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DATE OF MEETING:	May 24, 2016

PORT OF SEATTLE

2016 FINANCIAL & PERFORMANCE REPORT

AS OF MARCH 31, 2016

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EXECUTIVE SUMMARY

Financial Summary

The Port's overall operating revenues for the first three months of 2016 were $129.3M, which is $2.8M above budget and $4.2M higher than the same period in 2015. Excluding Aeronautical revenues, which are based on cost recovery, other operating revenues were $73.4M, $3.7M above budget and $4.1M over the same period last year mainly due to higher revenues from Public Parking, Airport Dining and Retail, Ground Transportation, and Licensed NWSA Assets. Total operating expenses were $69.7M, $10.7M below budget mainly due to vacant positions, hiring delays, timing of spending, and some actual budget savings. Operating income before depreciation was $59.6M, $13.5M above budget. For the full year, we are anticipating operating revenues without Aeronautical to be $331.9M, $4.7M over budget and operating expenses to be $329.2M, $6.7M below budget. The Port-wide capital spending is forecasted to be $239.5M for the year, $42.5M below the budgeted $282.0M.

Operating Summary

At the Airport, enplanements for the first quarter were 9.9% higher and landed weight was 10.2% higher than the same period in 2015. The enplanements growth for domestic and international was 10.1% and 8.5%, respectively. Total cargo metric tons were down 5.0% due to peak volume in Q1 2015 during the West Coast ports slowdown. For the Maritime division, Grain volumes were at the same levels as Q1 2015. While Cruise season has yet to start, we are anticipating a record year of passengers in 2016. For the Economic Development division, occupancy levels at Shilshole Bay Marina were at 94.3%, below 95.9% in the same period last year. Fishermen's Terminal was at 88.6% average occupancy, below the 91.3% in Q1 2015. Conference and Event Center revenue exceeded budget due to strong sales and delayed construction at Pier 66 Cruise Terminal.

Key Business Events

The Port launched the planning effort for the Commission's 38 Cities outreach program and provided a tour of Seattle port facilities to the Government Accountability Office as part of their study on West Coast port congestion issues. Spirit Airlines initiated new air service at the Airport; transportation network companies began service on March 31st; and Independent Packers Corp agreed to 5 year lease term to support 170 employees situated in Building 40. The Port also completed negotiations related to cruise operations and stormwater permit management issues. A working group of airlines, cruise lines, and various supporting stakeholders was formed to work with Maritime and Airport Operations to improve customer service/passenger experience. The sale of the remaining 12 miles of the Eastside Rail Corridor to Snohomish County was finally closed in March 2016. Additionally, we implemented Paid Parental Leave, the Phase II Re-org, the PerformanceLink System for employee performance review, and Contractors Database System (CDS) for Service Agreements to assist in tracking our efforts to promote small business growth. We also hired Boston Consulting to commence the quick assessment for Procurement Excellence (Purchasing Transformation project).

Major Capital Projects

The Port began design of International Arrivals Facility. Airlines voted to approve C60 interim baggage improvements, C3 Holdroom, South Satellite (SSAT) narrow body gates, and North Satellite (NSAT) budget increase. We completed design modifications for the 16C-34C project for schedule acceleration and compression. We also upgraded the Common Use Self Service (CUSS) kiosks used by customers of several airlines for check-in and other passenger services and executed contract with Parking Soft for a new parking revenue replacement system. Finally, we completed Terminal 91 underwater regrade and T117 cleanup construction.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 03/31/16

PORTWIDE FINANCIAL SUMMARY

$ in 000's	2015 YTD Actual	2016 Year-to-Date Actual	2016 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Yea-End Projection Forecast	Yea-End Projection Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %
Aeronautical Revenues	56,781	56,797	57,668	(872)	-1.5%	253,100	261,019	(7,919)	-3.0%
SLOA III Incentive	(894)	(894)	(894)	-	0.0%	(3,576)	(3,576)	-	0.0%
Other Operating Revenues	69,298	73,434	69,708	3,725	5.3%	331,871	327,135	4,736	1.4%
Total Operating Revenues	125,185	129,336	126,483	2,854	2.3%	581,395	584,578	(3,183)	-0.5%
Total Operating Expenses	67,108	69,740	80,420	10,680	13.3%	329,206	335,943	6,737	2.0%
NOI before Depreciation	58,077	59,597	46,063	13,534	29.4%	252,189	248,635	3,554	1.4%
Depreciation	40,771	41,085	40,737	(348)	-0.9%	162,451	162,451	-	0.0%
NOI after Depreciation	17,306	18,512	5,326	13,186	247.6%	89,738	86,184	3,554	4.1%

MAJOR OPERATING REVENUES SUMMARY

$ in 000's	2015 YTD Actual	2016 Year-to-Date Actual	2016 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2015 $	Incr (Decr) Change from 2015 %
Aeronautical Revenues	56,781	56,797	57,668	(872)	-1.5%	16	0.0%
SLOA III Incentive	(894)	(894)	(894)	-	0.0%	-	0.0%
Public Parking	14,726	16,286	15,723	563	3.6%	1,561	10.6%
Rental Cars - Operations	5,833	6,159	5,586	573	10.3%	326	5.6%
Rental Cars - Operating CFC	1,737	615	744	(129)	-17.3%	(1,121)	-64.6%
Rental Cars - Total	7,570	6,775	6,330	444	7.0%	(796)	-10.5%
Airport Dining and Retail	11,003	11,794	11,828	(35)	-0.3%	790	7.2%
Employee Parking	1,904	2,298	1,992	305	15.3%	394	20.7%
Ground Transportation	1,996	2,582	2,143	438	20.5%	585	29.3%
Airport Properties	1,596	2,287	2,792	(505)	-18.1%	691	43.3%
Airport Utilities	1,647	1,812	1,830	(18)	-1.0%	165	10.0%
Fishing & Commercial Vessels	712	731	717	14	1.9%	19	2.7%
Maritime Operations	979	1,369	1,050	319	30.4%	390	39.9%
Recreational Boating	2,355	2,528	2,546	(18)	-0.7%	173	7.4%
Cruise	49	48	43	5	12.0%	(1)	-2.9%
Grain	1,403	1,486	1,560	(75)	-4.8%	82	5.9%
Marina Office & Retail	995	1,028	957	72	7.5%	33	3.4%
Maritime Industrial	1,409	1,531	1,587	(56)	-3.5%	123	8.7%
Central Harbor Management	1,472	1,585	1,594	(9)	-0.5%	114	7.7%
Conference & Event Centers	2,014	1,895	1,684	211	12.5%	(120)	-5.9%
Licensed NWSA Assets	-	15,242	13,106	2,137	16.3%	15,242	0.0%
Other	17,468	2,155	2,223	(68)	-3.0%	(15,312)	-87.7%
Total Operating Revenues (w/o Aero)	69,298	73,434	69,708	3,725	5.3%	4,135	6.0%
TOTAL	125,185	129,336	126,483	2,854	2.3%	4,152	3.3%

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 03/31/16

MAJOR OPERATING EXPENSES SUMMARY

$ in 000's	2015 YTD Actual	2016 Year-to-Date Actual	2016 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2015 $	Incr (Decr) Change from 2015 %
Salaries & Benefits	23,458	25,674	27,169	1,494	5.5%	2,216	9.4%
Wages & Benefits	22,890	23,554	25,067	1,513	6.0%	664	2.9%
Payroll to Capital Projects	5,572	4,712	6,726	2,014	29.9%	(860)	-15.4%
Equipment Expense	1,079	1,324	1,343	19	1.4%	245	22.7%
Supplies & Stock	1,520	1,705	1,770	65	3.7%	185	12.1%
Outside Services	9,556	9,779	18,333	8,554	46.7%	223	2.3%
Utilities	4,878	5,280	5,588	308	5.5%	402	8.2%
Travel & Other Employee Exps	911	746	1,595	849	53.2%	(165)	-18.1%
Promotional Expenses	120	176	181	6	3.1%	55	46.1%
Other Expenses	5,225	3,576	4,200	624	14.8%	(1,648)	-31.5%
Charges to Capital Projects	(8,101)	(6,786)	(11,553)	(4,766)	41.3%	1,315	-16.2%
TOTAL	67,108	69,740	80,420	10,680	13.3%	2,632	3.9%

KEY PERFORMANCE METRICS

	2015 YTD Actual	2016 YTD Actual	2015 Actual	2016 Forecast	2016 Budget	Fav (UnFav) Forecast/Budget Chg.	Fav (UnFav) Forecast/Budget %	Incr (Decr) Change from 2015 Chg.	Incr (Decr) Change from 2015 %
Enplanements (in 000's)	4,352	4,783	21,109	22,214	22,214	-	0.0%	1,106	5.2%
Landed Weight (lbs. in 000's)	5,283	5,821	24,757	26,126	26,126	-	0.0%	1,369	5.5%
Passenger CPE (in $)	n/a	n/a	10.12	10.63	11.00	0.37	3.4%	0.5	5.0%
Grain Volume (metric tons in 000's)	1,207	1,208	3,778	4,000	4,000	-	0.0%	222	5.9%
Cruise Passenger (in 000's)	n/a	n/a	898	960	960	-	0.0%	62	6.9%
Shilshole Bay Marina Occupancy	95.9%	94.3%	96.5%	95.8%	95.8%	0.0%	0.0%	-0.7%	-0.7%
Fishermen's Terminal Occupancy	91.3%	88.6%	84.2%	83.7%	83.2%	0.5%	0.6%	-0.5%	-0.6%

CAPITAL SPENDING RESULTS

$ in 000's	2016 YTD Actual	2016 Forecast	2016 Budget	Budget Variance $	Budget Variance %
Aviation	25,142	206,422	245,241	38,819	15.8%
Maritime	947	14,496	15,660	1,164	7.4%
Economic Development	1,179	7,866	8,751	885	10.1%
Corporate & Other (note 1)	1,052	10,717	12,396	1,679	13.5%
TOTAL	28,320	239,501	282,048	42,547	15.1%

Note:

(1) "Other" includes Street Vacation projects and Storm Water Utility Small Capital projects.

PORTWIDE INVESTMENT PORTFOLIO

During the first quarter of 2016, the investment portfolio earned 1.09% versus the benchmark's (the Bank of America Merrill Lynch 1-3 Year US Treasury & Agency Index) 0.75%. Over the last twelve months the portfolio and the benchmark have earned 0.99% and 0.77%, respectively. Since the Port became its own Treasurer in 2002, the life-to-date earnings of the Port's portfolio and the benchmark are 2.64% and 1.85%, respectively.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/16

FINANCIAL SUMMARY

$ in 000's	2015 Actual	2016 Forecast	2016 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2015 $	%
Operating Revenues:							
Aeronautical Revenues	229,624	253,100	261,019	(7,919)	-3.0%	23,476	10.2%
SLOA III Incentive Straight Line Adj (1)	(3,576)	(3,576)	(3,576)	-	0.0%	-	0.0%
Non-Aeronautical Revenues	196,844	211,885	208,321	3,564	1.7%	15,041	7.6%
Total Operating Revenues	**422,892**	**461,409**	**465,764**	**(4,355)**	**-0.9%**	**38,517**	**9.1%**
Total Operating Expense	238,140	262,379	267,803	5,423	2.0%	24,239	10.2%
Net Operating Income	**184,752**	**199,030**	**197,962**	**1,068**	**0.5%**	**14,278**	**7.7%**
Capital Expenditures	**164,931**	**206,422**	**245,241**	**38,819**	**15.8%**	**41,491**	**25.2%**

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

Division Summary 2016 Forecast vs 2016 Budget

- Net Operating Income for 2016 is forecasted to be $1.1M higher than budget (0.5% favorable)
  - Operating Revenue is expected to be $4.4M lower than budget (0.9% unfavorable) – primarily due to lower Aeronautical revenue from rate base cost savings and higher revenue sharing. The reduction in Aeronautical revenue is expected to be partially offset by higher Non-Aero revenue ($3.6M) driven by increased passenger volumes with strong performance in ground transportation, public parking, and rental cars.
  - Operating Expenses are expected to be $5.4M lower than budget (2.0% favorable) – primarily due to savings in payroll ($3.4M) and lower charges from Corporate and other divisions ($3.0M). These expense savings are partially offset by higher outside services ($0.6M), and other expenses due to increased passenger volumes and related operational demands ($0.4M).

Division Summary 2016 Forecast vs 2015 Actuals

- 2015 Net Operating Income is forecasted to be $14.3M higher than prior year (7.7% higher NOI)
  - 2016 Operating Revenue is expected to be $38.5M higher than prior year (9.1% higher) – primarily due to growth in Aeronautical revenue ($23.5M) and higher Non-Aero revenue ($15.0M), which is driven by increased passenger volumes with strong performance in public parking, airport dining & retail, rental cars, and commercial properties. Increase in Aero rate based revenue is primarily due to cost recovery on new assets placed in service and higher operating expenses to support increased airline activity, partially offset by higher revenue sharing in 2016.
  - 2016 Operating Expenses are expected to be $24.2M higher than prior year (10.2% higher) – due to higher airport direct charges ($13.1M) particularly in outside services ($8.7M) and payroll ($3.7M), higher forecasted charges from Corporate departments ($12.2M), slightly offset by lower environmental remediation liability charges ($1.1M).

A. BUSINESS EVENTS

- New Air Service: Spirit Airlines initiated service.
- New ground transportation options: transportation network companies began service on March 31st.
- Planning progress: presented commission analysis of key components of Sustainable Airport Master Plan.
- Capital project milestones:
  - Began design of International Arrivals Facility
  - Received airline approval North Satellite expansion project
- Environmental initiatives: issued RFP for biofuels study.
- Customer service: TSA agreed to reinstate local training for Sea-Tac TSA officers.

B. KEY PERFORMANCE METRICS

	YTD 2015	YTD 2016	% Change
Enplaned Passengers (000's)			
Domestic	3,880	4,272	10.1%
International	471	512	8.5%
Total	4,352	4,783	9.9%
Operations	81,668	91,480	12.0%
Landed Weight (million lbs.)			
Cargo	394	369	-6.3%
All other	4,888	5,452	11.5%
Total	5,283	5,821	10.2%
Cargo - metric tons			
Domestic freight	37,165	35,988	-3.2%
International freight	26,418	22,341	-15.4%
Mail	12,979	14,396	10.9%
Total	76,562	72,725	-5.0%

Passengers:
- Alaska +9%
- Delta +20%
- Southwest +13%
- United -4%

Growth in Operations trails enplaned passengers due to 2016 YTD Load Factor down 2.5 points from last year.

2016 YTD International Freight tons trailing prior year due to peak volume in 2015 during Port shutdown.

Key Performance Measures

	2015 Actual	2016 Forecast	2016 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2015 $	Incr (Decr) Change from 2015 %
Performance Metrics							
Cost per Enplanement (CPE)	10.12	10.63	11.00	0.36	3.3%	0.52	5.1%
O&M Cost per Enplanement	11.28	11.81	12.06	0.24	2.0%	0.53	4.7%
Non-Aero Revenue per Enplanement	9.33	9.54	9.38	0.16	1.7%	0.21	2.3%
Debt per Enplanement	119	112	111	(1)	-0.9%	(7)	-5.9%
Debt Service Coverage	1.49	1.49	1.46	0.03	2.2%	0.00	0.3%
Days cash on hand (10 months = 304 days)	468	363	309	53	17.2%	(105)	-22.5%
Aeronautical Revenue Sharing ($ in 000's)	29,450	31,995	28,055	(3,940)	-14.0%	2,545	8.6%
Activity (in 000's)							
Enplanements	21,109	22,214	22,214	0	0.0%	1,106	5.2%

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

C. OPERATING RESULTS

Division Summary

$ in 000's	2015 YTD Actual	2016 Year-to-Date Actual	2016 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year-End Projection Forecast	Year-End Projection Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %
Operating Revenues:									
Aeronautical Revenues [1]	56,781	56,797	57,668	(872)	-1.5%	253,100	261,019	(7,919)	-3.0%
SLOA III Incentive Straight Line Adj [2]	(894)	(894)	(894)	-	0.0%	(3,576)	(3,576)	-	0.0%
Non-Aeronautical Revenues	41,112	44,871	43,720	1,151	2.6%	211,885	208,321	3,564	1.7%
Total Operating Revenues	**96,999**	**100,774**	**100,495**	**279**	**0.3%**	**461,409**	**465,764**	**(4,355)**	**-0.9%**
Operating Expenses:									
Payroll	23,067	24,196	25,842	1,646	6.4%	103,274	106,659	3,386	3.2%
Outside Services	6,264	6,548	9,324	2,776	29.8%	40,466	39,915	(551)	-1.4%
Utilities	3,305	3,646	3,839	193	5.0%	14,665	14,686	21	0.1%
Other Airport Expenses	3,386	4,570	3,589	(981)	-27.3%	17,320	16,911	(410)	-2.4%
Total Airport Direct Charges	**36,022**	**38,960**	**42,594**	**3,634**	**8.5%**	**175,725**	**178,171**	**2,445**	**1.4%**
Environmental Remediation Liability	-	-	-	-	n/a	3,246	3,246	-	0.0%
Capital to Expense	0	-	-	-	n/a	13	-	(13)	0.0%
Total Exceptions	**0**	**-**	**-**	**-**	**n/a**	**3,259**	**3,246**	**(13)**	**-0.4%**
Total Airport Expenses	**36,023**	**38,960**	**42,594**	**3,634**	**8.5%**	**178,984**	**181,417**	**2,433**	**1.3%**
Corporate	9,218	11,012	13,010	1,998	15.4%	52,043	52,424	381	0.7%
Police Costs	3,857	4,327	4,634	307	6.6%	18,581	18,728	147	0.8%
Capital Development	1,149	1,461	2,346	885	37.7%	9,283	11,746	2,463	21.0%
Maritime/Economic Development	668	548	875	327	37.4%	3,488	3,488	-	0.0%
Total Charges from Other Divisions	**14,891**	**17,349**	**20,865**	**3,517**	**16.9%**	**83,395**	**86,386**	**2,991**	**3.5%**
Total Operating Expense	**50,914**	**56,309**	**63,460**	**7,151**	**11.3%**	**262,379**	**267,803**	**5,423**	**2.0%**
Net Operating Income	**46,085**	**44,465**	**37,035**	**7,430**	**20.1%**	**199,030**	**197,962**	**1,068**	**0.5%**
CFC Surplus						(5,867)	(5,146)	(721)	-14.0%
Net Non-Operating Items in / out from ADF [3]						2,052	1,099	954	86.8%
SLOA III Incentive Straight Line Adj						3,576	3,576	-	0.0%
Debt Service						(133,437)	(135,217)	1,781	-1.3%
Adjusted Net Cash Flow						**65,355**	**62,273**	**3,081**	**4.9%**

(1) Aero revenues are net of revenue sharing.
(2) Annual non-cash amortization of $17.9M lease incentive credited in 2013.
(3) Per SLOA III definition of Net Revenues.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/16

<u>Operating Expenses</u> – 2016 YTD Actuals compared to 2016 YTD Budget:

Total Operating Expenses are lower than the 2016 budget by $7.2 million due to the net of the following:

- YTD Aviation Direct Operating Expenses are lower than budget by $3.6 million due to the following:

Positive Variance of $4.6M				Negative Variance of $1.0M		
Payroll - vacancies & hiring delays			$1.6M	Other Aviation Expenses		$1.0M
Outside Services			$2.8M	Litigated & Non-litigated Damages	0.6M	
Delayed spending expected to clear by year-end		1.0M		Lower charges to Capital Projects	0.5M	
SAMP consultant	0.2M			All other Aviation Expenses	(0.1M)	
ADR consultant	0.3M					
NERA 3 - verifying grant compliance	0.3M					
Environmental contracts	0.2M					
Savings and/or work deferred to future year:		1.2M				
Advance Planning for Master Plan	0.5M					
Maintenance contract savings	0.4M					
Airport Obstruction Removal - reduced scope	0.2M					
Rental Cars - curbside assistance not renewed	0.1M					
All other Outside Services		0.6M				
Utilities (lower usage due to mild weather)			$0.2M			

- There were no Operating Expense <u>Exceptions</u> in YTD 2016 Actuals or YTD 2016 Budget.
- YTD Operating Expense charges from Corporate and other divisions are lower than budget by $3.5 million due to the following:

Positive Variance of $3.5M			Negative Variance - no material variance
Corporate savings		$2.0M	
CPO	1.0M		
Public Affairs	0.3M		
Office of Strategic Initiatives	0.3M		
ICT	(0.3M)		
All other - Corp	0.7M		
Police savings		$0.3M	
CDD savings		$0.9M	
Aviation PMG	0.9M		
PCS	0.2M		
Engineering	(0.3M)		
All other - CDD	0.1M		
Maritime & EDD savings		$0.3M	
Workforce development	0.3M		

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/16

Operating Expenses – 2016 YTD Actuals compared to YTD 2015:

Total Operating Expenses increased in YTD 2016 by $5.4 million due to the net of the following:

- YTD Aviation Direct Operating Expenses increased in 2016 by $2.9 million due to the following:

Increase of $2.9M			Decrease - no material amount
Payroll - vacancies & hiring delays		$1.1M	
Outside Services		$0.3M	
Utilities		$0.3M	
Other Aviation expenses		$1.2M	
Litigated & Non-litigated Damages	0.6M		
Maintenance Materials	0.2M		
Other general expenses	0.4M		

- There were no Operating Expense Exceptions in YTD 2016 or YTD 2015.
- YTD Operating Expense charges from Corporate and other divisions increased by $2.5 million in 2016 due to the following:

Increase of $2.6M			Decrease of $0.1M	
Corporate departments		$1.8M	Maritime & EDD	$0.1M
ICT	0.8M			
HRD	0.4M			
Finance & Budget	0.2M			
Office of Strategic Initiatives	0.2M			
All Other - Corp	0.2M			
Police		$0.5M		
CDD		$0.3M		
Engineering	0.2M			
PCS	0.1M			

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/16

<u>Operating Expenses</u> – 2016 Forecast compared to 2016 Budget:

Total Operating Expenses are forecasted to be lower than the 2016 budget by $5.4 million due to the net of the following:

- <u>Aviation Direct</u> Operating Expenses are forecasted to be lower than budget by $2.4 million due to the following:

Positive Variance of $3.4M		Negative Variance of $1.0M		
Payroll - vacancies & hiring delays	$3.4M	Outside Services		$0.6M
		Security screening contract	3.2M	
		FIS contract - Prop 1 wages	0.3M	
		Interim Baggage Program	0.3M	
		Aviation Biofuel study	0.2M	
		Energy & Carbon strategy	0.1M	
		SAMP environmental review deferred	(1.3M)	
		Advance Planning - Master Plan deferred	(0.7M)	
		Airport obstruction removal - reduced scope	(0.4M)	
		RCF curbside assistance savings	(0.4M)	
		Maintenance contract savings	(0.4M)	
		All other Outside Services savings	(0.3M)	
		Other Aviation Divisional expenses		$0.4M
		Litigated & Non-litigated Damages	0.6M	
		International Incentive - new routes	0.4M	
		Charges to Capital - lower than budget	0.3M	
		Contingency usage (in Outside Svcs above)	(1.0M)	
		All other Aviation expenses	0.1M	

- Operating Expense <u>Exceptions</u> are forecasted to be equal to budget at this time.
- Operating Expense charges from Corporate and other divisions are forecasted to be lower than budget by $3.0 million due to the following:

Positive Variance of $3.0M			Negative Variance - no material variance
Corporate savings		$0.4M	
Police savings		$0.1M	
CDD savings		$2.5M	
IAF consultants now capitalized	1.2M		
Payroll - delayed hiring	0.7M		
All other - CDD	0.6M		

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/16

Aeronautical Business Unit Summary

$ in 000's	2015 YTD Actual	2016 Year-to-Date Actual	2016 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year-End Projection Forecast	Year-End Projection Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %
Revenues:									
Movement Area	18,173	21,004	20,095	909	4.5%	95,245	95,220	25	0.0%
Apron Area	2,825	2,464	3,026	(563)	-18.6%	13,735	14,120	(385)	-2.7%
Terminal Rents	35,906	36,634	36,933	(299)	-0.8%	155,977	159,593	(3,616)	-2.3%
Federal Inspection Services (FIS)	2,724	2,284	2,295	(11)	-0.5%	10,689	10,836	(147)	-1.4%
Total Rate Base Revenues	**59,628**	**62,385**	**62,349**	**36**	**0.1%**	**275,645**	**279,768**	**(4,123)**	**-1.5%**
Commercial Area	2,024	2,154	2,333	(180)	-7.7%	9,450	9,306	144	1.5%
Subtotal before Revenue Sharing	**61,652**	**64,539**	**64,682**	**(143)**	**-0.2%**	**285,095**	**289,074**	**(3,979)**	**-1.4%**
Revenue Sharing	(4,872)	(7,742)	(7,014)	(728)	-10.4%	(31,995)	(28,055)	(3,940)	-14.0%
Total Aeronautical Revenues	**56,781**	**56,797**	**57,668**	**(872)**	**-1.5%**	**253,100**	**261,019**	**(7,919)**	**-3.0%**
Total Airport Direct Charges	25,432	27,890	29,475	1,584	5.4%	123,567	123,710	143	0.1%
Total Exceptions	0	-	-	-	0.0%	2,687	2,675	(13)	-0.5%
Total Charges from Other Divisions	7,503	8,949	10,646	1,698	15.9%	42,469	43,964	1,495	3.4%
Total Aeronautical Expenses	**32,935**	**36,839**	**40,121**	**3,282**	**8.2%**	**168,724**	**170,349**	**1,625**	**1.0%**
Net Operating Income	**23,845**	**19,958**	**17,547**	**2,411**	**13.7%**	**84,376**	**90,670**	**(6,294)**	**-6.9%**
Debt Service [(1)]						(89,867)	(91,723)	1,856	2.0%
Net Cash Flow						**(5,490)**	**(1,053)**	**(4,437)**	**421.4%**

NOTE: (1) Debt service is forecasted/budgeted on an annual basis only. Thus, quarterly data is not available.

Airline Rate Base Cost Drivers

$ in 000's	2015 Actual	2016 Forecast	2016 Budget	Fav (UnFav) 'Budget vs Forecast $	Fav (UnFav) 'Budget vs Forecast %
O&M	150,286	164,691	166,776	(2,085)	-1.3%
Debt Service Gross	111,477	119,018	120,668	(1,650)	-1.4%
Debt Service PFC Offset	(32,454)	(32,860)	(32,583)	(277)	0.9%
Amortization	24,853	28,203	28,338	(135)	-0.5%
Space Vacancy	(3,469)	(2,380)	(2,431)	51	-2.1%
TSA Operating Grant and Other	(1,099)	(1,026)	(1,000)	(26)	2.6%
Rate Base Revenues	**249,594**	**275,645**	**279,768**	**(4,123)**	**-1.5%**
Commercial area	9,519	9,450	9,306	144	1.5%
Total Aero Revenues	**259,113**	**285,095**	**289,074**	**(3,979)**	**-1.4%**

Aeronautical – YTD Budget Variance

- Aeronautical YTD net operating income is $2.4M higher than budget.
  - Aeronautical revenue is $0.9M lower than budget due to higher revenue sharing. YTD revenue sharing includes a revenue sharing accrual based on 2016 higher forecasted revenue sharing primarily due to increased Landside revenues and non-aero expense savings.
  - Aeronautical operating expenses are $3.3M lower than YTD budget:
    - Airport Direct Charges - $1.6M lower than budget due to savings in payroll ($0.6M), outside services ($0.6M), and other expenses ($0.4M).
    - Exceptions – no activity YTD.
    - Charges from other divisions - $1.7M in savings from Corporate departments.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/16

Aeronautical – Year over Year YTD Changes

- Aeronautical net operating income is $3.9M lower than YTD 2015.
  - Aeronautical revenues are flat year over year – higher rate based revenues are offset by higher revenue sharing:
    - Higher rate based revenue ($2.8M) primarily due to cost recovery on new assets placed in service and higher operating expenses to support increased airline activity.
    - Higher revenue sharing ($2.9M) – mostly due to increase in non-aero revenues driven by increased passenger volumes.
  - Aeronautical operating expenses in YTD 2016 are $3.9M higher than YTD 2015:
    - Airport Direct Charges - $2.5M higher than prior year primarily due to higher divisional allocations ($0.9M), outside services ($0.7M), internal department transfers – utilities ($0.3M), payroll ($0.2M), supplies and stock ($0.2M), and other expenses ($0.2M).
    - Exceptions - no material variance.
    - Charges from other divisions - $1.4M higher than YTD 2015.

Non-Aero Business Unit Summary

	2015 YTD	2016 Year-to-Date		Fav (UnFav) Budget Variance		Year-End Projection		Fav (UnFav) Budget Variance	
$ in 000's	Actual	Actual	Budget	$	%	Forecast	Budget	$	%
Non-Aero Revenues									
Rental Cars - Operations	5,833	6,159	5,586	573	10.3%	36,209	35,398	810	2.3%
Rental Cars - Operating CFC	1,737	615	744	(129)	-17.3%	12,855	12,767	88	0.7%
Public Parking	14,726	16,286	15,723	563	3.6%	67,779	66,847	932	1.4%
Ground Transportation	1,996	2,582	2,143	438	20.5%	10,300	8,327	1,974	23.7%
Airport Dining & Retail	11,003	11,794	11,828	(35)	-0.3%	53,381	53,419	(38)	-0.1%
Commercial Properties	1,565	1,904	2,511	(607)	-24.2%	10,175	10,251	(76)	-0.7%
Utilities	1,647	1,812	1,830	(18)	-1.0%	7,074	7,626	(552)	-7.2%
Other	2,605	3,718	3,353	365	10.9%	14,111	13,686	426	3.1%
Total Non-Aero Revenues	**41,112**	**44,871**	**43,720**	**1,151**	**2.6%**	**211,885**	**208,321**	**3,564**	**1.7%**
Non-Aero Expenses									
Total Airport Direct Charges	10,591	11,070	13,119	2,050	15.6%	52,551	54,853	2,302	4.2%
Total Exceptions	0	-	-	-	n/a	571	571	-	0.0%
Total Charges from Other Divisions	7,388	8,400	10,219	1,819	17.8%	40,533	42,029	1,496	3.6%
Total Non-Aero Expenses	**17,979**	**19,470**	**23,339**	**3,869**	**16.6%**	**93,656**	**97,454**	**3,798**	**3.9%**
Net Operating Income	**23,133**	**25,401**	**20,382**	**5,019**	24.6%	**118,229**	**110,867**	**7,362**	6.6%
Less: CFC (Surplus) / Deficit	(617)	1,121	1,052	69	6.6%	(5,867)	(5,146)	(721)	-14.0%
Adjusted Non-Aero NOI	**22,517**	**26,523**	**21,434**	**5,089**	**23.7%**	**112,362**	**105,721**	**6,641**	**6.3%**
Debt Service (1)						(43,570)	(43,494)	(76)	-0.2%
Net Cash Flow						**68,793**	**62,227**	**6,565**	**10.6%**

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

Non-Aero – YTD Budget Variance

- Non-Aeronautical net operating income is $5.0M higher than YTD budget.
  - Non-Aeronautical revenues are $1.2M higher than budget:
    - Strong performance in Public Parking ($0.5M), Rental Cars ($0.4M), and Ground Transportation ($0.4M), offset by lower revenue in Commercial Properties ($0.6M).

- Non-Aeronautical operating expenses are $3.9M lower than YTD budget:
  - Airport Direct Charges - $2.1M lower than budget due to savings from outside services ($2.1M) and payroll ($1.0M), offset by higher than budgeted general expenses ($0.5M), divisional allocations ($0.4M), and other expenses ($0.1M).
  - Exceptions - no material variance.
  - Charges from other divisions - $1.8M in savings from Corporate departments.

Non-Aero Year over Year YTD Changes

- Non-Aeronautical net operating income is $2.3M higher than YTD 2015.
  - Non-Aeronautical revenues in YTD 2016 are $3.8M higher than YTD 2015 – due to strong performance in Public Parking ($1.6M), Airport Dining & Retail ($0.8M), Ground Transportation ($0.6M), and Commercial Properties ($0.3M).
  - Non-Aeronautical operating expenses in YTD 2016 are $1.5M higher than YTD 2015:
    - Airport Direct Charges - $0.5M higher than prior year due to higher payroll costs ($0.9M), general expenses ($0.8M), and utilities ($0.4M), partially offset by lower divisional allocations ($0.8M), outside services ($0.5M), and internal department transfers – utilities ($0.3M).
    - Variance in Exceptions not material.
    - Charges from other divisions - $1.0M higher than YTD 2015.

D. CAPITAL SPENDING RESULTS

Capital Variance

$ in 000's **Description**	**2016 YTD Actual**	**2016 Forecast**	**2016 Budget**	**Budget Variance $**	** %**
NS NSAT Renov NSTS Lobbies (1)	2,210	23,737	43,200	19,463	45.1%
Interim Baggage System Program (2)	437	5,937	10,000	4,063	40.6%
Concourse D Hardstand Terminal (3)	4	329	1,790	1,461	81.6%
SSAT Interior Renovations (4)	76	3,226	1,850	(1,376)	-74.4%
B2 Expansion for DL Club (5)	191	7,691	9,000	1,309	14.5%
RW16C-34C Design and Reconst	4,294	10,494	11,755	1,261	10.7%
International Arrivals Fac-IAF	6,789	56,381	57,612	1,231	2.1%
Checked Bag Recap/Optimization	1,304	7,604	8,257	653	7.9%
All Other	9,838	91,023	101,777	10,754	10.6%
Total Spending	**25,143**	**206,422**	**245,241**	**38,819**	**15.8%**

(1) Delays in construction due to a rebid of the PWP#1 construction effort.

(2) Budget was developed when project was early in design, resulting in overly aggressive projections.

(3) Delays in hiring consultant for design.

(4) Returned to Commission in March to increase the project authorization by $1.9M due to higher bids. Additional scope was also added in support of the Narrow Body Gates project which increased the budget by $500k.

(5) Delays with the design schedule. Spending moved out to 2017.

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/16

FINANCIAL SUMMARY

$ in 000's	2015 Actual	2016 Forecast	2016 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2015 $	%
Revenues:							
Operating Revenue	47,249	49,514	49,314	200	0%	2,265	5%
Security Grants	0	0	0	0	NA	0	NA
Total Revenues	**47,249**	**49,514**	**49,314**	**200**	**0%**	**2,265**	**5%**
Total Operating Expenses	**33,424**	**42,669**	**42,469**	**(200)**	**0%**	**9,245**	**28%**
Net Operating Income	**13,825**	**6,845**	**6,845**	**0**	**0%**	**(6,980)**	**-50%**
Capital Expenditures	**6,252**	**14,496**	**15,660**	**1,164**	**7%**	**8,244**	**132%**

- Total Maritime Revenues were $265K favorable to budget through Q1 2016. Favorable variance driven by Fishing & Operations $333K from improved utilization of Dockage, Berthage, and Moorage. This was offset by ($81K) unfavorable revenue in Bulk related to demand for grain. Revenues are forecast to exceed budget in 2016 by $200K.
- Total Operating Expenses were $1,701K favorable to budget through Q1 2016 primarily due to timing of divisional expenses and lower than budgeted corporate allocated expenses. Expenses are forecast ($200K) unfavorable to budget from unexpected mitigation costs related to the P66 cruise terminal build out.
- Net Operating Income before Depreciation was $1,966 favorable to budget YTD, and forecast at budget.
- Capital Expenses forecast in 2016 at $14.5M, 93% of the approved annual budget amount of $15.7M.

Net Operating Income before Depreciation by Business

$ in 000's	2015 YTD Actual	2016 YTD Actual	2016 YTD Budget	Fav (UnFav) 2016 Bud Var $	%	Incr (Decr) Change from 2015 $	%
Fishing & Operations	(1,208)	(850)	(1,413)	563	-40%	358	-30%
Recreational Boating	506	389	84	306	366%	(117)	-23%
Cruise	(1,262)	(1,234)	(1,754)	520	-30%	28	-2%
Bulk	1,271	1,200	1,227	(27)	2%	(71)	-6%
Maritime Portfolio	1,282	341	(262)	604	230%	(940)	73%
All Other	(0)	0	0	(0)	NA	0	100%
Total Maritime	**588**	**(153)**	**(2,119)**	**1,966**	**-93%**	**(741)**	**-126%**

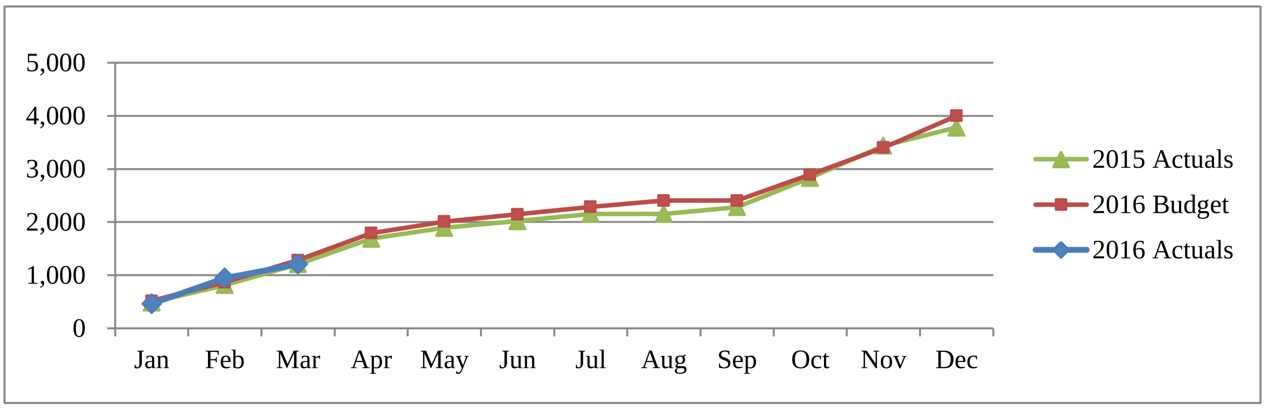
III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/16

A. BUSINESS EVENTS

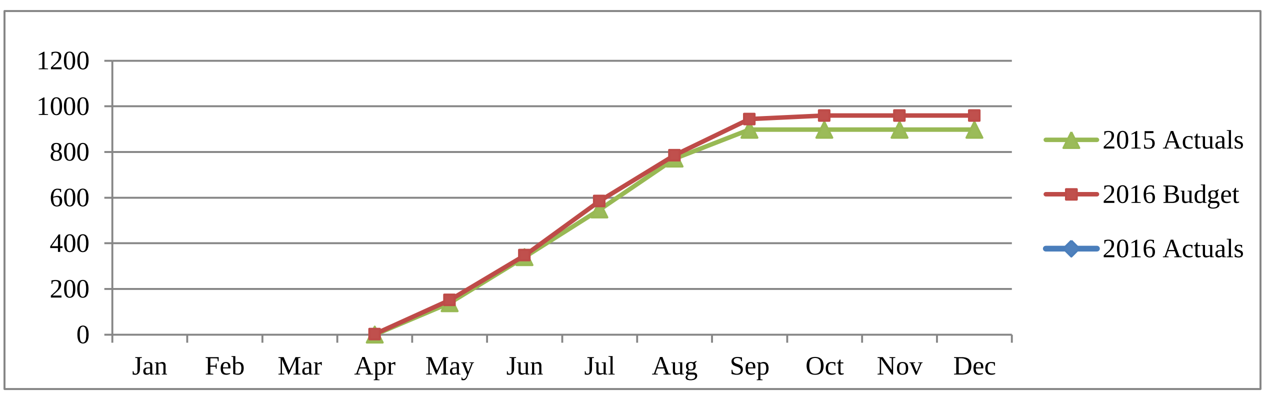
- Grain volume of 1,208 metric tons, equal to 2015, but (6%) below 2016 budget.
- Completed negotiations related to cruise operations and stormwater permit management issues.
- Formed working group of airlines, cruise lines, and various supporting stakeholders to work with Maritime and Airport Operations to improve customer service / passenger experience.
- Independent Packers Corp agreed to 5 year lease term to support 170 employees situated in Building 40.
- Barge moorage at north end of Harbor Island, T25 South, and T107 Kellogg Island more fully utilized.
- Operations staff facilitated 5 public events conducted at the Smith Cove Cruise Terminal, drawing over 20,000 attendees.
- Skip Himes hired as new General Manager of Marine Maintenance and Kenny Lyles promoted to Director of Fishing & Maritime Ops.
- Terminal 91 underwater regrade complete.
- T117 cleanup construction completed.

B. KEY INDICATORS

Grain Volume – Metric Tons in 000’s



Cruise Passengers in 000’s



III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/16

C. OPERATING RESULTS

$ in 000's	2015 YTD Actual	2016 Year-to-Date Actual	2016 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year End Projections Forecast	Year End Projections Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %
Operating Revenue	7,905	8,725	8,461	265	3%	49,514	49,314	200	0%
Security Grants	0	0	0	0	NA	0	0	0	NA
Total Revenues	**7,905**	**8,725**	**8,461**	**265**	**3%**	**49,514**	**49,314**	**200**	**0%**
Maritime Expenses (excl Maint)	2,006	2,313	2,832	520	18%	11,787	11,382	(405)	-4%
Maintenance Expenses	2,126	2,146	2,612	466	18%	10,576	10,576	0	0%
P69 Facilities Expenses	35	69	72	4	5%	294	294	0	0%
Other ED Expenses	744	817	1,142	325	28%	3,819	3,819	0	0%
Environmental & Sustainability	204	184	242	57	24%	1,430	1,430	0	0%
CDD Expenses	336	271	215	(56)	-26%	1,029	1,029	0	0%
Police Expenses	622	932	996	64	6%	4,023	4,023	0	0%
Corporate Expenses	1,244	2,149	2,469	321	13%	9,508	9,713	205	2%
Envir Remed Liability	0	0	0	0	NA	202	202	0	0%
Total Expenses	**7,317**	**8,879**	**10,580**	**1,701**	**16%**	**42,669**	**42,469**	**(200)**	**0%**
NOI Before Depreciation	**588**	**(153)**	**(2,119)**	**1,966**	**-93%**	**6,845**	**6,845**	**0**	**0%**
Depreciation	4,217	4,336	4,299	(37)	-1%	17,139	17,139	0	0%
NOI After Depreciation	**(3,629)**	**(4,490)**	**(6,418)**	**1,929**	**-30%**	**(10,294)**	**(10,294)**	**0**	**0%**

Maritime Division Revenues were $265K favorable to budget. Key variances are as follows:

- **Fishing & Operations – favorable $333K**
  - Pier 2 docks with $57K unbudgeted space rental.
  - Pier 28 $61K favorable dockage.
  - T91 $250K favorable due to Dockage, Security Services, Moorage, and Sale of Electricity.
  - T25 Space Rental unfavorable by ($58K).

- **Recreational Boating – Unfavorable ($18K)**
  - Shilshole Bay Marina ($24K) unfavorable due to shortfall in moorage and utility revenues.
  - Bell Harbor Marina $7K favorable from higher guest moorage than budgeted.

- **Bulk – Unfavorable ($75K)**
  - Lower than budgeted grain volumes driven by economic headwinds.

Total Maritime Division Expenses were $1,701 favorable to budget. Key variances are as follows:

- **Maritime Expenses (Excluding Maintenance)** were $520K favorable to budget. Major variances were as follows:
  - **Salaries & Benefits** were $82K favorable due to open positions in Fishing & Operations.
  - **Equipment** $56K favorable due to timing of furniture purchase for cruise at T91.
  - **Outside Services** were $326K favorable due to favorable variances associated with the Terminal 91 Maintenance Dredging project. Project is completed and expense to be applied in Q2.
- **Maintenance Expenses** were $466K favorable to budget from unfilled positions and underspent in wages and benefits.
- **Corporate Expenses** were $$321K favorable to budget.
- **Other Economic Development Expenses** $325K favorable due to lighter than expected outside services.

2016 Full Year Forecast

Revenue $200K Favorable – Higher than budgeted revenue in moorage and dockage.

Expenses Unfavorable by $200K – Corp allocated expenses offset by unbudgeted P66 cruise mitigation payments.

Change from 2015 YTD Actual

Net Operating Income (NOI) before Depreciation for 2016 decreased by ($741K) – Higher revenue offset by higher expenses from change in allocation process.

Revenue increased by $821K - Revenue from the Grain terminal increased $82K. Fishing & Operations revenue increased $409K from better moorage utilization and rate increases. Recreational Boating increased $173K from rate increases. Maritime Portfolio Management increased $156K from rent and utilities at Shilshole Bay Marina, T91, and Fishermen's Terminal.

Expenses, direct and allocated, increased by ($1,562K) - Variance driven by ($905K) in Corporate allocations and Police ($310K) from change in methodology with the creation of the NWSA. Maritime expenses ($307K) unfavorable from increased utility and outside services expenses.

D. CAPITAL SPENDING RESULTS

$ in 000's	2016 YTD Actual	2016 Forecast	2016 Budget	Budget Variance $	Budget Variance %
Small Projects	181	3,788	3,772	(16)	0%
Contingency Renewal & Replace.	0	2,000	2,000	0	0%
T91 Substation Upgrades	192	1,415	1,381	(34)	-2%
Cruise Terminal Tenant Improv	0	1,350	1,350	0	0%
Maritime Fleet Replacement	201	1,598	1,623	25	2%
SBM Restrms/Service Bldgs Rep	54	644	1,017	373	37%
C15 Building Tunnel Improvmnt	0	700	700	0	0%
P91 South End Fender	8	478	655	177	27%
Maint N Office Site Improvemnt	0	200	500	300	60%
Marina Mgt Sys Replacement	0	450	450	0	0%
All Other	311	1,873	2,212	339	15%
Total Maritime	947	14,496	15,660	1,164	7%

Comments on Key Projects:

For Q1 2016, Maritime spent 6% of the annual approved budget. Full year estimate is expected to be 93% of the annual approved budget.

Projects with significant changes in spending were:

- **Shilshole Bay Marina Restroom and Services Building Replacement**: $373K below budget from revised project schedule.
- **Maintenance North Office Site Improvement:** $300K under budget as project delayed until Q4.
- **Pier 91 South End Fender:** timing variance.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 03/31/16

FINANCIAL SUMMARY

$ in 000's	2015 Actual	2016 Forecast	2016 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2015 $	Incr (Decr) Change from 2015 %
Revenues:							
Operating Revenue	18,164	14,272	13,745	527	4%	(3,892)	-21%
Total Revenues	**18,164**	**14,272**	**13,745**	**527**	**4%**	**(3,892)**	**-21%**
Total Operating Expenses	**19,206**	**23,672**	**23,447**	**(225)**	**-1%**	**4,466**	**23%**
Net Operating Income	**(1,042)**	**(9,400)**	**(9,702)**	**302**	**3%**	**(8,358)**	**-802%**
Capital Expenditures	**2,098**	**7,866**	**8,751**	**885**	**10%**	**5,768**	**275%**

- Total Economic Development Division (EDD) revenues were $232K or about 7% favorable to budget through the first quarter primarily due to stronger sales activities at Conference and Event Centers than budgeted. For the full year, revenue is expected to be $527K favorable to budget also primarily due to favorable Conference and Event Centers' revenue.
- Total Operating Expenses were $1,310K or 22% favorable through the first quarter due to lower spending than budgeted across all groups except for unfavorable variances for CDD Expenses. For the full year, EDD is forecasting Operating Expenses to be ($225K) unfavorable to budget due to higher activity at the Conference and Events Center.
- Net Operating Income year-to-date for 2016 was $1,542K favorable to budget and ($446K) below 2015 Actual primarily due to higher divisional and corporate allocations. For the full year, EDD is forecasting Net Operating Income of $302K favorable to budget.
- At the end of the first quarter, capital spending for full year 2016 is forecasted to be $7.9 million or 90% of the approved budget of $8.8 million.

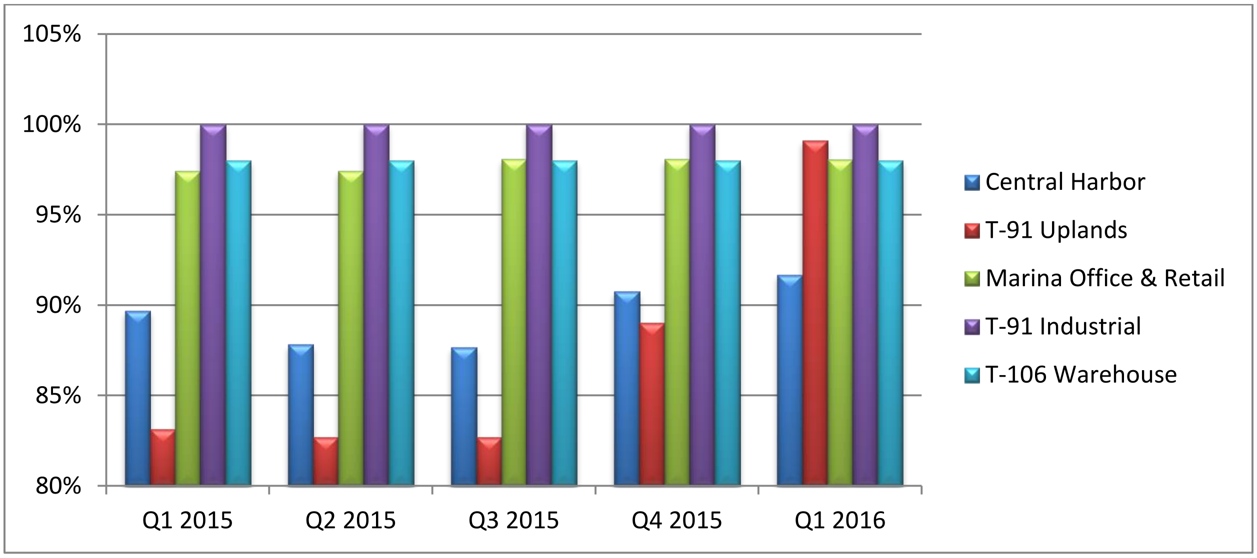
A. BUSINESS EVENTS

- Overall occupancy of buildings managed by Portfolio Management was at 97% at the end of the first quarter of 2016, above the 90% target for 2016. Portfolio Management's occupancy is above the average of 94% for the comparable office markets and near the average of 98% for comparable industrial markets.[1]
- Conference and Event Center activity exceeded budget year-to-date due to a strong sales team and healthy regional economy.
- The sale of the remaining 12 miles of the Eastside Rail Corridor to Snohomish County closed in March 2016.

[1] Market averages are calculated based on Costar building occupancies reported for:
Office: Class B & C office space in Ballard/U District, Queen Anne/Magnolia, Belltown/Denny Regrade, Pioneer Square/Waterfront, and South Seattle.
Industrial: Georgetown/Duwamish North, SoDo, and West Seattle

B. KEY INDICATORS

Building Occupancy by Location:



Net Operating Income before Depreciation by Business

$ in 000's	2015 YTD Actual	2016 YTD Actual	2016 YTD Budget	Fav (UnFav) 2016 Bud Var $	Fav (UnFav) 2016 Bud Var %	Incr (Decr) Change from 2015 $	Incr (Decr) Change from 2015 %
Central Harbor Management	(283)	(359)	(772)	413	53%	(76)	-27%
Conference & Event Centers	191	109	(233)	343	147%	(82)	43%
Eastside Rail	(78)	(90)	(53)	(37)	-70%	(12)	-15%
RE Dev & Planning	(142)	(345)	(659)	314	48%	(204)	-144%
Tourism	(149)	(200)	(425)	224	53%	(51)	-34%
Workforce Dev	5	(20)	(305)	285	93%	(25)	465%
Env Grants/Remed Liab/FTZ	0	5	5	(0)	-10%	5	587103%
Total Econ Dev	**(455)**	**(901)**	**(2,442)**	**1,542**	**63%**	**(446)**	**-98%**

C. OPERATING RESULTS

$ in 000's	2015 YTD Actual	2016 Year-to-Date Actual	2016 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year End Projections Forecast	Year End Projections Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %
Revenue	1,685	1,777	1,756	21	1%	7,513	7,449	64	1%
Conf & Event Ctr Revenue	2,014	1,895	1,684	211	13%	6,759	6,296	463	7%
Total Revenue	**3,699**	**3,672**	**3,440**	**232**	**7%**	**14,272**	**13,745**	**527**	**4%**
Central Harbor	557	483	670	187	28%	2,650	2,746	96	4%
Conf & Event Centers	1,734	1,721	1,748	27	2%	7,013	6,439	(574)	-9%
Eastside Rail Corridor	13	4	30	26	85%	118	144	26	18%
P69 Facilities Expenses	9	41	43	2	5%	177	177	0	0%
Small Business	0	4	31	27	87%	120	120	0	0%
Workforce Development	0	(9)	284	293	103%	1,558	1,558	0	0%
Tourism	146	193	421	227	54%	1,114	1,174	60	5%
EconDev Expenses Other	380	470	615	145	24%	2,800	2,800	0	0%
Maintenance Expenses	694	573	795	222	28%	3,153	3,153	0	0%
Maritime Expenses (Excl Maint)	3	8	7	(1)	-11%	28	28	(0)	0%
Environmental & Sustainability	48	11	25	13	54%	126	126	(0)	0%
CDD Expenses	11	88	46	(42)	-92%	248	248	(0)	0%
Police Expenses	108	39	42	3	7%	167	169	2	1%
Corporate Expenses	452	946	1,126	181	16%	4,400	4,565	165	4%
Envir Remed Liability	0	0	0	(0)	NA	0	0	0	NA
Total Expense	**4,154**	**4,573**	**5,882**	**1,310**	**22%**	**23,672**	**23,447**	**(225)**	**-1%**
NOI Before Depreciation	**(455)**	**(901)**	**(2,442)**	**1,542**	**63%**	**(9,400)**	**(9,702)**	**302**	**3%**
Depreciation	834	934	859	(75)	-9%	3,461	3,461	0	0%
NOI After Depreciation	**(1,289)**	**(1,835)**	**(3,302)**	**1,467**	**44%**	**(12,861)**	**(13,163)**	**302**	**2%**

Total Economic Development Division Revenue was $232K favorable to budget. Key variances:

Portfolio Management: $232K favorable

- **Conference & Event Centers** were $211K favorable primarily due to strong food sales activities at Bell Harbor International Conference Center (BHICC), membership sales at World Trade Center Seattle (WTC-S) and the new program at Smith Cove Center (SCCT) despite limitations imposed by the pending cruise terminal expansion project.
- **Real Estate Development & Planning** was $29K favorable primarily due to an unbudgeted $29K payment in January from King County Wastewater Treatment for space rental at T-91 Uplands.[2]
- **Central Harbor Management Group** was ($9K) unfavorable mainly due to unfavorable space rental revenue from Bell Street Garage ($23K) and Bell Street Retail Leases unfavorable ($13K) due to vacancies associated with upcoming Cruise Terminal construction. The unfavorable variance was offset by a $15K favorable variance for space rental revenue at T-34.

Total Economic Development Expenses were $1,310K favorable to budget. Key variances:

- **Central Harbor** was $187K favorable due to $65K lower for broker fees and tenant improvements, $47K lower management expenses for World Trade Center West (WTC-W), $30K lower utility costs (surface water and sewer), and $25K lower salary & benefit costs.
- **Conference & Event Centers** were $27K favorable mainly due to delay in spending of the $86K Smith Cove Event Permit while waiting for finalizing from the city. It is partially offset with the higher operating expenses and management fee of related to the higher sales activities.
- **Workforce Development** was $293K favorable due to timing of spending for Workforce Development programs.

[2] T-91 Uplands is managed by Portfolio Management and will be moved to Portfolio Management in 2017. However, it cannot be moved in 2016 due to established allocation calculations.

- **Tourism** was $227K favorable primarily due to timing of Visit Seattle Agreement payment, timing of spending in marketing costs, and a Director position vacancy in the first quarter.
- **Economic Development Other** (excluding the above direct expenses) were favorable $145K. Major account variances were as follows:
  - **RE Development & Planning** was $239K favorable due to unspent $125K Opportunity Fund, $41K timing of expenses for strategic planning consultant services, and $25K of misbudgeted membership dues for the King County Economic Development Council (offset by expenditure from RE Div Admin).
  - **RE Division Management** was $43K unfavorable due to higher than budgeted divisional allocations.
  - **Salaries & Benefits** were $70K unfavorable due to higher charges from Central Harbor to Development & Planning and Eastside Rail.
- **Maintenance** expenses were $222K favorable due to later start than expected on planned maintenance work at virtually all facilities.
- **CDD** costs, direct and allocated, were unfavorable ($42K) due primarily to above budget spending by Port Construction Services ($31K).
- **Corporate** costs, direct and allocated, were favorable $181K primarily due to lower than anticipated direct charges and allocations from Central Procurement $63K, Public Affairs $46K, Office of Strategic Initiatives $22K, and Accounting & Financial Reporting $16K.
- All other variances net to a favorable variance of $17K.

NOI before Depreciation was $1,542K favorable to budget.

- Depreciation was ($75K) or 9% unfavorable to budget.

NOI after Depreciation was $1,467K favorable to budget.

2016 Full Year Forecast

As of the end of the 1st Quarter 2016, the Economic Development Division anticipates ending the year $302K favorable to budget for Net Operating Income (NOI) Before Depreciation. The variance reflects above budget revenue of $527K, which is offset by an unfavorable expense variance of ($225K).

Revenue is forecasted to be $527K favorable due to higher revenue expected for the Conference & Event Centers $463K due to stronger sales than budgeted due in part to the delayed initiation of construction for the Cruise Terminal expansion project.

The unfavorable expense variance of ($225K) is primarily due to unfavorable Conference & Event Center expenses ($574K) mainly resulting from increased sales activity and unspent tenant improvement allowances that rolled over from 2015. It is partially offset by the favorable Corporate expenses $165K, and Central Harbor management expenses $96K.

Change from 2015 YTD Actual

Net Operating Income before Depreciation decreased by $446K between 2016 and 2015 as a result of lower revenue ($27K) and higher expenses ($419K) primarily due to higher corporate and divisional allocations.

Revenues decreased by ($27K) due to higher revenue from Central Harbor Management $114K with is offset by lower revenue from Conference & Events Center ($120K) and T91 Uplands ($23K).

Expenses increased by ($419K). Conference and Event Center Expenses had a net decrease of ($13K). Eastside Rail expenses decreased ($9K). Maintenance expenses decreased ($121K) primarily due to lower allocations. CDD expenses increased $77K due to higher charges from Seaport Project Management and Port Construction Services. Corporate expenses increased $494K mainly due to higher allocations from Public Affairs, Information & Communication Technology, Accounting & Financial Reporting and Human Resources.

CONTRIBUTIONS TO OTHER DIVISIONS

$ in 000's	2015 YTD Actual	2016 YTD Actual	2016 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2015 $	%
Revenues:							
Airport Dining & Retail	11,003	11,794	11,828	(35)	0%	791	7%
Airport Properties	1,596	2,287	2,792	(505)	-18%	691	43%
Business Development	587	883	986	(103)	-10%	296	50%
Business Development & Mgmt	13,186	14,964	15,607	(643)	-4%	1,778	13%
Maritime Industrial	1,409	1,531	1,587	(56)	-4%	123	9%
Marina Office & Retail	995	1,028	957	72	7%	33	3%
Maritime Portfolio Management	2,404	2,560	2,544	16	1%	156	6%
Total Revenues to Other Divisions	15,590	17,524	18,150	(627)	-3%	1,934	12%
Expenses to Other Divisions							
Business Development & Mgmt	1,333	1,423	2,466	1,043	42%	90	7%
Maritime Portfolio Management	567	706	1,015	309	30%	139	25%
	1,900	2,130	3,481	1,352	39%	229	12%

D. CAPITAL SPENDING RESULTS

$ in 000's	2016 YTD Actual	2016 Forecast	2016 Budget	Budget Variance $	%
T102 Bldg Roof HVAC Replacement	84	2,919	2,850	(69)	-2%
P66 Elevator 2,3,4 Upgrades	14	469	1,440	971	67%
Tenant Improvements -Capital	878	1,178	1,178	0	0%
P69 Roof Beam Rehabilitation	46	950	950	0	0%
ED: Contingency Renew & Replace	0	500	500	0	0%
Small Projects	122	698	585	(113)	-19%
ED BHICC Roof Fall Protection	0	389	409	20	5%
All Others	35	763	839	76	9%
Total Economic Development	1,179	7,866	8,751	885	10%

Comments on Key Projects:

Through the 1st quarter of 2016, Economic Development spent 13% of the annual approved capital budget. Full year spending is estimated to be 90% of budget.

Projects with significant changes in spending were:

- **P66 Elevator 2, 3, 4 Upgrades:** - favorable budget variance due to modernizations for elevators 3 and 4 has been postponed until after the NCL cruise terminal work is completed.
- **Small Projects:** unfavorable budget variance is due to moving forward with the higher bids related to World Trade Center West projects including VAV Controller Upgrade and Roof Deck Replacement.

V. CORPORATE FINANCIAL & PERFORMANCE REPORT 03/31/16

A. BUSINESS EVENTS

- Organized CMA-CGM Benjamin Franklin Vessel Welcoming program and reception featuring Mayor Murray, Commissioner Bowman and industry leaders; attended by approximately 60 invited guests.
- CEO Fick provided "state of the port" presentation to the Seattle Propeller Club.
- CEO Fick delivered the first-ever webcast to the Port employees.
- Developed and executed the Centers of Expertise for the Port.
- Implemented Paid Parental Leave.
- Launched planning effort to support Commission's 38 Cities outreach program.
- Mailed Air Mail community newsletter to 32,000 households around the airport and posted on POS website.
- Provided a tour of Seattle port facilities to the Government Accountability Office as part of their study on West Coast port congestion issues.
- Port employees donated $34,968.50 to 157 different charities through the Community Giving Campaign payroll deduction program and volunteered their time through the Port Association of Volunteer Employees (PAVE).
- Continued to provide ongoing support and proactively work through accounting/financial reporting set-up and scenarios for the Northwest Seaport Alliance (NWSA).
- Launched PerformanceLink and posted interim goals setting form for managers and employees to use and map 2016 goals.
- Continued to receive plan design input from employees and Commissioners for the Incentive Plan.
- Prepared, negotiated and implemented collective bargaining agreements and provided consultation on administration of collective bargaining agreements to Port divisions and oversight committees.
- Continued to deliver new technology solutions that fulfill business needs and enhance business processes, efficiently and effectively.
- Upgraded the Common Use Self Service (CUSS) kiosks used at SeaTac by customers of several airlines for check-in and other passenger services to the latest vendor version.
- Expanded the popular Airport Inspections program by adding functionality for Aviation Landside to record and manage citations issued to ground transportation providers using mobile technology to receive immediate information.
- Conducted a Port-wide Everbridge Communication Test for emergency preparedness.
- Initiated the Investment Banking Services procurement; obtained Commission authorization to select Underwriting, Remarketing and Debt management Finance Team through a competitive selection process.
- Continue to increase audit coverage on management operations and programs from a performance audit perspective based on Commission policies.
- Selected and hired Boston Consulting to commence the quick assessment for Procurement Excellence (Purchasing Transformation project)
- Implemented and launched the Contractors Database System (CDS) for Service Agreements to assist in tracking our efforts to promote small business growth.
- Executed contract with Parking Soft for a Parking Revenue Replacement System.
- Continued to conduct Customer Service Surveys and have improved process to an electronic version that will allow contacting a larger number of customers.
- Airlines voted to approve C60 interim baggage improvements, C3 holdroom, SSAT (South Satellite) narrow body gates and North Satellite (NSAT) budget increase.
- Completed design modifications for the 16C-34C project for schedule acceleration and compression.
- Hired the Stormwater Program Manager and Stormwater Utility Program Manager.
- Executed the purchase of a CCTV Truck with an early August delivery.
- Implemented the billing and collection of the Port's own Stormwater Utility fees.

V. CORPORATE FINANCIAL & PERFORMANCE REPORT 03/31/16

B. KEY PERFORMANCE METRICS

Key Performance Indicators/Measures	YTD 2016	YTD 2015/Notes
A. Implement Century Agenda Strategies		
1. Small Business Participation – Annual / Small Works (port-wide)		90%
2. Small Business Participation – Annual / Major Construction (port-wide)		39%
3. Small Business Participation – Annual / Goods & Services (CD-only)		24%
4. Small Business Participation – Service Agreements (CD and CD-managed) - Annual		23%
B. Consistently Live by Our Values Through Our Actions and Priorities		
1. MIS and Clarity Training	6 classes, 58 attendees	5 classes, 37 attendees
2. Employee Development Class Attendees/Structured Learning	197	168, increased by 29
3. Required Safety Training	In process due to Reorg	47%
4. Request of information and guidelines for integrity & business conduct	53	50, increased by 3
5. Occupational Injury Rate	4.19	3.25
6. Total Lost work days	89	143, decreased by 54 days
C. Manage Our Finances Responsibly		
1. Corporate costs as a % of Total Operating Expenses	34.5%	32.1%
2. Clean independent CPA audits involving AFR	n/a	yes
3. Timely process disbursement payment requests	4 days	3 days
4. Keep receivables collections 85% current (within 30 days)	96%	96%
5. Investment Portfolio Yield	1.09%	0.81%
6. Litigation and Claim Reserves (in $ thousand)	$1.7	$3.2
D. Exceed Customer Expectations		
1. Respond to Public Disclosure Requests	115	98, increased by 17
2. Information and Communication Technology System Availability	99.7%	99.4%
3. IT Network Availability	100.%	99.9%
4. Service Desk % First Call Resolution	41%	44%
5. Customer Survey for Police Service Excellent or Very Good	92%	88%
E. Support Port Mission with Implementation of Port Divisions' Business Plan		
1. Oversee Implementation and Administration of CBAs agreements	34	40
2. Number of Jobs Openings	149	110
3. Percent of annual audit work plan completed each year	17%	17%

C. OPERATING RESULTS

$ in 000's	2015 YTD Actual	2016 Year-to-Date Actual	2016 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year-End Projections Forecast	Year-End Projections Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %
Total Revenues	**692**	**933**	**1,038**	**(105)**	**-10.1%**	**4,151**	**4,151**	**-**	**0.0%**
Executive	390	498	668	169	25.3%	1,569	1,569	-	0.0%
Commission	360	301	430	130	30.1%	1,505	1,635	130	7.9%
Legal	612	691	827	136	16.5%	3,100	3,219	119	3.7%
Public Affairs	909	1,296	1,596	300	18.8%	6,402	6,447	46	0.7%
Human Resources & Development	1,384	1,654	1,788	135	7.5%	7,574	7,634	60	0.8%
Labor Relations	191	278	293	15	5.3%	1,135	1,126	(9)	-0.8%
Internal Audit	248	284	405	120	29.8%	1,577	1,620	43	2.6%
Office of Strategic Initiatives	589	1,004	2,619	1,616	61.7%	9,059	9,059	-	0.0%
Police	5,092	5,374	5,837	463	7.9%	23,404	23,587	183	0.8%
Contingency	169	38	125	87	69.6%	400	500	100	20.0%
Capital Development									
Engineering	672	1,072	698	(375)	-53.8%	5,913	5,913	-	0.0%
Port Construction Services	469	520	698	179	25.6%	2,809	2,862	53	1.9%
Aviation PMG	331	260	1,182	921	78.0%	2,122	4,543	2,421	53.3%
Seaport PMG	40	255	203	(51)	-25.3%	741	789	48	6.1%
Capital Development Admin	95	106	107	1	0.7%	430	430	-	0.0%
Sub-Total	1,608	2,213	2,888	675	23.4%	12,016	14,538	2,522	17.3%
Finance									
Accounting & Financial Reporting	1,578	1,636	1,780	144	8.1%	7,497	7,570	73	1.0%
Information & Communication Technology	4,288	5,172	4,789	(383)	-8.0%	21,127	21,127	-	0.0%
Finance & Budget	1,064	1,186	1,195	9	0.8%	4,912	4,933	21	0.4%
Business Intelligence	-	205	225	19	8.7%	1,066	917	(149)	-16.3%
Risk Services	745	790	859	69	8.0%	3,431	3,449	18	0.5%
Sub-Total	7,675	8,989	8,847	(142)	-1.6%	38,033	37,995	(38)	-0.1%
Security and Preparedness									
Emergency Management	93	80	90	10	10.7%	365	393	28	7.1%
ICT Information Security	158	265	234	(30)	-12.9%	927	927	-	0.0%
Maritime Security	36	38	38	1	1.5%	161	161	-	0.0%
Sub-Total	288	383	363	(20)	-5.5%	1,452	1,480	28	1.9%
Environment & Sustainability									
Aviation Environmental & Planning	1,646	940	1,923	982	51.1%	8,173	10,064	1,891	18.8%
Maritime Environmental & Planning	648	220	435	215	49.4%	2,587	2,587	-	0.0%
Storm Water Utility (net)	(382)	(255)	(13)	241	-1807.9%	(53)	(53)	-	0.0%
Noise Programs	125	184	237	53	22.4%	862	891	29	3.3%
Sub-Total	2,037	1,089	2,581	1,492	57.8%	11,569	13,489	1,920	14.2%
Total Expenses	**21,552**	**24,091**	**29,266**	**5,176**	**17.7%**	**118,795**	**123,897**	**5,102**	**4.1%**

Corporate revenues were $105K unfavorable compared to budget due to lower operating grants.

Corporate expenses for the first three months of 2016 were $24.1M, $5.2M or 17.7% favorable compared to budget and $2.5M or 11.8% higher than the same period a year ago. The $5.2M favorable variance is due primarily to cost savings in vacant positions, delay hiring, timing of spending, and some actual savings.

All corporate departments have a favorable variance except for:

- **Engineering** – unfavorable variance of $375K is due to charging less to capital projects than originally anticipated.
- **Seaport Project Management** – unfavorable variance of $51K is due to charging less to capital projects than originally anticipated.
- **Information & Communication Technology** – unfavorable variance of $383K is due to timing of spending which should be resolved by the end of the year.
- **Security and Preparedness** – unfavorable variance of $20K is due to higher Software Licenses and Maintenance Agreement.

V. CORPORATE FINANCIAL & PERFORMANCE REPORT 03/31/16

Year-end spending is projected to be $5.1M under budget due primarily to:

- **Executive** – plans on being on budget.
- **Commission** – savings due to a vacant position and Outside Services.
- **Legal** – savings in Outside Legal.
- **Public Affairs** – savings due to Outside Services and Travel Expenses.
- **Human Resources and Development** – savings due to vacant positions.
- **Labor Relations** – overspending due to unbudgeted position.
- **Internal Audit** – savings due to vacant positions.
- **Office of Strategic Initiative** – plans on being on budget.
- **Police** – savings in Payroll.
- **Contingency** – anticipate not using all funds.
- **Capital Development** –savings due to vacant positions and Outside Services.
- **Accounting and Financial Reporting Services** – savings due to vacant positions.
- **Information & Communication Technology** – plans on being on budget.
- **Finance & Budget** – savings due to a vacant position.
- **Business Intelligence** – unfavorable variance due to 2 new business analyst positions.
- **Risk Services** – savings due to lower Insurance Broker Fees.
- **Security and Preparedness** – savings in Telecommunications, Travel and Equipment Expenses.
- **Environment & Sustainability** – savings in Outside Services.

D. CAPITAL SPENDING RESULTS

$ in 000's	2016 YTD Actual	2016 Forecast	2016 Budget	Budget Variance $	Budget Variance %
Infrastructure - Small Cap	606	1,836	1,836	0	0.0%
Service Tech - Small Cap	39	1,500	1,500	0	0.0%
Constr Doc Mgmt Sys Repl.	7	538	538	0	0.0%
Maximo Upgrade	35	991	991	0	0.0%
PMIS Replacement	0	300	500	200	40.0%
Remote Data Ctr Bus Continuity	2	1,200	1,200	0	0.0%
PeopleSoft BU Configuration	0	300	1,400	1,100	78.6%
Capital Dev Fleet Replacement	80	721	815	94	11.5%
All Other (note 1)	278	2,736	2,946	210	7.1%
TOTAL	1,047	10,122	11,726	1,604	13.7%

Note:

(1) "All Other" includes remaining ICT projects, other Corporate fleet replacement, and small cap.