

SEAPORT DIVISION

A. BUSINESS PLAN FORECAST

TABLE VI-1: BUSINESS PLAN FORECAST

(in 000's)		Budget 2006	Budget 2007	Forecast				Compound Growth 2006-2011																																												
Notes	2008			2009	2010	2011																																														
OPERATING BUDGET																																																				
		\$96,168	\$104,509	\$110,144	\$113,383	\$115,525	\$118,101	4.2%																																												
		4,588	0																																																	
		\$100,755	\$104,509	\$110,144	\$113,383	\$115,525	\$118,101	3.2%																																												
		\$43,994	\$47,049	46,669	47,981	49,226	50,758	0.5%																																												
		10,274	12,064	12,198	12,875	13,394	14,085	6.5%																																												
	1	5,519	1,070	1,097	1,125	1,153	1,182	-26.5%																																												
		3,428	3,645	3,773	3,905	4,041	4,183	4.1%																																												
		63,215	63,828	63,737	65,886	67,814	70,208	2.1%																																												
		37,540	40,681	46,407	47,498	47,711	47,893	5.0%																																												
		\$36,812	\$40,227																																																	
		\$728	\$454																																																	
		\$118,518	\$147,447	\$113,906	\$7,404	\$2,498	\$3,485	-50.6%																																												
		4,670	7,177	35,980	78,595	56,145	62,875	68.2%																																												
	2	\$123,188	\$154,624	\$149,886	\$85,999	\$58,643	\$66,360	-11.6%																																												
<table border="1" style="margin: auto;"> <thead> <tr> <th>Budget 2006</th> <th>Budget 2007</th> <th>change</th> <th>%</th> </tr> </thead> <tbody> <tr> <td colspan="4">SUMMARY OF DIVISION EXPENSES</td> </tr> <tr> <td>Business Group Charges</td> <td>\$28,450</td> <td>\$24,204</td> <td>(4,246) -14.9%</td> </tr> <tr> <td>Direct Charges to Business Groups</td> <td>6,428</td> <td>7,353</td> <td>924 14.4%</td> </tr> <tr> <td>Allocations to Business Groups</td> <td>8,649</td> <td>11,723</td> <td>3,075 35.6%</td> </tr> <tr> <td>TOTAL</td> <td>\$43,527</td> <td>\$43,280</td> <td>(246) -0.6%</td> </tr> <tr> <td colspan="4">SUMMARY OF CORPORATE EXPENSES</td> </tr> <tr> <td>Direct Charges to Business Groups</td> <td>\$4,182</td> <td>\$2,429</td> <td>(1,753) -41.9%</td> </tr> <tr> <td>Direct Charges to Division</td> <td>1,805</td> <td>2,410</td> <td>605 33.5%</td> </tr> <tr> <td>Allocated Charges to Business Groups</td> <td>13,702</td> <td>15,709</td> <td>2,007 14.6%</td> </tr> <tr> <td>TOTAL</td> <td>\$19,689</td> <td>\$20,548</td> <td>859 4.4%</td> </tr> </tbody> </table>									Budget 2006	Budget 2007	change	%	SUMMARY OF DIVISION EXPENSES				Business Group Charges	\$28,450	\$24,204	(4,246) -14.9%	Direct Charges to Business Groups	6,428	7,353	924 14.4%	Allocations to Business Groups	8,649	11,723	3,075 35.6%	TOTAL	\$43,527	\$43,280	(246) -0.6%	SUMMARY OF CORPORATE EXPENSES				Direct Charges to Business Groups	\$4,182	\$2,429	(1,753) -41.9%	Direct Charges to Division	1,805	2,410	605 33.5%	Allocated Charges to Business Groups	13,702	15,709	2,007 14.6%	TOTAL	\$19,689	\$20,548	859 4.4%
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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. 2007 BUDGET SUMMARY

TABLE VI-2: 2007 BUDGET SUMMARY

		(in 000's)				
	Notes	2006 Budget	2006 Forecast	2007 Budget	Change 2007 Bud- 2006 Bud	% Change
OPERATING RESULTS						
Operating Revenue		\$96,168	\$104,182	\$104,509	8,341	8.7%
Security Reimbursement		4,588	3,099	0	(4,588)	-100.0%
Total Operating Revenues		\$100,755	\$107,281	\$104,509	3,754	3.7%
Operating & Maintenance Expense		43,994	40,890	47,049	3,055	6.9%
Corporate Administrative Expense	1	10,274	10,274	12,064	1,790	17.4%
Security Costs		5,519	3,846	1,070	(4,449)	-80.6%
Law Enforcement Costs		3,428	3,428	3,645	217	6.3%
Total Operating & Maintenance Expenses		63,215	58,438	63,828	613	1.0%
Net Operating Income Before Depreciation		37,540	48,843	40,681	3,141	8.4%
Committed Capital Budget		\$118,518	\$121,285	\$147,447	28,929	24.4%
Business Plan Prospective		4,670	0	7,177	2,507	53.7%
TOTAL CAPITAL BUDGET	2	\$123,188	\$121,285	\$154,624	\$31,436	25.5%
EMPLOYMENT (FTEs)	3	179.8	198.8	202.0	22.3	12.4%

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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.
- 3) Seaport Division reports an increase of 22.2 FTEs from the 2006 approved budget, due primarily to the transfer of Environmental Services, 17.3 FTEs, from the Corporate Division into Seaport.

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 three business groups: Cargo and Cruise Services, Harbor Services, and Real Estate. There are also service groups within the Seaport. Finance and Asset Management is comprised of Maintenance, Project Management, Environmental Services, and the Finance services. Additional service groups are Security, Strategic and Facility Planning, 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 26 cargo cranes—including ten 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. 2007 BUSINESS PLAN

BUSINESS STRATEGY

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 \$46 million has been set for 2008. During 2007, the main business efforts will be to:

- Grow container volume by 5%.
- Achieve cruise business forecast of 189 vessel calls and 770,000 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: 2007 SEAPORT STRATEGIES

WE WILL HAVE ENSURED THE VITALITY OF THE SEAPORT BY:

Achieving our financial objectives:

\$46 Million NOI reached by 12/31/2008. In 2007, each business unit will contribute to the total Seaport NOI of \$40.7 million as budgeted:

- Cargo & Cruise NOI = \$38.3 Million
- Harbor Services NOI = \$(0.9) Million
- Real Estate NOI = \$4.7 Million
- Security NOI = \$(1.4) 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 5% to 2.1 million TEUs
- Achieving cruise business forecast of 770,000 passengers and 189 vessel calls
- Maintaining 95% occupancy of Seaport commercial properties
- Achieving marina occupancy rates of 99% at HIM, 90% at BHM, 90% at FT, 74% at SBM (due to major construction), and 75% at MIC
- Growing revenue from our industrial piers by 10%
- Developing and implementing asset management plans

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

- Reducing the Seaport's vacant industrial acreage to 14 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 15% 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 and maintaining zero regulatory violations
- Implementing emission reduction plan based on air inventory completed in 2006.

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, tug and barge operators, the United States Navy and other ships of state, and Pier 69 marine operations.

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. As we move into the future, ongoing focus on technology issues at the terminals will help our port continue to improve efficiency. With the implementation of Optical Character Recognition and Radio Frequency ID tags our terminals will be able to handle more containers on the existing footprints of the facility.

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; working with the Airport and logistic providers to improve the operations and passenger experience at the Seaport and Airport; and working with the tourism and business community so that we maximize economic impact from visiting passengers and cruise ships.

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 \$38.3 million		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Container NOI before Depreciation	\$31.5 million	
Bulk Terminals NOI before Depreciation	\$4.0 million	
Cruise NOI before Depreciation	\$2.9 million	
Docks NOI before Depreciation	\$(0.1) million	
Meet Requirements for Financial Reporting of Cargo & Cruise Services Fixed Assets.	Q4	<ul style="list-style-type: none"> Provide information and expertise to facilitate the accurate and timely financial reporting for booking of new assets, removal of demolished assets and adjustments for impaired assets.
<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 and Cruise Lines Establish and maintain regular high level contact with Fishing and Barge Industry Establish and implement plan with SSA and Railroads to accommodate cargo growth at Terminal 18
Container - Increase staff market strategy and pricing knowledge	Annual	<ul style="list-style-type: none"> Conduct workshops reviewing industry trends, etc.
Container - Implement recommendations of Cargo Growth 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 and mainline capacity Complete evaluation of economic benefits and environmental impacts of projected growth and develop plan to mitigate impacts Establish strategy to acquire and/or develop off dock land to support growth
Container - Implement key capital projects	Q3	<ul style="list-style-type: none"> Complete T18 North Apron Upgrade Start construction of Pier 91 Cruise Terminal by Spring 2007 Complete T106 Construction by peak season 2007
Container - Increase volumes through continued implementation of “Target Account” strategy	Q4	<ul style="list-style-type: none"> 10,000 TEUs new business
Manage and maintain properties to meet the needs of our tenant customers	Q4	<ul style="list-style-type: none"> Develop and implement a comprehensive Asset Management Plan for Cargo and Cruise Assets Ensure tenant compliance with lease requirements for maintenance
Container - Increase rail loading capacity	Q4	<ul style="list-style-type: none"> Work with BNSF to implement plans to expand SIG capacity Develop plan with UP to increase UP capacity in NW
Container - Increase mainline rail capacity	Q1	<ul style="list-style-type: none"> Work with partners and state consultants to complete state study of rail capacity

<u>Key Objective:</u> Increase asset utilization		
<u>Key Performance Indicator:</u> Container volumes increased by 5% and cruise passengers by 5%		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Container - Increase volumes by 5%	2.1 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	770,000 Passengers	
Cruise – Achieve 2007 forecasted vessel calls	189 sailings	
Cruise - Secure one additional homeport cruise ship	Add 1 for 2008 season	
Docks - Increase revenue	10 % Revenue Growth for all dock operations including Fishing	<ul style="list-style-type: none"> Establish long term strategy for dock management

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> 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 Distribution Center for the PNW region

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

<u>Key Objective:</u> Expand opportunities for small, minority-owned, women-owned and emerging business enterprises as port contractors and suppliers		
<u>Key Performance Indicator:</u> % of Operating and Capital Expenditures		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Utilize small businesses	15% of operating & capital expenditures	<ul style="list-style-type: none"> When feasible, utilize qualified small businesses for direct purchasing and capital improvement projects. Work with Engineering to incorporate contract language that promotes small businesses utilization by prime contractors.

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	Q4	<ul style="list-style-type: none"> Work to ensure smooth implementation of TWIC system at Seaport terminals

Strategy: Be a leader in regional transportation

<u>Key Objective:</u> We will be a catalyst for regional transportation solutions		
<u>Key Performance Indicator</u>		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Implement key transportation projects	Q4	<ul style="list-style-type: none"> • Complete East Marginal Way Overpass property acquisitions • Work with City and State to finalize design of SR 519 • Work with tenants to implement gate technology to mitigate gate congestion

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"> • Ensure all homeport vessels are cold-ironed or use environmentally friendly fuel
<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.	Q4	<ul style="list-style-type: none"> • Complete air inventory • Develop comprehensive plan for managing air impacts and work to implement recommendations for container and cruise operations including ships, yard equipment and trucks

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	<ul style="list-style-type: none"> • Each employee will attend or participate in 1 (one) diversity activity.

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

(in 000's)	Notes	Budget 2006	Budget 2007	Forecast				Compound Growth 2006-2011
				2008	2009	2010	2011	
OPERATING BUDGET								
Operating Revenue		\$56,545	\$63,636	\$66,733	\$67,353	\$67,966	\$69,070	4.1%
Operating & Maintenance Expense		14,571	16,696	16,273	16,691	17,024	17,586	3.8%
Corporate Administrative Expense	1	8,006	8,618	8,710	9,139	9,368	9,743	4.0%
Total Operating Expense		22,577	25,314	24,983	25,830	26,392	27,329	3.9%
Net Operating Income Before Depreciation		\$33,968	\$38,322	\$41,750	\$41,523	\$41,574	\$41,742	4.2%
Total Depreciation Expense		26,377	26,348					
Net Operating Income After Depreciation		\$7,591	\$11,974					
COMMITTED CAPITAL BUDGET								
	2	\$56,129	\$88,009	\$88,533	\$3,450	\$450	\$1,200	

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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

Provide moorage facilities, equipment and services that will retain and attract new customers to our fishing, commercial and 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. Manage and maintain properties to meet the needs of our customers and preserve and maintain each property by employing appropriate levels of maintenance. 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 and charter vessels from 20' - 400'.

Harbor Services has the largest customer base within the Seaport with approximately 3,000 moorage 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 and West Seattle communities.

BUSINESS STRATEGY

Continue with major capital programs to replace docks and infrastructure at Shilshole Bay Marina and Fishermen's Terminal while maintaining day-to-day moorage operations. Do this in a manner that minimizes the impact on customers and the community during the construction process as best possible, keeps the marina/terminal operations running smoothly while providing the highest level of customer services, including close and continuous communications with our customers and the community.

Minimize the impact of dock construction on the net operating income of Shilshole and Fishermen's Terminal by keeping customers' vessels within the facility, coordinating with the construction so as not to vacate slips too early and getting vessels back into their slips as quickly as possible.

Retain and attract fishing, commercial and recreational vessel owners to all facilities, focusing on attracting them to the new Fishermen's Terminal and Shilshole Bay Marina, by:

- Building and maintaining strong relationships with current and potential future customers;
 - Market the new and improved infrastructure and docks, and array of services, at Fishermen's Terminal to fishermen and various target markets.
 - Market the new Shilshole Bay Marina docks, infrastructure and landside products and the array of services to individual recreational boaters, racers, boating groups and commercial customers.
- Gaining a better understanding and ability to anticipate customers' needs for services and distinguishing ourselves from other moorage facilities.
- "Making it easier for our customers to do business with us" and ensuring a painless/seamless move of customers' vessels during construction or from one facility to the other to meet their daily and year round moorage needs.
- Maintaining new and existing docks and infrastructure at Shilshole Bay and Fishermen's Terminal to a level that complies with Operating and Maintenance manual specifications, and that ensures customers' satisfaction with all functional aspects of the docks, facilities, and mechanical systems.

Maximize the use of facilities by filling all moorage slips ("fill every slip every day"), net lockers and yard storage as soon as they become vacant.

Ensure all Terminal/Marina dock facilities are safe for the public and moorage customers through ongoing, daily monitoring, dock inspections and maintenance.

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 \$(0.9) Million.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Fishing/Commercial NOI before depreciation.	\$(1,340K)	
Recreational Boating NOI before depreciation	\$438K	
Meet Requirements for Financial Reporting of Harbor Services Fixed Assets	Q4	<ul style="list-style-type: none"> • Provide information and expertise to facilitate the accurate and timely financial reporting for booking of new assets, removal of demolished assets and adjustments for impaired assets.
<u>Key Performance Indicator:</u> Maintain Facility Occupancy and Revenues		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Maintain moorage occupancy to achieve maximum revenues	Q1, ongoing	<ul style="list-style-type: none"> • Execute marketing strategy & plans to retain current customers & attract new business.
	Q4	<p><u>Fishing/Commercial:</u></p> <ul style="list-style-type: none"> • FT: 90% occupancy • MIC:75% • Assign vessels back into berths as soon as beneficial occupancy of new docks is received. Backfill slips as soon as available. • Execute promotional plan for the newly built docks. • Implement plan to increase usage of loading/work docks; backfill @ MIC with monthly customers. • Continue enforcement of seaworthy/derelict/live aboard vessel policy. <p><u>Recreational:</u></p> <ul style="list-style-type: none"> • SBM:74% occupancy • HIM:99% • BHM:90% • Fill slips as soon as they become available – all marinas. • Execute promotional plan for the new Shilshole marina (“New Experience”). • Implement action plans from 2006 benchmark findings. • SBM – Develop and implement “pick your slip” program for current customers. Backfill vacant slips from waitlist(s). • SBM – Expand partnerships with sailing clubs and racing fleets to provide venue for events/races and increase usage of North end Sailing/Small Boat Center. • HIM – Implement strategy/plan to increase marina visibility in the nearby community. • BHM – Monitor key indicators for guest moorage demand within the region and execute corrective actions as necessary.
FT – Maintain occupancy of Net Sheds (249) & complete policy upgrades	Q4 Q3 - Net Shed Policy	<ul style="list-style-type: none"> • 98% occupancy • Actively monitor usage of sheds and maintain wait list. • Fill units within 1 week of vacancy. • Complete policy review w/FTAC & implement improvements w/customers.
FT –Increase utilization of storage yards	Q4	<ul style="list-style-type: none"> • FT & MIC: 95% • Monthly inspection of space for best utilization.

<u>Key Objective: Ensure efficient utilization of assets</u>		
<u>Key Performance Indicator: Increase and/or Maintain Marina Occupancy and Revenues</u>		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Implement Asset Management Program and maintain docks and facilities to O&M standards and guidelines.	Q3	<ul style="list-style-type: none"> FT – Implement remaining landside study recommendations to support fishing industry and new docks.
	Q4	<ul style="list-style-type: none"> O&M data on all new SBM & FT assets is entered into system by Seaport Maintenance and operations personnel are trained.
<u>Key Objective: Provide compelling customer and community value</u>		
<u>Key Performance Indicator: Increase and/or Maintain Marina Occupancy and Revenues</u>		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Maintain high level of customer service.	Q1	<ul style="list-style-type: none"> FT/MIC – Develop & implement action plans from '06 mini customer survey results
	Q2	<ul style="list-style-type: none"> HIM – Implement action plans from '06 survey results
	Q4	<ul style="list-style-type: none"> BHM – Conduct annual survey of guest moorage customers, develop/implement action plans.
	100%	<ul style="list-style-type: none"> Continue to implement Customer Service Program, i.e. C.A.R.E. (Courtesy, Accessibility, Responsiveness, Excellence)
	Quarterly	<ul style="list-style-type: none"> Conduct Service Evaluations of individual staff members.
Employ new Customer/Operations Information System	Quarterly	<ul style="list-style-type: none"> Customer comment card review and quarterly report.
	Q4	<ul style="list-style-type: none"> Implement new system & complete training.
Communicate capital & maintenance improvements to customers, community.	100%	<p>Implement media/communication plans</p> <ul style="list-style-type: none"> Newsletters mailed to FT, BHM, HIM customers Construction updates sent to SBM & FT customers Hold customer meetings: <ul style="list-style-type: none"> - Fishermen's Terminal Advisory Committee/FTAC - FT Ph. II dock construction - Shilshole Dock Captains & Customer Focus Group Present updates on SBM & FT construction to local community groups (chamber, district council, neighborhood groups).
Complete capital improvements to Fishermen's Terminal on time and on budget.	Q1	<ul style="list-style-type: none"> Completion/beneficial occupancy of multi-docks & D10
	Q2	<ul style="list-style-type: none"> Completion/beneficial occupancy of Docks 8 and 9
	Q4	<ul style="list-style-type: none"> Begin construction of Docks 5 and 7 (completion '08)
	Q2	<ul style="list-style-type: none"> Net Shed Roof Replacements
Complete capital improvements to Shilshole Bay Marina on time and on budget.	Q2	<ul style="list-style-type: none"> Beneficial Occupancy of all docks in Phase 2
	Q3	<ul style="list-style-type: none"> Begin construction of Phase 3 Docks (completion '08)
Complete major repairs at Harbor Island Marina on time and on budget.	Q4	<ul style="list-style-type: none"> Begin replacement of pilings and complete concrete repairs to docks

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	Q4 Q3	<ul style="list-style-type: none"> • FT & SBM: Implement Media/Communications Plan for construction projects (see Customer goal above) • Hold FT Fall Festival
Participate in college internship program.	Q2	<ul style="list-style-type: none"> • Hire interns @ FT & BHM
Utilize small businesses	15% of operating & capital expenditures	<ul style="list-style-type: none"> • 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.
<u>Key Objective:</u> Ensure safe & secure facilities at Harbor Service Facilities		
<u>Key Performance Indicator:</u> Customer survey results indicate customers feel safer.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Reduce number of criminal cases at FT & SBM as a result of on-site Operations Security Programs & Terminal/Marina Watch Programs.	FT: Cases reduced by 10% over 2006. SBM: Cases reduced by 10% over 2006. Q4	<ul style="list-style-type: none"> • Continue customer awareness/education/communication on protection & prevention practices of personal property, sharing security statistics, operations security related activities, etc. (Quarterly). • Continue management & harbor specialist visibility & dock/facility patrols (daily). • Continue to solicit POSPD, SPD and Burlington Northern Police assistance with transient issues and Golden Gardens Park overflow. • Implement action plan based on 2006 HIM survey. • Survey customers FT & SBM regarding safety/security.
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 Q3	<ul style="list-style-type: none"> • Hold customer meetings at FT • Hold National Night Out Event for customers.
Ensure all Terminal/Marina Docks are safe for the public and moorage customers.	Zero L&I violations.	<ul style="list-style-type: none"> • Daily dock walks to check for safety compliance & execute work orders as needed.

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 Q3	<ul style="list-style-type: none"> • Daily proactive observation & enforcement by all HSG staff on dock/facility walks • Conduct desk top emergency response exercise

<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> Environmental practices are implemented by Operations & improved tenant environmental performance		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Products from the Environmental Mgmt System at FT are employed. Educate & communicate to customers about environmental stewardship & practices Maintain EnviroStar rating at all recreational marinas	Quarterly 100% Q3 Q4	<ul style="list-style-type: none"> • Continue implementing EMS Plan. Track financial implications, cost savings & report • Send communications (all facilities) to customers on environmental practices & services, including Best Management Practices. • Hold Clean & Safe Boat Events at SBM and BHM • Continue with certification requirements • Implement "Clean Marina Washington" at all rec. marinas.

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 & recognizing employees' accomplishments		
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. Reward & Recognize Employees	100% one week early. 100% with three components. 100% of training hours completed. Attend at least 1 diversity event. Quarterly	<ul style="list-style-type: none"> • Performance Reviews/PREPS/Development Plans • Implement program and report on activities
Maintain a safe workplace for all employees	100% on annual safety audit 100% of required safety training completed 20% reduction in OIR rate. 100% incident reports submitted within 7 days	<ul style="list-style-type: none"> • Conduct monthly safety meetings • Conduct regular 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 2006	Budget 2007	Forecast				Compound Growth 2006-2011
					2008	2009	2010	2011	
OPERATING BUDGET									
Operating Revenue			\$8,972	\$8,351	\$10,022	\$11,398	\$11,935	\$12,452	6.8%
Operating & Maintenance Expense			5,852	6,688	6,876	7,136	7,392	7,687	5.6%
Corporate Administrative Expense		1	1,842	2,565	2,640	2,781	2,938	3,106	11.0%
Total Operating Expense			7,694	9,253	9,516	9,917	10,330	10,793	7.0%
Net Operating Income Before Depreciation			\$1,278	(\$902)	\$506	\$1,481	\$1,605	\$1,659	5.4%
Total Depreciation Expense			3,830	5,579					
Net Operating Income After Depreciation			(\$2,552)	(\$6,481)					
COMMITTED CAPITAL BUDGET		2	\$27,432	\$27,438	\$14,888	\$0	\$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.

REAL ESTATE

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 OF MANAGED PROPERTIES

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 2007 by focusing on tenant retention, new lease opportunities and expense controls. Manage and maintain properties to meet the needs of our tenant customers and preserve and enhance each property's value by employing appropriate levels of maintenance.

Key Performance Indicator: Occupancy Rate for Industrial Properties		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Maintain occupancy for Industrial Buildings and Warehouses at 90% or above in 2007. Maintain occupancy of Improved and Submerged Land at 90% or above in 2007.	Year-end occupancy rate will be 90% or better. Year-end occupancy rate will be 90% or better.	<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. • Manager of Industrial Properties will work with Manager of Seaport Properties to develop a leasing strategy for this property.

Key Performance Indicator: Work on Unfinished Real Estate Projects		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Work to complete Idaho/Dakota Street Vacation	Finalize all conditions by 8/31/07.	<ul style="list-style-type: none"> • Work with Port legal department and Port consultants and City of Seattle to fulfill conditions needed to complete the vacation petition for these streets.
Work to complete T-18 Street Vacations	Finalize four of the seven remaining conditions by 8/31/07.	<ul style="list-style-type: none"> • Work with Port legal department and Port consultants and City of Seattle to fulfill conditions needed to complete the vacation petition for these streets.
Work to complete T-5 Street vacations	Finalize all easements by 8/31/07.	<ul style="list-style-type: none"> • Work with Port legal department and Port consultants and City of Seattle to fulfill conditions needed to complete the vacation petition for these streets.

Key Performance Indicator: Provide Financial Analysis of Existing Asset Plans for Key Properties		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Develop financial analysis of existing asset plans for Fishermen’s Terminal and Maritime Industrial Center Uplands.	Complete preliminary financial analysis by 6/30/07.	<ul style="list-style-type: none"> • Initiate meetings with Planning, Maintenance and Project Management to begin analysis process.

Strategy: Enhance Public Understanding and Support of the Port’s Role in the Region

Key Objective: Expand opportunities for small, minority–owned, women-owned and emerging business enterprises as port contractors and suppliers.		
Key Performance Indicator: : % of Operating and Capital Expenditures.		
Performance Objective	Performance Target	Task/Activity/Program/Initiative
Utilize small businesses	15% of operating & capital expenditures	<ul style="list-style-type: none"> • When feasible, utilize qualified small businesses for direct purchasing and capital improvement projects. Work with Engineering to incorporate contract language that promotes small businesses utilization by prime contractors.

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.	<ul style="list-style-type: none"> Require each employee to complete PREP's one month prior to anniversary date of employment.
Maintain educated employee workforce.	90% 90% 100%	<ul style="list-style-type: none"> Each employee will attend or participate in one diversity activity per year. Property managers will attend at least one local real estate class seminar or conference each quarter. Each employee will include a personal development plan in PREP.
Maintain a safe workplace for all employees.	100% of required safety training courses completed.	<ul style="list-style-type: none"> Manager of Seaport Properties will ensure that all employees have completed required courses.
Develop a timetable and work with HR to finalize requirements to hire replacement for manager of department.	Timetable will be completed by January 31, 2007.	<ul style="list-style-type: none"> Work with Deputy Managing Director, Seaport to finalize to timetable and complete HR requirements.
Hire a backup to the utility administrator position.	Complete hiring process by end of second quarter 2007.	<ul style="list-style-type: none"> Hire and train backup.

TABLE VI-5: SEAPORT REAL ESTATE BUSINESS PLAN FORECAST

(in 000's)	Notes	Budget 2006	Budget 2007	Forecast				Compound Growth 2006-2011
				2008	2009	2010	2011	
OPERATING BUDGET								
Operating Revenue		\$30,651	\$32,522	\$33,389	\$34,632	\$35,624	\$36,579	3.6%
Operating & Maintenance Expense		23,571	23,665	23,520	24,154	24,810	25,486	1.6%
Corporate Administrative Expense	1	3,854	4,198	4,274	4,492	4,739	5,005	5.4%
Total Operating Expense		27,425	27,863	27,794	28,646	29,549	30,491	2.1%
Net Operating Income Before Depreciation		\$3,226	\$4,659	\$5,595	\$5,986	\$6,075	\$6,088	13.5%
Total Depreciation Expense		6,605	8,261					
Net Operating Income After Depreciation		(\$3,379)	(\$3,602)					
COMMITTED CAPITAL BUDGET	2	\$27,807	\$24,418	\$7,133	\$0	\$0	\$0	

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.

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 work with our tenants and customers; recommend economical, feasible and prudent best practices to ensure regulatory compliance and 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
Maintain a Sustainable Seaport Security Program.	<p>Develop plan for each staff member Quarterly</p> <p>Quarterly Table top exercise</p> <p>Quarterly 1st Quarter</p> <p>Annual Review</p>	<ul style="list-style-type: none"> • Develop and enhance security skills of all seaport security staff through a Personal Development Plan for each Seaport Security Department staff member • Implement Security department organization development objectives • Exercise and validate POS Facility Security Plans • Partner with other Emergency Management Organizations and Stakeholders • Conduct and participate in exercises and drills to enhance preparedness and response • Review and update Response Plans • Review long range comprehensive strategic security plan (MTSA) • Incorporate other Port departments, i.e. Seaport Maintenance, Port of Seattle Police, in security system design, installation, oversight and collaboration to ensure systems are maintained and in compliance with Port Operation and Maintenance standards.
Reduce Vulnerabilities and Threats to minimize security Incidents	<p>1st Quarter</p> <p>Quarterly Review</p> <p>1st and 3rd Quarters Quarterly</p> <p>Annual Review</p> <p>2nd and 4th Quarters</p>	<ul style="list-style-type: none"> • Assess threats and vulnerabilities and develop appropriate mitigation initiatives • Assess and respond appropriately to security funding opportunities • Review scoring of security metric to measure Security effectiveness. • Be an active participant on the Port of Seattle Corporate Security Committee • Re-examine and modify as appropriate POS security plans. • Review & update public communications plan

Key Objective: Collaborate and provide an integrated, regional approach to security issues for operators, customers, and governments.

Key Performance Indicator: Meet the milestones of the Port's security program

Performance Objective	Performance Target	Task/Activity/Program/Initiative
Provide Regional Leadership in Harbor Security and Safety	<p>Quarterly</p> <p>Participate in Quarterly Meetings</p> <p>Quarterly participation in Regional Planning Efforts</p> <p>Monthly Facility Security Officer Meetings</p>	<ul style="list-style-type: none"> • Play an active role and provide leadership in Harbor Safety and Security Planning and represent the Port of Seattle Harbor perspective. • Provide leadership in and participation in the Harbor Security & Safety Committee, Area Security Plan Committee, and through other professional security organizations • 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. • Work with our tenants and customers; recommending economical, feasible and prudent best practices and technologies to ensure regulatory compliance and the security of international and domestic supply chains and maritime operations.

Key Objective: Participate in national and global efforts to improve homeland security, while facilitating the smooth flow of commerce.

Key Performance Indicator: Meet the milestones of the Port's security program

Performance Objective	Performance Target	Task/Activity/Program/Initiative
Provide National Leadership in Development of Container and Supply Chain Security Standards	On-Going	<ul style="list-style-type: none"> • Participate in the next phase of supply chain security (Legislation Pending)

Key Objective: Comply with all Federal Mandates

Key Performance Indicator: Maintain compliance with State and Federal Maritime regulations

Performance Objective	Performance Target	Task/Activity/Program/Initiative
Implement Federal security initiatives.	On-Going	<ul style="list-style-type: none"> • Monitor and respond to new Federal Security Requirements
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	<ul style="list-style-type: none"> • 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. • Facilitate implementation of TWIC (Transportation Worker Identification Credential)

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 Security goals.		
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.	100% of required safety training completed. 20% reduction in OIR rate. 100% incident reports submitted within 7 days. Perfect safety score.	
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)		Budget	Budget	Forecast				Compound
OPERATING BUDGET	Notes	2006	2007	2008	2009	2010	2011	Growth 2006-2011
Operating Revenue		\$4,588	\$0					-100.0%
Operating & Maintenance Expense		5,519	1,070	1,097	1,125	1,153	1,182	-26.5%
Corporate Administrative Expense	1	0	328	347	368	390	414	
Total Operating Expense		5,519	1,398	1,444	1,493	1,543	1,596	-22.0%
Net Operating Income Before Depreciation		(\$931)	(\$1,398)	(\$1,444)	(\$1,493)	(\$1,543)	(\$1,596)	11.4%
Total Depreciation Expense		0	39					
Net Operating Income After Depreciation		(\$931)	(\$1,437)					
COMMITTED CAPITAL BUDGET	2	\$2,062	\$2,486	\$0	\$0	\$0	\$0	

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)		2005 Actual	2006 Budget	2007 Budget	% Change 2007 Bud- 2006 Bud
Revenue by Account					
<u>Operating Revenue</u>					
Dckg, Whrfg, Serv/Facility, Passenger Fee		\$1,626	\$925	\$1,674	80.9%
Distribution & Storage		8	14	14	2.2%
Marine Services		-	-	-	
Equipment Rental		11,245	10,116	9,168	-9.4%
Berthage & Moorage		7,996	7,689	7,139	-7.1%
Parking Revenue		60	64	67	4.6%
Revenue From Sale of Utilities		4,187	4,378	4,542	3.7%
Property Rental Revenue		60,533	62,745	70,825	12.9%
Other Revenues		18,018	14,666	11,080	-24.5%
Total Operating Revenue	1	\$103,672	\$100,598	\$104,509	3.9%

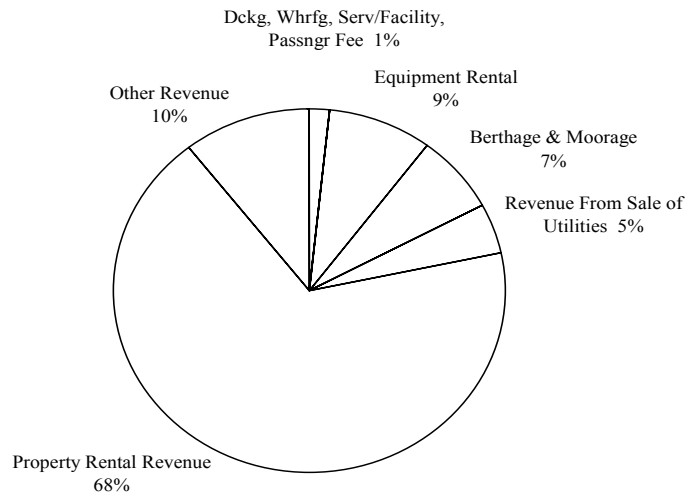
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Notes:

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

FIGURE VI-1: SEAPORT DIVISION REVENUE BY ACCOUNT

(\$ in 000's)



Total Revenue: \$104,509

TABLE VI-8: OPERATING and MAINTANENCE EXPENSES BY ACCOUNT

Expense by Account	(in 000's)			
	2005 Actual	2006 Budget	2007 Budget	% Change 2007 Bud-2006 Bud
Salaries, Wages, Benefits & Wrkmns Comp	\$15,835	\$17,164	\$20,599	20.0%
Equipment Expense	761	411	525	27.5%
Utilities	5,517	6,081	5,974	-1.8%
Supplies & Stock	1,489	1,165	1,077	-7.5%
Outside Services	8,873	9,170	4,693	-48.8%
Travel & Other Employee Expenses	490	643	706	9.7%
Promotional Expenses	201	155	192	24.0%
Other Expenses	12,869	11,454	14,128	23.3%
Divisional Allocation	71			
Subtotal	46,106	46,243	47,892	3.6%
Charges to Capital Projects	(2,992)	(2,314)	(4,212)	82.0%
Total Budgeted Operating Expense	43,115	43,929	43,680	-0.6%
Charges to Non-Seaport Departments	1	(402)	(400)	-0.6%
Total Operating Expense	\$43,115	\$43,527	\$43,280	-0.5%

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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)

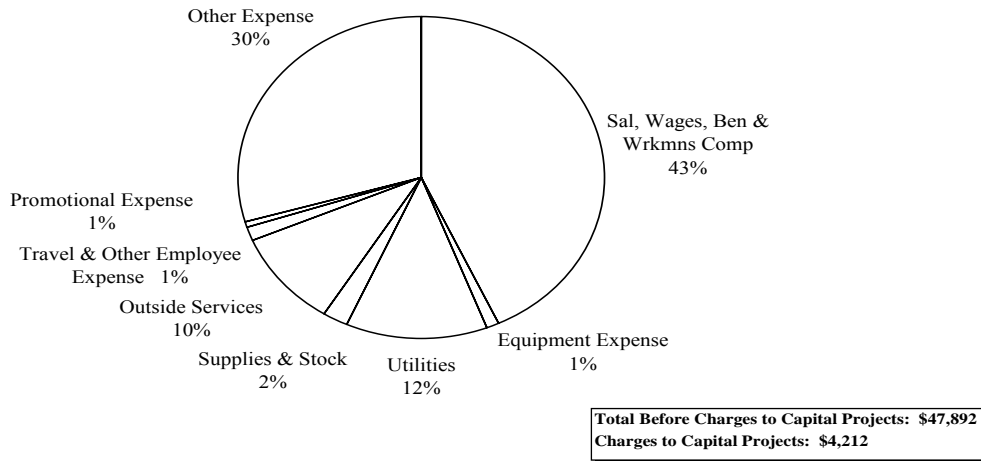


TABLE VI-9: SEAPORT DIVISION BUDGET BY BUSINESS GROUP/DEPARTMENT

(in 000's)					% Change
BY BUSINESS GROUP/DEPARTMENT	Notes	Actual 2005	Budget 2006	Budget 2007	2007 Bud - 2006 Bud
REVENUE					
Cargo & Cruise Services		\$58,866	\$56,545	\$63,436	12.2%
Harbor Services		9,256	8,972	8,351	-6.9%
Seaport Real Estate		30,114	30,494	32,372	6.2%
Seaport Security		5,433	4,588	-	-100.0%
Seaport Maintenance		3			
Environmental Services				350	
Total Operating Revenue	1	103,672	100,598	104,509	3.9%
OPERATING EXPENSE					
Business Groups:					
Cargo & Cruise Services		7,564	5,308	5,057	-4.7%
Harbor Services		3,404	3,606	3,877	7.5%
Seaport Real Estate		13,707	14,319	14,465	1.0%
Total Business Group Expense		24,675	23,233	23,399	0.7%
Service Depts:					
Finance & Asset Management					
Seaport Finance		445	501	495	-1.1%
Seaport Project Management		401	1,970	977	-50.4%
Seaport Maintenance		9,207	9,102	9,331	2.5%
Seaport Environmental				4,619	
Other					
Seaport Administration		1,224	1,150	1,244	8.2%
Seaport Security		5,720	5,217	806	-84.6%
Seaport Strategic Planning & Policy		630	956	1,010	5.7%
Contingency		1	1,800	1,800	0.0%
Seaport Capital to Expense		812			
Total Services Expense		18,440	20,696	20,282	-2.0%
Total Division Expense		\$ 43,115	\$ 43,929	\$ 43,680	-0.6%

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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. Seaport Division reports an increase of 22.2 FTEs from the 2006 approved budget, due primarily to the transfer of Environmental Services, 17.3 FTEs, from the Corporate Division into Seaport. The additional positions are for Project Management, Environmental Services, Dock Facilities Management and retirement overlap.

TABLE VI-10: SEAPORT DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions)		2006 Budget	2006 Est. Act.	2007 Budget	% Change 2007 Bud- 2006 Bud
BUSINESS GROUP/DEPARTMENT	Notes				
Business Groups:					
Business Development		4.0	0.0	0.0	-100.0%
Cargo & Cruise Services		11.0	12.0	12.0	9.1%
Harbor Services		30.0	29.0	29.0	-3.3%
Property Management		12.5	14.5	14.8	18.4%
Total Business Groups		57.5	55.5	55.8	-3.0%
Lines of Service:					
<u>Finance and Asset Management</u>					
Seaport Finance		4.6	4.6	4.6	0.0%
Seaport Project Management		12.6	14.0	16.0	27.0%
Seaport Maintenance		83.3	87.3	87.3	4.9%
Seaport Environmental	1		16.0	17.0	
<u>Other</u>					
Seaport Administration		7.0	7.0	7.0	0.0%
Seaport Security		5.0	5.0	5.0	0.0%
Seaport Strategic Planning		5.0	5.0	5.0	0.0%
Total Lines of Service		117.5	138.9	141.9	20.8%
TOTAL SEAPORT DIVISION REGULARS		175.0	194.4	197.7	13.0%
Limited Duration		1.3	0.0	0.0	-100.0%
Temporary		0.0	0.0	0.3	
Interns		3.5	4.4	4.0	14.2%
On Call		0.0	0.0	0.0	
Commissioner		0.0	0.0	0.0	
TOTAL SEAPORT DIVISION		179.8	198.8	202.0	12.4%

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Notes:

1) Environmental Services, 17.3 FTEs, were transferred from the Corporate Division to the Seaport Division in 2006.

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.

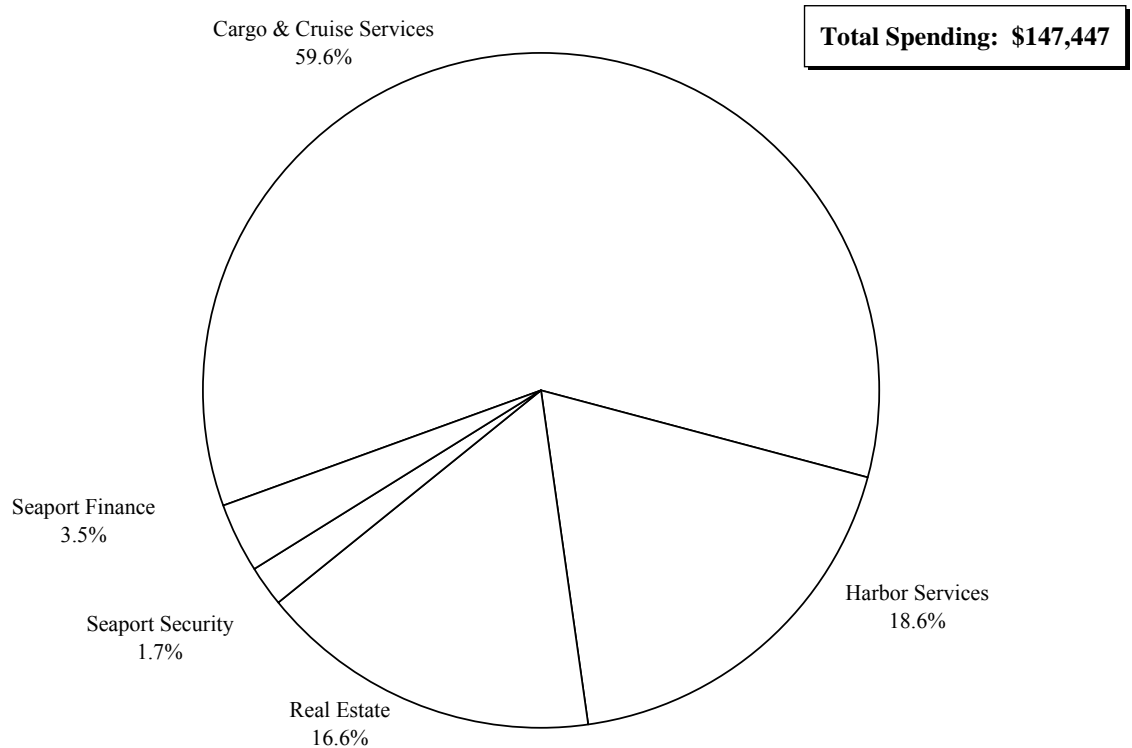
Table VI-11 provides a summary of the Seaport Division's 2006 capital budget.

TABLE VI-11: SEAPORT DIVISION CAPITAL BUDGET SUMMARY

(\$ in 000's)	2007 Budget	2007-2011 CIP	% of Total
Committed Capital Projects			
Cargo & Cruise Services	\$88,009	\$181,642	59.7%
Harbor Services	27,438	42,326	18.6%
Real Estate	24,418	31,551	16.6%
Seaport Security	2,486	2,486	1.7%
Seaport Finance	5,096	16,735	3.5%
Total	\$147,447	\$274,740	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	Total TEU's	Total TEU's	
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	11,975	23.2%	1,745,798	19.1%	1,968,455	16.6%	119,474	2,087,929	17.6%
2006 Forecast	11,228	-6.2%	1,636,935	-6.2%	1,878,137	-4.6%	121,863	2,000,000	-4.2%
2007 Forecast	11,664	3.9%	1,700,390	3.9%	1,975,700	5.2%	124,301	2,100,000	5.0%
Compound Growth									
1995-2005		2.4%		3.6%		3.7%			3.5%
2000-2005		3.9%		7.8%		7.9%			7.0%

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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
	1995	2,848	14.9%	15,237	36.0%	18,086
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%	11,062	9.1%	13,403	9.9%
2004	2,453	4.8%	13,676	23.6%	16,129	20.3%
2005	2,369	-3.4%	17,078	24.9%	19,447	20.6%
2006 Forecast	2,606	10.0%	17,590	3.0%	20,196	3.9%
2007 Forecast	2,658	2.0%	18,294	4.0%	20,952	3.7%
Compound Growth						
1995-2005		-1.8%		1.1%		0.7%
2000-2005		-7.0%		6.9%		4.5%

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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)	Actual 2005	Budget 2006	Forecast 2006	Budget 2007	Growth 2007 Bud- 2006 Bud
	Notes					
BUDGET						
Operating Revenue		98,268	\$96,168	\$104,182	\$104,509	8.7%
Security Reimbursement		5,433	4,588	3,099	0	-100.0%
Total Operating Revenues		103,701	\$100,755	\$107,281	\$104,509	3.7%
Operating & Maintenance Expense		47,376	43,994	40,890	47,049	6.9%
Corporate Administrative Expense	1	9,612	10,274	10,274	12,064	17.4%
Security Costs		6,475	5,519	3,846	1,070	-80.6%
Law Enforcement Costs		3,701	3,428	3,428	3,645	6.3%
Total Operating & Maintenance Expenses		67,164	63,215	58,438	63,828	1.0%
Net Operating Income before Depreciation		36,537	\$37,540	\$48,843	\$40,681	8.4%
Depreciation		37,002	36,812	37,612	40,227	9.3%
Net Operating Income after Depreciation		(\$466)	\$728	\$11,231	\$454	-37.6%
Committed Capital Budget		n/a	118,518	121,285	147,447	24.4%
Business Plan Prospective		n/a	4,670	0	7,177	53.7%
CAPITAL SPENDING	2	\$100,012	\$123,188	\$121,285	\$154,624	25.5%
TOTAL FTEs	3	177.2	179.8	198.8	202.0	12.4%

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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.
- 3) Seaport Division reports an increase of 22.2 FTEs from the 2006 approved budget, due primarily to the transfer of Environmental Services, 17.3 FTEs, from the Corporate Division into Seaport.