 to the lesser of 1 percent or the Implicit Price Deflator plus new construction and improvements.

The Port's preliminary highest lawful regular levy plus refunds amount since 1985 is \$28,964,371, well above the proposed levy of \$26,064,031.

### Port of Tacoma Levy History

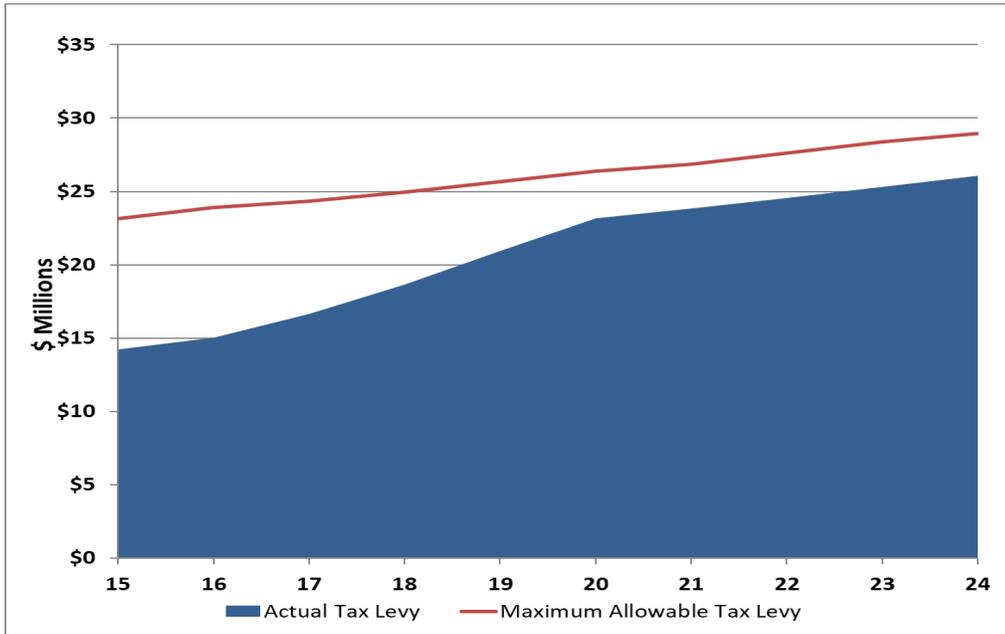
Figure VI-1 shows the maximum allowed levy versus the actual Port levy from 2015 to the proposed 2024 levy.

- After holding a constant target millage rate of \$0.18365 per \$1,000 for the previous 12 years, in 2021 the Port altered the process for setting the levy by instead targeting a specific growth rate. For 2024 this 3% growth target results in a new millage rate \$0.13601 per \$1,000 as shown in Figure VI-2;
- In 1988, the state changed the law so that a port could have a levy at less than the maximum while still preserving the ability to tax up to the maximum in the future ("banking levy

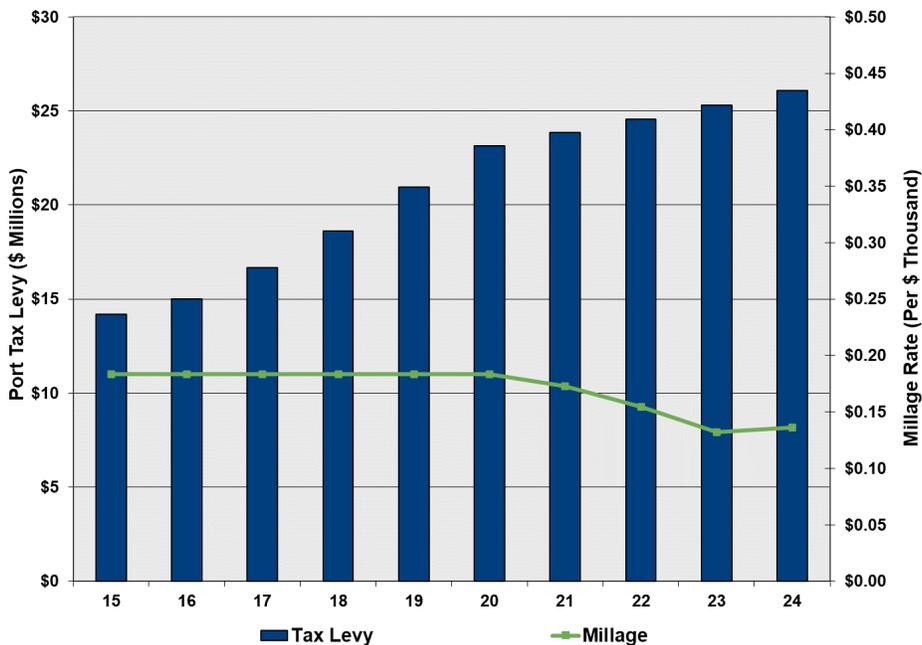
capacity”), if the need is justified;

- This law allows a port to tax at a lower level in the years when it doesn’t require the maximum levy but return to the maximum level in years of need. In an effort to minimize reliance on the levy, the Port has taxed less than the maximum, reducing the taxpayers’ burden by approximately \$52 million over the last 10 years.

**Figure VI-1....Actual Port Levy vs. Maximum Port Levy**



**Figure VI-2.... Port Tax Levy vs. Millage Rate**



## Initiative 747

Washington voters approved Initiative 747 on November 6, 2001, amending RCW 84.55.005 and 84.55.0101. Initiative 747 impacted local government, including cities, counties, and special purpose districts, such as ports, by limiting property tax increases to 1 percent per year unless approved by the voters.

New construction and the “banking capacity” were not affected by this initiative. For the Port, this means that since 2002, the gap between the maximum allowable levy and actual levy collected has decreased.

While the Washington State Supreme Court ruled the initiative unconstitutional in the autumn of 2007 for technical reasons, the Legislature re-imposed the one percent cap during a special session in November 2007.

## Special Tax Levies

Special levies that voters approve are not subject to the above limitations. The Port can levy property taxes for dredging, canal construction, leveling or filling upon approval of the majority of voters within the Port District. This levy is not to exceed \$0.45 per \$1,000 of assessed value of taxable property within the Port District.

## IDD Tax Levies

The Port may also levy property taxes for Industrial Development Districts (IDDs) under a comprehensive scheme of harbor improvements for up to 20 years, not to exceed \$0.45 per \$1,000 of assessed value of taxable property within the Port District, with a cap on the aggregate amount to be collected per RCW 53.36. The amount to be collected by the Port if an IDD was created may vary over the maximum 20-year period.

## Tax Levy Uses

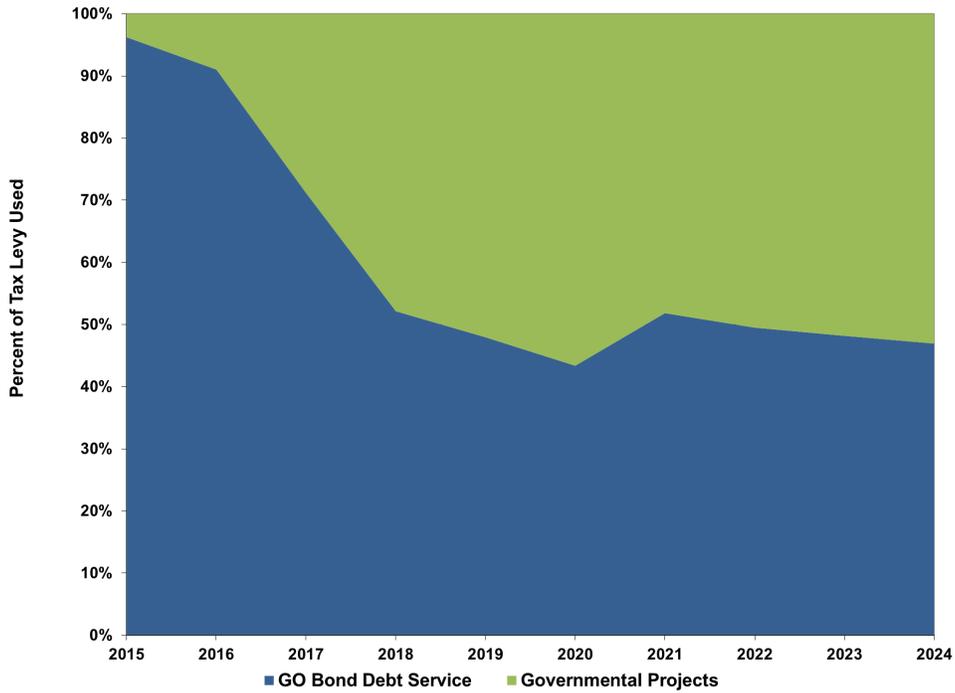
The Port uses the tax levy to pay for debt service, capital improvements and governmental projects. Although the Port strives to maintain its levy rate at a level significantly below its legal limit, this does not preclude the Port from levying taxes at a higher rate in future years. Over the next five years, the Port plans to spend \$326 million on governmental projects as shown in Table VI-1.

The Port will use the regular levy for the current year’s debt service on G.O. bonds (principal and interest) of \$12,243,292. The history of its usage is shown in Figure VI-3. The Port does not use the tax levy for operating expenses.

**Table VI-1.... Governmental Infrastructure Projects** (\$ Millions)

<b>Initiatives</b>	<b>2024-2028</b>
Technology & infrastructure	\$220.4
Environmental	31.6
Land	66.1
Road & other	7.6
<b>Total</b>	<b>\$325.7</b>

**Figure VI-3....Historical and Projected Use of Port Tax Levy**



**Taxpayer Effect**

Figure VI-4 shows the effect of the change in millage over the last 10 years on a \$300,000 assessed value home. In 2015 a homeowner paid \$55.10 compared to the proposed tax for 2024 estimated at \$40.80.

**Figure VI-4....Port Tax on a \$300,000 Assessed Value Home**

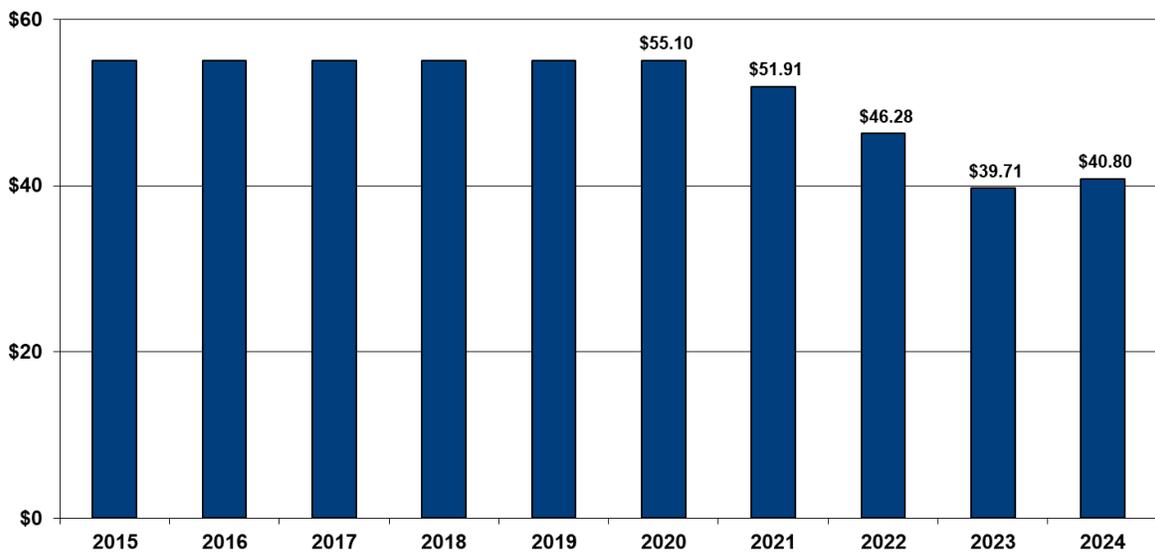
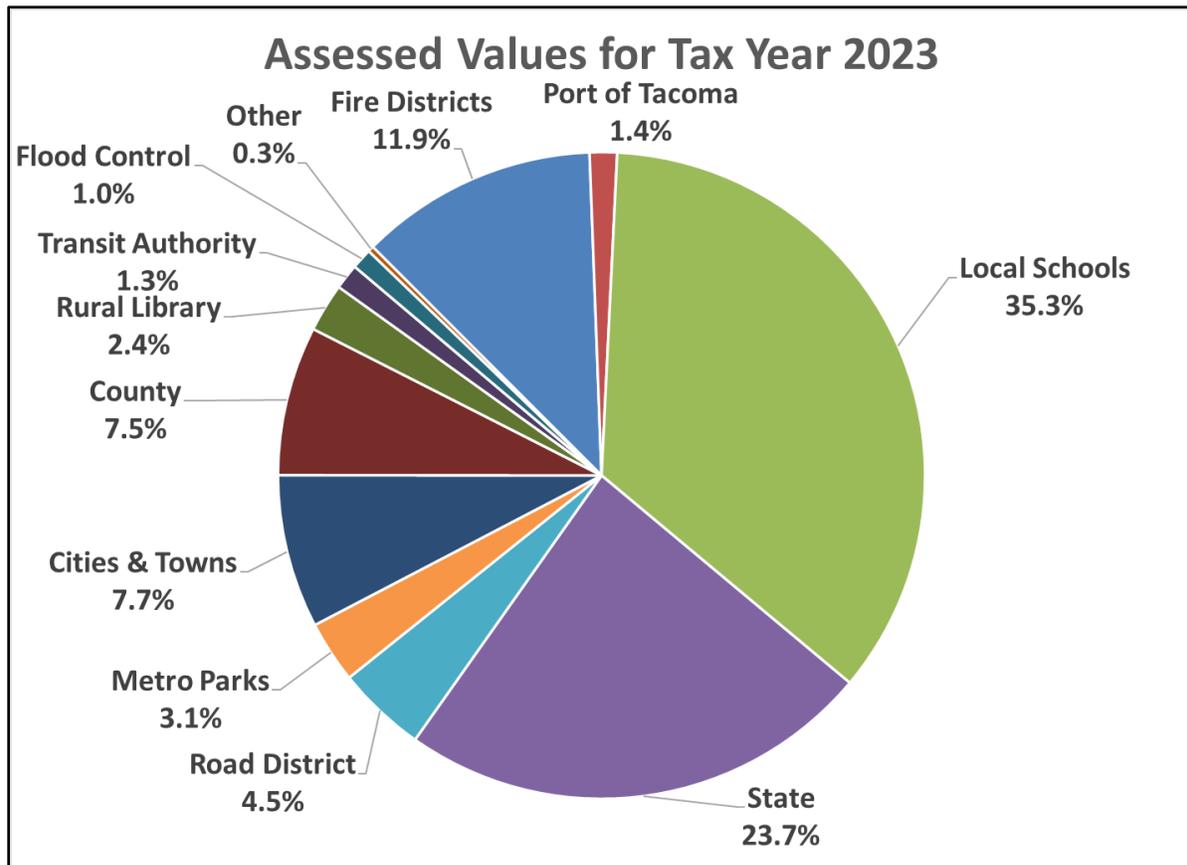


Table VI-2 illustrates the assessed valuation and millage rate from 2015 to 2024. The assessed value has increased from \$77.4 billion in 2015 to \$191.6 billion in 2024, while millage (the rate paid per \$1,000 assessed value) has dropped from \$0.18365 in 2015 to the proposed rate in 2024 of \$0.13601.

**Table VI-2....History of Port Tax Levies for General Port Purposes**

<b>Year</b>	<b>Assessed Valuation</b>	<b>Millage Rate</b>	<b>Actual Tax Levy</b>	<b>G. O. Bond Debt Service</b>	<b>Balance Cap Improvement</b>	<b>Levy on \$300,000 Home</b>
2015	77,353,617,531	0.18365	14,205,992	13,669,076	536,916	55.10
2016	81,750,009,927	0.18365	15,013,389	13,665,814	1,347,575	55.10
2017	90,713,390,689	0.18365	16,659,527	11,849,566	4,809,961	55.10
2018	101,406,430,390	0.18365	18,623,291	9,711,419	8,911,872	55.10
2019	114,011,707,624	0.18365	20,938,250	10,046,522	10,891,728	55.10
2020	126,096,129,224	0.18365	23,157,554	10,046,636	13,110,918	55.10
2021	137,859,221,328	0.17302	23,852,281	12,363,171	11,489,110	51.91
2022	159,259,716,623	0.15426	24,567,849	12,156,238	12,411,611	46.28
2023	191,187,912,091	0.13236	25,304,884	12,195,336	13,109,548	39.71
2024	191,634,741,724	0.13601	26,064,031	12,243,292	13,820,739	40.80

**Figure VI-5....2023 Tax Levies by Taxing District**



**Table VI-3....Tax Levy Detail**

**Certified Assessed Value Subject to Regular Levy**

\$191,634,741,724

**Application to G.O. Bond Debt Service**

\$0.06389	Per \$1,000 Assessed Value for G.O. Bond debt payment	\$12,243,292
\$0.07212	Per \$1,000 Assessed Value Available for Governmental Projects & Additional Debt Retirement	\$13,820,739
\$0.13601	Per \$1,000 Assessed Valuation	\$26,064,031

**Tax Levy Detail**

Details of the 2024 tax levy are provided on the following pages in Figure VI-6 and Figure VI-7.

**Figure VI-6....2023 Preliminary Pierce County Assessed Values for 2024 Tax Levy**



September 8, 2023

OFFICIAL NOTIFICATION TO: PORT OF TACOMA

RE: 2023 PRELIMINARY ASSESSED VALUES

**FOR REGULAR LEVY**

Total Taxable Regular Value	191,634,741,724
Highest lawful regular levy amount since 1985	28,603,460.70
Additional revenue from current year's NC&I	316,679.51
Additional revenue from annexations (RCW 84.55)	0
Additional revenue from administrative refunds (RCW 84.69)	44,230.46
<i>Additional revenue from administrative refunds not allowed if limited by statutory rate limit</i>	
Court Ordered Refunds (must be levied)	0.00
Prior Year's Additional revenue from increase in state-assessed property	0.00
Total Allowable Levy (as controlled by the limit calculation)	28,964,370.67
Last year's levy amount (including refunds)	25,336,951.38

**FOR EXCESS LEVY**

Taxable Value	190,289,862,976
Timber Assessed Value	
Total Taxable Excess Value	190,289,862,976

New Construction and Improvement Value 2,381,901,259

*If you need assistance or have any questions regarding this information, please contact Kim Alflen  
 253.798.7114 kim.alflen@piercecountywa.gov*

Figure VI-7....Preliminary Tax Levy Limit: 2023 for 2024



**Pierce County**  
**Mike Lonergan, Assessor-Treasurer**  
 2401 South 35th Street  
 Tacoma, WA 98409-7498  
 (253) 798-8111 FAX (253) 798-3142  
 ATLAS (253) 798-3333  
 www.piercecountywa.org/atr

**PRELIMINARY LAWFUL LEVY LIMIT 2023 FOR 2024**

**PORT OF TACOMA  
 > 10,000**

<b>REGULAR TAX LEVY LIMIT:</b>	<b>2022</b>
A. <b>Highest</b> regular tax which could have been lawfully levied beginning with the 1985 levy [refund levy not included] times limit factor (as defined in RCW 84.55.005).	28,320,258.12 1.0100000 28,603,460.70
B. Current year's assessed value of new construction, improvements and wind turbines in original districts before annexation occurred times last year's levy rate (if an error occurred or an error correction was made in the previous year, use the rate that would have been levied had no error occurred).	2,381,901,259 0.132952410937 316,679.51
C. State assessed property value in original district if annexed less last year's state assessed property value. The remainder to be multiplied by last year's regular levy rate (or the rate that should have been levied).	1,579,939,015 1,579,939,015 0.00 0.132952410937
<b>LAST YEAR'S ADDITIONAL REVENUE FROM INCREASE IN STATE ASSESSED VALUE</b>	<b>0.00</b>
<b>D. REGULAR PROPERTY TAX LIMIT (A + B + C)</b>	<b>28,920,140.21</b>
<b>ADDITIONAL LEVY LIMIT DUE TO ANNEXATIONS:</b>	
E. To find rate to be used in F, take the levy limit as shown in Line D above and divide it by the current assessed value of the district, excluding the annexed area.	28,920,140.21 191,634,741,724 0.150912824835
F. Annexed area's current assessed value including new construction and improvements times rate found in E above.	0.00 0.150912824835 0.00
<b>G. NEW LEVY LIMIT FOR ANNEXATION (D + F)</b>	<b>28,920,140.21</b>
<b>LEVY FOR REFUNDS:</b>	
H. RCW 84.55.070 provides that the levy limit will not apply to the levy for taxes refunded or to be refunded pursuant to Chapters 84.68 or 84.69 RCW. (D or G + refund if any)	28,920,140.21 44,230.46 28,964,370.67
<b>I. TOTAL ALLOWABLE LEVY AS CONTROLLED BY THE LEVY LIMIT (D,G,or H)</b>	<b>28,964,370.67</b>
J. Amount of levy under statutory rate limitation.	191,634,741,724 0.450000000000 86,235,633.78
<b>K. LESSER OF I OR J</b>	<b>28,964,370.67</b>

# VII. Plan of Finance

## Sources of Port Capital Funding

The Plan of Finance (POF) is a tool used to determine borrowing needs and identify the impact of project spending on the Port’s financial statements. The POF is built using the forecasted five-year operating budget and CIP. Since the POF is a scenario tool, it may include additional revenue, expense, or capital spending to show the impact of “what if” scenarios on the Port’s future financial performance. The POF forecasts the Port’s current and future profitability, identifies any future borrowing needs, and calculates numerous standard financial metrics.

The Port uses this tool to determine its ability to fund new opportunities and to adapt to changing market conditions. The Port derives its funds from the following sources:

- NWSA Net Income: One half of the net income from the NWSA is included as revenue to the Port;
- Property Rentals: The Port leases facilities and land primarily for industrial activities and storage;
- Terminal Services: The Port’s bulk operations include dockage, cargo handling, storage and related activities;
- Tax Levy: Ad valorem property tax receipts net of existing G.O. bond payment obligations; and
- Non-Operating Income: Primarily grants and interest on the Port’s cash and investments.

While actual revenue growth will depend on international and domestic economic developments as well as timely implementation of planned capital projects, the Port’s blend of revenue sources, including the NWSA and long-term leases, makes future revenue streams reasonably predictable. See Table VII-1 for historical and projected port operating revenue.

The Port projects that annual tax levy receipts will grow from \$26.1 million in 2024 to \$29.3 million in 2028. The Plan of Finance assumes an increase in the tax levy dollars collected of 3% per year.

The Port uses the tax levy to pay general obligation bond debt service as well as the costs of infrastructure and environmental projects directly.

The Port monitors its customers’ needs and offers changes in facilities and services tied to extensions in customer lease commitments. The Port attempts to negotiate customer lease terms that minimize the risk of multiple expirations occurring over a short period of time which helps to secure a steady revenue stream and spreads out periodic rent increases for steady revenue growth.

The 2024-2028 POF assumes that the forecasted revenue from the NWSA will be as shown in the NWSA addendum. The NWSA revenue is combined with the forecast for Port-managed properties to create the combined income forecast. Additionally, the capital spending included in the POF represents the combination of 50 percent of the NWSA CIP along with all the Port planned capital project spending.

**Table VII-1.... Historic and Planned Port Operating Revenue**

(\$ millions)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Operating Revenues</b>	\$75.4	\$65.6	\$87.8	\$90.7	\$88.6	\$99.8	\$103.9	\$105.7	\$110.0	\$113.9

## Summary of Debt Guidelines

Historically, the Port has used long-term debt to finance capital asset acquisition and construction, matching the life of the asset to the term of the underlying debt. The practice has been to borrow against an asset for up to 100% of its useful life.

Using only long-term, fixed-rate debt makes the Port's debt portfolio subject to interest rate risk. When interest rates change, the value of a particular debt position also changes. This is true on both sides of the debt equation, whether the Port is the lender, as in its investment portfolio, or the borrower, as in its debt portfolio.

The Port's historic reliance on fixed-rate debt has achieved budget certainty and relatively low borrowing costs, particularly when refinancing outstanding, fixed-rate bonds. However, tax law limitations and early redemption restrictions have prevented the Port from taking full advantage of lower borrowing costs.

Selective use of variable-rate borrowing has enabled the Port to meet two objectives: achieve better asset-liability management and lower overall borrowing costs. The Port's debt guidelines include the following elements:

- The legal framework of debt issuance;
- The roles and responsibilities of the Commission, Chief Financial Officer and other Port professionals in carrying out debt issuance;
- The preferred selection process of financial and legal professionals;
- Guidelines for the sale of Port debt;
- Communication guidelines regarding the management of relationships with ratings analysts;
- Compliance guidelines involving the investment of proceeds, arbitrage liability management, continuing disclosure and Bond Users Clearinghouse;
- Guidelines and strategies for the use of payment agreements;
- Guidelines and strategies for the use of variable rate debt;
- Other guidelines regarding refunding, conduit financing, capital program spending, debt database management and debt issuance accounting; and
- Detailed information on specific practices such as refunding, the role of the Bond Sales and Finance Team, arbitrage considerations, reporting and other communication with investors.

Although the Port's debt guidelines are flexible to allow adjustments to changing conditions, they indicate how the Port manages its debt structure and how it should approach issuing future debt. In addition, the Port retains reserves of invested cash to meet its financial obligations. (See Appendix H for Port minimum cash details. See Section X for the complete Port of Tacoma Debt Guidelines.)

## Limits on Debt

Several types of debt make up the Port's total outstanding debt. Each type of debt comes with its own limits.

State statute sets General Obligation (G.O.) bond limits: non-voted G.O. bonds are limited to one quarter of one percent of the assessed value of the Port District and voted G.O. bonds are limited to three quarters of one percent of the assessed value within the Port District.

Coverage factors limit the dollar amount of revenue debt that the Port sustains. While bond resolutions require a coverage amount of 1.35 for senior revenue debt and 1.0 for subordinate revenue debt, the Port intends to maintain a higher, blended coverage factor to preserve its desired credit rating.

Commission policy is to maintain a two-times debt service coverage on all revenue debt.

**Credit Ratings**

In issuing their ratings, credit rating agencies look at a variety of factors, including the Port’s ability to generate cash flow beyond the amount needed to cover the debt.

Ratings are issued for different debt classes and may change over time. If ratings go down, the cost of future debt goes up, as does the cost of obtaining bond insurance.

**Table VII-2....Credit Ratings**

	Senior Revenue	Subordinate Revenue	General Obligation
Moody’s Investor Services	Aa3	A1	Aa2
Standard & Poor’s Corp.	AA	AA-	AA

**Lien Structure & Debt Service Coverage**

The Port evaluates the potential benefit of each available tier of debt to enhance overall financial capacity. There are at least five tiers of debt available:

- G.O. bond tier is the lowest cost debt tier because of the pledge of the Port’s tax base;
- General revenue bonds secured by a senior lien on operating revenues has a first priority claim on all operating revenues of the Port and are the lowest-cost revenue debt instruments;
- General revenue bonds secured by junior lien operating revenues carry a claim on all operating revenues after payment of all parity senior lien revenue bonds. There may be one or more tiers of junior-lien debt, and Tax Exempt Commercial Paper programs are generally financed as junior lien revenue bonds. General revenue bonds secured by subordinate liens on operating revenues are payable from operating revenues only after all other revenue bonds are paid;
- Special revenue bonds secured by a lien on a single source of revenue have a claim only on the revenue source pledged; and
- Liens on specific equipment or assets have a claim only on the asset pledged. For example, if the Port pledged a crane to secure the loan used to acquire the crane, it would be a specific equipment/asset debt.

The Port has created multiple tiers of debt to place debt at the appropriate lien level. Debt issued in the lower-lien levels requires a lower debt service coverage ratio. The Port forecasts debt coverage for the senior and subordinate lien revenue bonds and total revenue bonds outstanding.

## **Asset-Liability Management**

The concept of managing exposure of assets or liabilities to changing market conditions through manipulation of the opposite sides of the balance sheet is referred to as Asset-Liability Management.

The Port is exposed to fluctuations in interest rates through its investments in short-term assets and short-term debt. When the Port has an equal amount of variable rate debt as it has short-term investments, it can remain indifferent to changes in short-term rates.

The introduction of variable-rate debt to the Port's debt structure using the Tax Exempt Commercial Paper program and variable rate Demand Note issues has provided a partial hedge against changing rates on the asset side of the balance sheet. Changes in interest earnings on the Port's investments due to rising or falling interest rates are offset by a corresponding increase or decrease in the Port's debt cost.

The objective of Asset-Liability Management is to reduce risk and create predictability in the Port's cash position, which facilitates budgeting and capital planning.

## **Quantifying Risk**

The Port uses several measures to quantify the financial risks of its debt portfolio, including the following:

- Debt service coverage ratio goal of 2.0 based on operating revenues (see Table VII-3);
- External rating agency information (see Table VII-2); and
- Unhedged variable rate debt to total debt ratio (see Table VII-4).

The Port's outstanding variable rate debt, excluding Commercial Paper, is hedged by outstanding swap agreements. The Port is using our variable rate commercial paper to affect our Asset-Liability Management philosophy discussed earlier.

## **Financing Strategy**

The Capital Funding Plan is a fusion of the five-year Cash Flow Forecast and the five-year capital budget. It allows the Port to estimate and plan for the amount and types of debt required to carry out the capital budget. This POF estimates that the net annual operating cash flow will increase from approximately \$38.6 million to \$59.6 million during the five-year period. The Port may use this income directly for capital investment or for the payment of debt service on money borrowed to pay for capital improvements.

Cash flow forecasts use the tax levy assumptions listed in the tax levy section (see Section VI). The cash flow forecasts also assume that business operations revenue grows as discussed in the operating budget section (see Section IV). As such, the plan provides for adequate debt service coverage during the five-year period. Customer-driven changes in revenue, expenses and capital expenditures could alter the projected outcomes.

**Table VII-3.... Plan of Finance Cash Flow Forecast\***

**Cashflow Forecast**

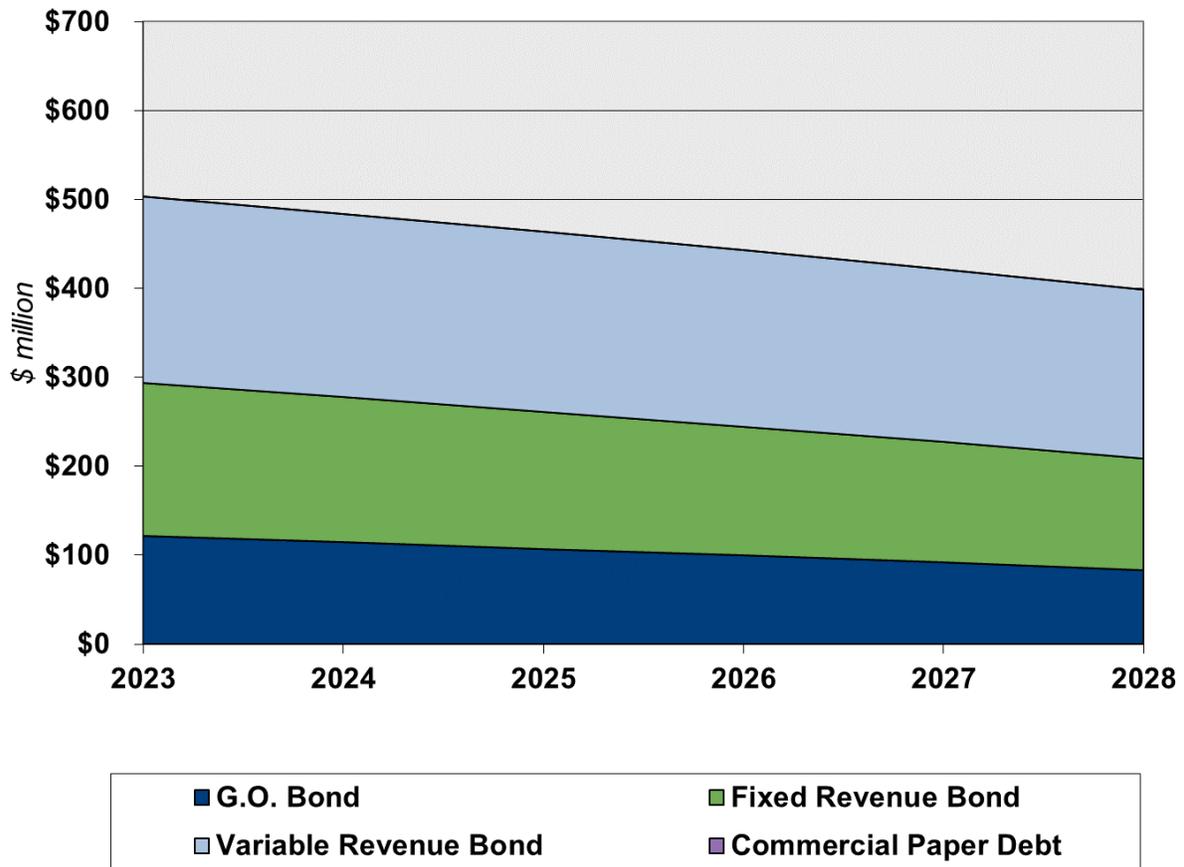
(\$ Million)	2024	2025	2026	2027	2028
<b>Beginning Cash &amp; Investments</b>	\$182.1	\$113.8	\$115.8	\$119.2	\$137.5
<b>Projected Sources of Funds</b>					
Revenues	99.8	103.9	105.7	110.0	113.9
Expenses	(39.8)	(33.8)	(33.8)	(38.1)	(35.5)
<b>Funds Provided by Operations</b>	60.0	70.2	71.9	71.9	78.4
Interest Income	9.5	3.1	2.8	2.5	2.4
NWSA Depreciation Cash Add back	14.7	17.8	20.3	21.3	21.3
HMT Funds	3.4	3.4	3.4	3.4	3.4
Other Non-Op (net)	15.7	0.8	(1.4)	(2.6)	(1.6)
Other Contributions	0.0	0.0	0.0	0.0	0.0
Ad valorem tax revenue (net)	26.0	26.8	27.6	28.4	29.3
<b>Projected Sources of Funds</b>	129.3	122.1	124.7	124.9	133.3
<b>Projected Uses of Funds</b>					
Investment in Northwest Seaport Alliance	72.3	40.4	29.6	33.5	34.7
Debt Payments (Principal and Interest) - GO Bonds	12.2	12.3	12.3	12.3	12.3
Debt Payments (Principal and Interest) - Revenue Bonds	29.7	29.4	28.5	28.4	28.4
Debt Payments (Principal and Interest) - Commercial Paper	0.0	0.0	0.0	0.0	0.0
Capital Spending - Planned Projects	83.3	37.8	50.9	32.5	84.8
<b>Projected Uses of Funds</b>	197.6	120.0	121.3	106.6	160.2
<b>Projected Borrowing</b>					
Commercial Paper Borrowing	0.0	0.0	0.0	0.0	0.0
<b>Total Borrowing</b>	0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Projected Ending Cash &amp; Investments</b>					
Minimum Cash	\$84.6	\$81.6	\$81.5	\$83.7	\$82.4
Sr. Lien Rev. Bond Debt Service Coverage	5.95	6.38	6.66	6.74	7.16
Fully Diluted Revenue Bond Debt Service	3.30	3.59	3.87	3.93	4.20

**Table VII-4....Debt Outstanding at Year End\***

(\$ Million)	2023	2024	2025	2026	2027	2028
<b>Debt Outstanding at year end</b>						
Un-voted <u>G.O. Bond</u> , Fixed Rate	\$121.8	\$114.7	\$107.2	\$99.6	\$91.8	\$83.5
<u>Senior</u> Revenue Bond, <u>Fixed Rate</u>	171.9	163.3	154.3	145.0	135.3	125.2
<u>Subordinate</u> Rev Bond, <u>Variable Rate</u>	209.4	205.8	202.1	198.2	194.1	189.9
Commercial Paper, Variable Rate	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Debt Outstanding</b>	\$503.1	\$483.8	\$463.7	\$442.9	\$421.2	\$398.6
<i>Unhedged Variable Revenue Bond &amp; Unhedged Variable CP % of Total Debt Outstanding</i>	3%	5%	6%	7%	9%	10%

\*May not foot due to rounding

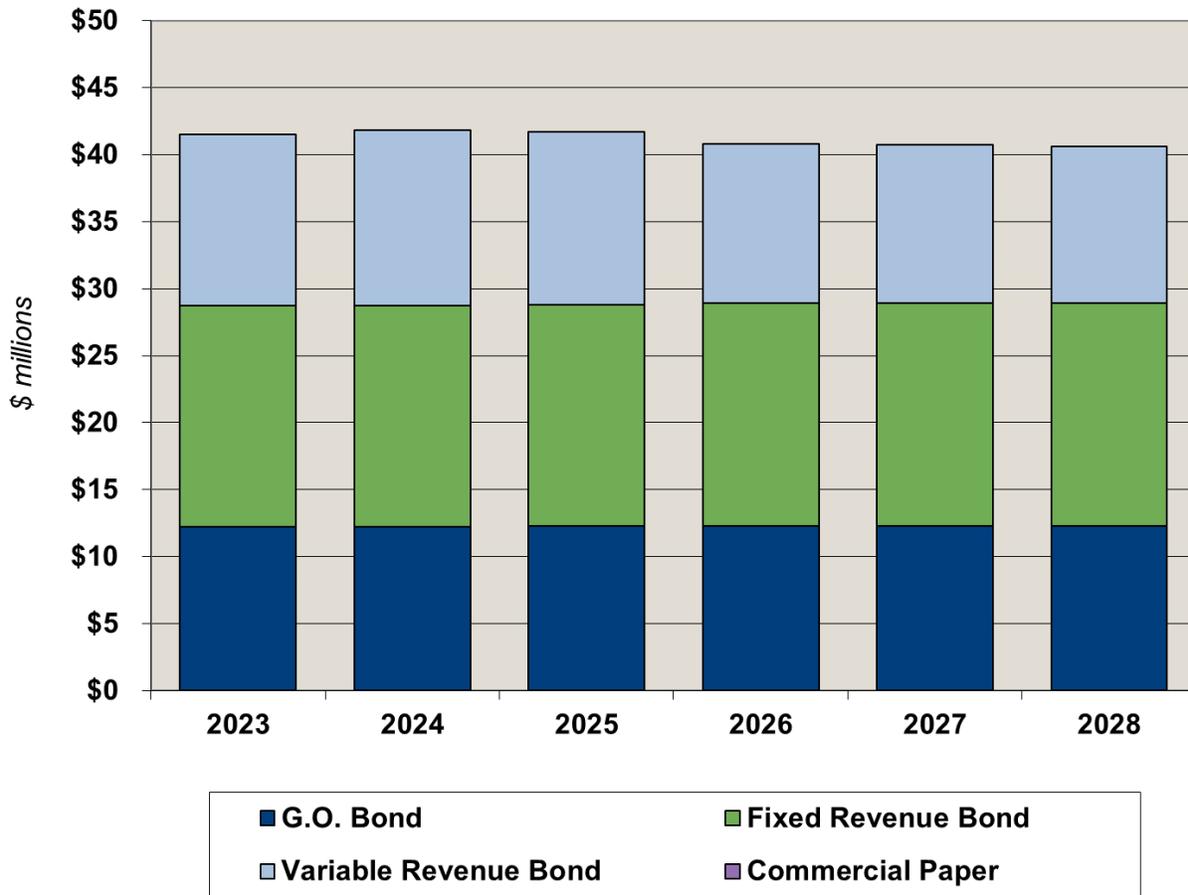
**Figure VII-1.... Projected Debt Outstanding at Year End**



With the goal of increasing financial capacity, the Port has subordinated short-term variable rate debt (Tax Exempt Commercial Paper or TECP) to require one-times debt service coverage. In comparison, the Port’s senior revenue debt requires 1.35 times debt service coverage.

As the Port repays the short-term, variable rate debt by issuing long-term debt, the refunding debt may be either G.O. or Senior or Subordinate Revenue bond debt. The use of subordinate-lien structures for certain types of projects will keep senior lien debt capacity in reserve.

Figure VII-2.... Projected Annual Debt Service



The goals of the Plan of Finance are to achieve a high degree of flexibility and expanded debt capacity. Table VII-5 below shows projected financial capacity at two times debt service coverage for revenue bonds:

Table VII-5.... Summary of Financial Capacity\*

(\$ Million)	2024	2025	2026	2027	2028	5-Year Change
Unvoted G.O. Bond Capacity	\$364.4	\$379.6	\$395.0	\$415.9	\$437.6	
Revenue Bond Capacity	310.9	397.0	449.0	462.8	547.2	
Less: TECP Program Debt Outstanding	0.0	0.0	0.0	0.0	0.0	
<b>Total Non-voted Debt Capacity</b> <i>(Capacity cannot be less than zero)</i>	<b>\$675.3</b>	<b>\$776.6</b>	<b>\$844.0</b>	<b>\$878.7</b>	<b>\$984.7</b>	<b>\$309.4</b>
Remaining G.O. Bond Capacity - <u>Voted</u>	958.2	973.6	989.4	1,015.4	1,042.1	
<b>Total Voted Debt Capacity</b>	<b>\$1,633.5</b>	<b>\$1,750.2</b>	<b>\$1,833.4</b>	<b>\$1,894.1</b>	<b>\$2,026.8</b>	<b>\$393.3</b>

\*May not foot due to rounding

## Financing Principles

Implementation of the Port's Plan of Finance requires the following steps:

- Continue using TECP as interim financing for capital budget expenses;
- Use TECP and long-term variable rate bonds in conjunction with fixed rate bonds to achieve lowest overall cost of capital;
- Issue long-term debt at lowest interest rates;
- Apply Asset-Liability Management using variable rate long-term debt; and comply with the Port's Debt Guideline.

## External Financing

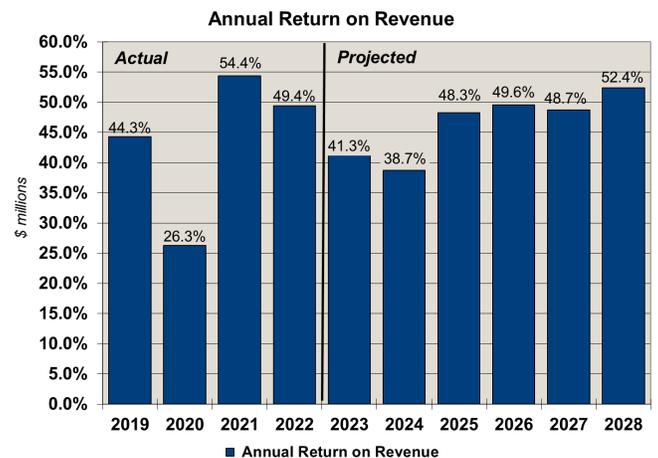
The Port's capital program anticipates no long-term external funding requirements over the next five years. External financing may vary depending upon the timing of customer needs.

## Financial Performance Measures

### Figure VII-3.... Operating Margin (Return on Revenue)

Measured as a percentage, Return on Revenue is defined as operating income divided by total operating revenues. Operating income is the excess of revenues over operating expenses (operations, maintenance, administration, environmental, and depreciation).

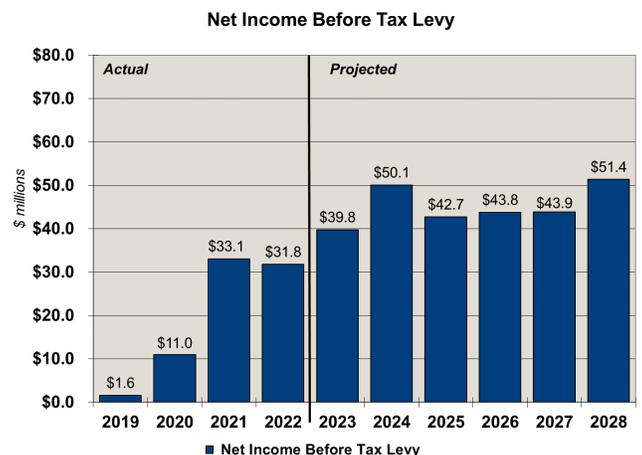
- *Understanding Data:* Operating margin measures management's ability to maintain profitability. It also indicates profit generated by operation and administration of normal ongoing Port business activity. Profits enable the Port to reinvest in new capital projects.



### Figure VII-4.... Net Income Before Tax Levy (NIBTL)

NIBTL is operating income plus or minus non-operating revenues and expenses (excluding the tax levy and general obligation bond interest expense).

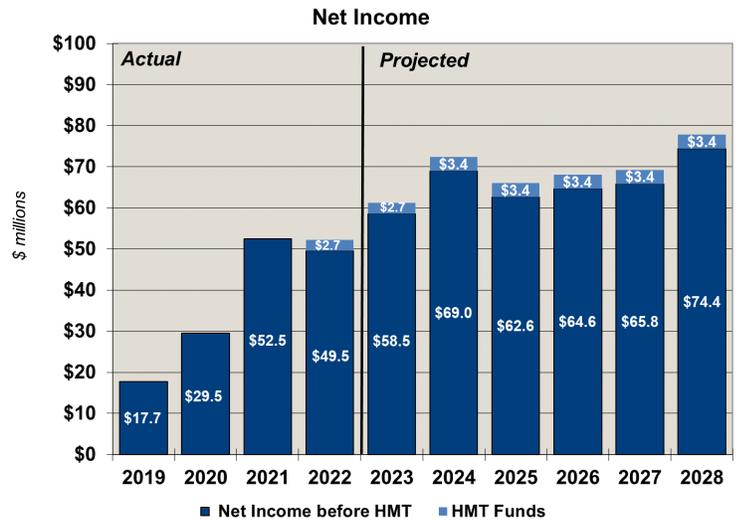
- *Understanding Data:* NIBTL is a measure of the Port's ability to generate revenue sufficient to pay for all operating and net non-operating expenses, leaving the residual tax levy (levy amount in excess of annual debt service) to pay for infrastructure and environmental projects. In years where NIBTL is not positive, the residual tax levy does not pay for operating expenses.



**Figure VII-5....Net Income**

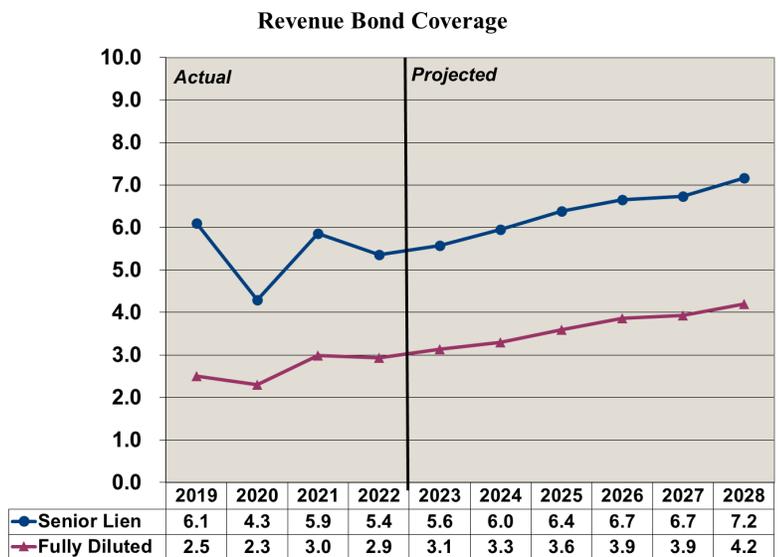
Net Income is total operating revenue less total operating expense, plus non-operating revenue & expenses plus net Ad Valorem tax revenue, plus capital contributions.

- *Understanding Data:* Net Income measures the ability of the Port to pay for its operations.



**Figure VII-6... Revenue Bond Coverage**

Debt service is the revenue bond principal and interest due each year. Debt Service Coverage is the number of times that revenue bond debt service could be paid with net revenues available for debt service. Net revenues available for debt service are gross operating revenues less operating, maintenance, administration, and overhead expenses (excluding depreciation). Port bond covenants require coverage of 1.35 times revenue bond debt service for senior debt and 1.0 times for subordinate revenue debt. The Port's target is 2.0 times for the fully diluted debt service coverage ratio.

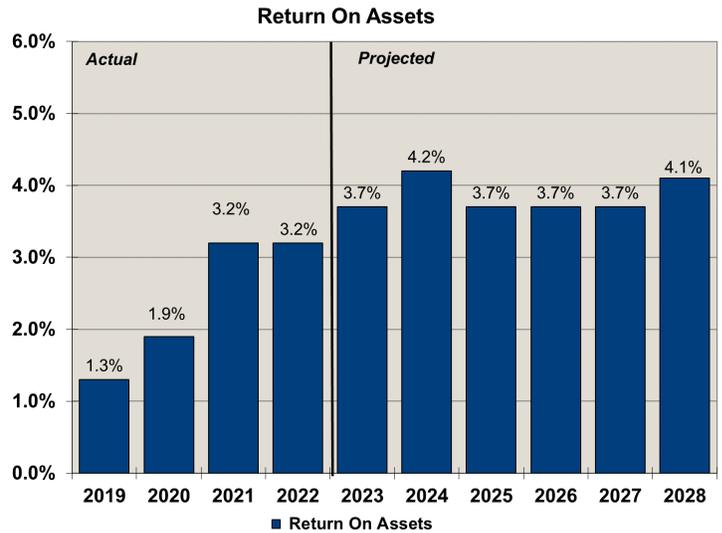


- *Understanding Data:* This metric measures the ability to repay debt. The higher the ratio, the less the risk, which may result in a lower interest rate when the bonds are issued. The Port's goal is to meet or exceed a fully diluted revenue debt coverage ratio of 2.0 times

**Figure VII-7.... Return on Assets**

To calculate ROA, divide net income by total assets. The higher the number the better.

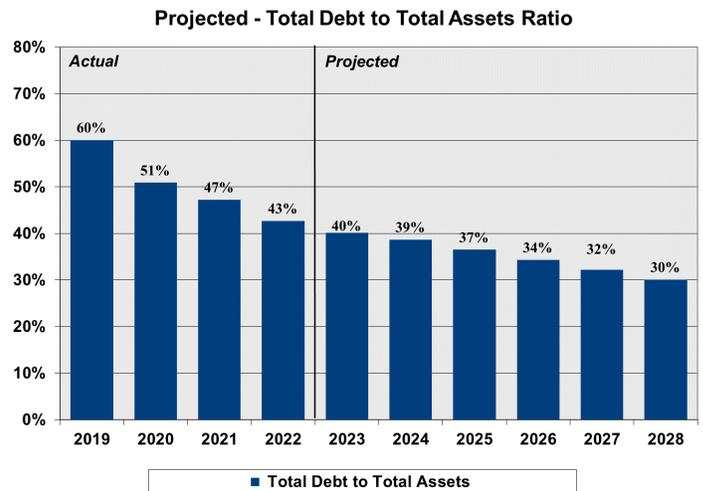
- *Understanding Data:* Return on assets measures how much the Port earns on each dollar it has invested into its assets. This measures the productivity of the Port’s assets.



**Figure VII-8.... Debt-to-Asset Ratio**

To calculate Debt to Asset Ratio, divide debt by total assets. The lower the number the less assets funded by debt.

- *Understanding Data:* The higher the ratio, the greater risk will be associated with the Port’s operation. In addition, a high debt to assets ratio may indicate low borrowing capacity, which in turn will lower the Port’s financial flexibility.



## VIII. Environmental Leadership

Pursuant to the Port's 2021-2026 Strategic Plan, specifically the Environmental Leadership Goal to *"Protect and enhance the environment of Commencement Bay and the Puyallup River by continuing to clean up contaminated land, improve habitat and water quality, and minimize air emissions from Port operations"*.

Environmental stewardship is integrated into all aspects of the organization, from our development activities to the ongoing operations of the Port and our customers.

The Port understands that clean water, clean air, healthy habitats, and a thriving Puget Sound are key elements that make our region a special place to live, work and play. In collaboration with tribal, government, and industry partners, as well as our near-port communities and nonprofit organizations, we strive to integrate an ethic of environmental stewardship and sustainability into all that we do.

Increasingly, the Port's environmental programs are integrated within all aspects of the organization, including business development, facility construction, real estate transactions, terminal operations, maintenance, customer service and external outreach. Advancing environmental leadership has become a key part of the Port's development and redevelopment activities, as well as the ongoing operations of the Port and its customers.

The Port has a long history of environmental leadership. It has combined redevelopment plans with habitat development and Superfund site cleanup, creating a competitive advantage for regional businesses by providing access for larger vessels and increasing container storage space within the Port, resulting in job creation while protecting air, water quality and the environment. Over the past 30 years, the Port has remediated approximately 470 acres of waterway sediments within the Blair, Sitcum, and Hylebos waterways, and cleaned up approximately 700 acres of upland property, returning the land to productive maritime, industrial manufacturing and warehousing related uses. The Port has created approximately 220 acres of high-quality intertidal and wetland habitat including associated buffers as habitat mitigation for the Port's development impacts. The Port recently completed 18 of those acres including the removal of a partial fish barrier culvert under 12<sup>th</sup> Street, replaced it with a fully passable bridge and provided an estuarine marsh and buffer for Wapato Creek. This site, in concert with the Puyallup Tribe of Indians site further upstream, should provide substantial improvements to fish populations in the creek. The Port has preserved another 70 acres of high value open space, much of which provides a buffer between Port-related industrial activities and neighboring non-industrial uses. The Port has invested over \$300 million cleaning up Commencement Bay and providing high functioning habitat sites. The Port's environmental objectives for the coming years are closely aligned with the Port's plan for advancement of environmental leadership, by identifying and addressing the following environmental issues:

- Implement cleanup actions on priority contaminated properties to support environmental stewardship and the Port's business opportunities
- Implement a long-term habitat mitigation plan
- Identify and develop additional maritime industrial stormwater treatment best practices
- Develop a maritime Environmental Stewardship Sustainability Program
- Implement the newly updated Northwest Ports Clean Air Strategy
- Transition to the new generation of cost effective, low carbon or renewable energy systems

## Remediation

The Port's 2021-2026 Strategic Plan EL-1 goal is to remediate contaminated Port properties in a manner that ensures protection of human health and the environment while enabling economic development. Since the inception of Superfund and Ecology's Model Toxics Control Act, the Port has now remediated over 1,100 acres of Port-owned property. The Port continues to make progress on multiple priority cleanup sites, working towards remedy selection and implementation.

<b>2023 Remediation Action Progress on Port Priority Projects</b>	
Wheeler-Osgood Waterway, Port Parcels 94 and 92	Early in 2023, the Port began working with Ecology and the Puyallup Tribe of Indians to investigate both port parcels on the Wheeler-Osgood Waterway. Both parcels are located on or near pre-development historic landforms that are highly significant to the Tribe. The investigation work has focused on both Environmental conditions and Cultural Resource/Archeological conditions. These baseline conditions will be used to select a location for the Tacoma School District Maritime Skills Center and Port of Tacoma Maritime Center.
Parcel 1B – Earley Business Center (EBC)	The Port and Ecology have been negotiating an amendment to the existing Agreed Order which will provide for supplemental Remedial Investigations, completion of a feasibility study, and draft cleanup action plan. To accelerate the cleanup process, the Port is looking to complete anticipated remedial action components as interim actions under the Agreed Order. This will support the ongoing master planning efforts at EBC and surrounding properties and position the property for future redevelopment opportunities.
Parcel 2 – Alexander Avenue Tank Farm	The draft Cleanup Action Plan for the site was approved by Ecology in 2023. Ecology, the Port, and Occidental Petroleum are currently negotiating a Consent Decree to implement the cleanup. Ecology's approval is anticipated before the end of the year. Remedial design will begin in 2024.
Parcel 15 – Former Portac	In 2023, the Port completed the planned cleanup action at this Parcel, including installation of an underground permeable reactive barrier that treats groundwater as it flows toward nearby Wapato Creek, as well as stormwater slip lining. Groundwater monitoring and environmental cap maintenance are ongoing.
Parcel 91 – Former Sound Mattress	The Port entered an Agreed Order with Ecology in December 2021 to develop a cleanup action plan for the site. Remedial investigation activities have started, with compilation of all historical site environmental data, development of a conceptual site model, and a remedial investigation work plan. Ecology has received the work plan and is expected to review and provide comment. The field investigation activities can begin following Ecology's approval of the final remedial investigation work plan.

<b>2023 Remediation Action Progress on Port Priority Projects (continued)</b>	
Parcel 103 – Former City Steam Plant	The Port and Tacoma Power have been working with a joint consultant to develop a work plan to implement a remedial investigation of the site. TPU and the Port are working under a cost sharing agreement where Tacoma Power pays for 84% of the cleanup. A draft of the work plan was submitted to Ecology in late 2022 under the voluntary cleanup program. Comments were received earlier this year. The work plan has been revised accordingly and the field work will begin by 4 <sup>th</sup> quarter 2023. The remedial investigation field work will continue through 2024.

In addition to its high priority sites, the Port continues to advance other contaminated Port properties through the cleanup process via voluntary or independent action. As an example, in 2023 the Port received EPA’s region 10 brownfield Phoenix award for its efforts at Parcel 14, including cleanup of slag and contaminated soil, development of a high-tech logistics center, and construction of the Wapato Creek habitat site. At project completion, the Port received a no further action decision from Ecology, and a retroactive \$300,000 remedial action grant. These actions have returned 119 acres of contaminated property to productive use.

In 2024, the Port will continue working toward remedy selection at 10 properties and conducting long-term monitoring and maintenance at 14 properties where legacy containment remedies were implemented. The Port plans to begin or continue remedial design/remedial actions at Parcel 99 - Arkema Manufacturing and the North Boundary Areas, starting remedial design at Parcel 2, and working with the former Parcel 76 property owner to begin remedial design.

**Habitat Mitigation**

Pursuant to the Port of Tacoma Strategic Plan EL-4 ‘Create wetland opportunities and improve fish habitat independent of regulatory obligations’ the Port has constructed, participated in, or preserved over 230 acres of habitat and associated buffers over the past 30 years to mitigate for habitat lost to terminal and other business development. This includes approximately 68 acres of intertidal habitat ideal for salmon. These mudflats and shallow subtidal areas provide a substrate for the marine invertebrates that juvenile salmon consume and afford a safe place for young salmon to hide from larger predators. During high tide, juvenile Pink, Chum, Coho, and Chinook salmon find food and shelter among marsh vegetation. At low tide, areas of exposed mudflats teem with tiny critters, supplying a food source for visiting shorebirds, ducks, and fish, including juvenile salmon. Additionally, the Port created approximately 57 acres of riverine and associated riparian habitat that is home to a diverse array of native plants, more than 100 types of birds and a variety of mammals, fish, reptiles and amphibians. All three Endangered Species Act (ESA) listed salmonid species have been documented using Port-created habitat sites. Furthermore, the Port has purchased and preserved another approximately 70 acres of mature forested hillside along Marine View Drive to both protect the natural areas and buffer adjacent residents from industrial activities.

Port staff worked closely with the Port Commission to develop a Port-wide Habitat Mitigation Strategy, originally adopted October 18, 2012, and updated in March of 2014 and again in August of 2022. The habitat strategy focuses on providing high value habitat in support of future Port industrial growth that focuses on salmon recovery efforts, being cost-effective and

preserving working waterfront activities. The strategy also provides tools to help decision makers better understand how to maximize ecological and economic value by identifying the best locations and timing for future mitigation sites. Stemming from the habitat strategy, the Port focused on three large mitigation areas for concurrent, advance and mitigation banking opportunities:

**Upper Clear Creek:** Construction of the Upper Clear Creek Mitigation began in 2014 and is complete. This 40-acre site located in unincorporated Pierce County provides mitigation for wetland impacts due to required snail eradication efforts as well as mitigation banking for future Port or Port partner expansion projects. The Port continues to actively purchase property/seek partnerships for site expansion.

**Lower Wapato Creek:** This project is uniquely located within the City of Tacoma, adjacent to the City of Fife and next to a neighborhood containing several Puyallup Tribe members. Working closely with our external partners, this site meandered the formally channelized Wapato Creek, provides 18 acres of intertidal, marsh and forested wetland habitat to mitigate for impacts due to future development along Port of Tacoma Road near Maxwell (Port of Tacoma Off Dock Container Yard project) and as advance mitigation for future Port projects. Construction on this site is complete and it is in its two-year warranty period.

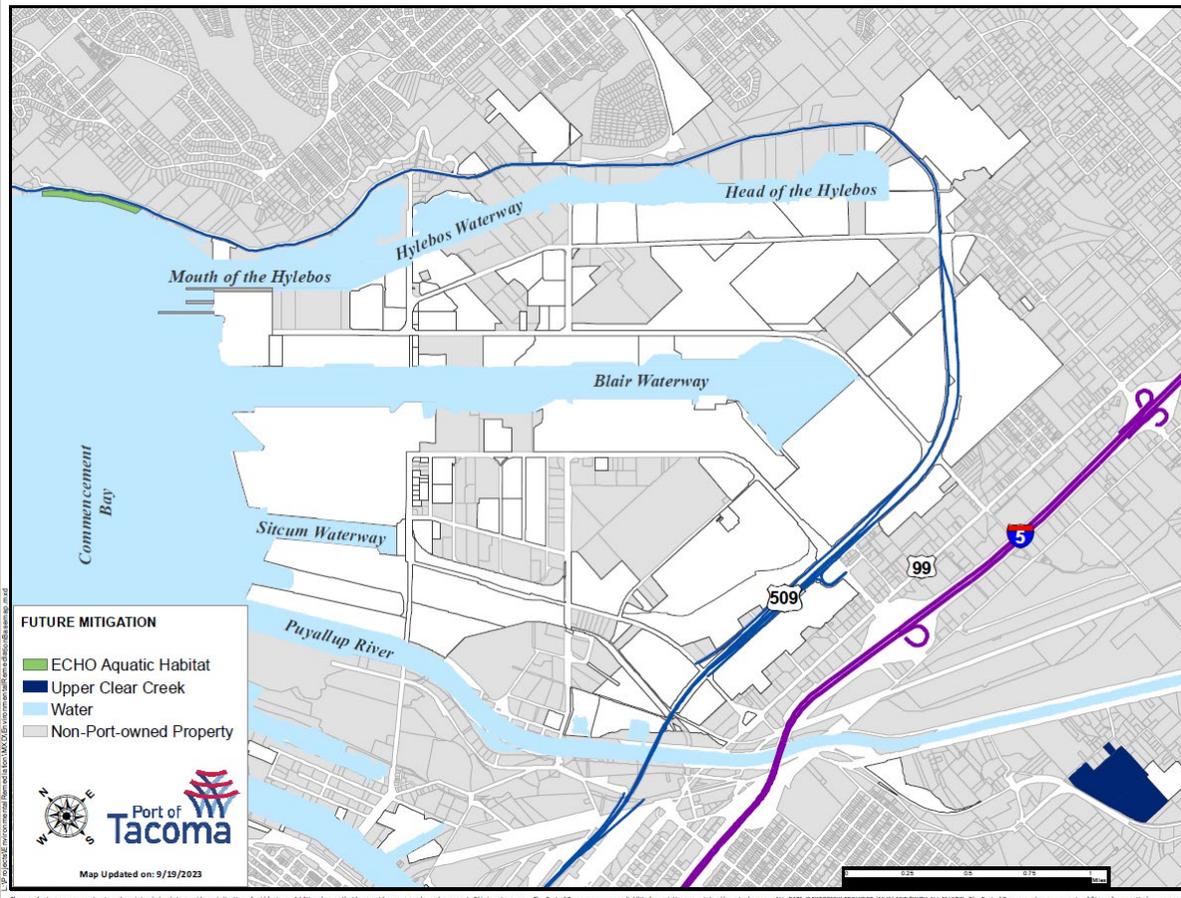
**East Commencement Habitat Opportunity (ECHO):** The Port continues to plan for habitat improvements along Marine View Drive in east Commencement Bay. The Port is working with the US Army Corps of Engineers and Puyallup Tribe of Indians to explore use of material from the future Tacoma Harbor Deepening project to build prime nearshore habitat. The Port anticipates conducting independent shoreline mitigation actions in the area as well. The Tribe has expressed significant concern over the use of dredge material for habitat projects and talks will continue as the design process for the Deepening project kicks off in 2023. The goal of these discussions is to develop a habitat improvement project that works for all parties.

An additional potential Port sponsored project would focus on the approximately 12 acres of intertidal zone and shoreline areas. Improvements could include adding large rock mixed with large woody pieces along the site's waterside edge and filling behind those rocks and wood to cover wood waste, creating more intertidal and salt marsh area. Further, the upland shoreline area could be heavily planted to protect the slope and improve the buffer between Marine View Drive and the bay. This site could be used to mitigate for impacts associated with marine development or repair and maintenance projects.

**Mitigation Banking:** In 2014, the Port started the process of establishing the first umbrella (meaning multi-site) mitigation bank in the State of Washington.

Credit from mitigation projects built in advance of need will be credited in the bank for use on future Port expansion. The first phase of the bank was officially certified June 2020 and the first available credits arrived from the Upper Clear Creek mitigation project in 2020. The Port has received approximately 50% of the total credits to date. The process of establishing a bank has proven to be difficult and time consuming. However, it is clear considerable demand exists for these credits. The Port is continually approached by both public and private parties inquiring about purchasing credits. Environmental staff worked with the Executive Director and Commission to develop policies surrounding the use of banked credits. The Port signed an agreement with WSDOT to provide up to two wetland credits as an in-kind contribution to the construction the of SR 167 extension. While WSDOT may not need those credits to complete SR 167, demand from other quarters remains high.

Figure VIII-1.... Future Mitigation Opportunities



## Water Quality Program

The Port's 2021-2026 Strategic Plan EL-3 goal is to invest in projects that improve the quality of stormwater runoff from Port properties, embody best practices and empower our tenants to comply with complex permits.

## MS4 Stormwater Permit Best Management Practices (BMPs)

The Port's Municipal Separate Storm Sewer System Permit (MS4 permit) focuses on best management practices (BMPs) and Operations and Maintenance standards. The Water Quality (WQ) team supports our customers in meeting their environmental obligations through technical support, research, and training. This permit affects every tenant and operation on Port-owned property whether the tenant has an Industrial Stormwater General Permit (ISGP) or not.

The WQ team provides technical assistance and recommends BMPs, treatment selection guidance, and compliance tools, when requested by tenants to help them meet their compliance obligations.

## **Mapping and GIS Updates**

The WQ team utilizes GIS to visualize the Port's stormwater infrastructure. Earlier in 2023, the Port IT team and WQ team brought forward a proposal to use drone technology to better perform routine inspections. That project was approved and will begin collecting data in 2024. Other heavy uses of the Port's GIS system include our Planning and Remediation teams to better map existing conditions.

## **Researching and Testing Effective Treatment Solutions**

Stormwater permits are designed to drive industrial operations to install treatment. The goal for the WQ team is to continue to build treatment solutions that remove pollutants and are cost effective. During 2023, the WQ team started the process to get Port designed treatment systems included on Ecology's General Use Level Designation (GULD) website. This includes taking current Port designed treatment systems to Ecology through the Emerging Stormwater Technologies (TAPE) Program. Successful inclusion of our treatment systems on Ecology's GULD website will allow ports and other permittees to use the information when installing industrial stormwater treatment on their sites and may help to expedite permit approvals from City of Tacoma when installing treatment on Port properties.

## **Port of Tacoma MS4 Infrastructure**

During 2023, the WQ team started work on a Stormwater Infrastructure Comprehensive Plan. This plan will assess ownership and general state of the Port's MS4 conveyance and treatment systems and then document a 10-year plan for maintenance, repair, and replacement if necessary. The ownership, covenants, and easement analysis will assist WQ in negotiating a new ILA with the City of Tacoma and possibly the City of Fife with whom we share responsibility for the Erdahl and Fife ditches. During 2022, the Port was successful in obtaining \$125,000 in grant funding from the Pierce County Flood Control Zone District to assist with this work. This work will be completed by the end of 2024.

The Port WQ team is also embarking on a five-year maintenance program to assess and restore flow along our miles of ditch conveyance systems which are integral pieces of the Port's MS4 infrastructure. This work involves coordination and negotiations with the Cities of Fife and Tacoma and is planned for completion in 2028 when WQ will need to renew the programmatic ditch permit.

## **Port of Tacoma Endowed Chair**

In June 2005, the Port of Tacoma invested \$1M to establish an endowed research chair at the University of Washington Tacoma. The Port of Tacoma Endowed Chair leads research on environmental science initiatives critical to urban waterfront communities. Research areas include bioremediation, aquaculture and invasive species control. The University of Washington Tacoma announced a new Engineering Program, which kicked off in 2021 and is now fully underway and accepting students. A Port Commissioner also has a standing seat on the updated Center for Urban Waters Advisory board, which meets four times a year. Through that board and staff-to-staff communications, the Port continues to engage directly with the Endowed Chair and provides direct feedback to him and the Chancellor.

## **Commencement Bay Maritime Fest**

At Tacoma's annual Commencement Bay Maritime Fest, the Port provides free boat tours of the Port. These tours were postponed in 2020 and 2021 due to the Covid-19 pandemic. Tours resumed in 2022 where Port staff hosted over 1200 people. Visitors tour the Sitcum and Blair Waterways, and view cargo ships and terminal equipment from a unique vantage point – the water. In 2023, the Maritime Festival was cancelled, so the Port held the tours as a stand-alone event. The Maritime Museum was open all day for boat tour participants free of charge.

## **Air Quality & Sustainable Practices Program**

The Air Quality and Sustainable Practices (AQSP) program and team facilitates, coordinates, and/or leads a range of projects and programs to advance the Environmental Leadership objectives in the 2021-2026 Strategic Plan, specifically EL-2: "Reduce the air and climate pollution generated by Port and tenant activities while protecting their operations from the impacts of climate change." The AQSP team jointly serves the Port and The Northwest Seaport Alliance (NWSA) and focuses on two interrelated goals: 1) reducing – and, ultimately, phasing out air and climate pollution from seaport related activities; and 2) promoting environmentally sustainable corporate practices.

The 2020 Northwest Ports Clean Air Strategy (NWPCAS) update, unanimously adopted by the Port of Tacoma Commission in April 2021, serves as the overarching roadmap for the Port's clean air and climate actions and investments. The AQSP team collaborates with a wide range of internal and external partners to advance the NWPCAS, by developing, finding funding for, and implementing a suite of initiatives, including the Clean Vessels Program (including shore power infrastructure installation), the Clean Truck Program, and the emerging Clean Cargo Handling Equipment (CHE) Program. In addition, the Port works to continuously improve the environmental sustainability of its buildings, facilities, vehicles, equipment, and operations.

## **Key 2023 Accomplishments**

- Developed, assessed, and presented the proposal culminating in the Port of Tacoma's decision, in July 2023, to accelerate the Port's target for phasing out greenhouse gas (GHG) emission from its Scope 1 and 2 emissions: from zero by 2050 to net-zero by 2040.
- In collaboration with the NWSA, Tacoma Public Utilities, and other stakeholders, neared completion of the South Harbor Electrification Road Map (SHERM), which is assessing the infrastructure needs associated with transitioning to zero-emission vehicles, equipment, and operations.
- Supported development of a plan to transition to energy-efficient exterior LED lighting on about 10 Port properties.
- Developed a baseline assessment of Port building energy use to support development of a Clean Buildings Law compliance strategy and a Sustainable and Resilient Buildings and Infrastructure policy framework.
- Supported design and installation of an EV charging infrastructure at the Port Administration Building.
- Support installation of shore power infrastructure at Husky Terminal.
- In collaboration with the Port's Community Relations team, developed a clean air/climate-

focused community engagement plan for the Tacoma Harbor.

- Partnering with the NWSA and the Port of Seattle, continued to publish the Ports Clean Air Quarterly (a quarterly update on port-related clean air and climate solutions) and developed NW Clean Ports, a soon-to-launch web portal that will share information on, and encourage engagement in, port-related clean air and climate solutions.
- Continued to identify, pursue, and secure grants and other external financial and technical assistance to help advance Port of Tacoma and NWSA clean air, climate, and sustainability goals. For example, the AQSP team worked with Government Affairs to secure \$6.3M in Washington state Climate Commitment funding to support the transition to zero-emission drayage trucking at the Port of Tacoma and throughout the NWSA gateway.
- Launched the Puget Sound Zero Emission Truck Collaborative and developed the soon-to-launch Zero Emission Drayage Demonstration Fund and Program.
- Initiated an update to the Puget Sound Maritime Emissions Inventory (PSEI).
- Continued to staff the joint Port of Tacoma/NWSA Clean Air and Climate Action Team (C-CAT) to guide implementation of the NWPCAS and the Port's associated implementation plan.
- Continued to participate in Tacoma Power's Evergreen Options, which supports the development of new wind generation projects in Washington and Oregon. Combined with hydropower, this makes 100% of Port-purchased electricity renewable.

### **Key 2024 Goals**

- Launch development of Sustainable and Resilient Buildings and Infrastructure Policy.
- Complete South Harbor Electrification Roadmap (SHERM) and begin development of a zero-emission infrastructure plan.
- Complete update to the Puget Sound Maritime Emissions Inventory (PSEI).
- Initiate design of shore power infrastructure installation at Washington United Terminal (WUT).
- Support implementation of energy efficiency lighting upgrades at terminals and railyards.
- Launch the Zero Emission Drayage Demonstration Fund and Program and complete the Decarbonizing Drayage Roadmap.
- Continue the Ports' Clean Air Quarterly and launch the new web portal on port-related clean air and climate solutions ([nwcleanports.org](http://nwcleanports.org)).
- Continue to implement on-going clean air/climate-related community engagement program in the Tacoma Harbor.

### **Planning and Logistics**

In support of the Port's Strategic Plan foundational goals on economic vitality and transportation advocacy, Planning and Logistics provides a range of services from strategic to site planning. Some of our primary services include planning for marine terminals and supporting

infrastructure, advocating for multi-modal freight-related transportation systems, and facilitating port visioning. Planning also coordinates baseline studies to support decision-making about investments and operations.

### **Planning Overview:**

- **Facility Planning:** Services include facility design, facility resilience assessment and planning, assessment of infrastructure needs for operational efficiency, and documentation of current and planned facilities.
- **Transportation Planning and Advocacy:** Support traffic congestion reduction and advance warning technology in the Tideflats, analyzing off-terminal traffic flow and circulation, truck parking, and preservation of freight and heavy haul routes.
- **Project Feasibility Development:** Support strategic port planning and the opportunity assessment process by maintaining a general understanding of all focus areas within the Department, especially the environmental specialties.
- **Strategic Planning and Visioning:** Services include developing land use plans and supporting the development of strategic and business plans. Review and provide comment on new and updated local, state, and federal policy and regulatory documents to advocate for Port interests and goals. These plans can range from State Freight Master Plans to City Comprehensive Plans.
- **Grant Program Coordination:** Coordinate grant application efforts to ensure a unified and proactive approach. Grants are sought to help offset the cost of infrastructure, equipment transportation technology, and planning, whenever feasible. Coordination efforts encompass tracking priority projects and grant opportunities. The team also provides staff support to the Grant Steering Committee and communication with staff involved in grant writing as well as providing commission updates.

### **2023 Accomplishment Highlights**

- Supported development of the draft Tideflats Subarea Plan (TSAP) in coordination with the City of Tacoma, City of Fife, Puyallup Tribe of Indians, and Pierce County.
- Managed the Port and NWSA grant program.
- Completed the Vulnerability Assessment and Response Framework (VARF), the first part of the Resilient Gateway Program.
- Provided land use planning technical support for the Industrial Land Use Regulations in the City of Tacoma and City of Seattle.
- Engaged in and provided technical advice on significant transportation projects, such as the Puget Sound Gateway, SR 167 Master Plan, and Sound Transit Tacoma Dome Link extension and Sounder south capacity expansion.
- Represented the Port at local and regional transportation and land use policy and regulatory bodies, supporting such efforts as the WSDOT Freight and Good Transportation System Update, WSDOT SR-167 Master Plan, and SR-512 Corridor Study.
- Supplemented the 2022 Tideflats Freight Truck Traffic Study with additional analysis of

potential street vacations and secured Commission priority guidance and direction.

- Continued work on the Earley Business Center (EBC) Master Plan.
- Hosted a WA Sea Grant Hershman Fellow.

### **2024 Planning Goals**

Our major goals for 2024 include completion of the Resilient Gateway Program policies, completion of the Earley Business Center Master Plan, completion of an Economic Impact Analysis update, continued participation in the Tideflats Subarea Plan process with the City of Tacoma, the City of Fife, the Puyallup Tribe of Indians, and Pierce County, continued coordination with Sound Transit on the ST3 Tacoma Dome Link Extension (TDLE) project, continued advocacy at Puget Sound Regional Council (PSRC) staff committee meetings, management of the grant program as well as ongoing coordination with government affairs, engineering, commercial/real estate, operations and environmental teams, and partner agencies.

## **IX. Summary of Significant Accounting Policies**

### **Reporting Entity**

The Port of Tacoma (“Port”) is a municipal corporation of the State of Washington created in 1918 under provisions of the Revised Code of Washington (RCW) 53.04.010 et seq. The Port has geographic boundaries coextensive with Pierce County, Washington, and is situated on Commencement Bay in Puget Sound.

The Port is independent from Pierce County government and is administered by a five-member Board of Commissioners elected by Pierce County voters. The Commission delegates administrative authority to an Executive Director and administrative staff to conduct operations of the Port. The County levies and collects taxes on behalf of the Port. Pierce County provides no funding to the Port. Additionally, Pierce County does not hold title to any of the Port’s assets, nor does it have any right to the Port’s surpluses.

The Port reports the following funds: The Enterprise Fund accounts for all activities and operations of the Port except for the activities included with the Post- Employment Health Care Benefits Trust Fund. The Post-Employment Health Care Benefits Trust Fund is a fiduciary fund and accounts for the assets of the employee benefit plan held by the Port in its trustee capacity.

### **Nature of Business**

The Port is authorized by Washington law to provide and charge rentals, tariffs and other fees for docks, wharves, and similar harbor facilities, including associated storage and traffic handling facilities, for waterborne commerce. The Port may also provide freight and passenger terminals and transfer and storage facilities for other modes of transportation, including air, rail, and motor vehicles. The Port may acquire and improve lands for sale or lease for industrial or commercial purposes and may create industrial development districts.

### **Basis of Accounting and Presentation**

The financial statements of the Port have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units, and the Port is accounted for as a business-type activity. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port is accounted for on a flow of economic resources measurement focus.

The Port uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The accounting records of the Port are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09, Revised Code of Washington. The Port also follows the Uniform System of Accounts for Port Districts in the State of Washington.

## **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Significant estimates also affect the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Port include estimates for depreciation, environmental liabilities, pension, and the post-employment benefit plan. Actual results could differ from those estimates.

## **Significant Risks and Uncertainties**

The Port is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include economic conditions, collective bargaining disputes, federal, state, and local government regulations, and changes in law.

The formation of the NWSA is intended to eliminate pricing competition between the home ports by creating a unified gateway to allow for coordination of customer relationships, to improve capacity utilization between the home ports and to rationalize strategic capital investments. The formation of the NWSA may or may not successfully address these risks, and may create new risks, including the risks associated with undertaking a new joint venture with an outside entity, the risk associated with the operating and financial performance of additional facilities, and exposure to the financial strength of the Port of Seattle to make future capital expenditures.

## **Cash**

Cash represents cash and demand deposits. The Port maintains its cash in bank deposit accounts, which are covered by the Public Deposit Protection Commission of the State of Washington.

## **Trade Accounts Receivable**

Trade accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying delinquent accounts and by using historical experience applied to an aging of accounts. Trade accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

## **Investments**

Investments, unrestricted and restricted, except for the investments in the Washington State Local Government Investment Pool (LGIP) are stated at fair value, based on quoted market prices, plus accrued interest. The Port also has investments in the LGIP. The LGIP is similar to a money market fund recognized by the Securities and Exchange Commission. The LGIP invests in U.S. Agency Securities, Repurchase Agreements, U.S. Treasury Securities, Interest Bearing Bank Deposits, and Certificates of Deposits. The investments are limited to high-quality obligations with limited maximum and average maturities. These investments are valued at amortized cost. Interest income on investments is recognized in non-operating revenues as earned. Changes in the fair value of investments are recognized on the statements of revenues, expenses, and changes in net position. The Port's general policy is to not hold more than 20% of its holdings in any one investment.

## **Restricted Investments – Bond Reserves**

Restricted investments - bond reserves are set aside as restricted assets, for bond reserves and unspent bond proceeds, if any, and are not available for current expenses when constraints placed on their use are legally enforceable due to: 1) externally imposed requirements by creditors; 2) laws or regulations of other governments; and 3) constitutional provisions or enabling legislation.

## **Investment 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 investments and the Port's 50% share of NWSA's net income and cash distributions will be presented on the statements of net position as Investment in Joint Venture. The Port's 50% of the NWSA's net income and losses are presented on the statements of revenues, expenses and changes in net position as Joint Venture income.

## **Prepayments and other current assets**

Prepaid expenses and other current assets consist of various prepaid expenses as well as maintenance supplies. Maintenance supply inventories are valued at net realizable value, which approximates cost using the weighted-average method.

## **Capital Assets and Depreciation**

Capital assets are recorded at cost. Donated assets are recorded at fair market value on the date donated.

The Port's policy is to capitalize all asset additions greater than \$20,000 and with an estimated useful life of more than three years. Depreciation is computed on the straight-line method. Amortization expense on assets acquired under capital lease obligations is included with depreciation expense. The following lives are used:

- Buildings and improvements: 10-75 years
- Machinery and equipment: 3-20 years

Preliminary costs incurred for proposed projects are reported as construction in process on the statements of net position during construction of the facility. As projects are constructed, the project costs are transferred to the appropriate capital asset account; charges that relate to abandoned projects are expensed when the project is abandoned.

**Intangible assets:** Intangible assets consist of assets that lack physical substance, are nonfinancial in nature and whose initial useful life extends beyond one reporting period. Intangible assets primarily consist of a land exchange and right-of-way rights and are classified with capital assets in the accompanying financial statements. Management has determined that there are no factors that would limit the useful life of these assets; therefore, they are considered indefinite lived assets and are not being amortized.

## **Net Position**

Net position consists of net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or

improvement of those assets. Deferred outflow of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debts should be included in this component of net position. This calculation excludes unspent debt proceeds, if any.

The Port's net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Port or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

The unrestricted component of net position is the net amount of the assets and deferred outflows of resources, less liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

### **Retentions Payable**

The Port enters into construction contracts that may include retention provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the Port. The Port's policy is to pay the retention due only after completion and acceptance have occurred.

### **Federal and State Grants**

The Port may receive federal and state grants as reimbursement for construction of facilities and other capital projects. These grants are included in capital contributions on the accompanying statements of revenues, expenses and changes in net position.

### **Commercial Paper and Current Portion of Long-Term Debt**

Commercial paper includes borrowings with original maturities of less than one year and current portion of long-term debt is the portion of long-term debt payable within 12 months.

### **Interest Rate Payment Agreements**

The Port accounts for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) on the statements of net position at fair value.

### **Refunds of Debt**

Proceeds from bond defeasance are deposited in an irrevocable trust, with an escrow agent to service the debt on the refunded bonds. Accordingly, the defeased bonds are not recorded on the Port's financial statements. The difference between the reacquisition price and the carrying amount of defeased debt results in either a gain or a loss that is amortized using the effective interest amortization method over the life of the new debt or old debt, whichever is shorter. (For detailed discussion of debt guidelines, see Section X.)

### **Employee Benefits**

The Port accrues unpaid vacation and sick leave benefit amounts as earned and payable upon termination. These benefits are accrued at current rates of compensation.

The Port provides health care benefits for eligible employees through the HRA VEBA Trust, which is a nonprofit, multiple employer voluntary employees' beneficiary association (VEBA) authorized

under Internal Revenue Code 501(c)(9). The Port provides major medical coverage for eligible retired employees through the single-employer Post-Employment Defined Benefit Health plan (the Plan) through a fully funded trust.

The Port offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Port employees, permits them to defer a portion of their salary until future years. In accordance with GASB authoritative guidance, accounting and reporting for Internal Revenue Code Section 457 deferred compensation plans, employee assets are not reflected in the Port's financial statements. This plan is fully funded and held in an external trust.

## **Pensions**

The Port's full-time and qualifying part-time employees participate in the cost-sharing, multiple-employer public employee defined benefit retirement plans administered by the Washington State Department of Retirement Systems (DRS). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Washington State Department of Retirement Systems Plan (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **Environmental Remediation Costs**

The Port environmental remediation policy requires accrual of pollution remediation obligation amounts when: (a) one of the following specific obligating events is met and (b) the amount can be reasonably estimated. Obligating events include: imminent endangerment to the public; permit violation; Port named as party responsible for sharing costs; Port named in a lawsuit to compel participation in pollution remediation; or commenced or legally obligated to commence pollution remediation. Potential cost recoveries such as insurance proceeds, if any, are evaluated separately from the Port's pollution remediation obligation. Costs incurred for pollution remediation obligations are typically recorded as non-operating environmental expenses unless the expenditures relate to the Port's principal ongoing operations, in which case they are recorded as operating expenses. Costs incurred for pollution remediation obligations 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.

## **Security deposits**

Under the terms of certain licensed property lease agreements, the Port's customers or tenants are required to provide security in the event of delinquencies in rent payment, default, or other events defined in these agreements.

## **Deferred outflow and inflow of resources**

Deferred outflow of resources is a consumption of net position that is applicable to a future reporting period(s). The Port reports deferred outflows on the statements of net position for its

pension and OPEB plans and for the deferred cost of advance refunded bonds. Deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period(s). The Port records deferred inflow of resources on the statements of net position for its leases, pension and OPEB plans.

### **Reclassifications**

Certain reclassifications have been made to prior year amounts to conform to the current presentation. These reclassifications have no effect on the net position or the change in net position.

### **Operating and Non-Operating Revenues and Expenses**

Terminal services and property rental revenues are charges for use of the Port's facilities and are reported as operating revenue. Joint Venture income is the Port's proportionate share of the NWSA net income earned on licensed home port assets and is reported as operating revenue.

Ad valorem tax levy revenues and other revenues generated from non-operating sources are classified as non-operating.

Operating expenses are costs primarily related to the terminal services and property rental activities.

Interest expense and other expenses incurred not related to the operations of the Port's terminal and property rental activities are classified as non-operating.

## **X. Debt Guidelines**

### **Section I. Introduction Purpose and Overview**

The Port established its Debt Guidelines to ensure that debt is issued prudently and cost effectively. This document sets forth comprehensive guidelines for the issuance and management of all financings of the Port. The NWSA is prohibited from issuing debt.

### **Section II. Legal Governing Principles**

In the issuance and management of debt, the Port shall comply with the state constitution and with all other federal, state, and local legal requirements, rules, and regulations. The following section highlights the legal framework of the debt issuance and roles and responsibilities in debt issuance.

#### **Governing Law**

**State Statutes** — The Port may contract general obligation indebtedness according to chapter 53.36 RCW. Revenue indebtedness is otherwise provided for under Title 53; however, most revenue bonds that the Port expects to issue will be of the type authorized under chapter 53.40 RCW. General obligation indebtedness is subject to the limitations on indebtedness according to RCW 39.36.020 and Article VIII of the Washington State Constitution. The Port shall issue and sell bonds evidencing such indebtedness in accordance with chapters 39.46 and 53.36 RCW. There is no statutory nor constitutional limitation on the aggregate dollar amount of revenue indebtedness that the Port may issue.

**Federal Rules and Regulations** — The Port shall issue and manage debt and may enter into any related payment agreements pursuant to Section VII, below, in accordance with the limitations and constraints that federal rules and regulations impose, including, if applicable, the Internal Revenue Code of 1986, as amended; the Treasury Department regulations there under; the applicable provisions of the Securities Acts of 1933 and 1934; and the applicable provisions of the Commodity Exchange Act.

#### **Permitted Debt by Type**

The Port may legally issue debt using only the debt instruments described below:

**Unlimited Tax General Obligation Bonds** — The state authorizes the Port to sell Unlimited Tax General Obligation Bonds under chapter 53.36 RCW, subject to the approval of the voters of the Port and the Commission.

**Limited Tax General Obligation Bonds** — The state authorizes the Port to sell Limited Tax General Obligation Bonds, under chapters 53.36, 39.44 and 39.46 RCW, subject to the approval of the Commission.

**Revenue Bonds** — The state authorizes the Port to sell Revenue Bonds under chapter 53.40 RCW and chapter 39.46, subject to the approval of the Commission.

**Special Assessment Bonds** — The state authorizes the Port to sell Local Improvement Bonds under RCW 53.20.050, subject to the approval of the Commission.

**Short Term Debt** — The state authorizes the Port to sell short-term debt under chapter 39.50 RCW, subject to the approval of the Commission.

Short-term debt may include revenue anticipation notes, general obligation notes in anticipation of the issuance of long-term debt and would include grant anticipation notes. The Port may issue commercial paper as revenue based or general obligation based. The Port issues commercial paper as subordinate lien revenue obligations.

**Other Debt Instruments** — The state authorizes the Port to enter into financing leases, conditional sales contracts and other debt instruments, under RCW chapters 53.08, 53.36 and 53.40, subject to the approval of the Commission.

### **Purpose for Borrowing**

The Port shall issue long-term debt for the purpose of financing the cost of design, acquisition and/or construction of capital projects defined in the Capital Investment Plan (CIP).

**Unlimited Tax General Obligation Bonds/Limited Tax General Obligation Bonds** —The Port expects to use General Obligation Bonds for the purpose of funding strategic projects that are not directly associated with revenue generation, such as waterway, road, highway, and rail improvements, environmental mitigation, and public waterfront access. These projects are generally designated as infrastructure in the CIP.

**Revenue Bonds** — In general, the Port expects to use revenue bonds to finance projects that it has designated as “revenue generating” or “renewal” in the CIP, or refinancing revenue bonds.

**Special Assessment Bonds** — The Port expects to use Special Assessment Bonds to provide a source of funding from a targeted group or area that will benefit from a particular infrastructure improvement project.

**Special Revenue Bonds** — The Port may issue special revenue bonds, from time to time, under special circumstances. The Port may use special revenue bonds to finance facilities that it owns and leases to its tenants. Under the terms of the lease, the Port would expect the tenant to make payments sufficient to pay the debt service on special revenue bonds that it issues. The Port would not pledge its general revenues to pay the debt service on special revenue bonds; however, the Port may have the option of paying debt service on such special revenue bonds from its general revenues. Special revenue bonds may provide Port tenants with access to tax-exempt financing for assets that they use at the Port and that promote the Port’s short and long-term economic development objectives.

**Short-Term Debt** — The Port expects to use Short-Term Debt for interim financing of the CIP.

### **Limitations on Debt Issuance**

**Legal Debt Limits** — State statute sets general obligation debt limits. The state limits non-voted General Obligation bonds to 1/4 of one percent of the assessed value of the Port district; and voted General Obligation bonds to 3/4 of one percent of the assessed value within the Port district (RCW 53.36.030). General obligations include:

General Obligation Bonds (Voted and Non-voted), including bond anticipation notes which the Port pays off with bond proceeds. Interest is included only if it has matured and is due and payable.

For deep discount debt (e.g., zero coupon bonds), the face amount of the bond less the unamortized portion of the discount.

Warrants and registered warrants issued against the general (current expense) or other tax supported funds.

Executory conditional sales or installment sales contracts pledging the full faith and credit of the taxing district (RCW 39.30.010).

Other obligations of the general or other tax supported funds, except for loan agreements (statutory limit only) with agencies of the State of Washington or the United States of America dated on or after April 3, 1987. (RCW 39.36.060 and 39.69.020).

**Debt Service Coverage** — The Port determines debt service coverage annually. This refers to the ratio of annual net revenue available for debt service to revenue bond debt service payment obligations for the year. The Port's senior lien bond resolutions require a minimum debt service coverage ratio of 1.35 times. The Port's subordinate lien bond resolutions require a minimum debt service coverage ratio of 1.0 times. To maintain a strong financial position and credit ratings, the Port intends that its annual debt service coverage ratio will be no less than 2.0 times annual debt service on all outstanding revenue obligations, including junior lien and lowest lien obligations such as commercial paper and capital leases.

### **Use of Rate Stabilization Account for Debt Service Coverage Ratio Calculation Purpose**

The Port may withdraw from or deposit to the rate stabilization account anytime and use it for the purpose for which the gross revenue may be used. Per the subordinate lien bond resolution, deposits may be made as long as the fully diluted debt service coverage ratio does not fall below 2.0. Withdrawals should only be made to pay down principle or to increase the subordinate lien debt service to be above 1 times per bond resolution. Withdrawals should not be made to maintain the fully diluted debt service coverage ratio above 2.0.

### **Roles and Responsibilities**

**Commission** — By law, the Commission responsibilities are:

- Approve indebtedness.
- Approve Operating Budgets sufficient to provide for the timely payment of principal and interest on all debt.

**The Chief Financial Officer** — The Chief Financial Officer or designee will manage long-term debt and make appropriate recommendations to the Commission consistent with the terms of the Port's Debt Guidelines.

The Chief Financial Officer shall:

- Evaluate debt options for obligations the Port does not expect to pay from current operating funds; debt options include both the type and duration of debt instrument that may be available and appropriate.
- Report to the Commission the available options and recommend the appropriate option, taking into consideration: (a) outstanding debt obligations of the Port; (b) market considerations; and (c) the appropriate financing mechanism to use to achieve the Port's objectives under these guidelines;
- Approve appointment of independent financial advisor, underwriter(s), bond counsel, and swap advisor;
- Provide for the issuance of debt at appropriate intervals and in reasonable amounts to fund approved capital expenditures;

- In consultation with the Port of Tacoma’s General Counsel, financial advisor, and bond counsel, determine the most appropriate instrument for a proposed bond sale;
- Recommend to the Commission the manner of sale of debt;
- Monitor opportunities to refund debt and recommend such refunding as appropriate;
- Monitor compliance with applicable Internal Revenue Service (IRS), Securities and Exchange Commission (SEC), and Municipal Securities Rulemaking Board (MSRB) rules and regulations governing the issuance and maintenance of outstanding debt;
- Monitor anticipated cash requirements to provide for the payment of operating expenses as well as the scheduled payment of principal and interest on debt instruments;
- Work with the Port’s financial advisor, general counsel and bond counsel to establish the process and implement the issuance and sale of debt instruments, including the method of sale as well as the preparation and review of documentation, and disclosure documents;
- Provide recommendations to the Commission, consistent with the foregoing, in respect to the issuance of debt from time to time as appropriate;
- Following the issuance of debt, monitor compliance with contractual and statutory requirements, such terms to include those set forth in borrowing resolutions, regulations of the IRS, contractual terms, as may be included in agreements with bond insurers and other issuers of credit support and agreements for ongoing disclosure;
- Report regularly to the Commission regarding outstanding indebtedness and compliance procedures, including, at appropriate intervals, a discussion of the Port’s obligations, showing allocations to long-term and short-term, general-obligation and revenue and fixed and variable rate debt;
- Distribute to appropriate repositories information regarding the Port’s financial condition and affairs at such times and in the form required by law, regulation and general practice, including SEC Rule 15c2-12 regarding continuing disclosure;
- Maintain regular communications with rating agencies and other market participants, including, but not limited to, bond insurers; and
- Maintain a current database detailing all outstanding debt.

**Ethical Standards Governing Conduct**

Port of Tacoma staff and Commission members will adhere to standards of conduct that the Public Disclosure Act, chapter 42.17 RCW; and Ethics in Public Service Act, chapter 42.52 RCW, stipulates.

**Section III. Professional Services**

The Port shall procure professional services to execute financing transactions and to advise on non-transaction related work, as required. Professional services may include, but are not limited to, Consultants (Financial Advisor, Legal Counsel) and Service Providers (Trustee, Underwriter, Verification Agent, Investment Banker, Printer, and Credit Enhancement Provider).

**Appointment of Financial Advisor** — The Port will select a financial advisor (or advisors) to assist in the issuance and administration of all debt. The firm(s) will provide a full range of advisory services in connection with the Port's financing programs.

**Appointment of Bond Counsel** — All debt the Port issues shall include a written opinion by legal counsel affirming the Port is authorized to issue the proposed debt, that the Port has met all federal, state, and local legal requirements necessary for issuance and a determination of the proposed debt's federal income tax status. A nationally recognized legal firm with extensive experience in public finance and tax issues shall prepare this approving opinion and other documents relating to the issuance of debt. Unless otherwise justified, the Port will make the appointment from among nationally recognized law firms with significant operations in Washington State. The Port will expect the firm selected as bond counsel to provide the full range of legal services required in connection with: a) the successful issuance and delivery of the bond issues; and b) on-going legal services for the Port of Tacoma financing programs.

**Appointment of Letter of Credit or Liquidity Facility Provider** — In order to comply with the requirements of the bond documents and to provide liquidity and marketability for variable rate debt, the Chief Financial Officer may procure a letter or line of credit. The Chief Financial Officer will develop and administer the process for the selection of the letter of credit/liquidity provider. Appointment criteria shall include, but not be limited to:

- The short and long-term credit ratings of the bank;
- Experience providing liquidity facilities to municipal bond issuers;
- Competitiveness of facility fees, interest charged on liquidity draws, maximum legal and administrative fees;
- Ability to agree to the Port of Tacoma's legal terms and conditions; and
- Trading value of the bank in the current market.

The Chief Financial Officer will report his/her recommendation regarding the appointment of a letter of credit/liquidity provider and recommended approval of the accompanying legal documentation to the Commission. Following the issuance of the letter of credit and/or liquidity support, the Chief Financial Officer will monitor the credit ratings of the provider and their impact on the pricing of the Port's bonds.

**Appointment of Qualified Independent Swap Advisor** — The Swap Advisor, which may be the financial advisor, shall satisfy the requirements of a Designated Qualified Independent Representative and provide written confirmation of compliance with CFTC Regulation 23.450(b)(1). The Swap Advisor will be expected to provide advice, information and recommendations, which includes supporting analysis and schedules, to assist the Commission with the following: monitoring and updating policy, portfolio analysis and asset management, ongoing portfolio feedback, complying with Accounting Standards such as GASB Statement No. 53 – Accounting and Financial Reporting for Derivatives Instruments, preparing financial statement disclosures, all matters relating to swap terminations and swap restructurings, the tasks as described below and preparation of the Annual Swap Report. The Swap Advisor will be expected to perform or to assist with all matters related to the Commission's swap agreements in effect during the period of the Swap Advisor agreement.

The Chief Financial Officer will develop and administer the process for the selection and ongoing monitoring of the qualified independent Swap Advisor.

Appointment and monitoring criteria shall include, but not be limited to:

- Demonstrated ability serving on Swap transactions with similar complexity to planned transaction(s);
- Demonstrated ability to structure Swaps efficiently and effectively;
- Demonstrated ability to sell Swaps to institutional and retail investors;
- Demonstrated ability to monitor and report swap performance;
- Demonstrated ability to perform effectiveness testing as required by GASB Statement No. 53;
- Demonstrated compliance with applicable rules and regulations;
- Experience and reputation of assigned personnel; and
- Fees and expenses.

**Appointment of Underwriters** — If debt will be sold through a negotiated process, the Port will select underwriter(s) using a process developed by the Chief Financial Officer.

Criteria used in the appointment of qualified underwriters shall include, but not be limited to:

- Demonstrated ability serving on financial transactions with similar complexity to the planned transaction;
- Demonstrated ability to structure a debt issue efficiently and effectively;
- Demonstrated ability to sell debt to institutional and retail investors;
- Demonstrated ability to put capital at risk;
- Experience and reputation of assigned personnel; and
- Fees and expenses.

**Appointment of Escrow Agent** — The Chief Financial Officer shall, when deemed necessary or when required, procure the services of an escrow agent in connection with refundings and/or defeasance of outstanding debt.

**Appointment of Arbitrage Rebate Calculation Firm** — The Chief Financial Officer shall, when deemed necessary or when required, procure the services of an arbitrage rebate calculation firm to provide arbitrage rebate compliance services in accordance with the Internal Revenue Code of 1986, as amended (“Code”). The scope of services may include, but not be limited to, the following:

- Determine if the Port has met the requirements of the spending exception applicable to a debt issue;
- Prepare initial rebate calculations if the Port has not met the spending requirements;
- Prepare annual computations to update the initial calculations as needed to determine the rebate amount as described in the Code;

- Prepare computations if proceeds remain following the temporary period as described in the Code to determine if Internal Revenue Service requires any yield reduction payments; and
- Consult with the Chief Financial Officer as requested concerning arbitrage regulations and related issues including control procedures and industry practices.

## **Section IV. Transaction-Specific Guidelines**

### **Method of Sale**

**Competitive Sale** — Under most circumstances, the Port will sell its long-term, fixed-rate debt through a competitive bid process. The Port's Chief Financial Officer, with the assistance of the Port's Financial Advisor, will establish the date, time, place, method and terms of the competitive bid.

**Negotiated Bid Method** — In certain market circumstances, it is appropriate for the Port to issue and sell certain types of debt (e.g., variable rate debt) through a negotiated process. If the Port sells its debt on a negotiated basis, the negotiations of terms and conditions shall include, but not be limited to, prices, interest rates, underwriting or remarketing fees and commissions. The Chief Financial Officer, with the assistance of the Port's Financial Advisor, shall evaluate the terms that the underwriting team offers.

**Private Placement** — Under certain circumstances, if deemed appropriate because of timing and structure, the Port may sell its debt through a private placement. For example, the Port may acquire equipment through a financing lease that it places with the vendor or a financial institution.

If appropriate, the Port shall provide a post-sale analysis and report the results to the Commission.

### **Structural Elements**

**Maturity** — Long-term debt will have a final maturity of not more than 40 years from date of issue.

**Debt Service Structure** — If the Chief Financial Officer deems it appropriate, the Port may use long-term debt to finance interest during construction and up to 12 months following completion of construction as well as costs of issuance, within the limitations state law permits (and federal tax law if the debt is issued on a tax-exempt basis). The Port may find it appropriate to require debt service reserves for outstanding bond resolutions to minimize financing costs. Generally, the term of the debt should be shorter than the life of the assets being financed. The payment of a principal may be structured around existing bond issues to achieve a level debt service each year. Other debt service structures may be used taking advantage of market conditions where lower interest rates can be achieved at issuance.

**Maturity Structure** — The Port's long-term debt may include serial and term bonds.

**Price Structure** — The Port's long-term debt may include par, discount, and premium bonds.

**Redemption Features** — For each transaction, the Port shall evaluate the costs and benefits of provisions for the redemption of debt prior to its scheduled maturity. Provisions allowing the redemption of debt prior to scheduled maturity may give the Port the ability to restructure debt (in the event of lower interest rates); however, the Port will evaluate the cost of an early redemption in conjunction with this flexibility.

**Bond Insurance/Credit Enhancement** — When appropriate for the type of debt, the Port shall evaluate the costs and benefits of bond insurance or other credit enhancements. The Port of Tacoma shall procure any credit enhancement purchases through a process the Chief Financial Officer determines in order to minimize costs and interest expense under current circumstances.

**Tax-exemption** — Unless otherwise required and appropriate, the Port shall issue its debt on a tax-exempt basis in order to obtain the lowest borrowing rates.

**Section V. Communication Guidelines**

**Rating Agencies**

The Chief Financial Officer shall manage relationships with the rating analysts assigned to the Port’s credit using both informal and formal methods to disseminate information.

Communication with the rating agencies shall include:

- Disclosure, on an annual basis, of the financial condition of the Port;
- A formal presentation, on a regular basis, to the rating agencies, covering economic, financial, operational and other issues that impact the Port’s credit;
- Timely dissemination of the Annual Financial Report, following its adoption; and
- Complete and timely distribution of any documents pertaining to the sale of bonds.

**Credit Objective** — To the extent of factors within its control, the Port intends to maintain and improve its ratings. From time to time, in consultation with the Port’s Financial Advisor, the Chief Financial Officer will review the performance of the rating agencies and determine whether it is appropriate to seek additional long or short-term ratings.

**Section VI. Compliance Guidelines Arbitrage Liability Management**

For each issue of tax-exempt debt subject to arbitrage rebate considerations, the Chief Financial Officer shall establish a process for monitoring investments and the expenditure of debt proceeds. As provided in the legal documentation associated with the debt issuance, the Port of Tacoma may require rebate calculations from time to time. The Port shall, when deemed prudent, contract with a qualified third-party for preparation of the arbitrage rebate calculation. At least once annually, the Chief Financial Officer will review the Port’s outstanding bond issues to determine whether any accruals or set asides for arbitrage rebate liabilities should be established.

**Continuing Disclosure**

Securities and Exchange Commission Rule 15c2-12 requires the Port to subject certain outstanding debt issues to written agreements to provide continuing disclosure. The Chief Financial Officer shall monitor the Port’s compliance with its written agreements for continuing disclosure.

**Section VII. Payment Agreement Guidelines**

**Purpose**

The Port may enter into payment agreements for the following two purposes: 1) to lower the Port’s net cost of borrowing with respect to the related bonds or reduce the amount or duration of the Port’s exposure to changes in interest rates; or 2) to allow a refunding of bonds that cannot

be refunded in advance, thereby lowering the net cost of borrowing with respect to the bonds. By using swap agreements in a prudent manner, the Port can take advantage of market opportunities to reduce costs and reduce interest rate risk. The Port must directly tie the use of swap agreements to Port debt instruments. The Port shall not enter into swap agreements for speculative purposes.

### **Authority**

The Port will not use payment agreements unless permitted by law and approved in advance by the Port Commission. State law authorizes the Port to enter into interest rate swap agreements, caps, collars and swaptions (“swap agreements”) (Chapter 39.96 RCW). In addition, the Port shall not use a swap agreement without an analysis by a qualified financial advisor, including without limitation the analysis required by RCW 39.96.030.

### **Overview**

A derivative is a financial arrangement whose returns are limited to, or derived from, some underlying published index, interest rate, or rate of exchange, stock, bond, currency, or other asset. The Port can enter into the following payment agreements: (1) Interest Rate Swap Agreements, (2) Cap and Collar Agreements, (3) Swaptions (Chapter 39.96 RCW).

**Interest Rate Swaps** — An interest rate swap agreement allows for an exchange of payments based on interest rates. An interest rate swap agreement could provide that the Port will pay the contracting party based upon a fixed or floating-interest rate and will receive payments based upon a fixed or floating-interest rate. The floating rate resets at regular dates and is usually based upon the SOFR index, SIFMA index or other published interest rate index. The settlement is payment or receipt of the net amount or “spread” as provided under the terms of the swap agreement.

**Caps and Collars** — In addition to swap agreements, the Port could reduce variable interest rate risk and exposure by limiting the yield, or spread, of the swap agreement. These limits called collars, consist of a “cap” or maximum rate, and the “floor” or minimum rate in which the Port and the contracting party agree.

**Swaptions** — The current sale of a right to enter into an interest rate swap on a future date. If the swap has value to the counterparty, it would exercise its right to enter into the swap. If the swap has no value to the counterparty, it will allow the swap to expire unexercised and the Port retains swaption premium and call option on underlying bonds. The swaption premium that the counterparty pays the Port represents the intrinsic value of the swap.

### **Swap Management**

In entering into a swap agreement, the Port will address the following:

- Purpose of the swap agreement;
- Swap counterparty rating;
- Cash flow projections detailing the net swap payments;
- Analysis of basis risk, rollover risk, termination risk, and counterparty risk;
- In addressing the termination risk, identify the events that trigger an early termination, estimate the likelihood of early termination, and estimate the size of potential termination payments; and

- Determine key personnel involved in monitoring the terms of transaction and counterparty creditworthiness.

### **Legality/Approval**

To enter into a swap agreement, the Port must receive: 1) approval from the Commission ;2) an opinion from bond counsel acceptable to the Chief Financial Officer that the swap agreement is a legal, valid and binding obligation of the Port and that entering into the transaction complies with applicable Washington State and federal laws; 3) an opinion of counsel to the counterparty that the swap agreement is a legal, valid and binding obligation enforceable against the counterparty in accordance with its terms; and 4) financial advisor certification pursuant to RCW 39.96.030.

### **Form of Swap Agreements**

Each swap agreement shall contain terms and conditions as set forth in the International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement, as amended, and such other terms and conditions including schedules and confirmations an Authorized Representative deems necessary.

### **Methods of Soliciting and Procuring Swaps**

The Port can procure swaps via competitive bids or on a negotiated basis. The competitive bid should include a minimum of three firms with each firm having a rating in the highest single A category (A1 and A+). Any firm rated below AA must post collateral at 102 percent of market value.

An Authorized Representative may procure swap agreements by negotiated methods in the following situations:

1. The Authorized Representative determines that a negotiated bid method would result in the most favorable pricing because of the complexity of a particular transaction.
2. An Authorized Representative makes a determination that, in light of the facts and circumstances, a negotiated bid method will promote the Port's interests by encouraging and rewarding innovation.

### **Limitations on Notional Amounts of Derivative Agreements**

The Port will not enter into swap agreements where doing so would result in aggregate notional amounts in excess of the projected underlying liability.

### **Management of Swap Transaction Risk**

When the Port enters into any swap transaction, it creates certain risks. In order to manage the associated risks, guidelines and parameters for each risk category are as follows:

**Counterparty Credit Risk** — Counterparty credit risk is the risk that the counterparty to the swap agreement will not be able to perform under the swap agreement, or that its credit will deteriorate triggering the termination of the swap agreement. To limit counterparty risk, the Port should require that counterparties at least meet the ratings and collateralization requirements set forth in RCW 39.96.040. The Port may enter into a swap transaction with a qualified counterparty if the cumulative mark-to-market value that the counterparty (and its unconditional guarantor, if applicable) owes to the Port is less than or equal to \$30 million.

The \$30 million limitation shall be the sum of all mark-to-market values between the subject counterparty and the Port, regardless of the type of swap transaction, net of collateral the

counterparty posts. Collateral will consist of cash, U.S. Treasury securities and Federal Agency securities guaranteed unconditionally by the full faith and credit of the U.S. Government. The counterparty shall deposit collateral with a third-party trustee acceptable to the Port, or as mutually agreed upon between the Port and the counterparty.

The Port bases specific counterparty limits on the cumulative mark-to-market value of the swap(s) and the credit rating of the counterparty. The limits are as follows:

**Counterparty Long-Term Debt Rating (lowest prevailing rating from S & P's/ Moody's)** — If a counterparty's credit rating is downgraded below A- and A3 the counterparty must provide other credit enhancement that is satisfactory to the Port and ensures compliance with these guidelines. If the counterparty does not provide credit enhancement and comply with these guidelines, the Port should terminate the agreement.

The Port also will consider the counterparty's capitalization and presence in the municipal swap industry in the counterparty selection process.

**Termination Risk** — In the event the swap agreement terminates – whether because of actions of the Port or due solely to actions of the counterparty (such as a decrease in credit rating, bankruptcy, misrepresentation, or default) – the counterparty may require the Port to make a termination payment, and the termination payment could be substantial. The Port shall consider the merits of including a provision that permits this action to optionally terminate a swap agreement at any time over the term of the agreement (elective termination right). The Port also should consider limiting the events giving rise to mandatory termination of the agreement and seeking extended payment terms.

**Basis (Index) Risk** — Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the Port. Basis risk is the risk of a mismatch between actual variable rate debt service and variable rate indices used to determine swap payments. For example, if the Port were to receive a variable rate payment from a swap counterparty, based on the SOFR index, and used this payment to pay interest on the Port's related variable rate bonds, basis risk is the risk that the SOFR index will deviate from the variable rate on the Port's bonds. To mitigate basis risk, any index used as part of an interest rate swap agreement shall be a recognized market index, including but not limited to, the Securities Industry and Financial Markets (SIFMA) Index or the Secured Overnight Financing Rate (SOFR). The Port may consider mitigating basis risk through the maintenance of an interest rate reserve.

**Tax Risk** — Tax risk is the risk that tax laws will change, resulting in a change in the interest rate paid with respect to the swap agreement or the related bonds. For example, if the Port were to receive a variable rate payment from a swap counterparty, based on the taxable SOFR index, and used this payment to pay its related tax-exempt variable rate bonds, tax risk is the risk that a change in marginal tax rates – or another change in the tax code – will make the Port's tax-exempt variable rate bonds less attractive, resulting in a divergence between the taxable SOFR rate received and the tax-exempt rate the Port pays. The Office of Finance will need to document tax risk for a contemplated swap transaction as part of the approval process.

**Rollover Risk** — Rollover risk is the risk that the swap contract is not coterminous with the related bonds. In the case of the synthetic fixed rate debt structure, rollover risk means the issuer would need to re-hedge its variable rate debt exposure upon swap maturity and incur re-hedging costs. The Port can mitigate rollover risk by closely monitoring the interest rates and by having guidelines in place to extend the swap or enter into a new swap if the rates drop.

**Reporting Requirements**

The Annual Financial Report the Port prepares and presents to the Commission will include the status of all swap agreements. The report shall include a list of all swaps with notional value and interest rates, a list of counterparties and their respective credit ratings, and other key terms.

Each quarter, the Port will revalue the net asset or liability exchange market position. In addition, the Port will report this information in the consolidated monthly financial statements, in accordance with the Government Accounting Standards Board (GASB) statements. The Port’s Annual Financial Report will describe active derivative agreements and comply with all applicable GASB disclosure requirements.

**Section VIII. Variable Rate Debt Guidelines**

**Overview**

The municipal bond market has developed several vehicles that allow municipalities to borrow at variable interest rates, including variable rate demand obligations, commercial paper, and auction rate securities.

Counterparty Long-Term Debt Rating (lowest prevailing rating from S & P’s/ Moody’s)	Maximum Cumulative Mark-to-Market Value of Swaps Owed to System by Counterparty (net of collateral posted)	Minimum Collateral % Required
AAA / Aaa	\$30 million	102%
AA+ / Aa1	\$20 million	102%
AA / Aa2	\$20 million	102%
AA- / Aa3	\$20 million	102%
A+ / A1 and below	-0-	102%

These products are structured as a rolling series of short-term investments that are resold periodically, and therefore are priced at the short end of the yield curve at low interest rates. By accepting the risks inherent in variable interest rates, the Port, as the issuer, can take advantage of variable rates available on the current market.

**Purpose**

The Port may use variable interest rate debt instruments for the following purposes:

1. As a balance sheet management tool, offsetting the risks inherent in variable rate assets. The maintenance of variable rate debt liabilities in an amount equal to or less than the amount of variable rate assets prudently reduces the Port’s risk of exposure to changes in interest rates. For example, the Port currently maintains significant exposure from variable rate assets in the form of the short-term investment of available cash, while a large portion of its liabilities are in the form of fixed rated debt.

When interest rates fall, the budget experiences reduced revenues. Offsetting this exposure with variable rate liabilities would serve to hedge against such interest rate risk. The Chief Financial Officer will provide an analysis of asset and liability balance and include it in its report to the Executive Director and/or Commission when recommending variable rate debt.

2. To achieve an expected lower net cost of borrowing with respect to the Port’s debt by accepting a limited level of interest rate risk. Since the inception of municipal variable rate products in the early 1980s, variable interest rates have borne an average rate that is substantially below the average for fixed rates. Accordingly, issuers who have accepted variable rate risk have experienced reduced costs of borrowing. One of the goals of these guidelines is to define a prudent range of risk exposure.
3. As a tool for interim financing. Since the expectations of variable rate investors are, by their nature, short-term, the Port can redeem variable rate debt at short notice without any penalty

in the form of a call premium or higher initial interest rates. This feature makes variable rate debt a preferred tool for financing projects for which a prepayment or restructuring is a high probability. The Port can issue certain variable rate products, such as commercial paper to finance current construction. This method can reduce the long-term cost of construction financing. Often, the Port will refund commercial paper with a long-term financing option when the project is completed.

### **Criteria for Use of Variable Rate Debt**

The following criteria set forth the Port's practice for using variable rate debt. Any staff recommendation for the use of variable rate debt should consider these criteria.

Balance sheet risk mitigation: To determine the appropriate amount of variable rate debt the Port should issue for risk mitigation purposes, decision makers should consider the following factors, depending upon the basis of the fund or funds that will be repaying the debt:

- The historic average of cash balances analyzed over the course of several prior fiscal years.
- Projected cash balances based on known demands on a given fund and on Port fund balance guidelines.
- Any basis risk, such as the difference in the performance or duration of the Port's investment vehicle compared with the variable rate debt instrument the Port would use.

Risk exposure: It may be appropriate for the Port to accept a moderate exposure to interest rate risk to benefit from what has been the historic out-performance of the variable rate market. The risk exposure analysis should be performed on the basis of "net" risk; that is, variable rate liability exposure net of any interest rate hedge provided by the availability of cash or risk mitigation tools such as interest rate swaps. Net variable rate exposure does not include outstanding commercial paper or other interim funding vehicles.

Interim financing: The Port will consider issuing commercial paper in connection with its major debt-financed construction programs.

Synthetic fixed rate: The Port may simultaneously issue variable rate debt and enter into corresponding swap agreements that have the effect of creating a net fixed rate obligation at a lower net interest cost than the cost of issuing traditional fixed rate debt (while assuming increased risks (such as tax risk) and foregoing call features). The Port should consider the use of variable rate debt in those instances where the issuance of synthetic fixed rate debt is a viable and cost-effective alternative, subject to the provisions of the Port's swap guidelines.

### **Monitoring and Reporting**

The Chief Financial Officer will manage the Port's variable rate programs, including:

Whether balances remaining at the end of the fiscal year, accruing from actual interest rates lower than those assumed in the budget process, will be reserved for future interest rate stabilization or otherwise applied for interest rate management.

The performance of the individual remarketing agents as compared to other remarketing agents, other similar programs and market indices.

The factual circumstances, such as balance sheet factors or the relative amount of debt that supported the original issuance of variable rate debt.

Responsibility for reflecting variable rate debt in accordance with Generally Accepted Accounting

Principles (GAAP) and with rules promulgated by the General Accounting Standards Board (GASB).

## **Section IX. Other Guidelines**

### **Refunding Savings Thresholds**

The Port will conduct refunding transactions in accordance with the Refunding Bond Act, chapter 39.53 RCW. Unless otherwise justified, the Port will refinance debt to achieve savings as market opportunities arise.

Unless otherwise justified, an “advance refunding” transaction whether accomplished conventionally or through a swap arrangement will require a present value savings of three percent of the principal amount of the refunding debt being refunded.

A “current refunding” transaction will not be subject to a minimum savings threshold.

**Selection of maturities to be refunded** — unless otherwise justified, all callable maturities of an issue will be included in a refunding.

### **Evaluating Capital Investment Plan Spending**

The Port shall integrate its debt issuance with its Capital Investment Plan (CIP). Prior to each meeting of the finance team to discuss the need for debt financing, the Chief Financial Officer shall report to the Port Commission the status of spending of the capital budget and any proposed debt funding. The report shall include:

- Projected capital funding requirements, collected from the primary capital budget project managers;
- Projected near-term financing needs;
- Projected near-term available resources, including cash, and bond proceeds; and
- An analysis showing the impact of the proposed financing on cash flows.

### **Modeling the Impact of Capital Investment Plan Needs**

The Port shall develop and maintain a capital finance model to evaluate the impact of capital program spending, operations and maintenance costs, and debt service on its financial condition. To that end, the Chief Financial Officer shall oversee the ongoing maintenance of quantitative modeling that includes, but is not limited to, the following:

- Historic and projected cash flows for capital and operating expenditures;
- Historic and projected fund balances;
- Historic and projected debt service coverage; and
- Projected revenue requirements.

### **Debt Database Management**

The Port shall maintain complete information on its outstanding debt portfolio in a database format. The information in the database shall include, but not be limited to, the following:

- Issue Name
- Initial Par Amount of the Issue
- Dated Date and Sale Date of the Issue
- Purpose of the Issue
- Security Type (Fixed or Variable) of the Issue
- Issue Type (New Money or Refunding) of the Issue
- Sale type (Competitive or Negotiated) of the Issue
- TIC, Arbitrage Yield, Average Life, and Underwriting Discount of the Issue
- Underwriter(s) of the Issue
- Principal Amounts by Maturity
- Principal Amounts Outstanding by Maturity
- Coupon Rate and Coupon Type (Current Interest or Zeros) by Maturity
- Original Yield and Original Price by Maturity
- Interest Payment Frequency by Maturity
- First Interest Payment Date by Maturity
- Call Provisions by Maturity
- Sinking Provisions by Maturity
- Credit Enhancement, if any, by Maturity

#### **Accounting for the Issuance of Debt**

The Port shall account for the issuance of debt using Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and applicable statutes, rules and regulations of the State of Washington.



## Appendix A Bond Indebtedness and Debt Service Requirements

Projected as of 12/31/23

Debt Instrument	Due Date	---- 2024 Debt Service Payments ----			Outstanding 12/31/2024*
		Principal	Interest	Total	
<b>General Obligation Bonds:</b>					
2016A G.O. Bonds	06/01/24		\$2,264,850		
	12/01/24	\$2,655,000	\$2,264,850	\$7,184,700	\$96,205,000
2017 G.O. Bonds	06/01/24		\$242,108		
	12/01/24	\$840,000	\$242,108	\$1,324,215	\$14,685,000
2021 G.O. Bonds	06/01/24		\$25,689		
	12/01/24	\$3,683,000	\$25,689	\$3,734,377	\$3,763,000
<b>TOTAL G.O. BONDS</b>		<b>\$7,178,000</b>	<b>\$5,065,292</b>	<b>\$12,243,292</b>	<b>\$114,653,000</b>
<b>Revenue Bonds:</b>					
2008 Subordinate Refunding*	06/01/24				
	12/01/24	\$3,605,000	\$1,485,019	\$5,090,019	\$45,545,000
2008B Subordinate Revenue*	06/01/24				
	12/01/24	\$0	\$3,691,548	\$3,691,548	\$122,180,000
2016A Senior Refunding	06/01/24		\$775,675		
	12/01/24	\$2,285,000	\$775,675	\$3,836,350	\$29,960,000
2016B Senior Revenue and Refunding	06/01/24		\$2,466,031		
	12/01/24	\$755,000	\$2,466,031	\$5,687,063	\$98,355,000
2019A Senior Refunding	06/01/24		\$614,375		
	12/01/24	\$2,835,000	\$614,375	\$4,063,750	\$21,740,000
2019A Subordinate Refunding*	06/01/24				
	12/01/24	\$0	\$1,151,607	\$1,151,607	\$38,115,000
2020 Senior Refunding	06/01/24		\$107,494		
	12/01/24	\$2,700,000	\$107,494	\$2,914,988	\$13,225,000
Net Swap Interest			\$2,195,844	\$2,195,844	
Direct Purchase/LOC Fees			\$1,102,700	\$1,102,700	
<b>TOTAL REVENUE BONDS</b>		<b>\$12,180,000</b>	<b>\$17,553,869</b>	<b>\$29,733,869</b>	<b>\$369,120,000</b>
Commercial Paper		\$0	\$0	\$0	\$0
<b>TOTAL ALL EXISTING BONDS**</b>		<b>\$19,358,000</b>	<b>\$22,619,161</b>	<b>\$41,977,161</b>	<b>\$483,773,000</b>

\* Variable rate debt paid monthly. The numbers provided are estimated total annual interest payments.

## **Appendix B Port of Tacoma Statutory Budget**

### **Introduction**

The statutory budget as defined in RCW 53.35.010 is to portray “the estimated expenditures and the anticipated available funds from which all expenditures are to be paid.”

As a cash budget, the Statutory Budget shows “the estimated expenditures and the anticipated available funds from which all expenditures are to be paid” and is not used as an operating budget.

The “port commission may adopt by resolution one or more supplemental budgets at any time during the fiscal year” (RCW 53.35.050). The function of controlling and managing the operations of the Port is accomplished with the Operating Budget.

The Preliminary Statutory Budget was provided to the Port’s Commissioners and made available to the general public as required by law (RCW 53.35.010 and RCW 53.35.045).

Notice of the Public Hearing, with an announcement stating that copies of the preliminary budget are available for distribution to any interested persons, are published no less than nine days and no more than twenty days prior to the date of the hearing as required by law (RCW 53.35.020 and RCW 53.35.045). The Notices are published in the Tacoma News Tribune, the Tacoma Daily Index, and the Eatonville Dispatch.

The final statutory budget must be filed with the Pierce County Council by November 30th of each year.

## Port of Tacoma Statutory Budget

<i>(\$ Thousands)</i>	<b>2024</b>
<b>Beginning Cash &amp; Investments</b>	\$182,061
 <b><u>Projected Sources of Funds</u></b>	
<b>Revenues</b>	\$99,801
Expenses	(39,320)
Memberships	(355)
Promotional hosting POT	(20)
Promotional hosting NWSA (POT share)	(97)
<b>Funds Provided by Operations</b>	60,009
Interest Income	9,455
NWSA Depreciation Cash	14,701
Other, Net	19,115
Other Contributions	0
Ad valorem tax revenue (net)	26,035
<b>Projected Sources of Funds</b>	\$129,315
 <b><u>Projected Uses of Funds</u></b>	
Investment in Northwest Seaport Alliance	\$72,279
Debt Payments - GO Bonds	12,243
Debt Payments - Revenue Bonds	29,734
Capital Spending - Planned Projects	83,347
<b>Projected Uses of Funds</b>	\$197,603
 <b><u>Projected Borrowing</u></b>	
Commercial Paper Borrowing	0
<b>Total Borrowing</b>	\$0
 <b>Projected Ending Cash &amp; Investments</b>	 \$113,773

## Appendix C Port Memberships

### Overview

The Port and port staff are members of several organizations. The Port believes that participating in these partnership organizations plays a key role in advancing the Port's business objectives and ensures Port staff is knowledgeable and productive.

### Port Authority Organizations

These memberships assist the Port's lobbying efforts on both the state and national levels and keep staff informed about major issues and developments that affect Port operations. Membership with the Washington State Public Ports Association remains with the home ports, while membership with the American Association of Port Authorities is now managed by the NWSA.

### Economic Development Organizations

Economic development is a major part of the Port's mission. For that reason, the Port maintains memberships and works closely with a variety of economic development groups. These memberships help strengthen the Port's visibility throughout the world through trade missions, trade shows and other activities.

### Regional Organizations

Memberships in regional organizations demonstrate the Port's commitment to trade on a statewide and regional basis.

### Industry Associations and Professional Organizations

These associations and organizations ensure that staff obtains the latest in technical development by taking advantage of meetings, networks and special programs offered by them.

### Trade Promotion Organizations

These memberships give the marketing and sales staff important contacts and current industry trade information that enhances the Port's overall marketing efforts.

### Community Service Groups

The Port maintains memberships in these groups as part of its effort to build better community relations, to work more effectively with the businesspeople and to ensure that the Port's interests and concerns are addressed in the community.

### Annual Port & Personnel Memberships

Organization	Annual Dues
Washington Public Ports Association	215,000
Puget Sound Regional Council	54,000
Manufacturing Industrial Council	25,000
Tacoma-Pierce County Chamber of Commerce	24,740
All other Memberships \$10,000 or under	35,936
<b>Total Port Memberships</b>	<b>354,676</b>

## Summary

Four Port memberships represent 90% of the membership budget for 2024. These memberships assist the Port with policy and economic development initiatives.

- **Washington Public Ports Association**

Washington Public Ports Association promotes the interests of the state's port community through effective government relations, ongoing education, and strong advocacy programs.

- **Puget Sound Regional Council (PSRC)**

PSRC brings the central Puget Sound counties (King, Kitsap, Pierce, and Snohomish), cities, towns, ports, tribes, and transit agencies to work together to develop policies and make decisions about regional issues. PSRC works with local government, business and citizens through three major activities: building the region's growth strategy; comprehensive long-range transportation planning and funding allocation; and advancing the area's economic strategy.

- **Manufacturing Industrial Council**

The Council represents and advocates the interests of small and large businesses in all industrial sectors in the region. The Council provides members access to decision makers and inform members of public policies that may impact them.

- **Tacoma – Pierce County Chamber of Commerce**

The Chamber enables individuals and businesses to make a difference in their community by having its membership focused and involved in top civic, business, and social priorities. The Chamber strengthens and nurtures the ties between businesses and communities as they are dependent on each other for success.

# Appendix D Budget Calendar

Task	Start	Duration	Current Year					Budget Year						
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>NWSA Budget</b>	Jul	18 Weeks	[Bar spanning Jul to Nov]											
Goals, Priorities, Key Projects & assumptions	Jul	4 Weeks	[Bar Jul-Aug]											
Capital Budget	Aug	7 Weeks		[Bar Aug-Sep]										
Staffing Plan	Aug	7 Weeks		[Bar Aug-Sep]										
Department Budgets	Sep	3 Weeks			[Bar Sep-Oct]									
Revenue and Expense Budgets	Sep	3 Weeks			[Bar Sep-Oct]									
Public Presentations	Oct	3 Weeks				[Bar Oct-Nov]								
<b>Port of Tacoma Budget</b>	Jul	23 Weeks	[Bar spanning Jul to Nov]											
Goals, Priorities, Key Projects & assumptions	Jul	4 Weeks	[Bar Jul-Aug]											
Capital Budget	Aug	7 Weeks		[Bar Aug-Sep]										
Staffing Plan	Aug	7 Weeks		[Bar Aug-Sep]										
Department Budgets	Sep	3 Weeks			[Bar Sep-Oct]									
Tax Levy	Sep	12 weeks			[Bar Sep-Oct]									
Revenue and Expense Budgets	Sep	3 Weeks			[Bar Sep-Oct]									
Combine with NWSA	Sep	6 Weeks			[Bar Sep-Oct]									
Public Presentations	Nov	3 Weeks				[Bar Nov-Dec]								
Submit Final Budget and Tax Levy to County	1-Dec													
<b>Port of Tacoma Midyear Update</b>														
Program Budget	May	3 Weeks										[Bar May-Jun]		
Revenue and Expenses	May	2 Weeks										[Bar May-Jun]		
Public Presentation	Jun	30-Jun										[Bar May-Jun]		

## Budget Processes: The Creation of the Detailed 5-Year Budget Forecast

**Goals, Priorities, Key Projects and Assumptions:** This process defines the goals and priorities that need to be addressed in the Port’s operating and capital budgets. Assumptions concerning the macro-economic conditions, as well as customer specific issues are determined in this phase.

**Capital budget:** This process identifies the Port’s investments in capitalized and expensed projects necessary to achieve the Port’s goals and priorities.

**Staffing Plan:** This process includes identifying alternatives to staffing changes as well as the financial impact of any proposed staffing changes.

**Department Budgeting:** The detailed budgeting process for departments, excluding costs directly associated with revenue, includes such items as travel, training, office supplies, outside services, utilities, and other expenses.

**Tax Levy:** The process of identifying the levy desired to cover General Obligation bond debt service (principal and interest) as well as additional levy for infrastructure and environmental projects.

**Revenue and Expense Budget:** The detailed revenue and associated revenue-based expenses for the Port. Includes lease revenue and volume driven revenue from Port owned cranes and straddle carriers, as well as volume driven revenue from Port operated terminals, and the auto and intermodal lines of business. Expenses include utilities and costs associated with providing the volume driven services.

**Public Presentations and Hearings:** The Port has three scheduled public meetings to review the details of the tax levy, and capital and operating budgets. The Port has additional information available for the Citizens of Pierce County including a one-hour presentation called Port 101 that gives an overview of Port operations and the budgeting process.

**Midyear Update:** The midyear update only focuses on revising the capital budget and the revenue and revenue driven expenses for the current year and the next four years. Departmental budgets are not updated, nor are there changes to the tax levy.

## Appendix E Glossary of Terms

**Accrual** – Adjustment made to reflect when a receipt or disbursement occurs, not when it is received.

**Ad Valorem Tax** – A tax which varies based on the value of the property on which it is levied.

**Allocation** – The distribution of expenses based on set criteria (volume, hours, etc.). Used as an internal costing methodology.

**Arbitrage** – The simultaneous purchase and sale of similar commodities in different markets to take advantage of a price discrepancy.

**Assessed Value**– The County Assessors valuation set upon real estate and personal property as a basis for levying taxes. In the State of Washington, assessed value may not always be the true and fair market value. RCW 84.04.020 and RCW 84.04.030.

**Balanced Budget** – The Port of Tacoma defines “balanced budget” as total revenues are sufficient to cover operating expenses for the budget year and to offset the cost of capital investment (depreciation) and anticipated debt costs for any planned future capital investments.

**Banking Capacity** – The amount of money still available under the Port’s legal levy limit. The difference between the highest lawful levy that could have been made and the actual levy imposed.

**Beneficial Cargo Owner** – (BCO) refers to the importer of record, who physically takes possession of cargo at destination.

**Berth** – (verb) To bring a ship to a berth. (noun) The wharf space where a ship docks. A wharf may have two or three berths, depending upon the length of incoming ships.

**Bond Users’ Clearinghouse** – A collection of information regarding the identity, amount, type and cost of municipal bonds being issued. The bond users’ clearinghouse serves as an information source for local governments regarding the municipal bond market and as a public record of municipal bond issues. (WAC 365-130-010).

**Breakbulk Cargo** – Non-containerized general cargo stored in boxes, bales, pallets or other units to be loaded onto or discharged from ships or other forms of transportation. Examples include iron, steel, machinery, linerboard and wood pulp.

**Brownfield** – A parcel of industrial or commercial property that is abandoned or underused; it is often environmentally contaminated; considered as a potential site for redevelopment.

**Bulk Cargo** – Loose cargo (dry or liquid) that longshoreman load (shovel, scoop, fork, mechanically convey or pump) in volume directly into a ship’s hold; e.g., grain, coal and oil.

**Capacity** – The available space for, or ability to handle, freight.

**Capital Budget (CB)** – A detailed plan of proposed expenditures arising from the acquisition or improvement of fixed assets and the means of financing them.

**Cargo** – The freight (goods, products) carried by a ship, barge, train, truck, or plane.

**Carrier** – An individual, partnership or corporation engaged in the business of transporting goods or passengers.

**Conduit Financing** – Conduit financing is the issuance of debt by an entity for the benefit of another party. The conduit is the nominal issuer of the debt; however, repayment of the debt is secured by obligations of the third party and/or credit enhancers. Most conduit financings in the United States are designed to permit a non-public party to access federally tax-exempt financing.

**Container** – A steel box used to transport cargo by ship, rail, truck, or barge. Common dimensions are 20' x 8' x 8' (called a TEU or twenty-foot equivalent unit) or 40' x 8' x 8' (called an FEU). Variations are collapsible containers, tank containers (for liquids) and “rag tops” (open-topped containers covered by a tarpaulin for cargo that sticks above the top of a closed box). In the container industry, containers are called boxes.

**Container Crane** – Usually, a rail-mounted gantry crane located on a wharf for the purpose of loading and unloading containers on vessels.

**Container Freight Station** – The facility for stuffing and stripping a container of its cargo, especially for railroad movement.

**Container Terminal** – A specialized facility where ocean container vessels dock to discharge and load containers, which is equipped with cranes with a safe lifting capacity of 35-40 tons and booms able to reach 120 feet to access the outside cells of vessels. Most such cranes operate on rail tracks and have articulating rail trucks on each of their four legs. This enables them to traverse along the terminal, working various bays on the vessel and allowing more than one crane to work a single vessel simultaneously.

**Contribution Margin** – Operating margin minus depreciation.

**Counterparty** – A participant in a swap or other derivative agreement that exchanges payments based on interest rates or other criteria with another counterparty.

**Debt Service** – The series of payments of interest and principal required on debt over a given period.

**Demurrage** – A penalty assessed when cargo is not moved off a wharf before the free time allowance ends.

**Departmental Expenses** – Individual department expenses based on criteria each department sets.

**Depreciation** – A non-cash item that represents the use of long-term assets. Port assets are given a useful life when they become active, and each year some of that useful life is used up or depreciated.

**Derivative** – A derivative is a financial arrangement whose returns are limited to, or derived from, some underlying published index, interest rate, or rate of exchange, stock, bond, currency, or other asset.

**Dock** – (verb) To bring in a vessel to tie up at a wharf berth. (noun) A dock is a structure built along, or at an angle from, a navigable waterway so that vessels may lie alongside to receive or discharge cargo.

**Dockage** – A port authority charge for the length of water frontage used by a vessel while tied up at a wharf.

**Draft** – The depth of a loaded vessel in the water taken from the level of the waterline to the lowest point of the hull of the vessel; depth of water or distance between the bottom of the ship and waterline.

**Drayage** – Transport by truck for short distances, e.g., from wharf to warehouse.

**Dredge** – (noun) A waterborne machine that removes unwanted silt accumulations from the bottom of a waterway. (verb) The process of removing sediment from harbor or river bottoms for safety purposes and to allow for deeper vessels.

**Dry Bulk** – Minerals or grains stored in loose piles moving without mark or count. Examples are potash, industrial sands, wheat, soybeans, and peanuts.

**Dunnage** – Wood or other material used in stowing ship cargo to prevent movement.

**Duty** – A government tax on imported merchandise.

**Elevator** – A complex that includes storage facilities, computerized loading, inspection rooms and docks to load and unload dry bulk cargo such as grain or green coffee.

**Enterprise Fund** – An Enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises.

**Equity** – The excess of assets over liabilities.

**External Financing** – Financing through the issuance of debt or equity.

**Foreign Trade Zone (FTZ)** – Known in some countries as a free zone, a foreign trade zone is a site within the United States (in or near a U.S. Customs port of entry) where foreign and domestic goods are held until they are ready to be released into international commerce. If the final product is imported into the United States, duties and taxes are not due until the goods are released into the U.S. market. Merchandise may enter a FTZ without a formal Customs entry or the payment of Customs duties or government excise taxes. In the zone, goods may be stored, tested, sampled, repackaged cleaned or relabeled, combined with other products, repaired, or assembled.

**Freight** – Merchandise hauled by transport lines.

**GASB 87-** It establishes a single model for lease accounting. While financial statement changes will be significant there will be no net effect on P&L.

**Gantry Crane** – Track-mounted, shoreside crane used in the loading and unloading of breakbulk cargo, containers, and heavy lift cargo.

**General Central Peninsula** – The portion of the Port of Tacoma bounded by the Sitcum and Blair Waterways containing Husky and TCT Terminals and the North Intermodal rail yard.

**General Cargo** – Consists of both containerized and breakbulk goods, in contrast to bulk cargo. (See breakbulk, container, bulk, dry bulk). General cargo operations produce more jobs than bulk handling.

**General Obligation (G.O.) Bond** – A debt obligation payable from all legally available resources of the issuer. Most debt that is denominated as a “general obligation” is issued by governmental units with taxing power.

**Governmental Project** – A project that creates something that is available to, and is undertaken for, the benefit of all citizens. Examples include transportation and environmental projects.

**Grain Elevator** – Facility where bulk grain is unloaded, weighed, cleaned, blended and exported.

**Gross Tonnage** – The sum of container, breakbulk and bulk tonnage.

**Harbor** – A port of haven where ships may anchor.

**Heavy Hauler** – A truck equipped to transport unusually heavy cargoes (steel slabs, bulldozers, transformers, boats, heavy machinery, and others).

**Heavy Lift** – Very heavy cargoes that require specialized equipment to move the products between ship, truck, rail, barge and/or terminals. This heavy lift machinery may be installed aboard a ship designed specifically for such transport. Shore cranes, floating cranes and lift trucks also may be adapted for such heavy lifts.

**Hedge** – A transactional option to reduce exposure to market fluctuations.

**Highest Lawful Levy (HLL)** - The highest levy a district could have levied since 1985.

**Installment Sales Contract** – A contract providing for a buyer to purchase a property by making installment payments to a seller.

**Interchange** – Point of entry/exit for trucks delivering/picking up containerized cargo.

**Interest Rate Swap (or “Swap”)** – A transaction in which two parties agree to exchange future net cash flows based on predetermined interest-rate indices calculated on an agreed notional amount. The swap is not a debt instrument, and there is no exchange of principal.

**Intermodal** – Movement of freight using a combination of transportation modes, i.e., truck, rail, ocean, or air transportation.

**ISDA Master Agreement** – The ISDA (International Swaps and Derivatives Association) Master Agreement is the basic governing document that serves as a framework for all interest rate swap, swap enhancement and derivative transactions between two counterparties. Standard throughout the industry, it is typically negotiated once prior to the first transaction and remains in force for all subsequent transactions.

**Landlord Port** – At a landlord port, the port authority builds the wharves, which it then rents or leases to a terminal operator (usually a stevedoring company). The operator invests in cargo-handling equipment (forklifts, cranes, etc.), hires longshore laborers to operate such lift machinery and negotiates contracts with ocean carriers (steamship services) to handle the unloading and loading of ship cargoes. (See also – operating port.)

**Letter of Credit** – A commitment by a bank for the benefit of a third party (the account party) to make payments to an identified beneficiary under terms set forth in the letter of credit.

**Lien** – A legal claim against a property to secure an obligation.

**Local Improvement District (LID)** – A financing mechanism whereby specially benefited properties are assessed the costs of constructing public improvements.

**Maintenance of Way (often abbreviated as M of Way, MOW or MW)** – Refers to the maintenance of railroad rights of way. It can include procedures from the initial grading of the right of way to its general upkeep and eventual dismantling.

**Maritime** – (adjective) Located on or near the sea. Commerce or navigation by sea. The maritime industry includes people working for transportation (ship, rail, truck, and towboat/barge) companies, freight forwarders and customs brokers, stevedoring companies, labor unions, chandlers, warehouses, ship building and repair firms, importers/exporters, pilot associations, etc.

**Metric Ton**- A metric ton equals 1,000 kilograms or 2,204.6 pounds.

**Millage** – The tax levy rate on property, expressed in mills per dollar value of the property or per 1,000 of the county's assessed value.

**Mitigation** – Strategies, policies and activities that serve to avoid, minimize, rectify, or compensate for the impacts to, or disruption of, elements of the human and natural environment.

**Municipal Separate Storm Sewer System** – (MS4) Public entities that own or operate a MS4 system that are designed to reduce the amount of sediment and pollution that enters surface or ground water from the storm sewer system.

**Net Income** – Income from operations after all expenses have been deducted from operating revenues. The excess of revenues over outlays in a given period of time.

**Net Position** – The statement of revenues, expenses and changes in net position is a report indicating whether an organization's financial condition has improved or declined as a result of the year's activities. Changes in net position are reported as the underlying events occur, regardless of the timing of related cash flows.

**Non-Operating Expenses** – Cost or charges that do not arise from the normal operation of business.

**Non-Operating Revenues** – Revenues that do not result from the normal operation of business.

**Non-Vessel Operating Common Carrier** – (NVOCC or NVO) A freight forwarder is a person or company that organizes shipments for a corporation to get goods from a manufacturer to a final point of distribution.

**Notional Amount** – The size of the interest rate swap and the dollar amount used to calculate interest payments.

**Operating Income** – Operating revenues minus operating expenses.

**Operating Expenses** – Cost or charges that arise from the normal operation of business (operating, maintenance, and administrative expenses).

**Operating Port** – At an operational port, the port authority builds the wharves, owns the cranes and cargo-handling equipment, and hires the labor to move cargo in the sheds and yards. A stevedore hires longshore labor to lift cargo between the ship and the dock where the port's laborers pick it up and bring it to the storage site.

**Operating Revenues** – Gross earnings or billings from operations that results from facilities and/or equipment leased or operated.

**Panamax** – Ships are of the maximum dimensions that will fit through the locks of the Panama Canal.

**Payment Agreement** – A written agreement that provides for an exchange of payments based on interest rates for ceilings or floors on these payments, for an option on these payments, or any combination, entered into on either a current or forward basis.

**Pier** – Area alongside the water that contains the pilings. There are usually one or more berths per pier.

**Port** – This term is used both for the harbor area where ships are docked and for the agency (port authority), which administers use of public wharves and port properties.

**Port-of-Call** – Port where a ship makes a stop along its itinerary. Calls may range from five to 24 hours. Sometimes referred to as transit port or destination port.

**Project Cargo** – The materials and equipment to assemble a special project overseas, such as a factory or highway.

**Railyard** – A rail terminal where traditional railroad activities for sorting and redistribution of railcars and cargo occur.

**RCW** – Revised Code of Washington.

**Revenue Bonds** – A type of borrowing, which is repaid from a special fund into which the issuer pledges to deposit all or a fixed proportion of an identified source of revenues.

**Seaport Alliance** – The Port of Tacoma and Port of Seattle unified the management of the ports' marine cargo terminals and related functions under a single Seaport Alliance in order to strengthen the Puget Sound gateway and attract more marine cargo for the region.

**SEC RULE 15c2-12** – A rule promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 setting forth certain obligations of underwriters to receive, review and disseminate official statements prepared by issuers of most primary offerings of municipal securities, to obtain continuing disclosure agreements from issuers and other obligated persons to provide material event disclosures and annual financial information.

**Service & Facilities** – Care, custody, count, and control of the cargo while it is on the terminal.

**Short Ton** – A short ton equals 2,000 pounds.

**SIFMA Index** – The Securities Industry and Financial Markets Association Municipal Swap Index, the principal benchmark for the floating rate payments for tax-exempt issuers. The index is a national rate based on a market basket of high-grade, seven-day, tax-exempt, variable-rate bond issues.

**SOFR** – The Secured Overnight Financing Rate is a benchmark interest rate for dollar-denominated debt based on observable repurchase transactions in the treasury market rather than estimated future borrowing rates.

**Special Assessment Bond** – A bond payable from special assessments levied against property within an area that is specially benefited by the public improvement being financed with the bond.

**Special Revenue Bond** – Any bond, note, warrant, certificate of indebtedness or other obligation for the payment of money issued by a public body that is payable from designated revenue source (as opposed to the general revenues of the issuer).

**Steamship Line** – A steamship (ocean carrier) service running on a particular international route.

**Stevedores** – Labor management companies that provide equipment and hire workers to transfer cargo between ships and docks. Stevedore companies also may serve as terminal operators. The laborers stevedoring firms hire are called longshore workers.

**Straddle Carrier** – Motorized container terminal equipment that runs on rubber tires and straddles a single row of containers. It is used to move containers around the terminal, transports containers to and from the transtainer and load/unload containers from truck chassis.

**Straight Line Depreciation** – A method of computing depreciation by dividing an asset's cost by the number of years it is expected to be used.

**Tariff** – Schedule, system of duties imposed by a government on the import/export of goods; also, the charges, rates, and rules of a transportation company as listed in published industry tables.

**Tax Levy** – The total amount of dollars that government entities need from taxpayers to provide governmental programs and services next year.

**Terminal** – The place where longshoremen handle cargo (also called a wharf).

**True Lease** – A contract that qualifies is considered as a “lease” under Generally Accepted Accounting Principles (as opposed to a lease that constitutes a “financing agreement” because of its terms). The regulations under the Internal Revenue Code also include criteria for classification of leases as “true leases” as opposed to “capital leases.”

**TEU** – A unit of measurement equal to the space occupied by a standard twenty-foot container unit. Used in stating the capacity of container vessel or storage area. One 40-foot container equals two TEUs.

**TWIC** – Transportation Worker Identification Credential: A tamper-resistant biometric identification card system established through the U.S. Congress Maritime Transportation Security Act (MTSA) and administered by the Transportation Security Administration (TSA) and U.S. Coast Guard.

**Vessel** – A ship or large boat.

**WAC** – Washington Administrative Code. State agency rules and regulations that implement state law.

**Warrant** – A type of security that entitles the holder to buy a proportionate amount of common stock or preferred stock at a specified price for a period of years. Warrants are usually issued together with a loan, bond or preferred stock and act as sweeteners to enhance the marketability of the accompanying securities. They also are known as stock-purchase warrants and subscription warrants. In the State of Washington, the term warrant also means the instrument that the state and municipal corporations use to make payments. The governmental entity issues a warrant in satisfaction of its monetary obligations.

**Wharf** – A landing for docking, loading, and unloading ships.

**Wharfage** – Space rental for having cargo on the real estate called “wharf” (includes no labor).

**Yard** – A system of tracks with a certain area used for making up trains, storing cars, placing cars to be loaded or unloaded and other activities.

## Appendix F Acronyms and Abbreviations

<b>AWC</b>	Auto Warehouse Company
<b>BHP</b>	Blair Hylebos Peninsula
<b>BNSF</b>	BNSF Railway
<b>CB</b>	Capital Budget
<b>CIP</b>	Capital Investment Plan
<b>CPI</b>	Consumer Price Index
<b>EB1</b>	East Blair Terminal 1
<b>EBC</b>	Earley Business Center
<b>EBI</b>	Earn Base Increase
<b>FTE</b>	Full-Time Equivalent
<b>FTZ</b>	Foreign Trade Zone
<b>G.O.</b>	General Obligation (Bond)
<b>GAAP</b>	General Accepted Accounting Principles
<b>GASB</b>	Governmental Accounting Standards Board
<b>GCP</b>	General Central Peninsula
<b>GDP</b>	Gross Domestic Product
<b>GFOA</b>	Government Finance Officers Association
<b>HIM</b>	Hyundai Intermodal Yard
<b>HR</b>	Human Resources
<b>IDD</b>	Industrial Development Districts
<b>ILWU</b>	International Longshore and Warehouse Union
<b>IT</b>	Information Technology
<b>LEED</b>	Leadership in Energy and Environmental Design
<b>LNG</b>	Liquid Natural Gas
<b>LTCA</b>	Local Toxics Control Account
<b>MLLW</b>	Mean Lower Low Water
<b>MTCA</b>	Model Toxics Control Act
<b>NIM</b>	North Intermodal Yard
<b>NOI</b>	Net Operating Income
<b>NWB</b>	Northwest Building
<b>NWSA</b>	Northwest Seaport Alliance
<b>PBC</b>	Port Business Center
<b>PCT</b>	Pierce County Terminal

<b>PIERS</b>	Port Import Export Reporting Service
<b>PIM</b>	Pierce County Intermodal Yard
<b>PMA</b>	Pacific Maritime Association
<b>POT</b>	Port of Tacoma
<b>PRP</b>	Potentially Responsible Parties
<b>RCW</b>	Revised Code of Washington
<b>ROA</b>	Return on Assets
<b>ROD</b>	Record of Decision
<b>ROI</b>	Return on Investment
<b>SIFMA</b>	Securities Industry and Financial Markets Association
<b>SOFR</b>	Secured Overnight Financing Rate
<b>SIM</b>	South Intermodal Yard
<b>SR 167</b>	State Route 167
<b>ST</b>	Short Tons
<b>SWAP</b>	Forward Starting payment Agreement
<b>T3</b>	Terminal 3
<b>T4</b>	Terminal 4
<b>TECP</b>	Tax Exempt Commercial Paper
<b>TEU</b>	Twenty-Foot Equivalent Unit
<b>TOTE</b>	Totem Ocean Trailer Express
<b>TPU</b>	Tacoma Public Utilities
<b>TWIC</b>	Transportation Worker Identification Credential
<b>UP</b>	Union Pacific
<b>USDA</b>	U.S. Department of Agriculture
<b>UWT</b>	University of Washington Tacoma
<b>WPPA</b>	Washington Public Ports Association
<b>WRDA</b>	Water Resources Development Act
<b>WSDOT</b>	Washington State Department of Transportation
<b>WTC</b>	World Trade Center
<b>WUT</b>	Washington United Terminals

## Appendix G Cash Flow Forecast Assumptions

### **Budget Year (\$ Million)**

Cash & investments at beginning of the budget year	\$182.1
Minimum cash & investments	\$84.6
Gross tax levy	\$26.1

### **Revenue Assumptions:**

Container TEUs average growth percentage	0.0%
Intermodal lifts average growth percentage	0.0%
Breakbulk tonnage average growth percentage	0.0%
Autos average growth percentage	0.0%
Interest income investment rate	4.30%-1.35%
Average tax levy growth rate	3.0%

### **Expense Assumptions:**

Average annual inflation used for expenses	0.0%
Average annual Port labor Increase	0.0%
Borrowing rate for new fixed rate G.O. bond debt	4.16%-3.69%
Borrowing rate for new fixed rate revenue bond debt	4.71%-4.24%
Borrowing rate for new variable rate revenue bond debt	2.97%-1.75%
Term of new bond debt	30
Borrowing rate for Commercial Paper	2.97%-1.75%

# Appendix H Minimum Amount of Cash and Investments on Hand

The Port has established an approach for determining the minimum amount of cash and investments on hand to meet its financial obligations during a period of adverse operating conditions that would substantially impair its revenue stream. It has based the components of this approach on prudent financial management considerations but has incorporated elements from bond covenants. The Port regularly reviews the components to ensure the amount adequately meets the specified criteria.

The Port minimum cash below does not include the Port’s contribution to the NWSA Working Capital. The Port has provided \$21.8 million to the NWSA Working capital as a 6-month reserve plus \$3.7 million for liquid working capital for a total contribution to NWSA from the Port of \$25.5 million. Additionally, the Port of Seattle contributed \$25.5 million to the NWSA Working Capital for a total NWSA Working capital amount of \$51 million.

<u>Minimum Port of Tacoma Cash &amp; Investments</u>	<u>(\$ Millions)</u>
Port cash and investments to cover 6 months operating expenses	\$19.9
Prorated revenue bond payments	2.5
Prorated G.O. bond payments	1.0
Revenue bond reserves	59.9
Industrial insurance reserve	0.4
Self insurance reserve	1.0
Minimum Port of Tacoma cash & investment balance	<u>\$84.7</u>

## Appendix I Demographic and Economic Information

The Port operates within Pierce County. The City of Tacoma, the county seat and largest city within the County, is located in the west-central part of Washington State near the southern tip of Puget Sound. It is the third-largest city in the state with a 2023 population of approximately 222,000 people.

### Population: Pierce County and City of Tacoma

Year	Tacoma	Pierce County
<b>2023</b>	<b>222,400</b>	<b>946,300</b>
2022	220,800	937,400
2021	218,700	928,200
2020	219,346	920,393
2019	211,400	888,300
2018	209,100	872,220
2017	208,100	859,400
2016	206,100	844,490
2015	202,300	830,120
2014	200,900	821,300
2013	200,400	814,500
2012	199,600	808,200
2011	198,900	802,150

Source: Washington State Office of Financial Management; U.S. Census for 2010 figure, Estimate for 2022

### Pierce County and City of Tacoma Taxable Retail Sales (\$ Thousands)

Year	Pierce County	City of Tacoma
<b>2022</b>	<b>\$23,881,668,344</b>	<b>\$7,104,415,018</b>
2021	\$22,863,160	\$6,699,732
2020	\$19,407,955	\$5,700,693
2019	\$18,746,939	\$5,887,579
2018	\$17,592,772	\$5,821,935
2017	\$16,081,078	\$5,465,164
2016	\$14,878,551	\$5,015,372
2015	\$13,846,294	\$4,641,369
2014	\$12,697,318	\$4,317,891
2013	\$12,089,378	\$4,280,299
2012	\$10,983,336	\$4,046,579
2011	\$10,428,906	\$3,826,546

Source: Washington State Department of Revenue, Research Divis

### Pierce County and Washington State Median Household Income

Year	Pierce County	Washington State
<b>2022 (1)</b>	<b>\$91,092</b>	<b>\$86,343</b>
2021 (2)	\$85,492	\$84,155
2020	\$80,236	\$80,319
2019	\$78,779	\$78,674
2018	\$71,208	\$72,297
2017	\$65,517	\$69,288
2016	\$61,042	\$65,500
2015	\$59,566	\$63,439
2014	\$59,998	\$60,153
2013	\$57,238	\$57,284
2012	\$57,162	\$56,444
2011	\$56,114	\$55,500

Source: Washington State Office of Financial Management

(1) Projected

(2) Preliminary Estimate

**Tacoma**

	2023 (1)	2022 (2)	2021	2020	2019	2018	2017	2016
<b>Resident Civilian Labor Force</b>								
Employment	436,509	438,849	419,000	406,497	419,196	404,193	393,962	381,066
Unemployment	20,218	24,834	27,676	41,770	22,540	21,913	21,967	24,002
<b>Total</b>	<b>456,727</b>	<b>463,683</b>	<b>446,676</b>	<b>448,267</b>	<b>441,736</b>	<b>426,106</b>	<b>415,929</b>	<b>405,068</b>
Percent of Labor Force								
Unemployed	4.4%	5.4%	6.2%	9.3%	5.1%	5.1%	5.3%	5.9%
<b>Nonagricultural Wage and Salary Workers</b>								
Natural Resources and								
Mining	300	300	300	300	300	300	300	300
Construction	29,500	25,200	25,600	24,700	25,600	25,600	24,100	22,200
Manufacturing	16,900	17,200	16,900	16,500	17,800	17,600	17,100	17,400
<b>Total Goods Producing</b>	<b>46,700</b>	<b>42,700</b>	<b>42,800</b>	<b>41,500</b>	<b>43,700</b>	<b>43,500</b>	<b>41,500</b>	<b>39,900</b>
Transportation, warehousing and utilities								
	21,000	23,000	22,200	19,700	19,200	19,000	19,600	13,900
Wholesale trade	13,900	12,900	12,900	12,600	13,300	13,300	12,700	12,600
Retail trade	37,100	37,500	38,200	35,300	35,700	36,600	35,700	40,600
<b>Total Trade, Transportation, &amp; Utilities</b>	<b>72,000</b>	<b>73,400</b>	<b>73,300</b>	<b>67,600</b>	<b>68,200</b>	<b>68,900</b>	<b>68,000</b>	<b>67,100</b>
Information								
	2,000	1,800	1,800	2,000	2,200	2,500	2,600	2,700
Financial Activities	14,200	14,300	14,300	14,400	14,700	14,600	14,900	14,100
Professional and Business Services	37,500	35,600	37,700	32,800	34,800	34,400	31,600	29,800
Educational and Health Services	61,900	60,400	59,200	57,100	57,900	53,900	51,200	52,900
Leisure and Hospitality	36,800	32,600	32,000	27,300	34,000	34,000	32,300	31,200
Other Services	13,800	12,600	12,400	12,800	14,800	14,600	14,400	14,000
<b>Government</b>								
Federal	11,700	10,600	11,200	11,700	11,800	11,900	11,900	12,100
State	10,200	10,200	10,100	10,800	11,100	11,000	11,000	11,600
Local	36,100	36,300	35,700	34,100	36,700	34,400	33,900	35,000
<b>Total Government</b>	<b>58,000</b>	<b>57,100</b>	<b>57,000</b>	<b>56,600</b>	<b>59,600</b>	<b>57,300</b>	<b>56,800</b>	<b>58,700</b>
<b>Total Nonagricultural Wage and Salary Workers</b>	<b>342,900</b>	<b>330,500</b>	<b>330,500</b>	<b>312,100</b>	<b>329,900</b>	<b>323,700</b>	<b>313,300</b>	<b>310,400</b>

(1) Preliminary August 2023 Labor Categories

(2) Preliminary December 2022 Labor Categories

**Source: Washington State Employment Security Department**

**Columns may not add due to rounding**

# Appendix J Full-Time Personnel Schedule

	POT				NWSA				Total			
	2022 Actual	2023 Budget	2023 Actual	2024 Budget	2022 Actual	2023 Budget	2023 Actual	2024 Budget	2022 Actual	2023 Budget	2023 Actual	2024 Budget
<i>As of August 31, 2023</i>												
Executive	6	6	6	7	9	9	9	9	15	15	15	16
Government Affairs & Communications	8	10	8	9	4	4	4	4	12	14	12	13
Finance and Administration	51	55	53	56	-	2	2	2	51	57	55	58
Commercial Business	6	6	6	6	17	20	20	21	23	26	26	27
Operations	124	124	122	125	8	12	10	10	132	136	132	135
Engineering, Environmental and Planning	19	22	19	23	10	15	16	16	29	37	35	39
<b>Total</b>	<b>214</b>	<b>223</b>	<b>214</b>	<b>226</b>	<b>48</b>	<b>62</b>	<b>61</b>	<b>62</b>	<b>262</b>	<b>285</b>	<b>275</b>	<b>288</b>

The Port and/or the NWSA may choose not to hire up to the budgeted Full Time Equivalent Headcount

### Port of Tacoma Average Compensation

The 2023 staffing budget of \$42,383,296 includes the following:

- \$11,038,461 for salaried employees and \$16,350,104 for hourly employees which includes;
  - \$402,288 for annual pay increases for salaried employees starting April.
  - \$28,397 for annual recognition program paid to salaried employees in April.
  - \$227,174 for market adjustments for salaried employees during the year
  - Average salary of \$120,837 (excludes Executive Director)
- Total benefits of \$13,320,884

### Changes in Port of Tacoma Full Time Personnel from prior budget

**Executive:** moved Records Program Manager from Finance and Administration

**Communications:** eliminated 1 position

**Finance and Administration:** moved Records Program Manager to Executive, added 2 IT positions.

**Security:** added 2 Port Patrol Security positions, eliminated 1 Security position (in Operations above)

**Environmental:** added 1 position

See the NWSA addendum for additional information on NWSA compensation and personnel

# PORT OF TACOMA

***Administrative Offices Street Address***

One Sitcum Plaza, Tacoma, WA 98421

***Mailing Address***

P.O. Box 1837, Tacoma, WA 98401

***Phone: 253-383-5841***

***FAX: 253-593-4534***

**[www.portoftacoma.com](http://www.portoftacoma.com)**







THE NORTHWEST  
SEAPORT ALLIANCE

## The Northwest Seaport Alliance 2024 Budget



Operating Budget and Capital Investment Plan adopted:  
November 7, 2023



In June 2023, Inbound Logistics magazine named The Northwest Seaport Alliance in its annual list of “Green 75” supply chain partners. This is the seventh consecutive year that the NWSA has been recognized for its environmental programs and commitment to sustainability.



The Northwest Seaport Alliance joined Green Marine in 2016 and has maintained its continued improvement every year since becoming a member. Green Marine is a voluntary marine industry initiative with the goal of achieving levels of environmental performance that exceed regulatory requirements in areas such as air emissions, greenhouse gases, cargo waste management, community impacts (noise, dust, odors, and light), water and land pollution prevention and environmental leadership. There are currently more than 100 ship owners, port authorities, terminals, and shipyards from coast to coast, in Canada and the United States, participating in the program.



Northwest Seaport Alliance (NWSA) is proud to be selected as the leading West Coast port in the 40th Annual Quest for Quality Awards by Logistics Management. The NWSA received the highest overall rating among West Coast ports with top scores in the Ease of Doing Business and Value categories.

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**To:** Managing Members

**Date:** November 7, 2023

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

Staff is pleased to present the 2024 Northwest Seaport Alliance (NWSA) Budget. This document informs interested parties about the NWSA's overall goals and strategies, as well as the business environment in which we operate. It highlights the strategic investments that will deliver competitive financial results, build infrastructure in an environmentally sustainable manner, and create jobs and economic wealth in the Puget Sound region.

In 2023, the global supply chain faced a new set of challenges driven by increased interest rates, reduced consumer demand, and broad slowing of economic activity. While 2021 and 2022 challenged ports with increased cargo volumes, in 2023 west coast ports faced declining containerized cargo volumes.

The NWSA is proud to have a diversified business portfolio to offset these challenges and provide financial stability. In 2023, the consolidation of GLOVIS Logistics' automobiles continued to drive high auto imports. While breakbulk cargo volumes reduced from 2022's record-breaking levels, volumes remained high when compared to pre-pandemic years.

Key infrastructure investments continue with Terminal 5 Phase Two construction expected to be complete in early 2024. In 2023, terminals in our gateway added four new Super-post panamax cranes. Both Terminal 5 in the North harbor and Washington United Terminals in the South harbor added two new cranes to increase operational efficiency and cargo capacity in our gateway.

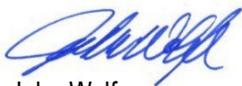
The NWSA is an environmental leader in reducing maritime-related air emissions in the Puget Sound. While we create significant economic activity and family wage jobs across the state, we do so while maintaining a focus on environmental stewardship, installing shore power on our terminals, launching a zero-emissions truck collaborative, and utilizing state-of-the-art stormwater systems at our facilities.

Together, NWSA and our customers' business activities generate more than 21,000 direct jobs and \$0.8 billion of business output based on the most recent study released in 2021 from 2020 data.

The current NWSA's Strategic Business Plan includes:

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

The NWSA is well positioned to grow market share and will continue to invest in the infrastructure necessary to keep our position as a leading North American port. Our team is focused on promoting responsible financial and environmental stewardship, fostering operational excellence, and increasing business and employment across the region.



John Wolfe  
Chief Executive Officer

# Budget Document Overview

The Budget Document consists of these major sections:

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

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

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

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

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

**VI. Environmental Stewardship and Planning:** This section provides a historical context for the environmental challenges facing our gateway and the surrounding communities. This section also discusses the role of the NWSA Planning and Logistics department and its work to integrate land use, transportation and facilities planning into the alliance.

# I The Northwest Seaport Alliance Overview

## Marine Cargo Operating Partnership

The Northwest Seaport Alliance (NWSA) was formed when the ports of Seattle and Tacoma joined forces in August 2015 to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs to the region.

## NWSA Strengths and Advantages

Located in the Pacific Northwest in Washington state, the NWSA offers short transit times between the US and Asia, and the terminal and landside infrastructure necessary to quickly move cargo to the U.S. Midwest. NWSA strengths and advantages include:

- One gateway, two harbors and multiple terminal facilities offering more choices for shippers using the gateway.
- Naturally deep-water harbors and marine terminals with big-ship handling capabilities.
- Vessel service from the three international container shipping alliances and all major international container carriers. In all, fourteen international and four domestic container carriers make regular port calls at NWSA facilities.
- Dual service from the two West Coast transcontinental railroads (UP, BNSF) with competitive transit times to Chicago and other major Midwest markets.
- Excellent on-dock rail facilities and inland rail service. Two domestic rail operators.
- Close proximity to the second largest concentration of warehousing on the West Coast.
- Over 100 transload warehouses supplying logistics services to shippers using the gateway, many rail-served.

## International & Domestic Trade

The NWSA ranked 58<sup>th</sup> among the world's top container gateways and was the seventh-largest gateway for containerized cargo in North America in 2022. Retention and growth of cargo volumes

shipped between Asia and major distribution points in the Pacific Northwest, Midwest, Ohio Valley, and the East Coast is a primary focus for the alliance. The NWSA also has a very active trade with Alaska and Hawaii.

The NWSA is a major center for bulk, breakbulk, and project cargoes. The NWSA is also the Northwest home port for processing Kia, Mazda, and Mitsubishi automobiles and trucks while The Port of Tacoma has a separate facility, managed by the NWSA, that processes Hyundai, Nissan, and Volvo vehicles.

The value of NWSA's two-way international trade totaled more than \$70 billion in 2022. Imports were \$55.4 billion, and exports were \$14.9 billion. Through June 2023, the two ports handled roughly \$33.2 billion of international trade. Based on dollar value, China (including Hong Kong) was the NWSA's largest trading partner. Other major international trading partners include:

- Japan
- Vietnam
- South Korea
- Taiwan
- Thailand
- Indonesia
- Malaysia
- Philippines

Seattle-Tacoma is recognized as "The "Gateway to Alaska"; with more than 80 percent of trade between Alaska and the lower 48 states handled at the two harbors. In 2022, 2.9 million metric tons of domestic cargo were shipped between Alaskan ports and NWSA terminals. Matson, TOTE Maritime Alaska, Northland, and Alaska Marine Lines are the primary shipping lines plying the Alaska trade. Trade with Alaska is estimated at \$5.4 billion, making it NWSA's fifth largest trading partner based on value of trade. The NWSA also provides connections to Hawaii with service from Matson and Aloha Marine Lines.

## Port of Seattle & Port of Tacoma

The Port of Seattle was created September 5, 1911, in an effort by citizens to ensure public ownership of the Seattle harbor. The Port of Seattle was the first autonomous municipal corporation in the United States specifically tasked to develop harbor and port facilities to encourage commerce. The Port

opened Fishermen's Terminal in 1914, its first warehouse in 1915 and began working on the creation of Harbor Island.

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

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

### **King and Pierce Counties**

King and Pierce counties are the first and second most populous metropolitan areas in the state of Washington. The two counties represent a combined population of approximately 3.2 million or 41% of the population of the state of Washington.

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

### **Ports' Economic Impact**

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

In 2021, the NWSA updated results from a joint economic impact study of the marine cargo activities of the North and South Harbor. According to the updated study ranging from 2017 to 2020, in 2020 the marine cargo activities directly supported 21,800 jobs in Washington state and contributed \$7.8 billion in total business output, down from 2019 volumes due to the pandemic. On average, cargo-handling and leasing activities generated more than \$136 million in local and state taxes in Washington each year.

### **NWSA Facilities and Services**

The ports have licensed to the NWSA facilities related to maritime commerce, including facilities for handling of containerized cargo, automobiles, logs, breakbulk cargo, heavy-lift and project cargoes, as

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

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

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

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

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

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

### **The Northwest Seaport Alliance governance**

The NWSA was established as a Port Development Authority (PDA), separate from the two home ports, similar to Public Development Authorities formed by cities and counties. In 2015, the ports successfully sought and received an amendment to Washington law RCW 53 that allows the ports of Tacoma and Seattle to form a PDA for management of maritime activities.

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

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

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

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

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

### **NWSA Managing Members**

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

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

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

#### Port of Seattle

- Ryan Calkins
- Sam Cho
- Fred Felleman
- Toshiko Hasegawa
- Hamdi Mohamed

#### Port of Tacoma

- Kristin Ang
- Deanna Keller
- Dick Marzano
- John McCarthy
- Don Meyer

### **NWSA Managing Members Meetings**

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

For the location and agenda for upcoming Managing Member meetings, as well as minutes for previous Managing Member meetings, visit [www.nwseaportalliance.com](http://www.nwseaportalliance.com).

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

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

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

### **Organizational Structure**

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

### **Executive Team**

The Executive Team is comprised of the following positions:

- Chief Executive Officer (CEO)
- Deputy CEO
- General Counsel
- Chief Commercial and Strategy Officer
- Chief Financial Officer
- Chief Operations Officer
- Director of Engineering
- Director of Environmental/Planning Programs
- Director of Communications
- Director, Government Affairs, Public Affairs
- Director, Business Development
- Director, NWSA Real Estate

The Executive Team oversees all business activities and departments, and with the Managing Members,

provides long-term strategic direction. The Executive Team ensures compliance with all regulations relevant to NWSA and port activities, including public meetings and information, environmental protection, labor relations, procurement, security, financial management and other issues. The Chief Operations Officer, Director of Engineering and Director of Environmental Programs provide day-to-day management of some port staff working on both Port and NWSA-related items.

### **Commercial Group**

Led by the Chief Commercial and Strategy Officer, the Commercial Group is comprised of the Business Development team, the Marketing & Business Services team, and the Real Estate team.

**Business Development:** International and domestic container, breakbulk, and bulk cargo are core business segments for the NWSA. The Business Development team is responsible for cargo and terminal business development and management, and delivering customer service to ocean carriers, marine terminals, and shippers. The Business Development team plays an important role coordinating efforts across the entire supply chain, including customers, terminal facilities, railroads, and trucking companies. This team, in cooperation with the Operations Team and our customers, identifies and implements operational improvements to enhance the overall efficiency at the NWSA's terminals.

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

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

Auto customers of the NWSA include Kia, Mazda,

and Mitsubishi. Automobile imports are processed on property leased by Auto Warehousing Company (AWC), the largest auto processor on the U.S. West Coast. The Port of Tacoma has a separate auto facility leased by Wallenius Wilhelmsen Solutions, which processes Hyundai, Nissan and Volvo imports.

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

The NWSA offers competitive rates and full service to all customers. To help facilitate and grow the cargo business, the NWSA has trade and business development representation in China and Korea.

**Marketing and Business Services Team:** This team supports the Business Development team and is responsible for market research and business intelligence and analysis, marketing, and advertising activities. It also supports the goals of the Commercial Group with cargo volume tracking and volume forecasting services.

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

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

### **Operations Group**

The Operations Group, which is responsible for the daily operations of NWSA facilities at both ports, consists of two departments.

The Operations Service Center Department coordinates vessel arrivals and departures, and with the associated stevedores monitors cargo flow in the container terminals. The major focus is to ensure the proper processing of all vessels and freight shipments moving through the Puget Sound gateway.

The Port Operations Department manages labor at the North Intermodal Yard and breakbulk terminal, both of which are located in Tacoma. This

department is also responsible for providing customer service to non-container customers. The NIM is the only port-operated intermodal yard on the U.S. West Coast with dedicated rail services personnel. Both harbors offer competitive rail service via BNSF Railway and the UP Railroad and are a major gateway for handling discretionary cargo destined for the Midwest.

### **Support Services**

Support services such as maintenance, security, government affairs, communications, engineering, environmental programs, planning and financial services are provided by NWSA staff and / or service agreements between the alliance and the two ports. Costs for these services are charged by the ports to the alliance based on agreed upon methodologies including direct charge and purchased services.

### **Commitment to Fiscal Stewardship**

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

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

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

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

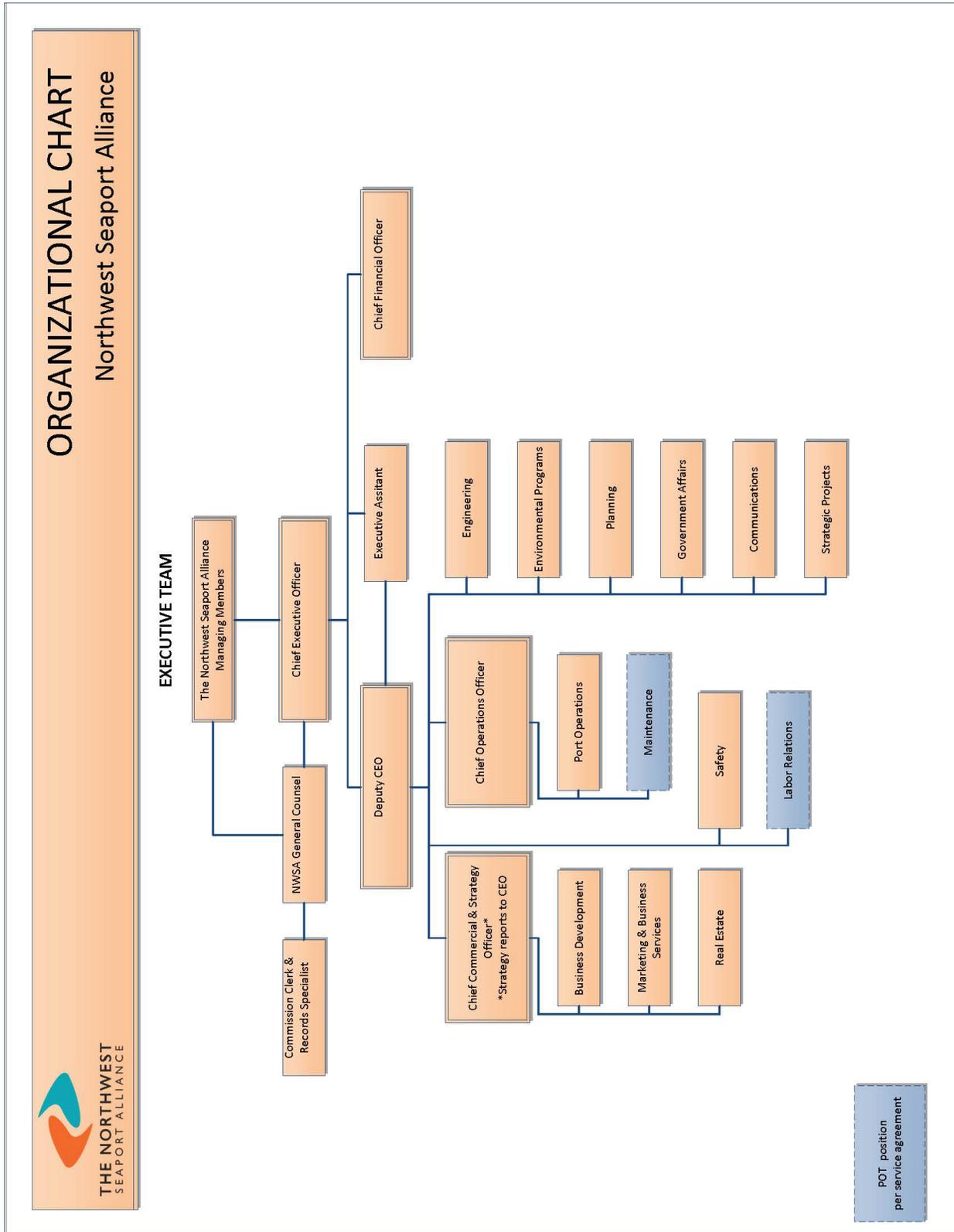


# TACOMA HARBOR

- NWSA Properties
- Port-Owned Properties
- Rail Yards
- Heavy Haul Corridor
- Major Routes
- Container Crane
- Rail



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



## II Budget Message

### NWSA Goals

The NWSA has identified strategic initiatives to maintain and grow the maritime business in the Puget Sound. The high-level strategic initiatives, and supporting priorities are listed below:

1. **Commercial Initiatives**
  - a. Complete modernization of T5 dock, berth and power infrastructure in the Seattle Harbor to meet future container industry demand, increase throughput, and position the gateway strategically.
  - b. Maximize gateway cargo potential and diversification and enhance supply chain networks. Facilitate terminal densification to increase cargo throughput.
  - c. Evaluate incentive programs to increase market share.
  - d. Engage in US Coast Guard expansion decision to maximize industrial lands in the Seattle harbor.
2. **Gateway Operations**
  - a. Enhance cargo and transportation (waterway, roadway and rail) efficiencies within the gateway to drive improved service delivery.
  - b. Enhance and improve service delivery key performance indicators (KPIs) with a move toward real-time reporting and analytics.
  - c. Support port-area infrastructure investments that support the efficient flow of cargo to and from NWSA facilities.
  - d. Work with third party vendors and key stakeholders to enhance data visibility in a sustainable and fiscally responsible manner.
  - e. Explore NWSA operations of off-dock terminal.
3. **Financial Performance**
  - a. Effectively manage operating activities to deliver expected financial results.
  - b. Maximize use of grants and other external funding.
4. **Environmental Stewardship**
  - a. Continue to implement the NW Ports Clean Air Strategy
5. **Facilities Development**
  - a. Continue and strengthen efforts to work with marine terminal operators, drayage service providers, railyard operators, and other supply chain partners to reduce air and climate emissions from vessels, vehicles, equipment, and seaport operations.
  - b. Continue to engage in international efforts to advance cleaner shipping, including the creation of “green corridors” with major trade partners.
  - c. Continued focus on water quality at NWSA and tenant run facilities. Provide input regarding 2025 Industrial stormwater General Permit (ISGP) requirements.
6. **Government Affairs**
  - a. Effectively manage completion of all development projects on-time and within budget.
  - b. Support emergent business opportunities requiring facilities improvements.
  - c. Advance redevelopment strategies for existing terminals, including rehabilitation and shore power.
7. **Planning and Logistics**
  - a. Continue engagement and advocacy in regional transportation and land use planning.
  - b. Complete vulnerability assessment and response framework for NWSA facilities
  - c. Leverage grant opportunities to fund strategic cargo related facilities and infrastructure.
  - d. Support harbor deepening and maintenance dredging in both harbors
8. **Organizational Performance**
  - a. Continue to pursue Harbor Maintenance Tax reform.
  - b. Contribute to improvements in Federal permitting to support NWSA objectives.
9. **Government Affairs**
  - a. Continue engagement and advocacy in regional transportation and land use planning.
  - b. Complete vulnerability assessment and response framework for NWSA facilities
  - c. Leverage grant opportunities to fund strategic cargo related facilities and infrastructure.
  - d. Support harbor deepening and maintenance dredging in both harbors
10. **Organizational Performance**
  - a. Engage and participate in Diversity, Equity and Inclusion (DEI) training.
  - b. Continue development and implementation of human resource applications that enhance the business and provide a competitive advantage.

## Budget Environment

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

As described in further detail in Section III, increased competition from Canadian ports as well as ports located on the U.S. West, Gulf and East coasts, has negatively impacted container market share for the Puget Sound gateway. The expansion of the Panama Canal and access via the all-water route to the Gulf and East coasts offers an alternative for US-bound shipments. While the pandemic driven market demand resulted in high utilization of our terminals, NWSA staff continue to work on future projects to retain and grow our market share.

## Revenues

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

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

GASB 87: GASB 87 move a significant amount of revenue from Operating Revenue to non-operating revenue. For clarity and to avoid confusion, the impact of GASB 87 will not be incorporated into this budget document.

## 2024 Budget

The NWSA has developed an overall operating budget with projected revenue of \$252.8 million. Operating income is budgeted to be \$99.3 million, resulting in an operating margin of 39.3 percent. The NWSA net distributable revenue of \$114.3 million, which includes grant and interest. Distributable Cash of \$143.7 million will be shared evenly between the two home ports. Each port's portion of net income will be included as revenue in their financial reports.

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

## Capital Investment Plan Highlights

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

Major 2024 – 2028 capital projects include:

### Seattle Harbor

- Completion of the 2<sup>nd</sup> berth and other improvements at Terminal 5
- Design of Terminal 18 shore power installation and wharf rehabilitation

### Tacoma Harbor

- Husky shore power installation
- Design of Berth deepening at 2 terminals
- PCT reefer expansion and fender replacement
- Ongoing maintenance of facilities

### Both Harbors

- Clean air and stormwater investments
- Asset preservation projects such as paving and fender repairs
- Maintenance dredging at multiple terminals in both harbors

The NWSA's 2024 Capital Investment Plan of \$174.2 million represents the first year of the NWSA's 2024 - 2028 CIP – a package totaling \$501.3 million in new projects and investments. See Section V for additional details on the Capital Investment Plan.

## Financial Measures

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

## Legislative Impact

### Transportation Funding

The NWSA relies on an efficient and well-maintained road and rail network to ensure the smooth movement of cargo to and from its facilities.

The Washington Legislature made a significant commitment to infrastructure in 2015, passing the 16-year, \$16 billion statewide *Connecting Washington* transportation package. An estimated \$3.3 billion of those funds will be invested in projects benefiting NWSA terminals. In 2022, the Legislature passed the *Move Ahead WA* transportation package, which contained an additional \$468 million to address financial shortfalls in some of the port-related projects contained in *Connecting Washington*.

In 2021 Congress passed the Infrastructure Investment and Jobs Act (IIJA), a \$1.2 trillion infrastructure funding bill. The IIJA includes over \$5 billion over five years exclusively for port projects and \$20.5 billion for three other major discretionary grant programs to help fund multimodal infrastructure.

The IIJA funds will assist the NWSA in making strategic investments in mission-critical freight infrastructure, such as marine terminals, roads and rail. In 2020 the NWSA received our first award under the Port Infrastructure Development Program (PIDP), a \$10.7 million grant for the final phase of the T5 modernization program. In 2021, Port of Tacoma received \$15.7 million for the Off-Dock Container Support Facility, which will support cargo movement through NWSA terminals. NWSA received a \$17 million PIDP grant in 2022 for gate improvements and a yard expansion at Terminal 5. The NWSA also submitted a PIDP grant application for \$56.6 for the Husky Terminal Expansion project.

In addition, in 2022 Congress passed the Inflation Reduction Act. The bill includes \$3 billion over five years to establish a new grant program for zero-

emissions port projects that will support the NWSA's clean air programs.

NWSA hired additional grant support staff and has a substantial planning process to identify additional candidate projects for these new funding opportunities.

### Shore Power Infrastructure Funding

Through the 2020 update to the Northwest Ports Clean Air Strategy, the NWSA established an aspirational goal to install shore power at its major international container terminals by 2030. In support of this goal, shore power has previously been installed at TOTE Terminal and Terminal 5. The NWSA has also begun construction on a shore power system at Husky Terminal, with construction completion estimated for mid-2024, and is designing a shore power system for Terminal 18 and Washington United Terminal.

The NWSA has leveraged a number of sources of external funding to support the shore power installations that are underway. The NWSA has accepted a \$1 million DERA grant from the EPA, a \$1 million grant from the TransAlta Coal Transition grant fund, and a \$1.1 million state Volkswagen settlement grant from the Washington State Department of Ecology to support the Husky shore power project. Additionally, the NWSA has received a \$2 million grant from the Washington State Department of Ecology to support design and construction of a shore power system at Terminal 18. The alliance also secured \$14 million in a state transportation budget proviso for construction of the project, relying on revenue generated by the state's Climate Commitment Act.

The NWSA continues to plan for future shore power installations, ensure that terminal designs and redevelopments include shore power, and pursue additional opportunities to leverage external funding to support shore power installations. Planning work associated with future shore power projects will allow the NWSA to accurately account for them in the Capital Investment Program and position the organization well to apply for external funding. NWSA staff expect the number and magnitude of external funding opportunities to increase in the coming years, given recent legislation that has been passed at the state and federal level. Some of these emerging opportunities are the Washington Climate Commitment Act, the federal Infrastructure Investment and Jobs Act and the federal Inflation Reduction Act. NWSA staff will aggressively pursue all funding avenues to advance the shore power program.

### Navigation Improvement Projects

The largest container vessels calling West Coast ports today have over two times the capacity of those that called just five years ago. While channels serving Seattle and Tacoma are mostly -51 feet or deeper, some shallower spots present navigational and safety challenges for these larger vessels. To remain a competitive trade gateway, the NWSA is deepening berth areas and working with the ports of Seattle and Tacoma to deepen the navigation channels that serve its facilities in both harbors. These projects will enable the NWSA to handle fully laden ships larger than 18,000 TEUs.

In 2018, the U.S. Army Corps of Engineers (USACE) completed a chief's report recommending deepening in specific areas adjacent to the NWSA's container terminals in Seattle Harbor. Congress subsequently authorized the project in 2018 and the full amount required to deepen the West Waterway portion of the project has been appropriated. Design will commence in earnest when the Port of Seattle signs the design agreement with USACE, which is expected in Fall 2023.

Additionally, after completion of a feasibility study in 2022, Congress authorized a project to deepen the Blair Waterway, which serves NWSA's three international container terminals in Tacoma. Congress funded the first year of design in FY23. Funding for the second year has been included in the Senate's FY24 spending proposal.

The ports of Seattle and Tacoma have included funding needed to complete the design phase for both projects in 2026. When the deepening projects move to construction it also will require a local financial match of federal dollars, which will come from the Port of Seattle and Port of Tacoma.

### Harbor Maintenance Tax (HMT)

The HMT is assessed on ocean-going international imports that land at U.S. ports to pay for maintenance dredging of waterways through the Harbor Maintenance Trust Fund. It is not, however, assessed on importers who route cargo through non-U.S. ports and afterwards move the cargo into U.S. markets by land. Moreover, the NWSA has received little, if any, benefit from the fund because its facilities are located on natural deep-water harbors that do not require significant maintenance dredging. Since 1986 the ports

of Seattle and Tacoma have sought reform of the HMT to provide a greater return to donor ports, such as the NWSA, and to ensure U.S. tax code does not disadvantage U.S. ports and maritime cargo.

A longstanding goal was achieved in December 2020 when Congress passed comprehensive HMT reform legislation as part of the Water Resources Development Act (WRDA) of 2020. The bill sets aside 8% of annual HMT collections for donor ports like Seattle and Tacoma. Unfortunately, the donor port provision was not implemented as it was intended in the USACE FY23 Work Plan. Efforts are underway to ensure this funding is distributed in FY24. If implemented as drafted, the NWSA estimates that between them the two home ports of Seattle and Tacoma could receive approximately \$40 million in 2024 for eligible projects. Annual amounts will vary based on the amount of HMT received and the amount collected over a three-year time period.

In 2023 the Port of Seattle received \$2.714 million, and the Port of Tacoma received \$3.364 million from the federal government through the existing WRDA Section 2106 HMT donor port program. These funds will be used by the NWSA or home ports to fund eligible infrastructure projects to enhance the competitiveness of our cargo operations.

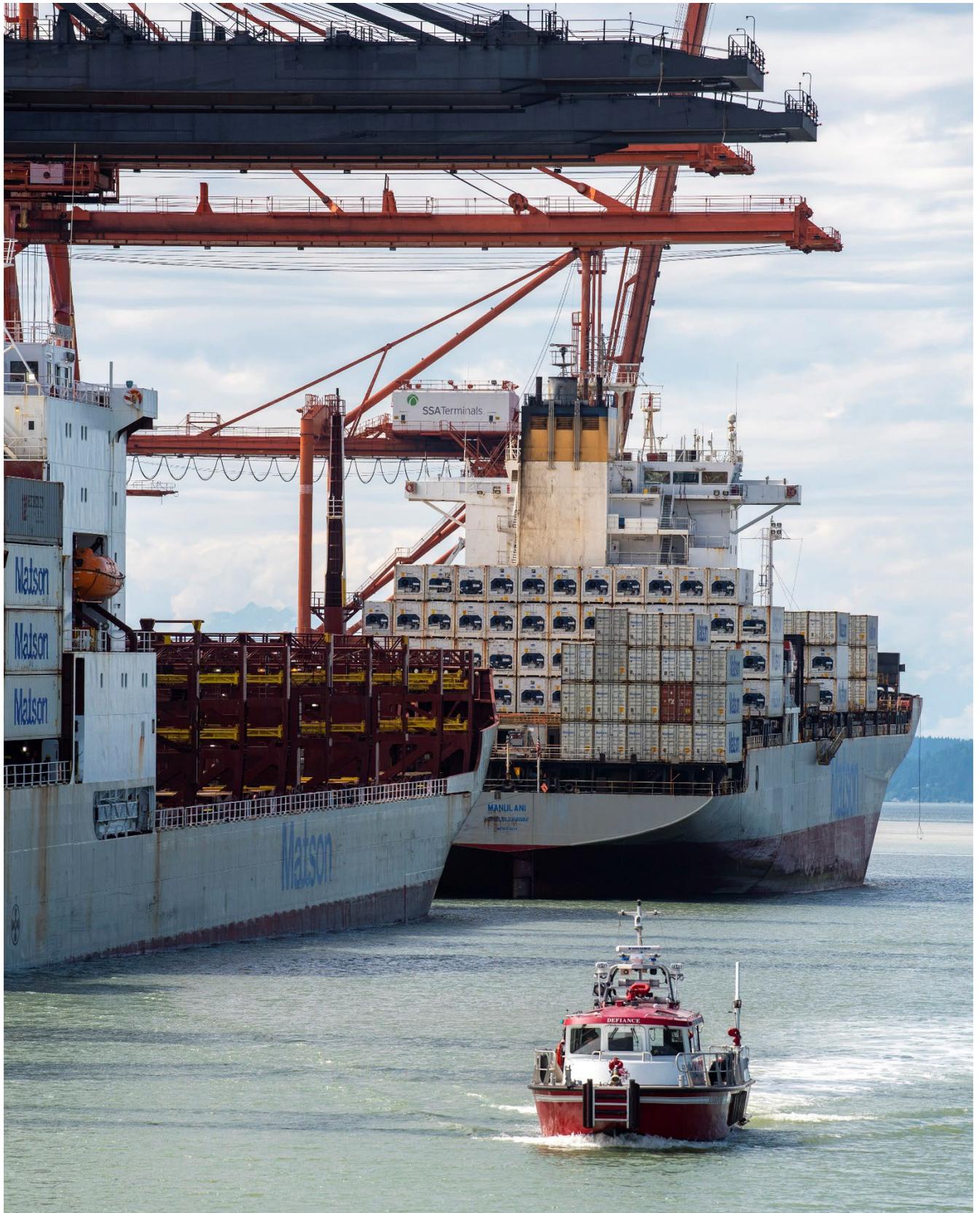
### **Conclusion**

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

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

The NWSA is placing increased emphasis on the importance of developing and strengthening relationships with labor partners, industry stakeholders, customers, local, state and tribal governments and near-port communities to collaboratively achieve its future vision. This vision includes the road and rail infrastructure that ties the whole supply chain system together.

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



Domestic cargo ships in the Sitcum waterway, with a City of Tacoma fire boat passing by

## III Business Outlook

### U.S. Economy

According to the Department of Commerce Bureau of Economic Analysis (BEA), real gross domestic product (GDP), defined as the value of the production of goods, increased 4.7 percent in the second quarter of 2023 and 6.1 percent in the first quarter of 2023. BEA said, *“The increase in real GDP reflected increases in consumer spending, nonresidential fixed investment, state and local government spending, private inventory investment, and federal government spending that were partly offset by decreases in exports and residential fixed investment.”*

TTX, a railcar and freight management company, reports GDP as 2.4% in the second quarter and 2% in the first quarter. TTX cites, *“Solid economic fundamentals in the form of consistent consumer spending, a strong labor market, persistent business investment and improving inflation have offset headwinds from elevated interest rates, weaker trade activity and tighter financial conditions,”* as the causes for the increase.

Inflation levels in the second quarter of 2022 were the highest since 1981. By the end of the second quarter of 2023, personal consumption expenditures (chain-weighted CPI) had fallen to 3.0% year-over-year and the core inflation rate reached 4.1%. According to TTX, real disposable income grew at a faster annual rate than headline inflation.

In addition, inflation-adjusted retail inventories are around 1% higher than pre-pandemic levels. Excluding motor vehicle and parts inventories, retail inventories were around 14% higher than the pre-pandemic peak and almost 24% higher than the 20-year average.

Western economies are showing a softening in their inflation metrics due to declines in commodity prices, the normalization of supply chains, and the effects of increased interest rates. Interest rate trends in Latin America are showing signs of deceleration. In Asia, inflation is easing in India, South Korea, and the Philippines. China is close to experiencing deflation due to a slowdown in domestic consumer demand. Most major economies are showing signs of slowing.

TTX is forecasting North American containerized  
**The Northwest Seaport Alliance Budget**

imports will decline 12.9% and intact intermodal volumes will decline 8.2%.

The U.S. unemployment rate was at 3.5 percent in July 2023 with 187,000 jobs added for the month. According to the Bureau of Labor Statistics, *“Job gains occurred in health care, social assistance, financial activities, and wholesale trade.”*

According to the National Association of Realtors (NAR), existing home sales fell 2.2% in July. Lawrence Yun, NAR’s chief economist, suggested that two factors are driving current sales activity – inventory availability and mortgage rates. Unfortunately, both have been unfavorable to buyers.

The Conference Board reported July 2023 Consumer Confidence Index at 117.0, up from 110.1 in July, reaching its highest level since July 2021. The Conference Board’s Chief Economist Dana Peterson attributed the improvement to consumers sentiment about both current conditions and expectations for the future.

### Shipping Industry

Uncertainty created by the protracted U.S. West Coast labor contract negotiations that began in 2022 resulted in many shippers diverting cargo to the east coast to mitigate supply chain risk. There was limited impact to Port operations during negotiations, but a six-year contract was eventually reached and ratified. Negotiations between longshore labor and management in British Columbia also impacted NWSA to a limited extent as several ocean services call at terminals in both British Columbia and Seattle-Tacoma. Eventually, ILWU labor in British Columbia ratified a four-year contract.

Due to strong import demand in 2022, carriers launched niche services. Import demand has softened versus last year as BCOs focus on reducing their inventory, so the niche services have been terminated until demand increases again.

The U.S.-China trade war and the pandemic caused importers to accelerate efforts to shift sourcing and production to countries in SE Asia or use a “China + 1” strategy to diversify the risk associated with being

solely reliant on China. There has been a corresponding increase in manufactured imports from Vietnam and other SE Asian economies. In many cases, origin and transshipment ports in SE Asia are geographically closer (and transits shorter) to the U.S. East Coast, which may result in a partial shift of Asian import volume away from west coast ports. With that said, it will take some time before these countries can meet the infrastructure and skilled labor China offers. Russian's invasion of the Ukraine has added to geopolitical uncertainty. The Panama Canal experienced drought in 2023, which caused vessel back up.

In 2023, the composition of carriers that make up the various shipping alliances:

- Ocean Alliance – CMA CGM, COSCO Shipping, Evergreen, OOCL
- THE Alliance – Hapag Lloyd, Yang Ming, Ocean Network Express (ONE), HMM

Major Independent Carriers – Maersk, MSC, Westwood, Swire, Hamburg Sud, and SM Line.

Alliances have concentrated capacity in fewer hands allowing ocean carriers to exercise greater control over capacity on major trade lanes through coordinated changes to vessel sailings, schedules, and transit times.

### **Northwest Seaport Alliance Activity**

#### Containers:

Through July 2023, the NWSA has handled nearly 1.6 million TEUs (twenty-foot equivalent units), a 21.1 percent decrease year-to-date. Year-over-year comparisons continue to reflect the pandemic-driven conditions of 2022 and ongoing soft import demand relative to 2022.

NWSA container volume is projected to increase in 2024 once Terminal 5 Phase 2 (North Harbor/Seattle) is complete. In addition, some volume diverted to East Coast ports during the West

Coast labor negotiations are expected to return now that the labor situation has settled. Negotiations between longshore and management for a new labor contract for East and Gulf Coast ports is underway, but similarly may result in a shift in volume to the West Coast until an agreement can be reached. However, continued inflation and high interest rates, which reduce consumer spending, could negatively impact the forecast. Competition from ports in British Columbia, Canada and other North American gateways or a protracted decline in global trade due to increased trade friction or other geopolitical events could limit container volume.

#### Breakbulk:

Breakbulk cargo is comprised of commodities that are either too large or heavy for containerized shipment. In the case of The Northwest Seaport Alliance, this consists largely of building materials, heavy machinery, boats, and agricultural and construction equipment. 2022 was a record-breaking year for NWSA-operated terminals. Breakbulk tonnage (both harbors) is estimated to reach approximately 465K metric tons in 2023, followed by growth in 2024.

#### Autos:

NWSA/POT auto units for 2023 are forecasted to reach 331K units, due to new business. 2024 volumes are expected to grow more modestly to 360k units.

#### Logs:

The Log business was suspended due to the tariffs and has not been included in the forecast or budget.

#### Molasses & Petroleum:

Petroleum volumes are forecasted to be 761K metric tons in 2024 with conservative growth thereafter. Molasses volumes are forecasted to be 29K metric tons in 2024 with slight growth thereafter.

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

<b>THE NORTHWEST SEAPORT ALLIANCE CARGO ACTIVITY 5-YEAR FORECAST</b>											
	Actual					Forecast					
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Non-Container Forecast (Thousands of Metric Tons)</b>											
Breakbulk	249	246	292	366	478	466	469	478	488	497	507
Autos	228	306	245	262	288	514	555	561	566	572	578
Logs	117	76	0	0	0	0	0	0	0	0	0
Petroleum	666	636	677	524	709	757	761	765	769	773	776
Molasses	46	47	42	33	32	29	29	29	29	29	30
<b>Total Tonnage</b>	<b>1,305</b>	<b>1,311</b>	<b>1,256</b>	<b>1,186</b>	<b>1,507</b>	<b>1,766</b>	<b>1,814</b>	<b>1,833</b>	<b>1,852</b>	<b>1,871</b>	<b>1,891</b>
<i>Year over Year change</i>	-10.9%	0.4%	-4.2%	-5.6%	27.1%	17.2%	2.7%	1.0%	1.0%	1.0%	1.1%
<b>Container Forecast (Thousands of TEUs)</b>											
International	3,111	3,058	2,636	2,992	2,650	2,028	2,108	2,138	2,180	2,246	2,313
Domestic	686	717	685	744	734	701	703	710	717	724	731
<b>Total TEUs</b>	<b>3,798</b>	<b>3,775</b>	<b>3,320</b>	<b>3,736</b>	<b>3,384</b>	<b>2,730</b>	<b>2,811</b>	<b>2,848</b>	<b>2,897</b>	<b>2,970</b>	<b>3,045</b>
<i>Year over Year change</i>	3%	-0.6%	-12.1%	12.5%	-9.4%	-19.3%	3.0%	1.3%	1.8%	2.5%	2.5%
<b>Intermodal Yard Lifts*</b>											
Hyundai Intermodal Yard	112,731	124,778	85,401	125,228	101,828	123,071	123,071	125,532	128,043	130,604	133,216
North Intermodal Yard	177,380	178,205	147,269	159,023	91,583	88,831	88,831	90,608	92,420	94,268	96,154
South Intermodal Yard	99,954	86,271	89,529	102,168	121,561	130,178	130,178	133,842	137,612	141,489	145,478
Pierce County Intermodal Yard	62,959	71,310	45,684	27,856	33,926	34,330	34,330	35,017	35,717	36,431	37,160
<b>Total Intermodal Lifts</b>	<b>453,024</b>	<b>460,564</b>	<b>367,883</b>	<b>414,275</b>	<b>348,898</b>	<b>376,410</b>	<b>376,410</b>	<b>384,999</b>	<b>393,791</b>	<b>402,793</b>	<b>412,008</b>
<i>Year over Year change</i>	-4.3%	1.7%	-20.1%	12.6%	-15.8%	7.9%	0.0%	2.3%	2.3%	2.3%	2.3%
<b>Log Board Feet</b>	<b>23,161,000</b>	<b>15,192,000</b>	<b>0</b>								
<i>Year over Year change</i>	-56.1%	-34.4%	-100%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Vehicle Units (NWSA+POT)</b>	<b>146,147</b>	<b>191,822</b>	<b>156,205</b>	<b>162,484</b>	<b>172,979</b>	<b>331,774</b>	<b>360,459</b>	<b>364,064</b>	<b>367,704</b>	<b>371,381</b>	<b>375,095</b>
<i>Year over Year change</i>	-0.5%	31.3%	-18.6%	4.0%	6.5%	91.8%	8.6%	1.0%	1.0%	1.0%	1.0%

\* Intermodal Lifts Reported for South Harbor only



**Washington United Terminals welcomes new cranes to their terminal**

## IV Operating Budget

### Overview

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

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

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

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

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

### Nature of Business

Washington law authorizes ports to provide and charge rents, tariffs and other fees for docks, wharves, and similar harbor facilities, including associated storage and traffic-handling facilities for waterborne commerce. Ports also may provide freight and passenger terminals and transfer and storage facilities for other modes of transportation, including air, rail and motor vehicles. Finally, ports may acquire and improve lands for sale or lease for industrial or commercial purposes and may create industrial development

districts.

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

### Balanced Budget

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

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

The NWSA uses the full-accrual basis for budgeting, consistent with the basis for accounting. This method recognized the financial effect of events that impact the Port during the accounting period, regardless of whether cash was received or spent.

### Budget Process

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

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

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

Cargo forecasts, available at the beginning of the budget

process, are used to develop the variable portion of the operating budget. During a study session, the Managing Members are presented with a draft budget.

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

### Major Assumptions

Major drivers of the 2024 operating budget are a result of economic and industry trends represented in the cargo forecast.

#### Revenue

- Existing leases continue per existing lease terms and contracts
- Cargo volumes drive equipment and intermodal revenues and expenses
- Auto and breakbulk imports continue to provide revenue diversity
- Tariff rates are projected to increase between 3% and 5%
- Property lease rental rates will increase as specified in contracts

#### Direct Expenses

- The NWSA has direct headcount of 62 positions. Salaries are expected to increase by between 5% and 7%
- Major operating expenses include construction of non-NWSA owned infrastructure needed for the development of Terminal 5, and ongoing maintenance of terminal paving, bulkheads and fender systems
- Depreciation for licensed assets at the time of the formation of the NWSA will remain on the books of the home ports. Depreciation of any new investments that are jointly funded will be charged against the NWSA

### Home port services provided

Each home port is providing services to the alliance, and some NWSA personnel are providing services

back to the home ports. These services are provided either by direct charge or purchased services through Inter-local Agreements.

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

### Estimating Revenues and Expenses

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

- **Historical Data:** Future revenues are based on historical trends with the assumption that they will continue in the future. When using historical data as a means for projecting revenues, the NWSA analyzes as many as 10 years of data to estimate a rate of growth
- **Business Operations:** Terminal lease/rental agreements, grant agreements, and service contracts provide information for this projection method. These projections may be adjusted to reflect the probable impacts of anticipated changes in the economy, legislation and inflation
- **Judgment Estimates:** This method relies on a person knowledgeable in the field, often a department director, who prepares a revenue projection based on awareness of past and present conditions including fee changes, development plans, marketing campaigns, usage activity, frequency, volume, weight and similar determinations
- **Current Data:** This method predicts future revenue based on actual or annualized current year revenues and often is used when historical data and trends are not available, or if used, would result in an inaccurate revenue projection
- **Volume:** The NWSA uses the five-year cargo forecast to project volume related revenues

### Financial Practices

The NWSA manages its operations to maximize its financial capacity - to provide adequate cash flow to the home ports to support debt service coverage ratios.

## Financial Tools

- **Cargo Forecasts:** The NWSA maintains a cargo estimate for each of the next five years. (See Table III-1)
- **Five-Year Financial Forecast:** A portion of the operating budget is driven by volumes from the cargo forecast while the majority of the revenue comes from major lease contracts. Planned revenue-generating capital projects are aligned with new revenues and expenses in the five-year operating forecast. The operating budget is monitored throughout the year, noting any variances that may require corrective action. The Managing Members, Chief Executive Officer and Executive Team review these semi-annually
- **Five-Year Capital Investment Plan:** This plan ties directly to the strategy developed during the budget process. Updated semi-annually, it identifies all proposed projects. Some projects are capitalized and impact future year forecasts through depreciation, while others are expensed in the current year
- **Home Port Plan of Finance:** The financial output of the NWSA will be shared evenly between the home ports and is an input into each home port's five-year plan that identifies each port's ability to fund their business objectives
- **Financial Analysis of Investments:** The NWSA reviews significant capital investments and their related assumptions prior to acceptance into the planned capital budget. Revenue-generating projects are expected to earn a return on investment that meets or exceeds the standards
- **Financial Reporting:** The NWSA creates a variety of reports available electronically or in hard copy

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

Table IV-1...Statement of Revenue, Expenses and Distributable Income by Business\*

<i>(\$ millions)</i>	<b>2022 Actual</b>	<b>2023 Budget</b>	<b>2023 Forecast</b>	<b>2024 Budget</b>
<b>Operating Revenues</b>				
Container	164.2	185.5	176.5	204.2
Non Container	29.5	30.6	32.8	31.0
Real Estate	14.6	17.5	16.2	17.7
Other	0.0	0.0	0.0	0.0
<b>Total Operating Revenues</b>	<b>208.3</b>	<b>233.5</b>	<b>225.6</b>	<b>252.8</b>
<b>Direct and Maintenance Expenses</b>				
Container	37.5	45.5	42.3	51.5
Non Container	15.9	17.7	19.8	20.8
Real Estate	0.9	1.3	1.9	1.3
Other	13.6	20.1	16.7	20.3
<b>Total Direct &amp; Maintenance Expenses</b>	<b>67.9</b>	<b>84.5</b>	<b>80.7</b>	<b>93.8</b>
<b>Administration</b>	17.6	21.3	20.2	24.4
<b>Security</b>	4.3	4.0	4.1	3.8
<b>Environmental</b>	1.7	3.0	2.4	2.1
<b>Total Operating Expense before Depreciation</b>	91.5	112.9	107.4	124.2
<i>Operating Income before depreciation</i>	<i>116.8</i>	<i>120.6</i>	<i>118.1</i>	<i>128.7</i>
<b>Depreciation &amp; Amortization</b>	20.6	24.0	22.2	29.4
<b>Total Operating Expense</b>	<b>112.1</b>	<b>136.9</b>	<b>129.6</b>	<b>153.6</b>
<b>Income from Operations</b>	<b>\$96.2</b>	<b>\$96.6</b>	<b>\$96.0</b>	<b>\$99.3</b>
<i>Return on Revenue</i>	<i>46.2%</i>	<i>41.4%</i>	<i>42.5%</i>	<i>39.3%</i>
Non Operating Income (Expense)	14.5	4.0	5.1	15.0
<b>Distributable Income before Special Item</b>	<b>110.7</b>	<b>100.6</b>	<b>101.1</b>	<b>114.3</b>
Special Item				
<b>Distributable Income</b>	<b>\$110.7</b>	<b>\$100.6</b>	<b>\$101.1</b>	<b>\$114.3</b>
<b>Distributable Cash</b>	<b>\$131.3</b>	<b>\$124.6</b>	<b>\$123.2</b>	<b>\$143.7</b>

\* Amounts may not foot due to rounding.

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

(\$ millions)	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>
	<b>Actual</b>	<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>
Property Rental	\$57.0	\$60.4	\$61.8	\$74.2
Sale of Utilities	1.7	1.8	2.1	1.8
Services Marine Terminals	135.6	153.7	144.6	159.1
Equipment Rentals	13.0	17.6	16.8	17.7
Other Revenue	1.0	0.1	0.2	0.1
<b>Operating Revenue</b>	<b>208.3</b>	<b>233.5</b>	<b>225.6</b>	<b>252.8</b>
Home Port Services Provided	19.0	22.0	21.7	24.8
Port Salaries & Benefits	8.7	11.9	10.8	12.3
Outside Services	5.3	3.0	3.7	4.2
Longshore Labor & Fringe	13.2	12.5	13.1	11.5
Direct Expenses	15.4	19.4	20.3	24.5
Marketing & Global Outreach	0.6	0.7	0.6	0.8
Travel & Hosting	0.3	0.9	0.8	0.9
Maintenance	20.2	33.3	27.3	37.4
Office Equipment & Supplies	0.2	0.3	0.2	0.3
Utilities	5.9	5.9	5.4	5.3
Other Employee Exp	0.1	0.2	0.2	0.2
Other Expenses	1.1	0.1	0.9	0.1
Environmental	1.6	2.8	2.4	2.0
Total Operating Expenses before Dep.	<b>91.5</b>	<b>112.9</b>	<b>107.4</b>	<b>124.2</b>
<i>Operating Income before Depr.</i>	<i>116.8</i>	<i>120.6</i>	<i>118.1</i>	<i>128.7</i>
Depreciation & Amortization	20.6	24.0	22.2	29.4
<b>Total Operating Expenses</b>	<b>\$112.1</b>	<b>\$136.9</b>	<b>\$129.6</b>	<b>\$153.6</b>
<b>Operating Income</b>	<b>\$96.2</b>	<b>\$96.6</b>	<b>\$96.0</b>	<b>\$99.3</b>
<i>Return on Revenue</i>	<i>46.2%</i>	<i>41.4%</i>	<i>42.5%</i>	<i>39.3%</i>
Non Operating Revenue and Expenses	14.5	4.0	5.1	15.0
Net Assets Before Special Items	<b>110.7</b>	<b>100.6</b>	<b>101.1</b>	<b>114.3</b>
Increase in Net Assets	<b>\$110.7</b>	<b>\$100.6</b>	<b>\$101.1</b>	<b>\$114.3</b>
<b>Distributable Cash (calculated)</b>	<b>\$131.3</b>	<b>\$124.6</b>	<b>\$123.2</b>	<b>\$143.7</b>

\* Amounts may not foot due to rounding.

Table IV-3.... Statement of Revenues, Expenses and Changes in Net Position\*

	2022 Actual	2023 Forecast	2024 Budget	Change from Prior Year Forecast
<i>(\$ Millions)</i>				
Operating Revenue	\$208.3	\$225.6	\$252.8	12.1%
Total Operating Expenses before Dep.	(91.5)	(107.4)	(124.2)	15.5%
Depreciation & Amortization	(20.6)	(22.2)	(29.4)	32.7%
<b>Operating Income</b>	<b>96.2</b>	<b>96.0</b>	<b>99.3</b>	<b>3.5%</b>
<b>Non Operating Revenues (Expenses)</b>				
Interest Income	1.1	2.6	2.8	4.4%
Premium Discount	(0.1)	(0.1)	(0.1)	-2.0%
Market Value Adjustments	(1.9)	0.3	0.0	-100.0%
Non-Capital Grant Income	0.0	0.9	2.8	216.8%
Capital Grant Contributions	5.9	6.3	14.6	131.3%
Other Non Operating Revenue (Expense)	9.5	(4.9)	(5.0)	1.6%
<b>Total Non Operating Income (Expense)</b>	<b>14.5</b>	<b>5.1</b>	<b>15.0</b>	<b>194.4%</b>
<b>Net Distributable Revenue (Net Income)</b>	<b>110.7</b>	<b>101.1</b>	<b>114.3</b>	<b>13.1%</b>
<b>Distributable Cash</b>				
Net Distributable Revenue (Net Income)	110.7	101.1	114.3	13.1%
Add Depreciation and Amortization	20.6	22.2	29.4	32.7%
<b>Distributable Cash*</b>	<b>131.3</b>	<b>123.2</b>	<b>143.7</b>	<b>16.6%</b>
<b>Net Position</b>				
Net Position beginning of year	537.6	578.7	649.8	12.3%
Add Contributions and Expected Capital Construction**	58.4	93.2	144.6	55.1%
Add Net Distributable Revenue (Net Income)	110.7	101.1	114.3	13.1%
Less Cash Distributions	(128.0)	(123.2)	(143.7)	16.6%
<b>Net Position end of year</b>	<b>\$578.7</b>	<b>\$649.8</b>	<b>\$764.9</b>	<b>17.7%</b>

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

\*\* Contributions include any Harbor Maintenance Tax Received

\* Amounts may not foot due to rounding.

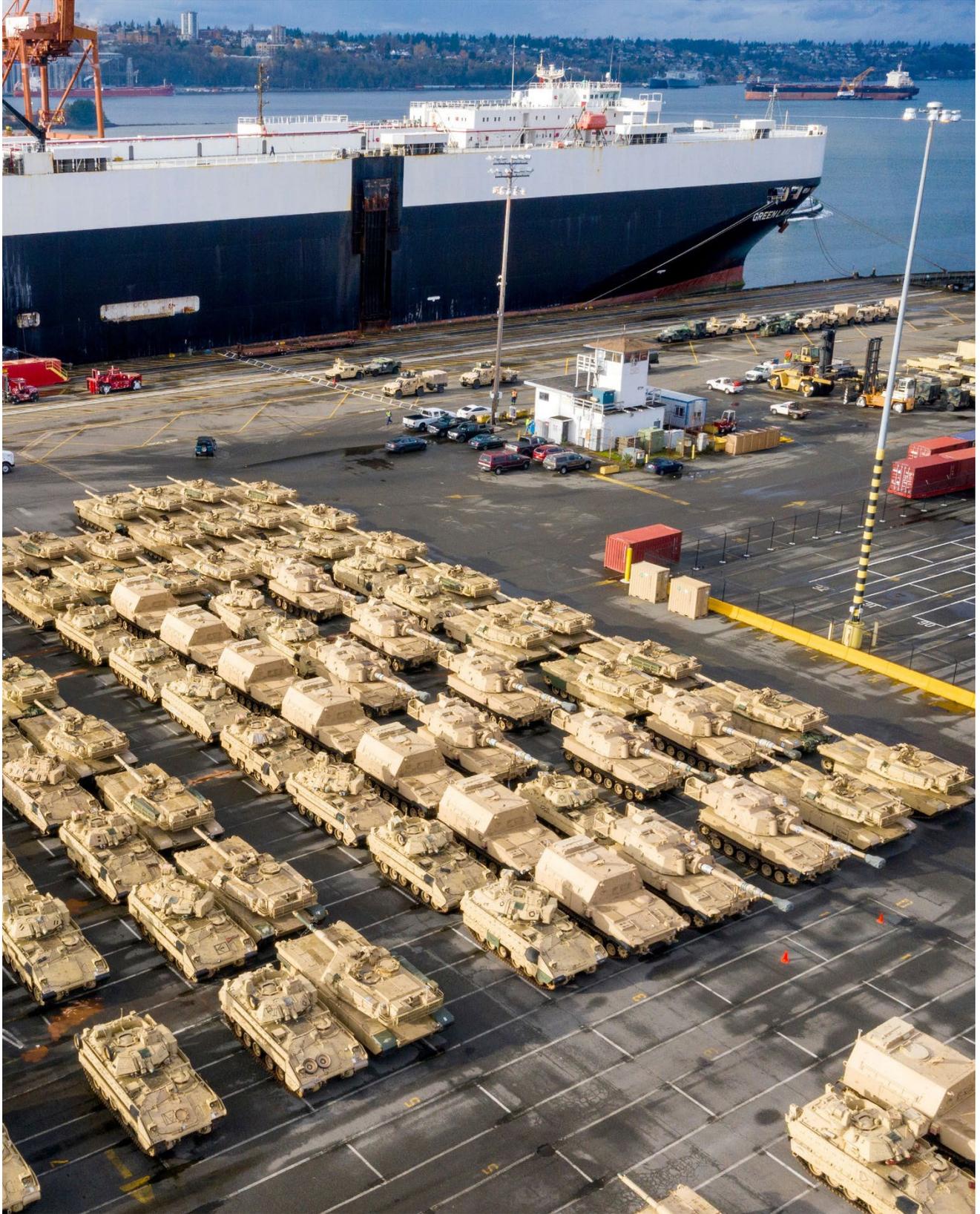
**Table IV-4.... Allocations and Direct Charges Summary\***

<i>(\$ Millions)</i>	<b>2022 Actual</b>	<b>2023 Budget</b>	<b>2023 Forecast</b>	<b>2024 Budget</b>
Port of Tacoma to NWSA	\$27.7	\$31.9	\$29.4	\$32.8
Port of Seattle to NWSA	\$9.9	\$12.0	\$12.0	\$12.2
NWSA to Port of Tacoma	\$0.9	\$0.9	\$0.9	\$0.8

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

<i>(\$ millions)</i>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
Operating Revenue	\$252.8	\$259.3	\$270.5	\$277.1	\$284.0
Total Operating Expenses before Dep.	(124.2)	(120.7)	(118.1)	(115.2)	(116.0)
Depreciation & Amortization	(29.4)	(35.6)	(40.7)	(42.5)	(42.6)
<b>Operating Income</b>	<b>99.3</b>	<b>103.0</b>	<b>111.7</b>	<b>119.4</b>	<b>125.5</b>
Grant Income	17.4	13.1	1.2	0.0	0.0
Other Non Operating Income	(2.3)	2.2	2.6	2.6	2.6
<b>Net Distributable Revenue</b>	<b>114.3</b>	<b>118.4</b>	<b>115.5</b>	<b>122.0</b>	<b>128.1</b>
<b>Distributable Cash (calculated)</b>	<b>\$143.7</b>	<b>\$154.0</b>	<b>\$156.2</b>	<b>\$164.5</b>	<b>\$170.7</b>

\* Amounts may not foot due to rounding.



**Military Cargo. The Tacoma harbor is one of 21 Strategic Ports for the US Military**

# V Capital Investment Plan

## Overview

The Northwest Seaport Alliance invests in projects to increase the capacity, extend the life or improve the safety or efficiency of alliance-managed property and equipment.

New projects on the Capital Investment Plan that are \$100,000 or greater have been vetted through the Investment Decision and Development Process (IDDP). The IDDP is a two-stage planning development.

- Stage 1 (Opportunity Assessment) is to document new investment opportunities, identify any conflicts and receive input from all potentially affected departments/teams. The leadership management makes decision to pursue the opportunity to next stage.
- Stage 2 (Alternatives Analysis) is to assess the initial viability of a project, consider and evaluate alternatives, conduct a project screening, and consider long-range capital planning.

The five-year Capital Investment Plan (CIP) identifies all projects planned or underway. The CIP provides a mechanism for tracking and managing project budgets and cash flows for five years into the future. Table V-1 shows planned spending on capitalized projects for the five-year time frame. Projects are associated with a program that fall under one of the businesses or under a category called “Infrastructure.”

Although funds for a project are included in the CIP, the project is not automatically authorized to proceed. The alliance Managing Members review and approve each project individually. Projects must have the necessary permitting before proceeding.

To achieve its goals, the alliance continues to invest in revenue-generating capital projects that support its businesses. Although the home ports are responsible for the general infrastructure in each respective county, the alliance may also invest in infrastructure projects that support the NWSA’s maritime business, as well as increasing rail and road transit of cargo within boundaries between the ports of Seattle and Tacoma. Often, these infrastructure projects are expensed versus capitalized due to accounting requirements.

In addition, environmental projects are planned for meeting or maintaining regulatory requirements, including the development of mitigation and remediation projects. Projects may be expensed or capitalized according to accounting rules.

## Summary of Major Projects

During 2023, the NWSA worked on the following capital projects:

- Phase two berth modernization construction at Terminal 5 and stormwater treatment system
- Renovated CBP office at Terminal 106
- Replaced fender system at Pierce County Terminal
- Reconfigured yard at E. Blair Terminal
- Install shore power at Husky Terminal

The 2024 - 2028 Capital Investment Plan focuses on the following strategic and maintenance projects:

Strategic investments:

- Construct and improve of gate complex, container yard, intermodal yard and reefer demarcation associated with the modernization project at Terminal 5
- Replace wooden light poles at several terminals in the South Harbor
- Design shore power at T18

Maintenance investments:

- Replace fender system at WUT and PCT terminals
- Replace water lines and valve at Terminal 18
- Maintenance dredging at several container terminals of both harbors
- Berth dredging and toe wall at Husky and WUT terminals
- Maintenance and rehabilitation of assigned assets

The alliance has a strong commitment to the protection and improvement of the environment. Examples of this commitment include the Clean Truck Program, the Northwest Ports Clean Air Strategy, and significant investment in storm-water improvements.

Strategic development efforts focus on serving existing customers, attracting new customers, and building a diverse, dynamic and resilient business base.

**Table V-1....Planned Capitalized Project Spending**

(\$ Millions)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Historical Capital	93.4	134.4	90.6	58.8						
Planned Capital					93.2	144.6	80.8	59.2	66.9	69.4
<b>Grand Total</b>	<b>\$ 93.4</b>	<b>\$ 134.4</b>	<b>\$ 90.6</b>	<b>\$ 58.8</b>	<b>\$ 93.2</b>	<b>\$ 144.6</b>	<b>\$ 80.8</b>	<b>\$ 59.2</b>	<b>\$ 66.9</b>	<b>\$ 69.4</b>

### Capital Investment Plan Priorities

To efficiently allocate human and financial resources, the alliance uses a capital project prioritization methodology. For internal management, the alliance uses two categories:

- **Open:** These are ongoing projects or projects ready to move forward that have customer commitment or a high degree of certainty. Only open projects are included in the budget.
- **Estimate:** These are projects based on an identified business need or opportunity but have not been fully developed in scope and cost.

### Capital Investment Plan Projects by Purpose

The alliance classifies CIP projects into three types, (as shown below in Table V-2):

- **Revenue Renewal:** Projects developed to renovate or replace obsolete or aging revenue-producing assets. These projects serve to extend existing revenue streams or ensure existing streams are not lost and may offer additional revenue if replacements enhance the efficiencies of operations or offer additional capabilities or value.
- **Infrastructure:** Projects developed to enhance infrastructure, support multiple or future customers or to enhance public infrastructure. Sometimes, other public agencies may participate in funding. Infrastructure projects are often complex in nature, with multiple public agencies involved in the planning process and execution.
- **Revenue-Generating:** Projects developed for a specific customer that will result in a new revenue stream.

Table V-3 shows Open (excludes estimate) project expenditures during the five-year planning horizon as categorized by accounting treatment.

Accounting rules require some spending to be capitalized and depreciated over time, while

other spending is expensed as incurred.

The alliance’s policy is to capitalize all asset additions greater than \$20,000 and with an estimated life of more than three years. Depreciation is computed on the straight-line method. The economic lives of capitalized assets range from three years to 20 years for machinery and equipment while economic lives of buildings and improvements range from 10 years to 75 years.

Table V-3 shows that the NWSA intends to implement \$501.3 million worth of planned projects (capitalized and expensed) in the next five years, with \$174.2 million of that total earmarked for 2024.

Non-operating and operating projects will be expensed as incurred and are included in the operating budget.

Table V-4 shows the five-year CIP by Line of Business.

Table V-5 shows the expected increase in depreciation when planned projects are completed. The CIP is the total expected spending of 159 projects, 87 of which are capitalized and 72 expensed as incurred.

The expensed projects are captured as expenses in the current year budget and four-year operating forecast as incurred. The costs of the capitalized projects are captured as depreciation expense over the estimated life of the projects that may extend beyond three years. Depreciation expense will increase when the redevelopment of Terminal 5 phase 2 is complete.

### Funding

Capitalized projects are funded by the two homeports and grants or other 3<sup>rd</sup> party funds if available. Expensed projects are funded by cash generated by the NWSA and grants, homeport funds, or other 3<sup>rd</sup> party funds if available.

**Table V-2....Five-Year Planned Capital Investment Plan by Purpose**

(\$ Millions)

	2024	2025	2026	2027	2028	Total
Infrastructure	\$6.4	\$10.7	\$44.7	\$59.8	\$70.1	\$191.7
Renewal	91.7	60.4	24.8	15.2	4.9	197.1
Revenue	76.0	31.0	5.5	0.0	0.0	112.5
<b>Grand Total</b>	<b>\$174.2</b>	<b>\$102.1</b>	<b>\$75.0</b>	<b>\$75.0</b>	<b>\$75.0</b>	<b>\$501.3</b>

Amounts may not foot due to rounding

**Table V-3....Five-Year Planned Capital Investment Plan by Accounting Treatment**

(\$ Millions)

	2024	2025	2026	2027	2028	Total
Capitalized	\$144.6	\$80.8	\$59.2	\$66.9	\$69.4	\$420.9
Operating Expense	24.7	20.9	15.8	8.1	5.6	75.0
Non-Operating Expense	5.0	0.4	0.0	0.0	0.0	5.4
<b>Grand Total</b>	<b>\$174.2</b>	<b>\$102.1</b>	<b>\$75.0</b>	<b>\$75.0</b>	<b>\$75.0</b>	<b>\$501.3</b>

Amounts may not foot due to rounding

**Table V-4....Five-Year Planned Projects by Line of Business**

(\$ Millions)

	2024	2025	2026	2027	2028	Total
Container Business	\$151.2	\$78.3	\$26.4	\$11.6	\$1.3	\$268.9
Non Container Business	4.6	4.4	0.5	0.5	0.5	10.5
Real Estate	1.3	0.9	0.3	0.1	0.1	2.6
Infrastructure	17.2	18.5	47.7	62.8	73.1	219.3
<b>Grand Total</b>	<b>\$174.2</b>	<b>\$102.1</b>	<b>\$75.0</b>	<b>\$75.0</b>	<b>\$75.0</b>	<b>\$501.3</b>

Amounts may not foot due to rounding

**Table V-5....Depreciation Impact Due To Capitalized Projects**

(\$ Millions)

	2024	2025	2026	2027	2028	Total
Container Business	\$ (8.1)	\$ (14.0)	\$ (18.1)	\$ (20.1)	\$ (20.3)	\$ (80.7)
Non Container Business	(0.5)	(0.5)	(0.7)	(0.7)	(0.8)	\$ (3.1)
Real Estate	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)	\$ (0.7)
Infrastructure	-	-	-	-	-	\$ -
<b>Grand Total</b>	<b>\$ (8.6)</b>	<b>\$ (14.6)</b>	<b>\$ (18.9)</b>	<b>\$ (21.0)</b>	<b>\$ (21.3)</b>	<b>\$ (84.5)</b>

Amounts may not foot due to rounding

### Capital Investment Plan Project Descriptions

The NWSA's five-year CIP has been categorized on a business basis, as shown in Figure V-1. The following section provides details of major planned improvements within each business and only includes major projects and equipment.

#### Container Terminals Business

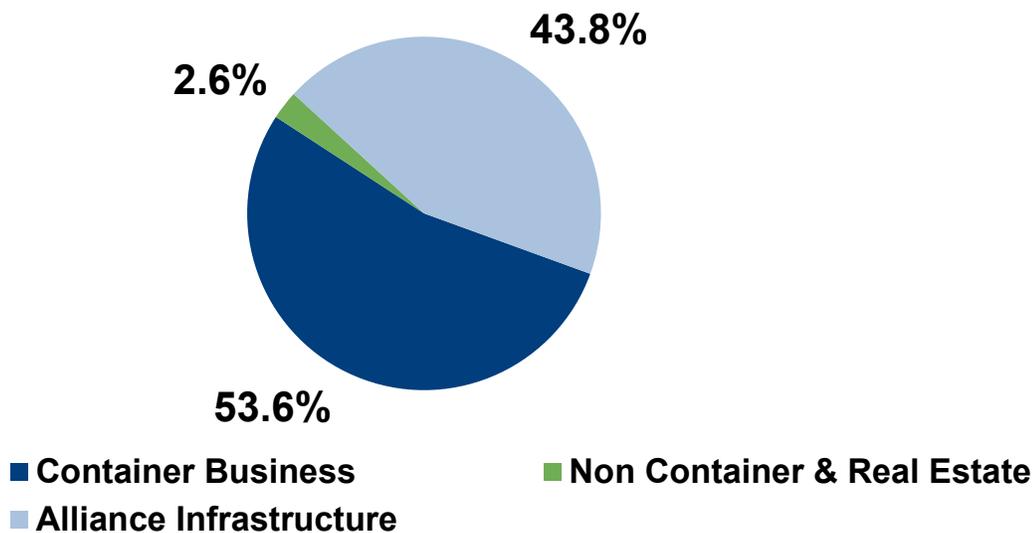
Planned capital expenditures for container terminals will total approximately \$269 million over the next five years. The CIP for this business will provide the

funds necessary to complete the remaining projects to support the modernization at the North Harbor Terminal 5; shore power design at Terminal 18; maintenance and berth dredging at several container terminals; expand reefer plugs at PCT; replace and repair fenders at PCT and WUT terminals; install LED lightings at several terminals in the South Harbor.

#### Non-Container Business & Real Estate

Approximately \$13 million will be spent on facility improvement for terminal operations, auto and real estate businesses.

Figure V-1....Five-Year Capital Investment Plan by Line of Business



#### Alliance Infrastructure

This section includes capital expenditures that are not specific to a single business and are in support of the alliance's infrastructure or environmental improvements.

- Environmental Programs: These projects include reduction and monitoring of emissions, and ongoing cleanup projects. This also includes purchase of electric straddle carriers for its operations. The Clean Truck Program and the Clean Cargo Handling Equipment Incentive Program provide matching funds and incentives to help cover the cost of replacing older trucks or handling equipment with cleaner new ones.

- Technology: The alliance continues to invest in an operations service center that will allow customers and cargo owners to track their cargo as it moves through the gateway.

#### Capital Investment Plan Revisions

The CIP is an integral part of the budget planning process and is reviewed and revised semi-annually. Adjustments in amount and timing are made as required to meet changes in customer or infrastructure requirements.

## VI Environmental Stewardship and Planning

Environmental stewardship and sustainable practices are a high priority for the NWSA. The NWSA Environmental Stewardship Framework has been put into action. Specifically, working with our stakeholders, the NWSA developed a Best-In-Class approach built on a foundation of the following:

- Environmental, economic and financial business decision planning/making are fully integrated;
- Responsive to market and community; and,
- Drives innovative, cost-effective and sustainable solutions.

Program areas of emphasis include:

- Water Quality
- Air Quality and Sustainable Practices
- Planning and Logistics
  - Transportation
  - Land Use
  - Facilities

In 2024, the NWSA plans to focus its environmental efforts on water and air quality and greenhouse gas reductions, with the bulk of that work on NWSA licensed properties. The NWSA plans to develop additional sustainability strategies to help shape future leasing strategies, green corridors, green fuels and explore green building initiatives.

In addition, the NWSA has partnered with the Ports of Seattle and Tacoma along with other key industry, environmental, state and federal stakeholders to develop a large commercial vessel Quiet Sound program. This program will be managed by Maritime Blue and will study and promote ways to reduce noise impacts to Orca and other marine mammals in Washington State Waters. The Ports of Seattle, Tacoma and the NWSA have committed a total of \$100,000 in 2023 towards this effort to sustain the program.

### Water Quality Program

NWSA's Water Quality (WQ) team is comprised of professionals with experience in site inspection, monitoring, project development and delivery, and policy analysis. The goal of this program is to work with internal and external stakeholders to design highly effective, low-cost treatment and

compliance solutions that meet or exceed Washington State's high water quality standards.

### Industrial Stormwater Management Program

The WQ team manages an industrial stormwater program that is a collaborative effort engaging customers, agencies, and environmental organizations in both the Seattle and Tacoma harbors. The goal of the program is to discover and create solutions for emerging stormwater issues, solve common problems and provide stormwater technical assistance to our customers at their request. Staff engage in extensive stakeholder outreach that includes customers, regulators, and environmental organizations.

During 2023 Staff have been participated in settlement agreement meetings with Ecology to discuss the 2025 Industrial Stormwater General Permit (ISGP) and how proposed changes may affect ports.

Accomplishments in 2023 include:

- Completing industrial, and outfall site inspections early ahead of schedule,
- Working with maintenance to complete maintenance on treatment systems ahead of first flush to insure we are prepared for the rainy season,
- Coordinating business inspections with the City of Tacoma.

### Research and Develop Cost-Effective Means to Manage Stormwater

The NWSA continues previous work initiated separately by the two ports. The NWSA implements innovative cost-effective treatment methods in the field and focuses on practical, effective stormwater Best Management Practices (BMPs). This includes conducting pilot studies of new and existing treatment infrastructure and sharing the results with tenants and stakeholders. During 2023, the WQ Team started the process to treatment systems designed for use at the Tacoma and Seattle harbors included on Ecology's General Use Level Designation (GULD) website. This includes taking current designed treatment systems to Ecology through the Emerging Stormwater Technologies (TAPE) Program. Successful inclusion of our treatment systems in on Ecology's GULD website will allow ports and other permittees to use the information when installing industrial stormwater treatment on their sites and may help to expedite permit approvals from local jurisdictions when

installing treatment on North and South Harbor properties.

### **Source Control**

Controlling pollutants at or near the source is the most cost-effective way to reduce pollution in stormwater runoff, manage the risk of costly corrective actions for treatment, and reduce the cost of operations and maintenance of installed stormwater treatment systems. NWSA WQ staff work with customers (as requested) to identify pollutants close to the source and eliminate the source where possible. The WQ team assists customers with effective, low-cost solutions.

#### Seattle Harbor Focus

Most Seattle Harbor tenants have installed stormwater treatment at their facilities. The challenge going forward is to reduce the cost of operating and maintaining these systems. The WQ team continues to focus on maintaining relationships with tenants/customers and working with them to implement at-source and near-source BMPs with these goals in mind.

Accomplishments include:

- Coordination with Seattle Harbor stormwater staff on projects including pipe repair at T46,
- Assistance with tenant SWPPPs,
- Continue to coordinate with Marine Maintenance and Stormwater utility on water quality issues in the North Harbor.

#### Tacoma Harbor Focus

The WQ team continues to work with tenants/customers to implement at-source and near-source BMPs to facilitate cost-effective and successful solutions, and to focus on customers that may face site challenges to meet water quality criteria or regulatory policy issues. In the Tacoma Harbor, WQ will work through the development of a Stormwater Infrastructure Comprehensive Plan that will detail the status of all the Port's MS4 infrastructure. WQ will use those details to develop a 10-year infrastructure maintenance, repair, and replacement plan.

Accomplishments in 2023 include:

- New source control/pre-treatment for EB-1 terminal which are helping to meet permit

**The Northwest Seaport Alliance Budget**

required benchmarks,

- Continue to assist Husky with finding cost effective solutions to for their treatment system,
- Assisting with tours to other Ports, Green Marine, WPPA and representatives,

### **Stormwater Development/Redevelopment**

Coordination with each home ports' stormwater permit programs ensures site-specific stormwater requirements are met. This includes the design of appropriate treatment systems and/or system selection based on proposed land use and typical discharges associated with site-specific activities. Projects include redevelopment of terminals in both harbors.

Accomplishments in 2023 include:

- Completed grant acceptance on Thorne Road Container Facility,
- Continue to support and coordinate permitting issues with the City of Tacoma,
- Permitting support for EB-1 restrooms and paving project, support of PCT truck queue erosion repair work,
- Stormwater treatment design and City of Tacoma permitting support for 11<sup>th</sup> Street Demo project,
- Completed construction of T7 Oil Water Separator that supports military operations,
- Supported Portac Phase I cleanup with stormwater permitting and management,
- Provided design support for the potential redevelopment of Arkema site,
- Provided design support for Parcel 86 pipe realignment.

### **2024 Goals**

In 2024, the WQ team will

- Assist SSA in completing the construction of the Phase 2 stormwater treatment system at Terminal 5 for the southern 55 acres.
- Continue to work with Port of Seattle to complete the reconfiguration of the T-46 Stormwater Treatment vaults to comply with maintenance

standards.

- Continue to support emerging projects including outfall repair at Husky Terminal, ditch maintenance in the Tacoma Harbor, and the Thorne Road Off-Dock Container Expansion yard for which Ecology funded a \$4.37M grant.
- Continue productive conversations with Ecology regarding the 2025 Industrial Stormwater General Permit (ISGP)
- Continue work on TAPE program.
- Use various tools including surveys, newsletters, site visits, and water quality workshop to assist tenants with stormwater management issues and share information on 2025 ISGP.
- Complete Stormwater Infrastructure Comprehensive Plan Report
- Initiate Drone program for outfall inspections, derelict vessel investigations, and shoreline mapping
- Continue to work on systemic flooding issues around Port of Tacoma
- Continue to be a leader in the stormwater section of Green Marine Certification.
- Begin ILA negotiations with City of Tacoma

## **Air Quality & Sustainable Practices Program**

The Air Quality & Sustainable Practices Program jointly serves the Port of Tacoma and The Northwest Seaport Alliance and focuses on two goals: 1) reducing – and, ultimately, phasing out -- air and climate pollution from seaport related activities; and 2) promoting environmentally sustainable corporate practices. The program collaborates with a wide range of internal and external partners to develop, find funding for, and implement a suite of initiatives to advance the 2020 Northwest Ports Clean Air Strategy (NWPCAS) and implement the NWSA's 2021-2025 Clean Air Implementation Plan. Key initiatives include the Clean Truck Program (including the newly formed Zero Emission Truck Collaborative); the Clean Vessels Program (including shore power installations at major

container terminals); and the Clean CHE Program.

### **Key 2023 Accomplishments**

- Continued to coordinate and lead implementation of the NWSA's 2021-2025 Clean Air Implementation Plan to advance the 2020 NWPCAS;
- In collaboration with the Port of Seattle, Port of Tacoma, Seattle City Light, Tacoma Public Utilities, and others, neared completion of two major energy planning studies – the Seattle Waterfront Clean Energy Strategic Plan and the South Harbor Electrification Road Map (SHERM) – to assess the infrastructure needs associated with transitioning to zero-emission vehicles, equipment, and operations;
- Collaborated with a railyard operator and Tacoma Power to complete implementation of the first deployment of zero-emission cargo-handling equipment in the NWSA gateway: six electric yard tractors at the South Intermodal Yard in the Tacoma Harbor;
- Supported completion of the shore power infrastructure installation at Terminal 5, initiation of construction at Husky Terminal, and initiation of design at Terminal 18;
- Led the formation of the Puget Sound Zero Emission Truck Collaborative and initiated development of the Decarbonizing Drayage Roadmap. Also initiated planning for a Zero Emission Drayage Demonstration Program, and ramped up the scrap-and-replace incentive program, incentivizing the scrapping of about 30 pre-2007 trucks and replacing them with newer trucks that are 90% cleaner;
- Led the NWSA's engagement in the US-Korea Green Corridor Study, in partnership with the U.S. Government, the Republic of Korea, and the Busan Port Authority.
- Continued planning for a new Clean CHE Incentive Program aimed at encouraging marine terminal operators to scrap old diesel equipment and replace it with zero-emission technologies;
- Initiated an update to the Puget Sound Maritime Emissions Inventory (PSEI).
- In collaboration with the ports of Seattle and Tacoma, strengthened efforts to communicate and engage with near-port communities and other external stakeholder and partners, for example by publishing the Ports Clean Air Quarterly (a quarterly newsletter) and developing NW Clean Ports (a new web portal on port-related clean air and climate solutions).

- Continued to identify, pursue; and secure state and federal grants and other external financial and technical assistance to help advance NWSA clean air, climate, and sustainability goals. For example, the AQSP Team helped secure \$6.3M in state transportation funding to support the transition to zero-emission drayage trucking at the Port of Tacoma and throughout the NWSA gateway;
- Continued to staff the joint Port of Tacoma/NWSA Clean Air & Climate Action Team (C-CAT) to guide implementation of the NWPCAS and the Port's associated implementation plan.
- Complete the update to the Puget Sound Maritime Emissions Inventory (PSEI)

## Planning & Logistics

Planning and Logistics provides a range of services intended to support NWSA Charter goals from strategic to site planning. Some primary services include planning for marine terminals and supporting infrastructure, advocating for multi-modal freight related transportation systems, facilitating port visioning. Planning also coordinates baseline studies to facilitate decision making about investments and operations.

### Key 2024 Goals

- Continue to lead and coordinate implementation of the NWSA 2021-2025 Clean Air Implementation Plan;
- Continue to explore NWSA engagement in “green corridors” between the U.S. and Korea.
- Support installation of shore power infrastructure at Husky Terminal, design work at Terminal 18, and initiation of design at Washington United Terminal;
- Continue to support and participate on the Puget Sound Zero Emission Truck Collaborative and the development of a Decarbonizing Drayage Roadmap – including leveraging the Port of Seattle’s Office of Equity, Diversity and Inclusion to support the program being effective for all trucking stakeholders.
- Launch the Zero Emission Drayage Demonstration Program;
- Begin implementation of the new Clean CHE Incentive Program;
- In collaboration with the ports of Tacoma and Seattle, launch a new web portal on port-related clean air and climate solutions ([nwcleanports.org](http://nwcleanports.org));
- Finalize and implement on-going, clean air-focused community engagement programs in both harbors;
- Complete the Seattle Waterfront Clean Energy Strategic Plan and the South Harbor Electrification Roadmap (SHERM) and pivot to development of a gateway-wide zero emission infrastructure development strategy; and

### Planning Overview:

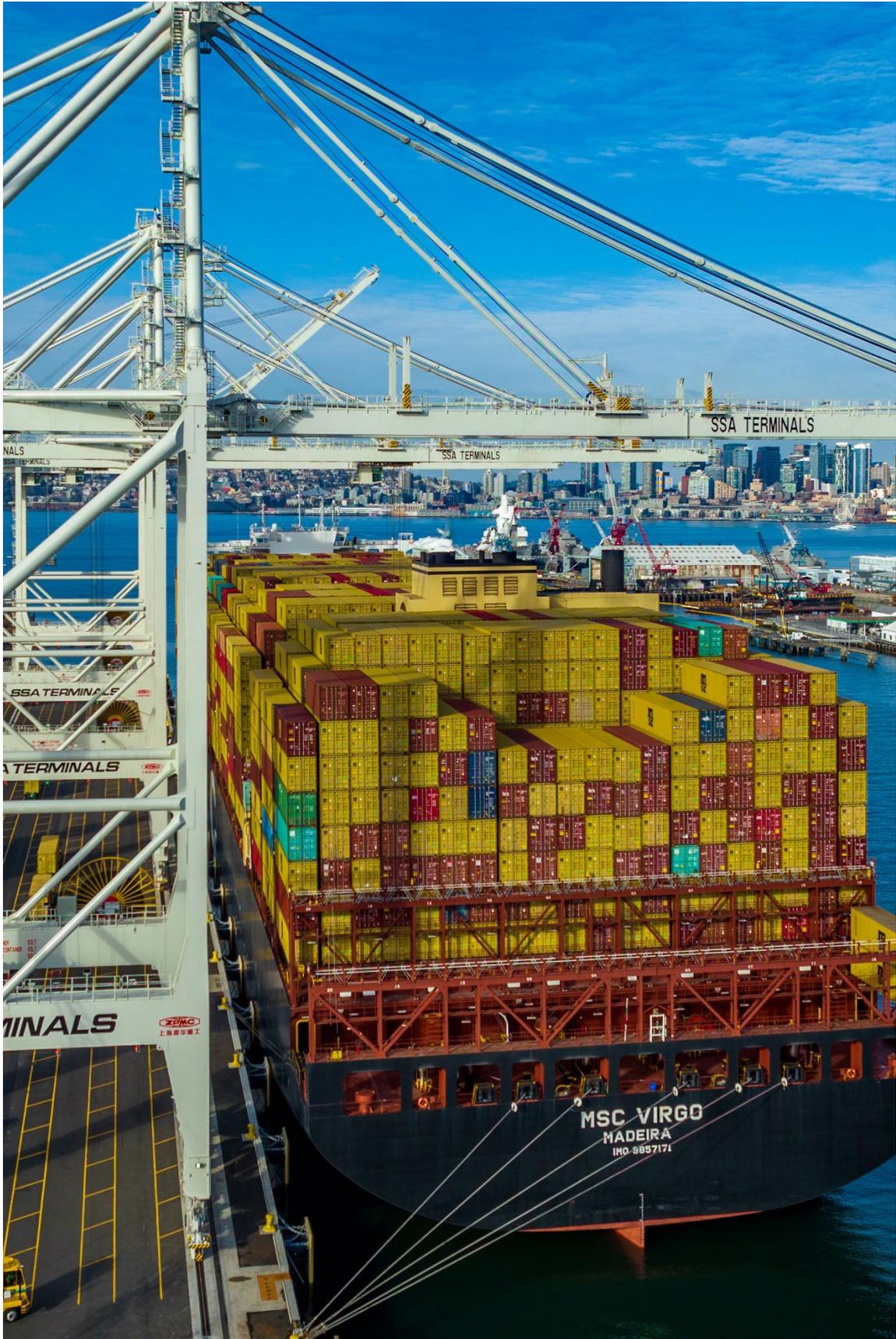
- **Facility Planning:** Services include facility design, facility resilience assessment and planning, assessment of infrastructure needs for operational efficiency, and documentation of current and planned facilities.
- **Transportation Planning and Advocacy:** Support for optimizing gates and terminals, analyzing off-terminal traffic flow, truck parking, and circulation, and preservation of freight and heavy haul routes.
- **Project Feasibility Development:** Support development by maintaining a general understanding of all focus areas within the organization. With this overall perspective, the team assists with opportunity assessment reviews and strategic port planning.
- **Strategic Planning and Visioning:** Support long-range visioning and planning for NWSA operations and facilities. Services also include developing land use plans and supporting the development of organizational strategic plans. Review and comment on new and updated local, state, and federal policy and regulatory documents, advocating for NWSA goals.
- **Grant Program Coordination:** Ensure a unified and proactive approach to grant procurement. Grants are sought to help offset the cost of infrastructure, technology, design, and planning, whenever feasible. Coordination encompasses tracking projects, tracking grant programs, staffing the Grant Steering Committee, and providing commission updates.

### **2023 Planning & Logistics Key Accomplishments**

- Completed the Resilient Gateway Program – Vulnerability Assessment and Response Framework.
- Submitted a \$56M PIDP grant application for Husky Expansion – Part One.
- Supported the Maritime Industrial Lands update process in Seattle.
- Hosted a WA Sea Grant Hershman Fellow

### **2024 Planning & Logistics Goals**

- Advance Resilient Gateway Program policies
- Provide technical support for Sound Transit Link extensions and Sounder expansion.
- Advocate for NWSA priorities at Puget Sound Regional Council staff committees
- Manage the NWSA/POT Grant Program
- Support the Tideflats Subarea Plan, Earley Business Center Master Plan, and Port Maritime Center
- Review and provide feedback on the Seattle Transportation Plan update.
- Complete bathymetric surveys for each harbor



The MSC Virgo at berth at the newly modernized Terminal 5 in the North Harbor

## Appendix A: NWSA Full Time Personnel

	NWSA			
	2022 Actual	2023 Budget	2023 Actual	2024 Budget
Executive	9	9	9	9
External Affairs ( Public Affairs & Communications)	4	4	4	4
Finance And Administration	-	2	2	2
Commercial Business	17	20	20	21
Operations	8	12	10	10
Facilities Development	10	15	16	16
<b>Total</b>	<b>48</b>	<b>62</b>	<b>61</b>	<b>62</b>

\*2023 Actual is 2023 forecasted ending headcount

### Northwest Seaport Alliance Average Compensation (excluding CEO)

The 2024 staffing budget of \$12,291,867 includes the following:

- \$8,481,974 for salaried employees and \$146,799 for hourly employees which includes;
  - \$367,639 for annual pay increases for salaried employees starting April.
  - \$20,424 for annual recognition program paid to salaried employees in April.
  - \$163,395 for marketplace adjustment for salaried employees during the year.
  - Hourly employees will receive a 5.0% raise in April per tentative agreement.
  - Average salary of \$133,930.
- Total benefits of \$3,663,093

### Changes in NWSA Full Time Personnel from prior budget

- Commercial Business: 1 position added.
- Operations: 2 open positions eliminated.
- Facilities Development: 1 position added.

## Appendix B: NWSA Memberships

### Overview

The NWSA and alliance staff are members of several organizations. The NWSA believes that participating in these partnership organizations plays a key role in advancing the NWSA's business objectives and ensures NWSA staff is knowledgeable and productive. These memberships are in addition to or supplement the home port memberships.

### Port Authority Organizations

These memberships assist the NWSA's lobbying efforts on both the state and national levels and keep staff informed about major issues and developments that affect NWSA operations. Membership with the Washington State Public Ports Association remains with the home ports.

### Economic Development Organizations

Economic development is a major part of the NWSA's mission. For that reason, the NWSA maintains memberships and works closely with a variety of economic development groups. These memberships help strengthen the NWSA's visibility throughout the world through trade missions and trade shows.

### Regional Organizations

Memberships in regional organizations demonstrate the NWSA's commitment to trade on a statewide and regional basis.

### Industry Associations and Professional Organizations

These associations and organizations ensure that staff obtains the latest in technical development by taking advantage of meetings, networks and special programs offered by them.

### Trade Promotion Organizations

These memberships give the marketing and sales staff important contacts and current industry trade information that enhances the NWSA's overall marketing efforts.

### Community Service Groups

The NWSA maintains memberships in these groups as part of its effort to build better community relations, to work more effectively with businesspeople and to ensure that the NWSA's interests and concerns are addressed in the community.

### Annual NWSA Memberships & Personnel Memberships (estimated)

Organization	Annual Dues
American Association of Port Authorities	\$78,000
Pacific Northwest Waterways Association	34,500
Washington Council on International Trade	20,000
Green Marine	11,000
Clean and Prosperous Washington	10,000
All Other Memberships	63,822
Total NWSA Memberships	\$217,322

### American Association of Port Authorities

AAPA is an alliance of leading ports in the Western Hemisphere that protects and advances the common interests of its diverse members through advocacy, professional development, relationship-building, and public awareness.

### Pacific Northwest Waterways Association

The Association advocates for funding for navigation projects around the region, including those on the Columbia Snake River System, in the Puget Sound and along the Oregon and Washington coasts.

### Washington Council on International Trade

The Council is dedicated to advocating for public policies that increase Washington State's international competitiveness.

### Green Marine

Green Marine is an environmental certification program for the North American marine industry.

### Clean and Prosperous Washington

A team of business leaders working with labor, tribes, environmental organizations, and social justice advocates to in Washington state to enact smart climate policies.

## **The Northwest Seaport Alliance**

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