Port of Tacoma

2019 ANNUAL FINANCIAL REPORT

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PORT OF TACOMA LEADERSHIP

Letter from the Executive Director

What's Next?

The Port of Tacoma witnessed both the successes of its past and the potential of its future in 2019.

The highlight of a year of solid financial performance was the sale of the final parcel of the Port's Frederickson property. Purchased in 1968, the 500-acre Frederickson site has since become home to advanced aircraft and materials manufacturing, warehousing and other industry that supports thousands of jobs in Pierce County. With the last Frederickson acreage now in private ownership, we continue to seek out new opportunities for our properties on the Tacoma Tideflats to contribute to the region's economic growth.

Our top priority in 2019 was the groundwork of a long-term strategic plan, along with a Tacoma Tideflat Subarea Plan under development in partnership with five of our regional governments. Outreach across the community has been key to this process. That's included opportunities for the public to tour our facilities on land and by boat, as well as countless one-on-one meetings so far.

An important focus remains our ongoing conversations with the Puyallup Tribe of Indians. We are committed to a strong relationship with our neighbors on Commencement Bay, and there may be opportunities for the Port and the Tribe to work together toward common goals in economic development.

At the same time, we remain committed to reducing the environmental impact of our operations. That includes an exploration of salmon habitat improvements along Wapato Creek and the Puyallup River. We've seen how that work can pay dividends in the future, as 2019 recorded the largest return of adult chinook to Clear Creek in more than four decades, according to Puyallup Tribe Fisheries.

The potential to shape the future success of our region is especially exciting for me. Having grown up in Fife and worked for the Washington Public Ports Association for more than 30 years, it was a true honor to join the Port of Tacoma in June 2019.

The Port also brought new leadership and perspectives to its commission. We're grateful for the long public service of retiring Commissioners Clare Petrich and Don Johnson, and we welcomed freshmen Commissioners Deanna Keller and Kristin Ang in 2019.

Our team is eager to bring our ideas and those from the community into a new framework for the Port's work across Pierce County.

Eric Johnson, *Executive Director*
Port of Tacoma

PORT OF TACOMA LEADERSHIP

Commission

The five members of the Port of Tacoma Commission are elected by Pierce County voters and serve as our governing body. The commission sets policy, authorizes major expenditures, reviews all spending and appoints the executive director. The commission's regular public meetings are streamed live on the web and archived for later viewing. Find meeting dates, agendas and memos at www.portoftacoma.com/commission.

Don Johnson

Elected to the commission in 2007, Don Johnson is the former vice president and general manager of Simpson Tacoma Kraft, a leading Tacoma pulp and paper producer.

Johnson serves on the boards of the Puget Sound Regional Council's Transportation Policy Board and Goodwill's Finance Committee. He chairs the Goodwill Board and is the past chair of the MultiCare Health Care Foundation. He also serves as chair of the Port of Tacoma Audit Committee.

He is a previous chair of the Tacoma-Pierce County Chamber Board. He is also the former chair of the University of Washington Business School Advisory Board, the United Way of Pierce County Board and the United Way's annual campaign. He chaired the search committee for the CEO of the Tacoma-Pierce County Chamber and is a member of the Transportation Club of Tacoma and Tacoma Propeller Club.

Johnson holds a bachelor's degree in mechanical engineering from the University of Washington.

Richard Marzano

A Tacoma longshore worker for more than 36 years, Dick Marzano served as president of the International Longshore and Warehouse Union Local 23 for six years. He was first elected to the commission in 1995.

Marzano is the co-chair of the State Route 167 Completion Coalition and serves on the Washington Public Ports Association's Board of Trustees, Puget Sound Regional Council's Executive Board, Pierce County Sheriff's Office Executive Advisory Board and the Valley Cities Association Board. He has served on WPPA's six-member executive committee.

He is a former member of the Freight Mobility Strategic Investment Board, appointed by former Washington Govs. Gary Locke and Christine Gregoire. Marzano is also a member of the Tacoma Propeller Club and Transportation Club of Tacoma, and a former board member of the Foss Waterway Development Authority and St. Leo's Hospitality Kitchen.

John McCarthy

A former Pierce County District and Superior Court judge for more than 22 years, John McCarthy recently retired from the bench. He worked as a longshoreman for 10 years and served previously on the Port of Tacoma Commission from 1983 to 1992.

McCarthy has been a member of the Washington State Bar Association since 1975 and volunteers at Mount Rainier National Park. He is an honorary life member of the Washington Public Ports Association. He also serves on the Pierce County Regional Council and as the Port of Tacoma's Tribal Liaison. He was the first member of the Boys and Girls Club of South Puget Sound's to be selected to their Alumni Hall of Fame, and he continues to officiate high school football.

He earned a bachelor's degree in Science with a minor in Mathematics from Seattle University and a law degree from the University of San Francisco.

Don Meyer

Don Meyer is the former executive director of the Foss Waterway Development Authority and a former deputy executive director of the Port of Tacoma. He was elected to the commission in 2010.

Meyer currently serves on the Pierce County Regional Council, South King County Transportation Board, Tacoma Waterfront Association and Tacoma-Pierce County Economic Development Board. He is a member of the Alaska State Chamber of Commerce, the Fife/Milton/Edgewood Area Chamber of Commerce and the Transportation Club of Tacoma.

He served on former Gov. Christine Gregoire's Connecting Washington Task Force on transportation issues, is a member of Tacoma Rotary #8 and owns a small business in Pierce County.

Born and raised on a South Dakota farm, Meyer holds a bachelor's degree in business from Pacific Lutheran University and a master's degree in business administration from the University of South Dakota.

Clare Petrich | *2019 President*

A commissioner since 1995, Clare Petrich is a small business owner with strong ties to Tacoma's maritime heritage. She is co-founder of the Commencement Bay Maritime Fest, an advisor to Tacoma Community Boat Building and deeply involved in maritime heritage research.

Petrich serves on the Joint Municipal Action Committee, Pacific Northwest Waterways Association, the Youth Marine Foundation, the Flood Control Zone District Committee and the Washington Council on International Trade. She was recently elected to the boards of Sister Cities International and the Washington State Trust for Historic Preservation.

She is a past president of the Puget Sound Regional Council's Economic Development District Board and continues to serve on this board. She is also board secretary for the Trade Development Alliance of Greater Seattle. Petrich graduated from Manhattanville College in New York and received her master's degree from the University of Virginia.

Eric Johnson | *Executive Director*

Eric Johnson was named the Port's executive director in June 2019. He sets the organization's vision in creating a new strategic plan for the Port.

He also serves on the boards of the Tacoma-Pierce County Chamber of Commerce and the Economic Development Board for Tacoma-Pierce County (EDB), as well as the EDB Executive Committee.

Prior to joining the Port of Tacoma, Johnson served as the executive director of the Washington Public Ports Association since January 2009. In that role, he represented 75 port district interests to state and federal elected officials, including the Washington legislature and state agencies.

He is a native of Pierce County and holds a bachelor's degree in biology and political science from Pacific Lutheran University. He also has a master's in public administration with a concentration in environmental policy and natural resources management from the University of Washington.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

RSM

RSM US LLP

The Board of Commissioners
Port of Tacoma
Tacoma, Washington

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Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund and the Post-Employment Health Care Benefits Trust Fund of Port of Tacoma (the Port) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which, collectively, comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund and the Post-Employment Health Care Benefits Trust Fund of the Port of Tacoma as of December 31, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information: Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards: In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2020, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

RSM US LLP

Tacoma, Washington
March 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Years ended December 31, 2019 and 2018

Introduction

The Port of Tacoma's (the Port) Management Discussion and Analysis (MD&A) of financial activities and performance introduces the Port's 2019 and 2018 financial statements, which include the Enterprise Fund as well as the Post-Employment Health Care Benefits Trust Fund. Port management prepared this MD&A and readers should consider it in conjunction with the financial statements and the notes thereto.

The Enterprise Fund accounts for all activities and operations of the Port except for the activities included within the Post-Employment Health Care Benefits Trust Fund.

The notes are essential to a full understanding of the data contained in the financial statements. This report also presents certain required supplementary information regarding pension and other post-employment benefits.

Overview Of The Financial Statements

The financial section of this annual report consists of three parts: MD&A, the basic financial statements and the notes to the financial statements. The financial statements include: the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows of the Enterprise Fund. The report also includes the following two basic financial statements for the Post-Employment Health Care Benefits Trust Fund: statements of net position and statements of changes in net position.

The statements of net position and the statements of revenues, expenses and changes in net position illustrate whether the Port's financial position has improved as a result of the year's activities. The statements of net position present information on all of the Port's assets and deferred outflows, and liabilities and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Port is improving or deteriorating. The statements of revenues, expenses and changes in net position show how the Port's net position changed during the year. These changes are reported in the period in which the underlying event occurs, regardless of the timing of related cash flows.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Port uses two funds, an Enterprise Fund, which is a type of proprietary fund that reports business-type activities, and the Post-Employment Health Care Benefits Trust Fund.

FORMATION OF THE NORTHWEST SEAPORT ALLIANCE

The ports of Seattle and Tacoma (home ports) joined forces in August 2015 to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs to the region by creating The Northwest Seaport Alliance (NWSA). The NWSA is a special purpose governmental entity established as a Port Development Authority (PDA), similar to Public Development Authorities formed by cities and counties. The PDA is governed by the two ports as equal members (each a "Managing Member" and, collectively, "Managing Members") with each port acting through its elected commissioners. As approved, the charter for the NWSA (Charter) may be amended only by mutual agreement of the Managing Members. Each port will remain a separate legal entity, independently governed by its own elected commissioners.

MEMBERSHIP INTERESTS

The home ports made an initial contribution of certain cargo terminals and related marine cargo business activities to the NWSA through license agreements (Licensed Properties). Under these agreements, the NWSA was charged with managing the properties as an agent on behalf of the Managing Members.

The initial contribution of each home port to the NWSA was 50% (based on the value of the contributed facilities using cash flow forecasts for each parcel that went to the NWSA) with a revaluation review that was completed during 2019 by the Managing Members.

The basis of the revaluation review was to determine if material changes in cash flows from the Licensed Properties occurred since the initial valuation. A change in the valuation of the cash flow forecasts of these facilities could result in a change in Membership Interests. The Charter requires Managing Members approve any change in Membership Interest by vote, to include provision for addressing any change to distributions and allocations as a result of the change in Membership Interest. Changes in Membership Interest do not affect a Managing Member's voting rights under the Charter, as votes are not weighted by or otherwise determined by Membership Interest.

In April 2019, the Managing Members and the Port of Seattle commission authorized the completion of the one-time Membership Interest Affirmation of 50/50 for each home port in satisfaction of the NWSA Charter. In lieu of completing the required reevaluation of Membership Interest, the Port of Seattle agreed to pay up to $32 million additional contribution to the NWSA. This additional contribution was in recognition that certain forecasted revenue streams not secured by long-term contractual agreements in the initial valuation may not be achieved without the redevelopment of Terminal 5. This additional contribution by the Port of Seattle will be made to the NWSA in three installments. The first two installments of $11 million each will be made on or around March 31, 2020 and 2021. The final installment will be made in 2024 and may be adjusted if the actual redevelopment costs are less than the program authorization.

As part of the Membership Interest Affirmation, the Managing Members also authorized the distribution of these affirmation payments to the home ports equally after the NWSA receives the funds from the Port of Seattle. These transactions do not impact NWSA's net position but will increase cash and reduce investment in JV for the Port of Tacoma. These distributions will be recorded as they are incurred.

FINANCIAL FRAMEWORK

The NWSA intends to support the credit profiles of both home ports, and its financial framework will preserve both ports' commitment to financial strength and fiscal stewardship. The NWSA distributes cash to each home port based on cash flow from operations, calculated pursuant to Generally Accepted Accounting Principles. Cash distributions are to be made no less than quarterly based on each home port's membership interests.

The NWSA is responsible for capital investments, including renewal and replacement projects and new development. Such capital investments, or post-formation assets, will be treated as tenant improvements owned by the NWSA. The ports of Seattle and Tacoma work cooperatively with the NWSA to develop an annual capital investment plan for approval by each Managing Member. Funding will be provided by joint contributions from the home ports; cash flow from operations will be distributed to the home ports and not retained by the NWSA for funding capital investments. Each Managing Member must approve its capital contributions.

The NWSA Charter recognizes that each home port's respective share of revenues received by the NWSA with respect to the Licensed Properties has been, or may be, pledged in connection with the home port's bond obligations. Under the Charter, the Managing Members instruct the Chief Executive Officer (CEO) to manage the PDA in a prudent and reasonable manner in support of the home ports' respective bond covenants. The home ports shall keep the CEO and the NWSA management informed of their respective bond obligations, and each shall notify the other home port of any proposed change to such home port's governing bond resolutions as soon as practicable before adoption. The Charter does not modify or alter the obligations of each home port with respect to its own bond obligations. The NWSA does not assume any obligations to the home ports' bond holders.

With respect to bonds of each home port that were outstanding at the time of the formation of the NWSA, the Managing Members shall establish and maintain a requirement for the NWSA to calculate and establish a minimum level of net income from the NWSA equal to the amount required for the home ports to meet their bond rate covenants in effect at the time of formation of the NWSA (Bond Income Calculation). The Managing Members shall require the Bond Income Calculation to be reviewed annually as part of the NWSA budget process and the Managing Members may adjust the Bond Income Calculation so long as it does not cause any home port to fail to comply with its rate covenant in effect at the time of formation of the NWSA. The NWSA may not take any action that reasonably would reduce the NWSA income below the minimum level established by the Bond Income Calculation unless each Managing Member separately votes to approve that action. Such a vote by each Managing Member must occur even if the action is within the CEO's delegated authority. The Bond Income Calculation is subject to adjustment, including reductions from payment or refunding of bonds outstanding at the time of the formation of the NWSA.

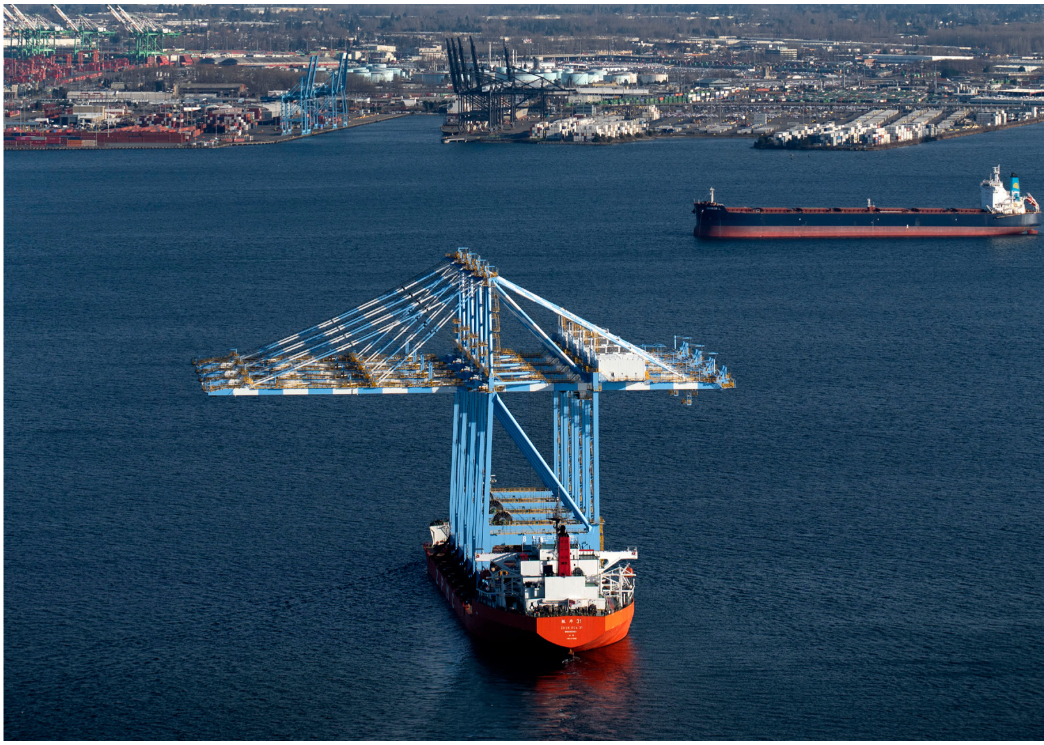
FUNDING

Working capital cannot be redirected to fund capital construction as defined in the Charter. Future funding needs are evaluated during the annual budget process or if the working capital reserve should decline below a target minimum established by the Managing Members. Managing Members must vote affirmatively to approve additional working capital contributions. The NWSA has generated enough cash from operations to cover its working capital requirements through 2019 and the 2020 NWSA budget did not anticipate additional funding needs.

Funding of NWSA capital construction projects from formation of the NWSA through December 31, 2019, totaled $297.2 million. The majority of this capital was used for container terminal improvements at Terminals 5 and 46 in the North Harbor and Terminal 4 in the South Harbor.

Further information on the formation and operations of the NWSA can be found in Note 1, Summary of Significant Accounting Policies, and Note 17, Joint Venture.

On board the Zhen Hua 31, four additional super-post-Panamax cranes arrived at the Port of Tacoma's Husky Terminal on March 5, 2019. Our investment in super-post-Panamax cranes earned the Economic Development Board for Tacoma-Pierce County's 2019 Excellent 10 Award.



Financial position summary – Enterprise Fund: The statements of net position present the financial position of the Enterprise Fund of the Port. The statements include all of the Port's assets and liabilities of the Enterprise Fund. Net position serves as an indicator of the Port's financial position. The Port's current assets consist primarily of cash, investments and accounts receivable. A summarized comparison of the Port's Enterprise Fund assets, liabilities and net position at the close of calendar year-end follows (dollars in thousands):

	2019	2018	2017
Current Assets	$ 241,813	$ 232,735	$ 196,208
Capital and intangible assets, net	936,166	952,435	955,557
Long-term investments	19,784	30,638	60,230
Investment in Joint Venture	177,197	142,508	104,273
Other assets	15,702	14,862	12,386
Total assets	**$ 1,390,662**	**$ 1,373,178**	**$ 1,328,654**
Deferred outflows of resources	$ 74,154	$ 60,910	$ 71,811
Current liabilities	$ 69,653	$ 68,537	$ 58,572
Long-term debt, net	609,000	626,610	643,866
Other long-term liabilities	156,763	127,326	130,417
Total liabilities	**$ 835,416**	**$ 822,473**	**$ 832,855**
Deferred inflows of resources	$ 6,086	$ 5,968	$ 3,225
Net investment in capital assets	$ 295,174	$ 310,430	$ 327,335
Restricted – bond reserves	17,536	13,251	13,496
Unrestricted	310,064	281,966	223,554
Total net position	**$ 623,314**	**$ 605,647**	**$ 564,385**

* Beginning net position for 2018 was adjusted for the adoption of GASB 75 (see Note 1).

The Port's total net position increased by $17.7 million and 2.9% over the prior year to $623.3 million at December 31, 2019. Of this amount, $295.7 million is the net investment in capital assets, $17.5 million is restricted for bond reserves and $310.1 million is unrestricted and can be used to finance operating activities.

The Port's net investment in capital assets represents infrastructure and capital assets for Port terminal and real estate facilities. In 2019, the net investment in capital assets decreased by $14.7 million due primarily to a decrease in remaining unspent bond proceeds from the 2016 Revenue Bonds of $15.1 million, and a $16.3 million decrease in net capital assets, offset by a net decrease in outstanding debt of $16.7 million.

At December 31, 2018, the Port's total net position increased by $41.2 million and 7.3% over the prior year to $605.6 million. Of this amount, $310.4 million is the net investment in capital assets, $13.2 million is restricted for bond reserves and $282.0 million is unrestricted and can be used to finance operating activities.

In 2018, the net investment in capital assets decreased by $16.9 million due primarily to a decrease in remaining unspent bond proceeds from the 2016 Revenue Bonds of $29.3 million, a net decrease in outstanding debt of $15.6 million and a $3.1 million decrease in net capital assets.

At December 31, 2017, the Port's total net position increased by $27.1 million and 5.0% over the prior year to $564.4 million. Of this amount, $327.3 million was the net investment in capital assets, $13.5 million was restricted for bond reserves and $223.6 million was unrestricted and could be used to finance operating activities.

Restricted components of net assets at December 31, 2019, 2018 and 2017, of $17.5 million, $13.3 million and $13.5 million, respectively, are required reserves for the 2016 and 2014 revenue bonds held in restricted investments.

The change in net position is an indicator of whether the overall fiscal condition of the Enterprise Fund has improved or worsened during the year. The following summary compares operating results for 2019, 2018 and 2017.

Statements of Revenues, Expenses and Changes in Net Position (dollars in thousands)

	2019	2018	2017
Operating income:			
Operating revenues	$ 27,372	$ 23,607	$ 21,687
Joint Venture income	47,979	55,992	54,925
Total	**75,351**	**79,599**	**76,612**
Operating expenses	41,954	44,598	44,899
Total operating income	**$ 33,397**	**$ 35,001**	**$ 31,713**
Non-operating revenues (expenses):			
Ad valorem tax revenues	$ 20,921	$ 18,588	$ 16,631
Interest on general obligation bonds	(4,804)	(4,933)	(5,482)
Net ad valorem tax revenues	**$ 16,117**	**$ 13,655**	**$ 11,149**
Interest income	$ 5,733	$ 4,789	$ 3,618
Net increase (decrease) in the fair value of investments	2,137	(1,125)	156
Interest expense	(20,085)	(19,926)	(19,717)
Other non-operating income (expenses), net	1,645	3,823	(931)
Total non-operating revenues (expenses), net	**$ 5,547**	**$ 1,216**	**$ (5,725)**
Increase in net position before capital contributions and special item	**$ 38,944**	**$ 36,217**	**$ 25,988**
Capital grant contributions	$ 700	$ 3,624	$ 1,093
Increase in net position before special item	**$ 39,644**	**$ 39,841**	**$ 27,081**
Special item	$ 21,977	$ –	$ –
Increase in net position	**$ 17,667**	**$ 39,841**	**$ 27,081**
Net position, beginning of year, as previously reported	$ 605,647	$ 564,385	$ 537,304
Adjustment related to adoption of GASB 75	–	1,421	–
Net position, beginning of year, as restated	605,647	565,806	537,304
Net position, end of year	**$ 623,314**	**$ 605,647**	**$ 564,385**

* Beginning net position for 2018 was adjusted for the adoption of GASB 75 (see Note 1).

2019 REVENUES, EXPENSES AND CHANGES IN NET POSITION VERSUS THE PRIOR YEAR

The Port's revenue for 2019 of $75.4 million was $4.2 million and 5.3% less than the prior year.

Port operating revenue was up $3.8 million, as the new the auto processing center built on the former Kaiser Aluminum site generated $2.1 million of new revenue in its first full year of operations and several new leases and annual escalations resulted in $1.8 million of additional revenues from real estate rentals. The Port also received $0.2 million more than the prior year for infrastructure repairs and terminal security; however, auto storage revenue was down $0.4 million.

The NWSA Joint Venture income of $48.0 million was $8.0 million and 14.3% less than the prior year, as NWSA net income dropped by $16.0 million versus the prior year. Much of this decrease is attributable to higher planned current-year operating expenses for depreciation of $5.0 million and $2.4 million to remove old cranes associated with capital improvement projects, various paving repairs and higher costs to operate four additional cranes. Additionally, there was a prior-year contribution of $3.1 million in stormwater improvements that increased 2018 NWSA net income.

Operating expense in 2019 of $42.0 million was $2.6 million and 5.8% less than the prior year, driven by asset disposals of $4.0 million in the prior year related to the T4 reconfiguration project, and higher current-year costs for equipment and facility repairs of $1.1 million, which included repairs for damaged fiber lines along Port of Tacoma road, increased administrative costs for consulting services and IT hardware/ software maintenance and data services.

As a result of the above, operating income of $33.4 million was $1.6 million less than the prior year.

Non-operating income and expense: The 2019 net non-operating income was $5.5 million compared to $1.2 million in the prior year.

Ad valorem tax revenue increased by $2.3 million compared to the prior year due to new construction and property valuation increases in Pierce County. The tax revenue increase, paired with lower interest rates on General Obligation debt due to a bond refunding in the prior year, increased net ad valorem tax revenue by $2.5 million.

Interest income and fair market value adjustments were up $4.2 million as the non-cash market value increase on investments was $3.3 million more than the prior year and interest income was up $1.0 million due to rising rates.

Interest expense was $0.2 million more than the prior year due to variable interest rates.

Other non-operating income was $2.2 million less than the prior year, primarily due to the prior year receipt of a claim settlement with Thurston County for the Maytown property of $8.6 million that was offset by the $2.1 million Upper Clear Creek settlement and current-year gains on the sale of property of $3.5 million and the current-year expense of $0.5 million for the Tide Flats Subarea plan.

Capital grant contributions were $2.9 million less than the prior year due to the Kaiser Remediation grant of $2.3 million and Security grants of $0.6 million in 2018.

Special item: In December 2019, the Port Commission approved a resolution committing the Port to providing a contribution of up to $22.0 million in the form of cash and land to the State Route 167 (SR-167) Completion Project which is part of the Puget Sound Gateway Program. The SR 167 Completion Project will build the remaining four miles of SR 167 between Meridian Avenue in Puyallup and I-5, completing a long-planned connection to I-5 in Fife. Completion of SR-167 provides a direct link from Kent and Puyallup River valleys and helps to ensure that people and goods move more reliably through the Puget Sound region. The Port has concluded this transaction qualifies for treatment as a special item in the accompanying statements of net position. (See Note 18)

As a result of the above, the increase in net position was $17.7 million and $22.2 million less than the prior year.

2018 REVENUES, EXPENSES AND CHANGES IN NET POSITION VERSUS THE PRIOR YEAR

The Port's revenue for 2018 of $79.6 million was $3.0 million and 3.9% above the prior year. Port operating revenue was up $1.9 million due to new leases and rent escalations on existing leases. December was the first month of activity from a 30-year lease with Wallenius Wilhelmsen Logistics (WWL) who is operating a state-of the-art automotive processing center on the former Kaiser Aluminum site.

The NWSA Joint Venture income of $56.0 million was $1.1 million and 1.9% more than the prior year, as increased grant and non-operating income of $7.8 million offset the $5.6 million decrease in operating income. The NWSA's operating income was down due to a decrease in revenue of $2.4 million driven by an early lease termination payment of $5.7 million in the prior year from APM Terminals offset by higher container volume at T18, which increased revenue by $2.6

million. The NWSA operating expenses increased by $3.2 million, as depreciation expense increased by $3.9 million due to capital improvements at Pier 4 in the south harbor, offset by lower operating costs.

Port operating expense in 2018 of $44.6 million was $0.3 million less than the prior year. Operations costs were up $3.5 million, primarily for the write-off of net book values of assets disposed in connection with the Pier 4 reconfiguration project in the current year. Administration costs were up $0.5 million due to increases in wages and benefits for annual increases, the filling of vacant positions and for temps and consultants. Offsetting the increases, environmental costs were down $2.5 million due to lower project spending and prior year's increase in environmental remediation liability of $2.1 million and depreciation expense was below the prior year by $1.6 million and 6.0% due to assets becoming fully depreciated and replacement assets capitalized by the NWSA.

As a result of the above, operating income of $35.0 million was $3.3 million more than the prior year.

Non-operating income and expense: The 2018 net non-operating income was $1.2 million compared to non-operating expense of $5.7 million in the prior year.

Ad valorem tax revenue increased by $2.0 million compared to the prior year due to new construction and property valuation increases in Pierce County. The tax revenue increase, paired with lower interest rates on General Obligation debt due to a bond refunding in the prior year, increased net ad valorem tax revenue by $2.5 million.

Interest income, net of fair market value adjustments was $0.1 million lower than the prior year, as the non-cash market value decrease on investments was $1.3 million more than the prior year, offset by interest income up $1.2 million due to rising rates. Interest expense was $0.2 million more than the prior year due to variable interest rates.

Capital grant contributions were $2.5 million more than the prior year due to the Kaiser Remediation grant of $2.3 million.

Net other non-operating income was $4.8 million more than the prior year, primarily due to the claim settlement with Thurston County for Maytown property of $8.6 million, offset by the unfavorable Upper Clear Creek mediated settlement of $2.1 million and non-operating project costs.

As a result of the above, the increase in net position was $39.8 million, and $12.7 million more than the prior year (additionally, 2018 beginning net position increased $1.4 million due to adoption of GASB 75).

Capital assets: The Port's investment in capital assets, net of depreciation, for its business activities as of December 31, 2019, amounted to $936.2 million. This investment in capital assets includes land, buildings, improvements, machinery and equipment, intangible assets and construction in process. The Port's investment in capital assets, net of depreciation, for its business activities as of December 31, 2018, amounted to $952.4 million. See Note 3, Capital and Intangible Assets, for additional information. Capital additions by category in 2019 are presented in the table below (dollars in thousands):

Description		
Auto terminal development	$	10,422
Facility and building improvements		1,833
Information technology infrastructure		1,146
Machinery and equipment		714
Rail improvements		65
Property acquisition		10
	$	**14,190**

DEBT ADMINISTRATION

Long-term debt: At December 31, 2019, the Port's long-term debt, including current portion, outstanding totaled $623.8 million. Of this amount, general obligation bonds outstanding were $165.4 million and revenue bonds outstanding were $458.4 million. At December 31, 2018, the Port's long-term debt, including current portion, outstanding totaled $641.2 million. Of this amount, general obligation bonds outstanding were $171.0 million and revenue bonds outstanding were $470.2 million.

The Port utilizes interest rate payment agreements (derivatives) to manage interest rate risk. The swap agreements synthetically fix or "lock-in" interest rates on variable-rate revenue bond debt by providing cash flows that are intended to offset the variable-rate bond payments, leaving the Port with the fixed payment identified in each swap agreement. The Port does not hold or issue derivative financial instruments for trading purposes. These instruments are designated as cash-flow hedges on the trade date and are recognized on the statements of net position at fair value.

To reduce interest rate mismatch between the interest rate swaps and the interest paid on the bonds, in September 2019, the Port refunded the 2014A subordinate lien direct borrowings with the bank of $82.1 million by issuing $40.5

million of variable-rate demand obligations on Weekly Interest Rate mode and $41.6 million of fixed-rate bonds for the unhedged portion of the variable debt. The Port also changed the mode on the 2009 and 2008 subordinate lien bonds from Index Interest Rate mode to publicly traded Weekly Interest Rate mode. The refunding bonds are described in more detail in Note 5 of this report.

The Port requests bond ratings prior to issuing debt. Moody's and Standard & Poor's rated the Port's debt as follows:

Description	Moody's	Standard & Poor's
General Obligation (Senior Lien)	Aa2	AA
Revenue Bonds (Senior Lien)	Aa3	AA-
Revenue Bonds (Subordinate)	A1	A+

Post-Employment Health Care Benefits Trust Fund: The Post-Employment Health Care Benefits Trust Fund (the Trust) accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. A summarized comparison of the assets, liabilities and net position of the Trust as of December 31, 2019, 2018 and 2017, and changes in net position for the years ended December 31, 2019, 2018 and 2017, are as follows (dollars in thousands):

	2019	2018	2017
Total assets	$ 4,930	$ 4,986	$ 5,120
Total liabilities	–	–	–
Total net position	**$ 4,930**	**$ 4,986**	**$ 5,120**
Total additions	$ 172	$ 85	$ 44
Total deductions	(228)	(219)	(431)
Decrease in net position	**$ (56)**	**$ (134)**	**$ (387)**
Net position – beginning of year	$ 4,986	$ 5,120	$ 5,507
Net position – end of year	**$ 4,930**	**$ 4,986**	**$ 5,120**

Subsequent event: On March 11, 2020, the World Health Organization characterized COVID-19 as a global pandemic. A significant portion of the cargo that moves through our gateway is to and from Asia, specifically China. As the recent outbreak of COVID-19 continues to spread throughout the supply chain, we believe it has the potential to have a negative impact on our operating results and financial condition. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on supply chains and supply chain employees, which, at this time, are uncertain and cannot be predicted. Given these uncertainties, we cannot reasonably estimate the related impact to our business, operating results and financial condition.

Request for Information

The Port of Tacoma designed this financial report to provide our citizens, customers, investors and creditors with an overview of the Port's finances. If you have questions or need additional information, please visit our website at www.portoftacoma.com or contact:

Chief Financial Officer
P.O. Box 1837
1 Sitcum Way
Tacoma, Washington
98401-1837

Telephone 253.383.5841
Fax 253.597.7573

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Enterprise Fund — Statements of Net Position, December 31, 2019 and 2018 (dollars in thousands)

Assets	2019	2018
Current assets:		
Cash	$ 1,207	$ 2,091
Investments	216,020	215,802
Trade accounts receivable, net of allowance for doubtful accounts	964	817
Grants receivable	–	387
Taxes receivable	498	432
Related-party receivables – Joint Venture	16,308	5,043
Prepayments and other current assets	6,816	8,163
Total current assets	**$ 241,813**	**$ 232,735**
Non-current assets:		
Long-term investments:		
Restricted investments at fair value	$ 2,248	$ 17,387
Restricted bond reserves at fair value	17,536	13,251
Long-term investments	**$ 19,784**	**$ 30,638**
Capital and intangible assets:		
Land	$ 567,120	$ 568,289
Buildings	102,792	100,658
Improvements	683,388	649,705
Machinery and equipment	87,409	87,960
Intangible assets	32,264	32,264
Construction in progress	7,313	35,338
Total cost	**$ 1,480,286**	**$ 1,474,214**
Less accumulated depreciation	$ 544,120	$ 521,779
Capital and intangible assets, net	**$ 936,166**	**$ 952,435**
Investment in joint venture	$ 177,197	$ 142,508
Assets held for sale	7,840	7,840
Net OPEB asset	2,079	1,932
Other assets	5,783	5,090
Total non-current assets	**$ 1,148,849**	**$ 1,140,443**
Total assets	**$ 1,390,662**	**$ 1,373,178**
Deferred outflows of resources:		
Accumulated decrease in fair value of hedging derivatives	$ 65,717	$ 51,744
OPEB deferred outflow	305	441
Pension deferred outflow	1,997	1,955
Advance refunding deferred losses	6,135	6,770
Total deferred outflows of resources	**$ 74,154**	**$ 60,910**

Enterprise Fund

Statements of Net Position, December 31, 2019 and 2018 (dollars in thousands)

Liabilities and Net Position	2019	2018
Current liabilities:		
Accounts payable and accrued liabilities	$ 14,602	$ 18,455
Payroll and taxes payable	5,432	5,183
Accrued interest	2,039	1,887
Related-party payables – Joint Venture	7,754	3,460
Commercial paper	25,000	25,000
Current portion of long-term debt	14,835	14,552
Total current liabilities	**$ 69,653**	**$ 68,537**
Non-current liabilities:		
Long-term debt:		
General obligation bonds	$ 161,182	$ 166,840
Revenue bonds	447,818	459,770
Net long-term debt	**$ 609,000**	**$ 626,610**
Other long-term liabilities:		
Interest rate payment agreement	$ 65,717	$ 51,744
Net pension liability	8,176	10,652
Environmental liability	28,312	28,803
Other liabilities (Note 18)	54,558	36,127
Other long-term liabilities	**$ 156,763**	**$ 127,326**
Total non-current liabilities	**$ 765,763**	**$ 753,936**
Total liabilities	**$ 835,416**	**$ 822,473**
Deferred inflows of resources:		
OPEB deferred inflow	$ 496	$ 655
Pension deferred inflow	5,590	5,313
Total deferred inflows of resources	**$ 6,086**	**$ 5,968**
Net position:		
Net investment in capital assets	$ 295,714	$ 310,430
Restricted – bond reserves	17,536	13,251
Unrestricted	310,064	281,966
Total net position	**$ 623,314**	**$ 605,647**

* Beginning net position for 2018 was adjusted for the adoption of GASB 75 (see Note 1).

See notes to financial statements.

Enterprise Fund

Statements of Revenues, Expenses and Changes in Net Position, Years Ended December 31, 2019 and 2018 (dollars in thousands)

	2019		2018	
Operating revenues:				
Property rentals	$	27,372	$	23,607
Joint Venture income		47,979		55,992
Total operating revenues	**$**	**75,351**	**$**	**79,599**
Operating expenses:				
Operations	$	3,892	$	8,017
Maintenance		4,677		3,607
Administration		4,021		3,347
Security		265		377
Environmental		2,244		2,328
Total operating expenses, before depreciation	**$**	**15,099**	**$**	**17,676**
Depreciation	$	26,855	$	26,922
Total operating expenses	**$**	**41,954**	**$**	**44,598**
Operating income	**$**	**33,397**	**$**	**35,001**
Non-operating revenues (expenses):				
Ad valorem tax revenue	$	20,921	$	18,588
Interest on general obligation bonds		(4,804)		(4,933)
Net ad valorem tax revenues	**$**	**16,117**	**$**	**13,655**
Interest income	$	5,733	$	4,789
Net increase (decrease) in the fair value of investments		2,137		(1,125)
Interest expense		(20,085)		(19,926)
Other non-operating income, net		1,645		3,823
Total non-operating income, net	**$**	**5,547**	**$**	**1,216**
Increase in net position, before capital grant contributions and special item	**$**	**38,944**	**$**	**36,217**
Capital grant contributions	$	700	$	3,624
Increase in net position before special item	**$**	**39,644**	**$**	**39,841**
Special item	$	21,977	$	–
Increase in net position	**$**	**17,667**	**$**	**39,841**
Net position:				
Net position, beginning of year, as previously reported	$	605,647	$	564,385
Adjustment related to adoption of GASB 75		–		1,421
Net position, beginning of year as restated		605,647		565,806
End of year	**$**	**623,314**	**$**	**605,647**

* Beginning net position for 2018 was adjusted for the adoption of GASB 75 (see Note 1).

See notes to financial statements.

Enterprise Fund

Statements of Cash Flows, Years Ended December 31, 2019 and 2018 (dollars in thousands)

	2019	2018
Cash flows from operating activities:		
Cash received from customers	$ 26,529	$ 22,669
Cash received for settlements	–	27,500
Cash paid to suppliers for goods and services	(15,905)	(21,081)
Cash paid to employees	(6,941)	(6,595)
Cash (paid to) received from related party – Joint Venture	(6,544)	12,670
Cash (paid) received for other operating (expense) income	(1,540)	5,230
Net cash (used by) provided by operating activities	**$ (4,401)**	**$ 40,393**
Cash flows from non-capital financing activities:		
Cash received from operating grants	$ 485	$ 607
Net cash provided by non-capital financing activities	**$ 485**	**$ 607**
Cash flows from capital and related financing activities:		
Proceeds from sale of property, plant and equipment	$ 6,995	$ 46
Borrowings on commercial paper	125,000	150,000
Repayments on commercial paper	(125,000)	(150,000)
Principal paid on general obligation and revenue bonds and other debt	(14,552)	(13,603)
Proceeds from refunding bond issues including bond premium	82,120	–
Payments to escrow for refunded bonds	(82,120)	–
Acquisition and construction of capital assets	(14,167)	(25,663)
Interest paid on general obligation and revenue bonds and other debt	(26,722)	(27,237)
Cash received from federal and state grants	602	2,744
Cash received from property taxes for general obligation bonds	20,856	18,604
Net cash used in capital and related financing activities	**$ (26,988)**	**$ (45,109)**
Cash flows from investing activities:		
Purchases of investments	$ (169,008)	$ (203,420)
Proceeds from sales and maturities of investment securities	181,450	183,513
Cash used to fund investment in NWSA	(40,737)	(43,077)
Cash distributions received from Joint Venture	52,250	60,700
Interest received on investments	6,065	4,980
Net cash provided by investing activities	**$ 30,020**	**$ 2,696**
Net decrease in cash	**$ (884)**	**$ (1,413)**
Cash:		
Beginning of year	$ 2,091	$ 3,504
End of year	$ 1,207	$ 2,091

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	2019	2018
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	$ 33,397	$ 35,001
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	26,855	26,922
Cash (paid) received for non-operating (expense) income	(1,540)	5,230
Cash distributions received from related party – Joint Venture	(52,250)	(60,700)
Gain on disposal of facilities	–	4,391
Changes in assets and liabilities:		
(Increase) decrease in related-party receivable – Joint Venture	(5,193)	10,274
(Increase) decrease in accounts receivable	(148)	1,746
Increase in other assets, long-term	(694)	(543)
Increase in prepayments and other assets	(56)	(634)
Decrease in investment in Joint Venture	4,271	4,708
Increase (decrease) in accounts payable and accrued liabilities	(6,751)	6,273
(Decrease) increase in environmental reserves	(491)	8,564
Decrease in payroll and taxes payable	(2,174)	(5,248)
Increase in long-term liabilities	309	2,079
Decrease in net pension liability and OPEB assets and related deferred inflows/outflows	64	2,330
Total adjustments and changes	**$ (37,798)**	**$ 5,392**
Net cash (used in) provided by operating activities	**$ (4,401)**	**$ 40,393**
Noncash investing and financing activities:		
Capital asset additions and other purchases financed with accounts payable	$ 2,539	$ 2,528
Capital construction payable to related party – Joint Venture	$ (7,028)	$ (3,460)
Distributions receivable from related party – Joint Venture	$ 9,135	$ 3,790
Increase (decrease) in fair value of investments	$ 2,137	$ (1,125)

See notes to financial statements.

Post-Employment Health Care Benefits Trust Fund

Statements of Net Position, December 31, 2019 and 2018 (dollars in thousands)

	2019	2018
Assets:		
Cash	$ 134	$ 216
Fixed-income securities, at fair value	4,796	4,770
Total assets	**$ 4,930**	**$ 4,986**
Plan Liabilities	$ –	$ –
Net position held in trust for other post-retirement benefits and other purposes	**$ 4,930**	**$ 4,986**

See notes to financial statements.

Statements of Changes in Net Position, December 31, 2019 and 2018 (dollars in thousands)

	2019	2018
Additions:		
Employer contributions	$ –	$ –
Net decrease in fair value of investments	83	(1)
Interest	89	86
Total additions	**$ 172**	**$ 85**
Deductions:		
Benefit payments	$ 216	$ 207
Administrative expenses	12	12
Total deductions	**$ 228**	**$ 219**
Change in net position	**$ (56)**	**$ (134)**
Net position held in trust for other post retirement benefits and other purposes:		
Beginning of year	$ 4,986	$ 5,120
End of year	**$ 4,930**	**$ 4,986**

See notes to financial statements.

Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity: The Port of Tacoma (the Port) is a municipal corporation of the State of Washington created in 1918 under provisions of the Revised Code of Washington (RCW) 53.04.010 et seq. The Port has geographic boundaries coextensive within 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.

In August 2015, the ports of Seattle and Tacoma formed the NWSA, a special purpose governmental entity established as a Port Development Authority (PDA) under provisions of the RCW 53.04.010 et seq. similar to Public Development Authorities formed by cities and counties. Each Port Commission is a Managing Member of the NWSA. The NWSA's financial activity began effective January 1, 2016.

The Port of Seattle and Port of Tacoma (home ports) made an initial contribution of certain cargo terminals and related marine cargo business activities to the NWSA through license agreements (Licensed Properties).

The State Legislature granted qualifying ports the authority to create a PDA for the management of maritime activities and to allow ports to act cooperatively and use financial resources strategically, while remaining separate entities and complying with federal regulations. Pursuant to the PDA statute, if a PDA is created jointly by more than one port district, the PDA must be managed by each port district as a member, in accordance with the terms of the statute and the Charter. Any port district that creates a PDA must oversee the affairs, operations and funds of the PDA to correct any deficiency, and ensure that the purposes of each program undertaken are reasonably accomplished. The statute permits a PDA, in managing maritime activities of a port district or districts, to own and sell real and personal property; to enter into contracts; to sue and be sued; to loan and borrow funds; to issue bonds, notes and other evidences of indebtedness; to transfer funds, real or personal property, property interests or services; and to perform community services related to maritime activities managed by the PDA. As discussed below, the statute allows, but the Charter prohibits, the NWSA to issue bonds, borrow funds or enter into other debt instruments. By statute, PDAs do not have the power of eminent domain or the power to levy taxes or special assessments. In transferring real property to a PDA, the port district or districts creating the PDA must impose appropriate deed restrictions necessary to ensure the continued use of the property for the public purpose for which the property is transferred.

The NWSA is governed by its Managing Members, with each Managing Member acting pursuant to the Charter through its elected commissioners. The Managing Members appoint a Chief Executive Officer (CEO) who is responsible for hiring staff and entering into service agreements with the Managing Members as needed. Staff is comprised of certain Port of Tacoma and former Port of Seattle employees assigned either in full or in part to work in roles in the NWSA. In addition, both Managing Members may provide services through shared service agreements with a portion of staff time allocated to, and paid by, the NWSA.

Effective January 1, 2016, the accounting for revenues and expenses associated with Licensed Properties became the responsibility of the NWSA and the ownership of the Managing Members is accounted for as a joint venture by the home ports. Additional information about the formation of the NWSA is presented in the MD&A and Note 17, Joint Venture.

The Port reports all of its activities and operations except for the activities included with the Post-Employment Health Care Benefits Trust Fund in the Enterprise Fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises with the intent that the cost of providing goods and services to customers is financed or recovered primarily through user charges. The Port tracks activity of the Post-Employment Heath Care Benefits Trust in a Fiduciary Fund. Fiduciary Funds are used to accumulate resources to fund pension and other post-employment benefit (OPEB) plans.

Nature of business: The Enterprise Fund is used to account for the general operations of the Port, as more fully described below:

The Port is authorized by Washington law to provide and charge rentals, tariffs and other fees for docks, wharves and similar harbor facilities, including associated storage and traffic handling facilities, for waterborne commerce.

The Port may also provide freight and passenger terminals, and transfer, as well as 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.

Measurement focus, basis of accounting and presentation: The financial statements of the Port have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units, and the Port is accounted for as a business-type activity. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port accounts for its activities in its Enterprise Fund and Fiduciary Fund on a flow of economic resources measurement focus and the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. 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.

Under the NWSA Interlocal Agreement and the Charter, the Port has agreed to work cooperatively with the Port of Seattle and, accordingly, has agreed not to act unilaterally with respect to certain matters. Decisions that could have a material effect on the Port, including new business agreements and leases or amendments to existing agreements and leases and future capital contributions to the NWSA, must be approved by each Managing Member and, accordingly, the Port will need to reach agreement with the Port of Seattle on these matters prior to executing any changes.

The Charter requires that the NWSA maintain the Bond Income Calculation and not take any action that would reasonably reduce its income below this minimum net operating income level unless each Managing Member votes separately to approve that action. This minimum net operating level is established based on the amount required at formation of the NWSA for the home ports to meet their then-current bond rate covenants and may not always reflect the amount required to meet bond rate covenants on a go-forward basis.

If net income before depreciation of the NWSA is not sufficient for either port to be in compliance with a rate covenant (as described in each home port's governing bond resolutions in effect as of the effective date), then (i) upon that home port's request, the NWSA shall hire an independent third-party consultant to perform an analysis and make recommendations for actions needed to achieve bond covenant compliance; (ii) if the consultant recommends an action that the NWSA is unwilling, unable or refuses to undertake, either Managing Member can require dissolution of the NWSA following the dispute resolution process even if within the "Initial Period" (as defined in the Charter, "the expiration of 20 years following the NWSA's formation"); and (iii) the NWSA shall have at least four months to respond, act and or dissolve following its receipt of the consultant's recommended action, unless a shorter time is required by the applicable bond covenants.

The NWSA selected as its CEO, the CEO of the Port of Tacoma, who served in those dual roles until the Port of Tacoma hired an Executive Director in June 2019.

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

Trade accounts receivable: Trade accounts receivable are carried at original invoice amount less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying delinquent accounts and by using historical experience applied to an aging of accounts. Trade accounts receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts at December 31, 2019 and 2018, was $23,000 and $10,000, respectively.

Investments: Investments, unrestricted and restricted, are stated at fair value, which is the price that would be received in an orderly transaction between market participants at the measurement date. The Port also has investments in the Washington 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 Deposit. The investments are limited to high-quality obligations with limited maximum and average maturities. The pool is 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. See Note 2 for further information.

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. Additional information about the NWSA is presented in the MD&A and Note 17, Joint Venture.

Bond reserves – restricted: Required bond reserves and unspent bond proceeds, if any, 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 are included in this category.

Prepayments and other current assets: Consists of prepaid expenses for various items as well as maintenance supplies. Maintenance supply inventories of $3,663,000 and $4,998,000 at December 31, 2019 and 2018, respectively, 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 acquisition 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. The following lives are used:

	Years
Buildings and improvements	10-75
Machinery and equipment	3-20

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

Intangible assets: Intangible assets consist of assets that lack physical substance, are nonfinancial in nature and whose initial useful life extends beyond one reporting period. Intangible assets primarily consist of a land exchange and right-of-way rights and are classified with capital assets in the accompanying financial statements. Management has determined that there are no factors that would limit the useful life of these assets; therefore, they are considered indefinite lived assets and are not being amortized. Intangible assets totaled $32,264,429 at December 31, 2019 and 2018.

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

During 2019, total interest incurred, excluding interest on general obligation bonds, was $20,085,000, net of capitalized interest of $12,000. During 2018, total interest incurred, excluding interest on general obligation bonds, was $19,926,000, net of capitalized interest of $227,000.

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 its use either through the enabling legislation adopted by the Port or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Net investment in capital assets consists of the following at December 31 (dollars in thousands):

	2019	2018
Capital and intangible assets, net	$ 936,166	$ 952,435
Revenue bonds proceeds restricted for construction	2,248	17,387
Less:		
Net bond premium	51,571	47,346
Net advance refunding deferred losses	(6,135)	(6,770)
Long-term debt, including current position	572,264	593,816
Commercial paper	25,000	25,000
Net investment in capital assets end of year	**$ 295,714**	**$ 310,430**

The restricted component of net position was $17,536,000 and $13,251,000 at December 31, 2019 and 2018, respectively, and consisted primarily of bond reserves, as required per certain bond agreements.

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. Retentions payable totaled $89,000 and $659,000 at December 31, 2019 and 2018, respectively. Retentions payable are included in accounts payable and accrued liabilities on the accompanying statements of net position.

Federal and state grants: The Port may receive federal and state grants as reimbursement for construction of facilities, environmental programs and terminal security infrastructure and maintenance. These grants are recognized on a reimbursement basis and 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 (see Notes 4 and 5).

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. The payment instruments were designated as highly effective cash flow hedges at December 31, 2019 and 2018 (see Note 5).

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 and the related Trust, 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 loss that is amortized over the life of the new debt or old debt, whichever is shorter (see Note 5).

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. Accrued vacation and sick leave included in payroll and taxes payable amounted to $1,099,000 and $604,000, respectively, at December 31, 2019, and $1,022,000 and $700,000, respectively, at December 31, 2018.

Vacation and sick leave paid in 2019 was $1,205,000 and $867,000, respectively, and $1,154,000 and $757,000, respectively, in 2018. The estimated total amount of vacation and sick leave expected to be paid in 2020 is $1,242,000 and $893,000, respectively.

The Port provides health care benefits for eligible employees through the HRA VEBA Trust, which is a non-profit, multiple employer voluntary employees' beneficiary association (VEBA) authorized under Internal Revenue Code 501(c)(9). The HRA VEBA Trust offers a funded health reimbursement arrangement (HRA) plan available to certain governmental employers in the Northwest (Washington, Oregon and Idaho). The Trust is managed by a Board of Trustees elected by the plan participants, participating employers, or the Board itself, depending on the Trustee position. The Port has two plans, one of which was closed to new employees hired after July 1, 2015 (VEBA5), the second plan is open to all eligible employees. The Port contributed $479,000 and $490,000 to eligible employee VEBA accounts in 2019 and 2018, respectively.

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

Post-Employment Health Care Benefit Trust: The Port provides major medical coverage for eligible retired employees through the single-employer Post-Employment Defined Benefit Health plan (the Plan). The Plan is administered through the Port's self-insured medical plan. The Port established the Port of Tacoma Post-Employment Healthcare Funding Obligation Trust (the Trust) to be used solely for the cost of medical coverage for eligible Plan participants and for the payment of the cost of administering the Plan. The Port is the sole administrator and fiduciary of the Trust.

The net other post-employment benefits (OPEB) other than pensions asset complied with the provisions of GASB Statements 74 and 75 (see Note 9). The Plan's audited financial statements for 2019 and 2018 may be found on page 26 of this report.

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

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 (see Note 8).

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. See Note 12 for additional details.

Operating and non-operating revenues and expenses: Property rental revenues are charges for use of the Port's facilities and are reported as operating revenue. Joint Venture income is the Port's proportionate share of the NWSA net income earned on licensed home port assets and is reported as operating revenue. Ad valorem tax levy revenues and other revenues generated from non-operating sources are classified as non-operating.

Operating expenses are costs primarily related to property rental activities. Interest expense and other expenses incurred not related to the normal operations of the Port's 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 position.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2017, GASB issued Statement No. 87, Leases. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures, and the adoption is expected to have a significant impact on the statements of net position.

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The Port is currently evaluating the effect of the adoption of this standard on its financial statements and related disclosures.

RECENT ACCOUNTING PRONOUNCEMENTS, ADOPTED

In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. The Port adopted this standard, which did not have a material effect on its financial statements and related disclosures.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported, and this statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The Port evaluated and adopted this standard and concluded that there was no material impact to the financial statements and related disclosures.

In April 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. The Port evaluated and adopted this standard and has updated disclosures in Note 5 to reflect this adoption.

The Port adopted GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in 2018, which resulted in a restatement of net position to reflect the Port's net OPEB asset. The restatement increased net position at January 1, 2018, by $1.4 million and an offsetting OPEB asset of $1.4 million. There were no deferred inflows or outflows recognized as a part of this restatement. The prescribed disclosures are in Note 9, Post-Employment Health Care Benefits Trust Fund.

NOTE 2. DEPOSITS AND INVESTMENTS

Discretionary deposits: The Port's cash and cash equivalents of $1.2 million and $2.1 million as of December 31, 2019 and 2018, respectively, were deposited in qualified depositories as required by state statute. Deposits in excess of federal depository insurance coverage are covered by the Public Deposit Protection Commission of the State of Washington (PDPC). The PDPC is a statutory authority under Chapter 39.58 RCW. Currently, all well capitalized public depositories with the state are required to collateralize uninsured public deposits at 50%.

Investments: State of Washington statutes authorize the Port to invest in direct obligations of the U.S. Government, certificates of deposit, bankers' acceptances, repurchase agreements, commercial paper, certain corporate notes, supranationals and municipal bonds. These investments must be placed with or through qualified public depositories of the State of Washington.

RISKS

Concentration risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The Port's investment guidelines require diversification and sets limits on amount of investments by security and by issuer.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Port's investment guideline is to maximize investment return while preserving liquidity. To the extent possible, the Port will attempt to match its investments with anticipated cash flow requirements using the specific-identification method.

Credit risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Washington State LGIP is an unrated external investment pool, as defined by the GASB.

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. To minimize this risk, the Port's policy requires that all security transactions are settled "delivery versus payment." This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the Port's safekeeping bank. With the exception of the Washington State LGIP, the Port's investment securities are registered, or held by Port of Tacoma or its agent in the Port of Tacoma's name. The certificates of deposit are covered by the PDPC of the State of Washington. The PDPC is a statutory authority under Chapter 39.58 RCW. The PDPC approves which banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC) by requiring banks and thrifts to pledge securities as collateral.

The LGIP manages a portfolio of securities that meet the maturity, quality, diversification and liquidity requirements set forth by the GASB for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The funds are limited to high-quality obligations with regulated maximum and average maturities to minimize both market and credit risk.

The LGIP transacts with its participants at a stable net asset value per share of $1.00, the same method used for reporting. LGIP participants may contribute and withdraw funds on a daily basis. Participants must inform the Office of the State Treasurer of any contribution or withdrawal over $1 million no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for $1 million or less can be requested at any time prior to 10 a.m. on the day of the transaction. However, participants may complete transactions greater than $1 million when notification is made between 9 a.m. and 10 a.m., at the sole discretion of Office of the State Treasurer. All participants are required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds.

Investments and restricted investments for unspent bond proceeds and revenue bond reserves for the Enterprise Fund on the statements of net position at December 31 are as follows (dollars in thousands):

	2019	2018
Investments	$ 216,020	$ 215,802
Unspent bond proceeds	2,248	17,387
Bond reserves	17,536	13,251
Total deposits and investments	**$ 235,804**	**$ 246,440**

See Note 9 for disclosures regarding the fiduciary fund investments.

The tables below identify the type of investments, concentration of investments in any one issuer, and maturities of the Port investment portfolio (excluding investments held by the Post-Employment Health Care Benefits Trust Fund, see Note 9 for investment detail for the Trust) as of December 31 (dollars in thousands):

2019	Maturities (in years)				Percentage of Total Portfolio
Investment Type	Carrying Value	Less than 1	1-3	More than 3	
Certificate of Deposit	$ 335	$ 335	$ –	$ –	0.1%
Escrow Deposit with US Bank	55	55	–	–	0.0%
Federal Agricultural Mortgage Corporation	2,006	2,006	–	–	0.9%
Federal Farm Credit Bank	6,012	–	4,007	2,005	2.5%
Federal Home Loan Bank	5,014	–	5,014	–	2.1%
Federal Home Loan Mortgage Corporation	5,006	2,006	3,000	–	2.1%
Federal National Mortgage Association	3,981	–	3,981	–	1.7%
Municipal Bonds	50,321	6,123	2,225	41,973	21.3%
Supranationals	6,037	6,037	–	–	2.6%
United States Treasury Bonds	2,941	2,009	–	932	1.3%
State Local Investment Pool*	154,096	154,096	–	–	65.4%
Total investments	**$ 235,804**	**$ 172,667**	**$ 18,227**	**$ 44,910**	**100.0%**
Percentage of total portfolio		73.2%	7.7%	19.1%	100.0%

* Investments in Washington State Local Government Investment Pool. The investments in the pool are valued at amortized cost of the pool shares.

2018	Maturities (in years)				Percentage of Total Portfolio
Investment Type	Carrying Value	Less than 1	1-3	More than 3	
Certificate of Deposit	$ 327	$ 327	$ –	$ –	0.1%
Escrow Deposit with US Bank	53	53	–	–	0.0%
Federal Agricultural Mortgage Corporation	1,983	–	1,983	–	0.8%
Federal Farm Credit Bank	9,866	6,959	–	2,907	4.0%
Federal Home Loan Bank	4,942	–	1,963	2,979	2.0%
Federal Home Loan Mortgage Corporation	5,987	4,010	1,977	–	2.4%
Federal National Mortgage Association	8,809	4,949	1,946	1,914	3.6%
Municipal Bonds	65,920	–	7,123	58,797	26.7%
United States Treasury Bonds	12,576	4,489	–	8,087	5.1%
State Local Investment Pool*	135,977	135,977	–	–	55.3%
Total investments	**$ 246,440**	**$ 156,764**	**$ 14,992**	**$ 74,684**	**100.0%**
Percentage of total portfolio		63.6%	6.1%	30.3%	100.0%

* Investments in Washington State Local Government Investment Pool. The investments in the pool are valued at amortized cost of the pool shares.

The tables below identify the credit risk of the Port's investment portfolio as of December 31 (dollars in thousands):

2019	Moody's Equivalent Credit Ratings						
Investment Type	Fair value	A1	Aa3	Aa2	Aa1	Aaa	No Rating
Certificate of Deposit	$ 335	$ –	$ –	$ –	$ –	$ –	$ 335
Escrow Deposit with US Bank	55	–	–	–	–	–	55
Federal Agricultural Mortgage Corporation	2,006	–	–	–	–	–	2,006
Federal Farm Credit Bank	6,012	–	–	–	–	6,012	–
Federal Home Loan Bank	5,014	–	–	–	–	5,014	–
Federal Home Loan Mortgage Corporation	5,006	–	–	–	–	5,006	–
Federal National Mortgage Association	3,981	–	–	–	–	3,981	–
Municipal Bonds	50,321	2,078	1,067	11,697	18,866	16,613	–
Supranationals	6,037	–	–	–	–	6,037	–
United States Treasury Bonds	2,941	–	–	–	–	2,009	932
State Local Investment Pool*	154,096	–	–	–	–	–	154,096
Total	**$ 235,804**	**$ 2,078**	**$ 1,067**	**$ 11,697**	**$ 18,866**	**$ 44,672**	**$ 157,424**

* Investments in Washington State Local Government Investment Pool. The investments in the pool are valued at amortized cost of the pool shares.

2018	Moody's Equivalent Credit Ratings						
Investment Type	Fair value	A1	Aa3	Aa2	Aa1	Aaa	No Rating
Certificate of Deposit	$ 327	$ –	$ –	$ –	$ –	$ –	$ 327
Escrow Deposit with US Bank	53	–	–	–	–	–	53
Federal Agricultural Mortgage Corporation	1,983	–	–	–	–	–	1,983
Federal Farm Credit Bank	9,866	–	–	–	–	9,866	–
Federal Home Loan Bank	4,942	–	–	–	–	4,942	–
Federal Home Loan Mortgage Corporation	5,987	–	–	–	–	5,987	–
Federal National Mortgage Association	8,809	–	–	–	–	8,809	–
Municipal Bonds	65,920	2,090	9,524	14,199	27,914	12,193	–
United States Treasury Bonds	12,576	–	–	–	–	7,424	5,152
State Local Investment Pool*	135,977	–	–	–	–	–	135,977
Total	**$ 246,440**	**$ 2,090**	**$ 9,524**	**$ 14,199**	**$ 27,914**	**$ 49,221**	**$ 143,492**

* Investments in Washington State Local Government Investment Pool. The investments in the pool are valued at amortized cost of the pool shares.

See Note 16 for fair value measurement disclosures of the Port's investments.

The Port hosted Gov. Jay Inslee, Washington State Department of Transportation, lawmakers, stakeholders and industry leaders in October 2019 to celebrate the beginning of the Puget Sound Gateway Program, which includes the completion of SR 167 in Pierce County. The Port invested $30 million for this $2 billion program to relieve traffic congestion and provide wetland mitigation for wildlife habitat.

NOTE 3. CAPITAL AND INTANGIBLE ASSETS

The following activity took place in capital and intangible assets during 2019 (dollars in thousands):

2019	Beginning of Year	Additions	Transfers	Retirements and Other	End of Year
Capital and intangible assets not being depreciated:					
Land	$ 568,289	$ –	$ –	$ (1,169)	$ 567,120
Intangible assets	32,264	–	–	–	32,264
Construction in process	$ 35,338	$ 14,178	$ (40,692)	$ (1,511)	$ 7,313
Total capital and intangible assets not being depreciated	**$ 635,891**	**$ 14,178**	**$ (40,692)**	**$ (2,680)**	**$ 606,697**
Capital assets being depreciated:					
Buildings	$ 100,658	$ –	$ 2,166	$ (32)	$ 102,792
Improvements	649,705	–	35,739	(2,056)	683,388
Machinery and equipment	$ 87,960	$ –	$ 2,787	$ (3,338)	$ 87,409
Total capital assets being depreciated	**$ 838,323**	**$ –**	**$ 40,692**	**$ (5,426)**	**$ 873,589**
Less accumulated depreciation:					
Buildings	$ (71,626)	$ (2,891)	$ –	$ 32	$ (74,485)
Improvements	(377,520)	(20,617)	–	1,144	(396,993)
Machinery and equipment	$ (72,633)	$ (3,347)	$ –	$ 3,338	$ (72,642)
Total accumulated depreciation	**$(521,779)**	**$ (26,855)**	**$ –**	**$ 4,514**	**$(544,120)**
Net, capital assets being depreciated	**$ 316,544**	**$ (26,855)**	**$ 40,692**	**$ (912)**	**$ 329,469**
Net, capital and intangible assets	**$ 952,435**	**$ (12,677)**	**$ –**	**$ (3,592)**	**$ 936,166**

The following activity took place in capital and intangible assets during 2018 (dollars in thousands):

2018	Beginning of Year	Additions	Transfers	Retirements and Other	End of Year
Capital and intangible assets not being depreciated:					
Land	$ 567,869	$ –	$ 689	$ (269)	$ 568,289
Intangible assets	32,264	–	–	–	32,264
Construction in process	$ 30,272	$ 25,890	$ (23,125)	$ 2,301	$ 35,338
Total capital and intangible assets not being depreciated	**$ 630,405**	**$ 25,890**	**$ (22,436)**	**$ 2,032**	**$ 635,891**
Capital assets being depreciated:					
Buildings	$ 104,413	$ –	$ 21	$ (3,776)	$ 100,658
Improvements	632,697	–	20,622	(3,614)	649,705
Machinery and equipment	$ 114,517	$ –	$ 1,793	$ (28,350)	$ 87,960
Total capital assets being depreciated	**$ 851,627**	**$ –**	**$ 22,436**	**$ (35,740)**	**$ 838,323**
Less accumulated depreciation:					
Buildings	$ (71,369)	$ (3,022)	$ –	$ 2,765	$ (71,626)
Improvements	(360,655)	(20,108)	–	3,243	(377,520)
Machinery and equipment	$ (94,451)	$ (3,792)	$ –	$ 25,610	$ (72,633)
Total accumulated depreciation	**$(526,475)**	**$ (26,922)**	**$ –**	**$ 31,618**	**$(521,779)**
Net, capital assets being depreciated	**$ 325,152**	**$ (26,922)**	**$ 22,436**	**$ (4,122)**	**$ 316,544**
Net, capital and intangible assets	**$ 955,557**	**$ (1,032)**	**$ –**	**$ (2,090)**	**$ 952,435**

NOTE 4. COMMERCIAL PAPER

The Port is authorized to use Subordinate Lien Revenue Notes (commercial paper) in an amount not to exceed $100 million. The Port issues commercial paper to provide interim financing for capital asset projects. The draws are secured by a bank letter of credit that was renewed in March 2019 to extend the expiration date to March 15, 2022.

The term of the commercial paper ranges from 1 to 270 days and the interest rate on the amount outstanding at December 31, 2019, was 1.4%. At December 31, 2018, the interest rate on the amount outstanding was 1.88%.

The terms in this agreement are consistent with the Port's publicly issued variable rate bonds and do not contain unusual clauses for additional events of default or termination events different than the Port's publicly traded bonds and are not subject to acceleration in the event of default.

Commercial paper activity during 2019 and 2018 was as follows (dollars in thousands):

Beginning balance, January 1, 2018	$ 25,000
Advances	150,000
Repayments	$ (150,000)
Balance, December 31, 2018	$ 25,000
Advances	125,000
Repayments	$ (125,000)
Balance, December 31, 2019	$ 25,000

NOTE 5. LONG-TERM DEBT

The Port has outstanding general obligation bonds and direct borrowings related to governmental activities and revenue bonds and direct borrowings related to business-type activities. The Port's long-term debt activity by type of debt for 2019 and 2018 is presented in the following tables (dollars in thousands):

2019									
Description and Date of Issue	Type	Original Coupon Rate	Original True Interest Cost	Earliest Year of Call	Last Year of Maturity	December 31, 2018	Issuance	Refundings/ Repayments	December 31, 2019
General Obligation Bonds									
02/25/16	DB	1.06-2.36%	1.994%	*	2025	$ 24,893	$ –	$ (3,387)	$ 21,506
09/08/16 A	Bonds	3.00-5.00%	2.705%	2026	2038	106,155	–	–	106,155
09/06/17	Bonds	2.50-3.40%	3.177%	2027	2038	19,410	–	(740)	18,670
						$ 150,458	**$ –**	**$ (4,127)**	**$ 146,331**
Net premium						20,509			19,042
Less current portion						4,127			4,191
Total long-term general obligation bonds, net of current portion						**$ 166,840**			**$ 161,182**
Revenue Bonds									
03/07/8	Bonds	Variable Rate	Variable Rate	*	2036	$ 65,190	$ –	$ (2,960)	$ 62,230
07/15/09**	Bonds	Variable Rate	Variable Rate	*	2044	122,180	–	–	122,180
06/04/14 A	DB	2.50%	2.536%	*	2021	6,473	–	(2,105)	4,368
06/11/14 A	DB	Variable Rate	Variable Rate	*	2035	82,120	–	(82,120)	–
10/24/14 B	DB	2.55%	2.550%	*	2029	28,455	–	(2,380)	26,075
09/08/16 A	Bonds	4.00-5.00%	2.552%	2026	2034	36,535	–	–	36,535
09/08/16 B	Bonds	2.00-5.00%	3.642%	2026	2043	102,405	–	(605)	101,800
09/30/19 A	Bonds	5.00%	1.822%	N/A	2031	–	34,630	–	34,630
09/30/19 A	Bonds	Variable Rate	Variable Rate	*	2035	–	40,490	(2,375)	38,115
						$ 443,358	**$ 75,120**	**$ (92,545)**	**$ 425,933**
Net premium						26,837			32,529
Less current portion						10,425			10,644
Total long-term revenue bonds, net of current portion						**$ 459,770**			**$ 447,818**

* Currently callable by the Port but intent is to pay off in accordance with stated maturity dates.

** This bond issue was originally issued as 2008B and, during 2009, the bonds were reissued to secure a better rate. The new bond issue is still referred to as 2008B in all official documents.

Note: Original True Interest Cost (TIC) is the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds. TIC considers the time value of money and all costs associated with issuing the bonds. Direct Borrowings (DB) are bonds held by banks.

2018									
Description and Date of Issue	Type	Original Coupon Rate	Original True Interest Cost	Earliest Year of Call	Last Year of Maturity	December 31, 2017	Issuance	Refundings/ Repayments	December 31, 2018
General Obligation Bonds									
02/25/16	DB	1.06-2.36%	1.994%	*	2025	$ 25,344	$ –	$ (451)	$ 24,893
09/08/16 A	Bonds	3.00-5.00%	2.705%	2026	2038	108,650	–	(2,495)	106,155
09/06/17	Bonds	2.50-3.40%	3.177%	2027	2038	19,995	–	(585)	19,410
						$ 153,989	**$ –**	**$ (3,531)**	**$ 150,458**
Net premium						21,958			20,509
Less current portion						3,531			4,127
Total long-term general obligation bonds, net of current portion						**$ 172,416**			**$ 166,840**
Revenue Bonds									
03/07/08	Bonds	Variable Rate	Variable Rate	*	2036	$ 68,040	$ –	$ (2,850)	$ 65,190
07/15/09**	Bonds	Variable Rate	Variable Rate	*	2044	122,180	–	–	122,180
06/04/14 A	DB	2.50%	2.536%	*	2021	8,525	–	(2,052)	6,473
06/11/14 A	DB	Variable Rate	Variable Rate	*	2035	84,390	–	(2,270)	82,120
10/24/14 B	DB	2.55%	2.550%	*	2029	30,775	–	(2,320)	28,455
09/08/16 A	Bonds	4.00-5.00%	2.552%	2026	2034	36,535	–	–	36,535
09/08/16 B	Bonds	2.00-5.00%	3.642%	2026	2043	102,985	–	(580)	102,405
						$ 453,430	**$ –**	**$ (10,072)**	**$ 443,358**
Net premium						28,092			26,837
Less current portion						10,072			10,425
Total long-term revenue bonds, net of current portion						**$471,450**			**$459,770**

* Currently callable by the Port but intent is to pay off in accordance with stated maturity dates.

** This bond issue was originally issued as 2008B and, during 2009, the bonds were reissued to secure a better rate. The new bond issue is still referred to as 2008B in all official documents.

Original True Interest Cost (TIC) is the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds. TIC considers the time value of money and all costs associated with issuing the bonds. Direct Borrowings (DB) are bonds held by banks.

General obligation bonds: General obligation bonds are limited tax general obligations of the Port. The Port has outstanding bonds that are publicly issued or bonds that are direct borrowings held by a bank. The Port uses ad valorem tax revenues to pay the general obligation bond principal and the related interest. Ad valorem tax revenues may not be used to pay revenue bond debt. Per Chapter 53.36 RCW, the Port may incur general obligation bond debt up to 0.25% of the assessed value of the taxable property in the Port district without a vote. At December 31, 2019, the assessed value of the taxable property was $125,834,422,000; therefore, total general obligation bond debt allowable without a vote was $314.6 million. The Port's outstanding non-voted general obligation bond debt as of December 31, 2019 was $146.3 million, resulting in a remaining non-voted general obligation bond capacity of $168.3 million.

Direct borrowing general obligation bonds: The 2016 general obligation bonds with an outstanding balance at December 31, 2019, of $21.5 million are refunding bonds held by a bank (direct borrowing) that expire in 2025. The bonds are fixed-rate bonds with original coupon rates between 1.06% and 2.36%. The bonds are funded by the Port's tax levy. The terms in the direct borrowing agreement are consistent with the Port's publicly issued general obligation bonds and contain similar clauses that address significant default and termination events. In addition, the direct borrowing agreement is not subject to acceleration upon an event of default.

Revenue bonds: The revenue bonds are secured by a pledge of the Port's net operating revenues as defined by bond documents. The outstanding revenue bonds are publicly issued or are held by banks through direct borrowings. Revenue bond proceeds finance acquisition, expansion, improvement and equipping Port terminal and industrial development facilities. The Port has pledged future net operating revenues to repay $617.6 million in bond principal and interest through 2044. During 2019, revenue bond principal and interest paid and total revenues were $23.0 million and $75.4 million, respectively. The revenue bonds contain coverage requirements related to maintaining adequate net revenues to support debt service.

Prior to September 30, 2019, the Port had three subordinate lien revenue bonds in the "Index Interest Rate" mode totaling $269.0 million held by commercial banks (Direct Borrowings). "Mode" refers to how the interest is calculated for the bonds.

Of the $269.0 million of subordinate lien revenue bonds, there are $227.1 million that are "matched" to $227.1 million of interest rate swaps, resulting in "fixed rate" bonds at approximately 4%. The remaining $41.9 million are not matched to the swaps (unhedged portion).

The interest paid to the banks from these bonds is exempt from the Alternative Minimum Tax and provide a tax advantage to the banks. Until late 2018, the interest paid by the Port on subordinate lien revenue bonds in the Index Interest Rate mode and the variable interest received by the Port from the interest rate swaps were an exact match. However, in 2018, changes to the United States tax code resulted in the tax exemption from the interest paid by the Port being less valuable to the banks. As a result, the banks required that the Index Interest Rate mode agreements be adjusted/renewed such that the interest paid to the banks was more than the interest received from the swap partners.

To reduce the interest rate mismatch between the interest rate swaps and the interest paid on the bonds, in September 2019, the Port refunded all $82.1 million of the 2014A subordinate lien direct borrowings held by the bank by issuing $40.5 million of variable rate demand obligations in Weekly Interest Rate mode and refunding $41.6 million, including bond premiums, into fixed-rate bonds. The Port also changed the mode on the 2008 and 2009 subordinate lien bonds from

Hundreds of families made a pit stop at the Port's second annual Touch-A-Truck event in September 2019. Kids of all ages climbed in vehicles to honk the horns and ring the bell on a Tacoma Rail locomotive. The free event is another great opportunity to share this valuable asset with the citizens of Pierce County. ▶

Index Interest Rate mode to publicly traded Weekly Interest Rate mode. The refunding bonds are described in more detail below.

The fixed rate refunding bonds issued were Senior Lien Revenue Bonds (AMT) with a par value of $34,630,000, a premium of $7,146,000, and an interest rate of 5%. After paying issuance costs of $334,000, the net proceeds were $41,442,000. As a result of the partial refunding of the 2014A Subordinate Lien Revenue Bonds, the Port reduced its total debt service requirements by $1,851,000, which accumulates into an estimated economic gain (difference between the present value of the debt service payments on the old and new debt) of $969,000 over the life of the bonds.

The variable interest rate refunding bonds issued were Subordinate Lien Revenue Bonds (AMT) with a par value of $40,490,000, with variable interest rates. After paying issuance costs of $106,000 out of current funds, the net proceeds were $40,490,000. As a result of the partial refunding of the 2014A Subordinate Lien Revenue Bonds into the weekly interest rate mode, the Port reduced its total debt service requirements by $1,468,000, which accumulates into an estimated economic gain (difference between the present value of the debt service payments on the old and new debt) of $1,113,000 over the life of the bonds.

The refunding of the 2014A bonds with the fixed and variable bonds met the requirements for an in-substance debt defeasance and $82,120,000 of the Series 2014A Subordinate Lien Revenue Bonds were removed from the Port's financial statements.

In September 2019, the Port also changed the mode on the 2008 and 2009 subordinate lien bonds from Index Interest Rate mode to publicly traded Weekly Interest Rate Mode. The mode change converted these bonds to publicly issued variable rate demand bonds from variable rate direct borrowings held by banks.

Revenue bond direct borrowings: The Port has two direct borrowing agreements with banks for the Port's fixed rate bonds. The Port has a direct borrowing agreement with a bank for the 2014A fixed-rate revenue bonds that expires in December 2021, and a direct borrowing agreement with a bank for the 2014B fixed-rate bonds that expires in December 2029. The terms in these agreements are consistent with the Port's publicly issued variable-rate bonds and contain similar clauses that address events of default and termination events. In addition, the direct borrowing agreements are not subject to acceleration in the event of default.

Variable-rate servicing agreements: The Port entered into reimbursement agreements with banks to provide Letter of Credit support on its variable-rate bonds. The reimbursement agreements have terms that are between three and three and a half years.

Interest rate payment agreements (swaps): The Port entered into four swaps so that it may mitigate interest rate risk associated with the Port's variable-rate debt. The swaps synthetically fix or "lock-in" interest rates on variable revenue bond debt by requiring the Port to pay a fixed interest rate on the nominal value of the swap and receive variable interest rate cash flows that are intended to offset the variable-rate bond payments, leaving the Port with the fixed payments identified in each swap agreement.

The Port's existing swap contracts and the outstanding notional amounts at December 31, 2019, are detailed as follows. No cash was paid from the Port to the counterparty when the swaps were created (dollars in thousands):

SWAP Reference	Type	Original Notional Amount	Outstanding Notional Amount	Options	Contract Start Date	Effective Date	Maturity Date	Terms
2	Pay-fixed interest rate swap	$ 30,000	$ 21,905	None	9/25/08	9/25/08	12/1/36	Pay 3.320%, receive 70% of LIBOR (1)
3	Pay-fixed interest rate swap	80,000	68,755	None	9/20/07	7/28/11	12/1/40	Pay 4.155%, receive 70% of LIBOR (1)
4	Pay-fixed interest rate swap	130,000	112,855	None	9/20/07	7/26/12	12/1/41	Pay 4.200%, receive 70% of LIBOR (1)
5	Pay-fixed interest rate swap	20,000	17,515	None	9/20/07	7/25/13	12/1/42	Pay 4.229%, receive 70% of LIBOR (1)
		$ 260,000	**$ 221,030**					

(1) One-month London Interbank Offered Rate.

The following table reflects the outstanding variable-rate debt that is matched to outstanding swap agreements (dollars in thousands):

Variable-Rate Debt	Outstanding Principal, December 31, 2019		Outstanding Principal, December 31, 2018	
2008	$	62,230	$	65,190
2008B		122,180		122,180
2014A		–		82,120
2019A		38,115		–
Unhedged debt		(1,495)		(41,902)
	$	**221,030**	**$**	**227,588**

The following summarizes the change in fair value of the Port's pay-fixed, receive variable interest rate payment agreements at December 31, 2019 (dollars in thousands):

SWAP Reference	2019 Changes in Fair Value			Fair Value at 12/31/19			Original Notional Amount	
	Classification	Amount		Classification	Amount			
2	Deferred outflow	$	(3,737)	Debt	$	(3,942)	$	30,000
3	Deferred outflow		(6,565)	Debt		(20,480)		80,000
4	Deferred outflow		(2,414)	Debt		(35,502)		130,000
5	Deferred outflow		(1,257)	Debt		(5,793)		20,000
		$	**(13,973)**		**$**	**(65,717)**	**$**	**260,000**

Swap Reference 1 was terminated in 2016.

The following summarizes the change in fair value of the Port's pay-fixed, receive variable interest rate payment agreements at December 31, 2018 (dollars in thousands):

SWAP Reference	2018 Changes in Fair Value			Fair Value at 12/31/18			Original Notional Amount	
	Classification	Amount		Classification	Amount			
2	Deferred outflow	$	3,243	Debt	$	(205)	$	30,000
3	Deferred outflow		5,470	Debt		(13,915)		80,000
4	Deferred outflow		775	Debt		(33,088)		130,000
5	Deferred outflow		869	Debt		(4,536)		20,000
		$	**10,357**		**$**	**(51,744)**	**$**	**260,000**

Swap Reference 1 was terminated in 2016.

Risks: The Port mitigates swap-related risk by following its Payment Agreement Guidelines. These guidelines are published in the Port's Annual Budget document within its Debt Guidelines. The guidelines manage each of the risks below:

Counterparty or credit risk: The Port's derivative instruments are held by three separate counterparties. By agreement, the Port requires posting of collateral when the counterparty owes to the Port on the swap termination value (market value). The credit ratings for each of the counterparties are as follows (dollars in thousands):

SWAP Reference	Notional Amount	Bank Counterparty	Credit Worthiness of Counterparty		Termination Value
			Moody's	S&P	
2	$ 30,000	Goldman Sachs	A1	A+	$ (3,942)
3	80,000	Dexia	Baa3	BBB	(20,480)
4	130,000	Dexia	Baa3	BBB	(35,502)
5	20,000	Merrill Lynch	A3	A-	(5,793)
	$ 260,000				**$ (65,717)**

Swap Reference 1 was terminated in 2016.

Termination risk: The Port or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If the swap counterparty's credit rating deteriorates below A3/A- (Moody's/Standard & Poor's), the Port may terminate the swap at market value; however, the Port may, at its option, continue in the swap. The Port requires the posting of collateral and works with financially strong counterparties to help mitigate this risk.

Basis risk: The Port pays a daily interest rate to its bondholders and receives 70% of one-month London Interbank Offered Rate (LIBOR) from its swap counterparties. In exchange for the fixed swap rates associated with using the LIBOR index, the Port bears the risk that it could incur a shortfall between the variable rate paid on the bonds and the variable rate received on the swaps.

Rollover risk: The Port matched the term of its existing swap contracts to the term of the underlying debt so that it minimizes its exposure to rollover risk.

Foreign currency risk: The Port's derivative instruments are denominated in U.S. dollars.

Contingencies: If the Port's credit rating falls below A3/A- (Moody's/Standard & Poor's) for the swap with Goldman Sachs or below Baa2/BBB (Moody's/Standard & Poor's) for the other swaps, the Port bears the risk that its counterparties may terminate the agreement. The Port is prohibited by RCW 39.96 from posting collateral. The Port's subordinate lien credit rating is A1/A+ (Moody's/Standard & Poor's) at December 31, 2019.

Debt service for fixed-rate and variable-rate bonds estimated future payments: The debt service requirements for fixed-rate general obligation, revenue bonds and the debt service requirements for the 2008 Subordinate-Lien Variable Rate Revenue Bonds, 2008B Subordinate-Lien Variable Rate Revenue Bonds, 2019A Subordinate-Lien Variable Rate Revenue Bonds and active swaps outstanding as of December 31, 2019, are as follows (dollars in thousands):

Years ending December 31	Fixed-Rate Bonds			Variable-Rate Bonds			Total
	Principal	Interest	Total	Principal	Interest	Interest Rate Swap, Net (1)	
2020	$ 11,755	$ 15,165	$ 26,920	$ 3,080	$ 3,485	$ 5,488	$ 12,053
2021	14,397	14,837	29,234	3,205	3,435	5,329	11,969
2022	14,690	14,369	29,059	3,330	3,384	5,165	11,879
2023	15,211	13,853	29,064	3,465	3,330	4,993	11,788
2024	15,753	13,303	29,056	3,605	3,274	4,815	11,694
2025-2029	87,073	56,630	143,703	20,305	15,454	21,138	56,897
2030-2034	73,305	37,177	110,482	57,670	12,956	15,467	86,093
2035-2039	73,475	20,659	94,134	5,685	9,439	8,674	23,798
2040-2044	44,080	5,551	49,631	122,180	9,347	1,725	133,252
	$ 349,739	**$ 191,544**	**$ 541,283**	**$ 222,525**	**$ 64,104**	**$ 72,794**	**$ 359,423**

(1) This amount represents the cash that is due to the counterparty based on the terms of the pay-fixed interest rate swap. The amounts for the subsequent years are based on the assumption that interest rate conditions that existed during 2019 will remain the same over the term of the derivative contracts.

The fixed and variable debt obligations estimated future payments separated by direct borrowings as of December 31, 2019, are as follows (dollars in thousands):

Years ending December 31	Governmental Activities				Business Activities				Interest Rate Swaps
	GO Bonds		Direct Borrowing		Revenue Bonds		Revenue Direct Borrowing		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Swap, Net (1)
2020	$ 760	$ 5,435	$ 3,431	$ 421	$ 6,045	$ 12,021	$ 4,599	$ 774	$ 5,488
2021	3,095	5,416	3,483	369	6,310	11,829	4,714	658	5,329
2022	3,235	5,281	3,540	311	8,675	11,622	2,570	539	5,165
2023	3,350	5,163	3,606	246	9,085	11,301	2,635	473	4,993
2024	3,495	5,014	3,683	171	9,480	10,986	2,700	406	4,815
2025-2029	36,070	21,629	3,763	89	54,320	49,405	13,225	962	21,138
2030-2034	45,625	11,583	–	–	85,350	38,550	–	–	15,467
2035-2039	29,195	2,898	–	–	49,965	27,199	–	–	8,674
2040-2044	–	–	–	–	166,260	14,898	–	–	1,725
	$124,825	**$ 62,419**	**$ 21,506**	**$ 1,607**	**$395,490**	**$187,811**	**$ 30,443**	**$ 3,812**	**$ 72,794**

(1) This amount represents the cash that is due to the counterparty based on the terms of the pay-fixed interest rate swap. The amounts for the subsequent years are based on the assumption that interest rate conditions that existed during 2019 will remain the same over the term of the derivative contracts.

The paying agent for the Port's bonded debt is:

U.S. Bank
Fiscal Agencies – 7 East
101 Barclay Street
New York, NY 10286

NOTE 6. RISK MANAGEMENT

The Port is exposed to various risks of loss related to torts; damage to, theft of and destruction of assets or cargo; natural disasters; and employee injuries. To limit its exposure, the Port purchases a variety of insurance policies. For general liability, the Port purchases $150 million in coverage, subject to a $25,000 deductible. All risk property insurance is purchased on a replacement value basis for most properties, subject to a limit of $500 million and a per-occurrence deductible of $250,000 in 2019 and $150,000 in 2018. For flood losses, a sub-limit of $75 million applies and a per-occurrence deductible of $100,000 to $250,000 for all flood zones. For earthquake and business interruption losses, sub-limits of $100 million apply. Insurance coverage for earthquakes is subject to a deductible defined as 5% of the value of the damaged property, with a minimum of $100,000.

With the exception of losses which may arise from employee injuries, earthquakes and/or floods, no deductible exceeds $250,000 in 2019 or $150,000 in 2018. The self-insured retention for workers' compensation coverage is $1,250,000.

Insurance coverage for the past three years has been sufficient to cover all claim settlements.

The Port is self-insured for its regular medical coverage. The liability for unpaid medical claims is included in payroll and taxes payable on the accompanying statements of net position and is expected to be paid in 2020. Excess loss coverage has been purchased through an outside provider to limit individual loss to $110,000. Self-insured claim activity for December 31, 2019, 2018 and 2017 were as follows (dollars in thousands):

	2019	2018	2017
Claims liability, beginning of year	$ 1,645	$ 1,030	$ 762
Claims reserve	5,684	5,441	4,397
Payments on claims	(5,474)	(4,826)	(4,129)
Claims liability, end of year	**$ 1,855**	**$ 1,645**	**$ 1,030**

With the help of our talented friends at Hilltop Artists, the Port scattered 19 monkeyshines all over Pierce County to celebrate Lunar New Year—the Year of the Pig.

The Port maintains a self-insurance program for workers' compensation. The estimated liability for workers' compensation is included in payroll and taxes payable on the accompanying statements of net position. At December 31, 2019, the estimated self-insurance liability for workers' compensation was $578,000 and this amount is expected to be paid in 2020. At December 31, 2018, the estimated self-insurance liability for workers' compensation was $458,000. The liability for unpaid claims represents the estimated future indemnity, medical, rehabilitation and legal costs for all open claims.

Workers' compensation claim activity for December 31 was as follows (dollars in thousands):

	2019	2018	2017
Claims liability, beginning of year	$ 458	$ 447	$ 238
Claims incurred during year	238	189	454
Changes in estimate for prior-year claims	447	510	220
Payments on claims	(565)	(688)	(465)
Claims liability, end of year	**$ 578**	**$ 458**	**$ 447**

NOTE 7. LEASE COMMITMENTS

The Port leases land, office space and other equipment under operating leases that expire through 2037. Minimum future lease payments under non-cancelable operating leases are as follows (dollars in thousands):

Years ending December 31	
2020	$ 37
2021	20
2022	15
2023	15
2024	14
Thereafter	168
Total minimum payments required	**$ 269**

Total rent expense for the years ended December 31, 2019 and 2018, was $144,000 and $147,000, respectively.

The Port, as a lessor, leases land and facilities under terms of 1 to 50 years. In addition, some properties are rented on a month-to-month basis. Minimum future rental revenue under non-cancelable operating leases and subleases are as follows (dollars in thousands). Leases for NWSA licensed properties are reported by NWSA and not included here.

Years ending December 31	
2020	$ 14,650
2021	13,296
2022	12,734
2023	11,990
2024	11,365
Thereafter	283,138
Total minimum future rents	**$ 347,173**

Assets held for rental and leasing purposes as of December 31, 2019, are as follows (dollars in thousands):

Land	$ 275,827
Buildings, improvements and equipment, net	52,230
Total, net of accumulated depreciation	**$ 328,057**

NOTE 8. PENSION PLANS

Pension plan: The Port's full-time and qualifying part-time employees participate in one of the statewide local government retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit retirement plans.

Historical trend and other information regarding each plan are presented in the Washington State Department of Retirement Systems comprehensive annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
P. O. Box 48380
Olympia, WA 98504-8380

Internet Address: www.drs.wa.gov

Plan description and benefits: PERS was established in 1947, and its retirement benefit provisions are contained in chapters 41.34 and 41.40 RCW. PERS is a cost-sharing, multiple-employer retirement system composed of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the Legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

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

As of June 30, 2019, 309 employers and 840 non-employer contributing entities were participating in PERS Plan 1. The plan is closed to new entrants. PERS 1 members were vested after the completion of five years of eligible service. PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are calculated using 2% of the member's Average Final Compensation (AFC) times the member's years of service. AFC is the average of the member's 24 consecutive highest-paid service credit months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Members retiring from inactive status before the age of 65 may also receive actuarially reduced benefits. Other benefits include duty and nonduty disability payments, an optional Cost-of-Living Adjustment (COLA), and a one-time, duty-related death benefit, if found eligible by the Washington State Department of Labor & Industries.

The PERS Plan 1 member contribution rate is established by statute at 6%. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18%.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service or after five years of service if 12 months of that service are earned after age 44. PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits for Plan 2 are calculated using 2% of the member's AFC times the member's years of service. Retirement defined benefits for Plan 3 are calculated using 1% of AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. PERS Plan 2/3 has no cap on years of service credit.

Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and nonduty disability payments; a COLA based on the Consumer Price Index, capped at 3% annually; and a one-time, duty-related death benefit, if found eligible by the Washington State Department of Labor & Industries.

The PERS Plan 2/3 employer and employee contribution rates are developed by the OSA to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarial accrued liability, currently set at 5.31%, and an administrative expense that is currently set at 0.18%.

PERS Plan 3 members are immediately vested in the defined contribution portion of their plan. PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate when joining membership and can change rates only when changing employers. As established by chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%; members have six rate options to choose from. Employers do not contribute to the defined contribution benefits.

Contributions: The required contribution rates, expressed as a percentage of covered payrolls, as of December 31, 2019, were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	12.83%	12.83%	12.83%**
Employee	6.00%	7.41%	***

The required contribution rates, expressed as a percentage of covered payrolls, as of December 31, 2018, were:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	12.70%	12.70%	12.70%**
Employee	6.00%	7.38%	***

* The employer rates include the employer administrative expense fee of 0.18% for 2019 and 2018

** Plan 3 defined benefit portion only

*** Rate selected by PERS 3 members, 5% minimum to 15% maximum

The Port made contributions of $1,018,000 to PERS 1 and $1,770,000 to PERS 2/3 during 2019 and $1,118,000 to PERS 1 and $1,641,000 to PERS 2/3 during 2018, and the employees made the required contributions. The Port's required contributions for the years ended December 31 are as follows (dollars in thousands):

Year	PERS Plan 1	PERS Plan 2	PERS Plan 3	Total
2019	$ 1,189	$ 1,332	$ 457	$2,978
2018	$ 1,032	$ 1,216	$ 415	$2,663

Pension liabilities, pension expense, and deferred inflows and outflows of resources related to pensions: At December 31, 2019 and 2018, the Port reported a liability of approximately $8.2 million and $10.7 million, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port's proportion of the net pension liability was based on a projection of the Port's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. At June 30, 2019, the Port's proportionate share of net pension liability and the change in proportionate share from June 30, 2018, are presented in the following table (dollars in thousands):

	PERS 1	PERS 2/3	Total
Port's proportionate share of the net pension liability			
2019	$ 6,172	$ 2,004	$ 8,176
2018	$ 7,165	$ 3,487	$ 10,652
Port's proportionate share of the net pension liability			
2019	0.1605%	0.2063%	
2018	0.1604%	0.2042%	
Change in proportionate share	0.0001%	0.0021%	
Port's pension benefit			
2019	$ (784)	$ (1,457)	$ (2,241)
2018	$ (1,362)	$ (1,937)	$ (3,299)

At December 31, 2019 and 2018, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollars in thousands):

2019	PERS 1	PERS 2/3	Total
Sources of deferred outflows of resources:			
Net difference between projected and actual earnings on pension plan investments (2)	$ –	$ –	$ –
Changes in assumptions (1)	–	51	51
Differences between expected and actual experience (1)	–	574	574
Changes in proportionate share and differences between Port contributions and proportionate share of contributions (1)	–	58	58
Port contributions subsequent to measurement date	493	821	1,314
Total	**$ 493**	**$ 1,504**	**$ 1,997**
Sources of deferred inflows of resources:			
Net difference between projected and actual earnings on pension plan investments (2)	$ (412)	$ (2,916)	$ (3,328)
Changes in assumptions (1)	–	(841)	(841)
Differences between expected and actual experience (1)	–	(431)	(431)
Changes in proportionate share and differences between Port contributions and proportionate share of contributions (1)	–	(990)	(990)
Total	**$ (412)**	**$ (5,178)**	**$ (5,590)**

2018	PERS 1	PERS 2/3	Total
Sources of deferred outflows of resources:			
Net difference between projected and actual earnings on pension plan investments (2)	$ –	$ –	$ –
Changes in assumptions (1)	–	41	41
Differences between expected and actual experience (1)	–	427	427
Changes in proportionate share and differences between Port contributions and proportionate share of contributions (1)	–	75	75
Port contributions subsequent to measurement date	574	838	1,412
Total	**$ 574**	**$ 1,381**	**$ 1,955**
Sources of deferred inflows of resources:			
Net difference between projected and actual earnings on pension plan investments (2)	$ (285)	$ (2,140)	$ (2,425)
Changes in assumptions (1)	–	(992)	(992)
Differences between expected and actual experience (1)	–	(611)	(611)
Changes in proportionate share and differences between Port contributions and proportionate share of contributions (1)	–	(1,285)	(1,285)
Total	**$ (285)**	**$ (5,028)**	**$ (5,313)**

(1) The recognition period for each plan is equal to the average of the expected remaining service lives of all employees provided with pensions through the pension plan, which was determined at the beginning of the measurement date.

(2) The recognition period is a closed, five-year period for all plans.

As of December 31, 2019, deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date were $1.3 million and will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

Years ending December 31	PERS 1	PERS 2/3	Total
2020	$ (91)	$ (1,089)	$ (1,108)
2021	(216)	(1,691)	(1,907)
2022	(77)	(858)	(935)
2023	(28)	(549)	(577)
2024	–	(306)	(306)
Thereafter	–	(2)	(2)
Total	**$ (412)**	**$ (4,495)**	**$ (4,907)**

As of December 31, 2018, deferred outflows of resources related to pensions resulting from the Port's contributions subsequent to the measurement date were $1.4 million and will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

Years ending December 31	PERS 1	PERS 2/3	Total
2019	$ 12	$ (563)	$ (551)
2020	(62)	(912)	(974)
2021	(187)	(1,508)	(1,695)
2022	(48)	(683)	(731)
2023	–	(377)	(377)
Thereafter	–	(442)	(442)
Total	**$ (285)**	**$ (4,485)**	**$ (4,770)**

Actuarial assumptions: The 2019 pension liability (TPL) for each of the plans was determined by an actuarial valuation as of June 30, 2018, with the results rolled forward to June 30, 2019. Besides the discount rate, the actuarial assumptions used in the June 30, 2018 valuation were based on the results of the 2007-2012 Experience Study Report and the 2017 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report.

The 2018 TPL for each of the plans was determined by an actuarial valuation as of June 30, 2017, with the results rolled forward to June 30, 2018. Besides the discount rate, the actuarial assumptions used in the valuation are summarized in the Actuarial Section of Washington State Department of Retirement Systems' (DRS) Comprehensive Annual Financial Report located on the DRS employer-resource GASB webpage. These assumptions reflect the results of OSA's 2007-2012 Experience Study and the 2017 Economic Experience Study.

The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry age cost method), assumed interest and actual benefit payments. Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report, and are as follows:

Inflation: 2.75% total economic inflation; 3.50% salary inflation. (2018: 2.75% for total economic inflation; 3.50% for salary inflation).

Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity (2018: salaries were expected to grow 3.50%).

Investment rate of return: 7.40% (2018: 7.40%)

Mortality rates: Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, which the Society of Actuaries publishes. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year throughout their lifetime.

Long-term expected rate of return: The OSA selected a 7.40% long-term expected rate of return on pension plan investments using a building-block method (2018: 7.4% long-term expected rate of return). In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA) and simulated expected investment returns the Workplace Safety & Insurance Board (WSIB) provided.

The CMAs contain three pieces of information for each class of assets WSIB currently invests in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various future time horizons.

Estimated rates of return by asset class: Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30 is summarized in the tables below:

2019 Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed income	20%	2.20%
Tangible assets	7%	5.10%
Real estate	18%	5.80%
Global equity	32%	6.30%
Private equity	23%	9.30%
	100%	

2018 Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed income	20%	1.70%
Tangible assets	7%	4.90%
Real estate	18%	5.80%
Global equity	32%	6.30%
Private equity	23%	9.30%
	100%	

The inflation component used to create the table is 2.20% for June 30, 2019 and 2018, and represents WSIB's most recent long-term estimate of broad economic inflation.

Discount rate: The discount rate used to measure the total pension liability was 7.40% for all plans (2018: 7.40%). To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Consistent with current law, the asset sufficiency test included an assumed 7.50% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40% future investment rate of return on invested assets was assumed for the test.

At its May meeting, the Port commission recognized the eight Sea Scouts from the Tacoma Youth Marine Center who achieved the rank of Quartermaster. Quartermaster is the highest rank in Sea Scouting and is equivalent to the Eagle Scout in the Boy Scouts. Only 32 scouts across the country earned the award in 2019.

Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS Plans 2 and 3, whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% was used to determine the total liability (2018: 7.40%).

Sensitivity net pension liability to changes in the discount rate: The table below presents the net pension liability of employers, calculated using the discount rate of 7.40% as well as what employers' net pension liability would be if it were calculated using a discount rate 1 percentage point lower (6.40%) or 1 percentage point higher (8.40%) than the current rate (dollars in thousands):

	Pension Trust	1% Decrease	Discount Rate	1% Increase
December 31, 2019:				
Discount rate		6.40%	7.40%	8.40%
Proportionate share of net pension liability	PERS 1	$ 7,729	$ 6,172	$ 4,821
Proportionate share of net pension liability/(asset)	PERS 2/3	$ 15,368	$ 2,004	$ (8,963)
December 31, 2018:				
Discount rate		6.40%	7.40%	8.40%
Proportionate share of net pension liability	PERS 1	$ 8,805	$ 7,165	$ 5,744
Proportionate share of net pension liability/(asset)	PERS 2/3	$ 15,951	$ 3,487	$ (6,731)

Detailed information about the pension plan's fiduciary net position is available in the separately issued DRS financial reports. Additional actuarial and pension plan information is included in the DRS 2019 Comprehensive Annual Financial Report, including descriptions of actuarial data, assumptions, methods, and plan provisions relied on for the preparation of GASB 67 and GASB 68. Additional details regarding this information are included in OSA's 2018 Actuarial Valuation Report on the OSA website.

Change in assumptions and methods related to the June 30, 2019, actuarial valuation: Actuarial results that OSA provided within this publication reflect the following changes in assumptions and methods:

- OSA updated modeling to reflect providing benefit payments to the date of initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated Cost-of-Living Adjustment (COLA) programming to reflect legislation signed during the 2018 Legislative Session (C151 L18). This law provides PERS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of $62.50 per month.

DRS accounting and reporting changes: DRS reported increases to the beginning Net Position Restricted for Pensions in PERS Plan 2/3 defined benefit plans. These increases were recorded as reductions to the beginning Net Position Restricted for Pensions in the defined contribution component of the PERS 3 plan. The restatement of the beginning Net Position Restricted for Pensions in the Plan 2/3 plans, DB and DC, is the result of GASB 67 implementation for the Plan 3 Total Allocation Portfolio annuities previously recorded within the financial statements as Plan 3 DC. The Plan 3 TAP annuity balances were immaterial to the Plan 2/3 DB balances prior to the fiscal year ended June 30, 2019, and therefore provisions of GASB 67 for TAP annuities were not implemented in prior fiscal years. The restatement of beginning net position of the DRS report had no effect on the Port's pension liability of net position for pensions or the total change in fiduciary net position.

NOTE 9. POST-EMPLOYMENT HEALTH CARE BENEFITS TRUST FUND

The Port provides major medical coverage for eligible retired employees through the Plan. The Plan is administered through the Port of Tacoma's self-insured medical plan. The Port established the Trust to be used solely for the cost of medical coverage for eligible Plan participants and for payment of the cost of administering the Trust. The Port is the sole

A rainbow flag flew proudly at the Port Administration Building in July 2019 as Tacoma celebrated its Pride weekend.

administrator and fiduciary of the Trust. Management and funding of the Trust is the responsibility of the Port Treasurer. The Port shall have the right at any time, and from time to time, to modify, alter or amend the Plan in whole or in part effective as of a specified date, pursuant to the laws of the State of Washington.

The Plan's audited financial statements for December 31, 2019 and 2018, may be found on page 26 of this report.

Plan description: The Plan provides major medical coverage, subject to a deductible, and a maximum benefit limit of $2,000,000 per person for eligible retired employees and qualified dependent spouses. Retirees and their spouses are eligible for Port-paid, post-employment medical benefits upon attainment of age of 60 through the age of 69, provided they have completed a minimum of 15 years of service and are eligible to retire under PERS. Employees retiring before the age of 60 are eligible for Port-paid, post-employment medical benefits for up to 10 years, provided they have completed 20 years of service and are eligible to retire under PERS. The Plan is closed to employees hired on or after March 15, 2007. The Plan does not require employee or retiree contributions. There are 12 active members, 17 inactive members and zero inactive members entitled to, but not yet receiving, benefits in the Plan.

The Port will fund the Plan as necessary to enable the Plan to pay vested accrued benefits to participants as they become due. However, the Trust was fully funded at its inception and it has not needed additional contributions from the Port.

Summary of accounting policies: The financial statements are prepared using the accrual basis of accounting. Medical benefits that are in accordance with the Plan are recognized when due. Contributions to the Plan, if required, will be recognized in the period that the contributions are made.

The Plan is administered through a qualifying trust per paragraph 4, item (b), of GASB 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions, which the Port adopted during 2018. The adoption of GASB 75 in 2018 resulted in a restatement of net position at January 1, 2018, to reflect the Port's net OPEB asset. The restatement increased the 2018 beginning balance of net position by $1.4 million with an offsetting OPEB asset of $1.4 million. The measurement date is December 31, 2019, for the current year and December 31, 2018, for the prior year.

Rate of return: The long-term expected rate of return on OPEB plan investments was decreased from 3.41% at December 31, 2018, to 3.26% in December 31, 2019 (the December 31, 2019, Municipal Bond 20-Year High Grade Rate Index), to better reflect future expectation.

The changes in net OPEB asset were as follows at December 31, 2019 (dollars in thousands):

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB (Asset) liability (a-b)
Beginning balance, December 31, 2018	$ 3,054	$ 4,986	$ (1,932)
Service cost	72	–	72
Interest	103	–	103
Changes in benefit terms	–	–	–
Differences between expected and actual experience	(210)	–	(210)
Changes of assumptions	48	–	48
Benefit payments	(216)	(216)	–
Contributions – employer	–	–	–
Net investment income	–	172	(172)
Administrative expense	–	(12)	12
Net changes	**(203)**	**(56)**	**(147)**
Ending balance, December 31, 2019	**$ 2,851**	**$ 4,930**	**$ (2,079)**

OPEB Expense for December 31, 2019, is as follows (dollars in thousands):

Service cost	$ 72
Interest	103
Net investment income	(159)
Administrative expense	12
Deferred (inflows) outflows of resources:	
Differences between expected and actual experience	(380)
Net difference between projected and actual earnings on OPEB plan investments	46
Changes in assumptions	135
Contributions – employer	–
OPEB expense	**$ (171)**

The changes in net OPEB asset were as follows at December 31, 2018 (dollars in thousands):

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB (Asset) liability (a-b)
Beginning balance, December 31, 2017	$ 3,699	$ 5,120	$ (1,421)
Service cost	75	–	75
Interest	101	–	101
Changes in benefit terms	–	–	–
Differences between expected and actual experience	(983)	–	(983)
Changes of assumptions	369	–	369
Benefit payments	(207)	(207)	–
Contributions – employer	–	–	–
Net investment income	–	85	(85)
Administrative expense	–	(12)	12
Net changes	(645)	(134)	(511)
Ending balance, December 31, 2018	**$ 3,054**	**$ 4,986**	**$ (1,932)**

OPEB Expense for December 31, 2018, is as follows (dollars in thousands):

Service cost	$ 75
Interest	101
Net investment income	(176)
Administrative expense	12
Deferred (inflows) outflows of resources:	
Differences between expected and actual experience	(328)
Net difference between projected and actual earnings on OPEB plan investments	49
Changes in assumptions	123
Contributions – employer	–
OPEB expense	**$ (144)**

Actuarial methods and assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial present value of accumulated plan benefits is determined by an independent actuary. The results are based on the December 31, 2018, actuarial valuation date rolled forward to December 31, 2019, the measurement date and reporting date (prior year was based on December 31, 2017, actuarial valuation date rolled forward to December 31, 2018).

The 2019 actuarial valuation method used was entry age normal; the assumption for salary increases was 3.0%.

The Mortality table was changed to PubG-2010 Combined Fully Generational Mortality Table with projected mortality improvements under Projection Scale MP-2019 (male and female scales).

The 2018 actuarial valuation method used was entry age normal; the assumption for salary increases was 3.0%. Mortality rates were based on RP-2014 Combined Fully Generational Mortality Table with projected mortality improvements after year 2006 under Projection Scale MP-2018 (male and female scales).

Discount rate: The discount rate for 2019 used to measure the total OPEB liability was 3.26% based on the December 31, 2019, Municipal Bond 20 Year High Grade Rate Index to better reflect future expectation. The discount rate for 2018 used to measure the total OPEB liability was 3.41% based on the November 30, 2018, S&P Municipal Bond Index. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB asset to changes in the discount rate: The following presents the net OPEB asset of the Port for December 31, 2019, as well as what the Port's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate (in thousands):

	1% Decrease	Discount Rate	1% Increase
December 31, 2019	2.26%	3.26%	4.26%
	$ 1,961	$ 2,079	$ 2,191
December 31, 2018	2.41%	3.41%	4.41%
	$ 1,806	$ 1,932	$ 2,052

Sensitivity of the net OPEB asset to changes in the health care cost trend rates: The 2019 health care cost trend rate was 6.33% in 2020 graded down to 5.0% in 2022 and applying the SOA Getzen Model with baseline long-run growth factors. The 2018 health care cost trend rate was 7.0% in 2019 graded down to 5.0% in 2022 and applying the SOA Getzen Model with baseline long-run growth factors.

The following presents the net OPEB asset of the Plan, as well as what the Plan's net OPEB asset would be if it were calculated using health care cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates (dollars in thousands):

December 31, 2019		
1% Decrease 5.33% decreasing to 4% in three years	Discount Rate 6.33% decreasing to 5% in three years	1% Increase 7.33% decreasing to 6% in three years
$ 2,228	$ 2,079	$ 1,918
December 31, 2018		
1% Decrease 6.0% decreasing to 4% over four years	Discount Rate 7.0% decreasing to 5% over four years	1% Increase 8.0% decreasing to 6% over four years
$ 2,114	$ 1,932	$ 1,734

For the year ended December 31, 2019, the recognized OPEB benefit was $171,000 and deferred outflows of resources and deferred inflows of resources related to OPEB were as follows (dollars in thousands):

2019	Deferred Outflow of Resources	Deferred Inflow of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ 146	$ (11)
Change in assumptions	159	–
Differences between expected and actual experience	–	(485)
Total	**$ 305**	**$ (496)**

For the year ended December 31, 2018, the recognized OPEB expense was $144,000 and deferred outflows of resources and deferred inflows of resources related to OPEB were as follows (dollars in thousands):

2018	Deferred Outflow of Resources	Deferred Inflow of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ 195	$ –
Change in assumptions	246	–
Differences between expected and actual experience	–	(655)
Total	**$ 441**	**$ (655)**

At December 31, 2019, differences between expected and actual experience are amortized over the average remaining service lives of all participants, which for the current period is three years. Changes in actuarial assumptions are amortized over the average remaining service lives of all participants, three years.

Net difference between projected and actual earnings on OPEB plan investments are amortized over five years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

Years ending December 31	
2020	$ (199)
2021	6
2022	6
2023	(4)
Total	**$ (191)**

At December 31, 2018, differences between expected and actual experience are amortized over the average remaining service lives of all participants, which for the current period is three years. Changes in actuarial assumptions are amortized over the average remaining service lives of all participants, three years. Net difference between projected and actual earnings on OPEB plan investments are amortized over five years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

Years ending December 31	
2019	$ (156)
2020	(156)
2021	49
2022	49
Total	**$ (214)**

INVESTMENTS

Investment policy: As of December 31, 2019 and 2018, the Plan's investments were deposited in qualified depositories as required by state statutes. Those statutes authorize the Trust to invest in direct obligations of the U.S. Government, certificates of deposit, bankers' acceptances, repurchase agreements, commercial paper and certain municipal bonds. Investments are valued at fair value. The following is the Plan's asset allocation at December 31:

Asset Class	Target Allocation	
	2019	2018
Fixed income	97%	96%
Cash	3%	4%
	100%	100%

Rate of return: The annual money-weighted rate of return on the OPEB plan investments, net of investment expense for December 31, 2019 and 2018, was 3.34% and 1.49%, respectively. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for changing amounts actually invested.

RISKS

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Port's investment guideline is to maximize investment return while preserving liquidity. To the extent possible, the Port will attempt to match its investments with anticipated cash flow requirements using the specific-identification method. The tables below present investment types, durations and amount by issuer.

Credit risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The tables below present investment types, durations and amount by issuer.

Custodial credit risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty or the Trust, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The deposits are covered by the PDPC of the State of Washington. The PDPC is a statutory authority under Chapter 39.58 RCW. The PDPC approves which banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC by requiring banks and thrifts to pledge securities as collateral. The tables below present investment types, durations and amount by issuer.

Concentration risk: Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The Port's investment guidelines require diversification and set limits on amount of investments by security and by issuer.

Trust deposits and investments: The Trust's cash and cash equivalents of $134,000 and $216,000 as of December 31, 2019 and 2018, respectively, were deposited in qualified depositories as required by state statute.

The Trust follows the Port's investment guidelines as presented in Note 2, Deposits and Investments. The tables below identify the type of investments, concentration of investments in any one issuer and maturities of the Trust portfolio as of December 31 (dollars in thousands):

2019		Maturities (in years)			Percentage of total portfolio
Investment Type	**Fair value**	**Less than 1**	**1-3**	**More than 3**	
Federal Farm Credit Bank	$ 253	$ 253	$ –	$ –	5.3%
Federal Home Loan Bank	1,214	300	914	–	25.3%
Federal National Mortgage Association	1,203	451	752	–	25.1%
United States Treasury Bonds	2,126	250	504	1,372	44.3%
Total investments	**$ 4,796**	**$ 1,254**	**$ 2,170**	**$ 1,372**	**100.0%**
Percentage of total portfolio		26.1%	45.3%	28.6%	100.0%

2018		Maturities (in years)			Percentage of total portfolio
Investment Type	**Fair value**	**Less than 1**	**1-3**	**More than 3**	
Federal Farm Credit Bank	$ 251	$ –	$ 251	$ –	5.3%
Federal Home Loan Bank	1,490	299	893	298	31.3%
Federal Home Loan Mortgage Corporation	199	199	–	–	4.1%
Federal National Mortgage Association	1,679	500	933	246	35.2%
United States Treasury Bonds	1,151	100	247	804	24.1%
Total investments	**$ 4,770**	**$ 1,098**	**$ 2,324**	**$ 1,348**	**100.0%**
Percentage of total portfolio		23.0%	48.7%	28.3%	100.0%

The Trust investments are rated AAA by Moody's equivalent credit rating as of December 31, 2019 and 2018.

The Plan's investments are measured and reported on a fair value basis classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Additional information about the Port's application of fair value measurements can be found in Note 16, Fair Value Measurements.

Fair value of Trust investments as of December 31, 2019 (in thousands):	Level 1	Level 2	Total
Federal Farm Credit Bank	$ –	$ 253	$ 253
Federal Home Loan Bank	602	612	1,214
Federal National Mortgage Association	1,203	–	1,203
United States Treasury Bonds	2,126	–	2,126
Total Post-Employment Health Care Benefits Trust Fund	**$ 3,931**	**$ 865**	**$ 4,796**

Fair value of Trust investments as of December 31, 2018 (in thousands):	Level 1	Level 2	Total
Federal Farm Credit Bank	$ –	$ 251	$ 251
Federal Home Loan Bank	597	893	1,490
Federal Home Loan Mortgage Corporation	199	–	199
Federal National Mortgage Association	1,427	252	1,679
United States Treasury Bonds	1,151	–	1,151
Total Post-Employment Health Care Benefits Trust Fund	**$ 3,374**	**$ 1,396**	**$ 4,770**

NOTE 10. PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1, on property values listed as of the prior May 31. The lien date is January 1. Assessed values are established by the County Assessor at 100% of fair market value. A revaluation of all property is required every six years.

Taxes are due in two equal installments on April 30 and October 31. Collections are distributed monthly to the Port by the County Treasurer. Property taxes are recognized as revenue in the year for which they are levied.

The Port is permitted by law to levy up to 45 cents per $1,000 of assessed valuation for general Port purposes. The rate may be adjusted for either of the following reasons:

(a) Washington State law in RCW 84.55 limits the growth of regular property taxes, but it allows additional amounts for new construction. The Port is allowed to raise revenues in excess of the limit if approved by a majority of the voters as provided in RCW 84.55.050.

(b) The Port may voluntarily levy taxes at a lower rate.

Special levies approved by the voters are not subject to the above limitations.

In 2019, the Port's regular tax levy was $0.183 per $1,000 on total assessed valuation of $114,163,259,000 for a total regular levy amount of $20,938,000. In 2018, the Port's regular tax levy was $0.184 per $1,000 on a total assessed valuation of $101,393,431,000 for a total regular levy amount of $18,623,000.

NOTE 11. COMMITMENTS AND OTHER LONG-TERM LIABILITIES

Commitments: The Port has entered into contractual agreements for terminal maintenance, infrastructure improvements, environmental projects and professional services. At December 31, 2019, these future commitments are as follows (dollars in thousands):

Description	Remaining Commitments	
Terminal Projects	$	1,426
Environmental		1,755
Consulting and other		4,047
	$	**7,228**

Included in the commitments above are $98,477 of remaining commitments on contracts issued by the Port as an agent for the NWSA during the transition period. These commitments will be reimbursed by the NWSA.

The Port agreed to purchase support services from the NWSA during NWSA's startup and transition period. The support services received by the Port include executive management, commercial management, planning and environmental support services. During the transition period, the agreements will be renewed annually. Additional information regarding commitments of the NWSA is presented in Note 17, Joint Venture.

Other long-term liabilities: Other long-term liabilities consist primarily of environmental liabilities (see Note 12) and other deferred commitments as further discussed below.

In 2013, the Port executed a land swap with a joint venture comprised of the Puyallup Tribe (the Tribe) and private parties. This agreement was initially approved by the Port commission in 2008. This agreement is deemed essential for the development of the Blair waterway and the continued relationships with the Port's customers.

The agreement required the Port to transfer 24.4 acres of land to the Tribe, and in exchange, the Tribe will cutback 12.5 acres of the Blair waterway for the Port's use as a right-of-way. As a part of this agreement, the Port agreed to pay for dredging the channel width from 650 feet to 850 feet at some point in the future. The estimated cost of this project is $28.0 million. The $28.0 million is recorded in other long-term liabilities on the statements of net position at December 31, 2019 and 2018.

The Port accounted for this transaction as a "like-kind" property exchange without commercial substance. The assets received in this exchange have an indefinite life and therefore per GASB 51, Accounting and Financial Reporting for Intangible Assets, will be recorded as intangible assets in the statements of net position. Also, since the acquired assets have an indefinite life, they will not be amortized.

NOTE 12. ENVIRONMENTAL LIABILITIES

The Port monitors properties throughout the tideflats for current and potential effects of hazardous substances. The Port has identified or in some cases has been designated by state or federal government with the responsibility to address remediation activities such as site assessments and cleanups.

Existing environmental liabilities on property and facilities licensed to NWSA will remain the responsibility of the Port. However, environmental liabilities that arise from development of new facilities for NWSA customers will be the responsibility of NWSA.

Future expenditures for environmental remediation obligations using the expected cash flow technique were $28.3 million and $28.8 million at December 31, 2019 and 2018, respectively. This liability is included in environmental liability on the accompanying statements of net position. Recoveries of environmental remediation costs from other parties are recorded as a reduction of the related costs using the expected cash flow technique. Significant remediation obligations are discussed in the following paragraphs:

In 2017, a feasibility study was completed for the re-development of a log processing facility for future terminal expansion. In 2018, a settlement was reached with the previous owner and a cash payment of $8.6 million was received to pay for future environmental costs. Those costs are expected to be capitalized and are included in the environmental liability. The capital and expense environmental remediation obligation was $11.4 million and $11.1 million at December 31, 2019 and 2018, respectively.

In 2014, the Port recorded $5.2 million for contamination discovered on a parcel on the Blair Peninsula that entered the pre-design stage for a new terminal. The environmental remediation obligation was $4.8 million and $4.7 million at December 31, 2019 and 2018, respectively.

The Port transferred land to the Tribe in 1988 under the 1988 Puyallup Land Settlement Agreement. The terms of the agreement obligated the Port to remediate the property in the event of future development. In April 2008, the parties entered into a land swap agreement for several of the same parcels for the development of marine terminals. The environmental remediation obligation was $5.3 million and $5.2 million at December 31, 2019 and 2018, respectively.

The Port owns land within the boundaries of the Commencement Bay near the Shore Tideflats Superfund Site, for which a Remedial Investigation and Feasibility Study have been performed by the U.S. Environmental Protection Agency and the Washington State Department of Ecology, pursuant to the Federal Comprehensive Environmental Response Compensation and Liability Act and the Model Toxics Control Act. Remedial actions are currently underway or complete at all known sites. The environmental remediation obligation for the Hylebos waterway superfund site was $1.1 million and $1.2 million at December 31, 2019 and 2018, respectively.

At December 31, 2019, the estimated cost of the environmental remediation projects expected to be capitalized in future periods is approximately $13.3 million.

NOTE 13. CONTINGENCIES

The Port owns land within the boundaries of the Commencement Bay near the Shore Tideflats Superfund Site, for which a Remedial Investigation and a Feasibility Study have been performed by the U.S. Environmental Protection Agency and the Washington State Department of Ecology, pursuant to the Federal Comprehensive Environmental Response Compensation and Liability Act and the Model Toxics Control Act. Remedial actions are currently underway or complete at all known sites. The Port will continue to have liability exposure until the cleanup is complete.

The Port is named as a defendant in various other lawsuits incidental to carrying out its function. The Port believes its ultimate liability, if any, will not be material to the financial statements.

NOTE 14. MAJOR CUSTOMERS

Effective January 1, 2016, the accounting for revenues and expenses associated with Licensed Properties became the responsibility of the NWSA and that activity is reflected on the statements of revenues, expenses and changes in net position as Joint Venture income. Joint Venture income in 2019 and 2018 was $48.0 million and $56.0 million, respectively, and 63.7% and 70.3% of total revenue, respectively. Further information on Joint Venture activity with the NWSA can be found in Note 17, Joint Venture.

NOTE 15. RELATED-PARTY TRANSACTIONS

The commissioners of the Port, the CEO and the Deputy Executive Officer also serve as officers and directors of other private and public agencies. The Revised Code of Washington, Section 53, authorizes the Port District to cooperate and invest with such agencies, including trade centers, economic development and other municipal entities. The Port supports such agencies in its normal course of business.

The Port commissioners also govern the NWSA. The NWSA is a separate governmental entity established as a Port Development Authority and is governed by the ports of Tacoma and Seattle as equal members (each a "Managing Member" and, collectively, "Managing Members") with each port acting through its elected commissioners.

The Port hired an Executive Director in June 2019, replacing the previous CEO that served dual roles as the CEO of the Port and NWSA. Additional information on the formation of NWSA and related-party activities are presented in the MD&A, Note 1, Summary of Significant Accounting Policies, and Note 17, Joint Venture.

NOTE 16. FAIR VALUE MEASUREMENTS

The Port's assets and liabilities that are measured and reported on a fair value basis are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Port performs a detailed analysis of the assets and liabilities that are subject to the guidance. The Port's fair value measurements are evaluated by an independent third-party vendor. The third-party vendor uses a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. Level 1 inputs are quoted prices in active markets for identical assets assessed at the measurement date. An active market for the asset is a principal market in which transactions for the asset are open to many and occur with sufficient frequency and volume. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets where there isn't sufficient activity, and/or where price quotations vary substantially either over time or among market makers (some brokered markets, for example), or in which little information is released publicly. Level 2 investments that do not have observable trade data are valued using the present value of expected future cash flow model option or the adjusted discounted cash flow model technique. The Port does not have any Level 3 assets or liabilities at December 31, 2019 and 2018.

The Port has four swaps outstanding so that it may mitigate interest rate risk. The swaps synthetically fix or "lock-in" interest rates on variable revenue bond debt by providing cash flows that are intended to offset the variable-rate bond payments, leaving the Port with the fixed payment identified in each swap agreement. The fair value of the interest rate swap agreement (used for purposes other than trading) are the estimated amounts the Port would pay to terminate the swap agreement at the reporting date, taking into account current interest rates for the swap agreement and the creditworthiness of the swap counterparty and the third-party bond insurer.

The table below presents the balances of assets and liabilities measured at fair value by level within the hierarchy at December 31, 2019 and 2018 (dollars in thousands):

Fair Value of Assets and Liabilities as of December 31, 2019	Level 1	Level 2	Total
Investments – Enterprise Fund:			
Federal Agricultural Mortgage Corporation	$ –	$ 2,006	$ 2,006
Federal Farm Credit Bank	2,005	4,007	6,012
Federal Home Loan Bank	–	5,014	5,014
Federal Home Loan Mortgage Corporation	–	5,006	5,006
Federal National Mortgage Association	1,999	1,982	3,981
Municipal Bonds	11,410	38,911	50,321
Supranationals	–	6,037	6,037
United States Treasury Bonds	2,008	933	2,941
Total investments – Enterprise Fund	**$ 17,422**	**$ 63,896**	**$ 81,318**
Long-term debt – interest rate swaps	$ –	$ 65,717	$ 65,717

Fair Value of Assets and Liabilities as of December 31, 2018	Level 1	Level 2	Total
Investments – Enterprise Fund:			
Federal Agricultural Mortgage Corporation	$ –	$ 1,983	$ 1,983
Federal Farm Credit Bank	–	9,866	9,866
Federal Home Loan Bank	–	4,942	4,942
Federal Home Loan Mortgage Corporation	1,013	4,974	5,987
Federal National Mortgage Association	3,926	4,883	8,809
Municipal Bonds	11,718	54,202	65,920
United States Treasury Bonds	7,424	5,152	12,576
Total investments – Enterprise Fund	**$ 24,081**	**$ 86,002**	**$ 110,083**
Long-term debt – interest rate swaps	$ –	$ 51,744	$ 51,744

NOTE 17. JOINT VENTURE

The home ports share net income and cash distributions from the NWSA on a 50/50 basis. The Port's 50% share of NWSA net income and cash distributions are presented on the statements of net position as investment in joint venture. The NWSA Joint Venture income is recorded monthly and the cash distributions from the NWSA are generally received in the following month.

The investment in Joint Venture as of December 31, 2019, is presented as follows (dollars in thousands):

Description	January 1, 2019	2019 Activity	December 31, 2019
Working capital contributions	$ 25,500	$ –	$ 25,500
Capital construction contributions	104,293	44,305	148,598
Noncash capital work-in-process	8,906	–	8,906
Total contributions	**$ 138,699**	**$ 44,305**	**$ 183,004**
Joint Venture income	$ 172,501	$ 47,979	$ 220,480
Distributions from Joint Venture	(168,692)	(57,595)	(226,287)
End balance	**$ 142,508**	**$ 34,689**	**$ 177,197**

The investment in Joint Venture as of December 31, 2018, is presented as follows (dollars in thousands):

Description	January 1, 2018	2018 Activity	December 31, 2018
Working capital contributions	$ 25,500	$ –	$ 25,500
Capital construction contributions	62,630	41,663	104,293
Noncash capital work-in-process	8,906	–	8,906
Total contributions	**$ 97,036**	**$ 41,663**	**$ 138,699**
Joint Venture income	$ 116,509	$ 55,992	$ 172,501
Distributions from Joint Venture	(109,272)	(59,420)	(168,692)
End balance	**$ 104,273**	**$ 38,235**	**$ 142,508**

Cash distributions from the NWSA are generally received in the following month. The Port's receivable for cash distributions earned through December 31, 2019 and 2018, were $9.1 million and $3.8 million, respectively, and are presented on the statements of net position as related-party receivables – joint venture.

The Port and the NWSA have entered into agreements to provide support services to each other during NWSA's start-up and transition period as the NWSA works to set up back office infrastructure and staff positions. The support services provided by the Port to the NWSA include equipment and facilities maintenance, security, facilities development, finance and accounting, procurement, public affairs, information technology, risk management and office infrastructure. The costs for these services provided by the Port to the NWSA are based on agreed-upon direct charges and allocations. These support services totaled $32.5 million in 2019 and $29.9 million in 2018.

Support services provided by the NWSA to the Port include executive management, commercial management, planning and environmental support services. The costs for these services provided by the NWSA to the Port are based on agreed-upon direct charges and allocations. These support services totaled $1.4 million in 2019 and $1.4 million in 2018.

The Port invoices the net amount of the support services, capital construction spending and operating costs incurred for NWSA operations to the NWSA monthly and payments are typically received in the following month. The net amount of these receivables at December 31, 2019 and 2018, was $7.2 million and $1.2 million, respectively, and is included in related-party receivables – joint venture on the statements of net position.

A summarized statement of net position of the NWSA and its statement of revenues, expenses and changes in net position for the years ended December 31, 2019 and 2018, is as follows (dollars in thousands):

	2019	2018
Total assets and deferred outflows	$ 429,308	$ 343,804
Total liabilities and deferred inflows	75,932	59,805
Total net position	**$ 353,376**	**$ 283,999**
Total operating revenues	$ 195,022	$ 192,574
Total operating expenses	100,501	89,132
Non-operating income, net	(2,431)	4,638
Capital grant contributions	3,868	3,905
Increase in net position before Managing Member contributions and distributions	$ 95,958	$ 111,985
Managing Member contributions and distributions, net	$ (26,581)	$ (35,514)
Increase in net position	$ 69,377	$ 76,471
Net position, beginning of year	$ 283,999	$ 207,528
Net position, end of year	**$ 353,376**	**$ 283,999**

The NWSA financial report may be obtained at: www.nwseaportalliance.com.

NOTE 18. SPECIAL ITEM

In December 2019, the Port Commission approved a resolution committing the Port to providing a contribution of up to $27.0 million in the form of cash and land to the State Route 167 (SR-167) Completion Project, which is part of the Puget Sound Gateway Program. The SR 167 Completion Project, one of two Puget Sound Gateway Program projects will build the remaining four miles of SR 167 between Meridian Avenue in Puyallup and I-5, completing a long-planned connection to I-5 and will help ensure that people and goods move more reliably through the Puget Sound region. The Port evaluated the treatment of this transaction under GASB 62, and has concluded this transaction qualifies for treatment as a special item based on the unusual nature of the transaction and because the Port does not have the ability to control or own the asset being built. At December 31, 2019, the Port has recognized special item expense totaling approximately $21,977,000 and will also transfer certain assets, valued at approximately $5.0 million, in satisfaction of this resolution. The liability, totaling approximately $21,977,000, is included in other liabilities in the accompanying statements of net position.

NOTE 19. SUBSEQUENT EVENTS

Subsequent event: On March 11, 2020, the World Health Organization characterized COVID-19 as a global pandemic. A significant portion of the cargo that moves through our gateway is to and from Asia, specifically China. As the recent outbreak of COVID-19 continues to spread throughout the supply chain, we believe it has the potential to have a negative impact on our operating results and financial condition. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on supply chains and supply chain employees, which, at this time, are uncertain and cannot be predicted. Given these uncertainties, we cannot reasonably estimate the related impact to our business, operating results and financial condition.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Enterprise Fund

Schedule of Port of Tacoma's Share of Net Pension Asset/Liability (NPA/NPL), December 31, 2019, 2018, 2017, 2016 and 2015 (dollars in thousands)

PERS Plan 1	2019	2018	2017	2016	2015 (1)
Port's proportion of NPL	0.161%	0.160%	0.177%	0.190%	0.187%
Port's proportionate share of NPL	$ 6,172	$ 7,165	$ 8,412	$ 10,213	$ 9,803
Port's covered payroll	$ 38	$ 72	$ 70	$ 67	$ 84
Port's proportionate share of the net pension liability (asset) as a percentage of its covered payroll (plan year)	16391.8%	9951.4%	12017.1%	15243.3%	11732.9%
Plan fiduciary net pension positions as a percentage of the total pension liability (plan year)	67.1%	63.2%	61.2%	57.0%	59.1%
Contractually required contribution	$ 1,189	$ 1,032	$ 1,059	$ 1,136	$ 954
Contributions in relation to the contractually required contribution	(1,108)	(1,118)	(963)	(1,152)	(954)
Contribution deficiency (excess)	**$ 81**	**$ (86)**	**$ 96**	**$ (16)**	**$ –**
Port's covered payroll (Port's fiscal year)	$ –	$ 72	$ 70	$ 67	$ 84
Contributions as a percentage of covered payroll (Port's fiscal year)	NA	1532%	1376%	1719%	1141%

PERS Plan 2/3	2019	2018	2017	2016	2015 (1)
Port's proportion of NPL	0.206%	0.2042%	0.2265%	0.2395%	0.2397%
Port's proportionate share of NPL	$ 2,004	$ 3,487	$ 7,869	$ 12,057	$ 8,565
Port's covered payroll	$ 23,210	$ 21,200	$ 20,352	$ 23,892	$ 21,554
Port's proportionate share of the net pension liability (asset) as a percentage of its covered payroll (plan year)	8.6%	16.4%	38.7%	50.5%	39.7%
Plan fiduciary net pension positions as a percentage of the total pension liability (plan year)	97.8%	95.8%	91.0%	85.8%	89.2%
Contractually required contribution	$ 1,789	$ 1,631	$ 1,479	$ 1,526	$ 1,252
Contributions in relation to the contractually required contribution	(1,770)	(1,641)	(1,479)	(1,526)	(1,252)
Contribution deficiency (excess)	**$ 19**	**$ (10)**	**$ –**	**$ –**	**$ –**
Port's covered payroll (Port's fiscal year)	$ 22,405	$ 21,887	$ 20,352	$ 23,892	$ 21,554
Contributions as a percentage of covered payroll (Port's fiscal year)	7.9%	7.5%	7.1%	6.2%	5.8%

(1) Schedule is intended to show information for 10 years; however, due to implementation of GASB Statement 68 in 2015, prior years not available.

Notes to Required Supplementary Information: See Note 8 of the financial statements for additional information on the plan.

Post-Employment Health Care Benefits Trust Fund

Schedule of Changes in Port of Tacoma's Net OPEB Asset and Related Ratios, December 31, 2019, 2018 and 2017 (dollars in thousands)

	2019	2018	2017
Total OPEB liability:			
Service cost	$ 72	$ 75	$ 89
Interest	103	101	111
Change of benefit terms	–	–	–
Differences between actual and expected experience	(210)	(983)	–
Changes of assumptions	48	369	–
Benefit payments	(216)	(207)	(384)
Net change in total OPEB liability	$ (203)	$ (645)	$ (184)
Total OPEB liability – beginning	$ 3,054	$ 3,699	$ 3,883
Total OPEB liability – ending (a)	$ 2,851	$ 3,054	$ 3,699
Plan fiduciary net position:			
Contributions – employer	$ –	$ –	$ –
Net investment income	172	85	44
Benefit payments	(216)	(207)	(418)
Administrative expense	(12)	(12)	(13)
Net change in fiduciary net position	$ (56)	$ (134)	$ (387)
Plan fiduciary net position – beginning	$ 4,986	$ 5,120	$ 5,507
Plan fiduciary net position – ending (b)	$ 4,930	$ 4,986	$ 5,120
Net OPEB asset ending (a)-(b)	**$ 2,079**	**$ 1,932**	**$ 1,421**
Plan fiduciary net position as a percentage of the total OPEB liability	172.9%	163.3%	138.4%
Covered-employee payroll	**$ 1,440**	**$ 1,615**	**$ 1,488**
Net OPEB liability as a percentage of the total OPEB liability	144.4%	119.6%	95.5%

Post-Employment Health Care Benefits Trust Fund

Schedule of Port of Tacoma's Contributions, December 31, 2019, 2018 and 2017 (dollars in thousands)

	2019	2018	2017
Schedule of contributions:			
Actuarially determined contribution	$ 89	$ 93	$ 106
Contribution in relation to the actuarially determined contribution	–	–	–
Contribution deficiency	**$ 89**	**$ 93**	**$ 106**
Contributions as a percentage of covered-employee payroll	0.0%	0.0%	0.0%
Schedule of investment returns:			
Annual money-weighted rate of return, net of investment expense	3.34%	1.49%	0.59%

In August 2019, Port leaders joined the Puyallup Tribe of Indians at the renaming ceremony of the Fishing War Memorial Bridge, formerly known as the Puyallup River Bridge.

SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

Information for Bondholders

This information is provided as a convenience to bondholders and other institutions to assist them in reviewing historical financial information.

Comparative Schedule of Net Revenues Available for Debt Service (dollars in thousands)

	2019	2018	2017	2016	2015
Revenues					
Total Operating Revenues	**$ 75,351**	**$ 79,600**	**$ 76,612**	**$ 85,129**	**$ 143,897**
Joint Venture Cash Adjustments (1)	5,655	(538)	94	(3,921)	–
Non-operating Revenues (2), (3), (4), (5)	6,154	5,005	3,585	2,206	2,381
Total Revenues Available for Senior Debt Service	**$ 87,160**	**$ 84,066**	**$ 80,291**	**$ 83,414**	**$ 146,277**
Expenses					
Total Operating Expenses, excluding depreciation (6)	**$ 17,237**	**$ 16,994**	**$ 18,062**	**$ 12,944**	**$ 72,577**
Non-operating Expenses (7), (8), (9), (10)	1,067	259	345	98	201
Total Expenses, excluding depreciation	**18,304**	**17,252**	**18,406**	**13,042**	**72,778**
Less Levy Available for Capital Improvement (7), (11)	10,880	9,033	4,683	1,641	348
Net Expenses	**$ 7,424**	**$ 8,220**	**$ 13,724**	**$ 11,401**	**$ 72,430**
Net Revenues Available for Senior Debt Service	**$ 79,735**	**$ 75,847**	**$ 66,568**	**$ 72,012**	**$ 73,847**
Debt Service Senior Lien debt	13,099	12,802	9,713	5,531	4,399
Debt Service Coverage (Senior Lien Debt)	**6.09**	**5.92**	**6.85**	**13.02**	**16.79**
Net Revenues Available for Senior Debt Service	**$ 79,735**	**$ 75,847**	**$ 66,568**	**$ 72,012**	**$ 73,847**
Less Subordinate Lien Rate Stabilization (12)	(5,000)	–	–	(2,000)	(6,000)
Less Senior Lien Debt Service	(13,099)	(12,802)	(9,713)	(5,531)	(4,399)
Net Revenues Available for Subordinate Debt Service	**61,636**	**63,045**	**56,855**	**64,482**	**63,448**
Debt Service Subordinate Debt (13), (14)	17,422	18,095	20,135	21,786	22,034
Debt Service Coverage (Subordinate Lien Debt) (13)	**3.54**	**3.48**	**2.82**	**2.96**	**2.88**
Net Revenues Available for Senior Debt Service	**$ 79,735**	**$ 75,847**	**$ 66,568**	**$ 72,012**	**$ 73,847**
Less Subordinate Lien Rate Stabilization	(5,000)	–	–	(2,000)	(6,000)
Net Revenues Available for fully Diluted Debt Service	**74,735**	**75,847**	**66,568**	**70,012**	**67,847**
Debt Service; Senior, Subordinate and lowest lien debt (15)	30,521	30,897	29,848	27,316	26,432
Debt Service Coverage – Fully Diluted (13), (15)	**2.45**	**2.45**	**2.23**	**2.56**	**2.57**

Note: Above schedule does not include levies for general obligation bond issues outstanding.

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	2019	2018	2017	2016	2015
Footnotes					
(1) JV revenues are adjusted for cash flows from revenues or expenditures that would be excluded from debt service coverage if directly applied to the Port financials					
(2) Excluded from non-operating revenues is interest earned on investment of:					
General Obligation Bonds	$ –	$ –	$ 82	$ 24	$ 7
Construction funds	221	534	487	154	–
(3) Excluded from non-operating revenues is capital contribution and other miscellaneous non-operating income	506	12,753	1,012	7,116	1,690
(4) Excluded from non-operating revenues is gain(loss) on disposal or impairment of property	3,511	–	–	(3,534)	(5,846)
(5) Excluded from non-operating revenues is gain(loss) on market value of investments	2,137	(1,125)	156	47	72
(6) Operating expenses are adjusted to include (exclude) items not attributable to ongoing operations	2,138	(683)	1,669	287	–
(7) Excluded from non-operating expenses is cost of bond issue, net of discounts, premiums and other debt costs and election expense	(322)	(859)	(34)	124	767
(8) Excluded from non-operating expense is interest expense and interest funded from bond proceeds	20,096	20,825	20,258	18,516	18,087
(9) Excluded from interest expense is capitalized interest	12	227	56	85	597
(10) Excluded from non-operating expense are contributions to other agencies and other expenses not attributable to operations	$ 1,437	$ 5,998	$ 594	$ 1,407	$ 4,813
(11) Washington Port Districts are authorized to levy ad valorem tax of $0.45 per $1,000 of assessed valuation on all taxable property within their jurisdiction for operations, maintenance, capital improvements and general port purposes					
(12) Amounts withdrawn from the Rate Stabilization Account shall increase Gross Revenue for the period in which they are withdrawn, and amounts deposited in the Rate Stabilization Account shall reduce Gross Revenue for the period during which they are deposited					
(13) The Port is authorized to issue from time to time an aggregate principal amount not to exceed $100,000,000 under the port's Subordinate Lien Commercial Paper Program. Debt service shown in this table for the commercial paper program is based on actual interest payments only on amounts outstanding under this program during the period of calculation					
(14) Included payment made to credit and liquidity providers					
(15) Included the debt service of lowest lien					

Revenue Bond Debt Service Schedule (dollars in thousands)

Bond Series	2008 Subordinate Refunding			2008 Subordinate			2019A Subordinate Refunding		
	Original Issue Amount $117,210			Original Issue Amount $113,000			Original Issue Amount $40,490		
Payment Date	Principal	Interest[1]	Total	Principal	Interest[1]	Total	Principal	Interest[1]	Total
2020	$ 3,080	$ 946	$ 4,026		$ 1,858	$ 1,858		$ 580	$ 580
2021	3,205	751	3,956		1,551	1,551		484	484
2022	3,330	571	3,901		1,246	1,246		389	389
2023	3,465	537	4,002		1,246	1,246		389	389
2024	3,605	501	4,106		1,246	1,246		389	389
2025	3,750	465	4,215		1,246	1,246		389	389
2026	3,900	426	4,326		1,246	1,246		389	389
2027	4,055	387	4,442		1,246	1,246		389	389
2028	4,215	345	4,560		1,246	1,246		389	389
2029	4,385	302	4,687		1,246	1,246		389	389
2030	4,560	257	4,817		1,246	1,246		389	389
2031	4,745	211	4,956		1,246	1,246	6,500	389	6,889
2032	4,935	163	5,098		1,246	1,246	8,395	322	8,717
2033	5,130	112	5,242		1,246	1,246	8,815	237	9,052
2034	5,335	60	5,395		1,246	1,246	9,255	147	9,402
2035	535	5	540		1,246	1,246	5,150	53	5,203
2036					1,246	1,246			
2037					1,246	1,246			
2038					1,246	1,246			
2039					1,246	1,246			
2040					1,246	1,246			
2041					1,246	1,246			
2042					1,246	1,246			
2043					1,246	1,246			
2044				122,180	1,246	123,426			
Grand Total*	**$ 62,230**	**$ 6,039**	**$ 68,269**	**$ 122,180**	**$ 32,067**	**$ 154,247**	**$ 38,115**	**$ 5,713**	**$ 43,828**

* Debt outstanding as of the date of the financial report is equal to principal amount shown in the Grand Total line.

[1] Calculated using SIFMA plus the Applicable Spread of the specified series.

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Bond Series	2014A Senior Refunding Original Issue Amount $8,525			2014B Senior Refunding Original Issue Amount $34,345			2016A Senior Refunding Original Issue Amount $36,535		
Payment Date	Principal	Interest[1]	Total	Principal	Interest[1]	Total	Principal	Interest[1]	Total
2020	$ 2,159	$ 109	$ 2,268	$ 2,440	$ 665	$ 3,105		$ 1,744	$ 1,744
2021	2,209	55	2,264	2,505	603	3,108		1,744	1,744
2022				2,570	539	3,109	2,090	1,744	3,834
2023				2,635	473	3,108	2,200	1,639	3,839
2024				2,700	406	3,106	2,285	1,551	3,836
2025				2,770	337	3,107	2,400	1,437	3,837
2026				2,840	267	3,107	2,500	1,341	3,841
2027				2,915	194	3,109	2,625	1,216	3,841
2028				2,985	120	3,105	2,760	1,085	3,845
2029				1,715	44	1,759	2,895	947	3,842
2030							3,040	802	3,842
2031							3,185	650	3,835
2032							3,350	491	3,841
2033							3,515	323	3,838
2034							3,690	148	3,838
2035									
2036									
2037									
2038									
2039									
2040									
2041									
2042									
2043									
2044									
Grand Total*	**$ 4,368**	**$ 164**	**$ 4,532**	**$ 26,075**	**$ 3,648**	**$ 29,723**	**$ 36,535**	**$ 16,862**	**$ 53,397**

* Debt outstanding as of the date of the financial report is equal to principal amount shown in the Grand Total line.

[1] Calculated using SIFMA plus the Applicable Spread of the specified series.

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Bond Series	2016B Senior Original Issue Amount $103,555			2019A Senior Original Issue Amount $34,630			Swaps		
Payment Date	Principal	Interest[1]	Total	Principal	Interest[1]	Total	Payments[2]	Receipts[3]	Net Payments
2020	$ 630	$ 5,060	$ 5,690	$ 2,335	$ 1,732	$ 4,067	$ 9,064	$ (2,645)	$ 6,419
2021	655	5,035	5,690	2,450	1,615	4,065	8,787	(2,561)	6,226
2022	685	5,002	5,687	2,570	1,492	4,062	8,498	(2,477)	6,021
2023	720	4,968	5,688	2,700	1,364	4,064	8,198	(2,389)	5,809
2024	755	4,932	5,687	2,835	1,229	4,064	7,885	(2,298)	5,587
2025	795	4,894	5,689	2,975	1,087	4,062	7,560	(2,200)	5,360
2026	835	4,855	5,690	3,125	938	4,063	7,222	(2,102)	5,120
2027	875	4,813	5,688	3,280	782	4,062	6,870	(1,999)	4,871
2028	920	4,769	5,689	3,445	618	4,063	6,504	(1,892)	4,612
2029	965	4,723	5,688	3,620	446	4,066	6,123	(1,778)	4,345
2030	1,015	4,675	5,690	3,800	265	4,065	5,727	(1,662)	4,065
2031	1,065	4,624	5,689	1,495	75	1,570	5,315	(1,541)	3,774
2032	1,120	4,571	5,691				4,886	(1,416)	3,470
2033	1,175	4,515	5,690				4,440	(1,283)	3,157
2034	1,230	4,456	5,686				3,976	(1,148)	2,828
2035	8,015	4,395	12,410				3,493	(1,006)	2,487
2036	8,415	3,994	12,409				2,990	(858)	2,132
2037	8,835	3,573	12,408				2,468	(704)	1,764
2038	9,275	3,131	12,406				1,983	(566)	1,417
2039	9,740	2,668	12,408				1,480	(422)	1,058
2040	10,225	2,181	12,406				956	(273)	683
2041	10,740	1,669	12,409				411	(117)	294
2042	11,275	1,132	12,407				48	(14)	34
2043	11,840	569	12,409						
2044									
Grand Total*	**$ 101,800**	**$ 95,204**	**$ 197,004**	**$ 34,630**	**$ 11,643**	**$ 46,273**	**$ 114,884**	**$ (33,351)**	**$ 81,533**

* Debt outstanding as of the date of the financial report is equal to principal amount shown in the Grand Total line.

1 Calculated using SIFMA plus the Applicable Spread of the specified series.

2 Calculated using a weighted swap rate determined annually.

3 Calculated using 70% of the December 2019 1-Month LIBOR (1.196%).

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Bond Series	Total							
Payment Date	Principal		Interest		Net Swap Payments		Total	
2020	$	10,644	$	12,694	$	6,419	$	29,758
2021		11,024		11,838		6,226		29,088
2022		11,245		10,983		6,021		28,249
2023		11,720		10,617		5,809		28,146
2024		12,180		10,255		5,587		28,022
2025		12,690		9,856		5,360		27,906
2026		13,200		9,461		5,120		27,781
2027		13,750		9,027		4,871		27,648
2028		14,325		8,572		4,612		27,509
2029		13,580		8,097		4,345		26,022
2030		12,415		7,634		4,065		24,114
2031		16,990		7,195		3,774		27,959
2032		17,800		6,793		3,470		28,063
2033		18,635		6,433		3,157		28,225
2034		19,510		6,057		2,828		28,394
2035		13,700		5,699		2,487		21,885
2036		8,415		5,240		2,132		15,787
2037		8,835		4,819		1,764		15,418
2038		9,275		4,377		1,417		15,070
2039		9,740		3,914		1,058		14,712
2040		10,225		3,427		683		14,335
2041		10,740		2,915		294		13,950
2042		11,275		2,378		34		13,688
2043		11,840		1,815		0		13,655
2044		122,180		1,246		0		123,426
Grand Total*	**$**	**425,933**	**$**	**171,339**	**$**	**81,535**	**$**	**678,808**

* Debt outstanding as of the date of the financial report is equal to principal amount shown in the Grand Total line.

Tax Collection Information (dollars in thousands)

	Amount of Tax Levy	Tax Collected as of 12/31/18	% Collected
2019	$ 20,938	$ 20,596	98.36%
2018	18,623	18,523	99.46%
2017	16,660	16,612	99.71%
2016	15,013	15,009	99.97%
2015	14,206	14,205	99.99%
2014	$ 13,116	$ 13,116	100.00%

Port Taxing District Assessed Valuation

2019	$ 112,095,696,320
2018	99,592,135,226
2017	89,288,160,406
2016	80,509,018,784
2015	$ 76,299,453,245

Property Tax Levy Available for Capital Improvements (dollars in thousands)

	2019	2018	2017	2016	2015
Total Levy	$ 20,938	$ 18,623	$ 16,660	$ 15,013	$ 14,206
Less Designation for G.O. Debt Service	10,041	9,556	11,948	13,332	13,669
Total Revenues Available for Senior Debt Service	10,897	9,067	4,712	1,681	537
Supplements, Cancellations, Refunds – Net	(17)	(35)	(29)	(41)	(19)
Levy Available for Capital Improvement	$ 10,880	$ 9,032	$ 4,683	$ 1,640	$ 518

Note: Starting 2016, Using accrual amount for debt service, in-line with accrual amount historically used for tax levy

Current Bond Ratings

Rating Agency	Senior Revenue Bonds	Subordinate Revenue Bonds	General Obligation Bonds
Moody's Investor Services	Aa3	A1	Aa2
Standard & Poor's Corporation	AA-	A+	AA

Port employees spoke with high school students at the Pierce County Career Day in November 2019, where more than 3,000 learned about career opportunities in a variety of trades.

2019 ANNUAL FINANCIAL REPORT

Port of Tacoma

The 2019 Annual Financial Report was produced by the Port of Tacoma. For information about this edition, contact the Communications Department.

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