



2007 Adopted Budget

The focus of the Port's 2007 budget is "to continue to build sustainable economic strength through strategic investments in the Port's infrastructure and lines of business that will enhance revenue to the Port and fulfill the Port's mission to serve the citizens of Thurston County."

Key elements of this focus include:

- Improved near-term financial results from operations.
- Increased funding for infrastructure to facilitate development of the East Bay district, cargo growth, expansion of Swantown Marina & Boatworks and other revenue producing projects.
- Completion of FAA mandated safety improvements to the Airport's main runway and rehabilitation of dilapidated taxi lanes.
- Planning and construction of the first phase of maintenance dredging of the federal navigation channel and Port berthing area to provide safe and efficient access to the Marine Terminal while enhancing the marine health of Budd Inlet. This will be done in partnership with the U.S. Army Corps of Engineers and other state and federal agencies.
- Continued environmental stewardship.

The Port owns and operates four enterprise centers, including the Marine Terminal, the Olympia Regional Airport, Swantown Marina & Boatworks and a Property Development division. As a unit of government, the Port is also responsible for making capital investments, such as constructing roads and utilities, to attract and maintain healthy business activity, and making environmental improvements.

Delivering on the Port's mission to provide jobs, opportunities for economic growth and improvements to the quality of life for Thurston County residents is a long-term process. 2006 has been a year of significant beginnings of investment in Port programs and projects that will bring long-term value, and these will be carried forward in 2007. The 2007 adopted budget strives to maximize near-term business enterprise revenues, contain costs, and provide funding for capital improvements.

2007 ADOPTED OPERATING BUDGET

Overview

The budget summary below shows the comparative financial performance by line of business for fiscal years 2004 and 2005, together with a projected estimate for 2006 using data available through June 30, 2006, and the adopted summary operating budget for 2007.

Port of Olympia

Summary Operating Budget Surplus (Deficit)

Comparison of Adopted 2007 to Projected Actual for 2006 and Audited 2004 & 2005

Expressed in \$000's	Actual <u>2004</u>	Actual <u>2005</u>	Projected <u>2006</u>	Adopted <u>2007</u>
<u>Revenues</u>				
Airport	623	566	574	627
Marina	1,440	1,621	1,740	1,828
Boatworks	439	430	416	417
Marine Terminal	3,459	2,706	1,823	2,870
Property Development	1,555	1,636	1,740	1,803
Total Revenues	7,516	6,959	6,293	7,545
<u>Expenses</u>				
Airport	503	452	464	508
Marina	658	702	806	879
Boatworks	228	246	265	258
Marine Terminal	2,437	2,471	2,243	1,862
Property Development	563	549	574	687
Total Expenses	4,389	4,420	4,352	4,194
<u>Business Unit Surplus (deficit)</u>				
Airport	120	114	110	119
Marina	781	919	934	949
Boatworks	211	184	151	159
Marine Terminal	1,021	235	(420)	1,008
Property Development	993	1,087	1,166	1,116
Business Unit Surplus (deficit)	3,127	2,539	1,941	3,351
General & Administrative	(2,302)	(2,513)	(2,732)	(3,034)
Operating Surplus (deficit)	825	26	(791)	317

2007 ADOPTED BUDGET SUMMARY

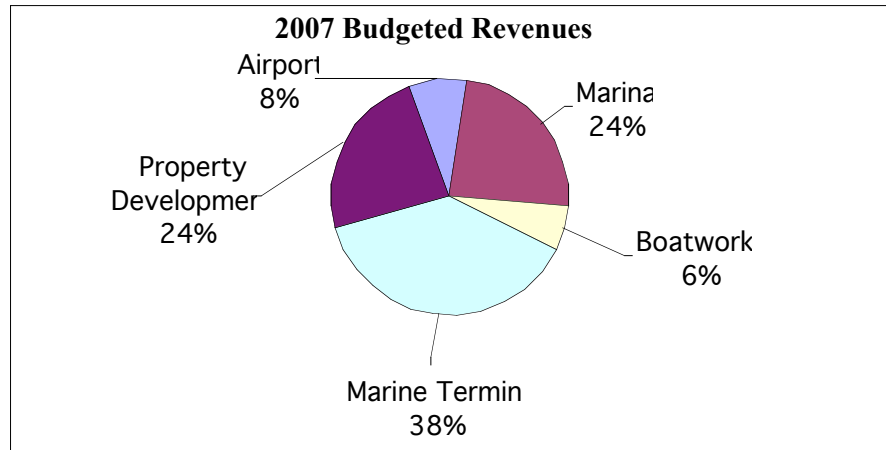
The following shows the adopted budget for 2007 compared with 2005 actual audited figures and 2006 budgeted and projected figures. RCW 53.35.010 requires the budget to reflect “the estimated expenditures and the anticipated available funds from which all expenditures are to be paid.” Therefore, the Port’s budget excludes depreciation since this is not considered an expenditure to be paid.

Expressed in \$ 000's	FY 2006			Adopted 2007 Business Plan & Budget
	FY 2005 Audited	Budget	Latest Projection	
OPERATING CASH FLOW:				
Total Business Revenue	6,959	8,111	6,293	7,545
Total Business Expense	4,420	4,539	4,352	4,194
Total Business Unit Cash Flow	2,539	3,572	1,941	3,351
Total General & Admin	2,513	2,716	2,732	3,034
Total Operating Cash Flow	26	856	(791)	317
NON-OPERATING:				
Other Non-Operating Revenue ¹	806	482	4,583	1,454
Other Non-Operating Expense	(388)	(243)	(38)	(220)
Debt Service - Principal	(1,745)	(1,745)	(1,745)	(1,830)
Debt Service - Interest Expense	(1,236)	(1,250)	(1,250)	(1,165)
Ad Valorem Tax Revenue	3,782	4,097	4,097	4,350
Total Non-Operating	1,219	1,341	5,647	2,589
NET CASH FLOW (before Environmental)	1,245	2,197	4,856	2,931
ENVIRONMENTAL COSTS:				
Operating Grant - WA ST -Ecology	485	1,601	250	1,500
Environmental Costs (Dept. 086)	(503)	(3,202)	(301)	(3,174)
Net Environmental	(18)	(1,601)	(51)	(1,674)
NET CASH FLOW	1,227	596	4,805	1,232

¹ 2006 Projected Other Non Operating Revenue includes approx. \$4 million from sale of West Bay Property to the City. 2007 Projected Other Non Operating Revenue includes approx \$400 thousand from the sale of property to LOTT.

Operating Revenues

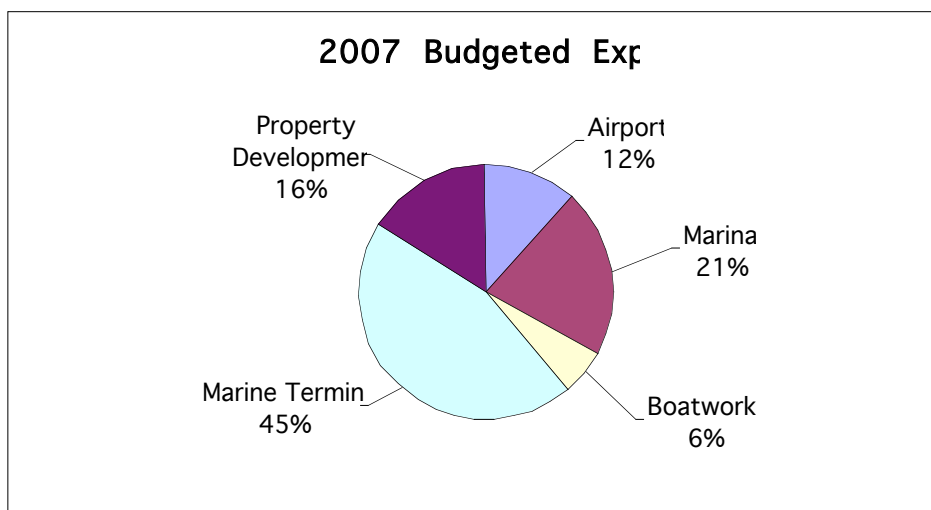
The 2007 budget calls for revenues from Port enterprises of \$7.5 million, an increase of \$1.2 million (20%) over 2006 projected levels and \$586,000 (8%) over 2005 audited revenues. This budgeted increase is primarily due to anticipated increased business volume at the Marine Terminal. The following chart illustrates the 2007 budgeted business unit revenues as a percentage of total business revenue.



The budget reflects increases in rates consistent with Commission Resolution No. 2006-16 authorizing proprietary-type user charges for Port goods & services.

Operating Expenses

The 2007 budget calls for Port enterprise expenses of \$4.2 million, a decrease of approximately \$158,000 (4%) from the 2006 projected levels and \$226,000 (5%) from 2005 audited levels. This decrease in business expenses is primarily due to reductions in variable costs at the Marine Terminal. The following illustrates the 2007 budgeted business unit expenses as a percentage of total business expenses.



General & Administrative Expenses

Gross General and Administrative Expenses for 2007 are budgeted to be \$3.0 million, an increase of approximately \$302,000 (11%) from the 2006 projected levels and \$521,000 (21%) over 2005 audited levels. The most significant increases are within the Marketing & Business Development and Finance & Accounting budgets. These costs are proposed to enable the Port to accomplish the following activities:

- Filling vacant staff positions and funding them on a full-year basis. These positions provide resources for Port enterprise business development, accounting and financial systems development, and management of capital projects.
- Increased legal expenses.



Non-Operating

2006 Non-Operating Revenues were \$4.6 million, reflecting the sale of the Port's West Bay property to the City of Olympia. In 2007, Non-Operating Revenue is projected at \$1.5 million; this includes approximately \$400,000 for the sale of the Port's East Bay property to LOTT. Non-Operating Expenses are anticipated at \$220,000 in 2007, compared to \$38,000 in 2006. The bulk of the increase is due to the Port's anticipated share of countywide election costs.

2007 Tax Levy

Part of the Port's total income comes from an annual property tax levy. The goal for use of levy revenues is to pay debt service on general obligation bonds issued to fund long-term capital improvements, such as construction of roads and utilities, environmental expenses, and some specific capital improvements.

The 2007 budget contains a tax levy of \$4.3 million, reflecting a \$253,000 increase over 2006 levels. The increase reflects revenues generated from taxes on new construction plus one percent. The levy rate and dollar amount has historically been below the maximum amount legally allowed, and the 2007 levy rate and dollar amount are consistent with this trend. For a home assessed at \$250,000, the portion of property tax earmarked for the Port is estimated at \$46.25.

2007 ADOPTED CAPITAL BUDGET

The Port makes investments in capital improvements, such as street and utility construction, facility maintenance and upgrades, and environmental remediation. These investments provide platforms for private businesses to grow and develop. An example of this model is development of the Market District in Olympia. In the late 1990's the Port invested about \$3.9 million in streets, utilities and the Port Plaza open space that spurred development of this retail/commercial district. Capital investments also keep Port enterprises competitive and able to contribute to local job and economic growth. Capital spending fluctuates from year-to-year as projects are completed and new projects are started.

In the past, the Port has allocated the largest portion of its capital budget dollars on constructing infrastructure and creating public amenities. The budget for 2007 reflects a similar focus; however, most of the infrastructure improvements will result in or contribute to enhance revenues to the Port.

The Port has selected projects for 2007 to meet these objectives:

- Increase cash flow in its property development enterprise;
- Accelerate the development of East Bay and NorthPoint property development platforms;
- Construct improvements at the Marine Terminal to support revenue-generating cargoes;
- Expand the Boatworks to grow the business;
- Complete Federal Aviation Administration mandated safety improvements at the Airport;
- Continue direct investment at the Airport to meet our statutory obligations regarding use of certain revenues required by the FAA.

Key capital projects scheduled for 2007 include:

- Airport
 - Line of sight safety improvements
 - Completion of taxi lane resurfacing
- Swantown Marina & Boatworks
 - Rehabilitation of A, B, C docks and the launch ramp
 - Boatworks – Paving to expand work yard
 - Planning for new MNO docks and upland improvements
- Marine Terminal
 - Completion of cargo yard improvements
 - Phase II rail improvements to add loading and side track & safety crossing improvements
 - Berth 2 & 3 maintenance dredging
- Property Development
 - Sewer improvements at NorthPoint
 - Preparation for the relocation of the KGY radio tower
 - East Bay pre-development site planning
 - Paving of New Market south of Tumwater Boulevard
 - Replacement of signage on Tumwater Boulevard

The Capital Budget, as summarized below, shows all proposed capital projects for 2007, net of capital grants and other third-party reimbursements. Projects that will carry over from 2006 are also indicated.

	FY 2006 Projects In Progress	2007 Additional Approved	Total Capital Budget
Airport	200	398	598
Marina & Boatworks	249	298	547
Marine Terminal	2,876	477	3,353
Property Development	459	65	524
General	256	276	532 ²
	4,040	1,514	5,554

² \$106K of FY07 Proposed Projects will carry over into FY08. 2007 Proposed Capital Spending is \$5.4 million.