

Port of Seattle

Q2 2017 Financial Performance Report

Commission Meeting
September 12, 2017

Portwide Financial Highlights

- Total Operating Revenues were \$302.1M, \$11.8M above budget and \$22.7M higher than Q2 2016.
- Excluding Aeronautical revenues, which are based on cost recovery, operating revenues were \$174.3M, \$14.1M above budget and \$12.6M higher than Q2 2016.
- Total Operating Expenses were \$174.1M, \$17.4M or 9.1% under budget.
- Net Operating Income before depreciation was \$128.0M, \$29.2M above budget and \$3.6M lower than Q2 2016.
- Total capital spending forecasted to be \$435M, \$172.7M or 28.4% below budget.

Revenue up, expenses down in Q2

Aviation Business Highlights

- Enplaned passenger growth slowed in June, still up 3.2%, international passenger growth of 10.2%
- Customer Service: Consistently exceeding Airport Service Quality (ASQ) targets for Q2
- New air service:
 - Condor launched service to Munich, Germany in June
 - Aeromexico 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

Passenger growth up, customer service ratings improving

Aviation Financial Highlights

- **Cost per Enplanement (CPE) Forecast – \$0.24 favorable to budget** due to lower airline rate base costs and higher revenue sharing (driven by Non-Aero NOI growth)
- **Non-Aeronautical NOI Forecast - \$7.8M higher than budget**
 - \$1.9M incremental NOI - DMCBP phase II lump sum pre-paid frontage fee
 - \$1.6M – all other incremental Non-Aero Revenue growth
 - \$4.3M – all other incremental Non-Aero Expense savings

Positive outlook in Key Performance Metrics

Maritime Business Highlights

- **Cruise** – P-66 Norwegian Cruise Line passenger terminal expansion project complete. Port Valet Program launched.
- **Grain** - Year to date volumes 39% higher than projected.
- **Fishing** - Continued work to prep for Fishermen's Terminal uplands projects. Another successful year of summer rec boat moorage with 52 vessels. Seafood Summit 2017 at P-90.
- **Recreational Boating** - New live-aboard authorization draft finalized. Shilshole Bay Marina Boater's Fest w/1000 attendees. Restroom design at 60% (all feedback collected).
- **Marine Maintenance** - Small Business utilization: 44.2%.
- **Storm Water Utility** – T-18 outfall replacement approval received.

Improving customer service, small business contracting, and community outreach

Maritime Financial Highlights

Maritime – YTD NOI \$4,390K favorable to budget and \$1,366K better than 2016

- Revenue favorable to budget by \$657K and \$2,499K higher than 2016. Higher grain volumes, low vacancy rates, and increased tariffs are key drivers.
- Expenses favorable to budget by \$3,732K from Port-wide timing of spend in part driven by regional hiring challenges. Y/Y expenses up \$1,132K due to increased Corporate, Economic Development, and Environmental expenses.
- Maritime forecast to spend \$30.5M or 88% of the capital budget.

Stormwater Utility – YTD NOI \$109K favorable to budget

- Revenue \$3K unfavorable, expenses \$112K favorable to budget.
- Both revenue and expenses forecast at budget for 2017.

Revenue growth in Grain, Cruise, and Rec Boating

EDD Business Highlights

- **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. Defined final scope and contracted for all relevant due diligent work on the Salmon Bay Marina acquisition. Completed a detailed design development and appraisal process for the L-Shape.
- **Workforce Development** executed 3 contracts (Seattle Maritime Academy, Seattle Goodwill, and Educurious).
- **Small Business** coordinated and conducted two (2) training workshops (PortGen sessions). Worked with Airport Dining and Retail to deliver a series of five (5) Airport Concessions Disadvantaged Business Enterprise (AC/DBE) PortGen trainings.
- **Portfolio Management** properties at 97% occupancy at end of Q2, above target of 95%.
- **Tourism** coordinated 15 tour and media familiarization visits.

Advancing initiatives to expand WFD, Small Business, and Tourism

EDD Financial Highlights

EDD – NOI \$2.6M (38%) favorable to budget and \$2.7M lower than 2016

- Revenue favorable to budget by \$517K and \$610K lower than 2016. Conference and Event Center \$185K favorable to budget, and \$973K down from 2016 due to timing of construction at P66. Real Estate properties higher than budget from low vacancy rates.
- Expenses favorable to budget by \$2.1M from timing for Workforce Development, Maintenance, leasing expenses, WTC Seattle Interior refresh, and other initiatives. Y/Y expenses up \$2.1M primarily due to increased Corporate allocations, EDD Grants, and Bell Street Garage Elevator Refresh.
- EDD projects to spend 80% of capital budget.

Strong Occupancy & Managing Expenses

Corporate Business Highlights

- The Port recognized 10 sustainable winners of the seventh-annual Green Gateway Environmental Excellence Award.
- Launched a new \$1 million program to fund environmental projects in communities around Sea-Tac Airport.
- Conducted Rating Agency meetings in connection with the 2017 Intermediate Lien Revenue and Refunding Bonds.
- Implemented online workers compensation claim and safety reporting.
- 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.

Achieved a number of accomplishments in Q2 2017

Corporate Financial Highlights

- Total operating expenses for Corporate were \$57.2M, \$12.1M below budget.
- Most of the favorable budget variances came from payroll and outside services.
 - Payroll savings due to delayed hiring, vacant positions, and project delays.
 - Outside Services savings mainly came from delayed spending on advanced planning for SAMP, environmental review for SAMP, and some CDD projects.
 - Capital Development was \$6.7M below budget.
 - Environment & Sustainability was \$2.2M below budget.
- Total operating expenses forecasted to be \$129.9M, \$8.0M below budget.

Expense control & delay expenses led to favorable budget variances

Appendix

Q2 2017 Financial Performance Report



Portwide Financial Summary

\$ in 000's	2016 YTD Actual	2017 Year-to-Date		Fav (UnFav) Budget Variance		Year-End Projection		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
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%

- Total Operating Revenues were \$302.1M, \$11.8M above budget in Q2.
- Total Operating Expenses were \$174.1M, \$17.4M or 9.1% below budget in Q2.

Strong financial performance for the Port in Q2

Portwide 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)	(0)	(0)
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

Operating revenues exceeded budget

Portwide Operating Expense Summary

\$ in 000's	2016 YTD Actual	2017 Year-to-Date		Fav (UnFav) Budget Variance		Incr (Decr) Change from 2016	
		Actual	Budget	\$	%	\$	%
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%

Operating expenses were \$17.4M or 9.1% below budget

Capital Spending by Division

\$ in 000's	2017 YTD	2017	2017	Budget Variance	
	Actual	Forecast	Budget	\$	%
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.

2017 capital spending forecasted to be \$435M

Aviation Division Q2 2017 Financial Performance Report

Airport Activity – YTD June

	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).

Revised enplanement forecast of 3% growth in 2017

Aviation Financial Summary

\$ in 000's	2016	2017	2017	Fav (UnFav)		Incr (Decr)	
	Actual	Forecast	Budget	Budget	Variance	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	(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%

2017 NOI forecast \$0.8M favorable to budget

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%

2017 Forecast

Key Performance Metrics

- Reduced CPE due to lower airline rate base costs and higher revenue sharing (driven by Non-Aero NOI growth)
- Non-Aero NOI growth due to DMCBP Phase II lump sum (\$1.9M NOI), combined with other Non-Aero revenue growth and Non-Aero expense savings.

Other Performance Metrics

- Favorable outlook in all other performance metrics

Positive outlook on all Key Performance Indicators

Aviation Expense Summary

\$ in 000's	2016 YTD Actual	2017 Year-to-Date		Fav (UnFav) Budget Variance		Year-End Projection		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
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%

2017 Forecast to Budget

Unplanned expenses:

- DMCBP Phase II pre-paid frontage fee expense (\$3.6M)
- Additional kiosks for FIS processing (\$0.9M)
- Snow removal (\$1.4M)
- Capital to expense: exit lane equipment (\$2.0M)

Offset by cost savings:

- AVPMG savings due to Terminal project delays partially offset by lower charges to capital.
- Payroll savings - vacancies and hiring delays (\$2.8M)
- SAMP-related spending delays

Unplanned expenses absorbed by cost savings

Aeronautical Business

\$ in 000's	2016 YTD Actual	2017 Year-to-Date		Fav (UnFav) Budget Variance		Year-End Projection		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
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 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						(87,722)	(88,740)	1,018	1.1%
Net Cash Flow						(10,930)	(4,952)	(5,977)	120.7%

2017 Forecast

Revenue - \$8.8M lower

- Rate based revenue \$3.4M lower- due to savings from project delays and lower debt service.
- Commercial Area revenue \$0.4 higher - due to higher RON parking activity.
- Revenue sharing \$5.8M higher due to Non-Aero NOI growth

Expenses - \$1.8M lower

- AVPMG terminal projects delayed
- Payroll savings - due to vacancies & hiring delays
- SAMP related spending delayed
- Partially offset by unplanned cost for additional kiosks for FIS processing (\$0.9M) and exit lane equipment write-off (\$2.0M).

Expense savings and higher revenue sharing compared to Budget

Aero Cost Drivers

\$ in 000's	2016 Actual	2017 Forecast	2017 Budget	Fav (Unfav) Budget Variance		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

2017 Forecast

O&M Expenses – \$1.6M lower

- AVPMG terminal projects delayed
- Payroll savings – due to vacancies & hiring delays
- SAMP related spending delayed
- These savings are largely offset by unplanned security exit lanes project equipment write-off (\$2.0M) and the purchase of additional kiosks for FIS processing (\$0.9M)

Debt Service – \$1.0M lower due to interest savings on 2008 VRDB and commercial paper

Aero rate base revenues based on cost recovery formulas

Aero Revenue Sharing

Aero Revenue Sharing calculation	2016 Actual	2017 Forecast	2017 Budget	Fav (Unfav) Budget Variance		Incr (Decr) Change from 2016	
				\$	%	\$	%
\$ in 000's							
Aero Revenues (incl' commercial)	285,211	308,446	311,468	(3,022)	-1.0%	23,235	8.1%
Non-Aeronautical Revenues	221,021	233,724	226,645	7,078	3.1%	12,702	5.7%
Total O&M Expenses	(261,226)	(300,162)	(302,711)	2,549	-0.8%	(38,936)	-14.9%
Net Operating Income	245,006	242,008	235,403	6,605	2.8%	(2,999)	-1.2%
ADF Interest Income	3,725	4,167	3,299	868	26.3%	442	11.9%
Security Checkpoint TSA Grant	916	1,230	1,230	-	0.0%	314	34.3%
Misc. Non-Operating Expenses	(2,481)	(750)	(838)	89	-10.6%	1,732	69.8%
CFC Excess	(4,899)	(3,020)	(5,561)	2,542	-45.7%	1,879	38.4%
Available for Debt Service [a]	242,267	243,636	233,532	10,104	4.3%	1,369	0.6%
Debt Service	133,982	132,644	133,876	(1,233)	-0.9%	(1,338)	-1.0%
Debt Service x 1.25 [b]	167,477	165,805	167,345	(1,541)	-0.9%	(1,672)	-1.0%
Available for revenue sharing [c]=[a]-[b]	74,790	77,831	66,187	11,644	17.6%	3,041	4.1%
Revenue Sharing [d]=[c]*0.5	37,395	38,916	33,093	5,822	17.6%	1,521	4.1%

Increased revenue sharing drives reduction in CPE

Non-Aeronautical Business

\$ in 000's	2016 YTD Actual	2017 Year-to-Date		Fav (UnFav) Budget Variance		Year-End Projection		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
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/Terminal 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%
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	-	-	0	-		(3,020)	(5,561)	2,542	45.7%
Adjusted Non-Aero NOI	57,592	63,649	50,491	13,159	26.1%	123,280	112,960	10,320	9.1%
Debt Service						(44,921)	(45,136)	215	0.5%
Net Cash Flow						78,358	67,824	10,535	15.5%

2017 Forecast

Revenue - \$7.1M increase

- DMCCBP – 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 was increased 6 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).

Expenses - \$0.7M decrease

- DMCCBP – 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)
- More than offset by lower charges from other divisions including Non-Aero share of AVPMG savings for Terminal project delays and savings in other AV division expenses.

Non-Aero NOI \$7.8M higher than budget

2017 Capital Expenditures

\$ in 000's Description	2017	2017	2017	Budget Variance	
	YTD Actual	Forecast	Budget	\$	%
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.

2017 spending forecasted to be 70% of budget

SAMP Overview

Description	2016 Actual	2017 Forecast	2017 Budget	Fav (Unfav)		Inc (Decr)	
				Budget Variance		Change from 2016	
\$ in 000's				\$	%	\$	%
SAMP Completion & Transition to Env Review	1,591	1,000	500	(500)	-100.0%	(591)	-37.1%
Adv Planning IDIQ - Master Plan	0	2,300	3,500	1,200	34.3%	2,300	n/a
Environmental Review - Master Plan	208	350	2,300	1,950	84.8%	142	68.3%
SAMP Utilities Evaluation	0	500	500	0	0.0%	500	n/a
Total SAMP-related Spending	1,799	4,150	6,800	2,650	39.0%	2,351	130.7%

- Advance Planning and Environmental Review in support of Master Plan projects deferred pending completion of SAMP.
- Delayed start will increase budget requirement in future years.

SAMP implementation timing

Maritime Division 2017 Financial Performance Report

Maritime 2017 Financial Summary

Budget Variance

- Grain driving favorable to budget revenue.
- Operating expenses below budget driven by maintenance & payroll savings.

Variance from 2016

- Revenue growth seen in Grain (53%), Cruise (16%), Rec Boating (7%), and Maritime Portfolio Management (4%).
- Expense growth driven by Corporate, EDD, and Environmental.

\$ in 000's	2016 YTD Actual	2017 Year-to-Date		Fav (UnFav) Budget Variance		Year End Projections		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
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%

Unfilled positions and project delays driving lower costs

Maritime Capital 2017

\$ in 000's	2017 YTD	2017	2017	Budget Variance	
	Actual	Forecast	Budget	\$	%
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%

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.

Maritime Division 88% of Capital Budget

Stormwater Utility 2017 Financial Summary

\$ in 000's	2016 YTD Actual	2017 Year-to-Date		Fav (UnFav) Budget Variance		Year End Projections		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
StormWater Utility									
NWSA	1,708	1,706	1,713	(7)	0%	3,426	3,426	-	0%
Tenants Revenue	120	213	210	3	2%	419	419	-	0%
Non-tenants Revenue	541	564	564	1	0%	1,110	1,110	-	0%
Total Revenues	2,369	2,483	2,486	(3)	0%	4,955	4,955	-	0%
SWU Direct	51	267	536	270	50%	1,056	1,056	-	0%
Maintenance Expenses	324	1,129	1,132	2	0%	2,260	2,260	-	0%
Other Maritime Expenses	-	-	-	-	NA	-	-	-	NA
EDD Expenses	0	10	17	7	42%	32	32	-	0%
Environmental & Sustainability	11	261	82	(179)	-220%	168	168	-	0%
CDD Expenses	20	31	29	(1)	-4%	59	59	-	0%
Police Expenses	-	-	-	-	NA	-	-	-	NA
Corporate Expenses	4	188	201	13	6%	418	418	-	0%
Total Expenses	410	1,885	1,997	112	6%	3,993	3,993	-	0%
NOI Before Depreciation	1,959	598	489	109	22%	963	963	-	0%
Depreciation	445	498	484	(14)	-3%	929	929	-	0%
NOI After Depreciation	1,515	101	5	95	1830%	34	34	-	0%

Revenue: (\$3K) unfavorable

- Variance from timing in the budget. Annual revenue forecast right at budget.

Expenses: \$112K favorable

- Invoice timing of key outside support vendor to be applied in 2H 2017. Annual expenses to come in right at budget.

Net Operating Income forecast to budget

Economic Development Division Q2 2017 Financial Performance Report

EDD 2017 Financial Summary

\$ in 000's	2016 YTD Actual	2017 Year-to-Date		Fav (UnFav) Budget Variance		Year End Projections		Fav (UnFav) Budget Variance	
		Actual	Budget	\$	%	Forecast	Budget	\$	%
Revenue	3,819	4,182	3,850	332	9%	8,344	8,088	256	3%
Conf & Event Ctr Revenue	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%
Portfolio Management	1,618	2,053	2,277	224	10%	3,971	4,161	190	5%
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	1,413	209	15%
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%

Strong Occupancy and Timing of Expenses

Contribution to Maritime Division

\$ in 000's	2016 YTD	2017 YTD		Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Budget	Budget Variance		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%

EDD making contribution to Maritime Division

EDD Capital 2017

\$ in 000's	2017 YTD Actual	2017 Forecast	2017 Budget	Budget Variance	
				\$	%
Econ Dev	1,512	5,030	6,304	1,274	20%

Planned Capital Projects Moving Forward

Corporate Q2 2017 Financial Performance Report



Corporate Expense by Category

\$ in 000's	2016 YTD	2017 Year-to-Date		Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Budget	Budget Variance		Change from 2016	
				\$	%	\$	%
Salaries & Benefits	32,717	34,654	38,382	3,728	9.7%	1,937	5.9%
Wages & Benefits	10,695	10,679	11,095	416	3.7%	(16)	-0.2%
Payroll to Capital Projects	8,610	11,207	11,309	101	0.9%	2,597	30.2%
Equipment Expense	750	1,230	1,125	(105)	-9.4%	481	64.1%
Supplies & Stock	427	493	739	247	33.4%	66	15.4%
Outside Services	7,810	13,311	24,732	11,421	46.2%	5,501	70.4%
Travel & Other Employee Exps	1,095	1,188	2,012	824	41.0%	93	8.5%
Insurance Expense	1,192	1,167	1,250	83	6.6%	(25)	-2.1%
Litigated Injuries & Damages	223	838	-	(838)	0.0%	614	275.0%
Other	85	1,633	1,384	(248)	-17.9%	1,548	1821.2%
Charge to Capital	(13,712)	(19,219)	(22,749)	(3,530)	15.5%	5,507	40.2%
Total	49,892	57,181	69,279	12,099	17.5%	7,288	14.6%

- Payroll savings due to delay hiring, vacant positions, and project delays.
- Outside Services saving mainly came from project delays, advanced planning IDIQ for SAMP and environmental review for SAMP.

Most of the budget savings came from payroll and outside services

Financial Summary by Dept.

\$ in 000's	2016 YTD Actual	2017 Year-to-Date		Fav (UnFav)		Year-End Projections		Fav (UnFav)		Incr (Decr)	
		Actual	Budget	Budget	Variance	Forecast	Budget	Budget	Variance	Change from 2016	%
				\$	%			\$	%	\$	%
Total Revenues	75	82	151	(69)	-45.7%	367	367	-	0.0%	7	9.6%
Executive	1,019	623	958	335	35.0%	1,764	1,944	181	9.3%	(396)	-38.9%
Commission	723	867	949	82	8.6%	1,748	1,830	82	4.5%	144	19.9%
Legal	1,510	1,877	1,642	(234)	-14.3%	3,504	3,288	(216)	-6.6%	367	24.3%
Public Affairs	2,795	3,426	3,985	558	14.0%	7,683	7,847	164	2.1%	632	22.6%
Human Resources	3,294	3,829	4,449	621	13.9%	8,825	9,035	210	2.3%	534	16.2%
Labor Relations	568	1,389	669	(720)	-107.6%	2,048	1,313	(735)	-56.0%	821	144.6%
Internal Audit	673	612	891	279	31.3%	1,713	1,770	56	3.2%	(61)	-9.1%
Office of Strategic Initiatives	2,235	2,719	3,192	474	14.8%	5,964	6,264	300	4.8%	484	21.7%
Police	11,312	11,378	11,866	488	4.1%	23,689	23,884	196	0.8%	66	0.6%
Security and Preparedness	647	732	855	122	14.3%	1,984	2,065	81	3.9%	85	13.2%
Contingency	126	12	125	113	90.2%	250	250	-	0.0%	(113)	-90.2%
Finance											
Accounting & Financial Reporting Services	3,364	3,439	3,893	454	11.7%	7,435	7,763	328	4.2%	76	2.2%
Information & Communication Technology	10,228	10,693	10,543	(150)	-1.4%	22,345	22,420	75	0.3%	464	4.5%
Finance & Budget	2,378	2,254	2,781	527	19.0%	5,499	5,873	374	6.4%	(125)	-5.2%
Business Intelligence	416	633	714	81	11.3%	1,423	1,458	35	2.4%	217	52.1%
Risk Services	1,619	1,588	1,737	149	8.6%	3,293	3,470	177	5.1%	(31)	-1.9%
Sub-Total	18,006	18,606	19,667	1,061	5.4%	39,996	40,985	989	2.4%	601	3.3%
Total Before CDD and Environmental	42,907	46,070	49,249	3,179	6.5%	99,167	100,475	1,308	1.3%	3,163	7.4%

Most Corporate departments had a favorable budget variance in Q2

Financial Summary by Dept. – Con't

\$ in 000's	2016 YTD Actual	2017 Year-to-Date		Fav (UnFav) Budget Variance		Year-End Projections		Fav (UnFav) Budget Variance		Incr (Decr) Change from 2016	
		Actual	Budget	\$	%	Forecast	Budget	\$	%	\$	%
Capital Development											
Engineering	2,227	2,646	3,420	774	22.6%	7,081	7,092	11	0.2%	420	18.9%
Port Construction Services	1,182	1,116	2,033	917	45.1%	3,949	4,079	130	3.2%	(66)	-5.6%
Aviation PMG	560	3,151	8,315	5,164	62.1%	8,737	13,005	4,268	32.8%	2,591	462.8%
Seaport PMG	566	627	459	(168)	-36.6%	947	912	(35)	-3.8%	61	10.7%
Capital Development Admin	212	222	220	(2)	-0.9%	450	447	(3)	-0.6%	11	5.0%
Sub-Total	4,747	7,763	14,448	6,684	46.3%	21,164	25,535	4,371	17.1%	3,016	63.5%
Environment & Sustainability											
Aviation Environmental	1,407	1,623	2,833	1,211	42.7%	4,915	6,301	1,386	22.0%	216	15.3%
Maritime Environmental & Planning	484	1,231	1,126	(105)	-9.3%	2,392	2,385	(8)	-0.3%	747	154.5%
Noise Programs	348	347	330	(17)	-5.1%	738	723	(15)	-2.1%	(1)	-0.4%
Environment & Sustainability	1	146	1,293	1,146	88.7%	1,523	2,523	1,000	39.6%	146	16684.6%
Sub-Total	2,239	3,347	5,582	2,236	40.0%	9,569	11,932	2,363	19.8%	1,107	49.5%
Total Expenses	49,893	57,181	69,279	12,099	17.5%	129,900	137,942	8,042	5.8%	7,287	14.6%

Corporate operating expenses were \$8.0M favorable to budget in Q2

Corporate Capital Spending

\$ in 000's	2017 YTD	2017	2017	Budget Variance	
	Actual	Forecast	Budget	\$	%
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.

2017 capital spending forecasted to be 87.5% of budget