2016 Budget and Business Plan And Draft Plan of Finance

Port of Seattle

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Port of Seattle

Seattle, Washington

2016 Budget and Business Plan

And

Draft Plan of Finance

Prepared by:
Finance and Budget Departments

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Distinguished Budget Presentation Award


GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Port of Seattle

Washington

For the Fiscal Year Beginning

January 1, 2015

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Port of Seattle for its annual budget for the fiscal year beginning January 1, 2015.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to programs requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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BUDGET DOCUMENT ORGANIZATION

This document contains the operating, capital and statutory budgets, business plan and draft plan of finance for the Port of Seattle and is organized as follows:

- **Section I** has the Budget Message from the Chief Executive Officer depicting the 2016 plans, budget highlights, and a budget summary. This is summarized in Table I-1 and with a cash flow summary in Table I-2 and charts depicting sources and uses of funds. Table I-1 depicts the operating revenues, expenses, capital budget and full-time equivalent positions by division. This table differs from the other tables in section III in that it shows the portion of the corporate/administrative expense that is not allocated to the divisions. Otherwise, the division expenses would not add up to the total port expenses.
- **Section II**, the Port View, contains the history of the port, its facilities and services, strategies, its commissioners and officers and organization chart.
- **Section III**, the Overview of the 2016 business plan and budget contains an executive summary discussion of the Port's Operating and Non-operating Budget, Capital Budget, and Tax Levy.
    - Table III-1 provides a summary of the Port business plan forecast for the period 2015-2020.
    - Table III-2 summarizes the Port's revenues, expenses, and net assets for the years 2012-2016.
    - Table III-3 summarizes the Port's operating revenues and expenses by major account, 2014-2016.
    - Table III-4 summarizes the Port's staffing by division, 2014-2016.
    - Table III-5 summarizes the Port's Capital Budget, 2016-2020.
- The Operating Division summaries for the Aviation, Maritime, and Economic Development Divisions (**Sections IV through VI**) present the summary business plans for each business group, operating budget, staffing, and capital budget for each division. The operating budget is presented by business groups/departments as well as by major revenue and expense accounts. One thing to note is that the business groups/departments table in each division (Table IV-6, V-7, VI-9) differs from the other tables in that it shows the division's controllable costs only and does not reflect the direct charges and corporate allocations expenses from the corporate and capital development divisions.
- **Section VII** presents a summary of the Corporate, descriptions of the departments, operating budgets, staffing, and capital budgets.
- A detailed presentation and discussion of the Tax Levy is provided in **Section VIII**.
- Details of the Capital Budget are provided in **Section IX**. A summary page presents the total capital budget by business group and by division. Following the summary is a listing of the projects by business group and division.
- The Draft Plan of Finance is provided in **Section X**.
- The Statutory Budget, which is submitted to King County Council and King County Assessor, is provided in **Section XI**.
- **Section XII** is the budget details for the Northwest Seaport Alliance.
- The Appendices in **Section XIII** include detailed information regarding the budget and financial policies, business assessment, bond amortization schedules, other detailed expenditures, glossary of terms used and acronyms.

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PORT OF SEATTLE
MEMORANDUM

DATE: December 10, 2015

TO: Port Commission

FROM: Ted Fick, Chief Executive Officer

SUBJECT: 2016 Budget Message

I am pleased to submit the 2016 Budget of the Port of Seattle for your review. This budget is designed to advance our goal of being a highly impactful public agency. With this budget we can grow the regional economy, expand opportunities for small and disadvantaged businesses, increase family wage jobs in aviation and maritime industries, help people acquire skills to move up career ladder, and protect our environment.

We benefit from three conditions:

1. A strong regional economy;
2. A talented workforce; and
3. Positive Port financial resources to reinvest.

We benefit from dramatic growth in airline travel and air cargo services, as well as steady growth in cruise passengers. We also enjoy high occupancy rates at our marinas and business properties. These conditions provide the opportunity to achieve our Century Agenda 25-year goals in 10 years. For 2016, we created a growth-oriented budget, not a status quo budget. For example, we are investing in facilities to handle record growth in airline and cruise passengers to maintain and improve our customers' experiences.

Port Business Outlook

This year we expect to see about 12.5 percent growth in airport passengers over 2014. We'll host an estimated 42 million passengers and, once again, are likely to be the fastest growing airport in the country. All indications are that passenger growth will continue next year. Almost 7 million additional passengers will fly through Sea-Tac this year and next compared to the numbers who traveled through in 2014. We will also see about a 10 percent increase in cruise passengers this year over 2014 and continue to be the leading West Coast Cruise port.

This budget implements several programs to:

- make it easier to start doing business with the port, or increase their business with the Port;
- help communities benefit from the growing numbers using our airport and cruise facilities;
- train more people to get quality, family-wage jobs, and to advance on the career ladder;
- invest in Port employees to get the training and education they need, to provide new benefits such as parental leave, and to implement a performance-based compensation plan that rewards hard-earned results when the organization pulls together in the same direction to achieve common goals;
- protect our environment to reduce emissions, restore habitat, and improve Puget Sound water quality.

We can double our economic impact without a corresponding growth in staff. Our goal is to be a public agency that significantly supports the success of the people, businesses and communities of our region by adding productivity through a Lean process approach.

These are the financial results we project for 2016 under this proposed budget:

- 5.9% increase in operating revenues ($584.6 million);
- 0.9% increase in operating expenses ($336.0 million);
- 13.6% increase in net operating income ($248.6 million), and
- The five-year capital improvement program is $2.23 billion.

You can find the budget summary and highlights in the next few pages following this memo and the budget details in various sections of the budget document.

Aviation Division

Aeronautical revenues are primarily based on cost-recovery formulas. Since costs are increasing, revenues are increasing as well. Non-aeronautical revenues reflect growing passenger demand for parking, rental cars, and airport dining and retail services.

Aeronautical expenses are mostly related to the increase in passengers at the airport. Additional costs for janitorial and security services are generated by this growth. Other expenses are related to airfield environmental remediation, flight path obstruction removal, baggage system improvements, and hiring additional Pathfinder staff to help passengers navigate the airport.

The proposed five-year capital improvement program (CIP) for the airport includes 32 new projects totaling $217.0 million in spending through 2020. These projects would join the 116 previously approved projects for a total CIP program budget of $2.05 billion. Four major projects account for 82 percent of this total. Another $12.3 million would be used to insulate 171 single-family homes within the noise remedy boundary.

Maritime Division

The Maritime Division is charting a new course following the creation earlier this year of the Northwest Seaport Alliance, a joint venture with the Port of Tacoma to manage the cargo business for our container terminals and related industrial properties. Our Maritime Division remains busy managing the cruise business, three recreational marinas, Terminal 91, Fishermen's Terminal, and other maritime industrial facilities.

For 2016, Cruise forecasts 959,800 passengers, a 7 percent increase over 2015. Grain volume from Terminal 86 is forecast to be 4 million metric tons in 2016, up from 3.6 million metric tons in the 2015 forecast. The recreational marina occupancy rate continues to consistently average 95 percent.

Fishing and commercial occupancy rates are forecast to average 82 percent, showing a slight increase over the 2015 budgeted forecast of 79 percent. Commercial properties are targeting a greater than 96 percent occupancy rate by the end of 2016, which is consistent with current results.

The proposed five-year CIP for the Maritime Division is $111.6 million with large capital investments planned at Fishermen's Terminal and the cruise terminal at Pier 66. Combined, these two projects account for more than half of the total capital program for the division. Smaller improvements are also planned at the three marinas.

Economic Development Division

The Economic Development Division focuses on managing the Port's real estate, encouraging tourism, developing small business opportunities, and providing for workforce development in the maritime, aviation, manufacturing, aerospace, and construction industries. The 2016 budget targets a 93 percent real estate occupancy rate at the end of 2016, up from the forecasted 89 percent in 2015. Revenue from Bell

Harbor International Conference Center in 2016 is expected to be down 27 percent from the 2015 budget, largely due to impacts from a major renovation to Pier 66, as we invest in our cruise business.

Program improvements have been budgeted in 2016 to fund the Airport Employment Center and the Comprehensive Career Pathways program to support small business and workforce development. Tourism initiatives include a grant program to support small communities in King County and an enhanced international tourism program.

The Northwest Seaport Alliance (NWSA) Joint Venture

In August 2015, the Port of Seattle and the Port of Tacoma formed the Northwest Seaport Alliance (NWSA), a joint venture port development authority (PDA) designed to unify the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the competitiveness of the Puget Sound gateway and attract more marine cargo and jobs to the region.

Creating the NWSA establishes the third-largest trade gateway in North America, behind the ports of Los Angeles and Long Beach and the Port of New York/New Jersey. The Pacific Northwest is a key region for inbound and outbound United States cargo, moving cargo not only for the regional trade, but also cargo headed to destinations throughout the entire U.S. Midwest. Combining the strong cargo terminal operations will make the region more competitive in the global economy and create new jobs in Washington.

The net income from the NWSA will be distributed evenly between the two home ports and our 50% share of the net income will be included as revenues in the Portwide financial statements.

Looking Ahead

The 2016 budget will help us further advance the Century Agenda strategic plan. The capital investments in new facilities will support the job growth and economic vitality of the region. Major capital projects at the Airport, such as the North Satellite and South Satellite renovations, new International Arrivals Facility, and the Baggage System Optimization will improve the customer experience, reduce congestion, and add capacity to accommodate future growth. We will also complete the Sustainable Airport Master Plan (SAMP) in 2016; environmental review work will progress throughout 2016 with a target completion date in 2017.

The Port will also continue to invest in capital projects that will enhance our capabilities and improve our infrastructure. Key projects include T-5 Modernization, T-46 Development, dredging, and other asset stewardship programs. These and other capital investments will enable us to serve our customers and the general public better, provide jobs and economic opportunities to the local communities, and improve the environment in our region.

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BUSINESS PLAN/ OPERATING BUDGET

The fiscal management of the budget is what allows us to invest in the opportunities that help to build the regional economy. 2016 operating revenues are budgeted at $584.6 million, a $32.8 million or 5.9 percent increase from the 2015 budget. Operating expenses are budgeted at $336.0 million, a $3.1 million or 0.9 percent increase compared to 2015 budget. The small expense increase is largely due to the transfer of the Port's share of NWSA expenses to the new legal entity in 2016. Net Operating Income (before Depreciation) is $248.6 million, a $29.7 million or 13.6 percent increase.

Aviation

The Aviation Division manages both the Aeronautical and Non-aeronautical sides of its business. On the Aeronautical side, which operates on cost recovery, the Port's goal is to manage cost in terms of cost per enplanement (CPE). The budgeted 2016 CPE is $11.00, compared to $11.78 in the 2015 budget. On the non-aeronautical side, the primary goal is to increase cash flow as measured by net operating income (NOI).

Operating revenues are budgeted at $465.8 million. Revenues from airlines are $261.0 million and nonairline revenues are $208.3 million. Total operating expenses are budgeted at $268.2 million. Net operating income before depreciation is $197.5 million.

Maritime

The Maritime Division includes Cruise Operations, as well as the operation and management of marine properties such as Terminal 91, Fishermen's Terminal, and the three marinas. There are also service groups within the Maritime Division including Environmental Services & Planning. These businesses and service groups oversee the strategic development and management of cruise terminals, moorage facilities, and industrial properties connected to these businesses.

Maritime operating revenues are budgeted at $49.3 million, a 4.3 percent increase over 2015. Total operating expenses, including corporate costs, are forecast at $42.3 million. Net operating income before depreciation is expected to be $7.1 million in 2016.

Economic Development

The division's 2016 budgeted revenue is expected to be $13.7 million, a 14.7 percent decrease from the 2015 budget. Total operating expenses are expected to be $23.3 million, 10.0 percent increase from 2015. New and expanded initiatives in 2016 include strategic investments to develop comprehensive career pathways in the aviation and maritime industries, including programs to support high school students, regional trades partnerships, job training in the manufacturing and trucking industries, and the continuation of programs to generate small businesses and develop the workforce in the construction sector.

Corporate

The three operating divisions of the Port are supported by a number of functional departments as well as service groups, including the Capital Development. These functional and service groups allocate their expenses according to the level of service they provide to the divisions. Corporate operating expenses are budgeted at $104.7 million.

The Northwest Seaport Alliance (NWSA) Joint Venture

The Port of Seattle and the Port of Tacoma formed the Northwest Seaport Alliance (NWSA) in August 2015. The joint venture unifies the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the Puget Sound gateway and attract more marine cargo to the region.

The net income from the NWSA will be distributed evenly between the two home ports and our 50% share of the net income is $51.8 million, which is included as operating revenue in the Portwide financial statements.

CAPITAL BUDGET

The total capital budget for 2016 is $408.4 million and the five year capital improvement program is $2.23 billion, which reflects the Port's continuing commitment to promoting regional economic activity through the investment in the development, expansion, and renewal of Port facilities in support of the strategies and objectives outlined in the Port's Century Agenda and division Business Plans.

TAX LEVY

The Port's 2016 Budget assumes a levy amount of $72.0 million, a $1.0 million reduction from 2015. Due to a combination of lower levy amount and increase in assessed value, the tax levy rate will decrease from $0.1891 to $0.1704 per $1,000 of assessed value based on the preliminary figures from the County. The Tax Levy, Section VIII of this document, provides more information regarding the Port's levy.

SUMMARY

We have an exceptional track record in prudent and proactive budget management that enables us to be reliable stewards of public resources. I thank our highly skilled and professional staff for their hard work. I appreciate your support and commitment to the 2016 budget.

2016 Budget Highlights

The Port strives to maintain a strong financial position while continue to invest in business operations that retain and attract customers, create jobs, assure best value and return on investment, and help position the Port for future growth.

- Operating revenues are budgeted at $584.6 million, a $32.8 million or 5.9% increase from 2015 budget. Airline revenues, which are based on cost recovery, are $261.0 million, an increase of $18.7 million or 7.7%.
- Excluding Aeronautical revenues, other operating revenues are $327.1 million, an increase of $14.1 million or 4.5% compared to 2015 budget mainly due to higher revenues from Public Parking, Rental Cars, and Airport Dining and Retail, partially offset by lower revenue from Conference & Event Centers due to Pier 66 Redevelopment.
- Total Revenues, which include the $584.6 million operating revenues and $224.2 million non-operating revenues, are $808.8 million, a $25.2 million or 3.2% higher than 2015 budget.
- Operating expenses are $336.0 million for 2016 budget, a $3.1 million or 0.9% increase from 2015 budget mainly due to payroll increases, janitorial and other contractual increases, Sustainable Airport Master Plan, and some new and expanded strategic initiatives; largely offset by the transfer of the Port's share of NWSA expenses to the new legal entity in 2016.
- The average pay increase for non-represented employees is budgeted at 3.4% for 2016, which is in line with the projected average increase in regional salary planning surveys.
- Operating expenses are $336.0 million and non-operating expenses including depreciation are $468.8 million for 2016 budget, which includes the second installment of the Port's contribution of $147.7 million for the Alaskan Way Viaduct. Total expenses are $804.8 million, a $137.2 million or 20.5% increase from 2015 budget.
- The Port's net operating income before depreciation is $248.6 million, $29.7 million or 13.6% increase from 2015 budget; and net operating income after depreciation is $86.1 million, $29.3 million or 51.7% higher than 2015 budget.
- The Port's capital budget is $408.4 million for 2016 and $2.23 billion for the next five years; it includes investments in projects that create near-term jobs and accommodate our future growth, as well as environmental initiatives and congestion relief projects that ease the movement of freight throughout the region.
- Major capital projects for 2016 include: NorthSTAR Program, Baggage Recapitalization/ Optimization, International Arrivals Facility, Runway 16C/34C Reconstruction, Backup Power, Service Tunnel Renewal/Replacement, GSE Electrical Charging Stations, Airfield Pavement Replacement, Pier 66 Cruise Tenant Improvement, Fishermen's Terminal Improvements, Shilshole Bay Marina Restrooms/Service Building Replacement, Terminal 91Substation Upgrades, T102 Building Roof HVAC Replacement, and Pier 69 Roof Beam Rehabilitation.

TABLE I-1: 2016 BUDGET SUMMARY

OPERATING BUDGET ($ in 000's)	Notes	Aviation	Maritime	Economic Development	Licensed NWSA Assets	Corporate	Total
Airline Revenue		$ 261,019	$ -	$ -	$ -	$ -	$ 261,019
Non-Airline Operating Revenues	1	208,321	49,314	13,745	0	345	327,135
SLOA III Incentive Straight Line Adj		(3,576)	0	0	0	0	(3,576)
Total Operating Revenues		**465,764**	**49,314**	**13,745**	**0**	**345**	**584,578**
Operating and Maintenance Expense	2	180,022	29,721	19,065	121		230,688
Corporate Division Costs		66,220	8,315	4,075	0	345	78,955
Law Enforcement Costs	3	18,728	4,023	168	0		22,919
Environmental Remediation Liability Expense		3,246	202	0	0	0	3,448
Total Operating Expense	4	**268,216**	**42,261**	**23,309**	**121**	**345**	**336,010**
Net Operating Income before Depreciation		**197,548**	**7,053**	**(9,564)**	**(121)**	**0**	**248,568**
Depreciation		121,153	17,139	3,461	19,602	0	162,451
Net Operating Income after Depreciation		**76,395**	**(10,086)**	**(13,025)**	**(19,723)**	**0**	**86,116**
Revenue Bond Interest Expense		(104,083)	(4,504)	(261)	(12,575)	(1)	(121,423)
Interest Income		6,580	1,899	32	27	0	8,537
Non-Op Environmental Expense		0	(5,000)	0	0	0	(5,000)
Other Non-Op Income (Expense)		(1,555)	(1,515)	(143)	(106)	0	(3,319)
Ad Valorem Tax Levy Revenue	5	0	21,073	752	41,109	9,066	72,000
Public Expense		(3,801)	(1,397)	0	(3,700)	0	(8,898)
G.O. Bond Interest & Amortization		0	(773)	(304)	(4,830)	(8,819)	(14,726)
Passenger Facility Charges		84,650	0	0	0	0	84,650
Customer Facility Charges		24,963	0	0	0	0	24,963
Fuel Hydrant revenue	6	7,098	0	0	0	0	7,098
Passenger Facility Charges revenue bond interest expense		(5,302)	0	0	0	0	(5,302)
Non Capital Grants and Donations		1,000	0	0	2,566	0	3,566
Public Expense Special Item		0	0	0	0	(147,700)	(147,700)
Net Non-operating and Special Item		**9,550**	**9,782**	**77**	**22,491**	**(147,454)**	**(105,554)**
Capital Contributions		**23,406**	**0**	**0**	**0**	**0**	**23,406**
Revenue Over Expense		**$ 109,351**	**$ (304)**	**$ (12,948)**	**$ 2,768**	**$ (147,454)**	**$ 3,969**

CAPITAL BUDGET	Aviation	Maritime	Economic Development	Licensed NWSA Assets	Corporate	Total
Committed	$ 307,933	$ 23,469	$ 11,513	$ -	$ 5,118	$ 348,033
Business Plan Prospective	52,131	4,011	945	-	3,325	60,412
Total	**$ 360,064**	**$ 27,480**	**$ 12,458**	**$ -**	**$ 8,443**	**$ 408,445**

EMPLOYEES	Notes	Aviation	Maritime	Economic Development	Licensed NWSA Assets	Corporate	Total
Total FTE's	7	**892.8**	**183.6**	**33.8**	**0.0**	**745.4**	**1,856.5**

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Notes:
1) Total Operating Revenues include $51.8 million NWSA Distributable Revenue and a net of $3.6 million Stormwater Utility & Elimination revenues.
2) Corporate allocate expenses to the Aviation, Maritime and Economic Development divisions.
3) 2016 Budget law enforcement costs includes Police costs.
4) Total Operating Expenses include a net of $1.8 million Stormwater Utility & Elimination.
5) See Tax Levy Section VIII for detail of tax levy use.
6) Fuel Hydrant non-cash revenue recorded as non-operating revenues due to an Accounting change.
7) Total FTE includes 1 FTE from the Stormwater Utility.

TABLE I-2: CASH FLOW SUMMARY

($ in 000's)		2016	Percent of Total
Beginning balance of cash & investments		**$ 1,136,503**	
SOURCES OF CASH			
Operating Revenues		584,578	65.0%
Interest Receipts		8,537	0.9%
Proceeds from Bond Issues		90,000	10.0%
Grants and Capital Contributions		26,972	3.0%
Tax Levy		72,000	8.0%
Passenger Facility Charges		84,650	9.4%
Rental Car Customer Facility Charges		24,963	2.8%
Fuel Hydrant Receipts		7,098	0.8%
Other Receipts		754	0.1%
Total		**899,553**	**100%**
Anticipated available funds		**2,036,056**	
USES OF CASH			
Expenses from Operations:			
Operating & Maintenance Expense	230,688		18.2%
Corporate & Capital Development Division Costs	78,955		6.2%
Law Enforcement Costs	22,919		1.8%
Environmental Remediation Liability Expense	3,448		0.3%
Total Operating Expenses		336,010	26.5%
Debt Service:			
Interest Payments	152,950		12.1%
Bond Redemptions	164,750		13.0%
Total Debt Service		317,700	25.1%
Other Expenses		9,073	0.7%
NWSA Contributions		39,000	3.1%
Public Expense		8,898	0.7%
Public Expense - Alaskan Way Viaduct		147,700	11.7%
Capital Expenditures		408,445	32.2%
Total		**1,266,826**	**100%**
Ending balance of cash & investments		**$ 769,229**	
Increase (decrease) of cash during year		**$ (367,274)**	

cashflow.xlsx

FIGURE I-1: SOURCES OF FUNDS

($ in 000's)

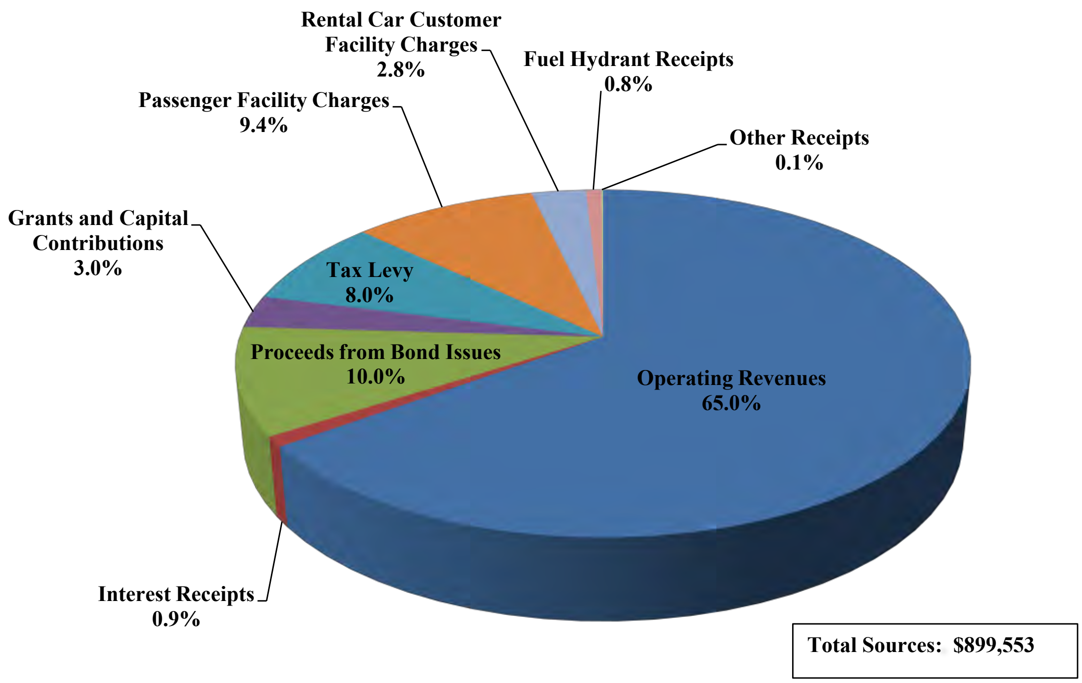
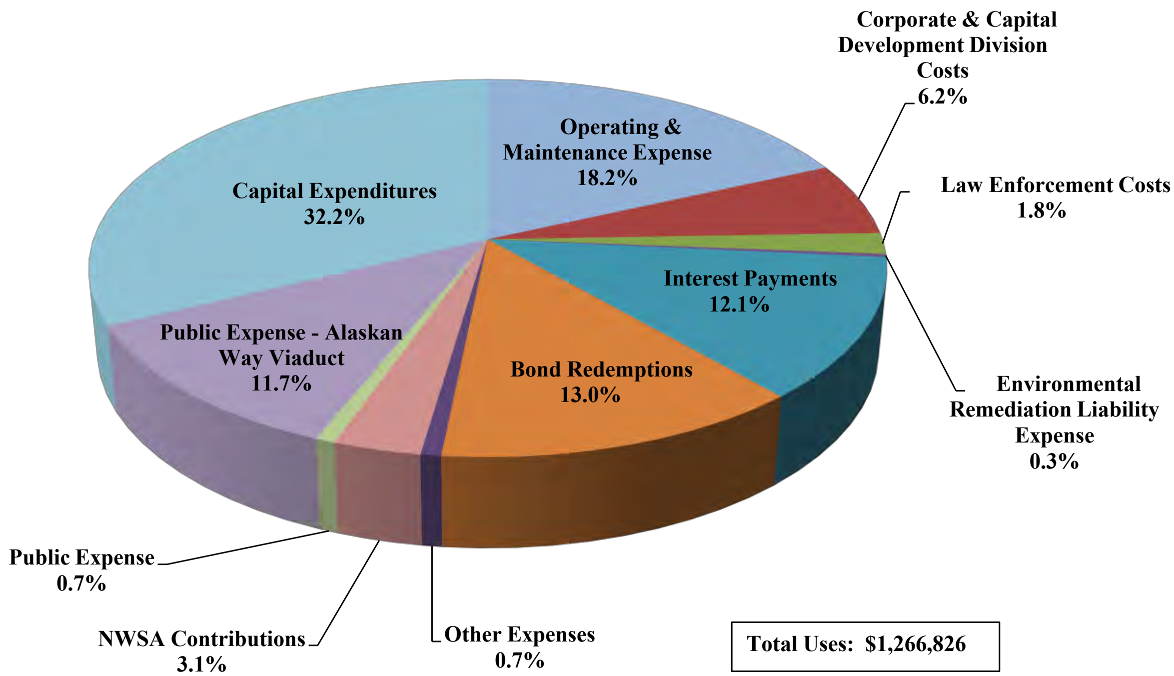


FIGURE I-2: USES OF FUNDS

($ in 000's)



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A. THE PORT OF SEATTLE

The Port of Seattle, (the “Port”), is a public enterprise with unique authority operating in an international, market-driven environment. The Port provides services to its customers in order to return benefits to the citizens of King County, giving careful consideration to the economic, social, and environmental implications of its decisions.

In early 2015, CEO Ted Fick announced an organizational change. The Port is now comprised of three operating divisions, namely Aviation, Maritime, formerly Seaport, and Economic Development, formerly Real Estate, and Corporate, which now includes Capital Development after the re-organization. The re-organization also included the creation of a new Office of Strategic Initiatives, which will provide a launch pad for ideas and an internal focus on Operational Excellence including LEAN/Continuous Process Improvement initiatives.

The Aviation Division manages the Seattle-Tacoma International Airport, (“Sea-Tac”). The Maritime Division manages industrial property connected with maritime businesses, commercial and recreational marinas, cruise, grain and maritime operations. The Economic Development Division has portfolio management, and plans and facilitates the development of selected real estate assets, tourism and office of social responsibility, and a new small business “incubator”.

Corporate provides high quality and cost-effective professional and technical services to the divisions and supports the overall goals of the Port; it also delivers projects and provides technical and contracting services in support of the business plans and infrastructure needs of the Port through Capital Development.

In August, the Port of Seattle and the Port of Tacoma formed the Northwest Seaport Alliance (NWSA), which unifies the two ports’ marine cargo terminal investments, operations, planning and marketing to strengthen the Puget Sound gateway and attract more marine cargo and jobs to the region. The new NWSA is the third-largest trade gateway in North America, behind the ports of Los Angeles and Long Beach and the Port of New York/New Jersey. It is the first alliance of its kind in North America. Located in the Pacific Northwest in Washington State, the Alliance offers shorter U.S.- to-Asia transits, as well as a deep connection to Alaska. The Alliance is a major center for containers, bulk, break-bulk, project/heavy-lift cargo, automobiles and trucks. It is connected to the second-largest concentration of distribution centers on the West Coast. The Pacific Northwest is a key region for inbound and outbound United States cargo, moving cargo not only for the regional trade, but also cargo headed to destinations throughout the entire U.S. Midwest, and this Alliance will help the region remain competitive into the future.

Combining the strong cargo terminal operations will make the region more competitive in the global economy and create new jobs in Washington. Together, the ports can more efficiently deploy the significant investments each port has devoted to infrastructure and speak with a stronger voice on pressing regional and industry-related issues. The NWSA was formed as a Port Development Authority (PDA), which is a separate legal entity from the two home ports, and will act as the exclusive manager and operator to manage the container, breakbulk, auto and some bulk terminals in Seattle and Tacoma.

The airport, cruise business, marinas, Fishermen’s Terminal, grain terminals, and certain industrial real estate, such as the Northwest Innovation Works and Puget Sound Energy facilities and Terminal 91 uplands, will remain outside the Alliance.

B. HISTORY OF THE PORT OF SEATTLE

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

The Port's task hasn't changed over the years but its scope of services has expanded considerably. The Port continues to upgrade and modernize its facilities to meet current market demands. The Port has added container terminals, a grain terminal, cruise terminals, marinas, public parks and viewpoints and contributed significantly to the development of public amenities along Seattle's waterfront.

C. PORT OF SEATTLE FACILITIES AND SERVICES

Sea-Tac Airport is located on 2,800 acres sixteen miles south of downtown Seattle. The Port has invested over $4.0 billion in capital improvements at the airport since 1999. The airport includes 3 runways that are 11,900 feet, 9,425 feet, and 8,500 feet in length and a subway system linking the concourses. Sea-Tac is the 13th largest U.S. airport as measured by total passengers in 2014 and compared to other large airports, it has relatively high originations and destinations traffic.

The Maritime Division operates 2 cruise vessel terminals with a total of 3 berths. The division also owns a fully automated grain terminal and general purpose maritime facilities, and home to the North Pacific factory trawler fishing fleet. In addition, the Maritime leases industrial property connected with these cruise, cargo, and factory trawler fishing businesses.

The Economic Development Division manages the Port's holdings in commercial real estate, developable property, tourism, small business opportunities, and workforce development in the maritime and aviation industries that would allow the Maritime and Aviation Divisions to concentrate on their core businesses.

FIGURE II-1: FACILITY MAP

D. STRATEGIC PLANNING

The Port Commission adopted the "Century Agenda" strategic plan at year end 2012, which provides a mission, vision, strategies and objectives for the Port's next quarter-century. The intent of the Century Agenda is to build upon the accomplishments of the past century with a visionary look forward to the emerging challenges and opportunities of the 21st century. The development of this plan included stakeholder roundtables, robust public outreach, port employee engagement, planning through our major lines of business and development of strategies, objectives and regional initiatives.

In 2013, the Port executives supplemented the Commission's strategic plan with the five Portwide Strategies to serve as the framework for the business divisions' and corporate departments' business plans. As a part of this work, staff also implemented a strategic alignment model (Figure II-2 shown below) which describes the alignment from mission through actions. These five Portwide Strategies provide the grounding for strategic decision making. The first Portwide Strategy implements the Century Agenda, while the last four strategies are how we fulfill our core business responsibilities.

Please see the Strategic Alignment Model shown below (Figure II-2), and the components of the Portwide Strategic Alignment in the text following.

FIGURE II-2: PORT-WIDE STRATEGIC ALIGNMENT MAP

Port of Seattle Port-wide Strategic Alignment

MISSION: The Port of Seattle is a public agency that creates jobs by advancing trade and commerce, promoting industrial growth, and stimulating economic development.

VISION: Over the next 25 years we will add 100,000 jobs through economic growth led by the Port of Seattle, for a total of 300,000 port-related jobs in the region, while reducing our environmental footprint.

PORT VALUES: These core values were developed by Port employees to guide and shape the Port's philosophy and culture. We intend for these values to be reflected in all of our business transactions, our community interactions, and our workplace.

- **We conduct business with the highest ethical standards.** Our business practices reflect integrity, accountability, honesty, fairness and respect at all levels.
- **We honor our commitments to one another, the community and our customers**. We provide outstanding service and value to each other, our customers, the citizens of King County and the region we serve.
- **We are capable, high-performing people who appreciate the privilege of public service.** We practice open communication, innovation, collaboration and transparency in all interactions.
- **We embrace the richness of a diverse workplace and support employee development.** We encourage a healthy and diverse organization that enhances our contributions locally and globally.
- **We are responsible stewards of community resources and the environment.** We exercise care and wisdom in the use of both financial and natural resources.

PORT-WIDE STRATEGIES AND OBJECTIVES
These strategies were adopted by the executive team in 2013. You'll find these are incorporated throughout port divisions' annual business plans and budgets.

1. IMPLEMENT CENTURY AGENDA STRATEGIES

Position the Puget Sound region as a premier international logistics hub
- Grow seaport annual container volume to more than 3.5 million TEUs
- Structure our relationship with Washington ports to optimize infrastructure investments and financial returns
- Triple air cargo volume to 750,000 metric tons
- Triple the value of our outbound cargo to over $50 billion
- Double the economic value of the fishing and maritime cluster industries

Advance this region as a leading tourism destination and business gateway
- Make Sea-Tac Airport the West Coast "Gateway of Choice" for international travel
- Double the number of international flights and destinations
- Meet the region's air transportation needs at Sea-Tac Airport for the next 25 years and encourage the cost-effective expansion of domestic and international passenger and cargo service
- Double the economic value of cruise traffic to Washington state

Use our influence as an institution to promote small business growth and workforce development
- Increase the proportion of funds spent by the port with qualified small business firms on construction, goods and services to 40 percent of the eligible dollars spent
- Increase workforce training, job and business opportunities for local communities in maritime, trade, travel and logistics

Be the greenest and most energy efficient port in North America
- Meet all increased energy needs through conservation and renewable sources
- Meet or exceed agency requirements for storm water leaving facilities owned or operated by the port
- Reduce air pollutants and carbon emissions
- Anchor the Puget Sound urban-industrial land use to prevent sprawl in less developed areas
- Restore, create and enhance 40 additional acres of habitat in the Green/Duwamish watershed and Elliott Bay

2. CONSISTENTLY LIVE BY OUR VALUES THROUGH OUR ACTIONS AND PRIORITIES
- Align leadership, people and systems with strategic priorities and plans
- Strengthen a high integrity, continuous improvement culture
- Attract, retain, inspire, and develop a diverse workforce that will achieve the Port's vision
- Increase organizational and individual ownership for safe and secure work practices and healthy living
- Use technology efficiently and effectively to increase our business success

3. MANAGE OUR FINANCES RESPONSIBLY
- Achieve Net Operating Income (NOI) before depreciation budget target
- Minimize Cost Per Enplanement (CPE) without compromising operational and capital needs
- Complete capital and expense projects on time and on budget
- Achieve Corporate cost as a % of total operating revenues and expenses budget target
- Develop adequate funding plan to meet future capital needs and maintain financial targets for leverage and liquidity
- Maintain Revenue Bond credit ratings consistent with financially strong U.S. airports and seaports
- Outperform the benchmark for our treasury investments over time
- Provide timely and accurate financial information for the Commission and Executive team for decision making

4. EXCEED CUSTOMER EXPECTATIONS
Each division or department has their own customers, sometimes external and sometimes internal to the Port of Seattle. The "Customer" in this strategy is unique to each division or department's definition.

5. SUPPORT PORT MISSION WITH IMPLEMENTATION OF PORT DIVISIONS' BUSINESS PLANS
Each division operates a part of the Port's core business, or supports those core businesses. The operating divisions create business plans and budgets which include the Actions (such as initiatives or projects) to accomplish our strategies and objectives. This Strategy reflects those objectives and actions which are unique to each division's business plans.

2015 Update and 2016 Plans:

The Port CEO established the Office of Strategic Initiatives in April, 2015, led by a Sr. Director with responsibilities for:

- Central Procurement Office (CPO)
- Continuous Process Improvement (CPI)
- Strategic Planning/Long Range Plan (LRP)

The LRP is being developed and is to be finalized by the end of March, 2016 and will operationalize the 5 Port-wide Strategies noted above in a 5 year planning cycle (2016-2020) to be updated on an annual basis, creating a rolling 5 year LRP. Seven cross-functional teams were established to develop the ***One Port LRP***:

- Aviation Growth
- Maritime Growth
- Environmental
- Small and Disadvantaged Business Development
- Workforce Development
- Operational Excellence
- Organization Alignment

With completion of the Plan, the Port Staff will begin implementation of the strategies and tactics developed and report quarterly on progress, developing counter-measures as required.

In addition, we will assign teams to develop the next 5 year cycle of the LRP (2017-2021).

E. COMMISSIONERS AND OFFICERS

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

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

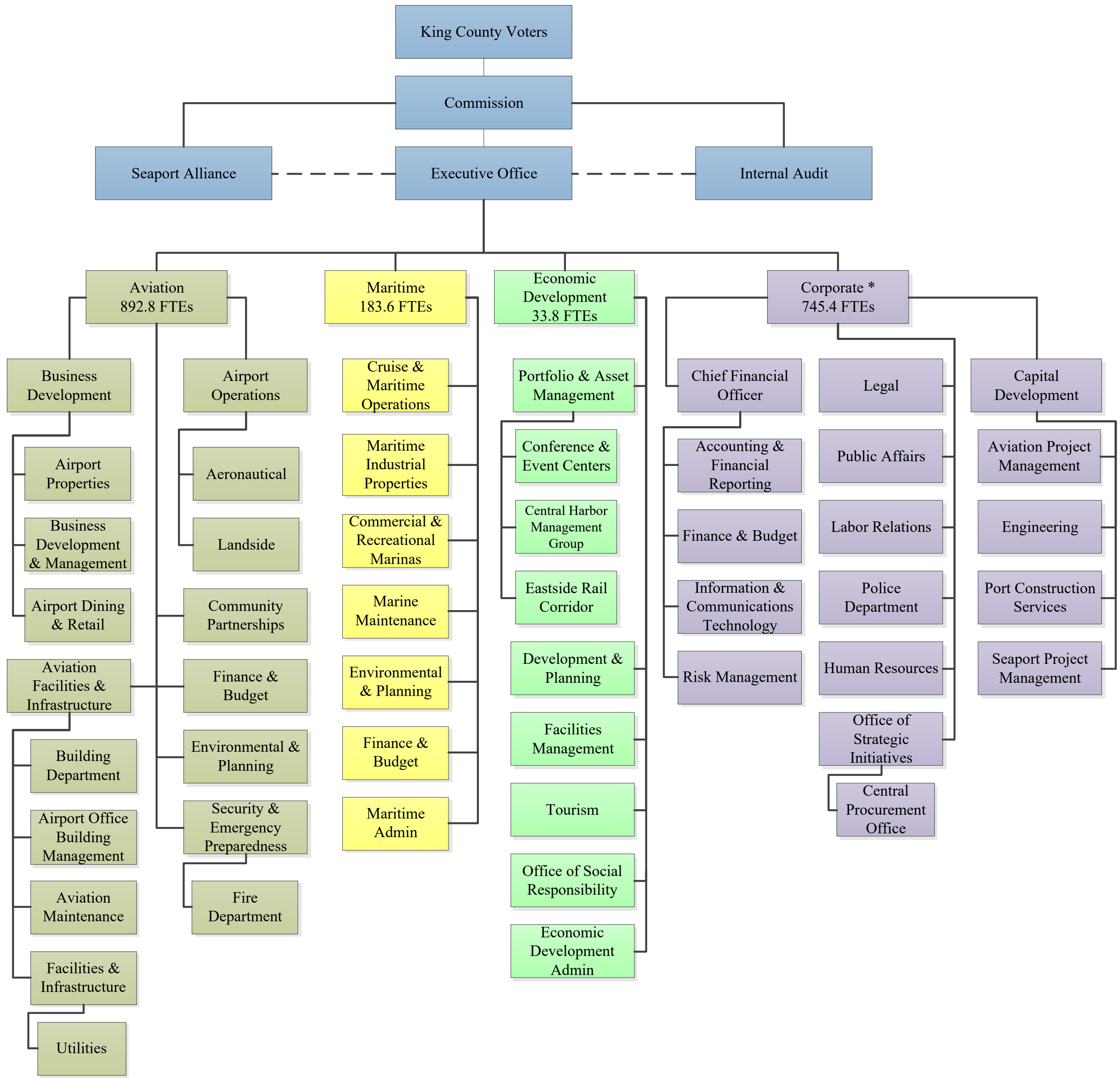
Stephanie Bowman, Co-President
Courtney Gregoire, Co-President
Bill Bryant, Vice President
Tom Albro, Secretary
John Creighton, Assistant Secretary

The senior officers of the Port are:

Ted Fick, Chief Executive Officer
Dave Caplan, Sr. Director, Office of Strategic Initiatives
Julie Collins, Sr. Director, Public Affairs
Paula Edelstein, Sr. Director, Human Resources
Larry Ehl, Executive Chief of Staff
David Freiboth, Sr. Director, Labor Relations
Ralph Graves, Sr. Director, Capital Development
Dave McFadden, Managing Director, Economic Development Division
Lindsay Pulsifer, Managing Director, Maritime Division
Mark Reis, Managing Director, Aviation Division
Dan Thomas, Chief Financial Officer
Craig Watson, General Counsel
Colleen Wilson, Chief of Police

F. ORGANIZATION CHART

FIGURE II-3: ORGANIZATION CHART



*For reporting purposes, Commission Office, Executive Office, and Internal Audit all roll up to Corporate.

A. BUSINESS PLAN OVERVIEW

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

TABLE III-1: PORT OF SEATTLE BUSINESS PLAN FORECAST

($ in 000's) OPERATING BUDGET	Notes	Budget 2015	Budget 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020	Compound Growth 2015 - 2020
Airline Revenue		$ 242,352	$ 261,019	$ 270,077	$ 286,101	$ 315,570	$ 340,866	7.1%
Non-Airline Revenue	1	312,989	275,305	277,052	284,662	293,698	312,152	-0.1%
NWSA Distributable Revenue		0	51,829	47,108	47,303	55,668	54,931	n/a
SLOA III Incentive Straight Line Adj		(3,576)	(3,576)	(3,576)	0	0	0	-100.0%
Total Operating Revenues		**551,766**	**584,578**	**590,662**	**618,066**	**664,936**	**707,950**	**5.1%**
Operating & Maintenance Expense		242,087	230,688	230,654	238,375	246,494	255,558	1.1%
Corporate Division Costs	1	67,006	78,955	80,062	82,848	85,661	88,963	5.8%
Law Enforcement Costs		20,674	22,919	23,348	24,154	24,968	25,920	4.6%
Airline Realignment		5	0	0	0	0	0	
Environmental Remediation Liability Expense		3,142	3,448	3,302	3,423	3,545	3,691	3.3%
Total Operating & Maintenance Expenses	1	**332,914**	**336,010**	**337,367**	**348,801**	**360,668**	**374,132**	**2.4%**
Net Operating Income Before Depreciation		**218,852**	**248,568**	**253,295**	**269,265**	**304,268**	**333,818**	**8.8%**
Total Depreciation Expense		162,082	162,451					
Net Operating Income after Depreciation		**$ 56,770**	**$ 86,116**					
								Total 2016 - 2020
Committed Capital Budget		$ 327,554	$ 348,033	$ 402,511	$ 412,181	$ 341,610	$ 190,964	$ 1,695,299
Business Plan Prospective		42,031	60,412	87,827	77,007	109,523	198,240	533,009
TOTAL CAPITAL BUDGET	2	**$ 369,585**	**$ 408,445**	**$ 490,338**	**$ 489,188**	**$ 451,133**	**$ 389,204**	**$ 2,228,308**

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Notes:
1) Includes revenue from Corporate, Stormwater Utility & Elimination and corresponding offset to allocated charges from Corporate departments.
2) See Section X for details of Capital Budget.

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B. OPERATING BUDGET OVERVIEW

OVERVIEW

The 2016 budget proposes total operating revenues of $584.6 million and total operating expenses of $336.0 million. Net Operating Income before Depreciation calculates to $248.6 million. Net Operating Income after Depreciation is budgeted at $86.1 million.

AVIATION DIVISION

The Aviation Division operates the Seattle-Tacoma International Airport, which was the 13th largest airport in the U.S. in 2014 based on passengers. Enplaned passenger numbers have grown 13.3% at Sea-Tac Airport through September 2015. Current and long-term cost management continues to be a strategic focus of Sea-Tac Airport.

Operating revenues are budgeted to be $465.8 million, a $38.5 million or 9.0% increase from 2015 budget. Net Aeronautical revenues are budgeted to $257.4 million, an increase of $18.7 million or 7.8%; and non-airline revenues are budgeted to be $208.3 million, an increase of $19.9 million or 10.5%, compared to 2015 budget.

Total airport operating expenses are budgeted to total $268.2 million. This represents a $20.1 million or 8.1% increase compared to the 2015 budget. For the Aviation Division alone, without corporate allocated costs, the 2016 budget is $183.5 million, a 7.9% increase from 2015 budget. Net operating income before depreciation is $197.5 million.

MARITIME DIVISION

The Maritime Division includes three major business groups: Cruise & Maritime Operations, Maritime Industrial Properties and Commercial & Recreational Marinas. It also includes three service groups: Environmental Services & Planning, Finance & Budget, and Marine Maintenance. These business and service groups oversee strategic planning, business and facility development, maritime security and the management and operations of maritime facilities including cruise, grain and multi-purpose terminals, commercial moorage, recreational marinas and related properties.

Maritime operating revenues are $49.3 million. Total operating expenses including corporate costs are $42.3 million. Net operating income before depreciation is $7.0 million.

ECONOMIC DEVELOPMENT DIVISION

The Economic Development Division is committed to increasing the economic vitality of our region and generating new business opportunities for the Port. This will be accomplished by leveraging the Port's partnerships with local and regional commercial and industrial businesses and real estate partners. The Economic Development Division also intends to identify and pursue opportunities that enhance the region's long-term vitality and ultimately produce new revenue for the Port.

The Economic Development Division integrates the efforts of five functional workgroups: Portfolio and Asset Management, Real Estate Development & Planning, Pier 69 Facilities Management, Office of Social Responsibility and Tourism.

Economic Development operating revenues are $13.7 million. Total operating expenses including corporate costs are $23.3 million. Net operating loss before depreciation is $9.6 million.

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CORPORATE

The three operating divisions are supported by a number of functional departments as well as service groups. These functional and service groups allocate their expenses according to the level of service they provide to the divisions. Many of the corporate departments are vital to the success of the operating divisions for providing essential services such as accounting, legal services and computer support, and delivers projects and provides technical and contracting services in support of the business plans and infrastructure needs of the Port through Capital Development. Their services also benefit the public in general and play an indirect role in the success of the operating divisions.

Operating expenses for Corporate are $104.7 million for 2016.

THE NWSA JOINT VENTURE

The Port of Seattle and the Port of Tacoma formed the Northwest Seaport Alliance (NWSA) in August 2015. The joint venture unifies the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the Puget Sound gateway and attract more marine cargo to the region. Together, it will be the third-largest trade gateway in North America, behind the ports of Los Angeles and Long Beach and the Port of New York/New Jersey.

The net income from the NWSA will be distributed evenly between the two home ports and our 50% share of the net income is $51.8 million, which is included as operating revenue in the Portwide financial statements.

NON-OPERATING REVENUE AND EXPENSE

Non-operating revenues are budgeted to be $224.2 million. Non-operating expenses, including $162.5 million of depreciation expense, are budgeted to be $468.8 million, which includes the second installment of the Port's contribution of $147.7 million for the Alaskan Way Viaduct Replacement. The budget contains a tax levy amount of $72.0 million. The millage rate is estimated to be $0.1704.

CASH FLOW SUMMARY

Table I-2 from section I, page 7, reveals that operating revenues makes up 65.0% of the Port's budgeted $899.6 million cash receipts for 2016. The tax levy is projected to be $72.0 million and accounts for 8.0% of total budgeted receipts in 2016.

Total cash outlays are budgeted to be $1,266.8 million for 2016. Total Operating Expenses (including Operating & Maintenance Expense, Corporate & Capital Development Costs, Law Enforcement Costs and Environmental Remediation Liability Expense) makes up 26.5% and capital expenditures make up 32.2% of the total cash outflow.

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

($ in 000's) Notes	2012 Actual	2013 Actual	2014 Actual	2015 Budget	2015 Forecast	2016 Budget
OPERATING REVENUES:						
Services	$ 195,816	$ 190,662	$ 195,364	$ 207,215	$ 196,453	$ 224,151
Property rentals	312,739	342,093	325,219	331,610	276,399	293,951
Customer facility charges revenues	9,745	11,367	13,608	12,172	12,484	12,767
Operating grant and contract revenues	3,406	856	747	769	375	1,880
NWSA Distributable Revenue				-	-	51,829
Total operating revenue	**521,706**	**544,978**	**534,938**	**551,766**	**553,488**	**584,578**
OPERATING EXPENSES BEFORE DEPRECIATION:						
Operations and maintenance	222,535	227,611	229,323	246,731	212,824	240,779
Law enforcement	22,616	23,416	23,217	24,072	20,575	24,647
Administration	53,018	55,962	56,794	58,969	57,206	67,136
Environmental Remediation Liability Expense	-	-	-	3,142	3,998	3,448
Total operating expenses before depreciation	**298,169**	**306,989**	**309,334**	**332,914**	**323,904**	**336,010**
NET OPERATING INCOME BEFORE DEPRECIATION	**223,537**	**237,989**	**225,604**	**218,852**	**229,584**	**248,568**
DEPRECIATION	**167,279**	**171,374**	**166,337**	**162,082**	**139,530**	**162,451**
OPERATING INCOME	**56,258**	**66,615**	**59,267**	**56,770**	**90,053**	**86,116**
NON-OPERATING INCOME (EXPENSE):						
Ad valorem tax levy revenue	72,678	72,738	72,801	73,000	51,436	72,000
Passenger facility charges revenue	62,385	64,661	69,803	73,752	80,237	84,650
Customer facility charges revenue	20,577	20,389	19,889	23,614	23,481	24,963
Fuel hydrant facility revenue	8,123	7,417	6,935	7,202	7,202	7,098
Non Capital Grants and donations	3,348	3,771	10,159	6,263	2,065	3,566
Investment income - net	8,172	(1,107)	11,202	7,094	7,094	8,537
Revenue and capital appreciation bond interest expense	(123,327)	(115,340)	(108,910)	(133,468)	(133,468)	(121,423)
Passenger facility charges revenue bond interest expense	(6,503)	(6,212)	(5,906)	(5,633)	(5,633)	(5,302)
General obligation bond interest expense	(14,078)	(11,479)	(9,475)	(14,706)	(9,456)	(14,726)
Public Expense	(22,876)	(6,226)	(6,854)	(9,572)	(2,028)	(8,898)
Non-Op Environmental Expense - net	(14,358)	(4,765)	(9,142)	(5,600)	(5,600)	(5,000)
Special Item				-	-	(147,700)
Other (expense) income - net	(29,721)	(411)	1,272	(3,657)	(3,607)	(3,319)
Total non-operating (expense) income - net	**(35,580)**	**23,436**	**51,774**	**18,289**	**11,724**	**(105,554)**
INCOME BEFORE CAPITAL CONTRIBUTIONS	**20,678**	**90,051**	**111,041**	**75,059**	**101,778**	**(19,437)**
CAPITAL CONTRIBUTIONS	**30,714**	**21,381**	**16,746**	**40,949**	**40,949**	**23,406**
INCREASE IN NET ASSETS	**$ 51,392**	**$ 111,432**	**$ 127,787**	**$ 116,007**	**$ 142,726**	**$ 3,969**
EMPLOYMENT (FTES)	**1788.4**	**1801.1**	**1830.3**	**1853.4**	**1843.3**	**1856.6**

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TABLE III-3: REVENUES AND EXPENSES BY ACCOUNT CATEGORY

($ in 000's) TOTAL PORT	Notes	2014 Actual	2015 Budget	2016 Budget	% Change 2016 Bud - 2015 Bud
Operating Revenue					
Dckg, Whrfg, Serv & Facility, Passenger Fee		$ 3,452	$ 3,170	$ 1,915	-39.6%
Equipment Rental		4,010	2,956	3,221	9.0%
Berthage & Moorage		11,640	12,077	12,668	4.9%
Landing Fees		73,907	77,373	93,197	20.5%
Airport Transportation Fees		8,124	8,109	8,190	1.0%
Parking Revenue		61,562	63,662	72,327	13.6%
Car Rental Revenue		42,563	41,367	44,548	7.7%
Revenue from Sale of Utilities		12,881	14,717	14,393	-2.2%
Property Rental Revenue		290,524	296,690	256,364	-13.6%
NWSA Distributable Revenue		-	-	51,829	0.0%
Other Revenue		29,852	35,221	29,658	-15.8%
SLOA III Incentive		(3,576)	(3,576)	(3,576)	0.0%
Total Operating Revenue		**534,938**	**551,766**	**584,735**	**6.0%**
Operating Expense					
Salaries, Wages, Benefits & Workers Compensation		217,499	238,012	245,193	3.0%
Equipment Expense		6,793	6,830	5,727	-16.1%
Utilities		24,175	25,864	21,211	-18.0%
Supplies & Stock		7,690	7,201	7,165	-0.5%
Outside Services		57,361	63,959	78,302	22.4%
Travel & Other Employee Expenses		3,900	5,716	5,298	-7.3%
Promotional Expenses		1,779	1,405	984	-29.9%
Other Expenses		22,785	23,265	26,255	12.9%
Total O&M without Environmental		**341,981**	**372,251**	**390,136**	**4.8%**
Environmental Remediation Liability Expense		1,567	3,142	3,448	9.7%
Total O&M with Environmental		**343,548**	**375,393**	**393,584**	**4.8%**
Charges to Capital/Govt /Envrs Projects		(34,214)	(42,479)	(47,274)	11.3%
Expense after Charges to Capital Projects		**$ 309,334**	**$ 332,914**	**$ 346,310**	**4.0%**

table4.xlsx

Note: The 2016 revenues and expenses in this table differ from the other tables in that they include allocatable revenues and costs to the Northwest Seaport Alliance.

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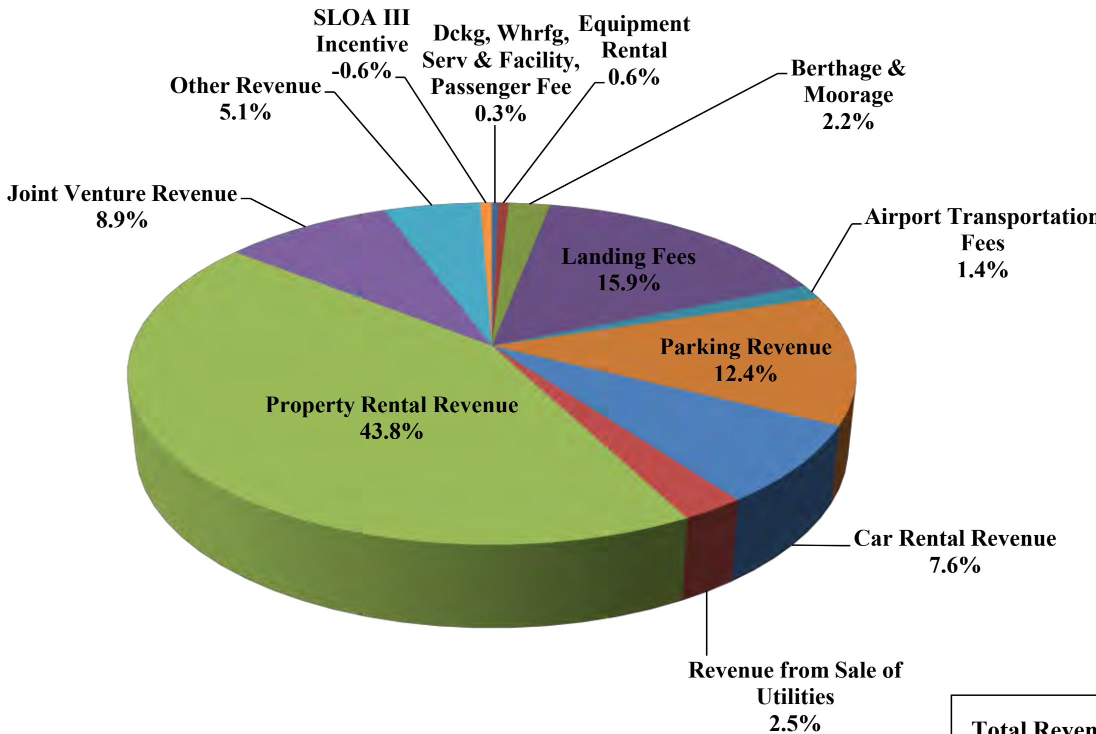
FIGURE III-1: REVENUES BY SOURCE: 2016

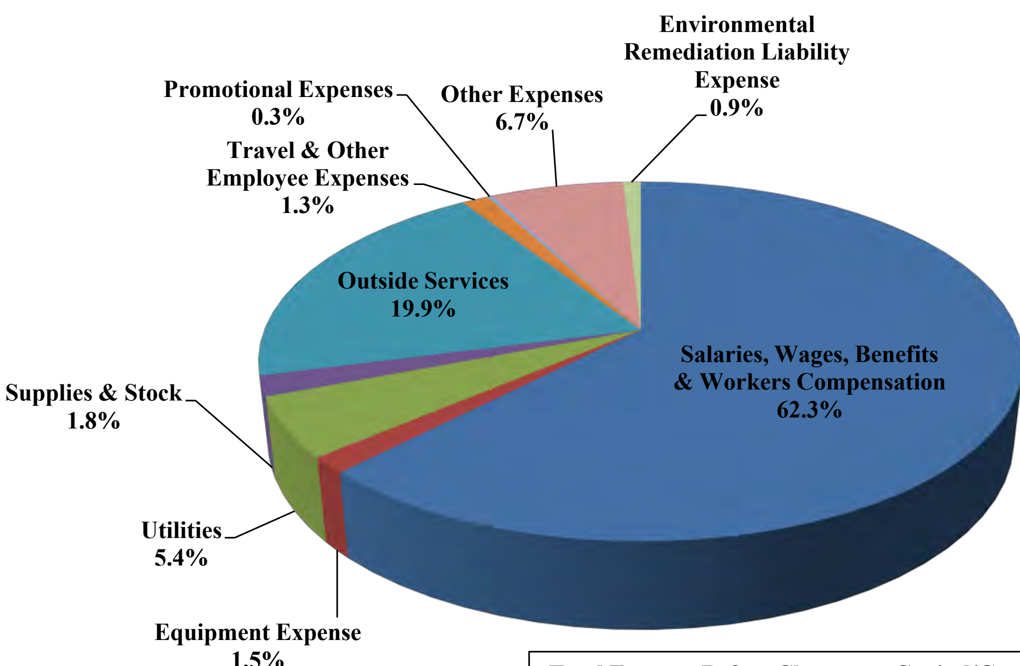
($ in 000'



Total Revenue: $584,735

FIGURE III-2: EXPENSES BY USAGE: 2016

($ in 000's)



Total Expense Before Charges to Capital/Govt/Envrs Projects: $393,584
Charges to Capital/Govt/Envrs Projects: $47,274
Total Expense: $346,310

C. BUDGET OVERVIEW - STAFFING

With the new organizational realignment intended to flatten the reporting structure, some of the organizational changes included the creation of an Office of Strategic Initiatives that will provide a launch pad for ideas and an internal focus on Operational Excellence including LEAN/Continuous Process Improvement initiatives. Also new is the Economic Development Division, which will function as the primary economic growth driver for the Port, and encompasses a number of existing functions in the former Real Estate Division, along with the Office of Social Responsibility, Tourism Development, and a new small business "incubator". Operation of the Port's marine cargo business was transferred to the Northwest Seaport Alliance, a joint venture with the Port of Tacoma, while the remaining Seaport businesses became a part of a new Maritime Division.

The 2016 budget proposes a net increase of 3.2 Full-Time Equivalent positions (FTEs) to 1,856.6 FTEs compared to 1,853.4 FTEs in the 2015 budget.

Aviation is budgeting 892.8 FTEs for 2016, which includes the impact of a net increase of 15.8 full-time equivalents (FTEs) compared to the 2015 budget of 877.0 FTEs. This is due to operational positions added during 2015 and a proposed increase of 12.0 FTE's in the 2016 budget to support the continued growth in passenger volumes and strategic staffing for key capital projects.

The Maritime Division includes three major business groups: Cruise & Maritime Operations, Maritime Industrial Properties and Commercial & Recreational Marinas. It also includes three service groups: Environmental Services & Planning, Finance & Budget, and Marine Maintenance. These business and service groups oversee strategic planning, business and facility development, maritime security and the management and operations of maritime facilities including cruise, grain and multi-purpose terminals, commercial moorage, recreational marinas and related properties. 19 FTEs were transferred from the Maritime Division to the Northwest Seaport Alliance and 143.0 FTEs were transferred from the Economic Development Division – 110.0 FTEs from Marine Maintenance and 33.0 FTEs from the North Harbor Management Group. The Maritime Division added a Billing Specialist for a total of 183.6 FTEs for 2016.

The Economic Development Division has Portfolio and Asset Management, Real Estate Development and Planning, Office of Social Responsibility, Tourism and Pier 69 Facilities Management. Economic Development Division transferred a total of 143.0 FTEs to the Maritime Division -110.0 FTEs from Marine Maintenance and 33.0 FTEs from the North Harbor Management Group. The Economic Development Division also received 8.5 FTEs from the Corporate Division – 6.5 FTEs from Office of Social Responsibility and 2.0 FTEs from Tourism. The Economic Development Division has also added a Business Development Manager position for a total of 33.8 FTEs for 2016.

The Capital Development Division became part of Corporate with the recent organization realignment transferring 300.1 FTEs to the Corporate. The existing engineering, project management and construction functions and the Port's Central Procurement Office, which consolidates contracting and procurement functions are now part of Corporate along with the new Office of Strategic Initiatives Department.

The Corporate provides high quality and cost-effective professional and technical services to the operating divisions and supports the overall goals of the Port. The Corporate transferred 8.5 FTEs to the Economic Development Division – 6.5 FTEs from Office of Social Responsibility and 2.0 FTEs from Tourism. Corporate also transferred the Deputy Chief Executive Officer to the Northwest Seaport Alliance and had a net reduction of 5.3 FTEs for a total of 745.4 budgeted FTEs for 2016.

More information for each of these categories is provided in the Aviation, Maritime, Economic Development, and Corporate sections of this document (Sections IV to VII).

TABLE III-4: PORT STAFFING BY DIVISION

PORT STAFFING (Full-Time Equivalent Positions) Division	Notes	2014 Actual	2015 Budget	2015 Est. Act.	2016 Budget	% Change 16 Bud-15 Bud	% Change 16 Bud-15 Est
Aviation		862.5	877.0	880.8	892.8	1.8%	1.4%
Maritime	1	60.0	59.7	183.6	183.6	207.4%	0.0%
Economic Development	1	166.8	166.0	30.5	33.8	-79.7%	10.7%
Capital Development	2	289.1	0.0	0.0	0.0	0.0%	0.0%
Corporate	2	451.9	750.7	746.9	745.4	-0.7%	-0.2%
Total FTE's	3	**1,830.3**	**1,853.4**	**1,841.8**	**1,856.6**	**0.2%**	**0.8%**

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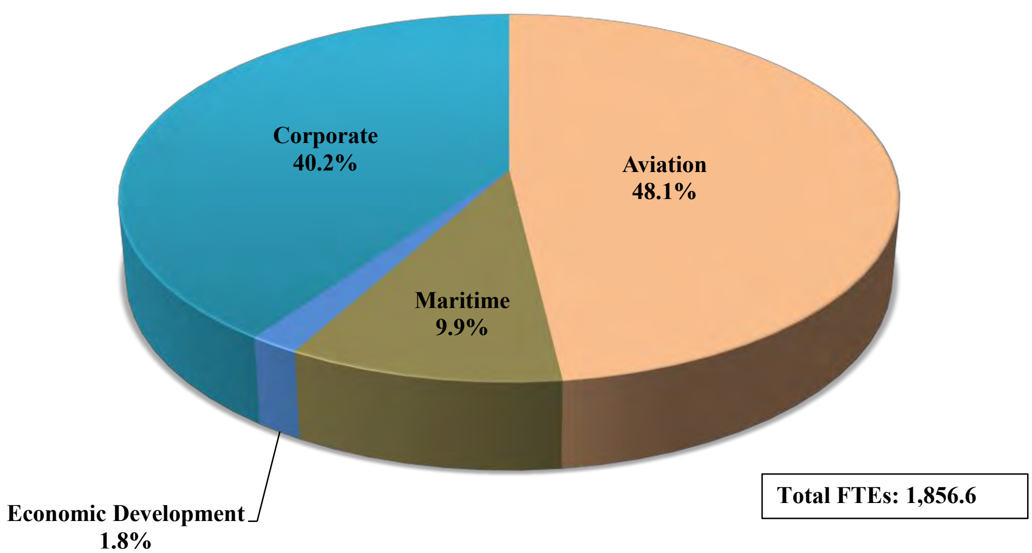
Notes:
1) Marine Maintenance & North Harbor Management Group transferred from Economic Development to Maritime Division.
2) Capital Development Division transferred to Corporate.
3) 2016 Budget includes 1 FTE for the Stormwater Utility.



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D. CAPITAL BUDGET OVERVIEW

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

The 2016 Capital Budget reflects the Port's continuing commitment to promoting regional economic activity through the investment of $408.4 million in the development, expansion, and renewal of Port facilities. For a complete discussion of the Port's long-term capital and funding plan, refer to Sections IX and X, Capital Budget and Draft Plan of Finance.

Table III-5 below summarizes divisional spending in the 2016 Capital Budget:

TABLE III-5: CAPITAL BUDGET

($ in 000's) Committed Capital Projects	2016 Budget	2016-2020 CIP	% of 2016 Total
Aviation Division	$307,933	$1,609,764	88.5%
Maritime Division	23,469	47,084	6.7%
Economic Development Division	11,513	17,403	3.3%
Corporate & Capital Development	5,118	21,048	1.5%
Total Committed	**$348,033**	**$1,695,299**	100.0%
Business Plan Prospective Projects	**$60,412**	**$533,009**	
Total CIP	**$408,445**	**$2,228,308**	
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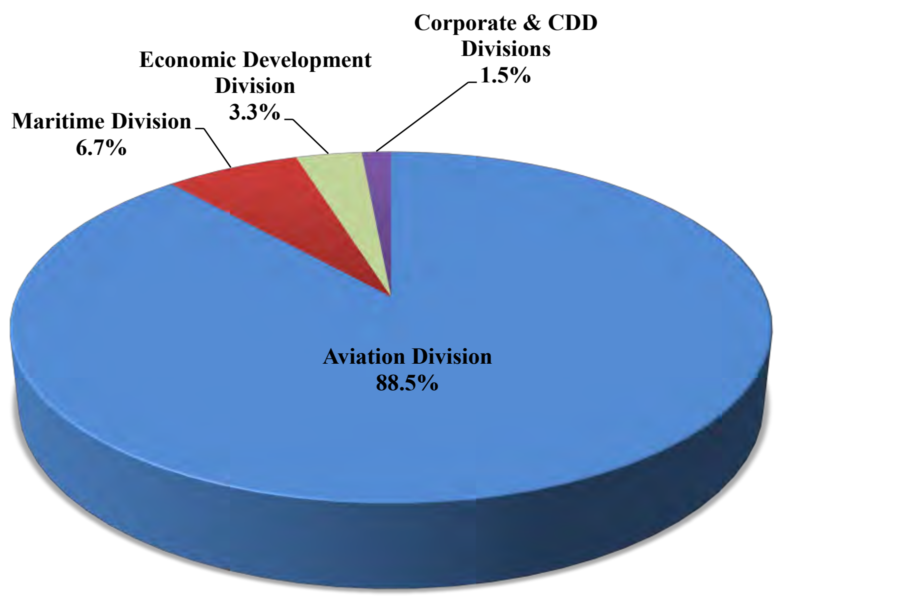
Note: Definitions and details of the capital budget can be found in Section IX.



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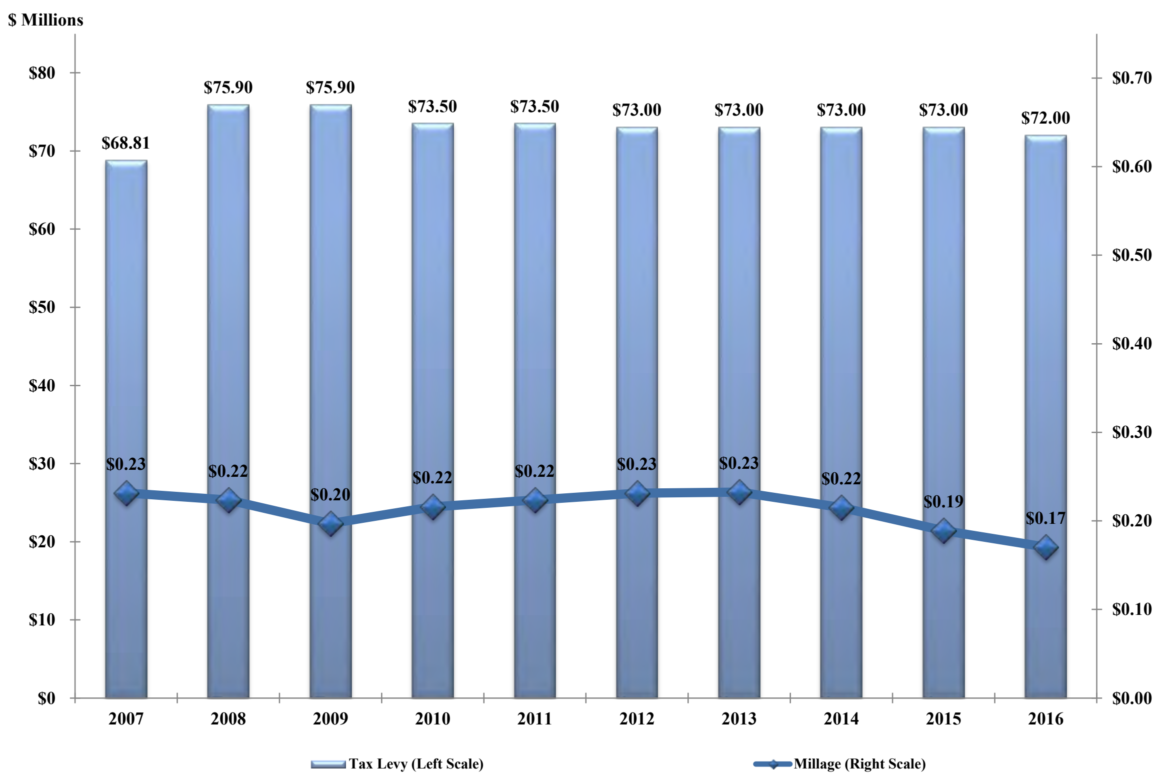
E. TAX LEVY

- The maximum allowable levy for 2016 is $96.4 million.
- For 2016 the levy will be $72.0 million.
- The millage rate is estimated to be $0.1704.
- The 2016 levy will be used for:
    - General Obligation (G.O.) Bonds Debt Service
    - Legacy Environmental Remediation
    - Pier 66 Redevelopment for cruise growth
    - Capital projects in support of the fishing industry
    - Workforce Development funding
    - Deposits to the Transportation and Infrastructure Fund for regional transportation & freight mobility projects

FIGURE III-5: TAX LEVY VS. MILLAGE RATE 2007-2016



AVIATION DIVISION

A. 2016 BUDGET SUMMARY

TABLE IV-1: 2016 CASH FLOW

($ in 000's)		2016	Percent of Total
SOURCES OF CASH			
Operating Revenues		$ 465,764	75.9%
Interest Receipts		6,580	1.1%
Proceeds from Bond Issues		-	0.0%
Grants and Capital Contributions		24,406	4.0%
Tax Levy		-	0.0%
Passenger Facility Charges		84,650	13.8%
Rental Car Customer Facility Charges		24,963	4.1%
Fuel Hydrant Receipts		7,098	1.2%
Other Receipts		278	0.0%
Total		**613,740**	**100%**
USES OF CASH			
Expenses from Operations:			
Operating & Maintenance expense	180,022		20.9%
Corporate & Capital Development Division Costs	66,220		7.7%
Law Enforcement Costs	18,728		2.2%
Environmental Remediation Liability Expense	3,246		0.4%
Total Operating Expenses		268,216	31.1%
Debt Service:			
Interest Payments	125,788		14.6%
Bond Redemptions	102,870		11.9%
Total Debt Service		228,658	26.5%
Other Expenses		1,833	0.2%
Public Expense		3,801	0.4%
Capital Expenditures		360,064	41.7%
Total		**$ 862,572**	**100%**

cashflow.xlsx, AV

FIGURE IV-1: SOURCES OF CASH

($ in 000's)

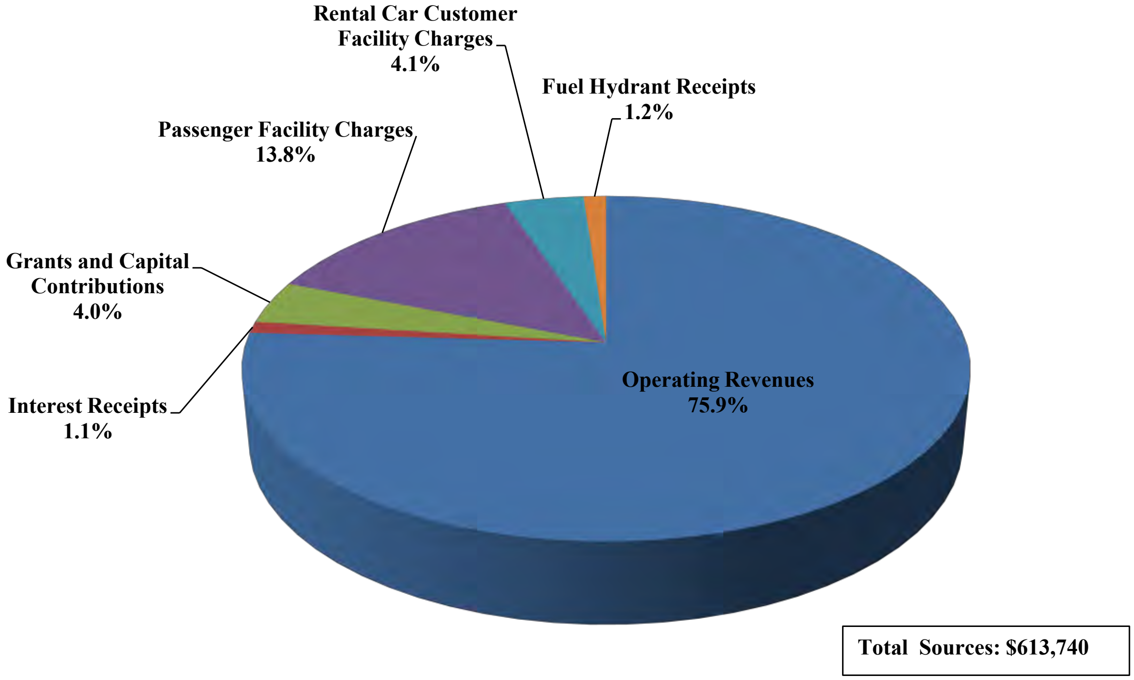
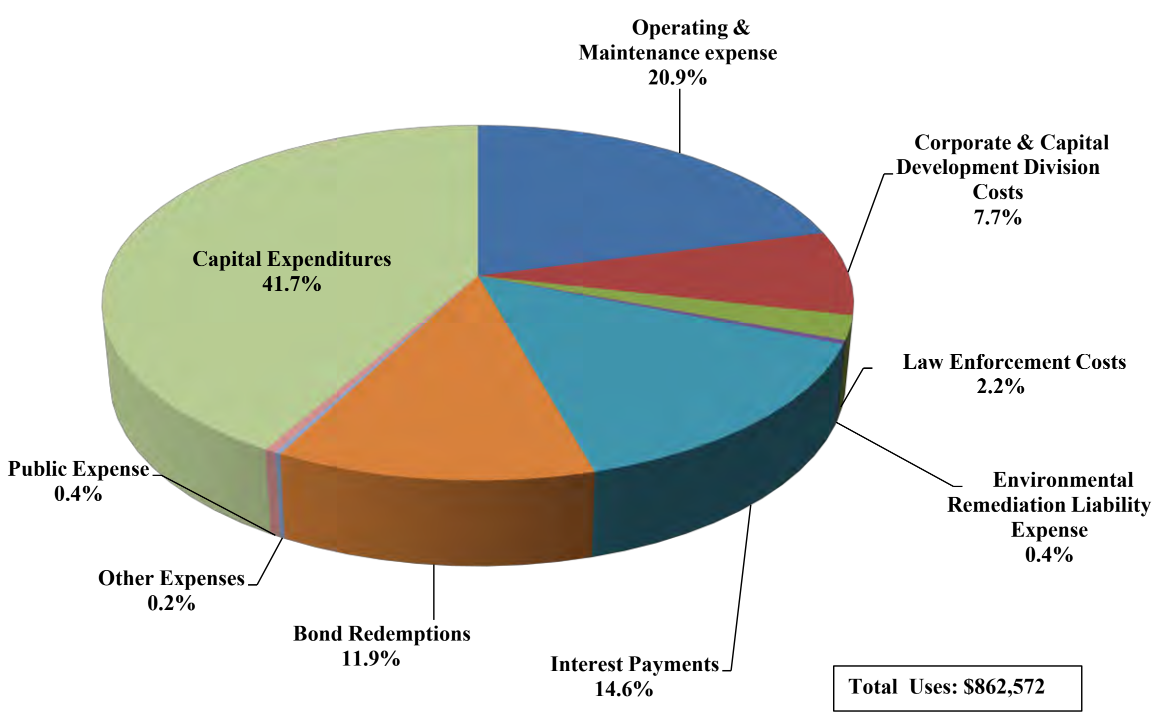


FIGURE IV-2: USES OF CASH

($ in 000's)



B. BUSINESS PLAN FORECAST

TABLE IV-2: BUSINESS PLAN FORECAST

($ in 000's) OPERATING BUDGET	Notes	Budget 2015	Budget 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020	Compound Growth 2015-2020
Airline Revenue		$ 242,352	$ 261,019	$ 270,077	$ 286,101	$ 315,570	$ 340,866	5.8%
Non-airline Revenue		188,465	208,321	212,694	217,328	223,477	239,081	4.0%
SLOA III Incentive Straight Line Adj		(3,576)	(3,576)	(3,576)	0	0	0	0.0%
Total Operating Revenues		**427,242**	**465,764**	**479,196**	**503,429**	**539,047**	**579,947**	**5.2%**
Operating & Maintenance Expense		167,208	180,022	183,146	189,858	196,620	204,690	3.4%
Corporate Division Costs	1	60,873	66,220	67,369	69,838	72,325	75,294	3.6%
Law Enforcement Costs		17,413	18,728	19,053	19,751	20,454	21,294	3.4%
Airline Realignment		5	-	-	-	-	-	-100.0%
Environmental Remediation Liability Expense		2,642	3,246	3,302	3,423	3,545	3,691	5.7%
Total Operating Expense		**248,141**	**268,216**	**272,871**	**282,870**	**292,945**	**304,969**	**3.5%**
Net Operating Income Before Depreciation		**179,101**	**197,548**	**206,325**	**220,559**	**246,103**	**274,978**	**7.4%**
Total Depreciation Expense		119,205	121,153					
Net Operating Income After Depreciation		**59,896**	**76,395**					
								Total 2016-2020
Committed Capital Budget		299,246	307,933	382,286	400,926	334,905	183,714	1,609,764
Business Plan Prospective		29,536	52,131	74,604	52,649	81,180	179,360	439,924
Total Capital Budget	2	**$ 328,782**	**$ 360,064**	**$ 456,890**	**$ 453,575**	**$ 416,085**	**$ 363,074**	**$ 2,049,688**

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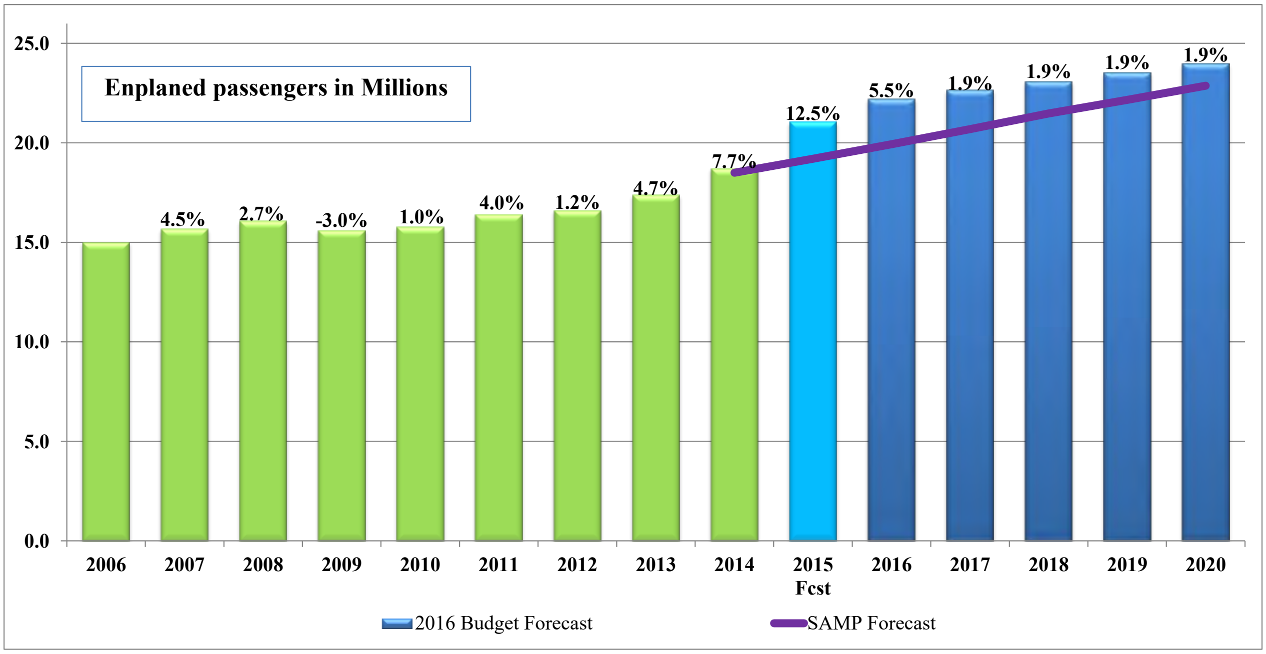
Notes:
1) Consists of direct charges and allocations. Most costs are allocated using a formula based on Expenses and Employees
2) See Section X for details of Capital Budget.

TABLE IV-3: AVIATION KEY MEASURES

	Budget 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020
Key Measures					
Cost per Enplanement (CPE)	11.00	11.17	11.62	12.62	13.41
O&M per Enplanement	12.07	12.05	12.25	12.45	12.71
Non-Aero Revenue per Enplanement	9.38	9.39	9.41	9.50	9.97
Debt per Enplanement	111.31	113.41	124.22	132.88	138.46
Debt Service Coverage	1.46	1.46	1.44	1.39	1.37
Traffic (in 000's)					
Enplanements	22,214	22,645	23,085	23,533	23,989



Enplaned passengers are expected to grow by 12.5% in 2015. For 2016, the budget assumes growth of 5.5%. For the 2017 – 2020 financial forecast, enplaned passengers are assumed to grow by 1.9% per year. This is above the assumed growth rate in the draft master plan forecast (shown in purple above).

C. AVIATION DIVISION BUSINESS PLAN

Section C includes the Aviation division's business plan which was completed on May 15, 2015 and presented to the Port Commission on May 26, 2015. The business plan served as the starting point for the 2016 budget development process.

2016 AVIATION DIVISION BUSINESS PLAN

May 15, 2015

MISSION: Connecting our region to the world through flight.

VISION: Sea-Tac is a welcoming front door, embodying the spirit of the Northwest – an economic engine and a source of regional pride.

MAJOR/NEW INITIATIVES:

- Complete 16C/34C Phase 2 by Q3 2016
- Complete Sustainable Airport Master Plan environmental review by Q4 2016
- Complete construction of NorthSTAR program and International Arrivals Facility
- Begin remote handstand aircraft loading/unloading by Q2 2016
- Renegotiate and gain approval of a revised Port of Seattle / City of SeaTac Interlocal Agreement (ILA) prior to expiration of current ILA
- Fully implement Quality Jobs Initiative policies and programs
- Implement Airport Dining and Retail (ADR) Master Plan, including infrastructure upgrades, lease phasing strategy and new competitive solicitations and resulting leases
- Adjust security operations and invest in new facilities to remain in compliance with evolving TSA requirements related to employee screenings

- Prepare in 2016 and develop in 2017 the successor lease or resolution to the current Signature Lease and Operating Agreement

STRATEGIES – SUMMARY:

1. Operate a world-class international airport by:
   - Ensuring safe and secure operations
   - Anticipating and meeting the needs of tenants, passengers and the region's economy
   - Managing Airport assets to minimize long-term total cost of ownership
2. Become one of the top customer service airports in North America.
3. Lead the U.S. airport industry in environmental innovation and minimize the airport's environmental impacts.
4. Keep airline costs as low as possible without compromising operational and capital needs.
5. Maximize non-aeronautical net operating income consistent with current contracts, appropriate use of Airport properties and market demand.
6. Continually invest in a culture of employee development, organizational improvement and business agility.
7. Maintain valued community partnerships based on mutual understanding and socially responsible practices.

DIVISION DESCRIPTION:

The Port of Seattle owns and operates Seattle-Tacoma International Airport, the 13th largest airport in the U.S. in 2014 based on passengers. The Airport is located approximately 12 miles south of downtown Seattle. Currently, the Airport has facilities for commercial passengers, air cargo, general aviation and aircraft maintenance on a site of approximately 2,800 acres. Airport facilities include the Main Terminal, the South and North Satellites, a parking garage, and a consolidated rental car facility. The Airport has three runways that are 11,900 feet, 9,425 feet and 8,500 feet in length.

INDUSTRY ASSESSMENT:

The historical volatility of the earnings of the U.S. airline industry has stabilized. After losing money in seven out of nine years from 2001 – 2009, the industry was profitable in 2014 for the fifth year in a row. According to Airlines For America, airline profits have translated into the highest level of capital spending in fourteen years. Airline domestic capacity in 2015, as measured by available seats, is reaching its highest level in seven years, and international seats are at an all-time high. Demand for air travel is driven by an expanding economy, employment growth, rising personal income and higher consumer sentiment.

Industry consolidation has left three major legacy carriers: American, United and Delta. Together with Southwest, these four airlines dominate the U.S. market. Other smaller carriers, such as Alaska, Jet Blue, Hawaiian and Virgin America constitute the next largest group of commercial carriers. Ultra-low-cost carriers such as Spirit, Frontier and Allegiant make up another group, although these carriers have a very small presence at Sea-Tac airport.

At Sea-Tac Airport, in 2014, domestic enplaned passengers grew at 7.8% while international grew at 6.8% for a total growth of 7.7%. For 2014, international enplaned passenger made up 10.2% of total passengers. For 2014, Alaska Air Group was the largest carrier at Sea-Tac, accounting for 51.5% of enplaned passengers, followed by Delta with 15.6%, United with 8.2% and Southwest with 8.0%. Looking at just international enplaned passengers, Delta was the largest carrier with 28.2% of the total, followed very closely by Alaska Air Group with 27.9%, British Airways with 6.5% and Emirates with 5.5%.

BUSINESS ASSESSMENT/DRIVERS:

The 2016-2020 Seattle-Tacoma International Airport Business Plan responds in significant part to four new challenges that were not nearly so apparent a year ago. While a substantial portion of the business plan is comprised of longer-term objectives and action plans updated from the previous year, there are also critical new elements addressing four key issues or trends, each driving new or more urgent initiatives. These drivers are**:**

1. The dramatic growth in passengers and airfield operations;
2. The accelerating pace of passenger and airline reliance on, and expectations for, mobile technology;
3. The emerging new facility requirements – in the near-, medium-, and long-term – to respond to current airline activity and the long-lead-time facilities identified by the Sustainable Airport Master Plan; and
4. Changes in federal security requirements, resulting from recent events at other airports, which will require increased attention to employee screening and, over time, may lead to 100% employee screening.

Traffic Growth

After experiencing enplaned passenger growth of 7.7% in 2014, Sea-Tac is conservatively anticipating growth of approximately 10% in 2015, based on the airport experiencing 13.1% passenger growth in the first quarter of 2015 (*the enplaned passenger growth estimate for 2015 has subsequently been updated to 12.5%*). This would be the fastest rate of growth since 1994-1995 and is due to a combination of a strong local economy, population growth (in 2013, Seattle was the fastest growing U.S. city among the 50 largest), and a strategic decision by Delta to make Sea-Tac a gateway international hub. To date, in spite of the dramatic increase in operations and passengers, we have not seen an appreciable decrease in load factors, which is an indicator that sustained growth at the airport will continue.

The Sustainable Airport Master Plan (SAMP) activity forecast (completed in Q3 2014) indicates that the region's economy will drive passenger growth of 3.8% for 2014 – 2018 and 3.2% for 2018 – 2023. Assuming that growth will revert to the mean, the business plan is based on an expectation that 2024 enplanements equal those projected in the SAMP forecast (25.9 million). However, the exceedingly high current growth rates suggest that that projection may be conservative to a fault.

The current 2015 - 2019 capital program totals $1.7 billion and includes four major projects: reconstruction of runway 16C/34C, the NorthSTAR program – including the expansion of the North Satellite, the baggage optimization project, and the International Arrivals Facility (IAF). While both the IAF and the North Satellite expansion project (part of NorthSTAR) will add important capacity when complete, both will require that gates be taken out of service for extended periods of time. The unexpectedly fast growth rates and the loss of gate capacity means that gate shortages at peak periods will drive the need for off-gate operations (remote loading and unloading of aircraft) much sooner than originally anticipated. This is now an urgent challenge.

Technology Demands

Both our airline partners and our passenger customers are utilizing various technology devices at an accelerating pace. For example, airlines are moving to (1) mobile devices for passenger processing and (2) cameras in their ramp areas to monitor and manage aircraft movements, loading and unloading. We anticipate that within a few years, airlines will make far greater use of passenger self- bag tagging and centralized common use bag drop. All of these technological solutions will help the airport get higher passenger throughput in the terminal and faster aircraft processing on the ramp – essentially increasing the capacity of the terminal complex more cost-effectively than adding more terminal facilities.

In addition, the density of passengers' laptops, tablets, and smart phones is putting increased pressure on our communications infrastructure. We also anticipate the opportunity and the customer service benefit of (1) dynamic (interactive) signage which will provide passengers far better information, specific to their actual interest or query and (2) using dispersed technologies (e.g., i-beacons) and/or an airport "app" that will meet the needs of the ever-growing passenger expectation for smart phone-based information.

Meeting both the airlines' and passengers' technology needs and expectations will require careful attention to, and investment in, technology infrastructure.

Sustainable Airport Master Plan and Current Growth: Confluence of Long-term and Immediate Needs

The fast growth noted above (even as it slows over the next couple years) indicates that, even after adding eight gates at the North Satellite, Sea-Tac will still be in need of additional gate capacity. The evolving master plan has identified the likely location of those gates but it will take close to a decade to build the permanent facilities. To meet the increased airline activity in the meantime, the airport must provide off-gate aircraft parking positions at which airlines will enplane and deplane passengers. Current estimates that in 2021 – even after we have added eight new gates at the North Satellite – the airport may need as many as 13 remote aircraft parking positions to handle peak hour operational needs. The preferable approach to this unfortunate need would be to have a temporary remote "terminal" or hold rooms to which departing passengers could be bused and from which they would proceed to their aircraft. There is more space for this remote activity to the north of the North Satellite, and it appears that a former cargo building (now under Port control) would be the best location for such a temporary remote terminal.

A cross-functional team is now evaluating options and we anticipate briefings to and a request for authorization of the Commission later in 2015. The first several years of the 2016-2020 business plan period will involve considerable work to provide these "bridging" facilities and to reduce to the degree possible the negative customer service implications of keeping up with the extraordinary current growth.

The evolving Sustainable Airport Master Plan (SAMP) has identified the need for a new North gate complex. Due to limited airfield accessible space, the cargo and commercial activities now in the footprint of these future gates will need to be moved. This will potentially drive the need to develop the South Airport Service Area (SASA). Staff is examining ways to put off the need for SASA until it is necessary.

In addition, with the early 2016 identification of preferred alternative of SAMP, detailed planning and definition of near-term projects will get underway in 2016, so that the projects can proceed to design as early as possible.

In all likelihood the airport capital program will not ramp down after the completion of the current project but, in fact, ramp up after 2020. While the bulk of the spending will be outside of the time frame of this business plan, it will be critical to plan and design the initial elements very soon. This, of course, will require substantial work on the financial plan for these investments.

Finally, as master planning team engages the community to ensure we understand their concerns and appropriately plan for mitigation of impacts, it will be critical that, in collaboration with these stakeholders, we identify economic development opportunities associated with the growth of the airport. The near-in communities are closest to the impacts of a major facility that benefits the entire region. It is incumbent on us to identify opportunities to promote economic benefit for these communities.

Change in Security Threat at Federal Level – Increased Threat

As a result of recent events that have highlighted the vulnerability that an individual with an airport issued badge may introduce weapons or explosives onto an aircraft, the Transportation Security Administration (TSA) has issued two security directives related to criminal history background checks and ensuring that all airline employees go through security screening prior to travel. In addition, the TSA has provided guidance on on-going random searches of airport employees. More importantly, there are many voices suggesting that 100% employee screening be mandatory.

The cost and operational changes associated with the recent new direction is relatively modest. However, should 100% employee screening be mandated, the airport would need to make significant new investments at doors between non-secure and secure parts of the terminal building and at gates along the fence-line.
In addition, increased employee screening and any reduction in airfield or access points in the terminal (to reduce the capital and operating expenses associated with 100% screening) would significantly affect employee productivity and commerce.

CHALLENGES AND OPPORTUNITIES:

The four major drivers noted above create significant challenges and/or new capital or operating expenses in 2016 and the remainder of this business plan period. Following are several of the most significant challenges and opportunities for the upcoming five-year period:

1. Complete detailed planning and definition of the near-term projects identified in the Master Plan as early as possible in order to prepare for timely construction of critical path projects.
2. Design and construct the "immediate," interim remote aircraft loading/unloading facilities as well as procurement of additional buses and associated aircraft loading equipment to ensure the best customer service possible prior to completion of adequate gate capacity.
3. Update and/or refurbish critical customer service facilities to adequately meet the accelerated increase passenger throughput in the terminal (e.g., restrooms, communications infrastructure, etc.).
4. Accelerate the schedule for the baggage optimization project and add interim facilities development in light of the far greater baggage activity associated with high passenger growth.
5. Provide additional staffing to keep up with these increased passenger loads (e.g., janitorial).
6. Provide required (by the Transportation Security Administration) employee screening infrastructure and staffing in light of new and still-evolving federal directives.
7. Complete the Sustainable Airport Master Plan environmental review by Q4 2016.
8. Finalize and implement updated Port of Seattle / City of SeaTac Interlocal Agreement by February 2016.
9. Complete construction of the International Arrivals Facility in 2019 and the reconstruction of the North Satellite by 2020.
10. Complete Phase 2 of the South Satellite interior improvements in 2016 and begin design of the full refurbishment (similar to North Satellite project) in 2017.
11. Prepare in 2016 and finalize in 2017 the successor resolution or lease to the Signature Lease and Operation Agreement III.
12. Increase non-airline revenues to help fund capital program.

STRATEGIES AND OBJECTIVES:

The Aviation business plan is organized by strategy. Many of the Airport strategies directly support the implementation of the Century Agenda and the Port-wide strategies. In the following section, strategies and objectives that directly support the Century Agenda and the Port-wide strategies are highlighted. To avoid unnecessary duplication, the related details for performance measures, targets and actions for each are found immediately following within the Airport Strategies.

Century Agenda Implementation

Triple air cargo volume to 750,000 metric tons

- Strategy 1.2, Objective 9: Increase Air Cargo tonnage by 20% to a total of 364,000 metric tons in 2020, in line with the Century Agenda.

Make Sea-Tac Airport the west coast "Gateway of Choice" for international travel

- Strategy 1.2, Objective 5: Commence operations from new International Arrivals Facility (IAF) by December 31, 2019.

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Double the number of international flights and destinations
- Strategy 1.2, Objective 10: Add four new international airline routes by 2019.

Meet the region's air transportation needs at Sea-Tac Airport for the next 25 years
- Strategy 1.2, Objective 2: Complete the Sustainable Airport Master Plan (SAMP) to meet the needs of our tenants, passengers and regional economy for the next 20 years.
- Strategy 1.2, Objective 6: Complete all NorthSTAR program improvements by Q2 2020.
- Strategy 1.2, Objective 7: Identify and plan for all necessary long-term refurbishments in the South Satellite.
- Strategy 1.2, Objective 8: Increase productivity of existing terminal facilities.
- Strategy 1.2, Objective 11: Renew aging landside infrastructure.
- Strategy 1.2, Objective 13: Provide an efficient and updated baggage system that incorporates new technology and efficient conveyor systems necessary to improve system performance and allow for future expandability to 66 MAP.

Increase the proportion of funds spent by the Port with qualified small business firms on construction, goods and services to 40% of the eligible dollars spent
- Strategy 7, Objective 4: Implement, administer and monitor Aviation Division programs that support Port-wide workforce development strategies and Commission Quality Jobs policies.

Increase workforce training, job and business opportunities for local communities in maritime, trade, travel and logistics
- Strategy 7, Objective 5: Contribute to Port-wide small business goals by facilitating access to Aviation Division opportunities for local businesses.

Meet all increased energy needs through conservation and renewable sources
- Strategy 4, Objective 4: Implement conservation practices that will reduce natural gas usage and enable Airport to meet all future electricity load growth (2010 baseline) through conservation and renewable energy.

Meet or exceed agency requirement for storm water leaving Port owned or operated facilities
- Strategy 3, Objective 6: Water Quality: Contribute to the restoration of Puget Sound and local receiving waters by providing water quality treatment, flow control, and using green stormwater infrastructure (where feasible) for airport industrial stormwater.

Reduce air pollutants and carbon emissions
- Strategy 3, Objective 2: Air Quality and Climate Change: 1) Reduce airport owned and controlled greenhouse gas emissions by 15% below 2005 levels by 2020 and 50% by 2035; 2) Reduce aircraft-related greenhouse gas emissions by 25% below 2005 levels by 2035; 3) Increase the percentage of passengers accessing the airport via environmentally-preferred modes of transportation from 60% in 2014 to 70% in 2020; and 4) Reduce air pollutant emissions by 50% from 2005 levels by 2037.

Port-Wide Strategy Implementation

Consistently Live by our Values

The Port's values guide how we go about our daily work throughout the aviation division. The Airport strategies aligned with these values will be updated and refined based on the Port-wide strategies that are under development.

Manage our Finances Responsibly

Managing our finances responsibly is a necessary foundation for all of the Airport strategies and the successful implementation of the Century Agenda. The Airport strategies that support this include:

- Strategy 4, Objective 1: Maintain passenger airline cost per enplaned passenger (CPE) and forecasted CPE within the middle third of peer airports (list of 22 airports focusing on large hubs and Western U.S. airports) through 2020.
- Strategy 4, Objective 6: Manage financial activity to achieve targeted metrics.
- Strategy 5.0: Maximize non-aeronautical net operating income (NOI) consistent with current contracts, appropriate use of airport properties and market demand.

Exceed Customer Expectations

- Strategy 2.0: Become one of the top customer service airports in North America.
- Strategy 2.0, Objective 2: Achieve Top 5 ranking among 25 selected North American peers in 2020 ACI Airport Service Quality (ASQ) survey.

<u>Airport Strategies and Objectives:</u>

Strategies and objectives that directly support the Century Agenda objectives are designated with "CA" at the end. Those that directly support the Port-wide strategic objectives are designated with "PS".

<u>Strategy 1.1</u>: Operate an excellent international airport by ensuring safe and secure operations.

Objective 1: Improve overall safety of aircraft and vehicular movement measured by an increase in a composite annual score of 100 possible points, ranking runway incursions, wildlife strikes, taxi-lane and apron area surface incidents and Part 139 discrepancies.

Background: Aviation safety is the preeminent expectation of our airborne society. Due to the inherent nature and complexity of the airfield operating environment, it is appropriate to focus on the minimization of risk where aircraft interface with airport facilities, wildlife, vehicles, and personnel.

In 2014, Sea-Tac joined Airport Excellence in Safety (APEX), the global airport safety cooperative of Airports Council International-World to glean the resources of other international airports around the globe in sharing best management practices. In 2015, the FAA is expected to adopt International Civil Aviation Organization (ICAO) guidelines for the holistic management of airfield safety as Safety Management System (SMS) regulatory requirements.

<table>
<tr><th colspan="3">Objective 1: Improve overall safety of aircraft and vehicular movement measured by an increase in a composite annual score of 100 possible points, ranking runway incursions, wildlife strikes, taxi-lane and apron area surface incidents and Part 139 discrepancies.</th></tr>
<tr><th>Performance Measure</th><th>Performance Target</th><th>Actions</th></tr>
<tr><td>Annual improvement in individual components of the composite score</td><td>Reduce runway incursions to 1.3 per 100,000 aircraft operations in 2016.

2012 baseline:1/100,000
2013: 2.25/100,000
2014: 1.47/100,000</td><td>• Complete redesigned intersection at Runway 16L/34R and Taxiways H and J by Q4 2016 during 16C/34C reconstruction project
• Install thermoplastic painted holding position markings at 19 intersections by Q3 2016.
o CIP 800406, Budget TBD</td></tr>
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	Reduce Wildlife Strikes to 20 per 100,000 aircraft operations 2016-2019.
	
	2012 baseline:25/100,000
	2013:22/100,000
	2014:18/100,000
		Increase raptor relocation activities from 30 to 90 annually 2016-2020 utilizing existing operating expense budget
		• Upgrade radar sensors to extend avian radar coverage of the airfield by Q4 2017.
		  o Tri-party funding from FAA, Southern Illinois University and SeaTac for $192,000 each. New expense funds of $96,000 required for years 2016 and 2017.
		• Evaluate integration of Avian Radar and Foreign Object Debris radar systems to include surface detection coverage by Q2 2016 utilizing existing staff resources
		• Evaluate ability to negotiate agreements with local jurisdictions and cell-tower owners within 5-miles of SEA to prevent nesting of ospreys and eagles on such structures. Existing operational budget.
		• Analyze historical avian radar data for bird trend distributions by Q4 2017
		  o Operating expense budget

	Reduce Non-movement area surface incidents to 24 per 100,000 aircraft operations in 2016. 2012 baseline:25/100,000 2013: 33/100,000 2014: 26/100,000	• Amend Rules and Regulations, Ground Service Provider Licensing Agreements by Q1 2016 based on 2015 review of non-movement area risk profile. • Expanded drivers training at time of badge renewal by Q1 2016. • Integrate Airfield Incident Reporting System (AIRS) with Safety Management System by Q4 2016. • Automate ramp insurance validation at airfield access points utilizing new ID Access badging software to ensure only insured vehicle operators are allowed access to Airport Operations Area by Q1 2016. o CIP 800066
	Install automated gate docking systems and gate operating system at specific gates.	• Complete Gates A5, D10, D11, for a cost of $3M by Q4 2017 o New capital funds

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	Incur zero FAA Airport Certification discrepancies during annual inspections.
	
	2012 baseline: 0
	2013: 2
	2014: 3
	2015: 2
		• Conduct monthly special inspections based on specific FAA areas of focus beginning Q1 2016.
		  o existing staff resources
		• Remove all trees newly identified as obstructions to navigation and safety of flight beginning by Q2 2016 through 2018.
		  o New $1.6M operating expense budget

Comply with all anticipated FAA Safety Management System (SMS) regulations	Implement all Safety Management System (SMS) regulatory requirements within published FAA timeline	• Actions to be defined following anticipated issuance of FAA SMS regulations in June 2015 with implementation in 2016.
Foreign Object Debris (FOD) Incidents	Reduce FOD incidents.	• Install state of the art FOD camera system integral with 16C/34C.

Objective 2: Increase overall runway availability during snow events**.**

Background: Creation of a dedicated removal team for 16R/34L and ongoing delivery of additional equipment allows for increased runway availability. Under the new scenario, two separate snow removal teams are deployed, operating an enlarged fleet of new technology equipment. Deployment of two distinct teams, as requested by Alaska Airlines, requires additional equipment and the incremental replacement of the original fleet purchased 25 years ago in 1989.

Objective 2: Increase overall runway availability during snow events.		
Performance Measure	**Performance Target**	**Actions**
Runway availability	Two of the three runways remain open during snow events representative of typical average occurrence	• Procure 4 combination plow/ brooms by Q4 2016 o $2.5M under new CIP

Objective 3: Increase airline departure rate during snow events through centralized deicing facilities.

Background: Significant savings and efficiencies can be achieved through centralized procurement and distribution of deicing glycol by the existing Sea-Tac Fuels consortium. Overall airfield efficiencies and increased flight completion factors can be achieved through the development of centralized deicing pads. Requested by Alaska Airlines and Delta Air Lines.

Objective 3: Increase airline departure rate during snow events through centralized deicing facilities.		
Performance Measure	**Performance Target**	**Actions**

FAA Hourly Aircraft Departure Rate	Increase departure rate during snow events from 2012 baseline of 14 per hour to 18 per hour while providing an uninterrupted supply of glycol to all Sea-Tac airlines.
	
	2012 baseline: 14/hour
	2013: 14/hour
	2014: 14/hour
		• Complete work plan and schedule for consolidation of deicing fluid and aircraft application by Q1 2016.
		• Establish location for centralized glycol storage and distribution facility following Master Plan siting decision Q1 2016.
		
		• Negotiate agreement for development and land lease for consolidated facility with existing Sea-Tac Fuels airline consortium by Q3 2016.
		  o existing staff and Master Plan resources
		• Complete preliminary design of centralized common use deicing pads by Q3 2017.
		  o New CIP and Budget TBD

Objective 4: Ensure uninterrupted supply of jet fuel to Sea-Tac fuel farm from existing Olympic Pipeline Renton terminal through creation of redundant feed source.

Background: Sea-Tac is the largest commercial hub airport in the United States without a redundant feed source for jet fuel. Sea-Tac facilitates the delivery of approximately 1.1 Million gallons of jet fuel per day to airline customers and maintains an average inventory of 9 days' supply. Preliminary analysis indicates that a catastrophic failure, or interruption of the existing system, could not be supplied through over-the-road tankering.

Objective 4: Ensure uninterrupted supply of jet fuel to Sea-Tac fuel farm from existing Olympic Pipeline Renton terminal through creation of redundant feed source.		
Performance Measure	**Performance Target**	**Actions**
Jet Fuel Availability	100% redundancy in fuel supply availability	• Conduct analysis during Master Plan to determine potential risks and alternative delivery methods by Q1 2016. • Lower floating lids on fuel farm tanks to increase on-hand inventory by 1.5 days' supply, by Q1 2016. • Add three truck offload positions by Q4 2016.

Objective 5: Mitigate risk of security breaches and associated downtime.

Background Approach: Sea-Tac has maintained an essentially flawless record with TSA compliance and addressing security anomalies. Projected airport growth and rapid technology advancements drive the need for continuous analysis of how to utilize available technology to maintain compliance.

Objective 5: **Mitigate risk of security breaches and associated downtime.**		
Performance Objective	**Performance Target**	**Actions**
Reliable, transparent, user-friendly security system	Standardized system of security technologies	• Identify all components related to airport security system and set standards for new construction (CCTV, alarms, sensors, locks, etc.) Q4 2016
Exit lane controls	All five main passenger exits have exit technology that provide proven, continuous monitoring, detection and control (2015-2018) through TSA funding TSA redeploy staff stationed at exits to screening functions	• Seek TSA/Congressional funding for automated Exit Lane Breach Control technology • Modify prototype exit with third door by Q4 2015

Objective 6: Improve overall readiness of the Port to respond to and recover from an emergency, disaster, and any event that would substantially disrupt business/operational continuity.

Background: Any significant disruption to the Airport's routine functions can have a substantial negative impact on the Port and region. The Port must be able to respond to and recover from emergencies effectively and efficiently.

Objective 6: Improve overall readiness of the Port to respond to and recover from an emergency, disaster, and any event that would substantially disrupt business/operational continuity.		
Performance Objective	**Performance Target**	**Actions**
Develop new Port-wide COOP plan that addresses the most critical functions required across departments and refine department level plans	Analyze common infrastructure risks that could affect COOPs (e.g. ICT, Communications, Power)	• Conduct assessment of common infrastructure needs Q1 2016 • Work with key stakeholders to build common infrastructure COOP plan (e.g. ICT, Maintenance) Q2 2016
	Assess all department COOP plans	• Review all existing COOP plans Q3 2016
	Ensure plans address potential risks to their assumptions (assume VPN works – permitting work from home)	• Provide guidance on needed corrections Q4 2016
Agency emergency plans accurately define Port and staff actions and capabilities	Emergency Preparedness and Response Plans are identified, cataloged and deconflicted	• Assess each plan for currency of content, applicability and consistency of information. Q4 2015 • Revise and adopt plans Q2 2016

Port staff are prepared to support emergencies as needed	Port staff readiness is assessed and training and exercising activities are provided Implement IEMC recommendations for developing Policy Room-Level techniques for leveraging POS Executive's abilities during an emergency	• Schedule and manage personal preparedness events • Deliver instruction that continually builds ECC staff knowledge and skills. Q4 2016 • Execute tabletop exercises focused on response, COOP, and recovery that involve field, ECC and Policy components. Starting Q2 2015

Port emergency radio system is fully operational	Emergency radio system functions for Port emergency responders and is interoperable for responders from adjacent mutual aid jurisdictions	• Monitor direction and progress of region wide radio upgrade program led by King County. 2016
		• Determine what elements of Port radio system must be upgraded to maintain coverage and operability across region to define Port project scope and cost. Q3 2017
		  o Budget TBD
		• Request authorization to upgrade Port radio system (anticipate hand-held radios and tower antennas). Q1 2018
		  o Budget TBD

Strategy 1.2: Operate a world-class international airport by anticipating and meeting needs of tenants, passengers, and the region's economy.

Objective 1: Plan, design and construct interim facilities to accommodate exceptional growth.

Background: Sea-Tac was the fastest-growing large hub in the United States in 2014 with passenger traffic increasing 7.7%. Through the first quarter of 2015, SEA continued to experience exceptional growth as passenger enplanements measured 13% year over year.
International traffic grew at 16.2% and domestic traffic 12.7%. This growth equates to a million additional passengers in the first quarter of 2015. Annual growth for 2015 is conservatively anticipated to be approximately 10% (*the enplaned passenger growth estimate for 2015 has subsequently been updated to 12%*). Indications are 2016 may also see high growth rates. Given this rapid rate of expansion, Sea-Tac must expeditiously plan, design, and construct interim facilities to accommodate customer needs until current capital projects and longer-term Sustainable Master Plan development can be delivered.

Objective 1: Plan, design, and construct interim facilities to accommodate exceptional growth.		
Performance Measure	**Performance Target**	**Actions**
Available aircraft gates in service	Convert 2 wide body aircraft parking positions to alternately accommodate 3-5 narrow-body aircraft positions during periods of non-peak international activity at South Satellite by 2017.	• Aircraft configuration and design completed Q1 2016. Construction completed Q4 2017. o New CIP, $12.5M

	Wide-body departures from Concourse C.	• Convert C15 to a wide-body gate by Q2 2017. • Complete ramp marking design and aircraft fit test by Q4 2016.
Routine daily aircraft hardstand operations	Provide associated ramp level hold-room space at Concourse B by Q2 2017.	• Concourse B hold-room design Q3 2016. • Construction complete Q2 2017 o $4.5M. CIP 80076
	Provide ramp level hold-room space in Concourse C by 2018	• Concourse C hold-room design 2016. o Budget and CIP TBD

	Additional remote terminal locations identified.	• Implement short-midterm solutions as identified by RS&H study and SAMP.
		• Contract new IDIQ for gate planning layout with new operating expense funds.
		• Procure additional over the ramp bussing and related equipment based on analysis completed in 2015.
		  o New CIP, Budget TBD, Q4 2016.
		• Identify additional operational costs associated with remote operations facilities, busses, and other equipment.
		  o New CIP, Budget TBD, Q4 2016.

Safe and efficient passenger transportation, Rental Car Facility/Main Terminal	Wait times equal to or less than 5 minutes.	• Procure additional busses by Q4 2016 based on 2015 analysis.

Objective 2: Complete the Sustainable Airport Master Plan (SAMP) to meet the needs of our tenants, passengers and regional economy for the next 20 years. (CA)

Background: The last airport master plan was completed in the mid-1990's. In order to appropriately plan future facility requirements and capital investments, the airport must update the aviation activity forecast, and articulate the 20-year master plan for the airport facilities. The SAMP will integrate the planning for the region's needs at the airport along with the environmental and sustainability goals articulated by the Commission in the Century Agenda.

Objective 2: Complete the Sustainable Airport Master Plan (SAMP) to meet the needs of our tenants, passengers and regional economy for the next 20 years. (CA)		
Performance Measure	**Performance Target**	**Actions**
Sustainable Airport Master Plan	By 2016 future airport facilities to accommodate forecasted 20 year growth are planned, and near term (5 year) facilities are approved for construction	• Complete the Sustainable Airport Master Plan by 2015 • Complete Draft Airport Layout Plan (ALP)/Airport Geographical Information Systems (AGIS) by March, 2016 • Complete Environmental review and FAA approval of the ALP by Q1, 2017 • Prepare advanced planning documents for detailed planning needed to define and efficiently implement SAMP: Terminal, Gates, Landside, Airfield Capacity, Airline, Airline Support, Cargo, and SASA o Expense, Capital, Schedule TBD

Objective 3: Quantify scale and routing of all necessary major utilities and services to support new interim facilities, SAMP permanent facilities and existing terminal as passenger enplanements rapidly grow, and develop implementation plan

Background: The Airport SAMP will identify additional separate concourses that cannot operate without major utilities and services such as electrical power, sewer, people mover capacity, etc. Utilities, by their nature, must be planned and installed prior to the construction of the added concourses and other necessary airport functional buildings, because they are often installed underneath such facilities. Therefore, it is necessary advance a program to first identify utilities and services, and second to develop the implementation plan to keep ahead of the rapid expansion of concourses and other buildings.

Objective 3: Quantify scale and routing of all necessary major utilities and services to support new interim facilities, SAMP permanent facilities and existing terminal as passenger enplanements rapidly grow; and develop implementation plan		
Performance Measure	**Performance Target**	**Actions**
Corridors could house baggage, passenger pathways (moving walks, APM, etc.) and various utilities - necessary underground/aerial corridors are identified in conjunction with SAMP and interim facilities.	Corridors are identified by Q1 2016.	Identify, validate, and size, as appropriate, corridors between main terminal and future interim and permanent concourses.
Necessary utilities are identified, and implementation plan is complete	Utility needs are validated in a report, procurement plan and studies are completed to kick off phased design work by Q3 2016.	Consider various utilities and services for new facilities and existing terminal buildings(*) such as: • Electrical power • Communication cabling • Natural gas • Water systems • Hot water steam systems • Cold (chilled) water systems • Sanitary Sewer systems • Storm water systems • Baggage mainline delivery between terminals • IWS systems • Jet Fuel systems • Utilidors • Emergency power • Grease System capacity for Terminal* as part of sewer system • STS train capacity, consider APM option for SAMP capacity* • Load Dock Capacity* • Garbage and recycle flow capacity* • Emergency Exiting flows* • Etc.

		Generate report: • Prepare full listing and scenario mapping to match permanent SAMP facilities. • Prepare accelerated in-house write-up for each utility to serve interim facilities. Schedule: Complete Q4 2015 for interim facilities; and Q2 2017 for permanent facilities o Budget TBD Hire outside services for the above: • Generate scope of work for consultant contract to study and prepare report that enables driving forward a follow-up design. • Develop procurement plan - Q1, 2016 • Procure Engineering/Architect firm(s) – select, negotiate, and contract work – Q2, 2016. Complete engineering study Q2 2017 o Budget TBD

Objective 4: Facilitate/accommodate growth in international operations until new IAF is completed. (CA)

Background: Short-term improvements in the existing FIS and South Satellite (SSAT) are necessary to meet passenger demands prior to the opening of the new IAF. Strong growth in international flights has led to increasing numbers of arriving passengers held on-board aircraft or held in the International Corridor.

Objective 4: **Facilitate/accommodate growth in international operations until new IAF is completed. (CA)**		
Performance Measure	**Performance Target**	**Actions**
Facility and operational improvements necessary to reduce processing time	By 2016, progressively reduce monthly passenger hold on board aircraft and processing time as compared year over year through:	• Fully implement Mobile Passport Control through pre-departure promotion and procurement of additional MPC scanners utilizing new expense funds. Budget TBD
	Expedite secondary baggage inspection	• Consolidate FIS Agriculture and Secondary baggage inspection and restructure exit control by Q2 2016 with o New CIP. Budget TBD
	Establish FIS processing time metrics	• Install iBeacon technology throughout FIS to capture processing time metrics from deplaning through recheck and security screening, by Q4 2016. o Budget TBD
	Maintain customer service levels as traffic increases	• Increase 2016 operating budget for Centralized International Support Services (CISS) contract.Q1 2016. o Budget TBD

	Increase capacity and improve airline efficiency at international to domestic connecting passenger recheck counters	• Replace 45 year old cabinetry with new casework, scales and dynamic displays while increasing workstation positions from six to eight.

Objective 5: Commence operations from new International Arrivals Facility (IAF) by December 31, 2019. (CA)

Background: The Airport has seen unprecedented growth in its international services since 2007. Between 2007 and 2014, passenger volume on long-haul international routes grew 75.9%, as compared to domestic routes, which grew 17.8%. By summer 2015, Sea-Tac will have had a net gain of 11 long-haul international services since 2007, seven since 2011.
Delta Air Lines made Sea-Tac its primary pacific gateway and has rapidly expanded its hub in Seattle. From just two intercontinental services on its legacy carrier Northwest Airlines in 2008, Delta will have ten daily long-haul international flights in summer 2015.

Objective 5: Commence operations within a new International Arrivals Facility (IAF) by December 31, 2019 (to be confirmed). (CA)		
Performance Measure	**Performance Target**	**Actions**
IAF designed and constructed to meet established program objectives	• Increase from 12 to 18 FIS- accessible gates utilizing existing Concourse A aircraft parking positions • Hourly passenger processing increased from 1200 to 1900 • 2 additional claim carousels • Elimination of passenger holds • Elimination of aircraft holds • Elimination of hardstand operations • Elimination of double baggage claim • Minimum Connect Time (MCT) reduced from 90 to 75 minutes • Average passenger wait time for Immigrations inspection reduced from 20 to 10 minutes • Maximum passenger wait time for processing time reduced from 70 to 50 minutes • ASQ scores improved	• Incorporate final performance metrics as defined with airlines in 2015. • Complete selection of Design-Build team by Q3 2015 • NEPA/SEPA environmental review and permitting by Q1 2015 • Design/Build Construction begins 2016 • New facility opens 2019

Objective 6: Complete all NorthSTAR program improvements by Q2 2020. (CA)

Background: In 2013, the Port completed the realignment of multiple airlines to allow Alaska Airlines to centralize its operations on the North Satellite. The North Satellite element of the NorthSTAR program is currently at 60% design, incorporating current and evolving design characteristics to meet passenger experience needs.

Objective 6: Complete all NorthSTAR program improvements by Q2 2020. (CA)		
Performance Measure	**Performance Target**	**Actions**
Consolidation, optimization and expansion of AAG operations on Concourse C and N with associated capital improvements to meet program milestones	Complete NorthSTAR program by 2020, including all North Satellite improvements (eight additional jet bridge-equipped gates, additional concessions, adequate hold rooms, circulation, baggage system capability, and a new Alaska Board Room) to meet passenger demand at a level of service to exceed IATA level C	• Complete 100% design for renovation of North STS Lobbies Project by Q1 2016. o CIP 800556 $0.3M • Complete 100% design for renovation of North Satellite by 2016 o Budget $23.4M • Complete STS Lobby construction by Q1 2020 o 1.2M • Complete North Satellite construction by Q1 2020 o $310M + $5M RMM (Expense)
Zone 7 Ticketing Lobby and Checkpoint efficiency.	IATA Level of Service C	• Integrate Sustainable Master Plan and related long-term considerations into Project Definition/Scope Q1 2016. • 100% design Q1 2017 o CIP 800545 $2.6M • Construction complete Q3 2018 o $21M

Objective 7: Identify and plan for all necessary long-term refurbishments in the South Satellite. (CA)

Background: The North and South Satellites are the same age, and the South needs significant renovations similar to what the North is undergoing. The South Satellite is a 45-year-old aging facility that is heavily used and will continue to be used in the future as international and domestic service grows. The facility will need renovations of aging infrastructure, and concourse improvements (hold-rooms, concessions, restrooms, day lighted ceilings, etc.) to improve it to be on a par with other concourses. Analysis is needed to determine the necessary improvements to interior concourse spaces, vertical circulation, restrooms, structural/seismic strength, air-conditioning, building size, etc. Note: nearer-term aesthetic improvements such as carpeting, wall coverings, door panels, signage, furniture, possibly window panels, etc. are included in Aviation's customer service strategy action list.

Objective 7: Identify and plan for all necessary long-term refurbishments in the South Satellite. (CA)		
Performance Measure	**Performance Target**	**Actions**
South Satellite is renovated	Final design of project begins in 2017	• Analysis of SSAT renovations prepared by end of Q1 2016 • Retain consultant to prepare floor plans to enlarge satellite concessions and hold rooms and plan gating adjustments

		○ Budget ~$150K expense ○ Budget ~$100K capital • Prepare project scoping document cost estimate, schedule, etc. for subsequent capital project(s) by Q3 2016 • Submit for budgetary and commission approval to request staff initiate final design by Q1 2017 • Create a capital project for Structural Column and Beam Analysis and Upgrade design in Q4 2015 ○ Budget TBD

Objective 8: Increase productivity of existing terminal facilities. (CA)

Background: In 2009, the Airport launched the Terminal Development Strategy (TDS) initiative to develop a unified airline/airport approach to align and streamline terminal facility planning in anticipation of future needs with the goal of reducing costs through use of technology and higher facility throughput.

Objective 8: **Increase productivity of existing terminal facilities. (CA)**		
Performance Measure	**Performance Target**	**Actions**
Accommodate 5-year demand forecast of up to 46 million passengers within the existing terminal envelope through additional gates, passenger self-service, technology and checkpoint expansions	Year on year increases in self-service passenger check-in and baggage drop.	• Finalize implementation plan for use of new technology and processes for: – Passenger check-in – Baggage self-tag/drop.
Efficient TSA approved self bag-tag and self bag-drop locations available in ticketing	25 percent of passengers use by Q4 2020.	• Analyze and implement pilot program Q2 2016 using mobile hand scanning device with airline personnel or contracted labor. • ICT Small Cap project $250K. • Pending TSA approval and successful implementation of pilot, install fixed Common self-bag drop in ticketing lobby location Q3 2020. ○ New CIP $2.5M ○ CIP 800545 • Install Common self-bag-drop in Zone 7 or other strategic location by Q4 2020.
Increase Baggage make-up capacity to accommodate increasing airline growth	Create 2 additional SSAT make-up carousels within existing footprint.	• Reverse direction of existing C25 baggage system for conveying local outbound baggage from the main terminal. ○ New CIP Estimated $1M by Q3 2016.
Checkpoints adequate for growing passenger demand	Checkpoint 5 expanded by Q4 2017	• Complete Checkpoint 5 Expansion as part of main terminal improvements of NorthSTAR program ○ CIP 800545

Office spaces for airlines, tenants, and staff	Adequate supply of vacant space with full utility service is ready and available for airline or other tenant use	• Identify spaces within terminal to accommodate growing tenants and initiate design in Q2 2016 o Budget TBD • To allow rapid build out, begin early asbestos remediation in Q2 2016 o Budget TBD

Objective 9: Increase Air Cargo tonnage by 20% to a total of 364,000 metric tons in 2020, in line with the Century Agenda. (CA)

Background: Meeting the 2011 Port Commission Century Agenda 25-year goal for air cargo tonnage growth requires an approximately 3.8% compound annual growth rate (CAGR) from 2012 to 2036. A three-part strategy will achieve the 2016-2020 portion of overall goal and position the business to meet the 25-year Century Agenda goal:

- Additional air service growth to expand air cargo lift capacity
- Gain ownership control, modernize, and expand on-Airport facilities
- Develop off-Airport land for warehouse and logistics support facilities

Objective 9: Increase Air Cargo tonnage by 20% to a total of 395,000 metric tons in 2020, in line with the Century Agenda. (CA)

Performance Measure	Performance Target	Actions
International cargo airlines serving Sea-Tac	Increase international dedicated freighter airlines from five to eight by 2020	Dependent on airfield capacity: • Attract one new international air cargo freighter customer in 2016 • Attract 2 additional services by 2020
Availability of leasable Port-owned on-Airport cargo warehousing facilities	Q4 2016	• Identify and lease all available airport-controlled airfield cargo warehouse facilities sufficient to meet demand consistent with Master Plan.
	Q4 2020	• Develop new airside cargo building capacity sufficient to accommodate market growth and the relocation needs of existing facilities, consistent with master plan.
Availability of leasable off-Airport warehouse and logistics support facilities	Refer to Strategic Objective 5, Maximize non-aeronautical net operating income.	• Refer to Strategic Objective 5 - Maximize non-aeronautical net operating income.

Objective 10: Add four new international airline routes by 2019. (CA)

Background: Despite the Puget Sound region's strong economic and population growth, Seattle remains significantly underserved internationally as compared to other West Coast airports. With economic growth in Asia far outpacing that of the mature economies of North America and Europe, U.S. carriers are increasingly shifting their attention to transpacific routes. Seattle, as the closest major U.S. city to Asia, has benefitted and will continue to benefit from these growth markets. While these services are of great importance to the local economy, they also signal a shift in the role of Sea-Tac towards being a key international gateway for connecting passengers.

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Objective 10: Add four new international airline routes by 2019. (CA)		
Performance Measure	**Performance Target**	**Actions**
International long-haul passenger routes.	Achieve net increase of four long-haul international routes to complement 20 routes flown in 2015.	• Cultivate strong relationships with strategically identified airlines • Work closely with Sea-Tac's largest international carrier, Delta, to support its route development • Target key connecting markets to increase share of connecting traffic • Promote Small Community Air Service Development Program efforts in contributing to state-wide economic and tourism expansion.

Objective 11: Renew aging landside infrastructure. (CA)

Background: These projects are necessitated by aging infrastructure, an overall increase in ground transportation activity and seismic requirements associated with the service tunnel.

Objective 11: Renew aging landside infrastructure. (CA)		
Performance Measure	**Performance Target**	**Actions**
Availability of critical ground transportation infrastructure	Extend existing facilities life cycle by 20 years	• Complete South 160th Street Ground Transportation Lot o CIP 102112, Budget TBD, by TBD
	Achieve Federal Highway Administration Seismic Retrofitting Requirements	• Complete Service Tunnel renewal and replacement project o CIP 102112, $28M, Q3 2018

Objective 12: Make strategic Airport facility improvements to support efficient cruise operations and ensure a positive customer experience.

Background: The Port's cruise ship business sector continues to expand, requiring associated investment in new facilities at Sea-Tac to complement Seaport operations and facilities. At the same time, existing airport facilities are increasingly capacity-constrained, minimizing the opportunity for alternative use in support of the cruse sector. Relocating cruise-specific operations to an off-site location has the opportunity to both improve the cruise passenger experience and remove peak passenger and baggage processing demands on terminal facilities.

Objective 12: Make strategic Airport facility improvements to support efficient cruise operations and ensure a positive customer experience.		
Performance Measure	**Performance Target**	**Actions**
Percent of passengers and baggage processing facilitated independently from main terminal airport facilities.	100% of eligible cruise passengers and baggage facilitation conducted independently from main terminal airport facilities.	• Complete cruise business strategic plan by Q1 2016. • Complete evaluation of off-site locations in consideration of available resources and future needs identified through the Sustainable Airport Master Plan, passenger and cargo forecasts by Q1 2016.

		• Seek cruise ship commitment and business investment in on-ship baggage-tagging for direct delivery to airport and final destination

Objective 13: Provide an efficient and updated baggage system that incorporates new technology and efficient conveyor systems necessary to improve system performance and allow for future expandability to 66 MAP. (CA)

Background: The existing outbound baggage system is comprised of six separate systems that will soon reach the end of their estimated life span. The Airport has partnered with the Transportation Security Administration (TSA), which plans to replace their explosive detection and bag search systems, to create a jointly optimized system. Building a single new system in phases will enable the TSA to cost effectively replace their systems, and enable the Airport to reconfigure the whole conveyance system as a single unit that will be expandable in the future to support the eventual airport maximum passenger demand.

Objective 13: Provide an efficient and updated baggage system that incorporates new technology and efficient conveyor systems necessary to improve system performance and allow for future expandability to 66 MAP. (CA)		
Performance Measure	**Performance Target**	**Actions**
Phased optimization system reconstruction	Meet TSA security requirements (TSA design standards), airline approvals of MII ballots, energy savings per lineal foot conveyor, and system expandability via future projects for capacity of 66 million annual passengers	• Design Complete Q1 2016 • Accelerate phased construction completions from current 2021 to an earlier completion if possible within federal grant and design standard constraints
Completed interim improvements	Interim projects support growing airline needs with as minimal impact to airline operations as possible	• Determine necessary improvement projects annually with airline input. • Identify and implement interim additional operational and capital capacity projects to accommodate near-term projected baggage loads o CIP and Budget TBD
	Improve capacity of aging TSA scanning systems to keep pace with traveler growth	Install TSA CTX bag scanner in C60 system to increase capacity by Q1 2016 o CIP and Budget TBD

Objective 14: Provide emergency-back-up electrical power.

Background: Operations at the Airport are dependent upon continuous electrical service. Without continuous electricity, many of the Airport vital systems will fail and stop operations including power to gated aircraft, baggage screening/delivery systems, jet-bridge movements, emergency lighting, etc.

Objective 14: Provide emergency-back-up electrical power.		
Performance Measure	**Performance Target**	**Actions**

Continuous electrical service availability for the Airport Terminal	Re-establishment of Airport electrical service within 1 hour after disruption from the grid by Q3 2018	• Receive Commission authorization for full design by end of Q3 2015
		• Complete Generator facility project by Q3 2018
		  o CIP est. $40M
		• Complete SCADA controls project by Q3 2017 and tie into generator facility by Q3 2018
		  o CIP est. $10M, TBD
		• Upgrade North and South Main Substation to provide greater security against intrusion or damage per NERC recommendations by Q3 2017
		  o CIP estimate = $1M Rough order of Magnitude (ROM)

Objective 15: Prepare a benefit/cost analysis for improvements to Minimum Connect Time (MCT).

Background: Competition with other airports includes many variables, one of which is the Minimum Connect Time (MCT) which defines in industry publications and airline schedules the time necessary for baggage transfer, passenger movement from the arriving gate to the connecting departure gate as well as and immigration processing between international and domestic flights. As the Airport develops its master plan, designs baggage optimization, and initiates the IAF program; the time is right to set Airport and system-wide MCT targets.

Objective 15: Prepare a benefit/cost analysis for improvements to Minimum Connect Time (MCT).		
Performance Measure	**Performance Target**	**Actions**
MCT as published by the Official Airline Guide of airline scheduled flights	Lower minimum connect time from current 90 minutes to 75 minutes	• Incorporate MCT study results completed in 2014 in design build process beginning in 2016 to achieve 75 minute airport-wide goal upon opening of IAF in 2019. • Incorporate MCT study results in performance specifications of Baggage Optimization Program.

Objective 15: Ensure the Airport's technological capacity and capability keeps pace with technological evolution so the airport can be flexible in providing valuable services to both business customers and travelers
Background: Passengers are increasingly (over 88%) using multiple internet capable devices (phones, tablets, laptops) in the terminals. Airlines, concessionaires, and other tenants are using internet devices (phone alerts, cameras, point of sale tablets) for business use. Our airport's own use of technology is increasing (common use check in kiosks, flight information signs, baggage tracking). For the Airport to provide good service to our customers, we must keep up with growing technology use by investing in several areas:

- Expand behind the scenes infrastructure:
  - Provide gateway for internet providers, added fiber backbone, local area network and core switches, and plug-in connectivity at each airline and concession location
  - Expand Wi-Fi connectivity to enable travelers to easily connect through the behind the scenes infrastructure to the internet, while also providing additional video camera security to meet the needs of the TSA and the Airport

- Install an iBeacon network of transponders as the base system to provide indoor smart-phone navigation and other value added services to travelers, businesses, and both airport operations and security
  - iBeacon transponders utilize a unique numbered address that enables software applications to publish messages to near-by smart phone users. The messages can be very informative because of awareness of distance between each iBeacon and the smart-phone.

Objective 15: Ensure the Airport's technological capacity and capability keeps pace with technological evolution so the airport can be flexible in providing valuable services to both business customers and travelers

Performance Measure	Performance Target	Actions
The airport can easily select from among competitive internet providers, and in turn provide a tamper proof and reliable suite of services to concessionaires, airlines, and other tenants	Tenant telecommunication carrier requests are fulfilled via a secure airport gateway facility by 2017	• Procure, design, construct and configure an Internet gateway facility with separate and secure space, protection and control of power quality, environment controls and monitoring, fire protection and other safety measures. Q4 2017 o CIP TBD ~$1M
Increased capacity of the airport's operations local area network (OPSLAN)	OPSLAN core switches and ancillary components are upgraded by 2017 to better support future tenant and port projects and rapid passenger growth toward 66 MAP	• Procure, design, install and configure the latest network core switches and ancillary components. Q4 2017 o CIP TBD ~$3M
Data and communication connectivity for airport tenants is standardized to allow quick 'plug-in' and portability when needed.	Telecommunication requirements are standardized and 200 spaces converted to approved "tenant demarc" packages by 2019	• Conduct a multi-year phased procurement, design, construction and installation of "tenant demarc" packages. Q1 2019 o CIP TBD ~$3M
	Vacant airport spaces contain "tenant demarc" packages designed and installed in 50 spaces prior to tenant occupancy by 2018 Demolition and removal of legacy cable / wiring from 150 spaces completed by 2018	• Conduct a multi-year phased procurement, design, construction, and installation of "tenant demarc" with associated demolition and removal of legacy cabling. Q3 2018 o CIP TBD ~$2M
Traveler and operational Wi-Fi infrastructure capacity with expandability via future projects for 66 million annual passengers (MAP)	Travelers experience zero 'drops', and tenants and operating entities can connect easily to new cabling infrastructure by 2017 and provide ramp Wi-Fi & cameras by 2018	• Complete Concourse C by Q1 2016 o CIP TBD ~$3M • Complete remaining concourses and main terminal by Q4 2017 o CIP TBD • Complete ramp Wi-Fi and security cameras by Q4 2018 o CIP TBD

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Smartphone-based, indoor navigation infrastructure that meets passenger demand for mobile, self-service airline travel	Complete planning, design, and installation airport-wide infrastructure by Q2 2017	• Apple indoor aerial mapping
		  ○ Q2 2016
		• Google StreetView mapping
		  ○ Q2 2016
		• Procurement and implementation of Wi-Fi authentication site with advertising and location specific concessions information. Procurement by Q1 2016 and implementation by Q4 2016
		  ○ CIP TBD ~$0.5M
		• Design and implementation of indoor navigation system based on low energy Bluetooth Low Energy iBeacons; Procurement by Q1 2016 and implementation by Q3 2016
		  ○ CIP TBD ~$0.5M

<u>Strategy 1.3:</u> Operate a world-class international airport by managing airport assets to minimize long-term total cost of ownership.

Objective 1: Create a new Airport Master Record As-built Drawing System.

Background: The Port's existing record drawing system is a significant tool used to prepare for both renovating aging buildings (or portions thereof), and in maintaining over $4 billion of existing facilities (campus buildings) and utilities (heating, air conditioning, elevators and escalators, fire alarm systems, dispatch of emergency services, etc.) The inaccuracy of the current drawing system causes construction change orders, extends operational downtime, prevents rapid repairs when system failures occur, and requires designers to recreate background footprint drawings of the Airport project areas each time a new project begins. An improved record drawing system will enable future projects and business systems (e.g. GIS) to save costs in change orders, map utilities behind the walls to minimize utility and operational shutdowns, and save costs during design.

Objective 1: Create a new Airport Master Record As-built Drawing System.		
Performance Measure	**Performance Target**	**Actions**
Reliable As-built records/drawings	Two to five percent fewer building renovation change orders, and one percent reduction in cost	• Identify which areas or systems to as-built first based upon priority, identify computer station needs, and hire first technician • Create office cube, purchase computer, and hire AutoCADD technician by Q3 2016 ○ Operating budget

Objective 2: Complete initial comprehensive inventory of the condition of all physical assets across the Airport, continue periodic inspections to assess age and status/lifespan, and develop a system to facilitate forecasting of capital renewal projects and improve on-going maintenance.

Background: A forward-looking list of necessary renovation projects will enable staff to forecast capital spending in future years. With recurring inspections and a good long-term forecast of renewal projects, staff can better predict funding needs and level the amount of work for the project management department. Without detailed asset information, an accurate future forecast of renovation is not possible.

Objective 2: Complete initial comprehensive inventory of the condition of all physical assets across the Airport, continue periodic inspections to assess age and status/lifespan, and develop a system to facilitate forecasting of capital renewal projects and improve on-going maintenance.		
Performance Measure	**Performance Target**	**Actions**
Comprehensive and reliable asset inventory listing, condition data base, and forecast of necessary `projects.	Completed condition inventories	• SSAT, Concourse A, Rental Car Facility, Bus Maintenance Facility, Inventory Warehouse, and Garage
	Completed asset inventory by 2020. Contingent on workload, staffing level, and completions of new projects each year	• Devote existing staff hours to inspection efforts of campus wide facilities • Complete Concourse B by Q1 2016 • Complete Concourse C by Q2 2017 • Complete Concourse D by Q1 2019 • Complete Main Terminal by Q3 2020 • Complete IAF and NorthSTAR in Q4 2020
	Re-evaluate assets with finance department on a rotating 3 to 4 year basis.	• Utilize in house staff, complete existence testing annually as directed by finance, and update with condition and remaining life estimates
	Completed automation of forecast and integrated with PeopleSoft and annual capital plan by Q2 2019	• Develop computerized tool and prepare project proposal by Q2 2017 • Procure system by Q2 2018 o Budget TBD

Objective 3: Create Storm Water Utility (SWM) administration manual, form airport Storm Water Utility, and update engineering standards manual

Background: Storm Water Management (SWM) system is a vital system to the airport operations. The utility will be formed coincident with the next interlocal agreement with the City of SeaTac.

Objective 3: Create Storm Water Utility (SWM) administration manual, form airport Storm Water Utility, and update engineering standards manual		
Performance Measure	**Performance Target**	**Actions**
Airport has an administrative manual to guide utility activities	• The manual allows the airport to form a utility	• Manual complete by Q4 2015
The Airport operates a Storm Water Utility	• Legal formation of airport Storm Water Utility • Storm Water Utility operational	• Obtain Storm Water Utility Commission approval in 2015. Per Strategy 7, Objective 3, "Execute new Port of Seattle/City of SeaTac ILA • Storm Water Utility implemented coincident with finalized inter-local agreement

The Airport has an updated engineering standards manual	• Engineering Standards updated by Q4 2016 (not necessary for initial utility formation)	• Create IDIQ contract for consultant to assist staff in updating standards and in developing comprehensive plan
		  o In-house and consultant staff
		  o $100K expense

<u>Strategy 2.0</u>: Become one of the top customer service airports in North America. (PS)

Objective 1: Provide and maintain adequate customer service levels during period of exceptional growth.

Background: In 2014 Sea-Tac rated 15th of our 25 North American ACI ASQ peers in overall customer service satisfaction. SEA was rated in the bottom 40% of peer airports in 18 of 28 categories. While significant improvements to Sea-Tac's terminal facilities have been made in the last 10 years, parts of the terminal are now over 40 years old, and remain largely unchanged since opening in 1973. Given this standing and the rapid rate of growth, the Airport must expeditiously bolster operational oversight and management of terminal facilities until current capital projects and longer-term Sustainable Master Plan development can be delivered.

Objective 1: **Provide and maintain adequate customer service levels during period of exceptional growth.**		
Performance Measure	**Performance Target**	**Actions**

Meet critical customer service requirements.	Improve Facility Cleanliness
	(Rank 18 of 25 in 2014 ASQ)
		• Increase janitorial staffing for 2016 to address higher passenger traffic.
		   o New expense funding TBD
		• Expand scope of contract to include new areas of coverage.
		   o New expense funding TBD
		• Create specific position of janitorial contract manager.
		   o FTE expense funding TBD
		• Replace Concourse C carpeting at request of Alaska Airlines by Q4 2016.
		   o New CIP $1.1M
		• Replace Concourse B carpeting at request of Delta Air Lines by Q4 2016.
		   o New CIP $1.1M

	Improve Restroom Cleanliness.
	(Rank 20 of 25 in 2014 ASQ)
		• Increase janitorial supplies budget to address increased passenger volume.
		• Implement real-time customer feedback technology utilizing kiosks at busiest restroom locations.
		   o Budget TBD
		• Complete design for 14 restrooms on Concourses B, C, D. Q4 2016
		   o CIP 800697
		• Complete construction for by Q2 2019.
		   o $10.7M

	Improve Gate Comfort (Rank 21 of 25 in 2014 ASQ)	• Install additional gate seating 2016-2019 at South Satellite
		  ○ Utilize annual Small Capital budget allocation, $250K
		• Install additional seating at C15 by Q4 2016
		  ○ Budget TBD
		• Complete Phase 2 South Satellite Interior Renovations as requested by Delta and international airlines, comprising wall panels, column covers, door panels and casework.
		  ○ CIP 800549 ,$2.2M, $3.8M RMM, $2.0M expense

	Improve Courtesy and Helpfulness of Airport Staff (Rank 13 of 25 in 2014 ASQ)	• Expand Volunteer Program • Expand Pathfinder staff to increase daily hours of coverage, manage queueing in coordination with TSA and airline tenants, provide real-time customer service assistance. ○ New expense funding $TBD. • Upgrade airport website to improve user experience and to better inform customers of most-requested airport information, by TBD, $TBD.
	Improve Checkpoint Wait Times (Rank 17 of 25 in 2014 ASQ)	• Implement customer service initiatives resulting from 2014 security checkpoint passenger experience survey. IncludesWiFi coverage upgrade at each checkpoint, and examine options to improve ambiance and passenger experience. • Conduct follow-up survey of TSA Pre-check customers. • Analyze installation of fixed stanchions in security queues by Q4 2016.

	Improve Airport Ambiance (Rank 15 of 25 in 2014 ASQ)	• Upgrade terminal-wide voice paging system to facilitate extension of coverage to NorthSTAR and IAF.
		  ○ New CIP for $1.5M
		• Incorporate northwest sense of place recommendations DATAE
		  ○ capital and expense projects Budget TBD

	Improve waiting time in check-in queue. (Rank 17 of 25 in 2014 ASQ)	• Continue implementation of fixed stanchions in ticket lobby and other queue areas. Q4 2016 ○ Budget TBD

Objective 2: Achieve Top 5 ranking among 25 selected North American peers in 2020 ACI Airport Service Quality (ASQ) survey (PS).

Background: Sea-Tac utilizes two key sources of information to drive customer service improvements. To proactively glean guest feedback, Sea-Tac adopted the Airport Service Quality (ASQ) index in 2011 as the industry benchmark for customer service as coordinated globally by Airports Council International (ACI World). Additionally, Sea-Tac maintains a robust real-time database of customer comments from website, social media, and traditional communication feedback sources.

Objective 2: **Achieve Top 5 ranking among 25 selected North American peers in 2020 ACI ASQ. (PS)**		
Performance Measure	**Performance Target**	**Actions**
Airports Council International (ACI World) Airport Service Quality (ASQ) Quarterly Survey	Improve Airport Way-finding (Rank 14 of 25 in 2014 ASQ)	• Complete Airport-wide Signage Master Plan, by Q4 2016. • Fund signage infrastructure resulting from Signage Master Plan recommendations. • Evaluate signage program alternatives to ensure necessary resources are in place, including increased staffing, to meet customer service objectives. • Install dynamic interactive directories to improve way-finding in coordination with Airport Dining and Master Plan by Q4 2018 o Budget TBD through new CIP #
	Improve ease of connections between flights (Rank 15 of 25 in 2014 ASQ)	• Achieve published Minimum Connect Times • Improve signage and apply other changes at STS stations that improve the experience for international transferring passengers by Q4 2018 o Budget TBD. • Begin signage wayfinding improvements at STS stations that result from Signage Master Plan study, by Q4 2016, o Budget TBD

Objective 3: Ensure the Airport's technological capability keeps pace with technological evolution so the airport can be flexible in providing valuable customer services to both business customers and travelers.

Background: For the Airport to provide good customer service, it must keep up with technology by investing in several areas to that allow the terminal's throughput to advance with growing numbers of passenger:

- Provide smart-phone based location-analytics to enable indoor way-finding and navigation capability for both passengers and businesses within the airport, and provide data to allow airport staff to optimize use of our dense airport footprint as traveler volumes continue to build. This will be done while ensuring individual privacy for our travelers.

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- Use technology to provide a suite of services (including an airport software application, parking and club reservation options, on-line pre-order and pick up, concessionaire advertising, etc.) to provide excellent customer service and to refine airport business processes.
- Provide connectivity infrastructure so airlines, concessionaires, and other tenants can better meet passenger needs, and their own evolving business technology requirements. (See also strategy 1.2 objective 15)

Objective 3: **Ensure the Airport's technological capability keeps pace with technological evolution so the airport can be flexible in providing valuable customer services to both business customers and travelers.**		
Performance Measure	**Performance Target**	**Actions**

Smartphone-based, indoor navigation infrastructure is available that meets passenger demand for self-service airline travel utilizing mobile devices	Create smartphone application that provides passengers with hand-held way-finding that uses their location (2 meter accuracy) within the airport terminal
	
	Create smartphone applications that enables terminal infrastructure to inform passengers that the airport provides personalized way-finding mapping, along with advertising of various concessions (valet & reserved parking, club room access, food, gifts, etc.) are readily available (Opt-in will be required to avoid privacy concerns)
		Design, develop and publish an airport passenger smartphone application (app) with indoor navigation capability with business driven feature updates:
		• Create location maps for passenger way-finding by Q2 2016
		• Promote Port lounge business by Q2 2016
		• Updates to promote Airport dining and retail tenant offerings by Q4 2106
		• Updates to promote ground transportation business including garage service offerings by Q3 2017
		  o CIP TBD, ~$0.5M in 2016
		  o CIP TBD for 2017

Airport-wide Wi-Fi analytics and specialty camera system enables measurement of passenger flows to support multiple airport departments (operations, planning, business development, security), airlines, and tenants	Wi-Fi analytics and camera software allow real-time passenger flow information and trending data to be available by 2017.	• Design and implement Wi-Fi (airport-wide) and camera (selected areas). Wi-Fi design completed Q2 2016 with phased implementation completed in Q2 2017
		  o CIP TBD, ~$1M
		• Procure, design, and install camera flow measurement in selected areas and integrate with airport departments. Procurement plan Q2 2016 and implementation Q2 2017
		  o CIP TBD, ~$1M

Strategy 3: Lead the U.S. airport industry in environmental innovation and minimize the airport's environmental impacts.

Background: We completed the new Strategy for Sustainable Sea-Tac (S3) in 2015 and include our new S3 environmental objectives and proposed initiatives in the 2016-2020 business plan. As we begin to identify and implement actions to achieve Century Agenda and S3 objectives, it has become clear that meeting these objectives aligns with the actions necessary to meet Leadership in Energy and Environmental Design (LEED) Silver and Salmon Safe certification requirements.

Objective 1: Integrate operational sustainability initiatives into the Strategy for a Sustainable Sea-Tac (S3) Management Plan

Background: Continue to integrate sustainability throughout the Sustainable Airport Master Plan (SAMP) by ensuring that S3 initiatives and actions are fully integrated into the S3 Management Plan. Complete environmental review of SAMP (see section 1.2).

Objective 1: Integrate sustainability into the S3 Management Plan		
Performance Measure	**Performance Target**	**Actions**
S3 Management Plan	Finalize and implement plan, 2016-2020	• Complete draft management plan and gain Commission approval by Q2, 2016. Finalize plan by Q4, 2016.

Objective 2: Air Quality and Climate Change:

- Reduce airport owned and controlled greenhouse gas emissions by 15% below 2005 levels by 2020 and 50% by 2035.
- Reduce aircraft-related greenhouse gas emissions by 25% below 2005 levels by 2035.
- Increase the percentage of passengers accessing the airport via environmentally-preferred modes of transportation from 60% in 2014 to 70% in 2020, and 4) Reduce air pollutant emissions by 50% from 2005 levels by 2037 (CA).

Background: Renewable fuels continue to be one of our most promising strategies to meet our climate protection objectives. We are pursuing opportunities to use renewable natural gas in both the boilers and bus fleet, as well as working with our airline partners to use aviation biofuels. We will also continue to build enough electric charging infrastructure so that both passengers and airlines can use electricity rather than fossil fuels to charge ground support equipment and on-road vehicles.

Objective 2: **Air Quality and Climate Change: 1) Reduce airport owned and controlled greenhouse gas emissions by 15% below 2005 levels by 2020 and 50% by 2037; 2) Reduce aircraft-related greenhouse gas emissions by 25% below 2005 levels by 2037; 3) Increase the percentage of passengers accessing the airport via environmentally-preferred modes of transportation from 60% in 2014 to 70% in 2020; and 4) Reduce air pollutant emissions by 50% from 2005 levels by 2037.**		
Performance Measure	**Performance Target**	**Actions**
Airport owned and controlled greenhouse gas (GHG) and air emissions.	Greenhouse gas emissions 15% below 2005 levels by 2020. Air emissions 50% below 2005 levels by 2037.	• Continue to evaluate RNG sources and, if appropriate, contract either with third party or directly with producer to fuel CNG buses and boilers with RNG. • Continue to implement green driver training. • Continue to replace STIA fleet vehicles with more fuel-efficient models o (~$50K for electric vehicle (EV) infrastructure & electrical upgrades.) • Develop a plan to meet WA mandate that governments use 100% alternative fuels for all vehicles by 2018, as practicable and determined by WA Dept. of Commerce.

		• Make recommendations to senior management Q1 2016 and, if appropriate, request Commission authorization. • File with WA State and Certify with ACI-Airport Carbon Accreditation (ACA).
Aircraft-related GHGs.	Aircraft-related GHG emissions 25% below 2005 levels by 2037. Air emissions 50% below 2005 levels by 2037.	**Aircraft** • Continue to improve PC Air system to increase utilization by airlines. • Explore options for incentives or penalties for airlines to use PC Air. • Recommend port role in advancing biofuel delivery. • Develop and implement plan to facilitate the procurement and use of biojet fuel at the airport, if feasible. • Seek commission policy guidance on biofuel approach and recommendations. **Aircraft-Related** • Monitor eGSE charger use and resolve issues. • Develop and implement plan to ensure 90% of eligible GSE vehicles use electricity including identifying opportunities to help airlines and baggage carriers replace petroleum-fueled GSE with eGSE. • Work with fuel consortium to develop central renewable fueling for GSE not compatible with electric conversion.

Percent of passengers using environmentally-preferred modes of travel to access the airport.	70% of passengers use environmentally-preferred modes of travel to access the airport by 2020.	• Develop plan for electric vehicles (EVs) at the Rental Car Facility.
		• Develop education program to help passengers use public transit to and from the airport
		  ○ $20K
		• Partner with external stakeholders to facilitate access to light rail and metro buses.
		• Continue to implement recommendations from bike plan, including working with stakeholders to facilitate bike access and provide infrastructure for employees and passengers traveling to and from the airport
		  ○ $20K
		• Evaluate demand and provide Level 1 and 2 charging in parking garage by 2018.
		  ○ $50K

Climate Resilient Airport.	Finalize Climate Adaptation & Resiliency Plan by 2016.	• Apply the information collected from the 2015 Vulnerability Assessment to the development of the 2016 Adaptation & Resiliency Strategy Plan ○ $20K

Objective 3: Materials Use & Recycling: Divert 50% of terminal and 15% of airfield solid waste by 2020. Divert 85% of construction waste by 2020; 90% by 2025 and reach zero waste by 2035. Reduce the volume of hazardous waste generated from Port maintenance and operations to meet requirements for Small Quantity Generator Status by 2020.

Background: Sea-Tac has increased our terminal waste diversion rate from 21% in 2009 to 34% in 2014, but we are still 15% away from our goal of 50%. Key efforts to help increase terminal diversion rates include 1) require tenants to use durable or compostable service ware, separate compostables and recyclables from garbage, and provide collection bins in pre and post-consumer areas of stores, and 2) if feasible and cost effective, implement a secondary-sorting program operated by the janitorial service. Staff will also continue to implement our Construction Waste Management master specification.

Objective 3: Materials Use & Recycling: Divert 50% of terminal and 15% of airfield solid waste by 2020. Divert 85% of construction waste by 2020; 90% by 2025 and reach zero waste by 2035. Reduce the volume of hazardous waste generated from Port maintenance and operations to meet requirements for Small Quantity Generator Status by 2020.		
Performance Measure	**Performance Target**	**2016-2020 Actions**
Percent of terminal and airfield waste diverted.	50% of terminal waste diverted.	• Evaluate solid waste management plan recommendations by Q1 2016. • Develop implementation plan by Q2 2016. • Begin implementing selected actions by Q3 2016.

	Divert an additional 5-15% of terminal waste.	• Evaluate costs, benefits, and incentives to implement mandatory recycling for tenants and employees by Q1 2016. • Ensure program mandates are referenced in tenant leases where appropriate.
	Divert an additional 2-5% of terminal waste.	• Continue to implement pilot projects and initiatives including restroom paper towel composting, checkpoint liquid waste reduction, and bag-well recycling o $95K • Evaluate innovative waste reduction proposals from janitorial service provider. • Expand recycling into underserved terminal areas o $10K
	Divert an additional 5% of terminal waste.	• Implement mandatory use of durable or compostable service-ware for airport food and beverage tenants by 2017.
Amount of hazardous waste generated.	Less than 220 lbs. of hazardous waste generated per month by 2020.	• Continually research and recommend less toxic substitutes for products (e.g., paint thinner, etc.) and other waste reduction opportunities for AV/M. • Secure agreement with AV/M for use of substitutes. • Work with Maintenance to evaluate AV/M processes that generate hazardous waste and identify reduction opportunities.
Amount of Construction, Demolition and Land-clearing (CDL) debris diverted from landfill	Divert 85% of CDL debris from landfill by 2020.	• Set CDL recycling targets for future projects. • Implement Construction Waste Specification on all construction projects and evaluate performance.

Objective 4: Energy and Conservation: Implement conservation projects and practices that will enable us to meet all future electricity load growth through conservation measures and renewable energy; reduce natural gas consumption per square foot of terminal (CA). See Strategy 4, Objective 4.

Objective 5: Water Conservation: Reduce projected future potable water consumption by 4% in 2020 and 12% in 2030.

Background: Without new conservation measures, increased enplanements will result in an estimated 30 percent increase in water use over the next fifteen years. Consumption would increase from 206 million gallons (MG) in 2013 to approximately 244 MG in 2020 and 307 MG in 2030. Measures needed to meet the water conservation objective include implementation of environmental performance standards for restrooms, use of rainwater for non-potable needs, irrigation management and other conservation efforts.

Water conservation measures will directly support attainment and maintenance of Salmon-Safe Certification and LEED certification.

Objective 5: Water Conservation: Reduce projected future potable water consumption by 4% in 2020 and 12% in 2030.		
Performance Measure	**Performance Target**	**2016-2020 Actions**
Water Use Reduction.	Reduce water consumption by 7.0 million gallons per year by 2020 (4% reduction) and 18.7 million gallons per year by 2030 (12% reduction.)	• Finalize the Water Use Reduction plan by 2016 Q2 and identify reduction targets for conservation measures (e.g. restrooms, rainwater capture, and tenants.)
	Reduce cooling tower potable water consumption.	• Develop a business case for garage rainwater capture and reuse with consideration of project costs, utility impacts and land use impacts 2016 Q1. • Present business case to Port management and if approved initiate a project in 2017.
	Reduce restroom potable water consumption minimize O&M.	• Continue to evaluate low flow fixtures with respect to O&M impacts and finalize environmental performance standards for restroom. • Retrofit up to 10 restrooms to new standards by 2020.
	Reuse of IWTP water results in reduction in potable water use.	• Negotiate permit conditions allowing reuse of IWTP water by Q1 2016. • Complete engineering report for one allowed use (e.g. dust control) by Q4 2016. • Initiate at least one IWTP water reuse project/program by Q4 2017 o $30K • Complete Airport Implementation Plan by Q2, 2017.
	Reduce potable water use through rainwater capture by over 2.0 million gallons per year by 2030	• Complete design for rooftop rainwater collection and reuse system as part of the NorthSTAR project in Q1 2016 • Complete NorthSTAR rainwater capture and reuse system by 2019. • Complete design for rooftop rainwater collection and reuse system as part of the IAF project by 2018.

Objective 6: Water Quality: Contribute to the restoration of Puget Sound and local receiving waters by providing water quality treatment, flow control, and using green stormwater infrastructure (where feasible) for airport industrial stormwater (CA)

Background: Stormwater Site Planning requirements will continue to be enforced on all new and redevelopment projects. Detention and water quality treatment best management practices will be implemented on all new and redeveloped surfaces as applicable. The Airport will develop implementation standards and procedures for stormwater Low Impact Development (LID) program that can be safely implemented in an airport environment.

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Water Quality measures will directly support attainment and maintenance of Salmon-Safe Certification and LEED certification.

Objective 6: Water Quality: Contribute to the restoration of Puget Sound and local receiving waters by providing water quality treatment, flow control, and using green stormwater infrastructure (where feasible) for airport industrial stormwater		
Performance Measure	**Performance Target**	**Actions**
Water quality treatment and flow control.	Maintain 100% treatment and flow control.	• Complete stormwater site plans for all projects as required by Airport's NPDES permit. • Identify new and modified facility needs for SAMP projects by Q2 2017. • Construct flow control and water quality facilities for SAMP projects.
Reduction of copper and zinc in stormwater	Maintain specific copper and zinc stormwater concentrations below NPDES permit levels.	• Construct treatment using bioretention media mix project for enhanced metals removal in SEPL redevelopment project in Q2 2016. • Evaluate media performance and identify enhancements for future application by Q3 2017. • Complete in-stream monitoring for copper in Des Moines Creek o $10K
Low Impact Development (LID) implementation	Use LID when appropriate.	• Submit Airport regulatory-based LID policy to Ecology for review by Q2 2016 and approval by Q4 2016 o $30K • Develop Airport implementation guidelines and procedures for LID policy implementation by Q1 2017 • Complete surface infiltration feasibility and opportunity study by Q1 2017 • Complete vegetated roof guidelines with Airport-specific limitation by Q2 2016

Objective 7: Education & Integration**:** institute an environmental education campaign to promote environmental stewardship and raise awareness of airport environmental and sustainability initiatives.
Background: The Airport recognizes that our sustainability initiatives are central to our brand. As such, we'll continue to develop "Sustainable In-Sights" to educate the public about our environmental projects throughout the Terminal and on the airfield, and create relaxing and sustainable experiences in the terminal and gate holding areas through our Experience Sustainability Concept.

Objective 7: Education & Integration: institute an environmental education campaign to promote environmental stewardship and raise awareness of airport environmental and sustainability initiatives.		
Performance Measure	**Performance Target**	**2016-2020 Actions**
Number of outreach projects completed.	Complete installation of Sustainable In-Sights messaging in Terminal.	• Continue implementing campaign revisions in terminal by Q1 2016 o $30K

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	Complete installation of at least one Experience Sustainability project.	• Develop messaging in the terminal for other environmental initiatives, including bicycle support, RNG, and energy conservation o $20K • Evaluate costs and benefits of using in flight magazines and broadcast radio for our sustainability messaging by Q4 2016 • Install 5 iBeacons (mobile messaging technology) to send Sustainable In-Sights messages to passengers by Q4 2016 • Integrate Experience Sustainability concept into NSAT design by Q4 2016 • Monitor future projects for opportunities to integrate concept

Objective 8: Seek LEED Certification for building projects based on Commission guidance and consistent with Century Agenda goals.
Background: USGBC's Leadership in Energy and Environmental Design or LEED provides the most recognized and comprehensive green building certification program in the US. Sea-Tac will continue to use LEED certification as a benchmark to reduce environmental impacts for our building projects.

Objective 8: Seek LEED Certification for building projects based on Commission guidance and consistent with Century Agenda goals.		
Performance Measure	**Performance Target**	**2016-2020 Actions**
LEED Certification.	Achieve LEED Master Site Designation, and Certification for IAF and NSAT.	• Obtain LEED Master Site Designation by Q1 2016 • Obtain LEED Certification for NSAT by Q3 2020 • Obtain LEED Certification for IAF by Q4 2020 • Continue to identify and develop environmental performance/green certification opportunities for tenants and partners o $50K

Objective 9: Fish and Wildlife Habitat**:** Protect, enhance and steward fish and wildlife habitat while maintaining air transportation safety

Background: The Airport will continue to minimize the impacts of wildlife hazard management actions and meet or exceed minimum requirements for monitoring and maintaining stream and wetland mitigation site performance.

Fish and Wildlife Habitat measures will directly support attainment and maintenance of Salmon-Safe Certification.

Best management practices for wildlife hazard management support this objective. Associated performance measures, targets and actions are reported under Strategy 1.1, Objective 1.0.

Objective 9: Fish and Wildlife Habitat: Protect, enhance and steward fish and wildlife habitat while maintaining air transportation safety		
Performance Measure	**Performance Target**	**2016-2020 Actions**
Meet or exceed requirements for natural resource protection.	• Habitat management plan.	• Complete habitat management plan establish objective goals and to prioritize actions by Q2 2016 o $25K
	• Implement protection, enhancement and stewardship actions.	• Monitor and enhance the old Tyee Valley Golf Course upland planting and plant pollinator habitat to attract native bees and other insects (Q3 2016.) • Participate in regional planning initiatives that promote habitat connectivity (ongoing).

__Strategy 4.0__: Keep airline costs (CPE) as low as possible without compromising operational and capital needs**.**

Objective 1: Maintain passenger airline cost per enplaned passenger (CPE) and forecasted CPE within the middle third of peer airports (list of 22 airports focusing on large hubs and Western U.S. airports) through 2020. (PS)

Background: CPE includes both operating and capital costs attributable to the passenger airline rate base. Under SLOA III, CPE is also impacted by revenue sharing. Over the next five years, we currently plan to invest approximately $1.7 billion in capital improvements. With these investments, there will be continued growth in airline rates and charges, causing CPE to grow. Maintaining a CPE in the middle third of our peer airports indicates that costs will be reasonable and that the investments are affordable.

Objective 1: Maintain passenger airline cost per enplaned passenger (CPE) and forecasted CPE within the middle third of peer airports (list of 22 airports focusing on large hubs and Western U.S. airports) through 2020. (PS)		
Performance Measure	**Performance Target**	**Actions**
Passenger airline cost per enplanement (CPE)	CPE within the middle third of 22 peer airports through 2020	• Compile peer airport CPE annually for most recent year for which comparative information is available (one or more year lag). • Compile/update annually most recent forecasts of peer airport CPE by July 1 so that target range is understood prior to launching annual budget process. • Consistently measure budget proposals and capital budget plans against these metrics. • Annually, set capital budget limit so that total five-year capital spending does not cause forecasted CPE to exceed forecasted CPE of middle third of 22 peer airports. • Set capital budget priorities and adjust timing of project spending as needed to stay within limit.

		• Determine Commission preferences regarding future rates and charges resolution vs. agreement.

Objective 2: Maintain Total baseline O&M costs (including Corporate, CDD and Police) at or below $12.00 per enplanement through 2020.

Background: This allows up to a 3.9% compound annual growth rate (CAGR) based on 2015 baseline budget costs. Baseline budget excludes any agreed upon target exceptions (e.g., Regulated Materials, Airline Realignment, etc.). These target exceptions are non-recurring or are driven by capital projects. This target does not include the O&M costs associated with major new facilities such as the proposed International Arrivals Facility (IAF).

Objective 2: Maintain total baseline O&M costs per enplanement (including Corporate, CDD and Police) at or below $12.68 through 2020.		
Performance Measure	**Performance Target**	**Actions**
Baseline operating and maintenance costs (total airport, covering both aeronautical and non-aeronautical businesses)	≤$12.68 per enplanement through 2020	• Set aggressive budget targets consistent with the target • Evaluate every open position (FTE) for repurposing or elimination before filling • Use Continuous Process Improvement (CPI) to mitigate cost growth (See Strategy 6.0) • Use energy conservation projects (see Objective 4 below) to reduce growth in energy costs.

Objective 3: Develop a balanced overall funding plan for the International Arrivals Facility (IAF) and other airport projects such that all airline rates and CPE are fair and are within the market of peer/competitor airports, thereby creating a level playing field for all of our airline partners.

Background: Capital costs paid with PFCs are not included in the airline rate base. Under the current airline agreement (SLOA III), airline rates are determined by cost and volume metrics for each major cost center. PFCs can be used to directly pay capital costs during construction or to pay revenue bond debt service in order to manage the capital costs to be recovered in a cost center. Under SLOA III (section 8.4.4), the Port also has the option to use non-airline revenues to offset FIS costs and thereby reduce the FIS rate. With these two financing tools, and based on the best available information about current and future airline rates and CPE, staff will strive to achieve the objective of maintaining “market” rates and CPE.

Objective 3: Develop a balanced overall funding plan for the International Arrivals Facility (IAF) and other airport projects such that all airline rates and CPE are fair and are within the market of peer/competitor airports, thereby creating a level playing field for all of our airline partners.		
Performance Measure	**Performance Target**	**Actions**
FIS rate	FIS rate is within the range of competitor Airports (such as: Los Angles, San Francisco, Denver, Portland, Vancouver)	• Submit PFC application to gain FAA authorization to use PFCs on IAF, North Satellite expansion, and Baggage Optimization projects in 2016 • Use up to $200 million of airport cash to fund construction costs of IAF, without charging the FIS rate base and amortization cost.

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		• Use up to $100 million of PFCs to fund construction costs of IAF. • Annually, use PFCs as needed upon opening of the IAF (2019) to reduce the FIS rate to within the range of competitor airports
Landing fee rate	Landing fee rate no higher than middle third of 22 peer airports	• Annually, use PFCs to pay revenue bond debt service of Third Runway capital costs in order to maintain Landing fee rate within target range.
Terminal Rents	Average Terminal rental rate is within the middle third of 22 peer airports	• Annually use PFCs to pay revenue bond debt service of PFC eligible projects such as Concourse A and Satellite Transit System • Include North Satellite expansion project in PFC application in 2016.

Objective 4: Implement conservation practices that will reduce natural gas usage and enable Airport to meet all future electricity load growth (2010 baseline) through conservation and renewable energy (CA).

Background: The baseline electrical consumption for 2010 was 17.539 average megawatts (aMW). This represents the maximum amount of electricity the Port can acquire from the Bonneville Power Administration at the low Tier I rate. For consumption above this level, the Airport pays the higher Tier II rate (currently 31% higher). To avoid paying this higher rate, the Airport will seek to reduce electrical consumption through conservation and upgrading to energy efficient lighting and mechanical systems. Capital improvements will focus on facilities and systems with greatest opportunities for improvement, but all investments will target a positive net present value (NPV).

Objective 4: Implement conservation practices that will reduce natural gas usage and enable Airport to meet all future electricity load growth (2010 baseline) through conservation and renewable energy (CA).

Performance Measure	Performance Target	Actions
Annual natural gas consumption in therms	Complete natural gas conservation projects	• Skybridge automatic doors on terminal side, installed in 2016 • Ongoing HVAC balancing for energy conservation • Complete mechanical conservation stage 3 project by 2016. These projects also conserve electricity

Annual electrical consumption in average megawatts (aMW)	Keep airport base load at less than 17.539 aMW	• Assess ramp lighting improvements and renewal/replacement in 2016, and install in 2017
		• Complete 50% of the work for garage lighting conservation project by Q4 2016 and remainder completed by Q3 2017
		  ○ CIP C800581, $6.2 M
		  ○ CIP C800658, $3.5 M

Energy efficient airport facilities	Energy Usage Index (EUI) identified for each airport facility to facilitate energy use improvements	• Complete design & installation of Smart Facility Management System to integrate electrical and mechanical data by 2018
		  o $100K in 2017
		• Develop electrical load growth forecasting tool via Master Plan by 2017
		  o $50K in 2016

Objective 5: Reduce Potable Water Costs

Background: Sea-Tac airport currently pays retail water rates from Seattle Public Utilities (SPU) with an estimated 2015 water expense of $2.1M. Sea-Tac airport has the potential of saving $0.9M annually for the same amount of water by transferring service from SPU to Highline Water District (HWD). SPU rates are $5.69 per CCF for winter 2015, and $7.23 CCF for Summer 2015, whereas, HWD rates are $3.55 per CCF (37% less) for Winter 2015 and $4.20 per CCF (42% less) for Summer 2015. One CCF is equal to one hundred cubic feet of water. Highline may require additional infrastructure in order to meet the Port's fire flow demand.

Objective 5: Reduce potable water costs		
Performance Measure	**Performance Target**	**Actions**
Water Rates	Future Commercial Water Rates below current rates	• Procure consultant • Retain consultant to assist staff in completing a hydraulic modeling analysis to determine feasibility of intertie with adjacent water district. Q1 2016 o Budget TBD

Objective 6: Manage financial activity to achieve targeted metrics. (PS)

Background: Achieving CPE objectives requires a comprehensive approach to managing financial performance taking into account a number of measures.

Objective 6: Manage financial activity to achieve targeted metrics. (PS)		
Performance Measure	**Performance Target**	**Actions**
Financial results	Achieve budgeted Net Operating Income each year	• Review financial results and update forecast at quarterly, adjust spending as needed
Competitive airport costs	Passenger airline cost per enplaned passenger (CPE) within middle third of 22 peer airports	• Annually review peer airports' CPE and publicly available projected CPE • Review capital spending plan and financial forecast of CPE against this metric. Adjust spending as needed.
Cash flow	Achieve debt service coverage > 1.25x each year	• Maintain 10-year cash flow forecast, adjust capital spending and expenses as needed
Liquidity	Maintain *average balance* of unrestricted cash and investments ≥ 10 months of O&M costs	• Build funding plan in accordance with assumed minimum cash balance • Review cash balance monthly, adjust funding plan or spending as needed

Leverage	Maintain debt/enplaned passenger within middle third of 22 peer airports	• Annually review peer airports' debt per enplaned passenger and publicly available projections of debt • Review capital spending plan and financial forecast of CPE against this metric. Adjust spending as needed

<u>Strategy 5.0</u>: Maximize non-aeronautical net operating income (NOI) consistent with current contracts, appropriate use of airport properties and market demand. (PS)

Objective 1: Grow Airport Dining and Retail sales per enplanement (SPE) from a 2014 SPE of $11.79 to $13.61 by the end of 2020.

Background: The lease transitions of the Airport Dining and Retail program began in 2015 following completion of a master plan for the program's redevelopment. The analysis of demand for ADR products and services continues, however, to be reviewed and updated, as necessary, consistent with new enplanement growth forecasts and further work on the overall Sustainable Airport Master Plan. Flexibility remains in the plan to adjust square footage requirements and category offerings to meet the needs of airlines and the traveling public. Infrastructure improvements to maximize square footage and tenant operations continue in 2016 with commencement of construction of elevator access to the mezzanine levels of the Central Terminal for new dining development.

Objective 1: Grow Airport Dining and Retail sales per enplanement (SPE) from a 2014 SPE of $11.79 to $13.61 by the end of 2020.		
Performance Measure	**Performance Target**	**Actions**
Sales per Enplanement (SPE)	$13.61 by the end of 2020	**<u>Program Redevelopment</u>** • Conduct Request for Proposal RFP processes for two large operator food service packages by the end of Q2 2016. • Conduct Competitive Evaluation Processes (CEP) for multiple small packages and individual units. • Initiate tenant design and construction processes for leases approved in late 2015 and 2016. • Open approximately 10 new or redeveloped locations in 2016. • Open new Concourse A anchor restaurant with integrated live music performance capacity by end of 2016. • Finalize planning and design for dining, retail and services locations as a part of the NorthSTAR project design by the end of 2016. • Execute transition of units in accordance with ADR Master Plan phasing plan each year 2016-2021. • Develop and lease North Satellite units in conjunction with NorthSTAR. • Complete re-demising of units in ADR Master Plan (phasing and leasing plan elements) Phase I by end of Q2 2016 in

		preparation for new leasing in 2016-2017. • Develop new dining and retail branding and marketing strategy that also serves to elevate the brand identity of the music program and the airport as a whole, to coincide with opening of new units in 2016. • Prepare new solicitation for airport advertising contract for issuance at end of Q1 2017 to include plans for new inventory in future IAF and NorthSTAR facilities as well as provisions for WA tourism promotion program.

Objective 2: Grow garage parking revenues from $59.9 million forecast in 2015 to $69.5 million by the end of 2020.

Background: The airport parking market at Sea-Tac is one of the most competitive in the nation with approximately 32 different operators competing for the 1+ day airport parking transactions. This business plan is designed to improve the competitiveness of the airport's garage within this highly competitive environment.

Objective 2: Grow garage parking revenues from $59.9 million forecast in 2015 to $69.5 million by the end of 2020.		
Performance Measure	**Performance Target**	**Actions**
Parking revenues	$69.5 million by the end of 2020.	**<u>New Programs and Services</u>** • Procure and install a new Parking Revenue Control System (PRCS) to enable full implementation of revenue-generating programs and services by the end of 2017. • If a pre-booking system unintegrated with the PRCS is determined to be feasible, implement it in Q1 2016. • Integrate pre-booking system with the PRCS by end of 2017. • Determine long-term plan for introducing remote parking products by end of 2016. • Expand use of the existing coupon program by achieving 90,000 passengers enrolled in the program and $1.93 million generated of net new revenue by the end of Q4, 2016. **<u>Customer Experience</u>** • Continue implementation of the Garage Improvement Plan with maintenance/appearance improvements to Floor 3 by end of 2016. Elements to include deep cleaning, striping removal and replacement, and column and beam painting.

		• Continue implementation of the Garage Improvement Plan, deep-cleaning and restriping/painting one floor per year: 2017 – 2020. • Expand the new parking ambassador program to encompass additional floors of the garage beyond floor 4. • Determine plan for parking guidance system improvements by end of 2016.

Objective 3: Grow annual revenues from leasing Airport property to $3.7 Million per year by the end of 2020.

Background: The Airport has 183 acres of property (note: this does not include property where development has been put on hold until the completion of SAMP or the Des Moines Creek Business Park 1 where development is already underway) that have been identified for development. The vast majority of these properties were acquired using funds provided by the FAA through their mandated Noise Mitigation Program. Within the FAA grant assurances associated with these funds, there is a requirement to put these properties back into productive uses, supportive of the airport. The primary focus is to prepare these properties for offerings to private sector developers as ground leases to generate non-airline revenue for the Airport as well as create jobs and opportunities in the community. (The Real Estate Division manages these real estate initiatives; Aviation Business Development is the Airport "Client".)

Objective 3: Grow annual revenues from leasing Airport property to $3.7 Million per year by the end of 2020.		
Performance Measure	**Performance Target**	**Actions**
Lease revenues	$3.7 Million per year by end of 2020.	**Properties in Burien:** ***Northeast Redevelopment Areas 2 and 3:*** • Complete design & infrastructure planning 2016 – 2018, using FAA pilot program funding. • Secure Commission approval of ground lease. • Coordinate entitlement permitting work with a developer. **Properties in Des Moines:** ***Des Moines Creek Business Park (DMCBP) 1 – 87 acres*:** • Monitor completion of Phase 1 improvements by end of Q1 2016 consistent with the approved plans and specifications. • Finalize and execute Phase 2 ground lease by end of Q3 2016. • Monitor completion of Phase 2 improvements Q4 2016 – 2017 consistent with the approved plans and specifications.

		• Finalize and execute Phase 3 ground lease to support the FAA regional office facility by the end of Q1 2016. ***DMCBP 2 – 17 acres:*** • Collaborate with City of Des Moines to prepare a plan for the site's redevelopment by end of 2016. **Properties in SeaTac:** **L Shape - 26.2 acres:** • On-hold until SAMP is complete. **DMCBP 3 – 28.7 acres:** • Initiate conceptual planning by end of 2016. • Prepare plan for site's redevelopment by end of 2017. **28th Avenue S. Development Area – 35.7 acres**: • On-hold until SAMP is complete. **North of Runway Parcel – 13 Acres**. • On hold until SAMP is complete.

Objective 4: Grow revenues from ground transportation service providers operating at the Airport from $8.5 Million forecasted in 2015 to $9.3 Million by the end of 2020.

Background: Ground transportation services at Sea-Tac consist of ten different operating classes ranging from taxis to courtesy shuttles. New types of services, referred to as transportation network companies (TNC's – Uber, Lyft, Sidecar, etc.), have entered the Puget Sound market in recent years. The focus for this business plan is managing the ground transportation program amidst both the rapid growth of the airport and the significant changes taking place within the ground transportation industry.

Objective 4: Grow revenues from ground transportation service providers operating at the Airport from $8.5 Million forecasted in 2015 to $9.3 Million by the end of 2020.		
Performance Measure	**Performance Target**	**Actions**
Revenues from ground transportation service providers operating at the Airport.	$9.3 Million by the end of 2020.	• Evaluate performance of TNCs under new agreement established in 2015 and determine how to proceed contractually in 2016. • Release RFP on Q2 2016 for on-demand taxi contract and select operator by end of Q3 2016. • Develop comprehensive ground transportation strategy by end of Q2 2016.

Objective 5: Increase the revenues generated from the Airport's common-use lounge business from $2.4 Million forecasted in 2015 to $3.2 Million by the end of 2020.

Background: The Airport has been operating two common-use lounges at Sea-Tac, one located on the South Satellite and the other on Concourse A, through a management contract initiated in 2010. A new agreement with a new operator commenced in early 2015 for a term of three years with two one-year options to extend. With the new lounge contract, there are opportunities for growth through a broadening of the customer base to include non-airline affiliated customers, and by extending hours of operation. In addition, with the forecasted growth of enplanements and the increasing need of primarily international, but also domestic carriers for lounge space, opportunities will be explored to expand the number of common-use lounges at Sea-Tac over the next several years.

Objective 5: Increase the revenues generated from the Airport's common-use lounge business from $2.4 Million forecasted in 2015 to $3.2 Million by the end of 2020.		
Performance Measure	**Performance Target**	**Actions**
Revenues from common-use lounge services.	Lounge revenues exceed $3 Million by the end of 2020.	• Implement enhanced lounge service offerings by the end of Q1, 2016. • In light of airlines changing their offering of lounges at SEA, evaluate demand for airport's common-use lounges.

<u>**Strategy 6.0:**</u> Continually invest in a culture of employee development, organizational improvement, and business agility.

Objective 1: Grow a mature Business Intelligence (BI) and performance management capability, which will achieve broad data-driven decision making by 2019.

Background: "Business intelligence" describes a set of resources, processes, and tools that allows the analysis of data or information in new and novel ways that can produce better business decisions in a shorter period. The Airport's BI program enables employees to answer business questions with agility, improves employee efficiency, and supports data-driven and informed planning and decision-making.

Objective 1: Grow a mature Business Intelligence (BI) and performance management capability, which will achieve broad data-driven decision making by 2019.		
Performance Measure	**Performance Target**	**Actions**

BI Strategy Plan execution (including development of BI governance; data and analytic standards and capabilities, and information management (storage/extraction) efficiencies	• New governance structure in place by Q2 2016
	• Data and analytics standards implementation by Q1
	• 50% of existing ETL processes automated by Q4 2016
		• Develop governance policy and procedures, data standards and analytics best practices. Assess best practices and identify necessary skills to develop additional advanced analytical and market research capabilities.
		  o $40K 2016 (consultant)
		• Automate ETL processes for external cloud data source access (CPI/Lean project permanently eliminating manual processes)
		  o $75K for on call consultant

Increase staff use of BI content.	BI content is actively used by 50% of Aviation Division staff by 2019 (2014: 6%)	• Complete eight new BI projects in 2015 driven by business needs and providing measurable benefit across various Airport departments.

		• Complete an additional 8, or more projects per year through 2019. o 2016 Budget: Resource
Airport staff analytical production and consumption capabilities	Participation of 50 staff in workshops	• Develop on-line training curriculum for graphical literacy /analytical methods by Q4 2016; o $52K om 2015 for consultant + capacity above resource

Objective 2: Improve airport work process flows and business agility

Background: The airport staff and certain work flows have benefitted from Lean process improvements. Continue that work at the airport to support corporate wide strategic innovations and Lean direction. Contingent upon pending broader direction to be noted in corporate business plans, the airport intends to improve processes in two areas.

Objective 2: Improve airport work process flows and business agility		
Performance Measure	**Performance Target**	**Actions**
Work processes have improved flow	• Waste is measurably minimized within work flows	• Improve airport drawing review system flow • Begin initial improvements within several maintenance work groups

Note: additional objectives and actions will be developed in alignment with Port-wide strategies that are still under development.

Strategy 7.0 Maintain valued community partnerships based on mutual understanding and socially responsible practices.

Objective 1: Implement noise mitigation programs consistent with updated Part 150 and Commission direction.

Background: The Federal Aviation Regulation (FAR) Part 150 Noise and Land Use Compatibility Study approved by the FAA in 2014 updated the airport's Noise Exposure Map (NEM) and Noise Compatibility Program (NCP). Studies to determine the feasibility of implementing noise insulation programs for apartment buildings and places of worship are being conducted during 2015. Results of those studies will be presented to Commission in early 2016, and implementation of the measures documented in the NCP is scheduled to begin upon Commission authorization to proceed.

Objective 1: Implement noise mitigation programs consistent with updated Part 150 and Commission direction.		
Performance Measure	**Performance Target**	**Actions**
New Part 150 programs	• Project priorities identified and approved • Obtain AIP funding • Implementation of prioritized mitigation programs	• Brief Commission on project priority plan Q1 2016 • Develop proposed program plan and new capital program for Investment Committee and Commission approval by end of Q2 2016 • Initiate procurement processes and grant applications for new projects by end of Q3 2016

		• Secure grant funding and commence new programs 2016 – 2020 • Budget for all new programs approx. $42M (capital and expense)
Highline Schools sound insulation projects	• Insulate school buildings (timing TBD on availability of district funding)	• Insulate school buildings ○ Budget: $38.5M unspent (MOA)
Ground Run Up Enclosure	• Decisions made about feasibility and siting • Obtain AIP funding	• Determine location and appropriate timing of construction Q1 2016 • Conduct environmental review (if necessary), noise evaluations, design and permitting 2016 – 2017 • Apply for AIP grant 2017 • Construct 2018 – 2019

Objective 2: Collect accurate data to monitor compliance with noise abatement procedures and investigate stakeholder inquiries about airport noise.

Background: The Noise Programs Office operates a noise and operations monitoring system (NOMS) to ensure airline compliance with noise abatement procedures, analyze data and investigate inquiries about noise. The system consists of noise monitors, a software system and public website. NOMS data is used to manage the Port's annual Fly Quiet Program and is critical to producing information required by the FAA and responding to an annual average of 2,000 public inquiries about noise.

Objective 2: **Collect accurate data to monitor compliance with noise abatement procedures and investigate stakeholder inquiries about airport noise**.		
Performance Measure	**Performance Target**	**Actions**
Noise monitor and flight tracking system is operational and provides accurate data	• Monitor noise abatement procedures • Provide specialized airport noise and flight tracking reports • Track historic and current noise trends	• Review noise abatement procedure compliance with FAA monthly 2016 – 2020 • Respond to community inquires 2016 - 2020 • Fly Quiet Program 2016 - 2020 • Conduct noise contour review required by prior litigation Q4 2017 and Q4 2020 ○ Budget TBD expense (Staff/O&M)

Objective 3: Facilitate and maintain effective inter-jurisdictional partnerships, with the goal of securing local support for Port priorities and redevelopment of Port-owned land in airport communities.

Background: Collaboration with airport cities to redevelop Port-owned property under their regulatory jurisdiction achieves the joint goal of returning these properties to productive use. Effective community partnerships provide a structure for airport cities to engage with the Port on airport operational and growth issues that impact airport communities. These actions advance Century Agenda economic development goals and sustain mutually supportive relationships with airport community residents, city leaders and policy-makers.

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<table>
<tr><td colspan="3">Objective 3: Facilitate and maintain effective inter-jurisdictional partnerships, with the goal of securing local support for Port priorities and redevelopment of Port-owned land in airport communities.</td></tr>
<tr><td>Performance Measure</td><td>Performance Target</td><td>Actions</td></tr>
<tr><td>• Airport communities understand and are engaged in decisions about development of Port-owned property under local government control
• Airport communities understand and support Port planning decisions required to accommodate airport growth
• Airport communities support the Port's leadership on economic development initiatives</td><td>• Airport issues communication plans align with Port-wide communication plans and strategies
• Airport community participation in SAMP public processes for identified projects
• Airport land use compatibility issues are resolved and local development interests are aligned with Port priorities
• Opportunities for joint pursuit of resources are identified and initiated</td><td>• Facilitate meetings with community coalitions - Highline Forum and Soundside Alliance 2016 - 2020
  o Budget: $5K/yr. Soundside Alliance
• Sponsor SW King County Chamber events 2016 - 2020
  o Budget: $12K/yr. expense
• Develop and distribute Airmail, Airport Check-In and other written communications 2016 - 2020
  o Budget: (AirMail) $10K/yr. expense
• Assess and respond to Aviation Division needs for communicating with diverse audiences 2016 - 2020
  o Budget: $25K/yr. expense
• Manage SAMP airport community engagement and outreach strategy
• Provide regular SAMP updates to targeted airport communities, local, state and federal legislative offices, agency officials, and trade/travel industries in proximity to public commission briefings
• Integrate SAMP updates and key messages in educational outreach and Port speaking engagements
• Reinforce for regional and airport audiences that Sea-Tac is a leading economic development engine and collaborates to identify community economic benefit from Airport activity growth.
  o Facilitate meetings between Port and airport community leaders and decision-makers 2016 – 2020. See Strategy 5, Objective 3
• Execute new Port of Seattle/City of SeaTac ILA February 1, 2016
• Administer new ILA 2016 – 2020</td></tr>
</table>

Objective 4: Implement, administer and monitor Aviation Division programs that support Port-wide workforce development strategies and Commission Quality Jobs policies (CA).

Background: The Port is committed to developing sustainable programs and services that provide opportunities for individuals to access training and career advancement. This work requires ongoing collaboration with a variety of partners to create strategies for increasing workforce training and employment opportunities.

Objective 4: Implement new aviation division programs that support Port-wide workforce development strategies and Commission Quality Jobs policies.		
Performance Measure	**Performance Target**	**Actions**
Aviation Division education and workforce development programs supporting Quality Jobs policies	• Annual high school internships funded and implemented • Increased number of airport-based career awareness opportunities for students	• Facilitate high school internships and expand aviation career awareness programs by Q4 2016 • Coordinate career awareness (engineering, skilled trades) activities in collaboration with local school district(s) by Q4 2016 o Budget: Interns $25,000 expense
Compliance with Resolution 3694	• Increased employee retention (airport employers) • Decreased number of safety and security violations (airport employers)	• Utilize custom-designed software tracking system to monitor compliance with Resolution 3694 (timeframe uncertain – based on 3694 implementation) o Budget TBD
Employment Continuity Pool	• Participation available to all eligible ADR tenant employees	• Database operational for 2016 affected employees Q1 2016 • Vendor procedures for engagement with employers established Q1 2016 • Vendor performance metrics established Q1 2016 • Vendor reporting schedule and requirements established Q1 2016 • Job fairs and other events as necessary 2016 – 2017 • Budget TBD, as outcome of 2015 procurement

Objective 5: Contribute to Port-wide small business goals by facilitating access to Aviation Division opportunities for local businesses (CA). (This objective may be updated upon completion of the Economic Development/OSR business plan.)

Background: The Port encourages small businesses from communities around the airport to access airport/port business opportunities and includes in project plans methods to facilitate and support small business participation.

Objective 5: Contribute to Port-wide small business goals by facilitating access to aviation division opportunities for local businesses. (This objective may be updated upon completion of the Economic Development/OSR business plan.)		
Performance Measure	**Performance Target**	**Actions**
Percentage of gross sales generated by small businesses (ADR)	• Maintain approximately 35% of gross sales during leasing transition (35% is the current participation rate for small businesses)	• Implement minimum of two targeted events and outreach to local small business restaurant and retail community in Q1 and Q3 2016 o $30K per outreach event

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	• Maintain full tenancy in small business kiosk program	
Increased competition for tenant design and construction projects (ADR)	• Database containing at least 50 local vendors of architectural, engineering and construction services to serve future tenant build-out projects	• Launch online curriculum for prospective local construction firms Q1 2016 • Build database of firms completing online curriculum Q3 2016 o $25K database development and management

D. 2016 OPERATING BUDGET SUMMARY

Background

From a financial perspective, the Aviation Division has two sides to its business: Aeronautical and Non-aeronautical. On the Aeronautical side, where airline rates are set to recover costs, the Port's goal is to manage costs. The primary measure of an airport's cost to the airlines is the airline cost per enplanement (CPE). The "costs" include the operating and maintenance costs attributable to the airfield and the airline share of the terminal operating and maintenance costs (based on the percentage of revenue producing space split between airlines and other Port tenants), as well as the corresponding capital costs (either debt service or equity amortization). The Port does not charge airlines for the capital costs of any asset funded by Passenger Facility Charges (PFCs) or grants.

On the Non-aeronautical side of the business, the primary goal is to increase cash flow as measured by net operating income (NOI). The net cash flow can be used to directly fund capital improvements and build up cash reserves to meet liquidity targets.

This cash flow also provides the vast majority of the revenue sharing that is credited to the signatory airlines in accordance with the terms of the Signatory and Lease and Operating Agreement (SLOA III). Under the terms of SLOA III, of the net cash flow available for debt service that exceeds 125% of debt service (if any), 50% is credited to the signatory airlines.

Overview of Major Changes in 2016 Budget

The 2016 budget reflects the significant growth in enplanements occurring in 2015 (12.5%) and continued growth expected for 2016 (5.5%). This activity growth and a strong regional economy has stimulated passenger spending for parking, rental cars and terminal dining and retail. The increase in non-aeronautical revenue contributes to greater revenue sharing, which also minimizes the growth in aeronautical revenues. The multi-year Sustainable Airport Master Plan will be completed in 2016, and planning efforts will shift toward implementation of the multiple projects identified during the master planning process. 2016 will also see a continued ramp up in the airport capital program.

Revenues

Non-aeronautical revenues are up $19.9 million or 10.5% above the 2015 budget due to increased enplaned passengers at Sea-Tac. Continued growth expected in all business units, but particularly strong in public parking, airport dining and retail, and rental cars.

Aeronautical rate base revenues are budgeted to increase by 10.4%, reflecting increases in both capital and operating costs. Anticipated revenue sharing of over $28 million will offset this growth so that total airline revenues are budgeted to increase by 7.7%.

For 2016, revenues will be reduced by $3.6 million to amortize the lease incentive that was incorporated into the Signatory Lease and Operating Agreement in 2013. A similar amount will be amortized in 2017.

Operating Expense Drivers

Total airport operating expenses (including Corporate costs and environmental remediation costs) are budgeted to increase by $20.1 million, or 8.1%. The 2016 baseline budget reflects increases in payroll costs for existing staff, increased expenses for contracted services, and increased costs associated with rising non-aeronautical revenues. The 2016 budget also includes the impact of a net increase of 15.8 full-time equivalents (FTEs) compared to the 2015 budget, due to key operational positions added during 2015 and a proposed increase of 12.0 FTE's in the 2016 budget to support the continued growth in passenger volumes. In addition, the 2016 budget includes $10.2 million in non-recurring baseline expenses primarily focused on implementation of master plan projects and non-aeronautical revenue development.

Links to Century Agenda:
The 2016 Operating Budget includes staff resources that work on many elements of the Century Agenda. New budget requests for 2016 that specifically support the Century Agenda include the following:

1. Make Sea-Tac the west coast "Gateway of Choice" for international travel and double the number of international flights and destinations:
   - Meet commitments under international incentive program for new services introduced in 2014.
2. Meet the region's air transportation needs at Sea-Tac Airport for the next 25 years:
   - Sustainability Master Plan - $1,500,000 in 2016, total of approximately $6.0 million.
   - Environmental review process begins for proposed master plan projects - $2,000,000 in 2016

The following tables explain the detailed changes to the Aviation Division budget. The total operating and maintenance costs of the airport also include costs from Corporate and other divisions.

Aviation 2016 Budget Summary Compared to 2015 Budget:

in 000's	Approved 2015 Budget	Proposed 2016 Budget	Budget Change $	%
Baseline Budget	**161,358**	**161,358**		
Baseline Cost Reductions/Savings		(2,205)		
Baseline Cost Increases		6,637		
Net Change to Baseline Budget	**161,358**	**165,789**	**4,431**	**2.7%**
Proposed additions to Baseline	-	4,322	4,322	
Revised Baseline Budget	**161,358**	**170,111**	**8,753**	**5.4%**
Non-recurring Expenses	6,014	10,158	4,144	68.9%
Budget before Exceptions	**167,372**	**180,269**	**12,897**	**7.7%**
Exceptions:				
Regulated Materials (ERL)	2,642	3,246	604	**22.9%**
Aviation O&M Budget	**$ 170,014**	**$ 183,515**	**$ 13,501**	**7.9%**

Consistent with the long-term objective of managing the growth of operating and maintenance costs, the focus of the 2016 budget was to ensure controlled growth of baseline Airport O&M. Consequently, major non-recurring baseline expenses and exceptions to baseline expenses are segregated from recurring baseline expenses. The 2016 budget has been closely scrutinized and the proposed budget is based on expected spending needs for 2016, not the prior year's budget. As a result, the cost increases for payroll and contracted services have been partially offset by significant cuts or savings in the baseline budget. The 5.4% growth in the recurring portion of the baseline budget was considered necessary to support the continued growth in passenger volumes. The following tables provide details of the key elements in the cost reductions and cost increases reflected in the 2016 budget.

The following tables highlight the changes to the baseline budget, as well as the exceptions to the baseline budget.

Aviation 2016 Baseline Cost Reductions/Savings:

2016 Baseline Cost Reductions/Savings:		**$000's**
Payroll Savings (before new FTE requests)		
Remove (10) FTE positions on hold	841	
CPI/Lean FTE's transferred to Corporate (OSI)	445	
Eliminate (1) FTE - Sr. Internal Control Analyst	117	
Eliminate (1) FTE - Mgr Airline Systems & Svcs	154	
Salary savings - vacant FTE's to midpoint	81	
Payroll charges to capital projects increased	129	
Lower unemployment expense & OPEB	88	
Other payroll savings (zero based budgeting)	98	
Total Payroll Decrease (before new FTE's)		**1,953**
Non-Payroll Savings (zero based budgeting)		
Lower utility demands - RCF	85	
Other non-payroll savings (zero based budgeting)	168	
Total Non-Payroll Savings		**253**
Total 2016 Baseline Cost Reductions		**2,205**

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Aviation 2016 Baseline Budget Cost Increases:

2016 Baseline Cost Increases:		**$000's**
Payroll Increases (before new FTE requests)		
New FTE's approved (16) during 2015	882	
Annualized (14) new FTE's approved in 2015 Budget	433	
Average payroll increase (3.4%)	891	
Average represented wage increase	612	
Increase in overall benefits	720	
Adjustment for 40 hour work week	225	
Job evaluation outcomes resulting in pay increases	180	
Other payroll adjustments (zero based budgeting)	65	
Total Payroll Increase (before new FTE's)		**4,007**
Contractual & Formulaic Cost Increases		
Worker's Comp expense increase	335	
Aeronautical B&O tax increase	335	
Maintenance contract increases	203	
Other Non-Payroll Increases (zero based budgeting)	89	
Total Contractual Increases		**962**
Non-Aero costs related to revenue growth		
Amortization - prepaid frontage fees (DMCBP)	593	
Clubs & Lounges - increased operating costs	499	
B&O tax increase	166	
Increase in credit card fees	193	
Other Non-Aero Revenue Growth costs	216	
Total Non-Aero Cost Increases		**1,667**
Total 2016 Baseline Cost Increases		**6,637**

Aviation 2016 Proposed Additions to Baseline Budget:

2016 Baseline Budget Requests:	**$000's**
Janitorial - due to passenger volumes	
Janitorial contract scope increase	2,350
Sr. Contract Administrator (1) FTE	99
Baggage System - due to bag volumes	
Additional staffing (6) FTE's	508
PathFinders (4) FTE's - due to passenger volumes	260
Painters (3) FTE's - deferred asset mgmt	217
Increased badging costs - volume & regulations	237
Airline Technical Representative - consultant	164
All other Baseline budget requests	488
Total 2016 Baseline Budget Requests	**4,322**

Aviation 2016 Proposed Additional Non-recurring Expenses:

2016 Non-recurring Budget Requests:	**$000's**
Sustainable Master Plan	
SAMP - scheduled to complete in 2016	1,500
SAMP Environmental Review (NEPA/SEPA)	2,000
Adv Planning IDIQ for Master Plan projects	2,000
Baggage System - due to bag volumes	
Biodiverters (contracted services)	73
Additional baggage tubs	100
Non-Airline Revenue Development	
Burien NERA 3 - FAA pilot program	1,500
ADR leasing consultant	756
Reconfiguration of SSAT Lounge	245
Parking pre-booking system services	130
Airport Obstruction Removal (trees)	750
Air Incentive Program - new int'l service	58
All other Non-recurring budget requests	1,046
Total 2016 Non-recurring Budget Requests	**10,158**

Summary of Strategic Initiatives Included in 2016 Budget:

2016 Baseline Budget Requests:	**$000's**
Strategic Initiatives:	
Safe, Secure Airport	1,083
Customer Needs/Capacity	5,906
Asset Management	712
Customer Service	3,535
Environmental Innovation	75
Airline Cost Management	30
Non-Airline Revenue Development	2,886
Employee/Organizational Development	54
Community Partnership	200
Total 2016 Baseline Budget Requests	**14,480**

Aeronautical Business

$ in 000's	2014 Actual	2015 Budget	2015 Forecast	2016 Budget	Budget Change $	Budget Change %
Revenues:						
Movement Area	75,403	78,635	78,513	95,220	16,585	21.1%
Apron Area	11,290	11,233	10,464	14,120	2,887	25.7%
Terminal Rents	141,822	153,167	148,888	159,593	6,426	4.2%
Federal Inspection Services (FIS)	8,927	10,360	10,042	10,836	476	4.6%
Total Rate Base Revenues	**237,442**	**253,395**	**247,907**	**279,768**	**26,373**	**10.4%**
Commercial Area	8,328	8,445	8,955	9,306	861	10.2%
Subtotal before Revenue Sharing	**245,770**	**261,840**	**256,863**	**289,074**	**27,234**	**10.4%**
Revenue Sharing	(16,905)	(19,488)	(25,573)	(28,055)	(8,567)	44.0%
Total Aeronautical Revenues	**228,864**	**242,352**	**231,289**	**261,019**	**18,667**	**7.7%**
Total Aeronautical Expenses	**150,359**	**156,871**	**152,856**	**170,559**	**13,688**	**8.7%**
Net Operating Income	**78,505**	**85,481**	**78,434**	**90,460**	**4,979**	**5.8%**
Debt Service	82,029	84,496	82,253	91,723	7,227	8.6%
Net Cash Flow	**(3,525)**	**985**	**(3,819)**	**(1,263)**	**(2,248)**	**-228.2%**

Aeronautical Cost Drivers – Rate Base Only

$ in 000's	2014 Actual	2015 Budget	2015 Forecast	2016 Budget	Budget Change $	Budget Change %
O&M	145,529	152,822	148,967	166,776	13,954	9.1%
Debt Service Gross	109,410	113,121	111,225	120,668	7,547	6.7%
Debt Service PFC Offset	(30,975)	(32,584)	(32,444)	(32,583)	2	0.0%
Amortization	20,023	24,358	24,377	28,338	3,981	16.3%
Space Vacancy	(4,087)	(3,605)	(3,503)	(2,431)	1,174	-32.6%
TSA Grant and Other	(2,459)	(715)	(715)	(1,000)	(285)	39.8%
Total Rate Base Revenues	**237,442**	**253,395**	**247,907**	**279,768**	**26,373**	**10.4%**

Highlights (Change over 2015 Budget):

- Operating Expenses up $13.7M:
  - Increase in corporate allocations ($4.2M) and divisional allocations ($3.9M)
  - $2.1M increase in janitorial expense, $1.0M increase for new security FTEs
  - $0.8M increase for Airfield Environmental Remediation and $0.8M for tree obstruction removal
- Debt Service up $7.2M:
  - 2015 Bond debt service of $4.8M (e.g. Runway 16C)
  - $2.7M in existing debt service amortization
- Amortization (use of ADF) up $4M:
  - $0.7M APC kiosks in FIS, $0.7M C60-C61 BHS Modifications, $0.4M FIMS/CUSE, $0.3M Concourse D roof replacement

Non-Aeronautical Business

$ in 000's	2014 Actual	2015 Budget	2015 Forecast	2016 Budget	Budget Change $	Budget Change %
Non-Aero Revenues						
Public Parking	57,128	58,925	62,591	66,847	7,922	13.4%
Rental Cars - Operations	32,496	32,772	32,460	35,398	2,626	8.0%
Rental Cars - Operating CFC	13,608	12,172	12,484	12,767	595	4.9%
Ground Transportation	8,333	8,244	8,309	8,327	83	1.0%
Airport Dining & Retail	46,954	49,883	50,764	54,429	4,546	9.1%
Commercial Properties	6,638	8,204	8,166	10,251	2,047	24.9%
Utilities	6,736	8,279	7,286	7,626	(653)	-7.9%
Other	8,899	9,986	11,951	12,676	2,689	26.9%
Total Non-Aero Revenues	**180,791**	**188,465**	**194,011**	**208,321**	**19,855**	**10.5%**
Total Non-Aero Expenses	**80,345**	**91,270**	**87,008**	**97,657**	**6,387**	**7.0%**
Net Operating Income	**100,446**	**97,195**	**107,003**	**110,664**	13,468	13.9%
Less: CFC Surplus [1]	(6,497)	(4,760)	(4,457)	(5,146)	386	-7.5%
Adjusted Non-Aero NOI	**93,949**	**92,436**	**102,546**	**105,518**	**13,082**	**14.2%**
Debt Service	45,209	43,847	42,835	43,494	353	0.8%
Net Cash Flow [2]	**48,740**	**48,589**	**59,710**	**62,024**	**13,435**	**27.6%**

(1) $3M in commercial paper will be paid down in 2016, which reduces both CFC operative revenue and the CFC surplus
(2) Non-aero cash flow is the primary source of airline revenue sharing. Strong growth in non-aero revenue is reflected in the 2016 increase in revenue sharing

Highlights:

- 2016 budget anticipates growth across all major non-airline business units due to growing passengers volumes and improving economy.
- The major components of other revenues include employee parking, utilities, and clubs/lounges

Non-Airline Key Indicators

	2014 Actual	2015 Budget	2015 Forecast	2016 Budget	Budget Change $	Budget Change %
Revenues per Enplanement						
Parking	3.05	3.04	2.97	3.01	(0.04)	-1.2%
Rental Cars (includes Operating CFC)	2.46	2.32	2.13	2.17	(0.15)	-6.6%
Ground Transportation	0.45	0.43	0.39	0.37	(0.05)	-12.0%
Airport Dining and Retail	2.51	2.58	2.41	2.45	(0.13)	-4.9%
Commercial Properties	0.35	0.42	0.39	0.46	0.04	8.9%
Utilities	0.36	0.43	0.35	0.34	(0.08)	-19.7%
Other	0.48	0.52	0.57	0.57	0.05	10.6%
Total Revenues	**9.66**	**9.74**	**9.21**	**9.38**	**(0.36)**	**-3.7%**
Primary Concessions Sales / Enpl	**11.78**	**11.88**	**11.79**	**11.85**	**(0.03)**	**-0.3%**

OPERATING BUDGET SUMMARY

TABLE IV-4: REVENUE BY ACCOUNT

Revenue by Account ($ in 000's)	Notes	2014 Actual	2015 Budget	2016 Budget	% Change 2016 Bud-2015 Bud
Operating Revenue					
Equipment Rental		$ 2,649	$ 2,737	$ 2,986	9.1%
Landing Fees		73,907	77,373	93,197	20.5%
Airport Transportation Fees		8,124	8,109	8,190	1.0%
Parking Revenue		61,390	63,484	72,146	13.6%
Car Rental Revenue		42,563	41,367	44,548	7.7%
Revenue from Sale of Utilities		6,219	8,022	6,972	-13.1%
Property Rental Revenue		199,621	213,616	220,041	3.0%
Other Revenues		15,166	16,110	21,260	32.0%
SLOA III Incentive		(3,576)	(3,576)	(3,576)	0.0%
Total Operating Revenue	1	**$ 406,063**	**$ 427,242**	**$ 465,764**	**9.0%**

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FIGURE IV-3: AVIATION DIVISION REVENUE BY ACCOUNT

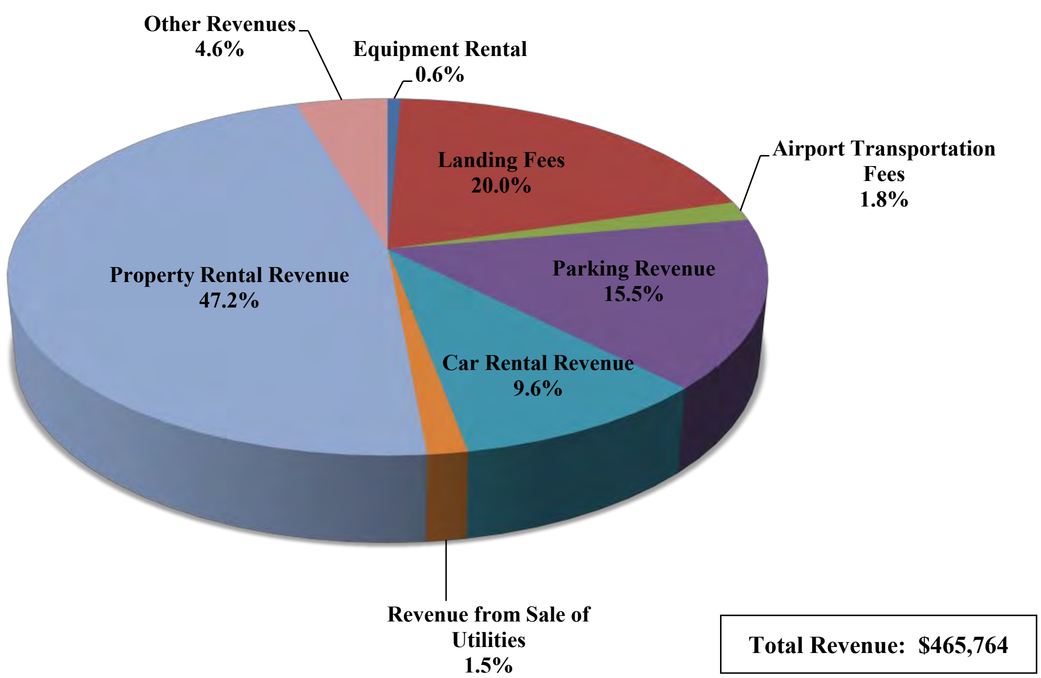

TABLE IV-5: OPERATING & MAINTANENCE EXPENSES BY ACCOUNT

(in 000's) Expense by Account	Notes	2014 Actual	2015 Budget	2016 Budget	% Change 2016 Bud-2015 Bud
Salaries, Wages, Benefits & Worker's Comp		$ 97,659	$ 105,724	$ 110,101	4.1%
Equipment Expense		3,736	3,104	2,924	-5.8%
Utilities		13,863	14,796	14,686	-0.7%
Supplies & Stock		4,891	4,262	4,464	4.7%
Outside Services		31,854	32,654	40,300	23.4%
Travel & Other Employee Expenses		1,082	1,712	1,547	-9.7%
Promotional Expenses		1,215	763	419	-45.0%
Other Expenses		6,517	8,690	10,863	25.0%
Total O&M without Environmental		**160,817**	**171,705**	**185,304**	**7.9%**
Environmental Remediation Liability Expense		1,948	2,642	3,246	22.9%
Total O&M with Environmental		**162,765**	**174,347**	**188,550**	**8.1%**
Charges to Capital/Govt/Envrs Projects		(1,570)	(4,333)	(5,035)	16.2%
Total Operating Expense	1	**$ 161,195**	**$ 170,014**	**$ 183,515**	**7.9%**
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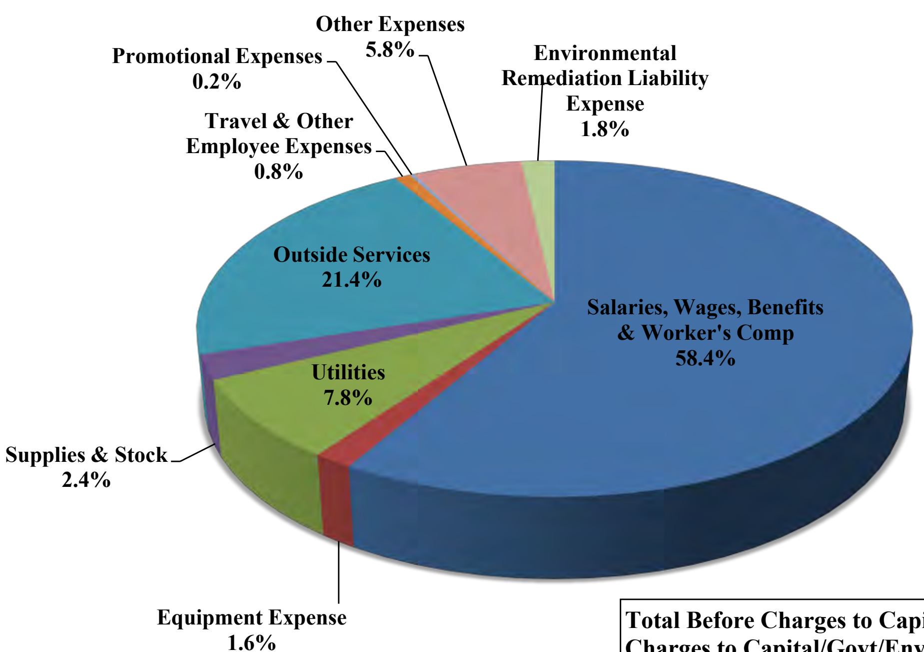
Note:

1) Tables IV-4, 5 & 6 differ from Table IV-2, in that they only reflect the division expenses and do not include corporate allocations.

FIGURE IV-4: AVIATION DIVISION EXPENSE BY ACCOUNT



Total Before Charges to Capital/Govt/Envrs Projects: $188,550
Charges to Capital/Govt/Envrs Projects: $5,035
Total Expense: $183,515

TABLE IV-6: REVENUE AND EXPENSE BY BUSINESS GROUP/DEPARTMENT

AVIATION DIVISION (in 000's) Notes	**2014 Actual**	**2015 Budget**	**2016 Budget**	**% Change 2016 Bud - 2015 Bud**
OPERATING REVENUES				
AIRLINE REVENUES				
Movement Area	75,403	78,635	95,220	21.1%
Apron Area	11,290	11,233	14,120	25.7%
Terminal Rents	141,806	153,167	159,593	4.2%
Federal Inspection Services (FIS)	8,927	10,360	10,836	4.6%
Subtotal Rate Base Revenues	**237,426**	**253,395**	**279,768**	**10.4%**
Commercial Area	8,328	8,445	9,306	10.2%
Subtotal Airline Revenues before Revenue Sharing	**245,754**	**261,840**	**289,074**	**10.4%**
Revenue Sharing	(16,905)	(19,488)	(28,055)	44.0%
Total Airline Revenues	**228,849**	**242,352**	**261,019**	**7.7%**
SLOA III Incentive Straight Line Adj.	**(3,576)**	**(3,576)**	**(3,576)**	**0.0%**
NON-AIRLINE REVENUES				
Public Parking	57,128	58,925	66,847	13.4%
Rental Cars	46,104	44,944	48,166	7.2%
Ground Transportation	8,333	8,244	8,327	1.0%
Airport Dining & Retail	46,954	49,883	54,429	9.1%
Commercial Properties	6,638	8,204	10,251	24.9%
Utilities	6,736	8,279	7,626	-7.9%
Other	8,898	9,986	12,676	26.9%
Total Non-Airline Revenues	**180,791**	**188,465**	**208,321**	**10.5%**
Total Operating Revenues	**406,063**	**427,242**	**465,764**	**9.0%**

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AVIATION DIVISION (in 000's)	Notes	2014 Actual	2015 Budget	2016 Budget	% Change 2016 Bud - 2015 Bud
EXPENSES BEFORE CHARGES TO CAP/GOVT/ENVRS PROJECTS					
BUSINESS UNITS					
Airport Operations		42,048	45,508	50,104	10.1%
Airport Operations excluding Airline Realignment		42,401	45,508	50,104	10.1%
Airline Realignment		(353)	-	-	n/a
Business Dev & Management	1	6,327	7,567	10,503	38.8%
Utilities		14,532	15,165	15,252	0.6%
Business Units		**62,907**	**68,241**	**75,860**	**11.2%**
AVIATION SERVICES					
Aviation Director's Office	2	1,551	2,118	2,037	-3.8%
Division Contingency		2	1,600	1,600	0.0%
Fire Department		13,822	13,336	13,711	2.8%
Aviation Planning	3	3,542	4,637	5,316	14.6%
Aviation Finance & Budget		1,632	1,884	1,932	2.6%
Community Partnerships	4	1,053	1,391	1,486	6.8%
Airport Security	5	7,358	7,088	8,896	25.5%
Aviation Services		**28,960**	**32,054**	**34,977**	**9.1%**
AVIATION FACILITIES					
AV Facilities & Infrastructure		2,557	3,485	3,520	1.0%
Aviation Signage		490	507	516	1.8%
Airport Building Department		671	926	854	-7.8%
Airport Office Building	6	1,299	1,324	1,285	-3.0%
AV Environmental Programs Group		3,617	3,926	6,055	54.2%
Aviation Maintenance	7	55,302	59,655	60,362	1.2%
Aviation Facilities		**63,936**	**69,823**	**72,591**	**4.0%**
Aviation Risks Expense		2,779	1,587	1,876	18.2%
Aviation Environmental Remediation Liability	8	1,948	2,642	3,246	22.9%
Aviation Capital to Expense		2,236	-	-	n/a
Total Expenses Before Charges to Cap/Govt/Envrs Projects		**162,765**	**174,347**	**188,550**	**8.1%**
CHARGES TO CAPITAL/GOVT /ENVRS PROJECTS		**(1,570)**	**(4,333)**	**(5,035)**	**16.2%**
OPERATING & MAINTENANCE EXPENSE					
BUSINESS UNITS					
Airport Operations		41,747	44,990	49,459	9.9%
Airport Operations excluding Airline Realignment		42,100	44,990	49,459	9.9%
Airline Realignment		(353)	-	-	n/a
Business Dev & Mgmt		6,327	7,567	10,503	38.8%
Utilities		14,531	15,165	15,252	0.6%
Business Units		**62,605**	**67,723**	**75,215**	**11.1%**
AVIATION SERVICES					
Aviation Director's Office	2	1,551	1,971	1,821	-7.6%
Division Contingency		2	1,600	1,600	0.0%
Fire Department		13,788	13,014	13,371	2.7%
Aviation Planning		3,526	4,557	5,235	14.9%
Aviation Finance & Budget		1,632	1,884	1,932	2.6%
Community Development		970	1,304	1,432	9.8%
Airport Security		7,358	7,088	8,896	25.5%
Aviation Services		**28,826**	**31,419**	**34,288**	**9.1%**
AVIATION FACILITIES					
AV Facilities & Infrastructure		1,991	2,805	2,829	0.9%
Aviation Signage		473	489	498	1.8%
Airport Building Department		318	626	533	-14.9%
Airport Office Building	3	1,299	1,324	1,285	-3.0%
AV Environmental Programs Group		3,488	3,658	5,745	57.0%
Aviation Maintenance		54,343	57,742	58,002	0.5%
Aviation Facilities		**61,911**	**66,643**	**68,890**	**3.4%**
Aviation Operating & Maintenance Expense		**153,343**	**165,785**	**178,393**	**7.6%**
Aviation Risks Expense		**2,778,670**	**1,587,080**	1,876	18.2%
Aviation Environmental Remediation Liability		1,948	2,642	3,246	22.9%
Aviation Capital to Expense		3,126	-	-	n/a
Total Operating Expense	4	**161,195**	**170,014**	**183,515**	**7.9%**

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E. STAFFING

Table IV-7 outlines the full-time equivalent staffing (FTEs) for the Aviation division. Aviation is budgeting 892.8 FTE's for 2016, which is 1.8 percent higher than the 2015 budget.

TABLE IV-7: AVIATION DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions) **BUSINESS GROUP/DEPARTMENT**	**Notes**	**2014 Actual**	**2015 Budget**	(a) **2015 Est. Act.**	(b) **2016 Budget**	**% Change 2016 Bud - 2015 Bud**
AIRPORT OPERATIONS						
Aeronautical Business Group	1,9,12	98.5	95.0	96.0	102.0	7.4%
Landside Business Group	a,2	139.5	134.1	133.1	133.1	-0.7%
Airport Operations		**238.0**	**229.1**	**229.1**	**235.1**	**6.6%**
BUSINESS DEVELOPMENT						
Aviation Properties		8.5	10.5	10.5	10.5	0.0%
Concession		7.2	8.2	8.2	8.2	0.0%
Business Development		2.3	2.3	2.3	2.3	0.0%
Business Management		4.0	4.0	4.0	4.0	0.0%
Utilities		2.0	2.0	2.0	2.0	0.0%
Business Development		**24.0**	**27.0**	**27.0**	**27.0**	**0.0%**
AVIATION SERVICES						
Airport Director's Office	3	8.0	11.0	8.0	8.0	-27.3%
Fire Department		81.0	80.0	80.0	80.0	0.0%
Planning		10.0	10.3	10.3	10.3	0.0%
Aviation Finance & Budget	a,10	10.0	13.0	13.0	12.0	-7.7%
Environmental		16.3	16.3	16.3	16.3	0.0%
Community Development	4	10.3	9.5	9.3	9.3	-1.9%
Airport Security	5	69.6	68.6	82.6	82.6	20.4%
Total Aviation Services		**205.2**	**208.6**	**219.4**	**218.4**	**-16.4%**
FACILITIES						
Facilities & Infrastructure	a,6	16.0	21.0	20.0	20.0	-4.8%
AV Signage		4.0	4.0	4.0	4.0	0.0%
Airport Building Department	7	6.0	7.0	6.0	6.0	-14.3%
Airport Office Building		10.4	10.4	10.4	10.4	0.0%
Maintenance	a,8,11,12	359.0	370.0	365.0	372.0	0.5%
Total Facilities		**395.4**	**412.4**	**405.4**	**412.4**	**-18.5%**
TOTAL AVIATION DIVISION		**862.5**	**877.0**	**880.8**	**892.8**	**1.8%**

FTE.XLS

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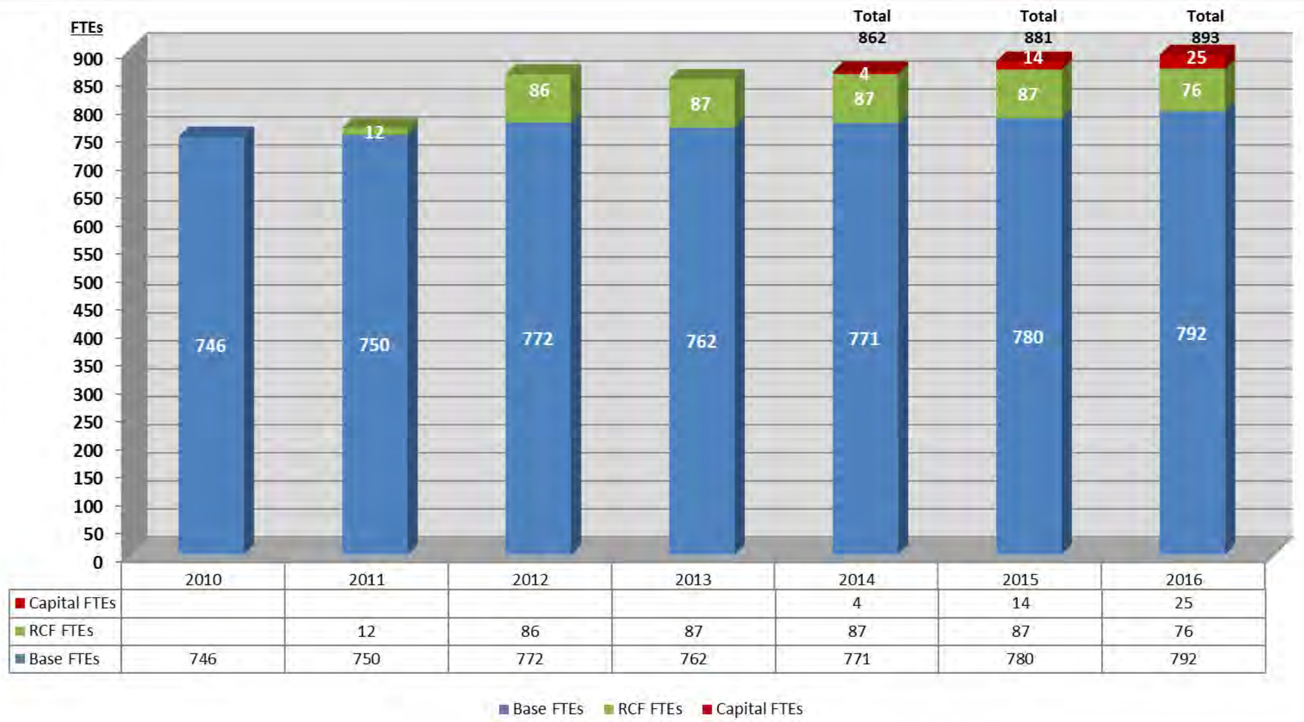
Notes:
a) Aviation Division reallocation of 4.0 FTE during 2015 occurred between business groups and did not change overall staffing levels.
b) Incremental increase of 3.82 FTE's during 2015 is explained in Notes 1 - 10 below.
c) 2016 Budget includes a net increase of 12.0 FTE's in response to operational/strategic needs. FTE additions by department are explained in Notes 11 – 14 below.
1) Reduction from 2015 Budget: 1 FTE position placed on hold in 2015 and removed from the 2016 Budget
   1 Baggage Operations Systems Specialist
2) Increase of 2 FTE positions during 2015, due to operational demands:
   2 Construction Support Specialists (4 positions, each ½ time)
3) Reduction from 2015 Budget: 1 FTE position placed on hold in 2015 and removed from the 2016 Budget
   1 Ground Transportation Controller
4) Reduction from 2015 Budget: reduction of 1 FTE's placed on hold in 2015 and removed from the 2016 Budget
   1 CPI Lean Practitioner
5) Reduction from 2015 Budget: transfer of 2 FTE's from the Aviation division to Corporate
   2 CPI Lean Practitioners
6) Reduction from 2015 Budget: 0.18 FTE request to increase hours for High School Intern program placed on hold in 2015 and removed from the 2016 Budget
7) Increase of 14 FTE positions during 2015, due to operational demands:
   10 Sr. Access Controllers
   1 Operations Supervisor
   3 Credential Specialists
8) Reduction from 2015 Budget: 2 FTE positions placed on hold in 2015 and removed from the 2016 Budget
   1 Art Program Coordinator
   1 Facility Master Record Drawing Engineer
9) Reduction from 2015 Budget: 1 FTE position placed on hold in 2015 and removed from the 2016 Budget
   1 Assistant Manager/Engineer
10) Reduction from 2015 Budget: 4 FTE positions placed on hold in 2015 and removed from the 2016 Budget
   1 Capital Support Specialist
   1 Wireman
   2 Electronic Technicians
11) 2016 Budget includes a net increase of 4 FTE's due to increase in passenger traffic:
   1 Janitorial Contract Supervisor
   4 Pathfinders
   Offset by reduction of 1 Mgr. Airlines Systems and Services (position is being repurposed)
12) Reduction from 2016 Budget: 1 FTE eliminated, function to be performed by external consultant
   Sr. Internal Control Analyst
13) 2016 Budget includes a net increase of 3 FTEs due to increase in passenger traffic and higher demand for services:
   3 Painters (1 Architectural, 2 Stripers)
14) 2016 Budget includes an increase of 6 FTE's to address baggage system issues related to increased passenger traffic and higher demand for services
   2 Baggage Systems Specialists (Aeronautical Group)
   2 Mechanical Maintenance Engineers (Maintenance Group)
   2 Operations Monitors (Maintenance Group)

Full-Time Equivalent Staff Positions (FTEs)

2016 Proposed Budget FTEs		FTEs	%
2015 Approved Budget		**877.0**	
Remove FTE positions on hold		(10.2)	
CPI lean staff transferred to Corp (OSI)		(2.0)	
Construction Support Specialists (capital program)		2.0	
Airfield Security (TSA requirements)		11.0	
Credential Center (badge volume & TSA requirements)		3.0	
2015 Adjusted Baseline		**880.8**	0.4%
2016 Budget Changes:			
Eliminated (1) Sr. Internal Control Analyst		(1.0)	
Eliminated (1) Mgr. Airline Systems & Services		(1.0)	
New FTE's Proposed			
New FTE's for Baggage Systems Solution		6.0	
Baggage System Specialists (baggage volume)	2.0		
Mechanical Maint Engineers (baggage volume)	2.0		
Baggage Monitors (baggage volume)	2.0		
Janitorial Contract Supervisor (passenger volume)		1.0	
PathFinders (passenger volume)		4.0	
Painters (deferred asset maintenance)		3.0	
Net 2016 Change in FTEs:		**12.0**	1.4%
2016 Budget Proposed FTEs		**892.8**	1.8%

The graph below shows the trend of FTEs for the Aviation division since 2010. Total staffing for 2016 reflects an increase of 15.8 FTE's over the prior year budget level. The increase from 2015 Budget to the 2016 Budget is comprised of a net increase of 3.8 FTE's during 2015 (16.0 additional FTE's approved during 2015, partially offset by 10.2 FTE's on hold (not approved to hire) and 2.0 FTE's transferred to Corporate), and a net increase of 12.0 FTE's requested in the 2016 Budget (14.0 new FTE's to support operational growth and strategic staffing for key capital projects, partially offset by the elimination of 2.0 FTE's).



	2010	2011	2012	2013	2014	2015	2016
Capital FTEs					4	14	25
RCF FTEs		12	86	87	87	87	76
Base FTEs	746	750	772	762	771	780	792

F. CAPITAL BUDGET

The business plan summaries at the beginning of this section provide the context for the following capital budget for the Aviation Division. Table IV-8 provides a Summary of the Aviation Approved Capital Budget for 2016.

The Aviation Division's capital plan for 2016 – 2020 calls for spending of $2.04 billion. $1.3 billion is for four major projects: NorthSTAR (including expansion of North Satellite), Baggage Recapitalization/Optimization, International Arrivals Facility and Runway 16C Reconstruction. Thirty two projects, totaling $217 million, were proposed for inclusion as "business plan prospective." A total of $187 million remains in the Allowance CIPs, which is undesignated future spending that will account for as yet undefined future projects or budget increases to existing projects.

Links to Century Agenda:

Included in the capital budget are the following projects that directly support the Century Agenda:

1. Make Sea-Tac Airport the west coast "Gateway of Choice" for international travel and double the number of international flights and destinations:
   - South Satellite Interior Renovations (ongoing)
   - New International Arrivals Facility (ongoing)

2. Meet the region's air transportation needs for the next 25 years
   - Baggage Recapitalization/Optimization (ongoing)
   - Expand North Satellite to add gates (ongoing)
3. Meet all increased energy needs through conservation and renewable sources:
   - Stage 3 Mechanical Infrastructure Improvements (ongoing)
   - Parking Garage Area Lighting Improvements - $5.0 million
4. Meet or Exceed Agency Requirements for Storm Water:
   - IWS Segregation Meters (ongoing)
5. Reduce air pollutants and carbon emissions:
   - Pre-conditioned Air project (ongoing)
   - Electrical ground service infrastructure and charging stations (ongoing)

Summary by Category

	# of		Cash Flows (Figures in $000s)					2016-20
	Projects	2015	2016	2017	2018	2019	2020	Total
Existing CIP								
Authorized	97	166,614	300,165	378,286	397,678	333,905	182,714	1,592,748
Other projects (excl. allowance CIPs)	17	8,433	19,127	15,378	7,598	5,450	5,400	52,953
Total	114	175,047	319,292	393,664	405,276	339,355	188,114	1,645,701
Proposed New Projects	32	-	30,772	46,226	13,299	21,730	104,960	216,987
Allowance CIPs	4	-	10,000	17,000	35,000	55,000	70,000	187,000
Total Proposed CIP	150	175,047	360,064	456,890	453,575	416,085	363,074	2,049,688

- All projects with some amount of authorization included in first line
- Proposing 32 projects totaling $217M spending through 2020
- Budget includes place-holder spending for as yet undefined future projects (called "Allowance CIPs"): $187M
- Budget does not include potential projects to be identified by Sustainable Airport Master Plan (SAMP)

Commission Authorized/Underway:

			Cash Flows (Figures in $000s)					2016-20
Commission Authorized/Underway	**CIP**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
NorthSTAR program	5 CIPs	36,638	49,616	90,670	101,735	100,324	93,111	435,456
International Arrivals Facility	C800583	11,983	59,252	145,341	214,909	164,700	6,365	590,567
Checked Bag Recap/Optimization	C800612	8,384	20,000	50,000	50,000	50,000	50,000	220,000
RW16C-34C Design and Reconst	C800406	38,513	43,786	9,097	-	-	-	52,883
Utility ER Backup/Standby Pwr	C800538	202	20,000	15,000	1,015	-	-	36,015
Airfield Pavement Program	C800483	39	6,460	6,500	6,500	6,500	6,300	32,260
Service Tunnel Renewal/Replace	C102112	684	4,000	8,000	8,000	6,816	-	26,816
Highline School Insulation	C200007	-	-	7,250	-	-	15,681	22,931
MT Low Voltage Sys Upgrade	C800061	420	3,500	5,000	5,000	3,000	2,582	19,082
GSE Electrical Chrg Stations	C800335	570	8,000	4,000	2,330	-	-	14,330
Concessions Infrastructure	C800638	631	3,000	4,000	2,500	2,000	1,597	13,097
B2 Expansion for DL Club	C800690	965	10,000	2,760	-	-	-	12,760
CCTV Camera/Data Improvements	C800642	653	6,000	4,259	-	-	-	10,259
Electric Utility SCADA	C800699	187	1,500	7,300	602	-	-	9,402
Wi-Fi Enhance for Ramp & Term	C800585	810	6,000	2,993	-	-	-	8,993
N. Terminals Utilities Upgrade	C800717	637	1,500	4,000	2,858	-	-	8,358
Other projects (77)		65,298	57,551	12,116	2,229	565	7,078	79,539
Total		166,614	300,165	378,286	397,678	333,905	182,714	1,592,748

- Four major projects are shown in the top four lines. Spending for these four projects makes up 82% of the total spending for this category.

Descriptions of major projects:

- NorthSTAR Program: In collaboration with Alaska Airlines, the Port will renovate and expand the North Satellite to address seismic concerns, upgrade HVAC and lighting, upgrade fixtures and add eight gates. This project will also upgrade the baggage system serving the North Satellite, Concourse C vertical circulation, and the Main Terminal at the North end.
- International Arrivals Facility: This project will build a new FIS facility on the east side of Concourse A in order to expand capacity to process arriving international passengers. The estimated cost to complete this project is under review.
- Baggage Recapitalization/Optimization: This project will replace and reconfigure baggage screening equipment and operations to improve operational efficiency and increase capacity.
- Runway 16C/34C Reconstruction: This project will rebuild the center runway. Construction has been accelerated to 2015 from 2016 due to continued deterioration of the pavement and increasing safety concerns.
- Airfield Pavement Replacement: This project provides the budget for annual replacement of the most damaged airfield pavement. The scope each year is determined based on surveys.
- Service Tunnel Renewal/Replace: The service tunnel runs beneath the lower airport drive. This project will include seismic upgrades, replacement of expansion joints and repair and/or replacement of wall, slab and column cracking and spalling.
- Main Terminal Low Voltage: This project will replace the low voltage electrical systems throughout the main terminal.
- GSE Electrical Charging Stations: This project will install electrical charging stations to permit passenger airlines to charge electrical ground service equipment near all gates.
- B2 Expansion for Delta Club: In support of the growing need for lounge space between Concourse A and Concourse B, the Airport needs to expand the concourse level over the B2 Building (currently one level)

to add leasable airline lounge space. Delta Airlines has committed to lease the full build-out and therefore requested to build the shell enclosure as well as their tenant improvements. The Port would provide utility infrastructure to the lease line and provide a reimbursement for shell improvements.

- CCTV Camera/Data Improvement: This project will add up to 1,000 new cameras in areas with inadequate coverage for security purposes. It will also increase storage capacity.

Proposed New Projects:

Next Slide	# of Projects	Description	Cost Estimate	Cash Flows (Figures in $000s) 2016	2017	2018	2019	2020	2016-20 Total
I	6	Response to Growth: Passengers	17,698	3,225	6,243	3,040	2,830	2,360	17,698
II	5	Response to Growth: Airlines	27,210	15,540	9,070	1,000	1,000	600	27,210
III	3	Regulatory and Community	13,632	1,286	7,608	4,738	-	-	13,632
IV	14	Renewal and Replacement	638,787	7,886	22,530	4,521	17,900	102,000	154,837
V	4	System Improvement, Safety and Security	3,610	2,835	775	-	-	-	3,610
	32	TOTAL	700,937	30,772	46,226	13,299	21,730	104,960	216,987

- A total of 47 projects were proposed to the Aviation Investment Committee for approval.
- The largest project is for the renovation of the South Satellite, a project estimated to cost as much as $600 million. As this could not be completed until 2023, most of the cash flows occur outside of the next five years.
- The proposed projects do not include projects that will come out of SAMP

I. New Projects - Response to Growth: Passengers

I	CIP	Description	Cost Estimate	Cash Flows (Figures in $000s) 2016	2017	2018	2019	2020	2016-20 Total
1	C800697	Restroom Upgrades Conc B, C, D	11,180	1,200	1,790	3,000	2,830	2,360	11,180
2	C800782	Satellite Transit System Cars Customer Experience	2,200	1,000	1,200				2,200
3	C800777	Reuse of S. 28th St. GT Lot	1,018	125	853	40			1,018
4	C800810	RCF Bus Purchase	1,800		1,800				1,800
5	C800800	SEA Smartphone App	500	400	100				500
6	C800790	PAX Flow Mgmt – Image Processing	1,000	500	500				1,000
		TOTAL	17,698	3,225	6,243	3,040	2,830	2,360	17,698

1. Restroom Upgrades Conc B, C, D: Renovate eight sets (men, women, family) of restrooms on Concourses B, C and D that have not been renovated for 14 – 22 years.
2. Satellite Transit System Cars Customer Experience: Provide simple upgrades to the Satellite Transit System (STS) cars to enhance the customer experience including new LCD signage, improved handrails and a new lighting element to provide a visual queue to passengers about when the trains are about to depart.
3. Reuse of S. 28th St. GT Lot: Increase staging capacity for commercial vehicles.
4. RCF Bus Purchase: Procure 4 CNG buses to allow the bus service to continue meeting growing demand, while properly maintaining our current equipment for maximum use.
5. SEA Smartphone App: Procurement of services from a software development firm with expertise in mobile devices and experience in indoor navigation solutions to design and develop smartphone applications for the iOS and Android platforms to be used by our passengers to wayfind and prompt concession sales.
6. PAX Flow Mgmt – Image Processing Infrastructure: Implement an image processing-based movement analytics capability or infrastructure at key locations in the airport. Modern image processing systems enable accurate real-time measurements, flow and dwell analysis and historical reporting of passenger and staff movements in congested areas (checkpoint lines, FIS queues).

II. New Projects - Response to Growth: Airlines

			Cost	Cash Flows (Figures in $000s)					2016-20
II	**CIP**	**Description**	**Estimate**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
1	C800771	Gate D6 Holdroom for Hardstand	1,400	420	980				1,400
2	C800781	SSAT Narrow Body Configuration	5,810	720	5,090				5,810
3	C800780	SSAT Make-Up Feed Line	14,000	13,000	1,000				14,000
4	C800772	Fuel Hydrant Pit Additions	4,000	400	1,000	1,000	1,000	600	4,000
5	C800769	Hardstand Passenger Processing Capacity	2,000	1,000	1,000				2,000
		TOTAL	27,210	15,540	9,070	1,000	1,000	600	27,210

1. Gate D6 Holdroom for Hardstand: Prepare Gate D6 to accommodate hardstand operations.
2. SSAT Narrow Body Configuration: Create 3 additional narrow body positions at SSAT for use outside of wide-body peak.
3. SSAT Make-Up Feed Line: Add needed capacity to outbound and transfer baggage makeup within existing footprint of the terminal by installing new conveyor line to allow outbound baggage from the main terminal to be available for makeup in the South Satellite.
4. Fuel Hydrant Pit Additions: This project will allow for expedited fuel pit additions in response to shifting gate and aircraft configurations.
5. Hardstand Passenger Processing Capacity: This is a place holder item to begin development of additional hardstand operations support capacity.

III. New Projects – Regulatory and Community

			Cost	Cash Flows (Figures in $000s)					2016-20
III	**CIP**	**Description**	**Estimate**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
1	C200094	Single Family Noise Insulation	12,312	1,186	6,438	4,688			12,312
2	C800760	Auburn Mitigation Road Removal	720		720				720
3	C800806	Electrical Service Security Imrpovements	600	100	450	50			600
		TOTAL	13,632	1,286	7,608	4,738	-	-	13,632

1. Single Family Noise Insulation: Based on recent Part 150 study, there are 171 single family homes within the noise remedy boundary that have not been insulated. The estimated cost per home is $72,000 ($85,000 including expense costs).
2. Auburn Mitigation Road Removal: Relating to the 1997 Master Plan, the Port has final work to do on the Auburn mitigation site. Under the permit conditions, the Port is required to remove the road through the site.
3. Electrical Service Security Improvements: The scope of this project will harden and secure the Airport's electrical substations and install surveillance cameras in accordance with the recommendations of the Western Electricity Coordination Council.

IV. New Projects – Renewal & Replacement

IV	CIP	Description	Cost Estimate	2016	2017	2018	2019	2020	2016-20 Total
				Cash Flows (Figures in $000s)					
1	C800709	Terminal-Wide Voice Paging Upgrade	1,600	1,000	600				1,600
2	C800743	SSAT Renovation Project	600,000		150	900	15,000	100,000	116,050
3	C800766	Conc B & C Carpet Replacement	2,000	1,370	630				2,000
4	C800770	B Concourse Roof Replacement	7,262	1,161	6,000	101			7,262
5	C800775	Plow/Broom Snow Equipment	2,500		2,500				2,500
6	C800784	Emergency Generator Control Renewal	995	425	570				995
7	C800788	Airport's Operation Local Area Network Switches	3,000	2,000	1,000				3,000
8	C800793	Passenger Loading Bridge Renew & Replace	10,000	500	2,500	2,500	2,500	2,000	10,000
9	C800794	Fire Pump Replacement	580	80	400	100			580
10	C800798	SSAT Infrastructure Upgrade	6,000	100	5,330	570			6,000
11	C800799	Trenchless Replacement of Pipe	1,550	300	1,200	50			1,550
12	C800802	Auto Tag Reader Replacements	1,800	550	1,250				1,800
13	C800811	Chiller Panel Upgrade	500	300	200				500
14	C800818	SSAT Structural Improvements	1,000	100	200	300	400		1,000
									-
		TOTAL	638,787	7,886	22,530	4,521	17,900	102,000	154,837

1. <u>Terminal-Wide Voice Paging Upgrade</u>: Project will replace the current analog voice paging system in the South Terminal and AOB that was installed as part of STEP, renew the digital voice paging system installed in the rest of the Airport and add capacity to the terminal-wide voice paging system for planned expansion in the NorthSTAR and IAF projects.
2. <u>SSAT Renovation Project</u>: South Satellite has not been significantly upgraded since its original construction over 45 years ago. The building is in need of upgrades in order to provide an acceptable level of service to passengers.
3. <u>Conc B & C Carpet Replacement</u>: Replace all the carpeting on Concourses B and C with new carpet tiles.
4. <u>B Concourse Roof Replacement</u>: Replace the B Concourse roofing system, as well as the installation of penthouse ladders, fall protection and refurbishment or replacement of KalWall windows/skylights. The B Concourse roof system was last installed in 1991 with a total square footage of 86,500.
5. <u>Plow/Broom Snow Equipment</u>: Project is part of a continuing process improvement to enhance our overall snow removal performance and replace some 25 year old snow equipment. This equipment is needed to keep the Airport open during snow and ice conditions.
6. <u>Emergency Generator Control Renewal</u>: Replace six PLC controllers at the generator. There is a significant risk to the airport of losing code required emergency power to the Airport. This work will be performed without interference to operations or the ability to provide the Airport with emergency power.
7. <u>Airport's Operation Local Area Network Switches</u>: Upgrade the Airport's operations local area network (OPSLAN) core switches and ancillary components. A major upgrade to this critical network infrastructure is needed because (a) the existing switches are at end of life, (b) network technology innovation over the past decade has increased the performance of new switches, (c) advancements have reduced their energy requirements, (d) new administrative tools are available better manage the complex networks and (e) anticipate future needs for a 66 million annual passengers (MAP) airport.
8. <u>Passenger Loading Bridge Renew & Replace</u>: Replace passenger boarding bridges and fixed walkways at (a) S11 Bridge and Walkway built 1983, (b) B9 Bridge and Walkway built 1991, (c) B10 Bridge built 1987, (d) C15 Bridge built 1970's, (e) B7 Bridge built 1984, (f) C9 Bridge built 1980's, (g) D11 Bridge built 1984.
9. <u>Fire Pump Replacement</u>: Replace two 45 year old fire pumps (and diesel engines) with new pumps, engines, and controls in Pump House building.
10. <u>SSAT Infrastructure Upgrade</u>: Replace the Hot and Cold deck fans, coils and controls with an energy efficient new air handler, coils and controls. The South Satellite HVAC system was installed in 1971 (STIA 7036). The cold deck fan has failed recently due to age and condition and has shut down causing a loss of cooling capacity in the South Satellite.

11. Trenchless Replacement of Pipe: Replace a critical 70 year old water pipe line before it fails.
12. Auto Tag Reader Replacements: Replace 6 obsolete automatic tag readers (ATR) in C88 (4), C96 (1) and C25 (1). The ATR's are used to read the bag tags and this information is used in sortation of the bags before security screening.
13. Chiller Panel Upgrade: Upgrade will replace the obsolete control panels on three chillers as well as the interface inside the chiller starters located remotely in the electrical room.
14. SSAT Structural Improvements: Strengthen 12 columns and 31 beams identified as needing improvements based on recent structural analysis at the South Satellite which was constructed in the early 1970's.

V. New Projects – System Improvement and Security

			Cost	Cash Flows (Figures in $000s)					2016-20
V	**CIP**	**Description**	**Estimate**	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
1	C800804	Water Hammer Attenuation	500	500					500
2	C800787	NSAT Roofs to Storm Piping	1,700	1,600	100				1,700
3	C800805	Duress System Upgrade	750	425	325				750
4	C800774	Overheight Vehicle Detection	660	310	350				660
		TOTAL	3,610	2,835	775	-	-	-	3,610

1. Water Hammer Attenuation: Install two surge tanks strategic locations in the network of water piping to reduce potential damage at the airport.
2. NSAT Roofs to Storm Piping: Pipe from the NSAT roofs using trenchless technology to send clean runoff water to the Storm Drain System (SDS) which will reduce about 2.1MGAL/year of water being sent to Industrial Waste System (IWS) causing higher operating expense and future capital cost of expanding the IWS lagoon.
3. Duress System Upgrade: Replace the input/output modules and alarm display functions for the airport-wide duress system to cover duress system needs for terminal growth over next five to ten years. The current system has 300 input points and 384 output points and requires additional 30% capacity.
4. Overheight Vehicle Detection: Improve roadway signage to better inform over-height vehicle drivers (ie: semi trucks) of the clearance limitations to prevent future over-height beam collisions on lower drive resulting in closures for repair.

Summary by Major Project/Program:

		Cash Flows (Figures in $000s)					2016-20
	2015	2016	2017	2018	2019	2020	Total
Major Projects							
NorthSTAR	36,638	49,616	90,670	101,735	100,324	93,111	435,456
International Arrivals Facility	11,983	59,252	145,341	214,909	164,700	6,365	590,567
Baggage Optimization	8,384	20,000	50,000	50,000	50,000	50,000	220,000
Runway 16C/34C Reconstruction	38,513	43,786	9,097	-	-	-	52,883
Subtotal	95,518	172,654	295,108	366,644	315,024	149,476	1,298,906
Other existing projects	79,529	146,638	98,556	38,632	24,331	38,638	346,795
Proposed New Projects	-	30,772	46,226	13,299	21,730	104,960	216,987
Allowance CIPs	-	10,000	17,000	35,000	55,000	70,000	187,000
Total Proposed CIP	175,047	360,064	456,890	453,575	416,085	363,074	2,049,688

Capital Budget Summary with Major Projects Broken Out

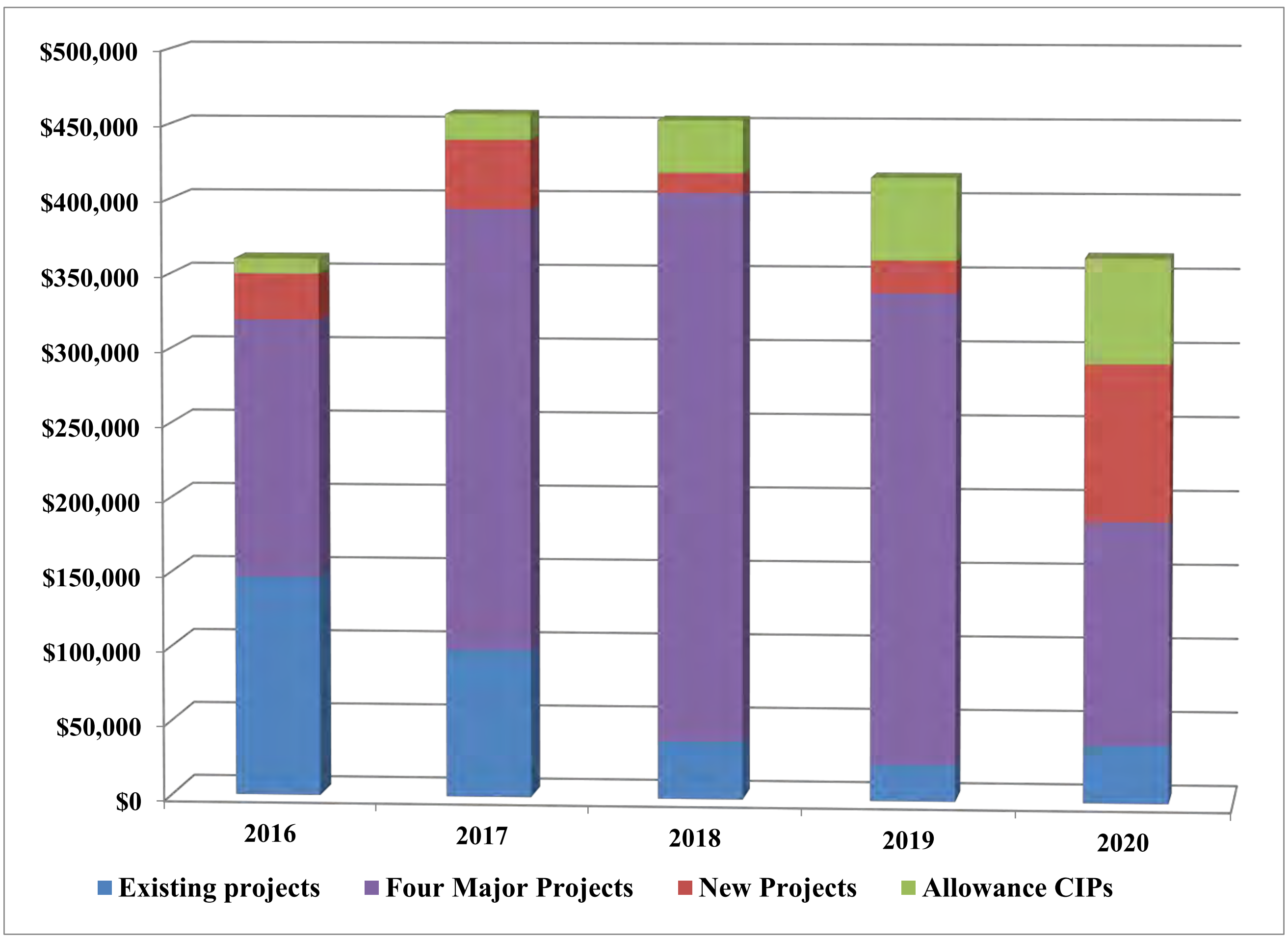


TABLE IV-8: AVIATION CAPITAL BUDGET SUMMARY

($ in 000's)	2016 Budget	2016-2020 CIP	% of 2016 Total Committed
Committed Capital Projects			
Airfield	$70,117	$118,156	22.8%
Business Development	10,680	15,440	3.5%
Landside	12,525	38,410	4.1%
Air Terminal	154,500	1,286,620	50.2%
Infrastructure	44,116	102,747	14.3%
Airfield Security	6,278	10,605	2.0%
Aviation NOISE	1,749	25,228	0.6%
Division-wide Projects	7,968	12,558	2.6%
Total Committed	**$307,933**	**$1,609,764**	**100.0%**
Business Plan Prospective Project	**$52,131**	**$439,924**	
Total CIP	**$360,064**	**$2,049,688**	

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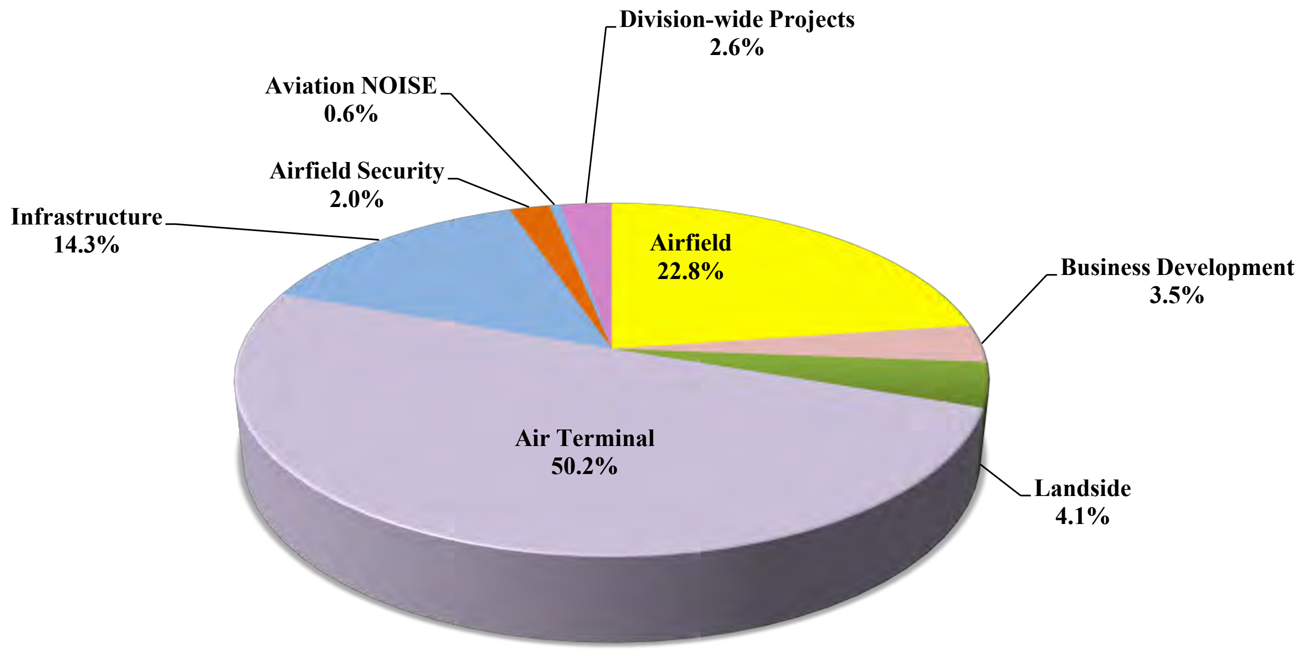
FIGURE IV-5: AVIATION DIVISION COMMITTED CAPITAL BUDGET

($ 000's)



Committed CIP Total Spending: $360,064

G. AVIATION DIVISION OPERATING STATISTICS

TABLE IV-9: AVIATION DIVISION OPERATING STATISTICS

	(1) Enplaned Passengers		(2) Total Landed Weight		(3) Air Cargo	
Year	Number	Growth	Pounds	Growth	Metric tons	Growth
1999	13,802	31.8%	23,078	24.8%	444,224	8.3%
2000	14,174	2.7%	23,051	-0.1%	456,920	2.9%
2001	13,506	-4.7%	22,178	-3.8%	401,535	-12.1%
2002	13,362	-1.1%	21,658	-2.3%	374,753	-6.7%
2003	13,356	0.0%	20,790	-4.0%	351,418	-6.2%
2004	14,364	7.6%	20,944	0.7%	347,517	-1.1%
2005	14,632	1.9%	20,186	-3.6%	338,591	-2.6%
2006	14,982	2.4%	20,362	0.9%	341,981	1.0%
2007	15,661	4.5%	21,014	3.2%	319,013	-6.7%
2008	16,085	2.7%	21,519	2.4%	290,205	-9.0%
2009	15,610	-3.0%	20,388	-5.3%	270,142	-6.9%
2010	15,773	1.0%	19,786	-3.0%	283,425	4.9%
2011	16,397	4.0%	20,123	1.7%	279,893	-1.2%
2012	16,597	1.2%	19,897	-1.1%	283,609	1.3%
2013	17,376	4.7%	20,949	5.3%	292,709	3.2%
2014	18,717	7.7%	22,505	7.4%	327,240	11.8%
2015 Budget	19,354	3.4%	22,484	-0.1%	325,675	-0.5%
2015 Forecast	21,056	12.5%	24,926	10.8%	337,000	3.0%
2016 Budget	22,214	5.5%	26,126	4.8%	348,139	3.3%
Compound Growth						
2004 - 2014		2.7%		0.7%		-0.6%
2009 - 2014		3.7%		2.0%		3.9%

Notes:
1) Passengers in thousands
2) Weight in thousands
3) In Metric Tons

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MARITIME DIVISION

A. 2016 BUDGET SUMMARY

TABLE V-1: 2016 CASH FLOW SUMMARY

($ in 000's)		2016	Percent of Total
SOURCES OF CASH			
Operating Revenues		$ 49,314	67.8%
Interest Receipts		1,899	2.6%
Proceeds from Bond Issues		-	0.0%
Grants and Capital Contributions		0	0.0%
Tax Levy		21,073	29.0%
Other Receipts		457	0.6%
Total		**72,743**	**100%**
USES OF CASH			
Expenses from Operations:			
Operating & Maintenance Expense	29,721		31.7%
Corporate & Capital Development Division Costs	8,315		8.9%
Law Enforcement Costs	4,023		4.3%
Environmental Remediation Liability Expense	202		0.2%
Total Operating Expenses		42,261	45.0%
Debt Service:			
Interest Payments	3,406		3.6%
Bond Redemptions	12,377		13.2%
Total Debt Service		15,783	16.8%
Other Expenses		6,972	7.4%
Public Expense		1,397	1.5%
Capital Expenditures		27,480	29.3%
Total		**$ 93,893**	**100%**

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FIGURE V-1: SOURCES OF CASH

($ in 000's)

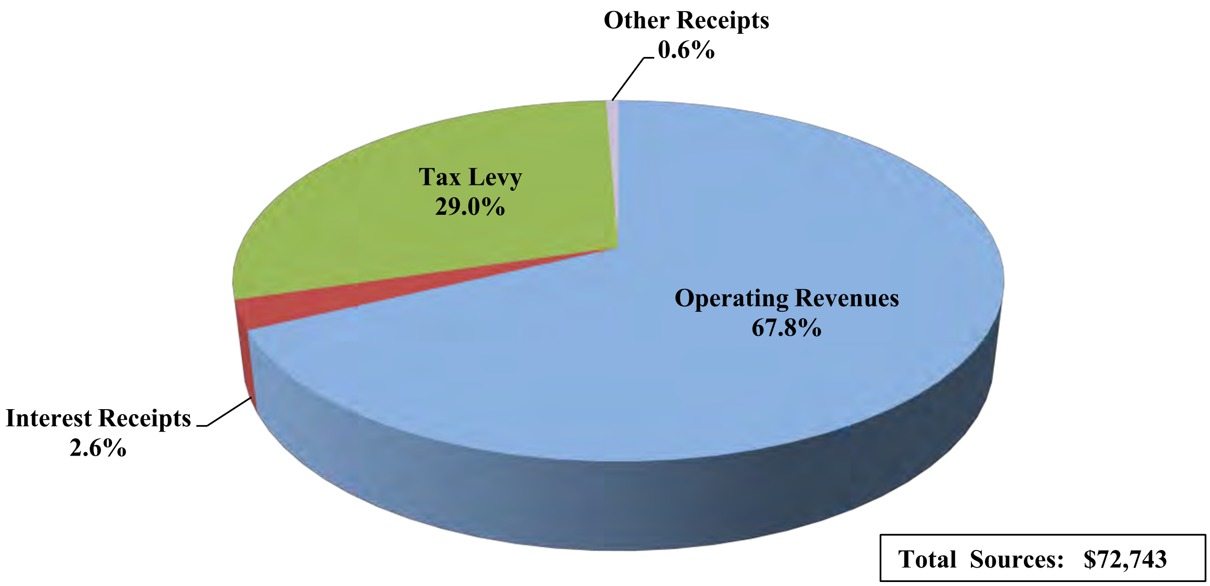
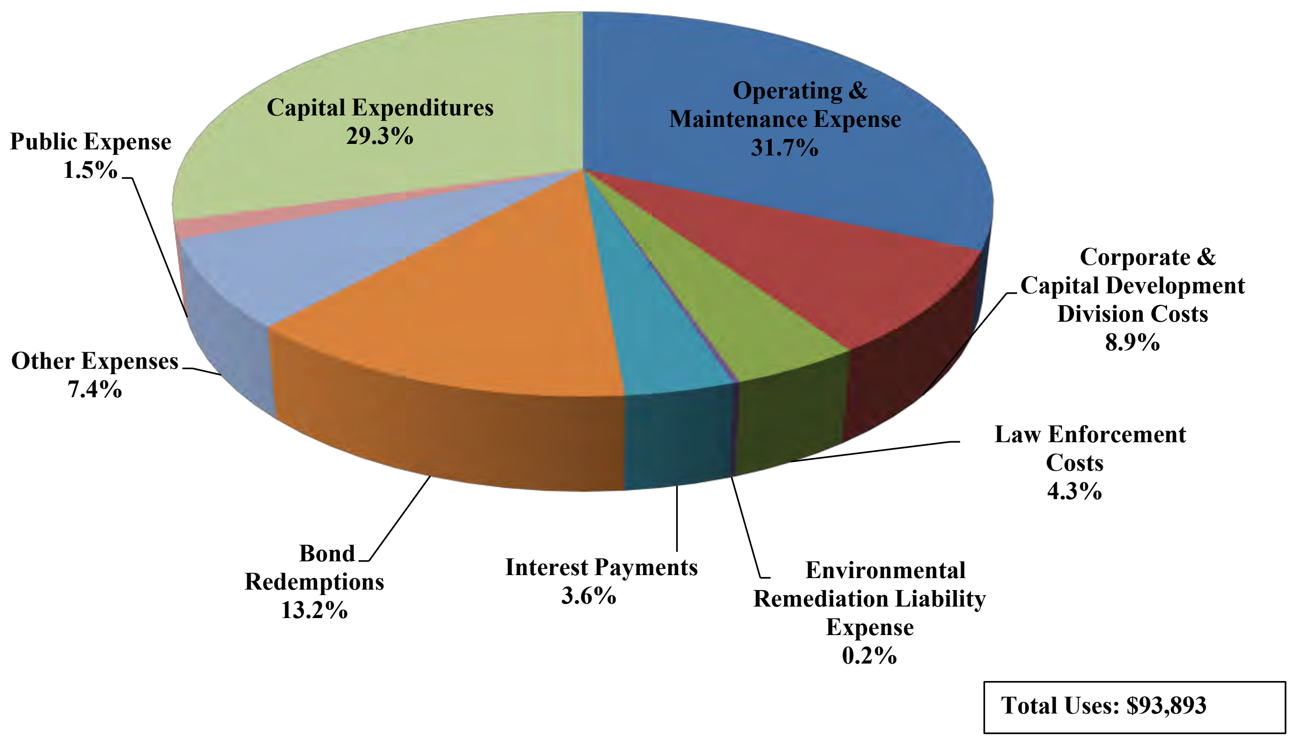


FIGURE V-2: USES OF CASH

($ in 000's)



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B. BUSINESS PLAN FORECAST

TABLE V-2: BUSINESS PLAN FORECAST

($ in 000's) OPERATING BUDGET	Notes	Budget 2015	Budget 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020	Compound Growth 2015 - 2020
Operating Revenue		$ 47,264	$ 49,314	$ 49,714	$ 51,072	$ 53,102	$ 55,033	3.1%
Total Operating Revenues		**47,264**	**49,314**	**49,714**	**51,072**	**53,102**	**55,033**	**3.1%**
Operating & Maintenance Expense		28,416	29,721	29,450	29,498	29,802	30,611	1.5%
Corporate Division Costs	1	5,210	8,315	8,518	8,731	8,949	9,173	12.0%
Law Enforcement Costs		2,807	4,023	4,123	4,226	4,332	4,440	9.6%
Environmental Remediation Liability Expense		250	202	0	0	0	0	-100.0%
Total Operating & Maintenance Expenses		**36,683**	**42,261**	**42,091**	**42,455**	**43,084**	**44,224**	**3.8%**
Net Operating Income Before Depreciation		**10,581**	**7,053**	**7,623**	**8,617**	**10,018**	**10,809**	**0.4%**
Total Depreciation Expense		16,971	17,139					
Net Operating Income After Depreciation		**$ (6,390)**	**$ (10,086)**					**Total 2016 - 2020**
Committed Capital Budget		$ 14,420	$ 23,469	$ 13,642	$ 5,763	$ 1,794	$ 2,416	$ 47,084
Business Plan Prospective		8,150	4,011	7,470	18,858	22,843	11,380	64,562
TOTAL CAPITAL BUDGET	2	**$ 22,570**	**$ 27,480**	**$ 21,112**	**$ 24,621**	**$ 24,637**	**$ 13,796**	**$ 111,646**

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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.
2) See Section X for details of Capital Budget.

C. MARITIME DIVISION 2016 BUSINESS PLAN

MISSION:

Enrich our maritime legacy by leveraging our properties to create waterfront opportunities and grow maritime jobs in a financially and environmentally sustainable way.

VISION:

A vibrant working waterfront generating economic vitality for the region.

MAJOR AND NEW INITIATIVES:

- Seaport Alliance: Complete transition of marine cargo properties and portfolio management
- Modernize Bell Street Cruise Terminal at P66 through partnership with Norwegian Cruise Line
- Port Stormwater Utility: Implement for port owned properties within the City of Seattle
- Dramatic Growth: Leverage maritime properties to grow net income and economic benefit
  - Fund and construct Shilshole Bay Marina's new bathrooms/lockers/laundry facility
  - Develop Fishermen's Terminal Strategic Plan and obtain Commission approval
  - Develop habitat restoration into a line of business (port owned waterfront habitat)
- High Performance Organization: Deliver operational excellence and develop our employees
  - Operational Excellence: Deliver safe, compliant operations and maintain port assets
    - Integrate and optimize operations of the new Maritime Division
    - Implement operational and safety practices to achieve zero injuries
  - Talent Development: Develop staff capabilities, bench strength and opportunities
    - Identify and implement targeted training to increase employee capabilities
    - Develop and implement employee development plans and career paths
  - Valued Communication: Provide information that is clear, concise and relevant

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- Leverage technology to improve quality and efficiency of communications
- Develop and implement measures to improve Commission communications

STRATEGIES - SUMMARY:

Implement Century Agenda Strategies – Position the Puget Sound Region as a premier international logistics hub

- Structure our relationships with Washington ports to optimize infrastructure investments and financial returns in partnership with Economic development Division and Northwest Seaport Alliance
- Double the economic value of the fishing and maritime cluster

Implement Century Agenda Strategies – Advance this region as a leading tourism destination and business gateway

- Double the economic value of cruise traffic to Washington State

Implement Century Agenda Strategies – Use our influence as an institution to promote small business growth and workforce development

- Increase the proportion of funds spent by the port with qualified small business firms on construction goods and services to 40% of eligible dollars spent
- Increase work force training, job and business opportunities for local communities in maritime, trade, travel, and logistics

Implement Century Agenda Strategies – Be the greenest, and most energy efficient port in North America

- Meet all increased energy needs through conservation and renewable sources
- Meet or exceed agency requirements for stormwater leaving facilities owned or operated by the Port
- Reduce air pollutants and carbon emissions
- Anchor the Puget Sound urban industrial land use to prevent sprawl in less developed areas
- Restore, create and enhance 40 additional acres of habitat in the Green/Duwamish watershed and Elliot Bay
- Meet local, state, and federal environmental regulations as effectively and efficiently as possible

Manage our finances responsibly – "Optimize" Maritime Financial Performance

- Meet 2016 financial targets
- Grow Maritime Division net operating income
- Reduce Port's environmental liability through cost recovery
- Maintain existing assets and invest in new development to sustain and enhance Maritime vitality
- Provide timely, accurate and insightful financial information and analyses for the Commission, Executive and other Leadership teams for decision making
- Ensure compliance with Accounting policies and procedures, and standards

High Performance Organization

- Align leadership, people and systems with strategic priorities and plans
- Strengthen a high integrity, continuous improvement culture
- Increase organizational/individual ownership for safe/secure work practices and healthy living

DIVISION DESCRIPTION:

The Maritime Division includes three major business groups: Cruise & Maritime Operations, Maritime Industrial Properties and Commercial & Recreational Marinas. It also includes three service groups: Environmental Services & Planning, Finance & Budget, and Marine Maintenance. These business and service

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groups oversee strategic planning, business and facility development, maritime security and the management and operations of maritime facilities including cruise, grain and multi-purpose terminals, commercial moorage, recreational marinas and related properties.

The Maritime Division and its facilities serve a diverse mix of year round and seasonal activities. May through September, Smith Cove Cruise Terminal and Bell Harbor Cruise Terminal serve as homeport for cruise ships headed to Alaska. October through May, Fisherman's Terminal and Terminal 91, serve as homeport for the North Pacific fishing fleet and factory trawlers. Throughout the year, recreational boats are served at Bell Harbor Marina, Harbor Island Marina and Shilshole Bay Marina - home to a vibrant liveaboard community. The Maritime Division also operates the Maritime Industrial Center and leases Terminal 86, a fully automated grain terminal, along with other industrial properties connected with these maritime activities and businesses.

INDUSTRY ASSESSMENTS:

Cruise

The global cruise market continues to grow with many lines increasing their focus and deployment in Asia. This market growth is supported by global fleet expansion with larger ships and new product innovations to meet the more sophisticated demands of consumers. The Alaskan cruising market remains strong with cruise lines deploying some of their best ships here in the Northwest.

Maritime Operations

The industry continues to adapt to an evolving regulatory environment, fishing industry consolidation and more limited marine terminal options. The North American Emissions Control Area (ECA) requires more stringent emission reductions for ocean going vessels operating within coastal waters. This places a higher burden of compliance on vessels transiting between Seattle and Alaska because the entire voyage is within the ECA, when compared to vessels on transpacific voyages. In addition, ongoing consolidation of the commercial fishing fleet is driving changes in facilities and services to meet the needs of larger homeport operations. The availability of suitable and affordable marine terminals is growing increasingly scarce in the Northwest.

Recreational Boating

The Recreational Boating industry continues to face challenges such as the affordability of boats and boating, attracting younger generations and minorities, and the emerging regulatory restrictions through taxes and reduced access to water. For the first time in 16 years, the 2015 Seattle Boat Show reported the average age of attendees dropped from 51 to 48 years old. Boaters are demanding upscale moorage facilities including high-end amenities, finishes, and architectural details with more customization, automation and personalization. Nationally, the industry experienced steady growth with the majority of marinas reporting improved margins, flat moorage rates and steady or improved occupancy. The largest increased revenues came from in-water rentals (kayaks, paddle boards, etc.), boat rentals, restaurants, leased slips, fuel, and boat sales. Washington experienced strong growth in new boat sales, although the used boat market still composes the majority of boat sales.

Fishing and Commercial

The Alaska commercial fishing industry remains strong with the Alaska fisheries recognized as the most successfully managed in the world. With sustainable fisheries in the Bering Sea and Gulf of Alaska fisheries, the commercial fishing industry that homeports in Seattle remains stable. Commercial fishing companies are revitalizing their fleets by building new boats to replace aging fishing vessels. Although Alaska ports are working to build better infrastructure to support the small boat fleets, Puget Sound continues to be very attractive for off season moorage for all sizes of commercial boats due to better weather conditions conducive to working on boats as well as an established parts supply and maintenance service network.

Grain

With a larger global supply of corn and a larger late season U.S. soybean crop, USDA is expecting lower crop prices. U.S. exports of corn and soybeans are projected to have modest growth potentially curbed by a strong US dollar and increased competition from record South American supplies. Global soybean trade will continue to be driven by China, which accounts for nearly two-thirds of the world trade.

Industrial Properties

The Seattle/Puget Sound industrial market has been consistent and steady. This trend is expected to continue in 2016 and regional employment growth is expected to be positive. With positive growth in both areas inching upward, absorption of industrial space has outpaced the delivery of new space driving the high occupancy and low vacancy numbers reported in the industrial properties market. Industrial rental rates will continue to be somewhat flat with the close-in large industrial markets experiencing some modest increases.

BUSINESS ASSESSMENTS:

Cruise

Moderate growth is expected with larger vessels already confirmed for Seattle in 2016. With larger cruise ships homeporting in Seattle revenue passengers are estimated to be 960,000. Based on continued surveys, the level of satisfaction for Seattle cruise passengers exceeds industry standards. Passengers surveyed express a strong desire to return to Seattle again in the future. The number of pre and post cruise passenger visits is steadily increasing in the region. The new long term lease with Norwegian Cruise Line Holdings provides for revitalization of the Bell Street Cruise Terminal at P66 to better serve the upsizing of vessels. This partnership investment in facility improvements at P66 further secures the economic benefits the cruise industry provides our region.

Maritime Operations

Fishing fleet homeport demand is expected to remain stable in 2016. Fishing, tug and barge companies are making significant investments in vessel improvements and system upgrades. Other marine industrial moorage is expected to remain stable with moderate growth over time. The energy sector is driving change in maritime facilities as liquefied natural gas (LNG) for marine vessels becomes more prevalent in our region.

Shilshole Bay Marina

The monthly moorage occupancy at Shilshole Bay Marina remains strong, achieving over 95%. The continued high level of success is attributed to the marina's location, docks with good maneuverability and wide navigation channels, a strong and active liveaboard community, and strong customer focus. Over the next five years, several marina improvements are planned or underway including replacement of 1960's era restroom/shower/laundry buildings that are not adequate by today's standards; repairs to utilities, parking lot pavement and the 1962 fuel dock building; and rehabilitation of two docks omitted from the 2006-2008 Dock Replacement Project. The commercial property occupancy rate at Shilshole Bay Marina is currently at 100%. The main focus throughout 2016 will be to retain existing tenants and maintain property values.

Fishermen's Terminal and the Maritime Industrial Center

Commercial fishing vessel moorage demand remains steady with annual occupancy over 80%, even with the majority of customers leaving to work in Alaska for various parts of the year. The small commercial fishing boats (<40') market is most at risk due to the expense of operating a boat, owners retiring and boats relocating. This loss of commercial fishing moorage business is somewhat offset by monthly moorage for smaller recreational vessels which do not require year round moorage.

The commercial property occupancy at both Fishermen's Terminal and the Maritime Industrial Center is 97%; better than the office industry wide average long term occupancy rate of 95%. The main focus throughout 2016 will be to retain existing tenants and maintain property values. Continuous efforts will be made in offering excellent customer service, increasing rental rates levels on renewals and accommodating space reductions and expansions while improving space for quality tenants.

Dock and moorage assets at Fishermen's Terminal are all fairly new with the exception of the Northwest Dock, which is the oldest dock and now approaching thirty years old. Available shore power systems for the various sizes of boats set us apart from our competition. Over the next ten years, the capital plan for the entire Fishermen's Terminal property calls for up to $90M in projects including the NW Dock improvements, Docks 3 and 4 rehabilitation, corrosion protection to seawalls, Net Shed buildings roof replacements, and the Maritime Industrial Center west and central pier resurfacing. These projects are subject to the overall Port of Seattle capital plan funding priorities.

The financial outlook is projected to be stable as staff continues to look at Fishermen's Terminal in an enterprenial fashion for revenue generating opportunities. Revenue gains are expected from an increased number of recreational vessels, while the recapitalization of the large vessel fishing fleet replaces old vessels with new ones; not necessarily adding vessels to their respective fleets. Moorage rates at the terminal for fishing and commercial vessels are at market when compared to other Puget Sound public ports. Recreational vessel rates at the terminal are at market as compared to local marinas.

Grain

The Pier 86 Grain Terminal handles corn and soy beans from the upper Midwest states primarily for export to China. Despite its age, operational improvements and automation help keep this facility competitive with the Tacoma facility and several other facilities on the Columbia River. Although capacity is increasing at other northwest grain facilities, the overall market projection is very strong and our terminal should remain competitive and productive for a long time. With soybeans and corn export activity close to the volumes prior to the 2012/2013 U.S. drought, this trend is expected to continue well into the 2015 harvest year, particularly for soybean exports. For 2015, the U.S. share of global trade is likely to remain at the 2014 level even with higher competition from South America. (US Department of Agriculture, Grains and Oilseeds Outlook, Feb 2014).

Industrial Properties

Consistent with the regional figures discussed under the Industry Assessment, the forecast for the Seattle Close-In industrial market is for lease rates to remain steady, with slight upticks in rents possible. Demand for Seaport industrial properties is expected to remain consistent. The Maritime Industrial portfolio management staff will continue to manage the industrial portfolio for the purpose of maximizing revenue by balancing rental rates (demand) with fluctuating supply to match the performance of local Seattle Close-In market.

CHALLENGES AND OPPORTUNITIES:

Cruise Challenges

- Aggressive schedule for Norwegian Cruise Line to complete renovations at P66 which will expand facility passenger capacity by 2017
- Controlling the cost of building, maintaining and operating marine terminals

Cruise Opportunity

- Increased consumer demand for shorter North West cruise itineraries
- Continued customer interest in bringing larger cruise ships to homeport in Seattle
- Public Private Partnership investment opportunities in cruise passenger terminal modernization to serve larger ships and cruise lines support of "Cruise and Stay program – Tourism growth for the region

Maritime Challenges

- Adapting facilities and operations to meet dynamic regulatory environment
- Attracting new maritime customers and vessel homeport bases with changing land use environment

Maritime Opportunity
- Capability to set up short term Transportation Worker Identification Credential (TWIC) berths
- Opportunities for attracting vessel homeport bases for seafood, tug and barge fleets

Recreational Marina Challenges
- Retaining customers and facility availability during upcoming capital improvement projects including Seattle waterfront construction projects
- Maintaining assets responsibly within the Port system while still controlling costs
- Designing and rebuilding the Shilshole multi-use service buildings (restrooms/showers/laundry) in a way that will meet the long term needs of our customers and boost our current revenue streams
- Identify and implement new revenue opportunities that take into consideration marina customer needs

Recreational Marina Opportunity
- Implement new revenue opportunities that take into consideration marina customer needs
- Leverage new technologies to create efficiencies such as marina software update and handheld technology
- Leverage partnerships to create opportunities with organizations such as the Corinthian Yacht Club, The Adventuress, Seattle Yacht Club, and the Northwest Marine Trade Association

Fishing and Commercial Challenges
- Potential for further slow decline of the small fishing boat fleet (<40') due to market conditions
- Capturing the new business from the revitalized large commercial boat fleet is essential to remain the homeport of the North Pacific Fishing Fleet. The revitalized fleet is out fishing longer, in port less
- Small recreational boat owners are discouraged from taking moorage when summer weather is poor
- Future planning and capital investment in properties with aging infrastructure and implementing energy conservation improvements to improve operating efficiencies and retain customers

Fishing and Commercial Opportunity
- Retain business from commercial fishing customers who are recapitalizing their fleets
- Continue to grow recreational vessel fleet during off-season as space allows
- Promote legislation that would incentivise continued growth within the fishing and maritime industry

Grain Challenge and Opportunity
- Grain volume can fluctuate significantly from year to year due to weather and market conditions
- Revenues from the grain terminal include a minimum annual guarantee and otherwise are subject to upside and downside depending on volume

MARITIME DIVISION STRATEGIES AND OBJECTIVES

STRATEGY: IMPLEMENT CENTURY AGENDA STRATEGIES – POSITION THE PUGET SOUND REGION AS A PREMIER INTERNATIONAL LOGISTICS HUB

Objective: Support growth of annual container volume to more than 3.5M TEU's (Big Ship Ready)		
Performance Measures	**Performance Target**	**Actions**
Co-Manage the East and West Waterways deepening project with the U.S. Army Corps of Engineers (USACE).	2017 - work with USACE towards 2017 Feasibility Completion. 2020 - obtain project authorization and initiate planning and design phase	Transition project to The Northwest Seaport Alliance accountability: • Contribute information and coordinate as needed by USACE • Draft Feasibility Study which will identify the tentative deepening plan in 2016

Complete environmental review (EIS) on re-scoped project and acquire necessary permits for Terminal 5 improvements	Meet December 31, 2016 deadline for permit acquisition	• Complete environmental review
		• Prepare and submit permits
		  • Manage the permitting process
		  • Provide information to NWSA and project management team as appropriate.

Objective: Structure our relationships with Washington ports to optimize infrastructure investments and financial returns		
Performance Measures	**Performance Target**	**Actions**
Support Washington ports partnership initiative.	Support NWSA in marine cargo properties and portfolio management.	• Provide requested services and expertise • Provide requested financial information and financial analyses
Objective: Double the economic value of the fishing and maritime cluster		
Performance Measures	**Performance Target**	**Actions**
Grow existing and attract new seafood value.	Increase/expand existing seafood customers.	Support existing customer base efforts to grow. Survey current customers at Terminal 91 to determine what additional operational requirements would be of benefit to them.
	Attract new seafood customers.	Recruit new seafood companies to the Port.
Develop Fishermen's Terminal Strategic Plan and obtain Commission approval.	Return to Commission by end of Q4 with design concepts.	Obtain consultant, perform outreach, and develop concept alternatives.

STRATEGY: IMPLEMENT CENTURY AGENDA STRATEGIES – ADVANCE THIS REGION AS A LEADING TOURISM DESTINATION AND BUSINESS GATEWAY

Objective: Double the economic value of cruise traffic to Washington State		
Performance Measures	**Performance Target**	**Actions**
Grow our market share in homeport cruise industry.	Commitment from customers for shorter itineraries for 2017 and beyond. Commitment from new customer for homeport vessel for 2017 and beyond.	Provide POS representation in the Cruise Lines International Association (CLIA) Executive Partner Program at annual CLIA events including the Leadership Forum, Congressional Caucus and Cruise3Sixty tourism/ travel trade show. CLIA provides forum to influence positive outcomes through engaged participation of stakeholders, aligning messaging on critical issues to speak through one voice. Support Cruise Shipping Miami- Seatrade Miami, West Coast Collaborative, Cruise the West (CTW). Work with other ports in CTW to promote West Coast/ Alaska and Hawaii cruise markets at annual industry conference and trade show. Cost of booth shared with other Ports. Continue collaboration with Pacific Northwest ports on joint marketing promotion of shorter cruise itineraries.

Prepare Port of Seattle for the changes occurring in the cruise Industry – Larger ships are being introduced to both new and mature cruise markets	Identify operational improvements to increase passenger terminal efficiencies.	Work collaboratively with the airport staff to improve passenger/bag efficiencies and logistics between P66, SCCT and STIA. Work with US Customs Border Patrol (CBP) to improve passenger processing efficiencies (i.e. explore onboard clearance) at P66, SCCT and STIA.
	Advance conceptual design development, estimate cost, schedule and permitting requirements for potential cruise terminal expansion. Complete dredge of east cruise berth at Terminal 91.	Work with SPM, AV and consultants to increase/optimize P66 passenger processing capacity and utilization. Complete work with agencies to permit and complete cruise berth dredging project at T91.
Increase pre and post cruise passenger stays in Seattle and the region.	Increase the awareness of the travel industry and top selling cruise travel agents on Seattle and the region.	Partner with Visit Seattle, Washington Tourism Alliance and local business on familiarization events and cruise line visits. Coordinate work with Port tourism effort—Cruise and Stay Program

STRATEGY: IMPLEMENT CENTURY AGENDA STRATEGIES – USE OUR INFLUENCE AS AN INSTITUTION TO PROMOTE SMALL BUSINESS GROWTH AND WORKFORCE DEVELOPMENT

Objective: Increase the proportion of funds spent by the port with qualified small business firms on construction goods and services to 40% of eligible dollars spent

Performance Measures	Performance Target	Actions
Maintain high level of contract and consultant work performed by small businesses.	Continue record of more than 40% of funds spent by the Maritime Division on contracting going to small businesses.	Execute contracts that support achieving target.

Objective: Increase work force training, job and business opportunities for local communities in maritime, trade, travel and logistics

Performance Measures	Performance Target	Actions
Support workforce development in maritime cluster.	Identify areas for specific job training opportunities	Interface with Manufacturing Industrial Council of Seatttle. Partner with Workforce Development

STRATEGY: IMPLEMENT CENTURY AGENDA STRATEGIES – BE THE GREENEST AND MOST ENERGY EFFICIENT PORT IN NORTH AMERICA

Objective: Meet all increased energy needs through conservation and renewable sources		
Performance Measures	**Performance Target**	**Actions**
Reduce electrical energy needs through conservation with positive financial metrics.	No increase in electrical energy use from 2011 baseline by 2020.	• Install outdoor lighting upgrades at Fishermen's Terminal in 2016. • Perform energy audit at one other Maritime facility per energy performance plan for inclusion in 2017 Capital Budget.
Increase use of renewable energy.	Include cost effective renewable energy project in 2017 Capital Budget.	Identify one cost effective renewable energy project by Q4 2016.
Objective: Meet or exceed agency requirements for storm water leaving facilities owned or operated by the Port		
Performance Measures	**Performance Target**	**Actions**
Meet conditions of Port Phase I municipal National Pollutant Discharge Elimination System (NPDES) permit.	No non-compliance conditions.	Prepare annual report to Ecology to demonstrate 2015 compliance. Track 2016 compliance for 2017 report.
Implement and manage Port Stormwater Utility to deliver efficient and effective stormwater services.	Assess and survey condition of all stormwater conveyance by 2018 and complete maintenance of 30% of stormwater system by 2020.	• Collect stormwater fees for Port Stormwater Utility accurately, correctly, and verifiably beginning on January 1, 2016 • Extend utility billing/lease boundary database system to all sites by end of 2016 • Assess 40% of stormwater infrastructure by Q4 • Identify and plan for rehabilitation of stormwater system for 200 acres
Objective: Reduce air pollutants and carbon emissions		
Performance Measures	**Performance Target**	**Actions**
Meet Northwest Ports Clean Air Strategy goals.	Admin-1: Port Administration fuel efficiency plan (including anti-idling and other operational measures) for Port vehicle fleet maintained.	Admin-1: Complete fuel efficiency (including anti-idling and other operational measures) plan for Port fleet.
Reduce carbon emissions from port operations.	Conduct 2015 Green House Gases (GHG) inventory by Q3 2016. Downward trend in total GHG emissions.	Complete inventory Analyze results and trends in Green House Gases emissions Update energy performance plan to ensure continued downward trend in Green House Gases emissions

Objective: Anchor the Puget Sound urban-industrial land use to prevent sprawl in less developed areas		
Performance Measures	**Performance Target**	**Actions**
Industrial land use regulations in City's Comprehensive Plan update and in City land use code support a growing maritime business.	Replace Industrial Commercial "IC" zoning with a new industrial zone concept that better incentivizes industrial development and maritime-related development. Target 2016. City's Comprehensive Plan update process retains and/or improves the preservation of industrial land use policies and protects freight corridors. Target: Annually. City's arena triggered land use studies result in no residential or lodging uses in the stadium overlay district and that these studies result in enhanced industrial friendly land use regulations in the Duwamish manufacturing/ industrial center. Target: 2016-2018.	Engage in City public process associated with land use studies and processes by • Advocating with City staff, • Writing comment letters as opportunities arise, • Providing public testimony at City Council meetings, and; • Collaborating with a wide range of stakeholders aligned with industrial preservation and coordinate mutual actions as appropriate
Objective: Restore, create and enhance 40 additional acres of habitat in the Green/Duwamish watershed and Elliot Bay		
Performance Measures	**Performance Target**	**Actions**
Create 13 acres of habitat at T117 by 2017.	Construction underway by Q3.	(Assumes Trustee negotiations completed in 2015) Bid and award T117 project by Q1 2016 Start construction T117 project by Q3 2016
Develop habitat restoration into a line of business.	Develop a wetland habitat mitigation bank and evaluate other opportunities for revenue generation.	• Prospectus approved by interagency review team Q1 2016 • Instrument approved Q3 2016 • Investigate potential of using habitat sites for City of Seattle ILF program mitigation

Objective: Pursue better ways to address and implement environmental regulations		
Performance Measures	**Performance Target**	**Actions**
Implement Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and Model Toxics Control Act (MTCA) projects as efficiently and effectively as possible.	Lower Duwamish Waterway • Complete Lower Duwamish Agreed Order work by end of 2019 • T115N Remedial Investigation and Feasibility Study. Submittal of draft Remedial Investigation in 2016	• Activated carbon study construction in 2016. Monitor results in 2017-2019 • Submit draft report by Q2
	East Waterway • East Waterway Feasibility Study finalized in 2016. EPA signs Record of Decision (ROD) and design phase initiated by 2020 • Design and implement the remedial action at T30 cleanup site by Q4 2017	• Draft final report resubmitted to EPA by end of Q2 • Complete design by Q4

STRATEGY: MANAGE OUR FINANCES RESPONSIBLY - OPTIMIZE MARITIME FINANCIAL PERFORMANCE

Objective: Meet 2016 financial targets		
Performance Measures	**Performance Target**	**Actions**
Maritime Division 2016 Net Operating Income.	Net Operating Income of $7.1 million at 12/31/2016.	Continually monitor potential risks to Net Operating Income. Develop plans to mitigate or offset potential losses resulting from these risks.
Maintain and enhance Maritime Industrial/ Commercial Property Occupancy Rates and Budgeted Revenue.	Match occupancy targets of Seattle close-in market for industrial and commercial properties.	Meet or exceed property occupancy targets that match Seattle close-in market for our industrial/commercial property. Key negotiations include option to extend lease with Marel Seattle Inc. consisting of three leases at Terminal 91 and option to renew lease with WSDOT at Terminal 106 East.
Achieve average moorage occupancy target for year.	Recreational Marinas 95%. Fishing and Commercial facilities (Fishermen's Terminal/Maritime Industrial Center) 80%.	All staff continue to provide an extraordinary customer service experience (GEM-Going the Extra Mile). Operations and Marketing staff review monthly occupancy, demand, and trends together. Adjust action plans as needed.

Objective: Grow Maritime Division Net Operating Income		
Performance Measures	**Performance Target**	**Actions**
Partner with EDD to seek growth opportunities	Increase revenue / control costs	Identify two areas for rate increases Implement two new revenue generating activities

Objective: Reduce the Port's environmental liability through cost recovery		
Performance Measures	**Performance Target**	**Actions**
Partner reimbursements invoiced and partners pay in a timely manner.	Port partners are invoiced within 30 days after month-end.	Timely preparation of partner billings. Monitor timeliness of partner payment with follow-up on any deliquencies.
Department of Ecology Grants are processed quarterly.	Submissions are completed and reviewed within 30 days after quarter-end.	Proper set up of processes to efficiently and effectively comply with grant requirements. Timely preparation and review of grant submissions.
Insurance submittals are completed monthly.	Submissions are completed and reviewed within 45 days after month-end.	Proper set up of processes to efficiently and effectively meet insurance requirements. Timely preparation and review of insurance submissions.

Objective: Maintain existing assets and invest in new developments to sustain and enhance Maritime Division vitality		
Performance Measures	**Performance Target**	**Actions**
Implement capital projects.	Meet lease obligation with Norwegian Cruise Line P66 Renovation project complete by 2017 Cruise Season. Shishole Bay Marina Restroom Buildings: Complete design and begin construction by Q3 2016.	Work closely with Norwegian Cruise Line in supporting role for project permits, construction coordination and operational challenges during the renovation of P66 Cruise terminal Work with Project Management to assist completion of projects per plans.
Comprehensive Maritime Division Asset Stewardship Program.	Expand plan to include Commercial and Recreational Marinas.	Have updated list of needed projects available for budget process. Monitor plan and implement minor repairs per Maritime Division Asset Stewardship Program.

STRATEGY: HIGH PERFORMANCE ORGANIZATION

Objective: Align leadership, people and systems with strategic priorities and plans		
Performance Measures	**Performance Target**	**Actions**
Alignment of Maritime Division staff with strategic priorities and plans.	Maritime Division staff has been briefed on Maritime strategic priorities and plans.	Maritime Division "All-Hands" meetings are held on a regular basis where staff is briefed on current events including at least annually Maritime Division Strategic Plan.

Develop staff capabilities, bench strength and opportunities.	Identify and implement targeted training to increase employee capabilities.	Provide introductory LEAN training. Provide other targeted training as identified.
Objective: Strengthen a high integrity, continuous improvement culture		
Performance Measures	**Performance Target**	**Actions**
Work process improvements.	Staff is process improvement oriented implementing small improvements as well as more significant items.	Leadership reinforces need to continually look for ways to do things more effectively and efficiently, even with small changes. Celebrate successes in implementing process improvements both big and small.
Objective: Increase organizational/individual ownership for safe/secure work practices and healthy living		
Performance Measures	**Performance Target**	**Actions**
Maritime Security Program Manager supports Non-Aviation Departments with their Continuity of Operations Plans (COOP).	Provide support in developing and maintaining COOP.	Provide information and tools needed for each department to develop COOP. Information sharing for individuals to be prepared at home and within their own work environment.
Attain perfect score on the Health and Safety Plan audit for marinas.	100% on year-end 2016 Safety Plan audit (published Q1).	100% of Commercial and Recreational Marina employees complete all requirements and training as specified in the facility safety plans.

D. OPERATING BUDGET SUMMARY

Assumptions

The 2016 Maritime Division Budget is based on the following assumptions:

- Cruise passengers are budgeted to increase by 7%, from 895,000 to 959,800, due to a larger vessel being brought in by Royal Caribbean on an existing homeport rotation at Terminal 91.
- Grain volume is budgeted at 4.0 million metric tons in 2016 equal to 2015 Budget and above 2015 forecast of 3.6 million metric tons.
- Recreational Marina average occupancy rate of 95% consistent with 2015 Budget and current 2015 actual results.
- Fishing & Commercial marina average occupancy rate of 82% consistent with 2015 forecast and above 2015 Budget of 79%.
- Salaries and benefits were forecasted using the 2015 budget guidelines of a 3.5% increase to salaries and specified benefit fixed amount/percentage.
- Utility rates were based on applicable rate changes posted by Seattle Public Utility, Seattle City Light, Puget Sound Energy and other utility vendors as applicable.

Major Changes in 2016 Budget

The most significant change in the 2016 Budget compared to 2015 Budget for the Maritime Division is the increase in expenses from corporate groups. The main driver behind the increase is a change in methodology for calculation of allocation percentages using operating expenses only as a factor and not revenue. This methodology is seen as being a better measure of cost drivers.

Revenues

$'s Thousands	2015 Budget	2016 Budget	'16-'15 Bud Change $	'16-'15 Bud Change %
REVENUE				
Cruise & Maritime Operations				
Cruise	14,367	15,396	1,028	7.2%
Maritime Operations	5,235	5,618	383	7.3%
Maritime Industrial Properties				
Grain	5,062	5,002	(60)	-1.2%
Terminals 91 and 106	6,159	5,968	(191)	-3.1%
Commercial & Recreational Marinas				
Fishermen's Terminal	5,383	5,623	240	4.5%
Maritime Industrial Center	852	813	(38)	-4.5%
Shilshole Bay Marina	9,431	10,088	658	7.0%
Other Marinas	777	806	30	3.8%
Operating Revenue	**47,264**	**49,314**	**2,050**	**4.3%**
Total Revenue	**47,264**	**49,314**	**2,050**	**4.3%**

Overall Maritime Division revenues are budgeted to increase by $2.0 million or 4.3%.

Cruise revenues will increase due to a 7% increase in passenger volumes as well as year over year increases in passenger fees and dockage rates which factor into the lease rate calculations. A one-time reimbursement related to the new lease at Pier 66 also contributes to the increase.

The 2016 Budget for Maritime Operations revenue includes annual rate increases as well as a full year of revenue related to the temporary relocation of the Seattle Fire Department fire and rescue boat during the reconstruction of the Seattle waterfront seawall.

Maritime Industrial Properties revenue is projected to decrease due to Surface Water revenue which is now recognized in the Stormwater Utility.

Commercial & Recreational Marina revenue is budgeted to increase overall due to stable or increasing occupancy and higher rates.

Operating Expense Drivers

Total Maritime Division operating expenses (including direct charges and allocations from Corporate, Capital Development and Real Estate service groups) are budgeted to increase by $5.6 million or 15.2%. The change reflects an increase corporate allocations and direct charges from Police $1.2 million and other Corporate groups $2.7 million and an increase in Maritime expenses of $1.3 million. Corporate increases are primarily the result of the changes in allocation methodology and the Maritime increase reflects first year costs associated with the new lease agreement and terminal expansion at the Pier 66 cruise terminal.

TABLE V-3: REVENUE BY ACCOUNT

(in 000's) REVENUE BY ACCOUNT	Notes	2014 Actual	2015 Budget	2016 Budget	% Change 2016 Bud - 2015 Bud
Operating Revenue					
Dckg, Whrfg, Serv/Facility, Passenger Fee		$ 2,537	$ 2,569	$ 1,915	-25.4%
Equipment Rental		224	219	236	7.7%
Berthage & Moorage		11,640	12,077	12,668	4.9%
Parking Revenue		11	11	17	62.2%
Revenue From Sale of Utilities		3,739	4,037	3,586	-11.2%
Property Rental Revenue		24,907	27,765	29,681	6.9%
Other Revenues		1,201	814	1,448	77.8%
Total Operating Revenue	1	**$ 44,259**	**$ 47,492**	**$ 49,551**	**4.3%**

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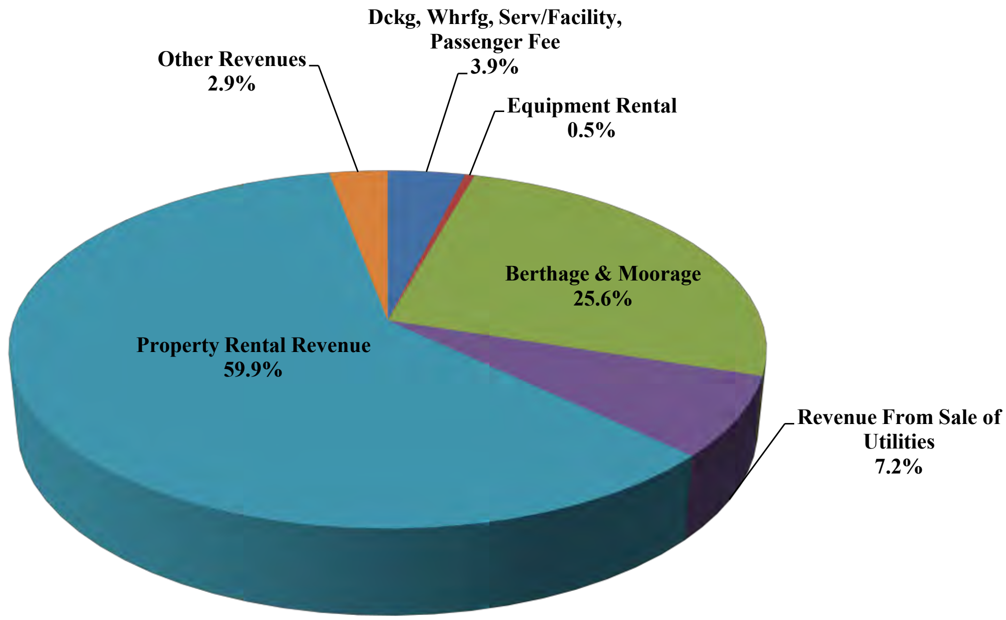
Notes:
1) Revenue does not include allocations from other divisions.

FIGURE V-3: MARITIME DIVISION REVENUE BY ACCOUNT

($ in 000's)



Total Revenue: $49,551

TABLE V-4: OPERATING AND MAINTENANCE EXPENSES BY ACCOUNT

EXPENSE BY ACCOUNT ($ in 000's)	Notes	2014 Actual	2015 Budget	2016 Budget	% Change 2016 Bud - 2015 Bud
Salaries, Wages, Benefits & Workers Comp		$ 22,219	$ 24,767	$ 26,001	5.0%
Equipment Expense		875	792	842	6.3%
Utilities		5,232	5,667	5,538	-2.3%
Supplies & Stock		1,345	1,469	1,717	16.9%
Outside Services		4,001	5,691	3,951	-30.6%
Travel & Other Employee Expenses		338	565	467	-17.3%
Promotional Expenses		90	140	133	-4.6%
Other Expenses		1,394	980	2,075	111.7%
Total O&M without Environmental		**35,494**	**40,071**	**40,725**	**1.6%**
Environmental Remediation Liability Expense		(378)	250	202	-19.2%
Total O&M with Environmental		**35,116**	**40,321**	**40,927**	**1.5%**
Charges to Capital/Govt/Envrs Projects		(2,926)	(2,578)	(2,312)	-10.3%
Total Budgeted Operating Expense	1	**$ 32,190**	**$ 37,743**	**$ 38,615**	**2.3%**

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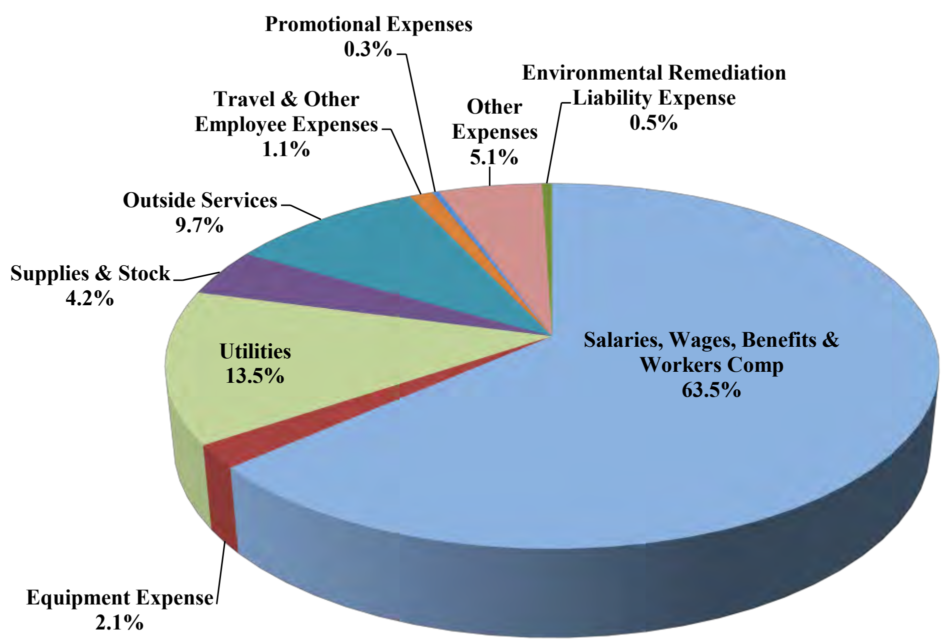
Notes:

1) Tables V-4 & 5 differ from Table V-2, in that they only reflect the division expenses and do not include corporate allocations.

FIGURE V-4: MARITIME DIVISION EXPENSE BY ACCOUNT

($ in 000's)



Total Before Charges to Capital /Govt/Envrs Projects: $40,927
Charges to Capital/Govt/Envrs Projects: $2,312
Total Expense: $38,615

TABLE V-5: MARITIME REVENUE AND EXPENSE BY BUSINESS GROUP/DEPARTMENT

($ in 000's) BY BUSINESS GROUP/DEPARTMENT	Notes	2014 Actual	2015 Budget	2016 Budget	% Change 2016 Bud - 2015 Bud
REVENUE					
Cruise and Maritime Operations		$ 17,923	$ 19,506	$ 20,899	7.1%
Commercial and Recreational Marinas		15,965	16,420	17,316	5.5%
Maritime Industrial Properties		9,636	11,208	10,952	-2.3%
Maritime Environmental and Planning		100	-	-	
Marine Maintenance		635	358	384	7.2%
Total Operating Revenue		**44,259**	**47,492**	**49,551**	**4.3%**
EXPENSES BEFORE CHARGES TO CAP/GOVT/ENVRS PROJECTS					
Business Groups:					
Cruise and Maritime Operations		4,395	5,377	5,454	1.4%
Commercial and Recreational Marinas		5,870	6,481	6,683	3.1%
Maritime Industrial Properties		1,834	2,158	2,076	-3.8%
Total Business Group Expense		**12,100**	**14,016**	**14,212**	**1.4%**
Service Depts.:					
Maritime Environmental and Planning		3,994	4,451	3,495	-21.5%
Marine Maintenance		17,760	19,511	20,987	7.6%
Maritime Finance		1,105	1,217	1,327	9.0%
Other					
Maritime Administration		487	877	563	-35.8%
Maritime Contingency		-	-	-	
Parks		-	-	141	
Maritime Environmental Remediation Liability Expense		(378)	250	202	-19.2%
Maritime Capital to Expense		49	-	-	
Total Services Expense		**23,017**	**26,305**	**26,714**	**1.6%**
Total Expenses Before Charges to Cap/Govt /Envrs Projects		**35,116**	**40,321**	**40,927**	**1.5%**
CHARGES TO CAPITAL/ GOVT /ENVRS PROJECTS		**(2,926)**	**(2,578)**	**(2,312)**	**-10.3%**
OPERATING & MAINTENANCE EXPENSE					
Business Groups:					
Cruise and Maritime Operations		4,393	5,377	5,454	1.4%
Commercial and Recreational Marinas		5,870	6,481	6,683	3.1%
Maritime Industrial Properties		1,834	2,158	2,076	-3.8%
Total Business Group Expense		**12,098**	**14,016**	**14,212**	**1.4%**
Service Depts.:					
Maritime Environmental and Planning		2,817	3,350	2,587	-22.8%
Marine Maintenance		16,005	18,153	19,710	8.6%
Maritime Finance		995	1,096	1,199	9.4%
Other					
Maritime Administration		478	877	563	-35.8%
Maritime Contingency		-	-	-	
Parks		-	-	141	
Maritime Environmental Remediation Liability Expense		(378)	250	202	-19.2%
Maritime Capital to Expense		176	-	-	
Total Services Expense		**20,093**	**23,727**	**24,402**	**2.8%**
Total Operating Expense	1	**$ 32,190**	**$ 37,743**	**$ 38,615**	**2.3%**

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Notes:
1) Expenses do not include corporate allocations.

E. STAFFING

The Maritime Division includes three major business groups: Cruise & Maritime Operations, Maritime Industrial Properties and Commercial & Recreational Marinas. It also includes three service groups: Environmental Services & Planning, Finance & Budget, and Marine Maintenance. These business and service groups oversee strategic planning, business and facility development, maritime security and the management and operations of maritime facilities including cruise, grain and multi-purpose terminals, commercial moorage, recreational marinas and related properties. 19 FTEs were transferred from the Maritime Division to the Northwest Seaport Alliance and 143.0 FTEs were transferred from the Economic Development Division – 110.0 FTEs from Marine Maintenance and 33.0 FTEs from the North Harbor Management Group. The Maritime Division added a Billing Specialist and is budgeting a total of 183.6 FTEs for 2016.

The following TABLE V-6 outlines the Full-Time Equivalents (FTEs) in the Maritime Division.

TABLE V-6: MARITIME DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions) BUSINESS GROUP/DEPARTMENT	Notes	2014 Actual	2015 Budget	2015 Est. Act.	2016 Budget	% Change 2016 Bud - 2015 Bud
Business Groups:						
Lease & Asset Management	1	9.8	9.8	0.0	0.0	-100.0%
Maritime Properties	1			1.0	1.0	
Cruise & Maritime Operations	2	10.3	9.0	8.0	8.0	-11.1%
Commercial & Recreational Marinas	3			33.0	33.0	
Total Business Groups		**20.1**	**18.8**	**42.0**	**42.0**	**123.4%**
Service Departments:						
Commercial Strategy	4	8.3	8.3	0.0	0.0	-100.0%
Maritime Environmental & Planning	5	20.6	20.6	15.6	16.6	-19.4%
Maritime Finance & Budget	6	9.0	9.0	10.0	10.0	11.1%
Marine Maintenance	7			113.0	113.0	
Total Service Departments		**37.9**	**37.9**	**138.6**	**139.6**	**268.0%**
Other						
Maritime Administration	8	2.0	3.0	3.0	2.0	-33.3%
TOTAL MARITIME DIVISION		**60.0**	**59.7**	**183.6**	**183.6**	**207.4%**

FTE.XLS

Notes:
1) Seven FTE's transferred to NWSA; one FTE transferred to Maritime Properties; one FTE eliminated;.8 FTE Limited Duration eliminated
2) One FTE transferred to NWSA
3) Former North Harbor Mgmt. Group transferred from Economic Development division
4) Seven FTE's transferred to NWSA; .3 FTE Intern eliminated
5) Four FTE's transferred to NWSA
6) Added 1.0 FTE Maritime Billing Specialist
7) Marine Maintenance transferred from Economic Development division
8) One FTE, Security Program Manager position eliminated

F. MARITIME CAPITAL BUDGET

TABLE V-7: MARITIME DIVISION CAPITAL BUDGET SUMMARY

($ in 000's)	2016 Budget	2016-2020 CIP	% of 2016 Total Committed
Committed Capital Projects			
Commercial & Recreational Marinas	$5,220	$16,594	22.2%
Cruise & Maritime Operations	12,345	14,568	52.6%
Maritime General	4,821	14,813	20.5%
Maritime Industrial	1,083	1,109	4.6%
Total Committed	**$23,469**	**$47,084**	**100.0%**
Business Plan Prospective Projects	**$4,011**	**$64,562**	
Total CIP	**$27,480**	**$111,646**	

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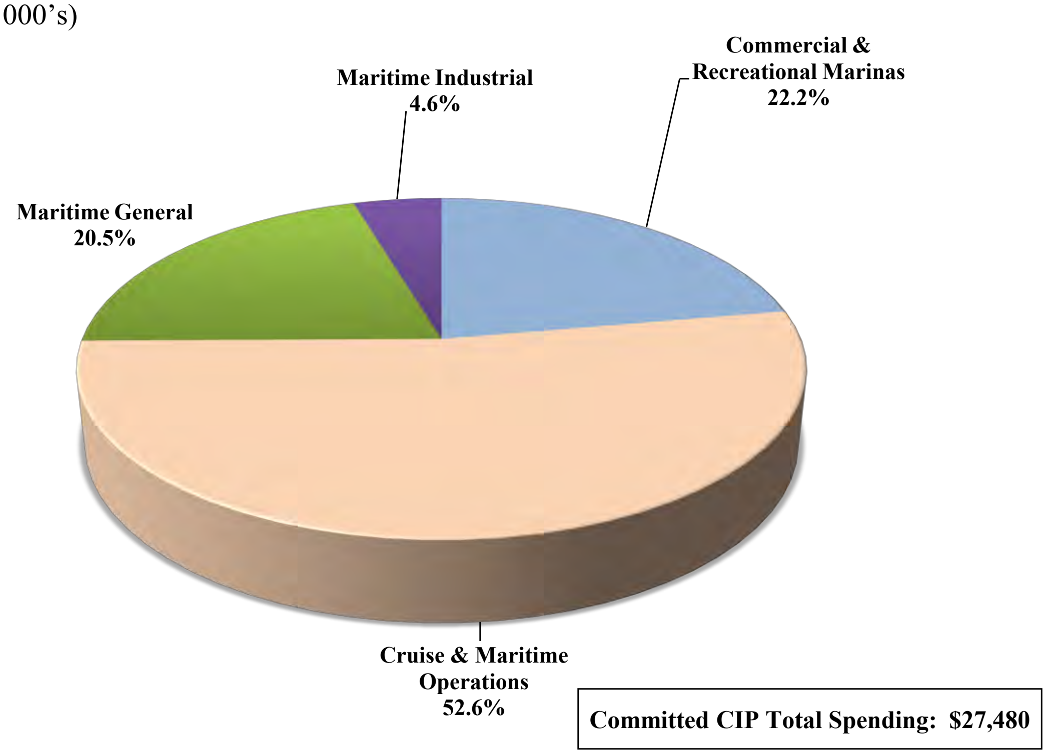
FIGURE V-5: MARITIME DIVISION COMMITTED CAPITAL BUDGET

($ in 000's)



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ECONOMIC DEVELOPMENT DIVISION

A. 2016 BUDGET SUMMARY

TABLE VI-1: 2016 CASHFLOW SUMMARY

($ in 000's)		2016	Percent of Total
SOURCES OF CASH			
Operating Revenues		$ 13,745	94.5%
Interest Receipts		32	0.2%
Proceeds from Bond Issues		-	0.0%
Grants and Capital Contributions		-	0.0%
Tax Levy		752	5.2%
Other Receipts		19	0.1%
Total		**14,548**	**100%**
USES OF CASH			
Expenses from Operations:			
Operating & Maintenance Expense	19,065		49.3%
Corporate & Capital Development Division Costs	4,075		10.5%
Law Enforcement Costs	168		0.4%
Environmental Remediation Liability Expense	-		0.0%
Total Operating Expenses		23,309	60.2%
Debt Service:			
Interest Payments	768		2.0%
Bond Redemptions	2,005		5.2%
Total Debt Service		2,773	7.2%
Other Expenses		162	0.4%
Public Expense		-	0.0%
Capital Expenditures		12,458	32.2%
Total		**$ 38,702**	**100%**

Cashflow.xls ED

FIGURE VI-1: SOURCES OF CASH

($ in 000's)

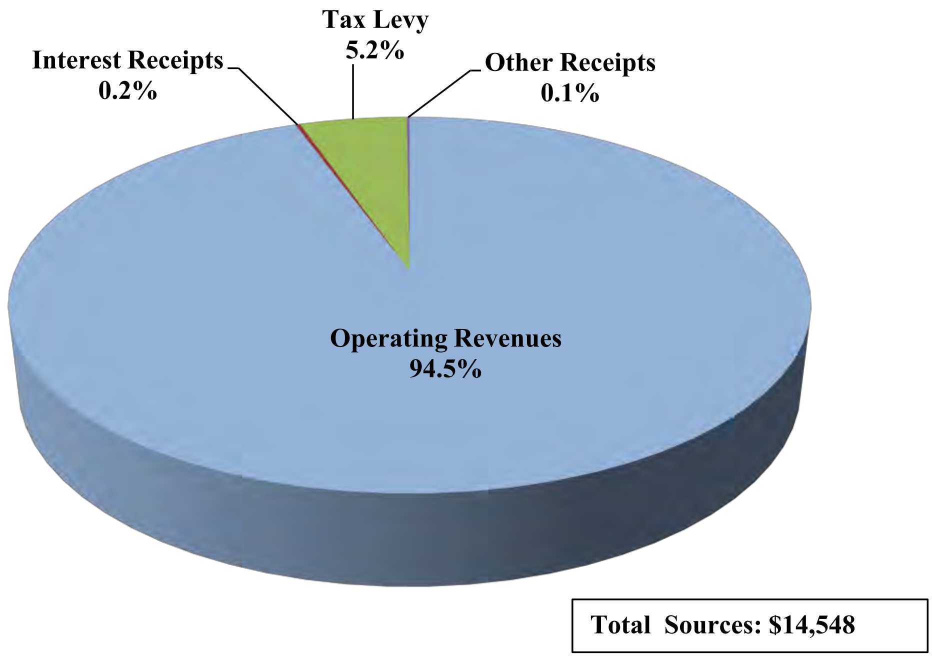
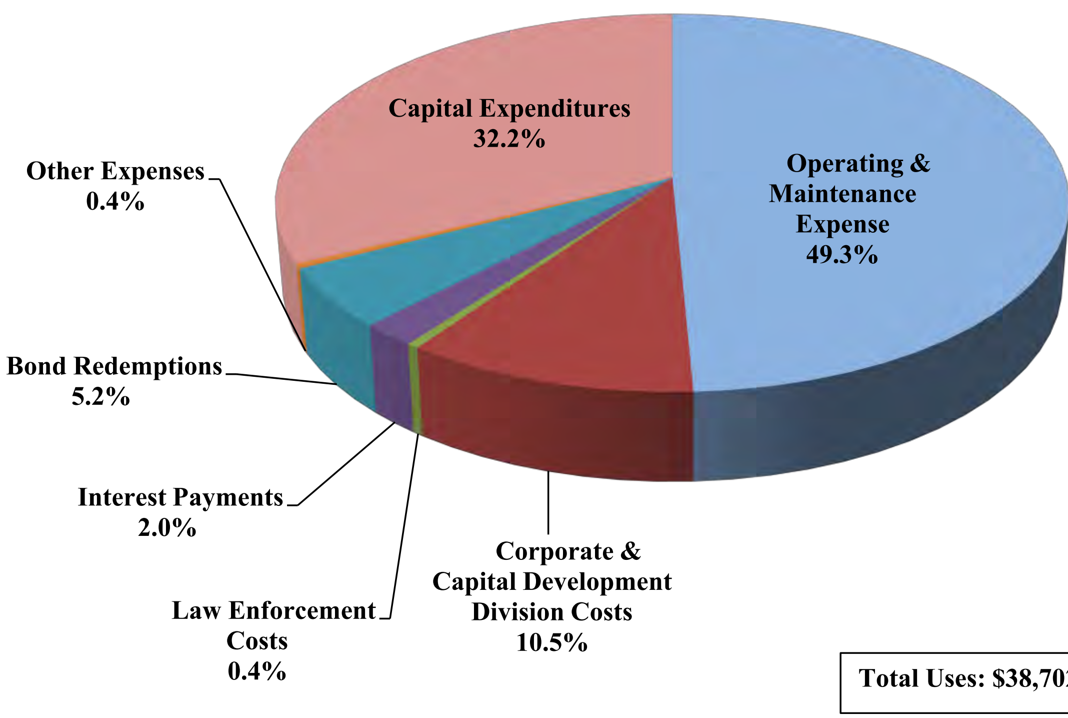


FIGURE VI-2: USES OF CASH

($ in 000's)



B. BUSINESS PLAN FORECAST

TABLE VI-2: BUSINESS PLAN FORECAST

($ in 000's) OPERATING BUDGET	Notes	Budget 2015	Budget 2016	Forecast 2017	Forecast 2018	Forecast 2019	Forecast 2020	Compound Growth 2015 - 2020
Operating Revenue		$ 16,108	$ 13,745	$ 14,644	$ 16,262	$ 17,119	$ 18,038	2.3%
Operating & Maintenance Expense		19,901	19,065	18,058	19,020	20,072	20,257	0.4%
Corporate Division Costs	1	583	4,075	4,175	4,279	4,386	4,496	50.4%
Law Enforcement Costs		454	168	173	177	181	186	-16.3%
Environmental Remediation Liability Expense		250	0	0	0	0	0	0.0%
Total Operating Expense		**21,188**	**23,309**	**22,405**	**23,476**	**24,640**	**24,938**	**3.3%**
Net Operating Income Before Depreciation		**(5,080)**	**(9,564)**	**(7,761)**	**(7,214)**	**(7,521)**	**(6,900)**	**-6.3%**
Total Depreciation Expense		3,375	3,461					
Net Operating Income After Depreciation		**$ (8,455)**	**$ (13,025)**					
								Total 2016 - 2020
Committed Capital Budget		$ 6,960	$ 11,513	$ 2,397	$ 1,285	$ 1,104	$ 1,104	$ 17,403
Business Plan Prospective		1,545	945	1,253	1,000	1,000	3,000	7,198
TOTAL CAPITAL BUDGET	2	**$ 8,505**	**$ 12,458**	**$ 3,650**	**$ 2,285**	**$ 2,104**	**$ 4,104**	**$ 24,601**

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Notes:
1) Consists of remaining Corporate costs to be allocated to Economic Development after direct charges have been coded to Business Groups and Divisions or other costs allocated to Divisions.
2) See Section X for details of Capital Budget.

C. ECONOMIC DEVELOPMENT DIVISION BUSINESS PLAN

COMMITMENT:

The Port of Seattle creates economic opportunity for all, stewards our environment responsibly, partners with surrounding communities, promotes social responsibility, conducts ourselves transparently, and holds ourselves accountable. We will leave succeeding generations a stronger port.

MISSION:

To implement the Port of Seattle's Century Agenda creating quality jobs and driving economic prosperity throughout Washington State.

VISION:

The Economic Development Division will implement initiatives that position the King County region for economic success:

- Organize and implement targeted efforts to raise the Port's and the region's image as a business location;
- Develop real estate projects that trigger public/private investment and job creation;
- Identify incubator and economic development projects where the Port's investment could trigger public/private investment, job creation, and return short and long term value to Port of Seattle operations (ex. boat building collective, etc.);
- Implement workforce development projects that support the Port's key sectors (ex. Airport Maritime, Manufacturing, and Construction);
- Increase international visitor traffic to the region through targeted tourism promotions; and
- Support and develop small business enterprises that can partner with the Port on public works projects, concession operations and other goods and services needs.

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The Port of Seattle's Economic Development Division will also manage many of the Port's key properties including our Pier 69 Headquarters.

The Port is already recognized as a significant driver of regional economic growth. Successful implementation of this plan will bolster the Port's reputation as a statewide economic development engine. This will not happen overnight. Economic development is a long term investment. We are confident that this plan will produce some short term successes but also realistic that newer initiatives may take several years before they generate tangible economic impacts.

It is also important to recognize that economic development is a team sport. The Port does not have a franchise on economic development and we will not meet Century Agenda goals unless we work effectively with public and private partners in King County and throughout Washington State.

DIVISION DESCRIPTION:

The division is comprised of the following five business and service groups:

Real Estate Development & Planning

Plans and facilitates the development of selected real estate assets currently within its own portfolio and provides development expertise and support to the Maritime and Aviation Divisions. The team also identifies and evaluates new opportunities outside the Port's current portfolio and completes other transactions related to Port assets.

Portfolio & Asset Management

Leases, markets, and manages the Division's portfolio of conference, office, retail, commercial, and industrial properties and works to enhance the value of the Division's assets through strategic asset planning and repositioning. This business unit will also lead the asset management efforts related to the Eastside Rail Corridor. It is organized into two groups:

Central Harbor Management Group
manages markets, leases and plans for Economic Development Division assets located from Terminal 91 to Pier2/CEM in West Seattle. This includes various retail, office and industrial properties, the conference and event centers, and the Eastside Rail Corridor.

Lease Administration & Utilities Group
processes and administers all agreements for both the Economic Development and Maritime Divisions. This includes monitoring for compliance with all agreement terms including insurance, surety, lease provisions, and amendments. The team also reads meters, processes payments, and bills customers for over 255 utility meters.

Foreign Trade Zone #5
manages and markets use of the Port's Foreign Trade Zone for the benefit of businesses that import goods from other countries.

Office of Social Responsibility

Office of Social Responsibility (OSR) manages the Port of Seattle's efforts to promote small business growth and workforce development. OSR manages the Small Business Development and Inclusion Program; (2) the Port's Workforce Development initiatives; and (3) leads the Port's Annual Community Giving Campaign and staff voluntarism efforts.

Tourism Development

The Tourism program focuses on attracting visitors from five key direct-flight overseas markets: Japan, China, the United Kingdom, France and Germany. Tourism partners with Visit Seattle and the Washington Tourism Alliance to promote our destination through public relations and special promotions with travel trade, consumer and social media. The Port of Seattle team develops and maintains relationships throughout the state and region with the shared goal of increasing the economic benefits of international tourism.

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Pier 69 Facilities Management
Ensures functionality of Port Headquarters by integrating people, place, process, and technology. Operations include reception, motor pool, mailroom, shipping & receiving, conference center, and Clipper Café.

INDUSTRY ASSESSMENTS:

Local Real Estate Market:

Industrial:
The local industrial real estate market remains strong but growth appears to be slowing. According to Colliers International, Seattle's industrial market should see greater than average growth over the foreseeable future as new supply meets still growing demand, bringing the overall market to equilibrium. Rental rates increased modestly quarter over quarter and may level off in the next 12 to 18 months as new supply hits the market to meet demand. The vacancy rate is 4.8% market wide, down 1% year over year. In the Kent Valley, which includes the airport market, the vacancy rate is just 3.9%. The Seattle vacancy is even lower at 2.3%.

Commercial:

The local commercial real estate market continues to be dominated by the technology industry, which accounts for 90% of preleases and more than 60% of tenants currently in the market. According to Colliers International, demand continues to far outpace supply. Large block contiguous space available is limited in existing buildings, driving large users toward new construction in employee-favored, amenity-rich locations. Throughout 2015, vacancy will hold steady or even fall slightly, even as new construction begins to deliver. Global tech companies continue their expansion into the Puget Sound market – growing head count, expanding operations and absorbing large blocks of space.

Tourism:

Tourism is the state's fourth-largest export industry according to Gross Domestic Product (GDP). Visitors to Washington State in 2014 spent $19 billion and generated $1.7 billion in local and state tax revenues. Travel and tourism supported more than 163,400 jobs and generated earnings (payroll) in excess of $5 billion in our state. International visitors spend an average of 5 times more than domestic travelers, and one job is created here at home for every 35 international visitors who visit the area, according to the US Travel Association. Since the state closed the office of tourism in 2011, the POS has held a leadership role in funding and governing the Washington Tourism Alliance, which has a budget of about $500,000 compared to competing western states with tourism budgets ranging from $7-50 million.

BUSINESS ASSESSMENTS:

PORTFOLIO & ASSET MANAGEMENT

Leasing and Marketing:

The occupancy level of our Commercial Properties is currently at 90% compared to a broader Seattle market occupancy of 90.7%. We expect leasing activity to increase with improving economic conditions but will continue to wrestle with local challenges (e.g. transportation infrastructure projects) on the Central Waterfront and Duwamish. Corresponding increases in leasing activity are expected in most other submarkets.

Operations and Maintenance:

The commercial real estate industry's focus on energy efficiency has resulted in a downward trend in total operating expenses with approximately two-thirds of the savings achieved in the utility category, underscoring an industry focus on maximizing building efficiency.

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A large portion of the operations and maintenance services related to the portfolio are provided through the Maritime Division's Marine Maintenance Department. Our teams will continue to work together to improve operating efficiencies, to reduce environmental impact, to budget appropriately, and to manage our expenses in order to maintain and improve the value of our portfolio of real estate assets.

Capital Investments/Improvements:

By the end of 2016, the Portfolio and Asset Management team is expected to have overseen roughly $4.2M in capital investments being made in the commercial and hospitality properties. Investments will be reflected in sustained existing revenues and improved operating efficiencies intended to position the properties for improving market conditions and opportunity for additional revenue.

REAL ESTATE DEVELOPMENT & PLANNING

The group's strength lies in a relatively well-located portfolio of underutilized sites in Seattle and surrounding the airport. This is particularly significant given the increasingly smaller supply of close-in, well-served industrial land available for development. The real estate portfolio is one of the Economic Development Division's best means of increasing revenue and related job creation. Disposition of the portfolio, however, will require a careful balancing of both financial and the non-financial objectives described in the Century Agenda and applying both a short and long-term filter to potential transactions.

OFFICE OF SOCIAL RESPONSIBILITY

Small business owners are beginning to feel better about the business environment, but many minority and women owned businesses still believe that they do not have access to the same opportunities, because of the lack of a more inclusive small business programs in the public agencies. Regarding workforce development, the CEO and the Port Commission have committed to support the region's pipeline of qualified workers, which in turn will support the employers in Port sectors.

TOURISM

The Washington Tourism Alliance (WTA) was successful in having a study plan approved by the state legislature in 2014, and enabling legislation was introduced in spring 2015. It will be resubmitted in 2016 for passage. The statewide funding goal is $7.5 million, which the initial plan said would be raised from industry sector participants in roughly this proportion: Lodging, 32%; Food service, 28%; Attractions, 13%; Retail, 19%; and Transportation, 8%. This funding plan depends also on the continued significant program funding from the international tourism partnership (Port of Seattle and Visit Seattle).

On a parallel course, the Port of Seattle and the Port of Walla Walla convened a "Tourism Ports Task Force" in 2013, in order to discuss ports' potential role in statewide tourism promotion. The Task Force has concluded that Tourism Ports should contribute to the WTA, once the enabling legislation is in place. The ports' contribution would be incremental to the WTA's legislated collection and potentially other sectors would also contribute, such as tribes, wineries, etc. Ports funding method and levels have not been determined.

It is time now, with the increasing global visibility of Seattle, to re-energize the Port's long-standing promotion of the region as a year-round leisure destination. In addition, we are promoting a "cruise-and-stay" program that encourages international cruise passengers to extend their stay in the area. International visitors are "high value", as they spend more time and more money on vacation than domestic travelers. These "long-haul" travelers typically have up to 3 weeks of vacation, and often visit multiple destinations in one trip. This focus is a successful niche for us, generating multiple international media stories and earning a "Port of the Year" designation from a German cruise publication. Promotion partnerships with one cruise line (NCL) in Germany and the United Kingdom resulted in an increase of 26% and 40% cruise and stay bookings through Seattle, respectively, indicating that this opportunity is ripe.

Our area is featured in hundreds of individual tour products among our 5 target markets, and media coverage in these markets for 2014 was valued at more than $30.6 million, a record year. (Media value is calculated by determining how much paid advertising would cost for the equivalent number of pages, inches or seconds/minutes in the same media). Additionally, partners throughout the state contributed $1 million in in-kind services to support our program.

CHALLENGES AND OPPORTUNITIES:

PORTFOLIO & ASSET MANAGEMENT

Commercial Properties

Opportunities - Improving Revenue:

- The current real estate market appears to be trending toward continuing recovery which suggests more opportunities for improving future revenue.

Challenges - Improving Revenue:

- Having experienced high vacancy rates over an extended period, landlords of commercial real estate will continue to aggressively pursue tenants looking for commercial space. Well-positioned and maintained properties that offer attractive amenity packages more readily benefit from improving market conditions.
- Compliance with legal, financial and regulatory aspects of public entity ownership of real property can result in having a less competitive edge than the private sector in the commercial real estate market (contracting procedures, security deposit requirements, and limited flexibility in negotiations). This is likely to be reflected in achievable lease rates at the lower end of the market range and/or lengthier vacancies through missed opportunities.
- Locations of several properties within the portfolio provide only limited amenities such as public transportation, shopping, dining, walking trails, etc.
- Updating and refurbishing aging infrastructure will require forward planning and capital investment.
- Improving operating efficiencies in properties with aging infrastructure and implementing energy conservation improvements will involve forward planning and capital investment.
- There continues to be concern with local businesses that will be affected by the Alaskan Way Seawall Project. Perception in the market is that the disruption from the ongoing work currently underway on the waterfront will continue to negatively affect businesses along the entire waterfront for the next several years with the following potential impacts.
  - Loss of traffic capacity and parking, commute time congestion
  - Walking access is constrained, impacting tourist activity
  - Customer, public, employee and supplier access to businesses are restricted and congested
  - Negative impact to seasonal business volume from both the physical and perceptual blockages
  - Negative impact of construction activity (i.e., noise, congestion, muck)
  - Loss of key infrastructure on the waterfront that serve the public and customer needs
  - Potential tenant's employee access to waterfront office space may be impeded
  - Limited shopping, activities, and dining choices for employees of potential office tenants
  - Public and potential tenants may likely avoid the waterfront altogether
  - No public transportation along Alaskan Way
- The multiple organizational changes in progress and more coming make it difficult to continue process improvement and performance metrics development with significant unknowns.
- The Northwest Seaport Alliance and Surface Water Utility both present potential for many system configuration challenges, changes to various reports, SharePoint workflow design, and support staff assignments. Until more detail has been developed, we are proceeding to analyze the most likely outcomes in order to be prepared for implementation in a timely manner when the organization structures have been finalized.

Conference & Event Centers

Opportunities:

- Continued Investment – The rebuilding of the Seattle Waterfront over the next few years presents a distinct opportunity to leverage historical success and iconic heritage to update and refresh the Bell Harbor International Conference and Event Center, the Maritime Event Center and the World Trade Center Seattle in anticipation of renewed regional and international interest.
- Leveraging Paul Schell Center – The renaming of Bell Street Pier provides another opportunity to leverage on ongoing investment in the facilities at Pier 66. Additionally, renaming the entire complex at Pier 66 would also greatly enhance the visibility and search profile of the Conference Center and the cruise terminal.

Challenges:

- Hotel room supply – Seattle is an increasingly popular destination and hotel room supply is currently down thereby limiting the ability to leverage good rates for out of town conference business.
- Increasingly short lead times in the market – There is a continuing trend toward "just-in-time" event planning and the shortening of lead time for events creates challenges in forecasting and logistics.
- Aging facilities - Updating and refurbishing aging infrastructure will require forward planning and capital investment.
- Competitive market—although no new facilities are planned for 2015, a number of event space venues have recently opened or have been remodeled in the past year to be more attractive (the Motif, the (Marriott) Renaissance Hotel, the Westin Hotel, the Chihuly Garden and Glass, the Conference Center at the Washington State Convention Center, and MOHAI).
- Schedule conflicts - Cruise activity and departure times often conflict with opportunities for planned events and has a negative impact on event opportunities.
- Parking capacity at Pier 91, Smith Cove Conference and Event Center, is very limited and inconveniently located. Also, transportation options to the site are limited.
- The prospective expansion of the cruise program at Pier 66 may constrain event operations.

REAL ESTATE DEVELOPMENT & PLANNING

- Opportunity: Relatively large portfolio of underutilized land, some of which can be positioned for disposition with minimal investment.
- Opportunity: Current market conditions appear to be fairly favorable given the overeall strength of the regional and national economy.
- Challenge: Market conditions are constantly in flux and ultimately drive the value that can be obtained for any particular site.
- Challenge: Some of the sites in the portfolio have encumbrances—both physical and regulatory—that constrain development.

OFFICE OF SOCIAL RESPONSIBILITY

Small Business Challenges

- How best to respond to the under-representation of minority and women in port contracting, as documented by the 2014 disparity study.
- How to ensure the accurate collection, tracking and reporting of participation by ethnicity in Port business opportunities.
- Develop an effective rebranding of the Port's Small Business Program to "Small Business & Inclusion Program".

Small Business Opportunities

- Recommending procurement policy changes in response to the results of the disparity study.
- Rebranding and refreshing the Port's Small Business Program to "Small Business & Inclusion Program" to ensure broad appeal and participation.
- Coordination with the Airport Minority Advisory Council (AMAC) and Port teams of a regional conference in 2016 for small business opportunities at the airport in construction, professional services, purchased goods and services and the ADR Program.

Workforce Development Challenges

- How to maximize the Port's legislative authority and funding available for workforce development.
- How best to identify other sources of Expansion Funds – Levy, General Fund, Tenant Charges, Contractor Labor Hour Charges.
- Draft resolutions needed to support/enable new strategy.
- How to support the Commission's Quality Jobs Strategy.

Workforce Development Opportunities

- The Port Commission has publicly expressed an interest in the expansion of the workforce development strategy.
- The CEO has expressed support in continued Port investments and in the program expansion.
- Source(s) of Expansion Funds – Levy, General Fund, Tenant Charges, Contractor Labor Hour Charges.
- Resolution as needed to support/enable new strategy.
- Quality Jobs – implementation, enforcement, and impact measurement.

TOURISM

- **Opportunity:** Build on "cruise-and-stay program" by investing in joint promotions with cruise lines and tour agencies, and target cruise media for coverage, focusing on the United Kingdom and Germany as top cruising markets in the world.
- **Opportunity:** Develop, build and re-invigorate off-season programming for targeted markets, partner with top-producing tour agencies and key media for promotion.
- **Opportunity:** Develop and execute grant program to further encourage partners in King County, Puget Sound and the state to invest in tourism promotion.
- **Challenge:** Constraint from growth due to lack of foundational state funding and Port of Seattle /Visit Seattle funding that has not even kept pace with inflation and currency values.

ECONOMIC DEVELOPMENT DIVISION – PRIORITY GOALS AND OBJECTIVES

GOAL: TANGIBLY SUPPORT PUBLIC AND PRIVATE INVESTMENT PROJECTS THAT CREATE NEW JOBS AND GENERATE NEW TAX REVENUES FOR THE PORT AND ITS LOCAL GOVERNMENT PARTNERS IN KING COUNTY AND WASHINGTON STATE.

Objective: Organize and implement targeted efforts to raise the Port's and the region's image as a business location		
Performance Measure	**Performance Target**	**Actions**
Organize and implement a cooperatively funded and managed marketing initiative that generates interest from expanding businesses interested in Port properties or coop partners' facility options.	Generate leads from 80+ expanding businesses: • Participate in select prospecting missions, trade shows, and pertinent industry events. • Host 8 prospective firms on site selection tours of the region.	Facilitate discussions with partners to develop coordinated marketing plan by Q3 2016: • Match port contributions towards initiative on a 1:1 basis. • Formalize partner/marketing alliance staffing plans. • Develop tracking and performance measures to help manage and evaluate marketing initiative. Implement plan between Q3 2016-2017.
Objective: Incubate and accelerate businesses that add short and long term value to Port of Seattle operations		
Evaluate status, location, and extent of current accelerator and incubator initiatives in King County to discern whether and how the Port could accent small business formation and growth within the region. Evaluate broader incubator and economic development project investment options with Port, ADO and other economic development partners to discern how the Port could support business formation and growth throughout WA State.	A complete inventory of incubators and accelerators within the Puget Sound region by Q2 2016. Recommendations regarding specific Port incubator/accelerator projects and investments by Q3 2016. Develop an inventory of incubators and economic development projects within WA State by Q2 2017. Provide recommendations regarding specific Port incubator and economic development projects and potential investments by Q3 2017.	Develop inventory of incubators and accelerators within Puget Sound: • Location • Focus • Results • Future plans Identify options for Port investments or initiatives that support existing or new incubators/accelerators. Develop inventory of incubators and economic development projects in Washington state: • Location • Focus • Results • Future plans Identify options for Port investments or initiatives that support promising incubators or economic development projects adding jobs and value back to Port of Seattle operations.

GOAL: USE OUR INFLUENCE AS A PORT TO DRIVE COMPETITIVENESS OF KEY INDUSTRY CLUSTERS THROUGH WORKFORCE DEVELOPMENT AND THE DEVELOPMENT OF EFFECTIVE SMALL BUSINESS SUPPLIER NETWORKS.

Objective: Increase workforce training to improve placement and wage progression opportunities in Airport, Maritime, Manufacturing and Construction industries		
Performance Measure	**Performance Target**	**Actions**
Implement a regional strategy that supports quality jobs and training opportunities to ensure a pipeline of qualified workers in Port sectors.	Airport Employment Center: Increase workforce development services to meet Airport growth. • 1,500 job placements • 410 individuals will attain job readiness and core employment skills Completion of sectoral Career Pathways roadmap. Increased employer participation (time $). Leverage career pathways training through partnerships. Expand workforce development services in Maritime, Construction, and Manufacturing in place by Q3-2016.	OSR to help participate in RFP process, oversee contract compliance, metrics, forecasted outcomes and review of reported outcomes to support adjustments to the model and/or contracts. Obtain CEO and Commission approval for expanded strategies. Develop/manage RFP process(s) to select providers to implement strategies. Stakeholder Engagement to Support Formal Collaboration and Partnering (Multi-agency, multi-institution, employer). Manage program design & implementation.
Objective: Increase the Proportion of Funds Spent by the Port with Qualified Small Business Firms on Construction, Goods and Services to 40% of the Eligible Dollars Spent		
Implement the updated Port's small business program so it aligns with Century Agenda metrics.	Increase small business participation including M/W/DBE in 2016 to 33% 2017 to 35% 2018 to 36% 2019 to 38% 2020 to 40%.	Work with CPO and Division leadership throughout the Port to establish goals for small business utilization. Work with the external small business stakeholders for comments/suggestions. Implement expanded program by Q1-2016.
Implement a race conscious DBE program for federally assisted projects (DBE program).	Implement by Q1-2016.	Obtain CEO approval by Q3-2015. Propose the goal to the FAA in Q3-2015 and seek FAA approval by Q4-2015. Coordinate with CPO to update/amend all relevant documentation (solicitation documents and contracts).

Implement ***"PortSBE Generator"*** a small business accelerator program as supported by Commission.	Support the capacity development of at least 15 small business firms annually.	Develop the small business accelerator structure by Q3-2015 and implement in Q4-2015.
Publicly promote the updated opportunity listings to small and M/W/DBE Businesses.	Quarterly	OSR to coordinate with CPO on said updates. Ensure that information is distributed through relevant community organizations that support small business.

GOAL: AGGRESSIVELY USE THE PORT'S REAL ESTATE ASSETS TO DRIVE JOB CREATION AND SUPPORT KEY INDUSTRY CLUSTERS.

Objective: Meet 2016 Financial Targets		
Performance Measure	**Performance Target**	**Actions**
Economic Development Division 2016 Net Operating Income (NOI).	Net Operating Income of ($9.564) million at 12/31/2016: • Portfolio & Asset Management NOI ($3.545 million). • Central Harbor Management Group ($2,752 million). • Conference & Event Centers $.810 million. • Real Estate Development & Planning NOI ($2.950 million). • Eastside Rail NOI ($.237 million). • Social Responsibility NOI ($1.640 million) • Tourism NOI ($1.192 million)	Continually monitor potential risks to Net Operating Income. Develop plans to mitigate or offset potential losses resulting from these risks.
Objective: Maintain occupancy levels and rental rates at or favorable to the broader market.		
Occupancy of Commercial Buildings at year-end 2016.	Year-end occupancy rate will be 90% or better.	Implement an ongoing leasing and marketing strategy for each property that includes recommendations for: • Marketing • Asking rates based on market conditions • Concessions (i.e. improvement allowances and rent abatements) • Level of maintenance • Capital improvements • Utilization of outside broker

Objective: Generate New Revenue By Increasing Property Utilization		
Performance Measure	**Performance Target**	**Actions**
Generate additional revenue in Bell Street Garage.	Increase advertising revenue. Increase usage.	Analyze benefit of third party advertising in appropriate locations in the garage. Develop marketing plan and implement as appropriate.
Continue mitigating impact of cruise terminal expansion at Pier 66.	Minimize impact to NOI.	Collaborate with Maritime Division in planning for cruise expansion. Identify impacts, develop new revenue opportunities and mitigate risks to existing contracts.
Develop plan to refresh BHICC to align with completion of waterfront transportation projects (+3-5 years).	Preliminary plan completed by end of 2016.	Benchmark competitive facilities. Develop design, project cost, and schedule for 3-5 year capital project.
Develop comprehensive real estate development strategic plan.	Plan with recommendations completed by Q2 2016.	Develop a strategic framework to guide: • Real estate acquisition • Property disposition • Asset management • Investment decisions
Support Airport's goal to grow annual revenues from leasing Airport property to $5.1 million per year by the end of 2020 (Strategy 5.0).	Lease revenues of $2.8 million per year by end of 2018. Approve or disapprove potential deals; secure commission approval as needed	**Properties in Burien:** Northeast Redevelopment Areas 2 and 3: • Complete design and infrastructure planning using FAA pilot program funding from 2016-2018. • Secure Commission approval of a ground lease to a developer by end of 2016. • Coordinate entitlement permitting work with a development by end of 2016. **Properties in Des Moines:** Des Moines Creek Business Park (87 acres): • Monitor completion of Phase 1 improvements by end of Q1 2016. • Finalize and execute Phase 2 ground lease to support the FAA regional office by end of Q1 2016; monitor completion of Phase 3 improvements (Q1 2016-Q3 2017). • Des Moines Creek Business Park 2 (17 acres) Collaborate with the City of Des Moines to prepare redevelopment plans and consummate necessary land swap by the end of 2016.

		Properties in SeaTac: Des Moines Creek Business Park 3 (29 acres): • Initiate conceptual planning by the end of 2016; prepare a redevelopment plan by end of 2017.
Objective: Acquire or Dispose of Land and Real Property as Circumstances Warrant		
Acquire or dispose of assets as circumstances warrant.	Analyze individual properties/facilities and recommend strategies.	Continuously review assets and implement long term asset management strategies.
Objective: Maintain and operate Pier 69 Assets		
Effectively manage deferred maintenance at Pier 69.	Pier 69 Facility Condition Index (FCI) is .07 or below. FCI is calculated by dividing the cost of deferred maintenance by the current replacement value of the facility.	Ensure that preventive and predictive maintenance tasks are identified, optimally scheduled, and performed with quality workmanship.
Successful planning and execution of capital improvement and expense projects.	**P69 Beam Rehabilitation:** • Budget: $1.6 – 2 MM • Completion by Q3 2016 **P69 DDC System Modernization:** • Budget: $745K • Construction completion by Q3 2017	Provide influential and decisive leadership to ensure that projects are correctly defined, scoped, and delivered on time and within budget.

GOAL: INCREASE INTERNATIONAL VISITOR TRAFFIC TO THE REGION AND INSTITUTE A SMALL COMMUNITIES TOURISM GRANT PROGRAM.

Objective: Make Sea-Tac Airport the West Coast "Gateway of Choice" for international travel		
Performance Measure	**Performance Target**	**Actions**
Number of tour products featuring our destination in the UK and other shared international markets with Visit Seattle.	Increase UK tour products featuring the destination by 10% to 126; increase all other markets by 10% (partnership with Visit Seattle).	Aggressively pursue product development and joint promotion of the destination in the UK. Develop strategic marketing plan with Visit Seattle for the 4 shared markets, and track product development.
Advertising-equivalency of earned media as reported by international reps.	Increase media coverage year over year by 5% in the UK and in shared markets (2014= $3m in UK; $27m across the 4 other shared markets).	Aggressively pursue travel trade and consumer media coverage. Host international media in the destination. Produce regular press releases, newsletters, social media and special event opportunities in international media markets.

Attract new Meetings/Incentives travel to the destination.	Identify and pursue at least one "MICE" (Meetings/Incentives) program from international tourism markets.	Research and identify international opportunities for the business meetings trade. Meet with and pursue MICE planners in international markets. Invite partnership with local entities (i.e. Bell Harbor International Conference Center).
Objective: Double the economic value of cruise traffic to Washington State		
Percentage increase in reported sales of cruise/stay packages with tour operators.	Increase international cruise and stay products sold by 5%, based on 2016 program.	With cruise line, train sales staff of key international tour operators. Provide collateral and sales training tools.
Objective: Maintain the Port's Leadership Role in the Tourism Industry and in Economic Development in the Region		
Establish first tourism grant awards.	Grant program developed and first awards in 2016.	Develop and administer grant program, targeted for Washington communities/entities promoting mutually beneficial tourism programs.
Participation by in-state tourism partners in the Port's tourism program, which represents avoided POS costs.	Increase in-kind contributions by 5% ($1 million was received in 2014; 2015 numbers will be available at year's end to set the 2016 target).	Actively develop relationships with tourism entities across the state, from Destination Marketing Organizations to individual lodging, restaurants and attractions. Invite participation in in-kind opportunities and provide media coverage and tour product development.

D. ECONOMIC DEVELOPMENT OPERATING BUDGET SUMMARY

Assumptions

The 2016 Economic Development Division Budget is based on the following assumptions:

- Commercial properties included in the Central Harbor Management Groups are targeted to reach an overall 93% occupancy at year-end 2016 as compared to an 89% forecasted occupancy at year-end 2015.
- Conference and Event Center revenues are expected to decrease 27% from 2015 Budget due to construction at Pier 66.
- Salaries and benefits were forecasted using the 2016 Budget guidelines of a 3.5% increase to salaries and specified benefit fixed amount/percentage.
- Utility rate increases were based on applicable rate changes posted by Seattle Public Utility, Seattle City Light, Puget Sound Energy and other utility vendors as applicable.

Major Changes in 2016 Budget

The most significant change in the 2016 Budget compared to 2015 Budget is the expected reduction in activity at the Bell Harbor International Conference Center resulting from scheduled construction at Pier 66 to enable the entry of larger cruise vessels. In addition, operating expenses are significantly impacted by support of new Economic Development strategic initiatives.

Revenues

Economic Development Division Operating Revenues are budgeted to decrease by ($2.3) million or (14.7%) compared to the 2015 Budget. Overall, Portfolio & Asset Management's revenues are down ($2.0) million due to an expected decrease in activity at Conference & Event Centers relating to construction at Pier 66. This decrease is slightly offset by an increase in revenue for the Central Harbor Management Group resulting from increased revenue from the Bell Street Garage. Real Estate Development & Planning revenues are budgeted down ($0.3) million due to potential need to vacate a building on the Terminal 91 uplands.

			Incr (Decr)	
	2015	**2016**	**16-'15 Budget Chg**	
$'s in 000's	**Budget**	**Budget**	**$**	**%**
Revenue				
Portfolio & Asset Management	15,142	13,111	(2,031)	-13.4%
Central Harbor Mgmt Group	*6,563*	*6,791*	*228*	*3.5%*
Conference & Event Centers	*8,580*	*6,296*	*(2,284)*	*-26.6%*
Foreign Trade Zone	*0*	*25*	*25*	*NA*
Development & Planning	964	630	(333)	-34.6%
Eastside Rail	0	1	1	NA
Other	2	2	(0)	-1.0%
Total Revenue	**16,108**	**13,745**	**(2,363)**	**-14.7%**

Operating Expense Drivers

Total Economic Development Division operating expenses (including direct charges and allocations from Corporate, Capital Development and Maritime service groups) are budgeted to increase by $2.1 million or 10.0%. The change reflects a decrease in Conference and Event Center expenses, due to lower activity (see revenue change explanation above) offset by an increase in Office of Social Responsibility costs in support of the strategic investment in the Comprehensive Career Pathways project. In addition, Corporate Expenses are budgeted to increase by $2.2 million primarily as a result of a recalibration of the corporate allocation methodology and, to a lesser extent, higher corporate expenses relating to new initiatives.

TABLE VI-3: REVENUE BY ACCOUNT

($ in 000's) REVENUE BY ACCOUNT	Notes	2014 Actual	2015 Budget	2016 Budget	% Change 2016 Bud 2015 Bud
Operating Revenue					
Parking Revenue		161	167	164	-1.8%
Revenue From Sale of Utilities		330	393	254	-35.3%
Property Rental Revenue		6,412	6,623	6,642	0.3%
Other Revenues		9,214	8,843	6,606	-25.3%
Total Operating Revenue	1	**$ 16,117**	**$ 16,025**	**$ 13,666**	**-14.7%**

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Notes:
1) Revenue does not include allocations from other divisions.

FIGURE VI-3: ECONOMIC DEVELOPMENT DIVISION REVENUE BY ACCOUNT

($ in 000’s)

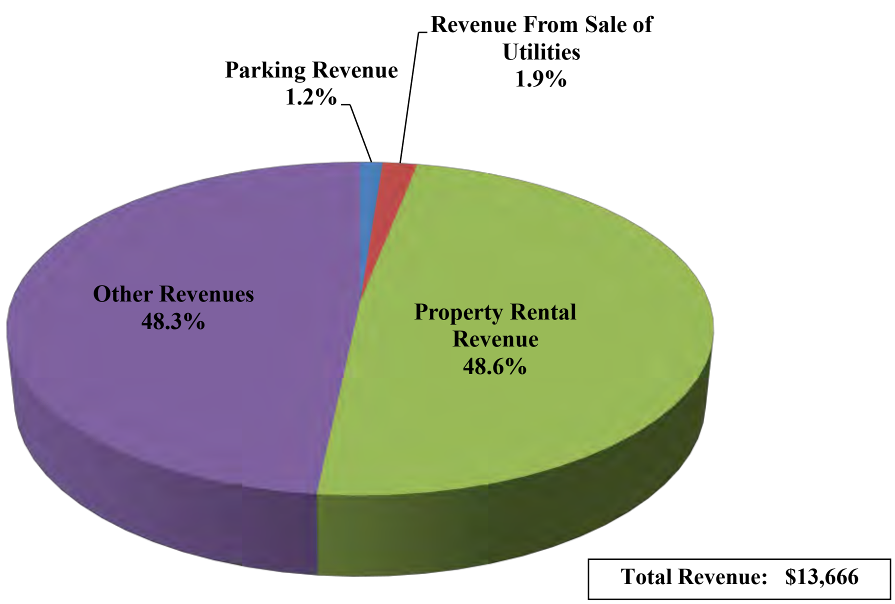

TABLE VI-4: OPERATING & MAINTENANCE EXPENSES BY ACCOUNT

($ in 000's) EXPENSE BY ACCOUNT	Notes	2014 Actual	2015 Budget	2016 Budget	% Change 2016 Bud 2015 Bud
Salaries, Wages, Benefits & Workers Comp		$ 3,889	$ 3,931	$ 4,241	7.9%
Equipment Expense		261	521	185	-64.5%
Utilities		1,840	1,995	1,647	-17.4%
Supplies & Stock		113	118	118	-0.2%
Outside Services		2,975	3,627	4,433	22.2%
Travel & Other Employee Expenses		120	194	272	40.6%
Promotional Expenses		100	113	116	3.0%
Other Expenses		10,764	8,219	8,482	3.2%
Total O&M without Environmental		**20,063**	**18,717**	**19,494**	**4.2%**
Environmental Remediation Liability Expense		(3)	250	-	-100.0%
Total O&M with Environmental		**20,060**	**18,967**	**19,494**	**2.8%**
Charges to Capital/Govt/Envrs Projects		-	-	-	0.0%
Total Operating Expense	1	**$ 20,060**	**$ 18,967**	**$ 19,494**	**2.8%**

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Notes:

1) Table VI-4 differs from Table VI-2, in that it only reflects the division expenses and does not include corporate allocations.

FIGURE VI-4: ECONOMIC DEVELOPMENT DIVISION EXPENSE BY ACCOUNT

($ in 000's)

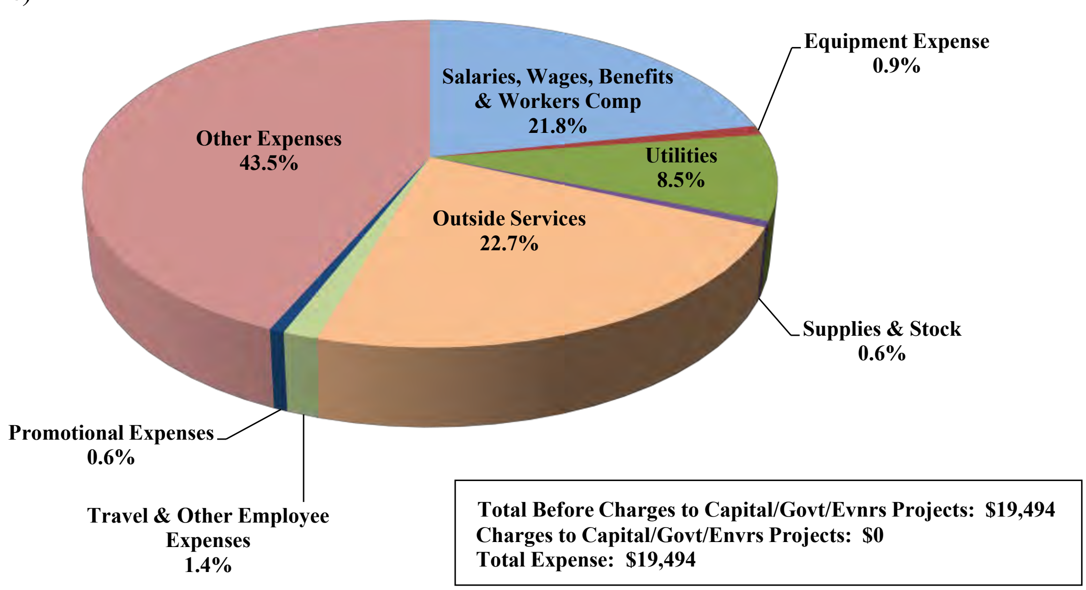

TABLE VI-5: ECONOMIC DEVELOPMENT REVENUE AND EXPENSE BY DEPARTMENT

(in 000's) BY DEPARTMENT	Notes	2014 Actual	2015 Budget	2016 Budget	% Change 2016 Bud - 2015 Bud
REVENUE					
Portfolio and Asset Management		$ 15,059	$ 15,065	$ 13,038	-13.5%
Real Estate Development and Planning		1,046	960	626	-34.8%
Eastside Rail Corridor		12	-	1	
Total Operating Revenue		**16,117**	**16,025**	**13,666**	**-14.7%**
EXPENSES BEFORE CHARGES TO CAP/ GOVT/ENVRS PROJECTS					
Business Groups:					
Portfolio and Asset Management		11,842	12,246	10,362	-15.4%
Real Estate Development and Planning		829	948	2,228	135.0%
Eastside Rail Corridor		2,436	210	144	-31.4%
Total Business Group Expense		**15,107**	**13,404**	**12,735**	**-5.0%**
Service Groups and Other:					
Pier 69 Facilities Management		1,486	1,600	1,538	-3.9%
Tourism		915	981	1,174	19.7%
Office of Social Responsibility		2,115	2,312	3,642	57.6%
Economic Development Administration		440	419	405	-3.4%
Economic Development Environmental Remediation Liability Expense		(3)	250	-	-100.0%
Total Services Group and Other Expense		**4,953**	**5,563**	**6,760**	**21.5%**
Total Expenses Before Charges to Cap/Govt/Envrs Projects		**20,060**	**18,967**	**19,494**	**2.8%**
CHARGES TO CAPITAL/GOVT/ENVRS PROJECTS		**-**	**-**	**-**	
OPERATING & MAINTENANCE EXPENSE					
Business Groups:					
Portfolio and Asset Management		11,842	12,246	10,362	-15.4%
Real Estate Development and Planning		829	948	2,228	135.0%
Eastside Rail Corridor		2,436	210	144	-31.4%
Total Business Group Expense		**15,107**	**13,404**	**12,735**	**-5.0%**
Service Groups and Other:					
Pier 69 Facilities Management		1,486	1,600	1,538	-3.9%
Tourism		915	981	1,174	19.7%
Office of Social Responsibility		2,115	2,312	3,642	57.6%
Economic Development Administration		440	419	405	-3.4%
Economic Development Environmental Remediation Liability Expense		(3)	250	-	-100.0%
Total Services Group and Other Expense		**4,953**	**5,563**	**6,760**	**21.5%**
Total Operating Expense	1	**$ 20,060**	**$ 18,967**	**$ 19,494**	**2.8%**
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Notes:
1) Expenses do not include corporate allocations.

E. STAFFING

The Economic Development Division has Portfolio and Asset Management, Real Estate Development and Planning, Office of Social Responsibility, Tourism and Pier 69 Facilities Management. Economic Development Division transferred a total of 143.0 FTEs to the Maritime Division -110.0 FTEs from Marine Maintenance and 33.0 FTEs from the North Harbor Management Group. The Economic Development Division also received 8.5 FTEs from the Corporate Division – 6.5 FTEs from Office of Social Responsibility and 2.0 FTEs from Tourism. The Economic Development Division has also added a Business Development Manager position for a total of 33.8 FTEs for 2016.

The following table outlines the Full-Time Equivalents (FTEs) for both regular and other categories in the Economic Development Division.

TABLE VI-6: ECONOMIC DEVELOPMENT DIVISION STAFFING

STAFFING (Full-Time Equivalent Positions) **BY DEPARTMENT**	**Notes**	**2014 Actual**	**2015 Budget**	**2015 Est. Act.**	**2016 Budget**	**% Change 2016 Bud - 2015 Bud**
Economic Development Administration		2.0	2.0	2.0	2.0	0.0%
Harbor Services		31.8	0.0	0.0	0.0	NA
Portfolio & Asset Management:		45.8	45.0	11.0	11.0	-75.6%
Central Harbor Mgmt. Group	1	0.0	4.0	3.0	3.0	-25.0%
Conference & Event Centers		0.0	0.0	0.0	0.0	NA
North Harbor Mgmt. Group	2	0.0	33.0	0.0	0.0	-100.0%
Portfolio Mgmt. Admin		14.0	8.0	8.0	8.0	0.0%
P69 Facilities Management		6.0	6.0	6.0	6.0	0.0%
Development and Planning	6	3.0	3.0	3.0	4.0	33.3%
Office of Social Responsibility	3			6.5	7.8	
Tourism	4			2.0	3.0	
Marine Maintenance	5	110.0	110.0	0.0	0.0	-100.0%
TOTAL ECONOMIC DEVELOPMENT DIVISION		**166.8**	**166.0**	**30.5**	**33.8**	-79.7%

FTE.XLS

Notes:
1) Transferred 1.0 FTE to Marine Maintenance in Maritime Division.
2) North Harbor Mgmt. Group (formerly Harbor Services) transferred to Maritime Division.
3) Office of Social Responsibility transferred from Corporate.
4) Tourism transferred from Corporate.
5) Marine Maintenance transferred to Maritime Division.
6) Added Business Development manager position.

F. ECONOMIC DEVELOPMENT CAPITAL BUDGET

TABLE VI-7: ECONOMIC DEVELOPMENT DIVISION CAPITAL BUDGET SUMMARY

($ in 000's)	2016 Budget	2016-2020 CIP	% of 2016 Total Committed
Committed Capital Projects			
General Economic Development	$3,478	$7,568	30.2%
Portfolio Management	8,035	9,835	69.8%
Total Committed	**$11,513**	**$17,403**	**100.0%**
Business Plan Prospective Projects	**$945**	**$7,198**	
Total CIP	**$12,458**	**$24,601**	

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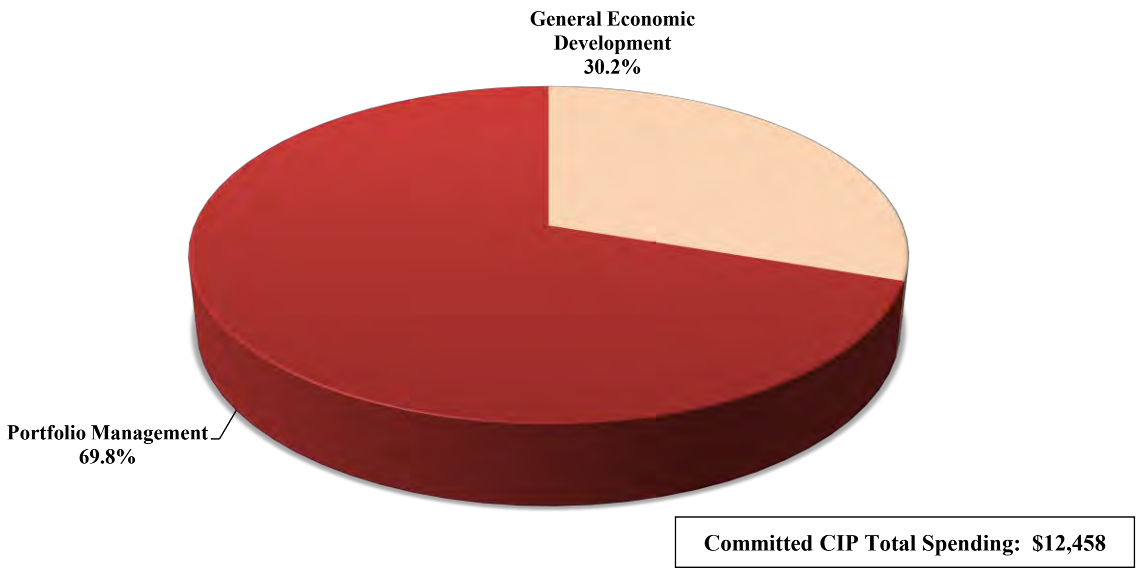
FIGURE VI-5: ECONOMIC DEVELOPMENT COMMITTED CAPITAL BUDGET

($ in 000's)



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CORPORATE

A. 2016 BUDGET SUMMARY

TABLE VII-1: 2016 BUDGET SUMMARY

($ in 000's) OPERATING RESULTS	Notes	2014 Actual	2015 Budget	2016 Budget	Change 2016 Bud-2015 Bud	% Change 2016 Bud-2015 Bud
Operating Revenue		$ 13	$ -	$ -	$ -	
Other Revenue		406	340	345	5	1.5%
Total Revenue		**419**	**340**	**345**	**5**	**1.5%**
Corporate		88,776	97,051	104,740	7,689	7.9%
Total Corporate Expense	1	**$ 88,776**	**$ 97,051**	**$ 104,740**	**$ 7,689**	**7.9%**
Excess of Revenue over Expense		**$ (88,357)**	**$ (96,711)**	**$ (104,395)**	**$ (7,684)**	**7.9%**
COMMITTED CAPITAL BUDGET		**$ 11,630**	**$ 6,928**	**$ 5,118**	**$ (1,810)**	**-26.1%**
EMPLOYMENT (TOTAL FTEs)		**741.0**	**750.7**	**745.4**	**(5.3)**	**-0.7%**

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Notes:
1) 2015 Budget excludes the transfer of Tourism & Office of Social Responsibility from Corporate to Economic Development Division. Office of Strategic Initiatives is new in 2015.

B. CORPORATE MISSION STATEMENT

Corporate departments will provide high quality and cost-effective professional and technical services to the operating divisions and support the strategies and objectives of the Port.

MAJOR AND NEW INITIATIVES

- Expand LEAN consulting and add capacity with new staff for the CPI/LEAN program.
- Develop and implement Purchasing Optimization program.
- Complete the Talent Management consulting and implementation of new ePerformance System.
- Complete the Long Range Plan for the Port.
- Strengthen Strategic Communication and Outreach.

STRATEGIES AND OBJECTIVES

PORTWIDE STRATEGY 1: Implement Century Agenda Strategies

- Position the Puget Sound region as a premier international logistics hub.
  - Influence increased funding and policy support for freight mobility and transportation investments.
  - Influence land use policy decisions to protect and enhance industrial lands regionally, to further Port growth, increase jobs and manufacturing capacity.
  - Support and develop division business plan projects that meet the region's needs for the next 25 years.
- Advance this region as a leading tourism destination and business gateway.
  - Host the Association of Airport Internal Auditors Annual Conference in Seattle in 2016.
  - Support the implementation of Bell Street Cruise Terminal lease agreements and tenant improvements.
- Use our influence as an institution to promote small business growth and workforce development.
  - Increase the proportion of funds spent by the Port with qualified small business firms on construction, goods and services to 40 percent of the eligible dollars spent.
  - Increase workforce training, job and business opportunities for local communities in trade, travel and logistics through construction apprenticeship opportunities.
- Be the greenest and most energy efficient port in North America.
  - Work with Fleet Management Oversight Team to ensure the Port purchases, maintains, and looks for green fleet opportunities.
  - Seek opportunities to utilize Port programs that support 'green' initiatives, such as commuting options, sustainable office supplies, and include environmental concerns/issues in our annual audit plan.
  - Support implementation of environmental initiatives and gain community consent.
  - Help meet all increased energy needs through conservation and renewable sources by implementing conservation practices.

PORTWIDE STRATEGY 2: Consistently live by our values through our actions and priorities

- Design and implement a talent philosophy that is aligned with business strategies and differentiates the port as a great place to work.
- Review and refresh the Total Rewards package and programs.
- Continue to drive talent development strategies/programs.
- Continue working with partners across the port to implement meaningful diversity and inclusion programs, policies and metrics.
- Strengthen a collaborative, respectful, achievement-oriented culture; reduce avoidance behavior and encourage risk taking.
- Increase ownership for safe and secure work practices and employee wellness.
- High performance that honors the Port's ethical values and high integrity.
- Align leadership, people and systems with strategic priorities and plans.

PORTWIDE STRATEGY 3: Manage our Finances Responsibly

- Provide timely and accurate financial information to the Commission and Executive team for decision making.
- Provide ongoing debt management and regulatory compliance. Maintain revenue bond credit ratings consistent with financially strong U.S. airports and seaports.
- Develop strategic funding plans for future capital needs and maintain financial targets for leverage and liquidity.
- Maximize portfolio return in compliance with state statute and policy guidelines, and maximize port-wide cash mobilization. Outperform the benchmark for our treasury investments over time.
- Achieve continuous technology-leveraged solutions to maximize the Port's major investment in the PeopleSoft Financials (PSFS), Human Capital Management (HCM) and other systems.
- Provide high level services in the area of claims management to help the Port reduce costs.
- Develop division business plan projects to increase revenues. Deliver projects within budget and schedule expectations.
- Maintain and refresh technology assets to maximize value and minimize total cost of ownership.

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- Continue to develop and refine accounting, budget and financial management policies, procedures, and guidelines for the Port.

PORTWIDE STRATEGY 4: Exceed Customer Expectations

- Provide outstanding customer service to our business partners.
- Create stronger community and business partnerships.
- Ensure high reliability and availability of all systems.
- Enhance our relations with our public safety partners.
- Improve Operational Excellence.
- Establish shared accountability for mutual success with our customers.

PORTWIDE STRATEGY 5: Support port mission with implementation of port divisions' business plans

- Partner with business leaders to ensure appropriate focus on critical business needs.
- Facilitate excellent individual and team performance throughout the port.
- Enable business process and enterprise communications to promote collaboration.
- Continue building strength in social media communications.
- Develop and implement Purchasing Optimization to reduce costs and improve procurement efficiency.
- Continue to strengthen a Continuous Process Improvement/LEAN culture.

C. KEY FUNCTIONS & RESPONSIBILITIES

OVERVIEW:

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

Many of the Corporate departments are vital to the success of the divisions and provide essential services such as accounting, legal services, computer support, etc. These services also benefit the public in general and play an indirect role in the success of the divisions.

The key functions for the Corporate departments in 2016 are:

COMMISSION:

The Port Commission is the legally constituted governing body of the Port of Seattle. Its primary duties are to establish policies on behalf of the community that guide the Port's future and maintain its global competitiveness and to execute its fiduciary responsibilities in overseeing the expenditure of public funds. As a governing body of a special purpose municipal corporation, the Commission is charged with fulfilling the law as the basis for appropriate policy, and establishing policy as the basis for appropriate practices, activities and procedures.

The Commission expresses its policy direction through the following mechanisms:

- Reviews the strategies that serve as the framework for the business divisions' and corporate departments' business plans. These strategies provide the grounding for prioritizing and allocating resources to programs and projects at the division level.
- Reviews and approves the annual budget. The budget is made available to the general public as required by RCW 53.35.010 and RCW 53.35.045. A Public Hearing in the First Budget Reading is held before the Second Reading and Final Passage of Budget, at which time the Port Commission adopts the budget.
- Adopted the "Century Agenda" strategic plan in 2012, which provides a mission, vision, strategies and objectives for the Port's next quarter-century. The intent of the Century Agenda is to build upon the

accomplishments of the past century with a visionary look forward to the emerging challenges and opportunities of the 21st century (see further description below).
- Sets additional long-term policy goals that are in keeping with its long-term mission of economic development and job creation at public Commission meetings through the passage by majority vote of Commission Resolutions, in accordance with RCW 53.08 and the Master Delegation of Authority.
- Reviews and approves in public session programs, projects, and select contracts through Commission motions that are introduced and seconded by Commission members, in accordance with the Master Delegation of Authority.
- Employs and retains a CEO to implement the goals, objectives and policy guidelines established by the Port Commission through majority vote at Commission meetings and by Commission approval of the CEO performance goals and objectives. These include policy goals and objectives related to achieving the Port's financial and budgetary annual performance goals, and aligning budget priorities to the Port's core mission, division goals and objectives that demonstrate that the CEO is holding his direct report managers accountable for division-level performance.
- Oversees the Internal Audit function of the Port of Seattle through the Audit Committee made up of two Port Commissioners and a third public member.

EXECUTIVE:

Achieve the operating and performance goals and objectives set by the Commission. Oversee the achievement of all divisions' major goals and initiatives.

LEGAL:

ATTORNEY SERVICES

Provide legal analysis, advice, expertise, opinions and similar services, including: drafting, review and interpretation of contracts, agreements, statutes, regulations, judicial opinions and other legal materials and documents; prosecution and defense of claims and litigation; assistance with settlements and negotiations; representation in arbitration, mediations and other forms of dispute resolution; representation before hearings boards and other administrative or legislative bodies. Receive and manage reported violations and monitor workplace investigations and outcomes.

Provide overall leadership and coordination of the Port's ethics and compliance program. Publish and interpret the Code of Conduct, promote ethics awareness, provide ethics training, foster organization and individual commitment to the port's ethical values, provide guidance on ethics and whistleblower issues, and oversee the Workplace Responsibility program. The Workplace Responsibility program receives and manages the process for responding to reported Code of Conduct and whistleblower violations.

RECORDS

Manage and provide public record administration, including public disclosure. Provide Port-wide assistance with regard to records management issues including retention scheduling, archiving and public disclosure. Manage Port records in accordance with State retention requirements. Manage the Portwide Records Center in Sharepoint.

RISK MANAGEMENT:

- Oversee Property/Casualty Insurance Program.
- Manage claims process/intake/settlement.
- Manage the driver safety program, including managing the drug testing requirements for commercial driver license holders.
- Conduct contractual reviews.
- Provide services in risk analysis, enterprise risk management, training, loss reporting, and reserve analysis.

PUBLIC AFFAIRS:

The Port's Public Affairs department includes a number of key functions, including federal, state and local government relations, which include regional transportation technical and policy expertise; strategic communications; and community engagement.

GOVERNMENT RELATIONS:

- Collaborate with Port businesses (airport, NWSA, maritime and economic development) and Commission to develop legislative funding and policy priorities.
- Communicate the Port's Century Agenda, business, transportation and trade priorities to representatives from federal, state and local legislators, agencies and stakeholders.
- Foster effective relationships between Port elected officials and senior Port staff with elected officials and to advance the Port's objectives and to represent national, regional and statewide interests to the local and federal Legislature and Executive branch.
- Develop partnerships with stakeholders in business, labor and community organizations in support of trade development, economic growth, transportation infrastructure investment and responsible environmental regulation.
- Utilize memberships and activities in associations engaged in legislative work to build coalitions and broaden awareness of Port issues and support for Port objectives.
- Provide opportunities for policy makers and staff to learn about Port's business and operations through meaningful tours, briefings and timely responses to requests for information.
- Continue to advocate for policies and regulations that enhance and expand the ability of the Port and related businesses to move people and commerce efficiently in a competitive global marketplace, and educate leaders on the impacts of adverse policy proposals.

REGIONAL TRANSPORTATION:

- Focus transportation policy analysis and strategies to support funding and freight mobility at local, regional, state and federal levels.
- Coordinate/collaborate with local jurisdictions, customers, stakeholders and other interested parties to ensure continued access to Port facilities.
- Advocate/protect/enhance access to Port facilities through key projects.
- Advance partnerships for rail planning and coalitions.

CAPITAL PROJECT DELIVERY:

- Provide strategy, direction, planning, and implementation of public and stakeholder support for the Port's capital projects and capital programs.
- Educate and engage audiences about Port capital programs, infrastructure investment and Commission priorities/initiatives in these areas.
- Engage in partnerships with stakeholders in government, business, labor and community organizations in support of Port capital investments to support trade development, economic growth, transportation infrastructure investment and responsible environmental regulation.
- Support memberships and activities in associations and build coalitions and broaden awareness of Port issues and support for Port capital program objectives and economic opportunity through Port investment.

STRATEGIC COMMUNICATIONS/MEDIA RELATIONS:

- Provide strategy, direction, planning, and implementation of the Port's internal and external communication products.
- Act to ensure that all audiences are effectively informed about/engaged with Port business goals and Commission priorities/initiatives.

- Effectively use multiple communication platforms to manage and communicate the Port brand through consistent graphics, messaging, tone and quality, and applying guidelines and requirements for design and production of Port advertising, marketing and communication products.
- Manage and execute crisis communication plans to effectively provide timely information for crisis incidents/issues to the public through mainstream and social media channels, including updating training for staff response and bench strength.

COMMUNITY ENGAGEMENT:

- Protect the Port's reputation as a public steward and advance business interests by engaging and informing stakeholders and forging strategic relationships.
- Deliver programs, events and communications that strengthen the Port's relationships with its communities and stakeholders, and supports business objectives such as: Northwest Ports Clean Air Strategy and Clean Truck updates; new airport and seaport customers/service; the opening of new facilities; and results from economic impact studies that demonstrate the value of industry.
- Strengthen strategic relationships within fence line communities such as Duwamish Valley neighborhoods to support clean air/Superfund projects and Seaport competitiveness and North Harbor neighborhoods to update on cruise, uplands development, and Ship Canal industry initiatives.
- Develop targeted outreach opportunities for Commissioners and Executives to engage with area leaders and stakeholders on Century Agenda initiatives.
- Engage King County-wide audiences through public education events such as Port 101, Seafood and Maritime 101 promotional campaigns and working waterfront tours.

HUMAN RESOURCES:

Apart from providing core services listed below, Human Resources and Development is also focused on broader issues such as attracting and retaining a diverse work force; succession preparation; process improvement; performance management aligned with values, strategies and business plans; and developing metrics that drive decisions.

The list that follows reflects services we provide daily, many of which also respond to the bigger picture, longer-term concerns described above.

- Talent Acquisition
- Workforce planning and HR data analysis
- Total Rewards Philosophy and Total Rewards programs
- Succession Planning
- Diversity and inclusion strategies and metrics
- HR technology planning
- Spirit and Wellness program
- Organizational development consulting
- Range of talent development opportunities (e.g., classes, Internal Internships, MEEM mentoring program)
- Enhanced recognition policy and programs
- Sponsorship of Development & Diversity Council; ASAP; women's Initiative; partnerships with Employee Resource Groups
- Conflict resolution
- Technology to support redesigned performance appraisal, development planning system
- Promote employee health and well being
- Design, facilitate, plans, activities to reinvent and/or reinforce workplace culture
- Change management support and consultation
- Compensation and benefits administration including analysis to support collective bargaining processes
- Talent development programs
- Employee Relations (coordination with Workplace Responsibility Office)

- Systems Administration (Human Capital Management, Learning Management System, Applicant Tracking, ePerformance, and Market Pricing)
- Health and Safety services and expertise
- Maintain accurate employee records
- Process improvement facilitation
- Affordable Care Act reporting
- Affirmative Action Plan
- Required training (Safety, Anti-Harassment)
- Workers Compensation claims administration, education
- Required reports (ACA, Workers Compensation, applicant tracking data, EEo-4, Veterans, etc.)

LABOR RELATIONS:

The purpose of the Labor Relations (LR) department is to support the Port of Seattle's mission of creating economic vitality in King County by fostering an open, cooperative, and mutually supportive relationship with the Port's employees, organized labor, and the business community.

- Take all of the necessary steps to prepare and negotiate the agreements with the employee representatives for the Port's 28 bargaining units.
- Oversee the implementation and administration of labor agreements.
- Process grievances and disciplinary proceedings according to the agreements, and represent the Port in arbitration and PERC proceedings.
- Provide consultation to all Port-wide committees and all divisions on labor matters, including proposed changes in policy in a manner designed to avoid labor disputes.
- Provide input on any Port practices and procedures concerning labor relations and participation in Port oversight committees.
- Participate in labor management committees.
- Establish effective and cooperative relationships with the organized labor community, including unions that do not represent Port employees.
- Work to minimize the risk of operational disruption throughout the region by partnering with external labor leaders and Port business partners to assist in facilitating positive labor relations across the region, particularly in areas related to the Port's business and operations.
- Assure consistency between external labor strategies and ongoing and future work with unions that represent Port employees including the establishment of broad-based Labor Relations strategies and policies that support collective bargaining agreement alignment with the Port's Total Rewards Philosophy.

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT):

ICT provides reliable, high-quality, cost-effective enterprise-wide infrastructure, hardware, applications, and technology services to support the Divisions and the Port's strategies. ICT's key responsibilities and services focus on effectively administering and managing the Port's enterprise Information and Communications Technology systems, services, and resources in the most cost effective manner.

FINANCE AND BUDGET:

The overall goal of the Finance & Budget (F&B) department is to continuously improve the institution's management of its debts, assets, budget, and resources. Key functions include:

BUDGET:

- Plan, coordinate and manage the Port's budget planning process.
- Maintain, enhance, and manage the Port's budget system and its interfaces.
- Provide budget training, workshops, and MIS training to Portwide budget support staff.
- Review monthly variance reports and provide monthly Financial and Operational Indicators Report and Executive Summary Report to the Commission and Executive team.

- Plan, coordinate and manage the Port's quarterly financial performance reporting process.
- Develop and refine budget policies and procedures for the Port.
- Provide budget consultation and support to the operating divisions and Corporate departments.
- Manage the Port economic impact study and other ad-hoc economic impact analysis.

FINANCE & TREASURY:

- Existing debt management: bond proceeds usage reconciliation; regulatory compliance and financial reporting; bad money analysis; arbitrage rebate calculations; provide financial updates to ratings agencies; investor relations; letter-of-credit renewals and replacements.
- Manage new debt issuance.
- Manage engagements with outside financial advisor, bond and disclosure counsel and underwriters.
- Coordination of short and long-term funding plans for future capital needs; development and monitoring of the Port's annual Capital Budget and Plan of Finance; tax levy funds management.
- Industrial Development Corporation Administration.
- Treasury functions: Cash and Investment portfolio management; manage the Port's banking contract.

ACCOUNTING AND FINANCIAL REPORTING:

The Accounting & Financial Reporting (AFR) department's key functional emphasis:

- Administer the Port's centralized accounting functions and financial reporting, and guide supporting Port business processes.
- Administer the functional operation and user access security for the PeopleSoft Financial (full accounting modules suite) and PeopleSoft HCM (payroll and time and labor modules), and financial data interfaces from major Port operating systems (Sympro, Unifier, Clarity, Maximo, Propworks, and MTIS).
- Conduct cyclical Sarbanes Oxley Section 404 internal controls management due diligence reviews of the Port's major processes including revenues, expenditures, capital assets, investments/debt, and payroll.
- Institute technology-leveraged and LEAN solutions to the Port's broad financial processes and AFR's internal business processes to realize efficiency improvements.

The department's key operational responsibilities and services include:

- Port-wide core accounting and financial reporting services.
- Port accounting policies and procedures development and enforcement.
- Industry prescribed accounting & financial reporting standards compliance assurance.
- Annual Port financial statements preparation and issuance.
- Recurring fiscal management reporting.
- Disbursements/accounts payable administration.
- Payroll administration.
- Leases and customer billing administration.
- Accounts receivable and revenues administration.
- Credit and collection enforcement.
- General ledger administration.
- Capital projects costing and fixed assets accounting.
- Cash and debt accounting.
- Grants billing and reporting.
- Airport Passenger Facility Charge (PFC) accounting and reporting.
- Corporate credit cards and procurement cards administration.
- Employee expense claims and reimbursements.
- Business tax administration.
- External audits facilitation.

INTERNAL AUDIT:

Internal Audit provides an objective review and assessment of the strategies, processes, systems and other activities that management has implemented in order to achieve Port's goals and objectives. Internal Audit conducts audits of Port activities to provide reasonable assurance over:

- Accountability/Transparency
- Fiscal integrity, including lease & concession and third-party arrangements
- Compliance
- Operations/Controls
- Performance
- Governance

Internal Audit's key functions include:

- Conduct audits to provide reasonable assurance that Port operations are effective and efficient in achieving its goals and objectives.
- Conduct a Port-wide risk assessment, at least, annually to identify significant risks to the Port in operations, finance and compliance. Risks of significant impact to Port operations are examined yearly as part of the Audit Committee Annual Internal Audit Work Plan.
- Conduct Port-wide governance and program audits to ensure operations are achieving intended Port goals and objectives in an efficient manner. Make recommendations for continuous improvement as necessary.
- Conduct operational audits of various Port business units (e.g., departments) and activities to ensure: 1) effectiveness and efficiency in operations, and 2) assess management control (e.g., processes) and make recommendations, as necessary, for continuous improvement.
- Conduct compliance audits to ensure Port activities are in compliance with applicable internal, federal, and state rules and regulations.
- Conduct compliance audits for concession and 3rd party management agreements to ensure that concessionaires and management companies are accountable for agreed-upon terms and conditions including complete and timely payments to the Port.
- Provide consulting services to Port management to aide management in its continuing efforts to improve Port operations.

OFFICE OF STRATEGIC INITIATIVES:

STRATEGIC INITIATIVES:

- Develop and implement the Long Range Plan.
- Build employee engagement in Operational Excellence through strategic application of Lean methodology.
    - Increase the organization's technical capability to implement transformational Lean improvements throughout the Port.
    - Create model areas that demonstrate how to identify, implement and maintain continuous improvement with measureable results.
    - Use capacity gains from completed improvements to increase CPI bench strength, where applicable (e.g. staff time available due to improved process).

CENTRAL PROCUREMENT OFFICE:

- Manage the procurement process for all construction contracts, professional and personal service contracts, and goods and service contracts to ensure compliance with legal mandates.
- For consulting and purchasing, lead team negotiations (price, contract terms & conditions) for base contract and amendments. Draft and/or review, negotiate change orders and amendments.
- Provide advice & assistance in contract management, addressing performance problems.
- Close out contracts, ensuring that all closing submittals have been received.

- Provide notification to Commission, with respect to public works contracting, as required to be in compliance with state law and Resolution 3605.
- Provide training and outreach on procurement and contract issues, including developing appropriate small business programs and opportunities.

POLICE:

- Support TSA and their screening processes at the SeaTac Airport.
- Provide security and support to the cruise ship operations (waterside and landside).
- Provide professional police services to our unique policing environment; to include criminal investigative follow up to crimes that occur in our jurisdiction.
- Protect the rights of individuals, prevent crime and build community partnerships.
- Serve as a regional asset to assist the Port of Seattle community by providing specialized police services.
- Serve as an integral part of the Airport and Seaport Continuity of Operations Plans while serving as the first responder to threats and/or incidents that occur within our jurisdiction.
- Serve as the liaison with federal, state, county and local law enforcement agencies to assist and support the Port of Seattle's mission and serve the region.

CAPITAL DEVELOPMENT:

AVIATION PROJECT MANAGEMENT GROUP:

- Deliver capital & expense projects for Aviation Division on time, within budget, meeting agreed scope, and with minimal and mutually-agreed impacts on airport operations.
- Ensure that procurement meets requirements of State law, Port policies & procedures, federal grants, and other controlling regulations.
- Assist Aviation Division in initial project scoping, cost estimation, and development of project alternatives.

ENGINEERING:

- Design and technical support for Port projects and facilities.
  - Civil/Structural and Mechanical/Electrical design, analysis and CAD drafting
  - Seismic risk analysis and condition assessment of facilities
  - Central repository for all project drawings, as-built and soils information
  - Maintain technical master specifications
  - Quality Assurance/Quality Control/Quality review
- Construction management for all major construction projects and tenant construction oversight.
  - Pre-construction services
  - Field observation/inspection and quality compliance checks
  - Change order management, disputes and claims resolution
  - Construction coordination with Port operations/tenants
  - Construction document management
  - Maintain Division 1 bid specifications
  - Management of Project Labor Agreements (PLA)
- Construction safety compliance for all construction projects and provides orientation training.
- Surveying and mapping of all Port properties.
  - Topographic and hydrographic surveys
  - Legal descriptions and lease line layouts
  - Utility locates/mapping and aerial mapping
  - GIS data gathering
  - Project staking and validation
- Emergency Response and Declaration of Emergency Support.

PORT CONSTRUCTION SERVICES:

- Management of Asbestos Abatement in support of construction projects.
    - Review Regulated Materials Management (RMM) design
    - Provide project monitoring and quality control
    - Manage project abatement
- Management of the Asbestos Operations & Maintenance program.
    - Provide RMM tenant support
    - Provide RMM maintenance support
    - Make Periodic inspections
    - Provide RMM routine housekeeping
    - Provide asbestos awareness training
    - Provide indoor air quality and mold inspections
- Construction Management of small works projects.
    - Track project schedule and budgets
    - Prepare estimates
    - Prepare work authorizations and service directives
    - Perform construction quality inspections
- Small works construction.
    - Provide craft labor resources (carpenters, laborers, operators, etc.)
    - Provide construction equipment (pick-up trucks, dump trucks, heavy equipment, small tools, etc.)
    - Maintain construction yard

SEAPORT PROJECT MANAGEMENT GROUP:

- Complete capital and expense projects at the best value for the Port, within approved budgets, and within defined project scope.
- Support Economic Development and Maritime Divisions beyond projects including: budget plan development; business planning; asset management and reporting; community outreach; negotiations; contracting; and technical support and assistance.
- Provide project delivery services for NW Seaport Alliance; support business process development as needed to include budget plan development; business planning; asset management and reporting; community outreach; negotiations; contracting; and technical support and assistance.
- Support Capital Development Division by: coordinating with other CD departments; complying with regulatory agencies; following policies, procedures, and guidelines; and responding to audit inquiries.
- Support the NW Seaport Alliance, Economic Development, and Maritime Divisions in development of a comprehensive asset management plan by providing technical expertise and services as needed.

D. CORPORATE BUDGET SUMMARY

Corporate continues to focus on managing cost growth and strategic priorities in 2016. Overall, the 2016 budget increased by $7.7 million or 7.9% from the 2015 budget mainly due to the following reasons:

- A 3.4% average pay increase for exempt and non-exempt employees' salaries and a slightly higher benefit costs for 2016.
- Adding significant resources for the High Performance Organization/Operational Excellence strategy.
  - Budgeted $4.0 million for Purchasing Optimization.
  - Expanded LEAN consulting and added two more program staff for about $1.5 million.
  - Added Talent Management consulting and implementation of new ePerformance System.
- Creation of the new Office of Strategic Initiatives.

The following Tables VII-2 & VII-3 and Figures VII-1 & VII-2 illustrate the administrative expense for Corporate by department and by account:

TABLE VII-2: ADMINISTRATIVE EXPENSE BY DEPARTMENT

($ in 000's) BY DEPARTMENT	Notes	2014 Actual	2015 Budget	2016 Budget	% Change 2016 Bud-2015 Bud
EXPENSES BEFORE CHARGES TO CAP/GOVT/ENVRS PROJECTS					
Commission		$ 1,353	$ 1,545	$ 1,635	5.9%
Executive		1,710	1,798	1,569	-12.8%
Labor Relations		823	1,024	1,126	10.0%
Legal		3,811	3,188	3,251	2.0%
Risk Services		3,051	3,249	3,449	6.1%
Public Affairs		4,639	4,956	5,380	8.5%
Engineering		14,305	17,524	19,760	12.8%
Port Construction Services		8,186	8,165	7,207	-11.7%
Accounting & Financial Reporting		6,047	7,350	7,570	3.0%
Internal Audit		1,372	1,552	1,620	4.3%
Finance & Budget		1,803	1,713	1,802	5.2%
Information & Communications Technology		22,618	24,456	25,188	3.0%
Human Resources & Development		6,422	7,148	7,634	6.8%
Office of Strategic Initiatives		4,616	5,604	11,315	101.9%
Police		22,231	22,879	23,587	3.1%
Capital Development Administration		394	419	430	2.7%
Aviation Project Management Group		11,622	16,350	18,978	16.1%
Seaport Project Management Group		2,998	2,550	2,668	4.6%
Contingency		410	1,050	500	-52.4%
Total Expenses Before Charges to Cap/Govt/Envrs Projec	1	**118,411**	**132,522**	**144,667**	**9.2%**
CHARGES TO CAPITAL/GOVT/ENVRS PROJECTS		**(29,635)**	**(35,471)**	**(39,927)**	**12.6%**
OPERATING & MAINTENANCE EXPENSE					
Commission		1,353	1,545	1,635	5.9%
Executive		1,710	1,798	1,569	-12.8%
Labor Relations		823	1,024	1,126	10.0%
Legal		3,731	3,156	3,219	2.0%
Risk Services		3,051	3,249	3,449	6.1%
Public Affairs		4,639	4,956	5,380	8.5%
Engineering		4,364	5,637	5,913	4.9%
Port Construction Services		4,437	3,609	2,862	-20.7%
Accounting & Financial Reporting		6,039	7,350	7,570	3.0%
Internal Audit		1,372	1,552	1,620	4.3%
Finance & Budget		1,803	1,713	1,802	5.2%
Information & Communications Technology		20,458	21,435	22,054	2.9%
Human Resources & Development		6,422	7,148	7,634	6.8%
Office of Strategic Initiatives		2,821	3,119	9,059	190.5%
Police		22,231	22,879	23,587	3.1%
Capital Development Administration		394	419	430	2.7%
Aviation Project Management Group		1,361	4,583	4,543	-0.9%
Seaport Project Management Group		1,357	828	789	-4.8%
Contingency		410	1,050	500	-52.4%
Total Operating Expenses	1	**$ 88,776**	**$ 97,051**	**$ 104,740**	**7.9%**
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Notes:
1) Does not include adjustment for charges into Corporate SubClasses from Divisions.

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FIGURE VII-1: ADMINISTRATIVE EXPENSE BY DEPARTMENT

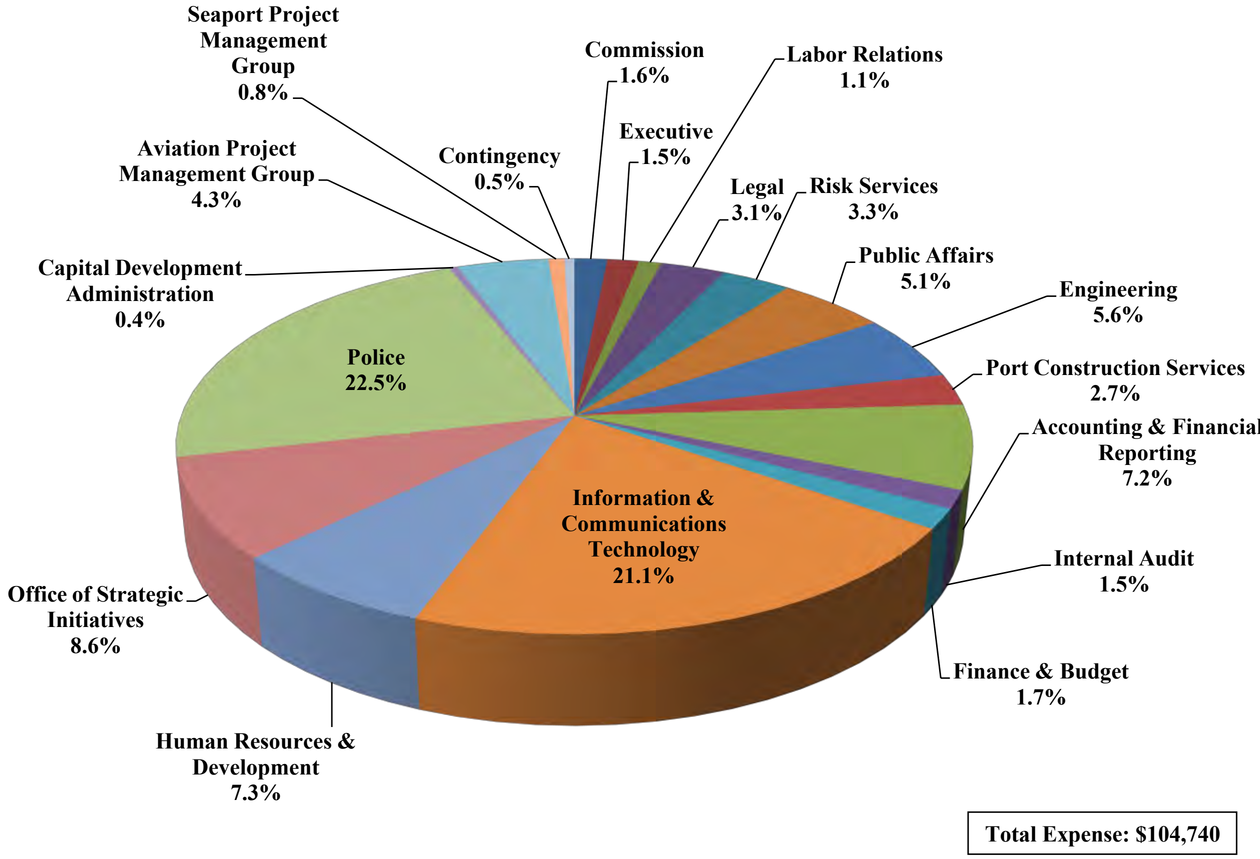

TABLE VII-3: REVENUES AND EXPENSES BY ACCOUNT

BY ACCOUNT ($ in 000's)	Notes	2014 Actual	2015 Budget	2016 Budget	% Change 2016 Bud-2015 Bud
Revenue					
Property Rental Revenue		$ 13	$ -	$ -	0.0%
Other Revenue		406	340	345	1.5%
Total Administrative Revenue		**419**	**340**	**345**	**1.5%**
Expense					
Salaries, Wages, Benefits & Workers Compensation		91,541	101,054	104,716	3.6%
Equipment Expense		1,911	2,412	1,776	-26.4%
Utilities		53	140	75	-46.2%
Supplies & Stock		1,338	1,351	865	-36.0%
Outside Services		17,526	19,620	29,618	51.0%
Travel & Other Employee Expenses		2,136	2,935	3,007	2.4%
Promotional Expenses		282	254	315	24.1%
Other Expenses		3,623	4,755	4,294	-9.7%
Total Operating Expenses Before Charges to Cap/Govt/Envrs Projects		**118,411**	**132,522**	**144,667**	**9.2%**
Charges to Capital/Govt/Envrs Projects		(29,635)	(35,471)	(39,927)	12.6%
Total Administrative Expense	1 & 2	**$ 88,776**	**$ 97,051**	**$ 104,740**	**7.9%**

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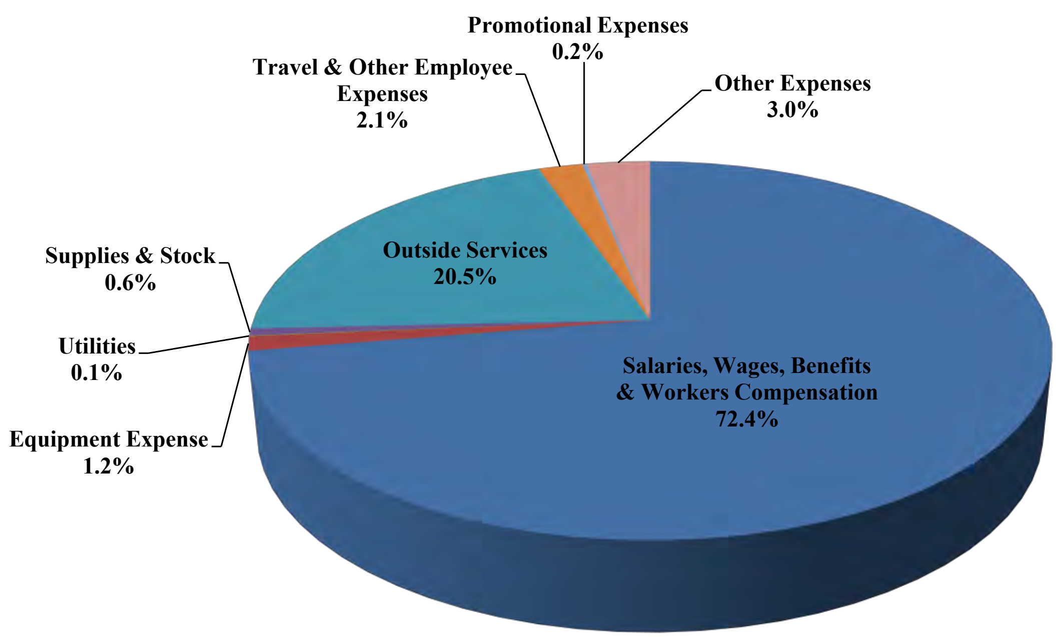
Notes:
1) Does not include adjustment for charges into Corporate SubClasses from Divisions.
2) 2015 Budget excludes the transfer of Tourism & Office of Social Responsibility from Corporate to Economic Development Division. Office of Strategic Initiatives is new in 2015.

FIGURE VII-2: ADMINISTRATIVE EXPENSE BY ACCOUNT



Total Before Charges to Capital/Govt/Envrs Projects: $144,667
Charges to Capital/Govt/Envrs Projects: $39,927
Total Administrative Expense $104,740

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E. STAFFING

The following TABLE VII-4 depicts the proposed staffing requirements for 2016 by department for Corporate.

The Capital Development Division became part of Corporate with the recent organization realignment transferring 300.1 FTEs to the Corporate Division. The existing engineering, project management and construction functions and the Port's Central Procurement Office, which consolidates contracting and procurement functions are now part of Corporate along with the new Office of Strategic Initiatives Department. Corporate Division transferred 8.5 FTEs to the Economic Development Division – 6.5 FTEs from Office of Social Responsibility and 2.0 FTEs from Tourism. The Corporate Division also transferred the Deputy Chief Executive Officer to the Northwest Seaport Alliance.

Corporate is budgeting 745.4 FTEs for 2016, which is 5.3 FTEs lower than the 2015 budget. Please see the notes at the bottom of the table below for further explanations.

TABLE VII-4: CORPORATE STAFFING

STAFFING (Full-Time Equivalent Positions) BY DEPARTMENT	Notes	2014 Actual	2015 Budget	2015 Est. Act.	2016 Budget	% Change 2016 Bud - 2015 Bud
Commission	1	14.0	12.0	11.0	12.5	4.2%
Executive Office	2	6.0	5.0	5.0	5.0	0.0%
Legal Counsel		15.5	15.5	15.5	15.5	0.0%
Risk Services		6.0	6.0	6.0	6.0	0.0%
Health & Safety	3	8.0	8.0	0.0	0.0	-100.0%
Public Affairs	4	25.5	25.5	23.5	23.5	-7.8%
Accounting & Financial Reporting	5	55.4	55.6	55.6	55.4	-0.4%
Finance & Budget		10.0	11.0	11.0	11.0	0.0%
Internal Audit		9.2	9.2	9.2	9.2	0.0%
Office of Social Responsibility	6	6.5	6.5			-100.0%
Office of Strategic Initiative	7			46.0	47.0	
Information & Communication Technology	8	124.0	126.0	125.0	125.0	-0.8%
Labor Relations	9	9.5	6.0	7.0	7.0	16.7%
Human Resources	3	34.3	36.3	44.5	44.5	22.6%
Police	10	128.0	128.0	128.0	133.0	3.9%
Capital Development Administration		2.0	2.0	2.0	2.0	0.0%
Central Procurement Office	7	39.0	40.0	0.0	0.0	-100.0%
Engineering	11	120.5	125.0	124.5	120.5	-3.6%
Port Construction Services	12	50.3	50.3	50.3	49.3	-2.0%
Aviation Project Management	13	59.3	65.8	65.8	62.0	-5.8%
Seaport Project Management		18.0	17.0	17.0	17.0	0.0%
TOTAL CORPORATE PROFESSIONAL & TECHNICAL SERVICES DIVISION		**741.0**	**750.7**	**746.9**	**745.4**	**-0.7%**

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Notes:

1) Commission eliminated the Policy Analyst position in 2015 and added an Assistant Analyst and a .5 Graduate Intern position in 2016.
2) The Deputy CEO was transferred from Executive to the NW Seaport Alliance and a Chief of Staff position was added.
3) The Health and Safety department was transferred to Human Resources Department. HR added a .2 FTE for the Org. Dev. Mgr. from P/T to Full Time and converted a Limited Duration position, the Total Compensation Consultant, to a regular FTE.
4) The Tourism function with 2 FTEs was transferred from Public Affairs to the new Economic Development Division.
5) AFR is eliminating a .2 Intern position in 2016.
6) OSR Department of 6.5 FTEs was transferred to the new Economic Development Division.
7) OSI became a new department in 2015. A new director and 3 Strategic Planning Mgrs. were added and 2 FTEs were transferred from the Aviation Division in 2015. CPO department of 40 FTEs was also transferred from CDD to OSI in 2015. OSI was approved for 2 additional CPI Program Managers for 2016 and deleted the unfilled Limited Duration Contract Administration position.
8) ICT is eliminating a Service Desk position in 2016.
9) Labor Relations added a Sr. Director of Labor Relations.
10) Police was approved for 5 FTEs (10 new part-time positions) for Traffic Support Specialists.
11) Engineering transferred a .5 FTE to Seaport Environmental and deleted 4 positions - a CLG Mgr., a Construction Coordinator, a Project Assistant and a position from Org 1630 TBD.
12) PCS deleted the Sr. Administrative Assistant position.
13) AV PMG deleted a net of 3.8 FTEs , a Cost Engineer, a Contract Specialist, a Sr. Administrative Assistant, a Management Analyst and a CPM 3. Added a .2 CPM 4 and an Intern.

F. CAPITAL BUDGET

Corporate has a total capital budget of $8.4 million for 2016. For more detail refer to the Capital Budget, Section IX.

TABLE VII-5 provides a summary of the Corporate 2016 capital budget.

TABLE VII-5: CORPORATE CAPITAL BUDGET

($ in 000's)	2016 Budget	2016-2020 CIP	% of 2016 Total Committed
Committed Capital Projects			
Capital Development Division	$311	$2,968	6.1%
Corporate General	453	2,726	8.9%
ICT Business Services	4,354	15,354	85.1%
Total Committed	**$5,118**	**$21,048**	**100.0%**
Business Plan Prospective Projects	**$3,325**	**$21,325**	
Total CIP	**$8,443**	**$42,373**	

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G. CORPORATE SUMMARY

TABLE VII-6: CORPORATE SUMMARY

OPERATING BUDGET ($ in 000's)	Notes	Actual 2014	2015 Budget	2015 Forecast	Budget 2016	Growth 2016 Bud-2015 Bud
Operating Revenue		**$ 419**	**$ 340**	**$ 340**	**$ 345**	1.5%
Corporate Expense		66,545	74,172	71,256	81,153	9.4%
Law Enforcement Costs		22,231	22,879	22,762	23,587	3.1%
Total	1	**88,776**	**97,051**	**94,019**	**104,740**	**7.9%**
Income from Operations		**$ (88,357)**	**$ (96,711)**	**$ (93,679)**	**$ (104,395)**	**7.9%**
CAPITAL SPENDING		**$ 11,630**	**$ 6,928**	**$ 9,881**	**$ 5,118**	**-26.1%**
TOTAL FTEs		**741.0**	**750.7**	**746.9**	**745.4**	**-0.7%**

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Notes:
1) 2015 Budget excludes the transfer of Tourism & Office of Social Responsibility from Corporate to Economic Development Division. Office of Strategic Initiatives is new in 2015.

A. TAX AT A GLANCE

- The maximum allowable levy for 2016 is $96.4 million.
- For 2016 the levy will be $72.0 million.
- The millage rate is estimated to be $0.1704.
- The 2016 levy will be used for:
  - General Obligation (G.O.) Bonds Debt Service
  - Legacy Environmental Remediation
  - Pier 66 Redevelopment for cruise growth
  - Capital projects in support of the fishing industry
  - Workforce Development funding
  - Deposits to the Transportation and Infrastructure Fund for regional transportation & freight mobility projects

B. TAX LEVY SOURCES

TYPES AND LIMITS OF LEVIES:

Regular Tax Levy

The County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property value listed as of the prior year. Assessed values are established by the County Assessor at 100% of fair market value. A re-evaluation of all properties is required annually.

Taxes are due in two equal installments on April 30 and October 31. Collections are distributed to the Port by the County Treasurer.

The Port is permitted to levy up to $0.45 per $1,000 of Assessed Valuation for general Port purposes under Washington State law in Revised Code of Washington ("RCW") Chapter 53.36. The levy may go beyond the $0.45 limit to provide for G.O. Bonds debt service. However, the rate may be reduced below the $0.45 limit for the following reason: RCW Chapter 84.55 limits the annual growth of regular property taxes to the lesser of 1% or the inflation rate, where inflation is measured by the percentage change in the implicit price deflator for personal consumption expenditures for the United States, after adjustments for new construction. This 1% limit factor was instituted by Initiative 747 that Washington State voters approved in November 2001. Prior to the passage of the Initiative, the growth limit was the lesser of 6% or the inflation rate (for levy limit calculation see Section XI Statutory Budget).

FIGURE VIII-1 shows the maximum levy permitted by law versus the actual levy levied by the Port from 1991 (the last year the Port levied the maximum) to 2016. In 1989, the law was changed whereby a port could have a levy at less than the maximum while preserving the ability to tax up to the maximum in the future if the need was justified. This allows a port to tax at the lower level in the years when the maximum levy is not required, but return to the maximum level in years of need. Since 1991, on a cumulative basis, the Port has levied a total of $435 million less than it could have if it had levied the maximum allowable levy each year.

FIGURE VIII-1: ACTUAL TAX LEVY VS. MAXIMUM ALLOWABLE LEVY: 1991-2016

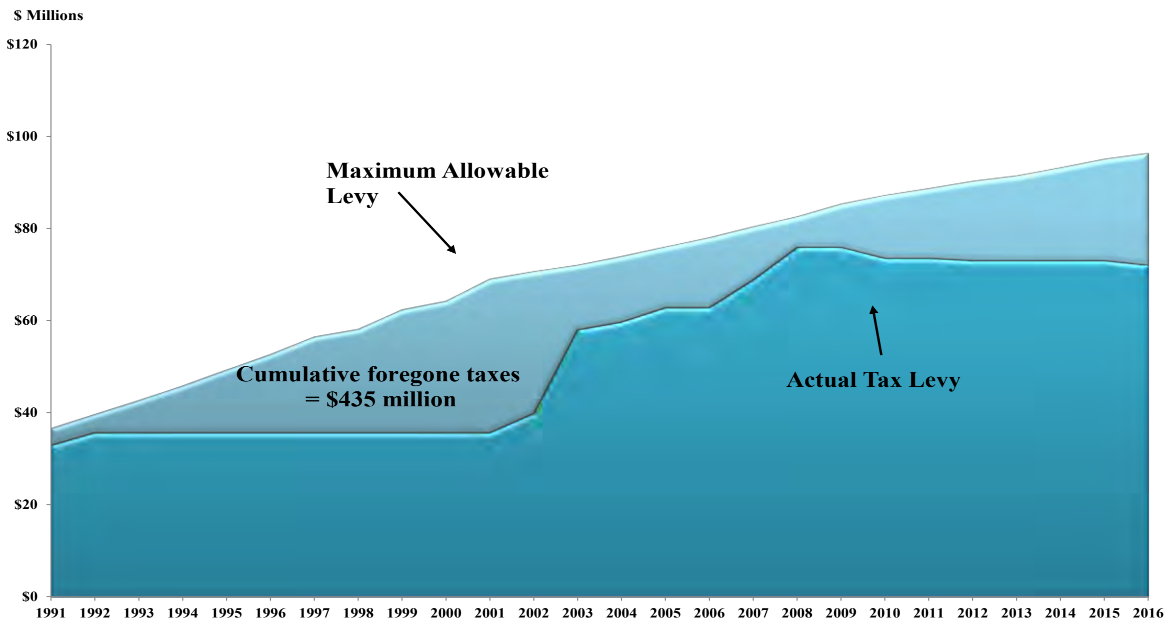
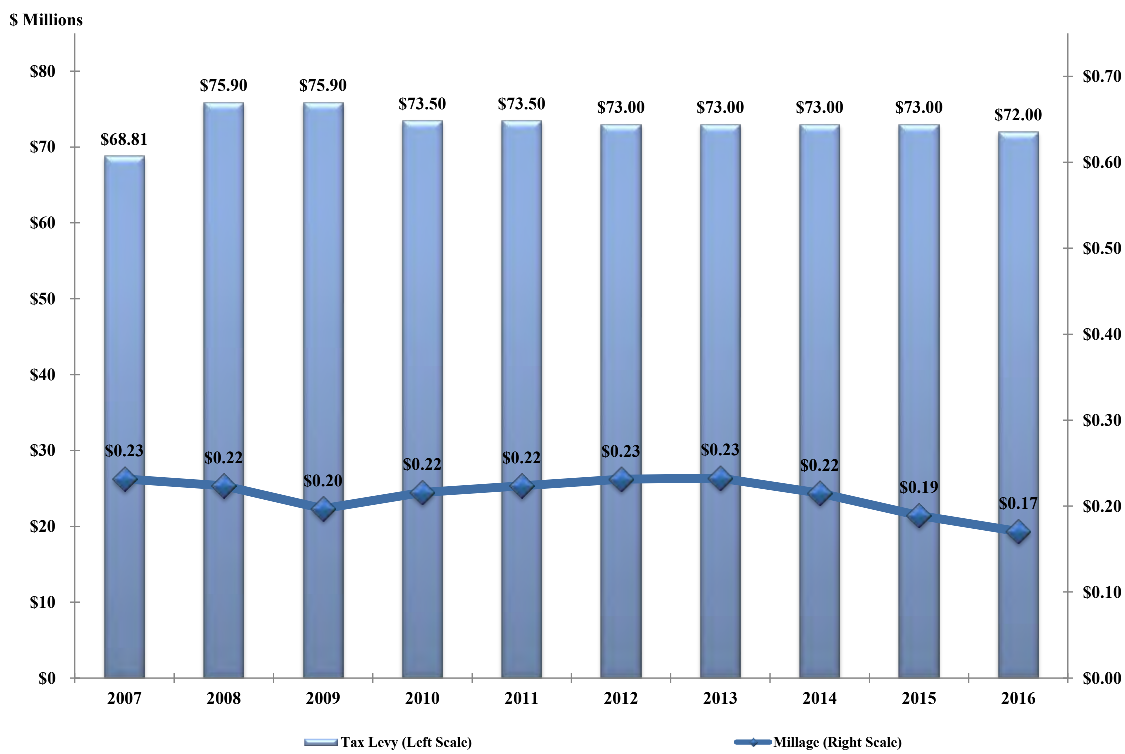


FIGURE VIII-2 shows the historical millage rate from 2007 to 2016. The Port kept the tax levy at $73.0 million from 2012 to 2015 and lowered it to $72.0 million for 2016.

FIGURE VIII-2: TAX LEVY VS. MILLAGE RATE 2007-2016



Special Tax Levies

Special levies approved by the voters are not subject to the same limitations as the regular levy.

The Port can levy property taxes for dredging, canal construction, leveling or filling upon approval of the majority of voters within the Port District, not to exceed $0.45 per $1,000 of Assessed Value of taxable property within the Port District.

Industrial Development District Tax Levies

The Port may also levy property taxes for Industrial Development Districts (under a comprehensive scheme of harbor improvements), for two multi year periods. The Port of Seattle levied the tax for a six-year period between 1963 and 1968 for property acquisition and development of the lower Duwamish River. As of 2015, the rules governing the IDD tax levy were modified by the Washington State Legislature. Under the new rules, if the Port intends to levy this tax for a second multi year period (not to exceed twenty years), the Port must adopt a resolution approving the use of the second levy period and publish notice of intent to impose such a levy no later than April 1 of the year prior to the first collection year. If a petition is filed with signatures of at least eight percent (8%) of the voters, the question of whether or not the levy can be imposed will be decided by voters. The amount of the Industrial Development Levy that could be imposed is now calculated on the Assessed Valuation of taxable property within the Port District in the year prior to the first collection year. This aggregate amount is calculated at $2.72/$1,000 of assessed value and represents the total amount that can be levied over the second levy period. The Port has not levied the second multi-year period, but if the Port were to Levy under this law, Port may levy up to an estimated $1.2 billion over the twenty year period, with the collection period beginning no sooner than 2017.

C. TAX LEVY USES

During the annual budget process, the Commission reviews and approves the use of the tax levy. The levy, by Washington State statute, may be used broadly for general Port purposes. The Port's policy has been to prioritize the use of the levy to first pay debt service on General Obligation (G.O.) bonds issued previously to fund portions of critical capital infrastructure investments in and around the Seattle Harbor. Projects have included container terminal upgrades and expansions, Fishermen's Terminal improvements; and dock renewals and upgrades at the Terminal 86 grain facility and Terminal 115. In 2015, The Port issued G.O. Bonds to fund $120 million of its contribution to the SR99 Tunnel Replacement Project. Thereafter, the levy is used to cash fund investments that foster regional economic growth and provide community benefits. These include environmental remediation in the Seattle Harbor, regional freight mobility initiatives such as FAST Corridor, the purchase of the Eastside Rail Corridor, and support for workforce development initiatives like Port Jobs, a non-profit organization that helps develop Port and Airport-related career opportunities. Beginning in 2010, the Port began using the tax levy to pay for many capital investments and a portion of the operating expenses of the former Real Estate Division.

Beginning in 2010 the Port began to set aside resources in the Commission-designated Transportation & Infrastructure Reserve Fund (TIF) for the Port's contributions toward certain regional transportation projects including the SR99 deep bore tunnel and the South Park Bridge replacement. To date, the TIF has been funded with $63 million of tax levy proceeds, with an additional $21.3 million contribution expected in 2016. The 2016 contribution to the TIF is expected to fund $1.3 million of regional transportation and freight mobility projects in 2016, specifically those related to the FAST Corridor, ARGO road, and East Marginal Way, and to provide $20.0 million for long-term costs associated with the Heavy Haul Corridor. In 2015, the Port entered into a Memorandum of Understanding (MOU) with the City of Seattle to establish a heavy haul network, which will allow heavier cargo containers to be transported between the Port of Seattle, industrial businesses and rail yards. The MOU provides the framework to repair and build roadways within the network, calls for semi-annual safety inspections of heavy haul trucks, and aligns weight regulations with the state and other municipalities across the country. The proposal will also eliminate citations from the State Patrol to truck drivers for carrying overweight loads. The Port has agreed to fund between $10.0 and $20.0 million over a 20 year period for existing and future roadway repair and reconstruction within the network. Expenditures from the TIF are excluded from Table VIII-1.

The levy has not traditionally been used for projects at Sea-Tac International Airport, however, the Commission approved the use of the levy for specific projects not eligible for Airport funding such as noise mitigation improvements at certain Highline School District schools near to Sea-Tac Airport. The timing of this funding is dependent on the Highline School District, but isn't expected until 2017.

For 2016, planned uses of levy will include debt service on G.O. Bonds, a cash contribution to the TIF, environmental remediation expenditures, capital improvements at Pier 66 to accommodate growth in cruise operations, capital projects in support of fishing industry, and workforce development initiatives.

TABLE VIII-1: SOURCES AND USES OF TAX LEVY

Table VIII-1 shows how the Port plans to spend the levy in 2016.

	Notes	2016 ($ in 000's)
SOURCES		
Prior Year Levy Fund Balance		$ 57,649
Projected Tax Levy Collection		72,000
Tsubota Property Sale		8,000
Total Projected Sources		137,649
USES		
G.O. Bonds Debt Service - Existing		34,524
G.O. Bonds Debt Service - New	1	3,555
Total Projected G.O. Debt Service		38,080
Capital Expenditures:		
Fishing Industry		3,978
Pier 66 Cruise		12,000
Total Projected Capital Expenditures		15,978
Other Expenditures:		
Transportation & Infrastructure Reserve Fund		21,300
Environmental Remediation Liability (Non-Aviation)	2	7,012
Workforce Development		1,465
Total Projected Other Expenditures		29,776
Total Projected Uses		83,834
Projected Ending Balance		$ 53,815

Notes:

1) Assumes new debt service associated with anticipated LTGO bonds to be issued in 2016 to fund the Port's second (and final) contribution to the Alaska Way Viaduct project.
2) Includes projected cashflows for environmental projects already or expected to be booked as liabilities.

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TABLE VIII-2: EXISTING G.O. BONDS DEBT SERVICE BY PROJECTS AND GROUP

TABLE VIII-2 provides the allocation of existing G.O. bonds debt service to the projects that were funded by G.O. bonds issued in 1994, 2000, 2004, 2006, 2011, 2013 and 2015.

	2016 ($ in 000's)
Containers	
East Waterway Dredging	$ 732
T-5 Expansion & Upgrades	6,104
T-46 Expansion Redevelopment	4,251
T-18 Expansion & Upgrade	11,021
T-115 Yard Upgrades	178
Total Containers	22,286
Docks and Commercial Properties	
T-91 Apron & Infrastructure Improvements	2,850
Pier 17 Dock Replacement	106
T-86 Terminal Upgrades	126
Total Docks and Commercial Properties	3,082
Regional Transportation	
Alaskan Way Viaduct Replacement	7,001
Economic Development Commercial Properties	
World Trade Center	541
Fishing	
Fishermen's Terminal Docks & Seawall Renewal	1,615
Total G.O. Bond Debt Service	**$ 34,524**

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D. GENERAL OBLIGATION CAPACITY

Non-Voted and Voted General Obligation Debt Limitations

Under Washington State law the Port may incur indebtedness payable from ad valorem taxes in an amount not exceeding one-fourth of one percent of the value of the taxable property in the District without a vote of the people. With the assent of three-fifths of the voters voting thereon, the District may incur additional G.O. indebtedness provided the total indebtedness of the Port at any time shall not exceed three-fourths of one percent of the value of the taxable property in the District. For the Port, the following estimates the 2016 debt limit:

Value of Taxable Property [1]	**$**	**422,523,805,266**
Debt Limit, Non-Voted General Obligation Bonds (.25% of Value of Taxable Property)	$	1,056,309,513
Less: Outstanding Non-Voted General Obligation Bonds as of 12/31/2015	$	305,535,000
Less: Capital leases and other general obligations as of 9/30/2015		-
Remaining Capacity of Non-Voted General Obligation Debt	**$**	**750,774,513**
Debt Limit, Total General Obligation Debt (.75% of Value of Taxable Property)	$	3,168,928,539
Less: Total Outstanding General Obligation as of 12/31/2015	$	305,535,000
Less: Capital leases and other general obligations as of 9/30/2015		-
Remaining Capacity of Total General Obligation Debt	**$**	**2,863,393,539**

[1] Preliminary assessed valuation as of 10/27/2015

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The Port may levy property taxes sufficient for the payment of principal of and interest on voted G.O. indebtedness. The existing limitation provides that unless a higher rate is approved by a majority of the voters at an election, the increase in regular total property taxes payable in the following year shall not exceed the lesser of inflation or one percent of the amount of regular property taxes lawfully levied for such district in the highest of the three most recent years in which such taxes were levied for such district, plus an additional dollar amount calculated by multiplying the increase in assessed value in that district resulting from new construction and improvements to property by the regular property tax levy rate of that district for the preceding year. With a super majority vote, the Port Commission can increase the levy by 1% if inflation is less than 1%.

Interaction between General Purpose Levy and General Obligation Debt Capacity

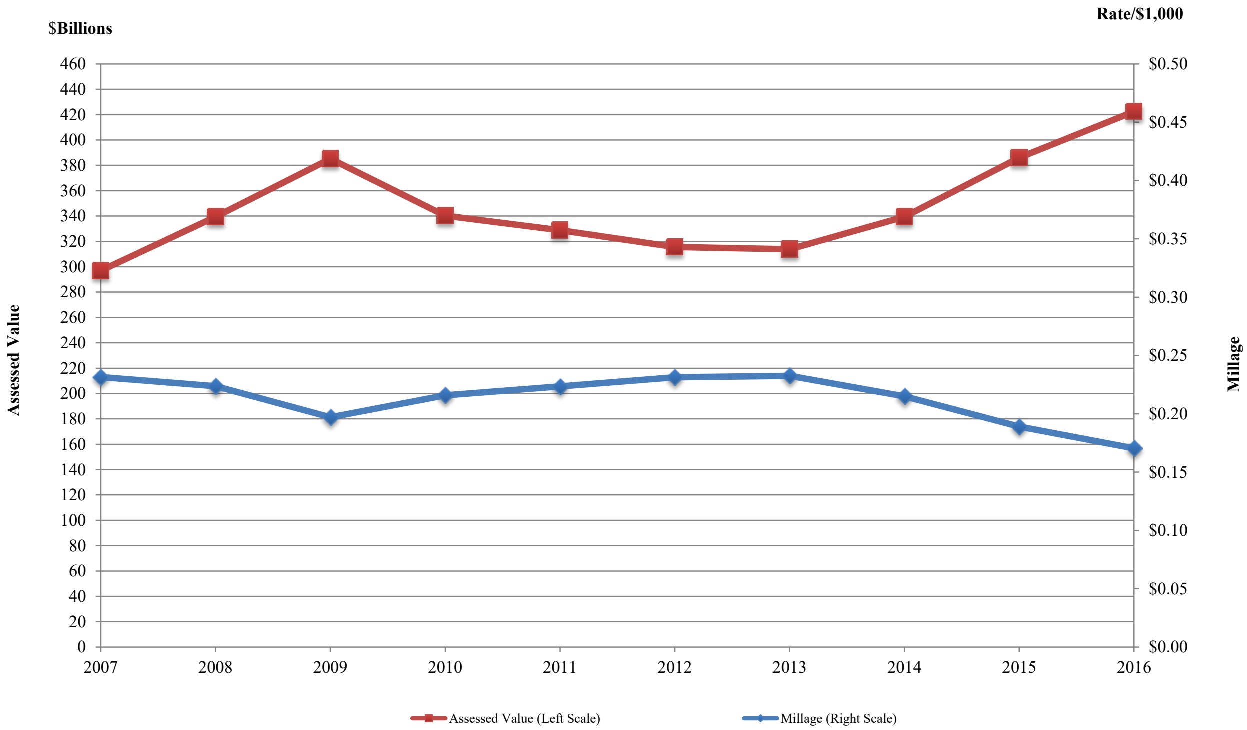
Since the 101% levy limitation applies to the total levy for G.O. debt service and for general Port purposes, an increase in the tax levy for G.O. bonds may result in a decrease in the amount which could be levied for general Port purposes, unless a higher aggregate tax levy was approved by the voters.

Beginning with the 2001 Budget, the Port established a target to use no more than 75% of the levy for debt service and retain at least 25% for general purposes.

E. TAXPAYER EFFECT

FIGURE VIII-3 shows the assessed valuation as compared to the millage rate from 2007 to 2016. The graph shows that the assessed value has increased from $297 billion for the tax year 2007 to an estimated $423 billion for the tax year 2016, while the millage (the rate paid per $1,000 Assessed Value) has decreased from $0.2317 in 2007, to the rate of $0.1704 applicable in 2016. The 2015 preliminary assessed value as of October 27, 2015, is estimated to be $422,523,805,266. (The 2015 assessed valuation is used for 2016 tax collection).

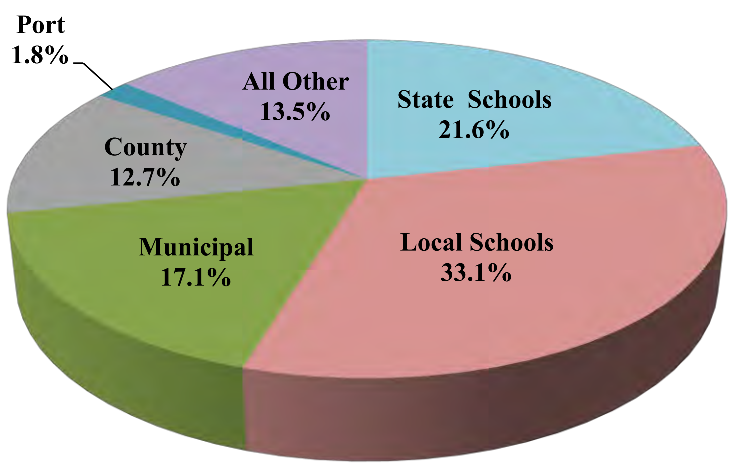
FIGURE VIII-3: KING COUNTY ASSESSED VALUATION VS. PORT MILLAGE RATE 2007-2016



F. COUNTY PROPERTY TAX COMPARISON

For 2015, the Port accounted for 1.8% of the total property taxes collected by the County.

FIGURE VIII-4: 2015 PERCENTAGE OF TAX LEVIES BY TAXING DISTRICT



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CAPITAL BUDGET

The following pages provide detail of the projects included in the 2016-2020 capital budget. Additional information can be found in each of the divisions' business plans and operating budgets. The Capital Budget for the Northwest Seaport Alliance can be found in Section XII.

Projects in this year's plan are divided into several categories. ***Committed Projects*** are ongoing projects or projects that are ready to move forward and for which a funding commitment will be secured. ***Business Plan Prospective Projects*** are less certain in timing or scope, but are considered critical for achieving business plan goals, and the business unit or division has approved them. ***Other Prospective Projects*** are preliminary in nature and are not ready for full funding commitment. Prospective projects are included in the capital budget section for informational purposes only.

TABLE IX-1: CAPITAL BUDGET

($ in 000's)	*Est/Act* (1) 2015	2016	2017	2018	2019	2020	Total 2016-2020
Committed Projects							
Aviation Division							
Airfield	$55,478	$70,117	$22,723	$8,830	$6,500	$9,986	**$118,156**
Business Development	969	10,680	3,260	500	500	500	**15,440**
Landside	6,838	12,525	10,472	8,100	6,881	432	**38,410**
Air Terminal	87,512	154,500	293,358	369,144	317,024	152,594	**1,286,620**
Infrastructure	8,243	44,116	39,266	13,352	3,000	3,013	**102,747**
Airfield Security	1,070	6,278	4,259	0	0	68	**10,605**
Aviation NOISE	3,040	1,749	7,798	0	0	15,681	**25,228**
Aviation F&B (Division-wide)	8,518	7,968	1,150	1,000	1,000	1,440	**12,558**
Aviation Division	**171,668**	**307,933**	**382,286**	**400,926**	**334,905**	**183,714**	**1,609,764**
Maritime Division (2)							
Commercial & Recreational Marinas	2,569	5,220	7,311	4,063	0	0	**16,594**
Cruise & Maritime Operations	4,147	12,345	1,785	195	243	0	**14,568**
Maritime General	5,529	4,821	4,520	1,505	1,551	2,416	**14,813**
Maritime Industrial	1,033	1,083	26	0	0	0	**1,109**
Maritime Division	**13,278**	**23,469**	**13,642**	**5,763**	**1,794**	**2,416**	**47,084**
Economic Development Division (2)							
General Economic Development	2,646	3,478	1,497	985	804	804	**7,568**
Portfolio Management	1,255	8,035	900	300	300	300	**9,835**
Economic Development Division	**3,901**	**11,513**	**2,397**	**1,285**	**1,104**	**1,104**	**17,403**
Professional & Tech. Services							
Capital Development Division	845	311	886	897	479	395	**2,968**
Corporate General	495	453	550	560	578	585	**2,726**
ICT Business Services	8,541	4,354	2,750	2,750	2,750	2,750	**15,354**
P&TS	**9,881**	**5,118**	**4,186**	**4,207**	**3,807**	**3,730**	**21,048**
Total Committed	**$198,728**	**$348,033**	**$402,511**	**$412,181**	**$341,610**	**$190,964**	**$1,695,299**
Business Plan Prospective Projects							
Aviation Division	$3,390	$52,131	$74,604	$52,649	$81,180	$179,360	**$439,924**
Maritime Division	2,500	4,011	7,470	18,858	22,843	11,380	**64,562**
Economic Development Division	0	945	1,253	1,000	1,000	3,000	**7,198**
Corp General (ICT Business Services)	200	3,325	4,500	4,500	4,500	4,500	**21,325**
Total Business Plan Prospective	**$6,090**	**$60,412**	**$87,827**	**$77,007**	**$109,523**	**$198,240**	**$533,009**
Total Port of Seattle	**$204,818**	**$408,445**	**$490,338**	**$489,188**	**$451,133**	**$389,204**	**$2,228,308**

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Notes:
1) Estimated/Actual 2015 represents six months of actual spending and six months of projected spending.
2) Maritime and Economic Development divisions were created in 2015. Information above is reported under the new org structure.

AVIATION DIVISION CAPITAL IMPROVEMENT PROGRAM

General: The Committed capital budget is focused on meeting capacity and customer needs, and maintaining existing assets through ongoing renewal and replacement.

Major Committed Capital Projects:

International Arrivals Facility: This project will build a new Federal Inspection Services (FIS) facility on the east side of Concourse A in order to expand capacity to process arriving international passengers. The design build contract was awarded in mid-2015 and the validation period will be completed in late 2015.

Baggage Recapitalization/Optimization: This project will replace and reconfigure baggage screening equipment and operations to improve operational efficiency and increase capacity. The project is in design.

NorthSTAR Program: In collaboration with Alaska Airlines, the Port will renovate and expand the North Satellite to address seismic concerns; upgrade heating, ventilation, and air conditioning (HVAC), lighting and fixtures; and add eight gates. Design is approximately 60% complete at this time. Other elements of the program include improvements to vertical circulation on Concourse C (completed by end of 2015), renovation of the baggage systems supporting the North Satellite (completed by end of 2015), and renovations to the North end of the Main Terminal (currently on hold pending completion of master plan).

Runway 16C/34C Reconstruction: This project will rebuild the center runway in 2015. Taxiway improvements will be done in 2016.

Other Committed Capital Projects:

Noise Remedy Program: The Port's Noise Remedy Program began in 1971 and is designed to mitigate aircraft noise in neighborhood communities. The program involved the buy-out or insulation of single-family houses, mobile home parks, multi-family buildings, and institutional buildings. The current program involves insulation of single-family homes and future project spending for Highline School District noise mitigation. With the completion of an updated Part 150 study in 2014, the Port is evaluation new noise programs.

Backup Power: This project will implement a backup power system to facilitate full airport operations in the event of a power loss.

Service Tunnel Renovation: The service tunnel runs beneath the lower airport drive. This project will include seismic upgrades, replacement of expansion joints and repair and/or replacement of wall, slab and column cracking and spalling.

Ground Support Equipment (GSE) Electrical Charging Stations: This project will install infrastructure and charging stations that will permit airlines to charge electrical ground service equipment. The equipment will be owned and operated by airlines. The sections serving the northern concourses have been completed.

Business Plan Prospective CIP:

The Aviation Business Plan Prospective CIP is composed of project spending for Airfield, Landside, Terminal, Infrastructure, and other Aviation needs. The largest project will be the renovation of the South Satellite. The budget also includes an allowance for undesignated future spending. This permits the addition of currently undefined new projects to the plan without increasing total spending. Eight projects have moved to business plan prospective status for 2015 (see Section IV for a list of these projects). Prospective projects are, by definition, not yet well scoped, so there is greater uncertainty with regards to timing and costs than with committed projects. As scoping, design and bidding occurs, each project moves forward in steps to the Commission to request authorization. See Section IV for a description of major existing and new projects.

MARITIME DIVISION

General: Maritime's current five-year capital improvement program continues the Port's emphasis on supporting investments in facilities and infrastructure to support economic growth for Cruise, Fishing, and Recreational Vessel industries.

Major Committed Capital Project:

Pier 66 Cruise Tenant Improvement Allowance: Norwegian Cruise Line Holdings has entered into an agreement with the Port and would expand the existing 44,000 square feet cruise passengers processing facility to approximately 151,500 square feet. Improvements would be primarily being done within the existing building envelope. In addition, two new passenger boarding gangways would be built. All work, including gangways, would be completed by April 1, 2017, ready for the 2017 cruise season.

Committed Capital Projects:

Shilshole Bay Marina Upgrades: Construction is planned to take place over multiple years starting in 2016 and will include reconstruction of restroom/shower/laundry buildings across the site to be cost-effective and minimize tenant & operational disruptions. This will be coordinated with repaving the parking lot and adding storm water improvements.

Fishermen's Terminal Net Sheds: Includes replacement of roofs on Fishing Net Sheds 3, 4, 5, and 6 in addition to adding new fall protection systems and security ladders.

General Maritime: Additional committed projects include small projects and technology related investments.

Business Plan Prospective CIP:

The Maritime Business Plan Prospective CIP is a combination of revenue/capacity growth and renewal/enhancement projects. A revenue capacity growth project is a project for additional gangways at Terminal 91 to support larger cruise ships. Renewal/enhancement projects include funds such as rehabilitating the Docks at Fishermen's Terminal and Shilshole Bay Marina. Also included is a general renewal and replacement project to allow for projects that cannot be determined with certainty as to location, timing and cost.

ECONOMIC DEVELOPMENT DIVISION

General: Projects in the Economic Development Division's current five-year capital improvement program are primarily projects associated with the renewal and replacement of infrastructure, building components and systems that are at or beyond the end of their useful lives. Also included is an investment in tenant improvements related to the releasing of space expected to become vacant as existing leases expire.

Committed Capital Projects:

Terminal 102 Buildings A-D Roof & HVAC Replacement: Preliminary design report by Cornerstone Architectural Group estimated service life less than 2 years before wide-spread failure occurs. Given this, the roofs (88,000 sq. feet) are planned to be replaced in 2016 along with remaining HVAC units.

Pier 69 Roof Beam Repair: The interior face and the underside of the concrete roof beams supporting the clerestory windows are deteriorating and pose a risk of spalled concrete falling. Project will install concrete repairs and screen covers to mitigate roof beam spalling.

Elevator upgrades at P66 and Bell Street Garage: Elevators are 20 years old and upgrades will improve reliability, performance, and add another 20 years of service life.

Other Committed projects: These include Tenant Improvements, Fleet Replacement, Economic Development Technology Projects, and other small projects.

Business Plan Prospective CIP:

The Economic Development Division Prospective CIP is primarily renewal and replacement projects such as Direct Digital Control System at Pier 69 and Roof Fall Protection system at Bell Harbor International Conference Center. Also included is a general renewal and replacement project to allow for projects that cannot be determined with certainty as to location, timing, and cost.

CAPITAL DEVELOPMENT CAPITAL IMPROVEMENT PROGRAM

Capital Development (CD) delivers projects and provides technical services in support of the business plans and infrastructure needs of the Port's operating divisions. CD's current five-year capital improvement program is primarily for the replacement of equipment and assets that are at or beyond the end of their useful lives. In 2016 the fleet projects will replace 5 vehicles at $25,000 - $35,000 each. The remaining portion of the CIP is for engineering equipment and replacement of a boathouse.

CORPORATE CAPITAL IMPROVEMENT PROGRAM

The current corporate five-year capital improvement program is predominantly technology improvements and upgrades. Approximately 58% of 2016 technology capital improvement projects are refreshed of critical infrastructure and network security enhancements required to maintain compliance with established industry standards. The remaining technology capital improvement projects are mostly for system upgrades, replacements or consolidation of existing systems that require refresh. These technology projects are all driven by business unit demand, with system upgrades being required to maintain system operations and ongoing vendor support. The largest 2016 corporate capital project is the development of the new PeopleSoft Business Unit functionality to support Accounting in reporting for separate legal entities and to add flexibility to the chart field structure. A small portion for corporate small capital is also included in the corporate capital program.

In addition to the Committed, Business Plan Prospective and Other Prospective project categories described above, the Port may also invest in Public Expense projects (projects that meet the criteria of Committed or Business Plan Prospective projects but the expenditures are expensed instead of capitalized). This can occur when projects' improvements are created on non-Port properties; they are generally a required component of other Committed projects or they are the Port's contribution to regional transportation needs. In addition to the Public Expense projects, the Port anticipates expenditures for its contribution toward the replacement of the Alaskan Way Viaduct (SR99) of up to $300 million. This project is accounted for as a Special Item, and is included in the Public Expense Projects table below.

TABLE IX-2: PUBLIC EXPENSE PROJECTS

Division	CIP Description ($ in 000's)	2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)
Aviation	Construct Logistics Public Exp	$ 440	0	0	0	0	**$ 440**
	South 160th GT Lot Utility Undergrounding	687	0	0	0	0	**687**
	SR 518 Corridor Improvements	2,674	0	0	0	0	**2,674**
	Subtotal for Airport	**3,801**	**0**	**0**	**0**	**0**	**3,801**
Joint Venture	Fast Corridor I	165	0	0	0	0	**165**
	Fast Corridor II	605	0	69	730	1,680	**3,084**
	East Marginal Way Phase 2	380	0	0	0	0	**380**
	North Argo Express Access	150	0	0	0	0	**150**
	Seattle Heavy Haul Network	330	2,070	2,000	1,000	1,000	**6,400**
	Subtotal for Joint Venture	**1,630**	**2,070**	**2,069**	**1,730**	**2,680**	**10,179**
Maritime	Maritime Air Quality Program	150	150	150	200	200	**850**
	P66 Alaskan Way St Improvement	1,247	3	0	0	0	**1,250**
	Subtotal for Maritime	**1,397**	**153**	**150**	**200**	**200**	**2,100**
	Total - Public Expense	**6,828**	**2,223**	**2,219**	**1,930**	**2,880**	**16,080**
Special Item	SR99 Tunnel Replacement (1)	148,000	0	0	0	0	**148,000**
	Total - Special Item	**148,000**	**0**	**0**	**0**	**0**	**148,000**
	Grand Total - Public Expense and Special Item Projects	**$ 154,828**	**$ 2,223**	**$ 2,219**	**$ 1,930**	**$ 2,880**	**$ 164,080**

_5YrCapBud&ProspectiveProj.xlsx

Notes:

1) Final payment toward the Port's contribution of up to $300 million per the Memorandum of Agreement No. GCA 4444, dated 02/09/2010.

TABLE IX-3: NON-RECURRING CAPITAL BUDGET IMPACT ON THE OPERATING BUDGET

($ in 000's)	Notes	Capital Budget Impact	Recurring (R) or Non-Recurring (NR)	2015	2016	2017	2018	2019	2020	Total 2016-2020
Aviation Division:										
NorthSTAR Program		**Yes**	**NR**							
Capital Spending				36,638	49,616	90,670	101,735	100,324	93,111	$ 435,456
Change in Operating Revenues	1			2,254	2,522	2,620	5,419	7,948	10,369	28,877
Change in Operating Expenses				0	0	0	0	3	0	3
International Arrivals Facility		**Yes**	**NR**							
Capital Spending				11,983	59,252	145,341	214,909	164,700	6,365	590,567
Change in Operating Revenues	1			0	0	0	0	0	12,026	12,026
Change in Operating Expenses				0	0	0	0	0	1,500	1,500
Checked Baggage Optimization		**Yes**	**NR**							
Capital Spending				8,384	20,000	50,000	50,000	50,000	50,000	220,000
Change in Operating Revenues	1			0	0	0	0	2,875	4,345	7,221
Change in Operating Expenses				0	0	0	0	0	0	0
Capital Spending				**57,005**	**128,868**	**286,011**	**366,644**	**315,024**	**149,476**	**1,246,023**
Change in Operating Revenues				**2,254**	**2,522**	**2,620**	**5,419**	**10,823**	**26,740**	**48,124**
Change in Operating Expenses				**-**	**0**	**0**	**0**	**3**	**1,500**	**1,503**
Maritime Division:		**No**								0
										0
Economic Development Division:		**No**								0
										0
Corporate		**No**								0
Port-wide Total										0
Capital Spending				**57,005**	**128,868**	**286,011**	**366,644**	**315,024**	**149,476**	**1,246,023**
Change in Operating Revenues				**2,254**	**2,522**	**2,620**	**5,419**	**10,823**	**26,740**	**48,124**
Change in Operating Expenses				**$ -**	**$ -**	**$ -**	**$ -**	**$ 3**	**$ 1,500**	**$ 1,503**

Table X-3.xls

Notes:
1) The estimated debt service for this project will be incorporated into the terminal rental cost recovery formula and thus increase revenues.

Port of Seattle

5 Year Capital Budget

by CIP Number

Report: pc416pos.rpt
Date/Time: 10/9/2015 10:58 AM

Run by: SWB736

Committed Projects

Selection

Start Year:	2015
Business Unit:	ALL
Project Status:	3 - 6
Division:	ALL
Sponsor:	ALL
CIP Group:	ALL

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Aviation Division

Airfield

Status	CIP#	Name	*2015*	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
5	**C800479**	Fdr 101 Taps/Fire Sta Ele	2,194	1,701	0	0	0	0	**1,701**	4,775	1,325
CIP Group:		**Aeronautical Facilities**	**2,194**	**1,701**	**0**	**0**	**0**	**0**	**1,701**	**4,775**	**1,325**
5	**C800247**	Cargo 2 West Cargo Hardst	733	40	0	0	0	302	**342**	6,648	5,936
5	**C800254**	Aircraft RON Parking USPS	2,833	80	0	0	0	1,384	**1,464**	37,803	34,988
CIP Group:		**Air Cargo**	**3,566**	**120**	**0**	**0**	**0**	**1,686**	**1,806**	**44,451**	**40,924**
5	**C800390**	Cargo 6 Enhancements	3,557	0	0	0	0	0	**0**	5,845	4,351
CIP Group:		**Aircraft Fueling**	**3,557**	**0**	**0**	**0**	**0**	**0**	**0**	**5,845**	**4,351**
5	**C800335**	GSE Electrical Chrg Stati	570	8,000	4,000	2,330	0	0	**14,330**	30,198	15,518
4	**C800557**	Snow Blower and Deicer Tr	2,195	0	0	0	0	0	**0**	2,200	293
4	**C800585**	Wi-Fi Enhance for Ramp &	810	6,000	2,993	0	0	0	**8,993**	9,879	187
4	**C800637**	2014-2015 Roof Replacemen	229	4,000	133	0	0	0	**4,133**	4,415	133

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
4	**C800714**	Airport Ramp Buses Purcha	1,820	0	0	0	0	0	**0**	1,820	1,820
CIP Group:		**Airfield Miscellaneous**	**5,624**	**18,000**	**7,126**	**2,330**	**0**	**0**	**27,456**	**48,512**	**17,951**
5	**C102573**	Airfield Pavement Replace	1,985	50	0	0	0	2,000	**2,050**	24,120	20,938
4	**C800406**	RW16C-34C Design and Reco	38,513	43,786	9,097	0	0	0	**52,883**	94,837	10,953
4	**C800483**	Airfield Pavement Program	39	6,460	6,500	6,500	6,500	6,300	**32,260**	32,500	12
CIP Group:		**Airfield Pavement**	**40,537**	**50,296**	**15,597**	**6,500**	**6,500**	**8,300**	**87,193**	**151,457**	**31,903**
Subtotal for Airfield:			**55,478**	**70,117**	**22,723**	**8,830**	**6,500**	**9,986**	**118,156**	**255,040**	**96,454**

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

Aviation Division Wide

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
5	**C800034**	No. Expressway Relo Phase	195	0	0	0	0	411	**411**	102,562	102,074
CIP Group:	**CDP**		**195**	**0**	**0**	**0**	**0**	**411**	**411**	**102,562**	**102,074**
5	**C800688**	Construction Logistics Ex	1,518	4,851	150	0	0	0	**5,001**	6,552	216
CIP Group:	**Facilities**		**1,518**	**4,851**	**150**	**0**	**0**	**0**	**5,001**	**6,552**	**216**
5	**C101117**	FIMS Phase II	559	349	0	0	0	0	**349**	8,211	7,411
5	**C800066**	AV/IT Small Capital Proje	1,455	2,571	1,000	1,000	1,000	1,000	**6,571**	12,496	5,026
6	**C800481**	CUSE Migration	-4	0	0	0	0	0	**0**	385	386
5	**C800693**	Noise System Upgrade/Repl	1,367	0	0	0	0	0	**0**	1,399	198
CIP Group:	**IT Projects**		**3,377**	**2,920**	**1,000**	**1,000**	**1,000**	**1,000**	**6,920**	**22,491**	**13,021**
6	**C102151**	CDP Future Projects	0	0	0	0	0	0	**0**	0	0
6	**C102166**	Aeronautical Renewal/Repl	0	0	0	0	0	0	**0**	0	0
6	**C800153**	Non-Aero Renewal/Replacem	0	0	0	0	0	0	**0**	0	0

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Port of Seattle

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5 Year Capital Budget

by CIP Number

Run by: SWB736

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
5	**C800421**	Fire Dept Comm. Upgrades	35	0	0	0	0	29	**29**	330	296
3	**C800425**	Fire Station Improvements	0	0	0	0	0	0	**0**	6	7
CIP Group:		**Miscelleneous**	**35**	**0**	**0**	**0**	**0**	**29**	**29**	**336**	**303**
5	**C800017**	Aviation Small Jobs	2,834	197	0	0	0	0	**197**	9,649	7,592
5	**C800018**	Aviation Small Capital	559	0	0	0	0	0	**0**	3,906	3,736
CIP Group:		**Small Projects**	**3,393**	**197**	**0**	**0**	**0**	**0**	**197**	**13,555**	**11,328**
Subtotal for Aviation Division Wide:			**8,518**	**7,968**	**1,150**	**1,000**	**1,000**	**1,440**	**12,558**	**145,496**	**126,942**

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Business Development											
4	**C800154**	Tenant Reimbursement	0	680	500	500	500	500	**2,680**	4,710	1,298
5	**C800690**	B2 Expansion for DL Club	965	10,000	2,760	0	0	0	**12,760**	13,725	40
CIP Group:		**Bus. Development Miscellaneous**	**965**	**10,680**	**3,260**	**500**	**500**	**500**	**15,440**	**18,435**	**1,338**
4	**C800651**	Town & Country Stormwater	4	0	0	0	0	0	**0**	333	333
CIP Group:		**Properties**	**4**	**0**	**0**	**0**	**0**	**0**	**0**	**333**	**333**
Subtotal for Business Development:			**969**	**10,680**	**3,260**	**500**	**500**	**500**	**15,440**	**18,768**	**1,671**

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Infrastructure

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
5	**C800461**	IWTP Fiber Installation	0	0	0	0	0	0	**0**	409	410
CIP Group:		**Communication Systems**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**409**	**410**
4	**C800061**	MT Low Voltage Sys Upgrad	420	3,500	5,000	5,000	3,000	2,582	**19,082**	19,639	208
4	**C800107**	C4 UPS System Improvement	668	2,500	843	0	0	0	**3,343**	4,207	213
5	**C800230**	Emergency Lighting - Park	125	0	0	0	0	100	**100**	2,303	2,087
5	**C800538**	Utility ER Backup/Standby	202	20,000	15,000	1,015	0	0	**36,015**	36,400	185
4	**C800699**	Electric Utility SCADA	187	1,500	7,300	602	0	0	**9,402**	9,600	23
3	**C800724**	Concourse C New Power Cen	195	5,000	3,000	2,248	0	0	**10,248**	10,446	47
CIP Group:		**Electrical Infrastructure**	**1,797**	**32,500**	**31,143**	**8,865**	**3,000**	**2,682**	**78,190**	**82,595**	**2,763**
4	**C102066**	Art Pool	138	100	130	260	0	0	**490**	628	10
6	**C800267**	Port-Owned Loading Bridge	0	0	0	0	0	0	**0**	2,029	2,030
5	**C800659**	North Utlity Tunnel Steam	40	0	0	0	0	100	**100**	851	735

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
CIP Group:		**F&I Miscellaneous Projects**	**178**	**100**	**130**	**260**	**0**	**100**	**590**	**3,508**	**2,775**
5	**C800251**	Vertical Convey Modernztn	3,485	4,500	1,239	0	0	0	**5,739**	11,416	4,176
5	**C800334**	Two New CTE Freight Eleva	343	50	0	0	0	50	**100**	7,790	7,540
6	**C800377**	NSAT HVAC,Lights,Ceiling	0	0	0	0	0	0	**0**	0	0
5	**C800497**	Airportwide Mech Controls	543	2,500	254	0	0	0	**2,754**	3,498	296
5	**C800551**	Grease Interceptor Augmnt	702	451	0	0	0	0	**451**	1,486	383
4	**C800722**	CTE HVAC Upgrades	220	2,500	2,500	1,369	0	0	**6,369**	6,589	20
CIP Group:		**Mechanical Infrastructure**	**5,293**	**10,001**	**3,993**	**1,369**	**0**	**50**	**15,413**	**30,779**	**12,415**
5	**C102032**	Sanitary Sewer Pump Sta U	338	15	0	0	0	181	**196**	1,133	727
4	**C800717**	N. Terminals Utilities Up	637	1,500	4,000	2,858	0	0	**8,358**	9,000	42
CIP Group:		**Water Infrastructure**	**975**	**1,515**	**4,000**	**2,858**	**0**	**181**	**8,554**	**10,133**	**769**
Subtotal for Infrastructure:			**8,243**	**44,116**	**39,266**	**13,352**	**3,000**	**3,013**	**102,747**	**127,424**	**19,132**

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Landside											
4	**C101107**	So. 160th St. GT Lot Expa	1,416	1,116	0	0	0	0	**1,116**	2,822	456
CIP Group:		**Ground Transportation**	**1,416**	**1,116**	**0**	**0**	**0**	**0**	**1,116**	**2,822**	**456**
6	**C001659**	Garage Renewal/Replacemen	0	0	0	0	0	0	**0**	0	0
5	**C800253**	Parking System Replacemen	250	5	0	0	0	45	**50**	5,427	5,128
5	**C800274**	8th Floor Weather Proofin	1,108	78	0	0	0	0	**78**	9,325	8,221
5	**C800324**	Long-Term Cell Phone Lot	195	607	0	0	0	0	**607**	3,122	2,413
5	**C800451**	Doug Fox Site Improvement	801	324	0	0	0	333	**657**	6,799	5,992
5	**C800581**	Parking Garage Lights (CA	1,916	3,300	100	100	65	0	**3,565**	5,535	600
5	**C800648**	Emergency Phones	282	95	0	0	0	0	**95**	377	13
5	**C800728**	Parking System Replacemen	128	3,000	2,372	0	0	0	**5,372**	5,500	28
CIP Group:		**Public Parking**	**4,680**	**7,409**	**2,472**	**100**	**65**	**378**	**10,424**	**36,085**	**22,395**
4	**C100266**	Rental Car Fac. Construct	39	0	0	0	0	0	**0**	374,573	374,485
5	**C101110**	Consolidate RCF land acq.	10	0	0	0	0	0	**0**	10,768	10,768

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
5	**C800541**	RAC Baggage Claim Renovat	9	0	0	0	0	54	**54**	1,183	1,126
CIP Group:		**Rental Cars**	**58**	**0**	**0**	**0**	**0**	**54**	**54**	**386,524**	**386,369**
4	**C102112**	Service Tunnel Renewal/Re	684	4,000	8,000	8,000	6,816	0	**26,816**	27,584	120
CIP Group:		**Roadways**	**684**	**4,000**	**8,000**	**8,000**	**6,816**	**0**	**26,816**	**27,584**	**120**
Subtotal for Landside:			**6,838**	**12,525**	**10,472**	**8,100**	**6,881**	**432**	**38,410**	**453,015**	**409,340**

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5 Year Capital Budget

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
NOISE Program											
5	**C200048**	Home Insulation Retrofit	40	30	548	0	0	0	**578**	4,061	3,442
4	**C200093**	Single Family Home Sound	3,000	1,719	0	0	0	0	**1,719**	10,750	6,961
CIP Group:		**Residential Insulation**	**3,040**	**1,749**	**548**	**0**	**0**	**0**	**2,297**	**14,811**	**10,403**
5	**C200007**	Highline School Insulatio	0	0	7,250	0	0	15,681	**22,931**	101,799	63,409
CIP Group:		**School Insulation**	**0**	**0**	**7,250**	**0**	**0**	**15,681**	**22,931**	**101,799**	**63,409**
Subtotal for NOISE Program:			**3,040**	**1,749**	**7,798**	**0**	**0**	**15,681**	**25,228**	**116,610**	**73,812**

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

Status	CIP#	Name	*2015*	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Security											
6	**C102163**	MT 100% Baggage Screening	0	0	0	0	0	0	**0**	218,903	218,901
5	**C800218**	Scty Exit Lane Breach Ctr	351	278	0	0	0	0	**278**	1,560	961
5	**C800576**	Known Crewmember EMPL Byp	42	0	0	0	0	68	**68**	779	694
4	**C800605**	Scty Exit Lane Breach Ctr	24	0	0	0	0	0	**0**	2,910	2,909
4	**C800642**	CCTV Camera/Data Improvem	653	6,000	4,259	0	0	0	**10,259**	10,998	141
CIP Group:		**Security Projects**	**1,070**	**6,278**	**4,259**	**0**	**0**	**68**	**10,605**	**235,150**	**223,606**
Subtotal for Security:			**1,070**	**6,278**	**4,259**	**0**	**0**	**68**	**10,605**	**235,150**	**223,606**

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

5 Year Capital Budget

Terminal and Tenants

Status	CIP#	Name	*2015*	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
5	**C800168**	C60 - C61 BHS Modificatio	3,912	513	0	0	0	0	**513**	11,084	8,822
5	**C800368**	Refurbish Bag Claim Devic	9	0	0	0	0	0	**0**	179	180
5	**C800382**	BHS C22-C1, MK1, TC3	2	0	0	0	0	25	**25**	5,586	5,560
6	**C800399**	C60-C1 Interline Baggage	0	0	0	0	0	0	**0**	0	0
4	**C800555**	NS Refurbish Baggage Syst	12,899	56	0	0	0	20	**76**	19,363	15,938
4	**C800612**	Checked Bag Recap/Optimiz	8,384	20,000	50,000	50,000	50,000	50,000	**220,000**	320,402	9,601
CIP Group:		**Baggage Systems**	**25,206**	**20,569**	**50,000**	**50,000**	**50,000**	**50,045**	**220,614**	**356,614**	**40,101**
5	**C800455**	Concourse D Common Use En	0	0	0	0	0	0	**0**	3,287	3,285
5	**C800464**	Fiber Infr to Gate Backst	1,056	1,778	0	0	0	0	**1,778**	3,196	567
CIP Group:		**Communication Systems**	**1,056**	**1,778**	**0**	**0**	**0**	**0**	**1,778**	**6,483**	**3,852**
5	**C800019**	Gate Utilities Improvemen	535	3,000	2,412	0	0	0	**5,412**	14,480	8,762
5	**C800238**	Cent Plant Preconditioned	2,005	2,659	0	0	0	0	**2,659**	54,717	50,411
5	**C800543**	Replace PLBs at S7, S9 &	349	0	0	0	0	0	**0**	2,949	2,686

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
5	**C800662**	S4 & S6 IC Connection	3,878	676	0	0	0	0	**676**	5,092	916
4	**C800692**	2016 Fuel System Modifica	442	3,736	0	0	0	0	**3,736**	4,195	58
CIP Group:		**Gates**	**7,209**	**10,071**	**2,412**	**0**	**0**	**0**	**12,483**	**81,433**	**62,833**
5	**C800426**	FIS Short-Term Improvemen	63	0	0	0	0	174	**174**	1,821	1,635
4	**C800544**	NS NorthSTAR Program	996	1,319	1,410	1,715	5,370	5,191	**15,005**	18,765	3,215
4	**C800545**	NS Main Terminal Improvem	301	1,032	3,570	14,512	9,674	0	**28,788**	29,199	292
4	**C800547**	NS Conc C Vertical Circul	7,026	429	0	0	0	845	**1,274**	16,705	13,747
5	**C800549**	SSAT Interior Renovations	1,646	1,000	363	0	0	0	**1,363**	3,197	684
5	**C800556**	NS NSAT Renov NSTS Lobbie	15,416	46,780	85,690	85,508	85,280	87,055	**390,313**	415,882	14,998
5	**C800615**	STIA 2nd Flr Mezz Infra U	1,302	0	0	0	0	0	**0**	2,373	2,217
4	**C800638**	Concessions Infrastructur	631	3,000	4,000	2,500	2,000	1,597	**13,097**	13,954	456
CIP Group:		**Interior Improvements**	**27,381**	**53,560**	**95,033**	**104,235**	**102,324**	**94,862**	**450,014**	**501,896**	**37,244**
5	**C800653**	Passenger Loading Bridge	6,356	818	0	0	0	0	**818**	7,201	632

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5 Year Capital Budget

by CIP Number

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
CIP Group:		**Loading Bridges**	**6,356**	**818**	**0**	**0**	**0**	**0**	**818**	**7,201**	**632**
5	**C800459**	2011-2013 Roof Replacemen	7	0	0	0	0	0	**0**	2,546	2,545
5	**C800473**	CUSE at Ticket Cntrs/Gate	56	0	0	0	0	0	**0**	1,478	1,422
5	**C800474**	Airport Signage AR	0	0	0	0	0	0	**0**	518	518
5	**C800475**	Misc Bldg Improvements AR	328	0	0	0	0	0	**0**	2,721	2,391
5	**C800484**	Laptop Power in Concourse	12	0	0	0	0	133	**133**	1,677	1,539
5	**C800495**	Facility Monitoring Sys R	1,367	119	0	0	0	627	**746**	3,420	1,874
5	**C800550**	Concourse D Roof Replacem	583	0	0	0	0	53	**53**	2,964	2,890
5	**C800558**	Access Control System Ref	-2	0	0	0	0	0	**0**	1,402	1,403
5	**C800560**	MT Mezz Tenant Relocation	1,373	20	0	0	0	0	**20**	2,017	1,697
4	**C800583**	International Arrivals Fa	11,983	59,252	145,341	214,909	164,700	6,365	**590,567**	608,366	8,588
5	**C800629**	S1 Ramp	1,115	56	0	0	0	100	**156**	1,405	1,024
5	**C800657**	Domestic Water Piping	561	1,379	0	0	0	0	**1,379**	1,951	46
4	**C800658**	Mech Energy Conservation	1,123	2,344	0	0	0	0	**2,344**	3,501	209

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
5	**C800667**	Automated Passport Contro	905	15	0	0	0	119	**134**	2,197	1,939
4	**C800702**	2015-2016 C Conc Roof Rep	524	4,500	572	0	0	0	**5,072**	5,596	24
CIP Group:		**Terminal Facilities**	**19,935**	**67,685**	**145,913**	**214,909**	**164,700**	**7,397**	**600,604**	**641,759**	**28,109**
5	**C800490**	New Window Wall Ticket Zo	74	19	0	0	0	200	**219**	5,636	5,377
5	**C800491**	Convert Ticket Zone 2 Pus	285	0	0	0	0	0	**0**	3,983	3,697
5	**C800492**	Convert Ticket Zone 3 Flo	10	0	0	0	0	90	**90**	11,450	11,355
CIP Group:		**Ticketing Strategy**	**369**	**19**	**0**	**0**	**0**	**290**	**309**	**21,069**	**20,429**
Subtotal for Terminal and Tenants:			**87,512**	**154,500**	**293,358**	**369,144**	**317,024**	**152,594**	**1,286,620**	**1,616,455**	**193,200**

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
		Third Runway									
5	**C100172**	Third Runway Construction	-11	0	0	0	0	0	**0**	669,352	669,350
		CIP Group: Third Runway	**-11**	**0**	**0**	**0**	**0**	**0**	**0**	**669,352**	**669,350**
		Subtotal for Third Runway:	**-11**	**0**	**0**	**0**	**0**	**0**	**0**	**669,352**	**669,350**

5 Year Capital Budget

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Subtotal for Aviation Division:			171,657	307,933	382,286	400,926	334,905	183,714	1,609,764	3,637,310	1,813,507

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

Corporate P&TS

Corporate P&TS Capital Project

Status	CIP#	Name	*2015*	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
5	**C800009**	Infrastructure - Small Ca	1,500	1,500	1,500	1,500	1,500	1,500	**7,500**	30,424	14,738
5	**C800012**	Services Technology Small	917	1,000	1,000	1,000	1,000	1,000	**5,000**	16,537	5,967
3	**C800016**	Enterprise GIS - Small Ca	338	250	250	250	250	250	**1,250**	3,979	1,217
5	**C800162**	ID Badge System Replaceme	826	0	0	0	0	0	**0**	2,499	2,137
5	**C800321**	Project Delivery System	10	0	0	0	0	0	**0**	1,498	1,461
5	**C800323**	Network Switch Replacemen	249	0	0	0	0	0	**0**	1,482	1,482
5	**C800328**	Propworks Upgrade	-6	0	0	0	0	0	**0**	384	383
5	**C800393**	Net RMS Replacement	131	0	0	0	0	0	**0**	967	866
5	**C800501**	Maintenance Planning Syst	-2	0	0	0	0	0	**0**	275	275
5	**C800519**	Contractor Data System Up	364	242	0	0	0	0	**242**	675	202
5	**C800520**	Computer Dispatch Upgrade	734	0	0	0	0	0	**0**	790	120
5	**C800521**	Constr. Doc. Mgt Sys. rep	853	0	0	0	0	0	**0**	900	141
5	**C800586**	Radio System Upgrade (800	449	0	0	0	0	0	**0**	4,683	4,592

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
5	**C800694**	Expense Project Authoriza	458	182	0	0	0	0	**182**	650	368
5	**C800745**	PeopleSoft HCM Upgrade to	1,400	100	0	0	0	0	**100**	1,500	229
5	**C800746**	Maximo Upgrade	200	800	0	0	0	0	**800**	1,000	0
5	**C800763**	Employee Performance Mgmt	120	280	0	0	0	0	**280**	400	101
CIP Group:		**Information Technology**	**8,541**	**4,354**	**2,750**	**2,750**	**2,750**	**2,750**	**15,354**	**68,643**	**34,279**
3	**C800450**	CDD Fleet Replacement	571	165	761	817	454	310	**2,507**	5,049	669
3	**C800453**	CDD Small Cap	274	146	125	80	25	85	**461**	1,765	560
3	**C800458**	Corporate Fleet Replaceme	295	253	350	360	378	385	**1,726**	6,578	1,113
CIP Group:		**Other Corporate Capital Projec**	**1,140**	**564**	**1,236**	**1,257**	**857**	**780**	**4,694**	**13,392**	**2,342**
5	**C800051**	Small Capital Acquisition	200	200	200	200	200	200	**1,000**	3,847	1,649
CIP Group:		**Small Capital Acquisition**	**200**	**200**	**200**	**200**	**200**	**200**	**1,000**	**3,847**	**1,649**
Subtotal for Corporate P&TS Capital Project			**9,881**	**5,118**	**4,186**	**4,207**	**3,807**	**3,730**	**21,048**	**85,882**	**38,270**

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Status	CIP#	Name	*2015*	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Subtotal for Corporate P&TS:			**9,881**	**5,118**	**4,186**	**4,207**	**3,807**	**3,730**	**21,048**	**85,882**	**38,270**

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr

Economic Developement Division

General Economic Developement

Status	CIP#	Name	2015	2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
3	**C800115**	Fleet Replacement	934	302	27	0	54	54	**437**	4,887	3,468
3	**C800359**	RE: 2011 Small Projects	57	0	0	0	0	0	**0**	1,205	1,147
3	**C800537**	RE: 2013 Small Projects	3	0	0	0	0	0	**0**	1,187	1,188
3	**C800562**	ED: 2017 & Beyond Small P	0	0	750	735	500	500	**2,485**	4,985	0
3	**C800730**	RE: 2015 Small Projects	505	0	0	0	0	0	**0**	505	7
3	**C800815**	ED: 2016 Small Projects	0	120	445	0	0	0	**565**	565	0
CIP Group:		**ED Small Projects**	**1,499**	**422**	**1,222**	**735**	**554**	**554**	**3,487**	**13,334**	**5,810**
6	**C800243**	RE Preliminary Planning	0	0	0	0	0	0	**0**	1	0
3	**C800244**	RE Technology Projects	250	250	250	250	250	250	**1,250**	2,800	50
5	**C800314**	P69 Built-Up Roof Replace	533	40	0	0	0	0	**40**	2,645	2,273
4	**C800691**	Pier 69 Carpet Replacemen	179	0	0	0	0	0	**0**	778	778
4	**C800698**	P69 Roof Beam Rehabilitat	185	2,766	25	0	0	0	**2,791**	3,024	132

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5 Year Capital Budget

by CIP Number

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
CIP Group:		**General ECON DEV - Other**	1,147	3,056	275	250	250	250	4,081	9,248	3,233
Subtotal for General Economic Developement			2,646	3,478	1,497	985	804	804	7,568	22,582	9,043

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

5 Year Capital Budget

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Portfolio Management											
6	**C800625**	Pier 66 Steam Replacement	0	0	0	0	0	0	**0**	1,503	1,504
3	**C800749**	Bell St Gar AI Elevtr Upg	25	325	0	0	0	0	**325**	350	0
3	**C800813**	P66 Elevator 2,3,4 Upgrad	240	1,360	0	0	0	0	**1,360**	1,600	0
CIP Group:		**Central Waterfront**	**265**	**1,685**	**0**	**0**	**0**	**0**	**1,685**	**3,453**	**1,504**
4	**C800814**	BHICC Fit & Finish Improv	0	0	500	0	0	0	**500**	500	0
CIP Group:		**Conf & Event Centers**	**0**	**0**	**500**	**0**	**0**	**0**	**500**	**500**	**0**
3	**C800126**	Tenant Improvements -Capi	790	300	300	300	300	300	**1,500**	5,255	1,766
CIP Group:		**Tenant Improvements**	**790**	**300**	**300**	**300**	**300**	**300**	**1,500**	**5,255**	**1,766**
4	**C800196**	T102 Bldg Roof HVAC Repla	200	6,050	100	0	0	0	**6,150**	6,350	26
CIP Group:		**Terminal 102**	**200**	**6,050**	**100**	**0**	**0**	**0**	**6,150**	**6,350**	**26**
Subtotal for Portfolio Management:			**1,255**	**8,035**	**900**	**300**	**300**	**300**	**9,835**	**15,558**	**3,296**

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Subtotal for Economic Developement Division:			3,901	11,513	2,397	1,285	1,104	1,104	17,403	38,140	12,339

Port of Seattle

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5 Year Capital Budget

by CIP Number

Run by: SWB736

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr

Maritime Division

Comm & Rec Marinas

Status	CIP#	Name	2015	2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
3	**C800539**	BHM Pile Wraps	90	50	160	3,500	0	0	**3,710**	3,803	22
CIP Group:		**Bell Harbor Marina**	**90**	**50**	**160**	**3,500**	**0**	**0**	**3,710**	**3,803**	**22**
3	**C800729**	Marina Mgt Sys Replacemen	0	550	0	0	0	0	**550**	550	0
CIP Group:		**Comm & Rec Marinas - Other**	**0**	**550**	**0**	**0**	**0**	**0**	**550**	**550**	**0**
3	**C800005**	FT Paving/Storm Upgrades	97	800	50	0	0	0	**850**	1,000	94
4	**C800137**	FT C15 HVAC Improvements	561	30	0	0	0	0	**30**	4,872	4,479
3	**C800191**	FT C14 (Downie) Roof & HV	28	105	1,015	72	0	0	**1,192**	1,220	29
4	**C800344**	FT C-2 (Nordby) Roof & HV	679	54	0	0	0	0	**54**	2,320	1,954
3	**C800750**	C15 Building Tunnel Impro	0	700	0	0	0	0	**700**	700	0
CIP Group:		**Fishermens Terminal - Land**	**1,365**	**1,689**	**1,065**	**72**	**0**	**0**	**2,826**	**10,112**	**6,556**
3	**C800526**	FT Net Shed 3,4,5 &6 Roof	23	105	2,515	91	0	0	**2,711**	2,734	23

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5 Year Capital Budget

by CIP Number

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
4	**C800527**	FT Net Shed 9 Roof Replac	105	21	0	0	0	0	**21**	423	376
CIP Group:		**Fishermen's Terminal - Water**	**128**	**126**	**2,515**	**91**	**0**	**0**	**2,732**	**3,157**	**399**
3	**C800678**	HIM E Dock	97	325	75	0	0	0	**400**	501	15
CIP Group:		**Harbor Island Marina**	**97**	**325**	**75**	**0**	**0**	**0**	**400**	**501**	**15**
6	**C800004**	SBM Fuel Dock Bldg. Impr.	0	0	0	0	0	0	**0**	0	0
4	**C800088**	SBM Central Seawall Repla	559	5	0	0	0	0	**5**	705	253
3	**C800355**	SBM Paving	30	670	130	400	0	0	**1,200**	1,230	1
4	**C800356**	SBM Restrms/Service Bldgs	300	1,805	3,366	0	0	0	**5,171**	5,501	61
CIP Group:		**Shilshole Bay Marina - Water**	**889**	**2,480**	**3,496**	**400**	**0**	**0**	**6,376**	**7,436**	**315**
Subtotal for Comm & Rec Marinas:			**2,569**	**5,220**	**7,311**	**4,063**	**0**	**0**	**16,594**	**25,559**	**7,307**

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Cruise & Maritime Operations											
6	**C800183**	P91 Fender System Upgrade	1	0	0	0	0	0	**0**	4,840	4,839
3	**C800512**	SCCT Freight Elevator	26	0	0	0	0	0	**0**	26	26
6	**C800516**	SEA P66 Apron Pile Wrap	1	0	0	0	0	0	**0**	1,417	1,417
4	**C800592**	Cruise Terminal Tenant Im	1,500	12,000	1,500	0	0	0	**13,500**	15,000	0
4	**C800613**	Cruise Cap Allow - CTA Le	197	135	135	135	200	0	**605**	802	53
4	**C800614**	Cruise per Passenger Allo	0	0	60	60	43	0	**163**	163	0
3	**C800819**	BSCT Imp Staff Oversight	20	90	90	0	0	0	**180**	200	0
CIP Group:		**Cruise**	**1,745**	**12,225**	**1,785**	**195**	**243**	**0**	**14,448**	**22,448**	**6,335**
5	**C800090**	P34 Mooring Dolphins	1,438	0	0	0	0	0	**0**	1,621	1,546
CIP Group:		**Maritime Operations - Other**	**1,438**	**0**	**0**	**0**	**0**	**0**	**0**	**1,621**	**1,546**
5	**C800160**	T91 Lighting Upgrade	217	0	0	0	0	0	**0**	1,158	946
CIP Group:		**Maritime Operations - T91**	**217**	**0**	**0**	**0**	**0**	**0**	**0**	**1,158**	**946**

5 Year Capital Budget

by CIP Number

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
4	**C800436**	SEA SEC R13 P66 TWIC & T9	711	0	0	0	0	0	**0**	822	378
3	**C800515**	SEA Security Gnt Rd 14	36	120	0	0	0	0	**120**	156	4
CIP Group:		**Maritime Security - Grants**	**747**	**120**	**0**	**0**	**0**	**0**	**120**	**978**	**382**
Subtotal for Cruise & Maritime Operations:			**4,147**	**12,345**	**1,785**	**195**	**243**	**0**	**14,568**	**26,205**	**9,209**

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Maritime General

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
5	**C102858**	T5 Street Vacation Comple	62	140	62	0	0	0	**202**	1,639	1,376
5	**C102875**	T18 Street Vacation Compl	91	200	1,150	0	0	0	**1,350**	5,002	3,604
5	**C800546**	Argo Yard Roadway Element	1,715	25	0	0	0	0	**25**	3,054	2,955
3	**C800563**	T46 Viaduct Driven Capita	2	101	0	0	0	0	**101**	339	237
4	**C800620**	T46 Pub Acc Mitigation at	20	515	513	0	0	0	**1,028**	1,267	230
CIP Group:		**Maritime General Other**	**1,890**	**981**	**1,725**	**0**	**0**	**0**	**2,706**	**11,301**	**8,402**
6	**C001785**	Prelimin Planning (Marine	0	0	0	0	0	0	**0**	0	0
3	**C102395**	Seaport Technology Projec	120	250	250	250	250	250	**1,250**	5,061	2,439
3	**C800442**	Seaport Fleet Replacement	286	1,076	1,175	755	801	926	**4,733**	8,574	435
3	**C800561**	MD: 2017 & Beyond Small P	0	0	1,230	500	500	1,240	**3,470**	5,970	0
3	**C800681**	RE: 2014 Small Projects	818	0	0	0	0	0	**0**	1,399	855
3	**C800734**	SEA: 2015 Small Projects	690	105	0	0	0	0	**105**	795	83
3	**C800797**	CRM MM 2015 Small Project	1,725	85	0	0	0	0	**85**	1,810	0

5 Year Capital Budget

by CIP Number

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
3	**C800816**	MD: 2016 Small Projects	0	2,324	140	0	0	0	**2,464**	2,464	0
CIP Group:		**Maritime Small Projects**	**3,639**	**3,840**	**2,795**	**1,505**	**1,551**	**2,416**	**12,107**	**26,073**	**3,812**
Subtotal for Maritime General:			**5,529**	**4,821**	**4,520**	**1,505**	**1,551**	**2,416**	**14,813**	**37,374**	**12,214**

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Maritime Industrial											
5	**C800430**	P90 C175 Roof Replacement	308	10	0	0	0	0	**10**	2,046	1,837
4	**C800439**	T91 Substation Upgrades	725	1,073	26	0	0	0	**1,099**	1,989	417
CIP Group:		**Maritime Industrial Facilities**	**1,033**	**1,083**	**26**	**0**	**0**	**0**	**1,109**	**4,035**	**2,254**
Subtotal for Maritime Industrial:			**1,033**	**1,083**	**26**	**0**	**0**	**0**	**1,109**	**4,035**	**2,254**

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

5 Year Capital Budget

by CIP Number

Status	CIP#	Name	*2015*	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Subtotal for Maritime Division:			**13,278**	**23,469**	**13,642**	**5,763**	**1,794**	**2,416**	**47,084**	**93,173**	**30,984**

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5 Year Capital Budget

by CIP Number

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Business Plan Prospective

Run by: SWB736

Selection

Start Year:	2015
Business Unit:	ALL
Project Status:	2 - 2
Division:	ALL
Sponsor:	ALL
CIP Group:	ALL

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr

Aviation Division

Airfield

Status	CIP#	Name	2015	2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
2	**C800772**	Fuel Hydrant Pit Program	0	400	1,000	1,000	1,000	600	**4,000**	4,000	0
CIP Group:		**Aircraft Fueling**	**0**	**400**	**1,000**	**1,000**	**1,000**	**600**	**4,000**	**4,000**	**0**
2	**C800775**	Plow / Broom Snow Equipme	0	0	2,500	0	0	0	**2,500**	2,500	0
2	**C800781**	SSAT Narrow Body Configur	0	720	5,090	0	0	0	**5,810**	5,810	0
CIP Group:		**Airfield Miscellaneous**	**0**	**720**	**7,590**	**0**	**0**	**0**	**8,310**	**8,310**	**0**
Subtotal for Airfield:			**0**	**1,120**	**8,590**	**1,000**	**1,000**	**600**	**12,310**	**12,310**	**0**

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr

Aviation Division Wide

Status	CIP#	Name	2015	2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
2	**C800404**	Aeronautical Allowance	0	6,000	12,000	25,000	40,000	50,000	**133,000**	260,176	0
2	**C800405**	Non-Aeronautical Allowanc	0	4,000	5,000	10,000	15,000	20,000	**54,000**	109,607	0
2	**C800705**	Fire Dept ARFF Vehicle	0	1,450	0	0	0	0	**1,450**	1,450	0
2	**C800753**	Aeronautical Allowance	0	0	0	0	0	0	**0**	950,000	0
2	**C800760**	Auburn Mitigation Road Re	0	0	720	0	0	0	**720**	720	0
2	**C800794**	Fire Pump Replacement	0	80	400	100	0	0	**580**	580	0
2	**C800800**	SEA Smartphone App	0	400	100	0	0	0	**500**	500	0
CIP Group:		**Miscelleneous**	**0**	**11,930**	**18,220**	**35,100**	**55,000**	**70,000**	**190,250**	**1,323,033**	**0**
2	**C800099**	Aviation Small Capital	1,661	1,545	1,500	462	0	0	**3,507**	6,000	881
2	**C800100**	Aviation Small Jobs	641	2,303	2,500	2,500	2,056	0	**9,359**	10,000	0
2	**C800751**	Aviation Small Jobs	0	0	0	0	544	2,700	**3,244**	12,000	0
2	**C800752**	Aviation Small Capital	0	0	0	1,038	1,600	1,700	**4,338**	10,000	0

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
CIP Group:		Small Projects	2,302	3,848	4,000	4,000	4,200	4,400	20,448	38,000	881
Subtotal for Aviation Division Wide:			2,302	15,778	22,220	39,100	59,200	74,400	210,698	1,361,033	881

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

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5 Year Capital Budget

by CIP Number

Run by: SWB736

Status	CIP#	Name	*2015*	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Business Development											
2	**C800655**	IWS Segregation Meters (C	300	600	0	0	0	0	**600**	900	0
2	**C800716**	Central Terminal Stairs	208	800	242	0	0	0	**1,042**	1,250	8
CIP Group: Properties			**508**	**1,400**	**242**	**0**	**0**	**0**	**1,642**	**2,150**	**8**
Subtotal for Business Development:			**508**	**1,400**	**242**	**0**	**0**	**0**	**1,642**	**2,150**	**8**

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Status	CIP#	Name	*2015*	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Infrastructure											
2	**C800805**	Duress System Replacement	0	425	325	0	0	0	**750**	750	0
CIP Group:		**Communication Systems**	**0**	**425**	**325**	**0**	**0**	**0**	**750**	**750**	**0**
2	**C800709**	Term Wide Voice Paging Sy	0	1,000	600	0	0	0	**1,600**	1,600	0
2	**C800774**	Overheight Vehicle Detect	0	310	350	0	0	0	**660**	660	0
2	**C800784**	Emergency Generator Cont	0	425	570	0	0	0	**995**	995	0
2	**C800788**	OPS Lan Core Switch Upgra	0	2,000	1,000	0	0	0	**3,000**	3,000	0
2	**C800806**	Electrical Service Securi	0	100	450	50	0	0	**600**	600	0
2	**C800811**	Chiller Panel Upgrade	0	300	200	0	0	0	**500**	500	0
CIP Group:		**Electrical Infrastructure**	**0**	**4,135**	**3,170**	**50**	**0**	**0**	**7,355**	**7,355**	**0**
2	**C800240**	Main Terminal HVAC Upgrad	0	0	0	250	250	0	**500**	500	0
2	**C800706**	Grease Interceptor Augmen	0	0	0	0	0	0	**0**	0	0
2	**C800743**	SSAT Renovation Project	0	0	150	900	15,000	100,000	**116,050**	600,000	0
2	**C800798**	SSAT Infrastructure Upgra	0	100	5,330	570	0	0	**6,000**	6,000	0

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5 Year Capital Budget

by CIP Number

Run by: SWB736

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
CIP Group:		**Mechanical Infrastructure**	**0**	**100**	**5,480**	**1,720**	**15,250**	**100,000**	**122,550**	**606,500**	**0**
2	**C800493**	Water Right Supply Develo	80	420	0	0	0	0	**420**	500	0
2	**C800787**	NSAT Roofs to Storm Pipin	0	1,600	100	0	0	0	**1,700**	1,700	0
2	**C800799**	Trenchless Replacement of	0	300	1,200	50	0	0	**1,550**	1,550	0
2	**C800804**	Water Hammer Attenuation	0	500	0	0	0	0	**500**	500	0
CIP Group:		**Water Infrastructure**	**80**	**2,820**	**1,300**	**50**	**0**	**0**	**4,170**	**4,250**	**0**
Subtotal for Infrastructure:			**80**	**7,480**	**10,275**	**1,820**	**15,250**	**100,000**	**134,825**	**618,855**	**0**

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr

Landside

Status	CIP#	Name	2015	2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
2	**C800777**	Reuse of S. 28th St. GT L	0	125	853	40	0	0	**1,018**	1,018	0
CIP Group:		**Ground Transportation**	**0**	**125**	**853**	**40**	**0**	**0**	**1,018**	**1,018**	**0**
2	**C800810**	RCF Bus Purchase	0	0	1,800	0	0	0	**1,800**	1,800	0
CIP Group:		**Rental Cars**	**0**	**0**	**1,800**	**0**	**0**	**0**	**1,800**	**1,800**	**0**
2	**C102162**	Air Cargo Rd Safety Imp	13	551	2,337	100	0	0	**2,988**	3,052	64
2	**C800143**	South Access Property Acq	0	1,500	0	0	0	0	**1,500**	1,500	0
CIP Group:		**Roadways**	**13**	**2,051**	**2,337**	**100**	**0**	**0**	**4,488**	**4,552**	**64**
Subtotal for Landside:			**13**	**2,176**	**4,990**	**140**	**0**	**0**	**7,306**	**7,370**	**64**

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr

NOISE Program

Status	CIP#	Name	2015	2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
2	**C200094**	Single Family Home Insula	0	1,186	6,438	4,688	0	0	**12,312**	12,312	0
CIP Group:		**Residential Insulation**	**0**	**1,186**	**6,438**	**4,688**	**0**	**0**	**12,312**	**12,312**	**0**

Subtotal for NOISE Program:	**0**	**1,186**	**6,438**	**4,688**	**0**	**0**	**12,312**	**12,312**	**0**

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

Terminal and Tenants

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
2	**C800780**	SSAT Make-Up Feed Line	0	13,000	1,000	0	0	0	**14,000**	14,000	0
2	**C800802**	Auto Tag Reader Replaceme	0	550	1,250	0	0	0	**1,800**	1,800	0
CIP Group:		**Baggage Systems**	**0**	**13,550**	**2,250**	**0**	**0**	**0**	**15,800**	**15,800**	**0**
2	**C800790**	Passenger Flow Image Anal	0	500	500	0	0	0	**1,000**	1,000	0
CIP Group:		**Communication Systems**	**0**	**500**	**500**	**0**	**0**	**0**	**1,000**	**1,000**	**0**
2	**C800771**	Gate D6 Holdroom for Hard	0	420	980	0	0	0	**1,400**	1,400	0
CIP Group:		**Gates**	**0**	**420**	**980**	**0**	**0**	**0**	**1,400**	**1,400**	**0**
2	**C800697**	Restroom Upgrades Conc B,	0	1,200	1,790	3,000	2,830	2,360	**11,180**	11,180	0
2	**C800766**	Conc B & C Carpet Replace	0	1,370	630	0	0	0	**2,000**	2,000	0
2	**C800770**	Concourse B Roof Replacem	0	1,161	6,000	101	0	0	**7,262**	7,262	0
CIP Group:		**Interior Improvements**	**0**	**3,731**	**8,420**	**3,101**	**2,830**	**2,360**	**20,442**	**20,442**	**0**

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
2	**C800695**	C3 Holdroom Expansion	240	690	2,370	0	0	0	**3,060**	3,300	0
2	**C800793**	PLB Renew & Replace Phase	0	500	2,500	2,500	2,500	2,000	**10,000**	10,000	0
CIP Group:		**Loading Bridges**	**240**	**1,190**	**4,870**	**2,500**	**2,500**	**2,000**	**13,060**	**13,300**	**0**
2	**C800782**	STS Cars Customer Experie	0	1,000	1,200	0	0	0	**2,200**	2,200	0
CIP Group:		**STS**	**0**	**1,000**	**1,200**	**0**	**0**	**0**	**2,200**	**2,200**	**0**
2	**C800761**	B Concourse Ramp Lvl Hold	247	1,500	2,429	0	0	0	**3,929**	4,176	7
2	**C800769**	Hardstand Passenger Capac	0	1,000	1,000	0	0	0	**2,000**	2,000	0
2	**C800818**	SSAT Structural Improveme	0	100	200	300	400	0	**1,000**	1,000	0
CIP Group:		**Terminal Facilities**	**247**	**2,600**	**3,629**	**300**	**400**	**0**	**6,929**	**7,176**	**7**
Subtotal for Terminal and Tenants:			**487**	**22,991**	**21,849**	**5,901**	**5,730**	**4,360**	**60,831**	**61,318**	**7**

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

5 Year Capital Budget

by CIP Number

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Subtotal for Aviation Division:			**3,390**	**52,131**	**74,604**	**52,649**	**81,180**	**179,360**	**439,924**	**2,075,348**	**960**

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr

Corporate P&TS

Corporate P&TS Capital Project

Status	CIP#	Name	2015	2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
2	**C800097**	IT Renewal/Replacement	0	0	4,425	4,500	4,500	4,500	**17,925**	42,925	0
2	**C800747**	PMIS Replacement	0	500	0	0	0	0	**500**	500	0
2	**C800748**	Storage Array Network	200	1,000	0	0	0	0	**1,000**	1,200	0
2	**C800776**	POS Website Redevelopment	0	425	75	0	0	0	**500**	500	0
2	**C800822**	PeopleSoft BU Configurati	0	1,400	0	0	0	0	**1,400**	1,400	0
CIP Group:		**Information Technology**	**200**	**3,325**	**4,500**	**4,500**	**4,500**	**4,500**	**21,325**	**46,525**	**0**
Subtotal for Corporate P&TS Capital Project			**200**	**3,325**	**4,500**	**4,500**	**4,500**	**4,500**	**21,325**	**46,525**	**0**

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Subtotal for Corporate P&TS:			200	3,325	4,500	4,500	4,500	4,500	21,325	46,525	0

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr

Economic Developement Division

General Economic Developement

Status	CIP#	Name	2015	2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
2	**C800216**	RE: Contingency Renew.&Re	0	500	500	1,000	1,000	3,000	**6,000**	21,000	0
2	**C800670**	P69 DDC System Modernizat	0	25	739	0	0	0	**764**	764	0
CIP Group:		**General ECON DEV - Other**	**0**	**525**	**1,239**	**1,000**	**1,000**	**3,000**	**6,764**	**21,764**	**0**
Subtotal for General Economic Developement			**0**	**525**	**1,239**	**1,000**	**1,000**	**3,000**	**6,764**	**21,764**	**0**

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Portfolio Management											
2	**C800732**	RE BHICC Roof Fall Protec	0	420	14	0	0	0	**434**	434	0
CIP Group:		**Conf & Event Centers**	**0**	**420**	**14**	**0**	**0**	**0**	**434**	**434**	**0**
Subtotal for Portfolio Management:			**0**	**420**	**14**	**0**	**0**	**0**	**434**	**434**	**0**

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Subtotal for Economic Developement Division:			**0**	**945**	**1,253**	**1,000**	**1,000**	**3,000**	**7,198**	**22,198**	**0**

Maritime Division

Comm & Rec Marinas

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
2	**C800525**	FT Strategic Plan	0	0	1,000	5,000	4,000	0	**10,000**	10,000	0
CIP Group:	**Fishermens Terminal - Land**		**0**	**0**	**1,000**	**5,000**	**4,000**	**0**	**10,000**	**10,000**	**0**
2	**C800528**	FT W Wall N Fender Replac	0	0	10	190	2,750	0	**2,950**	2,950	0
2	**C800529**	FT W Wall N Sht Pile Crsn	0	0	10	190	2,575	0	**2,775**	2,775	0
2	**C800530**	FT S Wall Wt End Improvem	0	0	174	970	530	0	**1,674**	1,674	0
2	**C800531**	FT Dock 3 Fixed Pier Impr	0	10	190	800	2,000	0	**3,000**	3,000	0
2	**C800532**	FT Dock 4 Fixed Pier Corr	0	10	190	1,000	2,300	0	**3,500**	3,500	0
2	**C800533**	FT W Wall S Sht Pile Cor	0	0	0	0	10	190	**200**	2,200	0
2	**C800534**	FT S Wall Cl Fndr Rp & Co	0	0	0	0	10	190	**200**	13,300	0
2	**C800569**	FT Net Shed Electrical Sy	0	0	0	70	2,168	0	**2,238**	2,238	0
CIP Group:	**Fishermen's Terminal - Water**		**0**	**20**	**574**	**3,220**	**12,343**	**380**	**16,537**	**31,637**	**0**

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
2	**C800676**	HIM ABD Dock	0	0	0	0	500	0	**500**	500	0
2	**C800677**	HIM C Dock	0	0	500	0	0	0	**500**	500	0
CIP Group:		**Harbor Island Marina**	**0**	**0**	**500**	**0**	**500**	**0**	**1,000**	**1,000**	**0**
2	**C800307**	MIC West & Central Piers	0	0	70	638	0	0	**708**	708	0
CIP Group:		**Maritime Industrl Cntr - Water**	**0**	**0**	**70**	**638**	**0**	**0**	**708**	**708**	**0**
2	**C800679**	SBM Lower A Dock Impr.	0	0	825	0	0	0	**825**	825	0
CIP Group:		**Shilshole Bay Marina - Water**	**0**	**0**	**825**	**0**	**0**	**0**	**825**	**825**	**0**
Subtotal for Comm & Rec Marinas:			**0**	**20**	**2,969**	**8,858**	**16,843**	**380**	**29,070**	**44,170**	**0**

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Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Cruise & Maritime Operations											
2	**C800129**	Second Gangway per Berth	0	50	450	4,000	0	5,000	**9,500**	9,500	0
2	**C800673**	P66 Cruise Terminal Stand	0	100	500	0	0	0	**600**	600	0
2	**C800735**	P66 Cruise Term Roof Fall	0	271	20	0	0	0	**291**	291	0
2	**C800821**	T91 P91W Slope Stabilizat	0	120	404	0	0	0	**524**	524	0
CIP Group:		**Cruise**	**0**	**541**	**1,374**	**4,000**	**0**	**5,000**	**10,915**	**10,915**	**0**
2	**C800675**	P91 South End Fender	0	950	1,127	0	0	0	**2,077**	2,077	0
CIP Group:		**Maritime Operations - T91**	**0**	**950**	**1,127**	**0**	**0**	**0**	**2,077**	**2,077**	**0**
Subtotal for Cruise & Maritime Operations:			**0**	**1,491**	**2,501**	**4,000**	**0**	**5,000**	**12,992**	**12,992**	**0**

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Maritime General											
2	**C800002**	Contingency Renewal & Rep	2,500	2,000	2,000	6,000	6,000	6,000	**22,000**	89,500	0
2	**C800731**	Maint N Office Site Impro	0	500	0	0	0	0	**500**	500	0
CIP Group: Maritime General Other			**2,500**	**2,500**	**2,000**	**6,000**	**6,000**	**6,000**	**22,500**	**90,000**	**0**
Subtotal for Maritime General:			**2,500**	**2,500**	**2,000**	**6,000**	**6,000**	**6,000**	**22,500**	**90,000**	**0**

5 Year Capital Budget

by CIP Number

Status	CIP#	Name	2015	Forecast 2016	2017	2018	2019	2020	5 Year Total (2016 - 2020)	Total EstAct	CIP Actuals to Closed Qtr
Subtotal for Maritime Division:			2,500	4,011	7,470	18,858	22,843	11,380	64,562	147,162	0

Project Status Codes: 1=Under Preliminary Review, 2=LOB Approved, 3=Division Approved, 4=Authorized, 5=Under Contract/In Progress, 6 = Project Complete, 9=Deleted

Other Prospective Projects

Other Prospective Projects are still in preliminary planning or that are not currently deemed critical in meeting business plan goals and are not ready for full funding commitment. Prospective projects are included in the capital budget section for informational purposes only.

Division	Sponsor	CIP Number	CIP Description
Aviation	Airfield	C800650	Surface Area Management
Aviation	Airfield	C800645	Cargo 4 (UAL Freight Building)
Aviation	Airfield	C800758	NSAT Pavement
Aviation	Aviation Division Wide	C800151	CDP Future
Aviation	Aviation Division Wide	C800685	Port Construction Service
Aviation	Aviation Division Wide	C800683	Guardhouse - Svc Tunnel
Aviation	Aviation Division Wide	C800792	Wi-Fi Authentication Site
Aviation	Infrastructure	C800660	New off-site Comm. Ctr.
Aviation	Infrastructure	C800663	Air Cargo Road Electric
Aviation	Infrastructure	C800665	CTX in CTE Power Upgrade
Aviation	Infrastructure	C800664	Air Cargo Road Utilities
Aviation	Infrastructure	C800785	Indoor Navigation System
Aviation	Infrastructure	C800795	RF Tower Site Tech Upgrade
Aviation	Infrastructure	C800808	Exit Sign Renew & Replacement
Aviation	Infrastructure	C800376	SSAT HVAC, Lights, Ceiling
Aviation	Infrastructure	C800801	Replace Variable Frequency Dr
Aviation	Infrastructure	C800803	B Concourse Ramp Level HV
Aviation	Infrastructure	C800796	Lift Station Gravity Sewer
Aviation	Infrastructure	C800786	Main Terminal Plumming
Aviation	Landside	C800589	Toll Plaza Expansion
Aviation	Landside	C800635	Floor Count Expansion
Aviation	Landside	C800398	Vert Convey Modn Non-Aero
Aviation	Landside	C800764	Parking Garage Low Volt U
Aviation	Landside	C800767	Epoxy Cover for Parking Garage
Aviation	Landside	C800768	8th Floor Garage Improvements
Aviation	Landside	C800789	Parking Garage Elevator B
Aviation	Landside	C800778	QTA Lot Development
Aviation	NOISE	C800590	Residential Sound Insulation
Aviation	Security	C800388	Security Checkpoint Wayfi
Aviation	Security	C800575	CCTV Expansion Project
Aviation	Security	C800644	Phase 2 Perimeter Security
Aviation	Stormwater	C800783	Vacuum/Jetter Truck
Aviation	Terminal and Tenants	C800646	Zone 7 Connect to C1 Bag
Aviation	Terminal and Tenants	C800668	Baggage PLC Replacement
Aviation	Terminal and Tenants	C800791	Passenger Flow Wi-Fi Analyis
Aviation	Terminal and Tenants	C800779	Safedock-A5, D10, D11
Aviation	Terminal and Tenants	C800631	Concourse A Bridge Level
Aviation	Terminal and Tenants	C800812	SSAT Asset Management Upgrade
Aviation	Terminal and Tenants	C800666	STS Renewal & Replacement
Aviation	Terminal and Tenants	C800654	B Concourse HVAC

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Other Prospective Projects

Other Prospective Projects are still in preliminary planning or that are not currently deemed critical in meeting business plan goals and are not ready for full funding commitment. Prospective projects are included in the capital budget section for informational purposes only.

Division	Sponsor	CIP Number	CIP Description
Aviation	Terminal and Tenants	C800809	Main Terminal Fire Sprinkler
Economic Development	Development & Planning	C800158	T91 Uplands Pre-Development
Economic Development	General Economic Development	C800352	P69 Concrete Dock Rehab
Economic Development	Portfolio Management	C800199	WTC HVAC Replacement
Economic Development	Portfolio Management	C800671	P-34 Roof Replacement
Maritime	Commercial & Recreational Marinas	C800444	FT NW Dock West Improvements
Maritime	Commercial & Recreational Marinas	C800672	SBM G Dock Rehab
Maritime	Commercial & Recreational Marinas	C800445	SBM Pad Site Developement
Maritime	Commercial & Recreational Marinas	C800522	FT I-8 Bldg Roof Replacement
Maritime	Commercial & Recreational Marinas	C800733	C3 West Wall Bldg Roof Re
Maritime	Cruise & Maritime Operations	C800001	Pier 2 Renew/replace
Maritime	Cruise & Maritime Operations	C800120	P66 Shore Power
Maritime	Cruise & Maritime Operations	C800178	T91 Parking Garage
Maritime	Cruise & Maritime Operations	C800181	Maritime Industrial Moorage
Maritime	Cruise & Maritime Operations	C800184	Widen T91 West Berth Access
Maritime	Cruise & Maritime Operations	C102475	T-91 Berth 6 & 8 Redevelopment
Maritime	Cruise & Maritime Operations	C800431	Dredge P90 East
Maritime	Cruise & Maritime Operations	C800510	P91 Slope Stabilization
Maritime	Cruise & Maritime Operations	C800513	SCCT Addition - Kitchen
Maritime	Cruise & Maritime Operations	C800514	SCCT Interior Loft Buildout
Maritime	Cruise & Maritime Operations	C800736	SCCT Shore Power Upgrade
Maritime	Cruise & Maritime Operations	C800820	P66 Building Façade Upgrade
Maritime	Cruise & Maritime Operations	C800674	Pier 66 Fender Upgrade
Maritime	Cruise & Maritime Operations	C800594	T91 Industrial Warehouse (sf)
Maritime	Cruise & Maritime Operations	C800737	T91 Vinyl Clad Warehouse
Maritime	Cruise & Maritime Operations	C800738	SEA Security Gnt Rd 15
Maritime	Cruise & Maritime Operations	C800739	P91 Berth M Disch. Pumpou
Maritime	Cruise & Maritime Operations	C800740	T91 Comp Stormwater Treat
Maritime	Cruise & Maritime Operations	C800741	Duwamish Mooring Dolphins

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2016-2020 Draft Plan of Finance

A. Introduction

The Port of Seattle underwent a number of organization changes in 2015, including both the formation of the Northwest Seaport Alliance and an internal divisional reorganization. The Port operates very distinct businesses and the recent organizational changes are designed to provide focus on specific businesses while also breaking down divisional silos and creating a single organization with a common purpose. This will better assist the Port achieve its Century Agenda strategic goals and objectives while furthering its mission to create jobs by advancing trade and commerce, promoting industrial growth, and stimulating economic development.

U.S. economic growth remains moderate heading into 2016. The US stock market has remained largely flat in 2015, while the national unemployment rate is down to 5.0% from its 10% peak in 2009. However, the U.S. economy continues to produce somewhat stagnant wage growth, and the impacts of the expected Federal Reserve interest rate hikes are still unknown. Globally, concerns remain over the ongoing unrest in the Middle East, along with economic slowdowns in Europe and Asia, particularly in China and Japan, which are the world's second and third-largest economies, respectively. The Puget Sound region, however, continues to benefit from above-average income levels, steady population growth, and robust job growth. The unemployment rate in King County was down to 3.9% in September 2015, making it the lowest in the state and well below the national level. The Port, particularly SeaTac, benefits directly from this strong regional economic base.

SeaTac Airport is on pace for its sixth consecutive year of enplanement growth, with an increase of 12.5% forecasted in 2015; it is expected to be the fastest growing airport in the country. From a regional perspective, the airport continues to benefit from being the primary air passenger service provider in the Seattle area, its geographic location as a natural gateway to Asia, and a vibrant regional economy. Additionally, the airline industry is expected to be profitable in 2015 for the sixth year in a row. Airline domestic capacity in 2015, as measured by available seats, is reaching its highest level in seven years, and international seats are at an all-time high. Demand for air travel is driven by an expanding economy, employment growth, rising personal income and higher consumer sentiment. The Aviation division accounts for over 75% of the 2015 forecasted Port-wide revenues and almost 90% of the 2016-2020 Capital Improvement Plan (CIP).

The Port's container business continues to experience intense competition from other West Coast ports, as well as those in the East and Gulf Coasts, Mexico and Canada. Shipping lines and terminal operators are exploring ways to reduce costs, including introducing larger vessels, forming stronger alliances, and consolidating terminals to gain economies of scale. To combat these challenges, the Port of Seattle and the Port of Tacoma jointly formed the Northwest Seaport Alliance (NWSA) in August 2015, creating unified management of the third largest container gateway in North America.

The NWSA was formed as a Port Development Authority, which is a separate legal entity from the individual ports. The Ports of Seattle and Tacoma have licensed certain marine cargo facilities to the NWSA, which will act as the exclusive manager and operator of the marine cargo business of both ports. The individual ports retain their existing port commission governance structures, budgeting, ownership of licensed assets, debt, and obligations for repayment of port debt. However, under NWSA management, the two ports' marine cargo terminal investments, operations, planning and marketing efforts are unified with the goal of strengthening the Puget Sound gateway, including a focus on ensuring that container facilities will be able to handle the larger ships migrating into the trans-Pacific trade. The Pacific Northwest is a key region for inbound and outbound United States cargo, moving cargo not only for regional trade, but also cargo headed to destinations throughout the Midwest. Combining the cargo terminal operations is expected to make the region more competitive in the global economy and create new jobs in Washington State. The NWSA represents the third-largest trade gateway in North America, behind only the ports of Los Angeles and Long Beach and the Port of New York/New Jersey. Through July 2015, the two ports handled nearly 2.1 million TEUs, a 4% increase year-to-date, and $42.4 billion of trade.

The NWSA will distribute cash to each Port based on cash flow from operations, calculated pursuant to General Accepted Accounting Principles (GAAP). Cash distributions will be made no less than quarterly based on each Port's percentage of total shares. The NWSA is treated as a joint venture for accounting purposes and the Port expects to recognize as Gross Revenue its share (initially 50 percent) of the NWSA Net Income or Losses (as defined in the NWSA Charter to mean, for each fiscal year or other period, an amount equal to the Seaport Alliance's net operating income or losses less depreciation plus non-operating income or losses, determined in accordance with GAAP). For additional information on the NWSA, please refer to Section XII, "The Northwest Seaport Alliance 2016 Budget", or visit their website:

https://www.nwseaportalliance.com

As discussed above, the Port revised its organizational structure in 2015. Airport operations will continue to report under the Aviation division, while Non-Airport operations are now reported under a new structure. The properties and related operations now licensed to the NWSA were previously reported under the former Seaport division, which along with the former Real Estate division was eliminated under the new organization structure. Other former Seaport division businesses and facilities, including cruise, grain and certain other properties have been formed into the new Maritime division, along with recreational and commercial marinas, which were formerly part of the Real Estate division. A newly created Economic Development division now includes the management of former commercial properties, also formerly of the Real Estate division, and also will have responsibility for the Port's broader economic development activities, including real estate portfolio management and property development, tourism and social responsibility initiatives (both formerly part of administrative services), and a new small business "incubator". In addition to the Port's operating divisions, several port departments provide corporate and capital development services to the operating divisions; the costs associated with these services are allocated to the operating divisions.

For the purposes of the Plan of Finance discussion below and the overarching capital funding approach, the Port segregates *Airport (i.e. Aviation)* operations from *Non-Airport* operations. Non-Airport operations are inclusive of Maritime, Economic Development, and the Port's share of the NWSA.

The 2016 budget and the 2016-2020 forecasts are based on continued sound fiscal management, which include prudent expense management and maintenance of strong financial margins and liquidity.

B. Selected Financial and Operating Information

TABLE X-1: FINANCIAL SUMMARY – PORTWIDE ($ millions)

	2014 Actual	2015 Forecast [1]	2016 Budget [2]
OPERATING REVENUES			
Aviation Operating Revenues	$ 406.1	$ 421.7	$ 465.8
Non-Aviation Operating Revenues	128.9	132.2	118.8
Total Operating Revenues	$ 534.9	$ 553.9	$ 584.6
OPERATING EXPENSES			
Aviation Operating Expenses	$ 230.7	$ 239.9	$ 268.2
Non-Aviation Operating Expenses	78.6	78.4	67.8
Total Operating Expenses	$ 309.3	$ 318.3	$ 336.0
NOI Before Depreciation	$ 225.6	$ 235.6	$ 248.6

(1) 2015 Forecasted figures are based on updates through Q3-2015.

(2) The 2016 budgeted Non-Aviation operating *revenues* include the Port's share of NWSA *net income (i.e."NWSA Distributable Revenue")*, which is after the payment of operating expenses formerly paid by the Port and now paid by the NWSA. As a result, the 2016 budgeted Non-Aviation operating revenues and expenses are both lower for 2016 budget purposes. As such, NOI (revenues less expenses) would provide a better comparison of year-over-year financial results for the non-aviation businesses.

2015 Port-wide financial results, as measured by Net Operating Income (NOI) before depreciation, are currently forecasted to increase by approximately $10.0 million from 2014. This increase includes a $19.0 million increase in Port-wide operating revenues offset by a $9.0 million increase in Port-wide operating expenses. The major driver of the higher 2015 forecasted NOI is the Aviation division, which forecasts a $6.5 million increase in NOI relative to 2014, and due largely to strong non-aeronautical revenue forecasts tied to strong 2015 forecasted enplanement growth. The Port's 2016 budgeted NOI is $13.0 million, or 5.5%, higher relative to the 2015 forecast, and is also driven largely by the Airport's rapid growth. The airport anticipates continued strong passenger growth and spending at SeaTac in 2016, but also higher operating and capital costs (costs related to the Port's aeronautical operations will be recovered from the airlines in the form of aeronautical revenues). A more detailed assessment of divisional financial results is presented below.

Please refer to Section I "Executive Summary" and Section III "Budget Overview" for more information on the Port's operating and capital budget approach and highlights.

AVIATION

2015 was the third year of the Airport's five-year airline agreement (SLOA III). Unless extended or terminated earlier, SLOA III will expire on December 31, 2017. The expiration of SLOA II resulted in a one-time (2013) revenue recognition of approximately $18 million associated with the airline lease security deposit requirement; these funds reverted to the Port in 2013. Under SLOA III, the Port agreed to reduce the 2013 airline rates by the same amount of $18 million; however, for accounting purposes this reduction is reflected as a straight-line revenue reduction of $3.6 million annually in each of the five years of SLOA III.

SLOA III reflects a cost recovery model for airline-utilized property and facilities at the Airport. SLOA III provides for the sharing of a portion of Airport net income with the airlines if debt service coverage on Airport related debt exceeds 1.25 times, however the Airport can charge the airlines additional debt service coverage if Airport coverage is below 1.25 times. SLOA III also cost recovery on cash-funded assets through an amortization calculation including assets placed in service from 1992 on. The Airport assumes the risk of any vacant non-airline space, in addition to any vacant publicly accessible airline office or club space. A Majority-in-Interest of the airlines can delay new project construction, but not design, for up to 12-months.

TABLE X-2: FINANCIAL SUMMARY – AVIATION DIVISION ($ millions)

	2014 Actual	2015 Forecast (1)	2016 Budget
Aeronautical Revenue	$ 228.9	$ 231.3	$ 261.0
SLOA Adjustment	(3.6)	(3.6)	(3.6)
Non-Aeronautical Revenue			
Parking	57.1	62.6	66.8
Rental Cars	46.1	45.7	48.2
Airport Dining & Retail	47.0	50.8	54.4
Other	30.6	35.0	38.9
Total Non-Aeronautical Revenue	$ 180.8	$ 194.0	$ 208.3
Total Revenue	$ 406.1	$ 421.7	$ 465.8
Expenses	230.7	239.9	268.2
NOI Before Depreciation	$ 175.4	$ 181.9	$ 197.5
CPE	$ 11.48	$ 10.25	$ 11.00

(1) 2015 Forecasted figures are based on updates through Q3-2015.

Through October 2015, domestic and international enplanements were up 12.9% and 14.7%, respectively, as compared to the ten months ending October 31, 2014. Total passenger enplanements are forecasted to be up 12.5% in 2015 compared to 2014. This growth has been driven by a strong local economy and by Delta Airlines decision to make Seattle its West Coast hub.

The Aviation division forecasts increased total operating revenues in 2015 of $15.6 million, which consists of increased forecasted aeronautical revenues of $2.4 million and increased non-aeronautical revenues of $13.2 million. The increase in aeronautical revenues, which are based on cost recovery, is due largely to increased operating expenses and capital assets placed into service, resulting from increased airline activity and growth at SeaTac, partially offset by an increased revenue sharing forecast in 2015 over 2014. The increase in revenue sharing stems from the strong 2015 forecasted non-aeronautical revenues, resulting from increased passenger volumes and spending at SeaTac, with strong performance particularly in public parking and steady growth in airport dining & retail operations (formerly "concessions"). The Aviation division, however, also forecasts $9.2 million in increased total operating expenses in 2015, due primarily to increased baseline payroll and outside services expenses, as well as higher environmental remediation liability charges and increased allocated corporate operating expenses.

2016 Aviation total operating revenues are budgeted to increase 10.4% from the 2015 forecast as a result of increases in both aeronautical and non-aeronautical revenues. The increased budgeted aeronautical

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revenues are the result of increased (recovered) operating costs and charges for capital investment, e.g. debt service, partially offset by higher anticipated revenue sharing with the airlines. The increased budgeted non-aeronautical revenues, as mentioned above, are driven by increased passenger enplanements and spending per passenger. For 2016, the Port is budgeting passenger growth of 5.5% from the 2015 forecast, with a 1.9% long-term growth forecast from 2017-2020. Total Aviation operating revenues are partially offset by an increase in budgeted operating expenses in 2016 primarily related to increased payroll costs and increased allocated corporate operating expenses.

For additional details about the Aviation division's revenues and expenses, please see Section IV "Aviation."

NON-AVIATION

As discussed above, the Port of Seattle's non-aviation operations underwent significant realignment in 2015. Fundamentally, however, the Port still derives its income from the same core businesses, the largest being leasing of container terminals, which are now managed through the NWSA. The Port continues to manage its existing non-aviation businesses, including but not limited to cruise, bulk grain cargo, recreational marinas and its real estate portfolio, although those businesses were realigned in 2015.

From an external financial reporting perspective, the Port's existing organization structure (i.e. Seaport and Real Estate) is the basis for both the 2014 and 2015 CAFR. Beginning in 2016, the Port will report externally under the new organization structure (Maritime, Economic Development, and the Port's share of the NWSA, referred to below as "NWSA Distributable Revenue"). To allow for a comparison of financial results between years, the table below has been revised to capture 2014 actual and 2015 forecasted results under the new organization structure. Prior year revenues and expenses associated with properties licensed to the NWSA are labeled "Licensed NWSA Assets."

Please note that 2014 actuals and 2015 forecasted Licensed NWSA Assets operating revenues and expenses represent *gross* revenues and expenses associated with the Port of Seattle facilities that were licensed to the NWSA starting in 2015. For the 2016 budget, NWSA gross revenues and expenses are reported externally by the NWSA, not by each Port. The Port will instead recognize Distributable Revenues in 2016 equal to its (50%) share of the NWSA budgeted 2016 NOI. As such, the most meaningful comparison of NWSA financial results year over year would be at the NOI level.

TABLE X-3: FINANCIAL SUMMARY – NON-AIRPORT OPERATIONS ($ millions)

	2014 Actual (1)	2015 Forecast (1)(2)	2016 Final Budget
Operating Revenues:			
NWSA Distributable Revenue	$ -	$ -	$ 51.8
Licensed NWSA Assets	68.4	65.2	-
Maritime Division	43.8	47.0	49.3
Economic Development Division	16.3	17.0	13.7
Other (3)	0.4	3.0	3.9
Total Operating Revenues	$ 128.9	$ 132.2	$ 118.8
Operating Expenses:			
Licensed NWSA Assets	$ 22.8	$ 23.4	$ 0.1
Maritime Division	31.9	34.7	42.3
Economic Development Division	23.5	20.1	23.3
Other (4)	0.4	0.3	2.1
Total Operating Expenses	$ 78.6	$ 78.4	$ 67.8
Net Operating Income	$ 50.2	$ 53.8	$ 51.0

(1) 2014 actual and 2015 forecasted results were restated to reflect organization structure effective in 2016.

(2) 2015 Forecasted figures are based on updates through Q3-2015.

(3) Consists primarily of Corporate operating revenues and those from Stormwater Utility operations.

(4) Consists primarily of unallocated Corporate operating expenses and those from Stormwater Utility operations.

The 2015 non-aviation NOI is forecasted to increase $3.6 million relative to 2014. The increase is driven largely by a $4.3 million increase in NOI (i.e. decreased net operating loss) from the Port's Economic Development division, which is primarily the result of decreased operating expenses in 2015. In 2014, the Port recorded a non-recurring litigation reserve for a lawsuit related to the Eastside Rail Corridor, which resulted in a (one-time) $1.4 million hit to 2014 operating expenses. The forecasted Economic Development division NOI increase is partially offset by a $3.8 million NOI decrease from the Port's container operations (i.e. Licensed NWSA Assets), which forecasts decreased 2015 operating revenues stemming from termination of the Terminal 5 lease in July 2014, and increased 2015 forecasted maintenance expense, particularly at Terminal 5, and corporate expenses related to the establishment of the NWSA. The Maritime division's forecasted 2015 NOI is slightly higher compared to 2014, with increased operating revenues associated with the cruise and grain business (cruise passengers and grain volumes were up 9.0% and 9.9%, respectively, year-to-date through October 2015) largely offset by increased maintenance expenses. Container volumes, measured by NWSA TEU's, are forecasted to increase 3%, from 3.43 million in 2014 to 3.53 million in 2015.

The 2016 non-aviation budgeted NOI reflects a decrease of $2.8 million relative to the 2015 forecast. This is driven largely by decreased NOI budgeted for the Maritime and Economic Development divisions, partially offset by increased NOI for the NWSA. The $5.2 million decrease in the Maritime division's NOI is driven primarily by increased budgeted allocated corporate expenses as well as other facility maintenance expense including new stormwater utility assessment expenses. These increases in operating expenses are partially offset by increased operating revenue associated with cruise and recreational marinas. The $6.5 million decrease in the Economic Development division's budgeted NOI is driven primarily by decreases in operating revenues from conference and event center operations, which will be impacted by large construction efforts at Pier 66 related to the expansion of the cruise passengers processing facility. The Economic Development division also budgeted increased allocated corporate operating expenses, in addition to increased operating expenses associated with the Office of Social Responsibility, Tourism, and Development and Planning, which reflect new and expanded Port initiatives. The decrease in 2016 budgeted NOI from the Maritime and Economic Development divisions is partially offset by $9.9 million in increased NOI associated with the NWSA, which is the result primarily of decreased corporate allocated costs, and also some modest increases associated with the NWSA volume-based revenues at its container facilities. Container volumes are budgeted to increase an additional 2% in 2016.

For additional details about the Maritime and Economic Development division's operating budget and forecasts, please see Sections V, "Maritime" and VI, "Economic Development", respectively. Please refer to Section XII, "The Northwest Seaport Alliance 2016 Budget", for additional details on the NWSA operating forecast.

C. Overview of the Draft Plan of Finance

Each year the Port prepares the Draft Plan of Finance (the Plan) as part of the capital management process. The Plan provides a framework for the funding of the Port's anticipated capital spending, and is designed as a flexible tool, providing guidance to the Commission and Port staff as planning and investment decisions are made during the coming year. The Plan is based on a five-year capital plan in order to provide better guidance on long-term funding.

Once a year, the Commission is presented with the Port's capital plan along with a funding analysis. By final budget action, the Commission approves the capital plan and establishes the level of the Port's tax levy for the coming year. The first year of the capital plan forms the basis of the Port's approved Capital Budget. Each quarter capital spending forecasts are updated and progress is measured on spending versus budget; this is reviewed quarterly by each division and Senior Management and periodically by the Port Commission.

D. Overview of the Funded Capital Plan

The capital plan is the result of an iterative process that begins with business plan forecasts developed and approved by each operating division. The business plans, which contain operating and capital forecasts, are then reviewed in the context of the Port's projected capital capacity and further reviewed by Port Executive staff. The final business plan, including the capital plan, is incorporated into the Budget and into the Plan of Finance. For information on the Port's Capital Improvement Program (CIP), see Section IX "Capital Budget."

Within the capital plan, projects are divided into several categories that determine their funding priority.

- Committed: Committed projects are those necessary to implement the divisions' business plans and are well scoped, have undergone financial analysis and at least division level review. They include projects that are already underway and authorized as well as projects not yet authorized, but ready for Commission level review. These projects receive a specific funding commitment in the Capital Plan.
- Prospective: Prospective projects may also be part of business plans, but are not yet well-scoped and analyzed and therefore are less certain as to timing or funding requirements. Prospective projects can be re-classified as Committed once they have met the necessary criteria, so it is important that capital

funding be flexible enough to accommodate these projects as well as other changes to the CIP. Prospective projects are further subdivided into two categories as follows:

- Business Plan Prospective: Projects that are prospective because of uncertainty of scope and timing, but are deemed to be critical for achieving business plan goals. This category may include projects that are contingent obligations associated with leases or other agreements.
- Other Prospective: Projects that are still in preliminary planning or that are not currently deemed critical in meeting business plan goals.

- Public Expense Projects: In addition to the CIP, the Port participates in several public projects, particularly in the area of regional transportation and contributions to Highline School District noise mitigation. Because these projects do not result in Port owned assets, they are accounted for separately as Public Expense Projects, but they use the same funding as capital projects and are included in the funding analysis for the Plan of Finance.

Committed projects are designated for funding and are the basis of the Plan of Finance. This year's Plan of Finance also includes all Business Plan Prospective projects. The overall capital and funding approach for the 2016 Plan was divided into two major components, *Airport* and *Non-Airport*. The Airport is subject to certain regulatory restrictions, and as such, its capital plan is funded separately from the Non-Airport businesses. The Non-Airport business capital plans cover the newly formed Maritime and Economic Development divisions. The NWSA capital plan is not included in the Port's CIP, but the Port's funding of its share of the NWSA CIP is included in the draft Plan of Finance. Both the Airport and Non-Airport segments fund an allocated a portion of the Corporate division's capital.

As consistent with prior years, the 2016 Plan was developed to meet certain financial targets, including a minimum 1.8x debt service coverage on its First Lien Revenue bonds, 1.25x coverage on Airport revenue bond debt, and 1.5x coverage on Non-Airport revenue bond debt, minimum Airport operating fund balance equal to 10 months of operating and maintenance expenses (O&M) and a minimum Non-Airport operating fund balance equal to 6 months of O&M (for a Port-wide target of 9 months of O&M). The Plan is developed so that these targets are met in most years; temporary, minor dips below the targets can be tolerated if the Plan projects a rebound to meet at least the minimum targets.

Since 1991, the Port Commission has authorized its property tax levy below the maximum levy allowable, thus preserving the flexibility for the Port to increase the levy if needed. The Port levied $75.9 million in both 2008 and 2009, and reduced the levy amount to $73.5 million in 2010 and 2011. Beginning in 2012, the Port further reduced the levy amount to $73.0 million through 2015, and has decreased the levy further to $72.0 million in 2016. Consistent with policy, the Plan retains at least 25% of the tax levy for general purposes and uses no more than 75% for Limited Tax General Obligation (G.O.) bond debt service. This policy is more restrictive than the Port's statutory authority for G.O. bond debt. Based on statute, the Port estimates approximately $750.8 million of remaining capacity of non-voted G.O. bond debt. For more tax levy information, see Section VIII "Tax Levy."

E. 2016-2020 Funding Plan

AIRPORT

The funding Plan for the Airport includes Airport net income, operating funds in excess of the minimum target fund balance, existing bond proceeds and future revenue bond proceeds. The Airport expects federal grant money for capital improvements for runway construction, noise mitigation, and security related projects. Passenger Facility Charge (PFC) collections (net of PFC bond debt service and net of PFCs applied to pay existing revenue bond debt service) also provide capital funding. Customer Facility Charge (CFC) collections, net of the payment of operating and debt service costs associated with the Consolidated Rental Car Facility, may provide additional capital funding for future Consolidated Rental Car Facility upgrades and the acquisition of buses, as necessary. Additionally, the Plan anticipates the use of the tax levy to fund the portion of Highline School District noise improvements that are ineligible for Airport funding.

The current funding Plan includes all of the Airport's Committed and Business Plan Prospective projects, in addition to an allocated portion of the Corporate CIP. The Aviation division's committed capital plan consists of five major projects. First is the development of a new International Arrivals Facility for international passengers, which is needed to expand capacity to process the Airport's growing international passenger base. The second major project is the replacement and reconfiguration of the baggage screening equipment to improve operational efficiency and increase capacity. Third is the Port's NorthSTAR program that includes renovating and reconfiguring the North Satellite Terminal and certain main terminal facilities that connect to the North Satellite terminal. This effort will add additional gates, address seismic concerns, and upgrade HVAC, lighting and fixtures. The fourth major project is the reconstruction of Runway 16C/34C, which was largely completed in 2015 with taxiway improvements continuing into 2016 and 2017. The fifth is the renovation of the South Satellite that will ramp up near the end of this five year planning horizon. In addition to these major projects, there are several smaller renewal and replacement projects. For more details about the major capital projects, please see Section IX, "Capital Budget."

TABLE X-4: 2016-2020 AIRPORT CAPITAL PROJECTS FUNDING ($ Millions)

Airport Funding Sources:	
Net Income and Operating Funds	373
Existing Bond Proceeds	142
Passenger Facility Charges	248
Customer Facility Charges	2
Federal Grants	157
Tax Levy (1)	3
Future Revenue Bond Proceeds	1,160
Total Airport Funding Sources	2,085
Airport Capital:	
Airport CIP (Committed and BPP)	2,050
Corporate CIP Allocated to Airport (2)	35
Total Airport Funded Capital	2,085

(1) For capital spending only (portion of Highline School District improvements that are ineligible for Airport funding).

(2) Assumes funding with Net Income only.

In addition to the above funding plan for capital projects, Aviation's 2016-2020 funding plan includes approximately $3.8 million of expenditures for public expense projects (projects that meet the criteria of Committed or Business Plan Prospective projects but the expenditures are expensed instead of capitalized). For more details about the Port's public expense projects and their funding, please see Section IX, "Capital Budget".

NON-AIRPORT

During 2015, the Port completed an internal reorganization of its Non-Airport businesses, which provided an opportunity to refine its capital funding approach. The funding approach for the 2016-2020 Plan consolidates all Non-Airport CIP (including CIP from the newly formed Maritime and Economic Development divisions along with the Port's contribution for its 50% share of the NWSA CIP) and allocates funding based on management guidelines. This is a diversion from the historical funding approach, which was segmented by specific division (formerly Seaport and Real Estate), with funding policies specific to each.

The 2016-2020 Plan funds all of the Committed and Business Plan Prospective projects for all Non-Airport CIP, in addition to an allocated portion of the Corporate CIP. Non-Airport funding includes net income, excess General Fund cash above minimum balance requirements, and federal grants for the Terminal 46 Modernization project under the Transportation Investment Generating Economic Recovery (TIGER) grants program. The Non-Airport funding Plan is based on the income projections associated with the Maritime and Economic Development divisions, and assumes 50% for the Ports share of the NWSA forecasted NOI. The Plan targets 1.5x debt service coverage on all Non-Airport revenue bond debt. The Plan also estimates approximately $35.0 million of additional capacity beginning in 2019 that can be used for projects not yet in the capital plan.

The Maritime division CIP focuses on investments in facilities and infrastructure to support economic growth for cruise, the fishing industry, and recreational boating. The most significant Maritime capital projects include an expansion of the Pier 66 cruise passengers processing facility, in partnership with Norwegian Cruise Line Holdings, along with upgrades to Shilshole Bay Marina and Fishermen's Terminal. The Economic Development division CIP focuses on renewal and replacement of existing assets, primarily at Terminal 102, Pier 69, Pier 66 and the Bell Street Garage. More information on specific Maritime and Economic Development division projects can be found in Section IX, "Capital Budget".

Additionally, the Non-Airport capital plan also assumes 50% of the "open" and "capitalized" projects within the Northwest Seaport Alliance capital forecast. Open projects are on-going projects or projects ready to move forward that have customer commitment or a high degree of certainty. The determination of whether to capitalize or expense a project is driven by accounting rules, and any open projects that are deemed to be expensed are excluded from the NWSA CIP. These expense projects will reduce the NWSA NOI (and thus reduce the revenues received by each Port). Significant NWSA projects included in the Plan are the design and construction related to the Terminal 46 dock rehabilitation effort in the North Harbor (Seattle), along with the acquisition of container cranes and straddle carriers, pile cap and paving repairs and fender replacements in the South Harbor (Tacoma).

There are also projects forecasted by the NWSA that are not included in the CIP ("estimate"). These projects are based on an identified business need or opportunity, but have not been fully developed in scope and cost. These projects include the redevelopment of Terminal 5 in the North Harbor and Terminal 4 in the South Harbor. As part of developing the 2016-2020 Plan, the Port estimated its funding capacity for its estimated share of these projects at $237 million using combination of tax levy, G.O. bonds and net income. The funding plan below does not include these projects.

More information on the NWSA capital forecast can be found in Section XII, "The Northwest Seaport Alliance 2016 Budget".

TABLE X-5: 2016-2020 NON-AIRPORT CAPITAL PROJECTS FUNDING ($ Millions)

Non-Airport Funding Sources:	
Net Income and Operating Funds	177
Grants	10
Tax Levy	50
Total Non-Airport Funding Sources	237
Non-Airport Capital:	
Maritime Division	112
Economic Development Division	25
Northwest Seaport Alliance	59
Allocated Corporate CIP (1)	7
Additional Available Capacity	35
Total Non-Airport Funded Capital	237

(1) Assumes funding with Net Income and Operating Funds only.

In addition to the above funding for capital projects, the 2016-2020 Plan includes an estimated $11.8 million of expenditures for certain freight mobility public expense projects, which meet the criteria of Committed or Business Plan Prospective projects but the expenditures are expensed instead of capitalized. For more details about the Port's public expense projects and their funding, please see Section VIII, "Tax Levy," and Section IX, "Capital Budget."

CORPORATE

The Corporate capital program is predominantly Information and Communication Technology (ICT) department projects associated with critical infrastructure and network security enhancements required to maintain compliance with established industry standards. A small portion of the CIP is for small capital equipment purchases and vehicle fleet replacement. Corporate capital costs are allocated to and funded by the operating divisions, as presented above in Tables X-4 and X-5. See Section IX, "Capital Budget," for additional information on Corporate CIP.

SR99 Tunnel

On February 9, 2010, the Commission approved a memorandum of agreement (the "MOU") with the Washington State Department of Transportation regarding the Port's participation in the replacement of the Alaskan Way Viaduct with a tunnel and on August 6, 2013, approved a funding agreement with the State. Under the original MOU, the Port's contribution was not to exceed $300 million. Under the funding agreement, the Port was credited with $19 million already contributed to a related freight mobility project (FAST Corridor) and agreed to contribute an additional $267.7 million in two installments: $120.0 million by May 1, 2015 and the remaining $147.7 million by May 1, 2016. The agreement also included the potential for an additional $6 million contribution by the Port at its discretion. The Port made the $120.0 million installment payment in 2015, and expects to pay the remaining $147.7 million commitment from a combination of bond funding (G.O. bonds to be issued in the future) and proceeds of the Tax Levy reserved in the Transportation and Infrastructure Fund. The Plan includes funding for this remaining $147.7 million commitment.

FINANCIAL IMPLICATIONS AND RISKS

The funding Plans above include projects currently identified as Committed and Business Plan Prospective. The Plan meets the First Lien Revenue Bond coverage target of at least 1.80x coverage and results in First Lien coverage range between 4.72x and 5.89x. The Plans were also designed to meet the targets of Airport revenue bond coverage of 1.25x and Non-Airport coverage of 1.50x. The result is that (Port-wide) coverage for all revenue bond debt service (irrespective of lien) ranges from a low of 1.41x to a high of 1.55x (calculated assuming that a portion of Revenue Bond debt service is paid from PFCs and CFCs).

There are a number of risks that should be considered with regard to the above funding Plan. While the Committed projects are fairly certain, the Business Plan Prospective projects are still uncertain with regards to scope and timing; an increase in costs or acceleration of schedule for these projects could change the funding forecast. In addition, the Plan does not include Other Prospective projects, projects that are not currently contemplated but may be required for security, renewal and replacement or to address changes in the business environment, nor Estimate projects for the NWSA. In addition, the forecast is based on a number of assumptions related to operating income and tax levy collection; changes in these assumptions could affect the Plan results as well. To minimize coverage impacts, the Port could employ a number of options:

- delay or reduce project spending
- further reduce operating costs or identify additional revenues
- utilize alternative financing for appropriate projects
- seek additional grant funding
- increase airline rates and charges within the limitations of SLOA III
- increase the tax levy, subject to statutory constraints
- implement the Industrial Development District levy

Prior to implementation, these mechanisms would be further evaluated in the context of business planning, asset liability management goals and Port policy objectives. Given potential costs and/or risks associated with each, it is likely that the Port would pursue a balanced approach to minimizing coverage impacts, whereby it would utilize a combination of options.

The Plan of Finance assumes a levy amount of $72.0 million in 2016-2020, which is below the Port's actual statutory authority of $96.4 million in 2016. The Port can access additional funding sources including remaining non-voted G.O. bond capacity and voted G.O. bond capacity, assess the tax levy up to the maximum amount or assess an Industrial Development District (IDD) levy (subject to limitations described in Section VIII "Tax Levy"). There are no plans to use these resources at present, but they are available should the Port Commission deem them appropriate.

F. Financing Initiatives

In April 2015, the Port issued $157.0 million of 2015 G.O. and Refunding Bonds. The bonds were issued to fund the Port's first installment owed to the Washington State Department of Transportation related to the SR99 Deep Bore Tunnel Project, as described above, and to refund the outstanding 2006 G.O. bonds maturing in 2016 and beyond. The refunding transaction resulted in net present value savings of approximately $11.0 million.

In August 2015, the Port issued $582.7 million of 2015ABC Intermediate Lien Revenue and Refunding bonds. $298.3 million was issued to fund new Aviation capital projects, and $284.4 million was issued to fully refund the outstanding 2005A Intermediate Lien Revenue Bonds. The refunding transaction resulted in net present value savings of approximately $42.3 million.

In November 2015, the Port replaced an existing letter of credit backing $150 million of Subordinate Lien Revenue Notes (Commercial Paper) with a new $125 million letter of credit that expires in 2020. The existing letter of credit expired in November 2015.

In 2016, the Port expects to issue G.O. bonds to fund the second and final installment owed to the Washington State Department of Transportation related to the SR99 Deep Bore Tunnel Project. Additionally, in light of the continued low interest rate environment, the Port will continue to monitor the debt portfolio for refunding opportunities that provide for economic savings. The Port will also evaluate options of extending and/or replacing three existing letters of credit on variable rate debt, which are scheduled to expire in 2016.

G. Capital Planning Resources

The following information on funding guidelines and financial model assumptions are resources for better understanding the 2016 Draft Plan of Finance.

PORT OF SEATTLE FUNDING GUIDELINES

The following guidelines have been prepared to assist the Commission, Port management, and staff in decisions regarding the allocation of Port capital funds.

Tax Levy and General Obligation Bonds

Section VIII, “Tax Levy,” describes the various uses of the tax levy including the funding of certain capital projects. Generally, the Port has used the tax levy for environmental remediation, regional transportation projects, and for certain capital expenditures that met the following criteria:

- A long lag exists between capital costs and project revenues or the project’s financial return will not support revenue bond financings (i.e. the internal rate of return, or IRR, is less than the current cost of debt); and
- The project generates significant economic benefits for taxpayers.

To further assist in determining which projects to fund with the tax levy, the following matrix was developed:

	Fund from Operating Income	**Eligible for Tax Levy Funding**
Asset Renewal and Replacement	Supports an operation that generates positive net income	Supports an economic benefit operation
Investment in a Strategic Initiative	Investment has a short payback period/ is self-funding	Investment has no or a long payback
Location of the Asset	South Harbor	North Harbor

Based on these criteria, the 2016 Plan assumes the tax levy funds renewal and replacement projects of assets that support the fishing industry as well as a strategic investment in the Pier 66 cruise terminal.

In addition to funding capital projects, G.O. bonds may be used for public expense projects in addition to capital projects. For large public expense items this provides for more prudent cash flow management by spreading out payments over time. Similar to capital projects, public expense projects are expected to meet the criteria noted above to be eligible for tax levy or G.O. bond funding.

Revenue Bonds

Projects should earn the current cost of debt (in IRR terms) or otherwise be included in the airlines' rate base to be eligible for revenue bond financing. A target senior lien revenue bond coverage ratio of 1.8x will be reviewed annually in light of changing circumstances such as critical funding needs or changes in the airport-airline operating agreement. An adequate cash flow margin (cash flow after debt service) will also be maintained for planning purposes.

Industrial Development District (IDD) Levy

In order to be considered for IDD levy financing, projects should be critical to core Port business or other major strategic initiatives, and should generate significant economic benefits for taxpayers. Additionally, projects must comply with all applicable legal requirements governing the use of the levy.

Airport Improvement Program (AIP) Grants and Passenger Facility Charges (PFCs)

Projects eligible for AIP grant and PFC funding should be consistent with airport investment strategies and must comply with the regulations of the grant-making agency. High priority safety, security and capacity projects will be stressed.

Funding vs. Asset Life

Project funding should in all cases closely match the life of the particular asset financed. For example, long-term financing in the form of 20-30 year revenue or G.O. bonds should only be used for assets having economic lives in a similar range or longer. Shorter-lived assets should be funded through pay-as-you-go or other short-term financing structures.

2016 DRAFT PLAN OF FINANCE ASSUMPTIONS

Capital Budget

Capital budget projections are aligned with the capital presentations provided to the Port Commission in October 2015, and are included in Section IX "Capital Budget."

Capital Capacity Calculations

The Port's capital capacity calculations combine projections of operating revenues, expenses, non-operating items, debt service, and capital spending to determine Port debt financing requirements. Assumptions used in the financial analysis of the 2016 Plan include:

- Interest earned on restricted and unrestricted funds based on 1.0% interest rate in 2016, and 1.50% from 2017-2020.
- New G.O. bonds are issued at 6.0% for 25 years.
- New First Lien revenue bonds are issued at 6.0% for 25 years. Not applicable in 2016-2020 time period.
- New Intermediate Lien revenue bonds are issued at 6.0% for 25 years. Intermediate Lien is the assumed working lien for new Airport debt.
- 1% gross up assumed for all new debt to account for Cost of Issuance.
- 8% and 9% gross up assumed for the Debt Service Reserve Fund contribution (cash funded) for new Aviation and Non-airport revenue bond debt, respectively. No new Non-airport debt assumed in 2016-2020 time period.

- Gross up for new Aviation debt of 18 months of Capitalized Interest.
- Interest on variable rate bonds (issued in 1997 and 2008) is based on projections of short and long-term tax-exempt variable rates and range from 1.10% to 3.00%.
- 2016 operating revenue and expense forecasts are based on the 2016 preliminary operating budget as of November 2015, with adjustments as appropriate, and may vary from the forecasts in the 2016 final budget.

Tax Levy

The Port's tax levy projections are based on maintaining the levy amount at $72.0 million.

A tax levy projection model is used to forecast future year assessed value amounts that can affect the maximum statutory levy.

Revenue and Expense Assumptions

Airport

- Expense projections are based on estimates developed as part of division business planning.
- Airport aeronautical revenues are determined according to the 2013 airline agreement (SLOA III). SLOA III establishes several types of fees designed to recover operating and capital costs of the associated aeronautical facilities on the Airfield and in the Air Terminal. The Airfield is comprised of three areas: the Airfield Apron Area, the Airfield Movement Area and the Airfield Commercial Area, and related costs and fees are calculated separately for each area. Terminal rental rates are based in part on the Terminal Building Requirement, which is computed by multiplying the total of budgeted operating expenses and capital costs, including debt service and debt service coverage (if required), allocated to the terminal, by the ratio of airline rentable space to total rentable space, less any non-signatory airline premiums included in rent payable by non-signatory airlines. Excluded from the cost recovery formula is any airline office or club space that is vacant. SLOA III provides for the sharing of a portion (50%) of Airport net revenues if Airport debt service coverage exceeds 1.25 times. SLOA III expires December 31, 2017, but is the basis of the aeronautical forecast for the entire five-year period.
- Airport non-aeronautical revenues are based on forecasted passenger growth and the revenue terms of current leases and agreements associated with non-aeronautical businesses.
- Operating environmental costs are included in O&M expense.
- Certain non-operating revenues and expenses are included; for example, interest earnings, debt-related fees, public expense items and non-operating environmental expenses.
- Federal Airport Improvement Program (AIP) grant reimbursement projects are based on estimated spending on eligible projects and standard reimbursement rates of 75%-80%. Grants from the Transportation Security Administration (TSA) are included in the total grant amounts.
- Passenger Facility Charges (PFCs) are estimated based on projected enplanement levels, net of debt service payments on PFC bonds and PFCs applied to pay debt service on Revenue Bonds.
- Customer Facility Charges (CFCs) are estimated based on forecasted transaction days of car rentals at the Airport multiplied by a forecasted daily rate. The 2009 First Lien Revenue Bonds and Commercial Paper proceeds along with any CFC income (net of debt service) are expected to fund any remaining Consolidated Rental Car Facility capital projects.

Non-Airport

- Revenue and expense projections are based on the Maritime and Economic Development division's long-range operating forecasts, which are based on the terms of existing lease agreements and projected activity levels for any applicable volume based revenues. Revenues generated from new investments were not included. The Port also assumed 50% of the forecasted NWSA NOI as operating revenue.
- Estimated security grant receipts for operating grants are included in gross revenues and the associated expenditures are included in operating expenses, if applicable.
- Operating environmental costs are included in O&M expense, if applicable.
- Certain non-operating revenues and expenses are included; for example, interest earnings, payment of public expense and other non-operating environmental expenses.

Corporate

Expenses for Corporate, including the former Capital Development division, are distributed to the operating divisions as corporate overhead.

PORT OF SEATTLE

2016 STATUTORY BUDGET

A. INTRODUCTION

The "statutory" budget as defined in RCW 53.35.010 is to portray "the estimated expenditures and the anticipated available funds from which all expenditures are to be paid." As a cash budget, the Statutory Budget establishes the need for the tax levy and sets upper limits on expenditures, and is not used as an operating budget. The function of controlling and managing the operations of the Port is accomplished with the Operating Budget, which is provided in Sections IV through VII.

The 2016 Preliminary Statutory Budget was provided to the Port Commissioners and made available to the general public as required by law (RCW 53.35.010 and RCW 53.35.045). Notice of the Public Hearing, with an announcement that copies of the preliminary budget are available for distribution to any interested persons, was published on October 26th, 2015, in the DAILY JOURNAL OF COMMERCE, as required by law (RCW 53.35.020 and RCW 53.35.045). The final statutory budget was filed with the King County Council on December 2nd, 2015, as allowed by RCW 53.35.045.

B. STATUTORY BUDGET HIGHLIGHTS

1. Tax Levy

For 2016, the tax levy amount is assumed to be $72,000,000. The following is a comparison of the tax levy detail between 2015 and 2016:

	Budget 2015		Budget 2016	
	Levy Rate	Levy Amount	Levy Rate	Levy Amount
For General Obligation Bonds	$ 0.0736	$ 28,423,422	$ 0.0817	$ 34,524,417
For General Purposes	0.1155	44,576,578	0.0887	37,475,584
Total	**$ 0.1891**	**$ 73,000,000**	**$ 0.1704**	**$ 72,000,000**

LEVY.XLSX

2. Tax Levy Rate

The tax levy rate is a product of dividing the tax levy dollars by the assessed valuation of personal and real properties within the Port District. Therefore, if assessed valuation increases at a greater rate than the increase in the tax levy amount the Port assesses, the tax millage rate would go down even though the Port's levy dollars may have increased. The exact levy rate is determined by the County Assessor after all taxing agencies have requested their levy dollars, and the assessed valuation dollars are certified. The 2015 preliminary assessed valuation as of October 27, 2015 is 422,523,805,266 after omitted assessments, which are not included in the Port's levy calculation. (The 2015 assessed valuation is used for 2016 tax collection.) This is an increase from the final assessed valuation per the King County Annual Report for 2015 tax collection, which was $386,495,592,582 after omitted assessment - See Section VIII, Tax Levy.

C. RESOLUTION

RESOLUTION NO. 3713, As Amended

A RESOLUTION of the Port Commission of the Port of Seattle adopting the final budget of the Port of Seattle for the year 2016; making, determining, and deciding the amount of taxes to be levied upon the current assessment roll; providing payment of bond redemptions and interest, cost of future capital improvements and acquisitions, and for such general purposes allowed by law which the Port deems necessary; and directing the King County Council as to the specific sums to be levied on all of the assessed property of the Port of Seattle District in the Year 2016.

WHEREAS, the Port of Seattle Commission, on the 22nd day of October, 2015, prepared the preliminary budget of the Port of Seattle for the year 2016 and provided for the publication of Notice of Budget Hearing on the adoption of said budget, to be heard on the 10th day of November, 2015, when taxpayers might appear and present objections to said preliminary budget; and

WHEREAS, a public hearing on said preliminary budget was held in the office of the Port Commission, pursuant to notice duly given, in the City of Seattle, County of King, State of Washington, on the 10th of November 2015, at 2 p.m.; and

WHEREAS, all parties present were afforded a full opportunity to present objections to the preliminary budget, and the Port Commission being duly advised in the premises; and

WHEREAS, the King County Assessor has notified the Commissioners of the Port of Seattle on the 27th day of October, 2015 that the regular levy assessed value of the property lying within the boundaries of said district for the year 2015 is $422,523,805,266 (after omitted assessments); and

WHEREAS, the King County Assessor has notified the Commissioners of the Port of Seattle on the 27th day of October, 2015 that the maximum allowable levy is $96,394,850 including $176,522 levy for prior year refunds and the Port intends to retain this levy capacity.

NOW, THEREFORE, BE IT RESOLVED, by the Port Commission of the Port of Seattle that the preliminary budget of the Port of Seattle for the year 2016, as presented at the aforementioned hearing, is hereby adopted as the final budget of the Port of Seattle for the Year 2016; and

BE IT FURTHER RESOLVED, that the amount of taxes to be levied by the Port of Seattle on the current assessment rolls to provide for payment of bond redemption and interest on the Port of Seattle General Obligation Bonds, for future expenditures for acquisitions and capital improvements and for such general purposes allowed by law which the Port deems necessary be set and deposited is $72,000,000; and

BE IT FURTHER RESOLVED, that the King County Council, State of Washington, be notified that the specific sum herein mentioned being a total of $72,000,000 is necessary to be raised by taxation to meet the payment of bond redemption and interest on Port of Seattle General Obligation Bonds, of future expenditures for acquisitions and capital improvements, and of costs for such general purposes allowed by law which the Port deems necessary, as set forth for the period January 1, 2016 and thereafter; that said King County Council be respectfully requested to make a levy in said amount for the aforesaid purposes; and

BE IT FURTHER RESOLVED, that the above is a true and complete listing of levies for said District for collection in the year 2015 and they are within the maximums established by law.

ADOPTED by the Port Commission of the Port of Seattle at a regular meeting held this 24th day of November, 2015, and duly authenticated in open session by the signatures of the Commissioners voting in favor thereof and the seal of the Commission.

STEPHANIE BOWMAN

COURTNEY GREGOIRE

JOHN CREIGHTON

TOM ALBRO

BILL BRYANT

Port Commission

D. TAX LEVY CALCULATION SHEET

TABLE XI-1: TAX LEVY CALCULATION SHEET

TAXING DISTRICT: Port of Seattle

. The following determination of your regular levy limit for 2016 property taxes is provided by the King County Assessor pursuant to RCW 84.55.100.

(Note 1) Using Limit Factor For District	Calculation of Limit Factor Levy	Using Implicit Price Deflator
95,003,103	Levy basis for calculation: (2015 Limit Factor) (Note 2)	95,003,103
1.0100	x Limit Factor	**1.0025**
95,953,134	= Levy	95,241,561
5,171,635,126	Local new construction	5,171,635,126
0	+ Increase in utility value (Note 3)	0
5,171,635,126	= Total new construction	5,171,635,126
0.18887	x Last year's regular levy rate	0.18887
976,767	= New construction levy	976,767
96,929,901	Total Limit Factor Levy	**96,218,328**
	Annexation Levy	
0	Omitted assessment levy (Note 4)	**0**
96,929,901	Total Limit Factor Levy + new lid lifts	96,218,328
422,523,805,266	÷ Regular levy assessed value less annexations	422,523,805,266
0.22941	= Annexation rate (cannot exceed statutory maximum rate)	0.22772
0	x Annexation assessed value	0
0	= **Annexation Levy**	**0**
	Lid lifts, Refunds and Total	
0	+ First year lid lifts	0
96,929,901	+ Limit Factor Levy	96,218,328
96,929,901	= Total RCW 84.55 levy	**96,218,328**
176,522	+ Relevy for prior year refunds (Note 5)	176,522
97,106,423	= Total RCW 84.55 levy + refunds	96,394,850
	Levy Correction: Year of Error _______ (+or-)	
97,106,423	**ALLOWABLE LEVY (Note 6)**	96,394,850
	Increase Information (Note 7)	
0.22982	Levy rate based on allowable levy	0.22814
73,000,000	Last year's ACTUAL regular levy	73,000,000
22,953,134	Dollar increase over last year other than N/C – Annex	22,241,561
31.44%	Percent increase over last year other than N/C – Annex	30.47%
	Calculation of statutory levy	
	Regular levy assessed value (Note 8)	422,523,805,266
	x Maximum statutory rate	0.45000
	= Maximum statutory levy	**190,135,712**
	+Omitted assessments levy	**0**
	=Maximum statutory levy	**190,135,712**
	Limit factor needed for statutory levy	Not usable

ALL YEARS SHOWN ON THIS FORM ARE THE YEARS IN WHICH THE TAX IS PAYABLE.
Please read carefully the notes on the next page.

Notes:

1) Rates for fire districts and the library district are estimated at the time this worksheet is produced. Fire district and library district rates affect the maximum allowable rate for cities annexed to them. These rates *will* change, mainly in response to the actual levy requests from the fire and library districts. Hence, affected cities may have a higher or lower allowable levy rate than is shown here when final levy rates are calculated.
2) This figure shows the maximum *allowable levy*, which may differ from any actual prior levy if a district has levied less than its maximum in prior years. The maximum allowable levy excludes any allowable refund levy if the maximum was based on a limit factor. The maximum allowable levy excludes omitted assessments if the maximum was determined by your district's statutory rate limit. If your district passed a limit factor ordinance in the year indicated, that limit factor would help determine the highest allowable levy. However, if the statutory rate limit was more restrictive than your stated limit factor, the statutory rate limit is controlling.
3) Any increase in value in state-assessed property is considered to be new construction value for purposes of calculating the respective limits. State-assessed property is property belonging to inter-county utility and transportation companies (telephone, railroad, airline companies and the like).
4) An omitted assessment is property value that should have been included on a prior year's roll but will be included on the tax roll for which this worksheet has been prepared. Omits are assessed and taxed at the rate in effect for the year omitted (RCW 84.40.080-085). Omitted assessments tax is deducted from the levy maximum before calculating the levy rate for current assessments and added back in as a current year's receivable.
5) Administrative refunds under RCW 84.69.020 were removed from the levy lid by the 1981 legislature.
6) A district is entitled to the lesser of the maximum levies determined by application of the limit under RCW 84.55 and the statutory rate limit. Levies may be subject to further proration if aggregate rate limits set in Article VII of the state constitution and in RCW 84.52.043 are exceeded.
7) This section is provided for your information, and to assist in preparing any Increase Ordinance that may be required by RCW 84.55.120. The increase information compares the allowable levy for the next tax year with your ACTUAL levy being collected this year. The actual levy excludes any refund levy and expired temporary lid lifts, if applicable. New construction, annexation and refund levies, as well as temporary lid lifts in their initial year, are subtracted from this year's *allowable* levy before the comparison is made.
8) ***Assessed valuations shown are subject to change from error corrections and appeal board decisions recorded between the date of this worksheet and final levy rate determination.***

E. FORECASTED CASH FLOW SUMMARY

TABLE XI-2: FORECASTED CASH FLOW SUMMARY

($ in 000's)		2016	Percent of Total
Beginning balance of cash & investments		**1,136,503**	
SOURCES OF CASH			
Operating Revenues		584,578	65.0%
Interest Receipts		8,537	0.9%
Proceeds from Bond Issues		90,000	10.0%
Grants and Capital Contributions		26,972	3.0%
Tax Levy		72,000	8.0%
Passenger Facility Charges		84,650	9.4%
Rental Car Customer Facility Charges		24,963	2.8%
Fuel Hydrant Receipts		7,098	0.8%
Other Receipts		754	0.1%
Total		**899,553**	**100%**
Anticipated available funds		**2,036,056**	
USES OF CASH			
Expenses from Operations:			
Total Operating Expenses		336,010	26.5%
Debt Service:			
Interest Payments	152,950		12.1%
Bond Redemptions	164,750		13.0%
Total Debt Service		317,700	25.1%
Other Expenses		9,073	0.7%
NWSA Contributions		39,000	3.1%
Public Expense		8,898	0.7%
Special Item		147,700	11.7%
Capital Expenditures		408,445	32.2%
Total		**1,266,826**	**100.0%**
Ending balance of cash & investments		**769,230**	
Increase (decrease) of cash during year		**-367,273**	

cashflow.xlsx

FIGURE XI-1: SOURCES OF CASH

($ in 000's)

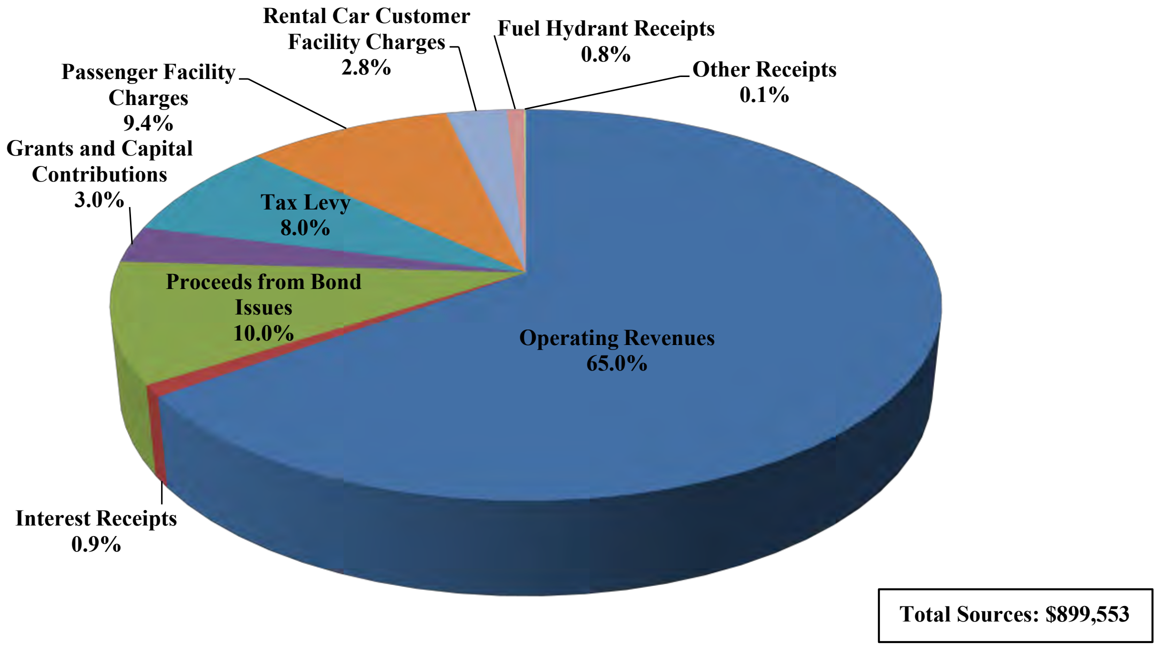
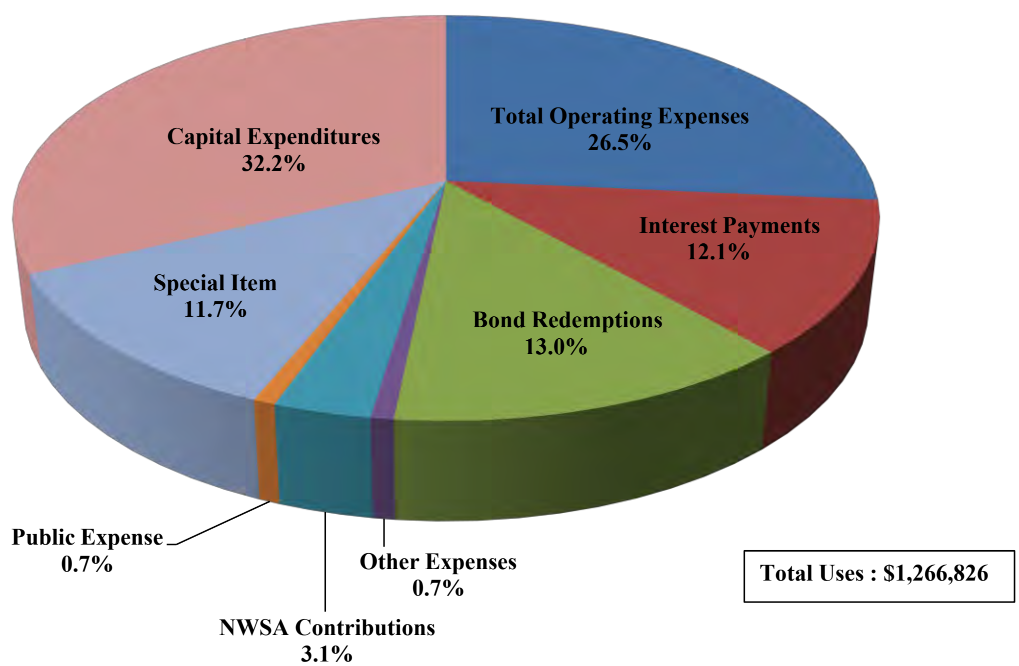


FIGURE XI-2: USES OF CASH

($ in 000's)



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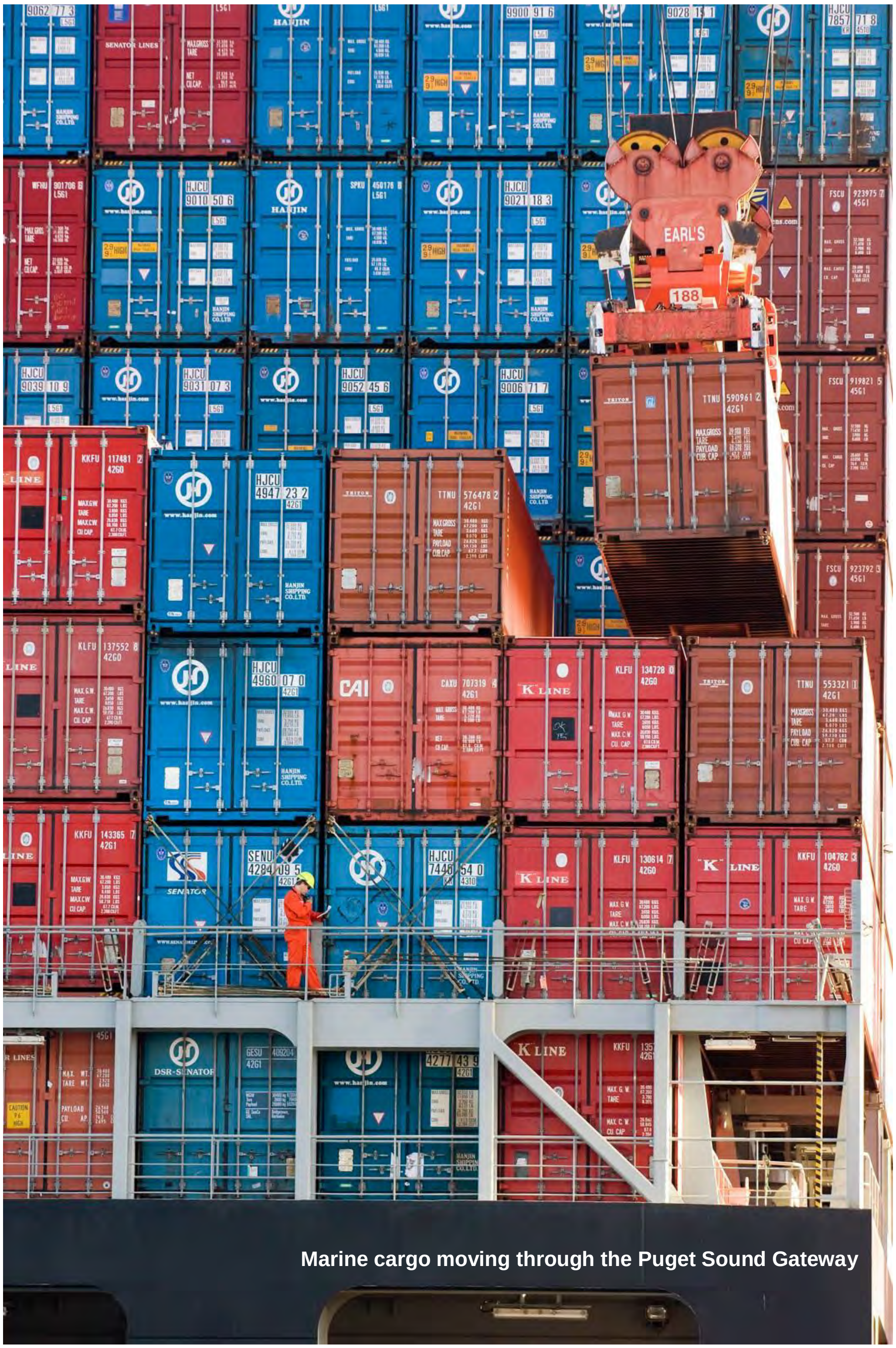
The Northwest Seaport Alliance 2016 Budget



Marine cargo moving through the Puget Sound Gateway

Operating Budget and Capital Improvement Plan adopted:
October 27, 2015

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Cornelia Maersk at the North Harbor T-18 Facility

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To: Managing Members
Date: October 27, 2015
Subject: The Northwest Seaport Alliance Operating Budget and Five-Year Capital Improvement Plan

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Staff is pleased to present the inaugural 2016 Northwest Seaport Alliance (NWSA) Budget Addendum. This document informs citizens and other interested parties about the NWSA's overall goals and strategies, as well as the competitive environment in which we operate. It highlights our focus on strategic investments that will deliver competitive financial results, build for the future, and continue to create jobs and economic wealth for the Puget Sound region.

Competition among West Coast ports remains incredibly intense. Shipping lines and terminal operators are exploring ways in which to reduce costs, including introducing larger vessels, forming stronger alliances, and consolidating terminals to gain economies of scale. Increased competition from ports in Canada, Mexico and the East and Gulf Coasts are adding to the competitive pressures.

In response to these competitive challenges, the NWSA was formed to ensure that, together, the ports of Tacoma and Seattle maintain and grow the Puget Sound gateway. As the NWSA, we are focused on ensuring that our facilities are ready to handle the bigger ships migrating into the trans-Pacific trade, and that our terminals, road and rail infrastructure can move that cargo efficiently.

The NWSA recently identified our Strategic Business Planning Initiatives that:

- Improve licensed NWSA terminal and waterway assets to meet market demand
- Enhance NWSA, local and regional transportation infrastructure
- Improve the efficiency and cost competitiveness of the supply chain
- Advance the NWSA's market position in the international shipping industry
- Increase revenue through growth and diversification
- Advance environmental stewardship

While we expect the global economy to continue its slower-than-desired recovery, we are focused on the financial health of the NWSA and continue to focus on new business opportunities that will create jobs and economic wealth for the Puget Sound gateway.

John Wolfe
Chief Executive Officer

Budget Document Overview

The Budget Document consists of these major sections:

I. Overview*:* This section provides information about the NWSA's facilities and customers. It examines the economic context of the NWSA's operating environment, and it outlines the NWSA's organizational structure.

II. Budget Message*:* This includes an overview of the budget challenges and opportunities, revenue types and expenditures. The Budget Message outlines the priorities and issues for the budget year and describes changes from the previous year.

III. Business Outlook*:* This section describes the NWSA's overall goals and strategies. It includes assumptions, potential obstacles and trends that staff used to develop the forecast. These serve as the foundation for the Operating Budget.

IV. Operating Budget*:* This section provides a summary of the assumptions that form the basis for the NWSA's operating budget. This section includes the inaugural operating budget with revenue and expenses by line of business, and details of expected operating costs.

V. Five-Year Capital Improvement Plan (CIP)*:* The CIP consists of all capitalized and expensed projects that the NWSA plans to complete in the next five years. Capitalized projects affect the NWSA's Profit and Loss statement through depreciation while expensed projects flow directly to the NWSA's net income in the year the expenses are incurred. This section provides details on the CIP including the impact of the capital spending on profitability.

VI. Environmental Stewardship: This section provides a historical context for the environmental challenges facing the two ports and their surrounding communities.

I. The Northwest Seaport Alliance Overview

Marine Cargo Operating Partnership

The Northwest Seaport Alliance (NWSA) is the first of its kind in North America.

The ports of Seattle and Tacoma joined forces in August 2015 to unify management of marine cargo facilities and business to strengthen the Puget Sound gateway and attract more marine cargo and jobs for the region.

Located in the Pacific Northwest in Washington state, the NWSA offers short U.S.-to-Asia transit times, and the infrastructure necessary to quickly move cargo to the US Midwest.

International & Domestic Trade

The NWSA is the third-largest gateway for containerized cargo in North America, focused specifically on shipping between Asia and major distribution points in the Midwest, Ohio Valley and the East Coast.

The NWSA is also a major center for bulk, breakbulk, project/heavy-lift cargoes, automobiles and trucks. The NWSA's terminals are located near the second-largest concentration of distribution centers on the West Coast.

Top international trading partners include:
- China/Hong Kong
- Japan
- Republic of Korea
- Taiwan
- Vietnam
- Thailand
- Canada
- Malaysia
- Indonesia

The value of this two-way international trade totaled more than $73 billion in 2014. Imports were $55 billion and exports were $18 billion of that total.

The Puget Sound is also a major gateway to Alaska. More than 80 percent of the total trade volume between Alaska and the lower 48 states moves through the Tacoma and Seattle harbors. Trade with Alaska was estimated at $5.4 billion in 2015. If it were ranked with the NWSA's international trading partners, Alaska would be fourth. The NWSA also provide connections to Hawaii.

Port of Seattle & Port of Tacoma

The Port of Seattle was created September 5, 1911, in an effort by citizens to ensure public ownership of the Seattle harbor. The Port of Seattle was the first autonomous municipal corporation in the United States specifically tasked to develop harbor and port facilities to encourage commerce. The Port opened Fishermen's Terminal in 1912, its first warehouse in 1915 and began working on the creation of Harbor Island.

The Port of Tacoma was created on November 5th, 1918 by the citizens of Pierce County to create job opportunities through trade, as well as in the economic development of Pierce County and the state of Washington.

The Ports' geographic boundaries lie within Pierce and King counties. They are situated on Commencement and Elliott bays in Puget Sound. Because of this strategic location, they offer efficient connections to sea, rail, highway and air transportation networks.

The NWSA ranks among the world's top 45 container gateways with some of the industry's largest container shipping lines calling the Puget Sound. Twenty-two international and four domestic shipping lines make regular service calls to the NWSA. The alliance also handles breakbulk, bulk, and auto shipping lines.

Shipping lines have been attracted to the Pacific Northwest because of its proximity to markets for trade, an experienced labor force, natural deep water, available land for expansion, excellent on-dock rail facilities and inland rail service. Rail service is provided by the BNSF Railway and the Union Pacific

Railroad. Currently, approximately 50% to 60% of the NWSA import cargo moves out via rail. Excellent highway access is provided via Interstate 5 and Interstate 90.

Through July 2015, the two ports handled about $42.4 billion of trade. Based on dollar volume, China (including Hong Kong) is the NWSA's largest trading partner. Other leading trading partners include Japan, South Korea, Taiwan and Alaska.

As the "Gateway to Alaska," the NWSA handles about $5.4 billion of domestic trade to and from Alaska. Matson, Totem Ocean Trailer Express and Alaska Marine Lines are the shipping lines serving Alaska from the NWSA. Matson also provides service to Hawaii.

The NWSA is both a landlord and an operating organization. The NWSA's maritime marketing efforts focus on attracting cargo and additional shipping lines to its facilities. The NWSA also works with charter shippers and others to move their cargoes through both NWSA and customer-operated facilities in Puget Sound.

The NWSA is also a major auto import and processing center, handling vehicles for Kia, Mazda, and Mitsubishi.

Additionally, many of the two ports' efforts are focused on industrial development and real estate. They each work to attract major manufacturing and warehouse/distribution centers to King and Pierce counties.

Pierce & King Counties

King and Pierce counties are the first and second most populous metropolitan areas in the state of Washington. The two counties represent a combined population of 2,911,895 or 41% of the population of the state of Washington.

Located about halfway between the Oregon and Canadian borders, King and Pierce counties cover 3,916 square miles.

Ports Economic Impact

In October 2014, the ports of Tacoma and Seattle announced the results of a joint economic impact study of the two seaports. The ports serve as a major economic engine for Pierce County, King County, and the state of Washington, creating thousands of family-wage jobs and serving as a catalyst for economic development.

According to the study, the two port's' marine cargo activities are related to 48,100 jobs in Washington state that contribute $4.1 billion in total income and re-spending. The two ports' cargo-handling, construction and leasing activities generate more than $379 million annually in local and state taxes in Washington.

NWSA Facilities and Services

The ports have licensed to the NWSA facilities related to maritime commerce, including facilities for containerized cargo, automobiles, logs, breakbulk cargo, heavy-lift cargo and project cargoes, as well as intermodal rail terminal operations.

The NWSA's four major waterways – two in Seattle and two in Tacoma – provide 33 ship berths on waterways that are about 51 feet deep. The NWSA facilities are located near I-5 and I-90, allowing access to the Puget Sound market and beyond.

BNSF Railway and the Union Pacific Railroad serve the NWSA's nine on-dock and near-dock intermodal rail yards. The NWSA's intermodal rail facilities help save shippers and shipping lines both time and money.

In Tacoma, Tacoma Rail, a division of Tacoma Public Utilities, provides switching and terminal rail service. Port arrival and departure tracks help ensure efficient and reliable access to the mainline railroads.

See Figures 1-1 and 1-2 for an overview of The Northwest Seaport Alliance facilities located in Seattle (North Harbor) and Tacoma (South Harbor), respectively.

NWSA Managing Members

The citizens of Pierce and King counties each elect a five-member Port Commission to govern the ports of Tacoma and Seattle. Each Commission seat is elected every four years, on a staggered basis. The NWSA is a Port Development Authority governed by the two ports as equal members, with each port acting through its elected commissioners. Each Port Commission is a Managing Member of the NWSA.

The Managing Members are the final authority for approval of the NWSA's annual budget, long-term leases, policies, long-range development plans, and all construction projects and spending in amounts exceeding the authority of the Chief Executive Officer.

The Managing Members are the two port commissions. The current members of the commissions are:

Port of Tacoma
- Connie Bacon
- Don Johnson
- Dick Marzano
- Don Meyer
- Clare Petrich

Port of Seattle
- Tom Albro
- Stephanie Bowman
- Bill Bryant
- John Creighton
- Courtney Gregoire

NWSA Managing Members Meetings

Managing Member meetings are open to the public and are held at various locations in both King and Pierce counties.

For the location and agenda for upcoming Managing Member meeting, as well as minutes for previous Managing Member meetings, you can visit the website at www.nwseaportalliance.com.

The NWSA streams all Managing Member meetings live on the website and are archived for future viewing.

Citizens may contact the Managing Members by calling 800-657-9808. Correspondence may be mailed to:

The Northwest Seaport Alliance
P.O. Box 2985
Tacoma, WA 98401-2985

Organizational Structure

The NWSA's daily operations are led by the Chief Executive Officer and the Executive Team. See the Organizational Chart Figure I-3 on page I-7).

Executive Team

The Executive Team is comprised of the CEO, 10 chief officers, and executive administrative support. The Executive Team oversees all business activities and departments, and with the Managing Members, provides long-term strategic direction. The Executive Team ensures compliance with all regulations relevant to port activities, including public meetings and information, environmental protection, labor relations, procurement, security, financial management and other issues.

Commercial Group

The Commercial Group is comprised of two businesses and their related personnel, and the Commercial Strategies Team.

Container Business: International and domestic container cargo is a core business segment for the NWSA. Container business personnel are responsible for container and terminal business development and management, and customer service. They also play an important role coordinating efforts with customers on terminal facility and operational improvements to enhance overall efficiency at the NWSA's terminals.

As one of the northernmost gateways on the U.S. West Coast, the Pacific Northwest has long been the primary hub for waterborne trade with Alaska, as well as a major gateway for trans-Pacific trade.

The gateway's on-dock and near-dock intermodal rail yards, along with international and domestic rail services to the U.S. Midwest, are key assets and are an integral part of the container business. Rail personnel support the container business and are responsible for rail service delivery at the Intermodal Yards. Relationship management with Tacoma Rail, BNSF and Union Pacific (UP) and other rail stakeholders are key functions of the rail professionals.

Non-Container Business: Comprised of breakbulk (Roll On and Roll Off also known as RoRo), bulk and auto cargos, the non-container business makes a significant contribution to revenue and further diversifies the gateway's business portfolio. Non-container personnel are responsible for business development, management and customer service for breakbulk, bulk and auto business segments.

The NWSA offers competitive rates and full service to breakbulk customers. Aside from handling agricultural and mining equipment and other rolling stock, the NWSA's South Harbor is designated as a strategic military port for transport of military cargoes.

Auto customers include Kia, Mazda, and Mitsubishi. Auto Warehousing Company (AWC), a tenant, is the largest auto processor on the US West Coast.

Exports of logs, petroleum products and molasses add to the diversified cargo mix.

Commercial Strategies Team: This team is responsible for the sales and marketing activities and customer outreach to shippers, non-vessel operating common carriers and third-party logistics providers. It also supports the goals of the Commercial Group by providing strategic market research and business intelligence, cargo volume tracking and forecasting. The CS team also manages the regional and international business. The NWSA has trade and business development representation in Alaska, New Jersey, Japan, Hong Kong, China and Korea.

Operations Group

The Operations Group is responsible for the daily operations of NWSA facilities at both ports.

The Operations group provides coordination with vessel arrivals and departures, and with the associated stevedores. The Operations group orders and manages labor at the North Intermodal Yard and other locations in Tacoma, and is also responsible for customer service. The major focus of this department is to ensure the proper processing of all vessels and freight shipments moving through the Puget Sound gateway.

The Operations Department, in conjunction with Tacoma Rail, is responsible for rail service delivery at the South Harbor intermodal yards. This department also operates the North Intermodal Yard, and is the only port on the U.S. West Coast with dedicated rail services personnel. Both harbors offer competitive rail service via BNSF Railway and the UP Railroad, and are a major gateway for handling discretionary cargo destined for the Midwest.

Support Services

Support services such as maintenance, security, facilities development and financial services are provided by service agreements between the alliance and the two ports. Costs for these services are charged by the ports to the alliance based on agreed upon methodologies including direct charge and allocation.

The Northwest Seaport Alliance governance

The NWSA is a separate governmental entity established as a Port Development Authority (PDA), similar to Public Development Authorities formed by cities and counties. The ports in 2015 successfully sought and received an amendment to Washington law RCW 53 that allows the Ports of Tacoma and Seattle to form a PDA for management of maritime activities.

The NWSA is governed by its two Managing Members. Each Managing Member will be represented by its Port Commission. Votes by the Managing Members require a simple majority from each commission.

Each port will remain a separate legal entity, independently governed by its own elected commissioners. Each port has granted to the PDA a license for the PDA's exclusive use, operation and management of certain facilities, including the collection of revenues. Ownership of the licensed facilities remains with the ports, not the PDA.

The ports remain responsible for their own debt and debt service; the PDA will not borrow funds.

The ports set up an initial 50/50 investment in the PDA; operating income and cash flow will flow back to the ports at least quarterly. The PDA will have its own annual operating budget and five-year capital investment plan.

The ports will contribute to capital construction subject to Managing Member approval; capital funding will not come from working capital.

Commitment to Fiscal Stewardship

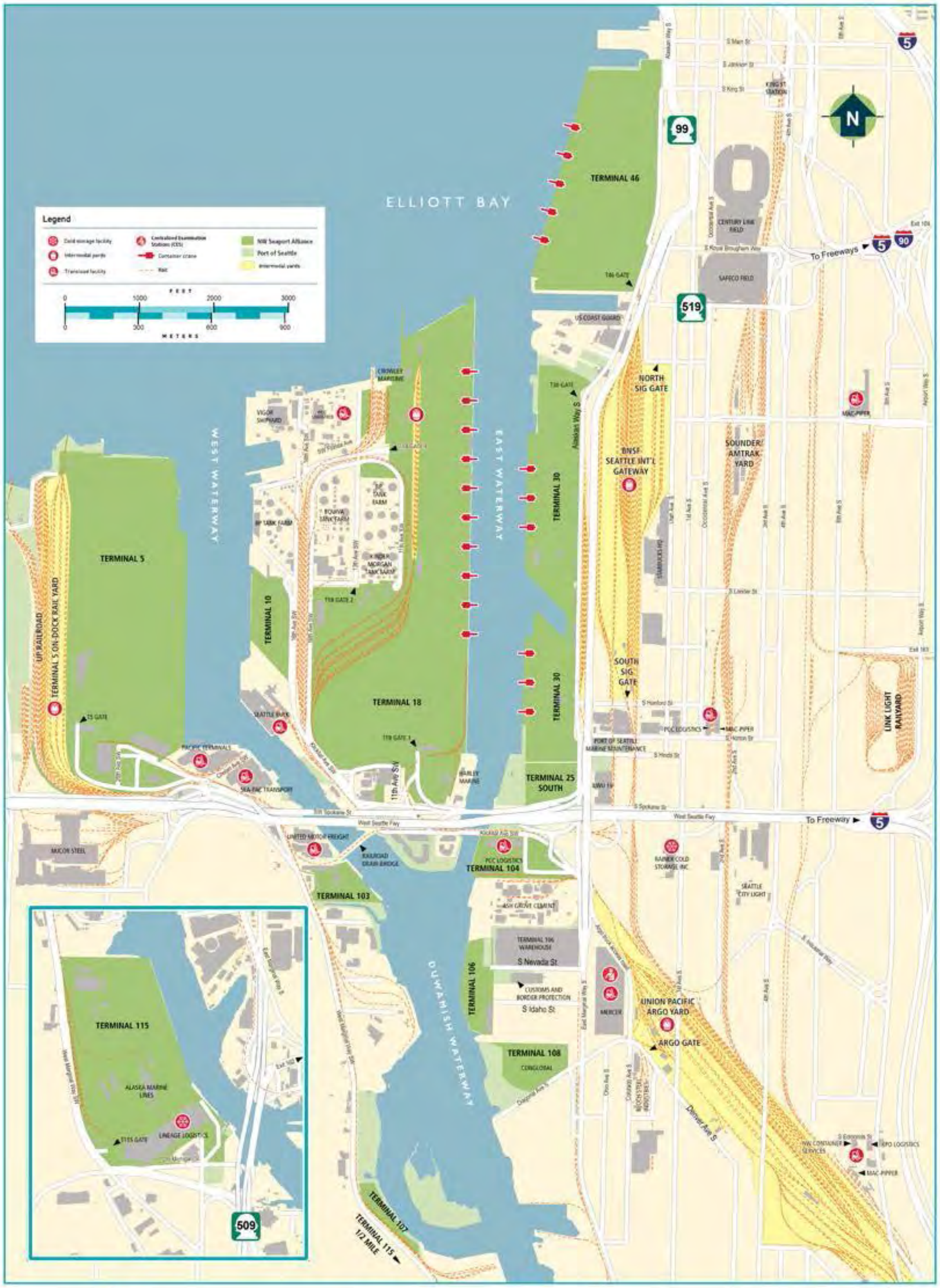
The NWSA is intended to support the credit profiles of both ports, and its financial framework will preserve both ports' commitment to financial strength and fiscal stewardship.

Both ports are strong financial partners, each with a solid track record of prudent financial management and strong financial results, including solid debt service coverage and ample liquidity balances.

The ports are committed to ensuring that existing bond pledges and covenants will not be negatively affected. Outstanding bonds will remain obligations of each individual port.

To maintain the rights of each Port's existing bondholders, the charter prohibits The NWSA from issuing debt.

Figure I-1….Northwest Seaport Alliance Facilities – North Harbor



North Harbor

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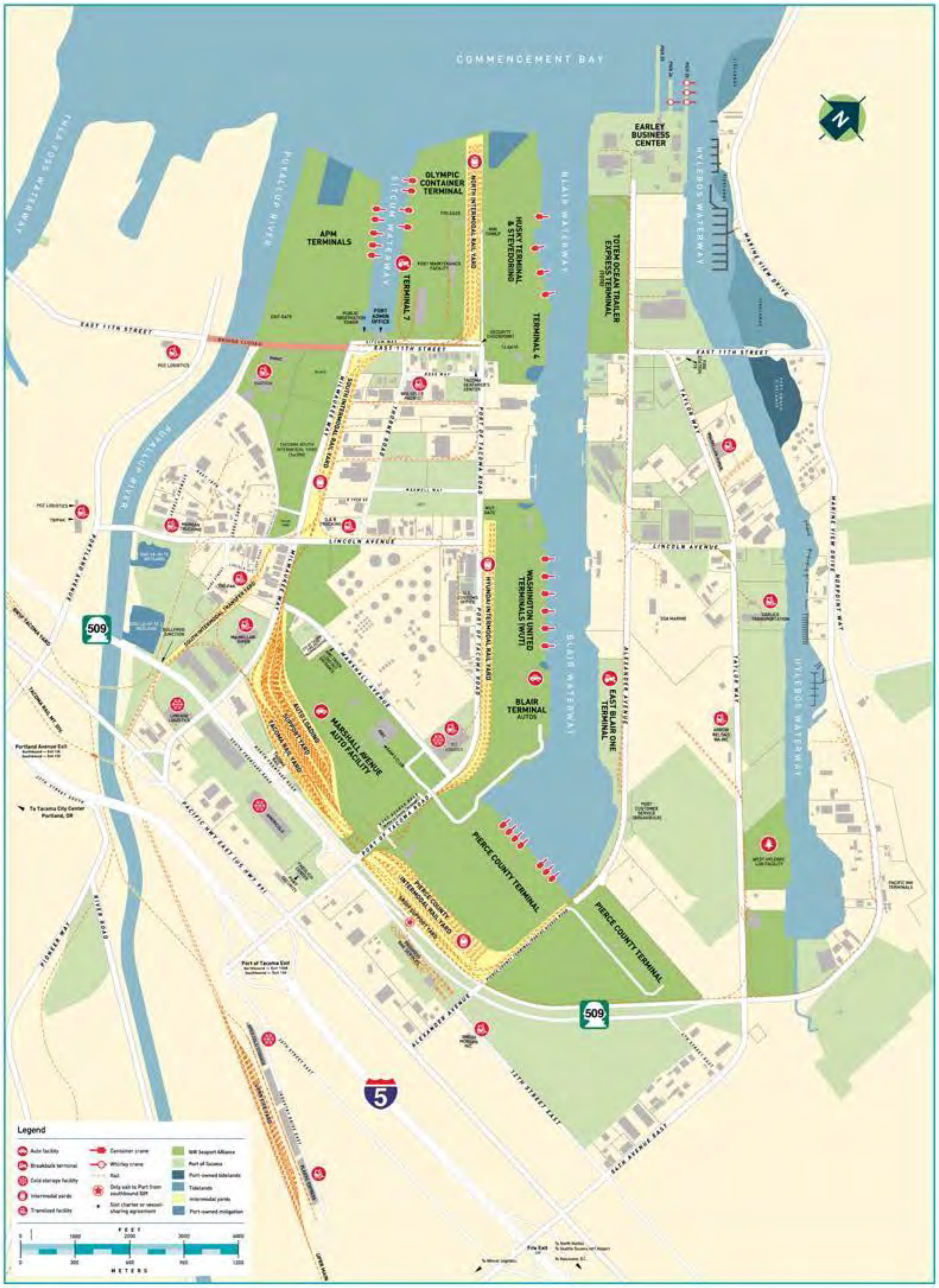
Figure I-2….Northwest Seaport Alliance Facilities – South Harbor



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South Harbor

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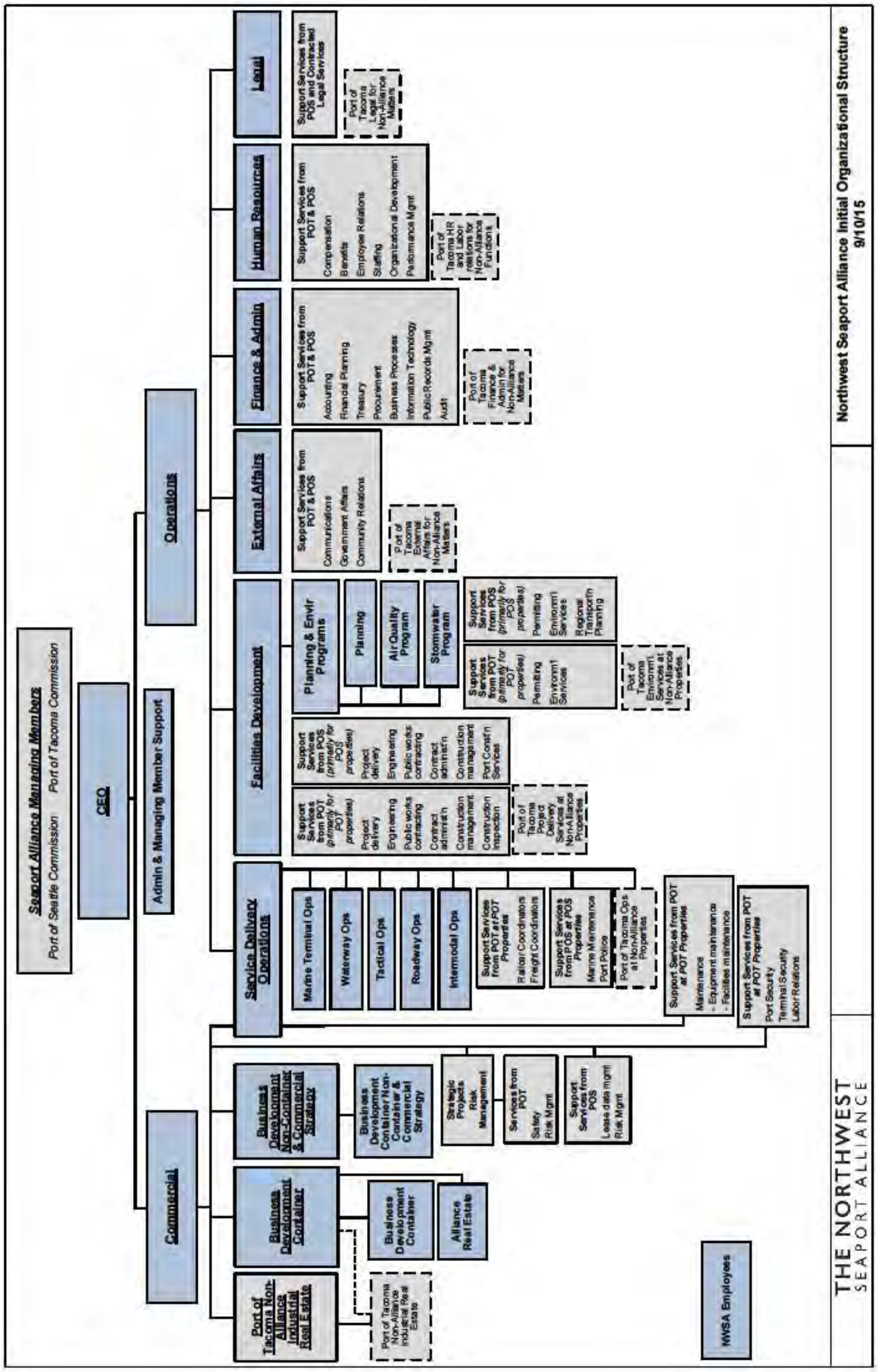
Figure I-3….The Northwest Seaport Alliance Organizational Chart



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II. 2016 The Northwest Seaport Alliance Budget Message

NWSA Goals

The NWSA has identified six commercial goals to maintain and grow the maritime business in the Puget Sound.

1. **Improve Licensed Alliance Terminal and Waterway Assets to Meet Market Demand**
   a. Redevelop the General Central Peninsula (GCP) and Pier 4 to increase container throughput and respond to container industry changes
   b. Modernization of T5 dock, berth and power infrastructure to meet future container industry demand, increase throughput, and position The Northwest Seaport Alliance gateway strategically
   c. Complete Seattle Harbor Navigation Improvement project
   d. Work with US Army Corps of Engineers (USACE) to begin a deepening project study for Tacoma waterways
   e. Facilitate collaboration between terminal operators and ocean carriers for Alliance consolidation

2. **Enhance Alliance, Local and Regional Transportation Infrastructure**
   a. Participate in partner agency planning efforts to ensure that the alliance's needs are considered and that plans support future business growth
   b. In partnership with local, state and federal stakeholders, facilitate improvement projects to vital roadways that service alliance customers
   c. Update the ports of Tacoma and Seattle's Land Use and Transportation Plans and work to maintain and improve freight mobility along the alliance's truck routes
   d. Design and develop appropriate rail support infrastructure in coordination with Tacoma Rail and the Class 1 railroads

3. **Improve Efficiency and Cost Competitiveness of the Supply Chain**
   a. Improve the efficiency, service level and cost competitiveness of the intermodal product through the PNW gateway
   b. Establish an Operations Service Center (OSC) with the mission of providing 'best in class' service delivery and customer care to our customers and stakeholders
   c. Establish an Executive Advisory Council (EAC) comprised of leaders in the shipping industry – EAC's mission will be to work collaboratively to ensure that the gateway is the easiest and most reliable for doing business

4. **Advance the Alliance's Market Position in the International Shipping Industry**
   a. Develop marketing materials and outreach programs to advance NWSA competitive position and value proposition with key customer segments
   b. Develop and implement a comprehensive business development strategy targeting international container carriers, BCOs, NVOs and other supply chain partners

5. **Increase Revenue Through Growth and Diversification**
   a. Facilitate new project cargo, breakbulk, auto and bulk business opportunities
   b. Develop and execute a comprehensive business strategy to support the Seaport Alliance's domestic container business

6. **Advance Environmental Stewardship**
   a. Partner to find innovative solutions to our customers' environmental challenges
   b. Continuously improve operational efficiency and emission reductions

Budget Environment

The NWSA operates principally in two industries: terminal services and property rentals. Terminal services involve marine-oriented services including dockage, cargo-handling, storage and related activities. Property rentals include facilities and land used for container terminals, industrial activities, and storage.

As described in further detail in Section III, the economic conditions caused by the fiscal crisis of late 2008 have had a significant impact on Asia-Pacific trade, resulting in reduced container cargo volume. The drop in volume, combined with increased competition from Canadian ports as well as ports located on the U.S. West, Gulf and East coasts, have resulted in reduced cargo through the Puget Sound gateway. Due to decreased demand for terminal space, competition among ports for container business has increased.

The ports of Seattle and Tacoma responded to these conditions by reducing costs and focusing on the needs of our current customers. NWSA staff are reviewing both harbor's physical assets to rationalize the facilities and reduce costs where possible.

Revenues

The NWSA has both fixed and variable revenue streams. The majority of NWSA's revenues come from fixed revenue streams. These revenues are primarily from leased properties. The leased properties are mainly container terminals, buildings, and industrial and commercial land. The NWSA's container terminal leases with shipping carriers can last 20 years or longer depending on carrier requirements. Building and land leases with more than one year remaining are considered fixed. Minimum crane hours and minimum intermodal lift requirements specified in certain terminal leases are considered fixed.

The balance of NWSA revenue comes from variable services provided to customers. These services include intermodal lifts for rail car loading above minimums and per unit charges for automobile unloading. Variable revenues also include equipment rental on an hourly basis for crane hours above minimums and straddle carriers used by terminal leaseholders and month to month building or land leases.

2016 Budget

The NWSA has developed an overall operating budget with projected revenue of $192.9 million. Operating income is budgeted to be $103.6 million, resulting in operating margin of 53.7%. The NWSA net income and cash flow will be distributed evenly between the two home ports and included as revenue in their financial reports.

NWSA financial performance reflects the investments it is making to successfully complete our customer commitments while meeting the NWSA financial goals. The operating and capital budgets are based on the cargo forecast in Section III.

Capital Improvement Plan Highlights

NWSA projects for the next five years reflect a focus on industrial development and utilization of existing terminal capacity. With this focus the NWSA has reviewed potential assets for revenue generation to ensure that financial and economic growth goals are met.

Major 2016 – 2020 capital projects include the following:

North Harbor
- T-46 wharf redevelopment and paving;
- T-18 maintenance dredging; and
- Removal of obsolete cranes at several terminals.

South Harbor
- Purchase of two post-Panamax cranes for Husky terminal;
- Pile cap repair at Olympic container terminal;
- Straddle carrier purchase and;
- Redevelopment of APM terminal for future business opportunities.

Both Harbors
- Clean air and stormwater investments;
- Investments in numerous environmental remediation and mitigation projects.

The NWSA's 2016 capital budget of $39.1 million represents the first year of the NWSA's 2016-2020 capital plan – a package totaling $174.5 million in new projects and investments. See Section V for additional details on the Capital Improvement Plan.

Financial Measures

Financial measures for the NWSA are being developed and have not been submitted to the Managing Members for approval. Expected measures include an indicator on return on assets as well as a cash flow measure. The NWSA measures will be created during our inaugural operating year and included in future budgets.

Legislative Impact

Transportation Funding

The NWSA relies on an efficient and well-maintained road and rail network to ensure the smooth movement of cargo to and from its facilities. The Washington Legislature in 2015 made a significant commitment to infrastructure, passing a 16-year, $16 billion statewide transportation package. An estimated $3.3 billion of those funds will be invested in projects benefiting NWSA terminals.

The NWSA continues to encourage the federal government to make comparable investments in the nation's freight network. Since the ban on Congressional earmarks in 2010, few federal investment tools have been available to ports and other local government when it comes to freight infrastructure. The NWSA supports the adoption of a national freight strategy supported by dedicated multi-modal freight funds - both formula and competitive grants. Such a program could assist the NWSA in making strategic investments in mission-critical freight infrastructure, such as marine terminals, roads and rail.

North Harbor Navigation Improvement Project

The largest container vessels calling West Coast ports today have roughly twice the capacity of those that called just five years ago. In order to remain a competitive trade gateway, the NWSA must take steps to better accommodate these larger vessels. One such step is to study whether deepening is needed in specific areas adjacent to the NWSA's container terminals in the North Harbor. While channels are mostly -51 feet or deeper, some shallower spots present navigational and safety challenges. The NWSA is partnering with the U.S. Army Corps of Engineers to study the feasibility of a potential deepening project. Should the feasibility study validate the need for deepening, a local financial match from the NWSA would be needed.

Trans-Pacific Partnership

The Trans-Pacific Partnership (TPP) is an Asian-Pacific regional trade agreement currently being negotiated among the United States and 11 other partners: Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam, Canada, Mexico and Japan. The Asia-Pacific region offers enormous economic opportunities for American businesses; the region comprises 40% of the global population, and the economies of these countries generated 55% of global GDP in 2011.

More directly, the Asia-Pacific region is the largest market in the world for U.S. exports and receives 72% of U.S. agricultural exports.

A successful TPP would open doors for increased economic engagement in Asia, a region that is already a destination for 69% of Washington goods exports and a significant portion of Washington state's services exports. In addition, many Washington retail, apparel and manufacturing companies leverage the Asia-Pacific region as a key part of their global supply chain.

The inclusion of Japan in the TPP is particularly important. The Northwest Seaport Alliance handles $16.2 billion worth of trade with Japan, making it the NWSA's second-largest international trading partner. Japan is Washington state's top services export destination and second largest goods export destination; last year goods exports increased 39% to more than $9 billion. The National Potato Council projects that exports of frozen potatoes could increase by $140 million over the next five years if Japan alone eliminated potato tariffs, and the Northwest Horticultural Council estimates elimination of the 9% tariff on cherries would provide benefits of at least $2 million over one year.

The successful completion and ratification of TPP offers the promise of additional cargo volumes and revenue to the NWSA.

Harbor Maintenance Tax

The HMT is assessed on ocean-going international imports that land at U.S. ports to pay for maintenance dredging of waterways through the HMT Trust Fund. It is not, however, assessed on importers who route cargo through non-US ports and afterwards move the cargo into U.S. markets by land. Moreover, the NWSA has received little, if any, benefit from the fund because its facilities are located on natural deep water harbors that do not require significant maintenance dredging. Since 1986 the ports of Seattle and Tacoma have sought reform of the HMT to provide a greater return to donor ports, such as the NWSA, and to ensure U.S. tax code does not disadvantage U.S. ports and maritime cargo.

The Water Resources Reform and Development Act (WRRDA) passed by Congress in 2014 included language that, for the first time in 30 years, partially reformed the federal Harbor Maintenance Tax to the betterment of Puget Sound ports. The bill allows a select group of donor ports to use HMT funds for berth maintenance and in-water environmental remediation should all the maintenance dredging needs be met in the state. The bill also authorizes up to $50 million in HMT transfers - subject to appropriation - to donor ports and energy ports. This rebate can be used for customer rebates, berth maintenance and in-water environmental remediation. The NWSA is actively working to secure this appropriation.

Conclusion

The realities of the drastic changes in the global economy have led all ports to examine business and operational strategies.

The NWSA is increasingly focused on maximizing the use of existing facilities, working with existing customers to keep them competitive and successful, and continuing to make strategic infrastructure investments that help position the gateway for long-term growth. Through coordinated investments in maritime assets, The NWSA will help ensure growth in the cargo flow through the Puget Sound.

The NWSA is placing increased emphasis on the importance of developing and strengthening relationships with labor partners, industry stakeholders, customers, and local, state and tribal governments in a collaborative effort to achieve the future vision of the NWSA. This vision must include the road and rail infrastructure that ties the whole system together.

Despite the challenging realities of today's global economy, NWSA management is confident that the plans outlined in this budget will help the gateway remain financially strong, competitive and successful.

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III Business Outlook

U.S. Economy

The U.S. economy contracted in the first quarter, although less than previously estimated, as it struggled with bad weather, a strong dollar, spending cuts in the energy sector and disruptions at West Coast ports. Growth, however, has since rebounded in the second quarter as the short-term strife from unusually heavy snowfalls and the West Coast labor contract issues have faded. Retailers reported strong sales in 2015, and employers have increased hiring. Housing is also strengthening and manufacturing activity is beginning to stabilize.

Real gross domestic product (GDP), defined as the value of the production of goods and services in the United States, expanded at a 3.9% annual pace in the third quarter of 2015 (according to the "advance" estimate released by the Bureau of Economic Analysis). In the first quarter, real GDP increased 0.6%. The second-quarter increase in real GDP mainly reflected an increase in consumer spending. Spending on both durable goods, notably motor vehicles and parts, and nondurable goods increased. Spending on services, mainly household services, also increased. Exports, state and local government spending, and residential fixed investment also contributed to the rise in real GDP. These contributions to the increase were partly offset by decreases in federal government spending, inventory investment, and business investment. In addition, imports (a subtraction in the calculation of GDP) increased.

The unemployment rate was at 5.1% in August, which is lower than 5.3% in July 2015. The labor market has been seen as a positive indicator over the past year or so, but it has slowed in recent months. While a significant improvement from the high of 10% in the depths of the recession (2009), according to U.S. Labor Department figures, job gains occurred in retail trade, health care, professional and technical services, and financial activities.

Following three straight months of gains, existing-home sales fell 4.8% in August. Despite the decline, sales have risen year-over–year for 11 consecutive months and are 6.2 percent above a year ago. The housing market is gaining steam; home resales jumped to a near 8½ year high in July, and groundbreaking on new home building reaching its highest level since 2007. The recovery in this sector is being driven by more people returning to the workforce, and economists are expecting to post a stronger second half. Another contributing factor to the anticipated strength in the second half of the year, is the Federal Reserve's decision to postpone any tightening of monetary policy. By delaying the interest rate increase, the housing sector will benefit. Nonetheless, supply is expected to remain on the tight side.

U.S. consumer confidence hit a seven-month high in August, suggesting underlying strength in the economy. The Conference Board reported its consumer index increased to 103.0 in September. A strong labor market, lower gasoline prices and an improving housing market are seen supporting consumer confidence. Retail sales bounced back in August, rising 0.2% month-over-month and 1.4% year-over-year. In August, the University of Michigan consumer-sentiment index jumped to 91.9 compared to 84.6 in the same period last year. The most recent data is pointing to a stronger consumer, and signs that the consumer is coming back after a lackluster first quarter of 2015.

Shipping Industry

The global container carrier industry remains challenging in 2015 and faces many of the same issues that have plagued the shipping industry over the last few years. Even with the global economy recovering from the financial crisis, the industry remains encumbered with debt after investing heavily in new, larger vessels during the boom years. Overcapacity, freight rates and the arrival of newer and bigger ships will continue to stretch the capabilities and profitability of ocean carriers and ports in the medium term. Traces of improvement are evident, but not significant, and the industry as a whole has yet to demonstrate the ability to sustain them.

Significant increases in fuel costs during the past decade drove global carriers into a race to build and operate the largest, most-fuel-efficient vessels in order to drive down slot costs. As a result, carriers have taken on huge debt to match the similarly sized price tags of these assets. The market has seen a significant influx of capacity as these mega vessels have come online, but demand has languished, making it difficult for carriers to sustain freight rates at a level to operate profitably. This imbalance between supply and demand will remain the driving force behind industry dynamics in 2015 and into the future.

The number of mega vessels (more than 13,300-TEU capacity) in service - which predominantly serve the major East-West trade lanes - is projected to double by the end of 2017. This segment of the global fleet will eventually account for more than 10% of global TEU capacity. Lagging demand has left few choices for carriers with growing fleets of large vessels: they simply have to work together. Carriers have generally preferred to consolidate operations through a growing number of alliances.

While carrier alliances and vessel sharing agreements are nothing new to the shipping industry, 2014 did see the first major realignment of the world's largest container carriers in many years. Alliances remain a trend in 2015.

Alliance Members

G6 – APL, Hapag-Lloyd, Hyundai Merchant Marine, Mitsui OSK Line, NYK Line, OOCL

CKYH-E – COSCO, "K" Line, Yang Ming Line, Hanjin Shipping Co., Evergreen Line

2M – Maersk Line, Mediterranean Shipping

Ocean 3 – China Shipping Container Line, CMA-CGM, United Arab Shipping Co.

Formation of these new alliances has concentrated capacity in fewer hands and allowed ocean carriers to exercise more control over available capacity on major trade lanes through coordinated changes to vessel sailings, schedules, and transit times, thereby influencing freight rates. Longer service strings with more port calls help carriers deploy excess capacity that would otherwise be running empty or delayed at great expense.

The new generation of ultra-large container ships (ULCS) is also having a ripple effect across the US port industry. As the mega-ships come into service in Asia-Europe, vessels they have replaced are slowly being redeployed, primarily to the trans-Pacific. These larger ships, with carrying capacity of between 10,000 and 14,000 TEUs, require deeper water, more berth space and additional cranes with a longer reach to work the length of the ship. The larger container volume on each ship also puts strain on landside infrastructure as terminals need more yard space for container loading and unloading, and additional backlands for container storage and operational support. Seaports across the US are engaged in major dredging and infrastructure improvement projects to accommodate the larger vessels, but port congestion could be an issue until infrastructure catches up.

The global container shipping industry will continue to face challenges financially, and there is no clear end in sight. The recent decline in fuel prices – while a welcome relief – is probably not going to relieve the industry's financial pain in the longer term. That said, many carriers are doing the right thing by shedding peripheral assets in favor of focusing on core container shipping operations. Successful carriers will likely match this focus on investment with an in-depth understanding of profitability at the trade, route, and customer levels.

Northwest Seaport Alliance Activity

Containers:

Some significant events occurred at the start of 2015 that impacted The Northwest Seaport Alliance (NWSA) volumes and are reflected in the early YTD numbers. Container volumes were down 9.3% YTD in February, largely due to port congestion issues experienced up and down the U.S. West Coast as contract negotiations between longshore labor and management took place. During this time, cargo normally destined for NWSA harbors was re-routed to other gateways. At the end of February a tentative agreement was reached, and volumes improved as the backlogs were cleared. The combination of vessels returning to normal service schedules, and manufacturer's efforts to clear excess inventory ultimately resulted in an overall 3% YTD increase in container volumes by March 2015. Volumes in the following months were relatively stable, as less congestion and efficient cargo movement supported an overall improvement in international container volumes through the Puget Sound gateway. Through July 2015, the NWSA has handled nearly 2.1 million TEUs (20-foot equivalent units), a 4% increase year-to-date.

Container volumes as a whole are projected to grow by 3% in 2015, followed by 2.1% the following year. Growth in international container volumes is expected to continue through the second half of the year, supported by additional volume from the returning G6 services, and new volume from services that had formerly called at the Port of Portland. A 3.3% growth rate is forecast for 2016, predicated on slow but continued expansion of the U.S. economy and political and economic stability among the NWSA's major trading partners. Domestic container volume, which accounts for approximately 20% of total NWSA volume, is expected to decrease 1.8% for the year, due to elimination of Horizon Line's service to Hawaii following their sale to the Pasha Group. Domestic volumes projections are supported by the nominal economic growth forecasted for Hawaii (based on tourism) and economic conditions in the U.S. and Japan. Alaska volumes are also projected to be relatively flat through 2016, due to falling state revenues from low oil prices, a decrease in construction spending, and an anticipated U.S. Army reduction of workforce.

Breakbulk:

Breakbulk cargo is comprised of commodities that are either too large or unwieldy for containerized shipment. In the case of The Northwest Seaport Alliance, this consists largely of building materials, heavy machinery, boats, and agricultural and construction equipment. For 2015, breakbulk tonnage is estimated to reach approximately 249,047 metric tons. 2016 is forecasted to reach 256,102 metric tons, a 2.8% increase from the 2015. This growth is mainly being driven by an increasing amount of import cargo coming from Japan due to the weakening yen vs. a stronger dollar.

Autos:

Auto imports for 2015 are projected to increase by 5% from 2014 to 184,281 units. Much of the increase can be attributed to an improving job market, favorable financing terms for new car buyers, combined with lower fuel prices that have encouraged buyers to replace older automobiles they've held onto during the recession. Volumes for 2016 are projected to grow by 1% to 186,124 units, with no major changes anticipated for Kia, Mazda, Mitsubishi and Isuzu/Fuzo business.

Logs:

On the NWSA's bulk side of the business, log exports have continued to decline, and are expected to finish 2015 significantly below the prior year at just over 40 million board feet. The drop in volume is primarily a result of the slowing growth of the Chinese economy, and subsequent decrease in demand for logs to use in the manufacture of concrete forms for construction in China.

Volumes for 2016 are projected to decrease by 46.2%, to just over 21 million board feet. This is predicated on the assumption that China's annual economic growth will continue to slow over the next years, and that log exports will discontinue all together by mid-year.

Molasses & Petroleum):

Both molasses and petroleum volumes are projected to remain flat through 2015 and 2016.

Petroleum is forecasted at 800,000 metric tons per year, and molasses volumes are forecasted at 44,000 metric tons per year.

Table III-1….Cargo Activity Five-Year Forecast

THE NORTHWEST SEAPORT ALLIANCE CARGO ACTIVITY 5-YEAR FORECAST

	Actual			Forecast					
	2012	2013	2014	2015 est	2016	2017	2018	2019	2020
Non-Container Forecast (Thousands of Metric Tons)									
Breakbulk	304	250	253	249	256	259	264	269	274
Autos	204	226	252	264	255	242	251	261	271
Logs	342	389	277	232	128	0	0	0	0
Petroleum	621	788	998	800	800	800	800	800	800
Molasses	75	48	50	44	44	44	44	44	44
Total Tonnage	**1,546**	**1,701**	**1,830**	**1,589**	**1,483**	**1,345**	**1,359**	**1,374**	**1,389**
		10%	8%	-13%	-7%	-9%	1%	1%	1%
Container Forecast (Thousands of TEUs)									
International	2,778	2,635	2,557	2,671	2,760	2,802	2,858	2,931	3,019
Domestic	786	821	870	863	848	856	865	873	882
Total TEUs	**3,564**	**3,456**	**3,427**	**3,534**	**3,608**	**3,658**	**3,723**	**3,804**	**3,901**
		-3%	-1%	3%	2%	1%	2%	2%	3%
Intermodal Yard Lifts									
Hyundai Intermodal Yard	91,185	158,100	157,223	141,474	145,718	147,904	150,862	154,633	159,272
North Intermodal Yard	193,511	169,185	193,772	210,589	211,046	211,046	215,030	219,092	223,234
South Intermodal Yard	82,249	83,787	94,231	94,607	98,814	103,222	107,828	112,641	117,671
Pierce County Intermodal Yard	72,815	75,293	68,870	76,524	76,754	77,905	79,463	81,450	83,079
Total Intermodal Lifts	**439,760**	**486,365**	**514,096**	**523,194**	**532,332**	**540,077**	**553,183**	**567,816**	**583,256**
* Intermodal Lifts Reported for Port of Tacoma Only		11%	6%	2%	2%	1%	2%	3%	3%
Log Board Feet	**66,405,210**	**74,340,580**	**50,502,920**	**40,171,970**	**21,600,000**	**0**	**0**	**0**	**0**
		12%	-32%	-20%	-46%	-100%			
Vehicle Units	**148,239**	**160,419**	**175,802**	**184,280**	**186,123**	**175,167**	**178,910**	**182,817**	**186,816**
		8%	10%	5%	1%	-6%	2%	2%	2%

*2015 - 2020 Forecast: Q3 2015 = 9/18/2015 (Actuals through June 2015)

IV Operating Budget

Overview

The NWSA operating budget revenue is based on cargo volume forecasts (see Table III-1, page III-4), existing terminal and property leases and contractual and tariff-generated revenue. Operating budget expenses were projected based on historical information, as well as levels of expenditures required to support the increases in revenue.

From this information, NWSA staff prepared a realistic budget that supports both the strategic priorities and financial goals of the NWSA.

Departmental budgets estimate the expenses that will be generated in support of the NWSA and its businesses. Expenses fall into one of five categories: Administration, Operations, Security, Environmental or Maintenance. Administration expenses are incurred in the day-to-day management of the NWSA. Operations, and Maintenance expenses support the day-to-day management of business activities. Security support is provided by each home port. Environmental expenses are a subset of overall environmental spending, and include clean air and clean water activities, and close coordination with each home port on compliance and monitoring activities.

Business budgets are projections of revenues earned and expenses incurred in the operation of a particular business line. In addition, the NWSA expects to receive funds from other sources including, user fees, and investment earnings.

Although capital project spending is planned within the capital budget, capital projects will impact operating budgets for future years through new sources of revenues, and increased operating expenses and depreciation costs.

Nature of Business

Washington law authorizes ports to provide and charge rents, tariffs and other fees for docks, wharves and similar harbor facilities, including associated storage and traffic-handling facilities for waterborne commerce. Ports also may provide freight and passenger terminals and transfer and storage facilities for other modes of transportation, including air, rail and motor vehicles. Finally, ports may acquire and improve lands for sale or lease for industrial or commercial purposes and may create industrial development districts.

The NWSA is a joint venture that operates with the two ports as enterprise funds, allowing the NWSA and the ports to operate in much the same manner as a private business. Operating revenues are comprised of charges to its customers to cover costs associated with the service provided and to support investment in future projects.

Balanced Budget

Based on the Government Finance Officers Association (GFOA) Recommended Budget Practices, a balanced budget "is a basic budgetary constraint intended to ensure that a government does not spend beyond its means."

The NWSA defines "balanced budget" in the following way: Total revenues are sufficient to cover operating expenses for the budget year and to offset the cost of capital investments (depreciation) and anticipated debt costs for any planned future capital investments.

Budget Process

The NWSA budget is a guideline used by management to direct strategic and tactical operations. Typically, more projects and spending are budgeted than may actually occur. This conservative approach ensures that the NWSA's financial goals are still met if business conditions support the full budgeted spending.

The NWSA operates on a calendar year budget cycle that must integrate the budget schedule needs of both home ports. The operating budget and the capital budget are the NWSA's plan for meeting the current needs of its customers, and for implementation of the strategic goals.

The annual budget development begins in August and continues through November. The process begins with the development of strategic objectives and initiatives, which are reviewed by the Managing Members and the Chief Executive Officer. The Managing Members and Chief Executive Officer communicate any strategy changes or policy concerns and gather additional input.

Cargo forecasts, available at the beginning of September, are used to develop the variable portion of the operating budget. During a study session, the managing members are presented with a draft budget.

In November, a public hearing is held by each home port to allow for public comment, and to adopt the statutory budget and approve the property tax levy for the budget year. The NWSA's operating income is split evenly between the ports and is shown as revenue to the home ports. After the home port Commission approves and adopts its statutory budget, it is submitted, with the related home port resolutions, to the respective County Councils and Assessor Treasurer offices.

Major Assumptions

Major drivers of the 2016 operating budget are a result of economic and industry trends represented in the cargo forecast.

Revenue

- Existing leases continue per existing leases and contracts
- Cargo volumes drive equipment and intermodal revenue and expenses
- Auto and breakbulk imports continue to provide revenue diversity
- Tariff rates are projected to increase 2% to 2.5%
- Property lease rental rates will increase as specified in contracts

Direct Expenses

- The NWSA has direct headcount of 54 positions Salaries are expected to increase at 2.5% growth
- Major operating expenses include removal of obsolete cranes, berth maintenance dredging, and ongoing maintenance of terminal paving and fender systems
- Depreciation for licensed assets at the time of the formation of the NWSA will remain on the books of the home ports. Depreciation of any new investments that are jointly funded will be charged against the NWSA

Allocations and home port charges

Each home port is providing services to the alliance, and some NWSA personnel are providing services back to the home ports. These services are provided either by direct charge or by allocation.

A direct charge is where a cost can be directly attributed specifically with a particular project(s) and directly assigned with a high degree of accuracy. Examples of direct charge include engineers assigning time to a specific project, maintenance staff repairing a specific asset, and security charging time to a specific event such as an auto ship discharging cargo.

An allocation is an indirect cost for common services or services that are not directly attributed to a given project. For example support staff do not complete timecards so their time cannot be directly assigned to work. Examples of allocations include the finance team providing analysis work for an investment, Information technology services providing network connectivity and laptop equipment, and the executive team providing leadership and direction.

Table IV-4 shows the total approximate value of the allocation and home port charges and services provided to the different entities.

Estimating Revenues and Expenses

The NWSA uses several different methods of projecting revenues, depending upon the nature and materiality of the revenue item and the projection period. Specific revenue projection techniques include:

- **Historical Data**: Future revenues are based on historical trends with the assumption that they will continue in the future. When using historical data as a means for projecting revenues, the NWSA analyzes as many as 10 years of data to estimate a rate of growth

- **Business Operations**: Terminal lease/rental agreements, grant agreements, and service contracts provide information for this projection method. These projections may be adjusted to reflect the probable impacts of anticipated changes in the economy, legislation and inflation
- **Judgment Estimates**: This method relies on a person knowledgeable in the field, often a department director, who prepares a revenue projection based on awareness of past and present conditions including fee changes, development plans, marketing campaigns, usage activity, frequency, volume, weight and similar determinations
- **Current Data**: This method predicts future revenue based on actual or annualized current year revenues and often is used when historical data and trends are not available, or if used, would result in an inaccurate revenue projection
- **Volume**: The NWSA uses the five-year cargo forecast to project budgeted revenues

Financial Practices

The NWSA manages its operations to maximize its financial capacity - to maintain strong cash flow to provide the necessary cash to the home ports to provide adequate home port debt service coverage ratios.

Financial Tools

- **Cargo Forecasts**: The NWSA maintains a cargo estimate for each of the next five years. (See Table III-1, page III-4)
- **Five-Year Financial Forecast**: A portion of the operating budget is driven by volumes from the cargo forecast while the majority of the revenue comes from major lease contracts. Planned revenue-generating capital projects are aligned with new revenues and expenses in the five-year operating budget. The operating budget is monitored throughout the year, noting any variances that may require corrective action. The managing members, Chief Executive Officer and Executive Team review these semi-annually
- **Five-Year Capital Improvement Plan**: This plan ties directly to the strategy developed during the budget process. Updated semi-annually, it identifies all proposed projects. Some projects are capitalized and impact future year forecasts through depreciation, while others are expensed in the current year
- **Home Port Plan of Finance**: The financial output of the NWSA will be shared evenly between the home ports and is an input into each home port's five-year plan that identifies each port's ability to fund their business objectives
- **Financial Analysis of Investments**: The NWSA reviews significant capital investments and their related assumptions prior to acceptance into the planned capital budget. Revenue-generating projects are expected to earn a return on investment that meets or exceeds the standards
- **Financial Reporting:** The NWSA creates a variety of reports available electronically or in hard copy

For additional information on accounting policies, see each home port's budget and annual financial reports.

Table IV-1….Statement of Revenue, Expenses and Change in Assets by Business

($ Thousands)	2016 Budget
Operating Revenue	
Container	$134,573
Non Container	47,731
Real Estate	10,492
Other	95
Total Revenue	**192,891**
Direct Expenses	
Container	20,413
Non Container	23,015
Real Estate	937
Other	17,520
Total Direct Expenses	**61,885**
Administrative Expenses	19,707
Security	4,410
Environmental	2,694
Total Operating Expenses before Depreciation	**88,696**
Depreciation	571
Total Operating Expense	**89,267**
Net Operating Revenue over Expenses (Income from Operations)	**$103,624**
% Revenue	53.7%
Non Operating Revenue and Expense	(50)
Net Distributable Revenue (Net Income)	**$103,574**

Table IV-2....Operating Revenue and Expense Detail

($ Thousands)	**2016 Budget**
Services Marine Terminals	$118,772
Property Rental	46,086
Equipment Rentals	17,398
Other Revenue	9,713
Sale of Utilities	922
Operating Revenue	**$192,891**
Allocations	$24,396
Maintenance	16,191
Longshore Labor & Fringe	12,417
Direct Expenses	10,216
Port Salaries & Fringe	9,144
Outside Services	7,508
Utilities	3,844
Environmental	2,063
Other Expenses	1,200
Travel & Entertainment	837
Depreciation	571
Marketing & Global Outreach	508
Office Equipment & Supplies	206
Other Employee Exp	167
Total Operating Expense	**$89,267**

Table IV-3….Statements of Revenues, Expenses and Changes in Net Position

($ Thousands)	2016 Budget
Operating Revenue	$192,891
Total Operating Expenses including depreciation	89,267
Net Operating Revenue over Expenses (Income from Operations)	**103,624**
Non Operating Revenues (Expenses)	
Interest Income	500
Other non-operating expense, net	(50)
Total non-operating expenses , net	**450**
Net Distributable Revenue (Net Income)	104,074
Uses of Cash	
Distribution to Home Ports*	(104,195)
Capital Grant Contributions	-
Increase (decrease) in net assets	**-$121**
Net Position	
Net Position beginning of year	$51,000
Net Position end of year	$50,879

* Per Charter Section 5.3 and Charter definition 1.1(p)

Table IV-4….Summary of Allocations and Direct Charges

	$ million
NWSA to Port of Tacoma	1.5
NWSA to Port of Seattle	0.2
Port of Tacoma to NWSA	30.5
Port of Seattle to NWSA	10.3

V NWSA Capital Improvement Plan

Overview

The Northwest Seaport Alliance invests in projects to increase the capacity, extend the life or improve the safety or efficiency of alliance-managed property and equipment.

The five-year Capital Improvement Plan (CIP) identifies all projects planned or underway. The CIP provides a mechanism for tracking and managing project budgets and cash flows for five years into the future. Table V-1 shows planned spending on capitalized projects for the five-year time frame. Projects are associated with a program that fall under one of the businesses or under a category called "Infrastructure."

Although funds for a project are included in the CIP, the project is not automatically authorized to proceed. Each project is reviewed and approved individually by the alliance Managing Members and must have the necessary permitting before proceeding.

To achieve its goals, the alliance continues to invest in revenue-generating capital projects that support its businesses. Although the home ports are responsible for the general infrastructure in each respective county, the alliance may also will invest in infrastructure projects that support the NWSA's maritime business, as well as increasing rail and road transit of cargo within boundaries between ports of Seattle and Tacoma. Often, these infrastructure projects are expensed versus capitalized due to accounting requirements.

In addition, environmental projects are planned for meeting or maintaining regulatory requirements, including the development of mitigation and remediation projects. Projects may be expensed or capitalized according to accounting rules.

Summary of Major Projects

The five-year capital budget focuses on the following strategic and maintenance projects:

Strategic investments:

- Design of major terminal improvements at T4 and T5 in preparation for redevelopment
- Rehabilitation of the T-46 dock
- Upgrade to T-46 utilities and electrical
- Purchase two Super Post Panamax container cranes for the general central peninsula
- Redevelop APM terminal for diverse business

Maintenance Investments

- Pier 7D pile cap repairs
- Purchase four replacement straddle carriers for the general central peninsula
- Maintenance and rehabilitation of Port assets

The alliance has a strong commitment to the protection and improvement of the environment. Examples of this commitment include the Clean Truck Program, the Northwest Ports Clean Air Strategy, and significant investment in stormwater improvements.

Strategic development efforts focus on serving existing customers, attracting new customers and building a diverse, dynamic and resilient business base.

Table V-1….Planned Capitalized Project Spending

($ Millions)	2016	2017	2018	2019	2020
Planned Capital	27.0	43.8	17.8	21.7	7.4
Grand Total	**$27.0**	**$43.8**	**$17.8**	**$21.7**	**$7.4**

Capital Improvement Plan Priorities

To efficiently allocate human and financial resources, the alliance uses a capital project prioritization methodology. For internal management, the alliance uses two categories:

- **Open**: These are ongoing projects or projects ready to move forward that have customer commitment or a high degree of certainty. Only open projects are included in the budget.
- **Estimate**: These are projects based on an identified business need or opportunity, but have not been fully developed in scope and cost.

Capital Improvement Plan Projects by Purpose

While the stage of the planning process determines the budgetary category of a particular project, project purpose determines the source of financing. The alliance classifies CIP projects into three types, (as shown below in Table V-2):

- **Revenue-Generating**: Projects developed for a specific customer that will result in a new revenue stream. The NWSA has designated Port-generated operating cash and revenue bonds to fund most of these projects.
- **Revenue Renewal**: Projects developed to renovate or replace obsolete or aging revenue-producing assets. These projects serve to extend existing revenue streams and may offer additional revenue if replacements enhance the efficiencies of operations or offer additional capabilities or value. The ports have designated port-generated operating cash or revenue bonds to fund most of these projects and also may use capital leasing through equipment suppliers or financial institutions.
- **Infrastructure**: Projects developed to enhance infrastructure, support multiple or future customers or to enhance public infrastructure. Sometimes, other public agencies may participate in funding that otherwise comes from port-generated operating cash, the property tax levy, and general obligation bonds or revenue bonds. They often are complex in nature, with multiple public agencies involved in the planning process and execution.

Table V-3 shows Open (excludes estimate) project expenditures during the five-year planning horizon as categorized by accounting treatment.

Accounting rules require some spending to be capitalized and depreciated over time, while other spending is expensed as incurred.

Table V-3 shows that the NWSA intends to implement $174.5 million worth of planned projects in the next five years, with $39.1 million of that total earmarked for 2016. Non-operating and operating projects will be expensed as incurred and are included in the operating budget.

Table V-4 shows the five-year budget by Line of Business

Table V-5 shows the expected increase in depreciation and revenue from time when all of the projects are completed. The CIP is the total expected spending of 62 projects, 37 of which are capitalized and 25 expensed as incurred. The expensed projects are captured as expenses in the budget and five-year Plan of Finance as incurred. The costs of the capitalized projects are captured as depreciation expense over the estimated life of the projects which may extend beyond five years. The alliance does not expect any significant increase in operating expenses associated with the additional capital projects.

Table V-2….Five-Year Planned Capital Improvement Plan by Purpose

($ Millions)

	2016	2017	2018	2019	2020	Totals
Infrastructure	$6.7	$5.6	$4.8	$4.8	$4.7	$26.5
Renewal	30.0	51.5	33.1	22.5	8.4	145.5
Revenue	2.5	0.0	0.0	0.0	0.0	2.5
Grand Total	**$39.1**	**$57.1**	**$37.9**	**$27.3**	**$13.0**	**$174.5**

Table V-3….Five-Year Planned Capital Improvement Plan by Accounting Treatment

($ Millions)

	2016	2017	2018	2019	2020	Totals
Capitalized	27.0	43.8	17.8	21.7	7.4	117.6
Operating Expense	12.2	13.3	20.1	5.6	5.6	56.9
Grand Total	**$39.1**	**$57.1**	**$37.9**	**$27.3**	**$13.0**	**$174.5**

Table V-4….Planned Major Projects by Line of Business

($ Millions)

	2016	2017	2018	2019	2020	Total
Container Business	$30.4	$49.8	$31.0	$17.6	$2.1	$130.9
Non Container Business	1.7	0.3	0.7	3.4	4.7	10.8
Port-Wide Infrastructure	7.0	7.1	6.3	6.3	6.2	33
Grand Total	**$39.1**	**$57.1**	**$37.9**	**$27.3**	**$13.0**	**$174.5**

Table V-5….Net Income Impact of Capitalized Projects

($ Millions)

	2016	2017	2018	2019	2020	Total
Container Business	-$0.5	-$1.7	-$3.7	-$3.7	-$4.9	-$14.6
Non Container Business	0.0	-0.1	-0.1	-0.1	-0.1	-0.3
Real Estate	0.0	0.0	0.0	0.0	0.0	-0.1
Port-Wide Infrastructure	0.0	-0.5	-0.5	-0.5	-0.5	-2.0
Grand Total	**-$0.6**	**-$2.3**	**-$4.3**	**-$4.3**	**-$5.5**	**-$17.0**

Capital Budget Project Descriptions

The NWSA's five-year CIP has been categorized on a business basis, as shown in Figure V-1. The following section provides details of major planned improvements within each business and only includes major projects and equipment.

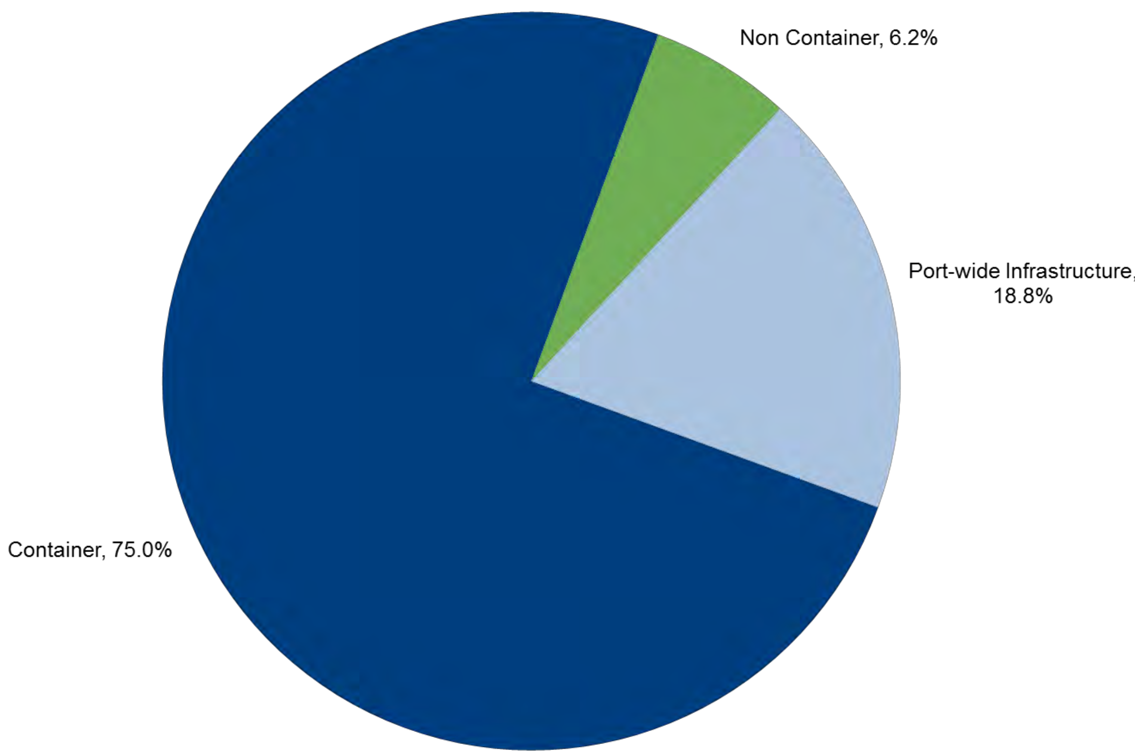
Container Terminals Business

Planned capital expenditures for container terminals will total approximately $130.9 million over the next five years. The CIP for this business will provide the funds necessary for T46 dock rehabilitation, including design and construction; acquire container cranes and straddle carriers for the South Harbor's Central Peninsula, OCT pile caps repair; and paving repairs and fender replacments.

Non-Container Business

Approximately $10.8 million will be spent on redevelopment facility for breakbulk business and environmental cap repairs.

Figure V-1….Five-Year Planned Capital Budget by Business



Port-Wide Infrastructure

This section includes capital expenditures that are not specific to a single business, and are in support of the alliance's infrastructure or environmental improvements.

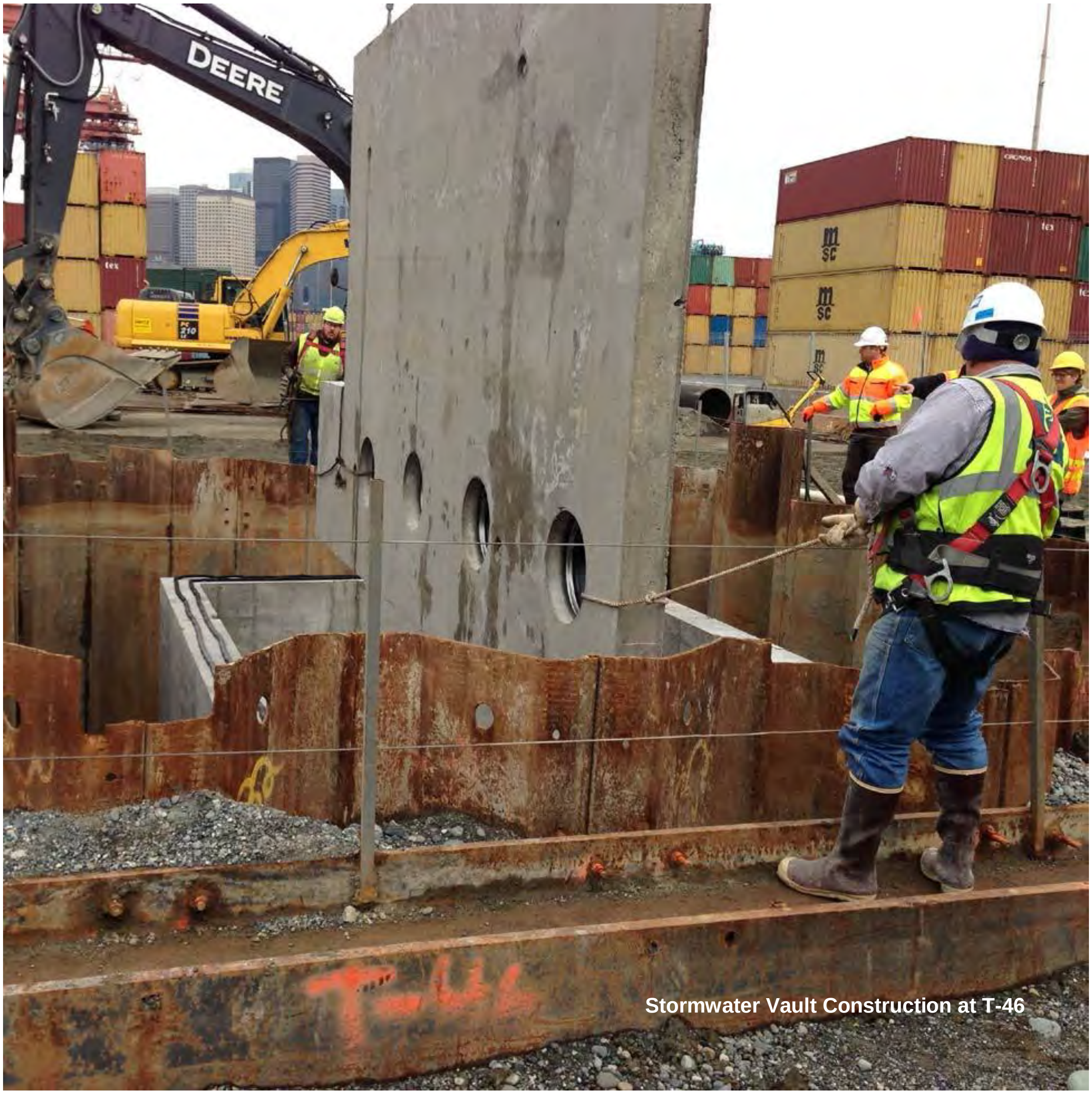
- Environmental Programs: These projects include reduction and monitoring of emissions, and ongoing cleanup projects. This also includes the Clean Truck Program, which helps defer the cost of replacing older trucks with cleaner new trucks.

- Technology: The alliance is investing in an operations service center that will allow customers and cargo owners to track their cargo as it moves through the gateway.

Capital Improvement Plan Revisions

The CIP is an integral part of the budget planning process and is reviewed and revised semi-annually. Adjustments in amount and timing are made as required to meet changes in customer or infrastructure requirements.

The alliance maintains sufficient cash reserves to meet the CIP requirements, as well as any unexpected capital requirements, without adversely affecting the ongoing operations of both ports.



Stormwater Vault Construction at T-46

VI Environmental Stewardship

Environmental stewardship is a high priority of the NWSA. In 2016, the NWSA plans to focus its environmental efforts, in addition to the two home ports of Seattle and Tacoma, on water and air quality, as the bulk of that work will reside on NWSA licensed properties.

Water Quality Program

Industrial Stormwater Management Program

The NWSA partnership provides the framework to create an industrial stormwater management program that will establish a collaborative working group consisting of customers, agencies and environmental organizations in both north and south harbors. The goal of the Stormwater Workgroup is to establish a forum to discuss emerging stormwater issues, common problems and solutions and provide stormwater compliance technical assistance to our customers. Staff will engage on an extensive stakeholder outreach program that will include customers, regulators and the neighboring communities.

The Stormwater Workgroup will be divided into sub-groups to provide site-specific assistance to tenants/customers so they can benefit from cost-effective stormwater pollution control approaches.

Research and Develop Cost-Effective Means to Manage Stormwater

The NWSA will continue previous work instituted by the separate ports. The NWSA will implement innovative cost-effective treatment methods in the field in an effort to focus in on stormwater Best Management Practices (BMPs). This includes conducting pilot studies of new and existing treatment infrastructure to develop demonstrated designs of cost-effective stormwater treatment devices that can be shared with tenants and customers.

Source Control

Controlling pollutants at or near the source is the most cost effective way of reducing impacted stormwater runoff, managing the risk of costly corrective actions for treatment, and reducing the cost of operations and maintenance of installed stormwater treatment systems.

<u>North Harbor Focus</u>

Most North Harbor tenants have installed or are installing stormwater treatment at their facilities. The challenge going forward will be to reduce the cost of operating and maintaining these systems and, if possible, prevent or eliminate the need for stormwater treatment in selected areas. The Stormwater Workgroup will focus on establishing relationships with tenants/customers and work with them to implement at-source and near-source BMPs with these goals in mind.

<u>South Harbor Focus</u>

Most South Harbor tenants have reached consistent attainment or are currently meeting benchmarks for water quality sampling under the Industrial Stormwater General Permit. The Stormwater Workgroup will continue to work with tenants/customers to implement at-source and near-source BMPs to ensure continued compliance, and to focus on tenants/customers that may face challenges to meet water quality criteria.

Infrastructure Assessment Program

The NWSA Infrastructure Assessment Program will facilitate the ongoing assessment of the stormwater system and the work needed to ensure its proper function. North Harbor will use Stormwater Utility funds from the home port to begin the assessment and, later, rehabilitation of the system.

Stormwater Development/Redevelopment

Coordination with home port MS4 programs will ensure site-specific stormwater requirements are met. This includes the design of appropriate treatment systems and/or system selection based on proposed land use and typical discharges associated with site-specific activities. Projects include redevelopment of terminals in both harbors. The Port of Tacoma's Stormwater Management Guidance Manual provides specific guidance for development and redevelopment projects, which will accomplish the MS4 requirement for both harbors.

Projects

Multiple tenant assistance projects at both harbors will include installing downspout treatment boxes, infrastructure assessments to identify potential deficiencies, and source control site visits to assist tenants/customers that are permittees under the Industrial Stormwater General Permit.

North Harbor Projects

Redevelopment of Terminal 5 is underway. As part of those efforts the NWSA will focus on cost-effective stormwater treatment solutions as the facility is updated in partnership with a long-term customer. The focus for this project will be to set up both the NWSA and the new tenant for stormwater success.

South Harbor Projects

Stormwater treatment will be upgraded as required as part of the reconfiguration of Pier 4 to ensure the terminal has the stormwater infrastructure needed to continue to operate successfully. In the South Harbor a retrofit of an existing oil-water separator and a proprietary water quality vault into media filtration treatment at the EB-1 terminal will also occur.

Air Quality Program

Northwest Ports Clean Air Strategy

The Northwest Ports Clean Air Strategy (NWPCAS) was developed in 2007 and updated in 2013 as a collaborative effort among Port Metro Vancouver (Canada), the Port of Seattle, and the Port of Tacoma to reduce air emissions from shipping and port-related activities. The NWPCAS includes goals to reduce emissions of diesel particulate matter and greenhouse gases, and establishes performance targets for various maritime sectors.

In 2015, port staff began the task of scoping and consolidating cargo-related air quality programs that will now be managed by the NWSA. The 2016 NWSA Strategic Business Plan calls for implementing the NWPCAS and identifies specific measures to achieve that. NWSA staff will continue ongoing collaboration with NWPCAS partners to share information, conduct joint projects and publish annual progress reports to the community. Staff will also integrate port-specific fuel efficiency plans into an NWSA plan, and will assist terminals in updating their fuel efficiency plans. Lastly, the NWSA will seek opportunities to partner with customers and other stakeholders on grant-funded emission reduction projects and pilot studies.

Puget Sound Maritime Air Emissions Inventory

In 2005 and 2011, the partners in the Puget Sound Maritime Air Forum, consisting of the ports of Tacoma, Seattle, Anacortes, Everett and Olympia; along with Washington State Ferries, Puget Sound Clean Air Agency, Western States Petroleum Association, Pacific Merchant Shipping Association, and others, collaborated on the development of a Puget Sound Maritime Air Emissions Inventory. The 2005 inventory formed the basis of the Northwest Ports Clean Air Strategy. The 2011 future inventories are used to assess progress in meeting the NWPCAS goals and performance measures. The next inventory will be based on emissions in calendar year 2016. Project planning and contracting will take place in 2016, with data collection and reporting occurring in 2017. As the largest port authority in the Puget Sound Maritime Air Forum, the NWSA will manage the 2016 inventory.

Clean Truck Program

The ports of Seattle and Tacoma have had separate Clean Truck Programs since 2008, when the NWPCAS was adopted by the respective port Commissions. The NWPCAS includes a target for reducing air emissions from trucks serving marine terminals by the end of 2017.

Planning to align the two ports' initiatives into a unified NWSA Clean Truck Program began in 2015. In 2016, NWSA staff will align the programs with the goal of minimizing impacts on stakeholders, minimizing duplication, consolidating outreach and recordkeeping, and launching an NWSA truck scrapping/replacement project upon closeout of a similar Port of Seattle program.

The NWSA will provide matching funds for a drayage truck project in 2016-2017, to be managed by the Puget Sound Clean Air Agency and funded primarily by a U.S. Department of Transportation Congestion Mitigation and Air Quality grant. It will provide incentives for 115 trucks to be scrapped and replaced with cleaner models.

In 2015, the Port of Tacoma launched a pilot project under the U. S. Department of Transportation Freight Advanced Traveler Information Systems (FRATIS) program. Its purpose is to provide trucking stakeholders with real-time traffic information, which has the potential to shorten cargo pick-up and delivery queues. Work will be done in collaboration with the NWSA Operations Center and will support its key performance indicators related to truck turn times. Project activities occurring in 2016 will be managed by the NWSA.

Ocean-Going Vessel Recognition Program

The NWPCAS has several performance targets aimed at ocean-going vessels. These include: tracking vessel characteristics such as engine type, fuel type, use of emission control technologies, and use of shore power; and encouraging vessels to participate in certification programs that promote continuous improvement that exceeds regulatory requirements. To achieve these measures, the NWSA staff will evaluate options to develop a recognition program in 2016 for shipping companies. A program such as this may be patterned after the Port of Seattle Green Gateway Partner Award program and be designed in concert with the Port of Tacoma Summit Award.

Green Marine Membership

Green Marine is a maritime environmental organization that offers a certification program for the North American marine industry. To receive certification, members benchmark their environmental performance each year and have bi-annual verification of results. The Port of Seattle has been a member of Green Marine since 2013 and the Port of Tacoma has also considered joining. Green Marine could help the NWSA develop performance targets for ocean-going vessel, harbor vessel and port administration elements of the NWPCAS. The 2016 Strategic Plan calls for a thorough evaluation of the Green Marine Ports sustainability certification.

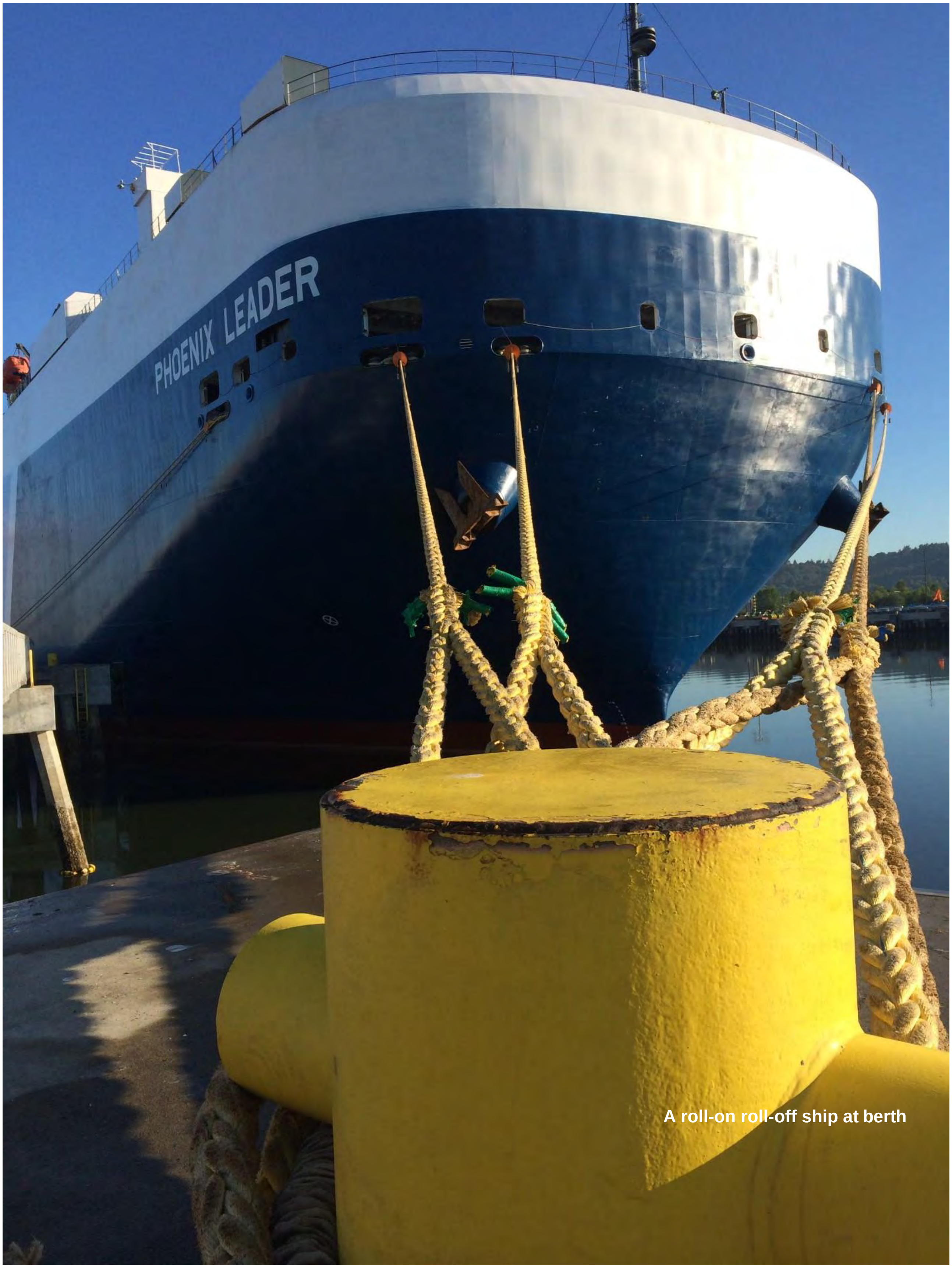
Ship to Shore Power Expansion

Both the ports of Tacoma and Seattle have provided shore power at some berths. The NWSA will continue to look for additional opportunities to leverage public and private funding for additional shore power installations, and ensure terminal designs include shore power capability. This is consistent with the NWSA Strategic Plan and Northwest Ports Clean Air Strategy to reduce particulate emissions.

Port of Tacoma Locomotive Repower Project

In January of 2014 the Port of Tacoma partnered with Tacoma Rail and received a $600,000 grant from the U.S. Environmental Protection Agency to repower/replace a 1958-era switching locomotive that operates in the south harbor.

Total project costs are estimated at $2,077,484 including the Port's in-kind contribution of $30,000 and Tacoma Rail's grant match of $1,475,535. The project is expected to be complete by early 2016.



A roll-on roll-off ship at berth

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APPENDIX A: BUDGET POLICY, PROCESS AND CALENDAR

1. OPERATING BUDGET

a. Budget Policy:

The Port established a budget policy to provide systematic planning as part of the management performance and control. The purpose of this policy is to allow the capability to forecast realizable financial results over definite periods of time. This is accomplished through planning and coordination of the various complex operations and functions of the Port, through systematic communication and the use of the Port's financial control and management information system.

The Operating Budget is viewed as year one of the business plans and as such, it is an essential component of the management planning and control process. It quantifies business groups and departmental plans for future periods in strategic, operational and monetary terms. This facilitates coordination of plans between divisions/departments and provides a basis for control once the plan is in effect.

Various inputs to the budget planning process are required for it to be meaningful, including forecast of economic trends and business activity levels. Above all, goals, objectives, programs, action plans and performance measures are defined and reviewed annually for consistency and support of the Port's overall mission.

The budget plan is based on assumptions about the success of marketing efforts, demand for services, and the cost, availability and need for people and materials. The budget process provides continual feedback which compares not only actual performance to the plan but also the validity of the assumptions on which the plan was based.

The Operating Budget is a management tool for controlling and analyzing each area of responsibility. Budgeting, as well as the recording of actual costs, is done on an Org basis. An Org is a distinct functional and physical unit. Its performance responsibility can be assigned to one person. There are over 200 Orgs at the Port. Each Org has a budget. The person assigned to each of these Org budget is responsible for the operating costs of that Org. Budgeting is done on a line-item basis for Revenues and Operating & Maintenance Expenses.

Allocated and/or indirect expenses are not budgeted for by the recipient Org. These are costs that are allocated to business groups/unit from service providers. Allocated costs are general support costs that cannot be directly attributed to a business unit, but instead support the entire Port. Costs can come from within the division (intra-division allocation) or from outside the division (inter-department allocation).

Department Directors are responsible for preparing the operating budget for their areas of responsibility, subject to review and approval by several levels within the organization. Orgs can be combined to analyze and report on budgets by functional or business units. Port management needs current, timely and accurate information to make informed decisions. The objective of the budget process is to provide resource allocation, accountabilities, performance, and control to enhance effective management.

In addition to providing the business plan for the organization, this process results in a method of comparing actual financial results with the approved budget plan. The appropriateness of the pricing structure or the effects of changes in costs or activity can be observed. This approach gives management the flexibility to evaluate the performance of a particular activity. The Budget Report (a comparison of the proposed budget to the current year's budget and last year's actual) and the Responsibility Report (a comparison of actual results to budget) can advise a manager if things are not going as expected, whether strategies are being accomplished, and also give him/her clues as to what might be wrong. The function of controlling and managing the operations of the Port is accomplished with the Operating Budget.

The 2016 budget process included several Commission briefings by the operating divisions and corporate departments during the year to update the Commission on key issues facing the business groups and to solicit input into overall strategies and objectives. The divisions updated the Commission on each business unit with background information, discussed capital and operating plans and dialogue on major policy issues.

Divisions fine-tuned their business plans based on Commission input and put together budgets based on revised business plans.

Key events included budget planning meetings by the Executive Management team, the issuance of the budget guidelines/instructions and budget calendar to divisions, training of budget users on usage of the budget system, actual preparation of the budget by divisions and departments, and internal budget reviews, which included in-depth discussion of revenue and expense assumptions, new programs, initiatives, or other proposed increases in revenue and expenses, reviews and approvals by the Executive Management and Commissioners, and release of the updated proposed budget to the Port Commission and public stakeholders.

Budget staff responded to inquiries of commission and interested stakeholders during commission budget workshops, first and second reading and adoption of the budget after the public hearings.

In addition to the Operating Performance Budget as stated above, the budget staff prepares the Statutory Budget as defined in RCW 53.35.010 to show "estimated expenditures and the anticipated available funds from which all expenditures are paid." Being a cash budget, the Statutory Budget establishes the level of the Port's property tax levy and sets upper limits of expenditures, and is not used as an Operating Performance Budget.

b. <u>Budget Adoption:</u>

The budget is provided to the Port Commission and must be made available to the general public as required by law - RCW 53.35.010 and RCW 53.35.045. A Public Hearing in the First Budget Reading is held before the Second Reading and Final Passage of Budget, at which time the Port Commission will make final recommendations and adopt the budget. An announcement of the public hearing is made in the DAILY JOURNAL OF COMMERCE newspaper and copies of the preliminary budget is made available for distribution to any interested persons by a specified date as required by law - RCW 53.35.020 and RCW 53.35.045.

Subsequent to the public hearing and Commission adoption of a final plan, the statutory budget and resolution is then filed with the King County Council and King County Assessor as required by law, by a specified date as allowed by RCW 53.35.045.

c. <u>Monitoring of Budget:</u>

Once an annual budget is in place, the Responsibility Report (comparing actual results to budget) is generated monthly and variances from budget are analyzed and reported on a monthly basis, and more extensively each quarter, to determine if corrective action is needed. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into the quarterly Performance/Variance Report. The Performance/Variance Report is a report in narrative format explaining the reasons or causes of variances between actual revenues and expenses versus budgeted amounts on a quarterly basis. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. This report provides explanation of variances from the approved plan and presented quarterly to Executive Management and the Commission in public meetings. This allows Executive Management and the Commission to make timely and well-informed decisions.

d. Amending the Operating and Capital Budgets:

The Chief Executive Officer of the Port of Seattle is authorized "Within Budget Limits" to transfer budgeted amounts between departments; however, any revisions that alter the total expenses Port-wide that are not within the Chief Executive Officer Authorized Budget Limits require authorization from the Port Commission.

As per Resolution 3605, as amended, the Port Commission has adopted policy directives delegating administrative authority to the Chief Executive Officer for the purpose of day-to-day management and administration of the Port and as stated in sections 20.2.1 and 20.2.2 of said resolution:

20.2.1. "Annually Approved Capital Budget" means the list of capital projects (including small works projects) and the projected total dollar amount of upcoming budget-year spending associated with those projects which is presented to, and reviewed by, the Commission as part of the budget review process (i.e., the first year of the Capital Improvement Plan), or as subsequently amended by the Commission during the budget year.

20.2.2. "Annual Operating Budget" means the budgeted operating and non-operating revenues and expenses reviewed and approved by the Commission as part of the budget process, or as subsequently amended by the Commission during the budget year.

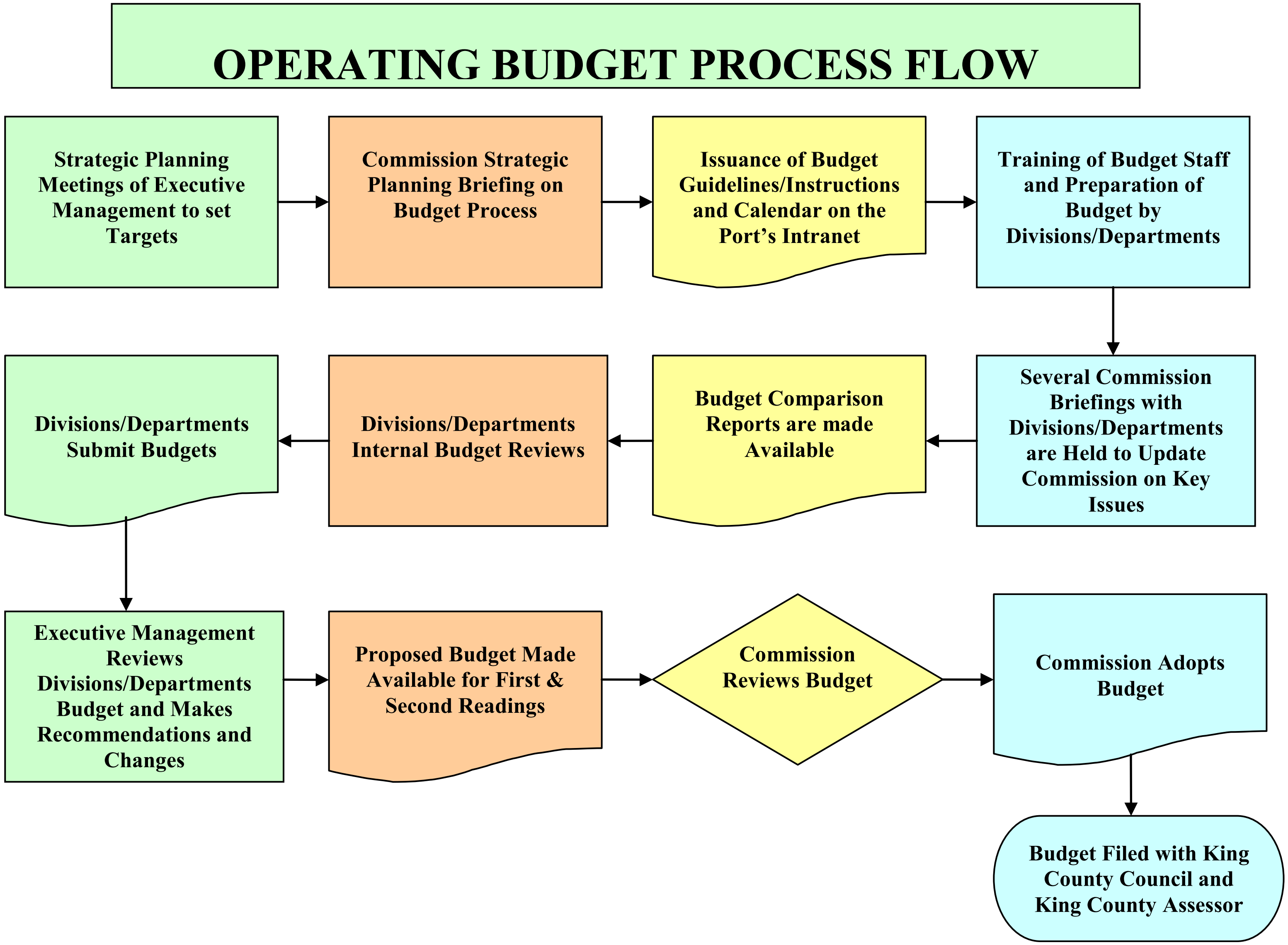
e. Operating Budget Process:

The steps in the 2016 operating budget process are as follows:

- Budget planning meetings of Executive Management to set 2016 operating targets.
- Commission strategic and business planning briefing.
- Training of budget users from the various divisions on the use of the budget system.
- Commission briefing on budget process and key assumptions.
- Issuance of budget guidelines/instructions and budget calendar on the Port's intranet.
- For the operating divisions, targets are developed based on the divisions' business plan forecast.
- For Corporate, initial targets are based on a bottom-up assessment of needed resources to accomplish Port wide strategy/actions plans.
- Several Commission briefings by the operating divisions and Corporate are held during the year to update the Commission on key issues facing the business groups/departments and to solicit input into any changes in strategy.
- Budget system available for input.
- Actual preparation of the budget by divisions/departments.
- Costs of service departments are charged/allocated to operating divisions and the NWSA according to policy and Service Agreement.
- Corporate Finance and Budget generates budget comparison report, which compares the proposed budget to the current year's budget and last year's actual, and also produces the current year's Forecast Report.
- Divisions/departments complete their detailed budgets and are reviewed internally by their senior managers and finance and budget staff. These reviews include in-depth discussion of revenue and expense assumptions, new programs, initiatives, or other proposed increases in revenue, expenses as well as operational needs.
- Divisions/departments budgets are submitted to Corporate Finance and Budget and then reviewed against targets by Executive Team.

- Executive Team makes recommendations and changes, which are incorporated into divisions and departments budgets.
- Several Commission budget briefings are held on divisions/departments capital budget, operating budget, and Draft Plan of Finance.
- All budget issues are resolved and changes are entered and made into the budget system.
- Corporate Finance and Budget staff generates various reports and ascertains that all approved changes are incorporated into the budget and reports are accurate.
- Corporate Finance and Budget prepares preliminary budget document and releases proposed budget to the Port Commission and to the public on October 22, 2015.
- The First Reading and Public Hearing of the budget on November 10, 2015.
- The Second Reading, Final Passage and Adoption of the 2015 budget on November 24, 2015 at which time the Port Commission makes final recommendations and adopts the budget.
- Statutory Budget is filed with King County Council and the King County Assessor as required by law on December 2, 2015.
- Corporate Finance and Budget staff prepares and releases the final budget document to reflect Commission recommendations.
- Corporate Finance and Budget staff sets commitment control for Corporate departments and operating divisions.

FIGURE A-1: OPERATING BUDGET PROCESS FLOW CHART



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f. Operating Budget Planning Calendar:

Date	Activity
04/10/15	Executive Team Budget Planning Discussion
05/12/15	Commission Briefing on 2016 Business Plan and Budget Process
05/26/15	Aviation Business Plan Commission Briefing/Discussion
07/09/15	Maritime Business Plan Commission Briefing/Discussion
07/27/15	Budget System Available for Input
07/29 - 8/10/15	Budget User Training
07/27 - 10/13/15	Preparation of budget by divisions/departments
08/03/15	Budget Guidelines/Instructions and calendar available on the Port's Intranet
08/03/15	Allocation templates available for review
08/13 - 8/20/15	Budget Staff conducts Budget Workshops to assist budget personnel with budget data entry
08/17 - 9/25/15	Aviation, Maritime and Economic Development Internal Budget Reviews
08/28/15	Corporate Departments Final Entry and Budget Support Documentation due to Corporate Finance and Budget
09/03/15	Non-Operating Budgets due to Corporate Finance and Budget
09/08/15	Economic Development Business Plan Commission Briefing/Discussion
09/08/15	Commission Briefing on 2016 Budget Assumptions
09/10/15	Executive Management reviews of Corporate Budgets (both Operating & Capital Budgets)
09/11/15	Executive Management reviews of Maritime & Economic Development Budgets (both Operating & Capital Budgets)
09/14/15	Executive Management reviews of Aviation's Budget (both Operating and Capital Budgets)
09/22/15	Commission Meeting to review Corporate Operating & Capital Budgets
10/05 - 10/16/15	Capacity Funding Analysis
10/12 - 10/16/15	Corporate Finance and Budget staff prepares 2016 preliminary budget document
10/13/15	Commission Meeting to review Aviation, Maritime, and Economic Development Operating & Capital Budgets
10/20/15	2016 Preliminary Budget & Business Plan document is available to the Commission
10/22/15	2016 Preliminary Budget & Business Plan document is released to the Public
10/27/15	Tax Levy and Draft Plan of Finance Commission Briefings
11/10/15	First Reading and Public Hearing of 2016 Preliminary Budget & Business Plan
11/24/15	Second Reading, Final Passage and Adoption of the 2016 Budget & Business Plan
12/02/15	Filing of Budget with King County Council & King County Assessor as required by law
12/11/15	Release of 2016 Final Budget, Business Plan and Draft Plan of Finance document

2. CAPITAL BUDGET

a. Capital Budget Policy:

As part of the Strategic Budgeting process, Corporate Finance and Budget (F&B) produces the Capital Budget and the Draft Plan of Finance. The Capital Budget consists of capital plans or Capital Improvement Programs (CIP), over a five-year period, for all divisions: Aviation, Maritime, Economic Development and Corporate. The Draft Plan of Finance is a funding plan of the CIP that the Port publishes on an annual basis.

The divisions review and revise their CIP in conjunction with the review of their existing business plans and strategies. The CIP is comprised of Committed projects from the 2015 CIP, less any that have been deleted, plus any Prospective projects that may meet the criteria to move forward to Committed status. The CIP may include Business Plan Prospective projects if coverage targets are met. Divisions are encouraged to review CIP cash flows with respect to timing and reasonableness to ensure effective use of capital capacity.

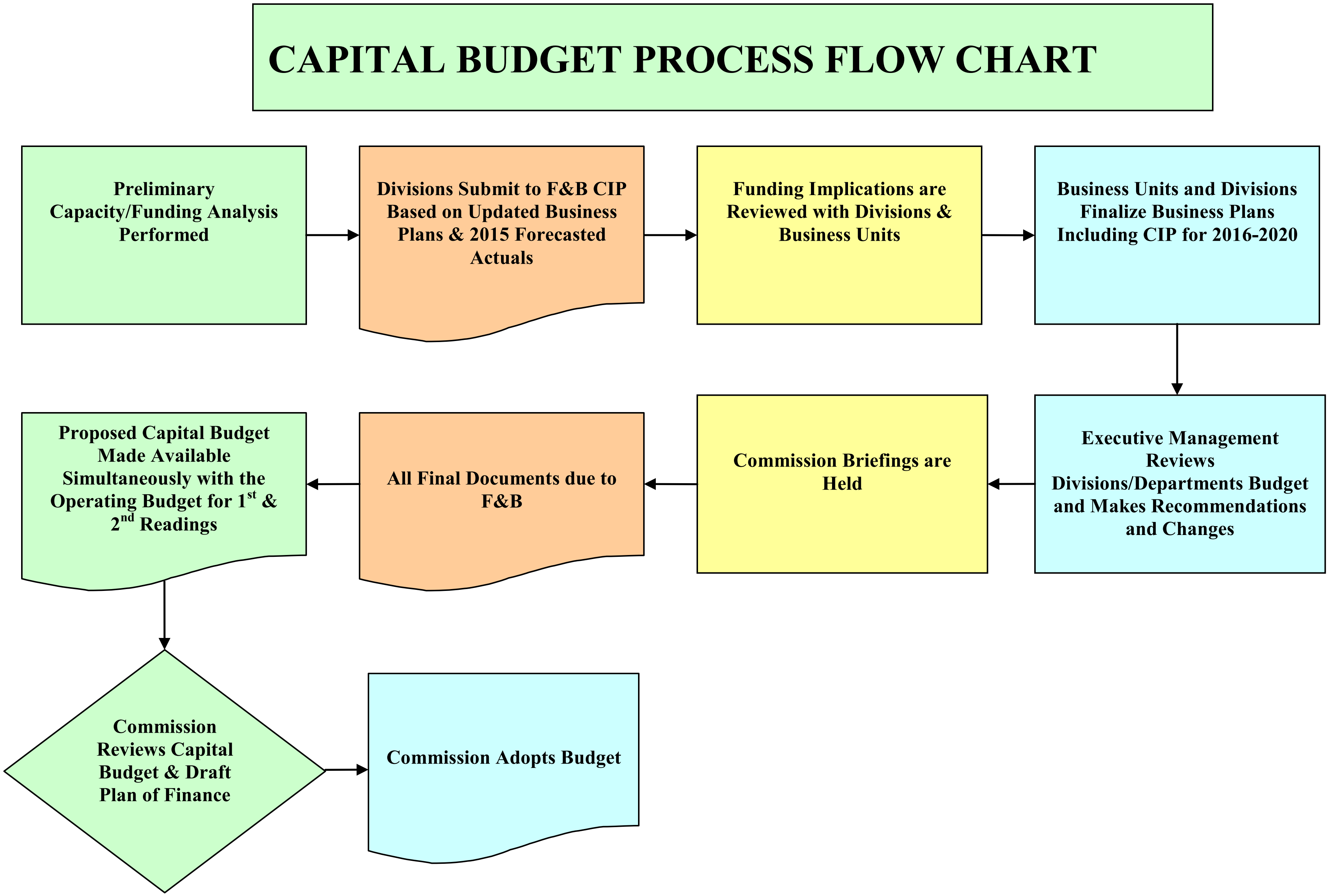
b. Capital Budget Process:

- A preliminary capacity/funding analysis will be performed once the 2nd quarter update is completed, but no later than by the end of August.
- At the end of September, divisions will submit to Corporate Finance & Budget (F&B) the CIP based on their updated business plans and 2015 forecasted actual (which includes actual through second quarter). The funding implications of these capital plans will be reviewed with the divisions and business units.
- Following F&B funding analysis and Executive review of preliminary plans, business units and divisions will finalize their business plans, including their CIP for 2016 -2020.
- This information will then be reviewed with Executive, presented to the Commission, included in the 2016 Budget and Business Plan document.

After the close of the 2015 fourth quarter in January 2016, and based on the 2015 fourth quarter CIP update the divisions should have more refined capital spending estimates for 2016. Each division may choose to adjust the spending for the original list of projects in the Annually Approved Capital Budget, to establish the 2016 approved funding amount for each project and for the division as a whole. The adjusted Annually Approved Capital Budget will become the "Approved 2016 Capital Budget" and will be used to compare to the Annually Approved Capital Budget for quarterly variance reporting during the year.

Note: Even though the Commission reviews the Capital Budget in November, each individual CIP project, with a total costs in excess of $300,000, is presented and approved by the Commission in public meeting for spending authority.

FIGURE A-2: CAPITAL BUDGET PROCESS FLOW CHART



c. Capital Budget Planning Calendar:

Following is the proposed 2016 capital budget planning calendar:

Date	Activity
05/26/15	Commission Briefing – Aviation Business and Capital Plans
07/09/15	Commission Briefing – Maritime Business and Capital Plans
08/21/15	Preliminary Non-Aviation (Maritime, Economic Development, Corporate) Forecast Models due to F&B
08/24-09/4/15	Preliminary Non-Aviation capital capacity analysis by F&B
09/08/15	Commission Briefing – Economic Development Business and Capital Plans
09/11/15	Preliminary Aviation Forecast Model due to F&B
09/10-09/14/15	Executive Review of Operating and Capital Budgets for all divisions
09/22/15	Commission Briefing - Corporate Operating and Capital Budgets
09/25/15	Finance and Budget creates “CAPBUD” database from Projects
10/05/15	Aviation, Maritime, Economic Development and Corporate Forecast Model due to F&B
10/05-10/16/15	Finance and Budget finalizes Capacity/Funding Analysis
10/13/15	Commission Briefing – Aviation, Maritime, and Economic Development Operating and Capital Budgets
10/20/15	Preliminary Budget Document available to Commission
10/22/15	Release of 2016-2020 Capital Budget as part of the 2016 Preliminary Budget and Business Plan document
10/27/15	Commission Briefing – Tax Levy and Draft Plan of Finance
11/10/15	First Reading and Public Hearing of 2016 Preliminary Budget & Business Plan
11/24/15	Second Reading, Final Passage and Adoption of the 2016 Budget & Business Plan
12/11/15	Release of 2016 Final Budget, Business Plan and Draft Plan of Finance document

APPENDIX B: FINANCIAL MANAGEMENT POLICIES

The primary purpose of the Port is to broaden and strengthen the economic base of the port district. The Port uses key criteria in various combinations as it pursues its capital and operating programs and projects. Clearly, national and international economic strengths or weaknesses have a direct bearing upon the Port's financial viability and role as an economic engine for the region.

1. KEY FINANCIAL TOOLS

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

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

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

c. **Operating Budget**: The Operating Budget is a one-year slice of the business plans. It is an essential component of the Port's management planning and control process. It quantifies line of business and departmental plans for the next year in both operational and monetary terms. Throughout the year, the Responsibility Reports (which compare actual results to budget) are generated monthly and variances from budget are analyzed on a monthly basis, and more extensively each quarter, to determine if corrective action is needed. Divisions and departments prepare a quarterly forecast, which is incorporated into the quarterly Performance Report, which provides explanation of variances from the approved plan and is presented quarterly to Executive Management and Commission in public meetings, as necessary.

d. **Balanced Budget**: The Port prepares an annual budget and supports, encourages and commits to a balanced budget in which revenues exceed expenses. In so doing, the practice is to pay for all current operating expenses with current revenues and not postpone current year operating expenses to future years or accrue future year's revenues to the current year. The Port's policy further requires that budgeted operating expenses do not exceed budgeted revenues, and on-going expenses do not exceed on-going revenues.

e. **Operating Forecasts**: Included in the budget document are five-year forecasts or projections of the division's operating revenues and expenses. The first year of this forecast is the Operating Performance Budget.

f. **Capital Budget**: A detailed plan of proposed outlays or capital expenditures arising from the acquisition or improvement of the Port's fixed assets and the proposed means of financing them through bond proceeds, grants and operating revenues. This document serves as an operational and planning tool and it is directly tied to the business plans. The document identifies proposed capital projects at the airport and on the waterfront and prioritizes those projects.

g. **Capital Expenditures**: Expenditures that arise from the acquisition or improvement of the Port's fixed assets. The expenditures reflected in the capital budget cover projects anticipated to provide modernized Airport, Maritime, and Economic Development facilities for sustained growth of the Port.

h. **Capital Budget Impact on the Operating Budget**: Its impact on the Operating Budget is through Capitalized Labor or Charges to Capital Projects, which include the salaries and benefits costs associated with capital projects. These costs are subtracted out of the operating budget and then budgeted in the capital budget as part of the cost of the project(s). The Operating Budget is also impacted in the form of increased operating, maintenance and depreciation expenses because of the new assets. Depreciation is a non-cash item that represents the use of long-term assets. Port assets are given a useful life of more than three years when they become active and each year some of that useful life is used up, worn or depreciated. The capitalized labor or charges to capital projects is displayed in table III-3 and the depreciation is displayed in table III-2. The capitalized labor is also displayed in similar tables in section IV thru VII.

i. **Plan of Finance**: The Five-year Capital Budget is the basis of the Plan of Finance. This document provides a funding plan of the capital program developed within the financial targets and forecasts described within the Draft Plan of Finance section. The Draft Plan of Finance is prepared and presented to the Port Commission concurrently with the Operating Budget. See further discussion in the Draft Plan of Finance, section X of this book.

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

k. **Financial and Operational Indicators Report**: The Port uses financial and operating indicators to monitor its financial performance and budget. This report is produced and distributed monthly to the Port Commission and Executive Management.

l. **Treasury Management**: Using its internal Treasury since July 2002, the Port has experienced increased investment earnings, faster mobilization of funds, on-line banking capabilities, reconciliation and full control of its cash and investments.

m. **General Coverage Ratios and Cash Flow Margins**: As part of its financial modeling, the Port targets that Airport cash flow equals 1.25x of all Airport related revenue debt and that Non-Airport cash flow equals 1.5x of all Non-Airport related revenue debt. In addition, the Port targets general obligation bond debt service not to exceed any more than seventy-five percent of the annual tax levy.

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

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

p. **Performance/Variance Report**: This report is in narrative format explaining the reasons for or causes of variances between actual revenues and expenses versus budgeted amounts on a quarterly basis. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into this report and it is presented quarterly to Executive Management and the Commission in public meetings.

q. **Commitment Control**: The Port has in place a commitment control ledger that monitors department budgets, and which prevents departments from exceeding their total budget without appropriate approval.

2. FINANCIAL POLICIES AND DESCRIPTION OF MAJOR FUNDS

This section, pages XIII-11 through 18, presents a summary of the Port's major financial policies and description of its major funds.

a. **Organization**: The Port of Seattle (the "Port") is a municipal corporation of the State of Washington, organized on September 5, 1911, through enabling legislation by consent of the voters within the Port district. In 1942, the local governments in King County selected the Port to operate the Seattle-Tacoma International Airport (the "Airport"). The Port is considered a special purpose government with a separately elected commission of five members and is legally separate and fiscally independent of other State or local governments. The Port has no stockholders or equity holders. All revenues or other receipts must be disbursed in accordance with provisions of various statutes, applicable grants, and agreements with the holders of its bonds.

b. **Reporting Entity**: The Port reports the following fund: the Enterprise Fund accounts for all activities and operations of the Port.

In early 2015, new CEO Ted Fick announced an organizational realignment intended to flatten the reporting structure. Some of the organizational changes include the creation of an Office of Strategic Initiatives that will provide a launch pad for ideas and an internal focus on Operational Excellence including LEAN/Continuous Process Improvement initiatives. Also new will be the Economic Development Division, which will function as the primary economic growth driver for the Port, and will encompass a number of existing functions including some of the current Real Estate Division, along with the Office of Social Responsibility, Tourism Development, and a new small business "incubator". Operation of the Port's main cargo business will be transferred to the Northwest Seaport Alliance, a joint venture with the Port of Tacoma, while the remaining Seaport businesses will become a part of a new Maritime Division.

As stated above, the Port of Seattle and the Port of Tacoma recently formed the Northwest Seaport Alliance, which unifies the two ports' marine cargo terminal investments, operations, planning and marketing to strengthen the Puget Sound gateway and attract more marine cargo and jobs to the region.

The Northwest Seaport Alliance is the third-largest trade gateway in North America, behind the ports of Los Angeles and Long Beach and the Port of New York/New Jersey. It is the first alliance of its kind in North America. Located in the Pacific Northwest in Washington State, the alliance offers shorter U.S.-to-Asia transits, as well as a deep connection to Alaska. The alliance is a major center for containers, bulk, break-bulk, project/heavy-lift cargo, automobiles and trucks. It is connected to the second-largest concentration of distribution centers on the West Coast. The Pacific Northwest is a key region for inbound and outbound United States cargo, moving cargo not only for the regional trade, but also cargo headed to destinations throughout the entire U.S. Midwest, and this Alliance will help the region remain competitive into the future. This is truly historic and signals a new era of cooperation between the ports. Combining the strong cargo terminal operations will make the region more competitive in the global economy and create new jobs in Washington.

The two ports have moved from fierce competitors to bold collaborators to form a new business model for the greater good of the region. The ports recognized how critical the maritime industry is to the state's economy, and are proud and excited to strengthen it even more.

Together, the ports can more efficiently deploy the significant investments each port has devoted to infrastructure and speak with a stronger voice on pressing regional and industry-related issues. While the ports will remain separate organizations that retain ownership of their respective assets, they formed a port development authority (PDA) to manage the container, break-bulk, auto and some bulk terminals in Seattle and Tacoma.

The airport; cruise business; marinas, such as Fisherman's Terminal; grain terminals and industrial real estate, such as the Northwest Innovation Works and Puget Sound Energy facilities and Terminal 91 uplands, will remain outside the alliance.

The PDA will be governed jointly by the two ports through their elected commissions.

There are dozens of funds that summarized into the Enterprise Fund. The Enterprise fund is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties. Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions - Aviation, Maritime, Economic Development; and Corporate.

The Aviation Division ("Aviation") serves the predominant air travel needs of a five-county area. The Airport has 19 U.S.-flag passenger air carriers (including regional and commuter air carriers) and ten foreign-flag passenger air carriers providing daily nonstop service from the Airport to 97 cities, including 19 foreign cities.

The Maritime Division manages industrial property connected with maritime businesses, commercial and recreational marinas, cruise, grain and maritime operations.

The Economic Development Division will function as the primary economic growth driver for the Port, and will encompass a number of existing functions including some of the current Real Estate Division, along with the Office of Social Responsibility, Tourism Development, and a new small business "incubator".

The divisions have labor workforces subject to various collective bargaining agreements. These workforces support the operations and maintenance of the divisions.

The Capital Development Division became part of Corporate with the recent re-organization. Thus, existing engineering, project management and construction functions and the Port's Central Procurement Office, which consolidates contracting and procurement functions are now part of Corporate.

Corporate provides high quality and cost-effective professional and technical services to the divisions and supports the overall goals of the Port; it also delivers projects and provides technical and contracting services in support of the business plans and infrastructure needs of the Port through Capital Development. Corporate expenses are allocated and charged to the operating divisions.

Within the Enterprise Fund, the Port segregates non-operating expenses made to public entities which are funded by the ad valorem tax levy. This includes expenses for district schools and infrastructure improvements to the state and region in conjunction with other agencies. These projects are controlled by other governmental entities and are not reflected in the Port's financial statements.

c. **Basis of Accounting and Budgeting**: The Port does not distinguish between the Basis of Accounting and the Basis of Budgeting since the principles set forth as the Basis of Accounting are observed in the budgeting process. The Port is accounted for on a flow of economic resources measurement focus. The financial statements and the budget are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting under which revenue transactions are recognized when earned and expenses are recognized when incurred, regardless of the time the cash is received or disbursed. The Government Accounting Standard Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Port adopted the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. This statement incorporates into GASB's authoritative literature certain accounting and financial reporting guidance issued by Financial Accounting Standard Board ("FASB") pronouncements which does not conflict with or contradict GASB pronouncements, and eliminates the option to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

d. **Use of Estimates**: The preparation of the Port's budget in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in reporting of revenues and expenses in certain instances. Thus, actual amounts could differ from those estimates.

e. **Operating Revenues**: Fees for services, rents and charges for the use of Port Facilities such as: Dockage, Wharfage, Berthage and Moorage, Airport Transportation Fees, Airport Landing Fees, Equipment, Property Rentals and other revenues generated from the Port's operations are reported as operating revenue.

f. **Non-Operating Revenues:** Revenues that do not result from the normal operation of the Port's business such as: Ad Valorem Tax Levy, Interest Income, Non-operating Grants, Passenger Facilities Charges, Customer Facilities Charges and other revenues generated from non-operating sources are classified as non-operating.

g. **Operating & Maintenance Expenses**: Cost or charges that arise from the normal operation of the Port's business. These are costs or services required for a department/division to function. These include Salaries and Benefits, Equipment expense, Supplies and Stock, Travel and Other Employee expenses and all Direct Charges, even those from Corporate and from other Divisions.

h. **Non-Operating Expenses**: Cost or charges that do not arise from the normal operation of the Port's business. An example is interest expense.

i. **Capital Policy**: The Port's policy is to capitalize all asset additions or **Tangible Assets [Property, Plant and Equipment]** and **Intangible Assets,** if they exceed $20,000, whether it is a single payment or an accumulation of related costs and with an estimated useful life of more than three years. Any asset costing less than $20,000 is expensed. Land, facilities and equipment are stated at cost, less accumulated depreciation. Depreciation is computed on a straight-line basis. Buildings and improvements are assigned lives of 30 to 50 years, equipment 3 to 20 years, and furniture and fixtures 5 to 10 years.

j. **Debt Policy:** The Port's debt policy is designed to ensure appropriate use and management of debt including compliance with various laws, regulations and agreements and effective management of risk. The policy requires use of an independent financial advisor and describes the roles of Commission and staff. The policy describes the type and structure of debt and sets forth limitations on new debt. Key limitations include minimum debt service coverage requirements for revenue bond debt of 1.25x for the Airport and 1.50x for the Maritime and for Economic Development and that General Obligation bond debt service cannot exceed 75% of the annual tax levy. The policy establishes savings targets for refunding ranging from 3% for a current refunding with a short-term maturity/call date to 9% for a LIBOR based swap refunding with a long-term maturity/call date. The policy also provides guidelines for the sale of bonds.

k. **Ad Valorem Tax Levy:** Ad valorem taxes received by the Port are utilized for the acquisition and construction of facilities, for the payment of principal and interest on GO bonds issued for the acquisition or construction of facilities, for contributions to regional freight mobility improvements, for environmental expenses, for certain operating expenses, and for public expenses. The Port includes ad valorem tax levy revenues and interest expense on GO bonds as non-operating income in the Statement of Revenues and Expenses. The King County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior year. The lien date is January 1. Assessed values are established by the County Assessor at 100% of fair market value. A re-evaluation of all property is required annually. Taxes are due in two equal installments on April 30 and October 31. Collections are distributed to the Port by the County Treasurer.

l. **Description of Major Funds**: There are dozens of funds that are summarized into the Enterprise Fund. The Enterprise Fund accounts for all activities and operations of the Port. The Enterprise fund is connected to the functional units in that it is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties.

Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions (Aviation, Maritime, Economic Development), and Corporate. Descriptions of some of the major funds are:

Types of Funds	Fund Name	Fund #	Fund Description
1. Operating	**Airport Development Fund (ADF)**	03040	This is the operating fund for the Seattle-Tacoma International Airport (Aviation division). The fund receives operating revenues derived from all airport

Types of Funds	Fund Name	Fund #	Fund Description
			sources, and it funds operating and maintenance expenses related to the Airport. The fund also receives Airport Improvement Program grants reimbursement receipts. Transfers made from this fund include funding for Aviation related revenue bond fund debt service. Capital acquisition expenditures which are not otherwise funded are also made from this fund. Other expenditures include: operating and administrative expenses and non-operating expenditures associated with AVPMG, Corporate and CDD operating expenses and capital expenditures that are allocated to Aviation.
	General Fund	00010	The general fund is the operating and capital fund for all Port-owned properties with the exception of the Seattle-Tacoma International Airport (Aviation). Operating revenues derived from all sources other than the Aviation division or the Industrial Development Corporation are deposited to this fund. The fund also receives non-operating revenues that are associated with the Maritime/Economic Development divisions or are corporate in nature. Expenditures from this fund include: • Maritime division operating and administrative expenses; capital equipment purchases and construction projects, excluding projects funded with other funding sources; • Economic Development division revenues & expenses flow through the general fund, however, as directed by Port Commission, certain Economic Development division expenses and capital projects may be funded from the tax levy fund; • Operating expenses for Corporate allocated to the operating divisions; anything directly allocated to an operating division is paid from the appropriate operating fund, General Fund for Maritime/Economic Development and the Airport Development Fund for Aviation; • Corporate capital equipment purchases and capital projects that are ultimately allocated to the operating divisions through allocated depreciation and appropriate portions of capital that is split between the two operating divisions; • Non-operating expenditures that are directly associated with the Maritime and Corporate in nature. • Port payrolls, purchases of materials, supplies and services, and non-Aviation capital acquisition expenditures which are not otherwise funded are made from this fund. Periodic reports are generated indicating what general fund monies have been expended for payrolls or accounts payable that properly should have been paid out of the other funds. These amounts will then be transferred from such other funds to the general funds as reimbursements.
	General Fund Reserve (GFR)	00011	Established in 2007, the GFR is a sub-fund of the General Fund. It can be used for any lawful purpose just the same

Types of Funds	Fund Name	Fund #	Fund Description
			as the General Fund. Finance & Budget staff evaluates this fund annually to review its balance relative to General Fund and/or other general purpose funds the Port may have, the annual contribution amount, and to assess the need to have this fund.
	Tax Levy	00020	The Tax Levy fund was established in 2002 and is used to receive the ad valorem taxes levied on real properties within the Port's District (King County). Prior to 2002, the tax levy proceeds were deposited into the General Fund. Other items deposited to this fund include Receipts in lieu of taxes, Tax sales and refunds, Investment income and expense, Tax adjustments, Tax supplements and cancellations. Proceeds are used for General Obligation (G.O.) bonds debt service, and to fund capital, expense and special item projects that meet criteria established by the Port, or as directed by Port Commission.
	Transportation & Infrastructure Reserve (TIF)	00021	Established in 2010, as per the 2010 Commission approved budget the TIF can be used for any lawful purpose just the same as Tax Levy Fund. The TIF initial funding source is from the Tax Levy fund, and the fund balance is reviewed at least annually with Port staff and Commission.
	Lease Security SSAT/T-18 Fund	03090	Established December 2011, this fund represents the Lessee's (SSAT and SSA) Security for Rent Payment in the form of a "Cash Security", to satisfy the lease's Security Requirement.
	Customer Deposits	06010	This fund has been established as a depository of lease deposits and other monies held by the Port as surety, but belonging to Port of Seattle customers.
2. Special Facility	**Passenger Facilities Charges (PFC)** • **Revenue** • **Capital**	 06054 03060	PFC Revenues are derived from passenger facility charges levied on embarking passengers at Seattle-Tacoma International Airport. The collected revenues are used to pay debt service on PFC Revenue Bonds, debt service on other revenue bonds related to FAA PFC approved projects, and for specifically-designated airport facility improvements projects. All PFC's revenues are deposited to the Revenue fund (06054). From the Revenue fund, there is a required monthly transfer of monies to the Debt Service fund equal to 1/6th of semi-annual debt service payment by the 25th of each month. The remaining balance of the Revenue fund, which includes interest earnings, is then transferred to Capital fund (03060).
	Customer Facility Charge	CFC01	Established in 2006, the CFC Fund holds revenue derived from charges imposed upon customers of rental car

Types of Funds	Fund Name	Fund #	Fund Description
	(CFC)		companies accessing the Airport, and taxable revenue bond proceeds issued to fund the Consolidated Rental Car Facility (CRCF). Funds are to be used to pay debt service on those bonds, construction costs for the CRCF project, any future capital maintenance projects, and specified CRCF operating expenses.
	Fuel Hydrant Fund • **Revenue** • **Debt Service** • **Project** • **Reserve**	Held in Trust	The funds accruing to the Fuel Hydrant Revenue Fund are derived from Pledged Lease Revenue and Other Revenue as defined in Resolution No. 3504, as amended. Funds are to be used to pay Fuel Hydrant bonds debt service. All Fuel Hydrant revenues are deposited to the Revenue account. From the Revenue account, there is a required monthly transfer to the Debt Service account equal to 1/6th of the semi-annual interest and 1/12th of the annual principal amounts. The remaining balance of the Reserve account, which is interest earnings, is then transferred to Capital account.
3. Debt Related	**Bond Funds**	Various	The Port of Seattle issues bonds pursuant to bond resolutions to fund its Capital Improvement Program. Proceeds from bond issues are used to fund construction, capitalized interest and reserves, see below.
	Capitalized Interest Fund (Cap-I)	Various	Established at the time of bond issuance, Cap-I funds are additional bond proceeds to be used to pay interest expense before the capital asset goes into use and is able to generate revenue to repay principal.
	Construction Fund (CF)	Various	Proceeds from bond issues are used for the Port's facilities expansions and improvements, land acquisition, and/or pay interest. Separate funds are set up for each bond issue to allow for the tracking and reconciliation of bond proceeds expenditures.
	Debt Service Reserve Fund (DSRF)	Various	Established at the time of bond issuance for the purposes of securing the payment of principal and interest on related outstanding bonds. Terms set forth in the bond covenants dictate how much the Port is required to maintain in the Reserve fund. Not all bond issues have a cash funded Reserve fund; the Port may instead choose to maintain qualified surety and/or a qualified letter of credit.
	Debt Service Fund (DSF)	Various	The DSF serves as a pass-through fund. Transfers are made periodically to the DSF, typically on the debt service date, for an amount sufficient to meet the debt service requirements. The source of the funds transfer depends on the related debt and may be made, legally, from any operating fund, but it is the Port's intent to make all such transfers from the General or Airport Development Funds.
4. Other Operating	**Repair and Renewal Fund**	03150	Established pursuant to Master Resolution 3577, Section 4. (b), the proceeds of the fund may be used by the Port to pay extraordinary operating and maintenance expenses, make capital replacements, additions, expansions, repairs and renewals of the facilities of the Port.

Types of Funds	Fund Name	Fund #	Fund Description
	Environmental Settlement	ENVIR	Established 2008, the fund is used for environmental settlement money received for cleanup work the Port is engaged to do. Consequently, there are restrictions on how proceeds are used.
	Industrial Development Corporation (IDC)	IDC01	The IDC of the Port of Seattle is a special purpose government with limited powers. It was established in 1982 pursuant to Revised Code of Washington (Chap. 39.84) for the purpose of facilitating industrial expansion through tax-exempt financing. The IDC fund balance is comprised from compensation from companies that borrow through the IDC, and investment earnings. IDC "surplus" funds may be used for any allowable purposes as provided by state law: allowable under the Port's authorized powers to engage in economic development programs, and for growth management, planning or other economic development purposes.

3. REVENUE AND EXPENSE ASSUMPTIONS

Operating revenues are developed based on the terms of various lease agreements and on forecasted activity levels. Operating expenses are developed based on historical experience, forecasted activity levels and inflation.

Aeronautical revenues are based on cost recovery. Non-airline revenues at the Airport are projected to increase by $19.9 million or 10.5% from the 2015 budget. Maritime revenues are projected to increase by $2.1 million or 4.3% and Economic Development revenues are anticipated to decrease by 2.4 million or 14.7% from the 2015 budget. The key business activities forecast for the Airport, Maritime, and Economic Development divisions are as follows:

- Enplaned passengers: 5.0% up from the 2015 year-end forecast, which is expected be 12.5% higher than last year.
- Cruise passengers: 7% increase from 2015 budget
- Grain volume: Flat as compared to 2015 budget (at 4M metric tons)
- Marina occupancy rate: Flat as compared to 2015 budget (at 95%)
- Commercial Properties occupancy rate: 92% compared to 95% in 2015 budget
- Bell Harbor International Conference Center Revenue: 27% decrease from 2015 budget (due to Cruise Terminal construction).

Container volumes are compiled on a combined basis as part of the Northwest Seaport Alliance business plan and budget.

Port wide salaries for exempt and non-exempt employees are budgeted to increase by an average of 3.4% for 2016 and benefit costs are budgeted in two parts for employees in non-union jobs:

- The first part represents the costs that are not salary based. This includes medical and dental coverage, Wellness Rewards program costs, 401(a) contributions, and Flexible Spending Account fees. This amount totals $1,271.13 per benefit eligible employee per month.
- The second part represents costs that are salary based. This includes FICA, PERS, life and disability insurance as well as PTO and EI amounts. These items total 22.791% of pay.

APPENDIX C: BUSINESS ASSESSMENT

a. Local Economy and Outlook

The U.S. economy continues to grow. Real gross domestic product (GDP), defined as the value of the production of goods and services in the United States, expanded at a 3.9% annual pace in the third quarter of 2015 (according to the "advance" estimate released by the Bureau of Economic Analysis). In the first quarter, real GDP increased 0.6%.

The unemployment rate was at 5.1% in August, which is lower than 5.3% in July 2015. The labor market has been seen as a positive indicator over the past year or so, but it has slowed in recent months. While a significant improvement from the high of 10% in the depths of the recession (2009), according to U.S. Labor Department figures, job gains occurred in retail trade, health care, professional and technical services, and financial activities.

The Washington economy is expanding at a solid pace. Washington has been outpacing the nation in personal income and GDP growth but Washington exports and manufacturing activity have weakened. As expected, housing construction activity returned to a more sustainable level after a huge spike earlier this year. Seattle area consumer price inflation remains moderate thanks mainly to lower energy costs but shelter costs are rising rapidly.

Total nonfarm payroll employment in Washington rose 23,900 (seasonally adjusted) from April through August, 100 more than the 23,800 expected in the June forecast. As is usually the case, most of the jobs created in the last four months were in private, service-providing sectors which added 22,000 jobs. Government payrolls expanded by 2,700 jobs in the last four months.

Washington housing permits declined sharply from an eight-year-high 53,600 units in the first quarter of 2015 to a more sustainable 36,800 units in the second quarter. Single-family permits totaled 18,900 units in the second quarter compared to the forecast of 19,200 units and 17,900 multi-family units were permitted compared to the forecast of 18,200 units. Permits fell further in July to 31,400 consisting of 18,800 single-family units and 12,600 multifamily units.

Seattle home price appreciation has slowed in recent months. According to the S&P/Case-Shiller Home Price Indices, seasonally adjusted Seattle area home prices increased 0.2% in June following a 0.1% decline in May. Seattle home prices are still up 7.4% over the previous June and are 35.2% higher than the November 2011 trough.

Seattle area consumer price inflation remains tame thanks mainly to falling energy costs. Over the last year, from June 2014 to June 2015, consumer prices in the Seattle area rose 1.6% compared to 0.2% for the U.S. city average. However, core prices, which exclude food and energy, were up 2.8% in Seattle compared to 1.8% for the nation.

TABLE C-1: SUMMARY FORECAST

SUMMARY FORECAST (Annual Percent Change)	2013	2014	2015	2016	2017
Washington State Economic Forecast					
Employment	2.1	2.5	2.8	2.3	1.7
Unemployment Rate	7.4	6.5	6.1	5.4	5.2
Real Personal Income	3.6	2.1	4.8	3.4	3.8
Consumer Price Index	1.2	1.8	1.3	2.3	2.3
Housing Permits	31.5	4.4	21.0	(3.1)	9.4
Total Population (in 000's)	6,882.4	6,968.2	7,054.8	7,142.2	7,227.5
% Change	0.9	1.2	1.2	1.2	1.2
Age 17 and Under	1,578.7	1,591.2	1,603.9	1,617.1	1,629.7
% of Total	22.9	22.8	22.7	22.6	22.5
Age 6 - 18	1,141.0	1,150.9	1,160.9	1,171.0	1,179.9
% of Total	16.6	16.5	16.5	16.4	16.3
Age 18 and Over	5,303.7	5,377.0	5,450.9	5,525.2	5,597.8
% of Total	77.1	77.2	77.3	77.4	77.5
Age 21 and Over	5,027.8	5,104.8	5,180.0	5,253.8	5,324.7
% of Total	73.1	73.3	73.4	73.6	73.7
Age 20 - 34	1,427.0	1,446.1	1,456.2	1,466.0	1,473.7
% of Total	20.7	20.8	20.6	20.5	20.4
Age 18 - 64	4,367.2	4,398.9	4,428.9	4,459.5	4,486.6
% of Total	63.5	63.1	62.8	62.4	62.1
Age 65 and Over	936.5	978.1	1,022.0	1,065.7	1,111.2
% of Total	13.6	14.0	14.5	14.9	15.4

Source: Washington State Economic and Revenue Forecast, June 2015
http://www.erfc.wa.gov/publications/documents/jun15pub.pdf

TABLE C-2: STATE EMPLOYMENT BY INDUSTRY

Washington State 2014 Average Employment Classified by Industry

Industry description	Average Firms	Average Employment	Average Annual Wage
Agriculture, forestry, fishing, and hunting	7,298	99,738	$27,758
Mining	156	2,192	63,404
Utilities	233	4,770	87,212
Construction	22,079	150,100	55,038
Manufacturing	6,963	285,469	74,304
Wholesale trade	13,646	127,901	70,167
Retail trade	14,948	337,138	36,127
Transportation & warehousing	4,414	87,248	52,293
Information	3,073	108,888	148,429
Finance and insurance	5,650	90,876	82,103
Real estate, rental and leasing	6,482	46,072	45,179
Professional, scientific, and technical services	21,718	177,261	84,882
Management of companies and enterprises	650	39,917	106,518
Administrative, support, waste management and remediation services	10,856	148,363	44,382
Educational services	2,975	38,480	36,918
Health care and social assistance	61,628	392,480	44,246
Arts, entertainment, and recreation	2,625	46,675	29,725
Accommodation and food services	13,739	246,772	19,561
Other services (except public administration)	17,416	89,494	35,570
Government	2,128	523,874	55,603
Total *	**218,677**	**3,043,708**	**$55,003**

Source: Washington State Employment Security Department, Employment and Economic Information
Quarterly Census of Employment and Wages,Annual Averages 2014 QCEW Preliminary Data
*: Total and average of statewide rollup data
https://fortress.wa.gov/esd/employmentdata/reports-publications/industry-reports/quarterly-census-of-employment-and-wages

TABLE C-3: TOP 10 PUBLIC COMPANIES IN WASHINGTON

Washington State top 10 Companies
(ranked by 2014 total Sales)

Company	Industry	# of Employees	2014 Sales (in billions)	Website
Costco Wholesale	Retail	189,000	$112.6	www.costco.com
Amazon.com	Retail	183,100	89.0	www.amazon.com
Microsoft	Computer Products	118,584	86.8	www.microsoft.com
T-Mobile US	TeleCommunication	45,000	29.6	www.t-mobile.com
Paccar	Transportation	22,800	19.0	www.paccar.com
Starbucks	Retail	191,000	16.4	www.starbucks.com
Nordstrom	Retail	67,000	12.5	www.nordstrom.com
Weyerhaeuser	Forest products	13,200	7.4	www.weyerhaeuser.com
Expeditors International	Transportation	14,600	6.6	www.expd.com
Expedia	Transportation	14,570	5.8	www.expediainc.com

Source: Data extracted from the Seattle Times "Top Northwest Companies 2014"
http://projects.seattletimes.com/2015/top-companies/#chart

TABLE C-4: NORTH AMERICAN WEST COAST PORTS' TOTAL CONTAINER VOLUMES COMPARISON

North American West Coast Ports' Total Container Volumes
2004 - 2014
Total container volume measured in TEUs (= domestic + international full and empty TEUs)

PORT	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	'04 - '14 avg. annual % +/-
Long Beach	5,779,852	6,709,818	7,290,365	7,312,465	6,487,816	5,067,597	6,263,499	6,061,085	6,045,663	6,730,573	6,820,806	1.7%
Los Angeles	7,321,440	7,484,624	8,469,853	8,355,039	7,849,985	6,748,995	7,831,902	7,940,511	8,077,714	7,868,582	8,340,066	1.3%
Oakland	2,047,504	2,273,990	2,391,745	2,387,911	2,233,533	2,045,211	2,330,457	2,342,504	2,344,379	2,346,564	2,394,069	1.6%
Portland	274,609	160,479	214,484	262,246	245,459	174,203	181,100	198,179	183,203	178,451	164,931	-5.0%
Prince Rupert	-	-	-	16,686	182,242	265,223	343,366	410,469	564,857	536,439	618,165	Inf.
San Francisco	32,045	-	-	-	-	-	-	-	-	-	-	-100.0%
Seattle [1]	1,775,858	2,075,401	1,973,960	1,968,658	1,693,650	1,574,224	2,125,769	2,017,139	1,853,176	1,564,459	1,387,548	-2.4%
Tacoma	1,797,560	2,066,447	2,067,186	1,924,934	1,861,352	1,545,855	1,455,467	1,476,148	1,711,289	1,891,702	2,040,022	1.3%
Vancouver	1,664,906	1,767,379	2,207,748	2,307,291	2,492,107	2,152,462	2,514,309	2,507,033	2,713,160	2,825,475	2,912,929	5.8%
Total:	20,693,774	22,538,138	24,615,341	24,535,230	23,046,144	19,573,770	23,045,869	22,953,068	23,493,441	23,942,245	24,678,535	1.8%

[1] For the Seattle Harbor.

Data source: Port Authorities

b. Economic Impact

The Port of Seattle retained Martin Associates to evaluate the economic impacts generated by the Seattle seaport, Seattle-Tacoma International Airport and the Port's non-maritime and non-aviation tenants, based on business activity data collected in 2013-2014. The firm has conducted similar studies at more than 250 seaports and most major airports in North America.

For the seaport, the study measures the impacts of five distinct types of waterborne activity:

- Marine cargo activity
- Fishing activity at marine terminals (and related services)
- Waterborne passenger activity (cruise and shore-side operations)
- Marina activity (recreational and transient boating)
- Non-marine cargo and non-aviation Port of Seattle real estate tenants (restaurant, retail, and industry-related services.

For the airport, the study measures the impacts of five business sectors:

- Airline/airport service sector
- Freight transportation sector
- Passenger ground transportation sector
- Contract construction/consulting services sector
- Visitors' industry sector

The study includes interviews with 1,067 firms doing business with the Port, plus surveys with 1,400 aviation passengers and 600 cruise passengers and ship crew.

The results provide a snapshot of the economic impact of Port of Seattle in 2013-2014, and impact models for each business unit operated by the Port of Seattle. The study provides models to assess the economic impacts of specific Port of Seattle capital development projects.

By air, land and sea, the Port of Seattle connects passengers and cargo to destinations around the globe. From tourism and international trade to fishing, boating and imported products, the Port affects nearly every person in the Northwest region-generating nearly 216,000 jobs – and affects many others throughout the world.

Successful trade and travel generate substantial – and dependable – revenue, including $19.8 billion in business revenue in 2013. The Port of Seattle's airport, seaport and real estate activities contribute to the local and regional economy on multiple levels through the reinvestment and re-spending of Port-generated revenue and income.

Results demonstrate the Port is a strong driving force for sustainable economic vitality. When combined with its tenants, the Port of Seattle is responsible for the direct employment of 129,744 individuals, ranking among the top job-producers in the region including Boeing (74,000), Microsoft (40,000), and the University of Washington (25,000).

Port of Seattle facilities generate the following economic impacts for the local and regional economy in 2013:

- 129,744 direct jobs are generated by Port-owned transportation facilities.
- As the result of local and regional purchases by those individuals, an additional 53,148 induced jobs are supported in the region.
- 33,379 indirect jobs were supported by $1.1 billion of local purchases by businesses supplying services at the Port-owned facilities.

- $3.8 billion of direct wages and salaries were received by those 111,317 directly employed by the Port's transportation infrastructure. As the result of re-spending this income, an additional $5.1 billion of income and consumption expenditures were created in the Seattle region, primarily King County.
- Businesses providing services at Port-owned marine terminals and Sea-Tac Airport, as well as real estate tenants, received $17.6 billion of revenue, excluding the value of cargo shipped through the airport and marine facilities, and the landed value of the seafood caught by the fleet using Fishermen's Terminal, Terminal 91 and the Maritime Industrial Center.
- $867.0 million of state and local taxes were generated by activity at the Port of Seattle marine terminals, real estate tenants, and Sea-Tac International Airport. Of the $867.0 million of state and local taxes, the State of Washington receives about $561.1 million, and the balance, $305.9 million, was received by local and county governments within the State. In addition, $439.4 million of federal aviation-specific taxes were generated by activity at Sea-Tac International Airport.

APPENDIX D: BOND AMORTIZATION SCHEDULES

TABLE D-1: BOND AMORTIZATION SCHEDULE FOR 2015

Bond Type	Original Issue	Issue	Outstanding	2015 Principal Payments		Outstanding	Interest Payments [1]	
Series	Amount	Date	Jan. 1, 2015	Due Date	Amount	Dec. 31, 2015	Due Date	Amount
GENERAL OBLIGATION BONDS								
Limited Tax G.O., Series 2004C Ref.	$131,330,000 [3]	01/27/04	15,415,000	11/01/15	2,775,000	12,640,000	05/01, 11/01	809,288
Limited Tax G.O., Series 2006 Ref.	$61,630,000 [4]	01/05/06	60,140,000	various	60,140,000	-	06/01, 12/01	1,240,508
Limited Tax G.O., Series 2011 Ref	$74,000,000 [3]	02/23/11	58,130,000	12/01/15	4,130,000	54,000,000	06/01, 12/01	3,122,313
Limited Tax G.O., Series 2013A ref	$27,630,000 [3]	03/26/13	27,630,000		-	27,630,000	05/01, 11/01	1,272,350
Limited Tax G.O., Series 2013B Taxable	$75,165,000 [3]	03/26/13	64,105,000	11/01/15	9,830,000	54,275,000	05/01, 11/01	786,472
Limited Tax G.O., Series 2015	$156,990,000 [4]	04/28/15	-		-	156,990,000	06/01, 12/01	4,222,222
TOTAL GENERAL OBLIGATION BONDS			225,420,000		76,875,000	305,535,000		11,453,152
REVENUE BONDS								
First Lien Bonds								
Series 2000B	$221,590,000 [5]	07/27/00	10,550,000	02/01/15	10,550,000	-	02/01, 08/01	316,500
Series 2003A	$190,470,000 [6]	07/30/03	36,600,000		-	36,600,000	01/01, 07/01	1,921,500
Series 2004 Refunding	$24,710,000 [9]	06/15/04	2,915,000	06/01/15	970,000	1,945,000	06/01, 12/01	138,513
Series 2007A	$27,880,000	03/20/07	27,880,000		-	27,880,000	04/01, 10/01	1,383,975
Series 2007B	$200,115,000	03/20/07	161,550,000	10/01/15	6,730,000	154,820,000	04/01, 10/01	8,077,215
Series 2009A	$20,705,000	07/16/09	20,705,000		-	20,705,000	05/01, 11/01	1,087,013
Series 2009B-1	$274,255,000	07/16/09	274,255,000	05/01/15	620,000	273,635,000	05/01, 11/01	18,943,113
Series 2009B-2	$22,000,326 [10]	07/16/09	32,715,601		-	35,181,343 [10]		
Series 2011A Refunding	$11,380,000 [11]	11/30/11	6,040,000	09/01/15	1,925,000	4,115,000	03/01, 09/01	261,650
Series 2011B Refunding	$97,190,000 [11]	11/30/11	91,615,000	09/01/15	3,235,000	88,380,000	03/01, 09/01	4,580,750
Total First Lien Bonds			664,825,601		24,030,000	643,261,343		36,710,228
Intermediate Lien Bonds								
Series 2005A New $	$252,190,000 [12]	07/20/05	233,145,000	various	233,145,000	-	03/01, 09/01	10,742,516
Series 2005A - Ref. 1996A	$31,475,000 [12]	07/20/05	31,035,000	various	31,035,000	-	03/01, 09/01	1,448,300
Series 2005A - Ref. 1997A	$108,900,000 [12]	07/20/05	68,625,000	various	68,625,000	-	03/01, 09/01	3,047,367
Series 2005C - Ref. 1996B	$40,120,000 [13]	06/06/06 [13]	13,340,000	09/01/15	5,170,000	8,170,000	03/01, 09/01	667,000
Series 2006A - Ref. 2000A	$124,625,000 [14]	06/08/06	124,625,000		-	124,625,000	02/01, 08/01	6,172,675
Series 2010A Ref. 1998A	$25,200,000 [15]	07/15/10	3,175,000	06/01/15	1,015,000	2,160,000	6/01,12/01	101,625
Series 2010B New Money	$157,880,000	07/15/10	154,970,000	06/01/15	3,025,000	151,945,000	6/01,12/01	7,609,463
Series 2010B - Ref. 2005D	$63,435,000 [16]	07/15/10	63,435,000		-	63,435,000	6/01,12/01	3,151,563
Series 2010C - Ref. 2000B	$128,140,000 [5]	07/15/10	126,965,000	02/01/15	305,000	126,660,000	02/01,08/01	6,339,100
Series 2012A Refunding	342,555,000 [6]	03/14/12	342,555,000	08/01/15	9,385,000	333,170,000	02/01,08/01	16,743,200
Series 2012B Refunding	189,315,000 [7]	03/14/12	151,095,000	08/01/15	12,640,000	138,455,000	02/01,08/01	6,609,600
Series 2012C Refunding	80,270,000 [8]	03/14/12	41,780,000	11/01/15	18,770,000	23,010,000	05/01, 11/01	701,379
Series 2013 Revenue Refunding	139,105,000 [17]	12/17/13	127,155,000		-	127,155,000	01/01, 07/01	6,332,750
Series 2015A New Money	72,010,000	08/06/15	-		-	72,010,000	04/01, 10/01	-
Series 2015B Refunding	284,440,000 [12]	08/06/15	-		-	284,440,000	03/01, 09/01	-
Series 2015C New Money	226,275,000	08/06/15	-		-	226,275,000	04/01, 10/01	-
Total Intermediate Lien Bonds			1,481,900,000		383,115,000	1,681,510,000		69,666,537
Subordinate Lien Bonds								
Series 1997	$108,830,000	03/26/97	108,830,000	09/02/15	36,775,000 [2]	72,055,000	Various [2]	47,132 [2]
Series 1999A	$127,140,000 [6]	11/14/02	56,255,000		-	56,255,000	03/01, 09/01	3,094,025
Series 2008	$200,715,000 [18]	06/11/08	200,715,000	09/02/15	7,990,000 [2]	192,725,000	Various [2]	85,442 [2]
Total Subordinate Lien Bonds			365,800,000		44,765,000	321,035,000		3,226,599
TOTAL REVENUE BONDS			2,512,525,601		451,910,000	2,645,806,343		109,603,364

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SPECIAL REVENUE BONDS

PFC Rev. Bonds Series 1998A	$118,490,000 [19]	07/16/98	31,020,000		-	31,020,000	06/01, 12/01	1,706,100
PFC Ref. Bonds Series 2010A	$79,770,000 [19]	12/01/10	79,770,000		-	79,770,000	06/01, 12/01	3,988,500
PFC Ref. Bonds Series 2010B	$66,695,000 [19]	12/01/10	24,310,000	12/01/15	11,860,000	12,450,000	06/01, 12/01	1,215,500
TOTAL SPECIAL REVENUE BONDS			135,100,000		11,860,000	123,240,000		6,910,100

SPECIAL FACILITY REVENUE BONDS

Fuel Facilities Series 2013 ref	$88,660,000 [20]	06/13/13	85,700,000	06/01/15	3,060,000	82,640,000	06/01, 12/01	3,887,783
TOTAL SPECIAL FACILITY REVENUE BONDS			85,700,000		3,060,000	82,640,000		3,887,783

Notes:

[1] - Interest Payments shown in this schedule are gross amounts before use of any Capitalized Interest.

[2] - Estimated annual total. Interest paid monthly. Principal paid annually or at maturity. In 2015, the Port made voluntary principal payments on both Series 1997 and Series 2008.

[3] - Series 2013AB G.O. bonds fully refunded the Series 2004A G.O. bonds and partially refunded the Series 2004B G.O. bonds, the Series 2004C G.O. bonds and the Series 2011 G.O bonds on 3/26/2013. The Series 2004C G.O. Ref. bonds refunded a portion of the Port's 1994B Revenue bonds and a portion of the 1994 G.O. bonds. The Series 2011 G.O. bonds refunded the outstanding 2000B G.O. Bonds.

[4] - Series 2015 G.O. fully refunded the outstanding Series 2006 G.O. Ref. Bonds. The Series 2006 G.O bonds refunded a portion of the Port's 1999A Special Facility bonds and a portion of the 2000A G.O. bonds.

[5] - Series 2010C Intermediate lien bonds refunded a portion of the Port's 2000B First Lien Bonds.

[6] - Series 2012A Intermediate lien bonds fully refunded the Series 2001A First Lien Revenue bonds and partially refunded the Series 1999A Sub Lien bonds and 2003A First Lien bonds.

[7] - Series 2012B Intermediate Lien bonds refunded a portion of the Series 2001B First Lien bonds and fully refunded the Series 2001C First Lien bonds.

[8] - Series 2012C Intermediate Lien bonds partially refunded the Series 1999B Sub Lien bonds and Series 2001D First Lien bonds.

[9] - Series 2004 First Lien bonds refunded a portion of the Port's First Lien series 1992A, 1994A, 1996B and 1998 revenue bonds.

[10] - Series 2009B-2 First Lien Capital Appreciation Bonds were issued at $22,000,326 par. The outstanding principal balance at 12/31/2015 includes $13,181,017 of accumulated accreted interest.

[11] - Series 2011AB First Lien bonds fully refunded the 1999B and 1999C Special Facility bonds and the 1998 Subordinate Lien series bonds.

[12] - Series 2015B Intermediate Lien bonds refunded the outstanding Series 2005A Intermediate Lien bonds. The Series 2005A Intermediate Lien bonds refunded a portion of the Port's 1996A First Lien bonds and a portion of the Port's 1997A First Lien bonds.

[13] - Series 2005C Intermediate Lien bonds refunded a portion of the Port's 1996B First Lien bonds. It had a delayed delivery date of 6/6/2006.

[14] - Series 2006A Intermediate Lien bonds refunded the outstanding 2000A First Lien series bonds.

[15] - Series 2010A Intermediate Lien bonds refunded the outstanding 1998A First Lien series bonds.

[16] - Series 2010B-Ref. 2005D Intermediate Lien bonds fully refunded the 2005D Subordinate Lien series bonds.

[17] - Series 2013 Revenue Refunding Intermediate Lien bonds refunded the outstanding 2003B First Lien series bonds.

[18] - Series 2008 Subordinate Lien bonds refunded the 2003C Subordinate Lien bonds.

[19] - Series 2010A PFC Ref. bonds refunded a portion of the 1998A PFC series bonds. Series 2010B PFC Ref. bonds fully refunded the outstanding 1998B PFC bonds. Debt services for PFC Ref. bonds will be paid directly out of receipts from PFCs, not out of operating cash flows.

[20] - Series 2013 Special Facility Fuel Hydrant bonds fully refunded the 2003 Special Facility Fuel Hydrant bonds. Debt service for Fuel Facilities is paid directly from Fuel Hydrant Facility income, not out of operating cash flows.

The Port has authority to issue up to $250 million in Commercial Paper, as of 10/31/2015 the Port had $38.655 million outstanding. bondam.xls

TABLE D-2: BOND AMORTIZATION SCHEDULE FOR 2016

Bond Type Series	Original Issue Amount	Issue Date	Outstanding Jan. 1, 2016	2016 Principal Payments Due Date	2016 Principal Payments Amount	Outstanding Dec. 31, 2016	Interest Payments [1] Due Date	Interest Payments [1] Amount
GENERAL OBLIGATION BONDS								
Limited Tax G.O., Series 2004C Ref.	$131,330,000 [3]	01/27/04	12,640,000	11/01/16	2,925,000	9,715,000	05/01, 11/01	663,600
Limited Tax G.O., Series 2011 Ref	$74,000,000 [3]	02/23/11	54,000,000	12/01/16	4,335,000	49,665,000	06/01, 12/01	2,915,813
Limited Tax G.O., Series 2013A ref	$27,630,000 [3]	03/26/13	27,630,000			27,630,000	05/01, 11/01	1,272,350
Limited Tax G.O., Series 2013B Taxable	$75,165,000 [3]	03/26/13	54,275,000	11/01/16	9,865,000	44,410,000	05/01, 11/01	741,254
Limited Tax G.O., Series 2015	$156,990,000 [4]	04/28/15	156,990,000	06/01/16	4,790,000	152,200,000	06/01, 12/01	7,016,400
TOTAL GENERAL OBLIGATION BONDS			305,535,000		21,915,000	283,620,000		12,609,417
REVENUE BONDS								
First Lien Bonds								
Series 2003A	$190,470,000 [5]	07/30/03	36,600,000			36,600,000	01/01, 07/01	1,921,500
Series 2004 Refunding	$24,710,000 [8]	06/15/04	1,945,000	06/01/16	1,030,000	915,000	06/01, 12/01	82,225
Series 2007A	$27,880,000	03/20/07	27,880,000	06/01/16	7,155,000	20,725,000	04/01, 10/01	1,383,975
Series 2007B	$200,115,000	03/20/07	154,820,000			154,820,000	04/01, 10/01	7,740,715
Series 2009A	$20,705,000	07/16/09	20,705,000			20,705,000	05/01, 11/01	1,087,013
Series 2009B-1	$274,255,000	07/16/09	273,635,000	05/01/16	1,980,000	271,655,000	05/01, 11/01	18,868,493
Series 2009B-2	$22,000,326 [9]	07/16/09	35,181,343			37,832,925 [9]		
Series 2011A Refunding	$11,380,000 [10]	11/30/11	4,115,000	09/01/16	2,005,000	2,110,000	03/01, 09/01	184,650
Series 2011B Refunding	$97,190,000 [10]	11/30/11	88,380,000	09/01/16	4,700,000	83,680,000	03/01, 09/01	4,419,000
Total First Lien Bonds			643,261,343		16,870,000	629,042,925		35,687,571
Intermediate Lien Bonds								
Series 2005C - Ref. 1996B	$40,120,000 [11]	06/06/06 [11]	8,170,000	09/01/16	5,425,000	2,745,000	03/01, 09/01	408,500
Series 2006A - Ref. 2000A	$124,625,000 [12]	06/08/06	124,625,000			124,625,000	02/01, 08/01	6,172,675
Series 2010A Ref. 1998A	$25,200,000 [13]	07/15/10	2,160,000	06/01/16	1,060,000	1,100,000	6/01,12/01	65,200
Series 2010B New Money	$157,880,000	07/15/10	151,945,000	06/01/16	3,165,000	148,780,000	6/01,12/01	7,469,837
Series 2010B - Ref. 2005D	$63,435,000 [14]	07/15/10	63,435,000	06/01/16	1,320,000	62,115,000	6/01,12/01	3,118,563
Series 2010C - Ref. 2000B	$128,140,000 [15]	07/15/10	126,660,000	02/01/16	11,470,000	115,190,000	02/01,08/01	6,046,250
Series 2012A Refunding	342,555,000 [5]	03/14/12	333,170,000	08/01/16	9,755,000	323,415,000	02/01,08/01	16,373,950
Series 2012B Refunding	189,315,000 [6]	03/14/12	138,455,000	08/01/16	13,020,000	125,435,000	02/01,08/01	6,230,400
Series 2012C Refunding	80,270,000 [7]	03/14/12	23,010,000	11/01/16	15,960,000	7,050,000	05/01, 11/01	426,586
Series 2013 Revenue Refunding	139,105,000 [16]	12/17/13	127,155,000			127,155,000	01/01, 07/01	6,332,750
Series 2015A New Money	72,010,000	08/06/15	72,010,000			72,010,000	04/01, 10/01	4,032,186
Series 2015B Refunding	284,440,000 [17]	08/06/15	284,440,000	03/01/16	12,435,000	272,005,000	03/01, 09/01	14,686,333
Series 2015C New Money	226,275,000	08/06/15	226,275,000	04/01/16	800,000	225,475,000	04/01, 10/01	13,006,573
Total Intermediate Lien Bonds			1,681,510,000		74,410,000	1,607,100,000		84,369,803
Subordinate Lien Bonds								
Series 1997	$108,830,000	03/26/97	72,055,000	2016	24,615,000 [2]	47,440,000	Various [2]	600,105 [2]
Series 1999A	$127,140,000 [5]	11/14/02	56,255,000	9/1/2016	3,080,000	53,175,000	03/01, 09/01	3,094,025
Series 2008	$200,715,000 [18]	06/11/08	192,725,000	2016	8,230,000 [2]	184,495,000	Various [2]	5,699,450 [2]
Total Subordinate Lien Bonds			321,035,000		35,925,000	285,110,000		9,393,580
TOTAL REVENUE BONDS			2,645,806,343		127,205,000	2,521,252,925		129,450,954

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SPECIAL REVENUE BONDS

PFC Rev. Bonds Series 1998A	$118,490,000 [19]	07/16/98	31,020,000		-	31,020,000	06/01, 12/01	1,706,100
PFC Ref. Bonds Series 2010A	$79,770,000 [19]	12/01/10	79,770,000		-	79,770,000	06/01, 12/01	3,988,500
PFC Ref. Bonds Series 2010B	$66,695,000 [19]	12/01/10	12,450,000	12/01/16	12,450,000	-	06/01, 12/01	622,500
TOTAL SPECIAL REVENUE BONDS			123,240,000		12,450,000	110,790,000		6,317,100

SPECIAL FACILITY REVENUE BONDS

Fuel Facilities Series 2013 ref	$88,660,000 [20]	06/13/13	82,640,000	06/01/15	3,180,000	79,460,000	06/01, 12/01	3,762,983
TOTAL SPECIAL FACILITY REVENUE BONDS			82,640,000		3,180,000	79,460,000		3,762,983

Notes:

[1] - Interest Payments shown in this schedule are gross amounts before use of any Capitalized Interest.
[2] - Estimated annual total. Interest paid monthly. Principal paid annually or at maturity.
[3] - Series 2013AB G.O. bonds fully refunded the Series 2004A G.O. bonds and partially refunded the Series 2004B G.O. bonds, the Series 2004C G.O. bonds and the Series 2011 G.O bonds on 3/26/2013. The Series 2004C G.O. Ref. bonds refunded a portion of the Port's 1994B Revenue bonds and a portion of the 1994 G.O. bonds. The Series 2011 G.O. bonds refunded the outstanding 2000B G.O. Bonds.
[4] - Series 2015 G.O. fully refunded the outstanding Series 2006 G.O. Ref. Bonds. The Series 2006 G.O bonds refunded a portion of the Port's 1999A Special Facility bonds and a portion of the 2000A G.O. bonds.
[5] - Series 2012A Intermediate lien bonds fully refunded the Series 2001A First Lien Revenue bonds and partially refunded the Series 1999A Sub Lien bonds and 2003A First Lien bonds.
[6] - Series 2012B Intermediate Lien bonds refunded a portion of the Series 2001B First Lien bonds and fully refunded the Series 2001C First Lien bonds.
[7] - Series 2012C Intermediate Lien bonds partially refunded the Series 1999B Sub Lien bonds and Series 2001D First Lien bonds.
[8] - Series 2004 First Lien bonds refunded a portion of the Port's First Lien series 1992A, 1994A, 1996B and 1998 revenue bonds.
[9] - Series 2009B-2 First Lien Capital Appreciation Bonds were issued at $22,000,326 par. The outstanding principal balance at 12/31/2016 includes $15,832,599 of accumulated accreted interest.
[10] - Series 2011AB First Lien bonds fully refunded the 1999B and 1999C Special Facility bonds and the 1998 Subordinate Lien series bonds.
[11] - Series 2005C Intermediate Lien bonds refunded a portion of the Port's 1996B First Lien bonds. It had a delayed delivery date of 6/6/2006.
[12] - Series 2006A Intermediate Lien bonds refunded the outstanding 2000A First Lien series bonds.
[13] - Series 2010A Intermediate Lien bonds refunded the outstanding 1998A First Lien series bonds.
[14] - Series 2010B-Ref. 2005D Intermediate Lien bonds fully refunded the 2005D Subordinate Lien series bonds.
[15] - Series 2010C Intermediate lien bonds refunded a portion of the Port's 2000B First Lien Bonds.
[16] - Series 2013 Revenue Refunding Intermediate Lien bonds refunded the outstanding 2003B First Lien series bonds.
[17] - Series 2015B Intermediate Lien bonds refunded the outstanding Series 2005A Intermediate Lien bonds. The Series 2005A Intermediate Lien bonds refunded a portion of the Port's 1996A First Lien bonds and a portion of the Port's 1997A First Lien bonds.
[18] - Series 2008 Subordinate Lien bonds refunded the 2003C Subordinate Lien bonds.
[19] - Series 2010A PFC Ref. bonds refunded a portion of the 1998A PFC series bonds. Series 2010B PFC Ref. bonds fully refunded the outstanding 1998B PFC bonds. Debt services for PFC Ref. bonds will be paid directly out of receipts from PFCs, not out of operating cash flows.
[20] - Series 2013 Special Facility Fuel Hydrant bonds fully refunded the 2003 Special Facility Fuel Hydrant bonds. Debt service for Fuel Facilities is paid directly from Fuel Hydrant Facility income, not out of operating cash flows.

The Port has authority to issue up to $250 million in Commercial Paper, as of 10/31/2015 the Port had $38.655 million outstanding.

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APPENDIX E: OTHER DETAILED EXPENDITURES

A. Promotional Hosting

Promotional hosting consists of expenses incurred by officials and employees of the Port in connection with hosting others for the purpose of promoting the increased use of Port facilities and services.

TABLE E-1: PROMOTIONAL HOSTING BY DIVISION

DIVISION	Notes	2014 Actual	2015 Budget	2016 Budget
Aviation		157,197	$ 258,631	$ 283,246
Maritime		27,351	43,440	42,970
Economic Development		51,244	78,090	39,425
Corporate		47,371	73,085	68,062
Total		**$ 306,601**	**$ 501,436**	**$ 433,703**

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B. Memberships

The 2016 Budget for the Port of Seattle includes monies sufficient for memberships amounting to a total of $1,199,886.

In addition, the Chief Executive Officer may approve additional memberships and dues increases for 2016, which may arise and which could not be foreseen at this time, provided these increases do not exceed 10% of the total membership's budget.

Memberships are for associations for the purpose of participating on a cooperative basis with other port districts, airports and with operators of terminal and transportation facilities, associations providing specialized information and services, associations to better qualify certain employees in the performance of specified duties which are assigned to such employees, and associations which are considered to be of particular and special value in connection with the carrying out of the Port's promotion and advertising activities. Membership is an effective way to leverage scarce resources to accomplish objectives that might otherwise be omitted.

APPENDIX F: GLOSSARY OF TERMS USED

Account: A record of an activity as revenue or expense, such as fees for services, rents, or as salaries, equipment, supplies, travel, etc.

Accrual: Represents an outstanding obligation for goods and services received or performed but for which payment has not been made.

Accrual Basis of Accounting: It is the basis of accounting under which revenue transactions are recognized when earned and expenses are recognized when incurred, regardless of the time the cash is received or disbursed.

Actual: Earned revenue or incurred expense during the stated fiscal year.

Actions: The specific tactics, actions and projects an organization will undertake in an effort to meet the objectives. These statements should reflect how objectives will be achieved.

Ad Valorem Tax Levy: Ad valorem taxes received by the Port are utilized for the acquisition and construction of facilities, for the payment of principal and interest on G.O. Bonds issued for the acquisition or construction of facilities, for contributions to regional freight mobility improvements, for environmental expenses, for certain operating expenses, and for public expenses. The Port includes ad valorem tax levy revenues and interest expense on G.O. Bonds as non-operating income in the Statement of Revenues and Expenses.

Allocated Expense: These are costs allocated to business groups from service providers. Allocated costs are general support costs that cannot be directly attributed to a business unit, but instead support the entire Port and all its Business Groups. Costs can come from within the division (intra-division) or from outside the division (inter-division.)

Amortization: The gradual reduction in the book value of Fixed or Intangible Assets having a limited life by allocating the original cost over the life of the asset. (See Depreciation)

Assessed Valuation: Is an official government valuation set upon real estate and personal property by the King County Assessor, as a basis for levying property taxes.

Balanced Budget: The Port prepares an annual budget and supports, encourages and commits to a balanced budget in which revenues exceed expenses. In so doing, the practice is to pay for all current operating expenses with current revenues and not postpone current year operating expenses to future years or accrue future year's revenues to the current year. The Port policy further requires that budgeted operating expenses do not exceed budgeted revenues, and on-going expenses do not exceed on-going revenues.

Budget: A financial plan, forecast or projection of the Port's revenues and expenses expected during the stated budget year.

Budget Calendar: A schedule of key dates that the Port follows in the preparation, review and adoption of its annual budget.

Budget Document: The Port's official written approved budget in document format, prepared by the Port's Finance and Budget teams.

Budget Message: A general discussion of the proposed budget presented in written format by the Chief Executive Officer of the Port to the Port Commission and Public.

Capital Budget and Draft Plan of Finance: A detailed five year plan of proposed capital expenditures arising from the acquisition or improvement of the Port's fixed assets and the means of financing them through bond proceeds, grants and operating revenues. This document serves as an operational and planning tool and it is directly tied to the business plans. The document identifies proposed capital projects at the airport and on the waterfront and prioritizes those projects.

Capital Capacity: An estimated calculation of the maximum amount available to spend on capital projects, given assumptions about future revenues and expenses and the ability to cover future interest payments per bond covenants and Port policies. See further discussion in the Draft Plan of Finance, section X.

Capital Expenditures: Expenditures that arise from the acquisition or improvement of the Port's fixed assets. Port assets are given a useful life of more than three years when they become active. The expenditures reflected in the capital budget cover projects anticipated to provide modernized Seaport, Airport and Real Estate facilities for sustained growth of the Port.

Capitalized Labor or Charges to Capital Projects: Includes the salaries and benefits costs associated with capital projects. These costs are subtracted out of the operating expense and then input into the capital budget as part of the cost of the project(s).

Cash Disbursements: Is the disbursement or payment of cash for cost incurred in the operation of the Port's business.

Cash Flow: Illustrates the flow of funds over a period of time incorporating both the operating budget and the capital budget and determines the financial needs.

Cash Receipts: The collection of cash from services and from Port facilities and equipment leased or operated.

Chart of Accounts: It is a long list ("index") of account numbers and their descriptions.

Comprehensive Annual Financial Report (CAFR): This document known as the CAFR is produced by the Port of Seattle annually detailing financial, statistical, budgetary and demographic data and it is distributed to the public.

Contingency: A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

Continuous Process Improvement Program (CPI): CPI is the port's official program to establish a continuous and enduring culture of improvement by utilizing a disciplined and time-tested improvement methodology called "LEAN." A culture of CPI will expand and improve the Port's capabilities, making the Port a stronger, more competitive organization. The CPI program focuses on four key elements:

- Organizational strategies, objectives, and metrics
- Employee empowerment and engagement
- Efficiency
- Innovation

Cost Per Enplanement (CPE): Airline cost per enplanement reflects the overall cost to the airlines for each passenger enplaned. The CPE measures the total costs borne by the passenger airlines operating at the airport divided by the number of enplaned passengers (roughly half of the total passengers). CPE is a key indicator used by the airlines to measure the relative costs of airports.

Customer Facility Charges (CFC): As determined by applicable State legislation, customer facility charges generate revenue to be expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds.

Department/Org: An organizational unit within the Port which is part of a division.

Depreciation: This is a non-cash item that represents the use of long-term assets. Port assets are given a useful life of more than three years when they become active and each year some of that useful life is used up, worn or depreciated (See Amortization.)

Direct Charge: The ability to direct charged for services instead of allocating them, which is charging against another division's/department's subclass to represent where resources were used and dollars spent for the work that was actually done.

Draft Plan of Finance: The Five-year Capital Budget is the basis of the Plan of Finance. A funding plan for the Capital Budget that identifies the types and amounts of funding sources that are expected to be available in the five year planning period, developed within the financial targets and forecasts described within the Draft Plan of Finance section. The Draft Plan of Finance is prepared and presented to the Port Commission concurrently with the Operating Budget. See further discussion in the Draft Plan of Finance section.

Enterprise Fund: There are dozens of funds that are summarized into the Enterprise Fund. The Enterprise Fund accounts for all activities and operations of the Port. The Enterprise fund is connected to the functional units in that it is used to account for operations and activities that are financed at least in part by fees or charges to external users of Airport Facilities, Maritime and Economic Development properties. Therefore, the Port of Seattle summarizes all of its fund activities in the Enterprise Fund. This includes the Port's major business activities, which are comprised of three operating divisions (Aviation, Maritime, Economic Development), and Corporate.

Environmental Remediation Liability: The Port's policy requires accrual of pollution remediation obligation amounts when (a) one of the following specific obligating events is met and (b) the amount can be reasonably estimated. Obligating events include: imminent endangerment to the public; permit violation; named as party responsible for sharing costs; named in a lawsuit to compel participation in pollution remediation; or commenced or legally obligated to commence pollution remediation. Potential cost recoveries such as insurance proceeds, if any, are evaluated separately from the Port's pollution remediation obligation. Costs incurred for pollution remediation obligation are recorded as environmental expenses unless the expenditures meet specific criteria that allow them to be capitalized. Capitalization criteria include: preparation of property in anticipation of a sale; preparation of property for use if the property was acquired with known or suspected pollution that was expected to be remediated; performance of pollution remediation that restores a pollution-caused decline in service utility that was recognized as an asset impairment; or acquisition of property, plant, and equipment that have a future alternative use not associated with pollution remediation efforts.

Equity: The excess of assets over liabilities.

Estimates: Prediction of revenues and expenditures.

Fiscal Year: The Port's annual accounting period for recording financial transactions begins January 1 and ends December 31, which is the same as the calendar year. It is also called budget year.

Forecast: An estimate, projection or prediction of revenues and expenses.

Full Time Equivalent: Full Time Equivalent (FTE) employee, where "full-time" equals 100% of a full-time schedule. A full-time employee is represented as a "1.0 FTE" where 1.0 = 100% of a full-time schedule. FTEs represented by less than 1.0, such as 0.8, represent less than a full-time schedule. For example, “0.8 FTE” represents 80% of a full-time schedule.

Fund: The establishment of a fund is to account for money set aside for some specific purpose.

Generally Accepted Accounting Principles (GAAP): Standards and guidelines by which Accounting and Financial Reporting are governed.

General Obligation (G.O.) Bonds and Interest: The Port can borrow money which is intended to be paid back through its taxing authority. The tax levy (See Section VIII) funds the repayment of the principal and interest of these bonds. Port financial policies dictate that G.O. Bonds be used for projects that have a long lag between project costs and revenues or are insufficient to support revenue bond financing, the project generates significant economic benefits for taxpayers, and the project is critical to the Port’s core business.

Goals: Written statements that declare what the port/division/department plan to achieve to fulfill its mission.

Governmental Accounting Standards Board (GASB): It is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government Finance Officers Association (of USA and Canada) (GFOA): The purpose of the Government Finance Officers Association is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and practices and promoting them through education, training and leadership.

Inter-Division Allocation (Charges): Allocation or Charges from one division to another.

Intra-Division Allocation (Charges): Allocation or Charges from within the division.

Landing Fee: The landing fee rate and resulting landing fee revenues are based on the contractual agreement between the Port's Aviation Division and the airlines. This contractual agreement permits the airlines to land and operate at Sea-Tac International Airport.

LEAN: Is a management philosophy, a process improvement approach, and a set of methods that seek to identify, eliminate, and reduce non-value added activities or waste within a process. Lean is time tested and is used by several companies, industries, and agencies around the world. Key principles of LEAN are:

- Guiding team members through the steps in process improvement with a trained facilitator
- Measuring the current state of a process
- Analyzing problem areas within a process
- Brainstorming improvement ideas, implementing improvements, and putting in place controls to sustain improvements

Majority in Interest (MII): Under the terms of the current agreement between the airlines and the airport, the airlines are entitled to vote their approval for particular capital projects that affect the airline rate base.

Millage: A tax rate on property, expressed in mills per dollar of value of the property.

Mission: A brief statement that describes the purpose of an organization’s existence. It defines the core purpose of the organization: What your organization does and for whom.

Net Assets: As required by GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments, net assets (equity) have been classified on the statement of net assets into the following categories:

- Invested in capital assets – net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted: Net Assets subject to externally imposed stipulations on their use.
- Unrestricted: All remaining net assets that do not meet the definition of "invested in capital assets – net of related debt" or "restricted."

When both restricted and unrestricted resources are available for the same purpose, restricted assets are considered to be used first over unrestricted assets.

Net Operating Income before Depreciation (NOI): Income from operations after all direct expenses and allocated expenses, but before depreciation, non-operating revenues and expenses have been included.

Non-Airline Revenues: Include concession, parking and other fees not charged directly to the airlines. These revenues help offset the residual landing fee requirement.

Non-Operating Expenses: Cost or charges that do not arise from the normal operation of the Port's business. An example is interest expense.

Non-Operating Revenues: Revenues that do not result from the normal operation of the Port's business such as: Ad Valorem Tax Levy, Interest Income, Non-operating Grants, Passenger Facilities Charges, Customer Facilities Charges and other revenues generated from non-operating sources.

Objectives: Are statements of specific outcomes that are related to achieving the desired goals/strategies.

Operating Income before Allocations & Depreciation: Direct operating revenues minus direct operating expenses. This does not include any allocated expenses.

Operating & Maintenance Expenses: Cost or charges that arise from the normal operation of Port's business. These are cost or services required for a department/division to function. These include Salaries and Benefits, Equipment expense, Supplies and Stock, Travel and Other Employee expenses and all Direct and allocated charges, from Corporate and from other Divisions.

Operating Revenues: Fees for services, rents, and charges for the use of Port facilities such as: Dockage, Wharfage, Berthage and Moorage, Airport Transportation Fees, Airport Landing Fees, Equipment Rentals, Property Rentals and other revenues generated from port's operations are reported as operating revenue.

ORG: Is an abbreviated term for "Organization" and is the number that identifies departments. It shows where cost originates.

Other Post Employment Benefits (OPEB): According to the Governmental Accounting Standard Board (GASB) statement 45, government agencies are required to record post employment benefit costs other than pensions as a liability based on actuarial costs.

Passenger Facilities Charges (PFCs): As determined by applicable federal legislation, passenger facility charges generate revenue to be expended by the Port for eligible capital projects and the payment of principal and interest on specific revenue bonds. PFC revenues received from the airlines are recorded as non-operating income in the statements of revenues, expenses, and changes in net assets upon passenger enplanement.

Passenger Facilities Charges (PFCs) Bonds: Bonds backed by Passenger Facility Charges.

Passenger Traffic: Enplanements, deplanements and connecting passenger activity.

Performance Indicators or Measures: Metrics used by Port management to determine whether a program is achieving or accomplishing its mission efficiently and effectively.

Performance or Operating Budget: A financial plan that incorporates an estimate of proposed revenues and expenses for a given period. A department's budget includes only those revenues and expenditures for which it has control.

Performance or Variance Report: A report in narrative format explaining the reason or causes of variances between actual revenues and expenses versus budgeted amounts for a given period. A good and accurate monthly and quarterly performance/variance report is a very important tool for management. Divisions and departments prepare a quarterly year-end forecast, which is incorporated into this report and it is presented quarterly to Executive Management and the Commission in public meetings.

Port Commission: It is the governing body of the Port of Seattle, which is comprised of five commissioners elected by the voters of King County to serve four-year term and to establish Port policy.

Program: Represents costs that are tracked and tend to enhance account information.

Repairs and Maintenance: Expenditures for routine maintenance and repairs to structure and minor improvements to property, which do not increase the value of the capital assets.

Resolution: A formal expression of opinion or determination adopted by the Port Commission.

Revenue Bonds: A type of borrowing that is repaid through the dedication of revenues intended to be generated by the investment being funded by the bonds.

Revenue over Expense: The excess or deficit of revenues (operating and non-operating) over expenses (operating and non-operating). The excess of revenues over expenses increases equity, whereas the deficit, expenses over revenues, decrease equity.

Strategies: The broad, overall priorities adopted by the organization in recognition of its operating environment and in pursuit of its mission and vision. Strategies set the stage for decisions on budget, resources, and timeframes.

Statutory Budget: A plan that depicts the cash flows of the Port. It shows the beginning balance, cash receipts and cash disbursements and the balance at the end of the year. This budget must be filed with the King County Council and the King County Assessor as required by law by a specific date. See Section XI.

Subclass: Shows where resources were used and spending occurred. It shows who benefited from the work.

Tax Levy: The amount of money to be raised by imposing of property taxes. See Section VIII.

Twenty-foot Equivalent Unit (TEU): The international standard of measurement for the container volume that moves through the Port. One forty-foot container is equivalent to two TEUs.

Transportation Worker Identification Credential (TWIC): The Transportation Worker Identification Credential, also known as TWIC®, is required by the Maritime Transportation Security Act for workers who need access to secure areas of the nation's maritime facilities and vessels. It is a tamper-resistant biometric identification card system established through the U.S. Congress Maritime Transportation Security Act (MTSA) and administered by the Transportation Security Administration (TSA) and U.S. Coast Guard. TSA conducts a security threat assessment (background check) to determine a person's eligibility and issues the credential. U.S. citizens and immigrants in certain immigration categories may apply for the credential. Most mariners licensed by the U.S. Coast Guard also require a credential.

<u>Values</u>: Principles, standards, characteristics or qualities held in high positive regard by an individual or group. They are often used to guide day-to-day actions.

<u>Variances</u>: The difference between "actual" and "budget" amounts for revenues and for expenses, which could be either favorable or unfavorable.

Favorable Variance: This is a positive variance and it exists when, in a given period:

- Revenues: Actual revenues are higher than budgeted revenues
- Expenses: Actual expenses are lower than budgeted expenses

Unfavorable Variance: This is a negative variance and it exists when, in a given period:

- Revenues: Actual revenues are lower than budgeted revenues
- Expenses: Actual expenses are higher than budgeted expenses

<u>Vision</u>: A word picture or brief statement of what the organization intends to become or how it sees itself at some point in the future.

APPENDIX G: ACRONYMS and ABBREVIATIONS

AAPA	American Association of Port Authorities
AAAE	American Association of Airport Executives
ACI	Airports Council International
AEC	Airport Employment Center
AIR 21	Aviation Investment & Reform Act for the 21st Century
AODB	Airport Operations Database
APM	Automated People Mover
ARFF	Aviation Regional Fire Fighting
ATC	Air Traffic Control
B&OT	Business and Occupation Tax
BALA	Basic Airline Lease Agreement
BHICC	Bell Harbor International Conference Center
BHM	Bell Harbor Marina
BHS	Baggage Handling System
BLS	Bureau of Labor Statistics
BMP	Best Management Practices
BY	Budget Year
CAFR	Comprehensive Annual Financial Report
CDD	Capital Development Division, a Port Division
CDP	Comprehensive Development Plan
CEO	Chief Executive Officer
CERT	Community Emergency Response Team
CFC	Customer Facility Charges
CFO	Chief Financial Officer
CIP	Capital Improvement Program
CMMS	Computerized Maintenance Management System
CPE	Cost per Enplanement
CPI	Consumer Price Index
	Continuous Process Improvement
CPO	Central Procurement Office, a Port department
CPR	Cardio Pulmonary Resuscitation
CTDP	Container Terminal Development Plan
CTE	Central Terminal Expansion
CY	Calendar Year
	Container Yard
DHS	Department of Homeland Security
DNR	Department of Natural Resources
DOT	Department of Transportation
EIS	Environmental Impact Statement
EPA	Environmental Protection Agency

ESGR	Employer Support of the Guard Reserve
FAA	Federal Aviation Administration
FAR	Federal Aviation Regulations
FASB	Financial Accounting Standard Board
FAST	Freight Action Strategy Corridor
F&B	Finance and Budget, a Port department
FEMA	Federal Emergency Management Agency
FIDS	Flight Information Display System
FIMS	Flight Information Management System
FIS	Federal Inspection Area
FMC	Federal Maritime Commission
FOD	Foreign Object Debris
FTE	Full-time Equivalent Employee
FTPP	Fishermen's Terminal Piers and Properties
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association (of USA and Canada)
GIS	Geographical Information System
G.O.	General Obligation (Bond)
GT	Ground Transportation
HCM	Human Capital Management
HDS	Harbor Development Strategy
IDC	Industrial Development Corporation
IFO	Income From Operations
ILA	Interlocal Agreement
IMC	Intermodal Center
ICT	Information and Communications Technology, a Port department
KPI	Key Performance Indicators
LEOFF	Law Enforcement Officers' and Fire Fighters' Retirement System
LOI	Letter of Intent
LOC	Letter of Credit
LRT	Light Rail Transit
MAP	Million Annual Passengers
MBE/WBE	Minority & Women Owned Business Enterprise
MIC	Marine Industrial Center
MIS	Management Information System
MOBI	Marina Operation Boating Inventory System
MOU	Memorandum of Understanding
MPT	Main Passenger Terminal
MT	Main Terminal
NAMF	North Area Maintenance Facility
NAC	Neighborhood Advisory Committee

NEPA	National Environmental Policy Act
NEST	New Economic Strategy Triangle
NMA	National Management Association
NOI	Net Operating Income
NTSB	National Transportation Safety Board
NWMTA	Northwest Marine Terminal Association
NWSA	Northwest Seaport Alliance
O&D	Origin and Destination
O&M	Operating and Maintenance Expense
OPEB	Other Post-Employment Benefits
ORG	Organization
P&TS	Professional and Technical Services
PCC	Pacific Coast Congress
PCS	Port Construction Services, a Port department
PDA	Port Development Authority
PERS	Public Employees' Retirement System
PFC	Passenger Facility Charges
PLA	Project Labor Agreement
PM	Project Manager
PMA	Pacific Maritime Association
PMG	Project Management Group
PNWA	Pacific North West Waterways Association
POS	Port of Seattle
PPE	Personal Protective Equipment
PPM	Post Panamax
PREP	Performance Review, Evaluation & Planning
PSA	Professional Service Agreement
PSCAA	Puget Sound Clean Air Agency
PSRC	Puget Sound Regional Council
RCF	Rental Car Facility
RCW	Revised Code of Washington
RE	Real Estate, a Port Division
RFP	Request For Proposal
RMM	Regulated Materials Management
SBM	Shilshole Bay Marina
SDS	Storm water Drainage System
SLOA	Signatory Airline Lease and Operating Agreements
SSA	Stevedoring Services of America
STEP	South Terminal Expansion Project
STIA	Seattle-Tacoma International Airport
STITA	Seattle-Tacoma International Taxi Association
STS	Satellite Transit System
SWU	Storm Water Utility

USCG	United States Coast Guard
USDA	United States Department of Agriculture
TEU	Twenty-foot Equivalent Unit
TSA	Transportation Security Administration
TWIC	Transportation Worker Identification Credential
UBC	Uniform Building Code
WSDOT	Washington State Department of Transportation
WTC	World Trade Center
WPPA	Washington Public Ports Association

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