

Seaport Division 2011 Business Plan Overview

Commission Presentation
August 17, 2010

- I. Seaport Strategies
 - A. Commercial (Business)
 - 1. Container
 - 2. Cruise
 - 3. Grain
 - 4. Other Maritime
 - B. Asset Stewardship
 - C. Green Gateway
- II. Financials & Financial Outlook
- III. Risks
- IV. Recap



Pier 90/91

Pier 86

Pier 66

Terminal 46

Terminal 30

Terminal 25 South

Terminal 18

Terminal 5

Terminal 18 On-Dock Rail

Terminal 5 On-Dock Rail

BNSF (SIG - North)

BNSF (SIG - South)

UPRR (ARGO)

Based upon review and development work, the Seaport identified three Key Initiatives in 2010 for refinement in 2011 as long term Seaport Strategies:

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

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

Seaport Asset Stewardship

CAPITAL* (Major Projects)

EXPENSE*

CONTAINERS

2011 CIP \$17.4 M

- T18 Dock Repair/Rehab
- T5, T18 & T30 Completions
- T10 Truck Parking

2012-2015 CIP \$140-\$150 M

- T5 New Cranes (4)
- T46 Development

2016-2020 CIP \$95-\$100 M

- Dock Repair/Rehab
- Container Support Yards

Prospective \$300-\$350 M

- Shore Power
- New Docks
- Container Support Yards

\$15-20 M

- Maintenance Dredging
- Dock Inspections/Repairs

CRUISE

2011 CIP \$11.9 M

- P66 Shore Power
- CTA Lease Allowance

2012-2015 CIP \$15-\$20 M

- P91 Slope Stabilization
- T91 Widen West Berth

2016-2020 CIP \$5-\$10 M

- Second Gangway per Berth

Prospective \$30-\$50 M

- T91 Parking Garage
- P66 Fender System

\$1-5 M

- Inspections/Repairs
- Signage/Traffic Controls

GRAIN & OTHER

2011 CIP \$17.8 M

- T91 Water Main
- T86 Grain Facility
- Mooring Dolphins

2012-2015 CIP \$125-\$130 M

- T91 Berth 8
- P91 Fender System

2016-2020 CIP \$150-\$200 M

- T91 Berth 8
- Dredge P90 East Waterway

Prospective \$20-\$30 M

- New Buildings
- Industrial Land Acquisitions
- New Docks/Barge Layberth

\$5-10 M

- Security Grant Round 8 Study
- Inspections/Repairs

Seaport Asset Stewardship

	CONTAINERS	CRUISE	GRAIN & OTHER	TOTAL
ASSET CATEGORIES	<ul style="list-style-type: none"> • Docks • Utilities • Cranes • Pavement • Other 	<ul style="list-style-type: none"> • Docks • Utilities • Gangways • Pavement • Other 	<ul style="list-style-type: none"> • Docks • Utilities • Grain Spouts • Pavement • Other 	Preliminary Estimated Costs Based on Current CIP and Completed Asset Condition Assessments
2011 CIP*	\$17.4	\$11.9	\$17.8	\$47.1 M
2012-2015 CIP*	\$145.2	\$16.9	\$128.9	\$291.0 M
2016-2020 CIP*	\$97.5	\$5	\$169.5	\$272.0 M
EXPENSE PROJECTS*	\$16.7	\$1.2	\$9.5	\$27.4 M
TOTAL (10 YEARS)*	\$276.8	\$35.0	\$325.7	\$637.5 M
PROGRAMMED MAINTENANCE**	\$0.6	\$0.8	\$1.0	\$2.4 M
PROSPECTIVE (10 YEARS)*	\$303.2	\$0	\$26.8	\$330.0 M

*Preliminary Estimated Costs Based on Current CIP and Completed Asset Condition Assessments

**Estimated Annual Cost Based on 2010 Budgeted Amounts

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.

CONTAINER

Competitive Threats

- Panama Canal
- Canada
- Terminal Efficiency & Costs
- Fees & Trade Barriers
- Customer Retention

Optimize NOI

- Maximize utilization of assets
- Competitive rates, taxes, fees
- Asset stewardship investments
- Key infrastructure investments
- Volume retention/expansion

Foster Green Agenda

- Seaport Environmental Initiatives
- Green Gateway Mktg Strategy
- Sustainable investments

CRUISE

Competitive Threats

- Worldwide competition for cruise assets.
- Canadian Competition
- Cost competitiveness
- Passenger satisfaction
- Terminal efficiencies

Optimize NOI

- Maximize SCT facility utilization
- Asset stewardship investments
- Larger vessels
- More passengers
- Efficient airport-seaport connections

Foster Green Agenda

- Shore power (cold ironing)
- Wastewater treatment/retention
- Green Gateway marketing

GRAIN & OTHER

Competitive Threats

- Relocation to other areas due to complexity of requirements
- New Longview grain terminal
- Loss of support businesses

Optimize NOI

- Retention/growth of current business
- Positive return on investments
- Identify new markets & opportunities for revenue
- Asset stewardship investments

Foster Green Agenda

- Recycling program
- Stormwater System

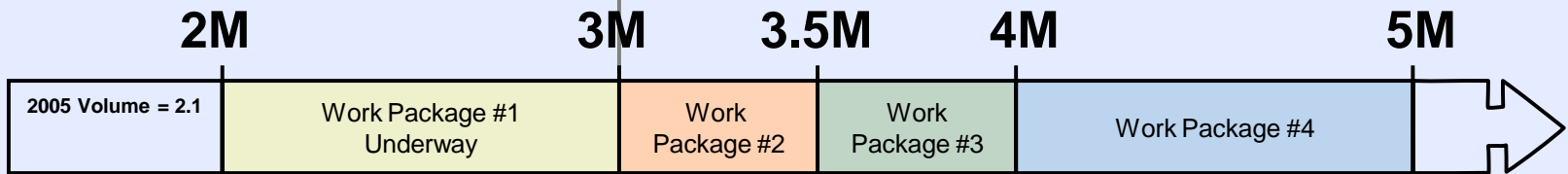
CONTAINER EXPANSION PLAN



Fundamental Port Role Should Change to Stimulate and Facilitate Projects By Others

Overall Utilization of Labor Must Increase

TOTAL PORT CONTAINER CAPACITY (TEU)



TERMINALS

- T-30 re-activate
- T-25 expansion 16 acres

RAILYARDS

- SIG north expansion
- T-5 IY second shift

OFF-DOCK

- 20-acre third party container support

TRAFFIC

- SR-519 or acceptable alternative
- T-5 surface street intersection
- East Marginal Way grade separation
- Continuous day gate hours
- Spokane Street Viaduct
- Viaduct construction accommodates freight

TERMINALS

- T-5 increase internal CY

RAILYARDS

- Wide Span Gantry Cranes at Main SIG

MAINLINE

- Sound Transit / BNSF new track agreement Seattle to Tacoma
- Crown Stampede Pass
- Duwamish corridor concept

OFF-DOCK

- 20-acre third party container support

TRAFFIC

- 1st Ave S. & East Marginal Way
- Increase use of night gates

TERMINALS

- T-5 RTG Ops

RAILYARDS

- On-dock IY at T-18 or 16th Ave Yard conversion to IY
- SIG Stacy Yard conversion
- ARGO domestic relocation
- ARGO re-designed for high density operations

MAINLINE

- Tukwila-Tacoma track
- Sumner connection
- Vancouver bypass
- Ellensburg/Lind cutoff
- Point Defiance bypass

Operational improvements may negate need for some of these projects

OFF-DOCK

- 20-acre third party container support

TRAFFIC

- SR-509
- More night gates

TERMINALS

- T-5 18-acre expansion
- T-46 additional RTG ops

RAILYARDS

- SIG south expansion
- New Remote Railroad ~ 200 acres, shared with Port of Tacoma

Needed less if Wide Span Gantry Cranes proliferate into other harbor area intermodal yards

MAINLINE

- Could be constrained?

OFF-DOCK

- T-25/30 off-site yard – 20 acres
- 40-acre third party container support

TRAFFIC

- Steady night gates

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

Reduce our environmental impact and capitalize on green marketing opportunities for the Seaport

Focus	<p>Moving People and Goods Efficiently</p>	<p>Sustainable Operations and Facilities</p>	<p>Promoting Sustainable Communities</p>
Criteria	<p>Collaborate with stakeholders to reduce environmental impacts associated with the movement of goods through the Port</p> <ul style="list-style-type: none"> •Promote “green” as benefit •Leader in green cargo •Reduce carbon footprint 	<p>Sustainably manage operations, projects and property for the long term benefits of the citizens of Washington</p> <ul style="list-style-type: none"> •Leader in low impact development •Promote energy and water conservation •Develop culture to integrate “green” into our daily work 	<p>Collaborate with stakeholders to promote and implement environmental polices and programs that decrease environmental impacts</p> <ul style="list-style-type: none"> •Good stewards of natural resources •Enhance public engagement in the region •Promote transparent communications
Key Initiatives	<ul style="list-style-type: none"> • cost •Pilot Project * •Emissions Inventory •NWPCAS •Herbert Study •Green Gateway Partners 	<ul style="list-style-type: none"> •SMS/EMS * •ECAP •Cost Recovery •Energy Audits * •Incorporate Green into our daily plans and activities * •Green Leases * 	<ul style="list-style-type: none"> •Superfund •Stormwater •Habitat •Outreach and Partnerships (PSP) •Green Facilities *

* New strategic initiatives

Compliance	Green Port	Green Marketing
<p>Port of Seattle</p> <ul style="list-style-type: none"> •Cost recovery •SEPA 	<p>Discretionary Projects that integrate with Business goals or position us for success</p>	<p>Customers</p> <ul style="list-style-type: none"> •Carriers / Cargo Owners •Cruise lines / passengers •Rail
<p>Tenants</p> <ul style="list-style-type: none"> •Stormwater •ECAP •Spill Prevention •Cost 	<p>Existing Programs</p> <p>ABC Fuels Program ScRAPS Program Plastic Pilings T46 lighting CHE</p>	<p>Messaging:</p> <p>Faster, Better, Cleaner Strategic Partnerships Green Gateway routing (Herbert Study)</p>
<p>Community</p> <ul style="list-style-type: none"> •Lower Duwamish •Agreed Orders •Spill Prevention •UST •Derelict Vessel •Project Permitting •Restoring Aquatic Habitat 	<p>Above and Beyond</p> <ul style="list-style-type: none"> •Shore Power •LNG 	<p>Port Projects</p> <p>Recycling program Green Landscaping Educational Seminars Community Seminars</p>



Seaport Lines of Business

Market Outlook:

- Overall transpacific volumes projected at a 3% growth

Revenue Assumptions:

- Seattle volume forecast is for 1.8m TEUs

Major Work:

- Targeted customer calls
- Collaboration to sell our gateway (Terminals/Carriers/Railroads)
- Strong multi-media program

Major Work

- Commercial strategy development/Green Gateway Market
- Asset Assessments
- Monitor performance of Clean Truck Plan
- Implement Radio Frequency Identification Detection (RFID) system to support Clean Truck Program
- Lease T106
- Completion of planned projects
- Facilitate establishing s chassis program
- Work with stakeholders to minimize construction/congestion issues

Financial Overview

Containers & Support Props	2008	2009	2010
\$'s in 000's	Actual	Actual	Budget
Revenue	56,428	59,655	59,651
Direct Expenses	<u>8,361</u>	<u>10,573</u>	<u>6,877</u>
Income from Operations	48,067	49,082	52,774
Divisional Allocations	6,096	5,426	6,254
Corp Allocations	<u>7,314</u>	<u>7,300</u>	<u>7,852</u>
Net Operating Income	34,658	36,356	38,668
Depreciation	<u>17,254</u>	<u>18,634</u>	<u>19,374</u>
Net Income	17,404	17,721	19,294

Capital Projects

Capital Project - \$'s in 000's	2011	2012-2015
Street Vacation Related Projects*	3,520	6,300
T18 S. End Fendering*	2,362	0
T10 Interim Development*	5,178	0
T108 Paving & Stormwater Upgrade	750	7,250
T18 Fender Damage Replacement	2,450	2,966
Container Support Yard-3.5M T#1	0	30,000
RFID Readers - Clean Truck Program	600	400
T108 Leased Area Paving	250	2,750
T18 Pile Cap Improvements	1,700	6,800
Future Projects	0	88,500
Total	16,810	144,966

Note *: Authorized or partially authorized

- **Market Outlook:**

- Global Market Projection is growth of 12%
- While Alaska Cruising remains a desirable product, global vessel deployment decisions will reduce 2011 vessel calls

- **Revenue Assumptions:**

- Cruise business to Alaska projected at a 7% reduction in passengers

- **Major Work:**

- Market mid-week vessel slots
- Seek multi-year agreements for P66 customers
- Determine direction for future cruise terminal ops.
- Asset assessments
- Complete approved capital projects
- Evaluate feasibility of Shore Power at P-66

Financial Overview

Cruise \$'s in 000's	2008 Actual	2009 Actual	2010 Budget
Revenue	9,375	10,744	10,503
Direct Expenses	<u>2,133</u>	<u>2,827</u>	<u>1,817</u>
Income from Operations	7,243	7,917	8,686
Divisional Allocations	976	972	1,326
Corp Allocations	<u>1,558</u>	<u>1,605</u>	<u>2,269</u>
Net Operating Income	4,709	5,340	5,091
Depreciation	<u>3,749</u>	<u>4,199</u>	<u>5,144</u>
Net Income	959	1,141	(53)

Capital Projects

Capital Project - \$'s in 000's	2011	2012-2015
P66 Bag Corridor & Passenger Screening*	20	0
T91 Mobile Gangways*	38	0
T30/91 Projects-Cruise Improvements*	635	254
Cruise Capital Allow-CTA Lease*	475	206
Cruise TI Allowance-CTA Lease*	200	90
P91 Fender System Upgrade*	1,815	2,990
T91 Second Gangways Per Berth	1,000	3,500
P91 Slope Stabilization	3,000	3,300
P66 Shore Power	7,000	7,700
Widen T91 West Cruise Vessel Berth	200	2,100
Total	14,383	20,140

Note *: Authorized or partially authorized

Market Outlook:

Projection for 2011 is another strong year for exports volumes through Seattle (Corn/Soybeans X Midwest)

Revenue Assumptions:

Projecting increase of 10% in 2011 volume vs 2010 budget

Major work:

- Tower strengthening & spout replacement
- Negotiations for new Long Term Lease

Financial Overview

Grain	2008	2009	2010
\$'s in 000's	Actual	Actual	Budget
Revenue	7,053	6,049	5,533
Direct Expenses	<u>702</u>	<u>322</u>	<u>214</u>
Income from Operations	6,351	5,727	5,319
Divisional Allocations	307	234	216
Corp Allocations	<u>986</u>	<u>744</u>	<u>707</u>
Net Operating Income	5,058	4,748	4,396
Depreciation	<u>508</u>	<u>531</u>	<u>541</u>
Net Income	4,550	4,217	3,855

Capital Projects

Capital Project - \$'s in 000's	2011	2012-2015
T86 Grain Facility Modernization*	2,000	7,100
Total	2,000	7,100

Note *: Authorized or partially authorized

Market Outlook:

Long term leases in place maintaining full occupancy of facilities. Historical demand for commercial vessels should continue.

Revenue Assumptions:

- Increase dockage by 10-15 percent
- Vessel calls planned to remain flat

Major Work:

- Seek new/additional commercial moorage business
- Complete scheduled Capital Projects
- Develop re-cycling program/facilities for T-91

Financial Overview

Docks & Industrial Properties	2008	2009	2010
\$'s in 000's	Actual	Actual	Budget
Revenue	12,519	13,349	12,848
Direct Expenses	<u>4,045</u>	<u>4,537</u>	<u>5,523</u>
Income from Operations	8,474	8,812	7,325
Divisional Allocations	1,925	1,513	1,980
Corp Allocations	<u>2,534</u>	<u>2,266</u>	<u>2,638</u>
Net Operating Income	4,016	5,033	2,708
Depreciation	<u>5,081</u>	<u>5,692</u>	<u>6,043</u>
Net Income	(1,065)	(659)	(3,335)

Capital Projects

Capital Project - \$'s in 000's	2011	2012-2015
T91 Water Main Repl N of Bridge*	3,800	0
T91 Pave Entry Intersection*	300	0
Pier 90 C175 Roof Replacement	100	1,100
N Harbor Island Mooring Dolphins*	1,525	0
T91 Berth 6&8 Redev-Phse 1	1,000	33,115
T46 N Slip Replace Sprinkler Syst	1,000	0
Pier 90 Additional Bollards (11)	814	0
Dredge Pier 90 East Berths	400	5,600
Future Projects	0	1,000
Total	8,939	40,815

Note *: Authorized or partially authorized

Capital Projects

Capital Project - \$'s in 000's	2011	2012-2015
Seaport Security Grant Rnd 7*	198	0
Seaport Security 2009 ARRA*	479	0
Seaport Security Grant Rnd 8	880	0
Seaport Security Grant Rnd 9	875	0
Seaport Security Grant Rnd 10	100	800
Total	2,532	800

Note *: Authorized or partially authorized

Capital Projects

Capital Project - \$'s in 000's	2011	2012-2015
Seaport Green Port Initiative	580	3,800
Seaport Small Projects*	1,365	2,600
Other	545	2,194
Future Projects	0	53,600
Total	2,490	62,194


Note *: Authorized or partially authorized

Asset Categories:

1. Docks
2. Utilities (i.e. water, sewer, electrical)
3. Cranes
4. Buildings
5. Pavement
6. Dredging
7. Other

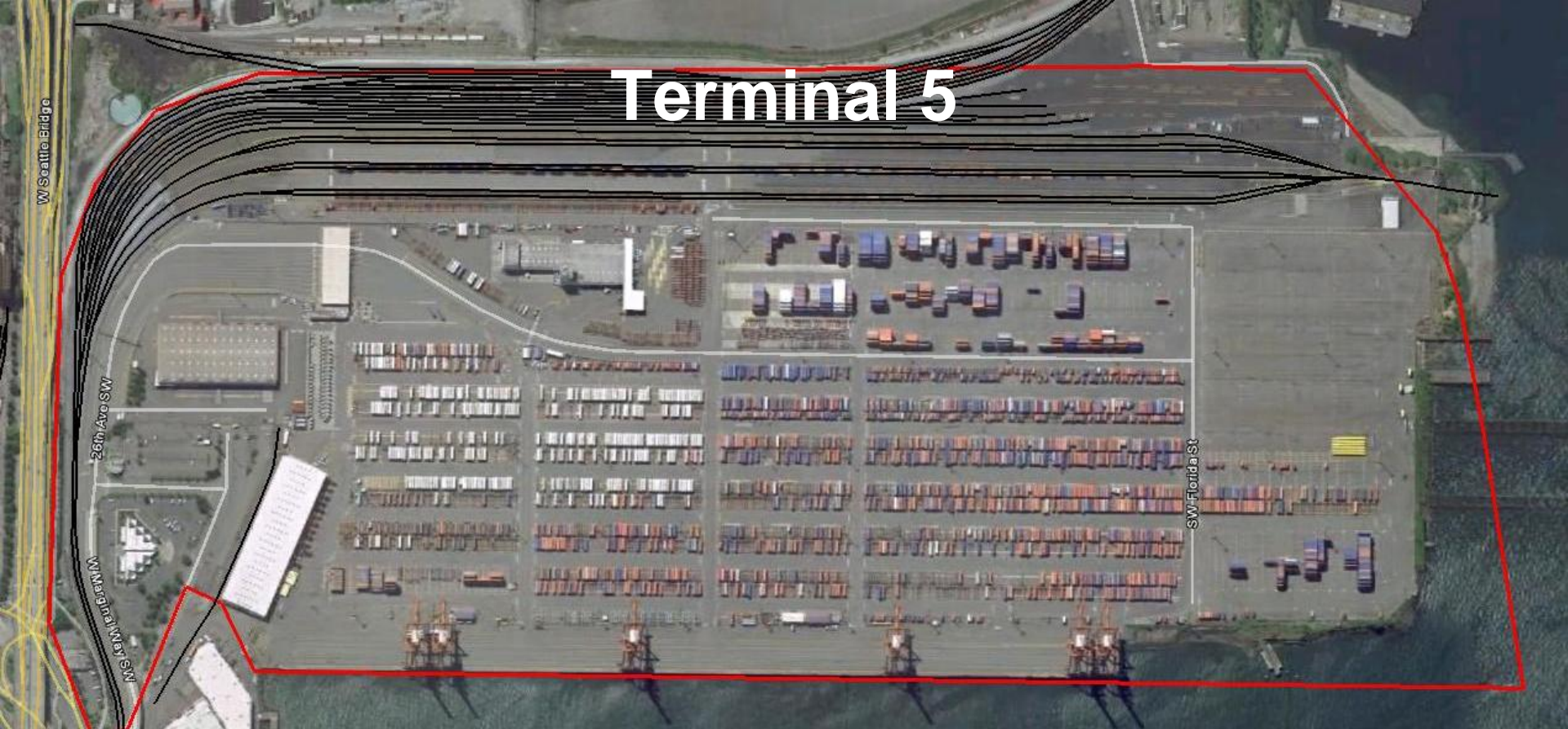
Major Work 2011:

- Dredge T-5
- Condition assessments
 - Inspect underdocks
 - Inventory of utilities
- Develop asset inventory system
- Continue inspections
 - Cranes
 - Buildings
- Identify stormwater system requirements



Projects
&
Capital Budget

Terminal 5

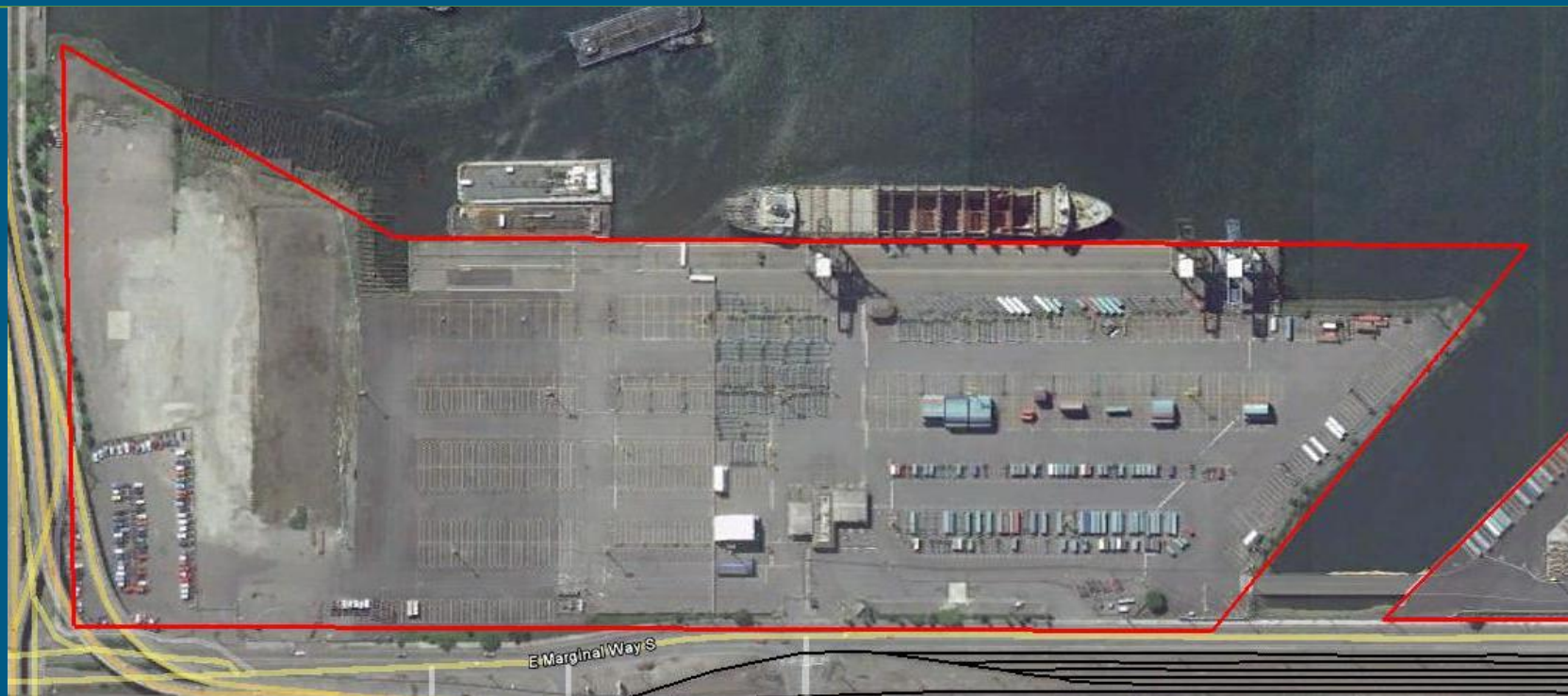


Project	Key Goal	2011	2012-15	2016-20	Total
New Cranes (4)	Comm Strat	\$0	\$25,000	\$25,000	\$50,000
Total		\$0	\$25,000	\$25,000	\$50,000

Terminal 18

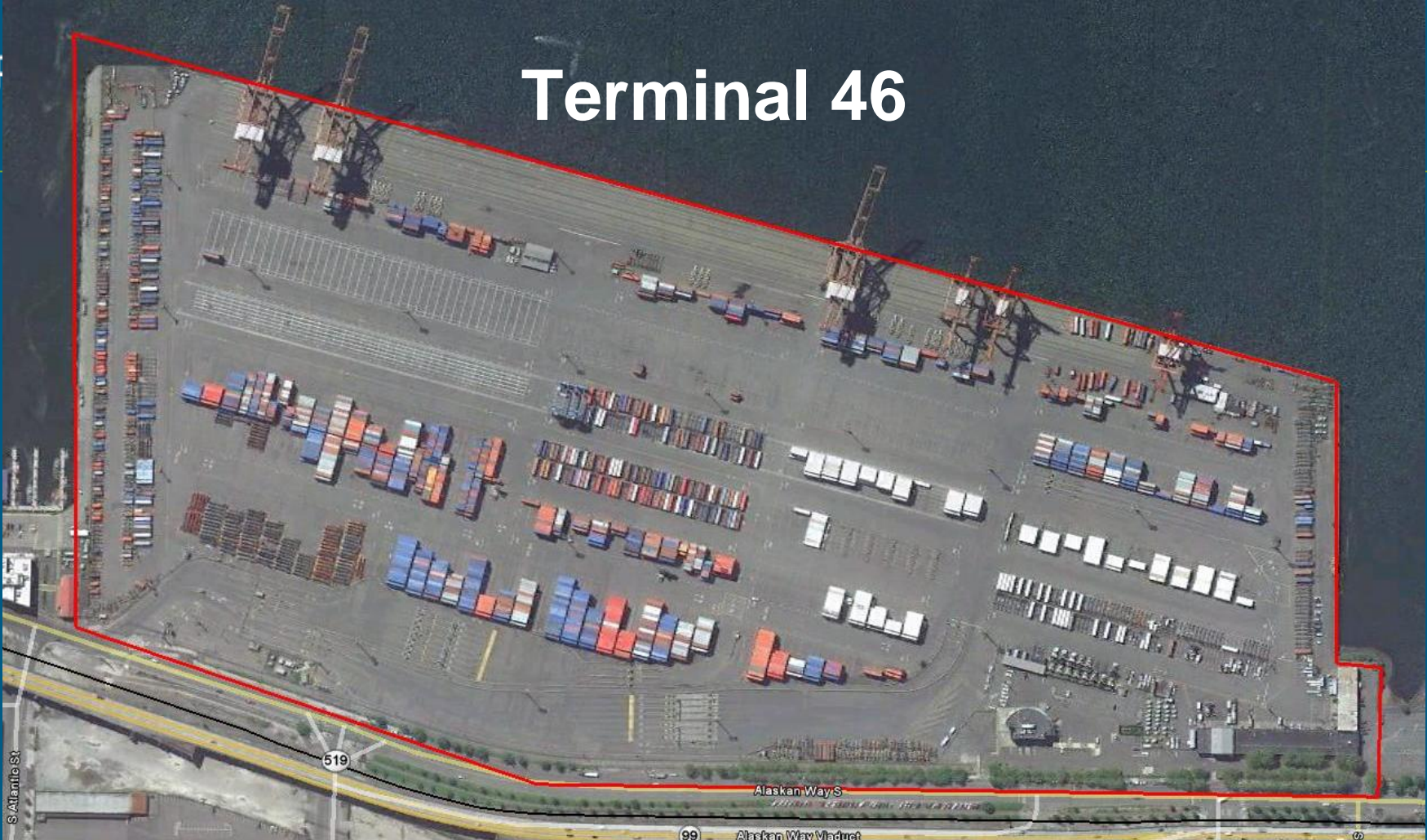


Project	Key Goal	2011	2012-15	2016-20	Total
Fender Damage Replacement	Asset Stew	\$2,450	\$2,966	\$0	\$5,416
Pile Cap Improvements	Asset Stew	1,700	6,800	0	8,500
Crane Drive Upgrades	Asset Stew	0	3,000	0	3,000
Rail Crossings	Asset Stew	0	1,000	0	1,000
S. End Fendering	Comm Strat	2,362	0	0	2,362
Total		\$6,512	\$13,766	\$0	\$20,278



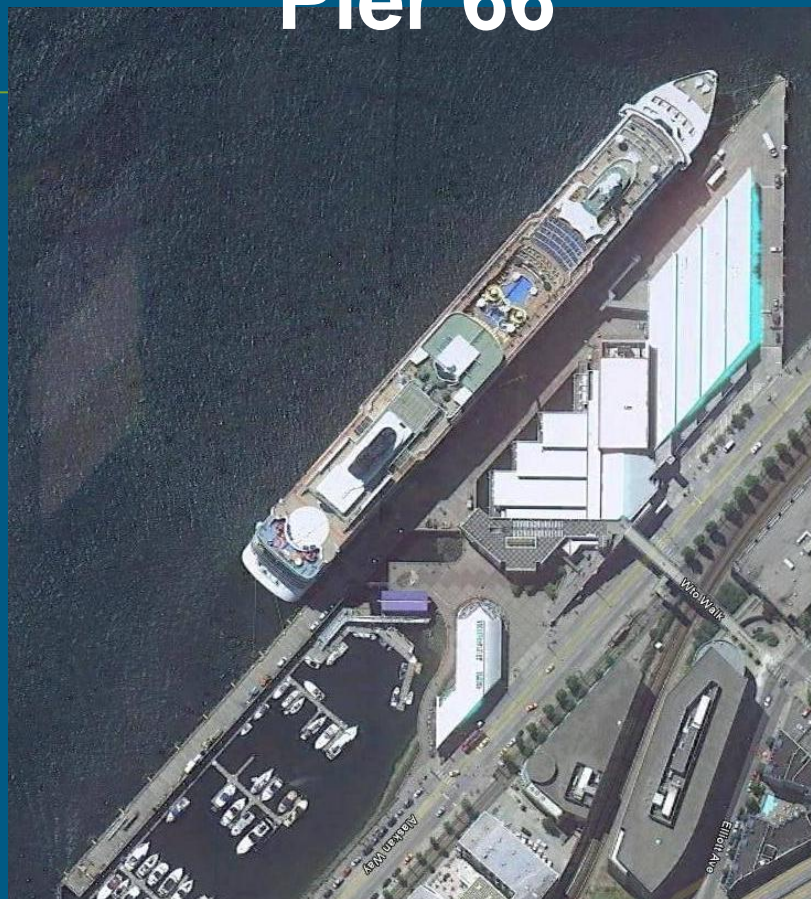
Project	Key Goal	2011	2012-15	2016-20	Total
Container Yard Phase 2	Comm Strat	\$0	\$14,500	\$0	\$14,500
Total		\$0	\$14,500	\$0	\$14,500

Terminal 46



Project	Key Goal	2011	2012-15	2016-20	Total
T-46 Development	Comm Strat	\$0	\$25,000	\$12,500	\$37,500
North Slip Sprinkler Replacement	Asset Stew	1,000	0	0	1,000
Total		\$1,000	\$25,000	\$12,500	\$38,500

Pier 66



Project	Key Goal	2011	2012-15	2016-20	Total
Bag Corridor and Passenger Screening	Comm Strat	\$20	\$0	\$0	\$20
Shore Power	Green Port	7,000	7,700	0	14,700
Total		\$7,020	\$7,700	\$0	\$14,720

Terminal 86



Project	Key Goal	2011	2012-15	2016-20	Total
Grain Facility Modernization	Comm Strat	\$2,000	\$7,100	\$0	\$9,100
Total		\$2,000	\$7,100	\$0	\$19,100

Terminal 10



Project	Key Goal	2011	2012-15	2016-20	Total
Interim Development	Comm Strat	\$5,178	\$0	\$0	\$5,178
Total		\$5,178	\$0	\$0	\$5,178



Project	Key Goal	2011	2012-15	2016-20	Total
Paving and Stormwater Upgrade	Asset Stew	\$750	\$7,250	\$0	\$8,000
Leased Area Paving	Asset Stew	250	2,750	0	3,000
Total		\$1,000	\$10,000	\$0	\$11,000



Project	Key Goal	2011	2012-15	2016-20	Total
Mobile Gangways	Comm Strat	\$38	\$0	\$0	\$38
T-30/91 Projects	Comm Strat	635	254	0	889
P91 Fender System Upgrade	Asset Stew	1,815	2,990	0	4,805
T-91 2 nd Gangways per Berth	Comm Strat	1,000	3,500	5,000	9,500
P91 Slope Stabilization	Asset Stew	3,000	3,300	0	6,300
T-91 West Vessel Berth Widening	Comm Strat	200	2,100	0	2,300
T-91 Water Main Replacement	Asset Stew	3,800	0	0	3,800
T-91 Pave Entry Intersection	Asset Stew	300	0	0	300
P90 C175 Roof Replacement	Asset Stew	100	1,100	0	1,200
T-91 Berth Redevelopment	Asset Stew	1,000	34,115	18,830	53,945
Pier 90 Bollards	Comm Strat	814	0	0	814
Pier 90 East Berth Dredging	Asset Stew	400	5,600	0	6,000
Total		\$13,102	\$52,959	\$23,830	\$89,891



Project	Key Goal	2011	2012-15	2016-20	Total
N Harbor Island Dolphins	Comm Strat	\$1,525	0	0	1,525
Street Vacations	Comm Strat	3,520	6,300	0	9,820
Container Dock Life Extension	Asset Stew	0	20,000	25,000	45,000
RFID Readers	Green Gate	600	400	0	1,000
Container Support Yard	Comm Strat	0	30,000	35,000	65,000
CTA Leases	Comm Strat	675	296	0	971
Total		\$6,320	\$56,996	\$60,000	\$123,316

\$'s in 000's

	2011	2011-2015	2016-2020	Total
Committed	28,235	93,985	17,797	111,782
Bus Plan Prospective	18,919	229,184	254,130	483,314
	47,154	323,169	271,927	595,096
Other Prospective	0	198,576	329,950	528,526
Total	47,154	521,745	601,877	1,123,622

- Operating Revenue (excluding grants and reimbursements) is projected to increase by 5% compared to 2010 Budget
- Primary components of revenue:
 - In place leases
 - Volume: Cruise, Grain, Crane Rent
 - Grants/Reimbursements

Expense Trends and Risks

- Comprehensive Asset Condition Assessments
- Maintenance Dredging
- Repair Costs/Crane Removal
- Stormwater
- NW Clean Air Strategy
- Environmental Reserves
- Tribal Fishing coordination

<i>In \$Thousands</i>	2008	2009	2010	2010	2010 Bud Var	
	Actual	Actual	Forecast	Budget	\$	%
Operating Revenue	85,404	89,844	91,151	90,134	1,017	1%
<u>Security Grants</u>	<u>850</u>	<u>847</u>	<u>2,535</u>	<u>2,535</u>	<u>0</u>	0%
Total Revenue	86,254	90,691	93,686	92,669	1,017	1%
Direct Expenses	22,237	24,329	22,260	21,631	(629)	-3%
Security Expense	1,715	1,640	3,756	3,756	0	0%
Environmental Reserve	866	24	1,500	1,500	0	0%
Divisional Allocations	2,335	2,123	2,575	2,575	0	0%
<u>Corporate Allocations</u>	<u>12,734</u>	<u>12,430</u>	<u>13,862</u>	<u>13,862</u>	<u>0</u>	0%
Total Expense	39,887	40,545	43,953	43,324	(629)	-1%
Net Operating Income (NOI)	46,367	50,145	49,733	49,345	388	1%

RISKS

1. Competitive threats (see slide 6)
2. Economic recovery stalls or contracts
3. Traffic congestion due to construction
4. Increased taxes/fees due to State budgetary pressures
5. Legislation or regulation that impacts port competitiveness

RECAP/KEY MESSAGES:

1. Overall business outlook is positive but U.S. economy and global outlook uncertain
2. Revenue streams remain solid and looking for new opportunities
3. Seaport will build upon “Green Initiatives” successes and “Green Gateway” marketing
4. Capital Projects closely tied to Business Plans
5. Asset Stewardship is a critical area of work
6. Develop/further Northern Green Transportation Corridor
7. Continue “Fee Free”, Business Friendly and Collaborative approach and marketing messages