ITEM NO: 7b_Attach______
DATE OF MEETING: March 8, 2016

PORT OF SEATTLE

2015 FINANCIAL & PERFORMANCE REPORT

AS OF DECEMBER 31, 2015

TABLE OF CONTENTS

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/15

EXECUTIVE SUMMARY

Financial Summary

The Port's total operating revenues for 2015 were $558.8 million, $7.0 million above budget and $23.8 million higher than 2014. Excluding Aeronautical revenues, which are based on cost recovery, other operating revenues were $332.9 million, $19.9 million above the budget and $23.2 million above 2014 actual primarily due to higher revenues from Public Parking, Rental Cars, Airport Dining and Retail, Cruise, and Conference & Event Centers. Total operating expenses were $317.2 million, $15.7 million below budget mainly due to delayed hiring and vacant positions, less expense on outside services, and other budget savings. Operating income before depreciation was $241.6 million, $22.7 million above budget. Operating income after depreciation was $78.3 million, $21.5 million over budget. The Port-wide capital spending for 2015 was $188.9 million, $82.0 million below budget.

Operating Summary

At the Airport, enplanements for 2015 were 12.8% higher and landed weight was 10.0% higher than 2014. The enplanements growth for international and domestic was 14.4% and 12.6%, respectively. International cargo metric tons were up 7.1% over 2014. For the Seaport division, TEUs were up 1.2% and Grain volumes were up 4.4% from 2014. Cruise passengers were 9.0% above 2014. For the Real Estate division, occupancy levels at Commercial Properties were at 93% at the end of 2015, below the target of 95% and Seattle market average of 94%. Fishermen's Terminal and Maritime Industrial Center were at 83% average occupancy, above target of 79%. Recreational Marinas was at 96% occupancy, above target occupancy rate of 95%. Conference and Event Center revenue exceeded budget by 21% and 2014 actual by 16%.

Key Business Events

The Port continued the analysis of airfield improvements and one vs. two terminal concepts of the Sustainable Airport Master Plan (SAMP). We completed the prospective tenants outreach for Airport Dining and Retail in October. We signed Pier 66 lease agreement with Norwegian Cruise Lines. The sale of 2.6 miles of the Eastside Rail Corridor (Rail Corridor) in King County to the City of Woodinville was closed in November. We have replaced over 126 drayage trucks with model-year 2007 or newer engines under the Seaport Truck Scrappage and Replacements for Air in Puget Sound (ScRAPS 2) program funded largely by grant. We also worked with TourOperatorLand to create online portal for worldwide trade and media to access itineraries, images, videos and general information for Port, Seattle and Washington State; and we participated in the largest ever China Sales Mission with a delegation of Seattle/ Washington tourism representatives meeting with nearly 400 travel trade and media professionals in Beijing, Shanghai and Hong Kong. We conducted Rating Agency meetings for the 2015 limited tax general obligation (G.O.) and G.O. refunding bonds.

Major Capital Projects

The Port completed Runway 16C/34C replacement and realized $21.3M in project savings. The International Arrivals Facility (IAF) received commission authorization for $275 million and Progressive Design Build Contract was awarded to Clark/SOM; validation period was completed. Hensel Phelps was awarded general contractor/construction manager contract for North Satellite renovation and expansion. We completed 100% design of baggage optimization system for TSA submittal; we also executed Terminal 5 test pile program construction contract. Terminal 91 tank farm remediation reached substantial completion. Finally, sixty Port Construction Services projects reached substantial completion.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/15

INCOME STATEMENT

Report: Income Statement
As of Date: 2015-12-31

$ in 000's	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2014 $	%
Revenues:							
Aviation	406,063	422,778	427,242	(4,463)	-1.0%	16,715	4.1%
Seaport	95,739	97,378	91,380	5,997	6.6%	1,638	1.7%
Real Estate	32,717	35,395	32,804	2,591	7.9%	2,678	8.2%
Storm Water Utility	-	4,403	-	4,403	0.0%	4,403	n/a
Eliminations	-	(1,595)	-	(1,595)	0.0%	(1,595)	n/a
Capital Development	21	87	-	87	0.0%	67	322.5%
Corporate	398	332	340	(7)	-2.1%	(66)	-16.5%
Total Revenues	**534,938**	**558,779**	**551,766**	**7,013**	**1.3%**	**23,840**	**4.5%**
Operating & Maintenance:							
Aviation	161,195	166,705	170,014	3,309	1.9%	5,510	3.4%
Seaport	17,428	17,791	22,248	4,457	20.0%	363	2.1%
Real Estate	38,905	37,036	40,308	3,273	8.1%	(1,869)	-4.8%
Storm Water Utility	-	4,035	-	(4,035)	0.0%	4,035	n/a
Eliminations	-	(1,595)	-	1,595	0.0%	(1,595)	n/a
Capital Development	14,734	13,773	18,194	4,421	24.3%	(961)	-6.5%
Corporate	77,072	79,441	82,149	2,708	3.3%	2,369	3.1%
Total O&M Costs	**309,334**	**317,186**	**332,914**	**15,728**	**4.7%**	**7,852**	**2.5%**
Operating Income Before Depreciation	**225,605**	**241,593**	**218,852**	**22,741**	**10.4%**	**15,988**	**7.1%**
Depreciation	166,337	163,338	162,082	(1,256)	-0.8%	(2,999)	-1.8%
Operating Income after Depreciation	**59,267**	**78,255**	**56,770**	**21,485**	**37.8%**	**18,987**	**32.0%**

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.

PORTWIDE FINANCIAL SUMMARY

$ in 000's	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2014 $	%
Aeronautical Revenues	228,864	229,470	242,352	(12,882)	-5.3%	606	0.3%
SLOA III Incentive	(3,576)	(3,576)	(3,576)	-	0.0%	-	0.0%
Other Operating Revenues	309,650	332,884	312,989	19,895	6.4%	23,234	7.5%
Total Operating Revenues	534,938	558,779	551,766	7,013	1.3%	23,840	4.5%
Total Operating Expenses	309,334	317,186	332,914	15,728	4.7%	7,852	2.5%
NOI before Depreciation	**225,605**	**241,593**	**218,852**	**22,741**	**10.4%**	**15,988**	**7.1%**
Depreciation	166,337	163,338	162,082	(1,256)	-0.8%	(2,999)	-1.8%
NOI after Depreciation	59,267	78,255	56,770	21,485	37.8%	18,987	32.0%

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/15

KEY PERFORMANCE METRICS

	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) Budget Variance Chg.	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2014 Chg.	Incr (Decr) Change from 2014 %
Enplanements (in 000's)	18,717	21,109	19,354	1,753	9.1%	2,392	12.8%
Landed Weight (lbs. in 000's)	22,505	24,757	22,484	2,274	10.1%	2,253	10.0%
Passenger CPE (in $)	11.48	10.12	11.78	1.66	14.1%	(1.4)	-11.8%
Container Volume (TEU's in 000's)	1,388	1,404	1,291	113	8.8%	17	1.2%
Grain Volume (metric tons in 000's)	3,618	3,778	4,000	(222)	-5.5%	160	4.4%
Cruise Passenger (in 000's)	824	898	895	3	0.3%	74	9.0%
Commercial Property Occupancy	93%	93%	95%	-2%	-1.7%	0.8%	0.9%
Shilshole Bay Marina Occupancy	96.6%	96.5%	95.8%	0.7%	0.7%	-0.1%	-0.1%
Fishermen's Terminal Occupancy	83.5%	83.8%	79.4%	4.4%	5.6%	0.3%	0.4%

CAPITAL SPENDING RESULTS

$ in 000's	2014 Actual	2015 Actual	2015 Budget	Budget Variance $	Budget Variance %
Aviation	155,970	164,931	225,435	60,504	26.8%
Seaport	10,489	12,520	20,068	7,548	37.6%
Real Estate	10,922	4,870	12,194	7,324	60.1%
Corporate & CDD	6,538	6,539	13,133	6,594	50.2%
TOTAL	183,919	188,860	270,830	81,970	30.3%

PORTWIDE INVESTMENT PORTFOLIO

During the fourth quarter of 2015, the investment portfolio earned 1.10% versus the benchmark’s (the Bank of America Merrill Lynch 1-3 Year US Treasury & Agency Index) 1.07%. Over the last twelve months the portfolio and the benchmark have earned 0.94% and 0.73%, respectively. Since the Port became its own Treasurer in 2002, the life-to-date earnings of the Port’s portfolio and the benchmark are 2.67% and 1.87%, respectively.

FINANCIAL SUMMARY

$ in 000's	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2014 $	%
Operating Revenues:							
Aeronautical Revenues	228,864	229,470	242,352	(12,882)	-5.3%	606	0.3%
SLOA III Incentive Straight Line Adj (1)	(3,576)	(3,576)	(3,576)	(0)	0.0%	0	0.0%
Non-Aeronautical Revenues	180,791	196,844	188,465	8,378	4.4%	16,053	8.9%
Total Operating Revenues	**406,079**	**422,738**	**427,242**	**(4,504)**	**-1.1%**	**16,659**	**4.1%**
Total Operating Expense	230,704	237,655	248,141	10,486	4.2%	6,951	3.0%
Net Operating Income	**175,375**	**185,083**	**179,101**	**5,982**	**3.3%**	**9,708**	**5.5%**
Cost per Enplanement ($)	11.48	10.12	11.78	1.66	14.1%	(1.36)	-11.9%
Capital Expenditures	**155,970**	**164,931**	**225,435**	**60,504**	**26.8%**	**8,961**	**5.7%**

(1) Annual non-cash amortization of $17.9M lease incentive credited in 2013

Division Summary 2015 Actuals vs 2015 Budget

- Net Operating Income for 2015 is $6.0M higher than budget (3.3% favorable)
  - Operating Revenue is $4.5M lower than budget (1.1% unfavorable) – primarily due to lower Aeronautical revenue from rate base cost savings and higher revenue sharing. The reduction in Aeronautical revenue is partially offset by higher Non-Aero revenue ($8.4M) driven by increased passenger volumes with strong performance in public parking, airport dining & retail, and rental cars.
  - Operating Expenses are $10.5M lower than budget (4.2% favorable) – primarily due to lower baseline expenses from payroll savings ($5.1M) due to vacancies and hiring delays, as well as a one-time accounting adjustment (GASB 68) booked in 2015, partially offset by the one-time lump sum employee retention payment in Dec 2015, incremental payroll costs for new positions added in 2015, and additional labor hours to support increased operational demands. Other expense savings include lower utility expense ($1.1M), lower outside services costs ($0.7M), and lower charges from Corporate and other divisions ($7.1M). These expense savings are partially offset by higher environmental remediation liability costs ($1.6M), and an increase in general expenses due to increased passenger volumes and related operational demands ($1.8M).

Division Summary 2015 Actuals vs 2014 Actuals

- 2015 Net Operating Income is $9.7M higher than prior year (5.5% higher NOI)
  - 2015 Operating Revenue is $16.7M higher than prior year (4.1% higher) – primarily due to growth in Non-Aero revenue ($16.1M) driven by increased passenger volumes with strong performance in public parking, airport dining & retail, and commercial properties. Aeronautical revenues are relatively flat compared to prior year, driven by an increase in cost recovery on new assets placed in service, higher operating expenses to support increased airline activity and higher commercial cost center revenues, offset by higher revenue sharing in 2015 ($12.4M).
  - 2015 Operating Expenses are $7.0M higher than prior year (3.0% higher) – due to higher baseline expenses ($6.0M) particularly in payroll and outside services, higher environmental remediation liability charges in 2015 ($2.3M), and higher charges in 2015 from Corporate & CDD ($1.9M). These 2015 cost increases are partially offset by lower capital to expense charges ($3.1M) compared to the prior year.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/15

A. BUSINESS EVENTS

- Enplanement growth (12.8%) drove increase in non-airline revenues to realize revenue sharing of $29 million and CPE of $10.12, the lowest CPE since 2003
- International Arrivals Facility
  - Received commission authorization for $275 million in December
- Sustainable Airport Master Plan
  - Continued analysis of airfield improvements
  - Continued analysis of one vs two terminal concepts and airfield improvements
- Airport Dining and Retail
  - Prospective tenant outreach completed in October
  - Commission approved advertising for 10 opportunities in lease group #2 in December

B. KEY PERFORMANCE METRICS

	2014	2015	% Change
Enplaned Passengers (000's)			
Domestic	16,824	18,944	12.6%
International	1,892	2,165	14.4%
Total	18,717	21,109	12.8%
Operations	340,478	381,408	12.0%
Landed Weight (million lbs.)			
Cargo	1,575	1,588	0.9%
All other	20,930	23,169	10.7%
Total	22,505	24,757	10.0%
Cargo - metric tons			
Domestic freight	167,729	162,013	-3.4%
International freight	107,752	115,357	7.1%
Mail	51,758	55,266	6.8%
Total	327,239	332,636	1.6%

Passengers

- Alaska +12%
- Delta +40%
- Southwest +8%
- United -7%

Passenger Market Share

- Alaska 51.0%
- Delta 19.4%
- Southwest 7.7%
- United 6.8%

Key Performance Measures

	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2014 $	%
Performance Metrics							
Cost per Enplanement (CPE)	11.48	10.12	11.78	1.66	14.1%	(1.36)	-11.9%
O&M Cost per Enplanement	12.33	11.26	12.82	1.56	12.2%	(1.07)	-8.7%
Non-Aero Revenue per Enplanement	9.66	9.33	9.74	(0.41)	-4.2%	(0.33)	-3.5%
Debt per Enplanement	126	119	129	10	7.7%	(6)	-5.1%
Debt Service Coverage	1.38	1.49	1.40	0.08	5.9%	0.10	7.3%
Days cash on hand (10 months = 304 days)	405	469	305	164	53.8%	64	15.7%
Aeronautical Revenue Sharing ($ in 000's)	17,034	29,436	19,488	9,948	51.0%	12,401	72.8%
Activity (in 000's)							
Enplanements	18,717	21,109	19,354	1,754	9.1%	2,392	12.8%

- **Notes:**
  - Reduction in CPE reflects lower airline costs due to higher revenue sharing (driven by increased non-airline revenues), and increased enplaned passengers. 2015 Actual CPE using 2015 Budget enplanements is $11.03
  - Improved debt service coverage compared to budget reflects increased cash flow from growth in enplanements.

C. OPERATING RESULTS

Division Summary

$ in 000's	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2014 $	Incr (Decr) Change from 2014 %
Operating Revenues:							
Aeronautical Revenues [1]	228,864	229,470	242,352	(12,882)	-5.3%	606	0.3%
SLOA III Incentive Straight Line Adj [2]	(3,576)	(3,576)	(3,576)	(0)	0.0%	0	0.0%
Non-Aeronautical Revenues	180,791	196,844	188,465	8,378	4.4%	16,053	8.9%
Total Operating Revenues	**406,079**	**422,738**	**427,242**	**(4,504)**	**-1.1%**	**16,659**	**4.1%**
Operating Expenses:							
Payroll	95,872	99,126	104,181	5,054	4.9%	3,255	3.4%
Outside Services	29,806	31,814	32,534	720	2.2%	2,008	6.7%
Utilities	13,861	13,682	14,796	1,114	7.5%	(179)	-1.3%
Other Airport Expenses	16,601	17,520	15,698	(1,822)	-11.6%	919	5.5%
Baseline Airport Expenses	**156,140**	**162,143**	**167,208**	**5,065**	**3.0%**	**6,003**	**3.8%**
Airline Realignment [3]	184	38	5	(33)	-695.6%	(146)	-79.5%
Environmental Remediation Liability	1,949	4,222	2,642	(1,580)	-59.8%	2,273	116.6%
Capital to Expense	3,126	61	-	(61)	n/a	(3,065)	-98.0%
Total Exceptions to Baseline	**5,259**	**4,321**	**2,647**	**(1,674)**	**-63.3%**	**(938)**	**-17.8%**
Total Airport Expenses	**161,399**	**166,464**	**169,855**	**3,391**	**2.0%**	**5,065**	**3.1%**
Corporate	40,401	43,182	43,981	799	1.8%	2,781	6.9%
Police Costs	16,514	15,783	17,413	1,630	9.4%	(731)	-4.4%
Capital Development/Other Expenses	12,391	12,226	16,892	4,666	27.6%	(165)	-1.3%
Total Charges from Other Divisions	**69,305**	**71,191**	**78,286**	**7,095**	**9.1%**	**1,885**	**2.7%**
Total Operating Expense	**230,704**	**237,655**	**248,141**	**10,486**	**4.2%**	**6,951**	**3.0%**
Net Operating Income	**175,375**	**185,083**	**179,101**	**5,982**	**3.3%**	**9,708**	**5.5%**
CFC Surplus	(6,497)	(5,159)	(4,760)	(399)	8.4%	1,339	-20.6%
Net Non-Operating Items in / out from ADF [4]	2,614	2,341	1,504	837	55.7%	(274)	-10.5%
SLOA III Incentive Straight Line Adj	3,576	3,576	3,576	0	0.0%	(0)	0.0%
Debt Service	(127,239)	(125,153)	(128,343)	3,190	2.5%	2,086	-1.6%
Adjusted Net Cash Flow	**47,829**	**60,688**	**51,078**	**9,610**	**18.8%**	**12,859**	**26.9%**

(1) Aero revenues are net of revenue sharing
(2) Annual non-cash amortization of $17.9M lease incentive credited in 2013
(3) Includes Airline Realignment costs incurred by other divisions
(4) Per SLOA III definition of Net Revenues

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/15

<u>Operating Expenses</u> – 2015 Actuals compared to 2015 Budget:

Total Operating Expenses are lower than the 2015 budget by $10.5 million due to the net of the following:

- <u>Baseline</u> Operating Expenses are lower than budget by $5.1 million due to the following:

Positive Variance of 6.9M			Negative Variance of $1.8M		
Payroll Savings		$5.1M	Other Aviation Expenses		$1.8M
Vacancies & delayed hiring	4.6M		Equip/Supplies/Stock (volume driven)	1.2M	
Budget FTE's on hold	0.8M		Litigated & Non-litigated Damages	0.9M	
GASB 68 adjustment (Fire Dept)	0.8M		Charges to Capital Projects	0.7M	
Other payroll savings	0.2M		Advertising (ADR related)	0.3M	
Lump Sump Payment	(1.3M)		B&O Tax (due to higher revenue)	0.1M	
Outside Services		$0.7M	All other Aviation Expenses	0.1M	
Sustainable Airport Master Plan Savings	0.7M		Aviation Contingency - unused portion	(1.5M)	
NERA 3 FAA Pilot Program Savings	0.5M				
Other savings	0.4M				
Janitorial (increased scope)	(0.9M)				
Utilities (lower usage due to mild weather)		$1.1M			

- Operating Expense <u>Exceptions</u> are higher than budget by $1.7 million due to the following:

No Positive Variance	Negative Variance of $1.7M		
	Environmental Remediation Liability		$1.6M
	Prior year RMM adjustments	1.3M	
	RMM start deferred to future years	2.1M	
	Lora Lake (Lake parcel)	(1.7M)	
	Delta build-out - mezzanine level	(1.2M)	
	Delta build-out ticketing level	(0.8M)	
	Alaska build-out ticketing (Zone 7)	(0.5M)	
	NSAT renovation - early phase work	(0.4M)	
	Other RMM not anticipated	(0.4M)	
	Capital Projects to Operating Expense		$0.1M

- Operating Expense charges from Corporate and other divisions are lower than budget by $7.1 million due to the following:

Positive Variance of $7.1M			Negative Variance - no material variance
Corporate Savings		$0.8M	
Police savings		$1.6M	
GASB 68 adjustment	1.2M		
Other savings	0.4M		
CDD & other		$4.7M	
Kilroy Building Capitalized Costs	0.5M		
Other (primarily payroll vacancies/delayed hiring)	4.2M		

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/15

<u>Operating Expenses</u> – 2015 Actuals compared to 2014 Actuals:

Total Operating Expenses increased in 2015 by $7.0 million due to the net of the following:

- <u>Baseline</u> Operating Expenses increased in 2015 by $6.0 million due to the following:

Increase of $6.2M			Decrease of $0.2M	
Payroll		$3.3M	Utilities (lower usage due to mild weather)	$0.2M
Lump Sum Payment	1.3M			
Higher charges to capital projects	1.1M			
New FTEs	1.1M			
Regular Payroll Increases	0.9M			
GASB 68 adjustment (Fire Dept)	(0.8M)			
Other payroll decreases	(0.3M)			
Outside Services		$2.0M		
Janitorial contract (add'l scope)	1.0M			
Increased Maintenance	0.8M			
Centralized FIS operations	0.5M			
ADR Master Plan Implementation	0.3M			
Outside Services (other)	1.1M			
Credit card fees (new account)	(1.7M)			
Other Aviation expenses		$0.9M		
Credit card fees (new account)	1.9M			
Other General Expenses	0.2M			
Litigated & Non-litigated Damages	0.2M			
Clubs & Lounges (3rd party mgmt)	0.3M			
Charges to Capital Projects	(1.2M)			
International Incentive	(0.5M)			

- Operating Expense <u>Exceptions</u> decreased in 2015 by $0.9 million due to the following:

Increase of $2.3M			Decrease of $3.2M			
Environmental Remediation Liability		$2.3M	Airline Realignment (Aero)			$0.1M
Lora Lake (Lake parcel)	1.9M		2014 Capital Projects to Operating Expense			$3.1M
Delta build-out - mezzanine level	1.2M		Vertical Conveyance	(Aero)	0.9M	
All other ERL projects	1.6M		South Sattelite HVAC	(Aero)	0.8M	
ERL projects completed in 2014	(2.4M)		Low Voltage System	(Aero)	0.5M	
			C4 UPS	(both - Allocated)	0.3M	
			All other - Capital to Exp		0.6M	

- Operating Expense charges from Corporate and other divisions increased by $1.9 million in 2015 due to the following:

Increase of $2.8M		Decrease of $0.9M	
Corporate departments	$2.8M	Police	$0.7M
		CDD & other	$0.2M

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/15

Aeronautical Business Unit Summary

$ in 000's	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2014 $	Incr (Decr) Change from 2014 %
Revenues:							
Movement Area	75,428	78,318	78,635	(317)	-0.4%	2,890	3.8%
Apron Area	11,558	10,840	11,233	(394)	-3.5%	(718)	-6.2%
Terminal Rents	142,381	150,299	153,167	(2,868)	-1.9%	7,918	5.6%
Federal Inspection Services (FIS)	9,218	9,965	10,360	(395)	-3.8%	746	8.1%
Total Rate Base Revenues	**238,585**	**249,422**	**253,395**	**(3,973)**	**-1.6%**	**10,837**	**4.5%**
Commercial Area	8,328	9,519	8,445	1,074	12.7%	1,191	14.3%
Subtotal before Revenue Sharing	**246,913**	**258,941**	**261,840**	**(2,899)**	**-1.1%**	**12,028**	**4.9%**
Revenue Sharing	(17,034)	(29,436)	(19,488)	(9,948)	-51.0%	(12,401)	72.8%
Other Prior Year Revenues	(1,014)	(35)	-	(35)	0.0%	979	-96.5%
Total Aeronautical Revenues	**228,864**	**229,470**	**242,352**	**(12,882)**	**-5.3%**	**606**	**0.3%**
Baseline	108,294	114,121	115,811	1,690	1.5%	5,827	5.4%
Exceptions to Baseline	4,480	3,679	2,039	(1,640)	-80.4%	(800)	-17.9%
Charges from Other Divisions	37,526	35,797	39,020	3,223	8.3%	(1,728)	-4.6%
Total Aeronautical Expenses	**150,299**	**153,598**	**156,871**	**3,273**	**2.1%**	**3,299**	**2.2%**
Net Operating Income	**78,565**	**75,872**	**85,481**	**(9,609)**	**-11.2%**	**(2,693)**	**-3.4%**
Debt Service	(82,029)	(82,341)	(84,496)	2,155	2.6%	(311)	0.4%
Net Cash Flow	**(3,465)**	**(6,469)**	**985**	**(7,454)**	**-756.5%**	**(3,004)**	**86.7%**

Airline Rate Base Cost Drivers

$ in 000's	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2014 $	Incr (Decr) Change from 2014 %
O&M	145,529	149,974	152,822	(2,848)	-1.9%	4,444	3.1%
Debt Service Gross	109,410	111,477	113,121	(1,644)	-1.5%	2,067	1.9%
Debt Service PFC Offset	(30,975)	(32,454)	(32,584)	131	-0.4%	(1,479)	4.8%
Amortization	20,023	24,853	24,358	495	2.0%	4,829	24.1%
Space Vacancy	(4,087)	(3,464)	(3,605)	141	-3.9%	622	-15.2%
TSA Grant and Other	(1,316)	(963)	(715)	(248)	34.6%	353	-26.8%
Total Rate Base Revenues	**238,585**	**249,422**	**253,395**	**(3,973)**	**-1.6%**	**10,837**	**4.5%**

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/15

Aeronautical – Actuals vs Budget Variance

- Aeronautical net operating income is $9.6M lower than budget
  - Aeronautical revenue is $12.9M lower than budget:
    - Lower than budget rate base revenue ($4M) due to lower operating expenses (mostly savings in divisional allocations and payroll expenses) and lower debt service payments due to lower variable interest payments and 2015 bonds refunding. This is partly offset by higher revenue in the Commercial Area ($1.1M) that includes a prior year adjustment from cargo volume billing.
    - Higher revenue sharing ($9.9M) due to lower than budget division wide operating expenses, strong non-aero businesses performance and lower debt service payment.
  - Aeronautical operating expenses are $3.3M lower than budget:
    - Baseline expenses - $1.7M lower than budget due to savings in divisional allocations ($2.2M), payroll ($1.9M), other expenses ($0.5M), and Outside Services ($0.3M), offset by higher than budgeted internal department transfers - utilities ($1.7M).
    - Exceptions to Baseline - $1.6M higher than budget due to higher environmental remediation liability costs.
    - Charges from other divisions - $3.2M savings identified by Corporate & CDD departments.

Aeronautical Year Over Year Changes

- Aeronautical net operating income is $2.7M lower than prior year
  - Aeronautical revenues in 2015 are $0.6M higher than 2014:
    - Higher rate based revenue ($10.8M) in 2015 due to cost recovery on new assets placed in service and higher operating expenses to support increased airline activity.
    - Higher revenue in the Commercial Area ($1.2M) includes a prior year adjustment from cargo volume billing.
    - Higher aero revenue is offset by higher revenue sharing ($12.4M) in 2015– due to higher aeronautical revenues, strong non-aero businesses performance and lower debt service payment.
  - Aeronautical operating expenses in 2015 are $3.3M higher than 2014:
    - Baseline expenses - $5.8M higher than prior year primarily due to higher internal department transfers - utilities ($3.7M), Outside Services spending ($1.9M), payroll ($1.5M), offset by lower general expenses ($0.6M), divisional allocations ($0.5M), and other expenses ($0.2M).
    - Exceptions to Baseline costs decreased by $0.8M in 2015 – due to higher environmental remediation liability costs ($1.7M), offset by lower capital to expense ($2.4M) and airline realignment ($0.1M) charges.
    - Charges from other divisions - $1.7M lower than 2014.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/15

Non-Aero Business Unit Summary

$ in 000's	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2014 $	Incr (Decr) Change from 2014 %
Non-Aero Revenues							
Rental Cars - Operations	32,496	33,851	32,772	1,079	3.3%	1,355	4.2%
Rental Cars - CFC	13,702	12,663	12,172	491	4.0%	(1,039)	-7.6%
Public Parking	57,128	63,059	58,925	4,134	7.0%	5,931	10.4%
Ground Transportation	8,333	8,809	8,244	565	6.9%	476	5.7%
Airport Dining & Retail	46,954	51,607	49,883	1,723	3.5%	4,653	9.9%
Commercial Properties	6,638	8,007	8,204	(197)	-2.4%	1,369	20.6%
Utilities	6,736	7,000	8,279	(1,279)	-15.4%	264	3.9%
Other	8,805	11,848	9,986	1,862	18.6%	3,043	34.6%
Total Non-Aero Revenues	**180,791**	**196,844**	**188,465**	**8,378**	**4.4%**	**16,053**	**8.9%**
Non-Aero Expenses							
Baseline	47,846	48,022	51,397	3,376	6.6%	175	0.4%
Exceptions to Baseline	779	642	607	(34)	-5.6%	(138)	-17.7%
Charges from Other Divisions	31,780	35,394	39,265	3,872	9.9%	3,614	11.4%
Total Non-Aero Expenses	**80,405**	**84,057**	**91,270**	**7,213**	**7.9%**	**3,652**	**4.5%**
Net Operating Income	**100,386**	**112,787**	**97,195**	**15,591**	**16.0%**	**12,401**	**12.4%**
Less: CFC Surplus	(6,497)	(5,159)	(4,760)	399	8.4%	1,339	-20.6%
Adjusted Non-Aero NOI	**93,889**	**107,628**	**92,436**	**15,192**	**16.4%**	**13,740**	**14.6%**
Debt Service	(45,209)	(42,812)	(43,847)	1,035	2.4%	2,397	5.3%
Net Cash Flow	**48,679**	**64,816**	**48,589**	**16,227**	**33.4%**	**16,137**	**33.1%**

Non-Aero – Actuals vs Budget Variance

- Non-Aeronautical net operating income is $15.6M higher than budget
  - Non-Aeronautical revenues are $8.4M higher than budget:
    - Strong performance in Public Parking ($4.1M) and Airport Dining & Retail ($1.7M).
    - Ground Transportation – $0.6M favorable variance included one-time settlement of $0.9M from Puget Sound Dispatch (taxi operator) for retroactive rent.
  - Non-Aeronautical operating expenses are $7.2M lower than budget:
    - Baseline expenses - $3.4M lower than budget due to savings in payroll ($3.1M), internal department transfers - utilities ($1.7M), delayed Outside Services spending ($1.1M), lower utility costs ($1.1M), partially offset by higher than anticipated divisional allocations. ($2.2M), lower charges to capital ($0.8M), and other expenses ($0.5M).
    - Exceptions to Baseline – variance to budget not material.
    - Charges from other divisions - $3.9M savings from Corporate & CDD departments.

Non-Aero Year over Year Changes

- Non-Aeronautical net operating income is $12.4M higher than 2014:
  - Non-Aeronautical revenues in 2015 are $16.1M higher than 2014:
    - Growth in all non-aero business units, with particularly strong performance in Public Parking ($5.9M) and Airport Dining & Retail ($4.7M).
    - Ground Transportation – one-time settlement in 2015 of $0.9M from Puget Sound Dispatch (taxi operator) for retroactive rent.

- Non-Aeronautical operating expenses in 2015 are $3.7M higher than 2014:
  - Baseline expenses - $0.2M higher than prior year due to higher general expenses ($3.3M), payroll ($1.7M), and divisional allocations ($0.5M). These higher expenses are mostly offset by lower internal department transfers - utilities ($3.7M), other expenses ($0.7M), charges to capital projects ($0.5M), and divisional allocations ($0.4M).
  - Exceptions to Baseline - $0.1M lower than prior year due to increased environmental remediation liability in 2015 ($0.6M), offset by lower capital projects expensed ($0.7M).
  - Charges from other divisions - $3.6M higher than prior year.

D. CAPITAL RESULTS

Capital Variance

$ in 000's **Description**	**2015 Actual**	**2015 Budget**	**Budget Variance $**	** %**
RW16C-34C Design and Reconst (1)	62,264	52,850	(9,414)	-17.8%
International Arrivals Fac-IAF (2)	6,593	12,088	5,495	45.5%
NS NSAT Renov NSTS Lobbies (3)	12,965	18,076	5,111	28.3%
Alaska Hangar One Roof (4)	108	3,875	3,767	97.2%
CCTV Camera/Data Improvements (5)	182	3,065	2,883	94.1%
C4 UPS System Improvements (6)	227	3,025	2,798	92.5%
So. 160th St. GT Lot Expansion (7)	9	2,375	2,366	99.6%
Parking System Replacement (8)	59	2,150	2,091	97.3%
NS Conc C Vertical Circulation (9)	6,858	8,490	1,632	19.2%
NS Refurbish Baggage Systems (10)	11,506	12,966	1,460	11.3%
Checked Bag Recap/Optimization (11)	7,676	8,800	1,124	12.8%
All Other	56,484	97,674	41,190	42.2%
Total Spending	**164,931**	**225,435**	**60,504**	**26.8%**

(1) Paid an additional invoice that was not expected until Q1 2016 (accelerated spending); however, project has returned $21.7 million of savings to-date.
(2) Design Builder billings for Validation Services several months behind (delayed spending).
(3) Slowdown with design decision gyrations and submittal delays causing overall delay to project schedule (delayed spending).
(4) Reduction in scope and delay due to SAMP evaluation (delayed spending). Project budget was reduced by $2.5 million in 2015 due to scope changes.
(5) Delay in design procurement (delayed spending).
(6) Changes in procurement strategy impacted timeliness of obtaining Commission authorization and getting contract executed (delayed spending).
(7) Mid-year scope change at 100% design pushed out project timeline (delayed spending). Project has returned $1.6 million of savings to-date.
(8) Procurement schedule extended to allow additional vendors to bid (delayed spending).
(9) Project has returned $2.1 million of savings to-date to the NorthSTAR Program Reserve (project savings).
(10) Project has returned $2 million of savings to-date to the NorthSTAR Program Reserve (project savings).
(11) Decision was made to have the contractor (versus PCS) perform enabling project work as part of the Phase 1 work package, pushing that work into 2016 and 2017 (delayed spending).

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/15

FINANCIAL SUMMARY

$ in 000's	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2014 $	%
Revenues:							
Operating Revenue	96,157	98,063	91,635	6,429	7%	1,906	2%
Security Grants	0	0	0	0	NA	0	NA
Total Revenues	**96,157**	**98,063**	**91,635**	**6,429**	**7%**	**1,906**	**2%**
Total Operating Expenses	**37,490**	**38,768**	**43,603**	**4,835**	**11%**	**1,278**	**3%**
Net Operating Income	**58,667**	**59,295**	**48,031**	**11,264**	**23%**	**628**	**1%**
Capital Expenditures	**10,489**	**12,520**	**20,068**	**7,548**	**38%**	**2,031**	**19%**

- Total Seaport Division Revenues were $6,429K favorable to budget. Container revenues favorable $6,440K due to unbudgeted revenue at Terminal 5 including $5,580K in space rent revenue from a new lease with Foss Maritime and $1,347K in T46 revenue in excess of minimum annual guarantee. Increases partially offset by unfavorable Surface Water Utility Revenue of ($2,445K). With the new Stormwater Utility, revenue from tenants is no longer reported in Seaport Division.
- Total Operating Expenses were $4,835K favorable primarily from $2,468K relating to surface water utility expenses for tenant occupied sites which will be paid by and expensed to the new Stormwater Utility. Additionally there was $999K favorable in costs associated with the Terminal 91 Maintenance Dredge project with lower than budgeted corporate and divisional allocations.
- Net Operating Income before Depreciation 2015 was $11,264 favorable to budget and $628K above 2014 actual.
- Capital Expenses ended 2015 at $12.5M, 62% of the approved annual budget amount of $20.1M.

Net Operating Income before Depreciation by Business

$ in 000's	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) 2015 Bud Var $	%	Incr (Decr) Change from 2014 $	%
Containers	39,741	37,797	29,542	8,255	28%	(1,945)	-5%
Grain	3,073	4,112	4,356	(244)	-6%	1,039	34%
Seaport Industrial Props	9,396	9,371	8,143	1,228	15%	(25)	0%
Cruise	6,614	7,864	6,822	1,042	-15%	1,250	19%
Maritime Operations	(7)	266	(581)	848	146%	274	3801%
Security	(528)	0	0	0	NA	528	100%
Env Grants/Remed Liab/Oth	378	(114)	(250)	136	54%	(492)	130%
Total Seaport	58,667	59,295	48,031	11,264	23%	628	1%

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/15

A. BUSINESS EVENTS

- The Federal Maritime approved the Northwest Seaport Alliance in late July.
- TEU volume was 1,404K, up 1.2% from 2014 and 8.8% above budget.
- Grain volume of 3,778K metric tons, up 4% from 2014, but (6%) below 2015 budget.
- Cruise:

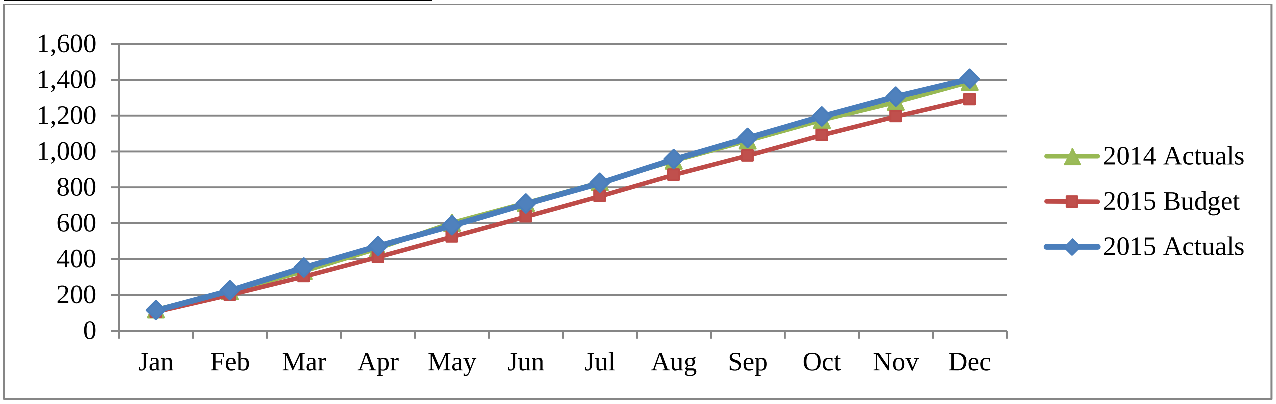
	2015		2014	2015 Budget Var		Change from 2014	
	Actual	Budget	Actual	#	%	#	%
Home Port Sailings	188	188	171	0	0.0%	17	9.9%
Port of Call Sailings	4	4	8	0	0.0%	(4)	-50.0%
Total Sailings	**192**	**192**	**179**	**0**	**0.0%**	**13**	**7.3%**
Passengers	**898,032**	**895,055**	**823,780**	**2,977**	**0.3%**	**74,252**	**9.0%**

  - Cruise season ended on September 27 with 898,032 revenue passengers.
  - Approval to move forward with design on project to widen Alaskan Way at P66.
  - Pier 66 lease agreement signed with Norwegian Cruise Lines to expand for larger vessels.
- Since the launch in May 2014, 126 drayage trucks have been replaced with model-year 2007 or newer engines under the Seaport Truck Scrappage and Replacements for Air in Puget Sound (ScRAPS) 2 program.
- Terminal 91 clean up construction complete.
- $4.2 million in clean-up project costs were recovered from grants and insurance in 2015.

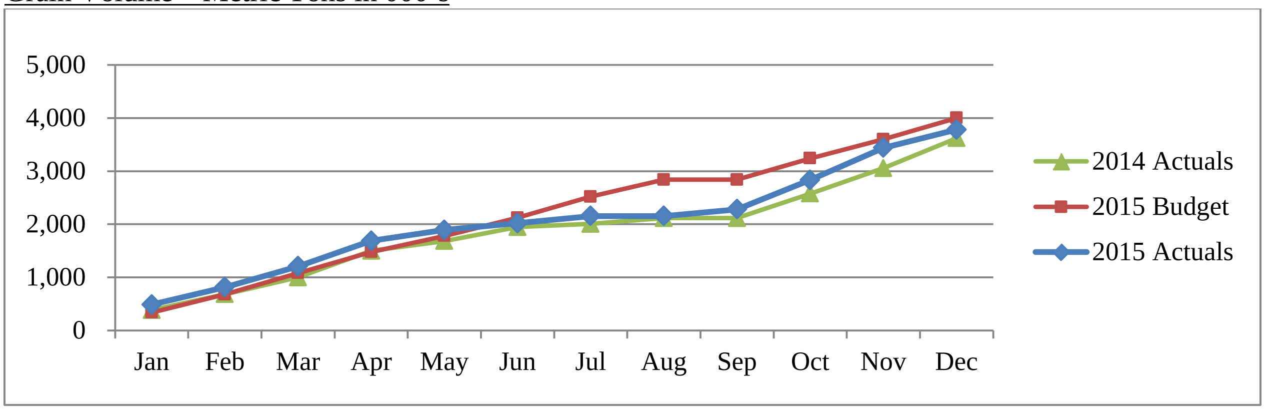
III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/15

B. KEY INDICATORS

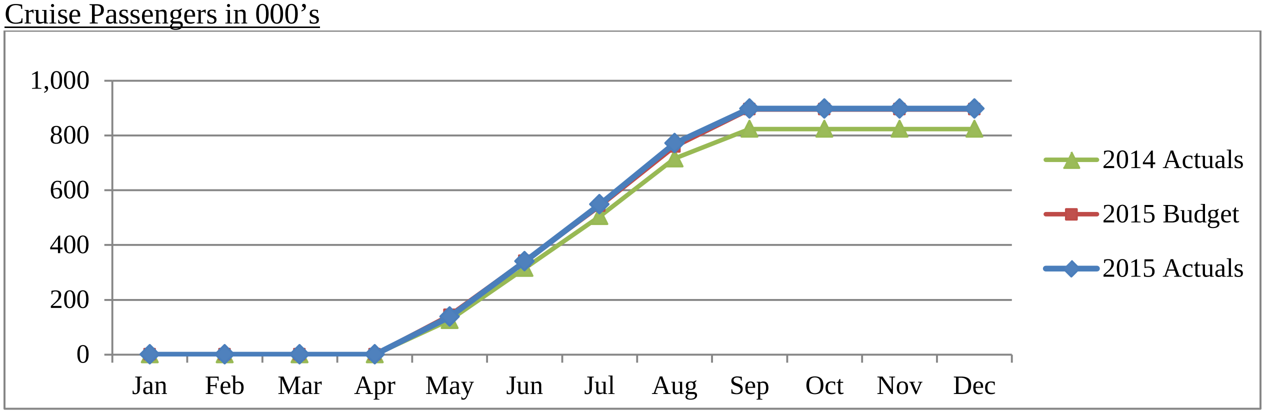
Container Volume – TEU's in 000's



Grain Volume – Metric Tons in 000's



Cruise Passengers in 000's



C. OPERATING RESULTS

$ in 000's	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2014 $	Incr (Decr) Change from 2014 %
Operating Revenue	96,157	98,063	91,635	6,429	7%	1,906	2%
Security Grants	0	0	0	0	NA	0	NA
Total Revenues	**96,157**	**98,063**	**91,635**	**6,429**	**7%**	**1,906**	**2%**
Seaport Expenses (excl env srvs)	14,531	13,788	18,165	4,377	24%	(743)	-5%
Environmental Services	2,119	2,373	2,452	79	3%	254	12%
Maintenance Expenses	6,083	7,172	7,067	(105)	-1%	1,089	18%
P69 Facilities Expenses	407	389	446	58	13%	(19)	-5%
Other RE Expenses	316	380	433	53	12%	65	20%
CDD Expenses	1,862	1,895	1,847	(48)	-3%	32	2%
Police Expenses	4,161	3,639	3,990	352	9%	(523)	-13%
Corporate Expenses	8,388	9,019	8,953	(66)	-1%	631	8%
Security Grant Expense	0	0	0	0	NA	0	NA
Envir Remed Liability	(378)	114	250	136	54%	492	
Total Expenses	**37,490**	**38,768**	**43,603**	**4,835**	**11%**	**1,278**	**3%**
NOI Before Depreciation	**58,667**	**59,295**	**48,031**	**11,264**	**23%**	**628**	**1%**
Depreciation	33,154	31,423	32,754	1,331	4%	(1,731)	-5%
NOI After Depreciation	**25,513**	**27,873**	**15,278**	**12,595**	**82%**	**2,360**	**9%**

Seaport Division Revenues were $6,429K favorable to budget. Key variances are as follows:

Seaport Lease & Asset Management - favorable $6,646K

- Containers were $6,638K favorable. Terminal 5 favorable variance of $6,615K due to unbudgeted interim uses at the terminal including space rent and dockage. In addition, increased activity at T-46 resulted in revenue exceeding budgeted MAG for space rent by $1,342K. These favorable variances were partially offset by ($1,588K) unfavorable variance due to Surface Water Utility revenue that was budgeted in Containers, but actually recognized in the new Stormwater Utility.
- Grain was ($377K) unfavorable primarily due to volume coming in (5.5%) below budget.
- Seaport Industrial Properties were ($175K) unfavorable due primarily to Surface Water Utility revenue that was budgeted to Industrial Properties but was actually recognized in the new Stormwater Utility ($767K), offset by favorable unbudgeted space rental at T10 Industrial from American Motor Freight, Palma Trucking and Arfa Trucking companies of $204K and unbudgeted revenue from Trac Intermodal at T107 of $186K.

Cruise and Maritime Operations - favorable $409K

- Cruise was $46K favorable due to higher full year passenger counts at $144K offset by ($95K) in Utility revenue.
- Maritime Operations were $363K favorable primarily due to additional Yard & Facilities use revenue at Terminal 91and reimbursable maintenance work.

Total Seaport Division Expenses were $4,835K favorable to budget. Key variances are as follows:

- **Seaport Expenses** (excluding Environmental Services) were $4,377K favorable to budget. Major variances were as follows:
  - **Salaries & Benefits** were $481K favorable due to open positions in Commercial Strategy, Containers, Seaport Industrial Properties, Division Admin, and Finance.
  - **Utilities** are favorable to budget by $2,425K due to the Surface Water Utility expenses $2,468K favorable from tenant occupied facilities where expense that will be paid to the City will be recognized through the new Stormwater Utility. This favorable variance is an offset to corresponding unfavorable variance in Sales of Utilities-Surface Water.

  - **Outside Services** were $1,480K favorable due to favorable variances associated with the Terminal 91 Maintenance Dredging project of $1,056K, the Terminal 18 Maintenance Dredging Project $519K, and unspent training and consulting services by Division Admin $300K. These are partially offset by unfavorable variances associated with planned removal of IHI Cranes at Terminal 18 ($144K) and unbudgeted legal fees relating to NWSA and T5 Interim use issues ($222K).
  - **Travel & Other Employee Expenses** were $264K favorable due to reduced travel by Commercial Strategy and Division Administration as a result of reorganization associated with the formation of the Northwest Seaport Alliance and related open positions.
  - **Promotional Expenses** were $76K favorable due primarily to underutilization of amounts budgeted by Cruise and Maritime Operations $34K and Commercial Strategy $44K.
- **Police** Costs direct and allocated were favorable $352K due to lower spending by the Police department as a whole.
- **All other** variances net to favorable $107K or .3 % of budget.

NOI before Depreciation was $11,264K favorable to budget.

Depreciation was $1,331K favorable, primarily due to impairment of crane assets at Terminal 5 at year end 2014, resulting in lower depreciation expense in 2015. The need to impair these assets was not apparent when the budget was created.

NOI after Depreciation was $12,595K favorable to budget.

Change from 2014 YTD Actual

Net Operating Income (NOI) before Depreciation for 2015 increased by $628K – Higher revenue offset by slightly higher expenses.

Revenue increased by $1,906K - Revenue from the Grain terminal increased $951K due to increased volume and higher rates in the new contract. Cruise revenue increased $1,450K as a result of higher passenger volumes and rate increases. Maritime Ops revenues increased $436K. Container revenue increased $1,417K primarily due to higher lift volume at terminal 46, exceeding the MAG. At T5, the Foss Lease revenue offset the revenue loss from the Eagle Marine lease cancellation. These increases were offset by a reduction in revenue from Sales of Utilities-Surface Water of ($2,457K), which is now paid directly by tenants to the Stormwater Utility, but were counted as Seaport revenue in 2014.

Expenses, direct and allocated, increased by ($1,278K) - Variance driven by a ($359K) T5 feasibility study, outside legal expenses at T5 (222K), and ($462K) Security cost at T5. Maintenance Expenses higher by ($891K) primarily related to maintenance work done at T-5 and T-46, including update to delineate Foss' leasehold for Storm Water Pollution plan, replace and install of the sewer lift station, fire service systems, annual fire hydrant inspections and repairs and crane move, and at T-46, including Yard Areas maintenance and Storm Water Pollution plan. Container related Corp Expense increase of ($746K) due to AFR, IT, Contingency, and Exec costs associated with Seaport Alliance and working on interim uses at T-5 with Foss, respectively. These increases are offset by ($2,159K) in Stormwater Utility expenses no longer applied to the Seaport division.

D. CAPITAL SPENDING RESULTS

$ in 000's	2015 Actual	2015 Budget	Budget Variance $	Budget Variance %
Contingency Renewal & Replace.	0	6,000	6,000	100%
T5 Berth Modernization	4,324	4,000	(324)	-8%
Argo Yard Roadway Element I	1,719	1,654	(65)	-4%
P34 Mooring Dolphins	1,448	1,351	(97)	-7%
T18 Stormwater Infrastructure	0	1,250	1,250	100%
Terminal 46	2,639	988	(1,651)	-167%
SEA SEC R13 P66 TWIC & T91GATE	538	731	193	26%
T91 Substation Upgrades	381	725	344	47%
Small projects	194	617	423	69%
P90 C175 Roof Replacement	261	341	80	23%
All Other	1,016	2,411	1,395	58%
Total Seaport	12,520	20,068	7,548	38%

Comments on Key Projects:

For 2015, Seaport spent 62% of the annual approved budget.

Projects with significant changes in spending were:

- **Terminal 46:** Variance relates to T46 Development
    - Crane Rail & Berth Extension- design schedule accelerated to accommodate customer's request.
    - Stormwater Improvement- Q4 2014 construction activities were delayed & proceeded in Q1 2015; additional costs were added for change order in 2015.
- **Contingency Renewal & Replace:** Variance reflects adjustment of amounts available in 2015 to reflect utilization of funds for Terminal 5 Modernization project and Terminal 46 Development.
- **T18 Stormwater Infrastructure-** Project delayed to 2016.
- **All Other** –Primarily due to Terminal 18 South Gate Rail Spur Westway project that was postponed while waiting to finalize the associated lease and later start date for Bell Street Cruise Terminal Roof Fall Protection system.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/15

FINANCIAL SUMMARY

$ in 000's	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2014 $	Incr (Decr) Change from 2014 %
Revenues:							
Operating Revenue	32,313	34,678	32,550	2,128	7%	2,365	7%
Total Revenues	**32,313**	**34,678**	**32,550**	**2,128**	**7%**	**2,365**	**7%**
Total Operating Expenses	**39,810**	**36,522**	**39,407**	**2,886**	**7%**	**(3,288)**	**-8%**
Net Operating Income	**(7,496)**	**(1,844)**	**(6,858)**	**5,014**	**73%**	**5,653**	**75%**
Capital Expenditures	**10,922**	**4,870**	**12,194**	**7,324**	**60%**	**(6,052)**	**-55%**

- Total Real Estate Division Revenues were $2,128K or about 7% favorable to budget for 2015 primarily due to $1,436 in Conference and Event Center revenue and $401K in Bell Street Garage revenue above budget. Favorable variances were partially offset by unfavorable Surface Water Utility Revenue of ($155K). Surface Water Utility revenue is now paid directly by tenants to the Stormwater Utility, but was budgeted to be credited to the Real Estate Businesses.
- Total Operating Expenses were $2,886K or 7% favorable due to lower spending than budgeted across all groups except for unfavorable Conference and Event Center expenses driven by higher activity (see revenue variance discussed above).
- Net Operating Income for 2015 was $5,014K favorable to budget and $5,653K above 2014 Actual.
- The 2015 capital spending is $4.9 million or 40% of the Approved Annual Budget amount of $12.2 million.

A. BUSINESS EVENTS

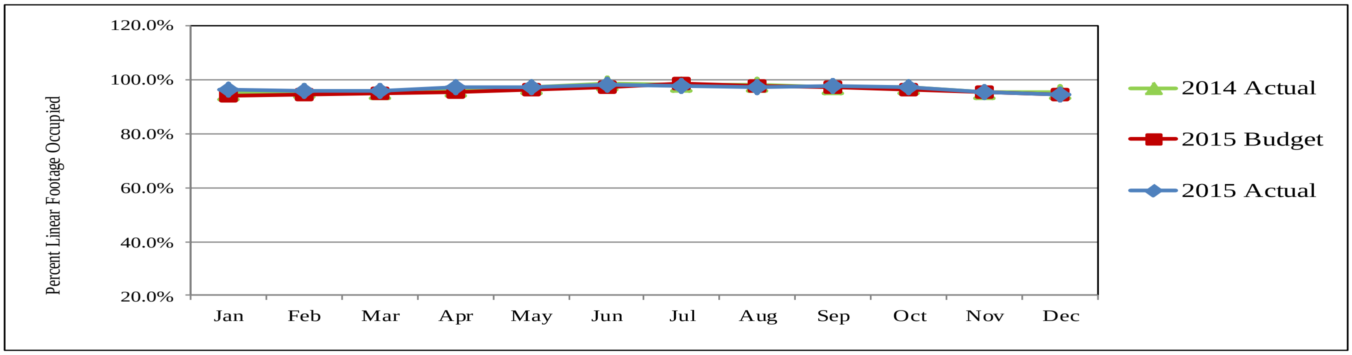
- This report reflects the reorganization of the Real Estate Division initiated in third quarter 2014. Under that reorganization, the Harbor Services group was combined with the Portfolio and Asset Management group enabling the combined management and reporting of the water and landsides of key facilities such as Fishermen's Terminal and Shilshole Bay Marina. In February 2015, a new reorganization was initiated by the CEO under which the North Harbor Management group within the former Real Estate Division will report to a new Maritime Division and the Real Estate Division will become the Economic Development Division. The implementation of reporting for the CEO reorganization commenced in the 2016 Budget and for actuals effective January 1, 2016.
- The Managing Director of the new Economic Development Division, Dave McFadden, joined the Port in July.
- Overall occupancy level of Commercial Buildings was at 93% at the end 2015, which was below the 95% target for the 2015 Budget and below the comparable statistics for the local market of 95%.
- Conference and Event Center activity exceeded budget year-to-date due to a strong sales team and healthy regional economy.
- Recreational marinas averaged 96% moorage occupancy through the year which was above the target of 95% and matched results achieved for the same period in 2014.
- Fishermen's Terminal and Maritime Industrial Center averaged 83% moorage occupancy through the year which was above the target of 79% and above 2014 results for the same period of 82%.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/15

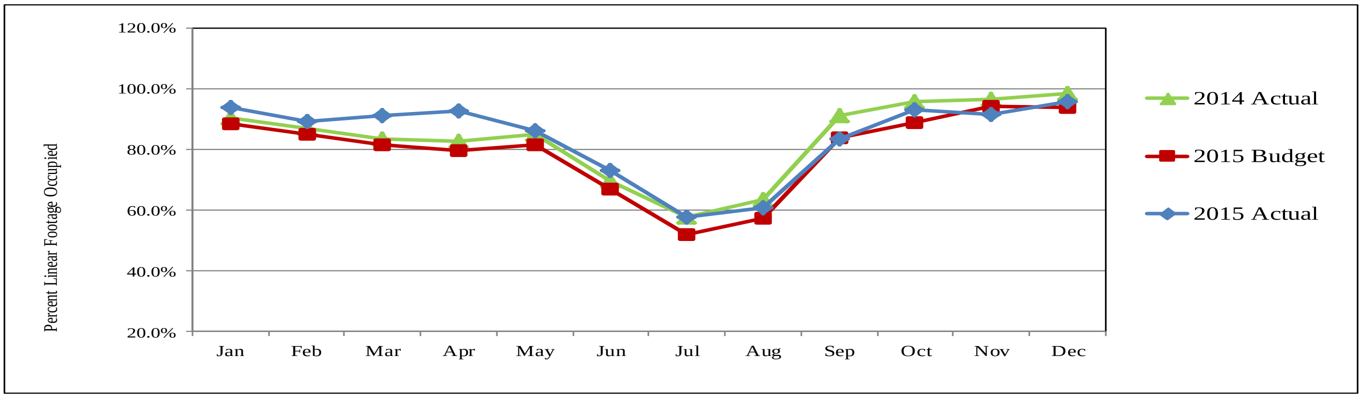
- Eastside Rail Corridor
  - The sale of the remaining 2.6 miles of the Eastside Rail Corridor (Corridor) in King County to the City of Woodinville closed in November 2015. Discussions are ongoing with representatives of various interested parties, including the freight operator, Snohomish County and the Trust for Public Land, regarding the sale of the remaining 12 mile portion of the Corridor in Snohomish County.
  - In December, the Port received an insurance payment related to the Lane case for approximately $916K.
  - As a result of favorable legal decisions, the Port has reduced the previously allocated legal reserve by $1.35M.
  - Port recently completed repairs to a broken culvert in the Maltby area. The culvert break endangered the rail bed and a buried fiber optic line.

B. KEY INDICATORS

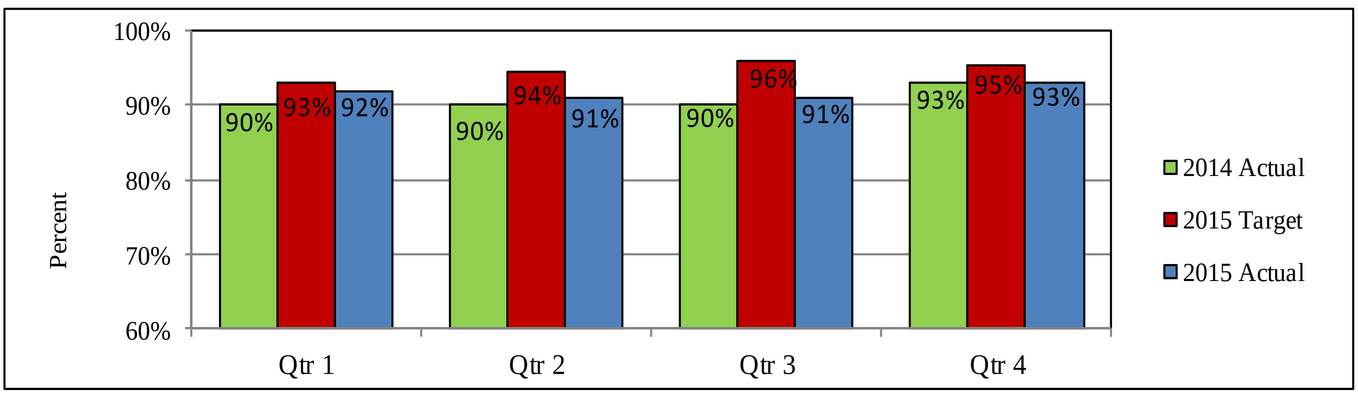
Shilshole Bay Marina Moorage Occupancy



Fishermen's Terminal Moorage Occupancy



Commercial Buildings



Net Operating Income before Depreciation by Business

$ in 000's	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) 2015 Bud Var $	%	Incr (Decr) Change from 2014 $	%
North Harbor Facilities	(1,158)	(2,049)	(3,200)	1,151	36%	(892)	-77%
Central Harbor Mgmt	(4,140)	(1,078)	(2,817)	1,739	62%	3,063	74%
Conference & Event Centers	1,061	1,108	665	442	66%	47	-4%
Eastside Rail	(2,659)	877	(297)	1,174	395%	3,536	133%
RE Development & Plan	(604)	(701)	(959)	257	27%	(97)	-16%
Envir Grants/Remed Liab/Oth	3	(0)	(250)	250	-100%	(3)	-107%
Total Real Estate	**(7,496)**	**(1,844)**	**(6,858)**	**5,014**	**73%**	**5,653**	**75%**

C. OPERATING RESULTS

	2014	2015		Fav (UnFav) Budget Variance		Incr (Decr) Change from 2014	
$ in 000's	Actual	Actual	Budget	$	%	$	%
Revenue	23,356	24,282	23,970	312	1%	925	4%
Conf & Event Ctr Revenue	8,957	10,396	8,580	1,817	21%	1,439	16%
Total Revenue	**32,313**	**34,678**	**32,550**	**2,128**	**7%**	**2,365**	**7%**
Real Estate Exp (excl Conf,Maint,P69)	11,114	10,683	11,967	1,284	11%	(431)	-4%
Conf & Event Ctr Expense	7,374	8,541	7,504	(1,037)	-14%	1,167	16%
Eastside Rail Corridor	2,436	(1,263)	210	1,473	701%	(3,699)	-152%
Maintenance Expenses	8,778	8,735	9,976	1,241	12%	(43)	0%
P69 Facilities Expenses	125	116	133	17	13%	(8)	-7%
Seaport Expenses	1,140	1,467	1,377	(90)	-7%	327	29%
CDD Expenses	2,318	1,938	1,777	(162)	-9%	(380)	-16%
Police Expenses	1,353	1,182	1,291	109	8%	(171)	-13%
Corporate Expenses	5,176	5,122	4,921	(201)	-4%	(54)	-1%
Envir Remed Liability	(3)	0	250	250	100%	3	-105%
Total Expense	**39,810**	**36,522**	**39,407**	**2,886**	**7%**	**(3,288)**	**-8%**
NOI Before Depreciation	**(7,496)**	**(1,844)**	**(6,858)**	**5,014**	**73%**	**5,653**	**75%**
Depreciation	9,599	10,043	10,120	77	1%	444	5%
NOI After Depreciation	**(17,095)**	**(11,886)**	**(16,977)**	**5,091**	**30%**	**5,209**	**30%**

Total Real Estate Division Revenue was $2,128K favorable to budget. Key variances are as follows:

Portfolio Management: favorable $2,149K

- North Harbor Facilities were $47K favorable:
  - Fishermen’s Terminal $117K favorable mainly due to Northwest Farm Credit Services lump sum early lease termination payment of $72K and favorable recreational boating moorage occupancy $89K. Favorable amounts were partially offset by unfavorable Sales of Utilities-Surface Water ($46K) that was budgeted in North Harbor Facilities, but was actually recognized in the new Storm Water Utility.
  - Other Marinas ($5K) unfavorable primarily due to sale of Utilities - Electricity.
  - Maritime Industrial Center ($18K) unfavorable due to lower moorage occupancy than budgeted (65% Actual vs 70% Budget).
  - Shilshole Bay Marina ($48K) unfavorable primarily due to Surface Water Utility revenue that was budgeted in North Harbor, but was actually recognized in the new Storm Water Utility.
- Central Harbor Management Group was $286K favorable mainly due to favorable space rental revenue from Bell Street Garage $401K resulting from increased volume of overnight parkers, Bell Street Retail Leases favorable $37K due to concession revenue from restaurant, Terminal 34 General Industrial $31K due to retroactive lease payment from prior year, and Tsubota $53K due to continued ownership of the property that was assumed to be sold in budget. Favorable variances partially offset by unfavorable results from WTC-West ($125K) due longer than expected vacancy of the 2nd floor, from Pier 2 ($60K) due to overstatement of budget for revenue from Utility Sales of Water and Sewer, and T-102 ($32K) due to lower than expected leasing activity.
- Conference & Event Centers favorable $1,817K primarily due to higher than budgeted activity at Bell Harbor International Conference Center, especially for Audio Visual, Food and Beverage revenues.

Eastside Rail Corridor: favorable $7K

- Eastside Rail Corridor revenue was favorable due to unbudgeted rental revenue.

Real Estate Development and Planning: unfavorable ($55K)

- Terminal 91 General Industrial was unfavorable ($54K) due to Surface Water Utility revenue that was budgeted to Real Estate Development and Planning but actually recognized in the new Stormwater Utility.

Marine Maintenance and Facilities: favorable $26K

- Marine Maintenance was favorable $25K due to usage of parks.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/15

Total Real Estate Division Expenses were $2,886K favorable to budget. Key variances:

- **Real Estate Expenses** (excluding Maintenance, P69 Facilities, and Conference & Event Centers Expense) were favorable $1,284K. Major account variances were as follows:
  - **Salaries & Benefits** were favorable $118K primarily due to open positions in North Harbor Facilities and Development & Planning.
  - **Utilities** were favorable $383K primarily due to favorable Sewer $147K, Electricity $138K, and Water $126K expenses. Sewer is favorable due to a credit recognized in the 2nd quarter for Harbor Marina Corporate Center apparently due to the leak experienced in 2014.
  - **Outside Services** were favorable $699K primarily due to $520K of tenant improvement projects that were capitalized but were budgeted as expense at WTC-W, $126K of TIs completed early in December 2014, and less than expected broker commissions.
  - **Travel & Other Employee Expenses** were $55K favorable due to less spending than budgeted partially as a result of reorganization into Economic Development Division and open or transitioning positions.
  - **General Expenses** were ($69K) unfavorable due to bad debt expense relating to Fishermen's Terminal waterside ($20K), T-34 General ($13K) and Shilshole Bay Marina ($12K).
- **Real Estate Conference & Event Centers** were unfavorable ($1,037K) due to higher operating expenses for Bell Harbor International Conference Center related to the increase in sales volume.
- **Eastside Rail Corridor** expenses were favorable $1,473K due to a decrease in a contingent liability of $1.35M for legal challenges brought by adjacent property owners. The reduction resulted from recent favorable legal determinations from the lawsuits that remained in 2015.
- **Maintenance** expenses were $1,241K favorable due to later start than expected on planned maintenance work at virtually all facilities with exception of at World Trade Center Seattle where there was unbudgeted project work related to expansion of the premises under the management agreement ($209K).
- **Seaport** originated expenses were unfavorable ($90K) due to greater direct charges and allocations from Environmental and Finance than budgeted.
- **CDD** costs, direct and allocated, were unfavorable ($162K) due primarily to over budget spending by Port Construction Services $81K and Seaport Project Management $72K.
- **Police** costs, direct and allocated were favorable $109K due to overall lower spending by Police than budgeted.
- **Corporate** costs, direct and allocated, were unfavorable ($201K) primarily due to lower than anticipated direct charges and allocations from Accounting & Financial Reporting $111K, Human Resources $60K, and Public Affairs $30K offset by unfavorable direct charges and allocations from ICT ($149K), direct charge from Aviation Mechanical Systems for performing boiler checks ($103K) and allocation from Portwide Contingency ($69K).
- **Environmental Remediation Liability** was $250K favorable to budget due to, thus far in the year, no facility projects involving disposal of dirty dirt or removal of asbestos. The delay in the demolition of the W50 building is a project contributing to this variance.

NOI before Depreciation was $5,014K favorable to budget.

- Depreciation was $77K or 1% favorable to budget.

NOI after Depreciation was $5,091K favorable to budget.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/15

Change from 2014 Actual

Net Operating Income before Depreciation increased by $5,653K – This is a result of higher revenue $2,365K and lower expenses ($3,288K).

Revenues increased by $2,365K - Conference and Event Center revenue increased $1,439K due to a strong sales team and regional economy. Shilshole Bay Marina revenue increased $312K mainly due to higher monthly moorage occupancy and May 2014 and June 2015 rate increases while Fishermen's Terminal revenue increased $171K partially due to the early termination lump sum payment from an office tenant and higher moorage revenue due to higher occupancy and rates. Commercial Properties' revenue increased $607K due to increased activity at the Bell Street Garage and increased rent rolls at Harbor Marina Corporate Center (T-102), WTC-W, Bell Street Retail, and retroactive rental payment at Terminal 34. Real Estate Development and Planning saw revenues decline ($141K) with the departure of several Terminal 91 uplands tenants including First Student, University VW, and Hapidjan.

Expenses decreased by ($3,288K) - Eastside Rail Corridor expenses decreased ($3,699K) due to a reduction of $1.35M of a litigation reserve as a result of favorable determinations regarding lawsuits, brought by adjacent property owners, that remained in 2015. In 2014, a net increase of $2.3M was added to the litigation reserve, which also contributed to the large decrease in expenses between 2014 and 2015. Real Estate expenses decreased ($431K) primarily due to higher proportion of tenant improvements capitalized. Conference and Event Center Expenses had a net increase of ($1,167K) driven primarily by increased activity (see revenue change described above). Maintenance expenses decreased ($43K) primarily due to condition assessment work on elevators and escalators and fall protection study done in 2014 using outside contractors. CDD expenses decreased ($380K) due to higher costs in 2014 for work on Shilshole Bay Marina condition assessments, for work on the Fishermen's Terminal Net Shed Compliance project (more work in 2014 versus 2015), and due to lower allocations to Real Estate in 2015. Corporate expenses decreased ($54K) mainly due to higher direct charges and allocations from Information & Communication Technology and Corporate Contingency related direct charges for executive search costs partially offset by lower allocations from Accounting, Risk Management, and Legal.

D. CAPITAL SPENDING RESULTS

$ in 000's	2015 Actual	2015 Budget	Budget Variance $	Budget Variance %
Small Projects	879	3,284	2,405	73%
Fleet Replacement	583	1,231	648	53%
SBM Central Seawall Replacemnt	509	790	281	36%
C15 Building Tunnel Improvmnt	0	700	700	100%
P69 Roof Beam Rehabilitation	215	550	335	61%
Tenant Improvements - Capital	703	420	(283)	-67%
FT C-2 (Nordby) Roof & HVAC	473	400	(73)	-18%
P69 Built-Up Roof Replacement	349	180	(169)	-94%
All Other	1,159	4,639	3,480	75%
Total Real Estate	4,870	12,194	7,324	60%

Comments on Key Projects:
For 2015, Real Estate spent 40% of the annual approved capital budget.

Projects with significant changes in spending were:

- **Small Projects** – Multiple Central Harbor Management and Commercial Marinas small projects have been delayed resulting in lower spending in 2015. This is slightly offset by higher cost than expected for Fishermen's Terminal East Sewer Line and Sidewalk subsidence.
- **Fleet Replacement** – Due to delay in procurement process.
- **C15 Building Tunnel Improvement** – Project delayed to 2016.
- **Pier 69 Roof Beam Rehabilitation –**Project construction phase delayed to 2016.
- **Tenant Improvements Capital** – Spending exceeded budget due to more tenant improvements for World Trade Center West that qualify for capitalization than anticipated in 2015 Budget.
- **Fishermen's Terminal C-2 (Nordby) Roof** & **HVAC Pier 69 Built-Up Roof Replacement** – 2015 Budget was understated as variances reflects payments related to 2014 work not paid until 2015.
- **All Other**:
  - **Harbor Island Marina E Dock favorable** – Waiting for further direction from business management.
  - **Fishermen's Terminal C14 (Downie) Roof & HVAC -** Project is on hold while waiting for further direction from the Fishermen's Terminal long range strategic plan.
  - **RE BHICC Roof Fall Protection –** Delay in start date for Conference Center Roof Fall Protection system (shared project with Seaport Bell Street Cruise Terminal)
  - **Others –** Several projects with expected commencement dates in 2015 have been pushed back including Maintenance North Office Site improvements and Marina Management System

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/15

A. BUSINESS EVENTS

- Runway 16C/34C replacement completed and $21.3M in project savings returned.
- International Arrivals Facility (IAF) – selected and hired consultant program Leader (David Brush); Clark/SOM under contract as design builder, validation period completed.
- NorthSTAR – Hensel Phelps awarded general contractor/construction manager contract for North Satellite renovation and expansion, 60% design completed.
- 100% design of baggage optimization system completed for Transportation Security Administration (TSA) submittal.
- Port Construction Services worked on 272 projects, processed 145 work authorizations/service directives and utilized 28 small works/professional contracts. 60 PCS projects reached substantial completion.
- Completed 60% design submittal for Terminal 5 Berth Modernization project. Executed Terminal 5 test pile program construction contract.
- Terminal 91 tank farm remediation reached substantial completion.
- Completed Eastside Rail Corridor Drainage Culvert Repair.
- Completed and opened three new Concourse C vertical circulation passenger ramps and two of four new elevators.
- Argo Yard Truck Roadway and East Marginal Way – Project celebration with project partners occurred on June 18.

B. KEY PERFORMANCE METRICS

Key Performance Metrics	2015		2014/Notes	
A. Implement Century Agenda Strategies		Goals		Goals
1. Small Business Participation - Annual (port-wide)	33%	35%	32.0%	30%
2. Small Business Participation - Annual / Small Works (port-wide)	90%	90%	73.06%	90%
3. Small Business Participation - Annual / Major Construction (port-wide)	39%	50%	39.93%	50%
4. Small Business Participation - Annual / Goods & Services	24%	12%	26.41%	12%
5. Small Business Participation - Annual / Service Agreements	23%	30%	29.53%	30%
B. Consistently Live by Our Values Through Our Actions and Priorities				
1a. Safety (Annual only)	87%	97%	94%	90%
1b. Construction contractor recordable accident rate, goal = 4	5.31	4	1.36	5
1c. Construction contractor lost-time accident rate, goal = 2	2.13	2	0.0	2
1d. Port employee OIR (Occupational Incident Rate), goal = 2	2.1	2	2.5	3
2. Environment - Annual (Annual only)	100%	100%	100%	100%
3. PREP Timeliness	60%	98%	75%	98%
C. Manage Our Finances Responsibly				
1. Construction Soft Costs - Total Soft Costs (36 mos avg)	31%		29%	Max. 25% capital costs
2. Construction Soft Costs - Total Construction Costs (36 mos avg)	69%		71%	Min. 75% capital costs
D. Exceed Customer Expectations				
1. Customer Score Card - Annual (Annual only)	93%	85%	92%	85%
Procurement Schedule (Average # of Days):				
2. Major Construction (RTB – Execution)	62	70	67	Avg # days
3. Small Works (RTB - Execution)	38	45	44	Avg # days
4. Goods & Services: Invitation to Bid (Final Specs – Execution)	56	66	N/A	Avg # days
5. Goods & Services: Request for Procurement (Final Specs – Execution)	115	149	N/A	Avg # days
6. Service Agreements: CAT I (Final Scope - Execution)	17	30	N/A	Avg # days
7. Service Agreements: CAT II (Final Scope - Execution)	48	46	N/A	Avg # days
8. Service Agreements: IDIQ (Final Scope - Execution)	183	141	N/A	Avg # days
9. Service Agreements: Project Specific (Final Scope - Execution)	169	190	N/A	Avg # days
E. Support Port Mission with Implementation of Port Divisions' Business Plan				
1. Construction Cost Growth - Discretionary Change	0%		-4%	Max. 5% construction contract award
2. Construction Cost Growth - Mandatory Change	4%		6%	Max. 5% construction contract award
3. Project Schedule Growth - Design	71%		53%	Max. 10% of originally allotted duration
4. Project Schedule Growth - Construction	66%		18%	Max. 10% of originally allotted duration
5. Project Status - On Schedule / On Budget (Q4 2015)	63%		62%	60%
6. Project Status - Either Schedule or Budget Off (Q4 2015)	35%		37%	40%
7. Project Status - Both Schedule and Budget Off (Q4 2015)	2%		1%	0%

C. OPERATING RESULTS

$ in 000's	Notes	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2014 $	%
Expenses Before Charges To Cap/Govt/Envrs Propects								
Capital Development Administration		394	428	419	(9)	-2.2%	34	8.6%
Engineering		14,305	16,447	17,524	1,077	6.1%	2,142	15.0%
Port Construction Services		8,186	6,944	8,165	1,222	15.0%	(1,242)	-15.2%
Central Procurement Office		4,616	4,716	5,604	888	15.8%	100	2.2%
Aviation Project Management		11,622	13,862	16,350	2,488	15.2%	2,240	19.3%
Seaport Project Management		2,998	2,594	2,550	(44)	-1.7%	(403)	-13.5%
Total Before Charges to Capital Projects		**42,121**	**44,991**	**50,612**	**5,621**	**11.1%**	**2,870**	**6.8%**
Charges To Capital/Govt/Envrs Projects								
Engineering		(9,941)	(12,146)	(11,887)	259	-2.2%	(2,205)	22.2%
Port Construction Services		(3,749)	(3,379)	(4,557)	(1,178)	25.9%	370	-9.9%
Central Procurement Office		(1,795)	(1,866)	(2,485)	(619)	24.9%	(71)	3.9%
Aviation Project Management		(10,261)	(12,251)	(11,767)	484	-4.1%	(1,990)	19.4%
Seaport Project Management		(1,640)	(1,576)	(1,722)	(146)	8.5%	65	-4.0%
Total Charges to Capital/Govt/Envrs Projects		**(27,387)**	**(31,218)**	**(32,418)**	**(1,200)**	**3.7%**	**(3,831)**	**14.0%**
Operating & Maintenance Expense								
Capital Development Administration		394	428	419	(9)	-2.2%	34	8.6%
Engineering		4,364	4,300	5,637	1,337	23.7%	(63)	-1.5%
Port Construction Services		4,437	3,565	3,609	43	1.2%	(872)	-19.7%
Central Procurement Office		2,821	2,850	3,119	269	8.6%	29	1.0%
Aviation Project Management		1,361	1,610	4,583	2,972	64.9%	250	18.4%
Seaport Project Management		1,357	1,019	828	(190)	-23.0%	(338)	-24.9%
Total Expenses		**14,734**	**13,773**	**18,194**	**4,421**	**24.3%**	**(961)**	**-6.5%**

Variance Summary and other notes:

- Vacancies: 44.1 FTEs = $2.3M Salaries & Benefit savings from unfilled (and/or delayed) positions. Unfavorable Salaries & Benefits variances resulted from YE 2015 special, one-time, lump-sum payment to non-represented employees in exempt jobs.
- CDD Admin ($9K). Favorable variance due to savings in Equipment, Supplies, Telecommunications and Travel were offset by unfavorable variance in Salaries & Benefits.
- ENG $1.3M. Favorable variances in Salaries & Benefits, Equipment, Supplies, Utilities, Outside Services, Travel due to proactive cost saving measures coupled with project delays. Offset by unfavorable variances in Workers Comp, General Expenses (Litigated Injuries) and reduced Charges to Capital due to delayed capital projects.
- PCS $43K. Favorable variances in Salaries & Benefits, Supplies, Equipment, Outside Services, General Expenses, Telecommunications, Utilities and Travel were offset by unfavorable variances in Workers Comp (2014 injury) and reduced Charges to Capital (less than expected capital project work).
- CPO $269K. Favorable variances primarily due to Salaries & Benefits, Equipment, Utilities, Supplies, Outside Services (delayed Air/Ops Panel Replacement expense and Janitorial invoices not yet received), and Travel. Unfavorable variance in Charges to Capital due to project delays. This variance does not include $75K budget to be transferred to Strategic Initiatives Org 2410.
- AVPMG $3M. Favorable variances in Salaries & Benefits, Equipment (delayed IAF purchases), Outside Services (delayed IAF consultant expense), Utilities and Property Rentals (IAF expenses to be capitalized) and Travel were offset by unfavorable variances in Supplies, Telecommunications, and General Expenses.
- SPM ($190K). Favorable variances in Travel were offset by unfavorable variances in Salary & Benefits, Equipment, Outside Services (software license budgeted in Equipment) and reduced Charges to Capital.

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 12/31/15

A. BUSINESS EVENTS

- Developed and distributed news releases regarding the Northwest Seaport Alliance approval by the Federal Maritime Commission.
- Continue to proactively work through accounting/financial reporting set-up and other implementation issues for the Seaport Alliance (NWSA).
- Highlighted successful completion of center runway reconstruction.
- Worked with TourOperatorLand to create online portal for worldwide trade and media to access itineraries, images, videos and general information for Port of Seattle, Seattle and Washington State.
- Participated in the largest ever China Sales Mission with a delegation of 19 Seattle/ Washington tourism representatives meeting with nearly 400 travel trade and media professionals in Beijing, Shanghai and Hong Kong.
- Highlighted environmental responsibility through combined press event with Alaska Airlines and Boeing on plan to supply sustainable aviation biofuel to Sea-Tac Airport
- Created four destination videos – Mt. Rainier, Olympia, Olympic Peninsula and Seattle for online promotions in the UK. Earned media value year-to-date for video distribution - $360,000.
- Highlighted job creation and community relations with incentives that spurred new small community air service from Sea-Tac to Port Angeles and Moses Lake
- Completed design structure, implementation and promotion on the 2016 Spirit and Wellness platform. The new cloud based platform is provided by ADURO.
- Received the American Heart Association Fit-Friendly Worksite.
- Rolled out the Airport Motor Pool training, which consisted of a 22 minute training module assigned to the Airport employees.
- Implemented a common performance review and Pay for Performance effective date and transitioned all non-represented employees to the common review date.
- Prepared, negotiated and implemented collective bargaining agreements and provided consultation on administration of collective bargaining agreements to Port divisions and oversight committees.
- Installed an automated system for detecting foreign objects on the center runway, which is expected to improve safety and operational efficiency.
- Completed the development of the Flight Schedule GIS system which transforms flight schedules previously only available in a Gantt view into a map view which pictorially displays data for aircraft in route to a gate, at the gate, and preparing to depart.
- Completed the upgrade of the aging Interactive Voice Response (IVR) Upgrade system used Portwide by several departments. This upgrade ensured the availability of an important communication tool for internal operations and customer relations.
- Upgraded the Clarity Budget System used by all organizations throughout the Port to the current version in time for the 2016 budget season.
- Received the "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association (GFOA) of the United States and Canada for 10 consecutive years.
- Received the 2015 Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) of the United States and Canada for 8 consecutive years.
- Conducted Rating Agency meetings for the 2015 limited tax general obligation (G.O.) and G.O. refunding bonds.
- Finalized the reimbursement agreement with Sumitomo Mitsui Banking Corporation to replace the expiring agreement with Bayerische Landesbank.
- Continue to increase audit coverage on management operations and programs from a performance audit perspective based on Commission policies.
- Passed Peer Review for both auditing standards Red Book, International Professional Practices Framework Standards (IPPF) and Yellow Book, Generally Accepted Government Auditing Standards (GAGAS).
- Finalized Honsha engagement on Aviation Maintenance; Landside activities; Capital Development.
- Continued to conduct Customer Service Surveys and have improved process to an electronic version has resulted in a greater response and ability to reach more customers.

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 12/31/15

B. KEY PERFORMANCE METRICS

Key Performance Indicators/Measures	2015	2014/Notes
A. Implement Century Agenda Strategies		
1. Percentage of eligible dollars spent with small businesses	54.0%	28.0% increased by 26%
2. Small businesses registered on the Procurement Roster Management System (PRMS)	135	130, increased by 5
3. Percentage of craft hours worked by apprentices on projects over $1M (or PLA)	15.82%	N/A
4. Community members gaining employment through Airport Jobs Center	1,373	1,143, increased by 203
5. Apprenticeship Opportunity Project Placements	84	150, decreased by 66
6. Small business and Workforce development outreach events and workshops	22	29, decreased by 7
B. Consistently Live by Our Values Through Our Actions and Priorities		
1. MIS and Clarity Training	16 classes, 117 attendees	14 classes, 93 attendees
2. Employee Development Class Attendees/Structured Learning	1,486	2,201, decreased by 715
3. Required Safety Training	96%	98%
4. Request of information and guidelines for integrity & business conduct	259	193, increased by 66
5. Occupational Injury Rate	5.11	6.17
6. Total Lost work days	1,151	2,010, decreased by 859 days
C. Manage Our Finances Responsibly		
1. Corporate costs as a % of Total Operating Expenses	25.0%	24.9%
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)	96%	93%
5. Investment Portfolio Yield	1.10%	0.78%
6. Litigation and Claim Reserves (in $ thousand)	$1.3	$1.9
D. Exceed Customer Expectations		
1. Respond to Public Disclosure Requests	486	232, increased by 254
2. Information and Communication Technology System Availability	99.6%	99.8%
3. IT Network Availability	99.9%	99.9%
4. Service Desk % First Call Resolution	42%	53%
5. Customer Survey for Police Service Excellent or Very Good	88%	92%
E. Support Port Mission with Implementation of Port Divisions' Business Plan		
1. Oversee Implementation and Administration of CBAs agreements	162	84
2. Number of Jobs Openings	294	295
3. Percent of annual audit work plan completed each year	74%	82%

C. OPERATING RESULTS

$ in 000's	Notes	2014 Actual	2015 Actual	2015 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2014 $	%
Total Revenues		**398**	**332**	**340**	**(7)**	**-2.1%**	**(66)**	**-16.5%**
Executive		1,710	2,198	1,798	(399)	-22.2%	488	28.5%
Commission		1,353	1,270	1,545	275	17.8%	(83)	-6.1%
Legal		3,731	3,501	3,156	(345)	-10.9%	(229)	-6.2%
Risk Services		3,051	3,217	3,249	32	1.0%	166	5.4%
Health & Safety Services		1,067	1,186	1,190	4	0.4%	119	11.2%
Public Affairs		5,554	5,349	5,937	589	9.9%	(206)	-3.7%
Human Resources & Development		5,356	5,534	5,958	424	7.1%	178	3.3%
Labor Relations		823	1,191	1,024	(167)	-16.3%	368	44.8%
Information & Communications Technology		20,458	21,887	21,435	(452)	-2.1%	1,429	7.0%
Finance & Budget		1,803	1,692	1,713	21	1.2%	(111)	-6.2%
Accounting & Financial Reporting Services		6,039	6,780	7,350	570	7.8%	740	12.3%
Internal Audit		1,372	1,280	1,552	273	17.6%	(93)	-6.8%
Office of Social Responsibility		2,115	2,145	2,312	167	7.2%	29	1.4%
Office of Strategic Initiatives		-	637	-	(637)	0.0%	637	0.0%
Police		22,231	20,948	22,879	1,931	8.4%	(1,283)	-5.8%
Contingency		410	653	1,050	397	37.8%	243	59.4%
Total Expenses		**77,072**	**79,441**	**82,149**	**2,708**	**3.3%**	**2,369**	**3.1%**

Corporate revenues were $7K unfavorable compared to budget due to lower miscellaneous revenue.

Corporate expenses for the year-ended 2015 were $79.4 million, $2.7 million or 3.3% favorable compared to the approved budget and $2.4 million or 3.1% higher than the same period a year ago. The $2.7 million favorable variance was primarily due to vacant positions during the year, delayed hiring, and cost savings realized in most departments. The $2.4 million increase from prior year is due to higher Payroll, Travel & Other Employee Expenses and Space Rental Costs for the Airport Jobs/Airport University.

All corporate departments have a favorable variance except for:

- **Executive -** unfavorable variance of $399K is mainly due to the unbudgeted Executive Chief of Staff position, Special One-Time Lump Sum Payment and an unbudgeted Outside Services expense.
- **Legal -** unfavorable variance of $345K is due to unanticipated outside legal and litigation costs for the Seaport Alliance and T-5 Interim Use.
- **Labor Relations** – overspending of $167K is due to higher payroll costs and unbudgeted recruiting cost for the new Sr. Director of Labor Relations position.
- **ICT-** unfavorable variance of $452K is due to the Special One-time Lump Sum Payment, Equipment Expense and less Charges to Capital Projects.
- **Office of Strategic Initiatives** - unfavorable variance of $637K is due to the unbudgeted costs for this new department in 2015.

All other departments with a favorable variance are:

- **Commission** - savings in Payroll is due to vacant positions, Travel, Promotional and General Expenses.
- **Risk Services -** savings in Insurance and Outside Services Expenses.
- **Health and Safety** - savings in Travel and Outside Services Expenses.
- **Public Affairs -** savings in Payroll is due to vacant positions, Outside Services, Travel, Promotional and lower Advertising Expenses.
- **Human Resources and Development** - savings in Payroll is due to vacant positions and less tuition reimbursement than budgeted.

- **Finance & Budget** – savings in Payroll is due to a vacant position and lower Travel and General Expenses.
- **Accounting and Financial Reporting Services** – savings in Payroll is due to vacant positions, Travel and General Expenses **-** $170K credit for credit card rebates.
- **Internal Audit -** savings in Payroll is due to vacant positions, Outside Services and Travel Expenses.
- **Office of Social Responsibility -** savings in Outside Services, Travel and Promotional Expenses.
- **Police** – savings in Payroll, Equipment Expense, Outside Services and Supplies and Stock.
- **Contingency** – used fewer funds than anticipated.

2015 Actuals compared to Prior Year:

- **Executive –** increase is due to higher Payroll for the unbudgeted Executive Chief of Staff position, Special One-Time Lump Sum Payment, Equipment Expense, Outside Services and Travel Expenses.
- **Commission -** decrease is due to lower Outside Services Costs.
- **Legal** – decrease is due to lower Outside Legal Costs.
- **Risk Services** – increase is due to higher Payroll, Insurance and Outside Services Expenses.
- **Health and Safety** – increase is due to higher Payroll Costs.
- **Public Affairs** – decrease is due to lower Payroll Costs because of vacant positions, Outside Services, Travel and Advertising Expenses.
- **Human Resources and Development** – increase is due to higher Payroll and Outside Services Costs.
- **Labor Relations** – increase is due to higher payroll costs and unbudgeted recruiting cost for the new Sr. Director of Labor Relations position.
- **ICT-** increase is due to higher Payroll for the Special One-time Lump Sum Payment, Equipment and Outside Services Expenses.
- **Finance & Budget** – decrease is due to lower Outside Services Expenses due to completing the Economic Impact Study in 2014.
- **Accounting and Financial Reporting Services** – increase is due to higher Payroll, Outside Services and General Expenses.
- **Internal Audit -** decrease in Payroll is due to vacant positions, Outside Services and Travel Expenses.
- **Office of Social Responsibility** – increase is due to higher Payroll and Space Rental Costs for the Airport/Jobs/Airport University.
- **Office of Strategic Initiatives -** increase is due to the unbudgeted costs for this new department.
- **Police** – decrease is due to lower Payroll, Supplies and Stock, Worker's Compensation and General Expenses.
- **Contingency** – increase is due to using more funds for Outside Services than anticipated.

D. CAPITAL SPENDING RESULTS

$ in 000's	2015 Actual	2015 Budget	Budget Variance $	%
PeopleSoft HCM Upgrade	1,199	1,500	301	20.1%
ID Badge System Replacement	559	826	267	32.3%
Constr Doc Mgmt Sys Repl.	315	853	538	63.1%
Infrastructure - Small Cap	1,164	1,500	336	22.4%
Service Tech - Small Cap	500	1,384	884	63.9%
Maximo Upgrade	9	850	841	98.9%
Cumputer Dispatch Upgrade	564	734	170	23.2%
CDD Fleet Replacement	203	854	651	76.2%
All Other	2,026	4,632	2,606	56.3%
TOTAL	6,539	13,133	6,594	50.2%

Note:
"All Other" includes remaining ICT projects, plus CDD and Corp. fleet and small cap.