

# Seaport Division 2010 Preliminary Budget

Commission Presentation  
October 6, 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)



# 2010 SEAPORT STRATEGIES

1. Protect our Current Business
  2. Position Ourselves for Recovery and Change in the Container Shipping Market
  3. Collaborate with Others to Advance our Key Initiatives
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- The background of the slide is a dark blue, semi-transparent image of a port terminal. It shows silhouettes of people, cranes, and the structure of a container ship. The overall tone is professional and industrial.

# CRITICAL 2010 WORK

1. Maintain High Performance Levels for Critical Functions
2. Deliver on Commitments:
  - NW Ports Clean Air Strategy
  - Clean truck plan
  - Container Terminal Customer Support Plan
3. Continue Transition and Development of Terminal 91 into a Multi-Use Facility
4. Adjust and Align our Resources to Meet our Business Strategies

# Key Revenue Assumptions

- TEU volume 6% 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 volume remains stable
- Properties in transition



# Expense Issues

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

# Asset Evaluation and Repairs/Improvements

- Focus on critical long term assets:
  - Docks
  - Pilings
  - Overwater structures
  - Underwater slopes & walls
  - Cranes
- Periodic inspection followed by repairs/improvements as warranted

# Asset Evaluation and Repairs/Improvements

- 2009 work
  - Slope stability analysis – T91
  - Begin long term maintenance dredging plan
  - Permitting – T5 maintenance dredging
  - T18 maintenance dredging
  - Develop long term monitoring plan
  - Comprehensive evaluation – T86
- 2010 work
  - Slope stability analysis – T91
  - T5 maintenance dredging
  - Structural dock improvements – T18
  - Complete long term maintenance dredging plan
  - Comprehensive inspection – T46
  - Comprehensive evaluation – T103



## Asset Evaluation and Repairs/Improvements Priorities

- Get permits for ongoing maintenance dredging at container berths
- Monitor container berth depths
- Dredging as necessary to maintain depths
- Develop dock maintenance system
  - Establish baseline conditions for all major docks
  - Repair as necessary
  - Develop dock maintenance plan
- Potential replacement of oldest cranes

# Key Revenue Assumptions

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# Org Revenues By Group

Seaport Division Only

\$'s Thousands	2007	2008	2009	2010	09-10 Change	
	Actual	Actual	Budget	Budget	\$	%
<b>Revenue</b>						
Containers & Support Prop	52,919	56,293	62,938	59,526	(3,412)	-5.4%
Cruise & Industrial Prop	24,700	28,757	27,086	28,883	1,797	6.6%
<b>Operating Revenue</b>	<b>77,619</b>	<b>85,050</b>	<b>90,025</b>	<b>88,409</b>	<b>(1,615)</b>	<b>-1.9%</b>
Security Grants	1,258	850	3,955	2,535	(1,420)	-35.9%
Environmental Grants	1,504	8,911	850	2,300	1,450	170.6%
<b>Total Revenues</b>	<b>80,382</b>	<b>94,811</b>	<b>94,829</b>	<b>93,244</b>	<b>(1,585)</b>	<b>-1.7%</b>

# Org Revenues Containers & Support Properties

\$'s Thousands	2007	2008	2009	2010	09-10 Change	
	Actual	Actual	Budget	Budget	\$	%
<b>Revenue</b>						
Containers Operating	49,087	52,645	57,042	56,370	(672)	-1.2%
Containers-Upland Dredge Reim	0	0	1,807	0	(1,807)	-100.0%
Containers- RFID Grant	0	0	500	0	(500)	-100.0%
Support Properties	3,832	3,648	3,590	3,156	(433)	-12.1%
<b>Operating Revenue</b>	<b>52,919</b>	<b>56,293</b>	<b>62,938</b>	<b>59,526</b>	<b>(3,412)</b>	<b>-5.4%</b>



# Org Revenues Cruise & Industrial Properties

\$'s Thousands	2007	2008	2009	2010	09-10 Change	
	Actual	Actual	Budget	Budget	\$	%
<b>Revenue</b>						
Cruise	7,448	9,261	9,146	10,503	1,356	14.8%
Bulk	5,939	7,053	5,533	5,533	0	0.0%
Docks	3,012	3,331	2,830	2,936	106	3.7%
Industrial Props	8,301	9,112	9,577	9,912	335	3.5%
<b>Operating Revenue</b>	<b>24,700</b>	<b>28,757</b>	<b>27,086</b>	<b>28,883</b>	<b>1,797</b>	<b>6.6%</b>

# Seaport Org Expense Budget

Seaport Division Expenses Only

\$'s Thousands	2009	2010	09-'10 Change	
	Budget	Budget	\$	%
<b>Baseline Budget</b>				
Salaries & Benefits	6,913	6,899	(14)	-0.2%
Wages & Benefits	0	0	0	NA
OPEB	189	212	22	11.8%
Salaries & Wages to Capital	773	826	53	6.9%
<b>Total Payroll Costs</b>	<b>7,875</b>	<b>7,936</b>	<b>61</b>	<b>0.8%</b>
Net Payroll Expense (net of to capital)	7,102	7,111	8	0.1%
Utilities	4,090	4,387	298	7.3%
Other O&M	4,286	4,426	140	3.3%
<b>Total Baseline Budget</b>	<b>15,478</b>	<b>15,924</b>	<b>446</b>	<b>2.9%</b>
<b>Initiatives</b>				
Transfer Foreign Liaison	0	525	525	NA
Maintenance Dredging	1,407	450	(957)	-68.0%
T30/T91 Expense Items	4,139	0	(4,139)	-100.0%
Cruise Incentive Payment	750	250	(500)	-66.7%
Environmental Programs	0	458	458	NA
Reclassify ABC Fuels/CHE	600	0	(600)	-100.0%
Significant Repairs & Other	1,981	350	(1,631)	-82.3%
Contingency	300	500	200	66.7%
<b>Total Initiatives</b>	<b>9,177</b>	<b>2,533</b>	<b>(6,644)</b>	<b>-72.4%</b>
<b>Total Operating Expenses</b>	<b>24,655</b>	<b>18,457</b>	<b>(6,198)</b>	<b>-25.1%</b>
Security Grant Expenses	4,286	2,689	(1,596)	-37.3%
Environmental Reserve	3,375	14,500	11,125	329.6%
<b>Total Expenses</b>	<b>32,315</b>	<b>35,646</b>	<b>3,331</b>	<b>10.3%</b>



# Initiatives

## Initiatives - Proposed for 2010 Budget

### **Transfer Foreign Liaison**

Japan Representative Relocates to Seaport	<u>525</u>
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### **Maintenance Dredging**

Terminal 5 Maintenance Dredge	<u>450</u>
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### **Long Term Cruise Agreement**

Long Term Agreement Incentive Payment	<u>250</u>
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### **Environmental Increased Program Costs**

Environmental-Stormwater	155
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Environmental-Air	136
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Environmental-Compliance Programs	93
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Environmental-Permit Support, Other	<u>74</u>
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	<b><u>458</u></b>
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### **Other Required Work**

Containers - Potential Repair Costs T46 ZPMC Cranes	150
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Dock Ops - Bollard Installation	<u>200</u>
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	<b><u>350</u></b>
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### **Contingency**

Contingency	<u>500</u>
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### **Total 2010 One-Time Expenses**

	<b><u><u>2,533</u></u></b>
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# Northwest Ports Clean Air Initiatives

## Classified as Non-Operating Expense

\$'s Thousands	<u>2010 Budget</u>
ABC FUELS	300
PSCAA: Cargo Handling Equip	250
Clean Truck Program	<u>1,150</u>
Total	<u>1,700</u>



# Full-Time Equivalents (FTEs)

	<u>FTE's</u>
<b>2009 Budget</b>	61.8
<b>Staff Addition:</b>	
Sea RE Specialist (Ltd Duration)	0.6
T91 Docks Operations	1.0
<b>Staff Reductions:</b>	
Container Ops	-1.0
Environmental Services	-2.0
Seaport Marketing	-2.0
Seaport Admin	-1.0
<b>Adjusted 2009</b>	<u><u>57.4</u></u>
<b>2010 Budget</b>	
Transfer - Japan Representative	1.0
Staff Addition - Eastern WA Rep	1.0
Staff Addition - Envir Services Remediation	1.0
Subtotal	<u><u>3.0</u></u>
<b>Proposed FTE's for 2010</b>	<u><u>60.4</u></u>

# Org Expenses By Group

Seaport Division Expenses Only

\$'s Thousands	2007	2008	2009	2010	09-'10 Bud Change	
	Actual	Actual	Budget	Budget	\$	%
<b>Expenses</b>						
Containers & Support Prop	3,948	5,524	10,401	4,259	(6,141)	-59.0%
Cruise & Industrial Prop	2,496	3,975	5,702	5,180	(521)	-9.1%
Seaport Marketing	0	1,247	1,169	1,066	(103)	-8.8%
Environmental Services	1,975	2,882	3,626	3,419	(207)	-5.7%
Prof & Tech Services	1,649	1,951	2,214	2,286	72	3.3%
Division Admin	1,240	1,354	1,244	1,221	(22)	-1.8%
Foreign Liaison	0	0	0	525	525	NA
Contingency	0	0	300	500	200	66.7%
Capital to Expense	1,439	0	0	0	0	NA
<b>Total Operating Expenses</b>	<b>12,747</b>	<b>16,933</b>	<b>24,655</b>	<b>18,457</b>	<b>(6,198)</b>	<b>-25.1%</b>
Security Grant Expenses	1,287	920	4,286	2,689	(1,596)	-37.3%
Environmental Reserve	4,991	5,872	3,375	14,500	11,125	329.6%
<b>Total</b>	<b>19,025</b>	<b>23,725</b>	<b>32,315</b>	<b>35,646</b>	<b>3,331</b>	<b>10.3%</b>

# Seaport Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

\$'s Thousands	2007	2008	2009	2010	09-'10 Bud Change	
	Actual	Actual	Budget	Budget	\$	%
<b>Revenues</b>						
Operating Revenues	77,662	85,453	90,131	88,534	(1,596)	-1.8%
Security Grants	1,292	850	3,955	2,535	(1,420)	-35.9%
Environmental Grants	1,340	8,833	850	2,300	1,450	170.6%
<b>Total Revenues</b>	<b>80,294</b>	<b>95,136</b>	<b>94,935</b>	<b>93,369</b>	<b>(1,566)</b>	<b>-1.7%</b>
<b>Expenses</b>						
Direct Expenses	18,325	23,060	28,380	22,878	5,501	19.4%
Security Grant Expenses	1,287	920	4,286	2,689	1,596	37.3%
Environmental Reserves	4,414	5,872	3,375	14,500	(11,125)	-329.6%
Divisional Allocations	1,733	2,335	2,378	2,585	(207)	-8.7%
Corporate Allocations	9,701	12,734	13,510	14,182	(672)	-5.0%
Operating Expenses	35,459	44,921	51,928	56,834	(4,906)	-9.4%
<b>Net Operating Income</b>	<b>44,835</b>	<b>50,215</b>	<b>43,007</b>	<b>36,535</b>	<b>(6,473)</b>	<b>-15.1%</b>
<b>NOI Excl Envir Grants/Reserve</b>	<b>47,909</b>	<b>47,254</b>	<b>45,532</b>	<b>48,735</b>	<b>3,202</b>	<b>7.0%</b>



# Containers Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Containers & Support Properties

\$'s Thousands	2007	2008	2009	2010	09-'10 Bud Change	
	Actual	Actual	Budget	Budget	\$	%
<b>Revenues</b>						
Operating Revenues	52,919	56,515	62,938	59,651	(3,287)	-5.2%
Security Grants	0	0	0	0	0	NA
Environmental Grants	116	0	0	0	0	NA
<b>Total Revenues</b>	<b>53,035</b>	<b>56,515</b>	<b>62,938</b>	<b>59,651</b>	<b>(3,287)</b>	<b>-5.2%</b>
<b>Expenses</b>						
Direct Expenses	7,594	8,720	13,254	7,397	5,857	44.2%
Security Grant Expenses	0	0	0	0	0	NA
Environmental Reserves	3,821	0	0	0	0	NA
Divisional Allocations	3,663	5,789	5,879	5,839	40	0.7%
Corporate Allocations	5,101	7,314	7,823	8,036	(213)	-2.7%
Operating Expenses	20,179	21,823	26,957	21,272	5,684	21.1%
<b>Net Operating Income</b>	<b>32,856</b>	<b>34,692</b>	<b>35,982</b>	<b>38,379</b>	<b>2,397</b>	<b>6.7%</b>
<b>NOI Excl Envir Grants/Reserve</b>	<b>36,561</b>	<b>34,692</b>	<b>35,982</b>	<b>38,379</b>	<b>2,397</b>	<b>6.7%</b>

# Cruise Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Cruise

\$'s Thousands	2007	2008	2009	2010	09-'10 Bud Change	
	Actual	Actual	Budget	Budget	\$	%
<b>Revenues</b>						
Operating Revenues	7,448	9,375	9,252	10,503	1,250	13.5%
Security Grants	0	0	0	0	0	NA
Environmental Grants	0	0	0	0	0	NA
<b>Total Revenues</b>	<b>7,448</b>	<b>9,375</b>	<b>9,252</b>	<b>10,503</b>	<b>1,250</b>	<b>13.5%</b>
<b>Expenses</b>						
Direct Expenses	1,079	2,133	2,561	1,820	741	28.9%
Security Grant Expenses	0	0	0	0	0	NA
Environmental Reserves	0	0	0	0	0	NA
Divisional Allocations	945	976	1,051	1,345	(293)	-27.9%
Corporate Allocations	1,133	1,558	1,845	2,313	(468)	-25.4%
Operating Expenses	3,157	4,667	5,457	5,478	(20)	-0.4%
<b>Net Operating Income</b>	<b>4,291</b>	<b>4,709</b>	<b>3,795</b>	<b>5,025</b>	<b>1,230</b>	<b>32.4%</b>
<b>NOI Excl Envir Grants/Reserve</b>	<b>4,291</b>	<b>4,709</b>	<b>3,795</b>	<b>5,025</b>	<b>1,230</b>	<b>32.4%</b>

# Industrial Docks & Properties Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Bulk, Docks, & Industrial

\$'s Thousands	2007	2008	2009	2010	09-'10 Bud Change	
	Actual	Actual	Budget	Budget	\$	%
<b>Revenues</b>						
Operating Revenues	17,295	19,563	17,940	18,381	441	2.5%
Security Grants	0	0	0	0	0	NA
Environmental Grants	1,225	0	0	0	0	NA
<b>Total Revenues</b>	<b>18,520</b>	<b>19,563</b>	<b>17,940</b>	<b>18,381</b>	<b>441</b>	<b>2.5%</b>
<b>Expenses</b>						
Direct Expenses	3,139	4,736	5,021	5,743	(722)	-14.4%
Security Grant Expenses	0	0	0	0	0	NA
Environmental Reserves	568	0	0	0	0	NA
Divisional Allocations	2,694	2,246	1,845	2,235	(390)	-21.1%
Corporate Allocations	3,057	3,520	3,331	3,427	(96)	-2.9%
Operating Expenses	9,458	10,502	10,198	11,406	(1,208)	-11.8%
<b>Net Operating Income</b>	<b>9,062</b>	<b>9,061</b>	<b>7,742</b>	<b>6,975</b>	<b>(768)</b>	<b>-9.9%</b>
<b>NOI Excl Envir Grants/Reserve</b>	<b>8,405</b>	<b>9,061</b>	<b>7,742</b>	<b>6,975</b>	<b>(768)</b>	<b>-9.9%</b>



# Risks

- U.S. and Global Economic Uncertainties - Potential Impact on Seaport Container and Cruise Volumes
- Container Competitive Pressures
  - All Water Services
  - Intermodal Pricing Issues
  - Prince Rupert's Continued Growth
- Timing of Implementation of Customer Support Plan
- Unexpected Repairs
- Electrical Rate Increase
- Classification of "Capital Improvements"
- Environmental Reserves
- Performance Audit Implications

The background of the slide is a dark blue image. On the left, the bow of a large ship is visible. In the center, there is a large industrial crane structure. On the right, there are silhouettes of several people, including one in the foreground who appears to be talking on a mobile phone. The overall scene is a busy port environment.

# Seaport Division 2010 Preliminary Capital Budget

October 6, 2009

# Capital Budget Review

- **Capital Budget reviewed by cross functional teams**
- **Reviewed all existing projects and identified new projects as driven by:**
  - 2010 Seaport Strategies
  - New developments and information from customers and tenants
  - Continuing effort to identify specific renewal and replacement projects



# Seaport Capital Plan Summary

\$'s in 000's

	2010	2010-2014	2015-2019	Total
<b>Committed</b>	<b>30,618</b>	<b>94,690</b>	<b>17,784</b>	<b>112,474</b>
<b>Bus Plan Prospective</b>	<b>18,150</b>	<b>247,200</b>	<b>214,000</b>	<b>461,200</b>
	<b>48,768</b>	<b>341,890</b>	<b>231,784</b>	<b>573,674</b>
<b>Other Prospective</b>	<b>0</b>	<b>107,300</b>	<b>298,500</b>	<b>405,800</b>
<b>Total</b>	<b>48,768</b>	<b>449,190</b>	<b>530,284</b>	<b>979,474</b>

# Seaport Committed Capital Plan

\$'s in 000's

	2010	2010-2014	2015-2019	Total
Under Contract	7,847	14,357	0	14,357
Commission Auth	8,677	8,913	0	8,913
Division Pending	14,094	71,420	17,784	89,204
<b>Total</b>	<b>30,618</b>	<b>94,690</b>	<b>17,784</b>	<b>112,474</b>

# Seaport Committed Capital Under Contract

\$'s in 000's

	2010	2010-2014	2015-2019	Total
T-5 Completion	2,468	2,868	0	2,868
T-115 Dock Reconstru Berth 1,2	1,841	1,841	0	1,841
Alaskan Way Street Vacation	1,144	5,594	0	5,594
T-18 Open Issues	944	944	0	944
P24/T25 Habitat Restoration	300	1,800	0	1,800
Other (Project Closeouts)	1,150	1,310	0	1,310
<b>Total</b>	<b>7,847</b>	<b>14,357</b>	<b>0</b>	<b>14,357</b>



# Seaport Committed Capital Commission Authorized

\$'s in 000's

	2010	2010-2014	2015-2019	Total
T-10 Interim Development	4,412	4,412	0	4,412
T-18 S. End Fendering	1,875	1,875	0	1,875
N. Harbor Island Mooring Dolphins	1,600	1,600	0	1,600
T46 Upgrade Yard Lighting	640	640	0	640
Cruise TI Allowance	150	386	0	386
<b>Total</b>	<b>8,677</b>	<b>8,913</b>	<b>0</b>	<b>8,913</b>

# Seaport Committed Capital Division Pending

\$'s in 000's	2010	2010-2014	2015-2019	Total
T5 Crane Cable Reels	4,000	4,000	0	4,000
T104 Site improvements	3,000	3,000	0	3,000
T91 Water Main Repl N of Bridg	2,100	4,100	0	4,100
P91 Fender System Upgrade	1,500	5,500	0	5,500
Small Projects	875	3,510	2,500	6,010
Seaport Green Port Initiative <sup>(E)</sup>	750	2,250	12,500	14,750
Container Support Yd 3.5 MM TEU's	0	28,900	0	28,900
T18 Pile Cap Improvements	500	8,500	0	8,500
T108 Stormwater Upgrade & Paving <sup>(E)</sup>	0	7,000	0	7,000
T91 Pave Entry & Guardshack Area	100	500	0	500
Other	1,269	4,160	2,784	6,944
<b>Total</b>	<b>14,094</b>	<b>71,420</b>	<b>17,784</b>	<b>89,204</b>

Note <sup>(E)</sup>: Environmental Project

# Seaport Capital Business Plan Prospective

\$'s in 000's

Renewal/Enhancement  
Revenue/Capacity Growth  
Environmental/Safety  
**Total**

2010	2010-2014	2015-2019	Total
14,900	187,050	174,000	361,050
3,100	52,150	40,000	92,150
150	8,000	0	8,000
<b>18,150</b>	<b>247,200</b>	<b>214,000</b>	<b>461,200</b>



# Seaport –Business Plan Prospective Revenue/Capacity Growth

\$'s in 000's

	2010	2010-2014	2015-2019	Total
Carnitech (new bldg)	1,900	6,900	0	6,900
T106 Whse Bldg - Site Infrastructure	1,000	1,000	0	1,000
Widen T91 West Cruise Vessel Berth	200	2,000	0	2,000
South T25 Container Yard - Phase 2	0	15,250	0	15,250
Land Acquisitions -Industrial	0	15,000	0	15,000
Deepen Berth at T18	0	12,000	5,000	17,000
Container Support Yd-3.5M T #2	0	0	35,000	35,000
<b>Total</b>	<b>3,100</b>	<b>52,150</b>	<b>40,000</b>	<b>92,150</b>

# Seaport –Business Plan Prospective Renewal/Enhancement

\$'s in 000's

	2010	2010-2014	2015-2019	Total
Contingency Renewal & Replace.	4,000	41,000	94,000	135,000
P-91 Slope Stabilization	3,300	6,300	0	6,300
Seaport Viaduct Mitigation	2,000	25,000	0	25,000
T103 Dock Replacement	1,700	9,700	0	9,700
T-91 Berth 8 Reconstruction	1,000	26,000	0	26,000
Upgrade Yard Lighting	1,000	3,000	0	3,000
T86 Grain Facility Modernization	500	9,900	0	9,900
P34 Dolphins & Catwalk for Barges (4)	500	3,000	0	3,000
Cruise 1st Yr. Upgrades at T91	500	750	0	750
T 90/91 Additional Bollards	400	400	0	400
T46 Replace S Timber Pier Structure	0	33,000	0	33,000
T-46 Development	0	15,000	20,000	35,000
Container Dock Upgrades (T5, T30, T46)	0	10,000	10,000	20,000
T46 PACECO Crane Drive Upgrade	0	3,000	0	3,000
T18 Rail Crossings	0	1,000	0	1,000
T-5 4 New Cranes	0	0	50,000	50,000
<b>Total</b>	<b>14,900</b>	<b>187,050</b>	<b>174,000</b>	<b>361,050</b>

# Seaport –Business Plan Prospective Environmental/Safety

\$'s in 000's

	2010	2010-2014	2015-2019	Total
P66 Shore Power <sup>(E)</sup>	150	8,000	0	8,000
<b>Total</b>	<b>150</b>	<b>8,000</b>	<b>0</b>	<b>8,000</b>

Note <sup>(E)</sup>: Environmental Project

# Summary of Seaport Environmental Projects

(As Noted on Previous Slides)

\$'s in 000's	2010	2010-2014	2015-2019	Total
<b>Committed</b>				
Seaport Green Port Initiative <sup>(E)</sup>	750	2,250	12,500	14,750
T108 Stormwater Upgrade & Paving <sup>(E)</sup>	0	7,000	0	7,000
<b>Business Plan Prospective</b>				
P66 Shore Power <sup>(E)</sup>	150	8,000	0	8,000
<b>Total</b>	<b>900</b>	<b>17,250</b>	<b>12,500</b>	<b>29,750</b>

Note <sup>(E)</sup>: Environmental Project



# Seaport Division 2010 Preliminary Budget

Commission Presentation  
October 6, 2009