

2011 Financial Performance

Port of Seattle

Commission Briefing

March 6, 2012

2011 Financial Highlights

- Total Port Operating Revenues increased by \$21.3 million, or 4.6%, over 2010
- 2011 Operating Revenues were 1.8% below budget due to lower Aeronautical and Seaport Security Grant revenues, both of which are based on cost recovery and therefore reflect lower than budgeted expenses
- All Other Operating Revenues were \$3.4 million over budget and \$13.1 million, or 5% higher than 2010
- Port wide Operating Expenses were \$17.1 million, or 6% below budget - all divisions' expenses were under budget for the year

2011 Financial Highlights

- Net Income Before Depreciation was 4% above budget and 2.9% higher than 2010
- Net Income After Depreciation was 23% above budget and 18% higher than 2010
- The Port's total bottom line (Change in Net Assets), which reflects both operating and non-operating performance, amounted to \$107 million, 61% above budget and more than double that of 2010
- Capital spending of \$200 million was 30% below budget for the year

2011 Financial Highlights

- 2011 Airline Cost Per Enplanement (CPE) was \$11.79, 1.4% higher than 2010 but 7.6% below the budgeted CPE of \$12.76
- Non-airline Net Operating Income was 3.3% above budget and 7.3% higher than 2010
- Seaport Operating Revenues (excluding Security Grants) were \$2.8 million, or 4.1% above budget and 2.9% higher than 2010
- Seaport NOI Before Depreciation was \$9.4 million, or 18.4% above budget and 4.2% higher than 2010
- Real Estate Operating Revenues were 2.8% above budget and 5.8% higher than 2010

Self Funded Medical Program Results

- The Port's self-funded medical and dental programs performed well in 2011
- Actual medical costs were \$1.1 million, or 9% below projections due to favorable claims experience
- Dental costs were \$136 thousand, or 9.4% below projections
- These savings are in addition to the approximately \$1 million per year of estimated cost savings vs. being fully insured
- The Port is also being refunded \$2.7 million in retained reserves from former insured programs

Background on 2010 Budget & Actual

Zero Based Budgeting for 2010 Budget:

- Reduced and eliminated some programs and functions
 - Implemented Voluntary Separation Program (VSP)
 - Introduced premium sharing for Port sponsored medical plan
 - Eliminated 110 positions (6.2% of the total workforce)
 - 2010 budget was very lean
- * 2010 actual came in \$9.5M lower than budget

Background on 2011 Budget

- Capital policy change
- Port Centennial
- Deferred maintenance
- New Rental Car Facility expense
- Spending requested by airlines
- The baseline increase is \$8M or 3.0% in the 2011 budget

2011 Major Revenue Variances

Major Revenues <i>(In \$ '000)</i>	2010 Actual	2011 Actual	2011 Budget	Budget Variance	Change from 2010
Aero Revenues	198,843	208,363	217,714	(9,350)	9,520
Seaport Security Grants	1,791	394	3,415	(3,020)	(1,396)
Other Operating Revenues					
Public Parking	49,416	49,996	52,847	(2,851)	580
Rental Cars	30,309	30,803	33,833	(3,031)	494
Concessions	33,765	35,404	33,275	2,129	1,639
Ground Transportation	4,912	7,704	6,936	768	2,792
Container	61,332	64,114	62,054	2,060	2,782
Cruise	11,862	12,287	10,215	2,072	425
Grain	6,035	5,613	6,087	(474)	(422)
Third Party Management	11,117	12,237	11,907	330	1,120
Other	53,197	56,928	54,513	2,415	3,731
Subtotal	261,945	275,087	271,669	3,417	13,141
TOTAL*	462,579	483,844	492,798	(8,953)	21,265

Note:

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

2011 Major Expense Variances

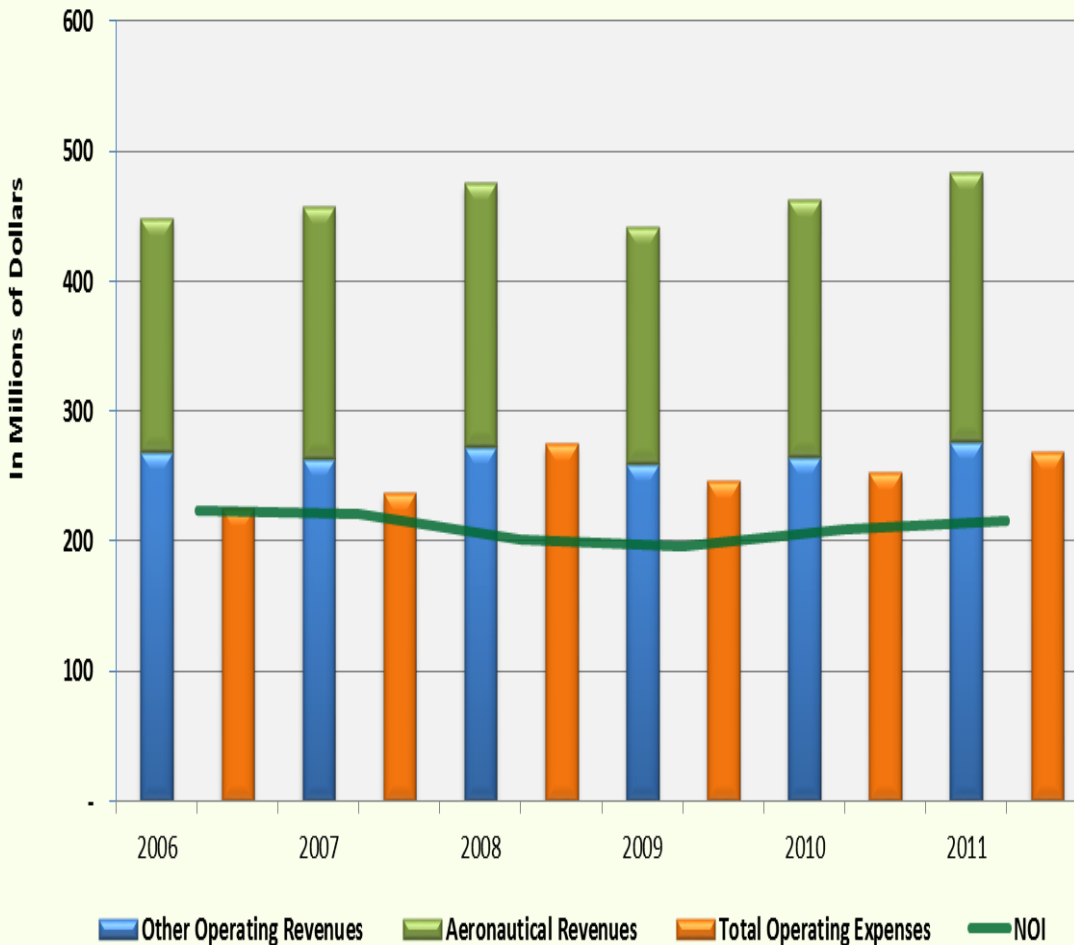
Major Expenses (In \$ '000)	2010 Actual	2011 Actual	2011 Budget	Budget Variance	Change from 2010
Salaries & Benefits	81,702	84,948	88,091	(3,144)	3,246
Wages & Benefits	77,199	82,862	83,909	(1,046)	5,663
Payroll to Capital Projects	16,113	19,150	20,761	(1,611)	3,037
Equipment Expense	6,443	7,093	6,416	677	650
Supplies & Stock	6,711	7,277	6,407	870	566
Outside Services	41,406	47,390	56,866	(9,476)	5,983
Utilities	19,259	21,392	20,695	697	2,133
Travel & Other Employee Exps	3,461	3,863	5,036	(1,173)	402
Promotional Expenses	1,120	1,618	1,739	(121)	498
Other Expenses	27,326	23,494	28,058	(4,564)	(3,832)
Charges to Capital Projects	(28,493)	(30,354)	(33,197)	2,843	(1,861)
TOTAL	253,464	268,711	285,844	(17,133)	15,247

Operating Income Summary

(\$ in thousands)	2010	2011	2011	2011 Act vs. Bud	
	Actual	Actual	Budget	Var \$	Var %
Aeronautical Revenues	198,843	208,363	217,714	(9,350)	-4.3%
Other Operating Revenues	<u>263,736</u>	<u>275,481</u>	<u>275,084</u>	<u>397</u>	<u>0.1%</u>
Total Operating Revenues	462,579	483,844	492,798	(8,953)	-1.8%
Total Operating Expenses	<u>253,464</u>	<u>268,711</u>	<u>285,844</u>	<u>17,133</u>	<u>6.0%</u>
Income before Depreciation	209,115	215,133	206,954	8,179	4.0%
Depreciation	<u>160,775</u>	<u>158,107</u>	<u>160,491</u>	<u>2,384</u>	<u>1.5%</u>
Income after Depreciation	<u><u>48,340</u></u>	<u><u>57,026</u></u>	<u><u>46,463</u></u>	<u><u>10,563</u></u>	<u><u>22.7%</u></u>

- Income before Depreciation was \$215.1M, \$8.2M higher than budget and \$6.0M higher than 2010 actual.
- Income after Depreciation was \$57.0M, \$10.6M higher than budget and \$8.7M higher than 2010 actual.

Operating Revenues, Operating Expenses and NOI



- The Port generated a record \$483.8M operating revenue in 2011.
- NOI before depreciation for 2011 was \$215.1M, highest since 2008.

(\$ in '000)

Revenues	2010	2011	2011	Actual/Budget		Explanations
	Actual	Actual	Budget	Var. \$	Var. %	
1. Aeronautical Revenues	198,843	208,363	217,714	(9,350)	-4.3%	Cost recovery
2. Operating Revenues	263,736	275,481	275,084	397	0.1%	See slide #8 for details
3. Tax Levy	73,125	73,179	73,500	(321)	-0.4%	
4. PFCs	59,744	62,358	60,379	1,979	3.3%	Higher enplanements
5. CFCs	23,243	23,669	22,237	1,433	6.4%	Higher transaction days
6. Fuel Hydrant	7,912	7,683	7,839	(156)	-2.0%	Reclassified to non-op in 2011
7. Non-Capital Grants and Donations	12,473	8,482	8,493	(11)	-0.1%	
8. Capital Contributions	30,518	21,180	32,106	(10,925)	-34.0%	Lower LOI and unused eGSE
9. Interest Income	13,096	18,884	13,654	5,230	38.3%	Higher fund balance
Total	682,690	699,280	711,006	(11,726)	-1.6%	
Expenses						
1. O&M Expense	253,464	268,711	285,844	17,133	6.0%	See slide #9 for details
2. Depreciation	160,775	158,107	160,491	2,384	1.5%	
3. Revenue Bond Interest Expense	133,239	127,579	148,206	20,627	13.9%	Lower rates & CP amount
4. PFC Bond Interest Expense	10,187	6,758	10,191	3,433	33.7%	Savings in refunded bonds
5. GO Bond Interest Expense	17,463	15,774	13,780	(1,994)	-14.5%	Issued \$30M new GO bond
6. Public Expense	25,085	18,786	17,205	(1,581)	-9.2%	Moved EMW spending to 2011
7. Other Non-Op Expense	7,276	(7,782)	2,521	10,303	408.7%	Env cleanup insurance recovery
8. Non-Op Environmental Expense	22,730	4,335	6,200	1,865	30.1%	
Total	630,220	592,268	644,438	52,171	8.1%	
Change In Net Assets	52,470	107,013	66,568	40,445	60.8%	

- 2011 Total Revenues were \$699.3M, \$11.7M lower than the budget but \$16.6M higher than 2010 actual.
- 2011 Total Expenses were \$592.3M, \$52.2M less than the budget and \$38.0 lower than 2010 actual.
- Change in Net Assets for 2011 was \$107.0M, \$40.4M above the budget and \$54.5M higher than 2010 actual.

Capital Spending by Division

Division	2010 Actual	2011 Actual	2011 Budget	Budget Variance	Plan of Finance
<i>(\$ in millions)</i>					
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

The background of the slide is a dark blue image. On the left, there is a silhouette of a large cargo ship docked at a pier. On the right, there are silhouettes of people walking through an airport terminal, with one person in the foreground talking on a mobile phone. The overall scene is dimly lit, suggesting an airport at dusk or dawn.

Aviation Division

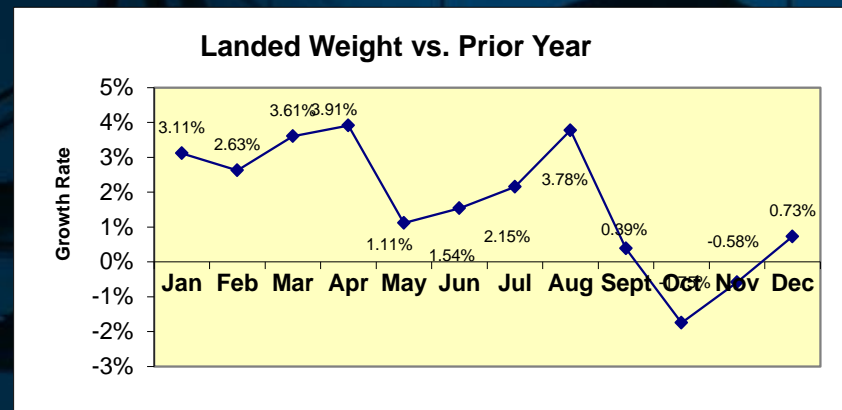
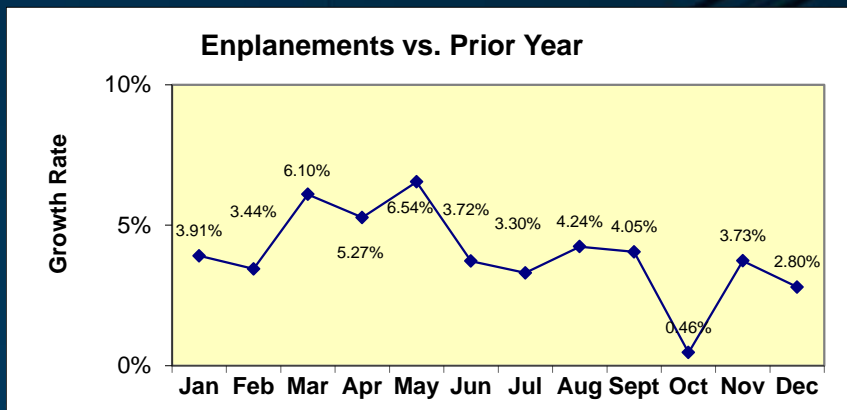
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Aviation Business Highlights

- Airline activity:
 - 2011 enplanements up 3.9% from 2010
 - 2011 landed weight up 1.7% from 2010
- Operating Expenses:
 - Total O&M expenses were 4.0% below budget
- Non-airline NOI:
 - 2011 revenues up 5.6% over 2010, but down 1.4% vs. budget
 - Non-airline NOI was \$2.6 million or 3.2% greater than budget
- Airline costs:
 - Final 2011 cost per enplanement (CPE) of \$11.79 vs. budget of \$12.76
 - Airline operating cost savings of \$3.6 million vs. budget
 - Lower variable rate interest on debt service, increased PFC offsets saved \$5.6 million in airline capital costs
- Capital program:
 - 2011 capital spending totaled \$166.8 million, or 74.6% of budgeted capital expenses



	2010	2011	%	2010	2011	%
Figures in 000's	Q4	Q4	Variance	Actual	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%

- International enplaned passengers saw greater year-over-year growth (5.2% vs. 2010) than domestic enplanements (3.8% vs. 2010)
- There was an overall growth of 3.9% in enplanements and 1.7% in landed weight from compared to 2010

Division Summary

\$ in 000's	Notes	2010	2011	2011	Budget Variance		Change from 2010	
		Actual	Actual	Budget	\$	%	\$	%
Operating Revenues:								
Aeronautical		198,329	207,849	217,200	(9,351)	-4.3%	9,520	4.8%
Non-Aeronautical		135,418	143,089	144,965	(1,876)	-1.3%	7,670	5.7%
Fuel Hydrant		514	514	514	-	0.0%	-	0.0%
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%
Traffic								
Enplanements		15,773	16,396	15,845	550	3.5%	622	3.9%
Landed Weight		19,786	20,123	20,089	34	0.2%	336	1.7%
Key Measures								
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%

- 2010 Actual Revenues and 2011 Budget restated to reflect reclassification of Fuel System revenues to non-operating

Operating Expense

\$ in 000's	Notes	2010	2011	2011	Budget Variance		Change from 2010	
		Actual	Actual	Budget	\$	%	\$	%
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%	5,502	3.6%

- Notes: 2010 Actual and 2011 Budget revenues and NOI restated to reflect the reclassification of fuel system revenues to non-operating
- Detailed list of variances are shown in the next slide

Expense Variances

Savings of \$12.9 million:

Payroll vacancies and delayed hiring \$493K
 Terminal realignment delayed \$2.9M
 Noise Program Part 150 delayed \$357K
 Emergency backup generators installation cancelled \$897K
 Other contracted and outside services \$711K
 Aviation Division contingency not utilized \$636K
 Training and development funds not utilized \$531K
 Environmental remediation liability \$343K
 Emergency preparedness and other supplies \$141K
 Other savings \$1.2M
 Corporate and Capital Development Division Allocations \$4.7M

Overspending of \$4.8 million:

Equipment fuel costs, repair and maintenance \$865K
 Utility surface water and sewer \$626K
 Snow/Ice deicer and control and other maintenance materials \$869K
 Contracted janitorial services \$246K
 B&O taxes due to increased revenues and budget error \$732K
 Kone elevator/escalator increased coverage \$317K
 Litigated injuries and damages \$356K
 SLOA security fund not budgeted \$796K

Aeronautical Business

	2010	2011	2011	Budget Variance		Change from 2010	
	Actual	Actual	Budget	\$	%	\$	%
\$ in 000's							
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	15,086	15,076	14,715	(361)	-2.5%	(11)	-0.1%
Total Aero Revenues	198,329	207,849	217,200	9,351	4.3%	9,520	4.8%
Less: Non-passenger Airline Costs	14,885	14,584	15,130	547	3.6%	302	2.0%
Net Passenger Airline Costs	183,444	193,265	202,069	8,804	4.4%	9,822	5.4%

- 2011 actuals includes lower variable rate debt service \$2.3M, additional debt service offsets paid for by PFC collections \$3.3M.

	2010	2011	2011	Budget Variance		Change from 2010	
	Actual	Actual	Budget	\$	%	\$	%
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	0.96	0.92	0.93	0.01	1.0%	(0.04)	-3.9%
Non-passenger Airline Costs	(0.94)	(0.89)	(0.95)	(0.07)	6.8%	0.05	-5.7%
Passenger Airline CPE	11.63	11.79	12.76	0.98	7.6%	0.16	1.4%

- Operating expense savings of \$3.5 million from delayed in hiring new positions and late start of terminal realignment project.

Non Aeronautical Business

\$ in 000's	2010	2011	2011	Budget Variance		Change from 2010	
	Actual	Actual	Budget	\$	%	\$	%
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%

- Public parking up 1.2% over 2010, but transaction 2.5% less than forecasted. Revenue growth impacted by off-site competition.
- Rental Cars: Transactions up 4.7% over 2010, but decline in actual average ticket price of \$210 vs. \$226 budgeted impacted lower overall revenues.
- Ground Transportation: total trips were up 13.1% vs. 2010 and 9.5% vs. budget. New STILA contract.
- Concessions revenues better than expected due to primary concessions sales.
- Operating expense savings from payroll \$996K, not installing emergency generator \$870K, Corporate & CDD allocations \$1.2M, less \$500K in janitorial services to concession than budgeted.

	2010	2011	2011	Budget Variance		Change from 2010	
	Actual	Actual	Budget	\$	%	\$	%
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%

Net Cash Flow: NOI After Debt Service & Interest Income

\$ in 000's	2010	2011	2011	Budget Variance		Change from 2010	
	Actual	Actual	Budget	\$	%	\$	%
<u>Aeronautical</u>							
Net Operating Income (NOI)	74,402	74,212	80,005	(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	1,323	3,117	3,305	(188)	-5.7%	1,794	135.6%
<u>Non-Aeronautical</u>							
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%
Fuel Hydrant Revenue	8,426	514	8,353	(7,839)	-93.8%	(7,912)	-93.9%
Less Non-Cash Fuel Hydrant Revenue	(7,912)	-	(7,839)	7,839	-100.0%	7,912	-100.0%
Other NOI After Debt Service	514	514	514	(0)	-0.1%	(0)	-0.1%
<u>Total Aviation</u>							
NOI	153,120	158,621	161,728	(3,107)	-1.9%	5,501	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%	8,392	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	52,486	48,196	4,290	8.9%	7,149	15.8%

Capital Spending

\$ in 000's	2011	2011	Actual/Budget		2011
	Actual	Budget	Var \$	Var %	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	<u>166,820</u>	<u>223,746</u>	<u>56,926</u>	<u>25.4%</u>	<u>231,408</u>

- Construction costs for the entire RCF program are below budget due to allowances for claims and change orders that will not occur. Soft costs are also below forecast. Unused contingency funds have been pushed out and program savings are likely to be realized. The opening date has been delayed until May 17.
- The PC Air contractor continues to have delays in the delivery of major equipment. Project completion date is not expected to be impacted. 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.
- Amount originally budgeted for Airfield Pavement Replacement was not needed for the scope of the project. Additional budget was authorized by Commission to reimburse Delta due to increased Port scope.
- Delays in Parking System Replacement have resulted from a change in the bidding approach, longer than anticipated contract negotiations, and avoiding impacts to the existing parking system during the holiday season. Favorable bids resulted in project savings of over \$3 million.
- Airlines have decided to acquire EGSE rolling stock directly.

Seaport Division 2011 Financial Performance

The background of the slide is a dark blue image of a port terminal. On the left, a large ship is docked. In the center, a large gantry crane structure is visible. 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 screen.

Commission Briefing

March 6, 2012

Seaport 2011 Key Events

- 2011 Net Operating Income came in at record \$60.7 million
 - Exceeded 2011 Net Operating Income Budget by \$9.4 million
 - \$2.5 million Increase over 2010 Actual Net Operating Income
- Completed Major Work
 - Condition assessments on docks systems at Terminals 18, 5 and 46 substantially complete
 - 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

Seaport Business Goals

- TEU volume was 2,034K, down 5.0% compared to 2010 record year; second consecutive year over 2 million TEU's.
- Cruise season ended on September 27th with a total of 196 sailings and 886,000 passengers. Passenger volumes were 11% above budget.
- Grain volume at 5.0 million metric tons down 8.5% from 2010 and 8.6% under 2011 budget. At or above 5.0 million metric tons for seventh consecutive year.

Seaport Organizational Goals

Environmental Stewardship

- 73% 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 2011 Operating Results

\$ in 000's	2010 Actual	2011 Actual	2011 Budget	Budget Variance	Change from 2010
Operating Revenue	96,060	98,868	94,972	3,895	2,808
Security Grants	1,791	394	3,415	(3,020)	(1,396)
Total Revenues	97,850	99,262	98,387	875	1,412
Seaport Expenses (excl env srvs)	12,937	13,166	15,749	2,582	230
Environmental Services	1,999	1,772	2,208	436	(227)
Maintenance Expenses	4,981	4,637	4,761	124	(344)
P69 Facilities Expenses	527	508	532	25	(19)
Other RE Expenses	147	181	293	112	34
CDD Expenses	1,998	3,595	3,412	(183)	1,597
Police Expenses	3,201	3,603	3,713	110	402
Corporate Expenses	10,378	11,239	12,487	1,249	861
Security Grant Expense	1,983	481	3,451	2,970	(1,502)
Envir Remed Liability	1,439	(633)	500	1,133	(2,072)
Total Expense	39,590	38,549	47,108	8,558	(1,040)
Net Operating Income	58,261	60,713	51,280	9,433	2,452

Seaport Division Key Variances

Revenue Detail (\$'s in Thousands)

2011 Revenue Business Unit	Variance to Budget Better (Worse)
Containers	\$2,060
Grain	(\$474)
Industrial Properties	(\$99)
Cruise	\$2,072
Docks	\$336
Security Grants	(\$3,020)
Total	\$875

Seaport Division Key Variances

Expense Detail (\$'s in Thousands)

2011 Expenses	Variance to Budget Better (Worse)
Security Grant Expense	\$2,970
Outside Services	\$1,738
Corporate	\$1,359
Envir Remediation Liability Exp	\$1,133
OH Allocations Envir Services	\$826
All Other	\$532
Total Expense	\$8,558

Seaport Business Groups

NOI Before Depreciation (\$'s in Millions)

	2011 Actual NOI	Variance to Budget Better (Worse)
Containers	\$44.7	\$3.9
Grain	\$4.4	(\$.2)
Sea Industrial Properties	\$5.3	\$1.2
Cruise	\$7.6	\$2.9
Docks	(\$1.1)	\$.2
Security	(\$.8)	\$.3
Envir Grants/Liability Exp	\$.6	\$1.1
Total Seaport	\$60.7	\$9.4

Seaport Capital 2011

2011 Actual	Approved Budget	Variance to Budget	Actual as % of App. Budget	Plan of Finance
\$18.8	\$34.0	\$15.1	55%	\$29.5

The background of the slide is a dark blue image. On the left, there is a silhouette of a large cargo ship docked at a pier with a crane. On the right, there are silhouettes of several people in an office setting, some standing and some sitting, with a grid pattern overlaid on the scene.

Real Estate Division

2011 Financial Performance

Commission Briefing

March 6, 2012

Real Estate 2011 Key Events

- Exceeded 2011 Net Operating Income Budget by \$1.9 million:
 - Revenue \$846K favorable to budget
 - Expenses \$1,075K favorable to budget
- Major construction projects completed:
 - Fishermen's Terminal NW Docks Fender Replacement
 - Maritime Industrial Center Seawall Replacement
 - Fishermen's Terminal South Wall Replacement
- Portfolio Management executed 15 new leases, 23 lease renewals, and 7 agreements

Real Estate 2011 Key Events

- 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 completed. Program now ~ 42% complete.
 - North-end maintenance facility established

Real Estate 2011 Key Events

- 48% of Pier 69 employees using alternative modes of transportation for commuting to and from work
- 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

Real Estate Business Goals

Provide Compelling Value and Asset Utilization

- Occupancy Rates: Commercial property at 90% occupancy, at target and above 2011 Q4 Seattle market average of 86%.
- Activity at Bell Harbor International Conference Center exceeded Budget.
- Marina Occupancy: Fishermen's Terminal and Maritime Industrial Center at 78% YTD occupancy, below target of 81%. Recreational Marinas at 94%, above target of 93%.

Real Estate Division 2011 Operating Results

\$ in 000's	2010 Actual	2011 Actual	2011 Budget	Budget Variance	Change from 2010
Revenue	21,500	22,055	21,780	275	555
BHICC & WTC Revenue	8,320	9,498	8,927	571	1,178
Total Revenue	29,820	31,553	30,707	846	1,732
Real Estate Exp (excl Maint,P69,Conf)	9,305	9,781	9,473	(308)	476
Real Estate BHICC & WTC	6,964	7,600	7,613	13	637
Eastside Rail Corridor	504	1,585	484	(1,101)	1,082
Maintenance Expenses	6,652	7,245	8,934	1,689	592
P69 Facilities Expenses	226	151	159	9	(75)
Seaport Expenses	1,178	1,346	1,328	(19)	169
CDD Expenses	803	934	1,266	332	131
Police Expenses	1,198	1,310	1,350	40	112
Corporate Expenses	4,671	5,045	5,472	427	373
Envir Remed Liability	(2)	7	0	(7)	8
Total Expense	31,499	35,004	36,079	1,075	3,505
Net Operating Income	(1,678)	(3,451)	(5,372)	1,921	(1,773)

Real Estate Division 2011 Key Variances

Revenue Detail (\$'s in Thousands)

2011 Revenue Business Unit	Variance to Budget Better (Worse)
Recreational Boating	\$157
Fishing & Commercial	(\$104)
Commercial Properties	\$180
Third Party Management	\$330
RE Development & Planning	\$194
Eastside Rail	\$40
Facilities/Maintenance	\$49
Total	\$846

Real Estate Division 2011 Key Variances

Expense Detail (\$'s in Thousands)

2011 Expense	Variance to Budget Better (Worse)
Maintenance	\$1,689
Outside Services	\$203
Corporate	\$467
CDD	\$332
Litigated Damages	(\$1,528)
All Other	(\$88)
Total Expense	\$1,075

Real Estate Business Groups

NOI Before Depreciation (\$'s in Thousands)

	2011 Actual NOI	Variance to Budget Better (Worse)
Recreational Boating	\$1,720	\$875
Fishing & Commercial	(\$2,597)	\$163
Commercial & Third Party	(\$56)	\$1,689
RE Development & Planning	(\$558)	\$504
Eastside Rail	(\$1,953)	(\$1,304)
Envir Grant/Remed Liability	(\$7)	(\$7)
Total Real Estate	(\$3,451)	\$1,921

Real Estate Capital 2011

2011 Actual	Approved Budget	Variance to Budget	Est. Act. as % of App. Bud	Plan of Finance
\$10.1	\$16.3	\$6.3	62%	\$15.4

Capital Development Division

2011 Financial Performance

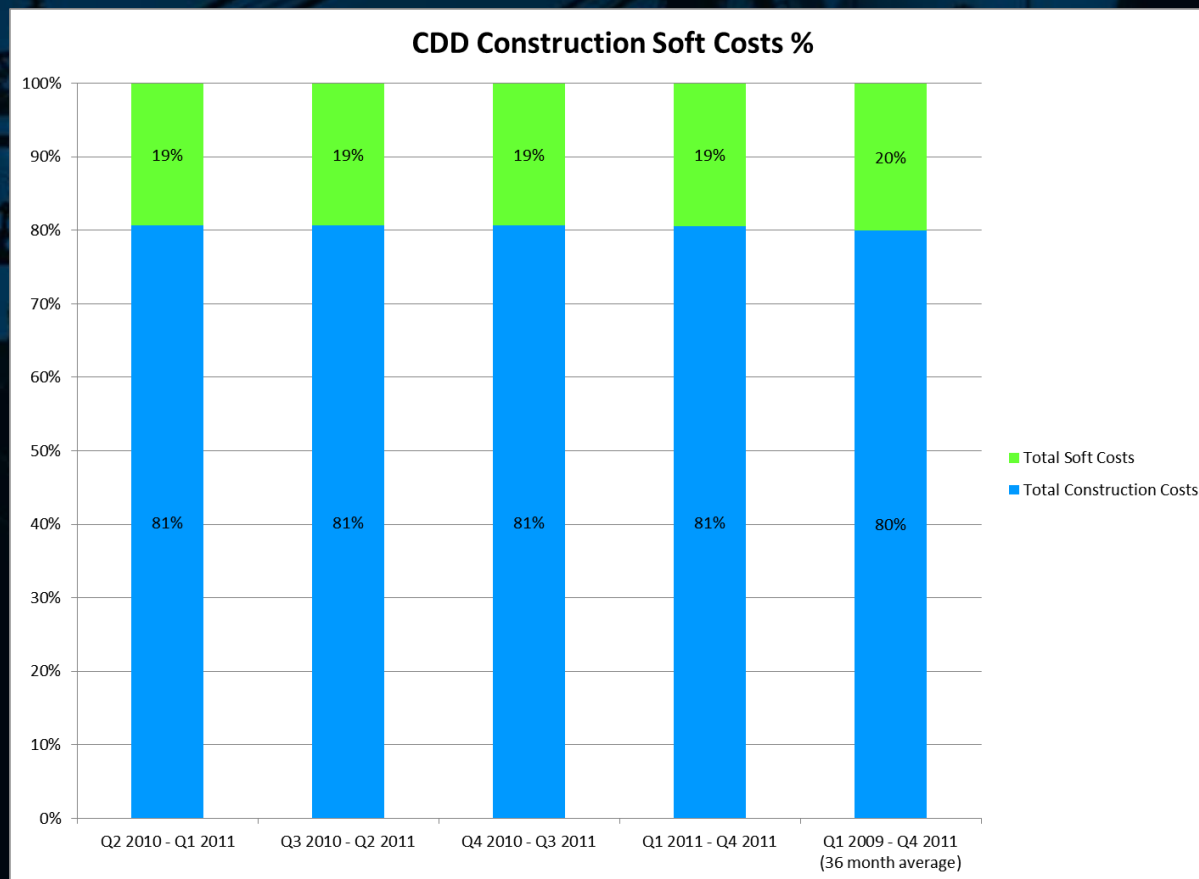
Commission Briefing

March 6, 2012

Capital Development Division Q4 2011 Business Events

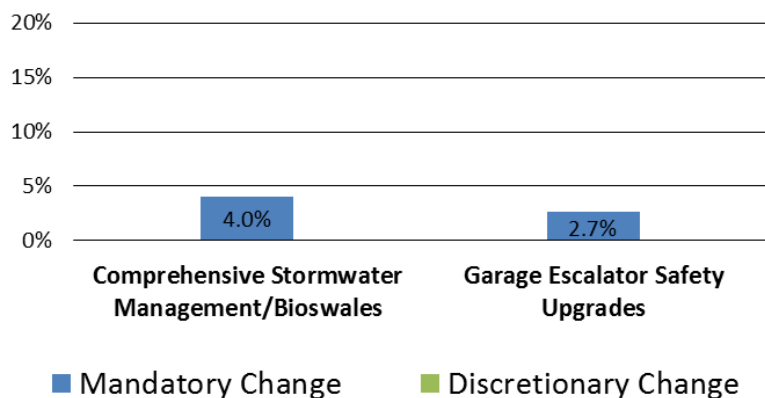
- Signed contracts for airport USPS building demolition; old maintenance warehouse demolition; parking revenue control system replacement; and parking garage 8th floor waterproofing projects.
- Completed Continuous Process Improvement/Accelerated Improvement workshop; moving forward with Consensus Based Evaluation process.
- Issued Substantial Completion Certification on Terminal 10 development.
- Completed 2 under dock inspection studies for Seaport.
- Completed first year of revised overhead budgeting, learning lessons and providing greater visibility to costs.

Project Hard/Soft Costs

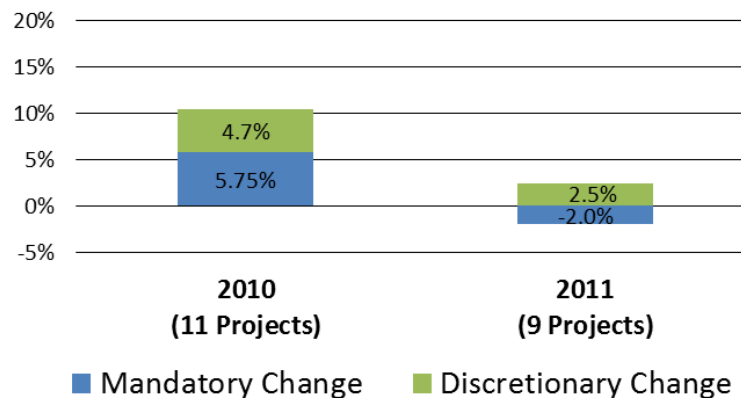


Cost Growth During Construction

**Completed Projects
Q4 2011**

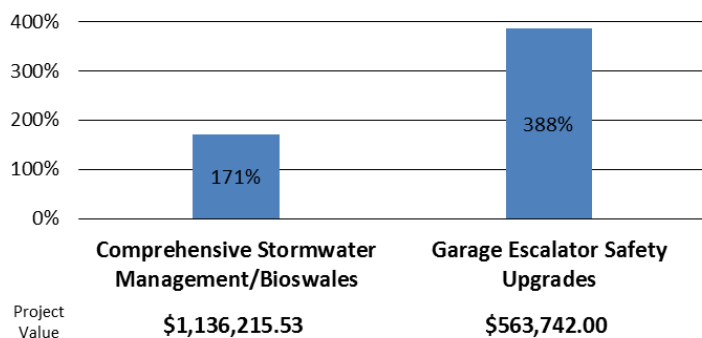


**Completed Projects
Summary**

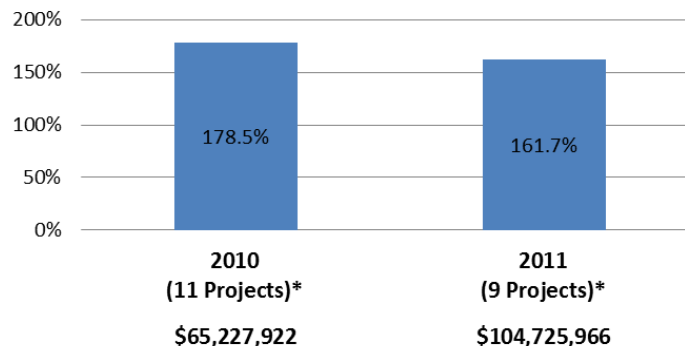


Design Schedule Growth

Completed Projects Q4 2011

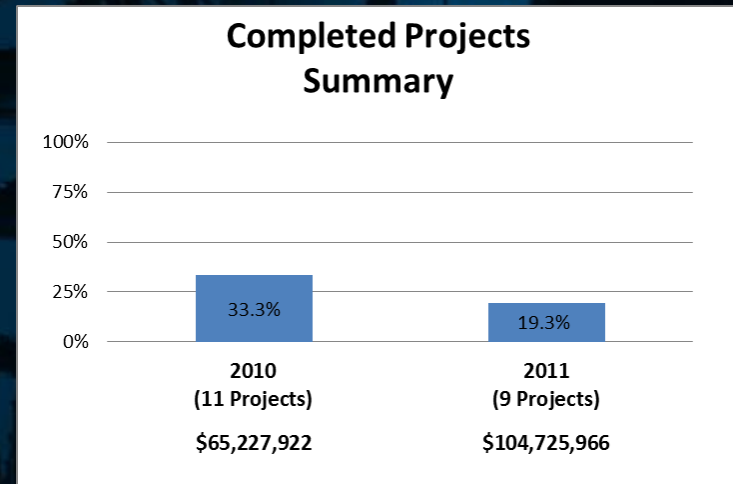
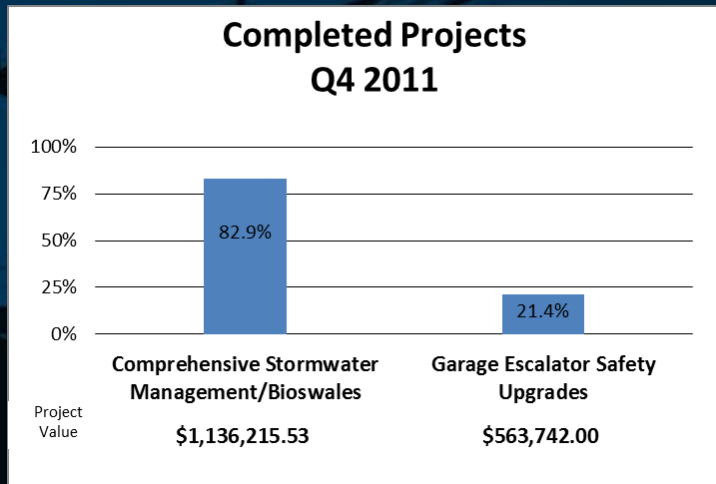


Completed Projects Summary



Project	Initial Commission Authorized Start of Design	Planned Construction Contract Award (Execution)	Actual Construction Contract Award (Execution)	Design Schedule Growth
4th Quarter 2011				
Comprehensive Stormwater Management/Bioswales	27-Oct-09	1-May-10	15-Mar-11	171%
Garage Escalator Safety Upgrades	11-Sep-07	01-May-08	21-Oct-10	388%

Construction Schedule Growth



Project	Planned Construction Contract Award (Execution)	Actual Construction Contract Award (Execution)	Planned Substantial Completion of Construction	Actual Substantial Completion of Construction	Construction Schedule Growth
4th Quarter 2011					
Comprehensive Stormwater Management/Bioswales	1-May-10	15-Mar-11	1-Sep-10	26-Oct-11	82.9%
Garage Escalator Safety Upgrades	01-May-08	21-Oct-10	1-Feb-09	21-Sep-11	21.4%

CPO Procurement Time

Procurement Schedule

Total Time Receipt of Scope to Execution (Avg # Days)

	<u>2010</u>	<u>2011</u>
● Goods & Services	81 days	84 days
● Major Public Works	62 days	75 days
● Small Works	56 days	58 days
● Service Agreements	256 days	*214 days

*Pulled out 1 non-urgent procurement that resulted in 2 contracts (averaged 450 days for each contract to be executed).

CDD Gross Operating Results

<i>In \$ '000</i>	2010	Actual	2011	Actual	2011 Budget	Budget Variance	Change from 2010
Engineering		-		63	-	63	63
Port Construction Services		23		16	-	16	(7)
Aviation Project Management		13		-	-	-	(13)
Total Revenues		36		79	-	79	43
Expenses Before Charges to Capital							
Capital Development		380		354	359	4	(26)
Engineering		9,963		12,712	15,225	2,513	2,750
Port Construction Services		7,886		7,304	7,554	250	(582)
Central Procurement Office		3,287		3,878	4,394	516	591
Aviation Project Management		5,134		6,616	8,637	2,022	1,482
Seaport Project Management		2,693		2,419	2,493	74	(274)
TOTAL BEFORE CHARGES TO CAPITAL		29,343		33,283	38,662	5,379	3,941

CDD Key Variances to Net Budget

Q4 2011 Expenses \$ in 000's	Variance to Budget	YTD Var. F/(UNF)
	Better (Worse)	%
Salaries and Benefits	2,325	8.2%
Outside Services	1,894	24.4%
Travel and Other	221	50.3%
Telecommunications	5	3.6%
Property Rentals	7	7.5%
General Expenses	(7)	(12.0%)
All Other	934	54.2%
Charges to Capital Projects	(2,319)	9.5%
Total	3,060	21.4%

The background of the slide is a dark blue image of a port terminal. On the left, a large ship is docked at a pier. In the center, a large gantry crane is visible. 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 dimly lit, with the primary light source being the silhouettes and the text.

Corporate

2011 Financial Performance

Commission Briefing

March 6, 2012

Corporate 2011 Key Events

- Hosted 9 Century Agenda Roundtables with panelists composed of members of the public who have particular expertise in each area.
- Held a numbers of events to celebrate the Port's 100 Year Anniversary.
- Successfully completed 100th annual AAPA conference from September 11 – 15 held here in Seattle.
- Finished building the Port's new website including interactive maps and videos.
- Finalized 2012 premium rates for the Port's self funded medical and dental programs.
- Developed plan for financing POS contribution to Viaduct Replacement.
- Received 14 awards in the Port's environmental leadership, centennial products, budgeting, financial reporting, and other areas.

Corporate 2011 Key Metrics

- 935 employees completed the Health Assessment and Wellness Reward Goals.
- 37 employees participated in the Tuition Reimbursement Program.
- Posted 243 job openings and received 12,607 job applications.
- Completed 97% of annual safety training.
- Responded to 298 public disclosure requests.
- Provided orientation to 124 new employees.
- Negotiated 5 labor contracts.
- Completed 23 internal audits.
- Handled 37 litigations and claims.
- 576 small businesses registered on new roster system.

Corporate Year End Variance

	2010	2011	2011		
\$ in 000's	Actual	Actual	Budget	Bud Var	Explanations
Total Revenues	610	1,559	1,025	534	Unbudgeted Police Grants
Executive	1,356	1,494	1,500	6	Savings from equipment and supplies
Commission	831	743	931	189	Travel and other savings
Legal	3,475	2,990	2,906	(84)	Due to litigations and WR investigations
Risk Services	2,618	2,618	2,789	171	Savings from insurance costs and vacancy
Health & Safety Services	1,001	1,059	1,129	69	Savings from outside services and travel
Public Affairs	5,553	6,519	7,012	493	Vacant positions and other savings
Human Resources & Development	4,107	4,950	5,285	335	Vacant positions and credit from state
Labor Relations	675	948	922	(27)	Less charges to capital for PLA
Information & Communications Technology	18,765	19,237	19,511	274	Vacant positions and outside services
Finance & Budget	1,455	1,445	1,493	48	Savings from travel and training
Accounting & Financial Reporting	5,939	5,817	6,596	780	Vacant positions and bank rebate
Internal Audit	990	1,087	1,215	128	Vacant positions
Office of Social Responsibility	1,280	1,353	1,567	214	Vacant position and outside services
Police	19,273	21,297	21,452	155	Savings due to reduced jail costs
Contingency	21	105	700	595	Savings due to lower costs
Total Expenses	67,391	71,828	75,008	3,180	

Corporate Major Expense Variances

Major Expenses (In \$ '000)	2010 Actual	2011 Actual	2011 Budget	Budget Variance from 2010	Change
Salaries & Benefits	33,198	34,165	34,876	(711)	967
Wages & Benefits	17,010	18,639	19,211	(572)	1,628
Payroll to Capital Projects	2,304	2,407	2,966	(559)	103
Equipment Expense	1,618	1,409	1,181	228	(209)
Supplies & Stock	575	669	673	(4)	94
Outside Services	9,995	10,194	11,292	(1,098)	199
Utilities	8	9	10	(1)	1
Travel & Other Employee Exps	1,985	2,232	2,402	(169)	247
Promotional Expenses	309	968	882	86	660
Other Expenses	3,187	3,458	4,683	(1,225)	271
Charges to Capital Projects	(2,914)	(2,407)	(3,283)	876	507
TOTAL	67,391	71,828	75,008	(3,180)	4,436

Corporate Cost Analysis

(\$ in 000's)	2010 Actual	2011 Actual	2011 Budget	2012 Budget
Corporate Cost	67,391	71,828	75,008	76,535
Total Revenue	462,579	483,844	492,798	516,882
Total Expense	253,464	268,711	285,844	309,844
Corporate Cost as % of Revenues*	14.6%	14.9%	15.2%	14.8%

* Excluding the \$1.2M expenses for Port Centennial and AAPA Conference, Corporate cost as % of revenues for 2011 remained at 14.6%, same as 2010.