

Aviation Division 2015 Operating and Capital Budget Briefing

October 7, 2014

2015 Budget Highlights



- Activity growth:

- 2014 Enplanements +7.1% vs. 2013
- 2015 Enplanements +4.0% vs. 2014 fcst.



- Non-Aero Revenue Growth:

- 2014 +9.7% vs. 2013
- 2015 +6.7% vs. 2014 forecast



- Cost Containment

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- O&M +3.7% vs. 2014 Budget
 - CPE Down 7% vs. 2014 budget

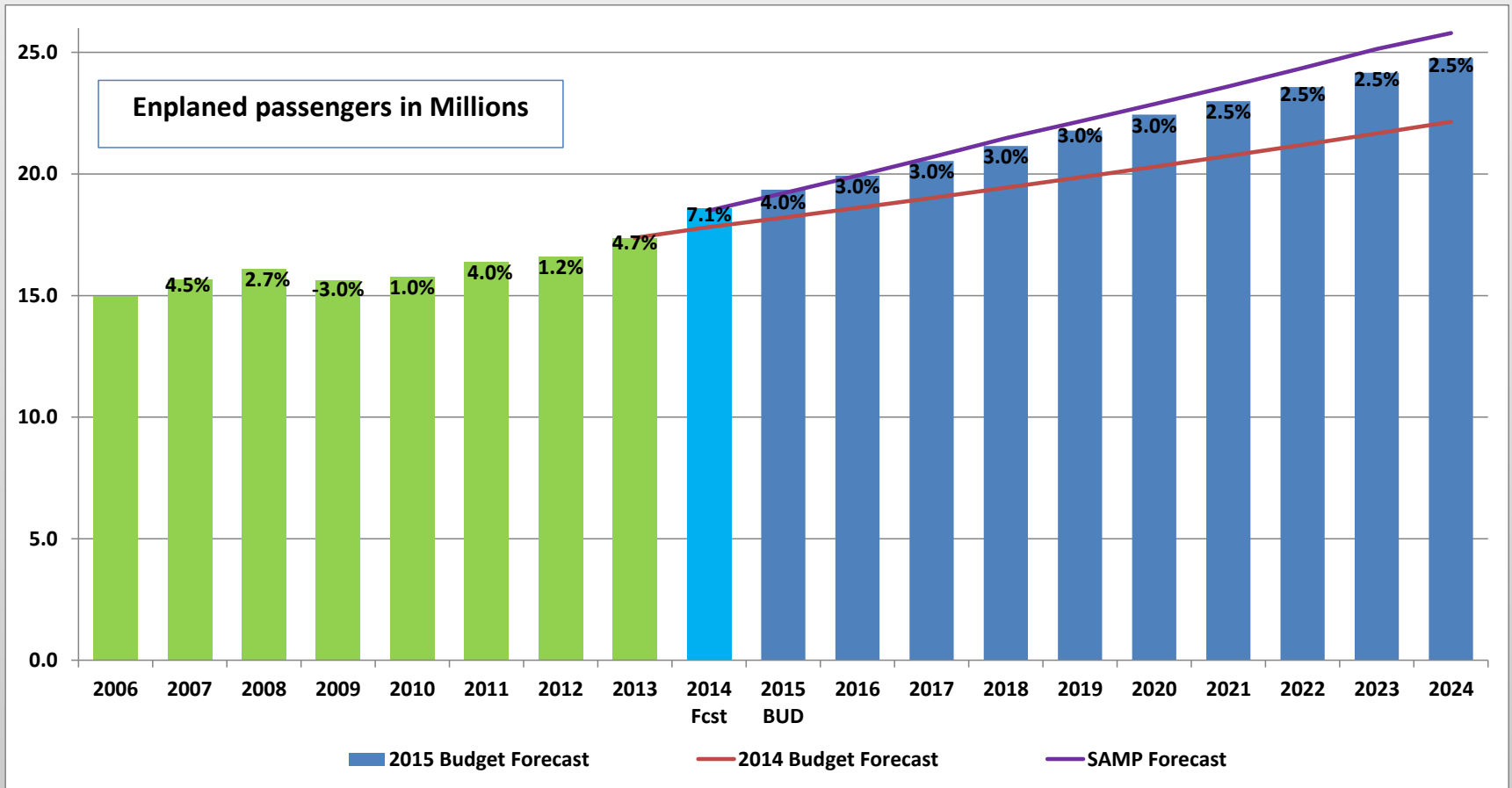


- Bottom line Improvement

- Net cash flow +\$13.2 million vs. 2014 budget
- D/S coverage 1.40x vs. 2014 budget of 1.30x



Enplanement Growth Higher



2015 Budget Forecast

2013 actual: 4.7%
 2014 forecast: 7.1%
 2015 forecast: 4.0%
 2016 - 2020: 3.0%
 2021 - 2024: 2.5%

2014 Budget Forecast

2013 forecast: 4.2%
 2014 budget: 3.0%
 2015 - 2023: 2.2%

Sustainable Airport Master Plan

2014-2018: 3.8%
 2018-2023: 3.2%
 2023-2024: 2.6%

2015 Expense Summary

	in \$000's	
2014 Approved Budget	164,028	
Less: 2014 exceptions to baseline:	<u>(6,008)</u>	A
2014 Baseline Budget	158,020	
2015 Baseline Budget:		
Cost increases	6,793	B
Savings/budget cuts	(6,726)	C
Proposed 2015 budget requests	<u>5,152</u>	D
2015 Proposed Baseline Budget	163,239	3.3%
2015 Exceptions to Baseline Budget	6,820	E
2015 Proposed Budget	170,059	3.7%

- Budget approach:
 - Identify and segregate major non-recurring costs as exceptions from baseline budget
 - Manage growth of baseline budget
 - Budget based on actual spending needs, not prior budget
- Baseline budget growth driven by airport growth



2014 Budget Exceptions (A)

in \$000's	2014
Exceptions to Baseline Budget	
Sustainable Airport Master Plan (CA)	2,300
Regulated Materials	2,356
International Incentive (CA)	902
ADR Master Plan & Implementation	450
Total Exceptions to Baseline Budget	6,008

- Sustainable airport master plan is a multi-year study that supports the Century Agenda objective of meeting the region's air transportation needs at Sea-Tac for the next 25 years
- Regulated material costs are driven by capital projects
- International incentives are contractual obligations based on an existing program. This supports the Century Agenda objective of doubling the number of international flights and destinations
- The ADR master plan and implementation is a multi-year program



2015 Budget Expense Drivers

Baseline Cost Increases (B)

2015 Baseline Cost Increases:	in \$000's
Payroll Increases (before new FTE requests)	
(4) Additional FTE's during 2014	298
Other adjustments for existing FTE's	497
2015 Budget - standard payroll increase	2,564
Total Payroll Increase (before new FTE's)	3,359
Contractual Increases	
Janitorial contract	873
FIS Management contract (CISS)	396
Parking System - Scheidt Bachmann	150
Other contract increases	187
Total Contractual Increases	1,606
Utility cost increases	
Natural Gas increase	623
Electricity increase	187
Garbage disposal increase	237
Other Utility increases	152
Total Utility Cost Increases	1,199
Non-Aero costs related to revenue growth	
B&O tax increase	192
Increase in credit card fees	175
VIP lounge expenses	262
Total Non-Aero Cost Increases	629
Total 2015 Baseline Cost Increases	6,793

- Payroll detail:
 - Additional FTE's in 2014:
 - (4) Firefighters- to reduce overtime
 - Other payroll increases:
 - Job evaluation outcomes
 - (1) FTE transfer from Corporate
 - Annualized impact of 2014 mid-year hires (new in 2014 budget)

- Utilities:
 - Natural gas increase
 - Projected 9.7% increase in natural gas consumption
 - Expected increase in fixed cost per therm

2015 Budget Expense Drivers

Baseline Budget Savings (C)

2015 Baseline Budget Savings:	in \$000's
Reverse one-time items in 2014 Budget	2,641
Increased Payroll Charges to Capital (existing FTE's)	1,107
Payroll Savings - repurpose (13.9) FTE's	550
Other Payroll savings/cuts (zero based budgeting)	1,004
Reduction in B&O tax (loading bridges)	298
Other Non-Payroll savings/cuts (zero based budgeting)	1,125
Total 2015 Baseline Budget Savings	6,726

- **Other Payroll Savings – \$1,004**
 - \$155K – lower new hire rates
 - \$157K – (3) positions eliminated
 - \$505K – represented employee contract budget corrections
 - \$168K – revised overtime assumptions
 - \$19K – other payroll savings
- **Other Non-Payroll Savings - \$1,125**
 - \$348K– reduce RCF expenses to reflect trend in actuals
 - \$211K– reduced demand for building management services, due to (3) buildings single tenant occupied
 - \$167K – reduction in Outside Services reflects changing Environmental program needs
 - \$150K – remove Financial Consultant, revised amount in 2015 Budget Requests
 - \$100K – remove ADR “Thanks Again” program
 - \$60K – remove Parking Consultant, revised amount in 2015 Budget Requests



2015 Budget Expense Drivers

Baseline Budget Requests (D)

2015 Baseline Budget Requests:	in \$000's
Capital Program Support	664
Airport Strategies:	
Safe, Secure Airport	300
Customer Needs/Capacity	423
Asset Management	1,527
Customer Service	288
Environmental Innovation	30
Airline Cost Management	100
Non-Airline Revenue Development	1,010
Employee/Organizational Development	172
Community Partnership	150
Other	487
Total 2015 Baseline Budget Requests	5,152

Budget Request detail:

- Capital Program Support:
 - \$664K – (14) additional FTE's
- Safe, Secure Airport:
 - \$280K – (3) additional ramp controllers
- Customer Needs/Capacity:
 - \$242K – (3) additional FTE
 - \$100K – On-call gate planning support
 - \$50K – Curbside Traffic Mitigation Study
- Asset Management:
 - \$400K – Arc Flash phase II study
 - \$539K – (6) additional FTE
 - \$146K – manual encoder contract for C60 baggage system
 - \$442K – other Asset Management
- Customer Service:
 - \$288K – Quality Jobs impact on CISS contract
- Non-Aero Revenue Development:
 - \$250K – Garage Facility Improvements
 - \$125K – Music Initiative
 - \$183K – parking initiatives (pre-booking, parking consultant, search engine marketing)
 - \$200K – real estate development: owners liaison costs (reimbursable)
 - \$252K – other Non-Aero
- Community Partnership:
 - \$150K – Noise program (2) feasibility studies (apartment building and church)



2015 Budget Expense Drivers Exceptions to Baseline (E)

in \$000's	2014	2015
Exceptions to Baseline Budget		
Sustainable Airport Master Plan (CA)	2,300	2,900
Regulated Materials	2,356	2,642
International Incentive (CA)	902	378
ADR Master Plan & Implementation	450	450
Grant funded portion - Burien NERA 3		450
Total Exceptions to Baseline Budget	6,008	6,820

- Commitments under international incentive program are less in 2015
- 2015 budget includes \$500K for land development pilot program with FAA. Included as an exception are the amounts to be reimbursed from the FAA and the City of Burien totaling \$450K



FTE Changes

2015 Proposed Budget FTEs	FTEs	%
2014 Approved Budget	858.5	
Firefighters - Grade D (to reduce overtime)	4.0	
Airport Parking Marketing Manager (transfer in from Public Affairs)	1.0	
Airport Security Operations Supervisor (position eliminated)	(1.0)	
2014 Baseline	862.5	0.5%
2015 Budget Changes:		
Vacant Positions Repurposed in 2015:	(13.9)	-1.6%
New FTE's Driven by Capital Program:	14.0	1.6%
New FTE's Driven by Operational and Strategic Needs:	14.4	1.7%
Net Change in FTEs:	14.5	1.7%
2015 Budget Proposed FTEs	877.0	

- Capital program driving increase in FTEs



Expense Summary

in \$000's	2013	2014	2014	2015	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
Operating Expenses:						
Payroll	92,998	99,709	96,099	104,191	4,481	4.5%
Outside Services	33,996	31,603	32,980	32,534	931	2.9%
Utilities	12,937	13,650	14,348	14,796	1,146	8.4%
Other Airport Expenses	22,281	18,884	20,325	18,375	(509)	-2.7%
Airport O&M Expenses	162,211	163,846	163,753	169,895	6,049	3.7%
Corporate	35,590	42,718	41,996	43,715	996	2.3%
Police Costs	16,581	16,982	16,982	17,413	431	2.5%
Capital Development/Other Expenses	11,538	15,437	13,982	16,922	1,486	9.6%
Costs from other Divisions	63,709	75,137	72,960	78,050	2,913	3.9%
Total Operating Expense	225,920	238,983	236,713	247,945	8,962	3.8%

- 2015 Payroll costs include new FTEs
- CDD costs include project costs charged to expense, e.g., South Satellite Interior Improvements project



Non-Aeronautical NOI

in \$000's	2013	2014	2014	2015	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
Non-Aero Revenues						
Rental Car	39,839	41,167	44,909	44,998	3,831	9.3%
Public Parking	52,225	52,138	56,103	58,925	6,788	13.0%
Airport Dining and Retail	41,551	43,714	45,489	49,883	6,170	14.1%
International Clubs and Lounges	1,051	1,200	1,800	1,966	766	63.9%
Ground Transportation	7,958	7,881	7,988	8,481	600	7.6%
Employee Parking	5,461	6,292	6,292	7,115	824	13.1%
Utilities	6,332	6,891	6,427	8,377	1,486	21.6%
Other	6,657	7,170	7,648	8,812	1,641	22.9%
Total Non-Aero Revenues	161,075	166,453	176,655	188,558	22,106	13.3%
Non-Aero Expenses						
RCF Operating Expense	7,049	8,506	8,020	8,011	(495)	-5.8%
Operating Expense	64,204	73,136	71,222	80,280	7,144	9.8%
Share of terminal O&M	20,055	22,547	22,225	23,002	456	2.0%
Less utility internal billing	(17,294)	(18,307)	(18,307)	(20,334)	(2,027)	11.1%
Operating Expense	74,014	85,882	83,161	90,960	5,079	5.9%
Net Operating Income	87,061	80,571	93,495	97,598	17,027	21.1%
Less: CFC Surplus ¹	(4,594)	(4,623)	(5,927)	(4,309)	314	-6.8%
Adjusted Non-Aero NOI	82,466	75,948	87,567	93,289	17,342	22.8%
Debt Service	46,434	46,504	45,892	44,035	(2,469)	-5.3%
Net Cash Flow ²	36,032	29,444	41,675	49,254	19,810	67.3%

Note:

(1) \$3M in commercial paper will be paid down in 2015, which reduces both CFC Operating Revenues and the related CFC surplus.

(2) Non-Aero cash flow is the primary source of airline revenue sharing. Strong growth in Non-Aero revenue is reflected in 2015 increase in airline revenue sharing.

Aeronautical NOI

in \$000's	2013	2014	2014	2015	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
Revenues:						
Movement Area	77,028	74,590	74,442	78,706	4,117	5.5%
Apron Area	7,909	10,214	10,210	11,351	1,136	11.1%
Terminal Rents	147,339	144,641	144,668	153,003	8,362	5.8%
Federal Inspection Services (FIS)	7,771	8,617	8,726	10,294	1,677	19.5%
Total Rate Base Revenues	240,047	238,063	238,047	253,354	15,292	6.4%
Commercial Area	8,487	9,517	7,761	8,445	(1,072)	-11.3%
Subtotal before Revenue Sharing	248,534	247,580	245,807	261,799	14,220	5.7%
Revenue Sharing	(9,901)	(6,136)	(11,140)	(19,267)	(13,131)	214.0%
Total Airline Revenues	238,633	241,443	234,667	242,532	1,089	0.5%
Operating Expense	151,906	153,101	153,552	156,985	3,884	2.5%
Net Operating Income	86,727	88,342	81,115	85,547	(2,795)	-3.2%
Debt Service Rate Base	80,654	80,631	80,209	83,284	2,653	3.3%
Debt Service Exclusion	743	1,604	1,604	1,539	(64)	-4.0%
Net Cash Flow	5,330	6,108	(697)	724	(5,384)	-88.1%



Budget Summary

in \$000's	2013	2014	2014	2015	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
Operating Revenues:						
Aeronautical Revenues	238,633	241,443	234,667	242,532	1,089	0.5%
SLOA III Incentive Straight Line Adj	14,304	(3,576)	(3,576)	(3,576)	-	0.0%
Non-Aeronautical Revenues	161,075	166,453	176,655	188,558	22,106	13.3%
Total Operating Revenues	414,011	404,320	407,747	427,514	23,194	5.7%
Total Operating Expense	225,920	238,983	236,713	247,945	8,962	3.8%
Net Operating Income	188,092	165,337	171,034	179,569	14,232	8.6%
CFC Surplus	(4,594)	(4,623)	(5,927)	(4,309)	314	-6.8%
Net Non-Operating items paid from ADF	1,353	2,331	2,152	1,504	(828)	-35.5%
SLOA III Incentive Straight Line Adj	(14,304)	3,576	3,576	3,576	-	0.0%
Debt Service	(127,831)	(128,738)	(127,705)	(128,858)	(120)	0.1%
Adjusted Net Cash Flow	42,716	37,883	43,130	51,482	13,599	35.9%
Key Measures						
Cost per Enplanement (CPE)	11.85	12.68	11.88	11.79	(0.89)	-7.0%
O&M per Enplanement	13.00	13.42	12.72	12.81	(0.61)	-4.5%
Non-Aero Revenue per Enplanement	9.27	9.34	9.49	9.74	0.40	4.3%
Debt per Enplanement	146.59	133.72	133.72	129.25	(4.47)	-3.3%
Debt Service Coverage	1.33	1.30	1.34	1.40	0.10	7.8%

Capital Budget Overview

- Four major programs or projects continue to dominate capital budget:
 - NorthSTAR – four projects including expanded NSAT
 - Runway 16C – construction will start in 2015
 - Baggage Optimization – design progressing
 - International Arrivals Facility (IAF) – updating cost estimate
- Exercising caution until cost of IAF is known:
 - 31 projects presented to AV Investment Committee
 - 12 eliminated or deferred
 - 8 proposed for inclusion in capital budget
 - 11 with compelling justifications, but not included in budget

Capital Budget Summary

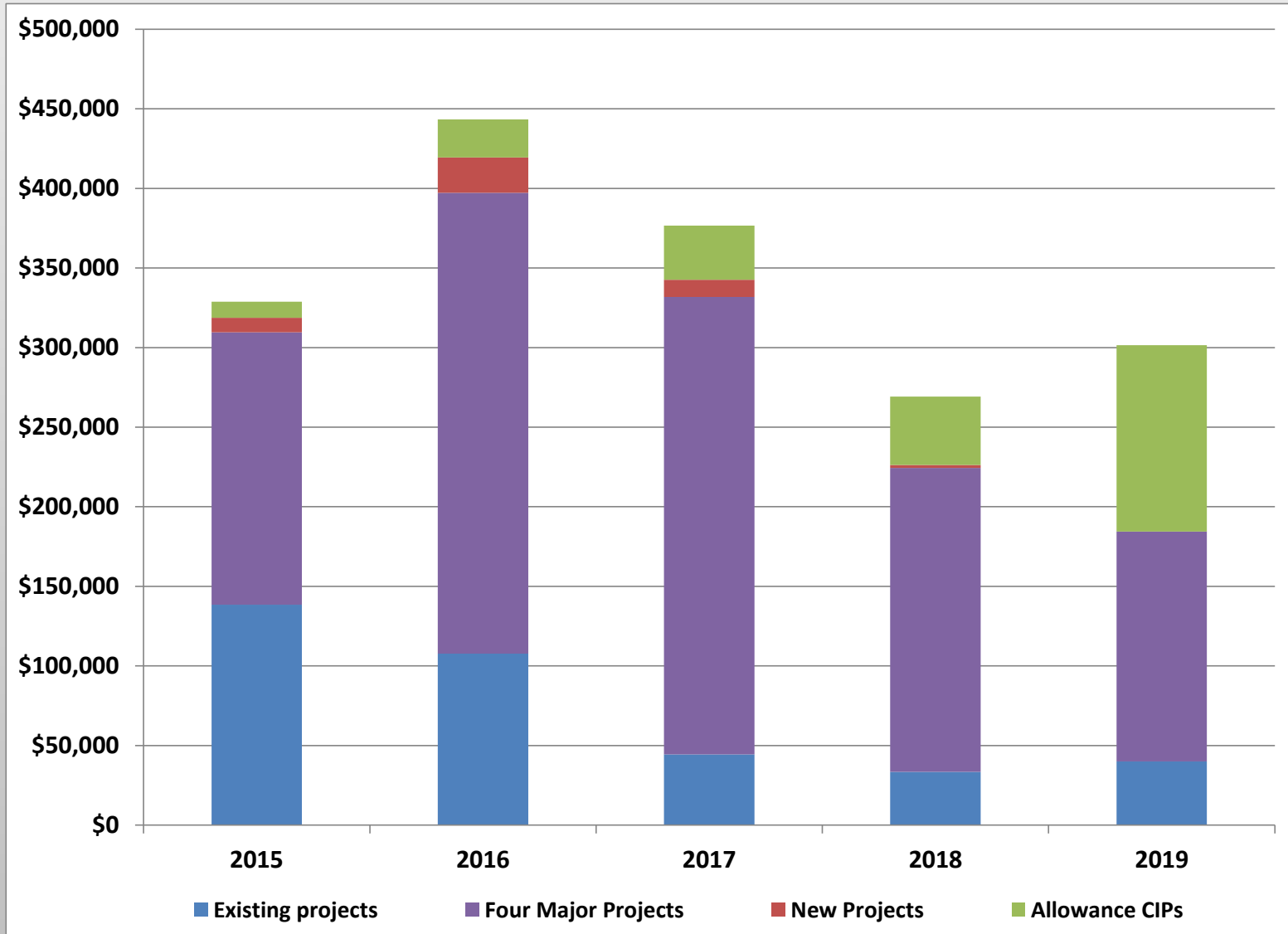
CIP Categories	Projects	Cash Flows (Figures in \$000s)					2015-19	
		2014	2015	2016	2017	2018	2019	Total
A. Commission Authorized/Underway	96	196,305	278,222	349,630	310,052	211,360	172,274	1,321,538
B. Pending 2014/2015 Authorization	12	1,635	26,135	32,250	8,372	2,515	1,298	70,570
C. Pending Future Authorization	5	70	30	10,110	9,441	6,500	6,500	32,581
D. Small Projects	8	5,468	5,200	5,200	4,000	4,000	4,390	22,790
Total	121	203,478	309,587	397,190	331,865	224,375	184,462	1,447,479
Proposed New Projects	8	350	9,195	22,199	10,705	1,800	-	43,899
Allowance CIPs	2	3,000	10,000	24,000	34,000	43,000	117,000	228,000
Total Proposed CIP	131	206,828	328,782	443,389	376,570	269,175	301,462	1,719,378

- “Authorized” line includes total project budgets for projects with at least partial commission authorization
- Proposing 8 new projects for inclusion in budget
- Allowance CIPs represent undesignated future spending for future new projects and potential budget increases for existing projects
- 2015 – 2019 will have sustained high levels of spending as major projects will be under construction



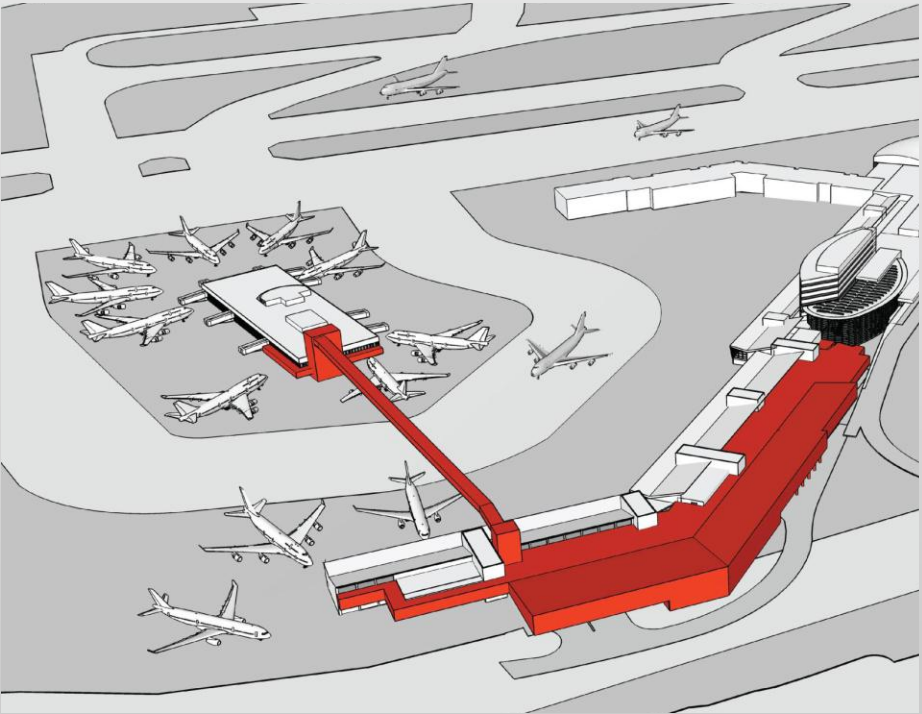
Capital Budget Summary

With Major Projects Broken Out



Large Projects

International Arrivals Facility



NorthSTAR



Large Projects

Baggage Optimization



Runway 16C/34C Reconstruction



A. Projects Authorized/Underway

A. Commission Authorized/Underway	CIP	Cash Flows (Figures in \$000s)						2015-19
		2014	2015	2016	2017	2018	2019	Total
NorthSTAR program	5 CIPs	21,583	43,420	72,854	110,025	107,223	92,491	426,013
International Arrivals Facility	C800583	8,654	51,748	134,050	123,799	23,683	1,939	335,219
Baggage Recapitalization/Optimization	C800612	4,287	20,000	45,000	50,000	60,000	50,000	225,000
Runway 16C/34C Reconstruction	C800406	2,046	56,000	37,503	3,675			97,178
SSAT HVAC, Lights, Ceiling	C800376	346	220	-	6,000	10,000	16,000	32,220
Highline School Insulation	C200007	11,369	7,256	15,681		3,394		26,331
Main Term Low Voltage Sys Upgrade	C800061	576	7,500	9,048	2,388			18,936
GSE Electrical Charging Stations	C800335	3,140	13,802					13,802
Vertical Conveyance Modernization	C800251	1,608	4,986	5,986	2,084			13,056
CCTV Camera/Data Improvement	C800642	387	2,000	5,000	3,612			10,612
Airfield Pavement Replacement	C102573	4,809	7,874					7,874
Single Family Home Insulation	C200093	3,276	3,010	3,183				6,193
Parking Garage Lights	C800581	185	2,000	2,000	1,000	550	501	6,051
Aircraft RON Parking USPS	C800254	33,027	4,558					4,558
2014-2015 Roof Replacement	C800637	145	4,000	270				4,270
Central Plant Preconditioned Air	C800238	4,090	3,064	1,000				4,064
Other projects (76)		96,777	46,784	18,055	7,469	6,510	11,343	90,161
Total		196,305	278,222	349,630	310,052	211,360	172,274	1,321,538

- Four largest projects (highlighted in yellow) account for 82% of total
- Estimated cost for International Arrivals Facility is under review
- SSAT HVAC may be delayed/canceled based on master plan outcomes

B. Projects Pending 2014/2015 Authorization

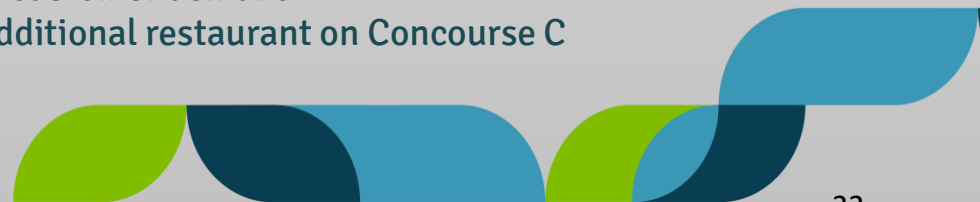
B. Pending 2014/2015 Authorization	CIP	Cash Flows (Figures in \$000s)						2015-19 Total
		2014	2015	2016	2017	2018	2019	
Emergency Backup Power	C800538	200	15,000	21,080				36,080
ADR Infrastructure	C800638	384	2,000	5,000	2,000	1,515		10,515
Main Terminal HVAC Upgrade	C800240		500	4,000	3,875			8,375
Passenger Loading Bridges	C800653	752	1,250	1,000	1,000	1,000	1,298	5,548
Air Cargo Road Safety Improvements	C102162	124	403	1,020	1,497			2,920
Domestic Water Piping	C800657	100	1,750	100				1,850
Fuel System Modifications	C800692	25	1,075					1,075
Cargo 4 (UAL Freight Bldg.)	C800645		1,000					1,000
Security Checkpoint Wayfinding	C800388		857					857
IWS Segregation Meters	C800655	50	800	50				850
Replace Emergency Power Switch	C800587		850					850
Concourse A Bridge Level	C800638		650					650
								-
Total		1,635	26,135	32,250	8,372	2,515	1,298	70,570



Proposed New Projects

CIP	Description	Budget	Cash Flows (Figures in \$000s)					2015-19
			2015	2016	2017	2018	2019	Total
1	C800717 North Loop Interconnect Piping	11,950	200	3,950	6,000	1,800		11,950
2	C800724 New Power Center, Conc. C	9,850	2,238	2,957	4,655			9,850
3	C800699 Automated Electrical Switching	9,600	2,000	7,600				9,600
4	C800688 Construction Logistics Expansion	6,400	3,600	2,400	50			6,050
5	C800702 Roof Replacement, Conc. C	3,820	267	3,553				3,820
6	C800716 Central Term Mezz Stairways	1,250	300	950				1,250
7	C800706 Grease Interceptor	939	250	689				939
8	C800648 Emergency Phones	440	340	100				440
	TOTAL	44,249	9,195	22,199	10,705	1,800	-	43,899

1. North loop piping will expand piping for chilled water and steam supply to North Satellite from Central Mechanical plant. Necessary for North Satellite expansion. Helps prevent service outages.
2. Concourse C power supply is at capacity. Can't meet tenant growth needs without upgrade.
3. Automated system allows for remote operation of electric (12.5 kv, 480 v) switch gear to prevent arc flash hazards. Aides employee safety. Required by new electrical code.
4. Construction Logistics Expansion project needed to support major capital projects
5. Concourse C roof must be replaced, skylights also. Roof is 23 years old.
6. Center terminal mezzanine level needs additional stairs to provide required egress to permit leasing currently unoccupied space for which there is customer demand
7. Need additional grease interceptor to allow additional restaurant on Concourse C
8. Emergency phones in garage



New Projects – Delay Approval

CIP	Description	Budget	Cash Flows (Figures in \$000s)					2015-19 Total
			2015	2016	2017	2018	2019	
1	C800690 B2 Building Expansion	18,200	1,450	9,500	6,900	350		18,200
2	C800697 Restroom Room Upgrades B,C,D	10,750	750	3,700	4,300	2,000		10,750
3	C800722 Central Terminal HVAC Upgrade	4,900	500	2,000	2,400			4,900
4	C800695 C3 Holdroom Expansion	3,300	3,300					3,300
5	C800701 Hardening Serv Tunnel Entrance	1,953	391	781	781			1,953
6	C800727 Cargo Hardstand IWS Improvements	1,850	1,850					1,850
7	C800709 Term Wide Voice Paging System	1,500	1,500					1,500
8	C800705 Fire Dept ARFF Vehicle	1,450	1,450					1,450
9	C800711 A14 Ramp	1,400	1,400					1,400
10	C800708 S. Util. Tunnel Steam Piping Upgrade	1,000	1,000					1,000
11	C800712 Additional APC Kiosks	500	500					500
	TOTAL	46,803	14,091	15,981	14,381	2,350	-	46,803

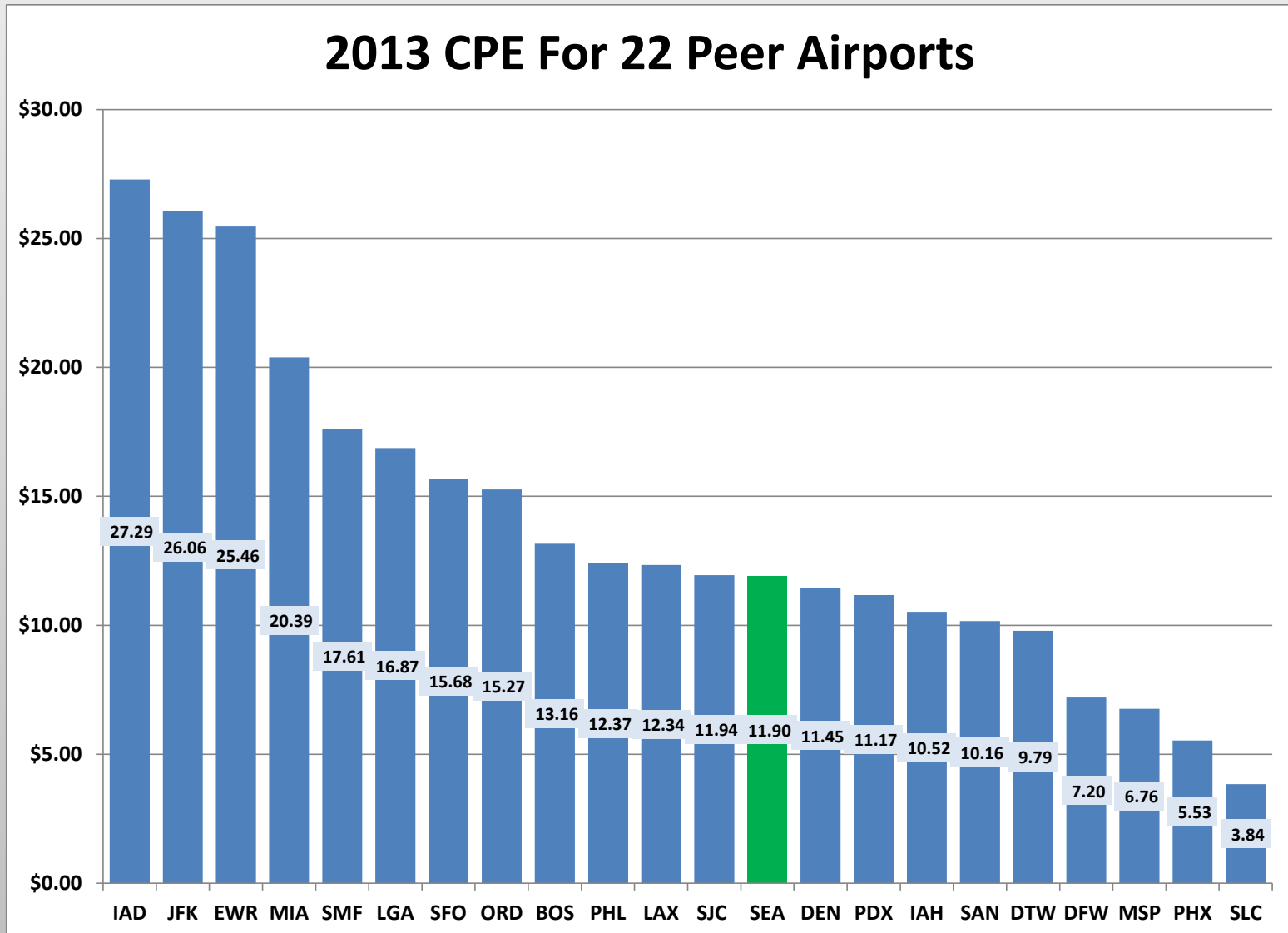
- All projects have compelling justifications
- Projects will be re-evaluated in Q1 2015 for possible mid-year approval



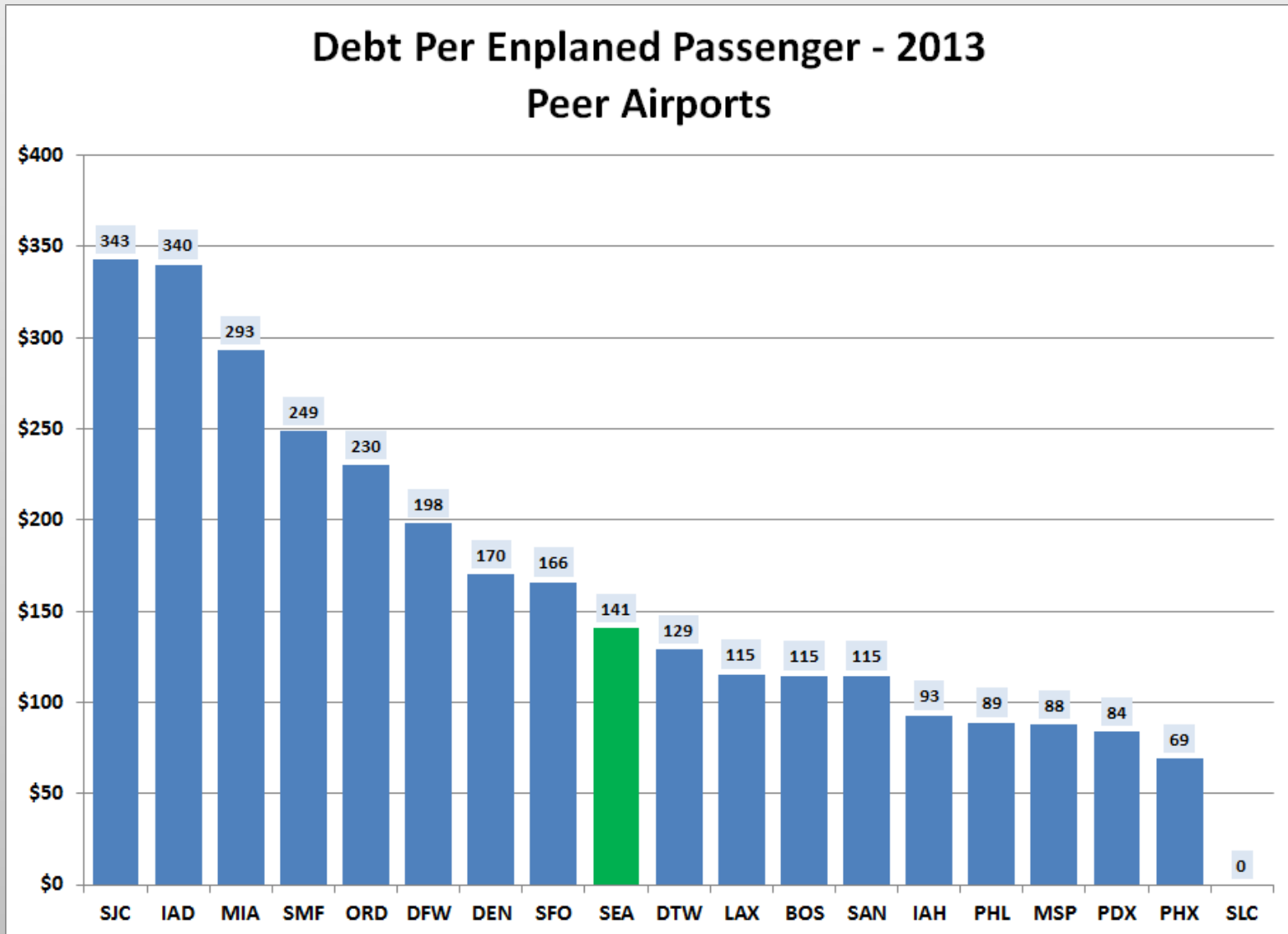
Capital Budget Affordability

- Affordability determined by two comparative measures with peer airports. Goal is to be within middle third:
 - Cost per enplaned passenger
 - Debt per enplaned passenger
- Using full budget, cost increases to existing projects to be “managed” within existing program budget through use of Allowance CIPs, savings and deferrals.

CPE Comparison – Most Recent



Debt/Enpl. Passenger - Most Recent



Spending “Cushion” Allowing for New Projects/Cost Increases

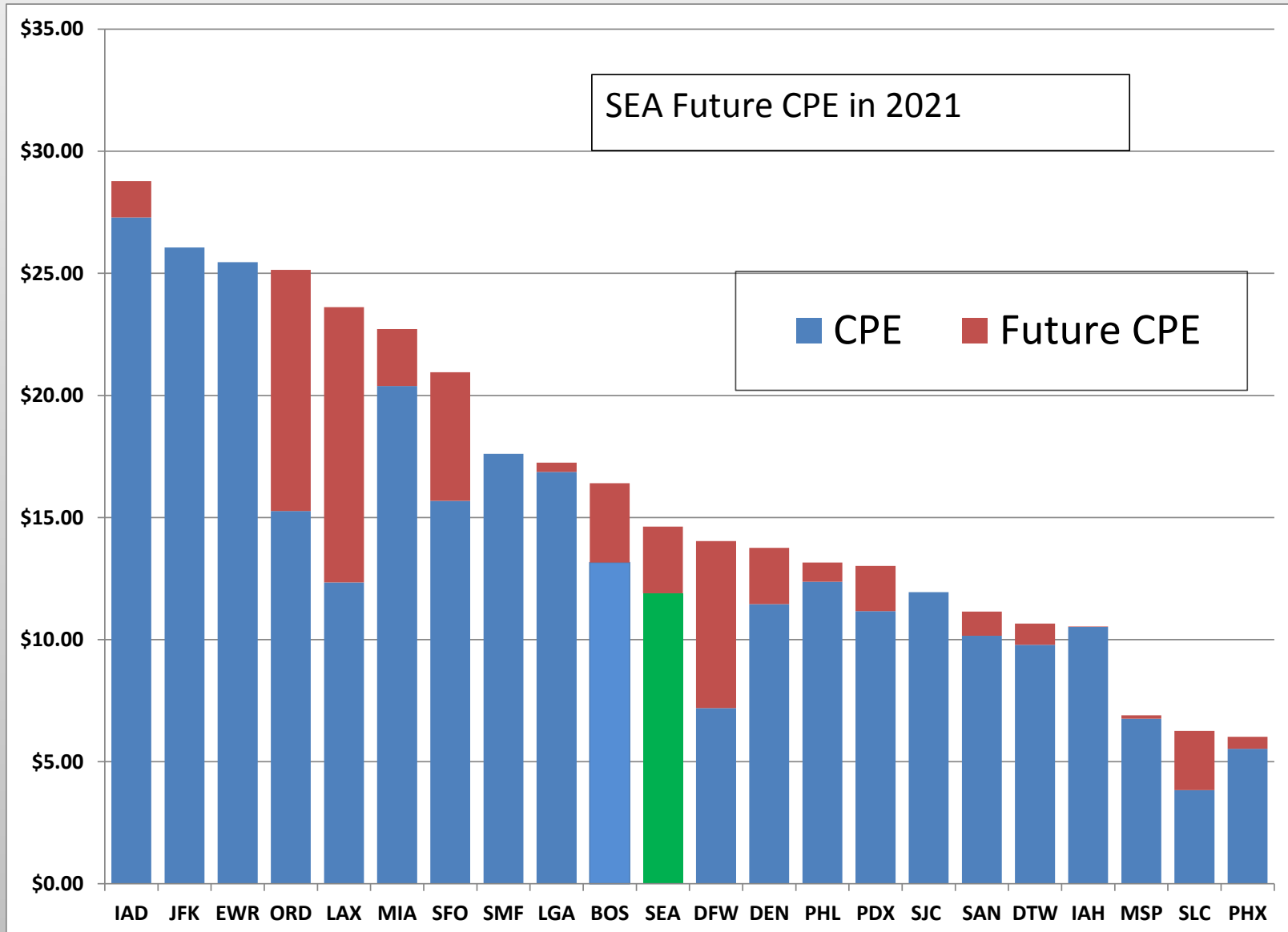
- Five-year capital plans tend to be optimistic.
 - Historically, have not spent above 70% of five year capital budget.
 - Project savings, deferrals or changing customer needs cause project spending to be less than plan.
- Intent is to absorb any IAF cost increase within existing capital plan limits.

\$000s	2015-19
	Total
Calculation of Possible Underspending	
Capital spending (\$000)	1,719,378
Less NSTAR, IAF, 16C	(858,410)
Subtotal	860,968
Spending reduction factor (10 - 25%)	22%
Projected underspending	188,600
Five-Year Theoretical Capacity	
Projected underspending	188,600
Allowance CIPs	228,000
Total	416,600

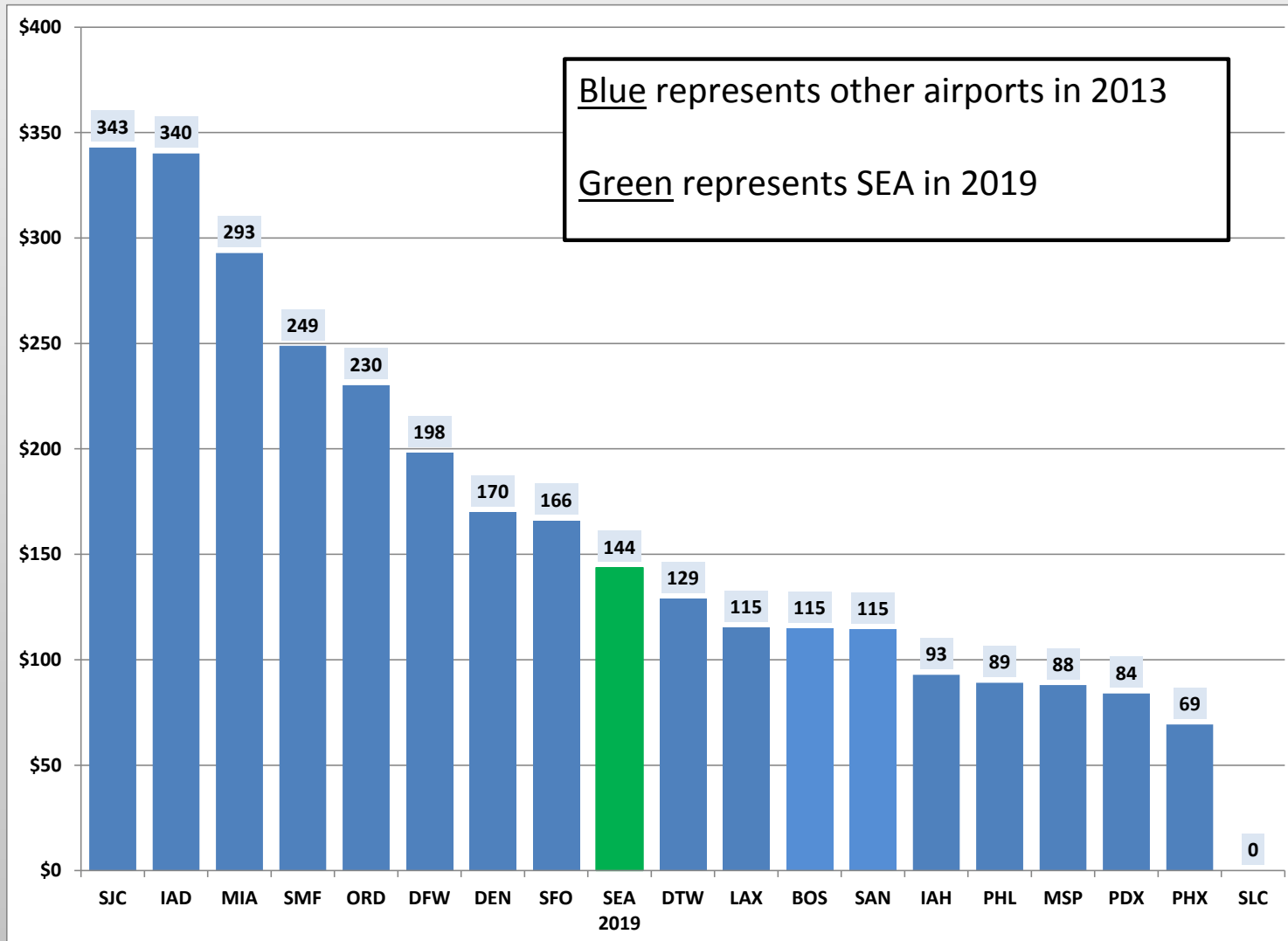
Financial Forecast

In \$000's	2014 Bud	2015 Bud	2016	2017	2018	2019
Airline Revenue	241,443	242,532	266,064	288,618	302,236	298,400
Non-Airline Revenue	166,453	188,558	194,046	199,489	203,919	211,242
Total Revenue	407,896	431,090	460,110	488,107	506,155	509,642
Operating Expense	238,983	247,945	255,275	261,799	268,593	275,525
Net Operating Income	168,913	183,145	204,835	226,308	237,562	234,116
Net Non-Operating Income/Expense	2,769	1,504	2,836	2,906	2,988	3,073
CFC Excess*	(4,623)	(4,309)	(3,598)	(3,235)	(2,734)	(2,239)
Available for Debt Service	167,059	180,340	204,073	225,980	237,816	234,950
Net Debt Service	128,738	128,858	148,011	168,768	179,261	174,268
Net Cash Flow	38,321	51,482	56,062	57,212	58,554	60,682
Key Measures						
Debt Service Coverage	1.30	1.40	1.38	1.34	1.33	1.35
Revenue Sharing	6,136	19,267	19,059	15,019	13,739	17,115
Passenger Airline CPE	12.68	11.79	12.58	13.28	13.53	12.94
Debt per Enplaned Passenger	142.0	129.2	136.5	142.4	141.6	143.6
* CFC collections in excess of CFC debt service/O&M are restricted and cannot be used for other revenue bond debt service						

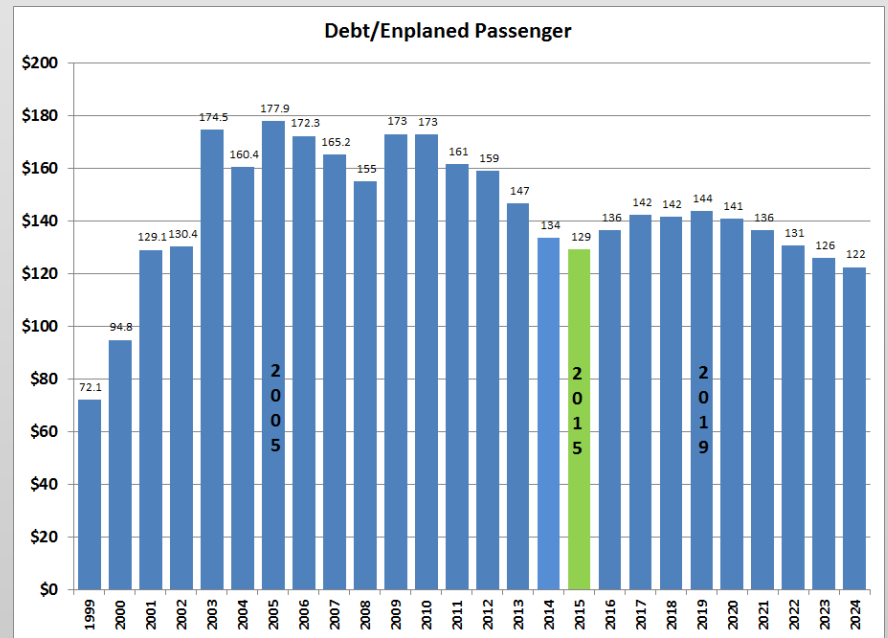
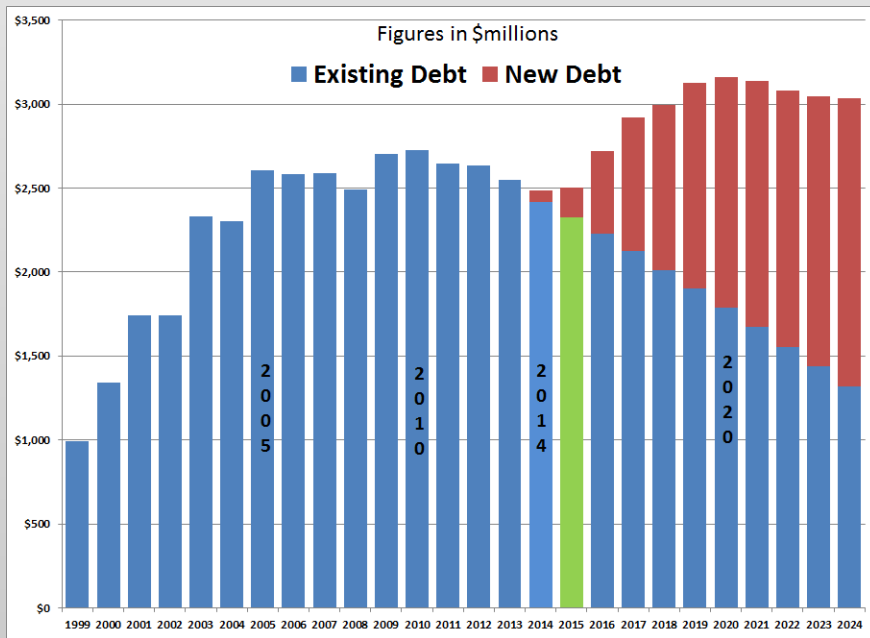
CPE Comparison - Future



Debt Per Enplanement - Future



Past and Future Debt Levels Sea-Tac Airport



Balanced Use of PFCs

Historical Use of PFCs	1992 - 2013	Percent
Airfield (including Noise)	558,726,500	57%
Terminal	413,462,500	43%
FIS	-	0%
Total	972,189,000	
Total Use of PFCs	1992 - 2049	Percent
Airfield (including Noise)	2,037,244,255	43%
Terminal	2,212,791,428	47%
FIS	464,613,442	10%
Total	4,714,649,125	

- PFCs are used to fund capital improvements and pay debt service on PFC eligible projects. Costs paid by PFCs are excluded from airline rate base.
- “Balance” in use of PFCs requires long-term view of use by cost center
- \$8.50 PFC level would generate approximately \$70 million in additional PFC revenue annually beginning in 2017.
 - Could cash fund capital improvements or pay debt service on approximately \$800 million in new capital spending.

Next Steps

- IAF scope and cost estimate will be updated
- Will analyze forecasted rate impacts by cost center, determine optimal deployment plan for PFCs
- “Delayed” new projects will be reviewed and proposed for approval in 2015 if prudent
- Funding plan will require revenue bond issue in early 2015
- Will develop PFC application to FAA in 2015 for future use on IAF and North Satellite



APPENDIX – SUPPLEMENTARY SLIDES

Non-Aeronautical Key Indicators

	2013 Actual	2014 Budget	2014 Forecast	2015 Budget	Budget Change	
					\$	%
Revenues per Enplanement						
Parking	3.01	2.93	3.01	3.04	0.12	4.0%
Rental Cars (excludes CFCs)	1.64	1.61	1.67	1.69	0.08	4.9%
Ground Transportation	0.46	0.44	0.43	0.44	0.00	-1.0%
Airport Dining and Retail	2.39	2.45	2.44	2.58	0.12	5.0%
Other	1.78	1.91	1.94	1.99	0.08	4.3%
Total Revenues	9.27	9.34	9.49	9.74	0.40	4.3%
Primary Concessions Sales / Enpl	11.23	11.52	11.65	11.88	0.37	3.2%

- Revenues per enplanement for all major categories increasing in 2015, reflecting real growth in passenger spending



Aeronautical Cost Drivers

\$ in 000's	2013	2014	2014	2015	Budget Change	
	Actual ⁽¹⁾	Budget	Forecast	Budget	\$	%
O&M	147,209	146,068	146,623	152,932	6,864	4.7%
Debt Service	77,909	77,791	77,414	80,863	3,072	3.9%
Amortization	18,959	20,001	20,029	24,393	4,392	22.0%
Space Vacancy	(3,734)	(4,529)	(4,693)	(4,118)	410	-9.1%
TSA Grant & Other	(296)	(1,269)	(1,326)	(715)	553	-43.6%
Total Rate Base Revenue Requirement	240,047	238,063	238,047	253,354	14,738	6.2%

(1) Based on 2013 financial statements, not revenue requirement in the final 2013 settlement.

- **Operating Expenses:**
 - Terminal - \$1.4m increase in utilities expenses, \$0.7m increase in janitorial services, \$0.7m increase in ERL, \$0.6m increase in small works construction services (mostly SSAT renovation project), \$0.6m increase in divisional & corporate allocations, \$0.5m increase due to non-aero space allocation percentage decrease.
 - FIS -\$1m increase in contracted services.
- **Debt Service:**
 - Increase to existing debt service amortization
- **Amortization (use of ADF):**
 - FIMS/FIDS \$1.2M, PeopleSoft Financial Upgrade \$0.6M, SharePoint \$0.5M
- **Vacancy - less publicly-accessible vacant space.**

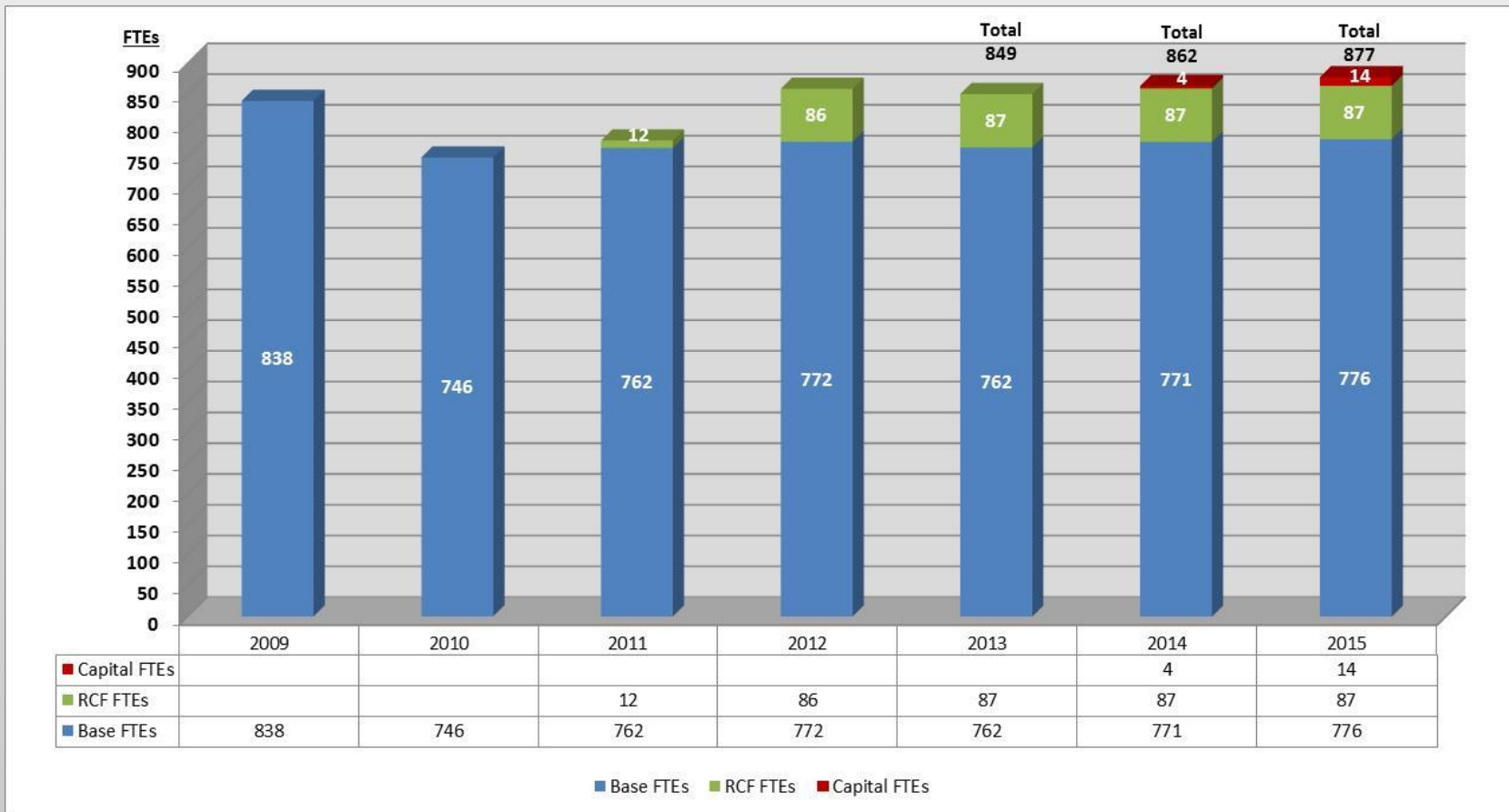


Operating Budget Summary

- Airport growth driving growth in capital program
- Expense growth and FTE growth are moderate in comparison
- All key measures trending positive (see following slides)



Airport FTEs - Trend



- Growth in FTEs since 2011 driven by Rental Car busing and capital program
- Baseline FTEs essentially flat since 2012

FTE Growth due to Operational & Strategic Needs

2015 Proposed Budget FTEs	FTEs
New FTE's Driven by Operational and Strategic Needs:	
Ground Transportation Controller	1.0
Airline Systems Resource Coordinator	1.0
Baggage Operations Systems Specialist	1.0
Lean Practioner - Continuous Process Improvement (CPI)	1.0
Call Research Field Worker Position - increased hours	0.3
Financial Analyst III - Finance & Budget	1.0
Facility Master Record Drawing Manager	1.0
Senior Infrastructure System Engineers (4 yr limited duration)	2.0
Lease Administration Specialist	1.0
Aviation Property Manager 2	1.0
Airport Dining & Retail Specialist	1.0
Electronic Technicians	3.0
Community Partnerships Highschool Interns - increased hours	0.2
Total Operational and Strategic FTEs	14.4
Less Repurposed FTE's (currently vacant)	(13.9)
Incremental Increase to Operational and Strategic FTEs	0.5

- Non-capital FTEs are largely absorbed in existing head count by repurposing open positions



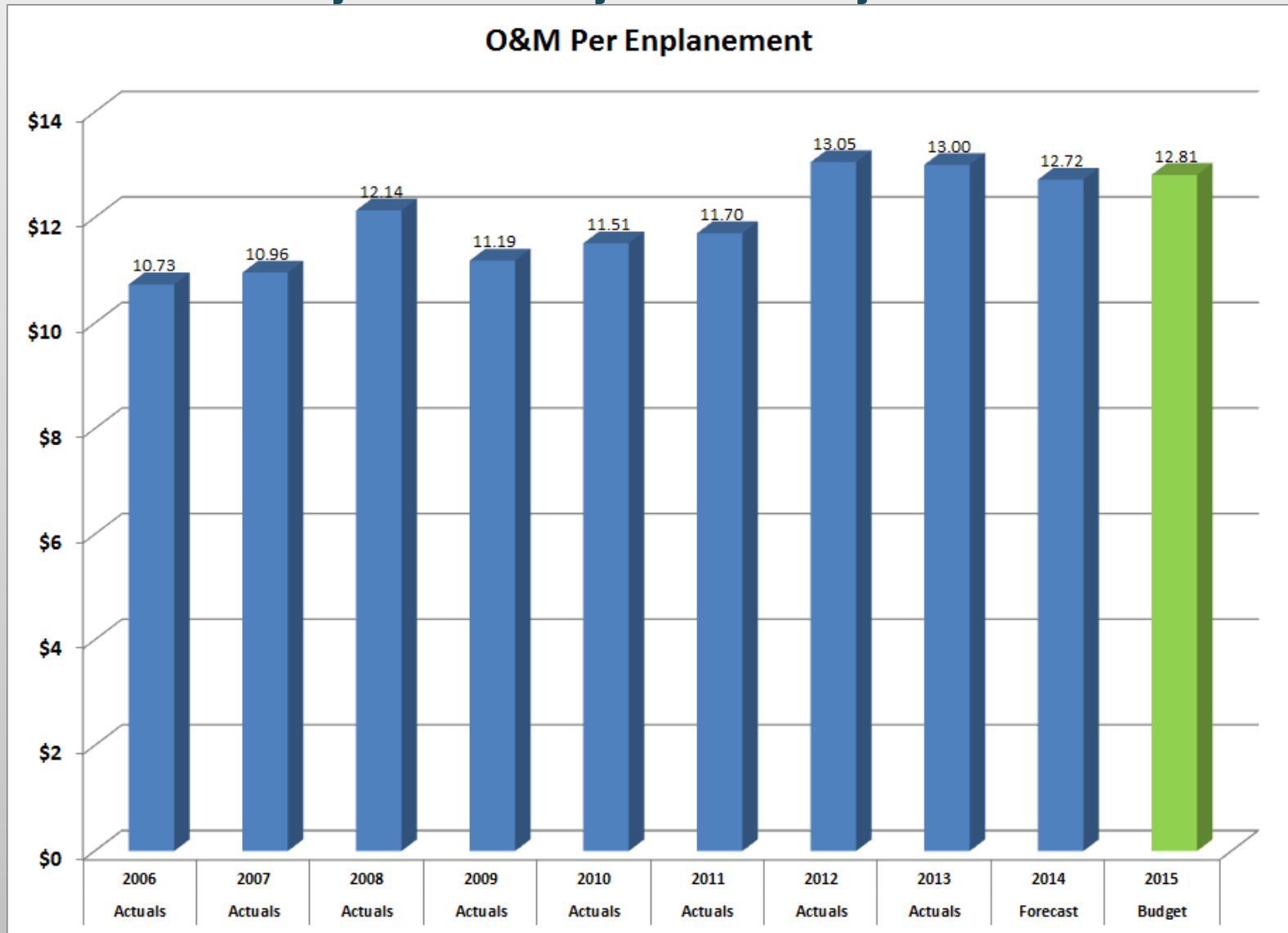
FTE Growth due to Capital Program

2015 Proposed Budget FTEs	FTEs
New FTE's Driven by Capital Program:	
Capital Project Liaison Manager, Baggage Optimization	1.0
Maintenance Manager - Capital Program Support	1.0
Operating Maintenance Engineer - Capital Program Support	1.0
Conveyance System - Capital Program Support	1.0
Electricians - Capital Program Support	2.0
Electronic Technicians - Capital Program Support	2.0
Maintenance - Capital Support Specialist	1.0
Art Program Coordinator	1.0
Architect 4	1.0
Building Department Assistant Manager	1.0
Operations Program Development Manager, Runway 16C	1.0
Operations Program Development Manager, IAF & NorthStar	1.0
Total Capital Program FTEs	14.0

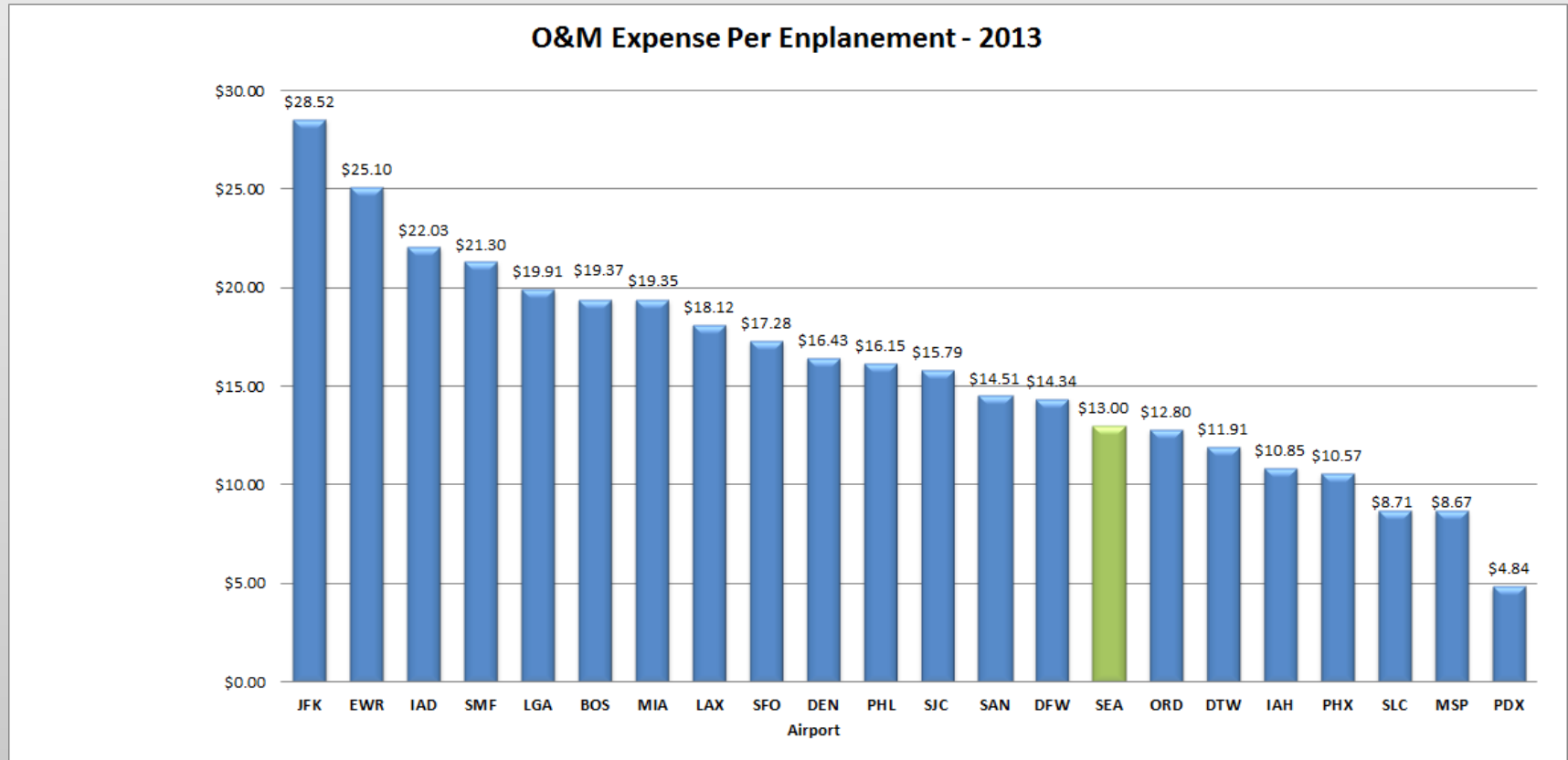
Capital program support requires additional staff for design reviews and coordinating construction around operations



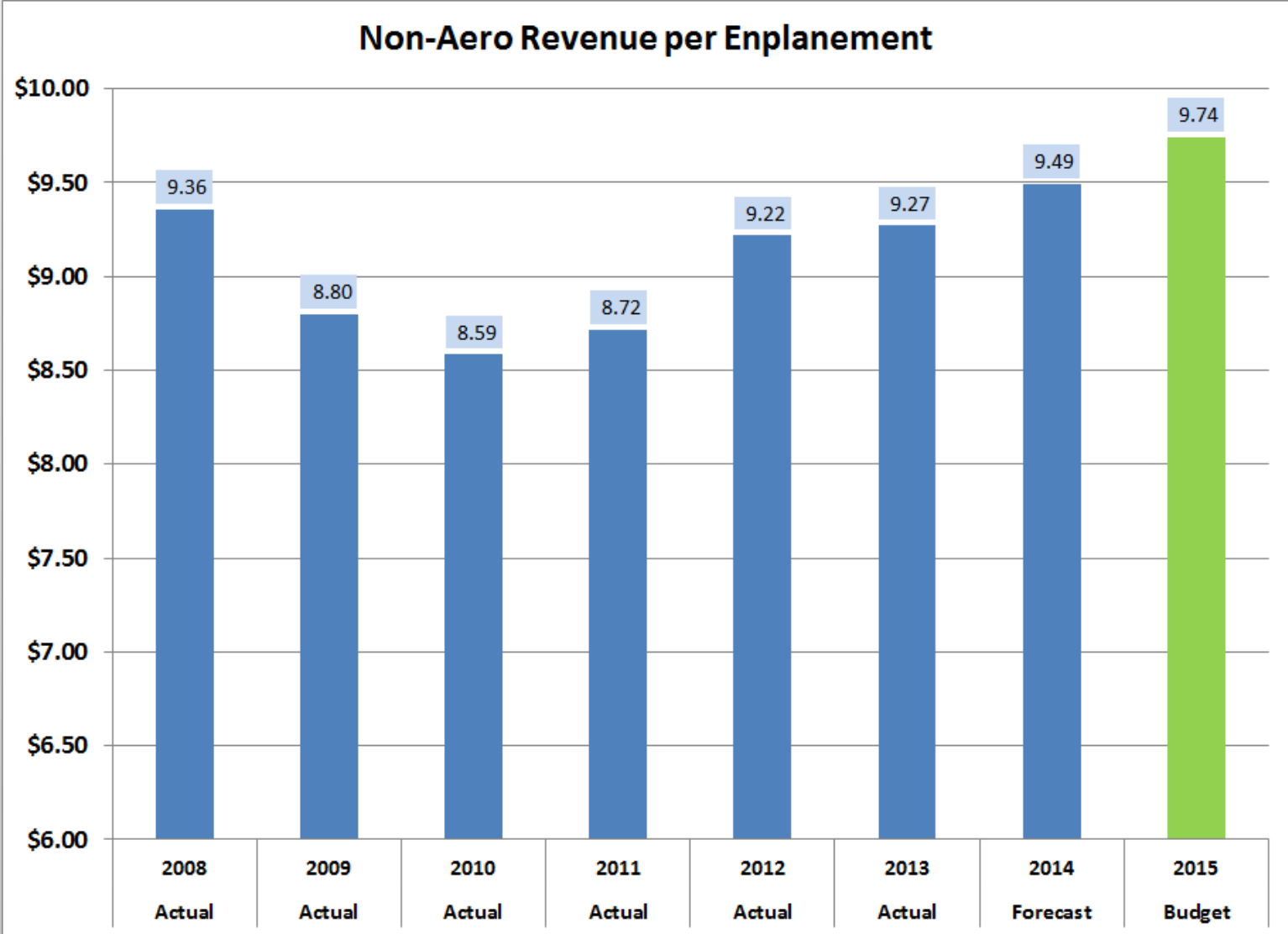
O&M Expense per Enplanement



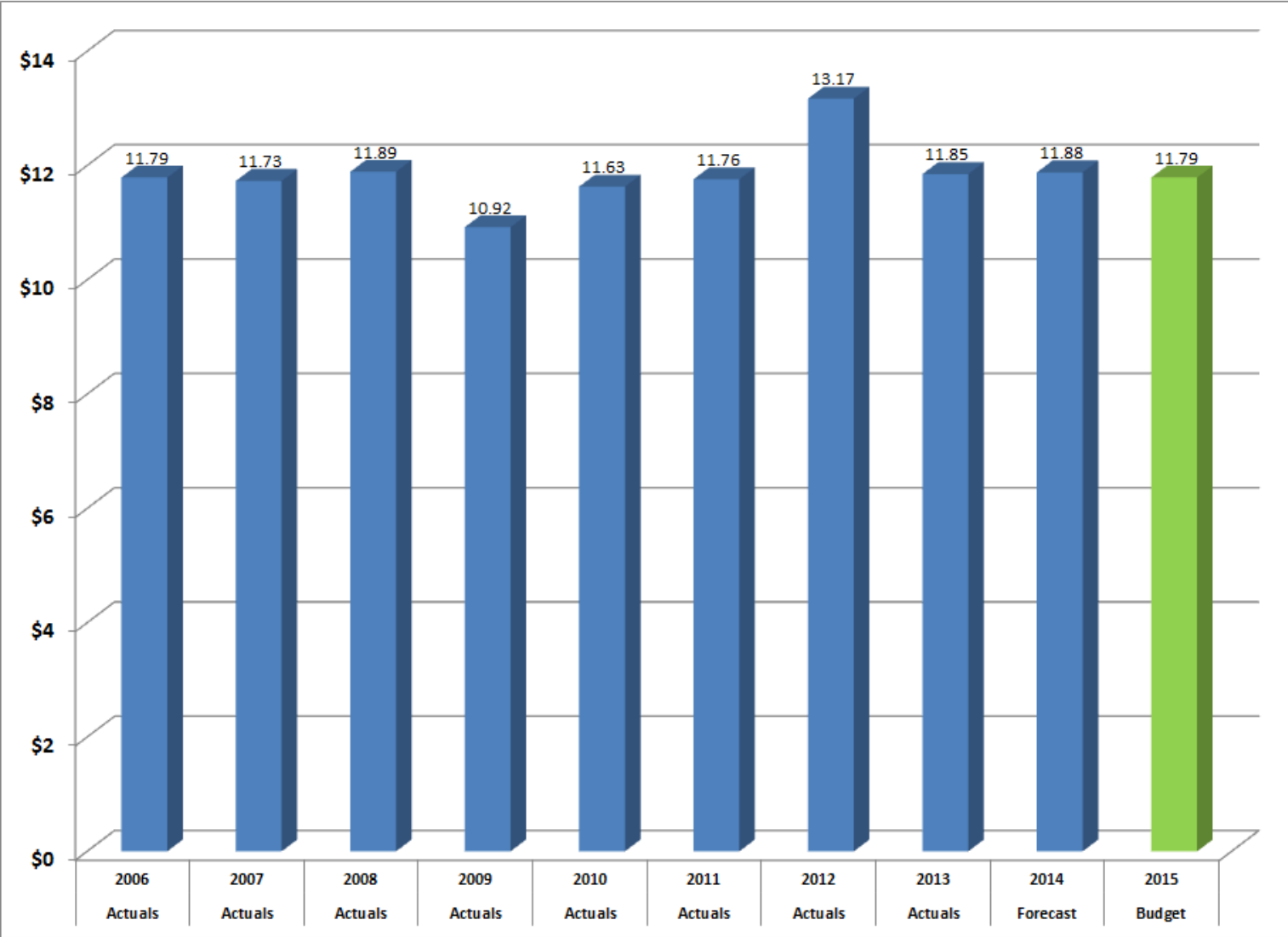
O&M Expense Per Enplanement vs. Peer Airports - 2013



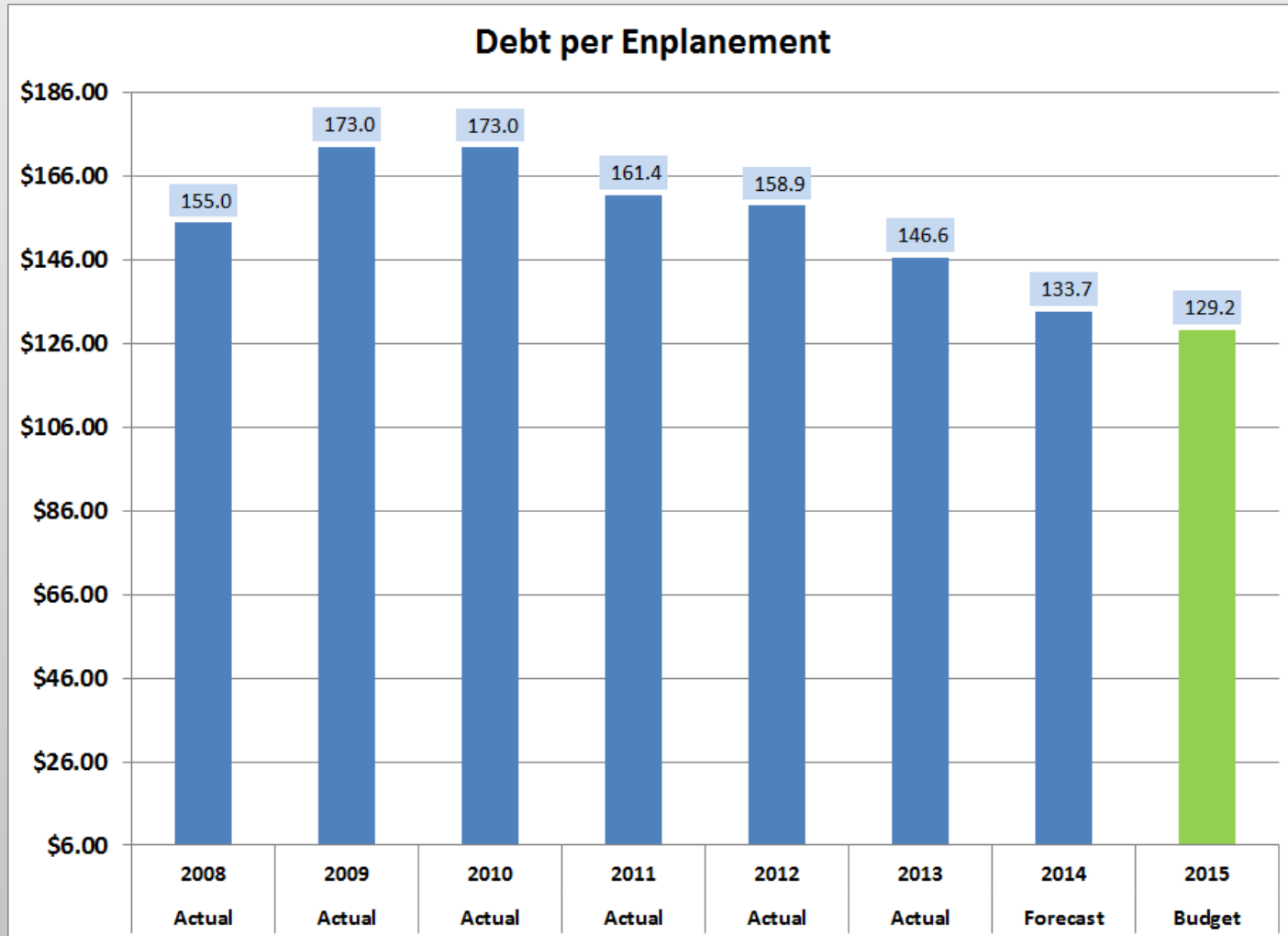
Non-Aero Revenue Per Enplanement



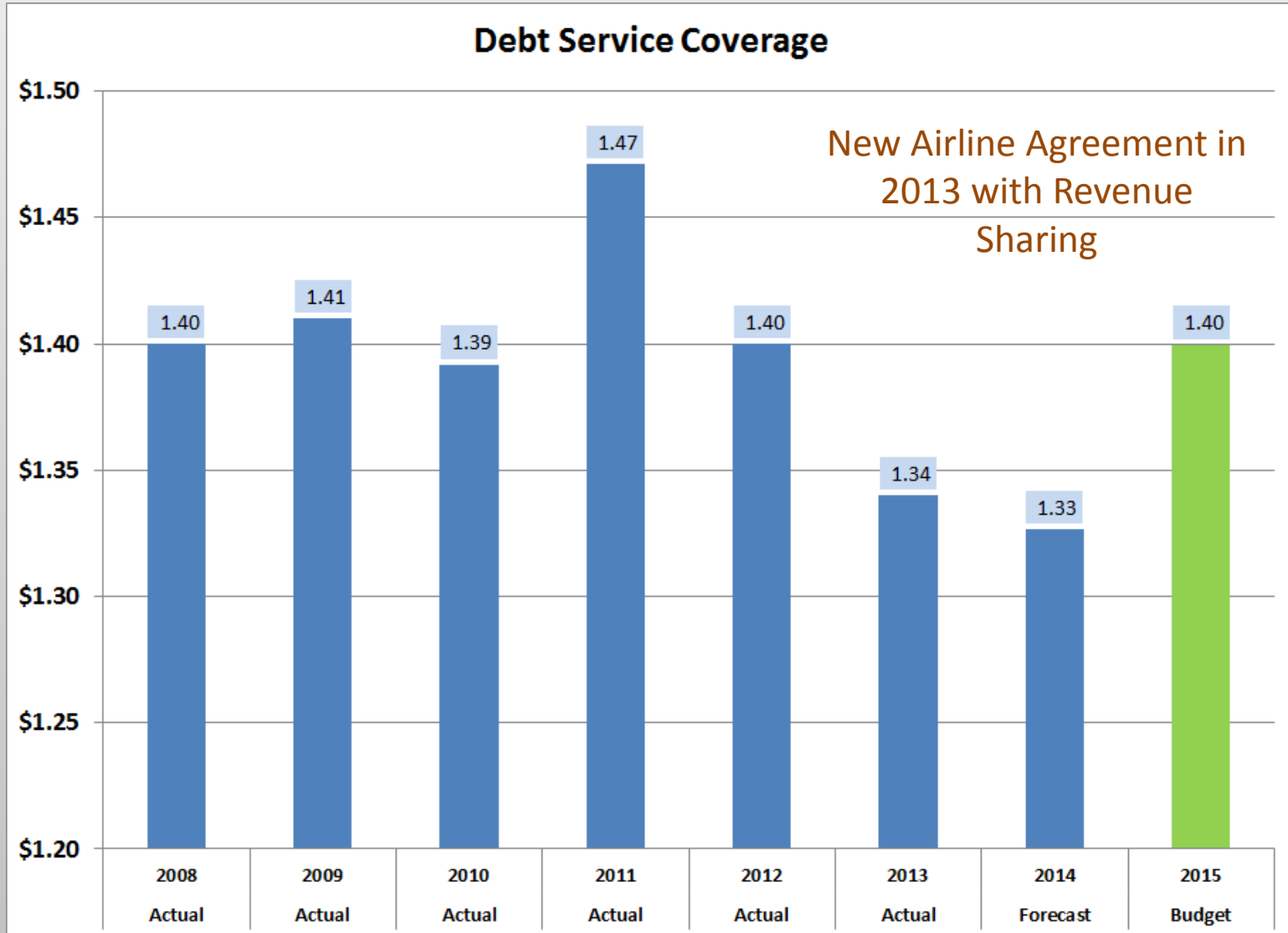
CPE Trends



Debt per Enplanement



Debt Service Coverage



Projects Driven by Century Agenda

- Triple air cargo volume to 750,000 metric tons:
 - Will complete Cargo 2 and 6 facility improvements in late 2014
- Make Sea-Tac Airport the west coast “Gateway of Choice” for international travel and double the number of international flights and destinations:
 - South Satellite Interior Renovations (ongoing)
 - New International Arrivals Facility (ongoing)
- Meet the region’s air transportation needs for the next 25 years
 - Baggage Recapitalization/Optimization (ongoing)
 - Expand North Satellite to add gates (ongoing)



Projects Driven by Century Agenda

- Meet all increased energy needs through conservation and renewable sources:
 - Stage 3 Mechanical Infrastructure Improvements (ongoing)
 - Parking Garage Area Lighting Improvements (ongoing)
- Meet or Exceed Agency Requirements for Storm Water:
 - IWS Segregation Meters (ongoing)
- Reduce air pollutants and carbon emissions:
 - Pre-conditioned Air project (ongoing)
 - Electrical ground service infrastructure and charging stations (ongoing)



Projects Driven by Airport Strategies

- **1. Operate a World Class Airport**
 - a. Safe and Secure
 - CCTV Camera/Data Improvements (ongoing)
 - b. Anticipate/meet needs of airlines, tenant, travelers
 - NorthSTAR program (ongoing)
 - c. Manage our Assets to Minimize Long Term Costs
 - Reconstruct Runway 16C/34C (ongoing)
 - Service Tunnel renewal and replacement (ongoing)
 - Roofing Project (New)
- **2. Top 10 Customer Service Airports**
 - SSAT Interior Renovations (ongoing)



Projects Driven by Airport Strategies

3. Lead in Environmental Innovation

- IWS Segregation Meters(ongoing)
- Garage Area Lighting (ongoing)

4. Reduce Airline Costs

- Mechanical Energy Conservation (ongoing)

5. Maximize Non-aero operating income

- Concessions Infrastructure (ongoing)

6. Invest in Employee Development, Organizational Improvement, and Business Agility

- 2015 items within operating budget

7. Develop Community Partnerships

- Complete existing noise insulation projects

C. Projects Pending Future Authorization

C. Pending Future Authorization	CIP	Cash Flows (Figures in \$000s)						2015-19 Total
		2014	2015	2016	2017	2018	2019	
Airfield Ramp Pavement Replacement	C800483	30		5,900	6,500	6,500	6,500	25,400
Vertical Conveyance - Garage	C800398				2,941			2,941
Fire Station Improvements	C800425			2,280				2,280
South Access Property Acquisition	C800143			1,500				1,500
Water Rights Supply Development	C800493	40	30	430				460
								-
Total		70	30	10,110	9,441	6,500	6,500	32,581

- Airfield pavement replacement project succeeds existing CIP for airfield pavement replacement



D. Small Projects

D. Small Projects	CIP	Cash Flows (Figures in \$000s)						2015-19 Total
		2014	2015	2016	2017	2018	2019	
Aviation Small Capital	C100157	2					190	190
Aviation Small Jobs	C800017	2,388	2,086					2,086
Aviation Small Capital	C800018	929	131					131
AV/IT Small Capital	C800066	1,249	1,200	1,200				2,400
Aviation Small Capital	C800099	900	1,369	1,500	1,500	731		5,100
Aviation Small Jobs	C800100	-	414	2,500	2,500	2,500	2,086	10,000
Aviation Small Jobs	C800751						514	514
Aviation Small Capital	C800752					769	1,600	2,369
Total		5,468	5,200	5,200	4,000	4,000	4,390	22,790

- Small capital is primarily for vehicles and equipment under \$300,000
- Small jobs is for construction projects less than \$300,000

