ITEM NO: 7b_Attach_1
DATE OF MEETING: September 12, 2017

PORT OF SEATTLE

2017 FINANCIAL & PERFORMANCE REPORT

AS OF JUNE 30, 2017

TABLE OF CONTENTS

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/17

EXECUTIVE SUMMARY

Financial Summary

The Port's operating revenues for the first half of 2017 were $302.1M, which is $11.8M above budget and $22.7M higher than the same period in 2016. Excluding Aeronautical revenues, which are based on cost recovery, other operating revenues were $174.3M, $14.1M above budget and $12.7M over 2016 mainly due to higher revenues from Public Parking, Airport Dining and Retail, Ground Transportation, Cruise, Grain, the NWSA Distributable Revenue, and a $5.4M lump-sum payment for Des Moines Creek Business Park (DMCBP) Phase II. Total operating expenses were $174.1M, $17.4M below budget mainly due to savings from payroll and outside services. Operating income before depreciation was $81.9M, $789K above budget but $417K below 2016. The Port-wide capital spending was $128.8M for the first two quarters of 2017.

Operating Summary

At the Airport, the enplanement growth for the first half of 2017 was 3.2% and landed weight was 4.3%. The enplanements growth for domestic and international was 2.4% and 10.2%, respectively. Total cargo metric tons were 19.6% above the same period last year. For the Maritime division, Grain volumes were up 49.1% compared to the same period last year and we are anticipating another year of record cruise passengers in 2017. For the Economic Development division, the overall occupancy of buildings managed by Portfolio Management was at 97% at the end of the second quarter of 2017, above the 95% target for 2017. The occupancy levels at Shilshole Bay Marina were at 94.0%, slightly below the 94.4% in the same period last year. Fishermen's Terminal was at 83.8% average occupancy, below the 85.0% in the same period of 2016.

Key Business Events

The Port Commission advanced search for new Executive Director and sought input from the public, customers and employees about the qualities and experience desired in new leader. The Port recognized 10 sustainable winners of the seventh-annual Green Gateway Environmental Excellence Award and provided recipients of 18 grants to support tourism across Washington State. We implemented Express Connection at Federal Inspection Services passport control in cooperation with Customs & Border Protection (CBP) and worked with Transportation Security Administration (TSA) to reduce checkpoint wait times by improving divesting process. The Port launched a new $1 million program to fund environmental projects in communities around Sea-Tac Airport. The ASQ surveys consistently exceeded the airport customer service targets for the second quarter. Condor Airlines launched new service to Munich, Germany in June; and Aero Mexico announced new service to Mexico City beginning November. The Airport Dining and Retail program awarded lease group 3 in June. Negotiations for both airline lease agreement (SLOA) and inter-local agreement with City of SeaTac are underway and targeting completion this year. We successful launched of the new Port Valet Program for cruise passengers. Shilshole Bay Marina held Boater's Fest on June 10th with an estimated 1,000 attendees. We also defined the final scope and contracted for all relevant due diligent work on the Salmon Bay Marina acquisition.

Major Capital Projects

The Sustainable Airport Master Plan (SAMP) is progressing towards preferred alternative. Construction of North Satellite is well underway while construction of Concourse B Holdroom Facility is also under construction and on track for Q3 completion. The South Satellite Interim Improvements has substantially completed. Baggage optimization Phase 1 contract was awarded with Notice to Proceed issued to PCL and construction started in June. Lora Lake remediation construction is underway. The Pier 66 Norwegian Cruise Line Passenger Terminal Expansion Project was completed for the 2017 cruise season. We received approval for T-18 outfall replacement, the first project funded by the Stormwater Utility. We developed a new Engineering Document Management system to track, manage and archive architecture documentation; we also developed a new Noise Remedy system to replace a 20 year old system used by the Airport Environmental group to track remediation work. Finally, we deployed an interface between the 911 Dispatch system and the Port Emergency Notification system which improved workflow and eliminated costly manual steps during critical event.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/17

PORTWIDE FINANCIAL SUMMARY

$ in 000's	2016 YTD Actual	2017 Year-to-Date Actual	2017 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 %
Aeronautical Revenues	119,553	129,567	131,896	(2,328)	-1.8%	269,531	278,375	(8,844)	-3.2%
SLOA III Incentive	(1,788)	(1,788)	(1,788)	-	0.0%	(3,576)	(3,576)	-	0.0%
Other Operating Revenues	161,658	174,309	160,195	14,113	8.8%	352,772	345,446	7,326	2.1%
Total Operating Revenues	279,422	302,088	290,303	11,785	4.1%	618,727	620,245	(1,518)	-0.2%
Total Operating Expenses	147,874	174,104	191,493	17,389	9.1%	381,360	384,660	3,300	0.9%
NOI before Depreciation	131,549	127,984	98,811	29,174	29.5%	237,367	235,585	1,782	0.8%
Depreciation	82,277	81,860	82,649	789	1.0%	166,300	166,300	-	0.0%
NOI after Depreciation	49,271	46,124	16,161	29,963	185.4%	71,067	69,285	1,782	2.6%

MAJOR OPERATING REVENUES SUMMARY

$ in 000's	2016 YTD Actual	2017 YTD Actual	2017 YTD Budget	Budget Variance	Change from 2016
Aeronautical Revenues	119,553	129,567	131,896	(2,328)	10,015
SLOA III Incentive	(1,788)	(1,788)	(1,788)	()	()
Public Parking	34,166	36,958	35,460	1,498	2,792
Rental Cars - Operations	15,271	14,514	15,176	(662)	(757)
Rental Cars - Operating CFC	3,872	3,284	3,689	(405)	(588)
Airport Dining and Retail	25,952	26,349	24,762	1,587	396
Employee Parking	4,563	4,674	4,134	540	111
Ground Transportation	5,668	7,633	7,067	566	1,965
Non-Aero Commercial Properties	4,286	10,708	5,647	5,061	6,422
Airport Utilities	3,571	3,423	3,421	2	(147)
Fishing & Commercial Vessels	1,500	1,456	1,558	(103)	(44)
Maritime Operations	2,919	2,984	2,981	3	65
Recreational Boating	5,083	5,438	5,508	(69)	355
Cruise	5,410	6,325	6,200	124	915
Grain	2,010	3,042	2,275	767	1,032
Maritime Industrial	3,075	3,306	3,345	(39)	230
Marina Office & Retail	2,024	1,961	2,002	(40)	(63)
Central Harbor Management	3,803	4,161	3,834	326	357
Conference & Event Centers	4,518	3,545	3,360	185	(973)
NWSA Distributable Revenue	28,990	27,283	23,354	3,929	(1,707)
Other	4,975	7,265	6,423	842	2,290
Total Operating Revenues (w/o Aero)	**161,658**	**174,309**	**160,195**	**14,113**	**12,651**
TOTAL	**279,422**	**302,088**	**290,303**	**11,785**	**22,666**

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/17

MAJOR OPERATING EXPENSES SUMMARY

$ in 000's	2016 YTD Actual	2017 Year-to-Date Actual	2017 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2016 $	Incr (Decr) Change from 2016 %
Salaries & Benefits	51,795	56,338	61,838	5,500	8.9%	4,543	8.8%
Wages & Benefits	48,261	52,948	55,648	2,700	4.9%	4,687	9.7%
Payroll to Capital Projects	10,040	12,873	13,533	660	4.9%	2,834	28.2%
Equipment Expense	2,923	4,311	3,981	(330)	-8.3%	1,388	47.5%
Supplies & Stock	3,454	4,616	4,161	(455)	-10.9%	1,162	33.6%
Outside Services	25,663	32,969	50,050	17,081	34.1%	7,306	28.5%
Utilities	10,510	11,911	11,155	(755)	-6.8%	1,400	13.3%
Travel & Other Employee Expenses	1,879	2,338	3,308	970	29.3%	459	24.4%
Promotional Expenses	362	460	1,011	551	54.5%	98	27.2%
Other Expenses	8,450	16,566	12,097	(4,469)	-36.9%	8,116	96.0%
Charges to Capital Projects	(15,463)	(21,226)	(25,291)	(4,065)	16.1%	(5,763)	37.3%
TOTAL	147,874	174,104	191,493	17,389	9.1%	26,230	17.7%

KEY PERFORMANCE METRICS

	2016 YTD Actual	2017 YTD Actual	2016 Actual	2017 Forecast	2017 Budget	Fav (UnFav) Budget Variance Chg.	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2016 Chg.	Incr (Decr) Change from 2016 %
Enplanements (in 000's)	10,668	11,009	22,796	23,480	23,929	(449)	-1.9%	684	3.0%
Landed Weight (lbs. in 000's)	12,886	13,441	27,202	27,726	27,726	-	0.0%	524	1.9%
Passenger CPE (in $)	n/a	n/a	10.10	10.64	10.88	0.24	2.2%	0.54	5.3%
Grain Volume (metric tons in 000's)	1,749	2,609	4,389	4,701	3,720	981	26.4%	312	7.1%
Cruise Passenger (in 000's)	355	394	984	1,042	1,039	3	0.3%	58	5.9%
Shilshole Bay Marina Occupancy	94.4%	94.0%	94.6%	95.0%	95.4%	-0.4%	-0.4%	0.4%	0.4%
Fishermen's Terminal Occupancy	85.0%	83.8%	84.7%	84.3%	84.3%	0.0%	0.0%	-0.4%	-0.5%

CAPITAL SPENDING RESULTS

$ in 000's	2017 YTD Actual	2017 Forecast	2017 Budget	Budget Variance $	Budget Variance %
Aviation	111,901	389,483	554,717	165,234	29.8%
Maritime	13,484	30,458	34,518	4,060	11.8%
Economic Development	1,512	5,030	6,304	1,274	20.2%
Corporate & Other (note 1)	1,877	9,971	12,147	2,176	17.9%
TOTAL	128,774	434,942	607,686	172,744	28.4%

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

PORTWIDE INVESTMENT PORTFOLIO

During the second quarter of 2017, the investment portfolio earned 1.42% versus the benchmark's (the Bank of America Merrill Lynch 1-3 Year US Treasury & Agency Index) 1.41%. Over the last twelve months the portfolio and the benchmark have earned 1.30% and 1.17%, respectively. Since the Port became its own Treasurer in 2002, the life-to-date earnings of the Port's portfolio and the benchmark are 2.53% and 1.79%, respectively.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/17

FINANCIAL SUMMARY

$ in 000's	2016 Actual	2017 Forecast	2017 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2016 $	%
Operating Revenues:							
Aeronautical Revenues	247,811	269,531	278,375	(8,844)	-3.2%	21,720	8.8%
SLOA III Incentive Straight Line Adj (1)	(3,576)	(3,576)	(3,576)	-	0.0%	(0)	0.0%
Non-Aeronautical Revenues	221,021	233,724	226,645	7,078	3.1%	12,702	5.7%
Total Operating Revenues	**465,256**	**499,678**	**501,444**	**(1,766)**	**-0.4%**	**34,422**	**7.4%**
Total Operating Expense	261,226	300,162	302,711	2,549	0.8%	38,936	14.9%
Net Operating Income	**204,030**	**199,516**	**198,733**	**783**	**0.4%**	**(4,514)**	**-2.2%**
Capital Expenditures	**153,887**	**389,483**	**554,717**	**165,234**	**29.8%**	**235,596**	**153.1%**

Division Summary 2017 Forecast vs 2017 Budget

- Net Operating Income for 2017 is forecasted to be $0.8M higher than budget (0.4% favorable)
  - Operating Revenue is expected to be $1.8M lower than budget (0.4% unfavorable) – due to lower Aeronautical revenue from lower rate based costs including lower debt service costs and higher revenue sharing due to higher Non-Aero revenue ($7.1M) primarily driven by an unanticipated lump sum payment from DMCBP Phase II for pre-paid frontage fees ($5.4M) and continued growth in other Non-Aero lines of business from increased passenger volumes.
  - Operating Expenses are expected to be $2.5M lower than budget (0.8% variance) the net result of savings from AVPMG ($4.8M) primarily due to Terminal expense project delays, payroll savings due to vacancies and hiring delays ($2.8M) and timing delays in SAMP projects ($2.7M). These savings are offset by unplanned spending for additional FIS processing kiosks ($0.9M), snow removal costs ($1.4M), write-off of obsolete exit lane equipment ($2.0M), and amortization of previously paid frontage fees associated with the DMCBP Phase II lump sum payment ($3.6M). *The DMCBP lump sum payment generated a net $1.9M increase to NOI.*

A. BUSINESS HIGHLIGHTS

- Enplaned passenger growth slowed in June, still up 3.2%, international passenger growth of 10.2%
- Customer Service: Consistently exceeding ASQ targets for Q2
- New air service:
  - Condor launched service to Munich, Germany in June
  - Aero Mexico announced new service to Mexico City beginning November
- Airport dining and retail program awarded lease group 3 in June
- Sustainable Airport Master Plan progressing towards preferred alternative
- Key negotiations underway, targeting completion this year:
  - Airline lease agreement (SLOA)
  - Inter-local agreement with City of SeaTac

B. KEY PERFORMANCE METRICS

	YTD 2016	YTD 2017	% Change
Enplaned Passengers (000's)			
Domestic	9,548	9,775	2.4%
International	1,120	1,234	10.2%
Total	10,668	11,009	3.2%
Operations	197,152	199,610	1.2%
Landed Weight (million lbs.)			
Cargo	843	1,025	21.6%
All other	12,044	12,416	3.1%
Total	12,886	13,441	4.3%
Cargo - metric tons			
Domestic freight	83,079	111,136	33.8%
International freight	55,287	58,406	5.6%
Mail	27,561	28,882	4.8%
Total	165,927	198,424	19.6%

Passenger Growth

- Alaska +0.4%
- Delta +8.4%
- Southwest -8.3%
- American -3.6%
- United +4.4%

2017 Cargo – metric tons:

- Strong growth in cargo volume from existing carriers in both Domestic and international services.
- New Domestic Freight services included in YTD 2017 results: Prime Air/Amazon and DHL (both commenced in mid-2016).
- New International Freight services included in YTD 2017 results: AeroLogic and AirBridge (both commenced in mid-2016).

Key Performance Measures

	2016 Actual	2017 Forecast	2017 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2016 $	%
Key Performance Metrics							
Cost per Enplanement (CPE)	10.10	10.64	10.88	0.24	2.2%	0.54	5.3%
Non-Aeronautical NOI (in 000's)	128,727	126,299	118,521	7,778	6.6%	(2,428)	-1.9%
Other Performance Metrics							
O&M Cost per Enplanement	11.46	12.78	12.65	-0.13	-1.1%	1.32	11.6%
Non-Aero Revenue per Enplanement	9.70	9.95	9.47	0.48	5.1%	0.26	2.7%
Debt per Enplanement (in $)	104	109	110	1	1.3%	5	4.3%
Debt Service Coverage	1.53	1.54	1.50	0.05	3.1%	0.01	0.9%
Days cash on hand (10 months = 304 days)	416	316	304	12	3.9%	(100)	-24.1%
Aeronautical Revenue Sharing ($ in 000's)	37,395	38,916	33,093	(5,822)	-17.6%	1,521	4.1%
Activity (in 000's)							
Enplanements	22,796	23,480	23,929	-449	-1.9%	684	3.0%

Key Performance Metrics – 2017 Forecast compared to 2017 Budget:

- CPE favorable to budget due to lower airline rate base costs including lower debt service costs, and higher revenue sharing due to growth in Non-Aero NOI.
- Growth in Non-Aero NOI due to combined impact from DMCBP Phase II lump sum ($1.9M NOI), other Non-Aero revenue growth ($1.6M), and Non-Aero expense savings ($4.3M).

Other Performance Metrics - favorable outlook in all other performance metrics.

C. OPERATING RESULTS

Division Summary

$ in 000's	2016 YTD Actual	2017 Year-to-Date Actual	2017 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]	119,553	129,567	131,896	(2,328)	-1.8%	269,531	278,375	(8,844)	-3.2%
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	100,336	112,761	103,664	9,097	8.8%	233,724	226,645	7,078	3.1%
Total Operating Revenues	**218,100**	**240,540**	**233,772**	**6,769**	**2.9%**	**499,678**	**501,444**	**(1,766)**	**-0.4%**
Operating Expenses:									
Payroll	49,708	55,798	58,727	2,929	5.0%	117,070	119,886	2,816	2.3%
Outside Services	15,736	17,203	22,023	4,820	21.9%	43,513	45,279	1,766	3.9%
Utilities	7,358	8,389	7,886	(503)	-6.4%	15,368	15,187	(181)	-1.2%
Other Airport Expenses	9,132	13,680	8,765	(4,915)	-56.1%	23,721	18,004	(5,717)	-31.8%
Total Airport Direct Charges	**81,934**	**95,070**	**97,401**	**2,331**	**2.4%**	**199,671**	**198,355**	**(1,316)**	**-0.7%**
Environmental Remediation Liability	33	2,714	2,443	(271)	-11.1%	3,527	3,775	248	6.6%
Capital to Expense	-	24	-	(24)	n/a	1,985	-	(1,985)	0.0%
Total Exceptions	**33**	**2,738**	**2,443**	**(295)**	**-12.1%**	**5,512**	**3,775**	**(1,737)**	**-46.0%**
Total Airport Expenses	**81,968**	**97,809**	**99,844**	**2,035**	**2.0%**	**205,183**	**202,130**	**(3,052)**	**-1.5%**
Corporate	22,723	25,000	26,763	1,762	6.6%	54,028	54,673	645	1.2%
Police Costs	8,943	9,146	9,525	379	4.0%	19,016	19,173	157	0.8%
Capital Development	3,358	6,486	12,864	6,377	49.6%	17,579	22,378	4,799	21.4%
Maritime/Economic Development	1,826	1,879	2,025	145	7.2%	4,356	4,356	-	0.0%
Total Charges from Other Divisions	**36,849**	**42,512**	**51,176**	**8,664**	**16.9%**	**94,979**	**100,581**	**5,602**	**5.6%**
Total Operating Expense	**118,817**	**140,321**	**151,020**	**10,700**	**7.1%**	**300,162**	**302,711**	**2,549**	**0.8%**
Net Operating Income	**99,283**	**100,219**	**82,751**	**17,468**	**21.1%**	**199,516**	**198,733**	**783**	**0.4%**
CFC Surplus						(3,020)	(5,561)	2,542	45.7%
Net Non-Operating Items in / out from ADF [3]						4,648	3,691	957	25.9%
SLOA III Incentive Straight Line Adj						3,576	3,576	-	0.0%
Debt Service						(132,644)	(133,876)	1,233	-0.9%
Adjusted Net Cash Flow						**72,077**	**66,562**	**5,514**	**8.3%**

(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 06/30/17

Aeronautical Business Unit Summary

$ in 000's	2016 YTD Actual	2017 Year-to-Date Actual	2017 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	45,551	50,946	51,414	(468)	-0.9%	108,994	109,845	(851)	-0.8%
Apron Area	6,088	7,554	7,427	127	1.7%	16,338	15,957	381	2.4%
Terminal Rents	75,640	78,259	79,109	(850)	-1.1%	159,827	163,565	(3,738)	-2.3%
Federal Inspection Services (FIS)	5,174	6,456	5,885	571	9.7%	13,246	12,437	809	6.5%
Total Rate Base Revenues	**132,453**	**143,215**	**143,835**	**(621)**	**-0.4%**	**298,404**	**301,803**	**(3,399)**	**-1.1%**
Commercial Area	4,479	4,959	4,607	352	7.6%	10,042	9,665	376	3.9%
Subtotal before Revenue Sharing	**136,932**	**148,174**	**148,442**	**(269)**	**-0.2%**	**308,446**	**311,468**	**(3,022)**	**-1.0%**
Revenue Sharing	(17,379)	(18,606)	(16,547)	(2,059)	-12.4%	(38,916)	(33,093)	(5,822)	-17.6%
Total Aeronautical Revenues	**119,553**	**129,567**	**131,896**	**(2,328)**	**-1.8%**	**269,531**	**278,375**	**(8,844)**	**-3.2%**
Total Airport Direct Charges	58,133	67,559	71,128	3,569	5.0%	139,330	139,742	412	0.3%
Total Exceptions	-	2,185	-	(2,185)	0.0%	3,726	2,426	(1,300)	-53.6%
Total Charges from Other Divisions	17,911	21,465	24,833	3,369	13.6%	49,681	52,420	2,738	5.2%
Total Aeronautical Expenses	**76,044**	**91,209**	**95,962**	**4,752**	**5.0%**	**192,738**	**194,587**	**1,850**	**1.0%**
Net Operating Income	**43,509**	**38,358**	**35,934**	**2,424**	**6.7%**	**76,793**	**83,788**	**(6,995)**	**-8.3%**
Debt Service (1)						(87,722)	(88,740)	1,018	1.1%
Net Cash Flow						**(10,930)**	**(4,952)**	**(5,977)**	**120.7%**

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	2016 Actual	2017 Forecast	2017 Budget	Fav (Unfav) Budget Variance $	Fav (Unfav) Budget Variance %	Incr (Decr) Change from 2016 $	Incr (Decr) Change from 2016 %
O&M (1)	165,427	189,052	190,645	(1,594)	-0.8%	23,625	14.3%
Debt Service Gross	118,641	116,311	117,336	(1,025)	-0.9%	(2,330)	-2.0%
Debt Service PFC Offset	(32,831)	(33,086)	(33,099)	12	0.0%	(256)	-0.8%
Amortization	28,215	29,636	29,637	(1)	0.0%	1,421	5.0%
Space Vacancy	(2,638)	(2,217)	(1,486)	(731)	49.2%	421	-16.0%
TSA Operating Grant and Other	(982)	(1,291)	(1,230)	(61)	4.9%	(309)	31.5%
Rate Base Revenues	**275,832**	**298,404**	**301,803**	**(3,399)**	**-1.1%**	**22,572**	**8.2%**
Commercial area	9,379	10,042	9,665	376	3.9%	663	7.1%
Total Aero Revenues	**285,211**	**308,446**	**311,468**	**(3,022)**	**-1.0%**	**23,235**	**8.1%**

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

Aeronautical – 2017 Forecast compared to 2017 Budget

- Aeronautical net operating income is forecasted to be $7.0M lower than budget.
  - Aeronautical revenues are forecasted to be $8.8M lower than budget
    - Rate based revenue are forecasted to be $3.4M lower – due to lower operating expenses from Payroll savings, lower debt service costs, delayed spending on SAMP-related projects, lower charges from Aviation Project Management primarily due to delays on Terminal projects
    - Commercial Area Revenue $0.4M higher due to increased RON activity
    - Revenue sharing $5.8M higher due to Non-Aero NOI growth
  - Aeronautical operating expenses are forecasted to be $1.8M lower than budget:
    - AVPMG terminal projects delayed ($3.1M Aero share)
    - Payroll savings – due to vacancies & hiring delays
    - SAMP related spending delayed
    - Partially offset by unplanned cost of additional kiosks for FIS processing, snow removal, and write-off of obsolete exit late equipment

Non-Aero Business Unit Summary

$ in 000's	2016 YTD Actual	2017 Year-to-Date Actual	2017 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	15,271	14,514	15,176	(662)	-4.4%	34,474	37,815	(3,341)	-8.8%
Rental Cars - Operating CFC	3,872	3,284	3,689	(405)	-11.0%	10,533	12,931	(2,398)	-18.5%
Public Parking	34,166	36,958	35,460	1,498	4.2%	74,443	73,568	875	1.2%
Ground Transportation	5,668	7,633	7,067	566	8.0%	15,024	14,417	607	4.2%
Airport Dining & Retail & Leased Space	27,118	28,976	27,374	1,602	5.9%	55,281	52,450	2,831	5.4%
Commercial Properties	4,286	10,708	5,647	5,061	89.6%	17,384	12,141	5,243	43.2%
Utilities	3,571	3,423	3,421	2	0.1%	7,118	7,118	-	0.0%
Employee Parking	4,563	4,674	4,134	540	13.1%	9,482	8,482	1,000	11.8%
Clubs and Lounges	1,378	2,173	1,335	838	62.8%	4,979	2,729	2,250	82.4%
Other	443	417	361	56	15.6%	5,004	4,993	11	0.2%
Total Non-Aero Revenues	**100,336**	**112,761**	**103,664**	**9,097**	**8.8%**	**233,724**	**226,645**	**7,078**	**3.1%**
Non-Aero Expenses									
Total Airport Direct Charges	23,801	27,511	26,273	(1,238)	-4.7%	60,341	58,614	(1,727)	-2.9%
Total Exceptions	4	553	558	4	0.8%	1,785	1,349	(436)	-32.3%
Total Charges from Other Divisions	18,939	21,047	26,343	5,296	20.1%	45,298	48,161	2,863	5.9%
Total Non-Aero Expenses	**42,743**	**49,111**	**53,173**	**4,062**	**7.6%**	**107,424**	**108,124**	**700**	**0.6%**
Net Operating Income	**57,592**	**63,649**	**50,491**	**13,159**	26.1%	**126,299**	**118,521**	**7,778**	6.6%
Less: CFC (Surplus) / Deficit (1)						(3,020)	(5,561)	2,542	45.7%
Adjusted Non-Aero NOI						**123,280**	**112,960**	**10,320**	**9.1%**
Debt Service (1)						(44,921)	(45,136)	215	0.5%
Net Cash Flow						**78,358**	**67,824**	**10,535**	**15.5%**

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

Non-Aeronautical – 2017 Forecast compared to 2017 Budget

- Non-Aeronautical net operating income is forecasted to be $7.8M higher than budget.
  - Non-Aeronautical revenues are forecasted to be $7.1M higher than budget:
    - DMCBP – Phase II ($5.4M) lump sum payment for prepaid frontage fees was expected in Q4 2016.
    - Parking - strong performance partially offset by City of SeaTac parking tax increase on March 1st. Parking tariff rate increase was increased six weeks later on April 14th.
    - Strong performance in ADR, GT, and Clubs & Lounges continues.
    - Employee Parking – increased utilization continues from prior year.
    - Rental Car revenue growth continues to be challenged by the increasing options in transportation alternatives (light rail, TNC's, car-sharing).
  - Non-Aeronautical operating expenses are forecasted to be $0.7M lower than budget:
    - Favorable variance due to lower charges from other divisions including Non-Aero share of AVPMG savings for Terminal project delays ($1.7M) and savings in other AV division expenses.
    - Partially offset by:
      - DMCBP – Phase II ($3.6M) pre-paid frontage fee expense.
      - Light rail electric cart service not anticipated in the budget ($202K)
      - RCF curbside assistance reinstated for peak periods ($310K)

D. CAPITAL SPENDING

Capital Variance

$ in 000's Description	2017 YTD Actual	2017 Forecast	2017 Budget	Budget Variance $	 %
International Arrivals Fac-IAF (1)	35,875	119,159	202,598	83,439	41.2%
Concourse D Hardstand Holdroom (2)	426	6,926	22,163	15,237	68.7%
Additional STS Cars (3)	-	-	6,525	6,525	100.0%
Checked Bag Recap/Optimization (4)	2,992	17,992	24,256	6,264	25.8%
NS NSAT Renov NSTS Lobbies (5)	21,752	58,835	64,285	5,450	8.5%
N. Terminals Utilities Upgrade (6)	575	2,575	7,996	5,421	67.8%
Fuel System Modifications (7)	4,740	8,708	11,600	2,892	24.9%
Alternate Utility Facility (8)	2,116	21,616	23,998	2,382	9.9%
Add'l Baggage Makeup Space IAF	949	12,699	13,475	776	5.8%
Service Tunnel Renewal/Replace	643	7,793	8,000	207	2.6%
Concourse B Gate Reconfigure	203	9,770	9,819	50	0.5%
All Other	41,630	123,410	160,002	36,591	22.9%
Total Spending	**111,901**	**389,483**	**554,717**	**165,234**	**29.8%**

(1) Delays in payment cycle and construction ramp up.
(2) Delays in enabling work and main building design efforts.
(3) Spending deferred to 2018 to evaluate the impact of passenger growth and capacity loads on existing STS trains.
(4) Delays in contracting efforts and issuance of notice to proceed (NTP).
(5) Delays with negotiating maximum allowable construction cost (MACC) pushed out construction timeline.
(6) Half of the Early Works portion of the project was cancelled due to operational concerns from airlines. Delay in starting construction for the remaining Early Works portion.
(7) Future fuel system work will be covered under C800772 (Fuel Hydrant Pit Program). Additional savings of $1.7M attributable to 2016 project work planned in 2017.
(8) Major contractor submitting invoices slower than anticipated.

FINANCIAL SUMMARY

$ in 000's	2016 Actual	2017 Forecast	2017 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2015 $	%
Revenues:							
Operating Revenue	50,810	51,682	51,830	(148)	0%	872	2%
Security Grants	0	0	0	0	NA	0	NA
Total Revenues	**50,810**	**51,682**	**51,830**	**(148)**	**0%**	**872**	**2%**
Total Operating Expenses	**40,268**	**47,502**	**46,502**	**(1,000)**	**-2%**	**7,235**	**18%**
Net Operating Income	**10,542**	**4,179**	**5,327**	**(1,148)**	**-22%**	**(6,363)**	**-60%**
Capital Expenditures	**5,746**	**30,458**	**34,518**	**4,060**	**12%**	**24,712**	**430%**

- Total Maritime Revenues were $657K favorable to budget through Q2 2017 driven by $766K favorable variance from higher than budgeted grain volumes offset by smaller variances across the remaining business lines. Total Revenues are forecast $148K below budget in 2017 from net shed rental at FT and moorage revenue at SBM.
- Total Operating Expenses were $3,732K favorable to budget through Q2 2017 primarily due to lower maintenance, Maritime outside services, EDD tenant improvement, and corporate allocated. Expenses are forecasted to come in $1,000K over budget due to the $1,200K unbudgeted cruise baggage program offset by cruise initiative expenses moving to 2018.
- Net Operating Income before Depreciation was $4,390K favorable to budget YTD, and forecast to be ($1,148) below budget for the year.
- Capital Expenses forecast in 2017 at $30.5M, 88% of the approved annual budget amount of $34.5M.

Net Operating Income before Depreciation by Business

$ in 000's	2016 YTD Actual	2017 YTD Actual	2017 YTD Budget	Fav (UnFav) 2017 Bud Var $	%	Incr (Decr) Change from 2016 $	%
Fishing & Operations	(1,563)	(910)	(1,163)	253	22%	653	42%
Recreational Boating	748	799	87	712	NA	51	7%
Cruise	2,223	2,697	753	1,944	-258%	474	-21%
Bulk	1,442	2,388	1,501	888	59%	946	66%
Maritime Portfolio	450	121	(721)	842	NA	(329)	NA
All Other	(48)	(478)	(229)	(249)	NA	(430)	NA
Total Maritime	**3,252**	**4,618**	**228**	**4,390**	**-1922%**	**1,366**	**-42%**

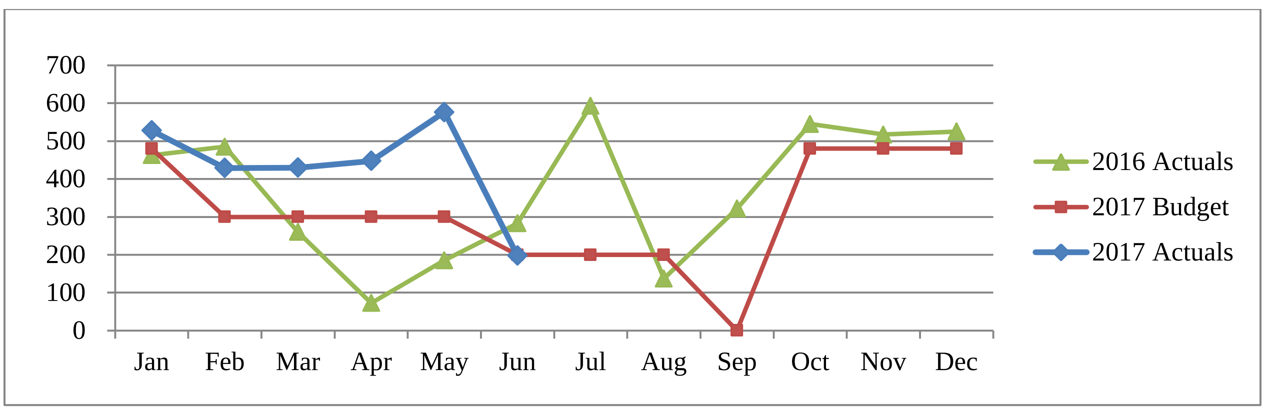
III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/17

A. BUSINESS EVENTS

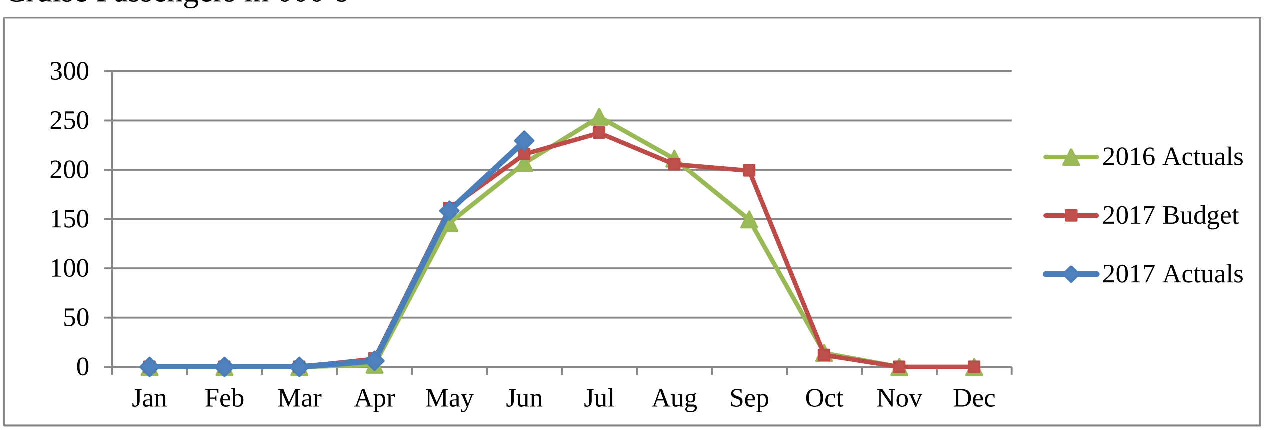
- P-66 Norwegian Cruise Line Passenger Terminal Expansion Project complete to start 2017 Cruise Season. Grand Re-Opening event was successful.
- Successful launch of the new Port Valet Program for cruise passengers - On board issuance of airline boarding pass and courtesy transfer of luggage.
- Year to date grain volumes 39% higher than budget.
- Iceland's Minister of Industry and Commerce discussed with staff future plans at FT for incubator space to encourage small business growth.
- Successful summer moorage program at FT with 52 recreational boats filling vacant space from fishing boats at sea.
- Barge moorage at North End of Harbor Island, T-25 South, T-108, and T-107 Kellogg Island continue to be fully utilized. Crowley has discontinued barge berthing at Pier 28 due to downsized drilling operations in AK.
- Glacier Fish Co. held a kickoff party for Seafood Summit 2017 at P-90. The decennial event was well attended and a success.
- Completed multiple drafts of the new live aboard authorization document and are incorporating Shishole Livaboard Association feedback into final document.
- Shilshole Bay Marina held Boater's Fest on June 10th with an estimated 1000 attendees.
- Marine Maintenance is leading the organization in small business utilization: 44.2% of goods, services, and small works conducted by small businesses.
- Completed activities for Fishermen's Terminal Visitor Marketing Plan.
- Received approval for T-18 outfall replacement, the first project funded by the Stormwater Utility.

B. KEY INDICATORS

Grain Volume – Metric Tons in 000's



Cruise Passengers in 000's



C. OPERATING RESULTS

$ in 000's	2016 YTD Actual	2017 Year-to-Date Actual	2017 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	22,027	24,525	23,868	657	3%	51,682	51,830	(148)	0%
Security Grants	0	0	0	0	NA	0	0	0	NA
Total Revenues	**22,027**	**24,525**	**23,868**	**657**	**3%**	**51,682**	**51,830**	**(148)**	**0%**
Maritime Expenses (excl Maint)	4,993	4,929	6,523	1,595	24%	13,791	12,791	(1,000)	-8%
Maintenance Expenses	4,716	4,740	6,028	1,287	21%	11,439	11,439	0	0%
P69 Facilities Expenses	134	141	189	48	25%	343	343	0	0%
Other ED Expenses	1,710	1,982	2,228	246	11%	4,262	4,262	0	0%
Environmental & Sustainability	303	598	805	207	26%	1,701	1,701	0	0%
CDD Expenses	522	419	589	170	29%	1,177	1,177	0	0%
Police Expenses	1,925	1,889	1,921	32	2%	3,867	3,867	0	0%
Corporate Expenses	4,423	4,839	5,356	517	10%	10,924	10,924	0	0%
Envir Remed Liability	48	371	0	(371)	NA	0	0	0	NA
Total Expenses	**18,775**	**19,907**	**23,640**	**3,732**	**16%**	**47,502**	**46,502**	**(1,000)**	**-2%**
NOI Before Depreciation	**3,252**	**4,618**	**228**	**4,390**	**1922%**	**4,179**	**5,327**	**(1,148)**	**-22%**
Depreciation	8,655	8,442	8,343	(98)	-1%	16,672	16,672	0	0%
NOI After Depreciation	**(5,404)**	**(3,824)**	**(8,115)**	**4,291**	**-53%**	**(12,493)**	**(11,345)**	**(1,148)**	**-10%**

Maritime Division Revenues were $657K favorable to budget. Key variances are as follows:

- **Fishing & Operations – unfavorable ($100K)**
  - **Maritime Ops -** favorable $3K.
  - **Fishing & Commercial -** unfavorable ($103K) with Commercial Fish Ops under budget ($125K) offset by FT Rec Boating $22K over budget.
- **Cruise Operations – favorable $124K**
  - **Dockage -** favorable $32K from unplanned dockage at Bell Street Cruise Terminal.
  - **Sale of Utilities** is favorable $43K.
  - **Misc. Revenue** is favorable $31K from billed maintenance work.
- **Recreational Boating – unfavorable ($69K)**
  - Shilshole Bay Marina ($96K) unfavorable due to utility revenues ($18K), parking revenue ($23K), and berthage & moorage ($69K).
  - Bell Harbor Marina $26 favorable with higher guest moorage than budgeted.
- **Bulk – favorable $767K**
  - Unusually high volume resulted in year to date metric tons of 2,608,865 which is 39% higher than budget of 1,880,000 metric tons.
- **Maritime Portfolio Management – unfavorable ($79K)**
  - **FT Office & Retail -** $12K favorable to budget with $4K from higher food and beverage revenue and $7K from utility sales revenues.
  - **MIC Office & Retail – (**$52K) unfavorable to budget due to loss of C-3 Worldwide revenue.
  - **SBM Office & Retail -** $1K favorable to budget.
  - **Maritime Industrial** – ($39K) unfavorable to budget due to timing of concession rent at T91.

Total Maritime Division Expenses were $3,732K favorable to budget. Key variances are as follows:

- **Maritime Expenses (excluding Maintenance)** were $1,595K favorable to budget. Major variances were as follows:
  - o **Salaries & Benefits** were $178K favorable due to open positions in Fishing & Operations and Cruise.
  - o **General Expenses** were $241K favorable primarily due to timing of P-66 mitigation and advertising expense in Cruise business.

  - **Travel & Other Employee Expenses** $13K favorable deferred Cruise travel, partially offset by AAPA dues applied in Q1, but should have been expensed in 2016.
- **Outside Services** were $675K favorable driven by timing Smith Cove Cruise Terminal baggage claim resurface and outside security expense.
- **Equipment Expense** was $336K favorable driven by delays in cruise "Best in Class" initiatives and CTA allowance.
- **Promotional** were $184K favorable driven by timing of Destination Awareness and Best in Class promotional spending.

- **Maintenance Expenses** were $1,287K favorable to budget. Shilshole Bay Marina was $392K favorable from projects needing further scope, $425K favorable to at Fishermen's Terminal primarily related to timing of Wharves and Piers small works along with deferred work at the Downie Building, and $146K favorable in work at T-91.
- **Environment & Sustainability Expenses** were $207K favorable to budget.
- **Corporate Expenses** were $517K favorable to budget due primarily to open FTEs.
- **Other Economic Development Expenses** $246K favorable, primarily due to not spending budgeted broker fees and TIs at FT and MIC properties.

<u>2017 Full Year Forecast</u>

Net Operating Income (NOI) forecast at ($1,148) below budget.

Operating Revenues forecast ($148K) below budget from net shed rental at Fishermen's Terminal and slightly lower than budgeted first half recreational boating revenue at Shilshole Bay Marina.

Operating Expenses forecast ($1,000K) above budget with unbudgeted Cruise Baggage Handling initiative ($1,200K) offset by $200K in Cruise marketing initiatives moving to 2018.

<u>Change from 2016 YTD Actual</u>

Net Operating Income (NOI) before Depreciation for 2017 increased by $1,366K – Revenue grew 11.3% in the first half while expenses grew 6%.

Revenues increased by $2,499K - Revenue from the Grain terminal increased $1,032K reflecting higher volume. Cruise increased $886K primarily from 7 additional sailings, Recreational Boating increased $354K from rate increases, and Maritime Portfolio Management increased $202K from yard leases at T-115 & T-108 along with extension of WDOT lease at T-106.

Expenses, direct and allocated, increased by $1,132K - Variance driven by increases in Corporate expenses increased $416K and Economic Development increased $271K, resulting in part from change in methodology with the creation of the NWSA. Environmental expenses increased $617K from lower than expected capitalized labor and T-5 pile removal. Maritime (including Maintenance) expenses fell $40K over prior year.

D. CAPITAL SPENDING

$ in 000's	2017 YTD Actual	2017 Forecast	2017 Budget	Budget Variance $	Budget Variance %
Cruise Terminal Tenant Improv	11,819	14,356	15,228	872	6%
P91 South End Fender	35	3,272	3,347	75	2%
FT Net Shed 3,4,5 &6 Roof Rpl	323	2,177	2,837	660	23%
Small Projects	572	2,531	2,685	154	6%
Contingency Renewal & Replace.	0	1,825	2,000	175	9%
SBM Restrms/Service Bldgs Rep	173	1,184	1,694	510	30%
Maritime Fleet Replacement	36	1,023	1,586	563	35%
T91 Building C-173 Roof Overl	112	1,219	1,321	102	8%
T91 P91W Slope Stabilization	65	115	650	535	0%
FT Strategic Plan	193	993	580	(413)	41%
T91 Camel Replacements	4	174	0	(174)	100%
All Other	152	1,589	2,590	1,001	39%
Total Maritime	13,484	30,458	34,518	4,060	12%

Comments on Key Projects

Through Q2 2017, Maritime spent 39% of the annual approved budget. Full year estimate is expected to be 88% of the annual approved budget.

Projects with significant changes in spending were:

- **Cruise Tenant Improvement**: Favorable due to permit delays and main construction postponed to Oct 2017.
- **Shilshole Bay Marina Restroom and Services Building Replacement**: Overall schedule delayed due to 2nd floor decision by sponsor.

FINANCIAL SUMMARY

$ in 000's	2016 Actual	2017 Forecast	2017 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2016 $	%
Revenues:							
Operating Revenue	15,903	16,427	16,030	396	2%	523	3%
Total Revenues	**15,903**	**16,427**	**16,030**	**396**	**2%**	**523**	**3%**
Total Operating Expenses	**21,135**	**28,163**	**29,069**	**906**	**3%**	**7,028**	**33%**
Net Operating Income	**(5,232)**	**(11,736)**	**(13,039)**	**1,303**	**10%**	**(6,504)**	**-124%**
Capital Expenditures	**4,757**	**5,030**	**6,304**	**1,274**	**20%**	**273**	**6%**

- Total Economic Development Division (EDD) revenues were $517K or about 7% favorable to budget through the second quarter primarily due to higher occupancy at T-102 Harbor Marina Corporate Center and T-91 Uplands, and greater than expected activity at the Bell Harbor Conference Center and Bell Street Garage. For the full year, revenue is expected to be $396K favorable to budget also primarily due to higher than expected occupancy at Bell Street Garage, T-102 Corporate Center, T-91 Uplands, and World Trade Center West. Additionally, to a lesser degree, higher than expected activity at the Bell Harbor Conference Center is expected in the second half of the year.
- Total Operating Expenses were $2,102K or 15% favorable through the second quarter due to lower spending than budgeted across all groups except for EDD Grants. For the full year, EDD is forecasting Operating Expenses to be $906K favorable to budget due to lower than expected spending for tenant improvement & broker fee expenses, delayed hiring of staff budgeted for P-69 Facilities, Central Harbor Management, Real Estate Development, and EDD Administration.
- Net Operating Income year-to-date for 2017 was $2,619K favorable to budget and $2,718K below 2016 Actual. For the full year, EDD is forecasting Net Operating Income of $1,303K favorable to budget.
- At the end of the second quarter, capital spending for full year 2017 is forecasted to be $5 million or 80% of the approved budget of $6.3 million.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/17

A. BUSINESS EVENTS

Portfolio Management
- Overall occupancy of buildings managed by Portfolio Management was at 97% at the end of the second quarter of 2017, above the 95% target for 2017. Portfolio Management's occupancy is above the average of 94% for the comparable office markets and near the average of 98% for comparable industrial markets.[1]

Tourism
- Coordinated 15 tour and media familiarization visits.

Pier 69 Facilities
- Completed initial concept design work related to Pier 69 lobby and external building improvements.

Real Estate Development
- Selected Miller Hull to complete A/E design services at Fishermen's Terminal for development of 2 new light industrial buildings and the renovation of the Seattle Ship Supply Building, all located at Fishermen's Terminal.
- Defined final scope and contracted for all relevant due diligent work on the Salmon Bay Marina acquisition. This work is complex and ongoing and includes environmental, finance, tax, physical, and permitting analysis and will conclude in early 2Q.
- Completed a detailed design development and appraisal process for the L-Shape property in order to determine practical implementation of Port-developed future air cargo facilities.

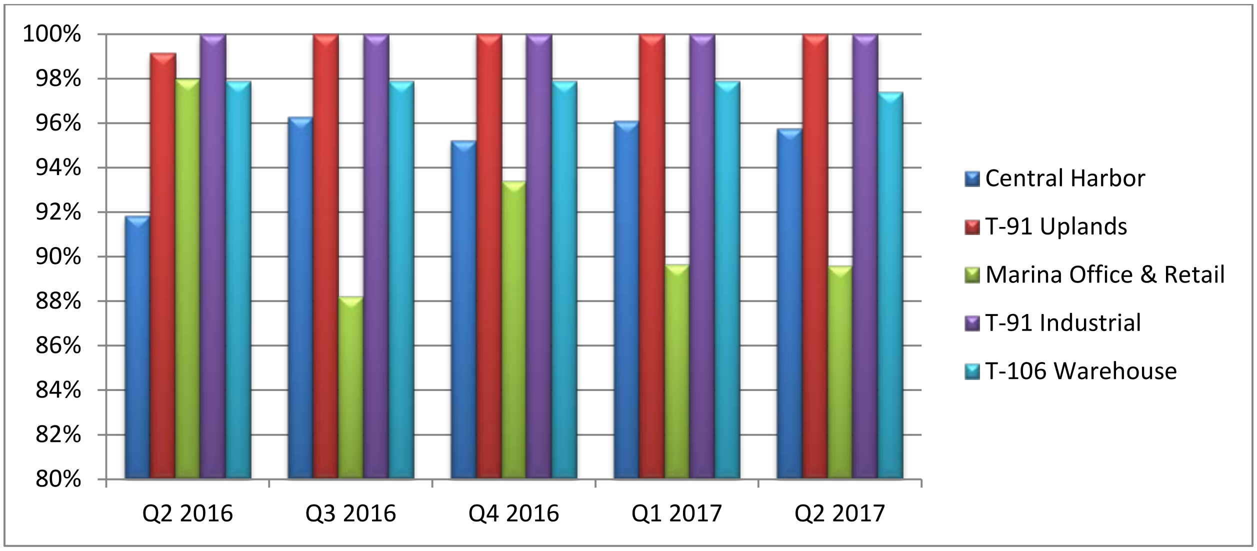
Small Business
- Coordinated and conducted two (2) PortGen training workshops with 56 business attendees.
- Worked with Airport Dining and Retail to deliver a series of five (5) Airport Concessions Disadvantaged Business Enterprise (AC/DBE) PortGen trainings, with 166 business attendees.
- Facilitated 1:1 interviews, focus groups and networking event to support consultant research and development of a food incubator needs assessment.

Workforce Development
- Workforce Contracts Executed:
  - Seattle Maritime Academy to support maritime youth development and internships
  - Seattle Goodwill to support summer high school internship program
  - Educurious to develop a career connected learning initiative for junior high school students

[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	2016 YTD Actual	2017 YTD Actual	2017 YTD Budget	Fav (UnFav) 2017 Bud Var $	%	Incr (Decr) Change from 2016 $	%
Portfolio Management	(1,514)	(2,539)	(4,085)	1,546	38%	(1,025)	-68%
Conference & Event Centers	643	(483)	(973)	490	50%	(1,126)	175%
Tourism	(432)	(528)	(650)	122	19%	(96)	-22%
Workforce Development	(176)	(354)	(926)	572	62%	(178)	-101%
Small Business	(1)	0	(69)	69	100%	1	NA
EDD Grants	0	(427)	(250)	(177)	-71%	(427)	NA
Env Grants/Remed Liab/ERC	(135)	(2)	0	(2)		133	-99%
Total Econ Dev	**(1,615)**	**(4,333)**	**(6,953)**	**2,620**	**38%**	**(2,718)**	**-168%**

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/17

C. OPERATING RESULTS

$ in 000's	2016 YTD Actual	2017 Year-to-Date Actual	2017 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 %
Central Harbor Properties	3,819	4,182	3,850	332	9%	8,344	8,088	256	3%
Conf & Events Centers	4,518	3,545	3,360	185	6%	8,083	7,943	140	2%
Total Revenue	**8,338**	**7,727**	**7,210**	**517**	**7%**	**16,427**	**16,030**	**396**	**2%**
Central Harbor Properties	1,618	2,053	2,277	224	10%	3,971	4,220	249	6%
Conf & Event Centers	3,665	3,660	3,914	254	6%	7,905	7,935	30	0%
P69 Facilities Expenses	81	96	129	33	26%	194	234	40	17%
Small Business	9	26	100	73	73%	161	161	(0)	0%
Workforce Development	150	228	804	576	72%	1,999	1,999	(0)	0%
Tourism	420	514	638	124	19%	1,285	1,285	0	0%
RE Dev & Planning	211	120	143	23	16%	223	303	80	26%
EDD Grants	0	427	250	(177)	-71%	940	960	20	2%
EconDev Expenses Other	330	383	659	276	42%	1,204	1,354	150	11%
Maintenance Expenses	1,253	1,483	1,802	319	18%	3,410	3,592	182	5%
Maritime Expenses (Excl Maint)	14	25	28	4	13%	64	64	(0)	-1%
Environmental & Sustainability	9	130	218	88	40%	361	451	90	20%
CDD Expenses	153	200	220	20	9%	435	439	4	1%
Police Expenses	81	85	86	2	2%	172	173	1	1%
Corporate Expenses	1,959	2,632	2,895	263	9%	5,840	5,899	59	1%
Envir Remed Liability	0	0	0	(0)	NA	0	0	0	NA
Total Expense	**9,952**	**12,061**	**14,162**	**2,102**	**15%**	**28,163**	**29,069**	**906**	**3%**
NOI Before Depreciation	**(1,615)**	**(4,333)**	**(6,952)**	**2,619**	**38%**	**(11,736)**	**(13,039)**	**1,303**	**10%**
Depreciation	1,881	1,860	1,922	62	3%	3,461	3,461	0	0%
NOI After Depreciation	**(3,496)**	**(6,194)**	**(8,875)**	**2,681**	**30%**	**(15,198)**	**(16,500)**	**1,303**	**8%**

Total Economic Development Division Revenue was $517K favorable to budget. Key variances:

- **Central Harbor Properties** were $332K favorable mainly due to higher than anticipated parking revenue at the Bell Street Garage $99K, and higher occupancy at T-102 Marina Corporate Center $75K and Terminal 91 Uplands $70K.
- **Conference & Event Centers** were $185K favorable due to higher event activity at Bell Harbor International Conference Center (BHICC) despite the ongoing construction of the P-66 Cruise Terminal expansion project.

Total Economic Development Expenses were $2,102K favorable to budget. Key variances:

- **Portfolio Management** was $224K favorable due to timing of leasing expenses (tenant improvements & broker fees) at T-102 Corporate Center.
- **Conference & Event Centers** were $254K favorable mainly due to timing of expenditures for WTC Seattle Interior Refresh project.
- **Workforce Development** was $576K favorable mainly due to timing of spending for Workforce Development programs.
- **Tourism** was $124K favorable primarily due to pending invoices from Tourism Development contracts and Tourism Marketing Support Programs (Tourism Grants). The entire budget is expected to be utilized by year end.
- **EDD Grants** were $177K unfavorable primarily due to mistiming of payment requests from recipients for work completed. All payments for the 2016 Grant Program are expected to be completed by the end of Q3.
- **Economic Development Other** was favorable $276K mainly due to lower than budgeted spending of EDD Opportunity Funds.
- **Maintenance** expenses were $319K favorable due to timing of projects and lower costs. Expect to end year $182K favorable to budget.

- **Corporate** costs, direct and allocated, were favorable $263K primarily due to lower than anticipated direct charges and allocations from Public Affairs $95K, Finance $67K, Accounting $34K, Office of Strategic Initiatives $27K, and Human Resources $25K which are offset by greater than anticipated charges from Executive.
- All other variances net to a favorable variance of $243K.

NOI before Depreciation was $2,619K favorable to budget.

- Depreciation was $62K or 3% favorable to budget.

NOI after Depreciation was $2,681K favorable to budget.

2017 Full Year Forecast

As of the end of the 2nd Quarter 2017, the Economic Development Division anticipates ending the year $1.3M favorable to budget for Net Operating Income (NOI) Before Depreciation. The variance reflects above budget revenue of $396K and favorable expense variance of $906K. Revenue is expected to be $396K favorable to budget also primarily due to higher than expected occupancy at Bell Street Garage, T-102 Corporate Center, T-91 Uplands and, World Trade Center West. And, to a lesser degree, higher than expected activity at the Bell Harbor Conference Center is expected in the second half of the year.

The favorable expense variance of $906K favorable due to lower than expected spending for tenant improvement & broker fee expenses, maintenance, real estate consulting services, and savings from budgeted staff positions not yet filled.

Change from 2016 YTD Actual

Net Operating Income before Depreciation decreased by $2,718K between 2017 and 2016 as a result of lower revenue ($610K) and higher expenses ($2,108K).

Revenues decreased by ($610K) due to lower revenue from Conference & Events Center ($973K), which was offset by higher revenue for Portfolio Management $363K.

Expenses increased by $2,108K primarily due to increases of $433K from Portfolio Management properties mainly for elevator modernization at Bell Street Parking Garage. EDD Grants increased $427K. Maintenance expenses increased $230K. Corporate expenses increased $672K.

CONTRIBUTIONS TO OTHER DIVISIONS

$ in 000's	2016 YTD Actual	2017 YTD Actual	2017 YTD Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2016 $	Incr (Decr) Change from 2016 %
Revenues:							
Maritime Industrial	3,075	3,306	3,345	(39)	-1%	230	7%
Marina Office & Retail	2,024	1,961	2,002	(40)	-2%	(63)	-3%
Total Revenues to Other Divisions	5,100	5,267	5,346	(79)	-1%	167	3%
Expenses to Other Divisions							
Maritime Portfolio Mgmt	4,650	5,146	6,067	921	15%	496	11%
NOI Before Depreciation	450	121	(721)	(842)	117%	(329)	-73%

D. CAPITAL SPENDING

$ in 000's	2017 YTD Actual	2017 Forecast	2017 Budget	Budget Variance $	Budget Variance %
T102 Bldg Roof HVAC Replacemt	806	1,609	1,610	1	0%
Small Projects	220	612	909	297	33%
P66 Elevator 2,3,4 Upgrades	37	652	705	53	8%
BHICC Interior Modernization	39	289	580	291	50%
BHICC Fit & Finish Improvement	374	500	500	0	0%
P69 Solar Panel System	0	0	300	300	100%
P69 Lobby	3	11	215	204	95%
All Others	33	1,357	1,485	128	9%
Total Economic Development	1,512	5,030	6,304	1,274	20%

Comments on Key Projects:
Through the 2nd quarter of 2017, Economic Development spent 24% of the annual approved capital budget. Full year spending is estimated to be 80% of budget.

Projects with significant changes in spending were:

- **P69 Solar Panel System** –Still researching feasibility. Received state grant so project might move forward in 2017.
- **Small Projects** –P69 Sewer Main Replacement moved to expense.
- **BHICC Interior Modernization** – Start of design is later and process is taking longer than anticipated.
- **P69 Lobby –** On hold until scope of work clearly established.

V. CORPORATE FINANCIAL & PERFORMANCE REPORT 06/30/17

A. BUSINESS EVENTS

- The Port of Seattle Commission advance search for new Executive Director and sought input from the public, customers and employees about the qualities and experience desired in new leader.
- The Port recognized 10 sustainable winners of the seventh-annual Green Gateway Environmental Excellence Award.
- Provided recipients of 18 grants to support tourism across Washington State, for the second year in a row. The grants will fund $150,000 in projects, from websites and advertising to booths at travel trade shows.
- Launched a new $1 million program to fund environmental projects in communities around Sea-Tac Airport.
- The Port welcomed the following new airlines services: Norwegian nonstop service to London; Aeromexico nonstop service to Mexico City and Condor Airlines' new nonstop seasonal service to Munich, Germany with the inaugural flight from Seattle-Tacoma International Airport.
- The Port of Seattle, the City of Burien, and Panattoni Development broke ground on a 26.2 acre site which will house two Class "A" industrial warehouses, totaling 458,500 square feet.
- The Port kicked off its biggest cruise season yet with over one million revenue passengers on 218 vessels, making Seattle the biggest cruise port on the West Coast.
- Implemented Express Connection at Federal Inspection Services passport control in cooperation with Customs & Border Protection (CBP).
- Continued working with Transportation Security Administration (TSA) to reduce increasing screening checkpoint times as well as the threat created by long public dwell times in the airports unsecured common areas.
- Implemented online workers compensation claim and safety reporting.
- Promoted a variety of Port initiatives through Spirit & Wellness platform including Portwide Pride, Earth Day and Virtual Take Your Pet to Work.
- Provided airport-related tax revenues analysis for the cities of SeaTac, Burien, and Des Moines.
- Updated the Cruise economic impacts based on the 2017 cruise schedule.
- Issued General Obligation Bonds of $127,345,000 to reimburse the Port's 2016 contribution to the Alaskan Way Viaduct Replacement Project. Work included conducting Rating Agency meetings and due diligence meeting and competitive sale.
- Conducted Rating Agency meetings in connection with the 2017 Intermediate Lien Revenue and Refunding Bonds; presented the First Reading of Resolution 3735; conducted the TEFRA hearing.
- Prepared a series of updates on the new DUIE (Driving Under Influence of Electronics) to include brown bags, LMS training, Compass Announcements, and posters to inform Port employees of the change in the wireless communication laws (i.e. texting) while operating a motor vehicle.
- Construction of North Satellite well underway and expansion on track for Q4.
- The South Satellite Interim Improvements has substantially completed.
- Baggage optimization Phase 1 contract was awarded with Notice to Proceed issued to PCL and construction started in June.
- Lora Lake remediation construction is underway.
- Construction of Concourse B holdroom facility well under construction and on track for Q3 completion.
- Concourse B gates with Passenger Loading Bridges and fuel pits are in use.
- New main employee screening location at Baggage Claim 9 operational in June.
- Completed Pier 66 Cruise Terminal work for Norwegian Cruise Line and received certificate of Occupancy.
- Pier 66 Conference Center designer selected; rate negotiations completed and contract executed.
- Developed a new Engineering Document Management system to track, manage and archive architecture documentation from current and past Port projects going back to the early 1900s.
- Developed a new Noise Remedy system to replace a 20 year old system used by the Airport Environmental group to track remediation work completed on property surrounding the airport.
- Deployed an interface between the 911 Dispatch system and the Port Emergency Notification system which improved workflow and eliminated costly manual steps during critical event.

B. KEY PERFORMANCE METRICS

Key Performance Indicators/Measures	YTD 2017	YTD 2016/Notes
A. Century Agenda Strategies		
1. Small Business Participation – Annual / Small Works (port-wide)	79.2%	72.7%
2. Small Business Participation – Annual / Major Construction (port-wide) including Mega projects	20.27%	17.25%
3. Small Business Participation – Annual / Goods & Services (port-wide)	18.4%	23.7%
4. Small Business Participation – Service Agreements (port-wide) - Annual (including Legal department Service Agreements)	50.4%	42.1%
B. High Performance Organization - Customer Satisfaction		
1. Respond to Public Disclosure Requests	264	225, increased by 39
2. Information and Communication Technology System Availability	99.7%	99.7%
3. IT Network Availability	99.9%	100.0%
4. Service Desk % First Call Resolution	40%	40.2%
5. Customer Survey for Police Service Excellent or Very Good	78%	92%
6. Oversee Implementation and Administration of CBAs agreements	99	48
7. Number of Jobs Openings	443	214, increased by 229
8. Percent of annual audit work plan completed each year	26%	39%
9. Request of information and guidelines for integrity & business conduct	113	114
C. High Performance Organization - Talent Development & Safety		
1. MIS and Clarity Training	14 classes, 104 attendees	9 classes, 63 attendees
2. Employee Development Class Attendees/Structured Learning	1878	129, increased by 1749
3. Required Safety Training	64%	46%
4. Occupational Injury Rate	4.94	5.05
5. Total Lost work days	300	305
D. Financial Performance		
1. Corporate costs as a % of Total Operating Expenses	32.8%	33.7%
2. Clean independent CPA audits involving AFR	yes	yes
3. Timely process disbursement payment requests	4 days	3 days
4. Keep receivables collections 85% current (within 30 days)	96%	93%
5. Investment Portfolio Yield	1.42%	1.14%
6. Litigation and Claim Reserves (in $ thousand)	$1,531	$1,900

C. OPERATING RESULTS

$ in 000's	2016 YTD Actual	2017 Year-to-Date Actual	2017 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	**75**	**82**	**151**	**(69)**	**-45.7%**	**367**	**367**	**-**	**0.0%**
Executive	1,019	623	958	335	35.0%	1,764	1,944	181	9.3%
Commission	723	867	949	82	8.6%	1,748	1,830	82	4.5%
Legal	1,510	1,877	1,642	(234)	-14.3%	3,504	3,288	(216)	-6.6%
Public Affairs	2,795	3,426	3,985	558	14.0%	7,683	7,847	164	2.1%
Human Resources	3,294	3,829	4,449	621	13.9%	8,825	9,035	210	2.3%
Labor Relations	568	1,389	669	(720)	-107.6%	2,048	1,313	(735)	-56.0%
Internal Audit	673	612	891	279	31.3%	1,713	1,770	56	3.2%
Office of Strategic Initiatives	2,235	2,719	3,192	474	14.8%	5,964	6,264	300	4.8%
Police	11,312	11,378	11,866	488	4.1%	23,689	23,884	196	0.8%
Security and Preparedness	647	732	855	122	14.3%	1,984	2,065	81	3.9%
Contingency	126	12	125	113	90.2%	250	250	-	0.0%
Finance									
Accounting & Financial Reporting Services	3,364	3,439	3,893	454	11.7%	7,435	7,763	328	4.2%
Information & Communication Technology	10,228	10,693	10,543	(150)	-1.4%	22,345	22,420	75	0.3%
Finance & Budget	2,378	2,254	2,781	527	19.0%	5,499	5,873	374	6.4%
Finance & Budget	835	844	1,034	190	18.4%	1,967	2,181	213	9.8%
Aviation Finance & Budget	947	845	1,006	162	16.1%	2,023	2,184	161	7.4%
Maritime Finance & Budget	597	565	741	175	23.7%	1,508	1,508	-	0.0%
Business Intelligence	416	633	714	81	11.3%	1,423	1,458	35	2.4%
Risk Services	1,619	1,588	1,737	149	8.6%	3,293	3,470	177	5.1%
Sub-Total	18,006	18,606	19,667	1,061	5.4%	39,996	40,985	989	2.4%
Total Before CDD and Environmental	**42,907**	**46,070**	**49,249**	**3,179**	**6.5%**	**99,167**	**100,475**	**1,308**	**1.3%**
Capital Development									
Engineering	2,227	2,646	3,420	774	22.6%	7,081	7,092	11	0.2%
Port Construction Services	1,182	1,116	2,033	917	45.1%	3,949	4,079	130	3.2%
Aviation PMG	560	3,151	8,315	5,164	62.1%	8,737	13,005	4,268	32.8%
Seaport PMG	566	627	459	(168)	-36.6%	947	912	(35)	-3.8%
Capital Development Admin	212	222	220	(2)	-0.9%	450	447	(3)	-0.6%
Sub-Total	4,747	7,763	14,448	6,684	46.3%	21,164	25,535	4,371	17.1%
Environment & Sustainability									
Aviation Environmental	1,407	1,623	2,833	1,211	42.7%	4,915	6,301	1,386	22.0%
Maritime Environmental & Planning	484	1,231	1,126	(105)	-9.3%	2,392	2,385	(8)	-0.3%
Noise Programs	348	347	330	(17)	-5.1%	738	723	(15)	-2.1%
Environment & Sustainability	1	146	1,293	1,146	88.7%	1,523	2,523	1,000	39.6%
Sub-Total	2,239	3,347	5,582	2,236	40.0%	9,569	11,932	2,363	19.8%
Total Expenses	**49,893**	**57,181**	**69,279**	**12,099**	**17.5%**	**129,900**	**137,942**	**8,042**	**5.8%**

Corporate revenues were $69K unfavorable compared to budget due to lower operating grant revenues.

Corporate expenses for the first six months of 2017 were $57.2M, $12.1M or 17.5% favorable compared to budget and $7.3M or 14.6% higher than the same period a year ago. The $12.1M favorable variance is due to vacant positions, delayed hiring, delayed projects and timing of spending.

All corporate departments have a favorable variance except for:

- **Legal** – unfavorable variance of $234K is due to Legal Expenses.
- **Labor Relations** – unfavorable variance of $720K is due to Legal Expenses.
- **Information & Communication Technology** – unfavorable variance of $150K is due to timing of spending which would be resolved by the end of the year.

V. CORPORATE FINANCIAL & PERFORMANCE REPORT 06/30/17

Year-end spending is projected to be $8.0M under budget due primarily to:

- **Executive** – favorable variance is due to a vacant position and Travel & Other Employee Expenses.
- **Commission** – favorable variance is due to vacant positions, which are now filled.
- **Legal –** unfavorable variance is due to Legal Expenses.
- **Public Affairs** – favorable variance is due to savings primarily in Outside Services, Travel & Other Employee Expenses, Promotional Hosting and General Expenses.
- **Human Resources and Development** – favorable variance is due to savings in vacant positions.
- **Labor Relations** – unfavorable variance is due to Legal Expenses.
- **Internal Audit** – favorable variance is due to two vacant positions.
- **Office of Strategic Initiative** – favorable variance is due to vacant positions.
- **Police** – favorable variance is due primarily to vacant positions.
- **Contingency** – plans on being on budget.
- **Capital Development** – favorable variance primarily in Outside Services due to project delays.
- **Accounting and Financial Reporting Services** – favorable variance is due to vacant positions, Outside Services, Travel & Other Employee Expenses and General Expenses.
- **Information & Communication Technology** – favorable variance is due to some savings in vacant positions.
- **Finance & Budget** – favorable variance is due to vacant positions and savings in Outside Services for the Economic Impact Study due to changes in the scope of work and savings in Travel & Other Employee Expenses.
- **Business Intelligence** – favorable variance is due to a vacant position.
- **Risk Services** – favorable variance is due to a vacant position recently filled and lower property insurance renewal.
- **Security and Preparedness –** favorable variance is due to a vacant position.
- **Environment & Sustainability –** favorable variance in Outside Services primarily due to delayed spending on SAMP NEPA/SEPA Environmental Review.

D. CAPITAL SPENDING

$ in 000's	2017 YTD Actual	2017 Forecast	2017 Budget	Budget Variance $	%
Infrastructure - Small Cap	438	1,581	1,581	0	0.0%
Services Tech - Small Cap	277	1,000	1,150	150	13.0%
Enterprise GIS - Small Cap	0	200	400	200	50.0%
Constr Doc Mgmt Sys Repl.	207	427	427	0	0.0%
Project Cost Mgmt System	110	419	900	481	53.4%
POS Website Redevelopment	207	679	796	117	14.7%
Supplier Database System	0	250	700	450	64.3%
Corporate Firewall	0	1,300	800	(500)	-62.5%
CDD Fleet Replacement	21	589	589	0	0.0%
Cap Dev Small Cap	0	340	340	0	0.0%
Other (note 1)	314	1,370	1,640	270	16.5%
TOTAL	1,574	8,155	9,323	1,168	12.5%

Note:
(1) "Other" includes remaining ICT projects, Corporate fleet replacement and small capital acquisition.