

## 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 2009	Budget 2010	Forecast				Compound Growth 2009-2014
				2011	2012	2013	2014	
<b>OPERATING BUDGET</b>								
Operating Revenues	1	\$472,658	\$466,147	\$478,851	\$501,373	\$538,850	\$559,316	3.4%
Security Reimbursement	2	5,005	3,560	\$90	\$0	\$0	\$0	-100.0%
Aviation Fuel Hydrant Facility		8,704	8,352	8,352	8,352	8,352	8,352	-0.8%
<b>Total Operating Revenues</b>		<b>\$486,367</b>	<b>\$478,059</b>	<b>\$487,293</b>	<b>\$509,725</b>	<b>\$547,202</b>	<b>\$567,668</b>	<b>3.1%</b>
Operating & Maintenance Expense		194,827	180,222	193,388	200,964	206,111	211,347	1.6%
Corporate Administrative Expense	1	57,668	57,009	59,402	61,906	64,521	67,257	3.1%
Law Enforcement Costs		19,679	19,830	20,524	21,242	21,986	22,755	2.9%
Environmental Reserve		5,672	24,471	12,096	12,199	12,307	12,418	17.0%
<b>Total Operating &amp; Maintenance Expenses</b>	1	<b>277,847</b>	<b>281,531</b>	<b>285,410</b>	<b>296,312</b>	<b>304,925</b>	<b>313,779</b>	<b>2.5%</b>
<b>Net Operating Income Before Depreciation</b>		<b>\$208,521</b>	<b>\$196,528</b>	<b>\$201,883</b>	<b>\$213,413</b>	<b>\$242,277</b>	<b>\$253,889</b>	<b>4.0%</b>
Total Depreciation Expense		157,036	158,575					
<b>Net Operating Income after Depreciation</b>		<b>\$51,485</b>	<b>\$37,953</b>					
								Total 2010-2014
<b>Committed Capital Budget</b>		\$603,984	\$332,310	\$218,432	\$124,441	\$49,924	\$18,966	\$744,073
<b>Business Plan Prospective</b>		72,184	81,679	170,133	169,294	134,344	129,994	685,444
<b>TOTAL CAPITAL BUDGET</b>	3	<b>\$676,168</b>	<b>\$413,989</b>	<b>\$388,565</b>	<b>\$293,735</b>	<b>\$184,268</b>	<b>\$148,960</b>	<b>\$1,429,517</b>

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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 2010 budget proposes operating revenues of \$478.1 million and total operating expenses of \$281.5 million including \$24.5 million in environmental reserve. Net Operating Income before Depreciation calculates to \$196.5 million. Net Operating Income after Depreciation is budgeted at \$38.0 million.

### **AVIATION DIVISION**

The Aviation operates the Seattle-Tacoma International Airport, which was the seventeenth largest US airport as measured by total passengers in 2008. For the year through August, enplaned passengers are down 4.6% compared to the same period last year. Its strategic focus is to successfully manage airline costs (CPE) and increase non-aeronautical net operating income (NOI).

Operating revenues are budgeted to be \$354.4 million, a decline of 1.6% compared to the 2009 budget, but an increase of \$13.1 million over the 2009 forecast. The 2010 airline revenues are budgeted to be \$209.4 million, an increase of \$7.5 million (3.7%), while non-airline revenues are budgeted to be \$135.6 million, a decrease of \$12.8 million (-8.6%).

Total airport operating expenses (including corporate costs and environmental reserve costs) are budgeted to total \$184.2 million. This represents a 2.9% decrease compared to the 2009 budget. The Aviation Division budget, excluding environmental reserve costs will be \$181.3 million, down 3.8% compared to the 2009 budget. Net operating income before depreciation is \$170.2 million with environmental reserve and is \$173.1 without environmental reserve.

### **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 \$93.4 million. Total operating expenses including corporate costs are \$56.3 million. Excluding the environmental reserve, total operating expenses are \$41.8 million, which is \$6.7 million or 13.9% lower than the 2009 budget. Net operating income before depreciation is \$37.0 million with environmental reserve and is \$51.5 million without environmental reserve.

### **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.

Real Estate operating revenues are \$29.8 million. Total operating expenses including corporate costs are \$40.0 million. Excluding the environmental reserve, total operating expenses are \$33.0 million, which is \$1.3 million or 3.8% lower than the 2009 budget. Net operating income before depreciation is minus \$10.2 million with environmental reserve and is minus \$3.2 million without environmental reserve.

## **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 \$7.4 million for 2010.

## **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.

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 Professional and Technical Services are \$72.0 million for 2010. Corporate departments reduced over \$4.6 million or 6.4% from the 2009 approved budget through the zero-based budgeting effort by cutting some programs and services, as well as FTEs.

## **NON-OPERATING REVENUE AND EXPENSE**

Net non-operating is budgeted at \$8.5 million. The budget contains a tax levy amount of \$75.9 million. The millage rate is \$0.2227/1000.

## **CASH FLOW SUMMARY**

Table I-1 from section I reveals that operating revenues will make up 52% of the Port's budgeted cash receipts for 2010. Bond issues will contribute 22% of total receipts. The tax levy is projected to be \$75.9 million and accounts for only 8% of total budgeted receipts in 2010.

Total cash outlays are budgeted to be \$983.9 million in 2010. Of this amount, capital expenditures make up the largest portion, \$332.3 million or 34%. By comparison, total operating expenses (including O&M, administrative expense and security and law enforcement costs) will make up 28%.

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

( in thousands)	2006 Actual	2007 Actual	2008 Actual	2009 Budget	2009 Forecast	2010 Budget
<b>OPERATING REVENUES:</b>						
Services	161,200	168,679	187,791	178,488	165,265	173,647
Property rentals	273,529	279,378	286,139	292,468	293,996	288,980
Fuel Hydrant facility revenues	8,077	8,054	2,926	8,200	8,200	7,839
Security grant and contract revenues	5,643	5,035	12,140	7,211	5,002	7,594
Total revenue	448,449	461,146	488,996	486,367	472,463	478,059
<b>OPERATING EXPENSES:</b>						
Operations and maintenance	173,019	178,743	206,730	206,567	199,235	192,248
Law enforcement	18,017	19,179	20,221	20,712	20,712	21,060
Administration	33,790	38,761	44,438	44,895	43,584	43,753
Environmental	(1,262)	5,117	8,889	5,687	6,141	24,471
Total operating expenses before depreciation	223,564	241,800	280,278	277,862	269,673	281,531
<b>OPERATING INCOME BEFORE DEPRECIATION</b>	<b>224,885</b>	<b>219,346</b>	<b>208,718</b>	<b>208,506</b>	<b>202,791</b>	<b>196,528</b>
Depreciation	140,190	141,588	144,208	157,036	157,036	158,575
<b>OPERATING INCOME AFTER DEPRECIATION</b>	<b>84,695</b>	<b>77,758</b>	<b>64,510</b>	<b>51,470</b>	<b>45,755</b>	<b>37,953</b>
<b>NON-OPERATING (EXPENSE) INCOME :</b>						
Ad valorem tax levy revenue	62,691	68,617	75,680	75,899	75,899	75,899
Passenger facility charges revenue and related interest income	59,141	63,114	62,770	60,207	60,207	58,535
Customer facility charges revenue and related interest income	17,188	22,570	23,534	24,573	22,173	22,475
Grants and donations	127,524	94,888	52,436	71,276	71,276	50,152
Investment income - net	28,895	57,195	35,813	25,359	25,359	24,489
Revenue and capital appreciation bond interest expense	(101,491)	(113,011)	(105,063)	(131,824)	(131,824)	(150,070)
Passenger facility charges revenue bond interest expense	(12,258)	(11,844)	(11,412)	(10,996)	(10,996)	(10,497)
General obligation bond interest expense - net	(15,754)	(15,621)	(16,971)	(29,199)	(29,199)	(14,432)
Public Expense	(11,027)	(8,654)	(27,494)	(24,055)	(24,055)	(45,864)
Other expense - net	(38,584)	(29,588)	848	(2,232)	(2,232)	(2,217)
Total non-operating income - net:	116,325	127,666	90,141	59,008	56,608	8,471
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>201,020</b>	<b>205,424</b>	<b>154,651</b>	<b>110,478</b>	<b>102,363</b>	<b>46,424</b>
<b>EMPLOYMENT (FTES)</b>	<b>1647.0</b>	<b>1701.5</b>	<b>1778.4</b>	<b>1790.0</b>	<b>1779.3</b>	<b>1679.5</b>

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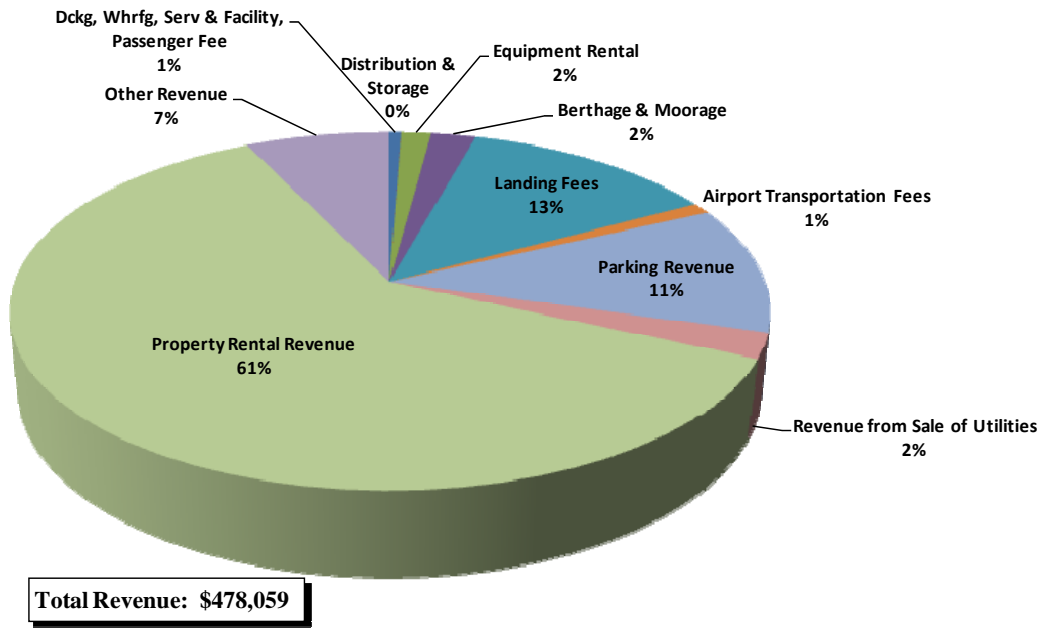
**TABLE III-3: REVENUES AND EXPENSES BY ACCOUNT CATEGORY**

(in 000's)	2008	2009	2010	% Change
<b>TOTAL PORT</b>	<b>Actual</b>	<b>Budget</b>	<b>Budget</b>	<b>2010 Bud - 2009 Bud</b>
<b><u>Operating Revenue</u></b>				
Dckg, Whrfg, Serv & Facility, Passenger Fee	\$ 1,628	\$ 1,318	\$2,785	111.3%
Distribution & Storage	3	32	32	0.0%
Equipment Rental	9,794	9,479	7,182	-24.2%
Berthage & Moorage	10,179	11,347	10,655	-6.1%
Landing Fees	65,770	59,836	60,889	1.8%
Airport Transportation Fees	4,691	6,039	4,672	-22.6%
Parking Revenue	61,445	59,676	54,462	-8.7%
Revenue from Sale of Utilities	10,728	10,840	10,981	1.3%
Property Rental Revenue	284,373	294,629	292,146	-0.8%
Other Revenue	40,383	33,169	34,256	3.3%
<b>Total Operating Revenue</b>	<b>\$ 488,996</b>	<b>\$ 486,367</b>	<b>\$478,059</b>	<b>-1.7%</b>
<b><u>Total Expense</u></b>				
Salaries, Wages, Benefits & Wrkmns Compensation	\$180,051	\$194,688	\$188,098	-3.4%
Equipment Expense	6,612	4,547	3,993	-12.2%
Utilities	19,022	20,783	20,187	-2.9%
Supplies & Stock	8,041	5,931	5,796	-2.3%
Outside Services	63,505	51,695	45,572	-11.8%
Travel & Other Employee Expenses	3,616	4,003	4,267	6.6%
Promotional Expenses	1,717	1,687	1,393	-17.4%
Other Expenses	21,700	27,010	24,029	-11.0%
<b>Total O&amp;M without Environmental</b>	<b>304,265</b>	<b>310,343</b>	<b>293,335</b>	<b>-5.5%</b>
Environmental Reserve	8,888	5,687	24,471	
<b>Total O&amp;M with Environmental</b>	<b>313,153</b>	<b>316,029</b>	<b>317,806</b>	<b>0.6%</b>
Charges to Capital Projects	(\$32,887)	(\$38,169)	(\$36,276)	-5.0%
<b>Expense after Charges to Capital Projects</b>	<b>\$280,265</b>	<b>\$277,861</b>	<b>\$281,531</b>	<b>1.3%</b>

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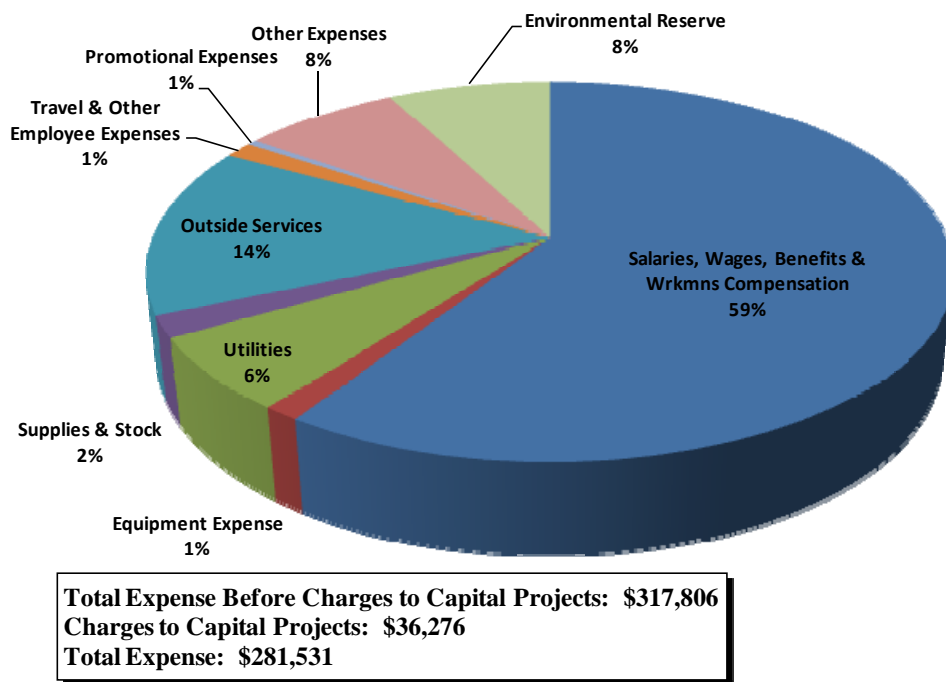
**FIGURE III-1: OPERATING REVENUES BY SOURCE: 2010**

(\$ in 000's)



**FIGURE III-2: OPERATING EXPENSES BY SOURCE: 2010**

(\$ in 000's)



### **C. BUDGET OVERVIEW - STAFFING**

The 2010 budget proposes a reduction of 110.5 Full-time Equivalent positions (FTEs) to 1,679.5 FTEs compared to 1,790.0 FTEs in the 2009 budget.

Aviation, Seaport and Real Estate divisions are budgeting 746.1, 60.4, and 154.8 FTEs, respectively for 2010.

The Capital Development Division is budgeting 268.0 FTEs and Corporate is budgeting 450.2 FTEs.

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**

<b>PORT STAFFING</b> (Full-Time Equivalent Positions)		<b>2008 Actual</b>	<b>2009 Budget</b>	<b>2009 Est. Act.</b>	<b>2010 Budget</b>	<b>% Change</b>	
<b>Divison</b>	Note					<b>10 Bud- 09 Bud</b>	<b>10 Bud- 09 Est</b>
Aviation		834.8	833.1	820.1	746.1	-10.4%	-9.0%
Seaport		61.8	61.8	57.4	60.4	-2.3%	5.2%
Real Estate		147.6	151.1	149.1	154.8	2.4%	3.8%
Capital Development	1	263.3	271.3	275.0	268.0	-1.2%	-2.5%
Professional & Technical Services		470.9	472.7	477.7	450.2	-4.8%	-5.8%
<b>Total FTE's</b>		<b>1,778.4</b>	<b>1,790.0</b>	<b>1,779.3</b>	<b>1,679.5</b>	<b>-6.2%</b>	<b>-5.6%</b>

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Note:

- 1) The new Capital Development Division was 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 2010 Capital Budget reflects the Port's continuing commitment to promoting regional economic activity through the investment of over \$332.3 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.

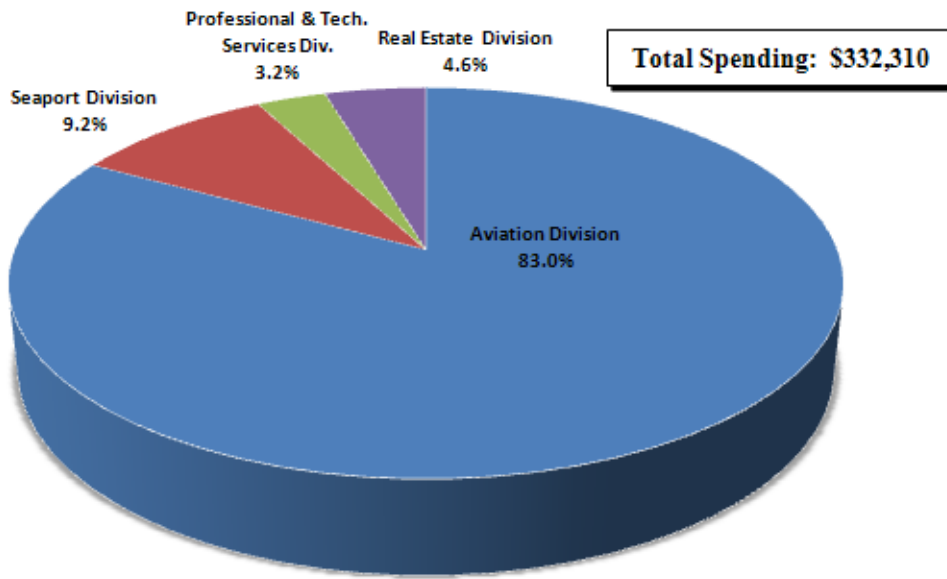
Table III-5 below summarizes divisional spending in the 2010 Capital Budget:

**TABLE III-5: CAPITAL BUDGET**

			(\$ in 000's)	2010	2010-2014	%
<b>Committed Capital Projects</b>				<b>Budget</b>	<b>CIP</b>	<b>of Total</b>
Aviation Division				\$275,832	\$587,461	83.0%
Seaport Division				30,618	65,790	9.2%
Professional & Tech. Services Div.				10,514	50,514	3.2%
Real Estate Division				15,346	40,308	4.6%
		<b>Total</b>		<b>\$332,310</b>	<b>\$744,073</b>	<b>100.0%</b>
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Definitions and details of the capital budget can be found in Section X.

**FIGURE III-3: 2010 COMMITTED CAPITAL BUDGET**  
(\$ in 000's)



## E. TAX LEVY

- The maximum allowable levy for 2010 is \$85.5 million.
- For 2010 the levy will be \$75.9 million.
- The millage rate is estimated to be \$0.2227.
- The 2010 levy will be used for:
  - General Obligation (G.O.) Bond Debt Service
  - Public Asset Expense: Freight Mobility
  - Seaport and Real Estate Environmental Expense
  - A portion of Real Estate operating expenses
  - Capital Improvements
  - Office of Port Jobs

**FIGURE III-4: TAX LEVY VS. MILLAGE RATE 2001-2010**

