

**VOLUNTARY NOTICE FILING
PORT OF SEATTLE**

June 12, 2020

This voluntary notice filing is provided by the Port of Seattle (the “Port”) to provide an update regarding impacts of the COVID-19 pandemic (“COVID-19”).

COVID-19 has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide, including in the United States. COVID-19 is affecting the level of economic activity both within and outside of the area served by the Port, demand for air travel and commodities, and the financial condition of the airline and shipping industries, with consequences for the net revenues of the Port.

The Port is providing this statement to describe some of the impacts that COVID-19 has had on passenger and cargo traffic and Port finances and operations, and to describe some of the actions that the Port is taking in response. The Port cannot predict the duration and extent of the COVID-19 outbreak or quantify the magnitude of the impact on the regional and local economy, on travel demand, on traffic through, or on the net revenues of the Port.

This information is provided voluntarily by the Port, without intention to provide any update to this information or its subject matter or to provide similar information in the future. Any obligation to do so is expressly disclaimed.

COVID-19 Pandemic

COVID-19 is currently affecting many parts of the world, including the United States and the State of Washington (the “State”). On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. On February 29, 2020, Washington’s Governor declared a state of emergency, directing State agencies to use all resources necessary to prepare for and respond to the outbreak. On March 23, 2020, the Governor announced a “stay-at-home” directive, with certain exceptions for essential businesses. On May 29, the Governor announced the State’s “Safe Start” four-phase reopening to begin June 1 on a county-by-county basis. King County has received approval to move to a Phase 1.5 that allows the lifting of some restrictions; Snohomish and Pierce counties, adjacent to King County have both moved into Phase 2.

The federal, state and local actions and policies under these disaster declarations and orders limit the operation of businesses and directly impact the economy. The United States State Department and other authorities have issued certain travel restrictions and warnings that have had and will have a continuing and direct impact on travel.

The Airport

Seattle-Tacoma International Airport (the “Airport”) serves as the primary airport for the Seattle Metropolitan Area, which includes King, Snohomish and Pierce Counties, and much of the western State. The Seattle Metropolitan Area is the major population and business center in the State.

The Airport continues its operations as an essential business. Non-essential retail operations were temporarily closed in compliance with stay-at-home directives and are now allowed to reopen with restrictions. Certain food and beverage concessions also have temporarily closed because of significant

reductions in passenger levels; some are re-opening as passenger levels begin to increase and can offer seating at 25% capacity.

The Airport served approximately 25.9 million enplaned (embarked) passengers in 2019. Approximately 2.9 million (11.0 percent) of enplaned passengers were on nonstop flights to international destinations in 2019. The following table illustrates the changes in enplanements at the Airport from January through April 2019 compared to January through April 2020.

**PASSENGER ENPLANEMENT YEAR-TO-DATE COMPARISON
JANUARY – APRIL 2019 AND 2020**

Year	Domestic	Year-over-Year Percentage Increase	International	Year-over- Year Percentage Increase	Total Enplaned Passengers	Year-over- Year Percentage Increase
2020	4,247,414	-35.5%	484,716	-41.1%	4,732,130	-36.1%
2019	6,586,390		822,707		7,409,097	

The Port monitors the Transportation Security Administration check-points which have experienced an increase in recent weeks. The week beginning May 31, 2020 had average daily screenings of 8,800 people compared to a year-to-date low of 2,600 the week beginning April 12 and a high of 49,100 the week of February 9. The following table illustrates the changes in enplanements at the Airport in April 2020 as compared to April 2019.

**APRIL PASSENGER ENPLANEMENTS YEAR-OVER-YEAR COMPARISON
APRIL 2019 AND 2020**

Year	Domestic	Year-over-Year Percentage Increase	International	Year-over- Year Percentage Increase	Total Enplaned Passengers	Year-over- Year Percentage Increase
2020	118,811	-93.3%	7,862	-96.5%	126,673	-93.6%
2019	1,760,203		224,593		1,984,796	

Source: Port of Seattle.

In 2019, the estimated percentage of O&D passenger traffic at the Airport was 70% percent, based upon 2019 O&D data from the U.S. Department of Transportation’s database. The Airport’s predominately O&D nature means that activity levels at the Airport are closely linked to the population and underlying economic strength of the geographic area served by the Airport.

Unemployment Rates – Seasonally adjusted

	April 2020 (%) (1)	April 2019 (%) (2)
Seattle/Bellevue/Everett	14.5	3.0
Washington State	15.4	4.5
United States	14.7	3.6

(1) Preliminary
(2) Revised

Source: Employment Security Department/LMEA; U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

Passenger enplanements at the Airport are spread over a variety of air carriers, with Alaska Airlines, together with its affiliates and Delta Airlines and its affiliates accounting for the first and second largest share of enplaned passengers.

Share of Enplaned Passengers

	April 2020 (%)	April 2019 (%)
Alaska Air Group (1)	54.4	51.2
Delta (2)	28.2	23.8
All Other Airlines	17.4	25.0

(1) Includes Horizon Airlines and flights operated by SkyWest

(2) Includes flights operated by Compass and Delta Connections/SkyWest.

Northwest Seaport Alliance

The Northwest Seaport Alliance (the “Seaport Alliance”) manages all of the Port’s and the Port of Tacoma’s container terminals as well as certain industrial properties and other cargo terminals.

Seaport Alliance cargo terminals remain operating with few exceptions. Each terminal has modified its business continuity plan in response to COVID-19. The Seaport Alliance and its supply chain partners are also focused on mitigation efforts.

Container cargo traffic has been negatively affected. Through April 2020, there were 39 blank sailings (voids) compared to 20 through April 2019. The following table provides information regarding container traffic from January through April 2020 as compared to the same period in 2018 and 2019.

SEAPORT ALLIANCE CONTAINER VOLUMES YEAR-TO-DATE COMPARISON JANUARY – APRIL 2018, 2019 and 2020 (IN THOUSANDS)

Year	International Containers				Domestic Containers	Total Containers
	Imports	Exports	Empty TEUs	Total Intl. TEUs	TEUs	TEUs
	Full TEUs	Full TEUs				
2020	376	281	171	827	209	1,037
2019	458	307	277	1,041	215	1,256
2018	417	315	186	917	202	1,119

Note: Totals might not equal the sum of component parts due to rounding.
Source: Seaport Alliance.

Key projects deemed essential infrastructure, such as the Terminal 5 modernization and the Husky Terminal’s Lot F gate complex, continue without major delays.

Other Port Businesses

Other Port Businesses include management of facilities for non-containerized cargo, cruise, commercial and recreational marinas, and certain commercial and industrial properties. The U.S. Center for Disease Control has issued a nonessential travel warning and a temporary No Sail Order for cruise ships through July 24, 2020 unless certain criteria are met or the order is revoked or extended. In addition to the No Sail Order, Canada has extended its ban on large cruise ships in Canadian waters until October 31, 2020. Carnival, Princess, Holland America, Royal Caribbean, Silversea and Celebrity have cancelled their Alaska cruises for 2020. Norwegian Cruise Line is currently offering a modified schedule of Alaska cruises beginning in August; the Port anticipates that some or all may be cancelled.

The Port Commission has delayed the schedule for the proposed Terminal 46 cruise terminal (currently under environmental review) to better understand the market impact of COVID-19 before proceeding. Commissioners also directed staff to present an evaluation of the Alaska homeport cruise industry and recommendations concerning the resumption of the project as part of the 2021 capital budget process. The analysis is to consider impacts of COVID-19 on the industry's 2020 cruise season, health and safety regulatory requirements for when cruising resumes, industry and market forecasts, and economic benefit.

Financial Considerations

The Port is experiencing and expects to continue to experience a significant decrease in airport and non-airport revenues as a result of COVID-19. The Airport's revenues vary depending on the level of aviation activity and passenger traffic at the Airport. Revenues derived from airlines serving the airport are primarily cost recovery; the financial health of the airlines serving the Airport and the airline industry as a whole can affect the Port's airline revenues. In addition to revenues from airlines, other revenues, such as those from concessionaires, ground transportation activity, parking and Passenger Facility Charges ("PFCs") are reduced because of the lower levels of passenger traffic. Non-airport revenues from the Seaport Alliance have been negatively affected to date. The impact of cancelled cruises will be seen in subsequent reporting periods; the Port had anticipated \$26 million of gross revenue from cruise operations in 2020.

Port of Seattle Financial Information (unaudited)

\$ '000	YTD April 2020	YTD April 2019
REVENUE:		
Services	77,216	92,411
Property rentals	99,054	117,408
Customer facility charges operating revenues	-	1,703
Operating grants and contract revenues	1,093	185
Joint venture revenue (Seaport Alliance)	13,587	16,645
Total revenue	190,950	228,354
OPERATING EXPENSES:		
Operations and maintenance	101,771	100,262
Administration	24,692	22,526
Law enforcement	10,015	9,154
Total operating expenses before depreciation	136,478	131,941
OPERATING INCOME BEFORE DEPRECIATION	54,472	96,412

The federal Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), that became law on March 27, 2020, addresses the economic crisis created by the COVID-19 pandemic. The Port of Seattle is authorized to apply for and receive a grant of up to \$192 million to reimburse the Port for any Airport uses. The Port expects to seek reimbursement for Airport payroll expense and debt service payments.

The Port has identified an estimated \$35 million of operating expenses that can be eliminated from its 2020 budget. These are primarily related to outside services, travel and variable expenses related to the Port’s conference center. The Port implemented a hiring freeze and is reviewing requests to fill open positions on a case-by-case basis.

The Port has reviewed and continues to review its capital spending. It identified an estimated \$40 million of capital project spending deferrals from its operating funds in order to conserve operating cash. The Port is continuing with much of its capital program including the North Satellite Modernization and the International Arrivals Facility; both are currently under construction and primarily funded with existing bond proceeds.

The Port’s practice is to maintain fund balances in its two primary operating funds in order to manage financial downturns. The Port targets 10 months of Airport operating and maintenance expense for the Airport operating fund and 6 months for non-Airport businesses in its general fund. Estimated unaudited balances as of May 31, 2020 were 6 months and 19 months, respectively. The depth and duration of this downturn is expected to strain those resources with cash receipts lagging recognized revenues due to deferral of customer rents and fees as described below. On June 4, 2020, the Port closed on a line of credit with JP Morgan Chase Bank, National Association for up to \$150 million with a final repayment date of June 4, 2023. The Port has not drawn on the line but may do so at any time and use the proceeds for any lawful purpose, e.g. operating expenses, capital investments or the payment of debt service for any operating division with no regulatory restrictions. The credit facility is a limited tax general obligation of the Port, to which the Port has pledged its full faith and credit.

Relief to Concessionaires and Other Tenants

On April 1, 2020, the Port Commission approved an immediate, short-term emergency financial relief package for airport-based businesses, barred evictions of tenants at Port facilities (including live-aboard residents) due to an inability to pay rent through June 30, 2020, and authorized the Executive Director to provide additional immediate relief to Port tenants such as maritime and real estate tenants.

The immediate, short-term emergency financial relief package for Airport-based businesses includes a two-month deferral of rent and fees for airlines with repayment due by October 1, 2020. The Port is also deferring any increase in airline rates that would ordinarily be imposed due to lower traffic volumes based on the airline lease cost recovery formula; a settlement to recover forgone fee increases will occur in 2021. Other airport tenants and concessionaires may be granted deferrals of up to four months of rent. The current rent and fee deferral plan covers six kinds of airport operators: dining and retail, rental cars, remote parking, ground transportation such as taxis, TNCs, and shuttles, non-aeronautical properties like commercial buildings such as flight kitchens, and non-aeronautical properties in the terminal such as CLEAR. Any deferred rent would be required to be paid back in 2021 and would be charged with interest, per FAA guidance. In addition, on June 9, 2020 the Port Commission moved to extend most dining and retail tenant leases for an additional three years and to waive minimum annual guarantee requirements through 2020.

For non-Airport tenants with demonstrated impact and need, the Port has deferred rent payments and other fees for four months (April-July 2020). Generally, repayment is scheduled to begin in October 2020 and completed in 2021. For moorage customers the Port is also offering deferred payments for three months.

Other Considerations

The information in this voluntary disclosure notice has been obtained from records of the Port and other sources which are considered reliable. Any statement in this notice that includes a matter of opinion, whether or not expressly so stated, is intended as such, and not as a representation of fact. The information contained in this notice is provided as of the respective dates specified herein and is subject to change without notice, and the filing of this notice shall not, under any circumstances, create any implication that there has been no change in the affairs of the Port or in the other matters described herein since the dates as of which such information is provided.

This notice contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in regional, domestic and international political, social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, financial conditions of individual air carriers and the airline industry, technological change, changes in the tourism industry, changes at other area airports, seismic events, international agreements or regulations governing air travel, and various other events, conditions and circumstances, many of which are beyond the control of the Port.

The COVID-19 outbreak is ongoing, and its dynamic nature leads to uncertainties, including (i) the geographic spread of the virus; (ii) the severity of the disease; (iii) the duration of the outbreak; (iv) actions that may be taken by governmental authorities to contain or mitigate the outbreak; (v) the development of medical therapeutics or vaccinations; (vi) travel restrictions and the demand for air travel, including at the Airport; (vii) the impact of the outbreak on the local or global economy or on the airlines and concessionaires serving the Airport, or on the airline or travel industry generally; (viii) whether and to what extent the Commission may provide additional deferrals, forbearances, adjustment or other changes to the Commission’s arrangements with airlines, tenants and concessionaries; and (ix) the impact of the outbreak and actions taken in response to the outbreak on Port revenues, expenses and financial condition. These forward-looking statements speak only as of the date hereof and are subject to revision by the Port at any time. The Port disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Port’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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By posting this information, the Port does not undertake to post any additional information. The Port disclaims any obligation to update this information.

Dan Thomas

[Dan Thomas \(Jun 12, 2020 11:40 PDT\)](#)

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Voluntary Disclosure Notice_FINAL

Final Audit Report

2020-06-12

Created:	2020-06-12
By:	Khristy Harvey (harvey.k@portseattle.org)
Status:	Signed
Transaction ID:	CBJCHBCAABAAMsIEfv0q6q2cE2EA7fJTqInRFfel3w1I

"Voluntary Disclosure Notice_FINAL" History

-  Document created by Khristy Harvey (harvey.k@portseattle.org)
2020-06-12 - 6:15:04 PM GMT- IP address: 24.113.139.247
-  Document emailed to Dan Thomas (thomas.d@portseattle.org) for signature
2020-06-12 - 6:15:55 PM GMT
-  Email viewed by Dan Thomas (thomas.d@portseattle.org)
2020-06-12 - 6:38:47 PM GMT- IP address: 73.181.199.149
-  Document e-signed by Dan Thomas (thomas.d@portseattle.org)
Signature Date: 2020-06-12 - 6:40:35 PM GMT - Time Source: server- IP address: 73.181.199.149
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2020-06-12 - 6:40:35 PM GMT