

A. BUDGET DOCUMENT ORGANIZATION

This document contains the operating and capital budgets for the Port of Seattle and is organized as follows:

- Section I, which is the Introduction, contains the history of the port, its facilities and services, strategies, budget and financial policies, its officers and organizational chart.
- Section II, has the Budget Message from the Chief Executive Officer depicting the 2008 plans, and a budget summary, which is summarized in Table II-1. This table depicts the operating revenues, expenses, capital budget and employees by division and a cash flow summary. This table differs from the other tables in section III in that it shows the portion of the corporate/administrative expense that is not allocated to the divisions, otherwise, the three division expenses would not add up to the total port expenses. Whereas, the tables in section III shows the total port expenses. This table and table III-1 show operating and maintenance expenses whereas table III-2 breaks out the same expenses differently – operating and maintenance, earthquake repair and environmental expenses. These same costs depiction are seen in the divisions, sections V through VII.
- The Overview of the 2008 business plan and approved budget (Section III) contains an executive summary discussion of Port Operations including Business Plans, Operating and Non-operating Budget, Capital Budget, and Tax Levy.
 - Table III-1 provides a summary of the Port business plan forecast for the period 2007-2012.
 - Table III-2 summarizes the Port's revenues, expenses, and net assets for the years 2004-2008.
 - Table III-3 summarizes the Port's operating revenues and expenses by major account.
 - Table III-4 summarizes the Port's staffing by division.
 - Table III-5 summarizes the Port's Capital Budget.
- A detailed presentation and discussion of the Tax Levy is provided in Section IV.
- The Operating Division summaries for the Aviation, Seaport, and Real Estate Divisions (Sections V through VII) present the summary business plans for each business group, operating budget, staffing, and capital spending for each division. The operating budget is presented by business groups/departments as well as by major revenue and expense accounts. One thing to note is that the business groups/departments table in each division (Table V-6, VI-8 and VII-8) differs from the other tables in that it shows the division's controllable costs only and does not reflect the direct charges and corporate allocations expenses from the corporate division.
- Section VIII presents a summary of the Corporate, Professional & Technical Services Division, descriptions of the departments, operating budgets, staffing, and capital spending. Table VIII-1 provides the summary of the corporate/administrative expenses that are direct charged and are allocated to the divisions.
- Details of the Capital Budget are provided in Section IX. A summary page presents the total capital budget by business group and by division. Following the summary is a listing of the projects by business group and division.
- The Draft Plan of Finance is provided in Section X.
- The Statutory Budget, which is submitted to King County, is provided in Section XI.
- The Appendices include detailed information regarding glossary of terms used, bond amortization schedules, landing fee calculation, other detailed expenditures and acronyms.

B. BUSINESS PLAN OVERVIEW

Table III-1 below is a summary of the combined business plan forecasts of the Port's divisions, which can be found in Sections V, VI and VII.

TABLE III-1: PORT OF SEATTLE BUSINESS PLAN FORECAST

(in 000's)	Notes	Budget 2007	Budget 2008	Forecast				Compound Growth 2007-2012
				2009	2010	2011	2012	
OPERATING BUDGET								
Operating Revenues	1	\$433,095	\$462,235	\$494,335	\$519,357	\$552,872	\$572,386	5.3%
Security Reimbursement	2	1,140	5,791					
Aviation Fuel Hydrant Facility		8,452	8,451					
Total Operating Revenues		\$442,688	\$476,477	\$494,335	\$519,357	\$552,872	\$572,386	5.3%
Operating & Maintenance Expense	3	190,623	201,780	266,730	276,723	289,795	298,671	3.6%
Corporate Administrative Expense	1	39,490	43,438					
Law Enforcement Costs		19,587	20,173					
Total Operating & Maintenance Expenses	1	249,699	265,391	266,730	276,723	289,795	298,671	3.6%
Net Operating Income Before Depreciation		\$192,988	\$211,087	\$227,605	\$242,634	\$263,077	\$273,715	7.2%
Total Depreciation Expense		148,854	147,070					
Net Operating Income After Depreciation		\$44,135	\$64,017					Total 2008-2012
Committed Capital Budget		\$607,889	\$619,670	\$358,098	\$194,594	\$118,389	\$60,001	\$1,350,752
Business Plan Prospective		76,219	92,990	270,923	220,461	197,901	174,204	956,479
TOTAL CAPITAL BUDGET	4	\$684,108	\$712,660	\$629,021	\$415,055	\$316,290	\$234,205	\$2,307,231
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Notes:

- 1) Includes revenue from Corporate departments and corresponding offset to allocated charges from Corporate departments.
- 2) Reimbursement for security costs.
- 3) 2009-2012 Corporate Administrative and Law Enforcement Costs are included in Operating and Maintenance Expenses.
- 4) See Section IX for details of Capital Budget.

C. OPERATING BUDGET OVERVIEW

OVERVIEW

The 2008 budget proposes operating revenues of \$476.5 million and total operating expenses of \$265.4 million. Net Operating Income before Depreciation calculates to \$211.1 million. Net Operating Income after Depreciation is budgeted at \$64.0 million.

AVIATION DIVISION

Operating revenues are budgeted to increase by \$18.2 million (5.4%) over the 2007 budget. Airline revenues are budgeted to increase by \$4.6 million (2.4%), while non-airline revenues are budgeted to increase by \$13.9 million (10.3%).

Airline revenues, in accordance with the terms of the Signatory Lease and Operating Agreement (SLOA), are based on cost recovery. Costs in the rate base include both operating costs and capital costs (debt service and asset amortization). While revenue bond debt service is increasing by \$5.2 million, the Port is planning to use \$10.1 million of Passenger Facility Charge revenues (PFCs) to offset debt service in 2008. Thus, in spite of the fact that significant new resources are being added to the aeronautical budget, the cost increase, and thus the revenue increase, is quite modest.

Non-airline revenues are budgeted to increase by 13.9 million (10.3%) over the 2007 budget. Adjusting for volume of passengers, the overall non-airline revenues per enplaned passenger are budgeted to increase from \$8.73 to \$9.29, for a 6.5% increase. The revenue growth is driven by increased public parking, rental car and concessions revenues.

Total airport operating expenses (including corporate costs) are budgeted to total \$188.0 million. This represents a 3.9% increase over the 2007 budget. Excluding the costs for Other Post Employment Benefits (OPEB), the budget is increasing by 9.9% over 2007, due to an estimated reserve of \$9.9 million incorporated into the 2007 budget.

The Aviation Division's budget for O&M costs is increasing by 8.4% over 2007. This includes \$1.5 million for OPEB. Excluding OPEB, the budget would be increasing by 7.2%. Most of this growth is due to payroll costs. Looking at the 2008 baseline budget (before adding in proposed new FTEs), payroll costs are up 8.8% above 2007. Salary, wages and benefits are all growing faster than in recent years. In addition, the 2007 budget included \$1.75 million for outside contractors for security functions in the terminal. During 2007, the Port hired 15 FTEs to perform this function, thus increasing wages and benefits.

SEAPORT DIVISION

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

The most critical measure of the Seaport's financial sustainability is a growing, positive Net Operating Income (NOI). Only with strong financial performance, can the Seaport provide the economic, community and environmental benefits that are the essence of its mission. After significant changes in the Seaport's customer base in 2000 through 2002, the Seaport improved its financial performance. In 2005 the Seaport achieved the three year goal of reaching \$34 million Net Operating Income (NOI). A new goal of \$45 million was set for 2008.

Seaport operating revenues are \$88.0 million. Total operating expenses including corporate costs are \$43.5 million. Net operating income before depreciation is \$44.5 million.

REAL ESTATE DIVISION

The new Real Estate Division (RED) integrates the efforts of five functional workgroups: Real Estate Development & Planning, Harbor Services, Maintenance, Property Management & Leasing and Pier 69 Facilities Management. These business and service groups oversee the development and management of various Port assets and vessel moorage facilities. Financial services, project management, facility planning, and environmental services are provided by the Seaport Division. During 2008 the business strategy is to:

- Maximize occupancy rates at all properties to support Port business initiatives;
- Maximize vessel moorage occupancy and revenues at our five commercial and recreational facilities;
- Improve, maintain and update our facilities to meet new market demands and provide compelling value to current and future tenants.

Real Estate operating revenues are \$32.2 million. Total operating expenses including corporate costs are \$32.8 million. Net operating income before depreciation is minus (\$0.6) million.

CORPORATE, PROFESSIONAL AND TECHNICAL SERVICES

The three operating divisions of the Port are supported by a number of functional departments as well as service groups. These functional and service groups allocate their expenses according to the level of service they provide to the divisions.

Operating expenses for Corporate, Professional and Technical Services are \$74.2 million for 2008.

The significant changes are in the Other Post Employment Benefit (OPEB) reserve cost and the re-organization to corporate departments. In 2008, the Regional Transportation and the Economic & Trade development departments were transferred to corporate services from the former Economic Development Division. The Facilities department was transferred to the Real Estate Division and the new Office Social Responsibility department was added to corporate.

NON-OPERATING REVENUE AND EXPENSE

Net non-operating is budgeted at \$81.1 million. The budget contains a tax levy of \$75.9 million. The millage rate is \$0.2250/1000.

CASH FLOW SUMMARY

Table II-1 from section II reveals that operating revenues will make up 29% of the Port's budgeted cash receipts for 2008. Bond issues will contribute 55% of total receipts. The tax levy is projected to be \$75.9 million and accounts for only 5% of total budgeted receipts in 2008.

Total cash outlays are budgeted to be \$1.2 billion in 2008. Of this amount, capital expenditures make up the largest portion, \$619.7 million or 52%. By comparison, total operating expenses (including O&M, administrative expense and security and law enforcement costs) will make up 23%.

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

(in thousands)	2004 Actual	2005 Actual	2006 Actual	2007 Budget	2007 Forecast	2008 Budget
REVENUE:						
Services	140,189	158,462	161,200	160,221	164,355	178,077
Property rentals	211,848	247,817	273,529	272,527	274,029	282,841
Fuel Hydrant Facility revenues	689	3,491	8,077	8,199	8,199	8,198
Security grant and contract revenues	24,476	6,755	5,643	1,740	1,555	7,361
Total revenue	377,202	416,525	448,449	442,688	448,138	476,477
OPERATING EXPENSES:						
Operations and maintenance	172,983	166,920	173,198	188,723	183,209	199,880
Earthquake repair expense - net of recoveries	(195)	2,130	(179)	-	-	-
Law enforcement	17,392	17,920	18,017	19,587	19,263	20,173
Administration	30,890	31,486	33,790	39,490	38,130	43,438
Environmental	2,200	7,739	(1,262)	1,900	4,486	1,900
Total operating expenses before depreciation	223,270	226,195	223,564	249,699	245,088	265,391
OPERATING INCOME BEFORE DEPRECIATION	153,933	190,330	224,885	192,988	203,050	211,087
Depreciation	110,175	129,788	140,190	148,854	147,773	147,070
OPERATING INCOME AFTER DEPRECIATION	43,758	60,542	84,695	44,135	55,277	64,017
NON-OPERATING INCOME (EXPENSE) :						
Ad valorem tax levy revenue	59,358	62,417	62,691	68,814	68,814	75,899
Passenger facility charges revenue and related interest income	56,129	56,506	59,141	60,988	60,988	62,440
Customer facility charges revenue and related interest income	-	-	17,188	19,867	19,867	20,262
Grants and donations	118,428	109,655	127,524	133,221	133,221	80,049
Investment income - net	6,240	14,651	28,895	15,443	15,443	20,935
Revenue and capital appreciation bond interest expense	(58,401)	(85,502)	(101,491)	(120,913)	(120,913)	(118,949)
Passenger facility charges revenue bond interest expense	(5,923)	(12,604)	(12,258)	(11,880)	(11,880)	(11,449)
General obligation bond interest expense - net	(11,520)	(12,629)	(15,754)	(14,870)	(14,870)	(15,165)
Public Expense	(666)	(4,404)	(11,027)	(21,698)	(21,698)	(21,615)
Other expense - net	(6,288)	(29,006)	(38,584)	(3,629)	(3,629)	(11,287)
Total non-operating income - net	157,357	99,084	116,325	125,343	125,343	81,120
INCREASE (DECREASE) IN NET ASSETS	201,114	159,626	201,020	169,478	180,620	145,137
EMPLOYMENT (FTEs)	1,622.2	1,607.6	1,647.0	1,701.3	1,701.5	1,770.2

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TABLE III-3: REVENUES AND EXPENSES BY ACCOUNT CATEGORY

(in 000's)				
	2006 Actual	2007 Budget	2008 Budget	% Change 2008 Bud - 2007 Bud
TOTAL PORT				
Operating Revenue				
Dckg, Whrfg, Serv & Facility, Passenger Fee	\$ 1,737	\$ 1,674	\$1,504	-10.1%
Distribution & Storage	7	14	24	71.4%
Equipment Rental	11,195	9,812	9,549	-2.7%
Berthage & Moorage	7,272	7,139	10,190	42.7%
Landing Fees	46,730	51,453	58,878	14.4%
Airport Transportation Fees	4,163	4,697	4,368	-7.0%
Parking Revenue	53,692	56,662	63,062	11.3%
Revenue from Sale of Utilities	10,749	9,526	9,993	4.9%
Property Rental Revenue	278,444	276,278	286,671	3.8%
Other Revenue	34,460	25,432	32,239	26.8%
Total Operating Revenue	\$ 448,449	\$ 442,688	\$476,477	7.6%
Total Expense				
Salaries, Wages, Benefits & Wrkmns Compensation	\$145,702	\$180,825	\$186,846	3.3%
Equipment Expense	6,748	4,553	4,659	2.3%
Utilities	21,528	18,688	19,912	6.6%
Supplies & Stock	8,728	7,445	6,835	-8.2%
Outside Services	49,542	47,653	56,377	18.3%
Travel & Other Employee Expenses	3,131	4,220	4,791	13.5%
Promotional Expenses	705	867	2,077	139.5%
Other Expenses	19,596	25,721	26,025	1.2%
Total Operating Expense Before Charges to Capital Projects	255,682	289,973	307,523	6.1%
Charges to Capital Projects	(\$32,117)	(\$40,274)	(\$42,132)	4.6%
Expense after Charges to Capital Projects	\$223,564	\$249,699	\$265,391	6.3%

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FIGURE III-1: OPERATING REVENUES BY SOURCE: 2008

(\$ in 000's)

Operating Revenue

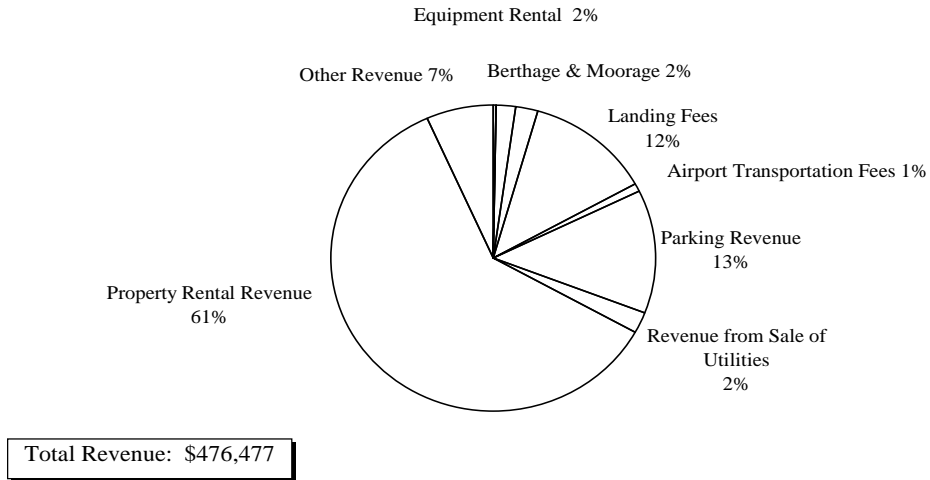
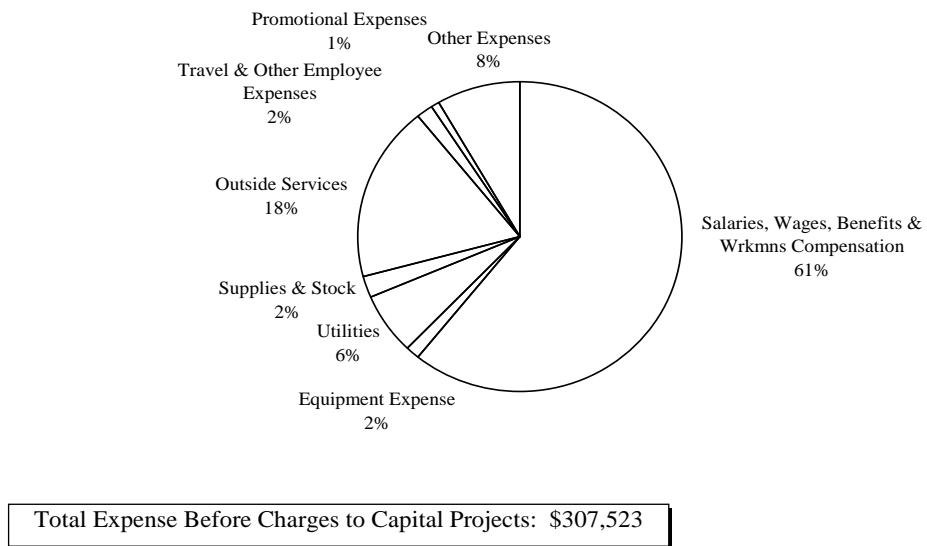


FIGURE III-2: OPERATING EXPENSES BY SOURCE: 2008

(\$ in 000's)

Operating Expense



D. BUDGET OVERVIEW - STAFFING

The 2008 budget proposes an increase of 68.9 Full-time Equivalent positions (FTEs) to 1,770.2 (FTEs) compared to 1,701.3 FTEs in the 2007 budget.

Aviation is budgeting 886.2 FTE's for 2008. Seaport is budgeting 81.8 FTE's. The reduction of FTE's in Seaport is due primarily to the re-organization transfers from the Seaport to the new Real Estate group.

The new Real Estate Division is budgeting 139.8 FTE's. 125.8 FTE's were transferred from the Seaport Division and 3.0 FTE's were transferred from the former Economic and Trade Development Division. 11 FTE's were transferred from Corporate.

Corporate is budgeting 662.4 FTE's, an increase of 32.1 FTEs from 2007. 3 FTE's were 2007 mid year approvals. 18 FTE's are conversions from contractors and consultants to Port FTE's. 2 FTE's are net transfers into corporate and 9.1 are new FTE's to corporate departments as a result of the re-organization.

More information for each of these categories is provided in the Aviation, Seaport, Real Estate and Professional & Technical Services sections of this document (Sections V, VI, VII and VIII).

TABLE III-4: PORT STAFFING, REGULAR, OTHER, & TOTAL BY DIVISION

PORT STAFFING (Full-Time Equivalent Positions)			2008 Budget	% Change	
	2007 Budget	2007 Est. Act.		08 Bud- 07 Bud	08 Bud- 07 Est
Divison					
Aviation	827.3	825.5	859.5	3.9%	4.1%
Seaport	197.7	198.9	78.1	-60.5%	-60.7%
Real Estate			137.8		
Economic Development	14.6	14.6		-100.0%	-100.0%
Professional & Technical Services	548.8	553.4	582.0	6.0%	5.2%
Total "Regular" FTE's	1,588.4	1,592.4	1,657.4	4.3%	4.1%
Limited Duration	48.6	46.8	47.8	-1.6%	2.1%
Temporary	44.3	41.0	44.0	-0.7%	7.3%
Interns	13.7	15.1	14.8	7.6%	-2.3%
On Call	1.2	1.2	1.2	0.0%	0.0%
Commissioner	5.0	5.0	5.0		
Total "Other" FTE's	112.9	109.1	112.8	0.0%	3.4%
Total Port FTE's	1,701.3	1,701.5	1,770.2	4.1%	4.0%

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E. CAPITAL BUDGET OVERVIEW

For the Port to meet the waterborne and air transportation needs of the region and to serve its customers, it must invest in the acquisition, development and maintenance of long-term assets. For an organization as large and diverse as the Port, this requires comprehensive long-term capital planning which synthesizes the existing and anticipated business environment, careful estimates of customer demand for facilities, available resources, and the priorities of the organization.

The 2008 Capital Budget reflects the Port's continuing commitment to promoting regional economic activity through the investment of over \$619.7 million committed in the development, expansion, and renewal of Port facilities. For a complete discussion of the Port's long-term capital and funding plan, refer to Sections IX and X, Capital Budget and Draft Plan of Finance.

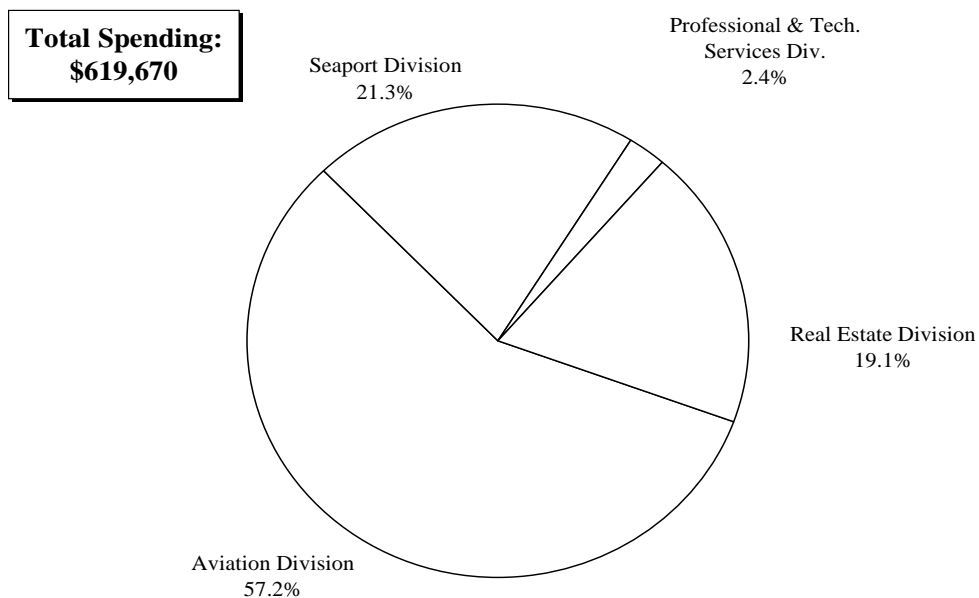
Table III-5 below summarizes divisional spending in the 2008 Capital Budget:

TABLE III-5: CAPITAL BUDGET

Committed Capital Projects		2008 Budget	2008-2012 CIP	% of Total
		(\$ in 000's)		
Aviation Division		\$354,238	\$895,626	57.2%
Seaport Division		131,956	259,133	21.3%
Professional & Tech. Services Div.		14,838	53,939	2.4%
Real Estate Division		118,638	142,054	19.1%
Total		\$619,670	\$1,350,752	100.0%
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Definitions and details of the capital budget can be found in Section IX.

FIGURE III-3: 2008 COMMITTED CAPITAL BUDGET
(\$ in 000's)



F. TAX LEVY

- The maximum allowable levy for 2008 is \$82.6 million.
- For 2008 the levy will be \$75.9 million.
- The millage rate is estimated to be \$0.2250
- The 2008 levy will be used for:
 - General Obligation (G.O.) Bond Debt Service
 - Public Asset Expense: Freight Mobility
 - Seaport Environmental Expense
 - Capital Improvements
 - Office of Port Jobs

FIGURE III-4: TAX LEVY VS. MILLAGE RATE 1999-2008

