

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 V, VI and VII.

TABLE III-1: PORT OF SEATTLE BUSINESS PLAN FORECAST

(in 000's)	Notes	Budget 2008	Budget 2009	Forecast				Compound Growth 2008-2013
				2010	2011	2012	2013	
OPERATING BUDGET								
Operating Revenues	1	\$462,233	\$472,658	\$489,906	\$516,873	\$534,969	\$569,924	4.3%
Security Reimbursement	2	5,791	5,005					-100.0%
Aviation Fuel Hydrant Facility		8,451	8,704	8,704	8,704	8,704	8,704	0.6%
Total Operating Revenues		\$476,477	\$486,367	\$498,610	\$525,577	\$543,673	\$578,628	4.0%
Operating & Maintenance Expense		202,943	208,829	209,392	214,159	218,613	225,126	2.1%
Corporate Administrative Expense	1	42,275	49,354	50,454	52,671	54,994	57,423	6.3%
Law Enforcement Costs		20,173	19,678	20,367	21,080	21,817	22,581	2.3%
Total Operating & Maintenance Expenses	1	265,391	277,862	280,213	287,909	295,425	305,130	2.8%
Net Operating Income Before Depreciation		\$211,087	\$208,506	\$218,397	\$237,667	\$248,248	\$273,498	5.3%
Total Depreciation Expense		147,070	157,036					
Net Operating Income After Depreciation		\$64,017	\$51,470					
								Total 2009-2013
Committed Capital Budget		\$619,670	\$603,984	\$259,474	\$156,477	\$63,039	\$40,670	\$1,123,644
Business Plan Prospective		92,990	72,184	211,786	187,034	217,026	317,900	1,005,930
TOTAL CAPITAL BUDGET	3	\$712,660	\$676,168	\$471,260	\$343,511	\$280,065	\$358,570	\$2,129,574

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Notes:

- 1) Includes revenue from Corporate departments and corresponding offset to allocated charges from Corporate departments.
- 2) Reimbursement for security costs.
- 3) See Section X for details of Capital Budget.

B. OPERATING BUDGET OVERVIEW

OVERVIEW

The 2009 budget proposes operating revenues of \$486.4 million and total operating expenses of \$277.9 million. Net Operating Income before Depreciation calculates to \$208.5 million. Net Operating Income after Depreciation is budgeted at \$51.5 million.

AVIATION DIVISION

Operating revenues are budgeted to increase by \$4.2million (1.2%) over the 2008 budget. Airline revenues are budgeted to increase by \$4.3 million (2.2%), while non-airline revenues are budgeted to decrease by \$747 thousand (-0.5%).

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). While revenue bond debt service is increasing by \$28.4 million, the Port is planning to use \$33.8 million of Passenger Facility Charge revenues (PFCs) to offset debt service in 2009. Thus, in spite of the fact that significant new resources are being added to the aeronautical budget, the cost increase, and thus the revenue increase, is quite modest.

Due to the forecasted reduction in passenger volume of 3%, non-airline revenues are budgeted to be 0.5% lower than the 2008 budget. Adjusting for volume of passengers, however, the overall non-airline revenues per enplaned passenger are budgeted to increase from \$9.29 to \$9.39, for a 1.0% increase. Overall, increases in ground transportation, terminal space rents and utilities are offsetting declines in Public Parking. Terminal concessions revenues from retail and food and beverage are essentially flat due to anticipated higher sales per transaction offsetting fewer transactions. Rental car revenues are expected to be down by less than 1%.

Total airport operating expenses (including corporate costs) are budgeted to total \$189.5 million. This represents a 0.8% increase over the 2008 budget. Net operating income before depreciation is \$170.5 million.

SEAPORT DIVISION

The Seaport includes two major business groups: Cargo Operations, comprised of Container Operations and Container Marketing, and Cruise and Industrial Properties. There are also services groups within the Seaport. Professional and Technical Services is comprised of Project Management, Environmental Services, Planning, Security and Finance. Additional services are provided by Seaport Administration. 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 \$94.9 million. Total operating expenses including corporate costs are \$51.9 million. Net operating income before depreciation is \$43.0 million.

REAL ESTATE DIVISION

The Real Estate Division includes five functional workgroups: Real Estate Development & Planning, Harbor Services, 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 provided by the Seaport Division. During 2009 the business strategy is to:

- 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.

Real Estate operating revenues are \$31.1 million. Total operating expenses including corporate costs are \$35.4 million. Net operating income before depreciation is minus (\$4.3) million.

CAPITAL DEVELOPMENT DIVISION

The new Capital Development Division (CDD) integrates the efforts of six functional workgroups: Engineering, Port Construction Services, Aviation Project Management Group, Seaport Project Management Group, and the new Central Procurement Office which consolidates contracting and procurement functions. The Capital Development Division delivers projects and provides technical and contracting services in support of the business plans and infrastructure needs of the Port of Seattle.

Operating expenses for Capital Development Division are \$7.0 million for 2009.

CORPORATE, PROFESSIONAL AND TECHNICAL SERVICES

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.

Operating expenses for Corporate, Professional and Technical Services are \$73.6 million for 2009.

The Engineering and Port Construction Services departments, as well as the procurement function from Accounting, were transferred to the Capital Development Division in 2008.

NON-OPERATING REVENUE AND EXPENSE

Net non-operating is budgeted at \$59.0 million. The budget contains a tax levy amount of \$75.9 million, which is the same level as 2008. The millage rate is \$0.1970/1000.

CASH FLOW SUMMARY

Table I-1 from section I reveals that operating revenues will make up 37% of the Port's budgeted cash receipts for 2009. Bond issues will contribute 43% of total receipts. The tax levy is projected to be \$75.9 million and accounts for only 6% of total budgeted receipts in 2009.

Total cash outlays are budgeted to be \$1.3 billion in 2009. Of this amount, capital expenditures make up the largest portion, \$603.9 million or 48%. By comparison, total operating expenses (including O&M, administrative expense and security and law enforcement costs) will make up 23%.

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

(in thousands)	2005 Actual	2006 Actual	2007 Actual	2008 Budget	2008 Forecast	2009 Budget
OPERATING REVENUES:						
Services	158,462	161,200	168,679	178,077	184,275	178,488
Property rentals	247,817	273,529	279,378	282,841	281,936	292,468
Fuel Hydrant facility revenues	3,491	8,077	8,054	8,198	8,651	8,200
Security grant and contract revenues	6,755	5,643	5,035	7,361	6,931	7,211
Total revenue	416,525	448,449	461,146	476,477	476,477	486,367
OPERATING EXPENSES:						
Operations and maintenance	166,920	173,198	178,743	200,177	207,123	206,567
Earthquake repair expense - net of insurance and other recoveries	2,130	(179)	-	-	-	-
Law enforcement	17,920	18,017	19,179	21,036	21,036	20,712
Administration	31,486	33,790	38,761	42,278	43,909	44,895
Environmental	7,739	(1,262)	5,117	1,900	3,947	5,687
Total operating expenses before depreciation	226,195	223,564	241,800	265,391	276,015	277,862
OPERATING INCOME BEFORE DEPRECIATION	190,330	224,885	219,346	211,086	200,462	208,506
Depreciation	129,788	140,190	141,588	147,070	147,091	157,036
OPERATING INCOME AFTER DEPRECIATION	60,542	84,695	77,758	64,017	53,372	51,470
NON-OPERATING (EXPENSE) INCOME :						
Ad valorem tax levy revenue	62,417	62,691	68,617	75,899	75,899	75,899
Passenger facility charges revenue and related interest income	56,506	59,141	63,114	62,440	62,440	62,525
Customer facility charges revenue and related interest income		17,188	22,570	20,262	20,262	24,573
Grants and donations	109,655	127,524	94,888	80,049	54,949	71,276
Investment income - net	14,651	28,895	57,195	20,935	20,935	22,831
Revenue and capital appreciation bond interest expense	(85,502)	(101,491)	(113,011)	(118,949)	(118,949)	(131,615)
Passenger facility charges revenue bond interest expense	(12,604)	(12,258)	(11,844)	(11,449)	(11,449)	(10,996)
General obligation bond interest expense - net	(12,629)	(15,754)	(15,621)	(15,165)	(15,165)	(29,199)
Public Expense	(4,404)	(11,027)	(8,654)	(21,615)	(9,190)	(24,055)
Other expense - net	(29,006)	(38,584)	(29,588)	(11,287)	(1,687)	(2,231)
Total non-operating income - net:	99,084	116,325	127,666	81,120	78,045	59,008
INCREASE (DECREASE) IN NET ASSETS	159,626	201,020	205,424	145,137	131,417	110,478
EMPLOYMENT (FTES)	1607.6	1647.0	1701.5	1769.8	1778.4	1791.9

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TABLE III-3: REVENUES AND EXPENSES BY ACCOUNT CATEGORY

(in 000's)				% Change
TOTAL PORT	2007 Actual	2008 Budget	2009 Budget	2009 Bud - 2008 Bud
<u>Operating Revenue</u>				
Dckg, Whrfg, Serv & Facility, Passenger Fee	\$ 2,030	\$ 1,504	\$1,319	-12.3%
Distribution & Storage	5	24	32	33.3%
Equipment Rental	10,439	9,549	9,479	-0.7%
Berthage & Moorage	8,182	10,190	11,348	11.4%
Landing Fees	53,158	58,878	59,836	1.6%
Airport Transportation Fees	4,375	4,368	6,039	38.3%
Parking Revenue	57,434	63,062	59,676	-5.4%
Revenue from Sale of Utilities	9,880	9,994	10,840	8.5%
Property Rental Revenue	283,057	286,670	294,629	2.8%
Other Revenue	32,586	32,238	33,169	2.9%
Total Operating Revenue	\$ 461,146	\$ 476,477	\$486,367	2.1%
<u>Total Expense</u>				
Salaries, Wages, Benefits & Wrkmns Compensation	\$159,914	\$186,847	\$194,688	4.2%
Equipment Expense	5,722	4,659	4,547	-2.4%
Utilities	18,607	19,912	20,783	4.4%
Supplies & Stock	5,634	6,835	5,930	-13.2%
Outside Services	48,342	56,377	51,695	-8.3%
Travel & Other Employee Expenses	3,434	4,791	4,003	-16.4%
Promotional Expenses	861	2,077	1,687	-18.8%
Other Expenses	28,996	26,026	32,698	25.6%
Total Operating Expense Before Charges to Capital Projects	271,509	307,523	316,031	2.8%
Charges to Capital Projects	(\$29,889)	(\$42,132)	(\$38,169)	-9.4%
Expense after Charges to Capital Projects	\$241,620	\$265,391	\$277,862	4.7%

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FIGURE III-1: OPERATING REVENUES BY SOURCE: 2009
 (\$ in 000's)

Operating Revenue

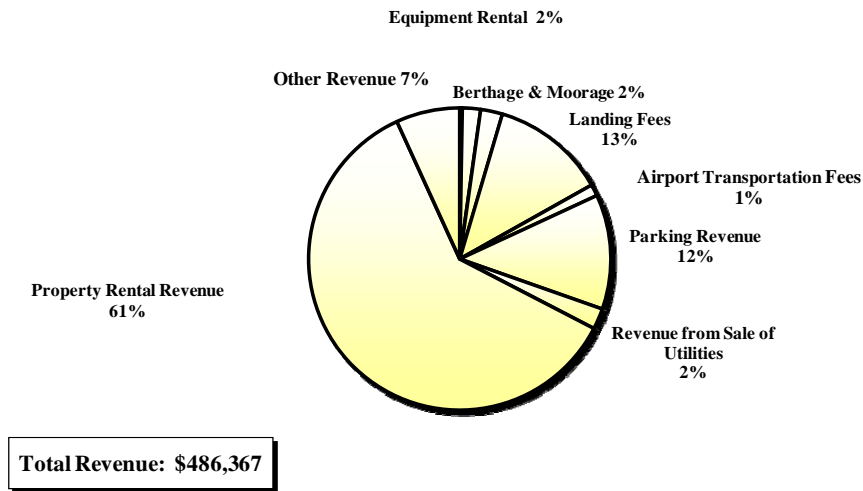
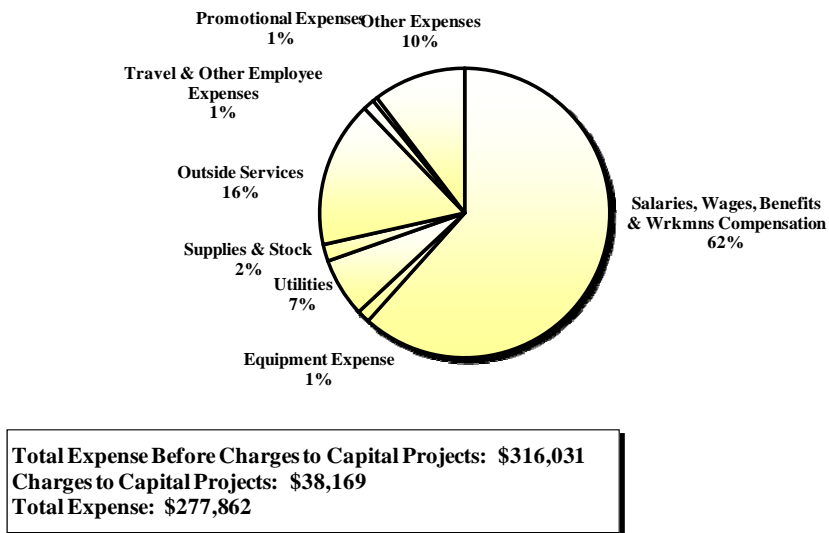


FIGURE III-2: OPERATING EXPENSES BY SOURCE: 2009
 (\$ in 000's)

Operating Expense



C. BUDGET OVERVIEW - STAFFING

The 2009 budget proposes an increase of 22.1 Full-time Equivalent positions (FTEs) to 1,791.9 FTEs compared to 1,769.8 FTEs in the 2008 budget.

Aviation, Seaport and Real Estate divisions are budgeting 833.0, 61.8, and 151.1 FTEs, respectively for 2009.

The new Capital Development Division is budgeting 271.3 FTEs which includes FTE transfers of 53.2 from Aviation, 16.8 from Seaport, 1.0 from Real Estate, and 194.5 from Corporate. The division also eliminated 4.8 FTEs in 2008.

Corporate is budgeting 474.7 FTE's, an increase of 3.8 FTEs from 2008.

More information for each of these categories is provided in the Aviation, Seaport, Real Estate, Capital Development Division, and Corporate Professional & Technical Services sections of this document (Sections V, VI, VII, VIII and IX).

TABLE III-4: PORT STAFFING BY DIVISION

PORT STAFFING (Full-Time Equivalent Positions)					% Change	
Divison	Note	2008 Budget	2008 Est. Act.	2009 Budget	09 Bud- 08 Bud	09 Bud- 08Est
Aviation		834.2	834.8	833.0	-0.1%	-0.2%
Seaport		65.0	61.8	61.8	-4.8%	0.0%
Real Estate		139.8	147.6	151.1	8.1%	2.4%
Capital Development	1	260.5	263.3	271.3	4.1%	3.0%
Professional & Technical Services		470.9	470.9	474.7	0.8%	0.8%
Total FTE's		1,769.8	1,778.4	1,791.9	1.2%	0.8%
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Note:

1) The new Capital Development Division was established during 2008 and will become 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.

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 2009 Capital Budget reflects the Port's continuing commitment to promoting regional economic activity through the investment of over \$603.9 million committed 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 2009 Capital Budget:

TABLE III-5: CAPITAL BUDGET

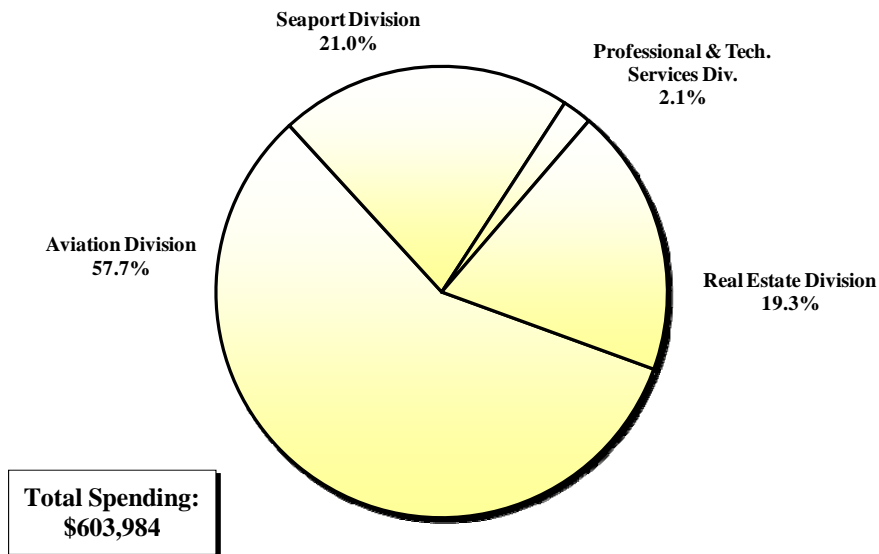
Committed Capital Projects	(\$ in 000's)	2009 Budget	2009-2013 CIP	% of Total
Aviation Division		\$348,202	\$776,472	57.7%
Seaport Division		126,685	161,319	21.0%
Professional & Tech. Services Div.		12,808	48,858	2.1%
Real Estate Division		116,289	136,995	19.3%
Total		\$603,984	\$1,123,644	100.0%

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

FIGURE III-3: 2009 COMMITTED CAPITAL BUDGET

(\$ in 000's)



E. TAX LEVY

- The maximum allowable levy for 2009 is \$85.4 million.
- For 2009 the levy will be \$75.9 million.
- The millage rate is estimated to be \$0.1970
- The 2009 levy will be used for:
 - General Obligation (G.O.) Bond Debt Service
 - Public Asset Expense: Freight Mobility
 - Seaport and Real Estate Environmental Expense
 - Capital Improvements
 - Office of Port Jobs

FIGURE III-4: TAX LEVY VS. MILLAGE RATE 2000-2009

