

A. TAX AT A GLANCE

- The maximum allowable levy for 2012 is \$90.1 million.
- For 2012 the levy will be \$73.0 million.
- The millage rate is estimated to be \$0.2313.
- The 2012 levy will be used for:
 - General Obligation (G.O.) Bonds Debt Service
 - Public Asset Expense: Freight Mobility
 - Seaport and Real Estate Environmental Remediation Liability
 - A portion of Real Estate operating expenses
 - Real Estate Capital Improvements
 - Highline School District: Aviation High School
 - Office of Port Jobs
 - Additions to the Transportation Infrastructure Fund

Exhibit	<u>B</u>
Port Commission	<u>Regular</u>
Meeting of	<u>August 3, 2012</u>

B. TAX LEVY SOURCES**TYPES AND LIMITS OF LEVIES:****Regular Tax Levy**

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

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

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

FIGURE IX-1 shows the maximum levy permitted by law versus the actual levy levied by the Port from 1991 (the last year the Port levied the maximum) to 2012. In 1989, the law was changed whereby a port could have a levy at less than the maximum while preserving the ability to tax up to the maximum in the future if the need was justified. This allows a port to tax at the lower level in the years when the maximum levy is not required, but return to the maximum level in years of need. Since 1991, on a cumulative basis, the Port has levied a total of \$350 million less than it could have if it had levied the maximum allowable levy each year.

FIGURE IX-1: ACTUAL TAX LEVY VS. MAXIMUM ALLOWABLE LEVY: 1991-2012

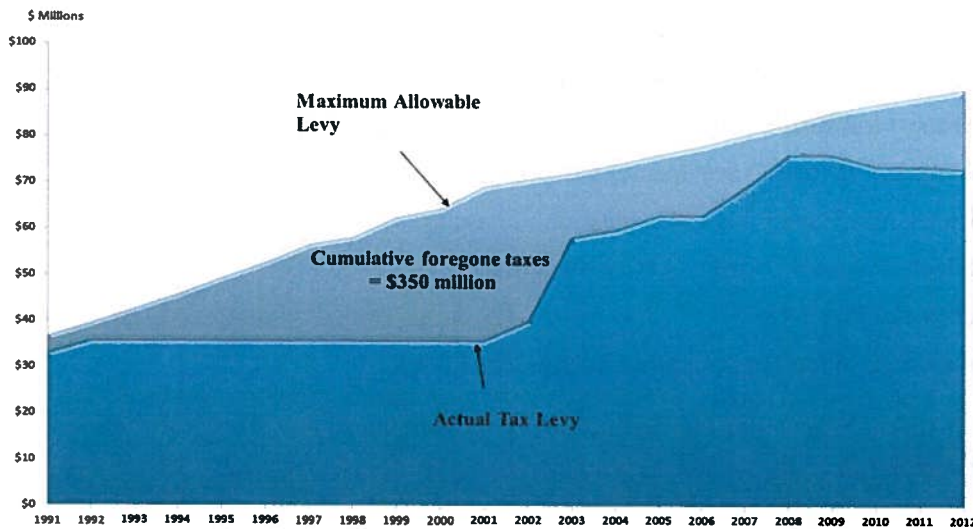
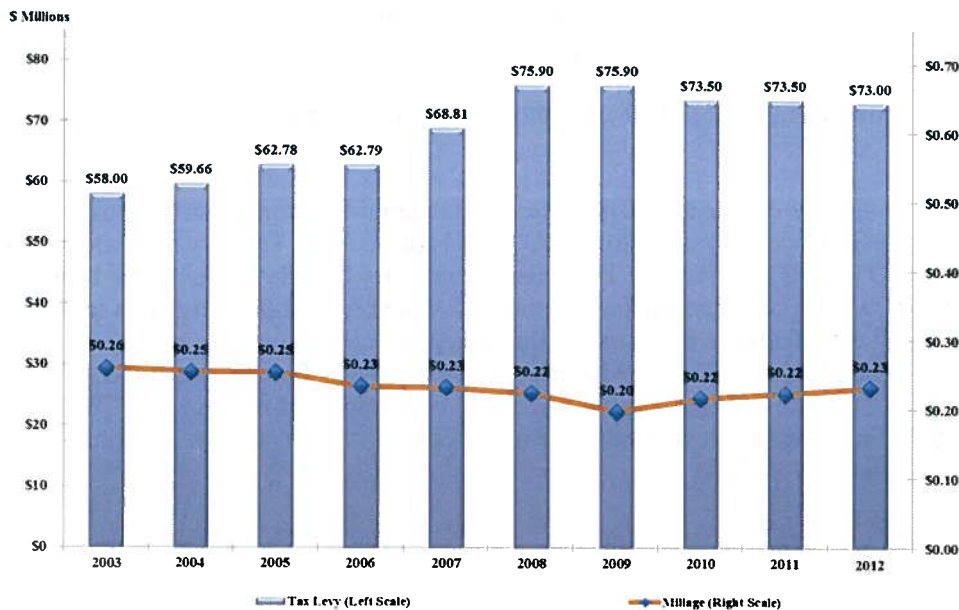


FIGURE IX-2 shows the historical millage rate from 2003 to 2012. The Port kept the tax levy at \$73.5 million for 2010 and 2011. The levy amount has been reduced to \$73.0 million for 2012.

FIGURE IX-2: TAX LEVY VS. MILLAGE RATE 2003-2012



Special Tax Levies

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

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

Industrial Development District Tax Levies

The Port may also levy property taxes for Industrial Development Districts (under a comprehensive scheme of harbor improvements), for twelve years only, not to exceed \$0.45 per \$1,000 of Assessed Value of taxable property within the Port District. The Port of Seattle levied the tax for a six-year period between 1963 and 1968 for property acquisition and development of the lower Duwamish River. If the Port intends to levy this tax for a second six years (or the seventh through twelfth year period), the Port must publish notice of intent to impose such a levy and if signatures of at least eight percent (8%) of the voters protest the levy, a special election must be held with majority approval required. The Industrial Development Levy could be imposed at up to \$0.45 per \$1,000 in the first year and the lesser of \$0.45 per \$1,000 or the 1% limit factor described above in subsequent years. The Port has not levied the seventh through twelfth year period but if the Port were to Levy under this law, Port may levy up to an estimated \$874 million over the six year period.

C. TAX LEVY USES

Each year as part of the budget process, the Commission reviews and approves the use of the tax levy. While the levy, by statute, may be used broadly for general Port purposes, the Port has used the levy to fund capital investments in critical Seaport and Real Estate infrastructure and other expenditures providing community benefits such as environmental mitigation in the Seattle Harbor and the Port's regional freight mobility initiative. In 2009, the Port used tax levy funds to purchase the Eastside Rail Corridor. Per a memorandum of understanding, portions of and easements on the corridor are being sold to other entities; the proceeds of those sales are reflected as sources of tax levy funds. The Port also uses the levy to fund a small annual contribution to PortJobs, a non-profit organization that helps develop Port and Airport-related career opportunities. The levy has not traditionally been used to fund improvements at Sea-Tac International Airport, which is exclusively supported by user fees; however, the Commission approved the use of levy funds for noise mitigation projects for the Highline School District and improvements at the Aviation High School which are not eligible for Airport funding.

For 2012, the Port plans to use the regular levy for the debt service on G.O. Bonds, Real Estate capital improvements, FAST Corridor, Seaport and Real Estate environmental costs, the Aviation High School project, and Port JOBS. Similar to 2011, no Seaport capital projects will be funded with the levy, and on an interim basis, a portion of Real Estate operating expenses will be levy funded. TABLE IX-1 shows how the Port plans to spend the levy in 2012. Additional details are provided in Tables IX-2 and IX-3.

In 2010, the Port used \$13 million of tax levy to fund a Transportation & Infrastructure reserve fund (TIF) to set aside resources for certain regional transportation projects, including the Port's contribution to the SR99 tunnel. The 2012 budget includes making an additional \$23 million contribution to TIF from the tax levy fund, and anticipates using \$2.5 million from the TIF as payment toward the South Park Bridge project. Expenditures from the TIF are not included in Table IX-1.

TABLE IX-1: SOURCES AND USES OF TAX LEVY

TABLE IX-1 shows how the Port plans to spend the levy in 2012.

	Notes	2012 (\$ in 000's)
<u>SOURCES</u>		
Prior Year Levy Fund Balance		41,618
Projected Tax Levy Collection		73,000
Eastside Rail Corridor Partner Reimbursement		5,000
Total Projected Sources		119,618
<u>USES</u>		
G.O. Bonds Debt Service - Seaport		37,224
G.O. Bonds Debt Service - Real Estate		3,129
Total Projected G.O. Debt Service		40,353
Committed Capital Expenditures - Real Estate		10,924
Expenses:		
Public Expense: Seaport Freight Mobility	1	3,954
Transportation & Infrastructure Reserve Fund		23,000
Environmental Remediation Liability (Seaport & Real Estate)	2, 3	15,889
Portion of Real Estate Operating		4,922
Port Jobs & Apprenticeship Program		126
Aviation High School		650
Total Expenses		48,541
Capital Expenditures: BP Prospective - Real Estate		3,600
Total Projected Uses		103,418
Projected Ending Balance		\$ 16,200

Notes:

- 1) Net of grant receipts.
- 2) Includes project cashflows for environmental projects already or expected to be expensed and liabilities booked.
- 3) Includes Seaport non-operating ERL and Real Estate non-perating and operating ERL .

[LewSources&Uses Tables IX-1 and IX-2 and IX-3 final doc.xls](#)

TABLE IX-2 provides the estimated 2012 project spending that the Port expects to fund with the tax levy. In addition, any Real Estate Business Plan Prospective projects that are advanced in 2012 may be eligible for levy funding.

TABLE IX-2: LEVY FUNDED COMMITTED PROJECTS

TABLE IX-2 provides the committed projects that the Port expects to fund with a portion of the tax levy proceeds.

	2012 (\$ in 000's)
<u>Real Estate</u>	
Pier 69 Renewal Projects	\$ 4,223
Fishermen's Terminal	3,572
Technology, Small and Other Projects	1,315
Tenant Improvements	1,148
Fleet Replacement	506
Bell Harbor Lighting Control Upgrade	160
Total Real Estate Projects	<u>\$ 10,924</u>

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TABLE IX-3: EXISTING G.O. BONDS DEBT SERVICE BY PROJECTS AND GROUP

TABLE IX-3 provides the allocation of existing G.O. bonds debt service to the projects that were funded by G.O. bonds issued in 1994, 2000, 2004, 2006 and 2011.

	2012 (\$ in 000's)
Containers	
Stage II Dredge- Phase I	\$ 922
T-5 Expansion & Upgrades	21,149
T-46 Expansion Redevelopment	4,458
T-18 Expansion & Upgrade	8,359
Total Containers	34,889
Docks and Commercial Properties	
T-91 Apron & Infrastructure Improvements	2,119
Pier 17 Dock Replacement	122
T-86 Terminal Upgrades	120
Total Docks and Commercial Properties	2,362
Commercial Properties	
World Trade Center Garage	640
Fishing	
Fishermen's Terminal Docks & Seawall Renewal	1,657
Special Item	
Eastside Trail	805
Total G.O. Bond Debt Service	\$ 40,353

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D. GENERAL OBLIGATION CAPACITY**Non-Voted and Voted General Obligation Debt Limitations**

Under Washington State law the Port may incur indebtedness payable from ad valorem taxes in an amount not exceeding one-fourth of one percent of the value of the taxable property in the District without a vote of the people. With the assent of three-fifths of the voters voting thereon, the District may incur additional G.O. indebtedness provided the total indebtedness of the Port at any time shall not exceed three-fourths of one percent of the value of the taxable property in the District. For the Port, the following estimates the 2012 debt limit:

Value of Taxable Property	\$ 315,588,352,233
Debt Limit, Non-Voted General Obligation Bonds (.25% of Value of Taxable Property)	\$ 788,970,881
Less: Outstanding Non-Voted General Obligation Bonds as of 12/31/2011	\$ 336,120,000
Less: Capital leases and other general obligations as of 9/30/2011	-
Remaining Capacity of Non-Voted General Obligation Debt	\$ 452,850,881
Debt Limit, Total General Obligation Debt (.75% of Value of Taxable Property)	\$ 2,366,912,642
Less: Total Outstanding General Obligation as of 12/31/2011	\$ 336,120,000
Less: Capital leases and other general obligations as of 9/30/2011	-
Remaining Capacity of Total General Obligation Debt	\$ 2,030,792,642

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

Interaction between General Purpose Levy and General Obligation Debt Capacity

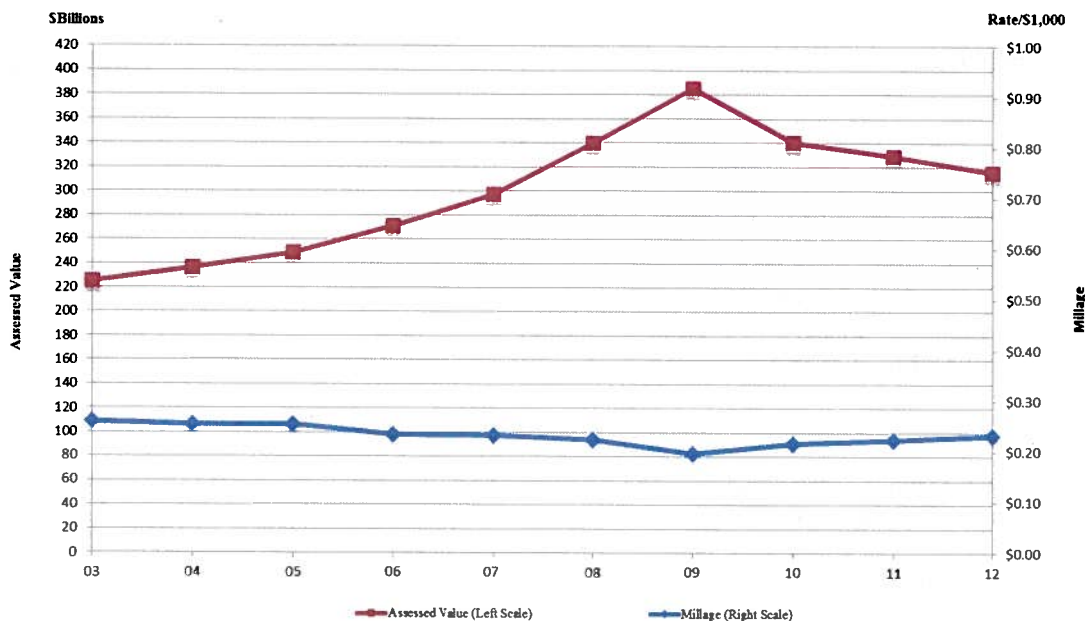
Since the 101% levy limitation applies to the total levy for G.O. debt service and for general Port purposes, an increase in the tax levy for G.O. bonds may result in a decrease in the amount which could be levied for general Port purposes, unless a higher aggregate tax levy was approved by the voters.

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

E. TAXPAYER EFFECT

FIGURE IX-3 shows the assessed valuation as compared to the millage rate from 2003 to 2012. The graph shows that the assessed value has increased from \$225 billion in 2003 to an estimated \$316 billion in 2011, while millage (the rate paid per \$1,000 Assessed Value) has decreased from \$0.2590 in 2003, to the 2012 rate of \$0.2313. Assessed value for 2011 is estimated to be \$315,588,352,233. (The 2011 assessed valuation is used for 2012 tax collection).

FIGURE IX-3: KING COUNTY ASSESSED VALUATION VS. PORT MILLAGE RATE 2003-2012



F. COUNTY PROPERTY TAX COMPARISON

For 2011, the Port accounted for 2.1% of the total property taxes collected by the County.

FIGURE IX-4: 2011 PERCENTAGE OF TAX LEVIES BY TAXING DISTRICT

