ITEM NO: 7f_Attach_1
DATE OF MEETING: August 23, 2016

PORT OF SEATTLE

2016 FINANCIAL & PERFORMANCE REPORT

AS OF JUNE 30, 2016

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EXECUTIVE SUMMARY

Financial Summary

The Port's overall operating revenues for the first half of 2016 were $279.4M, which is $5.7M above budget and $11.0M higher than the same period in 2015. Excluding Aeronautical revenues, which are based on cost recovery, other operating revenues were $161.7M, $9.4M above budget and also $9.4M over the same period last year mainly due to higher revenues from Public Parking, Rental Cars, Airport Dining and Retail, Ground Transportation, Employee Parking, Maritime Operations, and Licensed NWSA Assets. Total operating expenses were $147.9M, $20.7M below budget mainly due to vacant positions, hiring delays, timing of spending, and actual budget savings. Operating income before depreciation was $131.5M, $26.5M above budget. For the full year, we are anticipating operating revenues without Aeronautical to be $344.5M, $17.4M over budget and operating expenses to be $336.6M, $699K above budget. The Port-wide capital spending is forecasted to be $199.3M for the year, $82.7M below the budgeted $282.0M.

Operating Summary

At the Airport, enplanements for the first two quarters were 9.6% higher and landed weight was 11.0% higher than the same period in 2015. The enplanements growth for domestic and international was 9.6% and 10.1%, respectively. Total cargo metric tons were 0.8% above Q2 2015. For the Maritime division, Grain volumes were 13.4% lower than the same period in 2015. Cruise passengers were 15K more than the same period last year, and we are anticipating a record year of passengers in 2016. For the Economic Development division, occupancy levels at Shilshole Bay Marina were at 94.4%, below 96.6% in the same period last year. Fishermen's Terminal was at 85.8% average occupancy, below the 87.6% in Q2 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 implemented the new goal from Commissioners to significantly increase the number of intern opportunities at the Port in 2016 and coordinated eight minority community outreach meetings for the CEO to discuss issues and contracting opportunities with the Port. At the Airport, we hired security checkpoint queue management contractor and reduced in peak period wait times significantly. Volaris Airlines initiated new air service from Seattle to Guadalajara, Mexico. DHL moved cargo operations from Boeing Field to Sea-Tac while Lufthansa Cargo began a new weekly freighter connecting Seattle to Frankfurt, Germany. We executed Phase II & Phase III ground leases of Des Moines Creek Business Park. We also completed the Stormwater Utility negotiations with the City of Seattle. The Port hosted successfully Clipper Round the World event at Bell Harbor Marina in April. The 2016 cruise season started successfully with the addition of the larger vessel at Terminal 91. Finally, we completed the first tourism grant program and awarded almost $100,000 to 13 recipients throughout the state.

Major Capital Projects

The Port contributed to regional transportation partner investments with the second contribution to the State's Alaskan Way Viaduct Replacement Program and the final contribution to King County's South Park Bridge. We completed Runway closures for reconstruction ahead of schedule and began preliminary construction on North Satellite project. We also completed design and preparation of Terminal 5 Modernization project civil/structural permitting documents to the City of Seattle. The Port replaced the Parking Revenue Control System that would improve scalability and flexibility in introducing new parking programs and increase security. Finally, we continued to expand the Satellite Transit System (STS) Train to the South Loop and Shuttle train stations to display the location of the trains and a countdown time of arrival.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/16

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	117,973	119,553	123,204	(3,651)	-3.0%	254,215	261,019	(6,804)	-2.6%
SLOA III Incentive	(1,788)	(1,788)	(1,788)	-	0.0%	(3,576)	(3,576)	-	0.0%
Other Operating Revenues	152,245	161,658	152,274	9,384	6.2%	344,494	327,135	17,359	5.3%
Total Operating Revenues	268,430	279,422	273,689	5,733	2.1%	595,133	584,578	10,555	1.8%
Total Operating Expenses	146,100	147,874	168,621	20,747	12.3%	336,642	335,943	(699)	-0.2%
NOI before Depreciation	122,330	131,549	105,069	26,480	25.2%	258,491	248,635	9,856	4.0%
Depreciation	81,861	82,277	81,206	(1,072)	-1.3%	164,451	162,451	(2,000)	-1.2%
NOI after Depreciation	40,469	49,271	23,863	25,408	106.5%	94,040	86,184	7,856	9.1%

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	117,973	119,553	123,204	(3,651)	-3.0%	1,579	1.3%
SLOA III Incentive	(1,788)	(1,788)	(1,788)		0.0%		0.0%
Public Parking	30,766	34,166	33,116	1,051	3.2%	3,400	11.1%
Rental Cars - Operations	13,756	15,271	13,768	1,503	10.9%	1,515	11.0%
Rental Cars - Operating CFC	3,576	3,872	3,787	85	2.2%	296	8.3%
Airport Dining and Retail	23,621	25,952	25,329	624	2.5%	2,332	9.9%
Employee Parking	3,860	4,563	4,001	562	14.1%	703	18.2%
Ground Transportation	3,974	5,668	4,227	1,441	34.1%	1,693	42.6%
Non-Airline Commercial Properties	3,747	4,951	5,320	(369)	-6.9%	1,204	32.1%
Airport Utilities	3,382	3,571	3,649	(79)	-2.2%	189	5.6%
Fishing & Commercial Vessels	1,491	1,500	1,485	15	1.0%	9	0.6%
Maritime Operations	2,350	2,919	2,508	411	16.4%	570	24.2%
Recreational Boating	4,789	5,083	5,178	(95)	-1.8%	294	6.1%
Cruise	5,362	5,410	5,386	23	0.4%	47	0.9%
Grain	2,446	2,010	2,659	(649)	-24.4%	(436)	-17.8%
Maritime Industrial	3,022	3,075	3,038	37	1.2%	54	1.8%
Marina Office & Retail	1,944	2,024	1,941	83	4.3%	80	4.1%
Central Harbor Management	3,367	3,393	3,324	69	2.1%	26	0.8%
Conference & Event Centers	4,453	4,518	3,462	1,057	30.5%	65	1.5%
Licensed NWSA Assets	-	28,991	25,568	3,423	13.4%	28,991	0.0%
Other	36,338	4,719	4,528	191	4.2%	(31,619)	-87.0%
Total Operating Revenues (w/o Aero)	**152,245**	**161,658**	**152,274**	**9,384**	**6.2%**	**9,413**	**6.2%**
TOTAL	**268,430**	**279,422**	**273,689**	**5,733**	**2.1%**	**10,992**	**4.1%**

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/16

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	48,887	51,795	55,214	3,419	6.2%	2,908	5.9%
Wages & Benefits	46,868	48,261	50,750	2,490	4.9%	1,393	3.0%
Payroll to Capital Projects	11,713	10,040	13,792	3,753	27.2%	(1,673)	-14.3%
Equipment Expense	2,594	2,923	2,741	(181)	-6.6%	329	12.7%
Supplies & Stock	3,350	3,454	3,608	154	4.3%	104	3.1%
Outside Services	23,864	25,663	39,620	13,957	35.2%	1,799	7.5%
Utilities	9,988	10,510	10,877	366	3.4%	523	5.2%
Travel & Other Employee Exps	2,001	1,879	2,997	1,118	37.3%	(122)	-6.1%
Promotional Expenses	453	362	436	74	17.0%	(92)	-20.2%
Other Expenses	13,948	8,450	12,029	3,579	29.8%	(5,498)	-39.4%
Charges to Capital Projects	(17,567)	(15,463)	(23,445)	(7,982)	34.0%	2,104	-12.0%
TOTAL	146,100	147,874	168,621	20,747	12.3%	1,774	1.2%

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)	9,731	10,668	21,109	23,009	22,214	795	3.6%	1,900	9.0%
Landed Weight (lbs. in 000's)	11,568	12,835	24,757	26,126	26,126	-	0.0%	1,369	5.5%
Passenger CPE (in $)	n/a	n/a	10.12	10.68	11.00	0.32	2.9%	0.6	5.5%
Grain Volume (metric tons in 000's)	2,019	1,749	3,778	3,200	4,000	(800)	-20.0%	(578)	-15.3%
Cruise Passenger (in 000's)	340	355	898	960	960	-	0.0%	62	6.9%
Shilshole Bay Marina Occupancy	96.6%	94.4%	96.5%	95.4%	95.9%	-0.5%	-0.5%	-1.1%	-1.2%
Fishermen's Terminal Occupancy	87.6%	85.8%	84.2%	84.9%	83.2%	1.6%	2.0%	0.6%	0.7%

CAPITAL SPENDING RESULTS

$ in 000's	2016 YTD Actual	2016 Forecast	2016 Budget	Budget Variance $	Budget Variance %
Aviation	53,437	173,444	245,241	71,797	29.3%
Maritime	3,097	11,633	15,660	4,027	25.7%
Economic Development	1,041	5,182	8,751	3,569	40.8%
Corporate & Other (note 1)	1,976	9,058	12,396	3,338	26.9%
TOTAL	**59,551**	**199,317**	**282,048**	**82,731**	**29.3%**

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

PORTWIDE INVESTMENT PORTFOLIO

During the second quarter of 2016, the investment portfolio earned 1.14% versus the benchmark's (the Bank of America Merrill Lynch 1-3 Year US Treasury & Agency Index) 0.61%. Over the last twelve months the portfolio and the benchmark have earned 1.08% 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 2.62% and 1.83%, respectively.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/16

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	254,215	261,019	(6,804)	-2.6%	24,591	10.7%
SLOA III Incentive Straight Line Adj (1)	(3,576)	(3,576)	(3,576)	-	0.0%	-	0.0%
Non-Aeronautical Revenues	196,844	223,613	208,321	15,292	7.3%	26,769	13.6%
Total Operating Revenues	**422,892**	**474,252**	**465,764**	**8,488**	**1.8%**	**51,360**	**12.1%**
Total Operating Expense	238,140	268,742	267,803	(939)	-0.4%	30,602	12.9%
Net Operating Income	**184,752**	**205,510**	**197,962**	**7,548**	**3.8%**	**20,758**	**11.2%**
Capital Expenditures	**164,931**	**173,444**	**245,241**	**71,797**	**29.3%**	**8,513**	**5.2%**

(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 $7.5M higher than budget (3.8% favorable)
  - Operating Revenue is expected to be $8.5M higher than budget (1.8% favorable) – primarily due to higher Non-Aero revenue ($15.3M) driven by increased passenger volumes with strong performance in ground transportation, public parking, and rental cars, as well as an unanticipated lump sum payment from DMCBP Phase II for pre-paid frontage fees. The increase in Non-Aero revenue is partially offset by lower Aeronautical revenue from higher revenue sharing.
  - Operating Expenses are expected to be $0.9M higher than budget (0.4% unfavorable) – due to $5.2M increase in ERL reserve for Lora Lake (Lake) project, $3.6M amortization of previously paid frontage fees associated with the DMCBP Phase II lump sum payment (*net $1.8M increase to NOI*), $2.7M increase for passenger screening queue management contract, and $1.3M increase for full employee screening. These cost increases are partially offset by forecasted payroll savings ($3.9M), and lower charges from Corporate and other divisions ($4.9M).

Division Summary 2016 Forecast vs 2015 Actuals

- 2015 Net Operating Income is forecasted to be $20.8M higher than prior year (11.2% higher NOI)
  - 2016 Operating Revenue is expected to be $51.4M higher than prior year (12.1% higher) –due to growth in Aeronautical revenue ($24.6M) and higher Non-Aero revenue ($26.8M), which is driven by increased passenger volumes with strong performance in public parking, airport dining & retail, and rental cars, as well as a $5.4M unanticipated lump sum payment from DMCBP Phase II for pre-paid frontage fees. 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 $30.6M higher than prior year (12.9% higher) – due to higher airport direct charges ($18.3M) including DMCBP Phase II lump sum amortization ($3.2M), payroll costs ($3.1M), and the passenger security checkpoint queueing management contract ($2.7M), higher forecasted charges from Corporate departments ($10.2M), and higher exceptions to Baseline ($2.1M), driven by the Lora Lake environmental reserve adjustment ($5.2M).

A. BUSINESS EVENTS

- Customer Service:
  - Hired security checkpoint queue management contractor – realizing significant reduction in peak period wait times
  - Q2 Airport Service Quality (ASQ) survey overall score dropped to 4.06 from 4.10 in Q1.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/16

- New air service: Volaris Airlines initiated service to Guadalajara, Mexico
- New cargo services:
  - o DHL moved operations from Boeing Field to Sea-Tac
  - o Lufthansa Cargo
  - o ABX Air
- Capital project milestone: began preliminary construction on North Satellite
- Airport Dining and Retail – awarded lease group #2
- DMCBP – executed Phase II & Phase III ground leases

B. KEY PERFORMANCE METRICS

	YTD 2015	YTD 2016	% Change
Enplaned Passengers (000's)			
Domestic	8,714	9,548	9.6%
International	1,018	1,120	10.1%
Total	9,731	10,668	9.6%
Operations	177,649	197,152	11.0%
Landed Weight (million lbs.)			
Cargo	799	843	5.5%
All other	10,769	11,993	11.4%
Total	11,568	12,835	11.0%
Cargo - metric tons			
Domestic freight	79,419	83,079	4.6%
International freight	59,131	55,287	-6.5%
Mail	26,021	27,562	5.9%
Total	164,571	165,928	0.8%

Passengers:
- Alaska +9%
- Delta +19%
- Southwest +8%
- United -5%

Growth in Operations trails enplaned passengers due to 2016 YTD Load Factor down 2.4 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 $	%	Incr (Decr) Change from 2015 $	%
Performance Metrics							
Cost per Enplanement (CPE)	10.12	10.68	11.00	0.32	2.9%	0.56	5.6%
O&M Cost per Enplanement	11.28	11.68	12.06	0.38	3.1%	0.40	3.5%
Non-Aero Revenue per Enplanement	9.33	9.72	9.38	0.34	3.6%	0.39	4.2%
Debt per Enplanement	119	108	111	3	3.0%	(11)	-9.5%
Debt Service Coverage	1.49	1.51	1.46	0.06	3.8%	0.03	1.9%
Days cash on hand (10 months = 304 days)	468	354	309	45	14.4%	(114)	-24.4%
Aeronautical Revenue Sharing ($ in 000's)	29,450	35,676	28,055	(7,621)	-27.2%	6,226	21.1%
Activity (in 000's)							
Enplanements	21,109	23,009	22,214	794	3.6%	1,900	9.0%

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]	117,973	119,553	123,204	(3,651)	-3.0%	254,215	261,019	(6,804)	-2.6%
SLOA III Incentive Straight Line Adj [2]	(1,788)	(1,788)	(1,788)	0	0.0%	(3,576)	(3,576)	-	0.0%
Non-Aeronautical Revenues	88,401	100,336	95,426	4,909	5.1%	223,613	208,321	15,292	7.3%
Total Operating Revenues	**204,586**	**218,100**	**216,842**	**1,258**	**0.6%**	**474,252**	**465,764**	**8,488**	**1.8%**
Operating Expenses:									
Payroll	47,229	49,708	52,623	2,915	5.5%	102,733	106,659	3,926	3.7%
Outside Services	13,580	15,736	19,539	3,803	19.5%	40,769	39,915	(854)	-2.1%
Utilities	6,822	7,358	7,655	297	3.9%	14,858	14,686	(172)	-1.2%
Other Airport Expenses	7,399	9,132	7,684	(1,448)	-18.8%	22,560	16,911	(5,649)	-33.4%
Total Airport Direct Charges	**75,030**	**81,934**	**87,501**	**5,567**	**6.4%**	**180,920**	**178,171**	**(2,749)**	**-1.5%**
Environmental Remediation Liability	2,844	33	3,196	3,163	99.0%	6,383	3,246	(3,137)	-96.7%
Capital to Expense	61	-	-	-	n/a	-	-	-	0.0%
Total Exceptions	**2,905**	**33**	**3,196**	**3,163**	**99.0%**	**6,383**	**3,246**	**(3,137)**	**-96.7%**
Total Airport Expenses	**77,935**	**81,968**	**90,697**	**8,730**	**9.6%**	**187,304**	**181,417**	**(5,887)**	**-3.2%**
Corporate	19,757	22,723	27,427	4,704	17.2%	51,209	52,424	1,215	2.3%
Police Costs	8,305	8,943	9,342	400	4.3%	18,712	18,728	15	0.1%
Capital Development	3,018	3,358	5,164	1,806	35.0%	8,029	11,746	3,717	31.6%
Maritime/Economic Development	1,655	1,826	1,801	(24)	-1.4%	3,488	3,488	-	0.0%
Total Charges from Other Divisions	**32,736**	**36,849**	**43,734**	**6,885**	**15.7%**	**81,438**	**86,386**	**4,947**	**5.7%**
Total Operating Expense	**110,671**	**118,817**	**134,432**	**15,615**	**11.6%**	**268,742**	**267,803**	**(939)**	**-0.4%**
Net Operating Income	**93,915**	**99,283**	**82,410**	**16,873**	**20.5%**	**205,510**	**197,962**	**7,548**	**3.8%**
CFC Surplus						(6,219)	(5,146)	(1,073)	-20.9%
Net Non-Operating Items in / out from ADF [3]						2,462	1,099	1,364	124.1%
SLOA III Incentive Straight Line Adj						3,576	3,576	-	0.0%
Debt Service						(135,723)	(135,217)	(505)	0.4%
Adjusted Net Cash Flow						**69,607**	**62,273**	**7,334**	**11.8%**

(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 06/30/16

Operating Expenses – 2016 YTD Actuals compared to 2016 YTD Budget:

Total Operating Expenses are lower than the YTD 2016 budget by $15.6 million due to the net of the following:

- YTD Aviation Direct Operating Expenses are lower than budget by $5.6 million due to the following:

Positive Variance of $7.0M				Negative Variance of $1.4M		
Payroll - vacancies & hiring delays			$2.9M	Other Aviation Expenses		$1.4M
Outside Services			$3.8M	Litigated & Non-litigated Damages	0.9M	
Delayed spending expected to clear by year-end		0.9M		Lower charges to Capital Projects	0.9M	
NERA 3 grant (FAA pilot program)	0.4M			All other Aviation Expenses	(0.4M)	
SSAT lounge - wall configuration project	0.2M					
Environmental contracts	0.2M					
ADR consultant	0.1M					
Savings and/or work deferred to future year:		2.7M				
Advance Planning IDIQ for Master Plan	1.0M					
Environmental Review for Master Plan	0.7M					
Maintenance contract savings	0.4M					
Airport Obstruction Removal - reduced scope	0.2M					
Rental Cars - curbside assistance not utilized	0.2M					
Cargo building mgmt - performed internally	0.1M					
Noise program feasibility study	0.1M					
All other Outside Services		0.2M				
Utilities (lower usage due to mild weather)			$0.3M			

- YTD Operating Expenses Exceptions are lower than budget by $3.2 million due to the following:

Positive Variance of $3.2M			Negative Variance - no material variance
Environmental Remediation Liability		$3.2M	
RMM adjustments to active projects	0.7M		
RMM projects deferred to future years	1.3M		
Phase 2 - eGSE Electric charging stations			
Alternate utility facility (emergency backup)			
Central terminal stairs			
Budget savings - project accelerated to PY	0.5M		
Tenant Zone 7 ATO			
RMM project delayed to later in 2016	0.7M		
Tenant Zone 7 ATO			

- YTD Operating Expense charges from Corporate and other divisions are lower than budget by $6.9 million due to the following:

Positive Variance of $6.9M			Negative Variance - no material variance
Corporate savings		$4.7M	
CPO	3.0M		
Office of Strategic Initiatives	0.7M		
HR	0.3M		
AFR	0.3M		
ICT	(0.4M)		
All other - Corp	0.8M		
Police savings		$0.4M	
CDD savings		$1.8M	
Aviation PMG	1.8M		
PCS	0.2M		
Engineering	0.2M		
Construction Services	(0.5M)		
All other - CDD	0.1M		

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/16

<u>Operating Expenses</u> – 2016 YTD Actuals compared to YTD 2015:

Total Operating Expenses increased in YTD 2016 by $8.1 million due to the net of the following:

- YTD <u>Aviation Direct</u> Operating Expenses increased in 2016 by $6.9 million due to the following:

Increase of $6.9M			Decrease - no material amount
Payroll		$2.5M	
Outside Services		$2.2M	
Janitorial (due to higher enplanements)	1.1M		
Checkpoint queue mgmt contract	0.4M		
All other Outside Services	0.7M		
Utilities		$0.5M	
Other Aviation expenses		$1.7M	
Litigated & Non-litigated Damages	0.9M		
Credit card fees (on higher revenue)	0.3M		
B&O tax (on higher revenue)	0.2M		
Other general expenses	0.3M		

- YTD Operating Expense <u>Exceptions</u> decreased in YTD 2016 by $2.9 million due to the following:

Increase - no material amount	Decrease of $2.9M		
	Environmental Remediation Liability		$2.8M
	Lora Lake (Lake parcel)	1.4M	
	Delta build-out	1.2M	
	All other RMM adjustments	0.2M	
	Capital Projects to Operating Expense		$0.1M

- YTD Operating Expense charges from Corporate and other divisions increased by $4.1 million in 2016 due to the following:

Increase of $4.1M			Decrease - no material amount
Corporate departments		$3.0M	
ICT	0.9M		
HRD	0.7M		
Office of Strategic Initiatives	0.5M		
Business Intelligence (new in 2016)	0.3M		
CPO	0.3M		
Health & Safety	(0.4M)		
All Other - Corp	0.7M		
Police		$0.6M	
CDD		$0.3M	
Construction Services	0.2M		
Survey & Mapping	0.2M		
PCS	0.2M		
Aviation PMG	(0.1M)		
All other - CDD	(0.2M)		
Maritime & EDD		$0.2M	
Workforce development	0.5M		
Marine Maintenance (Pier 69 related)	0.2M		
Office of Social Responsibility	(0.5M)		

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/16

Operating Expenses – 2016 Forecast compared to 2016 Budget:

Total Operating Expenses are forecasted to be higher than the 2016 budget by $0.9 million due to the net of the following:

- Aviation Direct Operating Expenses are forecasted to be higher than budget by $2.7 million due to the following:

Positive Variance of $3.9M		Negative Variance of $6.7M		
Payroll - vacancies & hiring delays	$3.9M	Outside Services		$0.9M
		Security checkpoint queueing mgmt contract	2.7M	
		Full employee security screening contract	1.0M	
		SAMP environmental review deferred	(1.3M)	
		Advance Planning - Master Plan deferred	(1.0M)	
		Airport obstruction removal - reduced scope	(0.6M)	
		RCF curbside assistance - not used	(0.4M)	
		All other Outside Services	0.5M	
		Utilities (water usage due to increased passengers)		$0.2M
		Other Aviation Divisional expenses		$5.6M
		DMCBP Phase II amortization (frontage fees)	3.2M	
		Litigated & Non-litigated Damages	0.9M	
		International Incentive - new routes	0.6M	
		Inventory reduction (buy down)	0.7M	
		Infrastructure for full employee screening	0.3M	
		All other expenses	(0.1M)	

- Operating Expense Exceptions are forecasted to be higher than budget by $3.1 million due to the following:

Positive Variance - no material variance	Negative Variance - $3.1M unfavorable variance		
	Environmental Remediation Liability		$3.1M
	Lora Lake (lake parcel) cost estimate adj	5.2M	
	RMM projects deferred to future years	(1.3M)	
	Phase 2 - eGSE Electric charging stations		
	Alternate utility facility (emergency backup)		
	Central terminal stairs		
	Budget savings - project accelerated to PY	(0.5M)	
	Tenant Zone 7 ATO		
	RMM adjustments to active projects	(0.3M)	

- Operating Expense charges from Corporate and other divisions are forecasted to be lower than budget by $4.9 million due to the following:

Positive Variance of $4.9M			Decrease - no material amount
Corporate savings		$1.2M	
Office of Strategic Initiatives	0.5M		
HR	0.3M		
All other - Corp	0.4M		
CDD savings		$3.7M	
Aviation PMG	2.8M		
PCS	0.1M		
Engineering	0.8M		

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/16

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	36,678	45,551	44,322	1,230	2.8%	100,462	95,220	5,242	5.5%
Apron Area	6,159	6,088	6,599	(510)	-7.7%	14,291	14,120	171	1.2%
Terminal Rents	76,384	75,640	76,719	(1,079)	-1.4%	155,101	159,593	(4,491)	-2.8%
Federal Inspection Services (FIS)	5,820	5,174	4,930	243	4.9%	10,839	10,836	4	0.0%
Total Rate Base Revenues	**125,041**	**132,453**	**132,569**	**(116)**	**-0.1%**	**280,694**	**279,768**	**926**	**0.3%**
Commercial Area	4,811	4,479	4,662	(183)	-3.9%	9,197	9,306	(109)	-1.2%
Subtotal before Revenue Sharing	**129,852**	**136,932**	**137,231**	**(300)**	**-0.2%**	**289,891**	**289,074**	**817**	**0.3%**
Revenue Sharing	(11,878)	(17,379)	(14,028)	(3,352)	-23.9%	(35,676)	(28,055)	(7,621)	-27.2%
Total Aeronautical Revenues	**117,973**	**119,553**	**123,204**	**(3,651)**	**-3.0%**	**254,215**	**261,019**	**(6,804)**	**-2.6%**
Total Airport Direct Charges	52,547	57,092	60,457	3,365	5.6%	124,908	123,710	(1,197)	-1.0%
Total Exceptions	2,533	30	2,654	2,625	98.9%	6,136	2,675	(3,462)	-129.4%
Total Charges from Other Divisions	16,504	18,951	22,287	3,337	15.0%	41,517	43,964	2,446	5.6%
Total Aeronautical Expenses	**71,583**	**76,073**	**85,399**	**9,326**	**10.9%**	**172,562**	**170,349**	**(2,213)**	**-1.3%**
Net Operating Income	**46,390**	**43,480**	**37,805**	**5,675**	**15.0%**	**81,653**	**90,670**	**(9,017)**	**-9.9%**
Debt Service [(1)]						(91,351)	(91,723)	373	0.4%
Net Cash Flow						**(9,697)**	**(1,053)**	**(8,644)**	**821.0%**

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	Impact on Aero Revenues 'Budget vs Forecast $	%
O&M [(1)]	150,286	168,648	166,776	1,872	1.1%
Debt Service Gross	111,477	120,311	120,668	(357)	-0.3%
Debt Service PFC Offset	(32,454)	(32,859)	(32,583)	(276)	0.8%
Amortization	24,853	28,217	28,338	(121)	-0.4%
Space Vacancy	(3,469)	(2,785)	(2,431)	(354)	14.6%
TSA Operating Grant and Other	(1,099)	(838)	(1,000)	162	-16.2%
Rate Base Revenues	**249,594**	**280,694**	**279,768**	**926**	**0.3%**
Commercial area	9,519	9,197	9,306	(109)	-1.2%
Total Aero Revenues	**259,113**	**289,891**	**289,074**	**817**	**0.3%**

Aeronautical – YTD Budget Variance

- Aeronautical YTD net operating income is $5.7M higher than budget.
  - Aeronautical revenue is $3.7M lower than budget due to higher revenue sharing. YTD Aero revenue includes an accrual for YTD share of forecasted revenue sharing based on higher non-aero revenue.
  - Aeronautical operating expenses are $9.3M lower than YTD budget:
    - Airport Direct Charges - $3.4M lower than budget due to savings in payroll ($1.4M), divisional allocations ($0.5M), General Expenses ($0.2M), Outside Services ($0.2M), and other expenses ($1.1M).
    - Exceptions – $2.6M lower than budget due to timing delays in planned Environmental Remediation Liability projects.
    - Charges from other divisions - $3.3M in savings from Corporate departments.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/16

Aeronautical – Year over Year YTD Changes

- Aeronautical net operating income is $2.9M lower than YTD 2015.
  - Aeronautical revenues are $1.6M higher year over year – higher rate based revenues are offset by higher revenue sharing:
    - Higher rate based revenue ($7.4M) primarily due to cost recovery on new assets placed in service and higher operating expenses to support increased airline activity.
    - Higher revenue sharing ($5.5M) – mostly due to increase in non-aero revenues driven by increased passenger volumes.
  - Aeronautical operating expenses in YTD 2016 are $4.5M higher than YTD 2015:
    - Airport Direct Charges - $4.5M higher than prior year primarily due to higher outside services spending ($2.0M), divisional allocations ($1.5M), payroll ($0.6M), and supplies ($0.2M).
    - Exceptions - $2.5M lower than prior year due to lower Environmental Remediation Liability expense.
    - Charges from other divisions - $2.4M higher than YTD 2015.

Non-Aero 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 %
Non-Aero Revenues									
Rental Cars - Operations	13,756	15,271	13,768	1,503	10.9%	37,072	35,398	1,674	4.7%
Rental Cars - Operating CFC	3,576	3,872	3,787	85	2.2%	12,940	12,767	173	1.4%
Public Parking	30,766	34,166	33,116	1,051	3.2%	69,767	66,847	2,920	4.4%
Ground Transportation	3,974	5,668	4,227	1,441	34.1%	12,618	8,327	4,291	51.5%
Airport Dining & Retail	23,621	26,452	25,753	700	2.7%	54,598	54,429	169	0.3%
Commercial Properties	3,540	4,286	4,757	(471)	-9.9%	15,708	10,251	5,457	53.2%
Non-Airline Terminal Leased Space	207	665	563	103	18.2%	1,201	1,125	76	6.7%
Utilities	3,382	3,571	3,649	(79)	-2.2%	7,348	7,626	(278)	-3.7%
Employee Parking	3,860	4,563	4,001	562	14.1%	8,921	8,249	672	8.1%
Clubs and Lounges	895	1,378	1,431	(53)	-3.7%	2,578	2,578	-	0.0%
Other	822	443	375	69	18.4%	861	723	138	19.1%
Total Non-Aero Revenues	**88,401**	**100,336**	**95,426**	**4,909**	**5.1%**	**223,613**	**208,321**	**15,292**	**7.3%**
Non-Aero Expenses									
Total Airport Direct Charges	22,483	24,842	27,044	2,202	8.1%	56,405	54,853	(1,552)	-2.8%
Total Exceptions	372	4	542	538	99.3%	247	571	324	56.8%
Total Charges from Other Divisions	16,232	17,898	21,447	3,548	16.5%	39,528	42,029	2,501	6.0%
Total Non-Aero Expenses	**39,088**	**42,744**	**49,032**	**6,289**	**12.8%**	**96,180**	**97,454**	**1,274**	**1.3%**
Net Operating Income	**49,313**	**57,592**	**46,394**	**11,198**	24.1%	**127,433**	**110,867**	**16,565**	14.9%
Less: CFC (Surplus) / Deficit	(757)	(430)	(38)	(392)	-1037.3%	(6,219)	(5,146)	(1,073)	-20.9%
Adjusted Non-Aero NOI	**48,556**	**57,162**	**46,356**	**10,806**	**23.3%**	**121,214**	**105,721**	**15,492**	**14.7%**
Debt Service [1]						(44,372)	(43,494)	(878)	-2.0%
Net Cash Flow						**76,842**	**62,227**	**14,615**	**23.5%**

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 $11.2M higher than YTD budget.
  - Non-Aeronautical revenues are $4.9M higher than budget:
    - Strong performance in Rental Cars ($1.6M), Ground Transportation ($1.4M), Public Parking ($1.1M), Airport Dining and Retail ($0.7M), and Employee Parking ($0.6M), offset by lower revenue in Commercial Properties ($0.5M). Lower revenue in Commercial Properties is due to the timing delay in execution of the DMCBP Phase II ground lease. This unfavorable variance will reverse by year-end.

- Non-Aeronautical operating expenses are $6.3M lower than YTD budget:
  - Airport Direct Charges - $2.2M lower than budget due to savings from payroll vacancies ($1.5M), delayed spending on the NERA 3 FAA pilot program grant ($0.8M), and RCF curbside assistance contract not utilized in 2016 ($0.2M), partially offset by increased reserve for Litigated & Non-Litigated damages ($0.9M).
  - Exceptions - $0.5M lower than budget due to planned ERL projects deferred to new year.
  - Charges from other divisions - $3.5M in savings from Corporate departments.

Non-Aero Year over Year YTD Changes

- Non-Aeronautical net operating income is $8.3M higher than YTD 2015.
  - Non-Aeronautical revenues in YTD 2016 are $11.9M higher than YTD 2015 – due to strong performance in Public Parking ($3.4M), Airport Dining & Retail ($2.8M), Rental Cars ($1.8M), Ground Transportation ($1.7M), Commercial Properties ($0.7M), and Employee Parking ($0.7M).
  - Non-Aeronautical operating expenses in YTD 2016 are $3.7M higher than YTD 2015:
    - Airport Direct Charges - $2.4M higher than prior year due to higher payroll costs ($1.8M) and Utilities ($0.6M).
    - Exceptions - $0.4M lower ERL costs in YTD 2016 primarily due to ERL costs for Delta buildout in prior year.
    - Charges from other divisions - $1.7M higher than YTD 2015.

D. CAPITAL SPENDING RESULTS

Capital Variance

$ in 000's **Description**	**2016 YTD Actual**	**2016 Forecast**	**2016 Budget**	**Budget Variance $**	**%**
International Arrivals Fac-IAF (1)	14,693	41,527	57,612	16,085	27.9%
NS NSAT Renov NSTS Lobbies (2)	8,385	27,364	43,200	15,836	36.7%
Interim Baggage System Program (3)	1,256	5,256	10,000	4,744	47.4%
B2 Expansion for DL Club (4)	408	5,908	9,000	3,092	34.4%
Checked Bag Recap/Optimization (5)	1,921	5,421	8,257	2,836	34.3%
RW16C-34C Design and Reconst	7,057	9,057	11,755	2,698	23.0%
GSE Electrical Chrg Stations	199	4,199	5,100	901	17.7%
Construction Logistics Expansion	2,812	6,202	6,865	663	9.7%
All Other	16,706	68,510	93,452	24,942	26.7%
Total Spending	**53,437**	**173,444**	**245,241**	**71,797**	**29.3%**

(1) Spending deferred from 2016 to 2017. Design Builder revised projections for General Conditions to a less aggressive ramp up.

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

(3) Delays in spending due to irregular bid and contract execution issues with CPO.

(4) Modifications to reimbursement approval caused a delay in reimbursements to Delta.

(5) Returned to Commission to increase Service Agreement, which resulted in delayed spending.

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/16

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	49,714	49,314	400	1%	2,465	5%
Security Grants	0	0	0	0	NA	0	NA
Total Revenues	**47,249**	**49,714**	**49,314**	**400**	**1%**	**2,465**	**5%**
Total Operating Expenses	**33,424**	**42,569**	**42,469**	**(100)**	**0%**	**9,145**	**27%**
Net Operating Income	**13,825**	**7,145**	**6,845**	**300**	**4%**	**(6,680)**	**-48%**
Capital Expenditures	**6,252**	**11,633**	**15,660**	**4,027**	**26%**	**5,381**	**86%**

- Total Maritime Revenues were ($170K) unfavorable to budget through Q2 2016. A $426K favorable variance in Fishing & Operations primarily from improved utilization of Dockage, Berthage, and Moorage was offset by ($649K) unfavorable Q1/Q2 grain volumes and rates. We are seeing grain volumes and rates pick up in Q3. Total Revenues are forecast to exceed budget in 2016 by $400K.
- Total Operating Expenses were $2,360K favorable to budget through Q2 2016 primarily due to timing of divisional expenses and lower than budgeted corporate allocated expenses. Expenses are forecasted to be ($100K) unfavorable to budget from unexpected stormwater permit management issues and mitigation costs related to the P66 cruise terminal build out, offset by favorable corporate expenses.
- Net Operating Income before Depreciation was $2,191K favorable to budget YTD, and forecast to be $300K favorable.
- Capital Expenses forecast in 2016 at $11.6M, 74% 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	(2,186)	(1,563)	(2,433)	870	-36%	623	-28%
Recreational Boating	892	748	168	580	346%	(144)	-16%
Cruise	2,324	2,223	1,985	238	12%	(101)	-4%
Bulk	2,174	1,442	1,987	(545)	27%	(732)	-34%
Maritime Portfolio	2,780	450	(443)	893	202%	(2,330)	84%
All Other	(258)	(48)	(202)	154	NA	210	81%
Total Maritime	**5,725**	**3,252**	**1,061**	**2,191**	**206%**	**(2,473)**	**-43%**

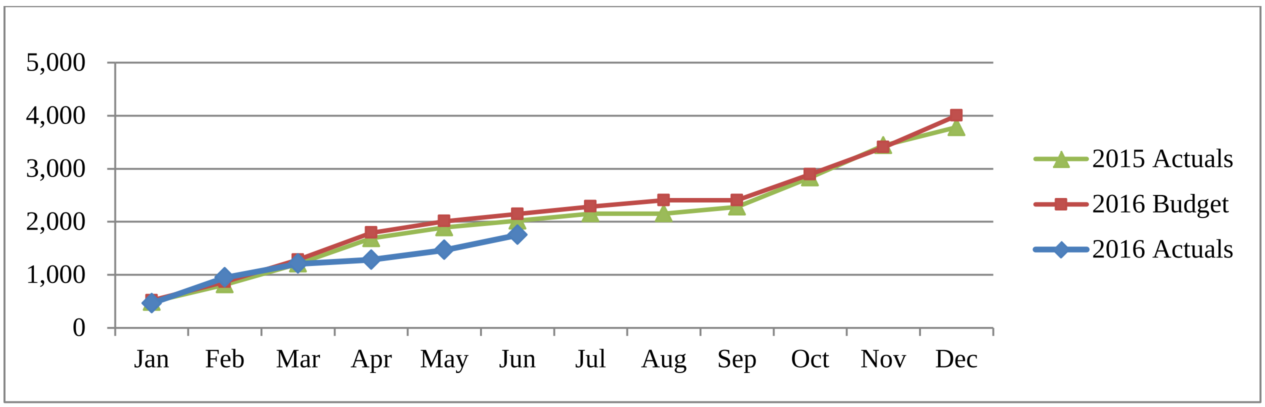
III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/16

A. BUSINESS EVENTS

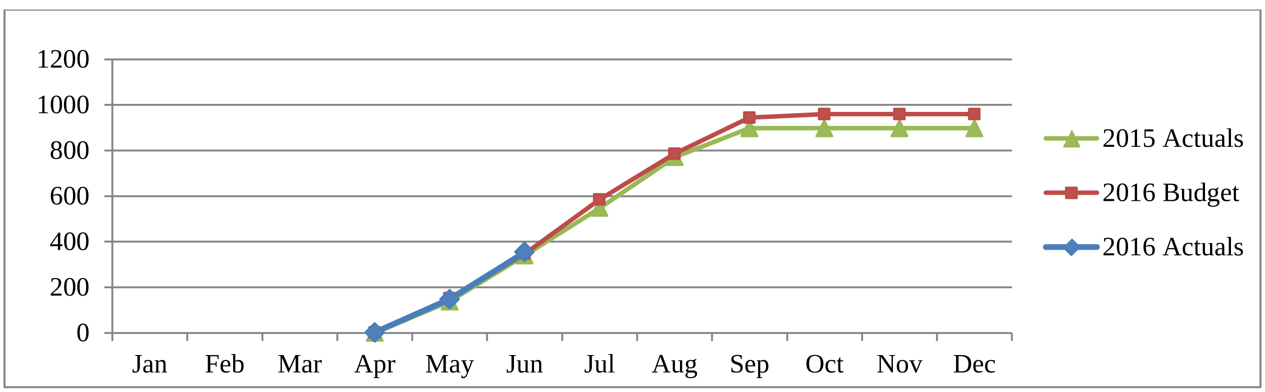
- Stormwater Utility negotiations with the City of Seattle completed.
- Grain volume of 1,749K metric tons, 13% below 2015 and 18% below 2016 budget. Volumes to pick up in July.
- Successfully hosted Clipper Round the World event at Bell Harbor Marina in April.
- First ever Marina 101 Tour held on May 13th at Shilshole Bay Marina in conjunction with Maritime Fest.
- Created sail event with Schooner Adventures June 10th to emphasize common goals of protecting the environment and promoting maritime jobs & education.
- Successful start of the 2016 cruise season with the addition of the larger vessel at Terminal 91.
- Cruise line of business promoted economic vitality to the region by:
  - Presenting at the Norwegian Cruise Line Familiarization Weekend.
  - Running a booth at CLIA Cruise 360.
  - Serving on selection committee for the Tourism Cooperative Program.
- Barge moorage at North End of Harbor Island, T25 South, T108, and T107 Kellogg Island continue to be fully utilized. Pier 34 dolphins is seeing light spot demand for moorage though we are seeing added spot moorage at T91 to support repair and maintenance.

B. KEY INDICATORS

Grain Volume – Metric Tons in 000's



Cruise Passengers in 000's



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	21,407	22,027	22,196	(170)	-1%	49,714	49,314	400	1%
Security Grants	0	0	0	0	NA	0	0	0	NA
Total Revenues	**21,407**	**22,027**	**22,196**	**(170)**	**-1%**	**49,714**	**49,314**	**400**	**1%**
Maritime Expenses (excl Maint)	4,340	4,993	5,249	255	5%	11,724	11,382	(342)	-3%
Maintenance Expenses	4,276	4,716	5,418	702	13%	10,576	10,576	0	0%
P69 Facilities Expenses	74	134	149	15	10%	294	294	0	0%
Other ED Expenses	1,521	1,710	1,973	263	13%	3,819	3,819	0	0%
Environmental & Sustainability	481	303	610	307	50%	1,430	1,430	0	0%
CDD Expenses	699	522	486	(36)	-7%	1,029	1,029	0	0%
Police Expenses	1,339	1,925	2,007	82	4%	4,023	4,023	0	0%
Corporate Expenses	2,693	4,423	5,040	618	12%	9,471	9,713	242	2%
Envir Remed Liability	258	48	202	154	76%	202	202	0	0%
Total Expenses	**15,682**	**18,775**	**21,135**	**2,360**	**11%**	**42,569**	**42,469**	**(100)**	**0%**
NOI Before Depreciation	**5,725**	**3,252**	**1,061**	**2,191**	**206%**	**7,145**	**6,845**	**300**	**4%**
Depreciation	8,466	8,655	8,593	(62)	-1%	17,139	17,139	0	0%
NOI After Depreciation	**(2,741)**	**(5,403)**	**(7,532)**	**2,129**	**-28%**	**(9,994)**	**(10,294)**	**300**	**3%**

Maritime Division Revenues were ($170K) unfavorable to budget. Key variances are as follows:

- **Fishing & Operations – favorable $427K**
  - $258K favorable to budget for Dockage, Berthage & Moorage due to greater occupancy, $71K favorable for Wharfage & $55K Utility revenue mainly due to sale of electricity.
  - $43K favorable to budget due to Recreational Boating which is offset by ($28K) unfavorable due to Fishing & Commercial.
- **Recreational Boating – unfavorable ($95K)**
  - Shilshole Bay Marina ($90K) unfavorable due to shortfall in moorage and utility revenues.
  - Bell Harbor Marina $2K favorable from higher guest moorage than budgeted.
  - Harbor Island Marina ($7K) unfavorable.
- **Bulk – unfavorable ($649K)**
  - Lower than budgeted grain volume in first half of 2016 driving a rate based adjustment. Volumes and revenue forecasted to pick up in second half of 2016 and meet budget.
- **Maritime Portfolio Management – favorable $120K**
  - FT Office & Retail - $52K favorable to budget with $45K from higher Concession Rents.
  - MIC Office & Retail - $4K favorable to budget.
  - SBM Office & Retail - $27K favorable from $25K prepayment.

Total Maritime Division Expenses were $2,360K favorable to budget. Key variances are as follows:

- **Maritime Expenses (Excluding Maintenance)** were $255K favorable to budget. Major variances were as follows:
  - **Salaries & Benefits** were $162K favorable due to open positions in Fishing & Operations.
  - **Equipment (**$12K) favorable due to timing of furniture purchase for cruise at T91 and rec boating at SBM.

- **Outside Services** were $149K favorable due to variances associated with the Terminal 91 Maintenance Dredging project.
- **Maintenance Expenses** were $702K favorable to budget from unfilled positions and underspend in wages and benefits.
- **Corporate Expenses** were $618K favorable to budget.
- **Other Economic Development Expenses** $263K favorable due to lighter than expected outside services.

2016 Full Year Forecast

Revenue $400K Favorable – Higher than budgeted revenue in moorage and dockage.

Expenses Unfavorable by $100K – 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 ($2,473K) – Higher revenue offset by higher expenses from change in allocation process.

Revenue increased by $620K - Revenue from the Grain terminal decreased ($436K). Fishing & Operations revenue increased $579K from better moorage utilization and rate increases. Recreational Boating increased $294K from rate increases. Maritime Portfolio Management increased $133K from rent and utilities at SBM, T91, and FT.

Expenses, direct and allocated, increased by ($3,092K) - Variance driven by a ($2,308K) in Corp allocations and Police ($310K) from change in methodology with the creation of the NWSA. Maritime expenses ($924K) 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 [1]	508	2,101	3,772	1,671	44%
Contingency Renewal & Replace.	0	2,000	2,000	0	0%
T91 Substation Upgrades	1,223	1,533	1,381	(152)	-11%
Cruise Terminal Tenant Improv [2]	2	2,002	1,350	(652)	-48%
Maritime Fleet Replacement	529	1,550	1,623	73	4%
SBM Restrms/Service Bldgs Rep [3]	98	373	1,017	644	63%
C15 Building Tunnel Improvmnt [4]	0	0	700	700	100%
P91 South End Fender [5]	21	191	655	464	71%
Maint N Office Site Improvement [6]	0	0	500	500	100%
Marina Mgt Sys Replacement	0	450	450	0	0%
All Other	716	1,433	2,212	779	35%
Total Maritime	3,097	11,633	15,660	4,027	26%

Comments on Key Projects:

For Q2 2016, Maritime spent 20% of the annual approved budget. Full year estimate is expected to be 74% of the annual approved budget.

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/16

Projects with significant changes in spending were:

1. **Small Projects**: multiple project spending moves to next year such as T91 Portable Paint & Oil Containment Units, T91 Sewer Lift Station #7 replacement, C15 2nd Flr N Face Window replacement; and FT lighting upgrade moves start date to Q4.
2. **Cruise Terminal Tenant Improvement**: higher spending expected for construction by NCL contractor this year.
3. **Shilshole Bay Marina Restroom and Services Building Replacement**: scope and design are under review and delay in spending.
4. **C15 Building Tunnel Improvement**: project delayed until next year
5. **Pier 91 South End Fender:** project is delayed in design although construction is expected to be on schedule in 2017.
6. **Maintenance North Office Site Improvement:** project delayed until 2017.
7. **All Other:** P66 Fall project delayed and contractor rebate for FT C15 HVAC improvement project.

FINANCIAL SUMMARY

$ in 000's	2015 Actual	2016 Forecast	2016 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2015 $	%
Revenues:							
Operating Revenue	18,164	14,991	13,745	1,246	9%	(3,173)	-17%
Total Revenues	**18,164**	**14,991**	**13,745**	**1,246**	**9%**	**(3,173)**	**-17%**
Total Operating Expenses	**19,206**	**23,437**	**23,447**	**10**	**0%**	**4,231**	**22%**
Net Operating Income	**(1,042)**	**(8,446)**	**(9,702)**	**1,256**	**13%**	**(7,404)**	**-711%**
Capital Expenditures	**2,098**	**5,182**	**8,751**	**3,569**	**41%**	**3,084**	**147%**

- Total Economic Development Division (EDD) revenues were $1,217K or about 17% favorable to budget through the second quarter primarily due to stronger sales activities at Conference and Event Centers than budgeted. For the full year, revenue is expected to be $1,246K favorable to budget also primarily due to favorable Conference and Event Centers' revenue.
- Total Operating Expenses were $2,036K or 17% favorable through the second quarter due to lower spending than budgeted across all groups except for unfavorable variances for Conference and Event Center and CDD Expenses. For the full year, EDD is forecasting Operating Expenses to be $10K favorable to budget due to projected lower spending in most areas which is offset by higher activity at the Conference and Events Center.
- Net Operating Income year-to-date for 2016 was $3,253K favorable to budget and $740K above 2015 Actual primarily due to higher divisional and corporate allocations. For the full year, EDD is forecasting Net Operating Income of $1,256K favorable to budget.
- At the end of the second quarter, capital spending for full year 2016 is forecasted to be $5.2 million or 59% of the approved budget of $8.8 million.

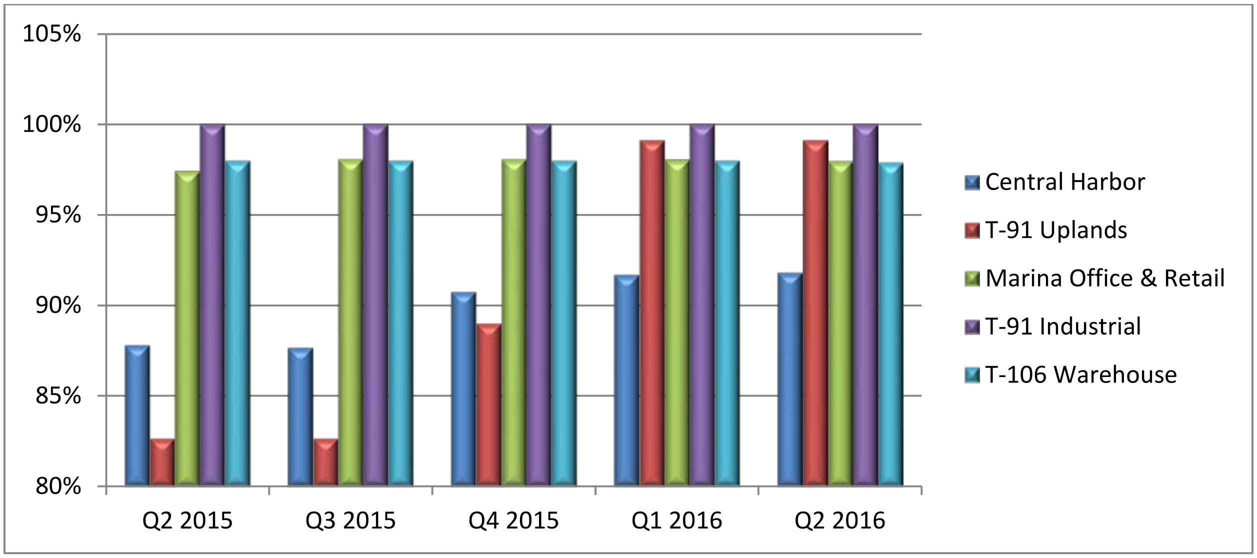
A. BUSINESS EVENTS

- Economic Development Partnership Program providing cities in King County up to $65K to advance local economic development approved by Commission in June.
- Completed the first tourism grant program and awarded almost $100,000 to 13 recipients throughout the state.
- Celebrated Victoria Clipper's 30th Anniversary with a commission proclamation and presentation. Clipper has sailed from Pier 69 since 1986 and has been a tenant of the Port for nearly 30 years.
- Real Estate Strategic Plan is ongoing and receiving positive feedback.
- Overall occupancy of buildings managed by Portfolio Management was at 97% at the end of the second quarter of 2016, above the 90% target for 2016. Portfolio Management's occupancy is above the average of 93% 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.

[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	(206)	(776)	(1,613)	837	52%	(570)	-277%
Conference & Event Centers	330	643	(309)	953	308%	313	-95%
Eastside Rail	(143)	(135)	(118)	(17)	-14%	7	5%
RE Dev & Planning	(326)	(751)	(1,457)	706	48%	(424)	-130%
Tourism	(384)	(432)	(680)	248	36%	(48)	-12%
Workforce Dev	(146)	(177)	(710)	533	75%	(31)	-21%
Env Grants/Remed Liab/FTZ	(0)	12	19	(7)	-36%	12	-11664%
Total Econ Dev	**(875)**	**(1,615)**	**(4,868)**	**3,253**	**67%**	**(740)**	**-85%**

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	3,776	3,819	3,659	160	4%	7,639	7,449	190	3%
Conf & Event Ctr Revenue	4,453	4,518	3,462	1,057	31%	7,352	6,296	1,057	17%
Total Revenue	**8,229**	**8,338**	**7,120**	**1,217**	**17%**	**14,991**	**13,745**	**1,246**	**9%**
Central Harbor	1,145	1,104	1,373	269	20%	2,721	2,746	25	1%
Conf & Event Centers	3,823	3,665	3,420	(245)	-7%	6,952	6,439	(513)	-8%
Eastside Rail Corridor	13	8	72	64	90%	24	144	120	83%
P69 Facilities Expenses	19	81	90	9	10%	177	177	0	0%
Small Business	157	9	61	52	85%	120	120	0	0%
Workforce Development	0	150	668	518	78%	1,421	1,558	138	9%
Tourism	377	420	671	251	37%	1,082	1,174	92	8%
EconDev Expenses Other	715	1,047	1,339	292	22%	2,800	2,800	0	0%
Maintenance Expenses	1,477	1,253	1,670	418	25%	3,153	3,153	0	0%
Maritime Expenses (Excl Maint)	6	14	14	(1)	-4%	28	28	(0)	0%
Environmental & Sustainability	116	9	56	47	84%	140	126	(14)	-11%
CDD Expenses	59	153	105	(48)	-46%	182	248	66	27%
Police Expenses	221	81	84	4	4%	169	169	0	0%
Corporate Expenses	977	1,959	2,366	407	17%	4,469	4,565	96	2%
Envir Remed Liability	0	0	0	(0)	NA	0	0	0	NA
Total Expense	**9,103**	**9,952**	**11,989**	**2,036**	**17%**	**23,437**	**23,447**	**10**	**0%**
NOI Before Depreciation	**(875)**	**(1,615)**	**(4,868)**	**3,253**	**67%**	**(8,446)**	**(9,702)**	**1,256**	**13%**
Depreciation	1,678	1,881	1,720	(161)	-9%	3,461	3,461	0	0%
NOI After Depreciation	**(2,553)**	**(3,496)**	**(6,589)**	**3,093**	**47%**	**(11,907)**	**(13,163)**	**1,256**	**10%**

Total Economic Development Division Revenue was $1,217K favorable to budget. Key variances:

- **Portfolio Management $1,218K favorable**
- **Conference & Event Centers** were $1,057K favorable due to strong sales activities at Bell Harbor International Conference Center (BHICC) for the effort of utilizing not yet restricted spaces by the pending Cruise Terminal expansion project, high sponsorship sales at World Trade Center Seattle (WTC-S) resulting from the positive guest favorability for the facility and services, and partially the new program at Smith Cove Center (SCCT) in Q1.
- **Real Estate Development & Planning** was $97K favorable primarily due to: an unbudgeted $29K payment in January from King County Wastewater Treatment for space rental at T-91 Uplands, full occupancy at T-91 uplands as a result of lease to FiSC LLC for C-155, and $44K in unbudgeted revenues from Carter Motors.[2]
- **Central Harbor Management Group** was $69K favorable mainly due to an unbudgeted rate increase at the Bell Street Garage $40K and higher than anticipated occupancy at T-102 Marina Corporate Center $39K. The favorable variance was offset by a loss of revenue for Bell Street Retail leases ($13K) due to vacancies associated with upcoming Cruise Terminal construction.

Total Economic Development Expenses were $2,036K favorable to budget. Key variances:

- **Central Harbor** were $269K favorable due to: lower outside services $145K ($82K uncompleted tenant improvements, $42K broker fees, and $24K space planning), $38K in lower management expenses for WTC West, $65K lower than budgeted salaries & benefits (due to higher charges to Eastside Rail & T-91 Uplands), and $20K in favorable utility expenses (surface water and sewer).
- **Conference & Event Centers** were ($245K) unfavorable mainly due the higher operating expenses and management fee related to the higher sales activities.

[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.

- **Workforce Development** was $518K favorable due to timing of spending for Workforce Development programs.
- **Tourism** was $251K 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 $292K. Major account variances were as follows:
  - **RE Development & Planning** was $531K favorable due to $275K Opportunity Fund, $116K timing of expenses for strategic planning consultant services, $100K in salaries and benefits due to unfilled positions, and $47K of misbudgeted membership dues for the King County Economic Development Council (offset by expenditure from RE Div. Admin).
  - **RE Division Management** was $121K unfavorable due to Tourism grants charged to ED Admin Contingency, Sponsorship expense for the Good Business Network, and misbudgeted membership dues for the Economic Development Council of King County.
  - **Divisional Allocations** were $121K unfavorable to Central Harbor, Development & Planning, and Conference & Events Center.
- **Maintenance** expenses were $418K favorable due to later start than expected on planned maintenance work at virtually all facilities.
- **Corporate** costs, direct and allocated, were favorable $407K primarily due to lower than anticipated direct charges and allocations from Central Procurement $201K, Public Affairs $75K, Accounting & Financial Reporting $45K, and Office of Strategic Initiatives $44K.
- All other variances net to a favorable variance of $127K.

NOI before Depreciation was $3,253K favorable to budget.

- Depreciation was ($161K) or 9% unfavorable to budget.

NOI after Depreciation was $3,093K favorable to budget.

2016 Full Year Forecast

As of the end of the 2nd Quarter 2016, the Economic Development Division anticipates ending the year $1,256K favorable to budget for Net Operating Income (NOI) Before Depreciation. The variance reflects above budget revenue of $1,246K and favorable expense variance of $10K.

Revenue is forecasted to be $1,246K favorable due to higher revenue for the Conference & Event Centers $1,057K during the first half of the year primarily due to stronger sales than budgeted at Bell Harbor International Conference & Event Center for the effort of utilizing not yet restricted spaces by the pending Cruise Terminal expansion project.

The favorable expense variance of $10K is primarily due to projected favorable variances in most areas which are offset by an unfavorable variance for Conference & Event Centers.

Change from 2015 YTD Actual

Net Operating Income before Depreciation decreased by $740K between 2016 and 2015 as a result of higher revenue $109K and higher expenses ($849K) primarily due to higher corporate and divisional allocations.

Revenues increased by $109K due to higher revenue from Conference & Events Center $65K, Central Harbor $26K, and FTZ $15K.

Expenses increased by $849K. Conference and Event Center Expenses had a net decrease of ($158K). Eastside Rail expenses decreased ($5K). Maintenance expenses decreased ($224K) primarily due to lower charges to Conference and Event Centers. CDD expenses increased $93K due to higher charges from Engineering, Port Construction Services and Seaport Project Management. Corporate expenses increased $982K mainly due to higher percentage of Corporate Costs being charged to Economic Development Division since the creation of Northwest Seaport Alliance.

CONTRIBUTIONS TO OTHER DIVISIONS

$ 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 %
Revenues:							
Airport Dining & Retail	23,621	25,952	25,329	624	2%	2,332	10%
Airport Properties	3,748	4,962	5,320	(358)	-7%	1,214	32%
Business Development	1,529	2,072	2,043	29	1%	542	35%
Business Development & Mgmt	28,898	32,986	32,691	295	1%	4,088	14%
Maritime Industrial	3,022	3,075	3,038	37	1%	54	2%
Marina Office & Retail	1,944	2,024	1,941	83	4%	80	4%
Maritime Portfolio Management	4,966	5,100	4,979	120	2%	134	3%
Total Revenues to Other Divisions	33,864	38,086	37,671	415	1%	4,221	12%
Expenses to Other Divisions							
Business Development & Mgmt	3,279	3,787	5,257	1,471	28%	507	15%
Maritime Portfolio Mgmt	1,182	1,394	1,714	320	19%	212	18%
Total Expenses to Other Divisions	4,462	5,180	6,971	1,791	26%	719	16%

D. CAPITAL SPENDING RESULTS

$ in 000's	2016 YTD Actual	2016 Forecast	2016 Budget	Budget Variance $	Budget Variance %
T102 Bldg Roof HVAC Replacemt	211	1,961	2,850	889	31%
P66 Elevator 2,3,4 Upgrades	24	174	1,440	1,266	88%
Tenant Improvements -Capital	80	300	1,178	878	75%
P69 Roof Beam Rehabilitation	426	950	950	0	0%
RE: Contingency Renew.&Replace	0	500	500	0	0%
Small Projects	231	722	585	(137)	-23%
RE BHICC Roof Fall Protection	0	25	409	384	94%
All Others	69	575	839	264	31%
Total Economic Development	1,041	5,182	8,751	3,569	41%

Comments on Key Projects:

Through the 2nd quarter of 2016, Economic Development spent 12% of the annual approved capital budget. Full year spending is estimated to be 59% of budget.

Projects with significant changes in spending were:

- **T102 Bldg. Roof HVAC Replacement:** potential construction extension based on current contractor performance.
- **P66 Elevator 2, 3, 4 Upgrades:** budget variance due to modernizations for elevators 3 and 4 have been postponed until after the NCL cruise terminal work is completed.
- **Tenant Improvements – Capital:** reimbursement of $797K to Anthony's for Boiler system was recorded in Non-Ops. Boiler System was originally recorded as a Donated Asset in 2014.
- **Small Projects:** budget variance is due to addition of P69 Exterior Security lighting and move forward with the higher bids related to World Trade Center West projects including VAV Controller Upgrade and Roof Deck Replacement.
- **RE BHICC Roof Fall Protection:** project is delayed for consideration.

V. CORPORATE FINANCIAL & PERFORMANCE REPORT 06/30/16

A. BUSINESS EVENTS

- Coordinated eight minority community outreach meetings for the CEO to discuss issues and contracting opportunities with the Port.
- Developed and executed the Centers of Expertise for the Port.
- Implemented GovDelivery to provide digital communications via e-mail.
- Continued to provide ongoing support and proactively work through accounting/financial reporting set-up and scenarios for the Northwest Seaport Alliance (NWSA).
- Recovered or collected $281K on all damages owed to the Port from damage caused by liable third parties.
- Continued to receive plan design input from employees and Commissioners for the Incentive Pay Plan.
- Implemented new goal from Commissioners to significantly increase the number of intern opportunities at the Port in 2016.
- Held Port leader development conference, “Be the Change”.
- Prepared, negotiated and implemented collective bargaining agreements and provided consultation on administration of collective bargaining agreements to Port divisions and oversight committees.
- Continued to provide strong financial management while delivering new technology solutions that fulfill business needs and enhance business processes, efficiently and effectively.
- Continued to implement standards and best practices for network, systems, and information security.
- The Port achieved a clean, unqualified independent Certified Public Accountant (CPA) audit opinion on the Port’s 2015 financial statements from the Certified Public Accounting (CPA) firm, Moss Adams.
- Completed the Cat III competitive selection process for a finance team to provide on-going information for the Port’s debt management program and to participate in individual debt transactions through a negotiated sale process.
- Presented the First Reading and Second Reading and Final Passage of Bond Resolutions 3721 and 3722 to the Port Commission.
- Port of Seattle grant application for NWSA Freight Intelligent Transportation System (ITS) project was successful in regional grant process, to be affirmed in elected official boards’ process this summer.
- Completed all the financial reporting changes for the Phase II Re-org.
- Received the 2016 Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) of the United States and Canada for 9 consecutive years.
- Continued working with TSA and other Port of Seattle partners to reduce increasing screening checkpoint times as well as the threat created by long public dwell times in the airports unsecured common areas.
- Continued to coordinate with SDOT and the Seattle Police Department to address significant truck traffic in key choke points in vicinity of Pier 46.
- Contributed to regional transportation partner investments with 2nd contribution to the State’s Alaskan Way Viaduct Replacement Program, 2nd and final contribution to King County’s South Park Bridge.
- Completed Runway closures for reconstruction ahead of schedule.
- Completed design and preparation of Terminal 5 Modernization project civil/structural permitting documents to the City of Seattle.
- Replaced the Parking Revenue Control System which will improve scalability and flexibility in introducing new parking programs and increase security.
- Implemented a new PeopleSoft Performance Management System that supports the Port’s new PerformanceLink process for performance management, which includes employee performance goals and quarterly progress documentation.
- Continued to expand the Satellite Transit System (STS) Train to the South Loop and Shuttle train stations to display the location of the trains and a countdown time of arrival.
- Developed digital capital projects map.

V. CORPORATE FINANCIAL & PERFORMANCE REPORT 06/30/16

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	10 classes, 84 attendees	8 classes, 50 attendees
2. Employee Development Class Attendees/Structured Learning	129	425, decreased by 296
3. Required Safety Training	46%	79%, decreased by 33%
4. Request of information and guidelines for integrity & business conduct	118	114, increased by 4
5. Occupational Injury Rate	5.05	4.26
6. Total Lost work days	305 days; 1.05 LWCIR	374 days; 1.42 LWCIR
C. Manage Our Finances Responsibly		
1. Corporate costs as a % of Total Operating Expenses	34.5%	32.8%
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%	96%
5. Investment Portfolio Yield	1.14%	0.79%
6. Litigation and Claim Reserves (in $ thousand)	$1.9	$2.8
D. Exceed Customer Expectations		
1. Respond to Public Disclosure Requests	225	220, increased by 5
2. Information and Communication Technology System Availability	99.7%	99.4%
3. IT Network Availability	99.9.%	99.9%
4. Service Desk % First Call Resolution	40%	42%
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	48	90
2. Number of Jobs Openings	214	181
3. Percent of annual audit work plan completed each year	20%	28%

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	**113**	**75**	**285**	**(210)**	**-73.7%**	**570**	**570**	**-**	**0.0%**
Executive	954	1,019	1,000	(19)	-1.9%	1,589	1,569	(20)	-1.3%
Commission	680	723	852	129	15.1%	1,540	1,635	95	5.8%
Legal	1,648	1,510	1,627	116	7.2%	3,116	3,219	103	3.2%
Public Affairs	2,061	2,795	3,234	440	13.6%	6,463	6,447	(15)	-0.2%
Human Resources & Development	3,008	3,294	3,686	392	10.6%	7,211	7,634	422	5.5%
Labor Relations	433	568	574	6	1.1%	1,131	1,126	(5)	-0.4%
Internal Audit	614	673	840	167	19.9%	1,603	1,620	17	1.0%
Office of Strategic Initiatives	1,374	2,235	6,778	4,543	67.0%	8,459	9,059	600	6.6%
Police	10,924	11,312	11,767	455	3.9%	23,568	23,587	19	0.1%
Contingency	417	126	250	124	49.7%	400	500	100	20.0%
Capital Development				-	0.0%			-	0.0%
Engineering	1,642	2,227	1,940	(287)	-14.8%	4,901	5,913	1,012	17.1%
Port Construction Services	1,395	1,182	1,441	259	17.9%	2,747	2,862	115	4.0%
Aviation PMG	674	560	2,389	1,829	76.6%	1,695	4,543	2,848	62.7%
Seaport PMG	229	566	405	(161)	-39.7%	893	789	(104)	-13.2%
Capital Development Admin	196	212	213	1	0.7%	431	430	(1)	-0.2%
Sub-Total	4,138	4,747	6,388	1,641	25.7%	10,668	14,538	3,870	26.6%
Finance									
Accounting & Financial Reporting	3,272	3,364	3,773	409	10.8%	7,270	7,570	300	4.0%
Information & Communication Technology	9,134	10,228	9,677	(551)	-5.7%	21,127	21,127	-	0.0%
Finance & Budget	2,194	2,378	2,452	74	3.0%	4,898	4,933	35	0.7%
Business Intelligence	-	416	470	54	11.5%	1,077	917	(160)	-17.5%
Risk Services	1,536	1,619	1,722	103	6.0%	3,446	3,449	3	0.1%
Sub-Total	16,135	18,006	18,095	89	0.5%	37,818	37,995	177	0.5%
Security and Preparedness									
Emergency Management	172	167	195	28	14.4%	358	393	35	8.9%
ICT Information Security	381	405	459	54	11.8%	927	927	-	0.0%
Maritime Security	73	75	77	2	2.0%	161	161	-	0.0%
Sub-Total	625	647	731	84	11.5%	1,445	1,480	35	2.4%
Environment & Sustainability									
Aviation Environmental & Planning	3,224	2,470	4,529	2,059	45.5%	7,925	10,064	2,139	21.3%
Maritime Environmental & Planning	1,392	484	1,101	617	56.1%	2,871	2,587	(284)	-11.0%
Noise Programs	252	348	441	93	21.1%	821	891	70	7.9%
Environment & Sustainability	-	1	-	(1)	0.0%	1	-	(1)	0.0%
Sub-Total	4,868	3,303	6,072	2,769	45.6%	11,619	13,542	1,924	14.2%
Total Expenses	**47,878**	**50,957**	**61,893**	**10,936**	**17.7%**	**116,629**	**123,951**	**7,322**	**5.9%**

Corporate revenues were $210K unfavorable compared to budget due to lower operating grants.

Corporate expenses for the first six months of 2016 were $51.0M, $10.9M or 17.7% favorable compared to budget and $3.1M or 6.4% higher than the same period a year ago. The $10.9M favorable variance is due primarily to cost savings in vacant positions, delay hiring and timing of spending.

All corporate departments have a favorable variance except for:

- **Executive –** unfavorable variance of $19K is due to contribution to the pension plan for the retirement of the International Business Protocol Liaison.
- **Engineering** – unfavorable variance of $287K is due to charging less to capital projects than originally anticipated due to delayed projects.
- **Seaport Project Management** – unfavorable variance of $161K is due to charging less to capital projects than originally anticipated due to delayed projects.
- **Information & Communication Technology** – unfavorable variance of $551K is due to timing of spending which should be resolved by the end of the year.

V. CORPORATE FINANCIAL & PERFORMANCE REPORT 06/30/16

Year-end spending is projected to be $7.3M under budget due primarily to:

- **Executive –** unfavorable variance is due to contribution to the pension plan for the retirement of the International Business Protocol Liaison.
- **Commission** – savings due to a vacant position.
- **Legal** – savings in Outside Legal and a vacant position.
- **Public Affairs** – unfavorable variance is due to unbudgeted positions.
- **Human Resources and Development** – savings due to vacant positions, Travel Expenses and Tuition Reimbursement.
- **Labor Relations** – unfavorable variance is due to remodel of office space.
- **Internal Audit** – savings due to vacant positions.
- **Office of Strategic Initiative –** savings in Salaries and Benefits and Outside Services for consulting services for Honsha **–** LEAN.
- **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, Travel and General Expenses.
- **Information & Communication Technology** – anticipate being on budget.
- **Finance & Budget –** savings due to a vacant position.
- **Business Intelligence** – unfavorable variance due to 2 new unbudgeted business analyst positions.
- **Risk Services** – savings due to lower Insurance Broker Fees.
- **Security and Preparedness** – savings in Telecommunications, Travel and Supplies and Stock Expenses.
- **Environment & Sustainability** – savings in Outside Services, primarily SAMP.

D. CAPITAL SPENDING RESULTS

$ in 000's	2016 YTD Actual	2016 Forecast	2016 Budget	Budget Variance $	Budget Variance %
Infrastructure - Small Cap	837	1,836	1,836	0	0.0%
Service Tech - Small Cap	71	1,132	1,500	368	24.5%
Constr Doc Mgmt Sys Repl.	15	538	538	0	0.0%
Maximo Upgrade	257	913	991	78	7.9%
PMIS Replacement	0	200	500	300	60.0%
Remote Data Ctr Bus Continuity	22	720	1,200	480	40.0%
PeopleSoft BU Configuration	0	0	1,400	1,400	100.0%
Capital Dev Fleet Replacement	206	686	815	129	15.8%
All Other (note 1)	563	2,498	2,946	448	15.2%
TOTAL	1,971	8,523	11,726	3,203	27.3%

Note:

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