

## **A. THE PORT OF SEATTLE**

The Port of Seattle is a public enterprise with unique authority operating in an international, market-driven environment. The Port provides services to its customers in order to return benefits to the citizens of King County, giving careful consideration to the economic, social, and environmental implications of its decisions. As a port district, the Port operates the Seattle-Tacoma International Airport, provides freight and passenger marine terminals, storage and transfer facilities for other modes of transportation, acquires and improves lands for sale or lease for industrial or commercial purposes, and creates industrial development districts.

## **B. HISTORY OF THE PORT OF SEATTLE**

The Port was established in 1911 in an effort by citizens to ensure public ownership of the Seattle harbor. The Port of Seattle was the first autonomous municipal corporation in the United States specifically tasked to develop harbor and port facilities to encourage commerce. The port opened Fishermen's Terminal in 1912, its first warehouse in 1915 and began working on the creation of Harbor Island. Since then the port has developed numerous properties as well as constructed the Seattle-Tacoma International Airport in 1949.

The Port's task hasn't changed over the years but its scope of services has expanded considerably. The Port has added a grain terminal, cruise terminals, marinas, public parks and viewpoints and contributed significantly in the development of public amenities along Seattle's waterfront.

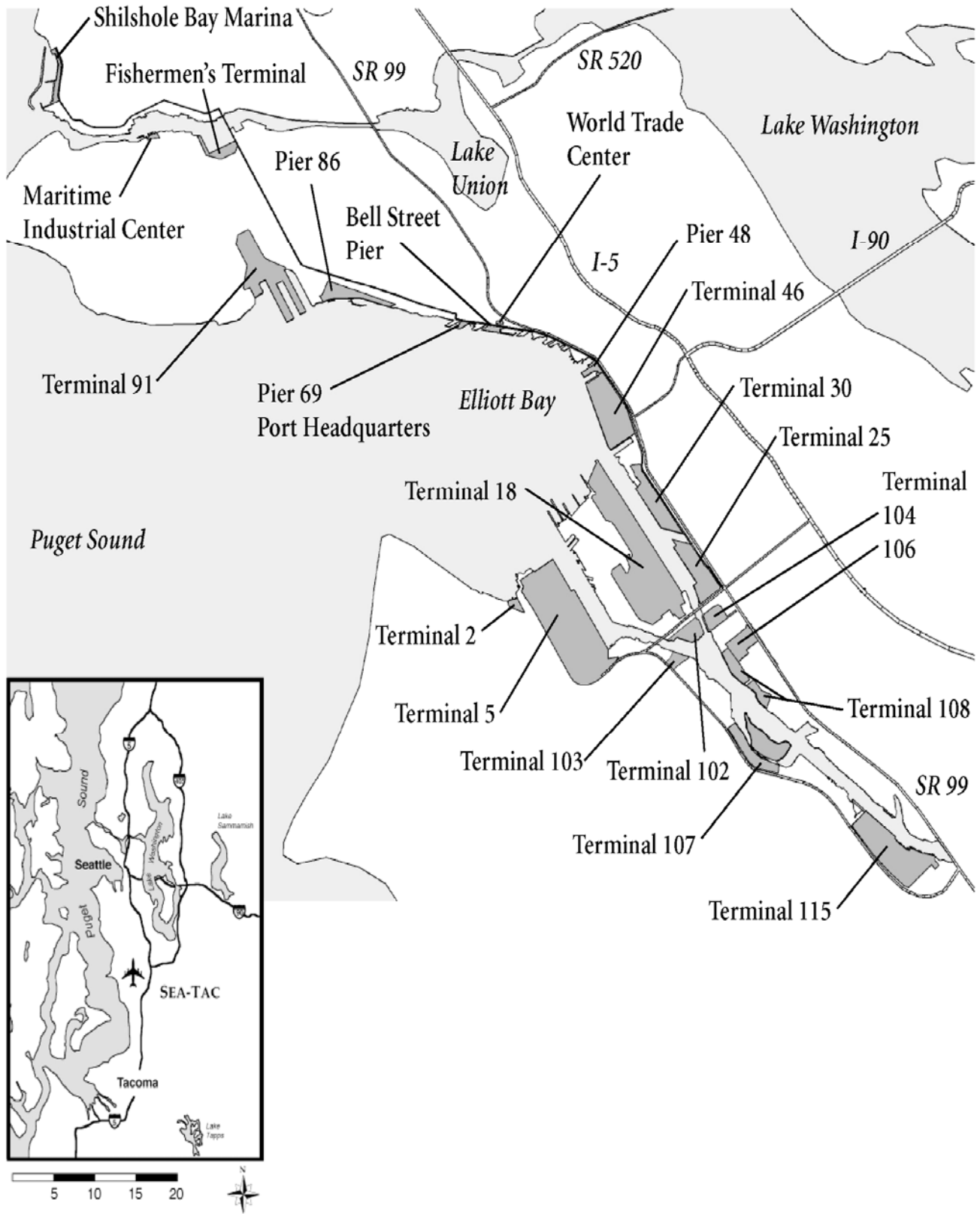
## **C. PORT OF SEATTLE FACILITIES AND SERVICES**

Seaport facilities encompass more than 1,500 acres with terminals for containers, general and breakbulk cargo, fishing support facilities, space for more than 2,000 recreational and commercial fishing boats, two large vessel cruise facilities, conference facilities, office buildings and industrial properties.

Seattle-Tacoma International Airport is located on 2,500 acres twelve miles south of downtown Seattle. The port has made significant improvements to the airport including a new terminal expansion, terminal and infrastructure upgrades. The airport includes two runways that are 11,900 feet and 9,425 feet in length and a subway system linking the concourses. The Seattle-Tacoma International Airport is the sixteenth largest U.S. airport as measured by total passengers and compared to other large airports, Sea-Tac has relatively high originations and destinations traffic.

The Economic Development division includes a 57-acre parcel north of terminal 91 that is in the early stages of Master Planning. This division was formed in 2003 to identify and pursue opportunities that enhance the region's long-term viability and produce new revenue streams for the Port.

**FIGURE I-1: Facility Map**



## **D. STRATEGIC PLANNING**

### **Strategic Overview: Creating a Sustainable Port**

The Port's five-year strategic plan is driven by several key strategic challenges and opportunities facing the institution and the region today, with the goal of long-term sustainability. These challenges and opportunities include:

- Increasing competition from other ports, airports, and regions.
- Decreasing availability of public funds.
- Decreasing profit margins for most port and airport customers.
- New security restrictions and costs to the global transportation system.
- Increasing surface traffic congestion.
- An emerging "new economy" based on information-intensive products and services.
- A growing community interest in "sustainability" to achieve a long-term balance of economic, social and environmental objectives and values.
- Demographic changes in the present and future workforce.

### **Mission**

#### **The Port of Seattle: Creating economic vitality HERE**

### **Vision and Values**

At the Port of Seattle, we:

- Invest in **QUALITY** services and facilities for our customers and community.
- Act with **INTEGRITY** and **OPENNESS**.
- Take **RESPONSIBILITY** and make the hard choices.
- Treat each other with **TRUST AND RESPECT**.
- Embrace **DIVERSITY** in our workforce and partnerships.
- Promote **CONTINUOUS IMPROVEMENT** in our organization and in ourselves.

### **Strategies**

- Ensure Airport and Seaport vitality.
- Develop new business and economic opportunities for the region and the port.
- Enhance public understanding and support of the port's role in the region.
- Be a catalyst for regional transportation solutions.
- Be a leader in transportation security.
- Exhibit environmental stewardship through our actions.
- Be a high performance organization.

## **Strategies and Objectives**

### **Ensure Airport and Seaport vitality**

The Port needs to “do well to do good”. Financial performance and sustainability is the primary focus of the Port’s operating divisions. Key objectives:

- Maximize financial performance.
- Maximize asset utilization and high-density development to achieve the highest throughput in the lowest possible footprint, and to preserve long-term growth capacity.
- Provide compelling customer and community value.
- Develop new business opportunities.

### **Develop new business and economic opportunities for the region and the port**

The Port has a key role in identifying and pursuing new economic opportunities to help grow and diversify our regional economy to compete effectively in the global marketplace. However, in pursuing these opportunities the Port must also ensure an adequate return on its financial investments. Key objectives:

- Redevelop land where appropriate.
- Build relationships and partnerships to develop new business opportunities for the Port and local businesses to compete in the global economy.
- Generate additional income through new business activities.

### **Enhance public understanding and support of the port’s role in the region**

Our future success depends on our being good stewards of financial and natural resources and fostering active community involvement and service. Key objectives:

- Promote clear and visible internal and external communications about the Port’s mission, activities and accomplishments.
- Enhance community engagement through visible planning and decision-making processes and public events.
- Build and maintain constructive working relationships with agencies, tenants and public interest groups.
- Expand opportunities for small, minority, women and emerging business enterprises as port contractors and suppliers.
- Promote and support sound legislation and regulation.

### **Be a catalyst for regional transportation solutions**

The Port is a leader in moving freight and people, and providing related services. The Port will leverage its infrastructure investments in collaboration and partnership with other agencies to develop regional transportation systems that are key to the Port’s and the region’s future success. Key objectives:

- Ensure long-term effective access to airport and seaport facilities.
- Provide access to future port land development projects.
- Promote regional economic competitiveness.
- Assess future regional aviation capacity needs and advocate for additional facilities as needed.

### **Be a leader in transportation security**

With the new importance of homeland security, the Port will support federal efforts to lead the development of a more secure transportation system. We will work on all levels to assure a value added, pragmatic, risk-benefit focus on the security of passengers, employees, cargo, and facilities. Key objectives:

- Reinforce a coordinated security and public safety program for all port assets.
- Collaborate with shippers and governments to provide an integrated, regional approach to security issues for operators, customers, and governments.
- Participate in national and global efforts to improve homeland security, while facilitating the smooth flow of international commerce.

## Exhibit environmental stewardship through our actions

The Port strives to integrate environmental objectives into our business. We develop, manage and operate port transportation infrastructure in an economically and environmentally sound manner. Key objectives:

- Integrate environmental considerations into all aspects of our strategic planning, business decision-making and operations.
- Assure regulatory compliance in the construction and operation of our facilities and delivery of our services.
- Conserve energy and other resources, and minimize pollution and waste, in the construction and operation of our facilities and delivery of our services.
- Seek opportunities to improve air and water quality and to protect, preserve, and enhance natural resources under our ownership.
- Work with tenants to help emphasize the importance of environmental stewardship and the Port's commitment to that stewardship.

## Be a high performance organization

Accomplishing our strategies will take a competitive, innovative, diverse, effective, nimble, results-driven, caring, safe, learning and spirited organization. We will attract and retain valuable employees, be an employer of choice, partner productively with organized labor, and provide a culture of clear expectations and accountability. Key objectives are to have the best:

- People, by focusing on effective recruitment, learning and leadership development, performance planning and feedback, performance-based total compensation, communication, and team building.
- Processes, by continuously challenging "old ways of doing things", building on "lessons learned" and comparing measures of our own performance to those of other leading institutions.
- Tools, by aggressively introducing productivity-enhancing technology into our workplace whenever it is cost-effective and advances our strategies and values.
- Work environment, by collaborating on safe work practices and promoting a healthy workforce.

## **E. FINANCIAL MANAGEMENT POLICIES**

The Port uses all these goals and strategies criteria as it pursues its capital and operating programs and projects. While healthy financial performance is important to the Port in terms of a strong debt service coverage ratio, positive cash flow and a positive bottom line, the primary purpose of the Port is not to maximize profits but to create long-term benefits for the people of King County while remaining strong financially.

## **F. KEY FINANCIAL TOOLS**

The Port uses several tools to monitor its financial performance, and these are described below.

Long-term Target: The Port's long-term targets provide high-level policy guidance. These targets provide guidance to the business plans created by each division.

Business Plans: The business plans set the strategic direction and priorities for each division. The business plans are a planning tool, which link operations, capital investments, and the often-conflicting needs of the Port's customers and the community.

Operating Budget: The Operating Budget is viewed as year one of the business plans. As such, the budget is an essential component of the Port's management planning and control process. It quantifies line of business and departmental plans for the next year in both operational and monetary terms. Throughout the year, variances from budget are analyzed to determine if corrective action is needed. Executive and Senior Directors review these variances quarterly.

Five-Year Capital Budget: This is directly tied to the business plans. The five-year capital budget identifies proposed capital projects at the airport and on the waterfront and is updated quarterly and reviewed by Executive and Senior Directors.

Capital Investment Matrix: The matrix provides an analytical framework for capital projects. The results of the analysis provide financial and non-financial information for the Port Commission as a guide for investment decisions.

Financial and Operating Indicators: The Port uses financial and operating indicators to monitor its financial performance and budget. The reports are produced and distributed quarterly to the Port Commission.

Treasury Management: Using its own Treasury, the Port has experienced increased investment earnings, faster mobilization of funds, on-line banking capabilities, less reconciliation and full control of its cash and investments.

Coverage Ratios: The Port, through financial modeling, runs projections for its revenue bond debt service coverage ratio. Although the Port has an obligation under First Lien bond covenants to maintain a ratio of 1.35, as a matter of practice a ratio of at least 1.8 is maintained. Debt service coverage may fall below this level during periods of construction borrowing prior to the time that revenue producing assets come on-line.

Fund Balances: Working capital fund balances are maintained in the General Fund and the Airport Development Fund at targeted level of nine months of operating and maintenance expenses. The Port maintains \$5 million in the Renewal and Replacement Fund as required by bond documents.

## **G. BUDGET PROCESS OVERVIEW**

The operating budget is an essential component of the management planning and control process. It quantifies business group or departmental plans for the next year in both operational and monetary terms.

The 2006 process included several Commission briefings with the operating divisions during the year to update the Commission on key issues facing the business groups and to solicit input into any changes in strategy. The divisions updated the Commission on each business unit with background information, discussing capital and operating financial statistics, and engaging the Commission in a dialogue on major policy issues.

Divisions fine-tuned their business plans based on Commission input and put together budgets based on revised business plans. In October and November the divisions presented preliminary budgets. The Commission devoted two meetings in November to reviewing the budget and voting on its adoption.

Once an annual budget is in place, variances from budget are analyzed monthly, and more extensively quarterly, to determine if corrective action is needed. Progress in achieving budget targets is a short-term measure of progress in achieving business plan targets (see following diagram).

**Mission**



**Strategies**



**Objectives**



**Measures & Targets**



**Initiatives**



**Budget**



**Evaluation of Measures**

## **H. COMMISSIONERS AND OFFICERS**

The Port Commission is the legally constituted governing body of the Port of Seattle. As a governing body of a special purpose municipal corporation, it is charged with the responsibility of fulfilling legislatively mandated purposes and objectives.

The Port Commission is made up of five elected individuals. They are:

Bob Edwards, President  
Lawrence T. Molloy, Vice President  
Alec Fiskens, Secretary  
Patricia Davis, Assistant Secretary  
Paige Miller, Commissioner

The senior officers of the Port are:

M. R. Dinsmore, Chief Executive Officer  
Linda Strout, Deputy Executive Director  
Mark Reis, Managing Director, Aviation  
Charles Sheldon, Managing Director, Seaport  
Dan Thomas, Chief Financial Officer  
John Okamoto, Chief Administrative Officer  
Craig Watson, General Council

# I. ORGANIZATION CHART

**FIGURE I-2: Organization Chart**

