Item No. 7b_Attach_1
Date of Meeting: August 7, 2012

PORT OF SEATTLE

2012 FINANCIAL & PERFORMANCE REPORT

AS OF JUNE 30, 2012

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I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/12

EXECUTIVE SUMMARY

Financial Summary

The Port's total operating revenues for the first half of 2012 were $259.2 million, $8.7 million above budget. Aeronautical revenues were $114.5 million, $1.3 million above budget. Other operating revenues were $144.6 million, $7.4 million higher than budget primarily due to higher revenues from Concessions, Container, Seaport Industrial Properties, Grain and Utilities, partially offset by lower revenues from Public Parking and Rental Cars businesses. Total operating expenses were $138.5 million, $12.9 million below budget mainly due to timing of spending and some vacant positions. Operating income before depreciation was $120.7 million, $21.6 million above budget. Operating income after depreciation was $39.9 million, $19.5 million higher than budget. The Port-wide capital spending is forecasted to be $160.3 million for the year, $9.6 million below the budgeted $169.9 million.

Operating Summary

At the Airport, enplanements through the second quarter were 2.2% higher and landed weight was 1.4% lower than the same period in 2011. International enplaned passengers through the second quarter attained greater growth (5.2% vs. 2011) than domestic enplanements (1.8% vs. 2011). For the Seaport division, TEU volume was down 0.1% from June year-to-date 2011. Full year forecasted volume is for 1.75 million TEU's compared to budget of 2.0 million. Grain volume was at 2.9 million metric tons, up by 5.8% from June year-to-date 2011 and 16.2% over budget. For the Real Estate division, occupancy levels at Commercial Properties were at 91%, above the target of 90% and Seattle market average of 86%. Fishermen's Terminal and Maritime Industrial Center were at 75% occupancy, below target of 86%. Recreational Marinas was at 92% occupancy, below target of 94%.

Key Business Events

We held a number of events in the community, including 21 Commission-led stakeholder presentations to business, industry, labor, community, and environmental groups in the region. We received seven communications awards for centennial book and documentary, centennial community bike ride, annual report, centennial video contest and website redesign. We also produced "Choose Washington" ad for presence in Commerce Department magazine. Rental Car Facility (RCF) and Bus Maintenance Facility (BMF) opened in May. The opening was very successful and startup and transition issues were minimal. The 2012 cruise season commenced on May 6th. Start-up operations for new ships in Seattle, Disney Cruise Line's Wonder and Norwegian Cruise Line's Jewell went very well. We also closed sale on 5.75 mile segment of the Eastside Rail Corridor with City of Kirkland in April.

Major Capital Projects

We began installation of the new revenue control system for and waterproofing of the 8th floor of the parking garage. Other key projects for the second quarter were Terminal realignment, T-18 pile cap pilot program, airport checkpoint security cameras, miscellaneous work on the rental car facility, Regulated Materials Management (RMM) oversight and compliance monitoring for the PC air and escalator, Electrified Ground Support Equipment (EGSE) charging stations, noise remedy, and passenger jet bridges. Loading bridge utilities design phase was extended due to addition to scope and construction will begin later than anticipated. Finally, we resolved issues with Alaska Air Group concerning the North Sea-Tac Airport Renovations (NorthSTAR) program resulting in a final letter outlining the terms of Alaska's involvement and issued requests for qualifications for design and program/project management consultants for this $250 million plus project.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/12

INCOME STATEMENT

Report: Income Statement
As of Date: 2012-06-30

$ in 000's	2011 YTD Actual	2012 YTD Actual	2012 YTD Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Revenues:							
Aviation	180,537	186,903	187,521	(617)	-0.3%	6,366	3.5%
Seaport	47,017	56,631	46,681	9,949	21.3%	9,614	20.4%
Real Estate	15,030	15,482	16,266	(784)	-4.8%	452	3.0%
Capital Development	76	12	-	12	0.0%	(64)	-83.9%
Corporate	620	165	76	90	118.6%	(454)	-73.3%
Total Revenues	**243,280**	**259,194**	**250,543**	**8,651**	**3.5%**	**15,914**	**6.5%**
Operating & Maintenance:							
Aviation	63,614	71,051	78,237	7,186	9.2%	7,437	11.7%
Seaport	7,780	9,524	9,698	174	1.8%	1,744	22.4%
Real Estate	15,583	16,081	17,893	1,812	10.1%	498	3.2%
Capital Development	4,334	7,097	8,004	907	11.3%	2,763	63.8%
Corporate	34,195	34,760	37,602	2,842	7.6%	564	1.7%
Total O&M Costs	**125,507**	**138,514**	**151,434**	**12,921**	**8.5%**	**13,007**	**10.4%**
Operating Income Before Depreciation	**117,773**	**120,680**	**99,109**	**21,571**	**21.8%**	**2,907**	**2.5%**
Depreciation	79,569	80,829	78,763	(2,066)	-2.6%	1,261	1.6%
Operating Income after Depreciation	**38,204**	**39,851**	**20,345**	**19,505**	**95.9%**	**1,646**	**4.3%**

IMPORTANT NOTE:

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

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/12

KEY PERFORMANCE METRICS

	2011 YTD Actual	2012 YTD Actual	2011 Actual	2012 Forecast	2012 Budget	Forecast/Budget Var.	Var. %
Enplanements (in 000's)	7,678	7,844	16,396	16,650	16,650	-	0.0%
Landed Weight (lbs in 000's)	9,648	9,509	20,123	20,444	20,444	-	0.0%
Passenger CPE (in $)	n/a	n/a	11.75	13.25	13.26	(0.01)	-0.1%
Container Volume (TEU's in 000's)	1,008	1,006	2,034	1,750	2,000	(250)	-12.5%
Grain Volume (metric tons in 000's)	2,754	2,914	5,027	5,500	5,500	-	0.0%
Cruise Passenger (in 000's)	324	343	886	864	881	(17)	-1.9%
Commercial Property Occupancy	89%	91%	90%	90%	87%	3%	3.4%
Shilshole Bay Marina Occupancy	95.3%	93.3%	95.5%	93.9%	95.5%	-1.6%	-1.6%
Fishermen's Terminal Occupancy	82.2%	75.2%	78.2%	74.3%	84.3%	-10.0%	-11.9%

CAPITAL SPENDING RESULTS

Division	2012 Forecast	2012 Approved Budget	Budget Variance	Plan of Finance
($ in millions)				
Aviation	133.2	135.4	2.2	261.9
Seaport	13.3	15.5	2.2	25.7
Real Estate	4.2	7.3	3.1	10.9
Corporate & CDD	9.6	11.7	2.1	12.0
Total	160.3	169.9	9.7	310.5

PORTWIDE INVESTMENT PORTFOLIO

The investment portfolio for second quarter of 2012 earned 1.02% against our benchmark (The Bank of America Merrill Lynch 3-year Treasury/Agency Index) of 0.35%. For the past twelve months the portfolio has earned 1.25% against the benchmark of 0.35%. Since the Port became its own Treasurer in 2002, the Port’s portfolio life-to-date has earned 3.29% against our benchmark of 2.33%.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/12

FINANCIAL SUMMARY

$ in 000's	2011 Actual	2012 Forecast	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Operating Revenues:							
Aeronautical	207,763	236,123	236,221	(98)	0.0%	28,360	13.7%
Non-Aeronautical	142,959	150,930	149,531	1,399	0.9%	7,972	5.6%
Total Operating Revenues	**350,722**	**387,053**	**385,751**	**1,301**	**0.3%**	**36,331**	**10.4%**
Expenses:							
Operating Expenses	190,442	219,969	221,981	2,012	0.9%	29,528	15.5%
Environmental Remediation Liability	1,428	4,913	3,096	(1,817)	-58.7%	3,486	244.2%
Total Operating Expenses	**191,869**	**224,882**	**225,078**	**196**	**0.1%**	**33,013**	**17.2%**
Net Operating Income	**158,853**	**162,171**	**160,674**	**1,497**	**0.9%**	**3,317**	**2.1%**
Capital Spending	**166,820**	**133,196**	**135,419**	**2,223**	**1.6%**	**(33,624)**	**-20.2%**

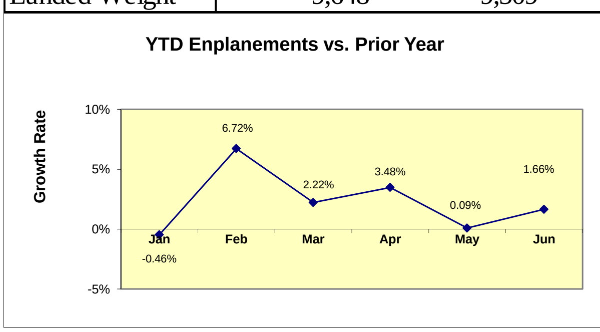
- Aeronautical revenues are forecasted lower than budget due to debt service savings from lower variable rate interest and refunding and a delay in terminal realignment expenses offset by unbudgeted litigated claims and increases in environmental reserve liabilities.
- Non-Aeronautical revenues are forecasted greater than budget due to forecasted strong performance in concessions, additional rental car space rents and higher energy/water revenue from increased usage.
- Operating expenses are forecasted less than budget due to delays in expenses in support of the terminal realignment project.
- $133.2 million are forecasted to be spent on capital projects in 2012, which are 1.6% less than budget.

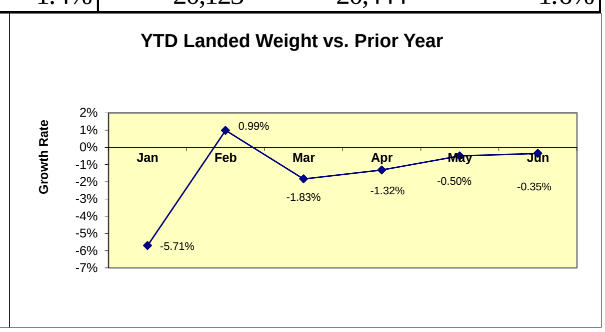
A. BUSINESS EVENTS

- Rental Car Facility (RCF) and Bus Maintenance Facility (BMF) opened in May.
- Terminal realignment in progress.
- All Nippon Airways of Japan (ANA) will begin service to Tokyo in Q3.

B. KEY PERFORMANCE INDICATORS

Figures in 000's	2011 YTD	2012 YTD	% Variance	2011 Actual	2012 Budget	% Variance
Enplanements	7,678	7,844	2.2%	16,397	16,650	1.5%
Landed Weight	9,648	9,509	-1.4%	20,123	20,444	1.6%





- International enplaned passengers through Q2 2012 attained greater growth (5.2% vs. 2011) than domestic enplanements (1.8% vs. 2011).
- Total landed weight through Q2 2012 experienced negative growth (-1.4% vs. 2011).
- International air freight cargo metric tons through Q2 2012 experienced negative growth (-7.9% vs. 2011), whereas domestic air freight cargo metric tons through Q2 2012 experienced positive growth (1.0% vs. 2011).

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/12

Key Performance Measures

	2011 Actual	2012 Forecast	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Key Measures:							
Non-Aero NOI ($ in 000s)	84,173	79,170	75,982	3,188	4.2%	(5,003)	-5.9%
Passenger Airline CPE	11.75	13.25	13.26	0.01	0.1%	1.50	12.8%
Debt / Enplaned Passenger	161.46	152.2	152.2	-	0.0%	(9.28)	-5.7%
Debt Service Coverage	1.47	1.39	1.34	0.05	3.7%	(0.08)	-5.5%

- CPE is forecasted under budget due to significant *savings* in debt service and delays to terminal realignment expenses *offset* by unbudgeted litigated claims and increases in environmental reserve liabilities.

C. OPERATING RESULTS

Division Summary

$ in 000's	2011 YTD Actual	2012 Year-to-Date Actual	2012 Year-to-Date Budget	YTD Bud Var $	YTD Bud Var %	Year-end Projections Budget	Year-end Projections Forecast	Year-end Projections Variance
Aeronatical Revenues	107,778	114,547	113,274	1,272	1.1%	236,221	236,123	(98)
Non-Aeronautical Revenues	68,862	72,357	74,246	(1,890)	-2.5%	149,531	150,930	1,399
Total Operating Revenues	**176,640**	**186,903**	**187,521**	**(617)**	**-0.3%**	**385,751**	**387,053**	**1,301**
Operating Expenses:								
Salaries & Benefits	38,822	44,003	45,840	1,837	4.0%	93,871	93,077	795
Outside Services	11,185	11,177	17,053	5,876	34.5%	37,404	33,253	4,152
Utilities	7,294	7,065	6,469	(596)	-9.2%	12,458	13,054	(596)
Other Airport Expenses	6,524	7,973	6,961	(1,012)	-14.5%	14,138	16,954	(2,815)
Baseline Airport Expenses	**63,824**	**70,219**	**76,323**	**6,104**	**8.0%**	**157,873**	**156,338**	**1,535**
Environmental Remediation Liability	(210)	833	1,914	1,082	56.5%	3,096	4,913	(1,817)
Total Airport Expenses	**63,614**	**71,051**	**78,237**	**7,186**	**9.2%**	**160,969**	**161,251**	**(282)**
Corporate	15,307	16,286	17,272	986	5.7%	35,566	35,161	405
Police Costs	7,885	7,733	8,530	797	9.3%	16,964	16,892	72
Capital Development/Other Expenses	3,155	5,374	5,927	553	9.3%	11,579	11,579	-
Total Operating Expenses	**89,961**	**100,445**	**109,967**	**9,522**	**8.7%**	**225,078**	**224,882**	**196**
NOI Before Depreciation	**86,679**	**86,458**	**77,554**	**8,905**	**11.5%**	**160,674**	**162,170**	**1,497**
Depreciation Expense	29,465	58,589	58,242	(347)	-0.6%	117,072	117,072	-
NOI After Depreciation	**57,214**	**27,870**	**19,311**	**8,558**	**44.3%**	**43,602**	**45,099**	**1,497**
Selected Non-Operating Rev/(Exp):								
Capital Grants & Donations	8,918	11,550	7,245	4,305	59.4%	28,982	28,982	-
Non-Capital Grants & Donations	443	4	740	(736)	-99.5%	1,479	1,479	-
Passenger Facility Charges (PFC)	31,683	33,527	30,266	3,261	10.8%	63,448	63,448	-
Customer Facility Charges (CFC)	10,074	10,109	9,224	886	9.6%	21,333	22,826	1,493

- YTD Aeronautical revenues are greater than budget by $1.3 million due to a seasonality error in budgeting for terminal rents.
- YTD Non-aeronautical revenues are lower than budget by $1.9 million:
  - Concessions revenue is $874K greater than budget YTD due to higher sales per enplaned passenger than budgeted
  - Customer Facility Charge (CFC) operating revenues are lower than budget by $1.8 million due to lower operating costs from delayed opening of the Rental Car Facility (RCF)
  - Public Parking revenues under $927K mainly due to 1-4 day transactions down 2.4% vs. budget, and estimated $110K shortfall from data processing errors resulting in lost revenue
  - Rental car revenues are lower than budget by $670K due to monthly budget not spread based on seasonality, and gross industry revenues are lower than the revenues assumed in the budget by 1.2% even though transaction days are higher by 1.7% through May.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/12

- YTD Operating expenses are less than budget by $9.5 million due to the net of the following:

Positive Variance of $12.9 million:	Negative Variance of $3.4 million:
RCF opening delay $1.1M	Litigated injury claims $1.5M
Delay in expenditure of contracted services $2.7M	Snow event materials and labor $1.3M
Delays in terminal realignment expenses $2.5M	Utility surface water discharge $608k
Delayed hiring and vacant positions $1.5M	
Environmental remediation $1.1M	
Employee training and development expenses $545k	
Other Aviation Division savings $1.2M	
Corporate/CDD allocated expenses $2.3M	

Aeronautical Business Unit Summary

$ in 000's	2011 Actual	2012 Forecast	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Revenues requirement:							
Capital Costs	81,507	89,720	91,876	2,157	2.3%	8,213	10.1%
Operating Costs net Non-Aero	133,083	153,122	151,529	(1,593)	-1.1%	20,039	15.1%
Total Costs	**214,590**	**242,842**	**243,405**	**564**	**0.2%**	**28,252**	**13.2%**
FIS Offset	(7,000)	(8,000)	(8,000)	-	0.0%	(1,000)	14.3%
Other Offsets	(15,417)	(14,461)	(14,895)	(435)	2.9%	956	-6.2%
Net Revenue Requirement	**192,173**	**220,381**	**220,510**	**129**	**0.1%**	**28,208**	**14.7%**
Other Aero Revenues	15,590	15,742	15,711	31	0.2%	152	1.0%
Total Aero Revenues	**207,763**	**236,123**	**236,221**	**98**	**0.0%**	**28,360**	**13.7%**
Less: Non-passenger Airline Costs	15,098	15,423	15,392	(31)	-0.2%	325	2.2%
Net Passenger Airline Costs	**192,665**	**220,700**	**220,828**	**129**	**0.1%**	**28,035**	**14.6%**

	2011 Actual	2012 Forecast	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Cost Per Enplanement:							
Capital Costs / Enpl	4.97	5.39	5.52	0.13	2.3%	0.42	8.4%
Operating Costs / Enpl	8.12	9.20	9.10	(0.10)	-1.1%	1.08	13.3%
Offsets	(1.37)	(1.35)	(1.38)	(0.03)	1.9%	0.02	-1.3%
Other Aero Revenues	0.95	0.95	0.94	(0.00)	-0.2%	(0.01)	-0.6%
Non-passenger Airline Costs	(0.92)	(0.93)	(0.92)	0.00	-0.2%	(0.01)	0.6%
Passenger Airline CPE	**11.75**	**13.25**	**13.26**	**0.01**	**0.1%**	**1.51**	**12.8%**

- Capital costs savings are forecasted to be $2.2 million due to savings from lower variable rate interest and debt refunding. Year-over-year capital cost increases can be attributed to the beginning of principal payments to bond issue 2005A in 2012.
- Operating costs are forecasted to be $1.6 million higher than budget due to: unbudgeted litigated claims, increases in environmental reserve liabilities, and unbudgeted 2011 retro contractual increase in airfield security, higher surface water discharge, higher electricity usage. Year-over-year operating expense increases are due to terminal realignment, additional maintenance FTEs and other aeronautical initiatives.

Non-Aero Business Unit Summary

$ in 000's	2011 Actual	2012 Forecast	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Revenues:							
Public Parking	49,996	51,512	52,480	(968)	-1.8%	1,516	3.0%
Rental Cars	29,969	28,359	26,580	1,779	6.7%	(1,610)	-5.4%
CFC Operating Revenues (RCF)	778	7,560	9,053	(1,493)	-16.5%	6,783	872.3%
Ground Transportation	7,704	7,419	7,519	(100)	-1.3%	(285)	-3.7%
Concessions	35,404	37,107	35,659	1,448	4.1%	1,702	4.8%
Other	19,109	18,974	18,240	734	4.0%	(135)	-0.7%
Total Revenues	**142,959**	**150,930**	**149,531**	**1,399**	**0.9%**	**7,972**	**5.6%**
Operating Expense	59,544	72,643	74,639	1,996	2.7%	13,099	22.0%
Share of terminal O&M	17,610	18,906	18,698	(208)	-1.1%	1,295	7.4%
Less utility internal billing	(18,369)	(19,789)	(19,789)	-	0.0%	(1,420)	7.7%
Net Operating & Maint	**58,786**	**71,760**	**73,549**	**1,789**	**2.4%**	**12,975**	**22.1%**
Net Operating Income	**84,173**	**79,170**	**75,982**	**3,188**	**4.2%**	**(5,003)**	**-5.9%**

	2011 Actual	2012 Forecast	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Revenues Per Enplanement							
Parking	3.05	3.09	3.15	(0.06)	-1.8%	0.04	1.5%
Rental Cars (excludes CFCs)	1.83	1.70	1.60	0.11	6.7%	(0.12)	-6.8%
Ground Transportation	0.47	0.45	0.45	(0.01)	-1.3%	(0.02)	-5.2%
Concessions	2.16	2.23	2.14	0.09	4.1%	0.07	3.2%
Other	1.21	1.59	1.64	(0.05)	-2.8%	0.38	31.4%
Total Revenues	**8.72**	**9.06**	**8.98**	**0.08**	**0.9%**	**0.35**	**4.0%**
Primary Concessions Sales / Enpl	**10.30**	**10.60**	**10.42**	**0.18**	**1.7%**	**0.30**	**2.9%**

$ in 000's	2011 Actual	2012 Forecast	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Operating CFC Revenues	778	7,560	9,053	(1,493)	-16.5%	6,783	872.3%
Non-Operating CFC Revenues	23,669	22,826	21,333	1,493	7.0%	(843)	-3.6%
Total CFC Revenues	**24,447**	**30,386**	**30,386**	**0**	**0.0%**	**5,940**	**24.3%**

- Non-Aeronautical revenues are forecasted greater than budget due to strong concessions revenue performance, additional rental car concession rents from delay in RCF opening, and higher energy/water sales from increased usage.
- Share of terminal operating and maintenance costs forecasted greater than budget due to higher volume of surface water discharge and higher electricity usage.
- Primary concessions sales per enplanement through May were $11.03.
- CFC revenues higher year-to-date than prior year due to rate increase from $5.0 to $6.0 effective February 1, 2012.
- CFC operating revenues (RCF) are higher year-over-year due to RCF opening in May 2012 resulting in more operating expenses.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/12

Net Cash Flow: NOI after Debt Service and Interest Income

$ in 000's	2011 Actual	2012 Forecast	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Aeronautical							
Net Operating Income (NOI)	74,679	83,001	84,692	(1,691)	-2.0%	8,322	11.1%
Debt Service	71,096	75,570	77,726	2,156	2.8%	4,474	6.3%
Aero NOI After Debt Service	**3,584**	**7,431**	**6,966**	**465**	**6.7%**	**3,848**	**107.4%**
Non-Aeronautical							
Net Operating Income (NOI)	84,173	79,170	75,982	3,188	4.2%	(5,003)	-5.9%
Debt Service	40,845	44,847	45,390	543	1.2%	4,003	9.8%
Non-Aero NOI After Debt Service	**43,328**	**34,323**	**30,592**	**3,731**	**12.2%**	**(9,006)**	**-20.8%**
Total Aviation							
NOI	158,852	162,171	160,674	1,497	0.9%	3,318	2.1%
Debt Service	111,940	120,417	123,116	2,699	2.2%	8,477	7.6%
NOI After Debt Service	**46,912**	**41,754**	**37,557**	**4,196**	**11.2%**	**(5,158)**	**-11.0%**
Add ADF Interest Income	4,771	3,704	3,771	(67)	-1.8%	(1,067)	-22.4%
Add Non-Operating TSA Grant	1,035	1,479	1,479	-	0.0%	445	43.0%
Net Cash Flow after D/S & Interest Inc.	**52,717**	**46,937**	**42,808**	**4,129**	**9.6%**	**(5,781)**	**-11.0%**

- 2012 forecasted net cash flow is greater than budget by $4.1 million but down $5.8 million from 2011.

D. CAPITAL SPENDING RESULTS

Capital Variance

$ in 000's Description	2012 YTD Actual	2012 Forecast	2012 Budget	Forecast/Budget Variance	%
Loading Bridges Utilities	109	459	5,750	5,291	92.0%
Rental Car Facility Construction	14,408	25,061	29,778	4,717	15.8%
All Other	31,663	107,676	99,891	(7,785)	-7.8%
Total	46,180	133,196	135,419	2,223	1.6%

- Loading bridge utilities design phase was extended due to addition to scope and construction will begin later than anticipated.
- RCF savings have been identified as the project nears completion. Change orders have been submitted by the construction contractor and it is anticipated that many of these will be resolved in the Port's favor.

2012 - 2016 Capital and Funding Plan

$ in 000's	2012-2016 Total	Future Revenue Bonds
Budget	1,051,463	501,000
Forecast	1,173,577	623,114
Increase	122,114	122,114
Change due to North Satellite	150,000	

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/12

2012 Annual Budget Changes

$ in 000's **Description**	**2012** **Spending**
SSAT HVAC,Lights,Ceiling Repl	1,177
Port-Owned Loading Bridge R&R	979
North Satellite	650
New Window Wall Ticket Zone 1	610
Rubber and Paint Removal Equip	600
Emergency Lighting - Parking	591
Other	2,843
Total	**7,450**

Future 2012 Authorization Requests

Future 2012 Authorization Requests:

- NorthSTAR Additional Components
- Zone 3 Ticketing
- Cargo 2 West Hardstand
- Cargo 6 Enhancement
- Service Tunnel Repair and Replacement
- Vertical Conveyance Modernization Aero Phase II
- Facility Monitoring System
- Zone 2 Ticketing

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/12

FINANCIAL SUMMARY

$ in 000's	2011 Actual	2012 Forecast	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Revenues:							
Operating Revenue	98,910	110,361	96,980	13,381	14%	11,451	12%
Security Grants	394	2,603	1,598	1,005	63%	2,209	560%
Total Revenues	**99,304**	**112,964**	**98,578**	**14,386**	**15%**	**13,660**	**14%**
Total Operating Expenses	**38,463**	**48,006**	**46,536**	**(1,470)**	**-3%**	**9,543**	**25%**
Net Operating Income	**60,842**	**64,958**	**52,042**	**12,916**	**25%**	**4,117**	**7%**
Capital Expenditures	**18,837**	**13,274**	**15,496**	**2,222**	**14%**	**(5,563)**	**-30%**

- Total Seaport revenues were $10.1 million favorable through the second quarter primarily due to the Containers. Space/land rent is favorable due to the refunding of Terminal 18 Special Facility Bonds in December 2011 and the related implementation of the GAAP straight-line rent adjustment. Neither of these items was reflected in the 2012 Budget due to the timing of the transaction. For the full year Seaport is forecasting revenue to exceed budget by $14.4 million as a result of the described bond refunding $12.1 million and Security Grant activity $1.0 million.
- Total Operating Expenses were $1.2 million favorable through the second quarter due to favorable timing variances partially offset by above budget Security Grant expenses. Seaport is forecasting full year operating expenses to exceed budget by $1.5 million primarily due to Security Grant expenses.
- Forecasted Net Operating Income for 2012 is estimated to be $12.9 million favorable to budget and $4.1 million above 2011 Actual.
- As of the end of the 2nd Quarter, total capital spending for 2012 is projected to be $13.3 million or 86% of the Approved Annual Budget.

A. BUSINESS EVENTS

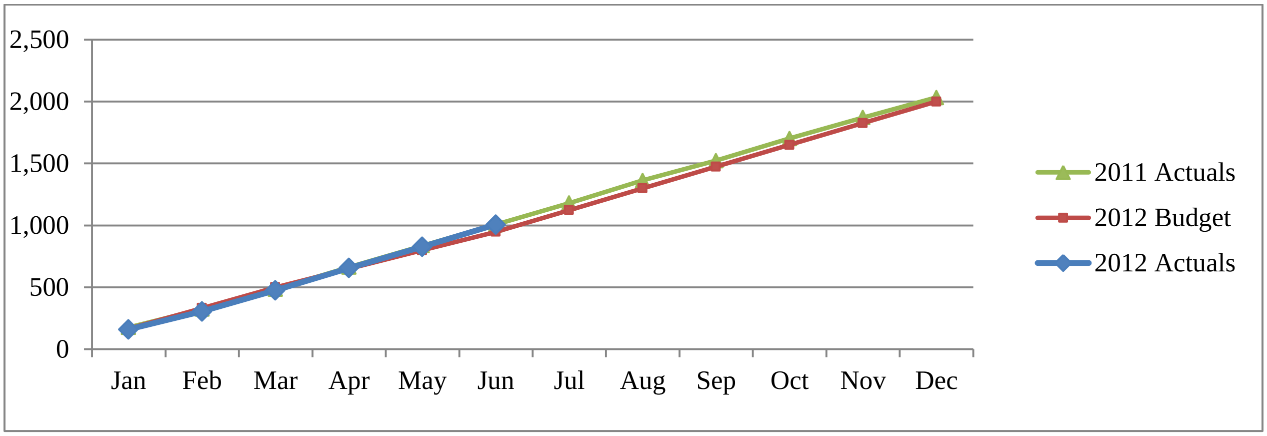
- TEU volumes for Seattle Harbor are down (.1%) as of June 30, 2012 compared to the same period in 2011. Total year-to-date 2012 volume is 1,006K TEU's. Full year forecasted volume is for 1,750K TEU's compared to budget of 2,000K TEU's.
- Consolidated West Coast Port results through the 2nd Quarter of 2012 show an overall increase in TEU volume of 2.8% compared to volumes in 2011.

TEU Volume (in 000's)	2012	2011	TEU Change	% Change
Long Beach	2,822	2,968	(146)	-4.9%
Los Angeles	4,010	3,767	243	6.4%
Oakland	1,149	1,141	7	0.7%
Portland	102	98	5	5.0%
Prince Rupert	272	152	120	79.3%
Seattle	**1,006**	**1,008**	**(1)**	**-0.1%**
Tacoma	730	720	10	1.3%
Vancouver	1,298	1,225	73	6.0%
West Coast - Totals:	**11,390**	**11,078**	**311**	**2.8%**

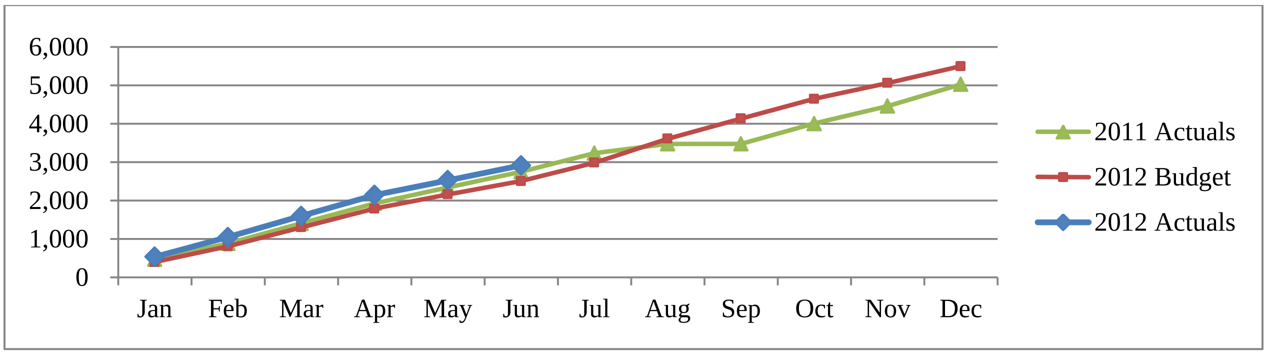
- Grain vessels shipped 2,914K metric tons of grain through Terminal 86 for year-to-date 2012. Amount is 5.8% above 2011 volumes and 16% favorable to 2012 Budget volume.
- The 2012 cruise season commenced on May 6th. Start-up operations for new ships in Seattle, Disney Cruise Line's **Wonder** and Norwegian Cruise Line's **Jewell** went very well.

B. KEY INDICATORS

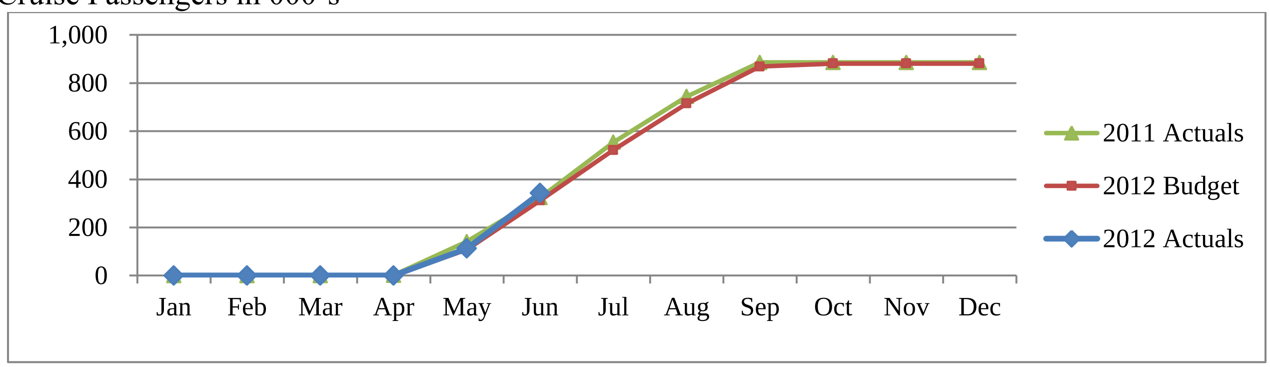
Container Volume – TEU's in 000's



Grain Volume – Metric Tons in 000's



Cruise Passengers in 000's



Net Operating Income Before Depreciation By Business

$ in 000's	2011 YTD Actual	2012 YTD Actual	2012 YTD Budget	2012 Bud Var $	2012 Bud Var %	Change from 2011 $	Change from 2011 %
Containers	23,302	28,932	19,795	9,137	46%	5,630	24%
Grain	2,498	2,589	2,133	456	21%	91	4%
Seaport Industrial Props	2,743	3,663	2,669	994	37%	920	34%
Cruise	1,353	984	863	120	14%	(369)	-27%
Docks	(494)	(269)	(834)	565	68%	225	46%
Security	(373)	(419)	(466)	47	10%	(45)	-12%
Env Grants/Remed Liab/Oth	18	(34)	0	(34)	NA	(51)	-292%
Total Seaport	29,045	35,447	24,161	11,286	47%	6,402	22%

C. OPERATING RESULTS

	2011 YTD	2012 Year-to-Date		YTD Bud Var		Year-End Projections		
$ in 000's	Actual	Actual	Budget	$	%	Budget	Forecast	Variance
Operating Revenue	47,330	55,114	45,972	9,142	20%	96,980	110,361	13,381
Security Grants	51	1,848	920	927	101%	1,598	2,603	1,005
Total Revenues	**47,380**	**56,962**	**46,892**	**10,069**	**21%**	**98,578**	**112,964**	**14,386**
Seaport Expenses (excl env srvs)	6,604	6,238	7,222	984	14%	15,236	14,476	760
Environmental Services	693	874	961	87	9%	2,289	2,289	0
Maintenance Expenses	2,235	2,759	2,877	118	4%	5,817	5,817	0
P69 Facilities Expenses	228	272	262	(11)	-4%	531	531	0
Other RE Expenses	92	145	160	15	9%	300	300	0
CDD Expenses	1,435	1,969	2,260	292	13%	4,388	5,588	(1,200)
Police Expenses	1,785	1,900	2,095	196	9%	4,167	4,141	26
Corporate Expenses	5,221	5,494	6,018	524	9%	12,332	12,176	156
Security Grant Expense	61	1,833	877	(956)	-109%	1,476	2,688	(1,212)
Envir Remed Liability	(18)	32	0	(32)	NA	0	0	0
Total Expenses	**18,335**	**21,514**	**22,731**	**1,217**	**5%**	**46,536**	**48,006**	**(1,470)**
NOI Before Depreciation	**29,045**	**35,447**	**24,161**	**11,286**	**47%**	**52,042**	**64,958**	**12,916**
Depreciation	15,687	17,292	15,740	(1,552)	-10%	31,713	34,469	(2,756)
NOI After Depreciation	**13,359**	**18,155**	**8,421**	**9,735**	**116%**	**20,330**	**30,490**	**10,160**

Seaport revenues were $10,069K favorable to budget. Key variances are as follows:

Seaport Lease & Asset Management - favorable $8,718K

- Containers $7,712K favorable. Space Rental favorable $4,653K and GAAP Straight Line rental revenue recognition favorable $1,384K due to refunding of Terminal 18 Special Facility Revenue Bonds in December 2011. Crane Rent Revenue $1,538K favorable due to delays in certification of SSA owned cranes at Terminal 18 $891K and above budget tariff crane usage at Terminal 5 $638K.
- Grain $406K favorable due to volume coming in 16% favorable to budget.
- Seaport Industrial Properties $600K favorable primarily due to the higher than anticipated concession rent at T91, higher utility revenue and due to unbudgeted amortization of lease termination revenue from Terminal 106.

Cruise and Maritime Operations - favorable $1,352K

- Cruise $80K favorable primarily due to higher passenger volumes and an additional cruise call.
- Maritime Operations Docks $345K favorable due higher moorage occupancy than budgeted, unbudgeted increase in preferential use rate and payment of minimum guaranteed moorage by Terminal 91 preferential use customers.
- Security Grants $927K favorable due to pass-thru grants primarily involving the Port of Everett.

Total Seaport Division Expenses were $1,217K favorable to budget. Key variances:

- **Seaport Expenses** (excluding Environmental Services) were $984K favorable to budget. Major account variances were as follows:
  - **Salaries & Benefits** were $115K favorable due to current or earlier in the year open positions in Division Administration, Commercial Strategies, and Seaport Finance.
  - **Equipment Expenses** were ($244K) unfavorable due to unbudgeted furniture and equipment acquisitions related to the Cruise CTA lease allowance.
  - **Outside Services** were $825K favorable due to the Terminal 18 Pile Cap project $600K which is being performed internally by CDD staff, RFID project $108K and transportation related work $46K due to timing differences, and contract watchmen services at Terminal 91 $64K due to less security requirements than budgeted for events and TWIC.

  - **Travel & Other Employee Expenses** (which includes Subscription expenses) were $225K favorable due to timing with the most significant factor being the payment of the Emodal subscription related to the RFID project $100K.

- **Maintenance** costs, direct and allocated, were favorable $118K due to timing with the budget.
- **CDD** costs were favorable $292K due to below budget allocations $337K from all CDD groups and below budget direct charged Outside Service costs $351K from Seaport Project Management. Favorable amounts are partially offset by unplanned direct charging from PCS for wages and overhead related to the Terminal 18 Pile Cap work ($363K).
- **Police** costs, direct and allocated were favorable $196K due to below budget spending by the Police for the year-to-date.
- **Corporate** costs, direct and allocated were favorable $524K due to lower than anticipated direct charges and allocations from virtually all Corporate groups including Public Affairs $126K, Accounting and Financial Reporting $78K, Commission Contingency $67K and Human Resources $65K.
- **Security Grant Expenses** were unfavorable ($956K) due to pass-thru grant activity, primarily involving the Port of Everett, being above budget.
- **All other** variances netted to favorable $59K or less than .3% of Total Expenses Budgeted.

NOI Before Depreciation was $11,286K favorable to budget.

Depreciation was ($1,552K) or 10% unfavorable to the year-to-date 2012 Budget primarily due to the booking of assets originally funded by Terminal 18 Special Facility Revenue Bonds. Due to refunding the special facility bonds with traditional bonds in December 2011, these formerly "off balance sheet" assets are now reflected on the Port's books together with the related depreciation. The timing of the refunding did not allow inclusion of the transaction in the 2012 Budget.

NOI After Depreciation was $9,735K favorable to budget.

<u>Forecast</u>

As of the end of the 2nd Quarter 2012, Seaport anticipates ending the year $12.9 million favorable to budget for NOI Before Depreciation. The variance reflects above budget revenue of $14.4 million partially offset by above budget expenses of ($1.5 million).

The favorable revenue variance is primarily the result of refunding the T18 Special Facility Bonds in December 2011. Of the total impact of $12.1 million, $9.3 million reflects debt payments that are no longer netted against revenue and $2.8 million reflects the GAAP straight line rent adjustment which now applies to the Terminal 18 lease payments. Security Grant Revenue is also forecasted to exceed budget by $1.0 million due to more activity than anticipated related to third party pass-through grants.

Expenses are forecasted to exceed budget primarily due to the expenses associated with pass-thru security grants as well as due to unbudgeted additional work on the Terminal 18 Pile Cap Pilot project.

<u>Change from 2011 Actual</u>

NOI Before Depreciation for YTD 2012 increased by $6,402K from 2011 due to higher revenue partially offset by higher expenses:

Revenue is up $9,581K from the prior year due to increased Container revenue $5,709K resulting from the refunding of the Terminal 18 Special Facility Bonds in December 2011 slightly offset by lower crane rent, increased Security grant activity of $1,797K, and increased Industrial Property $1,220K revenue due to higher occupancy, increased rental rates and more concession rent.

Expenses, both direct and allocated, increased by $3,180K due to more Security grant activity $1,771K, increased Maintenance costs $524K, increased CDD costs $534K due to the Terminal 18 Pile Cap Pilot project, and higher Corporate and Police expenses $388K. Seaport expenses decreased ($366K) primarily due to the Terminal 5 Maintenance Dredge work that was done in 2011.

D. CAPITAL SPENDING RESULTS

$ in 000's	2012 Estimated Actual	2012 Approved Budget	Budget Variance $	Budget Variance %	2012 Plan of Finance
Cruise	3,221	4,456	1,235	28%	2,501
Security	4,010	3,500	(510)	-15%	1,354
Terminal 18	1,608	2,390	782	33%	2,478
Small Projects	766	1,374	608	44%	775
Cranes	922	1,220	298	24%	13
Terminal 91 - Industrial Properties	1,016	762	(254)	-33%	2,570
Terminal 5	314	400	86	22%	813
Terminal 10	343	295	(48)	-16%	475
N Argo Express - Private Road	192	0	(192)	NA	0
Green Port Initiative	20	170	150	88%	470
All Other	862	929	67	7%	14,257
Total Seaport	13,274	15,496	2,222	14%	25,706

Comments on Key Projects:

Seaport spent 45% of the 2012 Approved Capital Budget through the end of the 2nd quarter.

Projects with significant changes in spending were:

- **Cruise –** P91 Fender System Upgrade spending moved to 2013

  CTA allowance spending did not qualify as capital
- **Security Projects –** Security Grant Rounds 9 & 10 were approved by Commission 11/8/11. These projects were included in 2012 Plan of Finance as Business Plan Prospective.
- **Terminal 18:** Delays in Street Vacation process.
- **N Argo Express – Private Road** – Project was approved by Commission 12/13/11. The 2012 Plan of Finance assumed that 100% of the project costs would be Public Expense.

Changes between the 2012 Plan of Finance and the 2012 Approved Budget represent modifications in 2012 spending estimates made after determination of 2011 actual spending.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/12

Financial Summary

$ in 000's	2011 Actual	2012 Forecast	2012 Budget	Budget Variance $	Budget Variance %	Change from 2011 $	Change from 2011 %
Revenues:							
Operating Revenue	31,569	31,105	32,401	(1,296)	-4%	(464)	-1%
Total Revenues	**31,569**	**31,105**	**32,401**	**(1,296)**	**-4%**	**(464)**	**-1%**
Total Operating Expenses	**34,758**	**36,374**	**37,224**	**850**	**2%**	**1,616**	**5%**
Net Operating Income	**(3,189)**	**(5,269)**	**(4,823)**	**(446)**	**-9%**	**(2,080)**	**-65%**
Capital Expenditures	**10,085**	**4,178**	**7,294**	**3,116**	**43%**	**(5,907)**	**-59%**

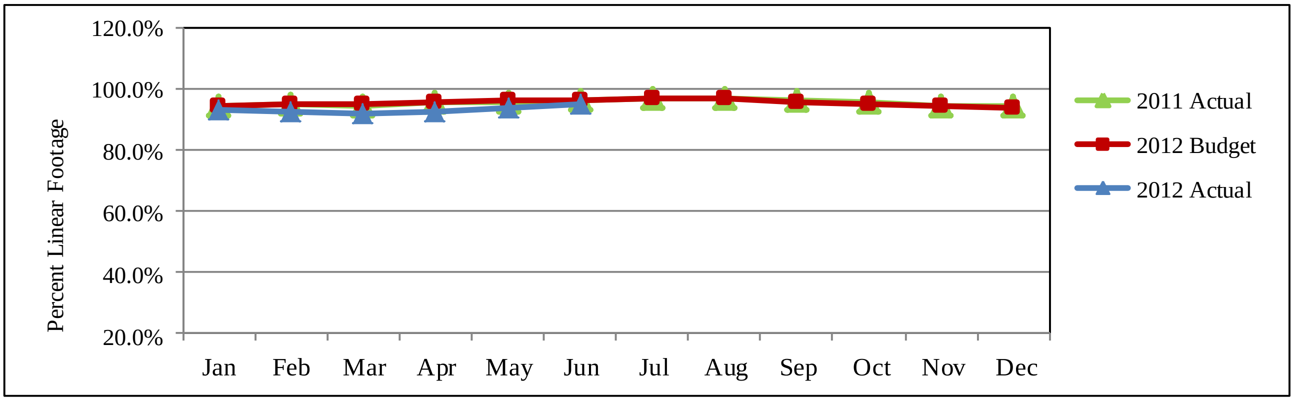
- Total Real Estate Division Revenues were ($892K) or about 6% unfavorable to budget for the year-to-date due to unfavorable revenue variances from Fishing and Commercial, Recreational Boating, and Third Party Managed Properties. For the full year, Real Estate is forecasting Revenue to be ($1,296K) unfavorable to budget.
- Total Operating Expenses were $2,231K, or 12%, favorable to budget due to below budget activity at Bell Harbor International Conference and due to timing. For the full year, Real Estate is forecasting Operating Expenses to come in $850K favorable to budget.
- Net Operating Income for 2012 was $1,339K favorable to budget and $726K above 2011 Actual. Higher revenues and lower expenses were driving the year over year change. For the full year, Real Estate is forecasting Net Operating Income to come in ($446K) unfavorable to budget.
- At the end of the second quarter, capital spending for 2012 is currently estimated to be $4.2 million or 57% of the Approved Annual Budget amount of $7.3 million.

A. BUSINESS EVENTS

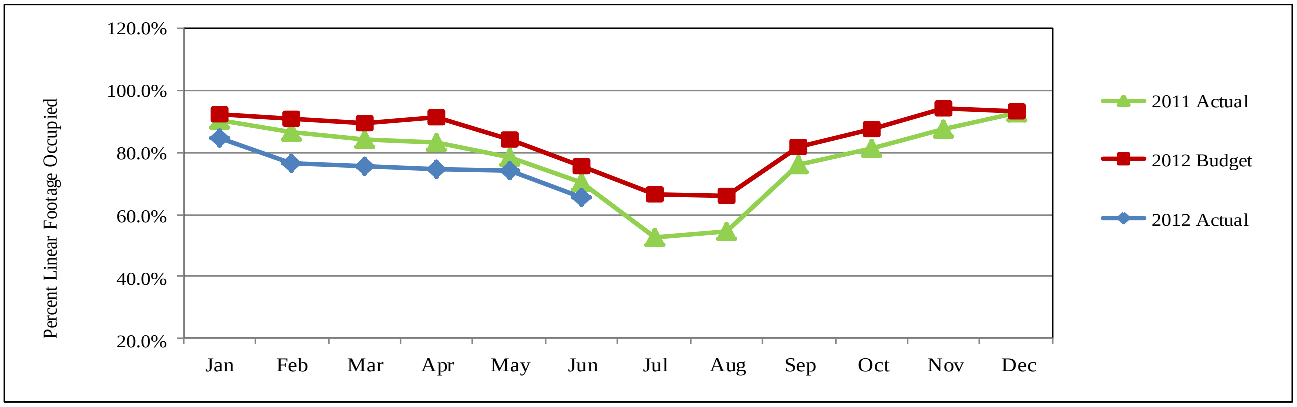
- Occupancy levels at Commercial Properties were at 91% at the end of the first quarter, which is above the 90% target for the 2012 Budget, and above comparable statistics for the local market of 86%.
- New Conference and Event Center Management Agreement was executed on April 4th and became effective on June 1st.
- Recreational marinas averaged 92% occupancy through the second quarter which was below the target of 94%.
- Fishermen’s Terminal and Maritime Industrial Center averaged 75% occupancy which was below the target of 86%.
- 5-year agreement between the Port of Seattle and the Shilshole Liveaboard Association was finalized and signed in June.
- Closed sale on 5.75 mile segment of the Eastside Rail Corridor with City of Kirkland in April.

B. KEY INDICATORS

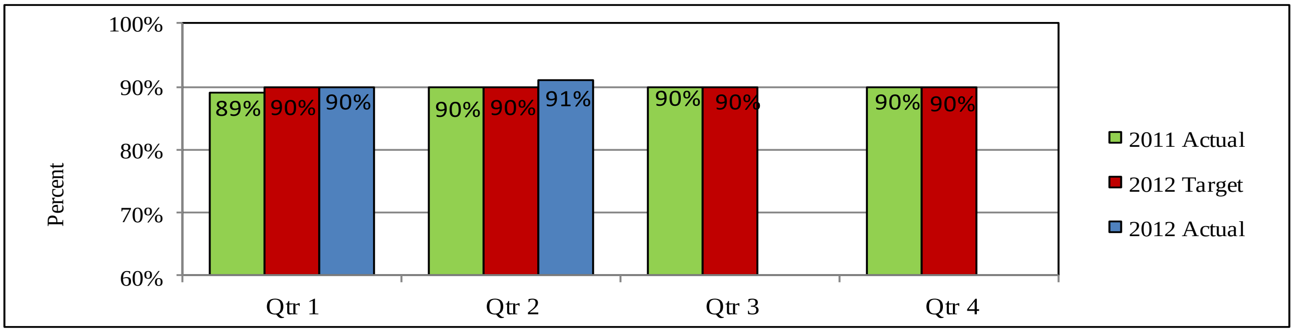
Shilshole Bay Marina Occupancy



Fishermen's Terminal Moorage Occupancy



Commercial Building



Net Operating Income Before Depreciation By Business

$ in 000's	2011 YTD Actual	2012 YTD Actual	2012 YTD Budget	2012 Bud Var $	2012 Bud Var %	Change from 2011 $	Change from 2011 %
Recreational Boating	914	925	511	414	81%	12	1%
Fishing & Commercial	(1,037)	(1,215)	(1,455)	240	16%	(178)	-17%
Commercial & Third Party	(147)	60	(495)	555	112%	207	141%
Eastside Rail	(944)	(287)	(275)	(13)	-5%	657	70%
RE Development & Plan	(330)	(214)	(452)	239	53%	116	35%
Envir Grants/Remed Liab/Oth	(9)	(97)	0	(97)	NA	(87)	NA
Total Real Estate	(1,553)	(828)	(2,166)	1,339	62%	726	47%

C. OPERATING RESULTS

$ in 000's	2011 YTD Actual	2012 Year-to-Date Actual	2012 Year-to-Date Budget	YTD Bud Var $	YTD Bud Var %	Year-End Projections Budget	Year-End Projections Forecast	Year-End Projections Variance
Revenue	10,799	10,956	11,120	-164	-1%	22,389	22,068	(321)
BHICC & WTC Revenue	3,867	4,207	4,935	-728	-15%	10,012	9,037	(975)
Total Revenue	**14,667**	**15,163**	**16,055**	**-892**	**-6%**	**32,401**	**31,105**	**(1,296)**
Real Estate Exp(excl Maint,P69,Conf)	4,904	4,967	4,960	-7	0%	9,920	9,920	0
Real Estate BHICC & WTC	3,230	3,318	3,864	546	14%	7,870	7,109	761
Eastside Rail Corridor	721	189	101	-88	-86%	203	203	0
Maintenance Expenses	3,256	3,356	4,667	1,311	28%	9,687	9,562	125
P69 Facilities Expenses	68	101	98	-4	-4%	198	198	0
Seaport Expenses	462	557	639	82	13%	1,408	1,408	0
CDD Expenses	467	501	636	135	21%	1,266	1,266	0
Police Expenses	649	658	725	68	9%	1,442	1,433	9
Corporate Expenses	2,454	2,246	2,531	284	11%	5,229	5,177	52
Envir Remed Liability	7	97	0	-97	NA	0	97	(97)
Total Expense	**16,220**	**15,991**	**18,221**	**2,231**	**12%**	**37,224**	**36,374**	**850**
NOI Before Depreciation	**-1,553**	**-828**	**-2,166**	**1,339**	**62%**	**(4,823)**	**(5,269)**	**(446)**
Depreciation	5,037	4,948	4,781	-167	-3%	9,694	9,694	0
NOI After Depreciation	**-6,590**	**-5,776**	**-6,948**	**1,172**	**17%**	**(14,517)**	**(14,963)**	**(446)**

Total Real Estate revenues were ($892K) unfavorable to budget. Key variances are as follows:

Harbor Services: Unfavorable ($168K)

- Recreational Boating unfavorable ($89K) due to an occupancy shortfall of 2.2% at Shilshole Bay Marina or an average of 31 boats per month less than planned.
- Fishing and Commercial unfavorable ($79K) primarily due to fewer medium and small fishing boats.

Portfolio Management: Unfavorable ($815K)

- Commercial Properties unfavorable ($68K) primarily due to lower occupancy at Terminal 102 Marina Corporate Center and Pier 2 partially offset by higher occupancy at Fishermen's Terminal Office & Retail than assumed in the Budget.
- Third Party Managed Properties unfavorable ($747K):
  - Bell Street International Conference Center and World Trade Center Club unfavorable ($728K) due to lower activity ($706K) and below budget Membership Revenue ($22K).
  - Bell Street Garage unfavorable ($29K) due to less activity than budgeted.
  - World Trade Center West on Budget.

Eastside Rail Corridor: Unfavorable ($6K)

- Eastside Rail Corridor unfavorable ($6K) due to land rental.

RE Development and Planning: Favorable $81K

- Terminal 91 General Industrial favorable $81K due primarily to higher revenue from Pacific Maritime Association as a result of the tenant taking more yard space.

Facilities Management: Unfavorable ($2K)

- Pier 69 Facilities Management unfavorable ($2K).

Maintenance: Favorable $17K

- Maintenance favorable $17K.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/12

Total Real Estate expenses were $2,231K favorable to budget. Key variances:

- Real Estate Expenses (excluding Maintenance, P69 Facilities, and Conference & Event Activity Expense) were unfavorable ($7K). Major account variances were as follows:
  - Outside Services favorable $67K due to timing.
  - Litigated Injuries and Damages unfavorable ($120K) due to unexpected legal claims.
- Real Estate BHICC & WTC favorable $546K due to lower activity and cost controls at Bell Harbor International Conference Center and World Trade Center Seattle.
- Eastside Rail Corridor expenses were ($88K) unfavorable due to unanticipated Litigated Injuries and Damages and Surface Water Utility expenses, partially offset by underutilized consulting service costs.
- Maintenance expenses were favorable $1,311K primarily due to timing differences with the budget.
- Seaport originated expenses were favorable $82K due to below budget direct charges from Planning, Dock Operations and Seaport Finance.
- CDD costs, direct and allocated were favorable $135K primarily due to lower direct charges and allocations from Central Procurement and Port Construction Services.
- Police costs, direct and allocated were favorable $68K due to below budget spending by the Police for the year-to-date.
- Corporate costs, direct and allocated, were favorable $284K primarily due to Legal $73K, Executive and Internal Audit $37K, Human Resources $54K, Accounting $26K, Public Affairs $22K, and IT $22K.
- Environmental Remediation Liability Expense unfavorable ($97K) due to environmental work at Fishermen's Terminal.
- All other variances netted to an unfavorable ($3K).

NOI Before Depreciation was $1,339K favorable to budget.

- Depreciation was ($167K) or (3%) unfavorable to budget due to allocated depreciation from ICT that was inadvertently not budgeted.

NOI After Depreciation was $1,172K favorable to budget.

Full Year Forecast

Real Estate anticipates ending the year unfavorable ($446K) to Budget for NOI Before Depreciation. Revenue is forecast to be ($1,296K) unfavorable to Budget due to below budget activity at Bell Harbor International Conference Center and below budget occupancy at Fishermen's Terminal and Shilshole Bay Marina. Expenses are forecasted to be $850K favorable to Budget due to below budget activity at Bell Harbor International Conference Center and a project that was budgeted as an expense, but instead qualified for capitalization.

Change from 2011 Actual

Net Operating Income Before Depreciation increased by $726K between Q2 year-to-date 2012 and 2011 as a result of higher revenue and lower expenses.

Revenues increased by $496K due to more activity at Bell Harbor International Conference Center and overall higher occupancies and lease rates at Commercial Properties. Amounts were partially offset by lower occupancies at the Shilshole Bay and Fishermen's Terminal marinas.

Expenses decreased by ($229K) due to decrease in Eastside Rail Corridor litigation related expenses ($574K) and Corporate Outside Legal Expense ($159K). These decreases were partially offset by higher Real Estate Salaries & Benefits and Utilities, higher Marine Maintenance costs, higher charges for storm water related work from Seaport Environmental Services and higher Environmental Remediation Liability Expense.

D. CAPITAL SPENDING RESULTS

$ in 000's	2012 Estimated Actual	2012 Approved Budget	Budget Variance $	Budget Variance %	2012 Plan of Finance
Small Projects	1,242	1,908	666	35%	815
Tenant Improvements -Capital	766	1,148	382	33%	1,148
FT East Portion South Wall	49	760	711	94%	0
Bell Harbor Lighting Ctrl Upgrade	47	633	586	93%	160
RE Maintenance Shop Solution	626	624	(2)	0%	0
All Other	1,448	2,221	773	35%	8,801
Total Real Estate	4,178	7,294	3,116	43%	10,924

Comments on Key Projects:
Through second quarter, the Real Estate Division spent 14% of the Approved Capital Budget. Full year spending is estimated to be 57% of the Approved Capital Budget.

Projects with significant changes in spending were:

- Small Projects – Delay in start of some projects and movement of others to future years.
- Tenant Improvements Capital – New leases and lease renewals have not required capital tenant improvements.
- FT East Portion South Wall – Budget overestimated.
- Bell Harbor Lighting Upgrade – Project cancelled.

Changes between the 2012 Plan of Finance and the 2012 Approved Budget represent modifications in 2012 spending estimates made after determination of 2011 actual spending.

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PEFORMANCE REPORT 06/30/12

A. BUSINESS EVENTS

- Rental Car Facility opened on May 19. The opening was very successful and startup and transition issues were minimal.
- Resolved issues with Alaska Air Group concerning the North Sea-Tac Airport Renovations program resulting in a final letter outlining the terms of Alaska's involvement. Issued requests for qualifications for design and program/project management consultants for this $250 million plus effort.
- Began installation of the new revenue control system for and waterproofing of the 8th floor of the parking garage.
- Participated in P-Card audit – anticipate positive results.
- Participated in joint meetings with Associated General Contractors
- Participation with reauthorization committee for RCW 39.10 legislation
- Prepared open order bid documents for small works contracts in electrical, mechanical, and general construction.
- Key projects for the second quarter were T-18 pile cap pilot program, airport checkpoint security cameras, miscellaneous work on the rental car facility, Regulated Materials Management (RMM) oversight and compliance monitoring for the PC air and escalator, Electrified Ground Support Equipment (EGSE) charging stations, noise remedy, and passenger jet bridges.
- Cleanup Agreed Order for the T-91 Tank Farm Clean-Up Project was signed by Ecology and the Port.
- The City Council passed the final ordinance to vacate streets at T-105.
- Stage 2 of Washington State Department of Transportation's (WSDOT) Holgate to King St Project is nearing completion, to replace the southern half of the Viaduct. The contract for Stage 3 of the Holgate to King Project was awarded to construct a new overpass at South Atlantic Street. Bored Tunnel crews began digging the launch pit, where the tunnel boring machine will begin mining next summer. T-46 improvements began that will allow WSDOT's tunnel contractor to utilize a portion of the site. Significant traffic and ferry access changes were made along downtown Seattle waterfront.
- A preliminary agreement was reached with Seattle Department of Transportation (SDOT) regarding the configuration of East Marginal Way traffic improvements required for the Argo Yard Access Road and East Marginal Way Grade Separation Phase II projects.

B. KEY PERFORMANCE METRICS

Key Performance Metrics	2012 YTD	Notes
Construction Soft Costs 36 month rolling average from Q3 2009 thru Q2 2012	($ in 000's) Total Costs $ 654,934 (100%) Total Construction: $ 526,667 (80%) Total Soft: $ 128,268 (20%)	Limit construction soft costs (design, construction management, project management, environmental documentation, allocated overhead) to no more than 25% of total capital improvement costs.
Cost Growth During Construction	Total Completed Projects YTD: 12 Discretionary Change: 5.6% Mandatory Change: 0.6%	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: 12 Avg Design Growth Completed Proj's: 23.6% Cumulative Value YTD: $15,449	Limit design growth from initial Commission project authorization to construction contract award to no more than 10% of originally allotted duration.
Construction Schedule Growth	($ in 000's) Total Completed Projects YTD: 12 Avg Construction Growth Completed Projects: 19.6% Cumulative Value YTD: $15,449	Limit construction growth from contract award to substantially complete to no more than 10% of originally scheduled.
Performance Evaluation Timeliness	**Q2** / **2012** Total PREPs due: 64 / 101 Total PREPs on time: 0-30 days (CDD) 49 (76.6%) / 77 (76.2%) 0-60 days (HRD) 57 (89.1%) / 91 (90.1%)	98% PREPs completed within 30 days of anniversary date.
2012 Procurement Schedule: Total Time Specs - Execution	Goods & Services 138 days Major Public Works 65 days Small Works 58 days Service Agreements 221 days	Average number of days, improving from period to period.

C. OPERATING RESULTS

		2011 YTD	2012 YTD		2012 Bud Var.		Year-End Projections		
$ in 000's	Notes	Actual	Actual	Budget	$	%	Budget	Forecast	Variance
Total Revenues		**76**	**12**	**-**	**12**	**0.0%**	**-**	**12**	**12**
Expenses Before Charges To Cap/Govt/Envrs Propects									
Capital Development Administration		171	181	188	7	3.5%	374	374	-
Engineering		5,479	6,119	7,203	1,083	15.0%	14,217	13,700	516
Port Construction Services		2,947	3,216	3,397	181	5.3%	6,791	6,609	182
Central Procurement Office		1,598	2,292	2,223	(68)	-3.1%	4,481	4,866	(385)
Aviation Project Management		2,561	4,456	4,129	(327)	-7.9%	7,731	7,731	-
Seaport Project Management		983	1,073	1,576	503	31.9%	2,987	2,984	4
Total Before Charges to Capital Projects		**13,739**	**17,338**	**18,717**	**1,379**	**7.4%**	**36,581**	**36,264**	**317**
Charges To Capital/Govt/Envrs Projects									
Capital Development Administration		-	-	-	-	0.0%	-	-	-
Engineering		(3,935)	(4,101)	(4,953)	(852)	17.2%	(9,757)	(9,332)	(425)
Port Construction Services		(2,200)	(2,113)	(1,656)	457	-27.6%	(3,313)	(3,313)	-
Central Procurement Office		(523)	(804)	(665)	140	-21.0%	(1,330)	(1,360)	30
Aviation Project Management		(2,157)	(2,637)	(2,721)	(84)	3.1%	(5,229)	(5,229)	-
Seaport Project Management		(589)	(586)	(719)	(133)	18.5%	(1,437)	(1,437)	-
Total Charges to Capital/Govt/Envrs Projects		**(9,405)**	**(10,241)**	**(10,713)**	**(472)**	**4.4%**	**(21,066)**	**(20,671)**	**(395)**
Operating & Maintenance Expense									
Capital Development Administration		171	181	188	7	3.5%	374	374	-
Engineering		1,544	2,018	2,250	232	10.3%	4,460	4,368	91
Port Construction Services		746	1,103	1,741	638	36.6%	3,479	3,297	182
Central Procurement Office		1,075	1,487	1,559	71	4.6%	3,151	3,506	(355)
Aviation Project Management		404	1,819	1,408	(411)	-29.2%	2,502	2,502	-
Seaport Project Management		393	487	858	370	43.2%	1,550	1,547	4
Total Expenses		**4,334**	**7,097**	**8,004**	**907**	**11.3%**	**15,516**	**15,593**	**(78)**

Variance Summary and other notes:

- Accounting triple coding error for GOVT projects resulted in under-stated Salaries & Benefits YTD with corresponding positive variance impacts. This is expected to be corrected in Q3.

  CPO $17,227
  ENG $70,143
  PCS 6,792
  SPM $68,145
  Total $162,307
- Vacancies: 21.8 = $960K Salaries & Budget savings from unfilled positions; some hiring projected in Q3.
- Over Absorption OH Clearing ($237K) represents costs allocated as overhead above the total actual overhead costs. Actual capital, expensed and net operating costs will decrease to account for the over absorption value. YTD budget variance will increase by the Absorption value.
- AVPMG ($411K) Favorable variances in Salaries & Benefits and Total Charges to Capital Projects are more than offset from $677K unbudgeted OAC Services Inc. airline realignment which will be transferred to Org 3110 in Q3.
- CPO ($71K) for more capital work than budgeted/anticipated offset by $200K unplanned legal costs (Q1) and unbudgeted $102K Escalator Warranty Maintenance (Q2) – hopefully to be recoded.
- ENG $232K partially due to under absorption in OH clearing of $103K, unfilled positions and delay in outside services billings.
- PCS $638K due to more capital work than budgeted/anticipated and reduced scope of SW construction from Rental Agency Companies (RAC) deactivation.
- SPM $370K due to timing of outside services; offset by more expense work than budgeted/anticipated.
- CDD Admin $7K primarily due to timing of expenses.

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 06/30/12

A. BUSINESS EVENTS

- The Century Agenda Committee has been developing initiatives intended to create partnerships with stakeholders in the region to carry out the Century Agenda goal of creating 100,000 jobs in the next 25 years.
- For Century Agenda outreach, Commissioners spoke at 44 forums during an intensive outreach program developed and implemented with Public Affairs.
- Port of Seattle has been named one of only 15 employers across the country to receive the 2012 Secretary of Defense Employer Support Freedom Award.
- Port of Seattle Internship Program awarded Internship Employer of the Year by Seattle University. This award acknowledged the Port of Seattle's commitment to fostering the next generation of community leaders and provides an avenue for students to apply their academic learning to jobs that may lead to a Port-related career in the maritime or aviation sectors.
- Published Corporate Annual Report and Environmental Annual Report.
- Received seven communications awards for centennial book and documentary, centennial community bike ride, annual report, centennial video contest and website redesign.
- Launched Shilshole Bay Marina 50th Anniversary communications plan.
- Launched Social Media pilot strategy project, initiated team recruitment project.
- Produced "Choose Washington" ad for presence in Commerce Department magazine.
- Risk Management worked diligently with Landside in the hiring, review, training, and safety aspects of the Rental Car Facility busing.
- A new project was approved for the replacement of Risk Master, the risk management claims system.
- Designed and launched of the 2012 Wellness Reward Program and work is underway for developing a health care cost containment strategy. Ninety-seven percent (97%) participation rate in the health assessment, which is a requirement of the 2012 Wellness Reward Program.
- Deferred Compensation Record Keeping was successfully transitioned from Great-West to ICMA-RC at the middle of March.
- Provided strategic recruiting assistance and HR Business Planning to the Rental Car and Bus Maintenance Facilities. Successfully recruited over 75 positions necessary to the opening and ongoing success of the Rental Car Facility.
- Issued a revised RFP for PeopleSoft Financials System Upgrade consultant services. The project is anticipated to span approximately twelve months, with an anticipated start date of August 2012.
- Configuration of Flight Information Management System (FIMS) software is in progress and construction for the display replacement has begun. This project will replace the aging monitors and the current FIMS with a flexible system that can provide flight and other information such as visual paging and emergency notification.
- Began the 2013 business and budget planning process.
- Amended Investment Policy.
- Completed and filed Annual bond disclosure.
- Continued to reach out to the community to educate small businesses on contracting opportunities and the Small Contractors and Suppliers Program (SCS).
- Provided staffing to the Occupy Seattle Protests at Port properties and assisted City of Seattle.
- Provided security and crowd control at several Washington Works events on the Port property.

B. KEY PERFORMANCE METRICS

Key Performance Metrics	YTD 2012	YTD 2011/Notes
A. Be a High Performance Workplace		
1. Employee Training		
a) New Employee Orientation	122 attendees	46 attendees, increased by 76 due to opening of RCF
b) Employee Develop. Classes	169	84, increase by 85
c) REALeadership Program	Presently being reassessed	30, decreased by 30
d) MIS Training	6 MIS classes, 35 users	6 MIS classes, 67 users
e) Required Safety Training	91%	91%
2. Tuition Reimbursement	25 employees participated	30, decreased by 5
3. Occupational Injury Rate	6.39	5.68, increased by .71
4. Total Lost Work Days	234	313, decreased by 79 days
B. Foster a Strong Partnership with Surrounding Communities		
1. Sustainability Communications	79,494 individuals reached	N/A
2. Targeted Outreach Contacts	684 new contacts	N/A
3. Implement Century Agenda Outreach Campaign	Conducted 21 Commission-led stakeholder presentations	N/A
4. Small Business Outreach	9	39, decreased by 30
C. Continue to be a Strong Advocate of Social Responsibility		
1. Small Businesses on PRMS	253 registered on new PRMS	N/A
2. Contracts Reviewed for SCS	23	27, decreased by 4
3. Airport Job Placements	722	N/A
4. Apprenticeship Opportunity Project Placements	61	N/A
5. Numbers of Interns Hired	26	26
6. Community Giving Campaign	153 employees donated	74 employees, increased by 79
D. Maintain a Strong Culture of Transparency and Accountability		
1. Internal Audits Completed	10	10
2. % of Audit Plan Completed	38	32, increased by 6%
3. Public Disclosure Requests	192	144, increased by 48
4. Vehicle Incidents	33 total/30 preventable	58 total/27 preventable
5. Incurred Auto Liability Costs	$25K	$50K, decreased by $25K
E. Maintain the Port's Strong Financial Position		
1. Corp. Cost as a % of Total Rev.	13.4%	14.1% (14.0% excluding the AAPA)
2. Corp. Cost as a % of Total Exp.	25.1%	27.2% (27.1% excluding the AAPA)
3. Commission Authorized Projects On Budget/Schedule	100%/53%	100%/38%, increased by 15%
4. Account Receivables Collection (0 – 30 days)	$3,121,303	$4,488,296
5. Invoice Due Date vs. Date Paid	4 days	Compared to 3 days (benchmark)
F. Provide Outstanding Support to Divisions		
1. Contract Administration Issues	39	59, decreased by 20
2. Attorney Services	37 litigation and claims	30, increased by 7
3. Labor Contracts Negotiated	22	2, increased by 20
4. Job Openings Created	122	132, decreased by 10
5. Job Applications Received	4,931	6,210, decreased by 1,279
6. Police Customer Service Survey (% Above Average or Excellent)	93.5%	90%

C. OPERATING RESULTS

$ in 000's	2011 YTD Actual	2012 YTD Actual	2012 YTD Budget	2012 Bud Var. $	2012 Bud Var. %	Year-End Projections Budget	Year-End Projections Forecast	Year-End Projections Variance
Total Revenues	**620**	**165**	**76**	**90**	**118.6%**	**151**	**177**	**26**
Executive	694	718	813	95	11.7%	1,539	1,539	-
Commission	336	425	473	47	10.0%	980	962	18
Legal	1,529	1,381	1,390	9	0.7%	2,901	2,928	(27)
Risk Services	1,249	1,225	1,433	208	14.5%	2,959	2,809	150
Health & Safety Services	542	486	549	63	11.5%	1,060	1,040	20
Public Affairs	2,990	2,709	3,046	337	11.1%	5,815	5,660	154
Human Resources & Development	2,271	2,402	2,710	308	11.4%	5,484	5,388	96
Labor Relations	515	492	482	(10)	-2.1%	961	1,111	(150)
Information & Communications Technology	8,951	9,359	9,478	119	1.3%	20,194	20,194	-
Finance & Budget	707	737	780	43	5.5%	1,543	1,533	10
Accounting & Financial Reporting Services	2,789	3,111	3,347	236	7.1%	6,853	6,797	56
Internal Audit	507	564	697	133	19.1%	1,496	1,491	6
Office of Social Responsibility	531	679	753	74	9.9%	1,476	1,431	45
Police	10,535	10,418	11,351	933	8.2%	22,574	22,478	96
Contingency	48	53	300	247	82.2%	700	500	200
Total Expenses	**34,195**	**34,760**	**37,602**	**2,842**	**7.6%**	**76,535**	**75,862**	**673**

Corporate revenues were $90K favorable compared to budget due to higher operating grants.

Corporate expenses for the first six months of 2012 were $34.8 million, $2.8 million or 7.6% favorable compared to the approved budget and $565K or 1.7% higher than the same period a year ago. The $2.8 million favorable variance is due primarily to a combination of cost savings and timing differences between when the items are paid and when budgeted.

All corporate departments have a favorable variance except for:

- Labor Relations - unfavorable variance of $10K is due to Project Labor Agreement charging less to capital projects than originally anticipated.

Year-end spending is projected to be $673K under budget due primarily to:

- Risk Management vacant positions and lower insurance costs.
- Public Affairs vacant positions.
- Human Resources and Development vacant positions and credit from state for participating in the Commute Trip Reduction Program.
- Accounting and Financial Reporting Services vacant position and unbudgeted charges to capital for work performed on the Enterprise Cost Management Project (SKIRE.)
- Not anticipating to use all funds in Contingency.

D. CAPITAL SPENDING RESULTS

	($ Millions)
Annual Results:	
2012 Plan of Finance	$12.0
2012 Approved Budget	$11.7
2012 Estimated/Actuals	$9.6
Variance (App.Budget vs Est./Acts)	$2.1