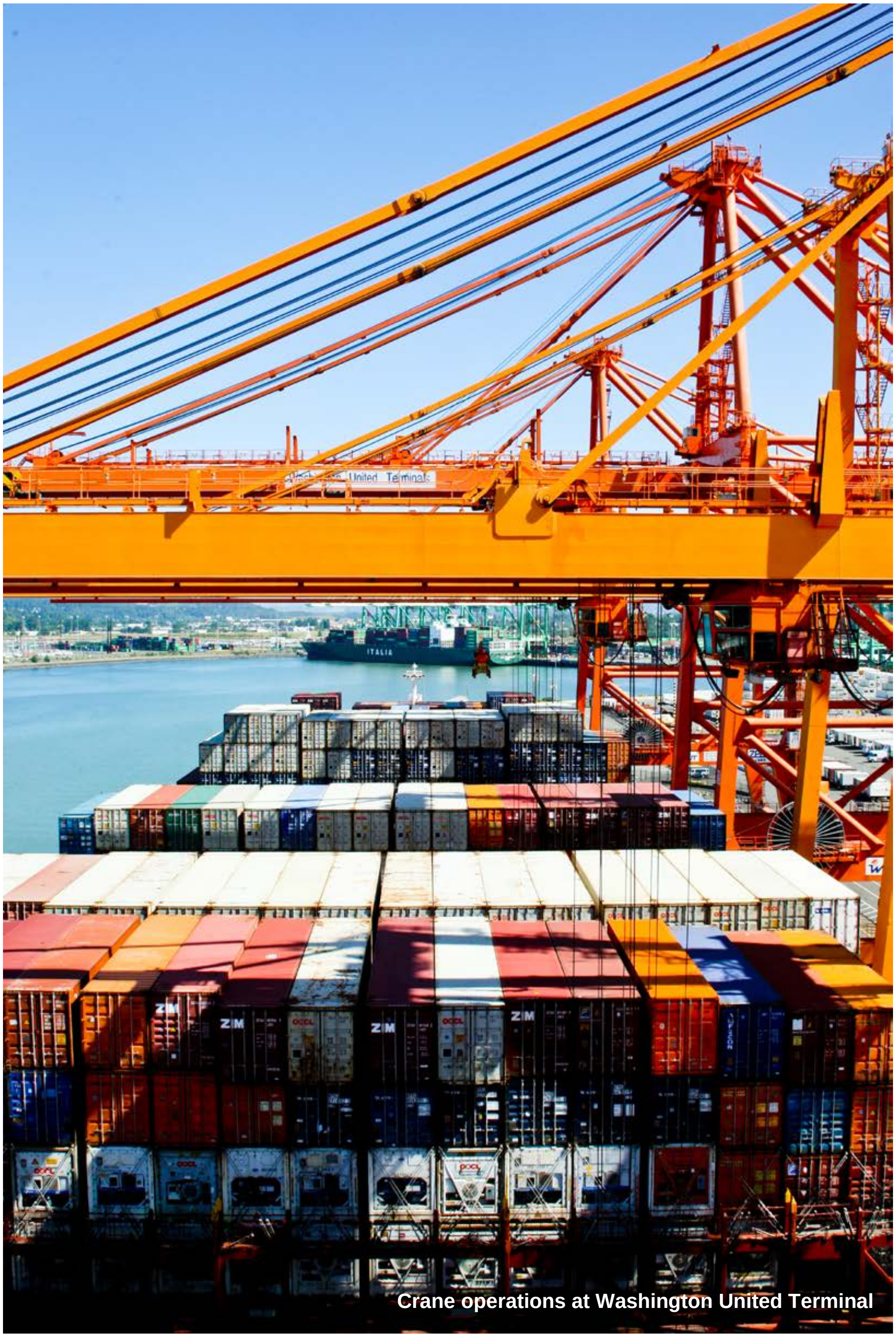
Port of Tacoma 2014 Budget



Crane operations at Washington United Terminal

Statutory Budget and Tax Levy adopted: November 14, 2013

The Port of Tacoma has been a recipient of the Government Finance Officers Association (GFOA) award every year since 2005. It reflects the commitment of the Port and its staff to meeting the highest principles of governmental budgeting and is valid for a one year period. To receive this award, the Port satisfied nationally recognized guidelines for effective budget presentation.

In June 2013, Inbound Logistics magazine named the Port of Tacoma in its annual list of "green 75" supply chain partners. The Port was recognized for its environmental programs and commitment to sustainability.

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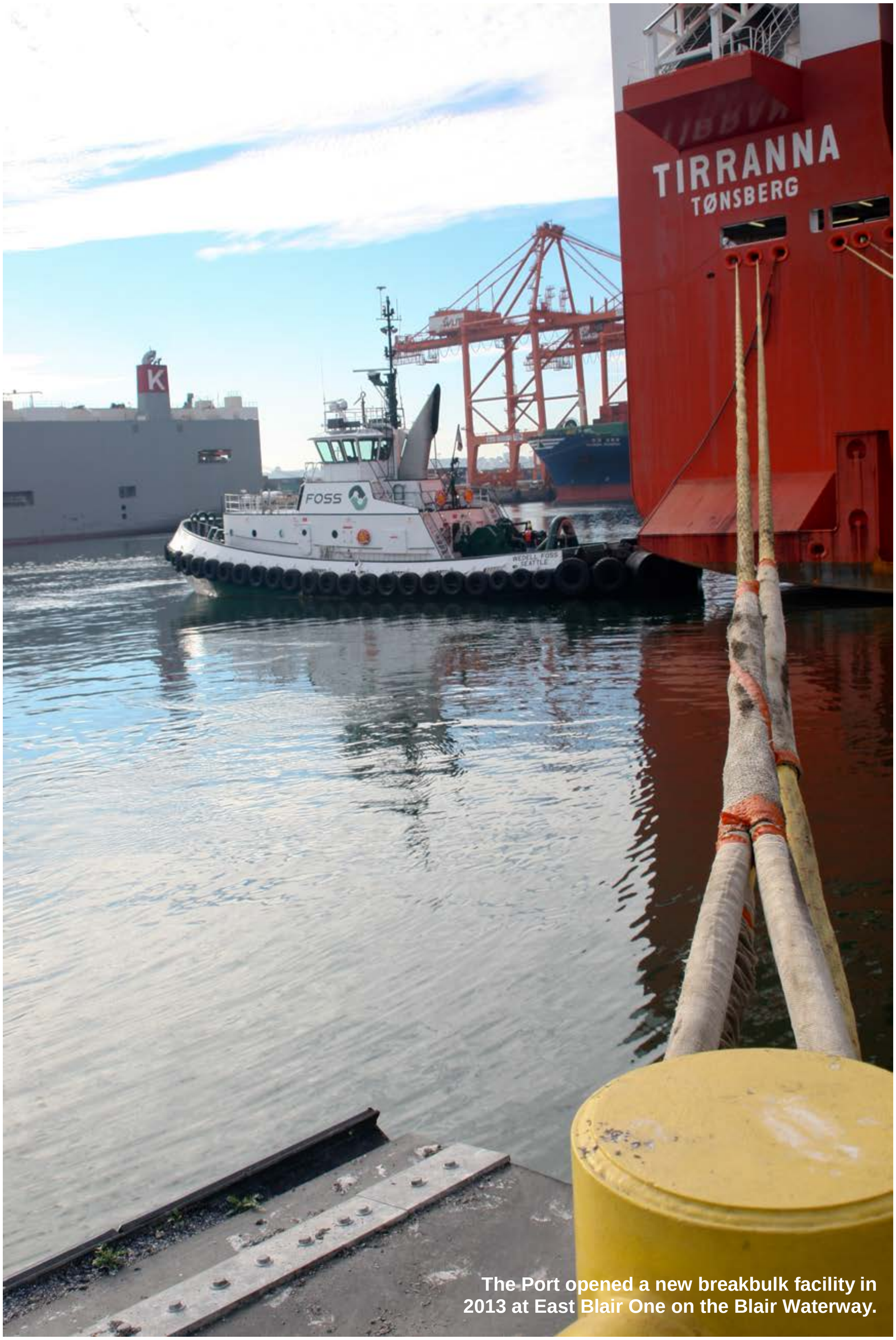


The Port opened a new breakbulk facility in 2013 at East Blair One on the Blair Waterway.

Memo

To: Port of Tacoma Commission
Date: November 14, 2013
Subject: The Port of Tacoma's 2014 Budget

The Port of Tacoma staff is pleased to present the 2014 Budget Document.

This document is designed to better inform Pierce County citizens and other interested parties about the Port's overall goals and strategies as well as the competitive environment in which we operate. It also highlights our focus on strategic investments that will deliver competitive financial results, build for the future, and continue to create jobs and economic wealth for Pierce County and the region.

The maritime industry remains incredibly competitive. While consumers have begun buying houses and goods again, they are not spending at pre-recession levels. At the same time, shipping lines and terminal operators are exploring ways in which to reduce costs, with carriers introducing larger vessels into the trade lanes and forming stronger alliances while terminal operators are consolidating terminals to gain economies of scale. Adding to those pressures are increased competition from ports in Canada, Mexico and along the East and Gulf Coasts, betting on the widened Panama Canal to change shipping routes.

That's why the Port of Tacoma is focused on ensuring that our facilities remain ready to handle the bigger ships migrating into the trans-Pacific trade, that our terminals, road and rail infrastructure can move that cargo efficiently and that our labor partners remain highly skilled.

Two years into an aggressive 10-year strategic plan, we've made significant progress.

- We are upgrading Pier 3 at Husky Terminal to accommodate the larger cranes needed for the ever-bigger ships and designing terminal improvements that will increase the cargo handling efficiency within the terminal.
- We recently moved our breakbulk operations to a state-of-the-art terminal on the Blair Waterway with a heavy-lift pad and soon-to-be rail connections.
- We are actively marketing a shovel-ready waterfront parcel that will put a formerly contaminated industrial site back into productive use and further diversify Tacoma's cargoes.
- We continue to lend our strong support for a new State transportation funding plan that includes the completion of State Route 167, a critical highway that provides the "last mile" to get agricultural and manufactured exports to the Port and nearby distribution centers.
- And we continue to work with the state on funding to clean up additional legacy contamination for future development and business growth.

We also are focused on making it easier for existing customers and tenants to grow their business. The addition of the Grand Alliance to Washington United Terminals resulted in significant increases in cargo, along with the associated jobs and impact to the community. SAFE Boats also expanded its U.S. Navy patrol boat-building operations to the former Todd Shipyards site in Tacoma, adding about 100 jobs.

While we expect the global economy to continue its slower-than-desired recovery, we remain focused on the financial health of the Port of Tacoma and continue to focus on new business opportunities that will create jobs and economic wealth for Pierce County and the region.

John Wolfe

Budget Document Overview

The Budget Document consists of these major sections:

I. Port of Tacoma Overview*:* This section provides historical information about the Port of Tacoma and the development of the other ports throughout Washington State. It examines the economic context of the Port of Tacoma's operating environment, and it outlines the Port's organizational structure.

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

III. Business Outlook*:* This section describes the Port's overall goals and strategies. It includes assumptions, potential obstacles and trends that Port 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 Port's operating budget. This section includes year over year operating budget comparisons, a snapshot of revenue and expenses by line of business, and details of expected non-operating costs.

V. Five-Year Capital Improvement Plan (CIP)*:* The CIP consists of all capitalized and expensed projects that the Port plans to complete in the next five years. Capitalized projects effect 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 the Capital spending on Port profitability.

VI. Tax Levy*:* The tax levy section provides details on how the Port's tax levy is developed and how the tax levy is used by the Port. Additionally, this section provides historical tax information, and provides data to compare the Port's tax levy to the levy assessed by other entities within Pierce County.

VII. Plan of Finance: This section features an explanation of revenue and expense trends and assumptions. It also discusses long-term capital projects and the Ports plan for funding these projects.

VIII. Environmental Stewardship: This section provides a historical context for the environmental challenges facing the Port and our surrounding community. It also outlines the Port's priorities and investments in cleaning up and protecting the land, water and air around Commencement Bay.

IX. Summary of Significant Accounting Policies: This section provides a summary of the accounting policies that the Port follows in developing the budget as well as how the Port reports actual financial results. It is a cumulation of all the important financial rules that the Port follows.

X. Debt Guidelines: The debt guidelines describe how the Port manages debt, including criteria for issuing, refunding, and retiring debt. This section also describes what tools the Port may use to minimize debt interest rate risks.

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 enabled 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, citizens 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 of Tacoma is one of the leading seaports in North America, offering strong trade ties with Alaska, Asia and the rest of the world.

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

The Port of Tacoma 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 in order to create more jobs and business opportunities.

The Port of Tacoma ranks among the world's top 65 container ports with some of the industry's largest container shipping lines calling Tacoma. These include Evergreen Line, Hamburg Süd, Hapag Lloyd, Horizon Lines, Hyundai Merchant Marine, "K" Line, Mitsui O.S.K. Lines, Ltd. (MOL), Nippon Yusen Kabushiki Kaisha (NYK), Orient Overseas Container Line (OOCL), Totem Ocean Trailer Express (TOTE), US Lines, Yang Ming Line and ZIM Integrated Shipping Services. The Port also handles breakbulk, bulk, and auto shipping lines.

Shipping lines have been attracted to Tacoma because of its proximity to markets for trade, experienced labor force, deep water, available land for expansion, excellent on-dock rail facilities and inland rail service. Rail service to the Port is provided by the BNSF Railway and the Union Pacific Railroad. Currently, approximately 53% of the Port's import cargo moves out via rail. Excellent highway access is provided via Interstate 5 and Interstate 90.

Through August 2013, the Port handled about $31.9 billion of trade, an increase of 23% over the same period of 2012. Based on dollar volume, China (including Hong Kong) is the Port's largest trading partner. Other leading trading partners include Japan, South Korea, Taiwan and Alaska.

As the "Gateway to Alaska," the Port handles about $3 billion of domestic trade to and from Alaska. Horizon Lines and Totem Ocean Trailer Express, Inc. are the two shipping lines serving Alaska from Tacoma.

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

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

Additionally, much of the Port's efforts are focused on industrial development and real estate. The Port works to attract major manufacturing and warehouse/distribution centers to Tacoma/Pierce County.

The Port's approximately 2,700 acres are primarily located in the Commencement Bay Tideflats. Today, the Port has about 400 acres of land available for industrial development on Port-owned properties separate from its marine terminal areas.

Port properties include marine terminals and warehouse/industrial sites and two major areas for industrial development. The first is the Port Commerce Center, comprised of more than 100 acres of Port land developed in partnership with a private developer. The second is the Port's Frederickson Industrial Area, which offers land for sale for industrial use.

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 products and a strong agricultural production. It also is home to Joint Base Lewis-McChord, Madigan Army Medical Center and Camp Murray.

Port Economic Impact

The Port serves as a major economic engine for Pierce County, creating thousands of family-wage jobs and serving as a catalyst for economic development.

According to an economic impact study completed in 2005 (based on 2004 data), Port activities are related to 43,100 jobs in Pierce County that pay 41% more than the county average. Statewide, 113,000 jobs are related to Port activities, an increase of 11% from 2000. The Port's cargo-handling, construction and leasing activities generate over $10.0 million annually in local taxes in Pierce County.

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, logs, breakbulk cargo, heavy- lift cargo and project cargoes.

The Port offers various cargo-handling services, including breakbulk, project and heavy-lift cargo handling and storage, as well as intermodal rail terminal operations, facility and equipment repair and maintenance and leasing of terminals and buildings.

The Port's two major waterways – the Blair and Sitcum – can accommodate six miles (9.7 kilometers) of deepwater berthing. The waterways are about 51 feet deep. At the Port of Tacoma's facilities, 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. This innovation helps the Port and its customers efficiently handle the more than 50% of international import containerized cargo that heads east via rail to markets such as Chicago and New York. Three highway interchanges link the Port and its main terminals to Interstate 5 (see Figure 1 on page I-7).

BNSF Railway and the Union Pacific Railroad serve the Port's three on-dock and one near-dock intermodal rail yards. These yards allow containers to be quickly transferred between ship and rail, without needing to be first transferred to truck for delivery to the rail facility. The Port's intermodal rail facilities help save shippers and shipping lines both time and money.

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

In 2009, the Union Pacific Railroad established a domestic intermodal service ramp at the Port of Tacoma, offering service to western Washington's warehousing, transloading and distribution centers.

Port of Tacoma Commission

The citizens of Pierce County elect a five-member Port Commission to govern the Port of Tacoma. Each Commission seat is elected every four years, on a staggered basis.

The Commission establishes the tax levy collected. The Commision 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 Chief Executive Officer.

The Commission also appoints the Chief Executive Officer, who is responsible for hiring staff and managing the Port's daily operations. The Port Commissioners are:

- Connie Bacon
- Don Johnson
- Dick Marzano
- Don Meyer
- Clare Petrich

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

For the agenda and the next Commission meeting, as well as minutes for Commission meetings held from 2001 to present, you can visit the Port's website at www.portoftacoma.com.

To help improve public accessibility and availability to the Port's decision-making process, the Port started streaming its Commission meetings on the Web in 2008. All Port Commission meetings are streamed live, and then archived on the Port website. Members of the public can easily access archived meetings by typing in a specific topic of interest. All meetings featuring that topic will then come up in a list for quick access and review.

Citizens may contact the Port Commission by calling the Port of Tacoma's Executive Department at 253-383-9402; fax at 253-383-9440. Correspondence may be mailed to:

Port Commission
Port of Tacoma
P.O. Box 1837
Tacoma, WA 98401

Organizational Structure

The Port of Tacoma's daily operations are led by the Chief Executive Officer and the Executive Team. See the Organizational Chart (Figure 2 on page I-8).

Executive Team

The Executive Team is comprised of the CEO and six chief officers and executive administrative support. The Executive Team oversees all business activities and departments, and with the Commission, provides long-term strategic direction. The Executive Team ensures compliance with all regulations relevant to Port activities including public meetings and information, environmental protection, labor relations, procurement, security, financial management and other issues.

Executive administrative support is responsible for scheduling and supporting Commission activities, including regular Commission meetings, study sessions and executive sessions.

Commercial Group

Led by the Chief Commercial Officer, the Commercial Group is comprised of three businesses and their related personnel, and the Commercial Strategies Team.

Container Business: International and domestic container cargo is a core business segment for the Port. Container Business personnel are responsible for container and terminal business development and management, and customer service. They also play an important role coordinating efforts with Port customers on terminal facility and operational improvements to enhance overall efficiency at the Port's terminals.

As one of the northernmost ports on the US West Coast, Tacoma has long been the primary hub for waterborne trade with Alaska, as well as a major Gateway for Trans-pacific trade. With the addition of several new international container lines in 2012, service is now also available to key ports of call in Oceania and Central and South America.

The Port's three on-dock and one near-dock intermodal rail yards, along with international and domestic rail services to the US Midwest, are key assets for the Port and are an integral part of the Container business. Rail personnel support the container business and are responsible for rail service delivery at the Port's Intermodal Yards, and at all the Port owned rail assets within the Tideflats. Relationship management with Tacoma Rail, BNSF and Union Pacific (UP) and other rail stakeholders are key functions of the rail professionals.

Non-Container Business: Comprised of Breakbulk (Roll On and Roll Off also known as RoRo), bulk and auto cargos, the Non-Container Business makes a significant contribution to revenue and further diversifies the Port's business portfolio. Non-Container personnel are responsible for business development, management and customer service for breakbulk, bulk and auto business segments.

Port of Tacoma offers competitive rates and full service to breakbulk customers. The breakbulk business has recently moved from Terminal 7 to one of the Port's newest terminals on the east side of the Blair waterway known as EB1. Aside from handling agricultural and mining equipment and other rolling stock, the Port is designated as a strategic military port for transport of military cargoes.

Port auto customers include Kia, Mazda, and Mitsubishi. Auto Warehousing Company (AWC), a Port tenant, is the largest auto processor on the US West Coast.

Exports of logs and grain add to the Port's diversified cargo mix. The Port is considering and pursuing other water-dependent bulk opportunities.

Real Estate Business: Non-terminal industrial and commercial properties and facilities complement the Container and Non-Container Business and are a significant source of revenue for the Port. 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, port tenants offer a broad range of services for the Port's international and domestic customers including warehousing and distribution, manufacturing and marine services.

Commercial Strategy Team: This team is responsible for the Port's sales and marketing activities and customer outreach to shippers, non-vessel operating common carriers and 3rd party logistics. It also supports the goals of the Commercial Group by providing strategic market research and business intelligence, cargo volume tracking and forecasting. The CS team also manages the Port's regional and international business. The Port has trade development offices located in Alaska, New Jersey, Japan, Hong Kong, China and Korea.

Operations Group

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

Operations Department: The Operations Department provides coordination with vessel arrivals and departures, and with the associated stevedores. The Operations Department orders and manages labor at the North Intermodal Yard and at EB1, and is also responsible for customer service. The major focus of this department is to ensure the proper processing of all vessels and freight shipments moving through the Port.

The Operations Department, in conjunction with Tacoma Rail, is responsible for rail service delivery at the Port's intermodal yards. This department also operates the Port's North Intermodal Yard, and is the only port on the US West Coast with dedicated rail services personnel. The Port offers competitive rail service via BNSF Railroad and the UP Railroad, and is a major gateway for handling discretionary cargo destined for the Midwest.

Maintenance Department: The Port's Maintenance group consists of two departments – Equipment and Facilities. Both departments are responsible for equipment and facility repair/maintenance of Port-owned assets, ranging from grounds, buildings and cranes to vehicles and straddle carriers.

Security Department: The Port 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.

Facilities Development Group

Led by the Chief Facilities Development Officer, the Facilities Development Team is responsible for long term planning and development of port assets, and all Port related environmental issues. This group is comprised of the Planning, Engineering and Environmental departments.

Planning Department: The Planning Department coordinates with state, regional and local stakeholders to identify regional freight transportation infrastructure needs, provides land-use and preliminary terminal design services and works to maximize terminal through-put and capacity.

This department collaborates with members of the global supply chain to promote policies, procedures and technologies that improve operational efficiency.

Engineering Department: The Engineering Department provides design and construction management services and delivers state-of-the-art facilities. Engineering and Environmental work collaboratively to abide by and meet local, state and federal regulations.

Environmental Department: The Environmental Department develops and implements comprehensive programs to minimize the effects of Port operations on air, water and sediment quality.

This department works with permitting agencies to make possible terminal development projects and maintains regulatory compliance.

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, this Team is responsible for the administrative tasks that keep the Port functioning. This group includes the Finance and Accounting, Contracts, Purchasing, Business Processes, Public Records and Information Technology Departments.

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

Information Technology, Business Process and Public Records Department: The Information Technology, Business Process and Public Records Departments 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 Department

Led by the Chief Human Resources Officer, the Human Resources Department supports the Port of Tacoma's business objectives through work-force development, which includes attracting, retaining and developing the right people; and by creating a constructive, diverse culture where employees actively participate in the Port's success. The department is also responsible for setting compensation, administering benefits, Port-wide training, and managing employee relations.

External Affairs Group

Led by the Chief External Affairs Officer, the External Affairs Team is responsible for communicating with and managing relationships with other governmental bodies, the public, media and external stakeholders. Comprised of the Communications and Government Affairs departments, key functions of this team include governmental affairs, community relations and internal and external communications.

Government Affairs Department: The government affairs 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. Community relations, meanwhile, manages public outreach programs, including tours, a speakers bureau, school program and work with community groups.

Communications Department: The communications staff develops and implements strategic public affairs and integrated communications programs, initiatives and media relations that support the Port's overall mission, goals and priorities. This department also provides marketing communications and trade media relations and advertising support for each of the Port's businesses.

See the Organizational Chart (Figure 2, page I-8) for a broader view of how the Port's organization is structured.

Figure 1 ...... Port of Tacoma Map

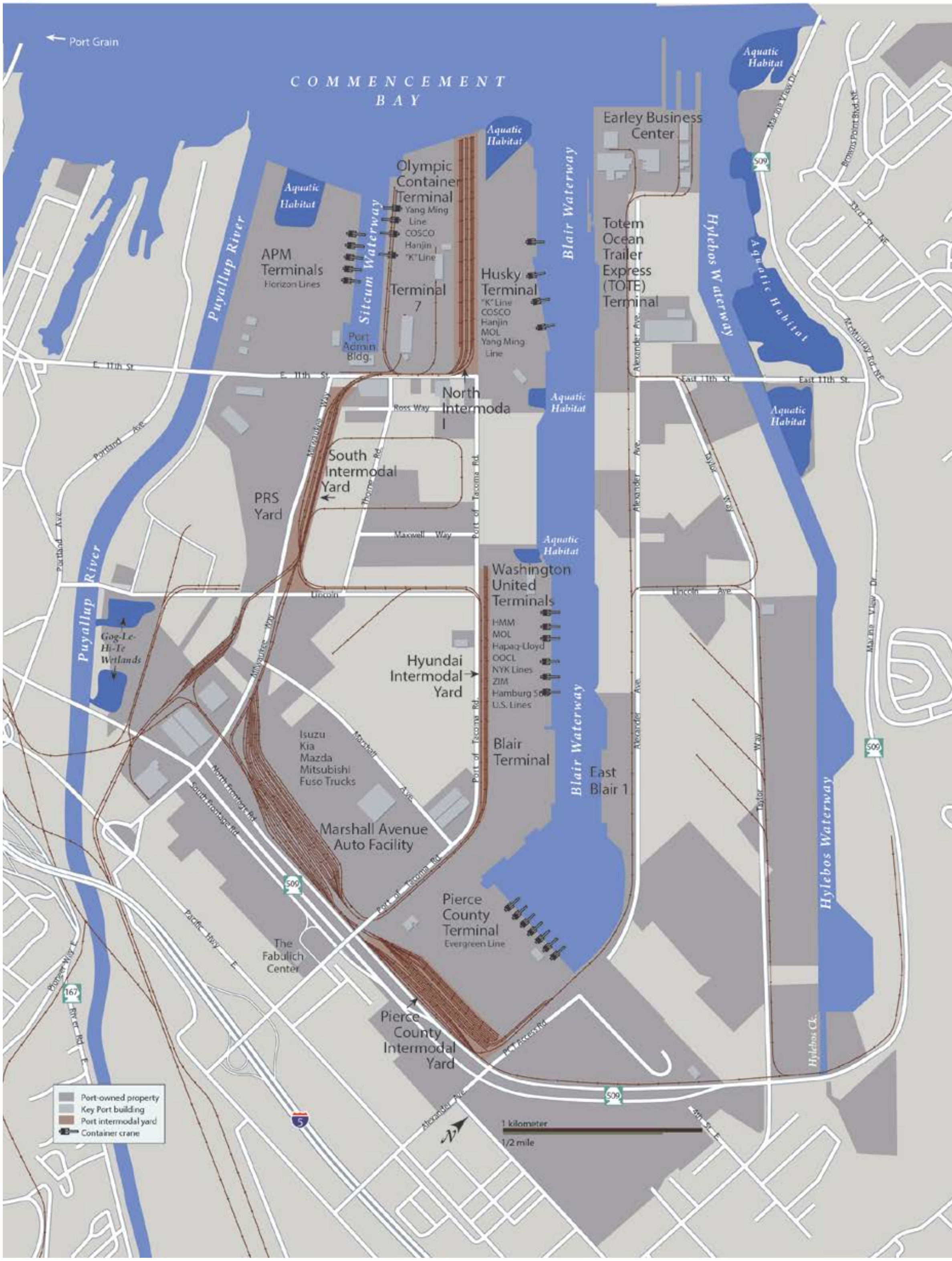
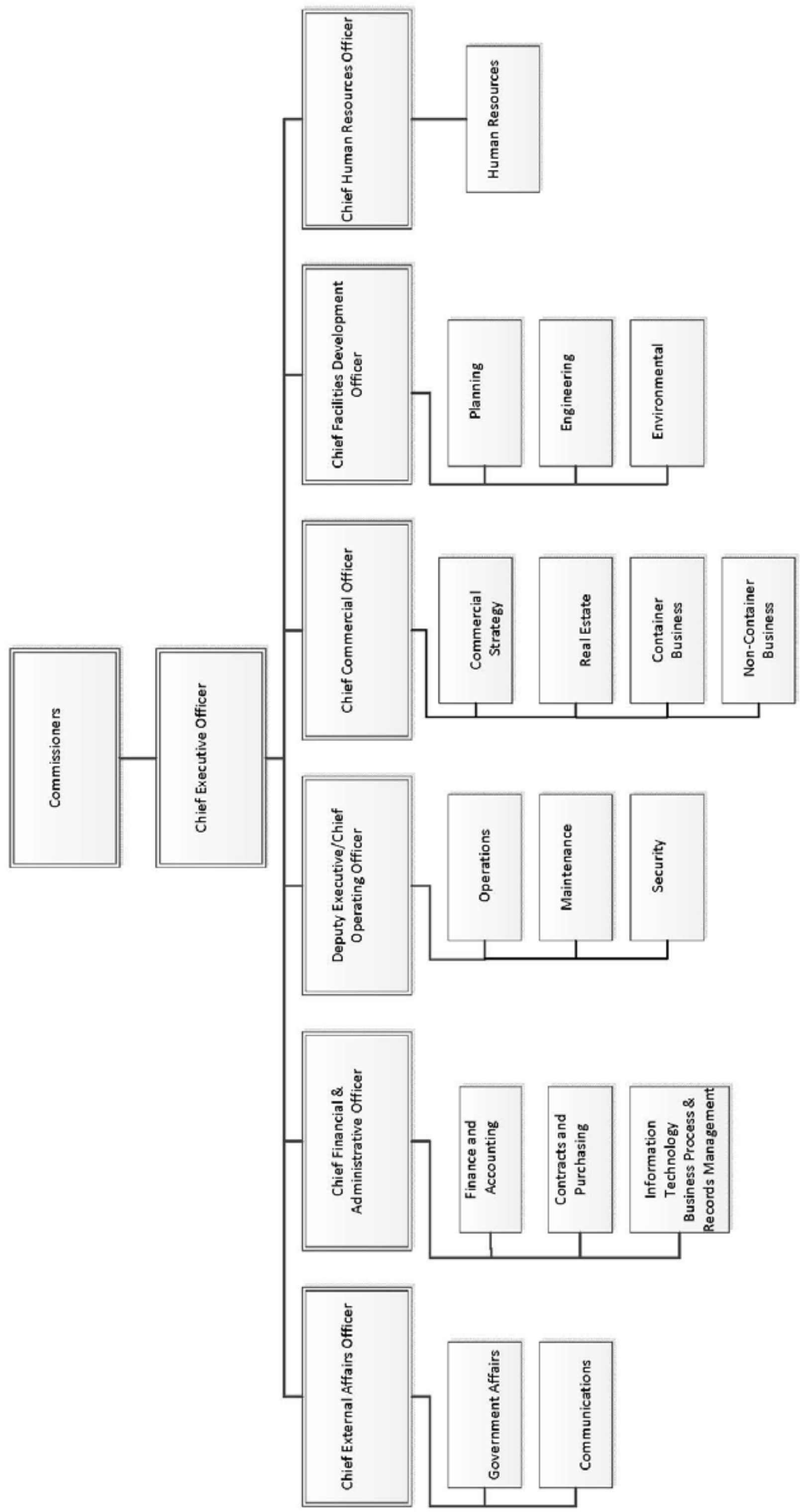


Figure 2 ...... Port of Tacoma Organizational Chart



II. 2014 Budget Message

Strategic Direction

In 2012, the Port developed a 10-year strategic plan that refocused the Port's mission, outlined six goals and identified 10 financial and operating targets. The planning process engaged Port staff, commissioners, customers, community members and key stakeholders, including labor partners. The strategic plan was designed to be aspirational, yet achievable, and to guide the Port's decision-making and investments for the next decade.

In conjunction with the strategic plan, the Port also revitalized its brand identity to better differentiate itself in today's highly competitive marketplace. The new mark visually expresses the Port's mission, brand promise and connections to customers and community members.

The Port Commission and leadership team continue to implement the strategic plan through the annual budget and the 5-Year Plan of Finance. We believe that this plan continues to position the Port for growth as an international logistics hub.

Mission Statement

The Port's mission is to "deliver prosperity by connecting customers, cargo and community with the world." Figure 3 shows "10 targets in 10 years" which is where the Port expects to be by the end of 2021. See the back inside cover for a table of the annual progress towards these targets. To achieve the 10 targets, the Port is managing to six Goals.

Port of Tacoma Goals

1. Enhance the Port's competitive position
   a. Improve Port business assets to meet market demand.
   b. Improve efficiency and cost competitiveness of the supply chain.
   c. Advance the Port's market position in the international shipping industry.
2. Provide reliable and efficient regional and local infrastructure connections
   a. Enhance public infrastructure.
   b. Improve the Port's infrastructure.

Figure 3.......10 Targets in 10 Years

3. Improve the Port's financial performance
   a. Increase revenue through growth and diversification.
   b. Improve Port position of asset value to level of debt.
   c. Manage expenses consistent with changes in revenue.
4. Increase organizational capabilities
   a. Enhance employee engagement.
   b. Improve efficiency and reliability of internal processes to increase value for our customers and staff.
5. Advance Environmental Stewardship
   a. Identify and address environmental issues in advance of planned development.
   b. Partner to find innovative solutions to our customers' environmental challenges.
   c. Continuously improve operational efficiency and emission reductions.
6. Strengthen the Port's community connection
   a. Target the Port's outreach efforts to maintain and build community support.
   b. Promote and advance regional economic development through strategic partnerships.

Budget Environment

The Port 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 primarily for container terminals, industrial activities, and storage.

As described in further detail in Section III, the economic conditions caused by the fiscal crisis of late 2008 have had a significant impact on Asia-Pacific trade resulting in reduced container cargo volume. The drop in volume, combined with increased competition from Canadian ports as well as ports located on the U.S. West, Gulf and East coasts, have resulted in reduced cargo through the Port of Tacoma. Due to decreased demand for terminal space, competition among ports for container business has increased. The Port has responded to these conditions by reducing costs, and focusing on the needs of our current customers. The Port's focus on helping customers maximize terminal capacity and use allowed Hyundai's Washington United Terminals to attract the Grand Alliance as a customer starting in July of 2012. The addition of the Grand Alliance, which includes Hapag Lloyd, OOCL and NYK shipping lines, along with their associated partners Hamburg Süd and Zim, has increased the Port's container cargo volumes, partially offsetting the global reduction.

To provide interest rate stability for planned major project, 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 $65 million as of October 2013. The budget that is included in this document uses the Port's already outstanding variable debt Commercial Paper in order to satisfy the SWAP agreements. These additional funds will accumulate cash in anticipation of future investments. 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 will continue to monitor the SWAP valuations and will take the best course of action to minimize the risk and cost to the Port.

Tribal Developments

The Puyallup Tribe of Indians and Port both own land on and near the Blair Waterway that holds tremendous terminal development potential. In April 2007, the Tribe announced an agreement with Stevedoring Services of America (SSA) Marine to lease 180 acres of Tribal land on and near the Blair Waterway. Building on prior cooperative economic development agreements, in April 2008, the Port, Puyallup Tribe, SSA and Marine View Ventures (the economic development arm of the Tribe) signed several agreements among the various parties that focus on coordination of marine terminal developments along the east side of the Blair Waterway. These included a land purchase and sale agreement, waterway widening agreement and an agreement for all to cooperate on infrastructure development, and to explore additional opportunities for cooperation. These agreements are still in the process of being implemented.

Revenues

The Port has both fixed and variable revenue streams. The majority of Port revenues come from fixed revenue streams. These revenues are primarily from leased properties. The leased properties are mainly container terminals, buildings, and industrial and commercial land. The Port's container terminal leases with shipping carriers can last twenty 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 Port revenue comes from variable services provided to customers. These services include intermodal lifts for rail car loading above minimums and per unit charges for automobile unloading. Variable revenues also include equipment rental on an hourly basis for crane hours above minimums and straddle carriers used by terminal leaseholders and month to month building or land leases.

2014 Budget

The Port of Tacoma has developed an overall operating budget with projected revenue of $129.2 million, an increase of 2.0 percent over the estimated 2013 operating revenue results. The increase in revenue is driven primarily by increased intermodal lift volumes, contractual increases and minimum payments from our container terminal customers, and from new leases from property acquisitions made over the past several years. Operating income is budgeted to be $26.7 million, resulting in operating margin of 20.7 percent. The Port's net income is projected to be $17.9 million.

The Port's financial performance reflects the investments it is making to successfully complete our commitments to our customers while meeting the Port's financial goals. The operating and capital budgets are based on the cargo forecast in Section III.

Capital Improvement Plan Highlights

The Port's projects for the next five years reflect an increased focus on industrial development and utilization of existing terminal capacity. With this focus, the Port has reviewed potential assets for revenue generation to ensure that financial and economic growth goals are met.

Major 2014 capital projects include the following:

- Rail Infrastructure improvements to support new bulk opportunities and to support the longer trains that are expected in the future;
- Upgrades of Husky Terminal to support 100-gage rail cranes on Terminal 3 and the design of an improved and straightened Terminal 4;
- Several roof replacements and other upgrades to buildings as part of our Asset Management program; and
- Investments in numerous environmental remediation and mitigation projects.

The Port's $94.0 million 2014 capital budget represents the first year of the Port's 2014-2018 capital plan – a package totaling $189.2 million in new projects and investments. See Section V for additional details on the Capital Improvement Plan.

Financial Measures

The Port's financial measures indicate how well the Port plans and executes its operations, capital budget and financing. The measures are shown in Appendix L.

Tax Levy

In addition to the global economic climate, other business, political and civic developments can have an impact on the Port's daily operation and long-term goals. Assessed property values in Pierce County increased by approximately 2.1 percent in 2013, and new construction added approximately 1.2 percent in value. Property values have stabilized and new construction or improvement projects are expected to continue to improve in the future.

Please see Section VII 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 of Tacoma includes:

State Transportation Funding

The state House of Representatives in 2013 passed a $10.3 billion transportation revenue package that included funding to complete State Route 167. Completion of the highway will provide a more direct connection between the Port of Tacoma and one-third of the region's distribution and storage facilities.

While the Senate failed to act on the proposal before the end of the legislative session, it has scheduled a series of "listening sessions" throughout the state in the fall of 2013. These sessions are intended to help senators craft their own transportation funding proposal that could be considered either in a special session late in 2013 or during the regular 2014 legislative session. While it remains unclear at this time whether such an effort will be successful, the Port of Tacoma continues working with other interested stakeholders to securing the remaining funds needed to complete SR-167.

State Toxic Cleanup Funding

The Port relies upon Remedial Action Grant (RAG) funding from the state's Local Toxics Control Account (LTCA) to help remediate contaminated properties it owns. LTCA is funded by a barrel tax on petroleum products and hazardous chemicals.

Outgoing governor Chris Gregoire had proposed $72 million in RAG funding. According to the Department of Ecology's workplan, twenty-two sites statewide would have been funded, including two Port of Tacoma remediation projects—the Arkema Mound and Arkema Manufacturing sites.

The Legislature, however, chose only to appropriate $61.5 million. This reduced funding level means that state matching grants for the Port's sites are not currently available. The Port will encourage the state to appropriate additional RAG funding during the 2014 supplemental capital budget in an effort to ensure state funding for its projects.

Harbor Maintenance Tax

The HMT is assessed on ocean-going international imports that land at U.S. ports to pay for maintenance dredging of harbors waterways through the HMT Trust Fund. It is not, however, assessed on importers who route cargo through non-US ports and afterwards move the cargo into US markets by land. Moreover, the Port of Tacoma received little if any benefit from the fund because it is located on a natural deep water harbor that does not require maintenance dredging. Since 1986 the Port has sought reform of the HMT to provide a greater return to donor ports like the Port of Tacoma and to ensure U.S. tax code does not disadvantage U.S. ports and maritime cargo.

The United States Senate in May passed its version of the Water Resources Development Act (WRDA). The measure included, for the first time in thirty years, language reforming the federal Harbor Maintenance Tax. The bill allows ports located in HMT "donor states" to use HMT funds for berth maintenance and in-water environmental remediation should all the maintenance dredging needs be met in the state. The bill also authorizes up to $50 million in HMT transfers—subject to appropriation—to donor ports and energy ports. This rebate can be used for customer rebates, berth maintenance and in-water environmental remediation.

The House is expected to introduce their version of WRDA sometime this fall.

Port Security

The Port's security force focuses on physical security and facilitates the Port'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, facilities and supporting programs that protect our surrounding community.

Security at the Port of Tacoma 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 provide security at the APM Terminals. 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 of Tacoma Security Department has been successful leveraging grant funding received from the Department of Homeland Security (DHS) through the Port Security Grant Program to enhance security infrastructure. The Port of Tacoma has received more than $25 million in grant funding since 2003 with a cost-share contribution of more than $7.2 million. The Port of Tacoma will continue to leverage grant funding as needed to meet regulatory requirements of the Maritime Industry.

Port Security Personnel will continue to reinforce stewardship of public trust by maintaining an active security program that will continue to strengthen our security posture while working with local and regional partners to safeguard people, facilities and the surrounding community.

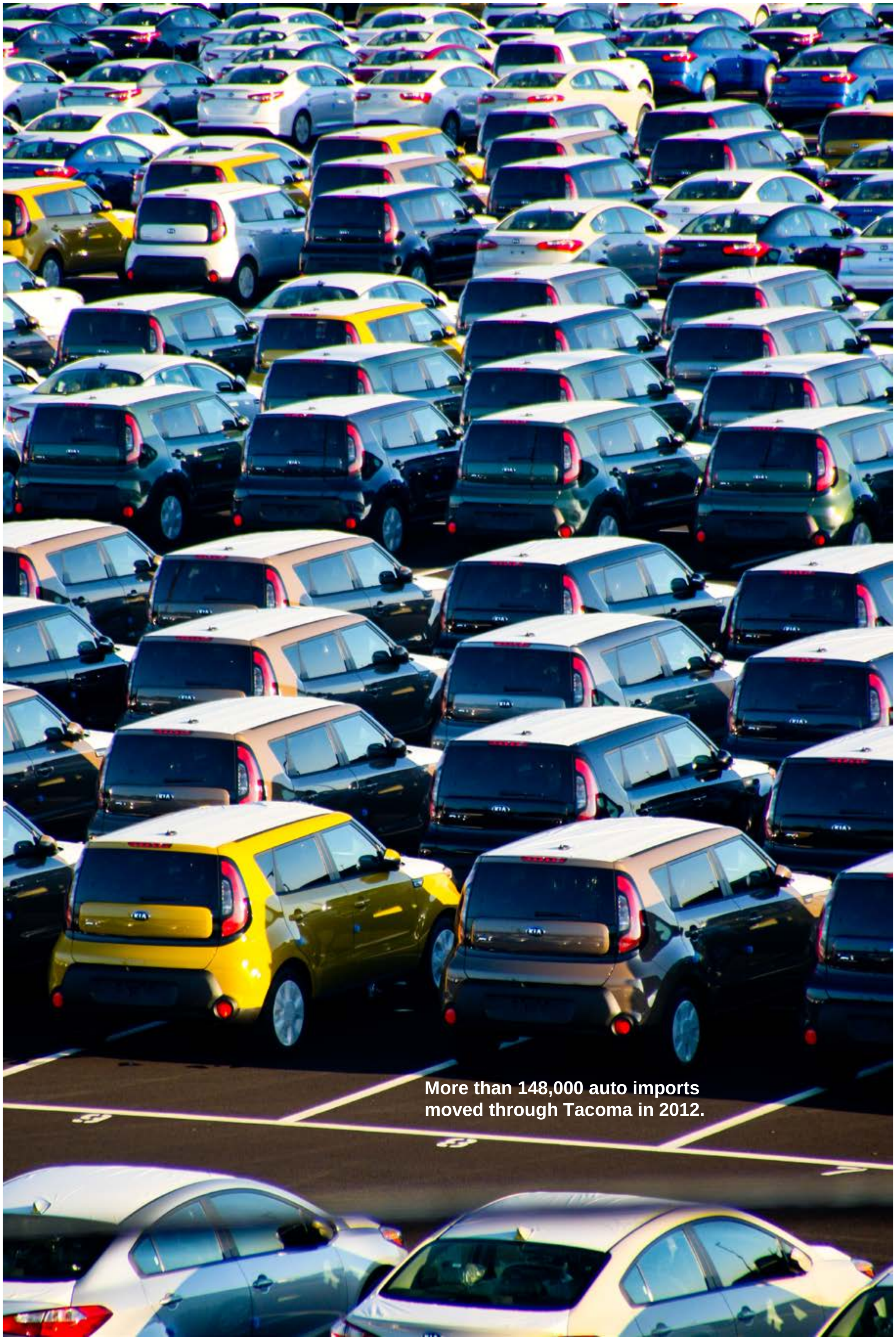
Conclusion

The realities of the drastic changes in the global economy have led all ports to examine business and operational strategies.

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

We also are 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.

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


More than 148,000 auto imports
moved through Tacoma in 2012.

III. Business Outlook

U.S. Economy

The US economy continued to grow through the first three quarters of 2013, albeit at a very slow pace. Real GDP growth is low, but positive, and unemployment continues on a slow but steady decline. Housing has remained a bright spot throughout most of the year; however, recent data shows that demand may be cooling. Indicators of consumer confidence remain mixed in recent months while retail sales growth may be weakening. Looking ahead to 2014, economic growth will likely remain tepid as the US government and businesses continue to struggle with a number of domestic issues, much of Europe remains weak and in financial turmoil and economic growth in China continues to soften.

Real gross domestic product (GDP), defined as the output of goods and services produced within the United States, grew at an annualized rate of 2.5% in the second quarter of 2013 (based on the second revision). GDP estimates are typically revised several times as more complete source data becomes available. The growth in real GDP came primarily from better than expected personal consumption in the US and higher sales abroad compared with the first quarter of the year. Despite the stronger than expected results in the second quarter, many economists expect to see growth taper over the remainder of the year and for full-year real GDP to come in under 2%.

The unemployment rate has continued to trend downward and currently stands at 7.3%, down from a high of 10% in 2009. While job growth remains steady, it also remains stubbornly slow. The good news is that improvement has remained consistent despite tax increases, debt-ceiling fights, and global uncertainty, and the ratio of job-seekers to job openings is also slowly returning to normal. The bad news is that at the current rate of job growth it will take over 6 years to get back to prerecession employment levels.

The housing market has enjoyed an especially impressive rally over the last year. Home prices have climbed dramatically, and sales volume and new home construction have risen as well. However, in recent months the market has slowed somewhat as rising home prices coupled with rising interest rates have tempered demand for new and used homes. The current consensus among economists and housing analysts is that, while the housing recovery is not expected to stall, the high growth rate in home prices over the last 12-to-18 months is over.

After declining slightly in July, consumer confidence showed a moderate increase in August. While growth in confidence appears to have tapered out over the summer, it still sits at its highest level since early 2008. It is this growth in consumer confidence that has helped carry what little economic recovery there has been so far. Monthly retail sales have grown from 4% to 6% year-over-year with the exception of August, where they grew by a meager 0.5%. Whether this is the beginning of a new trend remains to be seen, but with stagnant income growth many economists are questioning how much longer retail sales can grow and help drive the recovery.

The same factors that have limited the recovery up to this point are not expected to change much in 2014. Growth in real GDP will likely be around 2% for the year, weighed down in part by low job growth and stagnant wages in the US as well as vulnerability to international considerations such as a weakened Eurozone and a cooling Chinese economy. The housing market should continue to improve, but at a more modest pace than what has been seen over the last year. Consumers and businesses will remain cautious as they wait to see the full effect of a number of looming political and fiscal issues, including the Affordable Care Act, the next debt-ceiling debate, and the inevitable scaling back of bond purchases by the Fed. If this sounds familiar, it should. Not a lot has changed, and all things considered it is not unrealistic to expect 2014 to be quite similar to the previous year.

Shipping Industry

Similar to the US economy, many of the same issues that have plagued the shipping industry over the last few years will continue to present challenges in 2014. Overcapacity, freight rates and profitability, and the arrival of newer and bigger ships is still a problem for the industry – as it has been for the last several years. In addition, another relatively new trend has emerged: the formation of new mega alliances between some of the industry's largest carriers as well as between some already existing alliances.

Containership overcapacity will continue to be a major concern in 2014, thus contributing to ongoing freight rate and profitability issues, especially in the Transpacific trade, as supply and demand characteristics remain out of balance and freight rate volatility continues. Virtually all efforts at rate increases over the past year have failed, and given that the fundamental issues persist, there is little reason to believe this dynamic will change much next year. The mega ship trend is further exacerbating this situation by putting additional pressure on freight rates through reduced per-container costs, while at the same time contributing to the overcapacity that is at the root of the low freight-rate conundrum.

Mega alliances – shipping groups with up to 6 major carrier lines – command a large chunk of global container capacity. This emerging trend offers a potential means for carriers within these alliances to better manage capacity and thereby manage their freight rates. On the flip side of that coin, however, these alliances may also ultimately contribute to the ongoing problem of unsustainably low freight rates – especially for those carriers not in a mega alliance. With more and more capacity being operated by an ever-decreasing number of lines and subsequent services, the result has been the increasing commoditization and decreasing differentiation of services. This, unfortunately, has left carriers with little room to distinguish themselves other than through unsustainably low freight rates.

Port Activity

Total container volume is projected to grow approximately 8% in 2013, followed by flat growth in 2014. While the first half of 2013 saw very strong year-over-year growth, this was primarily due to several new container customers coming to the Port in midyear 2012. Volume growth is projected to decrease significantly over the 2nd half of 2013 as year-over-year comparisons will now reflect the same line-up of service and vessel calls. Commodities such as industrial and electrical machinery, auto parts, furniture, toys, and sporting goods are leading imports, while agricultural products, industrial machinery, bulk wood, and scrap paper are leading exports. On the domestic side, the Alaska and Hawaii services continue to remain a stable and large piece of the Port's overall container business. For 2014, volumes are projected to be steady but flat, as the economic and market conditions described above continue to play out.

Breakbulk cargo consists of items too large or awkward for efficient shipment in containers. Breakbulk is made up in large part by agricultural and construction equipment. While over the last couple of years the Port has been a beneficiary of extreme growth in demand for this type of equipment from markets such as China and Australia, this demand has more recently tapered off. Additionally, the Port benefitted in 2012 from increasing frequency of vessel calls by two of the Port's major carriers. No major new accounts or service calls were established in 2013. For the year, breakbulk tonnage is projected to reach approximately 215,000 short tons, a decline of 18% over 2012. Looking ahead to 2014, growth will be light as the world economy continues to slowly trudge along.

Auto imports for the year are projected at about 160,000 units, up approximately 8% from 2012. Private vehicle sales have continued to improve throughout 2013 as easing credit, low interest rates, and ongoing improvement in the housing market has allowed consumers to release some pent-up demand. This improvement is reflected in the Port's annual volume growth. Looking forward to 2014, auto imports are projected to increase about 3%.

Finally, on the Port's bulk side of the business, log exports will see strong growth over 2012 while grain volume will be down dramatically. Demand from Asia for logs picked back up in 2013 after dropping off the year before.

Meanwhile, grain volumes have fallen off significantly in 2013 as the US market remained depressed from the drought in the Midwest the year before. For 2014, both lines of business are expected to be flat to slightly down as they remain exposed to a tepid and slowly recovering global economy.

Table 1........Cargo Activity Five-Year Forecast

	Actual				Forecast				
	2010	2011	2012	2013 est	2014	2015	2016	2017	2018
Tonnage (Thousands of Short Tons)									
Breakbulk	92	154	260	214	219	223	230	238	247
Containerized Tonnage									
International	*7,687*	*8,384*	*10,198*	*11,302*	*11,302*	*11,471*	*11,818*	*12,229*	*12,721*
Domestic	*1,869*	*1,824*	*1,810*	*1,855*	*1,896*	*1,937*	*1,990*	*2,059*	*2,144*
Total Containerized	9,556	10,208	12,008	13,157	13,198	13,408	13,808	14,288	14,865
Autos	188	260	225	247	254	259	267	276	287
Logs	403	585	377	466	420	420	420	210	0
Bulk									
Grain	*6,149*	*5,930*	*4,804*	*1,507*	*1,500*	*4,000*	*6,000*	*6,000*	*6,000*
Wood Chips	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Gypsum	*145*	*134*	*244*	*0*	*0*	*0*	*0*	*0*	*0*
Total Bulk	6,294	6,064	5,048	1,507	1,500	4,000	6,000	6,000	6,000
Total Tonnage	**16,533**	**17,271**	**17,918**	**15,591**	**15,591**	**18,310**	**20,725**	**21,012**	**21,399**
	-5%	4%	4%	-13%	0%	17%	13%	1%	2%
Container Forecast (Thousands of TEUs)									
International	*977*	*1,022*	*1,265*	*1,402*	*1,402*	*1,423*	*1,466*	*1,517*	*1,578*
Alaska	*444*	*434*	*424*	*432*	*441*	*450*	*463*	*479*	*498*
Hawaii	*35*	*33*	*22*	*25*	*26*	*27*	*27*	*28*	*30*
Total TEUs	**1,456**	**1,489**	**1,711**	**1,859**	**1,869**	**1,900**	**1,956**	**2,024**	**2,106**
	-6%	2%	15%	9%	1%	2%	3%	3%	4%
Intermodal Yard Lifts									
Hyundai Intermodal Yard	*64,691*	*61,110*	*91,185*	*154,134*	*154,134*	*156,446*	*161,139*	*166,779*	*173,450*
North Intermodal Yard	*129,715*	*147,061*	*193,511*	*179,482*	*178,421*	*181,098*	*186,531*	*193,059*	*200,781*
South Intermodal Yard	*85,692*	*69,286*	*82,249*	*84,499*	*88,129*	*89,892*	*92,589*	*95,829*	*99,662*
Pierce County Intermodal Yard	*57,765*	*61,501*	*72,815*	*75,386*	*75,386*	*76,517*	*78,812*	*81,571*	*84,833*
Total Intermodal Lifts	**337,863**	**338,958**	**439,760**	**493,501**	**496,070**	**503,953**	**519,071**	**537,238**	**558,726**
	19%	0%	30%	12%	1%	2%	3%	3%	4%
Log Board Feet	**69,944,810**	**103,781,800**	**66,405,210**	**81,742,433**	**75,000,000**	**75,000,000**	**37,500,000**	**0**	**0**
		48%	-36%	23%	-8%	0%	-50%	-100%	
Vehicle Units	**120,996**	**162,434**	**148,239**	**161,331**	**167,191**	**170,535**	**175,651**	**181,799**	**189,071**
	3%	34%	-9%	9%	4%	2%	3%	4%	4%

Agricultural and construction equipment moving to Asia added significantly to breakbulk volumes.

IV. Operating Budget

Overview

The Port of Tacoma's operating budget is based on cargo volume forecasts (see Table I, page III-3), 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, Port staff created a realistic budget that supports both the corporate priorities and financial goals of the Port.

Departmental budgets estimate the expenses that will be generated in support of the Port 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 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 of Tacoma 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.

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 Port of Tacoma operates as an enterprise fund, allowing the Port 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 of Tacoma defines "balanced budget" in the following way: Total revenues are sufficient to cover operating expenses for the budget year and to offset the cost of capital investments (depreciation) and anticipated debt costs for any planned future capital investments.

Budget Process

The 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 that 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 E (page E-1). The operating budget and the capital budget are the Port's plan for meeting the current needs of its customers, and for implementation of the Strategic Plan initiatives.

The annual budget development begins in August and continues through November. The process begins with the development of strategic objectives and initiatives which are reviewed by the Commission and the Chief Executive Officer. The Commission and Chief Executive Officer communicate any strategy changes or policy concerns and gather additional input.

Cargo forecasts, available at the beginning of September, are used to develop the operating and capital budgets. During a study session, the Commission is presented with a draft budget.

In November, a public hearing is held to address public interest, and to adopt the statutory budget and tax levy. After the 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 revenue 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 2014 operating budget are a result of economic and industry trends represented in the cargo forecast.

Revenue

- The Port forecasts a 0.5% increase in total 2014 container volume.
- Proceeds from crane and straddle carrier rental and rail facility charges are driven by the cargo forecast (see Table I, page III-3).
- Autos are projected to increase by 2.7%.
- Intermodal lifts are projected to increase by 0.5 %.
- Tariff rates are projected to increase 2 to 2.5 %.
- Property lease rental rates will increase as specified in contracts.

Expense

- Budgeted salary and employee benefits remain essentially flat at 1.1% growth.
- Headcount will be remaining flat at 237 employee positions, five Port of Tacoma Commissioners, and part time security officers. (See Appendix G page 92).
- Monitoring and other ongoing environmental expenses are budgeted for $3.6 million.
- Depreciation will increase by $1.4 million primarily due to the wharf improvements and overall port wide security improvements.
- General operating expenses before depreciation will increase by 3.0 % due to higher operating costs related to higher volume, higher maintenance cost increases due to the Port's Asset Management program, increased environmental expenses, and costs related to the Strategic Plan initiatives.
- Memberships in professional and trade organizations will decrease slightly by $7,700 (-2.0 %) to $380,000 (see Appendix C).

Non-Operating Revenue and Expense

- Grant income of $7.2 million.
- Interest income of $2.5 million.
- Net revenue bond interest expense of $23.3 million.
- Tax Levy (see Section VI).

Major Changes – 2013-2014

- Operating, maintenance, administrative, security and environmental expenses increased by 4.0 percent driven primarily by an increase in building and pier repairs, environmental expenses, and an increase in operating expenses due to higher volume.
- Net non-operating expense decreased by $10.8 million primarily due to grant income and market valuations.

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: 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 Port uses the five-year cargo forecast to project budgeted revenues.

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 citizens of Pierce County.

Financial Tools

- Cargo Forecasts: The Port maintains a cargo estimate for each of the next five years. (See Table I, page III-3)
- Five-Year Operating Budget: The operating budget is driven by 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, Chief Executive Officer and Leadership Team review these semi-annually.
- Five-Year Capital Improvement 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 the Port’s business objectives. It evaluates the capital budget, describes debt practices, outlines a plan to fund the Port’s 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 2........Statement of Revenue, Expenses and Change in Assets by Business

Total Port of Tacoma	**2012**	**2013**	**2014**
$ Thousands	**Actual**	**Forecast**	**Budget**
Operating Revenue			
Container	$93,576	$92,155	$95,170
Non Container	17,991	19,584	18,791
Real Estate	12,754	14,887	15,191
Other	56	54	44
Total Revenue	**124,377**	**126,680**	**129,196**
Direct Expenses			
Container	27,634	26,614	26,120
Non Container	6,983	8,729	7,856
Real Estate	3,679	3,419	4,022
Other	8,662	8,249	10,043
Total Direct Expenses	**46,959**	**47,010**	**48,041**
Administrative Expenses	13,377	14,501	14,998
Security	3,426	4,059	4,049
Environmental	2,101	2,999	3,570
Total Operating Expenses before Depreciation	**65,864**	**68,568**	**70,658**
Depreciation	30,283	30,398	31,804
Total Operating Expense	**96,146**	**98,967**	**102,461**
Operating Income	**$28,231**	**$27,713**	**$26,735**
% Revenue	22.7%	21.9%	20.7%
Non Operating Revenue and Expense	(9,557)	(23,684)	(12,898)
Income before Tax Levy and Expense	**18,673**	**4,030**	**13,837**
Ad Valorem Tax Levy	13,672	12,585	13,016
GO Interest	9,566	9,456	9,000
Net Tax Levy	**4,106**	**3,129**	**4,016**
Net Income	**$22,779**	**$7,159**	**$17,854**

Figure 4 ...... 2014 Operating Revenue by Business

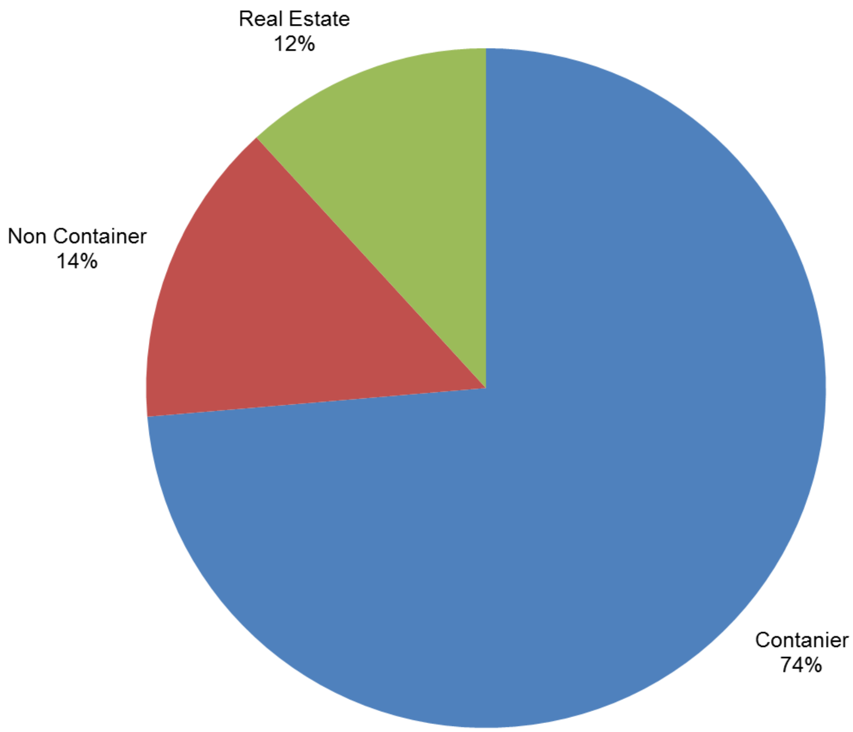


Figure 5 ...... Operating Revenue by Year

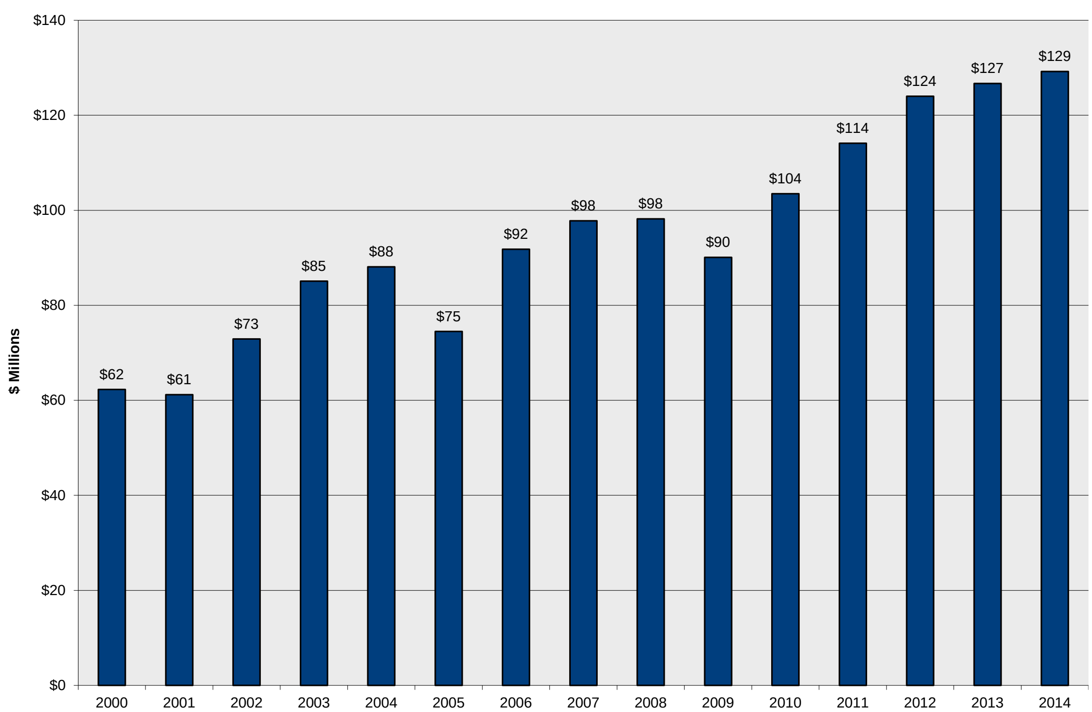


Figure 6 ...... 2014 Operating Expenses by Category

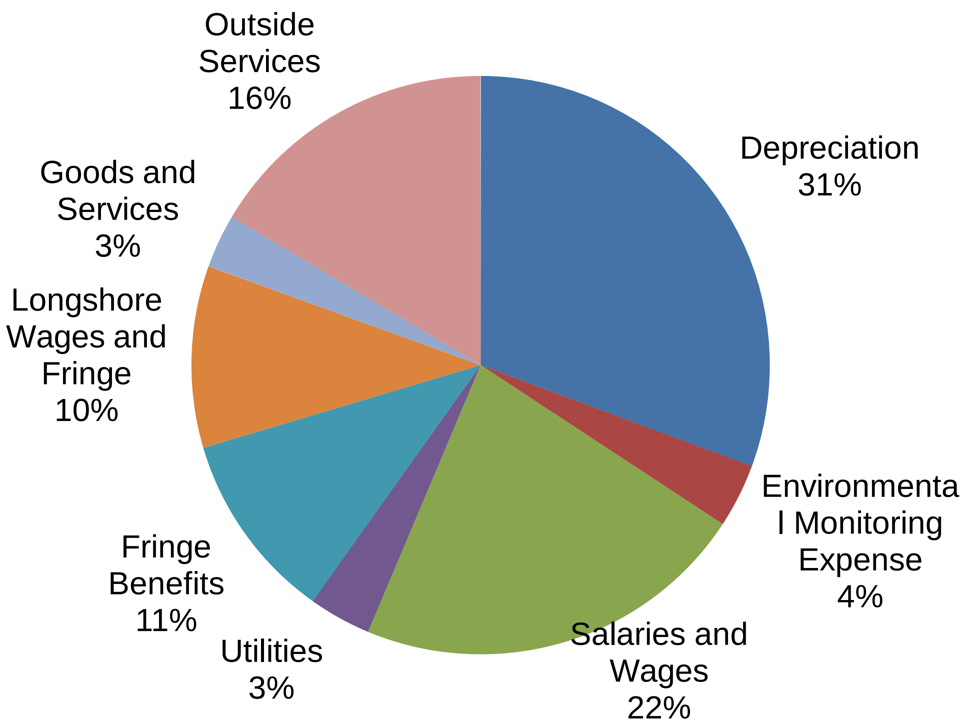


Figure 7 ...... Operating Expense by Year

(Excluding depreciation)

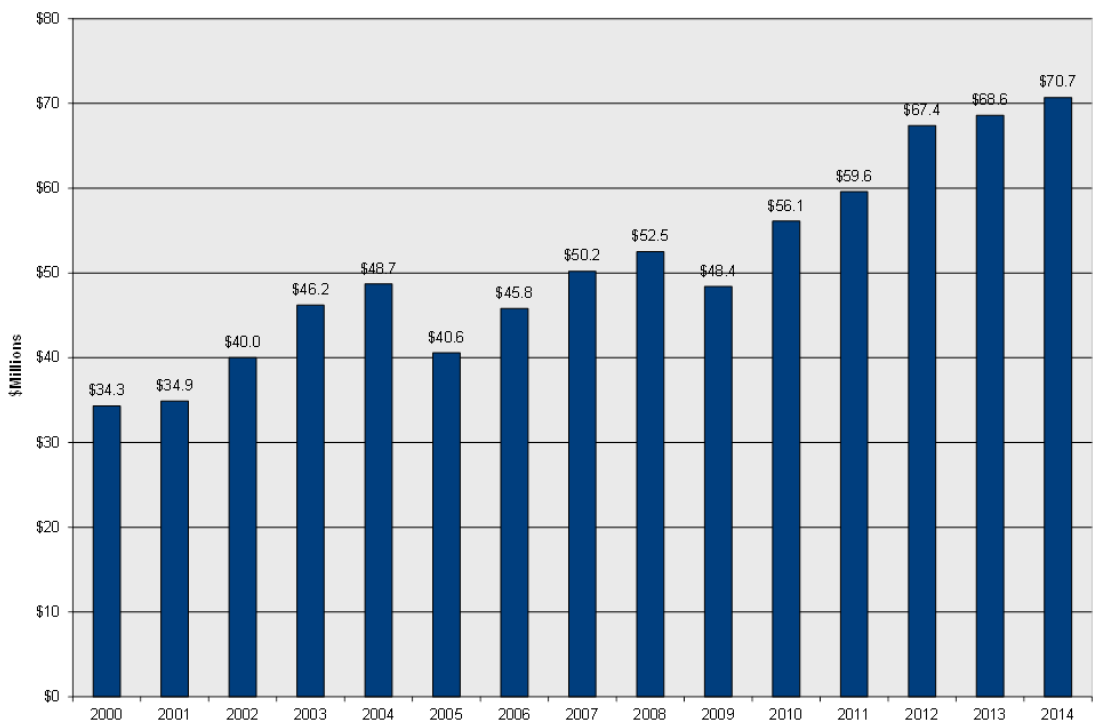


Table 3........Operating Revenue and Expense Detail

Total Port of Tacoma *$ Thousands*	**2012 Actual**	**2013 Forecast**	**2014 Budget**
Services Marine Terminals	$78,581	$78,115	$80,003
Property Rental	30,076	33,584	33,157
Equipment Rentals	13,370	12,505	13,454
Other Revenue	1,307	1,284	1,384
Sale of Utilities	1,043	1,191	1,198
Operating Revenue	**$124,377**	**$126,680**	**$129,196**
Port Salaries & Fringe	$31,110	$33,458	$33,836
Depreciation	30,283	30,398	31,804
Maintenance	17,249	16,632	17,336
Longshore Labor & Fringe	9,175	9,400	10,475
Direct Expenses	10,840	11,086	9,943
Outside Services	4,968	5,454	6,043
Environmental	2,080	2,975	3,570
Utilities	3,409	3,546	3,592
Marketing & Global Outreach	761	772	916
Office Equipment & Supplies	593	482	676
Other Employee Exp	447	484	539
Travel & Entertaniment	476	389	474
Allocations	(15,244)	(16,111)	(16,741)
Total Operating Expenses	**$96,146**	**$98,967**	**$102,461**

Table 4........Non-Operating Revenue and Expense Detail

Total Port *$ Thousands*	**2012** **Actual**	**2013** **Forecast**	**2014** **Budget**
Interest Income	3,153	2,233	2,469
Investment Gain Loss	777	(4,289)	0
Gain (Loss) Sale of Facilities	(850)	(660)	1,976
Leasehold Tax Distrib	67	72	67
St. Forest Board Rcpt	39	23	25
Discounts Taken	5	6	5
Misc Non Op Inc	692	10	(233)
Grant income	13,565	5,791	7,164
Non Operating Revenue	**$17,447**	**$3,186**	**$11,471**
Interest expense	9,758	9,520	10,441
Other Bond Fees	263	82	145
Letter of Credit Fee	1,825	1,967	1,968
Swap Interest Due	9,085	12,527	12,863
Swap Interest Received	(388)	(444)	(1,593)
Amort Def Debt Ser	158	216	216
Bond Issue Debt Serv	-	-	-
Bond Disc Debt Serv	30	45	38
Election Expense	-	890	-
Bond Premium Debt Serv	(448)	(621)	(531)
Bank Service Fee	27	30	30
Other Bank Charges	7	7	14
Misc Non Op Exp	6,853	2,900	1,520
Capitalized Interest	(165)	(248)	(742)
Non Operating Expense	**$27,004**	**$26,870**	**$24,369**
Non Operating Revenue and Expenses	**($9,557)**	**($23,684)**	**($12,898)**

V. Capital Improvement Plan

Overview

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

The five-year Capital Improvement 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 5 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.

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 strategic plan completed, the five-year capital budget focuses on the road and waterway infrastructure improvements, enhanced security and environmental projects highlighted in the plan. By the close of 2013, the Port will have completed or neared completion of the following capital projects:

- Kaiser property remediation
- W. Hylebos Log Dock stormwater improvements
- Lot M paving
- Several roof replacements

Development in the five-year planned CIP includes the following:

- Widening of the Blair Waterway
- Pier 3 100-gage crane rail construction and Pier 4 straightening design
- Rail infrastructure improvements working with Tacoma Rail, including development of north lead tracks to the Hylebos peninsula
- Purchase of 9 replacement straddle carriers for the general central peninsula
- Maintenance and rehabilitation of Port assets including several roof replacements
- Contribution to design of the reconstruction of Port of Tacoma Road
- Environmental cleanups for land stewardship

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

The Port of Tacoma has a strong commitment to the protection and improvement of the environment. Recent examples of this commitment are the cleanup of historic contamination sites, such as the Hylebos Waterway Superfund project, protection of existing wetlands and fisheries throughout the Tideflats and Commencement Bay. 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 5........Historical and Planned Capital Budget Spending

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Historical CIP	67.0	54.4	44.1	37.4						
Planned CIP					45.8	83.0	17.9	13.5	35.1	5.6
Grand Total	**$67.0**	**$54.4**	**$44.1**	**$37.4**	**$45.8**	**$83.0**	**$17.9**	**$13.5**	**$35.1**	**$5.6**

Capital Improvement Plan Priorities

To efficiently allocate human and financial resources, the Port of Tacoma 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 Improvement Plan Projects by Purpose

While the stage of the planning process determines the budgetary category of a particular project, project purpose determines the source of financing. The Port classifies CIP projects into three types, (as shown below in Table 6):

- 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 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 also may use capital leasing through equipment suppliers or financial institutions.
- Infrastructure: Projects developed to enhance infrastructure, support multiple or future customers or to enhance public infrastructure. Sometimes, other public agencies may participate in funding that otherwise comes from Port-generated operating cash, the property tax levy, and general obligation bonds or revenue bonds. They often are complex in nature, with multiple public agencies involved in the planning process and execution.

Table 7 shows Open (excludes estimate) project expenditures during the five-year planning horizon as categorized by accounting treatment.

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

Table 7 shows that the Port intends to implement $189.2 million worth of planned projects in the next five years, with $94.0 million of that total earmarked for 2014. Non-operating and operating projects will be expensed as incurred and are included in the operating budget.

Table 8 shows the five-year budget by Line of Business

Table 9 shows the expected increase in depreciation and revenue from the when all of the projects are completed. The CIP is the total expected spending of 132 projects, 63 of which are capitalized and 69 expensed as incurred. The expensed projects are captured as expenses in the budget and five-year Plan of Finance as incurred. The costs of the capitalized projects are captured as depreciation expense over the estimated life of the projects which may extend beyond five years. The Port does not expect any significant increase in operating expenses associated with the additional capital projects.

Table 6........Five-Year Planned Capital Budget by Purpose

($ Millions)

	2014	2015	2016	2017	2018	Totals
Infrastructure	$27.7	$7.3	$3.7	$5.5	$2.0	$46.1
Renewal	25.5	15.0	13.9	8.8	6.9	70.1
Revenue	40.8	2.4	1.4	28.3	0.2	73.1
Grand Total	**$94.0**	**$24.6**	**$19.0**	**$42.6**	**$9.0**	**$189.2**

Table 7........Five-Year Planned Program Budget by Accounting Treatment

($ Millions)

	2014	2015	2016	2017	2018	Totals
Capitalized	83.0	17.9	13.5	35.1	5.6	155.1
Operating Expense	9.7	6.6	5.4	7.4	3.4	32.5
Non-Operating Expense	1.3	0.1	0.1	0.1	0.1	1.6
Grand Total	**$94.0**	**$24.6**	**$19.0**	**$42.6**	**$9.0**	**$189.2**

Table 8........Planned Major Capitalized Projects for 2014-2018 by Line of Business

($ Millions)

.

	2014	2015	2016	2017	2018	Total
Container Business	$36.5	$13.3	$13.1	$7.0	$5.0	$74.9
Non Container Business	18.9	0.2	0.1	0.0	0.0	19
Real Estate	12.6	1.4	0.0	0.0	0.0	14
Port-Wide Infrastructure	25.9	9.8	5.8	35.6	4.0	81
Grand Total	**$94.0**	**$24.6**	**$19.0**	**$42.6**	**$9.0**	**$189.2**

Table 9........Net Income Impact of Capital Investments

($ Millions)

.

	2014	2015	2016	2017	2018	Total
Container Business	-$0.5	-$2.7	-$3.7	-$4.0	-$4.2	-$15.1
Non Container Business	-0.4	-0.5	-0.5	-0.5	-0.5	-2.4
Real Estate	-0.2	-0.4	-0.4	-0.4	-0.4	-1.9
Port-Wide Infrastructure	-0.2	-0.6	-0.9	-0.9	-0.9	-3.4
Grand Total	**-$1.3**	**-$4.3**	**-$5.5**	**-$5.8**	**-$6.0**	**-$22.8**

Capital Budget Project Descriptions

The Port of Tacoma's five-year CIP has been categorized on a business basis, as shown in Figure 8. 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 $74.9 million over the next five years. The CIP for this business will provide the funds necessary for widening portions of the Blair Waterway, crane rail upgrades at Husky Terminal, stormwater improvements on the greater central peninsula, and rail infrastructure improvements in the Tideflats.

Non-Container Business

Approximately $19.2 million will be spent on lead tracks for bulk terminal on the Hylebos peninsula and on environmental -related costs to improve the stormwater system at other non contanier property improvements.

Industrial & Commercial Real Estate

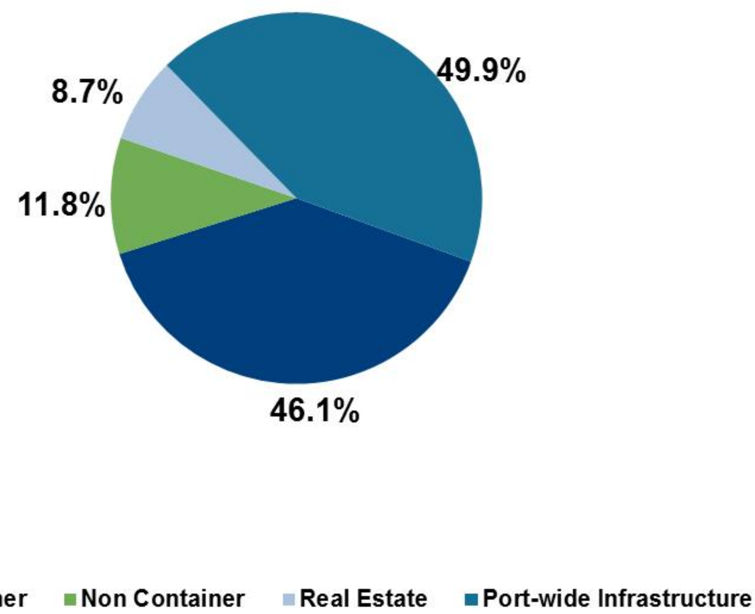
- The Port will invest $14 million in real estate improvements including

- Asset Management and Maintenance: The Port of Tacoma's budget provides funds that refurbish and maintain Port owned buildings and other physical assets. The Port is evaluating business opportunities that support economic growth and development. As part of asset management, the Port plans to deconstruct a major warehouse complex next to the SIM and several old buildings on the Hylebos peninsula to allow for new business opportunities.

- Fabulich Center: The Port of Tacoma's budget provides funds for tenant improvements at this property and further development of the building's infrastructure.

- Commencement Bay Industrial Development District: The Port of Tacoma's budget provides funds for further planning and development of port owned property. The Port is evaluating business opportunities that support economic growth and development.

Figure 8 ...... Five-Year Planned Capital Budget by Business



Port-Wide Infrastructure

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

- Waterway improvements: Widening of the waterway across from the Washington United Terminal
- Environmental Projects: Major environmental improvements at Wapato creek, Clear creek, Arkema mound and the head of the Hylebos waterway
- Environmental Programs: These projects include reduction and monitoring of emissions, and ongoing clean-up projects
- Maintenance: Funding includes fender and paving repairs plans for replacement maintenance equipment to support terminal, rail and administrative operations
- Technology: The Port will update and implement technology improvements to increase efficiency and productivity
- Road: Port's contribution for the rehabilitation of the Eels Street Bridge and Port of Tacoma Road by the City of Tacoma

Capital Improvement 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.

The first 10,000 TEU ship to call Tacoma arrived in 2013.

VI. Tax Levy

Tax At a Glance

- The levy increases by $449,970 from $12,665,790 to $13,115,760 due to increases in property values and first time taxes on new construction and improvements.
- Target millage rate of $0.18365 per $1,000 assessed value, the same as the Port's targeted millage rate for the last five years.
- Tax levy for a $300,000 assessed value home for 2014 will be $55.08 – the same as 2013.
- The total levy will be used for the following:

Interest payments	$8,999,513
Principal payments & bond retirement	4,116,247
Total	$13,115,760

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 to 1 percent plus new construction and improvements since 1985.

The Port of Tacoma's highest lawful regular levy amount since 1985 is $22,704,864 well above the current levy of $13,115,760.

- Figure 9 shows the maximum allowed levy versus the actual Port levy from 1989 to the proposed 2014 levy.

Figure 9 ...... Actual Port Levy vs. Maximum Port Levy

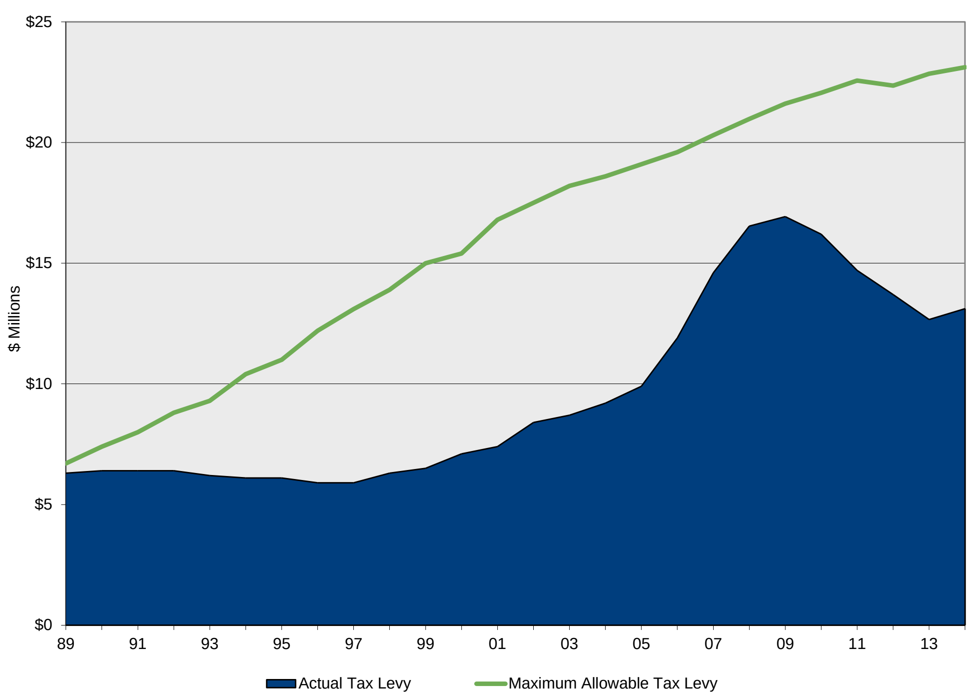
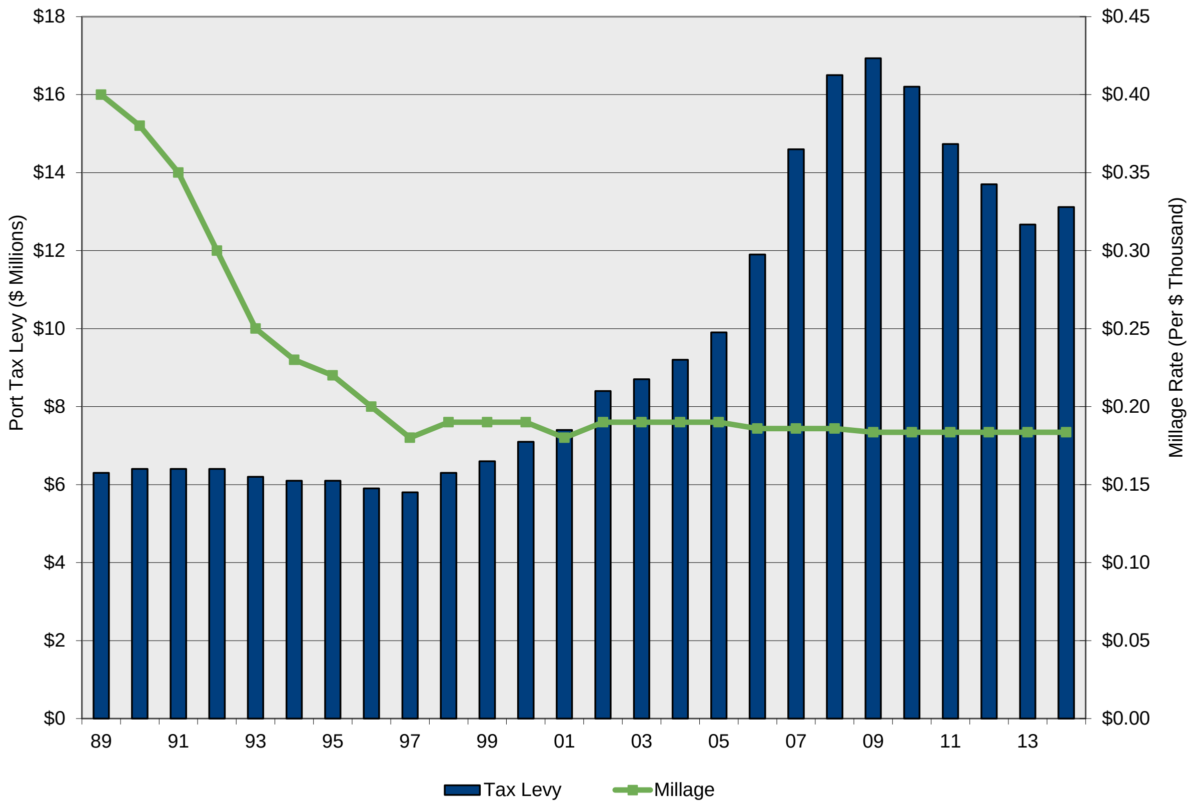


Figure 10.... Port Tax Levy vs. Millage Rate



- From 2002 to 2008 the Port has held the target millage rate at or below 18.59 cents per $1,000 of assessed value. The Port reduced the targeted millage rate in 2009 to 18.365 cents per $1,000 as shown above in Figure 10;

- 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 over $150 million over the last 26 years.

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 also may levy property taxes for Industrial Development Districts (IDDs) – under a comprehensive scheme of harbor improvements – for up to 12 years, not to exceed $0.45 per $1,000 of assessed value of taxable property within the Port District. If a port district intends to levy this tax for one or more years after the first six years, the Port must publish notice of intent to impose such a levy, and if signatures of at least 8 percent of the voters protest the levy, the County must conduct a special election with majority approval required.

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 $32.5 million on governmental projects as shown in Table 10.

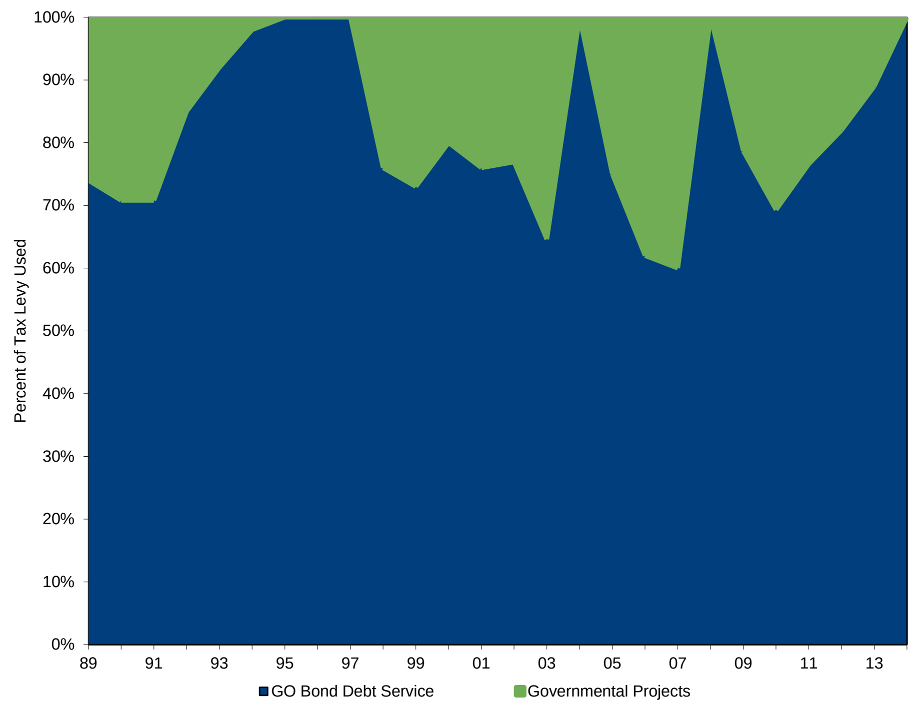
The Port will use the regular levy for the current year's debt service on G.O. bonds (principal and interest) of $13,115,760. The history of its usage is shown in Figure 11. The Port does not use the tax levy for operating expenses.

Table 10......Governmental Infrastructure Projects

($ Millions)

Initiatives	2014-2018
Environmental Projects	$16.5
Land and Building	4.4
Port Wide Infrastructure	4.2
Technology	4.1
Asset Management	1.4
Other	0.9
Road Contributions	0.9
Total	**$32.5**

Figure 11 .... Historical and Projected Use of Port Tax Levy



Taxpayer Effect

Figure 12 shows the effect of the change in millage over the last 24 years on a $300,000 assessed value home. In 1988, a homeowner paid more than $121.38 compared to the proposed tax for 2014 estimated at less than 56.

Figure 12 Port Tax on a $300,000 Assessed Value Home

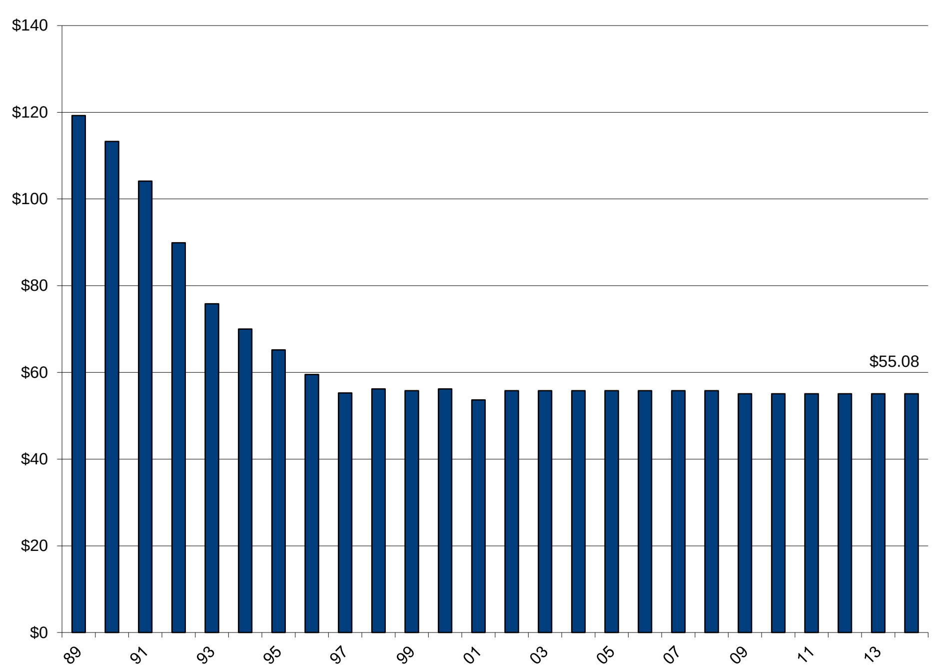


Table 11 illustrates the assessed valuation and millage rate from 1989 to 2014. The assessed value has increased from $15.8 billion in 1989 to $71.4 billion in 2014, while millage (the rate paid per $1,000 assessed value) has dropped from $0..3975 in 1989 to the proposed rate in 2014 of $0.18365.

Table 11......History of Port Tax Levies for General Port Purposes

Year	Assessed Valuation	Millage Rate	Levy	G. O. Bond Debt Service	Balance Cap Improvement	Levy on $300,000 Home
1989	$ 15,796,907,722	$ 0.3975	$ 6,279,271	$ 4,648,618	1,630,653	$ 119.25
1990	16,950,959,190	$ 0.3776	6,400,682	4,533,036	1,867,646	113.28
1991	18,435,237,322	$ 0.3471	6,398,870	4,533,036	1,865,834	104.13
1992	21,358,838,977	$ 0.2996	6,399,108	5,442,100	957,008	89.88
1993	24,493,558,730	$ 0.2527	6,189,522	5,701,918	487,604	75.81
1994	26,139,029,809	$ 0.2333	6,098,236	6,007,297	90,939	69.99
1995	28,112,803,032	$ 0.2173	6,108,912	6,691,826	-	65.19
1996	29,758,323,316	$ 0.1984	5,904,052	7,045,365	-	59.52
1997	31,696,028,551	$ 0.1842	5,838,408	6,689,255	-	55.26
1998	33,743,693,542	$ 0.1873	6,320,194	4,761,656	1,558,538	56.19
1999	35,243,497,408	$ 0.1859	6,551,766	4,752,256	1,799,510	55.77
2000	37,932,381,976	$ 0.1873	7,104,735	5,608,926	1,495,809	56.19
2001	41,464,254,654	$ 0.1788	7,413,808	5,620,424	1,793,384	53.64
2002	45,019,204,999	$ 0.1859	8,369,070	5,599,749	2,769,321	55.77
2003	46,544,212,196	$ 0.1859	8,652,569	5,591,681	3,060,888	55.77
2004	49,480,808,069	$ 0.1859	9,198,482	9,337,003	-	55.77
2005	53,305,805,336	$ 0.1859	9,909,549	7,416,278	2,493,271	55.77
2006	63,896,092,639	$ 0.1859	11,878,284	7,414,948	4,463,336	55.77
2007	78,663,974,236	$ 0.1859	14,623,633	8,814,166	5,809,467	55.77
2008	88,954,056,815	$ 0.1859	16,536,559	16,536,559	-	55.77
2009	92,203,419,317	$ 0.1836	16,933,218	11,092,164	5,841,054	55.08
2010	88,620,295,184	$ 0.1836	16,275,174	11,278,176	4,996,998	55.08
2011	80,212,403,519	$ 0.1836	14,731,007	11,280,976	3,450,031	55.08
2012	74,702,110,479	$ 0.1836	13,719,043	11,274,976	2,444,067	55.08
2013	68,966,999,872	$ 0.1836	12,665,791	11,280,226	1,385,565	55.08
2014	$ 71,417,153,388	$ 0.1836	$ 13,115,760	$ 13,115,760	-	$ 55.08

Figure 13.... 2013Tax Levies by Taxing District

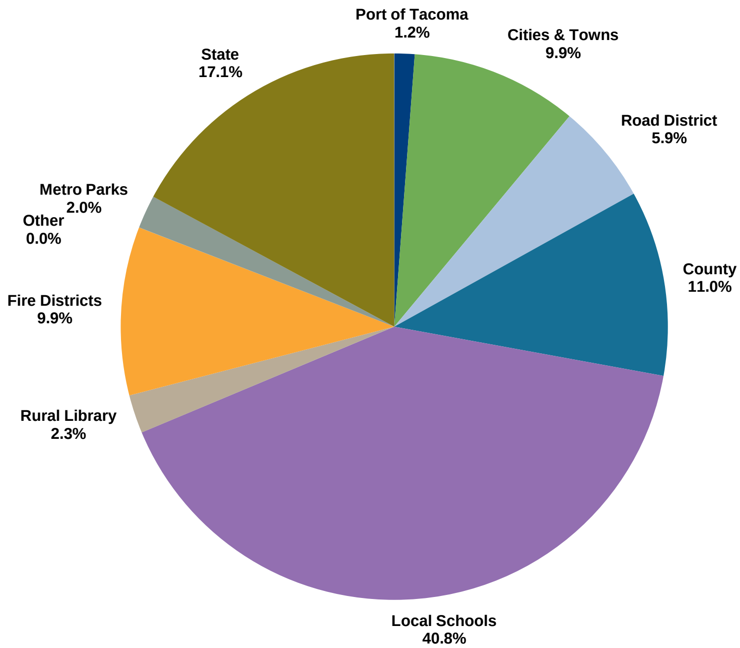


Table 12...... Tax Levy Detail

Certified Assessed Value Subject To Regular Levy		
$71,417,153,388		
Application to G.O. Bond Debt Service		
$0.18365	Per $1,000 Assessed Value for G.O. Bond	$13,115,760
$0.00000	Per $1,000 Assessed Value Available for Governmental Projects & Additional Debt Retirement	$0
$0.18365	Per $1,000 Assessed Valuation	$13,115,760

Tax Levy Detail

Details of the 2014 tax levy are provided on the following pages in Figure 14 and Figure 15.

Figure 14 2013 Preliminary Pierce County Assessed Values for 2014 Tax Levy

Pierce County

Mike Lonergan, Assessor-Treasurer
2401 South 35th Street
Tacoma, WA 98409-7498
(253) 798-6111 FAX (253) 798-3142
ATLAS (253) 798-3333
www.piercecountywa.org/atr

September 13, 2013

OFFICIAL NOTIFICATION TO: **PORT OF TACOMA**

RE: 2013 PRELIMINARY ASSESSED VALUES

FOR REGULAR LEVY

Total Taxable Regular Value	71,417,153,388
Highest lawful regular levy amount since 1985	22,704,863.51
Last year's actual levy amount	**12,668,432.63**
Additional revenue from current year's NC&I	189,386.42
Additional revenue from annexations (RCW 84.55)	0
Additional revenue from administrative refunds (RCW 84.69)	0.00
No additional revenue from administrative refunds will be allowed if you are limited by your statutory rate limit.	
Last year's additional revenue from increase in state-assessed property	5,794.47

FOR EXCESS LEVY

Taxable Value	70,713,998,711
Timber Assessed Value	not available
Total Taxable Excess Value	70,713,998,711
2013 New Construction and Improvement Value	1,033,375,988

If you need assistance or have any questions regarding this information, please contact Kim Fleshman 253.798.7114 kfleshm@co.pierce.wa.us.

Figure 15 Preliminary Tax Levy Limit: 2013 for 2014

Pierce County
Mike Lonergan, Assessor-Treasurer
2401 South 35th Street
Tacoma, WA 98409-7498
(253) 798-6111 FAX (253) 798-3142
ATLAS (253) 798-3333
www.piercecountywa.org/atr

TAX LEVY LIMIT 2013 FOR 2014

PORT OF TACOMA
> 10,000

REGULAR TAX LEVY LIMIT:	2012
A. Highest 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).	22,704,863.51 1.01 22,931,912.15
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 make in the previous year, use the rate that would have been levied had no error occurred).	1,033,375,988 0.183269615757 189,386.42
C. Current year's 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).	1,145,573,006 1,145,573,006 0.00 0.183269615757 0.00
D. **REGULAR PROPERTY TAX LIMIT (A + B + C)**	**23,121,298.57**
ADDITIONAL LEVY LIMIT DUE TO ANNEXATIONS:	
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.	23,121,298.57 71,417,153,388 0.323749932173
F. Annexed area's current assessed value including new construction and improvements times rate found in E above.	0.00 0.323749932173 0.00
G. **NEW LEVY LIMIT FOR ANNEXATION (D + F)**	**23,121,298.57**
LEVY FOR REFUNDS:	
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)	23,121,298.57 0.00 23,121,298.57
I. **TOTAL ALLOWABLE LEVY AS CONTROLLED BY THE LEVY LIMIT (D,G,or H)**	**23,121,298.57**
J. Amount of levy under statutory rate limitation.	71,417,153,388 0.450000000000 **32,137,719.02**
K. **LESSER OF I OR J**	**23,121,298.57**

2014 PRELIM cert w refunds xls, highest lawfull

VII. Plan of Finance

Sources of Port Capital Funding

The Plan of Finance (POF) is a tool that is 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, the POF may include additional revenue, expense, or capital spending to show the impact of "what if" scenarios of the Port's future financial performance. The POF forecasts the Port's current and future profitability, calculates any future borrowing needs, and outputs numerous standard financial metrics.

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

- Property Rentals: The Port leases facilities and land primarily for container terminals, equipment rentals, industrial activities and storage;
- Terminal Services: The Port's operations and marine-oriented services that 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 from interest on the Port's cash and investments and grants.

While actual revenue growth will depend on world and domestic economic developments as well as timely implementation of planned capital budget projects, the Port's blend of long-term lease and operations revenue sources makes future revenue streams reasonably predictable. See Table 13 for historical and projected port operating revenue.

The Port projects that annual tax levy receipts will grow from $13.1 million in 2014 to $14.0 million in 2018. These projections assume no valuation increases from 2014 to 2017, and modest growth in values in 2017 and 2018 of 1% each year. The millage rate is expected to remain constant at $0.18365 per thousand dollars of valuation.

The tax levy model assumes a 1.2% increase in valuations due to new additions for improvements or new construction in each year.

The Port of Tacoma 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. This helps to secure a steady revenue stream and spreads out periodic rent increases for steady revenue growth.

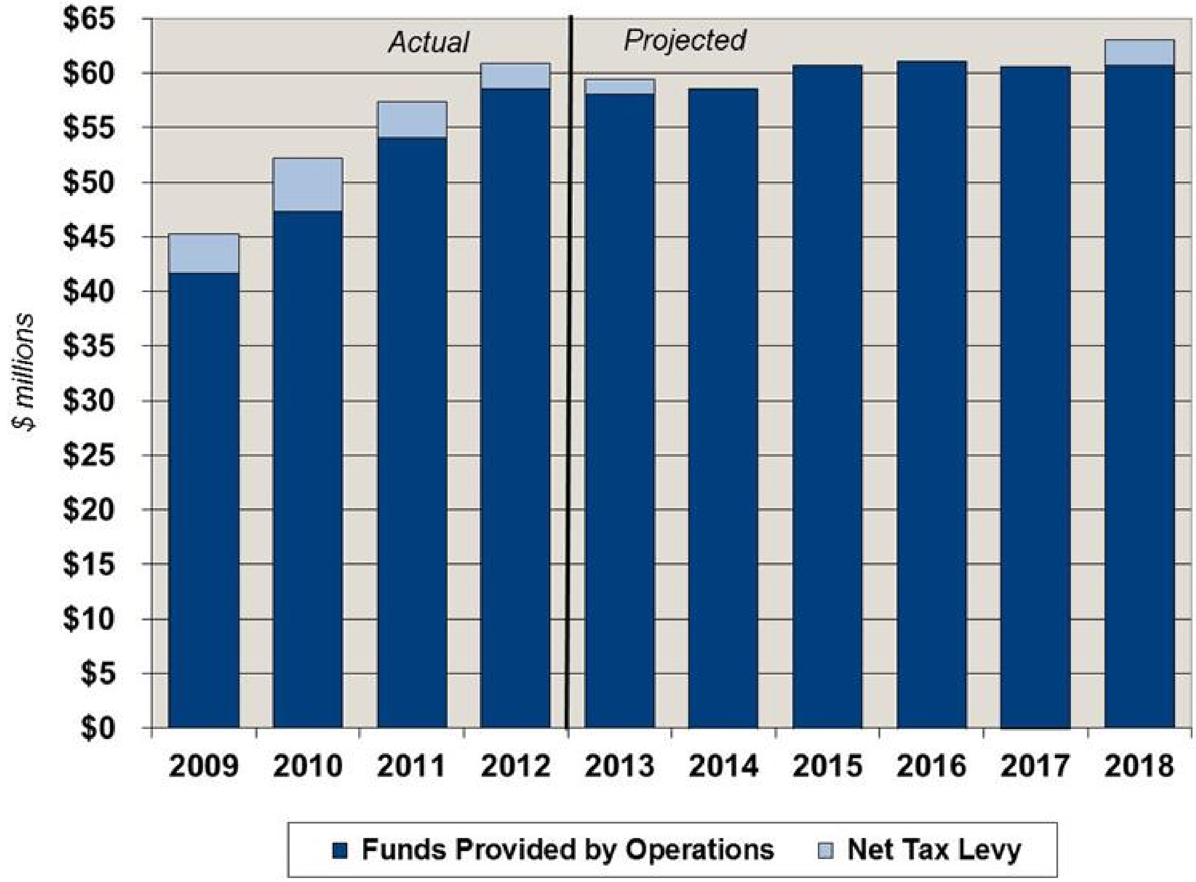
The 2014-2018 Plan of Finance assumes that one long term leases with a container customer will not be renewed by the current customers in 2015, but that the majority of that property will be re-leased by another customer at market rates. The POF also assumes that another container terminal customer will not renew their lease in 2017, and that the property will also be re-leased at market rates. The POF includes nearly $45 million in additional capital to fund unspecified improvements in these two terminals to support the projected revenue streams. The Port is actively seeking alternate revenue sources from the properties to ensure that they are not vacant.

Table 13......Historic and Planned Port Operating Revenue

($ Millions)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Operating Revenues	$90.1	$103.4	$114.1	$124.4	$126.7	$129.2	$132.4	$138.8	$135.8	$136.1

Figure 16....Actual and Planned Sources of Funds



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. Yet 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 I 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 1 % of the assessed value of the Port District; and voted G.O. bonds are limited to three quarters of 1 % of the assessed value within the Port District.

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

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 14 ......Credit Ratings

	Senior Revenue	Subordinate Revenue	General Obligation
Moody's Investor Services	Aa3	A1	Aa3
Standard & Poor's Corp.	AA-	A+	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. If, for example, 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 through the use of its 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 has developed several measures to quantify the financial risks of its debt portfolio, including the following:

- Debt service coverage ratio of 2.0 based on operating revenues (see Table 15, page VII-5).

- External rating agency information (see Table 14, page VII-3); and

- Unhedged Variable-rate debt to total Debt ratio (see Table 16, page VII-6).

As shown in Table 15, all of the Port's outstanding variable rate debt will be hedged by outstanding SWAP agreements. This means that all of the Port's debt is effectively fixed by the end of 2013. The Port is reviewing option for removing some of the hedges to re-introduce some variable rate debt to the portfolio, supporting the 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. This POF estimates that the net annual cash flow from terminal services and property rentals after all operating, administrative and overhead expenses will increase from approximately $58.5 million to $60.7 million during the 5-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 (Section VI, page VI-1). The cash flow forecasts also assume that business operations revenue grows as discussed in the operating budget section (Section IV, page VI-1). 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 15...... Plan of Finance Cash Flow Forecast

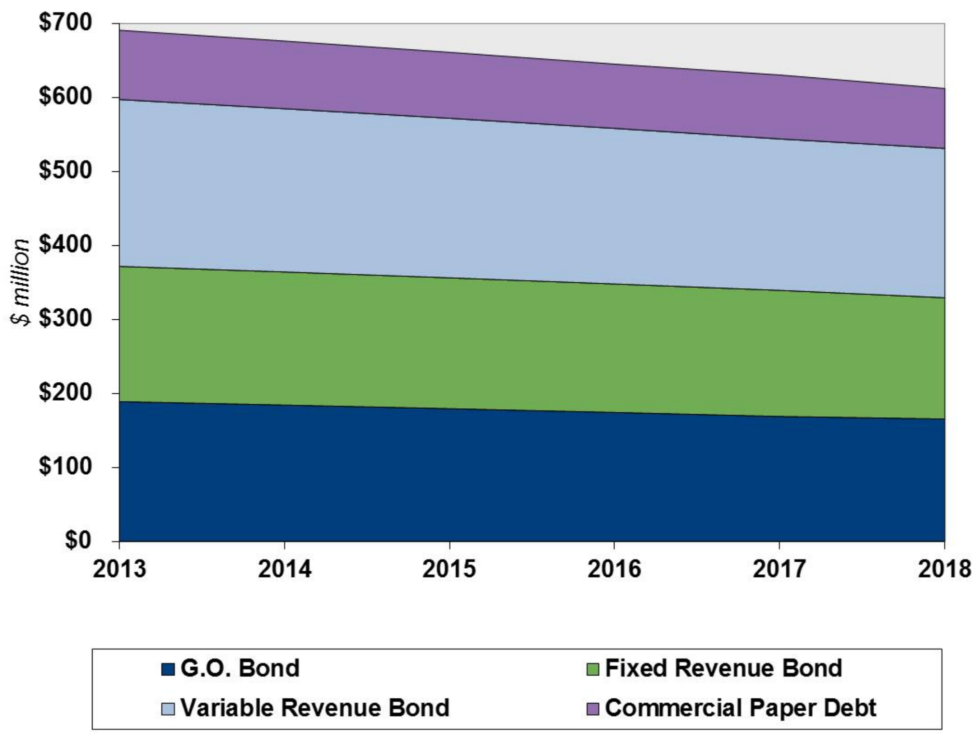
($ Thousands)	**2014**	**2015**	**2016**	**2017**	**2018**
Beginning Cash & Investments	$206,392	$157,547	$147,492	$166,387	$148,716
Projected Sources of Funds					
Revenues	$129,196	$132,402	$138,826	$135,788	$136,146
Expenses	(70,658)	(71,720)	(77,677)	(75,146)	(75,471)
Funds Provided by Operations	58,538	60,682	61,149	60,642	60,675
Interest Income	2,469	2,878	4,812	5,366	4,848
Other, Net	7,430	3,190	338	2,858	(116)
Ad valorem tax revenue (net)	13,016	13,171	13,328	13,623	13,925
Projected Sources of Funds	$81,453	$79,921	$79,627	$82,489	$79,332
Projected Uses of Funds					
Debt Payments - GO Bonds	$13,645	$13,669	$13,666	$13,666	$11,551
Debt Payments - Revenue Bonds	30,992	30,668	30,350	28,368	28,338
Debt Payments - General Fund	0	0	0	0	0
Debt Payments - Commercial Paper	2,672	2,944	3,215	759	5,663
Retirement of G.O. Bonds	0	0	0	0	0
Retirement of Revenue Bonds	0	0	0	0	0
Capital Spending - Planned Projects	82,989	42,695	13,501	57,367	5,570
Projected Uses of Funds	$130,298	$89,976	$60,732	$100,160	$51,122
Projected Borrowing					
Commercial Paper Borrowing	0	0	0	0	0
Total Borrowing	$0	$0	$0	$0	$0
Projected Ending Cash & Investments	$157,547	$147,492	$166,387	$148,716	$176,926
Sr. Lien Rev. Bond Debt Service Coverage	5.14	5.37	5.59	5.63	4.61
Fully Diluted Revenue Bond Debt Service	1.92	1.88	1.96	2.26	2.00

Table 16...... Debt Outstanding at Year End

(in thousands)

Debt Outstanding at year end	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Un-voted G.O. Bond, Fixed Rate	$189,110	$184,465	$179,575	$174,445	$169,080	$165,585
Senior Revenue Bond, Fixed Rate	182,715	179,815	176,790	173,630	170,330	163,870
Subordinate Rev Bond, Variable Rate	225,545	220,665	215,560	210,215	204,620	201,770
Commercial Paper, Variable Rate	93,620	91,415	89,155	86,830	86,368	80,995
Total Debt Outstanding	$690,990	$676,360	$661,080	$645,120	$630,398	$612,220
Unhedged Variable Revenue Bond & Unhedged Variable CP % of Total Debt Outstanding	*0%*	*0%*	*0%*	*0%*	*9%*	*9%*

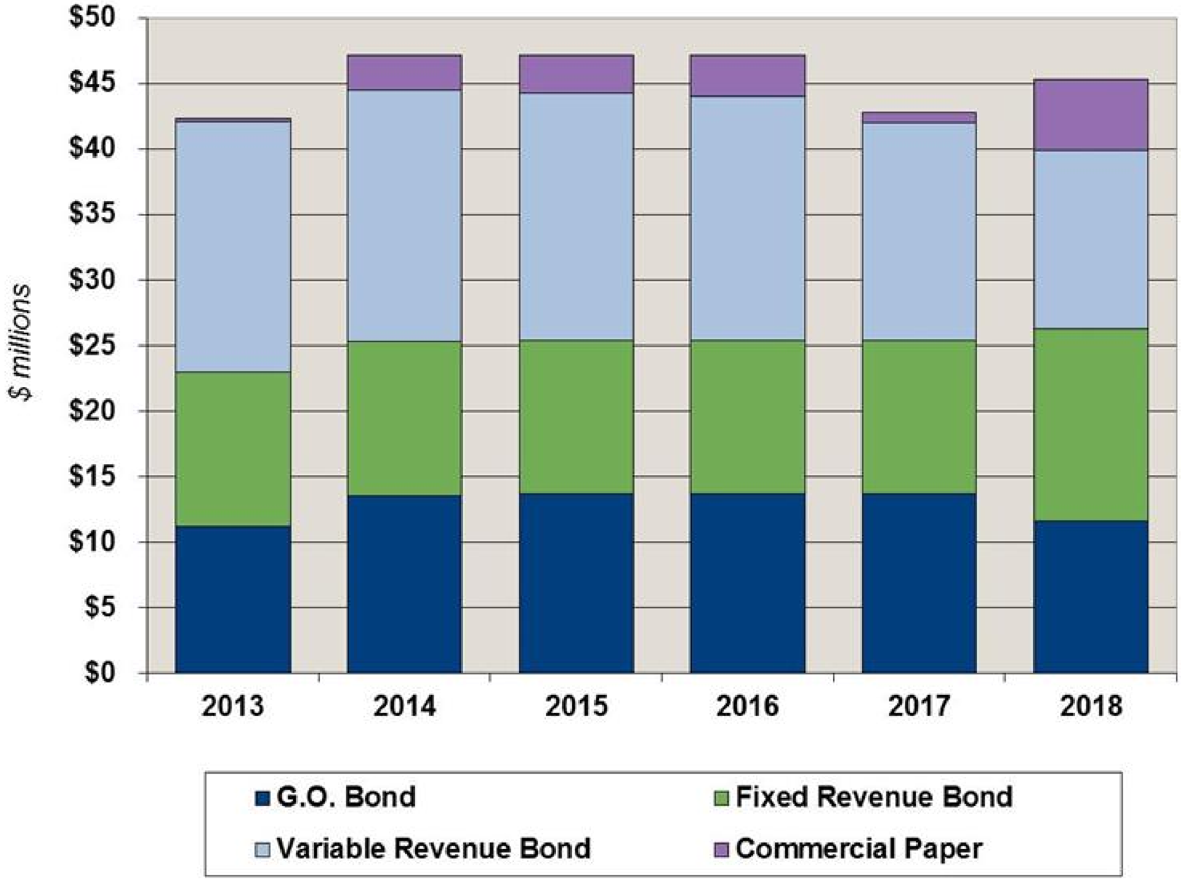
Figure 17 .... Projected Debt Outstanding at Year End



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.

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 18 .... Projected Annual Debt Service



The goals of the Plan of Finance are to achieve a higher degree of flexibility as well as an expanded debt capacity.

Table 17 below shows projected financial capacity:

Table 17...... Summary of Financial Capacity

(In Thousands)	2014	2015	2016	2017	2018	5-Year Change
Unvoted G.O. Bond Capacity	$0	$1,084	$8,354	$17,735	$25,334	
Revenue Bond Capacity	$0	$0	$52,790	$0	$0	
Less: TECP Program Debt Outstanding	($91,415)	($89,155)	($86,830)	($86,368)	($80,995)	
Total Non-voted Debt Capacity	$0	$0	$0	$0	$0	$0
(Capacity cannot be less than zero)						
Remaining G.O. Bond Capacity - *Voted*	$357,086	$361,317	$365,599	$373,631	$381,839	
Total Voted Debt Capacity	$357,086	$361,317	$365,599	$373,631	$381,839	$24,753

Financing Process

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 of Tacoma'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

The Port's financial performance measures are shown in Appendix L

VIII. Environmental Stewardship

The Port of Tacoma is committed to developing and conducting Port business in a responsible manner that is environmentally, economically and socially sustainable. 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 stewardship 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 rich history of sustainable practices, even before the term came to common use. It has combined redevelopment plans with Superfund site cleanup, creating a competitive advantage for Tacoma business by providing Port access for larger vessels and by increasing container storage space in the Port areas – creating jobs while cleaning up the environment. The Port has cleaned up more than 100 acres of contaminated log yards, thereby eliminating a source of arsenic to waterways and putting those properties back into productive use as leased maritime related facilities. It has created approximately 111 acres of high-quality intertidal and wetland habitat including associated buffers as habitat mitigation for the Port's development impacts. The Port also has preserved another 40 acres of high value open space, much of which provides a buffer between Port related industrial activities and neighboring residential land uses.

The Port's environmental objectives for the coming years are closely aligned with its recently adopted 2012-2022 Strategic Plan, specifically around its Goal #5, Advancing Environmental Stewardship, which focuses on the following:

Identify and Address Environmental Issues in Advance of Planned Development

1. Implement cleanup actions on priority contaminated properties to support the Port's business opportunities.

Over the past 25 years, the Port of Tacoma has remediated more than 290 acres of waterway sediments within the Blair, Sitcum and Hylebos waterways and cleaned up an additional 259 acres of upland soils. As a result, more than 500 acres of land contaminated by decades of historic industrial practices has been returned to productive maritime-related use. The Port has a strategic goal to cleanup 200 acres in 10 years. Provided below is a summary of targeted properties to be cleaned up in 2013 and 2014.

Current and Future Cleanup Projects

Recently, the Port has successfully negotiated Agreed Orders with the Washington State Department of Ecology to conduct interim remedial actions at three properties: Arkema Mound, Kaiser Smelter and Wypenn. These sites range from 3 acres to approximately 96 acres in size and contain various types of legacy contamination as a result of their previous operations. In 2014, the Port is set to complete remedial investigation/feasibility studies at three additional properties along the Hylebos Waterway that comprise 118 acres: Early Business Center (50), Parcel 2 (15) and Arkema Manufacturing (53).

2. Implement a sustainable habitat mitigation strategy.

The Port of Tacoma has created approximately 112 acres of habitat and associated buffers over the past 25 years to mitigate for habitat lost to terminal and other business development. This includes approximately 68 acres of intertidal habitat that is ideal for salmon. These mudflats and shallow sub-tidal 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. Additionally, the Port created approximately 17 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. 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 has purchased and preserved another approximately 77 acres of mature forested hill side along Marine View Drive to both protect the natural areas and buffer adjacent residents from industrial activities

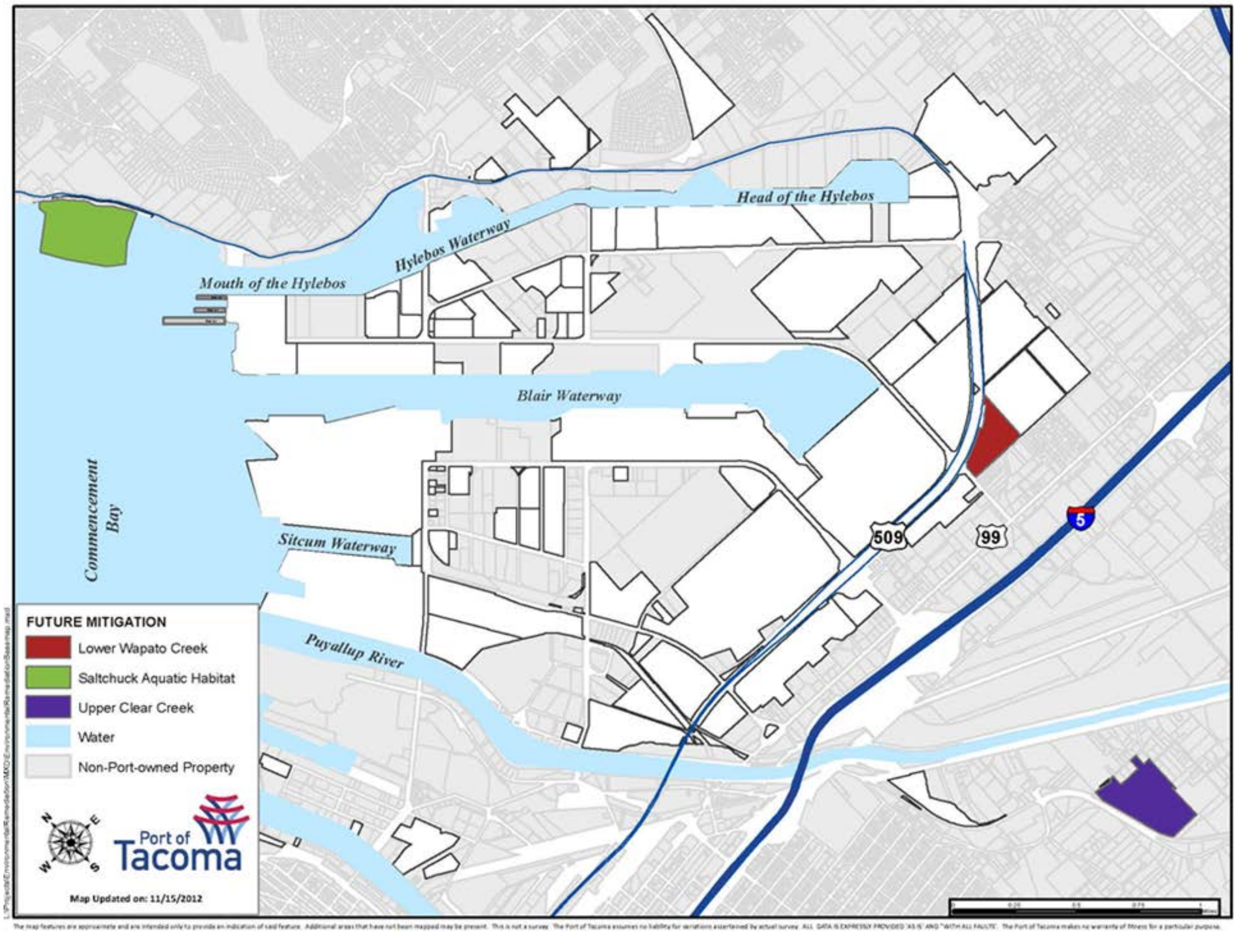
Habitat Strategy

Port staff worked closely with the Port Commission to develop a Port-wide Habitat Mitigation Strategy, adopted October 18, 2012 as the Port Resolution 2012-08. 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 via identifying the best locations and timing for future mitigation sites.

Future Mitigation Opportunities: Lower Wapato Creek, Upper Clear Creek and Saltchuk

Stemming from the habitat strategy, the Port will focus on three large mitigation areas for both concurrent and advance mitigation opportunities. Two sites are likely to undergo construction in 2014. The first is the approximately 20 acre Lower Wapato Creek mitigation area at the northwest corner of Port Parcel 14. That site will provide concurrent and advanced mitigation for necessary rail improvements, and have credits to spare for future development. The second site that will likely undergo construction in 2014 is the Upper Clear Creek Mitigation Site. That site will provide mitigation for wetland impacts due to required snail eradication efforts as well as advance mitigation for future Port expansion. The Port continues to plan for the Saltchuk Aquatic Habitat site. That site could provide approximately 40 acres of inter-tidal and shallow sub-tidal habitat along Marine View Drive and another 17 acres of associated marsh and buffer. In 2014 the Port will develop a Basis of Design for the Saltchuk site to better understand site costs and constructability issues. The Saltchuk site would be built out over the years as suitable dredge materials become available. This site is intended to provide mitigation for impacts associated with marine development such as wharf and pier expansion or modification.

Figure 19 Future Mitigation Opportunities



Partner to Find Innovative Solutions to Our Customers' Environmental Challenges

1. Identify and develop maritime industrial stormwater treatment best management practices.

Tenant Compliance and Regulatory Assistance

The Port of Tacoma is committed to assisting Port tenants in meeting environmental regulations and improving the environmental condition of Port-owned properties and all of Commencement Bay. Assistance focuses on promoting appropriate environmental practice, aiding with permitting strategies, assisting with agency interactions, responding to regulatory actions, improving environmental conditions, removing environmental contamination, correcting materials management procedures and preventing pollution. The Port is working with the Department of Ecology to establish a cost reimbursement system designed to streamline the issuance of certain Ecology issued permits. That process should be fully implemented in 2014.

Port Environmental staff will host an annual compliance assistance workshop to help Port tenants comply with environmental requirements. At that workshop Port staff will provide technical assistance, research results, agency staff to answer questions, and law firm representatives to provide generalized legal advice. Port staff also assisted its marine terminal operators with securing more than half million dollars of grant funding that added fuel-saving anti-idling system on switching locomotives and about 90 pieces of diesel emission control equipment on their cargo handling equipment. Collectively, the Port tenant projects reduced more than 5 tons of diesel soot per year in the Tacoma area.

Research and Develop Cost-Effective Means to Manage Stormwater

Stormwater at Port facilities flows through about 1,700 catch basins in the Tideflats and discharges to Commencement Bay through over 100 outfalls. The Port has policies in place that help control the sources of stormwater pollution, like requiring vinyl-covered chain link fences, and avoiding the use of uncoated galvanized steel for roofing, siding, gutters and other components that convey stormwater.

The Port continues to implement innovative treatment methods in the field in an effort to hone in on what stormwater Best Management Practices work best under different scenarios. The goal is to find the most cost-effective means of managing stormwater and to share those results with our tenants and the community. The Port will complete a bioremediation system for the West Hylebos Log Yard in the fourth quarter of 2013. That system, designed to treat the most challenging stormwater on Port property, will be heavily evaluated and fine tuned in 2014.

The Port is also in a partnership with the Washington Public Ports Association and other Puget Sound Ports, the Department of Ecology and the environmental community to define "All Known, Available, and Reasonable Methods of Control, and Treatment" (AKART). The goal of this effort is to provide marine terminal operators with a manual "playbook" to help define the best available technologies and practices to strive for regulatory predictability in the new Industrial Permit Cycle.

OCT, NIM, SIM

The Port will complete design and construction of stormwater treatment for the Olympic Container Terminal (OCT), and the North and South Inter-Modal Yards (NIM & SIM). The Port will install an Up Flow system at OCT. That system will be the Port's first and is meant to be used as an in-line end of the pipe treatment system. The Port will install a modular wetland at the NIM yard. That system is essentially a greatly scaled down version of the bioremediation treatment system being installed at the West Hylebos Log Yard. The Port's extensive research and field-level testing of the treatment system at the Log Yard support the choice of and design of this system. The Port will also install its second Jelly Fish® system at the SIM yard after having good results for the pollutants of concern with the Jelly Fish® filtration system at the East Blair 1 facility.

2. Develop a maritime industrial-focused Environmental Stewardship Sustainability Program.

Corporate Social Responsibility (CSR) Program – Sustainable Practices The Port is working toward Port-wide adoption of a CSR program. The environmental portion of the Port's CSR effort will include sustainable practices associated with design, construction, operation and remediation actions. The intent of these efforts will be to significantly reduce resource consumption and environmental impacts. Examples of sustainable practices that will be implemented include: reuse/recycling, energy efficiency, water conservation, waste reduction, pollution prevention and "green" materials purchasing.

A key initiative of the Port's CSR program will include:

- Performing a comprehensive jurisdictional review of comparable industries and documenting their existing sustainable practices and programs.
- Identifying risks, opportunities, benefits and constraints and cost of implementation of new sustainable practices.
- Conducting a preliminary internal sustainability audit of POT operations such as measuring energy efficiency, water conservation, material use and recovery across the entire group of departments.
- Recommending target areas (sectors) where implementing best practices will result in cost savings, improved environmental quality and enhanced community support.

AAPA West Coast Port Sustainable Design Guidelines

Representatives from many West Coast Ports including the Port of Tacoma have formed a technical committee, and over an 18-month period have developed Sustainable Design and Construction Guidelines (SDCG) for marine industrial development and major port infrastructure projects. The objective of the SDCG is to facilitate interdepartmental coordination, documentation and identification of sustainability strategies in projects, and monitor applied sustainability strategies that may contribute to a port's sustainable development goals. This collaborative effort resulted in an excel-based data tool that provides sustainable best practices for the following focus areas:

- Air
- Public outreach
- Water
- Natural resources
- Economy
- Transportation
- Site development
- Safety and security
- Waste
- Energy
- Materials
- Maintenance, monitoring, reporting

The data tool enables the project manager to identify and integrate sustainable best practices with specific tasks during the project design and development process. This new tool will be piloted in 2014 and be incorporated into future project delivery policies.

Improve Community Outreach Components of Port's Habitat Stewardship Program

As noted above the Port has created over 100 acres of prime habitat in Commencement Bay and the lower Puyallup River Watershed. The Port contracts with Citizens for a Healthy Bay (CHB), a local non-profit agency, to provide stewardship services to ensure those sites are free of trash and invasive vegetation. CHB organizes volunteers through local schools and universities and the community at large to help in that effort. The Port is taking a more active role engaging the community on the value and opportunity of these sites including groups promoting local salmon recovery efforts, scouting groups and the Audubon Society.

Port of Tacoma Endowed Chair

In December 2004, the Port of Tacoma invested $1 million to establish an endowed research chair at the University of Washington Tacoma. The Port of Tacoma Endowed Chair will lead research on environmental science initiatives critical to urban waterfront communities. Research areas are expected to include bioremediation, aquaculture and invasive species control.

Commencement Bay Maritime Fest

At Tacoma's annual Commencement Bay Maritime Fest, the Port provides free boat tours of the Port. Visitors tour the Sitcum and Blair waterways, and are able to see cargo ships and terminal equipment from a unique vantage point - the water. The festival is a project of the Youth Marine Foundation, a local non-profit sponsoring the Puget Sound chapter of Sea Scouts, which offers educational marine programs to Washington's teen youth and the public.

Continuously Improve Operational Efficiency and Emission Reductions

1. Continue to implement the Northwest Ports Clean Air Strategy.

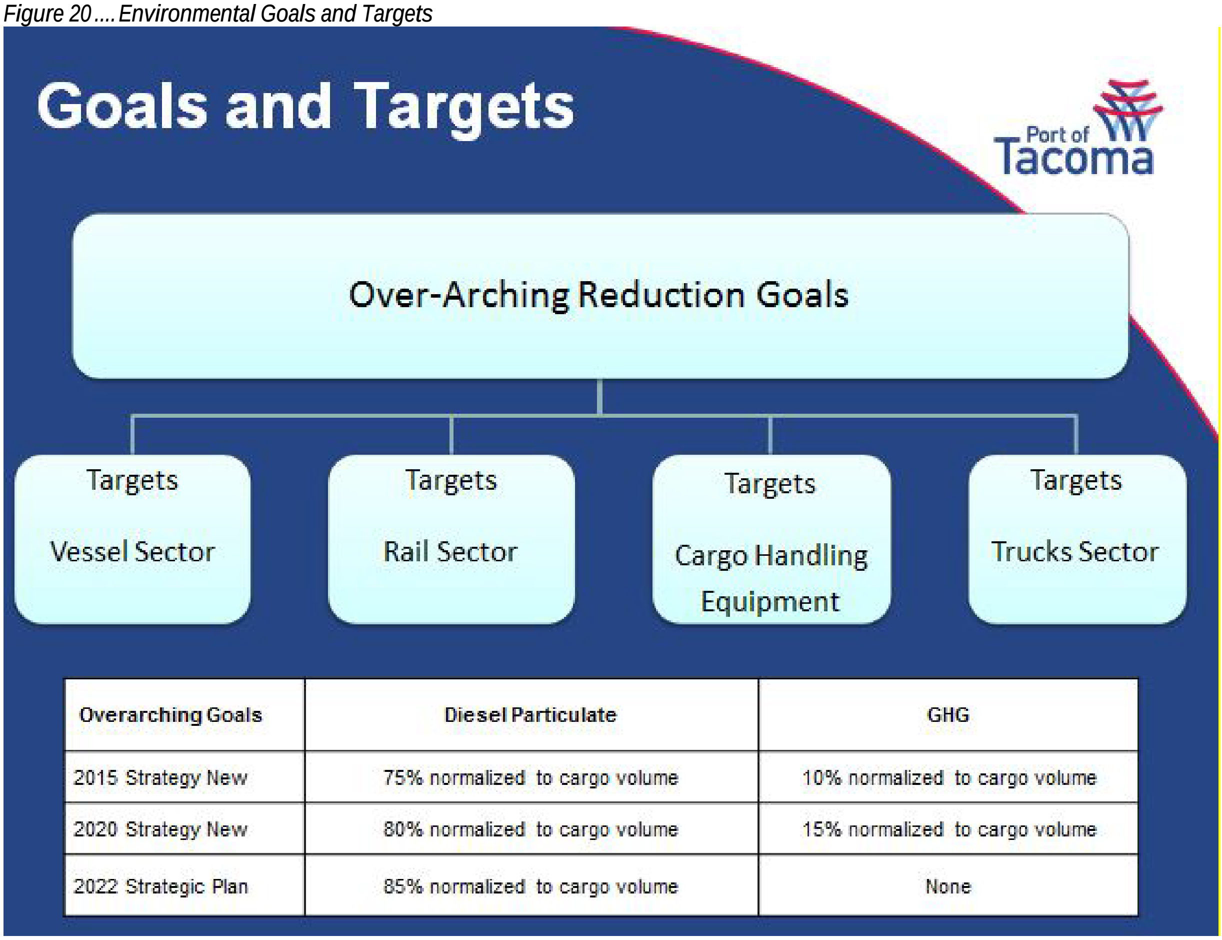
Northwest Ports Clean Air Strategy

The Northwest Ports Clean Air Strategy – a partnership between the Port of Tacoma, Port of Seattle and Port Metro Vancouver, British Columbia – represents an international effort to voluntarily reduce diesel and greenhouse gas emissions in the Puget Sound and Georgia Basin airsheds.

Strategy partners conduct a maritime air emission inventory every 5 years to measure progress toward Strategy air emission reduction goals. Following the inventory, the Strategy document is updated to include new information gathered during the inventory and changes in State and Federal regulations. The last inventory was completed in 2012 with a Strategy update following in 2013. Initiatives to meet the proposed updated Strategy will begin in 2014.

The proposed 2013 Strategy Update revised 2015 sector targets and proposed new 2020 sector targets to further reduce maritime-related air emissions. New overarching reduction goals were introduced representing the total progress made in each individual maritime sector. Overarching reduction goals are consistent with long term emission reduction targets set in the Port's Strategic Plan.

Figure 20 .... Environmental Goals and Targets



Overarching Goals	Diesel Particulate	GHG
2015 Strategy New	75% normalized to cargo volume	10% normalized to cargo volume
2020 Strategy New	80% normalized to cargo volume	15% normalized to cargo volume
2022 Strategic Plan	85% normalized to cargo volume	None

Individual sector targets are actions in support of over-arching emission reduction goals that can be reported annually. The first progress report on revised sector targets will occur in the fall of 2014. The first progress report on over-arching goals will occur in 2016-2017 as part of the 5 year inventory cycle.

Cargo-Handling Equipment Retrofit

In 2013 the Washington Department of Ecology and Puget Sound Clean Air Agency provided over $150,000 in grant funding for diesel particulate filter retrofits. Diesel particulate filters reduce diesel emissions by over 85% in support of 2015 Clean Air Strategy goals. In addition to retrofits, $120,000 was awarded directly to terminal operators for filter cleaning equipment and spare parts in support of current and past agency funded retrofit projects.

The Port of Tacoma was also awarded $25,000 to train diesel mechanics in the maintenance of high tech engine technologies now an integral part of all diesel engines. Over 32 port mechanics were trained in proper maintenance techniques for modern diesel engines and emissions control equipment.

An idle reduction equipment pilot project was introduced at port terminals in 2013 to reduce fuel consumption and greenhouse gases. Over 50% of the terminals have installed two or more engine pre-heaters devices and will be evaluating their effectiveness in 2014. The Port and agencies will continue these efforts into 2014 to pursue additional engine retrofits and idle-reduction technologies.

Port of Tacoma Clean Truck Program

The Port of Tacoma's Clean Truck Program was created in response to the Northwest Ports Clean Air Strategy, a voluntary program to reduce seaport-related diesel emissions in the region. The Strategy specifies engine emission performance measures for years 2015 and 2020. Trucks meeting the Port of Tacoma's Clean Truck Program Standards are identified by registration stickers and trucks not meeting the standards are identified using gate license plate reading cameras (LPR).

In 2013, the Port identified areas of improvement for the license plate reading systems and applied for a Washington State Department of Ecology Grant to install additional cameras at intermodal yards and unmonitored terminal gates. Ecology has awarded $200,000 in grant funds to purchase and install the additional cameras in support of the Clean Truck Program and Strategy. Installation is proposed to occur in 2014.

Ship to Shore Power Expansion

In 2011 the Port of Tacoma partnered with TOTEM Ocean Trailer Express and EPA utilizing a Federal economic stimulus grant to install ship to shore power at the TOTE terminal. The successful completion of the project resulted in eliminating TOTE ship emissions while at berth.

The Port will continue to look for additional opportunities to leverage public and private funding for additional shorepower installations, which is consistent with the Port's Strategic Plan and Northwest Ports Clean Air Strategy to reduce particulate emissions.

Transition to the new generation of efficient systems to save energy costs and promote cost effective, renewable energy use.

Modernize HVAC Control Systems

With rebates provided by Tacoma Power, the Port has installed new controls on the heating, ventilation and air cooling (HVAC) system in the Port Maintenance Facility in 2012 that saved on the heating and cooling bills. The Port completed the first floor upgrade to the HVAC and new control system at the Fabulich Center.

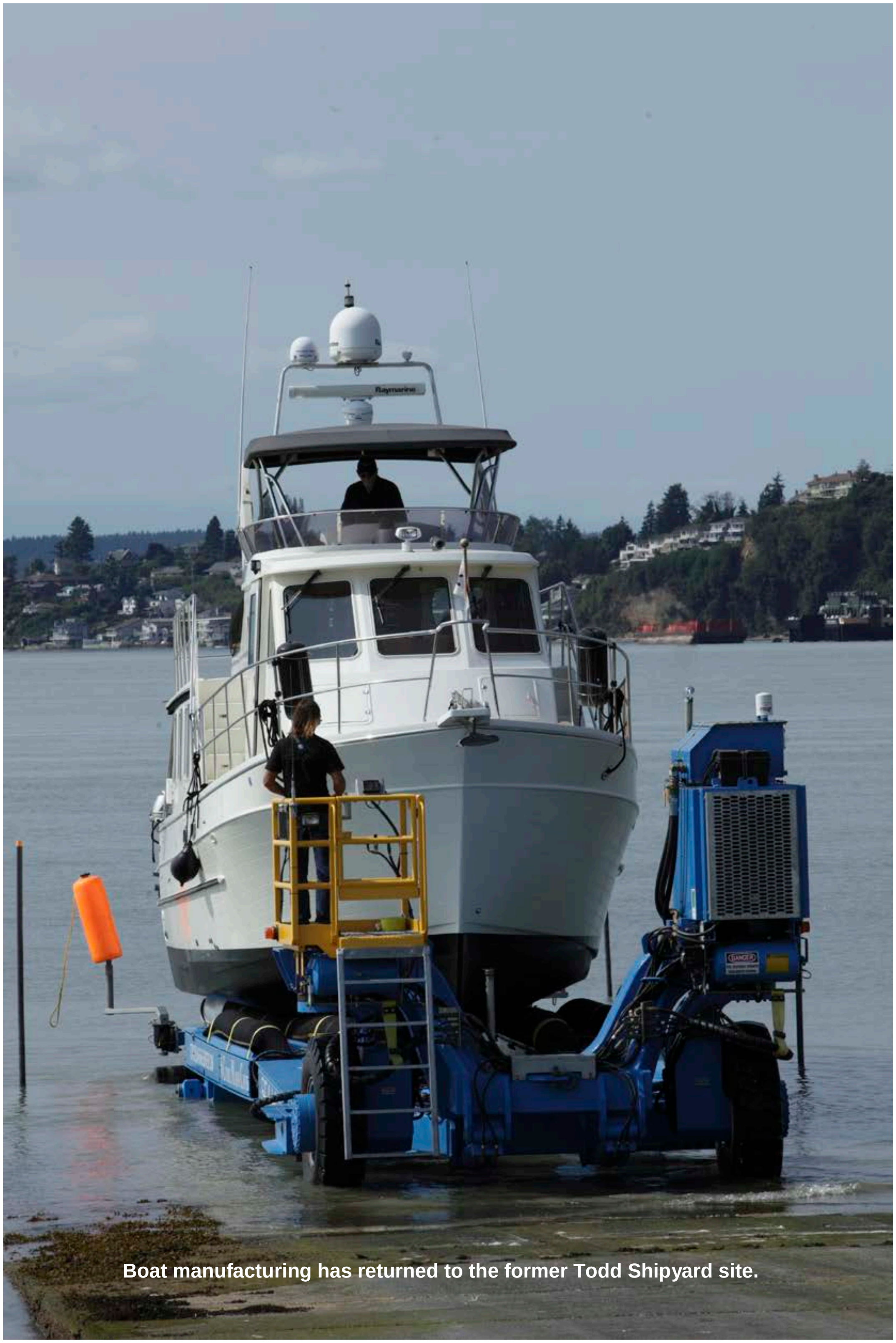
Tacoma Power Bright Rebates Program

The Port of Tacoma continues its participation in the Tacoma Public Utilities' Bright Rebates Program and working with Tacoma Power to implement lighting retrofits that will conserve energy. Through the Bright Rebates Program, Tacoma Power pays for up to 70% of a retrofit project cost. Typically the remaining 30 % is recouped through reduced energy bills within two to 2.5 years. The Port continues to complete retrofits on all lighting and fixture components in order to reduce energy consumption. For 2013/2014 the Port is proposing to replace 1,000-watt lamps with 775-watt lamps that provide comparable light and piloting a new generation of lighting such as light - emitting diode (LED) and light-emitting plasma (LEP) application. The proposed project locations include the North Intermodal Yard, the South Intermodal Yard, the South Intermodal Support Rail Yard and a portion of Port Property at the Husky Terminal.

In 2014 the Port has proposed to partner with other ports and the Puget Sound Clean Air Agency in a technology review of drayage truck natural gas (CNG or LNG) conversions. The Ports of Tacoma and Seattle plan to evaluate the cost effectiveness and viability CNG of engines by converting four or more diesel fueled drayage trucks to operate on natural gas. Conversion of diesel engines to natural gas will provide significant air emission reductions in support of the Ports Clean Truck programs, Northwest Ports Clean Air Strategy and Port of Tacoma Strategic Plan.

EverGreen Options

The Port continues to participate in Tacoma Power's EverGreen Options, which supports the development of new wind generation projects in Washington and Oregon. Combined with hydropower, 100 % of Port-purchased electricity is renewable.


Boat manufacturing has returned to the former Todd Shipyard site.

IX. Summary of Significant Accounting Policies

Reporting Entity

The Port of Tacoma (the 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 a Chief Executive Officer 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.

Nature of Business

The Enterprise Fund is used to account for the general operations of the Port as more fully described below.

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.

The Post-Employment Health Care Benefits Trust Fund accounts for the assets of the employee benefit plan held by the Port in its trustee capacity.

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 proprietary fund. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port has chosen to follow accounting standards applicable to private sector entities when those standards do not conflict with applicable GASB standards. The Port is accounted for on a flow of economic resources measurement focus.

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.

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.

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 depreciation and environmental liabilities. 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.

Cash and Cash Equivalents

Cash and cash equivalents represent 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, are stated at fair value, based on quoted market prices, plus accrued interest. The Port also has investments in the State Local Government Investment Pool (LGIP). The LGIP is similar to a money market fund recognized by the Securities and Exchange Commission. 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; 3) constitutional provisions or enabling legislation.

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 $10,000 and with an estimated 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: 20-75 years
- Machinery and equipment: 5-20 years

Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Annually, a review is completed and costs relating to projects ultimately constructed are transferred to the appropriate capital asset account; charges that relate to abandoned projects are expensed when the project is abandoned.

Capitalized Interest

The Port follows the policy of capitalizing interest as a component of the cost of capital assets constructed for projects greater than $300,000 that are not funded by grant revenues. Interest incurred on funds used during construction, less interest earned on related interest-bearing investments is capitalized as part of the cost of construction. This process is intended to remove the cost of financing construction activity from the statements of revenues, expenses and changes in net position and to treat such cost in the same manner as construction labor and material costs by taking the monthly average of construction in progress balance times the average interest rate of the outstanding long-term borrowing.

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.

Restricted net position represents amounts that are appropriated or are legally segregated for a specific purpose. 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, deferred outflows of resources, 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 and current portion of long-term debt include borrowings with original maturities of less than one year and the portion of long-term debt payable within 12 months.

Forward-Starting 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 is amortized over the life of the new debt or old debt, whichever is shorter. (For detailed discussion of debt policies, 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 also provides post-employment health care benefits for retired employees. These benefits cover retired employees ages 60 to 69. The Port also has a trust for the post-employment defined benefit plan.

The Port also participates in the Washington Department of Retirement Systems (the Plan), under cost-sharing multiple-employer defined benefit public employee retirement plans. This plan covers substantially all of the Port's full-time and qualifying part-time employees. The Port's contribution rates are determined by the Plan each year and are based on covered payroll of the qualifying participants.

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.

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. 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.

Recent Accounting Pronouncements

In March 2012, GASB issued Technical Corrections—2012, amendments of previously issued guidance. The guidance is effective for years beginning after December 15, 2012. The Port elected early adoption of this guidance in the current year, with no impact on the financial position and results of operations.

In March 2012, GASB issued Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The guidance is effective for years beginning after December 15, 2012. The Port elected early adoption of this guidance in the current year by changing the classification of certain assets and liabilities on the accompanying statements of net position. In addition, this standard required debt issuance costs to be expensed as incurred, resulting in the restatement of the beginning balance of net position in 2011 by a decrease of $5,424,000. The results of operations for 2011 were increased by $233,000 as a result of the adoption of this standard.

In June 2011, GASB issued Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of this statement is to standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The provisions of the guidance will change where the deferred outflows and deferred inflows are presented on the statements of net position. The guidance is effective for years beginning after December 15, 2011. The Port adopted this guidance in the current year, with no material impact on the financial position and results of operations. The required disclosures are presented on the statements of net position.

In June 2011, GASB issued Derivative Instruments: Application of Hedge Accounting Termination Provisions. The objective of this statement is to clarify whether an effective hedging transaction continues after the replacement of a swap counterparty or a swap counterparty's credit provider. The guidance is effective for years beginning after December 15, 2011. The Port adopted this guidance in 2011, with no impact to the financial statements and related disclosures.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current presentation. These reclassifications have no material effect on previously reported changes in net position.

X. Debt Guidelines

Section I. Introduction

Purpose and Overview

The Port of Tacoma 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 of Tacoma.

Section II. Legal Governing Principles

In the issuance and management of debt, the Port of Tacoma 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 of Tacoma 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 of Tacoma 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 of Tacoma may legally issue debt using only the debt instruments described below:

Unlimited Tax General Obligation Bonds — The state authorizes the Port of Tacoma 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 of Tacoma 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 of Tacoma 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 of Tacoma 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 of Tacoma 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 also 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 of Tacoma 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. Under authority that the Port Commission delegates to the Chief Executive Officer, he or she may enter certain financing leases, provided that the dollar amount of the lease is not in excess of $75,000.

Purpose for Borrowing

The Port of Tacoma 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 Improvement Plan (CIP).

Unlimited Tax General Obligation Bonds/Limited Tax General Obligation Bonds —The Port of Tacoma 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 of Tacoma expects to use revenue bonds to finance projects that it has designated as “revenue generating,” “renewal,” in the capital budget (CIP), or refinancing revenue bonds.

Special Assessment Bonds — The Port of Tacoma 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 of Tacoma 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 or 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 of Tacoma 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 U.S.A. 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 Commissions 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 that 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 of Tacoma shall procure professional services to execute financing transactions and to advise on non-transaction related work, as required. Professional services may include, but 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 of Tacoma 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 of Tacoma's financing programs.

Appointment of Bond Counsel — All debt that the Port of Tacoma issues shall include a written opinion by legal counsel affirming that 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 of Tacoma's long-term debt may include serial and term bonds.

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

Redemption Features — For each transaction, the Port of Tacoma 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 of Tacoma 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 of Tacoma'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 of Tacoma;
- A formal presentation, on a regular basis, to the rating agencies, covering economic, financial, operational and other issues that impact the Port of Tacoma'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

Under 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 of Tacoma 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 of Tacoma 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 of Tacoma Commission. State law authorizes the Port of Tacoma 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 of Tacoma 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 of Tacoma 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 LIBOR 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 of Tacoma 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 of Tacoma 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 of Tacoma 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 of Tacoma 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 of Tacoma 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 of Tacoma, 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 counterparty's capitalization and presence in the municipal swap industry in the counterparty selection process.

Termination Risk — In the event that the swap agreement terminates – whether because of actions of the Port of Tacoma 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 of Tacoma to make a termination payment, and the termination payment could be substantial. The Port of Tacoma 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 of Tacoma 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 of Tacoma. 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 LIBOR index, and used this payment to pay interest on the Port's related variable rate bonds, basis risk is the risk that the LIBOR 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 London Interbank Offered Rate (LIBOR). 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 LIBOR 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 LIBOR 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 that 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 of Tacoma 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 Statements. The Port of Tacoma's annual report will describe active derivative agreements and comply with all applicable General Accounting Standards Board (GASB) disclosure requirements.

Section VIII. Variable Rate Debt Guidelines

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%

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. 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 of Tacoma, 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 Office 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 of Tacoma's practice for using variable rate debt. Any staff recommendation for the use of variable rate debt should consider these criteria.

1. 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.

2. 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.
3. Interim financing: The Port will consider issuing commercial paper in connection with its major debt-financed construction programs.

4. 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 of Tacoma's variable rate programs, including:

1. 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.
2. The performance of the individual remarketing agents as compared to other remarketing agents, other similar programs and market indices.
3. The factual circumstances, such as balance sheet factors or the relative amount of debt that supported the original issuance of variable rate debt.
4. 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 Improvement Plan Spending

The Port of Tacoma shall integrate its debt issuance with its Capital Improvement 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 Improvement 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 of Tacoma 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 12/31/13

Debt Instrument	Due Date	---- 2014 Debt Service Payments ---- Principal	Interest	Total	Outstanding 12/31/2014*
General Obligation Bonds:					
G.O. Refunding Bonds 2006	06/01/14		$1,250,972		
	12/01/14	$1,880,000	$1,250,973	$4,381,945	$55,955,000
2008 G.O. Bonds	06/01/14		$2,738,375		
Series A	12/01/14	$2,295,000	$2,738,375	$7,771,750	$107,240,000
2008 G.O. Bonds	06/01/14		$520,428		
Series B	12/01/14	$470,000	$520,428	$1,510,856	$21,270,000
TOTAL G.O. BONDS		$4,645,000	$9,019,551	$13,664,551	$184,465,000
Revenue Bonds:					
2004 Revenue Bonds AMT	06/01/14		$1,428,756		
	12/01/14	$855,000	$1,428,757	$3,712,513	$56,270,000
2004 Revenue Bonds NAMT	06/01/14		$223,256		
	12/01/14	$0	$223,256	$446,512	$8,505,000
2005 Revenue Bonds	06/01/14		$1,790,125		
	12/01/14	$1,900,000	$1,790,125	$5,480,250	$69,705,000
Rev. Refunding Bonds 2006	06/01/14		$987,761		
	12/01/14	$145,000	$987,761	$2,120,522	$45,335,000
2008 Refunding Bonds	12/01/14	$4,880,000	$460,692	$5,340,692	$87,665,000
2008B Revenue Bonds	12/01/14	$0	$665,000	$665,000	$133,000,000
Net Swap Interest			$11,269,865	$11,269,865	
Direct Purchase/LOC Fees			$1,967,657	$1,967,657	
TOTAL REVENUE BONDS		$7,780,000	$23,223,011	$31,003,011	$400,480,000
Swap - Commercial Paper		$2,205,000	$467,181		$91,415,000
TOTAL ALL EXISTING BONDS*		$14,630,000	$32,709,743	$44,667,562	$676,360,000

**Does not include new bond issues after 11/30/2013*

Appendix B Port of Tacoma 2014 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 Ports 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 were available for distribution to any interested persons, was published on October 30, and November 6, 2013. Notices were published in The News Tribune, The South Pierce County Dispatch, The Daily Index, and the Peninsula Gateway, as required by law (RCW 53.35.020 and RCW 53.35.045).

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

($ Thousands)	**2014**
Beginning Cash & Investments	$206,392
Projected Sources of Funds	
Revenues	$129,196
Expenses	(70,658)
Funds Provided by Operations	58,538
Interest Income	2,469
Other, Net	7,430
Ad valorem tax revenue (net)	13,016
Projected Sources of Funds	$81,453
Projected Uses of Funds	
Debt Payments - GO Bonds	$13,645
Debt Payments - Revenue Bonds	30,992
Debt Payments - Commercial Paper	2,672
Retirement of G.O. Bonds	0
Retirement of Revenue Bonds	0
Capital Spending - Planned Projects	82,989
Projected Uses of Funds	$130,298
Projected Borrowing	
Commercial Paper Borrowing	0
Total Borrowing	$0
Projected Ending Cash & Investments	$157,547

Appendix C Port Memberships

Overview

The Port pays for a variety of memberships on behalf of the Port and/or individual Port staff. The Port believes this investment in 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.

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 business people and to ensure that the Port's interests and concerns are addressed in the community.

2014 Port Memberships & Personnel Memberships

Organization	**Annual Dues**
WA Public Port Association	$190,000
Puget Sound Regional Council	42,000
American Association of Port Authorities	40,000
Tacoma/Pierce County Chamber	25,000
Pacific NW Waterway Association	13,000
WA Council on Int'l Trade	10,000
All Other Memberships	60,000
Total Port Memberships	$380,000

Summary

Five Port memberships represent more than 80 % of the membership budget for 2014. 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

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

American Association of Ports and Harbors

The Association 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.

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.

Pacific Northwest Waterways Association

The Association advocates for federal policies and funding in support of regional economic development. The membership support projects and policies that ensure the economic vitality of the Pacific Northwest.

Appendix D Statements of Revenues, Expenses and Changes in Net Position

Statement of Revenues, Expenses and Changes in Net Position

Total Port	**2012 Actual**	**2013 Forecast**	**2014 Budget**	**Change from Prior Year**
$ Thousands				
Operating Revenue	$124,377	$126,680	$129,196	2.0%
Total Operating Expenses	96,146	98,967	102,461	3.5%
Operating Income	**28,231**	**27,713**	**26,735**	**-3.5%**
Non Operating Revenues (Expenses)				
Ad valorem tax revenues	13,672	12,585	13,016	3.4%
Interest on general obligation bonds	(9,566)	(9,456)	(9,000)	-4.8%
Net ad valorem tax revenues	**4,106**	**3,129**	**4,016**	**28.3%**
Interest Income	3,153	2,233	2,469	10.6%
Net increase (decrease) in the fair value of investments	777	(4,289)	-	-100.0%
Interest Expense	(20,118)	(23,042)	(22,805)	-1.0%
Other non-operating expense, net	(6,935)	(4,376)	275	-106.3%
Total non-operating expenses , net	**(19,017)**	**(26,345)**	**(16,045)**	**-39.1%**
Increase (decrease)in net positions before capital contributions	9,214	1,368	10,690	681.4%
Capital Grant Contributions	13,565	5,791	7,164	23.7%
Increase (decrease) in net position	**$22,779**	**$7,159**	**$17,854**	**149.4%**
Net Position				
Net Position beginning of year	$476,978	$499,757	$506,916	1.4%
Net Position end of year	$499,757	$506,916	$524,770	3.5%

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 2014 by $17.9 million from the estimated 2013 results.

Appendix E Budget Calendar

			Current Year						Budget Year					
Task	Start	Duration	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun.
Budget	Aug	18 Weeks												
Goals, Priorities, Key Projects & assumptions	Aug	4 Weeks												
Capital Improvement Plan	Aug	4 Weeks												
Staffing Plan	Sept	2 Weeks												
Department Budgets	Sept	3 Weeks												
Revenue and Expense Budgets	Sept	8 weeks												
Tax Levy	Sept	3 Weeks												
Budget Document	Oct	3 Weeks												
Public Presentations	Nov	6 Weeks												
Submit Final Budget and Tax Levy to County	Nov	Nov 30												
Midyear Update														
Capital Improvement Plan	May	3 Weeks												
Revenue and Expenses	May	2 Weeks												
Public Presentation	Jun	Jun 30												

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: The identification and review process of potential staffing changes. 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 the program 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 F 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.

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.

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.

Cant – After a log is debarked, the sawyer cuts off the rounded slab or outside portion of the log. The remaining square or rectangular portion of the log is called a cant. Lumber is cut from the cant.

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.

Conditional Sales Contract – Contracts for the sale of property where the buyer has possession and use, but the seller retains title until the conditions of the contract have been fulfilled.

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 (FTZ) 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 release 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.

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

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.

Grand Alliance – A vessel-sharing alliance, including Hamburg Süd, Hapag-Lloyd, NYK Line, and Orient Overseas Container Line

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.

LIBOR – The London Interbank Offered Rate at which banks borrow funds from other banks. It is a commonly used benchmark for interest rate transactions ranging from one month to one year.

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.

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.

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.

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.

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 and 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.

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.

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.

Swap Agreement (SWAP) – A contract between two parties that exchange a series of fixed rate and variable rate interest payments over an agreed period of time. No principal amount is exchanged.

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).

Transit Shed – The short-term storage shed on a wharf that is designed to protect cargoes from weather damage.

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 G Acronyms and Abbreviations

Admn	Administration
AEI	Automated Electronic Interchange
ANWR	Arctic National Wildlife Refuge
APM	A.P. Moller — Maersk Group
ARRA	American Reinvestment and Recovery Act
AWC	Auto Warehouse Company
BHP	Blair Hylebos Peninsular
BNSF	BNSF Railway
BPA	Bonneville Power Administration
CB	Capital Budget
CBN/T	Commencement Bay Nearshore/Tideflats
CDF	Confined Disposal Facility
CFS	Container Freight System
CIP	Capital Improvement Plan
CHB	Citizens for a Healthy Bay
CMS	Contract Management System
CPC	Central Point of Coordination
CPI	Consumer Price Index
DHS	Department of Homeland Security
EB1	East Blair Terminal 1
EBC	Earley Business Center
EBI	Earn Base Increase
EDI	Electronic Data Interchange
EPA	Environmental Protection Agency
FAST	Freight Action Strategy Corridor
FMS	Financial Management System
FPR	First Point of Rest
FTE	Full-Time Equivalent
FTZ	Foreign Trade Zone
GA	Grand Alliance
G.O.	General Obligation (Bond)
GAAP	General Accepted Accounting Principles
GASB	Gov't Accounting Standards Board
GDP	Gross Domestic Product
Gov't	Government
HIM	Hyundai Intermodal Yard
HR	Human Resources
ICT	International Container Terminals
IDD	Industrial Development Districts
ILWU	International Longshore and Warehouse Union
IT	Information Technology
ITOS	Intermodal Terminal Operating System
ITS	International Terminal Service
JIIC	Joint Inland Infrastructure Committee
LAGS	Lincoln Avenue Grade Separation
LEED	Leadership in Energy and Environmental Design
LIBOR	London Interbank Offered Rate
LID	Low Impact Development
LNG	Liquid Natural Gas
LTCA	Local Toxics Control Account
MLLW	Mean Lower Low Water
MTCA	Model Toxics Control Act
NIM	North Intermodal Yard
NOI	Net Operating Income
NPDES	National Pollution Discharge Elimination System
NRDA	Natural Resources Damage Assessment

NSCSA	National Shipping Company of Saudi Arabia
NWB	Northwest Building
OCT	Olympic Container Terminal
OGT	Office of Grants and Training, administrator of Homeland Security Grants
OSC	Operation Safe Commerce
OTIS-M	Off Tideflats Study and Modeling
PBC	Port Business Center
PCT	Pierce County Terminal
PDA	Public Development Authority
PIERS	Port Import Export Reporting Service
PIM	Pierce County Intermodal Yard
PMA	Pacific Maritime Association
POT	Port of Tacoma
PRP	Potentially Responsible Parties
PSA	Puyallup Settlement Agreement
RAMP	Regional Access & Mobility Project
RCW	Revised Code of Washington
ROA	Return on Assets
ROD	Record of Decision
ROI	Return on Investment
SIFMA	Securities Industry and Financial Markets Association
SIM	South Intermodal Yard
SR 167	State Route 167
SSA	Stevedoring Services of America
ST	Short tons
SWAP	Forward Starting payment Agreement
T3	Terminal 3
TECP	Tax Exempt Commercial Paper
TEU	Twenty-Foot Equivalent Unit
TOTE	Totem Ocean Trailer Express
TPU	Tacoma Public Utilities
TWIC	Transportation Worker Identification Credential
UAO	Unilateral Administrative Order
UP	Union Pacific
USDA	U.S. Department of Agriculture
UWT	University of Washington Tacoma
WPPA	Washington Public Ports Association
WRDA	Water Resources Development Act
WSDOT	Washington State Department of Transportation
WTC	World Trade Center
WTO	World Trade Organization
WUT	Washington United Terminals

Appendix H Assumptions for the 2014 - 2018 Cash Flow Forecast

Budget Year 2014:

Cash & investments at beginning of the budget year	$206,392,000
Minimum cash & investments	$82,109,000
Gross tax levy	$13,115,760

Revenue Assumptions 2014 - 2018 (Base Year 2013):

Container TEUs average growth percentage	2.5%
Intermodal lifts average growth percentage	2.5%
Breakbulk tonnage average growth percentage	2.9%
Autos average growth percentage	3.2%
Average annual revenue escalation rate	1.5%
Interest income investment rate	0.1% - 4.7%
Average tax levy growth rate	2.1%

Expense Assumptions 2014 - 2018:

Average annual inflation used for expenses	2.0%
Average annual Port labor Increase	2.0%
Borrowing rate for new fixed rate G.O. bond debt	4.5% - 5.2%
Borrowing rate for new fixed rate revenue bond debt	4.9% - 5.6%
Borrowing rate for new variable rate revenue bond debt	0.1% - 2.2%
Term of new bond debt	30
Borrowing rate for Commercial Paper	0.1% - 2.2%

Appendix I 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 that the amount adequately meets the specified criteria. The 2013 plan to retire $66.4 million in Senior Debt has been changed and the reserve has been reduced.

Minimum Cash & Investments	**for 2014** ***($ Millions)***
Port cash and investments to cover 6 months operating expenses	$35.3
Prorated revenue bond payments	2.6
Prorated G.O. bond payments	1.1
Revenue bond reserves	41.3
Industrial insurance reserve	0.3
Self insurance reserve	1.5
Minimum cash & investment balance	$82.1

Appendix J Demographic and Economic Information

The Port operates within Pierce County. The City of Tacoma, the county seat of 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 2013 population of 200,400. The City is located 32 miles south of Seattle and 28 miles northeast of Olympia, the state capital. The historical population of the City and Pierce County is shown in the following table.

Population: Pierce County and City of Tacoma

Year	Tacoma	Pierce County
2013	**200,400**	**814,500**
2012	199,600	808,200
2011	198,900	802,150
2010	204,200	814,600
2009	203,400	813,600
2008	202,700	805,400
2007	201,700	790,500
2006	199,600	773,500
2005	198,100	755,900
Average Annual Growth	2%	1.0 %

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

City of Tacoma Building Permit Activity

Year	Total Number	Total Value
2013 (1)	**1287**	**$254,822,351**
2012	1248	$217,236,559
2011	1693	$251,711,187
2010	1538	$296,713,627
2009	1,796	$214,530,401
2008	2,146	$343,884,905
2007	2,628	$519,576,251
2006	2,746	$482,193,093
2005	2,586	$245,444,070

Source: City of Tacoma Public Works Department, Building Division
(1) Through August 2013

Pierce County and Washington State Median Household Income

Year	Pierce County	Washington State
2012 (1)	$57,162	$56,444
2011 (2)	$56,114	$55,500
2010	$55,531	$54,888
2009	$55,941	$55,479
2008	$56,740	$56,995
2007	$55,531	$55,771
2006	$57,905	$56,808
2005	$55,785	$54,618

Source: Washington State Office of Financial Management
(1) Estimate
(2) Projection

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

Year	Pierce County	City of Tacoma
2012	**$10,983,336**	**$4,046,579**
2011	$10,428,906	$3,826,546
2010	$10,547,024	$3,849,213
2009	$10,397,773	$3,815,491
2008	$11,711,653	$4,288,739
2007	$12,535,646	$4,665,527
2006	$12,068,284	$4,536,401
2005	$10,123,073	$4,218,012

Source: Washington State Department of Revenue, Research Division

Tacoma Metropolitan Area (Pierce County) Resident Civilian Labor Force and Employment and Average Civilian Non-agricultural Wage and Salary Employment (1)

Tacoma Metropolitan Area (Pierce County) Resident Civilian Labor Force and Employment and Average Civilian Non-agricultural Wage and Salary Employment

	2013 (1)	2012	2011	2010	2009	2008	2007	2006	2005
Resident Civilian									
Labor Force									
Employment	351,800	351,120	348,840	352,260	356,550	370,570	365,510	352,360	345,780
Unemployment	29,160	34,350	37,820	40,180	38,140	22,510	18,340	18,860	21,490
Total	**380,960**	**385,470**	**386,660**	**392,440**	**394,690**	**393,080**	**383,850**	**371,220**	**367,270**
Percent of Labor Force									
Unemployed	7.7%	8.9%	9.8%	10.2%	9.7%	5.7%	4.8%	5.1%	5.9%
Nonagricultural Wage and									
Salary Workers									
Natural Resources and									
Mining	300	300	300	300	300	400	500	400	500
Construction	19,000	16,800	16,300	17,200	19,000	23,500	25,400	22,900	20,000
Manufacturing	17,200	16,700	16,400	16,300	16,900	19,800	20,400	20,100	19,800
Total Goods Producing	**36,500**	**33,800**	**33,000**	**33,800**	**36,200**	**43,700**	**46,300**	**43,400**	**40,300**
Transportation,									
warehousing and utilities	13,400	11,100	10,900	10,900	11,000	11,400	11,600	11,500	11,000
Wholesale trade	11,600	11,200	11,100	11,200	10,700	11,400	11,400	10,500	10,200
Retail trade	32,500	31,800	31,700	31,200	31,200	32,900	33,400	31,700	32,600
Total Trade,									
Transportation, & Utilities	**57,500**	**55,100**	**54,300**	**53,000**	**53,100**	**55,600**	**56,400**	**53,700**	**53,800**
Information	2,900	2,700	2,800	3,000	3,100	3,700	3,700	3,600	3,400
Financial Activities	13,400	11,500	11,200	11,200	12,300	13,200	13,700	14,500	9,500
Professional and									
Business Services	24,400	23,900	23,900	23,500	23,900	24,900	25,500	24,200	27,100
Educational and									
Health Services	45,100	44,200	43,800	43,600	23,200	41,600	40,500	39,100	36,200
Leisure and Hospitality	27,000	26,200	25,500	25,300	26,200	27,800	27,400	26,400	25,800
Other Services	13,200	13,000	12,900	12,600	12,700	13,000	12,700	12,400	12,700
Government									
Federal	12,200	12,800	13,200	13,200	11,700	10,800	10,300	10,500	10,600
State	9,900	10,500	10,600	11,300	11,700	11,900	11,400	11,200	10,600
Local	31,700	33,700	34,000	34,000	34,400	34,300	33,300	32,900	33,000
Total Government	**53,800**	**57,000**	**57,800**	**58,400**	**57,800**	**56,900**	**54,900**	**54,600**	**54,200**
Total Nonagricultural Wage									
and Salary Workers	**273,800**	**267,400**	**265,200**	**264,300**	**268,500**	**280,500**	**280,900**	**271,900**	**263,000**

(1) Preliminary August 2013

Source: Washington State Employment Security Department

Columns may not add due to rounding

Appendix K Full-Time Personnel Schedule

2014 Port of Tacoma Headcount

	2012 Actual	2013 Budget	2013 Actual 9/19/2013	2014 Budget	Proposed Change From Actual
Executive	9	8	10	9	-1
Human Resources	5	5	4	4	0
External Affairs	7	7	7	7	0
Finance and Administration	41	41	46	45	-1
Commercial Business	31	31	28	29	1
Operations	111	112	109	109	0
Facilities Development	34	33	32	34	2
Total	238	237	236	237	1

Notes:
The Port may choose not to hire up to the budgeted Full Time Equivalent Headcount of 237

Average Compensation

The average wages for all Port Full Time Equivalent (FTE) employees is $90,000.

Changes in Full Time Personnel

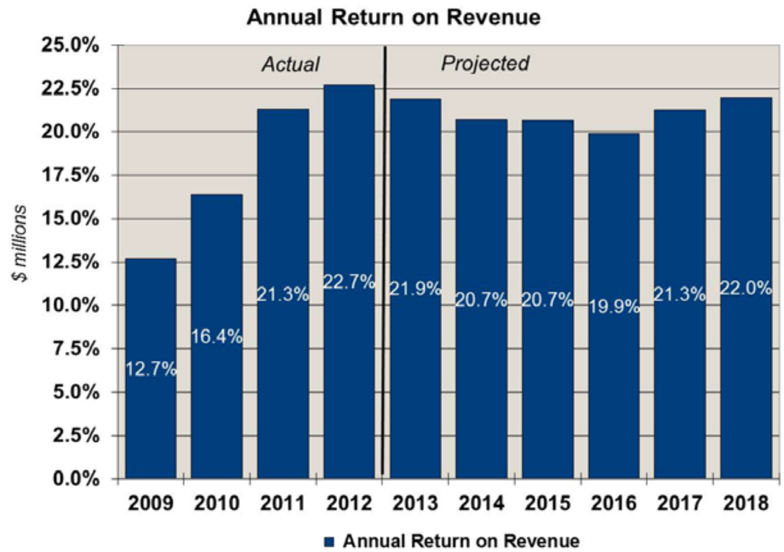
Executive: Decrease due to retirement
Finance and Administration: Decrease due to retirement
Commercial Business: Increase due to reorganization
Operations: Decrease of 1 FTE to Commercial Business and addition of 1 Operations Manager
Facilities Development: Backfill of Planning Manager and Engineering Director

Appendix L Financial Performance Measures

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). The Port's 2021 Strategic Plan target rate is 28.5 percent.

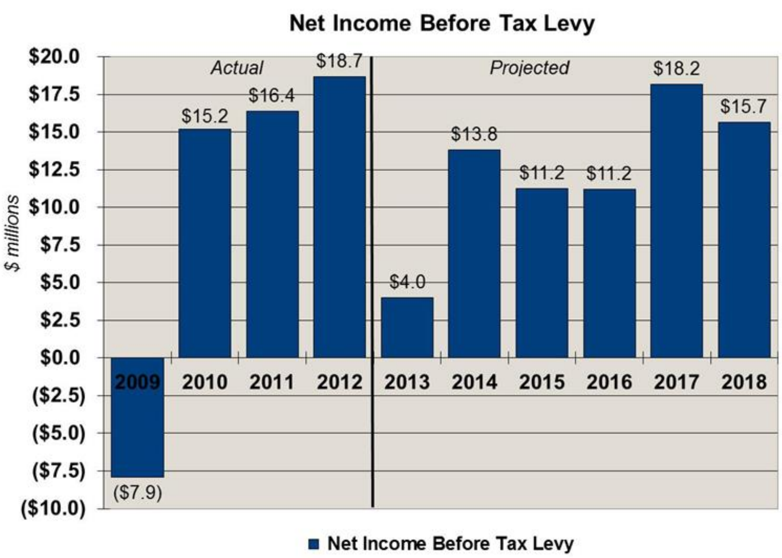
- *Understanding Data:* Operating income measures management's ability to maintain profitability. It also indicates profit generated by operation and administration of normal ongoing Port business activity. Profits enable the Port to reinvest in new capital projects.



Net Income before Tax Levy (NIBTL)

NIBTL is operating income plus or minus non-operating revenues and expenses (excludes the tax levy and general obligation bond interest expense).The Port's 2021 Strategic Plan Target is $24.2 million.

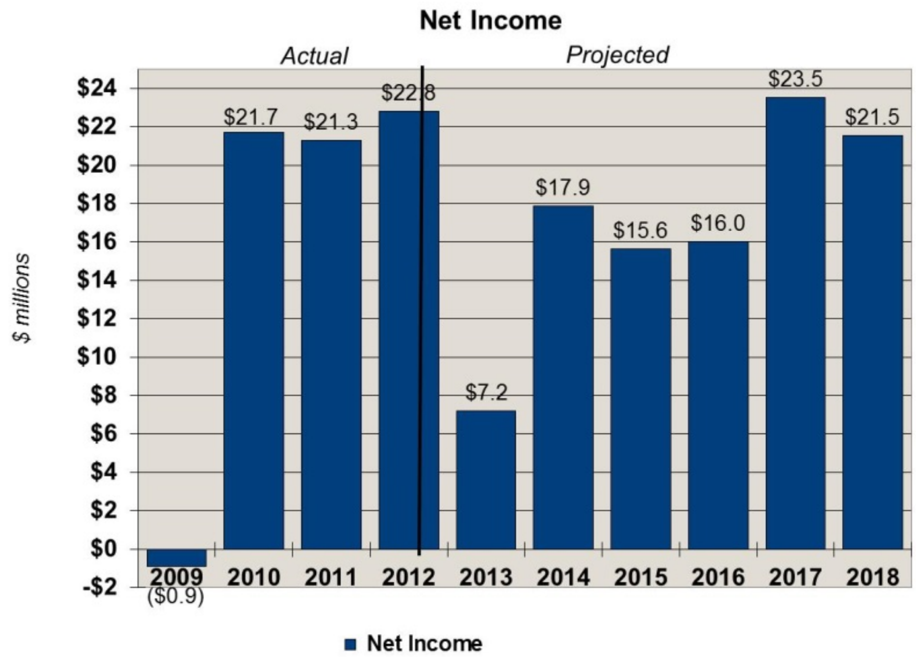
- *Understanding Data: NIBTL is* a measure of the Port's ability to generate revenue sufficient to pay for all operating and net non-operating expenses, leaving the residual tax levy (levy amount in excess of annual debt service) to pay for infrastructure and environmental projects. In years where NIBTL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



Net income

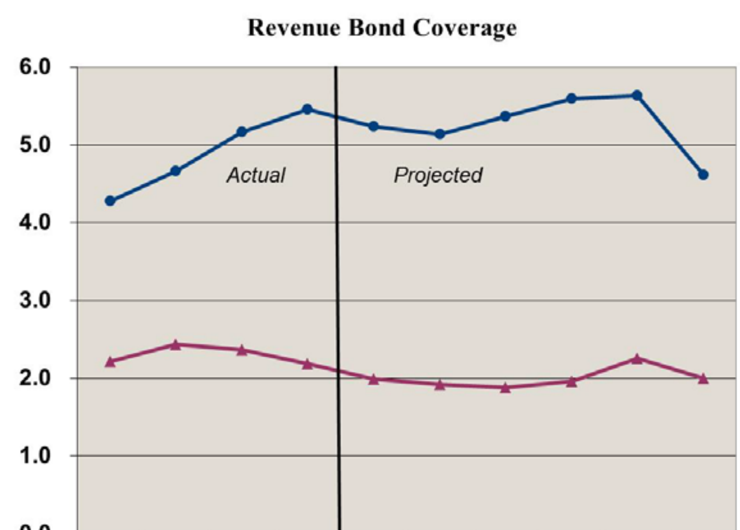
Net Income is total operating revenue less total operating expense, plus non-operating revenue & expenses plus net Ad Valorem tax revenue, plus capital contributions. The Port's 2021 Strategic Plan target is $31.7 million..

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



Debt Service Coverage Ratio

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 2021 Strategic Plan target is 2.0 times for the fully diluted debt service coverage ratio.



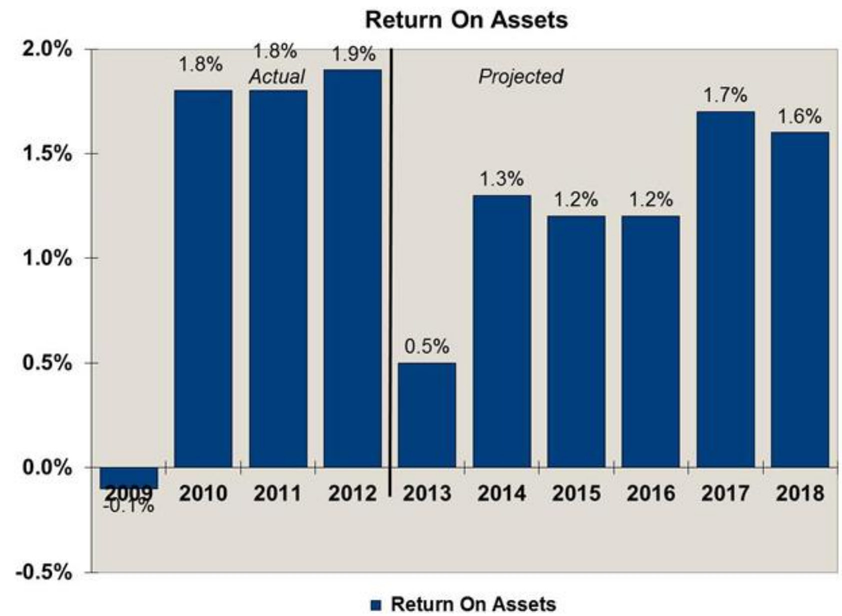
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Senior Lien	4.3	4.7	5.2	5.5	5.2	5.1	5.4	5.6	5.6	4.6
Fully Diluted	2.2	2.4	2.4	2.2	2.0	1.9	1.9	2.0	2.3	2.0

- *Understanding Data:* This goal 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.

Return on Assets

To calculate ROA, divide net income by total assets. The higher the number the better. The Port's 2021 Strategic Plan target rate is 2.3 percent.

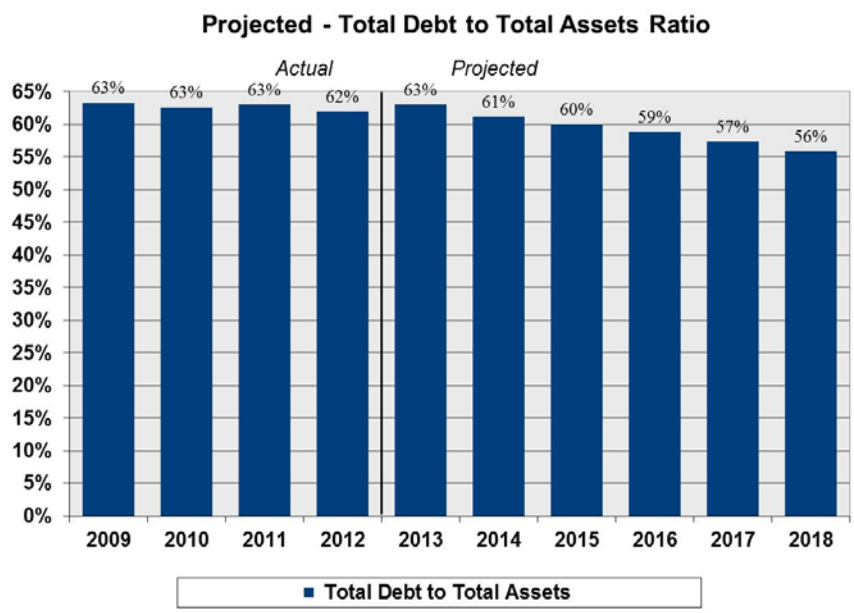
- *Understanding Data:* Return on assets measures how much the Port earns on each dollar it has invested into its assets. This measures the productivity of the Port's assets.



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. The Port's 2021 Strategic Plan target is 46.5 percent.

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



Port of Tacoma 10 Targets in 10 years

Target	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Target	Units
1) Container Volume to 3 million TEU	1,489,000	1,711,000	1,859,000	1,869,000								3,000,000	TEU
2) Dry Bulk to 12 million Metric Ton	6,064,000	5,048,000	1,507,000	1,500,000								12,000,000	Metric Tons
3) Break Bulk	154,000	260,000	214,000	219,000								200,000	Short Tons
4) Auto Units	162,434	148,239	161,331	167,191								200,000	units
5) Operating Margin %	21.3%	22.7%	21.9%	20.7%								28.5%	%
6) Net Income ($million)	$ 21.10	$ 22.78	$ 7.16	$ 17.85								$ 31.70	$
7) ROA	1.8%	1.9%	0.5%	1.3%								2.3%	%
8) Clean 200 acres of land (year finished)			97	15								200	Acres
9) Reduce diesel pollutants (per year)	280	280	280	280								57.8	Tons
10) Create Jobs 6,700 (study underway)	TBD											6,700	Jobs