



Citizen Budget Guide

CREATING OPPORTUNITIES FOR ECONOMIC SUCCESS

2018

Final Budget
November 14, 2017



PORT OF EVERETT COMMISSIONERS



BRUCE FINGARSON
District 1



TOM STIGER
District 2



GLEN BACHMAN
District 3

PORT CHIEF EXECUTIVE OFFICER



LES REARDANZ

ABOUT THE PORT

The Port of Everett is an economic development enterprise carrying out the public's trust to manage and develop resources, transportation facilities and supporting infrastructure to enable community opportunity. The Port of Everett strives to bring jobs, business and tourism to its local and surrounding communities, as well as maintain the overall environmental health of our waterfront.

The Port of Everett operates three lines of business: 1.) International shipping terminals; 2.) Marina facilities; and 3.) Real Estate development. The Port operates eight shipping berths situated on approximately 100 acres of land, and specializes in high-value and heavy cargoes, such as transformers, forest products, energy, farm equipment, etc. The seaport is a vital link for the aerospace industry, handling all of the oversized parts of the Boeing 747, 767 (commercial and military) and 777 airplane production lines.

The Port of Everett runs the largest public marina on the West Coast with more than 2,300 recreational boating slips and a 13-lane public boat launch facility. On the real estate side, the Port owns 3,000 acres of waterfront property, including Jetty Island, and is working to restore economic prosperity to the waterfront. The Port's properties also provide numerous public access and recreational opportunities for Port District residents to enjoy.

Port activities support more than 35,000 jobs for the surrounding community.

VISION

We are valued for operating in a sustainable manner that improves the community, environment and economy.

MISSION

The Port of Everett is an Economic Development Enterprise carrying out the public's trust to manage and develop resources, transportation facilities and supporting infrastructure to enable community opportunity.

CORE VALUES

- We exemplify the highest ethical standards
- We honor our commitments to our community
- We are high-performers that value the privilege of public service
- We embrace the richness of a diverse community
- We are responsible stewards of community resources and the environment
- We are mutually dependent and supportive of our partners

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www.portofeverett.com

2018 BUDGET MESSAGE

The Port of Everett Commissioners along with Port staff have been implementing the Port Commission's vision by working through a strategic process to identify a budget and financing plan that allows the Port to address the significant opportunities that are before it. The Port is budgeting for total expenditures in 2018 of \$85.7 million. This total consists of:

- Capital investments of \$43.7 million, plus 2017 project carry-over funds
- Operating expenses of \$24.9 million
- Principal and interest payments on outstanding debt of \$6.2 million
- Environmental cleanups of \$1.2 million, not including interest expense
- Non-operating expenses (i.e. public access) of \$3.3 million. In 2017, the Port began more accurately accounting for its public access contribution, which resulted in an increase in non-operating expenses from 2017 to 2018 of approximately \$114,000.

The 2018 budget proposes a 5-year Capital Improvement Plan that will allow the Everett waterfront to continue to develop as a place of commerce as well as a place for our citizens and guests to recreate. This budget also assumes that the Port will operate in a manner that serves our customers and our constituents with excellence in service and with quality facilities.

The highlight of the Port's 2018 budget is the proposed 5-year Capital Improvement Plan. This budget includes 115 projects both large and small that will accomplish our strategic initiatives to:

- Provide for modernization of the Port's seaport facilities
- Complete Fisherman's Harbor, the first phase of our planned Waterfront Place Central development
- Invest in replacement and repair of infrastructure in the seaport and in our marina
- Continue our investment in both the cleanup of legacy contamination as well as in developing public access facilities for our citizens to enjoy

- The Port will also invest in longer term efforts to enhance our marina and in optimizing our real estate holdings

Each of these efforts will require significant investment. The budget proposes that the Port would have 56 active projects and invest \$43.7 million in 2018. Over the next five years, the Port's preferred capital plan has \$407 million in capital needs, of which \$289 million are in the opportunity category.

From an operational standpoint, operating revenues are budgeted at \$30 million. These revenues will be used to cover all of the Port's direct operational expenses including all of the Port's administrative overhead. This budget assumes a 0.2% increase in revenues, with the Real Estate and Marina division growing, and Seaport declining. The budgeted operating expenses total \$25 million, a 2.5% increase over 2017 year end estimate.

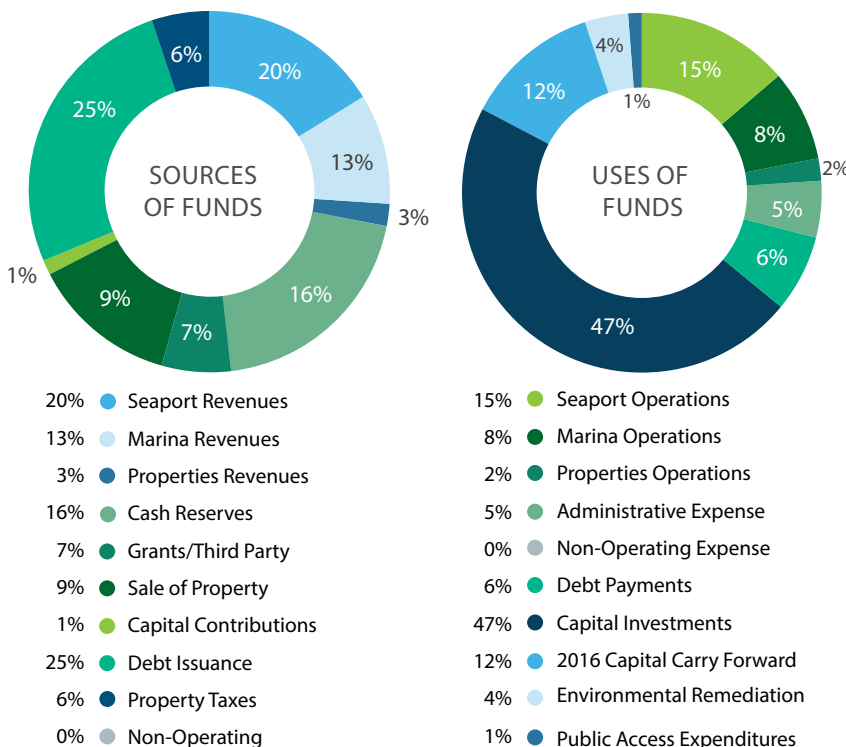
The Port is planning on Non-Operating Revenues of \$5.3 million, which is expected to come primarily from the collection of property taxes and interest earnings. The budget has included a 1% increase in the property tax receipts (see page 11).

Along with the cash flow generated from Operating and Non-operating sources, the Port expects to secure \$7.3 million in 2018 from land sales from Waterfront Place, Riverside Business Park and the Mukilteo Tank Farm. It also proposes financing its capital plan through a combination of cash reserves, the sale of properties and federal and state grants and loans.

The Port of Everett Commission held formal public hearings, along with numerous regular Port Commission meetings on the budget, along with a formal comment period. No public comments were received. The budget was unanimously approved on November 14, 2017.

John R. Carter
Chief Financial Officer

2018 BUDGET FUNDING PLAN: \$85.7 MILLION



2018 BUDGET OVERVIEW

- Total Operating Revenue: \$30 million
- Total Operating Expenses: \$25 million
- Total Capital Budget: \$43.7 million
- Port Tax Collection: \$4.9 million
- Outstanding Debt: \$50.1 million
- Annual Debt Service: \$6.2 million

2018 FUNDING PLAN INCLUDES:

- \$21.8 million in new debt
 - G.O. Bonds \$10 million
 - Federal and State Loans \$10.8 million
 - Line of Credit \$1 million
- Environmental grants: \$1.7 million
- Grants: \$4.3 million
- Property Sales: \$7.3 million

BUDGET ASSUMPTIONS

- Modest business line growth in marina/real estate with a decline in shipping
- No major global economic shocks
- Doesn't include major environmental cleanups and future phases of the Seaport Modernization or Waterfront Place Central projects

STRATEGIC INITIATIVES

In 2018, the Port of Everett is implementing its Seaport Modernization, Waterfront Place and Riverside Business Park Projects totalling \$43.7 million and consisting of 56 individual projects. The Port Commission's top two capital priorities are to modernize our Seaport and create a new waterfront neighborhood with the Waterfront Place Central Development.



1. SEAPORT MODERNIZATION



2. WATERFRONT PLACE

#7 ENHANCING PUBLIC ACCESS

3 PROJECTS

Ensuring appropriate public access to the waterfront

- Waterfront Place Public Open Space*
- Boat Launch Dredging
- Jetty Landing Restroom Refurbishment
- Riverside Business Park Access Improvements*

Total: \$4.9 M
2018 Expenditures: \$350 K

*Approximately \$25.7 million of public access enhancements are included in Initiatives 2 and 6

#8: OTHER PROJECTS

- Support job creation and mitigate regulatory requirements
- Cargo handling equipment

Total: \$4.5 M
2018 Expenditures: \$450 K

DID YOU KNOW?

2018: \$43.7 million in capital and environmental investment in 56 projects.

Total need: 115 construction projects totaling \$407 million in capital need.

#1 SEAPORT MODERNIZATION

14 PROJECTS

Modernize the Port of Everett Seaport to meet 21st Century infrastructure needs

- Terminal Rail Upgrades, Phase 2
- South Terminal Wharf & Electrical Upgrades
- Cargo Handling Equipment
- South Terminal Wharf Extension, Phase 3
- South Terminal (WeyCo Mill A) Cleanup
- Pacific Terminal Wharf Extension

Total: \$200 M
2018 Expenditures: \$24.1 M

#2 CREATING A NEW WATERFRONT COMMUNITY: WATERFRONT PLACE

24 PROJECTS

Initiate phasing of new waterfront community including primary infrastructure

- Seiner Wharf Segment E Bulkhead
- Fisherman's Harbor in-water and upland construction, including the new Pacific Rim Plaza
- Central Marina Improvements - NE Corner
- Wharf's Edge Infrastructure Improvements
- Millwright District Infrastructure Improvements
- Esplanade District Infrastructure Improvements

Total: \$68 M
2018 Expenditures: \$11.1 M

#3 TAKING CARE OF FACILITIES: MAINTENANCE/PRESERVATION

32 PROJECTS

Provide for asset replacement, maintenance and preservation

- Pier 3 Pile Restoration Program
- Replace Marina Guide Piles and Collars Program
- Fender Pile Replacement Program
- Marina Float Rehabilitation Program
- Marina Maintenance Dredging Program

- Pavement Upgrade Program
- Hewitt Bulkhead Renovation

Total: \$20 M
2018 Expenditures: \$2 M

#4 LEAD IN REMEDIATING HISTORIC CONTAMINATION

6 PROJECTS

Continue to aggressively implement strategy to remediate historic pollution in and around Port properties and put them back into productive use*

- Riverside Business Park - ASARCO Cleanup
- Exxon/Mobil Site Cleanup
- East Waterway Cleanup
- Natural Resource Damages

Total: \$8.3 M
2018 Expenditures: \$1.7 M

*Mill A Cleanup, Waterfront Place and Bay Wood Cleanups reflected in other initiatives

#5 DEVELOP SUSTAINABLE MARINA OPERATIONS

8 PROJECTS

Develop and implement a comprehensive marina services plan to ensure success of marina operations and funding for recapitalization

- Marina Recapitalization Phases 1-3
- Craftsman District Expansion Phase 3

Total: \$70 M
2018 Expenditures: \$2.1 M

#6 ENHANCING/OPTIMIZING REAL ESTATE

19 PROJECTS

Expand the Port's lease portfolio and enhance under-utilized real estate

- Riverside Utilities & Public Access Improvements
- South Marina Retail Development
- Port Gardner Landing Redevelopment
- Blue Heron Slough Mitigation Bank
- Land Acquisition Opportunities
- Bay Wood Cleanup

Total: \$31 M
2018 Expenditures: \$2 M

20 YEARS IN THE MAKING ... RIVERSIDE BUSINESS PARK FULL

On October 24, the Port of Everett Commission authorized the CEO to enter into a purchase and sale agreement with Panattoni Development Company for approximately 9.68 acres of the Port's 38-acre Riverside Business Park, located off West Marine View Drive on the Snohomish River.

Panattoni Development Company is one of the largest privately held, full-service real estate development companies in the world. Panattoni is the most active industrial developer in Washington State and was recently named NAIOP's Developer of the Year for Washington. The Seattle Office has developed 16 million square feet of commercial space in the Puget Sound, with 4.4 million square feet currently under development.



"Panattoni is excited to be working with the Port and the City of Everett on another state-of-the-art industrial building. This project will be adding to our resume of over a dozen buildings in Snohomish County all of which were successful projects for us," said Donnie Belk, Senior Development Manager with Panattoni. "We expect to be under construction at Riverside Business Park in the Spring of 2018 with delivery of the finished space by December 2018. We are calling our project Glacier Peak at Riverside Business Park."

The negotiated sale lease price for the land is \$8.75/square foot or approximately \$3.689 million. Panattoni has a 60-day study period, followed by 30 days to close.

With Panattoni's land sale, Latitude's land lease and KW Projects purchase, all but two lots of the business park are under contract. The three parcels are projected to generate as many as 400 direct jobs, with 2.8 additional jobs in the community per new position created. Overall, the new development generates additional state and local taxes in excess of \$733,000 and supports more than 700 temporary construction jobs. In addition to the private development, the Port has commenced its construction of the new 8th Street access road and trail system to support the community's goals of public access to the waterfront.

PROJECTS.PROJECTS.PROJECTS.



INTERNATIONAL SEAPORT

BUDGET OVERVIEW

- Operating Revenue: \$17 Million
- Operating Expenses: \$12.5 Million
- 2018 Capital Budget: \$23.01 Million
- 57% of Total Port Operating Revenues
- 24% Revenue Decrease From 2017 Budget

BUDGET ASSUMPTIONS

- Slower aerospace business
- Flat growth in project cargoes
- Declining oil and gas business

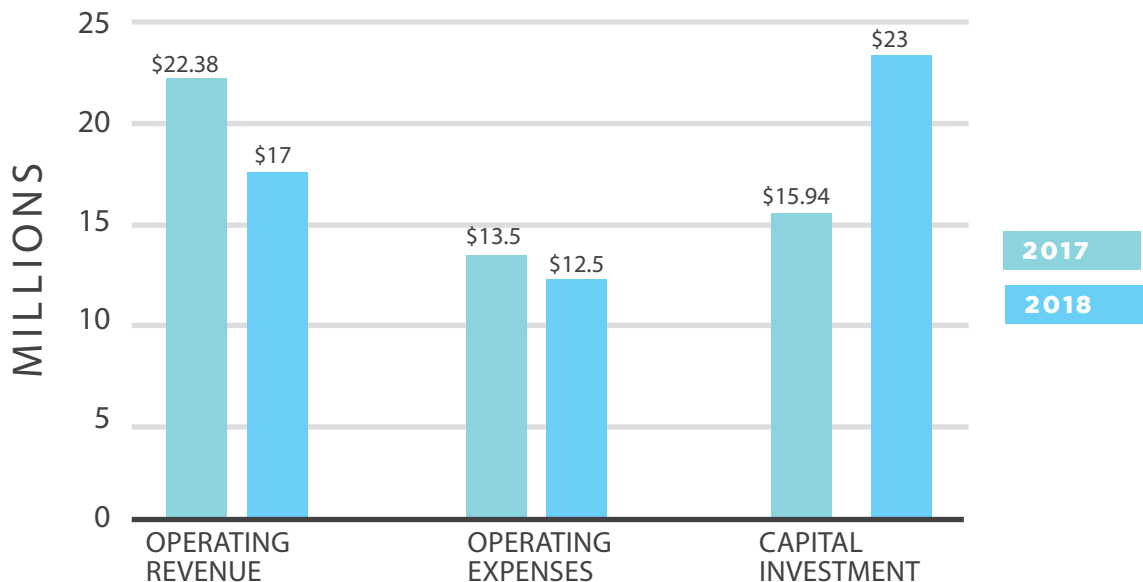
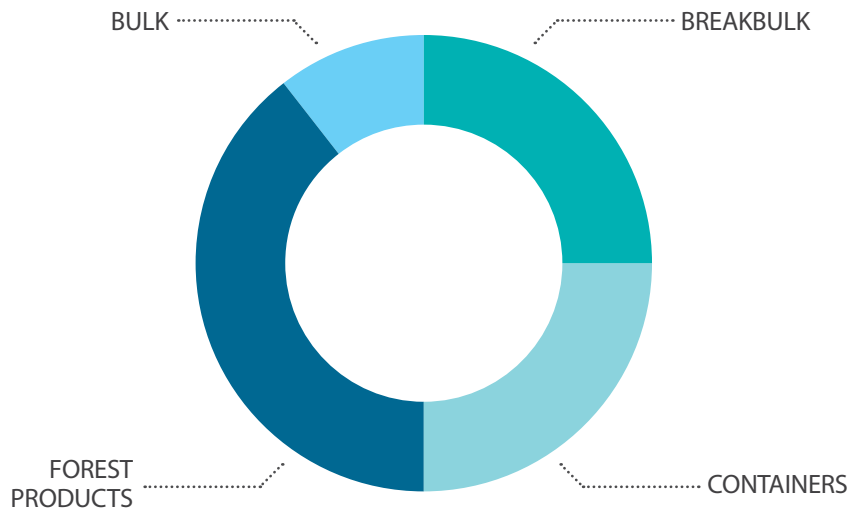
COMMUNITY BENEFITS

- Supports major employer in Washington state
- More than 34,000 jobs supported
- Generates nearly \$373 million in tax revenue

CHALLENGES

- Federal policy uncertainty
- Low oil prices
- Exports affected by strong U.S. dollar
- Canadian Dollar vs. U.S. dollar
- Russian sanctions

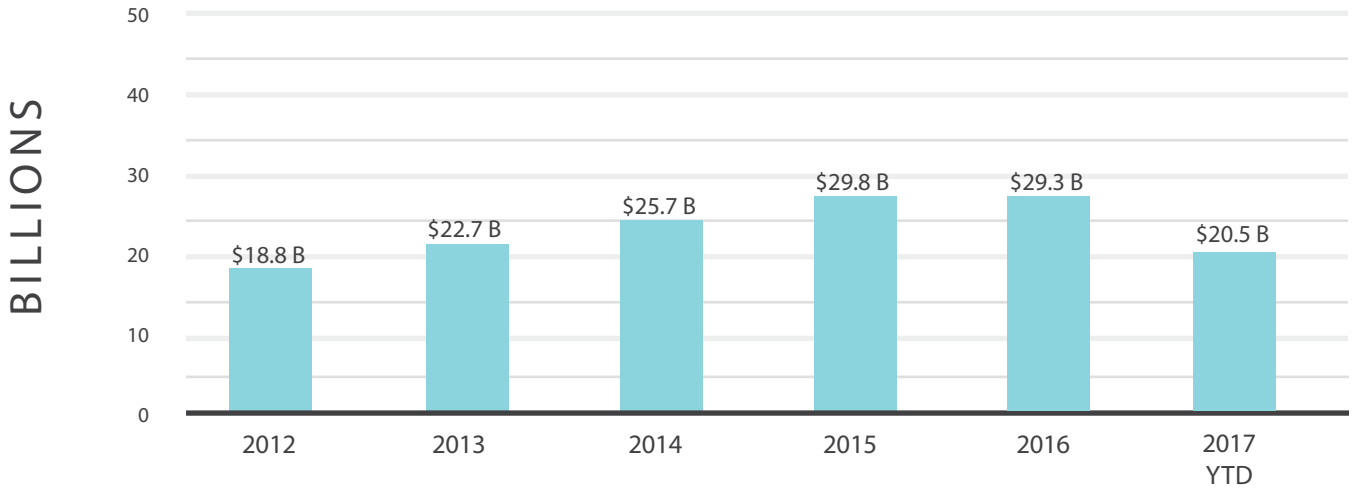
PORT OF EVERETT CARGO MIX



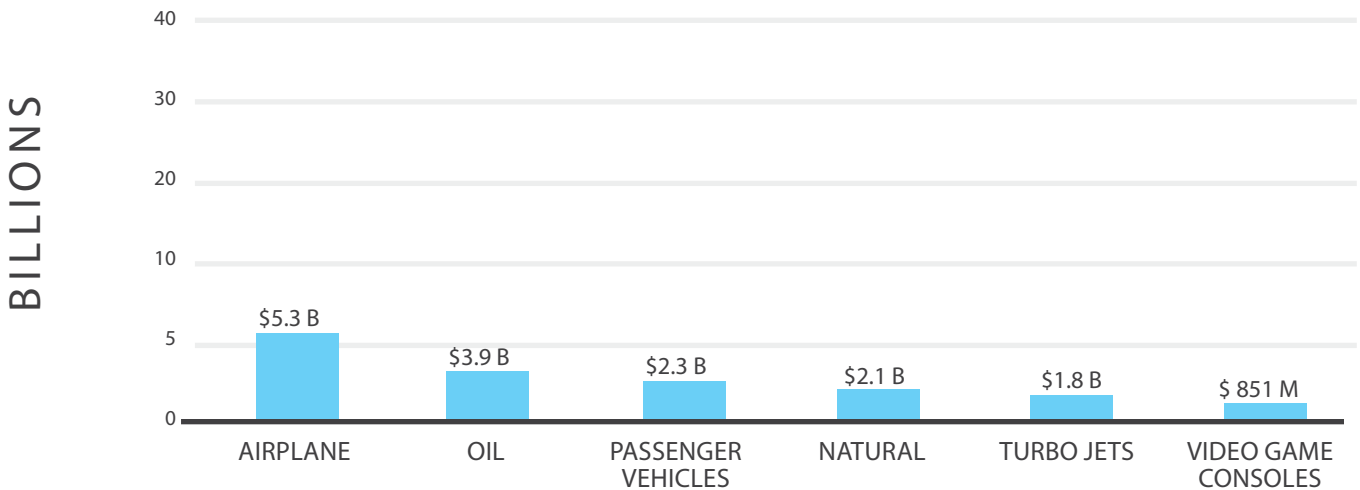
EXPORT OVERVIEW

DID YOU KNOW?
60% of all jobs in Snohomish County are tied to trade

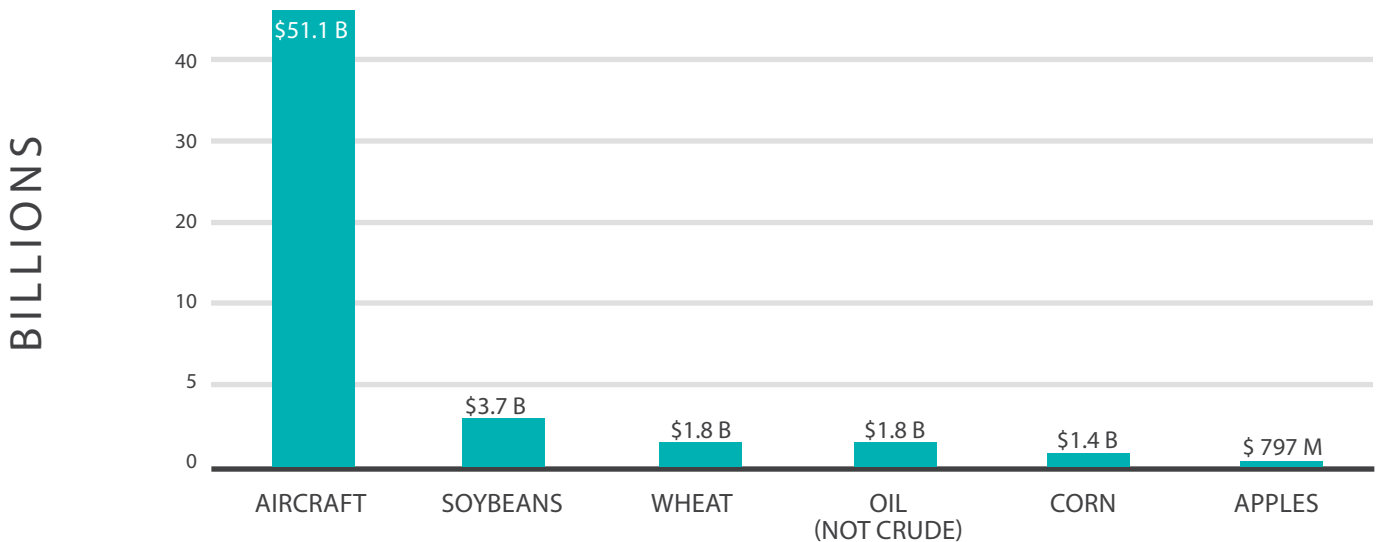
OUR EXPORT VALUE



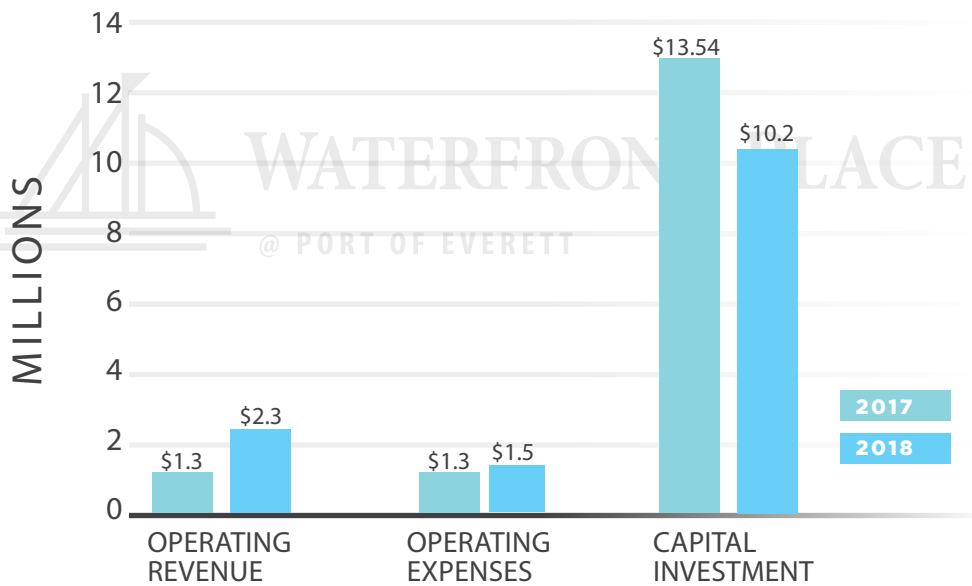
STATE'S TOP IMPORTS BY VALUE



STATE'S TOP EXPORTS BY VALUE



REAL ESTATE Waterfront Place



BUDGET OVERVIEW

- Operating Revenue: \$2.3 Million
- Operating Expenses: \$1.5 Million
- 2018 Capital Budget: \$10.2 Million
- 8% of Total Port Operating Revenues
- 75% Revenue Increase From 2017 Budget

BUDGET ASSUMPTIONS

- Anticipate modest revenue growth
- Revenue will rise faster than expenses

COMMUNITY BENEFITS

- Investing in a new waterfront community
- Improving public access to the waterfront
- Creating opportunities for job growth

CHALLENGES

- Timing of new development revenues
- Capital investment to realize stable real estate revenues

2017 ACTIVE PORT LEASES

- All Ocean Services
- Ameron International
- Anthony's Restaurants: Homeport
- Anthony's Restaurants: Woodfire
- B&B Marine
- Bay Psychiatric, Inc.
- Bayside Holdings LLC (Everett Bayside)
- Bellingham Yacht Sales
- Bluewater Distilling
- Brusco Tug and Barge
- Coastal Marine (Arrowcat)
- Cross Water Yacht Sales
- Dunlap Industrial Supply
- Dunlap Tug and Barge
- Eagle Mortgage
- EvCC ORCA
- Everett Clinic Medical Group
- Everett Farmer's Market
- Everett Yacht Club
- Everett Yacht Service & Repair
- East West Gold
- Hat Island
- Inn at Port Gardner (Grace K Corp)
- Ivar's
- Lehigh Cement
- Marina Village
- Marine Power Service
- Milltown Sailing Association, Inc.
- Moon Tree
- Nickel Brothers
- Northwest Retina, LLC
- OceanGate
- Port Gardner Yacht Brokerage
- Propulsion Controls Engineering, Inc.
- Scuttlebutt Brewing Co
- Seas the Day Café
- Seaworthy
- SIS Holdings
- Site Development Associates
- Waters Edge Salon
- Western Wash. Medical Group, Inc.
- Westview, LLC (Stuchel)
- Vigor Marine

2017 WATERFRONT EVENTS

- 23 Farmers Markets
- 19 Summer Concerts
- 6 Outdoor Movies
- Jetty Island Days
- Food Truck Fridays
- 6 Bus & Harbor Tours
- Everett Blackmouth Derby
- Jetty Island Race
- Everett Half Marathon
- Milltown Sailing Swap Meet
- Mukilteo Yacht Club Opening Day of Boating
- Marina Cleanup Day
- Rock the Boat Concert
- Blues Festival
- Fresh Paint Arts Festival
- Wheels on the Waterfront
- Salmon for Soldiers
- Everett No-Coho Blackmouth Salmon Derby
- Walk to End Alzheimer's
- Holiday on the Bay
- Tall Ship Lady Washington





PORT OF EVERETT MARINA

BUDGET OVERVIEW

- Operating Revenue: \$10.8 Million
- Operating Expenses: \$7 Million
- 2018 Capital Budget: \$7 Million
- 36% of Total Port Operating Revenues
- 3.6% Revenue Increase From 2017 Budget

BUDGET ASSUMPTIONS

- Anticipate modest revenue growth
- Expenses are rising (i.e. utilities, water)
- Low fuel prices will continue

COMMUNITY BENEFITS

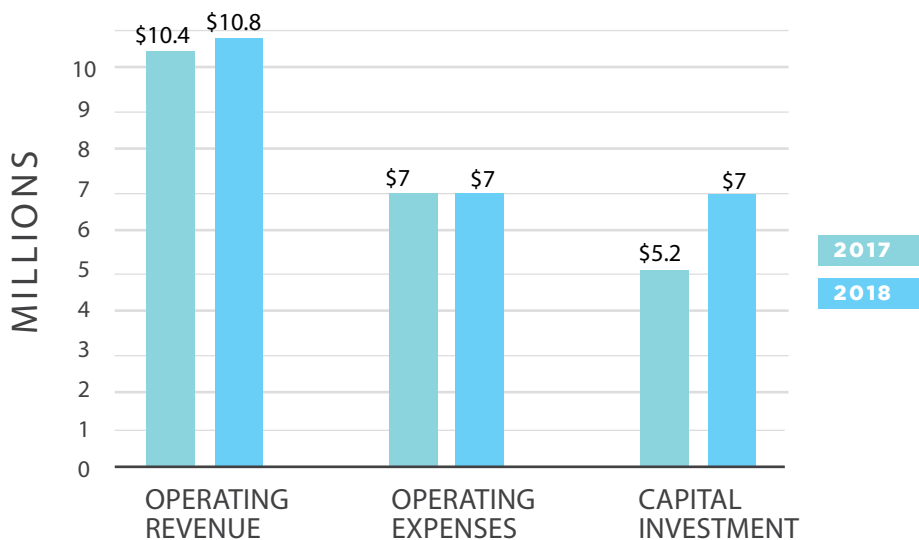
- State's largest recreational boating community
- More than 1,000 jobs supported
- Extensive waterfront public access network

CHALLENGES

- Generating enough operating margin to recapitalize the marina facilities
- Regulatory environment

DID YOU KNOW?

The Port is investing more than \$4.7 million in marina improvements as part of the Waterfront Place Central Development.



ENVIRONMENT



COMMUNITY BENEFITS

- Restores and enhances the health of the Puget Sound
- Restores economic prosperity to under-utilized assets
- Creates jobs

CHALLENGES

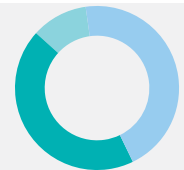
- Funding uncertainty
- Declining oil prices have reduced available funds for environmental remediation
- Washington State Legislature continues to expand the uses of the voter-approved Model Toxics Control Account funds, which were specifically meant to remediate historic contamination

2017 ENVIRONMENTAL ACHIEVEMENTS

- Won Gold Award from ACEC Washington for the Waterfront Place Cleanup & Infrastructure Project for Social, Economic, and Sustainable Design
- Became a new Member of the Green Marine Environmental Stewardship Program for the Marine Terminals
- Completed the Mill-A Interim Action Dredging to expedite environmental cleanup and expand the Pacific Terminal berth
- Facilitated six property transactions at recently cleaned up brownfield redevelopment properties
- Achieved the Port's 365-acre Blue Heron Slough site as the preferred restoration site by the Port Gardner Bay Trustee Group for the bay-wide settlement
- Received a dredge disposal suitability determination for its South and Central Marina based on a first of its kind bio-accumulation study
- Installed first round of innovative storm-water treatment systems at the Waterfront Place Central, best described as underground wetlands

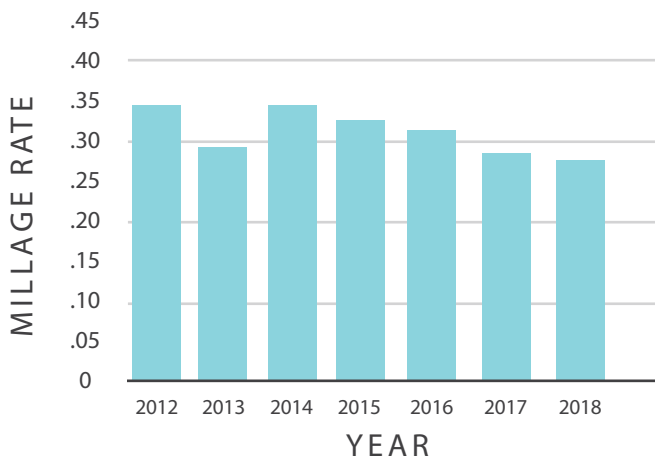
HOW IS THE \$42.8 MILLION IN CLEANUPS FUNDED?

- 46% Port Operations
- 10% Taxes
- 44% Ecology/Others

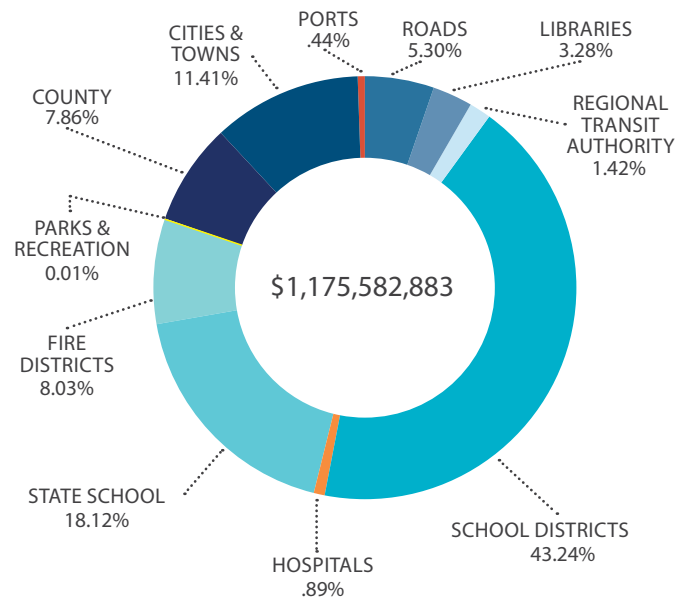


TAX RATE TRENDS

LEGAL TAX LIMIT



SNOHOMISH COUNTY DISTRIBUTION OF TAXES 2017



PUBLIC ACCESS



DID YOU KNOW?

The Port plans to invest more than \$29.2 million in public access improvements from 2017-2021



PACIFIC RIM PLAZA

Pacific Rim Plaza is the central gathering point at Fisherman's Harbor and is the heart of Port's Waterfront Place Central development. The plaza, which is currently under construction, features a public dock walk, an over-water viewing platform, a family-friendly splash park and an international trade tribute.

SPLASH PARK

A key feature at Pacific Rim Plaza is the splash park fountain. This feature provides a fun-family gathering space in the center of the plaza with views of the marina and Everett's fishing fleet in the forefront.

VIEWING PLATFORM

Pacific Rim Plaza includes a timber decked viewing platform that overlooks the Port's Central Marina and new Guest Dock 5 (to be constructed in 2018).

A TRIBUTE TO TRADE

Incorporated into the Plaza is the Port of Everett's tie to international trade. Flag poles welcome visitors to the Plaza identifying the Port's trading partners: Korea, Russia, Japan, Canada and China. The flags symbolize the importance and long history of international commerce in Everett. For special events or when an international trade partner visits the Port, the flags can be switched to the flag of that nation. The Plaza will include a globe feature depicting trade routes to and from our trading ports.

GUEST DOCK 5

In fall 2018, the Port of Everett will begin construction on its newest guest dock - Guest Dock 5. The new 750-foot dock is situated on the western edge of Fisherman's Harbor within the Port's Central Marina basin. Plans for the dock include

an 8-foot wide main float. An 80-foot ADA gangway provides access to the south, and to the north, the dock

connects to an existing pier and gatehouse to provide a continuous public dock walk allowing visitors seamless connection from the upland amenities to the water.

In 2017, the Port saw a record year at the guest docks with 1,703 nights of moorage in July and nearly 5,000 YTD. In 2014, the total annual guest moorage stays was 2,708. This new dock will allow the Port to accommodate the increase in guest moorage and support economic development and local spending. Based on the 2015 Martin Associates study, the average boater spends \$220 at local businesses while in Port.

2018 PROPOSED PROPERTY TAX LEVY

- **PORT PORTION OF TAX BILL:** Total estimated annual Port tax for a \$350,000 home in 2017 is \$104. In 2018, it is projected to be \$95.
- **MILLAGE RATE:** \$.27-cents per assessed \$1,000
- **TOTAL TAX COLLECTION:** \$4.9 million
- **HOW ARE THE TAXES USED?** Environmental restoration and public access.
- **HOW ARE THE TAXES NOT USED?** Any operating costs, including salaries and benefits.
- **WHAT DO I GET IN RETURN?** Provides necessary infrastructure to support more than 35,000 jobs (82% in Snohomish County); and \$373 million in state and local taxes that help fund schools, public safety and social services. Allows the Port to take an active role in restoring contaminated property and creating waterfront access.



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