

1990 Annual Report of the Port of Seattle.

Honorable President:

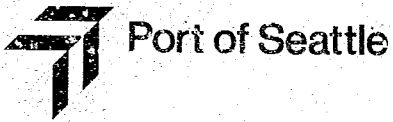
Your

to which was referred the within
would respectfully report that we have considered the same and respectfully recommend

Filed August 6, 1991
Norris Brooks, City Comptroller
By Margaret Carter
Deputy

ACTION OF THE COUNCIL

Referred	To
Referred	To
Referred	To
Reported	Disposition
Re-referred	To
Reported	Disposition



April 4, 1991

NORWARD J. BROOKS
Seattle City Comptroller
RECEIVED

APR 8 1991

ADM	ACT	CLK	SYS	AUD	

The Honorable Norward Brooks
Seattle City Comptroller
Municipal Building Room 101
600 Fourth Avenue
Seattle, WA 98104

Dear Mr. Brooks:

I am pleased to present the Port of Seattle 1990 Annual Report.

The report details a year of impressive operational achievements, including the facts that the Port of Seattle was the only West Coast port to increase its market share of international trade and Seattle-Tacoma International Airport has become the eighth largest U.S. Gateway to Asia and Europe.

The report also focuses on the specific partnerships we have formed with our customers, our labor force, governments and businesses to enhance our competitiveness within a global economy.

We strongly believe such strategic alliances are critical to our ability to deliver the superior and innovative services required by our customers which benefit the residents of Washington State.

I hope you will take the opportunity to read this report, realizing that not only does it describe the year just ended, but details how we are constantly preparing for tomorrow.

Sincerely,

Jack Block

Jack Block, President
Port Commission

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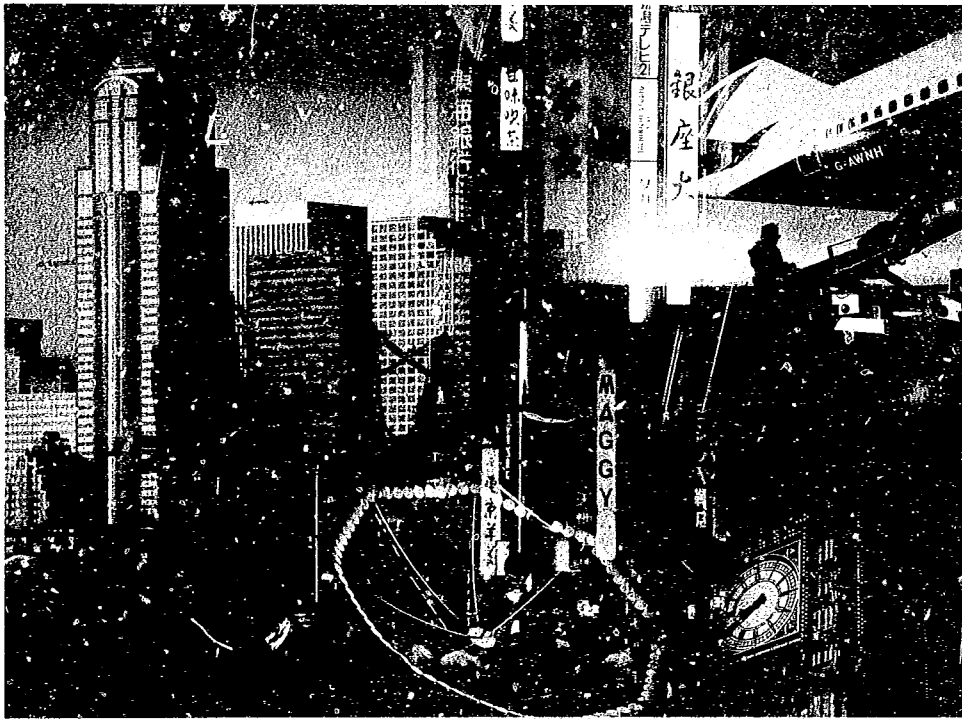
P.O. Box 1209
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COMPTROLLER AND CITY CLERK

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BUILDING STRATEGIC ALLIANCE

1990 ANNUAL REPORT



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1990 FINANCIAL HIGHLIGHTS

	1990	1989	Percentage of change
		<i>(In thousands)</i>	
Total Revenue	\$ 154,390	\$129,031	+ 19.7
Operating Revenue	145,523	121,436	+ 19.8
Total Expense	149,278	127,611	+ 17.0
Excess Revenue Over Expense	5,112	1,420	+ 260.0
Long-Term Debt	408,704	300,506	+ 36.0
Capital Expenditures	80,782	58,556	+ 38.0
Total Assets	1,094,339	924,161	+ 18.4

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PRESIDENT'S MESSAGE: BUILDING ALLIANCES TO SERVE OUR CUSTOMERS

By sea, by air, by land. By every measure, the Port of Seattle has just completed its most successful year ever as the international trade and transportation center of the Pacific Northwest.

Without a doubt, the Port has entered the decade of the nineties well-positioned to provide superior, innovative services to our customers.

In 1990, we aggressively sought and formed strategic alliances with our customers, our labor force, regional governments and businesses. We are using our influence and strength as the Northwest leader to forge innovative and collaborative efforts among public and private sectors to deliver services needed and wanted by our customers.

Such cooperation is key to our ability to compete successfully in the new global economy. And compete we must when you consider how vital trade is to this community and state. In the Seattle area alone, international commerce accounts for more than 83,000 jobs. And that doesn't include The Boeing Co., which employs more than 100,000 persons. In the state, international trade activity supports nearly one in five jobs.

Here are some highlights from 1990:

- Seattle was the only West Coast port to increase its market share of international trade. For an unprecedented fourth year in a row, more than 1 million TEUs (containers in 20-foot equivalent units) crossed Seattle's docks in 1990. Four times last year, more than 100,000 containers moved through the Seattle harbor in a single month. We achieved these records despite the onset of a national recession and vigorous competition from other West Coast ports.

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■ At Seattle-Tacoma International Airport, international passenger traffic grew a spectacular 20 percent -- four times the growth rate of domestic passengers. Sea-Tac is now the eighth largest U.S. international gateway to Asia and Europe.

■ The value of our two-way trade in 1990 was \$31.4 billion. That includes \$27.3 billion for marine cargo, and \$4.1 billion for air cargo. Seattle now ranks fourth in the United States in the value of imports and exports coming through its harbor. When Seattle and Tacoma are combined, the Puget Sound ranks second.

■ We reached an historic agreement to reduce aircraft noise that assures that Sea-Tac will continue to develop as an international gateway. The Noise Mediation Agreement capped an intensive, two-year effort by a 19-member committee to bring together all parties affected by aircraft noise: citizens, officials from the Port, airlines, airline pilots, Federal Aviation Administration (FAA) and Airport users. The agreement sets a deadline of 2001 to reduce aircraft noise by 50 percent.

■ We established a "friendship-port relationship" to exchange fishing industry information and encourage trading opportunities with the ports of Shiogama, Ishinomaki and Kesenuma in Miyagi Prefecture, a center of the Japanese commercial fishing industry. Under this partnership, we will assist



(from left) Paul Schell, Assistant Secretary; Patricia Davis, Commissioner; Gary Grant, Secretary; Jack Block, President, and Paige Miller, Vice President.



(from left) Stephen A. Sewell, Senior Director, Corporate Secretary and General Counsel; Zeger J.J. van Asch van Wijck, Chief Executive Officer, and M.R. Dinsmore, Chief Operating Officer.

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Critical to our future success in these and other areas, however, is development of an atmosphere within the Port that stimulates productivity and innovation on the part of our people, leading them to higher levels of service to our customers. That was the driving force behind our major reorganization last year.

The reorganization accomplished two major changes: It created strong, decentralized authority for decision-making at the operating divisions, allowing us to be even more responsive, innovative and customer-driven; and it created an Executive Office and corporate staff to strengthen strategic planning, business development and financial control.

We stripped away excess layers of management to produce a leaner, leading-edge organization with a clear vision of its future. And our future vision is nothing short of making Seattle the international commercial center of the Pacific Northwest.

This new management direction is reflected in our development of a portwide marketing strategy and strategic plan for annual budgeting to maintain sound fiscal performance.

Marine Services

The Port of Seattle's Marine Division bucked the national trend last year, posting impressive growth in container traffic while most U.S. ports reported minimal growth, at best.

Four times last year, more than 100,000 containers moved through the Seattle harbor in a single month. The all-time record was set in October, with 109,870 containers. In all, 1.17 million TEUs (containers in 20-foot equivalent units) passed over Seattle docks.

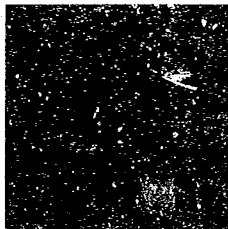
At Fishermen's Terminal, factory trawler and other large-vessel activity was up sharply at the new Northwest Dock during its first full year of operation. In 1989, the Port completed a \$13 million expansion of Fishermen's Terminal, headquarters for the lucrative Pacific Northwest commercial fishing industry, which generates more than \$3 billion in annual personal income.

Expanded capacity by container lines in the Pacific Asia market, the addition of several new shipping lines, and the decision by Matson Navigation Co. to load center all Pacific Northwest container cargo through Seattle were contributing factors to Seattle's stellar performance.

Our ability to entice more ocean carriers to route their intermodal cargo through Seattle reflects industry recognition of the Port's high labor productivity and cost efficiency, which translate into very attractive gateway economics. We consistently average 25 container moves per hour. Our overall facility costs are half that of Southern California ports.

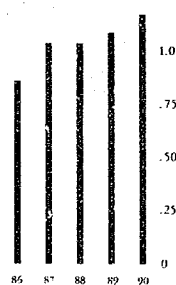
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Marine Services



As the Pacific Northwest's premier gateway for international trade, the Port of Seattle was the only West Coast port in 1990 to increase its market share of container trade with Asia. For an unprecedented fourth year in a row, more than 1 million TEUs crossed Seattle's docks.

Seattle Harbor Containers
Millions of TEUs*



* Fulls & Empties

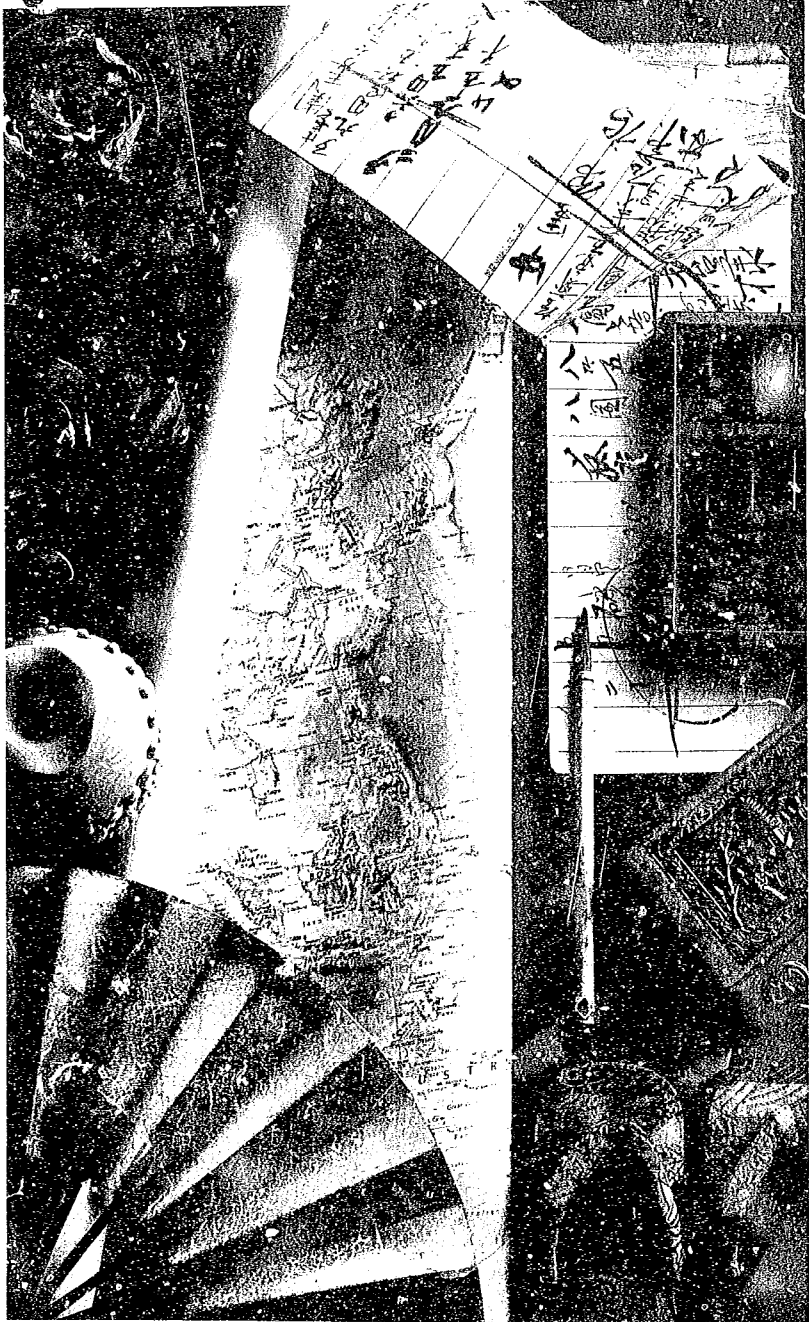
Seattle Market Share of
U.S. West Coast Container
Exports to Pacific Asia
Thousands of TEUs*

SEATTLE	378,262
Los Angeles	357,494
Long Beach	338,148
Oakland	283,952
Tacoma	167,401
Portland	102,786
San Francisco	40,673
All Other	179
Grand Total	1,668,894

Source: New York Journal of
Commerce PIERS system

*Full

中華日本画



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In fact, we enjoy the best working relationship in our history with organized labor groups, not only on the waterfront but inland as well.

Our high customer confidence is reflected in the fact that, for the second year in a row, the Port of Seattle was named a "Quality Port" by *Distribution* magazine. Leading U.S. and Canadian shippers rated the Port's performance as "outstanding in service, price, convenience and sales force effectiveness."

We're also taking care of our customers' future needs. Faced with high demand for facilities, the Port is undertaking several facility expansions and improvements.

Terminal 91's chill facilities operated at capacity last year, handling more than 4 million cartons of fruit exports and imports. To accommodate growth in this agricultural trade so vital to our state's economic well-being, two new chill buildings are being built at T-91. Total effective capacity will be increased by 30 percent to 134,000 square feet.

Last year, service through Terminal 18's on-dock rail terminal was up dramatically as the facility became a primary point for fast, efficient cargo transfer at shipside. T-18's ability to handle double-stack intermodal railroad cars is being doubled this year by adding two 4,400-foot tracks, entry gate revisions and additional container yard expansion.

A comprehensive container terminal development program to satisfy customers' long-term needs for increased throughput capacity will be unveiled this spring.

This plan will enable the Port of Seattle to accommodate our substantial projected trade growth, and to ensure our continuance as the Pacific Northwest's premier international gateway.

Aviation Services

By taking care of our customers, Seattle-Tacoma International Airport made aviation history last year.

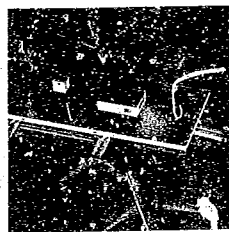
First, we became a model for all other U.S. airports when we signed our pioneering Noise Mediation Agreement, setting a deadline of 2001 to reduce aircraft noise by 50 percent.

This comprehensive noise-control agreement -- the first of its kind in the nation -- allows the Airport to be a good neighbor while giving airlines the predictability they need regarding future noise-control requirements.

Secondly, Sea-Tac became the first U.S. airport approved by the Federal Aviation Administration to allow aircraft take-offs in conditions of extremely low visibility. Properly equipped and certified aircraft and crews may now operate at Sea-Tac in visibility as low as 400 feet, lowered from the 600-foot limit at all other U.S. airports.

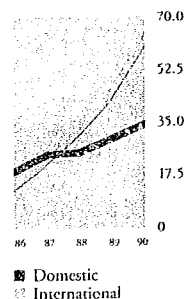
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Aviation Services

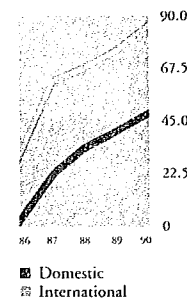


Seattle-Tacoma International Airport is now the eighth largest U.S. international gateway to Asia and Europe. International passenger traffic jumped 20 percent in 1990 over the previous year, while international air cargo increased 13 percent. An historic agreement to reduce aircraft noise by 50 percent by 2001 also was signed last year.

Sea-Tac Passengers
Percentage rate of growth



Sea-Tac Air Freight
Percentage rate of growth



One reason Sea-Tac passenger traffic and air cargo volumes grew through Sea-Tac last year is our commitment to customer service.

Another reason is Sea-Tac's strategic position as the closest U.S. gateway to both Asia and Europe, located equidistant between Tokyo and London with nine hours' flying time to either world capital. With extensive international routes, Sea-Tac ranks eighth as a U.S. gateway to Asia and Europe.

A third reason centers on the cooperative efforts by our Aviation Marketing staff and public and private sector representatives to successfully promote the Pacific Northwest region as an international destination, and to help airlines increase passenger loads.

Last year, Sea-Tac's international passenger traffic grew 20 percent -- four times the rate of domestic passenger traffic. International passengers totaled 1.6 million; domestic, 14.4 million, for a total passenger traffic increase over 1989 of 7 percent.

International air cargo increased 13 percent last year, boosted in particular by 12 percent increases in both European and Asian cargo.

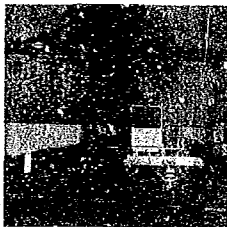
This growth reflects Sea-Tac's continued dominance worldwide in the sea-air cargo market, where goods from Asia are transported by ship to Seattle and then flown to Europe. Sea-Tac's air lift capacity increased dramatically last year as carriers added flights and larger airplanes. Sea-air cargo volumes grew 13 percent, while total air cargo volume rose nearly 9 percent above 1989.

Through our "First Class Upgrade: Travel improvements from the ground up," we have undertaken a number of construction projects to ensure that Sea-Tac's reputation for being safe, convenient and clean is maintained. Passengers and airlines can expect continued superior service at Sea-Tac as parking facilities are expanded, concourses are remodeled and six aircraft gates are added.

Logistics Services

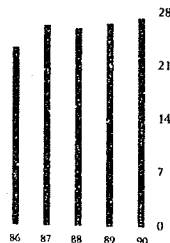
With the creation last year of our Logistics Division, we took a major step toward maintaining the Port's reputation as an innovator in the transportation industry, particularly as an international distribution center, and as a catalyst for new business opportunities within the region.

Logistics Services

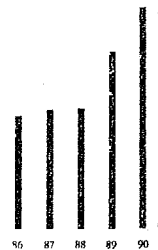


With studies showing an increase in container trade for the Puget Sound in the coming years, the Port began construction in 1990 to expand its on-dock rail facility at Terminal 18. The project, which will double the Port's ability to handle doublestack intermodal cars, will be completed by spring 1992.

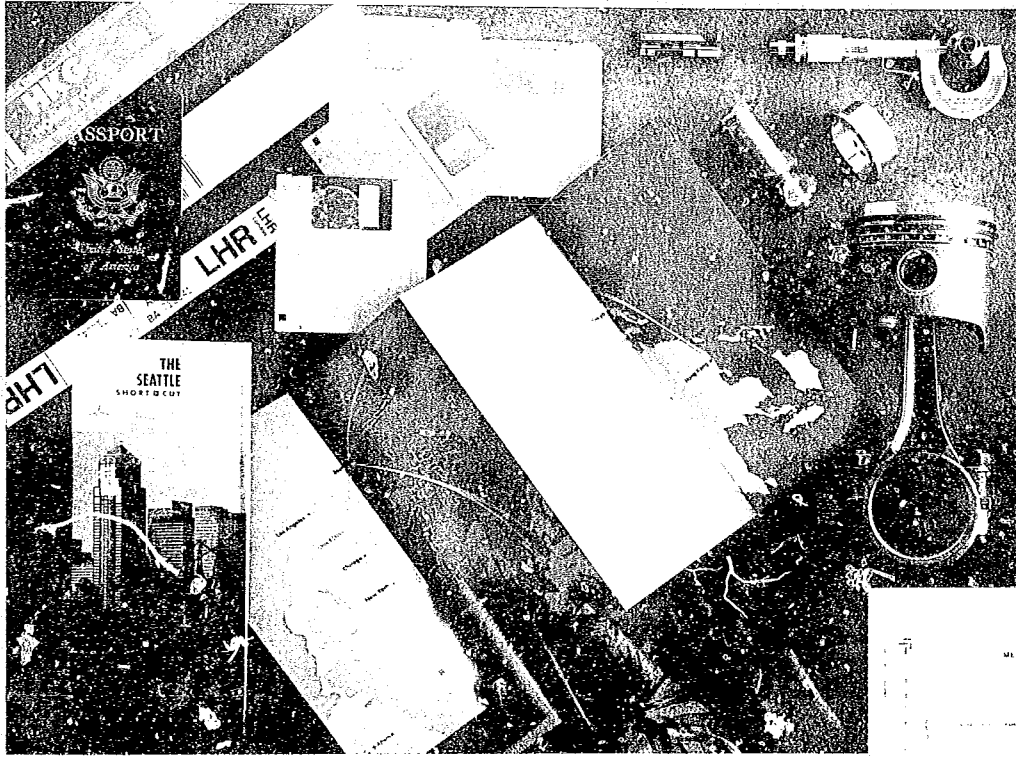
Marine Two-Way Trade
Billions of dollars



Air Two-Way Trade
Billions of dollars



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Port customers already enjoy excellent intermodal connections, and are well served not only by Port warehousing and distribution programs, but by those offered within the region.

We offer more than 1.5 million square feet of bonded and cleared warehouse storage space, hundreds of acres for outdoor storage and handling, and a 1,400-acre Foreign Trade Zone that encompasses all of the Port's marine operations and all of Sea-Tac's air cargo areas. Our inland transportation programs enable us to secure low rates to more than 60,000 North American destinations for all our shippers, large and small. Two major transportation railroads, and more than 100 motor carriers link the Port to the market hubs of the United States and Canada. The Port's on-dock rail yard at Terminal 18, together with nearby railroad-operated intermodal yards, facilitates the rapid distribution of cargo to virtually any inland destination.

We plan to build upon that solid core of shipper-oriented services by broadening our scope of intermodal programs to include servicing our aviation customers.

We will accomplish this by working closely with members of the region's intermodal industry, possibly through developing new alliances, to benefit our customers. Our customer focus groups are an important and integral part of this process.

A good example of how we plan to achieve logistics excellence is our three-year plan to improve the financial performance of our warehouse and distribution facility. This strategy calls for us to continue to emphasize international discretionary cargo and national distribution services.

To do this, we are redirecting our marketing efforts to win more international customers. We're working closely with our labor force to find ways to improve operational efficiencies. We have eliminated several layers of supervision to assure a renewed customer-service focus, both in terms of meeting customer needs and creating new programs. And we are examining our relationship with private warehouse operators in the program.

This strategy will ensure that the customer is served in the most cost-effective and efficient manner possible, whether by the Port or by private warehouse operators.

In short, the Logistics Division will concentrate on generating new business for the region, while retaining current customers.

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INDEPENDENT AUDITORS' REPORT

February 22, 1991

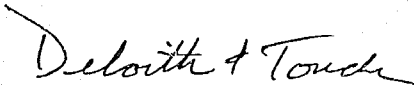
13.

Port Commission
Port of Seattle
Seattle, Washington

We have audited the accompanying balance sheets of the Port of Seattle as of December 31, 1990 and 1989, and the related statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Port of Seattle as of December 31, 1990 and 1989, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.



Deloitte & Touche

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BALANCE SHEET

ASSETS	December 31,	
	1990	1989
	<i>(in thousands)</i>	
LAND, FACILITIES AND EQUIPMENT, at cost	\$1,038,940	\$984,917
Less accumulated depreciation	265,651	240,664
	773,289	744,253
Construction work in progress	67,798	49,473
Cash and cash equivalents restricted for debt service and acquisition of land, facilities and equipment	70,950	
Investments and accrued interest restricted for debt service on land, facilities and equipment	58,946	50,219
	970,983	823,945
UNAMORTIZED BOND DISCOUNT AND DEFERRED FINANCE COSTS, net of accumulated amortization	11,202	4,539
CURRENT ASSETS:		
Cash and cash equivalents, including restricted amounts of \$10,600,450 and \$7,849,923	77,986	58,699
Investments, including restricted amount of \$1,107,308 in 1989	8,519	15,466
Accounts and contracts receivable, less allowance of \$250,000 for doubtful accounts	14,057	11,929
Grant funds receivable	6,888	4,982
Taxes receivable	1,324	1,291
Maintenance supplies	3,164	2,991
Prepayments and other current assets	216	319
	112,154	95,677
	<u>\$1,094,339</u>	<u>\$924,161</u>

See notes to financial statements.

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EQUITY AND LIABILITIES

	December 31,	
	1990	1989
	<i>(in thousands)</i>	
EQUITY FROM:		
Operations	\$ 120,733	\$114,739
Taxation	403,081	372,164
Grants and donations	114,360	100,975
	638,174	537,878
LONG-TERM DEBT, less current maturities:		
Revenue bonds, net	359,334	249,381
General obligation bonds	30,955	33,185
	390,289	282,566
CURRENT LIABILITIES:		
Warrants outstanding	4,824	1,968
Accounts payable and accrued exp	14,227	9,902
Payroll and taxes	20,956	17,942
Bond interest payable	5,425	4,804
Lease deposits and customer advances	2,029	1,161
Current maturities of long-term debt	18,415	17,940
	65,876	53,717
COMMITMENTS AND CONTINGENCIES (Notes I and J)		
	<u>\$1,094,339</u>	<u>\$924,161</u>

See notes to financial statements.

15.

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STATEMENTS OF OPERATIONS

16.

	Year ended December 31,		
	1990	1989	1988
	(in thousands)		
REVENUE:			
Services	\$ 77,825	\$ 59,345	\$ 61,082
Property rentals	67,698	62,091	53,401
Other	8,867	7,595	7,875
	<u>154,390</u>	<u>129,031</u>	<u>122,358</u>
EXPENSE:			
Operations	60,850	51,423	47,407
Depreciation	30,880	29,133	26,790
Revenue bond interest	18,349	16,803	17,400
Maintenance	17,555	15,747	15,619
Administration	11,887	10,032	9,128
Environmental	3,500	500	500
Marketing	2,362	2,297	2,004
Engineering	2,482	1,403	1,519
Other	1,413	273	415
	<u>149,278</u>	<u>127,611</u>	<u>120,782</u>
EXCESS OF REVENUE OVER EXPENSE	<u>\$ 5,112</u>	<u>\$ 1,420</u>	<u>\$ 1,576</u>

See notes to financial statements.

STATEMENTS OF EQUITY

	Operations	Taxation	Grants and donations
	(in thousands)		
BALANCE, January 1, 1988	\$ 109,967	\$ 319,342	\$ 86,384
Ad valorem tax levy, including supplements and cancellations		27,333	
Excess of revenue over expense	1,576		
General obligation bond interest		(2,193)	
Federal grants-in-aid funds			7,710
Transfer of depreciation on federal grant assets	879		(879)
BALANCE, December 31, 1988	<u>112,422</u>	<u>344,482</u>	<u>93,215</u>
Ad valorem tax levy, including supplements and cancellations		30,032	
Excess of revenue over expense	1,420		
General obligation bond interest		(2,350)	
Federal grants-in-aid funds			8,657
Transfer of depreciation on federal grant assets	897		(897)
BALANCE, December 31, 1989	<u>114,739</u>	<u>372,164</u>	<u>100,975</u>
Ad valorem tax levy, including supplements and cancellations		32,977	
Excess of revenue over expense	5,112		
General obligation bond interest		(2,060)	
Federal grants-in-aid funds			14,267
Transfer of depreciation on federal grant assets	882		(882)
BALANCE, December 31, 1990	<u>\$ 120,733</u>	<u>\$ 403,081</u>	<u>\$ 114,360</u>

See notes to financial statements.

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STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	1990	1989	1988
	<i>(in thousands)</i>		
OPERATING ACTIVITIES:			
Cash received from customers	\$148,750	\$145,434	\$143,190
Cash paid to suppliers and employees	(90,896)	(101,796)	(99,996)
Payment in lieu of taxes	(4,407)	(3,881)	(3,539)
Other operating expense	(429)	(1,144)	(1,189)
Net cash provided by operating activities	53,018	38,613	38,466
CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of revenue bonds	144,145		
Acquisition and construction of capital assets	(80,782)	(58,556)	(51,604)
Principal paid on revenue bonds	(39,485)	(13,815)	(13,090)
Principal paid on general obligation bonds	(3,345)	(3,240)	(3,045)
Interest paid on revenue bonds	(24,017)	(17,383)	(17,929)
Interest paid on general obligation bonds	(1,993)	(2,299)	(2,112)
Proceeds from sale of capital assets	831	75	739
Interest received on invested bond proceeds	7,597	180	651
Property tax levy receipts	33,281	30,416	27,659
Grant fund receipts	12,361	9,739	4,293
Bond issuance costs	(420)	(197)	(158)
Escrow receipts			529
Net cash provided (used) by capital and related financing activities	48,173	(55,080)	(54,087)
INVESTING ACTIVITIES:			
Purchase of investment securities	(87,889)	(34,221)	(20,264)
Proceeds from sale and maturities of investment securities	68,675	33,579	20,132
Interest received on investments	8,354	8,299	7,162
Installment contract receipts			122
Investment costs	(94)	(71)	(97)
Net cash provided by investing activities	(10,954)	7,586	7,055
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	90,237	(8,881)	(8,566)
CASH AND CASH EQUIVALENTS:			
Beginning of year	58,699	67,580	76,146
End of year	\$148,936	\$ 58,699	\$ 67,580

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 1990, 1989 and 1988

18.

NOTE A. ACCOUNTING POLICIES

The Port of Seattle is a municipal corporation created through enabling legislation by consent of the voters within the Port district. The Port has no stockholders or equityholders. All revenues or other receipts must be disbursed in accordance with provisions of various statutes and agreements with the holders of its bonds.

The Port's general obligation bonds provide for the payment of principal and interest from ad valorem taxes levied upon all property within the Port district. Accordingly, general obligation bond interest is presented in the financial statements as a charge against equity from taxation. Ad valorem taxes received by the Port are accounted for as a contribution to equity and are utilized for the acquisition or construction of facilities or for the retirement of general obligation bonds which were issued for the acquisition or construction of facilities. Since the taxes are not used for operations but for the purposes previously described, they are substantially similar to contributions received in aid of construction and have been accounted for in a like manner.

The Port has, at various times, received federal grants-in-aid funds for construction of airport and waterfront facilities. Depreciation from all assets is shown in the statements of operations, and depreciation applicable to assets acquired with grants-in-aid funds is transferred from equity from operations to equity from grants and donations.

Land, facilities and equipment are stated at cost, less accumulated depreciation. Costs applicable to noise damages and air rights, together with the cost of litigation, generally are capitalized as a cost of the property. Depreciation is computed on a straight-line basis, except for airport facilities described below. Buildings and improvements are assigned lives of 30 to 50 years, equipment six to 20 years and furniture and fixtures five to ten years.

Airport facilities constructed or acquired with proceeds from revenue bonds are to be recovered under the provisions of a contract with the tenant airlines. The contractual agreement with the airlines provides that they will pay annual charges which are based on the net cost of operating the airport plus the required debt service on the revenue bonds. The Port utilizes a method of accounting for the agreement which is similar to that utilized for long-term contracts wherein costs are accrued ratably as revenue is earned in accordance with contract provisions. Accordingly, the investment in airport facilities is being amortized on the basis of an annual charge which approximates the excess of annual debt service over the annual interest on the revenue bonds.

Eligible Port employees earn sick leave and vacation annually depending on length of service. A stipulated maximum of sick leave and vacation may be accumulated by employees. Terminated employees are entitled to be paid for unused vacation and, under certain conditions, a portion of unused sick leave. These benefits are accrued as earned. Additionally, the Port provides life insurance benefits for retired salaried employees. The Port recognizes the cost of these benefits by expensing monthly premiums when paid.

It is the Port's intention to hold investments to maturity except when early liquidation results in higher yields. It is the Port's policy to consider all short-term investments with a maturity at date of purchase of three months or less to be cash equivalents.

Certain reclassifications of prior years' balances have been made to conform with the current year presentation.

NOTE B. LAND, FACILITIES AND EQUIPMENT

Land, facilities and equipment consist of the following (in thousands) -

	December 31,	
	1990	1989
Land	\$ 294,211	\$ 271,614
Facilities and improvements	67,521	597,751
Equipment, furniture and fixtures	119,208	115,572
	1,038,940	984,917
Less accumulated depreciation	265,651	240,664
	<u>\$ 773,289</u>	<u>\$ 744,253</u>

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NOTE C. SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

A reconciliation of excess of revenue over expense to net cash provided by operating activities is as follows (in thousands) -

	Year ended December 31,		
	1990	1989	1988
EXCESS OF REVENUE OVER EXPENSE	\$ 5,112	\$ 1,420	\$ 1,576
ADJUSTMENTS TO RECONCILE EXCESS OF REVENUE OVER EXPENSE TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Depreciation	30,880	29,133	26,790
Unamortized bond discount and deferred finance costs	797	395	400
Revenue bond interest	18,349	16,803	17,400
Loss on sale of assets	1,578	1,541	402
Gain on sale of investments			(31)
Investment expense	94	72	64
Provision for doubtful accounts	92	76	104
Miscellaneous income	(38)	(104)	(104)
Other tax receipts	(337)	(479)	(293)
Interest income	(9,981)	(8,480)	(7,795)
Overhead allocation to construction projects	(2,393)	(2,809)	(95)
	44,153	37,568	38,418
CASH PROVIDED (USED) BY CHANGES IN OPERATING ASSETS AND LIABILITIES:			
Accounts and contracts receivable	(2,128)	(1,001)	(566)
Maintenance supplies	(173)	(234)	(148)
Prepayments and other current assets	103	(54)	(183)
Warrants outstanding	2,856	(1,008)	(537)
Accounts payable and accrued expenses	4,325	1,485	(1,153)
Payroll and taxes	3,014	2,419	1,828
Lease deposits and customer advances	868	(562)	807
	8,865	1,045	48
Net cash provided by operating activities	\$53,018	\$38,613	\$38,466

A reconciliation of cash and cash equivalents reflected in the statement of cash flows to the balance sheet is as follows (in thousands) -

	Current assets	Restricted assets	Statement of cash flows total
Cash and cash equivalents, January 1, 1990	\$58,699	\$ -	\$ 58,699
Net increase (decrease)	19,287	70,950	90,237
Cash and cash equivalents, December 31, 1990	\$77,986	\$70,950	\$148,936

NOTE D. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The King County Treasurer is the ex officio treasurer of the Port of Seattle and, as such, makes investments at the direction of Port management. State investment statutes authorize King County to invest primarily in certificates of deposit issued by Washington State financial institutions, obligations of the U.S. Treasury, agencies and instrumentalities, repurchase agreements and bankers' acceptances issued in the secondary market.

Deposits The County holds all certificates of deposit in safekeeping in its vault. Certificates of deposit in excess of the \$100,000 Federal Deposit Insurance Corporation (FDIC) insurance limitation are collateralized by the financial institutions in the State of Washington Public Deposit Protection Commission (PDPC) pool. Deposits are carried at cost plus accrued interest. Deposits consist of the following -

	December 31, 1990	
	Carrying amount	Bank balance
Insured FDIC	\$200,686	\$200,000
Collateralized PDPC	254,381	250,000
	<u>\$455,067</u>	<u>\$450,000</u>

Investments The County's safekeeping bank, or its New York agent, takes possession of all investment securities including the underlying securities for all repurchase agreements. King County's investment policies require that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreement for terms less than 30 days and 105% for terms in excess of 30 days. The County does not invest in repurchase agreements in excess of 60 days. Investments are carried at cost plus accrued interest. Investments consist of the following -

	December 31, 1990	
	Carrying amount	Market value
U.S. Treasury Bills	\$ 5,379,253	\$ 5,382,807
U.S. Treasury Notes	30,772,173	30,657,170
FHLB	28,769,384	28,035,000
Bankers' acceptances	62,033,517	62,033,517
Repurchase agreements	76,458,251	76,458,251
	<u>\$203,412,578</u>	<u>\$202,566,745</u>

NOTE E. ACCOUNTING FOR LEASES

Minimum future rental income on noncancellable operating leases on marine terminal facilities is as follows (in thousands) -

Year ending December 31,	
1991	\$ 23,269
1992	20,368
1993	19,897
1994	16,448
1995	11,201
1996 and later years	227,930
	<u>\$322,113</u>

A significant portion of the marine terminal land, facilities and equipment is leased to tenants under operating leases.

Due to the nature of the contractual agreement with tenant airlines as discussed in Note A, minimum rentals applicable to airport leases which are accounted for as operating leases are not determinable.

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NOTE F. LONG-TERM DEBT

The outstanding long-term debt as of December 31, 1990, consists of the following (in thousands) -

	Earliest call or year last series matures	Long-term portion	Current maturities
Revenue bonds:			
4.50% - 6.00%	1999	\$ 12,045	\$ 1,220
8.40 - 10.50	1999	18,550	1,530
5.25 - 5.70	2001	78,374	5,930
4.00 - 8.25	2001	60,235	4,860
5.20 - 6.50	2009	42,150	1,000
5.90 - 6.60	1991 - 1995	7,785	1,645
6.50 - 7.10	1996 - 2000	12,545	
7.10 - 7.25	2001	1,243	
7.15 - 7.30	2002	1,951	
7.20 - 7.35	2003	1,806	
7.20 - 7.40	2003	33,600	
7.30	2005	10,270	
7.40 - 7.60	2009	23,920	
7.50 - 7.70	2011	19,765	
7.35 - 7.55	2014	35,095	
		<u>\$359,334</u>	<u>16,185</u>
General obligation bonds:			
5.00% - 5.60%	1997	\$ 7,255	1,130
Variable (8.0% at December 31, 1990)	2004	23,700	1,100
		<u>\$ 30,955</u>	<u>2,230</u>
			<u>\$18,415</u>

21.

The Port issued \$151,015,263 revenue bonds in February 1990. Of this issue, \$24,805,000 was used to redeem the Series 1985 Unit Priced Demand Adjustable Junior Lien Revenue Bonds. The 1990 revenue bonds consist of Current Issue Serial Bonds, Current Interest Term Bonds and Capital Appreciation Bonds. The Capital Appreciation Bonds are due in 2001, 2002, and 2003 with interest rates ranging from 7.10% to 7.35%. The current annual increase in accreted value is recognized as interest expense in the current period.

The general obligation bonds and interest thereon are payable from ad valorem taxes. The revenue bonds are secured by a pledge of gross revenues of the Port, payable from funds transferred to the Revenue Bond Redemption Fund prior to payment of maintenance and operating costs. At December 31, 1990, cash and marketable securities of \$36,081,596 were restricted for this purpose.

Interest costs capitalized were \$6,434,551 (net of interest income of \$5,966,109) in 1990, \$815,187 in 1989 and \$712,845 in 1988.

Aggregate annual principal payments on long-term debt for the next five years are as follows (in thousands) -

1991	\$18,415
1992	19,715
1993	20,800
1994	22,060
1995	23,525

NOTE G. PENSION PLANS

All permanent Port employees, other than those covered under union plans, participate in one of two defined benefit plans, the Public Employees Retirement System of the State of Washington (PERS) or the Law Enforcement Officers and Firefighters Retirement System of the State of Washington (LEOFF). Both plans are multiple-employer public employee retirement systems. On December 31, 1990, the Port had 774 covered employees in the PERS system and 62 covered employees in the LEOFF system out of 1,233 total Port employees. Covered and total payrolls for the year ended December 31, 1990, were \$32,266,202 and \$47,688,718, respectively.

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The PERS and LEOFF systems each consist of two separate plans which contain various eligibility and benefit provisions that fall within the following ranges –

ELIGIBILITY:	
Age	55 - 65
Years of service	5 - 30
Benefits	1% to 2% of final average salary for each year of membership service

Required contributions to the various plans as a percentage of salary are as follows –

	Employee	Employer
PERS (Plan I)	6.00%	7.61%
PERS (Plan II)	4.70	7.61
LEOFF (Plan I)	6.00	6.22
LEOFF (Plan II)	7.60	4.78

The Port made employer contributions to the plans at the rates above totalling \$2,202,010 in 1990, \$1,753,010 in 1989, and \$1,544,000 in 1988 in accordance with state funding requirements. Employee contributions in 1990 to PERS and LEOFF totalled \$1,555,154 and \$191,703, respectively.

The systems do not make separate measurements of assets and pension benefit obligations for individual employees. The most recent actuarial information concerning the PERS and LEOFF systems as a whole is set forth below.

	PERS	LEOFF
	<i>(Dollars in millions)</i>	
Most recent valuation date	December 31, 1989	December 31, 1989
Actuarial present value of credited projected benefits	\$7,259	\$3,318
Net assets available for benefits (at market value)	\$6,222	\$2,484
Unfunded actuarial present value of credited projected benefits	\$1,037	\$ 834
Remaining funding period for unfunded present value	35.5 years	20 years

Ten-year historical trend information showing the systems' progress in accumulating sufficient assets to pay benefits when due is presented in the systems' December 31, 1989, actuarial valuation.

NOTE H. DEFERRED COMPENSATION PLAN

The Port offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all salaried employees of the Port and to wage employees as negotiated. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Port (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Port's general creditors. Participants' rights under the plan are equal to those of general creditors of the Port in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the Port's legal counsel that the Port has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Port believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The fair market value of plan assets and the corresponding liability of \$8,002,501 in 1990 and \$6,776,000 in 1989 are recorded in the financial statements.

NOTE I. CONTINGENT LIABILITIES

The Port is a defendant in various legal actions and claims which arise during the normal course of business, some of which may be covered by insurance. Although certain lawsuits and claims are significant in amount, the final dispositions are not determinable and, in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or results of operations of the Port.

NOTE J. COMMITMENTS

As of December 31, 1990, the Port has authorized or made commitments for the acquisition and construction of facilities on the waterfront and at Sea-Tac International Airport as follows (in thousands) --

FUNDS COMMITTED:		
Marine terminals		\$ 38,680
Airport facilities		100,829
FUNDS AUTHORIZED:		
Marine terminals		65,679
Airport facilities		68,182
		<u>\$273,370</u>

23.

NOTE K. INDUSTRIAL DEVELOPMENT CORPORATION OF THE PORT OF SEATTLE

During 1982, the Port Commission of the Port of Seattle authorized the establishment of the Industrial Development Corporation of the Port of Seattle, a public corporation, the purpose of which is to issue tax-exempt nonrecourse revenue bonds to finance industrial development within the corporate boundaries of the Port. The Corporation may construct and maintain industrial facilities which it leases or sells to industrial users. Revenue bonds issued by the Corporation are payable from revenues derived as a result of the industrial development facilities funded by the revenue bonds. The bonds are not a liability or contingent liability of the Port or a lien on any of its properties or revenues other than industrial facilities for which they are issued. At December 31, 1990, industrial revenue bonds outstanding totalled \$39,539,000, which were issued for the purposes of acquiring, constructing and renovating transshipment and manufacturing facilities.

NOTE L. INDUSTRY SEGMENT INFORMATION

The Port's operations consist of marine terminals and the airport. Financial information by segment for the year ended December 31 is as follows (in thousands) --

	1990			1989			1988		
	Marine terminals	Airport	Total	Marine terminals	Airport	Total	Marine terminals	Airport	Total
Operating revenues	\$ 57,759	\$ 87,764	\$ 145,523	\$ 50,728	\$ 70,708	\$ 121,436	\$ 46,797	\$ 67,685	\$ 114,482
Income from operations before revenue bond interest	\$ 9,022	\$ 25,204	\$ 34,226	\$ 6,088	\$ 17,995	\$ 24,083	\$ 4,837	\$ 18,750	\$ 23,587
Revenue bond interest	(6,795)	(11,554)	(18,349)	(6,783)	(10,018)	(16,803)	(6,893)	(10,507)	(17,400)
Income (loss) from operations	\$ 2,227	\$ 13,650	15,877	\$ (697)	\$ 7,977	7,280	\$ (2,056)	\$ 8,243	6,187
Other revenue, net			3,954			6,821			6,960
Administrative expense (including administrative depreciation)			(14,719)			(12,681)			(11,571)
Excess of revenue over expense		\$ 5,112			\$ 1,420			\$ 1,576	
Identifiable assets	\$558,361	\$517,879	\$1,076,240	\$499,881	\$409,295	\$909,176	\$484,629	\$401,822	\$886,451
Cash, investments and facilities not identifiable to an industry segment			18,099			14,985			14,837
			\$1,094,339			\$924,161			\$901,288
Depreciation	\$ 16,021	\$ 12,082	\$ 15,323	\$ 11,220		\$ 14,082	\$ 10,270		
Capital expenditures	\$ 34,491	\$ 46,291	\$ 34,557	\$ 23,999		\$ 26,607	\$ 25,663		
Total debt (including current maturities)	\$167,185	\$241,519	\$ 408,704	\$141,310	\$159,196	\$300,506	\$149,938	\$167,612	\$317,550

PORT OF SEATTLE

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FINANCIAL REVIEW AND FORECAST

In 1990, the Port of Seattle became a billion-dollar company, with total assets of \$1,094, 339,000. Its operating revenues increased 19.8 percent within a highly competitive business environment. Total revenues increased 19.7 percent.

Expenses rose 17.0 percent due primarily to a \$9.4 million increase in operating expense and a \$3.0 million increase in environmental expense.

The Report on Examination of Financial Statements for the years ended December 31, 1990, 1989 and 1988 prepared by Deloitte & Touche, Certified Public Accountants, is included on the preceding pages.

Total Revenue. Total revenue for 1990 amounted to \$154.4 million, which represents an increase of 19.7 percent over 1989. Marine revenues increased \$7.0 million or 13.9 percent, while aviation revenues increased \$17.1 million or 24.1 percent.

Total Expense. Total expense for 1990 amounting to \$149.3 million reflected an increase of 17.0 percent from 1989. Marine operating and maintenance expense increased \$2.6 million or 9.8 percent, while aviation operating and maintenance expense increased \$8.6 million or 21.4 percent.

Excess Revenue over Expense. The excess of revenue over expense for the year 1990 amounted to \$5.1 million, which represents an increase of \$3.7 million from 1989.

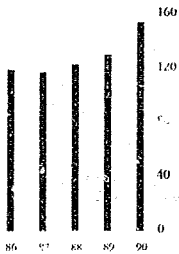
Long-Term Debt. The Port issued \$151 million revenue bonds in February 1990. Of this issue \$24.8 million was used to redeem the series 1985 Adjusted Junior Lien Revenue Bonds. The Port's debt coverage ratio remains a strong 2.13, well in excess of the Port's covenant requirement of 1.35.

Capital Expenditures. Capital expenditures for 1990 amounted to \$80.8 million compared to \$58.6 million for 1989. This is an increase of \$22.2 million, or 37.8 percent. Over the five-year period ending December 31, 1990, net capital improvements totaled \$349 million for an average annual expenditure of \$69.7 million.

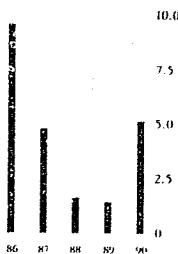
Seattle waterborne trade is expected to continue to show advances in 1991. The long-term future expectation for waterborne trade through the Seattle harbor also is for sustainable growth. In 1991, export growth is expected to continue to outpace import gains.

Air passenger traffic grew by 6.5 percent in 1990 over 1989 levels. Especially strong gains were seen in international traffic, which was up more than 20 percent. Air freight grew by 8.5 percent over 1989. Heightened security consciousness, along with slower economic growth, is expected to dampen air traffic growth in 1991, with a more modest 4 percent to 5 percent increase predicted.

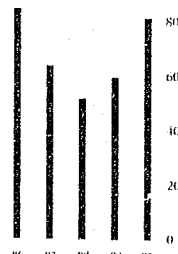
Total Revenue
Millions of dollars



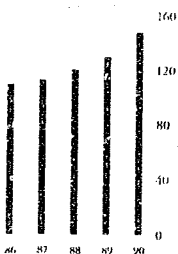
Excess Revenue
Over Expense
Millions of dollars



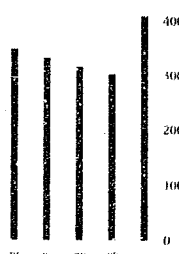
Capital Expenditures
Millions of dollars



Total Expense
Millions of dollars



Long-Term Debt
Millions of dollars



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