



Port of Seattle

Century Agenda Roundtable: Funding our Strategic Goals

November 8, 2011

25 Year Strategic Goals



Add 100,000 new jobs to the existing 200,000 jobs in the region that are attributable to the economic activity created by the Port of Seattle.

Moving Cargo Goals:

- Position the Puget Sound region as a premier international logistics hub.
- Grow seaport annual container volume in a sustainable manner to more than 3.5 million TEUs.
- Triple air cargo volume to 750,000 metric tons.
- Triple the value of our export cargo to over \$50 billion.

Moving People Goals:

- Fully meet the region's air transportation needs for the next 25 years
- Make Seattle-Tacoma International Airport the west coast "Gateway of Choice" for international travel
- Double the number of international flights and destinations
- Double the economic value of cruise traffic to Washington State
- Be a catalyst for establishing this region as a premiere destination for tourists from Asia, Europe, and other targeted international areas

25 Year Strategic Goals

Environmental Goals:

Be the cleanest, greenest, most energy efficient port in the United States.

- Reduce air pollutant emissions by 50% from 2005 levels.
- Lead our industry's greenhouse gas (GHG) reduction strategies by reducing carbon emissions from all Port operations by 50% from 2005 levels and reducing aircraft-related GHG emissions at Sea-Tac by 25%.
- Meet future growth in energy usage through conservation and renewable sources.
- Restore, create, and enhance 40 additional acres of habitat in the Green/Duwamish watershed and Elliott Bay.
- Prevent sprawl in less developed areas of Puget Sound by anchoring our region's urban industrial land use.
- Ensure all stormwater leaving Port operated facilities will meet or exceed agency requirements and create partnerships that lead our industry in stormwater quality improvements.

25 Year Strategic Goals



Community Values Goals:

- Increase the proportion of funds spent by the Port with qualified small businesses firms on construction, goods and services to 25% of the eligible dollars spent.
- Increase workforce training, job and business opportunities for local communities in trade, travel and logistics.
- Reflect the worker diversity of our region in the Port workforce at all levels.
- Benefit the neighborhoods surrounding our facilities through community partnerships, economic opportunities and environmental initiatives.

Century Agenda 2008

Guiding Principles

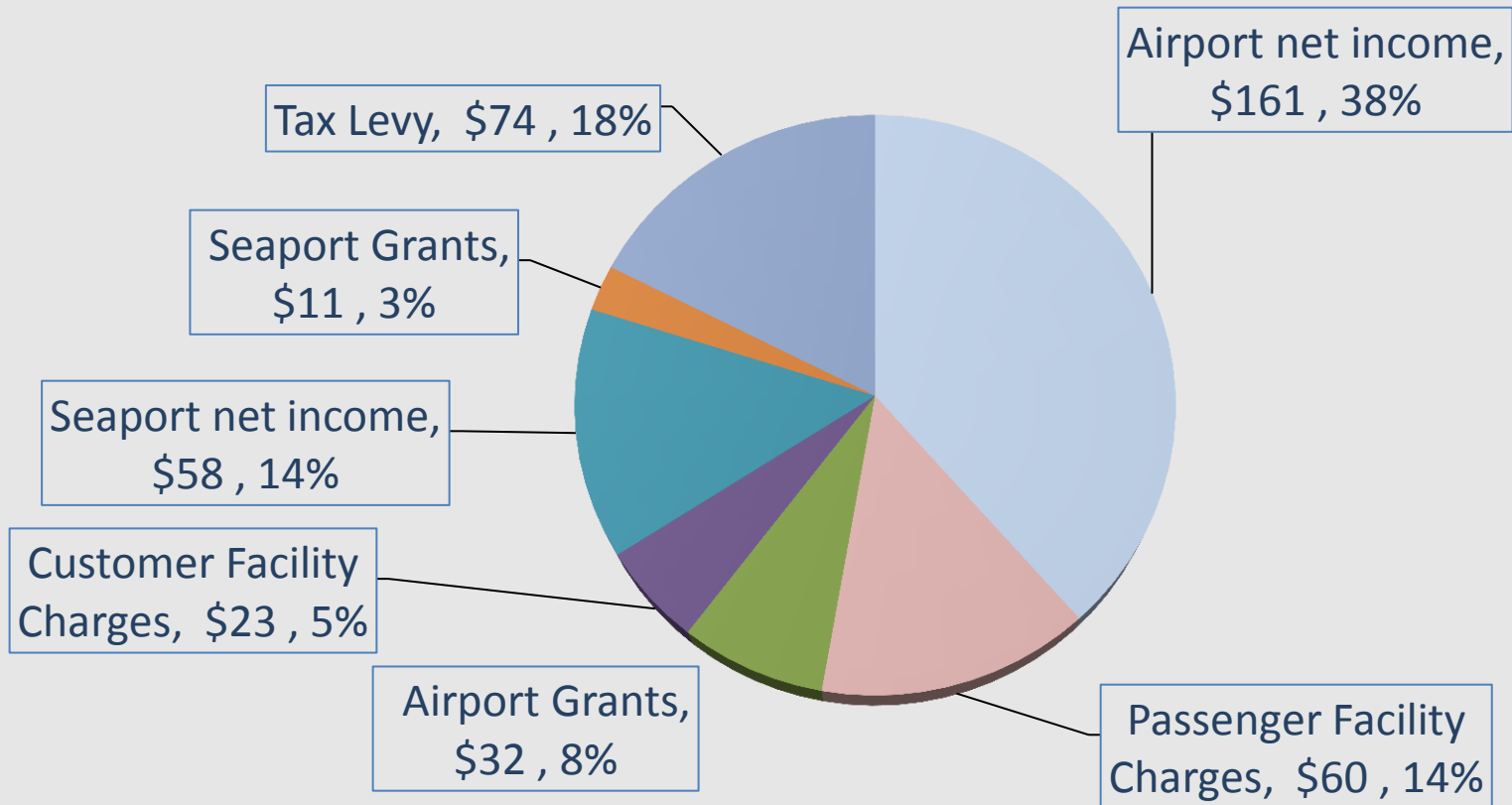


- The Port should be primarily funded through the self-sustaining enterprises that are at the core of its mission. Revenues from the Port's tax levy should be used for activities that are not fully self-sustaining and cannot be funded in another manner. These activities should directly support the Port's core mission, provide for critical infrastructure investments, or provide environmental mitigation that cannot be funded through its enterprises.
- The Port should demonstrate to the public that it has managed its financial resources as a disciplined steward of the public interest, guided by priorities set forth in its core mission statement and strategic plan.
- The Port should foster a culture of partnership and collaboration in pursuing public and private funding partnerships for investments that apply to the Port's core mission, that reap shared benefits to all its partners, and that no single entity can achieve independently.

Port Revenues By Source

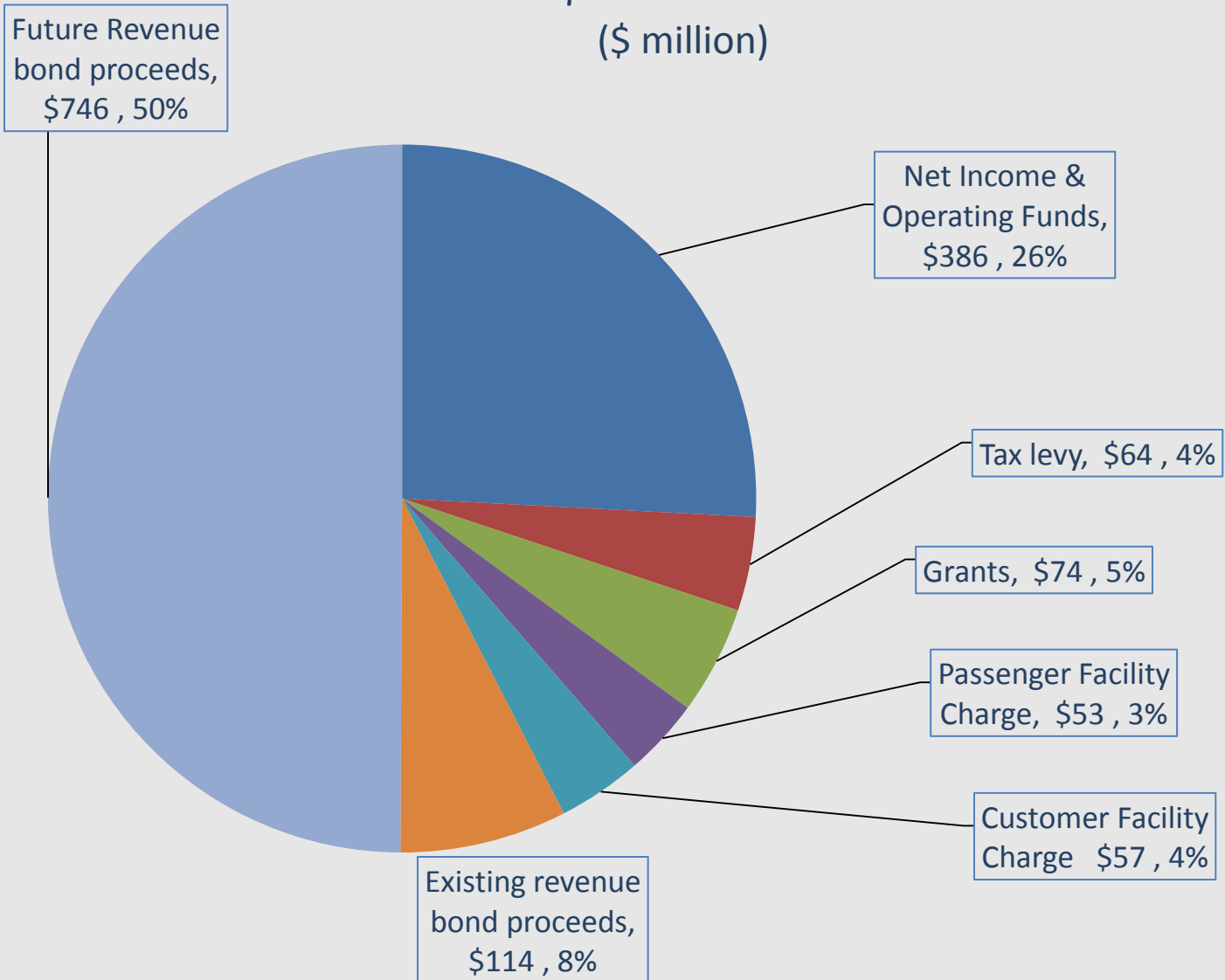
Port Resources - 2010

Total \$418 million
(\$ million)



Capital Funding Sources 2012-2016

\$1.5 billion
(\$ million)



Potential Additional Sources of Investment Capital

Other potential available sources include:

- Sale of non-strategic assets
- Public/private partnerships
- Industrial Development District Levy (IDD)
- Local Improvement District funding
- Local Infrastructure Financing Tool (LIFT)

Recent Major Investments

Port needs to retain sound financial management policies, but also may need capital that's available for future investment for growth.

Examples of major prior investments include:

- Container terminal expansion and redevelopment (\$800+ million)
- 3rd Runway (\$1.1 Billion)
- Cruise terminal(s) (\$100+ million)
- Fishing docks (\$100+ million)

Port's policies for prudent cash reserves and leverage ratios support flexibility, strong credit ratings and capital market access

- Operating cash reserves - maintain a minimum of:
 - 6 months operating and maintenance (O&M) expenses in the general fund
 - 10 months O&M expenses in the airport development fund
- Maximum 75% of tax levy used to pay General Obligation bond debt service
- Net income provides revenue bond debt service coverage of:
 - 1.5x debt service for Seaport debt
 - 1.25x debt service for Airport debt

Airport Funding

- The Airport is comprised of two major business segments:
 - Aeronautical – airfield and terminal facilities used by airlines under lease or operating agreement; operates on full cost recovery basis
 - Non-aeronautical – other business operations including parking, concessions, rental car, etc. managed by airport
- All Airport revenues are restricted for airport use, some is further restricted
 - Airport operating income
 - Federal grants – may fund up to 80% of eligible costs for noise mitigation, safety, security, capacity enhancement
 - Passenger Facility Charges (PFCs) – passenger fee collected by airlines; use is similar to federal grants
 - Customer Facility Charges (CFCs) – fee on rental car customers; restricted for construction and operation of rental car facility

Seaport:

- Income generated principally through:
 - long-term container leases, cruise operations
 - industrial property leases
 - some federal grants for security initiatives
- Previous investments funded partly by tax levy and operating revenues

Real Estate:

- Income generated through:
 - Rents on commercial and industrial properties
 - Slip leases at fishing and recreational marinas
- Operates at a loss primarily due to Fishermen's Terminal

Funding source: levy on King County property owners

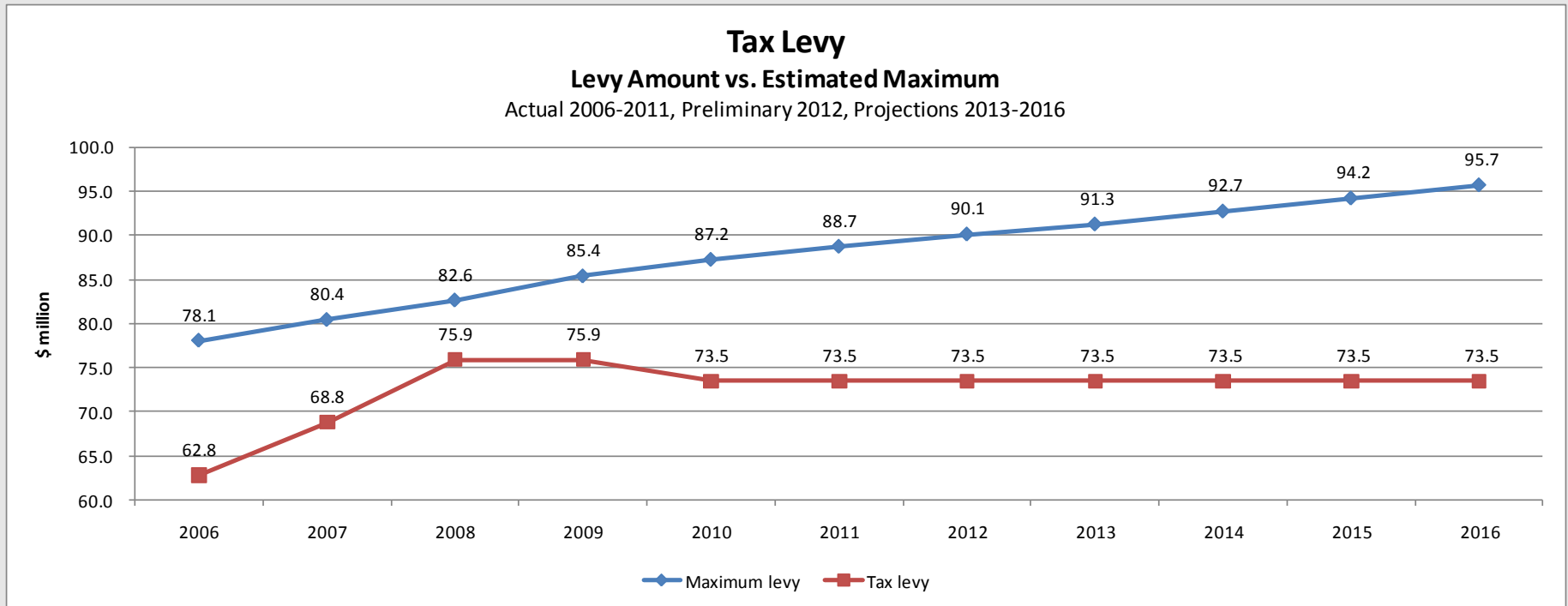
- Available for “general Port purposes;” amount and use governed by Commission annual decision; annual collection limited by statute
- Funds may be leveraged to finance General Obligation (G.O.) Bonds

Funding uses:

- Real Estate operations and capital investments
- Existing G.O. bond debt service, including previous Seaport investments, that funded major container terminal expansion and renovation
- Environmental remediation costs for “legacy” uses
- Port share of regional transportation initiatives
 - Freight Mobility investments
 - Eastside rail corridor
 - South Park bridge
 - SR99 tunnel
- Highline School noise mitigation/construction that is ineligible for Airport funding
- Port Jobs – workforce initiatives

Statutory levy limits vs. Commission set annual levy amount

- Annual levy well below statutory maximum
- Current Commission guidance is to maintain flat dollar amount for planning purposes



Key Questions



- How do we use net income from our business lines to reinvest in strategic initiatives?
- What is the best long term funding strategy for supporting the Port's mission?
- What guidance would you give the Port on future levy policy?
- How should we seek to employ Federal/State funding assistance?
- What role might public/private partnerships play in financing Port needs?

Continued onto next page

Key Questions



Continued from previous page

- How much should the Port bow to market pressures to make financially attractive deals to attract tenants and business partners?
- What should be the Port's general attitude toward risk (e.g. RCF contract suspension, constructing facilities in the absence of guaranteed tenants)?
- What is a defensible relationship between public cost and job creation/retention?
- What margin of returns should we demand of our various lines of business?

Century Agenda: Proposed 2011 Calendar

	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	
Century Agenda Committee <i>(Second Tuesday of the month)</i>	Media Round-table	Fostering Economic Growth	Moving Cargo: logistics and growing exports	Moving People: airport, cruise & tourism	Attracting next generation industries	Achieving our environmental values	Achieving our community values	Putting real estate to work	Funding our strategic goals	Draft Century Agenda presented	
Commission	Monthly Commission Updates: developing preliminary strategic goals									Review Draft Century Agenda	
Public Outreach	Communication Plan, meetings streamed live and videos available on web, POS webpage and email box, live Twitter feeds, Social Media campaign □ year-long □							Public outreach on draft plan continues into 2012			
Centennial Events	Kickoff, Port District Act Commemoration, Banners	Earth Day, Commemorative Book, Sea Air School, Annual Reports, Maritime Festival, Bike Rally, Seaport Breakfast			Port 101 Series, Fishermen's Fall Festival, AAPA National Convention			Chamber Event, Holiday Card			