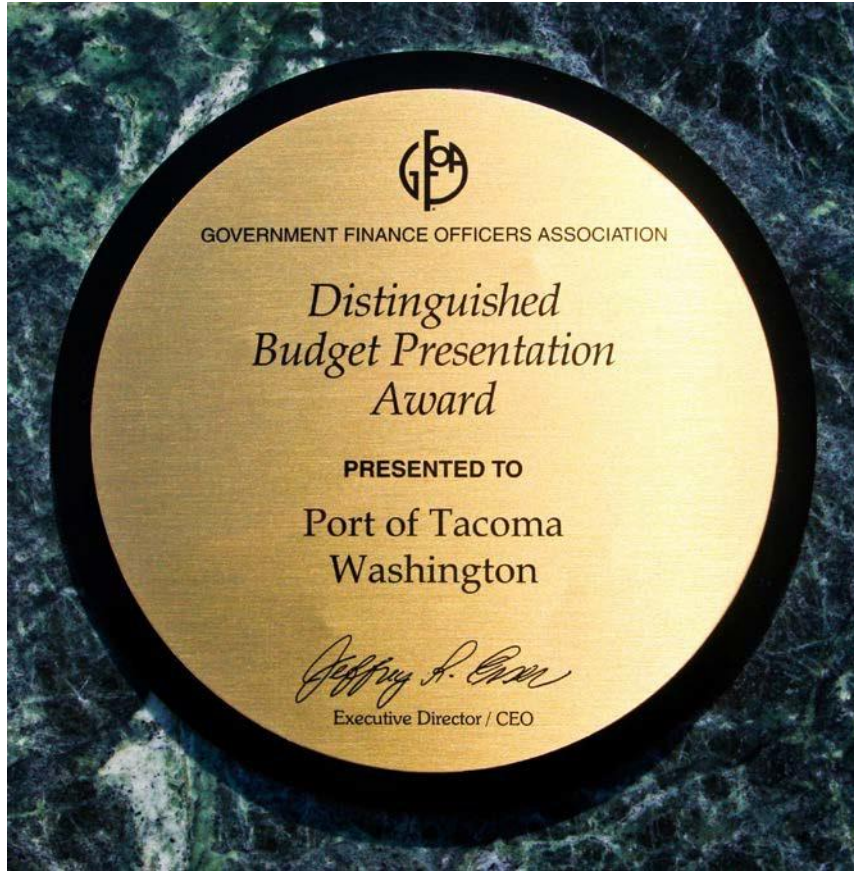


Port of Tacoma 2022 Budget



Statutory Budget and Tax Levy adopted: **DRAFT – Nov. 2021**



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.

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Memo



To: Port of Tacoma Commission

Date: November 18, 2021

Subject: The Port of Tacoma's 2022 Budget

The Port of Tacoma is pleased to present its 2022 Budget Report. This annual budget will guide staff in the management of Port facilities and operations for fiscal year 2022 and is a critical management tool for planning and prioritizing use of our financial resources and building strong and sustainable business lines. Thank you to the Port Commissioners for their leadership, guidance and support and to Port staff for their work in developing this budget.

The Port's financial outlook is strong, and we are confident that the efforts and plans outlined in the 2022 budget will help the Port remain financially strong, competitive and successful. Activity at the Port has increased to record levels over the past year—notwithstanding the ongoing uncertainty around the global coronavirus pandemic—due to unprecedented consumer demand for goods. Coupled with this demand have been the increasing challenges of a congested supply chain and resulting delays in shipping and transportation. Challenges not unique to our port, but to ports throughout North America.

I am proud of and extend my thanks to all Port employees and our labor partners who have gone above and beyond to help keep the Port moving forward as we continue to work through and find solutions to these issues.

Despite these challenging realities in the supply chain, and uncertainties in the global economy, the Port's financial outlook is strong, and we are confident that the efforts and plans outlined in the 2022 budget will help the Port remain financially strong, competitive and successful. The 2022 budget supports continued progress toward the five foundational goals in the Port's Strategic Plan:

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

These strategic goals reflect the Port's ongoing commitment to identify and prioritize new areas of growth that increase economic activity in Pierce County in a sustainable, and environmentally responsible manner.

The Port of Tacoma looks forward to continuing to serve our customers, tenants, and the Pierce County community in the coming year and beyond. And, again, I thank all of you for your ongoing commitment to the Port of Tacoma. Here's to a healthy and successful 2022.

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

Eric Johnson, Executive Director

Budget Document Overview

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

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

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

I. Port of Tacoma Overview

Washington State Ports

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

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

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

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

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

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

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

Port of Tacoma

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

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

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

In the spirit of working together to improve the economies of Puget Sound, the Port joined forces with the Port of Seattle in August 2015 to create The Northwest Seaport Alliance (NWSA). By combining resources, the Puget Sound becomes the fifth largest gateway for

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

The Port's approximately 2,700 acres are primarily located in the Commencement Bay Tideflats of Tacoma, Washington. Today, the Port has about 150 acres of land available for industrial development on Port-owned properties separate from its marine terminal areas. Port properties include warehouse/ industrial sites, a grain terminal, and areas for industrial development. Pierce County

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

Port Facilities and Services

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

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

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

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

Port of Tacoma Commission

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

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

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

Port Commission Meetings

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

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

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

Port Organizational Structure

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

Leadership

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

Real Estate

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

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

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

Operations

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

Operations Department

The Operations group mainly supports the operations of the NWSA. (See NWSA Addendum Section I.) The operations group manages the Blair and Sitcum waterways so that NWSA and

Port maritime operations work harmoniously. This department collaborates with members of the supply chain to promote policies, procedures and technologies that improve operational efficiency.

Maintenance Department

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

Security

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

Support Organizations

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

Engineering, Environmental and Planning Group

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

Engineering

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

Planning and Logistics

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

Environmental

The Environmental Department develops and implements comprehensive programs to minimize the effects of Port operations on air, water and sediment quality, and address climate change. Environmental staff are located both in the Port and in NWSA, and provide services to each

organization through the service level agreement. This department works with permitting agencies to facilitate terminal development projects, maintains regulatory compliance, and develops innovative, “beyond compliance” environmental solutions. Department staff monitors and provides input on the drafting of environmental ordinances and regulations significant to the Port and informs the public of the Port’s environmental activities.

Finance and Administration Group

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

Finance and Accounting

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

Contracts and Purchasing

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

Public Records

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

Information Technology

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

Human Resources

Led by the Chief Human Resources Officer, the Human Resources Department is responsible for: work-force development, which includes attracting, retaining and developing employees; setting compensation; administering benefits; organization-wide training; and managing employee relations; and creating a constructive, diverse culture. The Human Resources Department is responsible for personnel assigned to both the Port and the NWSA. Services to the NWSA are provided through the service level agreement.

Government Affairs:

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

Communications

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

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

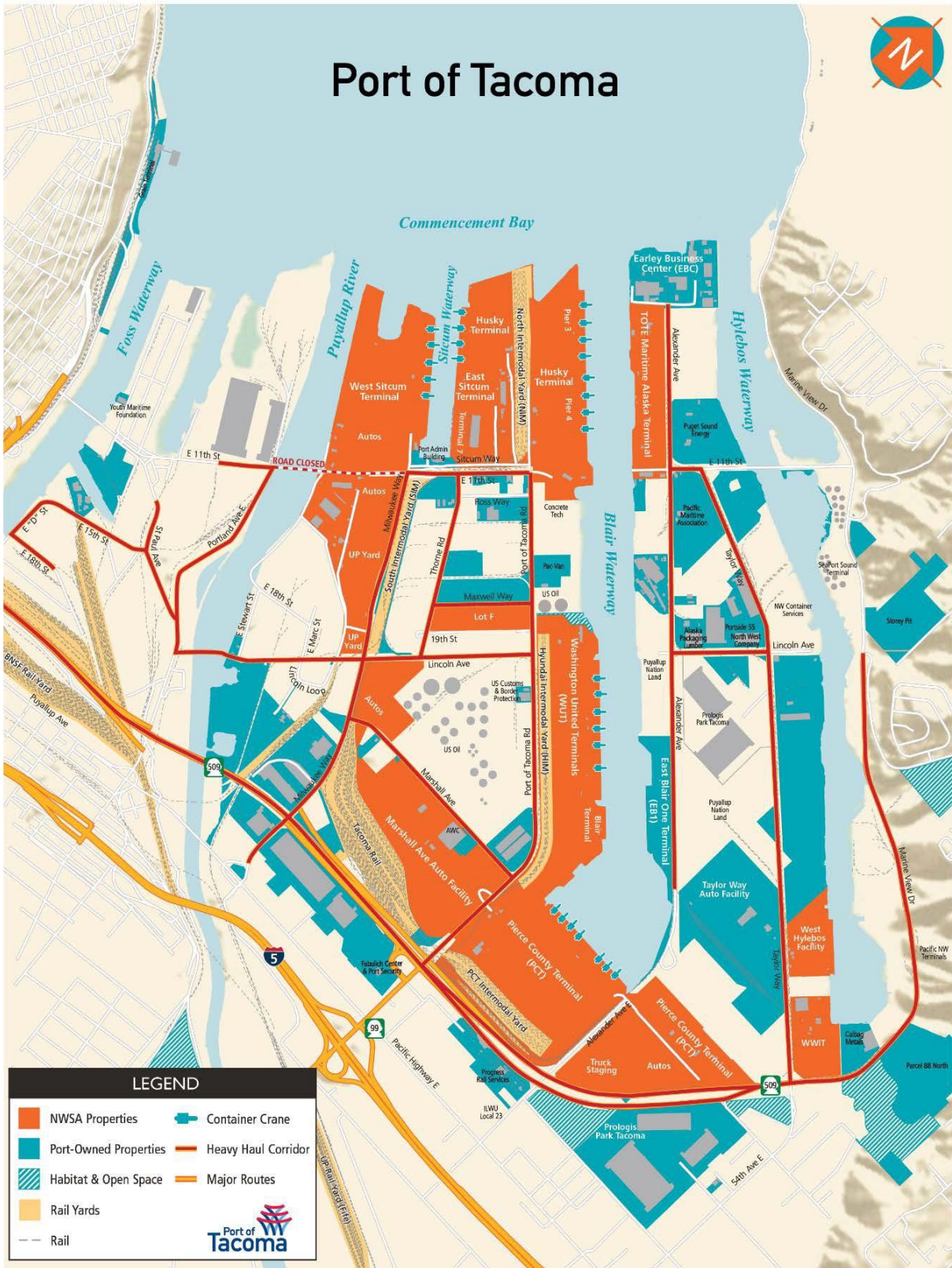
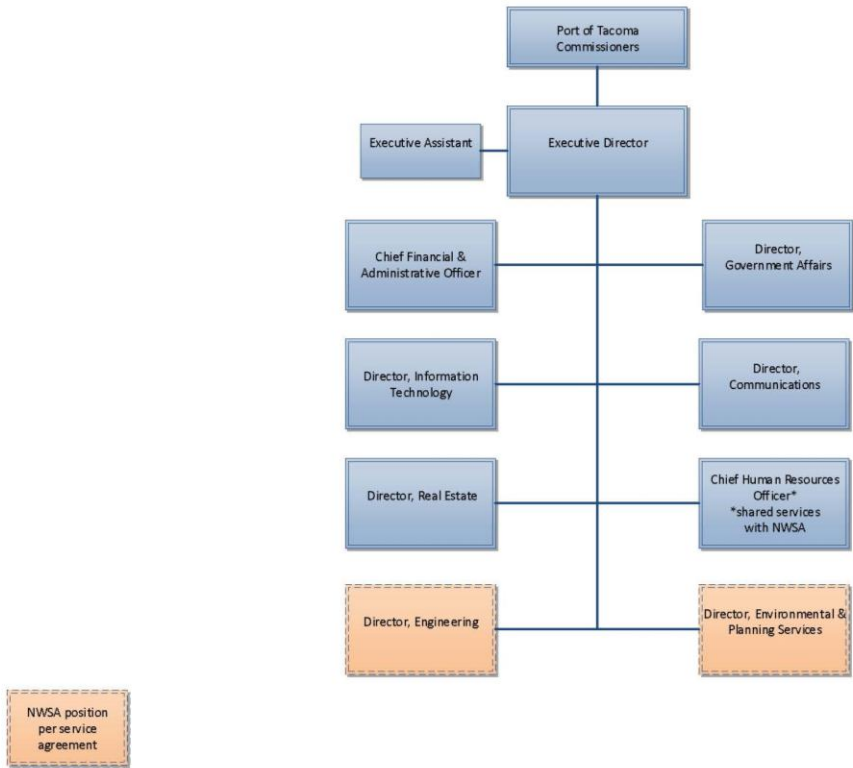


Figure I-2.... Port of Tacoma Organizational Chart

ORGANIZATIONAL CHART
Port of Tacoma



II. 2022 Budget Message

Strategic Direction

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

2021-2026 Strategic Plan

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

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

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

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

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



Strategies and Implementation Plan

Each of the above foundational goals is accompanied by a set of strategies designed to support and achieve the Port's mission. (The strategies corresponding to each goal area can be viewed

in the [Strategic Plan](#).) A corresponding Implementation Plan provides details on specific actions that will be undertaken to advance and measure progress on the foundational goals and supporting strategies.

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

Budget Environment

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

Revenues and Expenses

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

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

2022 Budget

The Port of Tacoma has developed an overall operating budget with projected revenue of \$81.4 million (\$32.0 million from Port of Tacoma operations, and \$49.4 million from the NWSA JV). Total operating income is budgeted to be \$32.1 million, resulting in an operating margin of 39.4 percent. The Port's net income is projected to be \$41.5 million.

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

Capital Investment Plan Highlights

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

Major 2022 capital projects include the following:

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

The Port's \$49.8 million 2022 capital budget represents the first year of the Port's 2022-2026 capital plan – a package totaling \$224.6 million in new projects and investments. (See Section V for additional details on the Capital Investment Plan.)

Financial Issues and Measures

To provide interest rate stability for planned major projects, in 2007 the Port entered into three forward starting payment agreements (aka SWAPS) starting in 2011, totaling \$230 million with third-party partners. Although the planned projects have not moved forward, the SWAPS are still in place and the Port was required to deliver variable rate bonds totaling \$80 million in 2011, \$130 million in 2012, and \$20 million in 2013 to match to the SWAPS. Alternatively, the Port could terminate the SWAPS at market value, which would cost the Port approximately \$74.9 million as of August 31, 2021. The Port has sufficient variable rate debt outstanding to match these swaps as required by state law. An increase in overall interest rates would reduce the cost of terminating these SWAPS and could result in the SWAPS providing value to the Port. The Port continues to monitor the SWAP valuations and will take the best course of action to minimize the risk and cost to the Port. The Port canceled the Morgan Stanley swap on December 2016 at no cost to the Port. The Port's financial measures indicate how well the Port plans and executes its operations, capital budget and financing. The measures are shown in Section VII.

Tax Levy

In addition to the global economic climate, other business and political and civic developments can have an impact on the Port's daily operations and long-term goals. Assessed property values in Pierce County increased by approximately 15.6 percent in 2021, and new construction added approximately 1.6 percent in value, to a Total Taxable Regular Value of \$159,259,716,623 compared to last year's \$137,747,760,477. Property values have continued to increase and new construction or improvement projects are expected to continue to grow in the future. (See Section VI for additional details on the Port's tax levy.)

Legislative Impacts

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

Remedial Action Grant Funding

The Port relies upon Remedial Action Grant (RAG) funding authorized by the state's Model Toxics Control Act (MTCA) to help remediate contaminated properties it owns. MTCA imposes a hazardous substance tax (HST) on the first possession of toxics on hazardous chemicals to fund RAG grants and other toxics-related programs. During the 2021 legislative session, state lawmakers authorized \$3.15 million for two Port projects—the Alexander Avenue Tank Farm and the Arkema Manufacturing site.

Transportation Funding

The Port relies on an efficient and well-maintained road and rail network to ensure the smooth movement of cargo to and from its facilities. The Washington Legislature in 2015 made a significant commitment to infrastructure, passing a 16-year, \$16 billion statewide transportation package. An estimated \$3.3 billion of those funds will be invested in projects benefiting Port terminals.

One project of note is the State Route 167 project. The state intends to complete the remaining six miles of this critical freight corridor, improving connectivity between the Port's marine cargo facilities and Interstate 5 and the Green River and Puyallup River valleys—home to the second largest cluster of warehouses and distribution centers on the west coast. Completion of this highway requires a \$130 million local match. In 2018, the Port entered into a memorandum of understanding (MOU) pertaining to local participation in the SR-167 project with the Washington State Department of Transportation and other local project stakeholders. The MOU stipulates that anticipated financial contributions by the Port and other stakeholders only become binding commitments when embedded in interlocal agreements, and the conditions therein are approved by the proposed funding entity. In December 2018, the Port committed to a \$3 million contribution for Phase 1A of the project. In December 2019, the Port committed to a \$22 million contribution in future years subject to WSDOT achieving certain construction milestones. In March, 2021, the Commission approved a second ILA with WSDOT, contributing an estimated \$11.3 million in real estate and fill material to the project (the final dollar amount will be confirmed through a survey once the final fill material is delivered). The Port anticipates Commission consideration for a third and final ILA in 2022 for the balance of its outstanding obligation to the project.

Port Security

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

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

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

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

Conclusion

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

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

Additionally, the Port will, through its 2021-2026 Strategic Plan, identify new areas of growth that increase the economic activity in Pierce County in a sustainable, and environmentally responsible manner.

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

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



III. Business Outlook

U.S. Economy

Real gross domestic product (GDP), defined as the value of the production of goods, increased at an annual growth rate of 6.6 percent in the second quarter of 2021 preceded by a 6.3 percent annual growth rate in the first quarter. According to the Department of Commerce Bureau of Economic Analysis (BEA) the increase in second quarter GDP reflected the continued economic recovery, reopening of establishments, and continued government response related to the COVID-19 pandemic. In the second quarter, government assistance payments in the form of loans to businesses and grants to state and local governments increased, while social benefits to households, such as the direct economic impact payments, declined.

The U.S. economy is performing strongly. Growth is supported by domestic consumption, business spending, and employment. E-commerce and federal financial stimulus fueled consumer spending and demand for retail goods over the last several months, driving economic growth. With the availability of COVID vaccines, businesses now have largely re-opened, and people appear to be returning to a more normal, pre-COVID lifestyle. Partial second quarter results show that while consumers have increased spending on services (travel, leisure and entertainment), there hasn't been a significant or corresponding decline in spending on consumer goods. While consumers still have disposable income, and consumption should continue to grow, TTX expects some durable goods categories like furniture, appliances, and sporting goods to see weaker growth.

Strong, sustained consumer demand in conjunction with COVID-related factory and port closures at key sourcing locations, along with inclement weather and other unforeseeable events impacting the transport of goods, have created chaos for import supply chains. These, coupled with labor shortages in key sectors of the economy (i.e., warehousing and distribution, trucking) have impacted the cost and delivery of goods, which has contributed to rising prices (inflation) and shortages for some retail and food products.

While some inflation indicates a healthy, growing economy, the Consumer Price Index grew by 5.3% in June. Some of the increase is due to comparisons against last year. A major factor, however, is the reopening of the economy, shortages, and increased demand and prices for everything from new cars, airfares, hotels, car rentals, gas, etc.,. The Federal Reserve expects bottlenecks in supply to ease by the end of the year and demand to moderate in early 2022. However, inflation is like to stay higher than pre-pandemic levels for some time.

The U.S. unemployment rate was at 5.2 percent in August 2021 with 235,000 jobs added for the month. Most job gains occurred in professional and business services, transportation and warehousing, private education, manufacturing, and other service

According to the National Association of Realtors, pending home sales declined 1.8% in July 2021, month over month. According to Lawrence Yun, NAR's chief economist, "The market may be starting to cool slightly, but now there is not enough supply to match the demand from would-be buyers. Homes listed for sale are still garnering great interest, but the multiple, frenzied offers – sometimes double-digit bids on one property – have dissipated in most regions."

The Conference Board reported August Consumer Confidence Index at 113.8, down from 125.1 in July. According to the Conference Board's Senior Director of Economic Indicators Lynn Franco, "Concerns about the Delta variant—and, to a lesser degree, rising gas and food prices—resulted in a less favorable view of current economic conditions and short-term growth

prospects. Spending intentions for homes, autos, and major appliances all cooled somewhat; however, the percentage of consumers intending to take a vacation in the next six months continued to climb. While the resurgence of COVID-19 and inflation concerns have dampened confidence, it is too soon to conclude this decline will result in consumers significantly curtailing their spending in the months ahead.”

POT Activity

Grain volumes in 2021 are projected to grow 8.8 percent vs. 2020 and to decline 2.2 percent next year. Volumes can fluctuate based on external factors such as weather, crop year, value of the dollar, and diplomatic relationships.

Gypsum is a commodity used by a port tenant to make wallboard and other construction material. It is projected to be 197K metric tons in 2021.

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

Table IV-1 – Cargo Activity Five Year Forecast

		PORT OF TACOMA CARGO ACTIVITY 5-YEAR FORECAST										
		Forecast										
		<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>Non-Container Forecast (Thousands of Metric Tons)</u>												
<u>Bulk</u>												
Grain												
		4,227	4,665	4,622	3,057	4,957	5,392	5,275	5,275	5,275	5,275	5,275
Gypsum												
		187	229	221	251	154	197	221	221	221	221	221
	Total Bulk Tonnage	4,413	4,894	4,843	3,308	5,111	5,589	5,496	5,496	5,496	5,496	5,496
	<i>Year over Year Change</i>	57%	10.9%	-1.0%	-31.7%	54.5%	9.3%	-1.7%	0.0%	0.0%	0.0%	0.0%

IV. Operating Budget

Overview

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

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

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

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

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

Nature of Business

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

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

Balanced Budget

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

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

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

Budget Process

The Port budget is a guideline used by management to direct strategic and tactical operations. Typically, more projects and spending are budgeted than may actually occur. This conservative approach ensures 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 D. The operating budget and the capital budget are the Port’s plan for meeting the current needs of its customers, and for implementation of its Strategic Plan initiatives.

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

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

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

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

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

Major Assumptions

Major drivers of the 2022 operating budget are a result of economic and industry trends represented in the cargo forecast.

Revenues

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

Expense

- Budgeted salary increases at 3.0% and represented hourly wages at 3.5% growth. A large majority of staff costs are allocated to the NWSA per service level agreements.
- Allocations and department closing include charges to projects, specific costs at revenue locations, and charges to the NWSA. Total allocations of services to NWSA of \$31.1 million (See Table IV-3)
- Headcount will increase to 216. The five Port of Tacoma Commissioners and part time security officers are excluded from this number (see Appendix J).
- Increased outside services due to multiple one- time projects and ongoing data services.
- Maintenance expenses increase year over year from budget and increase by \$388 thousand from forecast.
- Depreciation is decreasing due to no new significant capital investments in 2021.
- 2022 environmental expenses will be higher than 2021 forecast by \$1.0 million.
- Port and Port staff memberships in professional and trade organizations total approximately \$326,233. See Appendix C.

Non-Operating Revenue and Expense

- Grant income of \$2.4 million.
- Net interest income of \$1.7 million.
- Net revenue bond interest expense of \$16.4 million.
- Tax Levy (see Section VI).

Estimating Revenues and Expenses

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

Specific revenue projection techniques include:

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

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

Financial Practices

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

Financial Tools

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

For additional information on accounting policies, see Section IX.

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

<i>(\$ millions)</i>	2020	2021	2021	2022
	Actual	Budget	Forecast	Budget
Operating Revenues				
NWSA	\$38.8	\$42.3	\$48.4	\$49.4
Container	3.2	3.6	3.6	3.6
Non Container	2.0	3.3	2.8	3.0
Real Estate	22.1	23.1	25.2	25.4
Other	0.0	0.0	0.0	0.0
Total Operating Revenues	66.3	72.3	80.1	81.4
Direct Expenses				
Container	2.2	2.8	2.7	2.7
Non Container	0.3	0.3	0.3	0.3
Real Estate	4.0	4.9	5.6	6.1
Other	1.6	2.8	1.8	2.6
Total Direct Expenses	8.1	10.8	10.3	11.7
Administration	4.5	6.6	5.9	8.5
Security	0.3	1.6	1.5	2.1
Environmental	2.4	3.4	2.3	3.3
Total Operating Expense before Depreciation	15.2	22.4	20.1	25.5
Depreciation	26.8	25.4	25.3	23.9
Total Operating Expense	42.0	47.8	45.4	49.4
Operating Income	\$24.2	\$24.5	\$34.7	\$32.1
<i>Return on Revenue</i>	36.6%	33.9%	43.3%	39.4%
Non Operating Income (Expense)	(12.5)	(22.6)	(16.5)	(11.0)
Income before Tax Levy and Expense	11.8	1.9	18.1	21.0
Ad Valorem Tax Levy	23.1	23.8	23.8	24.5
GO Interest	(4.7)	(4.5)	(4.4)	(4.1)
Net Tax Levy	\$18.5	\$19.3	\$19.4	\$20.4
Net Income Before Special Item	\$30.2	\$21.1	\$37.6	\$41.5
Special Item		0.0	0.0	
Net Income	\$30.2	\$21.1	\$37.6	\$41.5

May not foot due to rounding.

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

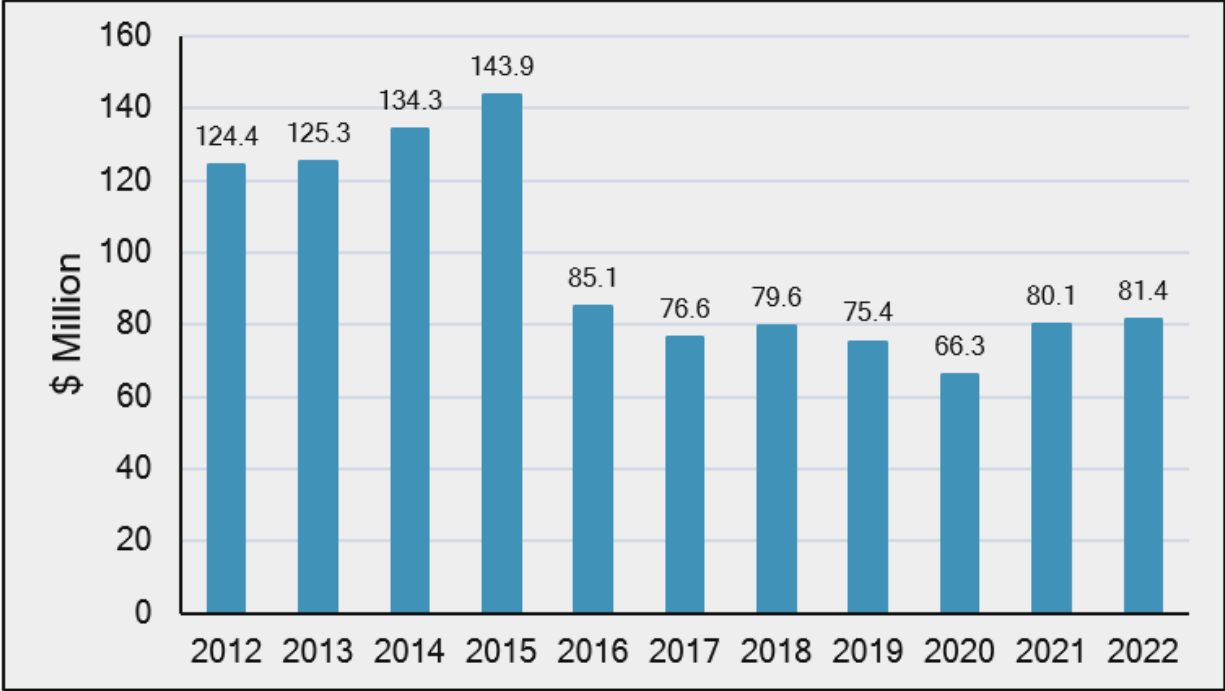
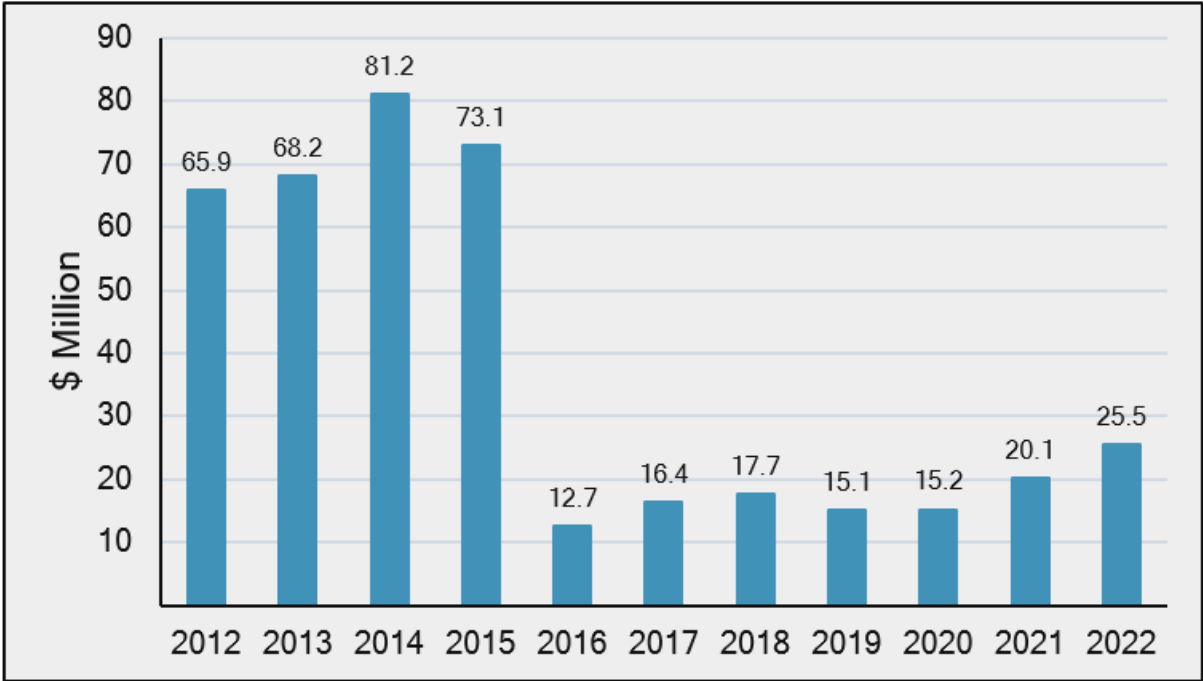


Figure IV-2....Operating Expense by Year*



(Excluding depreciation)

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

(\$ millions)	2020	2021	2021	2022
	Actual	Budget	Forecast	Budget
Property Rental	\$21.6	\$22.8	\$24.8	\$25.0
Sale of Utilities	0.7	0.6	0.7	0.7
Services Marine Terminals	3.1	4.6	4.2	4.5
Other Revenue	40.9	44.2	50.5	51.3
Operating Revenue	66.3	72.3	80.1	81.4
Port Salaries & Benefits	32.0	37.1	34.7	37.7
Outside Services	6.4	8.1	6.9	9.0
Longshore Labor & Fringe	0.0	0.0	0.0	0.0
Direct Expenses	1.5	1.7	1.6	1.9
Marketing & Global Outreach	0.5	0.6	0.6	0.5
Travel & Hosting	0.0	0.2	0.1	0.2
Maintenance	6.2	8.6	8.8	9.2
Office Equipment & Supplies	0.5	0.6	0.5	0.6
Utilities	1.7	1.9	1.8	1.9
Other Employee Exp	0.3	0.5	0.4	0.8
Other Expenses	0.6	0.5	0.1	0.8
Environmental	2.5	3.4	2.4	3.3
Depreciation & Amortization	26.8	25.4	25.3	23.9
Allocations & Department Closings	(37.0)	(40.8)	(37.7)	(40.4)
Total Operating Expenses	\$42.0	\$47.8	\$45.4	\$49.4
Operating Income	\$24.2	\$24.5	\$34.7	\$32.1
<i>Return on Revenue</i>	37%	34%	43%	39%
Non Operating Revenue and Expenses	(12.5)	(22.6)	(16.5)	(11.0)
Income Before Tax Levy & Expenses	11.8	1.9	18.1	21.0
Ad Valorem Tax Levy	23.1	23.8	23.8	24.5
GO Interest	4.7	4.5	4.4	4.1
Net Tax Levy	18.5	19.3	19.4	20.4
Net Assets Before Special Items	30.2	21.1	37.6	41.5
Special Items	0.0	0.0	0.0	0.0
Increase in Net Assets	\$30.2	\$21.1	\$37.6	\$41.5

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

(\$ Millions)	2020 Actual	2021 Budget	2021 Forecast	2022 Budget
Port of Tacoma to NWSA	\$29.2	\$31.6	\$29.2	\$31.1
NWSA to Port of Tacoma	\$1.0	\$0.9	\$0.8	\$0.8

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

(\$ millions)	2020	2021	2021	2022
	Actual	Budget	Forecast	Budget
Grant Income				
Capital Grant Income	0.7	0.5	0.1	0.7
Non-Capital Grant Income	0.1	0.2	0.3	1.7
Interest Income				
Interest Income	3.3	3.1	2.4	2.7
Premium Discount	(0.8)	(0.8)	(0.9)	(0.9)
Non Operating Income				
Gain (Loss) Sale Facil	0.3	(3.4)	(1.3)	(0.1)
Sale of Scrap	0.0	0.0	0.1	0.0
Leasehold Tax Distrib	0.1	0.1	0.1	0.1
St. Forest Board Rcpt	0.0	0.0	0.0	0.0
Purchase Discounts Taken	0.0	0.0	0.0	0.0
Misc Non Op Inc	1.1	0.0	3.0	2.8
Investment Gain Loss	1.8	0.0	(0.0)	0.0
Non Operating Revenue	6.7	(0.2)	3.9	6.9
Revenue Bond Interest Expense				
Int Expense General	0.0	0.0	0.0	0.0
Int Exp Rev Bonds Debt Serv	10.5	9.1	8.8	8.7
Int Exp Commrc'l Paper	0.1	0.0	0.0	0.0
Other Bond Fees	0.2	0.2	0.3	0.3
Letter of Credit Fee	1.3	1.2	0.9	1.1
Swap Interest Due	9.0	8.8	8.8	8.7
Swap Interest Receivable	(1.0)	(0.4)	(0.2)	(0.2)
Amort Deferred Debt Service (Rev)	1.1	1.3	1.1	1.3
SWAP Refunding Amortization	(1.1)	(1.1)	(1.1)	(1.1)
Bond Disc Debt Serv	0.0	0.0	0.0	0.0
Bond Premium Debt Service (Rev)	(2.4)	(2.5)	(2.5)	(2.5)
Capitalized Interest	0.0	0.0	0.0	0.0
Other Non Operating Expense				
Election Expense	0.0	0.9	0.9	0.0
Bank Service Fee	0.0	0.0	0.0	0.0
Other Investment and debt expense	0.0	0.1	0.0	0.1
Public Expense/LEDIF	0.4	3.6	2.8	0.3
Misc Non Op Exp	1.0	1.3	0.5	1.3
Non Operating Expense	\$19.2	\$22.4	\$20.4	\$18.0
Non Operating Revenue and Expenses	(\$12.5)	(\$22.6)	(\$16.5)	(\$11.0)

May not foot due to rounding.

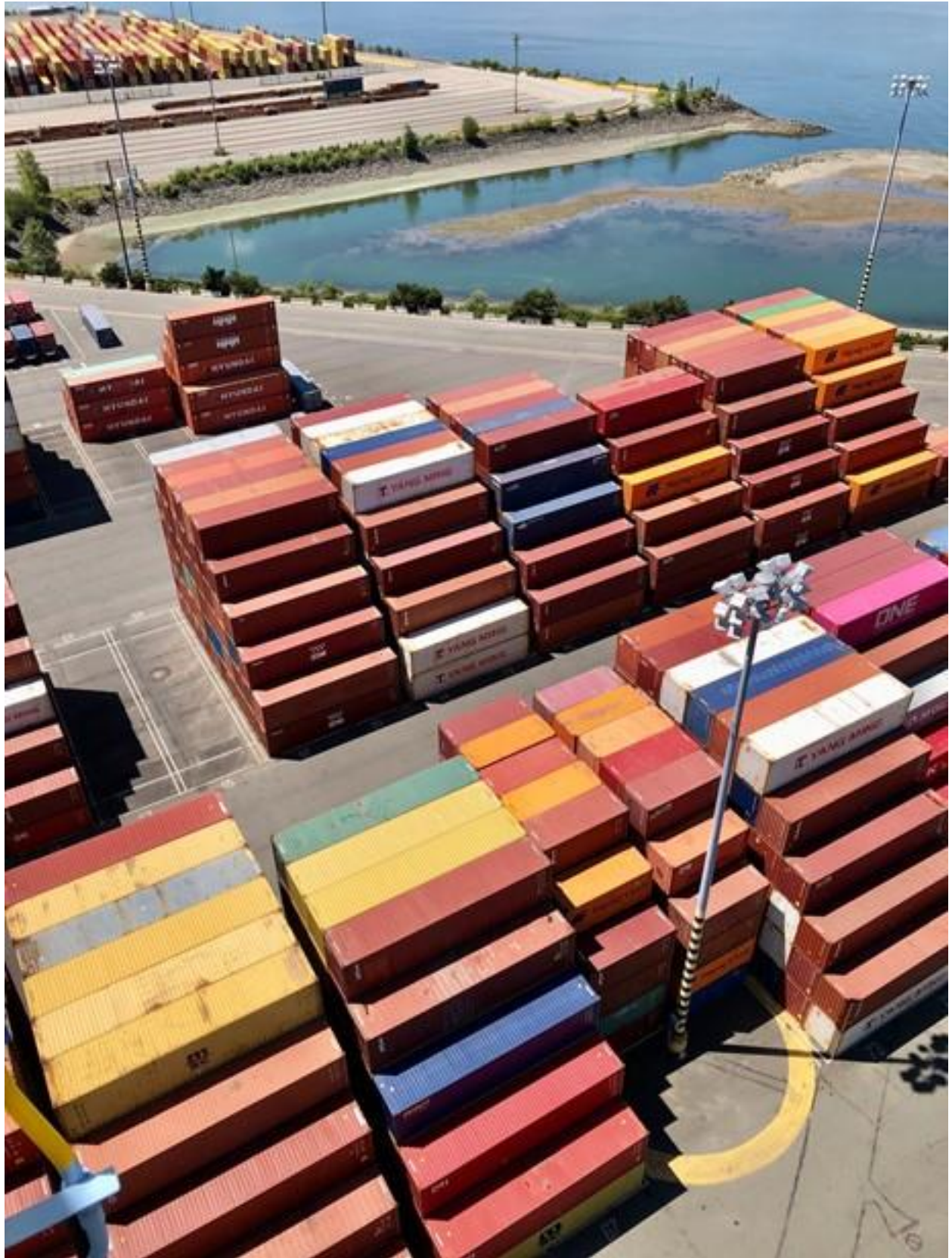
Table IV-5....Statements of Revenues, Expenses and Changes in Net Position*

	2020 Actual	2021 Forecast	2022 Budget	Change from Prior Year Forecast
<i>(\$ Millions)</i>				
Operating Revenue	\$66.3	\$80.1	\$81.4	1.7%
Total Operating Expenses	42.0	45.4	49.4	8.7%
Operating Income	24.2	34.7	32.1	-7.5%
Non Operating Revenues (Expenses)				
Ad Valorem Tax Revenues	23.1	23.8	24.5	3.1%
Interest on General Obligation Bonds	(4.7)	(4.4)	(4.1)	-5.6%
<i>Net Ad Valorem Tax Revenues</i>	<i>\$18.5</i>	<i>\$19.4</i>	<i>\$20.4</i>	<i>5.1%</i>
Lease Interest Income	0.0	9.3	9.2	-.3%
Interest Income	2.5	1.5	1.8	18.9%
Net Increase (Decrease) in the Fair Value of Investments	1.8	(0.0)	0.0	-100.0%
Revenue Bond Interest Expense	(17.7)	(16.2)	(16.4)	1.3%
Other Non Operating Expenses, net	0.2	(11.2)	(6.4)	-43.2%
Total Non Operating Income (Expense), net	5.3	2.8	8.7	210.7%
Increase (Decrease) in Net Position Before Capital Contributions	29.5	37.5	40.7	8.8%
Capital Grant Contributions	0.7	0.1	0.7	569.3%
Special Item	0.0	0.0	0.0	
Increase (Decrease) in Net Position before Special Item	30.2	37.6	41.5	10.4%
Net Position				
Net Position Beginning of Year	\$605.6	\$635.9	\$673.4	5.9%
Net Position End of Year	\$635.9	\$673.4	\$714.9	6.2%

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 2022 by \$41.5 million from the estimated 2021 results.



V. Capital Investment Plan

Overview

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

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

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

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

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

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

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

Summary of Major Projects

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

- Environmental cleanups and improve a land habitat
- Rehabilitate aspects of the Port administration building, Early Business Center and Fabulich Center
- Repair structure of an industrial warehouse
- Maintenance and rehabilitation of Port assets

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

- Electric Vehicle Charging Station at Port Administration Building
- Information Technology Upgrades and Security Enhancements
- Channel dredging of the Blair Waterway at Husky terminal
- Stormwater system and mitigation to prepare for the construction of an off-dock support facility
- Lower Wapato Creek combined habitat construction
- Demo and rebuild an industrial warehouse (building 532) at 401 Alexander
- Maintenance and rehabilitation of Port assets
- Design, Development and Construction of a Maritime Center
- Habitat creation for land stewardship at Saltchuk Beach

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

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

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

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

(\$ Millions)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Historical Capital	15.6	25.9	14.2	5.5						
Planned Capital					39.6	35.7	32.3	56.0	24.8	22.5
Grand Total	\$ 15.6	\$ 25.9	\$ 14.2	\$ 5.5	\$ 39.6	\$ 35.7	\$ 32.3	\$ 56.0	\$ 24.8	\$ 22.5

Capital Investment Plan Priorities

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

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

Capital Investment Plan Projects by Purpose

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

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

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

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

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

Table V-3 shows that the Port intends to implement \$224.6 million worth of planned projects in the next five years, with \$49.8 million of that total earmarked for 2022. Non-operating and operating projects will be expensed as incurred and are included in the operating budget.

Table V-4 shows the five-year CIP by Line of Business. The investments assigned to Rail Equipment and Infrastructure are for infrastructure that the Port is responsible for in supporting the NWSA.

Table V-5 shows the expected increase in depreciation and revenue when planned projects are completed. The CIP is the total expected spending of 138 projects, 54 of which are capitalized and 84 expensed as incurred.

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

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

(\$ Millions)

	2022	2023	2024	2025	2026	Total
Infrastructure	\$16.5	\$16.8	\$63.0	\$33.7	\$10.2	\$140.2
Renewal	12.2	17.8	2.9	1.6	18.6	53.1
Revenue	21.1	7.9	1.4	0.8	0.0	31.2
Grand Total	\$49.8	\$42.5	\$67.4	\$36.1	\$28.8	\$224.6

May not foot due to rounding.

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

(\$ Millions)

	2022	2023	2024	2025	2026	Total
Capitalized	\$35.7	\$32.3	\$56.0	\$24.8	\$22.5	\$171.4
Operating Expense	12.8	8.7	10.1	10.0	5.1	46.8
Non-Operating Expense	1.3	1.4	1.2	1.3	1.2	6.4
Grand Total	\$49.8	\$42.5	\$67.4	\$36.1	\$28.8	\$224.6

May not foot due to rounding.

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

(\$ Millions)

	2022	2023	2024	2025	2026	Total
Rail Equip. & Infrastructure	\$3.1	\$1.3	\$0.0	\$0.0	\$17.0	\$21.5
Real Estate	29.0	27.5	36.2	4.3	2.1	99.1
Infrastructure	17.7	13.6	31.1	31.8	9.7	104.0
Grand Total	\$49.8	\$42.5	\$67.4	\$36.1	\$28.8	\$224.6

May not foot due to rounding.

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

(\$ Millions)

	2022	2023	2024	2025	2026	Total
Rail Equip. & Infrastructure	\$ -	\$ -	\$ (0.3)	\$ (0.3)	\$ (0.3)	\$ (0.9)
Real Estate	(0.3)	(0.3)	(0.9)	(2.7)	(2.6)	\$ (6.8)
Infrastructure	(1.1)	(1.7)	(2.9)	(4.8)	(6.2)	\$ (16.7)
Grand Total	\$ (1.4)	\$ (2.1)	\$ (4.1)	\$ (7.8)	\$ (9.1)	\$ (24.4)

May not foot due to rounding.

Capital Budget Project Descriptions

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

Rail Equipment & Dredging

Planned capital expenditures for container terminals over the next five years will total approximately \$21.5 million. The CIP will provide the funds necessary for channel dredging at Husky Terminal and replace rail switches in the Banana Yard.

Industrial & Commercial Real Estate

The Port will invest \$99.1 million in real estate improvements to include land acquisition and combined habitat at Parcel 14. The CIP also includes several sites investigation and remediation.

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.

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

Capital Investment Plan Revisions

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

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



VI. Tax Levy

Tax Levy At-a-Glance

- The levy increases by \$715,568 from \$23,852,281 to \$24,567,849. The increase is due to a flat 3% increase in the amount collected, a growth rate consistent with the previous year but a change from prior years which used a constant levy rate resulting in a total levy that fluctuated with changes in property values and increases in first-time taxes on new construction.
- Target millage rate of \$0.15426 per \$1,000 assessed value, a 11% decrease from the previous year and a 16% decrease from the Port's targeted millage rate for the prior twelve years.
- Tax levy for a \$300,000 assessed value home for 2022 will be \$46.28, \$5.63 less than 2021.
- The total levy will be used for the following:

Interest payments	\$5,381,238
Principal payments	6,775,000
<u>Governmental</u>	<u>12,411,611</u>
Total	\$24,567,849

Tax Levy Sources

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

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

The Port's preliminary highest lawful regular levy plus refunds amount since 1985 is \$27,606,350.87, well above the proposed levy of \$24,567,849.

Port of Tacoma Levy History

Figure VI-1 shows the maximum allowed levy versus the actual Port levy from 2013 to the proposed 2022 levy.

- After holding a constant target millage rate of \$0.18365 per \$1,000 for the previous 12 years, in 2021 the Port altered the process for setting the levy to target 3% growth, resulting in a new millage rate of \$0.17302 per \$1,000. For 2022 this 3% growth target results in a new millage rate \$0.15426 per \$1,000 as shown in Figure VI-2;
- In 1988, the state changed the law so that a port could have a levy at less than the maximum while still preserving the ability to tax up to the maximum in the future ("banking levy capacity"), if the need is justified;

- This law allows a port to tax at a lower level in the years when it doesn't require the maximum levy but return to the maximum level in years of need. In an effort to minimize reliance on the levy, the Port has taxed less than the maximum, reducing the taxpayers' burden by approximately \$66 million over the last 10 years.

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

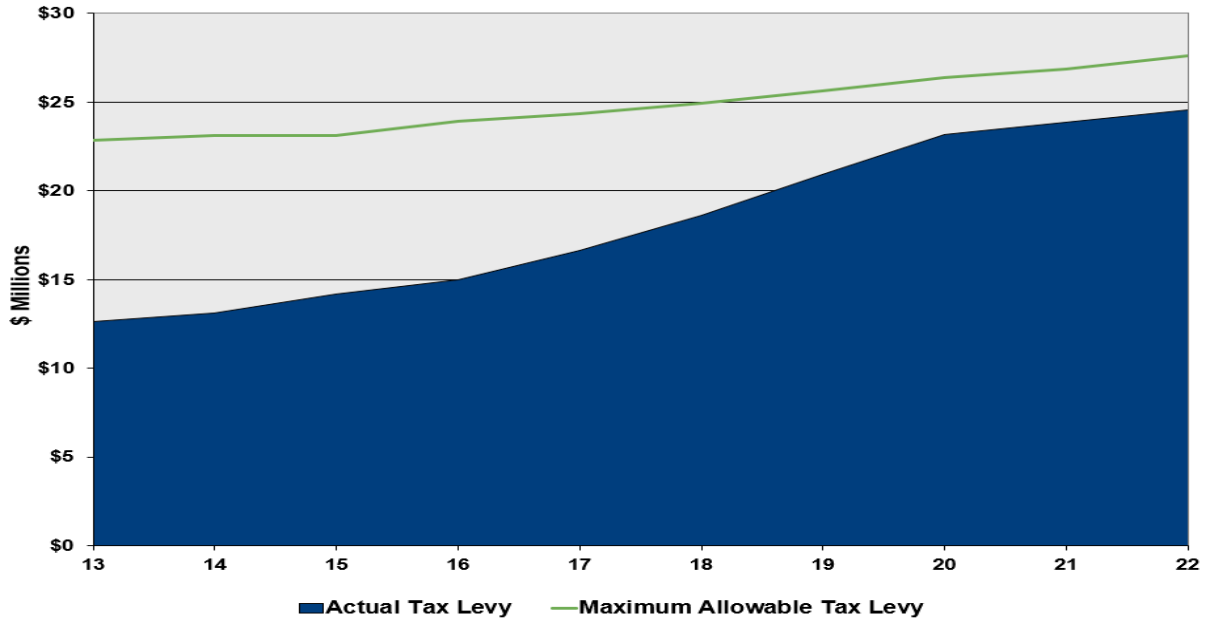
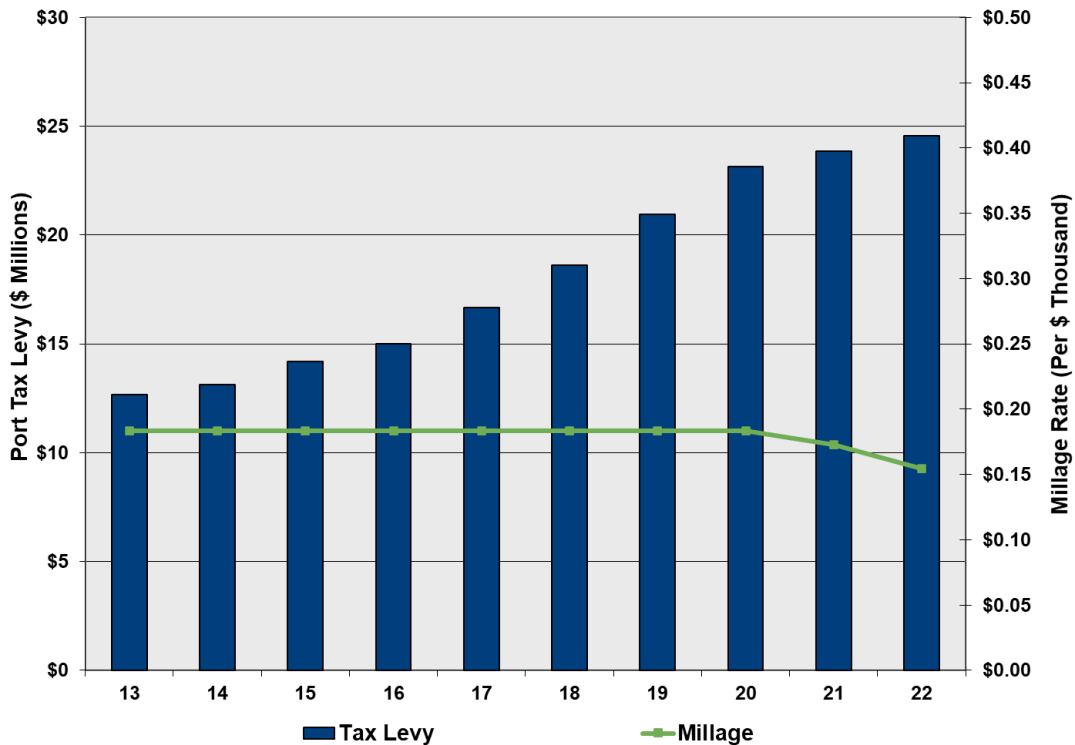


Figure VI-2.... Port Tax Levy vs. Millage Rate



Initiative 747

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

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

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

Special Tax Levies

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

IDD Tax Levies

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

Tax Levy Uses

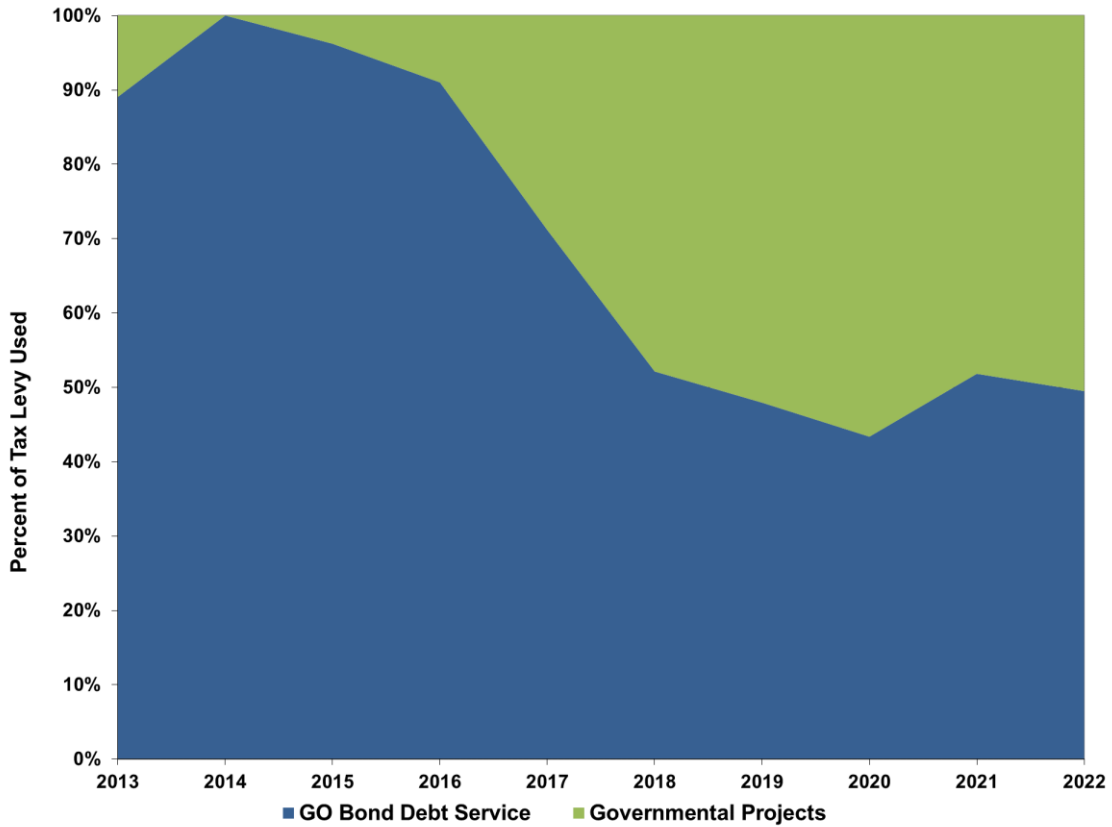
The Port uses the tax levy to pay for debt service, capital improvements and governmental projects. Although the Port strives to maintain its levy rate at a level significantly below its legal limit, this does not preclude the Port from levying taxes at a higher rate in future years. Over the next five years, the Port plans to spend \$178.3 million on governmental projects as shown in Table VI-1.

The Port will use the regular levy for the current year’s debt service on G.O. bonds (principal and interest) of \$12,156,238. The history of its usage is shown in Figure VI-3. The Port does not use the tax levy for operating expenses.

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

<u>Initiatives</u>	<u>2022-2026</u>
Land	\$37.5
Environmental	57.3
Road	5.0
Port-wide Infrastructure	17.4
Technology and other	61.1
Total	\$178.3

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



Taxpayer Effect

Figure VI-4 shows the effect of the change in millage over the last 10 years on a \$300,000 assessed value home. In 2013 a homeowner paid \$55.10 compared to the proposed tax for 2022 estimated at \$46.28.

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

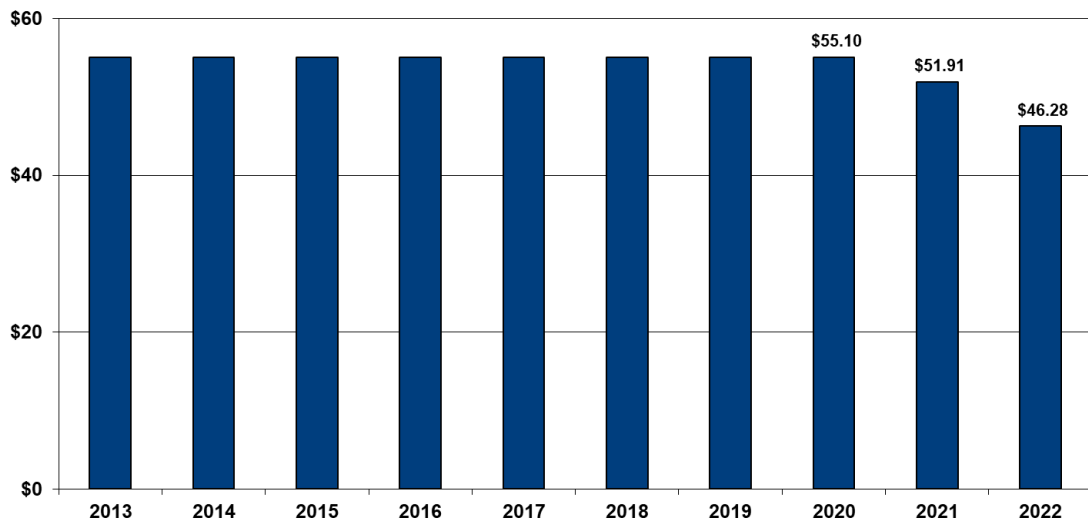


Table VI-2 illustrates the assessed valuation and millage rate from 2013 to 2022. The assessed value has increased from \$69.0 billion in 2013 to \$159.3 billion in 2022, while millage (the rate paid per \$1,000 assessed value) has dropped from \$0.18365 in 2013 to the proposed rate in 2022 of \$0.15426

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

Year	Assessed Valuation	Millage Rate	Actual Tax Levy	G. O. Bond Debt Service	Balance Cap Improvement	Levy on \$300,000 Home
2013	68,966,999,872	0.18365	12,665,791	11,280,226	1,385,565	55.10
2014	71,417,153,388	0.18365	13,115,760	13,115,760	-	55.10
2015	77,353,617,531	0.18365	14,205,992	13,669,076	536,916	55.10
2016	81,750,009,927	0.18365	15,013,389	13,665,814	1,347,575	55.10
2017	90,713,390,689	0.18365	16,659,527	11,849,566	4,809,961	55.10
2018	101,406,430,390	0.18365	18,623,291	9,711,419	8,911,872	55.10
2019	114,011,707,624	0.18365	20,938,250	10,046,522	10,891,728	55.10
2020	126,096,129,224	0.18365	23,157,554	10,046,636	13,110,918	55.10
2021	137,859,221,328	0.17302	23,852,281	12,363,171	11,489,110	51.91
2022	159,259,716,623	0.15426	24,567,849	12,156,238	12,411,611	46.28

Figure VI-5....2021 Tax Levies by Taxing District

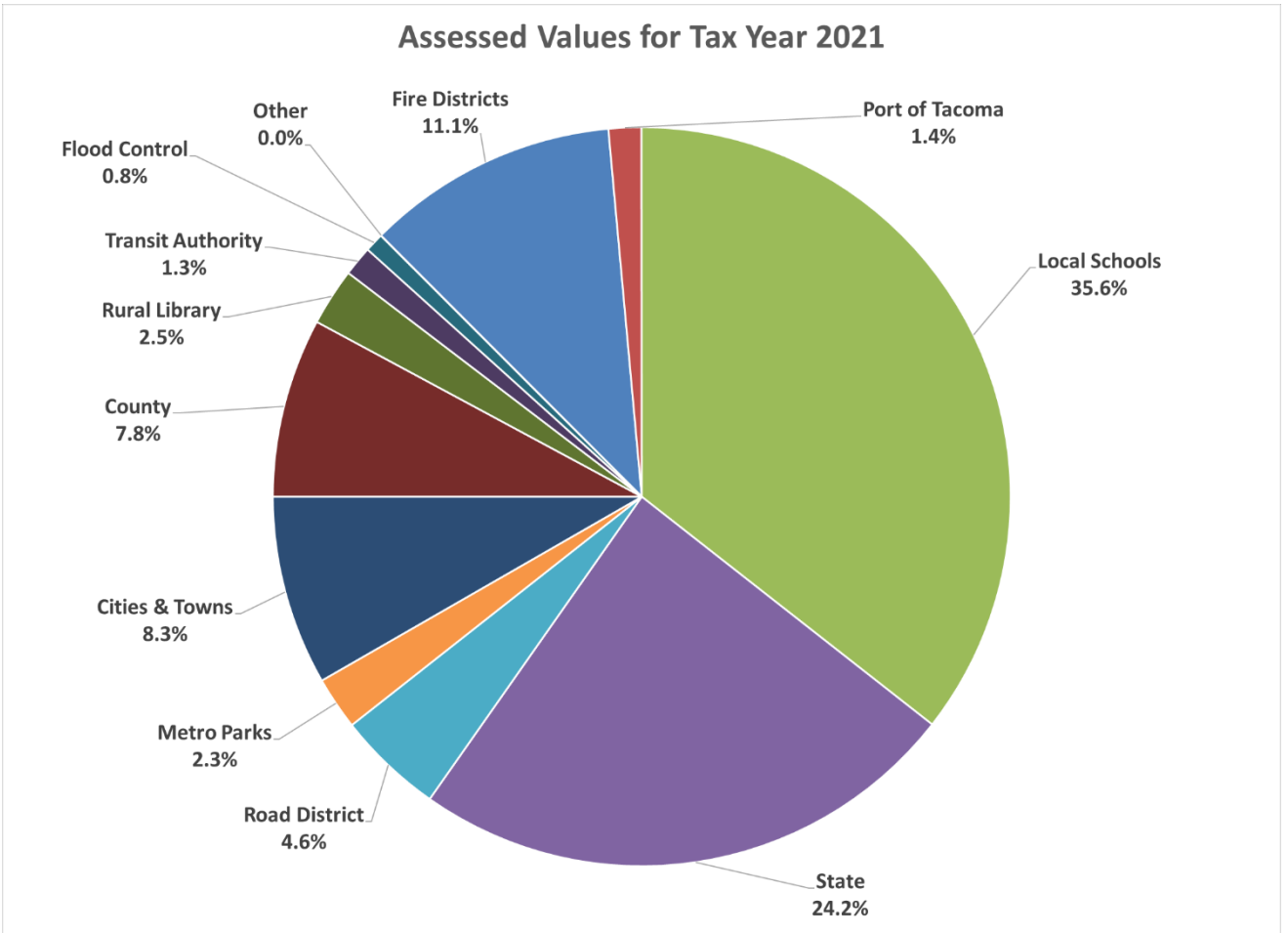


Table VI-3....Tax Levy Detail

Certified Assessed Value Subject to Regular Levy

\$159,259,716,623

Application to G.O. Bond Debt Service

\$0.07633	Per \$1,000 Assessed Value for G.O. Bond debt payment	\$12,156,238
\$0.07793	Per \$1,000 Assessed Value Available for Governmental Projects & Additional Debt Retirement	\$12,411,611
<hr/>		
\$0.15426	Per \$1,000 Assessed Valuation	\$24,567,849

Tax Levy Detail

Details of the 2022 tax levy are provided on the following pages in Figure VI-6 and Figure VI-7.

Figure VI-6....2021 Preliminary Pierce County Assessed Values for 2022 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, 2021

OFFICIAL NOTIFICATION TO: PORT OF TACOMA

RE: 2021 PRELIMINARY ASSESSED VALUES

FOR REGULAR LEVY

Total Taxable Regular Value	159,259,716,623
Highest lawful regular levy amount since 1985	26,855,179.28
Last year's actual levy amount (including refunds)	23,852,281.00
Additional revenue from current year's NC&I	455,992.42
Additional revenue from annexations (RCW 84.55)	0
Additional revenue from administrative refunds (RCW 84.69)	26,627.38
<i>No additional revenue from administrative refunds will be allowed if you are limited by your statutory rate limit.</i>	
Additional revenue from increase in state-assessed property	0.00

FOR EXCESS LEVY

Taxable Value	156,633,277,600
Timber Assessed Value	
Total Taxable Excess Value	156,633,277,600

2021 New Construction and Improvement Value 2,633,372,262

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

Figure VI-7....Preliminary Tax Levy Limit: 2021 for 2022



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

PRELIMINARY HIGHEST LAWFUL LEVY LIMIT 2021 FOR 2022

**PORT OF TACOMA
 > 10,000**

REGULAR TAX LEVY LIMIT:	2020
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).	26,855,179.28 1.0100000 27,123,731.07
B. Current year's assessed value of new construction, improvements and wind turbines in original districts before annexation occurred times last year's levy rate (if an error occurred or an error correction was made in the previous year, use the rate that would have been levied had no error occurred).	2,633,372,262 0.173159120100 455,992.42
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).	1,499,984,055 1,499,984,055 0.00 0.173159120100 0.00
D. REGULAR PROPERTY TAX LIMIT (A + B + C)	27,579,723.49
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.	27,579,723.49 159,259,716,623 0.173174510635
F. Annexed area's current assessed value including new construction and improvements times rate found in E above.	0.00 0.173174510635 0.00
G. NEW LEVY LIMIT FOR ANNEXATION (D + F)	27,579,723.49
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)	27,579,723.49 26,627.38 27,606,350.87
I. TOTAL ALLOWABLE LEVY AS CONTROLLED BY THE LEVY LIMIT (D,G,or H)	27,606,350.87
J. Amount of levy under statutory rate limitation.	159,259,716,623 0.450000000000 71,666,872.48
K. LESSER OF I OR J	27,606,350.87

2022 PRELIMINARY.xlsx, highest lawful

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, it may include additional revenue, expense, or capital spending to show the impact of “what if” scenarios on the Port’s future financial performance. The POF forecasts the Port’s current and future profitability, identifies any future borrowing needs, and calculates numerous standard financial metrics.

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

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

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

The Port projects that annual tax levy receipts will grow from \$24.6 million in 2022 to \$27.7 million in 2026. The Plan of Finance assumes an increase in the tax levy dollars collected of 3% per year.

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

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

The 2022-2026 POF assumes that the forecasted revenue from the NWSA will be as shown in the NWSA addendum. The NWSA revenue is combined with the forecast for Port-managed properties to create the combined income forecast. Additionally, the capital spending included in the POF represents the combination of 50 percent of the NWSA CIP along with all the Port planned capital project spending.

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

(\$ millions)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operating Revenues	\$76.6	\$79.6	\$75.4	\$66.3	\$80.1	\$81.4	\$81.5	\$91.7	\$91.6	\$96.0

Summary of Debt Guidelines

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

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

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

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

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

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

Limits on Debt

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

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

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

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

Credit Ratings

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

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

Table VII-2....Credit Ratings

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

Lien Structure & Debt Service Coverage

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

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

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

Asset-Liability Management

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

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

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

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

Quantifying Risk

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

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

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

Financing Strategy

The Capital Funding Plan is a fusion of the five-year Cash Flow Forecast and the five-year capital budget. It allows the Port to estimate and plan for the amount and types of debt required to carry out the capital budget. This POF estimates that the net annual operating cash flow will increase from approximately \$55.9 million to \$71.0 million during the five-year period. The Port may use this income directly for capital investment or for the payment of debt service on money borrowed to pay for capital improvements.

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

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

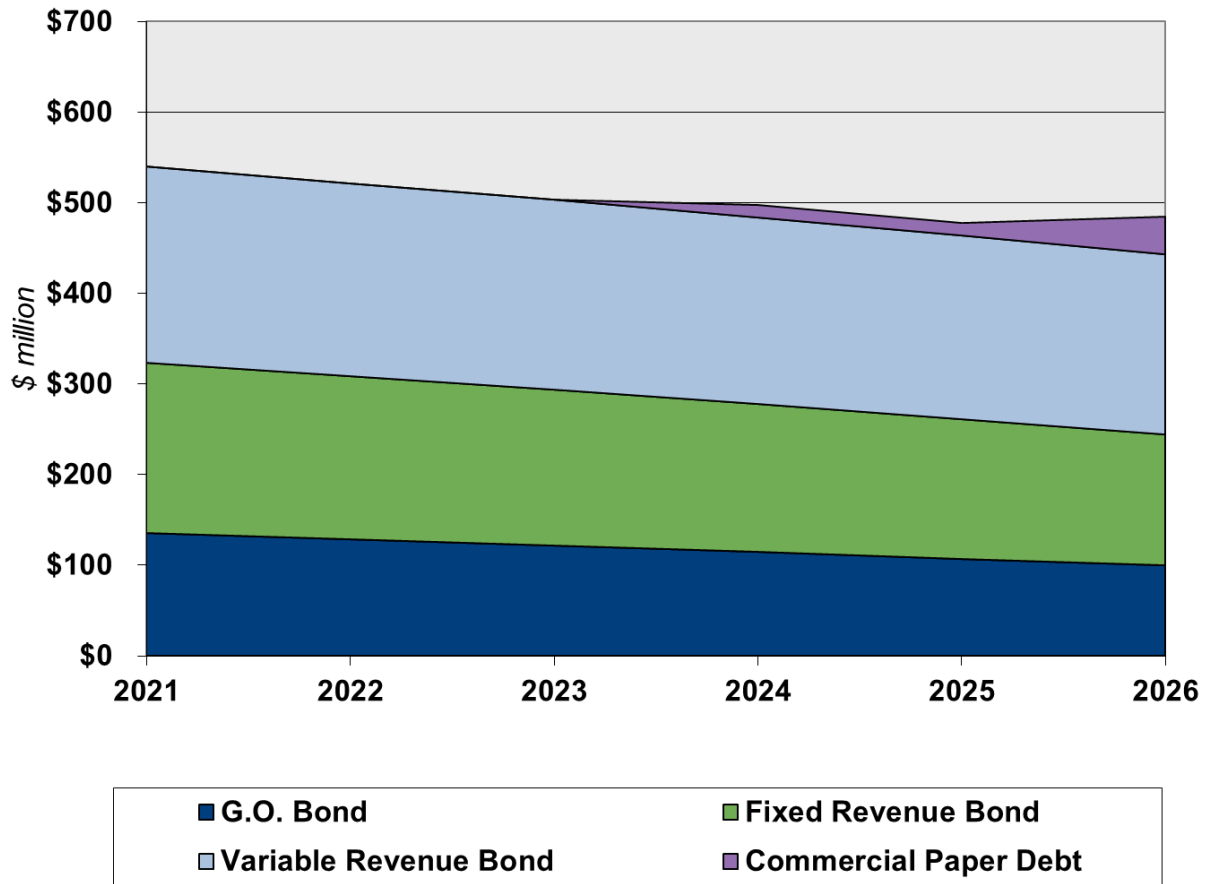
Cashflow Forecast

(\$ Million)	2022	2023	2024	2025	2026
Beginning Cash & Investments	\$151.9	\$115.4	\$89.9	\$77.4	\$94.4
Projected Sources of Funds					
Revenues	81.4	81.5	91.7	91.6	96.0
Expenses	(25.5)	(24.8)	(24.9)	(28.6)	(25.0)
Funds Provided by Operations	55.9	56.7	66.8	63.0	71.0
Interest Income	1.7	1.3	1.8	1.7	2.3
NWSA Depreciation Cash Add back	11.6	13.7	15.7	17.7	18.5
Other, Net	3.4	1.6	3.4	0.0	1.1
Other Contributions	0.0	0.0	0.0	0.0	0.0
Ad valorem tax revenue (net)	24.5	25.3	26.0	26.8	27.6
Projected Sources of Funds	97.2	98.5	113.8	109.3	120.6
Projected Uses of Funds					
Investment in Northwest Seaport Alliance	56.3	50.1	42.7	25.7	100.8
Debt Payments (Principal and Interest) - GO Bonds	12.2	12.2	12.2	12.3	12.3
Debt Payments (Principal and Interest) - Revenue Bonds	29.5	29.3	29.4	29.3	29.2
Debt Payments (Principal and Interest) - Commercial Paper	0.0	0.0	0.1	0.3	0.7
Capital Spending - Planned Projects	35.7	32.3	56.0	24.8	22.5
Projected Uses of Funds	133.7	124.0	140.5	92.4	165.4
Projected Borrowing					
Commercial Paper Borrowing	0.0	0.0	14.2	0.0	28.0
Total Borrowing	0.0	\$0.0	\$14.2	\$0.0	\$28.0
Projected Ending Cash & Investments					
	\$115.4	\$89.9	\$77.4	\$94.4	\$77.5
Minimum Cash	\$77.6	\$77.2	\$77.3	\$79.1	\$77.3
Sr. Lien Rev. Bond Debt Service Coverage	4.97	5.14	5.95	5.87	6.47
Fully Diluted Revenue Bond Debt Service	2.77	2.89	3.33	3.28	3.58

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

(\$ Million)	2021	2022	2023	2024	2025	2026
Debt Outstanding at year end						
Un-voted <u>G.O. Bond</u> , Fixed Rate	\$135.6	\$128.8	\$121.8	\$114.7	\$107.2	\$99.6
<u>Senior Revenue Bond</u> , Fixed Rate	188.0	180.1	171.9	163.3	154.3	145.0
<u>Subordinate Rev Bond</u> , Variable Rate	216.2	212.9	209.4	205.8	202.1	198.2
Commercial Paper, Variable Rate	0.0	0.0	0.0	14.2	14.2	42.2
Total Debt Outstanding	\$539.8	\$521.8	\$503.1	\$498.0	\$477.9	\$485.1
<i>Unhedged Variable Revenue Bond & Unhedged Variable CP %of Total Debt Outstanding</i>	2%	3%	3%	7%	8%	15%

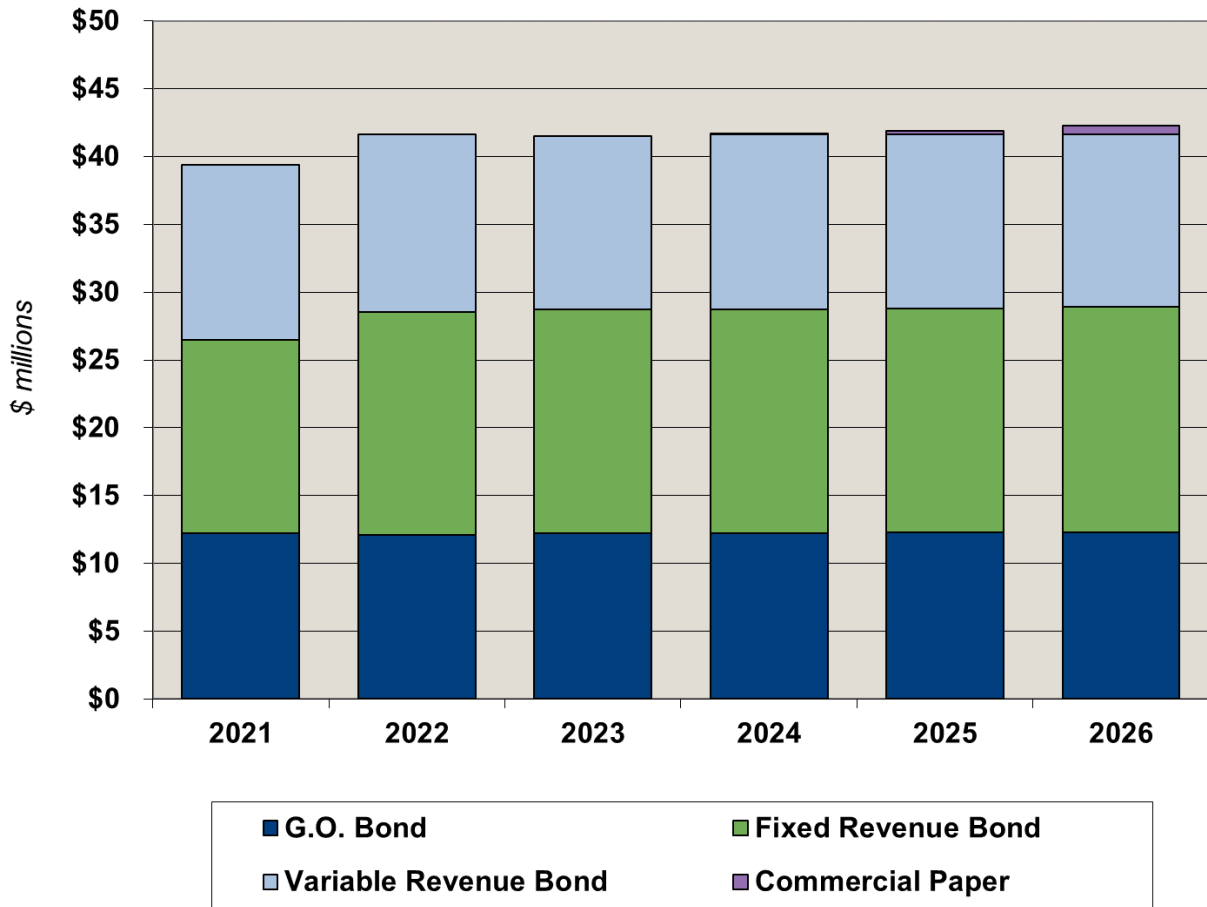
Figure VII-1.... Projected Debt Outstanding at Year End



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

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

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



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

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

Summary of Financial Capacity (\$ Million)		2022	2023	2024	2025	2026	5-Year Change
Unvoted G.O. Bond Capacity		\$269.4	\$283.3	\$297.6	\$316.4	\$335.8	
Revenue Bond Capacity		258.4	251.0	333.2	317.1	399.3	
Less: TECP Program Debt Outstanding		0.0	0.0	(14.2)	(14.2)	(42.2)	
Total Non-voted Debt Capacity <i>(Capacity cannot be less than zero)</i>		\$527.8	\$534.3	\$616.6	\$619.3	\$692.9	\$165.1
Remaining G.O. Bond Capacity - <u>Voted</u>		796.3	810.3	824.5	847.3	870.8	
Total Voted Debt Capacity		\$1,324.1	\$1,344.5	\$1,441.0	\$1,466.6	\$1,563.7	\$239.6

Financing Principles

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

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

External Financing

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

Financial Performance Measures

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

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

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

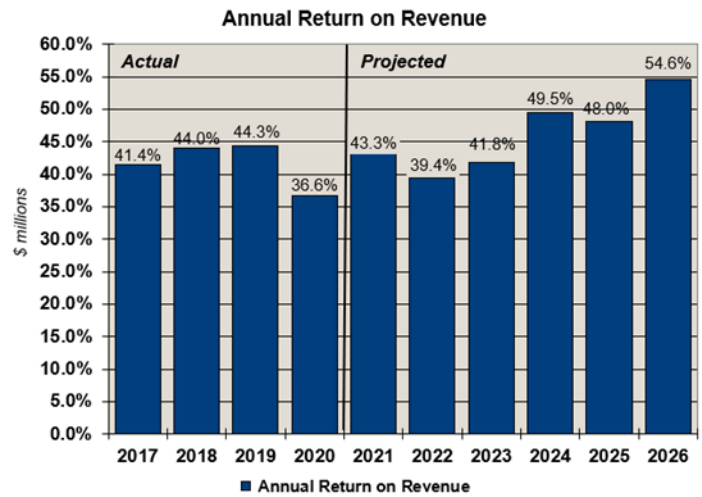


Figure VII-4....Net Income Before Tax Levy (NIBTL)

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

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

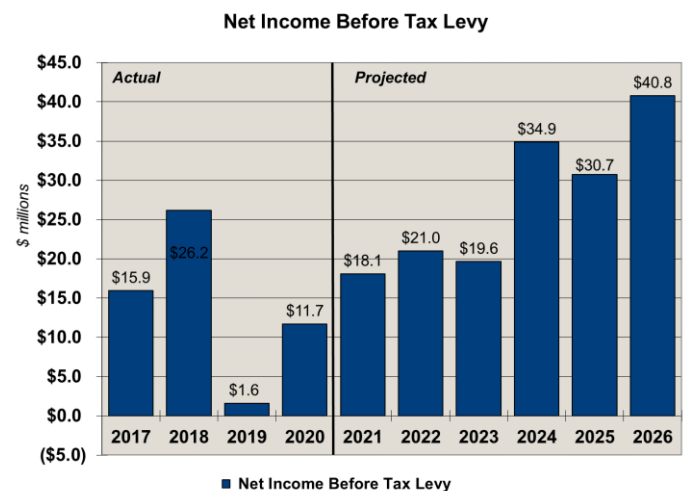


Figure VII-5...Net Income

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

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

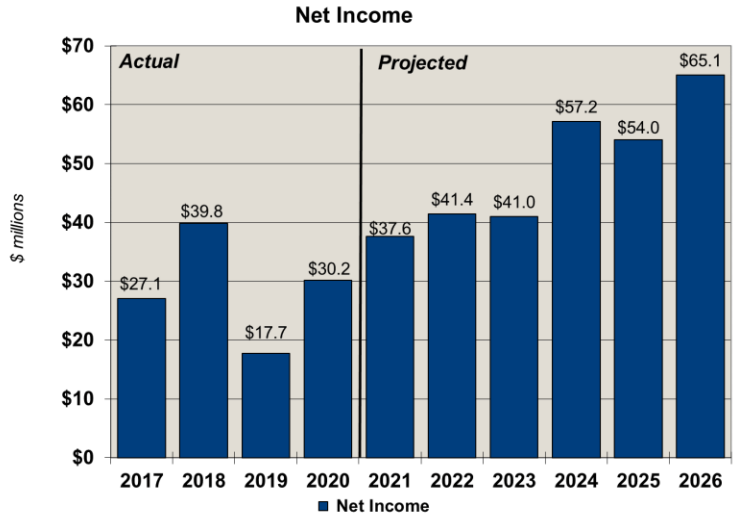
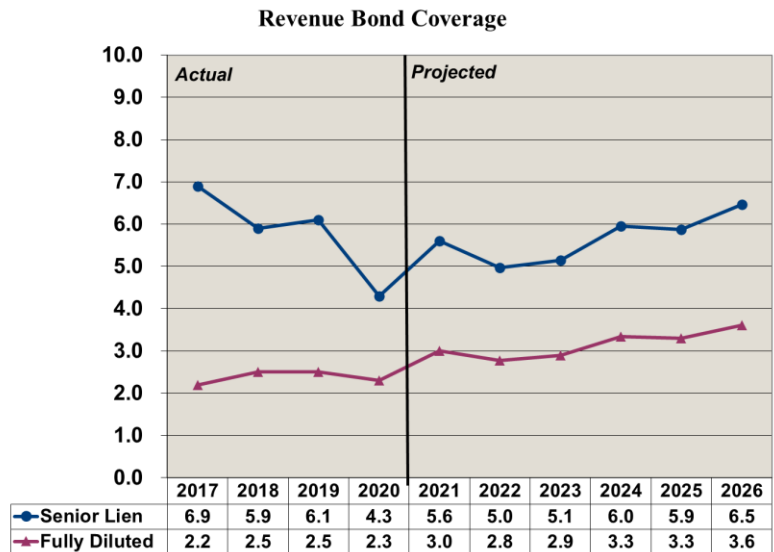


Figure VII-6... Revenue Bond Coverage

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



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

Figure VII-7.... Return on Assets

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

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

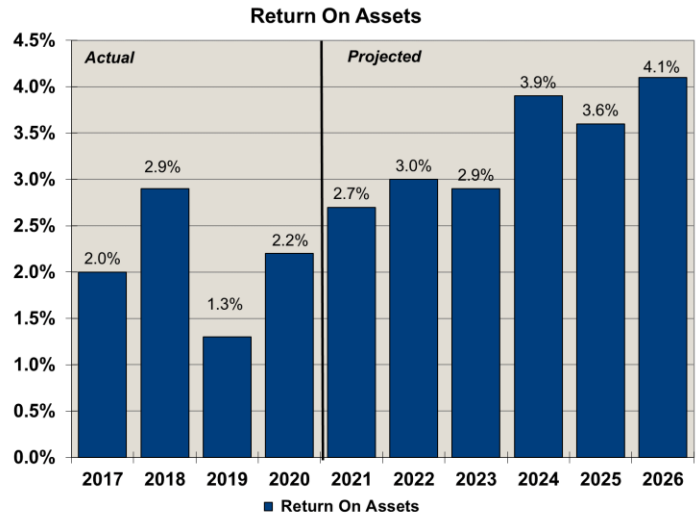
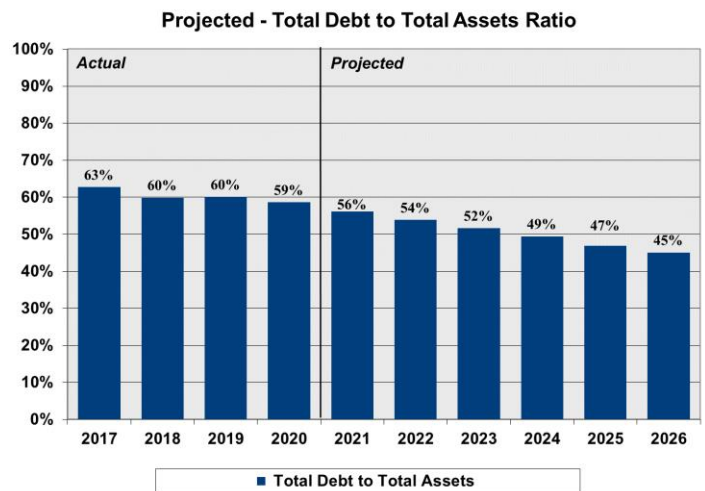


Figure VII-8.... Debt-to-Asset Ratio

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

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



VIII. Environmental Leadership

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

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

The Port has a long history of environmental leadership. It has combined redevelopment plans with habitat development and Superfund site cleanup, creating a competitive advantage for regional businesses by providing access for larger vessels and increasing container storage space within the Port, resulting in job creation while protecting air, water quality and the environment. Over the past 30 years, the Port has remediated approximately 450 acres of waterway sediments within the Blair, Sitcum, and Hylebos waterways, and cleaned up approximately 700 acres of upland property, returning the land to productive maritime, industrial manufacturing and warehousing related uses. The Port has created approximately 200 acres of high-quality intertidal and wetland habitat including associated buffers as habitat mitigation for the Port's development impacts. Another approximately 18 acres is currently under construction that will remove the partial fish barrier culvert under 12th Street, replace it with a fully passable bridge and provide an estuarine marsh and buffer for Wapato Creek. This site, in concert with the Puyallup Tribe of Indians site further upstream, should provide substantial improvements to fish populations in the creek. The Port has preserved another 70 acres of high value open space, much of which provides a buffer between Port-related industrial activities and neighboring non-industrial uses. The Port has invested over \$300 million cleaning up Commencement Bay and providing high functioning habitat sites. The Port's environmental objectives for the coming years are closely aligned with the Port's plan for advancement of environmental leadership, by identifying and addressing the following environmental issues:

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

Cleanup Actions

In 2012, the Port set a goal to cleanup 200 acres in 10 years by 2021. The Port met this goal in 2017 and is working to enhance this achievement. Since the inception of Superfund and Ecology's Model Toxics Control Act, the Port has now remediated over 1,100 acres of Port-owned property.

The Port continues to make progress on multiple priority cleanup sites, working towards remedy selection and implementation.

2021 Remediation Action Progress on Port Priority Projects	
Parcel 1B – Earley Business Center (EBC)	Due to a change in Ecology’s expectations, the Port and Ecology have been discussing the need for conducting additional investigation work and possibly changing the Site’s cleanup action plan. The Port has stopped its remedial design and permitting efforts needed to implement the cleanup action plan. Efforts are underway to resolve outstanding disagreements with Ecology to allow remedial design to resume.
Parcel 2 – Alexander Avenue Tank Farm	The draft Feasibility Study, first submitted to Ecology in 2019, was approved in the first quarter of 2021. A draft Cleanup Action Plan was prepared and submitted in the third quarter of 2021. Ecology approval of the draft Cleanup Action Plan is anticipated before the end of the year.
Parcel 15 – Former Portac	The Port entered an Agreed Order with Ecology to implement the cleanup action. Design was initiated in first quarter 2021. Construction is anticipated to begin in 2022.
Parcel 91 – Former Sound Mattress	In early 2021 Port staff reengaged in mediation negotiations with Wyeth, a former property owner. A final settlement agreement was negotiated and authorized by Commission in the third quarter 2021, whereby Wyeth pays a lump sum amount of \$7.2M and the Port agrees to clean up the property. Staff is finalizing negotiations with Ecology for an Agreed Order to complete a draft cleanup action plan. The Agreed Order will be brought to Commission for authorization in the fourth quarter 2021. Remedial investigation activities will begin in 2022.
Parcel 99 – Former Arkema Manufacturing	The draft Feasibility Study, started 2020, was submitted to Ecology and the EPA in the first quarter 2021. Ecology comments have been received and are in review. Ecology is requesting that additional remedial alternatives be developed and evaluated. Staff are considering ways to accelerate cleanup and redevelopment of portions of the property, possibly as an interim action.
Parcel 103 – Former City Steam Plant	In 2020 staff completed a 2-year cost recovery negotiation with Tacoma Power, whereby the Port received \$661K for past expenses, and Tacoma Power will pay for 84% of the cleanup going forward. The Port and TPU began planning for property cleanup in 2021. A joint consultant has been selected and remedial investigation activities will begin in the fourth quarter 2021.

In addition to its high priority Sites, the Port continues to advance other contaminated Port properties through the cleanup process via voluntary or independent action. Examples in 2021 include installation of a vapor mitigation system beneath the maintenance building at Parcel 40, and the excavation of Asarco Slag at Parcel 14 in advance of constructing the Port's newest habitat site.

In 2022, the Port will continue working toward characterizing and remedy selection at 10 properties and conducting long-term monitoring and maintenance at 14 properties where legacy containment remedies were implemented. Also in 2022, remedial design/remedial actions are planned to start at four Port properties (Parcel 1B, Parcel 2, Parcel 15, Parcel 99).

Habitat Mitigation

The Port has constructed, participated in, or preserved approximately 213 acres of habitat and associated buffers over the past 30 years to mitigate for habitat lost to terminal and other business development. This includes approximately 68 acres of intertidal habitat ideal for salmon. These mudflats and shallow subtidal areas provide a substrate for the marine invertebrates that juvenile salmon consume and afford a safe place for young salmon to hide from larger predators. During high tide, juvenile Pink, Chum, Coho, and Chinook salmon find food and shelter among marsh vegetation. At low tide, areas of exposed mudflats teem with tiny critters, supplying a food source for visiting shorebirds, ducks and fish, including juvenile salmon. Additionally, the Port created approximately 57 acres of riverine and associated riparian habitat that is home to a diverse array of native plants, more than 100 types of birds and a variety of mammals, fish, reptiles and amphibians. All three Endangered Species Act (ESA)- listed salmonid species have been documented using Port-created habitat sites. Furthermore, the Port has purchased and preserved another approximately 70 acres of mature forested hillside along Marine View Drive to both protect the natural areas and buffer adjacent residents from industrial activities.

Port staff worked closely with the Port Commission to develop a Port-wide Habitat Mitigation Strategy, originally adopted October 18, 2012, and updated in March of 2014. The habitat strategy focuses on providing high value habitat in support of future Port industrial growth that focuses on salmon recovery efforts, being cost-effective and preserving working waterfront activities. The strategy also provides tools to help decision makers better understand how to maximize ecological and economic value by identifying the best locations and timing for future mitigation sites. Stemming from the habitat strategy, the Port focused on three large mitigation areas for concurrent, advance and mitigation banking opportunities:

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

Lower Wapato Creek: This project is uniquely located within the City of Tacoma, adjacent to the City of Fife and next to a neighborhood containing several Puyallup Tribe members. Working closely with our external partners, this site will meander a currently channelized Wapato Creek, provide as much as 18 acres of intertidal, marsh and forested wetland habitat to mitigate for impacts due to future development along Port of Tacoma Road near Maxwell and as advance mitigation for future Port projects. This site is currently in construction. Site grading, bridge construction and utility relocation should be complete Q1 2022.

Saltchuk: The Port continues to plan for the Saltchuk Aquatic Habitat site. The Port is working with the US Army Corps of Engineers to use material from the potential Tacoma Harbor

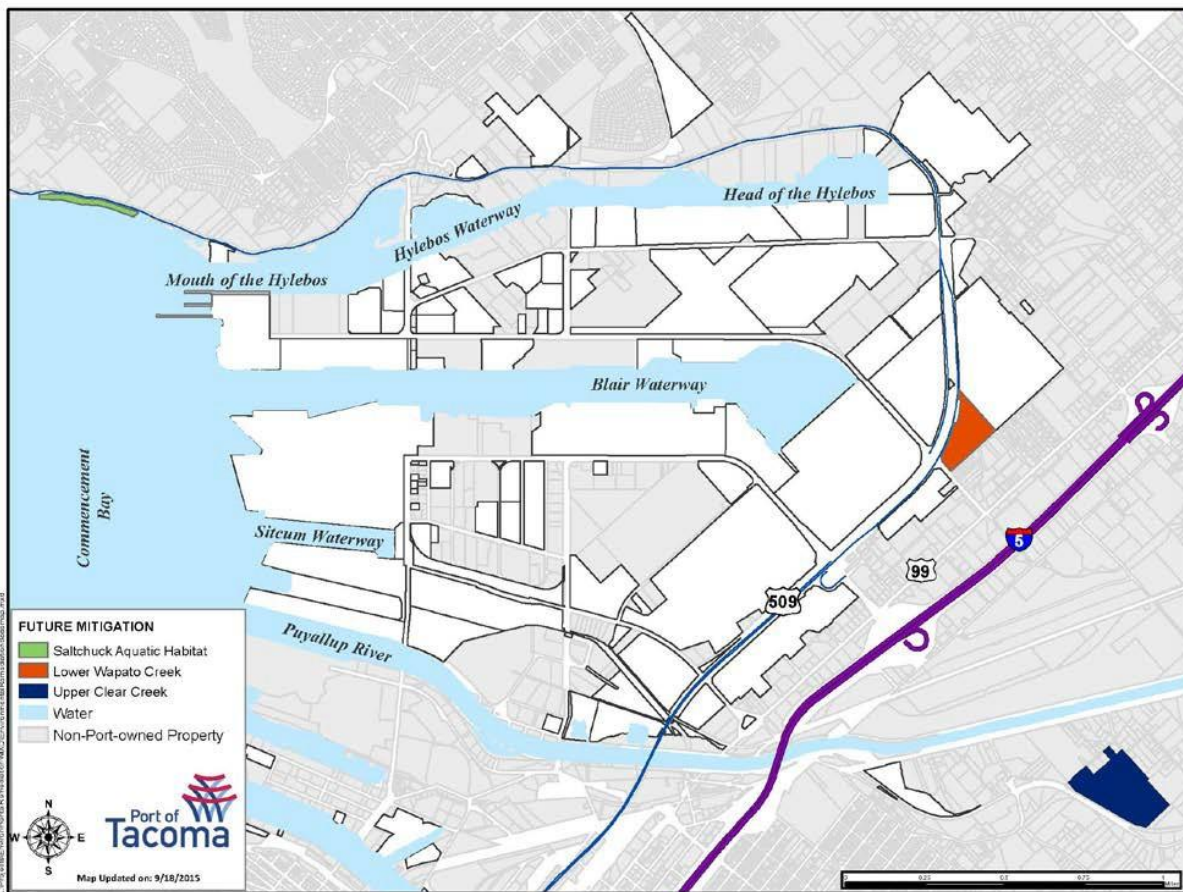
Deepening Project to build approximately 65 acres of prime nearshore habitat. The Port anticipates conducting independent shoreline mitigation actions in the area as well.

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

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

Credit from mitigation projects built in advance of need will be credited in the bank for use on future Port expansion. The first phase of the bank was officially certified June 2020 and the first available credits arrived from the Upper Clear Creek mitigation project in 2020. The Port has received approximately 50% of the total credits to date. The process of establishing a bank has proven to be difficult and time consuming. However, it is clear considerable demand exists for these credits. The Port is continually approached by both public and private parties inquiring about purchasing credits. Environmental staff are working with the Executive Director and Commission to develop policies surrounding the use of banked credits and expect to have those in place by Q1 2022.

Figure VIII-1.... Future Mitigation Opportunities



Water Quality Program

MS4 Stormwater Permit Best Management Practices (BMPs)

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

The Port updated its Stormwater Management Manual to provide guidance to current and future tenants and customers with facilities and operations at the Port and licensed NWSA properties. The goal is to assist tenants so that their facilities are compliant under the P's Municipal permit.

The WQ Team provides technical assistance and recommends BMPs, treatment selection guidance, and compliance tools, when requested by tenants to help them meet their compliance obligations. Annually, the Port WQ Team holds a training conference for Port tenants and neighbors.

In 2020, the WQ Team performed a deep dive into surface water rates the City of Tacoma charges to Port properties. Staff found some discrepancies on 35 parcels and have largely worked through those with the City of Tacoma. , the Port continues to work with the City and look for alternative durable, sufficient funding option for its infrastructure.

Mapping and GIS Updates

The GIS database is a good resource; WQ continues to work with GIS to perfect the stormwater layer.

Researching and Testing Effective Treatment Solutions

Stormwater permits are designed to drive industrial operations to install treatment. The goal for the WQ Team is to continue to locate and source those treatment solutions that remove pollutants and are cost effective. In the past, the Port has piloted membrane filtration solutions and mixed blends of various media that adsorb pollutants. Port technical and Maintenance staff are working to develop a solution for zinc. .

Port of Tacoma Endowed Chair

In June 2005, the Port of Tacoma invested \$1M to establish an endowed research chair at the University of Washington Tacoma. The Port of Tacoma Endowed Chair leads research on environmental science initiatives critical to urban waterfront communities. Research areas 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. These tours were postponed in 2020 and 2021 due to the Covid-19 pandemic. Port staff is hoping for tours to resume again in 2022. Visitors tour the Sitcum and Blair Waterways, and view 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.

Air Quality & Sustainable Practices Program

The Air Quality & Sustainable Practices (AQSP) program and team jointly serve the Port and The Northwest Seaport Alliance (NWSA) and focuses on two interrelated goals:

- 1) reducing – and, ultimately, phasing out – air and climate pollution from seaport-related activities; and
- 2) promoting environmentally sustainable corporate practices. The 2020 Northwest Ports Clean Air Strategy (NWPCAS) update, unanimously adopted by the Port of Tacoma Commission in April 2021, serves as the overarching roadmap for the Port’s clean air and climate actions and investments. The AQSP team collaborates with a wide range of internal and external partners to advance the NWPCAS, by developing, finding funding for, and implementing a suite of initiatives, including the Clean Truck Program, the Shore Power Program, and the emerging Clean CHE Program. In addition, the Port works to continuously improve the environmental sustainability of its buildings, facilities, vehicles, equipment, and operations. In 2021, the team focused the majority of their efforts on leading the process to finalize and adopt the 2020 NWPCAS and develop the Port of Tacoma’s 5-Year Implementation Plan to advance that Strategy. Both efforts entailed significant community engagement, soliciting stakeholder input, project planning, and program development.

Key 2022 goals for the Air Quality & Sustainable Practices Program include the following:

- Lead implementation of the Port of Tacoma’s 5-Year Implementation Plan to advance the 2020 NWPCAS;
- In collaboration with the NWSA, Tacoma Public Utilities, and others, complete the South Harbor Electrification Road Map (SHERM) to assess the infrastructure needs associated with transitioning to zero-emission vehicles, equipment, and operations;
- Complete implementation of a project at the South Intermodal (SIM) Yard to replace six diesel-powered yard tractors with zero- emission, all-electric tractors – and identify similar opportunities for public-private partnerships that reduce emissions;
- Develop a sustainable building policy and program and sustainable fleet management policy and program for the Port;
- In collaboration with the NWSA, develop on-going clean air-related engagement programs with and for near-port communities and tenants/industry partners;
- Continue to staff the joint Port of Tacoma/NWSA Clean Air & Climate Action Team (C-CAT) to guide implementation of the NWPCAS and the Port’s associated implementation plan;
- Continue to participate in Tacoma Power’s Evergreen Options, which supports the development of new wind generation projects in Washington and Oregon. Combined with hydropower, this makes 100% of Port-purchased electricity renewable; and
- Continue to identify, pursue; and secure grants and other external financial and technical assistance to help advance the Port’s clean air, climate, and sustainability goals

Planning and Logistics

Planning and Logistics provides a range of services from strategic to site planning. Some of our primary services include planning for marine terminals and supporting infrastructure, advocating for multi-modal freight-related transportation systems, and facilitating port visioning. . Planning also coordinates baseline studies to facilitate decision making about investments and operations.

Planning Overview:

- **Facility Planning:** Services include facility design, facility resilience assessment and planning, assessment of infrastructure needs for operational efficiency, and documentation of current and planned facilities.
- **Transportation Planning and Advocacy:** Support for the Operations Department optimizing gates and terminals, analyzing traffic flow and circulation, and evaluating new communications and data collection technologies.
- **Project Feasibility Development:** Support Environmental and Engineering Departments by maintaining a general understanding of all focus areas within the group, especially the environmental specialties. With this overall perspective, the team assists with opportunity assessment reviews and strategic port planning.
- **Strategic Planning and Visioning:** Services include developing land use plans and supporting the development of strategic and business plans. Review and provide comment on new and updated local, state, and federal policy and regulatory documents to protect the interests of the Port. These plans can range from State Freight Master Plans to City Comprehensive Plans.
- **Grant Coordination:** Coordinate grant application efforts to ensure a unified and proactive approach. Grants are sought to help offset the cost of infrastructure, facility, technology, and planning whenever feasible. Coordination efforts encompass tracking priority projects and grant programs. . The team also provides staff support to the Grant Steering Committee and communication with staff involved in grant writing as well as providing commission updates.

2021 Accomplishment Highlights

- Supported visioning and baseline condition analysis for the Tideflats Subarea Plan (TSAP) in coordination with the City of Tacoma, City of Fife, Puyallup Tribe of Indians, and Pierce County.
- Managed completion of the 2021-2026 Port of Tacoma Strategic Plan.
- Prepared and facilitated Managing Member presentation of Coordinated Course to 2035 visioning materials.
- Submitted three federal grant applications for the Port of Tacoma Off-dock Container Support Facility at Thorne Road.
- Submitted application for Northwest Connect: Critical Lifelines Between Alaska, Hawaii, and Washington MARAD Marine Highway designation jointly with Port of Alaska.
- Initiated the Vulnerability Assessment and Response Framework (VARF) for alliance facilities.
- Provided technical support for the Countywide Planning Policy and Buildable Lands update in Pierce County.

- Provided land use planning technical support for the Industrial Land Use Regulations in the City of Tacoma and City of Seattle.
- Engaged in and provided technical advice on significant transportation projects, such as the Puget Sound Gateway and Sound Transit Tacoma Dome Link extension and Sounder south capacity expansion.
- Represented the Port at local and regional transportation and land use policy and regulatory bodies, supporting such efforts as the Regional Transportation Plan and staff support for the regional Project Selection Task Force.

2022 Planning Goals

Our major goals for 2021 include Completion of the Vulnerability Assessment, continued participation in the Tidelands Subarea Plan process with the City of Tacoma, the City of Fife, the Puyallup Tribe of Indians, and Pierce County, continued coordination with Sound Transit on the ST3 Tacoma Dome Link Extension (TDLE) project and Sounder expansion, continued advocacy at Puget Sound Regional Council (PSRC) staff committee meetings, management of Port related grant applications as well as ongoing coordination with Port government relations, engineering, commercial, NWSA operations and environmental teams, and partner agencies.

IX. Summary of Significant Accounting Policies

Reporting Entity

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

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

The Port reports the following funds: The Enterprise Fund accounts for all activities and operations of the Port except for the activities included with the Post- Employment Health Care Benefits Trust Fund.

Nature of Business

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

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 reports all of its activities and operations except for the activities included with the Port’s Post-Employment Health Care Benefits Trust Fund in the Enterprise fund. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port is accounted for on a flow of economic resources measurement focus.

The 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. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

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

Cash

Cash 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 LGIP invests in U.S. Agency Securities, Repurchase Agreements, U.S. Treasury Securities, Interest Bearing Bank Deposits, and Certificates of Deposits. The investments are limited to high-quality obligations with limited maximum and average maturities. These investments are valued at amortized cost. Interest income on investments is recognized in non-operating revenues as earned. Changes in the fair value of investments are recognized on the statements of revenues, expenses, and changes in net position. The Port's general policy is to not hold more than 20% of its holdings in any one investment.

Restricted Investments – Bond Reserves

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

Investment in joint venture: The Port adopted joint- venture accounting beginning January 1, 2016, to account for its 50% share in the NWSA. The Port's investments and the Port's 50% share of NWSA's net income and cash distributions will be presented on the statements of net position as investment in joint venture. The Port's 50% of the NWSA's net income and losses are presented on the statements of revenues, expenses and changes in net position as Joint Venture income.

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

Capital Assets and Depreciation

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

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

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

Preliminary costs incurred for proposed projects are 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.

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

Capitalized Interest

In 2020, the Port discontinued its policy of capitalizing interest due to the adoption of GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.

Net Position

Net position consists of net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflow of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debts should be included in this component of net position. This calculation excludes unspent debt proceeds, if any.

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

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

Retentions Payable

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

Federal and State Grants

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

Commercial Paper and Current Portion of Long-Term Debt

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

Interest Rate Payment Agreements

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

Refunds of Debt

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

Employee Benefits

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

The Port also provides post-employment health care benefits for eligible retired employees aged 60 to 69 through a fully funded trust.

Pensions

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

Investments are reported at fair value.

Environmental Remediation Costs

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

Operating and Non-Operating Revenues and Expenses

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

Ad valorem tax levy revenues and other revenues generated from non-operating sources are classified as non-operating. In 2021, the adoption of GASB Statement 87 Leases resulted in an increase to non-operating interest revenue and a reduction to operating revenue (no change in net income).

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.

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

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current presentation.

These reclassifications have no effect on previously reported changes in net assets.

X. Debt Guidelines

Section I. Introduction Purpose and Overview

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

Section II. Legal Governing Principles

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

Governing Law

State Statutes — The Port may contract general obligation indebtedness according to chapter

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

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

Permitted Debt by Type

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

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

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

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

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

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

Short-term debt may include revenue anticipation notes, general obligation notes in anticipation of the issuance of long-term debt and 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 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 Executive Director, he or she may entertain financing leases, provided that the dollar amount of the lease is not in excess of \$75,000.

Purpose for Borrowing

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

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

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

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

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

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

Limitations on Debt Issuance

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

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

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

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

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

Other obligations of the general or other tax supported funds, except for loan agreements (statutory limit only) with agencies of the state of Washington or the 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 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 will select a financial advisor (or advisors) to assist in the issuance and administration of all debt. The firm(s) will provide a full range of advisory services in connection with the Port's financing programs.

Appointment of Bond Counsel — All debt that the Port 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’s long- term debt may include serial and term bonds.

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

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

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

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

Section V. Communication Guidelines

Rating Agencies

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

Communication with the rating agencies shall include:

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

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

Section VI. Compliance Guidelines Arbitrage Liability Management

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

Continuing Disclosure

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 may enter into payment agreements for the following two purposes: 1) To lower the Port's net cost of borrowing with respect to the related bonds or reduce the amount or duration of the Port's exposure to changes in interest rates; or 2) To allow a refunding of bonds that cannot be refunded in advance, thereby lowering the net cost of borrowing with respect to the bonds. By using swap agreements in a prudent manner, the Port can take advantage of market opportunities to reduce costs and reduce interest rate risk. The Port must directly tie the use of swap agreements to Port debt instruments. The Port shall not enter into swap agreements for speculative purposes.

Authority

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

Overview

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

Interest Rate Swaps — An interest rate swap agreement allows for an exchange of payments based on interest rates. An interest rate swap agreement could provide that the Port will pay the contracting party based upon a fixed- or

floating-interest rate and will receive payments based upon a fixed- or floating-interest rate. The floating rate resets at regular dates and is usually based upon the 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 will address the following:

- Purpose of the swap agreement;
- Swap counterparty rating;
- Cash flow projections detailing the net swap payments;
- Analysis of basis risk, rollover risk, termination risk, and counterparty risk;
- In addressing the termination risk, identify the events that trigger an early termination, estimate the likelihood of early termination, and estimate the size of potential termination payments; and
- Determine key personnel involved in monitoring the terms of transaction and counterparty creditworthiness.

Legality/Approval

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

Form of Swap Agreements

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

Methods of Soliciting and Procuring Swaps

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

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

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

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%

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

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 Officer and/or Commission when recommending variable rate debt.

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.

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.

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

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

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

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

Synthetic fixed rate: The Port may simultaneously issue variable rate debt and enter into corresponding swap agreements that have the effect of creating a net fixed rate obligation at a lower net interest cost than the cost of issuing traditional fixed rate debt (while assuming

increased risks (such as tax risk) and foregoing call features). The Port should consider the use of variable rate debt in those instances where the issuance of synthetic fixed rate debt is a viable and cost-effective alternative, subject to the provisions of the Port's swap guidelines.

Monitoring and Reporting

The Chief Financial Officer will manage the Port 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.

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

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

Responsibility for reflecting variable rate debt in accordance with Generally Accepted Accounting Principles (GAAP) and with rules promulgated by the General Accounting Standards Board (GASB).

Section IX. Other Guidelines

Refunding Savings Thresholds

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

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

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

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

Evaluating Capital Investment Plan Spending

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

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

Modeling the Impact of Capital Investment Plan Needs

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

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

Debt Database Management

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

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

Accounting for the Issuance of Debt

The Port 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 12/31/21

Debt Instrument	Due Date	---- 2022 Debt Service Payments ----			Outstanding 12/31/2022*
		Principal	Interest	Total	
General Obligation Bonds:					
2016A G.O. Bonds	06/01/22		\$2,377,025		\$101,395,000
	12/01/22	\$2,440,000	\$2,377,025	\$7,194,050	
2017 G.O. Bonds	06/01/22		\$263,251		\$16,340,000
	12/01/22	\$795,000	\$263,251	\$1,321,503	
2021 G.O. Bonds	06/01/22		\$50,342		\$11,052,000
	12/01/22	\$3,540,000	\$50,342	\$3,640,685	
TOTAL G.O. BONDS		\$6,775,000	\$5,381,237	\$12,156,237	\$128,787,000
Revenue Bonds:					
2008 Subordinate Refunding*	06/01/22				\$52,615,000
	12/01/22	\$3,330,000	\$39,162	\$3,369,162	
2008B Subordinate Revenue*	06/01/22				\$122,180,000
	12/01/22	\$0	\$85,526	\$85,526	
2016A Senior Refunding	06/01/22		\$871,925		\$34,445,000
	12/01/22	\$2,090,000	\$871,925	\$3,833,850	
2016B Senior Revenue and Refunding	06/01/22		\$2,501,156		\$99,830,000
	12/01/22	\$685,000	\$2,501,156	\$5,687,313	
2019A Senior Refunding	06/01/22		\$746,125		\$27,275,000
	12/01/22	\$2,570,000	\$746,125	\$4,062,250	
2019A Subordinate Refunding*	06/01/22				\$38,115,000
	12/01/22	\$0	\$26,681	\$26,681	
2020 Senior Refunding	06/01/22		\$142,628		\$18,560,000
	12/01/22	\$2,570,000	\$142,628	\$2,855,255	
Net Swap Interest			\$8,437,938	\$8,437,938	
Direct Purchase/LOC Fees			\$1,103,204	\$1,103,204	
TOTAL REVENUE BONDS		\$11,245,000	\$18,216,179	\$29,461,179	\$393,020,000
Commercial Paper		\$0	\$0	\$0	\$0
TOTAL ALL EXISTING BONDS**		\$18,020,000	\$23,597,416	\$41,617,416	\$521,807,000

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

Appendix B Port of Tacoma Statutory Budget

Introduction

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

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

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

The Preliminary Statutory Budget was provided to the 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 are available for distribution to any interested persons, are published no less than nine days and no more than twenty days prior to the date of the hearing as required by law (RCW 53.35.020 and RCW 53.35.045). The Notices are published in the Tacoma News Tribune, The South Pierce County Dispatch, and The Daily Index.

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

Port of Tacoma Statutory Budget

<i>(\$ Thousand)</i>	2022
Beginning Cash & Investments	\$151,918
<u>Projected Sources of Funds</u>	
Revenues	\$81,437
Expenses	(\$25,064)
Memberships	(\$326)
Promotional hosting POT	(\$17)
Promotional hosting NWSA (POT share)	(\$105)
Funds Provided by Operations	\$55,925
Interest Income	\$1,718
NWSA Depreciation cash	\$11,590
Other, Net	\$3,401
Other Contributions	\$0
Ad valorem tax revenue (net)	\$24,541
Projected Sources of Funds	\$97,175
<u>Projected Uses of Funds</u>	
Investment in Northwest Seaport Alliance	\$56,339
Debt Payments (Principal and Interest) - GO Bonds	\$12,156
Debt Payments (Principal and Interest) - Revenue Bonds	\$29,461
Capital Spending - Planned Projects	\$35,733
Projected Uses of Funds	\$133,689
<u>Projected Borrowing</u>	
Commercial Paper Borrowing	\$0
Total Borrowing	\$0
Projected Ending Cash & Investments	\$115,404

Appendix C Port Memberships

Overview

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

Port Authority Organizations

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

Economic Development Organizations

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

Regional Organizations

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

Industry Associations and Professional Organizations

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

Trade Promotion Organizations

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

Community Service Groups

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

Annual Port Memberships & Personnel Memberships (estimated)

Organization	Annual Dues
WA Public Port Association	\$215,000
Puget Sound Regional Council	50,700
Tacoma/Pierce County Chamber	24,740
<u>All Other Memberships</u>	<u>23,181</u>
Total Port Memberships	\$313,621

Summary

Three Port memberships represent more than 92% of the membership budget for 2022. These memberships assist the Port with policy and economic development initiatives.

- **Washington Public Ports Association**

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

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

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

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

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

Appendix D Budget Calendar

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

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

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

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

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

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

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

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

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

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

Appendix E Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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 released into the U.S. market. Merchandise may enter a FTZ without a formal Customs entry or the payment of Customs duties or government excise taxes. In the zone, goods may be stored, tested, sampled, repackaged cleaned or relabeled, combined with other products, repaired or assembled.

Freight – Merchandise hauled by transport lines.

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

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

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

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

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

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

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

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.

Metric Ton- A metric ton equals 1,000 kilograms or 2204.6 pounds.

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

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

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

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

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

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

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

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

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

Operating Income – Operating revenues minus operating expenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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 F Acronyms and Abbreviations

Admn	Administration
AEI	Automated Electronic Interchange
ANWR	Arctic National Wildlife Refuge
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 Investment 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
GCP	General Central Peninsular

GDP	Gross Domestic Product
GFOA	Gov't Finance Officers Association
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
NWSA	Northwest Seaport Alliance
OGT	Office of Grants and Training, administrator of Homeland Security Grants
OSC	Operation Safe Commerce
OTIS-M	Off Tidelands 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
T4	Terminal 4
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 G Cash Flow Forecast Assumptions

Budget Year (\$ Million)

Cash & investments at beginning of the budget year	\$151.9
Minimum cash & investments	\$77.6
Gross tax levy	\$24.6

Revenue Assumptions:

Container TEUs average growth percentage	3.8%
Intermodal lifts average growth percentage	4.6%
Breakbulk tonnage average growth percentage	2.6%
Autos average growth percentage	5.6%
Interest income investment rate	0.04%-2.35%
Average tax levy growth rate	3.0%

Expense Assumptions:

Average annual inflation used for expenses	2.5%
Average annual Port labor Increase	3.0%
Borrowing rate for new fixed rate G.O. bond debt	1.78%-3.89%
Borrowing rate for new fixed rate revenue bond debt	1.98%-4.09%
Borrowing rate for new variable rate revenue bond debt	0.07%-2.55%
Term of new bond debt	30
Borrowing rate for Commercial Paper	0.02%-2.50%

Appendix H Minimum Amount of Cash and Investments on Hand

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

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

<u>Minimum Port of Tacoma Cash & Investments</u>	<u>(\$ Millions)</u>
Port cash and investments to cover 6 months operating expenses	\$12.8
Prorated revenue bond payments	2.5
Prorated G.O. bond payments	1.0
Revenue bond reserves	59.9
Industrial insurance reserve	0.4
Self insurance reserve	<u>1.1</u>
Minimum Port of Tacoma cash & investment balance	<u><u>\$77.7</u></u>

Appendix I 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 2018 population of approximately 210,000 people.

Population: Pierce County and City of Tacoma

Year	Tacoma	Pierce County
2021	214,700	917,100
2020	213,300	900,700
2019	211,400	888,300
2018	209,100	872,220
2017	208,100	859,400
2016	206,100	844,490
2015	202,300	830,120
2014	200,900	821,300
2013	200,400	814,500
2012	199,600	808,200
2011	198,900	802,150

Source: Washington State Office of Financial Management; U.S. Census for 2010 figure, Estimate for 2020

Pierce County and Washington State Median Household Income

Year	Pierce County	Washington State
2020 (1)	\$78,518	\$81,668
2019 (2)	\$74,774	\$76,840
2018	\$71,208	\$72,297
2017	\$65,517	\$69,288
2016	\$61,042	\$65,500
2015	\$59,566	\$63,439
2014	\$59,998	\$60,153
2013	\$57,238	\$57,284
2012	\$57,162	\$56,444
2011	\$56,114	\$55,500
2010	\$55,531	\$54,888
2009	\$56,555	\$55,479
2008	\$57,674	\$56,995

Source: Washington State Office of Financial Management

(1) Projected

(2) Preliminary Estimate

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

Year	Pierce County	City of Tacoma
2020	\$19,407,955	\$5,700,693
2019	\$18,746,939	\$5,887,579
2018	\$17,592,772	\$5,821,935
2017	\$16,081,078	\$5,465,164
2016	\$14,878,551	\$5,015,372
2015	\$13,846,294	\$4,641,369
2014	\$12,697,318	\$4,317,891
2013	\$12,089,378	\$4,280,299
2012	\$10,983,336	\$4,046,579
2011	\$10,428,906	\$3,826,546
2010	\$10,547,024	\$3,849,213
2009	\$10,397,773	\$3,815,491
2008	\$11,711,653	\$4,288,739

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**

	2021 (1)	2020	2019	2018	2017	2016
Resident Civilian Labor Force						
Employment	403,681	406,497	419,196	404,193	393,962	381,066
Unemployment	23,792	43,403	22,540	21,913	21,967	24,002
Total	427,473	449,900	441,736	426,106	415,929	405,068
Percent of Labor Force						
Unemployed	5.6%	9.6%	5.1%	5.1%	5.3%	5.9%
Nonagricultural Wage and Salary Workers						
Natural Resources and Mining	300	300	300	300	300	300
Construction	24,900	24,700	25,600	25,600	24,100	22,200
Manufacturing	16,200	16,500	17,800	17,600	17,100	17,400
Total Goods Producing	41,400	41,500	43,700	43,500	41,500	39,900
Transportation, warehousing and utilities	20,700	19,700	19,200	19,000	19,600	13,900
Wholesale trade	12,800	12,600	13,300	13,300	12,700	12,600
Retail trade	37,100	35,300	35,700	36,600	35,700	40,600
Total Trade, Transportation, & Utilities	70,600	67,600	68,200	68,900	68,000	67,100
Information	1,900	2,000	2,200	2,500	2,600	2,700
Financial Activities	14,300	14,400	14,700	14,600	14,900	14,100
Professional and Business Services	32,000	32,800	34,800	34,400	31,600	29,800
Educational and Health Services	59,500	57,100	57,900	53,900	51,200	52,900
Leisure and Hospitality	28,200	27,300	34,000	34,000	32,300	31,200
Other Services	12,700	12,800	14,800	14,600	14,400	14,000
Government						
Federal	11,500	11,700	11,800	11,900	11,900	12,100
State	10,200	10,800	11,100	11,000	11,000	11,600
Local	34,000	34,100	36,700	34,400	33,900	35,000
Total Government	55,700	56,600	59,600	57,300	56,800	58,700
Total Nonagricultural Wage and Salary Workers	316,300	312,100	329,900	323,700	313,300	310,400

(1) Preliminary June 2021 Labor Categories,

Source: Washington State Employment Security Department

Columns may not add due to rounding

Appendix J Full-Time Personnel Schedule

As of September 27th, 2021	Port of Tacoma				NWSA				NWSA & POT			
	2020	2021	2021	2022	2020	2021	2021	2022	2020	2021	2021	2022
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Executive	1	4	4	4	12	11	11	10	13	15	15	14
Human Resources	2	4	3	4	-	-			2	4	3	4
External Affairs (Public Affairs & Communications)	7	9	7	9	-	2	2	4	7	11	9	13
Finance And Administration	48	49	44	48	-	-			48	49	44	48
Commercial Business	4	6	4	6	20	21	17	21	24	27	21	27
Operations	121	122	116	123	9	10	10	10	130	132	126	133
Facilities Development	21	21	18	22	9	10	9	11	30	31	27	33
Total	204	215	196	216	50	54	49	56	254	269	245	272

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

Port of Tacoma Average Compensation (Excluding Executive Director)

The 2022 staffing budget of \$37,665,804 includes the following:

- \$8,796,114 for salaried employees and \$14,743,671 for hourly employees which includes;
 - \$197,345 for annual pay increases for salaried employees starting April.
 - \$23,217 for annual recognition program paid to salaried employees in April.
 - \$23,217 for marketplace adjustment for salaried employees during the year.
 - Hourly employees will receive a 3.5% raise in April per contract.
 - Average salary/wages of \$109,487
- Total benefits of \$12,300,132

Changes in Port of Tacoma Full Time Personnel from prior budget

Finance and Administration: Reorganization eliminated 1 IT position

Operations: Added 1 TSO Security position

Facilities Development: Added 1 Engineer

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



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