ITEM NO: 7b_Attach_1

DATE OF MEETING: May 13, 2014

PORT OF SEATTLE

2014 FINANCIAL & PERFORMANCE REPORT

AS OF MARCH 31, 2014

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EXECUTIVE SUMMARY

Financial Summary

The Port's total operating revenues for the first three months of 2014 were $120.7 million, $1.4 million below budget. Excluding Aeronautical revenues, which are based on cost recovery, other operating revenues were $65.8 million, $278 thousand higher than budget primarily due to higher revenues from Public Parking, Ground Transportation, and Grain; partially offset by lower revenues from Rental Cars, Container, and Conference & Event Centers. Total operating expenses were $67.4 million, $7.0 million below budget mainly due to delayed hiring and vacant positions, delays and savings of outside contracted services, and other actual budget savings. Operating income before depreciation was $53.3 million, $5.5 million above budget. Operating income after depreciation was $11.1 million, $5.4 million higher than budget. The Port-wide capital spending is forecasted to be $263.8 million for the year, $35.4 million below the budgeted $299.2 million.

Operating Summary

At the Airport, enplanements for the first quarter were 3.3% higher and landed weight was 5.7% higher than the same period in 2013. International enplaned passengers attained greater growth (5.4%) than domestic enplanements (3.1%). International cargo metric tons are up 36% over Q1 2013, boosted by increased belly cargo as well as the new Asiana cargo service. For the Seaport division, TEU volume was down 13.8% from March year-to-date 2013 and Grain volume was at 1.0 million metric tons, 92% above budget. For the Real Estate division, occupancy levels at Commercial Properties were at 90%, below the target of 92% but higher than Seattle market average of 88%. Fishermen's Terminal and Maritime Industrial Center were at 85% occupancy, above target of 82%. Recreational Marinas was at 95% occupancy, on target.

Key Business Events

We expanded the Live Music program at the Airport and began recruitment of the 13th class of veteran fellows. Pacific International Line (PIL) began calling the Port of Seattle in March. The Federal Maritime Commission approved the discussion agreement filed by the Ports of Seattle and Tacoma. We also collaborated with the Port of Tacoma for the Economic Impact Study contract. Des Moines City Council approved a revised second development agreement in February for the Des Moines Creek Business Park project. Commission authorized the sale of approximately 12 mile section of the corridor to Snohomish County. Sale is scheduled to close in 2014. Port is in discussions to sell last remaining, approximately 3 mile section, to the City of Woodinville. Finally, the Port received a clean, unqualified independent Certified Public Accountant (CPA) audit opinion on the Port's 2013 financial statements from the CPA firm, Moss Adams.

Major Capital Projects

Key active projects in the first quarter included NorthSTAR, International Arrival Facility, Checked Baggage Recap/Optimization, Aircraft RON Parking USPS Site, EGSE Charging Stations, Gate S16 Passenger Loading Bridge, Noise Remedy Program, Terminal 46 Development, and Fishermen's Terminal Net Shed Renovation. The Terminal 5 Maintenance Dredging Project was substantially completed and Beneficial Occupancy was issued for the Pier 69 Corrosion Control Project. We also completed several ICT capital projects in the first quarter, including Access Control Network Upgrade, Learning Management System (LMS), and Asbestos Information Management System (AIMS). Additionally, we made progress on the ID Badge System Replacement, Radio System Upgrade, and Network Switch Replacement projects. Finally, we gained Agency Approval for General Contractor/Construction Manager (GC/CM) and Design-Build (DB) valid for 3 years.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 03/31/14

INCOME STATEMENT

Report: Income Statement
As of Date: 2014-03-31

	2013 YTD	2014 Year-to-Date		Fav (UnFav) Bud Variance		Incr (Decr) Change from 2013	
$ in 000's	Actual	Actual	Budget	$	%	$	%
Revenues:							
Aviation	82,839	91,574	92,763	(1,189)	-1.3%	8,734	10.5%
Seaport	21,196	21,727	21,883	(156)	-0.7%	531	2.5%
Real Estate	7,650	7,330	7,480	(150)	-2.0%	(320)	-4.2%
Capital Development	5	12	-	12	0.0%	7	151.9%
Corporate	68	83	39	44	114.8%	15	22.2%
Total Revenues	**111,757**	**120,725**	**122,164**	**(1,439)**	**-1.2%**	**8,968**	**8.0%**
Operating & Maintenance:							
Aviation	33,900	35,884	37,355	1,472	3.9%	1,984	5.9%
Seaport	3,738	2,615	5,125	2,510	49.0%	(1,124)	-30.1%
Real Estate	8,082	8,027	8,742	715	8.2%	(55)	-0.7%
Capital Development	3,034	3,217	3,439	222	6.5%	183	6.0%
Corporate	16,583	17,695	19,731	2,035	10.3%	1,112	6.7%
Total O&M Costs	**65,337**	**67,437**	**74,392**	**6,955**	**9.3%**	**2,100**	**3.2%**
Operating Income Before Depreciation	**46,420**	**53,288**	**47,772**	**5,515**	**11.5%**	**6,867**	**14.8%**
Depreciation	42,654	42,159	42,007	(151)	-0.4%	(496)	-1.2%
Operating Income after Depreciation	**3,766**	**11,129**	**5,765**	**5,364**	**93.0%**	**7,363**	**195.5%**

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 03/31/14

KEY PERFORMANCE METRICS

	2013 YTD Actual	2014 YTD Actual	2013 Actual	2014 Forecast	2014 Budget	Fav (UnFav) Forecast/Budget Chg.	Fav (UnFav) Forecast/Budget %	Incr (Decr) Change from 2013 Chg.	Incr (Decr) Change from 2013 %
Enplanements (in 000's)	3,735	3,859	17,376	17,813	17,813	-	0.0%	437	2.5%
Landed Weight (lbs. in 000's)	4,480	4,736	20,949	20,802	20,802	-	0.0%	(147)	-0.7%
Passenger CPE (in $)	n/a	n/a	11.88	12.57	12.68	0.11	0.9%	0.7	5.8%
Container Volume (TEU's in 000's)	389	335	1,593	1,440	1,600	(160)	-10.0%	(153)	-9.6%
Grain Volume (metric tons in 000's)	258	1,000	1,351	2,700	2,200	500	22.7%	1,349	99.8%
Cruise Passenger (in 000's)	1	n/a	871	805	805	-	0.0%	(66)	-7.6%
Commercial Property Occupancy	91%	90%	91%	92%	92%	0%	0.0%	1.0%	1.1%
Shilshole Bay Marina Occupancy	94.9%	95.0%	96.5%	96.4%	96.4%	0.0%	0.0%	-0.1%	-0.1%
Fishermen's Terminal Occupancy	80.4%	86.7%	79.1%	79.1%	78.1%	1.1%	1.3%	0.0%	0.0%

CAPITAL SPENDING RESULTS

$ in 000's	2014 YTD Actual	2014 Forecast	2014 Budget	Budget Variance $	Budget Variance %
Aviation	26,309	208,392	237,320	28,928	12.2%
Seaport	1,652	22,521	27,858	5,337	19.2%
Real Estate	1,308	17,581	18,101	520	2.9%
Corporate & CDD	1,458	15,321	15,955	634	4.0%
TOTAL	30,727	263,815	299,234	35,419	11.8%

PORTWIDE INVESTMENT PORTFOLIO

The investment portfolio for first quarter of 2014 earned 0.99% against our benchmark (The Bank of America Merrill Lynch 3-year Treasury/Agency Index) of 0.45%. For the past twelve months the portfolio has earned 0.74% against the benchmark of 0.40%. Since the Port became its own Treasurer in 2002, the Port's portfolio life-to-date has earned 2.93% against our benchmark of 2.05%.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/14

FINANCIAL SUMMARY

$ in 000's	2013 Actual	2014 Forecast	2014 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2013 $	Incr (Decr) Change from 2013 %
Operating Revenues:							
Aeronautical Revenues	238,633	239,381	241,443	(2,063)	-0.9%	748	0.3%
SLOA III Incentive Straight Line Adj (1)	14,304	(3,576)	(3,576)	-		(17,880)	-125.0%
Non-Aeronautical Revenues	161,075	168,153	166,453	1,700	1.0%	7,078	4.4%
Total Operating Revenues	**414,011**	**403,957**	**404,320**	**(363)**	**-0.1%**	**(10,054)**	**-2.4%**
Total Operating Expense	225,920	237,859	238,983	1,124	0.5%	11,939	5.3%
Net Operating Income	**188,092**	**166,098**	**165,337**	**761**	**0.5%**	**(21,994)**	**-11.7%**
Net Non-Operating items paid from ADF (2)	(3,663)	(2,862)	(2,292)	(570)	24.9%	802	-21.9%
SLOA III Incentive Straight Line Adj (1)	(14,304)	3,576	3,576	-	0.0%	17,880	-125.0%
Debt Service	(127,831)	(127,728)	(128,738)	1,010	-0.8%	103	-0.1%
Net Cash Flow	**42,294**	**39,084**	**37,883**	**1,201**	**3.2%**	**(3,210)**	**-7.6%**

Notes:

(1) For Accounting purposes, the 2013 reduction in the airline revenue requirement of $17.9 million was treated as a lease incentive and is being amortized over five years.

(2) Per SLOA III definition of Net Revenues

A. BUSINESS EVENTS

- Airport is benefitting from a strengthening economy and robust airline competition.
- Delta's seat capacity in Q1 2014 is up 21% over Q1 2013, much of it domestic to feed its growing international service. Delta is adding new international service to London, Seoul and Hong Kong in 2014.
- Alaska has also added seat capacity, growing 2.7% over Q1 2013. Alaska accounted for 55.7% of total passengers in Q1 2014.
- Unplanned costs to complete the airlines realignment project are continuing in 2014.
- International cargo metric tons are up 36% over Q1 2013, boosted by increased belly cargo as well as the new Asiana cargo service.

B. KEY PERFORMANCE METRICS

	YTD 2013	YTD 2014	% Change
Enplaned Passengers (000's)			
Domestic	3,348,542	3,451,734	3.1%
International	386,510	407,242	5.4%
Total	3,735,052	3,858,976	3.3%
Operations	69,393	72,832	5.0%
Landed Weight (million lbs.)			
Cargo	293,505	375,394	27.9%
All other	4,186,349	4,360,735	4.2%
Total	4,479,854	4,736,129	5.7%
Cargo - metric tons			
Domestic freight	37,688	35,497	-5.8%
International freight	16,375	22,287	36.1%
Mail	11,598	12,241	5.5%
Total	65,661	70,025	6.6%

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/14

Key Performance Measures

$ in 000's	2013 Actual	2014 Forecast	2014 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2013 $	Incr (Decr) Change from 2013 %
Key Measures							
Enplaned Passengers (in 000's)	17,376	17,813	17,813	0	0.0%	437	2.5%
CPE after Revenue Sharing ($)	11.88	12.57	12.68	0.11	0.9%	0.69	5.8%
Debt Service Coverage (before Revenue Sharing)	1.40	1.36	1.35	0.02	1.2%	(0.04)	-3.1%
Debt Service Coverage (after Revenue Sharing)	1.33	1.31	1.30	0.01	0.6%	(0.02)	-1.6%
Days cash on hand (10 months = 304 days)	437	379	309	70	22.5%	(58)	-13.3%
Debt per enplaned passenger	141	142	142	0	0.0%	1	0.8%

C. OPERATING RESULTS

Division Summary

$ in 000's	2013 YTD Actual	2014 Year-to-Date Actual	2014 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year-End Projection Budget	Year-End Projection Forecast	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %
Operating Revenues:									
Aeronautical Revenues	50,173	54,920	57,531	(2,611)	-4.5%	241,443	239,381	(2,063)	-0.9%
SLOA III Incentive Straight Line Adj (3)	-	-	(894)	894		(3,576)	(3,576)	-	0.0%
Non-Aeronautical Revenues	32,666	36,658	36,126	532	1.5%	166,453	168,153	1,700	1.0%
Total Operating Revenues	**82,839**	**91,578**	**92,763**	**(1,185)**	**-1.3%**	**404,320**	**403,957**	**(363)**	**-0.1%**
Operating Expenses:									
Payroll	22,020	22,903	24,733	1,830	7.4%	100,399	98,341	2,058	2.0%
Outside Services	5,109	5,651	5,696	45	0.8%	31,603	32,643	(1,040)	-3.3%
Utilities	3,495	4,332	3,797	(535)	-14.1%	13,650	13,406	243	1.8%
Other Airport Expenses	2,203	2,892	3,058	166	5.4%	15,838	16,376	(538)	-3.4%
Baseline Airport Expenses (2)	**32,827**	**35,778**	**37,284**	**1,506**	**4.0%**	**161,490**	**160,766**	**724**	**0.4%**
Airline Realignment (1)	1,306	225	49	(176)	-355.8%	-	750	(750)	n/a
Environmental Remediation Liability	-	-	-	-	n/a	2,356	2,356	-	0.0%
Total Airport Expenses (1)	**34,133**	**36,003**	**37,334**	**1,330**	**3.6%**	**163,846**	**163,872**	**(26)**	**0.0%**
Corporate (2)	7,649	9,246	10,503	1,256	12.0%	43,140	42,761	379	0.9%
Police Costs	3,751	3,999	4,094	95	2.3%	16,982	16,982	-	0.0%
Capital Development/Other Expenses (2)	2,170	2,655	2,878	223	7.7%	15,015	14,244	771	5.1%
Total Operating Expense	**47,702**	**51,903**	**54,808**	**2,905**	**5.3%**	**238,983**	**237,859**	**1,124**	**0.5%**
Net Operating Income	**35,137**	**39,675**	**37,955**	**1,719**	**4.5%**	**165,337**	**166,098**	**761**	**0.5%**
Net Non-Operating items paid from ADF (4)						(2,292)	(2,862)	(570)	-24.9%
SLOA III Incentive Straight Line Adj						3,576	3,576	-	0.0%
Debt Service (5)						(128,738)	(127,728)	1,010	0.8%
Net Cash Flow						**37,883**	**39,084**	**1,201**	**3.2%**

Notes:
(1) Includes Airline Realignment costs incurred by other Divisions
(2) Reduced by Airline Realignment costs shown separately
(3) For Accounting purposes, the 2013 reduction in the airline revenue requirement of $17.9 million was treated as a lease incentive and is being amortized over five years.
(4) Per SLOA III definition of Net Revenues
(5) Lower debt service due to bond refunding in late 2013

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/14

Operating Revenues Budget Variance – YTD:

- Aeronautical revenue is $2.6M lower than budget primarily due to timing assumptions in the 2014 Budget, which were based on historical trend information that predated SLOA III.
- Non-Aero revenue is $532K higher than budget – primarily due to increased public parking ($950K), partially offset by lower than anticipated rental car revenue ($502K).

Operating Revenues Year Over Year Changes – YTD:

- Aeronautical revenue is $4.7M higher than prior year due to SLOA III billings in current year that are not directly comparable to SLOA II carry-over billing in Q1 2013.
- Non-Aero revenue is $4.0M higher than Q1 2013 primarily due to higher revenue from rental car activity ($1.3M), public parking ($1.1M), and concessions ($1.0M).

Operating Expenses

- YTD Operating expenses are lower than budget by $2.9 million due to the following:

Positive Variance of $3.6M		Negative Variance of $0.7M	
Payroll vacancies	$2.0M	Utilities	$0.5M
Outside Services	$0.3M	Airline Realignment	$0.2M
Travel & other employee expenses	$0.2M		
Corp/CDD/Police allocated expenses	$1.0M		
Other Aviation Divisional savings	$0.1M		

- Annual Forecasted Operating expenses are lower than budget by $1.1 million due to the following:

Positive Variance of $3.2M		Negative Variance of $2.1M	
Payroll vacancies	$2,058K	Janitorial contract	$530K
P-69 carpet replacement (capitalized)	$771K	Airline Realignment	$750K
Corportate division expected savings	$379K	Centralized mgmt of FIS operations	$154K
		Other Aviation Divisional planned spending	$650K

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/14

Aeronautical Business Unit Summary

$ in 000's	2013 Actual	2014 Forecast	2014 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2013 $	Incr (Decr) Change from 2013 %
Revenues:							
Movement Area	73,903	74,317	74,590	(273)	-0.4%	414	0.6%
Apron Area	7,554	10,203	10,214	(11)	-0.1%	2,649	35.1%
Terminal Rents	151,167	143,767	144,641	(874)	-0.6%	(7,400)	-4.9%
Federal Inspection Services (FIS)	7,422	8,728	8,617	111	1.3%	1,306	17.6%
Total Rate Base Revenues	**240,047**	**237,016**	**238,063**	**(1,047)**	**-0.4%**	**(3,031)**	**-1.3%**
Commercial Area	8,487	9,517	9,517	-	0.0%	1,030	12.1%
Subtotal before Revenue Sharing	**248,534**	**246,533**	**247,580**	**(1,047)**	**-0.4%**	**(2,001)**	**-0.8%**
SLOA II Other Revenue Sharing	(9,901)	(7,152)	(6,136)	(1,016)	-16.6%	2,749	27.8%
Total Airline Revenues	**238,633**	**239,381**	**241,443**	**(2,063)**	**-0.9%**	**748**	**0.3%**
Operating Expense	151,435	151,382	152,055	673	0.4%	53	0.0%
Net Operating Income	**87,198**	**87,999**	**89,389**	**(1,390)**	**-1.6%**	**801**	**0.9%**
Debt Service	79,197	79,101	80,002	901	1.1%	96	0.1%
Net Cash Flow	**8,001**	**8,898**	**9,386**	**(488)**	**-5.2%**	**897**	**11.2%**

Aeronautical Budget Variance – Annual Forecast

- Aeronautical revenues are forecasted to be $2.1M lower than budget due to lower debt service from bond refunding in late 2013, lower aeronautical operating expenses, and higher revenue sharing due to the increase in non-aero revenue.
- Aeronautical operating expenses are forecasted to be $0.7M lower than budget due to savings from payroll, capitalization of the P-69 carpet replacement costs, and other savings identified by Corporate departments; partially offset by higher than anticipated janitorial contract costs, FIS operations management costs, and airline realignment costs continuing into 2014.

Non-Aero Business Unit Summary

$ in 000's	2013 YTD Actual	2014 Year-to-Date Actual	2014 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year-End Projection Budget	Year-End Projection Forecast	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %
Non-Aero Revenues									
Rental Car	5,044	6,307	6,809	(502)	-7.4%	41,167	41,167	-	0.0%
Public Parking	12,407	13,470	12,520	950	7.6%	52,138	53,338	1,200	2.3%
Ground Transportation	1,954	2,257	1,960	297	15.2%	7,881	7,881	-	0.0%
Concessions	8,672	9,645	9,729	(84)	-0.9%	43,714	43,714	-	0.0%
Other	4,589	4,980	5,109	(129)	-2.5%	21,553	22,053	500	2.3%
Total Non-Aero Revenues	**32,666**	**36,658**	**36,126**	**532**	**1.5%**	**166,453**	**168,153**	**1,700**	**1.0%**
Non-Aero Expenses									
RCF Operating Expense	1,353	1,624	1,910	286	15.0%	7,899	7,329	570	7.2%
Operating Expense	14,765	16,814	17,264	450	2.6%	74,717	74,606	111	0.1%
Share of terminal O&M	4,434	4,927	5,214	287	5.5%	22,619	22,849	(231)	-1.0%
Less utility internal billing	(4,324)	(4,577)	(4,577)	0	0.0%	(18,307)	(18,307)	-	0.0%
Operating Expense	**16,228**	**18,788**	**19,811**	**1,023**	5.2%	**86,928**	**86,478**	**451**	**0.5%**
Net Operating Income	**16,438**	**17,870**	**16,315**	**1,555**	**9.5%**	**79,524**	**81,675**	**2,151**	**2.7%**
Less: CFC Surplus	808	1,352	2,073	721	34.8%	(4,623)	(5,193)	(570)	-12.3%
Adjusted Non-Aero NOI	**17,245**	**19,222**	**18,389**	**833**	**4.5%**	**74,902**	**76,482**	**1,581**	**2.1%**
Debt Service (1)						48,736	48,627	109	0.2%
Net Cash Flow						**26,166**	**27,855**	**1,689**	**6.5%**
Key Measures									
Total Revenues / Enpl						9.34	9.44	0.10	1.0%
Primary Concessions Sales / Enpl (1)						11.52	11.52	-	0.0%

Note:
(1) Debt service and primary concession sales are forecasted/budgeted on an annual basis only. Thus, quarterly data is not available.

Non-Aero Budget Variance - YTD

- Non-Aeronautical revenues $532K higher than YTD budget due to increased activity in garage parking (2.4% higher than 2012), higher CFC operating revenue, and higher activity levels for on-call limo's; partially offset by lower rental car concessions revenue recognition despite a higher number of transactions days (*pending review with Accounting*).
- Non-Aeronautical operating expenses are $1.1M lower than YTD budget due to savings in salaries, lower division allocations, and a share of YTD savings in Terminal Building expense; partially offset by higher than anticipated utility expense.

Non-Aero Year Over Year Changes - YTD

- Non-Aero revenue is $4.0M higher than Q1 2013 primarily due to higher revenue from rental car activity ($1.3M), public parking ($1.1M), and concessions ($1.0M).
- Non-Aeronautical operating expenses are $2.6M higher than Q1 2013 due to higher payroll costs, higher utility costs, and the difference in treatment of Terminal Building costs under SLOA III which was not in effect until year-end 2013.

Non-Aero Budget Variance - Annual Forecast

- Non-Aeronautical revenues are forecasted to be $1.7M higher than budget due to increased activity in garage parking, and increased activity in clubs/lounges.
- Non-Aeronautical operating expenses are forecasted to be $0.5M lower than budget due to savings from payroll, capitalization of the P-69 carpet replacement costs, and other savings identified by Corporate departments; partially offset by higher than anticipated janitorial contract costs.

D. CAPITAL RESULTS

Capital Variance

$ in 000's Description	2014 YTD Actual	2014 Forecast	2014 Budget	Budget Variance $	 %
International Arrivals Fac-IAF[1]	153	5,385	16,000	10,615	66.3%
Parking Garage Lights (CA)[2]	3	138	4,000	3,862	96.6%
GSE Electrical Chrg Stations[3]	910	8,410	12,000	3,590	29.9%
Scty Exit Lane Breach Ctrl-Phase II[4]	1,963	2,563	5,200	2,637	50.7%
Checked Bag Recap/Optimization[5]	470	4,720	7,000	2,280	32.6%
NS NSAT Renov NSTS Lobbies	845	7,226	8,127	901	11.1%
Highline School Insulation	-	11,166	11,360	194	1.7%
Cargo 2 West Cargo Hardstand	59	7,259	7,300	41	0.6%
Aircraft RON Parking USPS Site	209	33,059	33,000	(59)	-0.2%
All Other	21,697	128,466	133,333	4,867	3.7%
Total Spending	**26,309**	**208,392**	**237,320**	**28,928**	**12%**

Notes:
1. Estimate was based off of early projections, as the project team had just been established. Additional planning, scheduling, and preliminary scoping have provided a better forecast this quarter.
2. Cash flows pushed out due to changes in project delivery methods (i.e. ESCO vs. design/bid/build).
3. The Port was planning on purchasing the chargers this year, but decided to include that in the contractor's scope, which will occur in 2015.
4. Port terminated construction contract and budget cash flows were moved to 2015 in anticipation of potential rebid and construction.
5. The overall design has been slowed due to technology review and overall integration with airport planning and other major projects.

2014-2018 Capital and Funding Plan

$ in 000's	2014-2018 Total	Future Revenue Bonds
Budget	1,531,260	1,054,298
Forecast	1,605,456	1,128,494
Increase	**74,196**	**74,196**

2014 Annual Budget Changes

$ in 000's	2014 Spending
SSAT Interior Renovations	1,150
Purch/Repl PLBs at B6 ,B8, B14	1,000
CMP#1 Chillers Purchase	599
All Others	325
Total	**3,074**

Future 2014 Authorization Requests:

- Parking Garage Lights (CA)
- SSAT Interior Renovations
- Purch/Repl PLBs at B6 ,B8, B14
- S1 Ramp
- Service Tunnel Renewal/Replace
- Fuel Pits at B4 and B6
- Wireless Coverage - Ramps
- 2014-2015 Roof Replacement
- Refurbish Bag Claim Device 8
- CCTV Camera/Data Improvements
- So. 160th St. GT Lot Expansion
- 12th SSAT/FIS Widebody Gate (C
- Mech Energy Conservation (CA)
- Wi-Fi Cov at Chkpnts and Tktng
- Wi-Fi Cov in GML and Bag Claim
- NS Main Terminal Improvements
- Concessions Infrastructure (CA
- Enhanced WI-FI Coverage in Cen
- MT Center & North LV Sys Upgrd
- Utility ER Backup/Standby Pwr
- Air Cargo Rd Safety Imp D/C
- Airfield Ramp Pavement Program
- Water Right Supply Development
- Passenger Boarding Bridge Rene
- IWS Segregation Meters (CA)
- Domestic Water Piping

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/14

FINANCIAL SUMMARY

$ in 000's	2013 Actual	2014 Forecast	2014 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2013 $	%
Revenues:							
Operating Revenue	99,628	101,421	101,553	(132)	0%	1,793	2%
Security Grants	0	0	0	0	NA	0	NA
Total Revenues	**99,628**	**101,421**	**101,553**	**(132)**	**0%**	**1,793**	**2%**
Total Operating Expenses	**44,379**	**42,394**	**43,926**	**1,532**	**3%**	**(1,985)**	**-4%**
Net Operating Income	**55,249**	**59,026**	**57,626**	**1,400**	**2%**	**3,778**	**7%**
Capital Expenditures	**5,673**	**22,521**	**27,858**	**5,337**	**19%**	**16,848**	**297%**

- Total Seaport Division Revenues were ($78K) unfavorable primarily due to below budget Container revenue as a result of unfavorable Crane Rental revenue. Amounts were largely offset by favorable Grain revenues due to volume coming in 92% favorable to budget. For the full year, Seaport is forecasting revenue to be below budget by $132K.
- Total Operating Expenses were $2,880K favorable mainly due to lower spending by Seaport and Corporate groups. For the full year, Seaport is forecasting expenses to be $1,532K favorable to budget due to lower than anticipated spending on the Terminal 5 Maintenance Dredge project and a delay in the Terminal 91Maintenance Dredge project.
- Net Operating Income year-to-date for 2014 was $2,802K favorable to budget and $2,953K above 2013 Actual. For the full year, Seaport is forecasting Net Operating Income to come in $1,400K favorable to budget.
- At the end of the first quarter, capital spending for 2014 is currently estimated to be $22.5 million or 81% of the Approved Annual Budget amount of $27.9 million.

A. BUSINESS EVENTS

- TEU volumes for the Seattle Harbor were down 13.8% 1st Quarter 2014, compared to 1st Quarter 2013 levels. Year-to-date volume through March 2014 is 335,047 TEUs. Full inbound TEUs are down 25.0%, full outbound TEUs are down 5.8%, empty inbound TEUs are down 2.4%, and empty outbound TEUs are down 20.2%.
- Consolidated West Coast Port results for through the 1st Quarter of 2014 show an overall TEU volume increase of 0.8% compared volumes through 1st Quarter of 2013. On a regional basis, LA/Long Beach was up 3.1%, Seattle/Tacoma was down (5.2%) and Metro Vancouver/Prince Rupert was down (1.5%).

TEU Volume (in 000's)	YTD March 2014	YTD March 2013	TEU Change	% Change
Long Beach	1,523	1,554	(31)	-2.0%
Los Angeles	1,921	1,787	133	7.5%
Oakland	568	565	3	0.5%
Portland	42	48	(6)	-13.0%
Prince Rupert	128	135	(7)	-4.9%
Seattle	**335**	**389**	**(54)**	**-13.8%**
Tacoma	476	467	9	2.0%
Vancouver	638	643	(5)	-0.7%
West Coast - Totals:	**5,632**	**5,588**	**44**	**0.8%**

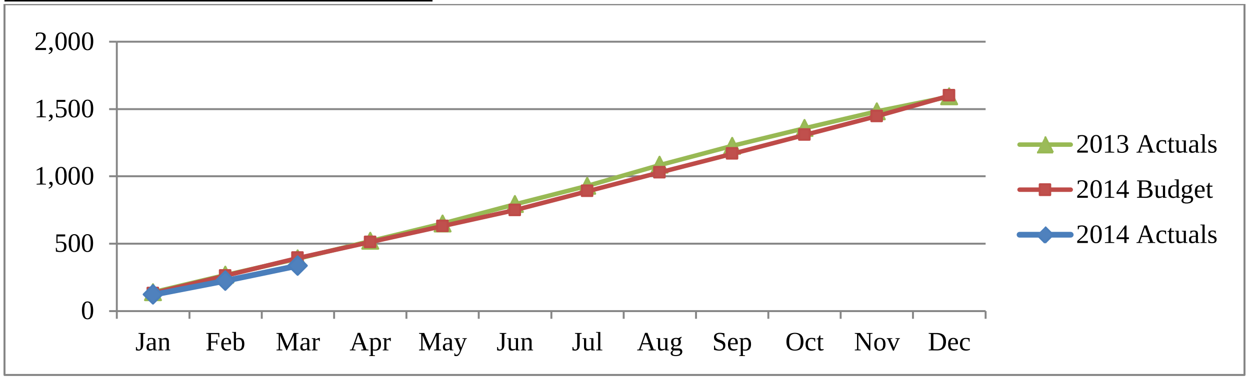
- Pacific International Line (PIL) began calling the Port of Seattle in March. They call Terminal 30 in partnership with CSCL and UASC's existing ANW1 service. PIL will contribute one 4250 TEU vessel to the service.
- The Federal Maritime Commission approved the discussion agreement filed by the Ports of Seattle and Tacoma.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/14

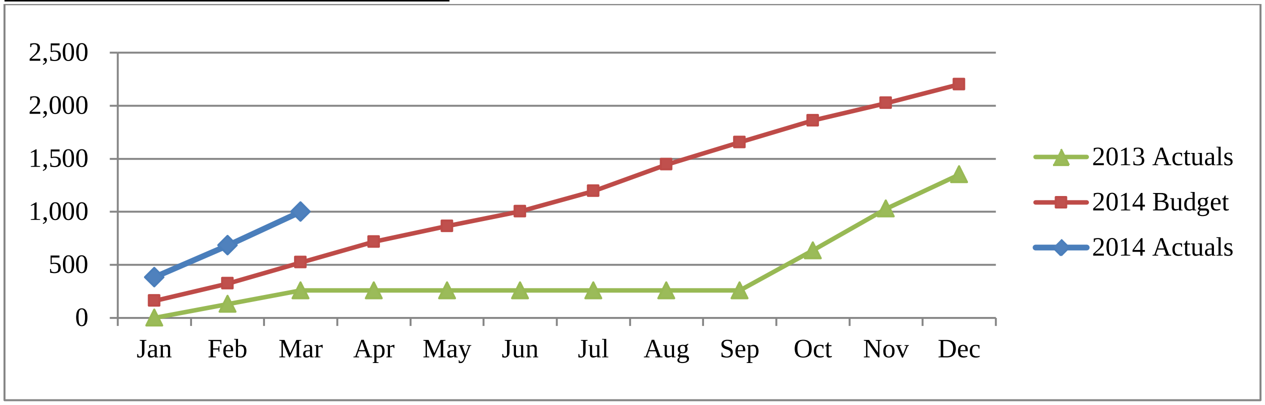
- Grain vessels shipped 1 million metric tons of grain through Terminal 86 for March year-to-date 2014. Amount was three times more than 2013 year-to-date volumes and 92% favorable to 2014 Budget volume
- Cruise:
  - Worked with Environmental and Commercial Strategy in planning and program management to successful update the ABC Fuels Program for 2014. Awarded four of our cruise line partners with Green Gateway Awards.
  - Moved ahead with procurement of three additional camel barges for Terminal 91 bringing the total fleet to 10. Delivery is expected in late May.
- Environmental Services and Planning:
  - Terminal 91 and Terminal 117 clean-ups are underway.
  - Preparations for Seaport Truck Scrappage and Replacements for Air in Puget Sound (ScRAPS) 2 project are underway for launch in the 2nd quarter.
  - Washington Ports/tenants "all known available and reasonable treatment" (AKART) study for stormwater management at marine terminals in progress.
  - Completed condition assessments, Habitat Equivalency Analysis (HEA) assessment, and economic evaluation for 11 past project habitat restoration portfolio sites.

B. KEY INDICATORS

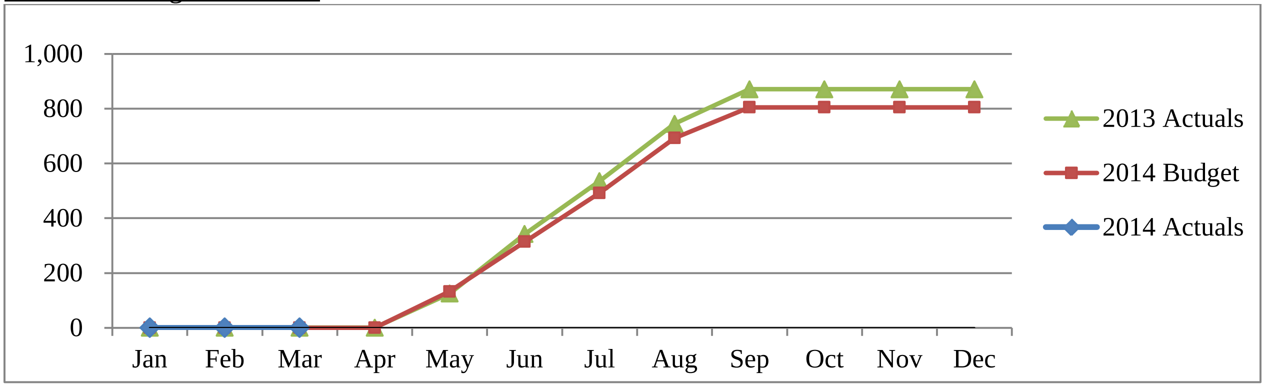
Container Volume – TEU's in 000's



Grain Volume – Metric Tons in 000's



Cruise Passengers in 000's



Net Operating Income before Depreciation by Business

$ in 000's	2013 YTD Actual	2014 YTD Actual	2014 YTD Budget	Fav (UnFav) 2014 Bud Var $	%	Incr (Decr) Change from 2013 $	%
Containers	11,191	12,702	11,148	1,554	14%	1,511	14%
Grain	(0)	842	393	449	114%	842	NM
Seaport Industrial Props	2,210	2,754	2,535	219	9%	543	25%
Cruise	(1,255)	(1,269)	(1,836)	567	31%	(15)	1%
Maritime Operations	(220)	(233)	(207)	(26)	-13%	(13)	-6%
Security	(217)	(138)	(178)	39	22%	79	36%
Env Grants/Remed Liab/Oth	(6)	(0)	0	(0)	NA	6	100%
Total Seaport	11,703	14,656	11,854	2,802	24%	2,953	25%

C. OPERATING RESULTS

$ in 000's	2013 YTD Actual	2014 Year-to-Date Actual	2014 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year End Projections Budget	Year End Projections Forecast	Fav (UnFav) Bud Var
Operating Revenue	21,331	21,885	21,963	(78)	0%	101,553	101,421	(132)
Security Grants	0	0	0	0	NA	0	0	0
Total Revenues	**21,331**	**21,885**	**21,963**	**(78)**	**0%**	**101,553**	**101,421**	(132)
Seaport Expenses (excl env srvs)	3,174	2,048	4,459	2,411	54%	17,812	16,699	1,113
Environmental Services	332	354	422	69	16%	2,581	2,581	0
Maintenance Expenses	1,562	1,372	1,425	53	4%	6,637	6,308	329
P69 Facilities Expenses	115	101	105	4	4%	414	414	0
Other RE Expenses	66	75	96	21	22%	386	386	0
CDD Expenses	824	519	513	(5)	-1%	2,190	2,190	0
Police Expenses	947	1,008	1,033	26	2%	4,286	4,286	0
Corporate Expenses	2,604	1,752	2,055	302	15%	8,440	8,350	90
Security Grant Expense	4	0	0	0	NA	0	0	0
Envir Remed Liability	0	0	0	0	NA	1,180	1,180	0
Total Expenses	**9,628**	**7,229**	**10,109**	**2,880**	**28%**	**43,926**	**42,394**	**1,532**
NOI Before Depreciation	**11,703**	**14,656**	**11,854**	**2,802**	**24%**	**57,626**	**59,026**	**1,400**
Depreciation	8,764	8,345	8,222	(123)	-1%	32,816	32,816	0
NOI After Depreciation	**2,939**	**6,311**	**3,632**	**2,679**	**74%**	**24,810**	**26,210**	**1,400**

Seaport Division Revenues were ($78K) unfavorable to budget. Key variances are as follows:

Seaport Lease & Asset Management - favorable $13K

- Containers were ($445K) unfavorable. Crane Rent Revenue ($540K) unfavorable due to lower usage of tariff cranes at Terminal 5 ($259K) and due to no usage of Port MHI cranes at Terminal 18 ($281K). Concession Rent unfavorable ($48K) due to Terminal 5 intermodal usage lower than anticipated in the Budget. Unfavorable variances are partially offset by favorable Space Rental of $128K due to additional rent owed by the tenant at Terminal 5 as a result of eliminating the first port of call service in 2013. Under the 8th amendment to the lease, executed in 1999, the Port deepened the berth at Terminal 5 largely in consideration for the tenant maintaining a weekly first port of call service. Provisions in the lease provided for additional rent due should that first port of call service be discontinued.
- Grain was $433K favorable due to volume coming in 92% favorable to budget.
- Seaport Industrial Properties were $25K favorable due to $42K favorable utility sales revenue, primarily sewer and water, at Terminal 91 and favorable Dockage & Wharfage revenue $22K at Terminal 18 Bulk terminals due to higher than budgeted volume. Space Rental was ($30K) unfavorable due to delays in resolving market rate adjustments to leases for Trident, CityIce and Seafreeze partially offset by unbudgeted extension of license fee at Terminal 104.

Cruise and Maritime Operations - unfavorable ($92K)

- Cruise was ($13K) unfavorable largely due to reversal of a 2013 revenue accrual ($10K) which should have been reaccrued. The revenue was received in April 2014.
- Maritime Operations were ($79K) unfavorable primarily due to unfavorable Dockage & Wharfage revenue ($75K) partially because of lower occupancy at Terminal 91 and due to no accrual of revenue earned in March.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/14

Total Seaport Division Expenses were $2,880K favorable to budget. Key variances are as follows:

- **Seaport Expenses** (excluding Environmental Services) were $2,411K favorable to budget. Major variances were as follows:
  - **Salaries & Benefits** were $77K favorable due to timing of merit increase, open position in Seaport Finance, and transfer of Director of Seaport Security to a new position in the Aviation Division.
  - **Equipment Expenses** were $35K favorable due to timing of spending of CTA Lease Allowance.
  - **Utilities** were $28K favorable primarily due to lower expense than budgeted for electricity and water at Terminal 91 Industrial and Cruise.
  - **Outside Services** were $1,803K favorable due primarily to Terminal 5 Maintenance Dredging $1,237K and Terminal 91 Maintenance Dredging $530K projects. The Terminal 5 project was completed in the 1st quarter, but no invoices were paid and there was an over accrual of an expense for work done in 2013 resulting in a net credit amount of ($83K). The Terminal 91 project has been delayed and construction will take place in 2015. An additional favorable variance is due to timing for amounts budgeted in Seaport Division Admin $25K.
  - **Travel & Other Employee Expenses** were $118K favorable due to timing of travel and payment for memberships and subscriptions.
  - **Promotional Expenses** were $20K favorable due to timing of sponsorship related costs.
  - **General Expenses** were $327K favorable primarily due to $276K budgeted as a contingency but not yet used, $24K of advertising expenses not yet used, and due to a net decrease ($18K) in litigation related expenses resulting from a reversal of a prior year reserve.
- **Environmental Services** were favorable $69K mainly due to reversal of 2013 year-end accruals which were not matched by a payment. Amounts will be reconciled in April 2014.
- **Maintenance** costs, direct and allocated, were favorable $53K primarily due to delay in start of work for railroad track repairs at Terminal 91 because of time required for the contracting process to hire a company that specializes in track work plus delay in start of budgeted preventative maintenance.
- **CDD** costs were unfavorable ($5K) due to offsetting variances, none of which are material or are for projects that were not anticipated in the Budget.
- **Police** costs, direct and allocated were favorable $26K due to overall below budget spending by the Police.
- **Corporate** costs, direct and allocated, were favorable $302K due to lower than anticipated direct charges and allocations from virtually all Corporate groups including Public Affairs $43K, Accounting and Financial Reporting $36K, Commission Office $36K, Office of Social Responsibility $35K, Finance & Budget $32K, Risk Management $29K, Legal $26K, Executive $19K, Human Resources $18K, and ICT $12K.
- **All other** variances net to favorable $24K.

NOI before Depreciation was $2,802K favorable to budget.

Depreciation was ($123K) unfavorable for a variance of less than 1.5%.

NOI after Depreciation was $2,679K favorable to budget.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/14

2014 Full Year Forecast

As of the end of the 1st Quarter 2014, Seaport anticipates ending the year $1.4 million favorable to budget for Net Operating Income (NOI) Before Depreciation. The variance reflects below budget revenue of ($132K) more than offset by favorable expense variances of $1,532K.

The unfavorable revenue variance is the result of a correction of a prior year CPI adjustment on a lease and an unplanned vacancy at another industrial property site. While Containers is forecasted to have a full year favorable space rent variance due to additional rent of $514K owed by the tenant at Terminal 5 due to eliminating the first port of call service in 2013, that favorable variance is expected to be offset by unfavorable crane rent variances resulting from lower volume.

The favorable expense variance of $1,532K is primarily due to the Terminal 5 and Terminal 91 Maintenance Dredge projects $1,113K. The Terminal 5 project cost less than what was forecast at the time the budget was developed and the Terminal 91 project has been delayed and construction will take place in 2014. In addition, Maintenance costs are forecast to be favorable due to the Pier 69 Facilities Carpet Replacement project that was budgeted as an expense, but qualified for capitalization $329K. Also, lower spending by Corporate groups is currently expected to create a full year $90K favorable variance.

Change from 2013 YTD Actual

Net Operating Income (NOI) before Depreciation for 2014 increased by $2,953K from 2013 due to higher revenue and lower expenses.

Revenue increased $555K from the prior year due to higher Grain revenue $750K resulting from higher volumes in 2014. Seaport Industrial Properties revenue increased by $263K because of higher space rental $194K due to higher occupancies and year-over-year rate increases as well as due to increased utility sales revenue at Terminal 91 $68K. Revenue increases was partially offset by the lower Container revenue ($305K) and Maritime Operations revenue ($134K). The lower Container revenue was due to the lower crane revenue ($514K) resulting from lower usage of tariff cranes at Terminal 5 ($423K) and at Terminal 18 ($91K). This amount was partially offset by increase in space rental due to the increase in the Minimum Annual Guarantee per acre rate. The Maritime Operations revenue decreased primarily because of the lower activity at Terminal 91.

Expenses, both direct and allocated, decreased by a net of ($2,399K) as a result of a decrease in Seaport originated expenses ($1,126K), Corporate expenses ($851K), CDD expenses ($306K), and Maintenance expenses ($190K). The decreased Seaport expenses were primarily due to lower outside services costs associated with the Terminal 5 Maintenance dredge program, no payment for tribal mitigation thus far in 2014, significant reduction in bad debt which was a temporary situation in 2013 related to a fishing vessel, and due to CPI training and payment for services to the Burke Museum in 2013. Corporate expenses are down primarily due to lower allocation percentages to the Seaport Division effective with the 2014 Budget. CDD expenses were down due to the T115 Waterline and repair project in 2013 and due to lower allocation percentages to Seaport effective with the 2014 Budget.

D. CAPITAL SPENDING RESULTS

$ in 000's	2014 YTD Actual	2014 Forecast	2014 Budget	Budget Variance $	Budget Variance %
Terminal 46	595	5,685	9,850	4,165	100%
Contingency Renewal & Replacement	0	5,000	5,000	0	0%
P90 C175 Roof Replacement	58	2,313	2,313	0	0%
Cruise	350	2,055	2,145	90	12%
N Argo Express - Private Road	66	1,366	1,610	244	15%
T5 Upgrade 600' Exist. Dock	95	1,045	1,000	(45)	-5%
T91 Lighting	18	956	956	0	0%
T18 Dock Rehabilitation	73	223	800	577	72%
Small Projects	29	759	747	(12)	38%
Security	134	627	684	57	30%
All Other	234	2,492	2,753	261	9%
Total Seaport	1,652	22,521	27,858	5,337	19%

Comments on Key Projects:

For the 1st Quarter 2014, the Seaport Division spent 6% of the annual approved Capital Budget. Full year is estimated to be 81% of the approved Capital Budget.

Projects with significant changes in spending were:

- **Terminal 46**
  - **T46 Development -** Construction bid is lower than the engineer estimates. Business Manager further re-evaluated project timing. Funds were moved to the future year.
  - **T46 Public Access Mitigation at T117 -** delay due to coordination with the city cleanup project.
- **T18 Dock Rehabilitation-**Pile cap work to be delayed for 5 years. Potential pile repair and toe wall repair in 2015.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/14

FINANCIAL SUMMARY

$ in 000's	2013 Actual	2014 Forecast	2014 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2013 $	%
Revenues:							
Operating Revenue	30,862	31,492	31,376	116	0%	629	2%
Total Revenues	**30,862**	**31,492**	**31,376**	**116**	**0%**	**629**	**2%**
Total Operating Expenses	**35,262**	**39,186**	**39,320**	**134**	**0%**	**3,924**	**11%**
Net Operating Income	**(4,399)**	**(7,694)**	**(7,944)**	**250**	**-3%**	**(3,294)**	**75%**
Capital Expenditures	**6,060**	**17,581**	**18,101**	**520**	**3%**	**11,521**	**190%**

- Total Real Estate Division Revenues were ($222K) or about 3% unfavorable to budget for the year-to-date due to below budget activity at the Conference and Event Centers. For the full year, Real Estate is forecasting Revenue to be $116K favorable to budget due to new leases put in place just after completion of the budget.
- Total Operating Expenses were $1,015K or 11% favorable to budget due to below budget activity at the Conference and Event Centers and timing of other expenses. For the full year, Real Estate is forecasting Operating Expenses to be $134K favorable to budget.
- Net Operating Income year-to-date for 2014 was $793K favorable to budget and ($617K) below 2013 Actual. For the full year, Real Estate is forecasting Net Operating Income to come in $250K favorable to budget.
- At the end of the first quarter, capital spending for 2014 is forecasted to be $17.6 million or 97% of the Approved Annual Budget amount of $18.1 million.

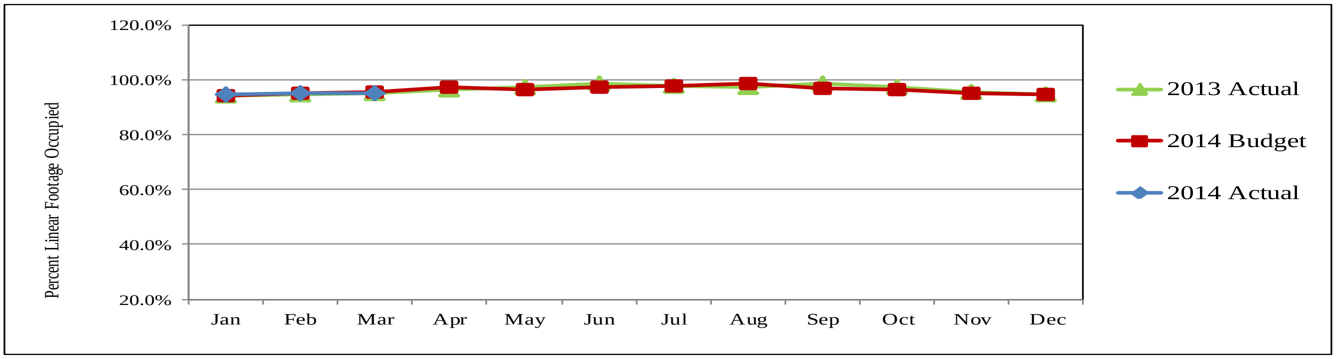
A. BUSINESS EVENTS

- Occupancy levels at Commercial Properties were at 90% at the end of Q1 2014, which was slightly below the 92% target for the 2014 Budget, but above comparable statistics for the local market of 88%.
- Conference and Event Center activity was below budget for the year-to-date due to significant new competitive challenges and perceived negative impact of waterfront transportation projects. Efforts to mitigate these challenges continue.
- Recreational marinas averaged 95% moorage occupancy Q1 2014 which was on target and consistent with Q1 2013 results.
- Fishermen’s Terminal and Maritime Industrial Center averaged 85% moorage occupancy for Q1 2014 which was above target of 82% and above Q1 2013 result of 79% occupancy. The increase in moorage is the result of 11 additional monthly commercial fishing boats and 20 additional recreational boats at Fishermen’s Terminal.
- Real Estate Development and Planning
  - Closed on easement agreements with the City of Burien for the Northeast Redevelopment Area storm water project in January.
  - Des Moines City Council approved a revised second development agreement in February for the Des Moines Creek Business Park project.
  - Tsubota Steel site request for offers issued. Submitted offers are under review.
- Eastside Rail Corridor
  - Commission authorized the sale of approximately 12 mile section of the corridor to Snohomish County. Sale is scheduled to close in 2014.
  - Port is in discussions to sell last remaining, approximately 3 mile section, to the City of Woodinville.
  - Washington State Supreme Court affirmed trial court’s dismissal of all substantive claims in Lane’s case.
- Marine Maintenance is continuing work to get the industrial stormwater permit for the Marine Maintenance North Office.

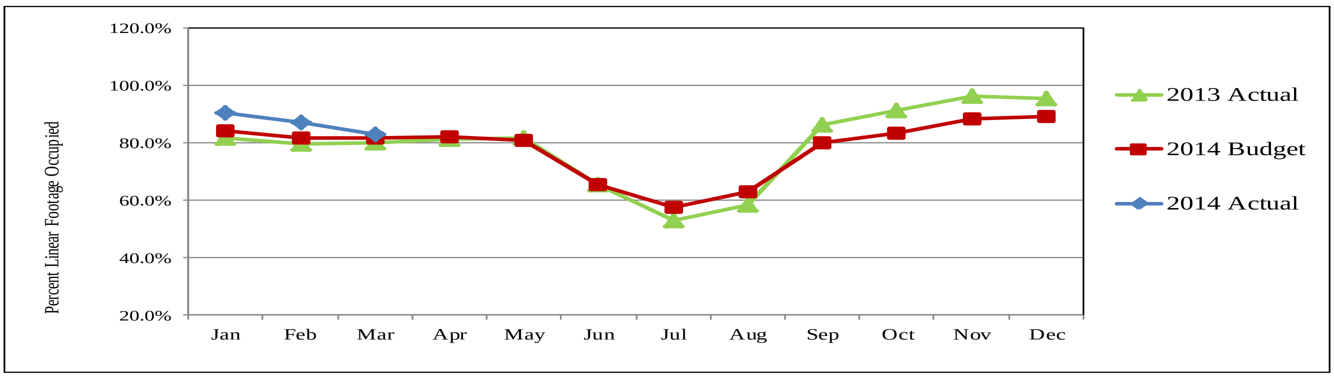
IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/14

B. KEY INDICATORS

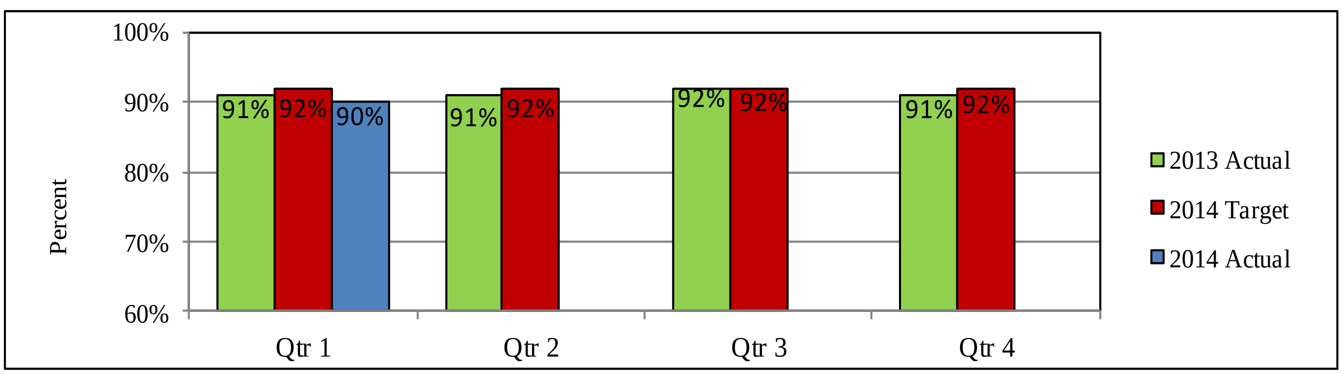
Shilshole Bay Marina Moorage Occupancy



Fishermen's Terminal Moorage Occupancy



Commercial Buildings



Net Operating Income before Depreciation by Business

$ in 000's	2013 YTD Actual	2014 YTD Actual	2014 YTD Budget	Fav (UnFav) 2014 Bud Var $	%	Incr (Decr) Change from 2013 $	%
Recreational Boating	418	281	127	154	121%	(136)	-33%
Fishing & Commercial	(536)	(682)	(851)	169	20%	(146)	-27%
Commercial Properties	(252)	(361)	(856)	494	58%	(109)	-43%
Conference & Event Centers	267	1	154	(153)	-99%	(266)	-100%
Eastside Rail	(64)	(88)	(81)	(7)	-9%	(24)	-38%
RE Development & Plan	(65)	1	(135)	136	100%	66	101%
Envir Grants/Remed Liab/Oth	0	0	0	0	NA	0	NA
Total Real Estate	**(232)**	**(848)**	**(1,641)**	**793**	**48%**	**(617)**	**-266%**

C. OPERATING RESULTS

$ in 000's	2013 YTD Actual	2014 Year-to-Date Actual	2014 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year End Projections Budget	Year End Projections Forecast	Fav (UnFav) Bud Var
Revenue	5,415	5,621	5,534	87	2%	23,244	23,360	116
Conf & Event Ctr Revenue	2,109	1,556	1,865	(309)	-17%	8,132	8,132	0
Total Revenue	**7,524**	**7,177**	**7,399**	**(222)**	**-3%**	**31,376**	**31,492**	**116**
Real Estate Exp (excl Conf,Maint,P69)	2,374	2,495	2,752	257	9%	11,553	11,553	0
Conf & Event Ctr Expense	1,751	1,422	1,582	160	10%	6,858	6,858	0
Eastside Rail Corridor	20	15	30	15	50%	170	170	0
Maintenance Expenses	1,735	1,904	2,196	292	13%	9,311	9,211	100
P69 Facilities Expenses	39	31	32	1	3%	126	126	0
Seaport Expenses	222	207	244	37	15%	1,310	1,310	0
CDD Expenses	210	481	551	70	13%	2,582	2,582	0
Police Expenses	313	328	335	8	2%	1,391	1,391	0
Corporate Expenses	1,091	1,143	1,319	176	13%	5,417	5,383	34
Envir Remed Liability	0	0	0	0	NA	600	600	0
Total Expense	**7,756**	**8,026**	**9,041**	**1,015**	**11%**	**39,320**	**39,186**	**134**
NOI Before Depreciation	**(232)**	**(848)**	**(1,641)**	**793**	**48%**	**(7,944)**	**(7,694)**	**250**
Depreciation	2,457	2,391	2,376	(15)	-1%	9,585	9,585	0
NOI After Depreciation	**(2,688)**	**(3,239)**	**(4,017)**	**778**	**19%**	**(17,529)**	**(17,279)**	**250**

Total Real Estate Division Revenues were ($222K) unfavorable to budget. Key variances are as follows:

Harbor Services: favorable $24K

- Recreational Boating were ($23K) unfavorable mainly due to slightly below budget monthly moorage revenue at Shilshole Bay Marina due to mix of vessels.
- Fishing and Commercial were $47K favorable primarily due to favorable moorage and related utility sales at Fishermen's Terminal as well as favorable revenue from Net Shed Lockers as major expense work did not displace as many customers as expected.

Portfolio Management: unfavorable ($274K)

- Commercial Properties were favorable $35K primarily due to favorable space rental revenue from Bell Street garage $33K due to higher usage as well as receipt of payment relating to a prior period.
- Conference & Event Centers were unfavorable ($309K) mainly due to below budget activity at Bell Harbor International Conference Center ($282K) and World Trade Center Seattle ($38K). It is partially offset by favorable membership and other miscellaneous revenue.

Eastside Rail Corridor: unfavorable ($6K)

- Eastside Rail Corridor revenue was unfavorable due to reversal of $5K revenue accrual made at year-end 2013. The revenue payment was subsequently received in April 2014.

RE Development and Planning: favorable $33K

- Terminal 91 General Industrial was favorable $33K due to unbudgeted lease revenue related to relocation of American Seafoods from West Yard including 3 months of retroactive rent relating to 2013.

Total Real Estate Division Expenses were $1,015K favorable to budget. Key variances:

- Real Estate Expenses (excluding Maintenance, P69 Facilities, and Conference & Event Centers Expense) were favorable $257K. Major account variances were as follows:
  - Outside Services were favorable $282K primarily due to delayed Terminal 34 Pacific Maritime Institute tenant improvement costs and broker fees and delayed World Trade Center West Suite 200 Broker Fees as well as other timing associated variances with budgeted use of outside services.
  - General Expenses were favorable $61K mainly due to the reversal of a prior year reserve set up for litigation $43K, and favorable third party management expense of $19K.

  - Utility Expenses were unfavorable ($127K) due to the unfavorable water and sewer expenses at Terminal 102 ($59K) caused by a large water leak and unfavorable water expenses at Shilshole Bay Marina ($41K) due to waterleak and partial miscoding.
- Real Estate Conference & Event Centers were favorable $160K primarily due to lower activity resulting in lower operating expenses and management fees for Bell Harbor International Conference Center $100K and World Trade Center Seattle $20K. In addition, there has been slower than budgeted use of the capital/expense reserve account resulting in a $42K favorable variance in Furniture and Equipment Acquisition Expense.
- Eastside Rail Corridor expenses were $15K favorable due to timing of use of outside consulting services.
- Maintenance expenses were $292K favorable primarily due to later start than expected on planned maintenance work at Fishermen's Terminal, Shilshole Bay Marina and Harbor Marina Corporate Center.
- Seaport originated expenses were $37K favorable mainly due to lower direct charges from Environmental Services than budgeted.
- CDD costs, direct and allocated, were favorable $70K primarily due to slightly slower spending on Fishermen's Terminal Net Shed Compliance project.
- Police costs, direct and allocated were favorable $8K due to overall lower spending by Police than budgeted.
- Corporate costs, direct and allocated, were favorable $176K primarily due to lower than anticipated direct charges and allocations from Corporate groups including Accounting & Financial Reporting $49K, Risk Management $45K, Office of Social Responsibility $27K, and Human Resources $17K.
- All other variances net to a favorable variance of $1K.

NOI before Depreciation was $793K favorable to budget.

- Depreciation was ($15K) or less than 1% unfavorable to budget.

NOI after Depreciation was $778K favorable to budget.

2014 Full Year Forecast

Real Estate anticipates ending the year $250K favorable to Budget for Net Operating Income Before Depreciation due to favorable revenue variances and favorable expense variances.

Revenue is forecasted to be $116K favorable due to new leases put in place just after completion of the budget.

Expenses are forecasted to be $134K favorable to budget due to Carpet Replacement project that was budgeted as an expense, but qualified for capitalization and due to lower spending by Corporate groups.

Change from 2013 YTD Actual

Net Operating Income before Depreciation decreased by ($617K) between 2014 and 2013 as a result of lower revenue ($347K) and higher expenses $270K.

Revenues decreased by ($347K) due to impact of less activity at Bell Harbor International Conference Center and World Trade Center Seattle ($553K) resulting from significant competitive challenges in the market and perceived impact of the waterfront transportation projects. This decrease was partially offset by higher revenue from Commercial Properties $102K driven by new rents at Fishermen's Terminal Office & Retail as a result of the Downie Building reverting to Port ownership in August 2013 and new tenants at Pier 2 Uplands.

Expenses increased by $270K primarily due to higher CDD expenses $271K largely driven by Fishermen's Terminal Net Shed Code Compliance Improvement project $193K and work on the Shilshole Bay Marina Site Plan project. Real Estate Expenses (excluding Conf & Event, Maintenance, and Facilities) increased by $121K due to scheduled increases in Salaries & Benefits as well as an addition of a .5 new FTE within Harbor Services and due to higher Utility Expenses primarily water and sewer. Maintenance expenses increased $169K due to more work on Commercial Properties and Harbor Services and Corporate expenses increased $51K due to higher allocations from Accounting partial offset by lower allocations from other Corporate groups. Increases were partially offset by lower Conference and Event Center expenses resulting from lower activity ($329K).

D. CAPITAL SPENDING RESULTS

$ in 000's	2014 YTD Actual	2014 Forecast	2014 Budget	Budget Variance $	Budget Variance %
FT C15 HVAC Improvements	139	4,147	4,147	0	0%
P69 Built-Up Roof Replacement	50	2,650	2,680	30	1%
FT C2 (Norby) Roof & HVAC	76	1,902	1,874	(28)	-1%
Small Projects	257	2,080	1,872	(208)	-11%
P69 Carpet Replacement	2	1,197	1,200	3	0%
P69 N Apron Corrosion Control	73	93	639	546	85%
All Other	711	5,512	5,689	177	3%
Total Real Estate	1,308	17,581	18,101	520	3%

Comments on Key Projects:

Through the first quarter, the Real Estate Division spent 7% of the Approved Capital Budget. Full year spending is estimated to be 97% of the Approved Capital Budget.

Projects with significant changes in spending were:

- **Small Projects –** There were two projects which were originally included in the 2014 expense budget, Downie Building Siding ($140K) and C15 Bldg Window Replacement ($90K), that were re-scoped and determined to qualify for capitalization.
- **P69 N Apron Corrosion Control -** Bids came in at a much lower than estimated. No change orders during construction and contingency money was not used.

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/14

A. BUSINESS EVENTS

- NorthSTAR – design charette completion for North Satellite (NSAT), construction contract award for C concourse vertical circulation.
- Gained Agency Approval for General Contractor/Construction Manager (GC/CM) and Design-Build (DB) valid for 3 years (1/23/14).
- Hosted a Northwest Construction Consumer Council (NWCCC) construction management student competition.
- PCS had seventy active projects during the first quarter. Key projects included, relocation of EGSE charging stations, federal inspection station renovations (FIS), gate S16 passenger loading bridge, noise remedy program, automated passport controls, cell phone lot, fishermen's terminal net shed renovation and north satellite baggage installation.
- Substantial completion on the Terminal 5 Maintenance Dredging Project.
- Beneficial Occupancy issued for the Pier 69 Corrosion Control Project.

B. KEY PERFORMANCE METRICS

Key Performance Metrics	2014	2013/Notes	
A. Implement Century Agenda Strategies			Goals
1. Small Business Participation – Annual / Small Works (Annual only)		75.0%	60%
2. Small Business Participation – Annual / Major Construction (Annual only)		35.9%	8%
3. Small Business Participation – Annual / Goods & Services (Annual only)		10.6%	10%
4. Small Business Participation – Annual / Service Agreements (Annual only)		27.6%	5%
B. Consistently Live by Our Values Through Our Actions and Priorities			
1. Safety – Annual (Annual only)		93%	90%
2. Environment – Annual (Annual only)		95%	100%
3. PREP Timeliness (0-30 days of anniversary date)	71%	76%	98%
C. Manage Our Finances Responsibly			
1. Construction Soft Costs – Total Soft Costs (36-mo avg)	26%	25%	Max. 25% capital costs
2. Construction Soft Costs – Total Construction Costs (36-mo avg)	74%	75%	Min. 75% capital
D. Exceed Customer Expectations			
1. Customer Score Card – Annual (Annual only)		94.2%	Avg. 85%
2. Procurement Schedule – Major Public Works	67	78	Avg # days
3. Procurement Schedule – Small Works	37	56	Avg # days
4. Procurement Schedule – Goods & Services	22	55	Avg # days
5. Procurement Schedule – Service Agreements	189	169	Avg # days
E. Support Port Mission with Implementation of Port Divisions' Business Plan			
1. Construction Cost Growth – Discretionary Change	0%	1.9%	Max. 5% construction contract award
2. Construction Cost Growth – Mandatory Change	7.4%	6.5%	Max. 5% construction contract award
3. Project Schedule Growth – Design	98%	13.4%	Max. 10% of originally allotted duration
4. Project Schedule Growth – Construction	7%	24.8%	Max. 10% of originally allotted duration
5. Project Status – On Schedule / On Budget	Not yet available	48.5%	
6. Project Status – Either Schedule or Budget Off		49.5%	
7. Project Status – Both Schedule and Budget Off		2%	

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/14

C. OPERATING RESULTS

$ in 000's	Notes	2013 YTD Actual	2014 Year-to-Date Actual	2014 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year-End Projections Budget	Year-End Projections Forecast	Fav (UnFav) Bud Var
Total Revenues		**5**	**12**	**-**	**12**	**0.0%**	**-**	**-**	**-**
Expenses Before Charges To Cap/Govt/Envrs Propects									
Capital Development Administration		90	94	99	5	4.7%	404	404	-
Engineering		3,026	3,359	3,802	443	11.7%	15,878	15,714	164
Port Construction Services		1,498	2,120	1,895	(225)	-11.9%	7,556	7,556	-
Central Procurement Office		1,177	1,073	1,312	239	18.2%	5,332	5,297	35
Aviation Project Management		1,846	2,014	2,748	734	26.7%	13,260	13,260	-
Seaport Project Management		573	743	680	(63)	-9.3%	3,236	3,236	-
Total Before Charges to Capital Projects		**8,210**	**9,404**	**10,536**	**1,132**	**10.7%**	**45,666**	**45,466**	**200**
Charges To Capital/Govt/Envrs Projects									
Capital Development Administration		-	-	-	-	0.0%	-	-	-
Engineering		(1,854)	(2,210)	(2,671)	(461)	17.3%	(10,857)	(10,512)	(344)
Port Construction Services		(934)	(1,379)	(1,062)	318	-29.9%	(4,247)	(4,247)	-
Central Procurement Office		(468)	(434)	(431)	3	-0.6%	(1,724)	(1,724)	-
Aviation Project Management		(1,589)	(1,711)	(2,549)	(838)	32.9%	(10,659)	(10,659)	-
Seaport Project Management		(331)	(453)	(385)	69	-17.9%	(1,648)	(1,648)	-
Total Charges to Capital/Govt/Envrs Projects		**(5,176)**	**(6,187)**	**(7,097)**	**(910)**	**12.8%**	**(29,134)**	**(28,790)**	**(344)**
Operating & Maintenance Expense									
Capital Development Administration		90	94	99	5	4.7%	404	404	-
Engineering		1,172	1,149	1,131	(18)	-1.6%	5,021	5,201	(180)
Port Construction Services		564	741	833	92	11.1%	3,310	3,310	-
Central Procurement Office		709	639	881	242	27.4%	3,609	3,573	35
Aviation Project Management		258	303	199	(104)	-52.3%	2,601	2,601	-
Seaport Project Management		242	290	295	5	1.9%	1,587	1,587	-
Total Expenses		**3,034**	**3,217**	**3,439**	**222**	**6.5%**	**16,532**	**16,676**	**(145)**

Variance Summary and other notes:

- Vacancies: 20.8 FTEs = $495K Salaries & Benefit savings from unfilled positions.
- Over Absorption OH Clearing ($229K) represents costs allocated as overhead above the total actual overhead costs. Actual capital, expensed and net operating costs will decrease to account for the over absorption value. YTD budget variance will increase by the Absorption value.
- CDD Admin $5K. Favorable variance due to timing of Travel and Salary expense.
- ENG ($18K). Favorable variances of $609K in Salaries & Benefits, Equipment, Supplies, Utilities, Outside Services and Travel due to delay in filling vacant positions, and shifting other budgeted expenses to later 2014. Offset by unfavorable variances of ($150K) in unexpected Legal accrual expenses, reduced overhead allocations and Charges to Capital due to delayed of capital projects ($480K). Variances in salaries and benefits (lower costs) are balanced by variance of reduced charges to capital and overhead allocations.
- PCS $92K. Favorable variances in Equipment, Utilities, Outside Services (less payments to Small Works contracts than anticipated), Telecommunications, Travel (more in-house training), Workers Comp (less exposure than anticipated), Outside Services and General Expenses offset by unfavorable balances in Salary & Benefits, Supplies & Stock Maintenance Materials for Expense Projects: Net Shed, Aviation expense projects, 2013 accrual adjustments), and Charges to Capital (less capital work than originally budgeted).
- CPO $242K. Favorable variances primarily due to Salaries & Benefits and Outside Services.
- AVPMG ($104K). Favorable variances in Salaries & Benefits, Equipment, Outside Services, and Travel offset by Charges to Capital less than budgeted.
- SPM $5K. Favorable variances in Salary & Benefits, Outside Services (timing of consultant contracts), Travel (training not taken) and Charges to Capital offset by unfavorable variance in General Expenses (accounting process will be adjusted).

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 03/31/14

A. BUSINESS EVENTS

- Engaged the community in the Centennial Kick off, Open House for customers and tenants and annual Blessing of the Fleet at Fishermen's Terminal.
- Expanded the live music program at the airport as it continues to generate numerous stories that highlight the Port's position as a national leader in supporting a pleasant customer experience and the success of local artists.
- Released several new short videos in support of news events, to highlight innovations by the business units and to support internal communications: new overpass at 1st and Atlantic; automated passport controls; Foreign Trade Zone; success with CPI Lean.
- Organized participation of U.S. Rep. Adam Smith to join the airport, Alaska Airlines and Puget Sound Clean Air Agency in celebrating the electric ground service equipment ground breaking.
- Executed a search for a new Chief Executive Officer by an executive search firm.
- The Port received a clean, unqualified independent Certified Public Accountant (CPA) audit opinion on the Port's 2013 financial statements from the Certified Public Accounting (CPA) firm, Moss Adams.
- Continued to support the Ballard Maritime Academy by participating in their Steering Committee, and by providing input to Seattle Public Schools' Skills Center on the development of a new Maritime Skills Center program.
- Launched the Cigna Wellness reward and Group Health Wellness programs and achieved approximately 65% health assessment completion rate to date.
- Completed and rolled out the new training tool for Pier 69 vehicle use and accountability and updated the P69 motor pool dispatch form and check out process.
- Implemented the new risk and claims management software tool, Origami, and work progresses on transforming the older CSC Risk Master data into the new format.
- Provided consultation on administration of collective bargaining agreements to Port divisions and oversight committees.
- Provided consultation to work groups following up on results of employee involvement survey.
- Continued to provide intensive organizational development services to clients across the port.
- Began recruitment for the 13th class of veteran fellows.
- Kicked-off 2014 internal internship program.
- Purchased a new Applicant Tracking Software System, Kenexa, which provides an easier and less burdensome hire process and a more efficient recruiting process.
- Launched a cloud platform Learning Management System successfully.
- Upgraded the Avaya/Nortel phone environment at SeaTac, Fisher Plaza and 9 remote sites.
- Replaced the Asbestos Information Management System with an application that leverages SharePoint's document management capabilities and GIS system's detailed maps and floor plans.
- Upgraded the Access Control Network System, which reduces maintenance costs and ensures network infrastructure availability for critical Aviation applications such as the Access Control, Breach Notification, and Alarm systems.
- Continued good progress toward improving the Port's accounting policies and ensuring their continued alignment with evolving prescribed Generally Accepted Accounting Principles (GAAP).
- Collaborated with the Port of Tacoma for the Economic Impact Study procurement/contract.
- Completed the Banking Services RFP. Selection was announced in early March 2014 and currently working on the bank implementation process.
- In the process of completing the Feasibility Consultant services and Disclosure Counsel procurement process.
- Continued to reach out to the community to educate small businesses on contracting opportunities and the Small Contractors and Suppliers Program (SCS).
- Began the Citizen's Academy, which is a program for non-law enforcement personnel and community members to attend a classroom style program that educates the community on police practices.

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 03/31/14

B. KEY PERFORMANCE METRICS

Key Performance Indicators/Measures	YTD 2014	YTD 2013/Notes
A. Implement Century Agenda Strategies		
1. Percentage of eligible dollars spent with small businesses	37.9%	47.9%, decreased by 10%
2. Small businesses registered on the Procurement Roster Management System (PRMS)	50	78, decreased by 28
3. Percentage of craft hours worked by apprentices on projects over $1 million (or PLA)	15.4%	11%, increased by 4.4%
4. Community members gaining employment through Airport Jobs Center (2014 goal is contract minimum with service provider)	197	219, decreased by 22
5. Apprenticeship Opportunity Project Placements	23	31, decreased by 8
6. Small business and Workforce development outreach events and workshops	9	6, increased by 6
B. Consistently Live by Our Values Through Our Actions and Priorities		
1. MIS and Clarity Training	3 classes, 13 attendees	0 class
2. Employee Development Class Attendees/Structured Learning	39	78, decreased by 39
3. Required Safety Training	75%	87%, decreased by 12%
4. Request of information and guidelines for integrity & business conduct	53	86
5. Occupational Injury Rate	5.48	4.77, increased by 0.71
6. Total Lost work days	120	185, decreased by 65 days
C. Manage Our Finances Responsibly		
1. Corporate costs as a % of Total Operating Expenses	26.2%	25.4%
2. Clean independent CPA audits involving AFR	yes	yes
3. Timely process disbursement payment requests	4 days	3 days
4. Keep receivables collections 85% current (within 30 days)	84%	44%
5. Investment Portfolio Yield	0.99%	0.79%
6. Litigation and Claim Reserves (in $ thousand)	932	1,182
D. Exceed Customer Expectations		
1. Respond to Public Disclosure Requests	83	77, increased by 6
2. Information and Communication Technology System Availability	99.00%	99.80%
3. IT Network Availability	99.98%	99.98%
4. Service Desk % of first call resolution	58%	66%
5. Customer Survey for Police Service	80%	88%
E. Support Port Mission with Implementation of Port Divisions' Business Plan		
1. Oversee Implementation and Administration of CBAs agreements	13	n/a
2. Oversee Implementation and Administration of PLAs	84	n/a
3. Number of Jobs Openings	98	69
4. Percent of annual audit work plan completed each year	8%	10%

C. OPERATING RESULTS

$ in 000's	Notes	2013 YTD Actual	2014 Year-to-Date Actual	2014 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year-End Projections Budget	Year-End Projections Forecast	Fav (UnFav) Bud Var
Total Revenues		**68**	**83**	**39**	**44**	**114.8%**	**155**	**155**	**-**
Executive		442	441	510	68	13.4%	1,818	1,818	-
Commission		209	237	436	200	45.8%	1,645	1,645	-
Legal		698	700	861	162	18.8%	3,264	3,215	50
Risk Services		672	720	793	73	9.2%	3,173	3,143	30
Health & Safety Services		259	246	302	56	18.4%	1,190	1,186	4
Public Affairs		1,199	1,215	1,663	448	26.9%	6,069	5,967	102
Human Resources & Development		1,173	1,225	1,318	93	7.1%	5,655	5,636	19
Labor Relations		311	295	336	41	12.3%	1,319	1,281	38
Information & Communications Technology		4,257	4,651	4,721	70	1.5%	20,850	20,850	-
Finance & Budget		353	436	609	173	28.4%	1,856	1,827	30
Accounting & Financial Reporting Services		1,376	1,412	1,691	279	16.5%	7,081	6,974	106
Internal Audit		291	300	314	14	4.5%	1,422	1,501	(79)
Office of Social Responsibility		215	444	664	220	33.1%	2,187	2,230	(43)
Police		5,069	5,374	5,463	88	1.6%	22,658	22,613	45
Contingency		60	-	50	50	100.0%	450	250	200
Total Expenses		**16,583**	**17,695**	**19,731**	**2,035**	**10.3%**	**80,637**	**80,135**	**501**

Corporate revenues were $44K favorable compared to budget due to higher operating grants.

Corporate expenses for the first three months of 2014 were $17.7 million, $2.0 million or 10.3% favorable compared to the approved budget and $1.1M or 6.7% higher than the same period a year ago. The $2.0 million favorable variance is due primarily to vacant positions, delay hiring, timing of spending, and actual savings.

All corporate departments have a favorable variance.

Year-end spending is projected to be $501K under budget due primarily to:

- Legal - projecting lower cost on Outside Services and Travel.
- Public Affairs - vacant positions and savings in Promotional Expenses.
- Human Resources and Development - vacant positions and savings in Outside Services.
- Labor Relations - savings in Payroll and unbudgeted charges to capital.
- Finance & Budget - lower cost for the Economic Impact Study.
- Accounting and Financial Reporting Services - vacant positions and savings in Travel.
- Internal Audit and Office of Social Responsibility - unbudgeted Outside Services; CPO Performance Audit, Training and Assistance for the Port's Clean Air Program.
- Police - vacant positions, savings in equipment purchases, Outside Services, Travel and Supplies & Stock.
- Not anticipating to use all funds in Contingency.

D. CAPITAL SPENDING RESULTS

$ in 000's	2014 YTD Actual	2014 Forecast	2014 Budget	Budget Variance $	Budget Variance %
Radio System Upgrade	79	3,242	3,742	500	13.4%
ID Badge System Replacement	625	1,965	1,965	0	0.0%
Infrastructure - Small Cap	224	1,847	1,847	0	0.0%
Network Switch Replacement	2	1,400	1,300	(100)	-7.7%
Service Tech - Small Cap	124	1,440	1,440	0	0.0%
All Other	404	5,427	5,661	234	4.1%
TOTAL	1,458	15,321	15,955	634	4.0%