

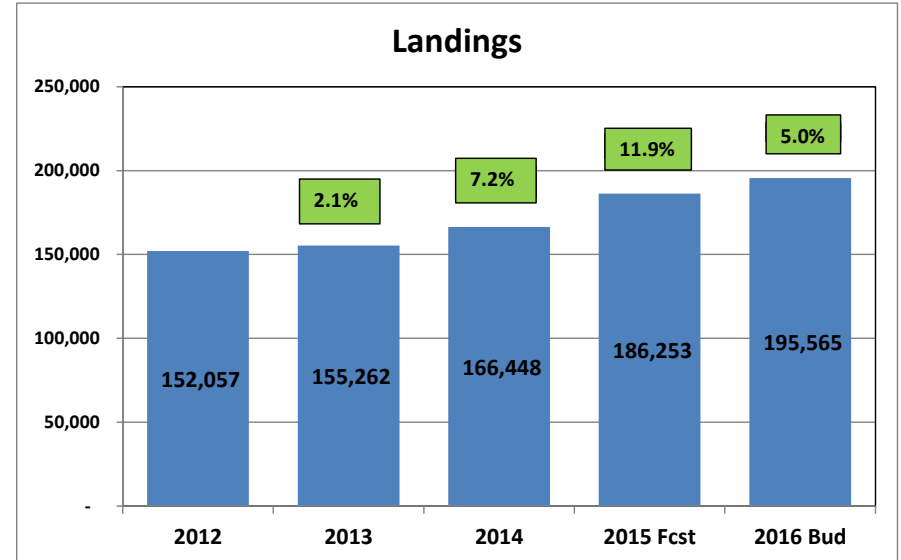
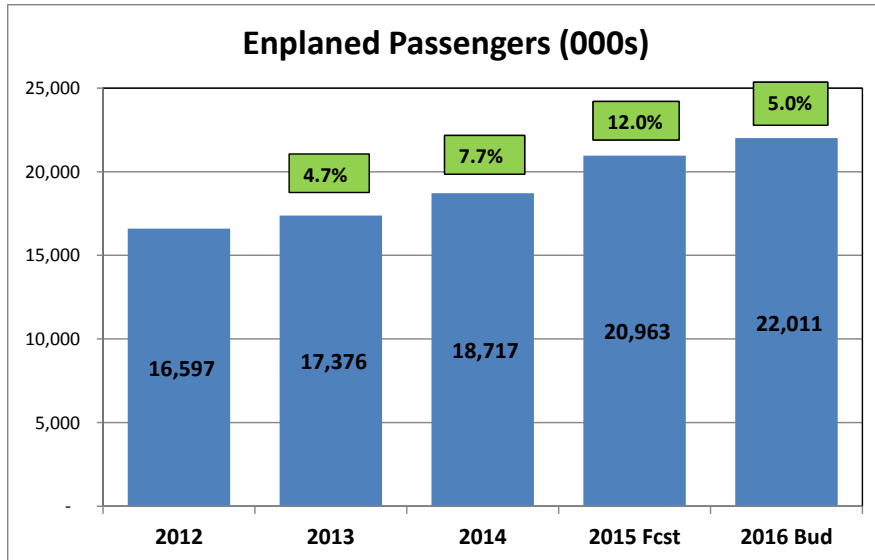
# Aviation Division 2016 Budget Review

Commission Briefing  
October 13, 2015

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# Unprecedented Growth at Sea-Tac



- **Enplaned passengers:**
  - 32.6% growth since 2012
  - CAGR of 7.3%
- Anticipate 44 million annual passengers (MAP) in 2016 vs. 33 MAP in 2012

- **Landings:**
  - 28.6% growth from 2012 – 2016
  - CAGR of 6.5%
- Growth in landings driven primarily by Alaska and Delta

**Growth creates customer service challenges that drive budget**



# 2016 OPERATING BUDGET

# 2016 Budget Drivers

- Passenger growth creating current customer service challenges:
  - Restrooms and terminal areas need cleaning more often
  - Increased bags causing system breakdowns
  - Crowded terminal and long security lines
- Long-term facility planning/development at critical stage:
  - Finalize master plan
  - Initiate environmental review of master plan
  - Start advance planning for master plan projects
- Non-aero revenue growth opportunities:
  - ADR program
  - Property development
- Other issues needing current attention:
  - Part 150 implementation planning
  - Air space obstruction removal (trees)

**Meeting customer needs drives budget**

# Budget Overview

\$ in 000's	2014	2015	2015	2016	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
<b>Operating Revenues:</b>								
Aeronautical Revenues	228,864	242,352	232,534	261,446	19,093	7.9%	28,912	12.4%
SLOA III Incentive Straight Line Adj	(3,576)	(3,576)	(3,576)	(3,576)	(0)	0.0%	(0)	0.0%
Non-Aeronautical Revenues	180,791	188,465	194,832	206,744	18,279	9.7%	11,912	6.1%
<b>Total Operating Revenues</b>	<b>406,079</b>	<b>427,242</b>	<b>423,790</b>	<b>464,614</b>	<b>37,372</b>	<b>8.7%</b>	<b>40,823</b>	<b>9.6%</b>
Total Operating Expenses	230,704	248,141	239,564	268,229	20,088	8.1%	28,665	12.0%
<b>Net Operating Income</b>	<b>175,375</b>	<b>179,101</b>	<b>184,226</b>	<b>196,384</b>	<b>17,284</b>	<b>9.7%</b>	<b>12,159</b>	<b>6.6%</b>

- Aero revenues primarily based on cost-recovery formulas – cost are increasing
- Non-aero revenues reflect growing spending by passengers for parking, rental cars, and airport dining and retail

**NOI growing by 10% over 2015 Budget**

# Budget Development Approach

- Revenues
  - Airline revenues based on cost recovery formulas defined by SLOA III
  - Non-aero revenues based on analysis of 2015 results, passenger growth, assessment of business conditions, lease provisions, etc.
- Expenses
  - Baseline budget scrutinized for savings, then adjusted for payroll and contractual increases
  - Non-recurring items treated as zero-base budget.
  - Proposed additions listed as individual budget requests
- Roll-up of Aviation Division includes allocated share of Corporate costs

**Budget has undergone rigorous review**

# Aviation Division Expense Summary: Baseline & Non-recurring Costs

in 000's	Approved	Proposed	Budget Change	
	2015 Budget	2016 Budget	\$	%
<b>Baseline Budget</b>	<b>161,358</b>	<b>161,358</b>		
Baseline Cost Reductions/Savings		(2,205)		
Baseline Cost Increases		6,606		
<b>Net Change to Baseline Budget</b>	<b>161,358</b>	<b>165,758</b>	<b>4,400</b>	<b>2.7%</b>
Proposed additions to Baseline	-	4,322	4,322	
<b>Revised Baseline Budget</b>	<b>161,358</b>	<b>170,080</b>	<b>8,722</b>	<b>5.4%</b>
Non-recurring Expenses	6,014	10,158	4,144	68.9%
<b>Budget before Exceptions</b>	<b>167,372</b>	<b>180,238</b>	<b>12,866</b>	<b>7.7%</b>
<b>Exceptions:</b>				
Regulated Materials (ERL)	2,642	3,246	604	22.9%
<b>Aviation O&amp;M Budget</b>	<b>\$ 170,014</b>	<b>\$ 183,484</b>	<b>\$ 13,470</b>	<b>7.9%</b>

Majority (\$10.2M) of budget requests are for non-recurring items



# Baseline Cost Reductions

<b>2016 Baseline Cost Reductions/Savings:</b>	<b>\$000's</b>
<u>Payroll Savings (before new FTE requests)</u>	
Remove (10) FTE positions on hold	841
CPI/Lean FTE's transferred to Corporate (OSI)	445
Eliminate (1) FTE - Sr. Internal Control Analyst	117
Eliminate (1) FTE - Mgr Airline Systems & Svcs	154
Salary savings - vacant FTE's to midpoint	81
Payroll charges to capital projects increased	129
Lower unemployment expense & OPEB	88
Other payroll savings (zero based budgeting)	98
<b>Total Payroll Decrease (before new FTE's)</b>	<b>1,953</b>
<u>Non-Payroll Savings (zero based budgeting)</u>	
Lower utility demands - RCF	85
Other non-payroll savings (zero based budgeting)	168
<b>Total Non-Payroll Savings</b>	<b>253</b>
<b>Total 2016 Baseline Cost Reductions</b>	<b>2,205</b>

Savings due to eliminated FTEs, review of baseline

# Baseline Cost Increases

2016 Baseline Cost Increases:	\$000's
<u>Payroll Increases (before new FTE requests)</u>	
New FTE's approved (16) during 2015	882
Annualized (14) new FTE's approved in 2015 Budget	433
Average payroll increase (3.4%)	891
Average represented wage increase	612
Increase in overall benefits	720
Adjustment for 40 hour work week	225
Job evaluation outcomes resulting in pay increases	180
Other payroll adjustments (zero based budgeting)	65
<b>Total Payroll Increase (before new FTE's)</b>	<b>4,007</b>
<u>Contractual &amp; Formulaic Cost Increases</u>	
Worker's Comp expense increase	335
Aeronautical B&O tax increase	335
Maintenance contract increases	203
Other Non-Payroll Increases (zero based budgeting)	58
<b>Total Contractual Increases</b>	<b>931</b>
<u>Non-Aero costs related to revenue growth</u>	
Amortization - prepaid frontage fees (DMCBP)	593
Clubs & Lounges - increased operating costs	499
B&O tax increase	166
Increase in credit card fees	193
Other Non-Aero Revenue Growth costs	216
<b>Total Non-Aero Cost Increases</b>	<b>1,667</b>
<b>Total 2016 Baseline Cost Increases</b>	<b>6,606</b>

## Payroll detail:

- New FTE's approved during 2015
  - Airfield Security (11) – TSA requirements
  - Credential Center (3) – badge volume & TSA requirements
  - Construction Support Specialists (2) – capital program

Payroll for existing staff is primary driver of increase

# Budget Addition Requests

Problem/Need/Opportunity	Solution	2016 Budget Request \$000		
		FTEs	Baseline	One-time
<b>Passenger growth - long-term facility needs</b>				
Identify facility needs	Complete SAMP			1,500
Validate plan	Environmental review of SAMP			2,000
Identify specific projects	Initiate planning for SAMP projects			2,000
Airline coordination on CIPs	Add Airline Technical Rep		164	
<b>Passenger growth - operational challenges today</b>				
Terminal and restroom cleanliness	Increase janitorial budget		2,350	
Inadequate oversight of janitorial services	Add Port FTE to focus 100% on managing janitorial contract priorities	1.0	99	
Baggage system breakdowns	Add 6 FTEs to manage, monitor, + contract bio-diverters + tubs	6.0	579	173
Long security lines, crowded terminal, FIS facility at capacity	Add 4 Pathfinders	4.0	260	
Painted surfaces: can't maintain	Add 3 painters: 2 strippers and 1 architectural	3.0	217	

**Passenger growth is major driver**

# Budget Addition Requests (cont.)

Problem/Need/Opportunity	Solution	2016 Budget Request \$000		
		FTEs	Baseline	One-time
<b>Enhance Safety</b>				
Tree growth around airport impacting airspace	Initiate tree removal program			750
TSA requires increased background checks	Increase contract for security clearance processing		237	
Reduce bird strikes	Avian radar upgrade/enhancement			96
Electrical danger for staff and contractors	Arc flash study Phase 3			100
Central terminal window wall inspection past due	Hire consultant engineer to inspect			95

**Safety continues to be primary concern for airport**

# Budget Addition Requests (cont.)

Problem/Need/Opportunity	Solution	2016 Budget Request \$000		
		FTEs	Baseline	One-time
<b>Non-aero Revenue Growth</b>				
Develop land to generate revenues	Burien NERA FAA pilot program - planning, design and permitting for infrastructure (90% reimbursed)			1,500
ADR releasing program	Increase consultant spend to facilitate re-leasing program			756
Reserved parking can generate new revenues	Define system needs for parking pre-booking program			130
Port's SSAT club space not optimizing revenue	Reconfigure space to meet customer needs			245
Oversight of Des Moines Creek Business Park development	continue to hire owners liaison (100% reimbursed)			100
<b>Other</b>				
Contractual commitments - air service incentive program	Add budget to fund remaining commitments		24	58
Improve storm water run-off, native habitat	Obtain Salmon-Safe Certification			75
Additional expertise to define and implement Part 150 programs	Hire consultant to define programs and provide cost estimates			150
Other		0.0	392	430
<b>Total - 2016 Budget Requests</b>		<b>14.0</b>	<b>4,322</b>	<b>10,158</b>

Property development and ADR program drive non-aero requests

# Expense Summary

\$ in 000's	2014	2015	2015	2016	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
<b>Operating Expenses</b>								
Payroll	95,916	104,181	99,122	108,107	3,926	3.8%	8,985	9.1%
Outside Services	31,714	32,534	33,673	40,149	7,615	23.4%	6,476	19.2%
Utilities	13,861	14,796	14,074	14,686	(110)	-0.7%	612	4.3%
Other Airport Expenses	19,474	18,340	19,929	20,296	1,956	10.7%	368	1.8%
<b>Total Aviation Expenses</b>	<b>160,965</b>	<b>169,851</b>	<b>166,797</b>	<b>183,238</b>	<b>13,387</b>	<b>7.9%</b>	<b>16,440</b>	<b>9.9%</b>
Corporate (including Capital Development)	49,225	56,938	51,485	62,273	5,335	9.4%	10,789	21.0%
Police Costs	16,514	17,413	17,344	18,728	1,315	7.6%	1,384	8.0%
Maritime/Economic Development	4,001	3,939	3,939	3,991	52	1.3%	52	1.3%
<b>Costs from other Divisions</b>	<b>69,739</b>	<b>78,290</b>	<b>72,767</b>	<b>84,992</b>	<b>6,701</b>	<b>8.6%</b>	<b>12,225</b>	<b>16.8%</b>
<b>Total Operating Expense</b>	<b>230,704</b>	<b>248,141</b>	<b>239,564</b>	<b>268,229</b>	<b>20,088</b>	<b>8.1%</b>	<b>28,665</b>	<b>12.0%</b>

- Increase in outside services due to non-recurring items such as SAMP-related budget requests (\$5.5M) and Burien NERA 3 – FAA Pilot program budget request (\$1.5M)
- Airport receives larger share of Corporate and Police costs in 2016 than in prior years

**Expenses here include costs from other divisions**

# FTE Changes

<b>2016 Proposed Budget FTEs</b>	<b>FTEs</b>	<b>%</b>
<b>2015 Approved Budget</b>	<b>877.0</b>	
Remove FTE positions on hold	(10.0)	
CPI lean staff transferred to Corp (OSI)	(2.0)	
Construction Support Specialists (capital program)	2.0	
Airfield Security (TSA requirements)	11.0	
Credential Center (badge volume & TSA requirements)	3.0	
<b>2015 Adjusted Baseline</b>	<b>881.0</b>	0.5%
<b>2016 Budget Changes:</b>		
Eliminate (1) Sr. Internal Control Analyst	(1.0)	
Eliminate (1) Mgr. Airline Systems & Services	(1.0)	
<b>New FTE's Proposed:</b>		
New FTE's for Baggage System Solution	6.0	
Baggage System Specialists (baggage volume)	2.0	
Mechanical Maint Engineers (baggage volume)	2.0	
Baggage Monitors (baggage volume)	2.0	
Janitorial Contract Supervisor (passenger volume)	1.0	
PathFinders (passenger volume)	4.0	
Painters (deferred asset maintenance)	3.0	
<b>Net 2016 Change in FTEs:</b>	<b>12.0</b>	1.4%
<b>2016 Budget Proposed FTEs</b>	<b>893.0</b>	1.8%

**FTE growth much lower than passenger growth**

# Non-Aero NOI

\$ in 000's	2014	2015	2015	2016	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
<b>Non-Aero Revenues</b>								
Rental Cars - Operations	32,496	32,772	32,928	35,108	2,335	7.1%	2,180	6.6%
Rental Cars - Operating CFC	13,608	12,172	12,016	12,421	249	2.0%	405	3.4%
Public Parking	57,128	58,925	62,682	66,284	7,358	12.5%	3,601	5.7%
Ground Transportation	8,333	8,244	8,309	8,302	58	0.7%	(7)	-0.1%
Airport Dining & Retail	46,954	49,883	51,623	54,138	4,254	8.5%	2,515	4.9%
Commercial Properties	6,638	8,204	8,138	10,190	1,986	24.2%	2,052	25.2%
Other	15,635	18,265	19,136	20,302	2,037	11.2%	1,166	6.1%
<b>Total Non-Aero Revenues</b>	<b>180,791</b>	<b>188,465</b>	<b>194,832</b>	<b>206,744</b>	<b>18,279</b>	<b>9.7%</b>	<b>11,912</b>	<b>6.1%</b>
<b>Total Non-Aero Expenses</b>	<b>80,345</b>	<b>91,270</b>	<b>86,916</b>	<b>97,648</b>	<b>6,378</b>	<b>7.0%</b>	<b>10,732</b>	<b>12.3%</b>
<b>Net Operating Income</b>	<b>100,446</b>	<b>97,195</b>	<b>107,916</b>	<b>109,096</b>	11,900	12.2%	1,180	1.1%
Less: CFC Surplus	(6,497)	(4,760)	(4,457)	(4,781)	22	-0.5%	(324)	7.3%
<b>Adjusted Non-Aero NOI</b>	<b>93,949</b>	<b>92,436</b>	<b>103,459</b>	<b>104,314</b>	<b>11,879</b>	<b>12.9%</b>	<b>855</b>	<b>0.8%</b>
Debt Service	45,797	45,386	43,998	43,494	1,892	4.4%	(504)	-1.1%
<b>Net Cash Flow</b>	<b>48,152</b>	<b>47,050</b>	<b>59,461</b>	<b>60,820</b>	<b>13,771</b>	<b>29.3%</b>	<b>1,359</b>	<b>2.3%</b>

- Within other, primary revenue increases for 2016 Budget driven by Employee Parking (\$1.1M) and non-airline terminal leased space (\$1.1M)
- Budget over Budget expenses increasing due to increased expenses from Business Development (\$2.9M), increased allocations from Corporate and other divisions (\$2.8M), and non-aero share of increased Terminal expenses (\$0.7M)

**Budgeting for \$13.8M increase in net cash flow**



# Aeronautical Cost Drivers

\$ in 000's	2014	2015	2015	2016	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
O&M	145,529	152,822	148,760	166,798	13,976	9.1%	18,038	12.1%
Debt Service Gross	109,410	113,121	112,835	120,668	7,547	6.7%	7,833	6.9%
Debt Service PFC Offset	(30,975)	(32,584)	(32,515)	(32,583)	2	0.0%	(68)	0.2%
Amortization	20,023	24,358	24,377	28,338	3,981	16.3%	3,961	16.2%
Space Vacancy	(4,087)	(3,605)	(3,522)	(2,431)	1,174	-32.6%	1,091	-31.0%
TSA Grant and Other	(2,459)	(715)	(715)	(1,000)	(285)	39.8%	(285)	39.8%
<b>Total Rate Base Revenues</b>	<b>237,442</b>	<b>253,395</b>	<b>249,220</b>	<b>279,790</b>	<b>26,395</b>	<b>10.4%</b>	<b>30,570</b>	<b>12.3%</b>

**Operating Expense:** 2016 budget increase of \$14M is mostly driven by the increase in divisional allocations \$3.2M, and corporate allocations \$4.4M. Additional changes are: \$2.1M Janitorial, \$1M security FTEs, \$800K Airfield Environmental Remediation, \$750K trees obstruction removal, \$503K baggage solution, \$360K - 4 Path Finders FTEs and Janitorial Supervisor positions, and \$237K increased badging costs.

**Debt Service:** 2016 budget increase of \$7.5M comprised of \$2.7M for existing debt service amortization and 2015 bonds debt service of \$4.8M (e.g., Runway 16C)

**Amortization (use of ADF):** \$283K Concourse D roof replacement, \$139K Elevator/stairs at A13/14, \$156K mezzanine upgrade, \$ 683K C60 - C61 BHS Modifications, new window wall at zone 1, \$418K FIMS/CUSE, \$352K buses for hardstand operations, \$677K APC kiosks at FIS, \$80K deicer

**Aero rate base driven by increased O&M and capital costs**

# Aeronautical NOI

\$ in 000's	2014	2015	2015	2016	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
<b>Revenues:</b>								
Movement Area	75,403	78,635	78,931	95,230	16,595	21.1%	16,299	20.6%
Apron Area	11,290	11,233	10,541	14,144	2,911	25.9%	3,604	34.2%
Terminal Rents	141,822	153,167	149,664	159,579	6,412	4.2%	9,915	6.6%
Federal Inspection Services (FIS)	8,927	10,360	10,083	10,836	476	4.6%	753	7.5%
<b>Total Rate Base Revenues</b>	<b>237,442</b>	<b>253,395</b>	<b>249,220</b>	<b>279,790</b>	<b>26,395</b>	<b>10.4%</b>	<b>30,570</b>	<b>12.3%</b>
Commercial Area	8,328	8,445	8,955	9,306	861	10.2%	351	3.9%
<b>Subtotal before Revenue Sharing</b>	<b>245,770</b>	<b>261,840</b>	<b>258,175</b>	<b>289,096</b>	27,256	10.4%	30,921	12.0%
Revenue Sharing	(16,905)	(19,488)	(25,641)	(27,650)	(8,162)	41.9%	(2,009)	7.8%
<b>Total Aeronautical Revenues</b>	<b>228,864</b>	<b>242,352</b>	<b>232,534</b>	<b>261,446</b>	<b>19,093</b>	<b>7.9%</b>	<b>28,912</b>	<b>12.4%</b>
<b>Total Aeronautical Expenses</b>	<b>150,359</b>	<b>156,871</b>	<b>152,648</b>	<b>170,581</b>	<b>13,710</b>	<b>8.7%</b>	<b>17,933</b>	<b>11.7%</b>
<b>Net Operating Income</b>	<b>78,505</b>	<b>85,481</b>	<b>79,886</b>	<b>90,865</b>	<b>5,383</b>	<b>6.3%</b>	<b>10,979</b>	<b>13.7%</b>
Debt Service	82,029	84,496	83,810	91,723	7,227	8.6%	7,914	9.4%
<b>Net Cash Flow</b>	<b>(3,525)</b>	<b>985</b>	<b>(3,924)</b>	<b>(859)</b>	<b>(1,844)</b>	<b>-187.2%</b>	<b>3,065</b>	<b>-78.1%</b>

Revenue growth driven by increased rate base costs

# Budget Summary

\$ in 000's	2014	2015	2015	2016	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
<b>Operating Revenues:</b>								
Aeronautical Revenues	228,864	242,352	232,534	261,446	19,093	7.9%	28,912	12.4%
SLOA III Incentive Straight Line Adj	(3,576)	(3,576)	(3,576)	(3,576)	(0)	0.0%	(0)	0.0%
Non-Aeronautical Revenues	180,791	188,465	194,832	206,744	18,279	9.7%	11,912	6.1%
<b>Total Operating Revenues</b>	<b>406,079</b>	<b>427,242</b>	<b>423,790</b>	<b>464,614</b>	<b>37,372</b>	<b>8.7%</b>	<b>40,823</b>	<b>9.6%</b>
<b>Operating Expenses:</b>								
Aviation Budget before Exceptions	156,140	167,208	163,453	179,992	12,783	7.6%	16,539	10.1%
Exceptions	5,259	2,647	3,349	3,246	599	22.6%	(103)	-3.1%
Aviation O&M Budget	161,399	169,855	166,802	183,238	13,382	7.9%	16,436	9.9%
Costs from Other Divisions	69,305	78,286	72,763	84,992	6,706	8.6%	12,229	16.8%
<b>Total Operating Expense</b>	<b>230,704</b>	<b>248,141</b>	<b>239,564</b>	<b>268,229</b>	<b>20,088</b>	<b>8.1%</b>	<b>28,665</b>	<b>12.0%</b>
<b>Net Operating Income</b>	<b>175,375</b>	<b>179,101</b>	<b>184,226</b>	<b>196,384</b>	<b>17,284</b>	<b>9.7%</b>	<b>12,159</b>	<b>6.6%</b>
CFC Surplus	(6,497)	(4,760)	(4,457)	(4,781)	(22)	0.5%	(324)	7.3%
Net Non-Operating items paid from ADF	2,614	1,504	1,431	1,539	35	2.3%	108	7.5%
SLOA III Incentive Straight Line Adj	3,576	3,576	3,576	3,576	0	0.0%		
Debt Service	(127,239)	(128,343)	(127,296)	(135,217)	(6,875)	5.4%	(7,922)	6.2%
<b>Adjusted Net Cash Flow</b>	<b>47,829</b>	<b>51,078</b>	<b>57,480</b>	<b>61,500</b>	<b>10,422</b>	<b>20.4%</b>	<b>4,021</b>	<b>7.0%</b>
<b>Key Measures</b>								
CPE	11.48	11.78	10.35	11.12	(0.66)	-5.6%	0.76	7.4%
O&M per Enplanement	12.33	12.82	11.43	12.19	(0.63)	-5.0%	0.76	6.6%
Debt Service Coverage	1.38	1.40	1.44	1.45	0.05	3.8%	0.01	0.9%

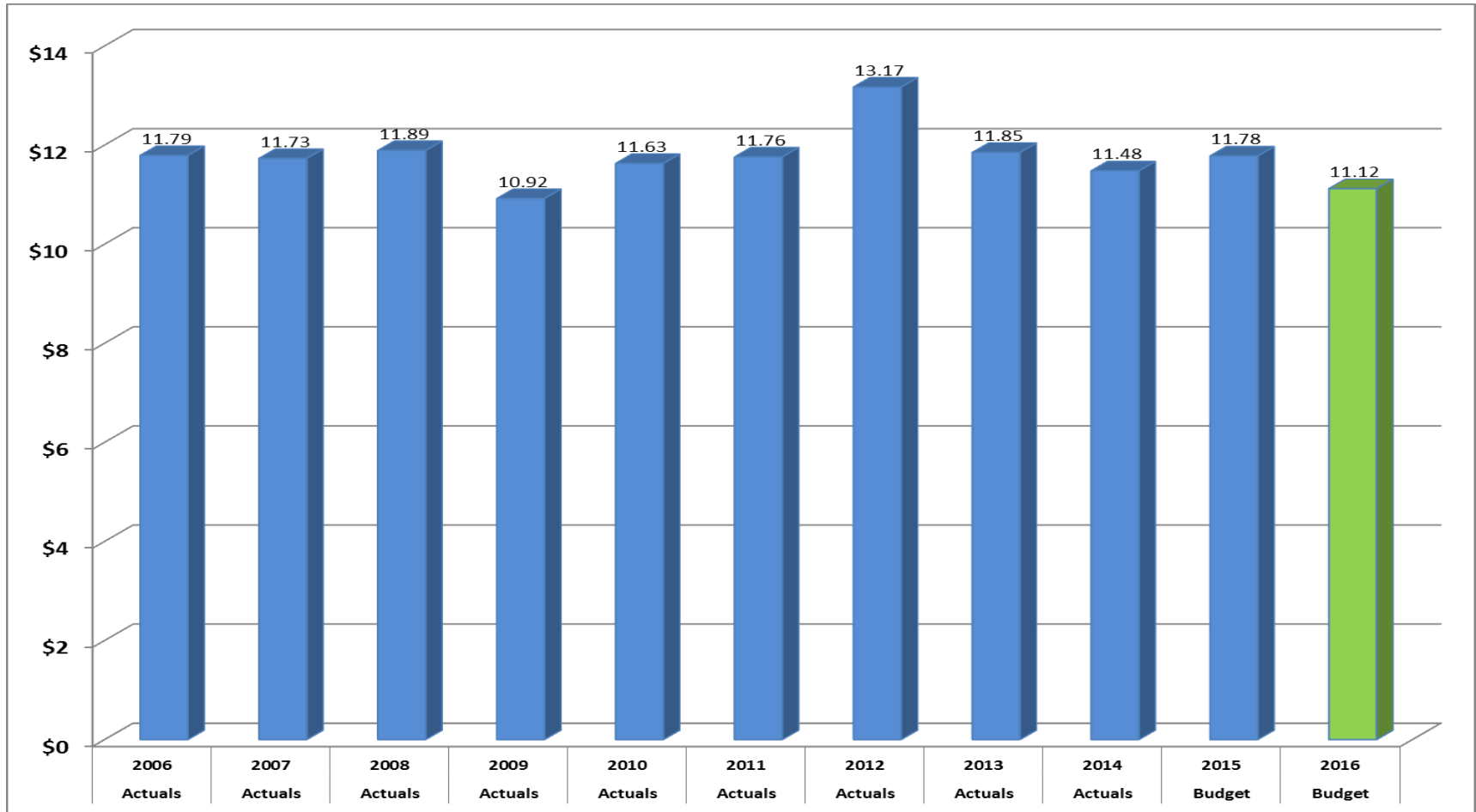
Increased bottom line and debt service coverage

# 2016 Budget: Aero & Non-Aero

\$ in 000's	Aero	Non-Aero	Other	Total
Operating Revenues	261,446	206,744	-	468,190
SLOA III Incentive	(3,576)	-	-	(3,576)
<b>Total Revenues</b>	<b>257,870</b>	<b>206,744</b>	<b>-</b>	<b>464,614</b>
Operating Expenses	170,581	97,648	-	268,229
<b>Net Operating Income</b>	<b>87,289</b>	<b>109,096</b>	<b>-</b>	<b>196,384</b>
CFC Surplus	-	(4,781)	-	(4,781)
Net non-op paid with ADF	-	-	1,539	1,539
SLOA III Incentive	3,576	-	-	3,576
Available for Debt Service	90,865	104,314	1,539	196,718
Debt Service - net of PFCs	91,723	43,494	-	135,217
<b>Adjusted Net Cash Flow</b>	<b>(859)</b>	<b>60,820</b>	<b>1,539</b>	<b>61,500</b>

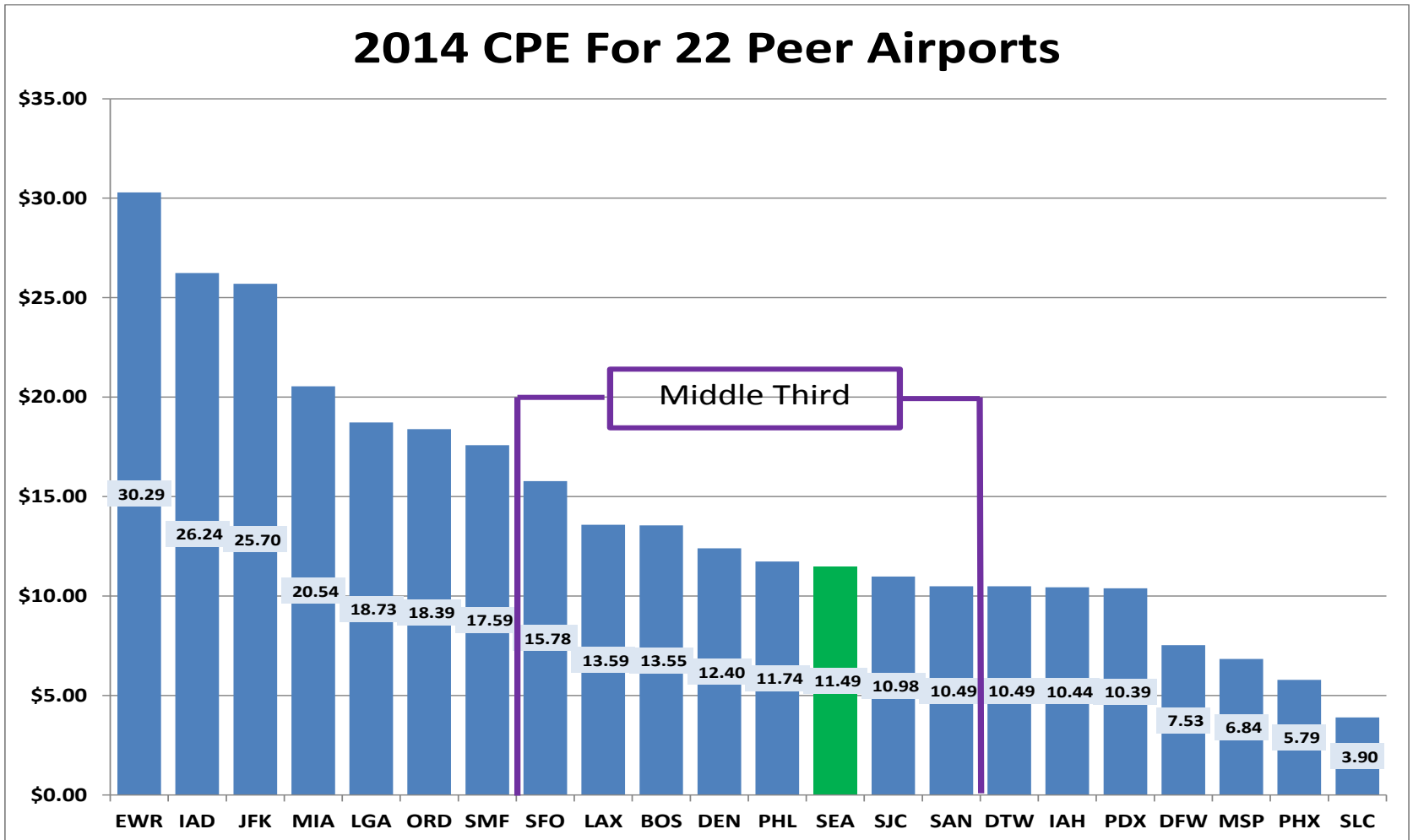
**Non-aero businesses generate cash flow**

# Cost Per Enplanement - Trend



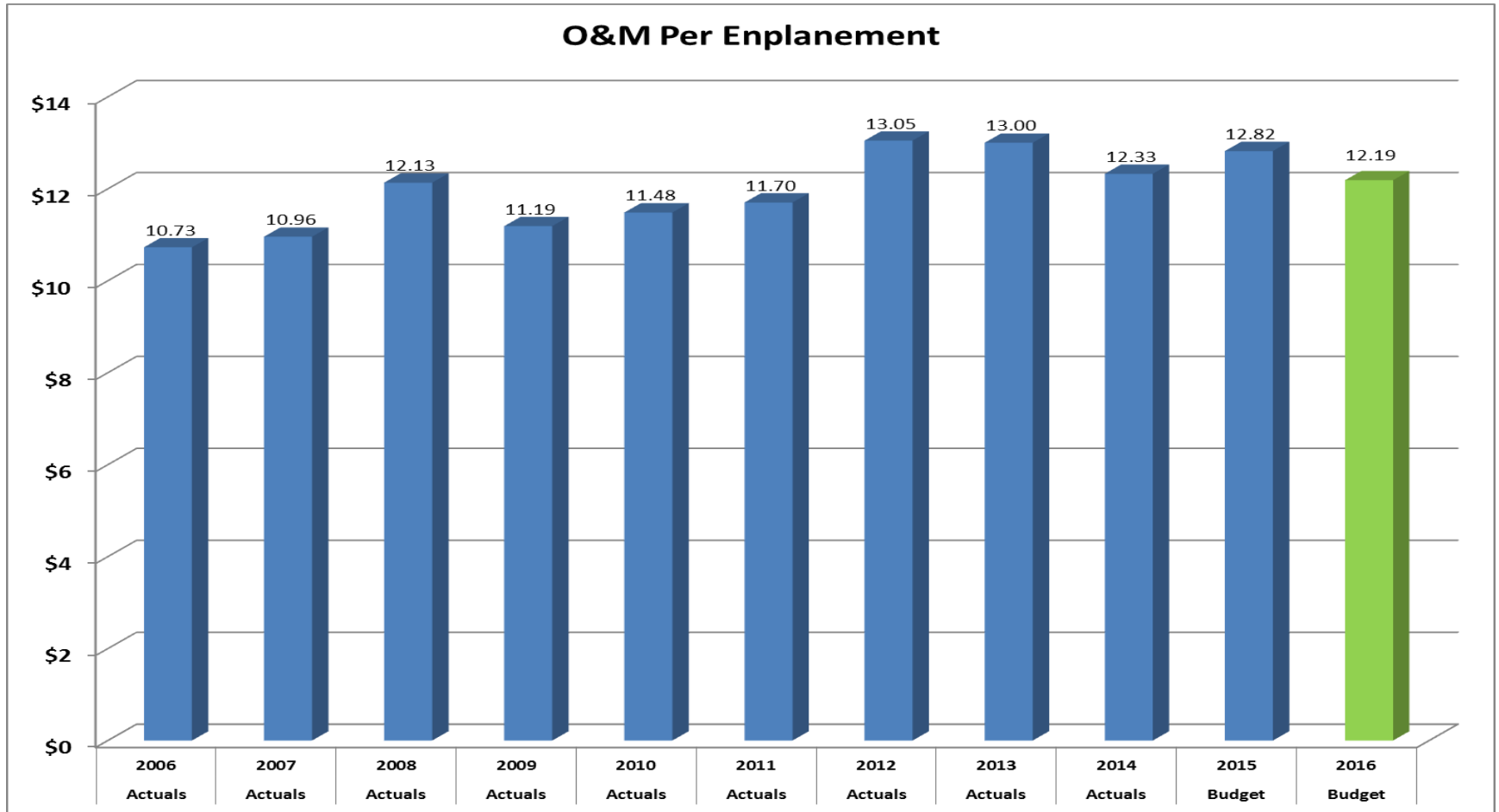
CPE trending down due to cost management and increased enplanements

# Current CPE Comparison



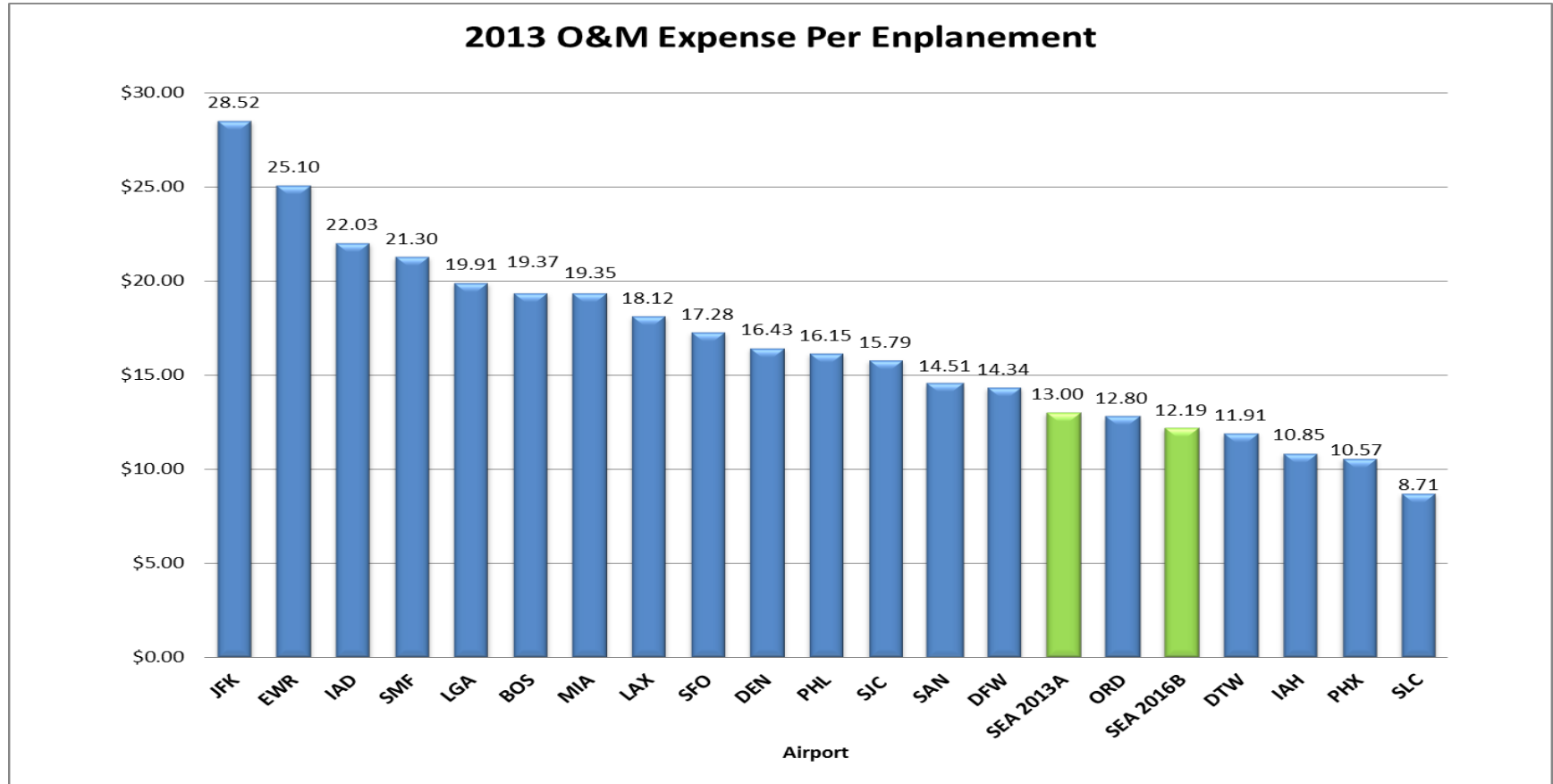
Current CPE Ranks 10 out of 22

# O&M Per Enplanement - Trend



**Trending down**

# O&M Per Enplanement vs. Peer Airports



O&M costs per enplanement compares favorably to peer airports



# 2016 Budget Summary

- Activity growth:

- 2015 Enplanements +12% vs. 2014
- 2016 Enplanements +5.0% vs. 2015 fcst.

- Non-Aero revenue growth:

- 2016 budget +9.7% vs. 2015 budget
- 2016 budget +6.1% vs. 2015 forecast

- O&M costs driven by unprecedented growth

- O&M +8.1% vs. 2015 Budget

- Overall cost management

- CPE Down 5.6% vs. 2015 budget

- Bottom line improvement

- Net cash flow +\$10.4 million vs. 2015 budget
- D/S coverage 1.45x vs. 2015 budget of 1.40x

All Key Measures showing improvement



# **CAPITAL BUDGET 2016 - 2020**

# Capital Budget Highlights

- Add South Satellite renovation to capital program
- Restroom renovations
- Create hold room for off-gate operations
- New Part 150 program insulation
- Renewal & replacement

Port committed to airlines to initiate renovation of SSAT

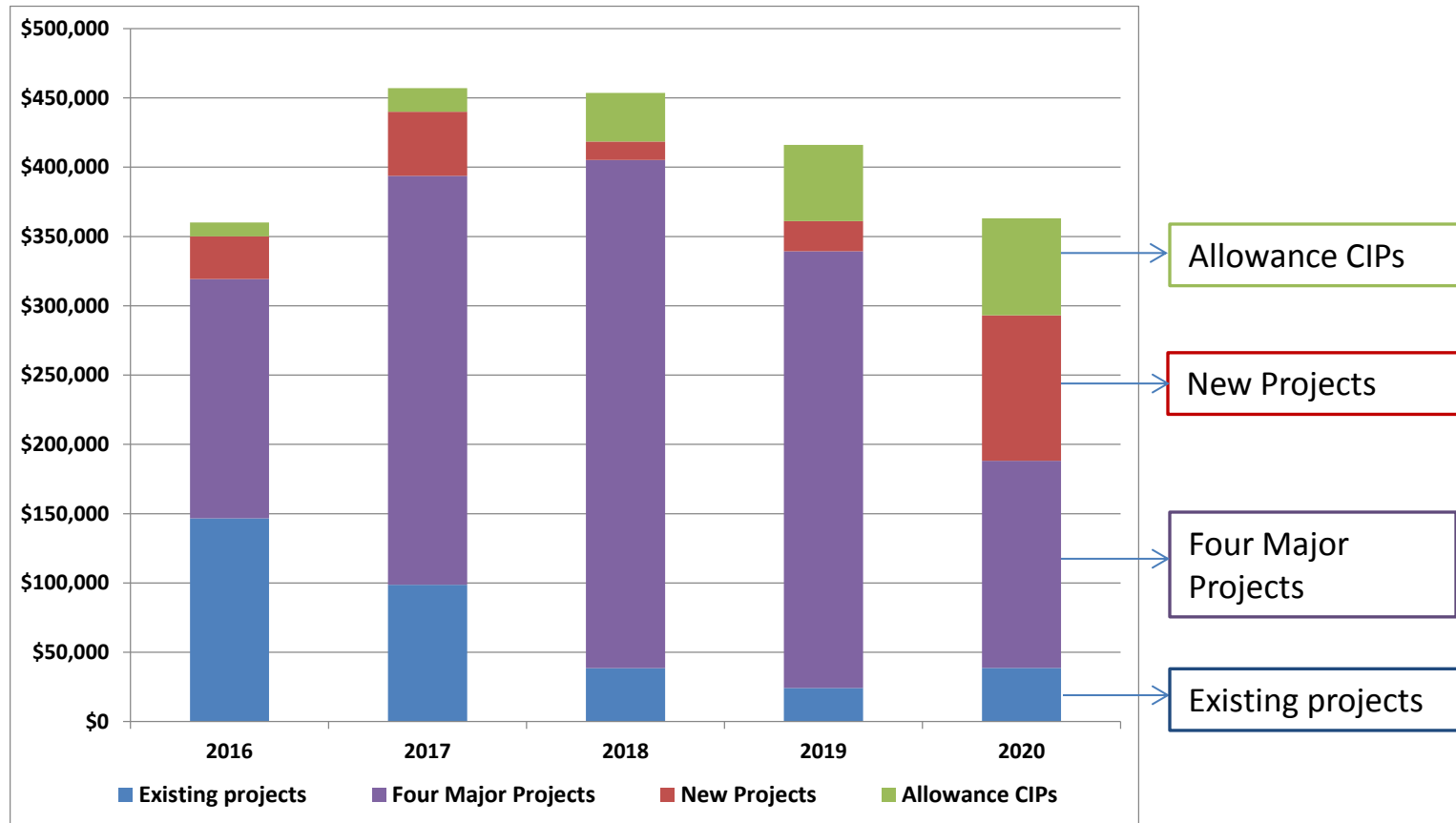
# Capital Budget Summary

	# of Projects	Cash Flows (Figures in \$000s)						2016-20
		2015	2016	2017	2018	2019	2020	Total
<b>Existing CIP</b>								
Authorized	96	165,870	293,165	375,214	396,309	333,905	182,781	1,581,374
Other projects (excl. allowance CIPs)	20	9,177	26,127	18,559	8,967	5,450	5,400	64,503
<b>Total</b>	<b>116</b>	<b>175,047</b>	<b>319,292</b>	<b>393,773</b>	<b>405,276</b>	<b>339,355</b>	<b>188,181</b>	<b>1,645,877</b>
<b>Proposed New Projects</b>	<b>32</b>	<b>-</b>	<b>30,772</b>	<b>46,226</b>	<b>13,299</b>	<b>21,730</b>	<b>104,960</b>	<b>216,987</b>
<b>Allowance CIPs</b>	<b>2</b>	<b>-</b>	<b>10,000</b>	<b>17,000</b>	<b>35,000</b>	<b>55,000</b>	<b>70,000</b>	<b>187,000</b>
<b>Total Proposed CIP</b>	<b>150</b>	<b>175,047</b>	<b>360,064</b>	<b>456,999</b>	<b>453,575</b>	<b>416,085</b>	<b>363,141</b>	<b>2,049,864</b>

- All projects with some amount of authorization included in first line
- Proposing 32 projects totaling \$217M spending through 2020
- Budget includes place-holder spending for as yet undefined future projects (called “Allowance CIPs”): \$187M
- Budget does not include potential projects to be identified by Sustainable Airport Master Plan (SAMP)

Total of authorized projects is \$1.6 billion, 77% of planned spending

# Capital Budget Summary With Major Projects Broken Out



Four major projects account for 82% of spending

# Commission Authorized/Underway

Commission Authorized/Underway	CIP	Cash Flows (Figures in \$000s)						2016-20
		2015	2016	2017	2018	2019	2020	Total
NorthSTAR program	5 CIPs	36,638	49,616	90,670	101,735	100,324	93,111	435,456
International Arrivals Facility	C800583	11,983	59,252	145,341	214,909	164,700	6,365	590,567
Baggage Recapitalization/Optimization	C800612	8,384	20,000	50,000	50,000	50,000	50,000	220,000
Runway 16C/34C Reconstruction	C800406	38,513	43,786	9,097	-	-	-	52,883
Service Tunnel Renewal/Replace	C102112	684	4,000	8,000	8,000	6,816	-	26,816
Highline School Insulation	C200007	-	-	7,250	-	-	15,681	22,931
Single Family Home Insulation	C200093	3,000	1,719	-	-	-	-	1,719
Main Term Low Voltage Sys Upgrade	C800061	420	3,500	5,000	5,000	3,000	2,582	19,082
Vertical Conveyance Modernization	C800251	3,485	4,500	1,239	-	-	-	5,739
GSE Electrical Charging Stations	C800335	570	8,000	4,000	2,330	-	-	14,330
Airfield Pavement Replacement	C800483	39	6,460	6,500	6,500	6,500	6,300	32,260
Utility ER Backup/Standby Pwr	C800538	202	20,000	15,000	1,015	-	-	36,015
Parking Garage Lights	C800581	11,983	1,916	3,300	100	100	65	5,481
2014-2015 Roof Replacement	C800637	229	4,000	133	-	-	-	4,133
CCTV Camera/Data Improvement	C800642	653	6,000	4,259	-	-	-	10,259
Other projects (74)		49,087	60,416	25,425	6,720	2,465	8,677	103,703
<b>Total</b>		<b>165,870</b>	<b>293,165</b>	<b>375,214</b>	<b>396,309</b>	<b>333,905</b>	<b>182,781</b>	<b>1,581,374</b>

- If project is partially authorized (e.g. design), full project budget included.

**Much of 2016- 2020 spending for projects already authorized**

# Proposed New Projects

Next Slide	# of Projects	Description	Cost	Cash Flows (Figures in \$000s)					2016-20
			Estimate	2016	2017	2018	2019	2020	Total
I	6	Response to Growth: Passengers	17,698	3,225	6,243	3,040	2,830	2,360	17,698
II	5	Response to Growth: Airlines	27,210	15,540	9,070	1,000	1,000	600	27,210
III	3	Regulatory and Community	13,632	1,286	7,608	4,738	-	-	13,632
IV	14	Renewal and Replacement	638,787	7,886	22,530	4,521	17,900	102,000	154,837
V	4	System Improvement, Safety and Security	3,610	2,835	775	-	-	-	3,610
	32	TOTAL	700,937	30,772	46,226	13,299	21,730	104,960	216,987

- A total of 47 projects were proposed to the Aviation Investment Committee for approval.
- The largest project is for the renovation of the South Satellite, a project estimated to cost as much as \$600 million. As this could not be completed until 2023, most of the cash flows occur outside of the next five years.
- The proposed projects do not include projects that will come out of SAMP

**Renewal & Replacement primary driver for new projects**

# Proposed New Projects

## Response to Growth: Passengers

I	CIP	Description	Cost	Cash Flows (Figures in \$000s)					2016-20
			Estimate	2016	2017	2018	2019	2020	Total
1	C800697	Restroom Upgrades Conc B, C, D	11,180	1,200	1,790	3,000	2,830	2,360	11,180
2	C800782	Satellite Transit System Cars Customer Experience	2,200	1,000	1,200				2,200
3	C800777	Reuse of S. 28th St. GT Lot	1,018	125	853	40			1,018
4	C800810	RCF Bus Purchase	1,800		1,800				1,800
5	C800800	SEA Smartphone App	500	400	100				500
6	C800790	PAX Flow Mgmt – Image Processing	1,000	500	500				1,000
TOTAL			17,698	3,225	6,243	3,040	2,830	2,360	17,698

1. Renovate 8 sets (men, women, family) of restrooms on Concourses B, C and D that have not been renovated for 14 – 22 years.
2. Provide simple upgrades to the Satellite Transit System (STS) cars to enhance the customer experience including new LCD signage, improved handrails and a new lighting element to provide a visual queue to passengers about when the trains are about to depart.
3. Increase staging capacity for commercial vehicles
4. Procure 4 CNG buses to allow the bus service to continue meeting growing demand, while properly maintaining our current equipment for maximum use.
5. Procurement of services from a software development firm with expertise in mobile devices and experience in indoor navigation solutions to design and develop smartphone applications for the iOS and Android platforms to be used by our passengers to wayfind and prompt concession sales .
6. This project will implement an image processing-based movement analytics capability or infrastructure at key locations in the airport. Modern image processing systems enable accurate real-time measurements, flow and dwell analysis and historical reporting of passenger and staff movements in congested areas (checkpoint lines, FIS queues).

**Renovating restrooms is critical for customer service**



# Proposed New Projects

## Response to Growth: Airlines

II	CIP	Description	Cost	Cash Flows (Figures in \$000s)					2016-20
			Estimate	2016	2017	2018	2019	2020	Total
1	C800771	Gate D6 Holdroom for Hardstand	1,400	420	980				1,400
2	C800781	SSAT Narrow Body Configuration	5,810	720	5,090				5,810
3	C800780	SSAT Make-Up Feed Line	14,000	13,000	1,000				14,000
4	C800772	Fuel Hydrant Pit Additions	4,000	400	1,000	1,000	1,000	600	4,000
5	C800769	Hardstand Passenger Processing Capacity	2,000	1,000	1,000				2,000
TOTAL			27,210	15,540	9,070	1,000	1,000	600	27,210

1. Prepare Gate D6 to accommodate hardstand operations.
2. Will create 3 additional narrow body positions at SSAT for use outside of wide-body peak.
3. Will add needed capacity to outbound and transfer baggage makeup within existing footprint of the terminal by installing new conveyor line to allow outbound baggage from the main terminal to be available for makeup in the South Satellite.
4. This project will allow for expedited fuel pit additions in response to shifting gate and aircraft configurations.
5. This is a place holder item to begin development of additional hardstand operations support capacity.

**Providing domestic gates and bag makeup capacity**

# Proposed New Projects – Regulatory and Community

III	CIP	Description	Cost	Cash Flows (Figures in \$000s)					2016-20
			Estimate	2016	2017	2018	2019	2020	Total
1	C200094	Single Family Noise Insulation	12,312	1,186	6,438	4,688			12,312
2	C800760	Auburn Mitigation Road Removal	720		720				720
3	C800806	Electrical Service Security Improvements	600	100	450	50			600
TOTAL			13,632	1,286	7,608	4,738	-	-	13,632

1. Based on recent Part 150 study, there are 171 single family homes within the noise remedy boundary that have not been insulated. The estimated cost per home is \$72,000 (\$85,000 including expense costs).
2. Relating to the 1997 Master Plan, the Port has final work to do on the Auburn mitigation site. Under the permit conditions, the Port is required to remove the road through the site.
3. The scope of this project will harden and secure the Airport's electrical substations and install surveillance cameras in accordance with the recommendations of the Western Electricity Coordination Council.

**Proposing first new project from recent Part 150**

# Proposed New Projects – Renewal & Replacement

IV	CIP	Description	Cost	Cash Flows (Figures in \$000s)					2016-20
			Estimate	2016	2017	2018	2019	2020	Total
1	C800709	Terminal-Wide Voice Paging Upgrade	1,600	1,000	600				1,600
2	C800743	SSAT Renovation Project	600,000		150	900	15,000	100,000	116,050
3	C800766	Conc B & C Carpet Replacement	2,000	1,370	630				2,000
4	C800770	B Concourse Roof Replacement	7,262	1,161	6,000	101			7,262
5	C800775	Plow/Broom Snow Equipment	2,500		2,500				2,500
6	C800784	Emergency Generator Control Renewal	995	425	570				995
7	C800788	Airport's Operation Local Area Network Switches	3,000	2,000	1,000				3,000
8	C800793	Passenger Loading Bridge Renew & Replace	10,000	500	2,500	2,500	2,500	2,000	10,000
9	C800794	Fire Pump Replacement	580	80	400	100			580
10	C800798	SSAT Infrastructure Upgrade	6,000	100	5,330	570			6,000
11	C800799	Trenchless Replacement of Pipe	1,550	300	1,200	50			1,550
12	C800802	Auto Tag Reader Replacements	1,800	550	1,250				1,800
13	C800811	Chiller Panel Upgrade	500	300	200				500
14	C800818	SSAT Structural Improvements	1,000	100	200	300	400		1,000
TOTAL			638,787	7,886	22,530	4,521	17,900	102,000	154,837

2. The South Satellite has not been significantly upgraded since its original construction over 45 years ago. The building is in need of upgrades in order to provide an acceptable level of service to passengers.

4. Replace the B Concourse roofing system, as well as the installation of penthouse ladders, fall protection and refurbishment or replacement of KalWall windows/skylights. The B Concourse roof system was last installed in 1991 with a total square footage of 86,500.

8. Replace passenger boarding bridges and fixed walkways at (a) S11 Bridge and Walkway built 1983, (b) B9 Bridge and Walkway built 1991, (c) B10 Bridge built 1987, (d) C15 Bridge built 1970's, (e) B7 Bridge built 1984, (f) C9 Bridge built 1980's, (g) D11 Bridge built 1984.

9. Replace two 45 year old fire pumps (and diesel engines) with new pumps, engines, and controls in Pump House building.

**Renewal & replacement is necessary to maintain capacity**

# Proposed New Projects – System Improvement and Safety

V	CIP	Description	Cost	Cash Flows (Figures in \$000s)					2016-20
			Estimate	2016	2017	2018	2019	2020	Total
1	C800804	Water Hammer Attenuation	500	500					500
2	C800787	NSAT Roofs to Storm Piping	1,700	1,600	100				1,700
3	C800805	Duress System Upgrade	750	425	325				750
4	C800774	Overheight Vehicle Detection	660	310	350				660
TOTAL			3,610	2,835	775	-	-	-	3,610

1. Install two surge tanks strategic locations in the network of water piping to reduce potential damage at the airport.
2. Pipe from the NSAT roofs using trenchless technology to send clean runoff water to the Storm Drain System (SDS) which will reduce about 2.1MGAL/year of water being sent to Industrial Waste System (IWS) causing higher operating expense and future capital cost of expanding the IWS lagoon .
3. Replace the input/output modules and alarm display functions for the airport-wide duress system to cover duress system needs for terminal growth over next five to ten years. The current system has 300 input points and 384 output points and requires additional 30% capacity.
4. Improve roadway signage to better inform over-height vehicle drivers (ie: semi trucks) of the clearance limitations to prevent future over-height beam collisions on lower drive resulting in closures for repair.

**Safety remains a priority**

# Capital Budget: 2015 - 2024

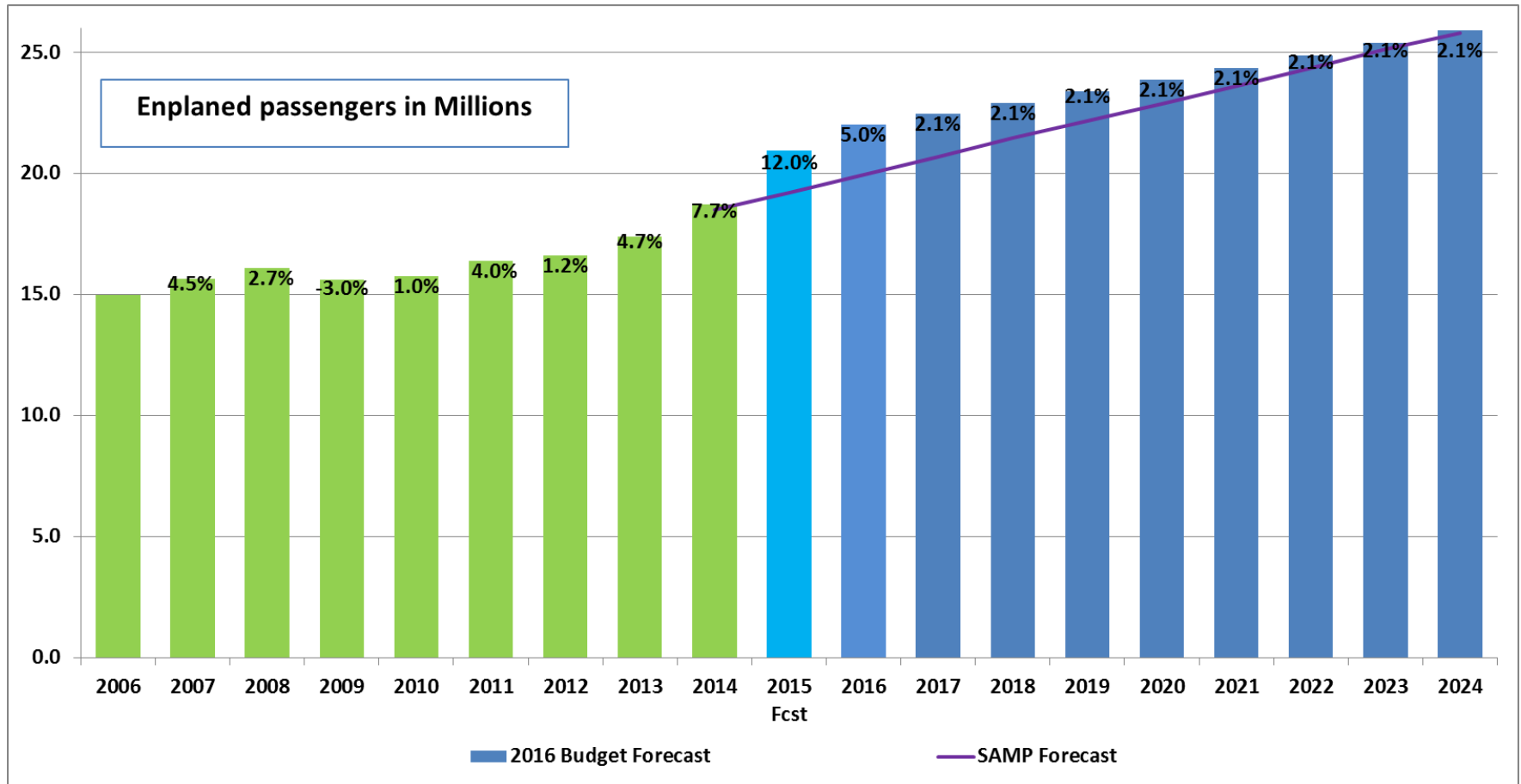
CIP Name	\$ in \$000s	2015	2016 Cost		2017	2018	2019	2020	2021	2022	2023	2024	Total
		Forecast	Estimate										
RW16C-34C Design & Reconstruction		38,513	43,786		9,097	-	-	-	-	-	-	-	91,396
NorthSTAR CIPs		36,638	49,616		90,670	101,735	100,324	93,111	-	-	-	-	472,094
International Arrivals Facility		11,983	59,252		145,341	214,909	164,700	6,365	-	-	-	-	602,550
Checked Bag Recap/Optimization		8,384	20,000		50,000	50,000	50,000	50,000	21,450	21,450	21,450	21,450	314,184
South Satellite Terminal Renewal					150	900	15,000	100,000	100,000	335,000	48,950		600,000
Proposed New Projects			30,772		46,076	12,399	6,730	4,960	-	-	-	-	100,937
Allowance CIPs			10,000		17,000	35,000	55,000	70,000	85,000	97,674	175,000	200,000	744,674
Other CIPs		79,529	146,638		98,665	38,632	24,331	38,705	5,298	8,426	5,018	4,574	449,816
<b>Total</b>		<b>175,047</b>	<b>360,064</b>		<b>456,999</b>	<b>453,575</b>	<b>416,085</b>	<b>363,141</b>	<b>211,748</b>	<b>462,550</b>	<b>250,418</b>	<b>226,024</b>	<b>3,375,651</b>

- Currently defined capital projects will be mostly done by 2023
- Existing capital plan includes \$745 million of undefined capital spending (allowance CIPs)
  - Built into CPE forecast
- Existing capital plan excludes SAMP future projects

**CPE forecast lower than last year's through 2022**

# FINANCIAL FORECAST

# Enplanement Growth



Enplanement growth exceeds SAMP forecast

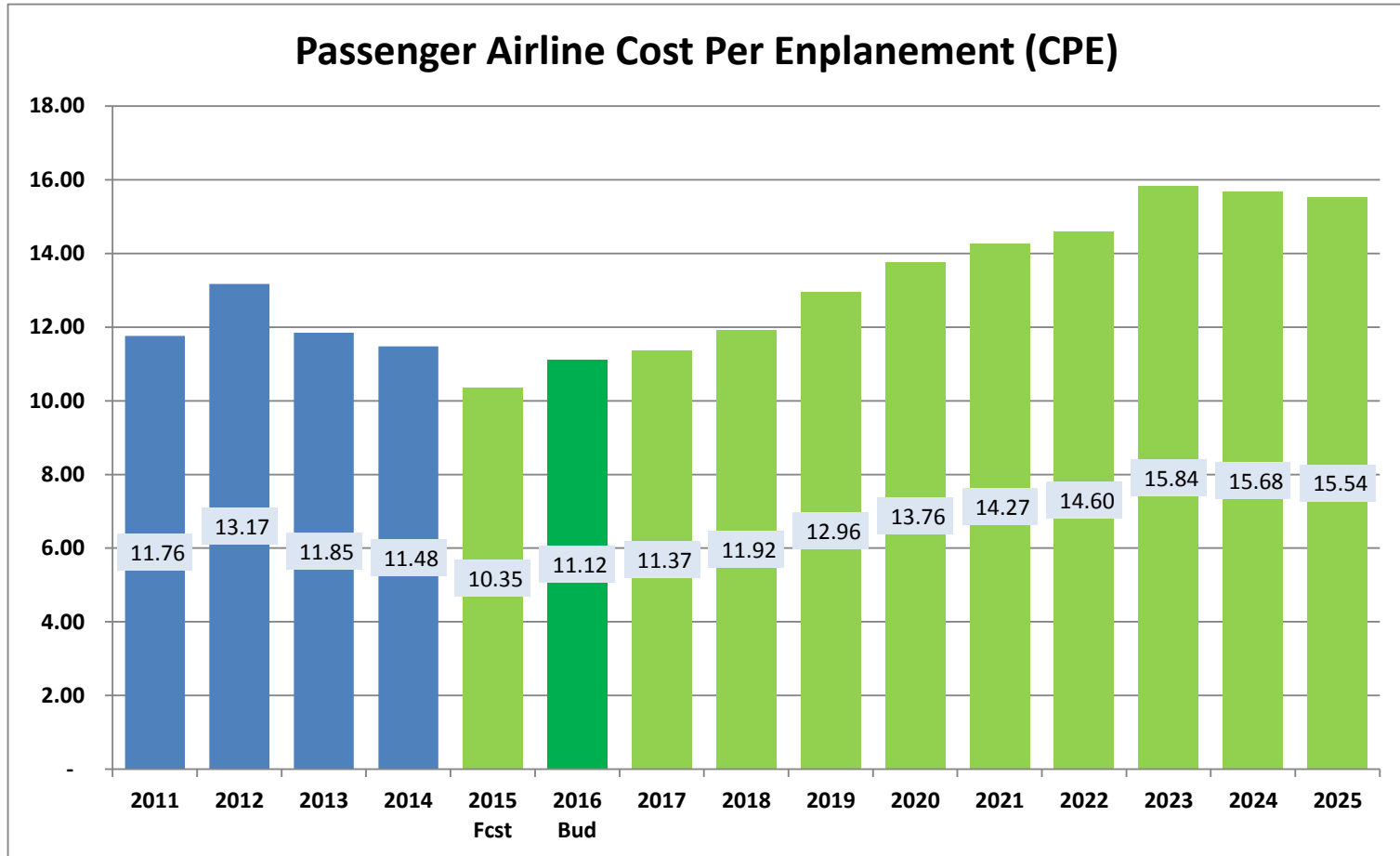
# Financial Forecast

In \$000's	2015 Bud	2016 Bud	2017	2018	2019	2020
Airline Revenue	242,352	261,446	272,669	291,203	321,921	347,756
Non-Airline Revenue	188,465	206,744	210,925	215,731	222,062	237,856
Total Revenue	430,818	468,190	483,593	506,935	543,982	585,611
Operating Expense	248,141	268,229	272,884	282,884	292,959	304,984
Net Operating Income	182,677	199,961	210,709	224,051	251,023	280,627
Net Non-Operating Income/Expense	1,504	1,539	3,353	3,411	3,536	3,662
CFC Excess*	(4,264)	(4,781)	(2,454)	(3,253)	(2,293)	(8,534)
Available for Debt Service	179,916	196,718	211,608	224,210	252,267	275,756
Net Debt Service	128,343	135,217	146,562	159,192	186,319	206,016
Net Cash Flow	51,574	61,501	65,046	65,017	65,948	69,740
<b>Key Measures</b>						
Debt Service Coverage	1.40	1.45	1.44	1.41	1.35	1.34
Revenue Sharing	19,488	27,650	28,405	25,219	19,368	18,236
Passenger Airline CPE	11.78	11.12	11.37	11.92	12.96	13.76
Debt per Enplaned Passenger	129.3	114.5	118.0	129.3	137.8	143.3
* CFC collection in excess of CFC debt service/O&M is restricted and cannot be used for other revenue bond debt service						

**Strong growth compared to 2015**

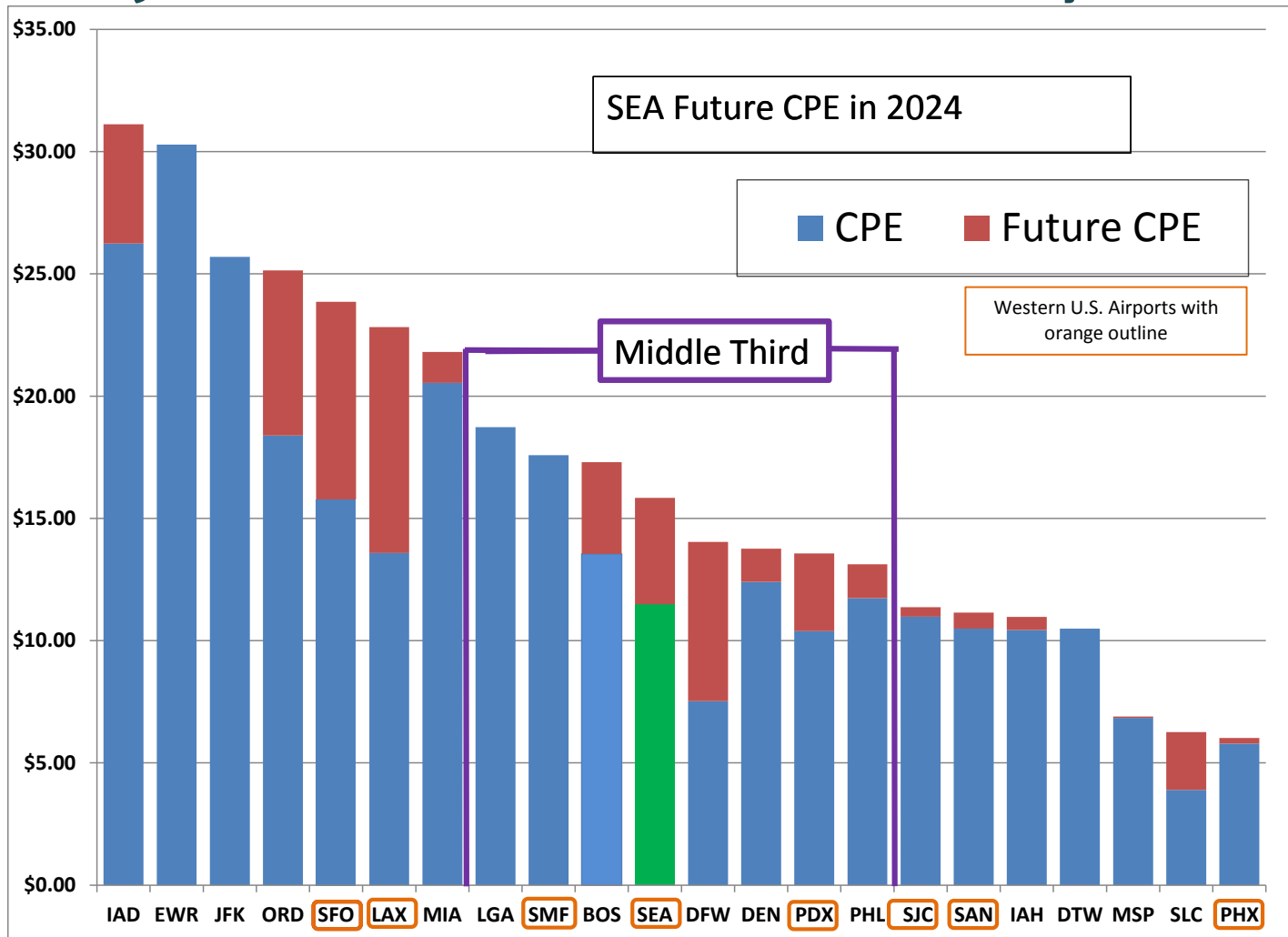


# CPE Forecast



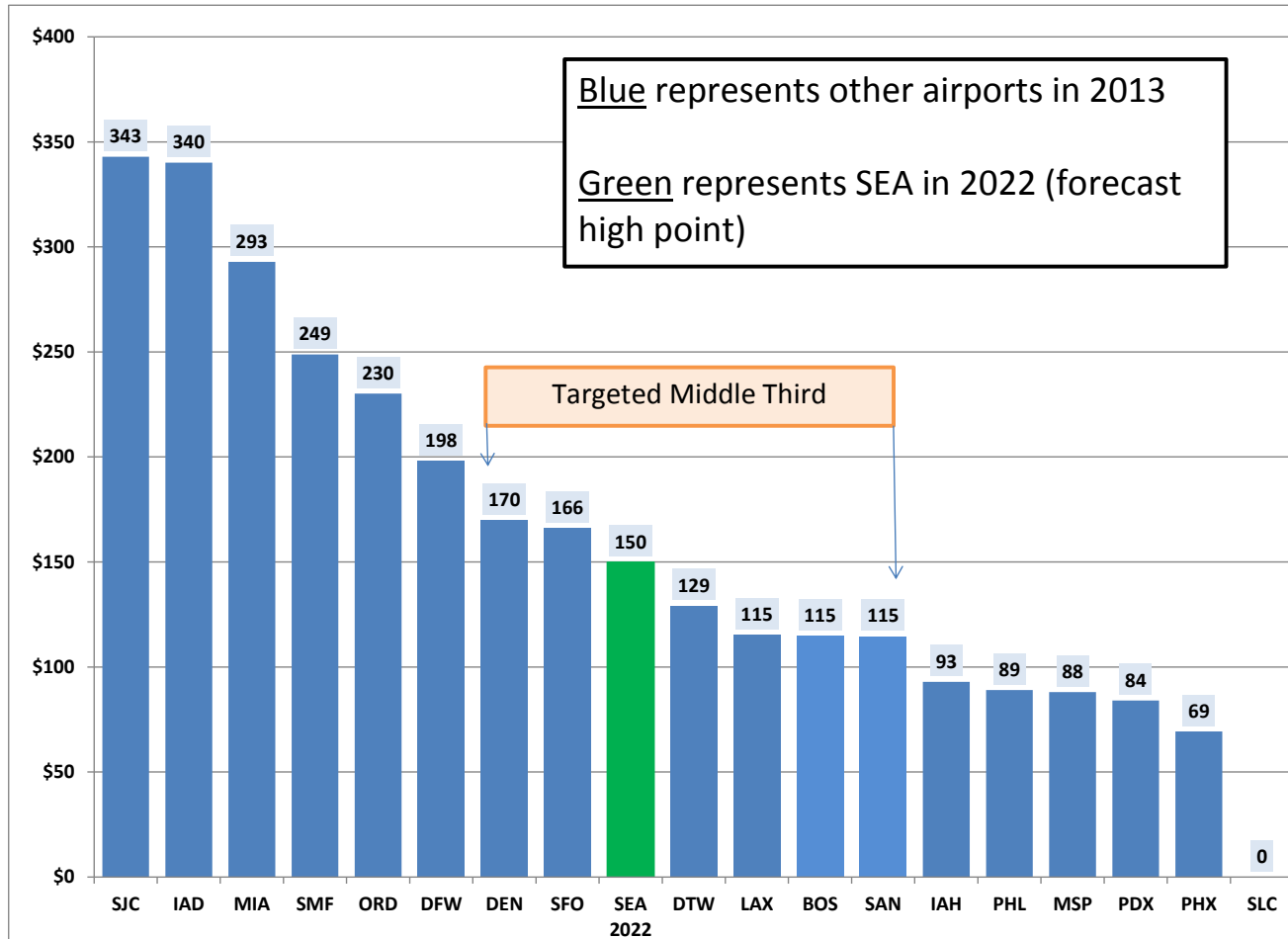
High point in 2023

# Projected CPE vs. Peer Airports



Future CPE Ranks 12 out of 22

# Debt Per Enplanement vs. Peer Airports



Forecasted debt level high point remains in target range

# FUNDING PLAN: USE OF PFCS

# Overview of Funding Strategy

- Consistent with the funding principles outlined in the May 26, 2015 motion, Port aims to maintain competitive rates and CPE
- A key financing tool is Passenger Facility Charges (PFCs) as costs paid with PFCs are excluded from airline rate base:
  - Directly funded project
  - Revenue bond debt service paid by
- Will continue to use PFCs to pay debt service for Third Runway to manage landing fee rate
- Next PFC application to FAA will include NSAT, IAF and Baggage Optimization to allow flexibility to use PFCs to address cost centers with greatest rate growth pressure

**PFCs used to manage airline rates and CPE**

# Forecasted Sources & Use of PFCs

\$000s	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total Uses
<b>SOURCES</b>											
Beginning balance	100,875	78,791	-	-	-	-	-	-	-	(0)	
Collections & interest	84,884	86,785	87,366	89,166	91,003	92,877	94,791	96,743	98,747	101,329	
<b>USES - Debt Service</b>											
PFC Backed Bonds											
Third Runway	5,695	18,915	20,129	20,128	18,768	18,766	18,770	18,769	-	-	139,938
Conc A & STS	13,073	-	-	-	-	-	-	-	-	-	13,073
Revenue Bonds											
Third Runway	24,622	27,551	28,238	28,429	28,429	28,109	20,619	18,496	18,497	38,913	261,906
Conc A, STS, Baggage	9,178	6,249	5,562	5,371	13,474	13,472	14,894	14,895	14,833	7,155	105,081
Baggage Optimization	-	-	-	-	-	-	-	-	18,264	9,588	27,852
IAF	-	-	-	-	18,304	18,919	19,549	20,406	19,362	19,133	115,673
NSAT	-	-	-	-	2,928	4,324	11,479	14,504	16,407	16,407	66,048
<b>USES - PAY GO</b>											
IAF	2,620	97,380	-	-	-	-	-	-	-	-	100,000
NSAT	46,780	9,556	28,437	30,237	1,324	-	-	-	-	-	116,336
Baggage Optimization	-	-	-	-	-	4,288	2,983	4,674	4,845	-	16,790
Airfield/Noise	-	925	-	-	2,776	-	1,496	-	1,538	-	6,735
Other Terminal	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	10,133	55,133
Ending balance	78,791	-	-	-	-	-	-	-	(0)	-	1,024,565
<b>Used for debt service</b>	<b>49%</b>	<b>32%</b>	<b>62%</b>	<b>60%</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>	<b>90%</b>	<b>88%</b>	<b>90%</b>	

PFCs used to offset airfield, terminal and FIS costs

# Planned uses of PFCs by Cost Center

Uses - \$000	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-25
Airfield	30,317	47,391	48,367	48,558	49,973	46,875	40,885	37,265	20,035	38,913	408,579
Terminal	74,030	20,805	38,999	40,608	22,726	27,083	34,356	39,073	59,349	43,283	400,313
FIS	2,620	97,380	-	-	18,304	18,919	19,549	20,406	19,362	19,133	215,673
	106,967	165,576	87,366	89,166	91,003	92,877	94,791	96,743	98,747	101,329	1,024,565
<b>Percent</b>											
Airfield	28%	29%	55%	54%	55%	50%	43%	39%	20%	38%	40%
Terminal	69%	13%	45%	46%	25%	29%	36%	40%	60%	43%	39%
FIS	2%	59%	0%	0%	20%	20%	21%	21%	20%	19%	21%

- Includes both PFCs use to fund project costs (pay-go) and debt service
- In 2016 and 2017 plan to use built up PFC balance to fund project costs for NSAT and IAF
- Use PFCs to pay debt service on IAF beginning in 2020

Use of PFCs can shift as priorities change

# Planned Use of PFCs to Pay Debt Service

	\$000s	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>1. PFC-Backed Bonds:</b>											
Eligible Amount		18,767,100	18,914,600	20,128,600	20,128,375	18,767,500	18,765,500	18,770,000	18,768,750	-	-
Less: Usage		(18,767,100)	(18,914,600)	(20,128,600)	(20,128,375)	(18,767,500)	(18,765,500)	(18,770,000)	(18,768,750)	-	-
Remaining		-	-	-	-	-	-	-	-	-	-
% of DS Covered by PFCs		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>2. IAF (C800583):</b>											
Eligible Amount		-	-	-	-	28,829,800	28,946,858	28,946,858	28,946,858	28,946,858	28,946,858
Less: Usage		-	-	-	-	(18,303,683)	(18,919,144)	(19,548,881)	(20,405,846)	(19,362,335)	(19,132,839)
Remaining		-	-	-	-	10,526,117	10,027,714	9,397,978	8,541,012	9,584,523	9,814,019
% of DS Covered by PFCs						63%	65%	68%	70%	67%	66%
<b>3. 3rd Runway:</b>											
Eligible Amount		24,622,046	27,551,311	28,238,296	28,429,443	28,429,098	28,109,434	20,619,499	18,496,163	18,497,383	38,913,405
Less: Usage		(24,622,046)	(27,551,311)	(28,238,296)	(28,429,443)	(28,429,098)	(28,109,434)	(20,619,499)	(18,496,163)	(18,497,383)	(38,913,405)
Remaining		-	-	-	-	-	-	-	-	-	-
% of DS Covered by PFCs		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>4. Terminal Total (Existing + New)</b>											
Eligible Amount		13,955,153	13,598,413	13,474,573	26,275,129	29,881,490	29,879,120	31,301,182	31,301,826	31,240,252	23,561,806
Less: Usage		(9,177,954)	(6,248,689)	(5,561,704)	(5,370,557)	(16,402,102)	(17,795,494)	(26,373,138)	(29,398,176)	(31,240,252)	(23,561,806)
Remaining		4,777,199	7,349,723	7,912,869	20,904,572	13,479,388	12,083,626	4,928,044	1,903,650	-	-
% of DS Covered by PFCs		66%	46%	41%	20%	55%	60%	84%	94%	100%	100%
<b>5. Baggage (C800612)</b>											
Eligible Amount		-	-	-	3,957,499	8,651,102	13,344,705	14,955,727	16,689,221	18,263,952	19,822,679
Less: Usage		-	-	-	-	-	-	-	-	(18,263,952)	(9,588,294)
Remaining		-	-	-	3,957,499	8,651,102	13,344,705	14,955,727	16,689,221	-	10,234,385
% of DS Covered by PFCs					0%	0%	0%	0%	0%	100%	48%

Port has flexibility to adjust use of PFCs in future years



# Funding Plan for IAF

<b>Funding Sources</b>	<b>\$000s</b>	<b>Capital Rate Base</b>	<b>2020</b>	<b>2024</b>
Cash/ADF	200,000	Amortization	-	-
Revenue Bonds	308,365	Debt Service	28,830	28,947
PFCs	100,000	DS paid w/PFCs	(18,304)	(19,362)
<b>Total</b>	<b>608,365</b>	<b>Net capital costs</b>	<b>10,526</b>	<b>9,585</b>
<b>Effective percent of PFCs to fund project costs:</b>			<b>48.6%</b>	<b>50.3%</b>

- Per funding principles (May 26, 2015 ), amount of PFCs based on targeted \$12 FIS rate (current estimate of high end of market rate)
- Use of PFCs can vary depending on other factors that impact FIS rate base
- Compared to the July 2015 IAF presentation, the effective use of PFCs has declined from 57.6% due to increased forecast for deplaned international passengers

**Use of PFCs lower than July Presentation**

# Funding Plan for NSAT

<b>Funding Sources</b>	<b>\$000s</b>	<b>Capital Rate Base</b>	<b>2020</b>	<b>2024</b>
Cash/ADF	537	Amortization	36	36
Revenue Bonds	299,010	Debt Service	18,947	27,751
PFCs	116,336	DS paid w/PFCs	(2,928)	(16,407)
<b>Total</b>	<b>415,883</b>	<b>Net capital costs</b>	<b>16,055</b>	<b>11,380</b>
<b>Effective percent of PFCs to fund project costs:</b>			<b>39.1%</b>	<b>70.5%</b>

- Estimating that approximately 70% of costs are PFC eligible – subject to determination by FAA
- Use of PFCs on NSAT will increase as PFC backed bonds are fully amortized in 2023

**Use of PFCs for NSAT will increase after 2023**



# APPENDIX

## Additional 2016 Budget Materials

# Airfield Commercial NOI

\$ in 000's	2014	2015	2015	2016	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
AF Commercial Area Revenue	8,328	8,445	8,955	9,306	861	10.2%	351	3.9%
AF Commercial Area O&M	3,909	3,670	3,516	3,725	55	1.5%	209	5.9%
<b>Net Operating Income</b>	<b>4,419</b>	<b>4,775</b>	<b>5,439</b>	<b>5,581</b>	<b>806</b>	<b>16.9%</b>	<b>142</b>	<b>2.6%</b>
Debt Service	(3,007)	(2,420)	(2,978)	(3,295)	(875)	36.2%	(317)	10.7%
<b>Adjusted Net Cash Flow</b>	<b>1,412</b>	<b>2,355</b>	<b>2,461</b>	<b>2,285</b>	<b>(69)</b>	<b>-2.9%</b>	<b>(176)</b>	<b>-7.1%</b>

- Airfield Commercial cost center revenues based on leases and fees (compensatory), not cost recovery
- Currently contributes positive cash flow to Aeronautical side of business

**Commercial Area generates positive net cash flow**

# Non-Aero Key Indicators

	2014	2015	2015	2016	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
<b>Revenues per Enplanement</b>								
Parking	3.05	3.04	2.99	3.01	(0.03)	-1.1%	0.02	0.7%
Rental Cars (includes Operating CFC)	2.46	2.32	2.14	2.16	(0.16)	-7.0%	0.02	0.7%
Ground Transportation	0.45	0.43	0.40	0.38	(0.05)	-11.4%	(0.02)	-4.8%
Airport Dining and Retail	2.51	2.58	2.46	2.46	(0.12)	-4.6%	(0.00)	-0.1%
Commercial Properties	0.35	0.42	0.39	0.46	0.04	9.2%	0.07	19.3%
Other	0.84	0.94	0.91	0.92	(0.02)	-2.3%	0.01	1.0%
<b>Total Revenues</b>	<b>9.66</b>	<b>9.74</b>	<b>9.29</b>	<b>9.39</b>	<b>(0.34)</b>	<b>-3.5%</b>	<b>0.10</b>	<b>1.1%</b>
<b>Primary Concessions Sales / Enpl</b>	<b>11.78</b>	<b>11.88</b>	<b>11.80</b>	<b>11.86</b>	<b>(0.02)</b>	<b>-0.2%</b>	<b>0.06</b>	<b>0.5%</b>

Revenue growth not keeping pace with enplaned passenger growth

# Proposed Additions to Baseline

<b>2016 Baseline Budget Requests:</b>	<b>\$000's</b>
Janitorial - due to passenger volumes	
Janitorial contract scope increase	2,350
Sr. Contract Administrator (1) FTE	99
Baggage System - due to bag volumes	
Additional staffing (6) FTE's	508
PathFinders (4) FTE's - due to passenger volumes	260
Painters (3) FTE's - deferred asset mgmt	217
Increased badging costs - volume & regulations	237
Airline Technical Representative - consultant	164
All other Baseline budget requests	488
<b>Total 2016 Baseline Budget Requests</b>	<b>4,322</b>

## Other Baseline Requests

- Increase to electrical maintenance materials (\$150K)
- Annual fees for (14) add'l automated passport control kiosks (\$75K)
- Consultant services Internal Control (\$75K)
- Contract scope increase – FIS Centralized Int'l Support Services (\$50K)
- Real estate development planning expenses (\$30K)
- Right-size training & other employee costs for new hires (\$54K)
- Asset Mgmt estimator (\$30K)
- Air Services Development – joint marketing (\$24K)

**Details for proposed additions to baseline budget**

# 2016 Non-recurring Expenses

<b>2016 Non-recurring Budget Requests:</b>	<b>\$000's</b>
Sustainable Master Plan	
SAMP - scheduled to complete in 2016	1,500
SAMP Environmental Review (NEPA/SEPA)	2,000
Adv Planning IDIQ for Master Plan projects	2,000
Baggage System - due to bag volumes	
Biodiverter (contracted services)	73
Additional baggage tubs	100
Non-Airline Revenue Development	
Burien NERA 3 - FAA pilot program	1,500
ADR leasing consultant	756
Reconfiguration of SSAT Lounge	245
Parking pre-booking system services	130
Airport Obstruction Removal (trees)	750
Air Incentive Program - new int'l service	58
All other Non-recurring budget requests	1,046
<b>Total 2016 Non-recurring Budget Requests</b>	<b>10,158</b>

## Other Non-recurring budget requests:

- Noise consulting & feasibility (\$200K)
- Avian Radar Upgrade (\$96K)
- Space planning consultant (\$100K)
- DMCBP owner's liaison - 100% reimbursed (\$100K)
- DMCBP West pre-development (\$50K)
- Salmon Safe Certification consulting (\$75K)
- Solid Waste System Optimization (\$75K)
- ARC Flash - phase 3 (\$100K)
- CT Window Wall Main inspection (\$95K)
- Art conservation (\$60K)
- Other technology enhancements & consulting services (\$95K)

**Details for proposed non-recurring items**

# 2016 Budget Requests Classified by Airport Strategy

<b>2016 Baseline Budget Requests:</b>	<b>\$000's</b>
Strategic Initiatives:	
Safe, Secure Airport	1,083
Customer Needs/Capacity	5,906
Asset Management	712
Customer Service	3,535
Environmental Innovation	75
Airline Cost Management	30
Non-Airline Revenue Development	2,886
Employee/Organizational Development	54
Community Partnership	200
<b>Total 2016 Baseline Budget Requests</b>	<b>14,480</b>

Long-term facility needs and short-term customer needs are priorities