ITEM NO. 7b_Attach_1

DATE OF MEETING March 6, 2012

PORT OF SEATTLE

2011 FINANCIAL & PERFORMANCE REPORT

AS OF DECEBER 31, 2011

TABLE OF CONTENTS

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/11

EXECUTIVE SUMMARY

Financial Summary

The Port's 2011 operating revenues were $483.8 million, $9.0 million below budget. Excluding the $9.3 million unfavorable budget variance from aeronautical revenues, which are based on airline cost recovery formulas, and $3.0 million unfavorable budget variance from Seaport Security Grants, which would have a corresponding reduction in operating expense, operating revenues were $3.4 million higher than budget primarily due to higher revenues from Concessions, Container, and Cruise businesses. Total operating expenses were $268.7 million, $17.1 million below budget mainly due to savings from some vacant positions, outside services, and lower Pass-through Grants expenses. Operating income before depreciation was $215.1 million, $8.2 million above budget. Operating income after depreciation was $57.0 million, $10.6 million higher than budget. The Port-wide capital spending was $200.1 million for the year, $87.1 million below the budgeted $287.2 million.

Operating Summary

Operating performance was also strong in 2011. At the Airport, airline passengers reached a record high of 32.8 million in 2011, a 4.0% increase from 2010. Enplanements were 3.5% higher than budget and 3.9% higher than 2010. International enplaned passengers saw even a greater year-over-year growth of 5.2% in 2011. For the Seaport division, TEUs hit the 2 million mark for the second consecutive year. The Cruise business served 885,949 passengers in 2011, which was 11% above budget. While Grain volumes were down 8.5% from 2010 and 8.6% compared to the budget, they still came in above 5.0 million metric tons for the seventh consecutive year. For the Real Estate division, occupancy levels at Commercial Properties were at 90%, slightly higher than the 86% Seattle market average. Activity at Bell Harbor International Conference Center also exceeded budget, and the Shilshole Bay Marina occupancy rate was 95.5%, compared to 94.4% in 2010.

Key Business Events

To set the Port's strategic direction into the next century, we held a number of Century Agenda Roundtables with panelists composed of local industry experts and the Commission established a set of draft 25 year goals. We also held a number of events to celebrate the Port's 100 year anniversary in 2011 and successfully hosted the 100th annual AAPA conference in Seattle. We developed a funding plan for financing the Port's contribution to the Viaduct Replacement Project. Emirates Airlines announced daily non-stop service to Dubai beginning in the first quarter of 2012. We executed leases with the Washington State Department of Transportation at Terminal 106 and Terminal 46. Finally, the Port received 14 awards in various areas including environmental leadership, public relations, budgeting, and financial reporting in 2011.

Major Capital Projects

We completed a number of capital projects in 2011. These included all 2011 storm-water & habitat improvement projects, paving and offsite road improvements for the Consolidated Rental Car Facility, the first phase of a project replacing 44 airport escalators, the Terminal 10 Redevelopment Project, North Harbor Island Mooring Dolphins, Phase 1 Dredging at Terminal 5, Fishermen's Terminal NW Dock Fender System, Maritime Industrial Center Central Seawall Replacement, and Terminal 86 Tower Strengthening projects. Construction of the Consolidated Rental Car Facility and Bus Maintenance Facility continued and are planned for opening in the second quarter of 2012. The airline Terminal Realignment project was delayed but continues to move forward, the Pre-Conditioned Air Project was delayed due to delays in delivery of major equipment, and the Parking System replacement project was delayed due to a change in the bidding approach and longer than anticipated contract negotiations.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/11

INCOME STATEMENT

Report: Income Statement
As of Date: 2011-12-31

$ in 000's	2010 Actual	2011 Actual	2011 Budget	Budget Variance $	Budget Variance %	Change from 2010 $	Change from 2010 %
Revenues:							
Aviation	334,263	351,390	362,678	(11,289)	-3.1%	17,127	5.1%
Seaport	97,279	98,619	98,153	466	0.5%	1,340	1.4%
Real Estate	30,391	32,198	30,942	1,256	4.1%	1,807	5.9%
Capital Development	36	79	-	79	0.0%	43	118.7%
Corporate	610	1,559	1,025	534	52.1%	949	155.5%
Total Revenues	**462,579**	**483,844**	**492,798**	**(8,953)**	**-1.8%**	**21,265**	**4.6%**
Operating & Maintenance:							
Aviation	126,481	136,164	139,575	3,410	2.4%	9,683	7.7%
Seaport	19,522	16,124	23,247	7,123	30.6%	(3,397)	-17.4%
Real Estate	30,735	33,376	33,736	360	1.1%	2,642	8.6%
Capital Development	9,335	11,219	14,278	3,060	21.4%	1,883	20.2%
Corporate	67,391	71,828	75,008	3,180	4.2%	4,436	6.6%
Total O&M Costs	**253,464**	**268,711**	**285,844**	**17,133**	**6.0%**	**15,247**	**6.0%**
Operating Income Before Depreciation	**209,115**	**215,133**	**206,954**	**8,179**	**4.0%**	**6,018**	**2.9%**
Depreciation	160,775	158,107	160,491	2,384	1.5%	(2,668)	-1.7%
Operating Income after Depreciation	**48,340**	**57,026**	**46,463**	**10,564**	**22.7%**	**8,686**	**18.0%**

IMPORTANT NOTES:

Total operating revenues are adjusted for the Fuel Hydrant Special Facility Rent reclassification.

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 12/31/11

KEY PERFORMANCE METRICS

	2010 Actual	2011 Actual	2011 Budget	Budget Variance Var.	Budget Variance %	Change from 2010 Chg	Change from 2010 %
Enplanements (in 000's)	15,773	16,396	15,845	551	3.5%	623	3.9%
Landed Weight (lbs in 000's)	19,786	20,123	20,089	34	0.2%	337	1.7%
Passenger CPE (in $)	11.63	11.79	12.76	(0.97)	-7.6%	0.2	1.4%
Container Volume (TEU's in 000's)	2,140	2,034	1,800	234	13.0%	(106)	-5.0%
Grain Volume (metric tons in 000's)	5,491	5,027	5,500	(473)	-8.6%	(464)	-8.5%
Cruise Passenger (in 000's)	932	886	796	90	11.3%	(46)	-4.9%
Commercial Property Occupancy	88%	90%	90%	-	0.0%	2.0%	2.3%
Shilshole Bay Marina Occupancy	94.4%	95.5%	93.4%	2.1%	2.3%	1.2%	1.3%
Fishermen's Terminal Occupancy	87.1%	78.2%	82.0%	-3.8%	-4.6%	-8.9%	-10.2%

CAPITAL SPENDING RESULTS

Division	2010 Actual	2011 Actual	2011 Budget	Budget Variance	Plan of Finance
($ in millions)					
Aviation	183.60	166.82	223.75	56.93	231.41
Seaport	11.17	18.84	33.95	15.12	29.49
Real Estate	3.97	10.09	16.34	6.25	15.36
Corporate & CDD	3.82	4.40	13.19	8.79	12.07
Total	202.56	200.14	287.23	87.09	288.33

PORTWIDE INVESTMENT PORTFOLIO

The investment portfolio for fourth quarter of 2011 earned 1.20% against our benchmark (The Bank of America Merrill Lynch 3-year Treasury/Agency Index) of 0.31%. For the past twelve months the portfolio has earned 1.67% against the benchmark of 0.48%. Since the Port became its own Treasurer in 2002, the Port’s portfolio life-to-date has earned 3.39% against our benchmark of 2.43%.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

FINANCIAL SUMMARY

$ in 000's	Notes	2010 Actual	2011 Actual	2011 Budget	Budget Variance $	Budget Variance %	Change from 2010 $	Change from 2010 %
Operating Revenues:								
Aeronautical		198,843	208,363	217,714	(9,351)	-4.3%	9,520	4.8%
Non-Aeronautical		135,418	143,089	144,965	(1,876)	-1.3%	7,670	5.7%
Total Operating Revenues	1	**334,262**	**351,452**	**362,678**	**(11,227)**	**-3.1%**	**17,190**	**5.1%**
Expenses:								
Operating Expenses		177,871	191,403	199,180	7,776	3.9%	13,532	7.6%
Environmental Remediation Liability		3,271	1,428	1,771	343	19.4%	(1,843)	-56.4%
Total Operating Expenses		**181,142**	**192,831**	**200,951**	**8,120**	**4.0%**	**11,689**	**6.5%**
Net Operating Income	1	**153,120**	**158,621**	**161,728**	**(3,107)**	**-1.9%**	**5,502**	**3.6%**
Capital Expenditures		**183,578**	**166,820**	**223,746**	**56,926**	**25.4%**	**(16,758)**	**-9.1%**

Notes:
1) 2010 and 2011 Budget revenues and NOI restated to reflect the reclassification of fuel system revenues to non-operating.

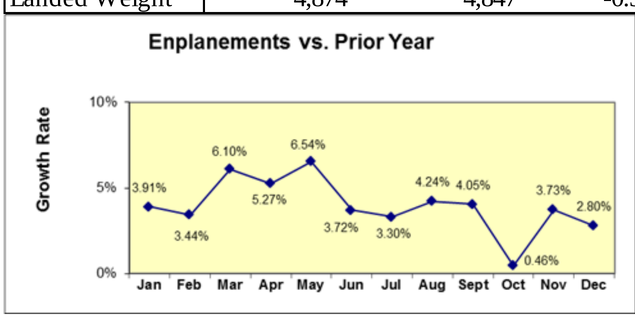
- Aeronautical revenues were up $9.5 million vs. 2010, but $9.4 million less than budget due to lower variable rate debt service, additional debt service offsets paid for by PFC collections and operating expense savings from delayed start of the terminal realignment project and delayed hiring in new positions.
- Non-aeronautical revenues were up $7.7 million vs. 2010, but $1.9 million less than budget due to underperformance in Public Parking and Rental Cars outweighing strong performance in Concessions and Ground Transportation revenues.
- Operating expenses were up $11.7 million vs. 2010, but $8.1 million less than budget due to delayed start of terminal realignment, lower than budgeted Corporate and Capital Development Division allocations, FTE vacancies and delays in hiring, delays and lower than budgeted estimates of outside services, and the cessation of generator rentals for emergency back-up power.
- $166.8 million was spent on capital projects in 2011, 74.5% of the 2011 budget of $223.8 million.

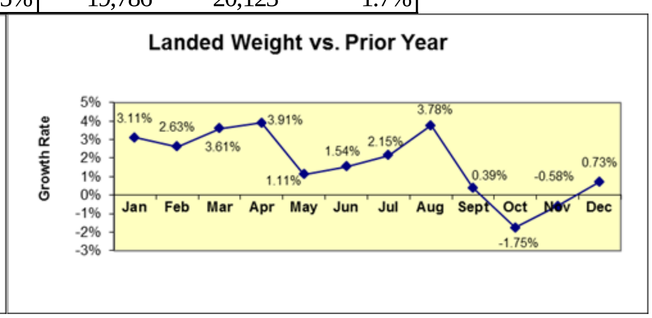
A. BUSINESS EVENTS

- Terminal realignment in progress but delayed start.
- Construction of Rental Car Facility and Bus Maintenance Facility continues for opening in Q2 of 2012.
- Emirates announced daily non-stop service to Dubai which will begin in Q1 of 2012.

B. KEY INDICATORS

Figures in 000's	2010 Q4	2011 Q4	% Variance	2010 Actual	2011 Actual	% Variance
Enplanements	3,842	3,930	2.3%	15,773	16,396	3.9%
Landed Weight	4,874	4,847	-0.5%	19,786	20,123	1.7%





II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

- International enplaned passengers in 2011 saw greater growth (5.2% vs. 2010) than domestic enplanements (3.8% vs. 2010).
- 2011 cargo landed weight made up 6.8% of total landed weight compared to 7.1% of 2010 total landed weight.
- 2011 actuals resulted in a 3.9% increase in enplaned passengers and a 1.7% increase of landed weight over 2010 actuals.

Key Performance Measures

	2010 Actual	2011 Actual	2011 Budget	Budget Variance $	Budget Variance %	Change from 2010 $	Change from 2010 %
Non-Aero NOI ($ in 000s)	78,203	83,895	81,209	2,686	3.3%	5,692	7.3%
Passenger Airline CPE	11.63	11.79	12.76	0.98	7.6%	0.16	1.4%
Debt / Enplaned Passenger	172.96	161.46	166.79	5.34	3.2%	(11.50)	-6.6%
Debt Service Coverage	1.39	1.47	1.40	0.06	4.6%	0.08	5.8%

- CPE came in lower than the budget primarily due to significant savings in debt service, lower operating costs and increased enplanements.

C. OPERATING RESULTS

Division Summary

$ in 000's	Notes	2010 Actual	2011 Actual	2011 Budget	Budget Variance $	Budget Variance %	Change from 2010 $	Change from 2010 %
Total Operating Revenues	1	**334,262**	**351,452**	**362,678**	**(11,227)**	**-3.1%**	**17,190**	**5.1%**
Operating Expenses:								
Salaries & Benefits		76,036	80,577	81,673	1,096	1.3%	4,541	6.0%
Outside Services		22,519	25,228	29,453	4,225	14.3%	2,709	12.0%
Utilities		11,381	13,202	12,576	(626)	-5.0%	1,821	16.0%
Other Airport Expenses		13,275	15,730	14,102	(1,628)	-11.5%	2,455	18.5%
Baseline Airport Expenses		**123,211**	**134,737**	**137,804**	**3,067**	**2.2%**	**11,526**	**9.4%**
Environmental Remediation Liability		3,271	1,428	1,771	343	19.4%	(1,843)	-56.4%
Total Airport Expenses		**126,481**	**136,164**	**139,575**	**3,410**	**2.4%**	**9,683**	**7.7%**
Corporate		32,558	32,583	34,043	1,461	4.3%	24	0.1%
Police Costs		14,317	15,913	16,389	475	2.9%	1,596	11.2%
Capital Development/Other Expenses		7,785	8,171	10,944	2,773	25.3%	385	5.0%
Total Operating Expenses		**181,142**	**192,831**	**200,951**	**8,120**	**4.0%**	**11,689**	**6.5%**
Net Operating Income	1	**153,120**	**158,621**	**161,728**	**(3,107)**	**-1.9%**	**5,501**	**3.6%**
Depreciation Expense		119,538	116,762	118,418	1,656	1.4%	(2,777)	-2.3%
Non-Operating Rev/(Exp):								
Grants & Donations Revenues		30,040	19,565	28,990	(9,425)	-32.5%	(10,475)	-34.9%
Passenger Facility Charges		59,744	62,358	60,379	1,979	3.3%	2,614	4.4%
Customer Facility Charges		23,243	23,669	22,237	1,433	6.4%	426	1.8%
Other Non-operating Rev/(Exp)		(110,471)	(104,383)	(121,952)	17,569	14.4%	6,088	5.5%
Total Non-Operating Rev/(Exp)		**2,556**	**1,210**	**(10,346)**	**11,556**	**111.7%**	**(1,347)**	**-52.7%**
Total Revenue Over Expense	1	**36,138**	**43,069**	**32,964**	**10,105**	**30.7%**	**6,931**	**19.2%**

Notes:

1) 2010 and 2011 Budget revenues and NOI restated to reflect the reclassification of fuel system revenues to non-operating.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

$ in 000's	2010 Actual	2011 Actual	2011 Budget	Budget Variance $	Budget Variance %	Change from 2010 $	Change from 2010 %
Operating CFC Revenues	-	798	1,543	(745)	-48.3%	798	n/a
Non-Operating CFC Revenues	23,243	23,669	22,237	1,433	6.4%	426	1.8%
Total CFC Revenues	**23,243**	**24,467**	**23,780**	**687**	**2.9%**	**1,224**	**5.3%**

- Operating revenues were $11.3 million less than budget due to savings of $2.3 million from variable rate debt service, $3.3 million additional debt service offsets paid for by PFC collections, $3.7 million operating expense savings from delayed start of the terminal realignment project and delayed hiring in new positions, and underperformance in Public Parking of $2.8 million and Rental Cars $2.3 million outweighing strong performance in Concessions $2.7 million and Ground Transportation $768K.
- Operating expenses were less than budget by $8.1 million due to the net of the following:

Savings of $12.9 million:	**Overspending of $4.8 million:**
Payroll vacancies and delayed hiring $493K	Equipment fuel costs, repair and maintenance $865K
Terminal realignment delayed $2.9M	Utility surface water and sewer $626K
Noise Program Part 150 delayed $357K	Snow/Ice deicer and control and other maintenance materials $869K
Emergency backup generators installation cancelled $897K	Contracted janitorial services $246K
Other contracted and outside services $711K	B&O taxes due to increased revenues and budget error $732K
Aviation Division contingency not utilized $636K	Kone elevator/escalator increased coverage $317K
Training and development funds not utilized $531K	Litigated injuries and damages $356K
Environmental remediation liability $343K	SLOA security fund not budgeted $796K
Emergency preparedness and other supplies $141K	
Other savings $1.2M	
Corporate and Capital Development Division Allocations $4.7M	

- Operating expenses were up $11.7 million vs. 2010:
  - Salaries, wages and benefits were up $4.4 million, or 6% vs. 2010 due to compensation and benefit increases.
  - Outside services were up $2.7 million, or 12.0% vs. 2010 due to contractual increases and increased services for elevator and escalator maintenance.
  - Utilities were up $1.8 million, or 16% vs. 2010 due to higher surface water discharge volumes.
  - Other expenses were up $2.5 million, or 18.5% vs. 2010.
  - Environmental remediation liability for asbestos was down $1.8 million, or 56.4% vs. 2010.
  - Allocations from Corporate and Capital Development Division were up $2.0 million, or 4% vs. 2010.
  - Customer Facility Charge increased 1.8% in 2011 vs. 2010, whereas, transaction days increased 5.2%. A reclass of $787K from non-operating to operating revenues to offset operating expense for the Rental Car Facility.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

Aeronautical Business Unit Summary

$ in 000's	2010 Actual	2011 Actual	2011 Budget	Budget Variance $	Budget Variance %	Change from 2010 $	Change from 2010 %
Revenues requirement:							
Capital Costs	82,083	81,506	87,111	5,604	6.4%	(576)	-0.7%
Operating Costs net Non-Aero	122,985	133,638	137,195	3,557	2.6%	10,653	8.7%
Total Costs	**205,067**	**215,144**	**224,305**	**9,161**	**4.1%**	**10,077**	**4.9%**
FIS Offset	(7,000)	(7,000)	(7,000)	-	0.0%	-	0.0%
Other Offsets	(14,825)	(15,371)	(14,821)	550	-3.7%	(546)	3.7%
Net Revenue Requirement	**183,243**	**192,773**	**202,485**	**9,711**	**4.8%**	**9,531**	**5.2%**
Other Aero Revenues	15,601	15,590	15,229	(361)	-2.4%	(11)	-0.1%
Total Aero Revenues	**198,843**	**208,363**	**217,714**	**9,351**	**4.3%**	**9,520**	**4.8%**
Less: Non-passenger Airline Costs	15,400	15,098	15,645	547	3.5%	302	2.0%
Net Passenger Airline Costs	**183,444**	**193,265**	**202,069**	**8,804**	**4.4%**	**9,822**	**5.4%**

	2010 Actual	2011 Actual	2011 Budget	Budget Variance $	Budget Variance %	Change from 2010 $	Change from 2010 %
Cost Per Enplanement:							
Capital Costs / Enpl	5.20	4.97	5.51	0.54	9.7%	(0.23)	-4.5%
Operating Costs / Enpl	7.80	8.15	8.66	0.51	5.9%	0.35	4.5%
Offsets	(1.38)	(1.36)	(1.38)	(0.01)	0.9%	0.02	-1.4%
Other Aero Revenues	0.99	0.95	0.96	0.01	1.1%	(0.04)	-3.9%
Non-passenger Airline Costs	(0.98)	(0.92)	(0.99)	(0.07)	6.7%	0.06	-5.7%
Passenger Airline CPE	**11.63**	**11.79**	**12.76**	**0.98**	**7.6%**	**0.16**	**1.4%**

- Capital Costs savings compare to budget were due to $2.3M lower variable rate debt service and $3.3M more in PFC used to offset debt service.
- Operating costs net non-aero were $3.6 million lower than budget due to cost savings primarily from the delayed start of the Terminal Realignment project and FTE vacancies and delays in hiring.
- Year over year operating expense increased due to:
  - Allocated Utility billings $3.9 million
  - Wages and benefits $2.0 million
  - Allocated Firefighter wages and OPEB expenses $1.3 million
  - Elevator/Escalator work $729K
  - Ramp Tower, Baggage Messaging, Lost & Found $507K
  - Natural gas $485K
  - Deicing fluid $353K
  - Janitorial contract increases $347K

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

Non-Aero Business Unit Summary

$ in 000's	2010 Actual	2011 Actual	2011 Budget	Budget Variance $	Budget Variance %	Change from 2010 $	Change from 2010 %
Revenues:							
Public Parking	49,416	49,996	52,847	(2,851)	-5.4%	580	1.2%
Customer Facility Charge (RCF)	-	798	1,543	(745)	-48.3%	798	n/a
Rental Cars	30,309	30,005	32,290	(2,285)	-7.1%	(304)	-1.0%
Ground Transportation	4,912	7,704	6,936	768	11.1%	2,792	56.8%
Concessions	33,765	35,404	32,640	2,764	8.5%	1,639	4.9%
Other	17,017	19,182	18,707	475	2.5%	2,165	12.7%
Total Revenues	**135,418**	**143,089**	**144,965**	**(1,876)**	**-1.3%**	**7,670**	**5.7%**
Operating Expense	54,743	59,878	64,397	4,519	7.0%	5,134	9.4%
Share of terminal O&M	16,935	17,685	17,729	44	0.2%	749	4.4%
Less utility internal billing	(14,464)	(18,369)	(18,370)	(1)	0.0%	(3,905)	-27.0%
Net Operating & Maint	**57,215**	**59,194**	**63,756**	**4,562**	**7.2%**	**1,979**	**3.5%**
Net Operating Income	**78,203**	**83,895**	**81,209**	**2,686**	**3.3%**	**5,692**	**7.3%**

	2010 Actual	2011 Actual	2011 Budget	Budget Variance $	Budget Variance %	Change from 2010 $	Change from 2010 %
Revenues Per Enplanement							
Parking	3.13	3.05	3.34	(0.29)	-8.6%	(0.08)	-2.7%
Rental Cars (net of CFCs)	1.92	1.83	2.04	(0.21)	-10.2%	(0.09)	-4.8%
Ground Transportation	0.31	0.47	0.44	0.03	7.3%	0.16	50.9%
Concessions	2.14	2.16	2.06	0.10	4.8%	0.02	0.9%
Other	1.08	1.22	1.28	(0.06)	-4.6%	0.14	13.0%
Total Revenues	**8.59**	**8.73**	**9.15**	**(0.42)**	**-4.6%**	**0.14**	**1.7%**
Primary Concessions Sales / Enpl	**9.99**	**10.30**	**10.12**	**0.18**	**1.8%**	**0.31**	**3.1%**

- 2011 enplanement growth of 3.9% shows non-aero revenues increased 5.9% over 2010, but less than budget by 1.4%.
- Comparisons of non-aero revenues to 2010 and budget:
  - Public Parking Revenues:
    - Year over year revenues were slightly up with 4.3% increase in 3-24 hour transactions; however, overall total transactions down 2.5%.
    - 2011 total transactions down 2.2%. Budget assumed 5.0% increase for 4+ day transactions.
  - Rental Car Revenues:
    - Year over year revenues slightly down even though transaction days were 5.0% higher. Industries revenues were down due to competitive pricing with rental car companies.
    - Revenues less than budget which assumed average ticket price of $226 whereas the actual average ticket was $210.
  - Ground Transportation Revenues:
    - Trips in 2011 were up 13.1% and the new STILA concession-based contract became effective in 2011.
    - Revenues were higher than budget as trips were up by 9.5%. Also, the incremental revenues from the new STILA concession-based contract effective in 2011 are not included in the budget.
  - There were strong primary concessions sales performance, an increase in janitorial monthly rates and advertising revenue from Google partnership.
  - Other revenues were higher due to strong demand for in-flight kitchen services, higher tenant marketing revenue, and Sound Transit grant revenue reimbursements.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

- The Primary Concessions Sales per Enplaned passenger (SPE) was $10.30, which is greater than the budget of $10.12.
- Non-aero operating expenses were up $5.1 million vs. 2010 and $4.5 million less than budget.
  - Security Fund Expense $796K
  - Increase in internal utility billing $3.9 million

Net Cash Flow: NOI after Debt Service and Interest Income

	2010	2011	2011	Budget Variance		Change from 2010	
$ in 000's	Actual	Actual	Budget	$	%	$	%
Aeronautical							
Net Operating Income (NOI)	74,917	74,727	80,519	(5,793)	-7.2%	(190)	-0.3%
Debt Service	73,080	71,096	76,700	5,604	7.3%	(1,984)	-2.7%
Aero NOI After Debt Service	**1,837**	**3,631**	**3,819**	**(188)**	**-4.9%**	**1,794**	**97.7%**
Non-Aeronautical							
Net Operating Income (NOI)	78,203	83,895	81,209	2,686	3.3%	5,692	7.3%
Debt Service	41,752	40,845	42,469	1,625	3.8%	(907)	-2.2%
Non-Aero NOI After Debt Service	**36,451**	**43,050**	**38,739**	**4,311**	**11.1%**	**6,599**	**18.1%**
Total Aviation							
Total Revenue	334,262	351,452	362,678	(11,227)	-3.1%	17,190	5.1%
Total O&M	181,142	192,831	200,951	8,120	4.0%	11,689	6.5%
NOI	**153,120**	**158,621**	**161,728**	**(3,107)**	**-1.9%**	**5,502**	**3.6%**
Debt Service	114,831	111,940	119,169	7,229	6.1%	(2,891)	-2.5%
NOI After Debt Service	**38,288**	**46,681**	**42,559**	**4,122**	**9.7%**	**8,393**	**21.9%**
Add ADF Interest Income	6,297	4,771	4,167	603	14.5%	(1,526)	-24.2%
Add Non-Operating TSA Grant	752	1,035	1,470	(435)	-29.6%	283	37.7%
Net Cash Flow after D/S & Interest Inc.	**45,337**	**52,487**	**48,196**	**4,291**	**8.9%**	**7,150**	**15.8%**

- 2011 net cash flow was up $7.2 million over 2010.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

D. CAPITAL SPENDING RESULTS

$ in 000's	2011 Actual	2011 Budget	Actual/Budget Var $	Actual/Budget Var %	2011 Plan of Finance
Rental Car Facility Construction	84,363	97,488	13,125	13.5%	98,616
Central Plant Preconditioned Air	18,815	20,000	1,185	5.9%	8,000
Airfield Pavement Replacement	5,333	10,500	5,167	49.2%	10,500
Parking System Replacement	1,769	9,137	7,368	80.6%	8,994
EGSE Rolling Stock	-	5,110	5,110	100.0%	-
South Satellite Delta Sky Club Expansion	7,207	5,250	(1,957)	-37.3%	5,038
Aircraft RON Parking USPS Site	300	5,050	4,750	94.1%	5,661
Third Runway Construction	3,418	5,025	1,607	32.0%	5,078
All Other	45,615	66,186	20,571	31.1%	89,521
Total Aviation	166,820	223,746	56,926	25.4%	231,408

- Rental Car Facility and Bus Maintenance Facility construction costs for the entire program were below budget due to allowances for claims and change orders that will not occur. Soft costs are also below budget. Unused contingency funds have been pushed out and program savings are likely to be realized.
- Site work delays for PC Air due to delays in delivery of major equipment.
- Amount originally budgeted for Airfield Pavement Replacement project was not needed for the scope of the 2011 pavement replacement.
- Parking System replacement delays resulted from a change in the bidding approach and longer than anticipated contract negotiations. Favorable bids resulted in project savings of approximately $3M.
- EGSE Rolling Stock spending will not be realized due to airlines' decision to acquire equipment directly.
- South Satellite Delta Sky Club Expansion budget increase authorized by Commission to reimburse Delta for expanded scope.
- Aircraft RON Parking USPS Site hazardous materials evaluation has pushed the project start date later in the year with completion in 2012.
- Bids for environmental work related to the Third Runway came in lower than anticipated.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

FINANCIAL SUMMARY

$ in 000's	2010 Actual	2011 Actual	2011 Budget	Budget Var $	Budget Var %
Operating Revenue	96,060	98,868	94,972	3,895	4%
Security Grants	1,791	394	3,415	(3,020)	-88%
Total Revenues	**97,850**	**99,262**	**98,387**	**875**	**1%**
Total Operating Expenses	**39,590**	**38,549**	**47,108**	**8,558**	**18%**
Net Operating Income	**58,261**	**60,713**	**51,280**	**9,433**	**18%**
Capital Expenditures	**11,172**	**18,837**	**33,953**	**15,116**	**45%**

- Total Seaport revenues were $875K favorable for the year due to a favorable Operating Revenue variance of $3,895K being largely offset by an unfavorable Security Grant Revenue variance. Operating Revenue was 4% higher than budget due to; higher crane rent as a result of higher container volume than budgeted, higher container land rent as a result of refunding of T18 Special Facility Bonds (effective in December debt payments are no longer netted against lease revenue), and higher cruise revenue as a result of correction of prior year percentage rent calculations. Favorable variances were partially offset by an unfavorable grain revenue variance due to below budget volume.
- Total Operating Expenses were $8,558K favorable due to postponed or cancelled Security Grant projects $2,970K being administered for outside parties, lower Environmental Remediation Liability expense, lower corporate expenses, and lower costs for certain key projects including the Terminal 5 dredge project.
- Full Year 2011 Net Operating Income for 2011 of $60,713K was $9,433K favorable to 2011 Budget and is $2,452K higher than 2010 Actual NOI.
- Capital spending for 2011 was $18.8M or 55% of the Approved Annual Budget.

A. BUSINESS EVENTS

- TEU volumes for Seattle Harbor are down 5.0% in 2011 compared to 2010 record levels. 2011 volume is 2,034K TEUs which ranks as 3rd highest volume in Port history and the second consecutive year with TEU's in excess of 2 million. 2011 full inbound TEUs are down 13.1%, full outbound TEUs are up 8.5%, empty inbound TEUs are up 30.4%, and empty outbound TEUs are down 37.6%.
- Consolidated West Coast Port results for 2011 show an overall decrease in TEU volume of (0.3%) compared to volumes in 2010.

TEU Volume (in 000's)	2011	2010	% change
Long Beach	6,061	6,263	-3.2%
Los Angeles	7,941	7,832	1.4%
Oakland	2,343	2,330	0.5%
Portland	197	181	9.0%
Prince Rupert	410	343	19.5%
Seattle	**2,034**	**2,140**	**-5.0%**
Tacoma	1,489	1,455	2.3%
Vancouver	2,507	2,514	-0.3%
West Coast - Totals:	**22,981**	**23,060**	**-0.3%**

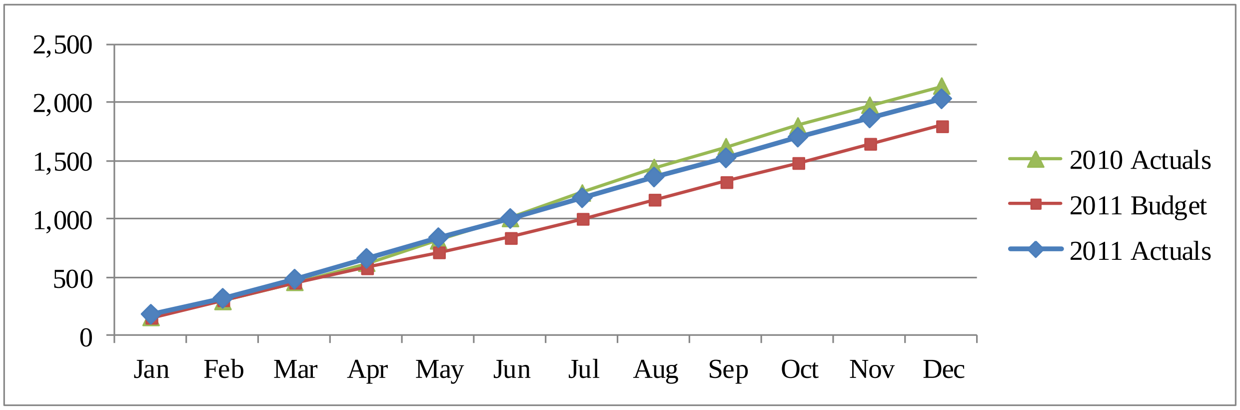
III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

- Grain vessels shipped 5,027K metric tons of grain through Terminal 86 in 2011. Amount is (8.5%) below 2010 grain volumes of 5,491K metric tons. 2011 actual volume is (8.6%) lower than 2011 budget volume.
- The cruise season ended on September 27th. For the full season, the Port served 196 cruise vessel calls and processed 885,949 revenue passengers through the Port's two cruise terminals. This was a very good year – cruise ships sailed on average at 109% capacity an indication that cruising to Alaska remains a popular cruise experience.
- Completed major work:
  - Condition assessments on dock systems at Terminals 18, 5 and 46 substantially completed
  - Terminal 10 Redevelopment Project
  - North Harbor Island Mooring Dolphins
  - Phase 1 Dredging at Terminal 5
- Executed leases with Washington State Department of Transportation at Terminal 106 and Terminal 46.
- Lower Duwamish Feasibility Study comment period closed and comments received from EPA.
- Environmental awards received:
  - American Association of Port Authorities 2011 Environmental Improvement Awards: (1) Stakeholder Awareness, Education and Involvement Award for Terminal 117 and (2) Comprehensive Environmental Management Award for the Northwest Ports Clean Air Strategy Implementation
  - Puget Sound Regional Council 2011 VISION 2040 Award
  - Finalist for the 2011 Sustainable Shipping Award in the clean air category

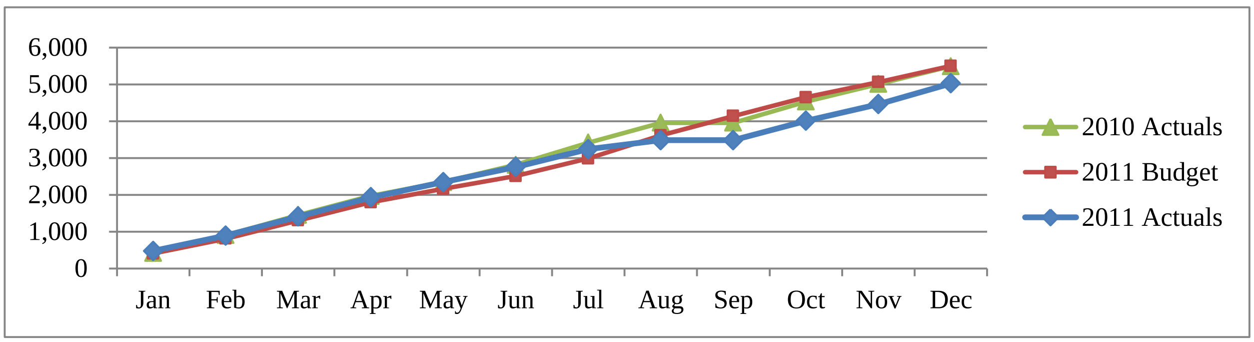
III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

B. KEY INDICATORS

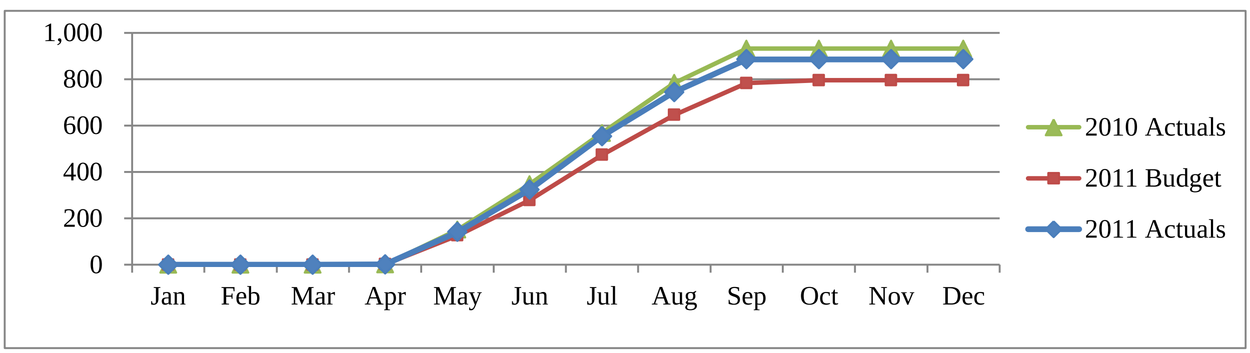
Container Volume – TEU's in 000's



Grain Volume – Metric Tons in 000's



Cruise Passengers in 000's



Net Operating Income Before Depreciation By Business

$ in 000's	2010 Actual	2011 Actual	2011 Budget	2011 Bud Var $	2011 Bud Var %	Change from 2010 $	Change from 2010 %
Containers	44,511	44,746	40,863	3,883	10%	235	1%
Grain	4,955	4,432	4,631	(199)	-4%	(523)	-11%
Seaport Industrial Props	5,561	5,319	4,119	1,200	29%	(243)	-4%
Cruise	6,987	7,576	4,714	2,863	61%	589	8%
Docks	(837)	(1,144)	(1,382)	237	17%	(307)	-37%
Security	(1,477)	(848)	(1,165)	316	27%	628	43%
Env Grants/Remed Liab/Oth	(1,439)	633	(500)	1,133	227%	2,072	144%
Total Seaport	58,261	60,713	51,280	9,433	18%	2,452	4%

C. OPERATING RESULTS

$ in 000's	2010 Actual	2011 Actual	2011 Budget	Budget Variance $	Budget Variance %	Change from 2010 $	Change from 2010 %
Operating Revenue	96,060	98,868	94,972	3,895	4%	2,808	3%
Security Grants	1,791	394	3,415	(3,020)	-88%	(1,396)	-78%
Total Revenues	**97,850**	**99,262**	**98,387**	**875**	**1%**	**1,412**	**1%**
Seaport Expenses (excl env srvs)	12,937	13,166	15,749	2,582	16%	230	2%
Environmental Services	1,999	1,772	2,208	436	20%	(227)	-11%
Maintenance Expenses	4,981	4,637	4,761	124	3%	(344)	-7%
P69 Facilities Expenses	527	508	532	25	5%	(19)	-4%
Other RE Expenses	147	181	293	112	38%	34	23%
CDD Expenses	1,998	3,595	3,412	(183)	-5%	1,597	80%
Police Expenses	3,201	3,603	3,713	110	3%	402	13%
Corporate Expenses	10,378	11,239	12,487	1,249	10%	861	8%
Security Grant Expense	1,983	481	3,451	2,970	86%	(1,502)	-76%
Envir Remed Liability	1,439	(633)	500	1,133	227%	(2,072)	-144%
Total Expense	**39,590**	**38,549**	**47,108**	**8,558**	**18%**	**(1,040)**	**-3%**
NOI Before Depreciation	**58,261**	**60,713**	**51,280**	**9,433**	**18%**	**2,452**	**4%**
Depreciation	31,212	31,172	31,898	726	2%	(40)	0%
NOI After Depreciation	**27,049**	**29,541**	**19,381**	**10,159**	**52%**	**2,492**	**9%**

Seaport revenues were $875K favorable to budget. Key variances are as follows:

Seaport Leasing & Asset Management - favorable $1,487K

- Containers $2,060K favorable. Crane Rent Revenue $1,199K favorable due to higher volumes and related crane usage at Terminal 5 and Terminal 18. Intermodal Revenue ($136K) unfavorable due to waiver of intermodal fees at Terminal 18. Space and Land Rental $602K favorable due to refunding of Terminal 18 Special Facility Bonds. Miscellaneous Revenue $292K favorable due to more maintenance reimbursable work performed than budgeted.
- Grain ($474K) unfavorable due to volume coming in 8.5% below budget.
- Seaport Industrial Properties ($99K) unfavorable due to lower utility sales revenue and related expense at T91. Amount partially offset by higher revenue from T18 Bulk Terminal and unanticipated revenue from the City of Seattle and Seattle Tunnel Partners for leases related to replacement of the Alaskan Way Viaduct.

Cruise and Maritime Operations - unfavorable ($613K)

- Cruise $2,072K favorable primarily due to higher than anticipated passenger volumes and retroactive correction of percentage rent calculation.
- Docks $336K favorable primarily due to unanticipated revenue from wharfage which was high due to high fish quotas and due to security fee revenue from Terminal 91 customers.
- Security Grants ($3,020K) unfavorable due to Round 7 pass-through grant activity being less than budgeted. Examples of 3rd party projects planned but not performed were for the Port of Everett and the Seattle Fire Department. See offsetting expense variance below.

Seaport expenses were $8,558K favorable to budget. Key variances:

- **Security Grant Expenses** favorable $2,970K due to Round 7 pass-through grant activity being delayed.
- **Outside Services** (excluding Corporate, CDD, Maintenance and Security Grants) were favorable $1,738K due to asset condition assessment work that was performed by internal Port staff $1,000K, Terminal 5 Dredge where outside costs were lower than budgeted $501K, Grain facility appraisal costs were lower than budgeted $101K, Seaport Division Admin CTQI certification work that has been pushed into 2012 $75K, and less spending than budgeted on T91 uplands and other studies $182K. Amounts were partially offset by higher than anticipated costs for Contract Watchmen at Terminal 91 $102K.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

- **Corporate** costs, direct and allocated were favorable $1,359K due to lower than anticipated direct charges and allocations from virtually all orgs/departments including AAPA Conference $366K, Contingency $161K, Accounting and Financial Reporting $158K, Office of Social Responsibility $141K, Police $110K, Human Resources $88K, and Legal $67K.
- **Overhead Allocations and related charges to capital project** favorable $826K due to less direct charging of time to Business Groups and projects by Environmental Services than assumed in developing the overhead rate. In addition, budget did not anticipate charging of an outside consultant's costs to overhead and the budget, as recorded, was inconsistent with actual overhead methodology.
- **CDD** costs were unfavorable ($183K) due to overall more spending by CDD groups due to work performed internally on asset condition assessments largely offset by amounts budgeted to be spent on other, non-specified, work for Seaport.
- **Environmental Remediation Liability Expense** favorable $1,133K due to lower estimated future clean-up costs than assumed in Budget.
- **Maintenance** costs, direct and allocated, were favorable $124K due to less work performed on behalf of cruise than anticipated in the budget and work at other sites being performed by PCS rather than by Maintenance.
- **Travel & Other Employee Expenses, Promotional Hosting, and Trade Business and Community** favorable $294K partially due to elimination of Deputy Director Position and in general less spent on registrations and travel than budgeted.
- **General Expense** was favorable $63K primarily due to offsetting variances including Seaport Division Contingency and favorable variances to budget for Advertising Expense and relocations expenses largely offset by unbudgeted street vacations fees.
- **All other** variances netted to favorable $234K or less than .5% of Total Expenses Budgeted.

NOI Before Depreciation was $9,433K favorable to budget.

Depreciation was $726K, or approximately 2%, favorable to the 2011 Budget due to correction of prior year asset booking.

NOI After Depreciation was $10,159K favorable to budget.

<u>Change from 2010 Actual</u>

NOI Before Depreciation for 2011 increased by $2,452 from 2010. Revenue is up $1,412K from the prior year due to an increase in Container revenue of $2,782K resulting from higher crane rent, increase in container lease rate effective July 2010 and refunding of Terminal 18 Special Facility Bonds effective December (debt payments are no longer netted against lease revenue). Cruise revenue increased by $425K due to retroactive correction of percentage rent calculation. Amounts are partially offset by lower grain terminal revenue ($422K) resulting from lower volume, and lower Security Grant related revenue ($1,396K). Expenses decreased $1,040K due to lower security grant project driven expenses and lower Environmental Remediation Liability Expense. These amounts were largely offset by higher direct charges from CDD for asset condition assessment work and SR99 Tunnel property related work and higher allocations from Corporate, primarily from IT, Police, and Human Resources.

D. CAPITAL SPENDING RESULTS

$ in 000's	2011 Actual	2011 Approved Budget	Variance Actual to Budget	Actual as a % of Budget	2011 Plan of Finance
Terminal 10	5,017	5,326	309	94%	5,585
Terminal 18	3,075	4,616	1,541	67%	5,040
Cruise	968	4,617	3,649	21%	2,737
Security	595	3,583	2,988	17%	1,799
Terminal 91 - Industrial Properties	3,932	3,568	(364)	110%	4,073
Cranes	68	3,465	3,397	2%	2,800
All Other	5,182	8,778	3,596	59%	7,456
Total Seaport	18,837	33,953	15,116	55%	29,490

Comments on Key Projects:

Seaport spent 55% of the 2011 Approved Capital Budget.

Projects with significant changes in spending were:

- **Terminal 5 Crane Cable Reels –** Spending moved to 2012 and current estimate $2M below approved budget.
- **Terminal 18:**
  - Street Vacation Delays
  - T18 South End Fendering project savings (project complete)
  - T18 Fender Replacement project savings and spending moved to 2012.
- **Security Projects –** Spending moved to 2012.
- **Cruise** – P91 Fender System Upgrade – Contract authorization later than expected. Spending moved to 2012.
- **All Other** – Primary difference is due to savings on projects as the result of lower costs or change in scope and due to postponing projects.

Changes between the 2011 Plan of Finance and the 2011 Approved Budget represent modifications in 2011 spending estimates made after determination of 2010 actual spending.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

FINANCIAL SUMMARY

$ in 000's	2010 Actual	2011 Actual	2011 Budget	Budget Var $	Budget Var %
Operating Revenue	29,820	31,553	30,707	846	3%
Total Revenues	**29,820**	**31,553**	**30,707**	**846**	**3%**
Total Operating Expenses	**31,499**	**35,004**	**36,079**	**1,075**	**3%**
Net Operating Income	**(1,678)**	**(3,451)**	**(5,372)**	**1,921**	**36%**
Capital Expenditures	**3,965**	**10,085**	**16,339**	**6,254**	**38%**

- Total Real Estate Division Revenues were $846K favorable to budget for the year due to higher activity at Bell Harbor International Conference Center and due to favorable revenue variances from Recreational Boating, Commercial Properties and Real Estate Planning & Development.
- Total Operating Expenses were $1,075K, or 3%, favorable to budget primarily due to deferral into 2012 of some Maintenance projects as well as more Maintenance work being charged to capital than anticipated in the budget. This favorable variance was largely offset by unbudgeted litigation reserves associated with the Eastside Rail Corridor by above budget spending on tenant improvements associated with lease renewals.
- Net Operating Income for 2011 was $1,921K favorable to Budget and ($1,773K) below 2010 Actual. Higher maintenance expenses, expensed tenant improvements, and litigation reserve expenses drove the year over year change.
- Capital spending for 2011 was $10.1 million or 62% of the Approved Annual Budget amount of $16.3 million.

A. BUSINESS EVENTS

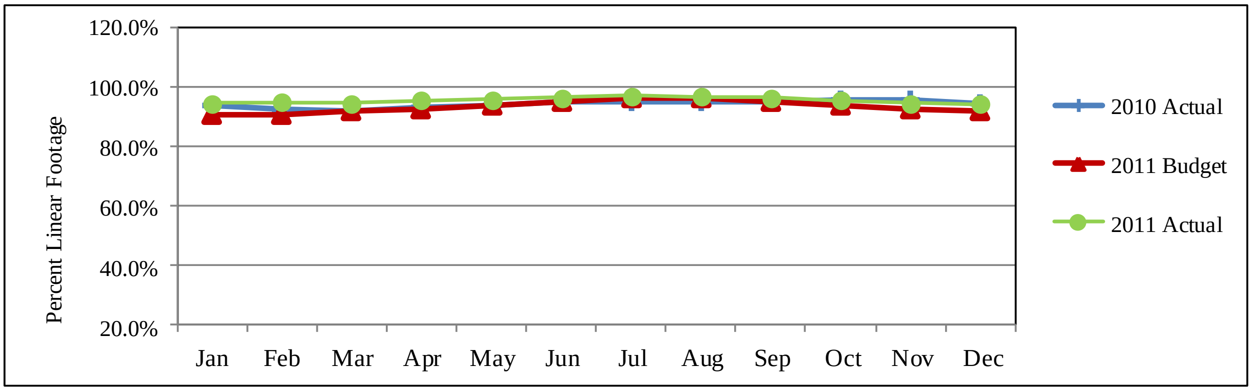
- Occupancy levels at Commercial Properties were at 90% at the end of the year, which is at the 90% target for the 2011 Budget, and above comparable statistics for the local market of 86%.
- Revenue at Bell Harbor International Conference Center exceeded full year revenue budget by approximately $600K or 7.5%.
- Recreational marinas averaged 94% occupancy for the year which was above the target of 93%. Fishermen’s Terminal and Maritime Industrial Center averaged 78% which was below the target of 81%. Lower occupancy was due to a longer fishing season driven by higher quotas and due to the construction on the NW Dock at Fishermen’s Terminal.
- Significant renewal and replacement capital projects were completed in 2011:
  - Fishermen’s Terminal NW Docks Fender Replacement
  - Maritime Industrial Center Seawall Replacement
  - Fishermen’s Terminal South Wall Replacement
- Fishermen’s Terminal net shed pilot program continues with 20 lofts and shelving installed in 21 lockers.
- Facility and site long-term planning:
  - Commission briefed on Fishermen’s Terminal 25-Year Plan/Net Shed Buildings Code Compliance Improvements in December
  - Commission briefed on preliminary Terminal 91 site development options in August
- Marine Maintenance – Twenty-two deferred maintenance projects were completed. North-end facility established.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

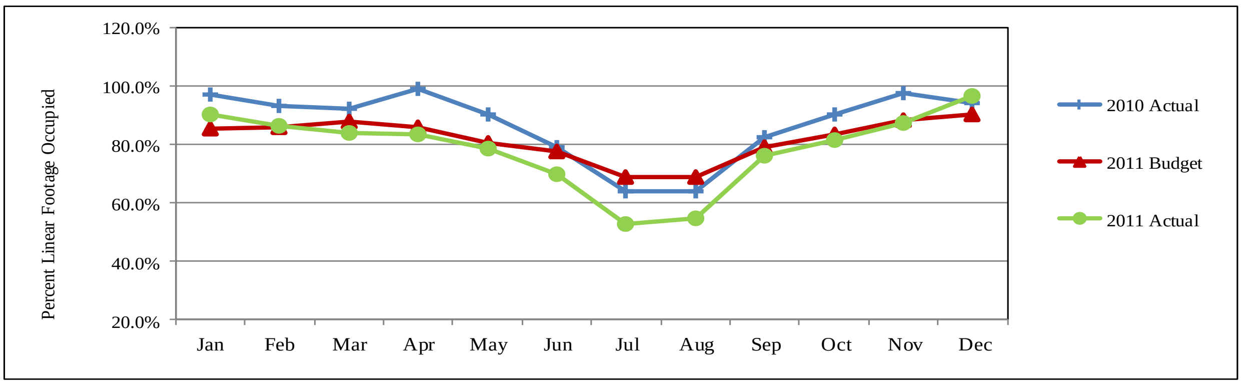
- Real Estate Development & Planning:
  - Signed letter of intent with potential tenant for 18-acre City of SeaTac site
  - Executed letter of intent for long-term ground lease of Des Moines Business Park site
  - Issued RFI for hotel development at SeaTac Airport
  - Completed assemblage of Lora Lake and Des Moines Business Park sites
- 48% of Pier 69 employees using alternative modes of transportation for commuting to and from work.

B. KEY INDICATORS

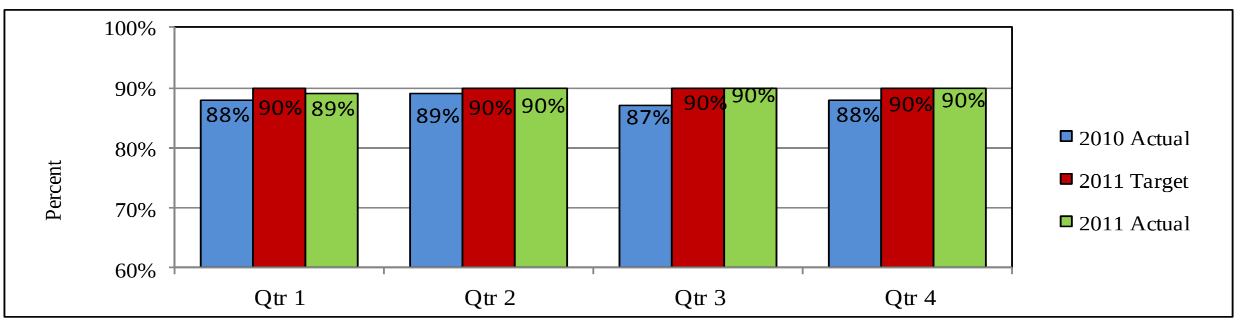
Shilshole Bay Marina Occupancy



Fishermen's Terminal Moorage Occupancy



Commercial Building



Net Operating Income Before Depreciation By Business

$ in 000's	2010 Actual	2011 Actual	2011 Budget	2011 Bud Var $	2011 Bud Var %	Change from 2010 $	Change from 2010 %
Recreational Boating	1,878	1,720	845	875	104%	(158)	-8%
Fishing & Commercial	(2,543)	(2,597)	(2,760)	163	6%	(55)	-2%
Commercial & Third Party	212	(56)	(1,745)	1,689	97%	(268)	-126%
Eastside Rail	(637)	(1,953)	(649)	(1,304)	-201%	(1,317)	-207%
RE Development & Plan	(591)	(558)	(1,063)	504	47%	33	6%
Envir Grants/Remed Liab/Oth	2	(7)	0	(7)	NA	(8)	NA
Total Real Estate	(1,678)	(3,451)	(5,372)	1,921	36%	(1,773)	106%

C. OPERATING RESULTS

$ in 000's	2010 Actual	2011 Actual	2011 Budget	Budget Variance $	Budget Variance %	Change from 2010 $	Change from 2010 %
Revenue	21,500	22,055	21,780	275	1%	555	3%
BHICC & WTC Revenue	8,320	9,498	8,927	571	6%	1,178	14%
Total Revenue	**29,820**	**31,553**	**30,707**	**846**	**3%**	**1,732**	**6%**
Real Estate Exp (excl Maint,P69,Hosp)	9,305	9,781	9,473	(308)	-3%	476	5%
Real Estate BHICC & WTC	6,964	7,600	7,613	13	0%	637	9%
Eastside Rail Corridor	504	1,585	484	(1,101)	-228%	1,082	215%
Maintenance Expenses	6,652	7,245	8,934	1,689	19%	592	9%
P69 Facilities Expenses	226	151	159	9	5%	(75)	-33%
Seaport Expenses	1,178	1,346	1,328	(19)	-1%	169	14%
CDD Expenses	803	934	1,266	332	26%	131	16%
Police Expenses	1,198	1,310	1,350	40	3%	112	9%
Corporate Expenses	4,671	5,045	5,472	427	8%	373	8%
Envir Remed Liability	(2)	7	0	(7)	NA	8	495%
Total Expense	**31,499**	**35,004**	**36,079**	**1,075**	**3%**	**3,505**	**11%**
NOI Before Depreciation	**(1,678)**	**(3,451)**	**(5,372)**	**1,921**	**36%**	**(1,773)**	**-106%**
Depreciation	10,025	10,172	10,166	(5)	0%	147	1%
NOI After Depreciation	**(11,703)**	**(13,623)**	**(15,538)**	**1,916**	**12%**	**(1,920)**	**-16%**

Total Real Estate revenues were $846K favorable to budget. Key variances are as follows:

Harbor Services: Favorable $53K

- Recreational Boating favorable $157K due to 2.1% higher monthly occupancy which provided a $197K favorable variance partially offset by lower guest moorage ($52K).
- Fishing and Commercial unfavorable ($104K) primarily due to fewer medium and large fishing boats due to work on the Northwest Dock fender pile replacement project and higher catch quotas than expected which kept vessels out fishing longer and thus out of the harbor.

Portfolio Management: Favorable $510K

- Commercial Properties favorable $180K primarily due to higher utility revenue at Maritime Industrial Center, higher occupancy and favorable concession rent at Bell Street Office & Retail, higher occupancy and utility revenue at Fishermen’s Terminal Office & Retail, and higher utility reimbursements and higher revenue from the Portside Café at P69 than assumed in budget.
- Third Party Managed Properties favorable $330K due to activity greater than anticipated at the Bell Harbor International Conference Center partially offset by lower sponsorship revenue and activity at World Trade Center Club, and lower occupancy at WTC West than assumed in Budget.

Eastside Rail Corridor: Favorable $40K

- Eastside Rail Corridor favorable $40K due to considerable unknowns at time of Budget. Budgeted revenue was based on continuing review of over 844 agreements assigned to the Port from BNSF. As research and billing progressed it was found that only 240 agreements require payment and they are spread among annual, 5-year, and 10-year periodic payments.

RE Development and Planning: Favorable $194K

- Terminal 91 General Industrial favorable $194K due to higher revenue from Pacific Maritime Association as a result of the tenant taking more yard space.

Facilities Management: Favorable $5K

- Pier 69 Facilities Management favorable $5K due to print services revenue from Office of Port Jobs.

Maintenance: Favorable $44K

- Maintenance favorable $37K due to recycling revenue.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

Total Real Estate expenses were $1,075K favorable to budget. Key variances:

- Outside Services (excluding Maintenance, CDD and Corporate) were favorable $203K primarily due to lower than expected spending on Eastside Rail Corridor $361K, lower spending on Terminal 91 Planning effort $110K, and decision not to hire an asset condition consultant for Harbor Island Marina $60K. These favorable variances were partially offset by above budget spending on tenant improvements associated with lease renewals, other planning and appraisal work, and higher direct charging from Environmental Services.
- Maintenance expenses were favorable $1,689K primarily due to lower cost of the Bell Street Garage sprinkler project, deferral of P69 concrete beam project into 2012, fewer tenant improvement projects, slower work on the net shed pilot program and higher than anticipated charges to capital projects.
- Corporate costs, direct and allocated, were favorable $467K primarily due to Internal Audit $94K, Accounting & Financial Reporting $90K, Human Resources $81K, Contingency $54K, Police $40K, and Public Affairs $25K.
- CDD costs, direct and allocated were favorable $332K primarily due to lower direct charges and allocations from Central Procurement.
- Room/Space/Land Rental favorable $89K due to correction of prior accruals related to DNR submerged land rent for Pier 69 and Pier 66.
- Litigated Injuries & Damages unfavorable ($1,528K) due to reserve for legal expense set up for lawsuits filed.
- All other variances netted to an unfavorable ($177K) or about 0.5% of Total Expenses budgeted

NOI Before Depreciation was $1,921K favorable to budget.

- Depreciation was ($5K) or less than 1% unfavorable to budget.

NOI After Depreciation was $1,916K favorable to budget.

<u>Change from 2010 Actual</u>

Net Operating Income Before Depreciation decreased by ($1,773K) between 2011 and 2010 as a result of higher revenue more than offset by higher expenses. Operating Revenue increased by $1,732K due to higher revenue at Bell Harbor International Conference Center and from Commercial Properties. Expenses increased by $3,505K primarily due to litigated damages associated with a lawsuit filing, higher third party management expenses due to more activity (more than offset by related revenue), increased maintenance expenses, expensing of tenant improvements and higher corporate costs.

D. CAPITAL SPENDING RESULTS

$ in 000's	2011 Actual	2011 Approved Budget	Variance Actual to Budget	Actual as a % of Budget	2011 Plan of Finance
FT NW Dock Fender System	2,361	3,440	1,079	69%	3,350
FT East Portion South Wall	2,842	3,232	390	88%	4,668
Small Projects	1,040	2,026	986	51%	992
RE Maintenance Shop Solution	1,635	1,925	290	85%	186
MIC Seawall Replacement	1,542	1,707	165	90%	2,123
All Other	665	4,009	3,344	17%	4,038
Total Real Estate	10,085	16,339	6,254	62%	15,357

Comments on Key Projects:
The Real Estate Division spent 62% of the 2011 Approved Capital Budget.

Projects with significant changes in spending were:
- FT NW Dock Fender System – Actual contractor bids lower than estimate. Work completed.
- All Other – Primary difference due to less spending than anticipated on Tenant Improvements qualifying for capitalization and due to changes in scope and timing of spending 2012 for the following projects:
  - Bell Harbor Lighting Control Upgrade
  - Fishermen's Terminal C15 Building HVAC Improvements
  - Technology projects

Changes between the 2011 Plan of Finance and the 2011 Approved Budget represent modifications in 2011 spending estimates made after determination of 2010 actual spending.

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

A. BUSINESS EVENTS

AVPMG

- Began detailed discussions with Alaska Airlines concerning its interest in and business proposal for renovation of the north end terminals.
- Developed & implemented approach for accelerating common use lounge reconstruction at the South Satellite to complete project prior to March 1 service start for Emirates Airlines.
- Completed all 2011 stormwater & habitat improvement projects.
- Signed contracts for USPS building demolition, old maintenance warehouse demolition, parking revenue control system replacement, and parking garage 8th floor waterproofing projects.
- Completed paving for offsite road improvements for Rental Car Facility.
- Completed first phase of project replacing 44 escalators.
- Completed first gate installations of preconditioned air system connections for aircraft.

CPO

- Completed the Continuous Process Improvement / Accelerated Improvement Workshop. Adopted decision to move forward with Consensus Based Evaluation process.

ENG

- Participated in the Emergency Recovery Seminar on lessons learned from the FEMA exercise.
- Engineering Contract Specialist hired. Organizational Flexibility work with HR continues. Expanded Document Control Specialist role duties completed and new job description being evaluated by HR. Clean-up of surplus supplies underway at the Watertower facility.
- Implemented the first Leica 360' photo system hardware and software in the Survey & Mapping Section.
- Administrative Supervisor hired. Administrative support services review underway. Transfer of 1.0 FTE position from 1650 to 1660 will open a vacancy in future quarter.
- Construction Safety Administrator hired.
- Completed two under dock inspection studies for the Seaport Division.

PCS

- Several key projects were started or completed during the fourth quarter: seaport and real estate tenant notification program was completed, continued work on the noise home remedy, approximately 80% complete on the T-91 waterline replacement/ repair program, completed renovation of the emergency command center expansion, installed security cameras at checkpoints 2, 3, 4, & 5, completed renovations at gates B5 and S10.
- Several small works contracts were awarded during the fourth quarter.
- Phase 1 upgrades to PMIS were deployed.

SPM

- **T-91 Tank Farm Remediation** Submitted Final Data Gaps Investigation Work Plan to the Department of Ecology and finalized public documents for use in January 2012 public comment period for the tank farm clean up agreed order. CEO Yoshitani signed Remedial Action Grant Agreement with the Department of Ecology for the tank farm clean up. Maximum amount of the grant is $6,000,000 with Port's $3,000,000 match.
- **T-10 Development** Despite encountering many differing site conditions, the T-10 Construction progressed well and Port issued Substantial Completion Certification on December 6th.
- **T-117 Cleanup** Completed 60% design internal review of drawings and specs. The Joint Management Plan and Community Involvement Plan were submitted to the Environmental Protection Agency. Bank repair work is complete.

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

- **T-18 Damage Fender Piles** New SSA crane offload is underway. General Construction mobilized to site.
- **TWIC** Rounds 7, 7B and 9 ARRA Grants were reviewed by the FEMA Financial Monitor. Questions related to one construction contract are being responded to by CPO and ICT. Contract has been awarded
- **Alaskan Way Viaduct** Port submitted comments on design for H2K3, initial Traffic Control Plans for Tunnel, and the T46 Mitigation Measures Tunnel. TCP Phase 1A.2 is scheduled to begin in January.

CDD Admin

- Completed first year of revised overhead budgeting, learning lessons and giving greater visibility to costs.

B. KEY PERFORMANCE METRICS

Key Performance Metrics	2011	Notes
Construction Soft Costs 36 month rolling average from Q1 2009 thru Q4 2011	($ in 000's) Total Costs $ 750,651 (100%) Total Construction: $ 601,384 (80%) Total Soft: $ 149,177 (20%)	Limit construction soft costs (design, construction management, project management, environmental documentation) to no more than 25% of total capital improvement costs.
Cost Growth During Construction	Total Completed Projects YTD: 9 Discretionary Change: -2.0% Mandatory Change: 2.5%	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: 9 Avg Design Growth Completed Projects: 161.7% Cumulative Value YTD: $104,726	Limit design growth from initial Commission project authorization to construction advertisement to no more than 10% of originally allotted duration.
Construction Schedule Growth	($ in 000's) Total Completed Projects YTD: 9 Avg Construction Growth Completed Projects: 19.3% Cumulative Value YTD: $104,726	Limit construction growth from contract award to substantially complete to no more than 10% of originally allotted duration
Performance Evaluation Timeliness	**Q4** / **2011** Total PREPs due: 36 / 181 Total PREPs on time: 28 / 132 0-30 days (CDD) (77.8%) / (72.9%) 7 / 29 0-60 days (HRD) (97.2%) / (89%)	98% PREPs completed within 30 days of anniversary date.

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

2011 Procurement Schedule: Total Time Specs - Execution	Good & Services 84 days Major Public Works 75 days Small Works 58 days Service Agreements *214 days	Average number of days, improving from period to period. *Pulled out 1 non-urgent procurement that resulted in 2 contracts (averaged 450 days for each contract to be executed).
Customer Score Card	#Projects surveyed: 24 AVPMG avg score: 94.9% SPMG avg score: 82.5% CDD average score: 91.6%	100% of projects surveyed. Average 85% of total possible points on project customer feedback scorecards returned.
Environmental	**AVP SPM CDD** Applicable Projects: 8 2 10 Incorp/Pending: 8 2 10 Average: 100% 100% 100%	Incorporate Executive Policy and Procedure 15 (Sustainable Asset Management) and/or LEED process in every project.
Safety	CDD Safety Eval: 87% TRIR: 4.4 LTIR 0.73	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: 63.2% Major Construction: 29.2% Svc Agreements: not available Goods & Services: 44.3%	60% of small works contracts; 8% of major construction contracts; 5% of service agreements and 10% of purchases.

C. OPERATING RESULTS

$ in 000's	2010 Actual	2011 Actual	2011 Budget	Budget Variance $	Budget Variance %	Change from 2010 $	Change from 2010 %
Revenues							
Engineering	-	63	-	63	0.0%	63	n/a
Port Construction Services	23	16	-	16	0.0%	(7)	-31.0%
Aviation Project Management	13	-	-	-	0.0%	(13)	-100.0%
Total Revenues	**36**	**79**	**-**	**79**	**0.0%**	**43**	**118.7%**
Expenses before Charges to Cap/Govt Envrs Projects							
Capital Development Administration	380	354	359	4	1.3%	(26)	-6.7%
Engineering	9,963	12,712	15,225	2,513	16.5%	2,750	27.6%
Port Construction Services	7,886	7,304	7,554	250	3.3%	(582)	-7.4%
Central Procurement Office	3,287	3,878	4,394	516	11.7%	591	18.0%
Aviation Project Management	5,134	6,616	8,637	2,022	23.4%	1,482	28.9%
Seaport Project Management	2,693	2,419	2,493	74	3.0%	(274)	-10.2%
Total Before Charges to Capital Projects	**29,343**	**33,283**	**38,662**	**5,379**	**13.9%**	**3,941**	**13.4%**
Charges to Cap/Govt/Envrs Projects							
Engineering	(8,572)	(9,351)	(10,892)	(1,541)	14.1%	(780)	9.1%
Port Construction Services	(3,998)	(4,846)	(4,338)	508	-11.7%	(848)	21.2%
Central Procurement Office	(1,507)	(1,511)	(1,214)	297	-24.5%	(3)	0.2%
Aviation Project Management	(3,991)	(5,160)	(6,338)	(1,179)	18.6%	(1,169)	29.3%
Seaport Project Management	(1,939)	(1,197)	(1,602)	(404)	25.3%	742	-38.3%
Total Charges to Capital/Govt/Envrs Projects	**(20,007)**	**(22,065)**	**(24,384)**	**(2,319)**	**9.5%**	**(2,057)**	**10.3%**
Operating & Maintenance Expense							
Capital Development Administration	380	354	359	4	1.3%	(26)	-6.7%
Engineering	1,391	3,361	4,333	972	22.4%	1,970	141.6%
Port Construction Services	3,888	2,458	3,216	758	23.6%	(1,430)	-36.8%
Central Procurement Office	1,780	2,367	3,180	813	25.6%	588	33.0%
Aviation Project Management	1,143	1,456	2,299	843	36.7%	313	27.3%
Seaport Project Management	754	1,222	891	(331)	-37.1%	468	62.1%
Total Expenses	**9,335**	**11,219**	**14,278**	**3,060**	**21.4%**	**1,883**	**20.2%**

Variance Summary

- Vacancies: 30.25
- Salaries & Benefits: $2.3M favorable primarily from unfilled positions, although PCS was ($345K) unfavorable due to unbudgeted hiring to accommodate unbudgeted projects (expense and capital).
- Overhead Allocation: $852K favorable because original budget did not include OH offset accounts that zero out OH charges to expense.
- Charges to Capital: $2.3M unfavorable due to less overall capital work than budgeted.
- CDD Admin: $4K favorable due to Equipment and Supplies savings.
- ENG: $972K favorable due to vacancies, plus $139K reduced ICT expense; $318K reduced consultant use; and $86K reduced travel/other.

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/11

- PCS: $758K favorable due to $538K favorable variance from cancelled generator project and increased charges to capital, which offset unfavorable variances in non-capital equipment costs ($72K); utilities ($46K); supplies/stock ($131K); plus penalty and claims ($65K).
- CPO: $813K favorable from salary savings and increased charges to capital, plus $78K favorable variances from reduced registrations and travel; and $146K favorable from budget error related to OH allocation.
- AVPMG: $843K favorable due to vacancies; $1.4M favorable from reduced consulting expenses, and $45K general expense from RST Enterprises claim refund; but offset by ($1.2M) unfavorable in reduced charges to capital.
- SPM ($331K) unfavorable due to reduced charges to capital and ($310K) unfavorable consultant services. Commitment Control transfers covered the expense in SPM that was budgeted in SP and RE. Commitment Control transfers are not reflected in the bottom line. These unfavorable balances negated the salary and other savings.
- Unbudgeted PCS Projects 2011 Total $1,688K

South Satellite Ramp Office Abatement	$ 103K
RMM – Renew/Replace Escalators	$ 113K
T-5 Erosion Control	$ 117K
T-117 Sediments	$ 134K
Learning Center Gym/Bldg E	$ 155K
CM Trailer Relocation	$ 198K
RMM Abatement – Delta VIP Sky Lounge	$ 868K

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 12/31/11

A. BUSINESS EVENTS

- Centennial Celebration events included:
  - Get to know your port by boat—Working Waterfront Tour
  - Birthday cake distributed to all employees in September
  - Port of Seattle Day in the State of Washington (September 5) declared by Governor, Chris Gregoire
  - Chief Executive Officer presented at ALWU Pensioners conference
  - Port of Seattle flag flown at U.S. Capital in honor of our Centennial, presented by Congressman Reichert
  - Port Centennial commemorative book debut at Fishermen's Fall Festival.
- Successfully completed 100th annual AAPA conference from September 11 to 15 held here in Seattle.
- Hosted 9 Century Agenda Roundtables with panelists composed of members of the public who have particular expertise in their areas.
- Managed Employee Forum with centennial year-in-review video and branded food, chocolate bars and coffee thermos; distributed centennial books and videos to all attendees and employees who requested them.
- Promoted sales of centennial book, "Rising Tides and Tailwinds" via book signing, website and electronic bulletins.
- The arrival of three new cranes for Terminal 18 received neighborhood, mainstream, and trade press coverage.
- Completed criteria to be used for hiring bus drivers for the Rental Car Facility.
- Finalized 2012 premium rates for the Port's self funded medical and dental programs.
- Created a revised commercial driver's license application for use at the Port to include the bus drivers for the Rental Car Facility. The application is in compliance with the Federal Motor Carrier Safety Administration (FMCSA) and Code of Federal Regulations (CFR) requirements.
- Completed the 2011 Wellness Rewards – 935 employees completed the health assessment and wellness reward goal. Designed and launched of the 2012 Wellness Reward Program.
- Completed 97% of annual safety training requirements.
- HR&D identified as lead on Request for Proposal (RFP) selected Scontrino-Powell, a consultant for design of Port-wide process improvement effort. A Process Improvement Program Manager was hired in October.
- Identified 16 internal internship opportunities in Aviation and all internal internships were hired for.
- Finished building the Port's new website including interactive maps and videos. It improves external communications and business operations while also increasing transparency and public understanding. The new site recently broke a record for the amount of load handled in a single hour and in a single day.
- Completed the deployment of the new Ground Transportation Management System and the PeopleSoft interface is currently being implemented.
- Completed Port-wide deployment of Windows seven operating system and Office 2010.
- Received the "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association (GFOA) of the United States and Canada for its 2010 Comprehensive Annual Financial Report (CAFR) for the sixth consecutive year.
- Held two public hearings on the 2012 preliminary budget in November.
- Filed the 2012 statutory budget with King County Council and King County Assessor on November 30th within prescribed deadline as required by law.
- Published the final 2012 Budget Document and Business Plan in December.
- Received the Distinguished Budget Presentation Award from Government Finance Officers Association for the fourth consecutive year.
- Issued revenue refunding bonds for the purpose of refunding certain outstanding Port bonds and generating $29 million of present value savings.

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 12/31/11

B. KEY PERFORMANCE METRICS

Key Performance Metrics	2011	2010 Notes
A. High Performance Workplace:		
1. Occupational Injury Rate	6.21	5.24, increased by .97
2. Total Lost Work Days	1,164	778, increased by 386
3. Contract Administration Issues	111	50, increased by 61
4. Employee Training		
a) New Employee Orientation	124	69, increased by 55
b) REALeadership Program	30	27, increased by 3
c) MIS Training	8 MIS class/meetings,16 users 7 Clarity classes, 64 users	7 MIS classes, 75 users; 8 Clarity classes, 68 users
d) Required Safety Training	97%	96%, increased by 1%
5. Job Openings Created	243	170, increased by 73
6. Job Applications Received	12,607	7,334, increased by 5,273
7. Tuition Reimbursement	37 employees participated	n/a
B. Transparency:		
1. Rate of Public Meetings	27	18, increased by 9
2. Public Disclosure Requests	298	281, increased by 17
3. Web site usage	209,823 visits, and 688,217 page views (two months only for new site)	7,105,266 page views in 2010
4. Track Constant Contact	20,352, electronic newsletter	16,142, increased by 4,210
5. Increase internal communications via Compass	Average 826 visitors per day	Average 867visitors per day, decreased by 41
C. Accountability:		
1. Internal Audits Completed	23	18, increased by 5
2. % of Audit Plan Completed	92%	69%, increased by 23%
3. Preventable Vehicle Incidents	45	65, decreased by 20. Note 2010 include equipment incidents
4. Incurred Auto Liability Costs	$33K	$0K, increased by $33K
D. Other Services and Support:		
1. Commission Authorized Projects On Budget/Schedule	100%/58%	100%/33% increased by 25%
2. Police Service Calls	56,406	58,741 decreased by 4%
3. Police Arrests	510 with no warrant 391 with warrant	619 decreased by 109; 399 with warrant, decreased by 8
4. Attorney Services	37 litigation and claims	28, increased by 9
5. Labor Contracts Negotiated	5	4, increased by 1
6. Account Receivables Collection (0 – 30 days)	93.3%	90.8%, increased by 2.5%
7. Small Business Roster	576 registered on new PRMS system	n/a; 1,122, on old Small Business Roster

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 12/31/11

C. OPERATING RESULTS

$ in 000's	Notes	2010 Actual	2011 Actual	2011 Budget	2011 Bud Var. $	2011 Bud Var. %	Change from 2010 $	Change from 2010 %
Total Revenues		**610**	**1,559**	**1,025**	**534**	**52.1%**	**949**	**155.5%**
Executive		1,356	1,494	1,500	6	0.4%	139	10.2%
Commission		831	743	931	189	20.3%	(88)	-10.6%
Legal		3,475	2,990	2,906	(84)	-2.9%	(485)	-13.9%
Risk Services		2,618	2,618	2,789	171	6.1%		
Health & Safety Services		1,001	1,059	1,129	69	6.2%	58	5.8%
Public Affairs		5,553	6,519	7,012	493	7.0%	966	17.4%
Human Resources & Development		4,107	4,950	5,285	335	6.3%	843	20.5%
Labor Relations		675	948	922	(27)	-2.9%	273	40.5%
Information & Communications Technology		18,765	19,237	19,511	274	1.4%	472	2.5%
Finance & Budget		1,455	1,445	1,493	48	3.2%	(10)	-0.7%
Accounting & Financial Reporting Services		5,939	5,817	6,596	780	11.8%	(122)	-2.1%
Internal Audit		990	1,087	1,215	128	10.5%	97	9.8%
Office of Social Responsibility		1,280	1,353	1,567	214	13.6%	73	5.7%
Police		19,273	21,297	21,452	155	0.7%	2,024	10.5%
Contingency		21	105	700	595	85.0%	84	391.4%
Total Expenses		**67,391**	**71,828**	**75,008**	**3,180**	**4.2%**	**4,436**	**6.6%**

Corporate revenues were $534 thousand favorable compared to budget due to higher operating grants.

Corporate expenses for the year-ended 2011 were $71.8 million, $3.2 million or 4.2% favorable compared to the approved budget and $4.4 million or 6.6% higher than the same period a year ago. The $3.2 million favorable variance was primarily due to several position vacancies during the year and other cost savings realized in several departments.

All corporate departments had a favorable variance except for Legal and Labor Relations.

The unfavorable variance in **Legal** of $84 thousand was due to litigation costs and unanticipated charges for the Workplace Responsibility investigations.

The unfavorable variance of $27 thousand in **Labor Relations** was due to the Project Labor Agreement charging less to capital projects than originally anticipated.

D. CAPITAL SPENDING RESULTS

	($ Millions)
Annual Results:	
2011 Plan of Finance	$12.07
2011 Approved Budget	13.19
2011 Actuals	4.40
Variance (Budget vs Actuals)	$8.79