COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2011

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the Year Ended December 31, 2011

This report was prepared by the

Accounting and Financial Reporting Department

Port of Seattle

Washington State

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PORT OF SEATTLE

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INTRODUCTORY SECTION

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April 26, 2012

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, 2011 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 of Washington (the "State"), organized on September 5, 1911, under the State statute 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, who oversees daily operations for the organization. Through resolutions and directives, the Commission sets policy for the Port. These policies are then implemented by the Chief Executive Officer and his executive staff.

The Port is comprised of three operating divisions: Aviation, which manages all operations at the Airport, including landside operations such as the parking garage; Seaport, which manages maritime cargo and cruise passenger marine terminals as well as industrial property connected with maritime businesses; and Real Estate, which manages recreational and commercial moorage facilities, leases commercial and industrial properties, and plans and facilitates the development of selected real estate assets.

A Capital Development Division and a number of corporate service departments support the operating divisions and the broad mission of the Port. Capital development houses departments responsible for engineering, project management and construction functions, and the Central Procurement Office, which consolidates contracting and procurement functions. Other port-wide departments include Accounting and Financial Reporting, Commission Office, Executive, Public Affairs, Finance and Budget, Health and Safety, Human Resources and Development, Information and Communications Technology, Labor Relations, Legal, Police, 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 and capital divisions as well as corporate departments during the year; these briefings inform Commissioners about key issues facing the business groups so that Commissioners can provide guidance on necessary changes in strategies and objectives.

Divisional business plans and budgets are often revised to reflect Commission input. On an annual basis, each division presents 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 (with a more extensive analysis conducted 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 continued weakness in housing and labor markets, high consumer debt loads, the federal deficit reduction deliberations, the ongoing cuts to address State government budget gaps, and the European sovereign debt crisis all cast doubt on the strength of the recovery. Like the national economy, Washington's economy is continuing to recover at a moderate rate. The unemployment rate throughout the State eased modestly in 2011, down from 9.6% in 2010 to 9.2% in 2011, as the slow-growing economy, weak housing markets, and volatile energy costs continued to hamper the labor markets.

Locally, the employment recovery was steady. During 2011, private sector job gains continued to be partly offset by government job losses. The largest urban center, the Seattle metropolitan area, represented 50.2% of the workforce of the State. The Seattle area job market continued to improve in 2011, adding about 41,000 jobs from 2010. The strongest performing industries in Seattle were manufacturing, leisure and hospitality, as well as professional and business services totaling approximately 24,000 new jobs in 2011.

Despite the slow economic recovery, the Port continued to perform in a strong operational and solid financial position. At the Airport, air passenger traffic reached a record high of 32.8 million in 2011, a 4.0% increase from 2010. Included in this record passenger volume were nearly 3 million international passengers, the most ever in the Airport's history.

At the Seaport, container volumes hit 2 million TEUs (twenty-foot equivalent units – a measure of container volume) for the second consecutive year, though a decrease of 5.0% compared to 2010. The 2011 cruise season served 196 vessel calls and 886,000 passengers, a decline of 4.9% in passengers from the record high of 932,000 passengers in 2010. While down 8.5% from 2010, grain volumes still came in above 5.0 million metric tons for the seventh consecutive year. For the Real Estate Division, occupancy levels at commercial properties were at 90%, higher than the 86% Seattle market average.

As the overall economic recovery unfolds, Washington's economy is expected to outperform the nation. Worldwide air traffic, both passenger and cargo, recovered quickly from the recession. The outlook of the aerospace and software sectors remains positive. The State's export strength, particularly to the growing economies in the Pacific Rim, is beneficial to the overall State economy.

Long-Term Financial Planning

The Port continues to anticipate modest growth in operating revenues in 2012 and took a prudent and conservative approach for the 2012 budget. While striving to maintain a strong financial position, 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 of 1.5% in 2012. 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 continues to strive for a competitive cost per enplanement ("CPE") without compromising operational and capital needs. The 2012 CPE is budgeted at $13.26, which reflects the Port's ongoing commitment to manage costs. Besides managing airline costs, the Aviation Division's strategic focus will be to increase facility capacity to accommodate growing international service and cargo, improve customer service, invest in the renewal and replacement of aging assets, and grow non-aeronautical revenues.

The Seaport Division expects increases in cruise passengers and new lease revenue from Terminal 106 to increase 2012 operating revenues by 2.1% from the 2011 budget. Other critical 2012 Seaport goals include increasing cargo and passengers moving through the freight and passenger terminals, developing a stewardship plan for key division assets, and continued promotion of the Port's proven advantage as a "green gateway" with a lower carbon footprint for goods shipped from Asia to the U.S. Midwest, a competitive edge among West Coast ports.

The Real Estate Division expects to grow its operating revenue by about 5.5% compared to the 2011 budget. Revenue from the Bell Harbor International Conference Center and lease revenue is expected to increase slightly as the hospitality and real estate markets continue to recover. A continuing soft real estate market, however, could mean higher vacancies at commercial properties and marinas. Key 2012 focus areas for the Real Estate Division will be cost management, property renewal and replacement, and management of the remaining Eastside Rail Corridor sections currently retained by the Port.

For 2012, the Port budgeted total operating revenues of $516.9 million, which represents a 4.9% increase from the 2011 budget. Total operating expenses are budgeted at $309.8 million, an 8.4% increase from the 2011 budget. Net Operating Income ("NOI") before Depreciation is budgeted at $207.0 million, remains flat as the 2011 budget. Depreciation expense is budgeted at $158.5 million, a decrease of $2.0 million from the 2011 budget. NOI after Depreciation is budgeted at $48.6 million, an increase of $2.1 million from the 2011 budget. The total capital budget for 2012 is $391.0 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 both business planning and environmental initiatives.

Major Initiatives

As the Port begins its second century, the Commissioners have been working on creating the Century Agenda, a strategic plan that sets long-term goals and five-year milestones designed to bolster the Port's role as an economic engine – starting with an overarching goal of generating 100,000 new jobs in the region by 2036. The Commissioners have adopted a preliminary set of goals and objectives to guide the Port through the next 25 years, and is in the process of engaging the community to obtain input into the plan and how to reach the goals.

In addition, exciting new investments will enable the Port to serve its customers and the general public better and improve the environment in the community and region. A number of projects were completed in 2011, including the South Satellite Delta Airline Sky Club Lounge expansion, the first phase of replacing 44 airport escalators, and the Seaport's Terminal 10 redevelopment. At the Airport, Emirates Airlines, the world's largest international carrier, began daily non-stop service between Seattle and Dubai in March 2012. All Nippon Airways ("ANA") of Japan also chose to begin nonstop service to Sea-Tac Airport from Tokyo starting 2012. The Seaport Division executed a new lease with the Washington State Department of Transportation at Terminal 46 and Terminal 106 in support of the State Route 99 Bored Tunnel Project, which is critical in maintaining the efficient movement of freight and passengers along the Seattle waterfront. Furthermore, sales were closed on portions of the Eastside Rail Corridor to Sound Transit and City of Kirkland in April 2012.

There are several major initiatives that will position the Port to meet the long-term needs of its core businesses. The Aviation Division's initiatives for 2012 include completing the construction of the Consolidated Rental Car Facility, slated for opening in 2012; continuing the phased Terminal Escalator Modernization project; initiating the Terminal Realignment project that will facilitate merged airlines co-locating and provide more efficient use of terminal facilities; constructing a centralized pre-conditioned air plant with heating and cooling system for aircraft while parked at gates; construction of Aircraft Remain Overnight Parking hardstands, 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, and water main replacement at Terminal 91. Additional projects include various street vacation related projects resulting from past terminal expansions at Terminals 5, 18 and 30. The Real Estate Division's initiatives include heating, ventilation, and air conditioning improvements for the Fishermen's Center Building at Fishermen's Terminal, and a lighting control upgrade at Bell Harbor International Conference Center.

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, 2010. This was the sixth 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 could not have been accomplished without the professionalism and dedication demonstrated by the financial and management personnel of the Port's 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, 2010

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

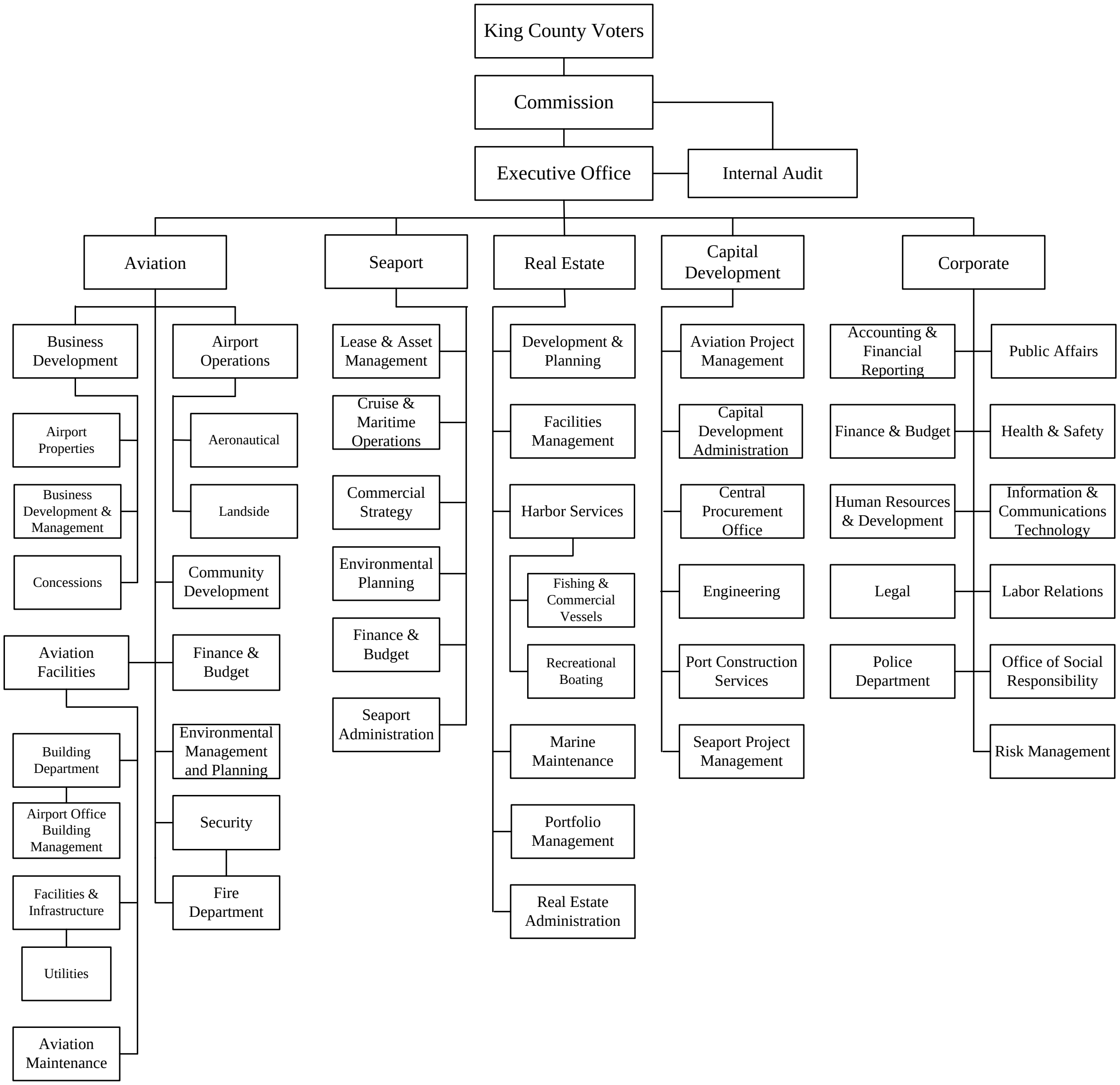
Linda C. Davison

President

Jeffrey R. Esser

Executive Director

ORGANIZATIONAL CHART FOR 2012



List of Elected and Appointed Officials in 2012

Elected Board of Commissioners

Name	Office	Term Expires
Gael Tarleton	Chair and President	December 31, 2015
John Creighton	Vice-Chair and President	December 31, 2013
Tom Albro	Secretary	December 31, 2013
Bill Bryant	Assistant Secretary	December 31, 2015
Rob Holland	Commissioner	December 31, 2013

Appointed Executive Officer and Staff

Tay Yoshitani	Chief Executive Officer
Kurt Beckett	Chief of Staff
Dan Thomas	Chief Financial and Administrative Officer
Craig Watson	General Counsel
Patricia Akiyama	Director of Public Affairs
Mark Reis	Managing Director, Aviation Division
Ralph Graves	Managing Director, Capital Development Division
Joe McWilliams	Managing Director, Real Estate Division
Linda Styrk	Managing Director, Seaport Division
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, 2011 and 2010 and for the years ended December 31, 2011, 2010, and 2009, 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 audits 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 also 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, 2011 and 2010, 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, 2011, 2010, and 2009, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management. 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 26, 2012

PORT OF SEATTLE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 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, 2011, 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, 2010 and 2009. 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 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, 2011, 2010 and 2009 is as follows (in millions):

	2011	2010	2009
ASSETS:			
Current, long-term, and other assets	$ 1,051.3	$ 1,115.5	$ 1,169.1
Capital assets	5,609.1	5,463.7	5,429.5
Total assets	$ 6,660.4	$ 6,579.2	$ 6,598.6
LIABILITIES:			
Current liabilities	$ 346.5	$ 373.4	$ 520.6
Long-term liabilities	3,401.7	3,401.4	3,326.1
Total liabilities	$ 3,748.2	$ 3,774.8	$ 3,846.7
NET ASSETS:			
Invested in capital assets—net of related debt	$ 2,306.7	$ 2,248.8	$ 2,240.3
Restricted	135.7	127.3	104.9
Unrestricted	469.8	428.3	406.7
Total net assets	$ 2,912.2	$ 2,804.4	$ 2,751.9

Assets exceeded liabilities by $2.9 billion, a $107.8 million increase over total net assets as of December 31, 2010, compared to $2.8 billion, and a $52.5 million increase over total net assets as of December 31, 2009. 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 2010 to 2011 and from 2009 to 2010, there was an increase of $57.9 million and $8.5 million, respectively, in invested in capital assets net of related debt from the continued creation of new assets. These increases were offset by the depreciation of existing capital assets during both periods.

As of December 31, 2011 and 2010, the restricted net assets of $135.7 million and $127.3 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 2010 to 2011 and from 2009 to 2010, there was an increase of $8.4 million and $22.4 million, respectively, in restricted net assets due to the timing of spending PFC revenues during the periods, and bond proceeds added to restricted debt service reserves when bonds were issued in both periods.

As of December 31, 2011 and 2010, the unrestricted net assets of $469.8 million and $428.3 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 $304.2 million and $281.4 million for the years ended 2011 and 2010, respectively. From 2010 to 2011 and from 2009 to 2010, there was an increase of $22.8 million and $14.2 million in this category, respectively, largely due to timing of capital projects spending during the periods.

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, 2011, 2010 and 2009:

	2011	2010	2009
Operating revenues	$ 483.2	$ 462.6	$ 441.6
Operating expenses	267.4	253.4	245.8
Operating income before depreciation	215.8	209.2	195.8
Depreciation	158.1	160.8	157.1
Operating income	57.7	48.4	38.7
Nonoperating income (expense)—net	28.9	(26.4)	(3.5)
Capital contributions	21.2	30.5	76.8
Increase in net assets	107.8	52.5	112.0
Net assets—beginning of year	2,804.4	2,751.9	2,639.9
Net assets—end of year	$ 2,912.2	$ 2,804.4	$ 2,751.9

Financial Operation Highlights

A summary of operating revenues is as follows (in millions):

	2011	2010	2009
OPERATING REVENUES:			
Services	$ 186.0	$ 174.6	$ 164.0
Property rentals	295.3	$ 284.9	274.6
Operating grant and contract revenues	1.9	$ 3.1	3.0
Total	$ 483.2	$ 462.6	$ 441.6

During 2011, operating revenue increased 4.5% from $462.6 million in 2010 to $483.2 million in 2011. Aviation Division operating revenues increased $16.5 million due to an increase in aeronautical revenues from higher operating 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. Non-aeronautical revenues increased $7.5 million due to an increase in concessions revenues derived from higher concession sales and ground transportation revenues resulting from the new taxi contract that went into effect in November 2010. The new taxi contract is concession based rather than per trip fee based. Seaport Division operating revenues increased $1.5 million from 2010 due to an increase in container revenue of $2.8 million resulting from higher crane rent and an increase in container lease rates that went into effect in July 2010. The Port also refunded the Series 1999B and 1999C Special Facility Bonds (Terminal 18 Project) in December 2011, which resulted in debt service payments no longer being netted against lease revenue contributing to the favorable increase. These amounts are partially offset by lower grain terminal revenue due to lower volumes and lower security grant related revenue. Real Estate Division operating revenues increased $1.7 million from 2010 due to higher revenue at Bell Harbor International Conference Center and from commercial properties.

During 2010, operating revenue increased 4.8% from $441.6 million in 2009 to $462.6 million in 2010. Aviation Division operating revenues increased $13.9 million largely due to an increase in aeronautical revenues from higher 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 in 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 that went into effect in July 2010, (4) higher cruise revenue due to higher passenger volumes, and (5) higher security grant revenue. On the contrary, a one-time reimbursement from King County for the Terminal 30 Upland Dredge Disposal project was recognized 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.

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

	2011	2010	2009
OPERATING EXPENSES BEFORE DEPRECIATION:			
Operations and maintenance	$ 195.2	$ 188.7	$ 183.1
Administration	50.3	44.8	43.6
Law enforcement	21.9	19.9	19.1
Total	$ 267.4	$ 253.4	$ 245.8

During 2011, operating expenses increased 5.5% from $253.4 million in 2010 to $267.4 million in 2011. Aviation Division operating expenses increased $10.7 million in 2011 due to (1) increase in full-time-equivalents positions, (2) increase in outside service contracts along with elevator and escalator maintenance services, and (3) higher utility expenses primarily due to higher surface water discharge volumes. These increases were partially offset by lower environmental expenses. Seaport Division operating expenses decreased $1.1 million due to lower security grant project driven expenses and lower environmental expenses. These amounts were partially offset by higher costs from asset condition assessment work and Alaskan Way Viaduct Tunnel (State Route 99) property related work. Real Estate Division operating expenses increased by $3.3 million primarily due to (1) legal costs associated with a lawsuit filing over the Eastside Rail Corridor that was dismissed by the court in December 2011, (2) higher third party management expenses due to an increase in event activity at Bell Harbor International Conference Center, (3) increased maintenance expenditures, and (4) expensing of tenant improvements.

During 2010, operating expenses increased 3.1% from $245.8 million in 2009 to $253.4 million in 2010. 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 expenses. There were cost savings from (1) reduction in consumptions and rates of 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 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.

As a result of the above, operating income before depreciation increased $6.6 million in 2011 from 2010, compared to a $13.4 million increase from 2009 to 2010.

Depreciation expense decreased slightly by $2.7 million in 2011 from 2010 and increased by $3.7 million in 2010 from 2009.

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

	2011	2010	2009
NONOPERATING INCOME (EXPENSE):			
Ad valorem tax levy revenue	$ 73.2	$ 73.1	$ 75.6
Passenger facility charges revenue	62.4	59.7	59.7
Customer facility charges revenue	23.7	23.2	21.9
Noncapital grants and donations	8.5	12.5	7.2
Fuel hydrant facility revenues	7.7	7.9	7.8
Investment income—net	18.9	13.1	17.3
Revenue and capital appreciation bond interest expense	(127.6)	(133.2)	(121.1)
Passenger facility charges revenue bond interest expense	(6.8)	(10.2)	(11.0)
General obligation bond interest expense	(15.8)	(17.5)	(15.8)
Public expense	(18.7)	(25.1)	(20.4)
Environmental expense—net	(4.3)	(22.7)	(14.7)
Other income (expense)—net	7.7	(7.2)	(10.0)
Total	$ 28.9	$ (26.4)	$ (3.5)
CAPITAL CONTRIBUTIONS	$ 21.2	$ 30.5	$ 76.8

During 2011, nonoperating income—net was $28.9 million, a $55.3 million increase from 2010 nonoperating expense—net. This was due to (1) an increase in unrealized gains on the investment portfolio, (2) environmental insurance recoveries related to prior years' expenditures, (3) easement revenues for granting the Boeing Company access to portions of former Commercial Waterway District No. 1 Property, (4) a significant decrease in environmental expenses, (5) a decrease in public expenses due to the East Marginal Way Grade Separation project nearing completion, (6) lower PFC bond interest expense due to a refunding in December 2010, (7) a refund from a medical insurance provider due to the Port converting from fully insured to self-insured heath care plans in 2011, and (8) gains from the sale of properties at Terminal 46 as well as from a land swap with Immunex Corporation. These increases were slightly offset by losses from the sale of property to the South Correctional Entity.

During 2010, nonoperating expense—net was $26.4 million, a $22.9 million increase from 2009 nonoperating expense—net. This was due 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 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 2011, capital contributions decreased $9.3 million due to a decrease in Federal Aviation Administration ("FAA") grant receipts. During 2010, capital contributions decreased $46.3 million due to a decrease in 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.

Increase in net assets for 2011 and 2010 was $107.8 million and $52.5 million, respectively. Operating performance was strong in 2011 with record highs in airline passengers, along with TEUs hitting the two million mark for the second consecutive year and cruise business seeing solid results. Additionally, occupancy levels at commercial properties remained strong along with Bell Harbor International Conference Center activity. Significant increases in nonoperating income coupled with declines in nonoperating expenses further contributed to the positive 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, 2011, 2010 and 2009, and changes in net assets for the years ended December 31, 2011, 2010 and 2009 (in millions) are as follows:

	2011	2010	2009
Total assets	$ 9.5	$ 10.4	$ 10.1
Total liabilities			
Total net assets	$ 9.5	$ 10.4	$ 10.1
Total additions	$ 1.4	$ 2.6	$ 3.9
Total deductions	(2.3)	(2.3)	(2.3)
(Decrease) increase in net assets	(0.9)	0.3	1.6
Net assets—beginning of year	10.4	10.1	8.5
Net assets—end of year	$ 9.5	$ 10.4	$ 10.1

Total net assets as of December 31, 2011 decreased by $0.9 million from December 31, 2010 mainly due to a decline in the fair value of investments resulting from unfavorable market conditions.

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.

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, 2011, amounted to $5.6 billion (net of accumulated depreciation). This investment in capital assets included 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 $145.4 million in 2011. This increase was primarily due to the addition of $92.5 million in capital assets resulting from the refunding of the Series 1999B and 1999C Special Facility Revenue Bonds (Terminal 18 Project), conduit debt obligation, which was effective in December 2011. Prior to the refunding of this conduit debt obligation, the Port had not recorded these obligations nor the related capital assets on its financial statements as the Port had no obligation for the outstanding bonds beyond what was provided in the lease arrangement.

During 2011, completed projects totaling $102.4 million were closed from construction work in progress to their respective capital assets accounts. For the Aviation Division, the major completed projects included the South Satellite Delta Airline Sky Club Lounge expansion and the first phase of replacing 44 airport escalators for $7.5 million and $6.6 million, respectively. The Seaport Division completed the Terminal 10 redevelopment project for $6.1 million.

The Port's 2011 expenditures for capital construction projects, including amounts associated with contributed capital, totaled $212.4 million. For the Aviation Division, the major capital construction projects included the Consolidated Rental Car Facility and its related Bus Maintenance Facility, as well as the centralized pre-conditioned air plant with heating and cooling systems for aircraft parked at gates. The current year spending for these projects were $84.5 million and $20.6 million, respectively.

As the construction of the Consolidated Rental Car Facility is slated for completion in 2012, the Port will record approximately $15.1 million of public expenses for roadway improvements transferred to various government agencies, primarily Washington State Department of Transportation, City of Seattle and City of SeaTac, to own, operate and maintain these assets.

In April 2012, sales were closed on portions of the Eastside Rail Corridor to Sound Transit and City of Kirkland for $13.8 million and $5.0 million, respectively.

During 2011, the Port collected $73.3 million in property taxes through a King County ad valorem tax levy. The Port funds its capital assets from multiple sources, including but not limited to, ad valorem tax levy, PFCs, Federal and State grants, and bond issues. 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, 2011, the Port had outstanding revenue bonds and notes of $2.9 billion, a $25.0 million decrease from 2010 primarily due to scheduled principal payments, which was offset by issuance of bonds. Subordinate lien revenue notes (commercial paper) decreased by $51.6 million from $94.3 million in 2010 to $42.7 million in 2011.

During December 2011, the Port issued $108.6 million in Series 2011AB Revenue Refunding Bonds. Series 2011A, $11.4 million, fully refunded the Series 1998 Subordinate Lien Revenue Refunding Bonds, while Series 2011B, $97.2 million, fully refunded the Series 1999B and 1999C Special Facility Revenue Bonds (Terminal 18 Project), conduit debt obligation. A portion of each bond series was used to make a deposit to the First Lien Common Reserve Fund and to pay the costs of issuing the bonds.

As of December 31, 2011, the Port had outstanding general obligation ("GO") bonds of $336.1 million, a $0.6 million increase from 2010 due to the issuance of bonds, which is offset by scheduled principal payments.

During February 2011, the Port issued $30.2 million Limited Tax GO Bonds, and $74.0 million Limited Tax GO Refunding Bonds to replenish a portion of the funds expended for the acquisition of the Eastside Rail Corridor in 2009, to fully refund Series 2000B GO Bonds, and to pay the costs of issuing the bonds.

As of December 31, 2011, the Port had outstanding PFC revenue bonds of $167.4 million, a $10.1 million decrease from 2010 due to scheduled principal payments.

As of December 31, 2011, the Port had outstanding Fuel Hydrant Special Facility Revenue bonds of $102.9 million, a $2.6 million decrease from 2010 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, 2011. Many of the Port's bond issues include bond insurance or letters of credit; the credit rating for those issues maybe 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 revenue bonds	A-	A3	A-

In February, 2012, Moody's raised its rating on the Port's Fuel Hydrant Special Facility Revenue bonds from A3 to A2.

In March, 2012, the Port issued $612.1 million in Series 2012ABC Intermediate Lien Revenue Refunding Bonds. Series 2012A, $342.5 million, was used to partially refund the Series 1999A Subordinate Lien Revenue Bonds and the Series 2003A First Lien Revenue Bonds, and fully refund the Series 2001A First Lien Revenue Bonds. Series 2012B, $189.3 million, was used to partially refund the Series 2001B and fully refund the Series 2001C First Lien Revenue Bonds. Series 2012C, $80.3 million, was used to partially refund the Series 1999B Subordinate Lien Revenue Bonds and the Series 2001D 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.

Additional information on the Port's debt activity and conduit debt activity can be found in Note 5 and 6, respectively, in the accompanying notes to the financial statements.

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2011 AND 2010
(In thousands)

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 161,732	$ 100,538
Restricted cash and cash equivalents:		
Bond funds and other	77,678	78,080
Fuel hydrant assets held in trust	6,441	6,488
Short-term investments	69,091	64,215
Restricted short-term investments:		
Bond funds and other	38,244	49,249
Accounts receivable, less allowance for doubtful accounts of $171 and $240	35,843	31,860
Grants-in-aid receivable	2,650	4,419
Taxes receivable	1,922	2,056
Materials and supplies	6,564	6,041
Assets held for sale	40,380	50,380
Prepayments and other current assets	6,621	3,878
Total current assets	447,166	397,204
NONCURRENT ASSETS:		
Long-term investments	359,046	374,958
Restricted long-term investments:		
Bond funds and other	204,686	298,536
Fuel hydrant assets held in trust	4,254	4,059
Deferred finance costs—net of accumulated amortization of $43,579 and $40,341	31,109	33,548
Other long-term assets	5,094	7,183
CAPITAL ASSETS:		
Land and air rights	2,015,740	1,948,502
Facilities and improvements	4,399,222	4,317,271
Equipment, furniture, and fixtures	387,632	365,820
Total capital assets	6,802,594	6,631,593
Less accumulated depreciation	(1,642,931)	(1,507,305)
Construction work in progress	449,401	339,413
Total capital assets—net	5,609,064	5,463,701
Total noncurrent assets	6,213,253	6,181,985
TOTAL	$ 6,660,419	$ 6,579,189

See notes to financial statements.

	2011	2010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 67,770	$ 76,421
Payroll and taxes payable	35,872	33,228
Bond interest payable	39,868	41,301
Lease securities and customer advances	41,129	21,736
Current maturities of long-term debt	161,940	200,750
Total current liabilities	346,579	373,436
LONG-TERM LIABILITIES:		
Other postemployment benefits obligation	9,106	8,359
Environmental remediation liability	41,955	43,142
Accrued long-term expenses	2,001	8,319
Total long-term liabilities	53,062	59,820
LONG-TERM DEBT:		
Revenue and capital appreciation bonds	2,782,880	2,767,650
General obligation bonds	312,005	312,550
Passenger facility charges revenue bonds	157,150	167,395
Fuel hydrant special facility bonds	100,175	102,885
Unamortized bond discounts—net of amortization	(3,556)	(8,921)
Total long-term debt	3,348,654	3,341,559
Total noncurrent liabilities	3,401,716	3,401,379
Total liabilities	3,748,295	3,774,815
NET ASSETS:		
Invested in capital assets—net of related debt	2,306,698	2,248,793
Restricted for:		
Debt service reserves	110,513	105,913
Passenger facility charges	24,272	20,725
Grants and other	879	670
Unrestricted	469,762	428,273
Total net assets	2,912,124	2,804,374
TOTAL	$ 6,660,419	$ 6,579,189

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, 2011, 2010 AND 2009 (In thousands)

	2011	2010	2009
OPERATING REVENUES:			
Services	$ 185,967	$ 174,562	$ 163,983
Property rentals	295,331	284,898	274,584
Operating grant and contract revenues	1,874	3,119	3,023
Total operating revenues	483,172	462,579	441,590
OPERATING EXPENSES BEFORE DEPRECIATION:			
Operations and maintenance	195,200	188,678	182,995
Administration	50,293	44,837	43,636
Law enforcement	21,923	19,949	19,136
Total operating expenses before depreciation	267,416	253,464	245,767
NET OPERATING INCOME BEFORE DEPRECIATION	215,756	209,115	195,823
DEPRECIATION	158,107	160,775	157,068
OPERATING INCOME	57,649	48,340	38,755
NONOPERATING INCOME (EXPENSE):			
Ad valorem tax levy revenue	73,179	73,125	75,587
Passenger facility charges revenue	62,358	59,744	59,689
Customer facility charges revenue	23,669	23,243	21,866
Noncapital grants and donations	8,482	12,473	7,153
Fuel hydrant facility revenues	7,683	7,911	7,845
Investment income—net	18,884	13,096	17,251
Revenue and capital appreciation bond interest expense	(127,579)	(133,239)	(121,148)
Passenger facility charges revenue bond interest expense	(6,758)	(10,187)	(10,956)
General obligation bond interest expense	(15,774)	(17,463)	(15,785)
Public expense	(18,703)	(25,085)	(20,370)
Environmental expense—net	(4,335)	(22,730)	(14,676)
Other income (expense)—net	7,815	(7,276)	(10,003)
Total nonoperating income (expense)—net	28,921	(26,388)	(3,547)
INCOME BEFORE CAPITAL CONTRIBUTIONS	86,570	21,952	35,208
CAPITAL CONTRIBUTIONS	21,180	30,519	76,781
INCREASE IN NET ASSETS	107,750	52,471	111,989
TOTAL NET ASSETS:			
Beginning of year	2,804,374	2,751,903	2,639,914
End of year	$ 2,912,124	$ 2,804,374	$ 2,751,903

See notes to financial statements.

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(In thousands)

	2011	2010	2009
OPERATING ACTIVITIES:			
Cash received from customers	$ 500,013	$ 453,968	$ 456,619
Cash paid to suppliers for goods and services	(119,736)	(112,170)	(98,773)
Cash paid to employees for salaries, wages and benefits	(155,511)	(151,925)	(146,944)
Operating grant and contract revenues	1,874	3,119	3,023
Other	(268)	(3,579)	309
Net cash provided by operating activities	226,372	189,413	214,234
NONCAPITAL AND RELATED FINANCING ACTIVITIES:			
Ad valorem tax levy receipts	73,313	73,213	75,280
Fuel hydrant facility revenues	7,683	7,911	7,845
Noncapital grant and contract revenues	9,119	12,087	7,153
Proceeds from (acquisition of) assets held for sale		23,753	(74,133)
Proceeds from issuance and sale of GO bonds	30,002		
Interest payments on GO bonds	(622)		
Cash paid for environmental remediation liability	(10,267)	(9,112)	(8,036)
Public expense disbursements	(13,870)	(28,097)	(18,033)
Environmental recovery receipts	8,948	4,302	5,876
Net cash provided by (used in) noncapital and related financing activities	104,306	84,057	(4,048)
CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance and sale of revenue bonds, GO bonds, capital appreciation bonds, PFC bonds and commercial paper	226,491	548,966	382,070
Proceeds used for refunding of revenue bonds, GO bonds and PFC bonds	(188,656)	(376,105)	
Acquisition and construction of capital assets	(197,051)	(194,313)	(242,224)
Principal payments on revenue bonds, PFC bonds, GO bonds and commercial paper	(188,380)	(164,370)	(167,960)
Interest payments on revenue bonds, PFC bonds, GO bonds and commercial paper	(163,609)	(165,942)	(155,827)
Proceeds from sale of capital assets	167	981	52
Receipts from capital contributions	21,070	37,429	77,049
Passenger facility charges receipts	62,102	59,813	58,742
Customer facility charges receipts	23,359	23,221	22,017
Net cash used in capital and related financing activities	$ (404,507)	$ (230,320)	$ (26,081)

See notes to financial statements.

(Continued)

PORT OF SEATTLE

ENTERPRISE FUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(In thousands)

	2011	2010	2009
INVESTING ACTIVITIES:			
Purchases of investment securities	$ (871,684)	$ (686,782)	$ (720,283)
Proceeds from sales and maturities of investments	992,120	674,621	594,814
Interest received on investments	14,118	21,049	21,025
Interest paid on securities lending	(5)	(46)	(18)
Interest income on securities lending	25	53	63
Cash collateral (remittance of) receipts from securities lending		(77,338)	77,338
Net cash provided by (used in) investing activities	134,574	(68,443)	(27,061)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	60,745	(25,293)	157,044
CASH AND CASH EQUIVALENTS:			
Beginning of year	185,106	210,399	53,355
End of year	$ 245,851	$ 185,106	$ 210,399
RECONCILIATION OF OPERATING INCOME TO NET CASH			
Operating income	$ 57,649	$ 48,340	$ 38,755
Miscellaneous nonoperating (expense) income	(268)	(3,579)	309
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	158,107	160,775	157,068
(Increase) decrease in assets:			
Accounts receivable	(3,704)	(5,387)	(2,586)
Materials and supplies, prepayments and other	1,061	(75)	4,979
(Decrease) increase in liabilities:			
Accounts payable and accrued expenses	(7,955)	(8,025)	1,209
Payroll and taxes payable	2,657	(5,680)	3,172
Environmental remediation liability	(2,717)	5,975	3,720
Lease securities and customer advances	12,635	(3,276)	12,730
Other postemployment benefits obligation	8,907	345	(5,122)
Net cash provided by operating activities	$ 226,372	$ 189,413	$ 214,234
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Land exchange with Washington State Department of Transportation			$ 11,332
Acquisition of capital assets through refunding Series 1999B and 1999C Special Facilities Revenue Bonds	$ 92,536		

See notes to financial statements. (Concluded)

PORT OF SEATTLE

WAREHOUSEMEN'S PENSION TRUST FUND

STATEMENTS OF NET ASSETS
AS OF DECEMBER 31, 2011 AND 2010
(In thousands)

	2011	2010
ASSETS:		
Cash and cash equivalents	$ 349	$ 414
Investments—fair value:		
Common stock	5,669	6,287
Corporate bonds	3,331	3,528
Other assets	158	163
Total assets	9,507	10,392
LIABILITIES:		
Accounts payable	4	36
NET ASSETS—Held in trust for pension benefits and other purposes	$ 9,503	$ 10,356

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, 2011, 2010 AND 2009
(In thousands)

	2011	2010	2009
ADDITIONS:			
Employer contributions	$ 1,500	$ 1,500	$ 1,500
Investment earnings:			
Interest			1
Dividends	257	234	305
Net (decrease) increase in fair value of investments	(316)	835	2,142
Less investment expense	(40)	(15)	(16)
Net investment (loss) earnings	(99)	1,054	2,432
Total additions	1,401	2,554	3,932
DEDUCTIONS:			
Benefits	2,166	2,210	2,194
Administrative expenses	44	44	44
Professional fees	44	78	62
Total deductions	2,254	2,332	2,300
CHANGE IN NET ASSETS	(853)	222	1,632
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES:			
Beginning of year	10,356	10,134	8,502
End of year	$ 9,503	$ 10,356	$ 10,134

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 15 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 90 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 solely payable by and 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. 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 liability, litigated and non-litigated loss contingencies, insurance recoveries, allowances for doubtful accounts, grants-in-aid receivables, arbitrage rebate liability, health care benefit claims liability, and other postemployment benefits obligation. 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. Casualty risks include natural or manmade events that may cause injury or other damages at Port facilities. The Port has a comprehensive risk management program that protects the Port against loss from various adverse casualty events to its property, operations, third-party liabilities, and employees. The Port carries excess commercial insurance to provide a financial means to recover from many of these potential events or losses. 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 workers compensation claims. Claims, litigation and other settlements have not exceeded the limits of available insurance coverage in any of the past three years, when insurance was applicable.

As of January 1, 2011, the majority of the Port sponsored health care plans were converted from fully insured to self-insured plans. Employees covered by these plans continue to pay a portion of the premiums for their coverage. The Port purchased a stop-loss insurance policy for the self-insured health care plan to limit the Port's individual claims liability up to $150,000 per year and to 125% of expected claims in aggregate. Health care benefit claims liabilities are not discounted to present value as nearly all health care claims are current in nature. The estimated liability is based upon actual claims that have been submitted and authorized for payment as well as actuarially determined claims incurred but not reported. The estimated liability is included in payroll and taxes payable on the Statements of Net Assets. Claims payments made during the current year include associated incremental costs such as administration expenses and stop-loss insurance policy premiums. Non-incremental claims adjustment expenses were not included as part of the health care benefit claims liabilities. Employees' cost sharing portion of the health care plan and retirees' payments for participating the Port's health care plan, which is not implicitly or explicitly subsidized, made during the current year are included in Other of the changes in the claims liabilities as follows (in thousands):

Years Ending December 31	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Other	Ending Balance
2011	$	$ 10,573	$ (11,309)	$ 1,977	$ 1,241

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 charges 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.

Grants-in-Aid Receivable—The Port receives Federal and State grants-in-aid funds on a 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.

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.

Capital Assets—Capital assets are stated at cost, less accumulated depreciation. Costs applicable to noise damage remedies, together with the cost of litigation, in exchange for air rights are generally recorded as intangible capital assets. 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.

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—Ad valorem taxes received by the Port are utilized for the acquisition and construction of facilities, for the payment of principal and interest on GO bonds issued for the acquisition or construction of facilities, for contributions to regional freight mobility improvement, for environmental expenses, for certain operating expenses, and for public expenses. The Port includes ad valorem tax revenues and interest on GO 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, which are based upon passenger enplanements, 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.

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. A portion of the CFC revenues received from the rental car companies is recorded as operating revenue as it is associated with the operation of the rental car facilities. The remaining portion of the CFC revenues is recorded as nonoperating income in the Statements of Revenues, Expenses, and Changes in Net 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, charges for the use of Port facilities, Airport landing fees, operating grants, a portion of the CFCs, and other revenues generated from operations are reported as operating revenue. Ad valorem tax levy revenues, nonoperating grants and contributions, PFCs, the remaining portion of the CFCs, fuel hydrant facility revenues, and other revenues generated from nonoperating sources are classified as nonoperating revenues.

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 eligible union and non-union employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (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 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.

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, 2011 and 2010, there was no outstanding balance carried in the trust related to refunding of debt.

Lease Securities—Under the terms of certain lease agreements, the Port requires or allows its customers or tenants to provide security to satisfy contractual obligations. The Port classifies these amounts as lease securities and included in current liability in the Statements of Net Assets. The Port is allowed to draw from the lease securities in certain events as defined in these agreements, such as defaults or delinquencies in rent payment. The balance is determined by the lease terms and is recalculated according to the provisions of the agreements.

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.

Recently Issued Accounting Pronouncements—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 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 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. While the adoption of this Statement is not likely to have a material effect on the Port's financial statements, the impact of adopting the new rules are dependent on events in future periods as the Port currently does not have any SCAs. As such, the evaluation of such an impact cannot yet be determined.

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 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 periods beginning after December 15, 2011. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* which provides guidance on financial reporting of deferred inflows and outflows of resources. Under this statement, entities report deferred outflows and inflows of resources separately from assets and liabilities in a new statement of position format. This statement also amends GASB Statement No. 34 and other existing standards to reflect the residual measure in the statement of financial position as net position, rather than net assets. This statement is effective for periods beginning after December 15, 2011. The Port is currently evaluating the impact of the adoption of this standard on its financial statements.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions.* The objective of this statement is to improve financial reporting for state and local governments by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement is effective for periods beginning after June 15, 2011. While the adoption of this statement is not likely to have a material effect on the Port's financial statements, the impact of adopting the new rules are dependent on events in future periods as the Port currently does not perform hedging transactions. As such, the evaluation of such an impact cannot yet be determined.

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, 2011 and 2010, restricted investments—bond funds and other were $320,608,000 and $425,865,000, 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.

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, 2011 and 2010 (in thousands). These tables do not address investments of debt proceeds held by bond trustees. As of December 31, 2011 and 2010, the Port's investment pool had 26.4% and 18.6% 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**
2011					
Repurchase Agreements *	$ 239,410	$ 239,410	$	$	26.4%
Federal Agencies Securities:					
Federal Farm Credit Banks	95,313			95,313	10.5
Federal Home Loan Bank	70,113		20,009	50,104	7.7
Federal Home Loan Mortgage Corporation	104,098		50,170	53,928	11.5
Federal National Mortgage Association	192,536		10,386	182,150	21.2
United States Treasury Notes	206,356	105,659	100,697		22.7
Total Portfolio	$ 907,826	$ 345,069	$ 181,262	$ 381,495	100.0 %
Accrued interest receivable	2,651				
Total cash, cash equivalents and investments	$ 910,477				
Percentage of Total Portfolio	100.0 %	38.0 %	20.0 %	42.0 %	
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 %	

* Includes cash and cash equivalents balances.

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, 2011 and 2010 (in thousands). As of December 31, 2011 and 2010, 39.6% and 38.2% respectively, of the Fuel Hydrant Investment Pool was invested in United States Treasury Notes and "AAA" rated government agency securities, respectively. 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
2011					
Wells Fargo Government Institutional Money Market Funds	$ 6,441	$ 6,441	$	$	60.4 %
United States Treasury Notes	4,220			4,220	39.6
Total Portfolio	$ 10,661	$ 6,441	$	$ 4,220	100.0 %
Accrued interest receivable	34				
Total cash, cash equivalents and investments	$ 10,695				
Percentage of Total Portfolio	100.0 %	60.4 %	%	39.6 %	
2010					
Wells Fargo Government Institutional Money Market Funds	$ 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 %	

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 2011 and 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, 2011 and 2010, the “effective” duration of the Port’s Investment Pool portfolio was approximately 0.7 and 0.9, 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, 2011 and 2010, the effective duration of the Fuel Hydrant Investment Pool was 1.5.

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, 2011 and 2010, the bank balance of $6,441,000 and $6,488,000, 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 are terminable at will, their duration do 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, 2011 and 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, 2011 and 2010.

During the fiscal year of 2011 and 2010, 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 2011 and 2010.

3. CAPITAL ASSETS

Capital assets consist of the following at December 31, 2011 and 2010 (in thousands):

	Beginning of Year	Additions	Retirements	End of Year
2011				
Capital assets, not being depreciated:				
Land and air rights	$ 1,948,502	$ 71,891	$ (4,653)	$ 2,015,740
Art collections and others	7,651	477	(5)	8,123
Total capital assets not being depreciated	1,956,153	72,368	(4,658)	2,023,863
Capital assets being depreciated:				
Facilities and improvements	4,317,042	97,577	(15,627)	4,398,992
Equipment, furniture, and fixtures	358,398	32,496	(11,155)	379,739
Total capital assets being depreciated	4,675,440	130,073	(26,782)	4,778,731
Total capital assets	6,631,593	202,441	(31,440)	6,802,594
Less accumulated depreciation for:				
Facilities and improvements	(1,284,614)	(135,027)	11,704	(1,407,937)
Equipment, furniture, and fixtures	(222,691)	(23,080)	10,777	(234,994)
Total accumulated depreciation	(1,507,305)	(158,107)	22,481	(1,642,931)
Construction work in progress	339,413	212,386	(102,398)	449,401
Total capital assets—net	$ 5,463,701	$ 256,720	$ (111,357)	$ 5,609,064
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

For the year ended December 31, 2011 and 2010, gains of $1,301,000 and losses of $2,861,000 were recorded in nonoperating other expense—net, respectively, related to demolition costs, impairments, and asset sales. For the Aviation Division, $4,174,000 and $2,257,000 related to losses from demolition and sale of capital assets in 2011 and 2010, respectively. Most of the losses in 2011 and 2010 related to capital assets placed out of service as identified by the Port during its cyclical physical inventory and replacement of airport facilities. In 2011, the largest repair project was the floor replacement in the food court located at the South Satellite. In addition, the Aviation Division recognized a loss of $1,086,000 from the sale of land, which was condemned by the City of Des Moines on behalf of the South Correctional Entity for construction of a jail complex. For the Seaport Division, gains of $6,162,000 and losses of $207,000 were related to asset sales and demolition in 2011 and 2010, respectively. In 2011, the Seaport Division recognized a gain of $5,713,000 from the sale of a portion of land at Terminal 46 to the Washington State Department of Transportation, in lieu of condemnation for the Alaskan Way Viaduct Replacement Project. The Seaport Division also recognized a gain of $1,091,000 from a land swap with Immunex Corporation. For the Real Estate Division, $623,000 related to losses from demolitions in 2011 and $20,000 related to gains from sale of capital assets in 2010.

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 2011 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.

During 2011, Cascade Water Alliance determined it would not proceed with the purchase of an interest in the Eastside Rail Corridor. Thus, the Port reported $10,000,000 of the related real property as capital asset instead of asset held for sale as of December 31, 2011. The Port continues to partner with the remaining regional agencies to complete the future transactions.

The remaining Eastside Rail Corridor asset held for sale was 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 $40,380,000 and $50,380,000 as of December 31, 2011 and 2010, respectively. When 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 was very limited. The fair value of the asset was essentially the same as its carrying amount. As such, no impairment loss was recorded during the years ended December 31, 2011 and 2010.

In April 2012, a segment of the Eastside Rail Corridor along with a transportation easement was sold to Sound Transit for $13,752,000 and another segment was sold to the City of the Kirkland for $5,000,000. No gain or loss was recorded on these sales.

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. For the years ended December 31, 2011, 2010 and 2009, the Port recognized contingent rent of $285,589,000, $279,062,000 and $252,257,000, respectively. Under certain lease agreements, contingent rent, primarily concessions, provide for an additional payment to the Port beyond the fixed portion, based on tenant's operation, including but not limited to usage, revenues, or volumes.

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		
2012	$	107,716
2013		102,037
2014		97,446
2015		94,197
2016		85,792
Thereafter		2,194,574
Total	$	2,681,762

In December 2011, the Port issued Series 2011B Revenue Refunding Bonds to fully refund the outstanding 1999B and 1999C Special Facilities Revenue Bonds (Terminal 18 Project), conduit debt obligation. Prior to fully refunding the outstanding conduit debt obligation, the Port recorded the property rental revenue net of debt service payments in its Statements of Revenues, Expenses, and Changes in Net Assets. The property rental revenue was $12,037,000, $12,388,000 and $12,149,000 for 2011, 2010 and 2009, respectively. Subsequently, the minimum future rental income of the lease agreement at Terminal 18 is included in the schedule above.

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 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 2012, $7,994,000 for 2013, $7,996,000 for 2014, $7,995,000 for 2015, $7,995,000 for 2016, and $127,159,000 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, 2011, consists of the following (in thousands):

Bond Type (by Bond Issue)	Coupon Rates (%)	Maturity Dates	Beginning Balance	Principal Payments and Refundings	Issuance	Ending Balance
Revenue bonds:						
First lien:						
Series 2000 B	6.0	2012–2015	$ 46,955	$ 8,300	$	$ 38,655
Series 2000 D	6.0	2011	3,475	3,475		
Series 2001 A	5.0	2031	176,105			176,105
Series 2001 B	5.1–5.625	2012–2024	208,165	10,165		198,000
Series 2001 C	5.5–5.625	2012–2014	12,205			12,205
Series 2001 D	5.75	2012–2017	40,870	4,890		35,980
Series 2003 A	5.0–5.25	2012–2033	180,830	7,745		173,085
Series 2003 B	4.25–5.5	2013–2029	146,900			146,900
Series 2004	5.3–5.75	2012–2017	15,170	2,430		12,740
Series 2007 A	3.75–5.0	2016–2019	27,880			27,880
Series 2007 B	3.85–5.0	2012–2032	187,770	5,610		182,160
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	0 **	2025–2031	83,600			83,600
Series 2011 A	2.0–5.0	2012–2017			11,380	11,380
Series 2011 B	2.0–5.0	2012–2026			97,190	97,190
Total			1,424,885	42,615	108,570	1,490,840
Intermediate lien:						
Series 2005 A	5.0–5.25	2012–2035	380,475	11,035		369,440
Series 2005 C	5.0	2012–2017	31,680	4,255		27,425
Series 2006	4.75–5.0	2025–2030	124,625			124,625
Series 2010 A	3.0–5.0	2012–2017	25,200	2,170		23,030
Series 2010 B	4.0–5.0	2014–2040	221,315			221,315
Series 2010 C	3.0–5.0	2012–2024	128,140	320		127,820
Total			911,435	17,780		893,655
Subordinate lien:						
Series 1997	0.13 *	2022	108,830			108,830
Series 1998	5.0–5.375	2011	12,675	12,675		
Series 1999 A	4.75–5.5	2016–2024	121,840			121,840
Series 1999 B	5.5	2012–2016	58,095	8,880		49,215
Series 2008	0.3 *	2033	200,715			200,715
Commercial paper	0.16–0.46	2012	94,305	82,105	30,455	42,655
Total			596,460	103,660	30,455	523,255
Revenue bond totals			$ 2,932,780	$ 164,055	$ 139,025	$ 2,907,750

* Variable interest rates as of December 31, 2011.

** Capital Appreciation Bonds have a zero coupon rate. The approximate maximum yield to maturity is 7.4%.

(Continued)

Bond Type (by Bond Issue)	Coupon Rates (%)	Maturity Dates	Beginning Balance	Principal Payments and Refunding	Issuance	Ending Balance
General obligation bonds:						
Series 2000 B	5.7–6.0	2011	$ 80,815	$ 80,815	$	$
Series 2004 A	4.5–5.0	2021–2023	32,510			32,510
Series 2004 B	4.5–5.25	2012–2021	92,480	7,005		85,475
Series 2004 C	5.0–5.25	2012–2019	68,065	12,100		55,965
Series 2006	4.0–5.0	2012–2029	61,630	350		61,280
Series 2011	2.254–5.75	2012–2025		3,325	104,215	100,890
Total			335,500	103,595	104,215	336,120
Passenger facility charge revenue bonds:						
Series 1998 A	5.5	2019	31,020			31,020
Series 2010 A	5.0	2017–2023	79,770			79,770
Series 2010 B	5.0	2012–2016	66,695	10,090		56,605
Total			177,485	10,090		167,395
Fuel hydrant special facility bonds	4.5–5.5	2012–2033	105,465	2,580		102,885
Bond totals			3,551,230	280,320	243,240	3,514,150
Unamortized bond discounts–net of amortization			(8,921)			(3,556)
Total debt			3,542,309			3,510,594
Less current maturities of long-term debt			(200,750)			(161,940)
Long-term debt			$ 3,341,559			$ 3,348,654

(Concluded)

During December 2011, the Port issued $108,570,000 in Series 2011AB Revenue Refunding Bonds. Series 2011A, $11,380,000, fully refunded the Series 1998 Subordinate Lien Revenue Refunding Bonds, while Series 2011B, $97,190,000, fully refunded the Series 1999B and 1999C Special Facility Revenue Bonds (Terminal 18 Project), conduit debt obligation. A portion of each bond series was used to make a deposit to the First Lien Common Reserve Fund, and to pay the costs of issuing the bonds. The bonds have coupon rates ranging from 2.0% to 5.0% with maturities ranging from 2012 to 2026. The interest on the Series 2011AB Revenue Refunding Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2012. Series 2011A Bonds are not subject to redemption prior to maturity. Certain maturities of Series 2011B Bonds are subject to optional redemption prior to their scheduled maturities. The economic gain resulting from the refunding transaction for the 2011A Bonds was $1,149,000, while the Port also decreased its aggregate debt service payments by $1,240,000 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 2.254% 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 $7,557,000, while the Port also decreased its aggregate debt service payments by $11,131,000 over the life of the bonds.

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 $16,002,000, while the Port also decreased its aggregate debt service payments by $18,729,000 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 Subordinate Lien Revenue 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 July 2009, the Port issued $83,600,000 in Series 2009B-2 Taxable Capital Appreciation Revenue Bonds. Interest on the 2009B-2 Bonds is compounded semiannually, but is payable only upon maturity. As of December 31, 2011 and 2010, the accreted value of the Series 2009B-2 Taxable Capital Appreciation Revenue Bonds was $26,307,000 and $24,463,000, respectively, and the ultimate accreted value of $83,600,000 will be reached at maturities between 2025 and 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, 2011 and 2010, there was $10,661,000 and $10,498,000, 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, 2011, unspent bond proceeds were comprised of $6,441,000 and $4,220,000 in current restricted cash equivalents and long-term restricted investments, respectively. 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.

Fuel Hydrant Special Facility Revenue bonds in the amount of $100,175,000 and $102,885,000, respectively, are included in long-term debt as of December 31, 2011 and 2010.

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 $42,655,000 and $94,305,000 at December 31, 2011 and 2010, 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 were no borrowings under the line of credit and the Port terminated the line of credit in April, 2011.

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.

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-.

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 takeout agreement with Bank of America to convert the bonds to an installment loan payable in 10 equal installments payable semiannually and bearing an interest rate of no less than 8.5%. 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 expires on June 17, 2013.

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-.

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 semiannually and bearing an interest rate no less than the bank’s prime rate. The remarketing agent receives an annual fee of 0.07% of the outstanding principal amount of the bonds.

There were no borrowings drawn against either LOCs during 2010 and 2011, and therefore there were no outstanding obligations to either LOC provider at December 31, 2011 and 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, 2011 and 2010.

Interest expense costs capitalized were $12,076,000 and $4,040,000 as of December 31, 2011 and 2010, respectively.

Aggregate annual payments on revenue bonds, GO bonds, PFC bonds, and Fuel Hydrant Special Facility Revenue bonds as well as commercial paper outstanding at December 31, 2011 are as follows (in thousands):

	Principal	Interest	Total
2012	$ 161,940	$ 158,895	$ 320,835
2013	124,075	154,264	278,339
2014	148,350	147,795	296,145
2015	135,000	140,566	275,566
2016	129,965	133,732	263,697
2017–2021	717,845	560,407	1,278,252
2022–2026	820,555	371,357	1,191,912
2027–2031	668,440	206,210	874,650
2032–2036	553,315	64,048	617,363
2037–2041	54,665	5,637	60,302
	$ 3,514,150	$ 1,942,911	$ 5,457,061

The fair value of total debt was $3,704,288,000 and $3,578,835,000 as of December 31, 2011 and 2010, respectively. This fair value is estimated using quoted market prices.

During March 2012, the Port issued $612,140,000 in Series 2012ABC Intermediate Lien Revenue Refunding Bonds. Series 2012A, $342,555,000, was used to partially refund the Series 1999A Subordinate Lien Revenue Bonds and the Series 2003A First Lien Revenue Bonds, and fully refund the Series 2001A First Lien Revenue Bonds. Series 2012B, $189,315,000, was used to partially refund the Series 2001B and fully refund the Series 2001C First Lien Revenue Bonds. Series 2012C, $80,270,000, was used to partially refund the Series 1999B Subordinate Lien Revenue Bonds and the Series 2001D 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 0.4% to 5.0% with maturities ranging from 2012 to 2033. The interest on the Series 2012AB Intermediate Lien Bonds is payable on February 1 and August 1 of each year, commencing on August 1, 2012, and the interest on the Series 2012C is payable on May 1 and November 1 of each year, commencing on November 1, 2012. The Series 2012ABC Bonds are subject to optional redemption prior to their scheduled maturities. The economic gain resulting from the refunding transaction was $83,284,000, while the Port also decreased its aggregate debt service payments by $99,763,000 over the life of the bonds.

6. CONDUIT DEBT

The Port has the following conduit debt obligations totaling $81,000,000 and $206,620,000 as of December 31, 2011 and 2010, 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 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 were 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) were pledged to pay the debt service on the bonds, and no liens (other than the leasehold of the Terminal 18 properties) were pledged as collateral for the debt. In 2002, total facility completion triggered debt service payments from rental revenue on the special facility bonds.

In January 2006, the Port issued $61,630,000 in Series 2006A Limited Tax General Obligation Refunding Bonds to partially refund Series 2000A Limited Tax General Obligation Bonds, and fully refund Series 1999A Special Facilities Revenue Bonds (Terminal 18 Project), conduit debt obligation. In December 2011, the Port issued $97,190,000 in Series 2011B Revenue Refunding Bonds. All of the bond proceeds from the Series 2011B Revenue Refunding Bonds, after disbursement of debt service reserves and debt issuance costs, along with excess bond proceeds of $30,232,000 held by the trustee, were used to fully refund the outstanding 1999B and 1999C Special Facilities Revenue Bonds (Terminal 18 Project) of $123,995,000. As of December 31, 2011, there was no conduit debt obligation amount outstanding. As of December 31, 2010, the conduit debt obligation outstanding was $125,620,000.

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, 2011 and 2010, industrial revenue bonds of $81,000,000 were outstanding.

7. LONG-TERM LIABILITIES

The following is a summary of the environmental remediation liability, other postemployment benefits obligation, 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, 2011 and 2010 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long- Term Portion
2011						
Environmental remediation liability	$ 56,724	$ 17,694	$ (21,059)	$ 53,359	$ 11,404	$ 41,955
Other postemployment benefits obligation	8,359	1,495	(748)	9,106		9,106
Accrued election expense	1,148	114		1,262	1,262	
Deferred revenue	19,275	14,337	(12,934)	20,678	19,559	1,119
Others	830	55	(3)	882		882
Total	$ 86,336	$ 33,695	$ (34,744)	$ 85,287		
2010						
Environmental remediation liability	$ 37,547	$ 48,226	$ (29,049)	$ 56,724	$ 13,582	$ 43,142
Other postemployment benefits obligation	8,014	1,107	(762)	8,359		8,359
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	$ 70,450	$ 59,059	$ (43,173)	$ 86,336		

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 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 4.64%), 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, 2011, was $80,510,000.

The Port's contribution rate during 2011 expressed as a percentage of covered payroll for employer was 7.09% 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%.

Both the Port and its employees made the required contributions. The Port's required contributions for the years ended December 31 were as follows (in thousands):

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**
2011	$ 199	$ 4,188	$ 688
2010	514	3,454	544
2009	365	4,361	635

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 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, 2011, was $19,462,000.

The Port's required contribution rates during 2011 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 its employees made the required contributions. The Port's required contributions for the years ended December 31 were as follows (in thousands):

	LEOFF Plan 2 (Firefighters)	LEOFF Plan 2 (Police Officers)
2011	$ 402	$ 1,017
2010	380	918
2009	349	857

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 State statute RCW 41.26.150, 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 State 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	$ 692	$ 508
Interest on net OPEB obligation	290	44
Adjustment to annual required contribution		(39)
Annual OPEB costs	982	513
Contribution made	(438)	(310)
Increase in net OPEB obligaiton	544	203
Net OPEB obligation beginning of year	7,260	1,099
Net OPEB obligation end of year	$ 7,804	$ 1,302

(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, 2011, 2010 and 2009 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				
2011	$ 982	$ 438	44.6 %	$ 7,804
2010	546	469	85.9	7,260
2009	700	436	62.3	7,183
Retirees Medical Insurance Plan				
2011	$	$	%	$
2010				
2009	(5,113)	511	(10.0)	
Retirees Life Insurance Plan				
2011	$ 513	$ 310	60.4 %	$ 1,302
2010	561	293	52.2	1,099
2009	539	301	55.8	831

Funding Status—As of December 31, 2011, 2010 and 2009, using the Alternative Measurement Method, the actuarial accrued liability for LEOFF Plan 1 Members' Medical Services Plan benefits was $7,804,000, $7,260,000 and $7,183,000, respectively, all of which was unfunded.

For the other OPEB plans, the most recent actuarial valuation data and the two preceding actuarial valuation data with 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, 2011 Valuation						
Retirees Life Insurance Plan	$	$ 7,613	%	$ 7,613	$ 71,108	10.7 %
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 2007 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 Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 5.5% was used initially, but was increased slightly to an average rate of 6.7% after seven years.

- *Health insurance premiums*—2012 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 4.0% 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, 2011, 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 4.0% 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, 2011 and 2010, the Port's environmental remediation liability was $53,359,000 and $56,724,000, 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, 2011 and 2010, the environmental remediation liability was reduced by $17,911,000 and $18,768,000, respectively, for estimated unrealized recoveries.

11. CONTINGENCIES

The Port is a defendant in various legal actions and claims. 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 some cases, the Port has provided adequate contingent liability.

In 2010, the Port and the former warehouse employees agreed on a settlement of $9.0 million for the cost of past and future medical benefits. The settlement agreement was approved by the King County Superior Court in April 2011 and the settlement payment was made in May 2011.

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, 2011 and 2010, the Port has made commitments for acquisition and construction as follows (in thousands):

	2011	**2010**
Funds committed:		
Airport facilities	$ 55,461	$ 110,953
Seaport terminals	4,139	5,463
Real Estate properties	1,027	5,310
Corporate	1,094	469
Total	$ 61,721	$ 122,195

As of December 31, 2011 and 2010, funds authorized by the Port, but not yet committed for all divisions amount to $184,497,000, and $164,859,000, respectively.

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, revenues 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, 2011, 2010 and 2009 are as follows (in thousands):

	2011	2010	2009
Seaport Division:			
Property rentals	$ 80,073	$ 77,878	$ 71,330
Equipment rentals	10,171	9,036	8,758
Operating grant and contract revenues	394	1,791	2,292
Other	8,666	9,145	8,311
Total Seaport Division operating revenues	$ 99,304	$ 97,850	$ 90,691
Aviation Division:			
Property rentals	$ 203,176	$ 195,314	$ 189,896
Landing fees	59,607	56,647	50,847
Public Parking	49,996	49,416	49,688
Operating grant and contract revenues	1,009	771	395
Other	36,934	32,114	29,570
Total Aviation Division operating revenues	$ 350,722	$ 334,262	$ 320,396
Real Estate Division:			
Property rentals	$ 9,875	$ 9,381	$ 10,580
Conference centers	9,498	8,320	7,536
Berthage and moorage	9,860	9,901	9,794
Utilities	1,327	1,157	1,225
Operating grant and contract revenues			19
Other	1,009	1,061	978
Total Real Estate Division operating revenues	$ 31,569	$ 29,820	$ 30,132

One major customer represented 15.0%, 14.1% and 15.0% of total Port's operating revenue in 2011, 2010 and 2009, respectively. For Seaport Division, the revenues from its major customers accounted for 73.2%, 71.7% and 71.2% of total Seaport operating revenues in 2011, 2010 and 2009, respectively. For Aviation Division, the revenues from one major customer accounted for 20.6%, 19.6% and 20.6% of total Aviation operating revenues in 2011, 2010 and 2009, respectively. No single major customer represents more than 10% of Real Estate Division operating revenues in 2011, 2010 and 2009.

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, 2011, 2010 and 2009 are as follows (in thousands):

	2011	**2010**	**2009**
Seaport Division:			
Revenues	$ 72,711	$ 70,142	$ 64,562
Number of major customers	4	4	4
Aviation Division:			
Revenues	$ 72,404	$ 65,388	$ 66,073
Number of major customers	1	1	1
Total:			
Revenues	$ 145,115	$ 135,530	$ 130,635
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, 2011, 2010 and 2009 are as follows (in thousands):

	2011	**2010**	**2009**
Seaport Division:			
Operations and maintenance	$ 23,473	$ 26,556	$ 28,116
Administration	11,923	10,173	10,224
Law enforcement	3,067	2,860	2,205
Total Seaport Division operating expenses	$ 38,463	$ 39,589	$ 40,545
Aviation Division:			
Operations and maintenance	$ 143,188	$ 136,105	$ 130,554
Administration	31,913	29,824	29,074
Law enforcement	16,768	15,213	15,026
Total Aviation Division operating expenses	$ 191,869	$ 181,142	$ 174,654
Real Estate Division:			
Operations and maintenance	$ 28,539	$ 26,017	$ 24,325
Administration	4,131	3,605	3,339
Law enforcement	2,088	1,876	1,905
Total Real Estate Division operating expenses	$ 34,758	$ 31,498	$ 29,569

Statements of Revenues, Expenses, and Changes in Net Assets by division for the years ended December 31, 2011, 2010 and 2009 are as follows (in thousands):

	2011	2010	2009
Seaport Division:			
Net operating income before depreciation	$ 60,841	$ 58,261	$ 50,146
Depreciation	31,172	31,212	29,385
Operating income	29,669	27,049	20,761
Nonoperating income (expense):			
Ad valorem tax levy revenue	57,260	57,809	66,063
Noncapital grants and donations	6,080	10,301	1,424
Investment income—net	4,441	2,913	4,432
Revenue and capital appreciation bond interest expense	(11,484)	(10,767)	(10,552)
General obligation bond interest expense	(13,822)	(16,014)	(14,476)
Public expense	(13,813)	(15,503)	(13,521)
Environmental expense—net	(4,843)	(19,878)	(6,595)
Other income (expense)—net	11,681	(7,660)	(5,244)
Total nonoperating income—net	35,500	1,201	21,531
Income before capital contributions	65,169	28,250	42,292
Capital contributions	1,615	468	2,340
Increase in net assets in Seaport Division	$ 66,784	$ 28,718	$ 44,632
Aviation Division:			
Net operating income before depreciation	$ 158,853	$ 153,120	$ 145,742
Depreciation	116,762	119,538	117,731
Operating income	42,091	33,582	28,011
Nonoperating income (expense):			
Ad valorem tax levy revenue	628	8,141	5,215
Passenger facility charges revenue	62,358	59,744	59,689
Customer facility charges revenue	23,669	23,243	21,866
Fuel hydrant facility revenues	7,683	7,911	7,845
Noncapital grants and donations	1,463	1,896	5,056
Investment income—net	14,309	10,109	12,560
Revenue and capital appreciation bond interest expense	(113,488)	(119,513)	(108,116)
PFC revenue bond interest expense	(6,758)	(10,187)	(10,956)
Public expense	(4,884)	(9,578)	(6,847)
Other (expense) income—net	(3,304)	750	(6,309)
Total nonoperating expense—net	(18,324)	(27,484)	(19,997)
Income before capital contributions	23,767	6,098	8,014
Capital contributions	19,565	30,040	74,323
Increase in net assets in Aviation Division	$ 43,332	$ 36,138	$ 82,337

(Continued)

	2011	2010	2009
Real Estate Division:			
Net operating (loss) income before depreciation	$ (3,189)	$ (1,678)	$ 563
Depreciation	10,172	10,025	9,949
Operating loss	(13,361)	(11,703)	(9,386)
Nonoperating income (expense):			
Ad valorem tax levy revenue	15,291	7,175	4,308
Noncapital grants and donations	462	131	156
Investment income—net	134	74	259
Revenue and capital appreciation bond interest expense	(2,606)	(2,959)	(2,480)
General obligation bond interest expense	(1,952)	(1,449)	(1,309)
Environmental expense—net	508	(2,853)	(8,081)
Other (expense) income—net	(493)	54	1,823
Total nonoperating income (expense)—net	11,344	173	(5,324)
Loss before capital contributions	(2,017)	(11,530)	(14,710)
Capital contributions		10	72
Decrease in net assets in Real Estate Division	$ (2,017)	$ (11,520)	$ (14,638)

(Concluded)

Total assets and debt, as reflected in the Statements of Net assets, by division as of December 31, 2011 and 2010 are as follows (in thousands):

	2011	2010
Seaport Division:		
Current, long-term, and other assets	$ 270,108	$ 221,867
Land, facilities, and equipment—net	1,238,887	1,157,900
Construction work in progress	12,632	9,571
Total assets	$ 1,521,627	$ 1,389,338
Debt	$ 719,230	$ 650,120
Aviation Division:		
Current, long-term, and other assets	$ 681,112	$ 780,531
Land, facilities, and equipment—net	3,577,935	3,632,304
Construction work in progress	432,408	323,759
Total assets	$ 4,691,455	$ 4,736,594
Debt	$ 2,678,480	$ 2,764,489
Real Estate Division:		
Current, long-term, and other assets	$ 97,040	$ 102,314
Land, facilities, and equipment—net	307,156	295,295
Construction work in progress	783	2,775
Total assets	$ 404,979	$ 400,384
Debt	$ 112,884	$ 127,700

14. WAREHOUSEMEN'S PENSION TRUST FUND

In late 2002, the Port terminated all warehousing operations at Terminal 106 following the departure of 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 and Welfare Trust and provided employees with the ability to maintain their health coverage by self-paying premiums through the Port's health care 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. 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, 100% in mutual funds, 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.

Investments Credit Risk—As of December 31, 2011 and 2010, the Plan's investments in mutual funds are not rated by any one of the Nationally Recognized Statistical Rating Organizations.

Plan Description and Contribution Information—Membership of the plan consisted of the following at January 1, 2011 and 2010, the date of the latest actuarial valuation:

	2011	2010
Retirees and beneficiaries receiving benefits	144	145
Terminated plan members entitled to but not yet receiving benefits	63	65
Total	207	210

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 the 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, 2011, 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 at 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 (ARC)	$	1,412
Interest on net pension asset		(38)
Adjustment to annual required contribution		51
Annual pension cost (APC)		1,425
Contributions made		(1,500)
Increase in net pension asset		75
Net pension asset beginning of year		546
Net pension asset end of year	$	621

The net pension asset is included in other long-term assets on the Enterprise Fund's Statements of Net Assets.

Funding Status—The schedule of funding progress at December 31, 2011, 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
12/31/2011	$ 9,507	$ 23,637*	$ 14,130	40.2 %
12/31/2010	10,392	24,185	13,793	43.0
12/31/2009	10,139	24,946	14,807	40.6
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

This plan covers inactive participants. There are no related payroll costs.
*Estimated liabilities as of December 31, 2011 are based on January 1, 2011 data.

Schedule of Employer Contributions—The schedule of employer contributions at December 31, 2011, and the five preceding years are as follows (in thousands):

Years Ended December 31	Employer Contributions	ARC	Percentage of ARC Contributed	APC	Percentage of APC Contributed	Net Pension Asset
2011	$ 1,500	$ 1,412	106.2 %	$ 1,425	105.3 %	$ 621
2010	1,500	1,505	99.7	1,519	98.8	546
2009	1,500	1,659	90.4	1,603	93.6	565
2008	1,500	1,290	116.3	1,227	122.3	668
2007	1,500	1,325	113.2	1,252	119.8	395
2006	1,500	1,437	104.4	1,360	110.3	147

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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:

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

REVENUE CAPACITY

These schedules contain information to help the reader assess the Port's major revenue source, Aviation Division operating revenues, particularly Passenger Terminal Space Rental and Landing Fees. Schedules included are:

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Schedule 5 – Passenger Terminal Space Rental Base and Rates, Last Six Fiscal Years

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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:

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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:

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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
2011	$ 2,306,698	$ 135,664	$ 469,762	$ 2,912,124
2010	2,248,793	127,308	428,273	2,804,374
2009	2,240,259	104,893	406,751	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

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

Fiscal Year	2011	2010	2009	2008	2007
OPERATING REVENUES:					
Services	$ 185,967	$ 174,562	$ 163,983	$ 187,791	$ 168,679
Property rentals	295,331	284,898	274,584	286,139	279,378
Operating grant and contract revenues	1,874	3,119	3,023	1,667	1,777
Total operating revenues	483,172	462,579	441,590	475,597	449,834
OPERATING EXPENSES BEFORE DEPRECIATION:					
Operations and maintenance	195,200	188,678	182,995	209,960	178,957
Earthquake repair expenses— net of recoveries					
Administration	50,293	44,837	43,636	44,438	38,761
Law enforcement [(a)]	21,923	19,949	19,136	20,221	19,179
Environmental expense—net [(d)]					
Total operating expenses before depreciation	267,416	253,464	245,767	274,619	236,897
NET OPERATING INCOME BEFORE DEPRECIATION	215,756	209,115	195,823	200,978	212,937
DEPRECIATION	158,107	160,775	157,068	144,208	141,588
OPERATING INCOME	57,649	48,340	38,755	56,770	71,349
NONOPERATING INCOME (EXPENSE):					
Ad valorem tax levy revenue	73,179	73,125	75,587	75,680	68,617
Passenger facility charges revenue	62,358	59,744	59,689	60,708	61,011
Customer facility charges revenue	23,669	23,243	21,866	22,947	21,802
Noncapital grants and donations [(c)]	8,482	12,473	7,153	10,473	3,258
Fuel hydrant facility revenues	7,683	7,911	7,845	2,926	8,054
Investment income—net [(b)]	18,884	13,096	17,251	39,004	61,072
Revenue and capital appreciation bond interest expense	(127,579)	(133,239)	(121,148)	(105,517)	(113,907)
Passenger facility charges revenue bond interest expense	(6,758)	(10,187)	(10,956)	(11,412)	(11,844)
General obligation bond interest expense	(15,774)	(17,463)	(15,785)	(17,059)	(15,720)
Public expense	(18,703)	(25,085)	(20,370)	(27,494)	(8,654)
Environmental expense—net [(d)]	(4,335)	(22,730)	(14,676)	(5,659)	(4,903)
Other income (expense)—net	7,815	(7,276)	(10,003)	848	(29,599)
Total nonoperating income (expense)—net	28,921	(26,388)	(3,547)	45,445	39,187
INCOME BEFORE CAPITAL CONTRIBUTIONS	86,570	21,952	35,208	102,215	110,536
CAPITAL CONTRIBUTIONS	21,180	30,519	76,781	52,436	94,888
INCREASE IN NET ASSETS	107,750	52,471	111,989	154,651	205,424
TOTAL NET ASSETS:					
Beginning of year	2,804,374	2,751,903	2,639,914	2,489,980	2,284,556
Restatement [(e)]				(4,717)	
End of year	$2,912,124	$2,804,374	$2,751,903	$2,639,914	$2,489,980

(Continued)

(a) Law enforcement operating expense for the year ending 2002 was included in the administration operating expense.
(b) Investment income—net for the year ending 2002 was included in the other nonoperating expense—net.
(c) Noncapital grants and donations for the years ending 2004, 2003 and 2002 were included in operating grant and contract revenues.
(d) Beginning in 2005, certain environmental expenses were reclassed to nonoperating expense.
(e) In 2008, beginning balance of net assets was restated due to adoption of GASB Statement No. 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.

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

Fiscal Year	2006	2005	2004	2003	2002
OPERATING REVENUES:					
Services	$ 161,200	$ 158,462	$ 140,189	$ 168,650	$ 170,853
Property rentals	273,529	247,817	211,848	145,947	131,157
Operating grant and contract revenues	4,148	6,755	24,476	6,721	5,350
Total operating revenues	438,877	413,034	376,513	321,318	307,360
OPERATING EXPENSES BEFORE DEPRECIATION:					
Operations and maintenance	173,297	167,238	172,983	164,931	165,903
Earthquake repair expenses—net of recoveries	(179)	2,130	(195)	(2,590)	882
Administration	33,790	31,486	30,890	25,579	45,547
Law enforcement [a]	18,017	17,920	17,392	17,076	
Environmental expense—net [d]			2,200	4,071	8,607
Total operating expenses before depreciation	224,925	218,774	223,270	209,067	220,939
NET OPERATING INCOME BEFORE DEPRECIATION	213,952	194,260	153,243	112,251	86,421
DEPRECIATION	140,190	129,788	110,175	85,076	84,853
OPERATING INCOME	73,762	64,472	43,068	27,175	1,568
NONOPERATING INCOME (EXPENSE):					
Ad valorem tax levy revenue	62,691	62,417	59,357	57,793	39,309
Passenger facility charges revenue	59,141	56,506	56,129	54,373	53,675
Customer facility charges revenue	17,188				
Noncapital grants and donations [c]	1,495				
Fuel hydrant facility revenues	8,077	3,491	689	435	
Investment income—net [b]	28,895	14,651	6,240	5,469	
Revenue and capital appreciation bond interest expense	(101,491)	(85,502)	(58,401)	(44,136)	(36,815)
Passenger facility charges revenue bond interest expense	(12,258)	(12,604)	(5,923)	(3,869)	(3,121)
General obligation bond interest expense	(15,754)	(12,629)	(11,520)	(9,674)	(8,431)
Public expense	(11,027)	(4,404)	(665)	(396)	(5,425)
Environmental expense—net [d]	1,361	(7,421)			
Other income (expense)—net	(38,584)	(29,006)	(6,288)	(15,707)	11,972
Total nonoperating income (expense)—net	(266)	(14,501)	39,618	44,288	51,164
INCOME BEFORE CAPITAL CONTRIBUTIONS	73,496	49,971	82,686	71,463	52,732
CAPITAL CONTRIBUTIONS	127,524	109,655	118,428	32,790	17,175
INCREASE IN NET ASSETS	201,020	159,626	201,114	104,253	69,907
TOTAL NET ASSETS:					
Beginning of year	2,083,536	1,923,910	1,722,796	1,618,543	1,548,636
Restatement [e]					
End of year	$2,284,556	$2,083,536	$1,923,910	$1,722,796	$1,618,543

(Concluded)

Schedule 3
AVIATION DIVISION OPERATING REVENUES BY SOURCE
Last Six Fiscal Years
(accrual basis of accounting)
(in thousands)

Fiscal Year [(a)]	2011	2010	2009	2008	2007	2006
AERONAUTICAL REVENUES:						
Passenger terminal space rental	$ 92,565	$ 89,344	$ 82,754	$ 91,883	$ 89,470	$ 97,638
Non-passenger terminal space rental	40,000	37,251	35,357	33,970	39,675	31,319
Landing fees	59,607	56,647	50,847	65,770	53,158	46,730
Other	15,590	15,600	14,091	13,252	13,155	5,836
Total aeronautical revenues	207,762	198,842	183,049	204,875	195,458	181,523
NON-AERONAUTICAL REVENUES:						
Public parking	49,996	49,416	49,688	59,111	55,463	52,617
Rental cars	30,746	30,309	33,321	35,592	36,408	34,010
Concessions	35,404	33,765	33,482	33,181	31,085	28,322
Utilities	7,695	6,408	6,229	5,974	5,590	6,394
Commercial properties	5,112	4,917	4,703	6,013	5,313	16,888
Ground transportation	7,704	4,912	4,739	4,759	4,445	4,222
Other	6,303	5,693	5,185	5,898	5,671	5,447
Total non-aeronautical revenues	142,960	135,420	137,347	150,528	143,975	147,900
TOTAL AVIATION DIVISION OPERATING REVENUES	$ 350,722	$ 334,262	$ 320,396	$ 355,403	$ 339,433	$ 329,423

(a) Significant amount of the aeronautical revenues follow the terms of the signatory airline lease and operating agreements (SLOA) which became effective on January 1, 2006.

Schedule 4
LANDED WEIGHT AND LANDING FEES
Last Six Fiscal Years
(in thousands, except for landing fee)

Fiscal Year [(a)]	Landed Weight (In pounds)	Landing Fees (Per 1,000 pounds) [(b)] Signatory Airlines	Non-Signatory Airlines/ Aircrafts
2011	20,122,523	$ 3.00	$ 3.30
2010	19,786,228	3.00	3.30
2009	20,387,826	2.96	3.26
2008	21,518,561	2.62	2.88
2007	21,011,874	2.49	2.74
2006	20,359,315	2.43	2.67

(a) Majority of the landing fee revenues follow the terms of the signatory airline lease and operating agreements (SLOA) which became effective on January 1, 2006.
(b) Landing fee rates were based on billed landing fee revenue as of the last day of each fiscal year.

Source: Seattle-Tacoma International Airport Activity Reports

Schedule 5
PASSENGER TERMINAL SPACE RENTAL BASE AND RATES
Last Six Fiscal Years
(in square foot, except for rental rates)

Fiscal Year [(a)]	2011	2010	2009	2008	2007	2006
PASSENGER TERMINAL SPACE RENTED						
Gate Lobbies, Ticketing, Business and Service Counters	126,810	122,608	126,146	135,252	134,383	92,883
Offices Space and VIP Lounges	149,846	148,649	148,328	152,110	161,524	122,668
Outbound Baggage, Inbound Baggage, and Federal Inspection Services Areas	58,447	55,015	55,015	56,714	56,128	31,305
Open Storage	11,568	11,545	11,459	11,031	10,667	6,927
Closed Storage	21,189	21,139	19,707	19,861	21,126	14,560
ANNUAL PASSENGER TERMINAL SPACE RENTAL RATE PER SQUARE FOOT [(b)]						
SIGNATORY AIRLINES RATE:						
Gate Lobbies, Ticketing, Business and Service Counters	$ 368.84	$ 367.18	$ 362.42	$ 355.70	$ 396.01	$ 328.02
Offices Space and VIP Lounges	221.31	220.31	217.45	213.42	237.60	196.81
Outbound Baggage, Inbound Baggage, and Federal Inspection Services Areas	147.53	146.87	144.97	142.28	158.40	131.21
Open Storage	36.88	36.72	36.24	35.57	39.60	32.80
Closed Storage	73.77	73.44	72.48	71.14	79.20	65.60
NON-SIGNATORY AIRLINES RATE:						
Gate Lobbies, Ticketing, Business and Service Counters	$ 405.72	$ 403.90	$ 398.66	$ 391.27	$ 435.61	$ 360.82
Offices Space and VIP Lounges	243.43	242.34	239.19	234.76	261.37	216.49
Outbound Baggage, Inbound Baggage, and Federal Inspection Services Areas	162.28	161.56	159.46	156.50	174.24	144.33
Open Storage	40.57	40.39	39.87	39.12	43.56	36.08
Closed Storage	81.15	80.74	79.73	78.25	87.12	72.16

(a) Majority of the terminal rent revenues follow the terms of the signatory airline lease and operating agreements (SLOA) which became effective on January 1, 2006.
(b) Passenger Terminal Space Rental Rates were based on billed terminal rent revenue as of the last day of each fiscal year.

Schedule 6
PRINCIPAL AVIATION DIVISION CUSTOMERS
Current Year and Nine Years Ago
(in thousands)

Customer	2011 Revenue Billed	2011 Rank	2011 Percentage of Total Aviation Division Operating Revenue	2002 Revenue Billed	2002 Rank	2002 Percentage of Total Aviation Division Operating Revenue
Alaska Airlines	$ 72,404	1	20.6 %	$ 52,936	1	24.2 %
Delta Airlines	27,809	2	7.9	12,714	5	5.8
United Airlines	20,998	3	6.0	24,838	2	11.3
Horizon Airlines	15,657	4	4.5	10,082	8	4.6
Southwest Airlines	13,419	5	3.8	11,482	6	5.2
American Airlines	8,282	6	2.4	10,550	7	4.8
Hertz Corporation	8,125	7	2.3	5,905	9	2.7
Continental Airlines	8,088	8	2.3			
Host International	7,664	9	2.2	14,132	4	6.5
Airport Management Systems LLC	7,612	10	2.2			
Northwest Airlines, Inc.				17,330	3	7.9
Avis Rent A Car System, Inc.				4,982	10	2.3
Total	$ 190,058		54.2 %	$ 164,951		75.3 %

Schedule 7
COMPUTATION OF DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT
As of December 31, 2011
(in thousands)

Governmental Unit	Outstanding	Estimated Percentage Applicable [(a)]	Estimated Share of Direct and Overlapping Debt
Port of Seattle	$ 336,120	100.0 %	$ 336,120
Estimated Overlapping General Obligation Debt:			
King County	1,174,504	100.0	1,174,504
Cities and Towns	1,473,656	98.1	1,445,236
School Districts	3,158,397	96.5	3,047,460
Other	510,949	99.4	507,837
Total Estimated Overlapping Debt			6,175,037
Total Direct and Estimated Overlapping Debt			$ 6,511,157

(a) As general obligation debt is 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 8
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(in thousands, except for 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)
2011	$ 336,120	$2,865,095	$ 42,655	$ 167,395	$ 102,885	$3,514,150	3.2 %	$ 1,809
2010	335,500	2,838,475	94,305	177,485	105,465	3,551,230	3.3	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	3.0	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

(a) See Schedule 12 for Personal Income of King County data used in this calculation. Ratios of 2011 and 2010 are calculated using 2009 Personal Income figure.
(b) See Schedule 12 for Population of King County data used in this calculation (2002 through 2009 and 2011 figures are estimated; actual 2010 census data).

Schedule 9
RATIOS OF GENERAL OBLIGATION (GO) BONDS
Last Ten Fiscal Years
(in thousands, except for 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)
2011	$ 336,120	0.1 %	$ 173
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

(a) See Schedule 14 for assessed value of taxable property data.
(b) See Schedule 12 for Population of King County data used in this calculation (2002 through 2009 and 2011 figures are estimated; actual 2010 census data).

Schedule 10

REVENUE BONDS COVERAGE BY TYPE

Last Ten Fiscal Years

(in thousands, except for revenue coverage ratios)

Fiscal Year [a]	2011	2010	2009	2008	2007
Gross revenue available for revenue bond debt service [b]	$480,095	$460,026	$440,845	$477,810	$449,281
Operating expenses [c]	267,416	253,464	245,767	274,619	236,897
Less: Operating expenses paid from					
other than gross revenues	(957)	(442)	8	(374)	
Less: Port general purpose tax levy	(33,889)	(32,407)	(34,533)	(34,712)	(27,928)
Adjusted operating expenses	232,570	220,615	211,242	239,533	208,969
Nonoperating revenue—net [d]	15,260	4,642	13,618	45,577	12,973
Net revenue available for first lien debt service	$262,785	$244,053	$243,221	$283,854	$253,285
Debt service on first lien bonds	$116,365	$126,843	$107,374	$ 88,467	$ 87,640
Coverage on first lien bonds	2.26	1.92	2.27	3.21	2.89
Net revenue available for intermediate lien debt service [e]	$146,420	$117,210	$135,847	$195,387	$165,645
Add: Prior lien debt service offset paid by PFC revenue [f]	23,524	21,646	22,116	10,125	
Add: Prior lien debt service offset paid by CFC revenue [g]	19,443	19,042	5,847		
Available intermediate lien revenues as first adjusted	$189,387	$157,898	$163,810	$205,512	$165,645
Debt service on intermediate lien bonds—gross of debt service offsets [e]	$ 54,744	$ 42,747	$ 34,640	$ 22,330	$ 14,079
Less: Debt service offsets paid from PFC revenue [f]	(10,249)	(9,332)	(8,197)		
Intermediate lien debt service—net of debt service offsets	$ 44,495	$ 33,415	$ 26,443	$ 22,330	$ 14,079
Coverage on intermediate lien bonds [e]	4.26	4.73	6.19	9.20	11.77
Net revenue available for subordinate lien debt service	$144,892	$124,483	$137,367	$183,182	$151,566
Debt service on subordinate lien bonds	$ 24,451	$ 28,273	$ 34,949	$ 41,511	$ 42,006
Coverage on subordinate lien bonds	5.93	4.40	3.93	4.41	3.61

(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 2002 period presented to reflect the change. The Port determined that unrealized gains and losses on investments should not be considered in the revenue calculation. Commercial paper fees were added back to the expense calculation.

(b) Gross revenue represents total operating revenue adjusted for the following: the portion of Customer Facility Charges ("CFC") accounted for as operating revenues (starting in 2011), and the 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 consolidated rental car facility related operating expenses paid from CFC, and the portion of the operating expenses paid from ad valorem tax levy.

(d) Nonoperating revenue—net is 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"), CFC, ad valorem tax levy, fuel hydrant facility revenues, capital contributions, and monies received and used for capital projects owned by other governmental entities ("public expense projects"). Certain non-cash items are adjusted to a cash basis such as gain or loss on sale of assets and environmental expense.
A correction of the adjustments to year 2010 nonoperating revenue—net balance has been made to exclude grants for public expense projects that were previously included in nonoperating revenue—net.

(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 pay: (i) debt service on bonds secured solely with PFCs; (ii) eligible projects costs (definitions, terms and conditions are set by the FAA), and (iii) 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) 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. During 2009, the Port began using CFCs to pay debt service on related bonds.

Source: Port of Seattle's Schedule 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]	2006	2005	2004	2003	2002
Gross revenue available for revenue bond debt service [b]	$438,325	$412,481	$375,960	$321,318	$307,360
Operating expenses [c]	224,558	218,774	223,270	209,067	220,939
Less: Operating expenses paid from other than gross revenues					
Less: Port general purpose tax levy	(23,828)	(24,232)	(20,865)	(32,772)	(15,131)
Adjusted operating expenses	200,730	194,542	202,405	176,295	205,808
Nonoperating revenue—net [d]	17,065	14,184	6,053	10,262	11,622
Net revenue available for first lien debt service	$254,660	$232,123	$179,608	$155,285	$113,174
Debt service on first lien bonds	$ 87,876	$ 84,614	$ 75,535	$ 78,577	$ 67,782
Coverage on first lien bonds	2.90	2.74	2.38	1.98	1.67
Net revenue available for intermediate lien debt service [e]	$166,784	$147,509	N/A	N/A	N/A
Add: Prior lien debt service offset paid by PFC revenue [f]			N/A	N/A	N/A
Add: Prior lien debt service offset paid by CFC revenue [g]			N/A	N/A	N/A
Available intermediate lien revenues as first adjusted	$166,784	$147,509	N/A	N/A	N/A
Debt service on intermediate lien bonds—gross of debt service offsets [e]	$ 7,269	$ 2,167	N/A	N/A	N/A
Less: Debt service offsets paid from PFC revenue [f]			N/A	N/A	N/A
Intermediate lien debt service—net of debt service offsets	$ 7,269	$ 2,167	N/A	N/A	N/A
Coverage on intermediate lien bonds [e]	22.94	68.07	N/A	N/A	N/A
Net revenue available for subordinate lien debt service	$159,515	$145,342	$104,073	$ 76,708	$ 45,392
Debt service on subordinate lien bonds	$ 39,067	$ 27,813	$ 23,382	$ 16,748	$ 13,112
Coverage on subordinate lien bonds	4.08	5.23	4.45	4.58	3.46

(Concluded)

Schedule 11

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(in thousands)

Legal Debt Limitation Calculation for Fiscal Year 2011 (Statutory Debt Limitation)

Assessed Value of Taxable Property for 2011 [a]	$	330,414,999
Debt Limit (nonvoted debt, including limited tax general obligation bonds)		
0.25% of assessed value of taxable property [b]	$	826,037
Less: Outstanding Limited Tax General Obligation Bonds		(336,120)
Less: Capital leases and other general obligations		
Non-voted General Obligation Debt Margin	$	489,917
Debt Limit, Total General Obligation Debt		
0.75% of assessed value of taxable property [b]	$	2,478,112
Less: Total Limited Tax General Obligation Bonds		(336,120)
Less: Capital leases and other general obligations		
Voted General Obligation Debt Margin	$	2,141,992

	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
2011	$ 826,037	$(336,120)	$ 489,917	59.3 %
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

	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
2011	$ 2,478,112	$(336,120)	$ 2,141,992	86.4 %
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

(a) See Schedule 14 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 12

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)
2011	1,943	N/A	N/A	8.4 %	6,830	$ 302,529,308	$ 44.3	9.2 %
2010	1,931	N/A	N/A	8.8	6,725	292,950,106	43.6	9.6
2009	1,909	$ 109,053,408	$ 56.9	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

(a) State of Washington, Office of Financial Management (2002 through 2009 and 2011 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 13

PRINCIPAL EMPLOYERS OF SEATTLE [a]

Current Year and Nine Years Ago

	2011			2002		
Type of Employer	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Retail Trade	139,500	1	9.8 %	140,800	1	10.6 %
Manufacturing—*Durable Goods Manufacturing*	138,300	2	9.7	125,300	2	9.4
Government—*Local*	117,800	3	8.2	113,600	3	8.5
Professional and Business Services—*Professional, Scientific and Technical Services*	110,600	4	7.7	85,900	4	6.5
Leisure and Hospitality—*Food Services and Drinking Places*	99,200	5	6.9	83,100	5	6.3
Professional and Business Services—*Administrative and Support and Waste Management and Remediation*	73,500	6	5.1	67,900	6	5.1
Wholesale Trade	69,000	7	4.8	66,900	7	5.0
Educational and Health Services—*Ambulatory Health Care Services*	61,500	8	4.3			
Government—*State*	60,400	9	4.2	57,800	9	4.3
Financial Activities—*Finance and Insurance*	51,400	10	3.6	62,000	8	4.7
Transportation, Warehousing and Utilities				50,900	10	3.8
Total	921,200		64.3 %	854,200		64.2 %

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

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

Schedule 14

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
2011	$ 330,414,999	$ 0.22	$ 2.28	$ 1.34	$ 2.22	$ 3.39	$ 1.27	$ 10.72
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

(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 15

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
2011	$ 73,513	$ 72,290	98.3 %	$	$ 72,290	98.3 %
2010	73,505	72,141	98.1	934	73,075	99.4
2009	75,911	74,384	98.0	1,319	75,703	99.7
2008	75,931	74,532	98.2	1,366	75,898	100.0
2007	68,863	67,703	98.3	1,151	68,854	100.0
2006	62,806	61,702	98.2	1,099	62,801	100.0
2005	62,800	61,705	98.3	1,087	62,792	100.0
2004	59,680	58,630	98.2	1,049	59,679	100.0
2003	58,029	56,779	97.8	1,249	58,028	100.0
2002	39,819	38,972	97.9	843	39,815	100.0

(a) Includes cancellations and supplements, and generally differs from the totals reported by King County by an immaterial amount.

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

Schedule 16
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago
(in thousands)

	2011			2002		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Boeing	$ 3,154,560	1	1.0 %	$ 3,090,198	1	1.5 %
Microsoft	2,562,589	2	0.8	1,106,386	4	0.5
Puget Sound Energy/Gas/Electric	1,581,647	3	0.5	1,282,437	2	0.6
Qwest Corporation Inc.	838,897	4	0.3			
AT&T Mobility LLC	747,952	5	0.2			
T-Mobile	660,825	6	0.2			
Alaska Airlines	622,027	7	0.2			
W2007 Seattle						
(formerly Archon Group LP)	522,085	8	0.2			
Union Square Limited	427,548	9	0.1	414,020	9	0.2
Wright Runstad & Company	353,747	10	0.1			
U.S. West Communications				1,181,881	3	0.6
EOP				614,696	5	0.3
Bank of America				524,147	6	0.2
McElroy George & Assoc., Inc.				489,133	7	0.2
Spieker Properties				428,209	8	0.2
National Tax Search LLC				430,834	10	0.2
Total	$11,471,877		3.6 %	$ 9,561,941		4.5 %

Source: King County Department of Assessments

Schedule 17
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
2011	14,924	14,914	29,838	1,501	1,484	2,985	32,823
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

Source: Seattle-Tacoma International Airport Activity Reports

Schedule 18
SEATTLE-TACOMA INTERNATIONAL AIRPORT AIRCRAFT OPERATIONS LEVEL
Last Ten Fiscal Years

Fiscal Year	Air Carrier	Air Taxi	General Aviation	Military/ Training	Grand Total
2011	295,763	15,327	3,708	149	314,947
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

Source: Seattle-Tacoma International Airport Activity Reports

Schedule 19
SEATTLE-TACOMA INTERNATIONAL AIRPORT AIR CARGO LEVEL
Last Ten Fiscal Years
(in metric tons)

Fiscal	Air Freight			Grand
Year	Domestic	Internation	Air Mail	Total
2011	152,211	81,918	45,496	279,625
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

Source: Seattle-Tacoma International Airport Activity Reports

SCHEDULE 20
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
2011	768,964	612,450	331,259	1,712,673	320,862	2,033,535
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	348,773	293,062	1,184,698	301,684	1,486,382
2002	537,504	358,521	277,223	1,173,248	265,624	1,438,872

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

SCHEDULE 21
SEATTLE HARBOR DOCKS VOLUMES
Last Ten Fiscal Years
(in metric tons)

Fiscal Year	Non-containerized break bulk	Grain	Petroleum	Molasses	Grand Total
2011	63,642	5,026,868	862,780	48,300	6,001,590
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	38,434	6,552,767
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	149,750	3,898,491	853,756	43,541	4,945,538
2003	117,925	3,107,732	909,879	46,814	4,182,350
2002	174,778	1,676,820	1,098,352	53,350	3,003,300

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

SCHEDULE 22
SEATTLE HARBOR CRUISE TRAFFIC
Last Ten Fiscal Years

Fiscal Year	Cruise Vessel Calls [(a)]	Cruise Passengers
2011	196	885,949
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

(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 23
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
2011	754	57	178	671		1,660
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

(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 to concentrate on its core business. The Real Estate Division incorporates employees from the Seaport, Corporate, 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 24
CAPITAL ASSETS INFORMATION—SEATTLE-TACOMA INTERANTIONAL AIRPORT
Last Seven Fiscal Years

Fiscal Year [a]	2011	2010	2009	2008	2007
Airport area (in acres)	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
16C/34C	9,426	9,426	9,426	9,426	9,426
16R/34L [b]	8,500	8,500	8,500	8,500	
Terminal (in square foot)					
Airlines	1,219,955	1,219,955	1,294,473	1,294,473	1,294,473
Tenants	253,673	253,673	280,639	280,639	280,639
Port Occupied	249,544	249,544	280,880	280,880	280,880
Public/Common	867,410	867,410	758,216	758,216	758,216
Mechanical	529,734	529,734	471,951	471,951	471,951
Total	3,120,316	3,120,316	3,086,159	3,086,159	3,086,159
Number of passenger gates	79	79	79	79	79
Number of loading bridges	48	48	46	46	46
Apron (in square foot)					
Commercial Airlines	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	1,375
Long-term	7,646	7,646	7,646	7,646	7,646
Economy	2,400	2,400	2,400	2,400	2,400
Rental Cars	3,276	3,276	3,276	3,276	3,276
Employees	620	620	620	620	620
Total	15,317	15,317	15,317	15,317	15,317

Fiscal Year [a]	2006	2005
Airport area (in acres)	2,800	2,800
Runways (in feet)		
16L/34R	11,901	11,901
16C/34C	9,426	9,426
16R/34L [b]		
Terminal (in square foot)		
Airlines	1,220,041	1,232,300
Tenants	244,100	244,100
Port Occupied	257,906	299,300
Public/Common	774,800	774,800
Mechanical	474,300	474,300
Total	2,971,147	3,024,800
Number of passenger gates	79	80
Number of loading bridges	46	46
Apron (in square foot)		
Commercial Airlines	3,061,300	3,061,300
Parking (spaces assigned)		
Short-term	1,106	1,106
Long-term	7,155	7,155
Economy	2,400	2,400
Rental Cars	3,276	3,276
Employees	1,006	1,006
Total	14,943	14,943

(a) List of certain capital asset characteristics was unavailable prior to 2005.
(b) Third Runway 16R/34L was completed and became operational in November 2008.

Source: Port of Seattle Records

SCHEDULE 25
CAPITAL ASSETS INFORMATION—SEAPORT AND REAL ESTATE FACILITIES
Last Seven Fiscal Years

Fiscal Year [(a)]	2011	2010	2009	2008	2007
Total Property (in acres)	1,335	1,335	1,335	1,500	1,500
Number of container terminals	4	4	4	4	4
Number of multi-use terminals [(b)]	1	1	1	N/A	N/A
Number of barge terminals [(b)]	1	1	1	N/A	N/A
Number of grain terminals [(b)]	1	1	1	N/A	N/A
Number of breakbulk terminals [(b)]	N/A	N/A	N/A	3	3
Number of cruise terminals	2	2	2	2	2
Container Terminals					
Size (in acres)	526	526	535	498	498
Number of berths (1,200—4,450 feet)	11	11	11	10	10
Number of container cranes [(c)]	24	24	24	25	26
Storage facilities (in square foot)	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
On-Dock intermodal yard					
Maximum capacity—in full train	14	14	14	7	7
Refrigerated capacity (in reefer plugs)	2,704	2,704	2,704	2,560	2,560
Multi-Use Terminal (Terminal 91) [(b)]					
Size (in acres)	212	212	212	N/A	N/A
Linear feet of berths (8,502 feet)	17	17	17	N/A	N/A
Storage facilities:					
Cold storage (in million cubic foot)	5	5	5	N/A	N/A
Dry warehouse (in square foot)	100,000	100,000	100,000	N/A	N/A
Barge Terminal (Terminal 115) [(b)]					
Size (in acres)	70	70	70	N/A	N/A
Number of berths (1,600 feet)	4	4	4	N/A	N/A
Warehouse capacity (in square foot)	35,000	35,000	35,000	N/A	N/A
Refrigerated capacity (in reefer plugs)	400	400	400	N/A	N/A
Grain Terminal (Terminal 86) [(b)]					
Size (in acres)	40	40	40	N/A	N/A
Number of berths (1,400 feet)	1	1	1	N/A	N/A
Storage capacity (in million bushels)	4	4	4	N/A	N/A
Breakbulk Terminals [(b)]					
Size (in acres)	N/A	N/A	N/A	260	260
Number of berths (400—2,100 feet)	N/A	N/A	N/A	9	9
Storage facilities (in acres)	N/A	N/A	N/A	86	86
Cruise Terminals					
Bell Street Cruise Terminal 66					
Size (in acres)	4	4	4	4	4
Number of berths (1,545—1,600 feet)	1	1	1	1	1
Smith Cove Cruise Terminal (Terminal 91) [(e)]					
Size (in acres)	23	23	23	N/A	N/A
Number of berths (2,400 feet)	2	2	2	N/A	N/A
Terminal 30 Cruise Facility [(d)]					
Size (in acres)	N/A	N/A	N/A	26	26
Number of berths (2,000 feet)	N/A	N/A	N/A	2	2

(Continued)

(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 in 2005 while seven of the container cranes were owned by SSA Terminals during 2006 to 2011.
(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 Terminal 91 multi-use terminal specs.

Source: Port of Seattle Records

SCHEDULE 25
CAPITAL ASSETS INFORMATION—SEAPORT AND REAL ESTATE FACILITIES
Last Seven Fiscal Years

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

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Photography—Don Wilson

COVER PHOTOS

Consolidated Rental Car Facility

A Leadership in Energy and Environmental Design (LEED) certified facility opening in May 2012

Terminal 18

Clean drayage trucks mean cleaner air, as the Port becomes the Green Gateway for trade

Shilshole Bay Marina

Celebrating its 50 years in 2012 as a landmark marina in the Ballard area

PORT OF SEATTLE 100 CENTENNIAL 1911~2011