

Q2 2013 Performance Report

Port of Seattle

Commission Briefing

July 23, 2013

Q2 Portwide Financial Highlights

- Total Operating Revenues were \$240.0M, \$16.8M below the revised budget mainly due to timing of accruals for aeronautical revenues.
- Total Operating Expenses were \$146.0M, \$14.5M, or 9.1%, below the revised budget.
- Net Income Before Depreciation was \$2.3M, or 2.4%, below the revised budget.
- Net Income After Depreciation was \$1.5 million, or 14.1%, below the revised budget.

Q2 Major Revenue Variances

Major Revenues (<i>in \$ '000</i>)	2012 YTD Actual	2013 YTD Actual	2013 YTD Rvsd Budget	Budget Variance	Change from 2012
Aero Revenues	114,547	104,574	120,009	(15,435)	(9,973)
Seaport Security Grants	1,848	-	173	(173)	(1,848)
Public Parking	25,205	26,055	25,410	645	850
Rental Cars	16,066	14,253	14,518	(265)	(1,813)
Concessions	17,652	18,721	19,293	(572)	1,069
Ground Transportation	3,931	4,012	3,725	286	80
Utilities	3,876	3,225	3,495	(270)	(651)
Container	38,126	31,888	31,369	519	(6,238)
Seaport Industrial Properties	7,756	8,085	8,023	62	329
Grain	3,208	557	1,692	(1,135)	(2,651)
Recreational Boating	4,387	4,530	4,431	99	143
Commercial Properties	4,751	4,859	4,942	(82)	109
Conference & Event Centers	4,225	3,976	4,663	(687)	(249)
Other	18,764	19,893	19,559	335	1,129
Subtotal	142,799	135,668	136,907	(1,239)	(7,131)
TOTAL	259,194	240,242	257,089	(16,848)	(18,952)

- Excluding Aeronautical Revenues and Seaport Security Grants, Other Operating Revenues were \$1.2M lower than the revised budget and \$7.1M lower than Q2 2012.

Q2 Major Expense Variances

Major Expenses (In \$ '000)	2012 YTD Actual	2013 YTD Actual	2013 YTD Rvsd Bud	Rvsd Bud Variance	Change from 2012
Salaries & Benefits	46,024	47,331	50,350	3,018	1,308
Wages & Benefits	43,162	43,757	45,297	1,540	595
Payroll to Capital Projects	9,028	9,662	11,257	1,595	634
Equipment Expense	2,896	2,795	3,093	298	(101)
Supplies & Stock	3,735	2,962	3,382	419	(773)
Outside Services	20,164	24,359	34,451	10,092	4,195
Utilities	11,351	11,288	11,339	51	(63)
Travel & Other Employee Exps	1,963	1,840	3,304	1,464	(123)
Promotional Expenses	395	562	797	235	167
Other Expenses	13,540	15,448	13,606	(1,842)	1,908
Charges to Capital Projects	(13,743)	(13,987)	(16,328)	(2,341)	(244)
TOTAL	138,514	146,016	160,547	14,531	7,503

- Operating Expenses were \$14.5M lower than the revised budget mainly due to vacant positions, timing of spending, and some actual savings.
- Operating Expenses were \$7.5M higher than Q2 2012 mainly due to terminal realignment expense, higher payroll and environmental remediation expense.

Portwide Operating Summary

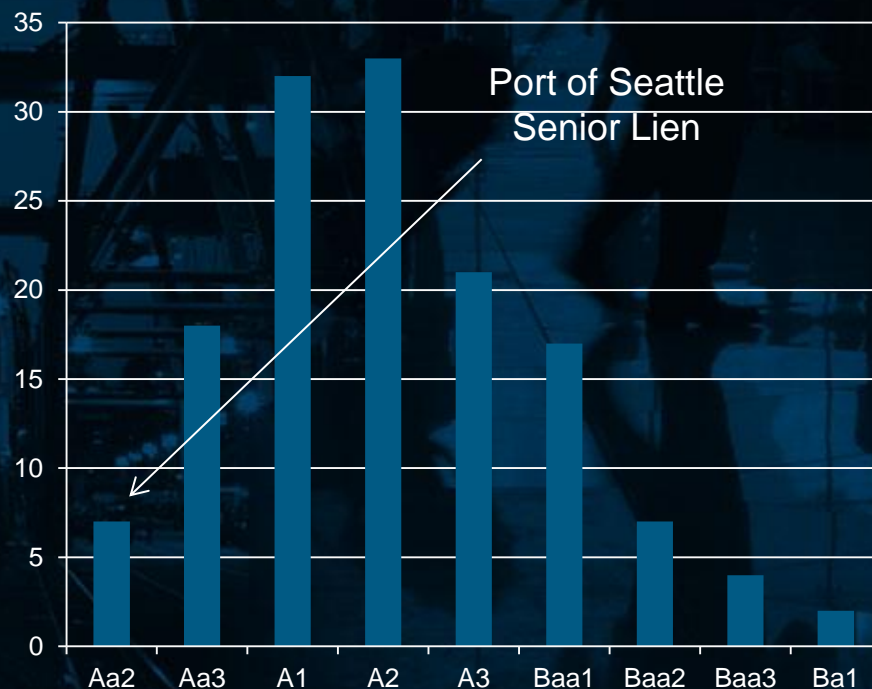
	2012 YTD Actual	2013 Year-to-Date Revised		YTD Bud Var		Year-End Projections			
		Actual	Budget	\$	%	Approved Budget	Revised Budget	Forecast	Rvsd Bud Var
\$ in 000's									
Aeronautical Revenues	114,547	104,574	120,009	(15,435)	-12.9%	249,799	245,623	248,549	2,926
Other Operating Revenues	144,647	135,668	137,080	(1,413)	-1.0%	300,780	290,010	285,333	(4,677)
Total Operating Revenues	259,194	240,242	257,089	(16,848)	-6.6%	550,579	535,633	533,882	(1,751)
Total Operating Expenses	138,514	146,016	160,547	14,531	9.1%	328,912	323,943	323,880	63
NOI before Depreciation	120,680	94,225	96,542	(2,317)	-2.4%	221,667	211,690	210,002	(1,688)
Depreciation	80,829	85,187	86,016	829	1.0%	171,510	171,510	171,510	0
NOI after Depreciation	39,851	9,038	10,526	(1,488)	-14.1%	50,157	40,180	38,492	(1,688)

- Excluding Aeronautical Revenues, Other Operating Revenues for Q2 were \$1.4M below the revised budget mainly due to lower revenues from Grain, Conference & Event Centers, and Concessions.
- Operating Expenses for Q2 were \$14.5M lower than the revised budget due to vacant positions and delay hiring, savings of outside contracted services, and timing of spending.
- Excluding Aeronautical Revenues, Other Operating Revenues are forecasted to be \$4.7M below the revised budget mainly due to lower revenues from Grain revenue and Conference & Event Centers.
- Total Operating Expenses are forecasted to be \$63K below the revised budget due to savings from all divisions, largely offset by \$4.9M unbudgeted Lora Lake environmental remediation expense.

Moody's Ratings Outlook Change

- Moody's recently affirmed the Port's revenue bond ratings, but revised the 1-2 year outlook from stable to negative
- Reasons cited were Seaport competitive pressures and prolonged airline lease negotiations
- The Port's Aa2 Senior Lien bond rating is among the highest of all ports and airports nationwide

US Ports & Airports by Moody's Rating Category



Corporate Q2 2013 Performance Report

Commission Briefing

July 23, 2013

Q2 Key Business Events

- Held Delta Airlines Seattle to Shanghai inaugural ceremony.
- Welcomed new joint service of United Arab Shipping and China Shipping Container Lines.
- Sponsored Export and Tourism Roundtable Forums and joint Commission meetings in Eastern Washington.
- Extended the music initiative live performances at the Airport.
- Launched the Cigna Wellness and Care Allies Rewards program with 97% completion of the Health Assessment.
- Issued the 2013 Special Facility Revenue Refunding Bonds in the amount of \$88,660,000.
- Participated in the American Lung Association's Breathe Easy Awards Breakfast and also received the American Lung Association Award.
- Received the Distinguished Budget Presentation Award from GFOA.

	2012 YTD	2013 Year-to-Date		YTD Bud Var		Year-End Projections			
	Actual	Actual	Revised Budget	\$	%	Approved Budget	Revised Budget	Forecast	Rvsd Bud Var
\$ in 000's									
Total Revenues	165	123	77	45	58.6%	155	155	190	35
Executive	718	793	946	153	16.1%	1,552	1,806	1,806	-
Commission	425	448	704	255	36.3%	1,483	1,445	1,297	147
Legal	1,381	1,596	1,471	(125)	-8.5%	3,012	3,012	3,389	(378)
Risk Services	1,225	1,393	1,566	174	11.1%	3,186	3,166	3,100	66
Health & Safety Services	486	507	555	47	8.5%	1,138	1,118	1,106	11
Public Affairs	2,709	2,629	3,141	513	16.3%	5,946	5,946	5,817	129
Human Resources & Development	2,402	2,461	2,721	260	9.6%	5,468	5,425	5,325	100
Labor Relations	492	559	578	19	3.3%	1,198	1,153	1,135	19
Information & Communications Technology	9,359	9,223	10,194	971	9.5%	20,805	20,505	20,205	300
Finance & Budget	737	743	801	58	7.3%	1,877	1,777	1,568	210
Accounting & Financial Reporting Services	3,111	2,869	3,435	566	16.5%	7,055	6,835	6,413	422
Internal Audit	564	586	707	121	17.1%	1,361	1,361	1,340	21
Office of Social Responsibility	679	791	874	83	9.4%	1,702	1,702	1,682	20
Police	10,418	10,544	11,180	636	5.7%	22,574	22,318	22,016	302
Contingency	53	60	-	(60)	0.0%	450	450	450	-
Total Expenses	34,760	35,203	38,873	3,670	9.4%	78,807	78,019	76,650	1,369

Capital Development Division

Q2 2013 Performance Report

Commission Briefing

July 23, 2013

CDD Q2 Key Business Events

- Completed construction of utility relocation for Sound Transit South Link extension.
- Completed construction of all new and replacement escalators in 44 escalator project.
- Completed airline realignment pre-move construction.
- Completed 30% design of centralized baggage screening system for Transportation Security Administration (TSA).
- Worked with Office of Social Responsibility (OSR) to revise Contractor Data System (CDS) to report on subconsultant payments. OSR is inputting data from consultants.
- RCW 39.10 reauthorization approved by legislature and signed by Governor.
- Technical support for Transportation Investment Generating Economic Recovery (TIGER) Grant Application for Terminal 46 Improvements.
- Notice To Proceed (NTP) issued in May for the Pier 69 Corrosion Control project.

CDD Gross Operating Results

	2012 YTD	2013 Year-to-Date		YTD Bud Var		Year-End Projections			
	Actual	Actual	Revised Budget	\$	%	Approved Budget	Revised Budget	Rvsd Forecast	Rvsd Bud Var
\$ in 000's									
Total Revenues	12	22	-	22	0.0%	-	-	-	-
<u>Expenses Before Charges To Cap/Govt/Envrs Projects</u>									
Capital Development Administration	181	186	191	5	2.8%	382	378	378	-
Engineering	6,119	6,362	7,412	1,050	14.2%	14,904	14,853	13,833	1,020
Port Construction Services	3,216	3,301	3,327	25	0.8%	6,618	6,591	7,207	(616)
Central Procurement Office	2,292	2,197	2,249	52	2.3%	4,532	4,510	4,533	(23)
Aviation Project Management	4,456	3,681	4,368	686	15.7%	8,710	8,679	8,679	-
Seaport Project Management	1,073	1,161	1,963	802	40.9%	3,841	3,813	3,610	203
Total Before Charges to Capital Projects	17,338	16,887	19,508	2,621	13.4%	38,988	38,823	38,239	584

The background of the slide is a dark blue, semi-transparent image of an airport terminal. It shows silhouettes of people walking, a person talking on a mobile phone, and the structural elements of a large building, possibly a terminal or control tower. The overall tone is professional and industrial.

Aviation Division

Q2 2013 Performance Report

Commission Briefing

July 23, 2013

Q2 Financial Performance

\$ in 000's	2012 YTD	2013 YTD	2013 YTD	RevBud Var		Change from 2012	
	Actual	Actual	RevBud	\$	%	\$	%
Aeronautical Revenues	114,547	104,574	120,009	(15,435)	-12.9%	(9,973)	-8.7%
Non-Aeronautical Revenues	72,357	72,369	72,382	(13)	0.0%	12	0.0%
Total Operating Revenues	186,903	176,943	192,391	(15,448)	-8.0%	(9,961)	-5.3%
Expenses:							
Operating Expenses	66,404	67,016	75,065	8,049	10.7%	612	0.9%
Environmental Remediation Liability	1,914	5,176	2,308	(2,868)	-124.3%	3,262	170.4%
Airline Realignment	2,733	6,841	8,034	1,194	14.9%	4,108	150.3%
Baseline Airport Expenses	71,051	79,032	85,407	6,375	7.5%	7,981	11.2%
Corporate/CDD	29,394	29,533	32,197	2,663	8.3%	140	0.5%
Total Airport Expenses	100,445	108,566	117,604	9,038	7.7%	8,121	8.1%
NOI	86,458	68,377	74,787	(6,411)	-8.6%	(18,082)	-20.9%
Capital Spending	46,180	45,600	76,300	30,700	40.2%	(580)	-1.3%
Enplaned Passengers	7,844	8,164	7,970	195	2.4%	321	4.1%

- Aeronautical revenues are lower than revised budget due to landing fees and terminal space rents based on 2012 carryover rates, which are less than 2013 recoverable costs.
- Vacant positions and payroll savings of \$2.6 million.
- Delays in expenditures of contracted services \$4.7 million:
 - Sustainability aviation master plan
 - Concession master plan
 - Escalator and elevator services
- Unbudgeted Lora Lake environmental remediation liability of \$4.9 million recognized in 2nd quarter.
- Airline realignment savings of \$1.2 million.

YE Financial Performance

\$ in 000's	2012	2013	2013	2013	RevBud Var		Change from 2012	
	Actual	Forecast	Revised Budget	Approved Budget	\$	%	\$	%
Aeronautical Revenues	233,000	248,549	245,623	249,799	2,926	1.2%	15,549	6.7%
Non-Aeronautical Revenues	153,022	156,972	156,563	157,826	409	0.3%	3,950	2.6%
Total Operating Revenues	386,023	405,521	402,186	407,625	3,336	0.8%	19,499	5.1%
Expenses:								
Operating Expenses	144,880	152,660	152,819	155,607	159	0.1%	7,780	5.4%
Environmental Remediation Liability	5,321	9,471	4,615	4,615	(4,856)	-105.2%	4,150	78.0%
Airline Realignment	5,802	14,311	16,069	16,069	1,758	10.9%	8,509	146.6%
Baseline Airport Expenses	156,004	176,442	173,503	176,291	(2,938)	-1.7%	20,438	13.1%
Corporate/CDD	60,562	63,170	64,343	65,411	1,173	1.8%	2,608	4.3%
Total Airport Expenses	216,565	239,612	237,846	241,702	(1,766)	-0.7%	23,047	10.6%
NOI	169,458	165,910	164,340	165,923	1,570	1.0%	(3,548)	-2.1%
Capital Spending	100,305	152,600	174,651	174,651	22,051	12.6%	52,295	52.1%
Key Indicators								
Enplaned Passengers (000s)	16,597	17,294	17,017	17,017	278	1.6%	697	4.2%
CPE (\$)	13.23	13.59	13.65	13.80	0.05	0.4%	0.36	2.7%
Debt Service Coverage	1.40	1.34	1.33	1.35	0.01	0.8%	(0.06)	-4.3%
Non-Aero NOI less CFC Surplus (\$000)	79,787	74,937	72,915	74,810	2,022	2.8%	(4,850)	-6.1%

- Forecast and revised budget assumes airline rates and charges based on a resolution.
- Variable rate debt and debt related fee savings lowers aeronautical costs and revenues by \$913.8K.
- Unbudgeted Lora Lake environmental remediation liability of \$4.9 million recognized in 2nd quarter.
- Airline realignment savings of \$1.7 million.
- Corporate/CDD/Police savings of \$1.2 million.

The background of the slide is a dark blue, semi-transparent image of a port terminal. It shows the silhouettes of large gantry cranes, a ship's hull, and several people walking in the foreground. The overall scene is industrial and active.

Seaport Division

Q2 2013 Performance Report

Commission Briefing

July 23, 2013

- Business Volume
 - TEU Volume was 790K, down 22% from Q2 YTD 2012.
 - Grain volume was at 258K metric tons, down 91% from 2012 YTD and 83% under 2013 YTD budget.
 - Cruise season commenced on May 1st. Early season occupancy has averaged 104%.
- Net Operating Income Full Year Forecast
 - Revenue (\$3,629K) unfavorable to budget.
 - Expenses \$569K favorable to budget.
 - Net Operating Income (\$3,060K) unfavorable to budget.
- United Arab Shipping Company commenced calls in June.
- Asset Condition Assessments 100% complete.
- Truck Radio Frequency Identification program underway.

Seaport Financial Summary

	2012 YTD	2013 Year-to-Date		YTD Rvsd Bud Var		Year-End Projections			
		Actual	Revised Actual	Budget	\$	%	Approved Budget	Revised Budget	Forecast
\$ in 000's									
Operating Revenue	55,114	47,943	48,601	(658)	-1%	110,110	100,603	97,147	(3,456)
Security Grants	1,848	0	173	(173)	-100%	173	173	0	(173)
Total Revenues	56,962	47,943	48,774	(831)	-2%	110,283	100,777	97,147	(3,629)
Seaport Expenses (excl env srvs)	6,238	6,958	7,496	538	7%	15,385	14,971	14,771	200
Environmental Services	874	959	1,169	209	18%	2,675	2,675	2,675	0
Maintenance Expenses	2,759	3,104	3,092	(13)	0%	6,360	6,076	6,076	0
P69 Facilities Expenses	272	251	263	11	4%	526	526	526	0
Other RE Expenses	145	138	185	47	25%	353	353	353	0
CDD Expenses	1,969	1,792	1,792	(0)	0%	3,530	3,475	3,475	0
Police Expenses	1,900	1,973	2,115	142	7%	4,271	4,223	4,141	82
Corporate Expenses	5,494	5,432	6,282	850	14%	12,773	12,678	12,391	287
Security Grant Expense	1,833	18	0	(18)	NA	0	0	0	0
Envir Remed Liability	32	(76)	585	661	113%	1,170	1,170	1,170	0
Total Expenses	21,514	20,551	22,978	2,427	11%	47,043	46,147	45,578	569
Net Operating Income	35,447	27,392	25,796	1,596	6%	63,240	54,630	51,569	(3,060)

Forecasted Revenue Variance:

- Grain Revenue: (\$2.6 million) volume is currently forecasted to come in 52% below budget.
- T-18 Crane Rent: (\$1.6 million) due to no minimum payment required for MHI cranes if full year volume falls below 250K lifts. Tenant has indicated lifts will be below that level.
- T-5 Crane Rent and Intermodal Revenue: \$.7 million favorable due to more usage than budgeted.

Real Estate Division

Q2 2013 Performance Report

Commission Briefing

July 23, 2013

- Full Year Net Operating Income forecasted to meet budget.
- Occupancy Rates/Activity
 - Commercial property at 91% occupancy, slightly below target of 92% but above 2013 Q2 Seattle market average of 89%.
 - Marinas: Fishermen's Terminal and Maritime Industrial Center at 77% YTD average occupancy, slightly below target of 78%. Recreational marinas at 96%, above target of 92%.
 - Conference and Event Center activity below budget due to significant new competitive challenges.
- Fishermen's Terminal Net Shed Compliance Improvements project authorized by Commission.
- Executed a purchase and sale agreement with King County and City of Seattle to sell Terminal 91 West Yard.
- Developer selected for Des Moines Creek Business Park.

	2012 YTD	2013 Year-to-Date		YTD Bud Var		Year-End Projections			
		Actual	Actual	Revised Budget	\$	%	Approved Budget	Revised Budget	Forecast
\$ in 000's									
Revenue	10,937	11,250	11,184	66	1%	22,776	22,776	22,819	43
Conf & Event Ctr Revenue	4,225	3,976	4,663	(687)	-15%	9,740	9,740	8,205	(1,535)
Total Revenue	15,163	15,226	15,847	(621)	-4%	32,516	32,516	31,024	(1,492)
Real Estate Exp(excl Conf, Maint,P69)	4,929	5,102	5,789	687	12%	11,300	11,300	11,108	192
Conf & Event Ctr Expense	3,356	3,368	3,688	320	9%	7,642	7,642	6,502	1,140
Eastside Rail Corridor	189	44	89	44	50%	177	177	177	0
Maintenance Expenses	3,356	3,643	4,706	1,063	23%	9,630	9,535	9,435	100
P69 Facilities Expenses	101	85	89	4	5%	178	178	178	0
Seaport Expenses	557	578	590	12	2%	1,268	1,268	1,268	0
CDD Expenses	501	512	1,097	585	53%	2,148	2,131	2,131	0
Police Expenses	658	653	700	47	7%	1,412	1,396	1,376	20
Corporate Expenses	2,246	2,382	2,535	153	6%	5,166	5,117	5,077	40
Envir Remed Liability	97	(2)	40	42	104%	80	80	80	0
Total Expense	15,991	16,365	19,322	2,957	15%	39,002	38,824	37,332	1,492
Net Operating Income	(828)	(1,138)	(3,475)	2,336	67%	(6,486)	(6,308)	(6,308)	0