

SEAPORT DIVISION

A. 2010 BUDGET SUMMARY

TABLE VI-1: 2010 BUDGET SUMMARY

| (in thousands) | 2006 Actual | 2007 Actual | 2008 Actual | 2009 Budget | 2009 Forecast | 2010 Budget |
|--|----------------|----------------|----------------|----------------|------------------|----------------|
| REVENUE: | | | | | | |
| Services | 35,477 | 35,811 | 16,109 | 17,021 | 15,463 | 14,076 |
| Property Rentals | 70,761 | 73,746 | 68,828 | 72,504 | 70,119 | 74,459 |
| Security Grant and Contract Revenues | 4,268 | 2,762 | 10,169 | 5,411 | 3,202 | 4,835 |
| Total revenue | 110,505 | 112,319 | 95,106 | 94,935 | 88,783 | 93,369 |
| OPERATING EXPENSES: | | | | | | |
| Operations and maintenance | 46,381 | 45,759 | 26,287 | 35,044 | 28,818 | 27,962 |
| Law enforcement | 3,674 | 3,699 | 2,767 | 2,853 | 2,853 | 3,391 |
| Administration | 10,200 | 10,900 | 9,967 | 10,656 | 10,174 | 10,471 |
| Environmental | (1,320) | 4,991 | 5,872 | 3,375 | 3,829 | 14,500 |
| Total operating expenses before depreciation | 58,938 | 65,349 | 44,893 | 51,928 | 45,674 | 56,324 |
| OPERATING INCOME BEFORE DEPRECIATION | 51,567 | 46,970 | 50,213 | 43,007 | 43,109 | 37,045 |
| Depreciation | 35,490 | 40,372 | 26,824 | 30,903 | 30,438 | 31,974 |
| OPERATING INCOME AFTER DEPRECIATION | 16,077 | 6,598 | 23,389 | 12,105 | 12,671 | 5,070 |
| NON-OPERATING (EXPENSE) INCOME : | | | | | | |
| Ad valorem tax levy revenue | 61,518 | 65,754 | 60,643 | 61,409 | 61,409 | 47,371 |
| Grants and donations | 10,408 | 5,226 | 2,919 | 8,000 | 8,000 | 12,944 |
| Investment income - net | 2,824 | 18,885 | 12,240 | 4,950 | 4,950 | 3,819 |
| Revenue and capital appreciation bond interest expense | (7,569) | (15,270) | (13,545) | (14,822) | (14,822) | (12,821) |
| General obligation bond interest expense - net | (15,754) | (15,621) | (15,739) | (18,954) | (18,954) | (13,125) |
| Public Expense | (10,298) | (6,787) | (2,808) | (15,205) | (15,205) | (36,289) |
| Other expense - net | (15,996) | (19,023) | (2,695) | (1,364) | (1,364) | (1,320) |
| Total non-operating income - net: | 25,132 | 33,164 | 41,016 | 24,013 | 24,013 | 580 |
| INCREASE (DECREASE) IN NET ASSETS | 41,209 | 39,762 | 64,405 | 36,118 | 36,685 | 5,650 |
| EMPLOYMENT (FTES) | 198.8 | 202.6 | 61.8 | 61.8 | 57.4 | 60.4 |

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Notes:

Effective in 2008, certain business groups and services formerly within the Seaport Division were transferred to the new Real Estate Division. Accordingly, 2006-2007 Actuals are not directly comparable with the 2009 & 2010 Budgets.

B. BUSINESS PLAN FORECAST

TABLE VI-2: BUSINESS PLAN FORECAST

| (in 000's) | | Budget 2009 | Budget 2010 | Forecast | | | | Compound Growth 2009-2014 |
|---|-------|------------------|-----------------|-----------------|-----------------|------------------|------------------|---------------------------------|
| OPERATING BUDGET | Notes | | | 2011 | 2012 | 2013 | 2014 | |
| Operating Revenue | | \$90,980 | \$90,834 | \$91,687 | \$92,566 | \$102,216 | \$108,041 | 3.5% |
| Security Reimbursement | | 3,955 | 2,535 | \$90 | \$0 | \$0 | \$0 | -100.0% |
| Total Operating Revenues | | \$94,935 | \$93,369 | \$91,777 | \$92,566 | \$102,216 | \$108,041 | 2.6% |
| Operating & Maintenance Expense | 1 | \$35,043 | \$27,962 | \$25,795 | \$26,327 | \$26,976 | \$27,638 | -6.1% |
| Corporate Administrative Expense | 2 | 10,656 | 10,472 | 11,184 | 11,944 | 12,750 | 13,610 | 5.0% |
| Law Enforcement Costs | | 2,853 | 3,391 | 3,510 | 3,633 | 3,760 | 3,891 | 6.4% |
| Environmental Reserve | | 3,375 | 14,500 | 8,000 | 8,000 | 8,000 | 8,000 | 18.8% |
| Total Operating & Maintenance Expenses | | 51,928 | 56,323 | 48,489 | 49,904 | 51,486 | 53,139 | 0.5% |
| Net Operating Income Before Depreciation | | 43,007 | 37,045 | 43,288 | 42,662 | 50,731 | 54,902 | 5.0% |
| Total Depreciation Expense | | \$30,903 | \$31,974 | | | | | |
| Net Operating Income After Depreciation | | \$12,105 | \$5,070 | | | | | Total |
| | | | | | | | | 2010-2014 |
| Committed Capital Budget | | \$126,685 | \$30,618 | \$14,608 | \$10,692 | \$5,623 | \$4,249 | \$65,790 |
| Business Plan Prospective | | 25,550 | 10,750 | 28,150 | 38,600 | 20,000 | 28,600 | 126,100 |
| TOTAL CAPITAL BUDGET | 3 | \$152,235 | \$41,368 | \$42,758 | \$49,292 | \$25,623 | \$32,849 | \$191,890 |

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Notes:

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

C. DIVISION MISSION STATEMENT

Our mission is to:

- Efficiently manage our assets for the benefit of the public;
- Provide services and facilities for the transportation of cargo and passengers;
- Accommodate the region's fishing industries; and
- Promote the economic health of our community.

INTRODUCTION

The Seaport includes two major groups: Cargo Operations, comprised of Container Operations, Seaport Marketing, and Cruise and Industrial Properties, and Professional and Technical Services, comprised of Environmental Services, Planning, Security, Finance Services, and Seaport Administration. These business and service groups oversee the development and management of cargo and cruise terminals, moorage facilities, and industrial properties connected to these businesses.

Seaport facilities encompass approximately 1,200 acres of moorage and cargo-related facilities. Over 500 acres are dedicated to container operations at four terminals with over 12,300 feet of berths and 24 cargo cranes—including seven Super Post-Panamax cranes. The Seaport also owns a fully automated grain terminal and general and breakbulk cargo facilities. It is home to the North Pacific factory trawler fishing fleet. The Seaport also operates two cruise vessel terminals with a total of three berths. In addition, the Seaport leases industrial property connected with these cruise, cargo, and factory trawler fishing businesses.

D. 2010 BUSINESS PLAN

BUSINESS STRATEGY

Economic Benefits and Financial Sustainability:

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

We create economic benefits for the entire region through our business activities. Each vessel docked in Seattle, each container and passenger that passes through our Port and each of our tenants creates jobs and brings business income and tax dollars to the region and the state.

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

Environmental Benefits:

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

Community Benefits and Social Responsibility

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

During 2010, the main business strategies of the Seaport will be to:

- Protect our current business
- Position ourselves for recovery and change in the container shipping market
- Collaborate with others to advance our key initiatives

During 2010, the critical work needed to advance these strategies are:

- Maintain a high performance level for functions that our business planning has identified as critical
- Deliver on the commitments we have made for the clean truck plan and the container terminal customer support plan
- Continue the transition and development for Terminal 91 into a multi-use facility
- Adjust and align our resources to meet our business strategies

PARTNERSHIPS

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

- Meeting the needs of our customers by:
 - Maintain regular contact with our key customers to stay in touch with their needs and identify joint opportunities
 - Working with labor unions, truckers, terminal operators and railroad companies to constantly improve freight mobility within the seaport;
 - Conducting annual education programs on federal import and export regulations;
 - Facilitating customer relationships with federal inspection agencies;
 - Developing new business opportunities for our customers; and
 - Providing market information to support our tenants' interest in expansion.
- Approaching our relationship with labor honestly and with integrity, communicating effectively, and working together under a fair labor agreement.
- Respecting tribal sovereignty, and tribal religious and cultural values in all consultations with our tribal neighbors.

EXECUTIVE SUMMARY: 2010 SEAPORT STRATEGIES

WE WILL HAVE ENSURED THE VITALITY OF THE SEAPORT BY:

Achieving our financial objectives:

\$49.2 Million NOI (excluding Environmental Reserves and Grants) reached by 12/31/2010. In 2010, each business unit will contribute to the total Seaport NOI of \$49.2 million as budgeted:

- ➔ Container Operations NOI = \$38.6 Million
- ➔ Cruise & Industrial Docks NOI = \$12.2 Million
- ➔ Security NOI = (\$1.6) Million

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

- ➔ Implementing the container terminal customer support plan
- ➔ Developing an operations plan for Terminal 91
- ➔ Completing traffic improvements at Terminal 91
- ➔ Completing construction of Terminal 10 and moving truck parking there from Terminal 25 South
- ➔ Reaching long term agreements with cruise lines that currently utilize Pier 66 as a homeport
- ➔ Establishing a Terminal 91 tenant communication plan and community outreach program
- ➔ Meeting key milestones in our capital plan

Preserving our assets and increasing their utilization by:

- ➔ Conducting assessments and/or repairs of our critical capital assets including dock structures, underwater slopes, and water depth
- ➔ Defining expansion needs for Terminal 91 marine and industrial tenants
- ➔ Defining Terminal 86 capital projects needs and pursuing a lease extension with Louis Dreyfus
- ➔ Completing a Port-wide maintenance dredging plan

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

- ➔ Leasing Terminals 104 and 106
- ➔ Generate revenue from Terminal 25 South and Terminal 5 option area and CFS facility
- ➔ Developing an operations plan for utilizing Smith Cove Cruise Terminal as an Events venue
- ➔ Jointly marketing the Port of Seattle with our container terminal tenants and the railroads

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

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

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

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

WE WILL HAVE BEEN A LEADER IN TRANSPORTATION SECURITY BY:

- ➔ Meeting Transportation Worker Identification Credential card reader/access control infrastructure requirements
- ➔ Completing Written Continuity of Business/Government Planning for all non-Aviation Port departments
- ➔ Seeking flexibility in use of federal security grants

WE WILL HAVE EXHIBITED ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS BY:

- ➔ Achieving/maintaining zero regulatory violations
- ➔ Implementing the Northwest Ports Clean Air Strategy with our tenants, customers, business partners and the Puget Sound Clean Air Agency, including the At Berth Clean Fuels program, cargo handling equipment upgrades, truck buyback and scrappage program, and a system of restricting terminal entry to trucks which meet clean air plan requirements by 1/1/2011
- ➔ Building and improving stormwater systems and meeting stormwater management plan requirements
- ➔ Working with our tenants to complete a review of energy efficient lighting improvement options at container terminals
- ➔ Making significant progress on investigation and cleanup of key contamination sites, including the Lower Duwamish, East Waterway, Terminal 91, and Terminal 117

WE WILL HAVE BEEN A HIGH PERFORMANCE WORKPLACE BY:

- ➔ Providing our staff with regular feedback and support by completing 100% of staff performance reviews one week before the anniversary date
- ➔ Completing PREP plans with training, development, and diversity components
- ➔ Achieving a perfect safety score and zero accidents by providing our staff with the necessary tools and training.

CONTAINER OPERATIONS

MISSION

Provide containerized cargo facilities, equipment and services to enable current and new customers to move greater amounts of cargo through the Port of Seattle, and accommodate the efficient movement of containerized cargo through the Port of Seattle. All of these services will enhance the economy of the region and provide a reasonable rate of return to the Port of Seattle and the citizens of King County.

DESCRIPTION

Container operations include four terminals located on over 500 acres. Space is leased to private companies who operate the terminals.

Customers include steamship lines, stevedoring companies, United States Government Divisions, tribal fishing concerns, heavy equipment, bunker fuel, tug and barge services, cold storage and others.

BUSINESS STRATEGY

Container: For container cargo business, we have four container terminals, all under long-term lease, with largely fixed rents. While managing these leases and maintaining these container assets are a key part of our strategy, we are also working to increase cargo volumes by partnering with labor and the railroads, developing efficient logistics, improving terminal efficiencies, and improving and utilizing rail and road connections. We aim to provide value to our customers through clear communications and efficient service, partnering with them to grow container volume, and to promote Seattle as an opportunity for shippers to diversify cargo operations into the PNW.

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

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

Lease Management: Manage and lease the container terminals portfolio and enhance the value of the managed assets by increasing income and reducing expenses. Additionally, we will seek to acquire additional property for container operation support.

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

Key focus for short term is to develop more net operating income for Seaport, mainly through more cargo business, as well as reducing expense costs where possible.

KEY GOALS AND MEASURES

| Key Goals | Major Tasks | Measure | Targets |
|---|---|----------------------------------|----------------|
| Goal 1: | | | |
| Implement Customer Support Package | Select support services/products for Truck Program | Contracting complete | 1st Qtr |
| | Implement final Truck Program at gates | Mandatory program in place | 1/1/2011 |
| | Support Environmental to ensure terminals meet goals for yard equipment | Terminals compliant with lease | 1/1/2011 |
| | Survey all terminals for potential lighting upgrades | Survey Complete | 2nd Qtr |
| Goal 2: | | | |
| Conduct priority asset assessments and/or repairs | Authorize Repairs at T18 | Commission authorization | 1st Qtr |
| | Inspect T46 and finish T18 under dock inspection | Complete inspection | 3rd Qtr |
| | Complete T10 construction and relocate truck parking | Construction/relocation complete | 3rd Qtr |
| | Authorize Cable Reel Replacement at T5 | Commission authorization | 1st Qtr |
| Goal 3: | | | |
| Increase Seaport Revenues | Select Tenant for T106 Warehouse | Revenue for 2010 | \$300,000 |
| | Lease T25 South for interim uses | Revenue for 2010 | \$100,000 |
| | Select tenant for T104 | Revenue for 2010 | \$500,000 |
| | Lease T5 Option area and CFS | Revenue for 2010 | \$100,000 |

TABLE VI-3: CONTAINER OPERATIONS BUSINESS PLAN FORECAST

| (in 000's) | | Budget 2009 | Budget 2010 | Forecast | | | | Compound Growth 2009-2014 |
|---|-------|------------------|-----------------|-----------------|----------------|----------------|----------------|---------------------------------|
| OPERATING BUDGET | Notes | | | 2011 | 2012 | 2013 | 2014 | |
| Operating Revenue | | \$62,938 | \$59,651 | \$63,156 | \$63,518 | \$72,150 | \$76,519 | 4.0% |
| Operating & Maintenance Expense | | 19,133 | 13,131 | 13,848 | 14,169 | 14,499 | 14,836 | -5.0% |
| Corporate Administrative Expense | 1 | 7,823 | 7,852 | 8,323 | 8,823 | 9,352 | 9,913 | 4.8% |
| Total Operating Expense | | 26,956 | 20,983 | 22,171 | 22,992 | 23,851 | 24,749 | -1.7% |
| Net Operating Income Before Depreciation | | 35,982 | 38,668 | 40,986 | 40,526 | 48,300 | 51,770 | 7.5% |
| Total Depreciation Expense | | 19,125 | 19,374 | | | | | |
| Net Operating Income After Depreciation | | \$16,857 | \$19,294 | | | | | |
| | | | | | | | | Total 2010-2014 |
| COMMITTED CAPITAL BUDGET | 2 | \$104,497 | \$19,872 | \$34,789 | \$8,246 | \$4,375 | \$3,000 | \$70,282 |

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Notes:

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

SEAPORT MARKETING

MISSION

The mission of Seaport Marketing is to facilitate sustainable business growth through active marketing and promotion of the Port's marine facilities and services, surrounding infrastructure and intermodal gateway.

DESCRIPTION

Seaport Marketing is primarily responsible for maintaining and encouraging container business through the Port. A key priority is marketing and managing relationships to grow our business, primarily ocean carriers, railroads, marine terminal operators, shippers, port authorities. Seaport Marketing collects, analyzes and reports cargo stats and market intelligence, develops marketing messages for container business media and events, and engages in Seaport activities that facilitate business growth such as joint marketing efforts, freight infrastructure and mobility improvements, and increasing public understanding. Team members support the Port's key strategies in a manner that reflects a positive public image and high performance organization.

BUSINESS STRATEGY

Market our Port assets to maintain existing customers and attract new customers for sustainable container growth for the future. Understand our competition and business climate to capitalize on and market the differentiating factors that meet or exceed customer expectations. Increase container volume capabilities by supporting initiatives expected to improve logistics efficiency, terminal efficiency, freight mobility, rail and road connections, or sustainability. Provide academic and community outreach to increase awareness of the Port's container business and its positive economic impact.

KEY GOALS AND MEASURES

| Key Goals | Major Tasks | Measure | Targets |
|--|--|---|---|
| Promote Port of Seattle | Call on <i>customers</i> | Customer calls including tally of <i>opportunities</i> | Establish baseline and tracking system for opportunities |
| | Joint market POS with partners | Joint marketing meetings | Quarterly meetings with POT, BN, UP, CBP, TTI, EMS and SSA Establish regular meeting schedule for <i>identified</i> cruise and industrial property customers |
| | Integrate efforts with POS leadership | Joint customer calls with Port leadership | Establish baseline in 2010 and provide monthly reporting |
| Strengthen multi-media efforts | Develop/distribute promotional media | Number of promotional projects completed | Promotional projects completed & within budget |
| | Advertise in trade journals | Number of ad placements | Ad placements completed & within budget |
| | Identify and engage in other media opportunities | Number of exposures (hits) for Seaport in trade media outlets | Track trade media exposure and report monthly |
| Provide cargo statistics and market intelligence | Collect, analyze and report cargo statistics | Required reporting completed per schedule | Required reports completed on time |
| | Provide competitive information and analysis to Seaport leadership | Briefings with Seaport leadership | Quarterly strategy meetings |
| | Provide industry intelligence to POS leadership | Conduct briefing meetings with POS leadership | Bi-annual meetings including update of “Competitive Profiles and Industry Intelligence” binder |

DEFINITIONS:

Marketing: the critical activity and process of creating, communicating, delivering and exchanging offerings that have value to customers.

Customers: tenants, users or potential users of Seaport facilities/Puget Sound Gateway including marine terminal operators, ocean carriers, rails carriers, **shippers**, cruise lines, fishing trawlers/processors and industrial businesses.

Shippers: Beneficial Cargo Owners (BCO’s) and their third party logistics service providers (3PLs).

Identified Customers: those customers specifically identified as essential targets of our marketing efforts (defined on the “Seaport Marketing Customer List”)

Opportunities: business opportunities identified during customer calls (i.e. cargo diversion, help customer solve problem, market intelligence obtained, or similar)

Strategy Meetings: to review/update Seaport marketing strategies including reporting of CMA-CGM/Maersk/CSCL volume growth and “Green Gateway” promotion.

CRUISE AND INDUSTRIAL PROPERTIES

MISSION

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

DESCRIPTION

Cruise and Industrial Properties is made up of multiple facilities in and around the harbor totaling approximately 200 acres with over 17,000 lineal feet of large vessel berth moorage. In addition to facilities operated by the port, space is leased to private companies who operate all or portions of terminals. Facilities include: Piers 90 and 91 plus certain upland facilities at T91; T86 Grain Terminal; T115; T46 North; plus vessel berths at P2, P17, P28, P34, P69, P90/91 and other maritime facilities. Cruise facilities include a 1 berth facility, the P66 Bell Street Pier Cruise Terminal, and a 2 berth cruise facility at T-91, the Smith Cove Cruise Terminal.

Customers include cruise lines, Cruise Terminals of America, City Ice, Trident Seafood's, Carnitech Industries, Louis Dreyfus Corporation, Northland Services, stevedoring companies, charter and excursion vessels, tug and barge companies, large fishing and commercial vessels, the United States Navy and other ships of state. Industry sectors served include marine transportation, heavy equipment fabrication, staging and transport, grain products, the commercial seafood industry, bunker and distillate fuels, tug and barge services, food processing and cold storage.

BUSINESS STRATEGY

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

Industrial Properties /Dock Operations: For our docks and industrial facilities, we work with the terminal operators, tugboat, fishing industry, and other dock users to maximize the use of docks and upland buildings providing net income to the port. We will focus on providing customer value through building and maintaining relationships with our key customers, and continually striving to understand and anticipate their business needs. Retaining our current customers will be a key focus. We also invest in strategic capital improvements to attract new business and enhance revenue opportunities from our facilities.

Focus for the coming year is to develop more net operating income for the new Seaport Division, mainly through additional cruise business, as well as reducing expenses where possible.

KEY GOALS AND MEASURES

| Key Goals | Major Tasks | Measure | Targets |
|--|--|---|---|
| Determine customer's specific needs and implement a plan for future development. | Define expansion needs for T91 marine and industrial tenants. | Customer plan completed and final review and input to Seaport Real Estate Joint Strategic Planning Team | Q1 |
| | Develop operations plan for T91 | Improved operations effectiveness and relationship as measured by customer satisfaction. | Q1 |
| | Long term agreement with Cruise Lines at P66. Partnership on shore power linked to Federal Stimulus Grant decision | Reach agreement between cruise line and Port and draft agreement for approval | Q3 |
| | Develop operations plan for utilizing Smith Cove Cruise Terminal as an Events venue. | Work with Real Estate, Legal and tenant to clarify responsibilities and put out an RFP if determined in the plan. | Q1 |
| Evaluate critical assets to identify necessary repairs and capital projects. | Define T86 capital projects needs and pursue lease extension with Louis Dreyfus. | Define scope and design for major structural /mechanical system replacement and finalize lease extension | Q4 |
| | Prioritize the four most critical asset improvement items. | Items identified with priority listing. | Q1 |
| | P91 Under dock Slope Stabilization – Cruise Berths | Evaluate condition and determine fix as needed. | Q2 |
| | Evaluate first year operations at Smith Cove Cruise Terminal and determine necessary changes and upgrades. | Develop an action plan working with all tenants, cruise customers, project management and maintenance. | First 50% by Q4 2009 Second 50% by Q1 2010 |
| Establish T91 Operations Team - Staffing | Evaluate T91 staffing needs | Implementation of management plan with staffing in place. | Q1 |
| | Establish action plan for business development | Written action plan for business development in place. | Q2 |
| | Establish Tenant Communication Plan and Community outreach program | Written plans approved and implemented. | Q1 |

TABLE VI-4: CRUISE AND INDUSTRIAL PROPERTIES BUSINESS PLAN FORECAST

| (in 000's) | | Budget 2009 | Budget 2010 | Forecast | | | | Compound Growth 2009-2014 |
|---|-------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------------------------|
| OPERATING BUDGET | Notes | | | 2011 | 2012 | 2013 | 2014 | |
| Operating Revenue | | \$27,192 | \$28,883 | \$28,531 | \$29,048 | \$30,066 | \$31,522 | 3.0% |
| Operating & Maintenance Expense | | 10,479 | 11,075 | 10,743 | 11,010 | 11,284 | 11,564 | 2.0% |
| Corporate Administrative Expense | 1 | 5,176 | 5,614 | 5,950 | 6,308 | 6,686 | 7,087 | 6.5% |
| Total Operating Expense | | 15,655 | 16,689 | 16,693 | 17,318 | 17,970 | 18,651 | 3.6% |
| Net Operating Income Before Depreciation | | \$11,537 | \$12,195 | \$11,838 | \$11,730 | \$12,096 | \$12,871 | 2.2% |
| Total Depreciation Expense | | 10,343 | 11,727 | | | | | |
| Net Operating Income After Depreciation | | \$1,194 | \$468 | | | | | |
| | | | | | | | | Total 2010-2014 |
| COMMITTED CAPITAL BUDGET | 2 | \$12,858 | \$7,752 | \$7,139 | \$200 | \$0 | \$0 | \$15,091 |

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Notes:

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

SEAPORT SECURITY

MAJOR STRATEGIES:

1. Compliance with Federal Security Regulations and Policy.
2. Effective use of Federal Security Grant Opportunities.

Key Goals and Measures

| Key Goals | Major Tasks | Measure | Targets |
|---|---|---|---|
| 1) Compliance with Federal Security Regulations and Policy. | <p>1a) Enforce existing federal regulations</p> <p>1b) Meet TWIC card reader/access control infrastructure requirements</p> <p>1c) Compliance with National Incident Management System (NIMS) / Incident Command System (ICS) requirements</p> <p>1d) Written Continuity of Business/Government Planning (COOP)</p> | <p>1a) No USCG violations noted against Port.</p> <p>1b) Installed and Tested</p> <p>1c) Develop and provide required training</p> <p>1d) Each department has written COOP Plan</p> | <p>1a) Each quarter</p> <p>1b) Q4</p> <p>1c) Each quarter, as necessary</p> <p>1d) Q2</p> |
| 2) Effective use of Federal Security Grants | <p>2a) Seek flexibility in use of federal grants.</p> <p>2b) Implement new grant project review process</p> <p>2c) Outreach program with internal and external customers</p> | <p>2a) Ability to recover O&M costs, FTE costs, reduce cash match</p> <p>2b) Develop project list in advance, utilize Seaport Investment Justification Committee</p> <p>2c) Collaboratively identify projects that benefit business units/tenants</p> | <p>2a) Each quarter</p> <p>2b) Each quarter, as necessary</p> <p>2c) Each quarter</p> |

TABLE VI-5: SEAPORT SECURITY BUSINESS PLAN FORECAST

| (in 000's) | Notes | Budget 2009 | Budget 2010 | Forecast | | | | Compound Growth 2009-2014 |
|---|-------|------------------|------------------|------------------|------------------|------------------|------------------|---------------------------------|
| | | | | 2011 | 2012 | 2013 | 2014 | |
| OPERATING BUDGET | | | | | | | | |
| Operating Revenue | | \$3,955 | \$2,535 | \$90 | \$0 | \$0 | \$0 | -100.0% |
| Operating & Maintenance Expense | | 5,431 | 3,756 | 1,204 | 1,148 | 1,193 | 1,238 | -25.6% |
| Corporate Administrative Expense | 1 | 510 | 397 | 421 | 446 | 472 | 501 | -0.4% |
| Total Operating Expense | | 5,941 | 4,153 | 1,625 | 1,594 | 1,665 | 1,739 | -21.8% |
| Net Operating Income Before Depreciation | | (\$1,987) | (\$1,618) | (\$1,535) | (\$1,594) | (\$1,665) | (\$1,739) | -2.6% |
| Total Depreciation Expense | | 1,435 | 874 | | | | | |
| Net Operating Income After Depreciation | | (\$3,422) | (\$2,492) | | | | | |
| | | | | | | | | Total 2010-2014 |
| COMMITTED CAPITAL BUDGET | 2 | \$4,563 | \$826 | \$0 | \$0 | \$0 | \$0 | \$826 |

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Notes:

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

E. SEAPORT OPERATING BUDGET SUMMARY

TABLE VI-6: REVENUE BY ACCOUNT

| (in 000's) | 2008 Actual | 2009 Budget | 2010 Budget | % Change 2010 Bud- 2009 Bud |
|---|-----------------|-----------------|-----------------|-----------------------------------|
| Revenue by Account | | | | |
| Operating Revenue | | | | |
| Dckg, Whrfg, Serv/Facility, Passenger Fee | \$1,568 | \$1,261 | \$2,726 | 116.2% |
| Distribution & Storage | 3 | 32 | 32 | 0.0% |
| Equipment Rental | 8,944 | 8,680 | 6,309 | -27.3% |
| Berthage & Moorage | 1,106 | 1,216 | 907 | -25.4% |
| Revenue From Sale of Utilities | 3,671 | 3,854 | 3,818 | -0.9% |
| Property Rental Revenue | 68,851 | 72,504 | 74,458 | 2.7% |
| Other Revenues | 10,668 | 7,282 | 4,993 | -31.4% |
| Total Operating Revenue | \$94,811 | \$94,829 | \$93,244 | -1.7% |

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FIGURE VI-1: SEAPORT DIVISION REVENUE BY ACCOUNT

(\$ in 000's)

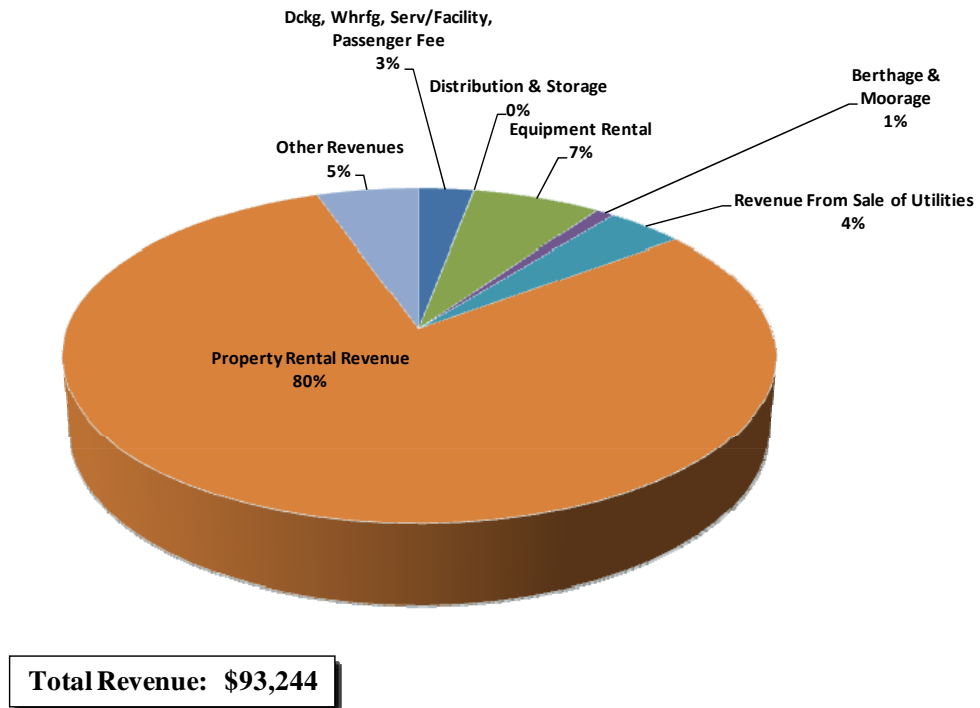


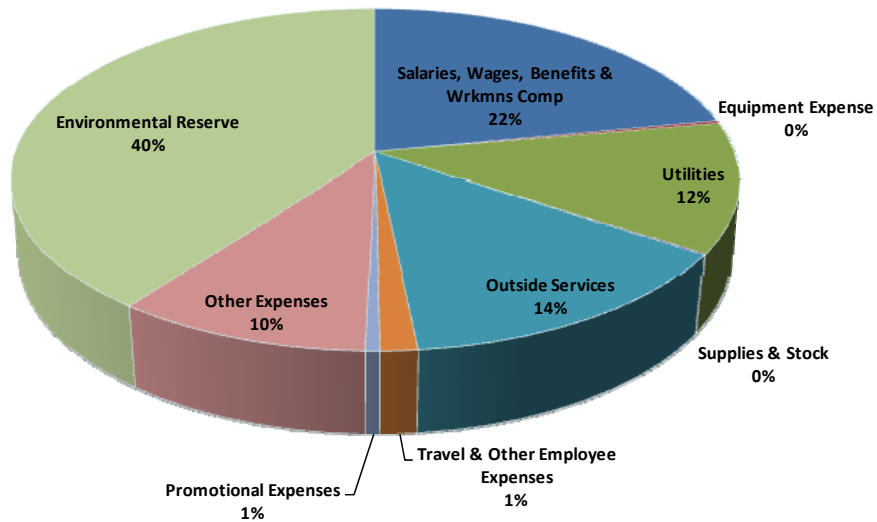
TABLE VI-7: OPERATING AND MAINTANENCE EXPENSES BY ACCOUNT

| (in 000's) | 2008 | 2009 | 2010 | % Change |
|--|---------------|---------------|---------------|-----------------------|
| Expense by Account | Actual | Budget | Budget | 2010 Bud- 2009 Bud |
| Salaries, Wages, Benefits & Wrkmns Comp | \$7,020 | \$7,896 | \$7,994 | 1.2% |
| Equipment Expense | 678 | 613 | 100 | -83.7% |
| Utilities | 3,738 | 4,090 | 4,387 | 7.3% |
| Supplies & Stock | 83 | 41 | 42 | 2.4% |
| Outside Services | 5,625 | 10,746 | 5,100 | -52.5% |
| Travel & Other Employee Expenses | 519 | 528 | 523 | -0.9% |
| Promotional Expenses | 202 | 265 | 202 | -23.8% |
| Other Expenses | 1,198 | 5,685 | 3,587 | -36.9% |
| Total O&M without Environmental | 19,063 | 29,864 | 21,935 | -26.6% |
| Environmental Reserve | 5,872 | 3,375 | 14,500 | 329.6% |
| Total O&M with Environmental | 24,935 | 33,239 | 36,436 | 9.6% |
| Charges to Capital Projects | (1,210) | (923) | (970) | 5.1% |
| Total Budgeted Operating Expense | 23,725 | 32,315 | 35,466 | 9.8% |

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FIGURE VI-2: SEAPORT DIVISION EXPENSE BY ACCOUNT

(\$ in 000's)



| |
|--|
| Total Before Charges to Capital Projects: \$36,436 Charges to Capital Projects: \$970 Total Expense: \$35,466 |
|--|

TABLE VI-8: SEAPORT REVENUE AND EXPENSE BY BUSINESS GROUP/DEPARTMENT

| (\$ in 000's) | | | | |
|--|------------------|------------------|------------------|--------------------------------|
| BY BUSINESS GROUP/DEPARTMENT | 2008 | 2009 | 2010 | % Change |
| Notes | Actual | Budget | Budget | 2010 Bud - 2009 Bud |
| REVENUE | | | | |
| Containers and Support Services | 56,293 | 62,938 | 59,526 | -5.4% |
| Cruise, Docks and Industrial Properties | 28,757 | 27,086 | 28,883 | 6.6% |
| Professional & Technical Services | 78 | - | - | |
| Seaport Environmental Reserves | 8,833 | 850 | 2,300 | 170.6% |
| Seaport Security | 850 | 3,955 | 2,535 | -35.9% |
| Total Operating Revenue | \$ 94,811 | \$ 94,829 | \$ 93,244 | -1.7% |
| OPERATING EXPENSE | | | | |
| <u>Business Groups:</u> | | | | |
| Seaport Marketing | 1,226 | 1,169 | 1,048 | -10.4% |
| Containers and Support Properties | 5,545 | 10,400 | 4,237 | -59.3% |
| Cruise, Docks and Industrial Properties | 3,975 | 5,702 | 5,154 | -9.6% |
| Total Business Group Expense | 10,746 | 17,271 | 10,439 | -39.6% |
| <u>Service Depts:</u> | | | | |
| <u>Finance & Asset Management</u> | | | | |
| Seaport Environmental Services | 2,882 | 3,626 | 3,365 | -7.2% |
| Seaport Finance | 529 | 596 | 625 | 4.9% |
| Seaport Strategic Planning & Policy | 706 | 825 | 831 | 0.7% |
| <u>Other</u> | | | | |
| Environmental Reserves | 5,872 | 3,375 | 14,500 | 329.6% |
| Foreign Liason | 1 | | 525 | |
| Seaport Administration | 1,354 | 1,244 | 1,201 | -3.5% |
| Seaport Security | 1,636 | 5,079 | 3,479 | -31.5% |
| Seaport Contingency | - | 300 | 500 | 66.7% |
| Seaport Capital to Expense | | | | |
| Total Services Expense | 12,979 | 15,045 | 25,026 | 66.3% |
| Total Division Expense | \$ 23,725 | \$ 32,315 | \$ 35,466 | 9.8% |

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Notes:

- 1) Effective in 2010, established the Foreign Liason department

F. STAFFING

The following Table VI-9 outlines the Full-Time Equivalents (FTEs) in the Seaport Division. Seaport is budgeting 60.4 FTE's for 2010, which is an increase from 57.4 for 2009 budget.

TABLE VI-9: SEAPORT DIVISION STAFFING

| STAFFING (Full-Time Equivalent Positions) | | | | | |
|---|--------------|------------------------|---------------------------|------------------------|---|
| BUSINESS GROUP/DEPARTMENT | Notes | 2009 Budget | 2009 Est. Act. | 2010 Budget | % Change 2010Bud- 2009 Bud |
| Business Groups: | | | | | |
| Seaport Marketing | | 6.3 | 4.3 | 4.3 | -31.6% |
| Container Operations and Support Properties | | 6.0 | 5.6 | 5.6 | -6.7% |
| Cruise and Industrial Properties | | 8.3 | 9.3 | 9.3 | 12.0% |
| Total Business Groups | | 20.6 | 19.2 | 19.2 | -6.8% |
| Professional and Technical Services: | | | | | |
| Seaport Environmental Services | | 20.3 | 18.3 | 19.3 | -4.9% |
| Seaport Finance | | 4.6 | 4.6 | 4.6 | 0.0% |
| Seaport Security | | 5.0 | 5.0 | 5.0 | 0.0% |
| Seaport Planning | | 4.3 | 4.3 | 4.3 | 0.0% |
| Total Professional and Technical Services | | 34.2 | 32.2 | 33.2 | -2.9% |
| Other | | | | | |
| Seaport Administration | | 7.0 | 6.0 | 6.0 | -14.3% |
| Foreign Liaison | | 0.0 | 0.0 | 2.0 | |
| TOTAL SEAPORT DIVISION | | 61.8 | 57.4 | 60.4 | -2.3% |

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G. SEAPORT CAPITAL BUDGET

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

Table VI-10 provides a summary of the Seaport Division's 2010 capital budget.

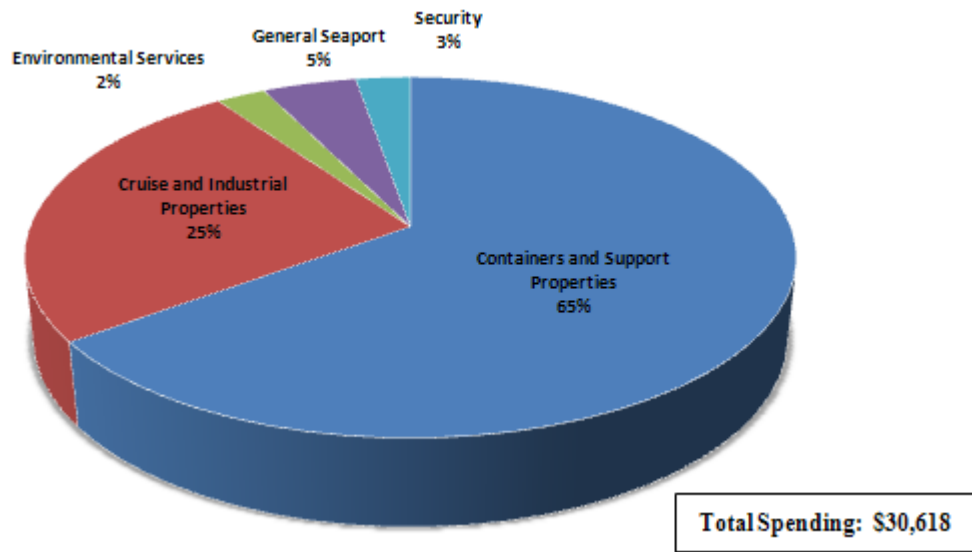
TABLE VI-10: SEAPORT DIVISION CAPITAL BUDGET SUMMARY

| (\$ in 000's) | 2010 Budget | 2010-2014 CIP | % of Total |
|-----------------------------------|------------------------|--------------------------|-----------------------|
| Committed Capital Projects | | | |
| Containers and Support Properties | \$19,872 | \$41,382 | 64.9% |
| Cruise and Industrial Properties | 7,752 | 15,091 | 25.3% |
| Environmental Services | 750 | 2,250 | 2.4% |
| General Seaport | 1,418 | 6,241 | 4.6% |
| Security | 826 | 826 | 2.7% |
| Total | \$30,618 | \$65,790 | 100.0% |

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FIGURE VI-3: SEAPORT DIVISION COMMITTED CAPITAL BUDGET

(\$ in 000's)



H. SEAPORT DIVISION OPERATING STATISTICS

TABLE VI-11: SEAPORT DIVISION OPERATING STATISTICS

| Year | International Containerized Trade | | | | Total Int'l & Dom. TEUS | | | | |
|------------------------|-----------------------------------|--------|-------------|--------|-------------------------|--------|-------------|----------------|--------|
| | Metric Tons | | Total TEU's | | Port of Seattle | Growth | Other | Seattle Harbor | Growth |
| | (in 1000's) | Growth | | Growth | Total TEU's | | Total TEU's | Total TEU's | |
| 1998 | 8,342 | 0.5% | 1,258,104 | 5.2% | 1,424,415 | 4.7% | 119,311 | 1,543,726 | 4.6% |
| 1999 | 8,940 | 7.2% | 1,195,150 | -5.0% | 1,354,619 | -4.9% | 135,429 | 1,490,048 | -3.5% |
| 2000 | 9,899 | 10.7% | 1,201,841 | 0.6% | 1,346,830 | -0.6% | 141,437 | 1,488,267 | -0.1% |
| 2001 | 8,366 | -15.5% | 1,052,789 | -12.4% | 1,163,388 | -13.6% | 151,721 | 1,315,109 | -11.6% |
| 2002 | 8,407 | 0.5% | 1,173,248 | 11.4% | 1,291,790 | 11.0% | 147,082 | 1,438,872 | 9.4% |
| 2003 | 7,891 | -6.1% | 1,184,698 | 1.0% | 1,397,658 | 8.2% | 88,724 | 1,486,382 | 3.3% |
| 2004 | 9,720 | 23.2% | 1,466,251 | 23.8% | 1,687,768 | 20.8% | 88,090 | 1,775,858 | 19.5% |
| 2005 | 11,975 | 23.2% | 1,745,798 | 19.1% | 1,968,455 | 16.6% | 119,474 | 2,087,929 | 17.6% |
| 2006 | 11,377 | -5.0% | 1,636,261 | -6.3% | 1,858,652 | -5.6% | 128,708 | 1,987,360 | -4.8% |
| 2007 | 12,407 | 9.1% | 1,628,494 | -0.5% | 1,848,186 | -0.6% | 125,318 | 1,973,504 | -0.7% |
| 2008 | 10,556 | -14.9% | 1,376,496 | -15.5% | 1,575,622 | -14.7% | 128,870 | 1,704,492 | -13.6% |
| 2009 Forecast | 9,035 | -14.4% | 1,203,660 | -12.6% | 1,374,000 | -12.8% | 112,000 | 1,486,000 | -12.8% |
| 2010 Forecast | 9,728 | 7.7% | 1,296,000 | 7.7% | 1,506,000 | 9.6% | 94,000 | 1,600,000 | 7.7% |
| Compound Growth | | | | | | | | | |
| 1998-2008 | | 2.4% | | 0.9% | | 1.0% | | | 1.0% |
| 2003-2008 | | 6.0% | | 3.0% | | 2.4% | | | 2.8% |

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Port of Seattle Facilities Total Tonnage

| Year | Domestic Metric Tons | | International Metric Tons | | Total Metric Tons | |
|------------------------|----------------------|--------|---------------------------|--------|-------------------|--------|
| | (in 1000's) | Growth | (in 1000's) | Growth | (in 1000's) | Growth |
| 1998 | 3,179 | -11.9% | 9,873 | -17.6% | 13,052 | -16.3% |
| 1999 | 3,548 | 11.6% | 11,045 | 11.9% | 14,593 | 11.8% |
| 2000 | 3,405 | -4.0% | 12,225 | 10.7% | 15,630 | 7.1% |
| 2001 | 2,611 | -23.3% | 11,214 | -8.3% | 13,825 | -11.5% |
| 2002 | 2,055 | -21.3% | 10,141 | -9.6% | 12,196 | -11.8% |
| 2003 | 2,341 | 13.9% | 11,062 | 9.1% | 13,403 | 9.9% |
| 2004 | 2,453 | 4.8% | 13,676 | 23.6% | 16,129 | 20.3% |
| 2005 | 2,369 | -3.4% | 17,078 | 24.9% | 19,447 | 20.6% |
| 2006 | 2,615 | 10.4% | 17,327 | 1.5% | 19,942 | 2.5% |
| 2007 | 2,546 | -2.6% | 17,777 | 2.6% | 20,323 | 1.9% |
| 2008 | 2,266 | -11.0% | 16,940 | -4.7% | 19,206 | -5.5% |
| 2009 Forecast | 1,993 | -12.0% | 14,035 | -17.1% | 16,028 | -16.5% |
| 2010 Forecast | 2,190 | 9.9% | 14,728 | 4.9% | 16,918 | 5.6% |
| Compound Growth | | | | | | |
| 1998-2008 | | -3.3% | | 5.5% | | 3.9% |
| 2003-2008 | | -0.6% | | 8.9% | | 7.5% |

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Source: Port of Seattle Internal Tonnage Reporting Statistics System.