



Port of Seattle 2011 Preliminary Operating Budget Port-wide Overview

October 5, 2010

Background

- 2009 Budget (cut \$9M):
 - Anticipated economic downturn
 - Cut discretionary spending to absorb other cost increases
 - Reduced Corporate budget by 2%
- 2009 Mid-year Budget Adjustment (cut \$21.3M):
 - Cut discretionary spending
 - Implemented 2-week furloughs
 - Eliminated retiree medical subsidy
- 2010 Budget: zero based budgeting (cut \$13.8M):
 - Reduced and eliminated some programs and functions
 - Implemented Voluntary Separation Program (VSP)
 - Introduced premium sharing for Port sponsored medical plan
 - Eliminated 110 positions (6.2% of the total workforce)

2011 Preliminary Budget - Revenues

<u>Operating Revenues</u> (\$ in 000s)	2009 Actual	2010 Budget	2011 Budget	Var. \$	Var. %
Aviation					
Aeronautical (cost recovery)	182,534	210,367	216,381	6,014	2.9%
Non-Aeronautical	137,346	135,578	143,030	7,451	5.5%
Fuel Hydrant	8,359	8,353	8,353	0	0.0%
Total Aviation	328,239	354,299	367,764	13,465	3.8%
Seaport	90,392	92,544	97,342	4,798	5.2%
Real Estate	30,430	29,923	30,942	1,019	3.4%
CDD	0	0	0	0	0.0%
Corporate	374	18	1,025	1,007	5594.4%
Total	449,435	476,784	497,073	20,289	4.3%
Operating Rev w/o Aero	266,901	266,416	280,692	14,276	5.4%

2011 Preliminary Budget – Expenses

	2009	2010	2011		
<u>Operating Expenses</u> (\$ in 000s)	Actual	Budget	Budget	Var. \$	Var. %
Aviation	122,747	129,381	136,575	(7,194)	-5.6%
Seaport	21,362	22,466	23,247	(781)	-3.5%
Real Estate	28,346	31,629	33,736	(2,107)	-6.7%
CDD	7,831	7,352	14,278	(6,926)	-94.2%
Corporate	65,481	72,001	74,936	(2,935)	-4.1%
Total	245,767	262,829	282,772	(19,943)	-7.6%
Est. Exp w/o Capital Policy Change	245,767	262,829	277,772	(14,943)	-5.7%

- Change in overhead (OH) cost allocation methodology effective 1/1/11
 - Consistency with GAAP, accounting for costs, capitalizable vs. operating expense
 - More accurate OH cost allocation to projects (capital, environmental, expense)
 - More complete charges to departments receiving direct services
 - Improved cost estimates for projects or services
- Affects most of CDD, Seaport Environmental, Airport Building, and Marine Maintenance departments
- Estimated \$5M shift from previously capitalized OH costs to operating costs
 - \$1M - O&M costs (maintenance agreements, training, registration costs, etc.) no longer included in the overhead pool
 - \$3M - payroll costs (staff time) related to general administration (training, employee forum, PREPs, etc.) not included in OH costs and allocation
 - \$1M - OH costs now also allocated to departments receiving services for other than capital or expense projects (e.g., surveying properties not related to capital construction projects)
- No cash flow impact on expenditures; upfront revenue recovery on portion allocated to Airport aeronautical cost centers

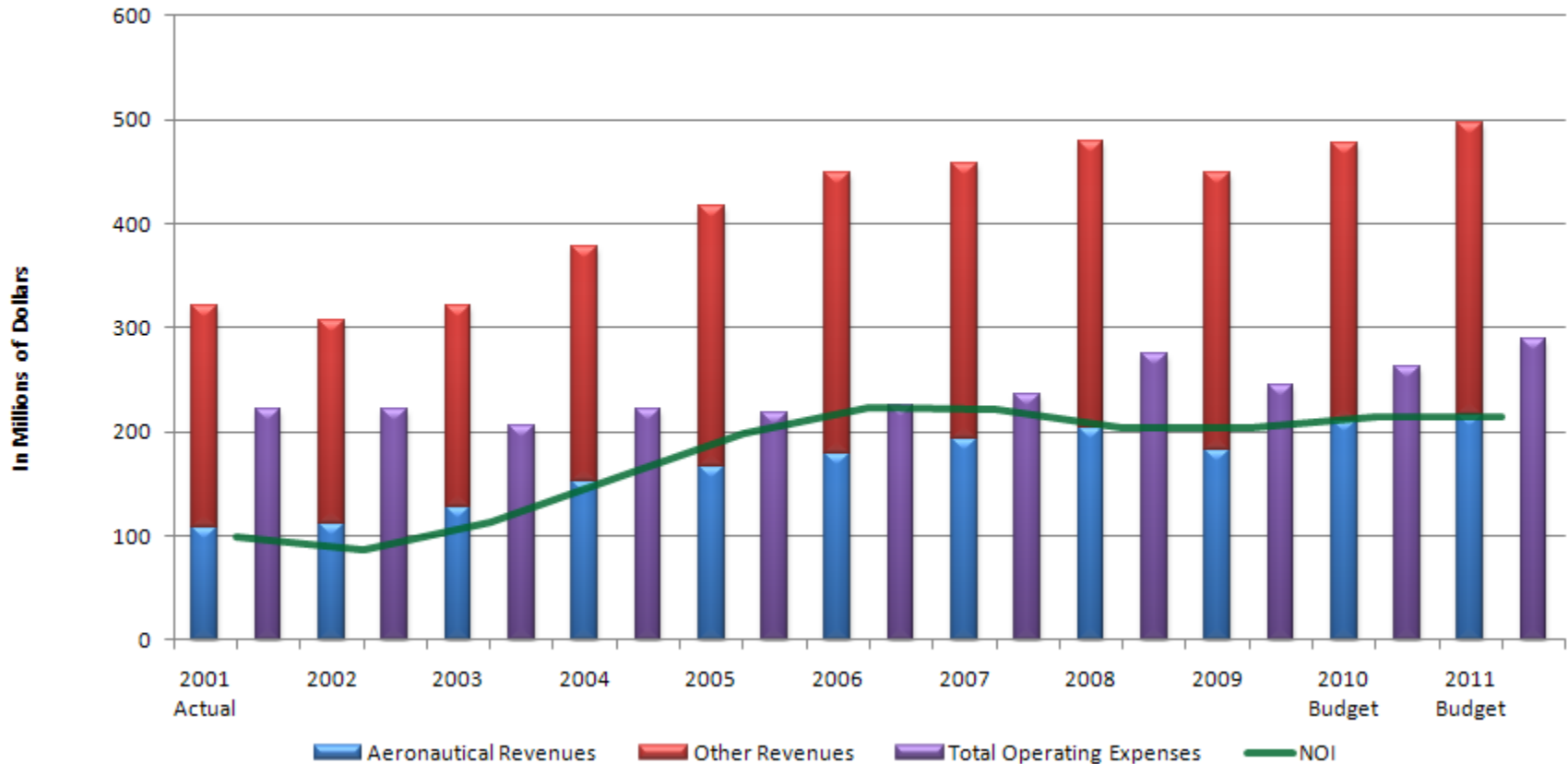
2011 Preliminary Budget - NOI

(\$ in 000s)	2009	2010	2011	Var. \$	Var. %
	Actual	Budget	Budget		
Total Operating Revenues	449,435	476,784	497,073	20,289	4.3%
Total Operating Expenses	245,767	262,829	282,772	(19,943)	-7.6%
Net Operating Income	203,668	213,955	214,301	346	0.2%
NOI w/o Capital Policy Change *	203,668	213,955	217,541	3,586	1.7%

* Without the capital policy change, O&M costs are estimated to be \$5M lower and aeronautical revenues are expected to be \$1.8M lower. Net NOI impact is estimated to be \$3.2M.

Net Operating Income Comparison

Operating Revenues, Operating Expenses and NOI



Comprehensive Budget Summary

<u>Revenues</u>	2010 Budget	2011 Budget	Var. \$	Var. %
Operating Revenues	476,784	497,073	20,289	4.3%
Tax Levy	73,500	73,500	-	0.0%
PFCs	58,535	59,120	585	1.0%
CFCs	22,475	21,813	(662)	-2.9%
Non-Capital Contributions	2,209	1,489	(720)	-32.6%
Capital Contributions	50,152	36,269	(13,883)	-27.7%
Interest Income	24,489	13,654	(10,835)	-44.2%
Total	708,144	702,918	(5,226)	-0.7%
<u>Expenses</u>				
O&M Expense	262,829	282,772	19,943	7.6%
Depreciation	158,575	160,491	1,916	1.2%
Revenue Bond Interest Expense	150,070	148,206	(1,864)	-1.2%
GO Bond Interest Expense	14,432	13,781	(651)	-4.5%
PFC Bond Interest Expense	10,497	10,191	(306)	-2.9%
Non-Op Environmental Expense	20,000	6,200	(13,800)	-69.0%
Public Expense	39,464	17,205	(22,259)	-56.4%
Misc. Non-Op Rev/Expense	2,217	2,521	304	13.7%
Total	658,084	641,367	(16,717)	-2.5%
Change In Net Assets	50,060	61,551	11,491	23.0%

Port-wide FTEs Summary

	Aviation	Seaport	Real Estate	Capital Dev	Corporate	Totals
2010 Approved FTE's	746.4	60.4	154.8	268.0	450.2	1679.8
Mid Year Approval *	0.0	1.0	10.0	0.0	7.3	18.3
Eliminated	0.0	-2.0	0.0	0.0	0.0	-2.0
Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted 2010 FTE's	746.4	59.4	164.8	268.0	457.5	1696.1
2011 Budget						
Eliminated	-15.7	0.0	-1.0	-5.5	-10.9	-33.1
Transfer	0.0	1.0	0.0	0.0	0.0	0.0
New FTE's	31.3	0.0	1.0	0.0	0.0	32.3
Total 2011 Changes	15.5	1.0	0.0	-5.5	-10.9	-0.9
Proposed 2010 FTE's	761.9	60.4	164.8	262.5	446.6	1695.2

* The mid-year approval includes conversion of 6 contractors to FTEs.

Aviation Division 2011 Preliminary Operating Budget

The background is a dark blue-tinted image. On the left, the nose and upper part of a large cargo ship are visible. On the right, the interior of an airport terminal is shown, with silhouettes of people walking and a person talking on a mobile phone. The overall scene is dimly lit, emphasizing the structural elements and human activity.

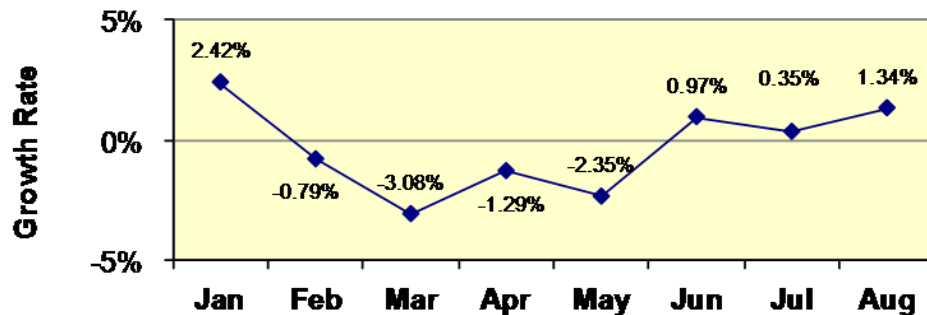
- Airline side of business:
 - Manage growth in passenger airline cost per enplanement (CPE):
 - Drive future CPE below November 2005 forecast through 2012 (basis of airline agreement - SLOA)
 - Maintain rates & charges debt service coverage at 1.0x
- Non-airline side of business:
 - Grow Net Operating Income (NOI)
 - 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

Background

- 2009 budget anticipated economic downturn
- 2009 – Port cut all discretionary spending and implemented furloughs – these were short-term savings measures
- 2010 budget recognized need for sustained cost reductions. Process incorporated organizational review and zero based budgeting approach
 - Aviation achieved 5% reductions (before exceptions)
 - Aviation cut 86 FTEs (over 10%)
- Little room in baseline budget for more cuts

2010 Trends Point to Recovery

Enplanements vs. Prior Year

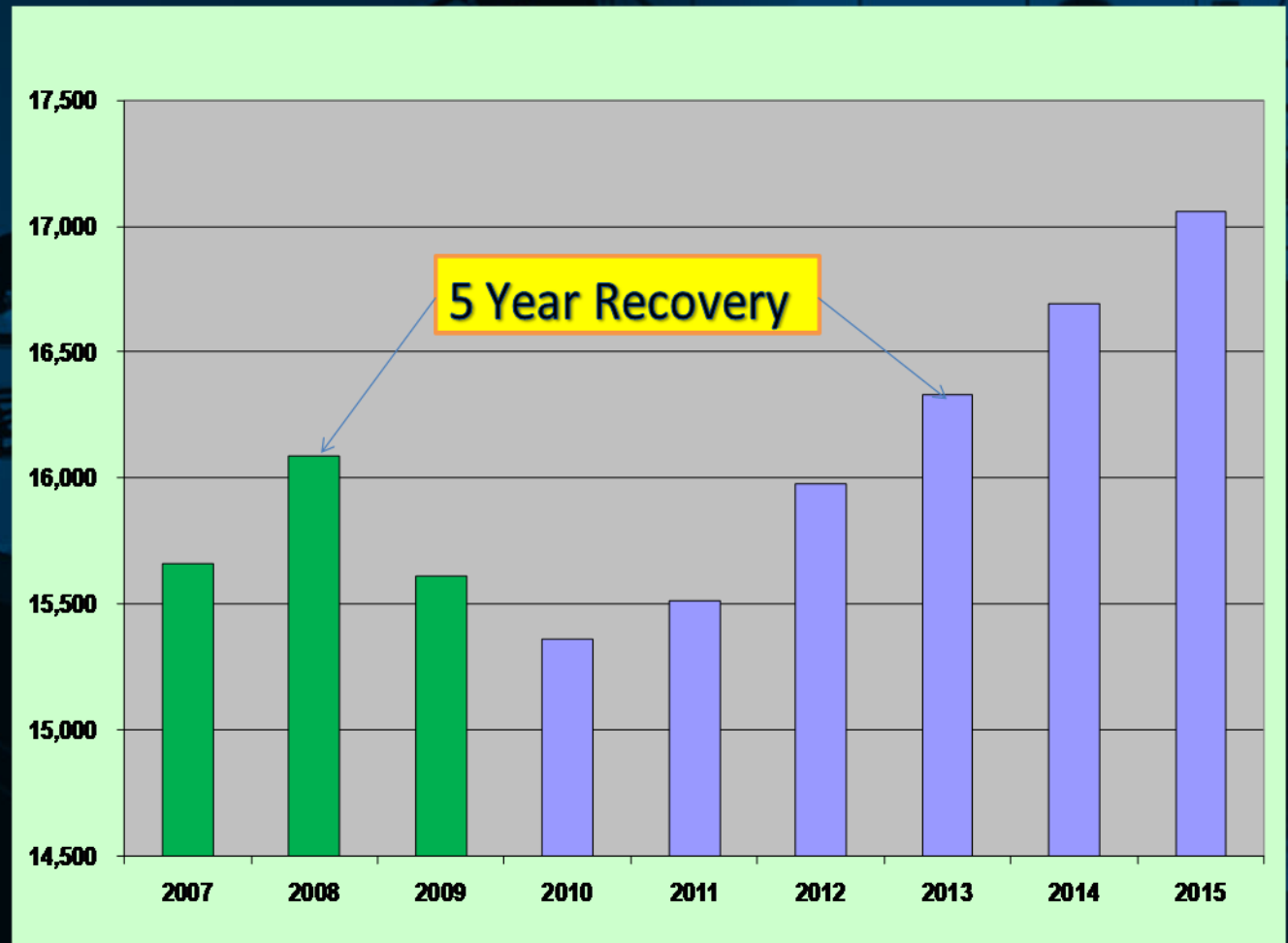


Airline Industry

- 8 consecutive months of revenue growth
 - August +17%
- Airline industry profitable
- Record 2nd Quarter earnings for Alaska Air Group

- 3 straight months of positive growth
- YTD down only 0.25% vs. 2009
- Non-airline revenues picking up:
 - Public parking up 9.5% in September, fourth straight month of growth
 - August Concessions SPE of \$9.62 vs. \$9.39 in 2009
 - Port revenues +4% in August
 - August rental car transactions up 6.1%, transaction days up 6.7%
 - Clear Channel advertising sales up 13% through August
- Alaska Air Group/AAAC support for major new capital projects at Sea-Tac

Year	Assumption
2010	-1.6%
2011	1.0%
2012	3.0%
2013	2.2%
2014	2.2%
2015	2.2%



- Growth rate in out years reflects FAA long-term forecast
- No Change in forecast from Business Plan presentation in August

Operating Budget Overview

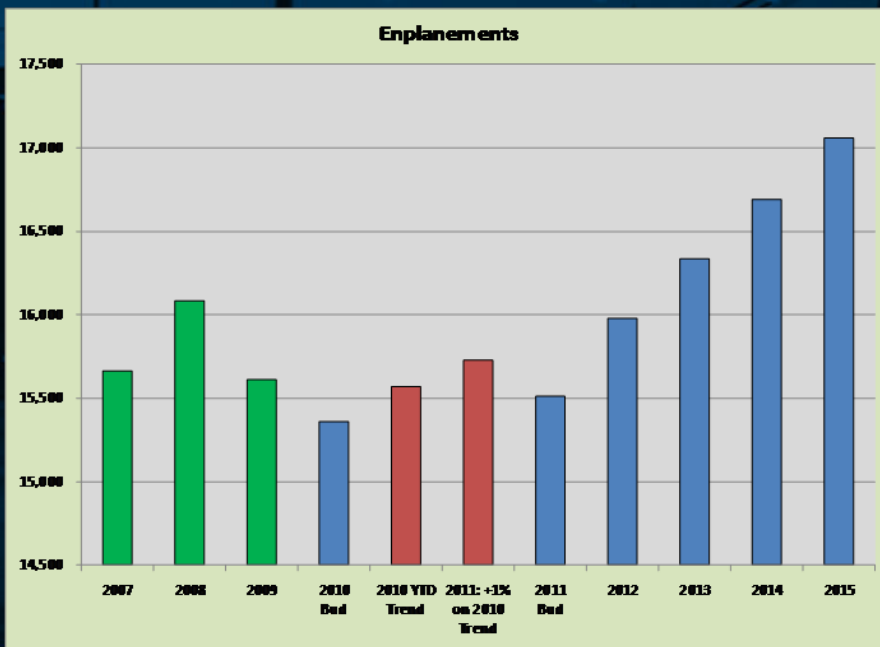
- 2011 Enplaned Passengers: +1.0%
- Revenues:
 - Non-airline revenues up 4.4%
 - Airline revenues up 2.9%
- Expenses up 6.7%
 - Airport costs up 5.6%
 - Corporate/CDD costs up 9.2%
- NOI up \$1.1 million, or 0.7%
- Non-Aero NOI up \$3.1 million, or 4.1%
- CPE: \$12.97, vs. \$13.06 projected last year for 2011
- Debt service coverage: 1.38x, up from 2010

Division Summary

	2008	2009	2010	2010	2011	'11-'10 Bud Change	
	Actual	Actual	Budget	Forecast	Budget	\$	%
<i>Figures in \$000s</i>							
Revenues							
Total Airline Revenues	203,275	182,534	210,367	205,625	216,381	6,014	2.9%
Security Grants (Non-Ops starting 2009)	1,087	-	-	-	-	-	n/a
Customer Facility Charge (RCF)	-	-	-	-	1,471	1,471	n/a
Other Non-Airline Revenues	150,528	137,348	135,578	133,776	141,559	5,980	4.4%
Fuel Hydrant	3,440	8,359	8,353	8,353	8,353	-	0.0%
Total Revenues	358,329	328,241	354,299	347,754	367,764	13,465	3.8%
Expenses							
Airport Expenses	142,699	122,877	129,381	129,399	136,575	7,194	5.6%
Corporate Expenses	34,940	31,181	34,819	34,776	33,971	(848)	-2.4%
Police Expenses	15,287	14,461	15,170	15,170	16,389	1,219	8.0%
Real Estate/Seaport Expenses	1,234	1,312	1,399	1,399	1,344	(56)	-4.0%
CDD/Other Expenses	1,023	4,823	4,765	5,082	9,600	4,835	101.5%
Corporate and Other Expenses	52,484	51,777	56,153	56,427	61,304	5,151	9.2%
Total Aviation Expenses	195,183	174,654	185,534	185,826	197,879	12,345	6.7%
Net Operating Income	163,146	153,587	168,765	161,928	169,885	1,121	0.7%
Key Measures							
Non-Aeronautical NOI	86,367	81,159	76,248	73,664	79,344	3,095	4.1%
Net Cash Flow after Debt Service	48,788	45,540	45,279	40,998	46,002	723	1.6%
Passenger Airline CPE	11.89	10.92	12.67	12.45	12.97	0.30	2.4%
Debt Service Coverage	1.40	1.42	1.36	1.34	1.38	0.02	1.5%
Traffic							
Enplanements	16,085	15,610	15,361	15,361	15,515	154	1.0%
Landed Weight	21,516	20,388	20,364	19,890	20,375	11	0.1%

Sensitivity of Enplanements

<i>in 000s</i>	2011 Budget	2011 Budget (+1%)	2011 Budget (-1%)
Net Operating Income	169,885	170,882	168,939
Non-Aeronautical NOI	79,344	80,340	78,397
Cost per Enplaned Passenger	12.97	12.84	13.10
Debt Service Coverage	1.38	1.39	1.37
Enplanements	15,515	15,670	15,359



- Red bars show 2010 YTD trend (-.25%) annualized and with 1% growth
- 2011 with 1% growth over 2010 budget is lower than 2010 YTD Trend
- 2011 Budget is conservative

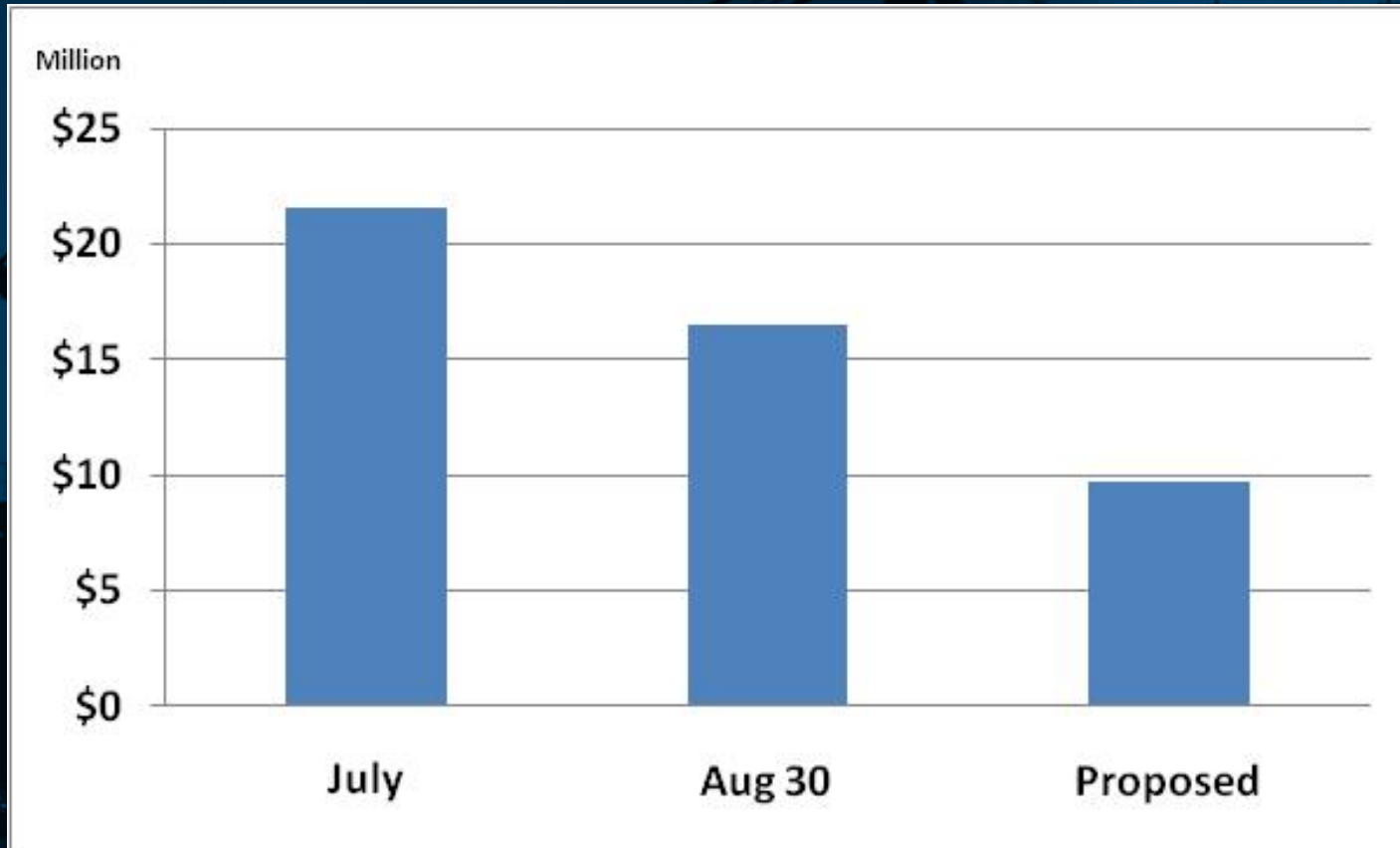
Expense Summary

2010 Budget	129,381	
Exceptions:		
Environmental reserves	(2,971)	
Grant funded operating costs	(1,250)	
	<hr/>	
2010 Baseline Budget	125,160	
2011 Budget		
Cost Increases:		
Payroll	1,784	
Contractual/unavoidable	1,316	
	<hr/>	
Subtotal	3,100	2.5%
New Requests	6,637	5.3%
Net savings	(997)	-0.8%
	<hr/>	<hr/>
2011 Baseline Budget Increase	8,739	7.0%
Exceptions:		
Environmental reserves	1,771	
Grant funded operating costs	905	
	<hr/>	
	2,676	
	<hr/>	
2011 Proposed Budget	<u>136,575</u>	5.6%

Summary of Cost Drivers

Description	\$000s
Payroll cost increases (baseline)	1,784
Contractual/unavoidable cost increases	1,316
Subtotal cost increases	3,100
New Facilities (prev. authorized/Term realig.)	332
New Facility - Rental Car Facility (CFCs)	756
Regulatory requirements	636
Customer/partner requests	1,968
Unsustainable prior cuts	696
Non-Aero revenue development	1,235
Other new initiatives	1,015
Subtotal budget requests	6,637
Net Savings	(997)
Total Increase to Baseline Budget	8,739

Budget Requests



- Over 55% of budget requests were not approved

Payroll Costs

Baseline Payroll	2010	2011	Change	%
Salary	17,057	17,584	527	3.1%
Salary Benefits	7,159	6,260	(898)	-12.5%
Wage	35,900	37,084	1,185	3.3%
Wage Benefits	15,534	16,504	970	6.2%
Total	75,650	77,434	1,784	2.3%

- Shows increases to payroll if no new FTEs are added
- Wage benefits increasing, unlike salary benefits

Contractual/Unavoidable cost Increases

Description	\$000s
Janitorial (ABM) prevailing wage increase	475
Workers compensation	411
Elevator/escalator maintenance contract	200
Other contract increases	77
Change in capital OH allocation	153
	1,316

- Workers compensation increase is less than budget guidelines based on recent history
- Capital OH change is for AV Maintenance, primarily due to maintenance of PCS/CDD vehicles and equipment excluded from capital OH

New Facilities

Description	<u>\$000s</u>
Passenger loading bridges (3 FTEs)	85
Pre-conditioned air system	50
Landscaping	90
Baggage handling system - parts	50
Other	57
	<hr/> 332
Rental Car Facility (CFC funded)	
New FTEs (12)	559
Modify existing signage	92
Other	105
	<hr/> 756
Total	<hr/> 1,088

- RCF to be operational in April 2012; will initiate staggered hiring in 2011. Total new FTEs > 100.

Regulatory Requirements

Description	\$000s
Environ. mitigation (5.0 FTEs)	346
Stormwater Filters	120
Training increase for badges (1.0 FTE)	70
Triennial Part 139 Exercise	65
Wildlife hazard assessment	35
Total	636

- Maintenance of mitigation sites includes irrigation maintenance, removal of invasive species, clearing culverts, etc. Current staff of six unable to keep up, new acreage added in 2011

Customer/Partner Requests

Description	\$000s
Full-year budget for back-up power	966
Airline realignment/FIS study	522
South Access/Sound Transit study	480
Total	1,968

- 2010 budget included back-up power for spring only. For 2011, budget assumes spring and fall
- Port triggering one-time space reallocation to facilitate growth and consolidation plans for AAG, UA/Con, and Delta. Also need to further study FIS improvements
- Sound Transit extension to S. 200th requires Port to analyze future development needs in same corridor

Unsustainable Prior Cuts

Description	\$000s	FTEs
Operations - Pathfinders (2.0 FTE)	111	2.0
Operations - Airport Duty Manager	90	-
AV F&B - Financial Analyst (1.0 FTE)	79	1.0
Maint. - HVAC Operating Engineer (1.0 FTE)	113	1.0
Maint. - Electronic Technician (1.0 FTE)	96	1.0
Maint. - Electrician/Wireman (1.0 FTE)	98	1.0
Maint. - Administrative Assist. (1.0 FTE)	44	1.0
F&I - Administrative Assist. (1.0 FTE)	65	1.0
Total	696	8.0

- Aviation cut 85 FTEs for 2010 Budget. Approximately 10% are not sustainable.
- FTEs start date April 2011

Description	\$000s
Parking - increased credit card fees	165
Parking - advertising and promotion	230
Parking Business Manager (1.0 FTE)	98
Parking program sales support	275
Subtotal parking	768
GT: AVI replacement; Good to Go contract	115
Concessions Account Manager (1.0 FTE)	83
Real estate study/pre-development	250
Conference center (.25 FTE) + advertising	18
Total	1,235

Other New Initiatives

Description	\$000s
LEAN Project Mgr (1.0 FTE), Consultant	163
Part 150 Noise Study (non-grant)	140
Enplaning passenger survey	125
Safety Management System (non-grant)	100
CUSE casework standards	75
Facility metering system	75
Paint Striping Removal contract	70
Wheelchair program for cruise pass	65
ACI/ASQ Survey program	39
Other	163
Total	1,015

Proposed Exceptions

Grant Funded Operating Costs	\$000s
Part 150 Study	560
Safety Management System (SMS)	300
Integrated Emergency Management Course	45
	<hr/> 905
Environmental Reserves	<hr/> 1,771
Total Exceptions	<hr/> <hr/> 2,676

- Environmental reserves based on anticipated triggering events in 2011 for RMM:
 - Main Terminal Low voltage upgrade (\$350K)
 - West End South Satellite (\$314K)
 - PC Air (\$295K)
 - Elevator replacement (\$240k)
 - Common use equipment (\$200K)
 - EGSE (\$160)

Non-Airline Business

<i>Figures in \$000s</i>	2008	2009	2010	2010	2011	'11-'10 Bud Change	
	Actual	Actual	Budget	Forecast	Budget	Var \$	Var %
Revenues:							
Public Parking	59,111	49,689	51,812	49,368	51,836	25	0.0%
Customer Facility Charge (RCF)	-	-	-	-	1,471	1,471	n/a
Rental Cars	35,592	33,320	31,014	31,014	31,885	870	2.8%
Concessions	33,181	33,473	29,953	32,023	32,194	2,241	7.5%
Other	22,644	20,865	22,800	21,371	25,644	2,844	12.5%
Total Non-Airline Revenue	150,528	137,348	135,578	133,776	143,030	7,451	5.5%
Operating Expense	61,279	55,916	56,590	57,405	64,116	7,526	13.3%
Share of terminal O&M	16,396	17,011	17,206	17,172	17,940	734	4.3%
Less utility internal billing	(13,515)	(16,738)	(14,466)	(14,466)	(18,370)	(3,904)	27.0%
Net Operating & Maint	64,160	56,189	59,330	60,111	63,686	4,356	7.3%
Net Operating Income	86,367	81,159	76,248	73,664	79,344	3,095	4.1%

- Parking up 5.0% over 2010 forecast
- Other includes increase for Utilities, Ground Transportation
 - Budget assumes new yellow taxi contract for 2011
- Utilities O&M and internal billing reflects increase for back-up power generation. Internal billing also includes “deficit” from 2009 costs

Non-Airline Key Indicators

	2008 Actual	2009 Actual	2010 Budget	2010 Forecast	2011 Budget	'11-'10 Bud Change	
						Var \$	Var %
Revenues / Enplanement							
Parking	3.67	3.18	3.37	3.21	3.34	(0.03)	-0.9%
Rental Car (net of CFCs)	2.21	2.13	2.02	2.02	2.06	0.04	1.8%
Concessions	2.06	2.14	1.95	2.08	2.08	0.13	6.4%
Other	1.41	1.34	1.48	1.39	1.65	0.17	11.4%
Total Revenue	9.36	8.80	8.83	8.71	9.22	0.39	4.5%
Primary Concessions Sales / Enpl	10.29	9.66	9.78	10.02	10.12	0.34	3.5%
Gross Profit Margin	57.4%	59.1%	56.2%	55.1%	55.5%	(0.01)	-1.4%

Aeronautical Business

<i>Figures in \$000s</i>	2008	2009	2010	2010	2011	'11-'10 Bud Change	
	Actual	Actual	Budget	Forecast	Budget	Var \$	Var %
Revenues requirement:							
Capital Costs	81,535	72,013	92,610	86,905	88,611	(3,999)	-4.3%
Operating Costs net Non-Aero	131,024	118,456	126,204	125,714	134,192	7,988	6.3%
Total Costs	212,559	190,469	218,815	212,620	222,803	3,988	1.8%
FIS Offset	(5,250)	(5,250)	(7,000)	(7,000)	(7,000)	-	0.0%
Other Offsets	(15,686)	(16,441)	(15,694)	(14,092)	(14,137)	1,557	-9.9%
Net Revenue Requirement	191,623	168,778	196,121	191,528	201,666	5,545	2.8%
Other Aero Revenues	12,738	13,757	15,271	14,097	14,715	(556)	-3.6%
Total Aero Revenues	204,361	182,534	211,392	205,625	216,381	4,989	2.4%
Non-passenger Airline Costs	13,039	12,074	16,752	14,315	15,134	(1,617)	-9.7%
Net Passenger Airline Costs	191,323	170,460	194,640	191,311	201,247	6,606	3.4%

- Capital costs reflect lower budget for variable rate debt and reduced interim financing costs

Aeronautical Key Indicators

	2008 Actual	2009 Actual	2010 Budget	2010 Forecast	2011 Budget	'11-'10 Bud Change	
						Var \$	Var %
CPE:							
Capital Costs / Enpl	5.07	4.61	6.03	5.66	5.71	(0.32)	-5.3%
Operating Costs / Enpl	8.15	7.59	8.22	8.18	8.65	0.43	5.3%
Offsets	(1.30)	(1.39)	(1.48)	(1.37)	(1.36)	0.11	-7.8%
Other Aero Revenues	0.79	0.88	0.99	0.92	0.95	(0.05)	-4.6%
Non-passenger Airline Costs	<u>(0.81)</u>	<u>(0.77)</u>	<u>(1.09)</u>	<u>(0.93)</u>	<u>(0.98)</u>	<u>0.12</u>	<u>-10.5%</u>
Passenger Airline CPE	11.89	10.92	12.67	12.45	12.97	0.30	2.4%

- Increased operating costs are primary driver for increased CPE
 - Back-up power costs include full year of 2011 and 2009 deficit
 - Change in capitalization policy for capital overhead

FTEs

	<u>FTE's</u>	%
2009 Budget	833.10	
2010 Reductions		
Airport Operations	(30.40)	
Security	(23.00)	
AV Maintenance	(27.00)	
Other	(8.80)	
Additions	2.45	
2010 Budget	<u>746.35</u>	
2011 Changes		
Removed Maint. Temps FTEs w/o budget \$ in 2009	(9.00)	
Acquisitions Department RIF	(4.00)	
General Manager Facilities & Infrastructure	(1.00)	
Credential Specialist	(1.00)	
Other - Reduce FTE to part-time	(0.74)	
	<u>(15.74)</u>	
Staffing for Rental Car Facility	12.00	
Unsustainable RIF	8.00	
Maint Environmental Mitigation	5.00	
New Facilities	3.00	
Parking Business Mgr, Concession Acct Mgr	2.00	
Classroom Proctor and College Intern	1.25	
	<u>31.25</u>	
2011 Proposed FTEs	<u><u>761.86</u></u>	<u>2.04%</u>

Expense Summary by Account

<i>Figures in \$000s</i>	2008	2009	2010	2011	'11-'10 Budget Change	
	Actual	Actual	Budget	Budget	\$	%
Payroll	87,605	77,985	78,141	81,673	3,531	4.5%
Outside Services	29,492	21,509	23,781	26,453	2,672	11.2%
Utilities	12,636	13,209	12,762	12,576	(186)	-1.5%
Supplies & Stock	5,667	4,780	3,822	4,100	278	7.3%
Other	3,895	5,395	10,875	11,773	898	8.3%
Baseline O&M	139,295	120,886	126,410	134,804	8,393	6.6%
Environmental Reserve	2,542	1,991	2,971	1,771	(1,200)	-40.4%
Total Airport Expenses	141,837	122,877	129,381	136,575	7,194	5.6%

- 2009 payroll includes reversal of \$2.8M in Other Post Employment Benefits (OPEB) expense.
- 2009 Other includes \$2M reduction of expense related to a surplus of Security Fund reserve.

Expense Summary by Department

<i>Figures in \$000s</i>	2008	2009	2010	2011	'11-'10 Budget Change	
	Actual	Actual	Budget	Budget	\$	%
Airport Operations	34,917	29,039	30,101	32,864	2,763	9.2%
Business Development	3,951	4,024	4,190	4,272	82	2.0%
SeaTac Utilities	12,884	14,971	14,335	15,322	987	6.9%
Aviation Maintenance	48,923	45,791	44,997	48,678	3,681	8.2%
Fire Department	14,962	11,848	11,342	11,799	457	4.0%
Airport Security	7,511	6,215	5,887	6,044	157	2.7%
AV Environmental Programs	3,207	2,940	3,840	3,705	(135)	-3.5%
Aviation Director's Office	3,194	101	1,355	1,431	76	5.6%
AV Facilities & Infrastructure	1,843	1,612	1,648	1,654	5	0.3%
Aviation Planning	1,744	1,263	1,703	2,373	669	39.3%
Other (Excluding AV PMG)	6,159	3,083	7,012	6,663	(350)	-5.0%
Baseline O&M	139,295	120,886	126,410	134,804	8,393	6.6%
Environmental Reserve	2,542	1,991	2,971	1,771	(1,200)	-40.4%
Total Airport Expenses	141,837	122,877	129,381	136,575	7,194	5.6%

- 2009 Actual includes reversal of \$2.8M in Other Post Employment Benefits (OPEB) expense.

Key Non-operating Revenues

<i>Figures in \$ 000s</i>	2008	2009	2010	2010	2011	'11-'10 Bud Change	
	Actual	Actual	Budget	Forecast	Budget	\$	%
Non-Operating Revenues							
Grants & Donations Revenues	49,461	74,323	38,233	37,208	28,990	(9,243)	-31.9%
Passenger Facility Charges Collection	60,708	59,689	58,535	58,535	59,120	585	1.0%
Customer Facility Charges Collection	23,534	21,866	22,475	23,575	21,813	(662)	-3.0%
CFC Operating Revenues Collection	-	-	-	-	1,471	1,471	100.0%
Total CFC Collection	23,534	21,866	22,475	23,575	23,284	809	3.5%

Budget vs. Financial Goals

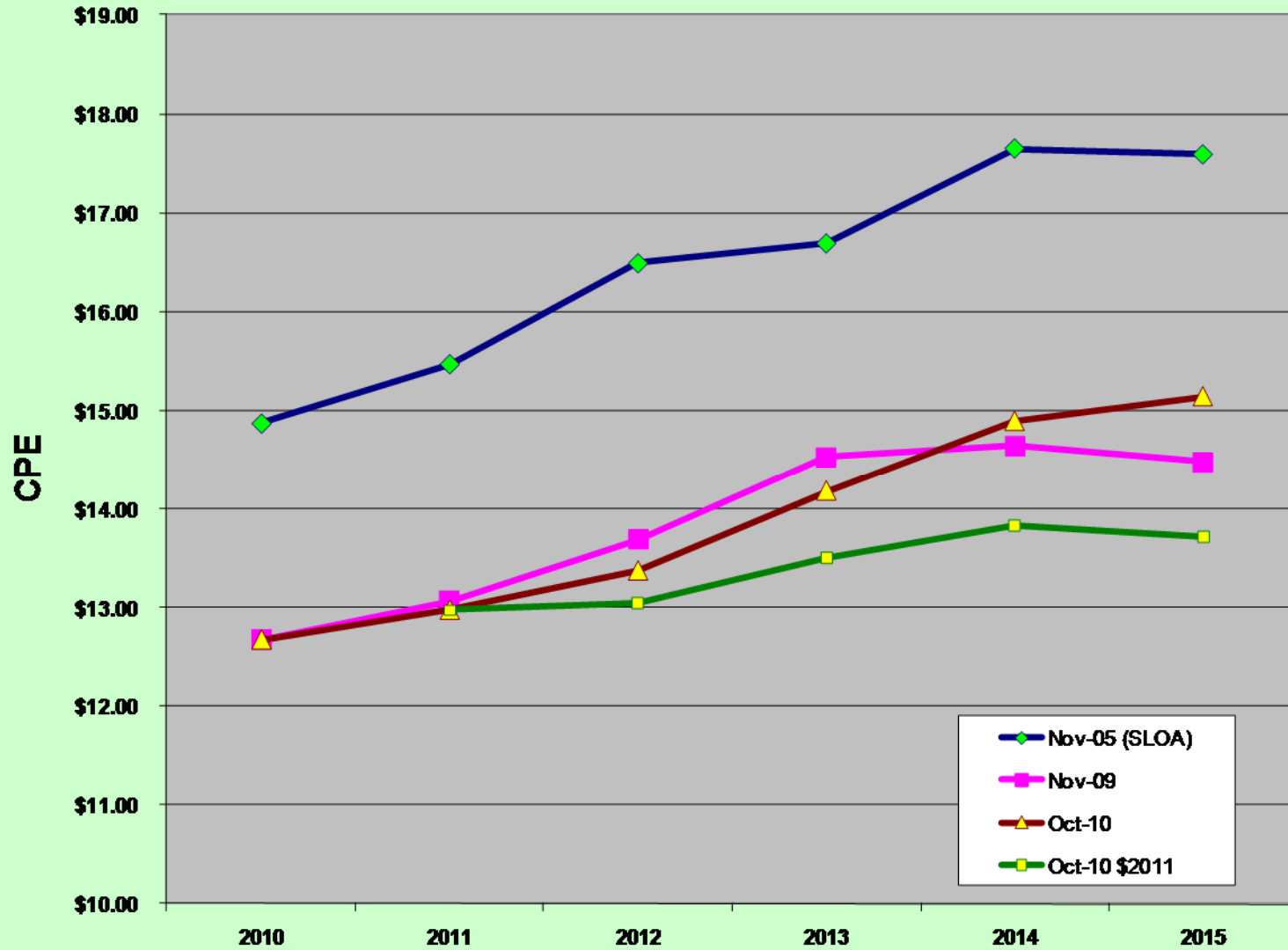
- Aeronautical: manage growth of CPE:
 - 2005 forecast of 2011 CPE: \$15.47
 - 2009 forecast of 2011 CPE: \$13.06
 - 2011 budget for CPE: \$12.97
- CPE reduction measures incorporated into budget:
 - FIS offset to \$7.0 million
 - Use of 90% of PFCs to offset revenue bond debt service
- Non-aeronautical:
 - Revenues up \$7.4 million over 2010 budget, \$9.3 million over 2010 forecast
 - NOI up \$3.1 million over 2010 budget, \$5.7 million over 2010 forecast
- Debt Service Coverage:
 - Budget for 2011 at 1.38x, up from 2010 budget and forecast, well above 1.25x minimum threshold.

Risks & Opportunities

- Risks:
 - Budget does not include potential operating costs associated with terminal realignment
 - Potential fines for PCI non-compliance
 - Budget for workers compensation assumes improvements vs. recent history
 - New structured parking lot opening late 2010
 - Economic recovery could stall
- Opportunities:
 - Improving economy could increase enplanements and non-airline revenues
 - Entrepreneurial efforts by Port staff have, and will continue to create opportunities to enhance non-aero revenues
 - When airlines are profitable, they are more inclined to add capacity to grow market share

\$in 000s	2010 Bud	2011	2012	2013	2014	2015
Airline Revenue	\$210,367	\$216,381	\$229,456	\$247,908	\$265,583	\$275,643
Non-Airline Revenue	135,578	143,029	151,077	162,025	169,379	175,253
Other Revenue (Excl Fuel Hyd)	1,539	514	530	546	562	579
Total Revenue	347,484	359,924	381,063	410,479	435,524	451,475
Operating Expense	185,536	197,878	212,797	215,811	222,560	229,180
Net Operating Income (NOI)	161,948	162,046	168,266	194,668	212,964	222,295
Non-Operating Income	7,065	5,188	6,923	5,961	6,230	6,576
Available for Debt Service	169,013	167,234	175,189	200,629	219,194	228,871
Debt Service	(176,813)	(174,674)	(187,727)	(208,238)	(223,990)	(229,309)
Debt Service paid by CFCs	20,048	20,656	20,656	20,656	20,656	21,258
Debt Service paid by PFCs	32,257	32,785	34,380	35,589	36,815	38,076
Net Cash Flow	44,505	46,001	42,498	48,636	52,675	58,896
Key Measures						
Total Airport Coverage	1.36	1.38	1.32	1.32	1.32	1.35
Rates and Charges Coverage	1.00	1.00	1.00	1.00	1.00	1.00
Passenger Airline CPE	12.67	12.97	13.37	14.18	14.89	15.14
CPE - Nov. 2005 (SLOA)	14.87	15.47	16.49	16.69	17.65	17.59
Reduction in CPE	(2.20)	(2.50)	(3.12)	(2.51)	(2.76)	(2.45)

CPE Forecast



- Airline industry is profitable, revenues growing
- At Sea-Tac:
 - Airlines pushing for major capital investments in terminal
 - Recent trends in enplanement growth and non-airline revenue growth point to recovery
- Airport budget driven by:
 - Cost increases for payroll and contracted services
 - New facilities, customer requests
 - Regulatory requirements, unsustainable prior cuts
 - Non-aero future revenue development, strategic initiatives
- Enplanement forecast is conservative, upside potential
- Meets financial goals:
 - 2011 CPE in line with 2009 and 2005 forecasts for 2011
 - Non-aero NOI is increasing
 - Debt service coverage is increasing, well above target minimum

The background of the slide is a dark blue image. On the left, there is a silhouette of a large cargo ship docked at a pier with several cranes. On the right, there is a silhouette of a modern office building with a grid of windows. In the foreground, there are silhouettes of people walking, including one person in a suit talking on a mobile phone.

Seaport Division 2011 Preliminary Operating Budget



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)

2011 SEAPORT KEY STRATEGIES

1. Commercial (Business)
2. Asset Stewardship
3. Green Gateway

In addition, Seaport will support Key Corporate Initiatives including SharePoint and Metrics

Commercial (Business) – Focus Areas

- Optimize NOI & utilization of Port assets
- Retain and attract customers to our gateway
- Market Seattle’s “Fee Free”, Business Friendly, Collaborative, and Green Gateway advantages
- Partner with Port of Tacoma in Joint Cooperation
- Facilitate efforts to assure freight mobility and terminal access during road project construction
- Partner with stakeholders to effectively manage Seaport business growth and harbor impacts
- Manage costs to assure best value (“bang for the buck”) and return on investments.

Asset Stewardship – Focus Areas

- Complete projects currently underway
- Perform key asset condition assessments
- Refine scope, cost estimates, and timing of future projects
- Incorporate clear prioritization criteria for projects
- Incorporate Green Gateway criteria for projects
- Develop future project schedules contingent upon available funding
- Manage costs to assure best value (“bang for the buck”) and return on investments.

Green Gateway – Focus Areas

- Monitor Clean Truck Program to assure objectives met
- Grow ABC (At Berth Clean) Fuels and “Green Gateway Partners” Programs
- Partner with stakeholders to implement/ manage stormwater program
- Use Herbert’s Carbon Footprint study to market our “Green Gateway” advantages
- Expand collaboration to advance our strategies & Port competitiveness
- Consider future technologies that reduce impacts

Key Revenue Assumptions

- TEU volume 12% increase from 2010 budget
- Full year (12 months) of Eagle Rate increase effective in July 2010
- Cruise forecast 6% decrease in passengers
- Grain volume 10% increase from 2010 budget
- CPI increase of 1.5% for applicable tariffs and lease rates

Expense Issues

- Comprehensive Asset Condition Assessments
- Maintenance Dredging
- Repair Costs
- Stormwater
- NW Ports Clean Air Strategy
- Utility Increases
- Environmental Reserves

Org Revenues By Group

Seaport Division Only

\$'s Thousands	2008	2009	2010	2010	2011	'11-'10 Bud Chg	
	Actual	Actual	Budget	Forecast	Budget	\$	%
Revenue							
Containers & Support Prop	56,293	59,406	59,526	60,185	63,352	3,826	6.4%
Cruise & Industrial Prop	28,757	30,030	28,883	29,471	29,976	1,092	3.8%
Operating Revenue	85,050	89,436	88,409	89,656	93,328	4,918	5.6%
Security Grants	850	847	2,535	824	3,415	880	34.7%
Environmental Grants	28	109	1,600	1,600	600	(1,000)	-62.5%
Total Revenues	85,927	90,392	92,544	92,080	97,342	4,798	5.2%

Org Revenues Containers & Support Properties

\$'s Thousands	2008	2009	2010	2010	2011	'11-'10 Bud Chg	
	Actual	Actual	Budget	Forecast	Budget	\$	%
Revenue							
Containers Operating	52,206	55,062	56,370	57,517	60,506	4,137	7.3%
Containers-Upland Dredge Reim	439	1,382	0	0	0	0	NA
Support Properties	3,648	2,961	3,156	2,668	2,846	(311)	-9.8%
Operating Revenue	56,293	59,406	59,526	60,185	63,352	3,826	6.4%

Org Revenues Cruise & Industrial Properties

\$'s Thousands	2008	2009	2010	2010	2011	'11-'10 Bud Chg	
	Actual	Actual	Budget	Forecast	Budget	\$	%
Revenue							
Cruise	9,261	10,656	10,503	10,503	10,150	(352)	-3.4%
Bulk	7,053	6,049	5,533	6,068	6,087	554	10.0%
Docks	3,331	3,647	2,936	2,875	3,113	177	6.0%
Industrial Props	9,112	9,679	9,912	10,026	10,625	713	7.2%
Operating Revenue	28,757	30,030	28,883	29,471	29,976	1,092	3.8%

Seaport Org Expense Budget

Seaport Division Expenses Only

\$'s Thousands	2010	2011	11-'10 Change	
	Budget	Budget	\$	%
Baseline Budget				
Salaries	5,152	5,014	(138)	-2.7%
Benefits	2,037	1,530	(507)	-24.9%
Wages & Benefits	0	0	0	NA
OPEB	31	37	6	18.0%
Salaries & Wages to Capital	826	1,133	307	37.2%
Total Payroll Costs	8,045	7,713	(332)	-4.1%
Net Payroll Expense	7,220	6,580	(639)	-8.9%
Utilities	4,387	4,817	430	9.8%
Other O&M	4,620	4,939	319	6.9%
Total Baseline Budget	16,227	16,336	109	0.7%
Initiatives				
Condition Assessments	300	1,000	700	233.3%
Maintenance Dredging	450	1,050	600	133.3%
Tribal Mitigation	200	331	131	65.5%
Cruise Incentive Payment	250	0	(250)	-100.0%
Environmental	0	104	104	NA
ISO Certification (4 Terminals)	0	75	75	NA
Significant Repairs & Other	350	150	(200)	-57.1%
Contingency	500	250	(250)	-50.0%
Total Initiatives	2,050	2,960	910	44.4%
Total Operating Expenses	18,277	19,296	1,019	5.6%
Security Grant Expenses	2,689	3,451	762	28.3%
Environmental Reserve	1,500	500	(1,000)	-66.7%
Total Expenses	22,466	23,247	781	3.5%

Initiatives

Initiatives - Proposed for 2011 Budget

Condition Assessment

Container Terminals	800
Cruise & Industrial Docks	200
	<u>1,000</u>

Maintenance Dredging

T-5 maintenance dredging (phase 1)	<u>1,050</u>
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Tribal Mitigation

Contractual Payment	<u>331</u>
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Environmental Increased Program Costs

Environmental-Air	64
Environmental-Stormwater	43
Environmental-Permitting & Compliance Programs	47
Environmental-Finance Support	(50)
	<u>104</u>

Terminal Efficiency Initiative

ISO Certification (4 Terminals)	<u>75</u>
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Other Required Work

Terminal 86 Appraisal	<u>150</u>
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Contingency

Contingency	<u>250</u>
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Total 2011 One-Time Expenses

	<u><u>2,960</u></u>
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Northwest Ports Clean Air Initiatives and Environmental Reserves Classified as Non-Operating Expense

<u>\$'s Thousands</u> <u>Non-Operating Expense</u>	<u>2011</u> <u>Budget</u>
PSCAA- ABC FUELS	\$1,050
Environmental Reserve	6,200
Total	<u>\$7,250</u>

Full-Time Equivalents (FTEs)

	<u>FTE's</u>
2010 Budget	60.4
Staff Addition:	
Special Project Director (Ltd Duration)	1.0
Staff Reductions:	
Dir of Prof & Tech Svs position elim	-1.0
Special Project Director (Ltd Duration)	-1.0
Adjusted 2010	<u><u>59.4</u></u>
2011 Budget	
Trsfer- Envir Controls Tech fr Sea Proj Mgmt	1.0
Subtotal	<u>1.0</u>
Proposed FTE's for 2011	<u><u>60.4</u></u>

Full-Time Equivalents (FTEs) Summary

<u>Seaport FTE Summary</u>	2008 Bud	2009 Bud	2010 Bud	2011 Bud
Commercial Strategy	7.3	6.3	4.3	4.3
Container Ops & Support Properties	6.0	6.0	5.6	5.6
Cruise & Industrial Properties	9.3	8.3	9.3	9.3
Seaport Finance	4.6	4.6	4.6	4.6
Seaport Environmental	20.9	20.3	19.3	20.3
Seaport Security	5.0	5.0	5.0	5.0
Seaport Planning	4.3	4.3	4.3	5.3
Asia Business Development	0.0	0.0	2.0	2.0
Seaport Admin	7.5	7.0	6.0	4.0
Total Seaport	64.9	61.8	60.4	60.4

Seaport Budget Summary

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

\$'s Thousands	2008	2009	2010	2010	2011	'11-'10 Bud Var	
	Actual	Actual	Budget	Forecast	Budget	\$	%
Revenues							
Operating Revenues	85,404	89,844	88,534	89,781	93,562	5,028	5.7%
Security Grants	850	847	2,535	824	3,415	880	34.7%
Environmental Grants	(0)	0	1,600	1,600	600	(1,000)	-62.5%
Total Revenues	86,254	90,691	92,669	92,205	97,577	4,908	5.3%
Expenses							
Direct Expenses	23,032	25,108	22,698	23,127	24,081	(1,383)	-6.1%
Security Grant Expenses	920	860	2,689	978	3,451	(762)	-28.3%
Environmental Reserves	866	24	1,500	1,500	500	1,000	66.7%
Divisional Allocations	2,335	2,123	2,575	2,575	2,511	64	2.5%
Corporate Allocations	12,734	12,430	13,862	13,862	16,565	(2,703)	-19.5%
Operating Expenses	39,887	40,545	43,324	42,042	47,108	(3,784)	-8.7%
Net Operating Income	46,367	50,145	49,345	50,162	50,469	1,125	2.3%

Containers Budget Summary

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

Containers & Support Properties

\$'s Thousands	2008	2009	2010	2010	2011	'11-'10 Bud Var	
	Actual	Actual	Budget	Forecast	Budget	\$	%
Revenues							
Operating Revenues	56,442	59,655	59,651	60,310	63,490	3,839	6.4%
Total Revenues	56,442	59,655	59,651	60,310	63,490	3,839	6.4%
Expenses							
Direct Expenses	8,681	10,840	7,374	7,628	9,233	(1,859)	-25.2%
Divisional Allocations	5,789	5,160	5,757	5,757	4,858	900	15.6%
Corporate Allocations	7,314	7,300	7,852	7,852	9,603	(1,751)	-22.3%
Operating Expenses	21,784	23,300	20,983	21,237	23,693	(2,710)	-12.9%
Net Operating Income	34,658	36,356	38,668	39,073	39,797	1,129	2.9%

Cruise Budget Summary

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

Cruise

\$'s Thousands	2008	2009	2010	2010	2011	'11-'10 Bud Var	
	Actual	Actual	Budget	Forecast	Budget	\$	%
Revenues							
Operating Revenues	9,375	10,744	10,503	10,503	10,215	(287)	-2.7%
Total Revenues	9,375	10,744	10,503	10,503	10,215	(287)	-2.7%
Expenses							
Direct Expenses	2,133	2,827	1,817	1,817	1,828	(11)	-0.6%
Divisional Allocations	976	972	1,326	1,326	1,032	294	22.2%
Corporate Allocations	1,558	1,605	2,269	2,269	2,604	(336)	-14.8%
Operating Expenses	4,667	5,404	5,412	5,412	5,465	(53)	-1.0%
Net Operating Income	4,709	5,340	5,091	5,091	4,750	(340)	-6.7%

Bulk Budget Summary

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

Bulk Grain

\$'s Thousands	2008	2009	2010	2010	2011	'11- '10 Bud Var	
	Actual	Actual	Budget	Forecast	Budget	\$	%
Revenues							
Operating Revenues	7,053	6,049	5,533	6,068	6,087	554	10.0%
Total Revenues	7,053	6,049	5,533	6,068	6,087	554	10.0%
Expenses							
Direct Expenses	702	322	214	214	428	(214)	-100.2%
Divisional Allocations	307	234	216	216	215	1	0.3%
Corporate Allocations	986	744	707	707	872	(165)	-23.3%
Operating Expenses	1,995	1,301	1,137	1,137	1,516	(378)	-33.3%
Net Operating Income	5,058	4,748	4,396	4,931	4,572	176	4.0%

Docks & Industrial Properties Budget Summary

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

Docks & Industrial Properties

\$'s Thousands	2008	2009	2010	2010	2011	'11- '10 Bud Var	
	Actual	Actual	Budget	Forecast	Budget	\$	%
Revenues							
Operating Revenues	12,519	13,349	12,848	12,901	13,770	922	7.2%
Total Revenues	12,519	13,349	12,848	12,901	13,770	922	7.2%
Expenses							
Direct Expenses	4,045	4,537	5,523	5,698	6,181	(658)	-11.9%
Divisional Allocations	1,925	1,513	1,980	1,980	1,851	128	6.5%
Corporate Allocations	2,534	2,266	2,638	2,638	3,112	(474)	-18.0%
Operating Expenses	8,504	8,316	10,140	10,315	11,144	(1,004)	-9.9%
Net Operating Income	4,016	5,033	2,708	2,586	2,626	(82)	-3.0%

Risks

- U.S. and Global economic uncertainties - Potential impact on Container and Cruise volumes
- Competitive Pressures
- Traffic congestion due to construction
- Unexpected Repairs
- Environmental Reserves
- Performance Audit Implications

The background of the slide is a dark blue image. On the left, there is a silhouette of a large cargo ship docked at a pier with a crane. On the right, there are silhouettes of people in an office setting, including one person talking on a mobile phone. The overall scene is dimly lit, suggesting an industrial or business environment.

Real Estate Division 2011 Preliminary Operating Budget

Key Assumptions

- Marina occupancy rate 93% compared to 94% in 2010 Budget
- Fishing & Commercial occupancy rates FT 82% and MIC 70% compared to FT 78% and MIC 72% in 2010 Budget
- Commercial Properties target 90% occupancy. 2010 Budget target was 90%

Key Assumptions (continued)

- Activity at Bell Harbor International Conference Center forecasted to increase by 16% over 2010 Budget
- Continue ownership of Eastside Rail Corridor
 - Increasing staff time spent on requests for easements/licenses/leases
 - Expanding maintenance issues
- Execution of Deferred Maintenance Plan continues with \$2.1 million of projects budgeted for 2011

Org Revenues By Group

Real Estate Division Only

\$'s Thousands	2008	2009	2010	2010	2011	11-'10 Bud Change	
	Actual	Actual	Budget	Forecast	Budget	\$	%
Revenue							
Harbor Services	10,538	11,355	11,260	11,222	11,448	188	1.7%
Portfolio Management	22,587	17,563	17,347	17,865	18,373	1,026	5.9%
Commercial	7,650	7,100	6,587	6,672	6,513	(74)	-1.1%
Third Party	14,938	10,463	10,760	11,194	11,860	1,100	10.2%
Development & Planning	1,181	804	749	621	724	(26)	-3.4%
Eastside Rail	0	0	155	75	45	(110)	-70.9%
Facilities & Maintenance	894	708	413	209	352	(60)	-14.6%
Total Revenue	35,200	30,430	29,923	29,992	30,942	1,019	3.4%

Real Estate Org Expense Budget

Real Estate Division Expenses Only

\$'s Thousands	2010 Budget	2011 Budget	Change	%
Baseline Budget				
Salaries	5,454	5,815	362	6.6%
Benefits	2,509	2,121	(388)	-15.5%
Wages & Benefits	6,837	7,168	331	4.8%
Salaries & Wages to Capital	1,000	1,000	0	0.0%
Total Payroll Costs	15,800	16,104	305	1.9%
Net Payroll Expense (net of to capital)	14,800	15,104	305	2.1%
Utilities	2,988	3,237	249	8.3%
Third Party Mgmt (Hospitality Only)	7,605	7,613	8	0.1%
Increase Maint (prevents def maint)	991	2,036	1,045	105.4%
Other O&M	3,175	3,220	45	1.4%
Allocated to Capital	(631)	(400)	231	-36.6%
Total Baseline Budget	28,929	30,810	1,882	6.5%
Initiatives				
Tenant Improve & Broker Fees	343	155	(188)	-54.8%
Deferred Maint Projects in Budget	1,561	1,691	129	8.3%
Deferred Maint Salaried Staff	133	198	65	49.0%
Net Shed related work	179	260	81	45.5%
T91 Development Study (50%)	0	138	138	NA
Eastside Rail Corridor	484	484	0	0.0%
Contingency	0	0	0	NA
Total	2,700	2,925	226	8.4%
Total Operating Expenses	31,629	33,736	2,107	6.7%

Baseline Maintenance Work

\$'s Thousands

Increase in Baseline Maintenance

2011 Budget

Reimbursable work (offset by revenue)	223
Police related maintenance	64
T91 Cruise Facility (gangway warranty expiring)	130
Seaport Industrial Properties	49
T102 (Annual Piling Replacement)	87
StormWater - Pollution Prevention Plan	86
Unfunded Preventive Maintenance	293
Fuel Expense	112
Total Increase in Baseline Maintenance	<u><u>1,045</u></u>

2011 Deferred Maintenance Projects

\$'s Thousands

Deferred Maintenance Projects

	<u>2011 Budget</u>
P69 Concrete beams rehab	350
Bell St. Garage sprinklers	357
Lighting Systems Upgrade	100
T102 Electrical Condition Study	42
Other	1,039
Subtotal per schedule	<u>1,889</u>
Maint Net Shed related work *	250
Total Deferred Maintenance Projects	<u><u>2,139</u></u>

Note*: Total 2011 Net Shed related work cost is \$260K. The additional \$10K is for permits and is budgeted in Harbor Services

Full-Time Equivalents (FTEs)

<u>2010 Budget</u>	154.8
Maintenance - Admin for Deferred Maint	1.0
Maintenance - Deferred Maint Project Manager	1.0
Maintenance - Skilled Crafts	5.0
Maintenance - Exempt Personnel Staff	3.0
Adjusted 2010	<u>164.8</u>
<u>2011 Budget</u>	
Staff Reductions:	
Harbor Srvs - Compliance Coordinator (Ltd Duration)	(1.0)
Staff Additions:	
Portfolio Mgmt - Upgrade two positions	0.0
Portfolio Mgmt - Real Estate Specialist	1.0
Net Change	<u>0.0</u>
Proposed 2011 Budget	<u><u>164.8</u></u>

Org Expenses By Group

Real Estate Division Expenses Only

\$'s Thousands	2008	2009	2010	2010	2011	11-'10 Bud Change	
	Actual	Actual	Budget	Forecast	Budget	\$	%
Operating Expenses							
Harbor Services	4,179	4,316	4,513	4,653	4,454	(59)	-1.3%
Portfolio Management	12,347	10,333	11,475	11,713	11,949	474	4.1%
Commercial	1,902	3,119	3,440	3,700	3,605	165	4.8%
Third Party	10,445	7,214	8,034	8,013	8,344	309	3.8%
Development & Planning	7,770	622	574	574	759	185	32.3%
Eastside Rail Corridor	0	48	484	404	484	0	0.0%
Maintenance	11,971	10,816	12,298	12,298	14,279	1,981	16.1%
Facilities	1,995	1,835	1,913	1,684	1,453	(459)	-24.0%
Division Admin	356	376	372	372	358	(14)	-3.8%
Contingency	0	0	0	0	0	0	NA
Total Operating Expenses	38,619	28,346	31,629	31,698	33,736	2,107	6.7%

Real Estate Budget Summary

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

\$'s Thousands	2008	2009	2010	2010	2011	'11-'10 Bud Var	
	Actual	Actual	Budget	Forecast	Budget	\$	%
Revenues							
Operating Revenues	34,798	30,132	29,798	29,867	30,707	909	3.1%
Total Revenues	34,798	30,132	29,798	29,867	30,707	909	3.1%
Expenses							
Direct Expenses	36,402	27,525	30,949	31,018	33,221	(2,272)	-7.3%
Environmental Reserves	(48)	0	0	0	0	0	NA
Divisional Allocations	(3,413)	(3,200)	(3,802)	(3,802)	(3,787)	(15)	-0.4%
Corporate Allocations	5,253	5,244	5,808	5,808	6,645	(836)	-14.4%
Operating Expenses	38,195	29,569	32,956	33,025	36,079	(3,123)	-9.5%
Net Operating Income	(3,397)	563	(3,158)	(3,158)	(5,372)	(2,214)	-70.1%

Real Estate Budget Summary

Net Operating Income By Business

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

\$'s Thousands	2008	2009	2010	2010	2011	'11-'10 Bud Var	
	Actual	Actual	Budget	Forecast	Budget	\$	%
Net Operating Income							
Recreational Boating	1,864	2,052	1,236	1,193	850	(386)	-31.2%
Fishing & Commercial	(1,560)	(1,753)	(3,113)	(3,248)	(2,755)	358	11.5%
Portfolio Management	3,235	661	(436)	(131)	(1,726)	(1,290)	-295.9%
Eastside Rail	0	(79)	(358)	(358)	(649)	(291)	-81.4%
RE Development & Plan	(6,984)	(318)	(486)	(614)	(1,091)	(605)	-124.4%
Environmental Reserve	48	(0)	0	0	0	0	NA
Net Operating Income	(3,397)	563	(3,158)	(3,158)	(5,372)	(2,214)	-70.1%

Risks

- Potential higher vacancies in commercial properties and recreational marinas
- Eastside Rail Corridor
- Deferred maintenance costs
- SAO audit compliance implications
- Tenant improvement allowances

The background of the slide is a dark blue-tinted photograph of a port terminal. It shows a large gantry crane on the left, a ship's hull in the lower-left, and several silhouetted figures of people in the foreground, some appearing to be in conversation. The overall scene is industrial and active.

Capital Development Division 2011 Preliminary Operating Budget

CDD 2010 & 2011 Budgets

	2010 Budget	2011 Budget
FTE	268	262.5
Total Salaries & Benefits	\$28,841,084	\$28,451,234
On-site consultants	\$ -	\$5,529,009
Small Works Constr Contracts	\$509,136	\$1,122,664
Total Before Capital Ch & Trans	\$33,936,273	\$38,637,105
Sal/Wag to Capital	\$14,985,375	\$13,663,576
Capital Projects Overhead	\$11,621,815	\$6,295,482
On-site consultants to Capital	\$ -	\$4,424,462
Total Charges to Capital	\$26,607,190	\$24,383,520
Total Operating Expense	\$7,352,033	\$14,278,467

CDD 2011 by Department

O9000: Capital Development	ENG	PCS	AVPMG	SPMG	CPO	CDD Admn	All CDD Total
FTE	110.5	54	42	17	37	2	262.5
Payroll to Capital Projects	6,601.49	3,439.92	1,606,901	1,020,217	995,046		13,663,576
Total Salaries & Benefits	11,604,496	5,542,750	4,883,027	2,280,971	3,748,682	341,307	28,451,234
64140 On-site Consultants	2,322,000		3,207,009				5,529,009
Total Costs Before Capital Charges & Transfers	15,217,918	7,553,113	8,636,921	2,491,954	4,378,860	358,340	38,637,105
Total Charges to Capital Projects	-10,892,177	-4,337,557	-6,338,316	-1,601,627	-1,213,844		-24,383,520
TOTAL OPERATING EXPENSE	4,333,241	3,216,016	2,298,885	891,328	3,180,358	358,640	14,278,467

Priority CDD Initiatives

- Prepare for and pass SAO revisit of 2007 audit
- Support OSR in implementing SCS Resolution
- Use metrics to manage performance
- Streamline service agreement contracting
- Update Port standard specifications
- Implement SharePoint in CDD

The background of the slide is a dark blue image. On the left, there is a silhouette of a large cargo ship docked at a pier with a crane. On the right, there are silhouettes of people in an office setting, including one person talking on a mobile phone. The overall scene is dimly lit, suggesting an industrial or business environment.

Corporate 2011 Preliminary Operating Budget

2011 Corporate Preliminary Budget Summary

Description (\$ in 000s)	Amount	Notes
2011 Preliminary Budget	74,936	
2010 Approved Budget	72,001	
Increase from 2010 Budget	<u>2,935</u>	
Revenue from AAPA Convention	<u>990</u>	
Net Increase	<u>1,945</u>	
 <u>Major Change in 2011 Preliminary Budget</u>		
Increase in Salaries	1,690	Included converting 6 contractors to FTEs
Reduction on Non-union Benefits	(1,004)	Rate overstated in 2010 and more sharing
Increase in Contract Wages & Benefits	1,228	Due to contractual increases in Police
New Budget Additions	1,835	Premarily due to AAPA Conv. & Port Cent.
Other Costs Reduction	<u>(814)</u>	\$440K reduction due to 6 contractors
Increase from 2010 Budget	<u>2,935</u>	

2011 Budget Additions

#	2011 Budget Additions (<i>\$ in 000s</i>)	Amount
1.	AAPA Convention (mostly offset by revenues)	1,175
2.	Port Centennial	314
3.	Port Jobs - Truckers Initiative	100
4.	Port Jobs - Workforce Development	50
5.	Deferred Compensation Third Party Administration	54
6.	Educational Reimbursement Program	50
7.	Contracted Services for Internal Audit Policies	50
8.	Other	41
	Total	<u>1,835</u>
	Total Budget Requests	<u><u>4,751</u></u>

2011 Budget Major Changes

Major Budget Change (\$ in 000s)	2010 Budget	2011 Budget	\$ Change	% Change	Notes
Payroll Costs change					
Salaries	24,511	26,201	1,690	6.9%	Included converting 6 contractors to FTEs.
Benefits	9,607	8,603	(1,004)	-10.4%	Overstated benefit rates in 2010 budget.
Wage & Benefits	17,983	19,211	1,228	6.8%	Contractual increase in Police Dept.
Total Payroll Costs	52,102	54,015	1,914	3.7%	
Non-Payroll Changes					
Equipment Expense	1,284	1,181	(102)	-8.0%	
Supplies & Stock	615	673	58	9.5%	AAPA Convention.
Outside Services	11,169	11,322	153	1.4%	Outside Legal Service, AAPA Convention, etc.
Travel & Other Employee Expense	2,167	2,402	235	10.8%	AAPA Convention & Port Centennial.
Promotional Expense	367	882	515	140.4%	AAPA Convention & Port Centennial.
Telecommunications	746	788	42	5.6%	AAPA Convention & Port Centennial.
Insurance Expense	2,046	2,050	4	0.2%	
Charge to Capital	(3,612)	(3,283)	328	-9.1%	Due to change of Capital OH policy in 2011.
Other	1,507	1,624	117	7.7%	Truckers Initiative and Workforce Development.
Total Non-Payroll Expenses	19,899	20,921	1,022	5.1%	
TOTAL	72,001	74,936	2,935	4.1%	

2011 Corporate Budget

(\$ in 000s)	2009	2010	2011	2010 to 2011 Change	
	Actual	Budget	Budget	\$	%
TOTAL REVENUES	374	18	1,025	1,007	5594.5%
EXPENSES					
Executive	1,551	1,536	1,500	(36)	-2.3%
Commission	750	868	931	64	7.3%
Legal	2,702	2,713	2,906	194	7.1%
Risk Services	2,526	3,009	2,789	(220)	-7.3%
Health & Safety	913	1,095	1,129	34	3.1%
External Affairs	4,918	5,997	7,012	1,015	16.9%
Human Resources & Development	3,913	5,048	5,213	165	3.3%
Labor Relations	542	784	922	137	17.5%
Information & Communications Tech.	17,505	19,076	19,511	435	2.3%
Finance & Budget	1,635	1,529	1,493	(36)	-2.3%
Accounting & Financial Reporting	5,836	6,716	6,596	(119)	-1.8%
Internal Audit	978	1,109	1,215	106	9.6%
Office of Social Responsibility	1,431	1,458	1,567	109	7.4%
Contingency	420	750	700	(50)	-6.7%
Police	18,409	20,314	21,452	1,138	5.6%
Total Corporate Costs	<u>65,481</u>	<u>72,001</u>	<u>74,936</u>	<u>2,935</u>	<u>4.1%</u>

2011 Corporate FTE Summary

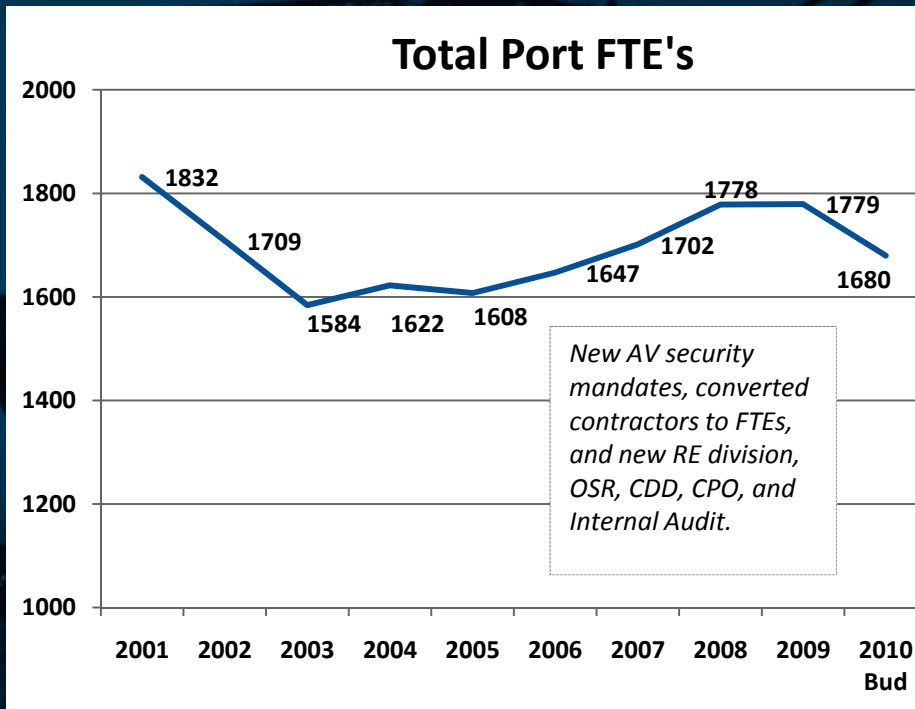
	<u>FTEs</u>
2010 Approved Budget	450.2
Mid-Year Approval (convert 6 contractors to FTEs)	<u>7.3</u>
Adjusted 2010 Total	457.5
Eliminated FTEs	-10.9
2011 Proposed New FTEs	<u>0.0</u>
Proposed FTEs for 2011	<u><u>446.6</u></u>
Change from 2010 Approved Budget	<u><u>-3.6</u></u>

Risks

- SAO Performance Audit implications
- Insurance premiums on renewal
- Unexpected litigations or claims
- Unanticipated events & TSA mandates

Payroll Discussion & Options

The Port has proactively managed staffing levels and payroll costs to respond to business challenges over the past decade

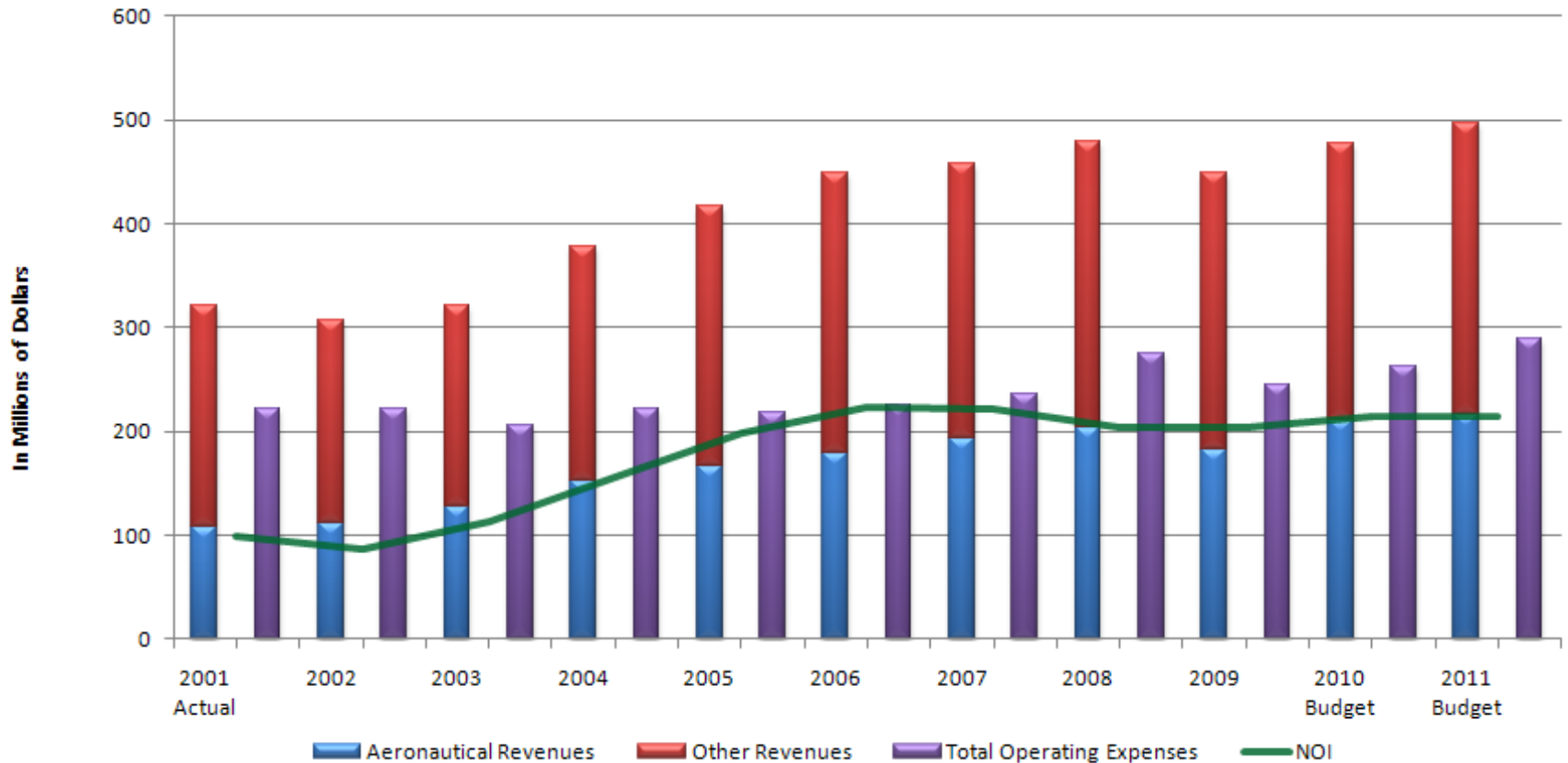


Overall Port staffing levels decreased by 8.3% from 2001-2010

- 2001
 - Exited crane maintenance—reduction of 19.2 Seaport FTEs
- 2002
 - 10% across the board expense cuts following 9/11
 - Exited Warehouse business/reorganized Seaport—reduction of 187.5 FTEs
 - Flat 3% pay increase for all non-union staff
 - Eliminated Port 401A supplemental retirement contributions
- 2003
 - Changed medical benefits providers to contain medical cost increases
 - Non-union pay ranges frozen at 2002 levels
- 2004
 - Aviation reorganization—reduction of 66.9 FTEs
 - All wages and salaries frozen
 - Non-union pay ranges frozen at 2002 levels
- 2009
 - Two week furloughs for all employees
 - Medical cost shifting to employees through 10% coinsurance
 - Retiree medical subsidy eliminated
 - Layoffs/VSP—reduction of 106 FTEs
- 2010
 - Non-union pay ranges frozen at 2009 levels
 - Additional medical cost shifting to employees through premium sharing
 - Planned move to medical self funding

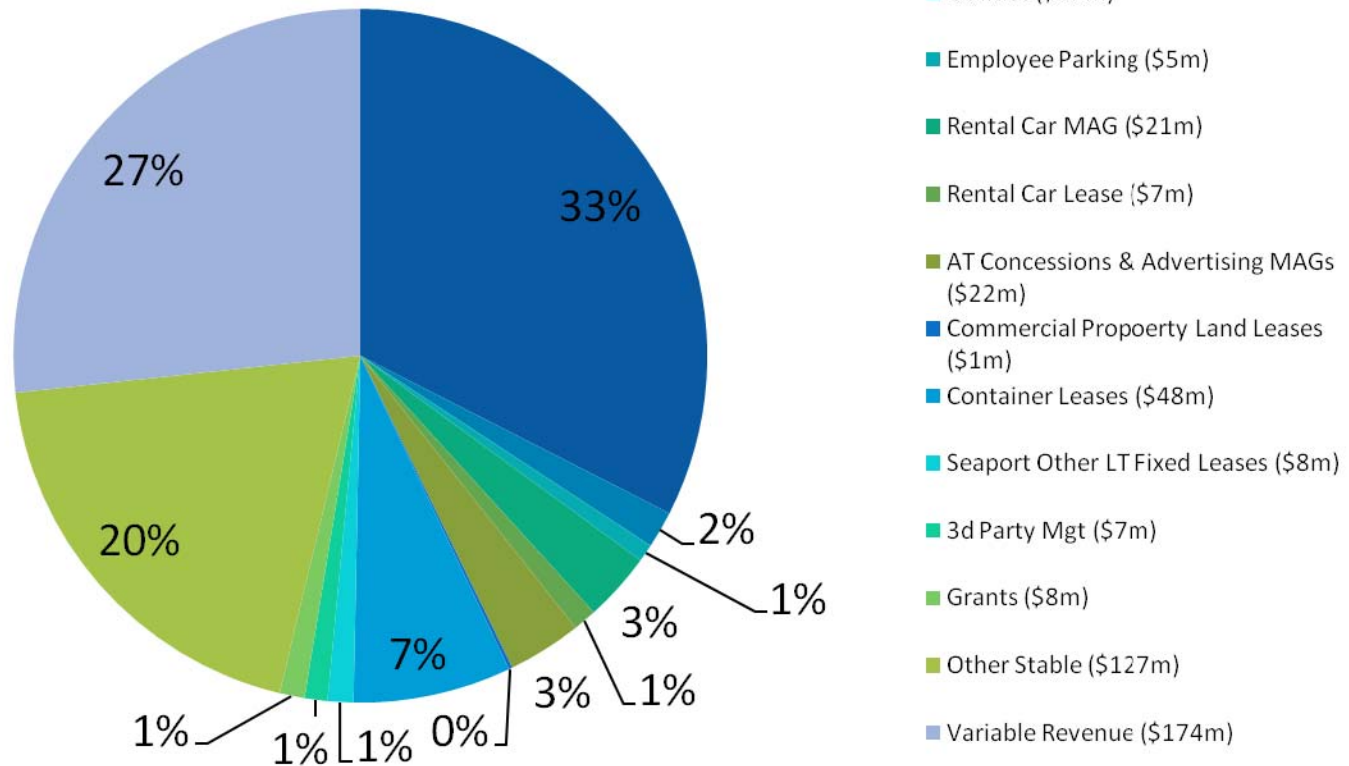
Net Operating Income Comparison

Operating Revenues, Operating Expenses and NOI



73% of Revenue is Reasonably Stable

2010 Budget



High Performance Organization

In 2003, as part of the Port's Strategic Plan, Commission set a goal of being a **“High Performance Organization”**.

Expected Outcomes of a High Performance Organization:

- High productivity, efficiency & strong financials
- High levels of customer satisfaction and loyalty

High Performance Organization

These Outcomes are Achieved by:

- Attracting & retaining superior performers
- Providing a motivating & engaging work environment
- Fostering an environment that promotes well thought out creativity and innovation
- Ensuring an active employee development program
- Providing a competitive pay and benefit program that includes a performance based pay program for non-represented employees

Port Total Compensation Practices

Represented: 47% of employees	Non-represented: 53% of employees
<ul style="list-style-type: none">• Good faith bargaining• Terms differ unit-by-unit• On semi-staggered 1-4 year cycles• No pay for performance• Step increases / 2%-6% COLA• Most units use union health care & have 100% maintenance of benefits• Some units get union pensions and supplemental retirement funds	<ul style="list-style-type: none">• Salary & Benefit Resolution• Same terms cover entire group• Reviewed and updated annually• Pay for performance increases• No step increases / No COLA• Port sponsored health plans• State retirement plan• 401(a) match

Benchmarking Pay

- We compete with private and public sector organizations for employees
- Many employees perform technical, often specialized or unique work
- Goal is to have market competitive pay for all employees
 - Data for non-represented pay comparisons comes from all industry survey data (public and private employers)
 - Data for represented pay comparisons comes from public sector employers

Non-Represented Pay

- Goal is to keep pay ranges comparable to market
 - Pay range adjustments determined by comparing ranges to average actual market pay and next year's anticipated pay increases
- Performance increases targeted to general industry increases
 - Total increases at local public employers and anticipated Port represented employee increases considered as well
- Latest published surveys are reporting anticipated, all industry average pay increases of 2.9% to 3.0% for 2011
- Preliminary budget assumes 2.5% average Pay for Performance increase for 2011

Medical Cost Containment Efforts

- Port sponsored medical plan covers approximately 990 employees
 - Approximately 12.5% are union employees
- 2008 – deductibles and office visit copays increased
 - Deductibles increased from \$200 to \$300
 - Office visit copays increased from \$15 to \$25
- 2009 – 10% coinsurance added to both Premiera plans
- 2010 – Employee premium sharing implemented
 - Employees pay an average of 5% of medical premiums

Medical Cost Containment Efforts

- 2011 Changes—Port Sponsored Plan
 - Converting Premera (and WDS dental) plans to self-insured
 - Employee premium sharing increasing
 - Average employee contribution increasing from 5% to approximately 8.7%
 - Keeps Port sponsored medical and dental costs flat compared to 2010
 - Compared to projected increase of 12.3% with no changes
 - Employee premium increase & increasing PERS retirement contribution offsets slightly more than half of the 2.5% average Pay for Performance increase

2011 Key Payroll Assumptions Summary

- Average pay-for-performance increase of 2.5% for non-represented staff
- Medical benefit costs flat for Port sponsored plan (with self funding and increased employee premium sharing)
- PERS employer contribution increase from 5.3% to 8.6% effective 7/1/11 (7% blended full year rate)
- Represented payroll varies by individual contract:
 - Wages – COLA, STEP, other increases
 - Benefits – POS contributions to Health & Welfare, Pension trusts; most contracts have no employee cost sharing
 - 11 of 23 contracts open 2010-11

2010-11 Payroll Comparison

(Includes Salaries, Wages & Benefits, Expense & Capital)

Payroll (\$ in 000s)	2010 Budget	2011 Budget	Change in \$	Change in %
Non-represented	100,305*	104,241	3,936	3.9%
Represented	<u>81,264</u>	<u>87,368</u>	<u>6,104</u>	<u>7.5%</u>
TOTAL	181,569	191,609	10,040	5.5%

Adjustments		Change vs. 2010 Budget
2010 Mid-Year Approvals and New 2011 FTEs	2,790	1.5%
Pay Increase Carryover from 2010	1,170	0.6%
Other Pay Adjustments	<u>1,440</u>	<u>0.8%</u>
Total Adjustments	5,400	3%
Estimated Baseline Increase	4,640	2.6%

*Estimated benefits reduced to adjust for over budgeting in 2010; numbers exclude projected \$235K increase in Unemployment Costs

Payroll Reduction Options

	Estimated Savings
Two week furloughs for all staff	\$6.5 million
Freeze pay for non-represented employees	\$2.1 million
Suspend 401A supplemental retirement match to offset expected PERS contribution increase	Offsets approximately \$900 thousand of estimated \$1.1 million PERS contribution increase
Negotiate open labor contracts/reopen existing contracts	TBD
Apply HR benefit fund (cash funding only—no budget impact)	Approximately \$2.6 million could be used to fund benefit costs
Staff Reductions	45-50 FTEs to offset baseline payroll increase

Remaining Schedule

October

- Tax Levy Discussion (10/12)
- Preliminary Budget Document to the Commission (10/19)
- Draft Plan of Finance (10/26)
- Release of Preliminary Budget & Draft Plan of Finance (10/28)

November

- First reading of budget resolution (11/9)
- Second reading of budget resolution (11/23)

December

- Statutory budget filed (12/2)
- Release Final Budget & Draft Plan of Finance (12/15)