

Aviation Division 2012-16 Business Plan

August 16, 2011

Outline

- State of Economy and Aviation Industry
- State of Seattle Market and Sea-Tac Airport
- Environmental Scan
- Strategic Goals
- Objectives for 2012-2016, Key Initiatives
- Capital Program Overview
- Summary of 2012 Budget Implications

Airline Industry

- Industry was profitable in 2010
- Heading towards profitable year in 2011:
 - High load factors; ancillary fee structure
- Recent global economic worries, European debt crisis, and slow down in U.S. economy cast doubt on strength of recovery
 - Increased chance of double dip recession
- Airlines focused on “smart” growth
 - Focus on high yield routes
 - Cuts in many small markets
- Locally, Alaska Air Group reported record second quarter earnings

2011 Airline Activity at Sea-Tac

- 2011 Enplanements:

	<u>Domestic</u>	<u>Int'l</u>	<u>Total</u>
June	3.6%	4.7%	3.7%
June YTD	4.7%	6.3%	4.9%

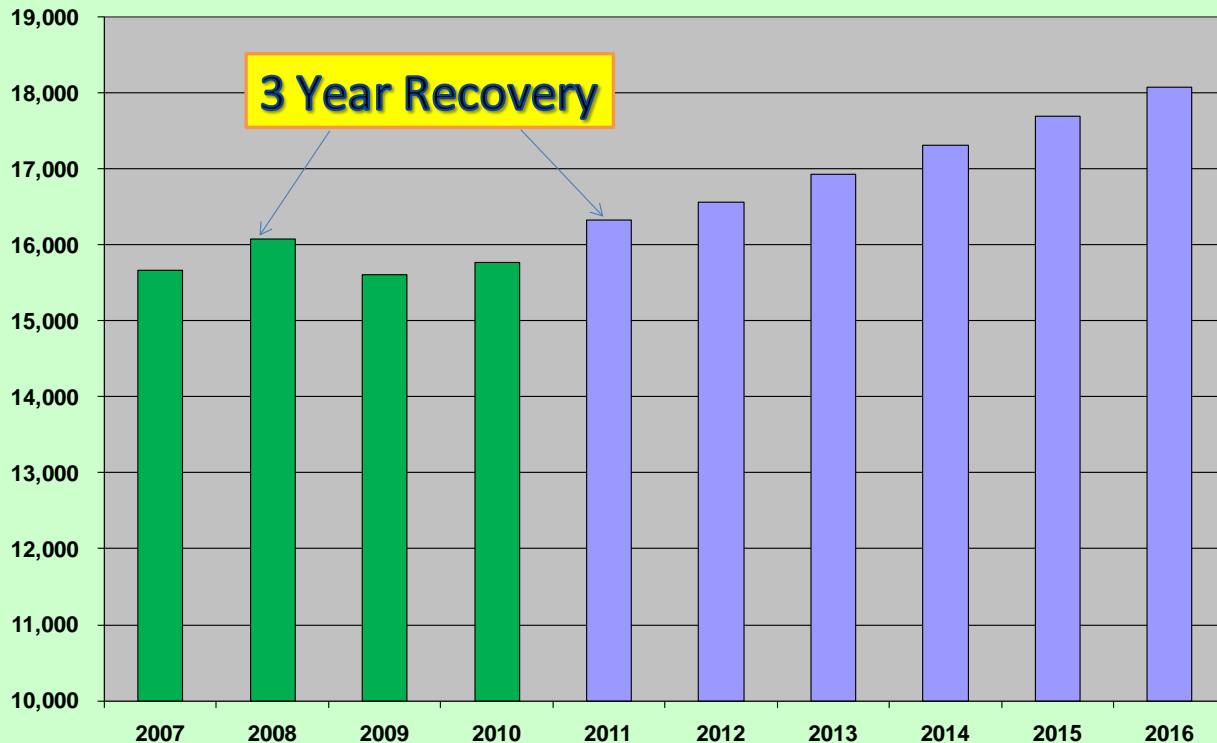
- Growth fueled by increased capacity & high load factors

	<u>Available</u>	<u>Load Factor</u>	
	<u>Seats</u>	<u>2011</u>	<u>2010</u>
Q1	3.5%	79.4%	78.5%
Q2	2.8%	83.8%	81.9%
June	1.8%	86.6%	84.7%

- Alaska Air Group:
 - Enplanements YTD: +5.8%
 - Market Share YTD: 50.8%

State of Sea-Tac Airport

- Strong growth in enplanements first half of 2011, but likely will decline in 3rd and 4th quarters
 - Forecasting 2011 growth of 3.5%
- Seeing “bounce back” a year earlier than forecasted last year (1% in 2011, 3% in 2012)
- Seeing solid growth in non-airline revenues, but parking and rental car revenues lower than budgeted
- Recent global economic worries, and slow down in U.S. economy cast doubt on strength of recovery
- Enplanement growth of 1.5% forecasted for 2012

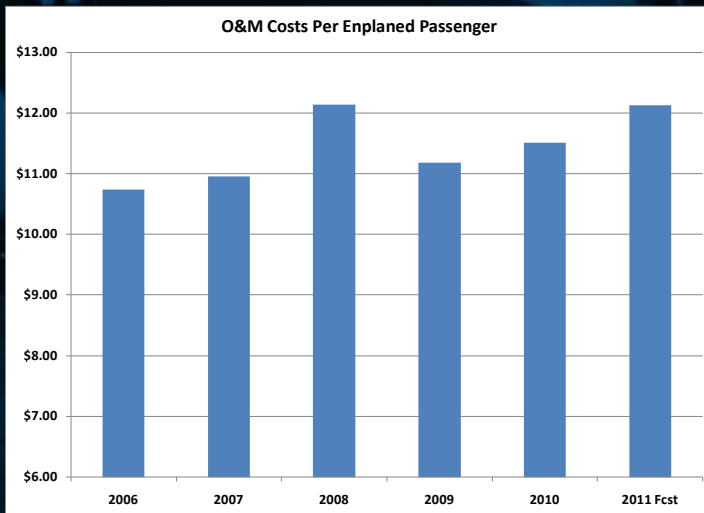
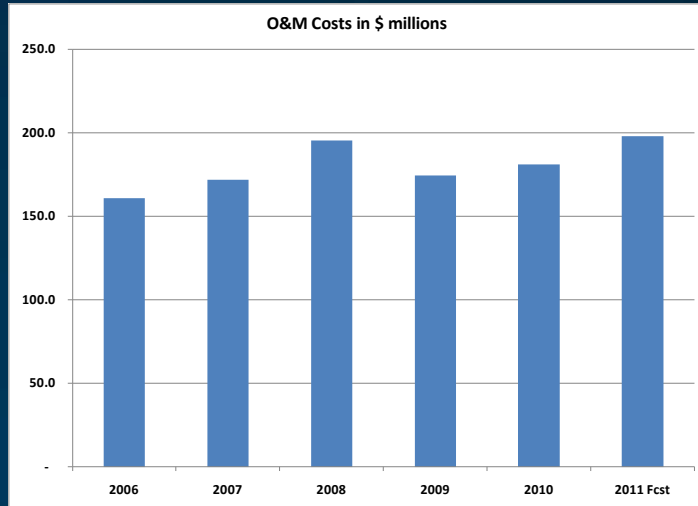


- Traffic dropped 3% in recent recession, pointing out resiliency of market demand
- Faster recovery than after 2001
- Assumptions:
 - 2011: 3.5%
 - 2012: 1.5%
 - 2013: 2.2%
 - 2014+: 2.2%

Financial Trends at Sea-Tac

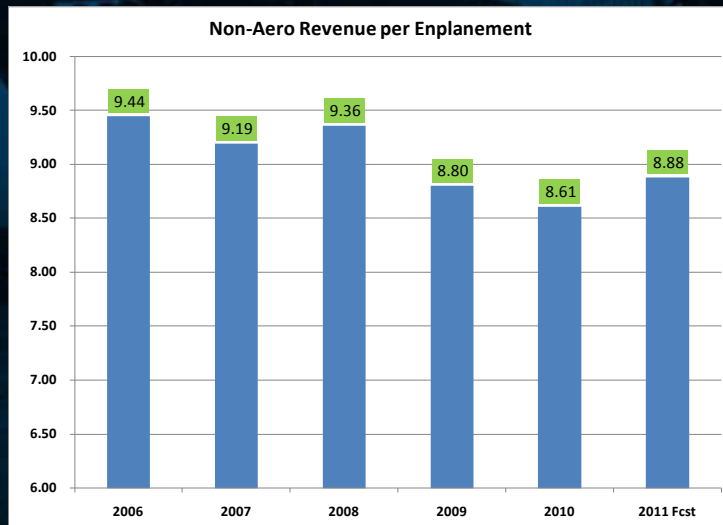
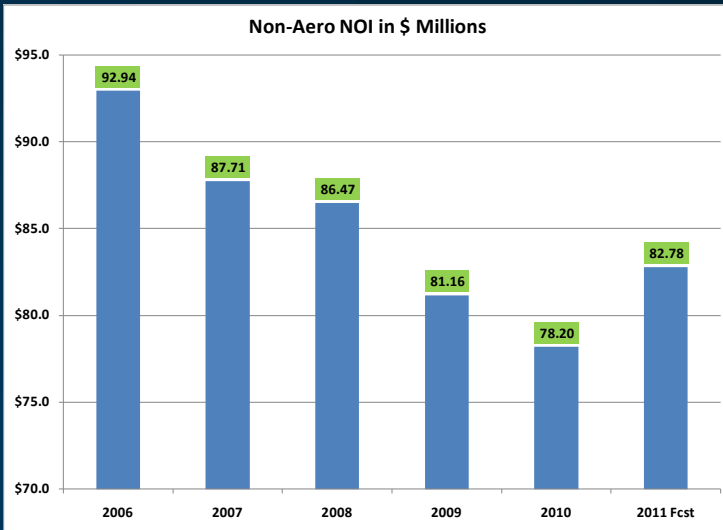
- Following slides show Sea-Tac's performance since 2006 for key performance measures
- Overall, Sea-Tac has fared well in a deep recession, reflecting the resiliency of the demand for air service in this market, and the ability of the Port to manage through challenging economic circumstances

Operating Costs



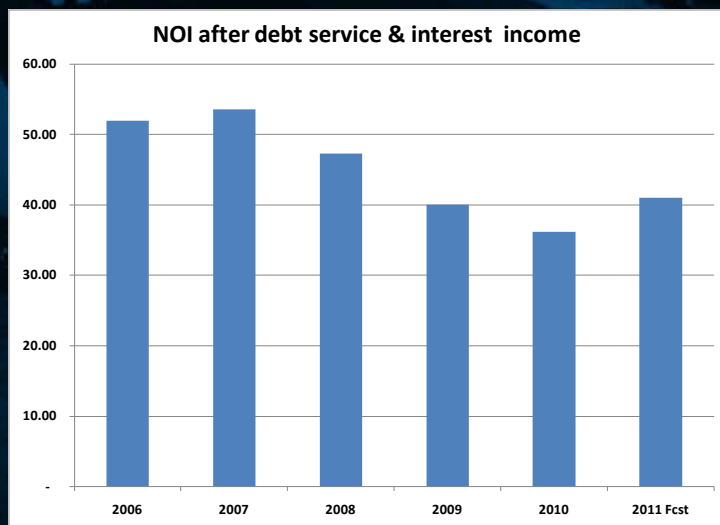
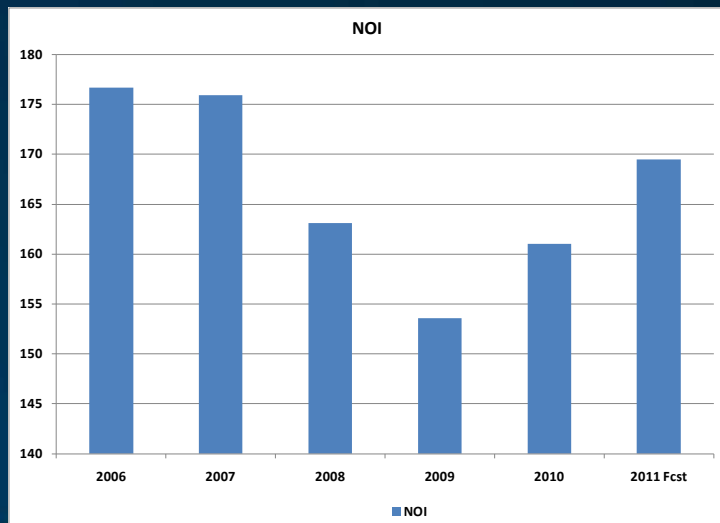
- Significant budget cuts in 2009 & 2010:
 - Furloughs
 - For 2010 budget, eliminated over 10% of FTEs from 2009 level
- For 2011:
 - Restored some unsustainable cuts
 - Full year of back-up power costs
 - Terminal realignment costs
 - Initial expense items relating to rental car facility and busing operations

Non-Aero NOI



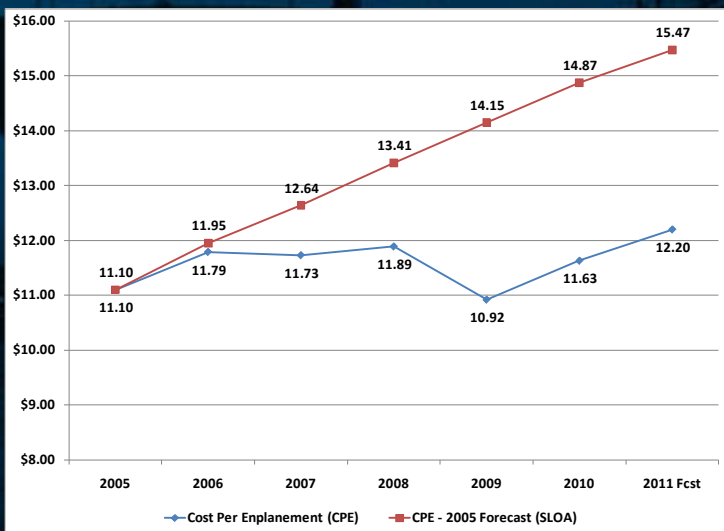
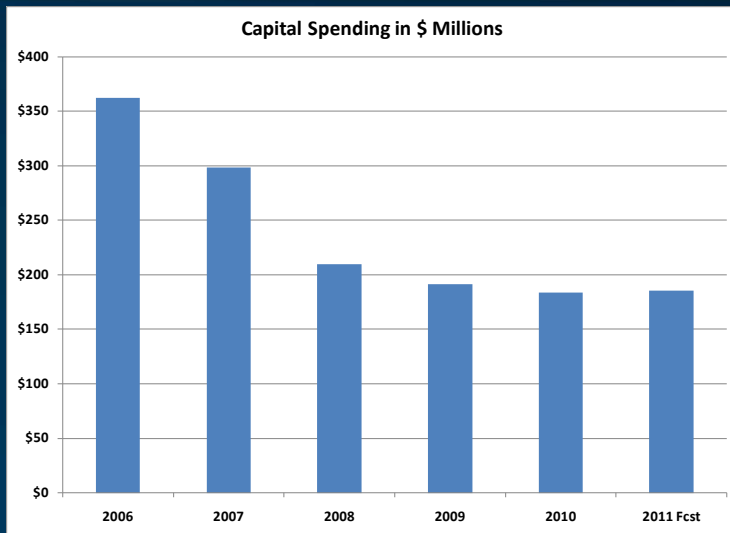
- Recovery of revenues and NOI is evident in 2011
- Economic downturn and increased competition from off-airport lots had large impact on public parking
- Rental car transactions are growing, but pricing is down, hurting Port's concession revenues
- Concessions has remained stable and is now growing

Net Operating Income



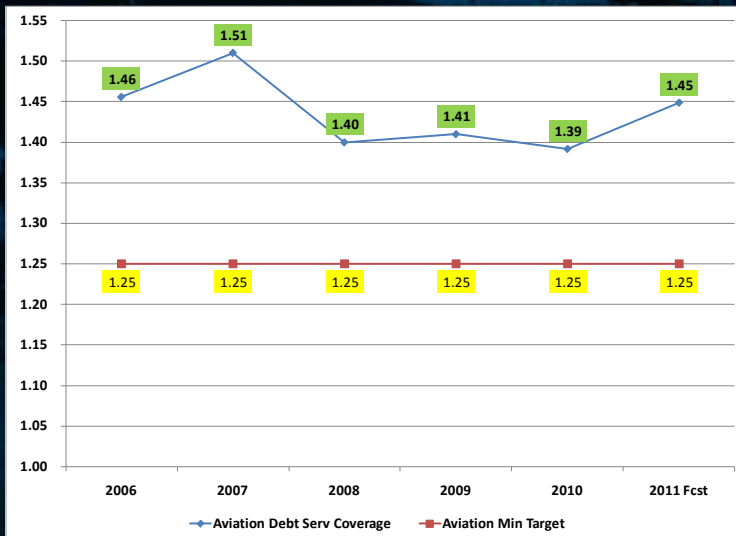
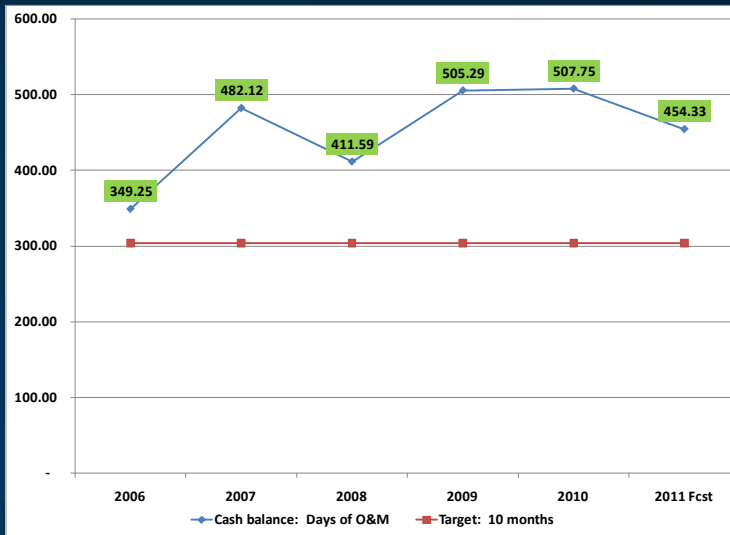
- NOI is traditional measure
 - Good indicator of cash flow, but aeronautical cost-recovery business model can make NOI misleading
 - Increased debt service generates higher NOI
 - Debt service savings produces lower NOI
- NOI after debt service and interest income is better indicator of net cash flow available to invest
- Both indicators pointing up in 2011

Airline Costs - CPE



- Capital spending is major driver of CPE
- Use of PFCs to offset revenue bond debt service mitigated rise in CPE
- Red line shows CPE forecast in 2005 when airline agreement (SLOA) was signed
- CPE has been lower than 2005 forecast in every year

Cash, Debt Service Coverage



- Port policies and management decisions allowed STIA to contribute to Port's strong credit standing.
- Unrestricted cash has been managed to exceed target of 10 months of O&M costs each year.
- In spite of deep recession, STIA has maintained debt service coverage well above 1.25x target.

Environment: Key Considerations

- Strong finances: O&D airport; cash flow/reserves; low competition; airline agreement
- Anticipate continued growth in international travel, especially Asia
- Cargo growth an opportunity
- Economic uncertainty: slow recovery, or double dip recessions, or?
- Non-aeronautical NOI increasing, needed for future investments
- Major capital requirements: vertical circulation, terminal reallocation, FIS upgrade/replacement
- Long-term throughput/efficiency/cost effectiveness of terminal investments
- Technology utilization deployments
- Long-term planning issues: airport capacity, drives capacity, hotel, south access, cargo development, off airport property development
- Threats to Port control relating to business strategy and investments

- Built around Aviation's seven strategic goals
 - Enduring, long-term
- For each goal, five-year objectives
 - Measurable
 - Incorporates Century Agenda objectives
- For each objective, multiple initiatives
 - Capital projects
 - Programs, action plans

Strategic Goals

1. Operate a world-class international airport by:
 - Ensuring safe and secure operations
 - Meeting needs of our tenants, passengers and the region's economy
 - Managing our assets to minimize the long-term total cost of ownership
2. Become one of the top ten customer service airports in the world by 2015 (measured by the ACI ASQ index)
3. Lead the airport industry in environmental innovation and minimize the airport's environmental impacts
4. Reduce airline costs (CPE) as far as possible without compromising operational and capital needs

Strategic Goals

5. Maximize non-aeronautical net operating income (NOI) consistent with current contracts, appropriate use of airport properties and market demand
6. Continually invest in a culture of employee development, organizational improvement, and business agility
7. Develop valued community partnerships based on mutual understanding and socially responsible practices

5 Year Objectives & Key Initiatives

1. a) World class international airport - safe and secure operations:
 - Comply with emerging FAA safety management system requirements by 2014
 - Additional staff, data systems, training
 - Reduce runway incursions by 30% by 2015
 - Foreign object debris radar: \$3.5 million new CIP
 - Increase airfield's runway availability during snow event from 33% to 55% by 2013
 - Capital equipment costs totaling \$8.4 million

5 Year Objectives & Key Initiatives

1. b) World class international airport - Capacity

- Complete terminal realignment by 2014
 - \$23+ million in expense costs through 2014, \$8.2 million in 2012
 - Capital projects totaling \$ 33 million
- Meet all critical path milestones through 2016 to achieve 2020 capacity:
 - Initiate Master Plan in 2012 (expense)
 - Terminal wide copper/fiber/wifi - \$3 million
 - Renovate NSAT and Concourse C - \$10 million +
 - Modify Checkpoints 2-5 - \$15 million
 - Mid-term FIS improvements by 2013 - \$32 million
 - Aircraft Remain Overnight (RON) parking by 2014 - \$44 million
 - Rebuild runway 16C in 2016 - \$90 million
 - Garage retrofit floors 1 & 2 in 2013 - \$7.6 million
 - Long-term FIS solution ~ 2013 - 2017
 - NSAT Expansion - 2017+

1. b. World Class international airport – Capacity (cont.)

- Increase total air cargo to 340,000 metric tons and international cargo to 127,000 metric tons by 2016
 - Cargo VI enhancements by 2013 - \$5.5 million
 - Cargo II expansion of ready yard by 2013 - \$1.5 million
 - Cargo II hardstand expansion by 2014 - \$13.3 million
 - Cargo III infrastructure for expanded Federal Express warehouse by 2014 – budget TBD
- Develop 3 new international routes by 2016. Develop additional service in 2 existing markets by 2016.
 - Joint marketing funds in accordance with incentive policy

1. c. World Class international airport – asset management

- Develop asset management system by 2016
 - Annual cost for asset inspections
- 80% of maintenance work is proactively planned
- Develop system reliability metrics for baggage systems, STS and elevators & escalators by 2013

2. Customer Service

- Complete comprehensive signage upgrade by 2014
 - New \$ 5 million capital project
- Complete elevator & escalator refurbishments by 2014
 - \$55 million escalator project ongoing
 - \$30 million in new elevator renovation projects

2. Customer Service

- Increase self-service passenger check-in and bag-drop to industry leading level by 2015
 - Ten new CUSS units in zone 1 ticketing in 2012 – existing CIP, \$550K
 - Common use self-bag-drop - \$1M new CIP
- Implement integrated cruise service to passengers by 2015
 - Pre-paid bag transfer from aircraft to ship by 2013 - \$300K expense
- Fully implement TSA automated wait time and communications systems in 2012
- Create single wheelchair service system in 2012
- Complete deployment of electric appliance charging system at gates by 2013
 - New CIP - \$3.0 million
- Identify needed restroom upgrades in 2012 – future CIP \$ TBD

3. Environmental Innovation

- Reduce airport owned and controlled greenhouse gas emissions by 15% below 2005 levels by
 - PC Air project - \$43.5 million
 - EGSE project - \$50 million
- Meet all future electricity load growth through conservation measures and renewable energy
 - [initiatives listed under Reduce Airline Costs]
- Increase solid waste recycling rate to 50% by 2014
 - Expand recycling into garage in 2012- \$150K
 - Expand recycling into underserved areas of terminal in 2012 - \$400K
- Reduce potable water consumption rate 5% below 2008 level by 2015
 - Evaluate feasibility of rainwater recapture in the garage in 2012 - \$30K

4. Reduce airline costs

- Maintain CPE under \$14.00 through 2016
 - 2011 business plan forecast for 2016 = \$15.12
 - Next airline agreement preserves Port's ability to generate and retain NOI to use towards Port's strategic goals
 - Use PFCs to pay debt service as much as possible
 - Evaluate General Aviation expansion – revenue offsets airfield costs
- By 2016, achieve \$1 million in savings from Continuous Process Improvements
 - FTE and consultant engaged in 2011
- Meet all future electricity load growth through conservation measures and renewable energy
 - Develop utilities management, tracking and reporting system
- Evaluate security exit technology in 2012
 - Existing CIP for \$1.0 million, future CIPs? or TSA funding?

5. Maximize Non-Aero NOI

- Concessions: grow sales per enplanement by 3-5% CAGR through 2016
 - Major concessions program transition and leasing
 - Commence work with leasing consultant in 2012 - \$500K
 - Initiate terminal space and infrastructure improvements
 - Complete freight elevator replacement - \$6.6 million
 - New unit direct leasing and small business concessions opportunities
 - Marketing innovations to increase sales
- Parking: grow revenues by 5% CAGR through 2016
 - Implement Park Smart programs in 2012, \$165K expense
 - Marketing and branding ; parking reservations system in 2012
 - Valet parking in 2013
- Significant Threat: Off-airport parking additions

5. Maximize Non-Aero NOI

- Real Estate: Grow annual revenues by \$1.3 million by 2016
 - Des Moines Creek Business Park – prepare and submit entitlement applications - \$300K expense + \$700K existing CIP
 - Cargo logistics support:
 - Northeast Redevelopment Area – infrastructure projects - \$1.3 million new CIP
 - L-Shape property – prepare property for development in 2012 - \$800K new CIP
- Grow other non-aeronautical revenues of \$1.2 million by 2016
 - Relocate and expand shared lounge on SSAT
 - Introduce loyalty program for parking and concessions in 2012

6. Employee development, organizational improvement, and business agility
- Increase internal candidate promotion rate (TBD)
 - 2012 internal internship program – Aviation division
 - 2013 internal internship program – Port-wide
 - Reduce average hire time (TBD) for Aviation division positions
 - Address all FEMA exercise improvements by 2014
 - Training
 - Standardized radio and notification systems
 - Emergency power at all facilities – develop recommendation

7. Community Partnerships

- Implement Commission and FAA approved FAR Part 150 recommendations by 2016
 - Install new remote noise monitors
 - Possible new ground run-up enclosure – potential new CIP \$8 – 40 million
 - Other new programs?
- Through 2016, Port, local cities and/or businesses will be successful in implementing solutions to land development and other issues
- Achieve 2012 small business goal of 10% for goods and services
- Expand limited-English outreach program

Capital Program Overview

Figures in \$ millions	2011	2012	2013	2014	2015	2016	Total
Committed Projects:							
Authorized	184	259	116	40	4	10	613
Other Projects	1	11	5	-	-	-	17
Subtotal	185	270	121	40	4	10	630
Bus. Plan Prospective:							
Specific projects	7	109	64	34	7	93	314
Allowance CIPs	3	33	67	66	79	160	408
Subtotal	10	142	131	100	86	253	722
Total	195	412	252	140	90	263	1,352

- Authorized does not mean entire project budget has been authorized
- Table shows CIP before 2012 budget decisions
- CPE impact of “Allowance” CIPs built into forecast, indicates available budget for new projects

Future Capital Investments

- Significant likely investments are not included in 2012 – 2016 capital plan:
- Landside
 - South access
 - Terminal drives
- Non-aeronautical
 - Land development infrastructure – invest to support cargo, generate future revenues
 - Hotel infrastructure
- Aeronautical
 - Long-term solution to FIS capacity needs
 - North Satellite expansion
- Environmental initiatives?

Financial Forecast Summary

	2011	2012	2013	2014	2015	2016
Non-Airline Revenues	144,904	149,285	156,390	163,009	170,512	180,134
NOI	169,523	170,409	192,487	209,169	220,443	230,083
Debt Service Coverage	1.45	1.35	1.31	1.31	1.35	1.35
CPE	12.20	12.88	13.69	14.33	14.58	14.86
Enplanement Growth	3.5%	1.5%	2.2%	2.2%	2.2%	2.2%

- Preliminary forecast, does not reflect 2012 budget decisions
- Stated objective of keeping CPE below \$14.00 through 2016 will be challenging

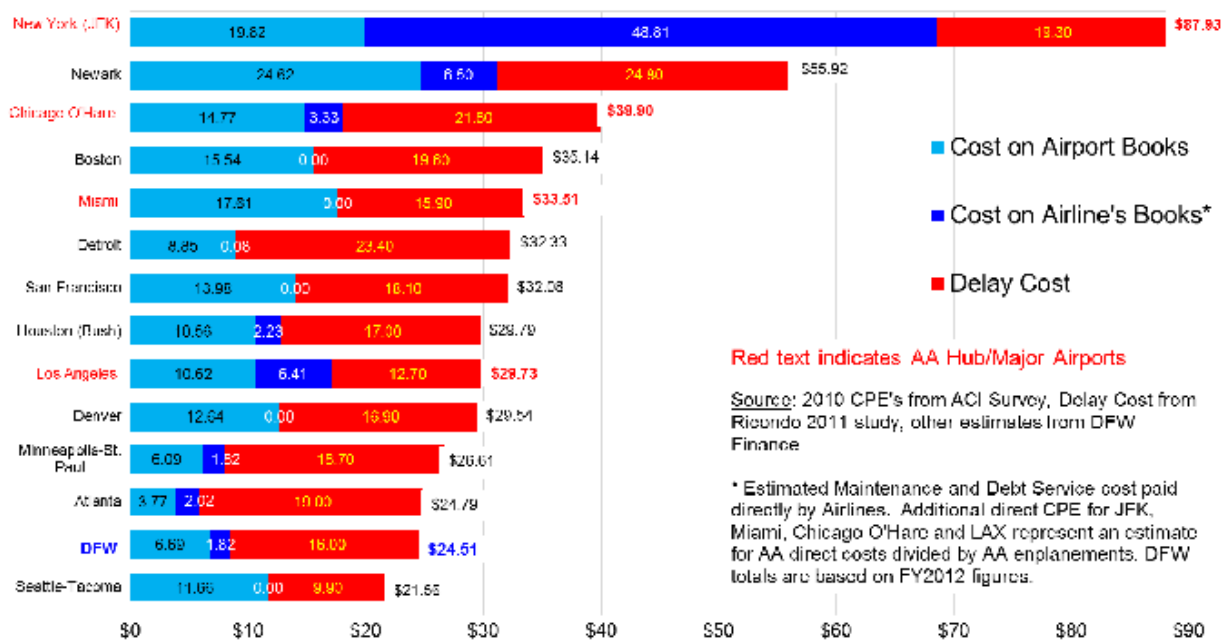
2012 Budget Implications

- Moderate enplanement growth: 1.5%
- Non-airline revenues – growth in core business, yet lose \$7 million garage rent from rental cars
 - Partially offset by new land rent, loss of \$4.7M
- Significant new operating costs (\$7+ million) to operate rental car busing (100 new FTEs)
 - Paid by Customer Facility Charges, NOI neutral
- Second year of terminal realignment - \$8+ million operating costs
 - Recovered through airline rents, NOI neutral

Airport Cost Comparison

(Prepared by Dallas-Fort Worth Airport)

Fully Loaded Cost per Enplaned Passenger



Seaport Division 2012 Business Plan Overview

Commission Presentation
August 16, 2011

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



Terminal 91



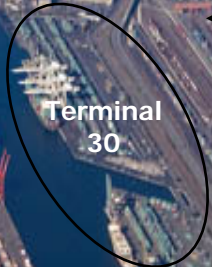
Pier 86



Pier 66



Terminal 46



Terminal 30



Terminal 25 S

T-18 On-Dock Rail



Terminal 18

BNSF (SIG - North)



BNSF (SIG - South)



T-5 On-Dock Rail



Terminal 5

UPRR (ARGO)



In 2011, the Seaport's three Strategic Initiative Teams developed long term Seaport Strategies:

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

For 2012, Seaport will advance these strategies in alignment with the Commission's Century Agenda, the CEO's Goals and Key Corporate Initiatives.

Business Development

Growing the Seaport's Business

Strategic Goal

Enhance regional economic development by increasing cargo freight & passengers moving through the Port's Terminals

Guiding Principles

- Retain existing customers
- Develop & maintain relationships with strategic partners
- Capitalize on opportunities to secure new business
- Maintain freight and passenger mobility

Overarching Objective

Increase container volume and cruise activity to meet Century Agenda 5 & 25 year objectives

Financial Sustainability

Maintaining Financial Independence

Strategic Goal

Improve the Seaport's income from operations

Guiding Principles

- Prioritize projects that generate sustainable rates of return
- Maximize asset utilization to increase returns on investments
- Maintain market lease rates
- Maximize efficiency of dollars spent and resources used

Overarching Objective

Maintain the Seaport's financial independence

Port Advocacy

Building public & community support

Strategic Goal

Maintain and support relationships that cultivate overall Port goals for freight movement and economic development in Washington

Guiding Principles

- Maintain a business-friendly environment
- Ensure efficient freight mobility within the Harbor and on-ward to inland destinations
- Reinforce the Seaport's economic and environmental benefit story

Overarching Objective

Manage/maintain advocacy for Port issues with Stakeholders

2M

3M

3.5M

4M

5M

Work Package #1

Work Package #2

Work Package #3

Work Package #4

TERMINALS

- T-30 Reactivation
- T-25 expansion to 16 acres

RAILYARDS

- SIG North Expansion
- T-5 IY second shift

OFF-DOCK

- 20 acre third party container support

TRAFFIC

- SR-519
- T-5 surface street intersection
- EMW 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 Project

OFF-DOCK

- 20 acre 3rd party container support

TRAFFIC

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

TERMINALS

- T-5 RTG Ops

RAILYARDS

- On-dock IY at T-18 or 16th Ave 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

OFF-DOCK

- 20 acre 3rd party support

TRAFFIC

- SR-509
- More night gates

Terminals

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

RAILYARDS

- SIG South expansion
- New remote railyard shared with POT

MAINLINE

- Could be constrained?

OFF-DOCK

- T25/30 off-site yard
- 40-acre 3rd party support

TRAFFIC

- Steady night gates.

Condition Assessment

Understand Existing Assets

Strategic Goal

Assess and document existing condition of major assets

Guiding Principles

- Maintain complete asset register
- Perform condition assessments

Overarching Objective

Maintain a condition assessment program that sustains or extends the life of our assets

Asset Maintenance

Maintain Existing Assets

Strategic Goal

Reduce total cost of ownership of seaport assets

Guiding Principles

- Manage assets in a financially sustainable manner
- Align asset maintenance with long term strategies

Overarching Objective

Prioritize and execute asset maintenance program that sustains our assets

Capacity Growth

Invest in New Assets When Warranted

Strategic Goal

Align asset investments to support long term market demand

Guiding Principles

- Enhance existing assets to support long term growth
- Invest in new assets to support commercial strategy

Overarching Objective

Steward assets to retain existing business and support future growth

Compliance Management

Programs we have to do

Strategic Goal

Meet local, state and federal regulations as effectively as possible

Guiding Principles

- Meet legal obligations
- Use scientific knowledge and programmatic approaches to use resources most efficiently
- Partner with internal/external stakeholders for effective environmental management

Overarching Objective

Minimize the % of environmental budget spent on compliance to maximize resources available for other environmental strategies

Commercial Support

Programs that help support our business advantage

Strategic Goal

Collaborate with industry to reduce impacts while enhancing our competitive advantage

Guiding Principles

- Develop environmental initiatives to enhance the Port's economic competitiveness
- Maintain collaborative approach to environmental problem solving

Overarching Objective

Implement programs that reduce resource use, emissions and the Port's carbon footprint, while increasing our competitive advantage

Community Commitment

Initiatives that reflect our commitment

Strategic Goal

Engage stakeholders to build understanding and support for environmental initiatives

Guiding Principles

- Communicate that the Port is an environmental leader and vital economic engine.
- Inform and collaborate with community stakeholders to support economic and environmental sustainability

Overarching Objective

Inform and engage stakeholders to aid in understanding and support of the Port's focus on balancing economic and environmental sustainability



Seaport Lines of Business

Market Outlook:

- Transpacific volume projected at 3.7% growth
- U.S. Economy and Consumer demand uncertain

Revenue Assumption:

- Seattle Harbor volume forecast of 2.0M TEUs

Major Work:

- Support terminal operators to retain/grow business
- Advance Export and Northern Corridor initiatives
- Joint market FTZ, Green Gateway, air cargo
- Work with stakeholders to facilitate freight mobility & minimize business impacts during construction

Major Work (cont'd)

- Continue major asset condition assessments
- Repair pile caps (assuming no major DEF problem)
- Monitor performance of Clean Truck Program
- Implement Radio Frequency Identification (RFID) system for Clean Truck Program
- Develop T25S for revenue generating use
- Evaluate feasibility of intermodal logistics park
- Pursue long term lease of Terminal 46
- Initiate program to deepen fed'l channel to -50'ft
- Assess tenant storm water infrastructure needs

Financial Overview

Containers \$'s in 000's	2008 Actual	2009 Actual	2010 Actual	2011 Budget
Revenue	52,838	56,665	61,332	62,054
Direct Expenses	<u>7,190</u>	<u>7,866</u>	<u>5,576</u>	<u>7,911</u>
Income from Operations	45,648	48,799	55,756	54,144
Divisional Allocations	5,679	5,043	4,782	4,757
Corp Allocations	<u>6,533</u>	<u>6,506</u>	<u>6,463</u>	<u>8,524</u>
Net Operating Income	33,436	37,250	44,511	40,863
Depreciation	<u>16,964</u>	<u>18,259</u>	<u>19,063</u>	<u>19,258</u>
Net Income	16,473	18,990	25,448	21,605

Financial Overview By Facility

	2008	2009	2010	2011
\$'s in 000's	Actual	Actual	Actual	Budget
Income From Operations				
Terminal 18**	14,184	15,322	16,097	15,999
Terminal 5	20,692	21,268	22,640	21,998
Terminal 46	10,395	11,107	11,840	12,613
Terminal 30 (25/28)	2,035	3,088	7,646	7,900
Terminal 106 West	(3)	(2)	0	0
Terminal 3	(28)	(32)	(32)	(9)
Container Management	(1,628)	(1,951)	(2,434)	(4,357)
Total Income From Operations	45,648	48,799	55,756	54,144
Allocations				
Divisional Allocations	(5,679)	(5,043)	(4,782)	(4,757)
Corporate Allocations	(6,533)	(6,506)	(6,463)	(8,524)
Total Allocations	(12,212)	(11,549)	(11,245)	(13,281)
Net Operating Income	33,436	37,250	44,511	40,863

Note**: Terminal 18 IFO is net of debt service related to special facility revenue bonds.

Income from Operations (IFO) = Revenue – Direct Expense Charges

Market Outlook:

- Global cruise market projection at 7% growth
- Alaska Cruises remain very desirable domestically

Assumptions:

- 204 vessel calls and 878,600 passengers
- Cruise revenue projection at 15% growth

Major Work:

- Pursue long term agreement with add'l cruise line
- Market mid-week and shoulder season itineraries (Cruise+)
- Make recommendations for P66 shore power
- Evaluate cruise management agreement models
- Complete Fender System Improvements at T91

Financial Overview

Cruise	2008	2009	2010	2011
\$'s in 000's	Actual	Actual	Actual	Budget
Revenue	9,375	10,744	11,862	10,215
Direct Expenses	<u>2,133</u>	<u>2,827</u>	<u>1,536</u>	<u>1,828</u>
Income from Operations	7,243	7,917	10,326	8,387
Divisional Allocations	976	972	1,201	1,067
Corp Allocations	<u>1,558</u>	<u>1,605</u>	<u>2,138</u>	<u>2,606</u>
Net Operating Income	4,709	5,340	6,987	4,714
Depreciation	<u>3,749</u>	<u>4,199</u>	<u>5,144</u>	<u>5,289</u>
Net Income	959	1,141	1,842	(575)

Market Outlook:

- Export corn/soybean market forecast is strong
- Outlook could vary depending on mid-west weather

Revenue Assumptions:

- Similar grain volume and revenue as 2011
- New grain facilities will not draw cargo from T-86

Major Work:

- Negotiate a new long term agreement for T-86

Financial Overview

Grain \$'s in 000's	2008 Actual	2009 Actual	2010 Actual	2011 Budget
Revenue	7,053	6,049	6,035	6,087
Direct Expenses	<u>702</u>	<u>322</u>	<u>242</u>	<u>381</u>
Income from Operations	6,351	5,727	5,793	5,706
Divisional Allocations	307	234	183	203
Corp Allocations	<u>986</u>	<u>744</u>	<u>655</u>	<u>872</u>
Net Operating Income	5,058	4,748	4,955	4,631
Depreciation	<u>508</u>	<u>531</u>	<u>554</u>	<u>621</u>
Net Income	4,550	4,217	4,401	4,010

Market Outlook:

- Occupancy to remain constant except for T-106

Revenue Assumptions:

- Revenue forecast to increase by 8%
- T-106 leased to the State commencing Fall 2011

Major Work:

- T-104 site improvements
- T-108 paving overlay
- T-115 rail spur upgrades

Financial Overview

Industrial Properties	2008	2009	2010	2011
\$'s in 000's	Actual	Actual	Actual	Budget
Revenue	12,747	12,675	13,219	13,481
Direct Expenses	<u>2,971</u>	<u>5,027</u>	<u>3,804</u>	<u>4,841</u>
Income from Operations	9,776	7,648	9,415	8,639
Divisional Allocations	1,646	1,220	1,492	1,483
Corp Allocations	<u>2,445</u>	<u>2,234</u>	<u>2,362</u>	<u>3,037</u>
Net Operating Income	5,685	4,194	5,561	4,119
Depreciation	<u>2,546</u>	<u>2,957</u>	<u>3,029</u>	<u>3,156</u>
Net Income	3,139	1,237	2,532	963

Financial Overview By Facility

\$'s in 000's	2008 Actual	2009 Actual	2010 Actual	2011 Budget
Income From Operations				
Terminal 115	4,222	4,300	4,150	4,307
Terminal 91 Seaport Industrial	1,961	1,969	2,352	2,249
Terminal 108	861	875	755	643
Terminal 18 Bulk Terminals	901	874	930	919
Terminal 106 Container Related	602	635	590	616
Terminal 104	550	(176)	(21)	77
Terminal 103	511	484	557	503
Pier 16/17	469	475	474	484
Terminal 107	178	147	204	210
Harbor Island Central	166	171	187	208
Terminal 106 Bulk Terminals	90	96	83	82
Terminal 46 Industrial	0	62	125	121
Terminal 25 South	18	(1,392)	(47)	(92)
Terminal 117	0	(30)	(25)	(20)
Terminal 10	(46)	(72)	(57)	(59)
Terminal 5 Container Support	0	0	4	(126)
Terminal 106 Bldgs. 1 & 2	(71)	(260)	(208)	(54)
Other (former T30 property)	(137)	(93)	0	0
Industrial Properties Admin	(497)	(417)	(637)	(1,427)
Total Income From Operations	9,776	7,648	9,415	8,639
Allocations				
Divisional Allocations	(1,646)	(1,220)	(1,492)	(1,483)
Corporate Allocations	(2,445)	(2,234)	(2,362)	(3,037)
Total Allocations	(4,091)	(3,454)	(3,854)	(4,521)
Net Operating Income	5,685	4,194	5,561	4,119

Income from Operations (IFO) = Revenue – Direct Expense Charges

Market Outlook:

- Commercial Fishing in Alaska expected to remain strong
- Factory trawler moorage demand expected to remain strong
- Historical demand is expected for other commercial vessels

Revenue Assumptions:

- Facility use fees at market rates & vessel calls remain flat

Major Work:

- Increase commercial moorage business harbor wide
- Evaluate models for increasing third party business activity
- Complete P90/91 mooring bollards & other planned projects
- Advance maritime operations training and development

Financial Overview

Docks	2008	2009	2010	2011
\$'s in 000's	Actual	Actual	Actual	Budget
Revenue	3,361	3,663	3,611	3,135
Direct Expenses	<u>2,244</u>	<u>2,216</u>	<u>2,742</u>	<u>2,556</u>
Income from Operations	1,118	1,448	869	580
Divisional Allocations	695	677	778	809
Corp Allocations	<u>870</u>	<u>826</u>	<u>928</u>	<u>1,152</u>
Net Operating Income	(448)	(56)	(837)	(1,382)
Depreciation	<u>2,845</u>	<u>3,110</u>	<u>3,191</u>	<u>3,398</u>
Net Income	(3,293)	(3,166)	(4,028)	(4,780)

Financial Overview By Facility

\$'s in 000's	2008 Actual	2009 Actual	2010 Actual	2011 Budget
Income From Operations				
Terminal 91 Fishing Related	1,991	2,723	2,562	2,196
Terminal 91 Vessel Operations	1,032	464	436	298
Terminal 91 Operations Overhead	(2,078)	(1,973)	(2,425)	(2,452)
Terminal 25 Vessel Operations	77	141	295	300
Pier 2 Docks	50	31	51	46
Pier 34 Docks	22	(7)	0	0
Terminal 46 Fishing Related	18	47	(19)	11
Pier 69 Vessel Operations	7	(2)	(1)	(1)
Pier 28 Docks	0	24	(29)	78
Terminal 18 North-Mooring Dolphins	0	0	0	103
Total Income From Operations	1,118	1,448	869	580
Allocations				
Divisional Allocations	(695)	(677)	(778)	(809)
Corporate Allocations	(870)	(826)	(928)	(1,152)
Total Allocations	(1,566)	(1,503)	(1,706)	(1,961)
Net Operating Income	(448)	(56)	(837)	(1,382)

Income from Operations (IFO) = Revenue – Direct Expense Charges

Seaport Security:

- Maintain compliance with Federal security regulations
- Conduct security awareness training and exercising
- Perform security risk assessments and improvements
- Seek & pilot emerging security screening technology

Emergency Preparedness (EP):

- Execute FEMA IEMC* action plan items for Seaport
- Develop joint EP Program with Real Estate/Corporate
- Develop and conduct EP training and exercising
- Review and strengthen departmental COOP# plans

Financial Overview


<i>In \$ Thousands</i>	2008	2009	2010	2011	2011	2011 Bud Var	
	Actual	Actual	Actual	Forecast	Budget	\$	%
<u>Security Grants</u>	<u>850</u>	<u>847</u>	<u>1,791</u>	<u>423</u>	<u>3,415</u>	<u>(2,992)</u>	-88%
Total Revenue	850	847	1,791	423	3,415	(2,992)	-88%
Direct Expenses	794	780	798	755	755	0	0%
Security Grant Expense	921	860	1,983	459	3,451	2,992	87%
<u>Corporate Allocations</u>	<u>343</u>	<u>515</u>	<u>486</u>	<u>374</u>	<u>374</u>	<u>0</u>	0%
Total Expense	2,058	2,154	3,267	1,588	4,580	2,992	65%
Net Operating Income (NOI)	(1,208)	(1,307)	(1,477)	(1,165)	(1,165)	0	0%

Major Asset Categories:

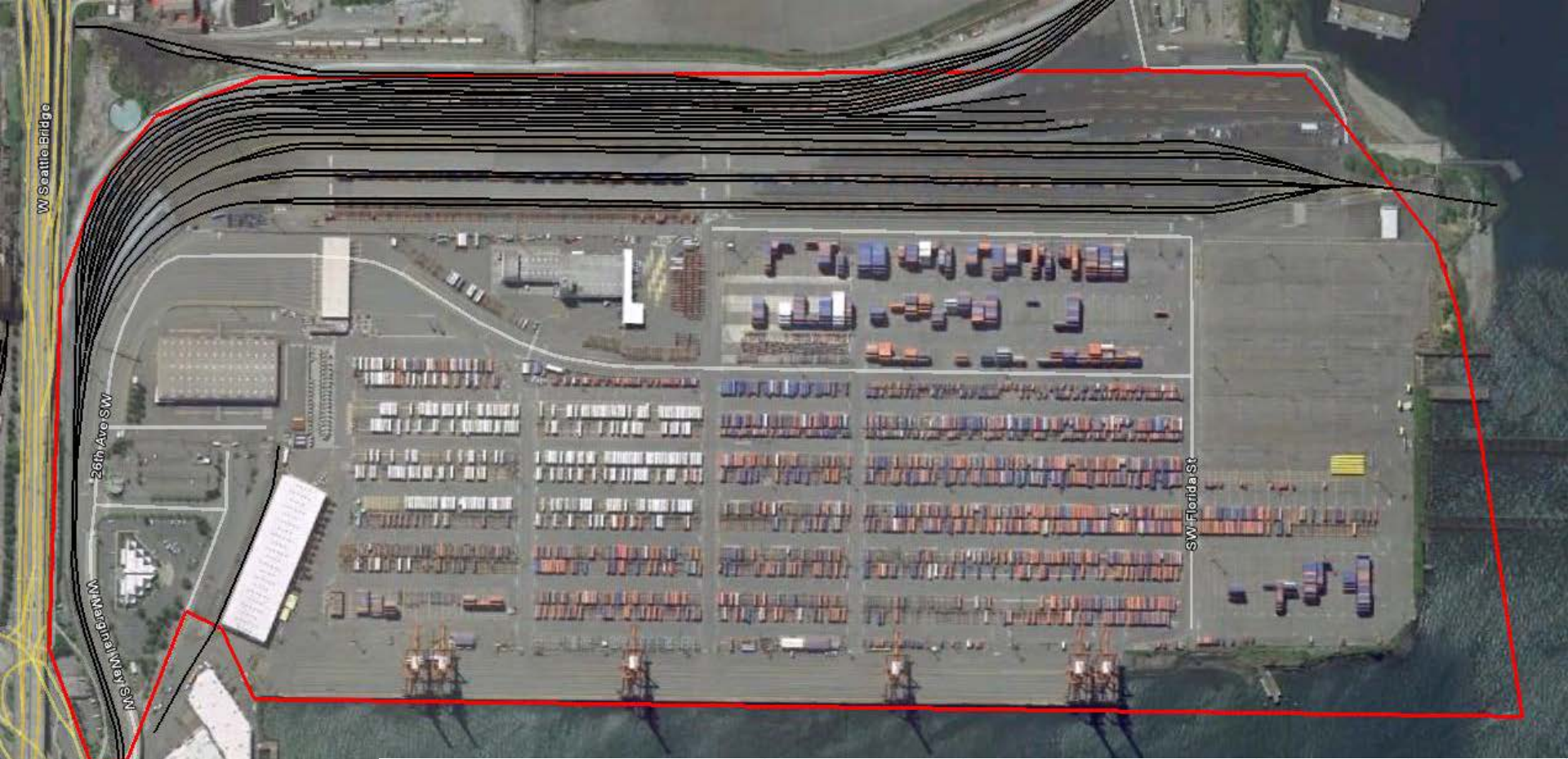
1. Dock Systems – including crane
2. Building Systems – including utilities
3. Yard Systems – including paving
4. Dredging – including annual surveys

Major Work:

- Condition assessments
 - Inspect Dock Systems/Cranes
 - Inventory utilities
- Develop a system to manage (inventory) asset condition data
- T-18 Pile Cap Repairs*
 - Complete pilot repairs
 - Start major repairs
- Complete DEF assessment



Projects & Capital Budget



Terminal 5

<u>PROJECT</u>	<u>CIP STATUS</u>	<u>2012</u>	<u>2012-2016</u>	<u>2017-2021</u>	<u>TOTAL</u>
T-5 Completion	Committed	\$ 813	\$ 903	\$ -	\$ 903
T-5 New Cranes (4)	BP Prospective	\$ -	\$ 45,000	\$ -	\$ 45,000
<u>T-5 Dredge Phase 2</u>	<u>EXPENSE</u>	<u>\$ -</u>	<u>\$ 3,500</u>	<u>\$ -</u>	<u>\$ 3,500</u>
TOTAL Committed/Bplan Prospective:		\$ 813	\$ 49,403	\$ -	\$ 49,403
<i>Note - Excludes Prospective Items</i>					



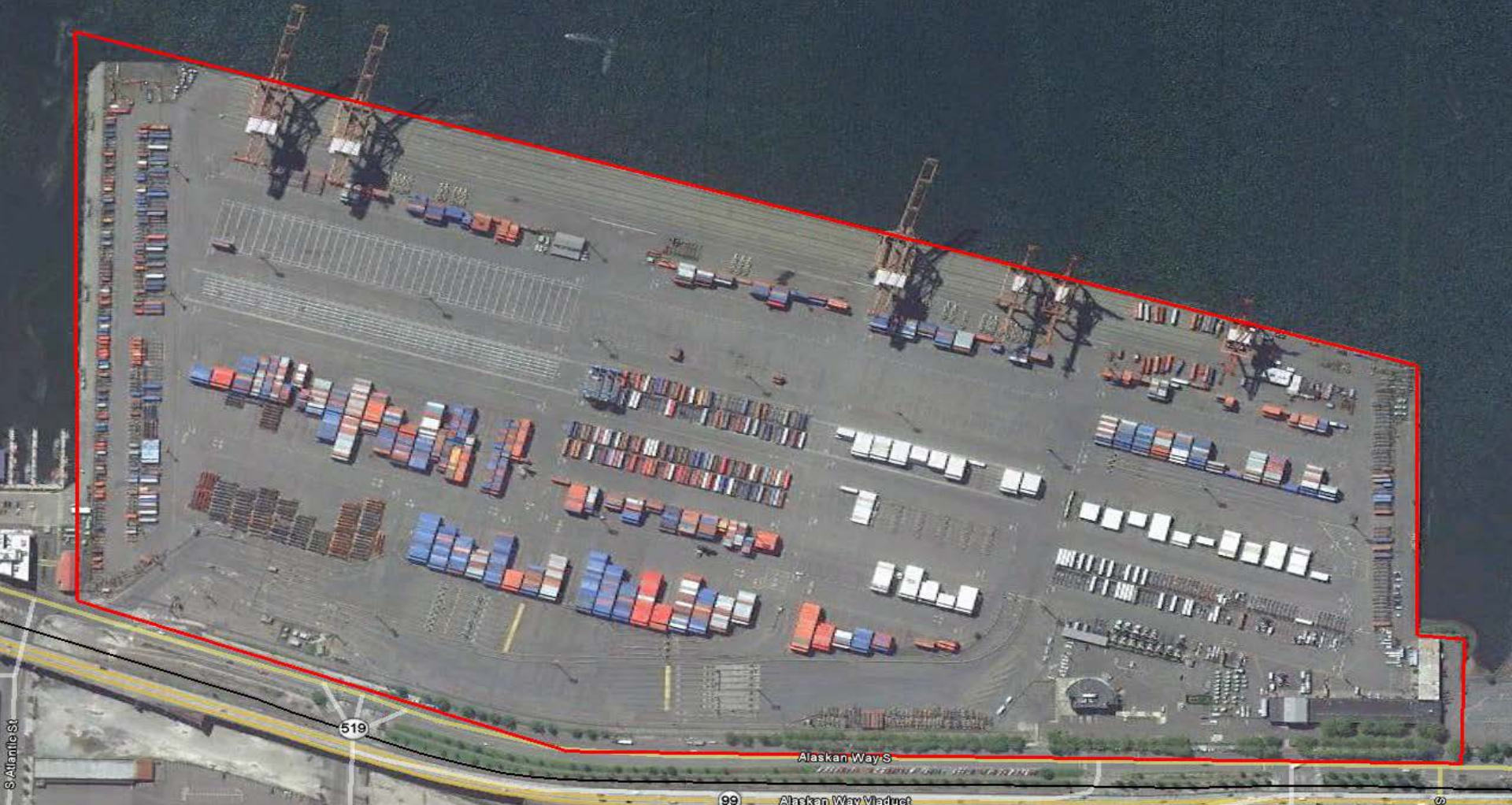
Terminal 18

<u>PROJECT</u>	<u>CIP STATUS</u>	<u>2012</u>	<u>2012-2016</u>	<u>2017-2021</u>	<u>TOTAL</u>
T-18 Fender Replacement	Committed	\$ 1,378	\$ 1,378	\$ -	\$ 1,378
T-18 Rail Crossings	BP Prospective	\$ -	\$ -	\$ 1,000	\$ 1,000
T-18 Pile Cap Pilot	EXPENSE	\$ 700	\$ 700	\$ -	\$ 700
T-18 Pile Cap Repair Project	EXPENSE	\$ 500	\$ 30,000	\$ -	\$ 30,000
T-18 Remove IHI Cranes	EXPENSE	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
TOTAL Committed/Bplan Prospective:		\$ 3,578	\$ 33,078	\$ 1,000	\$ 34,078
<i>Note - Excludes Prospective Items</i>					



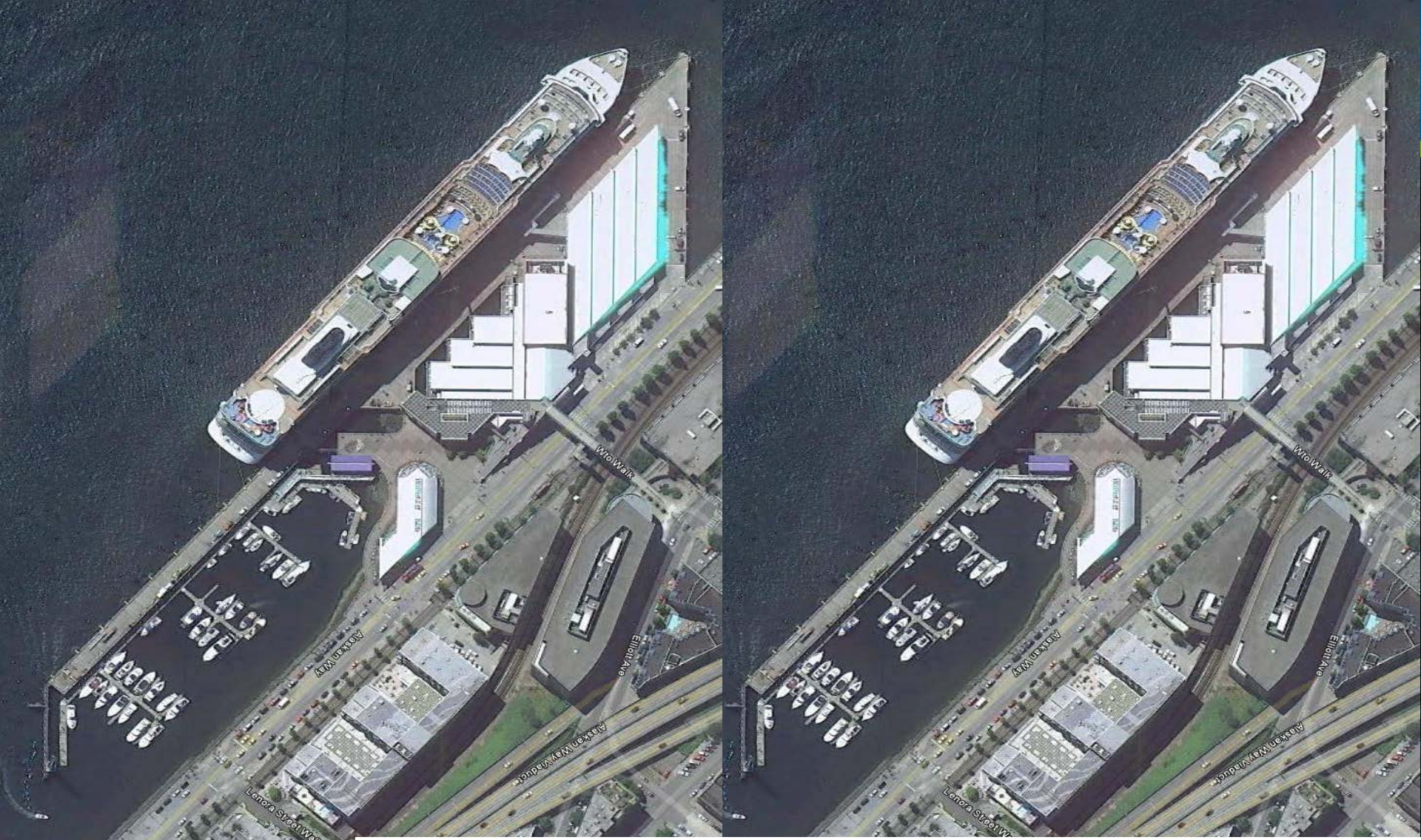
Terminal 25/30

<u>PROJECT</u>	<u>CIP STATUS</u>	<u>2012</u>	<u>2012-2016</u>	<u>2017-2021</u>	<u>TOTAL</u>
T-25/30 South Container Yard	Committed	\$ 12,200	\$ 12,200	\$ -	\$ 12,200
P-33-35 Public Access	Committed	\$ 1,300	\$ 5,800	\$ -	\$ 5,800
TOTAL Committed/Bplan Prospective:		\$ 13,500	\$ 18,000	\$ -	\$ 18,000
<i>Note - Excludes Prospective Items</i>					



Terminal 46

<u>PROJECT</u>	<u>CIP STATUS</u>	<u>2012</u>	<u>2012-2016</u>	<u>2017-2021</u>	<u>TOTAL</u>
T-46 North Dock Replacement	BP Prospective	\$ -	\$ 20,000	\$ -	\$ 20,000
T-46 Development		\$ -	\$ 25,000	\$ 15,000	\$ 40,000
T-46 Demo Crane 54	EXPENSE	\$ -	\$ 450	\$ -	\$ 450
T-46 Pile Cap Repairs	EXPENSE	\$ -	\$ -	\$ -	\$ -
TOTAL Committed/Bplan Prospective:		\$ -	\$ 45,450	\$ 15,000	\$ 60,450
<i>Note - Excludes Prospective Items</i>					



Pier 66

<u>PROJECT</u>	<u>CIP STATUS</u>	<u>2012</u>	<u>2012-2016</u>	<u>2017-2021</u>	<u>TOTAL</u>
P-66 Shore Power	BP Prospective	\$ -	\$ 13,700	\$ -	\$ 13,700
P-66 Pile Wraps	Expense	\$ 115	\$ 575	\$ 575	\$ 1,150
TOTAL Committed/Bplan Prospective:		\$ 115	\$ 14,275	\$ 575	\$ 14,850

Note - Excludes Prospective Items



Terminal 86

<u>PROJECT</u>	<u>CIP STATUS</u>	<u>2012</u>	<u>2012-2016</u>	<u>2017-2021</u>	<u>TOTAL</u>
T-86 Grain Term Modernization	Committed	\$ 107	\$ 107	\$ -	\$ 107
T-86 Grain Term Cathodic Protection	BP Prospective	\$ 900	\$ 1,000	\$ -	\$ 1,000
P-86 Fishing Pier Replacement	BP Prospective	\$ -	\$ 1,300	\$ 4,750	\$ 6,050
TOTAL Committed/Bplan Prospective:		\$ 1,007	\$ 2,407	\$ 4,750	\$ 7,157

Note - Excludes Prospective Items

Terminals 104 and 115

<u>PROJECT</u>	<u>CIP STATUS</u>	<u>2012</u>	<u>2012-2016</u>	<u>2017-2021</u>	<u>TOTAL</u>
<u>T-104 Site Improvements</u>	<u>BP Prospective</u>	<u>\$ 1,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>
TOTAL Committed/Bplan Prospective:		\$ 1,000	\$ 3,000	\$ -	\$ 3,000
<u>T-115 Rail Spur Upgrades</u>	<u>BP Prospective</u>	<u>\$ -</u>	<u>\$ 1,050</u>	<u>\$ -</u>	<u>\$ 1,050</u>
TOTAL Committed/Bplan Prospective:		\$ -	\$ 1,050	\$ -	\$ 1,050
<i>Note - Excludes Prospective Items</i>					



Terminal 108

<u>PROJECT</u>	<u>CIP STATUS</u>	<u>2012</u>	<u>2012-2016</u>	<u>2017-2021</u>	<u>TOTAL</u>
T-108 Paving Overlay	BP Prospective	\$ -	\$ 3,190	\$ -	\$ 3,190
TOTAL Committed/Bplan Prospective:		\$ -	\$ 3,190	\$ -	\$ 3,190
<i>Note - Excludes Prospective Items</i>					



Terminal 91

Terminal 91

<u>PROJECT</u>	<u>CIP STATUS</u>	<u>2012</u>	<u>2012-2016</u>	<u>2017-2021</u>	<u>TOTAL</u>
P-90 C-175 Roof Replacement	Committed	\$ 2,005	\$ 2,005	\$ -	\$ 2,005
P-90 Dredge East Waterway	BP Prospective	\$ -	\$ -	\$ 6,000	\$ 6,000
P-90 Berth 6 & 8 Redev Ph 1	BP Prospective	\$ -	\$ 24,500	\$ -	\$ 24,500
P-90 Berth 6 & 8 Redev Ph 2	BP Prospective	\$ -	\$ 13,000	\$ 12,500	\$ 25,500
T-91 Water Main Replacement	Committed	\$ 565	\$ 565	\$ -	\$ 565
P-91 Fender System Upgrade	Committed	\$ 1,875	\$ 1,875	\$ -	\$ 1,875
P-91 2nd Gangway per Berth	BP Prospective	\$ -	\$ 4,500	\$ 5,000	\$ 9,500
T-91 Industrial Whse & Office	BP Prospective	\$ -	\$ -	\$ 23,700	\$ 23,700
T-91 Substation Upgrades	BP Prospective	\$ -	\$ 2,500	\$ -	\$ 2,500
T-91 New Whse @ Tank Farm	BP Prospective	\$ -	\$ 21,900	\$ -	\$ 21,900
<u>T-91 Rail Spur Upgrades</u>	<u>BP Prospective</u>	<u>\$ -</u>	<u>\$ 1,110</u>	<u>\$ -</u>	<u>\$ 1,110</u>
TOTAL Committed/Bplan Prospective:		\$ 4,445	\$ 71,955	\$ 47,200	\$ 119,155
<i>Note - Excludes Prospective Items</i>					

Other Seaport Projects

<u>PROJECT</u>	<u>CIP STATUS</u>	<u>2012</u>	<u>2012-2016</u>	<u>2017-2021</u>	<u>TOTAL</u>
Seaport Small Projects	Committed	\$ 575	\$ 2,975	\$ 2,500	\$ 5,475
Cont Supp Yd - 3.5 m TEU #1	BP Prospective	\$ -	\$ 30,000	\$ -	\$ 30,000
Cont Supp Yd - 3.5 m TEU #2	BP Prospective	\$ -	\$ -	\$ 35,000	\$ 35,000
Cont Term Storm Water Pilot	BP Prospective	\$ 1,000	\$ 1,300	\$ -	\$ 1,300
Contingency Renew/Replace	BP Prospective	\$ -	\$ 38,500	\$ 120,000	\$ 158,500
Maint Dredge All Terminals	EXPENSE	\$ -	\$ 3,000	\$ 4,000	\$ 7,000
<u>Condition Assessments</u>	<u>EXPENSE</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>
TOTAL Committed/Bplan Prospective:		\$ 2,575	\$ 76,775	\$ 161,500	\$ 238,275
<i>Note - Excludes Prospective Items</i>					

Draft as of 08/05/2011

\$'s in 000's

	2012	2012-2016	2017-2021	Total
Committed	24,606	40,644	18,204	58,848
Bus Plan Prospective	5,188	252,838	222,950	475,788
Total Capital Committed & BPP	29,794	293,482	241,154	534,636
Major Expense Projects	3,315	40,225	4,575	44,800
Total Projects	33,109	333,707	245,729	579,436

Other

Prospective Capital Projects

0	450,355	271,897	722,252
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- Operating Revenue (excluding grants) is projected to increase by 2.5% compared to 2011 Budget
- Primary components of revenue:
 - In place leases
 - Forecasted future leases
 - Volume: cruise, grain, crane rent
 - Grants

Expense Trends and Risks:

- Comprehensive asset condition assessments
- Maintenance dredging
- Repair costs
- Crane removal
- Storm water infrastructure
- NW Clean Air Strategy
- Environmental Remediation Liability Expense
- Tribal fishing coordination

<i>In \$ Thousands</i>	2008	2009	2010	2011	2011	2011 Bud Var	
	Actual	Actual	Actual	Forecast	Budget	\$	%
Operating Revenue	85,404	89,844	96,060	95,772	94,972	800	1%
<u>Security Grants</u>	<u>850</u>	<u>847</u>	<u>1,791</u>	<u>423</u>	<u>3,415</u>	<u>(2,992)</u>	-88%
Total Revenue	86,254	90,691	97,850	96,195	98,387	(2,192)	-2%
Direct Expenses	23,031	25,108	20,780	25,293	24,081	(1,212)	-5%
Security Grant Expense	921	860	1,983	459	3,451	2,992	87%
Envir Remediation Liability Exp	866	24	1,439	500	500	0	0%
Divisional Allocations	2,335	2,123	2,354	1,461	2,511	1,050	42%
<u>Corporate Allocations</u>	<u>12,734</u>	<u>12,430</u>	<u>13,033</u>	<u>16,285</u>	<u>16,565</u>	<u>280</u>	2%
Total Expense	39,887	40,545	39,590	43,998	47,108	3,110	7%
Net Operating Income (NOI)	46,367	50,145	58,261	52,198	51,280	918	2%

RISKS

- Competitive threats (i.e. B.C., Panama Canal, HMT*)
- U.S. economic recovery stalls or contracts
- Loss of business due to construction congestion
- Loss of business due to lower cost competitive ports
- Escalating liability, project and overhead costs
- Increased taxes/fees due to State budgetary pressures
- Legislation/regulation that impedes port competitiveness

KEY HIGHLIGHTS:

- Overall business outlook is uncertain in Seattle; mirroring uncertain U.S. economy and global outlook
- Revenue streams remain solid & looking for new opportunities
- Seaport building upon “Green Gateway” brand and successes
- Capital Projects closely tied to Business Plans
- Asset Stewardship is a critical area of work
- Develop/advance Northern Transportation Corridor
- Continue business-friendly, collaborative approach
- Advance strategic marketing efforts to retain business
- Business Plan aligns with Century Agenda & CEO goals

Real Estate Division 2012 Business Plan

August 16, 2011

Division Objectives

- Provide for NOI consistent with 2011 levels, notwithstanding recognition of deferred maintenance costs
- Continue execution of deferred maintenance obligations
- Provide for amended real estate policies as necessary with regard to:
 - Purchase and sale of properties
 - Competitive process requirements
 - Establishment of asset ranking system
 - Respond to recommendations from Century Agenda planning

Real Estate 2012 Budget Preview

Operating Revenues expected to be favorable by approximately 2% relative to 2011 Budget

- **Positive trailing indicators:**
 - Third party revenue forecasted slight increase as the hospitality market continues to strengthen.
 - Market conditions continue to tighten, albeit with aggressive owner contributions
- **Exposures/ risks:**
 - Potential higher vacancies in commercial properties and recreational marinas
 - Eastside Rail Corridor
 - Deferred maintenance costs
 - Tenant improvement allowances
 - Competition for capital
 - Pending debt re-payment challenge looms

Real Estate Revenue Bonds

- 1998 Series refunded bonds issued to pay for P-69
- 2007 A bonds issued as “governmental bonds” funded public uses at Shilshole
- 2007 B bonds issued as “private activity bonds” funded
 - Seaport – primarily T30/T91 project
 - Real Estate – Shilshole leased areas

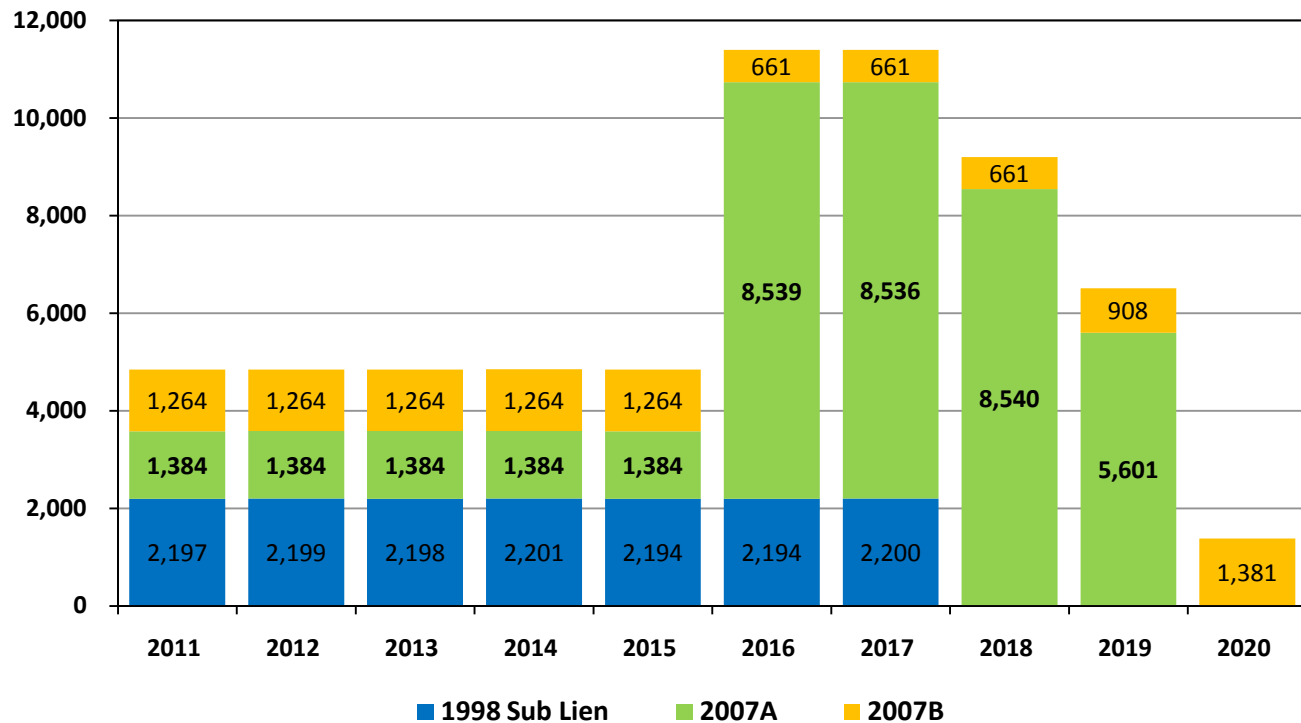
Real Estate net income does not support payment of debt service.
Debt service is paid from Real Estate’s General Fund balance.

Level debt service in aggregate, but increase in Real Estate debt service in 2016

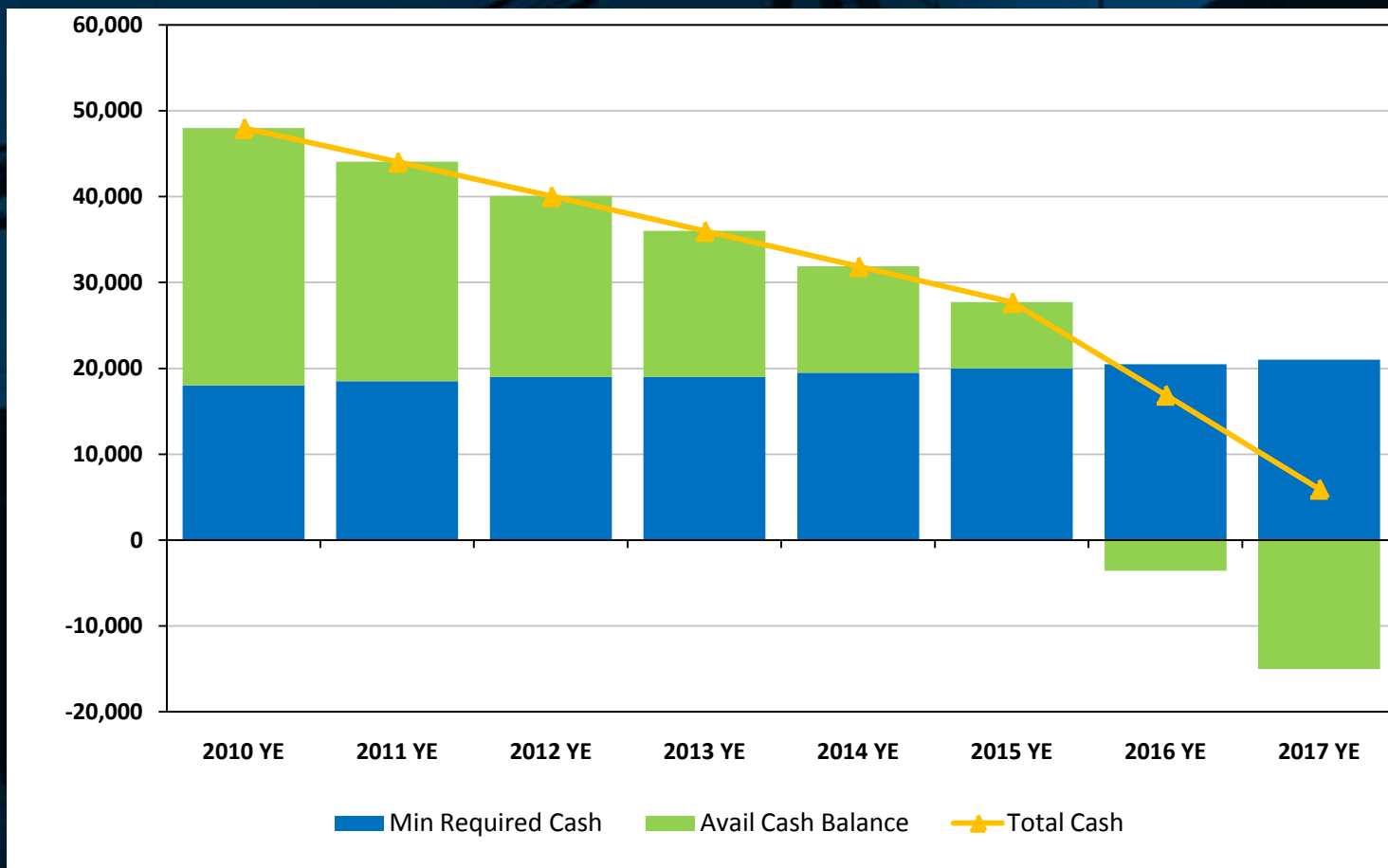
2007 Revenue Bond Debt Service



RE Revenue Bond Debt Service Payments



RE General Fund Balance (Cash) Available



Real Estate Division Financial Overview

<i>In \$ Thousands</i>	2008	2009	2010	2011	2011	2011 Bud Var	
	Actual	Actual	Actual	Forecast	Budget	\$	%
Operating Revenue	34,797	30,132	29,820	30,795	30,707	88	0.3%
Total Revenue	34,797	30,132	29,820	30,795	30,707	88	0.3%
Direct Expenses	36,355	27,525	29,502	31,765	33,221	1,456	4%
Divisional Allocations	(3,413)	(3,200)	(3,485)	(2,375)	(3,787)	(1,412)	-37%
<u>Corporate Allocations</u>	<u>5,253</u>	<u>5,244</u>	<u>5,481</u>	<u>6,550</u>	<u>6,645</u>	<u>95</u>	1%
Total Expense	38,195	29,569	31,499	35,940	36,079	139	0.4%
Net Operating Income (NOI)	(3,398)	563	(1,678)	(5,145)	(5,372)	227	4%

Financial Overview

Harbor Services

Harbor Services	2008	2009	2010	2011
<u>\$'s in 000's</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
Revenue	10,491	11,402	11,548	11,456
Direct Expenses	<u>5,694</u>	<u>6,077</u>	<u>6,627</u>	<u>7,060</u>
Income from Operations	4,797	5,324	4,921	4,396
Divisional Allocations	1,589	1,937	2,412	2,477
Corp Allocations	<u>2,904</u>	<u>3,089</u>	<u>3,174</u>	<u>3,833</u>
Net Operating Income	304	298	(664)	(1,915)
Depreciation	<u>5,187</u>	<u>5,423</u>	<u>5,578</u>	<u>5,855</u>
Net Income	(4,883)	(5,124)	(6,242)	(7,770)

Financial Overview

Portfolio Management

Portfolio Mgmt Group	2008	2009	2010	2011
<u>\$'s in 000's</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
Revenue	22,720	17,646	17,300	18,479
Direct Expenses	<u>14,849</u>	<u>12,826</u>	<u>13,234</u>	<u>14,951</u>
Income from Operations	7,871	4,820	4,066	3,527
Divisional Allocations	2,478	2,193	1,786	2,729
Corp Allocations	<u>2,157</u>	<u>1,966</u>	<u>2,068</u>	<u>2,543</u>
Net Operating Income	3,235	661	212	(1,745)
Depreciation	<u>4,323</u>	<u>4,299</u>	<u>4,216</u>	<u>4,090</u>
Net Income	(1,088)	(3,638)	(4,003)	(5,835)

Financial Overview

RE Development & Planning

Real Estate Dev & Plan	2008	2009	2010	2011
<u>\$'s in 000's</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
Revenue	1,270	807	756	724
Direct Expenses	<u>7,902</u>	<u>727</u>	<u>820</u>	<u>1,201</u>
Income from Operations	(6,632)	80	(64)	(478)
Divisional Allocations	161	207	287	317
Corp Allocations	<u>191</u>	<u>190</u>	<u>239</u>	<u>268</u>
Net Operating Income	(6,985)	(318)	(591)	(1,063)
Depreciation	<u>523</u>	<u>227</u>	<u>231</u>	<u>221</u>
Net Income	(7,508)	(545)	(822)	(1,284)

Financial Overview Eastside Rail Corridor

Eastside Rail Corridor	2008	2009	2010	2011
<u>\$'s in 000's</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
Revenue	0	0	114	45
Direct Expenses	<u>0</u>	<u>79</u>	<u>751</u>	<u>694</u>
Income from Operations	0	(79)	(637)	(649)
Divisional Allocations	0	0	0	0
Corp Allocations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Operating Income	0	(79)	(637)	(649)
Depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Income	0	(79)	(637)	(649)

Total Real Estate Division \$ 000's

TOTAL REAL ESTATE DIVISION	2012	2012-16 Total
Committed	11,406	23,410
Business Plan Prospective	6,050	42,820
TOTAL	17,456	66,230

Draft 2012 Capital Plan By Location

Fishermen's Terminal \$ 000's

FISHERMEN'S TERMINAL		2012	2012-16 Total
FT Waterside Projects Capital Projects			
Status	Description		
Committed	FT Waterside Small Capital Projects	70	220
BPP	FT Net Shed Solution	2,500	7,500
BPP	FT Net Shed 9 Roof Replace	450	450
BPP	FT NW Dock Improvements	0	100
BPP	FT S Wall W End Pile Repl & Corr Protect	0	1,250
BPP	FT W Wall N Fender Sys Replace	200	2,625
BPP	FT W Wall N Sheet Pile Corr Protect	0	2,600
BPP	FT Docks 3 Fixed Pier Improvements	0	2,800
BPP	FT Docks 4 Fixed Pier Improvements	0	3,300
BPP	FT S Wall Ctrl Fender Repl & Corr Protect	0	0
BPP	FT W Wall South Sheet Pile Corr Protect	0	0
Total FT Waterside		3,220	20,845
FT Upland Projects Capital Projects			
Status	Description		
Committed	FT C15 HVAC Improvements	3,572	3,602
Committed	FT Uplands Small Capital Projects	0	1,255
BPP	FT Paving/Storm Upgrades	0	1,650
BPP	FT C15 Bldg Roof Replacement	0	2,400
BPP	FT C14 (Downey) Bldg Imp	0	950
BPP	FT C-2 Bldg Roof & HVAC Rplmnt	0	1,150
BPP	FT C-15 Bldg East Sewer Line	850	850
BPP	FT C-15 Bldg Subsidence Imp	250	2,750
Total FT Landside		4,672	14,607
TOTAL FISHERMEN'S TERMINAL		7,892	35,452

Draft 2012 Capital Plan By Location

Shilshole Bay Marina \$ 000's

SHILSHOLE BAY MARINA		2012	2012-16 Total
<u>Shilshole Bay Marina Recreational Boating</u>			
Committed	Small Projects	70	165
BPP	SBM Fuel Floats Improve	0	1,000
BPP	Central Seawall Replacement	0	915
Total SBM Recreational Boating		70	2,080
<u>Shilshole Bay Marina Commercial Prop</u>			
BPP	SBM: Seaview Bldg A5 Rehab	0	300
Total SBM Commercial Prop		0	300
TOTAL SHILSHOLE BAY MARINA		70	2,380

Central Waterfront \$ 000's

CENTRAL WATERFRONT	2012	2012-16 Total
Central Waterfront- Bell Harbor Marina		
BPP BHM Standpipe Upgrade	500	500
Total BHM Recreational Boating	500	500
Central Waterfront Commercial Bldgs		
Committed Bell Harb Lighting Ctrl Upgrade	513	513
Committed Small Projects	150	535
BPP P66 Chiller Upgrades	300	300
Total Central Waterfront Commerical Bldgs	963	1,348
TOTAL CENTRAL WATERFRONT	1,463	1,848

Other Commercial Properties \$ 000's

OTHER COMMERCIAL PROPERTIES		2012	2012-16 Total
<u>Other Commercial Properties</u>			
Committed	Tenant Improvements -Capital	1,052	3,434
Committed	Other Commercial Props Small Capital	0	475
BPP	T102 Bldg Roof Replacement	0	2,430
Total Other Commercial Buildings		1,052	6,339
TOTAL OTHER COMMERCIAL PROPERTIES		1,052	6,339

Pier 69 and Other Projects \$ 000's

PIER 69 AND OTHER PROJECTS		2012	2012-16 Total
<u>Other</u>			
Committed	P69 N Apron Piling Cathodic Protection	3,923	3,923
Committed	P69 Built Up Roof Replace	300	1,992
Committed	Pier 69 Small Projects	525	525
Committed	RE Div. Green Port Initiative	225	1,653
Committed	RE Fleet Replacement	506	2,403
Committed	RE Preliminary Planning	250	1,250
Committed	RE Technology Projects	250	1,250
Committed	Unspecified Small Projects	0	215
BPP	RE: Contingency Renew.&Replace	1,000	7,000
Total Other		6,979	20,211
TOTAL P69 AND OTHER PROJECTS		6,979	20,211

- Master planning and land development:
 - North Bay
 - Complete development options study
 - Initiate the environmental review process
 - Engage the City and other stakeholders in the planning process
 - Des Moines Creek
 - Complete new development agreement with City
 - Finalize possible retail option agreement with City
 - Finalize possible industrial development agreement with Puget Sound Energy

Real Estate Development and Planning

- Other Projects:
 - Respond as appropriate to the GSA/FAA office requirement for SeaTac and Des Moines sites
 - Continue collaboration City of Burien on the Northeast Redevelopment Area
 - Continue collaboration City of SeaTac on the 28th Avenue S. area
 - Complete second land swap with WSDOT

- Property management
 - Achieve net operating income and occupancy targets
 - Fishermen's Terminal
 - Complete asset condition examination and adopt 20 year asset plan
 - Complete FVO lease renewal and seawall replacement
 - Conduct due diligence and prepare to receive title to Downey building
 - Examine alternatives for energy conservation measures utilizing utility company incentive plans
 - Publish RFQ/RFP for Bell Harbor International Conference Center

- Financial performance:
 - Achieve net operating income target
- Fishermen's Terminal:
 - Complete asset condition examination and adopt 20 year asset plan
 - Implement net locker solution
 - Complete NW Dock East Fender Pile Replacement
- Shilshole Bay Marina:
 - Revise long term master plan
 - Examine implications of revised Shoreline regulations

P69 Facilities Management

- Achieve flat utility consumption over 2011
- Perform space planning forecast for 2013
- Continue improvement of emergency operations & business continuity program
- Conduct three communication drills and one tabletop exercise

- Manage expense budgets within 2%
- Continue Green & Sustainability Initiatives
 - Zero increase in landfill waste
 - Stormwater compliance
 - Energy Conservation
- Parks and public access—24 sites, 63 acres
- Deferred maintenance
 - Multiple projects underway

The background of the slide is a dark blue, semi-transparent image of a port terminal. It shows silhouettes of large cranes, a ship's hull, and several people walking in the foreground. The overall scene is industrial and active.

Port of Seattle 2012 Budget Planning Assumptions

August 16, 2011

Agenda

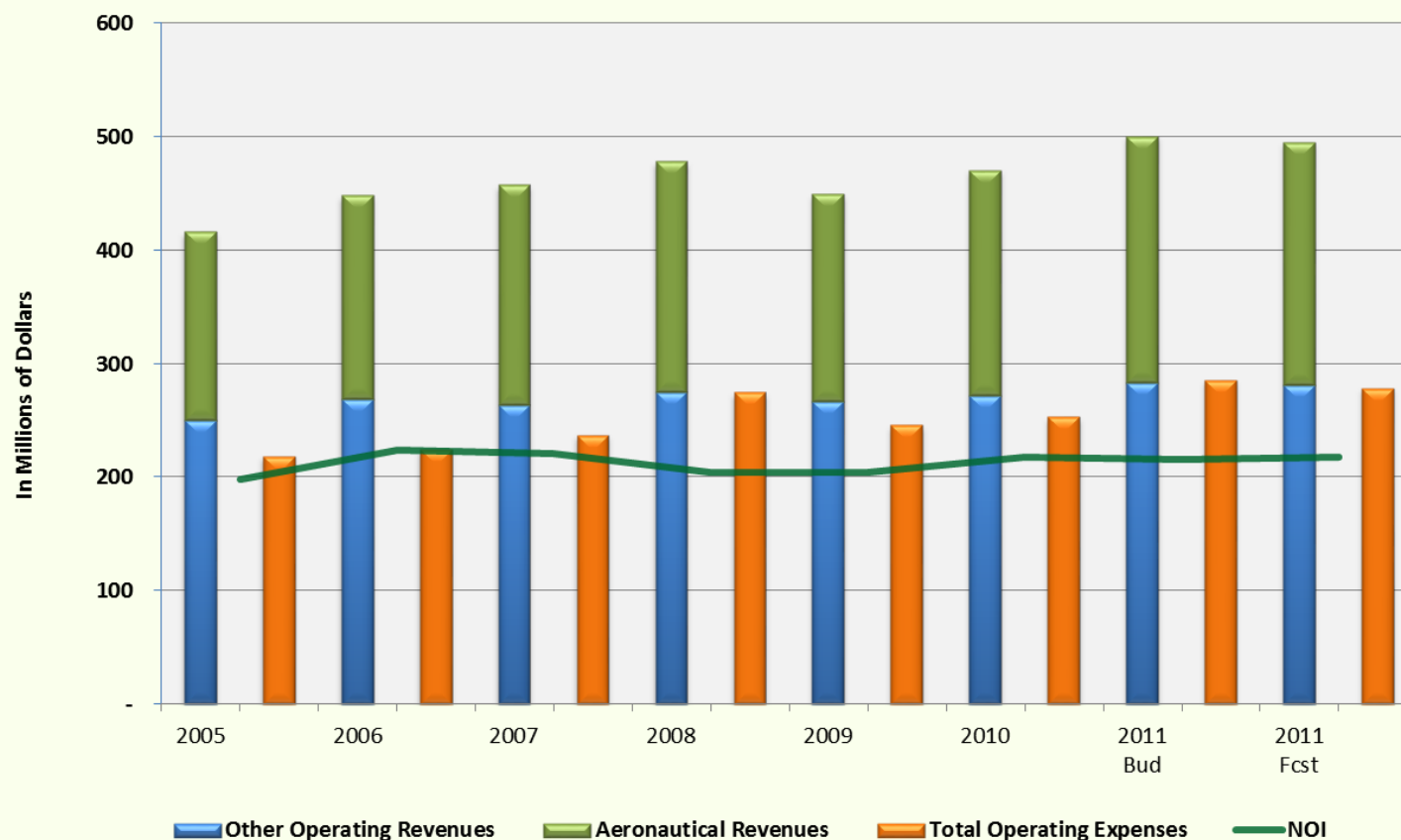
- Background
- Overall Budget Assumptions
- Key Payroll Assumptions
- Corporate Costs
- Key Dates for 2012 budget
- Q & A's

Background

- 2009 - Took early and proactive steps to reduce costs; O&M expense \$28M below budget.
- 2010 Budget - Reduced \$11 million of additional costs relative to 2009 budget through Zero Based Budgeting and implemented a voluntary separation program; eliminated 110 positions (6.2% of the workforce).
- 2011 Budget – Matched expenses to revenues to maintain NOI.

Historical Port Financial Performance

Operating Revenues, Operating Expenses and NOI



Overall Budget Assumptions

- Economic outlook uncertain
- Process will incorporate Commission guidance on budget.
- Continued focus on managing overall O&M costs and Corporate costs.
 - Reduce Corporate expense as a % of total Port operating revenues.
- Revenue assumptions yet to be finalized.
- Tax levy discussion as part of Plan of Finance

Preliminary Payroll Assumptions*

- Average merit pay of 3.0% based on preliminary market survey data (may be revised based on final data and overall budget considerations).
- Port-sponsored medical cost increase of 2% with minor plan design changes (compared to 8% national trend).
- Total Rewards philosophy development continues—minimal 2012 budget impact expected

* For non-represented employees

Preliminary Payroll Assumptions

- 2012 Employer PERS contribution rate not yet finalized
- 2011 rate was less than projected:
 - Budgeted rate: 7% (blended rate of 5.3% and 8.7%)
 - Actual rate: 6.25% (blended rate of 5.3%, 7.07%, 7.25%)
- 2012 Preliminary budget based on 7.25%; will be reviewed as new information becomes available

Corporate Costs

- 2009 Budget: Cut 2% (\$1.5M) out of \$75M
- 2010: Adopted Zero-Based Budgeting.
- 2011: Non-payroll costs held flat.
- 2012: Focus on sustainable costs measured as a percent of total Port revenue/expenses.

Corporate Cost Trends

	2005	2006	2007	2008	2009	2010	2011	2005-11	6-Year
<i>\$ in 000's</i>	Actual	Actual	Actual	Actual	Actual	Actual	Fcst	Change	CAGR
Total Corporate Expenses	58,828	60,294	65,072	69,329	65,340	67,338	73,969	15,140	3.9%
Total Port Revenues	416,525	448,449	457,888	478,523	449,435	470,490	495,630	79,105	2.9%
Total Port Expenses	226,195	223,564	236,897	274,619	245,767	253,464	278,547	52,352	3.5%
% of Total Revenue	14.1%	13.4%	14.2%	14.5%	14.5%	14.3%	14.9%		
% of Total O&M	26.0%	27.0%	27.5%	25.2%	26.6%	26.6%	26.6%		

*Costs adjusted to reflect certain ICT cost transfers from operating divisions

During this period Internal Audit and OSR departments were expanded; Corporate received transfer of Airport Jobs, PLA and ORCA program from the Airport; ICT took on several service support functions from the operating divisions. Excluding the one-time Port Centennial and AAPA Convention expense in 2011, Corporate Costs as a percentage of Total Revenues and Total Expenses are 14.6% and 26.0%, respectively.

2012 Budget Calendar

August

- Budget user/refresher training
- 2012 Budget Guidelines released
- Commission meeting on division business and capital plans
- Commission meeting on budget assumptions

2012 Budget Calendar

September

- Prepare preliminary operating & capital budgets
- Internal budget reviews by each dept & division
- Executive preliminary budget reviews (9/19 – 9/22)
- Commission capital budgets meeting on 9/27

2012 Budget Calendar

October

- Operating budget Commission meeting on 10/4
- Preliminary budget document available to the Commission on 10/18
- Draft Plan of Finance Commission meeting on 10/25
- Release 2012 Preliminary Budget and Draft Plan of Finance Document to the public on 10/27

2012 Budget Calendar

November

- First reading of budget resolution on 11/8
- Second reading of budget resolution on 11/22

December

- File statutory budget on 12/1
- Release 2012 Final Budget and Draft Plan of Finance Document to the public by **12/15**

Port of Seattle 2012 Budget Planning Assumptions

The background of the slide is a dark blue, semi-transparent image of a port terminal. It shows silhouettes of large cranes, a ship's hull, and several people walking or standing. The overall scene is industrial and busy, with a grid-like pattern overlaid on the right side, suggesting a technical or planning context.

August 16, 2011