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Port of Everett

Preliminary Citizen Budget Guide 2023

Enhancing
maritime commerce,
jobs and a
healthy community

www.portofeverett.com



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About the Port

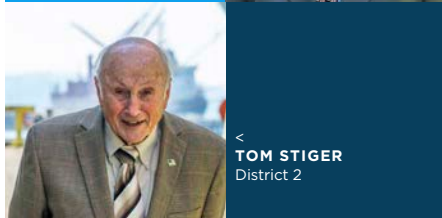
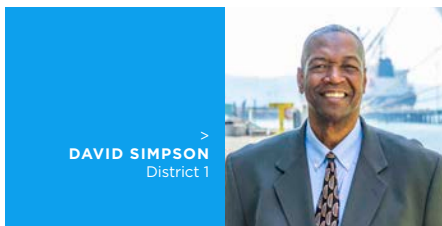
The Port of Everett is located in Washington State on Port Gardner Bay at the mouth of the Snohomish River. The Port was originally formed by the citizens of Everett in 1918 to create economic opportunities and protect the waterfront for the community. The Port has a long history of providing marine-related services and appropriate public access to the waterfront. The Port strives to bring quality jobs, business, and tourism opportunities to its local and surrounding communities, and is committed to enhancing, restoring and preserving the overall environmental health of our waterfront through environmental remediation, pollution prevention and resiliency planning.

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 125 acres of land, and specializes in handling high-value, conventional and overdimensional cargoes in support of the aerospace, military, construction, manufacturing, agriculture, energy and forest products industries. Most notably, the Port of Everett serves as an extension of the aerospace manufacturing process, accommodating all of the oversized aerospace parts for the 747, 767, 777, 777X and K-C Tanker programs.

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 3,300 acres of waterfront property, including Jetty Island, and works to return environmentally damaged property to productive use, restoring economic prosperity to the waterfront. The Port's properties also provide numerous public access and recreational opportunities for area residents to enjoy, supporting a vibrant, livable and balanced waterfront that generates economic and recreational opportunities. Through its operations, the Port supports nearly 40,000 jobs and contributes \$433 million to state and local taxes*.

**The 2019 Economic Impact of the Port of Everett by Martin Associates*

PORT LEADERSHIP



VISION

The Port's vision is to create quality jobs and support a healthy and attractive quality of life for District residents and businesses. We do this, in part, by investing in a balanced waterfront that improves the region's economy, commerce, community, environment, recreation and supporting high-functioning infrastructure.

MISSION

Enhancing maritime commerce, jobs and a healthy community

CORE VALUES

- Highest ethical standards
- Honor our commitment to our community
- High-performers that value the privilege of public service
- Embrace the richness of a diverse community
- Responsible stewards of community resources and the environment
- Dependent and supportive partner



@portofeverett | #portofeverett

2023 Budget Message

The Port of Everett Commission, working with Port staff, have developed a preliminary budget for 2023 that continues to implement the Port's Strategic Plan and overall vision of a vibrant and balanced working waterfront.

The 2023 budget and financing plan takes into account anticipated financial implications resulting from the COVID-19 pandemic and resulting business impacts, as well as current economic factors such as ongoing supply chain challenges and historic inflation. The 2023 budget positions the Port to address the significant opportunities that are before it to support economic recovery and jobs, while being mindful of the needs of current operations.

The Port is budgeting total expenditures in 2023 of \$66.8 million, consisting of:

- Capital investments of \$25.8 million
- Operating expenses of \$31.7 million
- Debt service of \$8.8 million
- Non-operating expense for public access of \$500,000

The 2023 - 2027 Capital Improvement Plan continues to develop the Everett waterfront as a place of commerce, as well as a place for citizens and guests to recreate. The plan includes 66 projects that advance the Port's Strategic Plan by:

- Investing in maritime infrastructure to modernize the Seaport and support the movement of commerce, while also greening the supply chain
- Building out public infrastructure and mixed-use elements at Waterfront Place, including new destination retail and restaurant pads at Fisherman's Harbor, and moving into development for the second phase at the Millwright District
- Continuing to recapitalize and upgrade Marina infrastructure, including fuel dock tank replacement and dock reconfiguration, marina access controls, covered moorage upgrades and more
- Exploring new economic development opportunities, such as waterfront redevelopment planning efforts in Mukilteo, and
- Systematic cleanup of legacy contamination along the waterfront as part of the Puget Sound Initiative

Each of these efforts will require significant investment from the Port. The Capital Improvement Plan proposes \$75 million through 2027.

Operating Revenues are budgeted at \$42.9 million, an increase of 36% from the 2022 budget. These revenues will be used to pay for the Port's direct operational expenses, including administrative overhead of \$31.7 million, an increase of 25.6% from the 2022 budget. The operating budget accounts for increased costs due to insurance increases, environmental reporting and increased employment levels.

The preliminary budget assumes Non-operating Revenue of \$5.3 million, primarily from property taxes. This represents a 1% increase in the amount of tax collected. The primary Non-operating Expense is interest on outstanding debt of \$2.8 million, an increase of 5.7% from the 2022 budget.

In addition to cash generated by on-going activities, the Port expects to receive grants and loans of \$17.8 million.

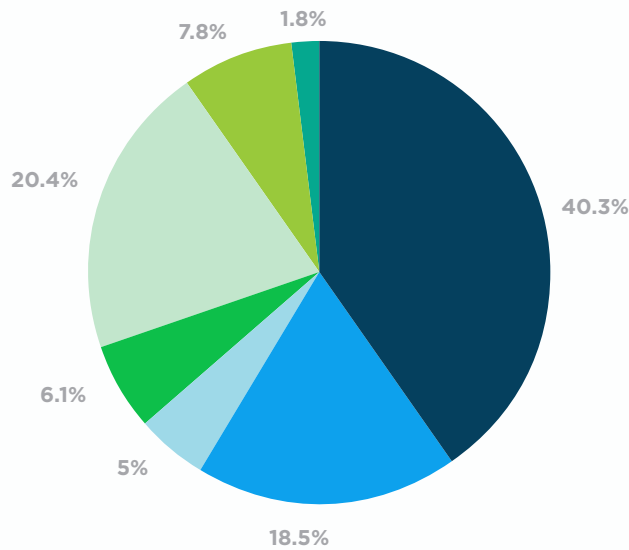
The Port Commission has held numerous regular Port Commission meetings on the budget and will open a formal public hearing at the November 1, 2022 Port Commission meeting. The public hearing includes a week-long public comment period, prior to expected budget adoption at the November 8, 2022 Port Commission Meeting.

Eric Russell
Port of Everett CFO

2023 BUDGET ASSUMPTIONS

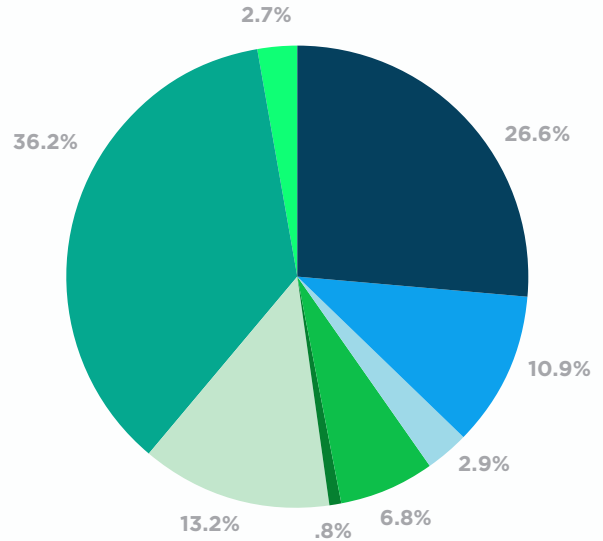
- Airline manufacturing continues at low levels
- Marina stays steady
- Ship repair industry is strong
- Industrial development remains steady
- New Norton Terminal open and operational
- Development of new leased buildings
- Supply chain normalizes in early 2023

2023 BUDGET FUNDING PLAN: \$66.8 MILLION



Sources

- 40.3% Terminals
- 18.5% Marina
- 5% Properties
- 6.1% Grants / Contributions
- 20.4% Debt Issuance
- 7.8% Property Tax
- 1.8% Reserves



Uses

- 26.6% Terminals
- 10.9% Marina
- 2.9% Properties
- 6.8% Administration
- .8% Public Access
- 13.2% Debt Service
- 36.2% Capital Investment
- 2.7% Other

2023 Budget Overview

- **Total Operating Revenue:** \$42.9 million
- **Total Operating Expenses:** \$31.7 million
- **Total Capital Budget:** \$25.8 million
- **Port Tax Collection:** \$5.3 million
- **New Debt Issuance:** \$13.1 million
- **Annual Debt Service:** \$8.8 million
- **Net Income (Before Depreciation):** \$11.1 million

2023 Funding Plan Includes:

- **Grants/Contributions:** \$4.6 million

Budget Assumptions

- Steady activity at Seaport; no increase in aerospace activity
- Norton Terminal Open
- Strong demand for moorage during peak season
- Lease property remains fully occupied
- New commercial buildings come online
- Continued tight insurance market
- Increase in employee counts

Strategic Initiatives 2023

In 2023, the Port of Everett is implementing a capital budget totalling \$25.8 million consisting of 54 individual projects. The Port Commission's top capital priorities include modernizing and greening the Seaport, continuing to build out destination retail and mixed-use amenities at Waterfront Place, upgrading and developing new marina facilities and systematically cleaning up the waterfront through Puget Sound Initiative projects.

Seaport Modernization

Modernize and expand Port of Everett Seaport to meet 21st Century infrastructure needs and support maritime opportunities

- Norton Terminal Yard, Wharf & Warehouse Improvements
- Marine Terminal Master Planning
- S. Terminal (Mill A) Cleanup Planning
- Pacific Terminal Improvements
- Electrification of Pier 3
- Security Upgrades

Total: \$10.8M
2023 Expenditures: \$4.4M



Creating a New Waterfront Community at Waterfront Place

Phasing of new waterfront community, including primary infrastructure and commercial mixed-use developments

- Public Infrastructure Improvements
- New Retail & Restaurant Buildings
- Millwright District Infrastructure Improvements
- Public Open Space & Art Projects

Total: \$26.5M
2023 Expenditures: \$9.7M

Taking Care of Facilities: Maintenance/Preservation

Provide for asset replacement, maintenance and preservation in Seaport, Marina and Real Estate divisions

- Seaport Pile & Bulkhead Restoration
- South Marina Covered Roofs/Gates
- Marina Access Controls
- Fire Damage Repair

Total: \$15.9M
2023 Expenditures: \$2.1M



Develop Sustainable Marina Operations

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

- New Marina Maintenance Shop
- Fuel Tanks Relocation
- Fuel Dock Reconstruction
- Dock Demolition & Upgrades

Total: \$12.3M
2023 Expenditures: \$2.7M

Industrial Economic Development

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

- Mukilteo Property Master Planning
- Puget Sound Initiative Environmental Cleanup Program
- Property Acquisition Opportunities

Total: \$2.5M
2023 Expenditures: \$1.4M

Other Projects

- Cargo Handling Equipment
- Operations Vehicle Acquisitions
- Boat Launch Rinse Facility Improvements
- Jetty Landing Playground

Total: \$3.8M
2023 Expenditures: \$3.3M

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Port of Everett Locations & Key Projects

PORT OF EVERETT

**Creating a
Community at V**

**Port Developed
Riverside Business Park**

**Blue Heron Slough Mitigation Bank
1.5 miles northeast**

**Union Slough
Wetland Mitigation**



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**Seaport
Modernization**

**Future Mukilteo
Waterfront Development**

*Port
Gardner Bay*

SEAPORT

**Taking Care of Facilities:
Maintenance/Preservation**

**New Waterfront
Waterfront Place**

PORT OF EVERETT MARINA

WATERFRONT PLACE

**Develop Sustainable
Marina Operations**

JETTY ISLAND

**Completed Bay Wood
Shoreline Cleanup
& Business Park**

International Seaport

Budget Overview

- Operating Revenue: \$27.1 Million
- Operating Expenses: \$17.9 Million
- 2023 Capital Budget: \$8 Million
- 63.1% of Total Port Operating Revenues

Budget Assumptions

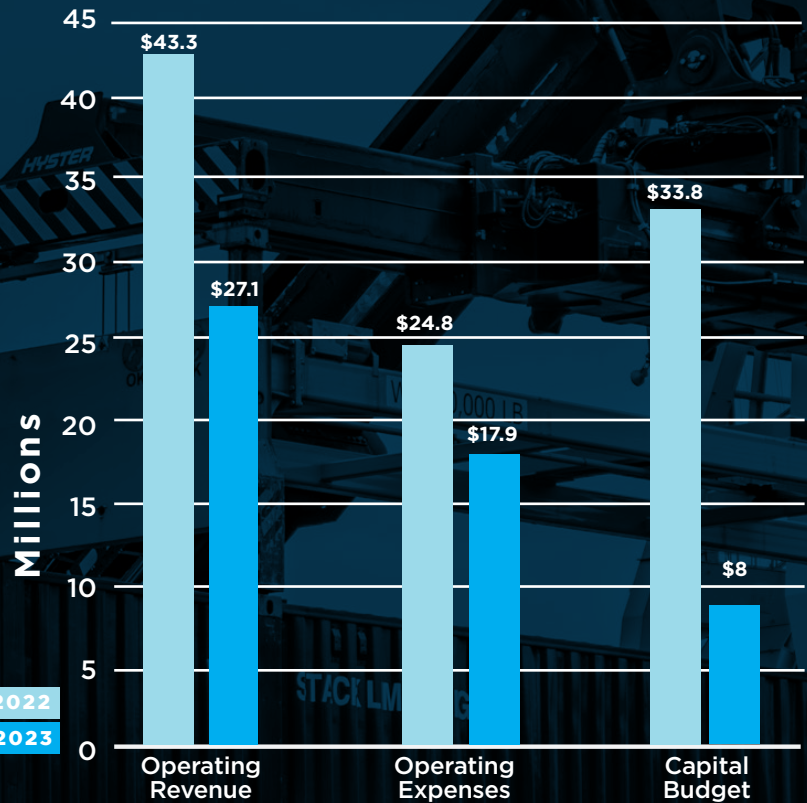
- Steady activity at the Seaport
- Norton Terminal opens in fall 2022
- No increase in aerospace activity
- Slight growth in project cargoes
- Trade tariffs continue
- Supply chain backlog levels out

Community Benefits

- Supports major employer in Washington state
- Nearly 40,000 jobs supported
- Generates nearly \$433 million in tax revenue
- Supports local/regional economic recovery and job restoration efforts

Challenges

- Labor contracts
- Global inflation



Cement

25%

Breakbulk

22%

Containers

53%

Annual Cargo Statistics

	2017	2018	2019	2020	2021	2022 (YTD)
OUTBOUND						
LOGS (MBF)	20,779,290	7,010,400	-	-	-	-
GENERAL CARGO/N.O.S (S/T)	7,817	1,794	1,314	58,088	82,924	56,948
CONTAINERS (TEUs)	7,808	4,622	5,781	3,376	3,846	3,257
INBOUND						
CEMENT (S/T)	70,525	110,797	121,542	88,618	180,007	125,143
GENERAL CARGO/N.O.S (S/T)	9,320	26,990	43,062	24,130	55,701	52,392
CONTAINERS (TEUs)	11,842	8,628	9,976	7,721	42,259	54,485
VESSEL CALLS						
SHIPS	90	82	99	87	123	134
BARGES	43	40	52	30	10	10
TONNAGE COMPARISON (SHORT TONS)						
CEMENT	70,525	110,797	121,542	88,618	180,007	125,143
GENERAL CARGO/N.O.S (S/T)	17,137	28,784	44,376	82,208	138,625	109,340
CONTAINERS	92,941	75,710	89,751	71,222	253,531	264,369
WOOD FIBER PRODUCTS						
DOCK	-	-	-	-	-	-
OVERSIDE	138,774	43,615	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	319,377	258,906	285,669	242,048	572,136	498,852

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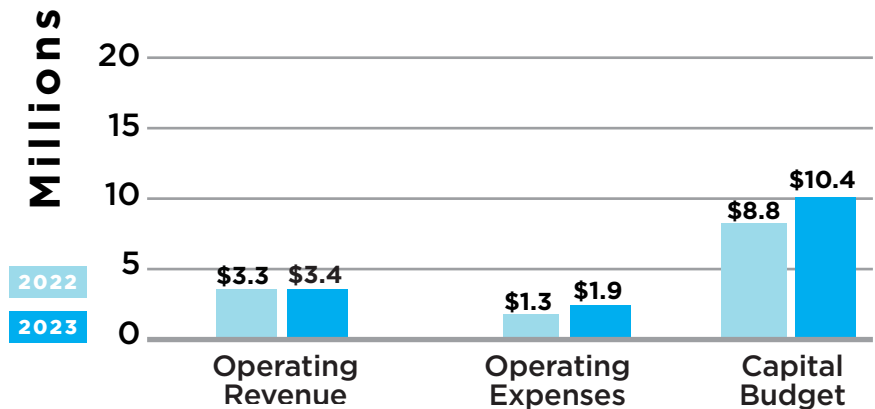
Commercial & Industrial Real Estate

Budget Overview

- Operating Revenue: \$3.4 Million
- Operating Expenses: \$1.9 Million
- 2023 Capital Budget: \$10.4 Million
- 7.9% of Total Port Operating Revenues

Budget Assumptions

- New property complete in Q4 2022
- Continue low vacancy



2023 ACTIVE LEASES

MARINE RELATED

- Bayside Marine
- Bellingham Yachts Sales
- Crosswater Yacht Sales
- DeckFX
- Everett Yacht Club
- Everett Yacht Service & Repair
- Freedom Boat Club
- Harbor Marine
- Heritage Marine Electrical
- KayakShare.com
- Little House of Canvas
- Mariner Marine Services
- Marine Power Service
- Milltown Sailing Association
- OceanGate
- Port Gardner Yacht Brokerage
- Propulsion Controls Engineering
- Puget Sound Composites
- Riptide Marine
- Waterline Boats
- West Coast Yacht Sales
- West Marine
- Your Boat Shop

RETAIL & OFFICE

- A+ Hearing Aids
- Bay Psychiatric
- Dunlap Industrial Supply
- Engineered Sports Therapy
- Everett Clinic Behavioral Health
- Evergreen Moneysource Mortgage
- Hotel Indigo
- Inn at Port Gardner
- Laura Lou Massage
- MonkeyFist Market
- Northwest Retina
- Off Planet Research
- Precious Medical Spa
- Water's Edge Salon
- Walters & Wolf
- Western Washington Medical Group

RESTAURANT

- Anthony's Homeport
- Anthony's Woodfire Grill
- Bluewater Distilling
- Ivar's Mukilteo Landing
- Lombardi's Italian
- Scuttlebutt Brewing Co
- Seas the Day Café

COMING SOON!

- Anisoptera Spa
- Covington Cellars | Two Vintners
- Fisherman Jack's
- Lazyboy Brewing Co.
- Rustic Cork Wine Bar
- Sound2Summit Brewing
- South Fork Baking Co.
- The Muse
- Wood's Coffee

OTHER

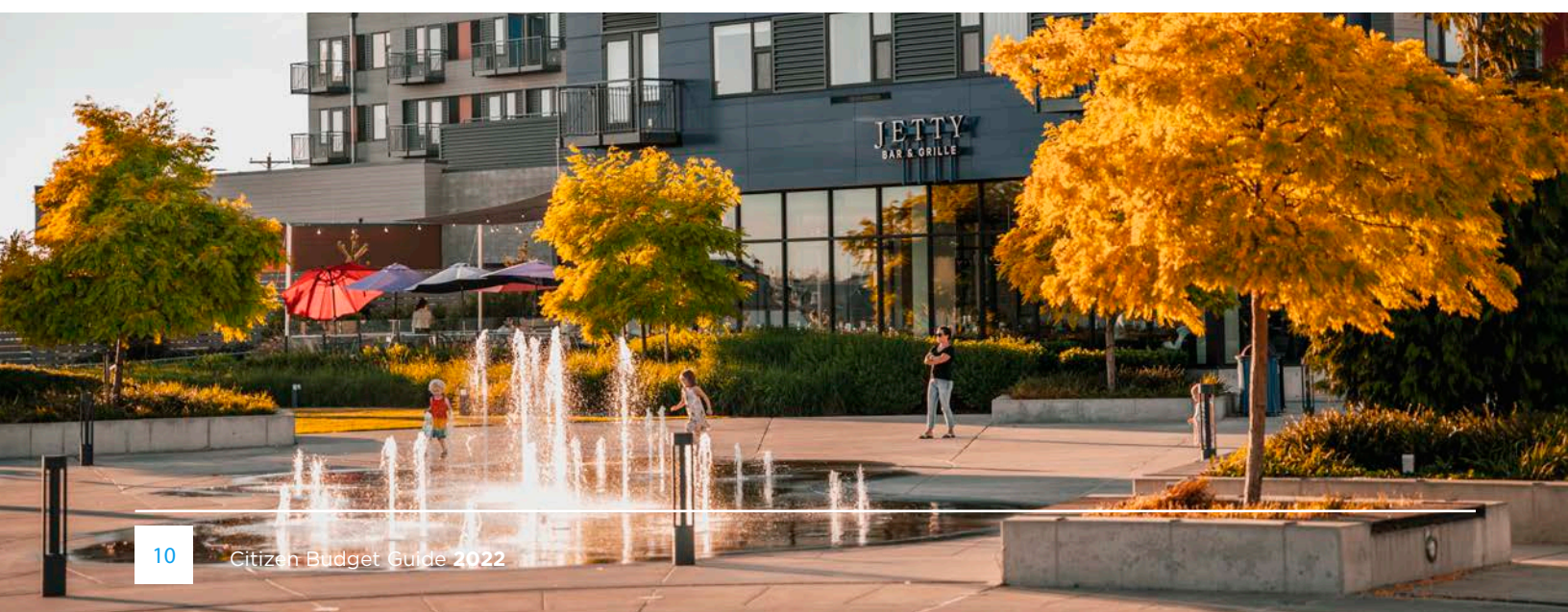
- Everett Community College ORCA

Community Benefits

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

Challenges

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



Marina



Budget Overview

- Operating Revenue: \$12.4 Million
- Operating Expenses: \$7.4 Million
- 2023 Capital Budget: \$2.8 Million
- 29% of Total Port Operating Revenues

Community Benefits

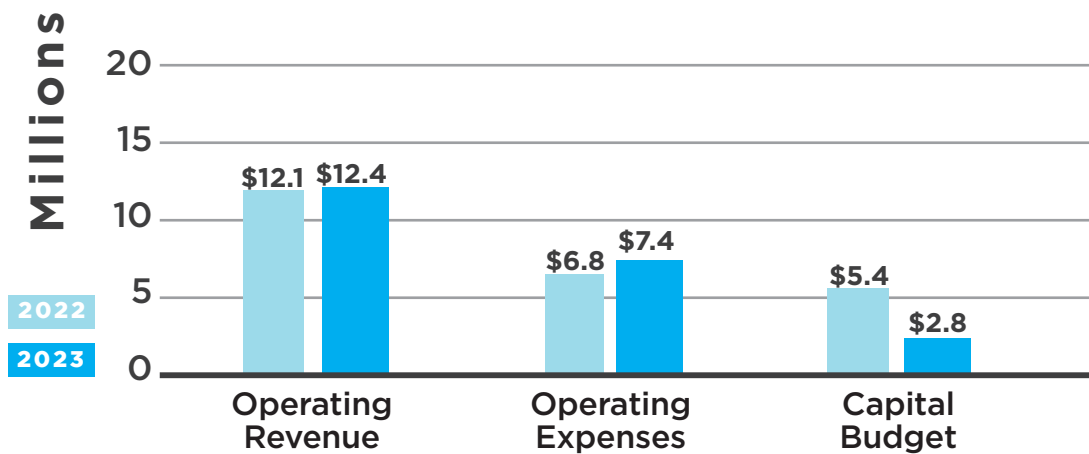
- State's largest recreational boating community
- More than 1,000 jobs supported
- Extensive waterfront public access network

Budget Assumptions

- Anticipate modest revenue increase due to year-round occupancy growth
- Expenses are rising (i.e. utilities, water, insurance)

Challenges

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



Environment



Active Cleanup Projects



Completed Cleanup Projects

**Weyerhaeuser
Everett East**



2022 Environmental Successes

Baywood Shoreline Cleanup & Habitat Restoration:
See page 11

Blue Heron Slough: In September 2022, the Port gathered alongside community and tribal leaders, and its many project partners to unveil the new 353-acre Blue Heron Slough estuary — a critical link in the recovery of native salmon species. The project, located between the cities of Everett and Marysville, was more than 30 years in the making, and returns the once agricultural site to its former natural condition as estuarine habitat. A controlled breach process removed sections of the old agricultural dike from Spencer Island (which had been diked and drained for farming in the early 1900s) to reconnect the Snohomish River to the site. Blue Heron Slough is a NOAA certified environmental conservation credit bank and has a pending wetland bank accreditation (approval expected in 2023). Blue Heron Slough aims to create a balance between regional economic development and enhancing the health of critically important wetland and wildlife habitat.

Former Kimberly-Clark Mill Site (Upland): In July 2021, the Port broke ground on its \$40M Norton Terminal Development and Model Toxics Control Act (MTCA) Interim Action Cleanup at the former Kimberly-Clark mill site. This critical maritime infrastructure project represents the cornerstone of the Port's more than \$100M Mills to Maritime initiative — an effort that sets out to transform the former mill site into a new maritime hub to realize the Port's \$57M South Terminal investment, enhance the movement of commerce, restore jobs, position our region for economic recovery and cargo diversification, and achieve environmental stewardship. This work followed completion of the 2nd MTCA Interim Action Cleanup by the previous property owner under the direction of the Washington State Department of Ecology (Ecology), a



requirement set as part of the Port's purchase of the site in late 2019. Under this action, more than 18,000 tons of contaminated soil and 200,000 tons of crushed building rubble was removed from the site. The 3rd MTCA Interim Action was conducted by the Port under a cleanup agreement with Ecology. The integrated cleanup/redevelopment provides a low permeability cap to cover any residual soil contamination and improve groundwater quality, and adds stormwater treatment at the site for the first time in its history. While a majority of the 40-acre site will be capped by the end of 2022, the final portion will be constructed in 2023.

2023 Environmental Initiatives

Former Weyerhaeuser Mill-A: The Port is conducting a study with The Weyerhaeuser Company and Ecology that will determine the range of cleanup options for Weyerhaeuser's former Mill-A site — an area that encompasses the Port's South and Pacific Terminal berths at the Seaport, and the surrounding bay. The contamination under review stems from historic mill operations on site, and the study will present the options for cleaning it up. The cleanup options will take into account the requirements of the Port's modernization efforts at its South and Pacific Terminals, which are being prepared to handle the next generation of ships and cargo. The Port is using a unique combination of loans and grants from Ecology to fund the project to shovel-ready status, including a \$4.3M loan from Ecology — the first to be awarded in agency history, which will provide critical grant match funding as the Port pursues cost recovery

DRAFT WHY CLEANUPS MATTER

Phase 1 VCP

West End



Restores healthy land and water from our City's mill town past; Port works in partnership with legacy parties to clean up sites



For every \$1 spent on environmental cleanup, \$7 in economic output is generated



Puget Sound Initiative (2006) identified 215 acres to be cleaned up, all either complete or under cleanup action now



In the next few years, the Port will double its environmental cleanup investment on the waterfront



Facilitated more than \$33M in cleanup since early 2000s; \$25M at the destination waterfront

from Weyerhaeuser. The Port is targeting cleanup to commence as soon as 2025, once Ecology has decided on the final cleanup plan, the engineering design is completed, and necessary permits are in hand.

East Waterway: Developed in the early 1900s, the East Waterway was a hub of industry at the Everett waterfront, being the home of two major mills, the Navy, shipyards, shipping terminals, and other industrial activities. Legacy contamination stemming from the site's heavy historic uses is currently being addressed by Ecology through the formal state cleanup process under an Agreed Order. The project is in the beginning stages and will likely take many years to complete.

TC Systems: The Port acquired the Norton Industries property in 2019 to expand its land holdings in a critical location of the Waterfront Place Craftsman District. As part of the acquisition, the Port took on a relatively small but ongoing formal cleanup site known as TC Systems. The Port is working with Ecology on the Remedial Investigation and Feasibility Study to select the preferred cleanup option.

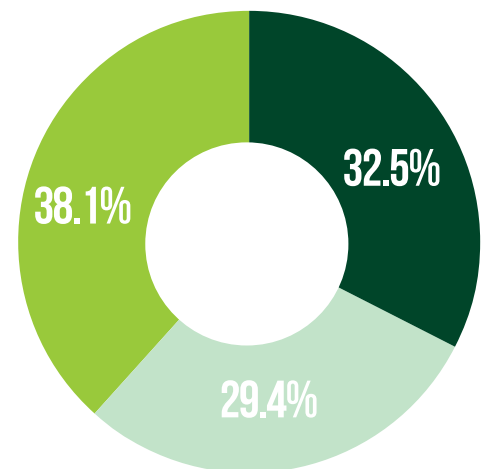
Challenges

- Potentially liable party funding
- Washington State Legislature continues to expand the uses of the voter-approved Model Toxics Control Account (MTCA) funds, which were specifically meant to remediate historic contamination

Community Benefits

- Restores and enhances the health of the Puget Sound
- Unlocks revitalization and economic prosperity of underutilized waterfront properties
- Creates construction jobs and, ultimately, permanent and induced jobs

How is the \$1.9 million in cleanups funded?



- Port Operations
- Loans
- Grants

Public Access

2022 Public Access Achievements

NEW! Bay Wood Shoreline Restoration & Trail

A project that cleaned up a once challenged shoreline and restored habitat at the Port's former Bay Wood site culminated with the opening of a new half-mile, ADA-compliant nature trail in July 2022, bringing public access to the former mill site for the first time in its history. The 8-foot-wide trail, which features viewpoints overlooking the mouth of the Snohomish River and Port Gardner Bay, was part of a shoreline restoration the Port took on in partnership with Ecology to remove about 3,500 cubic yards of contaminated soil from legacy uses, create 1,300 linear feet (LF) of new living shoreline habitat, and add another 2,200 LF of upland buffer habitat with plantings to restore nearshore habitat for salmon and other wildlife. Cleanup spurred the property sale and private development of a nearly \$30M employment complex by Latitude Development that is returning jobs to the site for the first time in 30 years. The trail was a condition of the Port's sale and development of the property.



NEW! Jetty Landing & Boat Launch Restroom

The Port of Everett, City of Everett and Snohomish County partnered on a new restroom at the Jetty Landing and Boat Launch to better meet the demands of this heavily used boating and recreation hub. The project replaced the previous restroom built in the 1980s with a modern day, modular, family-style restroom. The new facility, which opened in fall 2022, more than doubles restroom stalls and improves ADA accessibility. The project was awarded a \$595,000 grant by the Washington State Recreation and Conservation Office to offset the cost.



Boat Launch Dredging

Another key public access project completed in 2022 was the highly-anticipated boat launch dredging. Extreme weather events and historical shifts in Snohomish River flow have caused major increases in siltation at and around the launch in recently years. The \$1 million effort removed 28,000 cubic yards (cy) — equivalent to about 2,800 dump trucks loads — of river sediment that settled in the launch and was grounding boaters at low tide. In addition, the Port, in coordination with the U.S. Army Corps of Engineers, worked to obtain emergency authorization to expand its dredge footprint outside of the launch to mitigate a growing sandbar in the river restricting access at low tide. The Port dredged an additional 6,000 cy to create a connector channel through the sandbar to ensure critical emergency access at all tide levels.

Mukilteo Waterfront Parklet

The Port, in partnership with Ivar's Mukilteo Landing, recently completed public access improvements at the former ferry landing located off Front Street and SR 525 in Mukilteo. The project created a new "parklet" with expanded outdoor dining on the Ivar's side, and new benches, picnic tables and planters on the parklet side. A bubble-like pattern is incorporated into the design, including painted circles on the pavement and metal panels to divide and dress up the space.

Coming Soon!

New Parks Spaces Planned at South Marina Destination Retail

As part of the new three-building destination retail "Wine Walk" project planned to break ground in the South Marina in late 2023, the Port is adding new connected parks and open spaces in and around the building pads with seating and interactive art/architectural elements to be incorporated for public enjoyment.

Jetty Landing Playset

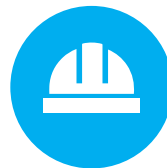
To further support users of Jetty Landing's busy boating hub, the Port is exploring the opportunity to add a children's play structure at the west end near the Jetty Ferry Dock.



Investing and maintaining more than 1,500 acres (more than 50% of landholdings) of appropriate public access



Balance public access and recreation with habitat and environment (i.e. Jetty Island, Union Slough)



Working waterfront supports City-wide public access through Port's 2% public access policy



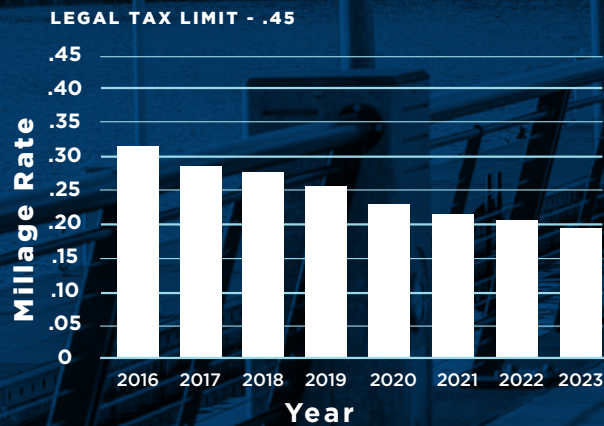
Have invested more than \$30M in new waterfront public access since 2006; millions more in the works

2023 Property Tax Levy

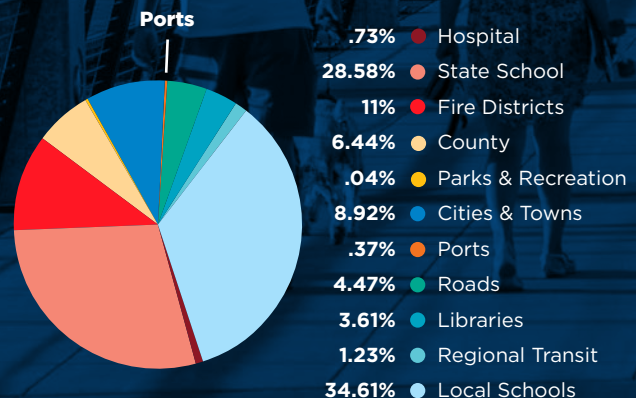
Under state statute, ports are special purpose districts tasked with economic development. While ports are a taxing authority, they are run and funded quite differently than a general purpose government (like a city or county) that is funded almost solely by tax revenue. The Port of Everett's tax assessment is the second lowest in Snohomish County, and is dedicated exclusively to public access, environmental remediation and/or debt service.

- **Port portion of tax bill:** Total estimated annual Port tax for a \$550,000 home in 2022 is \$121. In 2023, it is projected to be \$103.40.
- **Millage rate:** 18.8 cents per assessed \$1,000 (down from 22 cents per assessed \$1,000 in 2022)
- **Total tax collection:** \$5.4 million (8% of budget)
- **How are the taxes used?**
Environmental restoration, public access and debt service
- **How are the taxes not used?**
Any operating costs, including salaries and benefits
- **What do I get in return?**
Necessary infrastructure to support nearly 40,000 jobs (82% in Snohomish County); and \$433 million in state and local taxes that help fund schools, public safety and social services. This funding allows the Port to take an active role in restoring contaminated property and creating waterfront access.

Tax Rate Trends



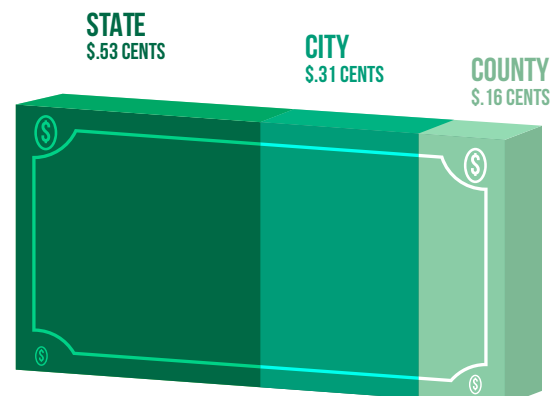
Snohomish County Distribution of Taxes 2022



About Leasehold Excise Tax

DID YOU KNOW?

- Port tenants pay a 12.84% Leasehold Excise Tax (LET) in lieu of property tax
- For every \$1 of LET collected, the state receives 53 cents, the City of Everett receives 31 cents and Snohomish County receives 16 cents
- The Port remits the tax collected to the state, who distributes to the correct jurisdictions
- In 2022, the Port collected approximately \$1.7M in Leasehold Excise Tax for distribution to the jurisdictions
- The Port's economic development activities generate high value for our city, county and state via jobs, revenues, income and taxes



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