

# Q2 2011 Financial Performance

## Port of Seattle

August 2, 2011

# Q2 Operating Income Summary

\$ in 000's	2010 YTD	2011 YTD	2011 YTD	2011 Act vs. Bud	
	Actual	Actual	Budget	Var \$	Var %
Aeronautical Revenues	100,452	107,521	108,578	(1,057)	-1.0%
Other Operating Revenues	129,326	135,759	139,076	(3,317)	-2.4%
Total Operating Revenues	229,778	243,280	247,655	(4,375)	-1.8%
Total Operating Expenses	117,553	125,507	143,509	18,002	12.5%
Income before Depreciation	112,225	117,773	104,145	13,628	13.1%
Depreciation	79,773	79,569	80,217	648	0.8%
Income after Depreciation	<u>32,453</u>	<u>38,204</u>	<u>23,928</u>	<u>14,276</u>	<u>59.7%</u>

- Aeronautical Revenues were \$1.0M lower than budget but \$7.1M higher than Q2 2010.
- Other Operating Revenues were \$3.3M below budget but \$6.4M higher than Q2 2010.
- Total Operating Expenses were \$18.0M lower than budget but \$8.0M higher than Q2 2010 (mainly due to capital policy change, Port Centennial/AAPA Convention, spending requested by airlines, RCF, and deferred maintenance).
- Income before Depreciation was \$13.6M higher than budget and \$5.6M higher than Q2 2010.

# Q2 Major Revenue Variances

Major Revenues (\$ in '000)	Bud Var.
Aero Revenues	(1,057)
Seaport Security Grants	(3,364)
Public Parking	(1,160)
Rental Cars	(1,265)
Concessions	885
Ground Transportation	234
Container	973
Seaport Industrial Properties	(266)
Cruise	203
Grain	244
Real Estate Third Party Mgmt	(616)
Other	814
Subtotal	47
<b>TOTAL</b>	<b><u><u>(4,375)</u></u></b>

- Aero Revenues are based on cost recovery - lower revenue means lower CPE.
- Lower Seaport Security Grants are offset by lower related expenses, thus have no impact on NOI.
- Other Operating Revenues were \$47K above budget.
- Public Parking and Rental Cars were under budget, but they were \$1M higher and just \$92K lower than Q2 2010, respectively.

# Q2 Major Expense Variances

<u>Operating Expenses (\$ in '000)</u>	Actual/Budget	
	Var. \$	Var. %
Salaries & Benefits	2,567	5.9%
Wages & Benefits	1,770	4.2%
Utilities	(562)	-5.2%
Outside Services	7,105	25.6%
Travel & Other Employee Exps	1,240	41.3%
Promotional Expenses	510	72.5%
Pass-through Grant Expenses	3,375	98.8%
Other	1,997	16.3%
<b>Total</b>	<b>18,002</b>	<b>12.5%</b>

- All major accounts were under budget, except Utilities.
- Payroll costs were \$4.3M below budget .
- Outside Services were \$7.1M lower than budget mainly due to delay on some projects (Terminal Realignment, Part 150, PeopleSoft Financials Upgrade, etc.)

\$ in 000's	2010	2011	2011	2011 Bud vs. Fcst	
	Actual	Forecast	Budget	Var \$	Var %
Aeronautical Revenues	198,329	214,181	217,200	(3,019)	-1.4%
Other Operating Revenues	272,161	281,449	283,436	(1,987)	-0.7%
Total Operating Revenues	470,490	495,630	500,636	(5,006)	-1.0%
Total Operating Expenses	253,464	278,547	285,844	7,297	2.6%
Income before Depreciation	217,026	217,083	214,792	2,291	1.1%
Depreciation	160,775	160,491	160,491	0	0.0%
Income after Depreciation	<u>56,251</u>	<u>56,592</u>	<u>54,301</u>	<u>2,291</u>	<u>4.2%</u>

- Aeronautical Revenues are forecasting to be \$3.0M lower than budget but \$15.9M higher than 2010 due to higher in both capital costs and operating expenses.
- Other Operating Revenues are forecasting to be \$2.0M lower than budget (mainly due to \$3.0M unfavorable variance in Seaport Security Grants) but still \$9.3M above 2010.
- Total Operating Expenses are forecasting to be \$7.3M below budget but \$25.0M above 2010.

# Comprehensive Summary


(\$ in '000)	2010 YTD	2011 YTD	2011 YTD	Actual/Budget		Explanations
<u>Revenues</u>	Actual	Actual	Budget	Var. \$	Var. %	
1. Aeronautical Revenues	100,452	107,521	108,578	(1,057)	-1.0%	Cost recovery
2. Other Operating Revenues	129,326	135,759	139,077	(3,318)	-2.4%	Seaport Security Grants
3. Tax Levy	36,552	36,804	36,750	54	0.1%	
4. PFCs	30,672	31,683	31,375	308	1.0%	Higher ticket sales
5. CFCs	9,854	10,074	9,067	1,007	11.1%	Higher transaction days
6. Non-Capital Contributions	633	2,557	4,097	(1,540)	-37.6%	Difference in timing
7. Interest Income	10,086	9,476	6,827	2,649	38.8%	Higher fund balance
8. Capital Contributions	2,735	9,386	7,978	1,408	17.6%	Earlier LOI drawdown
Total	320,309	343,259	343,749	(490)	-0.1%	
<u>Expenses</u>						
1. O&M Expense	117,553	125,507	143,509	18,002	12.5%	See slide #4 for details
2. Depreciation	79,773	79,569	80,217	648	0.8%	
3. Revenue Bond Interest Expense	66,213	64,160	73,664	9,504	12.9%	Lower variable rates
4. PFC Bond Interest Expense	5,249	3,379	5,205	1,826	35.1%	Savings in refunded bonds
5. GO Bond Interest Expense	8,835	8,033	7,079	(954)	-13.5%	Issued \$30M new GO bond
6. Public Expense	15,851	5,289	8,278	2,988	36.1%	Projects delay
7. Non-Op Environmental Expense	18,907	1,190	3,100	1,910	61.6%	Projects delay
8. Misc. Non-Op Expense	509	2,657	1,260	(1,397)	-110.8%	Asset inventory write-offs
Total	312,890	289,785	322,312	32,528	10.1%	
Change In Net Assets	7,419	53,475	21,436	32,038	149.5%	

- Total Revenues were \$490K below budget but \$23.4M higher than Q2 2010.
- Total Expenses were \$32.5M less than budget and \$23.1M below Q2 2010.
- Change in Net Assets were \$32.0M above budget and \$46.1M higher than Q2 2010.

# Total Port 2011 Capital Spending

Division	2011 Forecast	2011 Budget	Budget Variance	Plan of Finance
<i>(\$ in millions)</i>				
Aviation	185.6	223.7	38.2	231.4
Seaport	27.7	34.0	6.3	29.5
Real Estate	14.1	16.3	2.2	15.4
Corporate & CDD	9.7	12.9	3.2	12.1
<b>Total</b>	<b>237.1</b>	<b>286.9</b>	<b>49.8</b>	<b>288.3</b>

- Capital spending for each division is expected to come in below budget in 2011.
- Total capital spending is forecasting to be \$237.1M for 2011, \$49.8M lower than budget.

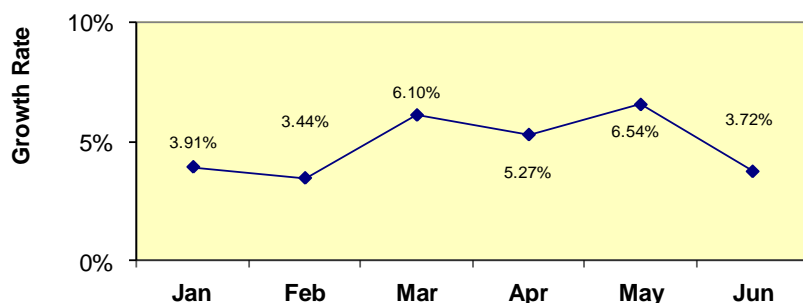
The background is a dark blue-tinted image. On the left, the nose of a large cargo ship is visible. On the right, the interior of an airport terminal is shown, with silhouettes of people walking and a person talking on a mobile phone. A large cargo crane is visible in the center background.

# Aviation Division Financial Performance Q2 2011

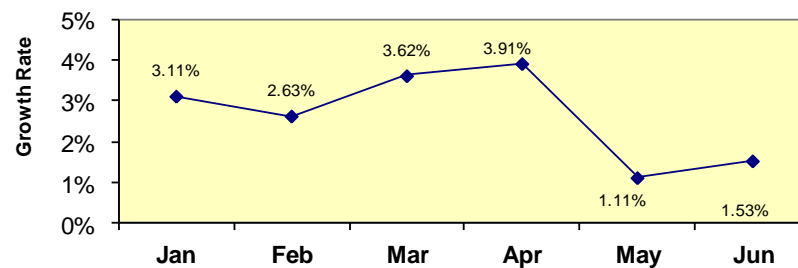


- Airline activity:
  - June YTD enplanements up 4.9% from 2010
  - 2011 enplanements are forecast to grow 3.5% from 2010
- Operating Expenses:
  - Total O&M expenses are 9.1% below budget YTD
  - Forecasting savings of \$3.0M
- Non-airline NOI:
  - YTD Revenues up 6.4% over 2010, but down 1.5% vs. budget
  - Forecasting positive NOI vs. Budget at year-end
- Airline Costs:
  - Forecasting airline cost per enplanement (CPE) of \$12.20 vs. budget of \$12.76

Enplanements vs. Prior Year



Landed Weight vs. Prior Year



	2010	2011	%	2010	2011	%
Figures in 000's	YTD	YTD	Variance	Actual	Forecast	Variance
Enplanements	7,322	7,678	4.9%	15,773	16,325	3.5%
Landed Weight	9,404	9,648	2.6%	19,786	20,089	1.5%

- International enplaned passengers saw greater year-over-year growth (8.3% vs. Q2 2010) than domestic enplanements (4.9% vs. Q1 2010).
- There was an overall growth of 2.6% in landed weight from compared to YTD 2010.

# YTD Operating Revenue

\$ in 000's	2009 YTD	2010 YTD	2011 YTD	2011 YTD	Actual/Budget	
	Actual	Actual	Actual	Budget	Var \$	Var %
<b>Revenues</b>						
Landing Fees	27,917	26,815	29,388	30,600	(1,212)	-4.0%
Terminal Rental	65,517	66,595	70,921	70,643	278	0.4%
Other Aero Revenues	6,353	7,043	7,213	7,336	(123)	-1.7%
Total Aeronautical	<u>99,787</u>	<u>100,452</u>	<u>107,521</u>	<u>108,578</u>	<u>(1,057)</u>	<u>-1.0%</u>
Public Parking	25,626	24,149	25,160	26,320	(1,160)	-4.4%
Rental Cars	16,250	14,083	13,991	15,255	(1,265)	-8.3%
Concessions	16,410	16,235	16,910	16,025	885	5.5%
Other Non-airline	10,420	10,268	12,801	12,308	494	4.0%
Total Non-Aeronautical	<u>68,706</u>	<u>64,734</u>	<u>68,862</u>	<u>69,908</u>	<u>(1,046)</u>	<u>-1.5%</u>
Other	4,177	4,234	4,217	4,177	40	1.0%
<b>Total Revenues</b>	<u>172,669</u>	<u>169,421</u>	<u>180,600</u>	<u>182,663</u>	<u>(2,063)</u>	<u>-1.1%</u>

- Landing Fee and Terminal Rent revenues are less than budgeted due to seasonality differences from budget.
- Public Parking: 1.3% growth in long-term (1+ day) transactions 2011 YTD through June compared to prior year. YTD budget assumed 5.6% growth from 2010 projected transactions.
- Rental Cars: May YTD transactions were 5.8% higher than prior year, but industry revenues are down. Transaction days are up 7.3% from 2010.
- Concessions: Improved concession sales per enplaned passenger and higher enplanements.

# YTD Operating Expense & NOI

\$ in 000's	2009 YTD	2010 YTD	2011 YTD	2011 YTD	Actual/Budget	
	Actual	Actual	Actual	Budget	Var \$	Var %
<b>Revenues</b>						
Aeronautical	99,787	100,452	107,521	108,578	(1,057)	-1.0%
Non-Aeronautical	68,706	64,734	68,862	69,908	(1,046)	-1.5%
Other	4,177	4,234	4,217	4,177	40	1.0%
<b>Revenues</b>	<b>172,669</b>	<b>169,421</b>	<b>180,600</b>	<b>182,663</b>	<b>(2,063)</b>	<b>-1.1%</b>
<b>Expenses</b>						
Salaries & Benefits	39,428	37,952	38,822	40,345	1,523	3.8%
Outside Services	8,688	9,062	11,185	13,786	2,601	18.9%
Utilities	6,784	5,832	7,294	6,756	(538)	-8.0%
Supplies & Stock	2,135	1,772	2,444	2,056	(389)	-18.9%
Other	1,212	3,277	4,079	5,022	942	18.8%
<b>Total Airport Expenses</b>	<b>58,248</b>	<b>57,895</b>	<b>63,824</b>	<b>67,965</b>	<b>4,141</b>	<b>6.1%</b>
Corporate	14,291	15,196	15,307	16,836	1,530	9.1%
Police Costs	6,445	6,811	7,885	8,221	336	4.1%
Capital Development/Other Expenses	2,114	2,837	3,155	5,500	2,345	42.6%
<b>Total Operating Expenses (excl. Env Liab)</b>	<b>81,098</b>	<b>82,738</b>	<b>90,171</b>	<b>98,522</b>	<b>8,351</b>	<b>8.5%</b>
Environmental Remediation	-	1,278	(210)	392	602	153.6%
<b>Total Operating Expenses</b>	<b>81,098</b>	<b>84,016</b>	<b>89,961</b>	<b>98,914</b>	<b>8,953</b>	<b>9.1%</b>
<b>Net Operating Income</b>	<b>91,572</b>	<b>85,405</b>	<b>90,638</b>	<b>83,748</b>	<b>6,890</b>	<b>8.2%</b>

# June YTD Variances

Account Category	June YTD Var (\$ in 000's)	Variance Explanations
Exempt & Non-exempt payroll and benefits	689	Vacant FTEs (LEAN, \$130K unemployment, ADM \$48K, FIS ADM, Planning \$100K, Assistant Fire Chief \$48K, F&B \$23k, Env \$32K, Maint \$112K, Rental Car \$42K, F&I \$15K, Concession Manager \$28K, salaries and benefits to capital projects \$76K
Wages and benefits	834	Firefighters OPEB \$142K, Public Parking \$76K, Employee Parking \$121K, classroom proctor, wages & benefits to capital projects \$258K
Utilities	(538)	Increased expenses in surface water sewage due to longer winter
Supplies & Stock	(339)	De-icer
Outside services	2,602	Terminal realignment late start \$500K, LEAN consultant \$158K, Biz Dev \$125K (28th Ave, Doug Fox), parking program & ESP \$137K, SMS \$200K, lounge exp \$121K, Part 150 \$330K
Registration, travel & training	468	Training & development contingency not utilized \$310K
Promotional Expenses	203	Joint airline marketing program for new intl air service \$125K
Advertising	348	Delay of advertisements for tenant marketing fund
Environmental Remediation Liab	602	Reduced remediation liability for Delta Sky Club
Business & Occupation taxes	(248)	Negative variance due to incorrect budgeted rate
Misc exp: RCF & div contingency	667	RCF activation \$127K, div contingency \$540K
Overhead allocations	(113)	Building dept under charge capital overhead to projects
Capital Projects Overhead	(336)	Less overhead charged to capital projects than anticipated
Other	(97)	
<b>Total Variance</b>	<b>4,742</b>	

# Aviation Division Forecast

\$ in 000's	2009	2010	2011	2011	Forecast/Budget	
	Actual	Actual	Forecast	Budget	Var \$	Var %
<b>Total Operating Revenues</b>	328,241	342,173	367,438	370,517	(3,079)	-0.8%
<b>Operating Expenses</b>						
Salaries, Benefits & Wages	80,804	76,036	81,431	82,363	932	1.1%
Outside Services	21,509	22,519	26,007	26,758	751	2.8%
Utilities	13,209	11,381	12,669	12,576	(93)	-0.7%
VSP, HR10 & Unemployment Savings	1,196	-	-	-	-	n/a
OPEB Reversal	(4,016)	-	-	-	-	n/a
Environmental Remediation Liability	1,991	3,271	452	1,771	1,319	74.5%
Other Expenses	8,183	13,275	16,561	16,107	(454)	-2.8%
<b>Baseline Airport Expenses</b>	122,877	126,481	137,119	139,575	2,455	1.8%
Corporate Expenses	31,181	32,558	33,317	34,043	726	2.1%
Police Expenses	14,461	14,317	16,382	16,389	7	0.0%
Capital Development/Other Expenses	6,135	7,785	11,096	10,944	(152)	-1.4%
<b>Total Operating Expenses</b>	174,654	181,142	197,915	200,951	3,036	1.5%
<b>Net Operating Income</b>	<u>153,587</u>	<u>161,031</u>	<u>169,523</u>	<u>169,567</u>	<u>(43)</u>	<u>0.0%</u>

# Forecast Savings

Org Node	June YTD	YE
	Variance	Forecast
	\$ in 000's	\$ in 000's
3700 Aeronautical	1,345	1,925
3400 Landside	835	174
3500 Business Dev	531	94
3905 Utilities	(461)	(93)
4100 Director's Office	169	131
4150 AV Contingency	391	-
4170 Training Contingency	132	-
4400 Fire Dept	279	42
4530 Planning	507	(182)
4540 AV F&B	44	25
4560 F&I	32	12
4561 Sign Shop	(15)	(69)
4570 Building Dept	108	(11)
4572 Airport Office Bldg	(19)	(46)
4580 Environmental	362	178
4590 AV Maint	(129)	(826)
4600 Community Dev	98	34
4800 Security	124	(59)
4998 Environmental Remed.	602	1,319
4999 AV Cap to Exp	(193)	(193)
<b>Total</b>	<b>4,742</b>	<b>2,455</b>

Savings:	in 000's
Payroll	1,523
Terminal realignment	1,913
LEAN consultant	43
Concession: delay of RFPs	385
Environ: Delay in planting & supplies	92
Environmental Remediation - delay of projects	1,319
Other	151
	<hr/> 5,426
<b>Overspending:</b>	
More de-icer used due to weather	368
Elevator/escalator increased coverage	291
Kone contract increase	550
Website, signage	259
Terminal Dev Strategy/realignment	344
B&O taxes	500
Capital to Expense, prior year litigated claim	193
Utility surface water	466
	<hr/> 2,971
<b>Total Savings</b>	<hr/> <hr/> 2,455
<b>Potential risk:</b>	
Unbudgeted SLOA Security Deposits	1,291
	<hr/> 1,291

# Aeronautical Business

\$ in 000's	2009	2010	2011	2011	Forecast/Budget	
	Actual	Actual	Forecast	Budget	Var \$	Var %
<b>Revenues requirement:</b>						
Capital Costs	72,013	82,083	85,554	87,111	(1,557)	-1.8%
Operating Costs net Non-Aero	<u>118,456</u>	<u>122,985</u>	<u>135,793</u>	<u>137,195</u>	<u>(1,401)</u>	<u>-1.0%</u>
Total Costs	190,469	205,067	221,348	224,305	(2,958)	-1.3%
FIS Offset	(5,250)	(7,000)	(7,000)	(7,000)	-	0.0%
Other Offsets	<u>(16,441)</u>	<u>(14,825)</u>	<u>(14,882)</u>	<u>(14,821)</u>	<u>(61)</u>	<u>0.4%</u>
Net Revenue Requirement	168,778	183,243	199,466	202,485	(3,019)	-1.5%
Other Aero Revenues	<u>13,757</u>	<u>15,087</u>	<u>14,715</u>	<u>14,715</u>	-	0.0%
Total Aero Revenues	182,534	198,329	214,181	217,200	(3,019)	-1.4%
Less: Non-passenger Airline Costs	<u>12,074</u>	<u>14,885</u>	<u>15,066</u>	<u>15,066</u>	-	0.0%
Net Passenger Airline Costs	<u><u>170,460</u></u>	<u><u>183,444</u></u>	<u><u>199,114</u></u>	<u><u>202,133</u></u>	<u><u>(3,019)</u></u>	<u><u>-1.5%</u></u>

	2009	2010	2011	2011	Forecast/Budget	
	Actual	Actual	Forecast	Budget	Var \$	Var %
<b>Cost Per Enplanement:</b>						
Capital Costs / Enpl	4.61	5.20	5.24	5.50	(0.26)	-4.7%
Operating Costs / Enpl	7.59	7.80	8.32	8.66	(0.34)	-3.9%
Offsets	(1.39)	(1.38)	(1.34)	(1.38)	0.04	-2.7%
Other Aero Revenues	0.88	0.96	0.90	0.93	(0.03)	-2.9%
Non-passenger Airline Costs	<u>(0.77)</u>	<u>(0.94)</u>	<u>(0.92)</u>	<u>(0.95)</u>	<u>0.03</u>	<u>-2.9%</u>
<b>Passenger Airline CPE</b>	<b>10.92</b>	<b>11.63</b>	<b>12.20</b>	<b>12.76</b>	<b>(0.56)</b>	<b>-4.4%</b>



# Non Aeronautical Business

\$ in 000's	2009	2010	2011	2011	Forecast/Budget	
	Actual	Actual	Forecast	Budget	Var \$	Var %
<b>Revenues:</b>						
Public Parking	49,689	49,416	51,542	52,847	(1,305)	-2.5%
Rental Cars	33,320	30,309	32,178	33,833	(1,655)	-4.9%
Concessions	33,473	33,765	34,366	32,640	1,726	5.3%
Other	20,865	21,929	26,818	25,644	1,174	4.6%
Total Revenues	137,348	135,418	144,904	144,965	(60)	0.0%
<b>Operating Expense</b>	55,916	54,743	63,025	64,397	1,372	2.1%
Share of terminal O&M	17,011	16,935	17,467	17,729	262	1.5%
Less utility internal billing	(16,738)	(14,464)	(18,370)	(18,370)	-	0.0%
Net Operating & Maint	56,189	57,215	62,122	63,756	1,634	2.6%
<b>Net Operating Income</b>	81,159	78,203	82,782	81,209	1,573	1.9%

- Public Parking: Positive trends seen in long term transactions over the past six months.
- Rental Cars: Forecast assumes 3% less of 2010 average ticket price of \$216 vs. budgeted average price of \$226.
- Concessions: Forecast is better than expected due to primary concessions sales; forecast SPE of \$10.24 vs. budgeted SPE of \$10.12

\$ in 000's	2009	2010	2011	2011	Forecast/Budget	
	Actual	Actual	Forecast	Budget	Var \$	Var %
<b><u>Aeronautical</u></b>						
Net Operating Income (NOI)	65,915	74,402	77,105	78,661	(1,557)	-2.0%
Debt Service	68,767	73,080	75,143	76,700	1,557	2.0%
<b>NOI After Debt Service</b>	<b>(2,851)</b>	<b>1,323</b>	<b>1,961</b>	<b>1,961</b>	<b>(0)</b>	<b>0.0%</b>
<b><u>Non-Aeronautical</u></b>						
Net Operating Income (NOI)	81,159	78,203	82,782	81,209	1,573	1.9%
Debt Service	39,241	41,752	41,808	42,469	661	1.6%
<b>NOI After Debt Service</b>	<b>41,917</b>	<b>36,451</b>	<b>40,974</b>	<b>38,739</b>	<b>2,235</b>	<b>5.8%</b>
Fuel Hydrant Revenue	8,359	8,426	8,353	8,353	-	0.0%
<b><u>Total Aviation</u></b>						
NOI	155,433	161,031	168,240	168,223	17	0.0%
Debt Service	108,008	114,831	116,951	119,169	2,218	1.9%
<b>NOI After Debt Service</b>	<b>47,425</b>	<b>46,200</b>	<b>51,288</b>	<b>49,054</b>	<b>2,235</b>	<b>4.6%</b>
Add ADF Interest Income	8,853	6,297	5,916	4,167	1,749	42.0%
Less Non-Cash Fuel Hydrant Revenue	(7,845)	(7,912)	(7,839)	(7,839)	-	0.0%
<b>Net Cash Flow after D/S &amp; Interest Inc.</b>	<b>48,433</b>	<b>44,585</b>	<b>49,366</b>	<b>45,382</b>	<b>3,983</b>	<b>8.8%</b>

# Capital Spending

\$ in 000's	2011	2011	2011	Forecast/Budget		Plan of Finance
	YTD Actual	Forecast	Budget	Var (\$)	Var (%)	
Rental Car Facility Construction	46,336	78,092	97,488	19,396	19.9%	98,616
Central Plant Preconditioned Air	5,078	15,078	20,000	4,922	24.6%	8,000
Airfield Pavement Replacement	236	4,611	10,500	5,889	56.1%	10,500
Parking System Replacement	311	7,573	9,137	1,564	17.1%	8,994
Terminal Escalators Modernization	419	7,419	8,955	1,536	17.2%	10,000
South Satellite Delta Sky Club Expansion	408	8,739	5,250	(3,489)	-66.5%	5,038
Aircraft RON Parking USPS Site	117	467	5,050	4,583	90.8%	5,661
All Other	11,164	63,581	67,366	3,785	5.6%	84,599
<b>Total</b>	<b>64,069</b>	<b>185,560</b>	<b>223,746</b>	<b>38,186</b>	<b>17.1%</b>	<b>231,408</b>

1. Off-site Road Improvements and Bus Maintenance Facility contractors had slow start. Soft costs are also running below forecast. Unused contingency funds have been pushed out.
2. The contractor has gotten off to a slower start than had been forecasted. Project completion date is not expected to be impacted.
  - Amount originally budgeted was not needed for the scope of the 2011 pavement replacement.
  - A portion of the project was shifted from 4th quarter 2011 to the 1st quarter of 2012 to avoid rolling out a new system during the holiday season.
  - Projected cash flows were based on a higher construction estimate relative to actual bid.
  - Additional budget was authorized by Commission to reimburse Delta due to increased Port scope.
  - RON Parking @ USPS: Hazardous materials evaluation has pushed the project start to later in the year with completion in 2012.

The background of the slide is a dark blue-tinted image of a port terminal. On the left, the bow of a large cargo ship is visible. In the center and right, there are silhouettes of port workers and a large gantry crane structure. The overall scene is industrial and active.

# Seaport Division Performance Report Q2 2011

## Seaport Business Goals

- TEU volume was 1,008K, approximately level to Q2 YTD 2010. Full inbound TEU's were down 8.8% and full outbound up 10.6%.
- Grain volume at 2.8 million metric tons down 2% from 2010 and 10% over 2011 Q2 YTD budget.
- Cruise passengers through Q2 are 16% favorable to budget.
- North Harbor Island Mooring Dolphins were ready for occupancy on April 1<sup>st</sup> and are 50% leased.

# Seaport Organizational Goals

## Environmental Stewardship

- 67% of frequent calls meeting Northwest Ports Clean Air Standards target.
- Environmental Awards
  - AAPA - Stakeholder Awareness, Education and Involvement Award for T117. Comprehensive Environmental Management Award for implementation of NWPCA strategy.
  - Puget Sound Regional Council - 2011 VISION 2040 Award for NWPCA strategy.

**Regional Transportation** – Closely engaged in mobility management for south harbor road construction projects and detour routes.

# Seaport Q2 YTD Operating Results

<i>In \$ Thousands</i>	2010 YTD	2011 YTD	2011 YTD	2011 Bud Var	
	Actual	Actual	Budget	\$	%
Operating Revenue	44,508	47,330	46,014	1,315	3%
<u>Security Grants</u>	<u>682</u>	<u>51</u>	<u>3,415</u>	<u>(3,364)</u>	-99%
Total Revenue	45,190	47,380	49,429	(2,049)	-4%
Direct Expenses	9,250	10,593	12,513	1,920	15%
Security Grant Expense	710	61	3,451	3,390	98%
Envir Remediation Liability Exp	855	(18)	250	268	107%
Divisional Allocations	1,210	673	1,246	573	46%
<u>Corporate Allocations</u>	<u>6,198</u>	<u>7,025</u>	<u>7,976</u>	<u>951</u>	12%
Total Expense	18,223	18,335	25,436	7,101	28%
<b>Net Operating Income (NOI)</b>	<b>26,967</b>	<b>29,045</b>	<b>23,993</b>	<b>5,053</b>	<b>21%</b>

# Seaport Division Key Variances

## Revenue Detail (\$'s in Thousands)

Q2 YTD Business Unit	Variance to Budget Better (Worse)
Containers	\$973
Grain	\$244
Industrial Properties	(\$266)
Cruise	\$203
Docks	\$161
Security Grants	(\$3,364)
<b>Total</b>	<b>(\$2,049)</b>



# Seaport Division Key Variances

## Expense Detail (\$'s in Thousands)

<b>Q2 YTD Expenses</b>	<b>Variance to Budget Better (Worse)</b>
Security Grant Expense	\$3,390
Outside Services	\$1,259
Corporate	\$875
Overhead Allocations	\$521
Envir Remediation Liability Exp	\$268
All Other	\$788
<b>Total Expense</b>	<b>\$7,101</b>

# Seaport Business Groups

NOI Before Depreciation (\$'s in Millions)

	Q2 YTD Actual NOI	Variance to Budget Better (Worse)
Containers	\$23.3	\$2.7
Grain	\$2.5	\$ .5
Sea Industrial Properties	\$2.7	\$ .6
Cruise	\$1.4	\$ .6
Docks	(\$ .5)	\$ .1
Security	(\$ .4)	\$ .2
Envir Grants/Liability Exp	\$ .0	\$ .3
<b>Total Seaport</b>	<b>\$29.0</b>	<b>\$5.1</b>

# Seaport Full Year Operating Forecast

\$'s 000	2010	2011	2011	2011 Bud Var	
	Actual	Forecast	Budget	\$	%
Operating Revenue	96,060	95,772	94,972	800	1%
<u>Security Grants</u>	<u>1,791</u>	<u>423</u>	<u>3,415</u>	<u>(2,992)</u>	-88%
Total Revenue	97,850	96,195	98,387	(2,192)	-2%
Direct Expenses	20,780	25,293	24,081	(1,212)	-5%
Security Grant Expense	1,983	459	3,451	2,992	87%
Envir Remediation Liability Exp	1,170	500	500	0	0%
Divisional Allocations	2,354	1,461	2,511	1,050	42%
<u>Corporate Allocations</u>	<u>13,033</u>	<u>16,285</u>	<u>16,565</u>	<u>280</u>	2%
Total Expense	39,321	43,997	47,108	3,110	7%
<b>Net Operating Income (NOI)</b>	<b>58,530</b>	<b>52,198</b>	<b>51,280</b>	<b>918</b>	<b>2%</b>

# Seaport Capital 2011

Estimated Actual	Approved Budget	Variance to Budget	Est. Act. as % of App. Bud	Plan of Finance
\$27.7	\$34.0	\$6.3	81%	\$29.5

The background of the slide is a dark blue-tinted image of a port terminal. On the left, the bow of a large ship is visible. In the center, a large gantry crane structure spans across the water. On the right, several silhouettes of people are shown, some standing and some walking, against a grid-like pattern that suggests a window or a glass wall. The overall scene is industrial and maritime.

# Real Estate Division Performance Report Q2 2011

## Real Estate 2<sup>nd</sup> Quarter Key Events

- Full Year Net Operating Income forecasted to exceed budget.
- FT NW dock fender replacement and MIC sheet pile replacement projects complete, FT south wall replacement project delayed to Q3.
- Results of RFP issued for Tsubota Steel site in February. No proposals accepted.

## Real Estate 2<sup>nd</sup> Quarter Key Events

- Eastside Rail Corridor – Continuing to develop streamlined procedures and standard to handle volume of incoming requests.
- Marine Maintenance – Continuation of Deferred Maintenance reduction program.

# Real Estate Business Goals

## Provide Compelling Value and Asset Utilization

- Occupancy Rates: Commercial property at 90% occupancy, at target and above 2011 Q2 Seattle market average of 84%.
- Activity at Bell Harbor International Conference Center below Budget.
- FT/Marina Occupancy: Fishermen's Terminal and Maritime Industrial Center at 81% YTD occupancy, below target of 86%. Recreational Marinas at 94%, above target of 93%.



# Real Estate Division Qtr 2 Operating Results

<i>In \$ Thousands</i>	2010 YTD	2011 YTD	2011 YTD	2011 Bud Var	
	Actual	Actual	Budget	\$	%
Operating Revenue	14,857	14,667	15,133	(467)	-3.1%
<b>Total Revenue</b>	<b>14,857</b>	<b>14,667</b>	<b>15,133</b>	<b>(467)</b>	<b>-3.1%</b>
Direct Expenses	13,861	14,477	16,803	2,326	14%
Envir Remediation Liability	(0)	0	0	0	NA
Divisional Allocations	(1,733)	(1,225)	(1,865)	(641)	-34%
<u>Corporate Allocations</u>	<u>2,579</u>	<u>2,968</u>	<u>3,315</u>	<u>347</u>	10%
Total Expense	14,706	16,220	18,253	2,033	11%
<b>Net Operating Income (NOI)</b>	<b>151</b>	<b>(1,553)</b>	<b>(3,119)</b>	<b>1,566</b>	<b>50%</b>

# Real Estate Division Q2 Key Variances

## Revenue Detail (\$'s in Thousands)

<b>2011 Year to Date Business Unit</b>	<b>Variance to Budget Better (Worse)</b>
Recreational Boating	\$61
Fishing & Commercial	(\$83)
Commercial Properties	\$67
Third Party Management	(\$616)
RE Development & Planning	\$78
Eastside Rail	(\$9)
Facilities/Maintenance	\$35
<b>Total</b>	<b>(\$467)</b>

# Real Estate Division Q2 Key Variances

## Expense Detail (\$'s in Thousands)

<b>2011 Year to Date Expense</b>	<b>Variance to Budget Better (Worse)</b>
Maintenance	1,309
Third Party Management	\$610
Corporate	\$369
Outside Services	\$297
Litigated Damages	(\$778)
All Other	\$226
<b>Total Expense</b>	<b>\$2,033</b>

# Real Estate Business Groups

NOI Before Depreciation (\$'s in Thousands)

	<b>Q2 YTD Actual NOI</b>	<b>Variance to Budget Better (Worse)</b>
Recreational Boating	\$914	\$570
Fishing & Commercial	(\$1,037)	\$251
Commercial & Third Party	(\$147)	\$1,114
RE Development & Planning	(\$330)	\$260
Eastside Rail	(\$944)	(\$619)
Envir Grant/Remed Liability	(\$9)	( \$9)
<b>Total Real Estate</b>	<b>(\$1,553)</b>	<b>\$1,566</b>

# Real Estate Division Full Year Forecast

<i>In \$ Thousands</i>	2010	2011	2011	2011 Bud Var	
	Actual	Forecast	Budget	\$	%
Operating Revenue	29,820	30,795	30,707	88	0%
Total Revenue	29,820	30,795	30,707	88	0%
Direct Expenses	29,503	31,765	33,221	1,456	4%
Envir Remediation Liability	(2)	0	0	0	NA
Divisional Allocations	(3,485)	(2,375)	(3,787)	(1,412)	-37%
<u>Corporate Allocations</u>	<u>5,481</u>	<u>6,550</u>	<u>6,645</u>	<u>95</u>	1%
Total Expense	31,499	35,940	36,079	139	0%
<b>Net Operating Income (NOI)</b>	<b>(1,678)</b>	<b>(5,145)</b>	<b>(5,372)</b>	<b>227</b>	<b>4%</b>

# Real Estate Capital 2011

Estimated Actual	Approved Budget	Variance to Budget	Est. Act. as % of App. Bud	Plan of Finance
\$14.1	\$16.3	\$2.2	86%	\$15.4

The background of the slide is a dark blue-tinted photograph of a port terminal. In the foreground, the silhouette of a large ship's bow is visible on the left. In the center, a large gantry crane stands over a pier. On the right, several silhouettes of people are visible, including one person in the foreground talking on a mobile phone. The overall scene is industrial and active.

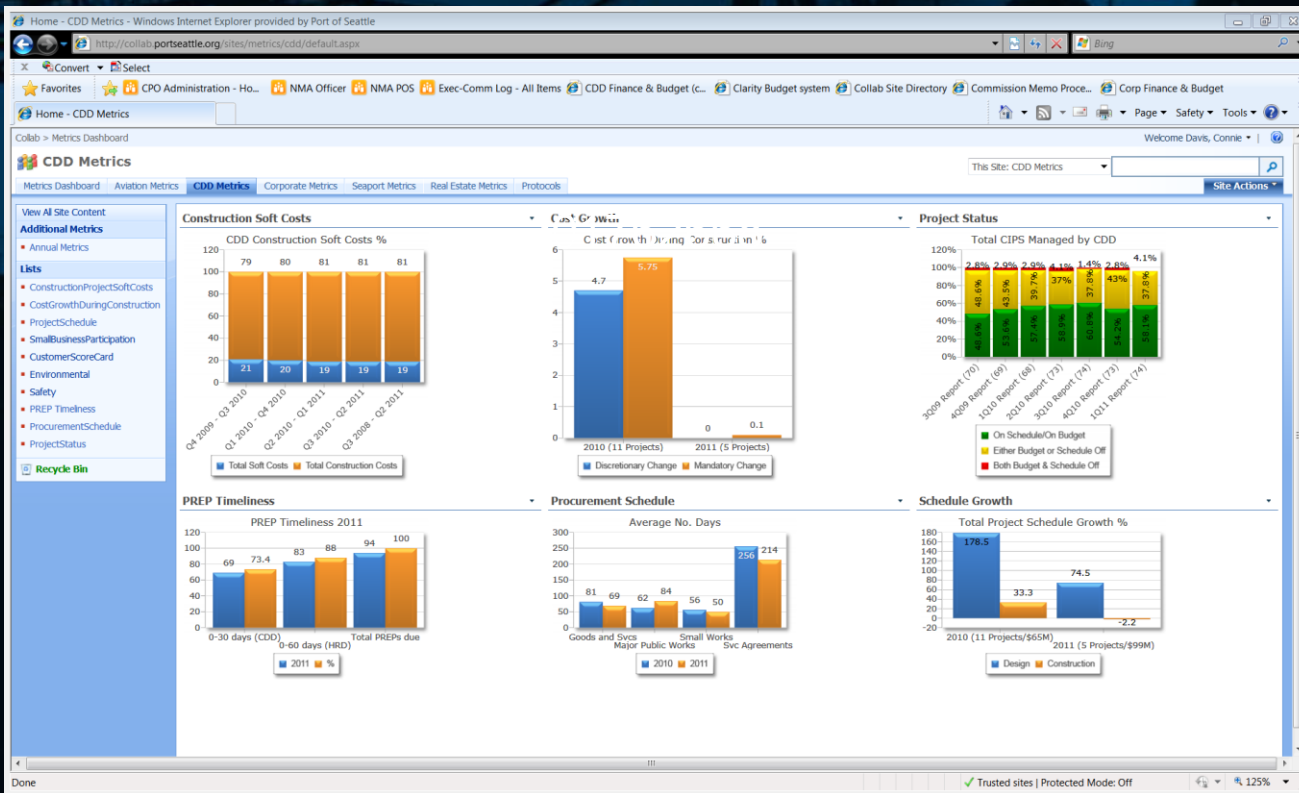
# Capital Development Division Performance Report Q2 2011

## Capital Development Division Q2 2011 Business Events

- Construction has started on the following projects – airfield pavement/slot drains replacement near south satellite, FIS booths, PC air.
- Construction complete & facility in use – C1-C88 baggage system, new security checkpoint.
- On March 31, 2011, the expanded P-Card program was implemented.
- CPO Service Agreement Section kicked off compliance reviews and is in process of reviewing 8 contracts.
- PCS projects include the installation of the FIS Primary Inspection Booths at the south satellite, T-91 Waterline & Paving, Noise Remedy Mitigation, and Gate B3 Loading Bridge.
- Projects in construction: Terminal 91 Waterline, Terminal 86 Tower Strengthening, Maritime Industrial Center central seawall, Fishermen's Terminal Phase 4 South Wall, East Marginal Way Grade Separation.
- Continued underdock inspections at Terminal 18 and 46 and began Terminal 18 Pile Caps Pilot Project design.

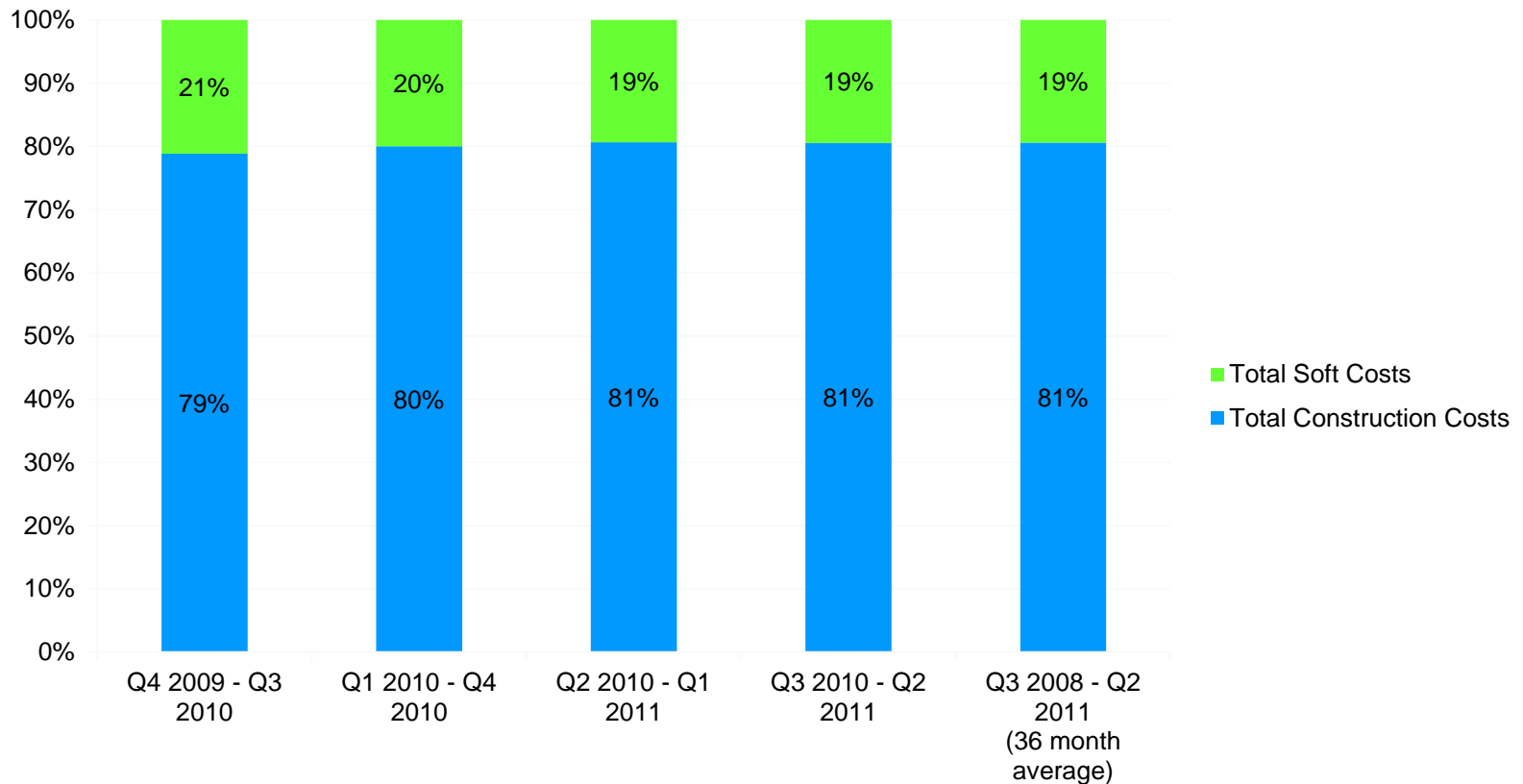


# CDD Dashboard



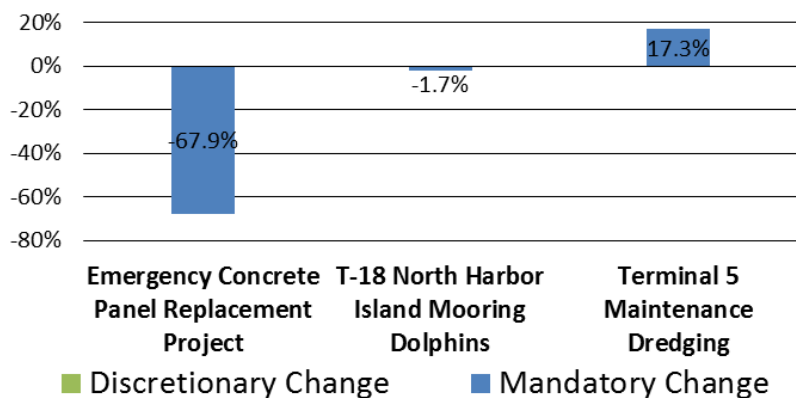
# Capital Development Division Key Indicators

## CDD Construction Soft Costs %

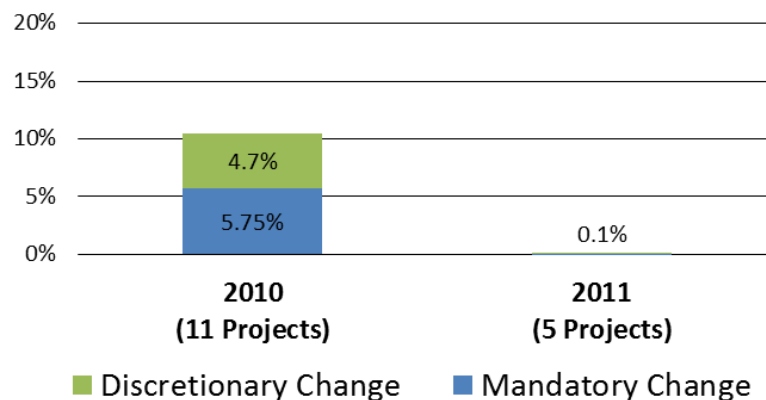


# Capital Development Division Key Indicators

**Completed Projects  
Q2 2011**



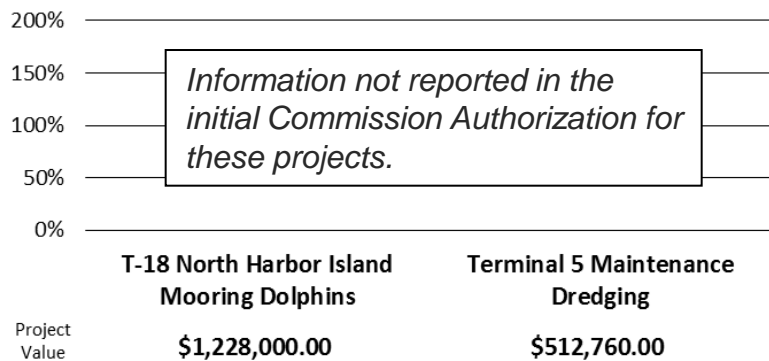
**Completed Projects  
Summary**



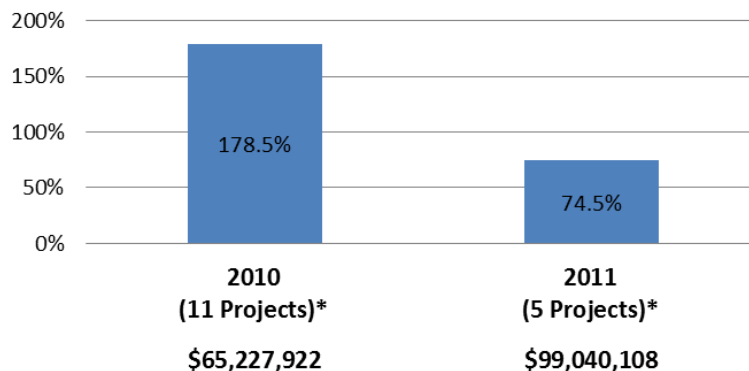
## Cost Growth During Construction

# Capital Development Division Key Indicators continued

### Completed Projects Q2 2011



### Completed Projects Summary



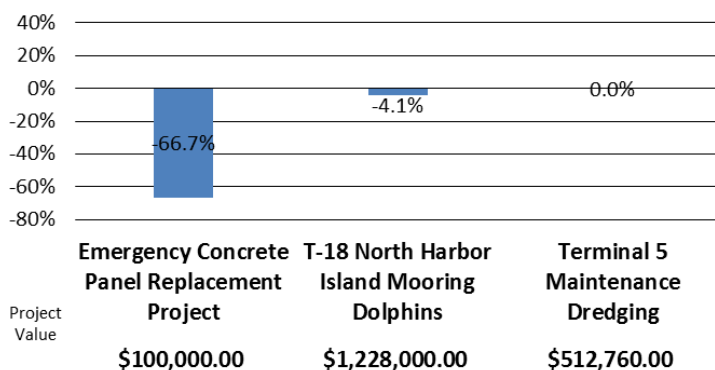
## Design Schedule Growth

Project	Initial Commission Authorized Start of Design	Planned Construction Contract Award (Execution)	Actual Construction Contract Award (Execution)	Design Schedule Growth
<b>2nd Quarter 2011</b>				
<b>Emergency</b> Concrete Panel Replacement Project	N/A - Emergency	N/A - Emergency	16-Feb-11	N/A
T-18 North Harbor Island Mooring Dolphins	11-Aug-09	*	3-Nov-10	*
Terminal 5 Maintenance Dredging	9-Sep-08	*	4-Oct-10	*

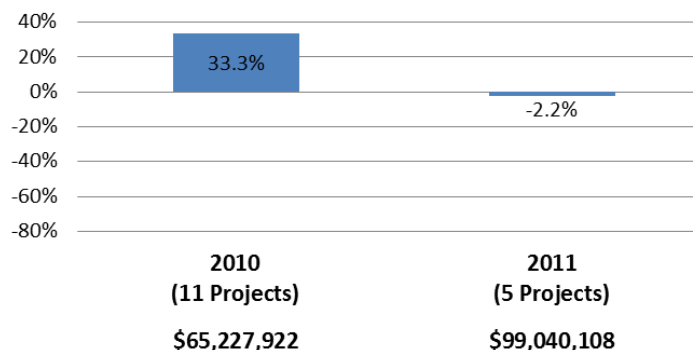
\* Information not reported in the initial Commission Authorization for all projects

# Capital Development Division Key Indicators continued

### Completed Projects Q2 2011



### Completed Projects Summary



## Construction Schedule Growth

Project	Actual Construction Contract Award (Execution)	Planned Substantial Completion of Construction	Actual Substantial Completion of Construction	Construction Schedule Growth
<b>2nd Quarter 2011</b>				
Emergency Concrete Panel Replacement Project	16-Feb-11	3-Mar-11	21-Feb-11	-66.7%
T-18 North Harbor Island Mooring Dolphins	3-Nov-10	31-Mar-11	25-Mar-11	-4.1%
Terminal 5 Maintenance Dredging	4-Oct-10	15-Feb-11	15-Feb-11	0.0%

## CDD Key Indicators continued

### Procurement Schedule: Total Time RFS to Execution (Avg # Days)

	<u>2010</u>	<u>Q2 2011</u>
• Goods & Services	81 days	69 days
• Major Public Works	62 days	84 days
• Small Works	56 days	50 days
• Service Agreements	256 days	214 days

# Capital Development Division Gross Operating Results

	Notes	2010 YTD	2011 YTD	2011 Bud		Year-End Projections			
		Actual	Actual	Budget	Var. \$	%	Budget	Forecast	Variance
\$ in 000's									
<b>Total Revenues</b>		-	76	-	76	0.0%	-	-	-
<b><u>EXPENSES BEFORE CHARGES TO CAPITAL PROJECTS</u></b>									
Capital Development Administration		197	171	181	10	5.4%	359	359	-
Engineering		4,716	5,479	7,694	2,215	28.8%	15,225	13,103	2,122
Port Construction Services		3,448	2,947	3,778	831	22.0%	7,554	7,236	318
Central Procurement Office		1,572	1,598	2,189	591	27.0%	4,394	4,403	(9)
Aviation Project Management		2,338	2,561	4,324	1,763	40.8%	8,637	8,637	-
Seaport Project Management		1,219	983	1,258	275	21.9%	2,493	2,371	122
<b>Total Before Charges to Capital Projects</b>		<b>13,490</b>	<b>13,739</b>	<b>19,424</b>	<b>5,685</b>	<b>29.3%</b>	<b>38,662</b>	<b>36,108</b>	<b>2,554</b>

# Capital Development Division Key Variances to Net Budget

Q2 2011 Expenses	Variance to Budget	YTD Var. F/(UNF)
\$ in 000's	Better (Worse)	%
Salaries and Benefits	1,852	13.1%
Outside Services	1,935	48.1%
Travel and Other	166	64.3%
Telecommunications	17	25.2%
Property Rentals	3	7.5%
General Expenses	43	165.0%
All Other	873	191.1%
Charges to Capital Projects	(2,797)	22.9%
<b>Total</b>	<b>2,888</b>	<b>40.0%</b>



The background is a dark blue-tinted image. On the left, there is a large cargo ship docked at a pier with several cranes. On the right, there are silhouettes of people walking in what appears to be a modern office building with large glass windows. The overall scene suggests a connection between maritime operations and corporate business.

# Corporate Performance Report Q2 2011

# Corporate Key Events for Q2

- Held several centennial celebration events: Centennial Video Contest, Centennial Park Dedication, Centennial “Get to Know Your Port by Bike”, Beach Access Opening Centennial Community Celebration, and Centennial Display at STIA.
- Set preliminary goal of increasing jobs related to the Port by 100K over 25 years.
- Finished building the Port’s new website and began content migration for the third quarter deployment.
- Offered Ethics Survey to all Port employees.
- Installed TeamMate as the internal audit management system.
- Received the Distinguished Budget Presentation Award for 2011 from GFOA.

# Corporate Key Metrics for Q2

- Responded to 144 public disclosure requests.
- 30 employees participating in REALeadership Program.
- Created 132 job openings and received 6,210 job applications.
- Provided orientation to 23 new employees.
- Completed 42 individual job evaluations.
- Completed 10 internal audits.
- Handled 30 litigation and claims.
- Received 27,246 calls for Police services.
- 1,215 small businesses registered on the roster (an increase of 93 from Q2 2010).

# Corporate Q2 Operating Results

\$ in 000's	2010 YTD	2011 YTD		2011 Bud Var.	
	Actual	Actual	Budget	\$	%
<b>Total Revenues</b>	<b>309</b>	<b>620</b>	<b>430</b>	<b>190</b>	<b>44.1%</b>
Executive	697	694	793	99	12.4%
Commission	404	336	465	129	27.8%
Legal	1,603	1,529	1,667	138	8.3%
Risk Services	1,259	1,249	1,383	134	9.7%
Health & Safety Services	499	542	574	32	5.6%
External Affairs	2,644	2,990	3,395	404	11.9%
Human Resources & Development	1,741	2,271	2,709	439	16.2%
Labor Relations	294	515	462	(53)	-11.6%
Information & Communications Technology	8,696	8,951	9,170	219	2.4%
Finance & Budget	729	707	762	54	7.1%
Accounting & Financial Reporting Services	2,946	2,789	3,293	504	15.3%
Internal Audit	494	507	621	114	18.3%
Office of Social Responsibility	576	531	835	305	36.5%
Police	9,204	10,535	10,760	225	2.1%
Contingency	17	48	350	302	86.3%
<b>Total Expenses</b>	<b>31,802</b>	<b>34,195</b>	<b>37,240</b>	<b>3,045</b>	<b>8.2%</b>

- All Corporate departments were under budget, except Labor Relations.
- Total Expenses were \$3.0M below budget but \$2.4M higher than Q2 2010 mainly due to Port Centennial/AAPA Convention, filling the vacant positions in HR&D, higher ICT costs, and filling vacant positions and contractual increase in Police Dept.

# Corp Q2 Major Expense Variances

Operating Expenses ( <i>\$ in '000</i> )	Actual/Budget	
	Var. \$	Var. %
Salaries & Benefits	648	3.7%
Wages & Benefits	219	2.3%
Payroll to Capital Projects	273	18.4%
Outside Services	773	14.0%
Travel & Other Employee Exps	443	31.2%
Promotional Expenses	223	76.8%
Miscellaneous Expense	494	86.8%
Other	402	15.5%
Charges to Capital Projects	(432)	26.3%
<b>Total</b>	<b>3,045</b>	<b>12.7%</b>

- Total payroll costs were \$1.1M under budget.
- Miscellaneous Expenses include all expenses in the Contingency.

# Corporate Year End Forecast

\$ in 000's	2010	Year-End Projections			Explanations
	Actual	Forecast	Budget	Variance	
<b>Total Revenues</b>	<b>610</b>	<b>1,202</b>	<b>1,025</b>	<b>177</b>	Unbudgeted police grants
Executive	1,356	1,460	1,500	40	
Commission	831	862	931	70	Travel and other savings
Legal	3,475	3,055	2,906	(149)	Due to several litigations
Risk Services	2,618	2,722	2,789	67	Savings from property insurance costs
Health & Safety Services	1,001	1,124	1,129	5	
External Affairs	5,553	6,795	7,012	217	Vacant positions and other savings
Human Resources & Development	4,107	5,063	5,285	222	Vacant positions and credit from state
Labor Relations	675	922	922	-	
Information & Communications Technology	18,765	19,511	19,511	-	
Finance & Budget	1,455	1,483	1,493	11	
Accounting & Financial Reporting Services	5,939	6,415	6,596	181	Vacant positions and bank rebate
Internal Audit	990	1,204	1,215	11	
Office of Social Responsibility	1,280	1,560	1,567	6	
Police	19,273	21,443	21,452	9	
Contingency	21	350	700	350	Do not anticipate to use all
<b>Total Expenses</b>	<b>67,391</b>	<b>73,969</b>	<b>75,008</b>	<b>1,039</b>	

- Total Revenues are forecasting to be \$177K higher than budget.
- Total Expenses are forecasting to be \$1.0M lower than budget.