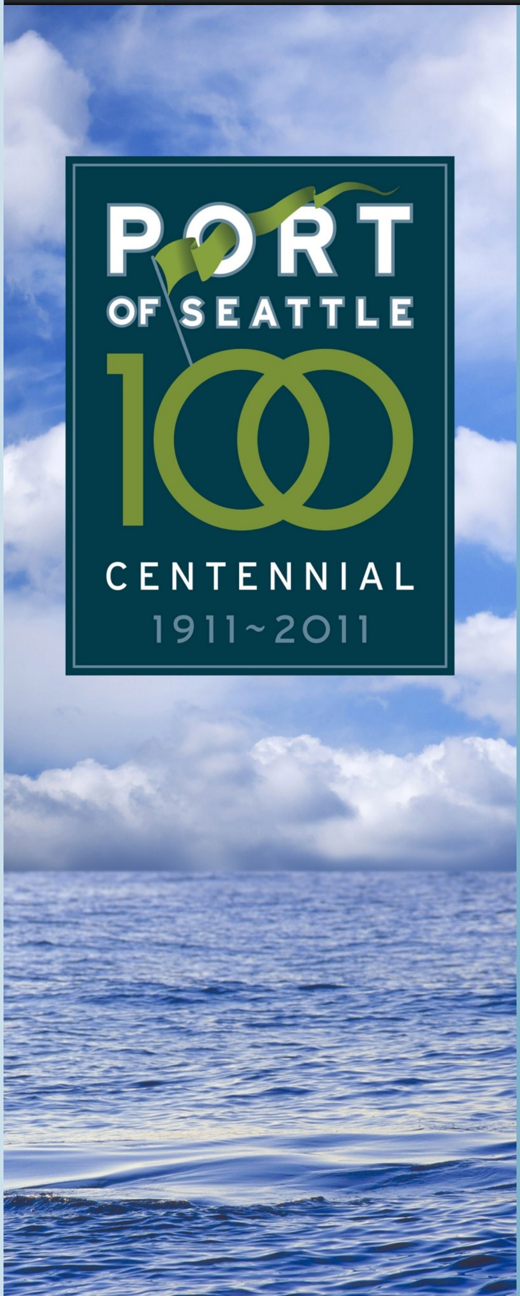


2012
Preliminary Budget
and
Draft Plan of Finance

Port of Seattle

Seattle, Washington

2012 Budget and Business Plan

And

Draft Plan of Finance

Prepared by:
Finance and Budget Departments

Distinguished Budget Presentation Award

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Port of Seattle

Washington

For the Fiscal Year Beginning

January 1, 2011

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Port of Seattle for its annual budget for the fiscal year beginning January 1, 2011.

In order to receive this award, a governmental unit must publish a budget document that meets pro-gram criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to programs requirements, and we are submitting it to GFOA to determine its eligibility for another award.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

BUDGET DOCUMENT ORGANIZATION

This document contains the operating, capital and statutory budgets, business plan and draft plan of finance for the Port of Seattle and is organized as follows:

- **Section I** has the Budget Message from the Chief Executive Officer depicting the 2012 plans, budget highlights, a budget summary, which is summarized in Table I-1 and a cash flow summary in Table I-2 and charts depicting sources and uses of funds. Table I-1 depicts the operating revenues, expenses, capital budget and full-time equivalent positions by division. This table differs from the other tables in section III in that it shows the portion of the corporate/administrative expense that is not allocated to the divisions. Otherwise, the division expenses would not add up to the total port expenses.
- **Section II**, the Port View, contains the history of the port, its facilities and services, strategies, its commissioners and officers and organization chart.
- **Section III**, the Overview of the 2011 business plan and budget contains an executive summary discussion of the Port's Operating and Non-operating Budget, Capital Budget, and Tax Levy.
    - Table III-1 provides a summary of the Port business plan forecast for the period 2011-2016.
    - Table III-2 summarizes the Port's revenues, expenses, and net assets for the years 2008-2012.
    - Table III-3 summarizes the Port's operating revenues and expenses by major account, 2010-2012.
    - Table III-4 summarizes the Port's staffing by division, 2010-2012.
    - Table III-5 summarizes the Port's Capital Budget, 2012-2016.
- The Operating Division summaries for the Aviation, Seaport, and Real Estate Divisions (**Sections IV through VI**) present the summary business plans for each business group, operating budget, staffing, and capital budget for each division. The operating budget is presented by business groups/departments as well as by major revenue and expense accounts. One thing to note is that the business groups/departments table in each division (Table IV-6, V-8, VI-9) differs from the other tables in that it shows the division's controllable costs only and does not reflect the direct charges and corporate allocations expenses from the corporate and capital development divisions.
- **Sections VII and VIII** present a summary of the Capital Development Division and Corporate, descriptions of the departments, operating budgets, staffing, and capital budgets.
- A detailed presentation and discussion of the Tax Levy is provided in **Section IX**.
- Details of the Capital Budget are provided in **Section X**. A summary page presents the total capital budget by business group and by division. Following the summary is a listing of the projects by business group and division.
- The Draft Plan of Finance is provided in **Section XI**.
- The Statutory Budget, which is submitted to King County Council and King County Assessor, is provided in **Section XII**.
- The Appendices include detailed information regarding the budget and financial policies, business assessment, bond amortization schedules, landing fee calculation, other detailed expenditures, glossary of terms used and acronyms, are provided in **Section XIII**.

PORT OF SEATTLE
MEMORANDUM

DATE: October 17, 2011

TO: Port Commission

FROM: Tay Yoshitani, Chief Executive Officer

SUBJECT: 2012 Budget Message

INTRODUCTION

Managing through the economic uncertainty

As we prepare the Port of Seattle budget for 2012, I am mindful of the hard work and sacrifices you have made in the past few years so the port's businesses could continue to operate in a strong and solid financial position. The proactive measures we took were difficult, but they have sustained us through these challenging times and enabled us to achieve positive results.

We continue to face economic uncertainty. The continued slowdown in the U.S. economy, the high unemployment rate at both the national and state levels, the federal deficit reduction negotiation, the on-going cuts to address state and local government budget gaps, and the European sovereign debt crisis all cast doubt on the strength of recovery.

While we anticipate only modest growth in port operating revenues during 2012, we expect noticeable cost increases due to several factors including the new rental car facility and related activities, terminal realignment, deferred maintenance reduction program, and payroll costs. We must continue our prudent and conservative approach to cost management to ensure the port's long-term economic viability.

Port businesses remain steady

Our core businesses are performing well compared to many of our peers. **Sea-Tac Airport** has seen strong passenger growth in the first half of 2011. Through August, domestic enplaned passengers are up 4.2 percent, while international enplanements are up 7.6 percent, for a total increase of 4.5 percent. We don't expect this rate of growth to continue, but anticipate growth for the year to total 3.5 percent, exceeding our previous record for enplaned passengers reached in 2008. For 2012, we are forecasting a 1.5 percent growth rate. Our strategic focus will be to increase facility capacity to accommodate growing international service and cargo, improve customer service, invest in the renewal and replacement of aging assets, and grow non-aeronautical revenues.

The **Seaport** expects an increase in cruise passengers and a new lease at Terminal 106 to increase operating revenues 2.5 percent relative to the 2011 budget. We welcome the addition of a Disney Cruise Line homeport ship, expected to increase passenger volumes by about 10 percent. Critical 2012 Seaport goals include increasing cargo freight and passengers moving through the freight and passenger terminals, developing a stewardship plan for key division assets, and continued implementation of The Green Gateway strategy, which gives us a competitive edge among West Coast ports.

Real Estate Division operating revenue is expected to grow by about 2 percent compared to 2011 budget levels. Third party and lease revenue is expected to increase slightly as the hospitality and real estate markets continue to recover. However, the risk remains for higher vacancies in commercial properties and recreational marinas. Key 2012 focus areas for this division will be cost management, property renewal and replacement, and management of the Eastside Rail Corridor sections retained by the port.

2012 Budget Approach

Because of the economic uncertainty and some known cost increases, we must take a conservative approach to budgeting for 2012. Finance & Budget department has provided each division and Corporate with a preliminary budget target number.

Looking Ahead

As the Port begins its second century, we will have new goals and objectives to guide us for the next 25 years. The Century Agenda strategic planning process has engaged employees and expert panels to create a visionary look forward to the emerging challenges and opportunities of the 21st century. In addition, exciting new investments will enable us to serve our customers and the general public better and improve the environment in our community and region. The new rental car facility will open in spring of 2012; the terminal realignment at the airport is well underway; and we will continue to implement the award-winning Northwest Ports Clean Air Strategy.

BUSINESS PLAN/ OPERATING BUDGET

The fiscal management of the budget is the cornerstone of our success as a Port. The 2012 operating revenues are budgeted at $518.1 million, a $25.3 million or 5.1% increase from 2011 budget. Operating expenses are budgeted at $309.7 million, a $23.9 million or 8.4% increase compared to 2011 budget. Net Operating Income before Depreciation is $208.4 million, a $1.4 million or 0.7% increase.

Aviation

The Aviation Division manages Aeronautical and Non-aeronautical sides of its business. On the Aeronautical side, the Port’s goal is to manage cost in terms of cost per enplanement (CPE). The budgeted 2012 CPE is $13.25, compared to $12.76 in the 2011 budget. On the non-aeronautical side, the primary goal is to increase cash flow as measured by net operating income (NOI).

Operating revenues are budgeted at $387.0 million. Revenues from airlines are $235.6 million, non-airline revenues are $150.1 million, and other revenues are $1.2 million. Total operating expenses are budgeted at $225.0 million. Net operating income before depreciation is $162.0 million.

Seaport

The Seaport includes two major business groups: Lease & Asset Management and Cruise & Maritime Operations. There are also service groups within the Seaport Division. Commercial Strategy, which focuses on marketing container assets, Environmental Services & Planning, and Finance. These businesses and service groups oversee the development and management of cargo and cruise terminals, moorage facilities, and industrial properties connected to these businesses.

Seaport operating revenues are budgeted at $98.6 million. Total operating expenses, including corporate costs, are $46.5 million. Net operating income before depreciation is $52.0 million.

Real Estate

The Real Estate Division includes five functional workgroups: Real Estate Development & Planning, Harbor Services, Maintenance, Property Management & Leasing and Pier 69 Facilities Management. These business and service groups oversee the development and management of various Port assets and vessel moorage facilities. Financial services, project management, facility planning, and environmental services are provided by the Seaport Division.

Real Estate operating revenues are budgeted at $32.4 million. Total operating expenses including corporate costs are $37.2 million. Net operating income before depreciation is minus $4.8 million.

Capital Development

The Capital Development Division (CDD) includes six functional workgroups: Engineering, Port Construction Services, Aviation Project Management Group, Seaport Project Management Group, Central Procurement Office, and CDD Administration. The CDD delivers projects and provides technical and contracting services in support of the business plans and infrastructure needs of the Port of Seattle. Capital Development operating expenses are budgeted at $15.5 million.

Corporate

The three operating divisions of the Port are supported by a number of functional departments as well as service groups, including the Port's Police Department. These functional and service groups allocate their expenses according to the level of service they provide to the divisions. Corporate operating expenses are budgeted at $76.5 million.

CAPITAL BUDGET

The total capital budget for 2012 is $406.4 million and the five year capital improvement program is $1.5 billion, which reflects the Port's continuing commitment to promoting regional economic activity through the investment in the development, expansion, and renewal of Port facilities that supports the Port's Business Plan and Green Initiative.

TAX LEVY

The Port's 2012 Budget assumes a levy amount of $73.5 million, no change from 2011; however, due to the decline in assessed value, the tax levy rate increased by 4.23% to $0.2329 per $1000 of assessed value from $0.2160. The Tax Levy, Section IX of this document provides details on the uses of the Port's levy.

SUMMARY

We still face considerable budget challenges in 2012, but with the right tools, resources and our highly capable employees, we are well positioned to continue the port's strong record of success. The annual budget is an essential management tool to sustain our businesses. I appreciate your commitment to and involvement in the 2012 budget.

2012 Budget Highlights

The Port takes a conservative approach for the 2012 Budget and strives to maintain a strong bottom line. We also continue to invest in business operations that retain and attract customers, create jobs, assure best value and return on investment, and help position the Port for future growth.

- Operating revenues are budgeted at $518.1 million, a $25.3 million or 5.1% increase from 2011 budget. Aeronautical revenues, which are based on cost recovery, are $ 235.6 million, an increase of $18.4 million or 8.5%. Other operating revenues are $282.5 million, an increase of $6.8 million or 2.5% compared to 2011 budget.

- Total Revenues, which include the $518.1 million operating revenues and $205.1 million non-operating revenues, are $723.2 million, a $12.2 million or 1.7% increase from 2011 budget.

- Operating expenses are $309.7 million for 2012 budget, a $23.9 million or 8.4% increase from 2011 budget. The new Rental Car Facility and the Terminal Realignment account for about half of the increase ($11.8 million out of the $23.9 million).

- Other key drivers for cost increase in 2012 budget are baseline payroll and contractual increases, deferred maintenance, initiatives tied to strategic goals and Century Agenda, Audit Committee/Internal Audit initiatives, and other initiatives related to Enterprise Risk Management, Medical Plan review/design and business process improvement.

- To mitigate rising medical costs, the Port will continue the self-funding medical plan in 2012 and ask employees for more medical cost sharing. These and other measures, including the Spirit and Wellness Program, help keep the medical cost at a moderate 2.2% increase for 2012.

- The average pay increase for non-represented employees is budgeted at 3.0% for 2012, which is in line with the projected 3.15% average increase in the regional salary planning surveys.

- Despite the increased costs, the Port's net operating income is forecasted to remain strong at $208.4 million, $1.4 million or 0.7% higher than 2011 budget.

- Operating expenses are $309.7 million and non-operating expenses including depreciation are $330.6 million for 2012 budget. Total expenses are $640.3 million, a $4.2 million or 0.6% reduction from 2011 budget.

- Net operating income after depreciation is $49.9 million and net non-operating income is $33.0 million, resulting in an $82.9 million increase in Net Assets for 2012 budget. This represents a $16.3 million or 24.5% increase from 2011 budget.

- The Port's capital budget for 2012 is $406.4 million, which includes investments in projects that create near-term jobs, as well as environmental initiatives and congestion relief projects that ease the movement of freight throughout the region.

- Major capital projects for 2012 include: Rental Car Facility, Terminal Escalator Modernization, Central Plant Pre-conditioned Air, Aircraft RON Parking, Terminal Realignment, Electrical Ground Service Equipment (EGSE) Rolling Stock, 8th Floor Garage Weather Proofing, Street Vacation Related Projects, T25 South Redevelopment Phase 2, Apron Piling, and Cathodic Protection.

TABLE I-1: 2012 BUDGET SUMMARY

($ in 000's) OPERATING BUDGET	Notes	Aviation	Seaport	Real Estate	Capital	Corporate	Total
Airline Revenue		$ 235,619					$ 235,619
Non-Airline Operating Revenues		150,831	98,579	32,401		151	281,962
Security Reimbursement		0					0
Fuel Hydrant Facility		514					514
Total Operating Revenues		**386,964**	**98,579**	**32,401**	**0**	**151**	**518,095**
Operating and Maintenance Expense	3	157,754	29,078	30,530	0		217,361
Corporate Administrative Expense		47,145	17,458	5,344	0	1,006	70,953
Law Enforcement Costs	1	16,964	0	1,350			18,314
Environmental Expense		3,096	0	0		0	3,096
Total Operating Expense		**224,959**	**46,536**	**37,224**	**0**	**1,006**	**309,725**
Net Operating Income before Depreciation		**162,005**	**52,043**	**(4,823)**	**0**	**(855)**	**208,370**
Depreciation		117,072	31,713	9,694		0	158,479
Net Operating Income after Depreciation		**44,934**	**20,330**	**(14,517)**	**0**	**(855)**	**49,891**
Revenue Bond Interest Expense		(121,075)	(12,084)	(2,647)	0	0	(135,806)
Interest Income		4,380	1,306	62	0	0	5,748
Non-Op Environmental Expense		0	(5,090)	(200)	0	0	(5,290)
Other Non-Op Income (Expense)		(901)	(2,278)	(397)	0	0	(3,576)
Ad Valorem Tax Levy Revenue	2	546	49,320	23,634	0	0	73,500
Public Expense		(650)	(5,004)	0	0	0	(5,654)
G.O. Bond Interest & Amortization		0	(12,887)	(2,039)	0	0	(14,926)
Passenger Facility Charges		63,448	0	0	0	0	63,448
Customer Facility Charges		21,333	0	0	0	0	21,333
Fuel Hydrant revenue	4	7,839	0	0	0	0	7,839
PFC Bond Interest & Amortization		(6,826)	0	0	0	0	(6,826)
Non Capital Grants and Donations		1,479	0	300	0	0	1,779
Net Non-operating		**(30,427)**	**13,283**	**18,712**	**0**	**0**	**1,568**
Capital Contributions		**28,982**	**2,466**	**0**	**0**	**0**	**31,448**
Revenue Over Expense		**$ 43,487**	**$ 36,079**	**$ 4,195**	**$ -**	**$ (855)**	**$ 82,907**

CAPITAL BUDGET	Aviation	Seaport	Real Estate	Capital	Corporate	Total
Committed	$ 276,926	$ 25,706	$ 10,924	$ 398	$ 11,524	$ 325,478
Business Plan Prospective	69,908	4,868	3,600	0	2,525	80,901
Total	**$346,834**	**$ 30,574**	**$ 14,524**	**$ 398**	**$ 14,049**	**$406,379**

EMPLOYEES	Aviation	Seaport	Real Estate	Capital	Corporate	Total
Total FTE's	**859.0**	**59.9**	**165.8**	**255.8**	**452.2**	**1,792.7**

ONEPGSUM.XLS

Notes:

1) 2012 Budget law enforcement costs includes Police costs.
2) See Tax Levy Section IX for detail of tax levy use.
3) Capital Development Division allocates expenses to the Aviation, Seaport and Real Estate divisions.
4) Fuel Hydrant non-cash recorded as non-operating revenues based on Accounting change.

TABLE I-2: CASH FLOW SUMMARY

($ in 000s)		2012	Percent of Total
Beginning balance of cash & investments		**$ 717,812**	
SOURCES OF CASH			
Operating Revenues		518,095	71.6%
Interest Receipts		5,748	0.8%
Proceeds from Bond Issues		0	0.0%
Grants and Capital Contributions		33,227	4.6%
Tax Levy		73,500	10.2%
Passenger Facility Charges		63,448	8.8%
Rental Car Customer Facility Charges		21,333	2.9%
Fuel Hydrant Receipts		7,839	1.1%
Other Receipts		754	0.1%
Total		**723,943**	**100%**
Anticipated available funds		**1,441,756**	
USES OF CASH			
Expenses from Operations:			
Operating & Maintenance Expense	217,361		21.4%
Corporate Administrative Expense	70,953		7.0%
Law Enforcement Costs	18,314		1.8%
Environmental Expenditures	3,096		0.3%
Total Operating Expenses		309,725	30.5%
Debt Service:			
Interest Payments	159,240		15.7%
Bond Redemptions	124,200		12.2%
Total Debt Service		283,440	27.9%
Other Expenses		9,619	0.9%
Public Expense		5,654	0.6%
Capital Expenditures		406,379	40.0%
Total		**1,014,817**	**100%**
Ending balance of cash & investments		**$ 426,938**	
Increase (decrease) of cash during year		**$ (290,873)**	
			cashflow.xls

Note: We built-up a significant cash balance in the past few years due to economic uncertainty, and we are planning to draw down the cash balance in 2012.

FIGURE I-1: SOURCES OF FUNDS

($ in 000's)

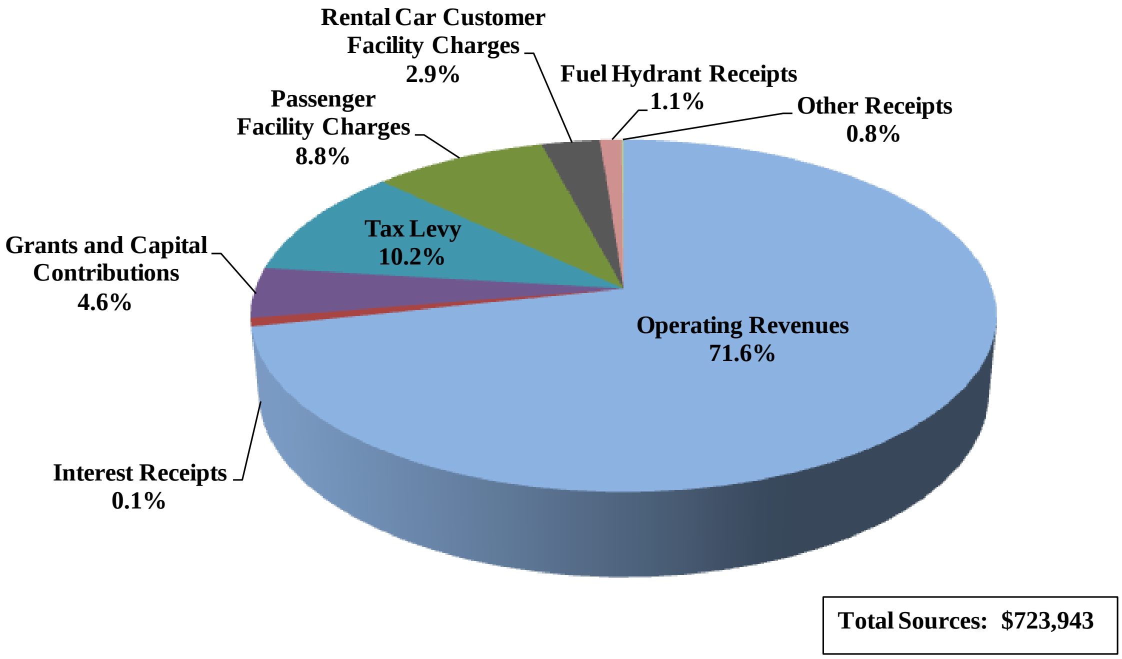
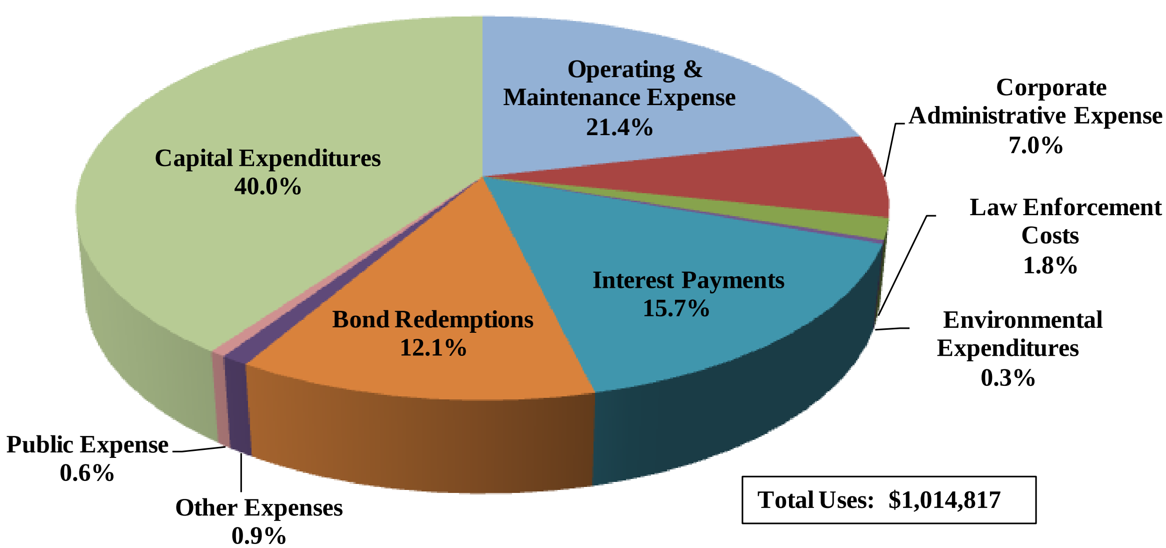


FIGURE I-2: USES OF FUNDS

($ in 000's)



A. THE PORT OF SEATTLE

The Port of Seattle, (the "Port"), is a public enterprise with unique authority operating in an international, market-driven environment. The Port provides services to its customers in order to return benefits to the citizens of King County, giving careful consideration to the economic, social, and environmental implications of its decisions.

The Port is comprised of three operating divisions, namely Aviation, Seaport, and Real Estate, in addition to the Capital Development Division and Corporate. The Aviation Division manages the Seattle-Tacoma International Airport, ("Sea-Tac"). The Seaport Division manages (primarily through leases) cargo and passenger marine terminals as well as industrial property connected with maritime businesses. The Real Estate Division manages moorage facilities, leases commercial and industrial buildings/properties, and plans and facilitates the development of selected real estate assets.

The Capital Development Division was established during 2008 and became fully operational during 2009. It houses existing engineering, project management and construction functions and the Port's new Central Procurement Office which consolidates contracting and procurement functions.

Corporate Division provides high quality and cost-effective professional and technical services to the operating divisions and support the overall goals of the Port.

B. HISTORY OF THE PORT OF SEATTLE

The Port was established in 1911 in an effort by citizens to ensure public ownership of the Seattle harbor. The Port of Seattle was the first autonomous municipal corporation in the United States specifically tasked to develop harbor and Port facilities to encourage commerce. The Port opened Fishermen's Terminal in 1912, its first warehouse in 1915 and began working on the creation of Harbor Island. Since then, the Port has developed numerous properties as well as constructed the Seattle-Tacoma International Airport in 1949.

The Port's task hasn't changed over the years but its scope of services has expanded considerably. The Port continues to upgrade and modernize its facilities to meet current market demands. The Port has added container terminals, a grain terminal, cruise terminals, marinas, public parks and viewpoints and contributed significantly in the development of public amenities along Seattle's waterfront.

C. PORT OF SEATTLE FACILITIES AND SERVICES

Sea-Tac is located on 2,800 acres sixteen miles south of downtown Seattle. The Port has made significant improvements to the airport including a new terminal expansion, and infrastructure upgrades. The airport includes 3 runways that are 11,900 feet, 9,425 feet, and 8,500 feet in length and a subway system linking the concourses. Sea-Tac is the 17th largest U.S. airport as measured by total passengers and compared to other large airports and has relatively high originations and destinations traffic.

Seaport facilities encompass approximately 1,200 acres of moorage and cargo-related facilities. Over 500 acres are dedicated to container operations at 4 terminals with over12,300 feet of container berth space and 24 cargo cranes-including 7 Super Post-Panamax cranes. The Seaport also owns a fully automated grain terminal and general purpose maritime facilities. It is home to the North Pacific factory trawler fishing fleet. The Seaport also operates 2 cruise vessel terminals with a total of 3 berths. In addition, the Seaport leases industrial property connected with these cruise, cargo, and factory trawler fishing businesses.

The Real Estate Division manages the Port's holdings in commercial real estate, recreational marinas, industrial fishing terminals and developable property. This division was formed in 2008 and allows the Seaport and Aviation Divisions to concentrate on their core businesses.

FIGURE II-1: FACILITY MAP

D. STRATEGIC PLANNING

Strategic Overview: Creating a Sustainable Port

The Port's five-year strategic plan is driven by several key strategic challenges and opportunities facing the institution and the region today, with the goal of long-term sustainability. These challenges and opportunities include:

- Increasing competition from other ports, airports, and regions.
- Decreasing availability of public funds.
- Decreasing profit margins for most port and airport customers.
- Complying with new security restrictions and costs to the global transportation system.
- Increasing surface traffic congestion.
- An emerging new economy based on information-intensive products and services.
- A growing community interest in sustainability, to achieve a long-term balance of economic, social and environmental objectives and values.
- Influencing the demographics changes in present and future workforce.

The strategic focus of the organization for 2012 will center on these initiatives:

- Bring environmental leadership to front and center of entire organization.
- Achieve 2012 operating profit goals.
- Keep capital projects on schedule and budget.
- Strengthen the oversight of capital development and management.
- Promote programs for a high performance organization.
- Be proactive in public relations.

Mission

Creating economic vitality HERE

Vision and Values

At the Port of Seattle, we:

- Invest in QUALITY services and facilities for our customers and community.
- Act with INTEGRITY and OPENNESS.
- Take RESPONSIBILITY and make the hard choices.
- Treat each other with TRUST AND RESPECT.
- Embrace DIVERSITY in our workforce and partnerships.
- Promote CONTINUOUS IMPROVEMENT in our organization and in ourselves.

Strategies

- Ensure Airport and Seaport vitality.
- Develop new business and economic opportunities for the region and the Port.
- Enhance public understanding and support of the Port's role in the region.
- Be a catalyst for regional transportation solutions.
- Be a leader in transportation security.
- Exhibit environmental stewardship through our actions.
- Be a high performance organization.

E. COMMISSIONERS AND OFFICERS

The Port Commission is the legally constituted governing body of the Port of Seattle. As a governing body of a special purpose municipal corporation, it is charged with the responsibility of fulfilling legislatively mandated purposes and objectives.

The Port Commission is made up of five elected individuals. They are:

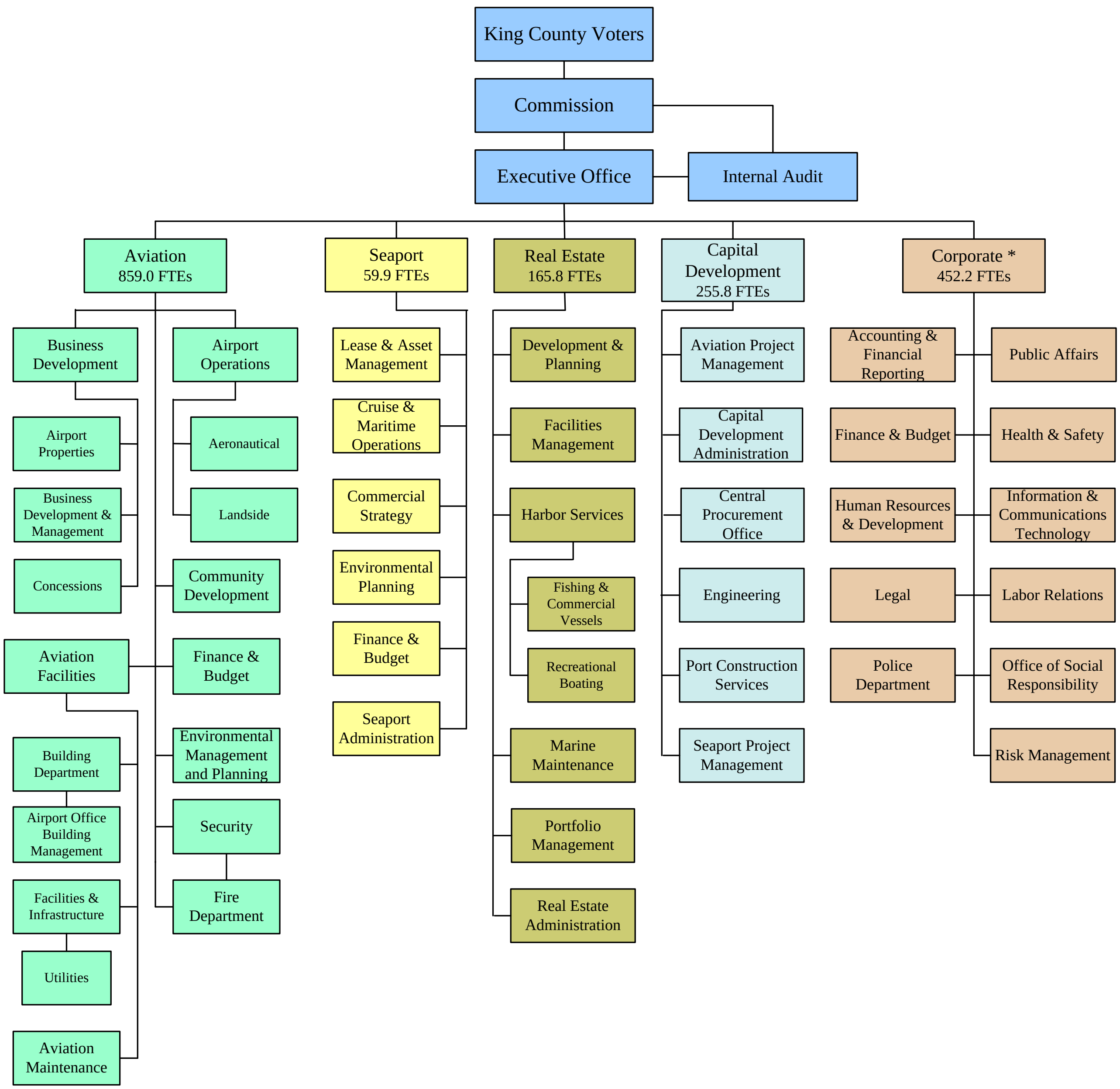
Bill Bryant, Chair and President
Rob Holland, Vice President
John Creighton, Secretary
Tom Albro, Assistant Secretary
Gael Tarleton, Commissioner

The senior officers of the Port are:

Tay Yoshitani, Chief Executive Officer
Kurt Beckett, Chief of Staff
Mark Reis, Managing Director, Aviation
Linda Styrk, Managing Director, Seaport
Dan Thomas, Chief Financial and Administrative Officer
Craig Watson, General Counsel
Ralph Graves, Managing Director, Capital Development
Joe McWilliams, Managing Director, Real Estate
Patricia Akiyama, Director, Public Affairs
Colleen Wilson, Chief, Police Department

F. ORGANIZATION CHART

FIGURE II-2: ORGANIZATION CHART



*For reporting purposes, Commission Office, Executive Office, and Internal Audit all roll up to Corporate.

A. BUSINESS PLAN OVERVIEW

Table III-1 below is a summary of the combined business plan forecasts of the Port's operating divisions, which can be found in Sections IV, V and VI.

TABLE III-1: PORT OF SEATTLE BUSINESS PLAN FORECAST

($ in 000's)		Budget	Budget	Forecast				Compound Growth
OPERATING BUDGET	**Notes**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2011-2016**
Airline Revenue		$ 217,200	$ 235,619	$ 263,093	$ 276,525	$ 289,057	$ 296,224	6.4%
Non-airline Revenue	1	275,084	281,962	294,429	310,247	318,191	327,358	3.5%
Fuel Hydrant Facility		8,353	514	514	514	514	514	-42.7%
Fuel Hydrant Facility reclass to non-ops revenues	2	(7,839)	0	0	0	0	0	-100.0%
Total Operating Revenues		**492,797**	**518,095**	**558,036**	**587,286**	**607,762**	**624,096**	**4.8%**
Operating & Maintenance Expense		197,781	217,361	232,044	220,501	226,066	232,310	3.3%
Corporate & Capital Development Division Costs	1	68,553	70,953	72,522	75,198	77,980	80,871	3.4%
Law Enforcement Costs		17,739	18,314	18,870	19,443	20,034	20,642	3.1%
Environmental Expense		1,771	3,096	3,189	3,285	3,384	3,485	14.5%
Total Operating & Maintenance Expenses	1	**285,844**	**309,725**	**326,626**	**318,428**	**327,463**	**337,308**	**3.4%**
Net Operating Income Before Depreciation		**206,954**	**208,370**	**231,410**	**268,858**	**280,300**	**286,788**	**6.7%**
Total Depreciation Expense		160,491	158,479					
Net Operating Income after Depreciation		**$ 46,464**	**$ 49,891**					
								Total 2012-2016
Committed Capital Budget		$ 288,327	$ 325,478	$ 136,958	$ 43,078	$ 10,523	$ 15,930	$ 531,967
Business Plan Prospective		90,206	80,901	228,041	215,577	146,063	306,070	976,652
TOTAL CAPITAL BUDGET	3	**$ 378,533**	**$ 406,379**	**$ 364,999**	**$ 258,655**	**$ 156,586**	**$ 322,000**	**$ 1,508,619**

POSBPFOR.XLS

Notes:

1) Includes revenue from Corporate & Capital Development departments and corresponding offset to allocated charges from Corporate departments.
2) Fuel Hydrant non-cash recorded as non-operating revenues based on Accounting change.
3) See Section X for details of Capital Budget.

B. OPERATING BUDGET OVERVIEW

OVERVIEW

The 2012 budget proposes total operating revenues of $518.1 million and total operating expenses of $309.7 million. Net Operating Income before Depreciation calculates to $208.4 million. Net Operating Income after Depreciation is budgeted at $49.9 million.

AVIATION DIVISION

The Aviation Division operates the Seattle-Tacoma International Airport, which was the seventeenth largest US airport as measured by total passengers in 2010. Enplaned passenger traffic at Sea-Tac grew by 1.0% in 2010. For the year through August, enplaned passengers are 4.5% above 2010. The forecast of total passengers for 2011 is 4.0% above 2010. The 2012 budget assumes growth of 1.5%. For 2013 and beyond, we assume a long-term growth rate of 2.2%. This is consistent with the Federal Aviation Administration's (FAA) December 2009 long-term forecast for Sea-Tac Airport. Current and long-term cost management continues to be a strategic focus of Sea-Tac Airport.

Operating revenues are budgeted to be $387.0 million, a $24.3 million or 6.7% increase from 2011 budget. Aeronautical revenues are budgeted to increase by $18.4 million or 8.5% while non-airline revenues are budgeted to increase by $5.9 million or 4.0% compared to 2011 budget.

Total airport operating expenses are budgeted to total $225.0 million. This represents a 11.9% increase compared to the 2011 budget. For the Aviation Division alone, the 2012 budget is increasing by 15.2% primarily due to the new consolidated rental car facility and the terminal realignment. Net operating income before depreciation is $162.0 million.

SEAPORT DIVISION

The Seaport includes two major business groups: Lease & Asset Management and Cruise & Maritime Operations. There are also service groups within the Seaport Division. Commercial Strategy, which focuses on marketing container assets, Environmental Services & Planning, and Finance. These businesses and service groups oversee the development and management of cargo and cruise terminals, moorage facilities, and industrial properties connected to these businesses.

The most critical measure of the Seaport's financial sustainability is a growing, positive Net Operating Income (NOI). Only with strong financial performance, can the Seaport provide the economic, community and environmental benefits that are the essence of its mission.

Seaport operating revenues are $98.6 million. Total operating expenses including corporate costs are $46.5 million. Net operating income before depreciation is $52.0 million.

REAL ESTATE DIVISION

The Real Estate Division is committed to increasing the economic vitality of our region and generating new business opportunities for the Port. This will be accomplished by leveraging the Port's partnerships with local and regional commercial and industrial businesses and real estate partners. The Real Estate Division also intends to identify and pursue opportunities that enhance the region's long-term vitality and ultimately produce new revenue for the Port.

The Real Estate Division integrates the efforts of five functional workgroups: Real Estate Development & Planning, Harbor Services, Marine Maintenance, Portfolio Management and Pier 69 Facilities Management. These business and service groups oversee the development and management of various Port assets and vessel moorage facilities. Financial services, project management, facility planning, and environmental services are acquired from the Seaport Division.

Real Estate operating revenues are $32.4 million. Total operating expenses including corporate costs are $37.2 million. Net operating loss before depreciation is $4.8 million.

CAPITAL DEVELOPMENT DIVISION

The Capital Development Division (CDD) delivers projects and provides technical and contracting services in support of the business plans and infrastructure needs of the Port. The three operating divisions of the Port are supported by the CDD based on level of project and contracting services required to support their operations and capital & expense project needs. The services by the departments within the division are demand driven.

Operating expenses for Capital Development Division are $15.5 million for 2012.

CORPORATE

The three operating divisions and Capital Development division are supported by a number of functional departments as well as service groups. These functional and service groups allocate their expenses according to the level of service they provide to the divisions.

Many of the corporate departments are vital to the success of the operating divisions for providing essential services such as accounting, legal services, computer support, etc. Their services also benefit the public in general and play an indirect role in the success of the operating divisions.

Operating expenses for Corporate are $76.5 million for 2012.

NON-OPERATING REVENUE AND EXPENSE

Non-operating revenues are budgeted to be $205.1 million and non-operating expenses are budgeted to be $172.1 million; net non-operating income is budgeted at $33.0 million. The budget contains a tax levy amount of $73.5 million. The millage rate is estimated to be $0.2329/1000.

CASH FLOW SUMMARY

Table I-2 from section I, page 6, reveals that operating revenues will make up 71.6% of the Port's budgeted cash receipts for 2012. The tax levy is projected to be $73.5 million and accounts for 10.2% of total budgeted receipts in 2012.

Total cash outlays are budgeted to be $1.01 billion for 2012. Of this amount, capital expenditures make up the largest portion, $406.4 million or 40.0%. By comparison, total operating expenses (including Operating & Maintenance, Corporate Administrative, Law Enforcement Costs and Environmental Reserve) will make up 30.5%.

TABLE III-2: REVENUES, EXPENSES, AND NET ASSETS

($ in 000's) Notes	2008 Actual	2009 Actual	2010 Actual	2011 Budget	2011 Forecast	2012 Budget
OPERATING REVENUES:						
Services	$ 187,791	$ 163,983	$ 174,562	$ 184,690	$ 183,458	$ 206,499
Property rentals	286,139	274,584	284,898	303,788	303,072	308,838
Fuel Hydrant facility revenues	2,926	7,845	7,911	7,839	7,839	-
Operating grant and contract revenues	1,667	3,023	3,119	4,320	2,995	2,758
Total operating revenue	**478,523**	**449,435**	**470,490**	**500,636**	**497,364**	**518,095**
OPERATING EXPENSES BEFORE DEPRECIATION:						
Operations and maintenance	209,960	182,995	188,678	214,793	204,118	236,788
Law enforcement	20,221	19,136	19,949	22,180	22,439	23,490
Administration	44,438	43,636	44,837	46,600	51,049	46,351
Environmental	-	-	-	2,271	702	3,096
Total operating expenses before depreciation	**274,619**	**245,767**	**253,464**	**285,844**	**278,308**	**309,725**
NET OPERATING INCOME BEFORE DEPRECIATION	**203,904**	**203,668**	**217,026**	**214,792**	**219,056**	**208,370**
DEPRECIATION	**144,208**	**157,068**	**160,775**	**160,491**	**160,491**	**158,479**
OPERATING INCOME	**59,696**	**46,600**	**56,251**	**54,301**	**58,565**	**49,891**
NON-OPERATING INCOME (EXPENSE):						
Ad valorem tax levy revenue	75,680	75,587	73,125	73,500	73,500	73,500
Passenger facility charges revenue	60,708	59,689	59,744	60,379	61,933	63,448
Customer facility charges revenue	22,947	21,866	23,243	22,237	23,275	21,333
Fuel hydrant income				-	-	7,839
Non Capital Grants and donations	10,473	7,153	12,473	8,493	8,493	1,779
Investment income - net	39,004	17,251	13,096	13,654	13,654	5,748
Revenue and capital appreciation bond interest expense	(105,517)	(121,148)	(133,239)	(148,206)	(148,206)	(135,806)
Passenger facility charges revenue bond interest expense	(11,412)	(10,956)	(10,187)	(10,191)	(10,191)	(6,826)
General obligation bond interest expense	(17,059)	(15,785)	(17,463)	(13,780)	(13,780)	(14,926)
Public Expense	(27,494)	(20,370)	(25,085)	(17,205)	(17,205)	(5,654)
Non-Op Environmental Expense - net	(5,659)	(14,676)	(22,730)	(6,200)	(6,200)	(5,290)
Other (expense) income - net	848	(10,003)	(7,276)	(2,521)	(2,521)	(3,576)
Total non-operating (expense) income - net	**42,519**	**(11,392)**	**(34,299)**	**(19,839)**	**(17,248)**	**1,568**
INCOME BEFORE CAPITAL CONTRIBUTIONS	**102,215**	**35,208**	**21,952**	**34,462**	**41,317**	**51,459**
CAPITAL CONTRIBUTIONS	**52,436**	**76,781**	**30,519**	**32,106**	**32,106**	**31,448**
INCREASE IN NET ASSETS	**$154,651**	**$111,989**	**$ 52,471**	**$ 66,568**	**$ 73,423**	**$ 82,907**
EMPLOYMENT (FTES)	**1778.4**	**1779.3**	**1696.1**	**1697.2**	**1711.2**	**1792.7**

Notes: Fuel Hydrant revenue was reclassified from Operating to Non-Operating revenue beginning in 2012. BDREVEXP

TABLE III-3: REVENUES AND EXPENSES BY ACCOUNT CATEGORY

($ in 000's) TOTAL PORT	Notes	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud - 2011 Bud
Operating Revenue					
Dckg, Whrfg, Serv & Facility, Passenger Fee		$ 2,589	$ 2,210	$ 3,389	53.3%
Equipment Rental		10,105	9,827	8,374	-14.8%
Berthage & Moorage		11,233	11,083	10,378	-6.4%
Landing Fees		56,647	61,200	70,152	14.6%
Airport Transportation Fees		4,814	6,876	7,459	8.5%
Parking Revenue		52,482	56,086	57,036	1.7%
Revenue from Sale of Utilities		11,873	12,185	11,937	-2.0%
Property Rental Revenue		287,981	296,912	301,379	1.5%
Other Revenue		32,764	44,258	47,992	8.4%
Fuel Hydrant non-cash reclass to non-operating	1	(7,912)	(7,839)	0	-100.0%
Total Operating Revenue		**462,577**	**492,797**	**518,095**	**5.1%**
Operating Expense					
Salaries, Wages, Benefits & Workers Compensation		175,505	193,300	210,537	8.9%
Equipment Expense		6,444	6,415	5,957	-7.1%
Utilities		19,259	20,696	21,180	2.3%
Supplies & Stock		6,711	6,407	6,739	5.2%
Outside Services		41,407	56,867	62,395	9.7%
Travel & Other Employee Expenses		3,461	5,036	5,524	9.7%
Promotional Expenses		1,120	1,739	1,248	-28.2%
Other Expenses		23,343	26,311	24,235	-7.9%
Total O&M without Environmental		**277,249**	**316,770**	**337,819**	**6.6%**
Environmental Expense		4,708	2,271	3,096	**36.3%**
Total O&M with Environmental		**281,957**	**319,041**	**340,916**	**6.9%**
Charges to Capital Projects		(28,493)	(33,197)	(31,191)	-6.0%
Expense after Charges to Capital Projects		**$ 253,464**	**$ 285,844**	**$ 309,725**	**8.4%**

table4.xls

Notes:

1) Fuel Hydrant non-cash recorded as non-operating revenues based on Accounting change.

FIGURE III-1: OPERATING REVENUES BY SOURCE: 2012

($ in 000's)

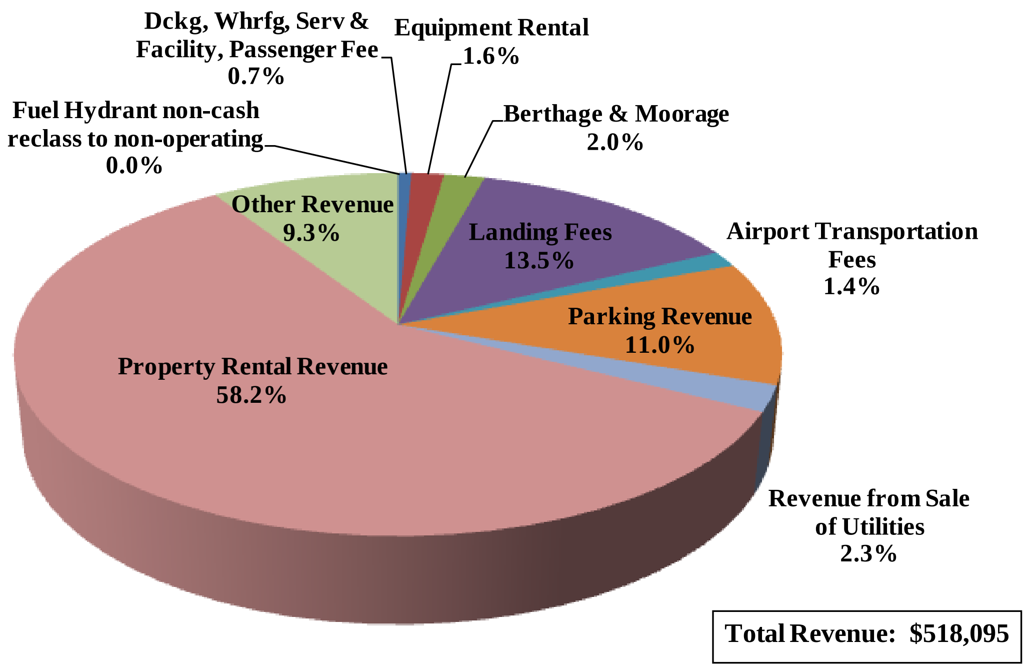
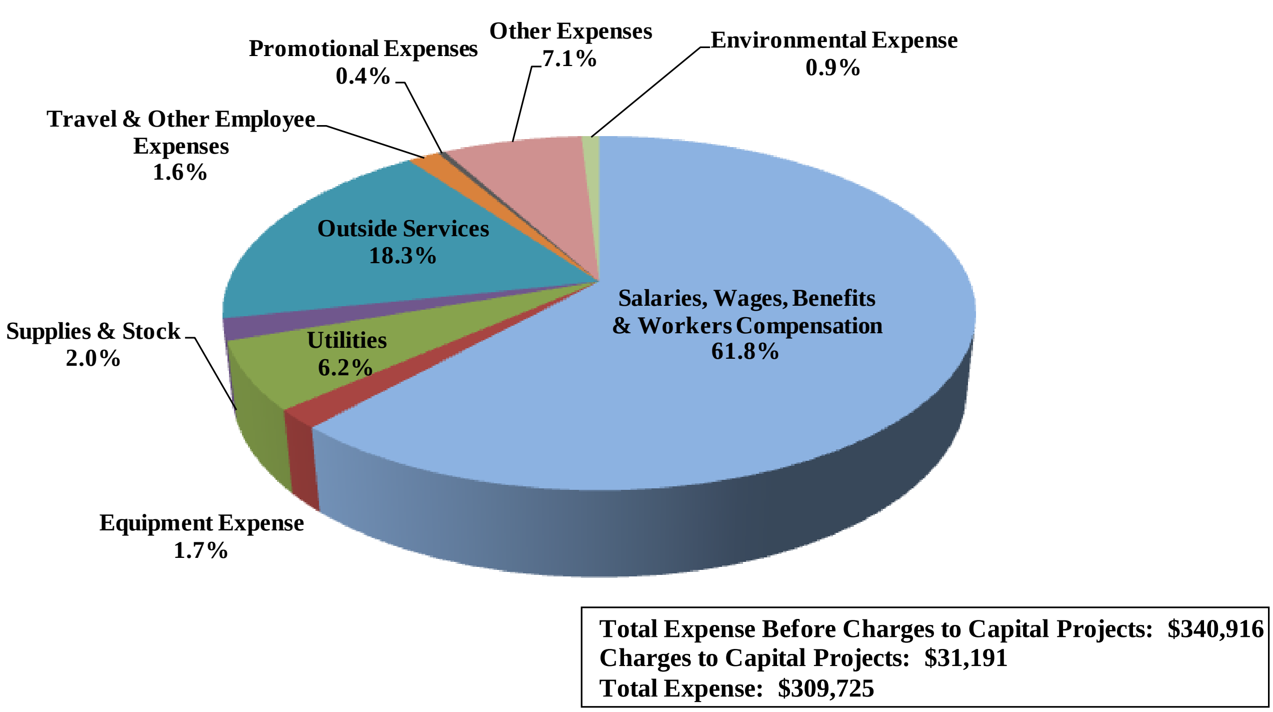


FIGURE III-2: OPERATING EXPENSES BY USAGE: 2012

($ in 000's)



C. BUDGET OVERVIEW - STAFFING

The 2012 budget proposes an increase of 95.5 Full-time Equivalent positions (FTEs) to 1,792.7 FTEs compared to 1,697.2 FTEs in the 2011 budget.

Aviation, Seaport and Real Estate divisions are budgeting 859.0, 59.9, and 165.8 FTEs, respectively for 2012.

The Capital Development Division is budgeting 255.8 FTEs and Corporate is budgeting 452.2 FTEs.

Aviation is increasing 97.1 FTEs from the approved budget mainly due to 59.0 FTEs for the Rental Car and Bus Maintenance Facilities, 17.0 FTEs for New Facilities & Asset Management and the others for Customer Service, Employee and Cost Management and various other initiatives.

Seaport is budgeting 59.9 FTE's for 2012, which is .5 lower than 2011 budget since it eliminated 1.7 FTEs and added a .4 FTE for the Sr. Financial Analyst to become full-time and a .8 FTE for a Limited Duration Real Estate Specialist.

Real Estate is budgeting 165.8 FTE's, which is 1.0 higher than 2011 budget, which is for the Real Estate Development and Planning Assistant position; Capital Development is eliminating 9.8 FTEs, and there is an increase in Corporate of 4.6 FTEs.

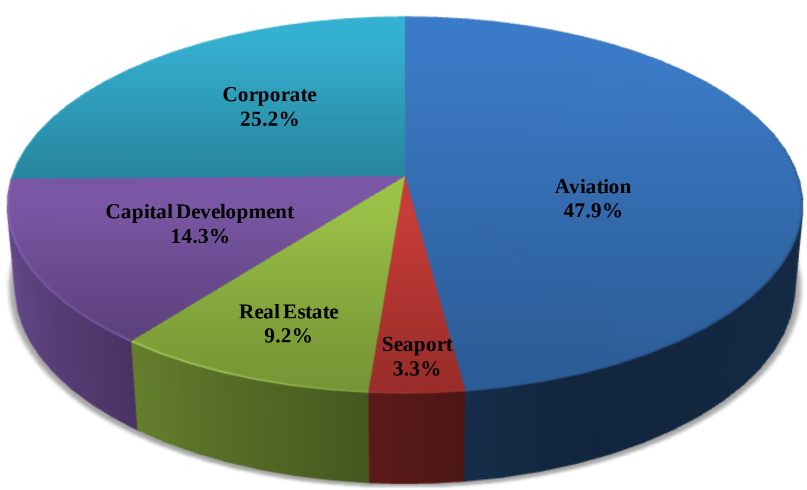
More information for each of these categories is provided in the Aviation, Seaport, Real Estate, Capital Development Division, and Corporate sections of this document (Sections IV to VIII).

TABLE III-4: PORT STAFFING BY DIVISION

PORT STAFFING (Full-Time Equivalent Positions)						% Change	
Divison	Note	**2010 Actual**	**2011 Budget**	**2011 Est. Act.**	**2012 Budget**	**12 Bud-11 Bud**	**12 Bud-11 Est**
Aviation		746.4	761.9	773.0	859.0	12.7%	11.1%
Seaport		59.4	60.4	59.1	59.9	-0.8%	1.4%
Real Estate		164.8	164.8	164.8	165.8	0.6%	0.6%
Capital Development		268.0	262.5	264.5	255.8	-2.6%	-3.3%
Corporate		457.5	447.6	449.8	452.2	1.0%	0.5%
Total FTE's		**1,696.1**	**1,697.2**	**1,711.2**	**1,792.7**	**5.6%**	**4.8%**

FTE.XLS

FIGURE III-3: PORT STAFFING BY DIVISION: 1792.7 FTE's for 2012



D. CAPITAL BUDGET OVERVIEW

For the Port to meet the waterborne and air transportation needs of the region and to serve its customers, it must invest in the acquisition, development and maintenance of long-term assets. For an organization as large and diverse as the Port, this requires comprehensive long-term capital planning which synthesizes the existing and anticipated business environment, careful estimates of customer demand for facilities, available resources, and the priorities of the organization.

The 2012 Capital Budget reflects the Port's continuing commitment to promoting regional economic activity through the investment of $406.4 million in the development, expansion, and renewal of Port facilities. For a complete discussion of the Port's long-term capital and funding plan, refer to Sections X and XI, Capital Budget and Draft Plan of Finance.

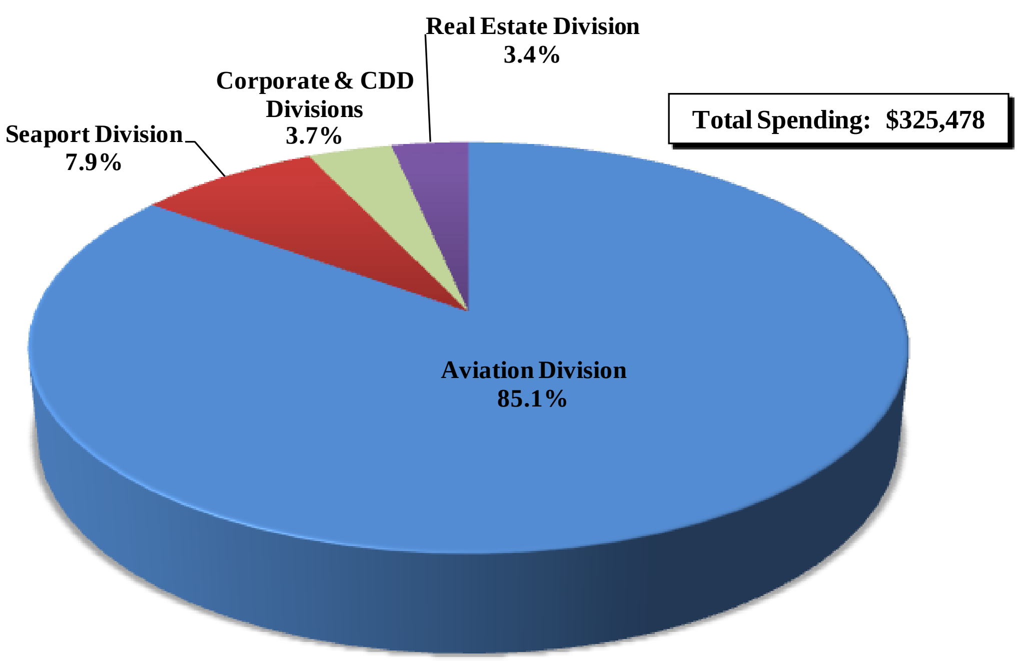
Table III-5 below summarizes divisional spending in the 2012 Capital Budget:

TABLE III-5: CAPITAL BUDGET

($ in 000's) **Committed Capital Projects**	**2012 Budget**	**2012-2016 CIP**	**% of 2012 Total Committed**
Aviation Division	$276,926	$443,723	85.1%
Seaport Division	25,706	41,744	7.9%
Corporate & CDD Divisions	11,922	25,175	3.7%
Real Estate Division	10,924	21,325	3.4%
Total Committed	**$325,478**	**$531,967**	100.0%
Business Plan Prospective Projects	**$80,901**	**$976,652**	
Total CIP	**$406,379**	**$1,508,619**	
			capsum.xls

Note: Definitions and details of the capital budget can be found in Section X.

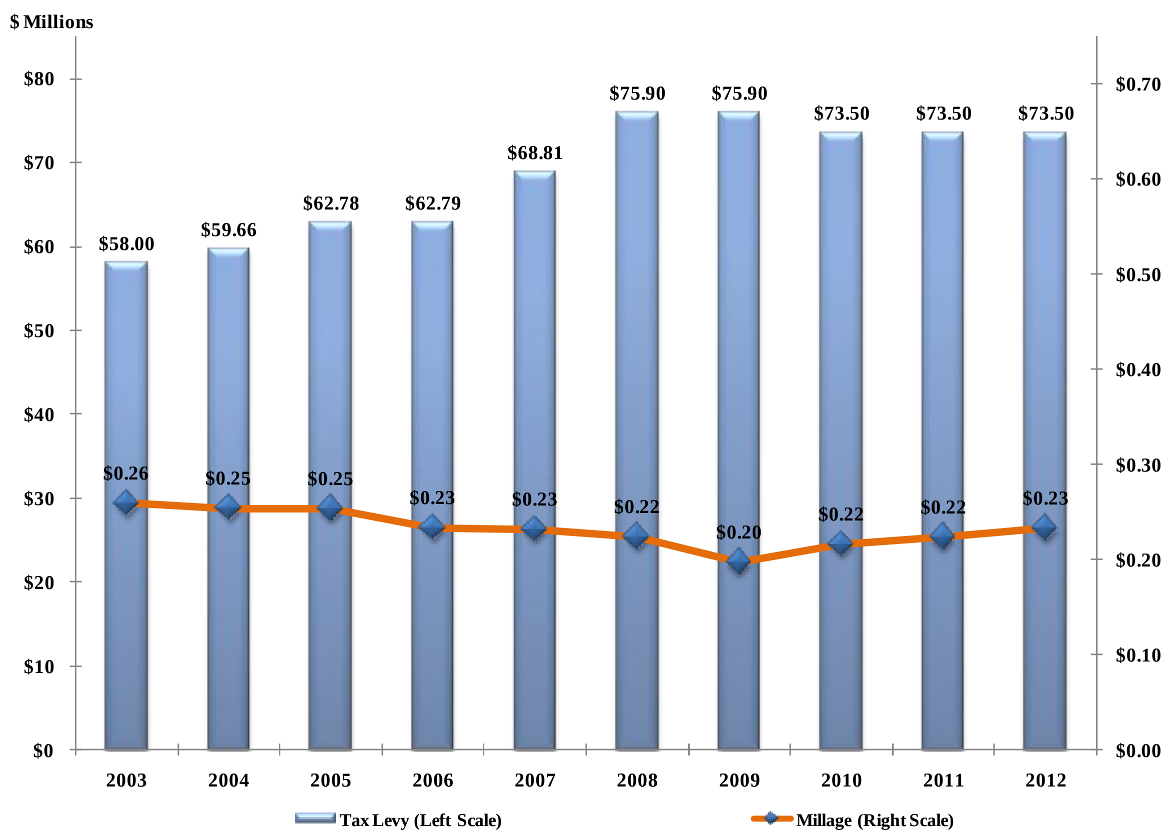
FIGURE III-4: 2012 COMMITTED CAPITAL BUDGET



E. TAX LEVY

- The maximum allowable levy for 2012 is $90.1 million.
- For 2012 the levy will be $73.5 million.
- The millage rate is estimated to be $0.2329.
- The 2012 levy will be used for:
    - General Obligation (G.O.) Bond Debt Service
    - Public Asset Expense: Freight Mobility
    - Seaport and Real Estate Environmental Remediation Liability
    - A portion of Real Estate operating expenses
    - Capital Improvements
    - Office of Port Jobs

FIGURE III-5: TAX LEVY VS. MILLAGE RATE 2002-2012



AVIATION DIVISION

A. 2012 BUDGET SUMMARY

TABLE IV-1: 2012 CASH FLOW SUMMARY

($ in 000s)		2012	Percent of Total
SOURCES OF CASH			
Operating Revenues		$ 386,964	75.1%
Interest Receipts		4,380	0.9%
Proceeds from Bond Issues		-	0.0%
Grants and Capital Contributions		30,461	5.9%
Tax Levy		546	0.1%
Passenger Facility Charges		63,448	12.3%
Rental Car Customer Facility Charges		21,333	4.1%
Fuel Hydrant Receipts		7,839	1.5%
Other Receipts		153	0.0%
Total		**515,125**	**100%**
USES OF CASH			
Expenses from Operations:			
Operating & Maintenance expense	157,754		20.2%
Corporate Administrative Expense	47,145		6.0%
Law Enforcement Costs	16,964		2.2%
Environmental Expenditures	3,096		0.4%
Total Operating Expenses		224,959	28.8%
Debt Service:			
Interest Payments	129,296		16.5%
Bond Redemptions	78,875		10.1%
Total Debt Service		208,171	26.6%
Other Expenses		1,054	0.1%
Public Expense		650	0.1%
Capital Expenditures		346,834	44.4%
Total		**$ 781,667**	**100%**
			cashflow_av.xls

Note: We built-up a significant cash balance in the past few years due to economic uncertainty, and we are planning to draw down the cash balance in 2012.

FIGURE IV-1: SOURCES OF CASH

($ in 000's)

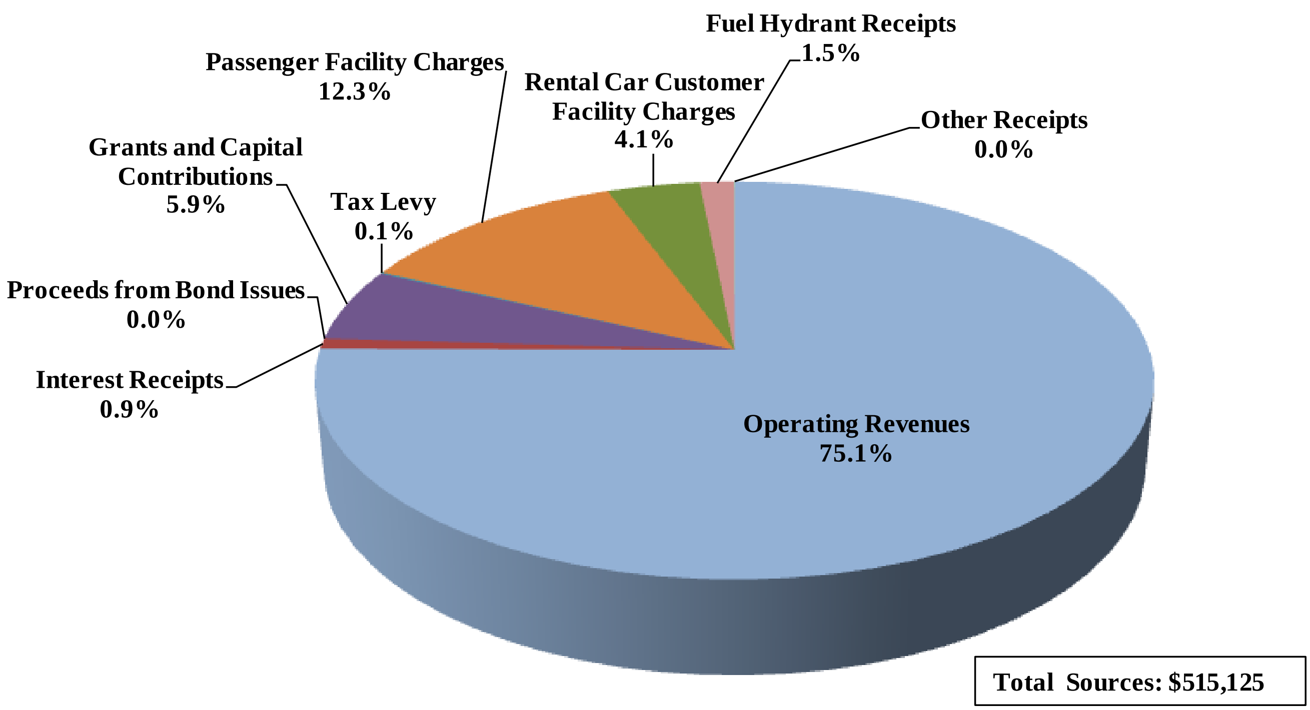
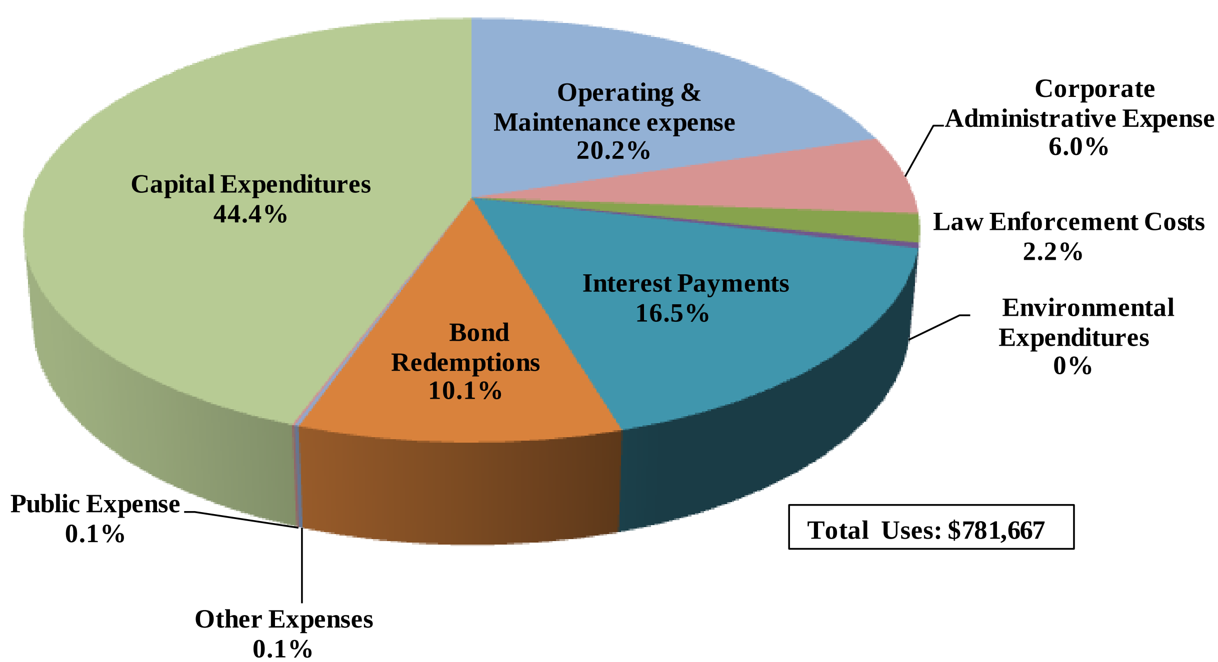


FIGURE IV-2: USES OF CASH

($ in 000's)



B. BUSINESS PLAN FORECAST

TABLE IV-2: BUSINESS PLAN FORECAST

($ in 000's) OPERATING BUDGET	Notes	Budget 2011	Budget 2012	Forecast 2013	2014	2015	2016	Compound Growth 2011-2016
Airline Revenue		$ 217,200	$ 235,619	$ 263,093	$ 276,525	$ 289,057	$ 296,224	6.4%
Non-airline Revenue		144,965	150,831	160,272	166,183	172,804	181,435	4.6%
Fuel Hydrant Facility		8,353	514	514	514	514	514	-42.7%
Fuel Hydrant reclass to non-operating revenues	1	(7,839)	0	0	0	0	0	-100.0%
Total Operating Revenues		**362,678**	**386,964**	**423,878**	**443,222**	**462,374**	**478,173**	**5.7%**
Operating & Maintenance Expense		137,804	157,754	171,866	164,351	166,705	171,806	4.5%
Corporate & Capital Development Division Cost	2	44,987	47,145	48,559	50,016	51,517	53,062	3.4%
Law Enforcement Costs		16,389	16,964	17,473	17,997	18,537	19,093	3.1%
Environmental Expense		1,771	3,096	3,189	3,285	3,384	3,485	14.5%
Total Operating Expense		**200,951**	**224,959**	**241,088**	**235,649**	**240,142**	**247,446**	**4.3%**
Net Operating Income Before Depreciation		**161,727**	**162,005**	**182,791**	**207,573**	**222,233**	**230,727**	**7.4%**
Total Depreciation Expense		118,418	117,072					
Net Operating Income After Depreciation		**43,310**	**44,934**					
								Total 2012-2016
Committed Capital Budget		231,408	276,926	117,796	35,973	3,528	9,500	443,723
Business Plan Prospective		71,801	69,908	172,446	137,987	58,713	211,721	650,775
Total Capital Budget	3	**$ 303,209**	**$ 346,834**	**$ 290,242**	**$ 173,960**	**$ 62,241**	**$ 221,221**	**$ 1,094,498**

AVBPFOR.xls

Notes:

1) Fuel Hydrant non-cash recorded as non-operating revenues based on Accounting change.
2) Consists of direct charges and allocations. Most costs are allocated using a formula based on Expenses and employees. For some departments specific allocation methodologies, such as employees for Human Resources & Development, are used.
3) See Section X for details of Capital Budget.

TABLE IV-3: AVIATION KEY MEASURES

	Budget 2012	Forecast 2013	2014	2015	2016
Key Measures					
Operating Cost Per Enplanement *	13.32	13.98	13.36	13.32	13.43
Non Airline Revenue Per Enplanement	9.06	9.42	9.56	9.72	9.99
Passenger Airline CPE	13.25	14.42	14.83	15.19	15.24
Debt Service Coverage	1.36	1.37	1.33	1.37	1.39
Traffic (in 000's)					
Total Landed Weight	20,444	20,863	21,305	21,757	22,219
Enplanements	16,650	17,017	17,391	17,774	18,165

* excluding Environmental Remediation

AVMEASURES.XLS

C. DIVISION MISSION STATEMENT

MISSION:

Connecting our region to the world through flight. The journey begins here.

VISION:

We envision that Sea-Tac will be a welcoming front door, embodying the spirit of the Northwest – an economic engine and a source of regional pride.

D. DIVISION BUSINESS PLAN AND STRATEGIES

STRATEGIC GOALS:

1. Operate a world-class international airport by:
    - Ensuring safe and secure operations
    - Anticipating and meeting the 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
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

ECONOMIC OUTLOOK

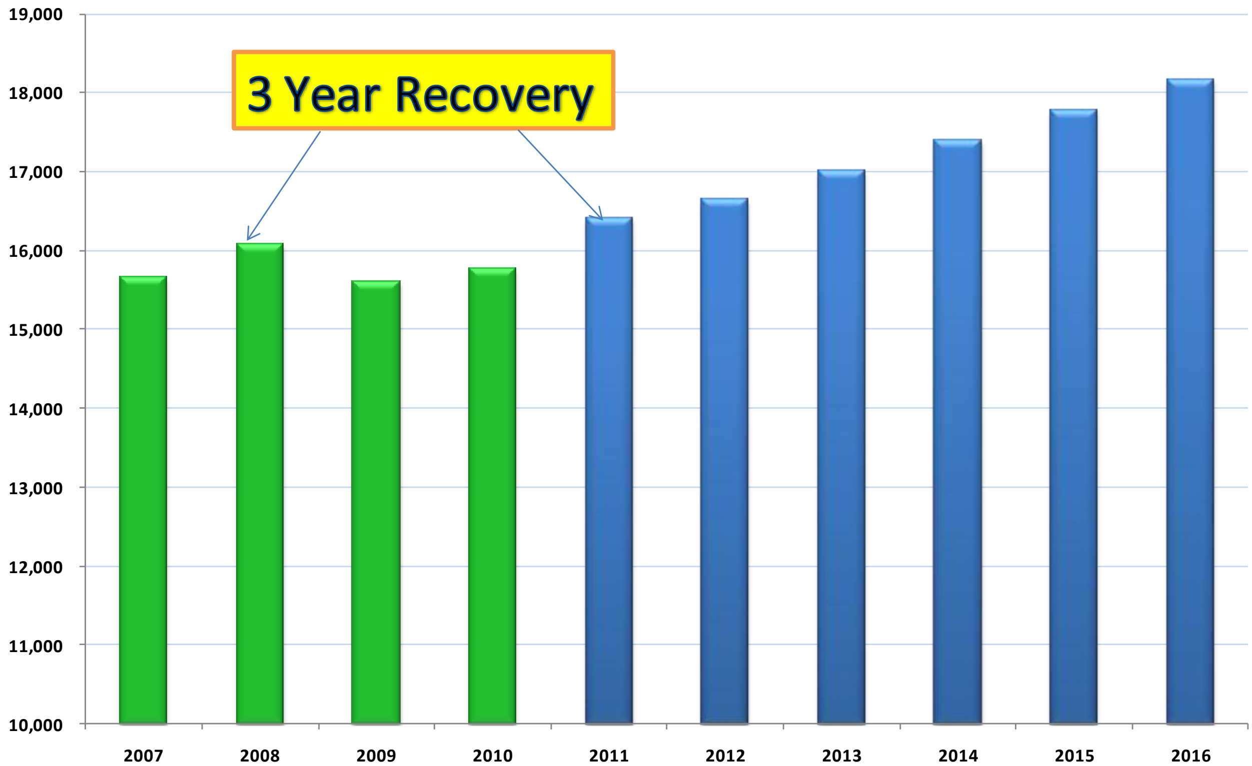
As of October 2011, the U.S. economy appears to be in a slow but uncertain economic recovery. Real gross domestic product growth is low, and unemployment remains high (above 9%). European financial markets are affected by the poor credit standing of a number of countries (Greece, Portugal, Ireland, and Spain). Since the strength of the economy is the primary driver behind the demand for air travel, we assume near-term (2012) growth in passenger levels will be modest (+1.5% in 2012). We are planning for a slow economic recovery during 2012, with growth picking up by 2013. The threat of a double-dip recession remains a possibility. While this is not part of our baseline assumptions, it does contribute to our conservative outlook, and thus our forecast assumptions.

PASSENGER GROWTH ASSUMPTIONS

Sea-Tac Airport has experienced positive year-over-year passenger growth each month since June 2010. For 2010, Sea-Tac realized 1.0% growth in enplaned passengers. Domestic passenger growth was 0.5% and international growth was 7.3%. For 2011, Sea-Tac has seen continued strong growth with an increase in year-to-date enplaned passengers of 4.5% through August. International growth (+7.6%) is again outpacing domestic (+4.2%). The current forecast is for 4.0% growth in 2011, which is significantly above the budget of 1.0%. The demand for air travel has been surprisingly strong in this uncertain economy.

However, in spite of the growth in 2011, we are cautious as we plan for 2012. The 2012 budget assumes growth of 1.5%. For 2013 and beyond, we assume a long-term growth rate of 2.2%. This is consistent with the Federal Aviation Administration's (FAA) December 2009 long-term forecast for Sea-Tac Airport. The December 2010 forecast was more optimistic, but given the continued economic uncertainty, we decided to retain the more conservative 2009 forecast.

Enplaned passengers in 000s:



Year	Assumption
2011	4.0%
2012	1.5%
2013	2.2%
2014	2.2%
2015	2.2%
2016	2.2%

Realizing these assumed growth rates means that Sea-Tac would reach the 2008 enplaned passenger level in 2011. This would mean a total drop of 3% during the Great Recession and a three year recovery. This would represent a smaller drop and a faster recovery than after 2001.

AIRLINE INDUSTRY ASSESSMENT

After a decade of turmoil, the domestic airline industry recovered to earn a profit of $3.6 billion in 2010. Still, since 2001, the industry has posted net profit in only three years and has a cumulative net loss of $54.5 billion. The industry is expected to be near break-even for 2011. Given the state of the economy, and the relatively high price of oil during most of 2011, the industry has figured out how to earn a profit in difficult times. Airlines business strategies have focused on:

- Profit not market share - eliminate unprofitable routes
- Seasonal capacity changes
- Consolidation
- Ancillary fees

The price of fuel has hurt the economic viability of smaller aircraft. This has caused many airlines to decrease service to small markets and focus on larger hubs. According to one industry expert, large hub airports with limited regional competition and international connections are likely to see growth, whereas many medium and small airports could see service reductions.

According to the U.S. Department of Transportation's Bureau of Transportation Statistics, U.S airlines passengers increased 2.3% year-to-date through June 2011 compared to 2010. Through June, Sea-Tac realized growth of 4.9% in enplaned passengers, significantly above the national average.

Consolidation within the industry continues, with United and Continental, and Southwest and Air Tran merging in 2011. The impacts of these mergers at Sea-Tac were insignificant due to limited overlap in cities served by the merging airlines.

Alaska Air Group (parent company of Alaska Airlines and Horizon Airlines), Sea-Tac's largest customer, was profitable in 2010 and reported record earnings for the Second Quarter 2011. For the first six months of 2011, Alaska had the highest growth rate of enplaned passengers among the top ten domestic airlines.

AIRPORT COMPARISONS

When comparing airport costs, the most common measure is passenger airline cost per enplanement ("CPE"). CPE is an average unit cost measure that permits a reasonable comparison among airports. It is not a "rate" that is charged to any individual airline. CPE can be an imperfect measure because there are major differences among airports for the costs that are included in the numerator of the equation. For example, at some airports, airlines own and operate terminals. Thus, at those airports, the CPE would be artificially low. One of the major drivers of increases to an airport's CPE is the capital program. When assets are placed in service, the debt service and the additional operating costs are charged to the airlines through rates designed to recover costs. Consequently, airport CPEs tend to peak soon after a major capital program, then gradually decline as passenger volume increases.

Airports that have strong origin and destination ("O&D") traffic are less vulnerable to the financial problems of any one carrier than a hub airport. The theory is that if one carrier disappears, the underlying demand for travel will induce existing carriers to expand service or another carrier to enter the market.

SEA-TAC AIRPORT: BUSINESS ASSESSMENT

Sea-Tac was the seventeenth-largest US airport as measured by total passengers in 2010. As indicated above, demand for air service proved to be very resilient during the Great Recession and the slow economic recovery that has followed. The overall drop in passengers since 2008 of 3% was much less than expected, and the anticipated three year recovery is much faster than expected.

Sea-Tac has a relatively low concentration of service by the dominant carriers. The largest airline (Alaska) accounted for 35.0% of the enplaned passengers in 2009, and the top three airlines (Alaska, Horizon, and Delta) accounted for 60.9% of the passenger traffic. Compared to other large airports, Sea-Tac has relatively high O&D traffic - approximately 74% in 2010. This percentage has declined very slightly since 2003.

Relatively high O&D traffic and relatively low concentration of dominant carriers reduces Sea-Tac's vulnerability to the effects of any given carrier reducing capacity or suffering financial difficulties. Only Alaska Airlines uses Sea-Tac as a hub. Alaska's relative financial strength compared to other airlines is a positive factor for Sea-Tac.

By the end of 2010, Sea-Tac will have invested over $4.0 billion in capital improvements since 1999. Investments have included rebuilding Concourse A, the Satellite Transit System, the Central Terminal, constructing the Third Runway, reconstructing Runway 16C, building a remote rental car facility (still under construction) and rebuilding much of the airport's infrastructure. The costs of these investments are reflected in higher rates and charges to the airlines as reflected in the CPE.

Current and long-term cost management continues to be a strategic focus of Sea-Tac Airport. For 2010, the most recent year for which comparable data is available, Sea-Tac's CPE of $11.63 falls in the middle third of the 26 large hub airports that participated in the ACI Benchmarking Survey. Among western airports (including medium hubs), Sea-Tac's CPE was below San Francisco, Denver, Sacramento and Portland but above Los Angeles, Oakland and Salt Lake City.

CHALLENGES AND OPPORTUNITIES

During the development of the business plan, senior staff conducted a SWOT analysis (strengths, weakness, opportunities, threats). The highlights are presented below:

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?
- 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

STRATEGIC GOALS AND OBJECTIVES FOR 2012-16

For each strategic goal, measurable objectives have been set for the 2012 – 2016 time-frame.

1.1 Operate a world-class international airport by ensuring safe and secure operations.

A. Reduce wildlife strikes from 28 to 20 per 100,000 operations by 2013.
B. Comply with FAA Safety Management Systems requirements by 2014.
C. Reduce runway incursions by 30% by 2015.
D. Increase airfield's three runways' availability during a snow event from 33% to 55% by 2013.

1.2 Operate a world-class international airport by anticipating and meeting the needs of our tenants, passengers and the region's economy.

A. Meet critical path business planning items to achieve 2020 capacity needs for the airport.
B. Meet critical path business planning items to achieve 2020 capacity needs for the Air Terminal.
C. Meet critical path business planning items to achieve 2020 capacity needs for the International Facilities.

D. Meet critical path business planning items to achieve 2020 capacity needs for the Airfield.
E. Meet critical path business planning items to achieve 2020 capacity needs for Landside.
F. Increase total air cargo to 340,000 metric tons and international cargo to 127,000 metric tons by 2016.
G. Develop three new international routes by 2016 as a net gain in international service to Seattle International Airport. Develop additional service in two existing markets by 2016.

1.3 Operate a world-class international airport by managing our assets to minimize the long-term total cost of ownership.

A. Develop an airport-wide Asset Management System by 2016 to minimize the total long-term cost of ownership resulting in equivalent savings of $200,000 per year compared to pre-2010 average baseline.
B. Achieve "the industry best in class standard" of 80% of maintenance work is proactively planned.
C. Establish aviation industry key system reliability metrics in order to identify improvement. opportunities and publish system availability results to key stakeholders.

2.0 Become one of the top ten customer service airports in the world by 2015 (measured by the ACI ASQ index).

A. Complete comprehensive review of static and dynamic signage by 2014.
B. Complete elevator/escalator refurbishment by 2014.
C. Passenger check-in and bag-drop self-service at 80% airport-wide by 2015.
D. Implement integrated cruise service to passengers by 2015.
E. Fully implement TSA Automated Wait Time system and communications systems by Q2 2012.
F. Create single (consortium- or Port-managed) wheelchair service system by Q2 2012.
G. Complete deployment of electric appliance charging system at gates by 2013.
H. Airport-wide restroom upgrades complete by 2015.
I. Implement recorded elements of Seattle Music initiative by Q4 2011.
J. Airport-wide common bag drop and full interline transfers in place by 2015.
K. Complete upgrade of airport architectural standards to STEP/CTE standard by 2013.
L. Use survey results to drive projects and changes in processes and procedures which in turn will drive better survey results.
M. Reduce Minimum Connecting Times (I to I and I to D) from 90 to 75mins.

3.0 Lead the airport industry in environmental innovation and minimize the airport's environmental impacts.

A. Air Quality and Climate Change: Sea-Tac will reduce airport owned and controlled greenhouse gas emissions by 15% below 2005 levels by 2020, and work with its business partners to reduce their emissions through a variety of cost effective emission reduction projects.
B. Energy and Conservation: Implement conservation projects and practices that will enable it to meet all future electricity load growth (estimated to be 10% through 2015) through conservation measures and renewable energy; reduce natural gas consumption per square foot of terminal (initiatives included under Strategic Goal 4.0).
C. Buildings & Infrastructure: Implement asset management program by 2013.
D. Materials Use & Recycling: Expand recycling programs and infrastructure in terminal in furtherance of goal to increase the solid waste recycling rate to 50% by 2014.
E. Resources: Reduce potable water consumption rate 5% below 2008 levels by 2015.

F. Education & Integration**:** Complete terminal environmental education pilot program by 2013 and assess the effectiveness of the program; By 2013, incorporate best practices /opportunities to advance environmental goals into lease and operating agreements.
G. Noise: Sea-Tac will complete the Part 150 update including FAA review and approval by the end of 2012 (Initiatives included under Strategic Goal 7.0)

4.0 Reduce airline costs (CPE) as far as possible without compromising operational and capital needs.
A. CPE below $14.00 through 2016.
B. 2016, achieve $1 million in savings from continuous processes improvements.
C. Implement conservation practices that will enable airport to meet all future electricity load growth (2010 baseline) through conservation and renewable energy.
D. Implement pilot program for security exits by December, 2012.

5.0 Maximize non-aeronautical net operating income (NOI) consistent with current contracts, appropriate use of airport properties and market demand.
A. **Concessions**: Grow concessions sales per enplanement by 3-5% CAGR through 2016.
B. **Parking**: Grow parking revenues by 5% CAGR through 2016.
C. **Real Estate**: Grow annual revenues by $1.3 million by 2016.
D. **Other revenues**: Grow other non-aeronautical revenues by $1.2 million by 2016.

6.0 Continually invest in a culture of employee development, organizational improvement, and business agility.
A. Increase internal candidate promotion success rate by (TBD)% by 2016.
B. Reduce the average time to hire for Aviation division positions from (TBD) days to (TBD) days without (1) compromising the validity and integrity of the process or (2) the quality of candidates.
C. Develop and implement system of performance measurement and management to align strategic goals with division and individual performance objectives by December 2013.
D. Address all of the FEMA exercise improvements by 2014.

7.0 Develop valued community partnerships based on mutual understanding and socially responsible practices.
A. Staff will implement all Commission and FAA approved FAR Part 150 recommendations by 2016.
B. During the next five years, the Port, local cities and/or businesses will be successful in implementing solutions to land development and other issues.
C. The Airport will achieve specific Division milestones, a 2012 small business goal of 10% for goods and services; expansion of the limited-English outreach program beyond the noise program; and successful implementation of the Concession's Program DBE program.

The following sections highlight the key initiatives organized by strategic goal for the 2012 – 2016 capital budget and the 2012 operating budget.

Capital Budget Summary

From 1999 to 2010, the Aviation Division has invested approximately $4.0 billion in capital improvements at the airport. While the comparative average pace of spending will decline (after a rise in 2012), Aviation still expects to invest $1.1 billion during the five year period from 2012-2016. 2012 will mark a high point due to a few major projects that are in-process, including: Rental Car Facility, Escalator Replacement, Pre-Conditioned Air, Electrical Ground Support Equipment infrastructure, charging stations and rolling stock, and elements of the Terminal Realignment such as the acquisition of passenger loading bridges.

As a result of the 2012 budget process, 17 projects are proposed to be added to the capital program, bringing the total number of projects to 144. These new projects total $107 million and have achieved Aviation division approval as "business plan prospective." This means additional design work is required to finalize the scope, schedule, and budget associated with each project prior to requesting Commission authorization.

The capital projects are at various stages of approval with Port Commission. Projects have been organized in the following categories:

A. Commission authorized/underway
B. Pending 2012 authorization
C. Pending future authorization
D. Small projects

Category ($ in 000's)	No. of Project	2012	2013	2014	2015	2016	Total 2012-16
A. Com. Auth/Underway	82	$ 256,475	$ 108,860	$ 34,773	$ 3,240	$ 9,500	$ 412,848
B. Pending 2012 Auth	52	72,912	153,899	94,987	11,146	500	333,444
C. Pending Future Auth	9	11,205	20,025	40,000	44,567	208,221	324,018
D. Small Projects	6	6,242	7,458	4,200	3,288	3,000	24,188
Total	**149**	**$ 346,834**	**$ 290,242**	**$ 173,960**	**$ 62,241**	**$ 221,221**	**$ 1,094,498**

- Included in Category A are projects that have been partially but not fully authorized by the Port Commission.

Capital Program by Strategic Driver:

Strategic Driver ($ in 000's)	2011	2012	2013	2014	2015	2016	Total 2012-16
Safety & Security	$ 2,398	$ 7,360	$ 4,846	$ 4,770	$ 2,740	$ -	$ 19,716
Capacity & Customer Needs	121,466	151,202	133,932	54,959	3,288	12,000	355,381
Manage Assets	28,503	83,444	97,833	50,334	12,146	83,721	327,478
Customer Service	4,671	17,546	3,500	1,304	500	500	23,350
Environmental	1,614	500	500	385			1,385
Reduce CPE	21,570	52,715	17,326	3,500			73,541
Non-Aeronautical	2,669	7,252	5,988	242			13,482
Community Partnership	4,782	15,660	6,317	18,966			40,943
Subtotal	187,673	335,679	270,242	134,460	18,674	96,221	855,276
Allowances	1,729	11,155	20,000	39,500	43,567	125,000	239,222
Total	**$ 189,402**	**$ 346,834**	**$ 290,242**	**$ 173,960**	**$ 62,241**	**$ 221,221**	**$ 1,094,498**

- Allowance CIPs are used for purposes of reflecting undesignated future spending in the financial forecast. As new projects are approved, the budget is deducted from an allowance CIP so that the total capital program does not change.

New Projects:

($ in 000's)	
AERONAUTICAL PROJECTS:	
Safe and Secure Operations	
Bollards for Upper & Lower Drive Doors	$ 500
Capacity & Customer Needs	
Snow Removal Equipment	2,000
New Window Wall Kiosks at Ticket Zone 1	5,566
Convert Ticket Zone 2 to a "Pushback"	10,669
Convert Ticket Zone 3 FlowThru	32,000
Cargo 6 Enhancements	5,550
South Access Property Acq.	1,500
Perm Emergency Back-up Power	30,238
Manage Facility Assets	
Fire Station Electrical Service Upgrade	2,030
Facility Monitoring System Renewal	5,000
Mechanical Controls System Improvements	1,800
Customer Service	
Security Checkpoint Electronic Wayfinding	900
Laptop Power Plugs in Concourses	3,000
Reduce Airline Costs (CPE)	
Lighting Upgrades for Energy Efficiency	3,000
Rubber and Paint Removal Equipment	600
IWS sensors to allow high BOD Segregation	1,000
NON-AERONAUTICAL (NOI) PROJECTS:	
Manage Facility Assets	
Paving Improvements at Port Surface Parking Lot (D Fox)	1,665
Total	**$ 107,018**

The following tables show details of the capital program organized by strategic goal. New projects are highlighted in yellow.

Safe & Secure Airport

($ in 000's) Project Description	2011 Estimate	2012	2013	2014	2015	2016	Total 2012-16
North Satellite Seismic	$ 25	$ 450	$ 2,200	$ 4,770	$ 2,740		$ 10,160
Lagoon 3 Bird Wires	20	1,611					1,611
Access Control Door Additions	230	1,570					1,570
ALCMS Upgrades	911	1,189					1,189
Additional AF Mitigation at Ty	179	500	119				619
Emergency Lighting - Parking	150	600					600
Bollards for U&L Drive Doors		500					500
Security Checkpoint Cameras	400	100					100
All Other	483	840	2,527	-	-	-	3,367
Total	**$ 2,398**	**$ 7,360**	**$ 4,846**	**$ 4,770**	**$ 2,740**	**$ -**	**$ 19,716**

New Projects:

- Bollards for upper and lower drive doors – this project will install bollards outside each door to prevent vehicles from entering.

Existing Projects:

- North Satellite Seismic – seismic improvements to the North Satellite will be done in conjunction with other improvement projects for the North Satellite.

Capacity and Customer Needs:

($ in 000's) Project Description	2011 Estimate	2012	2013	2014	2015	2016	Total 2012-16
Rental Car Facility and Buses	$ 90,399	$ 59,129					$ 59,129
Aircraft RON Parking USPS Site	467	4,750	30,566	3,000			38,316
Convert Ticket Zone 3 FlowThru		1,000	26,000	5,000			32,000
FIS Improvements- Phase 1	119	14,000	17,581				31,581
Perm Emergency Back-up Power		2,000	7,000	21,238			30,238
Terminal Realignment		8,000	11,000	5,027			24,027
Cargo 2 West Cargo Hardstand		100	2,200	11,000			13,300
PLB Replacement-AR	2,441	10,909	1,500				12,409
Convert Ticket Zone 2 Pushback		1,000	8,000	1,669			10,669
New Window Wall Ticket Zone 1		750	4,750	66			5,566
Cargo 6 Enhancements		550	4,900	100			5,550
Snow Removal Equipment - 2013		100	1,900				2,000
South Access Property Acq.		1,500					1,500
Airport Owned Gate Infrastruct	1,443	1,316					1,316
All Other	26,597	46,098	18,535	7,859	3,288	12,000	87,780
Total	**$ 121,466**	**$ 151,202**	**$ 133,932**	**$ 54,959**	**$ 3,288**	**$ 12,000**	**$ 355,381**

New Projects:

- There are three new projects aimed at addressing capacity needs for ticketing at the south end of the terminal: New Window Wall for Ticketing Zone 1, Convert Ticketing Zone to a pushback, and Convert Ticketing Zone 3 to flow through.
- Permanent Emergency Back-up Power is intended to allow the airport to be fully operational in the event of a power outage. Sea-Tac is recognized as a valuable regional asset in the event of a major emergency. Maintaining power is essential for operations.
- Cargo 6 Enhancements will expand the concrete area to allow for simultaneous loading, and will provide ground power and fuel hydrants for environmental benefits and operational efficiency purposes.
- Snow Removal Equipment – This project will add capacity and replace aging equipment.
- South Access Property Acquisition – This project will preserve the Airport's ability to develop a south access roadway to the airport.

Existing Projects:

- Aircraft RON Parking – At the USPS site, this project will develop needed overnight parking positions for aircraft.
- FIS Improvements - Phase I – This project will increase capacity in the existing Federal Inspections Area for international arrivals by adding queuing space, adding baggage claim capacity, and reconfiguring space.
- The new consolidated rental car facility is scheduled to open in the spring of 2012

Manage Assets

($ in 000's) Project Description	2011 Estimate	2012	2013	2014	2015	2016	Total 2012-16
Terminal Escalators Modn	$ 7,419	$ 17,000	$ 6,300	$ 6,606			$ 29,906
Airfield Pavement Replacement	4,611	2,100	23,901				26,001
SSAT HVAC,Lights,Ceiling Repl	129	3,000	15,000	9,371			27,371
Vertical Convey Modn Aero Ph2	302	5,000	9,000	5,432			19,432
8th Floor Weather Proofing	2,423	10,482					10,482
Vertical Convey Modn Aero Ph1	200	7,454	2,506				9,960
Facility Monitoring Sys Renewl		1,000	2,500	1,500			5,000
Service Tunnel Renewal/Replace	25	1,000	1,200	2,500	275		4,975
2011-2013 Roof Replacement Pro	200	4,577					4,577
Fire Dept Facility Upgrade		500	3,000				3,500
Fire Station Elec Service Upgr		500	1,530				2,030
Airportwide Mech Controls Sys		250	1,550				1,800
Doug Fox Site Improvements	5	365	1,295				1,660
All Other	13,189	30,216	30,051	24,925	11,871	83,721	180,784
Total	**$ 28,503**	**$ 83,444**	**$ 97,833**	**$ 50,334**	**$ 12,146**	**$ 83,721**	**$ 327,478**

New Projects:

- Facility Monitoring System Renewal – This project will replace the system that monitors all baggage systems and most elevators, escalators, and moving walkways. The system will be expanded to cover passenger loading bridges.
- Fire Station Electrical Service Upgrade – This project is necessary to permit other upgrades to the Fire Station.

- Airport-wide Mechanical Controls System – The system consists of a large local area network of conduit and wiring that interconnects mechanical equipment with the Central Mechanical Plant. The system is in need up replacement and upgrade.

Existing Projects:

- Aircraft RON Parking – At the USPS site, this project will develop needed overnight parking positions for aircraft.
- South Satellite HVAC, Lighting and Ceiling Replacement – This project replaces forty-year old, inefficient and aging heating and air conditioning system to provide increased passenger comfort.
- Airfield Pavement Replacement – This project replaces panels and expansion joints for the highest priority areas each year.

Customer Service

($ in 000's) **Project Description**	**2011 Estimate**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total 2012-16**
Loading Bridges Utilities	$ 167	$ 10,907					$ 10,907
FIMS Phase II	2,562	4,214					4,214
Laptop Power in Concourses		300	2,200	500			3,000
Security Checkpoint Wayfinding		400	500				900
All Other	1,942	1,725	800	804	500	500	4,329
Total	**$ 4,671**	**$ 17,546**	**$ 3,500**	**$ 1,304**	**$ 500**	**$ 500**	**$ 23,350**

New Projects:

- Laptop Power in Concourses – This project will add about 70 electric power recharging stations at gate hold rooms.
- Security Checkpoint Wayfinding – This project, to be done in coordination with TSA, will track and display the average wait times at the checkpoints, allowing customers to move to checkpoints with shorter lines.

Reduce Airline Costs

Many of the projects listed below are key elements of the Airport's strategy to achieve its environmental goals. They are listed here because the projects are justified based on financial measures.

($ in 000's) **Project Description**	**2011 Estimate**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total 2012-16**
EGSE Rolling Stock	$ 5,059	$ 24,941					$ 24,941
Cent Plant Preconditioned Air	15,077	15,653	5,332				20,985
GSE Electrical Chrg Stations	371	6,000	7,924				13,924
Airport Owned Gate Infr II		2,000	2,000	2,000			6,000
Lighting Upgrades for Energy E		300	1,200	1,500			3,000
Stage 2 Mech Energy Implement	20	2,000	70				2,070
IWS BOD Segregation Improvement		200	800				1,000
Rubber and Paint Removal Equip		600					600
All Other	1,043	1,021					1,021
Total	**$ 21,570**	**$ 52,715**	**$ 17,326**	**$ 3,500**			**$ 73,541**

New Projects:

- Lighting Upgrades for Energy Efficiency – This project will replace aging, inefficient light fixtures in order to reduce electrical consumption and save costs.
- IWS BOD Segregation Improvements – This project will install flow metering capabilities to enable improved segregation of high BOD (biochemical oxygen demand) discharges (e.g., glycol) to reduce the amount of IWS that is required to be directed to sewer lines. Savings will be achieved through lower sewer bills.
- Rubber and Paint Removal Equipment – The Airport currently pays a contractor to perform this work. By acquiring the equipment and doing the work in-house, annual savings will be realized beginning in the first year.

Existing Projects:

- EGSE Rolling Stock and Electrical Charge Stations – Electrifying ground support equipment will reduce air emissions and save airlines fuel and maintenance costs.
- Central Plant Pre-conditioned Air - this project allows aircraft to "plug-in" to the terminal to get heat or air conditioning. This allows the jet engine to be turned off to minimize noise, air emissions, and save fuel.

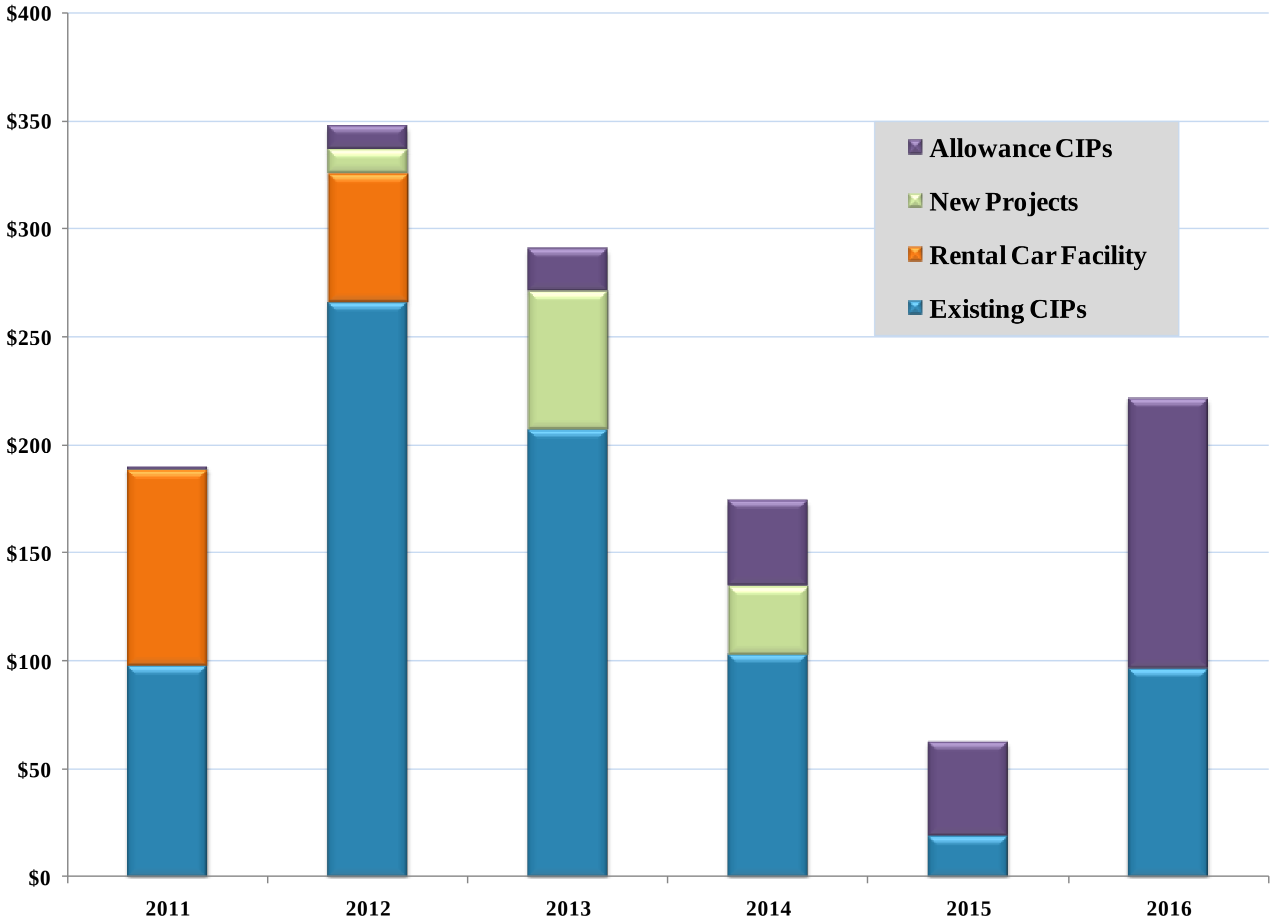
Non-Aeronautical NOI

($ in 000's) Project Description	2011 Estimate	2012	2013	2014	2015	2016	Total 2012-16
Parking Retrofit	$ 995	$ 1,850	$ 4,755				$ 6,605
South Sat Concessions Project	230	1,618					1,618
Parking Garage Light Retrofit	25	500	975				1,475
Concessions Unit Readiness Pro	641	1,222					1,222
GML Arrivals Hall Concessions	25	625	158				783
Common Use Lounge Remodel	236	735					735
All Other	517	702	100	242			1,044
Total	**$ 2,669**	**$ 7,252**	**$ 5,988**	**$ 242**			**$ 13,482**

Existing Projects:

- Parking Retrofit – this project will reconfigure the parking stall arrangement on the first and second floors of the parking garage after the rental car companies move to the new facility in mid-2012.

Summary of 2012 – 2016 CIP



- New projects proposed for approval will primarily impact spending in 2013 and 2014.
- Reconstruction of Runway 16C is planned for 2016.
- Allowance CIPs represent undesignated future spending. When new projects are approved, the budget is transferred from the allowance CIP, resulting in no net change in the capital budget.

E. <u>2012 OPERATING BUDGET SUMMARY</u>

<u>Background</u>

The Aviation division responded to the economic crisis facing the airline industry in 2008 and 2009 by deferring budgeted costs and making significant cuts in 2009 for the 2010 budget. Aviation cut over 10% of its FTEs. While the state of the overall economy remains a concern, the strong growth in passengers seen so far in 2011 (+4.5% through August) , and the fact that Sea-Tac will likely surpass the 2008 passenger levels in 2011 means the Airport must cautiously plan for future growth.

From a financial perspective, the Aviation Division has two sides of its business: Aeronautical and Non-aeronautical. On the Aeronautical side, where airline rates are set to recover costs, the Port's goal is to manage costs. The primary measure of an airport's cost to the airlines is the airline cost per enplanement (CPE). The "costs" include the operating and maintenance costs attributable to the airfield and the airline share of the terminal operating and maintenance costs (based on the percentage of revenue producing space split between airlines and other Port tenants), as well as the corresponding capital costs (either debt service or equity amortization). The Port does not charge airlines for the capital costs of any asset funded by Passenger Facility Charges (PFCs) or grants.

On the Non-aeronautical side of the business, the primary goal is to increase cash flow as measured by net operating income (NOI). The net cash flow can be used to directly fund capital improvements and build up cash reserves to meet liquidity targets. Another benefit of increasing NOI is to avoid having to charge the airlines for debt service coverage above 1.0x for rates and charges purposes. Under the terms of the airline agreement, if total airport debt service coverage is projected to drop below 1.25x, the airport can charge the airlines debt service coverage in rates and charges (up to 1.25x) in order to achieve the overall 1.25x debt service coverage level for the division.

Overview of Major Changes in 2012 Budget

The 2012 budget is largely defined by two major events: the opening of the consolidated rental car facility (RCF), and the terminal realignment. The rental car facility is scheduled to open in April of 2012. The Airport will be responsible for all busing operations between the Airport and the RCF. Consequently, the Aviation division is adding significant staff to operate and maintain the buses, and to operate and maintain the new Bus Maintenance Facility. The Airport will add 59 FTEs and $6.6 million in operating costs to the 2012 budget. The terminal realignment involves a number of airline moves within the terminal to accommodate merged airlines (Delta & Northwest; United and Continental; Southwest and Air Tran) and to facilitate the consolidation of operations for Alaska Air Group (Alaska Airlines and Horizon) at Concourse C and the North Satellite. The realignment involves both capital and operating costs. The Airport will incur operating costs of approximately $8.2 million in 2012 for project oversight of tenant projects and to reimburse airlines for moving costs.

Revenues

Operating revenues are budgeted to increase by $24.2 million or 6.7% compared to the 2011 budget, but increase by $26.8 million over the 2011 forecast. Compared to the 2011 budget, 2012 airline revenues are budgeted to increase by $18.4 million (8.5%), while non-airline revenues are budgeted to increase by $5.9 million (4.0%).

Airline revenues, in accordance with the terms of the Signatory Lease and Operating Agreement (SLOA), are based on cost recovery. Costs in the rate base include both operating costs and capital costs (debt service and asset amortization). Aeronautical rate base capital costs are increasing $4.8 million due to increased debt service and asset amortization. Aeronautical rate base operating costs are increasing by $14.5 million, driven by increases relating to terminal realignment. Total aeronautical revenues are budgeted to increase by $18.5 million.

Non-aeronautical revenues are budgeted to increase by $5.9 million over the 2011 budget due to increased Customer Facility Charge revenues to pay for the operating costs associated with the RCF and related busing operations. In 2012 the Airport will see a drop in rental car revenues due to the exchange of space rent in the garage for land rent at the new RCF. Rental car revenues will be further reduced by a lease incentive to complete all tenant improvements on-time for opening. These reductions in rental car revenues will offset solid growth in concessions revenues and modest growth in public parking revenues.

Operating Expense Drivers

Total airport operating expenses (including Corporate costs and environmental remediation costs) are budgeted to total $224.96 million. This represents an 11.9% increase compared to the 2011 budget. For the Aviation Division alone, the 2012 budget is increasing by $21.3 million, or15.2%. The following table shows the major drivers of the increase. The RCF and the Terminal Realignment account for an increase of $11.8 million. Cost increases for salary, wages and benefits and other contractual increases account for another $5.8 million. Environmental remediation relating to capital projects accounts for another $1.3 million. These largely non-discretionary items thus account for $18.6 million, or a 13.3% increase. The other net additions to the 2012 budget amount to $2.7 million, or a 1.9% increase over 2011 budget.

Aviation 2012 Budget Summary Compared to 2011 Budget:

	$000s	%
2011 Budget	139,575	
Cost increases (compensation, contractual)	5,837	4.2%
Rental Car Facility & Busing	6,609	4.7%
Increase in Terminal Realignment	5,200	3.7%
Decrease of Grant funded operating costs	(405)	-0.3%
Increase in Environmental Remediation Liab	1,325	0.9%
Subtotal	18,566	13.3%
Budget Requests	7,796	
Net savings/one-time items	(5,087)	
Subtotal	2,709	1.9%
Total increase	21,276	15.2%
2012 Budget	160,850	

	$000s
Operating & Maintenance Expense	157,754
Environmental Remediation	3,096
Total Operating Expense	160,850

- Each year, one-time expenditures funded by grants are excluded from the baseline budget. The environmental liability expense relates to asbestos removal costs associated capital projects. Since the timing and amount is driven by the capital budget, these costs are also excluded from the baseline budget.
- The payroll cost increases represent the costs prior to adding cost associated with new FTEs and prior to a modification in salary benefits to have staff contribute more to the cost of medical benefits.
- Net savings includes FTE reductions and changes to salary benefits rate to have employees contribute more to health care costs as well as the elimination of one-time items included in the 2011 budget.

The budget requests that total $7.8 million, and which are included in the net increase of $2.7 million will be presented by strategic driver, first in a summary, then in detail in subsequent tables.

Summary of Budget Requests

New Requests:	$000s	FTEs
Safe/Secure Airport	659	3
Customer needs/capacity	980	1
Asset Management:		
New Facilities/Assets	1,409	12
Maintenance Resource Alignment	1,501	5
Total	2,910	
Customer service	864	2
Airline cost management	428	2
Non-Aero revenue development:		
Costs offset by new revenues	808	-
Future revenue development costs	802	-
Total	1,609	
Other	347	2
Total	7,796	27

Safe/Secure Airport

Description	$000s	FTEs
Wildlife Specialist	75	1
Painters	171	2
Safety Mgmt System Impl & Facilitation	108	
Other	305	
Total	659	3

- Wildlife Specialist FTE allows for studies to be done in-house to reduce consulting costs and invasive species presence to customers/aircraft.
- Painter FTEs will update striping to assuage safety concerns on the Airfield.

Capacity and Customer Needs

Description	$000s	FTEs
Master Plan	230	
Terminal development strategy planning	200	
Joint Marketing Expense	300	
Airfield project planning and analysis	100	
Air service development FTE	75	1
Other	75	
Total	980	1

- Master Plan and Terminal Development Strategy planning will integrate all new initiatives to increase efficiency and meet capacity needs.
- Joint marketing expenses and FTE in Air Service Development will contribute to attracting and incentivizing new international service to Sea-Tac Airport.

New Facilities

Description	$000s	FTEs
Common Use System support	204	2
Airfield lighting photometrics	195	2
Airfield crew 3rd runway	193	3
Pre-conditioned air system	515	5
Landscaping	156	
Other	146	
Total	1,409	12

- Pre-conditioned air was estimated at $800K annual O&M costs in 2010.
- Third runway became operational in late 2008, but staffing for airfield crew was not increased. Additional workload can't be accomplished with current staffing levels.
- Electrical technicians support common use system.
- Airfield photo-metrics initiative supports compliance with FAA regulations.

Maintenance Resource Alignment

Description	$000s	FTEs
Mechanical Systems Support	149	2
STS Electronic Tech and materials	217	2
STS Auto mechanics	88	1
Conveyor shop materials	160	
Cargo building mgmt ($500K new revenues)	585	
Outside fence property cleanup	100	
Other	202	
Total	1,501	5

- The STS cars run approximately 45% more miles compared to 2004, or 150,000 miles annually. Electronic technicians and auto mechanics will support increasing STS operations.
- Mechanical systems support positions restore two of five positions eliminated in 2009.
- Cargo building management initiative will bring in $500,000 revenues as cargo pass-through costs.

Non-aeronautical Revenue Development:

Description	$000s
Offset by New 2012 Revenues:	
Tenant marketing expense increase	100
Public parking marketing and promotion	430
Conference center video equip& advertising	64
Club International	214
Subtotal	808
Future Revenue Development Costs:	
Concession leasing and planning	300
Land Development: Brokerage Commission	234
Land Development Planning	250
Other	18
Subtotal	802
Total	1,609

- Public parking marketing and promotion should drive an additional $1.1 million in 2012 revenue.
- An increase to tenant marketing expenses is in proportion to revenue for the tenant marketing fund.
- Real estate study and pre-developments activities are necessary to prepare properties in 2012 for potential revenue generation in future years.

Customer Service

Description	$000s	FTEs
Enhanced elevator/escalator service	500	
Loading bridge and garage lobby flooring	133	
Carpenter	62	1
Sign Writer	65	1
Other	104	
Total	864	2

- Escalator replacement project drives need for enhanced service
- Additional Sign Writer FTE will cut lead time of sign projects by 50%.

Airline Cost Management

Description	$000s	FTEs
Energy Management	257	2
Continuous Process Improvement	110	
Other	61	
Total	428	2

- Energy management team will perform ongoing dynamic air and water balancing for all HVAC systems at Sea-Tac which will reduce future electrical consumption and save costs.
- Consultant support for Continuous Process Improvement initiative is continued in 2012.

Other New Initiatives

Description	$000s	FTEs
Maintenance Budget Specialist	50	1
Wetland Re-delineation	125	
Part 150	97	
Undergraduate and Graduate Internship	40	1
RCF Opening Celebration	15	
Other	20	
Total	347	2.00

- Wetlands Re-delineation is required.

Aeronautical Summary

$ in 000's	2009 Actual	2010 Actual	2011 Budget	2011 Forecast	2012 Budget	'12-'11 Bud Change Var $	Var %
Revenues requirement:							
Capital Costs	$ 72,013	$ 82,083	$ 87,111	$ 85,554	$ 91,876	$ 4,765	5.5%
Operating Costs net Non-Aero	118,456	122,985	137,195	135,793	151,748	14,553	10.6%
Total Costs	**190,469**	**205,067**	**224,305**	**221,348**	**243,624**	**19,319**	**8.6%**
FIS Offset	(5,250)	(7,000)	(7,000)	(7,000)	(8,000)	(1,000)	14.3%
Other Offsets	(16,441)	(15,767)	(14,821)	(14,882)	(15,202)	(381)	2.6%
Net Revenue Requirement	168,778	182,300	202,485	199,466	220,422	17,937	8.9%
Other Aero Revenues	13,757	16,029	14,715	14,715	15,197	482	3.3%
Total Aero Revenues	**182,534**	**198,329**	**217,200**	**214,181**	**235,619**	**18,419**	**8.5%**
Non-passenger Airline Costs	12,074	14,885	15,066	15,566	14,989	(78)	-0.5%
Net Pasenger Airline Costs	**$ 170,460**	**$ 183,444**	**$ 202,133**	**$ 198,614**	**$ 220,630**	**$ 18,497**	**9.2%**

Aeronautical Key Measures

	2009 Actual	2010 Actual	2011 Budget	2011 Forecast	2012 Budget	12-'11 Bud Change Var $	Var %
CPE:							
Capital Costs / Enpl	4.61	5.20	5.50	5.22	5.52	0.02	0.4%
Operating Costs / Enpl	7.59	7.80	8.66	8.28	9.11	0.46	5.3%
Offsets	(1.39)	(1.44)	(1.38)	(1.33)	(1.39)	(0.02)	1.2%
Other Aero Revenues	0.88	1.02	0.93	0.90	0.91	(0.02)	-1.7%
Non-passenger Airline Costs	(0.77)	(0.94)	(0.95)	(0.95)	(0.90)	0.05	-5.3%
Passenger Airline CPE	**10.92**	**11.63**	**12.76**	**12.11**	**13.25**	**0.49**	**3.9%**

Highlights:

- Airline revenues are based on cost-recovery formulas.
- Major increases to aeronautical operating costs include Terminal Realignment project ($5.2 million), maintenance FTEs in support of aeronautical business ($2 million), Planning studies for terminal development/FIS ($150K), Environmental work ($145K).
- Increases to debt service is mainly driven by an increase in principal payment for 2005 bonds ($2.4 million aero), funding source for aero projects such as Runway 16L.

- Amortization of new aeronautical assets ($3.3 million) is driven by Runway 16C taxiway panel ($591K), HVAC air ducts ($222K), and allocation of IT/Roadways assets ($811K).

Non-Aeronautical Summary

$ in 000's	2009 Actual	2010 Actual	2011 Budget	2011 Forecast	2012 Budget	'12-'11 Bud Change Var $	Var %
Revenues:							
Public Parking	$ 49,689	$ 49,416	$ 52,847	$ 51,542	$ 53,780	$ 933	1.8%
Customer Facility Charge (RCF)	-	-	1,543	500	9,053	7,510	486.6%
Rental Cars	33,320	30,309	32,290	31,678	26,580	(5,710)	-17.7%
Concessions	33,473	33,765	32,640	34,366	34,924	2,283	7.0%
Ground Transportation	4,737	4,896	6,936	7,416	7,519	583	8.4%
Other	16,128	17,033	18,707	19,402	18,975	267	1.4%
Total Non-Airline Revenue	**137,348**	**135,418**	**144,965**	**144,904**	**150,831**	**5,866**	**4.0%**
RCF Operating Expense	-	-	1,546	1,546	8,150	6,604	427.1%
All Other Operating Expense	55,916	54,743	62,850	61,479	65,939	3,088	4.9%
Share of terminal O&M	17,011	16,935	17,940	17,467	18,912	972	5.4%
Less utility internal billing	(16,738)	(14,464)	(18,370)	(18,370)	(19,789)	(1,419)	7.7%
Net Operating & Maint	56,189	57,215	63,967	62,122	73,212	9,245	14.5%
Net Operating Income	**$ 81,159**	**$ 78,203**	**$80,997**	**$82,782**	**$77,619**	**$(3,379)**	**-4.2%**

Highlights:

- Customer Facility Charge increase to cover operating costs associated with Rental Car Facility and related busing operations.
- Rental cars revenues decreased in 2012 due to $900K reduction of MAG and $2 million credit incentive.
- Operating expense increased due to maintenance costs of $1M, B&O taxes $215K, Club International $314K, and corporate and divisional allocations of $2M.

	2009 Actual	2010 Actual	2011 Budget	2011 Forecast	2012 Budget	'12-'11 Bud Change Var $	Var %
Enplanements (in 000s)	15,610	15,773	15,845	16,404	16,650	805	5.1%
Revenues / Enplanement							
Public Parking	3.18	3.13	3.34	3.14	3.23	(0.11)	-3.2%
Customer Facility Charge (RCF)	0.00	0.00	0.10	0.03	0.54	0.45	458.3%
Rental Car (net of CFCs)	2.13	1.92	2.04	1.93	1.60	(0.44)	-21.7%
Concessions	2.14	2.14	2.06	2.09	2.10	0.04	1.8%
Ground Transportation	0.30	0.31	0.44	0.45	0.45	0.01	3.2%
Other	1.03	1.08	1.18	1.18	1.14	(0.04)	-3.5%
Total Revenue	8.80	8.59	9.15	8.83	9.06	(0.09)	-1.0%
Primary Concessions Sales / Enpl	9.66	9.99	10.12	10.24	10.42	0.30	3.0%
Gross Profit Margin	59.1%	57.7%	55.9%	57.1%	51.5%	(0.04)	-7.9%

Highlights:

- 2009 and 2010 Concession revenues per enplanement would be $2.09 without tenant marketing expenses of $623K and $807K, respectively. Tenant marketing expenses reside in a new cost center in 2011 and 2012.
- Concessions 2011 forecast is higher than 2011 budget due to one-time revenues in 2011, such as Google promotions.
- Primary concessions sales are comprised of Food & Beverages and Retail & Duty Free revenues. Concession revenues consist of food & beverages, retail & duty-free, advertisement, space rental, and in-flight kitchen, and other smaller accounts.

Traffic

Passenger traffic measured by enplaned passengers is projected grow 1.5% in 2012 compared to the forecast for 2011 (up 4.0%), for a total of 16,650 million enplanements. Through August 2011, total enplaned passengers are up 4.5% compared to 2010. Thus, the 2012 budget for enplaned passengers appears to be conservative.

Landed weight is budgeted to grow at 1% for 2012 compared to the 2011 forecast.. Since passenger carriers have been operating with exceptionally high load factors, growth in passenger levels will likely require increased capacity and landed weight.

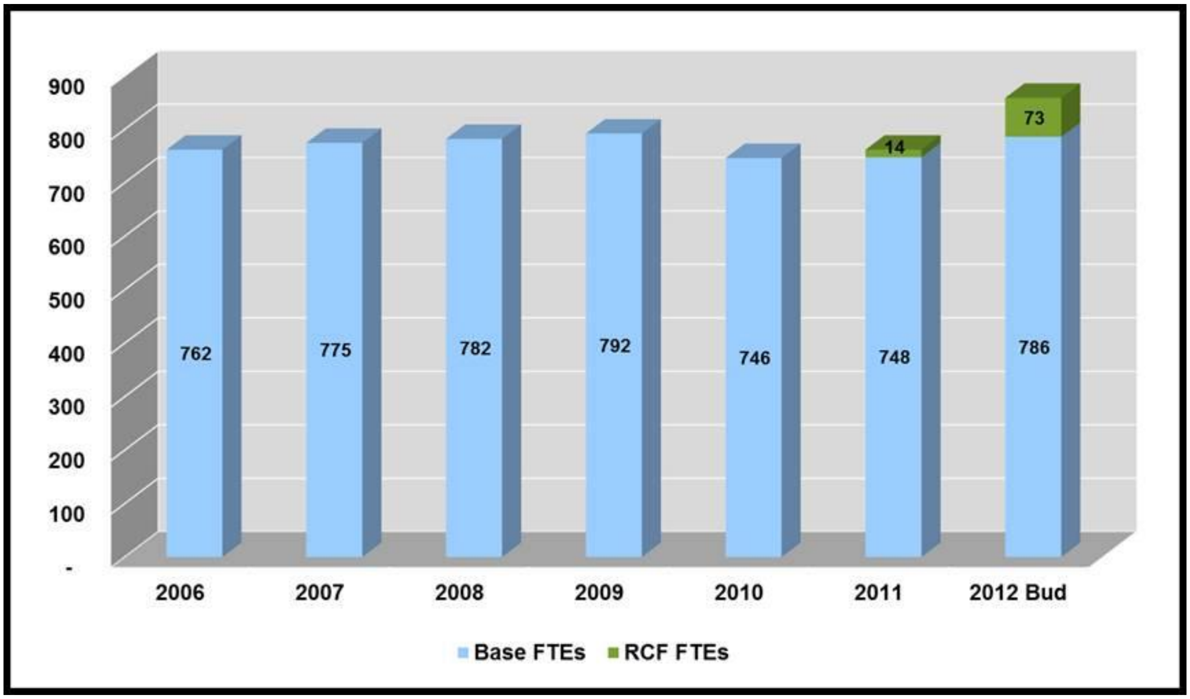
Sensitivity of Financial Results to Changes in Enplanements

Based on the assumptions in the 2012 budget, a 1.0% increase or decrease in enplaned passengers will generate a change in non-aeronautical net operating income of $950K, and a change in debt service coverage of 0.01x. There will also be a change in CPE of $0.13.

Full-Time Equivalent Staff Positions (FTEs)

The 2012 budget proposes a net increase of 86.0 FTEs, or 12.7%. Of the 86.0 FTEs added, 59.0 FTEs are for the Rental Car Facility and 27.0 FTEs are from the new requests driven by expense drivers mentioned from above. Each new position has been previously presented through the discussion of expense drivers.

	FTE's	%
2011 Budget		
Aviation	749.9	
Rental Car Facility	12.0	
	761.9	
2011 Budget Changes:		
Aeronautical & Landside Ops	2.2	
Aviation Services	3.9	
Fire Department Funding from Safer Grant	3.0	
Rental Car Facilitty - Maintenance	2.0	
2011 Baseline	773.0	
2012 Budget Changes:		
Rental Car Facility (RCF) & Bus Maintenance Facility (BMF)		
Bus Drivers	50.0	
BMF Mechanics	5.0	
BMF Utility Workers	4.0	
RCF & BMF Subtotal	59.0	
Other Aviation Division Initiatives		
New Facilities & Assets	12.0	
Safe & Secure Airport	3.0	
Customer Needs & Capacity	1.0	
Asset Management	5.0	
Customer Service	2.0	
Airline cost Management	2.0	
Employee Development	1.0	
Other New Initiatives	1.0	
Other Initiatives Subtotal	27.0	
2012 Budget Proposed FTEs	**859.0**	**12.7%**



The table above shows the trends of FTEs for the Aviation division. The 2012 total FTEs is at a 2009 level when 90.00 positions were eliminated.

E. OPERATING BUDGET SUMMARY

TABLE IV-4: REVENUE BY ACCOUNT

($ in 000's) Revenue by Account	Notes	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud-2011 Bud
Operating Revenue					
Equipment Rental		$995	$792	$831	4.9%
Landing Fees		56,647	61,200	70,152	14.6%
Airport Transportation Fees		4,814	6,876	7,459	8.5%
Parking Revenue		52,336	55,936	56,884	1.7%
Revenue from Sale of Utilities		6,375	6,883	6,175	-10.3%
Property Rental Revenue		200,722	209,078	211,018	0.9%
Other Revenues		20,284	29,752	34,445	15.8%
Fuel Hydrant non-cash reclass to non-operating	1	(7,912)	(7,839)	0	-100.0%
Total Operating Revenue		**$334,262**	**$362,678**	**$386,964**	**6.7%**

avbud.xls

FIGURE IV-3: AVIATION DIVISION REVENUE BY ACCOUNT

($ in 000's)

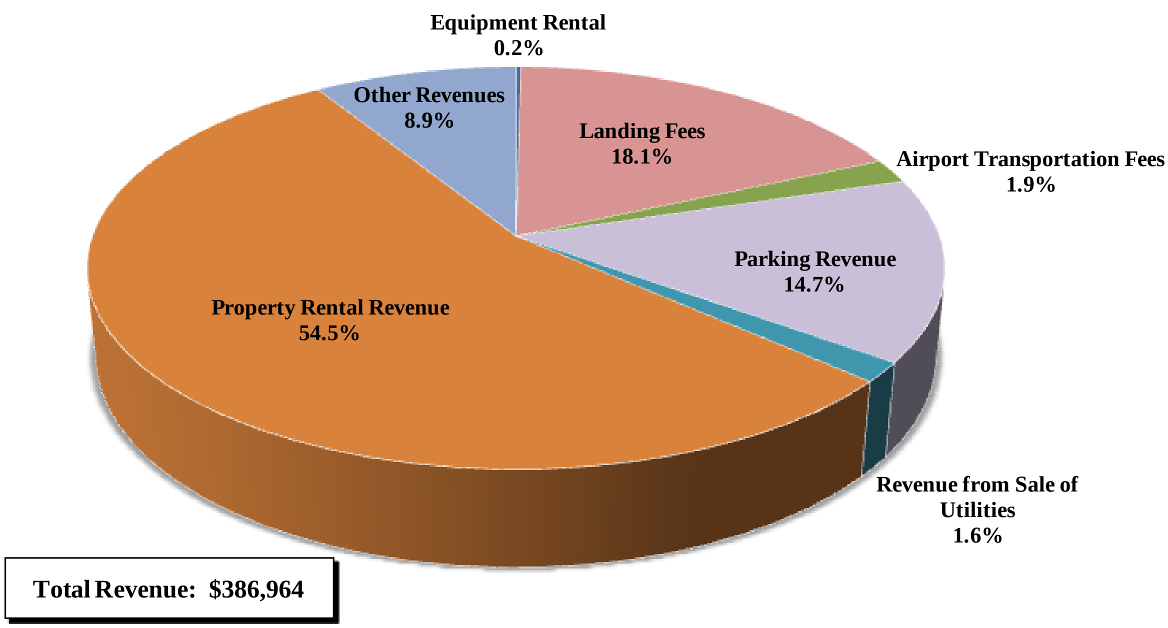
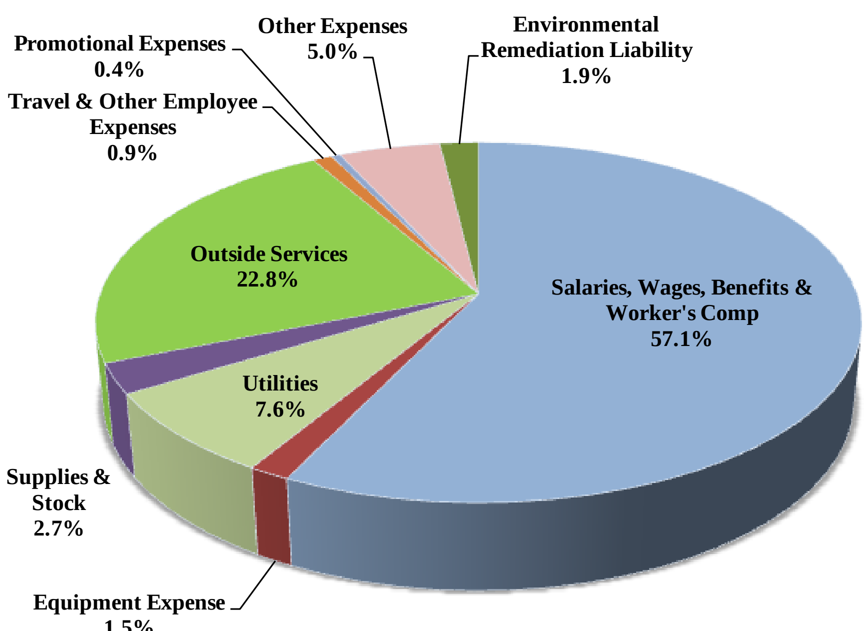


TABLE IV-5: OPERATING & MAINTANENCE EXPENSES BY ACCOUNT

Expense by Account (in 000's)	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud-2011 Bud
Salaries, Wages, Benefits & Worker's Comp	$76,036	$81,673	$93,764	14.8%
Equipment Expense	3,347	3,776	2,471	-34.6%
Utilities	11,381	12,576	12,458	-0.9%
Supplies & Stock	4,692	4,100	4,425	7.9%
Outside Services	22,519	29,453	37,404	27.0%
Travel & Other Employee Expenses	755	1,429	1,551	8.5%
Promotional Expenses	668	597	726	21.7%
Other Expenses	6,695	6,965	8,194	17.6%
Total O&M without Environmental	**126,092**	**140,568**	**160,993**	**14.5%**
Environmental Remediation Liability	3,271	1,771	3,096	74.8%
Total O&M with Environmental	**129,363**	**142,339**	**164,090**	**15.3%**
Charges to Capital Projects	(2,881)	(2,765)	(3,239)	17.2%
Total Budgeted Operating Expense	**126,481**	**139,575**	**160,851**	**15.2%**
				avbud.xls

FIGURE IV-4: AVIATION DIVISION EXPENSE BY ACCOUNT

($ in 000's)



Total Before Charges to Capital Projects: $164,090
Charges to Capital Projects: $3,239
Total Expense: $160,851

TABLE IV-6: REVENUE AND EXPENSE BY BUSINESS GROUP/DEPARTMENT

AVIATION DIVISION (in 000's)	Notes	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud - 2011 Bud
OPERATING REVENUES					
AIRLINE REVENUES					
Landing Fees		56,647	61,200	70,152	14.6%
Terminal Rents		126,459	141,285	150,270	6.4%
Other Airline Revenues		15,223	14,715	15,197	3.3%
Total Airline Revenues		**198,329**	**217,200**	**235,619**	**8.5%**
NON-AIRLINE REVENUES					
Public Parking		49,440	52,847	53,780	1.8%
Rental Cars		30,309	33,833	35,633	5.3%
Employee Parking		5,211	5,301	5,211	-1.7%
Ground Transportation		4,896	6,936	7,519	8.4%
Commercial Properties		4,908	4,765	4,972	4.3%
Concessions		32,960	32,640	34,924	7.0%
Utilities		6,403	7,464	6,803	-8.9%
Other	1	1,293	1,177	1,989	69.1%
Total Non-Airline Revenues		**135,419**	**144,965**	**150,831**	**4.0%**
Fuel Hydrant Facilities Revenue		8,426	8,353	514	-93.8%
Fuel Hydrant non-cash reclass to non-operating revenues	2	(7,912)	(7,839)	-	-100.0%
Total Operating Revenues		**334,262**	**362,678**	**386,964**	**6.7%**
					BDAVREEX.xls

Notes:
1) Include new lounge revenue offset by costs in 2010.
2) Fuel Hydrant non-cash reclass to non-operating revenues based on Accounting change.

AVIATION DIVISION (in 000's)	Notes	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud - 2011 Bud
EXPENSES BEFORE CHARGES TO CAPITAL PROJECTS					
BUSINESS UNITS					
Airport Operations		32,212	36,832	49,539	34.5%
Business Dev & Management		3,646	4,272	5,464	27.9%
Utilities		13,698	15,322	12,923	-15.7%
Business Units		**49,556**	**56,427**	**67,926**	**20.4%**
AVIATION SERVICES					
Aviation Director's Office	1	1,492	1,931	2,304	19.3%
Division Contingency		-	2,110	2,087	-1.1%
Fire Department		11,184	11,980	11,926	-0.4%
Aviation Planning		994	2,373	1,898	-20.0%
Aviation Finance & Budget		690	762	864	13.5%
Community Development		1,809	1,909	1,590	-16.7%
AV Environmental Programs Group		3,397	3,827	3,939	2.9%
Airport Security		5,647	6,044	6,136	1.5%
Aviation Services		**25,213**	**30,935**	**30,744**	**-0.6%**
AVIATION FACILITIES					
AV Facilities & Infrastructure		1,889	2,088	2,334	11.8%
Aviation Signage		356	500	458	-8.4%
Airport Building Department		799	736	689	-6.4%
Airport Office Building	2	971	1,093	1,210	10.7%
Aviation Maintenance		47,067	48,791	55,837	14.4%
Aviation Facilities		**51,081**	**53,207**	**60,527**	**13.8%**
Aviation Risks Expense		-	-	1,796	
Aviation Environmental Remediation Liability		3,271	1,771	3,096	74.8%
Aviation Capital to Expense		241	-	-	n/a
Total Expenses Before Charges to Capital Projects		**129,362**	**142,339**	**164,090**	**15.3%**
CHARGES TO CAPITAL PROJECTS		**(2,881)**	**(2,765)**	**(3,239)**	**17.2%**
OPERATING & MAINTENANCE EXPENSE					
BUSINESS UNITS					
Airport Operations		31,726	35,864	48,368	34.9%
Business Dev & Mgmt		3,431	4,272	5,464	27.9%
Utilities		13,668	15,322	12,923	-15.7%
Business Units		**48,825**	**55,459**	**66,755**	**20.4%**
AVIATION SERVICES					
Aviation Director's Office		1,150	1,431	1,804	26.1%
Division Contingency		-	2,110	2,087	-1.1%
Fire Department		11,143	11,799	11,749	-0.4%
Aviation Planning		991	2,373	1,898	-20.0%
Aviation Finance & Budget		690	762	864	13.5%
Community Development		1,760	1,835	1,499	-18.3%
Airport Security		5,636	6,044	6,136	1.5%
Aviation Risks Expense		-	-	1,796	
Aviation Services		**21,369**	**26,353**	**27,833**	**5.6%**
AVIATION FACILITIES					
AV Facilities & Infrastructure		1,524	1,654	1,884	13.9%
Aviation Signage		353	500	458	-8.4%
Airport Building Department		113	363	389	7.3%
Airport Office Building	3	956	1,093	1,210	10.7%
AV Environmental Programs Group		3,244	3,705	3,847	3.8%
Aviation Maintenance		46,636	48,678	55,379	13.8%
Aviation Facilities		**52,827**	**55,992**	**63,166**	**12.8%**
Aviation Operating & Maintenance Expense		**123,021**	**137,804**	**157,754**	**14.5%**
Aviation Environmental Remediation Liability	4	3,271	1,771	3,096	0.0%
Aviation Capital to Expense		189	-	-	0.0%
Total Operating Expense		**126,481**	**139,575**	**160,851**	**15.2%**
					BDAVREEX.xls

Notes:
1) Chief Technology Officer transfers from Corporate.
2) Airport Building department has more expense work projects versus capital projects.
3) Airport building janitorial cost transferred from Operations and more work on expense versus capital projects.
4) Environmental remediation expense driven by capital projects for vertical conveyance, common use expansion, south satellite concessions, and GSE electrical charge stations.

F. STAFFING

Table IV-7 outlines the full-time equivalents (FTEs) adjusted for temporary positions, interns and other limited duration employees for the Aviation division. Aviation is budgeting 859.0, which is 12.7 percent higher than 2011 budget. See previous discussion of FTE changes in the 2012 Budget.

TABLE IV-7: AVIATION DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions) BUSINESS GROUP/DEPARTMENT	Notes	2010 Actual	2011 Budget	2011 Est. Act.	2012 Budget	% Change 2012 Bud - 2011 Bud
AIRPORT OPERATIONS						
Aeronautical Business Group		105.7	109.0	108.0	110.0	1.0%
Landside Business Group	1	72.3	83.3	86.5	136.5	63.9%
Airport Operations		**178.0**	**192.3**	**194.5**	**246.5**	**28.2%**
BUSINESS DEVELOPMENT						
Aviation Properties	2	9.0	9.0	9.0	9.5	5.6%
Concession		5.0	6.0	6.0	6.0	0.0%
Business Development	2	3.0	3.0	3.0	3.3	8.3%
Business Management		1.0	2.0	2.0	2.0	0.0%
Acquisition		4.0	0.0	0.0	0.0	n/a
Utilities	3	0.0	0.0	0.0	1.0	n/a
Business Development		**22.0**	**20.0**	**20.0**	**21.8**	**8.7%**
AVIATION SERVICES						
Airport Director's Office	4	8.5	8.5	10.1	10.1	19.8%
Fire Department	5	73.0	73.0	76.0	76.0	4.1%
Planning		9.0	9.0	9.0	9.0	0.0%
Aviation Finance & Budget		5.0	6.0	6.0	6.0	0.0%
Community Development		9.0	9.0	10.0	10.0	11.0%
Airport Security		72.8	71.8	73.0	73.0	1.7%
Total Aviation Services		**177.2**	**177.3**	**184.1**	**184.1**	**3.9%**
FACILITIES						
Facilities & Infrastructure	6	14.0	14.0	14.0	15.0	7.1%
AV Signage	7	3.0	3.0	3.0	4.0	33.3%
Airport Building Department		5.0	5.0	5.0	5.0	0.0%
Airport Office Building		6.0	6.0	6.0	6.0	0.0%
Environmental		16.2	15.4	15.4	15.7	1.6%
Maintenance	8	325.0	329.0	331.0	361.0	9.7%
Total Facilities		**369.2**	**372.4**	**374.4**	**406.7**	**9.2%**
TOTAL AVIATION DIVISION		**746.4**	**761.9**	**773.0**	**859.0**	**12.7%**

FTE.XLS

Notes:

1) 2012 Budget includes hiring of 50 FTEs for the Rental Car Facility.
2) 2012 Budget includes 0.8 FTEs Graduate Interns.
3) 2012 Budget includes hiring a new Senior Energy Conservation Engineer FTE.
4) 2011 Est. Actual includes a transfer of Chief Technology Officer from Corporate.
5) 2011 Est. Actual includes 3 Firemen due to SAFER grant funding.
6) 2012 Budget includes an Energy Conservation FTE.
7) 2012 Budget includes a Sign Writer.
8) 2012 Budget includes 11 FTEs for the Rental Car Facility, and 21 FTEs for mainaining the airport terminal and airfield.

G. CAPITAL BUDGET

The business plan summaries at the beginning of this section provide the context for the following capital budget for the Aviation Division.

Table IV-8 provides a Summary of the Aviation Approved Capital Budget for 2012.

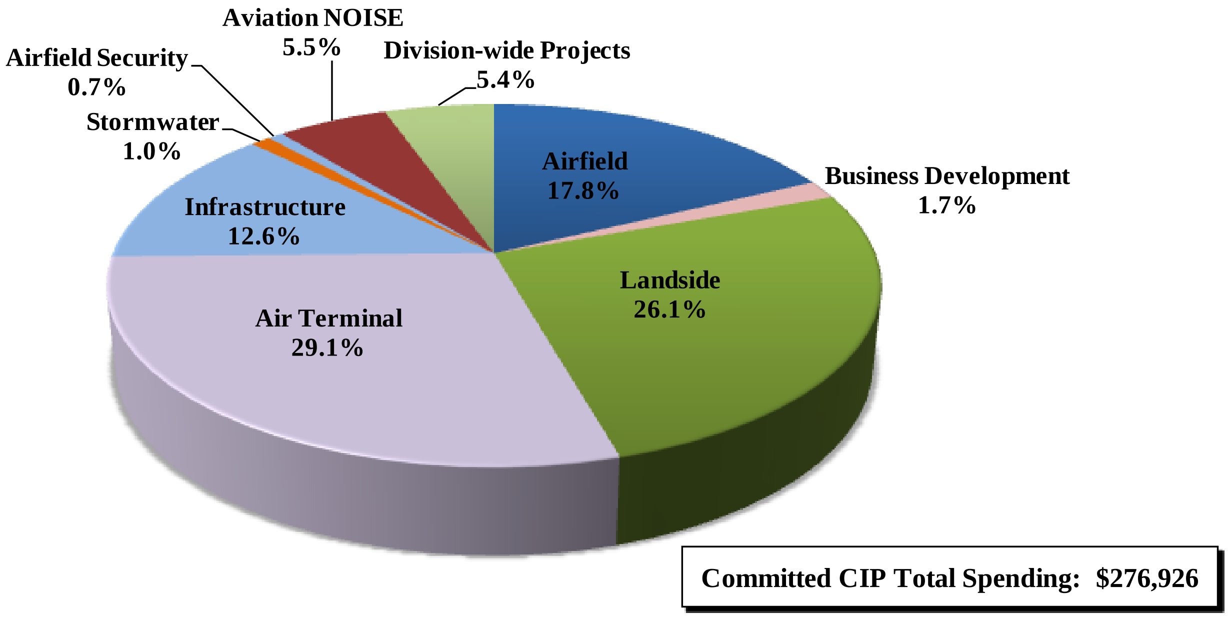
TABLE IV-8: AVIATION CAPITAL BUDGET SUMMARY

($ in 000's)	2012 Budget	2012-2016 CIP	% of 2012 Total Committed
Committed Capital Projects			
Airfield	$49,387	$126,899	17.8%
Business Development	4,570	7,070	1.7%
Landside	72,273	72,273	26.1%
Air Terminal	80,694	116,789	29.1%
Infrastructure	34,967	53,424	12.6%
Stormwater	2,752	3,637	1.0%
Airfield Security	2,062	2,062	0.7%
Aviation NOISE	15,155	40,438	5.5%
Division-wide Projects	15,066	21,131	5.4%
Total Committed	**$276,926**	**$443,723**	**100.0%**
Business Plan Prospective Projects	**$69,908**	**$650,775**	
Total CIP	**$346,834**	**$1,094,498**	

capsum.xls

FIGURE IV-5: AVIATION DIVISION COMMITTED CAPITAL BUDGET

($ in 000's)



H. AVIATION DIVISION OPERATING STATISTICS

TABLE IV-9: AVIATION DIVISION OPERATING STATISTICS

	(1) Enplaned Passengers		(2) Total Landed Weight		(3) Air Cargo	
Year	Number	Growth	Pounds	Growth	Metric tons	Growth
1998	12,868	22.9%	21,342	15.4%	428,327	4.4%
1999	13,802	7.3%	23,078	8.1%	444,224	3.7%
2000	14,174	2.7%	23,051	-0.12%	456,920	2.9%
2001	13,506	-4.7%	22,178	-3.8%	401,535	-12.1%
2002	13,362	-1.1%	21,658	-2.3%	374,753	-6.7%
2003	13,356	0.0%	20,790	-4.01%	351,418	-6.2%
2004	14,364	7.6%	20,944	0.7%	347,517	-1.1%
2005	14,632	1.9%	20,186	-3.6%	338,591	-2.6%
2006	14,982	2.4%	20,362	0.9%	341,981	1.0%
2007	15,661	4.5%	21,014	3.2%	319,013	-6.7%
2008	16,085	2.7%	21,519	2.4%	290,205	-9.0%
2009	15,610	-3.0%	20,388	-5.3%	270,142	-6.9%
2010	15,773	1.0%	19,786	-3.0%	283,425	4.9%
2011 Budget	15,845	0.5%	20,089	1.5%	296,400	4.6%
2011 Forecast	16,404	4.0%	20,241	2.3%	283,425	0.0%
2012 Budget	16,650	1.5%	20,444	1.0%	289,094	2.0%
Compound Growth						
2000 - 2010		1.1%		-1.5%		-4.7%
2005 - 2010		1.5%		-0.4%		-3.5%

Notes:
1) Passengers in thousands
2) Weight in thousands
3) In Metric Tons

AVSTAT.XLS

SEAPORT DIVISION

A. 2012 BUDGET SUMMARY

TABLE V-1: 2012 CASH FLOW SUMMARY

($ in 000s)		2012	Percent of Total
SOURCES OF CASH			
Operating Revenues		$ 96,424	64.2%
Interest Receipts		1,306	0.9%
Proceeds from Bond Issues		-	0.0%
Grants and Capital Contributions		2,466	1.6%
Tax Levy		49,320	32.9%
Other Receipts		579	0.4%
Total		**150,095**	**100%**
USES OF CASH			
Expenses from Operations:			
Operating & Maintenance Expense	29,078		18.5%
Corporate Administrative Expense	17,458		11.1%
Law Enforcement Costs	-		0.0%
Environmental Expenditures	-		0.0%
Total Operating Expenses		46,536	29.6%
Debt Service:			
Interest Payments	24,972		15.9%
Bond Redemptions	42,233		26.9%
Total Debt Service		67,205	42.7%
Other Expenses		7,947	5.1%
Public Expense		5,004	3.2%
Capital Expenditures		30,574	19.4%
Total		**$ 157,265**	**100%**
			Cashflw.xls SP

Note: We built-up a significant cash balance in the past few years due to economic uncertainty, and we are planning to draw down the cash balance in 2012.

FIGURE V-1: SOURCES OF CASH
($ in 000's)

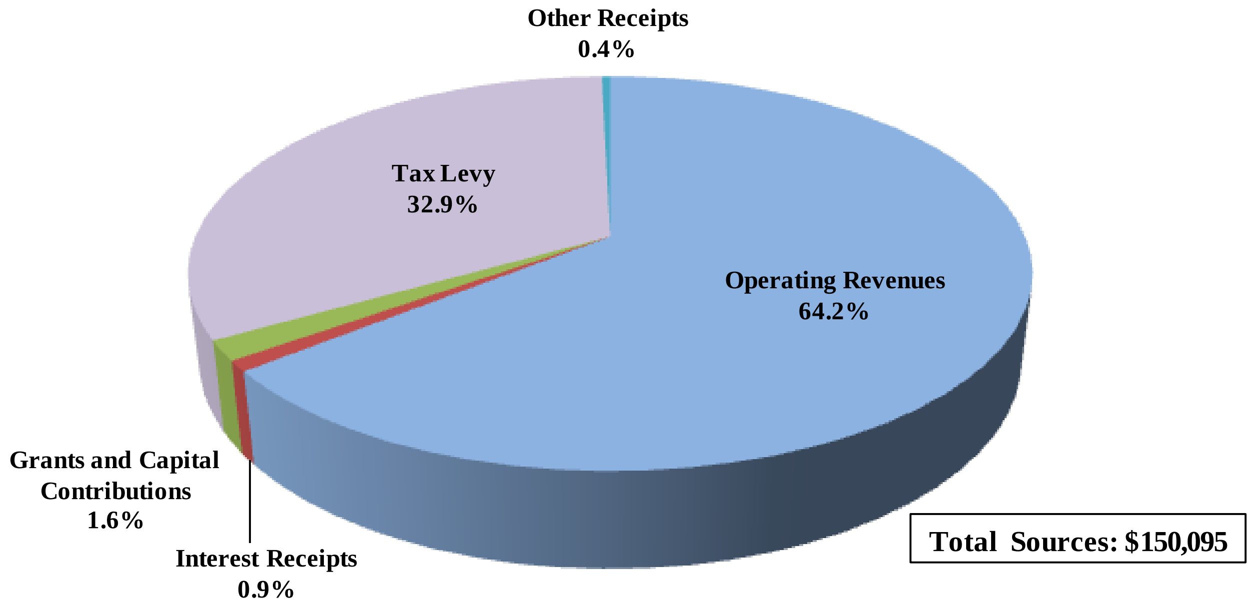
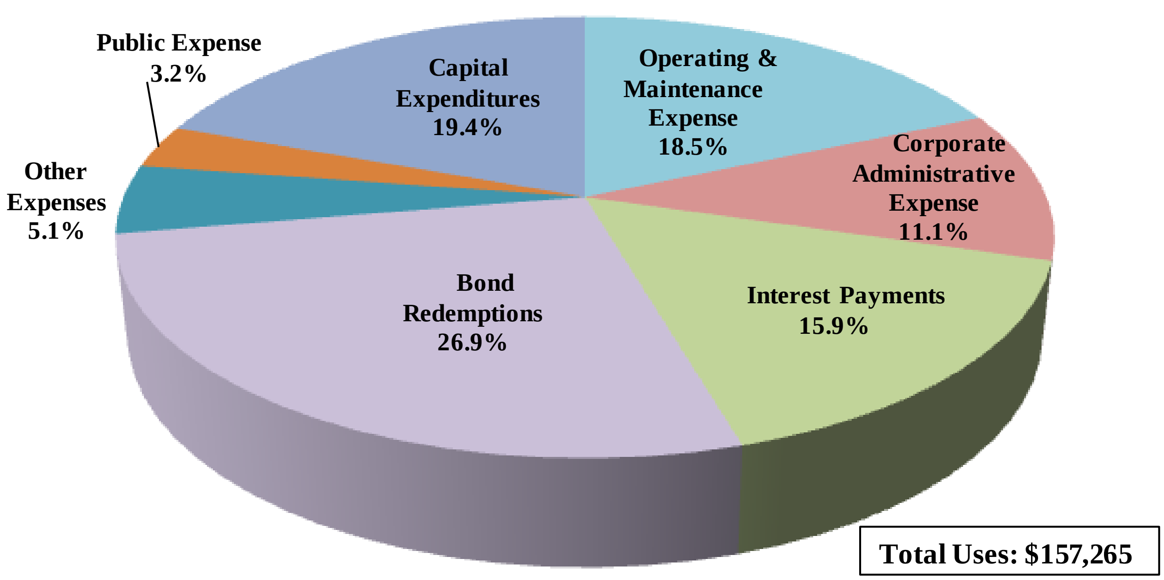


FIGURE V-2: USES OF CASH
($ in 000's)



B. BUSINESS PLAN FORECAST

TABLE V-2: BUSINESS PLAN FORECAST

($ in 000's) OPERATING BUDGET	Notes	Budget 2011	Budget 2012	Forecast 2013	2014	2015	2016	Compound Growth 2011-2016
Operating Revenue		$ 98,387	$ 98,579	$ 101,124	$ 110,304	$ 110,909	$ 110,625	2.4%
Total Operating Revenues		**98,387**	**98,579**	**101,124**	**110,304**	**110,909**	**110,625**	**2.4%**
Operating & Maintenance Expense		30,542	29,078	30,253	25,824	28,293	28,818	-1.2%
Corporate & Capital Development Division Costs	1	16,565	17,458	18,331	19,248	20,210	21,221	5.1%
Total Operating & Maintenance Expenses		**47,108**	**46,536**	**48,584**	**45,072**	**48,503**	**50,038**	**1.2%**
Net Operating Income Before Depreciation		**51,280**	**52,043**	**52,540**	**65,232**	**62,406**	**60,587**	**3.4%**
Total Depreciation Expense		31,898	31,713					
Net Operating Income After Depreciation		**$ 19,381**	**$ 20,330**					**Total 2012-2016**
Committed Capital Budget		$ 29,490	$ 25,706	$ 5,480	$ 3,533	$ 3,525	$ 3,500	$ 41,744
Business Plan Prospective		12,005	4,868	43,970	56,280	72,600	76,678	254,396
TOTAL CAPITAL BUDGET	2	**$ 41,495**	**$ 30,574**	**$ 49,450**	**$ 59,813**	**$ 76,125**	**$ 80,178**	**$ 296,140**

mabpfor.xls

Notes:

1) Consists of remaining Corporate & Capital Development costs to be allocated to Business Groups after direct charges have been coded to groups and Divisions or other costs allocated to Divisions. Most costs are allocated using a formula based on Expenses and employees. For some departments specific allocation methodologies, such as employees for Human Resources & Development, are used.

2) See Section X for details of Capital Budget.

C. DIVISION MISSION STATEMENT

Our mission is to:

- Efficiently manage our assets for the benefit of the public and generate sufficient net operating income to be financially self sustaining;
- Provide services and facilities for the transportation of cargo and passengers;
- Accommodate the region’s fishing industries;
- Promote the economic health of our community.

INTRODUCTION

The Seaport includes two major business groups: Lease & Asset Management and Cruise & Maritime Operations. There are also service groups within the Seaport Division including Commercial Strategy, Environmental Services & Planning, and Finance. These businesses and service groups oversee the marketing, strategic development, and management of cargo and cruise terminals, moorage facilities, and other industrial properties connected to these businesses.

Seaport facilities encompass approximately 1,200 acres of moorage and cargo-related facilities. Over 500 acres are dedicated to container operations at four terminals with over12,300 feet of container berth space and 24 cargo cranes—including seven Super Post-Panamax cranes. The Seaport also owns a fully automated grain terminal and general purpose maritime facilities. It is home to the North Pacific factory trawler fishing fleet. The Seaport also operates two cruise vessel terminals with a total of three berths. In addition, the Seaport leases industrial property connected with these cruise, cargo, and factory trawler fishing businesses.

D. 2012 BUSINESS PLAN

BUSINESS STRATEGY

Economic Benefits and Financial Sustainability:

While the Seaport is a public agency with a mission to accomplish public goals rather than to make profits, it must operate like a business, relying on revenues from our customer base for most of its net operating income. It is a strong financial bottom line that allows the Seaport to invest in projects that benefit the entire community, both economically and environmentally.

We create economic benefits for the entire region through our business activities. Each vessel docked in Seattle, each container and passenger that passes through our Port and each of our tenants creates jobs and brings business income and tax dollars to the region and the state. The most critical measure of the Seaport's financial sustainability is a growing, positive Net Operating Income (NOI). Only with strong financial performance, can the Seaport provide the economic, community and environmental benefits that are the essence of its mission.

Environmental Benefits:

The Seaport is a steward of the environment: We improve the environmental condition of our property through our redevelopment and capital projects, provide new and/or improved public open spaces, and take steps to reduce air pollution, conserve energy and water, and recycle to reduce the amount of garbage we produce. In 2007 the Port adopted the goal of becoming the greenest, cleanest most energy efficient port in the United States.

Community Benefits and Social Responsibility

The Port of Seattle as a major economic engine within the region purchases significant materials from local vendors and contracts with hundreds of firms for construction and maintenance-related activities. One aspect of community benefit and social responsibility is adopting policies and programs to insure that much of this work goes to local small businesses and the communities within which those businesses are located and live. In 2007, the Port created an Office of Social Responsibility to guide this effort.

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

- Commercial Business
- Asset Stewardship
- Green Gateway

For 2012, the Seaport will advance these strategies in alignment with the commission's Century Agenda and key Corporate initiatives including implementation of SharePoint and metrics.

For 2012, the critical work needed to advance these strategies is:

- Retain and attract customers to our gateway
- Facilitate efforts to assure freight mobility during road project construction
- Complete high priority capital and major expense projects
- Perform key asset condition assessments
- Develop environmental initiatives to enhance the Port's economic competitiveness

PARTNERSHIPS

We would not be able to fulfill our mission without positive relationships with our partners. We are focused on:

- Meeting the needs of our customers by:
  - Maintaining regular contact with our key customers to stay in touch with their needs and identify opportunities to increase business through port facilities;

- Working with stakeholders to constantly improve freight mobility within the seaport;
- Facilitating customer relationships with federal inspection agencies;
- Developing new business opportunities for our customers; and
- Providing market information to support our tenants’ interest in expansion.

- Approaching our relationship with labor honestly and with integrity, communicating effectively, and working together under a fair labor agreement.

- Respecting tribal sovereignty, and tribal religious and cultural values in all consultations with our tribal neighbors.

EXECUTIVE SUMMARY: 2012 SEAPORT STRATEGIES

WE WILL HAVE ENSURED THE VITALITY OF THE SEAPORT BY:

Achieving our financial objectives:

$52.0 Million Net Operating Income (NOI) reached by 12/31/2012. In 2012, each business unit will contribute to the total Seaport NOI as budgeted:

- Lease & Asset Management NOI = $48.8 Million
- Cruise & Maritime Operations NOI = $3.2 Million
- Environmental Remediation Liabilities = $0.0 Million

Providing compelling value that will attract and retain customers, and which will further the Port's financial objectives by:

- Reaching long term agreements with cruise lines that currently utilize Pier 66 as a homeport
- Determine feasibility and investment priority for installation of shore power at Pier 66 Bell Street Pier Cruise Terminal
- Meeting key milestones in our capital plan

Preserving our assets and increasing their utilization by:

- Conducting condition assessments and/or repairs of our critical capital assets including dock structures, underwater slopes, and water depth
- Ensure accountabilities for grain terminal improvements are identified and implemented

WE WILL HAVE DEVELOPED NEW BUSINESS AND ECONOMIC OPPORTUNITIES FOR THE REGION AND THE PORT BY:

- Generate revenue from Terminal 25 South
- Jointly marketing the Port of Seattle with our container terminal tenants and the railroads
- Actively promoting our Foreign Trade Zone (FTZ)
- Increased focus on and promotion of regional exports
- Leveraging our Green Gateway brand to increase awareness of business friendly environmental initiatives and attract cargo to our gateway
- Leading the U.S. West Coast Collaboration (USWCC) effort to highlight West Coast advantages to shippers
- Market mid-week and shoulder season cruise itineraries
- Seek out new and/or additional business in commercial vessel moorage for T91

WE WILL HAVE ENHANCED PUBLIC UNDERSTANDING AND SUPPORT OF THE PORT'S ROLE IN THE REGION BY:

- Seeking speaking engagements in the community
- Striving to purchase at least 15% of all goods and services from qualified small businesses

WE WILL HAVE BEEN A CATALYST FOR REGIONAL TRANSPORTATION SOLUTIONS BY:

- Ensuring that construction and design of the Alaskan Way Viaduct replacement does not adversely affect operations and drive business to other ports
- Ensuring implementation of the construction mitigation action plan for multiple construction projects in the Duwamish Maritime Industrial area

WE WILL HAVE BEEN A LEADER IN TRANSPORTATION SECURITY BY:

- Meeting Federal mandates for security measures, training, and training exercises
- Research and identify potential technologies to improve efficiency of operations at Seaport and tenant facilities
- Collaborate with Aviation Division to develop and implement comprehensive Emergency Preparedness Program Port-wide.

WE WILL HAVE EXHIBITED ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS BY:

- Achieving/maintaining zero regulatory violations
- Continue implementation of the Northwest Ports Clean Air Strategy (NWPCAS) with our tenants, customers, business partners and the Puget Sound Clean Air Agency. Work with our partner Ports and others to update the NWPCAS strategy to include longer term goals (2020) and to continue to reduce air emissions. Publishing the 2011 update of Puget Sound Maritime Air Emissions Inventory
- Continued succesful implementation of the Green Gateway Partners program
- Building and improving stormwater systems and meeting stormwater management plan requirements
- Making significant progress on investigation and cleanup of key contamination sites, including the Lower Duwamish, East Waterway, Terminal 91, and Terminal 117

WE WILL HAVE BEEN A HIGH PERFORMANCE WORKPLACE BY:

- Successful transition of Seaport departments to use of the SharePoint collaboration and document management system
- Providing our staff with regular feedback on individual and team performance along with the support and guidance they need to be successful
- Completing PREP plans with training, development, and diversity components
- Achieving a perfect safety score and zero accidents by providing our staff with the necessary tools and training

SEAPORT LEASE & ASSET MANAGEMENT

MISSION

Negotiate and manage Seaport leases and manage assets to support the Port's overall goals and maintain a sustainable Seaport.

DESCRIPTION

The major leases managed by this group include the container terminals at Terminal 5, Terminal 18, Terminal 30, Terminal 46 and Terminal 115; the grain facility at Terminal 86; and leases to support the fishing industry primarily at Terminal 91. The group also manages other industrial leases that support Seaport terminals and operations.

Besides lease management, this team is also developing and will maintain an asset management system to track condition and projected investments in all Seaport assets. This team also coordinates Seaport traffic issues and cooperates with regional transportation planning.

BUSINESS STRATEGY

Lease Management: Manage and lease the container terminals portfolio and enhance the value of the managed assets by increasing revenue and reducing expenses.

By effectively focusing on our customers, we can better understand how to meet their needs in a competitive and cost effective manner. Activities such as gathering and disseminating market, industry and community information, communicating with both customers and influencers, investing in future infrastructure, and conducting industry forums all serve to support shipping operations in the PNW.

As cargo volumes grow, we are also focused on trying to manage the impacts from that growth and anticipate future issues to allow for efficient growth to continue. As we move into the future, continued focus on technology issues at the terminals will help our port continue to be efficient.

Asset Management: Through a number of major capital projects, the Seaport has enhanced its assets over the years. Now the focus is to develop and maintain a more comprehensive program of managing for the long term sustainability of the asset portfolio to the benefit of the Port mission and goals.

We partner with our customers to ensure that their facilities, which are Port assets, are properly maintained to both preserve their value and help our customers to maximize their cargo throughput. We will focus on providing customer value through building and maintaining relationships with our key customers, and striving to understand and anticipate their needs.

KEY GOALS AND MEASURES

Key Goals	Major Tasks	Measure	Targets
Goal 1: Asset Stewardship Program			
Enhance management of key port container assets by both port and tenants.	Develop comprehensive asset management plan	Complete second phase of initial review of asset base	Q4
	Complete dock structural surveys	Survey remaining docks	Q4
	Complete Pier 91 Building 175 Roof Replacement	Construction complete	Q2
	Ensure grain terminal improvements are accomplished	Accountabilities identified and implemented	Q4
	Replace ZPMC crane gearboxes at T46	Replacement complete	Q4
	Inspect terminals for tenant compliance	Complete inspections	Q4
	Complete test repair section of T18 pile caps	Construction complete	Q2
Goal 2: Green Port Initiatives			
Support Port's green port strategy through specific green initiatives.	Facilitate a comprehensive construction traffic management approach among City and State projects that maintains the functionality of the Port's drayage routes through: a. Regular participation in MOT meetings; b. Review of and comments on traffic control plans; c. Field assessments, d. Check-ins with Port stakeholders; and e. Communication of issues	Partner staff integrates comments into planning efforts to the extent possible.	Q1
	Implement RFID for truck program	Implementation complete	Q1
	Determine options for reducing Port related truck queues in the Spokane Street corridor	Options identified	Q3

Key Goals	Major Tasks	Measure	Targets
Goal 3: Commercial Strategy			
Maintain and enhance revenues and Net Operating Income by controlling costs, maintaining existing customers and leasing vacant properties	Seek revenue opportunities for T25 South	Revenue generated	Q4
	Work with Commercial Strategy and Cruise staff to communicate construction related traffic impacts to Port stakeholders via: a. Written materials b. Regular meetings c. Ad-hoc briefings	Port stakeholders report that they get the information they need	Q4
	Complete street vacation process and property transfers related to past expansion projects	Complete Terminal 5 Complete Terminal 30	Q4 Q4

TABLE V-3: LEASE & ASSET MANAGEMENT BUSINESS PLAN FORECAST

($ in 000's) OPERATING BUDGET	Notes	Budget 2011	Budget 2012	Forecast 2013	2014	2015	2016	Compound Growth 2011-2016
Operating Revenue		$ 81,622	$ 81,310	$ 85,375	$ 93,893	$ 93,812	$ 93,237	2.7%
Operating & Maintenance Expense		19,577	19,533	22,261	17,973	20,242	20,615	1.0%
Corporate Administrative Expense	1	12,433	13,001	13,651	14,334	15,051	15,803	4.9%
Total Operating Expense		**32,009**	**32,534**	**35,912**	**32,307**	**35,293**	**36,418**	**2.6%**
Net Operating Income Before Depreciation		**49,613**	**48,776**	**49,463**	**61,586**	**58,519**	**56,819**	**2.7%**
Total Depreciation Expense		23,035	22,672					
Net Operating Income After Depreciation		**$ 26,577**	**$ 26,103**					
								Total 2012-2016
COMMITTED CAPITAL BUDGET	2	**$ 20,596**	**$ 19,981**	**$ 3,190**	**$ 1,400**	**$ -**	**$ -**	**$ 24,571**

mabpfor.xls

Notes:

1) Consists of remaining Corporate costs to be allocated to Business Groups after direct charges have been coded to Groups and Divisions or other costs allocated to Divisions. Most costs are allocated using a formula based on Expenses and employees. For some departments specific allocation methodologies, such as employees for Human Resources & Development, are used.
2) See Section X for details of Capital Budget - does not include business plan prospective projects.

CRUISE & MARITIME OPERATIONS

MISSION

Provide safe, secure and efficient cruise ship terminals and cargo handling maritime facilities which include large vessel berthing docks for moorage, working apron areas and related equipment, cruise passenger terminals, utilities and services to encourage current and new customers to move greater amounts of marine tonnage and cruise passengers through the Port of Seattle. Market and provide cruise ship services and facilities that maintain and grow the cruise business in the Seattle area. These facilities and services will enhance the economy of the region, protect jobs and provide a reasonable rate of return to the Port of Seattle and the citizens of King County.

DESCRIPTION

Cruise & Maritime Operations is made up of multiple deep water commercial moorage facilities in and around the harbor with over 17,000 lineal feet of large vessel berth moorage and two cruise passenger terminals. Maritime Facilities include: T91 piers 90 and 91, T46 North; plus vessel berths at P2, P17, 18N, P25, P28, P34, P69, and other maritime facilities. The two cruise terminals include a single cruise vessel berth facility at Pier 66, the Bell Street Pier Cruise Terminal, and a two berth facility at Terminal 91, the Smith Cove Cruise Terminal.

Customers include cruise lines, Cruise Terminals of America, charter and excursion vessels, tug and barge companies, large fishing and commercial vessels, the United States Navy and other ships of state. Industry sectors served include cruise, marine transportation, staging and transport, the commercial seafood industry, bunker and distillate fuels, and tug and barge services.

BUSINESS STRATEGY

Cruise: For the cruise business, our strategy is to market Seattle as a homeport and a port of call to cruise lines serving Alaska and the Pacific Northwest. Through this, we will maintain our market share, increase cruise passenger volumes and annual ship calls. We also create value for our customers by making our cruise terminals efficient and cost effective; working with the Airport and logistic providers to improve the operations and passenger experience at the Seaport and Airport; and working with the tourism and business community so that we maximize economic impact from visiting passengers and cruise ships.

Maritime/Dock Operations: For our docks/commercial moorage facilities, we work with the terminal operators, tugboat, fishing industry, and other dock users to maximize the use of vessel berthing and dock facilities providing net income to the port. We focus on providing customer value through building and maintaining relationships with our key customers, and continually strive to better understand and anticipate their business needs. Retaining our current customers across all maritime sectors continues to be a key focus. We also invest in strategic capital improvements to maintain and improve facilities, accommodate current customers' needs, attract new business, and enhance revenue opportunities from our facilities.

Focus for the coming year will be on retaining customers and growing core business, asset stewardship-performing condition surveys and annual maintenance procedures, advancing capital improvement programs, completing projects underway and expanding our green gateway strategy. This will include continued pursuit of establishing cruise ship shore power facilities at P66, expanding recycling program at T91, indentifying storm water improvements needed at T91 along with seeking energy efficiencies and reducing operating costs through use of new technology in energy efficient yard lighting and security equipment.

Security: The focus for security will be to maintain compliance with regulations and policy and to enhance business through identifying potential security technologies to improve the efficiency of operations and to minimize costs through the effective use of available grants. A priority focus for 2012 will be on further resolving the issue of discovered old munitions at T91 through the Formerly Used Defense Sites (FUDS) program. This will require continued close coordination and support of the survey and cleanup work being done by the U.S. Army Corps of Engineers in collaboration with Port of Seattle Police Department, U.S. Coast

Guard, Environmental Protection Agency and the U.S. Navy. Additional priority for 2012 will be staff training in security and emergency preparedness related to both the Seaport reorganization and results from Federal Emergency Management Agency (FEMA) exercise. This will be accomplished through close collaboration with Airport Division.

KEY GOALS AND MEASURES

Key Goals	Major Tasks	Measure	Targets
Commercial Strategy			
Enhance regional economic development by increasing utilization of Port related facilities and volume of cruise passengers moving through the Port's terminals resulting in improvement of the Seaport's Net Operating Income	Seek additional long term agreements with other existing homeport cruise lines	Cruise line commitment made beyond yearly berth request – multiyear agreement	Q4
	Develop potential short NW cruise itineraries (3 and 4 day). Work with other NW and BC ports on potential interporting concept. Market concept proposals to cruise lines.	Marketing package complete. Shared investment model with other stakeholders in place for joint marketing effort. Presentations made to cruise line executives and itinerary planners for consideration	Q4
	Develop a revenue sharing cost model for secondary use of cruise facilities.	New agreement in place between Seaport and Real Estate Divisions balancing cost and benefit gained from revenue generated through use of Seaport facilities.	Q2
	Reduce costs and increase efficiencies in cruise operations and Port operations.	Opportunities identified and changes made in operations to increase efficiencies and reduce cost.	Q1-Q4
	Enhance marketing efforts to gain additional business in commercial vessel moorage at T91, P69, and T18 North mooring dolphins	Marketing plan developed and executed for commercial docks. Dock and moorage facility utilization increases. New vessel types using commercial moorage facilities	Q1-Q4
	Monitor emerging markets for opportunities to increase non-container cargos. Explore new business model of 3rd party stevedoring and joint marketing.	New business activity for port operated facilities identified and established. 3rd party stevedoring and joint marketing pilot program in place.	Q4

Key Goals	Major Tasks	Measure	Targets
	Customer marketing call to cruise lines in seeking additional Homeport and Port of Calls.	New business secured for future years.	Q4
Asset Stewardship			
Understand existing assets, perform proper maintenance on current assets and align asset investment to support long term market demand.	Fender system upgrades at Smith Cove Cruise Terminal	Phase 2 of Pier 91 cruise berths fender system upgrades complete before start of 2012 cruise season.	Q2
	Perform all scheduled maintenance at Port operated facilities	Required maintenance performed within schedule and budget	Q1-Q4
	Complete all other 2012 capital projects consistent with Final Approved Capital Budget and commission direction	Design, permits, construction completed per approved capital plan and commission actions for 2012	Completion targets as defined in project schedules
Green Gateway/Environmental			
Maintain compliance with all local, state, and federal regulations. Collaborate with industry to reduce environmental impacts. Engage stakeholders and community to build understanding and support.	Continue to pursue shore power at Pier 66 cruise vessel berth.	Commission support received for investment in Pier 66 shore power.	Q2
	Seek commitment from homeport cruise line served at Pier 66 to invest and utilize shore power	Partnership/possible shared investment with cruise line included as part of potential long term berthing agreement at Pier 66.	Q1-Q4
	Collaborate with Seattle City Light in seeking funding opportunities for Pier 66 shore power investment.		Q1-Q4
	Support Seaport Green Gateway Partner program.	2012 program in place by start of cruise season. Increased participation in program by cruise lines and other ocean going vessels.	Q1-Q4

Key Goals	Major Tasks	Measure	Targets
	Further develop recycling program facilities at Terminal 91.	Active use of recycling facilities in place at Seaport operated facilities	Q1-Q4
Seaport Security & Emergency Preparedness			
Maintain compliance with Federal security mandates for Seaport facilities and further enhance Emergency Preparedness program. Further develop working relationship with U.S. Coast Guard.	Meet federal mandates for security measures.	No violation notices/penalties.	Q1-Q4
	Meet federal mandates for training/exercises	Develop and conduct training and regular exercises.	Maintain regular schedule throughout the year
	Identify grant opportunities that align with Seaport operational needs	Grants secured.	Per grant application schedule
	Research and identify potential technologies to improve efficiency of operations.	Increased operational efficiencies at facilities.	Q2 ahead of budget process
	Collaborate with Aviation Division to develop and implement comprehensive Emergency Preparedness Program (EPP) portwide.	Program features are acceptable to all divisions and no operational or policy conflicts between the Emergency Operations Plans.	Q1-Q2
	Full and active participation in the U.S. Coast Guard Area Maritime Committee (AMSC) and Harbor Safety Committee (HSC).	Attend scheduled meetings for both committees. Ensure Port interests and business continuity is considered before security/safety measures are implemented	Per meeting schedules

TABLE V-4: CRUISE & MARITIME OPERATIONS BUSINESS PLAN FORECAST

($ in 000's) OPERATING BUDGET	Notes	Budget 2011	Budget 2012	Forecast 2013	2014	2015	2016	Compound Growth 2011-2016
Operating Revenue		$ 16,765	$ 17,269	$ 15,749	$ 16,411	$ 17,097	$ 17,388	0.7%
Operating & Maintenance Expense		10,466	9,545	7,992	7,852	8,050	8,203	-4.8%
Corporate Administrative Expense	1	4,132	4,457	4,680	4,914	5,160	5,418	5.6%
Total Operating Expense		**14,598**	**14,002**	**12,672**	**12,766**	**13,210**	**13,620**	**-1.4%**
Net Operating Income Before Depreciation		**2,167**	**3,267**	**3,077**	**3,646**	**3,887**	**3,768**	**11.7%**
Total Depreciation Expense		8,863	9,041					
Net Operating Income After Depreciation		**$ (6,696)**	**$ (5,773)**					
								Total 2012-2016
COMMITTED CAPITAL BUDGET	2	**$ 6,524**	**$ 3,855**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 3,855**

mabpfor.xls

Notes:

1) Consists of remaining Corporate costs to be allocated to Business Groups after direct charges have been coded to Groups and Divisions or other costs allocated to Divisions. Most costs are allocated using a formula based on Expenses and employees. For some departments, specific allocation methodologies, such as employees for Human Resources & Development, are used.

2) See Section X for details of Capital Budget - does not include business plan prospective projects.

E. SEAPORT OPERATING BUDGET SUMMARY

TABLE V-5: REVENUE BY ACCOUNT

(in 000's) REVENUE BY ACCOUNT	Notes	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud - 2011 Bud
Operating Revenue					
Dckg, Whrfg, Serv/Facility, Passenger Fee		$ 2,531	$ 2,152	$ 3,327	54.6%
Equipment Rental		9,036	8,956	7,465	-16.6%
Berthage & Moorage		1,332	1,202	373	-69.0%
Revenue From Sale of Utilities		4,341	4,185	4,475	6.9%
Property Rental Revenue		77,878	77,997	80,222	2.9%
Other Revenues		2,161	3,661	2,289	-37.5%
Total Operating Revenue		**$ 97,279**	**$ 98,153**	**$ 98,151**	**0.0%**

marbud.xls mardata

FIGURE V-3: SEAPORT DIVISION REVENUE BY ACCOUNT

($ in 000's)

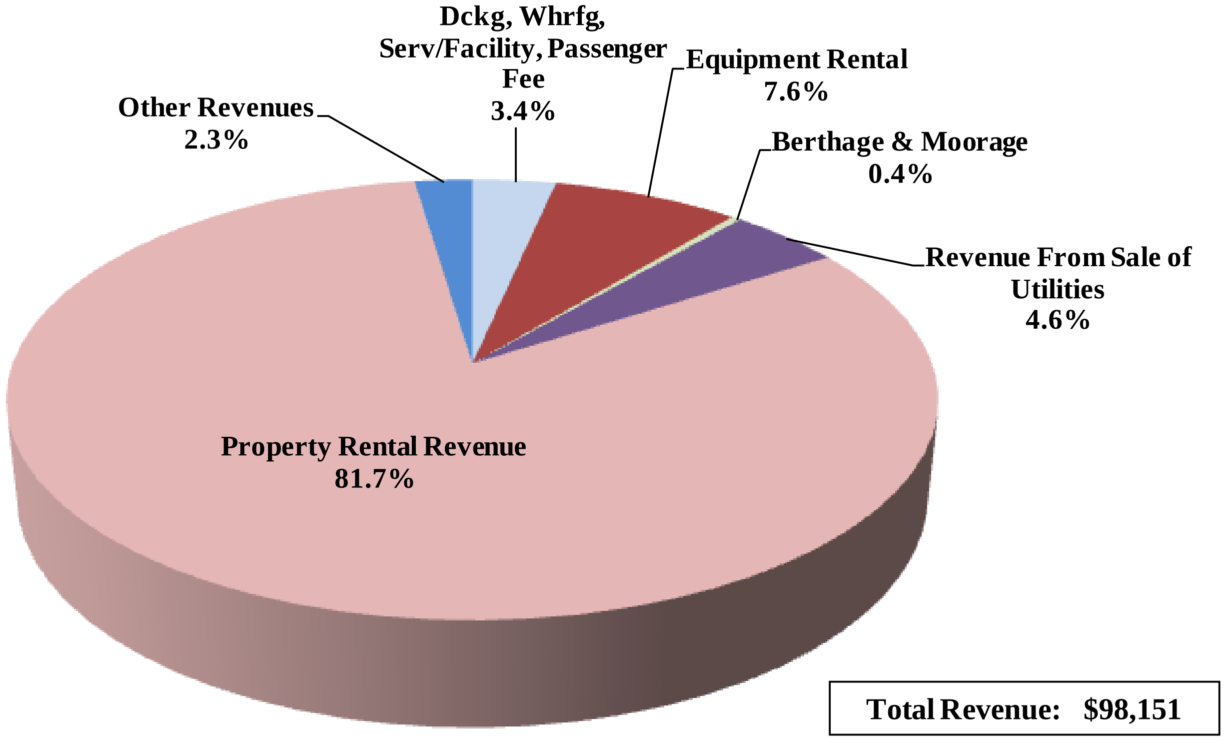


TABLE V-6: OPERATING AND MAINTENANCE EXPENSES BY ACCOUNT

EXPENSE BY ACCOUNT ($ in 000's)	Notes	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud - 2011 Bud
Salaries, Wages, Benefits & Workers Comp		$ 7,581	$ 7,730	$ 7,848	1.5%
Equipment Expense		96	163	176	8.0%
Utilities		4,553	4,817	5,014	4.1%
Supplies & Stock		54	51	37	-27.5%
Outside Services		3,084	5,272	5,141	-2.5%
Travel & Other Employee Expenses		404	604	749	24.0%
Promotional Expenses		116	216	205	-5.1%
Other Expenses		3,306	5,260	2,757	-47.6%
Total O&M without Environmental		**19,194**	**24,112**	**21,929**	**-9.1%**
Environmental Expense	1	1,439	500		-100.0%
Total O&M with Environmental		**20,633**	**24,612**	**21,929**	**-10.9%**
Charges to Capital Projects		(1,111)	(1,365)	(1,521)	11.4%
Total Budgeted Operating Expense		**$ 19,522**	**$ 23,247**	**$ 20,408**	**-12.2%**

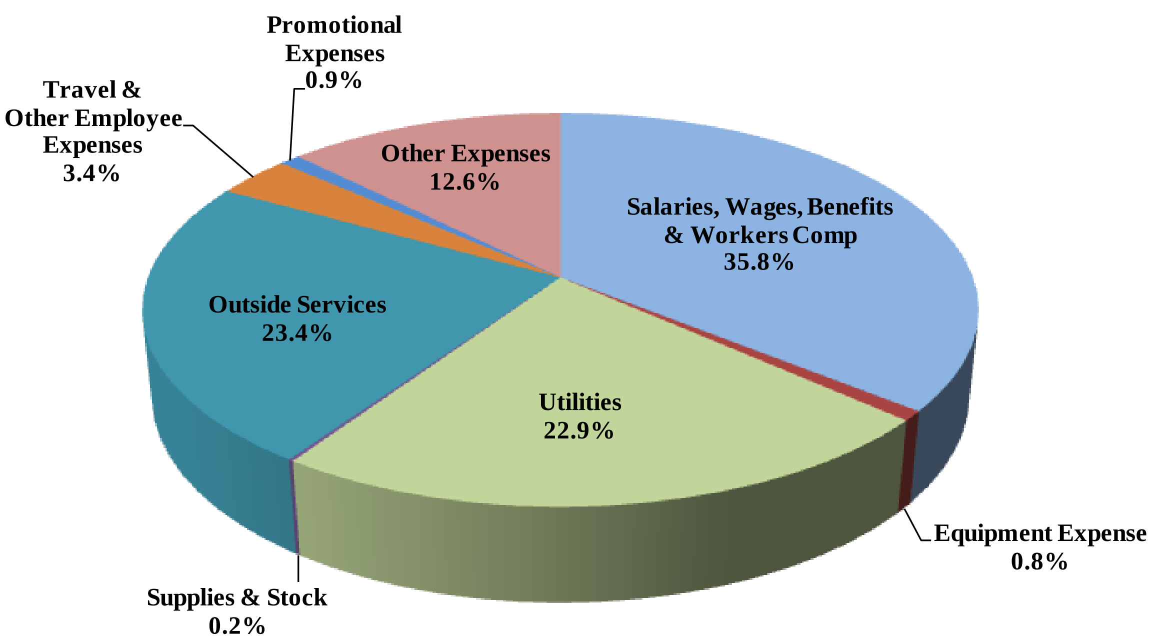
marbud.xls mardata

Notes:

1) Seaport operating expenses in 2010 budget were reduced by $13 millions due to reclassification of environmental expense from Operating to Non-Operating Expense.

FIGURE V-4: SEAPORT DIVISION EXPENSE BY ACCOUNT

($ in 000's)



Total Before Charges to Capital Projects: $21,929
Charges to Capital Projects: $1,521
Total Expense: $20,408

TABLE V-7: SEAPORT REVENUE AND EXPENSE BY BUSINESS GROUP/DEPARTMENT

($ in 000's) BY BUSINESS GROUP/DEPARTMENT	Notes	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud - 2011 Bud
REVENUE					
Lease and Asset Management		$ 80,248	$ 81,474	$ 81,000	-0.6%
Cruise and Maritime Operations		15,240	13,263	15,554	17.3%
Security Grants		1,791	3,415	1,598	-53.2%
Environmental Grants		-	-	-	
Total Operating Revenue		**97,279**	**98,153**	**98,151**	**0.0%**
EXPENSES BEFORE CHARGES TO CAPITAL, NON-OPS, & ENV					
Business Groups:					
Lease and Asset Management	2	5,837	8,414	8,189	-2.7%
Cruise and Maritime Operations		3,899	3,366	3,985	18.4%
Security Grant Expense		1,982	3,451	1,476	-57.2%
Total Business Group Expense		**11,717**	**15,231**	**13,649**	**-10.4%**
Service Depts:					
Commercial Strategy		1,215	1,874	1,841	-1.7%
Seaport Environmental and Planning		4,607	4,806	4,554	-5.2%
Seaport Finance		607	1,030	1,127	9.3%
Other					
Seaport Administration		1,044	921	758	-17.7%
Seaport Contingency		-	250	-	-100.0%
Seaport Environmental Remediation Liability Expense		1,439	500	-	-100.0%
Seaport Capital to Expense		4	-	-	
Total Services Expense		**8,916**	**9,381**	**8,280**	**-11.7%**
Total Expenses Before Charges to Capital, Non-Ops, & Env Remed		**20,633**	**24,612**	**21,929**	**-10.9%**
CHARGES TO CAPITAL, NON-OPS, & ENV REMEDIATION		**(1,111)**	**(1,365)**	**(1,521)**	**11.4%**
OPERATING & MAINTENANCE EXPENSE					
Business Groups:					
Lease and Asset Management	2	5,785	8,331	8,061	-3.2%
Cruise and Maritime Operations		3,890	3,366	3,985	18.4%
Security Grant Expense		1,982	3,451	1,476	-57.2%
Total Business Group Expense		**11,657**	**15,149**	**13,522**	**-10.7%**
Service Depts:					
Commercial Strategy		1,215	1,874	1,841	-1.7%
Seaport Environmental and Planning		3,557	3,657	3,275	-10.4%
Seaport Finance		607	896	1,012	12.9%
Other					
Seaport Administration		1,039	921	758	-17.7%
Seaport Contingency		-	250	-	-100.0%
Seaport Environmental Remediation Liability Expense		1,439	500	-	-100.0%
Seaport Capital to Expense		8	-	-	
Total Services Expense		**7,865**	**8,098**	**6,886**	**-15.0%**
Total Operating Expense	1	**$ 19,522**	**$ 23,247**	**$ 20,408**	**-12.2%**

marbud.xls.marreorg

Notes:

1) The Seaport Division was reorganized in November 2010. Due to staffing transfers, year to year amounts by businesses and departments are not directly comparable.

2) Terminal 117 was transferred to Real Estate for 2012 Budget.

F. STAFFING

The following TABLE V-8 outlines the Full-Time Equivalents (FTEs) in the Seaport Division. Seaport is budgeting 59.9 FTE's for 2012, which is .5 FTE less than the 2011 budget.

TABLE V-8: SEAPORT DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions) **BUSINESS GROUP/DEPARTMENT**	**Notes**	**2010 Actual**	**2011 Budget**	**2011 Est. Act.**	**2012 Budget**	**% Change 2012 Bud - 2011 Bud**
Business Groups:						
Lease & Asset Management	1	0.0	9.6	8.9	9.7	1.0%
Containers and Support Properties	1	5.6	0.0	0.0	0.0	
Cruise & Maritime Operations	1	0.0	10.3	10.3	10.3	0.0%
Cruise and Industrial Properties	1	9.3	0.0	0.0	0.0	
Total Business Groups		**14.9**	**19.9**	**19.2**	**20.0**	**0.5%**
Professional and Technical Servcies:						
Commercial Strategy		4.3	9.3	9.3	9.3	0.0%
Seaport Enviromental & Planning		19.3	19.6	19.6	19.6	0.0%
Seaport Finance & Budget		4.6	8.6	9.0	9.0	4.7%
Seaport Security	2	5.0	0.0	0.0	0.0	
Seaport Planning	3	5.3	0.0	0.0	0.0	
Total Professional and Technical Services		**38.5**	**37.5**	**37.9**	**37.9**	**1.1%**
Other						
Seaport Administration		4.0	3.0	2.0	2.0	-33.3%
Asia Business Development	4	2.0	0.0	0.0	0.0	
TOTAL SEAPORT DIVISION		**59.4**	**60.4**	**59.1**	**59.9**	**-0.8%**

FTE.XLS

Notes:

The Seaport Division was reorganized in November 2010.

1) Lease & Asset Management and Cruise & Maritime Operations business groups were formed and Containers and Support Properties and Cruise and Industrial Properties business groups were discontinued.

2) Seaport Security is now part of Cruise & Maritime Operations

3) Seaport Planning is now part of Seaport Enviromental & Planning

4) Asia Business Development is now part of Commercial Strategy

G. SEAPORT CAPITAL BUDGET

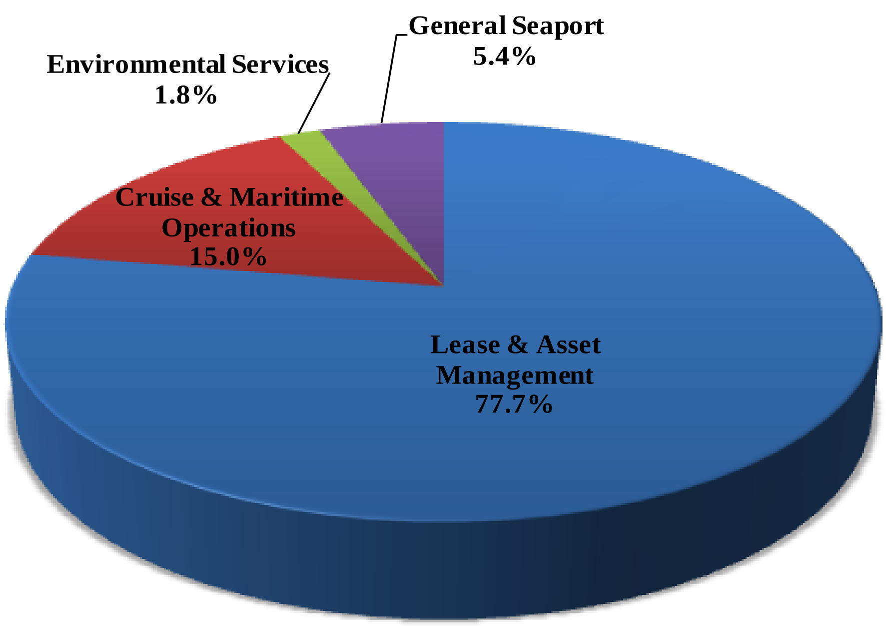
TABLE V-9: SEAPORT DIVISION CAPITAL BUDGET SUMMARY

($ in 000's)	2012 Budget	2012-2016 CIP	% of 2012 Total Committed
Committed Capital Projects			
Lease & Asset Management	$19,981	$24,571	77.7%
Cruise & Maritime Operations	3,855	3,855	15.0%
Environmental Services	470	7,360	1.8%
General Seaport	1,400	5,958	5.4%
Security	0	0	0.0%
Total Committed	**$25,706**	**$41,744**	**100.0%**
Business Plan Prospective Projects	**$4,868**	**$254,396**	
Total CIP	**$30,574**	**$296,140**	

capsum.xls

FIGURE V-5: SEAPORT DIVISION COMMITTED CAPITAL BUDGET

($ in 000's)



Committed CIP Total Spending: $25,706

H. SEAPORT DIVISION OPERATING STATISTICS

TABLE V-10: SEAPORT DIVISION OPERATING STATISTICS

	International Containerized Trade				Total Int'l & Dom. TEUS				
	Metric Tons		Total TEU's		Port of Seattle		Other	Seattle Harbor	
Year	(in 1000's)	Growth		Growth	Total TEU's	Growth	Total TEU's	Total TEU's	Growth
2000	9,899	10.7%	1,201,841	0.6%	1,346,830	-0.6%	141,437	1,488,267	-0.1%
2001	8,366	-15.5%	1,052,789	-12.4%	1,163,388	-13.6%	151,721	1,315,109	-11.6%
2002	8,407	0.5%	1,173,248	11.4%	1,291,790	11.0%	147,082	1,438,872	9.4%
2003	7,891	-6.1%	1,184,698	1.0%	1,397,658	8.2%	88,724	1,486,382	3.3%
2004	9,720	23.2%	1,466,251	23.8%	1,687,768	20.8%	88,090	1,775,858	19.5%
2005	11,975	23.2%	1,745,798	19.1%	1,968,455	16.6%	119,474	2,087,929	17.6%
2006	11,377	-5.0%	1,636,261	-6.3%	1,858,652	-5.6%	128,708	1,987,360	-4.8%
2007	12,407	9.1%	1,628,494	-0.5%	1,848,186	-0.6%	125,318	1,973,504	-0.7%
2008	10,556	-14.9%	1,376,496	-15.5%	1,575,622	-14.7%	128,870	1,704,492	-13.6%
2009	10,469	-0.8%	1,284,541	-6.7%	1,466,046	-7.0%	118,550	1,584,596	-7.0%
2010	14,603	39.5%	1,835,575	42.9%	2,008,961	37.0%	130,616	2,139,577	35.0%
2011 Forecast	12,482	-14.5%	1,560,240	-15.0%	1,773,000	-11.7%	127,000	1,900,000	-11.2%
2012 Budget	13,200	5.8%	1,650,000	5.8%	1,875,000	5.8%	125,000	2,000,000	5.3%
Compound Growth									
2000-2010		4.0%		4.3%		4.1%			3.7%
2005-2010		4.0%		1.0%		0.4%			0.5%

marstat.xls

Port of Seattle Facilities Total Tonnage

	Domestic Metric Tons		International Metric Tons		Total Metric Tons	
Year	(in 1000's)	Growth	(in 1000's)	Growth	(in 1000's)	Growth
2000	3,405	-4.0%	12,225	10.7%	15,630	7.1%
2001	2,611	-23.3%	11,214	-8.3%	13,825	-11.5%
2002	2,055	-21.3%	10,141	-9.6%	12,196	-11.8%
2003	2,341	13.9%	11,062	9.1%	13,403	9.9%
2004	2,453	4.8%	13,676	23.6%	16,129	20.3%
2005	2,369	-3.4%	17,078	24.9%	19,447	20.6%
2006	2,615	10.4%	17,327	1.5%	19,942	2.5%
2007	2,546	-2.6%	17,777	2.6%	20,323	1.9%
2008	2,266	-11.0%	16,940	-4.7%	19,206	-5.5%
2009	1,947	-14.1%	15,943	-5.9%	17,890	-6.9%
2010	1,907	-2.1%	19,975	25.3%	21,882	22.3%
2011 Forecast	1,965	3.0%	17,857	-10.6%	19,822	-9.4%
2012 Budget	1,924	-2.1%	18,568	4.0%	20,492	3.4%
Compound Growth						
2000-2010		-5.6%		5.0%		3.4%
2005-2010		-4.2%		3.2%		2.4%

marstat.xls

Source: Port of Seattle Internal Tonnage Reporting Statistics System.

REAL ESTATE DIVISION

A. 2012 BUDGET SUMMARY

TABLE VI-1: 2012 CASHFLOW SUMMARY

($ in 000s)		2012	Percent of Total
SOURCES OF CASH			
Operating Revenues		$ 32,401	57.4%
Interest Receipts		62	0.1%
Proceeds from Bond Issues		-	0.0%
Grants and Capital Contributions		300	0.5%
Tax Levy		23,634	41.9%
Other Receipts		22	0.0%
Total		**56,419**	**100%**
USES OF CASH			
Expenses from Operations:			
Operating & Maintenance Expense	30,530		50.5%
Corporate Administrative Expense	5,344		8.8%
Law Enforcement Costs	1,350		2.2%
Environmental Expenditures	-		0.0%
Total Operating Expenses		37,224	61.6%
Debt Service:			
Interest Payments	4,972		8.2%
Bond Redemptions	3,092		5.1%
Total Debt Service		8,064	13.3%
Other Expenses		619	1.0%
Public Expense		-	0.0%
Capital Expenditures		14,524	24.0%
Total		**$ 60,431**	**100%**

Cashflow.xls RE

Note: We built-up a significant cash balance in the past few years due to economic uncertainty, and we are planning to draw down the cash balance in 2012.

FIGURE VI-1: SOURCES OF CASH
($ in 000's)

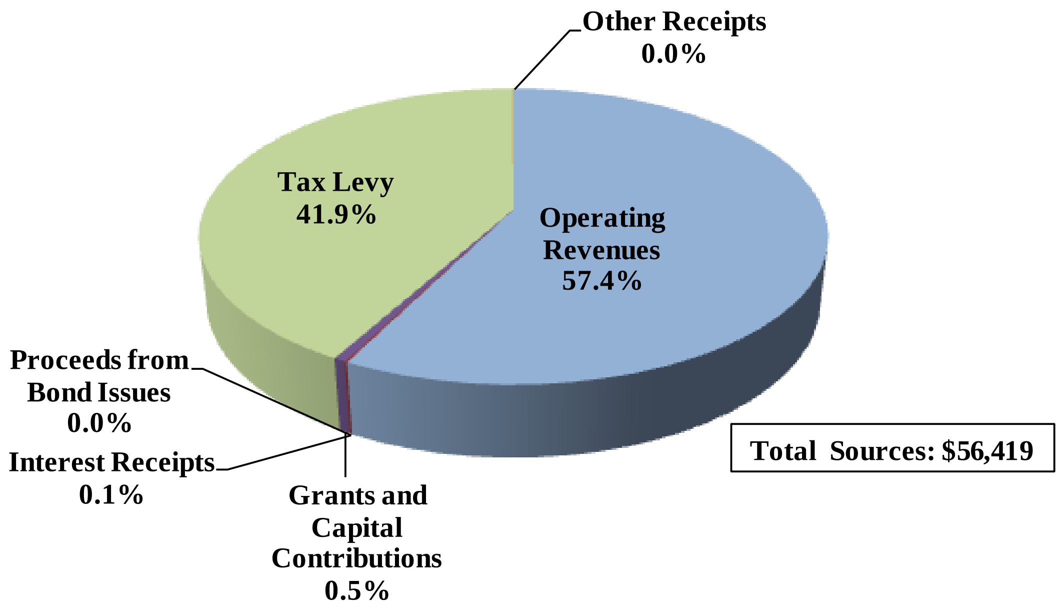
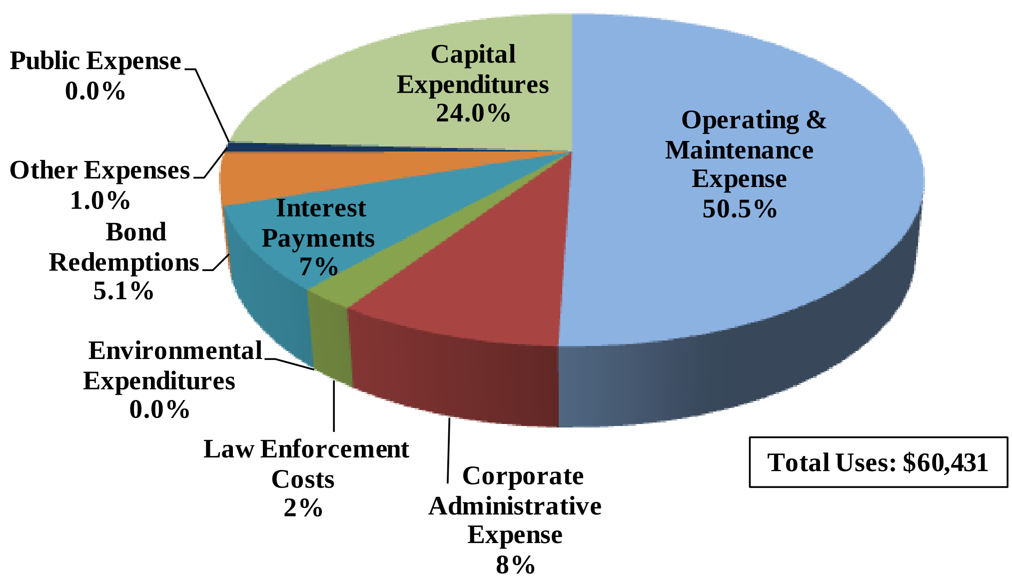


FIGURE VI-2: USES OF CASH
($ in 000's)



B. BUSINESS PLAN FORECAST

TABLE VI-2: BUSINESS PLAN FORECAST

($ in 000's) OPERATING BUDGET	Notes	Budget 2011	Budget 2012	Forecast 2013	2014	2015	2016	Compound Growth 2011-2016
Operating Revenue		$ 30,707	$ 32,401	$ 33,033	$ 33,760	$ 34,478	$ 35,298	2.8%
Operating & Maintenance Expense		29,434	30,530	29,925	30,326	31,068	31,687	1.5%
Corporate & Capital Development Division Costs	1	5,376	5,344	5,632	5,934	6,253	6,588	4.2%
Law Enforcement Costs		1,269	1,350	1,397	1,446	1,497	1,549	4.1%
Total Operating Expense		**36,079**	**37,224**	**36,954**	**37,706**	**38,818**	**39,824**	**2.0%**
Net Operating Income Before Depreciation		**(5,372)**	**(4,823)**	**(3,921)**	**(3,948)**	**(4,340)**	**(4,526)**	**-3.4%**
Total Depreciation Expense		10,166	9,694					
Net Operating Income After Depreciation		**$ (15,538)**	**$ (14,517)**					
								Total 2012-2016
Committed Capital Budget		$ 15,357	$ 10,924	$ 4,666	$ 1,999	$ 1,866	$ 1,870	$ 21,325
Business Plan Prospective		5,000	3,600	7,825	10,660	3,950	6,671	32,706
TOTAL CAPITAL BUDGET	2	**$ 20,357**	**$ 14,524**	**$ 12,491**	**$ 12,659**	**$ 5,816**	**$ 8,541**	**$ 54,031**

edbpfor.xls

Notes:

1) Consists of remaining Corporate & Capital Development costs to be allocated to Real Estate after direct charges have been coded to Business Groups and Divisions or other costs allocated to Divisions. Most costs are allocated using a formula based on Expenses and employees. For some departments specific allocation methodologies, such as employees for Human Resources & Development, are used.
2) See Section X for details of Capital Budget.

C. DIVISION MISSION STATEMENT

Our mission is to:

- Efficiently and cost-effectively manage and develop our assets for the benefit of our customers and the public;
- Provide services and facilities to our customers, the public and for the commercial activities of local businesses;
- Maintain Fishermen's Terminal as the homeport to the North Pacific Fishing Fleet by providing facilities and services that support the commercial fishing and other maritime industries, including other commercial craft, while maximizing financial performance;
- Promote the economic health of our community;
- Ensure our businesses, facilities, and activities are the most efficient, “cleanest and greenest” in the country, at a reasonable cost; and
- Maintain the Eastside Rail Corridor for future infrastructure needs and enact an interim management plan to maximize the performance of the asset.

INTRODUCTION

The Real Estate Division is committed to increasing the economic vitality of our region and generating new business opportunities for the Port. This will be accomplished by leveraging the Port’s partnerships with local and regional commercial and industrial businesses and real estate partners. The Real Estate Division also intends to identify and pursue opportunities that enhance the region’s long-term vitality and ultimately produce new revenue for the Port.

The Real Estate Division (RED) integrates the efforts of five functional workgroups: Real Estate Development & Planning, Harbor Services, Marine Maintenance, Portfolio Management and Pier 69 Facilities Management. These business and service groups oversee the development and management of various Port assets and vessel moorage facilities. Financial services, project management, facility planning, and environmental services are acquired from the Seaport Division.

Following are the five business groups and their functions:

Real Estate Development & Planning: Plans and facilitates the development of selected real estate assets currently within its own portfolio and provides development expertise and support to the Seaport and Aviation Divisions. The team also identifies and evaluates new opportunities outside the Port's current portfolio and completes other transactions related to Port assets.

Harbor Services: Operates & leases moorage/storage/yard facilities and provides a variety of services. Its two commercial fishing moorage facilities, home to the North Pacific Fishing Fleet, provide space for more than 600 commercial fishing vessels, commercial work vessels as well as recreational vessels. Its three recreational marinas provide facilities for more than 1,600 recreational, commercial & some commercial fishing vessels.

Portfolio Management: Leases, markets, and manages the Division's portfolio of conference, office, retail, commercial, and industrial properties and works to enhance the value of the Division's assets through strategic asset planning and repositioning. This business unit will also lead the asset management efforts related to the Eastside Rail Corridor and the enhancement of the Port's Foreign Trade Zone.

Marine Maintenance: Provides comprehensive maintenance, repair and small capital services to properties and equipment in the Real Estate and Seaport Divisions.

Pier 69 Facilities Management: Provides management services for Port Headquarters, including the Pier 69 Motor Pool, Print Shop, Shipping & Receiving, and Mail/Messenger, the Portside Café and Pier 69 Conference Center.

BUSINESS STRATEGIES

- Maximize occupancy rates at all properties to support Port business initiatives;
- Maximize vessel moorage occupancy and revenues at our five commercial and recreational facilities;
- Improve, maintain and update our facilities to meet new market demands and provide compelling value to current and future tenants.

TRIPLE BOTTOM LINE

The Real Estate Division, as part of the Port of Seattle, is a public agency with a mission to accomplish public goals that provide economic benefits to the region as a whole. It must operate its properties like a business, relying on revenues from our customer base for most of its net operating income & continually finding ways to reduce expenses by operating efficiently & cost-effectively. Achieving a strong financial bottom line allows the Real Estate Division to invest in projects that benefit the entire community, both economically and environmentally. It is this combination of financial performance along with economic, as well as community and environmental benefits, that serves as the Real Estate Division's Triple Bottom Line:

Economic Benefits:
We create economic benefits for the entire region through our business activities. All of our activities and each of our tenants create jobs and bring business income and tax dollars to the region and the state.

Community and Environmental Benefits:
While community and environmental benefits are harder to quantify, they are an important part of the Port of Seattle's mission. The Real Estate Division is a steward of the environment. We improve the environmental condition of our property through our redevelopment and capital projects, providing new and/or improved public open spaces, taking steps to reduce air & water pollution, conserving energy and water, and ensuring facility activities are the cleanest & greenest, including recycling to reduce the amount of garbage we produce.

The community also benefits from regional transportation projects made possible with our participation and leadership in both planning and funding as well as the economic benefits produced by our business activities.

Financial Sustainability:
The most critical measure of the Real Estate Division's financial sustainability is a growing, positive Net Operating Income (NOI). Only with strong financial performance, can it provide the economic, community and environmental benefits that are the essence of its mission.

PARTNERSHIPS

We would not be able to fulfill our mission without positive relationships with our stakeholders and partners. We are focused on:

- Meeting the needs of our customers by:
  - Facilitating customer relationships;
  - Strengthening relationships with our stakeholders and partnering with them wherever possible;
  - Developing new business opportunities.
- Approaching our relationship with labor honestly and with integrity, communicating effectively and working together under fair labor agreements.
- Respecting tribal sovereignty and tribal religious and cultural values in all consultations with our tribal neighbors.

2012 REAL ESTATE DIVISION STRATEGIES

KEY STRATEGIES AND OBJECTIVES

STRATEGY: ENSURE PORT AND REAL ESTATE DIVISION GROUP VITALITY

KEY OBJECTIVE: Achieve Financial Objectives

($4,823) thousand NOI before Depreciation. Each Business Group will contribute to the total Division NOI as budgeted:

- Real Estate Development & Planning NOI = ($923) Thousand
- Harbor Services NOI = ($2,236) Thousand
- Portfolio Management NOI = ($1,067) Thousand
- Eastside Rail NOI = ($599) Thousand

KEY OBJECTIVE: Increase Property Utilization

- Maintain 87% occupancy of commercial properties;
- Achieve moorage occupancy of: Recreational Marinas 94%, Fishing & Commercial facilities 84%;
- Complete transition to new management contract for conference and event centers by May 31st;
- Renew Shilshole Bay Marina liveaboard agreement;
- Adopt Fishermen's Terminal 20 Year Re-development Plan and Net Shed Code Compliance Option:
    - Finalize 20 Year Re-development and Implementation Plan and gain Commission approval
    - Integrate plan (as defined by 20 Year Plan) into operations, maintenance and capital planning
    - Begin implementation of Net Shed Code Compliance option;
- Complete key 2012 construction projects:
    - Fishermen's Terminal C15 Building HVAC improvements
    - Fishermen's Terminal C15 Building replace east sewer line
    - Pier 69 North Apron Piling Corrosion Protection;
- Continue execution of Deferred Maintenance Reduction Plan by completing projects funded in 2012 Budget;
- Terminal 91 Uplands - Complete development option study and initiate the environmental review process;
- Des Moines Creek Business Park - Complete new development agreement with City.

STRATEGY: DEVELOP NEW BUSINESS AND ECONOMIC OPPORTUNITIES FOR THE REGION AND THE PORT

KEY OBJECTIVE: Build Relationships and Partnerships to Develop Business Opportunities for Local Businesses

- Purchase at least 15% of all goods and services from qualified small businesses.

STRATEGY: EXHIBIT ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS

KEY OBJECTIVE: Strive to Integrate Environmental and Business Objectives into our Organization

- Maintain Clean Marina Washington/EnviroStar Certification at Harbor Services facilities;
- Zero tenant environmental regulatory violations;
- Electrical consumption at Pier 69 Facility is within 5% of 2011 level;
- Zero increase in landfill waste from the Marine Maintenance shop.

STRATEGY: BE A HIGH PERFORMANCE ORGANIZATION

KEY OBJECTIVE: Attract and Retain Valuable Employees and Provide a Culture of Clear Expectations and Accountability

- Achieve a perfect safety score and zero accidents.

HARBOR SERVICES

MISSION

- Provide moorage facilities, equipment and services to fishing, commercial and recreational vessel operators;
- Maintain Fishermen's Terminal as the homeport to the North Pacific Fishing Fleet by providing facilities and services that support the commercial fishing and other maritime industries while maximizing financial performance;
- Manage cost-effective operations that deliver the best value for our customers' dollars, provide the level of services that will distinguish us from other moorage facilities, provide a rewarding work environment for our employees and promote a spirit of partnership within the communities that we serve.

DESCRIPTION

Harbor Services provides and operates moorage facilities in various locations throughout Seattle, including a full range of services, to meet the needs of a diverse group of vessel operators. The facilities are:

- Bell Harbor Marina
- Fishermen's Terminal
- Harbor Island Marina (Terminal 102)
- Maritime Industrial Center
- Shilshole Bay Marina

Together these facilities supply over 2,000 moorage slips, and related products, for fishing, recreational, Tribal and other commercial vessels up to 400' including supporting services. There are approximately 3,000 monthly moorage customers and approximately 13,000 guest moorage visitors annually. Customer service is our primary focus. Customer types include: commercial and sport fishermen, commercial pleasure and workboat operators, recreational boaters, Tribal members and the largest live-aboard community in the State of Washington (approximately 550 people).

There is a strong link between the facilities and the Ballard, Magnolia, Central Seattle Waterfront and West Seattle communities.

BUSINESS STRATEGY

- Retain customers;
- Achieve net operating income by maximizing revenues, effectively utilizing vessel moorage, yard & locker areas and controlling expenses;
- Improve & maintain assets & facilities in a manner that provides compelling value to customers;
- Minimize risks of loss, both economic and physical, to the public;
- Strive to be the cleanest and greenest harbor facilities at a reasonable cost by following Marina Best Management Practices, continuing our various environmental programs, and educating our customers and employees.

KEY STRATEGIES AND OBJECTIVES

STRATEGY: ENSURE DIVISION AND HARBOR SERVICES GROUP VITALITY

Key Objective: Maximize financial performance		
Performance Measure: Achieve Net Operating Income		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Harbor Services Total	($2,236) thousand	
Fishing/Commercial	($3,128) thousand	• Monthly review of plans and spending to meet targets (revenues & expenses). • Execute operations & marketing plans; adjust as necessary throughout the year.
Recreational Boating	$893 thousand	• Same as above.
Achieve goals for occupancy of vessel moorage areas	Total Fishing: 84% FT: 84% MIC: 72% Total Recreational: 94% SBM: 95% HIM: 89% BHM: 71%	• Fill vacancies in the shortest duration of time. • Effectively manage derelict vessels, insurance program & collections process. • Execute and revise marketing plans as needed to respond to market flucuations throughout the year.
Advance Fishermen's Terminal 20 Year Redevelopment Planning Process	• Work with Portfolio Management to complete planning analysis & recommendation to Port Commission, and begin potential environmental review. • Integrate 20 year FT Asset Plan into Maintenance & Capital planning.	• Portfolio Management will lead and HSG will support the advancement of a development alternative for FT landside that supports the fishing industry and provides financial return to the Port overall. This will include the Net Sheds Storage Option. • Gain approval from Port Commission. • Integrate 20 year Asset Condition Assessment into operations, maintenance & capital plans.
Implement Net Shed Buildings Code Compliance Option	• Complete analysis of code compliance options & recommendation & gain approval from Port Commission. • Complete design improvements & permitting (as needed).	• Advance alternative for bringing net locker buildings into code compliance and gain Commission approval on design option & implement. • Complete design & permitting (as needed) for construction of applicable improvements required per code.
Update Shilshole Site Plan	• Complete year end.	• Working with Portfolio Management, and an outside consultant, update existing site plan. Examine implications of Shoreline

		regulations.
Renew Shilshole Liveaboard Agreement	• Notification to liveaboard officers by February 26, 2012. • Agreement complete by August 2012.	• Complete review of existing Agreement and work with liveaboards to revise as necessary & implement agreement.
Key Objective: Minimize risk of loss, both economic & physical		
Performance Measure: Achieve Net Operating Income		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Implement actions from Enterprise Risk Management priorities	• Identify actions & a budget by end Q3. • Begin implementation of four actions by end of year.	• Identify four action items, complete action plans and budget. Begin implementation.

STRATEGY: DEVELOP NEW ECONOMIC OPPORTUNITY FOR THE REGION AND THE PORT

Key Objective: Build relationships and partnerships to develop new business opportunities for the Port and local businesses to compete in the global economy.		
Performance Measure: % of HSG operating & capital expenditures		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Utilize small businesses.	• 15% of direct expense	• When feasible, utilize qualified small businesses.

STRATEGY: EXHIBIT ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS

Key Objective: Strive to integrate environmental and business objectives into our organization**.**		
Performance Measure: EnviroStar certification maintained. Zero regulatory violations.		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Maintain Clean Marina Washington/EnviroStar Certifications.	• Certification renewed at all HSG facilities.	• Maintain standards to satisfy regulatory bi-annual certification requirements.
Enforce Marina Best Management Practices (BMP's) & agency regulations.	• Zero regulatory violations. • Complete update of BMP's Q2.	• Work with Environmental to update BMP's (annually). • Staff educates customers & enforces BMP's when on the docks, follows regulatory requirements and carries out internal environmental procedures.
Identify Green Port Capital Projects to be implemented.	• Projects analysis completed by Q2. • Incorporate identified Green improvements into planned 2013 capital projects in Q3.	• Analyze all Green Port capital projects in conjunction with planned capital improvement projects, in coordination with Portfolio Management and Environmental, and decide ones to be implemented.

Key Objective: Provide a culture of clear job expectations and accountabilities & develop employees. Provide a safe workplace.		
Performance Measure: Employee PREP plans completed with accountabilities & development plan. 100% on safety audit.		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Maintain an educated employee workforce.	• 100% of PREP plans include clear accountabilities, a training/development plan & diversity component.	• All employees understand accountabilities & how their work links to the Harbor Services Business Plan & the Port initiatives. • All PREP plans include a training/development plan. • All staff attends or participates in at least one diversity activity or event as part of PREP Plan.
Improve Employee Survey Results	• Implement action plans.	• Work with employees to implement identified focus areas/action plans from 2011 survey results & HSG Workshop.
Maintain a safe workplace for all employees.	• 100% safety score • Zero accidents	• 100% of employees complete all requirements and training as identified in the Facility Safety Plans.

TABLE VI-3: REAL ESTATE HARBOR SERVICES BUSINESS PLAN FORECAST

($ in 000's)				Forecast				Compound Growth
OPERATING BUDGET	**Notes**	**Budget 2011**	**Budget 2012**	**2013**	**2014**	**2015**	**2016**	**2011-2016**
Operating Revenue		$ 11,456	$ 11,641	$ 11,804	$ 12,012	$ 12,181	$ 12,457	1.7%
Operating & Maintenance Expense		9,538	9,963	9,910	10,064	10,302	10,524	2.0%
Corporate Administrative Expense	1	3,833	3,913	4,109	4,314	4,530	4,757	4.4%
Total Operating Expense		**13,371**	**13,876**	**14,019**	**14,378**	**14,832**	**15,281**	**2.7%**
Net Operating Income Before Depreciation		**(1,915)**	**(2,236)**	**(2,215)**	**(2,367)**	**(2,651)**	**(2,823)**	**8.1%**
Total Depreciation Expense		5,855	5,292					
Net Operating Income After Depreciation		**$ (7,770)**	**$ (7,527)**					
								Total 2012-2016
COMMITTED CAPITAL BUDGET	2	**$ 5,473**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

edbpfor.xls

Notes:

1) Consists of remaining Corporate costs to be allocated to Lines of Business after direct charges have been coded to LOB's and Divisions or other costs allocated to Divisions. Most costs are allocated using a formula based on Expenses and employees. For some departments specific allocation methodologies, such as employees for Human Resources & Development, are used.
2) See Section X for details of Capital Budget.

PORTFOLIO MANAGEMENT

MISSION

The mission of the Portfolio Management Department is to strategically position the Division's diverse real estate portfolio of assets to achieve their maximum value through effective leasing and asset management. We will accomplish our goals and provide our services with professionalism, integrity, respect for the environment and in support of the regional economy.

DESCRIPTION

We manage, maintain, market, and lease the Division's portfolio of commercial and industrial properties and work to enhance the value of our assets by regularly evaluating the overall performance of our portfolio to determine the best use and configuration and also continually working to increase income and reduce expenses. We also administer leases and manage utility billing for both the Real Estate and Seaport Divisions.

The Portfolio is comprised of properties that serve office, retail and industrial tenants. Commercial properties located along the Port's central waterfront include:

- Pier 66 (Bell Harbor International Conference Center and the Maritime Event Center),
- World Trade Center West and World Trade Center, Seattle,
- Bell Street Parking Garage,
- Pier 69.

Other commercial properties are located at:

- T-102 (Harbor Marina Corporate Center),
- Ballard (Fishermen's Terminal, the Maritime Industrial Center and Shilshole Bay Marina),
- West Seattle (CEM and Pier 2),
- Interbay (Tsubota).

Industrial properties include:

- Parts of T-34, T-46, T-86 and T-5 SE,
- Eastside Rail Corridor.

BUSINESS STRATEGY

We will achieve our projected net operating income for 2012 by focusing on tenant retention, new lease opportunities and expense controls, and selectively evaluating our portfolio to identify new revenue-generating opportunities. We will create and implement strategic redevelopment plans for our existing assets as required. We will manage and maintain our assets to meet the needs of our tenants and customers and preserve and enhance each asset's value by employing appropriate levels of maintenance, repair, and environmental controls.

MARKET FORECAST

Waterfront/Belltown/Lower Queen Anne Sub-market

Office

Vacancy rates vary by reporting services depending on exactly how the interpret the numbers, most specifically do they include or exclude owner user buildings and are their numbers true vacancy or available

space. These differences can create a several percentage point difference. The numbers included below come from our Kidder Mathews Q1 2011 report.
The vacancy rate through the first quarter of 2011 for the CBD rose slightly to 13%. Significant activity in Q1 2011 has not been reflected in those numbers and vacancy is expected to drop by a full percentage point once the tenants actually occupy the space from the recently signed leases. Some of the more significant recent deals were:

Leases:

Amazon at 1918 8th	460,000 SF
Dendreon at Russell Investment Center	170,000 SF
Zillow at Russell Investment Center	60,000 SF
Isilon at 505 1st Ave S	140,000 SF
Zulilly at 2200 1st Ave S	90,000 SF

Sales (vacant buildings to be fully occupied by the new owner or planned tenant):
1100 Eastlake by Fred Hutch
7th & Madison by HAL (Polyclinic)

Much of the recent activity has been specific to the technology and health care sectors. We have not seen broader market activity across all groups which will be the major indicator of a full recovery. We expect that even with the early activity in 2011, the balance of the year will remain relatively flat from a pricing perspective and anticipate a broader market recovery in late 2011 or early 2012 where rates should begin to climb. Landlord concessions have started to decline, but not significantly and expect greater movement in the same time frame mentioned above.

There is optimism in the market, but Seattle and San Francisco regions appear to be outperforming the balance of the country. Should the overall economy experience a "double dip" or more issues develop from Europe, Seattle will not be able to avoid impacts from a stall in the economic recovery.

Specifically, the World Trade Center West Building is located within a unique niche of the waterfront submarket. There is limited public transportation and our parking is not easily accessed from Alaskan Way. The broad awareness of the upcoming seawall replacement and viaduct construction may also impact our ability to attract new tenants. According to the current listing broker (Kidder Matthews) the projected market rate for this building will be will not change from the current asking rate and will remain in the range of $20.00 to $24.00 per rentable square foot for fully-serviced space through the end of 2011 and into the 2012 budget year. Our tenants generally pay increases in operating expenses over a base year.

South Seattle Sub-Market

Industrial

The Industrial market ended the first quarter 2011 with a vacancy rate of 8.1%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 848,784 square feet in the first quarter. Vacant sublease space increased in the quarter, ending the quarter at 1,949,089 square feet. Rental rates ended the first quarter at $7.01, an increase over the previous quarter.

The South Seattle Industrial Market may be less affected by the economy due to the lack of available land to develop and the fact that a majority of the property owners have held their properties for a number of years resulting in less distressed sales in the market.

Class B Flex/Office Space

The Office market ended the first quarter 2011 with a vacancy rate of 13.0%. The vacancy rate was up over the previous quarter, with net absorption totaling positive 325,813 square feet in the first quarter. Flex projects also reported a vacancy rate of 13.0%, which was up from the previous quarter. The Flex building market

recorded net absorption of negative (60,464) square feet in the first quarter 2011, compared to negative (308,678) square feet in the fourth quarter 2010.
The south end office and flex market continues to experience high vacancy rates as tenants moving out of space are outpacing new tenant activity. Flight to quality is also an issue, as south end tenants are taking advantage of lower rates in downtown locations, which provide greater amenities and easy access to public transportation. In order to entice tenants, south end landlords are reducing asking rates and offering significant lease incentives in order to attract tenants.

Ship Canal/Ballard Submarket

The lingering effects of the recession continue to impact this market throughout 2010 and 2011. Although the Ship Canal office submarket has a number of forces that have kept vacancy rates low such as the University of Washington, the Bio-Medical Industry, Seattle Pacific University and the Maritime Industry, we are seeing some non-maritime tenants being lured away by the low rents and concessions that are being offered by landlords in the Central Business District. That being said, the attractiveness and popularity of Fremont, Magnolia, Ballard and Wallingford are factors that have allowed many buildings in the area to retain tenants and sustain more demand than some of the other office submarkets.

Class B Office

The vacancy rate for office space in the Ship Canal submarket, as a whole is 10.6 %compared to a 13 % vacancy rate for the Queen Anne Magnolia submarket. The rates quoted in the various reports are for Class A office space. Market rates for Class B office space have fallen and vary from $16.00 - $18.00/sf/NNN for nicer well-kept Class B office space but several brokers I spoke to said a landlord would be lucky to get $16.00/sf/NNN today for “like new” space. Many landlords are offering concessions like free rent and up to $50.00/sf for TI’s. The groups willing to pay market rate are government related, involve cutting edge technology or are involved in industries like renewable energy. According to most reports and local brokers, rates should remain flat until consistent leasing and positive absorption ease pressure on landlords.

Industrial

Most of the tenant activity is occurring in the south end industrial market. Average warehouse rates are around $.55/sf/mo. Land is ranging from $.15-.20/sf/mo. In general the Ship Canal submarket, Ballard in particular, is an extremely tight market. A lot of buildings are owned and occupied by businesses that have been there for decades. In addition, the increased development in the submarket in recent years has resulted in a decline in industrial inventory. This makes it difficult for smaller companies to lease space and in turn keeps rents a bit higher than what is seen in submarkets like Georgetown. Despite the slow economy, 5-10K warehouse spaces remain in high demand and lease up quickly. Spaces smaller or larger tend to stay on the market longer. According to brokers in the area, rates for warehouse space in the 5-10K range are getting deals done around $.50-$.65 sf/mo with an office add-on of $.70-$.75/sf/mo. Land is ranging from $.15-$.20/sf/mo. Although there is no clear broker reporting on Industrial properties in the Ship Canal/Ballard market, local brokers confirm that warehouse space and vacant land are scarce. In 2010 we had an appraisal done by McKee & Schalka on the FVO Marine Ways Shipyard at FT. Land came out at $.20/sf/mo and warehouse ranged between $6.00 - $7.80.

KEY STRATEGIES AND OBJECTIVES

STRATEGY: ENSURE DIVISION AND PORTFOLIO MANAGEMENT GROUP VITALITY

Key Objective: Maximize financial performance.

Performance Measure:

Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Administrative expense.	$1,567 thousand (org basis)	Monthly review and adjustment in spending to meet target.
Commercial/Industrial Property NOI.	($5,316) thousand	Monthly review and adjustment in spending to meet target.
Third Party NOI.	$4,249 thousand	Monthly review and adjustment in spending to meet target. Complete transition to new Management Contract for Conference and Event Centers by May 31.
Achieve occupancy of Commercial Buildings at 87% or above in 2012.	Year-end occupancy rate will be 87% or better.	Real estate managers will work with the Director to refine the leasing strategy for each asset to respond to current market conditions.
Advance Fishermen's Terminal 20 Year Redevelopment Planning process.	Completion of planning analysis and recommendation to Port Commission, begin potential environmental review	Portfolio Management will lead the 20 year planning process with the support of Harbor Services and a consultant to formulate an asset enhancement strategy, environmental review, and implementation plan and gain approval of Port Commission.

STRATEGY: DEVELOP NEW ECONOMIC OPPORTUNITY FOR THE REGION AND THE PORT

Key Objective: Build relationships and partnerships to develop new business opportunities for the Port and local businesses to compete in the global economy.

Performance Measure: 10 % of Total Expenditures for Goods and Services.

Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Utilize small businesses	10% of total expenditures for goods and services (in conjunction with Maintenance)	The majority of contracts for our group are led in conjunction with Maintenance and are reflected in their statistics. When feasible, utilize qualified small businesses to provide consulting and real estate services such as surveys, appraisals, brokerage, and market studies.

STRATEGY: EXHIBIT ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS

Key Objective: Strive to integrate environmental and business objectives into our organization**.**

Performance Measure: Zero tenant regulatory violations.

Performance Objective	Performance Target	Task/Activity/Program/Initiative
Support Port Environmental Department's Tenant Compliance Program.	Visit at least four properties per quarter.	Real Estate managers and member(s) of environmental staff will inspect selected properties to ensure tenant compliance with lease environmental requirements.
Identify new "green" initiatives	1 new "green" initiative identified by end of Q2.	All staff participates to identify new "green" initiative that can be adopted.

STRATEGY: BE A HIGH PERFORMANCE ORGANIZATION

Key Objective: Attract and retain valuable employees and provide a culture of clear expectations and accountability.

Performance Measure: Clarify Division and Department Mission and Goals and encourage on-going education of staff.

Performance Objective	Performance Target	Task/Activity/Program/Initiative
Maintain educated employee workforce.	90 % of staff 90% of staff 100% of staff	• Staff members will attend or participate in one diversity activity per year. • Staff members will attend at least two real estate classes, seminars or conferences. • Each employee will include a personal development plan in PREP.
Identify work process improvements.	Identify one new tool to improve effectiveness.	Team will work together to identify new work or technology tools to improve effectiveness (eg rent rolls, Sharepoint, etc).

TABLE VI-4: PORTFOLIO MANAGEMENT BUSINESS PLAN FORECAST

($ in 000's) OPERATING BUDGET	Notes	Budget 2011	Budget 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Compound Growth 2011-2016
Operating Revenue		$ 18,479	$ 19,923	$ 20,377	$ 20,877	$ 21,407	$ 21,933	3.5%
Operating & Maintenance Expense		17,680	18,503	17,957	18,177	18,629	18,980	1.4%
Corporate Administrative Expense	1	2,543	2,486	2,611	2,741	2,878	3,022	3.5%
Total Operating Expense		**20,223**	**20,989**	**20,568**	**20,918**	**21,507**	**22,002**	**1.7%**
Net Operating Income Before Depreciation		**(1,745)**	**(1,067)**	**(190)**	**(41)**	**(99)**	**(69)**	**-47.6%**
Total Depreciation Expense		4,090	4,193					
Net Operating Income After Depreciation		**$ (5,835)**	**$ (5,262)**					
								Total 2012-2016
COMMITTED CAPITAL BUDGET	2	**$ 6,433**	**$ 4,880**	**$ 889**	**$ 432**	**$ 483**	**$ 433**	**$ 7,117**

edbpfor.xls

Notes:

1) Consists of remaining Corporate costs to be allocated to Lines of Business after direct charges have been coded to LOB's and Divisions or other costs allocated to Divisions. Most costs are allocated using a formula based on Expenses and employees. For some departments specific allocation methodologies, such as employees for Human Resources & Development, are used.
2) See Section X for details of Capital Budget.

TABLE VI-5: EASTSIDE RAIL BUSINESS PLAN FORECAST

($ in 000's) OPERATING BUDGET	Notes	Budget 2011	Budget 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Compound Growth 2011-2016
Operating Revenue		$ 45	$ 22	$ 23	$ 23	$ 24	$ 24	-11.5%
Operating & Maintenance Expense		694	621	637	653	669	686	-0.2%
Corporate Administrative Expense		0	0	0	0	0	0	
Total Operating Expense		**694**	**621**	**637**	**653**	**669**	**686**	**-0.2%**
Net Operating Income Before Depreciation		**(649)**	**(599)**	**(614)**	**(629)**	**(644)**	**(661)**	**0.4%**
Total Depreciation Expense		0	0					
Net Operating Income After Depreciation		**$ (649)**	**$ (599)**					
								Total 2012-2016
COMMITTED CAPITAL BUDGET		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

edbpfor.xls

DEVELOPMENT AND PLANNING

MISSION

The Real Estate Development and Planning team plans and facilitates development of selected real estate assets currently within the Port's portfolio. The team also identifies and evaluates acquisition opportunities outside the Port's current portfolio and completes ground leases and sales of Port assets. These activities are aimed at promoting regional economic vitality, facilitating job creation and retention, creating new revenue for the Port and the region, and enhancing the built and natural environment.

DESCRIPTION

The team connects the Port's mission of creating regional economic vitality through two real estate-related initiatives:

> *Initiative 1* advances planning and development of certain assets the Port currently owns. Past strategic planning efforts underscored the Port's need to improve utilization of existing assets.
>
> *Initiative 2* involves the identification and timely response to new opportunities and projects and, where appropriate, the completion of these transactions.

BUSINESS STRATEGY

In 2012, the team will continue working on projects that will advance the Port's role in catalyzing regional economic development through improved asset utilization. The strategy will center on generating near-term revenue from those sites with such potential and continued progress on those sites that have a longer time horizon for new revenue and job generation. In addition, the team will continue to assist the Aviation Business Development group with its land development program in the cities of Des Moines, Burien and SeaTac and the Seaport Division in its search for off-dock lands.

KEY STRATEGIES AND OBJECTIVES

STRATEGY: ENSURE DIVISION AND DEVELOPMENT AND PLANNING GROUP VITALITY

Key Objective: Maximize financial performance		
Performance Measure:		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Terminal 91 Uplands	Advance redevelopment of the site	• Complete environmental review process associated with development options study. • Potentially begin implementation of recommended development option. Finalize and obtain commission approval of a potential land exchange agreement with Seattle Parks & Recreation for the West Yard site.
Des Moines Creek Business Park	Advance entitlement of the site	• Negotiate and execute new development agreement with the City of Des Moines. • Negotiate and execute potential option agreement with the City of Des Moines for a retail component. • Coordinate entitlement work and plan

		review following execution of a potential ground lease with PSE. • Negotiate and execute potential ground lease for the FAA project.
Burien—Northeast Redevelopment Area	Continue implementation of NERA redevelopment strategy recommendations	• Solicit offers, negotiate and execute agreements related to potential sale of Lora Lake apartments site. • Collaborate with the City of Burien on a possible application for FAA pilot project funds.
City SeaTac Sites	Advance redevelopment planning	• S. 200th Street Site - coordinate entitlement work and plan review following execution of a potential ground lease with Harvest Power. • 28th Avenue S. Site - negotiate and execute potential ground lease for the FAA project. • Doug Fox Site - complete all due diligence activities. Draft and issue potential RFP. • Hotel Study – complete three-phase feasibility analysis. Draft and issue potential RFP.
Acquisition/Sales/Long Term Leases	Complete purchase or sale of key sites	• Complete second land swap with WSDOT for the Des Moines property.

STRATEGY: BE A HIGH PERFORMANCE ORGANIZATION

Key Objective: Attract and retain valuable employees and provide a culture of clear expectations and accountability.		
Performance Measure:		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Maintain educated employee workforce.	90% of staff 90% of staff 100% of staff	• Staff members will attend or participate in one diversity activity per year. • Staff members will attend at least two real estate classes, seminars or conferences. • Each employee will include a personal development plan in PREP.
Achieve staffing level needed to implement key initiatives.	100% of needed staff hired	• Assess need to hire project assistant. If needed, post position and hire project assistant.

TABLE VI-6: DEVELOPMENT AND PLANNING BUSINESS PLAN FORECAST

($ in 000's) OPERATING BUDGET	Notes	Budget 2011	Budget 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016	Compound Growth 2011-2016
Operating Revenue		$ 724	$ 812	$ 829	$ 847	$ 865	$ 884	4.1%
Operating & Maintenance Expense		1,518	1,439	1,421	1,432	1,468	1,497	-0.3%
Corporate Administrative Expense	1	268	295	310	325	341	358	6.0%
Total Operating Expense		**1,786**	**1,733**	**1,731**	**1,757**	**1,809**	**1,855**	**0.8%**
Net Operating Income Before Depreciation		**(1,062)**	**(923)**	**(902)**	**(910)**	**(945)**	**(971)**	**-1.8%**
Total Depreciation Expense		221	209					
Net Operating Income After Depreciation		**$ (1,284)**	**$ (1,131)**					
								Total 2012-2016
COMMITTED CAPITAL BUDGET		**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

edbpfor.xls

Notes:

1) Consists of remaining Corporate costs to be allocated to Lines of Business after direct charges have been coded to LOB's and Divisions or other costs allocated to Divisions. Most costs are allocated using a formula based on Expenses and employees. For some departments specific allocation methodologies, such as employees for Human Resources & Development, are used.

MARINE MAINTENANCE

MISSION

The mission of the Marine Maintenance Department is to maintain, preserve, upgrade, improve and enhance, as directed, the assets owned by the Real Estate and Seaport Divisions. We conduct our activities in a manner that fosters competitive business practices, customer service and benefit to the public and local businesses, as well as environmental responsibility and conservation.

DESCRIPTION

Maintenance disciplines include automotive, carpentry, marine carpentry, electrical, general labor, custodial labor, landscape labor, painting, plumbing, sprinkler-fitting (fire protection), sheetmetal, welding, truck driving sign writing, HVAC maintenance and elevator/escalator maintenance. Most maintenance activities required by Port assets are available through the Marine Maintenance Shop, as are public works including small capital construction services and environmental and safety compliance support activities.

BUSINESS STRATEGY

Our business strategy is to fulfill the maintenance needs of our customers while acting as stewards of the assets in the public trust.

- We conduct Preventive Maintenance and Corrective Maintenance to properly safeguard Port assets;
- We engage in expense and capital improvements to support customer departments' business strategies;
- We fully support the Port's business, community and environmental strategies with programs focused on Economics, Equity - Social Responsibility, Environment, and Employee Engagement.

KEY STRATEGIES AND OBJECTIVES

STRATEGY: ENSURE DIVISION AND MARINE MAINTENANCE GROUP VITALITY

Key Objective: Maximize financial performance		
Performance Measure: Budget and performance targets met.		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Meet Authorized Budget	+/- 2%	Dept. financial health.
Reduce Trouble Calls/ Urgent Maintenance	15% 15%	Increase Preventative Maintenance Reduce Trouble Calls.
Eliminate Deferred Maintenance Backlog	• Small Project List Completed • Commission Actions Initiated for All 2011-12 Large Projects	Continue Deferred Maintenance reduction plan.

STRATEGY: DEVELOP NEW ECONOMIC OPPORTUNITY FOR THE REGION AND THE PORT

Key Objective: Build relationships and partnerships to develop new business opportunities for the Port and local businesses to compete in the global economy

Performance Measure: Use resources, such as Office of Social Responsibility, to engage with local, small and disadvantaged businesses to meet department and Port goals.

Performance Objective	Performance Target	Task/Activity/Program/Initiative
Utilize small businesses	15% of operating and capital expenditures	Utilize qualified small businesses to provide consulting and contracting services. Purchase materials from small business vendors when possible and economically feasible.

STRATEGY: EXHIBIT ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS

Key Objective: Integrate environmental and business objectives into our organization

Performance Measure: Compliance with existing programs and initiation of new endeavors related to the "Cleanest, Greenest, Most Cost-effective" Port programs.

Performance Objective	Performance Target	Task/Activity/Program/Initiative
Ensure efficient collection & disposal of garbage & ensure recycling	Maintain reduced tonnage of landfill waste and increased tonnage of recyclables.	Zero increase in landfill waste from shop.
Comply with environmental regulations in the conduct of our activities.	100% Compliance	Implement and enforce Storm Water Pollution Prevention Plan Best Management Practices. Train 100% of available staff and craftspeople in annual safety training day. Communicate regulatory changes during monthly safety meetings.
Maintain EnviroStar and Salmon Safe Certification	Certification is renewed at all facilities	Ensure EnviroStars Compliance. Ensure Salmon Safe Compliance.
Track and reduce travel miles by Marine Maintenance vehicles	10% reduction in travel miles	Participate in POS initiatives related to clean air and sustainability. Measure effectiveness of direct reporting to north-end office.

STRATEGY: BE A HIGH PERFORMANCE ORGANIZATION

Key Objective: Attract and retain valuable employees and provide a culture of clear expectations and accountability		
Performance Measure: Employee participation in diversity events, training and performance planning and appraisal.		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Comply with safety regulations.	100% Compliance	Train 100% of available staff and craftspeople in annual safety training day. Communicate regulatory changes quarterly through input to the Health and Safety Management Report and monthly safety meetings. Achieve 90% on Marine Maintenance Safety Evaluation Status performance measures.
Maintain educated employee workforce.	90% of staff	Staff members will attend or participate in one diversity activity per year.
	30% of staff	Staff members will attend at least one local class, seminar or conference each year.
	100% of staff	Each non-represented employee will include a personal development plan in PREP.
	100% of staff	All employees will comply with Workplace Responsibility initiatives and Code of Conduct.

STRATEGY: BE A LEADER IN TRANSPORTATION SECURITY

Key Objective: Reinforce and coordinate security and public safety programs for all port assets		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Report and track boat work and under dock work	100% of boat work and under dock work	Report to site contacts and Coast Guard as appropriate when workers are working in the boats, under docks and traveling from one waterfront location to another.
Tabletop Exercise	One per year	Assist Seaport Emergency Manager with the planning and execution of the tabletop exercise.

PIER 69 FACILITIES MANAGEMENT

MISSION

To provide, operate and maintain a safe, secure, comfortable, productive and efficient workplace.

DESCRIPTION

The department provides facilities management services for Pier 69 site including:

- Space management and planning
- Energy management
- Management and operation of print shop
- Management and operation of mailroom, messenger, and shipping/ receiving
- Management and operation of conference center, commission chambers, and atrium meeting spaces
- Management and operation of motor pool
- Management of Portside Café lease
- Representation of Real Estate Division on the Safety & Security Coordination Council
- Administration of Commute Trip Reduction (CTR) program
- Administration of access control and surveillance systems.

SERVICE STRATEGY

- Hire, develop, and retain high performing, service oriented personnel;
- Operate and maintain headquarter facilities with emphasis on continuous improvement, outstanding customer service, optimal staffing levels, environmental stewardship, and proactive maintenance;
- Partner effectively with Port maintenance departments;
- Partner effectively with outsourced service providers, e.g., HVAC maintenance, elevator maintenance, janitorial services, and building security services;
- Effectively represent the interests of the Real Estate Division on the POS Safety & Security Coordination Council.

KEY STRATEGIES AND OBJECTIVES

STRATEGY: ENSURE DIVISION AND PIER 69 FACILITY MANAGEMENT GROUP VITALITY

Key Objective: Maximize financial performance		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Manage within authorized budget	within 5% of approved budget	Review performance monthly for variance and make adjustments to spending if necessary.
Maintain print shop chargeback percentage	> or = 75%	Maintain optimal staffing level; continue focus on customer service and quality assurance.

STRATEGY: DEVELOP NEW ECONOMIC OPPORTUNITY FOR THE REGION AND THE PORT

Key Objective: Build relationships and partnerships to develop new business opportunities for the Port and local businesses to compete in the global economy		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Success of Portside Café	Revenue from rent is > minimum guarantee	Provide responsive landlord support for tenant in accord with lease agreement.
Utilize small businesses	10% of operating and capital expenditures	Where feasible, utilize qualified small businesses.

STRATEGY: EXHIBIT ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS

Key Objective: Strive to integrate environmental and business objectives into our organization		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Maintain or reduce electrical consumption	Electrical consumption is within 5% of 2011	Monitor and maintain building systems to ensure that system components operate as designed. Continue to look for opportunities to reduce electrical consumption.

STRATEGY: BE A HIGH PERFORMANCE ORGANIZATION

Key Objective: Attract and retain valuable employees and provide a culture of clear expectations and accountability		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
All staff participate in professional development	100% staff participation	Each staff member will identify at least one development goal in their PREP plan.
All staff participate in all required training	100% of training is completed or scheduled	All training as listed in LMS is either completed or scheduled.

STRATEGY: BE A LEADER IN TRANSPORTATION SECURITY

Key Objective: Reinforce and coordinate security and public safety programs for all port assets		
Performance Objective	**Performance Target**	**Task/Activity/Program/Initiative**
Maintain and update P69 FM COOP document	annual and periodic updates	Plan is updated annually. Periodic updates (contact information, etc.) are done throughout the year.
Participate in the planning and execution of communication tests	Set by Safety & Security Coordination Council	Participate in the planning and execution of tests.
Participate in tabletop exercises	Set by Safety & Security Coordination Council	Participate in the planning and execution of tabletop exercises.

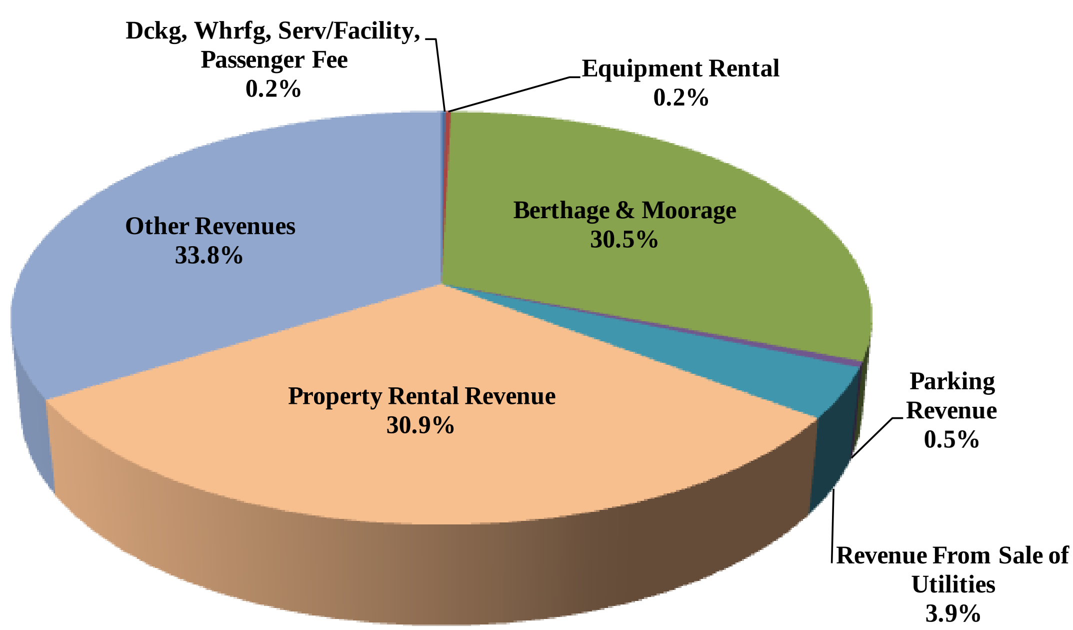
D. REAL ESTATE OPERATING BUDGET SUMMARY

TABLE VI-7: REVENUE BY ACCOUNT

($ in 000's) REVENUE BY ACCOUNT	Notes	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud - 2011 Bud
Operating Revenue					
Dckg, Whrfg, Serv/Facility, Passenger Fee		$ 58	$ 58	$ 62	6.9%
Equipment Rental		74	79	78	-1.3%
Berthage & Moorage		9,901	9,881	10,005	1.3%
Parking Revenue		146	150	152	1.3%
Revenue From Sale of Utilities		1,157	1,117	1,287	15.2%
Property Rental Revenue		9,381	9,837	10,139	3.1%
Other Revenues		9,674	9,820	11,107	13.1%
Total Operating Revenue		**$ 30,391**	**$ 30,942**	**$ 32,828**	**6.1%**

EDbud.xls REdata

FIGURE VI-3: REAL ESTATE DIVISION REVENUE BY ACCOUNT
($ in 000's)



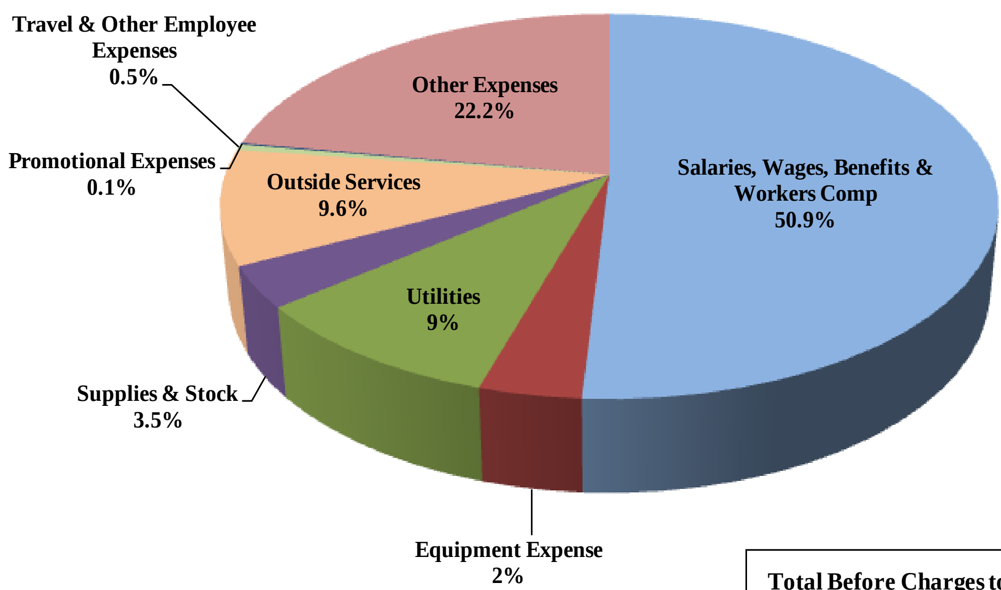
Total Revenue: $32,828

TABLE VI-8: OPERATING & MAINTENANCE EXPENSES BY ACCOUNT

($ in 000's) EXPENSE BY ACCOUNT	Notes	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud - 2011 Bud
Salaries, Wages, Benefits & Workers Comp		$ 16,055	$ 18,138	$ 19,594	8.0%
Equipment Expense		999	894	1,411	57.8%
Utilities		3,286	3,237	3,627	12.0%
Supplies & Stock		1,199	1,288	1,336	3.7%
Outside Services		2,366	3,082	3,705	20.2%
Travel & Other Employee Expenses		87	161	197	22.4%
Promotional Expenses		27	43	47	9.3%
Other Expenses		8,297	8,293	8,543	3.0%
Total O&M without Environmental		**32,316**	**35,136**	**38,460**	**9.5%**
Environmental Expense		(2)	0	0	0.0%
Total O&M with Environmental		**32,314**	**35,136**	**38,460**	**9.5%**
Charges to Capital Projects		(1,579)	(1,400)	(2,044)	46.0%
Total Operating Expense		**$ 30,735**	**$ 33,736**	**$ 36,416**	**7.9%**

EDbud.xls REdata

FIGURE VI-4: REAL ESTATE DIVISION EXPENSE BY ACCOUNT
($ in 000's)



Total Before Charges to Capital Projects: $38,460
Charges to Capital Projects: $2,044
Total Expense: $36,416

TABLE VI-9: REAL ESTATE REVENUE AND EXPENSE BY DEPARTMENT

(in 000's) BY DEPARTMENT	Notes	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud - 2011 Bud
REVENUE					
Harbor Services		$ 11,533	$ 11,448	$ 11,633	1.6%
Portfolio Management		17,150	18,373	19,820	7.9%
Real Estate Development and Planning		756	724	812	12.1%
Eastside Rail Corridor		114	45	22	-50.8%
Pier 69 Facilities Management		76	3	1	-66.7%
Marine Maintenance		763	349	540	55%
Total Operating Revenue		**30,391**	**30,942**	**32,828**	**6.1%**
EXPENSES BEFORE CHARGES TO CAPITAL , NON-OPS, & ENV					
Business Groups:					
Harbor Services		4,437	4,454	4,614	3.6%
Portfolio Management	1	10,985	11,949	12,441	4.1%
Real Estate Development and Planning		692	759	799	5.3%
Eastside Rail Corridor		504	484	203	-58.1%
Total Business Group Expense		**16,617**	**17,645**	**18,057**	**2.3%**
Service Groups and Other:					
Pier 69 Facilities Management		1,510	1,453	1,521	4.7%
Marine Maintenance		13,772	15,679	18,503	18.0%
Real Estate Administration		346	358	378	5.6%
Contingency		-	-	-	
Environmental Remediation Liability Expense		(2)	-	-	
Real Estate Capital to Expense		70	-	-	
Total Services Group and Other Expense		**15,697**	**17,491**	**20,403**	**16.7%**
Total Expenses Before Charges to Capital, Non-Ops, & Env Remed		**32,314**	**35,136**	**38,460**	**9.5%**
CHARGES TO CAPITAL, NON-OPS, & ENV REMEDIATION		**(1,579)**	**(1,400)**	**(2,044)**	**46.0%**
OPERATING & MAINTENANCE EXPENSE					
Business Groups:					
Harbor Services		4,436	4,454	4,614	3.6%
Portfolio Management	1	10,985	11,949	12,441	4.1%
Real Estate Development and Planning		692	759	799	5.3%
Eastside Rail Corridor		504	484	203	-58.1%
Total Business Group Expense		**16,616**	**17,645**	**18,057**	**2.3%**
Service Groups and Other:					
Pier 69 Facilities Management		1,510	1,453	1,521	4.7%
Marine Maintenance		12,142	14,279	16,459	15.3%
Real Estate Administration		346	358	378	5.6%
Contingency		-	-	-	
Environmental Remediation Liability Expense		(2)	-	-	
Real Estate Capital to Expense		121	-	-	
Total Services Group and Other Expense		**14,118**	**16,091**	**18,359**	**14.1%**
Total Operating Expense		**$ 30,735**	**$ 33,736**	**$ 36,416**	**7.9%**

Notes:

1) Terminal 117 was transferred from Seaport to Real Estate for 2012 Budget.

E. STAFFING

The following table outlines the Full-Time equivalents (FTEs) for both regular and other categories in the Real Estate Division. The division is budgeting 165.8 FTE's for 2012, one FTE higher than 2011 budget.

TABLE VI-10: REAL ESTATE DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions) BY DEPARTMENT	Notes	2010 Actual	2011 Budget	2011 Est. Act.	2012 Budget	% Change 2012 Bud - 2011 Bud
Real Estate Administration		2.0	2.0	2.0	2.0	0.0%
Harbor Services		31.8	30.8	30.8	30.8	0.0%
P69 Facilities Management		8.0	8.0	8.0	8.0	0.0%
Development and Planning		2.0	2.0	2.0	3.0	50.0%
Portfolio Management		13.0	14.0	14.0	14.0	0.0%
Marine Maintenance		108.0	108.0	108.0	108.0	0.0%
TOTAL REAL ESTATE DIVISION		**164.8**	**164.8**	**164.8**	**165.8**	0.6%

FTE.XLS

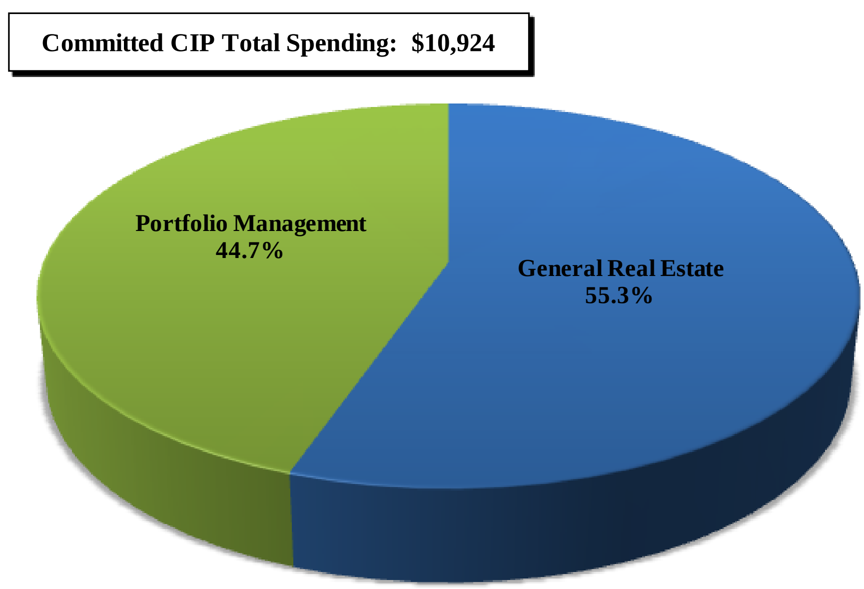
F. REAL ESATE DEVELOPMENT CAPITAL BUDGET

TABLE VI-11: REAL ESTATE DIVISION CAPITAL BUDGET SUMMARY

($ in 000's)	2012 Budget	2012-2016 CIP	% of 2012 Total Committed
Committed Capital Projects			
General Real Estate	$6,044	$14,208	55.3%
Harbor Services	0	0	0.0%
Portfolio Management	4,880	7,117	44.7%
Total Committed	**$10,924**	**$21,325**	**100.0%**
Business Plan Prospective Projects	**$3,600**	**$32,706**	
Total CIP	**$14,524**	**$54,031**	
			capsum.xls

FIGURE VI-5: REAL ESTATE DIVISION COMMITTED CAPITAL BUDGET

($ in 000's)



CAPITAL DEVELOPMENT DIVISION

A. 2012 BUDGET SUMMARY

TABLE VII-1: 2012 BUDGET SUMMARY

($ in 000's) OPERATING RESULTS	Notes	2010 Actual	2011 Budget	2012 Budget	Change 2012 Bud-2011 Bud	% Change
Operating Expense		$ 9,335	$ 14,278	$ 15,516	$ 1,238	8.7%
Total Operating Expense		$ 9,335	$ 14,278	$ 15,516	$ 1,238	8.7%
COMMITTED CAPITAL BUDGET	1	N/A	$ 523	$ 398	$ (125)	-23.9%
EMPLOYMENT (TOTAL FTEs)		268.0	262.5	255.8	(6.8)	-2.6%

CAPDEVSUM.XLS

Notes:
1) Capital Development Division had no capital budget for 2010. See Section X for details of Capital Budget.

B. DIVISION MISSION STATEMENT

Mission: The Capital Development Division (CDD) delivers projects and provides technical and contracting services in support of the business plans and infrastructure needs of the Port of Seattle.

Vision: The CDD is a service provider to the business divisions of the Port, attuned to their needs and priorities. As Port employees we are public servants, conscious of our obligations to policy objectives for jobs creation, environmental protection and social responsibility and committed to openness and accountability for all our actions. We strive to employ the best available technology and most efficient business practices. Our employees are critical to short and long-term success of the organization.

Goals:

- Deliver projects to operating division customers on time, within budget, meeting agreed scope, and with minimal and mutually-agreed impacts on operations
- Support divisions beyond projects: including budget plan development; business planning; asset management and reporting; community outreach; negotiations; and technical support and assistance.
- Provide contracting services.
- Provide emergency preparedness.
- Develop the talent, capabilities, motivation and well-being of CDD employees.
- Continue to provide a proactive safety program internally to the Port and externally with the contracting community.

Strategies & Initiatives:

Objective: Establish Skire Unifier as our Project Delivery System (PDS).
Strategy: Finalize system, conduct training and place designated projects on the new PDS.

Supported Port-wide Strategy: Be a high performance organization.

Objective: Support the business divisions in implementing sustainable asset management.
Strategy: Provide expertise and suggestions to sustainability initiatives at airport, seaport and real estate. Improve procedures for consistently identifying sustainability opportunities in new projects. Lead publication of revised EX-15 procedures.
Supported Port-wide Strategy: Exhibit environmental leadership through our actions.

Objective: Streamline the formation and administration of service agreement contracts.
Strategy: Partner with customers to improve service agreement timeliness. Use LEAN analysis to identify opportunities for improving efficiency. Revise procedures to reduce time and effort.
Supported Port-wide Strategy: Develop new business and economic opportunities for the region and the Port.

Objective: Update Port standard specifications for construction projects.
Strategy: Revise contract terms and conditions in cooperation with Legal and Association of General Contractors. Assign responsibilities and develop a system for continuous update of technical specifications.
Supported Port-wide Strategy: Develop new business and economic opportunities for the region and the Port.

Objective: Optimize SharePoint in CDD.
Strategy: Enhance consistency, accessibility and staff expertise to improve SharePoint as CDD's system for team collaboration, document management, work flow and procedure standardization.
Supported Port-wide Strategy: Be a high performance organization.

Objective: Improve Emergency Response readiness.
Strategy: Support Port-wide initiatives flowing from the April 2011 FEMA exercise and strengthen CDD capabilities such as damage assessment and emergency contracting.
Supported Port-wide Strategy: Ensure airport and seaport vitality.

C. KEY RESPONSIBILITIES & SERVICES

OVERVIEW:

The three operating divisions of the Port are supported by the CDD based on level of project and contracting services required to support their operations and capital & expense project needs. The services by the departments within the division are demand driven.

The major responsibilities and goals for the Capital Development departments in 2012 are:

AVIATION PROJECT MANAGEMENT GROUP:

- **Key Responsibilities & Services:**
    - Deliver capital & expense projects for Aviation Division on time, within budget, meeting agreed scope, and with minimal and mutually-agreed impacts on airport operations.
    - Ensure that procurement meets requirements of State law, Port policies & procedures, federal grants, and other controlling regulations.
    - Assist Aviation Division in initial project scoping, cost estimation, and development of project alternatives.

- **Key Goals or Key Department's Drivers/Strategy:**
  - Complete Rental Car Facility and associated projects (main terminal improvements, bus maintenance facility, offsite roads) for startup in the spring of 2012.
  - Design/construct multiple projects in and around terminal while minimizing operational impact & ensuring high level of project & Aviation Division coordination.
  - Maintain progress on midterm solutions to FIS congestion in South Satellite.
  - Deliver airline/gate realignment projects.
  - Complete design of power supply system for electric ground support equipment for concourses C & D & North Satellite, purchase rolling stock (assumes airline consortium agreement executed & critical mass of airlines participate).
  - Continue construction of pre-conditioned air project.
  - Continue construction of escalator renewal/replacement project.
  - Complete construction of 2012 airfield pavement replacement.
  - Complete design and begin construction of south satellite HVAC, ceiling and lighting replacement.
  - Complete design and begin construction of replacement elevators.
  - Complete construction and installation of parking garage revenue control system replacement.
  - Complete design and begin construction of fire station upgrades.
  - Work with Aviation Division and Alaska Airlines on North Satellite and C concourse terminal and infrastructure improvement plans.
  - Complete analysis of airfield pavement "popouts".
  - Complete demolition of USPS & former Alaska warehouse buildings.
  - Begin construction of CTE freight elevator.
  - Begin construction of gate utility improvements.

CENTRAL PROCUREMENT OFFICE:

- **Key Responsibilities & Services:**
  - Manage the procurement process for all construction contracts, professional and personal service contracts over $200,000, and goods and service contracts to ensure compliance with legal mandates.
  - For personal and professional service contracts with a value between $50,000 and $200,000 provide process reviews at key points in the procurement process to ensure compliance.
  - For personal and professional service contracts with a value procurements less than $50,000 perform compliance reviews on department's procurement processes to ensure that the departments are complying with the Port's policies and procedures and legal mandates related to such procurements.
  - Review construction change orders to ensure compliance with contract provisions, adequate content and procedural compliance; execute change orders.
  - Review service agreement amendments and service directives to ensure compliance with contract provisions. Assist in drafting amendments when appropriate.
  - Draft amendments for goods and service contracts.
  - Close out construction contracts, ensuring that all closing submittals have been received.
  - Close bid escrow documents accounts, returning documents to the bidder.
  - Close out personal services and goods and services contracts.
  - Provide notification to Commission, with respect to public works contracting, as required to be in compliance with state law and Resolution 3605.
  - Dispose of Personal Property as required under PUR-1 pursuant to the requirements of RCW 53.08.090 or RCW 39.33.010.
  - Provide outreach and work with Office of Social Responsibility in developing appropriate small business programs and opportunities.
  - Provide advice and assistance for the administration of all Port contracts.

- **Key Goals or Key Department's Drivers/Strategy:**
    - Annual report on P-Card use. Identify how the program is functioning, potential changes, and determine if it is appropriate to increase the single transaction dollar threshold.
    - Seek changes to Resolution 3166 to remove unnecessary paperwork and simplify the procurement process.

ENGINEERING:

- **Key Responsibilities & Services:**
    - In-house project Design and technical support.
        - Civil/Structural and Mechanical/Electrical design, analysis and CAD drafting.
        - Central repository for all project drawings, as-built and soils information.
        - Maintain technical master specifications.
        - Quality Assurance/Quality Control/Quality review.
    - Construction Management for all major construction projects and tenant construction oversight.
        - Field observation/inspection and quality compliance checks.
        - Change order management, disputes and claims resolution.
        - Constructability reviews.
        - Construction coordination with Port operations/tenants.
        - Construction document management through LiveLink system.
    - Construction safety compliance for all construction projects and provides orientation training.
    - Surveying and Mapping of all Port properties.
        - Topographic and hydrographic surveys.
        - Legal descriptions and lease line layouts.
        - Utility locates/mapping and aerial mapping
        - GIS data gathering.
        - BIM survey data.
        - Administrative Support.
        - Purchase of supplies and equipment.
        - HCM time management and process of personnel actions.
    - Asset Administration of Engineering assets.
        - Engineering fleet management, equipment and logistics support.
        - Budget preparation, monitoring and reporting.
    - Emergency Response and Declaration of Emergency Support.

- **Key Goals or Key Department's Drivers/Strategy:**
    - Continue participation and provided leadership in the Capital Projects Advisory Review Board (CPARB) legislative committee and sub-committees for government agencies contracting laws and procedures. Bob Maruska is the Chair for CPARB and Janice Zahn participates with the sub-committee on contracting methods.
    - Continue regular meetings with Association of General Contractors (AGC) and contractor representatives to review and discuss opportunities to provide greater understanding and efficiency in bidding, award and construction of projects to benefit the Port and reduce unnecessary claims.
    - Continue meetings as required with Association of Consulting Engineers Council for Washington (ACEC) to review and discuss issues and concerns to provide better understanding of risks and liabilities for the Port and for the consulting community.

- Continue expanded training of key CDD staff for better Emergency Response capabilities. This included training in FEMA courses to better prepare staff to function within the standard operating procedures of the national emergency response community.
- Meet with representatives of the Pilots Association, EOC and NOAA to discuss issues and concerns with hydrographic surveys and metrics. Garry Ensley is the point of contact for the Port.
- Complete the Rental Car Facility and Bus Maintenance Facility in Spring 2012.
- Complete the new escalators per established completion dates in 2012.
- Complete construction to provide preconditioned air to select gates per established completion dates in 2012.

PORT CONSTRUCTION SERVICES:

- **Key Responsibilities & Services:**
  - Provide construction and construction management services to the operating divisions in the most cost effective manner possible.
  - The Regulated Materials Management Program (RMM) supports construction by performing necessary and required regulated building material surveys prior to construction.
  - Provide on-call emergency response.

- **Key Goals or Key Department's Drivers/Strategy:**
  - Safety First-Provide a safe working environment for all Port of Seattle personnel, consultant service providers and construction contractors.
  - High Performance Organization-PCS will maintain and continue to meet the goals outlined in the CDD Performance Metrics. PCS will remain compliant with all Workplace Responsibility and Central Procurement Office policy and procedures.
  - Public-Private Partnerships-Working in collaboration with the Office of Social Responsibility, PCS will support the private contracting community by providing small works contracting opportunities whenever feasible and cost effective.

SEAPORT PROJECT MANAGEMENT GROUP:

- **Key Responsibilities & Services:**
  - Capital project delivery.
  - Expense project delivery.
  - Provide support to Seaport and Real Estate Divisions.
  - Provide support to the Capital Development Division.
  - Emergency response preparedness.
  - Safety.
  - Department administrative functions.

- **Key Goals or Key Department's Drivers/Strategy:**
  - Complete Bell Harbor Lighting Control Upgrade design & begin construction.
  - T-86 Grain Facility Modernization.
  - P-69 North Apron Cathodic Protection.
  - P-91 C-175 Roof Replacement.
  - Complete T-18 Fender Replacement (Phase II).
  - P-69 Built-up Roof Replacement.
  - Complete RFID Truck Program.
  - Complete T-91 Waterline Replacement.
  - Complete T-91 Cruise Fender project.
  - Complete design for T-117 Restoration.
  - Complete design and prepare bid package for T-117 Clean Up.

- Complete street vacations at T-105 and T-18 and begin work on T-5 and T-30 Alaskan Way South.
- Begin work on T-5 Maintenance Dredging Phase II.
- Award and complete T-18 Pile Cap Pilot Project.
- Complete FT Net Shed Code Compliance Improvements.
- Complete FT C-15 Building East Sewer Line Replacement.
- Complete FT C-15 Building Subsidence Analysis.
- Complete FT Net Shed 9 Roof Replacement.
- Complete FT West Wall North Fender System Replacement Design.

KEY PERFORMANCE INDICATORS/MEASURES:

1. Construction Project Soft Costs: Limit construction soft costs (design, construction management, project management, environmental documentation, allocated overhead) to no more than 25% of total capital and major expense project costs.
2. Cost Growth During Construction: Limit average major construction contract cost growth to 10% of award amount.
3. Project Schedule: Limit time growth from initial Commission capital or expense project authorization to construction contract award to no more than 10% of originally scheduled and then from award to substantially complete to no more than 10% of originally scheduled.
4. Small Business Participation: 60% of small works contracts; 8% of major construction contracts; 5% of service agreements and 10% of purchases, per SBA size standards.
5. Customer Score Card: 100% of projects surveyed. Average 85% of total possible points on project customer feedback scorecards returned.
6. Environmental: Incorporate Executive Policy and Procedure 15 (Sustainable Asset Management) and/or LEED process in every project.
7. Safety: Score an average of 90 out of a possible 100 points on CDD organizational Safety Program Evaluations. Limit annual contractor workplace injury rates to 6 recordable accidents and 2 time lost accidents per 200,000 hours worked.
8. Performance Evaluation timeliness: Complete and submit 98% of performance reviews by 30 days after end of rating period.
9. Procurement Timeliness: Improve average time to award and accomplish contract awards within agreed timeframes.

D. CAPITAL DEVELOPMENT DIVISION BUDGET SUMMARY

The following Tables VII-2 & VII-3 and Figures VII-1 & VII-2 illustrate the expenses for Capital Development Division by department and by account:

TABLE VII-2: CAPITAL DEVELOPMENT EXPENSE BY DEPARTMENT

BY DEPARTMENT ($ in 000's)	Notes	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud-2011 Bud
EXPENSES BEFORE CHARGES TO CAPITAL, NON-OPS & ENV					
Capital Development Administration		$ 380	$ 359	$ 374	4.4%
Central Procurement Office		3,287	4,394	4,481	2.0%
Engineering		9,963	15,225	14,217	-6.6%
Port Construction Services		7,886	7,554	6,791	-10.1%
Project Management Group - Aviation		5,134	8,637	7,731	-10.5%
Project Management Group - Seaport		2,693	2,493	2,987	19.8%
Total Expenses Before Charges to Capital, Non-Ops & Env		**29,343**	**38,662**	**36,581**	**-5.4%**
CHARGES TO CAPITAL, NON-OPS, & ENV REMEDIATION		**(20,007)**	**(24,384)**	**(21,066)**	**-13.6%**
OPERATING & MAINTENANCE EXPENSE					
Capital Development Administration		380	359	374	4.4%
Central Procurement Office		1,780	3,180	3,151	-0.9%
Engineering		1,391	4,333	4,460	2.9%
Port Construction Services		3,888	3,216	3,479	8.2%
Project Management Group - Aviation		1,143	2,299	2,502	8.8%
Project Management Group - Seaport		754	891	1,550	73.9%
Total Operating Expenses		**$ 9,335**	**$ 14,278**	**$ 15,516**	8.7%

capdevbud.xls

FIGURE VII-1: CAPITAL DEVELOPMENT EXPENSE BY DEPARTMENT

($ in 000's)

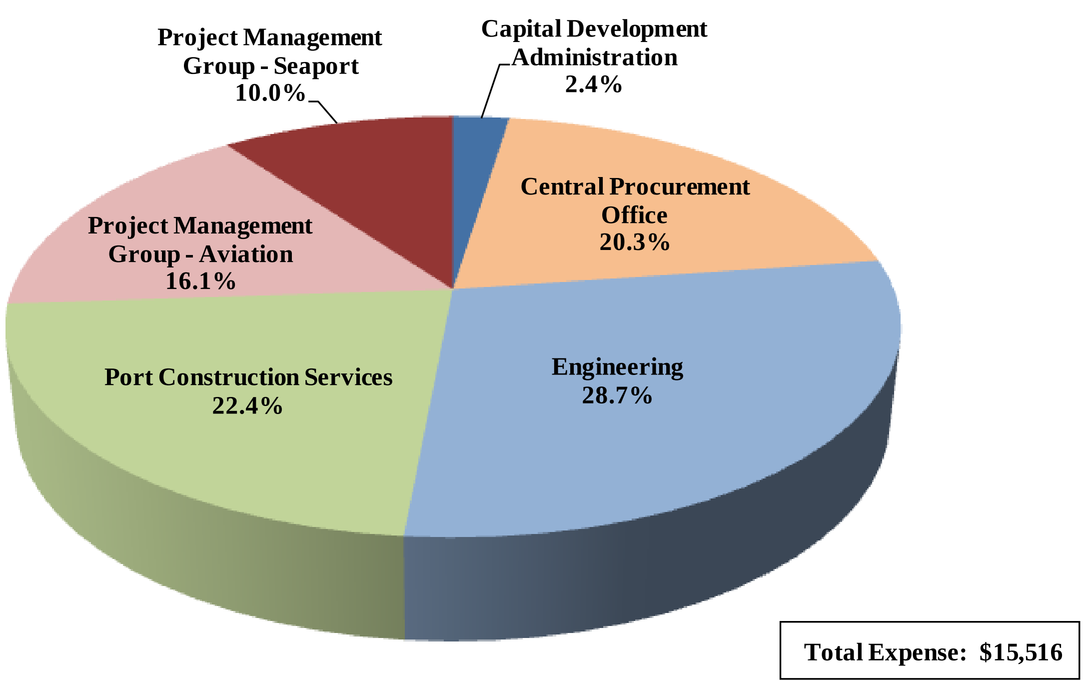


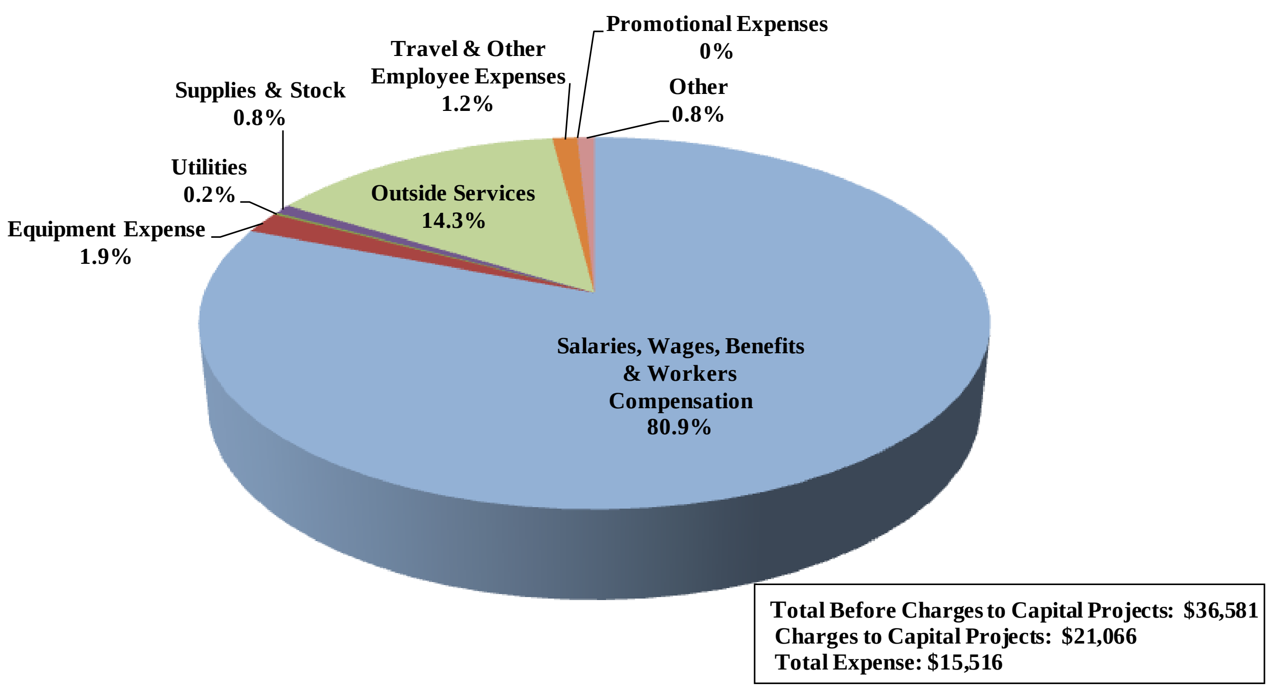
TABLE VII-3: REVENUES AND EXPENSES BY ACCOUNT

($ in 000's) BY ACCOUNT	Notes	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud-2011 Bud
Revenue					
Other Revenue		$ 36	$ -	$ -	0.0%
Total Revenue		**36**	**-**	**-**	**0.0%**
Expense					
Salaries, Wages, Benefits & Workers Compensation		23,171	28,545	29,589	3.7%
Equipment Expense		384	401	680	69.6%
Utilities		31	56	70	25.0%
Supplies & Stock		191	295	293	-0.7%
Outside Services		3,443	7,768	5,215	-32.9%
Travel & Other Employee Expenses		230	440	434	-1.4%
Promotional Expenses		0	1	2	100.0%
Other		1,892	1,155	298	-74.2%
Total O&M		**29,343**	**38,662**	**36,581**	**-5.4%**
Charges to Capital Projects		(20,007)	(24,384)	(21,066)	-13.6%
Total Expense		**$ 9,335**	**$ 14,278**	**$ 15,516**	**8.7%**

capdevbud.xls

FIGURE VII-2: CAPITAL DEVELOPMENT EXPENSE BY ACCOUNT

($ in 000's)



E. STAFFING

The following TABLE VII-4 depicts the proposed staffing requirements for 2012 by department for the Capital Development Division: Capital Development is budgeting 255.8 positions, which is 6.7, lower than 2011 budget.

TABLE VII-4: CAPITAL DEVELOPMENT DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions) BY DEPARTMENT	Notes	2010 Actual	2011 Budget	2011 Est. Act.	2012 Budget	% Change 2012 Bud - 2011 Bud
Capital Development Administration		2.0	2.0	2.0	2.0	0.0%
Central Procurement Office		37.0	37.0	37.0	37.0	0.0%
Engineering		110.5	110.5	110.5	108.8	-1.6%
Port Construction Services		54.0	54.0	54.0	47.0	-13.0%
Aviation Project Management		45.0	42.0	44.0	44.0	4.8%
Seaport Project Management		19.5	17.0	17.0	17.0	0.0%
TOTAL CAPITAL DIVISION		**268.0**	**262.5**	**264.5**	**255.8**	**-2.6%**

FTE.XLS

F. CAPITAL BUDGET

Please see Corporate section, VIII – F, for Captial Development Capital Budget information.

G. CAPITAL DEVELOPMENT DIVISION SUMMARY

TABLE VII-5: CAPITAL DEVELOPMENT DIVISION SUMMARY

($ in 000's) OPERATING BUDGET	Notes	Actual 2010	2011 Budget	2011 Forecast	Budget 2012	Growth 2012 Bud-2011 Bud
Operating Revenue		$ 36	$ -	$ -	$ -	NA
Operating Expense		9,335	14,278	14,278	15,516	8.7%
Total Operating Expense		**9,335**	**14,278**	**14,278**	**15,516**	**8.7%**
Income from Operations		**$ (9,299)**	**$ (14,278)**	**$ (14,278)**	**$ (15,516)**	**8.7%**
CAPITAL SPENDING	1	**$ -**	**$ 523**	**$ 523**	**$ 398**	-23.9%
TOTAL FTEs		**268.0**	**262.5**	**264.5**	**255.8**	**-2.6%**

capdevhist.xls

Notes:

1) Capital Development Division had no capital budget for 2010. See Table VIII-5, Corporate section for total capital growth for 2012-2016. See Section X for details of Capital Budget.

CORPORATE

A. 2012 BUDGET SUMMARY

TABLE VIII-1: 2012 BUDGET SUMMARY

($ in 000's) OPERATING RESULTS	Notes	2011 Budget	2012 Budget	Change 2012 Bud-2011 Bud	% Change 2012 Bud-2011 Bud
Other Revenue		$ 1,025	$ 151	$ (874)	-85.3%
Total Revenue		**1,025**	**151**	**(874)**	**-85.3%**
Corporate		75,008	76,535	1,527	2.0%
Total Corporate Expense		**75,008**	**76,535**	**1,527**	**2.0%**
Excess of Revenue over Expense		**$ (73,983)**	**$ (76,384)**	**$ (2,401)**	**3.2%**
COMMITTED CAPITAL BUDGET	1	**$ 11,549**	**$ 11,524**	**$ (25)**	**-0.2%**
EMPLOYMENT (TOTAL FTEs)		**447.6**	**452.2**	**4.6**	**1.0%**

admsum.xls

Notes:

1) See Section X for details of Capital Budget.

B. MISSION STATEMENT

Corporate will provide high quality and cost-effective professional and technical services to the operating divisions and support the overall goals of the Port.

C. KEY RESPONSIBILITIES & SERVICES

OVERVIEW:

The three operating divisions of the Port are supported by a number of functional departments as well as service groups. These functional and service groups allocate their expenses according to the level of service they provide to the divisions.

Many of the Corporate departments are vital to the success of the operating divisions for providing essential services such as accounting, legal services, computer support, etc. Their services also benefit the public in general and play an indirect role in the success of the operating divisions.

The major initiatives and service plans for the Corporate departments in 2012 are:

COMMISSION:

Set and support CEO performance goals and objectives. These include policy goals and objectives related to achieving the Port's financial and budgetary annual performance, and aligning budget priorities to the Port's core mission; division goals and objectives that demonstrate the CEO is holding his direct reporting managers accountable for division-level performance; and other goals and objectives related CEO-identified "stretch goals" for achieving the stated vision of being the "cleanest, greenest, most energy-efficient port in the nation," as well as other CEO initiatives that require leadership engagement with the Commission (e.g., Century Agenda activities and federal legislative efforts).

- **Key Goals:**
    - Achieve the stated vision of being the "cleanest, greenest, most energy-efficient port in the nation."
    - Develop key partnerships with customers, regulators and environmental groups.
    - Provide administration for Commission meetings and the formal record of Commission actions.

EXECUTIVE:

Achieve 2012 operating and performance goals and objectives set by the Commission. Oversee the achievement of all divisions' major goals and initiatives. Complete or maintain major infrastructure initiatives for 2011 by investing in capital projects that facilitate freight mobility and protect the Working Waterfront and support job creation. Continue to support an ambitious environmental agenda.

- **Key Goals:**
    - Oversee the achievement of all divisions' major goals and initiatives.
    - Achieve budgeted net operating income before depreciation.
    - Complete resale of Eastside Corridor.
    - Develop plan for financing POS contribution to Viaduct Replacement and Lower Duwamish Waterway clean-up
    - Continue to develop plan and start implementation of real estate portfolio realignment to achieve breakeven.
    - Continue social responsibility efforts to increase participation by local disadvantaged businesses.
    - Complete the Part 150 Noise and Land-Use Compatibility Study and community engagement process.
    - Identify priority projects for each division in the five-year plan.
    - Maintain fundamental self-sustainability of the Seaport.
    - Continue to build the West Coast Collaborative effort.

LEGAL:

Legal department has three major areas of functions: Attorney Services, Record Management, and Workplace Responsibility.

ATTORNEY SERVICES

Provide legal analysis, advice, expertise, opinions and similar services, including: drafting, review and interpretation of contracts, agreements, statutes, regulations, judicial opinions and other legal materials and documents; prosecution and defense of claims and litigation; assistance with settlements and negotiations; representation in arbitration, mediations and other forms of dispute resolution; representation before hearings boards and other administrative or legislative bodies.

RECORDS MANAGEMENT

Manage and provide public record administration, including public disclosure. Provide Portwide assistance with regard to records management issues including retention scheduling, archiving and public disclosure. Manage Port records in accordance with State restitution requirements.

WORKPLACE RESPONSIBILITY

Provide overall leadership and coordination of the Port's workplace ethics and compliance activities. Coordinate policy development and implementation. Provide information, guidance, training, and ethics-related legal analysis, advice and counsel. Receive and manage reported violations and monitor Code of Conduct investigations and outcomes.

- **Key Goals:**
    - Attorney Services: Support the business needs of the operating divisions.
    - Records Management: Provide public record administration.
    - Workplace Responsibility: Support the Port's attainment of business objectives in a manner that is consistent with our values and the highest standards of business ethics and workplace behavior. Prevention of, preparation for, detection of and response to violations of the Port's Code of Conduct and other legal or policy expectations.

RISK:

Oversee and manage the cost of risk to the Port (measured in risk costs/$1000 of revenue) while minimizing exposure to catastrophic loss. Provide services in claims management, contractual risk analysis, risk assessment, risk financing, insurance purchasing and emergency preparedness in 2012. Areas of focus will be self-funding for employee benefits, enterprise risk management, risk financing, claims management, fleet management, contractual liability management with the Central Procurement Office, special events risk management, construction safety, and the driver safety program, including managing the drug testing requirements for commercial driver license holders (emphasis on the new hires for the rental car facility busing operations at the airport). Collaborate with Internal Audit to increase visibility and broaden participation with the Divisions with respect to additional enterprise risk management evaluations for the Port.

- **Key Goals:**
    - Maintain cost effective property and liability insurance for the Port.
    - Work on special projects in which there is a risk trade off with the project benefits and to provide insight and analysis.
    - Manage ongoing claims in accordance with the Port's Resolution and Policy EX-7 for claims made against the Port (and by the Port) to include managing the total cost of claims.
    - Maintain the cost of the self-insurance auto liability program at less than 75% of the cost to commercially insure the Port's auto liability exposure.
    - Manage the Port Driver Safety Program which includes managing drivers with commercial driver licenses including and oversight of drug testing for these drivers.

HEALTH & SAFETY:

Provide health and safety and Workers Comp services and expertise to enable customers to achieve the Port's zero-based health and safety goals (zero accidents, injuries, lost workdays, Workers Comp claims and regulatory citations and fines), and the substantial morale, productivity and financial benefits that accrue from achieving those goals. Promote employee health improvement through wellness program offerings.

- **Key Goals:**
    - Collaborate on safe work practices and promote a healthy work force.
    - Continue emphasis on health and safety improvement through our safety evaluation process.

  - Create conditions that foster health behaviors through a spirit and wellness incentive program and collaborate with human resources on policies and integrated benefit planning to address escalating health care costs.
  - Provide system oversight to the Port's new learning management system.
  - Ensure compliance to all WAC requirements related to the Port's self-insured workers comp and safety program.

PUBLIC AFFAIRS:

Public Affairs includes a number of key functions/programs: community outreach, government relations, media relations, corporate communications, and international tourism.

INTERNATIONAL TOURISM

- Develop and implement growth strategies and plans in current and emerging markets to increase the economic impact of tourism and related activities.
- Promote international tourism to Seattle, the region and state from markets in China, the United Kingdom, France and Japan in partnership with the Seattle Convention & Visitors Bureau. Partner with statewide hospitality industry to develop long-term international tourism promotional funding and leverage cruise program for industry access to this potential market.

MEDIA RELATIONS

- Produce proactive, thoughtful communication pieces that demonstrate the port's leadership in areas such as trade, environmental initiatives, and business competitiveness.
- Develop media strategies and relationships throughout all areas of contemporary media, produce press releases and statements, media plans and arranges interviews, opinion editorials, etc. with the ultimate goal of achieving understanding and support for the Port, its operations and policy positions.
- Enhance public understanding through a variety of targeted media outlets (including social media) about the port's mission as a job-generator and environmental leader in the three operating divisions.
- Highlights the port's role as a leader in social responsibility by informing reporters and media outlets (through one-on-one interviews, press releases, opinion editorials, press tours) about programs that promote economic opportunities for all citizens of King County.
- Develops, manages and executes media plans for crisis communications for all operating divisions.
- Develops and maintains strong working relationships with reporters, editors, special publication/blog writers both proactively and reactively (as appropriate), working to ensure accuracy in stories about the port.
- On-call 24/7 to respond to media inquiries for breaking news.

COMMUNITY ENGAGEMENT

- Manage the port's reputation and "license to operate" through proactive and strategic relationship building with the Port's "fence line" communities.
- Work collaboratively with Port businesses (airport, seaport, real estate) to develop and execute community engagement and communications strategies.
- Proactively identify opportunities for Commissioners and senior port staff to interact (through speeches, attending meetings, participating in discussions, etc.) with key community stakeholders and fence line neighbors.
- Develop and maintain productive working relationships with key stakeholder groups, and business and industry leaders.
- Build understanding of the Port's goals, business strategies and overall importance to the regional economy through strategic outreach, collateral materials, website information, tours/ information sessions for international visitors, students, visiting dignitaries, key business partners, customers, and elected officials and policy staff.

GOVERNMENT RELATIONS

- Advance the port's interests in dealings with local, state and federal governments.
- Provide strategic advice to senior executives and Commission on federal, state and local government issues
- Assist and support operating departments with projects, plans and permits for critical port projects
- Assist in development of written materials, speeches and other presentations to government panels.
- Support efforts to obtain regional, state and federal funding assistance for port projects

REGIONAL TRANSPORTATION

- Works to help Port businesses achieve their business goals and results by serving as "a catalyst for transportation solutions."
- Provides project planning, management and funding, transportation policy advocacy, and synthesis of a focused, Port-wide transportation strategy.

- **Key Goals:**

  INTERNATIONAL TOURISM
  - Provide leadership to the newly formed WTA (Washington Tourism Alliance) in the development of an industry funded statewide organization to represent Washington State for tourism development.
  - Conduct a statewide symposium on international tourism in order to engage to stakeholders in programs for European and Asian markets.
  - Increase activity in all of the key partnership markets (China, Japan, France, United Kingdom and Germany) with media and tour operator projects, and assess new markets.
  - Increase tour product by 10% average in all markets.

  BUSINESS AND CORPORATE COMMUNICATION
  - Maintain the port's brand through management of publications, visual design and voice, integration across departments and throughout all media
  - Integrate consistent messaging through print, website, advertising and promotional products
  - Enhance public understanding and engagement with the port through websites, electronic messaging, and products that support outreach and organizational transparency

  COMMUNITY ENGAGEMENT
  - Enhance program attendance by attracting new attendees and reaching new audiences.
  - Effectively support Commission on speaking engagements, community interactions through use of new tools and procedures.
  - Support Aviation Division events such as opening of Rental Car Facility using cross-functional team approach.

  REGIONAL TRANSPORTATION
  - Business goals drive transportation access and freight mobility improvements to accommodate trade, trade and tourism.
  - Other drivers are derived from the CEO's goals for the Alaskan Way Viaduct and Eastside Rail Corridor.

  CENTURY AGENDA
  - Century Agenda Roundtables will complete in 2011, and 2012 public review and dialogue will strengthen 25 year plan.

HUMAN RESOURCES AND DEVELOPMENT:

Human Resources and Development (HRD) engages and equips employees to achieve exceptional results. The department partners with others to sustain the Port of Seattle as a vital, high performing organization. Key responsibilities include:

- Legal compliance (including but not limited to Equal Employment Opportunity, immigration, Consolidated Omnibus Budget Reconciliation Act (COBRA), Fair Labor Standards Act (FLSA), Family Medical Leave Act (FMLA), Americans with Disabilities Act (ADA) and Washington State disability law, Health Insurance Portability and Accountability Act (HIPAA), Affirmative Action, national health care reform, employment/hiring processes).
- Employee relations, including investigation and resolution of employee complaints.
- Coordination with Workplace Responsibility Office on communication, intake and follow-up regarding employee issues, and continuing education.
- Employment services including strategic recruitment advice and management of selection and hiring processes.
- Coaching and consulting for managers and non-managers on a wide range of human resource issues including staffing, performance management, career development, legal compliance, Performance Review, Evaluation, and Planning (PREP) protocols, pay and best practices, etc.
- HRD Policy Review.
- Diversity strategic planning.
- Organizational development services to wide range of Port clients (analysis, planning, facilitation, assistance with reorganization, process redesign, measurement, job design, etc.).
- Learning and Leadership oversight for Port; design, implementation of specific classes and programs related to employee and leader development.
- HCM systems administration and maintenance of accurate employee records within the system
- Employee communication regarding a wide range of human resource issues including policy, programs, total rewards, class offerings, etc.
- Strategic planning and on-going administration of Port-sponsored total rewards plans and programs.
- Data gathering, analysis and costing to support collective bargaining processes.

- **Key Goals:**
  - Communicate a total rewards philosophy to Port employees and review communication materials for potential employees to ensure they reflect the total rewards philosophy.
  - Continue building the Port's commitment to employee development with the aim of increasing management skills (and thereby reducing time-consuming employee complaints and conflicts) as well as providing opportunities for employees to increase their capacity to contribute to the organization.
  - Continue to refine recruitment, hiring, and "on-boarding" strategies so that the Port attracts and retains a diverse, talented, and committed work force. Connect existing efforts such as the Veterans Fellowship Program and the intern program to longer-term recruitment efforts. Ensure VFP and intern strategies align with Port objectives, goals, and mission. Provide targeted recruitment and outreach. Develop and implement training for hiring managers on hiring processes and interview techniques.
  - Provide strategic recruiting assistance and HR Business Planning to the Rental Car and Bus Maintenance Facilities. Successfully recruit and on-board over 75 positions necessary to the opening and ongoing success of the Rental Car Facility.
  - Use internal organization development staff to assure that Port-wide efforts such as Continuous Process Improvement (Lean) (process/quality improvement) are implemented in a manner that can be replicated (or adjusted as necessary) across the organization.
  - Use outcomes of Learning Assessment to create a 3 – 5 year development strategy for the Port.
  - Roll out the HRD department's Mission, Vision, and Strategies and implement processed for periodically reviewing the strategies to ensure they are aligned with the department's Mission and Vision as well as Port goals and objectives.

- Research alternatives to market pricing job evaluation tools. Other tools may lead to more streamlined processes.
- Create a current Diversity & Development Strategic Plan.

LABOR RELATIONS:

The Labor Relations department goal is to foster open communication which explores shared interests and values of, and enhances the cooperation and trust between, the Port, its represented employees and organized labor. Labor Relations promotes a High Performance Organization among represented employees through continuous education, employee development and employee recognition programs. Additionally, Labor Relations negotiates and administers all the Collective Bargaining Agreements for the represented employees.

- **Key Goals:**
  - Foster open communication which explores shared interests and values, and enhances the cooperation and trust between the Port, its represented employees, and organized labor.
  - Invite and internally communicating the views of organized labor concerning Port capital improvements, real estate use, real estate development projects, service changes, and economic development projects, so as to identify areas for mutual gain.
  - Promote a High Performance Organization among represented employees through continuous education, employee development and employee recognition programs.
  - Negotiate and administer contracts, which foster these relationships, maintain the Port as an economically sustainable agency, maintain internal equity of wages and benefits and establish the Port as an employer of choice.
  - Utilize, where appropriate to the nature and scope of the project, Project Labor Agreements in Port construction programs in order to provide labor harmony, promote best labor practices, provide apprenticeship opportunities and provide opportunities to small contractors.
  - Encourage and assist Port management to identify areas for mutual gain between the Port and organized labor when engaged in business planning.
  - Research, evaluate and, where appropriate, implement best practices in the field of labor relations.

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT):

Provide reliable, high-quality, cost-effective enterprise-wide infrastructure, hardware, applications, and technology services to support the Divisions and the Port's strategies. Support information systems for operating divisions and work closely with them to maximize the use of ICT resources. Extend core applications and enhance port-wide business processes as approved by the ICT Governance Board. Support, maintain, and work to consolidate over 180 existing applications for the Port. Provide Port-wide information security and privacy strategy. Provide policies and procedures to ensure appropriate information confidentiality, integrity, and availability. Provide enhanced service to support an increasingly mobile workforce. Reduce operating costs by consolidating data storage and systems where feasible. Provide technology consulting to all divisions as they consider future technology alternatives and investments.

- **Key Goals:**
  ICT's key responsibilities and services focus on effectively administering and managing the Port's enterprise Information Technology systems, services, and resources in the most cost effective manner. Key strategies include:
  - Security management: ensure that Port technology assets are well protected and that security controls align with all legal and regulatory requirements.
  - Enterprise architecture and project delivery: continue to focus on the relevance, performance, and cost-effectiveness of the Port's technology architecture.
  - Infrastructure management and consolidation: continues to focus on infrastructure consolidation by leveraging leading edge virtualization and storage technologies.

- Systems integration and delivery: use a highly disciplined service-oriented architecture to leverage existing and new enterprise assets to deliver cost effective and high quality business solutions on time.
- Service management: continues to provide enhanced service to support an increasingly mobile workforce, including expanded wireless capabilities.
- Financial management: continue to maintain an intense focus on financial management.
- Governance: continue to provide policy, direction, and decision-making on all technology investments.

FINANCE AND BUDGET:

The overall goal of the Finance & Budget department is to continuously improve the institution's management of its assets, resources, budget, and processes.

BUDGET

Manage the Corporate budgeting process and coordinate the port-wide budget preparation and approval process. Provide training to the Port staff on the budget system and PeopleSoft Financials Management Information System (MIS). Provide on-going support to corporate departments and the divisions in both the budgeting and financial performance reporting processes. Prepare and publish the budget document; file statutory budget with King County. Monitor the operating budget and prepare monthly and quarterly reports to the Port Commission and Executive Team. Provide on-going operating budget analysis for financial planning and decision makings.

FINANCE & TREASURY

Provide on-going debt management and regulatory compliance. Develop financial tools and policies as needed. Evaluate opportunities to refund bonds or otherwise reduce borrowing costs. Evaluate need for bond funding of new capital costs. Execute transactions as appropriate. Manage investment portfolio, cash flow and banking relationships. Provide capital budget, tax levy and plan of finance information for the budget process and for long-term funding analysis.

- **Key Goals:**
    - Manage cash and investment.
    - Manage existing debt.
    - Manage new debt issuance.
    - Manage relationships with the finance community.
    - Provide financial management tools and policies.
    - Provide capital budgeting and financial planning.
    - Manage the operating budget, capital budget, draft plan of finance, and statutory budget processes effectively.
    - Provide useful, timely, and accurate financial reports and information to the Executive Team and Commissioners.
    - Continue to guide managers and staff and help them fully understand that budget is an important management tool for business planning, resources allocation, accountabilities, performance, and control.

ACCOUNTING AND FINANCIAL REPORTING:

The Accounting & Financial Reporting (AFR) department's key responsibilities are to administer the Port's broad accounting and financial reporting and related business processes, and to provide PeopleSoft Financials & HCM/Payroll systems Port-wide functional administration.

The department's operations provide the following Port-wide core services: Port accounting policies and procedures development/enforcement, annual Port financial statements preparation/issuance, industry prescribed accounting & financial reporting standards compliance assurance, accounts payable disbursements, payroll administration, billing and lease management, accounts receivable, credit and collection enforcement, general ledger administration, capital project costing, cash and debt accounting, fixed assets accounting, grants billing and reporting, corporate credit card and procurement card administration, employee expense reimbursements, corporate tax administration, external audits facilitation, and recurring fiscal management reporting.

- **Key Goals:**
  - Provide quality and responsive accounting and financial reporting services that meet evolving Port-wide and divisional business needs.
  - Implement business process improvements to increase productivity and operational/systems efficiencies.
  - Leverage use of technology to allow Port operations to conduct accounting and fiscal management efficiently and in a decentralized environment.
  - Improve use of the PeopleSoft Financials and HCM Payroll Administration systems and the value they bring to the organization.
  - Deliver timely and meaningful financial information that facilitates sound decisions by Port leadership and management.
  - Provide essential user knowledge on key accounting processes and systems, and compliance with related legal and industry prescribed standards.
  - Ensure timely policies and protocols that facilitate proper stewardship over public funds and assets.
  - Ensure compliance with evolving and complex accounting and financial reporting standards.
  - Open opportunities, broadly, for AFR team members to initiate and lead key focuses that result in value-added changes to the way services are provided and business is conducted.

INTERNAL AUDIT:

Provide adequate and sufficient risk-based audit coverage across the Port. Provide the Commission and Management with reasonable assurance that Port operations are conducted in an effective manner as intended. Provide functional expertise to management and evaluate the effectiveness of established controls. Test the design and effectiveness of established management controls that mitigate financial, operational, and compliance risks throughout the Port. Conduct internal audits to determine whether Port operations or management has complied with applicable laws and regulations. Conduct third-party arrangements to ensure Port funds/and or public funds are used and accounted for properly. Conduct lease and concession audits to establish revenue completeness and compliance with applicable terms and conditions.

- **Key Goals:**
  - Provide quality, value-added audit services to the Port.
  - Provide competent audit staff that is knowledgeable in auditing, accounting, and performance audits.
  - Train Internal Audit staff and maintain the required continuing professional education (CPE).
  - Leverage on technology in order to increase efficiency and effectiveness in our audit process.
  - Increase risk awareness and control mitigation throughout the Port.
  - Promote accountability and compliance with laws and regulations.
  - Provide training and guidance on internal controls, best practices, and risk mitigation.
  - Promote and provide guidance on Control Risk Self-Assessment, including importance of enterprise risk management (ERM).
  - Promote and audit for efficiency, effectiveness, and economy.
  - Effectively communicate audit results to Audit Committee, to CEO, to Port management, and to the public.
  - Monitor and report all Port losses to the State Auditor's Office (SAO) in compliance with state regulations.

OFFICE OF SOCIAL RESPONSIBILITY:

OSR's key responsibilities and services can be categorized into five functions:

PROGRAMS
Include Small Contracting Suppliers (SCS) Program, National Urban Fellows, Clean Trucks Program, Veterans Fellowship and other veteran-related initiatives, Community Giving Campaign, Pre-Apprenticeship and workforce development initiatives. In addition we support the apprenticeship programs currently managed by Labor Relations.

OUTREACH
Act as the key 'point of contact' in the community regarding concerns and general issues with small businesses, extensive participation in community based events, conferences, speaking engagements resource fairs, "meet and greets" events, Annual Regional Contracting Forum and provide training to small businesses on "How to do business with Port".

CUSTOMER SERVICE
Provide direct support to Port departments relating to assistance with small business roster, information and advocacy, troubleshooting, and in-house technical expertise.

PROCUREMENT
Set small business goals and requirements on all applicable Port procurements and construction contracts. Provide training to Port staff and small businesses and information to community stakeholders as needed.

TRAINING
Provide individual and group training to Port staff on the requirements of the new Small Contracting Suppliers Program.

- **Key Goals:**
  - Continue to develop new format of small business utilization reports in coordination with ICT.
  - Set small business goal for individual projects and track compliance accordingly.
  - Develop and implement key policies related to the small business or "SCS" program.
  - Oversee the workforce development and SeaTac airport employment services contract.
  - Provide outreach, education and resource referrals to independent drayage truck drivers impacted by the Clean Trucks standards adopted by the Port Commission.
  - Liaison for National Urban Fellows Program.
  - Support HRD's Veterans Fellowship Program and other veteran related programs, such as Hire America's Heroes, where the OSR manager serves on the Board of Directors.
  - Manage the Ship to Shelter Program with Public Affairs. Program remains on hold until logistic concerns by US Customs are addressed.
  - Manage the Port pre-apprenticeship and external community workforce development activities. Support the apprenticeship programs currently managed by Labor Relations.

POLICE:

Maintain individual and organizational commitment to the Port of Seattle mission and values as well as the International Association of Chiefs of Police, Cannons of Police Ethics.

- Maintain a high performance workplace by providing primary law enforcement and public safety related services to those who use and/or work at Port of Seattle owned and operated properties.
- Enhance public understanding; implement responsive partnerships with internal and external customers.
- Share Departmental resources with other ports, police, and public safety agencies to reduce the impact of cross-jurisdictional crime to promote efficiencies and increase effectiveness.
- Provide, manage, and organize the requisite resources to support the Port of Seattle Police Department operational objectives to remain in the forefront of transportation security.

- Evaluate both Department and individual contributions as measured by our strategic plan to ensure competency in performance, supervision, and management.

  - **Key Goals:**
    - Improve the law enforcement services we provided to our various Port customers and stakeholders.
    - Achieve and maintain state and national accreditation through CALEA.
    - Support the collective professional development of the Police Department.
    - Improve employee job satisfaction, effectiveness, and resource utilization.
    - Enhance the department's ability to respond to acts of extraordinary violence, disasters, and unusual occurrences.

KEY PERFORMANCE INDICATORS/MEASURES

Department	Key Performance Indicators/Measures	2010 Actual	2011 Estimates	2012 Estimates
AFR	GFOA Financial Reporting Excellence Certification	yes	yes	yes goal
AFR	Clean independent CPA audits involving AFR	yes	yes goal	yes goal
AFR	Timely process disbursement payment requests	4 days	4 days	4 days
AFR	Keep receivables collections aging 90% within 30 days	yes	yes goal	yes goal
F&B	GFOA Distinguished Budget Presentation Award	yes	yes	yes goal
F&B	Investment Portfolio Yield	2.17%	1.86%	1.00%
F&B	MIS and Clarity Training	143 users	90 users	90 users
HR&D	Time to Hire (days)	31.25	25.00	24.25
HR&D	PREPs 60+ days past due (average)	145.75	*127.30*	123.48
HR&D	Turnover Rate (%)	3.45%	3.40%	3.45%
H&S	Occupational Injury Rate	5.24	5.3	5.25
H&S	Lost Work Day Case Rate	2.40	1.90	1.85
H&S	Total Lost Work Days	778	550	500
H&S	Required Safety Training	96%	97%	96%
ICT	Percent of Commission authorized projects on budget	95%	100%	100%
ICT	Percent of Commission authorized projects on schedule	N/A	40%	50%
ICT	Average time to close a Service Request	N/A	11 days	10 days
Internal Audit	Percent of annual work plan completed each year	82%	95%	95%
Internal Audit	Amount of money suggested/ recovered as a result of lease and concession audits	196K/31K	106K/105K	100K
Internal Audit	Complete one central accounting systems audit every year	yes	yes	yes goal
Internal Audit	Percentage of time spent auditing vs administrative	N/A	75%	75%
Labor Relations	Contract Administration	40	76	114
Labor Relations	Contract Negotiations	3	8	12
Legal	Assure that Port records are being maintained and managed in accordance with State law (Other Contracted Services-Iron Mountain)	20,000 boxes in archives	20,176 boxes in archives	20,176 boxes in archives
Legal	Respond to Public Disclosure Requests	281	188 YTD	250
Legal	Requests for Workplace Responsibility Information/Guidance	107	150	200
Legal	Report of Potential Workplace Violations	66	95	125
Police	Customer Service Survey	N/A	89%	N/A
Police	State-Mandated Training	N/A	96%	N/A
Police	National Accreditation Standards completed	56%	100%	N/A
Public Affairs	Increase tourism offering across all markets	N/A	Up 27.43%	Up by 10%
Public Affairs	Increase traffic to the Port's website	9,797,236 page views	6,211,998 page views	6,522,598 Up by 5%
Public Affairs	Communicate messages/strategies to general public and specific target groups by increasing attendance at Port events.	N/A	N/A	Up by 10%
Risk Mgmt	Driver Program Incident Count	117	100	110
Risk Mgmt	Driver Program Liaiblity Costs	$ 13,300	$ 25,000	$ 50,000
Risk Mgmt	Total Cost of Risk Per $1000 Port Revenue	$ 10.48	$ 10.74	$ 11.57

D. CORPORATE BUDGET SUMMARY

The following Tables VIII-2 & VIII-3 and Figures VIII-1 & VIII-2 illustrate the administrative expense for Corporate by department and by account:

TABLE VIII-2: ADMINISTRATIVE EXPENSE BY DEPARTMENT

($ in 000's) BY DEPARTMENT	Notes	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud- 2011 Bud
EXPENSES BEFORE CHARGES TO CAPITAL, NON-OPS & ENV					
Commission		$ 831	$ 931	$ 980	5.3%
Executive		1,356	1,500	1,539	2.6%
Labor Relations		1,110	1,239	1,267	2.3%
Legal		3,562	2,975	2,964	-0.4%
Risk Services		2,618	2,789	2,959	6.1%
Health & Safety Services		1,010	1,129	1,060	-6.1%
Public Affairs		5,554	7,012	5,815	-17.1%
Accounting & Financial Reporting		5,941	6,596	6,853	3.9%
Internal Audit		990	1,215	1,496	23.2%
Finance & Budget		1,455	1,493	1,543	3.3%
Information & Communications Technology		20,577	22,408	23,146	3.3%
Human Resources & Development		4,119	5,285	5,484	3.8%
Office of Social Responsibility		1,280	1,567	1,476	-5.8%
Police		19,273	21,452	22,574	5.2%
Contingency		21	700	700	0.0%
Total Expenses Before Charges to Capital, Non-Ops & Env	1	**70,306**	**78,292**	**79,855**	**2.0%**
CHARGES TO CAPITAL, NON-OPS, & ENV REMEDIATION		**(2,914)**	**(3,283)**	**(3,320)**	**1.1%**
OPERATING & MAINTENANCE EXPENSE					
Commission		831	931	980	5.3%
Executive		1,356	1,500	1,539	2.6%
Labor Relations		675	922	961	4.3%
Legal		3,475	2,906	2,901	-0.2%
Risk Services		2,618	2,789	2,959	6.1%
Health & Safety Services		1,001	1,129	1,060	-6.1%
Public Affairs		5,553	7,012	5,815	-17.1%
Accounting & Financial Reporting		5,939	6,596	6,853	3.9%
Internal Audit		990	1,215	1,496	23.2%
Finance & Budget		1,455	1,493	1,543	3.3%
Information & Communications Technology		18,765	19,511	20,194	3.5%
Human Resources & Development		4,107	5,285	5,484	3.8%
Office of Social Responsibility		1,280	1,567	1,476	-5.8%
Industrial Development Corporation		53	-	-	0.0%
Police		19,273	21,452	22,574	5.2%
Contingency		21	700	700	0.0%
Total Operating Expenses	1	**$ 67,391**	**$ 75,008**	**$ 76,535**	**2.0%**
					adminbud.xls

Notes:

1) Does not include adjustment for charges into Corporate SubClasses from Divisions.

FIGURE VIII-1: ADMINISTRATIVE EXPENSE BY DEPARTMENT

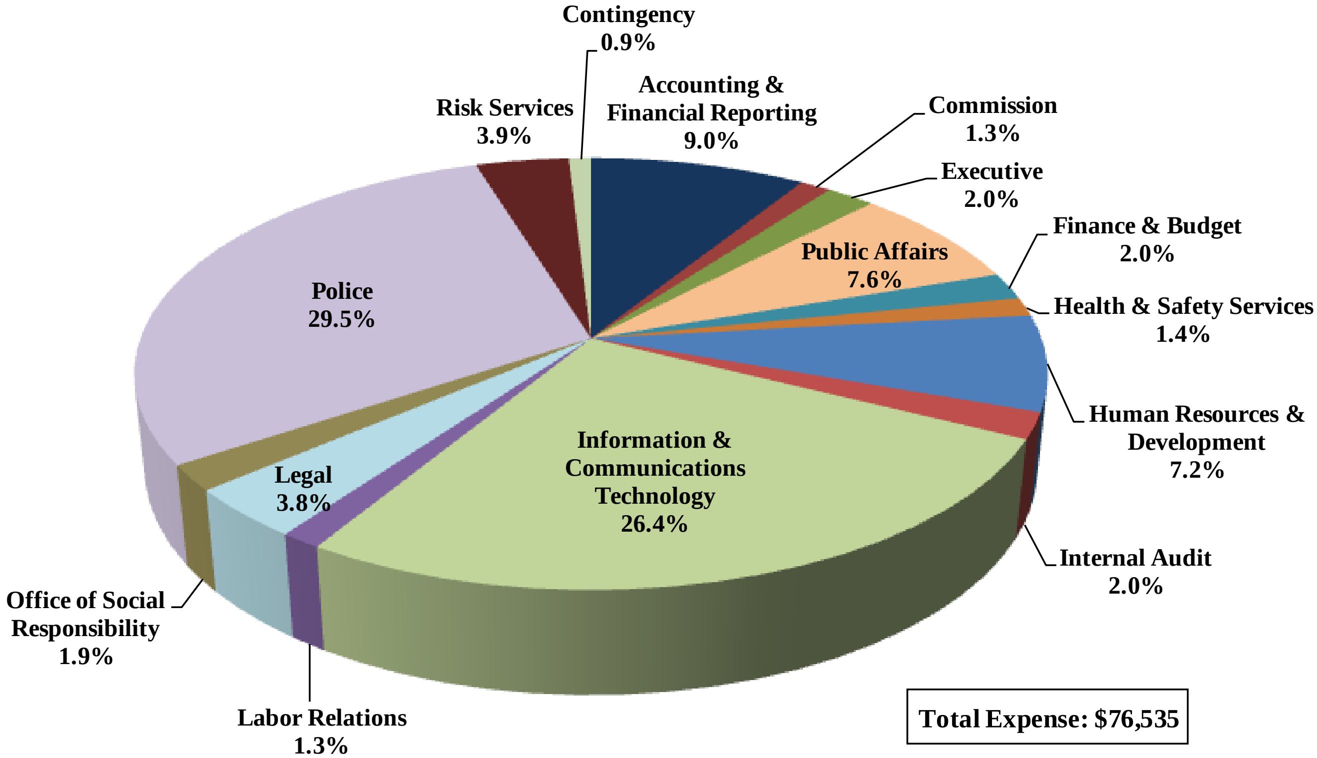


TABLE VIII-3: REVENUES AND EXPENSES BY ACCOUNT

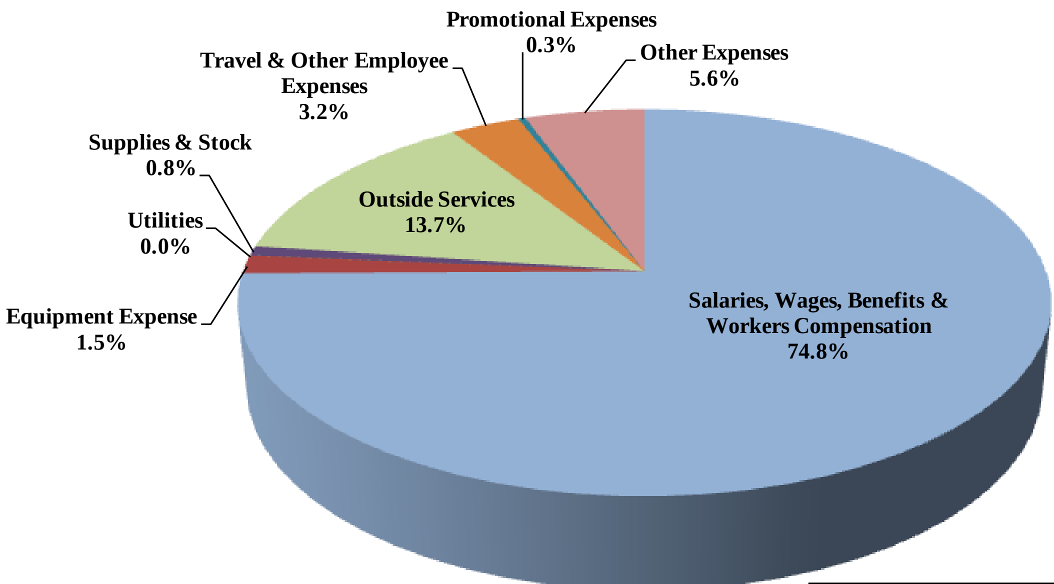
($ in 000's) BY ACCOUNT	Notes	2010 Actual	2011 Budget	2012 Budget	% Change 2012 Bud-2011 Bud
Revenue					
Other Revenue		609	1,025	151	-85.3%
Total Administrative Revenue		**609**	**1,025**	**151**	**-85.3%**
Expense					
Salaries, Wages, Benefits & Workers Compensation		52,662	57,214	59,742	4.4%
Equipment Expense		1,618	1,181	1,219	3.2%
Utilities		8	10	11	10.0%
Supplies & Stock		575	673	648	-3.7%
Outside Services		9,995	11,292	10,930	-3.2%
Travel & Other Employee Expenses		1,985	2,402	2,593	8.0%
Promotional Expenses		309	882	268	-69.6%
Other Expenses		3,153	4,638	4,443	-4.2%
Total Operating Expenses Before Charges to Capital		**70,306**	**78,292**	**79,855**	**2.0%**
Charges to Capital Projects		(2,914)	(3,283)	(3,320)	1.1%
Total Administrative Expense	1	**$ 67,391**	**$ 75,008**	**$ 76,535**	**2.0%**

adminbud.xls

Notes:

1) Does not include adjustment for charges into Corporate SubClasses from Divisions.

FIGURE VIII-2: ADMINISTRATIVE EXPENSE BY ACCOUNT



Total Before Charges to Capital Projects: $79.855
Charges to Capital Projects: $3,320
Total Administrative Expense $76,535

E. STAFFING

The following TABLE VIII-4 depicts the proposed staffing requirements for 2012 by department for Corporate. Corporate is budgeting 452.2 FTEs, which is 4.6 higher than the 2011 budget. Please see the notes at the bottom of table below for further explanations.

TABLE VIII-4: CORPORATE STAFFING

STAFFING (Full-Time Equivalent Positions) BY DEPARTMENT	Notes	2010 Actual	2011 Budget	2011 Est. Act.	2012 Budget	% Change 2012 Bud - 2011 Bud
Commission		11.0	11.0	11.0	11.0	0.0%
Executive Office		5.0	5.0	5.0	5.0	0.0%
Legal Counsel	1	14.6	14.6	14.6	15.0	2.7%
Risk Services	2	5.0	5.0	5.0	6.0	20.0%
Health & Safety		8.0	8.0	8.0	8.0	0.0%
Public Affairs	3	27.8	27.8	28.5	28.5	2.5%
Accounting & Financial Reporting	4	57.4	57.2	58.2	58.2	1.7%
Finance & Budget		10.7	10.0	10.0	10.0	0.0%
Internal Audit		9.2	9.2	9.2	9.2	0.0%
Office of Social Responsibility		5.0	5.0	5.0	5.0	0.0%
Information & Communication Technology	5	121.0	121.0	121.0	121.0	0.0%
Labor Relations		9.0	9.0	9.0	9.0	0.0%
Human Resources & Development	6	33.8	34.8	35.3	35.3	1.4%
Police	7	140.0	130.0	130.0	131.0	0.8%
TOTAL CORPORATE PROFESSIONAL & TECHNICAL SERVICES DIVISION		**457.5**	**447.6**	**449.8**	**452.2**	**1.0%**

FTE.XLS PATS

Notes:

1) Legal added .4 FTE to enable WR Intake & Investigation Specialist to expand position from current .6 FTE to 1.0 FTE.
2) Risk Management added a Risk Specialist 1 position.
3) Public Affairs added 0.2 FTE for Program Manager to become full time and a 0.5 FTE for an Intern.
4) AFR was authorized 2 Limited Duration positions through 12/31/2012 and eliminated one position.
5) ICT received a mid-year approval for 911 CAD System Administrator and eliminated the CTO position in 2011.
6) HR&D erroneously deleted a 0.5 Intern for 2011 budget.
7) Police added a Sergeant for the RCF and one Communications Support position.

F. CAPITAL BUDGET

Corporate has a total 2012 capital budget of $12.1 million. For more detail refer to Capital Budget, See Section X.

TABLE VIII-5 provides a summary of the Corporate 2012 capital budget.

TABLE VIII-5: CORPORATE CAPITAL BUDGET

($ in 000's)	2012 Budget	2012-2016 CIP	% of 2012 Total Committed
Committed Capital Projects			
Capital Development Division	$398	$4,540	3.3%
Corporate General	522	2,483	4.4%
ICT Business Services	11,002	18,152	92.3%
Total Committed	**$11,922**	**$25,175**	**100.0%**
Business Plan Prospective Projects	**$2,525**	**$38,775**	
Total CIP	**$14,447**	**$63,950**	

capsum.xls

G. CORPORATE SUMMARY

TABLE VIII-6: CORPORATE SUMMARY

($ in 000's) OPERATING BUDGET	Notes	Actual 2010	2011 Budget	2011 Forecast	Budget 2012	Growth 2012 Bud-2011 Bud
Operating Revenue		$ 609	$ 1,025	$ 1,202	$ 151	-85.3%
Corporate Expense		48,118	53,556	52,526	53,961	0.8%
Law Enforcement Costs		19,273	21,452	21,443	22,574	5.2%
Total		**67,391**	**75,008**	**73,969**	**76,535**	**2.0%**
Income from Operations		**$(66,782)**	**$(73,983)**	**$(72,767)**	**$(76,384)**	**3.2%**
CAPITAL SPENDING		**$ 11,545**	**$ 11,549**	**$ 8,417**	**$ 11,524**	**-0.2%**
TOTAL FTEs		**457.5**	**447.6**	**449.8**	**452.2**	**1.0%**

admhist.xls

A. TAX AT A GLANCE

- The maximum allowable levy for 2012 is $90.1 million.
- For 2012 the levy will be $73.5 million.
- The millage rate is estimated to be $0.2329.
- The 2012 levy will be used for:
  - General Obligation (G.O.) Bond Debt Service
  - Public Asset Expense: Freight Mobility
  - Seaport and Real Estate Environmental Remediation Liability
  - A portion of Real Estate operating expenses
  - Real Estate Capital Improvements
  - Office of Port Jobs
  - Additions to the Transportation Infrastructure Fund

B. TAX LEVY SOURCES

TYPES AND LIMITS OF LEVIES:

Regular Tax Levy

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property value listed as of the prior year. Assessed values are established by the County Assessor at 100% of fair market value. A re-evaluation of all property is required annually.

Taxes are due in two equal installments on April 30 and October 31. Collections are distributed to the Port by the County Treasurer.

The Port is permitted to levy up to $0.45 per $1,000 of Assessed Valuation for general Port purposes under Washington State law in Revised Code of Washington ("RCW") Chapter 53.36. The levy may go beyond the $0.45 limit to provide for G.O. Bond debt service. However, the rate may be reduced below the $0.45 limit for the following reason: RCW Chapter 84.55 limits the annual growth of regular property taxes to the lesser of 1% or the inflation rate, where inflation is measured by the percentage change in the implicit price deflator for personal consumption expenditures for the United States, after adjustments for new construction. This 1% limit factor was instituted by Initiative 747 that Washington State voters approved in November 2001. Prior to the passage of the Initiative, the growth limit was the lesser of 6% or the inflation rate (for levy limit calculation see Section XII Statutory Budget).

FIGURE IX-1 shows the maximum levy permitted by law versus the actual levy levied by the Port from 1991 (the last year the Port levied the maximum) to 2012. In 1989, the law was changed whereby a port could have a levy at less than the maximum while preserving the ability to tax up to the maximum in the future if the need was justified. This allows a port to tax at the lower level in the years when the maximum levy is not required, but return to the maximum level in years of need. Since 1991, on a cumulative basis, the Port has levied a total of $349 million less than it could have if it had levied the maximum allowable levy each year.

FIGURE IX-1: ACTUAL TAX LEVY VS. MAXIMUM ALLOWABLE LEVY: 1991-2012

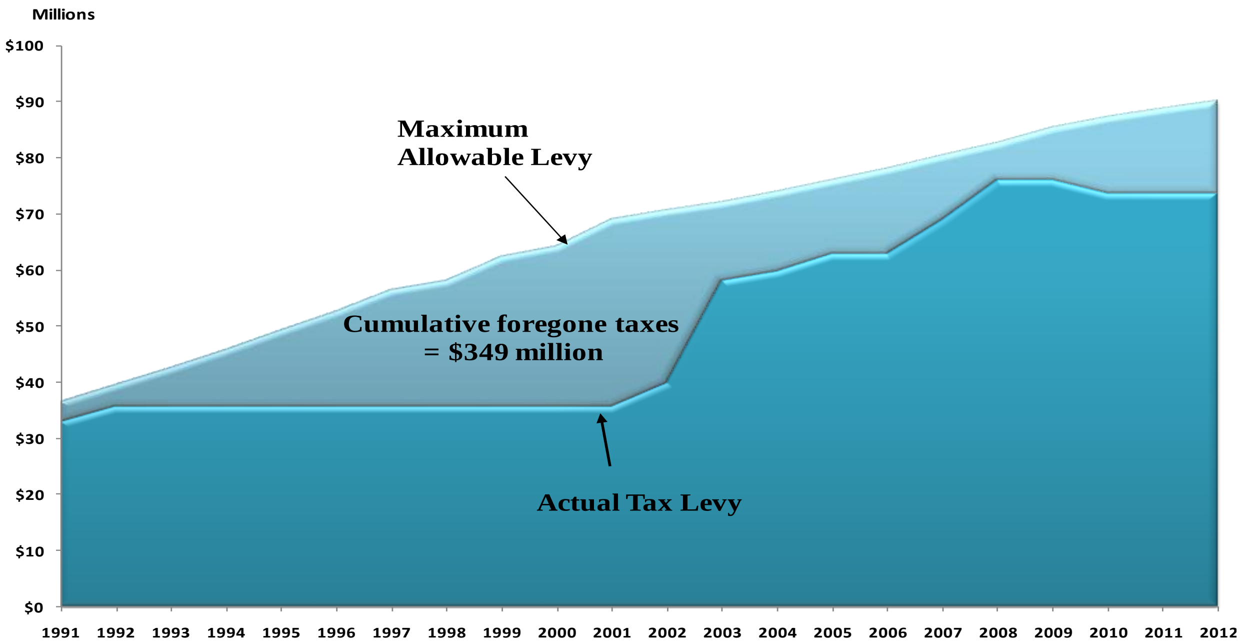
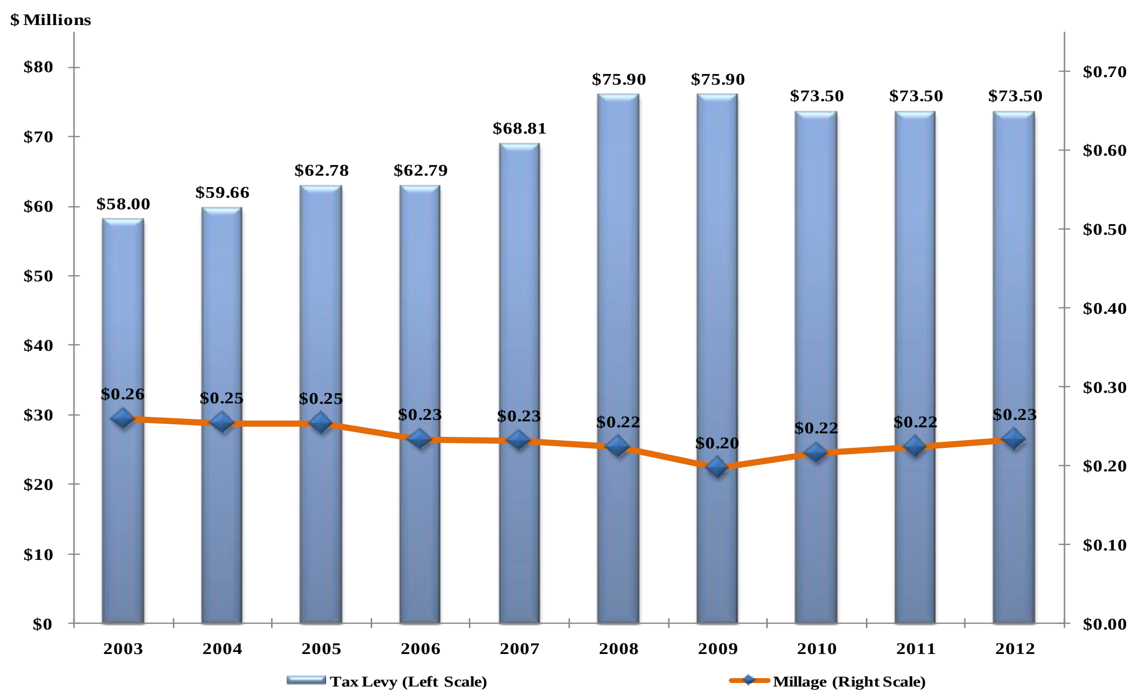


FIGURE IX-2 shows the historical millage rate from 2003 to 2012. The Port reduced the tax levy from $75.9 million in 2009 to $73.5 million in 2010. This amount has been held flat since then.

FIGURE IX-2: TAX LEVY VS. MILLAGE RATE 2003-2012



Special Tax Levies

Special levies approved by the voters are not subject to the same limitations as the regular levy.

The Port can levy property taxes for dredging, canal construction, leveling or filling upon approval of the majority of voters within the Port District, not to exceed $0.45 per $1,000 of Assessed Value of taxable property within the Port District.

Industrial Development District Tax Levies

The Port may also levy property taxes for Industrial Development Districts (under a comprehensive scheme of harbor improvements), for twelve years only, not to exceed $0.45 per $1,000 of Assessed Value of taxable property within the Port District. The Port of Seattle levied the tax for a six-year period between 1963 and 1968 for property acquisition and development of the lower Duwamish River. If the Port intends to levy this tax for a second six years (or the seventh through twelfth year period), the Port must publish notice of intent to impose such a levy and if signatures of at least eight percent (8%) of the voters protest the levy, a special election must be held with majority approval required. The Industrial Development Levy could be imposed at up to $0.45 per $1,000 in the first year and the lesser of $0.45 per $1,000 or the 1% limit factor described above in subsequent years. The Port has not levied the seventh through twelfth year period but if the Port were to Levy under this law, Port may levy up to an estimated $911 million over the six year period.

C. TAX LEVY USES

Each year as part of the budget process, the Commission reviews and approves the use of the tax levy. While the levy, by statute, may be used broadly for general Port purposes, the Port has used the levy to fund capital investments in critical Seaport/Real Estate infrastructure and other expenditures providing community benefits such as environmental mitigation in the Seattle Harbor and the Port's regional freight mobility initiative. The Port also uses the levy to fund a small annual contribution to PortJobs, a non-profit organization that helps develop Port and Airport-related career opportunities. The levy has not traditionally been used to fund improvements at Sea-Tac International Airport, which is exclusively supported by user fees; however, the Commission approved the use of levy funds for noise mitigation projects for the Highline School District and improvements at the Aviation High School which are not eligible for Airport funding.

For 2012, the Port plans to use the regular levy for the debt service on G.O. Bonds, Real Estate capital improvements, FAST Corridor, Seaport and Real Estate environmental costs, Highline Schools projects and Port JOBS. Similar to 2011, no Seaport capital projects will be funded with the levy, and on an interim basis, a portion of Real Estate operating expenses will be levy funded. TABLE IX-1 shows how the Port plans to spend the levy in 2012. Additional details are provided in Tables IX-2 and IX-3.

In 2010, the Port used $13 million of tax levy to fund a Transportation & Infrastructure reserve fund (TIF) to set aside funds for certain regional transportation projects, including the Port's contribution to the SR99 tunnel. The 2012 budget anticipates, and in 2012 plans to make an additional $25 million contribution to TIF from the tax levy fund. The Port anticipates making a $2.5 million payment from the TIF toward the South Park Bridge project in 2012. Expenditures from the TIF are not included in Table IX-1.

TABLE IX-1: SOURCES AND USES OF TAX LEVY

TABLE IX-1 shows how the Port plans to spend the levy in 2012.

	Notes	2012 (in $ 000's)
SOURCES		
Prior Year Levy Fund Balance		42,118
Projected Tax Levy Collection		73,500
Eastside Rail Corridor Partner Reimbursement		5,000
Total Projected Sources		120,618
USES		
G.O. Bonds Debt Service - Seaport		37,224
G.O. Bonds Debt Service - Real Estate		3,129
Total Projected G.O. Debt Service		40,353
Committed Capital Expenditures - Real Estate		10,924
Expenses:		
Public Expense: Seaport Freight Mobility	1	3,954
Transportation & Infrastructure Reserve Fund		25,000
Environmental Remediation Liability	2	14,889
Portion of Real Estate Operating		4,922
Port Jobs & Apprenticeship Program		290
Aviation High School & Highline & Other Schools NOISE Insulation		7,160
Total Expenses		56,215
Capital Expenditures: BP Prospective - Real Estate		3,600
Total Projected Uses		111,092
Projected Ending Balance		$ 9,526

Notes:

1) Net of grant receipts.

2) Net of Seaport Environmental Operating Expense paid from Seaport Revenues.

LevySources&Uses Tables IX-1 and IX-2 and IX-3 prelim doc.xls

TABLE IX-2 provides the estimated 2012 project spending that the Port expects to fund with the tax levy. In addition, any Real Estate Business Plan Prospective projects that are advanced in 2012 may be eligible for levy funding.

TABLE IX-2: LEVY FUNDED COMMITTED PROJECTS

TABLE IX-2 provides the committed projects that the Port expects to fund with a portion of the tax levy proceeds.

	2012 (in $ 000's)
Real Estate	
Pier 69 Renewal Projects	$ 4,223
Fishermen's Terminal	3,572
Technology, Small and Other Projects	1,315
Tenant Improvements	1,148
Fleet Replacement	506
Bell Harbor Lighting Control Upgrade	160
Total Real Estate Projects	$ 10,924

TABLE IX-3: EXISTING G.O. BOND DEBT SERVICE BY PROJECTS AND GROUP

TABLE IX-3 provides the allocation of existing G.O. bond debt service to the projects that were funded by G.O. bonds issued in 1994, 2000, 2004, 2006 and 2011.

	2012 (in $ 000's)
Containers	
Stage II Dredge- Phase I	$ 922
T-5 Expansion & Upgrades	21,149
T-46 Expansion Redevelopment	4,458
T-18 Expansion & Upgrade	8,359
Total Containers	34,889
Docks and Commercial Properties	
T-91 Apron & Infrastructure Improvements	2,119
Pier 17 Dock Replacement	122
T-86 Terminal Upgrades	120
Total Docks and Commercial Properties	2,362
Commercial Properties	
World Trade Center Garage	640
Fishing	
Fishermen's Terminal Docks & Seawall Renewal	1,657
Special Item	
Eastside Trail	805
Total G.O. Bond Debt Service	$ 40,353

LevySources&Uses Tables IX-1and IX-2 and IX-3 prelim doc.xls

D. GENERAL OBLIGATION CAPACITY

Non-Voted and Voted General Obligation Debt Limitations

Under Washington State law the Port may incur indebtedness payable from ad valorem taxes in an amount not exceeding one-fourth of one percent of the value of the taxable property in the District without a vote of the people. With the assent of three-fifths of the voters voting thereon, the District may incur additional G.O. indebtedness provided the total indebtedness of the Port at any time shall not exceed three-fourths of one percent of the value of the taxable property in the District. For the Port, the following estimates the 2012 debt limit:

Value of Taxable Property		**$ 315,588,352,233**
Debt Limit, Non-Voted General Obligation Bonds (.25% of Value of Taxable Property)	$	788,970,881
Less: Outstanding Non-Voted General Obligation Bonds as of 12/31/2011	$	336,120,000
Less: Capital leases and other general obligations as of 9/30/2011		-
Remaining Capacity of Non-Voted General Obligation Debt	**$**	**452,850,881**
Debt Limit, Total General Obligation Debt (.75% of Value of Taxable Property)	$	2,366,912,642
Less: Total Outstanding General Obligation as of 12/31/2011	$	336,120,000
Less: Capital leases and other general obligations as of 9/30/2011		-
Remaining Capacity of Total General Obligation Debt	**$**	**2,030,792,642**

LEVY.XLS

The Port may levy property taxes sufficient for the payment of principal of and interest on voted G.O. indebtedness. The existing limitation provides that unless a higher rate is approved by a majority of the voters at an election, the increase in regular total property taxes payable in the following year shall not exceed the lesser of inflation or one percent of the amount of regular property taxes lawfully levied for such district in the highest of the three most recent years in which such taxes were levied for such district, plus an additional dollar amount calculated by multiplying the increase in assessed value in that district resulting from new construction and improvements to property by the regular property tax levy rate of that district for the preceding year. With a super majority vote, the Port Commission can increase the levy by 1% if inflation is less than 1%.

Interaction between General Purpose Levy and General Obligation Debt Capacity

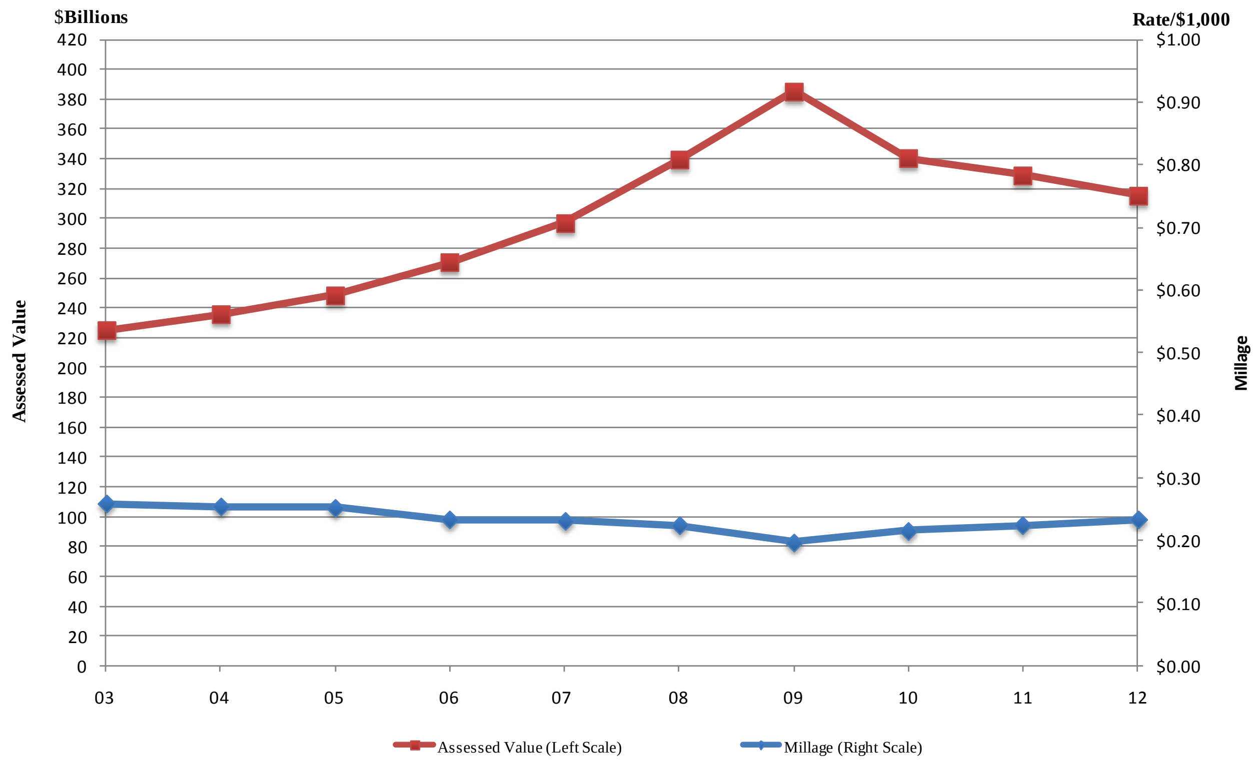
Since the 101% levy limitation applies to the total levy for G.O. debt service and for general Port purposes, an increase in the tax levy for G.O. bonds may result in a decrease in the amount which could be levied for general Port purposes, unless a higher aggregate tax levy was approved by the voters.

Beginning with the 2001 Budget, the Port established a target to use no more than 75% of the levy for debt service and retain at least 25% for general purposes.

E. TAXPAYER EFFECT

FIGURE IX-3 shows the assessed valuation as compared to the millage rate from 2003 to 2012. The graph shows that the assessed value has increased from $225 billion in 2003 to an estimated $315 billion in 2012, while millage (the rate paid per $1,000 Assessed Value) has decreased from $0.2590 in 2003, to the 2012 rate of $0.2329. Assessed value for 2012 is estimated to be $315,588,352,233.

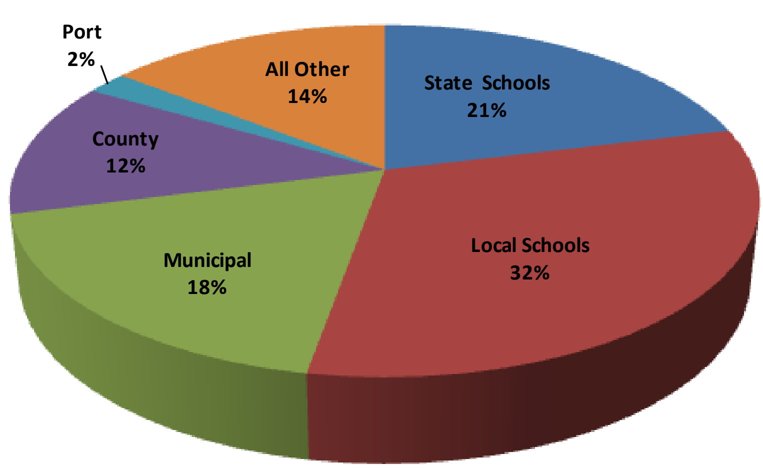
FIGURE IX-3: KING COUNTY ASSESSED VALUATION VS. PORT MILLAGE RATE 2003-2012



F. COUNTY PROPERTY TAX COMPARISON

For 2011, the Port accounted for 2.0% of the total property taxes collected by the County.

FIGURE IX-4: 2011 PERCENTAGE OF TAX LEVIES BY TAXING DISTRICT



CAPITAL BUDGET

The following pages provide detail of the projects included in the 2012-2016 capital budget. Additional information can be found in each of the divisions' business plans and operating budgets, as well as the Draft Plan of Finance section of this document.

Projects in this year's plan are divided into several categories. ***Committed Projects*** are ongoing projects or projects that are ready to move forward and for which a funding commitment will be secured. ***Business Plan Prospective Projects*** are less certain in timing or scope, but are considered critical for achieving business plan goals, and the business unit or division has approved them. This category includes projects that are considered contingent obligations of the Port. ***Other Prospective Projects*** are preliminary in nature and are not ready for full funding commitment. Prospective projects are included in the capital budget section for informational purposes only.

TABLE X-1: CAPITAL BUDGET

($ in 000's)		Est. Act. [1] 2011	2012	2013	2014	2015	2016	Total 2012-2016
Committed Projects								
Aviation Division								
Airfield		$17,635	$49,387	$65,512	$3,000	$0	$9,000	**$126,899**
Business Development		1,428	4,570	758	742	500	500	**7,070**
Landside		101,583	72,273	0	0	0	0	**72,273**
Air Terminal		32,070	80,694	28,585	4,770	2,740	0	**116,789**
Infrastructure		10,698	34,967	11,547	6,910	0	0	**53,424**
Stormwater		$1,624	$2,752	500	385	0	0	**3,637**
Airfield Security		2,483	2,062	0	0	0	0	**2,062**
Aviation NOISE		4,584	15,155	6,317	18,966	0	0	**40,438**
Aviation F&B (Division-wide)		13,007	15,066	4,577	1,200	288	0	**21,131**
Aviation Division		**185,112**	**276,926**	**117,796**	**35,973**	**3,528**	**9,500**	**443,723**
Seaport Division [2]								
Lease & Asset Management	[3]	18,234	19,981	3,190	1,400	0	0	**24,571**
Cruise & Maritime Operations	[4]	7,860	3,855	0	0	0	0	**3,855**
Environmental Services		20	470	1,090	800	2,500	2,500	**7,360**
General Seaport		1,939	1,400	1,200	1,333	1,025	1,000	**5,958**
Security	[5]	0	0	0	0	0	0	**0**
Seaport Division		**28,053**	**25,706**	**5,480**	**3,533**	**3,525**	**3,500**	**41,744**
Real Estate Division								
General Real Estate		5,149	6,044	3,777	1,567	1,383	1,437	**14,208**
Harbor Services		4,063	0	0	0	0	0	
Portfolio Management		3,978	4,880	889	432	483	433	**7,117**
Real Estate Division		**13,190**	**10,924**	**4,666**	**1,999**	**1,866**	**1,870**	**21,325**
Professional & Tech. Services								
Capital Development Division		523	398	1,539	1,007	970	626	**4,540**
Corporate General		300	522	327	566	634	434	**2,483**
ICT Business Services		8,117	11,002	7,150	0	0	0	**18,152**
P&TS		**8,940**	**11,922**	**9,016**	**1,573**	**1,604**	**1,060**	**25,175**
Total Committed		**$235,295**	**$325,478**	**$136,958**	**$43,078**	**$10,523**	**$15,930**	**$531,967**
Business Plan Prospective Projects								
Aviation Division		$4,290	$69,908	$172,446	$137,987	$58,713	$211,721	**$650,775**
Seaport Division		275	4,868	43,970	56,280	72,600	76,678	**254,396**
Real Estate		50	3,600	7,825	10,660	3,950	6,671	**32,706**
Corp General (ICT Business Services)		200	2,525	3,800	10,650	10,800	11,000	**38,775**
Total Business Plan Prospective		**$4,815**	**$80,901**	**$228,041**	**$215,577**	**$146,063**	**$306,070**	**$976,652**
Total Port of Seattle		**$240,110**	**$406,379**	**$364,999**	**$258,655**	**$156,586**	**$322,000**	**$1,508,619**

capsum.xls

[1] Estimated/Actual 2011 represents six months of actual spending and six months of projected spending.
[2] Certain CIPs moved to Real Estate division in 2008.
[3] Lease & Asset Management previously named Containers & Support Properties
[4] Cruise and Maritime Operations previously named Cruise & Industrial Properties
[5] Security moved into Cruise & Maritime Operations in 2011

AVIATION DIVISION CAPITAL IMPROVEMENT PROGRAM

General: As presented in Section IV, the Aviation division strategic goals drive the capital program. Most spending will aim to meet capacity and customer needs, and maintain existing assets through ongoing renewal and replacement. Completing and opening the Consolidated Rental Car Facility will be a major milestone, scheduled for April, 2012. Another CIP driver is the Terminal Realignment. As discussed in Section IV, the Airport is in the process of moving many of the airlines to new locations within the terminal to accommodate merged airlines consolidating operations in one location and to allow Alaska Air Group to consolidate its operations on Concourse C and the North Satellite.

Major Committed Capital Projects:

Consolidated Rental Car Facility: The project is nearing completion. Major work elements remaining include the tenant space build-outs and completion of the bus maintenance building. The project will improve roadway congestion by removing rental cars from the airport drives and it will create additional public parking capacity in the main garage. The total budget, including land acquisition, 29 buses, and a bus maintenance facility is $419 million. The project's opening date is April 2012.

Terminal Escalators Modernization: This project will replace 42 aging escalators and add 2 new escalators over a seven-year period. The total budget is $55 million. The project is underway.

Noise Remedy Program: The Port's Noise Remedy Program began in 1971 and is designed to mitigate aircraft noise in neighborhood communities. The program involved the buy-out or insulation of single-family houses, mobile home parks, multi-family buildings, and institutional buildings. The current program involves insulation of single-family homes and classrooms at the Highline Community College. This program also includes future project spending for Highline School District noise mitigation. The cost for the overall noise remedy program for 2012 – 2016 totals approximately $41 million; however, $35 million of that spending is for the improvement of the Highline School District buildings and the timing of the spending is dependent upon the passage of school levies.

Central Plant Pre-conditioned Air: This project will provide pre-conditioned air for heating and cooling of aircraft while parked at gates. While at a gate, an aircraft's heating and air conditioning is provided by either the aircraft's onboard auxiliary power unit (APU) or a ground based supply system. Utilization of the aircraft's APU is expensive and it generates significant carbon dioxide and other air emissions. The total budget for the project is $43.5 million. The project is underway.

Aircraft Remain Overnight (RON) Parking, U.S. Postal Service (USPS) Site: This project involves buying out the lease of the USPS Airmail Center, demolition of the building, and the construction of aircraft parking hardstands. The lease transaction is complete and the USPS has vacated the building. Demolition of the building is scheduled for 2011 to allow hardstand aircraft parking construction to commence in 2012. The overnight aircraft parking positions are necessary to facilitate the early morning departures of passenger flights. The total budget is $43.9 million.

Electrical Ground Service Equipment (EGSE) Electrification: There are two elements to this project that will greatly improve air quality. First, the Port is investing in infrastructure and charging stations ($14.4 million). Second, the Port is acquiring the EGSE rolling stock in order to lease to the airlines (through a consortium). The total cost of the rolling stock is budgeted at $30 million, and includes a U.S. Department of Energy grant for $5 million. Approximately 600 vehicles may ultimately be converted from fossil fuel to electricity when all airlines join.

Terminal Realignment: Included within this program are the following projects: Concourse D Common Use Expansion, Passenger Loading Bridge Acquisition, Baggage System Modifications, Exterior Gate Improvements, and Airport Signage. These projects total approximately $27 million.

Business Plan Prospective CIP:

The Aviation Business Plan Prospective CIP is composed of project spending for Airfield, Landside, Terminal, Infrastructure, and other Aviation needs. Seventeen projects have moved to business plan prospective status for 2012. Prospective projects are, by definition, not yet well scoped, so there is greater uncertainty with regards to timing and costs than with committed projects. As scoping, design and bidding occurs, each project moves forward in steps to the Commission to request authorization. See Section IV for a description of major existing projects and each new project.

SEAPORT DIVISION CAPITAL IMPROVEMENT PROGRAM

General: The Seaport's current five-year capital improvement program continues the Port's emphasis on supporting investments in facilities and infrastructure for the movement of container and non-container cargo.

Committed Capital Projects:

Lease and Asset Management: Lease and Asset Management encompasses the container terminals, the Terminal 86 grain facility and leased Seaport industrial properties. The most significant container related project is the redevelopment of approximately 10 acres at Terminal 25 South for container yard operations. This project is contingent on a request by a terminal operator to lease the facility under economically feasible terms. Other container related projects include the replacement of Terminal 5 crane cable reels, replacement of a damaged fender system at Terminal 18, and various street vacation related projects resulting from previous terminal expansions at Terminals 5, 18 and 30. Other industrial property projects are primarily renewal and replacement efforts. These include the replacement of a water main at Terminal 91 and a roof replacement for a tenant occupied cold storage building on Pier 90.

Cruise and Maritime Operations: The most significant cruise related project is the upgrade of the Pier 91 fender system. Included for Security are funds for capital projects to be largely reimbursed through TSA Seaport Security Grants Rounds 7 and 7B and a project reimbursed through the American Recovery and Reinvestment Act.

Environmental: The Seaport Green Initiative is made up of multiple projects primarily related to storm water improvements.

General Seaport: Additional committed projects include small projects and technology related investments.

Business Plan Prospective CIP:

The Seaport Business Plan Prospective CIP is a combination of revenue/capacity growth, renewal/enhancement, and environmental projects. The most notable project under revenue capacity growth are funds for the purchase of land for future expansion of offsite container support yards for handling up to 3.5M TEU's. Renewal/enhancement projects include funds to redevelop berths 6 and 8 on Pier 90 and for future improvements at Terminal 46. Also included is a general renewal and replacement project to allow for projects that cannot be determined with certainty as to location, timing and cost. A key environmental project in Business Plan Prospective status is the plan to bring shore power for cruise ships to Pier 66.

REAL ESTATE DIVISION CAPITAL IMPROVEMENT PROGRAM

General: Projects in the Real Estate Division's current five-year capital improvement program are primarily projects associated with the renewal and replacement of infrastructure, building components and systems that are at or beyond the end of their useful lives. Also included is a significant investment in tenant improvements related to the releasing of space expected to become vacant as existing leases expire.

Committed Capital Projects:

<u>Harbor Services Projects:</u> There are no committed projects under Harbor Services.

<u>Portfolio Management:</u> Key projects include HVAC improvements for the Fishermen's Center Building at Fishermen's Terminal and a lighting control upgrade at Bell Harbor International Conference Center. Other projects are for tenant improvements and for renewal and replacement of building components and systems that are at or beyond the end of their useful lives.

<u>Real Estate Development and Planning:</u> There are no committed projects under Real Estate Development and Planning.

<u>General Real Estate:</u> Committed projects include fleet replacement, technology related investments, and small projects. Another project is installation of a corrosion protection system for the existing steel pilings under the north apron of Pier 69 and replacement of the built-up roof on the Pier 69 Port headquarters' building.

Business Plan Prospective CIP:

The Real Estate Business Plan Prospective CIP is primarily renewal and replacement projects. Renewal and replacement projects include various projects at Fishermen's Terminal and Shilshole Bay Marina. Also included is a general renewal and replacement project to allow for projects that cannot be determined with certainty as to location, timing, and cost.

COPORATE CAPITAL IMPROVEMENT PROGRAM

The Corporate Division's current five-year capital improvement program is predominantly technology improvements and upgrades. Approximately 28% of 2012 technology capital improvement projects are refresh of critical infrastructure and network security enhancements required to maintain compliance with established industry standards. The remaining technology capital improvement projects are mostly for system upgrades, replacements or consolidation of existing systems that require refresh. These technology projects are all driven by business unit demand, with system upgrades being required to maintain system operations and ongoing vendor support. For example, the largest corporate capital improvement project is an upgrade to the Port's financial system. This upgrade is required to maintain system support from Oracle and was recommended in the Moss Adams audit. Police fleet replacement and a small portion for small capital is also included in the Corporate CIP.

CAPITAL DEVELOPMENT DIVISION CAPITAL IMPROVEMENT PROGRAM

The Capital Development Division (CDD) delivers projects and provides technical and contracting services in support of the business plans and infrastructure needs of the Port's operating divisions. CDD includes the following departments: Aviation Project Management Group, Central Procurement Office, Engineering, Port Construction Services, and Seaport Management Group. The Capital Development Division's current five-year capital improvement program is primarily for the replacement of equipment and vehicles that are at or beyond the end of their useful lives. For example, the largest fleet project is to replace a 1996 F-Super Duty truck for Port Construction Services. The lesser portion of the CIP is for Engineering equipment purchases (survey equipment, plotter, copiers, large-format printer).

In addition to the Committed, Business Plan Prospective and Other Prospective project categories described above, the Port may also invest in Public Expense projects. These include authorized Public Expense projects (projects that meet the criteria of Committed or Business Plan Prospective projects but the expenditures are expensed instead of capitalized). This can occur when projects' improvements are created on non-Port properties; they are generally a required component of other Committed projects or they are the Port's contribution to regional transportation needs. In addition to the Public Expense projects, the Port anticipates expenditures for a Special Item for its contribution toward the replacement of the Alaskan Way Viaduct (SR99) of up to $300 million.

TABLE X-2: PUBLIC EXPENSE AND SPECIAL ITEM PROJECTS

Division	CIP Description ($ in 000's)	2012	2013	2014	2015	2016	5 Year Total (2012 - 2016)
Aviation	Aviation High School	$ 650	$ 650				$ 1,300
	Subtotal for Aviation	**650**	**650**	**-**	**-**	**-**	**1,300**
Seaport	Fast Corridor I [1]	2,763	-	-	-		**2,763**
	Fast Corridor II	991	2,116	-	1,319		**4,426**
	North Argo Express Access	200	1,200	600	-		**2,000**
	Puget Sound Clean Air Agency	1,050	1,250	1,250	-		**3,550**
	Subtotal for Seaport	**5,004**	**4,566**	**1,850**	**1,319**	**-**	**12,739**
	Total - Public Expense	**5,654**	**5,216**	**1,850**	**1,319**	**-**	**14,039**
Special Item	SR99 Tunnel Replacement [2]	-	-	-	-	281,000	**281,000**
	South Park Bridge	2,500	2,500		-	-	**5,000**
	Total - Special Item	**2,500**	**2,500**	**-**	**-**	**281,000**	**286,000**
Grand Total - Public Expense and Special Item Projects		**$ 8,154**	**$ 7,716**	**$ 1,850**	**$ 1,319**	**$ 281,000**	**$ 300,039**

_5YrCapBud&ProspectiveProj.xlsx

Notes:

[1] Net of grant receipts.

[2] Payment toward the Port's contribution of up to $300 million per the Memorandum of Agreement No. GCA 4444, dated 02/09/2010.

TABLE X-3: NON-RECURRING CAPITAL BUDGET IMPACT ON THE OPERATING BUDGET

Non- Recurring Capital Projects Budget Impact On The Operating Budget
2012 Preliminary Budget

Criteria:
1. Spending is included in the Port's Committed CIP
2. Capital spending on projects that add significant new capacity
3. Facility is not yet in use
4. Does not include improvements or upgrades to existing facilities unless the project provides additional capacity

($ in 000's)	Notes	Capital Budget Impact	Recurring (R) or Non-Recurring (NR)	2012	2013	2014	2015	2016	Total 2012-2016
Aviation Division:									
Escalators Modernization		**Yes**	**NR**						
Capital Spending				$ 17,000	$ 6,300	$ 6,606	$ -	$ -	$ 29,906
Change in Operating Revenues	1			-	-	2,754	2,754	2,754	8,261
Change in Operating Expenses				-	-	-	-	-	-
Aircraft RON Parking		**Yes**	**NR**						
Capital Spending				4,750	30,566	3,000	-	-	38,316
Change in Operating Revenues	2			-	-	3,949	3,949	3,949	11,848
Change in Operating Expenses				-	-	-	-	-	-
Total Aviation Division									-
Capital Spending				**21,750**	**36,866**	**9,606**	**-**	**-**	**68,222**
Change in Operating Revenues				**-**	**-**	**6,703**	**6,703**	**6,703**	**20,109**
Change in Operating Expenses				**-**	**-**	**-**	**-**	**-**	**-**
Seaport Division:		**No**							-
									-
Real Estate Division:		**No**							-
									-
Professional & Tech. Services:		**No**							-
Port-wide Total									-
Capital Spending				**21,750**	**36,866**	**9,606**	**-**	**-**	**68,222**
Change in Operating Revenues				**-**	**-**	**6,703**	**6,703**	**6,703**	**20,109**
Change in Operating Expenses				**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

Table X-3...xls

Notes:

1) The estimated debt service for this project will be incorporated into the terminal rental cost recovery formula and thus increase revenues.
2) The estimated debt service for this project will be incorporated into the landing fee cost recovery formula and thus increase revenues.

Port of Seattle Year 2012 Preliminary Budget

2012-2016 Draft Plan of Finance

The Draft Plan of Finance will be available in the Final Budget Document.

PORT OF SEATTLE

2012 STATUTORY BUDGET

A. INTRODUCTION

The "statutory" budget as defined in RCW 53.35.010 is to portray "the estimated expenditures and the anticipated available funds from which all expenditures are to be paid." As a cash budget, the Statutory Budget establishes the need for the tax levy and sets upper limits on expenditures, and is not used as an operating budget. The function of controlling and managing the operations of the Port is accomplished with the Operating Budget, which is provided in Sections IV through VIII.

The Preliminary 2012 Statutory Budget is provided to the Port Commissioners and made available to the general public as required by law (RCW 53.35.010 and RCW 53.35.045). Notice of the Public Hearing, with an announcement that copies of the preliminary budget are available for distribution to any interested persons, will be published on October 24th, 2011, and October 31st, 2011, in the DAILY JOURNAL OF COMMERCE, as required by law (RCW 53.35.020 and RCW 53.35.045). The final statutory budget will be filed with the King County Council on December 1st, 2011, as allowed by RCW 53.35.045. The intent for filing on this date is primarily to enable us to obtain public input and certified assessed valuations from the King County Assessor prior to filing the final budget.

B. STATUTORY BUDGET HIGHLIGHTS

1. Tax Levy

For 2012, the tax levy amount is assumed to be $73,500,000. The following is a comparison of the tax levy detail between 2011 and 2012:

	Budget 2011		Budget 2012	
	Levy Rate	Levy Amount	Levy Rate	Levy Amount
For General Obligation Bonds	$ 0.1229	$ 40,438,435	$ 0.1279	$ 40,352,885
For General Purposes	0.1004	33,061,565	0.1050	33,147,115
Total levy	**$ 0.2235**	**$ 73,500,000**	**$ 0.2329**	**$ 73,500,000**

LEVY.XLS

2. Tax Levy Rate

The tax levy rate is a product of dividing the tax levy dollars by the assessed valuation of personal and real properties within the Port District. Therefore, if assessed valuation increases at a greater amount than the dollars the Port would be allowed under the 101% lid law, the tax millage rate would go down even though the Port's levy dollars may have increased. The exact levy rate is determined by the County Assessor after all taxing agencies have requested their levy dollars, and the assessed valuation dollars are certified. The 2011 final assessed valuation is $315,588,352,233 after omitted assessments, which are not included in the Port’s levy calculation. (The 2011 assessed valuation is used for 2012 tax collection.) This is a decrease from the 2010 assessed valuation, which was $328,927,984,810 after omitted assessment - See Section IX, Tax Levy.

C. RESOLUTIONS

RESOLUTION NO. 3654

A RESOLUTION of the Port Commission of the Port of Seattle adopting the final budget of the Port of Seattle for the year 2012; making, determining, and deciding the amount of taxes to be levied upon the current assessment roll; providing payment of bond redemptions and interest, cost of future capital improvements and acquisitions, and for such general purposes allowed by law which the Port deems necessary; and directing the King County Council as to the specific sums to be levied on all of the assessed property of the Port of Seattle District in the Year 2012.

WHEREAS, the Port of Seattle Commission, on the 8th day of November, 2011, prepared the preliminary budget of the Port of Seattle for the year 2012 and provided for the publication of Notice of Final Budget Hearing on the adoption of said budget, to be heard on the 22nd day of November, 2011, when taxpayers might appear and present objections to said preliminary budget; and

WHEREAS, a public hearing on said preliminary budget was held in the office of the Port Commission, pursuant to notice duly given, in the City of Seattle, County of King, State of Washington, on the 8th of November 2011, at 1 p.m. and 22nd day of November 2011, at 1:00 p.m.; and

WHEREAS, all parties present were afforded a full opportunity to present objections to the preliminary budget, and the Port Commission being duly advised in the premises; and

WHEREAS, the King County Assessor has notified the Commissioners of the Port of Seattle that the final assessed valuation of the property lying within the boundaries of said district for the year 2011 is $315,588,352,233 (after omitted assessments).

NOW, THEREFORE, BE IT RESOLVED, by the Port Commission of the Port of Seattle that the preliminary budget of the Port of Seattle for the year 2012, as presented at the aforementioned hearing, is hereby adopted as the final budget of the Port of Seattle for the Year 2012; and

BE IT FURTHER RESOLVED, that the amount of taxes to be levied by the Port of Seattle on the current assessment rolls to provide for payment of bond redemption and interest on the Port of Seattle General

Obligation Bonds, for future expenditures for acquisitions and capital improvements and for such general purposes allowed by law which the Port deems necessary be set and deposited is $73,500,000; and

BE IT FURTHER RESOLVED, that the King County Council, State of Washington, be notified that the specific sum herein mentioned being a total of $73,500,000 is necessary to be raised by taxation to meet the payment of bond redemption and interest on Port of Seattle General Obligation Bonds, of future expenditures for acquisitions and capital improvements, and of costs for such general purposes allowed by law which the Port deems necessary, as set forth for the period January 1, 2012 and thereafter; that said King County Council be respectfully requested to make a levy in said amount for the aforesaid purposes; and

BE IT FURTHER RESOLVED, that the above is a true and complete listing of levies for said District for collection in the year 2012 and they are within the maximums established by law.

ADOPTED by the Port Commission of the Port of Seattle at a regular meeting held this ____ day of ________________________, 2011, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the seal of the Commission.

____

____

____

____

____

Port Commission

D. TAX LEVY CALCULATION SHEET

TABLE XII-1: TAX LEVY CALCULATION SHEET

TAXING DISTRICT PORT OF SEATTLE

The following calculations are offered as an aid in the determination of the dollar limitation imposed by statute on the 2012 regular property levy for the district and are based on figures from the King County Department of Assessments as of 10/10/2011.

	Actual Levy	Allowable Levy
2006 Regular Levy	62,748,329	78,064,389
2007 Regular Levy	68,813,857	80,414,188
2008 Regular Levy	75,899,369	82,628,783
2009 Regular Levy	75,899,369	85,363,322
2010 Regular Levy	73,500,000	87,243,250
2011 Regular Levy	73,500,000	88,727,622
2012 Regular Levy	73,500,000	90,121,375
2012 Regular Levy Rate	0.23290	0.28557

LIMITATION CALCULATION (RCW 84.55.010):

	101%	1.0276% IPD	(IPD = Implicit Price Deflator)
	88,727,622	88,727,622	Maximum lawful regular levy since 1986 including lid lifts
	(324,029)	(324,029)	Less refund fund levy
	88,403,593	88,403,593	Maximum Statutory 2011 Levy, basis for calculation (1)
x	1.01	1.0276	Levy Limit Factor
	89,287,629	90,839,112	Levy
	1,705,295,167	1,705,295,167	Local New Construction
+	0	0	Increase in state-assessed public utility value (2)
	1,705,295,167	1,705,295,167	Total New Construction
x	0.22366	0.22366	2011 Regular Levy Rate
	381,398	381,398	New Construction Levy
	89,287,629	90,839,112	Levy
+	381,398	381,398	New Construction Levy
-	0	0	Omitted Assessment Levy (3)
	89,669,027	91,220,510	Total RCW 84.55 Levy
	452,348	452,348	Refund Fund Levy (Relevy for prior year refunds) (4)
	0	0	Levy Correction: Year of Error YYYY
	90,121,375	91,672,858	**Maximum 2012 Levy Based on Limit plus Refund Fund (5)**
÷	315,588,352,233	315,588,352,233	Regular levy assessed value less annexations (6)
	0.28557	0.29048	Levy rate based on allowable levy

STATUTORY LEVY CALCULATION (RCW 84.52.043): Limits only general purpose levy.

	315,588,352,233	Regular levy assessed value (6)
x	0.450000	Maximum Statutory Rate
=	142,014,759	Maximum 2012 Levy (Excluding Omitted Assessment Levy)
+	0	Omitted Assessment Levy (3)
=	**142,014,759**	**Maximum 2012 General Purpose Levy Based on Statutory Levy**

All years indicated above are the year the tax is payable

1. Since 1991, the Port Commission has levied less than the maximum amount allowed by law. The calculation above shows the maximum allowable 2012 levy pursuant to RCW 84.55.092, which allows Port districts to "set the levy at the amount which would be allowed otherwise under" the chapter of State Law (RCW 84.55) which provides taxing authority.
2. Any increase in value in state-assessed property is considered to be new construction value for purposes of calculating the respective limits. State-assessed property is property belonging to inter-county utility and transportation companies (telephone, railroad, airline companies and the like).
3. An omitted assessment is property value that should have been included on a prior year's tax roll but will be included on the current (2012) tax roll. Omits are assessed and taxed at the rate in effect for the year omitted (RCW 84.40.080 - 84.40.085). Omitted assessments tax is deducted from the levy maximum before calculating the levy rate for current assessments and added back in as current year's receivable.
4. Administrative refunds under RCW 84.69.020 were removed from the levy lid by the 1981 legislative session.
5. District is entitled to the lesser of maximum levies determined by application of the limit under RCW 84.55 and the statutory rate limit. Levies may be subject to further proration if aggregate rate limits set in Article VII of the state constitution and in RCW 84.52.043 are exceeded.
6. Assessed valuations shown are subject to change from error corrections and appeal board decisions recorded between the date of this worksheet and final levy rate determination.

Statlevy.xls

E. FORECASTED CASH FLOW SUMMARY

TABLE XII-2: FORECASTED CASH FLOW SUMMARY

($ in 000s)		2012	Percent of Total
Beginning balance of cash & investments		**$ 717,812**	
SOURCES OF CASH			
Operating Revenues		518,095	71.6%
Interest Receipts		5,748	0.8%
Proceeds from Bond Issues		0	0.0%
Grants and Capital Contributions		33,227	4.6%
Tax Levy		73,500	10.2%
Passenger Facility Charges		63,448	8.8%
Rental Car Customer Facility Charges		21,333	2.9%
Fuel Hydrant Receipts		7,839	1.1%
Other Receipts		754	0.1%
Total		**723,943**	**100%**
Anticipated available funds		**1,441,756**	
USES OF CASH			
Expenses from Operations:			
Operating & Maintenance Expense	217,361		21.4%
Corporate Administrative Expense	70,953		7.0%
Law Enforcement Costs	18,314		1.8%
Environmental Expenditures	3,096		0.3%
Total Operating Expenses		309,725	30.5%
Debt Service:			
Interest Payments	159,240		15.7%
Bond Redemptions	124,200		12.2%
Total Debt Service		283,440	27.9%
Other Expenses		9,619	0.9%
Public Expense		5,654	0.6%
Capital Expenditures		406,379	40.0%
Total		**1,014,817**	**100%**
Ending balance of cash & investments		**$ 426,938**	
Increase (decrease) of cash during year		**$ (290,873)**	

cashflow.xls

Note: We built-up a significant cash balance in the past few years due to economic uncertainty, and we are planning to draw down the cash balance in 2012.

FIGURE XII-1: SOURCES OF CASH

($ in 000's)

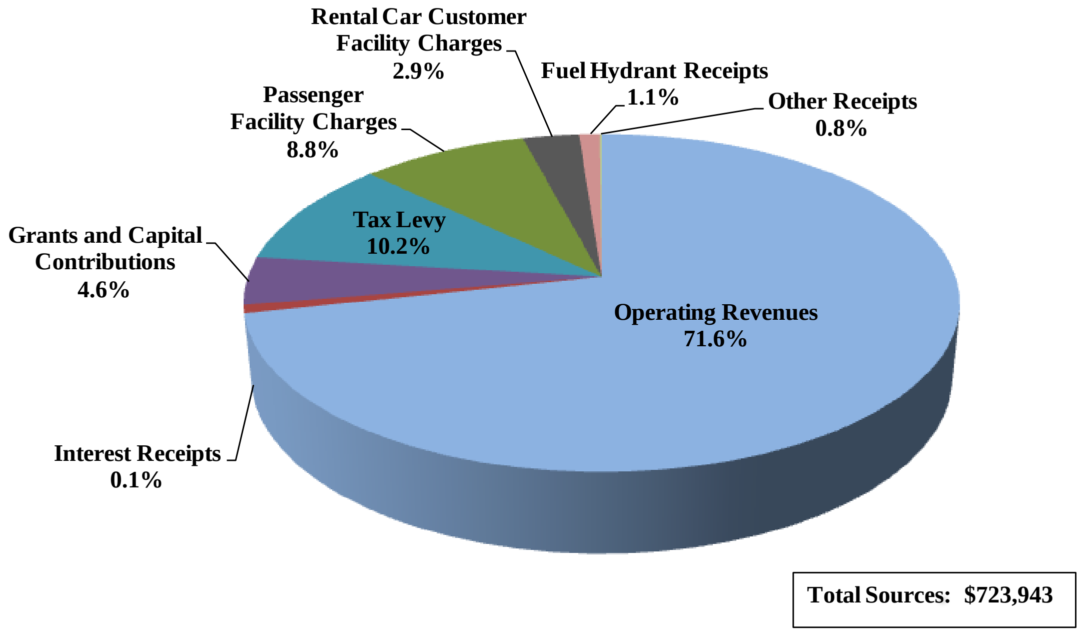
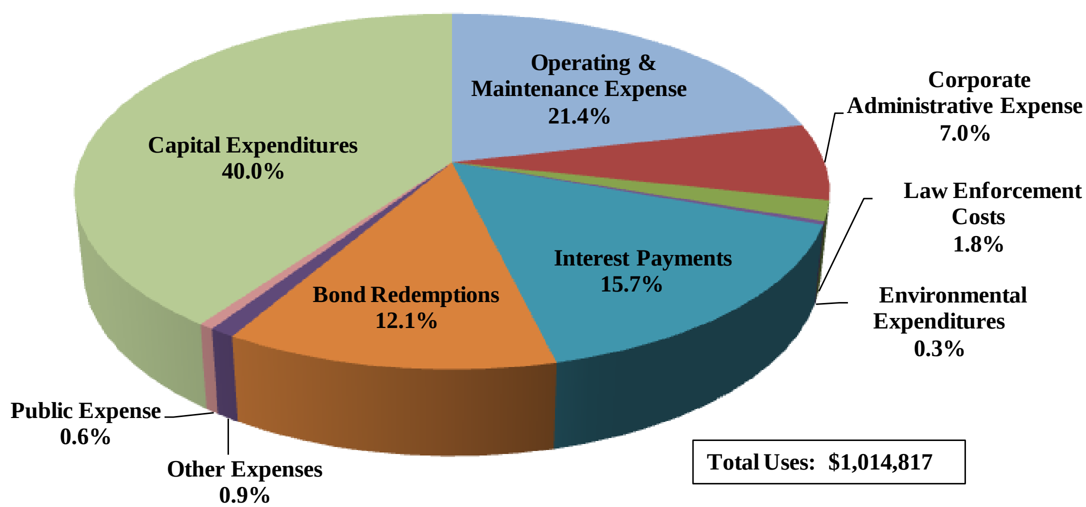


FIGURE XII-2: USES OF CASH

($ in 000's)



APPENDIX A: BUDGET POLICY, PROCESS AND CALENDAR

1. OPERATING BUDGET

a. Budget Policy:

The Port establishes a budget policy to provide systematic planning as part of the management performance and control. The purpose of this policy is to allow the capability to forecast realizable financial results over definite periods of time. This is accomplished through planning and coordination of the various complex operations and functions of the Port, through systematic communication and the use of the Port's financial control and management information system.

The operating performance budget is viewed as year one of the business plans and as such, it is an essential component of the management planning and control process. It quantifies business groups and departmental plans for future periods in strategic, operational and monetary terms. This facilitates coordination of plans between divisions/departments and provides a basis for control once the plan is in effect.

Various inputs to the budget planning process are required for it to be meaningful, including forecast of economic trends and business activity levels. Above all, goals, objectives, programs, action plans and performance measures are defined and reviewed annually for consistency and support of the Port's overall mission.

The budget plan is based on assumptions about the success of marketing efforts, demand for services, and the cost, availability and need for people and materials. The budget process provides continual feedback which compares not only actual performance to the plan but also the validity of the assumptions on which the plan was based.

The Operating Performance Budget is a management tool for controlling and analyzing each area of responsibility. Budgeting as well as the recording of actual costs is done on an Org basis (formerly cost center). An Org is a distinct functional and physical unit. Its performance responsibility can be assigned to one person. There are over 200 Orgs at the Port. Each Org has a budget. The person assigned to each of these Org budget is responsible for the operating costs of that Org. Budgeting is done on a line-item basis for Revenues and Operating & Maintenance Expenses.

Allocated and/or indirect expenses are not budgeted for by the recipient Org. These are costs that are allocated to business groups/unit from service providers based on the Port's standard allocation formula or using an alternative allocation methodology. Allocated costs are general support costs that cannot be directly attributed to a business unit, but instead support the entire Port. Costs can come from within the division (intra-division allocation) or from outside the division (inter-department allocation).

Department Directors are responsible for preparing the operating budget for their areas of responsibility, subject to review and approval by several levels within the organization. Orgs can be combined to analyze and report on budgets by functional or business units. Port management needs current, timely and accurate information to make informed decisions in a timely manner. The objective of the budget process is to provide responsibility performance, financial and statistical information, to enhance effective management.

In addition to providing the business plan for the organization, this process results in a method of comparing actual financial results with the approved budget plan. The appropriateness of the pricing structure or the effects of changes in costs or activity can be observed. This approach gives management the flexibility to evaluate the performance of a particular activity. The Budget Report (compares the proposed budget to the current year's budget and last year's actual) and the Responsibility Report (compares actual results to budget) can advise a manager if things are not going as expected, whether strategies are being accomplished, and also give him/her clues as to what might be wrong. The function of controlling and managing the operations of the Port is accomplished with the Operating Performance Budget.

The 2012 budget process included several Commission briefings with the operating divisions and corporate departments during the year to update the Commission on key issues facing the business groups and to solicit input into overall strategies and objectives. The divisions updated the Commission on each business unit with background information, discussing capital and operating plans and dialogue on major policy issues.

Divisions fine-tuned their business plans based on Commission input and put together budgets based on revised business plans.

Key events included budget planning meetings by the Executive Management team, the issuance of the budget guidelines/instructions and budget calendar to divisions, training of budgeteers on usage of the budget system, actual preparation of the budget by divisions and departments, internal budget reviews, which includes in-depth discussion of revenue and expense assumptions, new programs, initiatives, or other proposed increases in revenue, expenses as well as operational needs, review and agreement by the Commissioners and Executive Management, and release of the updated proposed budget to the Port Commission and public stakeholders.

Budget staff responded to inquiries of commission and interested stakeholders during commission budget workshops, first and second reading and adoption of the budget following public hearings.

In addition to the Operating Performance Budget as stated above, the budget staff prepares the Statutory Budget as defined in RCW 53.35.010 to show "estimated expenditures and the anticipated available funds from which all expenditures are paid." Being a cash budget, the Statutory Budget establishes the level of the Port's property tax levy and sets upper limits of expenditures, and is not used as an Operating Performance Budget.

b. <u>Budget Adoption:</u>

The budget is provided to the Port Commission and must be made available to the general public as required by law - RCW 53.35.010 and RCW 53.35.045. Two Public Hearings – First Reading and Second Reading and Final Passage and Adoption of Budget are held, at which time the Port Commission will make final recommendations and adopt the budget at a regular commission meeting and duly authenticated in open session with an announcement of the public hearings be made in the DAILY JOURNAL OF COMMERCE newspaper and copies of the preliminary budget be made available for distribution to any interested persons by a specified date as required by law - RCW 53.35.020 and RCW 53.35.045.

Subsequent to the public hearing and Commission adoption of a final plan, the statutory budget and resolution is then filed with the King County Council and King County Assessor as required by law, by a specified date as allowed by RCW 53.35.045.

c. <u>Monitoring of Budget:</u>

Once an annual budget is in place, the Responsibility Report (comparing actual results to budget) is generated monthly and variances from budget are analyzed and reported on a monthly basis, and more extensively each quarter, to determine if corrective action is needed. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into the quarterly Performance/Variance Report. The Performance/Variance Report is a report in narrative form explaining the reason or causes of variances between actual revenues and expenses versus budgeted amounts on a quarterly basis. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. This report provides explanation of variances from the approved plan and presented quarterly to Executive Management and the Commission in public meetings. This allows Executive Management and the Commission to make timely and well-informed decisions.

d. Amending the Operating and Capital Budgets:

The Chief Executive Officer of the Port of Seattle is authorized "Within Budget Limits" to transfer budgeted amounts between departments; however, any revisions that alter the total expenses Port-wide that are not

within the Chief Executive Officer Authorized Budget Limits require authorization from the Port Commission.

As per Resolution 3605 as amended, whereas the Port Commission has adopted policy directives delegating administrative authority to the Chief Executive Officer for the purpose of day-to-day management and administration of the Port and as stated in sections 20.2.1 and 20.2.2 of said resolution:

20.2.1 "Within Authorized Budget Limits" means with respect to capital projects, improvements or acquisitions, the term "Within Authorized Budget Limits" means that the project, improvement or acquisition:

(i) Is included in the Port's Annually Approved Capital Budget, or
(ii) Is included in the Port's Annually Reviewed Capital Improvement Plan
(iii) Will not cause the Port to exceed the total approved dollar limit of the current Annually Approved Capital Budget.

20.2.2 "Within Authorized Budget Limits" means with respect to non-capital expenditures, that the expenditure:

(i) Is included in the total approved dollar limit of the Port's current Annual Operating Budget.
(ii) Will not cause the Port to exceed the total approved dollar limit of the Port's current Annual Operating Budget.

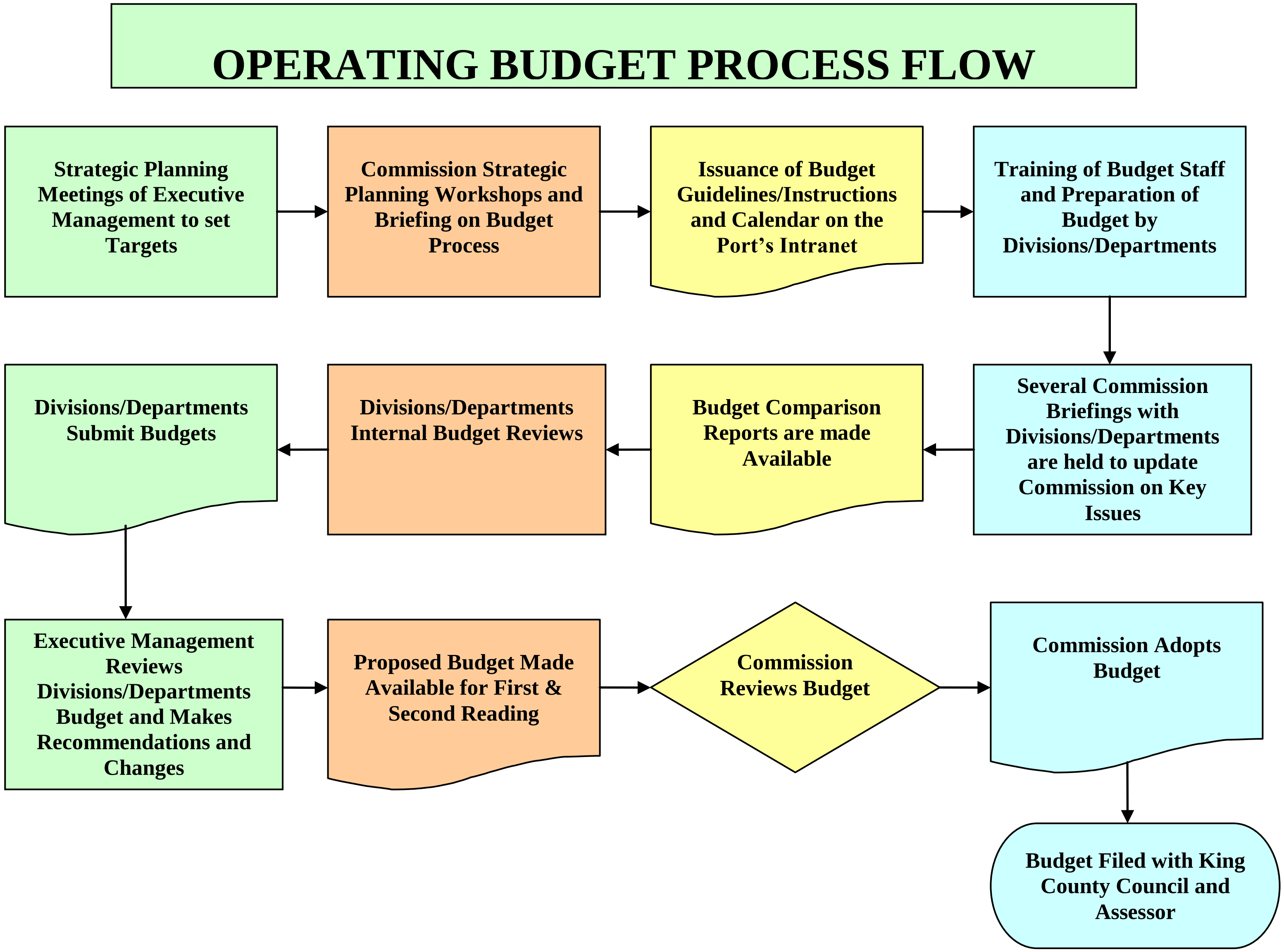
e. Operating Performance Budget Process:

The steps in the 2012 operating budget process are as follows:

- Budget planning meetings of Executive Management to set 2012 operating targets.
- Commission strategic and business planning briefing/workshop.
- Training of Budgeteers from the various divisions on the use of the budget system.
- Commission briefing on 2012 budget process, key assumptions & targets.
- Issuance of budget guidelines/instructions and budget calendar on the Port's intranet.
- For the operating divisions, targets are developed based on the divisions' business plan forecast.
- For Capital Development Division and Corporate, initial targets are based on a bottom-up assessment of needed resources to accomplish strategy/actions plans.
- Several Commission briefings with the operating divisions and corporate departments are held during the year to update the Commission on key issues facing the business groups/departments and to solicit input into any changes in strategy.
- Budget system available for input.
- Actual preparation of the budget by divisions/departments.
- Corporate Finance and Budget generates budget comparison report, which compares the proposed budget to the current year's budget and last year's actual, and also produces the current year's Forecast Report.
- Divisions/departments complete their detailed budgets and are reviewed internally by their senior managers and finance and budget staff, which include in-depth discussion of revenue and expense assumptions, new programs, initiatives, or other proposed increases in revenue, expenses as well as operational needs.
- Divisions/departments budgets are submitted to Corporate Finance and Budget and then reviewed against targets by Executive Management.
- Executive Management makes recommendations and changes, which are incorporated into divisions/departments budgets.
- Several Commission and public budget workshops are held on divisions/departments budget and business plans.

- All budget issues are resolved and changes are entered and made into the budget system.
- Corporate Finance and Budget staff generates various reports in a timely manner and ascertains that all approved changes are incorporated into the budget and reports are accurate.
- Corporate Finance and Budget prepares preliminary budget document and releases proposed budget to the Port Commission and stakeholders on October 27, 2011.
- The First Reading of the budget on November 8, 2011.
- Budget Staff answer inquiries of Commission and interested stakeholders during Commission budget public hearing.
- The Second Reading, Final Passage and Adoption of the 2012 budget on November 22, 2011 at which time the Port Commission makes final recommendations and adopts the budget.
- Filing the Statutory Budget with King County Council and King County Assessor as required by law on December 1, 2011.
- Corporate Finance and Budget staff prepares and releases the final budget document to reflect Commission recommendations.

FIGURE A-1: OPERATING BUDGET PROCESS FLOW CHART



f. Operating Performance Budget Planning Calendar:

Date	Activity
7/08/11	Executive Management Budget Planning meeting
8/02 – 8/11/11	Budget User Training
8/05/11	Budget Guidelines/Instructions and calendar available on the Port's Intranet
8/05/11	Allocation templates available for review
8/08/11	Budget System Available for Input
8/08 - 10/07/11	Preparation of budget by divisions/departments
8/16/11	Commission Briefing on 2012 Budget Process, Key Assumptions & Targets
8/16/11	Seaport & Real Estate Strategy/Business Plan Commission Presentation
8/16/11	Aviation Strategy/Business Plan Commission Presentation
8/17 - 9/01/11	Budget Staff conducts Budget Workshops to assist budgeteers with budget
9/02/11	Corporate Departments and Capital Development Division final budget entry
9/08/11	Corporate Departments and Capital Development Budget Support Documentation and Non-Operating Budgets due to Corporate Finance and Budget
9/06 -9/23/11	Aviation, Seaport and Real Estate Internal Budget Reviews
9/19/11	Executive Management review of Corporate and Capital Development Budgets (both Operating & Capital Budgets)
9/19/11	All Corporate Budget Issues resolved
9/20/11	Executive Management review of Seaport & Real Estate Budgets (both Operating & Capital Budgets)
9/21/11	Executive Management review of Aviation's Budget (both Operating and Capital Budgets)
9/27/11	Commission Meeting to review Divisions and Corporate Capital Budgets
10/03-10/14/11	Capacity Funding Analysis
10/04/11	Commission Meeting to review Divisions and Corporate Operating Budgets
10/05/11	All Outstanding Budgets Issues resolved
10/07/11	All Divisions Budgets and documents due to Corporate Finance & Budget
10/10–10/14/11	Corporate Finance and Budget Staff prepares 2012 preliminary budget document
10/18/11	Preliminary Budget Document available to Commission
10/25/11	Operating Budget Update and Draft Plan of Finance Commission Briefings
10/27/11	2012 Preliminary Budget & Business Plan document is released and available to Commission and Public
11/08/11	First Reading and Public Hearing of 2012 Preliminary Budget & Business Plan – Commission Public Hearing
11/22/11	Second Reading, Final Passage and Adoption of the 2012 Budget & Business Plan – Commission Public Hearing
12/01/11	Filing of Budget with King County Council & King County Assessor as required by law
12/14/11	Final 2012 Budget and Business Plan and Draft Plan of Finance document is published

2. CAPITAL BUDGET

a. Capital Budget Policy:

As part of the Strategic Budgeting process, Corporate Finance and Budget (F&B) produces the Capital Budget and Plan of Finance. The Capital Budget consists of all divisions' capital plans or Capital Improvement Programs (CIP). The Plan of Finance is a five year funding plan of the CIP that the Port publishes on an annual basis.

The divisions review and revise their CIP in conjunction with the review of their existing business plans and strategies. The CIP is comprised of at least Committed projects from the 2011 CIP, less any that have been deleted, plus any Prospective projects that meet the criteria to move forward to Committed status. The CIP may include Business Plan Prospective projects if coverage targets are met. Divisions are encouraged to review CIP cash flows with respect to timing and reasonableness to ensure effective use of capital capacity.

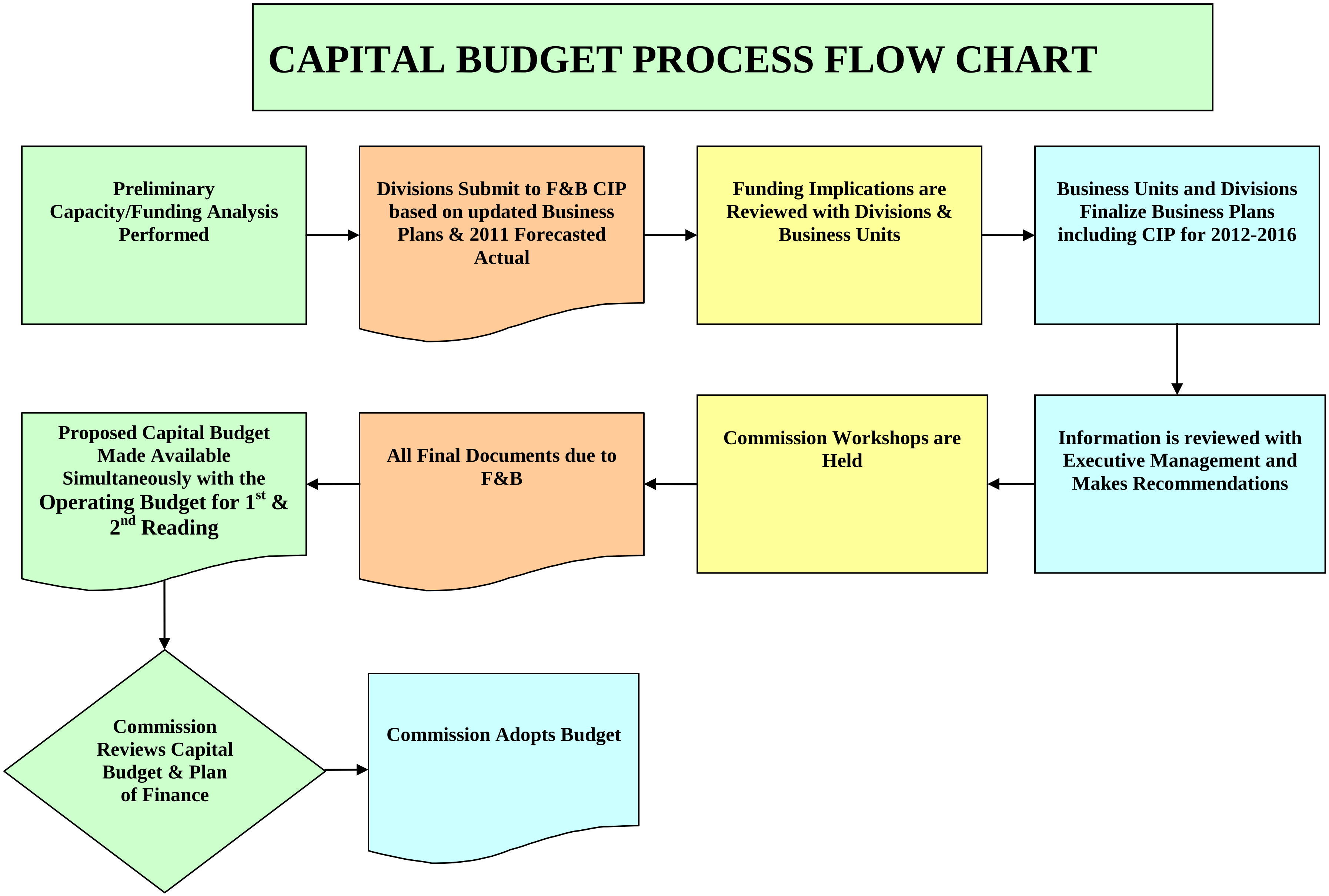
b. Capital Budget Process:

- A preliminary capacity/funding analysis will be performed once the 2nd quarter update is completed, but no later than by the end of August.
- At the end of September, divisions will submit to Corporate Finance & Budget (F&B) the CIP based on their updated business plans and 2011 forecasted actual (which includes actual through second quarter). The funding implications of these capital plans will be reviewed with the divisions and business units.
- Following F&B funding analysis and Executive review of preliminary plans, business units and divisions will finalize their business plans including their CIP for 2012 -2016.
- This information will then be reviewed with Executive, presented to the Commission, included in the 2012 Budget and Business Plan document.

After the close of the 2011 fourth quarter in January 2012, the Approved 2012 Capital Budget will be determined based on the 2011 fourth quarter CIP update. Revised spending estimates will be used to establish the 2012 approved funding amount for each Committed Project and for divisions as a whole. However, only the original list of Committed Projects identified in the Plan of Finance will be included in the approved funding amount at this time. The Approved 2012 Capital Budget will become the standard for quarterly variance reporting during the year.

Note: Even though the Commission reviews the Capital Budget in November, each individual CIP project, with total costs in excess of $300,000, is presented and approved by the Commission in public meeting for spending authority.

FIGURE A-2: CAPITAL BUDGET PROCESS FLOW CHART



c. Capital Budget Planning Calendar:

Following is the proposed 2012 capital budget planning calendar:

Date	Activity
7/29/11	CIP 2nd Quarter Update completed (including CIP Funding)
8/16/11	Commission Special Session on Business and Capital Plans
8/26/11	Preliminary Seaport and Real Estate Forecast Models due to F&B
8/29-9/2/11	Preliminary Non-Aviation capital capacity analysis by F&B
9/19-9/21/11	Executive Review of Aviation, Seaport, Real Estate, Corp, and CDD Capital Budgets
9/23/11	Preliminary Aviation Forecast Model due to F&B
9/27/11	Aviation, Seaport, Real Estate & Corp. Capital Budgets Commission Workshop
9/30/11	Aviation, Seaport and Real Estate Forecast Model due to F&B (CIP must match PSFS)
10/3-10/7/11	Capacity/Funding Analysis (Port-wide preliminary) by F&B
10/5/11	F&B creates "CAPBUD" database from Projects before Q3-2011 update (This is a target date, actual date may change)
10/7/11	All divisional budget final documents due to F&B
10/10-10/14/11	F&B Finalize Capacity/Funding Analysis
10/18/11	Preliminary Budget Document available to Commission
10/25/11	Commission Draft Plan of Finance Workshop
10/27/11	Release of 2012-2016 Capital Budget and Draft Plan of Finance as part of the Preliminary 2012 Budget and Business Plan document
11/8/11	First Reading and public hearing of the 2012 Budget
11/22/11	Second Reading and Final Passage of the 2012 Budget
12/14/11	Release of Final Budget and Draft Plan of Finance Document

APPENDIX B: FINANCIAL MANAGEMENT POLICIES

The primary purpose of the Port is to broaden and strengthen the economic base of the port district. The Port uses key criteria in various combinations as it pursues its capital and operating programs and projects. Clearly, national and international economic strengths or weaknesses have a direct bearing upon the Port's financial viability and role as an economic engine for the region.

1. KEY FINANCIAL TOOLS

The Port uses several tools to monitor its financial performance and these are described below

a. **Long-term Target**: The Port's long-term targets provide high-level policy guidance. These targets provide guidance to the business plans created by each division.

b. **Business Plans**: The business plans set the strategic direction and priorities for each division. The business plans are a planning tool, which link operations, capital investments, and the interests of the Port's customers and the community.

c. **Operating Performance Budget**: The Operating Budget is a one-year slice of the business plans. It is an essential component of the Port's management planning and control process. It quantifies line of business and departmental plans for the next year in both operational and monetary terms. Throughout the year, the Responsibility Reports (which compare actual results to budget) are generated monthly and variances from budget are analyzed on a monthly basis, and more extensively each quarter, to determine if corrective action is needed. Divisions and departments prepare a quarterly forecast, which is incorporated into the quarterly Performance Report, which provides explanation of variances from the approved plan and is presented quarterly to Executive Management and Commission in public meetings.

d. **Balanced Budget**: The Port prepares an annual budget and supports, encourages and commits to a balanced budget in which revenues exceed expenses. In so doing, the practice is to pay for all current operating expenses with current revenues and not postpone current year operating expenses to future years or accrue future year's revenues to the current year. The Port's policy further requires that budgeted operating expenses do not exceed budgeted revenues, and on-going expenses do not exceed on-going revenues.

e. **Operating Forecasts**: Included in the budget document are five-year forecasts or projections of the divisions operating revenues and expenses. The first year of this forecast is the Operating Performance Budget.

f. **Capital Budget**: A detailed plan of proposed outlays or capital expenditures arising from the acquisition or improvement of the Port's fixed assets and the means of financing them through bond proceeds, grants and operating revenues. This document serves as an operational and planning tool and it is directly tied to the business plans. The document identifies proposed capital projects at the airport and on the waterfront and prioritizes those projects.

g. **Capital Expenditures**: Expenditures that arise from the acquisition or improvement of the Port's fixed assets. Port assets are given a useful life of more than three years when they become active. The expenditures reflected in the capital budget cover projects anticipated to provide modernized Seaport, Airport and Real Estate facilities for sustained growth of the Port.

h. **Capital Budget Impact on the Operating Budget**: Its impact on the Operating Budget is through Capitalized Labor or Charges to Capital Projects, which include the salaries and benefits costs associated with capital projects. These costs are subtracted out of the operating budget and then budgeted in the capital budget as part of the cost of the project(s). It is also impacted in the form of increased operating, maintenance and depreciation expenses because of the new assets. Depreciation is a non-cash item that represents the use of long-term assets. Port assets are given a useful life of more than three years when they become active and each year some of that useful life is used up, worn or depreciated. The capitalized labor or charges to capital projects is displayed in table III-3 and the depreciation is displayed in table III-2. The capitalized labor is also displayed in similar tables in section IV thru VIII.

i. **Plan of Finance**: The Five-year Capital Budget is the basis of the Plan of Finance. This document provides a funding plan of the capital program developed within the financial targets and forecasts described within the Draft Plan of Finance section. The Draft Plan of Finance is prepared and presented to the Port Commission concurrently with the Operating Budget. See further discussion in the Draft Plan of Finance, section XI.

j. **Capital Investment Matrix**: The matrix provides an analytical framework for capital projects. The results of the analysis provide financial and non-financial information for the Port Commission as a guide for capital investment decisions.

k. **Financial and Operating Indicators Report**: The Port uses financial and operating indicators to monitor its financial performance and budget. The reports are produced and distributed monthly to the Port Commission and Executive Management.

l. **Treasury Management**: Using its internal Treasury since July 2002, the Port has experienced increased investment earnings, faster mobilization of funds, on-line banking capabilities, reconciliation and full control of its cash and investments.

m. **General Coverage Ratios and Cash Flow Margins**: As part of its financial modeling, the Port targets that Airport cash flow equals 1.25 times all Airport related revenue debt and that Seaport cash flow equals 1.5 times all Seaport related revenue debt. In addition, the Port targets general obligation bond debt service use no more than seventy-five percent of the annual tax levy.

n. **Bond Coverage Ratios**: The Port, through financial modeling, runs projections for its revenue bond debt service coverage ratio. Although the Port has an obligation under First Lien Revenue Bond covenants to maintain a ratio of 1.35, as a matter of practice a ratio of at least 1.8 is maintained. Debt service coverage may fall below this target level during periods of construction borrowing prior to the time that revenue producing assets come on-line.

o. **Fund Balances**: Working capital fund balances are maintained in the General Fund and the Airport Development Fund at a targeted level of approximately nine months of operating and maintenance expenses. The Port maintains $5 million in the Renewal and Replacement Fund as required by bond documents.

p. **Performance/Variance Report**: A report in narrative form explaining the reason or causes of variances between actual revenues and expenses versus budgeted amounts on a quarterly basis. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into this report and it is presented quarterly to Executive Management and the Commission in public meetings.

q. **Commitment Control**: The Port has in place a commitment control ledger that monitors department budgets which prevents departments from exceeding their total budget without approval.

2. FINANCIAL POLICIES AND DESCRIPTION OF MAJOR FUNDS

This section, pages XIII-11 through 15 presents a summary of the Port's major financial policies and description of its major funds.

a. **Organization**: The Port of Seattle (the "Port") is a municipal corporation of the State of Washington, organized on September 5, 1911, through enabling legislation by consent of the voters within the Port district. In 1942, the local governments in King County selected the Port to operate the Seattle-Tacoma International Airport (the "Airport"). The Port is considered a special purpose government with a separately elected commission of five members and is legally separate and fiscally independent of other State or local governments. The Port has no stockholders or equity holders. All revenues or other receipts must be disbursed in accordance with provisions of various statutes, applicable grants, and agreements with the holders of its bonds.

b. **Reporting Entity**: The Port reports the following fund: the Enterprise Fund accounts for all activities and operations of the Port.

The Enterprise fund is used to account for operations and activities that are financed at least in part by fees or charges to external users for Airport Facilities, Seaport and Real Estate properties. Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions - Aviation, Seaport, Real Estate; a new Capital Development division and a Corporate division. The Aviation Division ("Aviation") serves the predominant air travel needs of a five-county area. The Airport has 19 U.S.-flag passenger air carriers (including regional and commuter air carriers) and ten foreign-flag passenger air carriers providing daily nonstop service from the Airport to 97 cities, including 19 foreign cities. The Seaport Division's ("Seaport") primary focus is on facilities that serve large vessels including containerized and non-containerized cargo ships and cruise ships. The Seaport is a landlord port with major tenants including shipping companies, terminal operators and other maritime related businesses. The Seaport's container business involves the leasing of property and equipment used primarily for the transfer of international containerized cargo arriving by ship to various modes of land transportation destined for the Pacific Northwest and for other regions of the country and the reverse transfer of domestic goods and empty containers arriving by rail or truck to outbound ships for distribution to other countries around the world.

The Real Estate Division incorporates projects, functions and resources from the Seaport, the Airport and the former Economic Development group. The Real Estate Division manages the Port's holdings in commercial real estate, recreational marinas, industrial fishing terminals and developable property.

The divisions have labor workforces subject to various collective bargaining agreements. These workforces support the operations and maintenance of the divisions.

The new Capital Development Division was established during 2008 and became fully operational during 2009. It houses existing engineering, project management and construction functions and the Port's new Central Procurement Office, which consolidates contracting and procurement functions.

The Corporate division provides various support services to the operating divisions and its expenses are allocated and charged to the operating divisions.

Within the Enterprise Fund, the Port segregates non-operating expenses made to public entities which are funded by the ad valorem tax levy. This includes expenses for district schools and infrastructure improvements to the state and region in conjunction with other agencies. These projects are controlled by other governmental entities and are not reflected in the Port's financial statements.

c. **Basis of Accounting and Budgeting**: The Port does not distinguish between the Basis of Accounting and the Basis of Budgeting since the principles set forth as the Basis of Accounting are observed in the budgeting process. The Port is accounted for on a flow of economic resources measurement focus. The financial statements and the budget are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting under which revenue transactions are recognized when earned and expenses are recognized when incurred regardless of the time the cash is received or disbursed. The Government Accounting Standard Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, requires that governments' proprietary activities apply all GASB pronouncements as well as the pronouncements of the Financial Accounting Standards Board ("FASB") and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed by GASB Statement No. 20, the Port has elected to implement FASB Statements and Interpretations issued after November 30, 1989.

d. **Use of Estimates**: The preparation of the Port's budget in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in reporting of revenues and expenses in certain instances. Thus actual amounts could differ from those estimates.

e. **Operating Revenues**: Fees for services, rents and charges for the use of Port Facilities such as: Dockage, Wharfage, Berthage and Moorage, Airport Transportation Fees, Airport Landing Fees, Equipment, Property Rentals and other revenues generated from port's operations are reported as operating revenue.

f. **Non-Operating Revenues:** Revenues that do not result from the normal operation of Port's business such as: Ad Valorem Tax Levy, Interest Income, Non-operating Grants, Passenger Facilities Charges and Customer Facilities Charges and other revenues generated from non-operating sources are classified as non-operating.

g. **Operating & Maintenance Expenses**: Cost or charges that arise from the normal operation of Port's business. These are costs or services required for a department/division to function. These include Salaries and Benefits, Equipment expense, Supplies and Stock, Travel and Other Employee expenses and all Direct Charges, even those from Corporate and from other Divisions.

h. **Non-Operating Expenses**: Cost or charges that do not arise from the normal operation of the Port's business. An example is interest expense.

i. **Capital Policy**: The Port's policy is to capitalize all asset additions **- Tangible Assets [Property, Plant and Equipment]** and **Intangible Assets,** if they exceed $20,000, whether it is a single payment or an accumulation of related costs and with an estimated useful life of more than three years. Any asset costing less than $20,000 will be expensed. Land, facilities and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on a straight-line basis. Buildings and improvements are assigned lives of 30 to 50 years, equipment 3 to 20 years, and furniture and fixtures 5 to 10 years.

j. **Debt Policy:** The Port's debt policy is designed to ensure appropriate use and management of debt including compliance with various laws, regulations and agreements and effective management of risk. The policy requires use of an independent financial advisor and describes the roles of Commission and staff. The policy describes the type and structure of debt and sets forth limitations on new debt. Key limitations include minimum debt service coverage requirements for revenue bond debt of 1.25x for the Airport and 1.50x for the Seaport and for Real Estate and that General Obligation bond debt service cannot exceed 75% of the annual tax levy. The policy establishes savings targets for refundings ranging from 3% for a current refunding with a short-term maturity/call date to 9% for a LIBOR based swap refunding with a long-term maturity/call date. The policy also provides guidelines for the sale of bonds.

k. **Description of Major Funds**: There are dozens of funds that are summarized into the Enterprise Fund. The Enterprise Fund accounts for all activities and operations of the Port. The Enterprise fund is connected to the functional units in that it is used to account for operations and activities that are financed at least in part by fees or charges to external users for Airport Facilities, Seaport and Real Estate properties.

Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions - Aviation, Seaport, Real Estate; a Capital Development division and a Corporate division. Some of the descriptions of the major funds are:

Types of Funds	Fund Name	Fund #	Fund Description
1. Operating	**General Fund**	00010	The general fund is the operating and capital fund for all Port-owned properties and businesses with the exception of the Seattle-Tacoma International Airport (Aviation). Transfers are made from this fund to the revenue bond fund for debt service and reserve requirements stemming from revenue bonds issued for non-Airport improvements. All Port payrolls, all purchases of materials, supplies and

Types of Funds	Fund Name	Fund #	Fund Description
			services, and all non-Airport capital acquisition expenditures which are not otherwise funded are made from this fund. Periodic reports are generated indicating what general fund monies have been expended for payrolls or accounts payable that should be reimbursed by the other funds. These amounts will then be transferred from such other funds to the general funds as reimbursements.
	Airport Development Fund (ADF)	03040	This fund is used as a depository for all Airport receipts, and to fund operating and maintenance expenses related to the Airport (Aviation). Transfers are made from this fund to reimburse the general fund for operating and maintenance expenses. Transfers are made from this fund to the revenue bond fund for debt service and reserve requirements stemming from revenue bonds issued strictly for Airport improvements. Capital acquisition expenditures which are not otherwise funded are also made from this fund.
	Tax Levy	00020	The Tax Levy fund was established in 2002 and is used to receive the ad valorem tax levy by the Port. (These tax levy proceeds were previously deposited in the General Fund). Proceeds are used for General Obligation (G.O.) bonds debt service. Projects that meet criteria established by the Port may use Tax Levy as a source of funding.
	Signatory Lease and Operating Agreement (SLOA) Deposit Surety Fund	03042	Established in 2006, the SLOA fund is the “Security Fund” as defined in the Aviation’s 2006 Signatory Lease and Operating Agreement, section 19.2, Security Fund. Cash is held in this fund in lieu of lease performance sureties for the Airlines.
	Customer Deposits Fund	06010	This fund has been established as a depository of lease deposits and other monies held by the Port as surety, but belonging to Port of Seattle customers.
2. Special Facility	**Passenger Facilities Charges (PFC) :** • **Revenue** • **Capital**	 06054 03060	The funds accruing to the PFC Revenue fund are derived from passenger facilities charges levied on embarking passengers at Seattle-Tacoma International Airport. Funds are to be used to pay PFC debt service and for specifically-designated airport facility improvement projects. All PFC’s revenues are deposited to the Revenue fund (06054). From the Revenue fund, there is a required monthly transfer of monies to the Debt Service fund equal to 1/6th of semi-annual debt service payment by the 25th of each month. The remaining balance of the Revenue fund, which includes interest earnings, is then transferred to Capital fund (03060).
	Customer Facility Charge (CFC)	CFC01	Established in 2006, the CFC Fund holds revenue derived from charges imposed upon customers of rental car companies accessing the Airport. Funds are to be used to pay CFC debt service, for specifically-designated Rent-A-

Types of Funds	Fund Name	Fund #	Fund Description
			Car (RAC) facility projects and their improvements, and specified RAC operating expenses.
	Fuel Hydrant Fund • **Revenue** • **Debt Service** • **Project** • **Reserve**	Held in Trust	The funds accruing to the Fuel Hydrant Revenue Fund are derived from Pledged Lease Revenue and Other Revenue as defined in Resolution No. 3504, as amended. Funds are to be used to pay Fuel Hydrant bonds debt service. All Fuel Hydrant revenues are deposited to the Revenue account. From the Revenue account, there is a required monthly transfer of monies to the Debt Service account equal to 1/12th of the annual debt service payment. Established at the time of bond issuance, the Reserve fund is intended to be used for debt service in the event the Port cannot repay.
3. Debt Related	**Bond Funds**	Various	The Port of Seattle issues bonds pursuant to bond resolutions to fund its Capital Improvement Program. Proceeds from bond issues are used to fund construction, capitalized interest and reserves, see below.
	Construction Fund (CF)	Various	Proceeds from bond issues are used for the Port's facilities expansions and improvements, land acquisition, and/or pay interest during construction. Separate funds are set up for each bond issue to allow for the tracking and reconciliation of bond proceeds expenditures.
	Reserve Fund	Various	Established at the time of bond issuance for the purposes of securing the payment of principal and interest on related outstanding bonds. Terms set forth in the bond covenants dictate how much the Port is required to maintain in the Reserve fund. Not all bond issues have a cash funded Reserve fund; the Port may instead choose to maintain qualified surety and/or a qualified letter of credit.
	Debt Service Fund (DSF)	Various	Established as per the bond resolution to facilitate fund flow related to debt service
4. Other Operating	**Repair and Renewal Fund**	03150	Established pursuant to Master Resolution 3577, Section 4.(b), the proceeds of the fund may be used by the Port to pay extraordinary operating and maintenance expenses, make capital replacements, additions, expansions, repairs and renewals of the Facilities of the Port.

3. REVENUE AND EXPENSE ASSUMPTIONS

Operating revenues are developed based on the terms of various lease agreements and on forecasted activity levels. Operating expenses are developed based on historical experience, forecasted activity levels and inflation.

Aeronautical revenues are based on cost recovery. Non-airline revenues at the Airport are projected to increase by $5.9 million or 4.0% versus the 2011 budget. Seaport revenues are projected to grow by 2.1%, excluding the Security Grant revenue, and Real Estate revenues are anticipated to increase by 6.1% over the 2011 budget. The key business activities forecast for the Airport, Seaport and Real Estate divisions are as follows:

- Enplaned passengers: 1.5% increased from 2011 budget
- TEU’s volume: 11% increase from 2011 budget
- Cruise passengers: 11% increase from 2011 budget
- Grain volume: No change from 2011 budget
- Marina occupancy rate: 94% compared to 93% in 2011 budget
- Commercial Properties occupancy rate: 87% compared to 90% in 2011 budget

Port wide salaries for exempt and non-exempt employees are budgeted to increase by an average of 3.0% for 2012 and benefit costs are budgeted in two parts for employees in non-union jobs:

- The first part represents the costs that are not salary based. This includes medical and dental benefits, 401(a) contributions, and Flexible Spending Account fees. This amount totals $1279.2 per benefit eligible employee per month.

- The second part represents costs that are salary based. This includes FICA, PERS, life and disability insurance as well as PTO and EI amounts. These items total 16.61% of pay.

APPENDIX C: BUSINESS ASSESSMENT

a. Local Economy and Outlook

The U.S. economic outlook remains extremely uncertain as of October 2011. Real gross domestic product growth is low and unemployment remains over 9%. The political dysfunction at the federal level has dashed any hope that fiscal policy will be able to lend monetary policy a hand in stabilizing the economy. Europe is doddering on the brink of recession and its financial markets are affected by the poor credit standing of some of its number countries. In Asia, China and India are slowing as their governments move to cool overheating economies.

The Washington economy is not immune to the uncertainty plaguing the global economy. According to the Washington State Economic and Revenue Forecast Council, the state is likely to outperform the U.S. but this will not save us from a downturn if the national economy falters. While manufacturing continues to expand and the exports section continues to grow for the state, construction remains weak and has a disproportionately negative impact on revenue. Single-family housing construction remains in the doldrums. Single-family permits in the first two months of the third quarter averaged 13,300 at a seasonally adjusted annual rate (SAAR). While this is a bit better than the second quarter of 2011, it is still lower than any other quarter since the second quarter of 2009.

The manufacturing sector, which has been the bright spot in the employment recovery, added 4,200 jobs, of which 3,500 were in the aerospace sector. Private service-providing industries, which account for two out of three jobs in Washington, have been weak adding just 3,800 jobs of which 1,800 were in the software sector. It has been more than two years since the recession ended but there are still more than 140,000 fewer jobs in the state than there were at the start of the recession.

The state's farming and export sectors are also doing well. Washington State exports rose 31.5% in the second quarter of 2011 compared to the second quarter of 2010. Exports of transportation equipment (mostly Boeing planes) were up 17.8% compared to the previous year. Transportation equipment exports normally account for about 50% of our exports. Excluding transportation equipment, exports were up 44.2% over the year.

Overall, the state's economy is likely to outperform the U.S. in the near term.

TABLE C-1: SUMMARY FORECAST

SUMMARY FORECAST (Annual Percent Change)	2009	2010	2011	2012	2013
Washington State Economic Forecast					
Employment	-4.6	-1.4	1.1	1.4	2.1
Unemployment Rate	9.3	9.6	9.3	9.2	8.6
Real Personal Income	-2.9	0.8	2.5	1.9	3.1
Consumer Price Index	0.6	0.3	2.2	0.9	1.5
Housing Permits	-41.2	21.6	-0.5	3.3	29.6
Total Population (in 000's)	6668.2	6733.3	6801.4	6878.0	6968.6
% Change	1.2	1.0	1.0	1.1	1.3
Age 17 and Under	1581.9	1585.2	1585.5	1595.9	1612.3
% of Total	23.7	23.5	23.3	23.2	23.1
Age 6 - 18	1152.3	1147.2	1144.1	1144.1	1154.1
% of Total	17.3	17.0	16.8	16.6	16.6
Age 18 and Over	5086.3	5151.0	5216.0	5216.0	5356.2
% of Total	76.3	76.5	76.7	76.7	76.9
Age 21 and Over	4798.5	4861.3	4928.7	4928.7	5078.1
% of Total	72.0	72.2	72.5	72.5	72.9
Age 20 - 34	1389.8	4808.1	1429.9	1429.9	1476.4
% of Total	20.8	20.9	21.0	21.0	21.2
Age 18 - 64	4288.5	4327.6	4368.7	4368.7	4425.1
% of Total	64.3	64.3	64.2	64.2	63.5
Age 65 and Over	797.7	823.4	847.3	847.3	931.1
% of Total	12.0	12.2	12.5	12.5	13.4

Source: Washington State Economic and Revenue Forecast Council, September 2011
www.erfc.wa.gov

TABLE C-2: STATE EMPLOYMENT BY INDUSTRY

Washington State 2010 Average Employment Classified by Industry

Industry Description	Average Firms	Average Employment	Average Annual Wage
Agriculture, Forestry, Fishing, and Hunting	7,249	87,721	$24,027
Mining	166	2,148	$55,663
Ultilities	232	4,815	$77,591
Construction	21,674	130,719	$51,120
Manufacturing	6,895	254,831	$64,927
Wholesale Trade	12,988	118,241	$63,344
Retaill Trade	14,093	303,051	$30,026
Transportation & Warehousing	3,956	78,683	$47,731
Information	2,418	102,203	$109,766
Finance and Insurance	5,629	88,151	$70,132
Real Estate, Rental and Leasing	6,313	43,857	$38,362
Professional, Scientific, and Technical Services	18,470	157,196	$75,367
Management of Companies and Enterprises	604	31,767	$95,770
Administrative, Support, Waste Management and Remediation Services	9,441	130,261	$41,467
Educational Services	2,400	33,752	$35,162
Health Care and Social Assistance	14,242	322,265	$44,668
Arts, Entertainment, and Recreation	2,427	44,598	$25,122
Accommodation and Food Services	12,781	218,144	$17,638
Other Services (Except Public Administration)	64,938	130,597	$24,229
Government	2,092	525,473	$51,389
Total	**209,003**	**2,808,470**	**$48,519**

Source: Washington State Employment Security Department Labor Market and Economic Analysis, Quarterly Census of Employment and Wages,Annual Averages 2010 QCEW Annual Data

TABLE C-3: TOP 10 PUBLIC COMPANIES IN WASHINGTON

Washington State top 10 Companies
(ranked by 2010 total Sales)

Company	Industry	# of Employees	2010 Operating Income (in thousands)	2010 Sales (in millions)	Website
Costco Wholesale	Retail	147,000	$2,085,000	$77,946	www.costco.com
Microsoft	Computer software	89,000	$24,157,000	$62,484	www.microsoft.com
Amazon.com	Retail	33,700	$1,406,000	$34,204	www.amazon.com
Starbucks	Retail	137,000	$1,324,300	$10,707	www.starbucks.com
Paccar	Transportation	17,700	$648,500	$10,293	www.paccar.com
Nordstrom	Retail	54,000	$1,118,000	$9,700	www.nordstrom.com
Weyerhaeuser	Forest products	14,250	$617,000	$6,552	www.weyerhaeuser.com
Expeditors International	Transportation	12,880	$547,230	$5,968	www.expd.com
Alaska Air Group	Transportation	12,039	$484,800	$3,832	www.alaskaair.com
Expedia	Retail	8,900	$737,457	$3,348	www.expediainc.com

Source: Data extracted from the Seattle Times 2010 Best of the Northwest database
http://seattletimes.nwsource.com/flatpages/businesstechnology/2010nwcompaniesfinancials.html

b. North American West Coast Port s' Container Volume Comparison

TABLE C-4: NOR TH AMERICAN WEST COAST PORTS' TOTAL CONTAINER VOLUMES COMPARISON

North American West Coast Ports' Total Container Volumes
2000- 2010
Total container volume measured in TEUs (= domestic + international full and empty TEUs)

PORT	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	'00 - '10 avg. annual % +/-	'10 vs. '09 % +/-
Long Beach	4,600,787	4,462,967	4,526,365	4,658,124	5,779,852	6,709,818	7,290,365	7,312,465	6,487,816	5,067,597	6,263,499	3.1%	23.6%
Los Angeles	4,879,429	5,183,520	6,105,863	7,178,940	7,321,440	7,484,624	8,469,853	8,355,039	7,849,985	6,748,995	7,831,902	4.8%	16.0%
Oakland	1,776,922	1,643,585	1,707,827	1,923,104	2,047,504	2,273,990	2,391,745	2,387,911	2,233,533	2,045,211	2,330,202	2.7%	13.9%
Portland	290,943	278,491	255,745	339,571	274,609	160,479	214,484	262,246	245,459	174,203	181,100	-4.6%	4.0%
Prince Rupert	-	-	-	-	-	-	-	16,686	182,242	265,223	343,366	-	29.5%
San Francisco	50,147	34,618	23,682	20,633	32,045	-	-	-	-	-	-	-100.0%	-
Seattle	1,488,268	1,315,109	1,438,872	1,486,382	1,775,858	2,087,929	1,987,360	1,973,504	1,704,492	1,584,596	2,139,577	3.7%	35.0%
Tacoma	1,376,377	1,320,274	1,470,834	1,738,068	1,797,560	2,066,447	2,067,186	1,924,934	1,861,352	1,545,855	1,455,467	0.6%	-5.8%
Vancouver	1,167,489	1,146,577	1,465,292	1,547,371	1,664,906	1,767,379	2,207,748	2,307,291	2,492,107	2,152,462	2,514,309	8.0%	16.8%
Total:	15,630,362	15,385,141	16,994,480	18,892,193	20,693,774	22,550,666	24,628,741	24,540,076	23,056,986	19,584,141	23,059,422	4.0%	17.7%

2008 Vancouver volumes first year of VFPA
Data source: Port Authorities

c. Economic Impact

The Port of Seattle retained Martin Associates to evaluate the economic impacts generated by the Seattle seaport, Seattle-Tacoma International Airport and the Port's non-maritime and non-aviation tenants, based on business activity data collected in 2007-2008. The firm has conducted similar studies at more than 250 seaports and most major airports in North America.

For the seaport, the study measures the impacts of five distinct types of waterborne activity:

- Marine cargo activity
- Fishing activity at marine terminals (and related services)
- Waterborne passenger activity (cruise and shoreside operations)
- Marina activity (recreational and transient boating)
- Non-marine cargo and non-aviation Port of Seattle real estate tenants (restaurant, retail, and industry-related services.

For the airport, the study measures the impacts of five business sectors:

- Airline/airport service sector
- Freight transportation sector
- Passenger ground transportation sector
- Contract construction/consulting services sector
- Visitors' industry sector

The study includes interviews with 929 firms doing business with the Port, plus surveys with 950 aviation passengers and 600 cruise passengers and ship crew. The analysis of real estate tenants is based on a survey of 291 tenants not included in other seaport operations.

The results provide a snapshot of the economic impact of Port of Seattle in 2007-2008, and impact models for each business unit operated by the Port of Seattle. The study provides models to assess the economic impacts of specific Port of Seattle capital development projects.

By air, land and sea, the Port of Seattle connects passengers and cargo to destinations around the globe. From tourism and international trade to fishing, boating and imported products, the Port affects nearly every person in the Northwest region—generating nearly 194,000 jobs—and affects many others throughout the world.

Successful trade and travel generate substantial—and dependable—revenue, including $17 billion in business revenue in 2007. The Port of Seattle's airport, seaport and real estate activities contribute to the local and regional economy on multiple levels through the reinvestment and re-spending of Port-generated revenue and income.

Results demonstrate the Port is a strong driving force for sustainable economic vitality. When combined with its tenants, Port of Seattle is responsible for the direct employment of 111,317 individuals, ranking among the top job-producers in the region including Microsoft (35,510 in Seattle and Washington state), Boeing (74,517), and the University of Washington (28,188)[1].

Port of Seattle seaport and airport facilities, as well as non-maritime and non-aviation related Port real estate tenants, generate the following economic impacts for the local and regional economy in 2007:

- 111,317 direct jobs are generated by Port-owned transportation facilities.

- As the result of local and regional purchases by those individuals, an additional 62,128 induced jobs are supported in the region.

- 20,540 indirect jobs were supported by $1.4 billion of local purchases by businesses supplying services at the Port-owned facilities.

- $3.8 billion of direct wages and salaries were received by those 111,317 directly employed by the Port's transportation infrastructure. As the result of re-spending this income, an additional $5.1 billion of income and consumption expenditures were created in the Seattle region, primarily King County.

- Businesses providing services at Port-owned marine terminals and Sea-Tac Airport, as well as real estate tenants, received $17.6 billion of revenue, excluding the value of cargo shipped through the airport and marine facilities, and the landed value of the seafood caught by the fleet using Fishermen's Terminal, Terminal 91 and the Maritime Industrial Center.

- $867.0 million of state and local taxes were generated by activity at the Port of Seattle marine terminals, real estate tenants, and Sea-Tac International Airport. Of the $867.0 million of state and local taxes, the State of Washington receives about $561.1 million, and the balance, $305.9 million, was received by local and county governments within the State. In addition, $439.4 million of federal aviation-specific taxes were generated by activity at Sea-Tac International Airport.

APPENDIX D: BOND AMORTIZATION SCHEDULES

TABLE D-1: BOND AMORTIZATION SCHEDULE FOR 2011

Bond Type Series	Original Issue Amount	Issue Date	Outstanding Jan. 1, 2010	2010 Principal Payments Due Date	2010 Principal Payments Amount	Outstanding Dec. 31, 2010	Interest Payments [1] Due Date	Interest Payments [1] Amount
GENERAL OBLIGATION BONDS								
Limited Tax G.O., Series 2000A	$9,840,000 [16]	04/06/00	310,000	12/01/10	310,000	-	06/01, 12/01	15,810
Limited Tax G.O., Series 2000B	$107,305,000	04/06/00	84,120,000	12/01/10	3,305,000	80,815,000	06/01, 12/01	4,913,298
Limited Tax G.O., Series 2004A	$107,305,000	01/27/04	32,510,000		-	32,510,000	05/01, 11/01	1,562,400
Limited Tax G.O., Series 2004B	$32,510,000	01/27/04	99,155,000	11/01/10	6,675,000	92,480,000	05/01, 11/01	4,939,225
Limited Tax G.O., Series 2004C Ref.	$32,510,000 [3]	01/27/04	79,590,000	11/01/10	11,525,000	68,065,000	05/01, 11/01	4,114,388
Limited Tax G.O., Series 2006 Ref.	$61,630,000 [15]	01/05/06	61,630,000		-	61,630,000	06/01, 12/01	3,065,725
TOTAL GENERAL OBLIGATION BONDS			357,315,000		21,815,000	335,500,000		18,610,845
REVENUE BONDS								
First Lien Bonds								
Series 1998A Refunding	$73,180,000 [5,19]	05/07/98	27,350,000	08/10/10	27,350,000	-	06/01	972,720
Series 2000B	$221,590,000 [20]	07/27/00	183,015,000	08/10/10	136,060,000	46,955,000	02/01, 08/01	10,620,268
Series 2000D Refunding	$28,085,000 [6]	07/27/00	6,765,000	02/01/10	3,290,000	3,475,000	02/01, 08/01	298,975
Series 2001A	$176,105,000	10/05/01	176,105,000		-	176,105,000	04/01, 10/01	8,805,250
Series 2001B	$251,380,000	10/05/01	217,785,000	04/01/10	9,620,000	208,165,000	04/01, 10/01	11,378,055
Series 2001C Refunding	$12,205,000 [7]	10/05/01	12,205,000		-	12,205,000	06/01, 12/01	681,713
Series 2001D Refunding	$68,580,000 [8]	08/07/02 [8]	45,445,000	11/01/10	4,575,000	40,870,000	05/01, 11/01	2,613,088
Series 2003A	$190,470,000	07/30/03	188,190,000	07/01/10	7,360,000	180,830,000	01/01, 07/01	9,661,213
Series 2003B	$164,900,000	07/30/03	146,900,000		-	146,900,000	01/01, 07/01	7,563,354
Series 2004 Refunding	$24,710,000 [4, 5]	06/15/04	17,500,000	06/01/10	2,330,000	15,170,000	06/01, 12/01	875,460
Series 2007A	$27,880,000	03/06/07	27,880,000		-	27,880,000	04/01, 10/01	1,383,975
Series 2007B	$200,115,000	03/06/07	193,115,000	10/01/10	5,345,000	187,770,000	04/01, 10/01	9,645,965
Series 2009A	$20,705,000	07/16/09	20,705,000		-	20,705,000	05/01, 11/01	1,087,013
Series 2009B-1	$274,255,000	07/16/09	274,255,000			274,255,000	05/01, 11/01	18,960,907
Series 2009B-2	$22,000,326 [18]	07/16/09	$22,748,866		-	24,463,499		
Total First Lien Bonds			1,559,963,866		195,930,000	1,365,748,499		84,547,954
Intermediate Lien Bonds								
Series 2005A New $	$252,190,000	07/20/05	252,190,000	03/01/10	930,000	251,260,000	03/01, 09/01	12,601,325
Series 2005A - Ref. 1994A	$12,030,000 [12]	07/20/05	8,310,000	03/01/10	4,045,000	4,265,000	03/01, 09/01	314,375
Series 2005A - Ref. 1996A	$31,475,000 [13]	07/20/05	31,035,000		-	31,035,000	03/01, 09/01	1,551,750
Series 2005A - Ref. 1997A	$108,900,000 [14]	07/20/05	99,440,000	03/01/10	5,525,000	93,915,000	03/01, 09/01	4,850,900
Series 2005C - Ref. 1996B	$40,120,000 [11]	06/06/06 [11]	35,730,000	09/01/10	4,050,000	31,680,000	03/01, 09/01	1,786,500
Series 2006A - Ref. 2000A	$124,625,000 [16]	06/08/06	124,625,000		-	124,625,000	02/01, 08/01	6,172,675
Series 2010A Ref. 1998A	$25,200,000 [19]	07/15/10	-		-	25,200,000	12/01	318,923
Series 2010B New Money	$157,880,000	07/15/10	-		-	157,880,000	12/01	2,530,568
Series 2010B Ref. 2000B	$63,435,000 [20]	07/15/10	-		-	63,435,000	12/01	1,024,258
Series 2010C Ref. 2005D	$128,140,000 [21]	07/15/10	-		-	128,140,000		-
Total Intermediate Lien Bonds			551,330,000		14,550,000	911,435,000		31,151,273
Subordinate Lien Bonds								
Series 1997	$108,830,000	03/26/97	108,830,000	09/01/10	- [2]	108,830,000	Various [2]	3,809,050
Series 1998 Refunding	$27,930,000 [4, 5]	05/07/98	14,150,000	08/01/10	1,475,000	12,675,000	02/01, 08/01	718,838
Series 1999A	$127,140,000	11/14/02	121,840,000		-	121,840,000	03/01, 09/01	6,426,113
Series 1999B	$116,815,000	11/14/02	66,515,000	09/01/10	8,420,000	58,095,000	03/01, 09/01	3,658,325
Series 2005D	$62,925,000 [21]	08/16/05	62,925,000	08/10/10	62,925,000	-	Various [2]	2,202,375
Series 2008	$200,715,000 [17]	06/11/08	200,715,000		-	200,715,000	Various [2]	7,025,025
Total Subordinate Lien Bonds			574,975,000		72,820,000	502,155,000		23,839,725
TOTAL REVENUE BONDS			2,686,268,866		283,300,000	2,779,338,499		139,538,952

SPECIAL REVENUE BONDS

PFC Rev. Bonds Series 1998A	$118,490,000 [9]	07/16/98	118,490,000	12/01/10	-	118,490,000	06/01, 12/01	6,079,600
PFC Rev. Bonds Series 1998B	$144,010,000 [9]	07/16/98	81,665,000	12/01/10	10,030,000	71,635,000	06/01, 12/01	4,315,003
TOTAL SPECIAL REVENUE BONDS			200,155,000		10,030,000	190,125,000		10,394,603

SPECIAL FACILITY REVENUE BONDS

Fuel Facilities Series 2003	$121,140,000 [10]	05/01/03	107,950,000	06/01/10	2,485,000	105,465,000	06/01, 12/01	5,462,075
TOTAL SPECIAL FACILITY REVENUE BONDS			107,950,000		2,485,000	$105,465,000		5,462,075

Notes:

[1] - Interest Payments shown in this schedule are gross amounts before use of any Capitalized Interest.
[2] - Estimated annual total. Interest paid monthly or at maturity. Principal paid annual or at maturity.
[3] - Series 2004C G. O. Ref. bonds refunded a portion of the Port's 1994B Revenue bonds, and refunded a portion of the 1994 G. O. bonds.
[4] - Series 2004 refunded a portion of the Port's existing series 1992A, 1994A, 1996B and 1998 revenue bonds.
[5] - Series 1998 (First Lien & Sub-Lien) refunded a portion of the Port's 1990 and 1992 bonds.
[6] - Series 2000D refunded a portion of the Port's 1990B bonds.
[7] - Series 2001C refunded a portion of the Port's 1990B bonds.
[8] - Series 2001D refunded a portion of the Port's 1992B bonds. It had a delayed delivery date of 8/7/02.
[9] - Debt services for PFC Bonds will be paid directly out of receipts from PFCs, not out of operating cash flow.
[10]-Debt services for Fuel Facilities is paid directly from Fuel Hydrant Facility income, not out of general operating cash flow.
[11] - Series 2005C refunded a portion of the Port's 1996B bonds. It had a delayed delivery date of 6/6/2006.
[12] - Series 2005A-Ref. 1994A refunded a portion of the Port's 1994A bonds.
[13] - Series 2005A-Ref. 1996A refunded a portion of the Port's 1996A bonds.
[14] - Series 2005A-Ref. 1997A refunded a portion of the Port's 1997A bonds.
[15] - Series 2006 G. O. Ref. Bonds refunded a portion of the Port's 1999A Special Facility bonds, and refunded a portion of the 2000A G. O. bonds.
[16] - Series 2006A Intermediate Lien refunded the outstanding 2000A First Lien series bonds.
[17] - Series 2008 Subordinate Lien refunded the 2003C bonds.
[18] - Series 2009B-2 First Lien Capital Appreciation Bonds were issued at $22,000,326 par. The outstanding principle balance at 12/31/2010 includes $2,463,000.00 of accumulated accreted interest.
[19] - Series 2010A Ref. 1998A Intermediate Lien refunded the outstanding 1998A First Lien series bonds.
[20] - Series 2010B Ref. 2000B Intermediate lien refunded a portion of the Port's 2000B Bonds.
[21] - Series 2010C Ref. 2005D Intermediate Lien refunded the 2005D Subordinate Lien Series Bonds.

The Port has authority to issue up to $250 million in Commercial Paper, as of 09/30/2010 the Port had $110.455 million outstanding. bondam.xls

TABLE D-2: BOND AMORTIZATION SCHEDULE FOR 2012

Bond Type Series	Original Issue Amount	Issue Date	Outstanding Jan. 1, 2011	2011 Principal Payments Due Date	2011 Principal Payments Amount	Outstanding Dec. 31, 2011	Interest Payments [1] Due Date	Interest Payments [1] Amount
GENERAL OBLIGATION BONDS								
Limited Tax G.O., Series 2000A	$9,840,000 [15]	04/06/00	-		-	-	06/01, 12/01	-
Limited Tax G.O., Series 2000B	$107,305,000	04/06/00	80,815,000	12/01/11	3,495,000	77,320,000	06/01, 12/01	4,723,260
Limited Tax G.O., Series 2004A	$107,305,000	01/27/04	32,510,000		-	32,510,000	05/01, 11/01	1,562,400
Limited Tax G.O., Series 2004B	$32,510,000	01/27/04	92,480,000	11/01/11	7,005,000	85,475,000	05/01, 11/01	4,605,475
Limited Tax G.O., Series 2004C Ref.	$32,510,000 [3]	01/27/04	68,065,000	11/01/11	12,100,000	55,965,000	05/01, 11/01	3,538,138
Limited Tax G.O., Series 2006 Ref.	$61,630,000 [15]	01/05/06	61,630,000	06/01/11	350,000	61,280,000	06/01, 12/01	3,059,163
TOTAL GENERAL OBLIGATION BONDS			335,500,000		22,950,000	312,550,000		17,488,435
REVENUE BONDS								
First Lien Bonds								
Series 2000B	$221,590,000 [20]	07/27/00	46,955,000	02/01/11	8,300,000	38,655,000	02/01, 08/01	2,568,300
Series 2000D Refunding	$28,085,000 [6]	07/27/00	3,475,000	02/01/11	3,475,000	-	02/01	104,250
Series 2001A	$176,105,000	10/05/01	176,105,000			176,105,000	04/01, 10/01	8,805,250
Series 2001B	$251,380,000	10/05/01	208,165,000	04/01/11	10,165,000	198,000,000	04/01, 10/01	10,833,967
Series 2001C Refunding	$12,205,000 [7]	10/05/01	12,205,000			12,205,000	06/01, 12/01	681,713
Series 2001D Refunding	$68,580,000 [8]	08/07/02 [8]	40,870,000	11/01/11	4,890,000	35,980,000	05/01, 11/01	2,350,025
Series 2003A	$190,470,000	07/30/03	180,830,000	07/01/11	7,745,000	173,085,000	01/01, 07/01	9,274,813
Series 2003B	$164,900,000	07/30/03	146,900,000			146,900,000	01/01, 07/01	7,563,354
Series 2004 Refunding	$24,710,000 [4, 5]	06/15/04	15,170,000	06/01/11	2,430,000	12,740,000	06/01, 12/01	756,410
Series 2007A	$27,880,000	03/20/07	27,880,000			27,880,000	04/01, 10/01	1,383,975
Series 2007B	$200,115,000	03/20/07	187,770,000	10/01/11	5,610,000	182,160,000	04/01, 10/01	9,380,090
Series 2009A	$20,705,000	07/16/09	20,705,000			20,705,000	05/01, 11/01	1,087,013
Series 2009B-1	$274,255,000	07/16/09	274,255,000			274,255,000	05/01, 11/01	18,960,907
Series 2009B-2	$22,000,326 [18]	07/16/09	24,463,499			26,307,325		
Total First Lien Bonds			1,365,748,499		42,615,000	1,324,977,325		73,750,066
Intermediate Lien Bonds								
Series 2005A New $	$252,190,000	07/20/05	251,260,000	03/01/10	915,000	250,345,000	03/01, 09/01	12,555,200
Series 2005A - Ref. 1994A	$12,030,000 [12]	07/20/05	4,265,000	03/01/10	4,265,000	-	03/01, 09/01	106,625
Series 2005A - Ref. 1996A	$31,475,000 [13]	07/20/05	31,035,000		-	31,035,000	03/01, 09/01	1,551,750
Series 2005A - Ref. 1997A	$108,900,000 [14]	07/20/05	93,915,000	03/01/10	5,855,000	88,060,000	03/01, 09/01	4,566,400
Series 2005C - Ref. 1996B	$40,120,000 [11]	06/06/06 [11]	31,680,000	09/01/11	4,255,000	27,425,000	03/01, 09/01	1,584,000
Series 2006A - Ref. 2000A	$124,625,000 [16]	06/08/06	124,625,000		-	124,625,000	02/01, 08/01	6,172,675
Series 2010A Ref. 1998A	$25,200,000 [19]	07/15/10	25,200,000	06/01/11	2,170,000	23,030,000	6/01,12/01	948,750
Series 2010B New Money	$157,880,000	07/15/10	157,880,000		-	157,880,000	6/01,12/01	7,786,363
Series 2010B Ref. 2000B	$63,435,000 [20]	07/15/10	63,435,000		-	63,435,000	6/01,12/01	3,151,563
Series 2010C Ref. 2005D	$128,140,000 [21]	07/15/10	128,140,000	02/01/11	320,000	127,820,000	02/01,08/01	6,328,231
Total Intermediate Lien Bonds			911,435,000		17,780,000	893,655,000		44,751,556
Subordinate Lien Bonds								
Series 1997	$108,830,000	03/26/97	108,830,000	09/01/11	7,665,000 [2]	101,165,000	Various [2]	1,741,280
Series 1998 Refunding	$27,930,000 [4, 5]	05/07/98	12,675,000	08/01/11	1,550,000	11,125,000	02/01, 08/01	646,931
Series 1999A	$127,140,000	11/14/02	121,840,000		-	121,840,000	03/01, 09/01	6,426,113
Series 1999B	$116,815,000	11/14/02	58,095,000	09/01/11	8,880,000	49,215,000	03/01, 09/01	3,195,225
Series 2008	$200,715,000 [17]	06/11/08	200,715,000		-	200,715,000	Various [2]	3,211,440
Total Subordinate Lien Bonds			502,155,000		18,095,000	484,060,000		15,220,989
TOTAL REVENUE BONDS			2,779,338,499		78,490,000	2,702,692,325		133,722,611

SPECIAL REVENUE BONDS

PFC Rev. Bonds Series 1998A	$118,490,000 [9]	07/16/98	118,490,000		-	118,490,000	06/01, 12/01	6,079,600
PFC Rev. Bonds Series 1998B	$144,010,000 [9]	07/16/98	71,635,000	12/01/10	10,555,000	61,080,000	06/01, 12/01	3,788,428
TOTAL SPECIAL REVENUE BONDS			190,125,000		10,555,000	179,570,000		9,868,028

SPECIAL FACILITY REVENUE BONDS

Fuel Facilities Series 2003	$121,140,000 [10]	05/01/03	105,465,000	06/01/10	2,580,000	102,885,000	06/01, 12/01	5,347,875
TOTAL SPECIAL FACILITY REVENUE BONDS			105,465,000		2,580,000	$102,885,000		5,347,875

Notes:

[1] - Interest Payments shown in this schedule are gross amounts before use of any Capitalized Interest.
[2] - Estimated annual total. Interest paid monthly or at maturity. Principal paid annual or at maturity.
[3] - Series 2004C G. O. Ref. bonds refunded a portion of the Port's 1994B Revenue bonds, and refunded a portion of the 1994 G. O. bonds.
[4] - Series 2004 refunded a portion of the Port's series 1992A, 1994A, 1996B and 1998 revenue bonds.
[5] - Series 1998 (First Lien & Sub-Lien) refunded a portion of the Port's 1990 and 1992 bonds.
[6] - Series 2000D refunded a portion of the Port's 1990B bonds.
[7] - Series 2001C refunded a portion of the Port's 1990B bonds.
[8] - Series 2001D refunded a portion of the Port's 1992B bonds. It had a delayed delivery date of 8/7/02.
[9] - Debt services for PFC Bonds will be paid directly out of receipts from PFCs, not out of operating cash flow.
[10]-Debt services for Fuel Facilities is paid directly from Fuel Hydrant Facility income, not out of general operating cash flow.
[11] - Series 2005C refunded a portion of the Port's 1996B bonds. It had a delayed delivery date of 6/6/2006.
[12] - Series 2005A-Ref. 1994A refunded a portion of the Port's 1994A bonds.
[13] - Series 2005A-Ref. 1996A refunded a portion of the Port's 1996A bonds.
[14] - Series 2005A-Ref. 1997A refunded a portion of the Port's 1997A bonds.
[15] - Series 2006 G. O. Ref. Bonds refunded a portion of the Port's 1999A Special Facility bonds, and refunded a portion of the 2000A G. O. bonds.
[16] - Series 2006A Intermediate Lien refunded the outstanding 2000A First Lien series bonds.
[17] - Series 2008 Subordinate Lien refunded the 2003C bonds.
[18] - Series 2009B-2 First Lien Capital Appreciation Bonds were issued at $22,000,326 par. The outstanding principle balance at 12/31/2011 includes $4,306,999 of accumulated accreted interest.
[19] - Series 2010A Ref. 1998A Intermediate Lien refunded the outstanding 1998A First Lien series bonds.
[20] - Series 2010B Ref. 2000B Intermediate lien refunded a portion of the Port's 2000B Bonds.
[21] - Series 2010C Ref. 2005D Intermediate Lien refunded the 2005D Subordinate Lien Series Bonds.

The Port has authority to issue up to $250 million in Commercial Paper, as of 9/30/10 the Port had $110.455 million outstanding. bondam.xls

APPENDIX E: AVIATION LANDING FEE REVENUES

The landing fee rate and resulting landing fee revenue are based on the contractual agreement between the Port's Aviation Division and the airlines. This contractual agreement permits the airlines to land and operate at Sea-Tac International Airport.

The landing fee rate is established during the budget period for the following calendar year. The rate is subject to revision during the calendar year and the landing fee dollars are adjusted to the actual airport costs at the end of the calendar year in accordance with a formula outlined in the Basic Airline Lease. The airlines are then billed or reimbursed accordingly for any differences.

The landing fee calculation provides that the airlines pay for the operating cost of the airport. The landing fee formula is as follows:

To the total Airport Operating and Maintenance Costs

Add	+	Operating and Maintenance Expenses
Add	+	Capital Costs (debt services, interim financing costs, etc.)
Add	+	Allocable Terminal Costs
Subtract	-	Other Airfield Revenues (airfield properties, ID badging, gate parking, fuel flowage)
Add	+	Change in Security Deposit
Equals	=	Landing Fees required to support the airport

The landing fee rate is determined at the beginning of the year by dividing the landing fee revenues required, based on the budgeted costs, by the estimated landed weights as provided by the airlines and reviewed for reasonableness by Airport management.

TABLE E-1: LANDING FEE REVENUE CALCULATION

Seattle-Tacoma International Airport
Landing Fee Revenue Calculation

($ in 000's)	**2012 Budget**
Landing Fee Cost	
Total Operating Costs	$55,907
Capital Costs	29,499
Allocable Terminal Costs	1,123
Offset Other Airfield Revenues	(16,932)
Change in Security Deposit	555
Landing Fee Revenues	$70,152

APPENDIX F: OTHER DETAILED EXPENDITURES

A. Promotional Hosting

Promotional hosting consists of expenses incurred by officials and employees of the Port in connection with hosting others for the purpose of promoting the increased use of Port facilities and services.

TABLE F-1: PROMOTIONAL HOSTING BY DIVISION

($ in 000's) DIVISION	Notes	2010 Actual	2010 Budget	2011 Budget	2012 Budget
Aviation		$ 138,618	$ 234,606	$ 229,138	$ 226,020
Seaport		43,000	72,885	81,785	71,455
Real Estate		9,307	11,475	21,000	20,213
Capital Development		132	1,900	700	1,700
Corporate		159,762	167,450	656,230	89,670
Total		**$ 350,818**	**$ 488,316**	**$ 988,853**	**$ 409,057**

PROMO.XLS

B. Memberships

The 2012 Budget for the Port of Seattle includes monies sufficient for memberships amounting to a total of $1,168,045.

In addition, the Chief Executive Officer may approve additional memberships and dues increases for 2012, which may arise and which could not be foreseen at this time, provided these increases do not exceed 10% of the total membership’s budget.

Memberships are for associations for the purpose of participating on a cooperative basis with other port districts, airports and with operators of terminal and transportation facilities, associations providing specialized information and services, associations to better qualify certain employees in the performance of specified duties which are assigned to such employees, and associations which are considered to be of particular and special value in connection with the carrying out of the Port's promotion and advertising activities. Membership is an effective way to leverage scarce resources to accomplish objectives that might otherwise be omitted.

APPENDIX G: GLOSSARY OF TERMS USED

Account: Recording of an activity as revenue or expense, such as fees for services, rents, or as salaries, equipment, supplies, travel, etc.

Accrual: Represents an outstanding obligation for goods and services received or performed but for which payment has not been made.

Accrual Basis of Accounting: It is the basis of accounting under which revenue transactions are recognized when earned and expenses are recognized when incurred, regardless of the time the cash is received or disbursed.

Actual: Earned revenue or incurred expense during the stated fiscal year.

Allocated Expense: These are costs allocated to business groups from service providers. Allocated costs are general support costs that cannot be directly attributed to a business unit, but instead support the entire Port and all its Business Groups. Costs can come from within the division or from outside the division.

Amortization: The gradual reduction in the book value of Fixed or Intangible Assets having a limited life by allocating the original cost over the life of the asset. (See Depreciation.)

Assessed Valuation: An official government valuation set upon real estate and personal property by the King County Assessor as a basis for levying property taxes.

Balanced Budget: The Port prepares an annual budget and supports, encourages and commits to a balanced budget in which revenues exceed expenses. In so doing, the practice is to pay for all current operating expenses with current revenues and not postpone current year operating expenses to future years or accrue future year's revenues to the current year. The Port policy further requires that budgeted operating expenses do not exceed budgeted revenues, and on-going expenses do not exceed on-going revenues.

Budget: A financial plan, forecast or projection of the Port's revenues and expenses expected during the stated budget year.

Budget Calendar: A schedule of key dates that the Port follows in the preparation, review and adoption of its annual budget.

Budget Document: The Port's official written approved budget in document format, prepared by the Port's Budget Office and supporting staff.

Budget Message: A general discussion of the proposed budget presented in written format by the Chief Executive Officer of the Port to the Port Commission and Public.

Capital Budget and Draft Plan of Finance: A detailed five year plan of proposed capital expenditures arising from the acquisition or improvement of the Port's fixed assets and the means of financing them through bond proceeds, grants and operating revenues. This document serves as an operational and planning tool and it is directly tied to the business plans. The document identifies proposed capital projects at the airport and on the waterfront and prioritizes those projects.

Capital Capacity: An estimated calculation of the maximum amount available to spend on capital projects, given assumptions about future revenues and expenses and the ability to cover future interest payments per bond covenants and Port policies. See further discussion in the Draft Plan of Finance section.

Capital Expenditures: Expenditures that arise from the acquisition or improvement of the Port's fixed assets. Port assets are given a useful life of more than three years when they become active. The expenditures reflected in the capital budget cover projects anticipated to provide modernized Seaport, Airport and Real Estate facilities for sustained growth of the Port.

Capitalized Labor or Charges to Capital Projects: Include the salaries and benefits costs associated with capital projects. These costs are subtracted out of the operating budget and then budgeted in the capital budget as part of the cost of the project(s).

Cash Disbursements: The disbursement or payment of cash for cost incurred in the operation of the Port's business.

Cash Receipts: The collection of cash from services and from Port facilities and equipment leased or operated.

Cost Per Enplanement (CPE): Airline cost per enplanement reflects the overall cost to the airlines for each passenger enplaned. The CPE measures the total costs borne by the passenger airlines operating at the airport divided by the number of enplaned passengers (roughly half of the total passengers). CPE is a key indicator used by the airlines to measure the relative costs of airports.

Customer Facility Charges: As determined by applicable State legislation, customer facility charges ("CFC") generate revenue to be expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds. CFC revenues received from the rental car companies are recorded as non-operating income in the statements of revenues, expenses, and changes in net assets.

Department/Org: An organizational unit within the Port which is part of a division.

Depreciation: This is a non-cash item that represents the use of long-term assets. Port assets are given a useful life of more than three years when they become active and each year some of that useful life is used up, worn or depreciated. (See Amortization.)

Direct Charge: The ability to direct charged for services instead of allocating them, which is charging against another division's/department's subclass to represent where resources were used and dollars spent for the work that was actually done.

Draft Plan of Finance: A funding plan for the Capital Budget that identifies the types and amounts of funding sources that are expected to be available in the five year planning period.

Enterprise Fund: There are dozens of funds that are summarized into the Enterprise Fund. The Enterprise Fund accounts for all activities and operations of the Port. The Enterprise fund is connected to the functional units in that it is used to account for operations and activities that are financed at least in part by fees or charges to external users for Airport Facilities, Seaport and Real Estate properties. Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions - Aviation, Seaport, Real Estate; a Capital Development division and a Corporate Professional and Technical Services division.

Environmental Remediation Liability: The Port's policy requires accrual of pollution remediation obligation amounts when (a) one of the following specific obligating events is met and (b) the amount can be reasonably estimated. Obligating events include: imminent endangerment to the public; permit violation; named as party responsible for sharing costs; named in a lawsuit to compel participation in pollution remediation; or commenced or legally obligated to commence pollution remediation. Potential cost recoveries such as insurance proceeds, if any, are evaluated separately from the Port's pollution remediation obligation. Costs incurred for pollution remediation obligation are recorded as environmental expenses unless the expenditures meet specific criteria that allow them to be capitalized. Capitalization criteria include: preparation of property in anticipation of a sale; preparation of property for use if the property was acquired with known or suspected pollution that was expected to be remediated; performance of pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment; or acquisition of property, plant, and equipment that have a future alternative use not associated with pollution remediation efforts.

Equity: The excess of assets over liabilities.

Estimates: Prediction of revenues and expenditures.

Fiscal Year: The Port's annual accounting period for recording financial transactions begins January 1 and ends December 31, which is the same as the calendar year. It is also called budget year.

Forecast: An estimate, projection or prediction of revenues and expenses.

Full Time Equivalent: Full Time Equivalent (FTE) employee, where "full-time" equals 100% of a full-time schedule. A full-time employee is represented as a "1.0 FTE" where 1.0 = 100% of a full-time schedule. FTEs represented by less than 1.0, such as 0.8, represent less than a full-time schedule. For example, "0.8 FTE" represents 80% of a full-time schedule.

Fund: The establishment of a fund is to account for money set aside for some specific purpose.

Generally Accepted Accounting Principles (GAAP): Standards and guidelines by which Accounting and Financial Reporting are governed.

General Obligation (G.O.) Bonds and Interest: The Port can borrow money which is intended to be paid back through its taxing authority. The tax levy (See Section IX) funds the repayment of the principal and interest of these bonds. Port financial policies dictate that G.O. bonds be used for projects that have a long lag between project costs and revenues or are insufficient to support revenue bond financing, the project generates significant economic benefits for taxpayers, and the project is critical to the Port's core business.

Goals: Written statements that declare what the port/division/department plan to achieve to fulfill its mission.

Governmental Accounting Standards Board (GASB): It is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government Finance Officers Association (of USA and Canada): The purpose of the Government Finance Officers Association is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and practices and promoting them through education, training and leadership.

Inter-Division Allocation (Charges): Allocation or Charges from one division to another.

Intra-Division Allocation (Charges): Allocation or Charges from within the division.

Landing Fee: The landing fee rate and resulting landing fee revenues are based on the contractual agreement between the Port's Aviation Division and the airlines. This contractual agreement permits the airlines to land and operate at Sea-Tac International Airport. See the discussion of landing fees in Appendix E.

Majority in Interest (MII): Under the terms of the current agreement between the airlines and the airport, the airlines are entitled to vote their approval for particular capital projects that affect the airline rate base.

Millage: A tax rate on property, expressed in mills per dollar of value of the property.

Mission: States the reason why the port/division/department exists and what it is trying to achieve.

Net Assets: As required by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments, net assets (equity) have been classified on the statement of net assets into the following categories:

- Invested in capital assets – net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- Restricted: Net Assets subject to externally imposed stipulations on their use.

- Unrestricted: All remaining net assets that do not meet the definition of "invested in capital assets – net of related debt" or "restricted."

When both restricted and unrestricted resources are available for the same purpose, restricted assets are considered to be used first over unrestricted assets.

Net Operating Income before Depreciation (NOI): Income from operations after all direct expenses and allocated expenses, but before depreciation, non-operating revenues and expenses have been included.

Non-Airline Revenues: Include concession, parking and other fees not charged directly to the airlines. These revenues help offset the residual landing fee requirement.

Non-Operating Expenses: Cost or charges that do not arise from the normal operation of the Port's business. An example is interest expense.

Non-Operating Revenues: Revenues that do not result from the normal operation of the Port's business such as: Ad Valorem Tax Levy, Interest Income, Non-operating Grants, Passenger Facilities Charges, Customer Facilities Charges and other revenues generated from non-operating sources are classified as non-operating.

Operating Income before Allocations & Depreciation: Direct operating revenues minus direct operating expenses. This does not include any allocated expenses.

Operating & Maintenance Expenses: Cost or charges that arise from the normal operation of Port's business. These are cost or services required for a department/division to function. These include Salaries and Benefits, Equipment expense, Supplies and Stock, Travel and Other Employee expenses and all Direct Charges, even those from Corporate and from other Divisions.

Operating Revenues: Fees for services, rents, and charges for the use of Port facilities such as: Dockage, Wharfage, Berthage and Moorage, Airport Transportation Fees, Airport Landing Fees, Equipment, Property Rentals and other revenues generated from port's operations are reported as operating revenue.

Other Post Employment Benefits (OPEB): According to the Governmental Accounting Standard Board (GASB) statement 45, government agencies are required to record post employment benefit costs other than pensions as a liability based on actuarial costs.

Passenger Facilities Charges (PFCs): As determined by applicable federal legislation, passenger facility charges ("PFC") generate revenue to be expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds. PFC revenues received from the airlines are recorded as non-operating income in the statements of revenues, expenses, and changes in net assets upon passenger enplanement.

Passenger Facilities Charges (PFCs) Bonds: Bonds backed by Passenger Facility Charges.

Passenger Traffic: Enplanements, deplanements and connecting passenger activity.

Performance Indicators or Measures: Metrics used by Port management to determine whether a program is achieving or accomplishing its mission efficiently and effectively.

Performance or Operating Budget: A financial plan that incorporates an estimate of proposed revenues and expenses for a given period. A department's budget includes only those revenues and expenditures for which it has control.

Plan of Finance: The Five-year Capital Budget is the basis of the Plan of Finance. This document provides a funding plan of the capital program developed within the financial targets and forecasts described within the Draft Plan of Finance section. The Draft Plan of Finance is prepared and presented to the Port Commission concurrently with the Operating Budget. See further discussion in the Draft Plan of Finance section.

Port Commission: It is the governing body of the Port of Seattle, which is comprised of five commissioners elected at large by the voters of King County to serve four-year terms and to establish Port policy.

Repairs and Maintenance: Expenditures for routine maintenance and repairs to structure and minor improvements to property, which do not increase the value of the capital assets.

Resolution: A formal expression of opinion or determination adopted by the Port Commission.

Revenue Bonds: A type of borrowing that is repaid through the dedication of revenues intended to be generated by the investment being funded by the bonds.

Revenue over Expense: The excess or deficit of revenues (operating and non-operating) over expenses (operating and non-operating). The excess of revenues over expenses increases equity, whereas the deficit, expenses over revenues, decrease equity.

Statutory Budget: A plan that depicts the cash flows of the Port. It shows the beginning balance, cash receipts and cash disbursements and the balance at the end of the year. This budget must be filed with the King County Council and the King County Assessor as required by law by a specific date. See Section XII.

Tax Levy: The amount of money to be raised by imposing of property taxes. See Section IX.

Twenty-foot Equivalent Unit (TEU): Is an international standard of measurement for the container volume that moves through the Port. One forty-foot container is equivalent to two TEUs.

Variances: The difference between "actual" and "budget" amounts for revenues and for expenses, which could be either favorable or unfavorable.

Favorable Variance: This is a positive variance and it exists when, in a given period:

- Revenues: Actual revenues are higher than budgeted revenues
- Expenses: Actual expenses are lower than budgeted expenses

Unfavorable Variance: This is a negative variance and it exists when, in a given period:

- Revenues: Actual revenues are lower than budgeted revenues
- Expenses: Actual expenses are higher than budgeted expenses

APPENDIX H: ACRONYMS and ABBREVIATIONS

AAPA	American Association of Port Authorities
AAAE	American Association of Airport Executives
ACI	Airports Council International
AEC	Airport Employment Center
AIR 21	Aviation Investment & Reform Act for the 21st Century
AODB	Airport Operations Database
APM	Automated People Mover
ARFF	Aviation Regional Fire Fighting
ATC	Air Traffic Control
B&OT	Business and Occupation Tax
BALA	Basic Airline Lease Agreement
BHICC	Bell Harbor International Conference Center
BHM	Bell Harbor Marina
BHS	Baggage Handling System
BLS	Bureau of Labor Statistics
BY	Budget Year
CAFR	Comprehensive Annual Financial Report
CDD	Capital Development Division, a Port Division
CDP	Comprehensive Development Plan
CEO	Chief Executive Officer
CERT	Community Emergency Response Team
CFC	Customer Facility Charge
CFO	Chief Financial Officer
CIP	Capital Improvement Program
CMMS	Computerized Maintenance Management System
CPE	Cost per Enplanement
CPI	Consumer Price Index
CPO	Central Procurement Office
CPR	Cardio Pulmonary Resuscitation
CTDP	Container Terminal Development Plan
CTE	Central Terminal Expansion
CY	Calendar Year
CY	Container Yard
DHS	Department of Homeland Security
DNR	Department of Natural Resources
DOT	Department of Transportation
EIS	Environmental Impact Statement
EPA	Environmental Protection Agency
ETDD	Economic and Trade Development Department
ESGR	Employer Support of the Guard Reserve
FAA	Federal Aviation Administration

FAR	Federal Aviation Regulations
FASB	Financial Accounting Standard Board
FAST	Freight Action Strategy Corridor
FEMA	Federal Emergency Management Agency
FIS	Federal Inspection Area
FMC	Federal Maritime Commission
FTE	Full-time Equivalent Employee
FTPP	Fishermen's Terminal Piers and Properties
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association (of USA and Canada)
GIS	Geographical Information System
G.O.	General Obligation (Bond)
GT	Ground Transportation
HCM	Human Capital Management
HDS	Harbor Development Strategy
IDC	Industrial Development Corporation
IFO	Income From Operations
ILA	Interlocal Agreement
IMC	Intermodal Center
ICT	Information and Communications Technology, a Port department
KPI	Key Performance Indicators
LOI	Letter of Intent
LRT	Light Rail Transit
MAP	Million Annual Passengers
MBE/WBE	Minority & Women Owned Business Enterprise
MIC	Marine Industrial Center
MIS	Management Information System
MOBI	Marina Operation Boating Inventory System
MPT	Main Passenger Terminal
MT	Main Terminal
NAMF	North Area Maintenance Facility
NAC	Neighborhood Advisory Committee
NEPA	National Environmental Policy Act
NEST	New Economic Strategy Triangle
NMA	National Management Association
NOI	Net Operating Income
NTSB	National Transportation Safety Board
NWMTA	Northwest Marine Terminal Association
O&D	Origin and Destination
O&M	Operating and Maintenance Expense
OPEB	Other Post Employment Benefits

P&TS	Professional and Technical Services
PCC	Pacific Coast Congress
PCS	Port Construction Services, a Port department
PFC	Passenger Facility Charges
PLA	Project Labor Agreement
PM	Project Manager
PMA	Pacific Maritime Association
PMG	Project Management Group
PNWA	Pacific North West Waterways Association
POS	Port of Seattle
PPE	Personal Protective Equipment
PPM	Post Panamax
PREP	Performance Review, Evaluation & Planning
PSA	Professional Service Agreement
PSCAA	Puget Sound Clean Air Agency
PSRC	Puget Sound Regional Council
RCF	Rental Car Facility
RCW	Revised Code of Washington
RE	Real Estate, a Port Division
RFP	Request For Proposal
RMM	Regulated Materials Management
SBM	Shilshole Bay Marina
SDS	Storm water Drainage System
SSA	Stevedoring Services of America
STEP	South Terminal Expansion Project
STIA	Seattle-Tacoma International Airport
STITA	Seattle-Tacoma International Taxi Association
STS	Satellite Transit System
USCG	United States Coast Guard
USDA	United States Department of Agriculture
TEU	Twenty-foot Equivalent Unit
TSA	Transportation Security Administration
WSDOT	Washington State Department of Transportation
WPPA	Washington Public Ports Association