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DATE OF
MEETING: February 25, 2014

PORT OF SEATTLE

2013 FINANCIAL & PERFORMANCE REPORT

AS OF DECEMBER 30, 2013

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I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/13

EXECUTIVE SUMMARY

Financial Summary

The Port's total operating revenues for 2013 were $544.7 million, $9.0 million above the revised budget. Excluding Aeronautical revenues, other operating revenues were $291.6 million, $1.6 million above the revised budget primarily due to higher revenues from Rental Cars, Public Parking, and Ground Transportation, partially offset by lower revenues from Grain and Conference & Event Centers. Total operating expenses were $307.1 million, $17.0 million below the revised budget mainly due to delayed hiring and vacant positions, less expense on outside services, and other budget savings. Operating income before depreciation was $237.6 million, $26.1 million above the revised budget. Operating income after depreciation was $66.2 million, $26.2 million over the revised budget. The Port-wide capital spending for 2013 was $130.2 million for the year, $82.7 million below budget.

Operating Summary

At the Airport, we had a record 34.8 million passengers in 2013. Enplanements were 4.7% higher; excluding certain non-revenue passengers that had previously been unreported, the growth would be 3.0%. International enplaned passengers attained greater growth (9.8% vs. 2012) than domestic enplanements (4.1% vs. 2012). For the Seaport division, TEU volume was 1.6 million, down 15.5% from 2012. Grain volume was at 1.4 million metric tons, 57.2% below 2012 volumes and 60.3% below budget. The 2013 cruise season included 871 thousand passengers and 187 sailings. For the Real Estate division, occupancy levels at Commercial Properties were at 91%, below the 92% target but the Seattle market average of 88%. Fishermen's Terminal and Maritime Industrial Center were at 78% occupancy, on target. Recreational Marinas was at 96% occupancy, above target of 92%.

Key Business Events

The Port reached a five-year lease and operating agreement with the airlines (SLOA III). The agreement is retroactive to January 1, 2013. Delta Air Lines announced new international service to London, Seoul and Hong Kong in 2014 and a significant increase in domestic service to Sea-Tac to feed its international service. The Airport opened four new duty free shops and has realized very strong sales. APL's PS1 service was suspended in November. United Arab Shipping Company commenced calls in June. One new Foreign Trade Zone, Tommy Bahama, was activated in May. Truck Radio Frequency Identification was successfully implemented on April 1st. We executed agreement for federal Congestion Mitigation and Air Quality Improvement Program (CMAQ) grant to provide ScRAPS incentives for 160 trucks and applied for and received $500 thousand state Department of Ecology grant to provide funding for upgrading trucks. We were named "Port of the Year" by the German cruise guide book Koehler's Guide.

Major Capital Projects

Key capital projects completed in 2013 include: Airlines Realignment, Airport Terminal Escalator Modernization, Passenger Loading Bridge, Aircraft Preconditioned Air, Flight Information Management System (FIMS II), East Marginal Way Grade Separation, Terminal 5 Maintenance Dredging, Fishermen's Terminal Net Shed Code Compliance Project, Pier 66 Steam Replacement Project, and PeopleSoft Financial System Upgrade. We also completed preliminary design & gate needs analysis for North Satellite renovations. Transportation Security Administration (TSA) approved 30% design of baggage optimization project and agreed to provide $93 million partial project funding. International Arrivals Facility (IAF) project obtained initial authorization by Port Commission. First exit lane security project went into service and was approved by Transportation Security Administration (TSA); work is underway to expand technology to all exit lanes. Construction commenced on Terminal 91and Terminal 117 clean-up sites. Substantial completion was issued for the Maritime Industrial Center Building A-1 Roof Replacement Project. Highline school insulation project was delayed due to Highline School District funding constraints.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/13

INCOME STATEMENT

Report: Income Statement
As of Date: 2013-12-31

$ in 000's	2012 Actual	2013 Actual	2013 Rvsd Budget	Fav (UnFav) Rvsd Bud Variance $	Fav (UnFav) Rvsd Bud Variance %	Incr (Decr) Change from 2012 $	Incr (Decr) Change from 2012 %
Revenues:							
Aviation	386,008	413,804	402,186	11,618	2.9%	27,796	7.2%
Seaport	103,285	99,028	100,362	(1,334)	-1.3%	(4,256)	-4.1%
Real Estate	31,937	31,370	32,930	(1,560)	-4.7%	(567)	-1.8%
Capital Development	32	26	-	26	0.0%	(7)	-20.4%
Corporate	444	450	155	295	190.3%	6	1.3%
Total Revenues	**521,706**	**544,678**	**535,633**	**9,045**	**1.7%**	**22,972**	**4.4%**
Operating & Maintenance:							
Aviation	156,004	162,297	173,380	11,084	6.4%	6,293	4.0%
Seaport	19,366	19,033	20,084	1,051	5.2%	(333)	-1.7%
Real Estate	35,559	35,277	37,736	2,458	6.5%	(281)	-0.8%
Capital Development	13,978	14,688	14,904	216	1.4%	710	5.1%
Corporate	73,263	75,788	78,019	2,231	2.9%	2,525	3.4%
Total O&M Costs	**298,169**	**307,083**	**324,123**	**17,040**	**5.3%**	**8,914**	**3.0%**
Operating Income Before Depreciation	**223,537**	**237,595**	**211,510**	**26,085**	**12.3%**	**14,058**	**6.3%**
Depreciation	167,279	171,361	171,510	149	0.1%	4,082	2.4%
Operating Income after Depreciation	**56,258**	**66,234**	**40,000**	**26,234**	**65.6%**	**9,976**	**17.7%**

IMPORTANT NOTE:

All the numbers in the table above are on an Org basis while the actual numbers for the operating divisions are on a Subclass basis.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/13

KEY PERFORMANCE METRICS

	2012 Actual	2013 Actual	2013 Revised Budget	2013 Approved Budget	Fav (UnFav) Rvsd Bud Variance Chg.	%	Incr (Decr) Change from 2012 Chg.	%
Enplanements (in 000's)	16,597	17,376	17,017	17,017	360	2.1%	779	4.7%
Landed Weight (lbs. in 000's)	19,987	20,949	20,444	20,444	505	2.5%	962	4.8%
Passenger CPE (in $)	13.23	11.90	13.65	13.80	1.75	12.8%	(1.3)	-10.1%
Container Volume (TEU's in 000's)	1,886	1,593	1,660	1,660	(67)	-4.1%	(293)	-15.5%
Grain Volume (metric tons in 000's)	3,161	1,351	3,400	3,400	(2,049)	-60.3%	(1,810)	-57.2%
Cruise Passenger (in 000's)	935	871	851	851	20	2.3%	(64)	-6.8%
Commercial Property Occupancy	91%	91%	92%	92%	-1%	-1.1%	0.0%	0.0%
Shilshole Bay Marina Occupancy	94.3%	96.5%	94.2%	94.2%	2.3%	2.4%	2.2%	2.3%
Fishermen's Terminal Occupancy	74.0%	79.1%	78.2%	78.2%	1.0%	1.2%	5.1%	6.9%

CAPITAL SPENDING RESULTS

$ in 000's	2012 Actual	2013 Actual	2013 Budget	Budget Variance $	%
Aviation	81,810	108,841	174,651	65,810	37.7%
Seaport	10,840	5,673	11,129	5,456	49.0%
Real Estate	2,320	6,060	12,165	6,105	50.2%
Corporate & CDD	4,194	9,657	15,806	6,149	38.9%
TOTAL	99,164	130,231	213,751	83,520	39.1%

PORTWIDE INVESTMENT PORTFOLIO

The investment portfolio for fourth quarter of 2013 earned 0.76% against our benchmark (The Bank of America Merrill Lynch 3-year Treasury/Agency Index) of 0.41%.For the past twelve months the portfolio has earned 0.69% against the benchmark of 0.35%. Since the Port became its own Treasurer in 2002, the Port's portfolio life-to-date has earned 2.97% against our benchmark of 2.24%.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/13

FINANCIAL SUMMARY

$ in 000's	2012 Actual	2013 Actual	2013 Revised Budget	Fav (UnFav) Rvsd Bud Variance $	Fav (UnFav) Rvsd Bud Variance %	Incr (Decr) Change from 2012 $	Incr (Decr) Change from 2012 %
Operating Revenues:							
Aeronautical Revenues	233,000	238,735	245,623	(6,888)	-2.8%	5,734	2.5%
SLOA III Incentive Straight Line Adj		14,304		14,304		14,304	
Non-Aeronautical Revenues	153,022	160,765	156,563	4,203	2.7%	7,743	5.1%
Total Operating Revenues	**386,023**	**413,804**	**402,186**	**11,618**	**2.9%**	**27,781**	**7.2%**
Total Operating Expense	216,565	225,908	237,784	11,876	5.0%	9,343	4.3%
Net Operating Income	**169,458**	**187,896**	**164,402**	**23,494**	**14.3%**	**18,439**	**10.9%**
Net Non-Operating items paid from ADF (1)	(183)	(4,045)	1,549	(5,594)	-361.1%	(3,862)	2110.7%
SLOA III Incentive Straight Line Adj		(14,304)		(14,304)		(14,304)	
Debt Service	(121,087)	(127,831)	(126,894)	(937)	-0.7%	(6,744)	5.6%
Net Cash Flow	**48,188**	**41,716**	**39,057**	**2,659**	**6.8%**	**(6,471)**	**-13.4%**

Note: (1) Per SLOA III definition of Net Revenues

A. BUSINESS EVENTS

- Fully executed a new five-year lease and operating agreement with the airlines (SLOA III). Agreement is retroactive to January 1, 2013. 2013 actuals reflect preliminary annual reconciliation to provisions of SLOA III. Final 2013 annual reconciliation is underway.
- Delta Air Lines announced new international service to London, Seoul and Hong Kong in 2014. Delta also announced a significant increase in domestic service to Sea-Tac to feed its international service.
- Airlines realignment project substantially complete.
- Four new duty free shops opened during 2013 and have realized very strong sales.

B. KEY PERFORMANCE METRICS

	2012	2013	% Change
Enplaned Passengers (000s)			
Domestic	14,983	15,604	4.1%
International	1,614	1,772	9.8%
Total	16,597	17,376	4.7%
Operations	309,597	317,186	2.5%
Landed Weight (million lbs.)			
Cargo	1,291	1,387	7.5%
All other	18,696	19,562	4.6%
Total	19,987	20,949	4.8%
Cargo - metric tons			
Domestic freight	155,220	155,867	0.4%
International freight	82,090	88,580	7.9%
Mail	46,299	48,261	4.2%
Total	283,609	292,708	3.2%

- For 2013, enplaned passenger counts include certain non-revenue passengers that had previously been unreported. Excluding these, YOY 2013 growth would be 3.0%, rather than 4.7%.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/13

Key Performance Measures

	2012 Actual	2013 Actual	2013 Revised Budget	Fav (UnFav) Rvsd Bud Variance $	%	Incr (Decr) Change from 2012 $	%
Key Measures							
Enplaned Passengers (in 000's)	16,597	17,376	17,017	360	2.1%	779	4.7%
CPE after Revenue Sharing ($)	13.23	11.90	13.65	1.75	12.8%	(1.33)	-10.1%
Debt Service Coverage (before Revenue Sharing)	1.40	1.40	1.31	0.09	6.9%	-	0.0%
Debt Service Coverage (after Revenue Sharing)		1.33		n/a		n/a	
Days cash on hand (10 months = 304 days)	462	437	304	133	43.8%	(25)	-5.4%
Debt per enplaned passenger	153	141	145	4	2.8%	(12)	-7.8%

- Revised 2013 Budget based on setting airline rates and charges by resolution.
- CPE of $11.90 reflects 2013 revenue sharing, as well as savings in debt service, payroll and contracted services, *partially offset* by increases in environmental remediation liabilities.

C. OPERATING RESULTS

Division Summary

$ in 000's	2012 Actual	2013 Actual	2013 Revised Budget	Fav (UnFav) Rvsd Bud Variance $	%	Incr (Decr) Change from 2012 $	%
Operating Revenues:							
Aeronautical Revenues	233,000	238,735	245,623	(6,888)	-2.8%	5,734	2.5%
SLOA III Incentive Straight Line Adj		14,304 (5)		14,304		14,304	
Non-Aeronautical Revenues	153,022	160,765	156,563	4,203	2.7%	7,743	5.1%
Total Operating Revenues	**386,023**	**413,804**	**402,186**	**11,618**	**2.9%**	**27,781**	**7.2%**
Operating Expenses:							
Payroll	87,654	91,285	94,210	2,926	3.1%	3,630	4.1%
Outside Services	24,954	25,668	28,951	3,283	11.3%	715	2.9%
Utilities	13,671	13,025	12,625	(400)	-3.2%	(646)	-4.7%
Other Airport Expenses	19,972	15,900	16,760	860	5.1%	(4,072)	-20.4%
Baseline Airport Expenses	**146,252**	**145,878**	**152,547**	**6,669**	**4.4%**	**(373)**	**-0.3%**
Airline Realignment (1), (2)	4,867	10,462	16,069	5,608	34.9%	5,595	115.0%
Environmental Remediation Liability	5,321	7,345	4,615	(2,730)	-59.2%	2,024	38.0%
Total Airport Expenses (1)	**156,439**	**163,685**	**173,232**	**9,547**	**5.5%**	**7,246**	**4.6%**
Corporate (3)	34,239	35,581	36,965	1,383	3.7%	1,342	3.9%
Police Costs	16,156	16,600	16,699	100	0.6%	443	2.7%
Capital Development/Other Expenses (3)	9,730	10,042	10,888	846	7.8%	311	3.2%
Total Operating Expense	**216,565**	**225,908**	**237,784**	**11,876**	**5.0%**	**9,343**	**4.3%**
Net Operating Income	**169,458**	**187,896**	**164,402**	**23,494**	**14.3%**	**18,439**	**10.9%**
Net Non-Operating items paid from ADF (4)	(183)	(4,045)	1,549	(5,594)	-361.1%	(3,862)	2110.7%
SLOA III Incentive Straight Line Adj		(14,304)		(14,304)		(14,304)	
Debt Service	(121,087)	(127,831)	(126,894)	(937)	-0.7%	(6,744)	5.6%
Net Cash Flow	**48,188**	**41,716**	**39,057**	**2,659**	**6.8%**	**(6,471)**	**-13.4%**

Notes:
(1) Includes Airline Realignment costs incurred by other Divisions
(2) Excludes Environmental Remediation Liability expense related to Airline Realignment
(3) Reduced by Airline Realignment costs reflected above
(4) Per SLOA III definition of Net Revenues
(5) For Accouting purposes, the reduction in the airline revenue requirement of $17.9 million is being treated as a lease incentive and amortized over five years. Thus, $14.3 million of the $17.9 million reduction is recognized as revenue in 2013. This is a non-cash item.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/13

Operating Revenues

- Aeronautical revenue – see footnote detail below
- Non- airline revenue grew due to increased passengers and increased spending per passenger for parking, concessions, and rental car.

Operating Expenses

- Operating expenses are lower than the revised budget by $11.9 million due to the net of the following:

Positive Variance of $14.6M		Negative Variance of $2.7M
Airline realignment	$5.1M	Environmental remediation $2.7M:
Payroll vacancies	$2.8M	Lora Lake expense not anticipated in budget $4.9M
Sustainable Airport Master Plan	$1.2M	partially offset by: lower than anticipated ERL costs
Concession Master Plan	$0.3M	and 2013 budgeted ERL projects deferred to 2014
Other AV Business Development projects	$0.4M	
Travel & other employee expenses	$0.7M	
Aviation Contingency reserve balance	$0.8M	
Corp/CDD/Police allocated expenses	$1.9M	
Other Aviation Divisional savings	$1.4M	

Aeronautical Business Unit Summary

$ in 000's	2012 Actual	2013 Actual	2013 Revised Budget	Fav (UnFav) Rvsd Bud Variance $	Fav (UnFav) Rvsd Bud Variance %	Incr (Decr) Change from 2012 $	Incr (Decr) Change from 2012 %
Revenues:							
Movement Area		71,100 (1)					
Apron Area		7,907					
Terminal Rents		135,422 (1)					
Federal Inspection Services (FIS)		7,771					
Total Rate Base Revenues		**222,199**					
Commercial Area		8,373					
Subtotal before Revenue Sharing	**233,000**	**230,572**	**245,623**	**(15,051)**	**-6.1%**	**(2,428)**	**-1.0%**
SLOA II Other		17,905 (2)		17,905	n/a	17,905	
Revenue Sharing		(9,743)		(9,743)	n/a	(9,743)	n/a
Total Airline Revenues	**233,000**	**238,735**	**245,623**	**(6,888)**	**-2.8%**	**5,734**	**2.5%**
Operating Expense	147,032	151,963	157,662	5,700	3.6%	4,931	3.4%
Net Operating Income	**85,968**	**86,772**	**87,960**	**(1,188)**	**-1.4%**	**804**	**0.9%**
Debt Service	(77,922)	(81,395)	(78,069)	(3,326)	4.3%	(3,473)	4.5%
Net Cash Flow	**8,046**	**5,377**	**9,891**	**(4,514)**	**-45.6%**	**(2,670)**	**-33.2%**

Notes:

(1) In connection with implementing SLOA III, the Airport reduced the airline revenue requirement in 2013 by $17.9 million. The reduction in airline revenue requirement is pro-rated between Movement Area and Terminal Rents, as defined in SLOA III.

(2) In August, the Port recognized $17.9M in revenues due to elimination of the liability associated with a security fund maintained under terms of SLOA II.

Aeronautical Budget Variance

- 2013 actual results reflect the new provisions of SLOA III, which are retroactive to January 1, 2013. The 2013 approved budget assumed continuation of SLOA II terms. The 2013 revised budget assumed airline rates and charges based on Resolution 3677.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/13

Aeronautical Year Over Year Changes

- 2013 actual results reflect the new provisions of SLOA III, which are retroactive to January 1, 2013. As such, 2013 is not directly comparable to 2012 results which were based on the provisions of SLOA II.

Non-Aero Business Unit Summary

$ in 000's	2012 Actual	2013 Actual	2013 Revised Budget	Fav (UnFav) Rvsd Bud Variance $	Fav (UnFav) Rvsd Bud Variance %	Incr (Decr) Change from 2012 $	Incr (Decr) Change from 2012 %
Non-Aero Revenues							
Rental Car	38,072	39,860	37,972	1,888	5.0%	1,788	4.7%
Public Parking	49,781	52,205	50,948	1,257	2.5%	2,424	4.9%
Ground Transportation	7,900	7,958	7,267	691	9.5%	59	0.7%
Concessions	37,998	41,311	40,528	784	1.9%	3,313	8.7%
Other	19,273	19,431	19,848	(417)	-2.1%	159	0.8%
Total Non-Aero Revenues	**153,022**	**160,765**	**156,563**	**4,203**	**2.7%**	**7,743**	**5.1%**
Non-Aero Expenses							
RCF Operating Expense	6,196	6,481	7,771	1,289	16.6%	285	4.6%
Operating Expense	64,855	64,704	67,532	2,828	4.2%	(151)	-0.2%
Share of terminal O&M	18,366	20,054	21,436	1,381	6.4%	1,688	9.2%
Less utility internal billing	(19,883)	(17,294)	(17,295)	(1)	0.0%	2,589	-13.0%
Operating Expense	**69,533**	**73,945**	**79,443**	**5,498**	**6.9%**	**4,412**	**6.3%**
Net Operating Income	**83,489**	**86,820**	**77,120**	**9,700**	**12.6%**	**3,331**	**4.0%**
Less: CFC Surplus	(3,702)	(5,005)	(3,465)	(1,540)	44.5%	(1,303)	35.2%
Adjusted Non-Aero NOI	**79,787**	**81,815**	**73,655**	**8,160**	**11.1%**	**2,028**	**2.5%**
Debt Service	(43,166)	(46,435)	(48,824)	2,389	-4.9%	(3,269)	7.6%
Net Cash Flow	**36,621**	**35,380**	**24,831**	**10,549**	**42.5%**	**(1,241)**	**-3.4%**
Key Measures							
Total Revenues / Enpl	9.22	9.25	9.20	0.05	0.6%	0.03	0.3%
Primary Concessions Sales / Enpl	10.91	11.23	11.25	(0.02)	-0.2%	0.32	2.9%

Non-Aero Budget Variance

- Non-Aeronautical revenues exceeded the revised budget due to rental car concessions from higher number of transactions days and CFC operating revenue; better performance in garage parking (5.3% higher than 2012) overcoming shortages from Doug Fox delays, ground transportation is up primarily from courtesy vans, higher in-flight kitchen meal service due to higher international enplanements; new club opened on Concourse A was not anticipated in the budget, club international revenue up as seven carriers using lounge, originally budgeted for usage by three carriers. Concessions revenue exceeds budget, due to stronger performance with concessionaires including new duty free locations, which offsets delays/closures.

Non-Aero YOY Changes

- Revenue increases are due to higher continued growth in concession and commercial property revenues, higher parking garage transactions, and higher CFC operating revenue due to more transaction days, *offset* by prior year's temporary unbudgeted rental car space rents in the main garage.
- Operating costs increases are due to a full year of operations for the RCF and the terminal non-aero allocation percentage changed to 23% in 2013 under the terms of SLOA III, from 19.6% in 2012 under the terms of SLOA II.

D. CAPITAL RESULTS

Capital Variance

$ in 000's Description	2013 Actual	2013 Budget	Budget Variance $	%
Highline School Insulation	0	12,363	12,363	100.0%
Convert Ticket Zone 2 Pushback	3	5,500	5,497	99.9%
Doug Fox Site Improvements	454	3,870	3,416	88.3%
NS NSAT Renovations & NSTS Lobbies	3,539	6,700	3,161	47.2%
Rental Car Facility Construction	5,030	8,038	3,008	37.4%
Convert Ticket Zone 3 FlowThru	10,563	10,750	187	1.7%
Cent Plant Preconditioned Air	6,187	5,385	(802)	-14.9%
GSE Electrical Chrg Stations	10,396	9,050	(1,346)	-14.9%
All Other	72,669	112,995	40,326	35.7%
Total Spending	**108,841**	**174,651**	**65,810**	**37.7%**

- Highline school insulation project delayed due to HSD funding constraints.
- Zone 2 Ticketing Pushback project for United was completed in 2013. Due to a late invoice receipt from United, those costs were accrued for 2013 but not reflected in the above project spending.
- Doug Fox site improvements project was delayed due to a signage issue with the City of SeaTac, asphalt re-surfacing, and a maintenance provision in the lease agreement. Most construction work will now begin in 2014. Also cost estimate has decreased.
- North Satellite NSAT Renovations - design effort delayed by refinement of the project definition (gate utilization studies, etc.) and programming with AAG.

2013-2017 Capital and Funding Plan

$ in 000's	2013-2017 Total	Future Revenue Bonds
Budget	1,454,153	875,308
Forecast	1,407,087	828,242
Decrease	**(47,066)**	**(47,066)**

2013 Annual Budget Changes

$ in 000's	2013 Spending
Checked Bag Recap/Optimization	2,313
Pax Bridge and Walkway S16 Rep	801
Automated Passport Control	549
STIA 2nd Flr Mezz Infra Upgrad	120
All Others	346
Total	**4,129**

Future 2013 Authorization Requests

Future 2013 Authorization Requests:
Service Tunnel Renewal/Replace
Air Cargo Rd Safety Imp D/C
NS Main Terminal Improvements
So. 160th St. GT Lot Expansion
Renew/Repl Emer Power Switches
MT Center & North LV Sys Upgrd
Fire Dept Comm. Upgrades
Utility ER Backup/Standby Pwr
12th SSAT/FIS Widebody Gate (C
Concessions Infrastructure (CA
CCTV Camera/Data Improvements
Refurbish Bag Claim Device 8
Airfield Ramp Pavement Program
Water Right Supply Development
Snow Blower and Deicer Trucks
Parking Garage Lights (CA)
Wireless Coverage - Ramps
Noise System Upgrade/Replace
Wi-Fi Cov at Chkpnts and Tktng
Wi-Fi Cov in GML and Bag Claim
South-end Over Ramp Bussing
Concourse A Bridge Level HVAC
Enhanced WI-FI Coverage in Cen
2014-2015 Roof Replacement
Cargo 4 (UAL Freight Bldg HVAC
Passenger Boarding Bridge Rene
IWS Segregation Meters (CA)
Domestic Water Piping
Mech Energy Conservation (CA)
North Utlity Tunnel Steam Pipe

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/13

FINANCIAL SUMMARY

$ in 000's	2012 Actual	2013 Actual	2013 Revised Budget	2013 Approved Budget	Fav (UnFav) Revised Bud Var $	%	Incr (Decr) Change from 2012 $	%
Revenues:								
Operating Revenue	101,715	99,586	100,603	110,110	(1,017)	-1%	(2,129)	-2%
Security Grants	2,226	0	173	173	(173)	-100%	(2,226)	-100%
Total Revenues	**103,941**	**99,586**	**100,777**	**110,283**	**(1,190)**	**-1%**	**(4,355)**	**-4%**
Total Operating Expenses	**44,700**	**44,452**	**46,147**	**47,043**	**1,695**	**4%**	**(248)**	**-1%**
Net Operating Income	**59,241**	**55,135**	**54,630**	**63,240**	**505**	**1%**	**(4,107)**	**-7%**
Capital Expenditures	**10,841**	**5,673**	**11,129**	**11,129**	**5,456**	**49%**	**(5,168)**	**-48%**

- Total Seaport Division Revenues were ($1,190K) unfavorable primarily due to below budget grain revenue as a result of volume being 60% below budget and container revenue due to below budget crane rent revenue. Amounts were partially offset by favorable Seaport Industrial Properties, Cruise, and Maritimes Operations revenues.
- Total Operating Expenses were $1,695K thousand favorable mainly due to lower spending by Seaport and Corporate groups.
- Net Operating Income for 2013 was $505K favorable to budget and ($4,107K) below 2012 Actual.
- Total Capital Spending for 2013 was $5.7 million or 51% of the Approved Annual Budget.

A. BUSINESS EVENTS

- TEU volumes for the Seattle Harbor were down 15.5% in 2013, compared to 2012. 2013 volume is 1,592,753 TEUs. 2013 full inbound TEUs were down 22.5%, full outbound TEUs were down 7.2%, empty inbound TEUs were down 12.6%, and empty outbound TEUs were down 23.2%.
- Consolidated West Coast Ports for 2013 show an overall increase in TEU volume of 1.9% compared to volumes in 2012. On a regional basis, LA/Long Beach was up 3.4%, Seattle/Tacoma was down (3.1%) and Metro Vancouver/Prince Rupert was up 2.5%.

TEU Volume (in 000's)	Year of 2013	Year of 2012	TEU Change	% Change
Long Beach	6,731	6,046	685	11.3%
Los Angeles	7,869	8,078	(209)	-2.6%
Oakland	2,347	2,344	2	0.1%
Portland	178	183	(5)	-2.6%
Prince Rupert	536	565	(28)	-5.0%
Seattle	**1,593**	**1,886**	**(293)**	**-15.5%**
Tacoma	1,892	1,711	180	10.5%
Vancouver	2,824	2,713	111	4.1%
West Coast - Totals:	**23,969**	**23,526**	**443**	**1.9%**

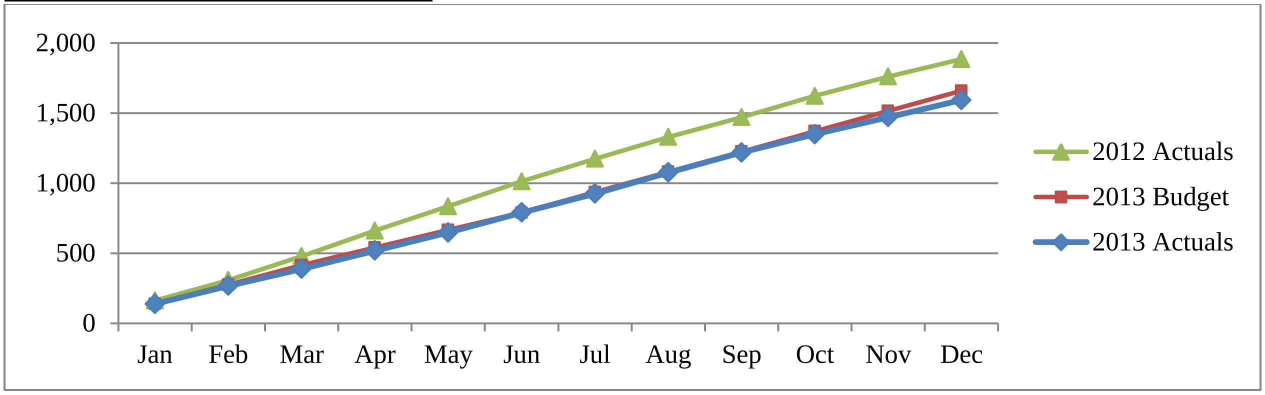
- APL's PS1 service was suspended in November.
- United Arab Shipping Company commenced calls in June.
- One new Foreign Trade Zone, Tommy Bahama, was activated in May.
- Truck Radio Frequency Identification was successfully implemented on April 1st.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/13

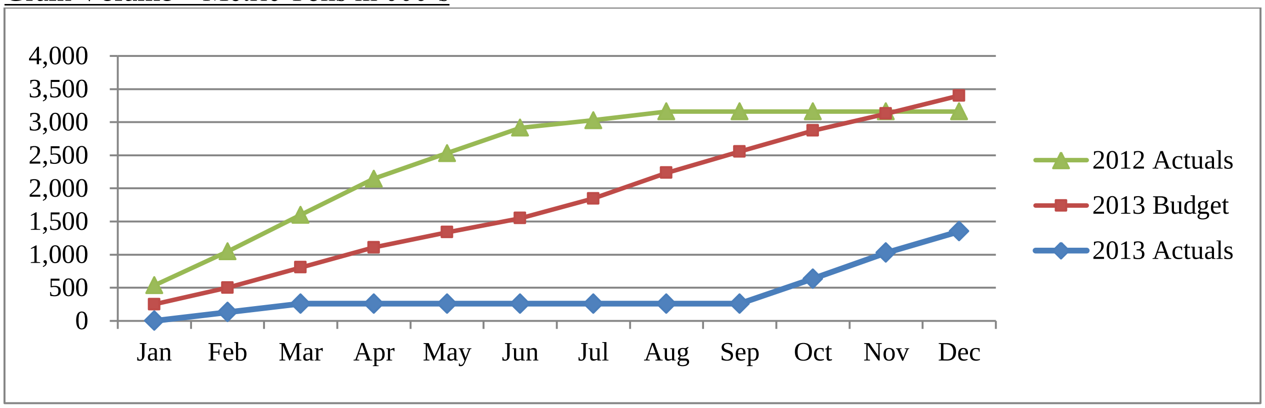
- Grain vessels shipped 1,351K metric tons of grain through Terminal 86 in 2013. Amount was (57%) lower than 2012 volumes and (60%) unfavorable to 2013 Budget volume due to market conditions.
- Asset Condition Assessments 100% complete.
- Cruise:
  - The 2013 cruise season was strong with a total of 870,994 passengers and 187 sailings.
  - On average, ships sailed at 107% of capacity which exceeded budgeted occupancy of 104%.
- Environmental Services and Planning:
  - Construction commenced on Terminal 91and Terminal 117 clean-up sites.
  - Executed agreement for federal Congestion Mitigation and Air Quality Improvement Program (CMAQ) grant to provide ScRAPS incentives for 160 trucks and applied for and received $500 thousand state Department of Ecology grant to provide funding for upgrading 20 additional trucks.
  - Jointly with other Washington state ports, through the WPPA, initiated a project and hired a consultant to prepare an “all known available and reasonable treatment” (AKART) study for stormwater management at marine cargo terminals.
  - Commission adopted the 2013 Update to the Northwest Ports Clean Air Strategy.
  - $5.4 million in clean-up project costs were recovered from grants and insurance.
  - Received 10 year programmatic permit for harbor wide dock piling maintenance and repair.
  - Joined Green Marine, a marine industry environmental excellence program, becoming the first U.S. Port outside of the Great Lakes region to do so.
- Security Grants:
  - X-ray equipment for cruise operations and additional security fencing procured using unspent FY 2009 Seaport Security Grant.
  - Received grant award for FY 2013 Seaport Security Grant to implement TWIC at Pier 66 and to automate access control at Terminal 91.

B. KEY INDICATORS

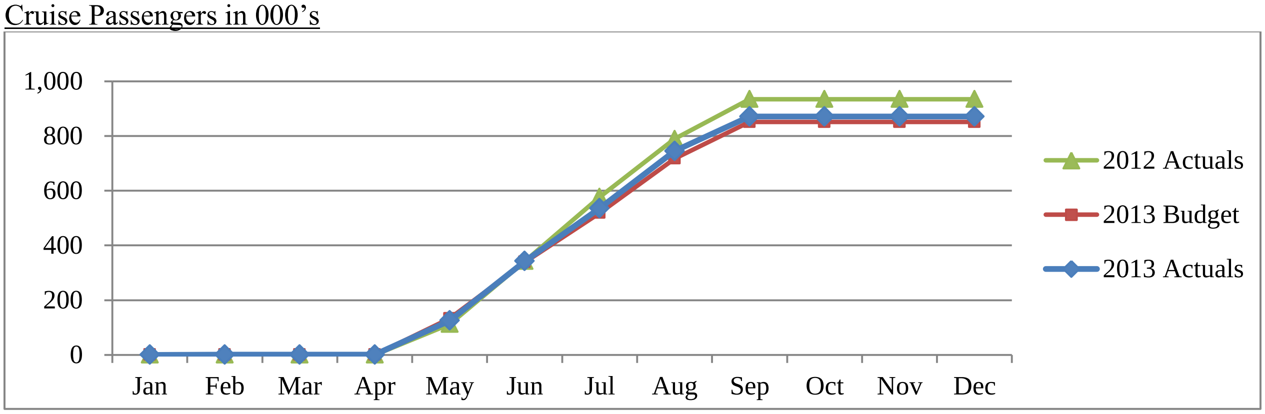
Container Volume – TEU's in 000's



Grain Volume – Metric Tons in 000's



Cruise Passengers in 000's



Net Operating Income Before Depreciation By Business

$ in 000's	2012 Actual	2013 Actual	2013 Revised Budget	Fav (UnFav) 2013 Rvsd Bud Var $	%	Incr (Decr) Change from 2012 $	%
Containers	44,613	42,142	41,550	592	1%	(2,471)	-6%
Grain	2,473	407	2,232	(1,825)	-82%	(2,066)	-84%
Seaport Industrial Props	6,290	7,269	6,801	468	7%	979	16%
Cruise	7,040	7,117	6,786	331	5%	76	1%
Maritime Operations	(340)	220	(961)	1,181	123%	560	165%
Security	(808)	(771)	(608)	(163)	-27%	37	5%
Env Grants/Remed Liab/Oth	(27)	(1,249)	(1,170)	(79)	-7%	(1,222)	-4575%
Total Seaport	59,241	55,135	54,630	505	1%	(4,107)	-7%

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/13

C. OPERATING RESULTS

$ in 000's	2012 Actual	2013 Actual	2013 Rvsd Budget	Fav (UnFav) Rvsd Bud Variance $	%	Incr (Decr) Change from 2012 $	%
Operating Revenue	101,715	99,586	100,603	(1,017)	-1%	(2,129)	-2%
Security Grants	2,226	0	173	(173)	-100%	(2,226)	-100%
Total Revenues	**103,941**	**99,586**	**100,777**	**(1,190)**	**-1%**	**(4,355)**	-4%
Seaport Expenses (excl env srvs)	13,684	14,225	14,971	745	5%	542	4%
Environmental Services	2,207	2,270	2,675	404	15%	64	3%
Maintenance Expenses	6,040	6,392	6,076	(316)	-5%	352	6%
P69 Facilities Expenses	532	510	526	16	3%	(22)	-4%
Other RE Expenses	233	290	353	64	18%	56	24%
CDD Expenses	4,244	3,583	3,475	(108)	-3%	(661)	-16%
Police Expenses	3,969	4,173	4,223	49	1%	204	5%
Corporate Expenses	11,538	11,736	12,678	941	7%	198	2%
Security Grant Expense	2,227	23	0	(23)	NA	(2,204)	-99%
Envir Remed Liability	26	1,248	1,170	(78)	-7%	1,222	4719%
Total Expenses	**44,700**	**44,452**	**46,147**	**1,695**	**4%**	**(248)**	**-1%**
NOI Before Depreciation	**59,241**	**55,135**	**54,630**	**505**	**1%**	**(4,107)**	**-7%**
Depreciation	34,842	34,818	35,022	204	1%	(24)	0%
NOI After Depreciation	**24,399**	**20,317**	**19,608**	**709**	**4%**	**(4,083)**	**-17%**

Seaport Division Revenues were ($1,190K) unfavorable to budget. Key variances are as follows:

Seaport Lease & Asset Management - unfavorable ($2,356K)

- Containers were ($788K) unfavorable. Crane Rent Revenue ($1,028K) unfavorable due to above budget tariff crane usage at Terminal 5 $490K, partially offset by unfavorable variance at Terminal 18 ($1,518K) due to no minimum payment million required for MHI cranes because full year volume came in below 250 thousand lifts. Concession Rent favorable $373K due to Terminal 5 intermodal usage higher than anticipated in the Budget.
- Grain was ($2,020K) unfavorable due to volume coming in 60% unfavorable to budget.
- Seaport Industrial Properties were $451K favorable mainly due to Seattle Tunnel Partners increasing leased area and two new tenants at Terminal 25 South, a new tenant at Terminal 10, above budget UtilitySales Revenue at Terminal 91 and billable maintenance work at Terminal 106 and Piers 16/17. Favorable amounts were partially offset by unfavorable Space and Land Rental variance at Terminal 115 Cold Storage because of arbitration with SeaFreeze over a market rate adjustment that will be retroactive to January 1, 2013.

Cruise and Maritime Operations - favorable $1,135K

- Cruise was $335K favorable mainly due to above budget passenger counts.
- Maritime Operations Docks were $973K favorable. This was primarily due to favorable wharfage revenue due to higher than budgeted unloading of fish, primarily the Pollack fleet, at Terminal 91. There was also higher than budgeted occupancy for Dockage and Berthage at Terminal 91 and more revenue from Kellogg Island moorage.
- Security Grants were ($173K) unfavorable due to budgeted Operating & Maintenance reimbursement grant, but it was later determined that the grant requirements would exclude the planned activity.

Environmental and Planning- favorable $31K

- Environmental service was favorable $31K due to reimbursement of Inter Local Agreement project.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/13

Total Seaport Division Expenses were $1,695K favorable to budget. Key variances are as follows:

- **Seaport Expenses** (excluding Environmental Services) were $746K favorable to budget. Major variances were as follows:
  - **Salaries & Benefits** were $212K favorable due to current or earlier in the year open positions in Terminal 91 Maritime Operations, Seaport Finance, and Commercial Strategy.
  - **Utilities** were $91K favorable primarily due to lower cost than budgeted for water at Bell Street Cruise Terminal and for sewer at Terminal 91 industrial properties and docks.
  - **Outside Services** were $215K favorable due to offsetting variances. Favorable variances include transportation related studies favorable $164 due to later start of Container Terminal Access Study, amounts budgeted for Terminal 46 crane work $125K that was not spent due to the sale of the cranes, amounts budgeted to prepare to move the Terminal 18 IHI cranes which was not used $128K, and amounts budgeted for terminal certifications $75K that was not spent due to market conditions. Partially offsetting unfavorable variances include the Terminal 5 and Terminal 18 maintenance dredge projects which exceeded amounts budgeted for 2013 ($171K), payments to Burke Museum ($64K) to prepare tribal artifacts for transfer to tribes (primarily budgeted in General Expenses) and unbudgeted payments for staff Continuous Process Improvement training ($25K).
  - **Travel & Other Employee Expenses** were $147K favorable due to planned trips that were not taken and registration fees that were not incurred.
  - **General Expenses** were $72K favorable mainly due to favorable variances for advertising expenses $55K, and due to an unused amount to transfer tribal artifacts $117K (partially paid through outside services), as well as due to lower B&O taxes $20K driven by below budget grain volumes. Favorable amounts were partially offset by unexpected legal claims ($60K) relating to Seaport Industrial Properties and above budget costs associated with tribal mitigation ($57K).
- **Environmental Services** were favorable $404K mainly due to postponing certain air and stormwater outside contracted work due to other higher priority work that did not involve the use of outside contractors.
- **Maintenance** costs, direct and allocated, were unfavorable ($316K) mainly due to unbudgeted maintenance work at the Terminal 46 and Terminal 18 Container Terminals.
- **CDD** costs were unfavorable ($108K) due to unplanned direct charges and overhead related to the unanticipated Terminal 115 broken waterline in the amount of ($282K). The costs of this unexpected project were partially offset by below budget direct charging by PCS and Seaport Project Management for other planned work.
- **Police** costs, direct and allocated were favorable $49K due to below budget spending by the Police for the year-to-date.
- **Corporate** costs, direct and allocated, were favorable $941K due to lower than anticipated direct charges and allocations from virtually all Corporate groups including Accounting and Financial Reporting $314K, Information & Communication Technology $201K, Commission Office $128K, Internal Audit $94K, Risk Management $81K, and Finance & Budget $77K.
- **Security Grant Expenses** were unfavorable ($23K) due to grant management fees.
- **Environmental Remediation Liability** was unfavorable ($78K) due to unexpected costs associated with the Terminal 91Maintenance Dredge project.
- **All other** variances netted to favorable $80K or less than .2% of total expenses budgeted.

NOI Before Depreciation was $505K favorable to budget.

Depreciation was $204K favorable for a variance of less than 1%.

NOI After Depreciation was $709K favorable to budget.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/13

Change from 2012 Actual

NOI Before Depreciation for 2013 decreased by ($4,107K) from 2012 due to lower revenue slightly offset by lower expenses.

Revenue is down ($4,355K) from the prior year due to lower Grain revenue ($2,115K) resulting from lower volumes in 2013. Container revenue decreased ($1,808K) due to a decrease in container space rental ($1,587K) due to change in lease rate structure following 13th Lease Amendment with TTI at Terminal 46 (Lease Amendment) and lower crane rent ($5,402K) due to sale of Terminal 46 cranes to terminal operator ($2,715K) and due to lower volume at Terminal 18 ($1,974K) and Terminal 5 ($713K). Due to lower volume, SSA qualified for a waiver of minimum crane rent in 2013. These container decreases were largely offset by the net impact of the elimination of the container straight-line rent adjustment $5,226K in 2012 due to the change in the structure and escalation provisions of the container terminal lease provisions starting in 2013 under the Lease Amendment. Security revenue decreased ($2,226K) due to completion/expiration of grants in 2012. Reductions in revenue were partially offset by increase in Industrial Property revenue $1,051K due to new leases and/or expanded premises and market rate increases for existing tenants and by increase in Cruise revenue $165K due to the change in the rent structure in the new CTA lease. Maritime Operations revenue also increased $580K due to commencement of the Washington State Department of Transportation lease at the north-end of Terminal 46 and new dockage revenue at Kellogg Island.

Expenses, both direct and allocated, decreased by a net of ($248K) as a result of a decrease in Security Grant expenses ($2,204K) due to completion/expiration of grants in 2012. The decrease was partially offset by higher Seaport $541K originated expenses due to increased outside services costs $778K, utility expenses $600K (primarily stormwater) and tribal mitigation costs $56K partially offset lower expenses associated with the CTA lease allowance ($242K) and lower legal claim related expenses ($656K). The increased outside service costs were associated with the Terminal 5 Phase II Maintenance Dredge program $842K and increase in payments to Burke Museum $61K to prepare tribal artifacts for transfer to tribes. Increased amounts were partially offset by lower security guard related expenses ($106K) due to less TWIC and event activity than in 2012. Maintenance expenses increased $316K due to increased work at Terminal 46 and Terminal 18 container terminals. CDD expenses decreased ($661K) due to the Terminal 18 Pile Cap Pilot project performed in 2012 partially offset by costs associated with repairing the Terminal 115 broken waterline and various maintenance dredge projects in 2013. Environmental Remediation Liability Expense increased $1,222K due to environmental remediation costs associated with the Terminal 5 and Terminal 91 Maintenance Dredge projects.

D. CAPITAL SPENDING RESULTS

$ in 000's	2013 Actual	2013 Budget	Fav (UnFav) Budget Variance $	%
Cruise	2,216	3,402	1,186	35%
Terminal 46	1,256	2,600	1,344	52%
Security	1,015	1,175	160	14%
N Argo Express - Private Road	389	797	408	51%
Small Projects	202	615	413	67%
Terminal 91 Lighting Upgrade	72	555	483	87%
P34 Mooring Dolphins	5	500	495	99%
T106 & T108 Drainage & Pavement	0	300	300	100%
Street Vacations	133	160	27	17%
All Other	385	1,025	640	62%
Total Seaport	5,673	11,129	5,456	49%

Comments on Key Projects:
The Seaport Division spent 51% of the 2013 Approved Capital Budget.

Projects with significant changes in spending were:

- **Cruise**
  - Smith Cove Cruise Terminal shore power reliability solution will be further evaluated in 2014 - $410K.
  - P66 Apron Pile Wrap - Funds moved to 2014 - $790K.
- **Terminal 46 Dock Rehabilitation –** $1.5M moved out due to prioritization of other projects at Terminal 46.
- **P34 Mooring Dolphins** – Current schedule for project forecasts spending out through 2015.
- **Terminal 91 Lighting Upgrade** – Timing moved out to 2014 - $483K

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/13

FINANCIAL SUMMARY

$ in 000's	2012 Actual	2013 Actual	2013 Revised Budget	2013 Approved Budget	Fav (UnFav) Rvsd Bud Var $	Fav (UnFav) Rvsd Bud Var %	Incr (Decr) Change from 2012 $	Incr (Decr) Change from 2012 %
Revenues:								
Operating Revenue	31,308	30,840	32,516	32,516	(1,675)	-5%	(468)	-1%
Total Revenues	**31,308**	**30,840**	**32,516**	**32,516**	**(1,675)**	**-5%**	**(468)**	**-1%**
Total Operating Expenses	**35,525**	**35,327**	**38,824**	**39,002**	**3,497**	**9%**	**(198)**	**-1%**
Net Operating Income	**(4,217)**	**(4,486)**	**(6,308)**	**(6,486)**	**1,821**	**29%**	**(269)**	**-6%**
Capital Expenditures	**2,433**	**6,060**	**12,165**	**12,165**	**6,105**	**50%**	**3,627**	**149%**

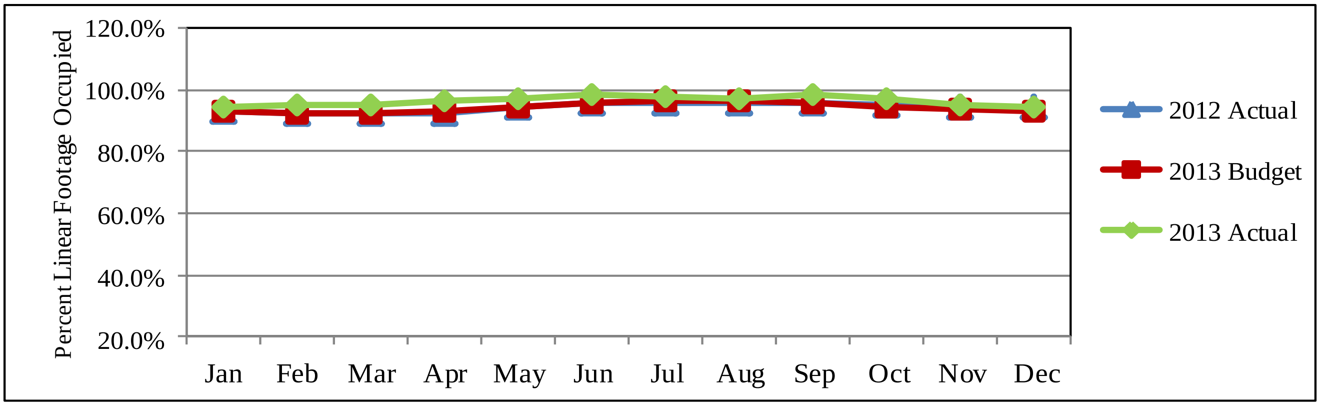
- Total Real Estate Division Revenues were ($1,675K) or about (5%) unfavorable to budget for the year due to below budget activity at the Conference and Event Centers.
- Total Operating Expenses were $3,497K or 9% favorable to budget due to below budget activity at the Conference and Event Centers, lower spending on broker fees and tenant improvements, and unused division contingency expense.
- Net Operating Income for 2013 was $1,821K favorable to budget and ($269K) below 2012 Actual. Lower revenue partially offset by lower expenses drove the year over year change.
- Capital Spending for 2013 was $6.1 million or 50% of the Approved Annual Budget amount of $12.2 million.

A. BUSINESS EVENTS

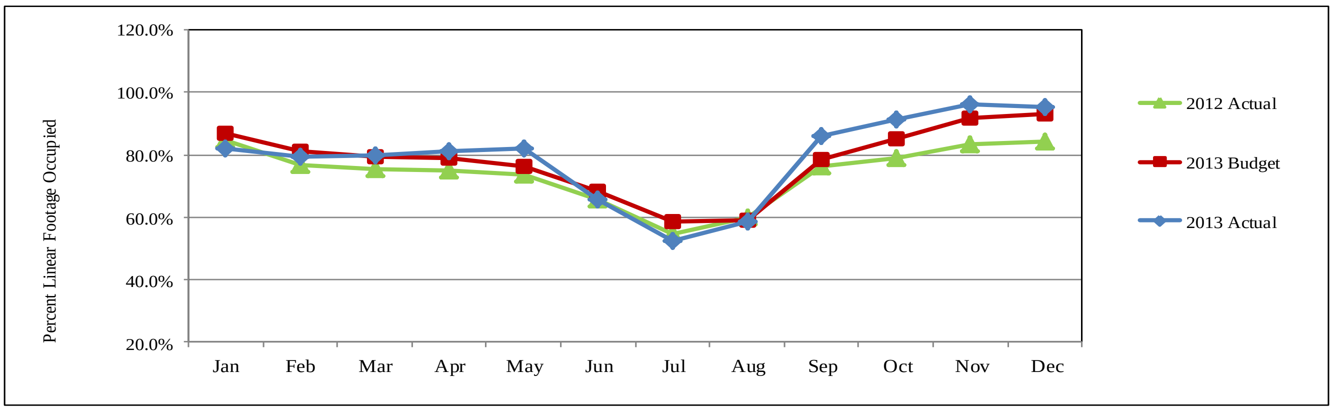
- Occupancy levels at Commercial Properties were at 91% at the end of 2013, which was slightly below the 92% target for the 2013 Budget, but above comparable statistics for the local market of 88%.
- Conference and Event Center activity was significantly below budget for the year due to significant new competitive challenges and perceived negative impact of waterfront transportation projects. Efforts to mitigate these challenges are underway.
- Recreational marinas averaged 96% moorage occupancy for the year which was above the target of 92%.
- Fishermen’s Terminal and Maritime Industrial Center averaged 78% moorage occupancy which was on target.
- Snohomish County Council approved the purchase of an almost 12-mile stretch of the Eastside Rail Corridor in December. Upon closing of the sale, expected in the spring of 2014, this will leave the tracks that run through Woodinville as the last portion of the rail corridor still owned by the Port of Seattle.
- Construction of north apron corrosion control system was completed on schedule and under budget with zero change orders.
- Real Estate Development and Planning
  - Selected Panattoni as the developer for the Des Moines Creek Business Park project and executed a letter of intent in June.
  - Closed on the sale of the Terminal 91 West Yard site to King County and the City of Seattle in November.
  - Secured commission authorization of the Northeast Redevelopment Area interlocal agreement with the City of Burien in December.
- Marine Maintenance
  - Completed the Deferred Maintenance Correction program.
  - Achieved a safety first: Zero work days lost due to accidents.

B. KEY INDICATORS

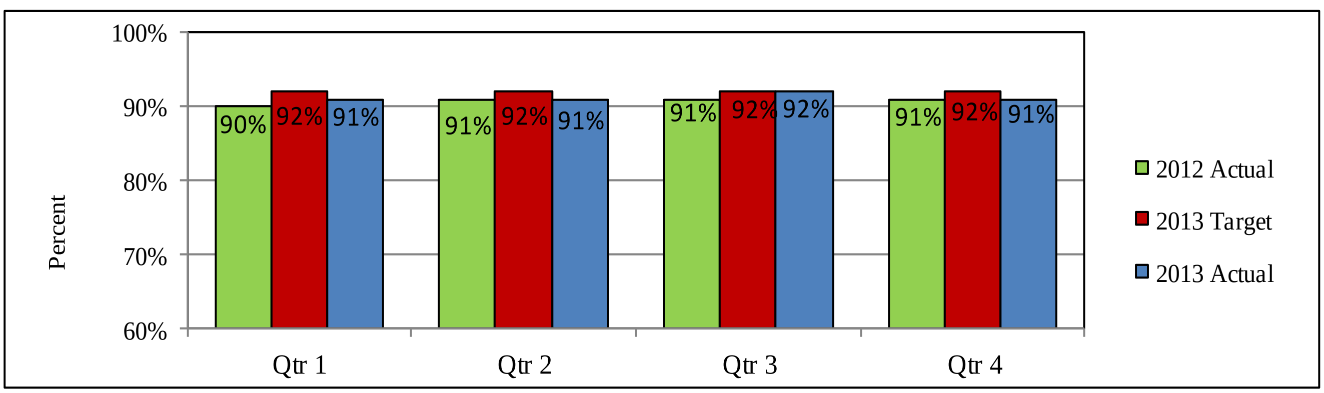
Shilshole Bay Marina Moorage Occupancy



Fishermen's Terminal Moorage Occupancy



Commercial Buildings



Net Operating Income Before Depreciation By Business

$ in 000's	2012 Actual	2013 Actual	2013 Revised Budget	Fav (UnFav) 2013 Rvsd Bud Var $	%	Incr (Decr) Change from 2012 $	%
Recreational Boating	1,352	1,061	283	777	274%	(291)	-22%
Fishing & Commercial	(3,053)	(2,947)	(3,940)	993	25%	106	3%
Commercial Properties	(3,359)	(2,365)	(2,891)	526	18%	994	30%
Conference & Event Centers	1,974	1,032	1,660	(628)	-38%	(942)	-48%
Eastside Rail	(433)	(531)	(406)	(125)	-31%	(99)	-23%
RE Development & Plan	(692)	(734)	(934)	201	21%	(42)	-6%
Envir Grants/Remed Liab/Otł	(7)	(2)	(80)	78	97%	4	67%
Total Real Estate	**(4,217)**	**(4,486)**	**(6,308)**	**1,821**	**29%**	**(269)**	**-6%**

C. OPERATING RESULTS

$ in 000's	2012 Actual	2013 Actual	2013 Rvsd Budget	Fav (UnFav) Rvsd Bud Variance $	Fav (UnFav) Rvsd Bud Variance %	Incr (Decr) Change from 2012 $	Incr (Decr) Change from 2012 %
Revenue	22,445	22,882	22,776	106	0%	438	2%
Conf & Event Ctr Revenue	8,863	7,958	9,740	(1,782)	-18%	(905)	-10%
Total Revenue	**31,308**	**30,840**	**32,516**	**(1,675)**	**-5%**	**(468)**	**-1%**
Real Estate Exp (excl Conf, Maint,P69)	10,564	10,377	11,300	923	8%	(187)	-2%
Conf & Event Ctr Expense	6,816	6,474	7,642	1,168	15%	(342)	-5%
Eastside Rail Corridor	293	200	177	(23)	-13%	(92)	-32%
Maintenance Expenses	9,110	8,928	9,535	607	6%	(182)	-2%
P69 Facilities Expenses	198	172	178	6	3%	(26)	-13%
Seaport Expenses	1,244	1,254	1,268	15	1%	9	1%
CDD Expenses	1,084	1,447	2,131	684	32%	362	33%
Police Expenses	1,374	1,380	1,396	16	1%	6	0%
Corporate Expenses	4,836	5,094	5,117	23	0%	258	5%
Envir Remed Liability	6	2	80	78	97%	(4)	-65%
Total Expense	**35,525**	**35,327**	**38,824**	**3,497**	**9%**	**(198)**	**-1%**
NOI Before Depreciation	**(4,217)**	**(4,486)**	**(6,308)**	**1,821**	**29%**	**(269)**	**-6%**
Depreciation	9,835	9,779	9,509	(270)	-3%	(57)	-1%
NOI After Depreciation	**(14,052)**	**(14,265)**	**(15,816)**	**1,552**	**10%**	**(213)**	**-2%**

Total Real Estate Division Revenues were ($1,675K) unfavorable to budget. Key variances are as follows:

Harbor Services: favorable $212K

- Recreational Boating favorable $296K due to above budget occupancy at all three marinas, but primarily at Shilshole Bay Marina with actual occupancy of 97% versus budget of 94% or an average of approximately 32 boats per month more than planned.
- Fishing and Commercial unfavorable ($84K) primarily due to less demand than budgeted for small fishing boats and commercial boats over 125 ft. impacting monthly moorage and related utility sales.

Portfolio Management: unfavorable ($2,009K)

- Commercial Properties unfavorable ($227K) primarily due to lower occupancy at Terminal 102 Marina Corporate Center ($171K) and due to overstatement of budget for Bell Street Garage ($198K). Budget mistakenly included leasehold excise tax as revenue. Actual parking revenues are in line with budget if tax component is excluded. Unfavorable variances are partially offset by above budget space rental $89K at Bell Street Office due to unbudgeted new leases.
- Conference & Event Centers unfavorable ($1,782K).
    - Bell Street International Conference Center unfavorable ($1,598K) primarily due to lower activity than budget. Amount is partially offset by related favorable expense variance.
    - World Trade Center Club unfavorable ($184K) due to lower sales activity than budgeted ($210K), partially offset by favorable Membership Revenue $26K. Amount is partially offset by related favorable expense variance.

Eastside Rail Corridor: unfavorable ($5K)

- Eastside Rail Corridor unfavorable ($5K) primarily due to amounts credited for rents paid in advance related to the southern portion of the corridor which was subsequently sold.

RE Development and Planning: favorable $70K

- Terminal 91 General Industrial favorable $70K due primarily to higher revenue from Pacific Maritime Association and Freeway Motors resulting from tenants taking more yard space than budgeted.

Facilities Management: unfavorable (2K)

Maintenance: favorable $58K

- Maintenance favorable $58K due to unbudgeted reimbursement from Seattle Department of Transportation for work on Centennial Park related to the Thomas Street Pedestrian Bridge Project and recycling revenue.

Total Real Estate Division Expenses were $3,497K favorable to budget. Key variances:

- Real Estate Expenses (excluding Maintenance, P69 Facilities, and Conference & Event Centers Expense) were favorable $923K. Major account variances were as follows:
  - Salaries and Benefits unfavorable ($81K) due to less direct charging by Portfolio Administration to Seaport businesses than budgeted.
  - Outside Services favorable $648K primarily due to underutilization of broker fees and tenant improvement costs as well as due to delay in hiring dock consultant for use at Shilshole Bay Marina.
  - General Expenses favorable $375K mainly due to currently unused Real Estate contingency expense $500K partially offset by unexpected legal claims ($60K).
- Real Estate Conference & Event Centers were favorable $1,169K due to lower activity $841K and due to improvements to Maritime Event Center $217K that were budgeted as an expense, but qualified for capitalization. Favorable expense variance is more than offset by unfavorable revenue variance.
- Eastside Rail Corridor expenses were ($23K) unfavorable due to $100K reserve for litigation costs, partially offset by lower spending than budgeted for outside consulting services.
- Maintenance expenses were $607K favorable due to efficiencies achieved on various work at Fishermen's Terminal, projects that were postponed until 2014, and projects that have been cancelled or were not performed by Marine Maintenance as reflected in the budget.
- Seaport originated expenses were $15K favorable due to lower allocations than budgeted from Environmental Services $32K.
- CDD costs, direct and allocated were favorable $684K due to slower start on Net Shed compliance improvement work.
- Police costs, direct and allocated were favorable $16K due to below budget spending by the Police for the year.
- Corporate costs, direct and allocated, were favorable $23K primarily due to lower than anticipated direct charges and allocations from Corporate groups including Accounting $105K, Commission Office $43K, Risk Management $25K, Corporate Finance & Budget $26K, and Human Resources & Development $22K, partially offset by the unfavorable variances from Legal ($151K) and Information & Communication Technology ($55K).
- All other variances netted to a favorable $105K or about .3% of total expenses budgeted.

NOI Before Depreciation was $1,821K favorable to budget.

- Depreciation was ($270K) or less than 3% unfavorable to budget.

NOI After Depreciation was $1,552K favorable to budget.

Change from 2012 Actual

Net Operating Income Before Depreciation decreased by ($269K) between 2013 and 2012 as a result of lower revenue ($468K) partially offset by lower expenses ($198K).

Revenues decreased by ($468K) due to impact of less activity at Bell Harbor International Conference Center and World Trade Center Seattle due to significant competitive challenges in the market and perceived impact of waterfront transportation projects. This decrease was largely offset by higher occupancy at the recreational boating marinas and at Fishermen's Terminal, and due to correction of utility revenue at the Maritime Industrial Center.

Expenses decreased by ($198K) primarily due to lower Conference and Event Center expenses resulting from lower activity.

D. CAPITAL SPENDING RESULTS

$ in 000's	2013 Actual	2013 Budget	Fav (UnFav) Budget Variance $	%
P69 N Apron Corrosion Control	1,861	2,507	646	26%
FT C15 HVAC Improvements	200	2,400	2,200	92%
Small Projects	464	1,781	1,317	74%
MIC A1 Roof Replacement	1,074	1,448	374	26%
Fleet Replacement	409	724	315	44%
SBM Central Seawall Replacement	20	715	695	97%
P66 Steam Replacement	1,117	0	(1,117)	NA
All Other	915	2,590	1,675	65%
Total Real Estate	6,060	12,165	6,105	50%

Comments on Key Projects:

The Real Estate Division spent 50% of the Approved Capital Budget.

Projects with significant changes in spending were:

- P69 N Apron Corrosion Control – Contractor bid lower than estimate.
- FT C15 HVAC Improvements – Spending moved to 2014.
- Small Projects - Spending moved to 2014.
- SBM Central Seawall Replacement – Spending moved to 2014.
- P66 Steam Replacement – Project was unexpected and thus not included in 2013 Budget.

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/13

A. BUSINESS EVENTS

- Completed airline realignment construction and moves.
- Transportation Security Administration (TSA) approved 30% design of baggage optimization project and agreed to provide $93 million partial project funding.
- International Arrivals Facility (IAF) project initial authorization by Port Commission, assigned staff and procured project/program management consultant.
- First exit lane security project went into service and was approved by Transportation Security Administration (TSA). Work underway to expand technology to all exit lanes.
- Alaska Airlines began using electric ground support equipment (eGSE) which is recharged by the chargers installed under the Port's eGSE project.~150 vehicles.
- Completed preliminary design & gate needs analysis for North Satellite renovations.
- Support to PeopleSoft Go-Live.
- Electronic payments for all contracts; improved reporting on subconsultant payments.
- Final implementation of PeopleSoft On-line Requisitioning with training for ICT and Police departments.
- Development and implementation of MINT billing rate analysis (an historical database for consultant billing rates).
- Revised Terms and Conditions for consulting contracts (Personal and Professional services).
- Thought Patterns for High Performance 3.0 training for all CPO, plus others at the Port.
- Provided leadership support for RCW 39.10 reauthorization as approved by legislature and signed by the Governor.
- Led team for Construction Submittal Continuous Process Improvement initiative.
- Provided technical support for various projects and initiatives including the Industrial Development Pilot Program Application for berth deepening seismic upgrade exceptions, and the Transportation Investment Generating Economic Recovery (TIGER) grant application for Terminal 46 improvements.
- Presented at American Society of Civil Engineers/Coastal Ocean Ports and Rivers Institute conference.
- Executed Declaration of Emergency for environmental cleanup services at Terminal 117.
- Completed over 20 projects including East Marginal Way Grade Separation, Airport Terminal Escalator Modernization, Airline Realignment Program, Sound Transit Utilities and aircraft Preconditioned Air.
- PCS performed approximately 113 small works projects during 2013. Significant projects included, Security Breach Control Automation, Replacement of Flight Information Management System at the airport, Federal Inspection Service Booths Installation, Zone 3 Delta Lobby Renovation, Noise Remedy Projects, Passenger Loading Bridge Installations, Pier 66 Steam Replacement, and Terminal 91 Paving.
- Prepared open order small works bid documents for electrical, asbestos abatement, asphalt paving, plumbing, mechanical and general contracting that contributed toward the small business initiative.
- Taught monthly asbestos training classes for port employees to comply with Washington State Codes.
- Met regularly with union business agent's representatives to promote positive relationships.
- Made significant improvements to the PCS Project Management Information System to enhance operational performance.
- Kassel and Associates Construction awarded Fishermen's Terminal C15 HVAC Project.
- Terminal 5 Maintenance Dredging Project completed.
- Terminal 117 Cleanup Project in progress.
- Fishermen's Terminal Net Shed Code Compliance Project underway.
- Substantial completion issued for the Maritime Industrial Center Building A-1 Roof Replacement Project.
- Pier 66 Steam Replacement Project completed on accelerated timeline.

B. KEY PERFORMANCE METRICS

Key Performance Metrics	2013 YTD	Notes
Construction Soft Costs 36 month rolling average from Q1 2011 thru Q4 2013	($ in 000's) Total Costs $ 416,417 (100%) Total Construction: $ 312,352 (75%) Total Soft: $ 104,115 (25%)	Limit construction soft costs (design, construction management, project management, environmental documentation, allocated overhead) to no more than 25% of total capital improvement costs.
Cost Growth During Construction	Total Completed Projects YTD: 21 Discretionary Change: 1.9% Mandatory Change: 6.5%	Limit average mandatory change cost growth to 5% of construction contract award. Limit average discretionary change cost growth to 5% of construction contract award.
Design Schedule Growth	($ in 000's) Total Completed Projects YTD: 21 Avg Design Growth Completed Proj's: 13.4% Cumulative Value YTD: $ 80,124	Limit design growth from initial Commission project authorization to construction contract award to no more than 10% of originally allotted duration.
Construction Schedule Growth	($ in 000's) Total Completed Projects YTD: 21 Avg Construction Growth Completed Projects: 24.8% Cumulative Value YTD: $ 80,124	Limit construction growth from contract award to substantially complete to no more than 10% of originally scheduled.
Performance Evaluation Timeliness	**Q4** / **2013** Total PREPs due: 24 / 196 Total PREPs on time: 0-30 days (CDD): 16 (67%) / 149 (76%) 0-60 days (HRD): 21 (88%) / 177 (90%)	98% PREPs completed within 30 days of anniversary date.
2013 YTD Procurement Schedule: Total Time Specs – Execution	Goods & Services 55 days Major Public Works 77 days Small Works 54 days Service Agreements 169 days	Average number of days, improving from period to period.

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/13

Customer Score Card	#Projects surveyed: AVPMG avg score SPMG avg score CDD average score	13 92.5% 100% 94.2%	100% of projects surveyed. Average 85% of total possible points on project customer feedback scorecards returned.
Environmental	Applicable Projects: Incorp/Pending: Average:	**AVP** / **SPM** / **Total** 9 / 10 / 19 8 / 10 / 18 89% / 100% / 95%	Incorporate Executive Policy and Procedure 15 (Sustainable Asset Management) and/or LEED process in every project
Safety	CDD Safety Eval: RIR (Recordable Injury Rate) LTIR (Lost Time Incident Rate)	93% 4.72 0	Score an average of 90 out of a possible 100 points on CDD organizational Safety Program Evaluations. Limit annual contractor workplace injury rates to 6 recordable accidents and 2 time lost accidents per 200,000 hours worked.
Small Business Participation	Small Works: Major Construction: Goods & Services: Service Agreements: Overall Average:	75.0%0 35.9% 10.6% 27.6% 20%	60% of small works contracts; 8% of major construction contracts; 5% of service agreements and 10% of purchases.

C. OPERATING RESULTS

$ in 000's	Notes	2012 Actual	2013 Actual	2013 Rvsd Budget	Fav (UnFav) Rvsd Bud Variance $	Fav (UnFav) Rvsd Bud Variance %	Incr (Decr) Change from 2012 $	Incr (Decr) Change from 2012 %
Total Revenues		**32**	**26**	**-**	**26**	**0.0%**	**(7)**	**-20.4%**
Expenses Before Charges To Cap/Govt/Envrs Propects								
Capital Development Administration		362	380	378	(3)	-0.7%	19	5.1%
Engineering		12,619	13,318	14,853	1,535	10.3%	698	5.5%
Port Construction Services		7,064	7,301	6,894	(407)	-5.9%	237	3.4%
Central Procurement Office		4,435	5,025	4,510	(515)	-11.4%	589	13.3%
Aviation Project Management		7,266	7,289	8,679	1,390	16.0%	24	0.3%
Seaport Project Management		2,582	2,520	3,813	1,293	33.9%	(62)	-2.4%
Total Before Charges to Capital Projects		**34,328**	**35,832**	**39,126**	**3,294**	**8.4%**	**1,505**	**4.4%**
Charges To Capital/Govt/Envrs Projects								
Capital Development Administration		-	-	-	-		-	
Engineering		(8,459)	(8,305)	(10,675)	(2,369)	22.2%	154	-1.8%
Port Construction Services		(3,788)	(3,802)	(4,353)	(551)	12.7%	(13)	0.4%
Central Procurement Office		(1,575)	(1,669)	(1,546)	124	-8.0%	(95)	6.0%
Aviation Project Management		(5,224)	(6,127)	(6,178)	(51)	0.8%	(903)	17.3%
Seaport Project Management		(1,304)	(1,241)	(1,472)	(231)	15.7%	63	-4.8%
Total Charges to Capital/Govt/Envrs Projects		**(20,350)**	**(21,145)**	**(24,223)**	**(3,078)**	**12.7%**	**(795)**	**3.9%**
Operating & Maintenance Expense								
Capital Development Administration		362	380	378	(3)	-0.7%	19	5.1%
Engineering		4,160	5,012	4,178	(834)	-20.0%	852	20.5%
Port Construction Services		3,275	3,499	2,541	(957)	-37.7%	223	6.8%
Central Procurement Office		2,861	3,355	2,964	(391)	-13.2%	495	17.3%
Aviation Project Management		2,042	1,162	2,501	1,339	53.5%	(880)	-43.1%
Seaport Project Management		1,278	1,278	2,341	1,062	45.4%	1	0.1%
Total Expenses		**13,978**	**14,688**	**14,904**	**216**	**1.4%**	**710**	**5.1%**

Variance Summary and other notes:

- Vacancies: 10.75 FTEs = $1.51M Salaries & Benefit savings from unfilled positions.
- CDD Admin ($3K) variance result from favorable variances in Equipment, Supplies and Travel (some travel and training at reduced cost or delayed) offset by unfavorable variance in Salaries & Benefits and Outside Services.
- ENG ($834K). Favorable variances in Salaries & Benefits, Equipment, Supplies, Utilities, Outside Services ($922K due to change in project support approach), and Travel offset by unfavorable variances in Workers Comp, reduced Charges to Capital (more expense projects and delayed capital projects) and $240K unbudgeted legal expenses.
- PCS ($957K). Favorable variances in Utilities, Travel (more in-house training), Property Rentals (port-owned properties no longer charging rent budgeted for 2013), Workers Comp (less exposure than anticipated) and General Expenses offset by unfavorable balances in Salary & Benefits, Equipment, Supplies & Stock (Expense Projects: T-115 Waterline, Airline Realignment, 2012 accrual adjustments), Outside Services (Expense Projects: T-115 Waterline, Airline Realignment, AV RMM) and Charges to Capital (less capital work than originally budgeted).
- CPO ($391K). Favorable variances in Salaries & Benefits, Supplies & Stock, Travel, Charges to Capital (PeopleSoft upgrade testing increased capital charges beyond amount budgeted) offset by $800K unbudgeted legal expenses.
- AVPMG $1.3M. Favorable variances in Salaries & Benefits, Equipment, Outside Services, and Travel offset by less Charges to Capital than budgeted.
- SPM $1.1M. Favorable variances in Salary & Benefits and Outside Services (timing of consultant contracts), Travel (training not taken) offset by unfavorable variance in Charges to Capital (less time to capital projects than budgeted).

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 12/31/13

A. BUSINESS EVENTS

- The Port of Seattle was named "Port of the Year" by the German yearbook Koehlers Guide; Germany's most recognized observer of the cruise industry.
- Organized corporate sponsorship presence at key membership events including Eastside Economic Forecast, Pacific Marine Expo's Economic Forecast and CityClub's Year in Review.
- Hosted outreach events to promote Port facilities, programs, foster community relations and partnered with a variety of community and industry interests.
- Raised awareness of the port's Century Agenda, business, trade, and facilities through educational, community, employee outreach activities and through consultation and coordination with the World Trade Center Seattle on educational programs for small businesses.
- Dedicated Bertha, the tunnel-boring machine. The Port's $300 million contribution to the project is highlighted, demonstrating our commitment to invest in regional transportation projects.
- Port's Annual Employee Forum at Museum of Flight – first time all employees together under one roof.
- Ongoing work to explain the Port position on the City of SeaTac's wage initiative and its potential impact at the airport, subsequent legal proceedings, and port job quality policy development process.
- Presented global competitiveness and container strategy to FMSIB members at their members retreat.
- Coordinated joint seaport (Seattle and Tacoma) presentation on global competitiveness to the state pilotage commission.
- Organized Port/stakeholder presentation to state Joint Transportation Committee.
- Continued to work on the migration of current and historical claims data from RiskMaster to Origami, the Port's new cloud based Risk system.
- Completed the new training tool for vehicle use and accountability with regard to the motor vehicle pool of vehicles for use by Port employees at Pier 69.
- The Port was award The Gold Level Fit Friendly Award from the American Heart Association as well as the Community Innovation award for the second year in a row. This award reflects a robust wellness program and engagement activities.
- Completed rate for employees fulfilling the Wellness Reward requirements in 2013 was 87%, which ended September 30.
- Planning for Affordable Care Act compliance in 2014 and beyond. This includes monitoring continually evolving and newly defined requirements as well as work on a long-term Healthcare Strategy.
- 2014 health plan offerings were finalized, communicated to employees and open enrollment was successfully completed.
- Deployed the Flight Information Management System on-schedule with no major issues.
- Successfully deployed PeopleSoft Financials Upgrade with minimal issues.
- Added Airport Wi-Fi Enhancements to Concourses B and C at Sea-Tac airport.
- Successful deployed the Police Records Management System in October.
- Received the "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association (GFOA) of the United States and Canada.
- Continued good progress toward improving the Port's accounting policies and ensuring their continued alignment with evolving prescribed Generally Accepted Accounting Principles (GAAP).
- Received the GFOA Distinguished Budget Presentation Award for 6 consecutive years.
- Published the 2014 budget guidelines, calendar and corporate department budget targets; set up budget system modules; and provided budget system training Port-wide to budget support staff and filed said budget with King County Council and Assessor as required by law.
- Issued the Intermediate Lien Revenue Refunding Bonds, Series 2013 for 139,105,000 yielding a present value savings of $9.58 million. Conducted the Rating Agency and investor presentations and Due Diligence meetings.
- Continued to reach out to the community to educate small businesses on contracting opportunities and the Small Contractors and Suppliers Program (SCS).
- Continued collaboration efforts with community and law enforcement partners to address theft issues.

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 12/31/13

B. KEY PERFORMANCE METRICS

Key Performance Metrics	YTD 2013	YTD 2012/Notes
A. Be a High Performance Workplace		
1. Employee Training		
a) New Employee Orientation	129 attendees	179 attendees, decreased by 50 due to last year's opening of RCF
b) Employee Develop. Classes	241	215, increased by 26
c) REALeadership Program	0	0, No change
d) MIS Training	0 MIS class 8 Clarity classes, 64 users	17 MIS classes, 89 users 8 Clarity classes, 62 users
e) Required Safety Training	97%	98%, decreased 1%
2. Tuition Reimbursement	21 employees participated	25, decreased by 4
3. Occupational Injury Rate	4.9	6.0, decreased 1.1
4. Total Lost Work Days	506	815, decreased 309 days
B. Foster a Strong Partnership with Surrounding Communities		
1. Sustainability Communications	396,665 individuals reached	237,238, increased by 67%
2. Targeted Outreach Contacts	598 new contacts	920, decreased by 322
3. Small Business Outreach	42	29, increased by 13
C. Continue to be a Strong Advocate of Social Responsibility		
1. Small Businesses on PRMS	236	415, decreased by 179
2. Contracts Reviewed for SCS	66	60, increased by 6
3. Airport Job Placements	1,275	1088, increased by 187
4. Apprenticeship Opportunity Project Placements	157	125, increased by 32
5. Numbers of Interns Hired	30	29, increased by 1
D. Maintain a Strong Culture of Transparency and Accountability		
1. Internal Audits Completed	28	21, increased by 7
2. % of Audit Plan Completed	105	85, increased by 20%
3. Public Disclosure Requests	310	379, decreased by 69
4. Vehicle Incidents	41	70, decreased by 29
5. Incurred Auto Liability Costs	$20K	$25K, decreased $5K
E. Maintain the Port's Strong Financial Position		
1. Corp. Cost as a % of Total Rev.	13.9%	14.0%
2. Corp. Cost as a % of Total Exp.	24.7%	24.6%
3. Commission Authorized Projects On Budget/Schedule	100%/50%	100%/55%, decreased by 5%
4. Account Receivables Collection (0 – 30 days)	$12.042M 93.1%	$2.89M 83%
5. Invoice Due Date vs. Date Paid	4 days	Compared to 3 days (benchmark)
F. Provide Outstanding Support to Divisions		
1. Contract Administration Issues	41	74, decreased by 33
2. Attorney Services	15 litigation and claims	31, decreased by 16
3. Labor Contracts Negotiated	26	27, decreased by 1
4. Job Openings Created	205	240, decreased by 35
5. Job Applications Received	7,520	8,365, decreased by 845
6. Police Customer Service Survey (% Above Average or Excellent)	88%	98%, decreased by 10%

C. OPERATING RESULTS

$ in 000's	Notes	2012 Actual	2013 Actual	2013 Rvsd Budget	Fav (UnFav) Rvsd Bud Variance $	Fav (UnFav) Rvsd Bud Variance %	Incr (Decr) Change from 2012 $	Incr (Decr) Change from 2012 %
Total Revenues		**444**	**450**	**155**	**295**	**190.3%**	**6**	**1.3%**
Executive		1,585	1,729	1,806	77	4.3%	145	9.1%
Commission		799	1,009	1,445	435	30.1%	210	26.3%
Legal		3,083	3,548	3,012	(536)	-17.8%	464	15.1%
Risk Services		2,648	2,902	3,166	264	8.3%	254	9.6%
Health & Safety Services		1,009	1,079	1,118	39	3.5%	70	6.9%
Public Affairs		5,860	5,893	5,946	52	0.9%	33	0.6%
Human Resources & Development		5,227	5,264	5,425	162	3.0%	36	0.7%
Labor Relations		1,094	1,152	1,153	1	0.1%	58	5.3%
Information & Communications Technology		19,486	20,339	20,505	166	0.8%	853	4.4%
Finance & Budget		1,467	1,544	1,777	233	13.1%	77	5.3%
Accounting & Financial Reporting Services		6,056	5,734	6,835	1,101	16.1%	(322)	-5.3%
Internal Audit		1,334	1,202	1,361	158	11.6%	(131)	-9.9%
Office of Social Responsibility		1,448	1,644	1,702	58	3.4%	196	13.5%
Police		21,793	22,483	22,318	(165)	-0.7%	690	3.2%
Contingency		367	266	450	184	41.0%	(101)	-27.6%
Total Expenses		**73,263**	**75,788**	**78,019**	**2,231**	**2.9%**	**2,525**	**3.4%**

Corporate revenues were $295K favorable compared to budget due to higher operating grants.

Corporate expenses for the year-ended 2013 were $75.8 million, $2.2 million or 2.9% favorable compared to the revised budget and $2.5 million or 3.4% higher than the same period a year ago. The $2.2 million favorable variance was primarily due to several vacant positions during the year and other cost savings realized in several departments.

All corporate departments have a favorable variance except for:

- **Legal -** unfavorable variance of $536K is due to unanticipated outside legal and litigation costs, primarily the SLOA negotiations.
- **Police -** unfavorable variance of $165K is due to purchasing computers for patrol cars, upgrading department cell phones, and unforeseen jail costs and veterinarian expenses costing more than anticipated.

D. CAPITAL SPENDING RESULTS

$ in 000's	2013 Actual	2013 Budget	Budget Variance $	Budget Variance %
PeopleSoft Financials Upgrade	3,354	4,635	1,281	27.6%
ID Badge System Replacement	510	1,900	1,390	73.2%
IT Infrastructure Small Cap	785	1,568	783	49.9%
Service Technology Small Cap	222	1,382	1,160	83.9%
Net RMS Replacement	359	879	520	59.2%
Radio System Upgrade	3,008	830	(2,178)	-262.4%
Maximo Enhancements Upgrade	144	577	433	75.0%
Network Switch Replacement	0	500	500	100.0%
All Other	1,275	3,535	2,260	63.9%
TOTAL	9,657	15,806	6,149	38.9%