

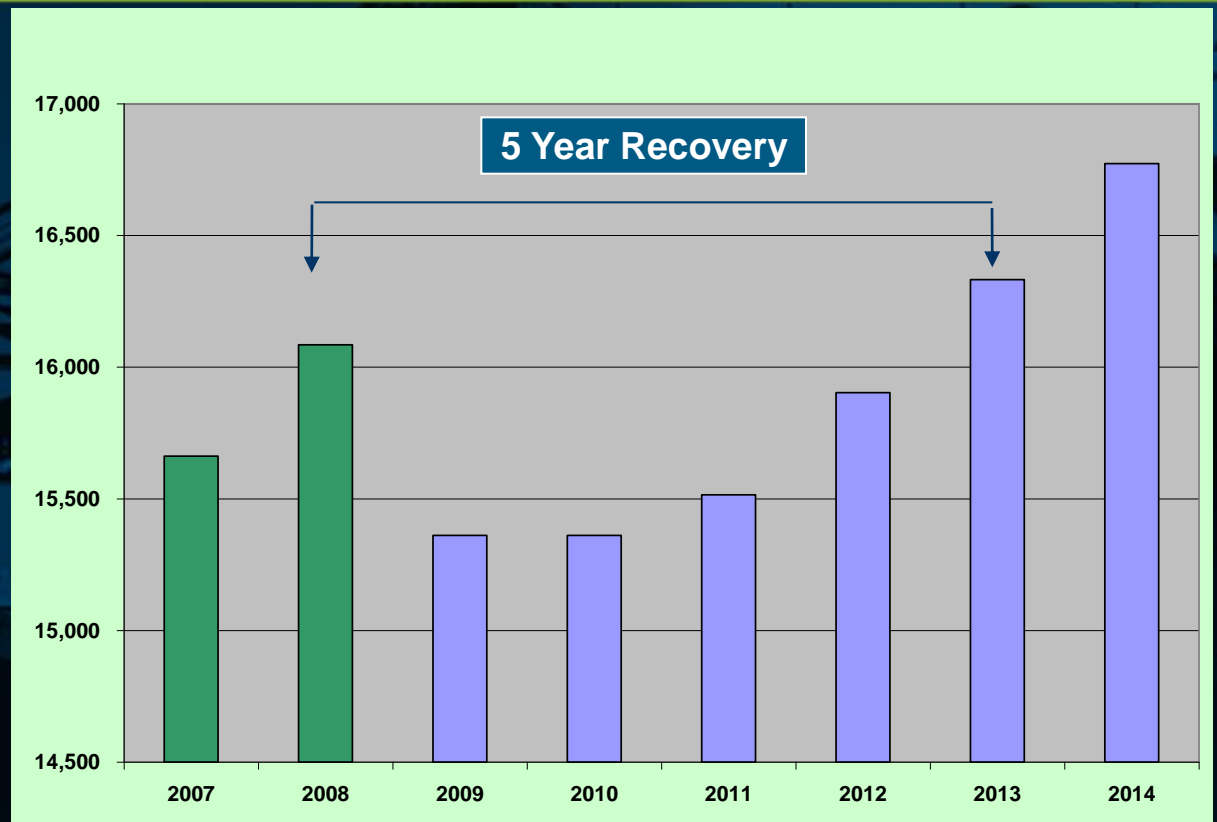
Aviation Division
2010 Preliminary Budget
Operating Budget
Capital Budget
Business Plan Forecast

Commission Budget Workshop
October 6, 2009

- Airline side of business:
 - Manage growth in passenger airline cost per enplanement (CPE):
 - Drive future CPE below November 2005 forecast through 2012 (basis of airline agreement - SLOA)
 - Maintain rates & charges debt service coverage at 1.0x
- Non-airline side of business:
 - Grow Net Operating Income (NOI)
 - Mitigate declines associated with reduced passenger levels
 - Provide cash flow to meet/exceed debt service coverage of 1.25x
 - Generate excess cash flow to facilitate airline cost offsets
- Division:
 - Maintain unrestricted cash and investments equal to at least 10 months of O&M costs

Enplanement Forecast

<u>Year</u>	<u>Assumption</u>
2009	-4.5%
2008	0.0%
2011	1.0%
2012	2.5%
2013	2.7%
2014	2.7%



- Not typical recovery; no sharp rebound
 - Travel demand may pick up in late 2010 as economy improves, but capacity cuts and/or increased fares may dampen demand
- Growth rate in out years reflects FAA long-term forecast (2.7%)
- Continuing to review and refine forecast

Operating Budget Overview

- 2010 Enplaned Passengers – flat (0% change)
- Revenues:
 - Non-airline revenues down 8.3%
 - Airline revenues up 4.5% due to increased capital costs
- Expenses:
 - Aviation Division achieved targeted 5% reduction with two exceptions
 - Aviation O&M decreasing by \$3.2M, or 2.4% (including exceptions)
- NOI down \$629K, or -0.4%
- CPE: \$12.70, less than \$12.88 projected last year for 2010

Budget Target

	<u>\$000s</u>
2009 Budget	132,665
Transfer Airport Jobs	(176)
Transfer Commute Trip Reduction	(97)
Exclude Environmental Reserves	(1,187)
Aviation Baseline Budget	<u>131,204</u>
Targeted 5% reduction	<u>6,560</u>
2010 Division Budget Target	<u><u>124,644</u></u>

Budget Target & Cost Drivers

2010 Budget Target	124,644
2009 Approved Budget	132,665
Exclude Environmental Reserve	(1,187)
Transfers to Corporate	(273)
Budget Cuts and Savings	(7,485)
One-time Items in 2009 Budget	(4,137)
Costs Absorbed:	
Salary, wages and benefits	2,344
Facility maintenance	920
Total	3,264
New initiatives	1,798
Total budget before exceptions	124,644
Proposed Budget Target Exceptions:	
Costs offset by new revenues (in 2010)	1,795
Proposed 2010 Baseline Budget	126,439

Budget Cuts & Savings

Cuts and Savings:	\$000s	FTEs
Operations	2,038	(30.4)
Business Development	105	(1.0)
Utilities	802	
Airport Director's Office	270	(2.0)
Fire Department	240	(2.0)
Facilities & Infrastructure	274	(2.0)
Maintenance	2,092	(27.0)
Security	1,158	(23.0)
Other	506	(3.0)
Total Cuts and Savings	7,485	(90.4)

- Reduced 90.4 FTEs
- Renewable energy purchase eliminated

Facility Maintenance Costs

Facility Maintenance Costs	\$
Elevator & escalator maintenance	750
Replace broken CTE furniture	70
Runway maintenance	100
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	920
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- Elevator and escalator breakdowns have been a major customer service problem in 2009. 2009 budget is \$140,000. Expect to spend about \$1 million.
- Newer runways require more rubber removal

Description	\$
Real Estate development support	250
Part 150 Noise Study (non-grant funded)	200
Add Sr. Business Dev. Analyst (1.0 FTE)	78
ATR Support - consortium	70
Enplaned passenger survey	100
Contingency for emergency response:	
Snow and flood	500
Increase division contingency	600
	1,798

Proposed Target Exceptions

	\$
Budget Exclusion: Environmental Reserve	
2009 Budget	1,187
2010 Budget Increase	1,784
2010 Total	<u>2,971</u>
Costs Offset by New Revenues (in 2009)	
Part 150 Study (grant funded portion)	800
South Access Study (City of SeaTac)	450
Lounge on South Satellite	545
	<u>1,795</u>

- Capital projects driving asbestos costs include:
 - CUSE expansion (\$500K)
 - Escalator renewal and replacement (\$500K)
 - Elevator modernization (\$383)
 - Delta Sky Club (\$700K)
 - PC Air (\$310K)

Expense Summary by Department

	2008	2009	2010	'10-'09 Change	
<i>Figures in \$ 000</i>	Actual	Budget	Budget	Change	%
Airport Operations	34,917	32,179	31,031	(1,149)	-3.6%
Business Dev & Mgmt	3,951	4,590	3,696	(894)	-19.5%
SeaTac Utilities - Total	12,884	13,952	13,147	(805)	-5.8%
Aviation Maintenance	48,923	46,508	45,458	(1,050)	-2.3%
Fire Department	14,962	10,654	11,359	705	6.6%
Airport Security	7,511	6,868	6,075	(793)	-11.5%
AV Environmental	3,207	3,909	3,883	(26)	-0.7%
Aviation Director's Office	3,194	3,147	1,394	(1,753)	-55.7%
AV Facilities & Infrastructure	1,843	1,936	1,685	(251)	-13.0%
AV Planning	1,744	1,718	1,720	2	0.1%
Other (Excl AV PMG)	6,159	6,017	6,992	975	16.2%
Baseline O&M	139,295	131,478	126,439	(5,039)	-3.8%
Environmental Reserve	2,542	1,187	2,971	1,784	150.3%
Total Aviation	141,837	132,665	129,409	(3,255)	-2.5%

	FTEs	%
2009 Budget	833.1	
Approved in 2009	2.0	
Transfer out 2009	(1.0)	
Eliminated in 2009	(14.0)	
Adjusted 2009	<u>820.1</u>	
 2010 Budget		
Eliminated	(76.2)	
Baggage Manager	1.0	
Sr Business Analyst	1.0	
0.5 Emergency Mgmt Intern	0.5	
Net changes	<u>(73.7)</u>	
 Proposed 2010 Budget	<u><u>746.4</u></u>	-10.4%

FTEs reduced:

Operations	30.4
Security	23.0
Maintenance	27.0
Other	<u>10.0</u>
Total Eliminated	<u><u>90.4</u></u>

Aeronautical Key Indicators

	2008 Actual	2009 Budget	2010 Budget	10-09 Bud Var	
				Var \$	Var %
Enplaned Passengers	16,085	15,800	15,361	(439)	-2.8%
Aeronautical Cost KPIs					
Capital Costs / Enpl	5.07	5.09	6.04	0.95	18.8%
Operating Costs / Enpl	8.15	8.10	8.27	0.18	2.2%
Offsets	(1.30)	(1.24)	(1.47)	(0.23)	18.8%
Other Aero Revenues	0.79	0.90	0.98	0.08	8.4%
Non-passenger Airline Costs	(0.81)	(0.94)	(1.11)	(0.18)	18.7%
Passenger Airline CPE	11.89	11.90	12.70	0.80	6.7%

- Capital costs are driving CPE increase

Non-Airline Business

<i>Figures in \$000s</i>	2008	2009	2009	2010	10-09 Bud Change	
	Actual	Budget	Forecast	Budget	Var \$	Var %
Revenues:						
Public Parking	59,111	57,377	51,963	51,812	(5,565)	-9.7%
Rental Cars	35,592	35,867	33,850	31,424	(4,444)	-12.4%
Concessions	33,181	32,821	29,998	29,953	(2,869)	-8.7%
Other	22,644	22,324	21,300	22,818	494	2.2%
Total Revenue	150,528	148,389	137,111	136,006	(12,383)	-8.3%
Operating Expense	61,279	60,329	57,284	56,659	(3,670)	-6.1%
Share of terminal O&M	16,396	18,105	17,183	17,253	(851)	-4.7%
Less utility internal billing	(13,515)	(16,848)	(16,848)	(13,654)	3,193	-19.0%
Net Operating & Maint	64,160	61,586	57,620	60,258	(1,328)	-2.2%
Non-Aero Net Operating Income	86,367	86,803	79,491	75,748	(11,055)	-12.7%
Gross Profit Margin	57.4%	58.5%	58.0%	55.7%	(0.03)	-4.8%

- 2010 revenue budget is only 0.8% below 2009 forecast
 - Pricing changes will mitigate drop in parking revenues
 - Adjusted MAGs for rental car companies effective 11/1/09
 - New Lounge revenues included in Other
- 2010 O&M costs include CDD tenant work on Rental Car Facility and new lounge costs

Non-Airline Key Indicators

	2008 Actual	2009 Budget	2009 Forecast	2010 Budget	10-09 Bud Change	
					Var \$	Var %
Revenues / Enplanement						
Parking	3.67	3.63	3.38	3.37	(0.26)	-7.1%
Rental Car	2.21	2.27	2.20	2.05	(0.22)	-9.9%
Concessions	2.06	2.08	1.95	1.95	(0.13)	-6.1%
Other	1.41	1.41	1.39	1.49	0.07	5.1%
Total Revenue	9.36	9.39	8.93	8.85	(0.54)	-5.7%
Primary Concessions Sales / Enpl	10.29	10.19	9.62	9.78	(0.41)	-4.0%

- Parking, rental car and concessions impacted by economic conditions
- Modest improvement in Concessions Sales per Enplanement from 2009 forecast

Division Summary

<i>Figures in \$000s</i>	2008	2009	2009	2010	'10-'09 Bud Change	
	Actual	Budget	Forecast	Budget	\$	%
Revenues						
Total Airline Revenues	204,361	202,913	195,499	212,042	9,128	4.5%
Total Non-Airline Revenues	150,528	148,389	137,111	136,006	(12,383)	-8.3%
Fuel Hydrant	3,440	8,704	8,704	8,353	(351)	-4.0%
Total Revenues	358,329	360,006	341,314	356,401	(3,605)	-1.0%
Airport Expenses	140,157	131,478	125,004	126,439	(5,039)	-3.8%
Corporate Expenses	52,484	56,856	52,525	57,135	279	0.5%
Baseline O&M	192,641	188,334	177,529	183,574	(4,760)	-2.5%
Environmental Reserve	2,542	1,187	792	2,971	1,784	150.3%
Total Aviation	195,183	189,521	178,321	186,545	(2,976)	-1.6%
Net Operating Income	163,146	170,485	162,993	169,856	(629)	-0.4%
Key Measures						
Passenger Airline CPE	11.87	11.90	11.78	12.70	0.80	6.7%
Non-Aeronautical NOI (\$000s)	86,367	86,803	79,491	72,791	(14,012)	-16.1%
Debt Service Coverage	1.40	1.44	1.38	1.36	(0.09)	-5.9%
Traffic					<u>Change vs 09 Fcst</u>	
Enplanements	16,085	15,800	15,361	15,361	-	0.0%
Landed Weight	21,516	21,281	20,231	19,950	(281)	-1.4%

- Expense reductions largely offset revenue drop vs. 2009 budget to maintain NOI.

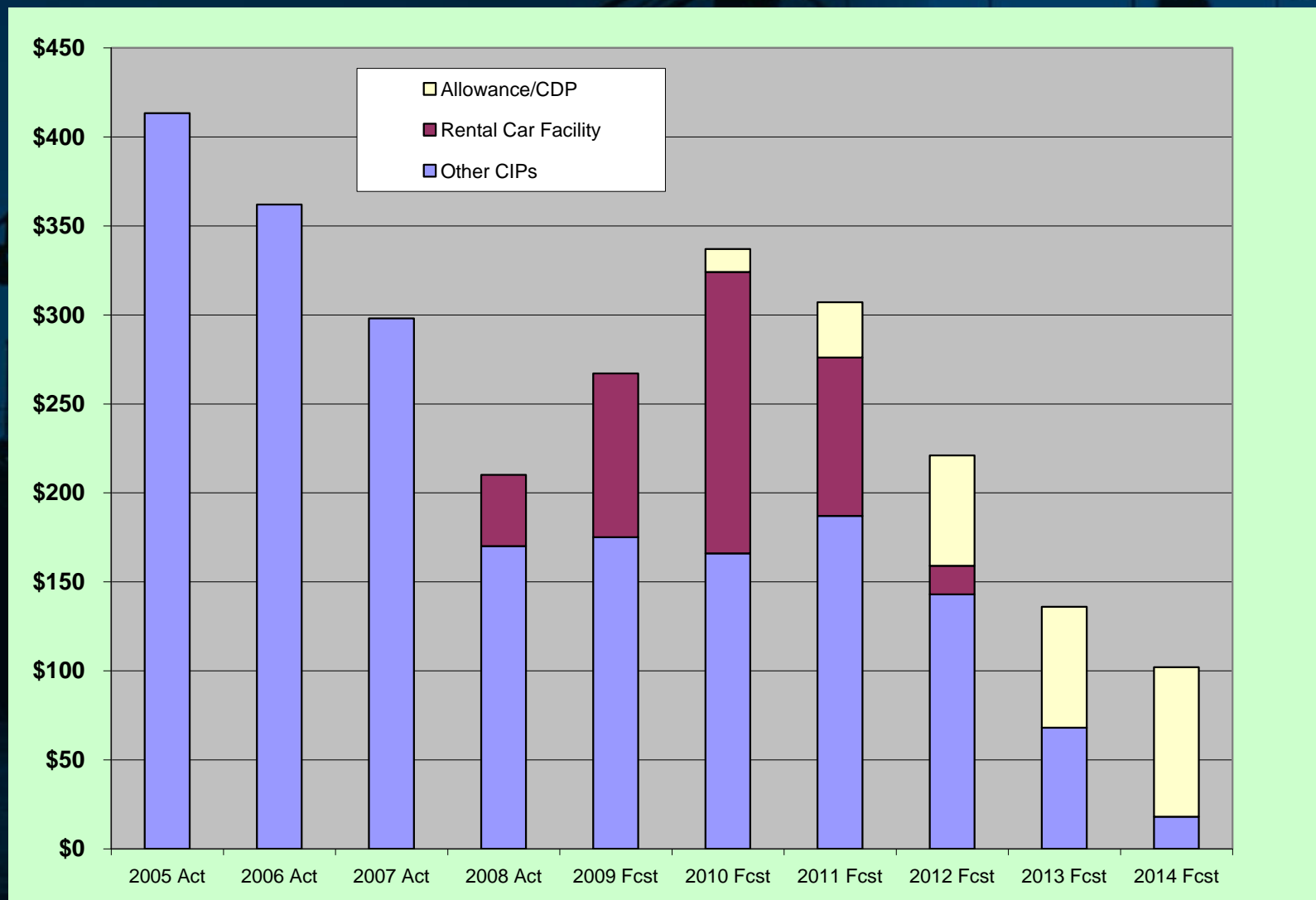
Budget Summary vs. Financial Goals

- Aeronautical: manage growth of CPE:
 - 2005 forecast of 2010 CPE: \$14.87
 - 2008 forecast of 2010 CPE: \$12.88
 - 2010 budget for CPE: \$12.70
- CPE reduction measures incorporated into budget:
 - FIS offset to \$7.0 million (target \$6.00 per passenger)
 - Use of 90% of PFCs to offset revenue bond debt service
- Non-aeronautical: Can't offset revenue declines with cost reductions.
 - Budget is conservative
 - Continuing efforts to identify ways to enhance revenues

Capital Budget Overview

- Focus:
 - Renewal and replacement
 - Customer needs
 - Opportunistically promote common use
- Capacity enhancement projects deferred
 - Most elements of Comprehensive Development Plan have been deferred
- Proposing to delay reconstruction of Runway 16C for five years
 - Initiate design in 2010

Capital Budget 2005 - 2014



	Figures in \$000s	<u>2010</u>	<u>2011 - 14</u>	<u>\$000's</u>
Aeronautical New				
GSE Electrical Charging Station		1,510	12,900	14,410
SSAT Delta Sky Club Expansion		300	3,700	4,000
C1/C60 BHS Connections		100	6,900	7,000
Total		<u>1,910</u>	<u>23,500</u>	<u>25,410</u>
Aeronautical Renewal & Replacement				
RW 16C/34C Design (Construction in 2016)		500	500	1,000
Elevator/Escalator Modernization Program		688	19,046	19,734
Roof Replacement Program Phase 1		85	2,085	2,170
Paint Striper Equipment		380	-	380
Claim Device 14 Replacement		-	4,000	4,000
Total		<u>1,653</u>	<u>25,631</u>	<u>27,284</u>
Non-Aero New				
28th Ave Property Acquisition		2,100	300	2,400
ESP Web Portal		300	-	300
Total		<u>2,400</u>	<u>300</u>	<u>2,700</u>
Non-Aero Renewal & Replacement				
Elevator Modernization Program		-	3,000	3,000
Parking Retrofit		300	7,300	7,600
Parking Garage Lighting Retrofit		100	1,400	1,500
Total		<u>400</u>	<u>11,700</u>	<u>12,100</u>
Total New Projects		<u><u>6,363</u></u>	<u><u>61,131</u></u>	<u><u>67,494</u></u>

CIP By Major Project

figures in \$000's	2010	2011	2012	2013	2014	Total
Description						
Rental Car Facility	157,918	89,387	16,250	-	-	263,555
Renew/Replace 42 Escalators	9,000	15,000	15,000	15,353	-	54,353
Third Runway	5,549	12,909	3,824	-	-	22,282
Aircraft RON Parking USPS Site	5,100	1,000	37,800	-	-	43,900
Highline School Insulation	521	21,400	-	15,700	-	37,621
Central Plant Pre-Conditioned Air	10,500	10,000	11,269	-	-	31,769
North Expressway Relocation	13,000	4,000	-	-	-	17,000
Airfield Pavement Replacement	600	6,000	6,000	6,000	6,000	24,600
Elevator/Escalator Moderization	688	9,469	4,485	5,092	-	19,734
CDP Future Projects	-	1,000	7,682	1,200	7,500	17,382
Allowance CIPs	13,061	30,019	54,499	67,107	76,000	240,686
Other (136 projects)	120,846	106,726	64,131	25,423	12,996	330,122
Total	336,783	306,910	220,940	135,875	102,496	1,103,004

Risks & Opportunities

- Risks:
 - Economic conditions remain uncertain
 - Airlines may adjust schedules further
- Opportunities:
 - Improving economy could increase enplanements and non-airline revenues

Business Plan Forecast

\$in 000s	2009 Bud	2010	2011	2012	2013	2014
Airline Revenue	\$201,864	\$211,031	\$219,426	\$235,257	\$255,538	\$264,131
Non-Airline Revenue	148,289	136,006	138,618	144,113	150,942	156,094
Other Revenue (Excl Fuel Hyd)	1,553	1,539	1,555	1,571	1,587	579
Total Revenue	351,706	348,576	359,599	380,941	408,067	420,804
Operating Expense	189,421	186,546	191,510	197,106	203,073	209,199
Net Operating Income (NOI)	162,285	162,030	168,089	183,835	204,994	211,605
Non-Operating Income	7,240	7,065	7,399	6,282	6,458	6,650
Available for Debt Service	169,525	169,095	175,488	190,117	211,452	218,255
Debt Service	(151,899)	(176,833)	(182,964)	(199,212)	(218,275)	(224,531)
Debt Service paid by CFCs	-	20,048	20,048	20,048	20,048	20,048
Debt Service paid by PFCs	33,762	32,257	32,785	34,114	35,590	37,096
Net Cash Flow	51,388	44,567	45,357	45,067	48,815	50,868
Key Measures						
Total Airport Coverage	1.43	1.36	1.35	1.31	1.30	1.30
Rates and Charges Coverage	1.00	1.00	1.00	1.00	1.00	1.00
Passenger Airline CPE	11.90	12.69	13.09	13.72	14.57	14.67
CPE - Nov. 2005 (SLOA)	14.15	14.87	15.47	16.49	16.69	17.65
Reduction in CPE	(2.25)	(2.18)	(2.38)	(2.77)	(2.12)	(2.98)

CPE Forecast

