



Seaport Division
2010 Business Plan Overview
Commission Presentation
August 11, 2009



Pier 90/91

Pier 86

Pier 66

Terminal 46

Terminal 30

Terminal 25

Terminal 18

Terminal 5

Terminal 5 On-Dock Rail

BNSF (SIG - North)

BNSF (SIG - South)

UPRR (ARGO)

SEAPORT STRATEGIES 2010

- Protect our current business
- Position ourselves for recovery and change in the container shipping market
- Collaborate with others to advance our key initiatives

CRITICAL 2010 WORK

- Maintain high performance level for critical functions
- Deliver on commitments - clean truck plan and container terminal customer support plan
- Continue the transition and development of Terminal 91 into a multi-use facility
- Adjust and align our resources to meet our business strategies

2010 Preliminary Capital Plan Committed & Business Plan Prospective

\$'s in 000's

Renewal/Enhancement
Revenue/Capacity Growth
Environmental/Safety
Total

2010
40,894
7,235
2,969
51,098

2010 MARKET OUTLOOK

- Overall Container Market (Transpacific) Projected to Grow: -1.5% for imports and 8.9% for exports
- Seattle Import Container Volumes Projected at a 5-10% Reduction vs. 2009 Plan
- Cruise Business to Alaska Projected to Remain Strong
- Grain Volumes (Corn/Soybeans) will again be Positive
- Demand for Industrial Properties Uncertain

FINANCIAL OUTLOOK

- Operating Revenue (excluding grants and reimbursements) is projected to be approximately flat compared to 2009 Budget
- Primary components of revenue:
 - In place leases
 - Volume: Cruise, Grain, Crane Rent
 - Grants/Reimbursements

FINANCIAL OUTLOOK

Key Revenue Assumptions

- TEU volume 8% decrease from 2009 budget
- Eagle Rate increase in July
- Container Terminal Customer Support Plan
- T25/30 lease – full year of lease payments in 2010
- Cruise forecast 6% increase in passengers
- Grain volumes – similar to 2009 budget
- Properties in transition

FINANCIAL OUTLOOK

Expenses 10% below 2009 Budget (excluding Grant Expenses)

Expense Trends and Risks

- Asset Condition Assessments
- Repair Costs
- Environmental Reserves
- Stormwater
- Implementation of NW Clean Air Strategy
- Maintenance Dredging
- Fender Piling Expense Projects

GROWTH RISKS

- U.S. and Global Economic Uncertainties
- West Coast Terminal over Capacity Increasing Competition for Less Container Volume
- Port Competitiveness with Respect to Intermodal Pricing
- Continued West Coast Volume Erosion to All Water Services
- Prince Rupert's Continued Growth
- Panama Canal Expansion in 2014

CONTAINERS FINANCIAL OVERVIEW

Containers & Support Properties				2008	2009
<u>\$'s in 000's</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Actual</u>	<u>Budget</u>
Revenue	49,743	53,017	51,865	56,501	62,938
Direct Expenses	<u>10,089</u>	<u>9,799</u>	<u>10,808</u>	<u>14,495</u>	<u>19,133</u>
Income from Operations	39,654	43,218	41,057	42,006	43,805
Corp Allocations	5,383	6,293	5,510	7,314	7,823
Environmental Reserve	<u>(2,113)</u>	<u>1,228</u>	<u>3,821</u>	<u>0</u>	<u>0</u>
Net Operating Income	36,383	35,697	31,726	34,692	35,982
Depreciation	<u>20,779</u>	<u>19,291</u>	<u>20,608</u>	<u>17,276</u>	<u>19,125</u>
Net Income	15,604	16,406	11,118	17,416	16,857

BUSINESS UNITS MAJOR GOALS 2010

CONTAINERS

- Maximize efforts to Joint Market our Gateway
- Market unique value/benefits of Port of Seattle
- Implement customer support package including clean air plan components
- Conduct priority asset assessments and/or repairs
- Increase seaport revenues – find tenants for vacant properties (i.e. T-104/106)

CRUISE FINANCIAL OVERVIEW

Cruise				2008	2009
<u>\$'s in 000's</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Actual</u>	<u>Budget</u>
Revenue	4,014	5,461	7,448	9,375	9,252
Direct Expenses	<u>1,782</u>	<u>2,029</u>	<u>1,964</u>	<u>3,109</u>	<u>3,613</u>
Income from Operations	2,232	3,432	5,484	6,267	5,639
Corp Allocations	538	542	1,193	1,558	1,845
Environmental Reserve	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Operating Income	1,693	2,890	4,291	4,709	3,795
Depreciation	<u>3,466</u>	<u>3,784</u>	<u>5,373</u>	<u>3,749</u>	<u>4,536</u>
Net Income	(1,773)	(894)	(1,082)	959	(742)

BUSINESS UNITS MAJOR GOALS 2010

CRUISE

- Negotiate long-term agreement for cruise lines calling at Pier 66
- Evaluate first year operations at Smith Cove cruise terminal and make changes as needed
- Develop plan for use of Smith Cove cruise terminal as events venue

FINANCIAL OVERVIEW

INDUSTRIAL DOCKS & PROPERTIES

Bulk, Docks & Industrial				2008	2009
<u>\$'s in 000's</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Actual</u>	<u>Budget</u>
Revenue	15,526	16,842	18,736	19,549	17,940
Direct Expenses	<u>6,938</u>	<u>7,539</u>	<u>6,793</u>	<u>6,968</u>	<u>6,866</u>
Income from Operations	8,588	9,303	11,943	12,581	11,074
Corp Allocations	3,232	3,324	3,266	3,520	3,331
Environmental Reserve	<u>11</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Operating Income	5,345	5,977	8,677	9,061	7,742
Depreciation	<u>4,449</u>	<u>3,824</u>	<u>5,006</u>	<u>5,587</u>	<u>5,806</u>
Net Income	896	2,153	3,671	3,474	1,936

BUSINESS UNITS MAJOR GOALS 2010

INDUSTRIAL DOCKS & PROPERTIES

- Determine customer needs at T-91 and develop plan to meet needs
- Conduct priority asset assessments and/or repairs
- Develop operations plan for T-91
- Develop capital improvement program for T86 grain facility and align lease accordingly

SERVICE UNITS MAJOR GOALS 2010

FINANCE

- Financial analysis of business opportunities
- Financial return metrics by property
- Budgeting & reporting

SERVICE UNITS MAJOR GOALS 2010

PLANNING

- Complete port-wide maintenance dredging plan
- City shoreline plan update
- City comprehensive plan update
- T-91 – operations & planning
- Transportation – Alaskan Way viaduct impacts

SERVICE UNITS MAJOR GOALS 2010

SECURITY

- Regulatory compliance
- Transportation Worker Identification Credential (TWIC) card reader implementation
- Security grants – effective use of available funds, seek flexibility in programs

SERVICE UNITS MAJOR GOALS 2010

ENVIRONMENTAL

- Northwest Ports Clean Air Strategy Implementation
 - Meet end of year goals - vessels, trucks, cargo handling
- Stormwater compliance
- Cleanup sites
 - Completion of key work
 - Regulatory agency negotiations
 - Cost recovery
- Regulatory compliance
- Environmental Review & Permitting