

# ECONOMIC DEVELOPMENT DIVISION

## A. BUSINESS PLAN FORECAST

**TABLE VII-1: BUSINESS PLAN FORECAST**

(in 000's)		Budget 2005	Budget 2006	Forecast				Compound Growth 2005-2010
Notes	2007			2008	2009	2010		
<b>OPERATING BUDGET</b>								
		\$0	\$0	\$0	\$0	\$0	\$0	
		\$2,912	\$3,005	3,110	3,219	3,331	3,448	3.4%
	1	\$587	\$657	680	703	728	753	5.1%
		0	0					
		0	0					
		3,500	3,661	3,789	3,922	4,059	4,201	3.7%
		(3,500)	(3,661)	(3,789)	(3,922)	(4,059)	(4,201)	3.7%
		\$72	\$92					
		(\$3,572)	(\$3,753)					
<b>COMMITTED CAPITAL BUDGET</b>								
	2	\$1,500	\$810	\$0	\$0	\$0	\$0	
		Budget 2005	Budget 2006	change			%	
<b>SUMMARY OF DIVISION EXPENSES</b>								
		2,912	3,005	92			3.2%	
		0	0	0				
		0	0	0				
		\$2,912	\$3,005	92			3.2%	
<b>SUMMARY OF CORPORATE/OTHER EXPENSES</b>								
		\$0	\$0	0				
		99	104	5			5.1%	
		488	552	64			13.2%	
		\$587	\$657	69			11.8%	

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**Notes:**

- 1) Consists of remaining Corporate costs to be allocated to Economic Development after direct charges have been coded to Business 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 IX for details of Capital Budget.

**B. 2006 BUDGET SUMMARY**

**TABLE VII-2: 2006 BUDGET SUMMARY**

		(in 000's)				
	Notes	2005 Budget	2005 Forecast	2006 Budget	Change 2006 Bud- 2005 Bud	% Change
<b>OPERATING RESULTS</b>						
Operating Revenue		\$0	\$0	\$0	-	
Operating & Maintenance Expense		2,912	2,712	3,005	92	3.2%
Corporate Administrative Expense	1	587	488	657	69	11.8%
Security Costs		-	-	-	-	
Law Enforcement Costs		-	-	-	-	
Total Operating Expense		3,500	3,200	3,661	162	4.6%
<b>Net Operating Income Before Depreciation</b>		(3,500)	(3,200)	(3,661)	(162)	4.6%
<b>COMMITTED CAPITAL BUDGET</b>						
	2	\$1,500	\$8,506	\$810	(\$690)	-46.0%
<b>EMPLOYMENT (FTEs)</b>		16.3	15.3	15.3	(1.0)	-6.1%

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**Notes:**

- 1) Consists of remaining Corporate costs to be allocated to Economic Development after direct charges have been coded to Business 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 IX for details of Capital Budget.

## **C. DIVISION MISSION STATEMENT**

The Economic Development Division is committed to increasing economic vitality for our region and the generating of additional revenue for the Port. This will be accomplished through the Port's involvement in the community, partnerships with assorted businesses, trade groups, the transportation sector, and real estate partners.

The Economic Development Division (EDD) integrates the components of Economic, Business and Trade Development, Real Estate Development, and Regional Transportation. EDD intends to identify and pursue opportunities that enhance the region's long-term viability and produce new revenue for the Port.

### **Economic, Business and Trade Development (EBTD)**

The Economic Business and Trade Development Department (EBTD) will create and sustain regional economic vitality by proactively seeking, facilitating, and pursuing international and regional trade and business opportunities.

The components of the EBTD team:

International Trade and Business Development works to increase two-way trade, enhance utilization of Port facilities, and promote the Port and the region as a preferred destination for trade and foreign direct investment (FDI). This will include the addition of two new initiatives.

- China Initiative will focus on identifying, qualifying and building a viable and cost-effective plan to increase trade flows through the Port and to attract Chinese direct investment (FDI) to the Port and the region.
- Foreign Office Initiative will focus on enhancing the effectiveness of the Port's foreign representatives in Asia by expanding their responsibilities with accountability measures.

Regional Economic Development works to build and enhance relationships with critical partners to support incoming FDI and trade related business opportunities throughout the Puget Sound and Inland Northwest.

- The Port's continued support for the Prosperity Partnership and Four County Regional Strategy reflects a firm commitment to implement the action initiatives identified in key cluster groups: Aerospace, Information Technology, Life Sciences, and Logistics and International Trade.
- The Port's continued support for enterpriseSeattle reflects its commitment to enhance the economic vitality of our region through the active retention and recruitment of new business. However, our expanded partnership will include support for incoming FDI leads generated by our Foreign Office Representatives.
- Inland Northwest Office will develop and implement a plan to identify and support new export and import opportunities for regional companies that utilize Port of Seattle facilities.

### **Real Estate Development**

The group connects the Port's broad mission of creating regional economic vitality through three real estate-related initiatives.

Advance the planning and development of certain assets the Port currently owns (e.g. North Bay). Past strategic planning efforts underscored the Port's need to improve utilization of existing assets.

Identify and respond to new opportunities and projects and, where appropriate, and complete these new transactions. The economic recession of the past few years has highlighted new opportunities for the Port to take a more active role in regional real estate-related economic development.

Establish a center of real estate planning and development expertise within the Port. Such expertise will be integral to the Port achieving its overall mission.

## **Regional Transportation**

The Regional Transportation team works to “Be a Catalyst for Transportation Solutions,” by collaborating with other agencies to define solutions to jointly pursue. Our objectives are to ensure effective access to current and future Port facilities, and to promote regional vitality through improved transportation.

In 2006, we anticipate focusing on Port and regional interests in broad-based initiatives such as the Prosperity Partnership and FAST Corridor, state policy and project studies including the SR99 Viaduct/Seawall Replacement, SR509, SR518 and SR519 Phase 2; transit planning and projects; and City efforts for the north waterfront and Duwamish area infrastructure. Additionally, we’ll continue to pursue new and sustain existing funding investments at regional, state and federal levels.

To support these initiatives, we propose to continue funding for the senior advisory team, who will also contribute to the development of regional partnership strategies stemming from the 2005 Prosperity Partnership.

## **INDUSTRY/ENVIRONMENT FORECAST**

### **Economic, Business and Trade Development (EBTD)**

Opportunities to increase international trade continue to enhance and expand our region’s economy. Projected trade activity from Asia, particularly China, poses vast opportunities for the Port. In response to this, the Port will seek strategic alliances with a variety of organizations that will help influence the flow of trade into our region. This effort to build long term relationships will allow for the Port to more effectively attract customers and investors to this gateway; and will result in increasing two-way trade and new economic opportunities for the region. This environment of opportunity triggers the need for the China and foreign office initiatives identified above.

However, along with trade opportunities, the Port continues to face increased competition from other West Coast ports. In response to this, the Port has begun working collaboratively with the Prosperity Partnership and other regional organizations to identify and implement action initiatives that would make our region more competitive and attractive to business, especially those in the trade-related industries. It is extremely important that our region remain committed to making the necessary changes to remain competitive.

### **Real Estate Development**

There are significant challenges inherent in redeveloping certain Port properties and investing in real estate opportunities. Foremost among the redevelopment challenges is the considerable initial investment. This investment will mean capital and expense budgets that will total several million dollars over several years before a steady revenue stream is established.

The Real Estate Development group’s planning and development activities also involve regulatory, transportation, and political challenges that will need to be assessed and resolved. For instance, the North Bay project requires zoning changes that must be approved by the Seattle City Council amid differing perspectives among key Port constituencies and the broader public about the appropriate use for the site. The North Bay project must also address the transportation impacts associated with introducing a significant amount of new development into the area.

While over the short-term the group faces significant challenges, over the long-term the Port has the ability to enhance the region’s vitality through the redevelopment of its underutilized assets and the pursuit of new assets and new opportunities.

## **Regional Transportation**

Over the past decade, regional transportation has suffered from decreased and/or unreliable funding. At the same time, the Port’s core businesses in the aviation and maritime industries are rebounding and are more reliant on regional transportation infrastructure. Our partners are increasingly finding themselves unable to make the same investments as in the past, such that many worthwhile projects are competing for fewer dollars. While 2005 brought new state transportation funding and a reauthorized federal transportation bill (SAFETEA-LU), voter initiatives and Mother Nature create uncertainty about availability of those funds. Thus, we must continue to work with our partners on direct as well as contingency plans. By considering technical, strategic, and political perspectives, we will reach consensus on key investments and demonstrate a unified voice for those priorities.

### **International Trade and Business Development:**

The overall goal for EBTD's International Trade and Business Development program is to enhance trade opportunities for the region, increase utilization of Port facilities, and promote regional business interests. In support of these goals, new objectives have been set and will be achieved through proactive, aggressive marketing and business development initiatives in Asia, especially in China.

The China Initiative focuses on identifying, qualifying, and building a viable and cost-effective plan to increase trade flows through the Port of Seattle and to attract Chinese direct investment to the Port and the region (FDI).

The Foreign Office Initiative focuses on enhancing the effectiveness of the Port's foreign representatives in Asia by expanding their responsibilities with accountability measures.

#### **Necessary Staffing Support**

The elevated level of work associated with the new initiatives necessitates the creation of a new staff position. The proposed title of this staff position would be Program Coordinator.

### **Regional Economic Development**

EBTD's Regional Economic Development has identified initiatives that work to strengthen our region's economy and the competitiveness of the Port, including transportation related issues, strategic partnerships, and enhanced visibility for the Port's Eastern Washington office throughout the Pacific Northwest. These programs closely align and support the new programs proposed by International Trade.

The Prosperity Partnership: The four county regional strategy identifies the steps to be taken for the region to remain competitive. The Port continues to support the implementation of specific Action Initiatives identified by key cluster working groups: Logistics & International Trade, Aerospace, Information technology, and Life Sciences.

enterpriseSeattle, tasked with regional economic development, will continue in its primary role of business retention and recruitment. However, the Port's partnership with enterpriseSeattle will be expanded to include support for incoming foreign direct investment leads generated by the Port's Foreign Office Representatives.

Inland Northwest Office, based in Spokane Washington, will continue to reach out to business, government and other community entities on behalf of the Port of Seattle. In addition, non-agricultural import and export opportunities will be identified to support additional usage of Port of Seattle facilities. The scope of this undertaking includes a significant portion of the Pacific Northwest, including Eastern Washington, Idaho, Montana, Northern Utah, and Eastern Oregon.

### **Regional Transportation**

The evolution of the Prosperity Partnership, which has spawned several action initiatives, will intensify the Port's Regional Transportation involvement. Implementing "Action Initiatives" in the clusters of "Transportation" and "International Trade & Logistics" would be based on an analysis of competitive standing and gaps in freight capacity in the international supply chain. Sub-elements may include freight capacity modeling, rail capacity analysis, congestion management initiatives or regional investment prioritization.

## D. ECONOMIC DEVELOPMENT OPERATING BUDGET SUMMARY

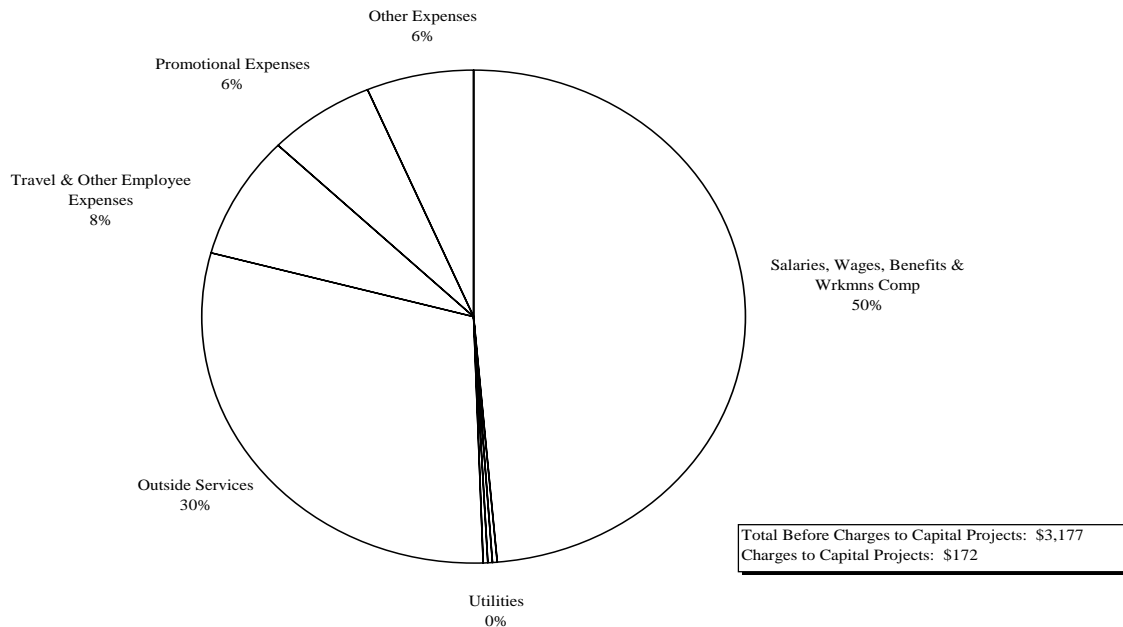
**TABLE VII-3: OPERATING & MAINTENANCE EXPENSES BY ACCOUNT**

Expense by Account	(in 000's)			
	2004 Actual	2005 Budget	2006 Budget	% Change 2006 Bud- 2005 Bud
Salaries, Wages, Benefits & Wrkmns Comp	\$1,420	\$1,559	\$1,546	-0.9%
Equipment Expense	21	6	7	12.0%
Utilities	7	6	6	0.0%
Supplies & Stock	11	4	11	148.2%
Outside Services	969	1,091	942	-13.7%
Travel & Other Employee Expenses	158	206	262	27.1%
Promotional Expenses	212	117	200	71.0%
Other Expenses	198	192	204	5.9%
Subtotal	2,996	3,182	3,177	-0.2%
Charges to Capital Projects	(263)	(270)	(172)	-36.3%
Total Budgeted Operating Expense	2,733	2,912	3,005	3.2%
Charges to Non-Econ Develop Departments	(82)	-	-	-
Total Operating Expense	\$2,651	\$2,912	\$3,005	3.3%

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**FIGURE VII-1: ECONOMIC DEVELOPMENT DIVISION EXPENSE BY ACCOUNT**

(\$ in 000's)



**TABLE VII-4: EXPENSE BY DEPARTMENT**

(in 000's)		2004	2005	2006	% Change
<b>BY DEPARTMENT</b>		Actual	Budget	Budget	2006 Bud - 2005 Bud
<b>OPERATING EXPENSE</b>					
<b>Business Groups:</b>					
Economic & Trade Development		\$1,825	\$1,609	\$2,057	27.8%
Real Estate		569	788	356	-54.8%
Regional Transportation		168	300	395	31.8%
Total Business Group Expense		2,563	2,697	2,808	4.1%
<b>Lines of Service:</b>					
Economic Development Administration		170	215	197	-8.6%
Total Line of Services Expense		170	215	197	-8.6%
<b>Total Division Expense</b>		<b>\$ 2,733</b>	<b>\$ 2,912</b>	<b>\$ 3,005</b>	<b>3.2%</b>

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**E. STAFFING****TABLE VII-5: ECONOMIC DEVELOPMENT DIVISION STAFFING**

<b>STAFFING</b> (Full-Time Equivalent Positions)				
<b>BY DEPARTMENT</b>	2005 Budget	2005 Est. Act.	2006 Budget	% Change 2006 Bud - 2005 Bud
Administration	4.3	4.3	2.3	-46.5%
Real Estate	5.0	4.0	3.0	-40.0%
Economic & Trade Development	5.0	5.0	7.0	40.0%
Regional Transportation	1.0	1.0	2.0	100.0%
<b>TOTAL ECONOMIC DEVELOPMENT DIVISION REGULARS</b>	<b>15.3</b>	<b>14.3</b>	<b>14.3</b>	<b>-6.5%</b>
Limited Duration	0.0	0.0	0.0	
Ineligible Extended	0.0	0.0	0.0	
Temporary	0.0	0.0	0.0	
Interns	1.0	1.0	1.0	0.0%
On Call	0.0	0.0	0.0	
Commissioner	0.0	0.0	0.0	
<b>TOTAL ECONOMIC DEVELOPMENT DIVISION</b>	<b>16.3</b>	<b>15.3</b>	<b>15.3</b>	<b>-6.1%</b>

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**Notes:**

- 1) Tourism was transferred to Public Affairs from Economic Development Division in 2005.

## **F. ECONOMIC DEVELOPMENT CAPITAL BUDGET**

Economic Development Division has a total 2006 capital budget of \$0.8 million, compared to \$1.5 million in 2005. For more detail refer to Capital Budget, Section IX.

## **G. ECONOMIC DEVELOPMENT DIVISION SUMMARY**

**TABLE VII-6: ECONOMIC DEVELOPMENT DIVISION SUMMARY**

	( in 000's)	Actuals 2004	Budget 2005	Forecast 2005	Budget 2006	Growth 2006 Bud- 2005 Bud
<b>BUDGET</b>	Notes					
Operating Revenue		\$0	\$0	\$0	\$0	
Operating & Maintenance Expense		2,872	2,912	2,712	3,005	3.2%
Corporate Administrative Expense	1	541	587	488	657	11.8%
Security Costs					-	
Law Enforcement Costs		-	-	-	-	
Total Department Expense		3,413	3,500	3,200	3,661	4.6%
<b>Net Operating Income before Depreciation</b>		(\$3,413)	(\$3,500)	(\$3,200)	(\$3,661)	4.6%
Depreciation		93	0	0	92	
<b>Net Operating Income after Depreciation</b>		(\$3,506)	(\$3,500)	(\$3,200)	(\$3,753)	7.2%
<b>CAPITAL SPENDING</b>		\$3,467	\$1,500	\$8,506	\$810	-46.0%
<b>TOTAL FTEs</b>		18.0	16.3	15.3	15.3	-6.1%

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