ITEM NO.: 6a_Report

DATE OF MEETING: March 1, 2011

PORT OF SEATTLE

2010 FINANCIAL & PERFORMANCE REPORT

AS OF DECEMBER 31, 2010

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I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/10

EXECUTIVE SUMMARY

Financial Summary

The Port's 2010 total operating revenues were $470.5 million, $6.3 million below budget. Aeronautical revenues were $198.3 million, $12.0 million below budget mainly due to reduced debt service on variable rate bonds. Other operating revenues were $272.2 million, $5.7 million higher than budget primarily due to higher revenues from Concessions, Container, Cruise, Grain, and Dock & Industrial Properties, partially offset by lower revenues from Public Parking, Rental Cars, and Security & Environmental Grants. Total operating expenses were $253.2 million, $9.5 million below budget mainly due to savings from some vacant positions, lower benefits costs, outside services, and utilities costs. Operating income before depreciation was $217.3 million, $3.2 million above budget. Operating income after depreciation was $56.5 million, $1.0 million higher than the budget. Port-wide capital spending was $202.6 million for the year, $104.3 million below the budgeted $306.9 million.

Operating Summary

We had an outstanding year on the operating activities in 2010. Airline passengers at Sea-Tac were 31.6 million for 2010, 1.0% higher than 2009. Enplanements growth was also 1.0% higher than 2009 despite a decrease of 3% in landed weight. The Seaport division had a record-breaking year for both the Container and Cruise in 2010. With 2,140K TEU's, we surpassed the previous high set in 2005 at 2,088K TEU's. This represented a 35.0% increase compared to 2009 levels and it's the biggest increase among all the West coast ports. The 2010 cruise season broke the records with 223 sailing and 931,698 passengers. Cruise passenger volumes exceeded the prior record of 886,039 passengers, set in 2008, by 5.2%. For the Real Estate division, occupancy levels at Commercial Properties were at 88% at the end of the 2010, which is below the 90% target for the 2010 budget, but above comparable statistics for the local market at 84%. Moorage occupancies at Fishermen's Terminal exceeded budget targets. Recreational Marinas were on target at 94% occupied. The 2010 event activity for Bell Harbor International Conference Center, Maritime Event Center and Smith Cove Cruise Terminal, as measured by number of attendees/guests, was 26% over budget and 23% over 2009.

Key Business Events

We had a very challenging but exciting year in 2010. The Airport had new air service to Osaka in June and the Yellow Cab contract with the Port started on November 1. Seaport executed the new lease with PCC Logistics at Terminal 104 and Louis Dreyfus exercised option for 5 year lease extension at Terminal 86. This was also the first year of using the Smith Cove Cruise Terminal as an event site. Furthermore, we closed sale on portions of Eastside Rail Corridor to the City of Redmond and Puget Sound Energy. In addition, the SAO Performance audit of the Port's real estate management was completed and the Port received commendation from the SAO contract audit firm (TCBA) for the excellent cooperation and support received from the Port. On the environmental front, we not only saw a great success in the Clean Truck Program but also earned the AAPA award for Environmental Compliance Assessment Program and the ENERGY STAR label for the Pier 69 headquarters building. Moreover, we completed and unfolded Port's Centennial Website with map, timeline and stories of the Port. Finally, we completed a couple of bond refunding in 2010 for a total of $29.7 million present value savings and we received ratings upgrades from Moody's and S&P.

Major Capital Projects

We completed a number of capital projects in 2010. The Runway 16C panel replacement completed ahead of schedule and on budget. Other key projects completed in 2010 included the Emergency Generators, Burien Demolition, Town & Country Demolition, T-91 Cruise Terminal Modification, T115 Dock Reconstruction completed 2Q 2010, and T-5 Maintenance Dredging. We also successfully implemented enterprise asset and service management software, replaced the Permit Compliance Tracking System, enabled free wireless access at the airport, expanded the ticketing system at the airport, and deployed security technology and infrastructure for the Marine Domain Awareness project. Additionally, we continued to make progress on the Consolidated Rental Car Facility projects, Precondition Air project, Terminal Realignment project, North Harbor Island Mooring Dolphins construction project, and East Marginal Way Grade Separation project.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/10

INCOME STATEMENT

Income Statement As of Date: 2010-12-31							
	2009	2010	2010	2010 Bud Var		Change from 2009	
$ in 000's	Actual	Actual	Budget	$	%	$	%
Revenues:							
Aviation	328,239	342,174	354,299	(12,125)	-3.4%	13,935	4.2%
Seaport	90,392	97,279	92,544	4,735	5.1%	6,887	7.6%
Real Estate	30,430	30,391	29,923	468	1.6%	(39)	-0.1%
Capital Development	-	36	-	36	0.0%	36	n/a
Corporate	374	610	18	592	3289.4%	237	63.3%
Total Revenues	**449,435**	**470,490**	**476,784**	**(6,293)**	**-1.3%**	**21,056**	**4.7%**
Operating & Maintenance:							
Aviation	122,747	126,481	127,745	1,264	1.0%	3,735	3.0%
Seaport	21,362	19,253	22,466	3,213	14.3%	(2,110)	-9.9%
Real Estate	28,346	30,735	31,629	894	2.8%	2,388	8.4%
Capital Development	7,831	9,335	8,898	(437)	-4.9%	1,504	19.2%
Corporate	65,481	67,391	71,958	4,567	6.3%	1,911	2.9%
Total O&M Costs	**245,767**	**253,195**	**262,696**	**9,501**	**3.6%**	**7,428**	**3.0%**
Operating Income Before Depreciation	**203,668**	**217,295**	**214,088**	**3,208**	**1.5%**	**13,627**	**6.7%**
Depreciation	157,068	160,775	158,575	(2,199)	-1.4%	3,707	2.4%
Operating Income after Depreciation	**46,600**	**56,520**	**55,512**	**1,008**	**1.8%**	**9,920**	**21.3%**

IMPORTANT NOTE:

We reclassified $2.2 million operating grant revenues and $20.0 million environmental expenses from operating accounts to non-operating accounts after the 2010 budget was finalized. The numbers shown in the "Budget" columns hereinafter reflect all the changes after the account reclassifications.

Seaport, Real Estate and Corporate revenues for 2009 were also reduced by $633 thousand, $5 thousand and $732 thousand, respectively due to reclassification from operating to non-operating revenues and expenses were also reduced $3.8 million in Seaport and $124 thousand in Real Estate in order provide meaningful comparison.

All the numbers in the table above are on an Org basis while the actual numbers for the operating divisions are on a Subclass basis.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/10

KEY PERFORMANCE INDICATORS

	2009 Actual	2010 Actual	2010 Budget	Actual/Budget Var	Actual/Budget Var %	2010 vs. 2009 Chg	2010 vs. 2009 Chg %
Enplanements (in 000's)	15,610	15,773	15,361	412	2.7%	163	1.0%
Landed Weight (lbs in 000's)	20,388	19,786	20,364	(578)	-2.8%	(602)	-3.0%
Passenger CPE (in $)	10.92	11.63	12.69	(1.06)	-8.4%	0.7	6.5%
Container Volume (TEU's in 000's)	1,585	2,140	1,600	540	33.8%	555	35.0%
Grain Volume (metric tons in 000's)	5,512	5,491	5,000	491	9.8%	(21)	-0.4%
Cruise Passenger (in 000's)	875	932	849	83	9.8%	57	6.5%
Commercial Property Occupancy	88.0%	88.0%	90.0%	-2.0%	-2.2%	0.0%	0.0%
Shilshole Bay Marina Occupancy	95.5%	94.0%	94.6%	-0.6%	-0.6%	-1.5%	-1.6%
Fishermen's Terminal Occupancy	80.6%	87.0%	78.5%	8.5%	10.8%	6.4%	7.9%

CAPITAL SPENDING RESULTS

Division	2010 Actual	2010 Budget	Budget Variance	Plan of Finance
($ in millions)				
Aviation	$ 183.6	$ 247.6	$ 64.0	$ 275.8
Seaport	11.2	30.9	19.7	30.6
Real Estate	4.0	11.8	7.8	12.1
Corporate	3.8	16.7	12.8	10.5
Total	$ 202.6	$ 306.9	$ 104.3	$ 329.1

PORTWIDE INVESTMENT PORTFOLIO

The investment portfolio for the fourth quarter of 2010 earned 1.55% against our benchmark (The Bank of America Merrill Lynch 3-year Treasury/Agency Index) of 0.64%.For the past twelve months the portfolio has earned 2.17% against the benchmark of 0.72%. Since the Port became its own Treasurer in 2002, the Port’s portfolio life-to-date has earned 3.58% against our benchmark of 2.65%.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

FINANCIAL SUMMARY

$ in 000's	2008 Actual	2009 Actual	2010 Actual	2010 Budget	Actual/Budget Var $	Actual/Budget Var %
Operating Revenues						
Aeronautical	204,361	182,534	198,329	210,367	(12,038)	-5.7%
Non-Aeronautical	150,528	137,348	135,418	135,128	290	0.2%
Other	3,440	8,359	8,426	8,803	(377)	-4.3%
Operating Revenues	358,329	328,241	342,173	354,299	(12,126)	-3.4%
Operating Expenses	192,641	175,482	177,871	182,075	4,203	2.3%
Environmental Remediation Liability	2,542	1,991	3,271	2,971	(300)	-10.1%
VSP, HR10 & Unemployment	-	1,196	-	-	-	n/a
OPEB Reversal	-	(4,016)	-	-	-	n/a
Total Operating Expenses	195,183	174,654	181,142	185,045	3,903	2.1%
Net Operating Income	163,146	153,587	161,031	169,254	(8,223)	-4.9%
Capital Expenditures	209,813	191,479	183,578	247,567	63,989	25.8%

- Aeronautical revenues were $12.0 million lower than budget due to lower interest rates of variable rate bonds, not utilizing commercial paper financing as budgeted, and lower operating costs.
- An overage of $290K in non-airline revenues was realized as strong Concessions sales more than offset underperforming Public Parking.
- Operating expense was favorable by $3.9 million mainly due to savings from payroll benefits and Corporate allocations, offset with deficits from unbudgeted back-up power generator costs, janitorial contract cost of living increase, unemployment benefits, and B&O taxes budgeted using incorrect rates..
- $183.6 million was spent on capital projects in 2010, 74.2% of the 2010 budget of $247.6 million.

A. BUSINESS EVENTS

- Terminal realignment in progress.
- Resolved zoning issue with City of Seatac related to airport property and possible new development by FAA.
- Yellow Cab contract began November 1.

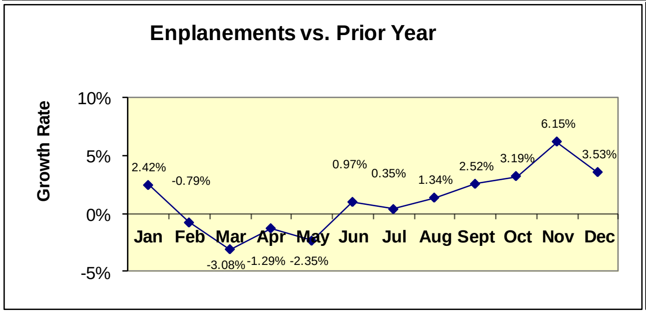
STRATEGIC INITIATIVES PERFORMANCE

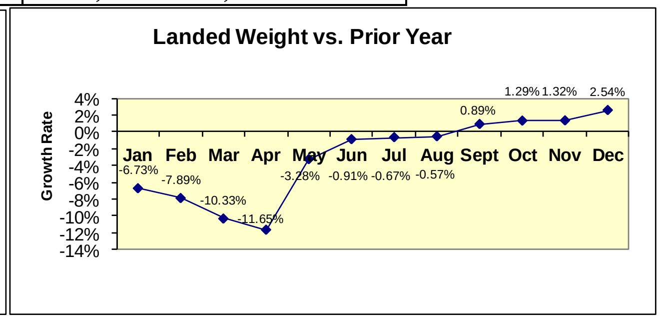
- Customer Service
  - New service to Osaka started in June
  - Initiated terminal realignment with airline agreement
- Non-aeronautical Business
  - New concession agreements with taxis and limousine service
- Environmental Leadership
  - Completed design and initiated construction on PC Air Project
  - Secured grants for electric ground service equipment project
- Supportive Community
  - Executed voluntary runway use plan with FAA
- Employee Development
  - Completed internal internship program with eight interns
- Asset Management
  - South Satellite as prototype

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

B. KEY PERFORMANCE METRICS

Figures in 000s	2009 Q4	2010 Q4	% Variance	2009 Actual	2010 Actual	% Variance
Enplanements	3,686	3,842	4.2%	15,610	15,773	1.0%
Landed Weight	4,792	4,874	1.7%	20,388	19,786	-3.0%





- Enplanements in the fourth quarter of 2010 were 4.2% greater than enplanements in the fourth quarter of 2009.
- There was an overall growth of 1% in enplaned passengers over last year despite a decrease of 3% in landed weight.

	2008 Actual	2009 Actual	2010 Actual	2010 Budget	Actual/Budget Var $	Actual/Budget Var %
Non-Aero NOI ($ in 000s)	86,474	81,159	78,203	75,688	2,515	3.3%
Passenger Airline CPE	11.89	10.92	11.63	12.69	1.06	8.3%
Total Operating Cost / Enpl	12.13	11.19	11.48	12.05	0.56	4.7%
Debt Service Coverage	1.40	1.41	1.39	1.35	0.04	2.6%

- CPE came in lower than the budget primarily due to significant savings to Terminal debt service, lower operating costs and increased enplanements.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

C. OPERATING RESULTS

Division Summary

$ in 000's	2008 Actual	2009 Actual	2010 Actual	2010 Budget	Actual/Budget Var $	Actual/Budget Var %
Total Operating Revenues	358,329	328,241	342,173	354,299	(12,126)	-3.4%
Operating Expenses						
Salaries & Benefits	89,458	80,804	76,036	78,103	2,067	2.6%
Outside Services	31,928	21,509	22,519	24,848	2,329	9.4%
Utilities	12,636	13,209	11,381	12,762	1,381	10.8%
VSP, HR10 & Unemployment Savings	-	1,196	-	-	-	n/a
OPEB Reversal	-	(4,016)	-	-	-	n/a
Environmental Remediation Liability	2,542	1,991	3,271	2,971	(300)	-10.1%
Other Expenses	6,135	8,183	13,275	9,063	(4,212)	-46.5%
Baseline Airport Expenses	142,699	122,877	126,481	127,745	1,264	1.0%
Corporate Expenses	34,940	31,181	32,558	34,776	2,217	6.4%
Police Expenses	15,287	14,461	14,317	15,170	853	5.6%
Capital Development/Other Expenses	2,257	6,135	7,785	7,354	(431)	-5.9%
Total Operating Expenses	195,183	174,654	181,142	185,045	3,903	2.1%
Net Operating Income	163,146	153,587	161,031	169,254	(8,223)	-4.9%
Depreciation Expense	107,349	117,731	119,538	116,933	(2,605)	-2.2%
Non-Operating Rev/(Exp)						
Grants & Donations Revenues	49,461	74,323	30,040	37,208	(7,169)	-19.3%
Passenger Facility Charges	60,708	59,689	59,744	58,535	1,209	2.1%
Customer Facility Charges	23,534	21,866	23,243	22,475	768	3.4%
Other Non-operating Rev/(Exp)	(103,316)	(109,398)	(122,549)	(127,848)	5,298	-4.1%
Total Non-Operating Rev/(Exp)	30,386	46,481	(9,522)	(9,629)	107	-1.1%
Total Revenue Over Expense	86,183	82,337	31,971	42,692	(10,721)	-25.1%

- Operating revenues were $12.1 million unfavorable overall due to lower revenue requirements for Air Terminal operations from reduced debt service on variable rate bonds.
- Operating expense was $4 million favorable.
    - Savings are from payroll benefits $2M, utilities commodities $1.4M, International Lounge expenses $218K, deferral of South Access Study $450K, FTE vacancies $218K and Corporate and Police allocations $3.0M.
    - Budget deficits are from back-up power generators not budgeted $1.6M, litigated injury and damages claims $1.0M, janitorial contract cost of living increase $255K, unemployment benefits $400K, and B&O taxes budgeted using incorrect rates $550K.
- Grants and Donations lower than budget due to delayed projects spending of PC Air Vale grant $5.3M and Parkside Elementary HSD $1.9M.
- Customer Facility Charges over budget due to rental car transaction days staying 5% over budget assumptions.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

Aeronautical Business Unit Summary

$ in 000's	2008 Actual	2009 Actual	2010 Actual	2010 Budget	Actual/Budget Var $	Actual/Budget Var %
Revenues requirement:						
Capital Costs	81,535	72,013	82,083	92,610	10,527	11.4%
Operating Costs net Non-Aero	131,024	118,456	122,985	125,605	2,620	2.1%
Total Costs	212,559	190,469	205,067	218,215	13,147	6.0%
FIS Offset	(5,250)	(5,250)	(7,000)	(7,000)	-	0.0%
Other Offsets	(15,686)	(16,441)	(14,825)	(15,062)	(237)	-1.6%
Net Revenue Requirement	191,623	168,778	183,243	196,153	12,911	6.6%
Other Aero Revenues	12,738	13,757	15,087	14,215	(871)	-6.1%
Total Aero Revenues	204,361	182,534	198,329	210,369	12,039	5.7%
Less: Non-passenger Airline Costs	13,039	12,074	14,885	15,485	(599)	-3.9%
Net Passenger Airline Costs	191,323	170,460	183,444	194,884	12,639	6.5%

	2008 Actual	2009 Actual	2010 Actual	2010 Budget	Actual/Budget Var $	Actual/Budget Var %
Cost Per Enplanement:						
Capital Costs / Enpl	5.22	4.61	5.20	6.03	0.83	13.7%
Operating Costs / Enpl	8.39	7.59	7.80	8.18	0.38	4.6%
Offsets	(1.30)	(1.39)	(1.38)	(1.44)	(0.05)	3.7%
Other Aero Revenues	0.79	0.88	0.96	0.93	(0.03)	-3.4%
Non-passenger Airline Costs	(0.84)	(0.77)	(0.94)	(1.01)	(0.06)	6.4%
Passenger Airline CPE	**11.89**	**10.92**	**11.63**	**12.69**	**1.06**	**8.3%**

- Capital costs lower than budget due to reduced debt service on variable rate bonds.
- Operating costs were $2.6 million lower due to cost savings from payroll benefits and Corporate and Police allocations.
- Other offsets are lower than budget due to reduced Terminal debt service.
- Other aeronautical revenues were greater than budget due to airfield land rental and gate parking revenues.
- Passenger airline cost per enplanement (CPE) was $11.63, a reduction of $1.02 from budget. With the budgeted enplanements, CPE would be $11.98, a reduction of $.71.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

Non-Aero Business Unit Summary

$ in 000's	2008 Actual	2009 Actual	2010 Actual	2010 Budget	Actual/Budget Var $	Actual/Budget Var %
Revenues:						
Public Parking	59,111	49,688	49,416	51,812	(2,396)	-4.6%
Rental Cars	35,592	33,321	30,309	31,014	(705)	-2.3%
Concessions	33,181	33,482	33,765	29,953	3,812	12.7%
Other	22,644	20,858	21,929	22,350	(421)	-1.9%
Total Revenues	150,528	137,348	135,418	135,128	290	0.2%
Operating Expense	61,279	55,916	54,743	56,732	1,988	3.5%
Share of terminal O&M	16,396	17,011	16,935	17,174	238	1.4%
Less utility internal billing	(13,515)	(16,738)	(14,464)	(14,466)	2	0.0%
Net Operating & Maint	64,160	56,189	57,215	59,440	2,225	3.7%
Net Operating Income	86,367	81,159	78,203	75,688	2,515	3.3%

	2008 Actual	2009 Actual	2010 Actual	2010 Budget	Actual/Budget Var $	Actual/Budget Var %
Revenues Per Enplanement						
Parking	3.67	3.18	3.13	3.37	(0.24)	-7.1%
Rental Car	2.21	2.13	1.92	2.02	(0.10)	-4.8%
Concessions	2.06	2.14	2.14	1.95	0.19	9.8%
Other	1.41	1.34	1.39	1.45	(0.06)	-4.4%
Total Revenues	9.36	8.80	8.59	8.80	(0.21)	-2.4%
Primary Concessions Sales / Enpl	10.29	9.66	9.99	9.78	0.21	2.1%

- Public Parking revenues shortfall due to decrease of short-term transactions and the Doug Fox contract. Positive transactions trend in the past four months.
- Rental Car revenues were budgeted using higher industry gross sales.
- Concession revenues were better than expected due to space rental income $1.1M, advertising $500K, food & beverages $1.1M, retail/duty free $1M, Google Wi-Fi deal.
- Concessions revenues were higher than budgeted due to steady gains in sales per enplanement (actual $9.99 vs. budget of $9.78).
- Operating expense under spent due to outside services not utilized for the Club International Lounge $512K.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

Non-Aero Activity Summary

	2008 Actual	2009 Actual	2010 Actual	2010 Budget	2010 Var to Budget	2010 vs 2009 Actual	Yr to Yr % Var
Garage Parking							
Transactions: 0-3 Hours	1,676,276	1,581,271	1,413,600	1,516,420	(102,820)	(167,671)	-10.6%
Transactions: 3-24 Hours	195,224	164,924	168,604	171,501	(2,897)	3,680	2.2%
Transactions: 1-4 Days	419,077	351,011	357,594	368,104	(10,510)	6,583	1.9%
Transactions: +4 Days	130,758	105,862	105,670	113,468	(7,798)	(192)	-0.2%
	2,421,335	2,203,068	2,045,468	2,169,493	(124,025)	(157,600)	-7.2%
Revenue to Port ($000)	**$ 53,548**	**$ 44,797**	**$ 45,060**	**$ 46,911**	**$ (1,851)**	**$ 263**	**0.6%**
Rental Cars							
Transactions Cars	1,210,954	1,019,534	1,075,568	1,064,000	11,568	56,034	5.5%
Transactions Days	5,199,183	4,388,906	4,695,879	4,495,000	200,879	306,973	7.0%
Revenue to Port ($000)	**$ 28,474**	**$ 26,140**	**$ 23,129**	**$ 23,834**	**$ (705)**	**$ (3,011)**	**-11.5%**
Ground Transportation							
Trips	2,145,898	1,919,508	1,790,374	1,949,389	(159,015)	(129,134)	-6.7%
Revenue to Port ($000)	**$ 4,691**	**$ 4,629**	**$ 4,814**	**$ 4,432**	**$ 383**	**$ 185**	**4.0%**
Primary Concessions							
Sales	165,391,237	150,682,463	157,551,180	150,123,000	7,428,180.00	6,868,717.00	4.6%
SPE	10.29	9.66	9.99	9.78	0.21	0.33	3.4%
Revenue to Port ($000)	**$ 22,594**	**$ 20,593**	**$ 21,617**	**$ 19,516**	**$ 2,101**	**$ 1,024**	**5.0%**

Garage Parking
- Transactions: Number of vehicles paying to park in the General & Direct garage parking.
- Revenue to Port: Revenue from airport garage parking (net of all taxes).

Rental Cars
- Revenue to Port: 10% of gross sales generated by rental cars (does not include space rent).

Primary Concessions
- Sales: Total sales generated by the Primary Concessionaires.
- Revenue to Port: Revenue generated by Food/Beverage and Retail/Duty Free.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

Net Cash Flow: NOI after Debt Service and Interest Income

$ in 000's	2008 Actual	2009 Actual	2010 Actual	2010 Budget	Actual/Budget Var $	Actual/Budget Var %
Aeronautical						
Net Operating Income (NOI)	72,583	65,985	74,402	84,763	(10,360)	-12.2%
Debt Service	78,526	68,767	73,080	83,607	10,527	12.6%
NOI After Debt Service	(5,943)	(2,781)	1,323	1,156	167	14.5%
Non-Aeronautical						
Net Operating Income (NOI)	86,474	81,159	78,203	75,688	2,515	3.3%
Debt Service	41,762	39,241	41,752	40,921	(830)	-2.0%
NOI After Debt Service	44,712	41,917	36,451	34,767	1,684	4.8%
Fuel Hydrant Revenue	3,440	8,359	8,426	8,803	(377)	-4.3%
Total Aviation						
NOI	162,496	155,503	161,031	169,254	(8,223)	-4.9%
Debt Service	120,288	108,008	114,831	124,528	9,697	7.8%
NOI After Debt Service	42,208	47,495	46,200	44,726	1,474	3.3%
Add ADF Interest Income	11,462	8,853	6,297	7,065	(768)	-10.9%
Less Non-Cash Fuel Hydrant Revenue	(2,926)	(7,845)	(7,912)	(7,845)	(67)	0.8%
Net Cash Flow after D/S & Interest Inc.	50,745	48,503	44,585	43,946	639	1.5%

D. CAPITAL SPENDING RESULTS

$ in 000's	2010 Actual	2010 Budget	Actual/Budget Var $	Actual/Budget Var %	2010 Plan of Finance
Rental Car Facility	143,076	174,699	31,623	18.1%	157,818
Third Runway	1,897	7,714	5,817	75.4%	5,549
North Expressway Relocation Phase 1	2,781	5,600	2,819	50.3%	13,000
Runway 16C-34C Panel Replacement	2,736	5,450	2,714	49.8%	-
Loading Bridges Utilities	235	2,900	2,665	91.9%	3,500
Alaska Air 2 Step Ticket Counter	-	2,015	2,015	100.0%	-
Garage Escalator and "A" Elevator Upgrade	1,265	2,300	1,035	45.0%	3,811
Apron Pavement Rehabilitation - 3	1,359	2,382	1,023	42.9%	2,500
All Other	30,229	44,507	14,278	32.1%	89,654
Total Aviation	183,578	247,567	63,989	25.8%	275,832

- Rental Car Facility savings from favorable bids, delays in expenditures. Turner's construction expenditures have lagged behind the cash flows they provided because ORI, BMF and Main Terminal Improvements projects have experienced schedule delays.
- Pond M of Third Runway project will be completed in 2011.
- Runway 16C/34C panel replacement bids came in significantly under engineer's estimate.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

FINANCIAL SUMMARY

$ in 000's	2009 Actual	2010 Actual	2010 Budget	Budget Var $	Budget Var %
Operating Revenue	89,844	96,060	90,134	5,925	7%
Security Grants	847	1,791	2,535	(744)	-29%
Total Revenues	**90,691**	**97,850**	**92,669**	**5,181**	**6%**
Total Operating Expenses	**40,545**	**39,321**	**43,324**	**4,004**	**9%**
Net Operating Income	**50,145**	**58,530**	**49,345**	**9,185**	**19%**
Capital Expenditures	**44,677**	**11,172**	**30,784**	**19,612**	**64%**

- Total Seaport revenues were $5,181K favorable for the year partially due to a non-cash accounting adjustment resulting from a modification in GAAP straight line rent adjustment methodology required for container terminal leases. Revenues were also favorable due to higher crane rent, cruise revenue and grain volumes, partially offset by lower than anticipated Environmental Grant and Security Grant revenue.
- Total Operating Expenses were $4,004K favorable due to delays in starting some budgeted projects and other anticipated work that was not necessary, third party security grant project costs which were pushed back until 2011, open Seaport positions, lower than budgeted benefit costs, expense contingency amounts that were not needed, and lower corporate expenses.
- Full Year 2010 Net Operating Income of $58,530K is $9,185K favorable to the 2010 Budget and $8,384K higher than 2009 Actual NOI.
- Total capital spending for 2010 was $11.2 million or 36% of the Approved Annual Budget.

A. BUSINESS EVENTS

- The Seattle Harbor had a record-breaking year in 2010 at 2,140K TEU's surpassing the previous high set in 2005 at 2,088K TEU's. 2010 results represent a 35.0% increase compared to 2009 levels.
- Consolidated West Coast Port results for 2010 show an overall increase in TEU volume of 17.7% compared to volumes in 2009.

TEU Volume (in 000's)	2010	2009	% change
Long Beach	6,263	5,068	23.6%
Los Angeles	7,832	6,749	16.0%
Oakland	2,330	2,045	13.9%
Portland	181	174	4.0%
Prince Rupert	343	265	29.5%
Seattle	**2,140**	**1,585**	**35.0%**
Tacoma	1,455	1,546	-5.8%
Vancouver	2,514	2,152	16.8%
West Coast - Total:	**23,059**	**19,584**	**17.7%**

- Grain vessels shipped 5,491K metric tons of grain through Terminal 86 in 2010. Amount is consistent with 2009 grain volumes of 5,512 metric tons. 2010 actual volume is 10% higher than 2010 budgeted volume.
- The 2010 cruise season ended on October 1st, breaking Seattle cruise records with 223 sailing and 931,698 passengers. Passenger volumes exceeded the prior record of 886,039 passengers, set in 2008, by 5.2%.
- Inaugural year for use of Smith Cove Cruise Terminal as an event site.

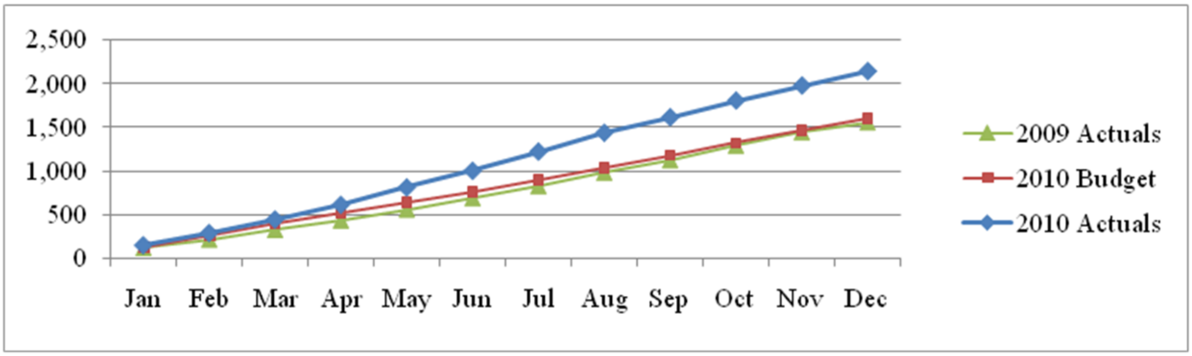
III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

- Executed new lease with PCC Logistics at Terminal 104.
- Louis Dreyfus exercised option for 5 year lease extension at Terminal 86.
- Implementation of the Northwest Ports Clean Air Strategy continued:
  - At-Berth Clean Fuels Vessel Incentive Program (ABC Program) - 400 participating calls were made in 2010. Overall 72.4% of frequent caller vessels participated in the program which was just slightly below the goal of 80%.
  - Under the Scrappage and Retrofits for Air in Puget Sound program (ScRAPS Program) 270 pre-1994 drayage trucks have been taken off the road since the inception of the program.
- AAPA award for Environmental Compliance Assessment Program.
- Authorization of $3.4 million investment in the Spokane Street Widening project.

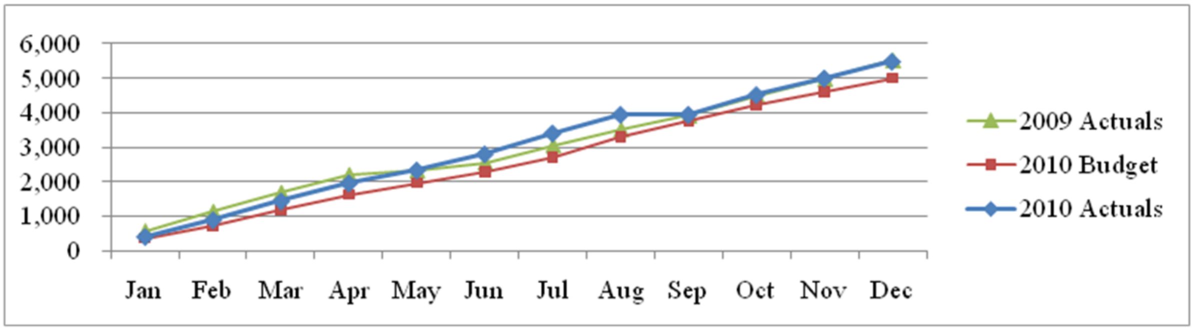
III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

B. KEY PERFORMANCE METRICS

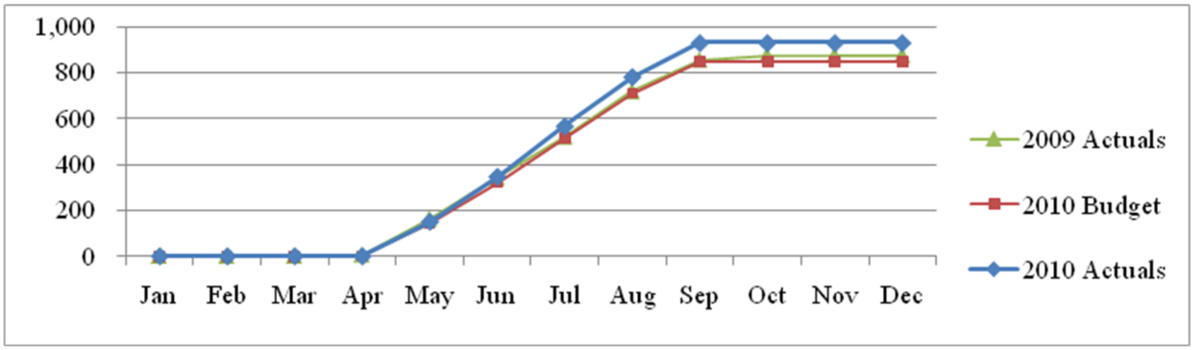
Container Volume – TEU's in 000's



Grain Volume – Metric Tons in 000's



Cruise Passengers in 000's



Net Operating Income Before Depreciation By Business

$ in 000's	2009 Actual	2010 Actual	2010 Budget	2010 Bud Var $	2010 Bud Var %	Change from 2009 $	Change from 2009 %
Containers	37,250	44,513	37,694	6,819	18%	7,263	19%
Container Support Props	(894)	576	974	(398)	-41%	1,470	-164%
Cruise	5,340	6,987	5,091	1,896	37%	1,647	31%
Grain	4,748	4,955	4,396	559	13%	206	4%
Docks/Industrial Props	5,033	4,146	2,708	1,438	53%	(886)	-18%
Security	(1,307)	(1,477)	(1,618)	141	9%	(169)	-13%
Envir Grants/Remed Liab	(24)	(1,170)	100	(1,270)	-1270%	(1,146)	-4823%
Total Seaport	50,145	58,530	49,345	9,185	19%	8,384	17%

C. OPERATING RESULTS

	2009	2010		2010 Bud Var		Change from 2009	
$ in 000's	Actual	Actual	Budget	$	%	$	%
Operating Revenue	89,844	96,060	90,134	5,925	7%	6,216	7%
Security Grants	847	1,791	2,535	(744)	-29%	944	111%
Total Revenue	**90,691**	**97,850**	**92,669**	**5,181**	**6%**	**7,160**	**8%**
Direct Expenses	25,108	20,780	22,698	1,918	8%	(4,328)	-17%
Security Grant Expense	860	1,983	2,689	706	26%	1,123	131%
Envir Remediation Liability	24	1,170	1,500	330	22%	1,146	4823%
Divisional Allocations	2,123	2,354	2,575	221	9%	231	11%
Corporate Allocations	12,430	13,033	13,862	829	6%	603	5%
Total Expense	**40,545**	**39,321**	**43,324**	**4,004**	**9%**	**(1,225)**	**-3%**
NOI Before Depreciation	**50,145**	**58,530**	**49,345**	**9,185**	**19%**	**8,384**	**17%**
Depreciation	29,385	31,212	31,974	763	2%	1,827	6%
NOI After Depreciation	**20,761**	**27,318**	**17,370**	**9,947**	**57%**	**6,557**	**32%**

Total Seaport revenues were $5,181K favorable to budget. Key variances are as follows:

Containers and Support Properties - favorable $4,480K

- Containers $4,843K favorable. Space Rent favorable $1,858K due to modification in GAAP straight line rent adjustment methodology for Terminal 5 and the addition of Terminals 30 and 46 in the calculation. Crane Rent Revenue $2,710K favorable due to higher volumes and related crane usage at Terminal 5 and Terminal 18. Intermodal Revenue $228K favorable due to higher Terminal 5 intermodal volumes.
- Support Properties ($363K) unfavorable due to lower than budgeted rents from Terminal 104, continued warehouse vacancy at Terminal 106, and lower than anticipated liquid bulk volumes at the Terminal 18 facility.

Cruise and Industrial Properties - favorable $3,045K

- Cruise $1,359K favorable due to higher than anticipated passenger volumes $589K, additional Savings Rent $348K from cost savings on CTA allowable expenses, higher than anticipated utility revenue $227K (correction to utility billing methodology), and maintenance reimburseable work not anticipated in the budget $196K.
- Bulk Terminals $502K favorable. Terminal 86 grain volume exceeded budget by 10%.
- Docks $675K favorable due to higher use of berths by fishing preferential use customers partially offset by lower usage by barges and other non-fishing vessels $219K. Additional favorable variances due to revenue from maintenance and other services performed for customers $231K, higher than anticipated storage fee revenue $128K and utility revenue $99K.
- Industrial Properties $509K favorable primarily due to higher than anticipated utility revenue $331K at Terminal 91. Space rent was also higher than budget $135K due to increased rents from leases which were amended after completion of the 2010 budget and higher than anticipated Carnitech percentage rent.

Environmental Grants - unfavorable ($1,600K)

- Environmental Grant revenue ($1,600K) unfavorable due to overstatement of grant in budget. Amount represents a grant received by the Port which is passed through to the City. Amounts received should have been budgeted as offset by amounts paid to the City for a net amount of $0.

Security Grants - unfavorable ($744K).

- Security Grants ($744K) unfavorable due to Rounds 6 and 7 grant activities commencing later than planned. Unfavorable revenue variance is largely offset by corresponding favorable expense variance.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

Expenses were $4,004K favorable to budget. Key variances:

- **Security Grant Expenses** favorable $706K due to Rounds 6 and 7 grant activities commencing later than planned. Favorable expense variance is offset by corresponding unfavorable revenue variance.
- **Environmental Liability Expense** favorable $330K due to lower estimated future clean-up costs than assumed in Budget.
- **Seaport Salaries and Benefits** (excluding Security) direct charged to Seaport favorable $415K due to elimination of the SPT&S Director's position, later than expected hiring of eastern Washington Rep position in Asia Business Development, and lower than expected benefits expense (as a percentage of salaries).
- **Advertising, Promotional Hosting, and Trade Business & Community expense** favorable $172K primarily due to lower than anticipated spending by Commercial Strategy group ($148K).
- **Outside Services** (excluding Corporate, CDD, and Security Grants) were favorable $1,104K due to delays in starting budgeted projects and/or work that was anticipated, but then not needed in 2010. Projects and programs with later work commencement include Environmental Services $287K for storm water and air programs, a condition assessment and associated repairs at Terminal 103, asphalt and roof repairs at Terminal 46 and a rail survey at Terminal 115. Work that was anticipated, but then not needed were studies by Strategic Planning $55K, crane work at Terminal 46, and tenant improvements/brokerage fees at Terminal 115. In addition, an expense project to install bollards at Pier 90 has been re-scoped and is proceeding as a capital project $200K. Budgeted work for under dock inspection work and Terminal 5 maintenance dredging are on schedule, but a portion of the actual costs were reflected in CDD actual expenses.
- **Miscellaneous Expense** was favorable $399K due to relocation expenses budgeted for 2010, but largely deferred until 2011 ($139K) and due to unused Seaport Division Contingency budget ($500K), partially offset by higher than budgeted tribal mitigation costs ($147K).
- **Corporate** costs, direct and allocated were favorable $1,225K due to lower than anticipated direct charges and allocations from virtually all orgs/departments including Contingencies $196K, Police $190K, Accounting and Financial Reporting $159K, Human Resources $126K, Risk $117K, and Legal $100K.
- **CDD** costs, direct and allocated were unfavorable ($280K) primarily due to higher than anticipated direct charges and allocations from Port Construction Services, for various locations including the Pier 28 barge layberth project which had been deferred from 2009.
- All other variances netted to an unfavorable ($67K) or less than 1% of Total Expenses Budgeted.

NOI Before Depreciation was $9,185K favorable to budget.

Depreciation was $763K, or approximately 2%, favorable to the 2010 Budget.

NOI After Depreciation was $9,947K favorable to budget.

Change from 2009 Actual

NOI Before Depreciation for 2010 increased by $8,384K from 2009. Revenue is up $7,160K from the prior year due to higher lease rents related to the newly redeveloped Terminal 30 ($2,900K), modification in GAAP straight line rent adjustment methodology for Terminal 5 and the addition of Terminals 30 and 46 in the calculation ($1,808K), full year effect of the blended eagle rate increase effective mid-2009 ($1,059K), higher cruise revenue $1,359K and higher security grant revenue $944K. Amounts were partially offset by 2009 revenue from King County for the T30 Upland Dredge Disposal project ($1,382K). Overall expenses in 2010 are $1,225K lower due a significant reduction in direct expenses from 2009 related to the Terminal 30 Upland Dredge Disposal project $2,644K, expensing of design costs associated with the Terminal 25 South Container Yard project and the expensing of costs for the Pier 24 habitat project $1,322K, and bad debt expense for T104 lease. Amount is largely offset by higher security grant expenses, environmental remediation liability expense and corporate and divisional allocations.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

D. CAPITAL SPENDING RESULTS

$ in 000's	2010 Actual	2010 Approved Budget	Variance EstActs to Budget	EstActs as a % of Budget	2010 Plan of Finance
Terminal 18	884	4,771	3,887	19%	3,319
Terminal 5	818	4,744	3,926	17%	6,468
Terminal 10	309	4,607	4,298	7%	4,412
Security	949	3,258	2,309	29%	826
Terminal 115	3,226	3,793	567	85%	1,841
All Other	4,986	9,611	4,625	52%	13,752
Total Seaport	11,172	30,784	19,612	36%	30,618

Comments on Key Projects:

Full year spending for Seaport was 36% of the Approved Capital Budget.

Projects with significant changes in spending were:

- **Terminal 18 Street Vacations** – Due to changes in the timing of the project, some spending was moved out to 2011.
- **Terminal 18 Pile Cap Improvements** – Funds moved to 2011. Project under evaluation.
- **Terminal 10 Interim Development –** Construction pushed to 2011.
- **Terminal 5 Crane Cable Reels –** Equipment delivery expected in 1st quarter 2011.
- **Security** – Security Grant Round 6 projects are currently expected to come in $1M lower than authorized. Received final approval from FEMA to utilize the $1M on other projects in 2011. Spending on Security Grant Round 7 projects delayed into 2011.
- **All Other –** Primary difference is due to delays in small capital projects and in finding appropriate capital projects to be funded under the Green Port Initiative.

Changes between the 2010 Plan of Finance and the 2010 Approved Budget represent modifications in 2010 spending estimates made after determination of 2009 actual spending.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

FINANCIAL SUMMARY

$ in 000's	2009 Actual	2010 Actual	2010 Budget	Budget Var $	Budget Var %
Operating Revenue	30,132	29,820	29,798	22	0%
Total Revenues	**30,132**	**29,820**	**29,798**	**22**	**0%**
Total Operating Expenses	**29,569**	**31,499**	**32,956**	**1,457**	**4%**
Net Operating Income	**563**	**(1,678)**	**(3,158)**	**1,479**	**47%**
Capital Expenditures	**74,039**	**3,965**	**11,793**	**7,828**	**66%**

- Total Real Estate Division revenues are $22K, or 0.1%, favorable to budget due to higher activity at Bell Harbor International Conference Center and higher occupancy at Fishermen's Terminal. Amounts were largely offset by unfavorable revenue variances resulting from closure of the Portside Café (more than offset by expense savings), lower activity at World Trade Center Club and higher vacancies at commercial and industrial properties.
- Total Operating Expenses are $1,457, or 4%, favorable due to closure of the Portside Café, salary benefits rates below what was assumed in the budget, cost savings related to activities at World Trade Center Club and Bell Harbor International Conference Center, lower maintenance expenses due to delays in project start dates, and lower direct charges and allocations from Corporate. Favorable variances were partially offset by higher utility costs and unexpected litigation reserves.
- Net Operating Income for 2010 is $1,479K above budget for the year and $2,241K below 2009 Actual.
- Capital spending for 2010 was $4.0 million or 34% of the Approved Annual Budget amount of $11.8 million.

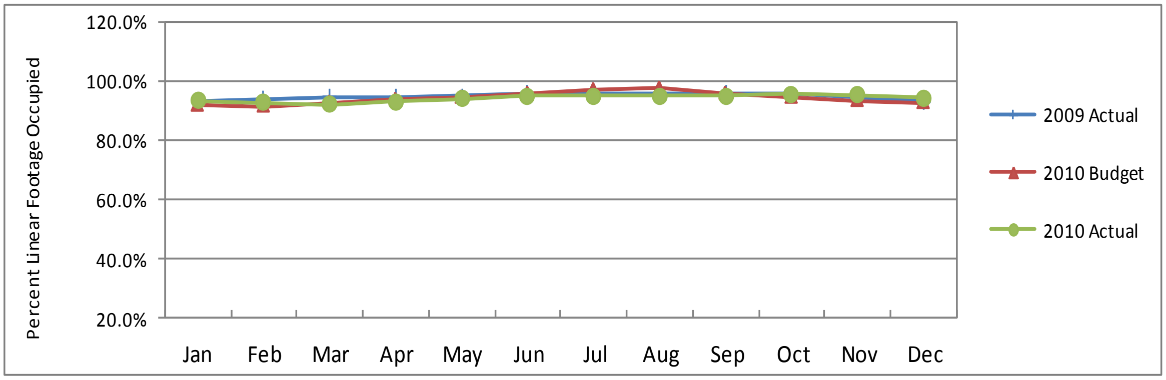
A. BUSINESS EVENTS

- Occupancy levels at Commercial Properties were at 88% at the end of the 2010, which is below the 90% target for the 2010 Budget, but above comparable statistics for the local market at 84%.
- For 2010 full year average, moorage occupancies at Fishermen's Terminal exceeded 2010 Budget targets and at the Maritime Industrial Center were below target. Recreational Marinas were on target at 94% occupied.
- Vessel Liability Insurance requirement effective at Fishermen's Terminal on January 1, 2010. A monitoring and tracking process was implemented at all Harbor Services' facilities, for almost 2,000 customers, to ensure continued compliance at 100%.
- 2010 event activity for Bell Harbor International Conference Center, Maritime Event Center and Smith Cove Cruise Terminal, as measured by number of attendees/guests, was 26% over budget and 23% over 2009.
- Under the management of Columbia Hospitality, 5 events were held at the Smith Cove Cruise Terminal. This was the first year of using the new facility as an event site.
- Former Portside Café management agreement was terminated in May. Through an RFP process the spaced was leased and operations at the Café commenced in early October. Net savings to the Port in 2010 was approximately $50K.
- Closed sale on portions of Eastside Rail Corridor to the City of Redmond and Puget Sound Energy.
- In the 1st quarter, a new lease was executed with water-dependent tenant, Arctic Storm Management Group, for Office and Warehouse/Storage space at Pier 69.
- Electrical consumption at Pier 69 headquarters was the lowest recorded in the history of the building. There has been a 50% reduction in consumption since 2000.
- Pier 69 headquarters earned the ENERGY STAR label for buildings
- Reached settlement with the City of Des Moines regarding South Correctional Entity (SCORE) jail facility

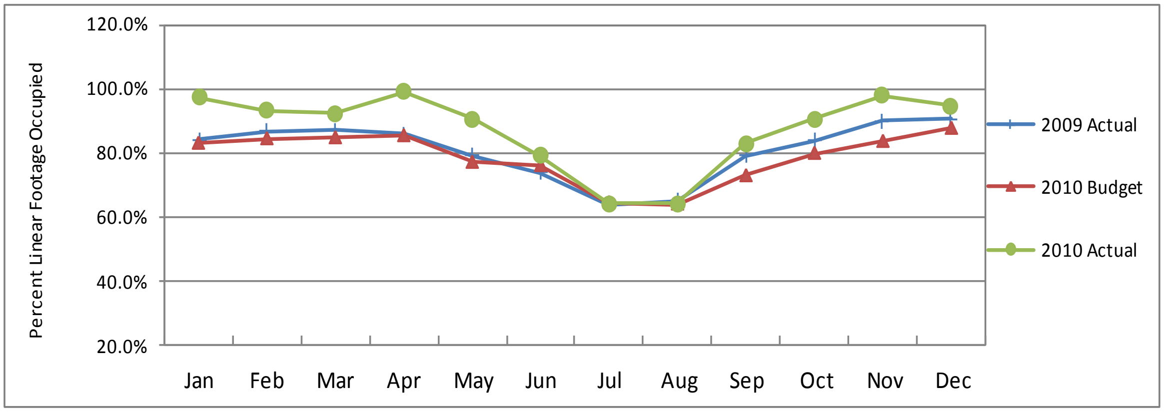
IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

B. KEY PERFORMANCE METRICS

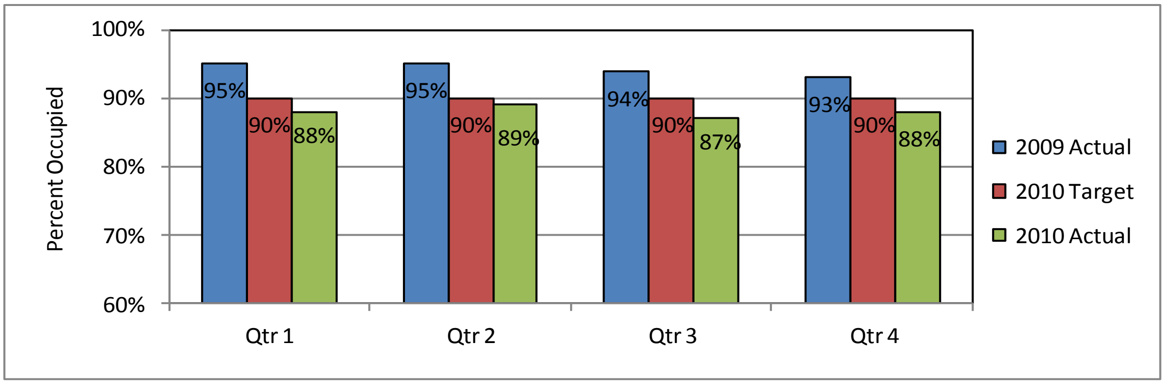
Shilshole Bay Marina Occupancy



Fishermen's Terminal Moorage Occupancy



Commercial Building



Net Operating Income Before Depreciation By Business

$ in 000's	2009 Actual	2010 Actual	2010 Budget	2010 Bud Var $	2010 Bud Var %	Change from 2009 $	Change from 2009 %
Recreational Boating	2,052	1,878	1,236	642	52%	(173)	-8%
Fishing & Commercial	(1,753)	(2,543)	(3,113)	571	18%	(789)	-45%
Commercial & Third Party	661	212	(436)	648	149%	(449)	-68%
Eastside Rail	(79)	(637)	(358)	(279)	-78%	(558)	-709%
RE Development & Plan	(318)	(591)	(486)	(105)	-22%	(273)	-86%
Environmental Reserve	(0)	2	0	2	NA	2	NA
Total Real Estate	563	(1,678)	(3,158)	1,479	47%	(2,241)	-398%

C. OPERATING RESULTS

$ in 000's	2009 Actual	2010 Actual	2010 Budget	2010 Bud Var $	2010 Bud Var %	Change from 2009 $	Change from 2009 %
Operating Revenue	30,132	29,820	29,798	22	0%	(312)	-1%
Total Revenue	**30,132**	**29,820**	**29,798**	**22**	**0%**	**(312)**	**-1%**
Direct Expenses	27,525	29,503	30,949	1,445	5%	1,979	7%
Envir Remediation Liability	0	(2)	0	2	NA	(2)	-1376%
Divisional Allocations	(3,200)	(3,485)	(3,802)	(317)	-8%	(284)	-9%
Corporate Allocations	5,244	5,481	5,808	327	6%	237	5%
Total Expense	**29,569**	**31,499**	**32,956**	**1,457**	**4%**	**1,930**	**7%**
NOI Before Depreciation	**563**	**(1,678)**	**(3,158)**	**1,479**	**47%**	**(2,241)**	**-398%**
Depreciation	9,949	10,025	9,659	(366)	-4%	76	1%
NOI After Depreciation	**(9,386)**	**(11,703)**	**(12,817)**	**1,114**	**9%**	**(2,317)**	**-25%**

Total Real Estate revenues were $22K favorable to budget. Key variances are as follows:

Harbor Services: Favorable $288K

- Recreational Boating favorable $28K. The variance amounted to less than 1% of budget.
- Fishing and Commercial favorable $260K due to a shift in the mix of boat sizes to larger vessels. In addition, a delay in the net shed loft removal project has allowed for continued revenue.

Portfolio Management: Unfavorable ($47K)

- Commercial Properties unfavorable ($405K) primarily due to the reconciliation payment to Clipper at P69 ($252K). The payment is to reimburse the tenant for previously incurred street permit costs that per the lease are to be paid by the Port. Future costs will be considered rental credits and are included in the 2011 Budget. Higher than anticipated vacancies at T102 and Fishermen's Terminal Office & Retail also contributed to the negative revenue variance ($227K). The variances are partially offset by Fugro revenue not anticipated in the 2010 Budget $68K.
- Third Party Managed Properties favorable $358K due to higher than anticipated activity at the Bell Harbor International Conference Center $562K partially offset by lower activity at Bell Street Garage ($60K) and World Trade Center Seattle ($140K).

Eastside Rail Corridor: Unfavorable ($41K)

- Eastside Rail Corridor unfavorable ($41K) due to considerable unknowns at time of Budget. Budgeted revenue for the corridor was a rough estimate.

RE Development and Planning: Favorable $6K

- Terminal 91 General Industrial favorable $6K due to unanticipated revenue from Pacific Maritime Association and United States Seafoods. The positive variance is partially offset by M.T. Housing vacating Terminal 91 in 2009. The 2010 Budget assumed occupancy throughout the year.

Facilities Management: Unfavorable ($204K)

- Pier 69 Facilities Management ($204K) due to lower revenues from the Pier 69 Café. The management agreement associated with the Pier 69 Café was terminated April 30, 2010. A new lease has been signed for the space, but revenue will be reported under Portfolio Management.

Maintenance: Favorable $20K

- Maintenance $20K due to unbudgeted license to use fees from parks and recycling fees.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

Total Real Estate expenses were $1,457K favorable to budget. Key variances:

- Salaries and Benefits for Real Estate employees (excluding Maintenance) favorable $541K primarily due to budgeted higher than actual benefit percentages $464K.
- Third Party Management Expense and Management Fees related to the Pier 69 Café were favorable $295K due to the termination of the management agreement on April 30, 2010.
- Third Party Management Expense and Management Fees related to the World Trade Center Club, World Trade Center West and Bell Harbor International Conference Center were favorable $340K due to expense controls by third party managers.
- Outside Services (excluding Maintenance, Corporate, Capital Development, and Capital to Expense) were favorable $457K primarily due to unused and delayed Eastside Rail Corridor consulting and reimbursement expenses $423K.
- Maintenance expenses were favorable $419K primarily due to longer than expected lead times in getting scheduled work underway in 2010.
- Corporate costs, direct and allocated, were favorable $437K primarily due to positive variances in Human Resources $124K, Accounting & Financial Reporting $88K, Police $71K, Public Affairs $42K, Contingencies $66K, and Internal Audit $39K.
- Utilities unfavorable ($255K) due to higher surface water and garbage costs partially offset by lower steam costs.
- Litigated Injuries and Damages unfavorable ($470K) primarily due to reserve set up related to Eastside Rail Corridor.
- Capital to Expense unfavorable ($121K) due to the expensing of capital costs associated with projects to upgrade the Bell Street Garage and to install cathodic protection on pilings at Pier 69.
- All other variances netted to an unfavorable ($186K) or less than 1% of Total Expenses budgeted.

NOI Before Depreciation was $1,479K favorable to budget.

- Depreciation was ($366K) unfavorable to budget primarily due to higher than anticipated depreciation at SBM ($174K). The variance amounted to 3.8% of budget.

NOI After Depreciation was $1,114K favorable to budget.

<u>Change from 2009 Actual</u>

Net Operating Income Before Depreciation decreased by ($2,241K) between 2009 and 2010 as a result of lower revenue and higher operating expenses. Operating Revenue decreased by ($312K) due to higher vacancies at World Trade Center West, Terminal 102, Fishermen’s Terminal Office & Retail, and the Tsubota Steel site as well as reimbursement payment to tenant at P69 and closure of the Portside Café. Expenses increased by $1,930K in 2010 due to higher expenses for the Eastside Rail Corridor $672K, higher expenses associated with tenant improvements, higher expenses associated with Bell Harbor International Conference Center (more than offset by higher revenue), higher charges from Environmental Services, and higher Corporate direct charges and allocations. In addition, 2009 included an expense credit for reversal of prior year OPEB accruals amounting to $267K. Increase in expense amounts were partially offset by reduction in expenses due to closure of Portside Café and lower bad debt expenses.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

D. CAPITAL SPENDING RESULTS

$ in 000's	2010 Actual	2010 Approved Budget	Variance EstActs to Budget	EstActs as a % of Budget	2010 Plan of Finance
Small Projects	836	2,321	1,485	36%	1,810
FT NW Dock Fender System	267	2,000	1,733	13%	2,000
RE Maintenance Shop Solution	379	1,800	1,421	21%	2,100
RE Division Green Initiative	0	1,300	1,300	0%	1,300
Fleet Replacement	743	950	207	78%	950
All Other	1,740	3,422	1,682	51%	3,966
Total Real Estate	3,965	11,793	7,828	34%	12,126

Comments on Key Projects:
The Real Estate Division spent 34% of the 2010 Approved Budget.

Projects with significant changes in spending were:
- FT NW Dock Fender System – Construction moved back to 2011.
- RE Division Green Initiative – Determination of projects to move forward was deferred until 2011.
- RE Maintenance Shop Solution – Projects delayed until 2011. Expect to complete in 2011.
- Small Projects – Projects delayed until 2011.

Changes between the 2010 Plan of Finance and the 2010 Approved Budget represent modifications in 2010 spending estimates made after determination of 2009 actual spending.

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

A. BUSINESS EVENTS

- Implemented new management structure in AVPMG eliminating one layer, completed reorganization and restructuring of administrative functions and of the airfield program team, improved workload projection and increased project management staffing for increased workload.
- Completed Preconditioned Air project design and construction contract awarded.
- Consolidated Rental Car Facility projects - continued to make progress toward the March 2012 opening date.
- Completed Runway 16C panel replacement, ahead of schedule and on budget.
- State's Capital Projects Advisory Review Board approved the Port's first design-build project, the escalator renewal/replacement project. Procurement process nearly complete by the end of 2010.
- Demobilized temporary backup power in the spring and reinstalled in the fall for the winter rainy season.
- Conducted training in Contract Pricing, Source Selection and Prevailing Wage Administration.
- Developing Purchase-Card procedures; anticipated start date Q1 2011.
- CPO initiated a quarterly public owner's forum with representatives from Sound Transit, King County, University of Washington, and City of Seattle.
- Held Port-wide auction at the former warehouse and distribution center, November 20, 2010.
- Operating Divisions requested direct charge and expense project work in excess of those identified in the operating budget. Execution resulted in variance.
- Budgeted significant overtime for the construction management group did not occur, resulting in lower project charges to capital projects.
- Upgraded Water Tower, included painting, cubicle build out and signage to increase efficiency and utilization of the space.
- Engineering worked closely with CDD staff and accounting to finalize development and implementation of new overhead rate methodology and revised Port policies for capitalization and department expense for 2011.
- Completed HRD position re-evaluation of the entire Engineering Department.
- Completed Several key projects in 2010 included the Emergency Generators, Burien Demolition, Town & Country Demolition, T-91 Cruise Terminal Modification.
- PCS moved from the Kilroy office building to the Airport Office Building (AOB) resulting in $300K annual savings.
- Completed T115 Dock Reconstruction.
- Started North Harbor Island Mooring Dolphins construction project at year-end.
- Started East Marginal Way Grade Separation project and scheduled for completion in September 2011.
- Completed Phase 1 of T86 Grain Facility Modernization project and Phase 2 work in design.
- Executed FT NW Dock Fender System Replacement, FT South Wall Reconstruction Phase IV and MIC Central Seawall Replacement construction contracts in 4Q.
- Completed T-5 Maintenance Dredging.
- Awarded T-18 South Fender Replacement and Damaged Fender Piles Repair and underway.

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/10

B. KEY PERFORMANCE METRICS

Key Indicators	2010	2009/Notes
Construction Soft Costs 36 month rolling average from Q1 2008 thru Q4 2010	($ in 000's) Total Costs $ 1,041,985 (100%) Total Construction: $ 831,713 (80%) Total Soft: $ 210,271 (20%)	Limit construction soft costs (design, construction management, project management, environmental documentation) to no more than 25% of total capital improvement costs.
Cost Growth During Construction	Total Completed Projects YTD: 11 Discretionary Change: 4.7% Mandatory Change: 5.75%	Limit average mandatory change cost growth to 4% of construction contract award. Limit average discretionary change cost growth to 4% of construction contract award.
Project Schedule Growth	($ in 000's) Total Completed Projects YTD: 11 Average Growth Completed Projects: 69.4% Cumulative Value YTD: $65,228	Limit time growth from initial Commission project authorization to substantially complete to no more than 10% of originally allotted duration.
Small Business Participation	($ in 000's) Goods & Services $7,553 13.6% Major Publics Works $10,869 14.4% Small Works $3,768 83.0%	Goal: Goods & Services = 10% Major Public Works = 8% Small Works = 60%
Customer Score Card	Total Projects 16 Scorecards Received 15 Total Points 370 Total Score 321.16 Average Score (%) 86.8%	Survey all projects; average 85% of total possible points on scorecards returned.
Environmental	Total Applicable Projects: 19 Total Environmental incorporated or pending: 16 Average: 84.2%	Incorporate Executive Policy and Procedure 15 and/or LEED process in every project.
Safety	2010 / 2009 Total Points 2,595.0 / 1910.0 Total 2,395.8 / 1724.5 Average Score (%) 92.5% / 90.2% TRIR 5.4 / 1.8 LTIR 0 / 0.4	Average 90% of possible points. Limit annual contractor workplace injury rates to 6 recordable accidents and 2 time lost accidents per 200,000 hours worked.
Performance Evaluation Timeliness	Q4 / 2010 Total PREPs due: 48 / 182 Total PREPs on time: 0-30 days (CDD) 41 (85.4%) / 156 (85.7%) 0-60 days (HRD) 46 (95.8%) / 24 (99%)	98% PREPs completed within 30 days of anniversary date.
2010 Procurement Schedule: Total Time FRS - Execution	Good & Services 81 days Major Public Works 62 days Small Works 56 days Service Agreements 256 days	Average number of days.

C. OPERATING RESULTS

$ in 000's	Notes	2009 Actual	2010 Actual	2010 Budget	2010 Bud Var. $	2010 Bud Var. %
Total Revenues		**-**	**36**	**-**	**36**	**0.0%**
EXPENSES BEFORE CHARGES TO CAPITAL PROJECTS						
Capital Development Administration		340	380	387	7	1.8%
Engineering		9,984	9,963	13,574	3,611	26.6%
Port Construction Services		7,354	7,886	8,552	666	7.8%
Central Procurement Office		3,224	3,287	4,171	884	21.2%
Aviation Project Management		5,554	5,134	6,150	1,016	16.5%
Seaport Project Management		2,735	2,693	2,672	(21)	-0.8%
Total Before Charges to Capital Projects		**29,192**	**29,343**	**35,505**	**6,163**	**17.4%**
CHARGES TO CAPITAL PROJECTS						
Capital Development Administration		-	-	-	-	0.0%
Engineering		(9,051)	(8,572)	(12,418)	(3,847)	31.0%
Port Construction Services		(4,300)	(3,998)	(5,228)	(1,230)	23.5%
Central Procurement Office		(1,552)	(1,507)	(1,983)	(476)	24.0%
Aviation Project Management		(4,554)	(3,991)	(5,006)	(1,015)	20.3%
Seaport Project Management		(1,904)	(1,939)	(1,971)	(32)	1.6%
Total Charges to Capital Projects		**(21,361)**	**(20,007)**	**(26,607)**	**(6,600)**	**24.8%**
OPERATING & MAINTENANCE EXPENSE						
Capital Development Administration		340	380	387	7	1.8%
Engineering		934	1,391	1,156	(236)	-20.4%
Port Construction Services		3,054	3,888	3,324	(564)	-17.0%
Central Procurement Office		1,672	1,780	2,188	408	18.7%
Aviation Project Management		1,001	1,143	1,144		0.0%
Seaport Project Management		831	754	701	(53)	-7.6%
Total Expenses		**7,831**	**9,335**	**8,898**	**(437)**	**-4.9%**

Notes:

Summary of Variances

FTEs: 46.5 vacancies

Workers Compensation: ($77K) All CDD

PCS: ($564K) primarily due to all but $465K of $2.2M Expense Work (wages/benefits, Small Works construction services, expense project overhead) transferred to PCS budget from operating divisions.

- STIA backup power project
- Town & Country and Burien Demolition
- Bird Deterrent Project
- Vacca Site work
- Miscellaneous Small Construction

ENG: ($236K) due in part to expense project overhead and to intra-departmental allocation methodology. This methodology is being changed for 2011.

SPM: ($53K) due primarily to outside consultants for expense projects not budgeted in SPM.

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 12/31/10

A. BUSINESS EVENTS

- Completed and unfolded Port's Centennial Website with map, timeline and stories of the Port.
- Collaborated with partner agencies to communicate effectively about the importance of the SR-99 replacement to the Port's ability to generate jobs.
- Worked with FAA officials to plan and manage a press conference at Sea-Tac at which Secretary of Transportation identified Sea-Tac Airport and Alaska Airlines as the leading edge agencies in developing and implementing environmental programs in the aviation industry. The story was covered nationally.
- Managed media interest in the new TSA pat-down policies; managed media questions about multiple taser events near the airport; managed multiple requests for information about Class B Air Space issues; managed media regarding the Part 150 Public Workshop; managed media during the snow event in November.
- Worked with partner agencies to communicate safety messaging around munitions found at Smith Cove Cruise Terminal, insuring accurate coverage of technical aspects, and protecting Port's cruise business' public license to operate.
- Produced two employee forums at P69 and airport, received positive comments; people appreciated the change in format. Great employee attendance at both forums.
- Implemented Workplace Responsibility Program. Code of Conduct was delivered to all Port employees and process for feedback provided. Intake system implemented. Training program is being developed.
- Finalized the medical and dental third party administration contracts for the Port's self funded benefit program and received approval from the State Risk Manager on the Port's application for self funding.
- Wellness Reward participation rate was 98%.
- The Wellness Fair was attended by over 300 employees.
- 530 employees participated in 19 onsite Spirit and Wellness classes. Classes this year were provided by Wellspring, our EAP provider.
- Successfully completed annual health benefits and Flexible Spending Account Open enrollment.
- Transitioned membership of Development and Diversity Council, bringing on 19 new members chosen after an application process.
- Awarded the "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association (GFOA) of the United States and Canada for its 2009 Comprehensive Annual Financial Report (CAFR) for the 5th consecutive year.
- Completed the SAO Performance audit of the Port's real estate management. The Port received commendation from the SAO contract audit firm (TCBA) for the excellent cooperation and support received from the Port.
- Selected a vendor and finalized the Statement of Work for redesigning the Port of Seattle's internet. This will improve external communications and business operations while also increasing transparency and public understanding.
- Successfully implemented enterprise asset and service management software, upgraded the ID Badge Printers, replaced the Permit Compliance Tracking System, enabled free wireless access at the airport, implemented the IronPort Email Filter, expanded the ticketing system at the airport, and deployed security technology and infrastructure for the Marine Domain Awareness project.
- Received the Distinguished Budget Presentation Award from Government Finance Officers Association for the third consecutive year.
- Filed the 2011 statutory budget with King County Council and King County Assessor on December 2nd within prescribed deadline as required by law.
- Issued Revenue and Refunding Bonds for $15 million present value savings.
- Completed PFC Refunding for $14.7 million present value savings. Received ratings upgrades from Moody's and S&P.
- The Police department submitted grant applications to augment Seaport Security, and has been successfully receiving grant funding for vehicles and equipment. Acquisition of the proceeds of these grants is projected to be mid 2011.

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 12/31/10

B. KEY PERFORMANCE METRICS

Key Indicators	2010	2009/Notes
A. High Performance Workplace:		
1. Occupational Injury Rate	5.24 (injuries for every 100 workers)	5.94; lowest recordable injury rate
2. Lost Work Day Case Rate	2.17	2.10, increased 3%
3. Injury Cost per Worked Hour	$.52	$1.19, decreased 56%
4. Total Lost Work Days	778	1085, decreased by 28%
5. Contract Administration Issues	28	29, decreased by 1
6. Employee Training		
a) New Employee Orientation	58	69, decreased by 11
b) REALeadership Program	27	29, decreased by 2
c) Budget Training	8 classes and 68 users	8 classes and 78 users
d) MIS Training	7 classes and 75 users	No classes in 2009
e) Annual Safety Program	96%	93%, increased by 3%
7. Job Openings	181	170, increased by 11
8. Applications Received	7,334	5,268, increased by 2,066
B. Transparency:		
1. Rate of Public Meetings	18	16, increased by 2
2. Port 101s - # of Attendees	88 for Airport 101 106 for Cargo 101 125 for Ship Canal 101 150 for Duwamish River 101	71 for Airport 101 86 for Cargo 101 73 for Cruise 101 158 for Duwamish River 101
3. Public Disclosure Requests	281	199, increased by 82
4. Website Visits		
a) Port Website Visits	9,797,236 page views	8,644,671 page views
b) Environmental Report	1,033 readers	Not Available
c) Annual Report Readership	4,553 visits for 2010	2,565 total visits for 2009
d) E-newsletters & Bulletins	Community News 1,867 Cargo News 679 Shilshole News 2,400 OSR News 364 Constant Contact 16,142	Constant Contact 18,022 at year-end, a decrease of 10%
C. Accountability:		
1. Internal Audits Completed	16	23, decreased by 7
2. % of Audit Plan Completed	84%	91%, decreased by 8%
3. Preventable Vehicle Incidents	112, 75 preventable	107, 53 preventable
D. Other Services and Support:		
1. No. of ICT Work Orders	20,808	22,845, decreased by 9%
2. No. of ICT Projects Completed	19	29, decreased by 10
3. Deployed Laptops	1,405	1,063, increased by 32%
4. No. of ICT Projects Completed on Budget	95%	90%, increased by 6%
5. Police Service Calls	58,741 calls received	61,809, decreased by 5%
6. Police Arrests	614 with no warrant 399 with warrant	778, decreased by 164; 684 with warrant, decreased by 285
7. Attorney Services	28 litigation and claims	32 litigations and claims, decreased by 4
8. Labor Contracts Negotiated	4	12, decreased by 8

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 12/31/10

C. OPERATING RESULTS

$ in 000's	Notes	2009 Actual	2010 Actual	2010 Budget	2010 Bud Var. $	2010 Bud Var. %
Total Revenues		**374**	**610**	**18**	**592**	**3289.4%**
Executive		1,551	1,356	1,536	181	11.8%
Commission		750	831	868	37	4.3%
Legal		2,702	3,475	3,613	137	3.8%
Risk Services		2,526	2,618	2,859	241	8.4%
Health & Safety Services		913	1,001	1,095	94	8.6%
External Affairs		4,918	5,553	6,002	449	7.5%
Economic & Trade Development	1	1,441	-	-	-	0.0%
Human Resources & Development		3,913	4,107	4,988	881	17.7%
Labor Relations		542	675	784	109	14.0%
Information & Communications Technology		17,505	18,765	19,033	268	1.4%
Finance & Budget		1,635	1,455	1,529	74	4.8%
Accounting & Financial Reporting Services		5,836	5,939	6,716	777	11.6%
Internal Audit		978	990	1,109	119	10.8%
Office of Social Responsibility		1,431	1,280	1,458	178	12.2%
Police		18,409	19,273	20,314	1,040	5.1%
Contingency		420	21	55	33	60.8%
Total Expenses		**65,481**	**67,391**	**71,958**	**4,567**	**6.3%**

Notes:
1) Economic & Trade Development was dissolved for 2010.

Corporate revenues were $592 thousand favorable compared to budget due to the higher operating grants.

Corporate expense performance for the year-ended 2010 was $67.4 million, $4.6 million or 6.3% favorable compared to budget and $1.9 million or 2.9% higher than 2009. This favorable variance was primarily due to cost savings in the reduction of the benefits rate and several vacant positions.

All Corporate departments have a favorable variance.

D. CAPITAL SPENDING RESULTS

	($ Millions)
Annual Results:	
2010 Plan of Finance	$ 10.51
2010 Approved Budget	$ 16.66
2010 Actuals	$ 3.82
Variance (Budget vs Actuals)	$ 12.84