

SEAPORT DIVISION

A. BUSINESS PLAN FORECAST

TABLE VI-1: BUSINESS PLAN FORECAST

(in 000's)		Budget		Forecast				Compound Growth 2005-2010
OPERATING BUDGET	Notes	2005	2006	2007	2008	2009	2010	
Operating Revenue		\$88,047	\$96,168	\$96,777	\$106,141	\$108,687	\$110,927	4.7%
Security Reimbursement		8,267	4,588					
Total Operating Revenues		\$96,313	\$100,755	\$96,777	\$106,141	\$108,687	\$110,927	2.9%
Operating & Maintenance Expense		\$40,543	\$43,994	42,879	43,953	45,190	46,367	-1.3%
Corporate Administrative Expense	1	9,385	10,274	10,976	11,724	12,518	13,364	7.3%
Security Costs		8,976	5,519	995	1,020	1,045	1,072	-34.6%
Law Enforcement Costs		3,304	3,428	3,548	3,672	3,801	3,934	3.6%
Total Operating & Maintenance Expenses		62,208	63,215	58,398	60,369	62,554	64,737	0.8%
Net Operating Income Before Depreciation		34,105	37,540	38,379	45,773	46,133	46,190	6.3%
Total Depreciation Expense		\$34,354	\$36,812					
Net Operating Income After Depreciation		(\$249)	\$728					
Committed Capital Budget		\$74,765	\$118,518	\$76,726	\$51,834	\$40,864	\$59,798	-4.4%
Business Plan Prospective		0	4,670	2,770	44,000	34,000	23,000	
TOTAL CAPITAL BUDGET	2	\$74,765	\$123,188	\$79,496	\$95,834	\$74,864	\$82,798	2.1%

SUMMARY OF DIVISION EXPENSES	Budget 2005	Budget 2006	change	%
Business Group Charges	\$31,536	\$28,450	(3,086)	-9.8%
Direct Charges to Business Groups	4,584	6,428	1,845	40.2%
Allocations to Business Groups	7,748	8,649	901	11.6%
TOTAL	\$43,867	\$43,527	(341)	-0.8%

SUMMARY OF CORPORATE EXPENSES	Budget 2005	Budget 2006	change	%
Direct Charges to Business Groups	\$4,064	\$4,182	118	2.9%
Direct Charges to Division	1,588	1,805	217	13.6%
Allocated Charges to Business Groups	12,689	13,702	1,013	8.0%
TOTAL	\$18,341	\$19,689	1,347	7.3%

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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 IX for details of Capital Budget.

B. 2006 BUDGET SUMMARY

TABLE VI-2: 2006 BUDGET SUMMARY

		(in 000's)				
	Notes	2005 Budget	2005 Forecast	2006 Budget	Change 2006 Bud- 2005 Bud	% Change
OPERATING RESULTS						
Operating Revenue		\$88,047	\$94,856	\$96,168	8,121	9.2%
Security Reimbursement		8,267	5,438	4,588	(3,679)	-44.5%
Total Operating Revenues		\$96,313	\$100,294	\$100,755	4,442	4.6%
Operating & Maintenance Expense		40,543	44,405	43,994	3,451	8.5%
Corporate Administrative Expense	1	9,385	9,885	10,274	889	9.5%
Security Costs		8,976	6,388	5,519	(3,457)	-38.5%
Law Enforcement Costs		3,304	3,304	3,428	124	3.8%
Total Operating & Maintenance Expenses		62,208	63,982	63,215	1,007	1.6%
Net Operating Income Before Depreciation		34,105	36,312	37,540	3,435	10.1%
Committed Capital Budget		\$74,765	\$104,161	\$118,518	43,753	58.5%
Business Plan Prospective		0	0	4,670	4,670	
TOTAL CAPITAL BUDGET	2	\$74,765	\$104,161	\$123,188	\$48,423	64.8%
EMPLOYMENT (FTEs)		172.9	177.2	179.8	6.9	4.0%

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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 IX 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 and pleasure boating industries; and
- Promote the economic health of our community

INTRODUCTION

The Seaport includes four business groups: Cargo and Cruise Services, Harbor Services, Property Management and Business Development. There are also service groups that include Maintenance, Project Management, Security, Strategic and Facility Planning, Finance, and Administration. These business and service groups oversee the development and management of cargo and cruise terminals, moorage facilities, as well as industrial and commercial properties.

Seaport facilities encompass more than 1,500 acres of moorage and cargo-related facilities. Nearly 500 acres are dedicated to container operations at four terminals with over 11,000 feet of berths and 22 cargo cranes—including six Super Post-Panamax cranes. The Seaport also owns a fully automated grain terminal and general and breakbulk cargo facilities. Its fishing support facilities, home to the North Pacific Fishing Fleet, provide space for more than 700 commercial fishing boats. The Seaport also operates two cruise vessel terminals with a total of three berths. Its recreational marinas provide room for more than 2,000 recreational boats. In addition, the Seaport leases conference facilities, office buildings and industrial property.

D. 2006 BUSINESS PLAN

BUSINESS STRATEGY

After significant changes in the Seaport's customer base during the past few years, the Seaport has improved its financial performance and is on track to achieve the three year goal of \$34 million Net Operating Income (NOI) in 2005. A new goal of \$45 million has been set for 2008. During 2006, our main business efforts will be to:

- Grow container volume by 8%.
- Grow our cruise business to 190 vessel calls and 730,000 passengers.
- Support the North Pacific fishing fleet.
- Maximize occupancy and revenue at our six commercial and recreational marinas.
- Fill our vacant industrial lands and increase the occupancy of our commercial properties.
- Improve and update our facilities to meet new market demands and provide compelling value to current and future tenants.

TRIPLE BOTTOM LINE

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. It is this combination of financial performance along with economic as well as community and environmental benefits that serves as the Seaport's Triple Bottom Line:

Economic Benefits:

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.

Community and Environmental Benefits:

While community and environmental benefits are harder to quantify, they are an important part of the Port of Seattle's mission. 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, take steps to reduce air pollution, conserve energy and water, and recycle to reduce the amount of garbage we produce. The community also benefits from regional transportation projects made possible with our participation and leadership in both planning and funding.

Financial Sustainability

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.

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:
 - 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: 2006 SEAPORT STRATEGIES

WE WILL HAVE ENSURED THE VITALITY OF THE SEAPORT BY:

Achieving our financial objectives:

\$45 Million NOI reached by 12/31/2008. In 2006, each business unit will contribute to the total Seaport NOI of \$37.5 million as budgeted:

- Cargo & Cruise NOI = \$34.0 Million
- Harbor Services NOI = \$1.3 Million
- Real Estate NOI = \$3.2 Million
- Security NOI = (\$1.0) Million

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

- Meeting key milestones in our capital plan

Preserving our assets and increasing their utilization by:

- Increasing container volumes by 8% to 2.2 Million TEUs
- Growing our cruise ship business to 730,000 passengers and 190 vessel calls
- Maintaining 96% occupancy of Seaport commercial properties
- Achieving marina occupancy rates of 100% of available slips at SBM, 99% at HIM, 90% at BHM, 85% at FT, and 75% at MIC
- Growing revenue from our industrial piers by 5%

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

- Reducing the Seaport's vacant industrial acreage to 26 acres by year-end

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

- Conducting monthly speaking engagements in the community
- Providing 25 students through internships, apprenticeships and training
- Striving to purchase at least 10% of all goods and services from qualified small businesses

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

- Completing design, property acquisition, and advance utility activities for the East Marginal Way grade separation project
- Ensuring that construction and design of the Alaskan Way Viaduct replacement do not adversely affect operations

WE WILL HAVE BEEN A LEADER IN TRANSPORTATION SECURITY BY:

- Meeting the milestones of the Port's security program
- Increasing the Port's security score by continuing to reduce our vulnerability for security incidents in Port facilities

WE WILL HAVE EXHIBITED ENVIRONMENTAL STEWARDSHIP THROUGH OUR ACTIONS BY:

- Achieving/maintaining zero regulatory violations
- Completing an air emissions inventory for all activities related to maritime operations in the Seattle harbor

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

CARGO AND CRUISE SERVICES

MISSION

Provide cargo facilities, equipment and services to encourage current and new customers to move greater amounts of cargo through the Port of Seattle, and accommodate the efficient movement of containerized and other forms of cargo through the Port of Seattle. Provide cruise ship services and facilities that maintain and grow the cruise business in the Seattle area. 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

Cargo and Cruise Services includes four container terminals located on approximately 500 acres. Space is leased to private companies who operate the terminals. It also includes the Bell Street Pier Cruise Terminal, a second cruise facility at Terminal 30, docks at Terminals 90-91, the Pier 86 Grain Terminal, and the Kinder Morgan pipeline at Terminal 18, and one tenant at the south end of T-18.

Customers include steamship lines, stevedoring companies, freight forwarders, customs house brokers, importers and exporters, cruise lines, charter and excursion vessels, large fishing and commercial vessels, the United States Navy and other ships of state, and Pier 69 marine operations. Customers also include importers, exporters, heavy equipment, grain products, seafood, bunker fuel, tug and barge services, food processing, cold storage, and many other types of uses.

BUSINESS STRATEGY

Container & Cargo: 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, marketing the Pacific Northwest to targeted distribution interests, 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 have grown significantly recently, we are also focused on trying to manage the impacts from that sudden growth and to anticipate future issues to allow for efficient growth to continue.

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 doing 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.

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

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

KEY INITIATIVES, GOALS, AND MEASURES:

Strategy: Ensure seaport vitality.

<u>Key Objective:</u> Maximize financial performance.		
<u>Key Performance Indicator:</u> NOI before depreciation of \$34.0 million.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Container NOI before Depreciation	\$29.7 million	
Bulk Terminals NOI before Depreciation	\$3.9 million	
Cruise NOI before Depreciation	\$1.5 million	
Docks NOI before Depreciation	\$(1.1) million	
<u>Key Objective:</u> Provide compelling customer value.		
<u>Key Performance Indicator:</u> Attracting and retaining customers.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Cruise / Container / Docks – Maintain current customers	100%	<ul style="list-style-type: none"> Continue business relations with: Steamship Lines, Cruise Lines, Tug & Barge Industry, Fishing Industry
Container - Increase staff market strategy and pricing knowledge	Bi-annual	<ul style="list-style-type: none"> Conduct workshops reviewing industry trends, etc.
Container - Implement recommendations of 3,000,000 teu plan	Q4	<ul style="list-style-type: none"> Work with City to implement recommended traffic improvements when required; work with railroads to increase loading track capacity; work to control growth impacts
Container - T-18 N. Apron Upgrade	Berth # 3	<ul style="list-style-type: none"> Keep construction on schedule.
Container - Implement lease revisions	Q1	<ul style="list-style-type: none"> Complete T18 Lease amendment for cranes, etc; resolve lease by Eagle of option area
Container - Increase volumes through continued implementation of “Target Account” strategy	Q4	<ul style="list-style-type: none"> 10,000 TEUs new business
Container - Finalize beyond 3,000,000 teu strategy	Q2	<ul style="list-style-type: none"> Develop and implement action plans to go beyond 3,000,000 teu’s
Container - Increase rail loading capacity	Q4	<ul style="list-style-type: none"> Develop plan in cooperation with BNSF and UP to expand capacity of SIG and ARGO yards
Container - Increase mainline rail capacity	Q3	<ul style="list-style-type: none"> Complete state study of rail capacity
<u>Key Objective:</u> Increase asset utilization.		
<u>Key Performance Indicator:</u> Container volumes increased by 8% and cruise passengers by 20%.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Container - Increase volumes by 8%	2.2 million TEU’s	
Container - Increase inbound First Port of Calls from current customers	1	<ul style="list-style-type: none"> Execute existing marketing plan
Cruise - Grow passenger volumes	730,000 passengers	
Cruise - Grow vessel calls	190 sailings	
Cruise - Secure one additional homeport cruise ship	Add 1 for 2006 season	
Docks - Increase revenue	+ 5 % Revenue Growth	

Strategy: Develop new business and economic opportunities for the region and the Port.

<u>Key Objective:</u> Build relationships and partnerships to develop new business opportunities for the Port and local businesses to compete in the global economy.		
<u>Key Performance Indicator:</u> Indicator: Increased economic impact.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Container - Continue logistics and distribution strategy	Q4	<ul style="list-style-type: none"> 1 New DC for the PNW region

Strategy: Be a leader in transportation security.

<u>Key Objective:</u> Comply with all Federal Mandates.		
<u>Key Performance Indicator:</u> Zero violations.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Efficiently increase Seaport security.		<ul style="list-style-type: none"> Support / monitor Seaport Security Dept to implement security initiatives at all Seaport cargo and cruise facilities.

Strategy: Exhibit environmental stewardship through our actions.

<u>Key Objective:</u> Assure regulatory compliance.		
<u>Key Performance Indicator:</u> Zero violations.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Assure regulatory compliance.	Zero violations	
Enhance stakeholder participation in air quality program.	Cruise – Bi-annual	<ul style="list-style-type: none"> Facilitate meetings including environmental and operations management from customers, tenants and suppliers.
<u>Key Objective:</u> Seek opportunities to improve air and water quality and to protect, preserve, and enhance natural resources under our ownership.		
<u>Key Performance Indicator:</u> Improved Air Quality.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Develop air quality program for container terminals with Corporate Environmental team as lead.	Q1	<ul style="list-style-type: none"> Develop Container terminal air quality plans.

Strategy: Be a high performance organization.

<u>Key Objective:</u> Continue efforts to support / advance POS' goals and objectives.		
<u>Key Performance Indicator:</u> Providing staff with regular feedback and support by completing 100% of staff reviews on time.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
All PREP's completed one week prior to anniversary date. Complete PREP development plans with training, development and diversity components.	100% one week early 100% with three components	<ul style="list-style-type: none"> Performance review.
Maintain educated employee workforce.	Q4	Each employee will attend or participate in 1 (one) diversity activity.

TABLE VI-3: CARGO AND CRUISE SERVICES BUSINESS PLAN FORECAST

(in 000's)		Budget	Budget	Forecast				Compound
OPERATING BUDGET	Notes	2005	2006	2007	2008	2009	2010	Growth 2005-2010
Operating Revenue		\$48,416	\$56,545	\$55,917	\$62,879	\$64,057	\$64,940	6.0%
Operating & Maintenance Expense		12,739	14,571	14,939	15,339	15,751	16,174	4.9%
Corporate Administrative Expense	1	6,728	8,006	8,486	8,995	9,535	10,107	8.5%
Total Operating Expense		19,467	22,577	23,425	24,335	25,286	26,281	6.2%
Net Operating Income Before Depreciation		\$28,949	\$33,968	\$32,492	\$38,544	\$38,771	\$38,660	6.0%
Total Depreciation Expense		24,710	26,377					
Net Operating Income After Depreciation		\$4,240	\$7,591					
COMMITTED CAPITAL BUDGET	2	\$30,731	\$56,129	\$28,915	\$16,065	\$7,550	\$19,350	

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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 IX for details of Capital Budget - does not include business plan prospective projects.

HARBOR SERVICES

MISSION

The mission of the Harbor Services group is to provide moorage facilities, equipment & services that will retain and attract new customers to our fishing, commercial & recreational facilities and to be the homeport to the North Pacific Fishing Fleet, in order to enhance the economy of the region while maximizing net income to the Port of Seattle. We will manage cost-effective moorage operations that deliver the best value for the customers' dollars, provide the level of services that will distinguish us from other moorage facilities, provide a rewarding work environment for our employees and promote a spirit of partnership within the communities that we serve.

DESCRIPTION

Harbor Services includes properties that provide a variety of moorages (and landside support services) in various locations throughout Seattle and a full range of services to meet the needs of a diverse group of vessel operators. These properties include: Fishermen's Terminal, Maritime Industrial Center, Bell Harbor Marina, Shilshole Bay Marina, and Harbor Island Marina (Terminal 102) which together supply over 2,000 moorage slips for fishing, recreational, and other commercial & charter vessels from 20'-400'.

Harbor Services has the largest customer base within the Seaport with approximately 3,000 full-time customers and approximately 18,000 guest moorage visitors annually. Customers include commercial and sport fishermen, commercial pleasure and workboat operators, recreational boaters (long and short-term), dry moorage customers, Tribal vessels, and the largest live-aboard community in the State of Washington (approximately 500 people). There is also a strong link between the facilities and the Ballard & West Seattle communities.

BUSINESS STRATEGY

1. Replace docks and infrastructure at Shilshole Bay Marina and Fishermen's Terminal while maintaining day-to-day moorage operations. This work will be done in a manner that incorporates into facility design the current and projected changes within the fishing and recreational industries; minimizes the impact on customers, business tenants & community during the construction process; provides uses which complement the customers and nearby communities; preserves the character of the facilities; and obtains a reasonable return on the investment wherever possible.
2. Minimize the impact of dock construction on the net operating income of Shilshole & Fishermen's Terminal by getting customers' vessels back into their slips as quickly as possible, actively & creatively marketing the strengths of the moorage facilities, searching out new business opportunities, and maximizing the use of the facilities and filling all moorage slips, lockers, and yard storage as soon as they become vacant.
3. Retain and attract fishing, commercial & recreational vessel owners to all facilities, with focus on the rebuild of Fishermen's Terminal and Shilshole Bay Marina, by:
 - Building and maintaining strong relationships with current & potential future customers;
 - o Market to fishermen and various target groups the infrastructure improvements & upcoming rebuild of the docks at Fishermen's Terminal, as well as the many services provided.
 - o Market the "new" Shilshole Bay Marina to recreational boaters, racers, boating groups & commercial customers, including the services provided.
 - Gaining a better understanding, and ability to anticipate, customers needs for services (provide service and/or conduct repairs before they have to ask);
 - "Making it easier for our customers to do business with us" and ensuring a painless/seamless move of a customer's vessel from one facility to the other to meet their daily and year round moorage needs.

KEY INITIATIVES, GOALS, AND MEASURES

Strategy: Ensure seaport vitality.

<u>Key Objective: Maximize financial performance.</u>		
<u>Key Performance Indicator: NOI before depreciation of \$1.3 Million.</u>		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Fishing & Commercial NOI before depreciation.	\$(756)K	
Recreational Boating NOI before depreciation	\$2,034K	
<u>Key Performance Indicator: Increase and/or Maintain Facility Occupancy and Revenues.</u>		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Maintain moorage occupancy to achieve maximum revenues.	<p><u>Fishing/Comm.</u> FT: 85% avail L.F MIC: 75%</p> <p><u>Recreational:</u> SBM: 80% HIM: 99% BHM: 90%</p> <p>10 new customers 1 new business opportunity</p>	<ul style="list-style-type: none"> Implement '06 HSG Marketing Plan at Fishermen's Terminal/Maritime Ind. Center, Bell Harbor, Harbor Island and Shilshole Bay marinas. (Q1 start) <p><u>Fishing / Commercial:</u></p> <ul style="list-style-type: none"> Implement plans to retain current customers, and bring in new customers & new business opportunities, at FT & MIC focusing on fishing vessels: <ul style="list-style-type: none"> FT – promote newly built docks, infrastructure and services and increase use of loading/work docks. Implement operational changes. (Q1 & ongoing) MIC – promote to increase use of loading/work docks and backfill with monthly customers (Q1 & ongoing) <p><u>Recreational:</u></p> <ul style="list-style-type: none"> Implement plans to retain current customers and bring in new customers. <ul style="list-style-type: none"> SBM – promote newly built docks, infrastructure and services and “welcome home waitlist” (Q1 & ongoing) HIM – implement strategies for increased community visibility & retention during winter months (Q1) BHM – promote 10th anniversary and other promotions to increase guest moorage (Q2) BHM: Implement business strategy to improve utilization (Q2): <ul style="list-style-type: none"> Benchmark competitive markets; perform SWOT analysis; implement actions Increase partnerships with downtown businesses/Pike Place Market (promotional incentives) Hold 10-year anniversary event (June 01, 2006) <p>Fill all net sheds on monthly basis:</p> <ul style="list-style-type: none"> Monitor sheds utilization monthly and maintain wait list when possible. Complete policy review & implement improvements as identified (Q1) <p>Fill all storage yards:</p> <ul style="list-style-type: none"> Initiate improvements from Q4 '05 audit of storage yards to achieve better utilization & organization Monitor yard utilization monthly.
<u>Maintain occupancy of net sheds @ FT</u>	90%	
<u>Improve & increase utilization of storage yards</u>	FT: 95% MIC: 95% Q1	

Strategy: Ensure seaport vitality.

Key Objective: Ensure efficient utilization of assets		
Key Performance Indicator:		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Implement Asset Management Program FT, MIC, SBM, HIM, BHM	Begin Q1 Q4 Q4 Q4	<ul style="list-style-type: none"> ○ Implement 2005 FT landside study recommendations to support fishing industry & dock/utilities replacement (in coordination with Properties & Planning) ○ O&M data on all new SBM assets is entered into system (coordination with Maintenance) ○ Implement 10 yr. maintenance program for restroom buildings at SBM ○ Meet maintenance budget (direct only) Comm. Fish: \$291K Recreational: \$387K
Key Objective: Provide compelling customer and community value.		
Key Performance Indicator: Increase and/or Maintain Marina Occupancy and Revenues.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Maintain high level of customer service at all facilities. Continue to implement Customer Service Program, i.e. C.A.R.E. (Courtesy, Accessibility, Responsiveness, Excellence)	Q1 Q2 Q3 Q3 & Q4 Q1 SBM Q2 FT	<p>FT – Develop & implement action plans from '05 customer survey results.</p> <p>HIM – Complete customer survey & compare to 2005 results</p> <p>BHM – Complete customer survey & compare to 2005 results</p> <p>HIM & BHM - Develop and implement action plans based on survey results.</p> <p>Implement FT & SBM C.A.R.E. roll-out plan to customers (letter, evaluations. See plan)</p>
Improve Customer/Operations Information System at all facilities to meet current and future business and operational needs	Q1 Q2	<ul style="list-style-type: none"> • Complete systems/business & customer needs analysis. • With IT help, deploy a marina/moorage management system that provides integrated capability for: <ul style="list-style-type: none"> - Central operations support to manage vessels, slips & customers & operational reporting (1 system for all facilities) with automated integration to other systems such as Port financial system. -Vessel management: slip relocation and reassignment tool(s) for FT and SBM as docks are removed and replaced with new docks and new slip configurations. -Daily/Guest moorage registration/reservations and services for all facilities
Communicate capital & maintenance improvements & project information to customers, community, target markets at FT & SBM.	Monthly & Quarterly	<p>Implement media/communication plans(see capital goals below)</p> <ul style="list-style-type: none"> ○ Use newsletters at FT, BHM, HIM to communicate with customers (quarterly) ○ Use construction updates to communicate with SBM & FT customers about projects (monthly) ○ Customer meetings: <ul style="list-style-type: none"> - FT FTAC (Quarterly) & 1 open house (Q3) - Shilshole Dock Captains + customer focus group (Quarterly) - Hold construction “milestone” events @ SBM: <ul style="list-style-type: none"> North End Small Boat Center (Q2) New Marina Building (Q3) - Harbor Island–hold marina “community” event Q3

Complete capital improvements to Fishermen's Terminal on time and on budget.	Q2 Q4 \$1.2M (2006)	<ul style="list-style-type: none"> ○ Advertise and award Docks 5-10 renewal contract. ○ Begin Docks 9 & 10 in-water construction
Complete capital improvements to Shilshole Bay Marina on time and on budget.	Q1 Q2 Q2 Q3 Q1/Q4 \$22M (2006)	<ul style="list-style-type: none"> ○ Complete infrastructure construction & relocate Fuel Float ○ Complete Marina Building construction ○ Complete North-end Building (M7) ○ Demolish Old Marina Building & begin site prep for Anthony's Restaurant construction ○ Complete Phase 1B, 2A Dock replacements
Determine necessary capital improvements to Harbor Island Marina	Q2 Q3 Q4	<ul style="list-style-type: none"> ○ Based on '05 condition assessment results complete marketing study & financial analysis ○ Complete determination of improvements ○ Implement capital or maintenance program
Complete capital improvements to Bell Harbor Marina on time and on budget	Q1 \$200K (2006)	<ul style="list-style-type: none"> ○ Complete marina electrical upgrade

Strategy: Enhance public understanding and support of the Port's role in the region.

<u>Key Objective:</u> Public understanding and support of Port's Role in the Region.		
<u>Key Performance Indicator:</u> Number of information materials distributed/public outreach notices.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Maintain community support for FT & SBM capital improvements	Quarterly	<ul style="list-style-type: none"> • FT & SBM: implement Media/Communications Plan, working with PA (see Customer goal above)
Participate in high school or college internship program.	Q2	<ul style="list-style-type: none"> • Hire interns @ FT, BHM & SBM
<u>Key Objective:</u> Ensure secure facilities at Harbor Service Facilities (SBM, BHM, HIM, FT and MIC).		
<u>Key Performance Indicator:</u> Reduced number of incidents.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Reduce number of reported incidences at FT & SBM to determine result of on-site Operations Security Programs & Terminal/Marina Watch Programs.	<p>FT: incidences reduced by 10% over 2005.</p> <p>SBM: Incidences reduced by 10% over 2005.</p>	<ul style="list-style-type: none"> ○ Continue with and grow Terminal Watch Program (ongoing) ○ Implement customer awareness/education/communication on protection & prevention practices, security data, etc. (Q1 & ongoing) ○ Increase management & harbor specialist visibility & dock & facility patrols (begin Q1) ○ Continue to solicit POSPD assistance with transient issues. (ongoing) ○ New parking enforcement program implemented. (Q1) ○ Changes/improvements implemented to dock and parking lot patrols to ensure security of temporary parking and boat storage. (Q1) ○ Implement customer awareness/education/communication regarding protection and prevention practices of personal property. (Q1 & ongoing) ○ Continue to solicit POSPD, SPD and Burlington Northern Police assistance with transient issues and Golden Gardens Park overflow. (ongoing)
Continue Marina Watch Program--SBM	Quarterly Q3	<ul style="list-style-type: none"> ○ Hold customer meetings at Shilshole. ○ Hold National Night Out Event for customers.
Continue Terminal Watch Program--FT	Quarterly Q4	<ul style="list-style-type: none"> ○ Hold customer meetings at FT ○ Hold National Night Out Event for customers

Strategy: Exhibit environmental stewardship through our actions.

<u>Key Objective:</u> Regulatory compliance.		
<u>Key Performance Indicator:</u> Zero regulatory violations.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Comply w/ environmental regulations.	Zero regulatory violations	<ul style="list-style-type: none"> • Daily proactive observation by all HSG staff on dock/facility walks • Educate customers & quickly address/resolve potential violations by customers

Strategy: Exhibit environmental stewardship through our actions.

<u>Key Objective:</u> Work with tenants to help emphasize the importance of environmental stewardship and the Port's commitment to that stewardship.		
<u>Key Performance Indicator:</u> Improved tenant environmental performance.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Implement an Environmental Mgmt System at FT	Begin Q1	<ul style="list-style-type: none"> ○ Implement EMS action plans ○ Educate & communicate to customers
Educate & communicate to customers about environmental stewardship & practices	Q4	<ul style="list-style-type: none"> ○ Conduct Clean and Safe Practices seminar opportunity by partnering with DOE, King Co. Dept. of Natural Resources, WA Sea Grant, others.
	Quarterly	<ul style="list-style-type: none"> ○ Communicate BMP, other environmental information & policy updates to customers at all facilities

Strategy: Be a high performance organization.

<u>Key Objective:</u> Successful HSG Business Plans and Operations.		
<u>Key Performance Indicator:</u> Providing our staff with regular feedback and support by completing 100% of staff performance reviews on time.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
All PREP's completed one week prior to anniversary date. Complete PREP development plans with training, development and diversity components.	100% one week early. 100% with three components. Attend at least 1 diversity event. Quarterly check-ins with all staff scheduled & completed. Cross training of staff completed (begin Q2)	
Utilize small businesses	10% of operating & capital expenditures	When feasible, utilize qualified small businesses for direct purchasing and HSG capital improvement projects. Work with Engineering to incorporate contract language that promotes small businesses utilization by prime contractors.
Maintain a safe workplace for all employees	<ul style="list-style-type: none"> ● 100% of required safety training completed. ● 20% reduction in OIR rate. ● 100% incident reports submitted within 7 days ● Perfect safety score. 	<ul style="list-style-type: none"> ● Conduct monthly safety meetings ● Conduct frequent facility inspections ● Conduct drills with staff to ensure understanding of various safety procedures

TABLE VI-4: HARBOR SERVICES BUSINESS PLAN FORECAST

(in 000's)	Notes	Budget 2005	Budget 2006	Forecast				Compound Growth 2005-2010
				2007	2008	2009	2010	
OPERATING BUDGET								
Operating Revenue		\$8,870	\$8,972	\$8,911	\$10,139	\$11,214	\$11,775	5.8%
Operating & Maintenance Expense		5,673	5,852	6,006	6,109	6,349	6,504	2.8%
Corporate Administrative Expense	1	2,022	1,842	1,953	2,070	2,194	2,326	2.8%
Total Operating Expense		7,694	7,694	7,959	8,179	8,543	8,829	2.8%
Net Operating Income Before Depreciation		\$1,176	\$1,278	\$952	\$1,960	\$2,671	\$2,946	20.2%
Total Depreciation Expense		2,916	3,830					
Net Operating Income After Depreciation		(\$1,740)	(\$2,552)					
COMMITTED CAPITAL BUDGET	2	\$21,425	\$27,432	\$32,917	\$14,184	\$127	\$0	

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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 IX for details of Capital Budget - does not include business plan prospective projects.

SEAPORT PROPERTY MANAGEMENT

MISSION

The mission of the Property Management Group is to manage, market and lease the Seaport's portfolio of commercial and industrial properties and enhance the value of the managed assets by increasing income and reducing expenses.

DESCRIPTION

Commercial Properties: These properties serve office and retail tenants, and provide space for Seaport-related businesses as well as public access. Commercial properties located along the Port's central waterfront include Pier 48, Pier 66 (Bell Street Cruise Terminal, Bell Harbor International Conference Center and Odyssey Maritime Discovery Center), the World Trade Center, Pier 69, and parking garages. Other commercial properties are located at T-102 (Harbor Marina Corporate Center) and in Ballard (Fishermen's Terminal, the Maritime Industrial Center and Shilshole Bay Marina).

Industrial Properties: These properties serve a variety of industrial tenants by providing office/warehouse and yard space. The industrial properties are located on the Seattle waterfront from the north end of Elliott Bay to Harbor Island and inland along the Duwamish River, SODO, and South Park.

BUSINESS STRATEGY

Achieve budgeted net operating income for 2006 by focusing on tenant retention, new lease opportunities and expense controls. Manage and maintain properties to meet the needs of our tenant (target) customers and preserve and enhance each property's value by employing appropriate levels of maintenance for each facility.

KEY INITIATIVES, GOALS, AND MEASURES

Strategy: Ensure Seaport Vitality.

<u>Key Objective: Maximize Financial Performance.</u>		
<u>Key Performance Indicator: Achieve NOI Before Depreciation of \$3.8 million. Achieve expense target in 2006 administrative budget for Seaport Property Management of \$.9 million.</u>		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Commercial Property NOI.	\$(2.9) million	<ul style="list-style-type: none"> Review property leasing plans with property managers quarterly. Review property operating budgets with property managers monthly.
Industrial Property NOI.	\$4.2 million	<ul style="list-style-type: none"> Review property operating budgets with property managers monthly.
Third Party NOI.	\$2.5 million	<ul style="list-style-type: none"> Review property operating budgets with property managers monthly.
<u>Key Objective: Increase Asset Utilization.</u>		
<u>Key Performance Indicator: Lease Vacant Commercial Properties.</u>		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Increase occupancy at World Trade Center West Building in 2006.	Year-end occupancy rate will be 87%.	Property manager will work with the Manager of Seaport Properties to develop a leasing strategy for this property.
Increase occupancy at all other commercial properties in 2006.	Year-end occupancy rate will be 94.5%	Property managers will work with the Manager of Seaport Properties to develop a leasing strategy for these properties.
<u>Key Performance Indicator: Lease Vacant Industrial Properties.</u>		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Increase occupancy rate for industrial land in 2006.	Lease 2.5 acres in 2006.	<ul style="list-style-type: none"> Manager of Industrial Properties will work with Manager of Seaport Properties to develop a leasing strategy for this property.
<u>Key Performance Indicator: Complete Real Estate Projects</u>		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Complete vacation of Oregon Street.	Finalize easements by end of first quarter 2006.	Work with Port legal department and Port consultants and City of Seattle to finalize easements needed to complete the vacation petition.
Complete T-18 Street Vacations	Finish project by 6/30/06.	Work with Port legal department and Port consultants and City of Seattle to fulfill conditions needed to complete the vacation petition for these streets.
Complete T-5 Street vacations	Finish project by 9/30/06.	Work with Port legal department and Port consultants and City of Seattle to fulfill conditions needed to complete the vacation petition for these streets.
Gather data needed to develop a Title Plant for the Seaport.	Finish gathering data from outside sources by 6/30/06.	Visit property managers at the University of Washington and the State of Washington
Develop a strategy to create and service Duwamish Waterway agreements.	Implement strategy when needed.	Work with Legal Department and Business Development to create needed agreements.

Strategy: Exhibit environmental stewardship through our actions.

<u>Key Objective:</u> Assure regulatory compliance in the construction and operation of our facilities and delivery of our services.		
<u>Key Performance Indicator:</u> Zero tenant regulatory violations.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Support Corporate Environmental Department Tenant Compliance Program.	Visit at least four properties per quarter.	<ul style="list-style-type: none"> Property managers and member(s) of environmental staff will inspect industrial properties to ensure tenant compliance with lease requirements.

Strategy: Be a high performance organization.

<u>Key Objective:</u> Build a highly motivated and well-trained work group.		
<u>Key Performance Indicator:</u> Use PREP reviews as a tool to increase employee understanding of Business Group and Seaport goals.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
All PREP's completed one week prior to anniversary date.	100% one week early.	
Complete PREP development plans with training, development and diversity components.	100% with three components	
Maintain educated employee workforce.	90% 90% 100%	<ul style="list-style-type: none"> Each employee will attend or participate in one diversity activity. Property managers will attend at least one local real estate class seminar or conference. Each employee will include a personal development plan in PREP.
Maintain a safe workplace for all employees.	100% of required safety training courses completed. 20% reduction in OIR rate. 100% incident reports submitted within 7 days. Perfect safety score.	
Develop a timetable and work with HR to finalize requirements to hire replacements for retiring employees.	Timetable will be completed by end of first quarter 2006.	<ul style="list-style-type: none"> Work with manager of lease support to finalize to timetable and complete HR requirements.
Develop a strategy to provide backup to the utility administrator position.	Implement strategy by end of first quarter 2006.	<ul style="list-style-type: none"> Work with manager of lease support to finalize to timetable and complete HR requirements needed to implement this strategy. Identify and train backup.

SEAPORT BUSINESS DEVELOPMENT

MISSION

The mission of the Business Development Group is to retain and grow existing customers, secure new customers and businesses for existing Seaport properties. Additionally Business Development shall lead efforts for acquiring additional properties and disposing of surplus properties as required to support the Seaport mission. This is the first year of a three year plan in assisting the Seaport in its goal to attain a \$45 million NOI.

DESCRIPTION

The Business Development Group has responsibility for securing new tenants for vacant Seaport properties. These currently include Pier 2, Terminal 5 Southeast, the CEM Property, Terminal 10, and Terminal 91, T117. Originally, the Business Development function assumed that each property would ultimately be returned to the appropriate business group (Cargo and Cruise Services, Harbor Services, Property Management) for on-going management after achieving closure of lease negotiations with new tenants. However, the role of Business Development has changed to now include assistance with capital development projects related to these negotiations to ensure that both the tenant and Port complete the project on time and on budget. It has now become apparent that the negotiations and business relationships between the tenant and the Port require on-going representation by Business Development as a “single point of contact” until capital projects are completed. Therefore, Business Development will focus on assisting both the Environmental and Project Management groups in the delivery of capital projects for 2006.

The Business Development Group will also work to secure tenants for other industrial properties as vacancies occur. Business Development will strive to deliver higher and better rates of return for those properties whose leases are ending. The focus of our efforts to secure new tenants will be on maritime-related businesses.

Finally, the Business Development group is available to the rest of the Seaport Division to assist with “internal consulting.” Specifically, Business Development has assisted other departments or business units in costing out alternatives and approaches to selecting feasible uses and tenants for different properties. Examples for the future could include the Duwamish River land ownership and lease issue, and identification / evaluation of potential acquisitions for the Port and its stakeholders.

BUSINESS STRATEGY

The target market for the Business Development group focuses on specific sectors within the marine industrial market, including: the tug and barge industry, fishing, waste transfer, warehouse and distribution, food processing and surface transportation.

Value Proposition: Business Development offers a unique combination of services and facilities for the marine industrial / manufacturing tenant considering locating or expanding their business through leasing of additional land or warehouse space in the near-in South Seattle market. Other lessors' inventory consists primarily of smaller parcels of land or smaller warehouse space than the Port of Seattle. Additionally, other lessors lack ability to provide assistance with a broad range of services to complete permitting, buildout, financing and capital improvements. The Port of Seattle can offer assistance with the following issues that might confront a prospective tenant:

- Complete environmental guidance and liason with various city, county, state, and federal agencies – including Dept of Fisheries, Dept of Natural Resources, Army Corps of Engineers, and the Environmental Protection Agency.
- Permitting application assistance with the City of Seattle's Department of Planning and Development.
- Engineering and construction design review for permitting with the City of Seattle
- Referrals to construction and design engineering firms.
- Introductions to the local railroads, steamship industry representatives, primary importers and exporters, tug and barge operators, and the local fishing industry.

The above services are offered by Business Development as part of the Seaport's effort to retain and attract maritime industrial tenants.

KEY INITIATIVES, GOALS, AND MEASURES

Strategy: Ensure seaport vitality.

<u>Key Objective:</u> Maximize financial performance.		
<u>Key Performance Indicator:</u> Achieve NOI before depreciation of \$1.2 million on industrial properties. Achieve expense target in 2006 administrative budget for Seaport Business Development of \$1.8 million.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Lease remaining vacant lands on either short term or long-term basis at rates that achieve the targeted returns.	Achieve \$2.3 million in revenue and NOI before depreciation of \$(.6) million	<ul style="list-style-type: none"> • Revenue totals for the quarter and year-to-date for • Pier 2 • Terminal 5 Southeast • CEM • Terminal 10 • Terminal 90,91, shortfill • Tank Farm • Duwamish • T117
<u>Key Objective:</u> Maximize asset utilization.		
<u>Key Performance Indicator:</u> Reduction of vacant industrial acreage as shown below from 51.1 acres to 26.1 acres by year-end 2006.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Reduce vacant acreage to 26.1 acres of vacant land by year end 2006. Previous year 2005 goal was to reduce vacant acreage to 25 acres. However, the goal was not achieved due to Port projects needing construction laydown at T10 and Piers 90/91 and delays in construction at T10 for paving and drainage	Acreage lease targets per year 2006 TOTAL 25.0	Useable Acreage Available for Lease per Property T5 SE .3 acres– uplands only Tank Farm 4.1 acres – total T10 7.7 acres – of total 9.75 (2 acres for Todd parking) T5 CEM 10 acres – of total 15 (5 not usable) Pier 2 10.6 acres – including submerged T91 short fill 5 acres – of total 11.1 T91 Pier 13.4 acres – of total 16.38 - 3 leased to Carnitech
Reduce vacant acreage to 13.9 acres of vacant land by year end 2007	2007 TOTAL 12.2	TOTAL 51.1 ACRES AVAILABLE TO LEASE
Reduce vacant acreage to 5 acres of vacant land by year end 2008	2008 TOTAL 8.9	<u>Additional Tasks Monitored by Business Development in 2006.</u> Northland – progress on dock re-building and uplands repaving Duwamish – progress on signing leases for POS property Sale only – T117 – after completion of environmental work at end of Q2

Strategy: Enhance public understanding and support of the Port's role in the region.

<u>Key Objective:</u> Develop on-going memberships with Seattle/Puget Sound area business groups.		
<u>Key Performance Indicator:</u> Active support of harbor/maritime industrial promotional organizations.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Active participation in the Seattle First group of the MIC	One major tenant	Retention of at least one major tenant opportunity.

Strategy: Exhibit environmental stewardship through our actions.

<u>Key Objective:</u> Exhibit environmental stewardship through leasing activities.		
<u>Key Performance Indicator:</u> Zero Regulatory violations.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Assure Regulatory Compliance in new leases.	Same	<ul style="list-style-type: none"> • Evaluation of environmental issues at outset of property leasing efforts through environmental staff • Ensure that all new leases and lease renewals are designed to protect the environment through same.

Strategy: Be a high performance organization.

<u>Key Objective:</u> Provide staff with regular feedback and support.		
<u>Key Performance Indicator:</u> 100% PREPS completed and turned in one week prior to anniversary dates.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
All PREP's completed one week prior to anniversary date. Complete PREP development plans with training, development and diversity components.	100% one week early 100% with three components	
Maintain a safe workplace for all employees.	<ul style="list-style-type: none"> • 100% of required safety training completed. • 20% reduction in OIR rate. • 100% incident reports submitted within 7 days. • Perfect safety score. 	

TABLE VI-5: SEAPORT REAL ESTATE (PROPERTY MANAGEMENT AND BUSINESS DEVELOPMENT) BUSINESS PLAN FORECAST

(in 000's)		Budget 2005	Budget 2006	Forecast				Compound Growth 2005-2010
OPERATING BUDGET	Notes			2007	2008	2009	2010	
Operating Revenue		\$30,761	\$30,651	\$31,950	\$33,123	\$33,417	\$34,212	2.1%
Operating & Maintenance Expense		22,132	23,571	21,934	22,504	23,089	23,690	1.4%
Corporate Administrative Expense	1	3,940	3,854	4,085	4,330	4,590	4,866	4.3%
Total Operating Expense		26,071	27,425	26,019	26,835	27,680	28,555	1.8%
Net Operating Income Before Depreciation		\$4,689	\$3,226	\$5,930	\$6,289	\$5,737	\$5,656	3.8%
Total Depreciation Expense		6,728	6,605					
Net Operating Income After Depreciation		(\$2,039)	(\$3,380)					
COMMITTED CAPITAL BUDGET	2	\$11,251	\$27,807	\$12,500	\$8,000	\$0	\$0	

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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 IX for details of Capital Budget - does not include business plan prospective projects.

SEAPORT SECURITY

MISSION

The mission of the Seaport Security Department is to enhance personnel, physical and information security for the Port of Seattle Seaport and its tenants. This is accomplished by deterring, reducing and preventing acts of terrorism, crime and loss by enhancing the security of:

- People – Public, passengers and employees
- Domestic and International Transportation - which includes Cruise and Container vessels, and other modes of maritime transportation
- Properties – Tenant and Seaport Operated Facilities
- Port operated Information Technology systems and infrastructure

Furthermore, we will provide leadership in disaster planning, preparedness, response and recovery. Success will be based on actively fostering critical partnerships, developing and implementing programs and initiatives.

DESCRIPTION

The security program will continually review and update security plans and procedures. This will be accomplished by assessing and reviewing vulnerabilities and threats, and applying appropriate requisite security measures. Federal, state and local security funding opportunities will be systematically evaluated and pursued for projects that will cost effectively support security initiatives and strategies. Strong emphasis will be placed on balancing security requirements while providing a competitive smooth flow of commerce.

BUSINESS STRATEGY

The Seaport will be a leader in coordinating security measures, exercises, training, operational safety standards and procedures. We will actively provide leadership level participation through memberships in critical maritime security committees and organizations. We will continually foster and maintain a strong partnership with the International, Federal, State and Local agencies responsible for the maritime domain.

The Seaport will provide leadership in the development of international security standards. This will be accomplished through participation in Security Forums and other Security Initiatives that will facilitate the adoption of International Security Standards and Specifications that bring real value without constraining the current velocity of the global supply chain. We will recommend economical, feasible and prudent best practices and technologies to ensure the security of international and domestic supply chains and maritime operations.

KEY INITIATIVES, GOALS, AND MEASURES

Strategy: Be a leader in transportation security.

<u>Key Objective:</u> Reinforce a coordinated security and public safety program for all seaport assets.		
<u>Key Performance Indicator:</u> Meet the milestones of the Port’s security program.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Section 1-- Maintain a Sustainable Seaport Security Program.	Dev Plan for each staff member Quarterly	Section 1.1-- Develop and enhance security skills of all seaport security staff through a Personal Development Plan for each Seaport Security Department staff member
	Quarterly Table top exercise	Section 1.2 -Implement Security department organization development objectives
	Quarterly	Section 1.3-- Exercise and validate POS Facility Security Plans
	1 st Qtr 2006 Year-end	Section 1.4-- Partner with other Emergency Management Organizations and Stakeholders Section 1.5 - Participate in exercises and drills to enhance preparedness and response Section 1.6 – Complete Seaport Security Response Plan. Section 1.7 – Review long range comprehensive strategic security plan (MTSA)
Section 2-- Reduce Vulnerabilities and mitigate threats to minimize security Incidents.	On-Going	Section 2.1— Assess threats and vulnerabilities and develop appropriate mitigation initiatives
	On-Going	Section 2.2— Assess and respond appropriately to security funding opportunities
	On-Going	Section 2.3— Develop a metric to measure Security effectiveness.
	On-Going	Section 2.4 – Be and active participant on the Port of Seattle Corporate Security Committee
	Continuous	Section 2.5 – Re-examine and modify as appropriate POS security plans.
	Q3-2006	Section 2.6 – Develop public communications plan
<u>Key Objective:</u> Collaborate and provide an integrated, regional approach to security issues for operators, customers, and governments.		
<u>Key Performance Indicator:</u> Meet the milestones of the Port’s security program.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Section 3-- Provide Regional Leadership in Area and Harbor Security and Safety.	Completion of Plan	Section 3.1— Play an active role and provide leadership in Harbor Safety and Security Plan and represent the Port of Seattle Harbor perspective.
	Completion of Strategic Plan, Exercise, and Intelligence Piece	Section 3.2— Provide leadership in and participation in the Harbor Security & Safety Committee, Area Security Plan Committee, and through other professional security organizations
	Strategic Plan and Critical Infrastructure Inventory completion.	Section 3.3-- Continue to facilitate regional application and completion of security projects and initiatives through leadership and participation in the State of Washington Emergency Management Division as well as the DHS Region 6 Emergency Management Advisory Committee (EMAC) and the Urban Area Security Initiative (UASI) Sub-Committee.

<u>Key Objective:</u> Participate in national and global efforts to improve homeland security, while facilitating the smooth flow of commerce.		
<u>Key Performance Indicator:</u> Meet the milestones of the Port's security program.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Section 4-- Provide National Leadership in Development of Container and Supply Chain Security Standards	Complete On-Going Q2	Section 4.1-- Complete Operation Safe Commerce (OSC) Phase 2 Best Practices Report and complete the Phase 3 Demonstration Projects with chosen solution set. Section 4.2-- Develop recommendations for translating OSC results into industry standards and present to Department of Homeland Security / Office for Domestic Preparedness and the Transportation Security Administration. Section 4.2.1-- Have recommended standards reviewed by stakeholders, Customs, and Border Protection.

Strategy: Be a leader in transportation security.

<u>Key Objective:</u> Comply with all Federal Mandates.		
<u>Key Performance Indicator:</u> Maintain compliance with State and Federal Maritime regulations.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Section 5 - Implement Federal security initiatives.	Completion of Project	Section 5.1 - Support continuity of operations for Container Terminals with Customs and Border Protection for Radiation Portal Monitors. Section 5.2 - Monitor and respond to new Federal Security Requirements
Section 6 - Partner with Tenants and other Ports to obtain and implement quality cost effective security systems, policies and procedures	Work with Tenants and other Ports to coordinate common system requirements and standards	Section 6.1 - Share technology knowledge with tenants and system evaluations to help facilitate their decision on mandated security equipment i.e., CCTV, Access Systems, Security Policies and Procedures. Section 6.2 - Facilitate implementation of TWIC (Transportation Worker Identification Credential)

Strategy: Be a high performance organization.

<u>Key Objective:</u> Advance the strategies, goals and objectives of Seaport Security and the Port.		
<u>Key Performance Indicator:</u> Providing staff with regular feedback that connects individual, business unit, Seaport and Port strategies and objectives.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
All PREP's completed one week prior to anniversary date. Complete PREP development plans with training, development and diversity components.	100% one week early 100% with three components	
Maintain a safe workplace for all employees.	<ul style="list-style-type: none"> • 100% of required safety training completed. • 20% reduction in OIR rate. • 100% incident reports submitted within 7 days. • Perfect safety score. 	

Key Objective: Build a highly motivated and well-trained work group.		
Key Performance Indicator: Use PREP reviews as a tool to increase employee understanding of Business Group and Seaport Security goals.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Ensure employee on-the-job performance.	All PREP's completed one week before anniversary date. Annual review	<ul style="list-style-type: none"> Complete PREP for all employees and update accountabilities/measures as needed. Include linkages in PREP to Seaport Strategies and business plans.
Ensure that all Security Members have development plan.	100%	<ul style="list-style-type: none"> Each employee will include a personal updated development plan in PREP.
Maintain educated employee workforce that values Diversity.	By year-end	<ul style="list-style-type: none"> Each employee will attend or participate in 2 (two) or more diversity activities that expands their understanding of cultures other than their own.

TABLE VI-6: SEAPORT SECURITY BUSINESS PLAN FORECAST

(in 000's)	Notes	Budget 2005	Budget 2006	Forecast				Compound Growth 2005-2010
				2007	2008	2009	2010	
OPERATING BUDGET								
Operating Revenue		\$8,267	\$4,588	\$0	\$0	\$0	\$0	-100.0%
Operating & Maintenance Expense		8,976	5,519	995	1,020	1,045	1,072	-34.6%
Corporate Administrative Expense	1	0	0	0	0	0	0	
Total Operating Expense		8,976	5,519	995	1,020	1,045	1,072	-34.6%
Net Operating Income Before Depreciation		(\$710)	(\$931)	(\$995)	(\$1,020)	(\$1,045)	(\$1,072)	8.6%
Total Depreciation Expense		0	0					
Net Operating Income After Depreciation		(\$710)	(\$931)					
COMMITTED CAPITAL BUDGET	2	\$3,989	\$2,062	\$39	\$40	\$42	\$43	

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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 IX for details of Capital Budget - does not include business plan prospective projects.

E. SEAPORT OPERATING BUDGET SUMMARY

TABLE VI-7: REVENUE BY ACCOUNT

(in 000's)	2004 Actual	2005 Budget	2006 Budget	% Change 2006 Bud- 2005 Bud
Revenue by Account				
<u>Operating Revenue</u>				
Dckg, Whrfg, Serv/Facility, Passenger Fee	\$2,834	\$3,704	\$925	-75.0%
Distribution & Storage	16	16	14	-14.4%
Marine Services	0	-	-	
Equipment Rental	9,922	9,830	10,116	2.9%
Berthage & Moorage	8,137	7,585	7,689	1.4%
Parking Revenue	54	53	64	20.9%
Revenue From Sale of Utilities	4,153	4,333	4,378	1.0%
Property Rental Revenue	50,567	52,996	62,745	18.4%
Other Revenues	32,835	17,616	14,666	-16.7%
Total Operating Revenue 1	\$108,518	\$96,133	\$100,598	4.6%

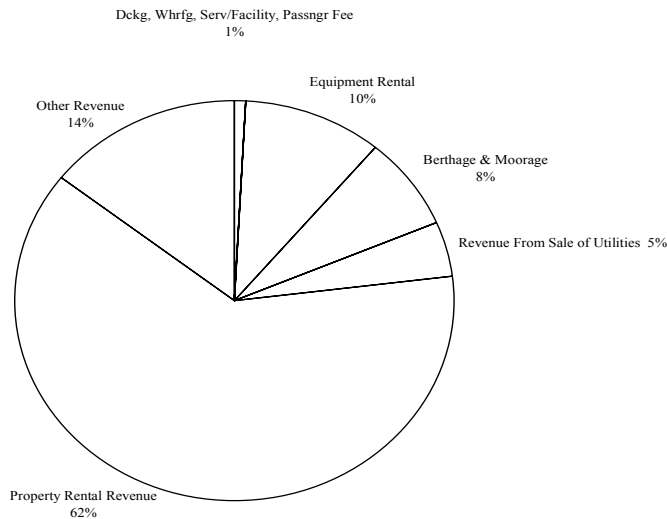
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Notes:

- 1) Revenues do not include revenues from Non-Seaport Departments.

FIGURE VI-1: SEAPORT DIVISION REVENUE BY ACCOUNT

(\$ in 000's)



Total Revenue: \$100,598

TABLE VI-8: OPERATING and MAINTANENCE EXPENSES BY ACCOUNT

(in 000's)		2004	2005	2006	% Change
Expense by Account		Actual	Budget	Budget	2006 Bud- 2005 Bud
Salaries, Wages, Benefits & Wrkmns Comp		\$16,863	\$16,052	\$17,164	6.9%
Equipment Expense		694	246	411	67.0%
Utilities		5,858	6,001	6,081	1.3%
Supplies & Stock		1,315	922	1,165	26.3%
Outside Services		28,021	11,197	9,170	-18.1%
Travel & Other Employee Expenses		529	802	643	-19.8%
Promotional Expenses		387	202	155	-23.4%
Other Expenses		8,642	10,871	11,454	5.4%
Subtotal		62,308	46,293	46,243	-0.1%
Charges to Capital Projects		(2,638)	(2,006)	(2,314)	15.4%
Total Budgeted Operating Expense		59,670	44,287	43,929	-0.8%
Charges to Non-Seaport Departments	1	(520)	(420)	(402)	-4.2%
Total Operating Expense		\$59,150	\$43,867	\$43,527	-0.7%

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Notes:

- 1) Charges to other Divisions includes charge to Corporate Administration for maintenance at Pier 69 and fleet maintenance.

FIGURE VI-2: SEAPORT DIVISION EXPENSE BY ACCOUNT

(\$ in 000's)

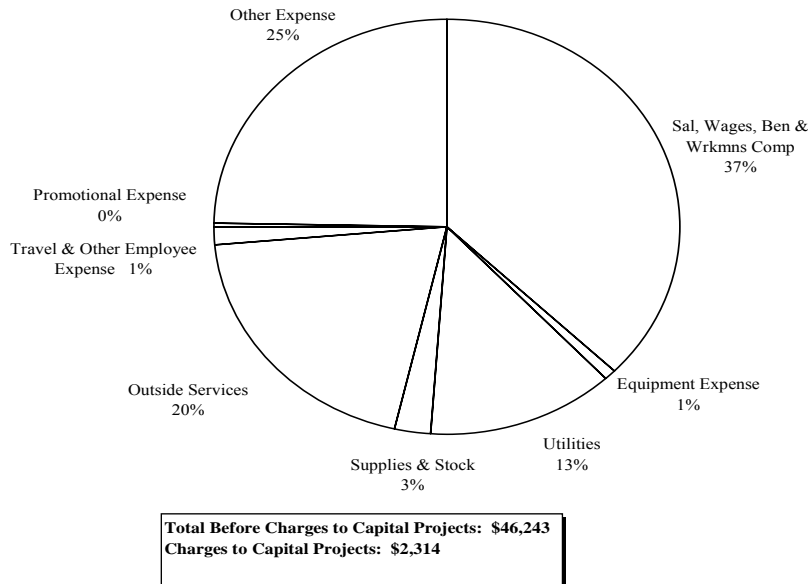


TABLE VI-9: SEAPORT DIVISION BUDGET BY BUSINESS GROUP/DEPARTMENT

(in 000's)					% Change
BY BUSINESS GROUP/DEPARTMENT		Actual	Budget	Budget	2006 Bud -
	Notes	2004	2005	2006	2005 Bud
REVENUE					
Cargo & Cruise Services		\$46,961	\$48,416	\$56,545	16.8%
Harbor Services		9,403	8,870	8,972	1.1%
Seaport Real Estate		28,955	30,581	30,494	-0.3%
Seaport Security		23,199	8,267	4,588	-44.5%
Total Operating Revenue	1	108,518	96,134	100,598	4.6%
OPERATING EXPENSE					
Business Groups:					
Cargo & Cruise Services		4,935	4,860	5,308	9.2%
Harbor Services		3,628	3,474	3,606	3.8%
Seaport Real Estate		13,591	14,387	14,319	-0.5%
Total Business Group Expense		22,154	22,722	23,233	2.2%
Service Depts:					
Contingency		1	1,600	1,800	12.5%
Seaport Administration		1,573	1,108	1,150	3.8%
Seaport Finance		398	406	501	23.4%
Seaport Strategic Planning & Policy		559	699	956	36.7%
Seaport Proj Management		1,760	380	1,970	418.9%
Seaport Maintenance Overhead		9,869	8,541	9,102	6.6%
Seaport Security		23,356	8,832	5,217	-40.9%
Marketing & Business Development					
Total Services Expense		37,516	21,565	20,696	-4.0%
Total Division Expense		\$ 59,670	\$ 44,287	\$ 43,929	-0.8%

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Notes:

- 1) Total revenue does not include revenue from Non-Seaport departments.

F. STAFFING

The following Table VI-10 outlines the Full-Time Equivalents (FTEs) for both the Regular and Other categories in the Seaport Division.

TABLE VI-10: SEAPORT DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions)	2005 Budget	2005 Est. Act.	2006 Budget	% Change 2006 Bud- 2005 Bud
BUSINESS GROUP/DEPARTMENT				
Business Groups:				
Business Development	4.0	4.0	4.0	0.0%
Cargo & Cruise Services	11.0	11.0	11.0	0.0%
Harbor Services	31.0	30.0	30.0	-3.2%
Property Management	12.5	12.5	12.5	0.0%
Total Business Groups	58.5	57.5	57.5	-1.7%
Lines of Service:				
<u>Seaport Professional & Technical Services</u>				
Seaport Administration	7.0	7.0	7.0	0.0%
Seaport Finance	4.6	4.6	4.6	0.0%
Seaport Security	4.0	4.0	5.0	25.0%
Seaport Strategic Planning	5.0	5.0	5.0	0.0%
Seaport Facility Planning & Project Management	12.3	12.3	12.6	2.4%
Seaport Maintenance	78.0	83.3	83.3	6.7%
Total Lines of Service	110.9	116.2	117.5	5.9%
TOTAL SEAPORT DIVISION REGULARS	169.4	173.7	175.0	3.3%
Limited Duration	0.0	0.0	1.3	
Temporary	0.0	0.0	0.0	
Interns	3.5	3.5	3.5	47.3%
On Call	0.0	0.0	0.0	
TOTAL SEAPORT DIVISION	172.9	177.2	179.8	4.0%

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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.

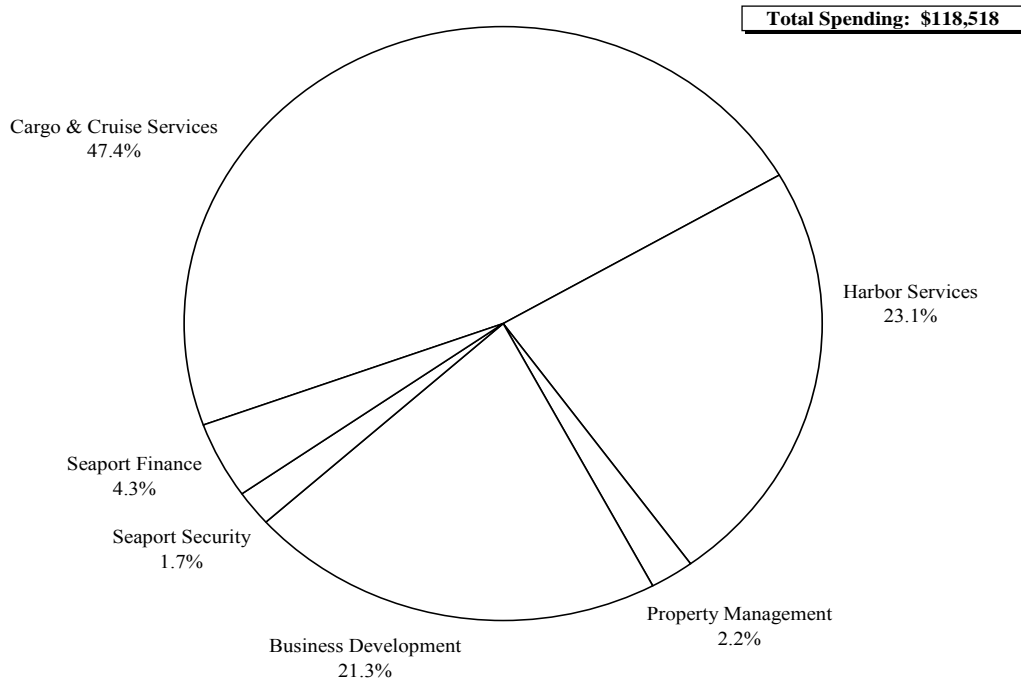
Table VI-11 provides a summary of the Seaport Division's 2006 capital budget.

TABLE VI-11: SEAPORT DIVISION CAPITAL BUDGET SUMMARY

(\$ in 000's)	2006 Budget	2006-2010 CIP	% of Total
Committed Capital Projects			
Cargo & Cruise Services	\$56,129	\$128,009	47.4%
Harbor Services	\$27,432	\$74,660	23.1%
Property Management	\$2,592	\$2,592	2.2%
Business Development	\$25,215	\$45,715	21.3%
Seaport Security	\$2,062	\$2,226	1.7%
Seaport Finance	\$5,088	\$94,538	4.3%
Total	\$118,518	\$347,740	100.0%
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FIGURE VI-3: SEAPORT DIVISION CAPITAL BUDGET

(\$ in 000's)



H. SEAPORT DIVISION OPERATING STATISTICS

TABLE VI-12: SEAPORT DIVISION OPERATING STATISTICS

Year	International Containerized Trade				Total Int'l & Dom. TEUS				
	Metric Tons		Total TEU's		Port of Seattle	Seattle Harbor			Growth
	(in 1000's)	Growth		Growth	Total TEU's	Growth	Other	Total TEU's	
1994	8,957	22.3%	1,179,513	26.9%	1,311,374	23.8%	103,576	1,414,950	22.9%
1995	9,423	5.2%	1,227,729	4.1%	1,371,778	4.6%	107,298	1,479,076	4.5%
1996	9,181	-2.6%	1,197,344	-2.5%	1,358,920	-0.9%	114,641	1,473,561	-0.4%
1997	8,300	-9.6%	1,195,470	-0.2%	1,360,308	0.1%	115,505	1,475,813	0.2%
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 Forecast	10,852	11.6%	1,637,084	11.7%	1,948,910	15.5%	88,090	2,037,000	14.7%
2006 Forecast	11,755	8.3%	1,773,264	8.3%	2,111,029	8.3%	88,971	2,200,000	8.0%
Compound Growth									
1995-2004		0.3%		2.0%		2.3%			2.1%
1999-2004		1.7%		4.2%		4.5%			3.6%

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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
1994	2,479	24.8%	11,205	16.2%	13,684	17.7%
1995	2,848	14.9%	15,237	36.0%	18,086	32.2%
1996	3,358	17.9%	12,765	-16.2%	16,123	-10.9%
1997	3,608	7.4%	11,986	-6.1%	15,594	-3.3%
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%	11,048	8.9%	13,389	9.8%
2004	2,453	4.8%	13,656	23.6%	16,109	20.3%
2005 Forecast	2,410	-1.8%	16,002	17.2%	18,412	14.3%
2006 Forecast	2,440	1.2%	16,905	5.6%	19,345	5.1%
Compound Growth						
1995-2004		-1.6%		-1.2%		-1.3%
1999-2004		-7.1%		4.3%		2.0%

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Source: Port of Seattle Internal Tonnage Reporting Statistics System.

I. SEAPORT DIVISION SUMMARY

TABLE VI-13: SEAPORT DIVISION SUMMARY

	(in 000's)	Notes	Actual	Budget	Forecast	Budget	Growth
			2004	2005	2005	2006	2006 Bud- 2005 Bud
BUDGET							
Operating Revenue			85,318	\$88,047	\$94,856	\$96,168	9.2%
Security Reimbursement			23,199	8,267	5,438	4,588	-44.5%
Total Operating Revenues			108,518	\$96,313	\$100,294	\$100,755	4.6%
Operating & Maintenance Expense			41,976	40,543	44,405	43,994	8.5%
Corporate Administrative Expense		1	9,043	9,385	9,885	10,274	9.5%
Security Costs			23,695	8,976	6,388	5,519	-38.5%
Law Enforcement Costs			2,994	3,304	3,304	3,428	3.8%
Total Operating & Maintenance Expenses			77,708	62,208	63,982	63,215	1.6%
Net Operating Income before Depreciation			30,810	\$34,105	\$36,312	\$37,540	10.1%
Depreciation			35,813	34,354	36,674	36,812	7.2%
Net Operating Income after Depreciation			(\$5,003)	(\$249)	(\$362)	\$728	-392.7%
Committed Capital Budget			n/a	74,765	104,161	118,518	58.5%
Business Plan Prospective			n/a	0	0	4,670	
CAPITAL SPENDING		2	\$74,383	\$74,765	\$104,161	\$123,188	64.8%
TOTAL FTEs			189.0	172.9	177.2	179.8	4.0%

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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 cost are allocated using a formula based on expenses and employees. For some departments specific allocation methodologies, specific allocation methodologies, such as employees for Human Resources & Development, are used.
- 2) See Section IX for details of Capital Budget.