

ECONOMIC DEVELOPMENT DIVISION

A. BUSINESS PLAN FORECAST

TABLE VII-1: BUSINESS PLAN FORECAST

(in 000's)		Notes	Budget 2006	Budget 2007	Forecast				Compound Growth 2006-2011																																												
					2008	2009	2010	2011																																													
OPERATING BUDGET																																																					
Operating Revenue			\$0	\$0	\$0	\$0	\$0	\$0																																													
Operating & Maintenance Expense			\$3,109	\$3,245	3,358	3,476	3,597	3,723	3.7%																																												
Corporate Administrative Expense		1	\$552	\$566	586	606	627	649	3.3%																																												
Security Costs			0																																																		
Law Enforcement Costs			0																																																		
Total Operating Expense			3,661	3,810	3,944	4,082	4,225	4,373	3.6%																																												
Net Operating Income Before Depreciation			(3,661)	(3,810)	(3,944)	(4,082)	(4,225)	(4,373)	3.6%																																												
Total Depreciation Expense			\$92	\$80																																																	
Net Operating Income After Depreciation			(\$3,753)	(\$3,891)																																																	
COMMITTED CAPITAL BUDGET																																																					
		2	\$810	\$522	\$0	\$0	\$0	\$0																																													
<table border="1" style="margin: auto; border-collapse: collapse;"> <thead> <tr> <th>Budget 2006</th> <th>Budget 2007</th> <th>change</th> <th>%</th> </tr> </thead> <tbody> <tr> <td colspan="4">SUMMARY OF DIVISION EXPENSES</td> </tr> <tr> <td>Business Group Charges</td> <td style="text-align: right;">3,005</td> <td style="text-align: right;">3,018</td> <td style="text-align: right;">13 0.4%</td> </tr> <tr> <td>Direct Charges to Business Groups</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Allocations to Business Groups</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> <td style="text-align: right;">0</td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;">\$3,005</td> <td style="text-align: right;">\$3,018</td> <td style="text-align: right;">13 0.4%</td> </tr> <tr> <td colspan="4">SUMMARY OF CORPORATE/OTHER EXPENSES</td> </tr> <tr> <td>Direct Charges to Business Groups</td> <td style="text-align: right;">\$0</td> <td style="text-align: right;">\$0</td> <td style="text-align: right;">0</td> </tr> <tr> <td>Direct Charges to Division</td> <td style="text-align: right;">104</td> <td style="text-align: right;">227</td> <td style="text-align: right;">123 117.7%</td> </tr> <tr> <td>Allocated Charges to Business Groups</td> <td style="text-align: right;">552</td> <td style="text-align: right;">566</td> <td style="text-align: right;">13 2.4%</td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;">\$657</td> <td style="text-align: right;">\$793</td> <td style="text-align: right;">136 20.7%</td> </tr> </tbody> </table>										Budget 2006	Budget 2007	change	%	SUMMARY OF DIVISION EXPENSES				Business Group Charges	3,005	3,018	13 0.4%	Direct Charges to Business Groups	0	0	0	Allocations to Business Groups	0	0	0	TOTAL	\$3,005	\$3,018	13 0.4%	SUMMARY OF CORPORATE/OTHER EXPENSES				Direct Charges to Business Groups	\$0	\$0	0	Direct Charges to Division	104	227	123 117.7%	Allocated Charges to Business Groups	552	566	13 2.4%	TOTAL	\$657	\$793	136 20.7%
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- 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. 2007 BUDGET SUMMARY

TABLE VII-2: 2007 BUDGET SUMMARY

		(in 000's)				
	Notes	2006 Budget	2006 Forecast	2007 Budget	Change 2007 Bud- 2006 Bud	% Change
OPERATING RESULTS						
Operating Revenue		\$0	\$0	\$0	-	
Operating & Maintenance Expense		3,109	3,109	3,245	136	4.4%
Corporate Administrative Expense	1	552	552	566	13	2.4%
Security Costs		-	-	-	-	
Law Enforcement Costs		-	-	-	-	
Total Operating Expense		3,661	3,661	3,810	149	4.1%
Net Operating Income Before Depreciation		(3,661)	(3,661)	(3,810)	(149)	4.1%
COMMITTED CAPITAL BUDGET						
	2	\$810	\$520	\$522	(\$288)	-35.6%
EMPLOYMENT (FTEs)		15.3	15.6	15.9	0.5	3.6%

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Notes:

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C. DIVISION OVERVIEW

The Economic Development Division is committed to increasing the economic vitality of our region and generating new business opportunities for the Port. This will be accomplished by leveraging the Port's partnerships with regional and international businesses and trade groups, the transportation sector, and real estate partners.

The Economic Development Division (EDD) integrates the efforts of three functional workgroups: 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 ultimately produce new revenue for the Port.

Economic, Business and Trade Development (EBTD)

The Economic, Business and Trade Development Department (EBTD) will continue working on creating and sustaining economic vitality in the Puget Sound region by proactively cultivating, facilitating and realizing regional and international trade and business opportunities and by engaging in promotion of trade and economic development policies that are beneficial to the region.

International Trade and Business Development

The overall goal for EBTD's International Trade and Business Development Program remains the same as in 2006 – enhance international business and trade opportunities for the region, increase utilization of Port facilities, promote regional business interests in foreign markets and pursue initiatives to enhance the region's economy. In support of these goals, EBTD staff will proactively seek opportunities to market the Port and the region as a preferred destination for trade, business and foreign investment, and will continue to bring strategic focus to the Port's representative offices in Asia.

The Port's foreign representation will continue to be a key element of the International Trade and Business Development Program. In 2007, EBTD will carry forward its efforts to exploit the presence of the Port's foreign offices to benefit the Port's businesses and the regional/state economy while continuing to strengthen performance goals and accountability measures.

Strategic international marketing and business development is critical to the success of EBTD and to the overall objectives of the Port. EBTD will continue to explore effective ways to highlight the Port's competitive advantages, to identify and capture business opportunities in key international markets and to help realize these business opportunities locally and regionally. Creation of the Port's foreign language web pages, brochures, and proactive engagement in events with high visibility domestically and internationally will continue to be part of our international marketing and business development program activities.

US trade policy is one of the most critical drivers for the US imports and exports. The international trade and business development program will continue working with others to influence US trade policies that promote positive engagement of foreign countries and increase two-way trade.

China is a significant player in US foreign trade and will become increasingly influential in the global economy. EBTD staff has been exploring creative ways to help the Port position itself to be one of the most competitive Ports for receiving Chinese goods and for sending US goods to China.

Regional Economic Development

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

The Prosperity Partnership, the four-county regional strategy, identifies the action steps that need to be taken for the region to remain competitive. EBTD staff, representing the Port, has played a critical role in developing and implementing specific action initiatives identified by key cluster working groups, including logistics & international trade; aerospace; information technology and life sciences. Additionally, EBTD staff will continue playing a lead role in creating other economic development initiatives and to help bring political and business leaders together to find creative ways of increasing the region's rail and road capacity.

The Inland Northwest Survey conducted by the Port's Spokane representative will continue in 2007. The Survey will focus on non-agricultural companies and will assess their current and future needs in transportation and trade services.

Regional Transportation

The Regional Transportation team works to “Be a Catalyst for Transportation Solutions,” by collaborating with other agencies to pursue solutions that we have jointly defined. Our objectives are to ensure effective access to current and future Port facilities and to promote regional vitality through improved transportation. Programmatically, we work with the regional transportation initiatives in the Seaport and Aviation Divisions to provide an integrated and focused strategy for our partners.

In 2007, we anticipate focusing on Port and regional interests in areas of legislation, broad-based policy initiatives, and project development. Legislatively, we anticipate progress on federal, state and local actions. At the federal level, the foundations for the next transportation budget are being set. In Olympia, early in 2007, the State Legislature will review recommendations regarding formulation of a regional transportation authority. On the November 2007 ballot, we expect a regional transportation investment package, currently known as the Blueprint for Progress, including highway and transit investments. Policy initiatives such as the draft National Freight Policy, the Prosperity Partnership action initiatives, the Governor’s Ports Initiative, the FAST Corridor and other freight mobility efforts will grow in importance. We must bring into focus our strategies to address gaps in freight capacity in the international supply chain, through modeling, coalition building, project definition and funding. Finally, we’ll continue our efforts for 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. Pursuing new and sustaining existing funding investments at regional, state and federal levels is a theme carrying through all this work.

Real Estate Development

The Real Estate Development team plans and facilitates the development of selected real estate assets currently within the Port’s portfolio. The team also identifies, evaluates opportunities outside the Port’s current portfolio, and completes other transactions related to Port assets. These activities are aimed at promoting regional economic vitality, facilitating job creation and retention, creating new revenue for the Port and the region, and enhancing the built and natural environment. The team connects the Port’s broad mission of creating regional economic vitality through three real estate related initiatives:

Initiative 1 advances 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.

Initiative 2 involves the identification and timely response to new opportunities and projects, and where appropriate, the completion of these 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.

Initiative 3 seeks to 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.

In 2007, the team will continue working on the North Bay project. It’s anticipated that the initial zoning approvals from the Seattle City Council will be secured and the Port Commission will adopt a long-term master plan for this site. In addition, marketing efforts aimed at attracting long-term tenants for the site will continue along with community outreach to a range of stakeholders interested in the North Bay project’s progress. Assuming commitments are received from one or more long-term tenants, the next phase of the North Bay project will be the design and eventual construction of the infrastructure needed to support new building development on the site.

The team will also continue participation in the development of the Seattle Central Waterfront Plan, monitor progress of the Colman Dock Expansion Project and pursue the potential disposition of Pier 48. In addition, the team anticipates assisting Aviation Business Development with its land development program. The team also expects to pursue other projects as identified through their efforts and those of Port Senior Management.

INDUSTRY/ENVIRONMENT FORECAST

Economic Business and Trade Development

Imports and exports to and from Asia, especially China, are projected to rise in 2007. In response to this, EBTD will continue exploring strategic and creative ways to partner with local, regional and international entities to help influence the flow of trade into our region. This effort to build long-term relationships will allow the Port to more effectively retain existing customers/investors and attract new customers/investors to this gateway. This environment of opportunity has triggered the need to take greater advantage of the Port's foreign offices and to establish new international trade/business development initiatives.

As competition from other West Coast ports heats up, EBTD will continue 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 our targeted industries. EBTD staff will continue to play a lead role in many of these action initiatives.

Regional Transportation

Coming from a period of diminishing and unreliable funding, we now have seen two state gas tax increases (2003, 2005) allocating substantial, but insufficient funding to a variety of projects. 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. More and more frequently our partners find themselves unable to bring vital projects to completion, such that a backlog of need is growing.

The year 2007 will require an intense focus on our region's mega-projects, to secure funding and move them forward in design, including the Viaduct/Seawall Replacement Project, SR509 and Sound Transit Phase 2. We anticipate that the Washington State Legislature and Executive will act regarding the structure and financing for regional transportation governance, along with implementing findings from the 2006 Rail Study, Phase 1 statewide airport capacity study, and the Governor's Container Ports Initiative. In the federal arena, foundations for the nation's next transportation bill are being set, and freight mobility must be a cornerstone of that package. In addition, the private sector railroad network is facility capacity pressures that will require significant investments and the potential for some undetermined mitigation. Thus, we must continue 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.

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 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 constituents 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.

D. ECONOMIC DEVELOPMENT OPERATING BUDGET SUMMARY

TABLE VII-3: OPERATING & MAINTENANCE EXPENSES BY ACCOUNT

(in 000's)	2005	2006	2007	% Change
Expense by Account	Actual	Budget	Budget	2007 Bud- 2006 Bud
Salaries, Wages, Benefits & Wrkmns Comp	\$1,596	\$1,546	\$1,613	4.3%
Equipment Expense	11	7	13	79.9%
Utilities	5	6	6	0.0%
Supplies & Stock	7	11	10	-7.8%
Outside Services	556	942	948	0.6%
Travel & Other Employee Expenses	146	262	237	-9.5%
Promotional Expenses	85	200	155	-22.5%
Other Expenses	178	204	189	-7.0%
Divisional Allocation	21		-	
Subtotal	2,604	3,177	3,170	-0.2%
Charges to Capital Projects	(235)	(172)	(126)	-26.5%
Total Budgeted Operating Expense	2,369	3,005	3,044	1.3%
Charges to Non-Econ Develop Departments		-	(26)	
Total Operating Expense	\$2,369	\$3,005	\$3,018	0.5%

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FIGURE VII-1: ECONOMIC DEVELOPMENT DIVISION EXPENSE BY ACCOUNT

(\$ in 000's)

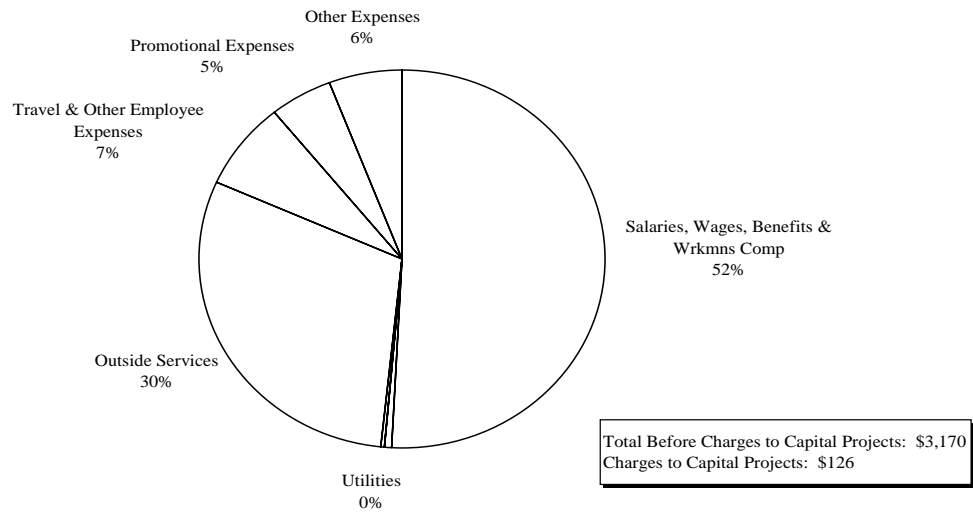


TABLE VII-4: EXPENSE BY DEPARTMENT

(in 000's)		2005 Actual	2006 Budget	2007 Budget	% Change 2007 Bud - 2006 Bud
BY DEPARTMENT					
OPERATING EXPENSE					
Business Groups:					
Economic & Trade Development		\$1,558	\$2,057	\$2,040	-0.8%
Real Estate		362	356	398	11.8%
Regional Transportation		161	395	422	6.8%
Total Business Group Expense		2,082	2,808	2,860	1.9%
Lines of Service:					
Economic Development Administration		288	197	184	-6.6%
Total Line of Services Expense		288	197	184	-6.6%
Total Division Expense		\$ 2,369	\$ 3,005	\$ 3,044	1.3%

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E. STAFFING

The following Table VII-5 outlines the Full-Time Equivalents (FTEs) for both the Regular and Other categories in the Economic Development Division. Economic Development is increasing 0.6 FTE for a part-time Administrative Assistant to a total of 15.9.

TABLE VII-5: ECONOMIC DEVELOPMENT DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions)			2007 Budget	% Change 2007 Bud - 2006 Bud
	2006 Budget	2006 Est. Act.		
BY DEPARTMENT				
Administration	2.3	3.3	3.0	30.4%
Real Estate	3.0	3.0	3.0	0.0%
Economic & Trade Development	7.0	6.0	6.6	-5.7%
Regional Transportation	2.0	2.0	2.0	0.0%
TOTAL ECONOMIC DEVELOPMENT DIVISION REGULARS	14.3	14.3	14.6	2.1%
Limited Duration	0.0	0.0	0.0	
Temporary	0.0	0.0	0.0	
Interns	1.0	1.3	1.3	25.0%
On Call	0.0	0.0	0.0	
Commissioner	0.0	0.0	0.0	
TOTAL ECONOMIC DEVELOPMENT DIVISION	15.3	15.6	15.9	3.6%

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F. ECONOMIC DEVELOPMENT CAPITAL BUDGET

Economic Development Division has a total 2007 capital budget of \$0.5 million, compared to \$0.8 million in 2006. 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 2005	Budget 2006	Forecast 2006	Budget 2007	2007 Bud- 2006 Bud	% 2007 Bud- 2006 Bud
	Notes						
BUDGET							
Operating Revenue		\$0	\$0	\$0	\$0	\$0	
Operating & Maintenance Expense		2,429	3,109	3,109	3,245	136	4.4%
Corporate Administrative Expense	1	511	552	552	566	13	2.4%
Security Costs		-	-	-	-	0	
Law Enforcement Costs		-	-	-	-	0	
Total Department Expense		2,940	3,661	3,661	3,810	149	4.1%
Net Operating Income before Depreciation		(\$2,939)	(\$3,661)	(\$3,661)	(\$3,810)	(\$149)	4.1%
Depreciation		108	92	92	80	(\$12)	-12.8%
Net Operating Income after Depreciation		(\$3,047)	(\$3,753)	(\$3,753)	(\$3,891)	(\$137)	3.7%
CAPITAL SPENDING	2	\$8,583	\$810	\$520	\$522	(288)	-35.6%
TOTAL FTEs		15.3	15.3	15.6	15.9	0.5	3.6%

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