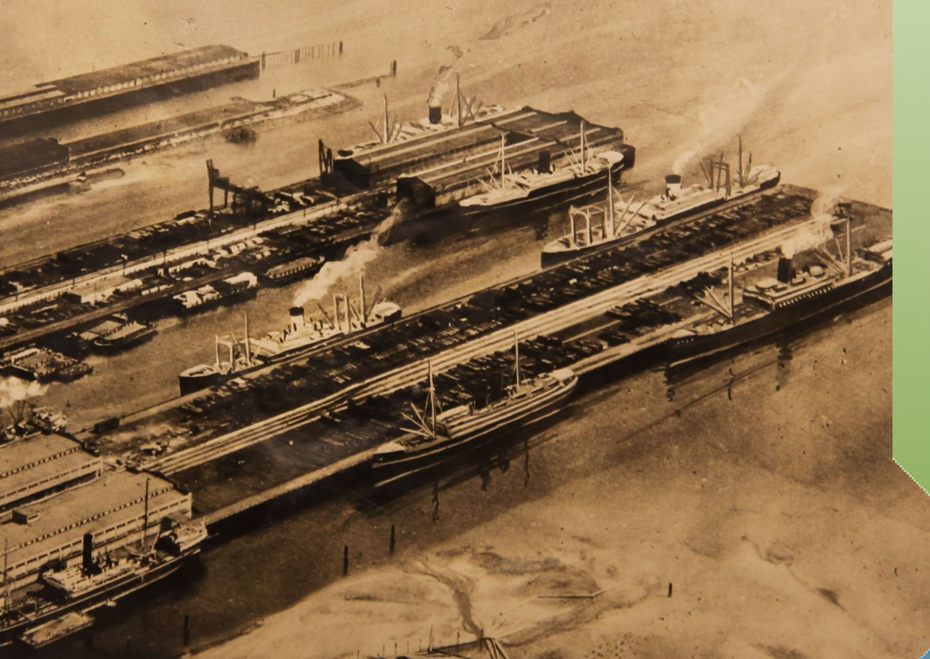

PORT OF SEATTLE 100 CENTENNIAL 1911~2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010

WASHINGTON STATE

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the Year Ended December 31, 2010

This report was prepared by the

Accounting and Financial Reporting Department

Port of Seattle

Washington State

Printed on recycled paper

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PORT OF SEATTLE

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REVENUE CAPACITY:

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April 22, 2011

To the Port of Seattle Commission:

The Comprehensive Annual Financial Report ("CAFR") of the Port of Seattle (the "Port") as of and for the year ended December 31, 2010 is enclosed. This report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this letter of transmittal, organizational chart, and list of principal officials. The Financial Section, beginning with the independent auditor's report, contains management's discussion and analysis ("MD&A"), Enterprise Fund and Warehousemen's Pension Trust Fund financial statements, and notes to the financial statements. The Statistical Section includes selected financial, economic, and demographic data. All amounts are rounded to the nearest million dollars in the MD&A and thousand dollars in the notes to the financial statements for presentation purposes within this report.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, in this report rests with management of the Port. On the basis that the cost of internal controls should not outweigh their benefits, the Port has established a comprehensive framework of internal controls to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

A firm of independent auditors is engaged each year to conduct an audit of the Port's financial statements in accordance with auditing standards generally accepted in the United States of America. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The audit includes an examination, on a test basis, of the evidence supporting the amounts and disclosures in the financial statements, assessment of the accounting principles used and significant estimates made by management, as well as the overall presentation of the financial statements. In planning and performing their audit, the independent auditors give consideration to the Port's comprehensive framework of internal controls in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements. The independent auditor's report is presented as the first component in the Financial Section following this letter.

The independent audit of the financial statements of the Port included a broader federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, involving the administration of Federal awards. These reports are available in the Port's separately issued Single Audit Report.

This letter of transmittal is designed to complement the MD&A, which provides a narrative introduction, overview, and analysis to the basic financial statements, and should be read in conjunction with it.

Profile of the Port

The Port is a municipal corporation of the State, organized on September 5, 1911, under provisions of the laws of the State, now codified at RCW 53.04.010 et seq. In 1942, the local governments in King County, Washington (the “County”) selected the Port to operate the Seattle-Tacoma International Airport (the “Airport”).

Port policies are established by a five-member Commission elected at large by the voters of the County for four-year terms. The Commission appoints the Chief Executive Officer. Through resolutions and directives, the Commission sets policy for the Port. The policies set by the Commission are implemented by the Port’s Chief Executive Officer and his executive staff.

The Port is comprised of three operating divisions namely Aviation, Seaport, and Real Estate. The Aviation Division manages all operations at the Airport, including landside operations such as the parking garage. The Seaport Division manages cargo and passenger marine terminals as well as industrial property connected with maritime businesses. The Real Estate Division manages moorage facilities, leases commercial and industrial buildings/properties, and plans and facilitates the development of selected real estate assets. In addition, the Capital Development Division and a number of corporate service departments support the operating divisions and the broad mission of the Port. The Capital Development Division houses departments responsible for engineering, project management and construction functions, and the Central Procurement Office, which consolidates contracting and procurement functions. Other Portwide departments include Accounting and Financial Reporting, Commission Office, Executive, External Affairs, Finance and Budget, Health and Safety, Human Resources and Development, Information and Communications Technology, Labor Relations, Legal, Police, Public Affairs, Risk Management, and Office of Social Responsibility.

The operating budget is an essential component of the management planning and control process. It quantifies business group or departmental plans for future periods in strategic, operational and monetary terms. The budgetary process includes a series of Commission briefings with the operating divisions, capital division and corporate departments during the year to update the Commission on key issues facing the business groups and to receive input into any changes in strategies and objectives. The divisions update the Commission on each business unit with background information, discussing capital and operating plans, and engaging the Commission in a dialogue on major policy issues. Divisions fine-tune their business plans based on Commission guidance and develop budgets based on revised business plans. On an annual basis, divisions present preliminary budgets to the Commission and the Commission reviews the budget and votes on its adoption. Once the annual budget is in place, variances from the budget are analyzed monthly, and more extensively quarterly, to determine if corrective action is needed. Progress in achieving budget targets is a short-term measure of progress in achieving strategic business plan targets.

Local Economy and Outlook

The national economic recovery which commenced during the second half of 2009 continued with strong growth into the Spring of 2010, but decelerated in the third quarter of the year. The domestic unemployment rates continued to hover around 10% during 2010 and the housing market slumped following the expiration of the homebuyer tax credit in September of 2010.

Locally, the employment recovery was weak. After strong growth in the first half of 2010, newly added jobs in the private sector were offset by the jobs shed by the State and local governments. In 2010, employment remained relatively unchanged from 2009. The largest urban center in Washington, Seattle metropolitan area, represented 49.5% of the workforce of the State. The Seattle area’s job market improved slightly in 2010 by about 5,900 jobs from 2009. The hardest hit industries in the State and Seattle area were construction and government. The strongest performing industries in the State were professional and business services, and education and health services, totaling approximately 13,700 new jobs in 2010.

In spite of the severe downturn in the global economy, the Port's core businesses performed well compared to its peers in 2010. Air passenger traffic increased 1.0% from 31.2 million in 2009 to 31.6 million in 2010. The Seaport Division had a record-breaking year for both containers and cruise in 2010. At 2.14 million TEUs (twenty-foot equivalent units – a measure of container volume), it surpassed the record set in 2005 at 2.09 million TEUs and represented a 35.0% increase from 2009. This is the largest increase in TEUs volume among all the West coast ports. The 2010 cruise season broke the record set in 2008 with 223 cruise vessel calls and 932,000 passengers, representing an increase of 6.4% in passengers from 2009.

While the recession is technically over, the economic recovery at the local and national level continues to be slow. As the stimulus spending winds down and the inventory cycle being largely complete, weaker growth is forecasted for 2012 and 2013. It is expected that the State's employment growth will accelerate slowly through 2011 and that the recovery will build upon the growing diversity of companies and industries within the State and the relative strength of the Asian economies.

Long-Term Financial Planning

The Port anticipates modest growth in operating revenues in 2011 and took a conservative approach for the 2011 budget. While striving to maintain a strong bottom line, the Port continues to invest in business operations that retain and attract customers, create jobs, and help position the Port for future growth.

The Aviation Division forecasts a slight growth in air passenger levels at 1.0% in 2011. Unlike previous economic recessions, traffic at the Airport bounced back with sharp increases when economic growth resumed. The Port is planning for a slow recovery in traffic and a lower long-term growth rate in its five-year forecast. The Port anticipates regaining the 2008 passenger level in 2012. Typical recoveries have occurred in four years or less, so this recovery is consistent with the slowest prior recovery (2000–2004). Beyond 2012, the Port currently is planning for a long-term growth rate of 2.2%. This estimate is consistent with the long-term growth rate projected by the Federal Aviation Administration ("FAA") for the U.S. published in December 2009. The Airport has made significant progress in reducing its forecasted Cost Per Enplanement ("CPE"). The 2011 CPE is budgeted at $12.76, which reflects the Port's ongoing commitment to manage costs and be competitive. Besides managing airline costs, the Aviation Division business strategy for 2011 will concentrate on growing non-airline revenues.

The Seaport Division expects increases in container crane rentals and lease revenues to push 2011 operating revenues up 5% relative to the 2010 budget. Container volumes, the primary driver of crane rentals, are expected to increase about 12% compared to the 2010 budgeted volume. Higher container related revenues will be slightly offset by a decrease in Cruise revenue. The current schedule for 2011 cruise ship calls forecasts a 6% decline in passenger numbers. Other critical 2011 Seaport initiatives include developing a stewardship plan for key division assets, implementing a Green Gateway strategy, and developing near and long-term strategies for increasing revenues.

The Real Estate Division expects to grow its operating revenue by about 3% compared to the 2010 budget levels. Revenue from the Bell Harbor International Conference Center is projected to increase by 15% as more events are scheduled there and at the Smith Cove Cruise Terminal. A continuing soft real estate market, however, could mean higher vacancies at commercial properties and marinas. Key 2011 focus areas for the Real Estate Division will be managing costs more closely, performing maintenance on properties, and managing the retained sections of the Eastside Rail Corridor.

For 2011, the Port budgeted total operating revenues of $500.6 million, which represents a 5.0% increase over the 2010 budget. Total operating expenses are budgeted at $285.8 million, an 8.8% increase over the 2010 budget. Net Operating Income (“NOI”) before Depreciation is budgeted at $214.8 million, 0.4% higher than the 2010 budget. Depreciation expense is budgeted at $160.5 million, an increase of $1.9 million over the 2010 budget. NOI after Depreciation is budgeted at $54.3 million, a slight decrease of $1.1 million from the 2010 budget. The total capital budget for 2011 is $378.5 million and the five year capital improvement program is $1.5 billion, which reflects the Port's continuing commitment to promote regional economic vitality through investment in the development, expansion, and renewal of Port facilities that supports the Port’s Business Plan and Green Initiative.

Major Initiatives

2010 was a challenging but exciting year. A number of projects were completed, including upgrade of a berth at Terminal 115 and upgrades of the Smith Cove Cruise Terminal. At the Airport, passengers can now enjoy free wireless access, and the ticketing system was expanded. New air service to Osaka began in June. Seaport deployed new security technology and infrastructure for the Marine Domain Awareness project. Seaport executed a new lease with PCC Logistics at Terminal 104 and Louis Dreyfus exercised an option for a five-year lease extension at the Terminal 86, grain terminal. This was also the first year of using the Smith Cove Cruise Terminal as an event site. Furthermore, sales were closed on portions of the Eastside Rail Corridor to the City of Redmond and Puget Sound Energy. On the environmental front, the Port received the American Association of Port Authorities (“AAPA”) award for Environmental Compliance Assessment Program and the ENERGY STAR rating for the Pier 69 headquarters building.

2011 marks the Port of Seattle’s centennial! Founded by King County citizens in 1911, the Port has served as a global gateway for a century – creating jobs and economic growth for all of Washington and serving as a catalyst for the global trade that has driven the State’s economy for generations. The Port will celebrate this major milestone with numerous centennial themed events throughout the year. Commissioners will complete a multi-year strategic planning process known as the Century Agenda as well.

There are several major initiatives which will position the Port to meet the long-term needs of its core businesses. The Aviation Division’s initiatives for 2011 include continuing the construction of the Rental Car Facility, slated for completion in early 2012; replacing 42 aging escalators and the addition of two new escalators over the next four years; initiating a number of projects associated with the terminal realignment program that will facilitate merged airlines co-locating and more efficient use of terminal facilities; constructing a centralized pre-conditioned air plant with heating and cooling system for aircraft while parked at gates; and continuing noise mitigation projects. The Seaport Division’s initiatives include replacement of Terminal 5 crane cable reels; phased replacement of Terminal 18 fender systems; improvements at Terminal 10 for future use as a truck parking location; fender system upgrade and water main replacement at Terminal 91; and modernization of Terminal 86 grain terminal. Additional projects include various street vacation related projects resulting from past terminal expansions at Terminals 5 and 18. The Real Estate Division’s initiatives include replacing the Maritime Industrial Center seawall; replacing the fender systems on the northwest dock at Fishermen’s Terminal; and replacing the east portion of the south wall, also at Fishermen’s Terminal.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Port of Seattle for its comprehensive annual financial report for the fiscal year ended December 31, 2009. This was the fifth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of the Port's Divisions and Corporate Finance and Budget teams, and the Accounting & Financial Reporting department. We wish to express our appreciation to all who assisted and contributed to the preparation of this report. Credit also must be given to the Commissioners and Executive Officers for their unfailing support to ensure fiscal transparency and accountability, and to maintain the Port's financial statements in conformance with the highest professional standards.

Respectfully submitted,

Tay Yoshitani

Chief Executive Officer

Dan Thomas

Chief Financial and Administrative Officer

Rudy Caluza

Director of Accounting and Financial Reporting

Debbi Browning

Assistant Director of Accounting and Financial Reporting

Lisa Lam

Senior Manager, Financial Reporting and Controls

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Port of Seattle Washington

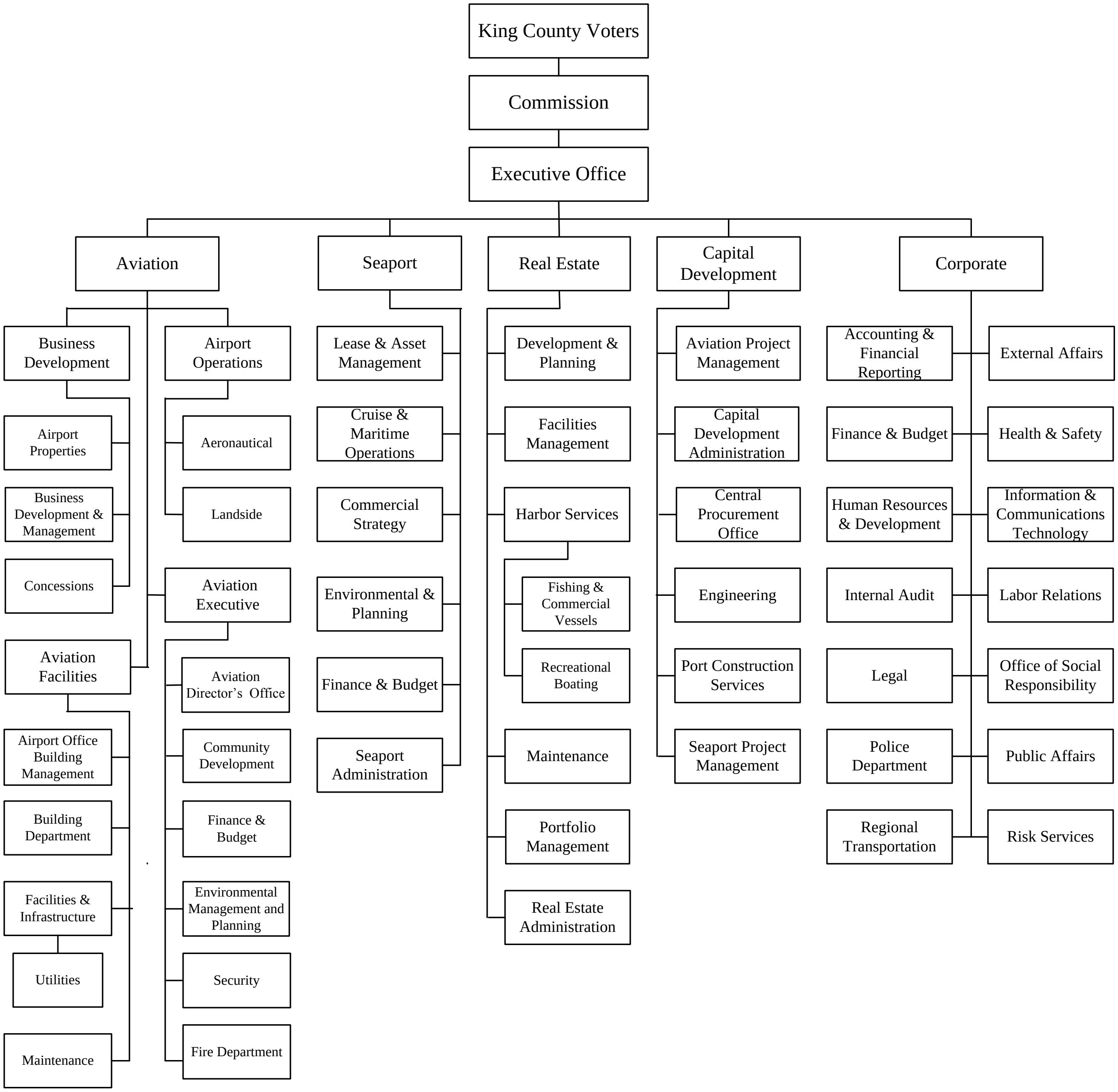
For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

ORGANIZATIONAL CHART FOR 2011



List of Elected and Appointed Officials in 2011

Elected Board of Commissioners

Name	**Office**	**Term Expires**
Bill Bryant	Chair and President	December 31, 2011
Rob Holland	Vice-Chair and President	December 31, 2013
John Creighton	Secretary	December 31, 2013
Tom Albro	Assistant Secretary	December 31, 2013
Gael Tarleton	Commissioner	December 31, 2011

Appointed Executive Officer and Staff

Tay Yoshitani	Chief Executive Officer
Patricia Akiyama	Director of External Affairs
Kurt Beckett	Chief of Staff
Ralph Graves	Managing Director, Capital Development Division
Joe McWilliams	Managing Director, Real Estate Division
Mark Reis	Managing Director, Aviation Division
Linda Styrk	Managing Director, Seaport Division
Dan Thomas	Chief Financial and Administrative Officer
Craig Watson	General Counsel
Colleen Wilson	Chief of Police

FINANCIAL SECTION

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MOSS-ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

To the Port Commission
Port of Seattle
Seattle, Washington

We have audited the accompanying financial statements of the Enterprise Fund and the Warehousemen's Pension Trust Fund of the Port of Seattle (the "Port") as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009, and 2008, which collectively comprise the Port's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Port's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund and the Warehousemen's Pension Trust Fund as of December 31, 2010 and 2009, and the changes in financial position and cash flows for the Enterprise Fund, and the changes in net assets for the Warehousemen's Pension Trust Fund for the years ended December 31, 2010, 2009, and 2008, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Port's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

Moss Adams LLP

Seattle, Washington
April 22, 2011

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") of the Port of Seattle's (the "Port") activities and financial performance provides an introduction to the financial statements of the Port for the fiscal year ended December 31, 2010, including the Port operations within the Enterprise Fund and the Warehousemen's Pension Trust Fund, with selected comparative information for the years ended December 31, 2009 and 2008. The Enterprise Fund accounts for all activities and operations of the Port except for the activities included within the Warehousemen's Pension Trust Fund. This includes the Port's major business activities, which are comprised of the Aviation, Seaport, and the Real Estate divisions. Enterprise Funds are used to account for operations and activities that are financed at least in part by fees or charges to external users. The Warehousemen's Pension Trust Fund accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. The Port became the sole administrator for the Warehousemen's Pension Plan and Trust effective May 25, 2004. The MD&A presents certain required supplementary information regarding capital assets and long-term debt activity during the year, including commitments made for capital expenditures. The information contained in this MD&A has been prepared by management and should be considered in conjunction with the financial statements and the notes thereto, which follow this section. The notes are essential to thoroughly understand the data contained in the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and the notes to the financial statements. The report includes the following three basic financial statements for the Port Enterprise Fund: the statements of net assets, the statements of revenues, expenses, and changes in net assets, and the statements of cash flows. The report also includes the following two basic financial statements for the Warehousemen's Pension Trust Fund: statements of net assets and statements of changes in net assets.

ENTERPRISE FUND

Financial Position Summary

The statements of net assets present the financial position of the Enterprise Fund of the Port at the end of the fiscal year. The statements include all assets and liabilities of the Enterprise Fund. Net assets, the difference between total assets and total liabilities, is an indicator of the current fiscal health of the organization and the enterprise's financial position over time. A summarized comparison of the Enterprise Fund assets, liabilities, and net assets at December 31, 2010, 2009, and 2008 is as follows (in millions):

	2010	2009	2008
ASSETS:			
Current, long-term, and other assets	$ 1,115.5	$ 1,169.1	$ 819.9
Capital assets	5,463.7	5,429.5	5,345.4
Total assets	$ 6,579.2	$ 6,598.6	$ 6,165.3
LIABILITIES:			
Current liabilities	$ 373.4	$ 520.6	$ 418.2
Long-term liabilities	3,401.4	3,326.1	3,107.2
Total liabilities	$ 3,774.8	$ 3,846.7	$ 3,525.4
NET ASSETS:			
Invested in capital assets—net of related debt	$ 2,291.3	$ 2,240.7	$ 2,236.2
Restricted	85.0	104.9	68.8
Unrestricted	428.1	406.3	334.9
Total net assets	$ 2,804.4	$ 2,751.9	$ 2,639.9

Assets exceeded liabilities by $2.8 billion, a $52.5 million increase over total net assets as of December 31, 2009 compared to $2.8 billion, and a $112.0 million increase over total net assets as of December 31, 2008. For each year presented, the largest portion of the Enterprise Fund's net assets represents its investment in capital assets, less the related debt outstanding used to acquire those capital assets. The Port uses these capital assets to provide services to its tenants, passengers, and customers of the Aviation, Seaport and Real Estate divisions; consequently, these assets are not available for future spending. Although the Port's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities. From 2009 to 2010, and from 2008 to 2009, there was an increase of $50.6 million, and an increase of $4.5 million, respectively, in invested in capital assets net of related debt from the continued creation of new assets while offsetting by the depreciation of existing capital assets during both periods.

As of December 31, 2010 and 2009, the restricted net assets of $85.0 million and $104.9 million, respectively, are mainly comprised of net assets from unspent bond proceeds restricted for debt reserves in accordance with bond covenants and Passenger Facility Charges ("PFC") which are subject to Federal regulations on their uses. From 2009 to 2010 and from 2008 to 2009, there was a decrease of $19.9 million and an increase of $36.1 million, respectively, in restricted net assets due to the timing of spending from PFCs during the periods, and 2009 included an addition of $32.1 million in restricted debt reserves for the Series 2009 Bonds issuance.

As of December 31, 2010 and 2009, the unrestricted net assets of $428.1 million and $406.3 million, respectively, may be used to satisfy the Port's ongoing obligations. However, amounts from Airport operations must be used solely for the Aviation Division's ongoing obligations. Cash and cash equivalents, and investment balances related to such Airport operations total $281.4 million and $267.2 million for the years ended 2010 and 2009, respectively. From 2009 to 2010, and from 2009 to 2008, there was an increase of $14.2 million and $36.7 million in this category, respectively, largely due to curtailing spending in 2010 and 2009.

Statements of Revenues, Expenses, and Changes in Net Assets

The change in net assets is an indicator of whether the overall fiscal condition of the Enterprise Fund has improved or worsened during the year. Following is a summary of the statements of revenues, expenses, and changes in net assets (in millions) for the years ended December 31, 2010, 2009, and 2008:

	2010	2009	2008
Operating revenues	$ 470.5	$ 449.4	$ 478.5
Operating expenses	253.4	245.8	274.6
Operating income before depreciation	217.1	203.6	203.9
Depreciation	160.8	157.1	144.2
Operating income	56.3	46.5	59.7
Nonoperating (expense) income—net	(34.3)	(11.3)	42.5
Capital contributions	30.5	76.8	52.4
Increase in net assets	52.5	112.0	154.6
Net assets—beginning of year	2,751.9	2,639.9	2,490.0
Restatement—Implementation of GASB 49 (Note 1)			(4.7)
Net assets—end of year	$ 2,804.4	$ 2,751.9	$ 2,639.9

Financial Operation Highlights

A summary of operating revenues follows (in millions):

	2010	2009	2008
OPERATING REVENUES:			
Services	$ 174.6	$ 164.0	$ 187.8
Property rentals	284.9	274.6	286.2
Fuel hydrant facility revenues	7.9	7.8	2.9
Operating grant and contract revenues	3.1	3.0	1.6
Total	$ 470.5	$ 449.4	$ 478.5

During 2010, operating revenue increased 4.7% from the 2009 balance of $449.4 million to $470.5 million. Aviation Division operating revenues increased $13.9 million largely due to an increase in aeronautical revenues from increased operating costs and capital costs. Aeronautical revenues are derived from charging airlines landing fees and terminal rents that are set to fully recover capital and operating costs attributable to the airfield and terminal cost centers. These increases were offset by non-aeronautical revenues specifically related to the decrease in rental car concession revenues in 2010. The new contracts with the rental car companies became effective November 2009. Prior to the new contracts, the rental car companies had higher minimum annual guarantees that caused concession revenues to be much higher in 2009 compared to 2010. Seaport Division operating revenues increased $7.2 million from 2009 due to (1) a full year of lease rents from the new lease at Terminal 30 which commenced in August 2009, (2) modification in straight-line rent adjustment methodology for Terminal 5 and the addition of Terminals 30 and 46 in the calculation, (3) increase in container terminal lease rate effective July 2010, (4) higher cruise revenue due to higher passenger volumes, and (5) higher security grant revenue. These increases were partially offset by a one-time reimbursement from King County for the Terminal 30 Upland Dredge Disposal project in 2009. Real Estate Division operating revenues decreased slightly from 2009 due to (1) higher vacancies at the World Trade Center West, Terminal 102, Fishermen's Terminal Office and Retail, and the Tsubota Steel site, (2) a reimbursement payment to a tenant for street permit costs, and (3) closure of the Portside Café. Amounts were partially offset by higher revenue from an increase in event activity at Bell Harbor International Conference Center and for events held at the Smith Cove Cruise Terminal, which was a new event venue in 2010.

During 2009, operating revenue decreased 6.1% from the 2008 balance of $478.5 million to $449.4 million. Aviation Division operating revenues decreased $29.0 million due to (1) a decrease in landside revenues from decline in public parking, and (2) a decrease in aeronautical revenue resulting from lower operating costs and reduced debt service. Seaport Division operating revenues increased $4.4 million from 2008 due to (1) an increase in revenues from a new lease at Terminal 30, (2) higher cruise revenue from passenger fees collected in connection with the new Terminal 91 gangway, (3) the accounting recognition of the 2008 increase in the Port's container terminal rates for Terminal 5, which are required to be recognized on a straight-line basis over 5 years, and (4) reimbursement from King County for the Terminal 30 upland dredge disposal. Real Estate Division operating revenues decreased $4.7 million from 2008 primarily due to a decrease in event activities at Bell Harbor International Conference Center and the Bell Street Garage, which were partially offset by higher revenues at Shilshole Bay Marina related to higher occupancy.

A summary of operating expenses before depreciation follows (in millions):

	2010	2009	2008
OPERATING EXPENSES BEFORE DEPRECIATION:			
Operations and maintenance	$ 188.7	$ 183.1	$ 210.0
Administration	44.8	43.6	44.4
Law enforcement	19.9	19.1	20.2
Total	$ 253.4	$ 245.8	$ 274.6

During 2010, operating expenses increased 3.1% from $245.8 million to $253.4 million from prior year. Aviation Division operating expenses increased $6.5 million largely due to (1) an increase in the security fund requirement for the airlines based on increased revenue requirement, (2) rate increases of janitorial contract, (3) litigated injury and damage claims, and (4) environmental remediation liability expenses. There were cost savings from (1) electricity and natural gas commodities and (2) payroll costs from eliminated positions and benefit rate reduction. Seaport Division operating expenses decreased $1.0 million primarily due to a significant reduction in direct expenses from 2009 related to (1) the Terminal 30 Upland Dredge Disposal project, (2) expensing of design costs associated with the Terminal 25 South Container Yard project, which was indefinitely deferred, and (3) the expensing of costs for the Pier 24 Habitat project. These decreases were offset by (1) higher security grant expenses and (2) environmental remediation liability expenses in 2010. Real Estate Division operating expenses increased $1.9 million due to (1) additional expenses for the Eastside Rail Corridor acquired in late 2009, (2) higher expenses associated with tenant improvements and (3) higher expenses associated with increased event activity at the Bell Harbor International Conference Center which was more than offset by higher revenue.

During 2009, operating expenses decreased 10.5% from $274.6 million to $245.8 million from prior year. A Portwide Expense Savings Plan was implemented in 2009 which included two-week furloughs and reduction of travel, training, and other discretionary expenses. Other savings were due to reversal of Other Postemployment Benefits ("OPEB") obligation due to the elimination of retiree medical subsidies, which offset voluntary and involuntary termination benefit costs that resulted from staff reductions in 2009. Aviation Division operating expenses decreased $20.5 million from 2008 due to (1) reduction in payroll costs of $4.6 million, (2) reduced contracted services and consultant support of $6.4 million, (3) reduced travel and training costs, and (4) non-recurring items from 2008. Seaport Division operating expenses increased slightly from 2008. The increase was due to (1) the expensing of former capital projects relating to Terminal 25 South Container Yard project, which was indefinitely deferred, (2) the incentive payment associated with the Long Term Cruise Agreement, and (3) significant expense projects in 2009 such as the Terminal 30 Upland Dredge disposal and Terminal 18 maintenance dredge projects. Real Estate Division operating expenses decreased $8.6 million over 2008 primarily due to expensing capitalized costs associated with the North Bay development project in 2008 and less activity at Bell Harbor International Conference Center in 2009.

As a result of the above, operating income before depreciation increased $13.5 million in 2010 from 2009, and decreased only slightly in 2009 from 2008.

Depreciation expense increased $3.7 million in 2010 from 2009 and increased $12.9 million in 2009 from 2008, respectively, due to an overall increase in additions to capital assets year over year.

A summary of nonoperating income (expense)—net and capital contributions follows (in millions):

	2010	2009	2008
NONOPERATING INCOME (EXPENSE):			
Ad valorem tax levy revenue	$ 73.1	$ 75.6	$ 75.7
Passenger facility charges revenue	59.7	59.7	60.7
Customer facility charges revenue	23.2	21.9	22.9
Non-capital grants and donations	12.5	7.2	10.5
Investment income—net	13.1	17.3	39.0
Revenue and capital appreciation bond interest expense	(133.2)	(121.1)	(105.5)
Passenger facility charges revenue bond interest expense	(10.2)	(11.0)	(11.4)
General obligation bond interest expense	(17.5)	(15.8)	(17.1)
Public expense	(25.1)	(20.4)	(27.5)
Environmental expense—net	(22.7)	(14.7)	(5.7)
Other (expense) income—net	(7.2)	(10.0)	0.9
Total	$ (34.3)	$ (11.3)	$ 42.5
CAPITAL CONTRIBUTIONS	$ 30.5	$ 76.8	$ 52.4

During 2010, nonoperating expense—net was $34.3 million, a $23.0 million increase from 2009 nonoperating expense—net. This was due to (1) an increase in revenue and general obligation bond interest expense from the continuing trend of less interest being capitalized as fewer new capital projects came on line, (2) new debt service on 2010 revenue bonds, (3) a decrease in investment income—net primarily from declining interest rates in conjunction with slightly lower portfolio balances, and (4) an increase in environmental expenses.

During 2009, nonoperating expense—net was $11.3 million, a $53.8 million decrease from 2008 nonoperating income—net. This was due primarily to (1) an increase in bond interest expense from less interest being capitalized as fewer new capital projects came on line, (2) new debt service on 2009 bonds, (3) a decrease in investment income—net from declining interest rates coupled with lower portfolio balances, (4) an increase in environmental expenses, (5) higher litigation costs, and (6) a net loss from the sale/disposal of assets of which the largest loss related to the replacement of runway exit lights with newer technology. All demolitions were partially offset by a gain on a non-cash land exchange with Washington State Department of Transportation.

During 2010, capital contributions decreased $46.3 million due to a decrease in Federal Aviation Administration (“FAA”) grant receipts with the noise abatement program nearly complete and the Third Runway related letter of intent on Airport Improvement Program winding down. Several of the Transportation Security Administration (“TSA”) programs were closed out in early 2010.

During 2009, capital contributions were $76.8 million, a $24.4 million increase from 2008. This was due primarily to an increase in grants and donations revenues specifically relating to TSA aviation grants and FAA grants from a reimbursement not previously anticipated and increased spending on grant funded projects.

Increase in net assets for 2010 and 2009 was $52.5 million and $112.0 million, respectively, compared to prior years. Though a lower increase than prior years, there was still positive net operating income and capital contributions for 2010 and 2009 resulting in the corresponding increase in net assets.

WAREHOUSEMEN'S PENSION TRUST FUND

The Warehousemen's Pension Trust Fund accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. Effective May 25, 2004, the Port became the sole administrator of the Warehousemen's Pension Plan and Trust (the "Plan"). This plan was originally established to provide pension benefits for the employees at the Port's warehousing operations at Terminal 106. In late 2002, the Port terminated all warehousing operations following the departure of the principal customer who operated the facility. The Plan provides that only service credited and compensation earned prior to April 1, 2004 shall be utilized to calculate benefits under the Plan, and the Port agrees to maintain the frozen Plan and to contribute funds to the Plan in such amounts that may be necessary to enable the Plan to pay vested accrued benefits as they become due and payable to participants and beneficiaries of the Plan. A summarized comparison of the assets, liabilities, and net assets of the Warehousemen's Pension Trust Fund as of December 31, 2010, 2009 and 2008, and changes in net assets for the years ended December 31, 2010, 2009 and 2008 (in millions) are as follows:

	2010	2009	2008
Total assets	$ 10.4	$ 10.1	$ 8.5
Total liabilities			
Total net assets	$ 10.4	$ 10.1	$ 8.5
Total additions (deductions)	$ 2.6	$ 3.9	$ (2.3)
Total deductions	(2.3)	(2.3)	(2.3)
Increase (Decrease) in net assets	0.3	1.6	(4.6)
Net assets—beginning of year	10.1	8.5	13.1
Net assets—end of year	$ 10.4	$ 10.1	$ 8.5

Total net assets as of December 31, 2010 increased by $ 0.3 million from December 31, 2009 mainly due to an increase in fair value of investments and gain on sale of investments.

Total net assets as of December 31, 2009 increased by $1.6 million from December 31, 2008 mainly due to an increase in fair value of investments of $2.3 million resulting from favorable market conditions compared to 2008.

Additional information on the Port's Warehousemen's Pension Trust Fund can be found in Note 14 in the accompanying notes to the financial statements.

CAPITAL ASSETS

The Port's capital assets as of December 31, 2010, amounted to $5.5 billion (net of accumulated depreciation). This investment in capital assets includes land, air rights, facilities and improvements, equipment, furniture and fixtures, and construction work in progress. The Port's investment in capital assets after accumulated depreciation increased slightly by $34.2 million in 2010.

During 2010, completed projects totaling $73.8 million were closed from construction work in progress to their respective capital accounts. The major completed project was for the berth upgrade of Terminal T115 for $6.6 million for the Seaport Division.

The Port's 2010 expenditures for capital construction projects, including amounts associated with contributed capital, totaled $198.5 million. During 2010, the major capital construction project was the rental car facility construction with spending of $134.6 million in Aviation Division.

During 2010, the Port collected $73.2 million in property taxes through a King County ad valorem tax levy. Through this tax levy, PFCs, Federal and State grants, increase in net assets, and various bond issues, the Port funds capital assets. All capital assets are accounted for within the Enterprise Fund. Additional information on the Port's capital assets can be found in Note 3 in the accompanying notes to the financial statements.

DEBT ADMINISTRATION

As of December 31, 2010, the Port had outstanding revenue bonds and notes of $2.9 billion, a $28.9 million increase from 2009 primarily due to new revenue bonds issued, and offset by scheduled principal payments. During 2010, subordinate lien revenue notes (commercial paper) decreased by $62.5 million from $156.8 million in 2009 to $94.3 million in 2010.

In August 2010, the Port issued $374.7 million in Series 2010ABC Intermediate Lien Revenue and Refunding Bonds to fully refund the Series 1998A First Lien Revenue Bonds, to fully refund the Series 2005 Subordinate Lien Revenue Bonds (conversion of variable rate debt to fixed rate debt), to partially refund Series 2000B First Lien Revenue Bonds, to pay for or reimburse costs of capital improvements to Airport facilities, to capitalize a portion of the interest on the Series 2010 Bonds, to pay the costs of issuing the bonds and to contribute to the Intermediate Lien Reserve Account.

As of December 31, 2010, the Port had outstanding general obligation ("GO") bonds of $335.5 million, a $21.8 million decrease from 2009 due to scheduled principal payments.

As of December 31, 2010, the Port had outstanding PFC revenue bonds of $177.5 million, a $22.7 million decrease from 2009 due to scheduled principal payments, in addition to the partial refunding of the 1998 PFC Bonds with the issuance of the new 2010AB PFC revenue Refunding bonds in 2010. In December 2010, the Port issued $146.5 million in Series 2010AB PFC Revenue Refunding Bonds to partially refund the Series 1998A PFC Revenue Bonds, to fully refund the 1998B PFC Revenue Bonds, and to pay the costs of issuing the Series 2010AB PFC Revenue Refunding Bonds.

As of December 31, 2010, the Port had outstanding Fuel Hydrant Special Facility Revenue bonds of $105.5 million, a $2.5 million decrease from 2009 due to a scheduled principal payment. The fuel facilities are leased to SeaTac Fuel Facilities LLC ("Lessee") for 40 years. The Port owns the fuel system and the Lessee is obligated to collect the fuel system fees and to make monthly rent payments including a base rent for the land to the Port and facilities rent to Wells Fargo Bank Northwest, National Association ("Trustee"). Facilities rent is established at an amount sufficient to pay monthly debt service, replenish any deficiency in the debt service reserve fund, and pay other fees associated with the bonds, including the Trustee fee. No tax funds or revenues of the Port (other than fuel facilities lease revenues) are pledged to pay the debt service on the bonds.

Below are the underlying ratings for Port of Seattle bonds as of December 31, 2010. Many of the Port's bond issues include bond insurance or letters of credit; the credit ratings for those issues are the ratings of the bond insurer or letter of credit provider.

Current Bond Ratings	**Fitch**	**Moody's**	**S&P**
General obligation bonds	AAA	Aa1	AAA
First lien revenue bonds	AA	Aa2	AA-
Intermediate lien revenue bonds	A+	Aa3	A+
Subordinate lien revenue bonds	A	A1	A
Passenger Facility Charge Revenue bonds	A	A1	A+
Fuel Hydrant Special Facility bonds	A-	A3	A-

In October, 2010, Moody's and Standard & Poor's (S&P) raised their ratings on the Port's PFC Bonds to "A1" and "A+", respectively.

Additional information on the Port's debt activity can be found in Note 5 in the accompanying notes to the financial statements.

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2010 AND 2009
(In thousands)

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 100,538	$ 68,167
Restricted cash and cash equivalents:		
Securities lending		77,338
Bond funds and other	78,080	58,471
Fuel hydrant assets held in trust	6,488	6,423
Short-term investments	64,215	3,616
Restricted short-term investments:		
Bond funds and other	49,249	503
Accounts and contracts receivable, less allowance of $240 and $874 for doubtful accounts	31,860	31,024
Grants-in-aid receivable	4,419	11,384
Taxes receivable	2,056	2,144
Materials and supplies	6,041	5,779
Assets held for sale	50,380	74,133
Prepayments and other current assets	3,878	3,971
Total current assets	397,204	342,953
NONCURRENT ASSETS:		
Long-term investments	374,958	412,058
Restricted long-term investments:		
Bond funds and other	298,536	366,645
Fuel hydrant assets held in trust	4,059	4,039
Deferred finance costs—net of accumulated amortization of $40,341 and $37,241	33,548	34,854
Other long-term assets	7,183	8,569
CAPITAL ASSETS:		
Land and air rights	1,948,502	1,919,043
Facilities and improvements	4,317,271	4,311,188
Equipment, furniture, and fixtures	365,820	357,404
Total capital assets	6,631,593	6,587,635
Less accumulated depreciation	1,507,305	1,372,829
Construction work in progress	339,413	214,705
Total capital assets—net	5,463,701	5,429,511
Total noncurrent assets	6,181,985	6,255,676
TOTAL	$ 6,579,189	$ 6,598,629

See notes to financial statements.

	2010	2009
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 76,421	$ 79,452
Payroll and taxes payable	33,228	38,908
Bond interest payable	41,301	42,433
Lease deposits and customer advances	6,605	10,393
Security fund liability	15,131	14,188
Securities lending obligation		77,338
Current maturities of long-term debt	200,750	257,870
Total current liabilities	373,436	520,582
LONG-TERM LIABILITIES:		
Other postemployment benefits obligation	8,359	8,014
Environmental remediation liability	43,142	28,215
Accrued long-term expenses	8,319	12,697
Total long-term liabilities	59,820	48,926
LONG-TERM DEBT:		
Revenue and capital appreciation bonds	2,767,650	2,680,380
General obligation bonds	312,550	335,500
Passenger facility charges revenue bonds	167,395	190,125
Fuel hydrant special facility bonds	102,885	105,465
Unamortized bond discounts—net of amortization	(8,921)	(34,252)
Total long-term debt	3,341,559	3,277,218
Total noncurrent liabilities	3,401,379	3,326,144
Total liabilities	3,774,815	3,846,726
NET ASSETS:		
Invested in capital assets—net of related debt	2,291,311	2,240,650
Restricted for:		
Debt reserves	63,579	68,551
Passenger facility charges	20,725	35,656
Grants and other	670	686
Unrestricted	428,089	406,360
Total net assets	2,804,374	2,751,903
TOTAL	$ 6,579,189	$ 6,598,629

See notes to financial statements.

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2010, 2009, AND 2008 (In thousands)

	2010	2009	2008
OPERATING REVENUES:			
Services	$ 174,562	$ 163,983	$ 187,791
Property rentals	284,898	274,584	286,139
Fuel hydrant facility revenues	7,911	7,845	2,926
Operating grant and contract revenues	3,119	3,023	1,667
Total operating revenues	470,490	449,435	478,523
OPERATING EXPENSES BEFORE DEPRECIATION:			
Operations and maintenance	188,678	182,995	209,960
Administration	44,837	43,636	44,438
Law enforcement	19,949	19,136	20,221
Total operating expenses before depreciation	253,464	245,767	274,619
NET OPERATING INCOME BEFORE DEPRECIATION	217,026	203,668	203,904
DEPRECIATION	160,775	157,068	144,208
OPERATING INCOME	56,251	46,600	59,696
NONOPERATING INCOME (EXPENSE):			
Ad valorem tax levy revenue	73,125	75,587	75,680
Passenger facility charges revenue	59,744	59,689	60,708
Customer facility charges revenue	23,243	21,866	22,947
Noncapital grants and donations	12,473	7,153	10,473
Investment income—net	13,096	17,251	39,004
Revenue and capital appreciation bond interest expense	(133,239)	(121,148)	(105,517)
Passenger facility charges revenue bond interest expense	(10,187)	(10,956)	(11,412)
General obligation bond interest expense	(17,463)	(15,785)	(17,059)
Public expense	(25,085)	(20,370)	(27,494)
Environmental expense—net	(22,730)	(14,676)	(5,659)
Other (expense) income—net	(7,276)	(10,003)	848
Total nonoperating (expense) income—net	(34,299)	(11,392)	42,519
INCOME BEFORE CAPITAL CONTRIBUTIONS	21,952	35,208	102,215
CAPITAL CONTRIBUTIONS	30,519	76,781	52,436
INCREASE IN NET ASSETS	52,471	111,989	154,651
TOTAL NET ASSETS:			
Beginning of year	2,751,903	2,639,914	2,489,980
Restatement—Implementation of GASB 49 (Note 1)			(4,717)
End of year	$ 2,804,374	$ 2,751,903	$ 2,639,914

See notes to financial statements.

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(In thousands)

	2010	2009	2008
OPERATING ACTIVITIES:			
Cash received from customers	$ 461,879	$ 464,464	$ 469,363
Cash paid to suppliers for goods and services	(83,676)	(67,106)	(80,163)
Cash paid to employees for salaries, wages, and benefits	(180,419)	(178,611)	(162,668)
Operating grant and contract revenues	3,119	3,023	1,667
Other	(3,579)	309	2,500
Net cash provided by operating activities	197,324	222,079	230,699
NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Ad valorem tax levy receipts	73,213	75,280	75,397
Noncapital grant and contract revenues	12,087	7,153	10,473
Proceeds from (acquisition of) assets held for sale	23,753	(74,133)	
Cash paid for environmental remediation liability	(9,112)	(8,036)	(11,007)
Public expense disbursements	(28,097)	(18,033)	(3,459)
Recovery receipts	4,302	5,876	16,167
Receipts from implicit financing			2,798
Net cash provided by (used in) noncapital and related financing activities	76,146	(11,893)	90,369
CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance and sale of revenue bonds, capital appreciation bonds, PFC bonds, and commercial paper	548,966	382,070	228,860
Proceeds used for refunding of revenue bonds, and PFC bonds	(376,105)		(199,964)
Acquisition and construction of capital assets	(194,313)	(242,224)	(335,033)
Principal payments on revenue bonds, PFC bonds, GO bonds, and commercial paper	(164,370)	(167,960)	(150,160)
Interest payments on revenue bonds, PFC bonds, GO bonds, and commercial paper	(165,942)	(155,827)	(165,437)
Proceeds from sale of capital assets	981	52	11,008
Receipts from capital contributions	37,429	77,049	57,016
Passenger facility charges receipts	59,813	58,742	60,539
Customer facility charges receipts	23,221	22,017	20,749
Net cash used in capital and related financing activities	(230,320)	(26,081)	(472,422)
INVESTING ACTIVITIES:			
Purchases of investment securities	(686,782)	(720,283)	(594,090)
Proceeds from sales and maturities of investments	674,621	594,814	676,508
Interest received on investments	21,049	21,025	27,604
Interest paid on securities lending	(46)	(18)	(3,083)
Interest income on securities lending	53	63	3,398
Cash collateral (remittance of) receipts from securities lending	(77,338)	77,338	(319,521)
Net cash used in investing activities	(68,443)	(27,061)	(209,184)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(25,293)	157,044	(360,538)
CASH AND CASH EQUIVALENTS:			
Beginning of year	210,399	53,355	413,893
End of year	$ 185,106	$ 210,399	$ 53,355

See notes to financial statements.

(Continued)

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(In thousands)

	2010	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH			
Operating income	$ 56,251	$ 46,600	$ 59,696
Miscellaneous nonoperating (expense) income	(3,579)	309	2,500
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	160,775	157,068	144,208
(Increase) decrease in assets:			
Accounts and contracts receivable	(5,387)	(2,586)	(2,894)
Materials and supplies, prepayments, and other	(75)	4,979	10,077
(Decrease) increase in liabilities:			
Accounts payable and accrued expenses	(8,025)	1,209	5,719
Payroll and taxes payable	(5,680)	3,172	7,008
Environmental remediation liability	5,975	3,720	2,734
Lease deposits and customer advances	(4,218)	14,355	(6,187)
Security fund liability	942	(1,625)	754
Other postemployment benefits obligation	345	(5,122)	7,084
Net cash provided by operating activities	$ 197,324	$ 222,079	$ 230,699
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfer of ownership of the Third Runwy Navigational Aids System to Federal Aviation Administration			$ 24,035
Lands exchange with Washington Department of Transportation		$ 11,332	

See notes to financial statements.

(Concluded)

PORT OF SEATTLE

WAREHOUSEMEN'S PENSION TRUST FUND

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2010 AND 2009
(In thousands)

	2010	2009
ASSETS:		
Cash and cash equivalents	$ 414	$ 282
Investments—fair value:		
Common stock	6,287	6,552
Corporate bonds	3,528	3,148
Other assets	163	157
Total assets	10,392	10,139
LIABILITIES:		
Accounts payable	(36)	(5)
NET ASSETS—Held in trust for pension benefits and other purposes	$ 10,356	$ 10,134

See notes to financial statements.

PORT OF SEATTLE

WAREHOUSEMEN'S PENSION TRUST FUND

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(In thousands)

	2010	2009	2008
ADDITIONS:			
Employer contributions	$ 1,500	$ 1,500	$ 1,500
Investment earnings:			
Interest		1	
Dividends	234	305	428
Gain (Loss) on investments sold	39	(145)	(504)
Net increase (decrease) in fair value of investments	796	2,287	(3,703)
Less investment expense	(15)	(16)	(17)
Net investment earnings (loss)	1,054	2,432	(3,796)
Total additions (deductions)	2,554	3,932	(2,296)
DEDUCTIONS:			
Benefits	2,210	2,194	2,176
Administrative expenses	44	44	41
Professional fees	78	62	79
Total deductions	2,332	2,300	2,296
CHANGE IN NET ASSETS	222	1,632	(4,592)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES:			
Beginning of year	10,134	8,502	13,094
End of year	$ 10,356	$ 10,134	$ 8,502

See notes to financial statements.

PORT OF SEATTLE

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—The Port of Seattle (the "Port") is a municipal corporation 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.

Reporting Entity—The Port reports the following funds: the Enterprise Fund accounts for all activities and operations of the Port except for the activities included within the Warehousemen's Pension Trust 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. The Enterprise Fund comprises three operating divisions. The Aviation Division ("Aviation") serves the predominant air travel needs of a five-county area. The Airport has 16 U.S. flag passenger air carriers (including regional and commuter air carriers) and 10 foreign-flag passenger air carriers providing nonstop service from the Airport to 89 cities, including 19 foreign cities. The Seaport Division ("Seaport") focuses primarily on containerized cargo and passenger marine terminals as well as industrial property connected with maritime businesses. International containerized cargo arriving by ship is transferred to various modes of land transportation destined for other regions of the country. Domestic containerized cargo arriving by various modes of land transportation is transferred to outbound ships for distribution to other countries around the world. The Real Estate Division ("Real Estate") manages moorage facilities, leases commercial and industrial buildings/properties, and plans and facilitates the development of selected real estate assets. The Port has labor workforces subject to various collective bargaining agreements. These workforces support the operations and maintenance of the divisions.

The Warehousemen's Pension Trust Fund accounts for the assets of the employee benefit plan held by the Port in a trustee capacity. On May 25, 2004, the Port became the sole administrator for the Warehousemen's Pension Plan and Trust (the "Plan"). This plan was originally established to provide pension benefits for the employees at the Port's warehousing operations at Terminal 106. In late 2002, the Port terminated all warehousing operations following the departure of the principal customer who operated the facility. As of May 25, 2004, the Plan is a governmental plan maintained and operated solely by the Port.

For financial reporting purposes, component units are entities which are legally separate organizations for which the Port is financially accountable, and other organizations for which the nature and significance of their relationship with the Port are such that exclusion would cause the Port's financial statements to be misleading or incomplete. Based on these criteria, the following is considered as a component unit of the Port's reporting entity.

The Industrial Development Corporation ("IDC") is a blended component unit of the Port and is included within the accompanying financial statements. The IDC is a special purpose government with limited powers and governed by a Board of Directors, which is comprised of the same members as the Port Commission. The IDC has issued tax-exempt nonrecourse revenue bonds to finance industrial development for acquiring, constructing, and renovating transshipment and manufacturing facilities within the corporate boundaries of the Port. These revenue bonds are secured by revenues derived from the industrial development facilities funded by the revenue bonds and leased to the IDC. The Port has not recorded these obligations, or the related assets, on the accompanying financial statements of the Port, as the Port has no obligation for the outstanding bonds beyond what is provided in the leasing arrangements. A copy of the separate financial statements for IDC may be obtained at:

Port of Seattle
Pier 69
P.O. Box 1209
Seattle, WA 98111

Basis of Accounting—The Port is accounted for on a flow of economic resources measurement focus. The financial statements 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. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that governments' proprietary activities apply all GASB pronouncements as well as the pronouncements of the Financial Accounting Standards Board ("FASB") and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed by GASB Statement No. 20, the Port has elected to implement FASB Statements and Interpretations issued after November 30, 1989. The more significant of the Port's accounting policies are described below.

Use of Estimates—The preparation of the Port's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used to record environmental remediation liabilities, litigated and non-litigated loss contingencies, insurance recoveries, allowances for doubtful accounts, grants-in-aid receivables, arbitrage rebate liabilities, other postemployment benefits, and terminated benefits. Actual results could differ from those estimates.

Significant Risks and Uncertainties—The Port is subject to certain business and casualty risks that could have a material impact on future operations and financial performance. Business risks include economic conditions, collective bargaining disputes, security, litigation, Federal, State, and local government regulations, and changes in law. The Port has a comprehensive risk management program that financially protects the Port against loss from adverse casualty events to its property, operations, third-party liabilities, and employees. The Port carries excess commercial insurance to cover many of these risks of loss. The excess commercial insurance coverage is above a self-insured retention that the Port maintains. The Port is a qualified workers compensation self-insurer in the State and administers its own worker compensation claims. Claims, litigation and other settlements have not exceeded the limits of available insurance coverage in each of the past three years, when insurance was applicable.

Airline Rates and Charges—Under the terms of the signatory airline lease and operating agreements ("SLOA") effective from January 1, 2006 through December 31, 2012, the Port sets airline rates and charges using a hybrid-compensatory methodology. Under SLOA, rates for the landing fee and terminal rents are set to recover the operating and capital costs for the airfield and the terminal cost centers, respectively. Some of the key provisions in this agreement include the following: cost recovery formulas permitting the Port to charge the airlines 100% of annual debt service allocated to the airlines (unless the Port determines in its sole discretion that a charge above

100% and up to 125% of annual debt service is necessary to maintain the total Airport revenue bond coverage at 1.25 times the sum of the annual debt service).

Ad Valorem Tax Levy Revenue—Ad valorem taxes received by the Port are utilized for the acquisition and construction of facilities, for the payment of principal and interest on general obligation bonds issued for the acquisition or construction of facilities, for contributions to regional freight mobility improvement, for environmental expenses, for certain operating expenses, and for public expenses. The Port includes ad valorem tax revenues and interest on general obligation bonds as nonoperating income in the statements of revenues, expenses, and changes in net assets.

The King County ("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 every two years.

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

Passenger Facility Charges—As determined by applicable Federal legislation, passenger facility charges ("PFC") 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 nonoperating income in the statements of revenues, expenses, and changes in net assets based upon passenger enplanement.

Customer Facility Charges—As determined by applicable State legislation, customer facility charges ("CFC") generate revenue to be expended by the Port for eligible capital projects, the payment of principal and interest on specific revenue bonds related to rental car facilities at the Airport, and certain related operating expenses. CFC revenues received from the rental car companies are recorded as nonoperating income in the statements of revenues, expenses, and changes in net assets.

Grants-in-Aid Receivable—The Port receives Federal and State grants-in-aid funds on reimbursement basis for all divisions, mostly related to construction of Airport and Seaport facilities and other capital activities along with operating and nonoperating grants to perform enhancements in both Airport and Seaport security.

Land, Facilities, and Equipment—Land, facilities, and equipment are stated at cost, less accumulated depreciation. Costs applicable to noise damage remedies and air rights, together with the cost of litigation, generally are capitalized as a cost of the property. The Port's policy is to capitalize all asset additions equal to or greater than $20,000 and with an estimated life of three years or more. The Port capitalizes interest during construction until the asset is placed into service, based on average construction expenditures and average actual debt service rates for bond funded construction excluding externally restricted acquisition of specified qualified assets financed with grants or proceeds from tax-exempt debt. For tax-exempt debt externally restricted for the acquisition of specified qualifying assets, the Port capitalizes the difference between interest expense on debt and interest earnings on reinvested debt proceeds until the asset is placed into service. 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. The Port periodically reviews its long-lived assets for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly.

Materials and Supplies—Materials and supplies are recorded at the lower of cost or market. The Port's policy is to expense materials and supplies when used in operations and to capitalize amounts used in capital projects as construction work in progress.

Employee Benefits—Eligible Port employees accrue paid time off and extended illness leave on every straight-time hour worked. The paid time off accrual rates increase based on length of service. A stipulated maximum of paid time off leave may be accumulated by employees while there is no maximum limit to the amount of extended illness leave that can be accumulated. Terminated employees are entitled to be paid for unused paid time off and, under certain conditions, a portion of unused extended illness leave.

The Port also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (the “457 Plan”). All regular employees, i.e. both union and non-union are eligible to participate in the 457 Plan. The Port placed its deferred compensation plan assets in a separate trust as required under the Small Business Job Protection Act of 1996. The trust requirements were met by establishing a qualifying insurance contract, and as such, the related assets and liabilities are not included in the Port’s financial statements.

On an annual basis, the Port has the option of offering a 401(a) supplemental savings plan (the “401(a) Plan”) for non-union employees. The 401(a) Plan establishes a 401(a) tax-deferred savings account for each eligible employee. The Port matches employee contributions to the 401(a) Plan dollar-for-dollar up to a fixed maximum of $2,200. This matching contribution increases with tenure. Employees are able to direct the 401(a) funds to any investment options available under the 401(a) Plan.

Termination Benefits—The recession has been difficult and challenging, and accordingly, the Port proactively reduced costs by offering a Voluntary Separation Program (“VSP”) to all employees in 2009 to limit the number of involuntary reductions in force (“RIF”).

Employees who elected the VSP received six days of severance for every year of completed service. For any extended illness time accrued, 100% of the balance was cashed out at the time of termination. The Port also provided health insurance coverage for six months following the end of the employee’s service period. Additionally, the Port provided up to six hours of transitional coaching services for employees who elected the VSP. Employees who were involuntarily terminated as a result of the RIF received five days of severance for every year of completed service. The Port also provided and paid for one month of COBRA insurance coverage following termination. Additionally, the Port also provided full outplacement services for all involuntarily terminated employees.

In total, 53 employees elected VSP, for an estimated termination benefit of $3,534,000. A total of 27 employees were terminated involuntarily, providing an estimated termination benefit of $309,000. As of December 31, 2009, termination benefit liabilities for VSP and RIF in the amount of $2,099,000 and $74,000, respectively, are included in current payroll and taxes payable on the statements of net assets. As of December 31, 2010, the Port has no termination benefit liability outstanding.

Investments and Cash Equivalents—All short-term investments with a maturity of three months or less at date of purchase are considered to be cash equivalents. Investments are carried at fair value plus accrued interest receivable. Fair values are determined based on quoted market rates. Gains or losses due to market valuation changes are recognized in the statements of revenues, expenses, and changes in net assets.

Accounts Receivable and Allowance for Doubtful Accounts—Accounts receivable are recorded for invoices issued to customers in accordance with the contractual arrangements. Unbilled receivables are recorded when revenues are recognized upon service delivery and invoicing occurs at a later date. Finance charges and late fees are recognized on accounts receivable in accordance with contractual arrangements. Interest income on finance charges and late fees are minimal. The Port's policy for delinquent receivable is 90 days or more past due. The allowance for doubtful accounts is based on specific identification of troubled accounts and delinquent receivables. Accrual of accounts receivable, related finance charge and late fees are suspended once the accounts receivable is sent to a third party collection agency, put in dispute, in litigation or the customer has filed for bankruptcy. Accounts receivable are written-off against the allowance when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received.

Environmental Remediation Liability—The Port's policy requires accrual of environmental remediation liability 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 environmental remediation liability. Costs incurred for environmental remediation liability are typically recorded as nonoperating environmental expenses unless the expenditures relate to the Port's principal ongoing operations, in which case they are recorded as operating expenses. Costs incurred for environmental remediation liability can be capitalized if they meet specific criteria. 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.

Debt Discount, Premium, and Issuance Costs—Debt discounts, premiums, and issuance costs relating to the issuance of bonds are amortized over the lives of the related bonds using the effective interest method.

Refunds of Debt—The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

It is the Port's practice when bonds are defeased that the proceeds of the new bonds are placed in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not recorded in the financial statements. As of December 31, 2010, there was no outstanding balance carried in the trust related to refunding of debt. The amount required to be held in trust as of December 31, 2009 related to refundings of debt is detailed below (in thousands):

	2009
Series 2000A General obligation bonds	$ 7,300
Series 2000A Revenue bonds	130,690
Series 1999A Special facilities revenue bonds (T18 Project)	59,740
Series 1999B Special facilities revenue bonds (T18 Project)	3,350
Series 1999C Special facilities revenue bonds (T18 Project)	25,445
Total	$ 226,525

Payments in Lieu of Taxes—The Port, on behalf of the State of Washington, collects applicable leasehold taxes from its tenants. The taxes are a pass-through to the State and are, therefore, not reflected as an expense or revenue by the Port.

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.

Nonexchange Transactions—GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, establishes uniform revenue and expense recognition criteria and financial reporting standards regarding when (i.e., in which fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. When the Port receives value without directly giving equal value in return, these transactions, which include taxes, intergovernmental grants, entitlements, other financial assistance, and nongovernmental contractual agreements are reported as revenue. When the Port gives value without directly receiving equal value in return, these transactions, which include expenses for district schools and infrastructure improvements to the State and region in conjunction with other agencies, are reported as public expense.

Operating and Nonoperating Revenues—Fees for services, rents, and charges for the use of Port facilities, Airport landing fees, operating grants, and other revenues generated from operations are reported as operating revenue. Ad valorem tax levy revenues, nonoperating grants and contributions, PFCs, CFCs, and other revenues generated from nonoperating sources are classified as nonoperating.

Recently Issued Accounting Pronouncements—In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which provides comprehensive guidance on identifying, accounting for, and reporting intangible assets. This statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. This statement establishes a specified-conditions approach for recognizing internally generated intangible assets. It also provides guidance on recognizing internally generated computer software and establishes specific guidance for the amortization of intangible assets. This statement is effective for periods beginning after June 15, 2009. The Port has adopted this new pronouncement in the current year and the adoption of this statement does not have a material effect on the Port's financial statements.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by State and local governments. This statement is effective for periods beginning after June 15, 2009. The Port has adopted this new pronouncement in the current year and the adoption of this statement does not have a material effect on the Port's financial statements.

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*, which clarifies guidance in existing standards on the financial reporting of the following four areas, 2a7-like external investment pools; interest rate risk disclosures for debt investment pools; unallocated insurance contracts; and certain amendments to GASB Statement No. 53 on derivatives. This statement is effective for periods beginning after June 15, 2010. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In November 2010, the GASB issued Statement No, 60, *Accounting and Financial Reporting for Service Concession Arrangements.* The requirements of this statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for service concession arrangements ("SCA") for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This statement is effective for periods beginning after December 15, 2011; retrospective application is required for all prior periods presented. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statement No. 14 and No. 34*, which improves guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (i.e., blending) in certain circumstances. This statement also clarifies the reporting of equity interests in legally separate organizations. This statement is effective for financial statements for periods beginning after June 15, 2012. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements in this statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments. This statement is effective for financial statements for periods beginning after December 15, 2011. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

Restatement—In 2008, beginning balance of net assets was restated due to adoption of GASB Statement No. 49 ("GASB 49"), *Accounting and Financial Reporting for Pollution Remediation Obligations*, which required the environmental remediation liability to be re-measured at the beginning of January 1, 2008 based on this new standard.

Reclassifications and Presentation—Certain reclassifications of prior years' balances have been made to conform with the current year presentations. Such reclassifications did not affect the total increase in net assets or total current or long-term assets or liabilities.

2. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Deposits—All deposits are either covered by the Federal Deposit Insurance Corporation ("FDIC") or the Public Deposit Protection Commission of the State of Washington ("PDPC"). The PDPC is a statutory authority under Chapter 39.58 RCW. It constitutes a multiple financial institution collateral pool that can make pro rata assessments from all qualified public depositaries within the State. Per State statute, all public deposits in the State are either 100% collateralized or insured. Therefore, in accordance with GASB, *Codification of Governmental Accounting and Financial Reporting Standards*, Section 150.110, PDPC protection is of the nature of collateral, not of insurance. Pledged securities under the PDPC collateral pool are held by PDPC for the protection of the pool.

Investments—Statutes authorize the Port to invest in savings or time accounts in designated qualified public depositaries or in certificates, notes, or bonds of the United States. The Port is also authorized to invest in other obligations of the United States or its agencies or of any corporation wholly owned by the government of the United States. Statutes also authorize the Port to invest in banker's acceptances purchased on the secondary market, in Federal Home Loan Bank notes and bonds, Federal Farm Credit Bank consolidated notes and bonds, Federal Home Loan Mortgage Corporation bonds and notes, and Federal National Mortgage Association notes, bonds, debentures and guaranteed certificates of participation or the obligations of any other government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System. The Port can also invest in commercial paper within the policies established by the State Investment Board, certificates of deposit with qualified public depositories, local and state general obligations, and revenue bonds issued by Washington State governments that are rated at least "A" by a nationally recognized rating agency. Additionally, the following mortgage backed securities of these agencies are allowed for purchase including: (1) collateralized mortgage pools having a stated final maturity not exceeding the maturity limits of the Port's investment policy and (2) planned amortization and sequential pay classes of collateralized mortgage obligations collateralized by 15-year agency-issued pooled mortgage securities and having a stated final maturity not exceeding the maturity limits of the Port's investment policy.

The Port's investment policy limits the maximum maturity of any security purchased to ten years. The Port's investment policy allows for 100% of the portfolio to be invested in United States Treasury bills, certificates, notes, and bonds. The Port's investment policy limits government agency securities to 60%, agency mortgage-backed securities to 10%, certificates of deposit to 15% but no more than 5% per issuer, banker's acceptances to 20% but no more than 5% per bank, commercial paper to 20% but no more than 3% per issuer, overnight repurchase agreements to 15%, term only repurchase agreements to 25%, reverse repurchase agreements to 5% and agency discount notes to 20% of the portfolio. Banker's acceptances can only be purchased on the secondary market and are limited to the largest 50 world banks listed each July in the American Banker. These banks must meet tier one and tier two capital standards. Commercial paper must be rated no lower than A1/P1 and meet Washington State Investment Board Guidelines.

The Port's investment policy allows entering into repurchase and reverse repurchase agreements with maturities of 60 days or less. The Port's investment policy requires that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreement with investment terms of less than 30 days, and 105% for terms longer than 30 days, but not to exceed 60 days. Collateral must be "marked to market" on a daily basis. For reverse repurchase agreements, when used for yield enhancement rather than cash management purposes, only "matched book" transactions will be utilized. This means that the maturity date of the acquired security is identical to the end date of the reverse repurchase transaction. Reverse repurchase agreements will only be executed with Primary Government Bond Dealers.

As of December 31, 2010 and 2009, restricted investments—bond funds and other were $425,865,000 and $425,619,000, respectively, which generally represents unspent bond proceeds designated for capital improvements to the Port's facilities, including capitalized interest, and satisfying debt service reserve fund requirement, along with cash receipts from PFCs, CFCs and security fund liability maintained under SLOA.

The tables below identify the type of investments, concentration of investments in any one issuer, and maturities of the Port Investment Pool as of December 31, 2010 and 2009 (in thousands). These tables do not address investments of debt proceeds held by bond trustees. As of December 31, 2010 and 2009, the Port's investment pool had 18.6% and 14.0% of the portfolio, respectively, invested in repurchase agreements collateralized with "AAA" rated agency securities and the remainder of the pool invested in "AAA" rated agency and treasury securities.

		Maturities (in Years)			Percentage
Investment Type	**Fair Value**	**Less Than 1**	**1-3**	**More Than 3**	**of Total Portfolio**
2010					
Repurchase Agreements *	$ 178,619	$ 178,619	$	$	18.6%
Federal Agencies Securities:					
Federal Farm Credit Banks	60,421			60,421	6.3
Federal Home Loan Bank	45,830			45,830	4.8
Federal Home Loan Mortgage Corporation	101,526		5,023	96,503	10.6
Federal National Mortgage Association	266,528		30,716	235,812	27.7
United States Treasury Notes	309,024	110,515	172,347	26,162	32.0
Total Portfolio	$ 961,948	$ 289,134	$ 208,086	$ 464,728	100.0 %
Accrued interest receivable	3,628				
Total cash, cash equivalents, and investments	$ 965,576				
Percentage of Total Portfolio	100.0 %	30.1 %	21.6 %	48.3 %	
2009					
Repurchase Agreements *	$ 126,639	$ 126,639	$	$	14.0 %
Federal Agencies Securities:					
Federal Farm Credit Banks	139,178		10,042	129,136	15.4
Federal Home Loan Bank	79,435			79,435	8.8
Federal Home Loan Mortgage Corporation	116,219		41,789	74,430	12.9
Federal National Mortgage Association	171,834		30,267	141,567	19.0
United States Treasury Notes	270,418		245,237	25,181	29.9
Total Portfolio	$ 903,723	$ 126,639	$ 327,335	$ 449,749	100.0 %
Accrued interest receivable	5,737				
Total cash, cash equivalents, and investments	$ 909,460				
Percentage of Total Portfolio	100.0 %	14.0 %	36.2 %	49.8 %	

* Includes cash and cash equivalents balances as well as cash collateral from securities lending.

Investment Authorized by Debt Agreements—Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements and subject to compliance with State law. During May 2003, the Port issued Fuel Hydrant Special Facility Revenue bonds in the amount of $121,140,000 to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at the Airport. The fuel hydrant facility financing is administered by Wells Fargo Bank Northwest, National Association ("Trustee").

The tables below identify the type of investments, concentration of investments in any one issuer, and maturities of the Fuel Hydrant Investment Pool as of December 31, 2010 and 2009 (in thousands). As of December 31, 2010 and 2009, 38.2% and 38.4%, respectively, of the Fuel Hydrant Investment Pool was invested in "AAA" rated government agency securities. The remaining amount was invested in 2a7 qualified Wells Fargo Government Institutional Money Market Fund with maturity limits no longer than 13 months. The Wells Fargo Government Institutional Money Market Fund holds securities authorized by the statutes, which means at least 80% of the investments are invested in United States Government obligations, including repurchase agreements collateralized by United States Government obligations. The remainder of the Wells Fargo Government Institutional Money Market Fund was invested in high-quality short-term money market instruments.

Investment Type	Fair Value	Maturities (in Years) Less Than 1	1-3	More Than 3	Percentage of Total Portfolio
2010					
Wells Fargo Government Institutional	$ 6,488	$ 6,488	$	$	61.8 %
Federal Agencies Securities:					
Federal Farm Credit Banks	4,010			4,010	38.2
Total Portfolio	$ 10,498	$ 6,488	$	$ 4,010	100.0 %
Accrued interest receivable	49				
Total cash, cash equivalents, and investments	$ 10,547				
Percentage of Total Portfolio	100.0 %	61.8 %	%	38.2 %	
2009					
Wells Fargo Government Institutional	$ 6,423	$ 6,423	$	$	61.6 %
Federal Agencies Securities:					
Federal Home Loan Mortgage Corporation	4,005		4,005		38.4
Total Portfolio	$ 10,428	$ 6,423	$ 4,005	$	100.0 %
Accrued interest receivable	34				
Total cash, cash equivalents, and investments	$ 10,462				
Percentage of Total Portfolio	100.0 %	61.6 %	38.4 %	%	

Interest Rate Risk—Interest rate risk is the risk that an investment's fair value decreases as market interest rate increases. Through its investment policy, the Port manages its exposure to fair value losses arising from increasing interest rates by setting maturity and duration limits for the Port's Investment Pool. The portfolio is managed similar to a short-term fixed income fund. The "modified" duration of the portfolio, by policy, has a 2.0 target plus or minus 50 basis points (2.0 is an approximate average life of 27 months). For 2010, the "modified duration" of the portfolio ranged from 2.0–2.5. Securities in the portfolio cannot have a maturity longer than ten years. As of December 31, 2010 and 2009, the "effective" duration of the Port's Investment Pool portfolio was approximately 0.9 and 1.1, respectively.

The proceeds from the Fuel Hydrant bonds are held by the Trustee to make monthly debt service payments, to satisfy the debt service reserve fund requirement and to pay other fees associated with the bonds, including the Trustee fee. As of December 31, 2010, and 2009, the effective duration of the Fuel Hydrant Investment Pool was 1.5 and 0.8, respectively.

Custodial Credit Risk—Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Port will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. By the Port's policy, all security transactions, including repurchase agreements, are settled "delivery versus payment". This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the Port's safekeeping bank.

As of December 31, 2010 and 2009, the bank balance of $6,488,000 and $6,423,000, respectively, in the Fuel Hydrant Investment Pool was invested in the Wells Fargo Government Institutional Money Market Fund, was uninsured, and was registered in the name of the Trustee.

Securities Lending—State statutes permit the Port to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Port, which has contracted with a lending agent to lend securities owned by the Port, earns a fee for this activity. The lending agent lends securities and receives collateral, which can only be in the form of cash. The collateral, which must be valued at 102% of the fair value of the loaned securities, is priced daily and, if necessary action is taken to maintain the collateralization level at 102%. The cash is invested by the lending agent in securities, which comply with the Port's investment policy. The Port's investment parameters for the lending agent are more restrictive allowing the lending agent to reinvest in treasury or agency securities only. The securities underlying the cash collateral are held by the Port's custodian. Since the securities lending agreements were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. There are no restrictions on the amount of securities that can be lent. The Port investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the Port.

The Port reports securities lent (the underlying securities) as assets in the statement of net assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Cash collateral received resulting from these transactions is reported as liability in the statement of net assets.

No securities were lent as of December 31, 2010, therefore, no cash received as collateral on securities lending is reported as an asset and liability in the statement of net assets as of December 31, 2010. As of December 31, 2009, the fair value of underlying securities was $75,124,000 in United States Treasury Notes and the value of cash collateral held was $77,338,000.

During the fiscal year of 2010 and 2009, the Port had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the Port. Furthermore, the contract with the lending agent requires them to indemnify the Port, if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails to pay the Port for income distribution by the securities' issuers while the securities are on loan. There were no violations of legal or contractual provisions, nor any losses resulting from default of a borrower or lending agent during 2010 and 2009.

3. CAPITAL ASSETS

Capital assets consist of the following at December 31, 2010 and 2009 (in thousands):

	Beginning of Year	Additions	Retirements	End of Year
2010				
Capital assets, not being depreciated:				
Land and air rights	$ 1,919,043	$ 31,546	$ (2,087)	$ 1,948,502
Art collections and others	7,655	11	(15)	7,651
Total capital assets not being depreciated	1,926,698	31,557	(2,102)	1,956,153
Capital assets being depreciated:				
Facilities and improvements	4,310,959	24,661	(18,578)	4,317,042
Equipment, furniture, and fixtures	349,978	19,666	(11,246)	358,398
Total capital assets being depreciated	4,660,937	44,327	(29,824)	4,675,440
Total capital assets	6,587,635	75,884	(31,926)	6,631,593
Less accumulated depreciation for:				
Facilities and improvements	(1,161,913)	(138,436)	15,735	(1,284,614)
Equipment, furniture, and fixtures	(210,916)	(22,339)	10,564	(222,691)
Total accumulated depreciation	(1,372,829)	(160,775)	26,299	(1,507,305)
Construction work in progress	214,705	198,499	(73,791)	339,413
Total capital assets—net	$ 5,429,511	$ 113,608	$ (79,418)	$ 5,463,701
2009				
Capital assets, not being depreciated:				
Land and air rights	$ 1,880,096	$ 38,954	$ (7)	$ 1,919,043
Art collections and others	7,478	177		7,655
Total capital assets not being depreciated	1,887,574	39,131	(7)	1,926,698
Capital assets being depreciated:				
Facilities and improvements	4,092,060	252,971	(34,072)	4,310,959
Equipment, furniture, and fixtures	326,104	42,314	(18,440)	349,978
Total capital assets being depreciated	4,418,164	295,285	(52,512)	4,660,937
Total capital assets	6,305,738	334,416	(52,519)	6,587,635
Less accumulated depreciation for:				
Facilities and improvements	(1,048,960)	(134,561)	21,608	(1,161,913)
Equipment, furniture, and fixtures	(206,062)	(22,507)	17,653	(210,916)
Total accumulated depreciation	(1,255,022)	(157,068)	39,261	(1,372,829)
Construction work in progress	294,635	251,942	(331,872)	214,705
Total capital assets—net	$ 5,345,351	$ 429,290	$ (345,130)	$ 5,429,511

For the year ended December 31, 2010 and 2009, $2,861,000 and $7,018,000 was recorded in nonoperating other expense—net, respectively, related to demolition costs, impairments, and asset sales. For the Aviation Division, $2,257,000 and $5,325,000 relates to losses from demolition in 2010 and 2009, respectively. Most of the losses from demolition in 2010 were related to capital assets placed out of service and identified by the Port during its cyclical physical inventory of capital assets. The largest loses from demolition in 2009 were related to the replacement of runway exit lights with newer technology. For the Seaport Division, $207,000 and $1,338,000 relates to losses from demolition in 2010 and 2009, respectively. For the Real Estate Division, $20,000 related to gain from sale of capital assets in 2010 and $92,000 relates to losses from demolition in 2009.

The Port completed its acquisition of the 42 mile Eastside Rail Corridor from Burlington Northern Santa Fe ("BNSF") Railway in December 2009, as a key first step to preserve it in public ownership. To maximize the corridor's benefit to the entire region, the Port partnered with five local regional agencies, namely King County, Sound Transit, City of Redmond, Puget Sound Energy, and Cascade Water Alliance, to share the purchase and public ownership of this real property.

The original plan of sale of the Eastside Rail Corridor was extended beyond 2010 due to the number of regional agencies involved in the interest of public ownership of this real property. During 2010, a segment of the Eastside Rail Corridor was sold to the City of Redmond for $10,000,000 and an easement was sold to Puget Sound Energy for $13,753,000. No gain or loss was recorded on these sales. The Port continues to partner with the remaining regional agencies to complete the future transactions in 2011.

The remaining Eastside Rail Corridor asset held for sale is reported at the lower of its carrying amount or fair value less costs to sell. The assets had a fair value, less costs to sell, of approximately $50,380,000 and $74,133,000 as of December 31, 2010, and 2009, respectively. As the Port acquired the Eastside Rail Corridor in December 2009, the real estate market was at its bottom in the recession, and the active market for this real property is very limited, the fair value of the asset is essentially the same as its carrying amount. As such, no impairment loss was recorded during the years ended December 31, 2010 and 2009.

4. ACCOUNTING FOR LEASES

The Port enters into operating leases with tenants for the use of properties at various locations, including Seaport Division terminal land, facilities, and equipment; Aviation Division space and land rentals with minimum annual guarantees; and Real Estate Division commercial and industrial properties, industrial fishing terminals as well as recreational marinas. As the leased properties involved are in part used by internal Port operations, it is not reasonably determinable to segregate the value of the assets associated with producing minimum rental income from the value of the assets associated with an entire facility.

Minimum future rental income on noncancelable operating leases on Seaport terminals, Airport facilities and Real Estate properties are as follows (in thousands):

Years Ending December 31		
2011	$	77,828
2012		67,460
2013		72,581
2014		68,613
2015		65,542
Thereafter		1,056,688
Total	$	1,408,712

Effective June 2003, the Port entered into a lease agreement with SeaTac Fuel Facilities LLC in a fuel system lease whereby the members are some of the commercial air carriers currently operating at the Airport. The lessee payments of facilities rent are made directly to a trustee in the amounts and at the times required to pay the principal and premium, if any, and interest on the Special Facility Revenue bonds issued to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at the Airport. The fuel system is intended to be the exclusive system for storage and delivery to commercial air carriers of jet aircraft fuel at the Airport. The lease, which represents an unconditional obligation of the lessee, extends until the later of July 31, 2033, or the repayment of the 2003 bonds. SeaTac Fuel Facilities LLC was created by the consortium of airlines operating at the Airport for the purpose of entering the lease and managing the fuel hydrant system. The future rental income is based on debt service requirements which are as follows: $7,993,000 for 2011, $7,993,000 for 2012, $7,994,000 for 2013, $7,996,000 for 2014, $7,995,000 for 2015, and $135,154,000 for the years thereafter; these amounts are not included in the schedule above. All special facility lease revenues are restricted and are to be used solely for debt service on the bonds and not for Port operations.

5. LONG-TERM DEBT

The Port's long-term debt consists primarily of tax-exempt bonds. The majority of the Port's outstanding bonds are revenue bonds, which are secured by a pledge of net operating revenues of the Port. PFC revenue bonds are secured by a lien pledge of the revenues generated from the PFCs imposed by the Airport. The GO bonds and interest thereon are payable from ad valorem taxes. In connection with the issuance of the tax-exempt bonds, the Port agreed to certain covenants as defined in the resolutions. Outstanding long-term debt as of December 31, 2010, consists of the following (in thousands):

Bond Type (by Bond Issue)	Rates (%)	Maturity Dates	Beginning Balance	Principal Payments and Refundings	Issuance	Ending Balance
Revenue bonds:						
First lien:						
Series 1998 A	5.25	2010	$ 27,350	$ 27,350	$	$
Series 2000 B	6.0	2011–2015	183,015	136,060		46,955
Series 2000 D	6.0	2011	6,765	3,290		3,475
Series 2001 A	5.0	2031	176,105			176,105
Series 2001 B	5.1–5.625	2011–2024	217,785	9,620		208,165
Series 2001 C	5.5–5.625	2012–2014	12,205			12,205
Series 2001 D	5.75	2011–2017	45,445	4,575		40,870
Series 2003 A	5.0–5.25	2011–2033	188,190	7,360		180,830
Series 2003 B	4.25–5.5	2013–2029	146,900			146,900
Series 2004	5.1–5.75	2011–2017	17,500	2,330		15,170
Series 2007 A	3.75–5.0	2016–2019	27,880			27,880
Series 2007 B	3.85–5.0	2011–2032	193,115	5,345		187,770
Series 2009 A	5.25	2027–2028	20,705			20,705
Series 2009 B-1	5.74–7.0	2019–2036	274,255			274,255
Series 2009 B-2	7.4	2025–2031	83,600			83,600
Total			1,620,815	195,930		1,424,885
Intermediate lien:						
Series 2005 A	5.0–5.25	2011–2035	390,975	10,500		380,475
Series 2005 C	5.0	2011–2017	35,730	4,050		31,680
Series 2006 A	4.75–5.0	2025–2030	124,625			124,625
Series 2010 A	3.0–5.0	2011–2017			25,200	25,200
Series 2010 B	4.0–5.0	2014–2040			221,315	221,315
Series 2010 C	3.0–5.0	2011–2024			128,140	128,140
Total			551,330	14,550	374,655	911,435
Subordinate lien:						
Series 1997	0.34 *	2022	108,830			108,830
Series 1998	5.0–5.375	2011–2017	14,150	1,475		12,675
Series 1999 A	4.75–5.5	2016–2024	121,840			121,840
Series 1999 B	5.5	2011–2016	66,515	8,420		58,095
Series 2005	0.29 *	2010	62,925	62,925		
Series 2008	0.38 *	2033	200,715			200,715
Commercial paper	0.3–0.4	2011	156,800	63,300	805	94,305
Total			731,775	136,120	805	596,460
Revenue bond totals			$ 2,903,920	$ 346,600	$ 375,460	$ 2,932,780

(Continued)

Bond Type (by Bond Issue)	Rates (%)	Maturity Dates	Beginning Balance	Principal Payments and Refunding	Issuance	Ending Balance
General obligation bonds:						
Series 2000 A	5.1	2010	$ 310	$ 310	$	$
Series 2000 B	5.7–6.0	2011–2025	84,120	3,305		80,815
Series 2004	4.5–5.25	2011–2023	211,255	18,200		193,055
Series 2006	3.75–5.0	2011–2029	61,630			61,630
Total			357,315	21,815		335,500
Passenger facility charge revenue bonds:						
Series 1998 A	5.5	2019	118,490	87,470		31,020
Series 1998 B	5.25–5.375	2010	81,665	81,665		
Series 2010 A	5.0	2017–2023			79,770	79,770
Series 2010 B	1.5–5.0	2011–2016			66,695	66,695
Total			200,155	169,135	146,465	177,485
Fuel hydrant special facility bonds	4.5–5.5	2011–2033	107,950	2,485		105,465
Bond totals			3,569,340	540,035	521,925	3,551,230
Unamortized bond discounts – net of amortization			(34,252)			(8,921)
Total debt			3,535,088			3,542,309
Less current maturities of long-term debt			257,870			200,750
Long-term debt			$ 3,277,218			$ 3,341,559

* Variable interest rates as of December 31, 2010

(Concluded)

During August 2010, the Port issued $374,655,000 in Series 2010ABC Intermediate Lien Revenue and Refunding Bonds. Series 2010A, $25,200,000, was used to fully refund the Series 1998A First Lien Revenue Bonds. Series 2010B, $221,315,000, was used to fully refund the Series 2005 Subordinate Lien Revenue Bonds, to pay for or reimburse costs of capital improvements to Airport facilities, and to capitalize a portion of the interest on the Series 2010B Bonds. Series 2010C, $128,140,000, was used to partially refund Series 2000B First Lien Revenue Bonds. A portion of each bond Series was also used to pay the costs of issuing the bonds and to contribute to the Intermediate Lien Reserve Account. The bonds have coupon rates ranging from 3.0% to 5.0% with maturities ranging from 2011 to 2040. The interest on the Series 2010AB Intermediate Lien Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2010, and interest on the Series 2010C is payable on February 1 and August 1 of each year, commencing February 1, 2011. Series 2010A are not subject to optional redemption. Certain maturities of Series 2010B and 2010C are subject to optional redemption prior to their scheduled maturities, and certain maturities of Series 2010B are also subject to mandatory sinking fund redemption.

The total economic gain resulting from the Series 1998A and 2000B First Lien refunding transactions was $14,617,000, while the Port also decreased its aggregate debt service payments by $21,315,000 over the life of the bonds. The 2005 Subordinate Lien Revenue bonds were refunded due to unfavorable letter of credit market conditions rather than for economic purposes. Since the Series 2005 Subordinate Lien Revenue Bonds were issued at a variable interest rate, the actual cash flow required to service the old debt is estimated based on a long term projected interest rate of 2.9%, which is based on historical and current market conditions (the minimum rate is 0% and maximum rate is 15%). If the 2005 bonds continue to incur interest costs at the long term projected rate of 2.9% along with all the associated credit facility fee such as remarketing fee, draw fee, surveillance fee, letter of credit fee and fiscal agent fee, the refunding transaction would result in an economic loss of $8,453,000; however, the Port would decrease its aggregate debt service payments by $428,000 over the life of the bonds. Nevertheless, it is possible that due to the uncertainty of the future debt service requirement of the old debt, the ultimate realized economic loss would be different.

During December 2010, the Port issued $146,465,000 in Series 2010AB PFC Revenue Refunding Bonds. Series 2010A, $79,770,000, partially refunded the Series 1998A PFC Revenue Bonds, while Series 2010B, $66,695,000, fully refunded the 1998B PFC Revenue Bonds. A portion of each bond series was also used to pay the costs of issuing the Series 2010AB PFC Revenue Refunding Bonds. The bonds have coupon rates ranging from 1.5% to 5.0% with maturities ranging from 2011 to 2023. The interest on the Series 2010AB PFC Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2011. Certain maturities of Series 2010A PFC Bonds are subject to optional redemption prior to their scheduled maturities. Series 2010B PFC Bonds are not subject to redemption prior to maturity. The economic gain resulting from the refunding transaction was $14,678,000, while the Port also decreased its aggregate debt service payments by $18,652,000 over the life of the bonds.

During February 2011, the Port issued $30,215,000 Limited Tax GO Bonds, and $74,000,000 Limited Tax GO Refunding Bonds for the purposes of replenishing a portion of the funds expended for the acquisition of Eastside Rail Corridor in 2009, to fully refund Series 2000B GO Bonds, and to pay the costs of issuing the bonds. The bonds have coupon rates ranging from 2.25% to 5.75% with maturities ranging from 2011 to 2025. The interest on the bonds is payable on June 1 and December 1 of each year, commencing June 1, 2011. The Limited Tax GO bonds are subject to optional redemption prior to their scheduled maturities, and certain maturities of the Limited Tax GO Refunding bonds are subject to optional redemption prior to their scheduled maturities. The economic gain resulting from the refunding transaction was $7,439,000, while the Port also decreased its aggregate debt service payments by $11,131,000 over the life of the bonds.

During July 2009, the Port issued $20,705,000 in Series 2009A Revenue Bonds, $274,255,000 in Series 2009B-1 Taxable Revenue Bonds, and $83,600,000 in Series 2009B-2 Taxable Capital Appreciation Revenue Bonds. The 2009 Series Revenue Bonds were issued to finance, or to reimburse the Port for financing, a portion of the costs of a consolidated rental car facility and related project elements, to fund debt service reserve funds for each series of the 2009 Bonds, to capitalize a portion of the interest on the Series 2009 Bonds, and to pay the costs of issuing the series of 2009 Bonds. The bonds have coupon rates ranging from 5.25% to 7.40% with maturities ranging from 2019 to 2036. Interest on the 2009A and 2009B-1 Bonds is payable on May 1 and November 1 of each year, commencing November 1, 2009, and are subject to optional redemption prior to their scheduled maturities. Interest on the 2009B-2 Bonds will be compounded semiannually, but will be payable only upon maturity. The 2009B-2 bonds are not subject to optional redemption prior to their scheduled maturities.

As of December 31, 2010 and 2009, the accreted value of the Series 2009B-2 Taxable Capital Appreciation Revenue Bonds was $24,463,000 and $22,749,000, respectively, and the ultimate accreted value of $83,600,000 will be reached at maturities during 2025 to 2031.

During May 2003, the Port issued Fuel Hydrant Special Facility Revenue bonds in the amount of $121,140,000 to pay for all or a portion of the costs of the acquisition, design, and construction by the Port of jet aircraft fuel storage and delivery facilities at the Airport. The Port undertook the development of the fuel system to lower the cost of fuel service at the Airport, improve Airport safety by reducing the need for fuel trucks to operate on the airfield, and address environmental concerns created by the current fuel system. The fuel facility is leased for 40 years (including two five-year option periods) to SeaTac Fuel Facilities LLC (“Lessee”), a limited liability company formed by a consortium of airlines for the purpose of providing jet fuel storage and distribution at the Airport. The Port owns the system and the Lessee will oversee day-to-day management. The Lessee is obligated to collect the fuel system fees and to make monthly rent payments including a base rent for the land to the Port and facilities rent to Wells Fargo Bank Northwest, National Association (“Trustee”).

Facilities rent is established at an amount sufficient to pay monthly debt service, replenish any deficiency in the debt service reserve fund, and pay other fees associated with the bonds, including the Trustee fee. In addition, the Lessee has provided a guaranty and a security agreement to the Trustee, securing the Lessee's obligation to pay principal and interest on the bonds. Interest on the Fuel Hydrant Special Facility Revenue bonds is payable on June 1 and December 1 of each year, commencing December 1, 2003.

Proceeds from the bonds are held by the Trustee. The fuel hydrant facility was fully operational in 2006. During December 2008 and June 2009, the Port defeased $4,030,000 and $55,000, respectively, of Fuel Hydrant Special Facility Revenue bonds using a portion of the unspent bond proceeds held by the Trustee. At December 31, 2010 and 2009, there was $10,498,000 and $10,428,000, respectively, of Fuel Hydrant Special Facility Revenue bond proceeds and rent payments held for debt service reserve fund and debt service payments. For the year ending December 31, 2010, unspent bond proceeds were comprised of $6,488,000 and $4,010,000 in current restricted cash equivalents and long-term restricted investments, respectively. For the year ending December 31, 2009, unspent bond proceeds were comprised of $6,423,000 and $4,005,000 in current restricted cash equivalents and long-term restricted investments, respectively.

Fuel Hydrant Special Facility Revenue bonds in the amount of $102,885,000 and $105,465,000, respectively, are included in long-term debt as of December 31, 2010 and 2009.

The Commission authorized the sale of subordinate lien revenue notes (commercial paper) in an aggregate principal amount not to exceed $250,000,000 for the purpose of financing and refinancing capital improvements within the Port, for working capital, and for paying maturing revenue notes of the same series and/or reimbursing the credit providers for advances made. Commercial paper advances outstanding totaled $94,305,000 and $156,800,000 at December 31, 2010 and 2009, respectively. Commercial paper advances are included in current maturities of long-term debt.

During 2009, the Commission authorized the sale of subordinate lien revenue bond anticipation notes, with the principal amount not to exceed $100,000,000, in the form of a line of credit, for the purpose of paying a portion of the costs of the consolidated rental car facility project. There have been no borrowings against the line of credit and accordingly no debt outstanding at December 31, 2010 and 2009.

Included in long-term debt are two subordinate lien variable rate demand bond issues, Series 1997 and Series 2008. Demand bonds are securities that contain a "put" feature that allows bondholders to demand payment before the maturity of the debt upon proper notice to the Port's remarketing or paying agents.

In 1997, the Port issued $108,830,000 in Series 1997 Subordinate Lien Revenue Bonds that have a final maturity date of September 1, 2022. The proceeds of the issuance were used to pay a portion of the costs of acquisitions of the Port's marine facilities and to pay costs of issuing the Series 1997 Bonds. The bonds bear interest at a weekly rate, and are subject to purchase on demand with seven days notice and delivery to the Port's remarketing agent, currently Morgan Stanley & Co., Inc.

On January 14, 2011, the Port entered into a letter of credit ("LOC") reimbursement agreement with Bank of America, replacing the prior agreement with PNB Paribas which expired on January 31, 2011. The LOC is in the amount of $110,082,000 and expires on January 18, 2014.

If the remarketing agent is unable to resell any bonds that are "put" within six months of the "put" date and the Port has not replaced the LOC or converted the bonds, the Port has a take out agreement with Bank of America to convert the bonds to an installment loan payable in 10 equal installments payable semi-annually and bearing an interest rate no less than 8.5%.

The Port is required to pay a quarterly facility fee for the LOC in the amount of 1.15% per annum based on the size of the commitment. If a long-term debt rating to any Subordinate Lien Parity Bonds assigned by S&P, Moody's or Fitch is lowered, the facility fee may increase up to a maximum of 3.45% for credit ratings below Baa3/BBB-.

In addition, the remarketing agent receives an annual fee of 0.1% of the outstanding principal amount of the bonds.

In 2008, the Port issued $200,715,000 in Series 2008 Subordinate Lien Revenue Refunding Bonds that has a final maturity date of July 1, 2033. The bonds are subject to mandatory tender for purchase and to optional redemption prior to their scheduled maturity. The proceeds of the issuance were used to fully refund Series 2003C Subordinate Lien Revenue Bonds and to pay the costs of issuing the Series 2008 Bonds. The bonds bear interest at a weekly rate, and are subject to purchase on demand with seven days notice and delivery to the Port's remarketing agent, currently Morgan Stanley & Co., Inc.

The Port entered into a LOC agreement in the amount of $203,465,000 with Landesbank Hessen-Thüringen Girozentrale ("Helaba") concurrently with the issuance of the Bonds. The LOC is expires on June 17, 2013.

If the remarketing agent is unable to resell any bonds that are "put" within six months of the "put" date, the Port has a takeout agreement with Helaba to convert the bonds to an installment loan payable in 10 equal installments payable semi-annually and bearing an interest rate no less than the bank's prime rate.

The Port is required to pay a quarterly facility fee for the LOC in the amount of 0.27% per annum based on the size of the commitment. If a long-term debt rating to any Subordinate Lien Parity Bonds assigned by S&P, or Moody's is lowered, the facility fee may increase up to a maximum of 2.42% for credit ratings below Baa3/BBB-.

In addition, the remarketing agent receives an annual fee of 0.07% of the outstanding principal amount of the bonds.

There were no borrowings against both LOCs during 2010, and accordingly no debt outstanding at December 31, 2010.

The Port monitors the existence of any rebatable arbitrage interest income associated with its tax-exempt debt. The rebate is based on the differential between the interest earnings from the investment of the bond proceeds as compared to the interest expense associated with the respective bonds. Each outstanding bond issue has potential arbitrage rebatable earnings; however, management estimates indicate that no additional potential arbitrage rebate liability exists as of December 31, 2010.

Interest expense costs capitalized were $4,040,000 and $9,718,000 as of December 31, 2010 and 2009, respectively.

Aggregate annual payments on revenue bonds, GO bonds, PFC bonds, and Fuel hydrant special facility bonds as well as commercial paper outstanding at December 31, 2010 are as follows (in thousands):

	Principal	Interest	Total
2011	$ 200,750	$ 161,476	$ 362,226
2012	116,600	156,164	272,764
2013	122,705	150,020	272,725
2014	132,130	143,459	275,589
2015	116,740	136,537	253,277
2016–2020	668,580	581,584	1,250,164
2021–2025	796,695	410,466	1,207,161
2026–2030	663,080	285,916	948,996
2031–2035	626,850	92,329	719,179
2036–2040	107,100	10,085	117,185
	$ 3,551,230	$ 2,128,036	$ 5,679,266

The fair value of total debt was $ 3,578,835,000 and $ 3,594,914,000 as of December 31, 2010 and 2009, respectively. This fair value is estimated using quoted market prices.

6. CONDUIT DEBT

The Port has the following conduit debt obligations totaling $206,620,000 and $207,920,000 as of December 31, 2010 and 2009, respectively, which are not a liability or contingent liability of the Port under GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. The Port has not recorded these obligations, or the related assets, on the accompanying financial statements of the Port, as the Port has no obligation for the outstanding bonds beyond what is provided in the leasing arrangements.

In 1999, the Port issued special facility revenue bonds to pay, among other things, a portion of the costs of the expansion of Terminal 18. The Port has agreed to lease the site of Terminal 18 and the existing and future improvements thereon to Stevedoring Services of America, Inc., and its affiliate, SSA Terminals, LLC (“SSA”). The bonds are secured by lease payments paid by SSA to the trustee (Bank of New York). No tax funds or revenues of the Port (other than Terminal 18 lease revenue) are pledged to pay the debt service on the bonds, and no liens (other than the leasehold of the Terminal 18 properties) are pledged as collateral for the debt. In 2002, total facility completion triggered debt service payments from rental revenue on the special facility bonds. The Port records the property rental revenue net of debt service payments in its statements of revenues, expenses, and changes in net assets. The property rental revenue is $12,388,000, $12,149,000, and $11,677,000 for 2010, 2009, and 2008, respectively. The special facility revenue bonds, Series 1999 B and C Special Facilities Revenue Bonds (Terminal 18 Project), conduit debt obligation outstanding amount is $125,620,000 and $126,920,000 at December 31, 2010 and 2009, respectively.

Since 1982, the Port, through its blended component unit, the IDC, has issued tax-exempt nonrecourse revenue bonds to finance industrial development for acquiring, constructing, and renovating transshipment and manufacturing facilities within the corporate boundaries of the Port. These revenue bonds are secured by revenues derived from the industrial development facilities funded by the revenue bonds and leased to the IDC. No tax funds or revenues of the Port (other than the IDC lease revenue) are pledged to pay the debt service on the bonds, and no liens (other than the IDC properties) are pledged as collateral for the debt. As of December 31, 2010 and 2009, industrial revenue bonds of $81,000,000 were outstanding.

7. LONG-TERM LIABILITIES

The following is a summary of the environmental remediation liability, arbitrage rebate liability, accrued election expenses, deferred revenue, and other activities which make up the Port's long-term obligation balances for the years ended December 31, 2010 and 2009 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-Term Portion
2010						
Environmental remediation liability	$ 37,547	$ 48,226	$ (29,049)	$ 56,724	$ 13,582	$ 43,142
Accrued arbitrage rebate liability	2,066		(2,066)			
Accrued election expense	2,251	984	(2,087)	1,148		1,148
Deferred revenue	19,705	8,742	(9,172)	19,275	12,934	6,341
Others	867		(37)	830		830
Total	$ 62,436	$ 57,952	$ (42,411)	$ 77,977		
2009						
Environmental remediation liability	$ 27,187	$ 21,650	$ (11,290)	$ 37,547	$ 9,332	$ 28,215
Accrued arbitrage rebate liability	856	1,210		2,066	769	1,297
Accrued election expense	1,287	964		2,251	2,251	
Deferred revenue	8,913	17,533	(6,741)	19,705	9,172	10,533
Others	45	822		867		867
Total	$ 38,288	$ 42,179	$ (18,031)	$ 62,436		

8. ENTERPRISE FUND PENSION PLANS

Public Employees' Retirement System ("PERS")—Substantially, all of the Port's full-time and qualifying part-time employees, other than those covered under union plans, participate in PERS. This is a statewide local government retirement system administered by the Washington State Department of Retirement Systems ("DRS"), under cost-sharing, multiple-employer defined benefit public employee retirement plans. The PERS system includes three plans.

Participants who joined the system by September 30, 1977, are PERS Plan 1 members. Those joining thereafter are enrolled in PERS Plan 2. In March 2000, Governor Gary Locke signed into law a new retirement plan for members of the PERS Plan 2. The new plan, entitled PERS Plan 3, provides members with a defined benefit plan similar to PERS Plan 2 and the opportunity to invest their retirement contributions in a defined contribution plan.

PERS Plan 1 members are eligible for retirement at any age after 30 years of service, at age 60 with five years of service, or at age 55 with 25 years of service. The annual pension is 2% of the average final compensation per year of service, capped at 60%. The average final compensation is based on the greatest compensation earned during any 24 eligible consecutive compensation months.

PERS Plan 2 members may retire at age 65 with five years of service or at age 55 with 20 years of service. The annual pension is 2% of the average final compensation per year of service. PERS Plan 2 retirements prior to 65 are actuarially reduced. On July 1 of each year following the first full year of retirement service, the benefit will be adjusted by the percentage change in the Consumer Price Index ("CPI") of Seattle, capped at 3% annually.

PERS Plan 3 members may retire at age 65 with five years of service or at age 55 with 10 years of service for the defined benefit allowance. PERS Plan 3 retirements prior to 65 are actuarially reduced. PERS Plan 3 is structured as a dual benefit program that will provide members with the following benefits:

- A defined benefit allowance similar to PERS Plan 2 calculated as 1% of the average final compensation per year of service (versus a 2% formula) and funded entirely by employer contributions.

- A defined contribution account consisting of member contributions plus the full investment return on those contributions.

Each biennium, the State Pension Funding Council adopts PERS Plan 1 employer contribution rates and PERS Plan 2 employer and employee contribution rates. Employee contribution rates for PERS Plan 1 are established by statute at 6% and do not vary from year to year. The employer and employee contribution rates for PERS Plan 2 are set by the director of the Washington State DRS, based on recommendations by the Office of the State Actuary, to continue to fully fund PERS Plan 2. Unlike PERS Plan 2, which has a single contribution rate (which is currently 3.90%), with PERS Plan 3, the employee chooses how much to contribute from six contribution rate options. Once an option has been selected, the contribution rate choice is irrevocable unless the employee changes employers.

All employers are required to contribute at the level established by State law. The methods used to determine the contribution requirements are established under State statute in accordance with Chapters 41.40 and 41.26 RCW.

The Port’s covered payroll for PERS for the year ended December 31, 2010, was $76,132,000.

The Port’s contribution rate during 2010 expressed as a percentage of covered payroll for employer was 5.15% for PERS Plan 1, PERS Plan 2, and PERS Plan 3. The employer rate does not include the employer administrative expense fee currently set at 0.16%. For employees, the rate was 6% for PERS Plan 1, 3.90% for PERS Plan 2, and PERS Plan 3 depends on the option the employee has chosen.

Both the Port and the employees made the required contributions. The Port’s required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2010	$ 514,124	$ 3,453,778	$ 543,982
2009	364,621	4,361,076	634,677
2008	641,065	4,352,159	547,015

The pension obligation was calculated on a pension system basis and cannot be disclosed on a plan basis. PERS does not make separate measurements of assets and pension obligations for individual employers.

Law Enforcement Officers’ and Fire Fighters’ Retirement System (“LEOFF”)—LEOFF is a cost-sharing multiple-employer defined benefit pension plan. Membership in the plan includes all full-time, fully compensated local law enforcement officers, and fire fighters. The LEOFF system includes two plans.

Participants who joined the system by September 30, 1977, are LEOFF Plan 1 members. Those joining thereafter are enrolled in LEOFF Plan 2. Retirement benefits are financed from employee and employer contributions, investment earnings, and State contributions. Retirement benefits in both LEOFF Plan 1 and LEOFF Plan 2 are vested after completion of five years of eligible service.

LEOFF Plan 1 members are eligible to retire with five years of service at age 50. The service retirement benefit is dependent upon the final average salary and service credit years at retirement. On April 1 of each year following the first full year of retirement service, the benefit will be adjusted by the percentage change in the CPI of Seattle.

Term of Service	Percent of Final Average
5–9 years	1.0 %
10–19 years	1.5
20 or more years	2.0

LEOFF Plan 2 members are eligible to retire at the age of 50 with 20 years of service or at age 53 with five years of service. Retirement benefits prior to age 53 are actuarially reduced at a rate of 3% per year. The benefit is 2% of the final average salary per year of service. The final average salary is determined as the 60 highest paid consecutive service months. There is no limit on the number of service credit years, which may be included in the benefit calculation. On July 1 of each year following the first full year of retirement service, the benefit will be adjusted by the percentage change in the CPI of Seattle, capped at 3% annually.

LEOFF Plan 1 employer and employee contribution rates are established by statute, and the State is responsible for the balance of the funding at rates set by the Pension Funding Council to fully amortize the total costs of the plan. Employer and employee rates for LEOFF Plan 2 are set by the director of the Washington State DRS, based on recommendations by the Office of the State Actuary, to continue to fully fund the plan. LEOFF Plan 2 employers and employees are required to contribute at the level required by State law. The methods used to determine the contribution rates are established under State statute in accordance with Chapters 41.26 and 41.45 RCW.

The Port’s covered payroll for LEOFF for the year ended December 31, 2010, was $17,880,000.

The Port’s required contribution rates during 2010 expressed as a percentage of covered payroll for LEOFF Plan 1 was 0% for both employer and employee. For LEOFF Plan 2, the rate was 5.08% for employer and 8.46% for employees. The employer rates do not include the employer administrative expense fees currently set at 0.16% for LEOFF Plan 1 and LEOFF Plan 2.

Both the Port and the employees made the required contributions. The Port’s required contributions for the years ended December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2 (Firefighters)	LEOFF Plan 2 (Police Officers)
2010	$ 14	$ 379,715	$ 918,386
2009	386	348,834	857,363
2008	378	340,537	906,652

Historical trend information regarding all of these plans is presented in Washington State DRS' annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
P.O. Box 48380
Olympia, WA 98504-8380

Internet Address: www.drs.wa.gov

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to pension benefits as described in Note 8, the Port provides other postemployment benefits ("OPEB").

Plan Descriptions—The Port administers and contributes to two single-employer defined benefit plans: (1) LEOFF Plan 1 Members' Medical Services Plan and (2) Retirees Life Insurance Plan. Under the Washington State DRS, the Port is required to pay for retired LEOFF Plan 1 members' medical services expenses. Under the Port's life insurance contract, eligible retired employees are provided with life insurance coverage for a death benefit up to $25,000. The Port can establish and amend benefit provisions of the life insurance OPEB plan. There are no separate OPEB plan related financial reports issued. Since January 1, 2010, eligible retired employees and their dependents are no longer implicitly or explicitly subsidized under the Port's medical insurance group plan, based on the change to the substantive plan (the plan as understood by the employer and the plan members).

Funding Policy and Annual OPEB Costs—For the LEOFF Plan 1 Members' Medical Services Plan, the Washington State DRS establishes and may amend the contribution requirements of plan members and the Port. The contribution requirements of the Retirees Life Insurance Plan are established and may be amended by the Port. The Port's annual OPEB cost for the current year and the related information for each plan are as follows (in thousands):

	LEOFF Plan 1 Members' Medical Service Plan [(a)]	Retirees Life Insurance Plan
Contribution rates:		
Port	Pay-as-you-go	Pay-as-you-go
Plan members	N/A	N/A
Annual required contribution	$ 241	$ 557
Interest on net OPEB obligation	305	35
Adjustment to annual required contribution		(31)
Annual OPEB costs	546	561
Contribution made	(469)	(293)
Increase in net OPEB obligaiton	77	268
Net OPEB obligation beginning of year	7,183	831
Net OPEB obligation end of year	$ 7,260	$ 1,099

(a) As the LEOFF Plan 1 Members' Medical Service Plan has less than 100 plan members, the Port elected to use the Alternative Measurement Method to estimate the annual required contribution.

The schedule of employer contributions at December 31, 2010, 2009 and 2008 are as follows (in thousands):

Years Ended December 31	Annual OPEB Costs	Employer Contributions	Percentage Contributed	Net OPEB Obligation
LEOFF Plan 1 Members' Medical Service Plan				
2010	$ 546	$ 469	85.9 %	$ 7,260
2009	700	436	62.3	7,183
2008	4,407	404	9.2	6,919
Retirees Medical Insurance Plan				
2010	$	$	%	$
2009	(5,113)	511	(10.0)	
2008	3,405	546	16.0	5,624
Retirees Life Insurance Plan				
2010	$ 561	$ 293	52.2 %	$ 1,099
2009	539	301	55.8	831
2008	518	296	57.1	593

Funding Status—As of December 31, 2010 and 2009, using the Alternative Measurement Method, the actuarial accrued liability for LEOFF Plan 1 Members' Medical Services Plan benefits was $7,260,000 and $7,183,000, respectively, all of which was unfunded.

For the other OPEB plans, as of January 1, 2009, the most recent actuarial valuation data and the preceding actuarial valuation data, funding progress were as follows (in thousands):

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2009 Valuation						
Retirees Medical Insurance Plan	$	$ 511	%	$ 511	$ 65,218	0.8 %
Retirees Life Insurance Plan		7,480		7,480	78,331	9.5
November 1, 2006 Valuation						
Retirees Medical Insurance Plan	$	$ 31,107	%	$ 31,107	$ 56,054	55.5 %
Retirees Life Insurance Plan		7,007		7,007	67,296	10.4

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment rate of return, payroll growth rate and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions—Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the LEOFF Plan 1 Members' Medical Services Plan, the following simplifying assumptions were made when the Alternative Measurement Method was used:

- *Retirement age for active employees*—Based on the historical average retirement age for the covered group, active plan members were assumed to retire the year immediately following that in which the member would qualify for benefits.

- *Mortality*—Life expectancies were based on mortality tables from the U.S. Department of Health and Human Services. The 2006 United States Life Table for Males was used.

- *Healthcare cost trend rate*—The expected rate of increase in healthcare expenditure was based on projections of the Centers for Medicare and Medicaid Services. A rate of 5.2% was used initially, but was increased slightly to an ultimate rate of 6.4% after seven years.

- *Health insurance premiums*—2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

- *Investment rate of return*—a rate of 4.25% was used, which is an estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits.

Additionally, the unfunded actuarial accrued liability is not amortized as the LEOFF Plan 1 Members' Medical Services Plan is closed to new entrants and almost all of the plan members have retired.

For the Retirees Life Insurance Plan, as of January 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability is determined by the independent actuary using the Projected Unit Credit actuarial cost method. The actuarial assumptions included a 4.25% investment rate of return, which is an estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a 30-year open period, assuming payroll growth of 3.5% per year.

10. ENVIRONMENTAL REMEDIATION LIABILITIES

The Port has identified a number of contaminated sites on Aviation, Seaport, and Real Estate properties and facilities that must be investigated for the presence of hazardous substances and remediated in compliance with Federal and State environmental laws and regulations. Some Port facilities may require asbestos abatement, and some properties owned or operated by the Port may have unacceptable levels of contaminants in soil, sediments and/or groundwater. In some cases, the Port has been designated by the Federal government as a "Potentially Responsible Party", and/or by the State government as a "Potentially Liable Person" for the investigation and cleanup of properties owned by the Port or where the Port may have contributed to site contamination. Although the Port may not bear ultimate liability for the contamination, under Federal and State law, the Port is presumptively liable as the property owner, and it is often practically and financially beneficial for the Port to take initial responsibility to manage and pay for the cleanup.

As of December 31, 2010 and 2009, the Port's environmental remediation liability was $56,724,000 and $37,547,000, respectively, based on reasonable and supportable assumptions, measured at current value using the expected cash flow technique. The Port's environmental remediation liability does not include cost components that are not yet reasonably measurable. The Port's environmental remediation liability will change over time due to changes in costs of goods and services, changes in remediation technology, and changes in governing laws and regulations.

In many cases, the Port has successfully recovered Port-incurred investigation and cleanup costs from other responsible parties. The Port will continue to seek appropriate recoveries in the future. As of December 31, 2010 and 2009, the environmental remediation liability was reduced by $18,768,000 and $14,732,000, respectively, for estimated unrealized recoveries.

11. CONTINGENCIES

The Port is a defendant in various legal actions and claims, including a class action lawsuit filed by the former warehouse employees, seeking continuing health and welfare benefits. Although certain lawsuits and claims are significant in amount, the final dispositions are not determinable, and in the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or results of operations of the Port. In the case of the class action lawsuit, the Port has recorded adequate contingent liability for the former warehouse employees.

In 2010, the Port and the former warehouse employees have agreed on a settlement in the amount of $9.0 million. Of this amount, approximately $4.0 million represents past due amounts for the cost of medical coverage from 2003 to 2010. The remainder is the estimated cost of future medical benefits. The settlement agreement was approved by the King County Superior Court in April 2011 and the settlement payment is due in May 2011. As of December 31, 2010, the Port has fully accrued the $9.0 million for the medical benefits.

Amounts received or receivable under grants-in-aid programs are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already received, may constitute a liability of the Port. The amount, if any, of expenditures that may be disallowed cannot be determined at this time, although the Port expects such amounts, if any, to be insignificant.

12. COMMITMENTS

As of December 31, 2010, the Port has made commitments for acquisition and construction as follows (in thousands):

		2010
Funds committed:		
Airport facilities	$	110,953
Seaport terminals		5,463
Real Estate properties		5,310
Corporate		469
Total	$	122,195

As of December 31, 2010, funds authorized by the Port, but not yet committed for all divisions amount to $164,859,000.

13. BUSINESS INFORMATION

For the Enterprise Fund's three major business activities, operations consist of Seaport terminals, Airport facilities, and Real Estate properties. Indirect costs have been allocated to Seaport terminals, Airport facilities, and Real Estate properties using various methods based on estimated hours of work, revenue plus expenses, full-time equivalent positions, and other factors.

The Port's operating revenues are derived from various sources. The Seaport's operating revenues are principally derived from the leasing of Seaport terminal facilities. The Aviation's operating revenues are derived primarily from its airline agreements, concession agreements, and other business arrangements. The Real Estate's operating revenues are primarily derived from the leasing of commercial and industrial real estate, recreational marinas, and industrial fishing terminals.

Operating revenues, as reflected in the statements of revenues, expenses, and changes in net assets, from the Port's major sources for the years ended December 31, 2010, 2009 and 2008 are as follows (in thousands):

	2010	2009	2008
Seaport Division:			
Property rentals	$ 77,878	$ 71,330	$ 68,828
Equipment rentals	9,036	8,758	8,944
Operating grant and contract revenues	1,791	2,292	1,316
Other	9,145	8,311	7,165
Total Seaport Division operating revenues	$ 97,850	$ 90,691	$ 86,253
Aviation Division:			
Property rentals	$ 205,537	$ 200,520	$ 208,577
Landing fees	56,647	50,847	65,770
Parking	52,336	51,995	61,313
Operating grant and contract revenues	771	395	144
Other	26,882	24,484	21,438
Total Aviation Division operating revenues	$ 342,173	$ 328,241	$ 357,242
Real Estate Division:			
Property rentals	$ 9,381	$ 10,580	$ 11,660
Conference centers	8,320	7,536	11,833
Berthage and moorage	9,901	9,794	9,073
Utilities	1,157	1,225	1,089
Operating grant and contract revenues		19	
Other	1,061	978	1,142
Total Real Estate Division operating revenues	$ 29,820	$ 30,132	$ 34,797

One major customer represented 13.9%, 14.7% and 13.3% of total Port's operating revenue in 2010, 2009 and 2008, respectively. For Seaport Division, the revenues from its major customers accounted for 71.7%, 71.2% and 76.7% of total Seaport operating revenues in 2010, 2009 and 2008, respectively. For Aviation Division, the revenues from one major customer accounted for 19.1%, 20.1% and 17.9% of total Aviation operating revenues in 2010, 2009 and 2008, respectively. No single major customer represents more than 10% of Real Estate Division operating revenues in 2010, 2009 and 2008.

Operating revenues, as reflected in the statements of revenues, expenses, and changes in net assets, from the Port's major customers for the years ended December 31, 2010, 2009 and 2008 are as follows (in thousands):

	2010	2009	2008
Seaport Division:			
Revenues	$ 70,142	$ 64,562	$ 66,167
Number of major customers	4	4	4
Aviation Division:			
Revenues	$ 65,388	$ 66,073	$ 63,774
Number of major customers	1	1	1
Total:			
Revenues	$ 135,530	$ 130,635	$ 129,941
Number of major customers	5	5	5

Operating expenses, as reflected in the statements of revenues, expenses, and changes in net assets, from the Port's major functions by division for the years ended December 31, 2010, 2009 and 2008 are as follows (in thousands):

	2010	2009	2008
Seaport Division:			
Operations and maintenance	$ 26,556	$ 28,116	$ 27,153
Administration	10,173	10,224	9,967
Law enforcement	2,860	2,205	2,767
Total Seaport Division operating expenses	$ 39,589	$ 40,545	$ 39,887
Aviation Division:			
Operations and maintenance	$ 136,105	$ 130,554	$ 149,865
Administration	29,824	29,074	29,556
Law enforcement	15,213	15,026	15,762
Total Aviation Division operating expenses	$ 181,142	$ 174,654	$ 195,183
Real Estate Division:			
Operations and maintenance	$ 26,017	$ 24,325	$ 32,942
Administration	3,606	3,339	3,561
Law enforcement	1,876	1,905	1,692
Total Real Estate Division operating expenses	$ 31,499	$ 29,569	$ 38,195

Statements of revenues, expenses, and changes in net assets by division for the years ended December 31, 2010, 2009 and 2008 is as follows (in thousands):

	2010	2009	2008
Seaport Division:			
Net operating income before depreciation	$ 58,261	$ 50,146	$ 46,366
Depreciation	31,212	29,385	26,824
Operating income	27,049	20,761	19,542
Nonoperating income (expense):			
Ad valorem tax levy revenue	57,809	66,063	60,643
Noncapital grants and donations	10,301	1,424	8,853
Investment income—net	2,913	4,432	12,240
Revenue and capital appreciation bond interest expense	(10,767)	(10,552)	(13,545)
General obligation bond interest expense	(16,014)	(14,476)	(15,739)
Public expense	(15,503)	(13,521)	(2,808)
Environmental expense—net	(19,878)	(6,595)	(5,007)
Other expense—net	(7,660)	(5,244)	(2,694)
Total nonoperating income—net	1,201	21,531	41,943
Income before capital contributions	28,250	42,292	61,485
Capital contributions	468	2,340	2,919
Increase in net assets in Seaport Division	$ 28,718	$ 44,632	$ 64,404
Aviation Division:			
Net operating income before depreciation	$ 161,031	$ 153,587	$ 162,059
Depreciation	119,538	117,731	107,349
Operating income	41,493	35,856	54,710
Nonoperating income (expense):			
Ad valorem tax levy revenue	8,141	5,215	1,936
Passenger facility charges revenue	59,744	59,689	60,708
Customer facility charges revenue	23,243	21,866	22,947
Noncapital grants and donations	1,896	5,056	1,087
Investment income—net	10,109	12,560	26,570
Revenue and capital appreciation bond interest expense	(119,513)	(108,116)	(89,459)
PFC revenue bond interest expense	(10,187)	(10,956)	(11,412)
Public expense	(9,578)	(6,847)	(24,686)
Other income (expense)—net	750	(6,309)	(5,678)
Total nonoperating expense—net	(35,395)	(27,842)	(17,987)
Income before capital contributions	6,098	8,014	36,723
Capital contributions	30,040	74,323	49,460
Increase in net assets in Aviation Division	$ 36,138	$ 82,337	$ 86,183

(Continued)

	2010	2009	2008
Real Estate Division:			
Net operating (loss) income before depreciation	$ (1,678)	$ 563	$ (3,398)
Depreciation	10,025	9,949	10,033
Operating loss	(11,703)	(9,386)	(13,431)
Nonoperating income (expense):			
Ad valorem tax levy revenue	7,175	4,308	13,101
Noncapital grants and donations	131	156	109
Investment income—net	74	259	215
Revenue and capital appreciation bond interest expense	(2,959)	(2,480)	(2,513)
General obligation bond interest expense	(1,449)	(1,309)	(1,321)
Environmental expense—net	(2,853)	(8,081)	(652)
Other income—net	53	1,823	9,365
Total nonoperating income (expense)—net	172	(5,324)	18,304
(Loss) Income before capital contributions	(11,530)	(14,710)	4,873
Capital contributions	10	72	57
(Decrease) Increase in net assets in Real Estate Division	$ (11,520)	$ (14,638)	$ 4,930

(Concluded)

Total assets and debt, as reflected in the statements of net assets, by division as of December 31, 2010, and 2009 is as follows (in thousands):

	2010	2009
Seaport Division:		
Current, long-term, and other assets	$ 221,867	$ 213,078
Land, facilities, and equipment—net	1,157,900	1,174,006
Construction work in progress	9,571	10,828
Total assets	$ 1,389,338	$ 1,397,912
Debt	$ 650,120	$ 682,005
Aviation Division:		
Current, long-term, and other assets	$ 780,531	$ 816,620
Land, facilities, and equipment—net	3,632,304	3,696,312
Construction work in progress	323,759	199,079
Total assets	$ 4,736,594	$ 4,712,011
Debt	$ 2,764,489	$ 2,712,345
Real Estate Division:		
Current, long-term, and other assets	$ 102,314	$ 127,423
Land, facilities, and equipment—net	295,295	303,794
Construction work in progress	2,775	927
Total assets	$ 400,384	$ 432,144
Debt	$ 127,700	$ 140,738

14. WAREHOUSEMEN'S PENSION TRUST FUND

In late 2002, the Port terminated all warehousing operations at Terminal 106 following the departure the principal customer operating at the facility. Prior to closing the warehouse, the Port had provided pension and health benefits to represented employees under a Collective Bargaining Agreement with Local #9 of the International Longshore and Warehouse Union. The benefits were administered by two separate trusts, the Warehousemen's Pension Trust and the Local #9 Health & Welfare Trust. The Port made quarterly contributions to each trust in an amount sufficient to provide the required contractual benefits and the trusts were jointly administered by trustees appointed by both Local #9 and the Port.

Upon expiration of the contract with Local #9, the Port ceased making contributions to the Health & Welfare Trust and provided employees with the ability to maintain their health coverage by self-paying premiums through the Port's medical plan. The Port also ceased making contributions to the Warehousemen's Pension Trust.

On May 25, 2004, the Port became the sole administrator for the Warehousemen's Pension Plan (the "Plan") and Trust and commenced contributions to the Plan. A schedule of employer contributions is shown below. The Plan is a governmental plan maintained and operated solely by the Port.

Summary of Accounting Policies—The financial statements are prepared using the accrual basis of accounting. Port contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments policy—The Warehousemen's Pension Trust investment policy allows the Plan to invest in contracts with insurance companies that are rated no lower than A by at least two major rating agencies. The Plan is allowed to invest in commercial paper with A1/P1 rating. Certificates of deposit or banker's acceptances can only be purchased from domestic banks with net worth in excess of $2 billion and which satisfy tier 1 and tier 2 capital requirements. Bank deposits or short-term investment accounts must be maintained by the Plan's custodian. Repurchase agreements can only be entered with Federal Reserve reporting dealers and maintained in accordance with Federal Reserve guidelines. Only United States registered mutual funds or ERISA-qualified commingled funds whose investment strategies and governing documents have been reviewed and approved by the Board of Trustees can be purchased. The Plan's investment policy allows for 60% plus or minus 5% of the portfolio to be invested in equities securities and 40% plus or minus 5% of the portfolio to be invested in fixed income securities.

Method Used to Value Investments—Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price on the last business day of the year.

As of December 31, 2010, and 2009, the Plan had the following investments (in thousands).

	2010	2009
Vanguard Total Stock Market Index Fund	$ 3,195	$ 3,489
Vanguard Total International Stock Index Fund	3,092	3,063
Vanguard Total Bond Market Index Fund	3,528	2,067
Western Asset Core Bond Fund		1,081
Total	$ 9,815	$ 9,700

Investments Concentration of Credit Risk—The Plan places no limit on the amount the Plan may invest in any one issuer. As of December 31, 2010, and 2009, the Plan had the following investments of more than 5% of the total Plan's investments:

	2010	2009
Vanguard Total Stock Market Index Fund	32.6 %	36.0 %
Vanguard Total International Stock Index Fund	31.5	31.6
Vanguard Total Bond Market Index Fund	35.9	21.3
Western Asset Core Bond Fund		11.1

Investments Credit Risk—As of December 31, 2010 and 2009, the Plan's investment in Vanguard Total Stock Market Index Fund Portfolio were rated "four stars" and "three stars", respectively. As of December 31, 2010 and 2009, the Plan's investment in Vanguard Total International Stock Index Fund Portfolio were rated "four stars". As of December 31, 2010 and 2009, the Plan's investment in Vanguard Total Bond Market Index Fund Portfolio were rated "three stars" and "four stars", respectively by Morningstar Inc. The Plan's investment in Western Asset Core Bond Fund was liquidated in May of 2010.

Plan Description and Contribution Information—Membership of the plan consisted of the following at January 1, 2010, and 2009, the date of the latest actuarial valuation:

	2010	2009
Retirees and beneficiaries receiving benefits	145	141
Terminated plan members entitled to but not yet receiving benefits	65	71
Total	210	212

Plan Description—The Plan is a single-employer defined benefit plan. The Plan provides that only service credited and compensation earned prior to April 1, 2004, shall be utilized to calculate benefits under the Plan, and the Port agrees to maintain the frozen Plan and to contribute funds to the Plan in such amounts that may be necessary to enable the Plan to pay vested accrued benefits as they become due and payable to participants and beneficiaries in the ordinary course of business. There is no separate financial statement of the Plan issued.

Actuarial Assumptions—The actuarial present value of accumulated plan benefits is determined by the independent actuary using the Individual Entry Age Normal actuarial cost method, and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation dates and the expected date of payment.

The significant actuarial assumptions used in the valuations as of January 1, 2010, the date of the latest actuarial valuation, remained unchanged from prior year, and were (a) life expectancy of participants (RP-2000 Blue Collar Mortality Table was used), (b) retirement age of 62 if service is less than 10 years or age 55 if service is 10 years or more, and (c) investment return. The valuations included an assumed average rate of return of investment of 7.0%, net of investment expenses. The unfunded actuarial accrued liability is being amortized as a level dollar amount over a 20-year open period.

Annual Pension Cost and Net Pension Asset—The Port's annual pension costs and net pension asset to the Warehousemen's Pension Trust Fund for the current year were as follows (in thousands):

Annual required contribution	$ 1,505
Interest on net pension asset	(39)
Adjustment to annual required contribution	53
Annual pension cost	1,519
Contributions made	(1,500)
Decrease in net pension asset	(19)
Net pension asset beginning of year	565
Net pension asset end of year	$ 546

The net pension asset is included in prepayments and other current assets on the Enterprise Fund's statements of net assets.

Funding Status—The schedule of funding progress at December 31, 2010, the most recent actuarial valuation data, and the five preceding years are as follows (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio
12/31/2010	$ 10,392	$ 24,428*	$ 14,036	42.5 %
12/31/2009	10,139	24,424	14,285	41.5
12/31/2008	8,508	24,949	16,441	34.1
12/31/2007	13,102	25,633	12,531	51.1
12/31/2006	13,014	26,559	13,545	49.0
12/31/2005	12,335	26,991	14,656	45.7

This plan covers inactive participants. There are no related payroll costs.
*Estimated liabilities as of December 31, 2010 are based on January 1, 2010, data.

Schedule of Employer Contributions—The schedule of employer contributions at December 31, 2010, and the five preceding years are as follows (in thousands):

Years Ended December 31	Annual Required Contribution	Employer Contributions	Percentage Contributed	Net Pension Asset
2010	$ 1,505	$ 1,500	99.7 %	$ 546
2009	1,659	1,500	90.4	565
2008	1,290	1,500	116.3	668
2007	1,325	1,500	113.2	395
2006	1,437	1,500	104.4	147
2005	1,456	1,000	68.7	7

STATISTICAL SECTION

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PORT OF SEATTLE

STATISTICAL SECTION NARRATIVE AND SCHEDULES

This section of the Port's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures present about the Port's overall financial health. Unless otherwise noted, the information in this section is derived from the annual financial reports for the relevant year.

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FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the Port's financial performance and well-being has changed over time. The schedules are presented from Enterprise Fund perspective only. Schedules included are:

Schedule 1 – Net Assets by Component, Last Ten Fiscal Years

Schedule 2 – Changes in Net Assets, Last Ten Fiscal Years

REVENUE CAPACITY

These schedules contain information to help the reader assess the factors affecting the Port's ability to generate its property taxes. Schedules included are:

Schedule 3 – Assessed Value and Estimated Actual Value of Taxable Property and Direct and Overlapping Property Tax Rates Per $1,000 of Assessed Value, Last Ten Fiscal Years

Schedule 4 – Property Tax Levies and Collections, Last Ten Fiscal Years

Schedule 5 – Principal Property Taxpayers, Current Year and Nine Years Ago

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the Port's current levels of outstanding debt and the Port's ability to issue additional debt in the future. Details regarding the Port's outstanding debt can be found in the notes to the financial statements. Schedules included are:

Schedule 6 – Computation of Direct and Overlapping General Obligation Debt, as of December 31, 2010

Schedule 7 – Ratios of Outstanding Debt by Type, Last Ten Fiscal Years

Schedule 8 – Ratios of General Obligation Bonds, Last Ten Fiscal Years

Schedule 9 – Legal Debt Margin Information, Last Ten Fiscal Years

Schedule 10 – Revenue Bonds Coverage by Type, Last Ten Fiscal Years

DEMOGRAPHIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Port's financial activities take place. Schedules included are:

Schedule 11 – Demographic Statistics, Last Ten Fiscal Years

Schedule 12 – Principal Employers of Seattle, Current Year and Nine Years Ago

OPERATING INFORMATION

These schedules contain information about the Port's operations and resources to help the reader understand how the Port's financial information relates to the services it provides and the activities it performs. Schedules included are:

Schedule 13 – Seattle-Tacoma International Airport Enplaned Passengers Level, Last Ten Fiscal Years

Schedule 14 – Seattle-Tacoma International Airport Aircraft Operations Level, Last Ten Fiscal Years

Schedule 15 – Seattle-Tacoma International Airport Air Cargo Level, Last Ten Fiscal Years

Schedule 16 – Seattle Harbor Containers Volumes, Last Ten Fiscal Years

Schedule 17 – Seattle Harbor Docks Volumes, Last Ten Fiscal Years

Schedule 18 – Seattle Harbor Cruise Traffic, Last Ten Fiscal Years

Schedule 19 – Number of Port Employees by Division, Last Ten Fiscal Years

Schedule 20 – Capital Assets Information, Last Six Fiscal Years

Schedule 1
NET ASSETS BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

Fiscal Year	Invested in capital assets —net of related debt	Restricted	Unrestricted	Total net assets
2010	$ 2,291,311	$ 84,974	$ 428,089	$ 2,804,374
2009	2,240,650	104,893	406,360	2,751,903
2008	2,236,171	68,796	334,947	2,639,914
2007	2,107,104	93,486	289,390	2,489,980
2006	2,073,384	45,299	165,873	2,284,556
2005	1,960,209	21,580	101,747	2,083,536
2004	1,829,975	21,910	72,025	1,923,910
2003	1,616,676	29,376	76,744	1,722,796
2002	1,484,172	75,318	59,053	1,618,543
2001	1,400,661	92,996	54,979	1,548,636

Schedule 2
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

Fiscal Year	2010	2009	2008	2007	2006
OPERATING REVENUES:					
Services	$ 174,562	$ 163,983	$ 187,791	$ 168,679	$ 161,200
Property rentals	284,898	274,584	286,139	279,378	273,529
Fuel hydrant facility revenues	7,911	7,845	2,926	8,054	8,077
Operating grant and contract revenues	3,119	3,023	1,667	1,777	4,148
Total operating revenues	470,490	449,435	478,523	457,888	446,954
OPERATING EXPENSES BEFORE DEPRECIATION:					
Operations and maintenance	188,678	182,995	209,960	178,957	173,297
Earthquake repair expenses—net of recoveries					(179)
Administration	44,837	43,636	44,438	38,761	33,790
Law enforcement [(a)]	19,949	19,136	20,221	19,179	18,017
Environmental expense—net [(d)]					
Total operating expenses before depreciation	253,464	245,767	274,619	236,897	224,925
NET OPERATING INCOME BEFORE DEPRECIATION	217,026	203,668	203,904	220,991	222,029
DEPRECIATION	160,775	157,068	144,208	141,588	140,190
OPERATING INCOME	56,251	46,600	59,696	79,403	81,839
NONOPERATING INCOME (EXPENSE):					
Ad valorem tax levy revenue	73,125	75,587	75,680	68,617	62,691
Passenger facility charges revenue	59,744	59,689	60,708	61,011	59,141
Customer facility charges revenue	23,243	21,866	22,947	21,802	17,188
Noncapital grants and donations [(c)]	12,473	7,153	10,473	3,258	1,495
Investment income—net [(b)]	13,096	17,251	39,004	61,072	28,895
Revenue and capital appreciation bond interest expense	(133,239)	(121,148)	(105,517)	(113,907)	(101,491)
Passenger facility charges revenue bond interest expense	(10,187)	(10,956)	(11,412)	(11,844)	(12,258)
General obligation bond interest expense	(17,463)	(15,785)	(17,059)	(15,720)	(15,754)
Public expense	(25,085)	(20,370)	(27,494)	(8,654)	(11,027)
Environmental expense—net [(d)]	(22,730)	(14,676)	(5,659)	(4,903)	1,361
Other (expense) income—net	(7,276)	(10,003)	848	(29,599)	(38,584)
Total nonoperating (expense) income—net	(34,299)	(11,392)	42,519	31,133	(8,343)
INCOME BEFORE CAPITAL CONTRIBUTIONS	21,952	35,208	102,215	110,536	73,496
CAPITAL CONTRIBUTIONS	30,519	76,781	52,436	94,888	127,524
INCREASE IN NET ASSETS	52,471	111,989	154,651	205,424	201,020
TOTAL NET ASSETS:					
Beginning of year	2,751,903	2,639,914	2,489,980	2,284,556	2,083,536
Restatement—Implementation of GASB 49 (Note 1)			(4,717)		
End of year	$2,804,374	$2,751,903	$2,639,914	$2,489,980	$2,284,556

(Continued)

(a) Law enforcement operating expense for the years ending 2002 and 2001 was included in the administration operating expense.
(b) Investment income—net for the years ending 2002 and 2001 was included in the other nonoperating expense—net.
(c) Noncapital grants and donations for the years ending 2004, 2003, 2002, and 2001 were included in operating grant and contract revenues.
(d) Beginning in 2005, certain environmental expenses were reclassed to nonoperating expense.

Schedule 2
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)
(in thousands)

Fiscal Year	**2005**	**2004**	**2003**	**2002**	**2001**
OPERATING REVENUES:					
Services	$ 158,462	$ 140,189	$ 168,650	$ 170,853	$ 180,456
Property rentals	247,817	211,848	145,947	131,157	140,361
Fuel hydrant facility revenues	3,491	689	435		
Operating grant and contract revenues	6,755	24,476	6,721	5,350	
Total operating revenues	416,525	377,202	321,753	307,360	320,817
OPERATING EXPENSES BEFORE DEPRECIATION:					
Operations and maintenance	167,238	172,983	164,931	165,903	175,693
Earthquake repair expenses—net of recoveries	2,130	(195)	(2,590)	882	6,861
Administration	31,486	30,890	25,579	45,547	38,401
Law enforcement [(a)]	17,920	17,392	17,076		
Environmental expense—net [(d)]		2,200	4,071	8,607	(1,033)
Total operating expenses before depreciation	218,774	223,270	209,067	220,939	219,922
NET OPERATING INCOME BEFORE DEPRECIATION	197,751	153,932	112,686	86,421	100,895
DEPRECIATION	129,788	110,175	85,076	84,853	81,115
OPERATING INCOME	67,963	43,757	27,610	1,568	19,780
NONOPERATING INCOME (EXPENSE):					
Ad valorem tax levy revenue	62,417	59,357	57,793	39,309	35,721
Passenger facility charges revenue	56,506	56,129	54,373	53,675	43,961
Customer facility charges revenue					
Noncapital grants and donations [(c)]					
Investment income—net [(b)]	14,651	6,240	5,469		
Revenue and capital appreciation bond interest expense	(85,502)	(58,401)	(44,136)	(36,815)	(35,698)
Passenger facility charges revenue bond interest expense	(12,604)	(5,923)	(3,869)	(3,121)	(2,323)
General obligation bond interest expense	(12,629)	(11,520)	(9,674)	(8,431)	(7,317)
Public expense	(4,404)	(665)	(396)	(5,425)	(3,843)
Environmental expense—net [(d)]	(7,421)				
Other (expense) income—net	(29,006)	(6,288)	(15,707)	11,972	8,508
Total nonoperating (expense) income—net	(17,992)	38,929	43,853	51,164	39,009
INCOME BEFORE CAPITAL CONTRIBUTIONS	49,971	82,686	71,463	52,732	58,789
CAPITAL CONTRIBUTIONS	109,655	118,428	32,790	17,175	27,822
INCREASE IN NET ASSETS	159,626	201,114	104,253	69,907	86,611
TOTAL NET ASSETS:					
Beginning of year	1,923,910	1,722,796	1,618,543	1,548,636	1,462,025
Restatement—Implementation of GASB 49 (Note 1)					
End of year	$2,083,536	$1,923,910	$1,722,796	$1,618,543	$1,548,636

(Concluded)

Schedule 3

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY AND DIRECT AND OVERLAPPING PROPERTY TAX RATES PER $1,000 OF ASSESSED VALUE

Last Ten Fiscal Years

(in thousands, except for tax rates)

Fiscal Year	Port District Assessed Value [a]	Port of Seattle Property Tax Rates	Overlapping Property Tax Rates: Washington State	King County	Cities and Towns [b]	School Districts [b]	Other [c]	Total Direct and Overlapping Property Tax Rates [d]
2010	$ 341,971,517	$ 0.22	$ 2.22	$ 1.28	$ 2.14	$ 3.01	$ 1.15	$ 10.02
2009	386,889,728	0.20	1.96	1.10	1.87	2.56	1.07	8.76
2008	340,995,440	0.22	2.13	1.21	2.02	2.65	1.13	9.36
2007	298,755,199	0.23	2.33	1.29	2.30	2.83	0.89	9.87
2006	270,571,090	0.23	2.50	1.33	2.32	2.97	0.95	10.30
2005	248,911,782	0.25	2.69	1.38	2.45	3.02	0.91	10.70
2004	235,834,254	0.25	2.76	1.43	2.47	3.08	0.86	10.85
2003	224,994,598	0.26	2.90	1.35	2.40	3.13	0.86	10.90
2002	210,996,601	0.19	2.99	1.45	2.49	3.13	0.84	11.09
2001	188,420,104	0.19	3.15	1.55	2.69	3.38	0.83	11.79

(a) Ratio of total assessed to total estimated value is 100%. Assessed value is shown net of exempt property and it is the same assessed value for King County.

(b) This is an average rate based on the total assessed value of cities and towns, and all school districts. Each city and district has its own rate.

(c) These are average rates based on the total King County rates less cities and towns, school districts, Port, County, and Washington State rates. Each district within this group has its own assessed property value and rates.

(d) This is an average rate based on total tax levies for King County and total assessed property value in King County.

Source: King County Department of Assessments Annual Reports

Schedule 4

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(in thousands)

Fiscal Year Ended Dec 31	Taxes Levied for the Fiscal Year [a]	Collected within the Fiscal Year of the Levy: Amount	Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Percentage of Levy
2010	$ 73,505	$ 72,141	98.1 %	$	$ 72,141	98.1 %
2009	75,911	74,384	98.0	1,075	75,459	99.4
2008	75,931	74,532	98.2	1,210	75,742	99.8
2007	68,863	67,703	98.3	1,135	68,838	100.0
2006	62,806	61,702	98.2	1,097	62,799	100.0
2005	62,800	61,705	98.3	1,091	62,796	100.0
2004	59,680	58,630	98.2	1,042	59,672	100.0
2003	58,029	56,779	97.8	1,249	58,028	100.0
2002	39,819	38,972	97.9	846	39,818	100.0
2001	35,665	34,900	97.9	760	35,660	100.0

(a) Include cancellations and supplements and generally differ from the totals reported by King County by an immaterial amount.

Source: Port of Seattle, from King County Tax Receivables Summary

Schedule 5

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

(in thousands)

	2010			2001		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Taxable Assessed Value**
Boeing	$ 3,386,716	1	1.0 %	$ 3,273,994	1	1.7 %
Microsoft	2,700,649	2	0.8	907,597	4	0.5
Puget Sound Energy/Gas/Electric	1,452,832	3	0.4	1,353,849	2	0.7
Qwest Corporation Inc.	831,168	4	0.2			
T-Mobile	710,236	5	0.2			
AT&T Mobility LLC	682,810	6	0.2			
Alaska Airlines	654,705	7	0.2			
W2007 Seattle (formerly Archon Group LP)	634,037	8	0.2			
Union Square Limited	542,731	9	0.2	372,393	10	0.2
Wright Runstad & Company	446,716	10	0.1			
U.S. West Communications				1,067,220	3	0.6
EOP				557,410	5	0.3
Bank of America				510,231	6	0.3
National Tax Search LLC				509,620	7	0.3
McElroy George & Assoc., Inc.				485,233	8	0.3
Washington Mutual Bank				472,745	9	0.3
Total	$12,042,600		3.5 %	$ 9,510,292		5.2 %

Source: King County Department of Assessments

Schedule 6

COMPUTATION OF DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT

As of December 31, 2010

(in thousands)

Governmental Unit	Outstanding	Estimated Percentage Applicable [(a)]	Estimated Share of Direct and Overlapping Debt
Port of Seattle	$ 335,500	100.0 %	$ 335,500
Estimated Overlapping General Obligation Debt:			
King County	1,140,426	100.0	1,140,426
Cities and Towns	1,417,184	99.4	1,407,988
School Districts	3,140,658	96.1	3,018,068
Other	500,470	99.3	497,046
Total Estimated Overlapping Debt			6,063,528
Total Direct and Estimated Overlapping Debt			$ 6,399,028

(a) As general obligation debt was repaid with property taxes, the percentage of overlapping general obligation debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by ratio of assessed valuation of property in overlapping unit subject to taxation in reporting unit to total valuation of property subject to taxation in reporting unit.

Source: King County Financial Management Section

Schedule 7

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(in thousands, except Total Debt Per Capita)

Fiscal Year	General obligation bonds	Revenue and capital appreciation bonds	Commercial paper	Passenger facility charge revenue bonds	Fuel hydrant special facility bonds	Total Debt	Ratio of Total Debt to Personal Income (a)	Total Debt Per Capita (b)
2010	$ 335,500	$ 2,838,475	$ 94,305	$ 177,485	$ 105,465	$ 3,551,230	3.2 %	$ 1,839
2009	357,315	2,747,120	156,800	200,155	107,950	3,569,340	3.3	1,870
2008	378,065	2,429,655	153,540	209,685	110,415	3,281,360	3.1	1,742
2007	397,835	2,482,315	186,250	218,760	116,785	3,401,945	3.2	1,828
2006	416,645	2,303,065	160,575	227,405	119,015	3,226,705	3.3	1,758
2005	380,225	2,354,405	70,210	235,635	121,140	3,161,615	3.6	1,749
2004	397,285	2,078,760	47,705	243,475	121,140	2,888,365	3.3	1,615
2003	217,285	2,150,875	105,050	250,940	121,140	2,845,290	3.6	1,599
2002	229,030	1,634,497	115,550	258,050		2,237,127	2.9	1,261
2001	240,125	1,677,795	75,890	262,500		2,256,310	2.9	1,283

(a) See Schedule 11 for Personal Income of King County data used in this calculation. Ratios of 2010 and 2009 are calculated using 2008 Personal Income figure.

(b) See Schedule 11 for Population of King County data used in this calculation (2001 through 2009 figures are estimated; actual 2010 census data).

Schedule 8

RATIOS OF GENERAL OBLIGATION (GO) BONDS

Last Ten Fiscal Years

(in thousands, except GO Bonds Per Capita)

Fiscal Year	GO Bonds	Percentage of GO Bonds to the Assessed Value of Taxable Property (a)	GO Bonds Per Capita (b)
2010	$ 335,500	0.1 %	$ 174
2009	357,315	0.1	187
2008	378,065	0.1	201
2007	397,835	0.1	214
2006	416,645	0.2	227
2005	380,225	0.2	210
2004	397,285	0.2	222
2003	217,285	0.1	122
2002	229,030	0.1	129
2001	240,125	0.1	137

(a) See Schedule 3 for assessed value of taxable property data.

(b) See Schedule 11 for Population of King County data used in this calculation (2001 through 2009 figures are estimated; actual 2010 census data).

Schedule 9

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(in thousands)

Legal Debt Limitation Calculation for Fiscal Year 2010 (Statutory Debt Limitation)

Assessed Value of Taxable Property for 2010 [a]	$	341,971,517
Debt Limit (nonvoted debt, including limited tax general obligation bonds)		
0.25% of assessed value of taxable property [b]	$	854,929
Less: Outstanding Limited Tax General Obligation Bonds		(335,500)
Less: Capital leases and other general obligations		
Non-voted General Obligation Debt Margin	$	519,429
Debt Limit, Total General Obligation Debt		
0.75% of assessed value of taxable property [b]	$	2,564,786
Less: Total Limited Tax General Obligation Bonds		(335,500)
Less: Capital leases and other general obligations		
Voted General Obligation Debt Margin	$	2,229,286

	Non-voted general obligation			
Fiscal Year	Debt Limit	Less: Total debt applicable to the debt limit	Debt Margin	Debt margin as a percentage of the debt limit
2010	$ 854,929	$ (335,500)	$ 519,429	60.8 %
2009	967,224	(357,315)	609,909	63.1
2008	852,489	(378,065)	474,424	55.7
2007	746,888	(397,835)	349,053	46.7
2006	676,428	(416,645)	259,783	38.4
2005	622,279	(380,225)	242,054	38.9
2004	589,586	(397,285)	192,301	32.6
2003	562,486	(217,285)	345,201	61.4
2002	527,492	(229,030)	298,462	56.6
2001	471,050	(240,125)	230,925	49.0

	Voted general obligation			
Fiscal Year	Debt Limit	Less: Total debt applicable to the debt limit	Debt Margin	Debt margin as a percentage of the debt limit
2010	$ 2,564,786	$ (335,500)	$ 2,229,286	86.9 %
2009	2,901,673	(357,315)	2,544,358	87.7
2008	2,557,466	(378,065)	2,179,401	85.2
2007	2,240,664	(397,835)	1,842,829	82.2
2006	2,029,283	(416,645)	1,612,638	79.5
2005	1,866,838	(380,225)	1,486,613	79.6
2004	1,768,757	(397,285)	1,371,472	77.5
2003	1,687,459	(217,285)	1,470,174	87.1
2002	1,582,475	(229,030)	1,353,445	85.5
2001	1,413,151	(240,125)	1,173,026	83.0

(a) See Schedule 3 for assessed value of taxable property data.

(b) Under Washington law, the Port may incur general obligation 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 Port district without a vote of the electors. With the assent of three-fifths of the electors voting thereon, subject to a validation requirement, the Port may incur additional general obligation indebtedness, provided the total indebtedness of the Port at any time does not exceed three-fourths of one percent of the value of the taxable property in the Port district.

Schedule 10

REVENUE BONDS COVERAGE BY TYPE

Last Ten Fiscal Years

(in thousands, except for revenue coverage ratios)

Fiscal Year [a]	2010	2009	2008	2007	2006
Gross revenue available for revenue bond debt service [b]	$460,026	$440,845	$477,810	$449,281	$438,325
Operating expenses [c]	253,464	245,767	274,619	236,897	224,558
Less: Operating expenses paid from other than gross revenues	(442)	8	(374)		
Less: Port general purpose tax levy	(32,407)	(34,533)	(34,712)	(27,928)	(23,828)
Adjusted operating expenses	220,615	211,242	239,533	208,969	200,730
Nonoperating revenue—net [d]	14,344	13,618	45,577	12,973	17,065
Net revenue available for first lien debt service	$253,755	$243,221	$283,854	$253,285	$254,660
Debt service on first lien bonds	$126,843	$107,374	$ 88,467	$ 87,640	$ 87,876
Coverage on first lien bonds	2.00	2.27	3.21	2.89	2.90
Net revenue available for intermediate lien debt service [e]	$126,912	$135,847	$195,387	$165,645	$166,784
Add: Prior lien debt service offset paid by PFC revenue [f]	21,646	22,116	10,125		
Add: Prior lien debt service offset paid by CFC revenue [g]	19,042	5,847			
Available intermediate lien revenues as first adjusted	$167,600	$163,810	$205,512	$165,645	$166,784
Intermediate lien debt service—gross of debt service offsets [e]	$ 42,747	$ 34,640	$ 22,330	$ 14,079	$ 7,269
Less: Debt service offsets paid from PFC revenue [f]	(9,332)	(8,197)			
Intermediate lien debt service—net of debt service offsets	$ 33,415	$ 26,443	$ 22,330	$ 14,079	$ 7,269
Coverage on intermediate lien bonds [e]	5.02	6.19	9.20	11.77	22.94
Net revenue available for subordinate lien debt service	$134,185	$137,367	$183,182	$151,566	$159,515
Debt service on subordinate lien bonds	$ 28,273	$ 34,949	$ 41,511	$ 42,006	$ 39,067
Coverage on subordinate lien bonds	4.75	3.93	4.41	3.61	4.08

(Continued)

(a) During 2003, the Port changed its methodology with respect to the calculation of total revenue available for revenue bond debt service and of net expenses payable from revenue and restated 2001 through 2002 periods presented to reflect the change. The Port has determined that unrealized gains and losses on investments should not be considered in the revenue calculation. Commercial paper fees are added back to the expense calculation.

(b) Gross revenue represents total operating revenue adjusted for the following: fuel hydrant rental income (applicable only in 2010 through 2003) and difference of escalating rental income on straight-line basis versus contracted amount are excluded.

(c) Operating expenses are adjusted for certain operating expenses paid with revenues derived from sources other than gross revenues such as rental car facility related operating expenses paid from Customer Facility Charges ("CFC") since 2006 and are also reduced by the portion of the Port's property tax levy available to pay operating expenses.

(d) Nonoperating revenue—net, represents total non-operating income—net adjusted for the following: interest expense on any obligations incurred in connection with and payable from gross revenue, income which is not legally pledged for revenue bond debt services namely passenger facility charges ("PFC") and CFC, tax levy, and capital contributions. Certain non-cash items like depreciation are excluded; others non-operating revenues are adjusted to a cash basis such as gain or loss on sale of assets and environmental expenses.

(e) No intermediate lien bonds were issued prior to 2005.

(f) During 2008, the Port implemented using PFC revenue toward other specific revenue bonds debt service related to eligible projects. The Port, as authorized by the Federal Aviation Administration ("FAA"), has the authority to use PFC to: (i) pay PFC issued debt; (ii) pay eligible projects costs (definitions, terms and conditions are set by the FAA), and (iii) pay revenue bonds debt service related to PFC eligible projects. Historically, the Port used PFC to pay PFC debt service and to pay eligible projects costs.

(g) During 2009, the Port began using CFCs to pay debt service on related bonds. Washington State law provides for the Port's authority to impose a CFC on rental car transactions at the Airport. CFCs may only be used to pay costs associated with the consolidated rental car facility including the payment of debt service on bonds issued to fund the facility.

Source: Port of Seattle's Schedules of Net Revenue Available for Revenue Bond Debt Service.

Schedule 10

REVENUE BONDS COVERAGE BY TYPE

Last Ten Fiscal Years

(in thousands, except for revenue coverage ratios)

Fiscal Year [a]	2005	2004	2003	2002	2001
Gross revenue available for revenue bond debt service [b]	$412,481	$375,960	$321,318	$307,360	$320,817
Operating expenses [c]	218,774	223,270	209,067	220,939	219,922
Less: Operating expenses paid from other than gross revenues					
Less: Port general purpose tax levy	(24,232)	(20,865)	(32,772)	(15,131)	(11,395)
Adjusted operating expenses	194,542	202,405	176,295	205,808	208,527
Nonoperating revenue—net [d]	14,184	6,053	10,262	11,622	7,308
Net revenue available for first lien debt service	$232,123	$179,608	$155,285	$113,174	$119,598
Debt service on first lien bonds	$ 84,614	$ 75,535	$ 78,577	$ 67,782	$ 68,399
Coverage on first lien bonds	2.74	2.38	1.98	1.67	1.75
Net revenue available for intermediate lien debt service [e]	$147,509	N/A	N/A	N/A	N/A
Add: Prior lien debt service offset paid by PFC revenue [f]		N/A	N/A	N/A	N/A
Add: Prior lien debt service offset paid by CFC revenue [g]		N/A	N/A	N/A	N/A
Available intermediate lien revenues as first adjusted	$147,509	N/A	N/A	N/A	N/A
Intermediate lien debt service—gross of debt service offsets [e]	$ 2,167	N/A	N/A	N/A	N/A
Less: Debt service offsets paid from PFC revenue [f]		N/A	N/A	N/A	N/A
Intermediate lien debt service—net of debt service offsets	$ 2,167	N/A	N/A	N/A	N/A
Coverage on intermediate lien bonds [e]	68.07	N/A	N/A	N/A	N/A
Net revenue available for subordinate lien debt service	$145,342	$104,073	$ 76,708	$ 45,392	$ 51,199
Debt service on subordinate lien bonds	$ 27,813	$ 23,382	$ 16,748	$ 13,112	$ 11,335
Coverage on subordinate lien bonds	5.23	4.45	4.58	3.46	4.52

(Concluded)

Schedule 11

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

(in thousands)

	King County				State of Washington			
Fiscal Year	Population [(a)]	Personal Income [(b)]	Per Capita Personal Income [(b)]	Unemployment Rate [(c)]	Population [(a)]	Personal Income [(b)]	Per Capita Personal Income [(b)]	Unemployment Rate [(c)]
2010	1,931	N/A	N/A	8.8 %	6,725	$ 292,950,106	$ 43.6	9.6 %
2009	1,909	N/A	N/A	8.0	6,668	278,236,435	41.8	8.9
2008	1,884	$ 109,551,329	$ 58.1	4.3	6,588	277,397,233	42.4	5.3
2007	1,861	106,805,239	57.7	3.9	6,488	267,276,000	41.2	4.7
2006	1,835	96,579,228	52.7	4.2	6,376	240,709,000	37.8	4.9
2005	1,808	86,746,632	48.2	4.8	6,256	222,643,000	35.4	5.5
2004	1,788	87,617,622	49.3	5.2	6,168	217,503,000	35.0	6.3
2003	1,779	80,002,571	45.3	6.2	6,098	203,889,681	33.3	7.4
2002	1,774	78,400,551	44.6	6.2	6,042	198,371,257	32.7	7.3
2001	1,758	76,883,017	43.8	5.1	5,975	193,498,304	32.3	6.2

(a) State of Washington, Office of Financial Management (2001 through 2009 figures are estimated; actual 2010 census data)

(b) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce

(c) Rates were average unemployment rates for the year obtained from Washington State, Employment Security Department, Labor Market and Economic Analysis Branch.

Schedule 12

PRINCIPAL EMPLOYERS OF SEATTLE [(a)]

Current Year and Nine Years Ago

	2010			2001		
Type of Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Manufacturing—*Durable Goods Manufacturing*	126,600	1	9.2 %	143,200	1	10.5 %
Government—*Local*	119,500	2	8.7	112,700	2	8.3
Professional and Business Services—*Professional, Scientific and Technical Services*	104,700	3	7.6	92,700	3	6.8
Leisure and Hospitality—*Food Services and Drinking Places*	90,900	4	6.6	84,400	4	6.2
Professional and Business Services—*Administrative and Support and Waste Management and Remediation*	71,100	5	5.2	67,100	6	4.9
Wholesale Trade	67,100	6	4.9	69,900	5	5.1
Government—*State*	60,800	7	4.4	58,300	9	4.3
Retail Trade—*Unspecified*	59,100	8	4.3	64,600	7	4.8
Educational and Health Services—*Ambulatory Health Care Services*	57,800	9	4.2			
Financial Activities—*Finance and Insurance*	50,500	10	3.7	62,000	8	4.6
Transportation and Warehousing				50,600	10	3.7
Total	808,100		58.8 %	805,500		59.2 %

(a) Total nonfarm, seasonally adjusted, as of December of each fiscal year.

Source: Washington State Employment Security Department Labor Market and Economic Analysis

Schedule 13
SEATTLE-TACOMA INTERNATIONAL AIRPORT ENPLANED PASSENGERS LEVEL
Last Ten Fiscal Years
(in thousands)

Fiscal	Domestic			International			Grand
Year	Deplaned	Enplaned	Total	Deplaned	Enplaned	Total	Total
2010	14,381	14,364	28,745	1,398	1,410	2,808	31,553
2009	14,298	14,296	28,594	1,320	1,314	2,634	31,228
2008	14,627	14,647	29,274	1,485	1,437	2,922	32,196
2007	14,272	14,313	28,585	1,363	1,348	2,711	31,296
2006	13,745	13,755	27,500	1,252	1,227	2,479	29,979
2005	13,410	13,408	26,818	1,247	1,224	2,471	29,289
2004	13,215	13,154	26,369	1,225	1,211	2,436	28,805
2003	12,277	12,250	24,527	1,167	1,106	2,273	26,800
2002	12,194	12,247	24,441	1,183	1,115	2,298	26,739
2001	12,339	12,345	24,684	1,191	1,161	2,352	27,036

Source: Seattle-Tacoma International Airport Activity Reports

Schedule 14
SEATTLE-TACOMA INTERNATIONAL AIRPORT AIRCRAFT OPERATIONS LEVEL
Last Ten Fiscal Years

Fiscal Year	Air Carrier	Air Taxi	General Aviation	Military/ Training	Grand Total
2010	292,016	18,562	3,262	114	313,954
2009	297,621	17,133	3,046	73	317,873
2008	306,431	34,527	4,174	110	345,242
2007	276,954	64,745	5,240	107	347,046
2006	253,507	82,147	4,296	108	340,058
2005	254,829	83,928	2,938	67	341,762
2004	250,605	105,377	2,788	124	358,894
2003	210,603	140,777	3,336	54	354,770
2002	220,786	139,821	4,069	59	364,735
2001	227,579	168,322	4,668	66	400,635

Source: Seattle-Tacoma International Airport Activity Reports

Schedule 15
SEATTLE-TACOMA INTERNATIONAL AIRPORT AIR CARGO LEVEL
Last Ten Fiscal Years
(in metric tons)

Fiscal	Air Freight			Grand
Year	Domestic	Internation	Air Mail	Total
2010	152,995	85,440	44,990	283,425
2009	151,183	74,297	43,857	269,337
2008	161,854	83,499	44,852	290,205
2007	181,994	88,752	48,267	319,013
2006	203,752	85,359	52,841	341,952
2005	212,505	72,271	53,815	338,591
2004	205,333	79,829	62,355	347,517
2003	205,838	73,664	71,916	351,418
2002	215,546	71,048	88,159	374,753
2001	218,513	75,773	107,249	401,535

Source: Seattle-Tacoma International Airport Activity Reports

SCHEDULE 16
SEATTLE HARBOR CONTAINERS VOLUMES
Last Ten Fiscal Years
(in twenty-foot equivalent units, "TEUs", a measure of container volume)

Fiscal	International Containers				Total	Grand
Year	Import	Export	Empty	Total	Domestic	Total
2010	897,224	558,237	380,114	1,835,575	304,002	2,139,577
2009	612,236	459,557	212,748	1,284,541	300,055	1,584,596
2008	664,472	434,546	277,478	1,376,496	327,996	1,704,492
2007	810,453	503,690	314,351	1,628,494	345,010	1,973,504
2006	799,138	438,806	398,317	1,636,261	351,099	1,987,360
2005	846,311	484,997	414,490	1,745,798	342,131	2,087,929
2004	704,664	387,503	374,084	1,466,251	309,607	1,775,858
2003	542,863	348,856	293,062	1,184,781	301,684	1,486,465
2002	537,504	358,521	277,223	1,173,248	265,624	1,438,872
2001	497,068	329,390	226,331	1,052,789	262,320	1,315,109

Source: Port of Seattle Containers, Cargo, and Cranes System

SCHEDULE 17
SEATTLE HARBOR DOCKS VOLUMES
Last Ten Fiscal Years
(in metric tons)

Fiscal Year	Non-containerized break bulk	Grain	Petroleum	Molasses	Grand Total
2010	66,140	5,491,360	802,843	40,173	6,400,516
2009	63,868	5,512,164	783,618	36,936	6,396,586
2008	106,854	6,400,778	938,463	65,019	7,511,114
2007	116,571	5,333,018	1,064,744	46,648	6,560,981
2006	131,984	5,901,821	976,526	45,103	7,055,434
2005	144,280	5,049,107	874,475	36,874	6,104,736
2004	149,749	3,877,991	853,756	43,541	4,925,037
2003	117,725	3,107,732	909,879	46,814	4,182,150
2002	174,780	1,679,821	1,098,352	53,349	3,006,302
2001	220,427	2,714,874	1,591,481	52,917	4,579,699

Source: Port of Seattle Containers, Cargo, and Cranes System

SCHEDULE 18
SEATTLE HARBOR CRUISE TRAFFIC
Last Ten Fiscal Years

Fiscal Year	Cruise Vessel Calls [(a)]	Cruise Passengers
2010	223	931,698
2009	218	875,433
2008	210	886,039
2007	190	780,593
2006	196	751,074
2005	169	686,978
2004	148	562,308
2003	99	344,922
2002	75	244,905
2001	52	166,815

(a) Seattle participated in the Alaska cruise market since the early 1990s through hosting port of call vessels. Seattle first became a homeport to cruise ships for the Alaska market in 2000.

Source: Port of Seattle Records

Schedule 19

NUMBER OF PORT OF SEATTLE EMPLOYEES BY DIVISION [a]

Last Ten Fiscal Years

Fiscal Year	Aviation	Seaport [b]	Real Estate [b]	Other [c]	Economic Development [b]	Total
2010	727	58	162	642		1,589
2009	736	58	152	629		1,575
2008	805	59	153	668		1,685
2007	822	212		554	11	1,599
2006	790	192		558	11	1,551
2005	793	193		573	13	1,572
2004	811	198		581	12	1,602
2003	821	215		564	17	1,617
2002	839	280		573	12	1,704
2001	817	444		565	13	1,839

(a) Number of employees includes regular, temporary, full-time, and part-time employees as of the last day of each fiscal year.

(b) The Real Estate Division was formed in 2008 to allow the Seaport and Aviation Divisions to concentrate on their core businesses. The Real Estate Division incorporates employees from the Seaport, Aviation and former Economic Development Division.

(c) Other includes Corporate and Capital Development Division (CDD) employees. The CDD, which was established in 2008, houses existing engineering, project management (previously resided in Aviation and Seaport Divisions), construction functions, and the Central Procurement Office.

Source: Port of Seattle Human Resources Database

SCHEDULE 20
CAPITAL ASSETS INFORMATION
Last Six Fiscal Years

Fiscal Year [a]	2010	2009	2008	2007	2006	2005
Seaport and Real Estate Facilities						
Total Property (in acres)	1,335	1,335	1,500	1,500	1,500	1,500
Number of container terminals	4	4	4	4	4	4
Number of multi-use terminals [b]	1	1	N/A	N/A	N/A	N/A
Number of barge terminals [b]	1	1	N/A	N/A	N/A	N/A
Number of grain terminals [b]	1	1	N/A	N/A	N/A	N/A
Number of breakbulk terminals [b]	N/A	N/A	3	3	3	3
Number of cruise terminals	2	2	2	2	2	2
Container Terminals						
Size (in acres)	526	535	498	498	497	497
Number of berths (1,200—4,450 feet)	11	11	10	10	10	10
Number of container cranes [c]	24	24	25	26	26	22
Storage facilities (in square foot)	177,000	177,000	177,000	177,000	177,000	177,000
Maintenance facilities (in square foot)	112,000	112,000	112,000	112,000	112,000	112,000
On-Dock intermodal yard						
Maximum capacity—in full train	14	14	7	7	7	7
Refrigerated capacity (in reefer plugs)	2,704	2,704	2,560	2,560	2,560	2,560
Multi-Use Terminal (Terminal 91) [b]						
Size (in acres)	212	212	N/A	N/A	N/A	N/A
Linear feet of berths (8,502 feet)	17	17	N/A	N/A	N/A	N/A
Storage facilities:						
Cold storage (in million cubic foot)	5	5	N/A	N/A	N/A	N/A
Dry warehouse (in square foot)	100,000	100,000	N/A	N/A	N/A	N/A
Barge Terminal (Terminal 115) [b]						
Size (in acres)	70	70	N/A	N/A	N/A	N/A
Number of berths (1,600 feet)	4	4	N/A	N/A	N/A	N/A
Warehouse capacity (in square foot)	35,000	35,000	N/A	N/A	N/A	N/A
Refrigerated capacity (in reefer plugs)	400	400	N/A	N/A	N/A	N/A
Grain Terminal (Terminal 86) [b]						
Size (in acres)	40	40	N/A	N/A	N/A	N/A
Number of berths (1,400 feet)	1	1	N/A	N/A	N/A	N/A
Storage capacity (in million bushels)	4	4	N/A	N/A	N/A	N/A
Breakbulk Terminals [b]						
Size (in acres)	N/A	N/A	260	260	260	260
Number of berths (400—2,100 feet)	N/A	N/A	9	9	9	9
Storage facilities (in acres)	N/A	N/A	86	86	86	86
Cruise Terminals						
Bell Street Cruise Terminal 66						
Size (in acres)	4	4	4	4	4	4
Number of berths (1,545—1,600 feet)	1	1	1	1	1	1
Smith Cove Cruise Terminal (Terminal 91) [e]						
Size (in acres)	23	23	N/A	N/A	N/A	N/A
Number of berths (2,400 feet)	2	2	N/A	N/A	N/A	N/A
Terminal 30 Cruise Facility [d]						
Size (in acres)	N/A	N/A	26	26	26	26
Number of berths (2,000 feet)	N/A	N/A	2	2	2	2

(Continued)

SCHEDULE 20
CAPITAL ASSETS INFORMATION
Last Six Fiscal Years

Fiscal Year [(a)]	2010	2009	2008	2007	2006	2005
Seattle-Tacoma International Airport						
Airport area (in acres)	2,800	2,800	2,800	2,800	2,800	2,800
Runways (in feet)						
16L/34R	11,901	11,901	11,901	11,901	11,901	11,901
16C/34C	9,426	9,426	9,426	9,426	9,426	9,426
16R/34L [(f)]	8,500	8,500	8,500			
Terminal (in square foot)						
Airlines	1,219,955	1,294,473	1,294,473	1,294,473	1,220,041	1,232,300
Tenants	253,673	280,639	280,639	280,639	244,100	244,100
Port Occupied	249,544	280,880	280,880	280,880	257,906	299,300
Public/Common	867,410	758,216	758,216	758,216	774,800	774,800
Mechanical	529,734	471,951	471,951	471,951	474,300	474,300
Total	3,120,316	3,086,159	3,086,159	3,086,159	2,971,147	3,024,800
Number of passenger gates	79	79	79	79	79	80
Number of loading bridges	48	46	46	46	46	46
Apron (in square foot)						
Commercial Airlines	3,061,300	3,061,300	3,061,300	3,061,300	3,061,300	3,061,300
Parking (spaces assigned)						
Short-term	1,375	1,375	1,375	1,375	1,106	1,106
Long-term	7,646	7,646	7,646	7,646	7,155	7,155
Economy	2,400	2,400	2,400	2,400	2,400	2,400
Rental Cars	3,276	3,276	3,276	3,276	3,276	3,276
Employees	620	620	620	620	1,006	1,006
Total	15,317	15,317	15,317	15,317	14,943	14,943

(Concluded)

(a) List of certain capital asset characteristics was unavailable prior to 2005.
(b) Prior to 2009, multi-use, barge and grain terminal data was combined and reported as breakbulk terminals.
(c) Three of the container cranes were owned by SSA Terminals during 2005 while seven of the container cranes were owned by SSA Terminals during 2006 to 2010.
(d) Terminal 30 operated as a cruise terminal from 2003 through 2008. The Terminal 30 cruise facility was demolished after the 2008 cruise season, and the terminal was reactivated as a container terminal since 2009.
(e) Smith Cove Cruise Terminal is used only half of the year as a cruise terminal. Smith Cove Cruise Terminal specs are included in T 91 multi-use terminal specs.
(f) Third Runway 16R/34L was completed and became operational in November 2008.

Source: Port of Seattle Records