

Port of Seattle Q2 2016 Financial Performance Report

Commission Meeting

August 23, 2016

Portwide Operating Income Summary

\$ in 000's	2015 YTD Actual	2016 Year-to-Date		Fav (UnFav) Budget Variance		Yea-End Projection		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
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%

- Excluding Aeronautical revenues, other operating revenues were \$161.7M, \$9.4M, or 6.2%, higher than budget; and we are anticipating \$17.4M above budget for the full year.
- Total Operating Expenses were \$147.9M, \$20.7M below budget; and we are forecasting an unfavorable budget variance of \$699K for the full year.
- NOI before Depreciation was \$131.5M, 26.5M over budget, for the first half of the year.

NOI before Depreciation forecasted to be \$9.8M or 4.0% above budget

Capital Summary by Division

\$ in 000's	2016 YTD	2016	2016	Budget Variance	
	Actual	Forecast	Budget	\$	%
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.

Forecasted to spend \$199.3M or 70.7% of the capital budget

Aviation Division Q2 2016 Financial Performance Report

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Aviation Business Highlights

- **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.
- **New air service:** Volaris Airlines initiated service to Guadalajara, Mexico
- **New cargo services:**
 - DHL moved operations from Boeing Field to Sea-Tac
 - Lufthansa Cargo
 - 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

Progress on major initiatives

Airport Activity

	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%

YTD Passenger Growth

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

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.

Increase in enplanements driven by Delta and Alaska

Aviation 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	(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%

2016 NOI forecast to be \$20.5M higher than 2015

Aviation Capital Summary

\$ in 000's Description	2016	2016	2016	Budget Variance	
	YTD Actual	Forecast	Budget	\$	%
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.

2016 spending is projected to be 70% of budget

Maritime Division Q2 2016 Financial Performance Report

Commission Meeting

August 23, 2016

Maritime Business Highlights

- Fishermen's Terminal Long Range Strategic Plan finalized and moving to implementation
- Stormwater Utility negotiations with the City of Seattle completed – New line of business for Maritime division
- Successfully hosted Clipper Round the World at Bell Harbor Marina providing worldwide showcasing of our harbor & city
- Cruise line of business promoting economic vitality to the region and working with EDD on the Tourism Cooperative Program
- SBM restaurant RFP a success and negotiations underway

Port businesses and properties driving economic vitality to the region

Maritime Financial Summary

\$ in 000's	2015 YTD Actual	2016 Year-to-Date		Fav (UnFav) Budget Variance		Year End Projections		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
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%

- YTD Revenue variance driven by unfavorable Grain/Bulk (\$649K), partially offset by a \$319K Fishing and Operations \$319K favorable to budget from higher moorage occupancy and rates in previously under utilized properties.
- YTD Expenses \$2,360K favorable to budget due primarily to timing of divisional expenses and lower than budgeted corporate expenses.
- Year end NOI forecast to budget with favorable revenue and corporate expense projections offset by Cruise related mitigation expenses.

Strong maritime ops revenue and timing of expenses driving favorable NOI

Maritime Capital Summary

\$ in 000's	2016 YTD	2016	2016	Budget Variance	
	Actual	Forecast	Budget	\$	%
Maritime	3,097	11,633	15,660	4,010	26%

Significant Variances:

- Major capital variances on hold or moved to future years
 - Shilshole Bay Marina Restroom and Services Building Replacement – \$644K
 - Maintenance North Office Site Improvement – \$500K
 - Pier 91 South End Fender – \$464K
 - 2016 Small Projects – \$1,259K
- Favorable variances partially offset by Fleet Replacement capital expense higher than budget

Forecasted to spend 74% of Capital Budget

Economic Development Division Q2 2016 Financial Performance Report

Commission Meeting

August 23, 2016

EDD Business Highlights

- **Economic Development Partnership Program**
- **Completed the first Tourism Grant Program**
- **Financials**
 - YTD quarter net operating income (NOI) is \$3.3M higher than budget.
 - Full-year NOI is forecasted to exceed budget.
- **Occupancy Strong!**
 - Portfolio Management properties at 97% occupancy at end of Q2, above target of 90%.
 - Conference and Event Center Q2 revenue exceeded budget due to strong sales and delayed construction at P-66 Cruise Terminal.
- **Real Estate Draft Strategic Plan presented to Commissioners**

Strong Occupancy and NOI

EDD Financial Summary

\$ in 000's	2015 YTD Actual	2016 Year-to-Date		Fav (UnFav) Budget Variance		Year End Projections		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
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%
Net Operating Income	(875)	(1,615)	(4,868)	3,253	67%	(8,446)	(9,702)	1,256	13%

- Favorable sales activity at P-66 Conference & Events Center, resulting in higher revenues & expenses.
- Favorable variances in direct expenses for Tourism, Workforce Development, and Maintenance were due to timing of expenditures.
- Corporate Expenses were under budget due to lower charges/allocations from Public Affairs, Accounting & Financial Reporting and Office of Strategic Initiatives.

Conference & Event Center Revenue 31% favorable to budget

EDD Capital Summary

\$ in 000's	2016 YTD	2016	2016	Budget Variance	
	Actual	Forecast	Budget	\$	%
Econ Dev	1,041	5,182	8,751	3,569	41%

Significant Variances:

- **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.
- **T102 Building Roof HVAC Replacement:** potential construction extension based on current contractor performance.

Forecasted to spend 59% of EDD Capital Budget due timing of projects

Corporate Q2 2016 Financial Performance Report

Commission Meeting

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Corporate Business Highlights

- 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.
- Contributed to regional transportation partner investments with 2nd contribution to the State's Alaskan Way Viaduct Replacement Program; and the final contribution to King County's South Park Bridge.
- Implemented new goal from Commissioners to significantly increase the number of intern opportunities at the Port in 2016.
- Continued to coordinate with SDOT and the Seattle Police Department to address significant truck traffic in key choke points in vicinity of P46.
- Held Port leader development conference, "Be the Change".
- Received the 2016 Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for 9th consecutive year.

Achieved a number of accomplishments in Q2

Financial Summary by Dept. – Part 1

\$ in 000's	2015 YTD Actual	2016 Year-to-Date		Fav (UnFav) Budget Variance		Year-End Projections		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
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									
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%

Strong positive financial performance results in Q2

Financial Summary by Dept. – Part 2

\$ in 000's	2015 YTD Actual	2016 Year-to-Date		Fav (UnFav) Budget Variance		Year-End Projections		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
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%

Operating Expenses forecasted to be \$7.3M favorable to budget

Appendix



Portwide Major Revenue Variances

\$ in 000's	2015 YTD	2016 Year-to-Date		Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Budget	Budget Variance		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-Aero 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%

Operating Revenues w/o Aeronautical \$9.4M or 6.2% favorable to budget

Portwide Major Expense Variances

\$ in 000's	2015 YTD Actual	2016 Year-to-Date		Fav (UnFav) Budget Variance		Incr (Decr) Change from 2015	
		Actual	Budget	\$	%	\$	%
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%

- Operating expenses were \$20.7M below budget mainly due to savings in Payroll, Outside Services, and Travel & Other Employee expenses.

Operating Expenses \$20.7M favorable to budget

EDD Contribution to Other Divisions

\$ in 000's	2015 YTD	2016 Year-to-Date		Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Budget	Budget Variance		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%

EDD making significant contribution to other divisions

Stormwater Utility Financial Summary

\$ in 000's	2015 YTD	2016 YTD		2016 YTD Bud Var		Year End Projections		2016 Bud Var	
	Actual	Actual	Budget	\$	%	Forecast	Budget	\$	%
NH Alliance SW	1,644	1,630	1,588	41	3%	3,260	3,177	83	3%
Maritime SW	247	484	346	139	40%	969	691	277	40%
EconDev SW	298	248	224	24	11%	496	449	47	11%
Other	0	7	0	7	NA	14	0	14	NA
Total Revenue	2,189	2,369	2,158	211	10%	4,738	4,317	421	10%
Expenses									
NH Alliance SW	19	25	200	175	88%	399	399	0	0%
Maritime SW	1	1	42	41	97%	85	85	0	0%
EconDev SW	1	1	28	27	98%	56	56	0	0%
SW Admin	0	24	71	47	66%	50	142	92	65%
Maintenance Expenses	0	321	759	438	58%	1,080	1,518	438	29%
Other Maritime Expenses	0	3	0	(3)	NA	0	0	0	NA
Environmental (Excl SWU)	0	11	108	97	90%	293	293	0	0%
CDD Expenses	0	20	1	(19)	-2508%	20	2	(18)	-1201%
Total Expense	21	407	1,209	803	66%	1,983	2,495	512	21%
NOI Before Depreciation	2,168	1,963	949	1,013	107%	2,755	1,822	933	51%
Depreciation	492	445	548	103	19%	889	1,096	207	19%
NOI After Depreciation	1,675	1,518	401	1,117	278%	1,866	726	1,140	157%

- Revenue \$211K favorable due to applying new rates reflected in the charter on more accurately measured areas through GIS system instead of historical tax parcels.
- Expenses favorable mainly due to the work progress delay resulting from timing of receiving the Camera Inspection truck in order to access the lines. Truck is has been delivered, so spending will pick up in 2nd half of the year.

Full Year Net Operating Income forecasted at \$933 thousand favorable to budget

AV Appendix

Significant Financial Drivers 2016 Forecast vs. Budget

Revenue – key items only

\$5.0M	Non-Aero - DMCBP Phase II lump sum payment
\$10.1M	Higher Non-Aero revenue due to higher enplanements
(\$7.6M)	Offset by higher revenue sharing

Expense – key items only

\$5.2M	Lora Lake ERL increase – airfield rate base
\$3.2M	Amortization of DMCBP Phase II frontage fees
\$2.7M	Security Checkpoint queue management contract
\$1.3M	Full employee screening

Reflected in 2016 Forecasted Results

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%

- 2016 enplaned passengers forecasted to be up 9.0% above 2015. This reflects new scheduled flights, primarily by Delta and Alaska.
- 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.

Enplanement growth drives improved performance

Aviation Expense Summary

\$ in 000's	2015 YTD Actual	2016 Year-to-Date		Fav (UnFav) Budget Variance		Year-End Projection		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
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%

2016 total expenses forecasted to be unfavorable by \$0.9M

Non-Aeronautical Business

\$ in 000's	2015 YTD Actual	2016 Year-to-Date		Fav (UnFav) Budget Variance		Year-End Projection		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
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%
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						(44,372)	(43,494)	(878)	-2.0%
Net Cash Flow						76,842	62,227	14,615	23.5%

Revenue growth driven by increased enplanements

Aeronautical Business

\$ in 000's	2015 YTD Actual	2016 Year-to-Date		Fav (UnFav) Budget Variance		Year-End Projection		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
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 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						(91,351)	(91,723)	373	0.4%
Net Cash Flow						(9,697)	(1,053)	(8,644)	821.0%

Expense savings and higher revenue sharing compared to Budget

Aero Cost Drivers

\$ in 000's	2015	2016	2016	Impact on Aero Revenues 'Budget vs Forecast	
	Actual	Forecast	Budget	\$	%
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%

O&M, Debt Service Gross, and Amortization do not include commercial area costs or the international incentive expenses

- (1) Higher O&M costs than Budget due to increased Lora Lake environmental reserve, Security Checkpoint Queue Management and Full Employee Screening contracts. These expenses are largely offset by savings from CDD and Corporate divisions, SAMP NEPA/SEPA & IDIQ master planning delays, Airport Obstruction Removal project savings, and payroll savings in AV division.

Aero rate base revenues based on cost recovery formulas

Rental Car Performance

(in \$000's)	2015 YTD	2016 YTD	2016 YTD	2015	2016	2016
<u>Rental Car - Concession Revenue</u>	Actual	Actual	Budget	Actual	Forecast	Budget
RCF Concession Revenue to Port	11,985	13,474	11,974	30,662	33,455	31,781
Gross Sales by Operators	124,496	129,105	130,003	301,439	334,400	317,562
Total Transactions	633,157	654,740	658,751	1,390,169	1,457,407	1,448,928
Average Ticket	\$ 196.63	\$ 197.18	\$ 197.35	\$ 216.84	\$ 229.45	\$ 219.17
Average Length of Stay	4.05	4.15	4.12	4.34	4.32	4.34
Transactions/O&D Enplanements	9.32%	8.79%	8.63%	9.44%	9.07%	8.85%
<u>CFC Revenue Summary</u>						
Total Transaction Days	2,561,631	2,714,894	2,711,403	6,033,825	6,295,998	6,288,348
CFC Rate per Transaction Day	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00	\$ 6.00
Total CFC Revenue Earned	15,370	16,289	16,268	36,203	37,776	37,730
Reserve for debt service and CP interest:	(11,794)	(10,918)	(10,982)	(20,540)	(21,836)	(21,963)
Reserve for CP principal payment:	-	(1,500)	(1,500)	(3,000)	(3,000)	(3,000)
Debt Service Reserve Requirement	(11,794)	(12,418)	(12,482)	(23,540)	(24,836)	(24,963)
Residual - CFC Operating Revenue:	3,576	3,872	3,787	12,663	12,940	12,767
(in \$000's)	2015 YTD	2016 YTD	2016 YTD	2015	2016	2016
<u>Rental Car - Revenue Summary</u>	Actual	Actual	Budget	Actual	Forecast	Budget
RCF Concession Revenue to Port	11,985	13,474	11,974	30,662	33,455	31,781
Residual - CFC Operating Revenue:	3,576	3,872	3,787	12,663	12,940	12,767
Land Rent/Space Rent/Other	1,771	1,797	1,793	3,189	3,617	3,617
Total Rental Cars Operating Revenue	17,332	19,143	17,555	46,515	50,013	48,166

RCF Concession Revenue Increased by 12.4% compared to YTD 2015

Ground Transportation

Revenue to Port \$ in 000's	2015 YTD Actual	2016 Year-to-Date		Fav (UnFav) Budget Variance		Year-End Projection		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
Ground Transportation Revenues									
Transportation Network Companies	-	907	-	907	n/a	2,727	-	2,727	n/a
On Demand Taxis	1,819	2,449	1,819	631	34.7%	5,367	3,637	1,730	47.6%
On Demand Limos	416	414	465	(52)	-11.1%	872	1,037	(166)	-16.0%
All other Operators (cost recovery)	1,642	1,753	1,874	(121)	-6.5%	3,515	3,515	-	0.0%
Other Misc Revenues	98	145	68	76	111.1%	137	137	(0)	0.0%
Total GT Revenue	3,974	5,668	4,227	1,441	34.1%	12,618	8,327	4,291	51.5%

Trip Activity in 000's	2015 YTD Actual	2016 Year-to-Date		Fav (UnFav) Budget Variance		Year-End Projection		Fav (UnFav) Budget Variance	
		Actual	Budget	#	%	Forecast	Budget	#	%
Ground Transportation Trips									
Transportation Network Companies	-	149	-	149	100%	513	-	513	100%
On Demand Taxis	441	438	453	(16)	-3.4%	869	928	(59)	-6.4%
On Demand Limos	41	39	42	(3)	-8.0%	75	89	(14)	-15.7%
All other Operators (cost recovery)	831	958	768	191	24.9%	1,815	1,578	237	15.0%
Total GT Trip Activity	1,314	1,585	1,263	321	25.4%	3,272	2,595	677	26.1%

GT Trip Volume Increased by 20.6% compared to YTD 2015

Airport Dining & Retail

Airport Dining & Retail	2015	2016	2016	Fav / (Unfav)		Incr / (Decr) from	
	Actual	Forecast	Budget	Budget Variance		2015	
Org Basis (in 000's)				\$	%	\$	%
ADR Revenue							
Food & Beverage	17,427	20,218	18,657	1,561	8.4%	2,791	16.0%
Retail	12,127	12,619	13,128	(510)	-3.9%	492	4.1%
Duty Free	6,769	6,080	7,412	(1,332)	-18.0%	(689)	-10.2%
Advertising	6,460	6,761	6,754	7	0.1%	301	4.7%
Foreign Currency Exchange	1,219	1,224	1,224	-	0.0%	5	0.4%
All other ADR revenue	6,563	6,637	6,243	393	6.3%	73	1.1%
Total ADR Revenue	50,566	53,538	53,419	119	0.2%	2,973	5.9%
Expenses							
ADR expenses	2,465	2,542	2,612	70	2.7%	77	3.1%
Income from Operations	48,100	50,996	50,807	189	0.4%	2,896	6.0%
Primary Concession Gross Sales (in \$000's)	240,556	265,830	263,282	2,548	1.0%	25,273	10.5%
Enplanements (in 000's)	21,109	23,009	22,214	794	3.6%	1,900	9.0%
Sales per Enplanement (SPE)	\$ 11.40	\$ 11.55	\$ 11.85	\$ (0.30)	-2.5%	\$ 0.16	1.4%

- Food & Beverage gross sales growing at twice the rate of enplanement growth.
- Retail sales negatively impacted by long wait times at security checkpoints during Q1. Sales began rebounding in Q2, expected to continue to improve.
- Duty Fee significantly impacted by international gate assignments to Concourse A with smaller Duty Free store, and new China regulation limiting duty free merchandise value to ~\$700/person (effective April 2016).

Food & Beverage UP, Retail & Duty Free DOWN

Commercial Properties

Commercial Properties	2015	2016	2016	Fav / (Unfav)		Incr / (Decr) from	
	Actual	Forecast	Budget	Budget Variance		2015	
<i>Org Basis (in 000's)</i>				\$	%	\$	%
DMCBP Revenue							
Option Area Rent	120	41	59	(17)	-29.9%	(79)	-65.8%
Phase I - Base Rent	43	373	418	(46)	-10.9%	330	763.3%
Phase I - In-lieu Fees	121	221	221	-	0.0%	100	82.6%
Phase II - Base Rent	-	17	35	(18)	-51.1%	17	n/a
Phase II - In-lieu Fees	-	5,434	486	4,948	1018.5%	5,434	n/a
Phase III - Base Rent	-	32	-	32		32	n/a
Phase III - In-lieu Fees	-	97	-	97		97	n/a
208th St. Rent Credit (Phase I)	-	(450)	(450)	-	0.0%	(450)	n/a
DMCBP Owner's Liaison Reimb	-	100	100	-	0.0%	100	n/a
Subtotal - DMCBP Revenue	284	5,864	868	4,996	575.5%	5,580	1963.6%
In-flight Kitchen Revenue	6,251	6,839	6,664	175	2.6%	588	9.4%
NERA 3 Grant Revenue	-	1,350	1,350	-	0.0%	1,350	n/a
All other Commercial Properties revenue	1,387	1,472	1,368	104	7.6%	85	6.1%
Commercial Properties Revenue	7,922	15,526	10,251	5,275	51.5%	7,604	96.0%
DMCBP Expenses							
Phase I prepaid frontage fee amort.	104	179	179	-	0.0%	74	71.5%
Phase II prepaid frontage fee amort.	-	3,578	414	(3,164)	-763.6%	3,578	n/a
Phase III prepaid frontage fee amort.	-	84	-	(84)		84	n/a
DMCBP Owner's Liaison expense	24	100	100	-	0.0%	76	309.2%
Subtotal - DMCBP Expenses	129	3,941	693	(3,248)	-468.7%	3,812	2965.2%
NERA 3 Grant expenses	-	1,500	1,500	-	0.0%	1,500	n/a
All other Commercial Properties expenses	266	211	261	50	19.2%	(55)	-20.6%
Commercial Properties Expenses	394	5,652	2,454	(3,198)	-130.3%	5,257	1333.6%
Income from Operations	7,528	9,874	7,797	2,077	26.6%	2,346	31.2%

DMCBP Phase I

- Construction phase completed in May

DMCBP Phase II

- Lump sum payment of in-lieu fees
- \$1.8M net impact to NOI

DMCBP Phase III

- Early activation of Phase III ground lease

DMCBP – all acreage under ground lease

Aero Revenue Sharing

	2015	2016	2016	Impact on Aero Revenues	
	Actual	Forecast	Budget	'Budget vs Forecast	
\$ in 000's				\$	%
Aero Revenues (incl' commercial)	259,113	289,891	289,074	817	0.3%
Non-Aeronautical Revenues	196,844	223,613	208,321	15,292	7.3%
Total O&M Expenses	(238,140)	(268,742)	(268,216)	(526)	0.2%
Net Operating Income	217,816	244,762	229,179	15,583	6.8%
ADF Interest Income	2,349	2,740	1,988	752	37.8%
Security Checkpoint TSA Grant	1,102	1,000	1,000	-	0.0%
Misc. Non-Operating Expenses	(762)	(1,278)	(1,890)	612	-32.4%
CFC Excess	(5,159)	(6,219)	(5,146)	(1,073)	20.9%
Available for Debt Service [a]	215,347	241,006	225,132	15,874	7.1%
Debt Service	125,153	135,723	135,217	505	0.4%
Debt Service x 1.25 [b]	156,441	169,653	169,022	631	0.4%
Available for revenue sharing [c]=[a]-[b]	58,906	71,352	56,110	15,242	27.2%
Revenue Sharing [d]=[c]*0.5	29,453	35,676	28,055	7,621	27.2%

Increased revenue sharing drives reduction in CPE

Expense Variances by Department

Department	2016 Forecast	2016 Budget	Fav / (Unfav) Budget Variance	Primary Drivers
Landside	15,495	16,086	590	Curbside Assistants contract not utilized in 2016
Airfield	8,705	8,880	175	Cargo building maintenance contract savings
Terminal	26,147	23,765	(2,382)	Passenger Security checkpoint contract (\$2.7M) and international incentives (\$0.6M)
Business Development	13,413	10,503	(2,910)	DMBCP Phase II Amortization
Utilities	15,303	15,252	(51)	
Aviation Executive	16,600	16,792	192	YTD Usage of contingency
Airport Security	9,438	8,504	(934)	Full Employee Screening
Aviation Facilities	4,771	5,143	372	Vacancies & hiring delays
Aviation Maintenance	57,701	58,485	784	Vacancies & hiring delays
Aviation Planning	3,105	4,319	1,214	Advance Planning IDIQ Master Plan delayed start
Aviation Environmental Group	4,717	5,745	1,028	SAMP environmental review savings (\$1.3M), offset by Energy/Carbon Strategy and Biofuels projects (\$0.3M)
Aviation Risk Mgmt Expenses	2,799	1,873	(925)	Update to legal reserves booked as of Q2
Aviation Environmental Reserve	6,383	3,246	(3,137)	Reserve for Lora Lake Parcel, offset by deferred projects
All Other Aviation Departments	2,761	2,823	63	
Grand Total	187,304	181,417	(5,887)	

Airport Direct Expenses expected to exceed budget by \$5.9M