ITEM NO.: 7a_Attach_1

DATE OF MEETING: March 12, 2013

PORT OF SEATTLE

2012 FINANCIAL & PERFORMANCE REPORT

AS OF DECEMBER 31, 2012

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I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/12

EXECUTIVE SUMMARY

Financial Summary

The Port's total operating revenues for 2012 were $521.6 million, $4.8 million above budget. Aeronautical revenues were $233.1 million, $3.1 million below budget. Other operating revenues were $288.5 million, $7.9 million higher than budget primarily due to higher revenues from Rental Cars, Concessions, Container, Cruise, and Seaport Industrial Properties, partially offset by lower revenues from Public Parking, Grains, and Third Party Management. Total operating expenses were $298.0 million, $11.9 million below budget mainly due to delay hiring, vacant positions, delays and savings of outside contracted services, and delay in airline terminal realignment. Operating income before depreciation was $233.7 million, $16.6 million above budget. Operating income after depreciation was $56.4 million, $7.8 million higher than budget. The Port-wide capital spending was $117.8 million for 2012, $52.1 million below the budgeted $169.9 million.

Operating Summary

At the Airport, we had a record 33.2 million passengers. Enplanements were 1.2% higher even though the landed weight was 1.1% lower than 2011. International enplaned passengers attained greater growth (8.8% vs. 2011) than domestic enplanements (0.5% vs. 2011). For the Seaport division, TEU volume was down 8.1% from 2011. Grain volume was at 3.2 million metric tons, 37% below 2011 volumes and 43% below budget. For the Real Estate division, occupancy levels at Commercial Properties were at 91%, above the target of 90% and Seattle market average of 88%. Fishermen's Terminal and Maritime Industrial Center were at 74% occupancy, below target of 84%. Recreational Marinas was at 93% occupancy, slightly below target of 94%.

Key Business Events

We completed outreach to over 60 groups reaching about 1000 individuals for Century Agenda. The Port was selected as one of only 15 employers across the country to receive the 2012 Secretary of Defense Employer Support Freedom Award. We issued the IDC Special Facilities Revenue Refunding Bonds, Series 2012 in the amount of $66,025,000 for the purpose of refunding the 2001 bonds. We completed Memorandum of Agreement with Sound Transit for extension of light rail to South 200th Street. All Nippon Airways (ANA) of Japan launched service to Tokyo in the third quarter. Delta Air Lines announced expanded international service routes. The 2012 cruise season set a new record of 934,900 passengers and 202 sailings. We executed a seven-year lease extension for operation of cruise terminals. Commission approved the sale of a portion of the Eastside Rail Corridor to King County, and we closed sale of the 5.75 mile segment with City of Kirkland in April. Shilshole Bay Marina celebrated its 50th anniversary in September.

Major Capital Projects

We completed and opened the consolidated Rental Car Facility. Agreement with Alaska Airlines was reached on NorthSTAR project approach and procured program/project management and design consultants to begin project. We also completed Terminal 18 Pilot Pile Cap Repair Project, Terminal 46 Transformer Project, and 2012 portion of 8th floor parking garage waterproofing project. Other key projects for 2012 were Zone 2 and Zone 3 abatement for the Delta lobby/ Airline Ticket Office (ATO), Credential Center remodel, FIMS II (Flight Information Management Systems) installation, Airline realignment, Passenger Loading bridge replacement, Common use gate installations, and Electrical Ground Support Equipment (EGSE) charging stations. Loading bridge utilities project was extended due to addition to scope. For the Terminal Escalator Project, thirty-nine out of forty-four units turned over for beneficial occupancy in 2012, nine of which occurred in the fourth quarter of 2012. Final construction on the Terminal 91 Water Main Replacement was complete and the East Marginal Way Grade Separation (EMWGS) lane configuration agreement was reached with Seattle Department of Transportation.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/12

INCOME STATEMENT

Report: Income Statement
As of Date: 2012-12-31

$ in 000's	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Revenues:							
Aviation	350,659	386,058	385,751	306	0.1%	35,398	10.1%
Seaport	98,661	103,181	98,151	5,030	5.1%	4,520	4.6%
Real Estate	32,214	31,937	32,828	(891)	-2.7%	(277)	-0.9%
Capital Development	79	32	-	32	0.0%	(47)	-59.1%
Corporate	1,559	444	151	293	193.4%	(1,115)	-71.5%
Total Revenues	**483,172**	**521,652**	**516,882**	**4,770**	**0.9%**	**38,480**	**8.0%**
Operating & Maintenance:							
Aviation	135,612	156,112	160,969	4,857	3.0%	20,500	15.1%
Seaport	16,090	19,283	20,408	1,125	5.5%	3,193	19.8%
Real Estate	33,270	35,469	36,416	947	2.6%	2,200	6.6%
Capital Development	11,026	13,966	15,516	1,549	10.0%	2,940	26.7%
Corporate	71,418	73,140	76,535	3,395	4.4%	1,721	2.4%
Total O&M Costs	**267,416**	**297,970**	**309,844**	**11,873**	**3.8%**	**30,554**	**11.4%**
Operating Income Before Depreciation	**215,756**	**223,682**	**207,039**	**16,643**	**8.0%**	**7,926**	**3.7%**
Depreciation	158,107	167,279	158,479	(8,800)	-5.6%	9,172	5.8%
Operating Income after Depreciation	**57,649**	**56,403**	**48,560**	**7,843**	**16.2%**	**(1,247)**	**-2.2%**

IMPORTANT NOTE:

All the numbers in the table above are on an Org basis while the actual numbers for the operating divisions are on a Subclass basis.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/12

KEY PERFORMANCE METRICS

	2011 Actual	2012 Actual	2012 Budget	Budget Variance Var.	Var. %	Change from 2011 Chg.	%
Enplanements (in 000's)	16,397	16,597	16,650	(53)	-0.3%	200	1.2%
Landed Weight (lbs. in 000's)	20,123	19,897	20,444	(547)	-2.7%	(226)	-1.1%
Passenger CPE (in $)	11.76	13.17	13.25	(0.08)	-0.6%	1.4	12.0%
Container Volume (TEU's in 000's)	2,034	1,869	2,000	(131)	-6.6%	(165)	-8.1%
Grain Volume (metric tons in 000's)	5,027	3,161	5,500	(2,339)	-42.5%	(1,866)	-37.1%
Cruise Passenger (in 000's)	886	935	881	54	6.1%	49	5.5%
Commercial Property Occupancy	90%	91%	90%	1%	1.1%	1.0%	1.1%
Shilshole Bay Marina Occupancy	95.5%	94.3%	95.5%	-1.2%	-1.2%	-1.2%	-1.3%
Fishermen's Terminal Occupancy	78.2%	74.0%	84.3%	-10.3%	-12.2%	-4.2%	-5.3%

CAPITAL SPENDING RESULTS

Division	2012 Actual	2012 Approved Budget	Budget Variance	Plan of Finance
($ in millions)				
Aviation	100.3	135.4	35.1	261.9
Seaport	10.8	15.5	4.7	25.7
Real Estate	2.4	7.3	4.9	10.9
Corporate & CDD	4.2	11.7	7.5	12.0
Total	117.8	169.9	52.2	310.5

PORTWIDE INVESTMENT PORTFOLIO

The investment portfolio for fourth quarter of 2012 earned 0.76% against our benchmark (The Bank of America Merrill Lynch 3-year Treasury/Agency Index) of 0.26%.For the past twelve months the portfolio has earned 1.02% against the benchmark of 0.31%. Since the Port became its own Treasurer in 2002, the Port’s portfolio life-to-date has earned 3.17% against our benchmark of 2.24%.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/12

FINANCIAL SUMMARY

$ in 000's	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Operating Revenues							
Aeronautical	207,763	233,112	236,221	(3,108)	-1.3%	25,350	12.2%
Non-Aeronautical	142,959	152,960	149,531	3,429	2.3%	10,001	7.0%
Total Operating Revenues	**350,722**	**386,072**	**385,751**	**321**	**0.1%**	**35,350**	**10.1%**
Expenses:							
Operating Expenses	190,442	211,235	221,981	10,746	4.8%	20,794	10.9%
Environmental Remediation Liability	1,428	5,321	3,096	(2,224)	-71.8%	3,893	272.7%
Total Operating Expenses	**191,869**	**216,556**	**225,078**	**8,522**	**3.8%**	**24,687**	**12.9%**
Net Operating Income	**158,853**	**169,516**	**160,674**	**8,842**	**5.5%**	**10,663**	**6.7%**
Capital Spending	**166,820**	**100,305**	**135,419**	**35,114**	**25.9%**	**(66,515)**	**-39.9%**

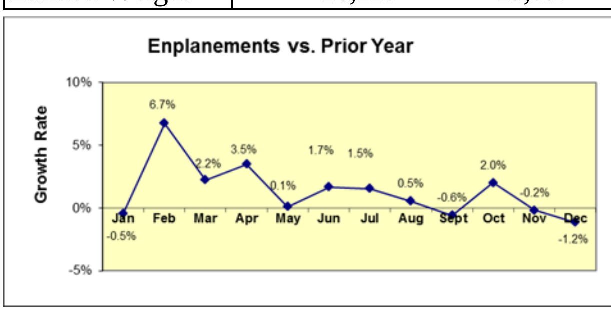
- Aeronautical revenues are lower than budget due to delay in airline realignment expenses and lower operating costs, *offset* by unbudgeted litigated claims and increases in environmental remediation liabilities.
- Non-Aeronautical revenues are higher than budget due to strong performance in concessions, the rental car facility (RCF), in-flight kitchen services and electrical energy revenue, *offset* by lower than anticipated public parking revenues.
- Operating expenses are lower than budget due to delays in timing of the airline realignment project, delays in hiring and vacancies, savings and delays in contracted services, *offset* by increases in environmental remediation liabilities and unbudgeted litigated claims.
- Capital project spending is $100.3 million, of which $17.1 million is accounted for as public expense.

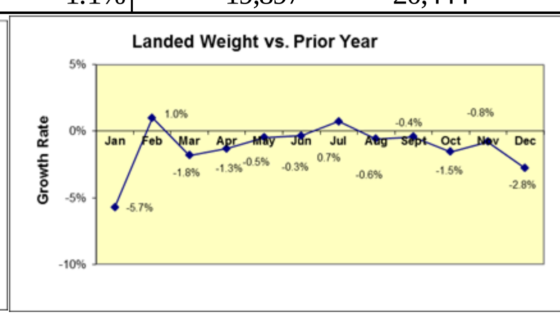
A. BUSINESS EVENTS

- Rental Car Facility (RCF) and Bus Maintenance Facility (BMF) opened in May.
- Airlines realignment in progress.
- All Nippon Airways (ANA) of Japan launched service to Tokyo in Q3.
- Delta Air Lines announced expanded international service routes.

B. KEY PERFORMANCE INDICATORS

Figures in 000's	2011 Actual	2012 Actual	% Variance	2012 Actual	2012 Budget	% Variance
Enplanements	16,397	16,597	1.2%	16,597	16,650	-0.3%
Landed Weight	20,123	19,897	-1.1%	19,897	20,444	-2.7%





- International enplaned passengers in 2012 had higher growth (8.8% vs. 2011) than domestic enplanements (0.5% vs. 2011).
- Total landed weight in 2012 experienced negative growth (-1.1% vs. 2011).

Total international air freight cargo in metric tons in 2012 experienced slight growth (.15% vs. 2011), and domestic air freight cargo in metric tons experienced moderate growth (1.94% vs. 2011).

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/12

Key Performance Measures

	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Key Measures:							
Non-Aero NOI less CFC Surplus ($ in 000's)	80,841	79,837	75,079	4,758	6.3%	(1,005)	-1.2%
Passenger Airline CPE	11.76	13.17	13.25	0.08	0.6%	1.41	12.0%
Debt / Enplaned Passenger	161.5	152.7	152.2	0.49	0.3%	(8.80)	-5.4%
Debt Service Coverage	1.44	1.40	1.34	0.06	4.5%	(0.04)	-2.8%

- CPE is under budget due primarily to delayed savings in airline realignment expenses and lower operating costs, *offset* by unbudgeted litigated claims and increases in environmental remediation liabilities.
- Debt service coverage is higher than budget due to debt service savings from refunding and lower variable rate interest costs, and higher net operating income than anticipated.

C. OPERATING RESULTS

Division Summary

$ in 000's	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Aeronatical Revenues	207,763	233,112	236,221	(3,108)	-1.3%	25,349	12.2%
Non-Aeronautical Revenues	142,959	152,960	149,531	3,429	2.3%	10,001	7.0%
Total Operating Revenues	**350,722**	**386,072**	**385,751**	**321**	**0.1%**	**35,350**	**10.1%**
Operating Expenses:							
Salaries & Benefits	80,012	89,749	93,871	4,122	4.4%	9,738	12.2%
Outside Services	25,224	29,107	37,404	8,297	22.2%	3,884	15.4%
Utilities	13,202	13,671	12,458	(1,213)	-9.7%	470	3.6%
Other Airport Expenses	15,748	18,263	14,138	(4,125)	-29.2%	2,515	16.0%
Baseline Airport Expenses	**134,185**	**150,791**	**157,873**	**7,081**	**4.5%**	**16,607**	**12.4%**
Environmental Remediation Liability	1,428	5,321	3,096	(2,224)	-71.8%	3,893	272.7%
Total Airport Expenses	**135,612**	**156,112**	**160,969**	**4,857**	**3.0%**	**20,500**	**15.1%**
Corporate	32,407	34,244	35,566	1,322	3.7%	1,837	5.7%
Police Costs	15,804	16,075	16,964	889	5.2%	271	1.7%
Capital Development/Other Expenses	8,046	10,125	11,579	1,453	12.6%	2,079	25.8%
Total Operating Expenses	**191,869**	**216,556**	**225,078**	**8,522**	**3.8%**	**24,687**	**12.9%**
NOI Before Depreciation	**158,853**	**169,516**	**160,674**	**8,842**	**5.5%**	**10,663**	**6.7%**
Depreciation Expense	116,762	122,600	117,072	(5,528)	-4.7%	5,838	5.0%
NOI After Depreciation	**42,091**	**46,916**	**43,602**	**3,314**	**7.6%**	**4,825**	**1.7%**
Selected Non-Operating Rev/(Exp):							
Capital Grants & Donations	19,565	20,898	28,982	(8,084)	-27.9%	1,333	6.8%
Non-Capital Grants & Donations	1,463	1,000	1,479	(480)	-32.4%	(463)	-31.7%
Passenger Facility Charges (PFC)	62,358	62,385	63,448	(1,063)	-1.7%	27	0.0%
Customer Facility Charges (CFC)	23,669	20,577	21,333	(756)	-3.5%	(3,093)	-13.1%

- Aeronautical revenues are lower than budget by $3.1 million due to delay in airline realignment expenses and lower operating costs, *offset* by unbudgeted litigated claims and increases in environmental remediation liabilities.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/12

- Non-aeronautical revenues are higher than budget by $3.4 million:
  - Concessions revenue is higher than budget by $2.3 million, or 6.5% due primarily to higher growth in primary concessions sales per enplaned passenger than anticipated of 4.7%.
  - Rental car revenues are higher than budget by $2.4 million, or 6.8% due to unbudgeted rental car space rents in garage and higher customer facility charge (CFC) operating revenue from higher transactions days than anticipated.
  - Commercial property revenue is higher than budget by $728.4K, or 14.7% due to strong demand for in-flight kitchen services driven primarily by increased international passenger traffic.
  - Utility revenue is higher than budget by $403.2K, or 5.9% due primarily to increase in metered electricity.
  - Public parking revenue is lower than budget by $2.7 million, or 5.1% due primarily to lower total garage transactions than anticipated.

- Operating expenses are lower than budget by $8.5 million due to the net of the following:

Positive Variance of $17.0 million:	**Negative Variance of $8.5 million:**
Delays and savings in expenditure of contracted services $3.7M	Unbudgeted 2012 SLOA security fund true-up $2.0M
Delays in airline realignment expenses $2.3M	Environmental remediation liabilities $1.3M
RCF delayed opening savings $2.0M	Litigated injury claims $1.3M
Salary, wage and benefit savings $2.0M	Snow event materials, services and labor $1.3M
Delayed hiring and vacant positions $1.0M	Maintenance material supplies $755.6K
Corporate/CDD allocated expenses $3.7M	Surface water discharge treatment $741.4K
Division contingency funds not utilized $600.0K	Equipment repair and maintenance $725.9K
Other Aviation Division variances $1.7M	B&O taxes due to higher revenues $369.2K

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/12

Aeronautical Business Unit Summary

$ in 000's	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Operating Costs							
Baseline	131,898	137,161	141,257	4,097	2.9%	5,262	4.0%
Airline Realignment	61	5,934	8,200	2,266	27.6%	5,873	9677.1%
Regulated Materials	1,124	4,040	2,072	(1,969)	-95.0%	2,916	259.4%
Total Operating Costs	133,083	147,135	151,529	4,394	2.9%	14,052	10.6%
Capital Costs							
Amortization on new assets	1,400	2,147	2,147	-	0.0%	747	53.3%
Debt service on new assets	-	3,997	3,997	-	0.0%	3,997	n/a
Existing amortization and debt service	80,106	85,928	85,732	(195)	-0.2%	5,821	7.3%
Total amortization and debt service	81,507	92,072	91,876	(195)	-0.2%	10,565	13.0%
Total Costs	214,590	239,207	243,405	4,198	1.7%	24,617	11.5%
Other							
FIS Offset	(7,000)	(8,000)	(8,000)	-	0.0%	(1,000)	14.3%
Other Revenues	15,590	15,229	15,711	481	3.1%	(361)	-2.3%
Other Offsets	(15,417)	(13,324)	(14,895)	(1,571)	10.6%	2,093	-13.6%
Total Other Costs	(6,827)	(6,094)	(7,184)	(1,090)	15.2%	732	-10.7%
Total Aero Revenues	**207,763**	**233,112**	**236,221**	**3,108**	**1.3%**	**25,349**	**12.2%**
Less: Non-passenger Airline Costs	14,944	14,477	15,390	913	5.9%	(467)	-3.1%
Net Passenger Airline Costs	**192,819**	**218,635**	**220,831**	**2,196**	**1.0%**	**25,816**	**13.4%**

	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Cost Per Enplanement:							
Baseline Costs / Enpl	8.04	8.26	8.48	0.22	2.6%	0.22	2.7%
Airline Realignment / Enpl	0.00	0.36	0.49	0.13	27.4%	0.35	9559.4%
Regulated Materials / Enpl	0.07	0.24	0.12	(0.12)	-95.7%	0.17	255.1%
Capital Costs / Enpl	4.97	5.55	5.52	(0.03)	-0.5%	0.58	11.6%
Offsets / Enpl	(1.37)	(1.28)	(1.38)	(0.09)	6.7%	0.08	-6.0%
Other Aero Revenues	0.95	0.92	0.94	0.02	2.2%	(0.03)	-3.5%
Non-passenger Airline Costs	(0.91)	(0.87)	(0.93)	(0.05)	5.9%	0.04	-4.3%
Passenger Airline CPE	**11.76**	**13.17**	**13.25**	**0.08**	**0.6%**	**1.41**	**12.0%**

- Operating costs are $4.4 million lower than budget due to delayed savings in airline realignment expenses, delayed hiring and vacant positions and savings and delays in expenditure of contracted services, *offset* by unbudgeted litigated claims, increases in environmental remediation liabilities, unbudgeted 2011 retro contractual increase in airfield security, higher surface water discharge and higher electricity usage. Year-over-year operating costs increases are due to airline realignment, additional maintenance FTEs, contractual increases for labor and outside services, salary and benefit increases, environmental remediation liabilities and other aeronautical initiatives.
- Year-over-year capital cost increases can be attributed to the beginning of principal payments for bond issue 2005A in 2012 primarily servicing the north expressway relocation, runway 16L/34R reconstruction, comprehensive storm water management plan and the 4th floor public parking garage improvements.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/12

Non-Aero Business Unit Summary

$ in 000's	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Non-Aero Revenues							
Rental Cars	29,969	28,288	26,580	1,708	6.4%	(1,680)	-5.6%
CFC Operating Revenues (RCF)	i 778	ii 9,745	8,576	1,169	13.6%	8,967	1153.2%
RCF Reimbursable Revenue	-	38	477	(439)	-92.0%	38	n/a
RCF Subtotal	**30,746**	**38,072**	**35,633**	**2,438**	**6.8%**	**7,325**	**23.8%**
Public Parking	49,996	49,781	52,480	(2,699)	-5.1%	(215)	-0.4%
Ground Transportation	7,704	7,900	7,519	380	5.1%	196	2.5%
Concessions	35,404	37,974	35,659	2,315	6.5%	2,570	7.3%
Other	19,109	19,234	18,240	994	5.5%	126	0.7%
Total Non-Aero Revenues	**142,959**	**152,960**	**149,531**	**3,429**	**2.3%**	**10,001**	**7.0%**
RCF Operating Expense	852	6,196	8,150	(1,954)	-24.0%	5,344	627.3%
Operating Expense	58,692	64,742	66,490	1,748	2.6%	6,050	10.3%
Share of terminal O&M	17,610	18,366	18,698	332	1.8%	756	4.3%
Less utility internal billing	(18,369)	(19,883)	(19,789)	94	-0.5%	(1,514)	8.2%
Net Operating & Maint	**58,786**	**69,421**	**73,549**	**4,128**	**5.6%**	**10,635**	**18.1%**
Net Operating Income	**84,173**	**83,539**	**75,982**	**7,557**	**9.9%**	**(634)**	**-0.8%**
Adjusted Net Operating Income:							
Non-Aeronautical NOI	84,173	83,539	75,982	7,557	9.9%	(634)	-0.8%
Less: CFC Surplus	(3,331)	(3,702)	(903)	(2,799)	310.0%	(371)	11.1%
Adjusted Non-Aero NOI	**80,841**	**79,837**	**75,079**	**4,758**	**6.3%**	**(1,005)**	**-1.2%**

	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Revenues Per Enplanement							
Parking	3.05	3.00	3.15	(0.15)	-4.8%	(0.05)	-1.6%
Rental Cars (excludes CFCs)	1.83	1.70	1.60	0.11	6.8%	(0.12)	-6.7%
Ground Transportation	0.47	0.48	0.45	0.02	5.4%	0.01	1.3%
Concessions	2.16	2.29	2.14	0.15	6.8%	0.13	6.0%
Other	1.21	1.75	1.64	0.11	6.7%	0.54	44.2%
Total Revenues	**8.72**	**9.22**	**8.98**	**0.24**	**2.6%**	**0.50**	**5.7%**
Primary Concessions Sales / Enpl	**10.30**	**10.91**	**10.42**	**0.49**	**4.7%**	**0.61**	**5.9%**

$ in 000's	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Operating CFC Revenues	778	9,745	8,576	1,169	13.6%	8,967	1153.2%
Non-Operating CFC Revenues	i 23,669	ii 20,577	21,333	(756)	-3.5%	(3,093)	-13.1%
Total CFC Revenues	**24,447**	**30,322**	**29,909**	**412**	**1.4%**	**5,875**	**24.0%**

* CFC operating revenue accounting methodology changed in 2012 compared to 2011:

i. In 2011, the non-operating CFC revenues reported as operating CFC revenues are equal to RCF related operation and maintenance expenses.

ii. In 2012, the non-operating CFC revenues equal debt service payments with any remaining amount reported as operating CFC revenues to pay for rental car facility operation and maintenance expenses.

- Non-Aeronautical revenues are higher than budget due to additional rental car concession rents in garage and delay of land rent credits issued from RCF delayed opening, higher CFC operating revenue from increase in rental car transaction days and strong concessions revenue sales performance in food and beverage, retail, duty free and in-flight kitchen services, *offset* by decreases in public parking revenues due to total garage transactions lower than budget by 1.9% lead primarily by “1-4 days” transactions, which are lower than budget by 2.8%. In addition, there is $388.0K of lost public parking revenue due to a credit card system data processing error.

- Operating and maintenance costs are lower than budget due primarily to savings from delayed opening of rental car facility (RCF), delay in hiring and vacancies and savings and delays in expenditure of contracted services. Year-over-year costs increases are due to opening of the RCF and BMF, contractual increases for labor and outside services, salary and benefit increases an environmental remediation liabilities.
- Total CFC revenues are higher than budget due to better than anticipated rental car transaction days, which exceed budget by 2.2%.
- CFC transaction day rate increase from $5.00 to $6.00 effective February 1, 2012.
- Year-over-year total CFC revenues, operating plus non-operating, are higher due to the aforementioned rate increase and higher rental car transaction days, which exceed 2011 by 4.3%.

Net Cash Flow: NOI after Debt Service and Interest Income

	2011	2012	2012	Budget Variance		Change from 2011	
$ in 000's	Actual	Actual	Budget	$	%	$	%
Aeronautical							
Net Operating Income (NOI)	74,679	85,977	84,692	1,285	1.5%	11,298	15.1%
Net Debt Service	71,096	77,922	77,726	(196)	-0.3%	6,826	9.6%
Aero NOI After Debt Service	**3,584**	**8,056**	**6,966**	**1,090**	**15.6%**	**4,472**	**124.8%**
Non-Aeronautical							
Net Operating Income (NOI)	84,173	83,539	75,982	7,557	9.9%	(634)	-0.8%
Net Debt Service	40,845	43,166	45,390	2,225	4.9%	2,321	5.7%
Non-Aero NOI After Debt Service	**43,328**	**40,373**	**30,592**	**9,782**	**32.0%**	**(2,955)**	**-6.8%**
Total Aviation							
NOI	158,853	169,516	160,674	8,842	5.5%	10,663	6.7%
Net Debt Service	111,940	121,087	123,116	2,029	1.6%	9,147	8.2%
NOI After Debt Service	**46,912**	**48,429**	**37,557**	**10,872**	**28.9%**	**1,516**	**3.2%**
Add ADF Interest Income	4,771	3,215	3,771	(556)	-14.7%	(1,556)	-32.6%
Add Non-Operating TSA Grant	1,035	919	1,479	(560)	-37.9%	(116)	-11.2%
Net Cash Flow after D/S & Interest Inc.	**52,718**	**52,563**	**42,808**	**9,755**	**22.8%**	**(155)**	**-0.3%**

- 2012 net cash flow is higher than budget by $9.8 million and down $155K from 2011.
- NOI is higher than budget by $8.8 million due to lower operating costs.
- Aeronautical net debt service is slightly higher than budget by $196.0K due to $2.2 million of debt service reallocations from non-aeronautical debt service and lower debt service, *offset* by debt service savings from refunding and lower variable rate interest costs.
- Non-aeronautical net debt service is lower than budget by $2.0 million due to debt service savings from refunding, lower variable rate interest costs and reallocation of debt service to aeronautical.
- Year-over-year capital cost increases can be attributed to the beginning of principal payments for bond issue 2005A in 2012 and lower passenger facility charge (PFC) offset to debt service.

D. CAPITAL RESULTS

Capital Variance

$ in 000's Description	2011 Actual	2012 Actual	2012 Budget	Actual/Budget Variance	 %
Rental Car Facility Construction	84,363	19,402	29,778	10,376	34.8%
Gate Utilities Improvements	-	195	5,750	5,555	96.6%
FIMS Phase II	-	2,210	6,450	4,240	65.7%
GSE Electrical Chrg Stations	-	2,331	6,025	3,694	61.3%
All Other	82,457	76,167	87,416	11,249	12.9%
Total Capital Spending	166,820	100,305	135,419	35,114	25.9%
Less RCF Charged to Public Expense	-	17,112	-	(17,112)	n/a
Net Capital Spending	166,820	83,193	135,419	52,226	38.6%

- RCF savings are now being recognized as the project is closed. Includes approximately $17.1M related to off-site roadway improvements transferred to public expense.
- Gate utilities project was delayed due to addition of scope which moved construction and corresponding contractor payments out to 2013.
- FIMS Phase II has been delayed but is projected to be completed in 2013.
- Electrical GSE has been delayed due to a change in scope.

2013 - 2017 Capital and Funding Plan

$ in 000's	2013-2017 Total	Future Revenue Bonds
Budget	1,454,153	875,308
Forecast	1,330,337	751,492
Decrease	(123,816)	(123,816)

2012 Annual Budget Changes

$ in 000's Description	2012 Spending
Single Family Home Sound Insul	1,391
SSAT HVAC,Lights,Ceiling Repl	541
New Window Wall Ticket Zone 1	533
Convert Ticket Zone 3 FlowThru	525
Rubber and Paint Removal Equip	493
NS NorthSTAR Program	492
Port-Owned Loading Bridge R&R	428
CUSS at Common Use Tkt Ctr Fac	420
Other	2,408
Total	**7,231**

Future 2013 Authorization Requests

Future 2013 Authorization Requests:

- South Access Property Acquisition
- Parking Garage Light Retrofit
- Replace Passenger Landing Bridges at B7, B9 & S8
- Access Control System Refresh
- Purchase/Replacement of Passenger Landing Bridges at B6 ,B8, B14
- Federal Inspection Services - Long Term Project
- Radio System Upgrade (800MHz)
- Air Cargo Rd Safety Imp D/C
- NS Main Terminal Improvements
- Fiber Infr to Gate Backstands
- Security Checkpoint Wayfinding
- Renew/Repl Emer Power Switches
- Concourse D Roof Replacement
- Part 150 (Airport Noise Compatibility Planning)

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/12

FINANCIAL SUMMARY

$ in 000's	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Revenues:							
Operating Revenue	98,910	101,647	96,980	4,667	5%	2,737	3%
Security Grants	394	2,226	1,598	628	39%	1,831	464%
Total Revenues	**99,304**	**103,872**	**98,578**	**5,294**	**5%**	**4,568**	**5%**
Total Operating Expenses	**38,463**	**44,613**	**46,536**	**1,923**	**4%**	**6,150**	**16%**
Net Operating Income	**60,842**	**59,260**	**52,042**	**7,217**	**14%**	**(1,582)**	**-3%**
Capital Expenditures	**18,837**	**10,841**	**15,496**	**4,655**	**30%**	**(7,996)**	**-42%**

- Total Seaport revenues were $5.3 million favorable to budget with all businesses exceeding 2012 Budget except for the grain terminal which was down due to market conditions.
- Total Operating Expenses were $1.9 million favorable to budget due to postponements in implementing initiatives and below budget Corporate and CDD expenses. Favorable variances were partially offset by above budget Security Grant expenses.
- Net Operating Income for 2012 was $7.2 million favorable to budget and ($1.6) million below 2011 Actual.
- Total capital spending for 2012 was $10.8 million or 70% of the Approved Annual Budget.

A. BUSINESS EVENTS

- TEU volumes for the Seattle Harbor were down 8.1% in 2012, compared to 2011 levels. 2012 volume is 1,869,492 TEUs. 2012 full inbound TEUs were down 5.0%, full outbound TEUs were down 10.1%, empty inbound TEUs were down 7.8%, and empty outbound TEUs were down 13.9%.
- Consolidated West Coast Port results for 2012 showed an overall increase in TEU volume of 2.4% compared to volumes in 2011.

TEU Volume (in 000's)	2012	2011	TEU Change	% Change
Long Beach	6,046	6,061	(15)	-0.3%
Los Angeles	8,078	7,941	137	1.7%
Oakland	2,344	2,343	2	0.1%
Portland	183	198	(15)	-7.6%
Prince Rupert	565	410	154	37.6%
Seattle	**1,869**	**2,034**	**(164)**	**-8.1%**
Tacoma	1,711	1,476	235	15.9%
Vancouver	2,713	2,507	206	8.2%
West Coast - Totals:	**23,510**	**22,969**	**540**	**2.4%**

- Executed lease amendment with Total Terminals International at Terminal 46 to extend lease to 2025.
- The 2012 cruise season ended on September 30th. A new Seattle cruise passenger record was set with 934,900 passengers and 202 sailings.
- Executed 7 year lease extension with Cruise Terminals of America for operation of cruise terminals.
- Grain vessels shipped 3,161K metric tons of grain through Terminal 86 in 2012. Amount was (37%) below 2011 volumes and (43%) unfavorable to 2012 Budget volume due to market conditions.

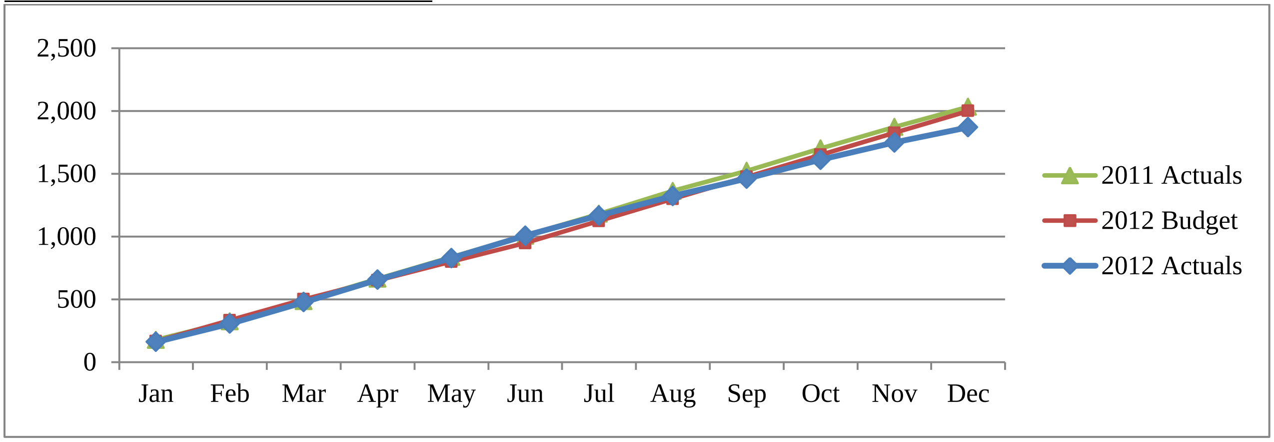
III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/12

- Completed major work:
  - Port and BNSF Railway land exchange at Terminal 5. This agreement was originally negotiated via a Memorandum of Agreement dated 1994.
  - Dock condition assessments at Terminals 25, 30 and Pier 66.
  - Terminal 18 Pile Cap Pilot project.
  - East Marginal Way Grade Separation project.
- Environmental:
  - 57% of frequent vessel calls meeting Northwest Ports Clean Air Standards target.
  - 2011 Puget Sound Maritime Emission Inventory was published showing an overall reduction in diesel particulate matter of 27%.
  - Recovered $3.2 million in environmental clean-up costs including $1.2 million in grant receipts and $2.0 million in proceeds from insurance.
  - T117 grant amendment increased clean-up funds available for future years by $1.8M. The grant increased from $1.5M to $3.3M.

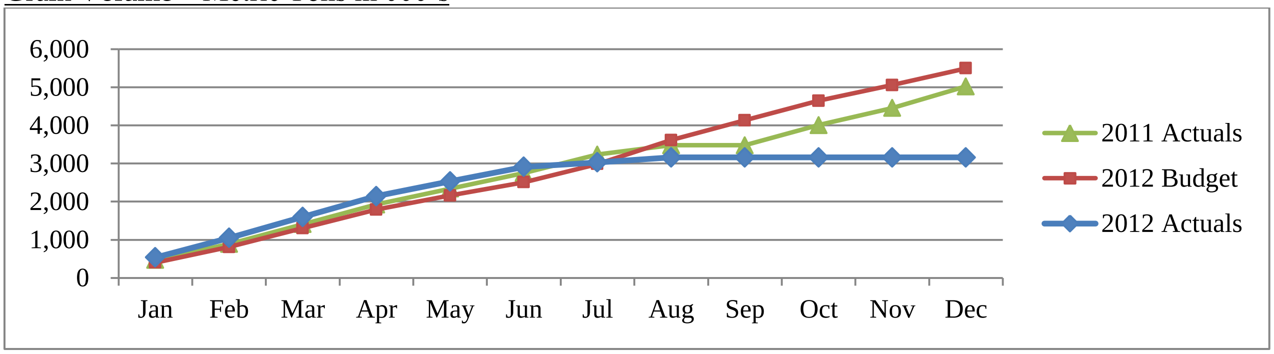
III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/12

B. KEY INDICATORS

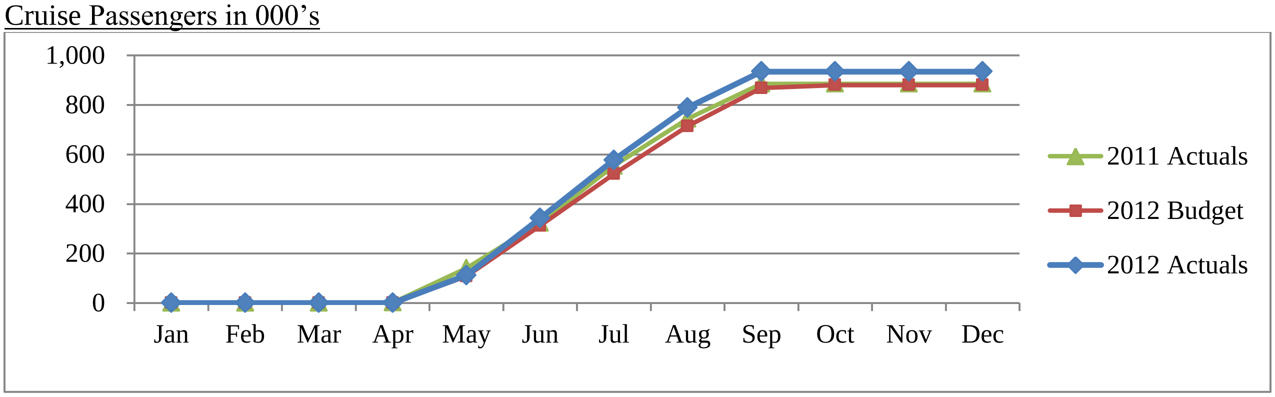
Container Volume – TEU's in 000's



Grain Volume – Metric Tons in 000's



Cruise Passengers in 000's



Net Operating Income Before Depreciation By Business

$ in 000's	2011 Actual	2012 Actual	2012 Budget	2012 Bud Var $	2012 Bud Var %	Change from 2011 $	Change from 2011 %
Containers	44,789	44,589	38,740	5,848	15%	(201)	0%
Grain	4,439	2,474	4,732	(2,258)	-48%	(1,965)	-44%
Seaport Industrial Props	5,301	6,347	5,303	1,044	20%	1,046	20%
Cruise	7,605	7,031	5,422	1,608	30%	(574)	-8%
Docks	(1,082)	(346)	(1,244)	898	72%	736	68%
Security	(843)	(808)	(912)	104	11%	36	4%
Env Grants/Remed Liab/Oth	633	(27)	0	(27)	NA	(660)	-104%
Total Seaport	60,842	59,260	52,042	7,217	14%	(1,582)	-3%

C. OPERATING RESULTS

$ in 000's	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Operating Revenue	98,910	101,647	96,980	4,667	5%	2,737	3%
Security Grants	394	2,226	1,598	628	39%	1,831	464%
Total Revenues	**99,304**	**103,872**	**98,578**	**5,294**	**5%**	**4,568**	**5%**
Seaport Expenses (excl env srvs)	12,898	13,601	15,236	1,634	11%	703	5%
Environmental Services	2,127	2,212	2,289	77	3%	85	4%
Maintenance Expenses	4,608	6,049	5,817	(232)	-4%	1,441	31%
P69 Facilities Expenses	506	532	531	(1)	0%	25	5%
Other RE Expenses	180	233	300	67	22%	53	30%
CDD Expenses	3,539	4,249	4,388	139	3%	709	20%
Police Expenses	3,578	3,949	4,167	218	5%	371	10%
Corporate Expenses	11,177	11,535	12,332	798	6%	358	3%
Security Grant Expense	481	2,227	1,476	(751)	-51%	1,745	363%
Envir Remed Liability	(633)	26	0	(26)	NA	659	104%
Total Expenses	**38,463**	**44,613**	**46,536**	**1,923**	**4%**	**6,150**	**16%**
NOI Before Depreciation	**60,842**	**59,260**	**52,042**	**7,217**	**14%**	**(1,582)**	**-3%**
Depreciation	31,172	34,842	31,713	(3,129)	-10%	3,670	12%
NOI After Depreciation	**29,670**	**24,418**	**20,330**	**4,088**	**20%**	**(5,252)**	**-18%**

Seaport revenues were $5,294K favorable to budget. Key variances are as follows:

Seaport Lease & Asset Management - favorable $2,523K

- Containers $4,094K favorable. Space Rental favorable $2,133K due to refunding of Terminal 18 Special Facility Bonds $9,331K largely offset by adjustment of GAAP Straight Line rental revenue by ($7,755K) due to transition to a new container terminal lease structure effective in 2013. Crane Rent Revenue $2,064K favorable due to delays in certification of SSA owned cranes at Terminal 18 $505K and above budget tariff crane usage at Terminal 5 $1,591K.
- Grain ($2,340K) unfavorable due to volume coming in (43%) unfavorable to budget.
- Seaport Industrial Properties $768K favorable due to the higher than anticipated concession rent and utility revenue at T91, higher liquid bulk volume from molasses at T18 Bulk Terminals, unbudgeted new tenants at various sites and due to unbudgeted amortization of lease termination revenue from Terminal 106.

Cruise and Maritime Operations - favorable $2,737K

- Cruise $1,226K favorable primarily due to record cruise passenger volumes. 2012 cruise season average passenger occupancy of 110% compared to standard double occupancy per cabin.
- Maritime Operations Docks $883K favorable primarily due to higher moorage occupancy than budgeted, unbudgeted increase in preferential use rate and payment of minimum guaranteed moorage by Terminal 91 preferential use customers. Wharfage revenue also exceeded budget due to higher than normal unloading of fish.
- Security Grants $628K favorable due to pass-thru grants primarily involving the Port of Everett.

Total Seaport Division Expenses were $1,923K favorable to budget. Key variances:

- **Seaport Expenses** (excluding Environmental Services) were $1,634K favorable to budget. Major account variances were as follows:
  - **Salaries & Benefits** were $190K favorable due to partial year open positions in Division Administration, Commercial Strategies, and Seaport Finance.
  - **Equipment Expenses** were ($166K) unfavorable primarily due to unbudgeted furniture and equipment acquisitions related to the Cruise CTA lease allowance.

  - **Outside Services** were $1,768K favorable due to Terminal 18 Pile Cap project $700K which was performed internally by CDD staff and due to Terminal 18 pile cap upgrade project $500K which was determined to qualify for capitalization and was also deferred so that work could proceed on Terminal 46. Terminal 5 phase II maintenance dredging $390K was delayed and some costs were incurred by CDD. Amounts budgeted to pay for potential repairs for T46 cranes and for a T91 slope stabilization survey were not needed and less was spent on transportation issues and the RFID project than budgeted. Amounts were slightly offset by outside legal expenses that had been mistakenly charged against the Terminal 5 BNSF Land Exchange Project.
  - **Travel & Other Employee Expenses** (which includes Subscription expenses) were $273K favorable due to postponement to 2013 of the payment for the Emodal subscription $100K related to the RFID project and less travel and registration fees than expected partially due to open position in Commercial Strategy.
  - **Miscellaneous Expense** was $107K favorable due to delays in resolving permanent storage of tribal artifacts.
  - **Advertising Expense** was $111K favorable due primarily to delay in spending on NW Cruise Itinerary development/marketing and due to the decision not to pursue US West Coast Marketing Initiative this year.
  - **Litigated Injuries and Damages** were ($635K) unfavorable due to unexpected legal claims.
- **Maintenance** costs, direct and allocated, were unfavorable ($232K) due higher than budgeted allocations from Maintenance ($272K) slightly offset by lower direct charges $40K. Allocations were above budget because less work was direct charged to capital and to business group projects resulting in less overhead being direct charged to projects. In addition, overhead amounts increased due to planners being added to the maintenance payroll.
- **CDD** costs were favorable $139K despite unplanned direct charges from PCS and other groups for the Terminal 18 Pile Cap Pilot work ($1,065K). Costs incurred on the pile cap work were more than offset by below budget allocations $647K from all CDD groups and below budget direct charges from Engineering, Seaport Project Management and PCS on other projects $557K.
- **Police** costs, direct and allocated were favorable $218K due to lower wages and benefits than budgeted.
- **Corporate** costs, direct and allocated were favorable $798K due to lower than anticipated direct charges and allocations from virtually all Corporate groups including Accounting and Financial Reporting $284K, ICT $176K, Internal Audit $99K, Contingency $90K, and Risk Services $88K.
- **Security Grant Expenses** were unfavorable ($751K) due to pass-thru grant activity, primarily involving the Port of Everett, being above budget.
- **All other** variances netted to a favorable $117K or less than .3% of Total Expenses budgeted.

NOI Before Depreciation was $7,217K favorable to budget.

Depreciation was ($3,129K) or 10% unfavorable to the 2012 Budget primarily due to the booking of assets originally funded by Terminal 18 Special Facility Revenue Bonds. Due to refunding the special facility bonds with traditional bonds in December 2011, these formerly “off balance sheet” assets are now reflected on the Port’s books together with the related depreciation. The timing of the refunding did not allow inclusion of the transaction in the 2012 Budget.

NOI After Depreciation was $4,088K favorable to budget.

Change from 2011 Actual

NOI Before Depreciation decreased by ($1,582K) from 2011 due to higher revenue more than offset by higher expenses.

Revenue was up $4,568K from the prior year due to increased Container revenue $686K resulting from the refunding of Terminal 18 Special Facility Bonds in December 2011 $8,832K largely offset by reversal of GAAP straight-line rent adjustment ($7,899K). Crane rent was lower ($622K) due to an increase in tenant-owned cranes but was partially offset by higher intermodal revenue at Terminal 5 $231K. Security grant revenue increased $1,831K due to more grant activity while Cruise revenue increased $674K due to higher passenger volumes. Industrial Property revenue increased $1,874K due to higher occupancy, increased rental rates and more concession rent and Maritime Operations revenue increased $1,227K due to higher occupancy and higher rates. Amounts were partially offset by lower grain revenue ($1,864K) due to market conditions.

Expenses, both direct and allocated, increased by $6,150K due to more Security grant activity $1,745K, increased CDD costs $709K primarily due to Terminal 18 Pile Cap Pilot project, increased Maintenance costs $1,441K due to higher overhead and allocated costs, and higher Corporate and Police expenses $729K. Seaport expenses increased $703K primarily due to unexpected legal claims $620K, CTA lease allowance expenses that did not qualify for capitalization $254K and higher utility expenses $461K partially offset by Terminal 5 Maintenance Dredge and Terminal 18 broken pile work that was done in 2011. In addition, Environmental Remediation Liability expense increased by $659K primarily due to 2011 amount being negative as a result of an over recognition in 2010.

D. CAPITAL SPENDING RESULTS

$ in 000's	2012 Actual	2012 Approved Budget	Budget Variance $	Budget Variance %	2012 Plan of Finance
Cruise	2,997	4,456	1,459	33%	2,501
Security	3,631	3,500	(131)	-4%	1,354
Terminal 18	972	2,390	1,418	59%	2,478
Small Projects	523	1,374	851	62%	775
Cranes	853	1,220	367	30%	13
Terminal 91 - Industrial Properties	941	762	(179)	-23%	2,570
Terminal 5	15	400	385	96%	813
Terminal 10	343	295	(48)	-16%	475
N Argo Express - Private Road	177	0	(177)	NA	0
T46 Dock Rehabilitation	110	0	(110)	NA	0
Green Port Initiative	6	170	164	96%	470
All Other	273	929	656	71%	14,257
Total Seaport	10,841	15,496	4,655	30%	25,706

Comments on Key Projects:

Seaport spent 70% of the 2012 Approved Capital Budget.

Projects with significant changes in spending were:

- **Cruise**
  - P91 Fender System Upgrade project was overestimated in the budget by approximately $500K and $770K of spending was moved to 2013.
  - CTA allowance spending did not qualify as capital $350K.
- **Security Projects –** Security Grant Rounds 9 & 10 were approved by Commission 11/8/11. These projects were included in 2012 Plan of Finance as Business Plan Prospective.
- **Terminal 18:** Delays in Street Vacation process.
- **Small Projects –** Project spending moved to 2013 and projects completed under budget.
- **N Argo Express – Private Road** – Project was approved by Commission 12/13/11. The 2012 Plan of Finance assumed that 100% of the project costs would be Public Expense.

Changes between the 2012 Plan of Finance and the 2012 Approved Budget represent modifications in 2012 spending estimates made after determination of 2011 actual spending.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/12

FINANCIAL SUMMARY

$ in 000's	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Revenues:							
Operating Revenue	31,569	31,273	32,401	(1,128)	-3%	(296)	-1%
Total Revenues	**31,569**	**31,273**	**32,401**	**(1,128)**	**-3%**	**(296)**	**-1%**
Total Operating Expenses	**34,758**	**35,422**	**37,224**	**1,802**	**5%**	**664**	**2%**
Net Operating Income	**(3,189)**	**(4,149)**	**(4,823)**	**674**	**14%**	**(960)**	**-30%**
Capital Expenditures	**10,085**	**2,433**	**7,294**	**4,861**	**67%**	**(7,652)**	**-76%**

- Total Real Estate Division Revenues were ($1,128K) or about (3%) unfavorable to budget for the year primarily due to unfavorable revenue variances from Bell Harbor International Conference Center and World Trade Center Seattle.
- Total Operating Expenses were $1,802K, or 5%, favorable to budget due to below budget activity at Bell Harbor International Conference Center as well as due to below budget Maintenance expenses as a result of delays, lower costs and cancellation of some projects. Favorable variances were partially offset by unexpected Litigated Injuries and Damages costs.
- Net Operating Income for 2012 was $674K favorable to budget and ($960K) below 2011 Actual. Lower revenue as well as higher expenses drove the year over year change.
- Capital spending for 2012 was $2.4 million or 33% of the Approved Annual Budget amount of $7.3 million.

A. BUSINESS EVENTS

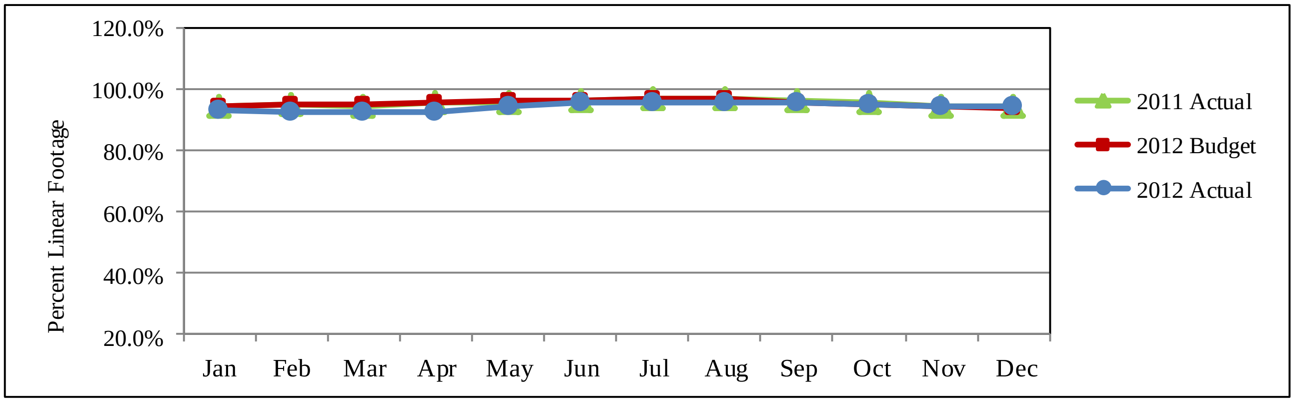
- Occupancy levels at Commercial Properties were at 91% at the end of 2012, which is above the 90% target for the 2012 Budget, and above comparable statistics for the local market of 88%.
- Bell Harbor International Conference Center and World Trade Center Seattle activity was significantly below budget for the year, but the venues contributed $2.1 million in net income which was within $73 thousand of net income budgeted.
- Recreational marinas averaged 93% occupancy which was below the target of 94%.
- Fishermen's Terminal and Maritime Industrial Center averaged 74% occupancy which was below the target of 84%.
- Harbor Services
  - 5-year agreement executed between the Port of Seattle and the Shilshole Liveaboard Association.
  - Shilshole Bay Marina celebrated its 50th anniversary on September 14, 2012.
  - Received internal Small Business Champion Award recognizing Fishermen's Terminal and Shilshole Bay Marina for their work on promoting and utilizing small businesses.
- Portfolio Management
  - New Conference and Event Center Management Agreement was executed on April 4th and became effective on June 1st.
  - Executed 23 new leases, 29 lease renewals, and 10 agreements.
- Eastside Rail Corridor
  - Commission approved the sale of all non-freight area on the Eastside Rail Corridor to King County in 2012 and the sale closed on February 13th, 2013.
  - Completed sale of fee and easement interests for portions of the Eastside Rail Corridor to City of Kirkland and Sound Transit.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/12

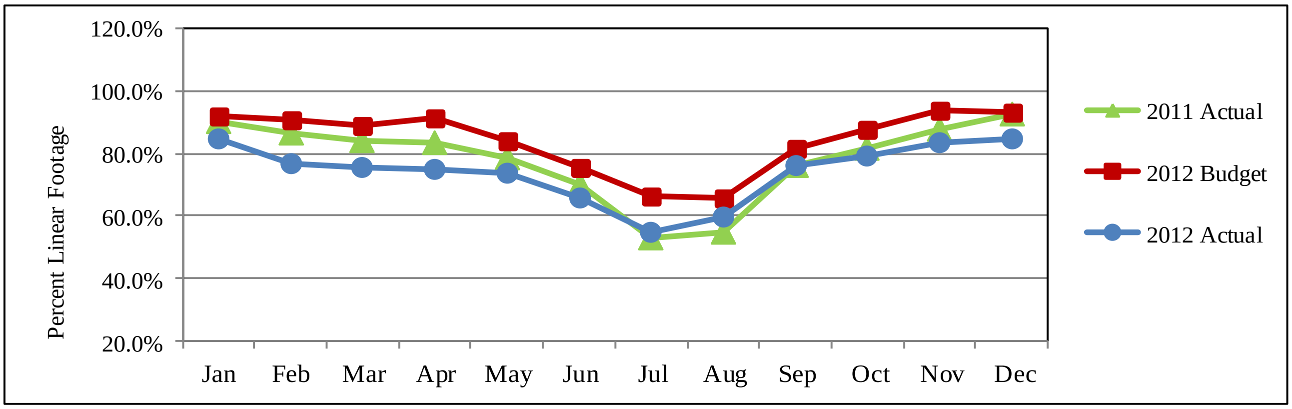
- Real Estate Development and Planning
  - Executed a second development agreement with the City of Des Moines to facilitate development of the Des Moines Creek Business Park site.
  - King County initiated a condemnation action to acquire an interest in the Terminal 91 West Yard site for its CSO project.
- Marine Maintenance
  - Completed 35 deferred maintenance projects in 2012. The program (in terms of number of projects) is 78% complete.
  - Achieved their lowest Occupational Injury Rate ever at 9.87 in 2012 down from 17.97 in 2011.
  - 19% of vendor purchases and personal services were purchased from small business exceeding the 15% target.
  - Continues to support the Port's workforce development goals by providing apprenticeships, internships and representing the Port on related boards and in programs around the community.

B. KEY INDICATORS

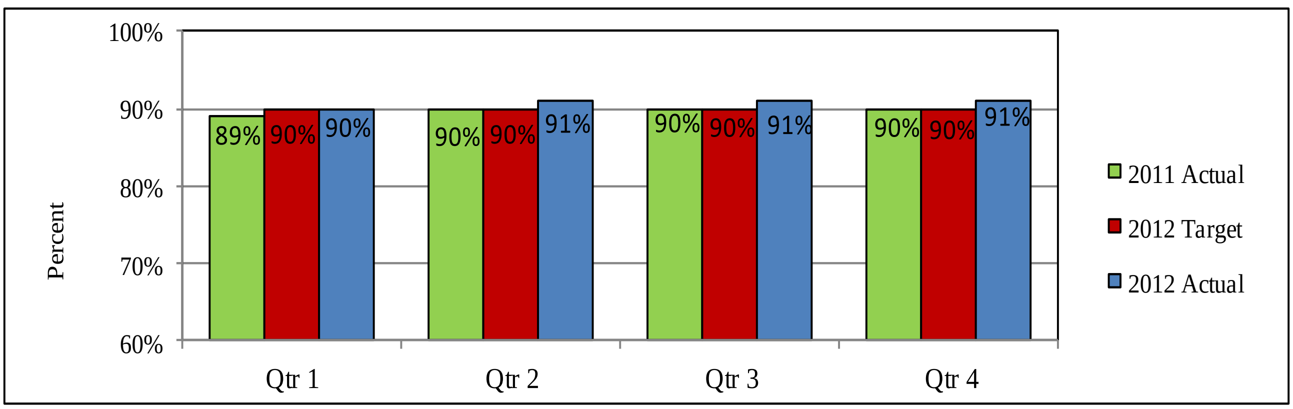
Shilshole Bay Marina Occupancy



Fishermen's Terminal Moorage Occupancy



Commercial Building



Net Operating Income Before Depreciation By Business

$ in 000's	2011 Actual	2012 Actual	2012 Budget	2012 Bud Var $	2012 Bud Var %	Change from 2011 $	Change from 2011 %
Recreational Boating	1,790	1,353	893	460	52%	(436)	-24%
Fishing & Commercial	(2,541)	(3,063)	(3,129)	66	2%	(522)	-21%
Commercial & Third Party	71	(1,307)	(1,066)	(241)	-23%	(1,378)	-1938%
Eastside Rail	(1,952)	(437)	(599)	162	27%	1,514	78%
RE Development & Plan	(551)	(689)	(922)	233	25%	(138)	-25%
Envir Grants/Remed Liab/Oth	(7)	(7)	0	(7)	NA	0	NA
Total Real Estate	(3,189)	(4,149)	(4,823)	674	14%	(960)	-30%

C. OPERATING RESULTS

$ in 000's	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Revenue	22,071	22,456	22,389	67	0%	384	2%
BHICC & WTC Revenue	9,498	8,817	10,012	(1,195)	-12%	(680)	-7%
Total Revenue	**31,569**	**31,273**	**32,401**	**(1,128)**	**-3%**	**(296)**	**-1%**
Real Estate Exp(excl Maint,P69,Conf)	9,759	10,548	9,920	(628)	-6%	789	8%
Real Estate BHICC & WTC	7,600	6,748	7,870	1,122	14%	(852)	-11%
Eastside Rail Corridor	1,585	293	203	(90)	-44%	(1,293)	-82%
Maintenance Expenses	7,192	9,106	9,687	581	6%	1,914	27%
P69 Facilities Expenses	150	198	198	1	0%	48	32%
Seaport Expenses	1,230	1,238	1,408	170	12%	8	1%
CDD Expenses	917	1,083	1,266	183	14%	166	18%
Police Expenses	1,301	1,367	1,442	75	5%	66	5%
Corporate Expenses	5,018	4,835	5,229	395	8%	(183)	-4%
Envir Remed Liability	7	6	0	(6)	NA	(0)	-6%
Total Expense	**34,758**	**35,422**	**37,224**	**1,802**	**5%**	**664**	**2%**
NOI Before Depreciation	**(3,189)**	**(4,149)**	**(4,823)**	**674**	**14%**	**(960)**	**-30%**
Depreciation	10,172	9,835	9,694	(141)	-1%	(336)	-3%
NOI After Depreciation	**(13,361)**	**(13,985)**	**(14,517)**	**532**	**4%**	**(624)**	**-5%**

Total Real Estate revenues were ($1,128K) unfavorable to budget. Key variances are as follows:

Harbor Services: Unfavorable ($128K)
- Recreational Boating unfavorable ($5K) primarily due to a slight occupancy shortfall at Shilshole Bay Marina.
- Fishing and Commercial unfavorable ($123K) primarily due to fewer medium and small fishing boats.

Portfolio Management: Unfavorable ($1,223K)
- Commercial Properties unfavorable ($46K) primarily due to lower occupancy at Terminal 102 Marina Corporate Center and Pier 2 partially offset by higher occupancy at Fishermen’s Terminal Office & Retail than assumed in the Budget.
- Third Party Managed Properties unfavorable ($1,177K):
  - Bell Street International Conference Center and World Trade Center Club unfavorable ($1,195K) due to lower activity ($1,124K) and below budget Membership Revenue ($71K).
  - World Trade Center West on Budget.
  - Bell Street Garage unfavorable ($16K) or within 1% of Budget.

Eastside Rail Corridor: Favorable $67K
- Eastside Rail Corridor favorable $67K due to unbudgeted land rental and licenses to use.

RE Development and Planning: Favorable $72K
- Terminal 91 General Industrial favorable $72K due primarily to higher revenue from Pacific Maritime Association as a result of the tenant taking more yard space.

Facilities Management: Unfavorable ($3K)
- Pier 69 Facilities Management unfavorable ($3K).

Maintenance: Favorable $86K
- Maintenance favorable $86K.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/12

Total Real Estate expenses were $1,802K favorable to budget. Key variances:

- Real Estate Expenses (excluding Maintenance, P69 Facilities, and Conference & Event Activity Expense) were unfavorable ($628K). Major account variances were as follows:
  - Litigated Injuries and Damages unfavorable ($525K) due to unexpected legal claims.
  - Outside Services unfavorable ($73K) primarily due to higher contract watchmen charges related to extra summer help at recreational marinas and higher than budgeted broker commission, tenant improvement, temporary help and Metropolitan Improvement District costs. Unfavorable variances were partly offset by delay, to 2013, of CAD drawing expenses related to Propworks upgrade and due to an underutilized budget for west yard consulting services.
- Real Estate BHICC & WTC favorable $1,122K due to lower activity and cost controls at Bell Harbor International Conference Center and World Trade Center Seattle.
- Eastside Rail Corridor expenses were ($90K) unfavorable due to unanticipated Litigated Injuries and Damages and Surface Water Utility expenses, largely offset by underutilized consulting service costs.
- Maintenance expenses were favorable $581K primarily due to delays, lower cost and/or cancellation of some projects.
- Seaport originated expenses were favorable $170K due to below budget direct charges from Planning, Docks Operations and Seaport Finance.
- CDD costs, direct and allocated were favorable $183K primarily due to lower direct charges and allocations from Central Procurement and Port Construction Services partially offset by above budget expense work done by Seaport Project Management.
- Police costs, direct and allocated were favorable $75K due to below budget spending by the Police for the year-to-date.
- Corporate costs, direct and allocated, were favorable $395K primarily due to Legal $104K, Accounting $95K, ICT $88K, and Human Resources $57K.
- All other variances netted to an unfavorable ($6K).

NOI Before Depreciation was $674K favorable to budget.

- Depreciation was ($141K) or (1%) unfavorable to budget due to allocated depreciation from ICT that was inadvertently not budgeted.

NOI After Depreciation was $532K favorable to budget.

<u>Change from 2011 Actual</u>

Net Operating Income Before Depreciation decreased by ($960K) between 2012 and 2011 as a result of lower revenue and higher expenses.

Revenues decreased by ($296K) primarily due to less activity at Bell Harbor International Conference Center. The decrease was partially offset by higher occupancies at the World Trade Center West and Fishermen's Terminal Office & Retail as well as other Commercial Properties.

Expenses increased by $664K due to higher Marine Maintenance costs $1,914K, due to more work and higher overhead costs as well as due to higher Real Estate Salaries & Benefits $298K and Utilities $97K. Litigation expense related to the Eastside Rail Corridor decreased by ($1,324K) while litigation expenses related to Portfolio Management increased by $418K. In addition, Bell Harbor International Conference Center and World Trade Center Seattle operating expenses and management fees decreased ($852K) due to less activity.

D. CAPITAL SPENDING RESULTS

$ in 000's	2012 Actual	2012 Approved Budget	Budget Variance $	Budget Variance %	2012 Plan of Finance
Small Projects	851	1,908	1,057	55%	815
Tenant Improvements -Capital	113	1,148	1,035	90%	1,148
FT East Portion South Wall	49	760	711	94%	0
Bell Harbor Lighting Ctrl Upgrade	0	633	633	100%	160
RE Maintenance Shop Solution	540	624	84	13%	0
All Other	880	2,221	1,341	60%	8,801
Total Real Estate	2,433	7,294	4,861	67%	10,924

Comments on Key Projects:
The Real Estate Division spent 33% of the Approved Capital Budget.

Projects with significant changes in spending were:

- Small Projects – Delay in start of some projects and movement of others to future years.
- Tenant Improvements Capital – Most new leases and lease renewals have not required capital tenant improvements.
- FT East Portion South Wall – Budget was overestimated.
- Bell Harbor Lighting Upgrade – Project to be executed by Columbia Hospitality under Conference and Event Center Management Agreement.

Changes between the 2012 Plan of Finance and the 2012 Approved Budget represent modifications in 2012 spending estimates made after determination of 2011 actual spending.

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/12

A. BUSINESS EVENTS

- Completed and opened consolidated rental car facility.
- Reached agreement with Alaska Airlines on NorthSTAR project approach and procured program/project management and design consultants to begin project.
- Designed and completed multiple enabling projects for airline realignment in late 2012/early 2013.
- Buy American/America Act Training (12/10 – 12/11/13).
- Participated with reauthorization committee for RCW 39.10 legislation (Alternative Public Works), drafted reauthorization legislation for introduction in 2013.
- Conducted the Emergency Response/Emergency Preparedness Workshop and identified additional efforts to be pursued for Damage Assessment Teams and Recovery.
- Continued Terminal Escalator Project: Thirty-nine out of forty-four units turned over for beneficial occupancy in 2012, nine of which occurred in the fourth quarter of 2012.
- Completed under-dock inspection reports for Terminals 25 and 30 and Pier 66.
- Key Port Construction Services (PCS) projects for the fourth quarter were Zone 2 and Zone 3 abatement for the Delta lobby/ Airline Ticket Office (ATO), Credential Center remodel, FIMS II (Flight Information Management Systems) installation, Airline realignment, Passenger Loading bridge replacement, Common use gate installations, Electrical Ground Support Equipment (EGSE) charging stations, Terminal 91 Project Completion.
- Completed Terminal 18 Pilot Pile Cap Repair Project and Terminal 46 Transformer Project.
- Completed 2009 American Recovery and Reinvestment Act (ARRA) Sonar final grant claim and report.
- Bids received on the Terminal 117 Cleanup project – low bid $10,500,000 and Engineer's estimate is at $16,500,000.
- East Marginal Way Grade Separation (EMWGS) lane configuration agreement reached with Seattle Department of Transportation.
- Pier 66 April Pile Wrap – Army Corps of Engineers Nationwide permit received and no fish window restrictions imposed.
- Selected and successfully negotiated contract with Jacobs Project Management Company for project and program management for North SeaTac Airport Renovations (NorthSTAR) project.
- Completed 2012 portion of 8th floor parking garage waterproofing project.
- Completed Memorandum of Agreement with Sound Transit for extension of light rail to South 200th Street.
- Commission approved design start and project acceleration for Cargo 2 and 6, with planned combined construction with Cargo 5.
- Participated in 2012 Prime Contractor Summit 9/27/2012.
- Provided assistance to Office of Social Responsibility to develop the Port of Seattle Disadvantaged Business Enterprise Program submitted to Federal Aviation Administration (FAA) and approved for the federal fiscal years of 2012, 2013, 2014.
- Initiated a review committee to evaluate purchasing efficiencies and identify areas for possible change.
- Continued participation in Capital Projects Advisory Review Board (CPARB) board and subcommittees.
- Prepared open order bid documents for small works contracts in asbestos abatement, electrical, and striping.
- Final claim for grant reimbursement was finalized and submitted for the Security Round 7 Project.
- Unifier is in production. Monitoring migrated and creation of new projects.
- Commission approved Terminal 5 and Terminal 18 Maintenance Dredging Design and Phase I Construction.
- Terminal 91 Building 136 site has been paved and restored.
- Final construction on the Terminal 91 Water Main Replacement is complete.
- Cleanup Agreed Order for the Terminal 91 Tank Farm Clean-Up Project was signed by Ecology and the Port.
- The City Council passed the final ordinance to vacate streets at Terminal 105.

B. KEY PERFORMANCE METRICS

Key Performance Metrics	2012 YTD	Notes
Construction Soft Costs 36 month rolling average from Q1 2010 thru Q4 2012	($ in 000's) Total Costs $ 478,008 (100%) Total Construction: $ 373,680 (78%) Total Soft: $ 104,328 (22%)	Limit construction soft costs (design, construction management, project management, environmental documentation, allocated overhead) to no more than 25% of total capital improvement costs.
Cost Growth During Construction	Total Completed Projects YTD: 16 Discretionary Change: 4.2% Mandatory Change: -1.6%	Limit average mandatory change cost growth to 5% of construction contract award. Limit average discretionary change cost growth to 5% of construction contract award.
Design Schedule Growth	($ in 000's) Total Completed Projects YTD: 16 Avg Design Growth Completed Proj's: 24.1% Cumulative Value YTD: $21,535	Limit design growth from initial Commission project authorization to construction contract award to no more than 10% of originally allotted duration.
Construction Schedule Growth	($ in 000's) Total Completed Projects YTD: 16 Avg Construction Growth Completed Projects: 32.4% Cumulative Value YTD: $21,535	Limit construction growth from contract award to substantially complete to no more than 10% of originally scheduled.
Performance Evaluation Timeliness	**Q4** / **2012** Total PREPs due: 24 / 207 Total PREPs on time: 0-30 days (CDD): 22 (91.6%) / 119 (57%) 0-60 days (HRD): 24 (100%) / 177 (85.5%)	98% PREPs completed within 30 days of anniversary date.
2012 YTD Procurement Schedule: Total Time Specs – Execution	Goods & Services 125 days Major Public Works 61 days Small Works 50 days Service Agreements 202 days	Average number of days, improving from period to period.
Customer Score Card	#Projects surveyed: 12 AVPMG avg score 89.6% SPMG avg score 88% CDD average score 89.1%	100% of projects surveyed. Average 85% of total possible points on project customer feedback scorecards returned.

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/12

Environmental		**AVP**	**SPM**	**Total**	Incorporate Executive Policy and Procedure 15 (Sustainable Asset Management) and/or LEED process in every project.
	Applicable Projects:	15	4	19	
	Incorp/Pending:	11	4	15	
	Average:	73%	100%	79%	
Safety	CDD Safety Eval:			90%	Score an average of 90 out of a possible 100 points on CDD organizational Safety Program Evaluations. Limit annual contractor workplace injury rates to 6 recordable accidents and 2 time lost accidents per 200,000 hours worked.
	TRIR			1.76	
	LTIR			0	
	OIR			5.15	
Small Business Participation	Small Works:			91.8%	60% of small works contracts; 8% of major construction contracts; 5% of service agreements and 10% of purchases.
	Major Construction:			44.9%	
	Goods & Services			19.6%	
	Overall Average:			35.2%	

C. OPERATING RESULTS

$ in 000's	Notes	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Total Revenues		**79**	**32**	**-**	**32**	**0.0%**	(47)	**-59.1%**
Expenses Before Charges To Cap/Govt/Envrs Propects								
Capital Development Administration		351	362	374	13	3.4%	10	2.9%
Engineering		12,638	12,615	14,217	1,602	11.3%	(23)	-0.2%
Port Construction Services		7,262	7,061	6,791	(270)	-4.0%	(201)	-2.8%
Central Procurement Office		3,852	4,434	4,481	47	1.0%	581	15.1%
Aviation Project Management		6,583	7,264	7,731	468	6.0%	681	10.3%
Seaport Project Management		2,404	2,581	2,987	407	13.6%	177	7.4%
Total Before Charges to Capital Projects		**33,091**	**34,316**	**36,581**	**2,265**	**6.2%**	1,225	**3.7%**
Charges To Capital/Govt/Envrs Projects								
Capital Development Administration		-	-	-	-	0.0%	-	0.0%
Engineering		(9,351)	(8,459)	(9,757)	(1,298)	13.3%	892	-9.5%
Port Construction Services		(4,846)	(3,788)	(3,313)	476	-14.4%	1,058	-21.8%
Central Procurement Office		(1,511)	(1,575)	(1,330)	245	-18.4%	(64)	4.2%
Aviation Project Management		(5,160)	(5,224)	(5,229)	(5)	0.1%	(64)	1.2%
Seaport Project Management		(1,197)	(1,304)	(1,437)	(133)	9.3%	(107)	8.9%
Total Charges to Capital/Govt/Envrs Projects		**(22,065)**	**(20,350)**	**(21,066)**	**(716)**	**3.4%**	1,715	**-7.8%**
Operating & Maintenance Expense								
Capital Development Administration		351	362	374	13	3.4%	10	2.9%
Engineering		3,287	4,156	4,460	304	6.8%	869	26.4%
Port Construction Services		2,416	3,273	3,479	206	5.9%	857	35.5%
Central Procurement Office		2,342	2,859	3,151	291	9.2%	518	22.1%
Aviation Project Management		1,424	2,040	2,502	462	18.5%	616	43.3%
Seaport Project Management		1,207	1,277	1,550	273	17.6%	70	5.8%
Total Expenses		**11,026**	**13,966**	**15,516**	**1,549**	**10.0%**	2,940	**26.7%**

Notes:

Variance Summary and other notes:

- Vacancies: 19= $1.8M Salaries & Benefit savings from unfilled positions.
- AVPMG $462K. Favorable variances in Salaries & Benefits, Equipment (from Bus Maintenance Facility project) offset unfavorable variances in Outside Services (increased workload increased Onsite Consultant expense) and Litigated Injuries and Damages ($250K for Owners Control Insurance Program –OCIP).
- CPO $291K. Favorable variances in Salaries & Benefits, Total Charges to Capital Projects, and Travel offset the $200K unplanned legal costs.
- ENG $304K Favorable variances in Salaries & Benefits (due to changes in project delivery schedules), Equipment (from Software, Computer and Telephone acquisition savings due to change in ICT allocation of expense), Supplies (reduced expense/used current inventory), Outside Services (utilized staff in lieu of consultants), and Travel/Other (trainings/conference budget not utilized due to workload). Charges to Capital less than budgeted due to delayed projects.
- PCS $206K Favorable variances in Outside Services (Rental Agency Companies (RAC)) deactivation scope significantly reduced, plus projects utilized more crew than consultants) and Charges to Capital (more capital work than originally budgeted) offset unfavorable balances in Salaries & Benefits, and Equipment, and Supplies (primarily due to unbudgeted expense projects, i.e., Terminal 18 Pile Cap project). Workers Compensation unfavorable at ($79K).
- SPM $273K Favorable variances in Salary & Benefits, Outside Services (underspent Consultant Services), Travel (training not taken) offset unfavorable variance in Charges to Capital (less Salaries & Benefits to capital than projected).
- CDD Admin $13K Favorable variance in Salaries & Benefits, Supplies and Travel (training and travel not taken).

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 12/31/12

A. BUSINESS EVENTS

- Commission adopted the Century Agenda on 12/4/12 including new Port Mission, Vision, Strategies and Objectives and the Commissioners' Regional Initiatives, as well.
- Incorporated the Century Agenda strategies and objectives into the business plans and annual budgets and completed outreach to over 60 groups reaching about 1000 individuals.
- Commissioners spoke at various forums during an intensive Century Agenda outreach program developed and implemented with Public Affairs.
- Port of Seattle was selected as recipient as one of only 15 employers across the country to receive the 2012 Secretary of Defense Employer Support Freedom Award in Washington, D.C.
- Port of Seattle Internship Program awarded Internship Employer of the Year by Seattle University. This award acknowledged the Port of Seattle's commitment to fostering the next generation of community leaders and provides an avenue for students to apply their academic learning to jobs that may lead to a Port-related career in the maritime or aviation sectors.
- Held the Leadership Conference - "Century Launch" as scheduled on August 13, 2012, with about 135 Port leaders in attendance. Formal and informal feedback on the event has been highly laudatory.
- Produced and published Portfolio video magazine featuring Freedom Award, International Tourism, Shilshole Bay Marina 50th Anniversary and 2012 Cruise Season.
- Launched Social Media program internally with communication of new policy, informational brownbag events, and signup for team and corporate training.
- Sponsored two health fairs with over 30 wellness vendors to educate employees on health consumerism. In addition, onsite flu shots and biometric screening were available – over 450 employees participated in the screenings.
- Launched the Internal Internship Port-wide and recruitment is underway.
- Communicated a Total Rewards philosophy to Port employees and Compass was updated with this focus.
- Completed contract negotiations with Cigna and Washington Dental Services (WDS), the Medical and Dental Claims Administrators.
- Completed Technology Performance and Risk Assessment Audit for the Port of Seattle, which showed the ICT process activities perform favorably when compared to organizations of comparable size and industry-groups.
- Completed the PeopleSoft Financials Upgrade contract negotiations with our implementation partner and kicked off the project in early October. The project is anticipated to span approximately twelve months.
- Upgraded the Property Management System used by the operating divisions to manage approximately 800 leases across all three divisions to the latest version.
- Implementation of a new Fire Department Records Management System was deployed in September. This system replaces several aging and disparate applications lacking features that support current operational process and were not compliant with industry reporting requirements.
- Received the "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association (GFOA) of the United States and Canada.
- Filed the 2013 Port of Seattle Budget with the King County Council on Nov 29, 2012.
- Completed the sole source justification waiver and executed the service agreement with PE SYSTEMS for monitoring the Port's merchant services fees (costs for accepting credit cards).
- Continued to reach out to the community to educate small businesses on contracting opportunities and the Small Contractors and Suppliers Program (SCS).
- Served as the Host Agency for the National Tactical Officers Association's (NTOA) annual conference with over 800 law enforcement attendees from throughout the world. The Department was recognized internationally receiving kudos from NTOA and many agencies.
- Served as the Host Agency for the International Police Chief's Association's International Visitor Program, hosting approximately 20 Kurdish Police Professionals.

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 12/31/12

B. KEY PERFORMANCE METRICS

Key Performance Metrics	YTD 2012	YTD 2011/Notes
A. Be a High Performance Workplace		
1. Employee Training		
a) New Employee Orientation	179 attendees	124 attendees, increased by 55 due to opening of RCF
b) Employee Develop. Classes	215	120, increase by 95
c) REALeadership Program	Presently being reassessed	30, decreased by 30
d) MIS Training	17 MIS classes, 89 users 8 Clarity classes, 62 users	8 MIS classes, 16 users 7 Clarity classes, 64 users
e) Required Safety Training	98%	97%, increased 1%
2. Tuition Reimbursement	25 employees participated	37, decreased by 12
3. Occupational Injury Rate	6.00	6.21, decreased .21
4. Total Lost Work Days	815	1164, decreased 349 days
B. Foster a Strong Partnership with Surrounding Communities		
1. Sustainability Communications	237,238 individuals reached	N/A
2. Targeted Outreach Contacts	920 new contacts	N/A
3. Implement Century Agenda Outreach Campaign	Conducted 60+ Commission-led stakeholder presentations	N/A
4. Small Business Outreach	29	39, decreased by 10
C. Continue to be a Strong Advocate of Social Responsibility		
1. Small Businesses on PRMS	445 registered on new PRMS	N/A
2. Contracts Reviewed for SCS	69	27, increased by 42
3. Airport Job Placements	1088	626, increased by 462
4. Apprenticeship Opportunity Project Placements	125	N/A
5. Numbers of Interns Hired	29	29
6. Community Giving Campaign	161employees donated	74 employees, increased by 87
D. Maintain a Strong Culture of Transparency and Accountability		
1. Internal Audits Completed	21	24, decreased by 3
2. % of Audit Plan Completed	85	88, decreased by 3%
3. Public Disclosure Requests	379	296, increased by 83
4. Vehicle Incidents	79 total/70 preventable	51 total/45 preventable
5. Incurred Auto Liability Costs	$25K	$33K
E. Maintain the Port's Strong Financial Position		
1. Corp. Cost as a % of Total Rev.	14.0%	14.8% (14.6% excluding the AAPA)
2. Corp. Cost as a % of Total Exp.	24.5%	26.7% (26.4% excluding the AAPA)
3. Commission Authorized Projects On Budget/Schedule	100%/30%	95%/50%, increased by 5%/decreased by 20%
4. Account Receivables Collection (0 – 30 days)	$3,121,303	$4,488,296
5. Invoice Due Date vs. Date Paid	4 days	Compared to 3 days (benchmark)
F. Provide Outstanding Support to Divisions		
1. Contract Administration Issues	74	111, decreased by 37
2. Attorney Services	31 litigation and claims	30, increased by 1
3. Labor Contracts Negotiated	27	5, increased by 22
4. Job Openings Created	240	243, decreased by 3
5. Job Applications Received	8,365	12,607, decreased by 4,242
6. Police Customer Service Survey (% Above Average or Excellent)	98%	90%, increased by 8%

C. OPERATING RESULTS

$ in 000's	Notes	2011 Actual	2012 Actual	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Total Revenues		**1,559**	**444**	**151**	**293**	**193.4%**	**(1,115)**	**-71.5%**
Executive		1,487	1,584	1,539	(45)	-2.9%	97	6.5%
Commission		738	799	980	181	18.5%	61	8.3%
Legal		2,975	3,083	2,901	(182)	-6.3%	108	3.6%
Risk Services		2,614	2,648	2,959	312	10.5%	33	1.3%
Health & Safety Services		1,053	1,008	1,060	51	4.8%	(44)	-4.2%
Public Affairs		6,494	5,859	5,815	(44)	-0.8%	(635)	-9.8%
Human Resources & Development		4,921	5,226	5,484	258	4.7%	305	6.2%
Labor Relations		941	1,093	961	(132)	-13.8%	152	16.2%
Information & Communications Technology		19,132	19,480	20,194	714	3.5%	348	1.8%
Finance & Budget		1,435	1,466	1,543	77	5.0%	31	2.2%
Accounting & Financial Reporting Services		5,776	6,053	6,853	800	11.7%	277	4.8%
Internal Audit		1,080	1,333	1,496	163	10.9%	254	23.5%
Office of Social Responsibility		1,349	1,448	1,476	28	1.9%	99	7.4%
Police		21,154	21,684	22,574	890	3.9%	530	2.5%
Contingency		105	367	700	333	47.6%	262	249.7%
Total Expenses		**71,418**	**73,140**	**76,535**	**3,395**	**4.4%**	**1,721**	**2.4%**

Corporate revenues were $293K favorable compared to budget due to higher operating grants.

Corporate expenses for the year-ended 2012 were $73.1 million, $3.4 million or 4.4% favorable compared to the approved budget and $1.7 million or 2.4% higher than the same period a year ago. The $3.4 million favorable variance was primarily due to several vacant positions during the year and other cost savings realized in several departments.

All corporate departments have a favorable variance except for:

- Executive - unfavorable variance of $45K is due to a medical claim for the former CEO.
- Legal - unfavorable variance of $182K is due to unanticipated outside legal and litigation costs.
- Public Affairs - unfavorable variance of $44K is due to higher Outside Services costs than anticipated.
- Labor Relations - unfavorable variance of $132K is due to Project Labor Agreement charging less to capital projects than originally anticipated.

D. CAPITAL SPENDING RESULTS

	($ Millions)
Annual Results:	
2012 Plan of Finance	$12.0
2012 Approved Budget	$11.7
2012 Actuals	$4.2
Variance (App. Budget vs Actuals)	$7.5