ITEM NO:	7b_Attach_1_
DATE OF MEETING:	March 24, 2015

PORT OF SEATTLE

2014 FINANCIAL & PERFORMANCE REPORT

AS OF DECEMBER 31, 2014

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EXECUTIVE SUMMARY

Financial Summary

The Port's total operating revenues for 2014 were $535.0 million, $2.4 million below budget. Excluding Aeronautical revenues, which are based on cost recovery, other operating revenues were $309.8 million, $10.2 million above the budget and $17.7 million above 2013 actual primarily due to higher revenues from Rental Cars, Public Parking, Airport Dining and Retail, and Grain; partially offset by lower revenue from Container. Total operating expenses were $308.0 million, $15.4 million below budget mainly due to delayed hiring and vacant positions, less expense on outside services, and other budget savings. Operating income before depreciation was $227.0 million, $12.9 million above budget. Operating income after depreciation was $60.6 million, $11.0 million over budget. The Port-wide capital spending for 2014 was $183.9 million for the year, $115.3 million below budget.

Operating Summary

At the Airport, we had a record 37.5 million passengers in 2014. Enplanements were 7.7% higher than 2013 while landed weight was up 7.4% and air cargo was up 9.1%. For the Seaport division, TEU volume was 1.4 million, down 11.3% from 2013. Grain volume was at 3.6 million metric tons, up 168% from 2013. The 2013 cruise season included 824 thousand passengers and 179 sailings; passenger counts were 2% favorable to budget, but down 5% from 2013. For the Real Estate division, occupancy levels at Commercial Properties were at 93%, above the 92% target and above the Seattle market average of 92%. Fishermen's Terminal and Maritime Industrial Center were at 82% occupancy, above the 78% target. Recreational Marinas was at target occupancy of 96%.

Key Business Events

The Seattle and Tacoma port commissions approved an interlocal agreement outlining the framework of the Seaport Alliance and filed it with the Federal Maritime Commission in December 2014. The Port Commission approved a revised second development agreement with the City of Des Moines and an option/ground lease agreement with Panattoni Development Company for the Des Moines Creek Business Park. Sea-Tac Airport is the first airport in North America certified as reducing carbon emission by a world-wide independent program. While the Sustainable Airport Master Plan is still in progress, we completed the activity forecast and developed the terminal expansion concepts. The Port successfully launched the SODO Business Improvement District with the City of Seattle and SODO businesses and property owners; and we reached agreements with the Muckleshoot Indian Tribe and the Suquamish Tribe to return to the tribes Native American cultural materials. We also finalized a project list as part of the joint Freight Access Project and launched the Freight Master Plan with the City of Seattle, and successfully negotiated updates to the City of Seattle's Shoreline Master Plan.

Major Capital Projects

The Commission approved expansion of North Satellite Renovation & Expansion (NSAT) and use of General Contractor/Construction Manager (GC/CM) project delivery method for NSAT. Construction started for baggage system renovations and C Concourse vertical circulation improvements. The Commission also approved start of progressive design build team procurement and use of bridge for South Satellite (SSAT)-IAF connector in International Arrivals Facility (IAF) program. Runway 16C/34C replacement project was advertised for construction bids. Terminal 5 Berth Modernization Project completed 30% Design milestone. Terminal 117 and Terminal 91 clean-up projects were largely completed. We also completed Pier 69 Roof Replacement, Cargo 5 Hardstand, C60/61 baggage system, and new cell phone lot, among other projects. Finally, we reached settlement of Rental Car Facility contractor claims.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/14

INCOME STATEMENT

Report: Income Statement
As of Date: 2014-12-31

$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2013 $	%
Revenues:							
Aviation	414,011	405,983	404,320	1,663	0.4%	(8,028)	-1.9%
Seaport	99,070	95,854	101,226	(5,371)	-5.3%	(3,216)	-3.2%
Real Estate	31,392	32,717	31,703	1,014	3.2%	1,325	4.2%
Capital Development	26	21	-	21	0.0%	(5)	-19.6%
Corporate	479	398	155	243	156.9%	(80)	-16.8%
Total Revenues	**544,978**	**534,973**	**537,403**	**(2,430)**	**-0.5%**	**(10,005)**	**-1.8%**
Operating & Maintenance:							
Aviation	162,419	161,153	164,028	2,875	1.8%	(1,266)	-0.8%
Seaport	19,091	17,499	22,883	5,385	23.5%	(1,592)	-8.3%
Real Estate	35,200	37,557	39,312	1,755	4.5%	2,357	6.7%
Capital Development	14,554	14,335	16,532	2,196	13.3%	(219)	-1.5%
Corporate	75,725	77,471	80,637	3,166	3.9%	1,746	2.3%
Total O&M Costs	**306,989**	**308,015**	**323,391**	**15,377**	**4.8%**	**1,026**	**0.3%**
Operating Income Before Depreciation	**237,989**	**226,958**	**214,012**	**12,946**	**6.0%**	**(11,030)**	**-4.6%**
Depreciation	171,374	166,337	164,386	(1,952)	-1.2%	(5,037)	-2.9%
Operating Income after Depreciation	**66,614**	**60,621**	**49,627**	**10,994**	**22.2%**	**(5,993)**	**-9.0%**

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.

PORTWIDE FINANCIAL SUMMARY

$ in 000's	2013 YTD Actual	2014 Year-to-Date Actual	2014 Year-to-Date Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2013 $	%
Aeronautical Revenues	238,633	228,769	241,443	(12,674)	-5.2%	(9,864)	-4.1%
SLOA III Incentive	14,304	(3,576)	(3,576)	()	0.0%	(17,880)	-125.0%
Other Operating Revenues	292,041	309,780	299,536	10,244	3.4%	17,739	6.1%
Total Operating Revenues	544,978	534,973	537,403	(2,430)	-0.5%	(10,005)	-1.8%
Total Operating Expenses	306,989	308,015	323,391	15,377	4.8%	1,026	0.3%
NOI before Depreciation	237,989	226,958	214,012	12,946	6.0%	(11,030)	-4.6%
Depreciation	171,374	166,337	164,386	(1,952)	-1.2%	(5,037)	-2.9%
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I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/14

KEY PERFORMANCE METRICS

	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance Chg.	%	Incr (Decr) Change from 2013 Chg.	%
Enplanements (in 000's)	17,376	18,717	17,813	903	5.1%	1,340	7.7%
Landed Weight (lbs. in 000's)	20,949	22,500	20,802	1,699	8.2%	1,552	7.4%
Passenger CPE (in $)	11.88	11.49	12.68	1.19	9.4%	(0.4)	-3.3%
Container Volume (TEU's in 000's)	1,564	1,388	1,600	(212)	-13.3%	(177)	-11.3%
Grain Volume (metric tons in 000's)	1,351	3,618	2,200	1,418	64.5%	2,267	167.8%
Cruise Passenger (in 000's)	871	824	805	19	2.3%	(47)	-5.4%
Commercial Property Occupancy	91%	93%	92%	1%	1.1%	2.0%	2.2%
Shilshole Bay Marina Occupancy	96.5%	96.5%	96.4%	0.1%	0.1%	0.0%	0.0%
Fishermen's Terminal Occupancy	79.1%	83.4%	78.1%	5.3%	6.8%	4.3%	5.4%

CAPITAL SPENDING RESULTS

$ in 000's	2013 Actual	2014 Actual	2014 Budget	Budget Variance $	%
Aviation	108,841	155,970	237,320	81,350	34.3%
Seaport	5,673	10,489	27,858	17,369	62.3%
Real Estate	6,060	10,922	18,101	7,179	39.7%
Corporate & CDD	9,657	6,538	15,955	9,417	59.0%
TOTAL	130,231	183,919	299,234	115,315	38.5%

PORTWIDE INVESTMENT PORTFOLIO

During the fourth quarter of 2014, the investment portfolio earned 0.78% versus the benchmark’s (the Bank of America Merrill Lynch 1-3 Year US Treasury & Agency Index) 0.68%. Over the last twelve months the portfolio and the benchmark have earned 0.86% and 0.55%, respectively. Since the Port became its own Treasurer in 2002, the life-to-date earnings of the Port’s portfolio and the benchmark are 2.80% and 1.96%, respectively.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/14

FINANCIAL SUMMARY

$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2013 $	Incr (Decr) Change from 2013 %
Operating Revenues:							
Aeronautical Revenues	238,633	228,769	241,443	(12,674)	-5.2%	(9,864)	-4.1%
SLOA III Incentive Straight Line Adj (1)	14,304	(3,576)	(3,576)	(0)	0.0%	(17,880)	-125.0%
Non-Aeronautical Revenues	161,075	180,806	166,453	14,353	8.6%	19,731	12.2%
Total Operating Revenues	**414,011**	**405,999**	**404,320**	**1,679**	**0.4%**	**(8,012)**	**-1.9%**
Total Operating Expense	225,920	230,663	238,983	8,320	3.5%	4,743	2.1%
Net Operating Income	**188,092**	**175,336**	**165,337**	**9,999**	**6.0%**	**(12,755)**	**-6.8%**
Capital Expenditures	**108,841**	**155,970**	**237,320**	**81,350**	**34.3%**	**47,129**	**43.3%**

(1) For Accounting purposes, the 2013 reduction in the airline revenue requirement of $17.9 million was treated as a lease incentive and is being amortized over five years.

Division Summary 2014 Actuals vs 2014 Budget:

- Net Operating Income for 2014 is $10.0M higher than budget (6.0% favorable)
  - Operating Revenues is $1.7M higher than budget (0.4% favorable) – primarily due to higher Non-Aero revenue ($14.4M) driven by strong performance in all business units, particularly rental cars, public parking, and airport dining & retail. Non-Aero revenue growth is offset by the corresponding increase in revenue sharing that reduces Aeronautical revenue ($10.9M).
  - Operating Expenses are $8.3M lower than budget (3.5% favorable) – due to lower baseline expenses primarily from payroll savings ($3.7M), Outside Services savings ($2.0M), and lower charges from Corporate and CDD ($5.7M), partially offset by unanticipated capital to expense charges ($3.1M).

Division Summary 2014 Actuals vs 2013 Actuals:

- 2014 Net Operating Income is $12.8M lower than prior year (6.8% lower NOI)
  - 2014 Operating Revenues are $8.0M lower than prior year (1.9% lower) – primarily due to SLOA III incentive straight-line adjustment ($17.9M) and higher revenue sharing in 2014 that reduces Aeronautical revenue ($7.1M), partially offset by higher Non-Aero revenue ($19.7M) driven by strong performance in all business units, particularly rental cars, public parking, and airport dining & retail.
  - 2014 Operating Expenses are $4.7M higher than prior year (2.1% higher) – due to higher baseline expenses ($10.7M) particularly in payroll and outside services, higher capital to expense charges in 2014 ($2.6M), and higher charges from Corporate and CDD ($7.2M) primarily due to a 2014 change in allocation methodology, partially offset by higher costs in 2013 for airline realignment ($10.8M) and Lora Lake ERL expense ($4.9M).

A. BUSINESS EVENTS

- International Arrivals Facility – cost estimate updated and refined
- Sustainable Airport Master Plan – developed terminal expansion concepts
- Airport Dining & Retail program:
  - Presented leasing plan to Commission
  - Commission approved modifications to the prime operator leases in December
- Cargo 5 hardstand project completed, adding much needed aircraft parking positions

B. KEY PERFORMANCE METRICS

	2013	2014	% Change
Enplaned Passengers (000's)			
Domestic	15,604	16,824	7.8%
International	1,772	1,892	6.8%
Total	17,376	18,717	7.7%
Operations	317,186	340,478	7.3%
Landed Weight (million lbs.)			
Cargo	1,388	1,574	13.4%
All other	19,561	20,926	7.0%
Total	20,949	22,500	7.4%
Cargo - metric tons			
Domestic freight	155,868	161,140	3.4%
International freight	88,580	107,606	21.5%
Mail	48,262	50,612	4.9%
Total	292,710	319,358	9.1%

Key Performance Measures

	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2013 $	%
Performance Metrics							
Cost per Enplanement (CPE)	11.88	11.49	12.68	1.19	9.4%	(0.39)	-3.3%
O&M Cost per Enplanement	13.00	12.32	13.42	1.09	8.1%	(0.68)	-5.2%
Non-Aero Revenue per Enplanement	9.27	9.66	9.34	0.32	3.4%	0.39	4.2%
Debt per Enplanement	141	126	142	16	11.5%	(15)	-10.7%
Debt Service Coverage	1.33	1.38	1.30	0.09	6.6%	0.06	4.2%
Days cash on hand (10 months = 304 days)	437	405	309	95	30.8%	(32)	-7.4%
Aeronautical Revenue Sharing ($ in 000's)	9,901	16,996	6,136	10,859	177.0%	7,094	71.7%
Activity (in 000's)							
Enplanements	17,376	18,717	17,813	903	5.1%	1,340	7.7%

Notes:

- Reduction in CPE reflects lower airline costs due to higher revenue sharing (driven by increased non-airline revenues), and increased enplaned passengers.
- Improved debt service coverage compared to budget reflects both increased cash flow and lower debt service than budgeted due to refinancing that closed in December 2013.

C. OPERATING RESULTS

Division Summary

$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2013 $	Incr (Decr) Change from 2013 %
Operating Revenues:							
Aeronautical Revenues	238,633	228,769	241,443	(12,674)	-5.2%	(9,864)	-4.1%
SLOA III Incentive Straight Line Adj (1)	14,304	(3,576)	(3,576)	(0)	0.0%	(17,880)	-125.0%
Non-Aeronautical Revenues	161,075	180,806	166,453	14,353	8.6%	19,731	12.2%
Total Operating Revenues	**414,011**	**405,999**	**404,320**	**1,679**	**0.4%**	**(8,012)**	**-1.9%**
Operating Expenses:							
Payroll	92,688	95,871	99,562	3,691	3.7%	3,183	3.4%
Outside Services	25,414	29,565	31,603	2,038	6.4%	4,151	16.3%
Utilities	12,937	13,920	13,650	(270)	-2.0%	983	7.6%
Other Airport Expenses	14,384	16,742	16,526	(216)	-1.3%	2,359	16.4%
Baseline Airport Expenses	**145,423**	**156,098**	**161,341**	**5,243**	**3.2%**	**10,675**	**7.3%**
Airline Realignment (2)	10,995	184	237	54	22.5%	(10,811)	-98.3%
Environmental Remediation Liability	6,906	1,949	2,356	407	17.3%	(4,957)	-71.8%
Capital to Expense	483	3,126	-	(3,126)	n/a	2,643	547.8%
Total Exceptions to Baseline	**18,384**	**5,259**	**2,593**	**(2,665)**	**-102.8%**	**(13,125)**	**-71.4%**
Total Airport Expenses	**163,807**	**161,357**	**163,935**	**2,578**	**1.6%**	**(2,449)**	**-1.5%**
Corporate	35,533	40,759	43,140	2,381	5.5%	5,226	14.7%
Police Costs	16,581	16,514	16,982	468	2.8%	(67)	-0.4%
Capital Development/Other Expenses	9,999	12,032	14,926	2,894	19.4%	2,034	20.3%
Total Charges from Other Divisions	**62,113**	**69,305**	**75,048**	**5,743**	**7.7%**	**7,192**	**11.6%**
Total Operating Expense	**225,920**	**230,663**	**238,983**	**8,320**	**3.5%**	**4,743**	**2.1%**
Net Operating Income	**188,092**	**175,336**	**165,337**	**9,999**	**6.0%**	**(12,755)**	**-6.8%**
CFC Surplus	(4,594)	(6,497)	(4,623)	(1,874)	40.5%	(1,903)	41.4%
Net Non-Operating Items in / out from ADF (3)	1,353	2,614	2,331	283	12.2%	1,261	93.2%
SLOA III Incentive Straight Line Adj	(14,304)	3,576	3,576	0	0.0%	17,880	-125.0%
Debt Service	(127,831)	(127,239)	(128,738)	1,500	1.2%	592	-0.5%
Adjusted Net Cash Flow (4)	**42,716**	**47,791**	**37,883**	**9,908**	**26.2%**	**5,075**	**11.9%**

(1) For Accounting purposes, the 2013 reduction in the airline revenue requirement of $17.9 million was treated as a lease incentive and is being amortized over five years.

(2) Includes Airline Realignment costs incurred by other Divisions

(3) Per SLOA III definition of Net Revenues

(4) Cash flow available for revenue bond debt service

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/14

Operating Expenses – 2014 Actuals compared to 2014 Budget:

Total Operating Expenses are lower than the 2014 budget by $8.3 million due to the net of the following:

- Annual Baseline Operating Expenses are lower than budget by $5.2 million due to the following:

Positive Variance of $6.7M			Negative Variance of $1.5M		
Payroll vacancies		$3.7M	Outside Services		$1.0M
Outside Services		$3.0M	Janitorial contract	$0.5M	
Cargo building mgmt (sole tenant)	$0.5M		Centralized FIS operations	$0.5M	
Burien NERA 3 & FAA pilot	$0.5M				
Other Business Dev deferred	$0.4M		Utilities		$0.3M
Environmental Services savings	$0.4M		Other Aviation Divisional expenses		$0.2M
Noise consultant deferred	$0.1M				
Sustainable Airport Master Plan	$0.1M				
Other Outside Service savings	$1.0M				

- Annual Operating Expense Exceptions are higher than budget by $2.7 million due to the following:

Positive Variance of $0.4M		Negative Variance of $3.1M			
Environmental Remediation Liability	$0.4M	Capital Projects to Operating Expense			$3.1M
		Vertical Conveyance	(Aero)	$0.9M	
		South Sattelite HVAC	(Aero)	$0.8M	
		Low Voltage System	(Aero)	$0.5M	
		C4 UPS	(both - Allocated)	$0.3M	
		All other - Capital to Exp		$0.6M	

- Annual Operating Expense charges from Corporate and other divisions are lower than budget by $5.7 million due to the following:

Positive Variance of $6.6M			Negative Variance of $0.9M	
Corporate savings		$2.4M	CDD - PCS (eGSE & other Terminal)	$0.9M
AFR	$0.7M			
ICT	$0.4M			
Public Affairs	$0.4M			
Human Resources	$0.3M			
All other - Corp	$0.6M			
Police savings		$0.5M		
CDD & other		$3.8M		
Project Controls	$1.3M			
Engineering	$0.9M			
P-69 carpet (capitalized)	$0.8M			
CPO	$0.7M			
All other - CDD	$0.1M			

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/14

<u>Operating Expenses</u> – 2014 Actuals compared to Prior Year:

Total Operating Expenses increased in 2014 by $4.7 million due to the net of the following:

- Annual <u>Baseline</u> Operating Expenses increased in 2014 by $10.7 million due to the following:

Increase of $10.7M			Decrease - none significant
Payroll (includes 13 new FTE's in 2014)		$3.2M	
Outside Services		$4.2M	
Janitorial contract	$1.0M		
Centralized FIS operations	$1.2M		
Sustainable Airport Master Plan	$1.6M		
Outside Services (other)	$0.4M		
Utilities (nat.gas, electricity, water)		$1.0M	
Litigated Damages (increase reserve)		$0.9M	
Other Aviation Divisional expenses		$1.5M	

- Annual Operating Expense <u>Exceptions</u> decreased in 2014 by $13.1 million due to the following:

Increase of $2.6M			Decrease of $15.8M		
Capital Projects to Operating Expense		$2.6M	Airline Realignment (Aero)		$10.8M
Vertical Conveyance (Aero)	$0.9M		Environmental Remediation Liability		$5.0M
South Sattelite HVAC (Aero)	$0.8M		Lora Lake (Aero) ERL cost in 2013	$4.9M	
Low Voltage System (Aero)	$0.5M				
C4 UPS (both - Allocated)	$0.3M				
All other - Capital to Exp	$0.1M				

- Annual Operating Expense charges from Corporate and other divisions increased by $7.2 million in 2014, primarily due to a change in the default allocation methodology as of January 1, 2014 (discontinued 64% ceiling on allocations to the airport):

Increase of $7.3M			Decrease of $0.1M	
Corporate		$5.2M	Police - lower charges in 2014	$0.1M
ICT	$1.1M			
AFR	$0.5M			
Executive	$0.5M			
Public Affairs	$0.5M			
All other - Corporate	$2.6M			
CDD & other		$2.0M		
PCS (eGSE & Terminal)	$1.1M			
P-69 and other RE Div	$0.4M			
Engineering	$0.2M			
All other - CDD	$0.3M			

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/14

Aeronautical Business Unit Summary

$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2013 $	Incr (Decr) Change from 2013 %
Revenues:							
Movement Area	77,028	75,784	74,590	1,195	1.6%	(1,244)	-1.6%
Apron Area	7,909	11,569	10,214	1,355	13.3%	3,660	46.3%
Terminal Rents	147,339	142,001	144,641	(2,640)	-1.8%	(5,338)	-3.6%
Federal Inspection Services (FIS)	7,771	9,205	8,617	588	6.8%	1,434	18.5%
Total Rate Base Revenues	**240,047**	**238,559**	**238,063**	**497**	**0.2%**	**(1,488)**	**-0.6%**
Commercial Area	8,487	8,133	9,517	(1,384)	-14.5%	(354)	-4.2%
Subtotal before Revenue Sharing	**248,534**	**246,692**	**247,580**	**(887)**	**-0.4%**	**(1,842)**	**-0.7%**
Revenue Sharing	(9,901)	(16,996)	(6,136)	(10,859)	-177.0%	(7,094)	71.7%
Other Prior Year Revenues	-	(927)	-	(927)	0.0%	(927)	0.0%
Total Aeronautical Revenues	**238,633**	**228,769**	**241,443**	**(12,674)**	**-5.2%**	**(9,864)**	**-4.1%**
Total Baseline	98,643	108,001	111,074	3,073	2.8%	9,359	9.5%
Total Exceptions to Baseline	17,350	4,480	1,759	(2,720)	-154.6%	(12,871)	-74.2%
Total Charges from Other Divisions	35,786	37,526	39,916	2,391	6.0%	1,739	4.9%
Total Aeronautical Expenses	**151,779**	**150,007**	**152,750**	**2,743**	**1.8%**	**(1,773)**	**-1.2%**
Net Operating Income	**86,853**	**78,763**	**88,693**	**(9,931)**	**-11.2%**	**(8,091)**	**-9.3%**
Debt Service	(81,397)	(82,029)	(82,234)	205	0.2%	(633)	0.8%
Net Cash Flow	**5,457**	**(3,267)**	**6,459**	**(9,726)**	**-150.6%**	**(8,724)**	**-159.9%**

Aeronautical Budget Variance

- Aeronautical net operating income is $9.9M lower than budget
  - Aeronautical revenue is $12.7M lower than budget - primarily due to higher revenue sharing from Non-Aero revenue growth ($10.9M), lower revenue in the commercial area ($1.4M), and prior year revenue adjustment ($0.9M).
  - Aeronautical operating expenses are $2.7M lower than budget:
    - Baseline expenses - $3.1M lower than budget due to savings from payroll vacancies and deferred outside services spending, partially offset by higher than anticipated costs for centralized FIS operations ($0.5M) and Aero share of higher janitorial expense ($0.4M).
    - Exceptions to Baseline - $2.7M higher than budget due to capital to expense ($2.4M) and ERL ($0.4M), partially offset by lower than anticipated airline realignment costs ($0.1M).
    - Charges from other divisions - $2.4M savings identified by Corporate & CDD departments.

Aeronautical Year Over Year Changes

- Aeronautical net operating income is $8.1M lower than prior year
  - Aeronautical revenues in 2014 are $9.9M lower than 2013:
    - Revenue sharing higher due to increase in Non-Aero revenue ($7.1M)
    - Reduction in the revenue requirement due to operating expense savings ($1.5M)
    - Prior year revenue adjustment ($0.9M)
  - Aeronautical operating expenses in 2014 are $1.8M lower than 2013:
    - Baseline - $9.4M higher in 2014 due to payroll increases including additional FTE's in 2014, higher terminal building costs (Aero share $3.7M), centralized FIS management newly implemented in 2014 ($1.2M), increased allocation of Roadway costs ($1.9M), and year-over-year change in reserve for Litigated Damages ($0.9M).

- Exceptions to Baseline costs decreased by $12.9M in 2014 – due to higher airline realignment costs ($10.8M) and Lora Lake ERL costs ($4.9M) in the prior year, partially offset by higher capital to expense costs in 2014 ($2.2M).
- Charges from other divisions - $1.7M higher than prior year.

Non-Aero Business Unit Summary

$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2013 $	Incr (Decr) Change from 2013 %
Non-Aero Revenues							
Rental Car	39,839	46,104	41,167	4,937	12.0%	6,265	15.7%
Public Parking	52,225	57,128	52,138	4,990	9.6%	4,903	9.4%
Ground Transportation	7,958	8,333	7,881	451	5.7%	374	4.7%
Airport Dining & Retail	41,551	46,954	43,714	3,240	7.4%	5,403	13.0%
Other	19,502	22,287	21,553	734	3.4%	2,786	14.3%
Total Non-Aero Revenues	**161,075**	**180,806**	**166,453**	**14,353**	**8.6%**	**19,731**	**12.2%**
Non-Aero Expenses							
Total Baseline	46,780	48,097	50,267	2,170	4.3%	1,317	2.8%
Total Exceptions to Baseline	1,033	779	834	55	6.6%	(254)	-24.6%
Total Charges from Other Divisions	26,327	31,780	35,131	3,352	9.5%	5,453	20.7%
Total Non-Aero Expenses	**74,140**	**80,656**	**86,233**	**5,577**	**6.5%**	**6,516**	**8.8%**
Net Operating Income	**86,934**	**100,150**	**80,220**	**19,930**	**24.8%**	**13,216**	**15.2%**
Less: CFC Surplus	(4,594)	(6,497)	(4,623)	1,874	40.5%	(1,903)	41.4%
Adjusted Non-Aero NOI	**82,340**	**93,653**	**75,597**	**18,056**	**23.9%**	**11,313**	**13.7%**
Debt Service	(46,434)	(45,209)	(46,504)	1,295	2.8%	1,225	2.6%
Net Cash Flow	**35,906**	**48,443**	**29,093**	**19,350**	**66.5%**	**12,538**	**34.9%**

Non-Aero Budget Variance

- Non-Aeronautical net operating income is $19.9M higher than budget
  - Non-Aeronautical revenues are $14.4M higher than budget - due to strong performance in all business units.
  - Non-Aeronautical operating expenses are $5.6M lower than budget:
    - Baseline expenses - $2.2M lower than budget due to savings from payroll and deferred outside service spending.
    - Exceptions to Baseline – less than $0.1M. Unanticipated capital to expense costs offset by savings in budgeted ERL costs.
    - Charges from other divisions - $3.4M savings identified by Corporate & CDD departments.

Non-Aero Year over Year Changes

- Non-Aeronautical net operating income is $13.2M higher than prior year.
  - Non-Aeronautical revenues in 2014 are $19.7M higher than 2013 – due to strong performance in all business units.
  - Non-Aeronautical operating expenses in 2014 are $6.5M higher than 2013:
    - Baseline expenses - $1.3M higher than prior year due to payroll increases including additional FTE’s in 2014, higher terminal building costs (Non-Aero share $1.0M).

- Exceptions to Baseline - $0.3M lower than prior year due to 2013 costs for Rental Car and Non-Aero share of ERL terminal projects.
- Charges from other divisions - $5.5M higher than prior year partially due to revision of default aviation allocation methodology in 2014 to include RCF bus driver FTE's (previously excluded), which resulted in an increased share of allocated costs to Non-Aero in 2014.

D. CAPITAL RESULTS

Capital Variance

$ in 000's **Description**	**2014 Actual**	**2014 Budget**	**Budget Variance $**	**%**
Rental Car Fac. Construction [1]	13,207	1,998	(11,209)	-561.0%
International Arrivals Fac-IAF [2]	5,688	16,000	10,312	64.5%
GSE Electrical Chrg Stations [3]	2,041	12,000	9,959	83.0%
Aircraft RON Parking USPS Site [4]	25,488	33,000	7,512	22.8%
Single Family Home Sound Insul [5]	1,750	5,972	4,222	70.7%
NS Conc C Vertical Circulation	7,070	9,287	2,217	23.9%
NS NSAT Renov NSTS Lobbies	6,524	8,127	1,603	19.7%
Highline School Insulation	11,365	11,360	(5)	0.0%
All Other	82,837	139,576	56,739	40.7%
Total Spending	**155,970**	**237,320**	**81,350**	**34%**

[1] $12.4 million settlement with the Rental Car Facility contractor occurred in Q3 2014. Project still came in under budget.
[2] Baseline cash flow was developed very early in the program definition phase.
[3] Port was planning on purchasing the chargers in 2014, but decided to include it in the contractor's scope that will occur in 2015.
[4] Project realized savings of $5 million, combined with cash flow timing later than expected.
[5] Realized project savings of $3 million. Number of applications received from homeowners has been less than anticipated.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/14

FINANCIAL SUMMARY

$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2013 $	Incr (Decr) Change from 2013 %
Revenues:							
Operating Revenue	99,628	96,272	101,553	(5,281)	-5%	(3,356)	-3%
Security Grants	0	0	0	0	NA	0	NA
Total Revenues	**99,628**	**96,272**	**101,553**	**(5,281)**	**-5%**	**(3,356)**	**-3%**
Total Operating Expenses	**44,379**	**37,613**	**43,926**	**6,314**	**14%**	**(6,767)**	**-15%**
Net Operating Income	**55,249**	**58,659**	**57,626**	**1,033**	**2%**	**3,410**	**6%**
Capital Expenditures	**5,673**	**10,489**	**27,858**	**17,369**	**62%**	**4,816**	**85%**

- Total Seaport Division Revenues were ($5,281K) unfavorable as a result of an unfavorable variance in Container revenues ($8,135K) due primarily to the closure of Terminal 5 at the end of July. This was partially offset by favorable revenue variances in all other business lines.
- Total Operating Expenses were $6,314K favorable mainly due to lower than budget spending on the Terminal 5 Maintenance Dredge project and delays in the Terminal 91 Maintenance Dredge and Terminal 18 IHI Crane Removal projects. In addition, Operating Environmental Remediation Liability expense was below budget as these types of costs, expected in association with the Terminal 5 Maintenance Dredge project, were recognized in late 2013.
- Net Operating Income for 2014 was $1,033K favorable to budget and $3,410K above 2013 Actual.
- Total Capital Spending for 2014 was $10.5 million or 38% of the Approved Annual Budget.

A. BUSINESS EVENTS

- TEU volumes for the Seattle Harbor were down 11.3% in 2014 compared to 2013 levels. 2014 volume was 1,387,539 TEUs. Full inbound TEUs were down 14.7%, full outbound TEUs were down 13.43, empty inbound TEUs were down 11.6%, and empty outbound TEUs were up 18.0%.
- Consolidated West Coast Port results for 2014 showed an overall TEU volume increase of 3.1% compared to volumes in 2013. On a regional basis, LA/Long Beach was up 3.8%, Metro Vancouver/Prince Rupert was up 5.0%, and Seattle/Tacoma was down (0.8%).

TEU Volume (in 000's)	2014	2013	TEU Change	% Change
Long Beach	6,821	6,731	90	1.3%
Los Angeles	8,340	7,869	471	6.0%
Oakland	2,394	2,347	48	2.0%
Portland	165	178	(14)	-7.6%
Prince Rupert	618	536	82	15.2%
Seattle	**1,388**	**1,564**	**(177)**	**-11.3%**
Tacoma	2,040	1,892	148	7.8%
Vancouver	2,913	2,825	87	3.1%
West Coast - Totals:	**24,679**	**23,942**	**736**	**3.1%**

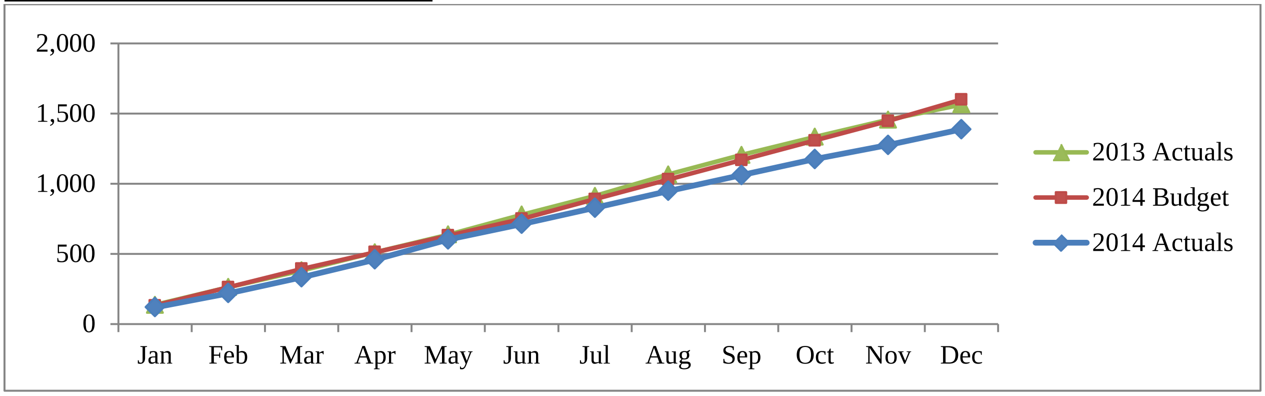
- The Seattle and Tacoma port commissions announced plans to form a Seaport Alliance to unify management of the two ports' marine cargo terminals and related functions in order to strengthen the Puget Sound gateway and attract more marine cargo for the region. The two commissions approved an interlocal agreement outlining the framework of an alliance and filed it with the Federal Maritime Commission. The interlocal agreement went into effect in December 2014, beginning a four month period of due diligence.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/14

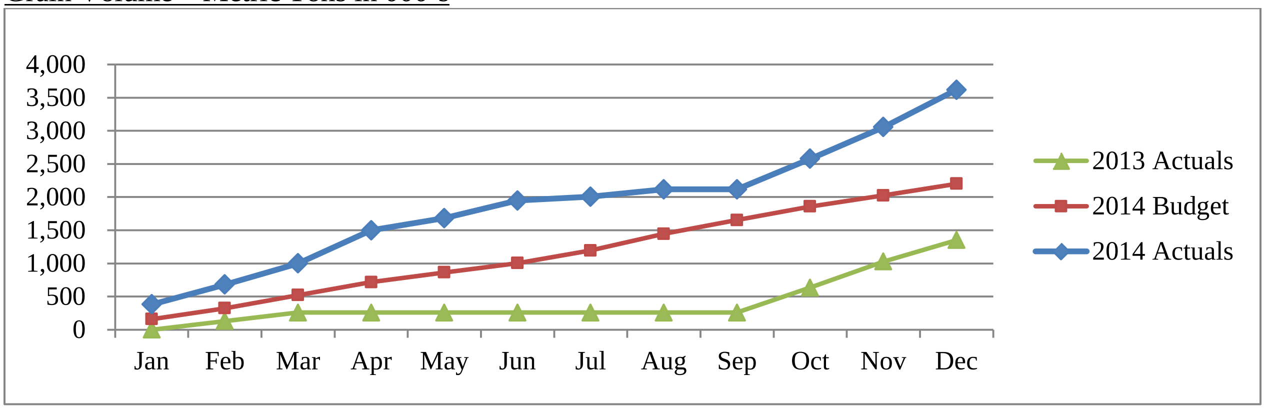
- It was announced that the Port of Seattle will receive a $20 million federal grant for the Terminal 46 Modernization project under the Transportation Investment Generating Economic Recovery (TIGER) grants program.
- The U.S. Army Corps of Engineers and the Port of Seattle signed an agreement moving forward with a $3 million cost-shared feasibility study to investigate potential deepening alternatives for navigation channels in the East and West Waterways.
- Eagle Marine Services (EMS), the Port's tenant at Terminal 5, informed the Port that new rotations planned for the G6 would have ships too large to call at Terminal 5. Commission approved design funding for the modernization of T-5 for big ships. The EMS termination agreement was approved by the Port's Commission in July. Under the terms of the agreement, Eagle Marine shifted volume to Terminal 18 and guaranteed volume of 150,000 lifts and 50 vessel calls per year for 10 years. The Port will also receive payment guarantee of $9 million a year for 10 years. Terminal 5 closed at the end of July.
- Grain vessels shipped 3.618 million metric tons of grain (yellow soybeans and yellow corn) through Terminal 86 in 2014. Amount was over two and half times greater than 2013 volumes and 64% favorable to 2014 Budget volume.
- Cruise:
  - The 2014 cruise season was strong with a total of 823,780 passengers and 179 sailings. Passenger counts were 2% favorable to budget, but down 5% from 2013.
  - On average, ships sailed at 107% of capacity which exceeded budgeted occupancy of 104%.
- Environmental Services and Planning:
  - Terminal 117 and Terminal 91 clean-up projects largely completed.
  - $7.9 million in clean-up project costs were recovered from grants and insurance in 2014.
  - Since the launch in May, 64 drayage trucks have been replaced with model-year 2007 or newer engines and an additional 92 trucks have been approved for replacement under the Seaport Truck Scrappage and Replacements for Air in Puget Sound (ScRAPS) 2 program.
  - Washington Ports/tenants "all known available and reasonable treatment" (AKART) study for stormwater management at marine terminals completed and released for public comment.
  - Executed Memorandum of Understanding with City of Seattle for 10 year seismic waiver on dock upgrades (Industrial Development Pilot Project).
  - The Terminal 5 industrial stormwater permit was transferred from Eagle Marine Services to the Port.
  - The Port of Seattle Stormwater Utility was approved by Commission in 2014 and legally established on January 1, 2015.

B. KEY INDICATORS

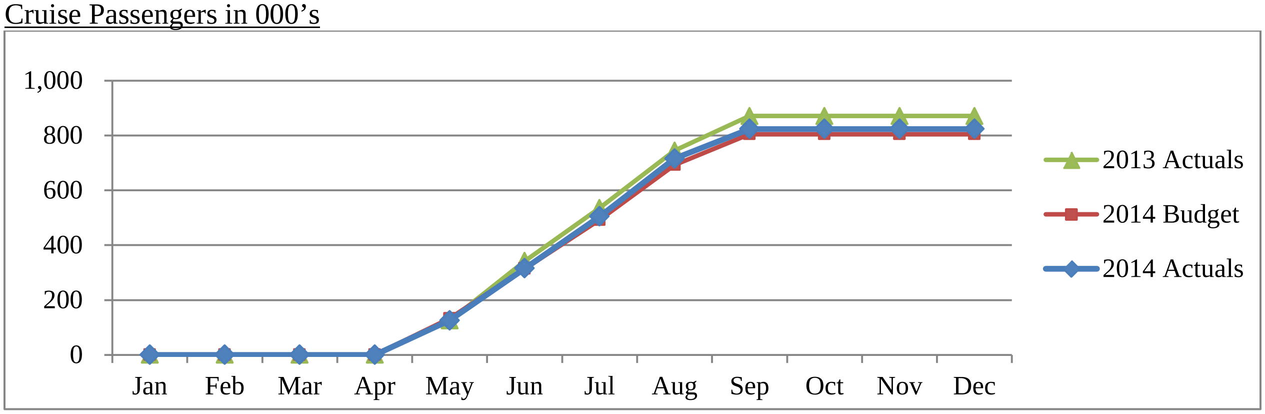
Container Volume – TEU's in 000's



Grain Volume – Metric Tons in 000's



Cruise Passengers in 000's



Net Operating Income before Depreciation by Business

$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) 2014 Bud Var $	%	Incr (Decr) Change from 2013 $	%
Containers	42,135	39,786	44,718	(4,933)	-11%	(2,349)	-6%
Grain	409	3,073	1,535	1,538	100%	2,664	652%
Seaport Industrial Props	7,376	9,343	8,120	1,223	15%	1,967	27%
Cruise	7,123	6,614	5,592	1,022	18%	(509)	-7%
Maritime Operations	224	(7)	(397)	390	98%	(231)	-103%
Security	(770)	(528)	(763)	235	31%	242	31%
Env Grants/Remed Liab/Oth	(1,249)	378	(1,180)	1,558	132%	1,627	130%
Total Seaport	55,249	58,659	57,626	1,033	2%	3,410	6%

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/14

C. OPERATING RESULTS

$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Bud Variance $	%	Incr (Decr) Change from 2013 $	%
Operating Revenue	99,628	96,272	101,553	(5,281)	-5%	(3,356)	-3%
Security Grants	0	0	0	0	NA	0	NA
Total Revenues	**99,628**	**96,272**	**101,553**	**(5,281)**	**-5%**	**(3,356)**	-3%
Seaport Expenses (excl env srvs)	14,257	14,602	17,812	3,210	18%	345	2%
Environmental Services	2,269	2,119	2,581	462	18%	(150)	-7%
Maintenance Expenses	6,317	6,135	6,637	502	8%	(182)	-3%
P69 Facilities Expenses	510	407	414	6	2%	(102)	-20%
Other RE Expenses	289	316	386	70	18%	26	9%
CDD Expenses	3,575	1,827	2,190	363	17%	(1,749)	-49%
Police Expenses	4,169	4,161	4,286	125	3%	(7)	0%
Corporate Expenses	11,722	8,423	8,440	17	0%	(3,299)	-28%
Security Grant Expense	23	0	0	0	NA	(23)	-100%
Envir Remed Liability	1,248	(378)	1,180	1,558	132%	(1,626)	-130%
Total Expenses	**44,379**	**37,613**	**43,926**	**6,314**	**14%**	**(6,767)**	**-15%**
NOI Before Depreciation	**55,249**	**58,659**	**57,626**	**1,033**	**2%**	**3,410**	**6%**
Depreciation	34,832	33,154	32,816	(337)	-1%	(1,678)	-5%
NOI After Depreciation	**20,417**	**25,505**	**24,810**	**695**	**3%**	**5,088**	**25%**

Seaport Division Revenues were ($5,281K) unfavorable to budget. Key variances are as follows:

Seaport Lease & Asset Management - unfavorable ($5,761K)

- Containers were ($8,135K) unfavorable. Terminal 5 revenue was unfavorable ($6,389K) due to closure of the facility at the end of July and lower than budgeted revenue prior to closure. The variance was made up of a combination of Space and Preferential Use Rent ($7,470K), Crane Rent ($2,268K), Intermodal Revenue ($382K), and Sale of Utilities Surface Water ($228K). Unfavorable amounts were partially offset by recognition of five months of lease termination fee $3,750K. Terminal 18 revenue was unfavorable ($1,774K) primarily due to no usage of Port MHI cranes and no required minimum annual guarantee for crane usage ($1,871K) slightly offset by smaller favorable revenue items. Terminals 46 and 30 were effectively on budget.
- Grain was $1,419K favorable due to volume coming in 64% favorable to budget.
- Seaport Industrial Properties were $955K favorable due to Dockage, Wharfage, and Service and Facilities revenue at Terminal 18 Bulk terminals coming in $337K favorable due to higher than budgeted petroleum vessel calls and volume. Space Rental was $516K favorable due to retroactive catch-up of market rate adjustment at T115 cold storage $174K and higher occupancies at Terminal 104 $128K, Terminal 25 South $171K and Terminal 10 $123K. Favorable amounts were slightly offset by Crowley not renewing their lease at Terminal 18 Industrials ($56K).

Cruise and Maritime Operations - favorable $480K

- Cruise was $288K favorable due to higher passenger counts compared to budget. The overall occupancy rate of vessels was 107% versus a budget of $104%.
- Maritime Operations were $192K favorable primarily due to higher Wharfage revenue tied to the unloading of fish.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/14

Total Seaport Division Expenses were $6,314K favorable to budget. Key variances are as follows:

- **Seaport Expenses** (excluding Environmental Services) were $3,210K favorable to budget. Major variances were as follows:
  - **Salaries & Benefits** were $393K favorable due to open positions during the year in Seaport Finance, Commercial Strategy and Environmental Services as well as due to the transfer of Director of Seaport Security to a new position in the Aviation Division.
  - **Utilities** were $(212K) unfavorable due to electricity expense at Terminal 5 that is now paid by the Port ($159K) as well as due to overstatement of year-end accrual due to a system problem ($70K). Over accrual will be corrected prior to final audited results.
  - **Outside Services** were $3,032K favorable due to favorable variances associated with the Terminal 5 Maintenance Dredging $1,130K, Terminal 91 Maintenance Dredging $1,018K, and the Terminal 18 IHI Crane Removal $1,200K projects. The Terminal 5 project was completed in the 1st quarter, with the project coming in under budget and a higher percent of the project being attributed to environmental remediation expense. The Terminal 91 project and the Terminal 18 project have been delayed and are expected to take place in 2015. Amounts are partially offset by unplanned Watchmen costs at Terminal 5 ($98K) and a broker fee in connection with a new lease at Terminal 25 South ($124K).
  - **Travel & Other Employee Expenses** were $215K favorable due to less traveling due to priorities associated with the Seaport Alliance as well as due to open positions.
  - **General Expenses** were ($112K) unfavorable primarily due to Litigated Injuries & Damages ($286K) primarily as a result of an unexpected legal action filed by the Puget Soundkeeper Alliance. Amount is largely offset by favorable variance in Agency Permits $143K due to change in the accounting for street vacation fees. The fees are now being amortized on a monthly basis rather than being expensed when paid.
  - **Capital to Expense** was ($127K) unfavorable due to expensing of amounts previously capitalized for work on the Terminal 30 Street Vacation project. Project has been postponed indefinitely so costs no longer meet capitalization requirements.
- **Environmental Services** were favorable $462K mainly due to amounts associated with outside services including permitting costs and the Air Program. More of the permitting work was related to capital projects than assumed in the budget and the Air Program required less support by outside consultants than anticipated in the budget.
- **Maintenance** costs, direct and allocated, were favorable $502K due to a delay in start of work for railroad track repairs at Terminal 91 and amounts budgeted to support the Seattle Fire Department relocation to Pier 90 and the sale of the West Yard that were not needed. Later than budgeted start of work for under pier beam and knuckle painting at the Bell Street Cruise Terminal also contributed to the favorable variance as did other Cruise and Container related projects. Overall favorable variance related to Cruise projects was $299K and related to Container projects was $111K.
- **CDD** costs, direct and allocated, were favorable $363K due to lower spending by Central Procurement and more worked charged to capital by Seaport Project Management and Engineering. Favorable variances were slightly offset by unexpected work performed by PCS including raising a manhole near Terminal 18.
- **Police** costs, direct and allocated, were favorable $125K due to lower spending by the Police Department.
- **Corporate** costs, direct and allocated, were favorable $17K due to lower than anticipated direct charges and allocations from most Corporate groups including Accounting and Financial Reporting $129K, Executive $119K, Information and Communication Technology $83K, Commission Office $52, Public Affairs $52K, and Human Resources $51K. Amounts were partially offset by unfavorable variances for Legal ($360K) and Portwide Contingency ($136K) relating to lease negotiations, WPPA membership, and the Seaport Alliance.
- **Environmental Remediation Liability** operating expense was $1,558K favorable due to no spending in the year for upland dredge disposal and reversal of earlier estimated costs associated with the Terminal 5 maintenance dredge project.
- **All other** variances net to favorable $77K or .2 % of budget.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/14

NOI before Depreciation was $1,033K favorable to budget.

- Depreciation was ($337K) unfavorable, representing a variance of (1.0%).

NOI after Depreciation was $695K favorable to budget.

Change from 2013 Actual

Net Operating Income (NOI) before Depreciation for 2014 increased by $3,410K from 2013 due to lower revenue and lower expenses.

Revenue decreased by ($3,356K) from the prior year due to lower Container revenue ($6,145K) primarily due to closure of Terminal 5 and lower usage of cranes and intermodal yard prior to closure ($6,724K) as well as due to lower usage of tariff cranes at Terminal 18 ($307K). These amounts were partially offset by increase in space rental due to the increase in the Minimum Annual Guarantee per acre rate $682K. Cruise revenue decreased by ($223K) due to a slight decrease in vessel calls and passengers and Maritime Operations revenue decreased ($247K) primarily because of the lower activity at Terminal 91. Lower revenues in these areas were partially offset by higher Grain revenue $2,151K resulting from higher volumes in 2014 and higher Seaport Industrial Properties revenue $1,138K because of higher occupancies and year-over-year rate increases as well as increased volume from the Terminal 18 Bulk Terminal.

Expenses, direct and allocated, decreased by a net of ($6,767K) as a result of a decrease in Corporate expenses ($3,299K), CDD expenses ($1,749K) and in Operating Environmental Remediation Liability ($1,626K) and a slight increase in Seaport originated expenses $345K. Corporate expenses were down primarily due to lower allocation percentages to the Seaport Division effective with the 2014 Budget. CDD expenses were down due to the T115 Waterline and Pavement Repair, T5 Maintenance Dredge and Viaduct related projects in 2013 and due to lower allocation percentages to Seaport effective with the 2014 Budget. Operating Environmental Remediation Liability expense decreased due to reserves established for the Terminal 5 and Terminal 91 Maintenance Dredge projects in 2013 some of which were reversed in 2014. The slight increase in Seaport originated expenses was primarily due to higher utility expenses $595K led by surface water (rate increase) and electricity expense (Port now responsible for Terminal 5 electricity) as well as due to a net increase in expensing of former capitalized costs $133K resulting from the deferral of the Alaskan Way street vacation project. These increases were partially offset by lower outside service costs associated with the Terminal 5 Maintenance Dredge project ($638K) and increases associated with the Terminal 91 Maintenance Dredge project $122K, a broker fee for a new lease at Terminal 25 South $124K, and watchmen costs at the vacant Terminal 5 $98K. There was also a net decrease in Salaries and Benefits ($102) resulting from open positions.

D. CAPITAL SPENDING RESULTS

$ in 000's	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance $	%
Terminal 46	3,171	9,850	6,679	68%
Contingency Renewal & Replacement	0	5,000	5,000	100%
Pier 90 Building C175 Roof Replacement	1,593	2,313	720	31%
Cruise	1,204	2,145	941	44%
North Argo Express - Private Road	748	1,610	862	54%
Terminal 5 Berth Modernization	1,226	1,000	(226)	-23%
Terminal 91 Lighting Upgrade	863	956	93	10%
Terminal 18 Dock Rehabilitation	91	800	709	89%
Small Projects	335	747	412	55%
Security	245	684	439	64%
All Other	1,013	2,753	1,740	63%
Total Seaport	10,489	27,858	17,369	62%

Comments on Key Projects:
Seaport Division spent 38% of the 2014 Annual Approved Capital Budget.

Projects with significant changes in spending were:

- **Terminal 46**
  - **Terminal 46 Development** – Final phase of the stormwater project is postponed to 2017-2018. Timing of other projects modified due to Tiger grant.
  - **Terminal 46 Public Access Mitigation at T117 -** Construction schedule has been delayed due to pending resolution with Trustee.
- **Contingency Renewal & Replacement** – No spending of contingency needed.
- **Terminal 5 Berth Modernization -** Annual variance reflects accelerated design/permit schedule.
- **Terminal 18 Dock Rehabilitation -** Delay to 2016 due to reprioritization of projects.
- **All Other** budget variance of $1,740K is the result of the combination of pushing back the start date of various projects, no utilization of technology or preliminary planning budgets and delays in the purchase of fleet assets.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/14

FINANCIAL SUMMARY

$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2013 $	%
Revenues:							
Operating Revenue	30,862	32,313	31,376	937	3%	1,451	5%
Total Revenues	**30,862**	**32,313**	**31,376**	**937**	**3%**	**1,451**	**5%**
Total Operating Expenses	**35,262**	**38,410**	**39,320**	**910**	**2%**	**3,148**	**9%**
Net Operating Income	**(4,399)**	**(6,096)**	**(7,944)**	**1,847**	**23%**	**(1,697)**	**-39%**
Capital Expenditures	**6,060**	**10,922**	**18,101**	**7,179**	**40%**	**4,862**	**80%**

- Total Real Estate Division Revenues were $937K or about 3% favorable to budget for the year due to at or above budget revenue for all Real Estate business groups except for Commercial Properties which has been impacted by lower occupancies than budgeted at World Trade Center West and Terminal 102 Harbor Marina Corporate Center. The Conference and Event Center revenue exceeded budget by $825K, a 10% favorable variance.
- Total Operating Expenses were $910K or 2% favorable due to lower spending than budgeted across the board except for an unfavorable litigation reserve variance ($835K) related to the Eastside Rail Corridor and unfavorable Conference and Event Center expense as a result of increased activity (see revenue variance discussed above).
- Net Operating Income year-to-date for 2014 was $1,847K favorable to budget and ($1,697K) below 2013 Actual.
- Capital spending for 2014 came in at $10.9 million or 60% of the Approved Annual Budget amount of $18.1 million.

A. BUSINESS EVENTS

- Occupancy levels at Commercial Properties were at 93% at the end 2014, which was above the 92% target for the 2014 Budget and above statistics for the local market of 92%.
- Conference and Event Center activity exceeded budget for the year in both revenue and net income making a significant comeback from first quarter results. The success is attributed to new marketing staff.
- Recreational marinas averaged 96% moorage occupancy for the year which was at the target of 96% and matched results achieved in 2013.
- Fishermen’s Terminal and Maritime Industrial Center averaged 82% moorage occupancy for the year which was above the target of 78% and above 2013 results of 78%.
- In connection with the departure of the Director of Harbor Services, the Real Estate Division was reorganized. The Harbor Services group was combined in with the Portfolio and Asset Management group which will enable the water and land sides of key facilities such as Fishermen’s Terminal and Shilshole Bay Marina to report up to a single senior manager position and to be reported on as a single asset. While the reorganization was initiated and advanced in 2014, it was/will first be reflected in management reports during the 2015 Operating Budget process and with the 2015 Performance Reports.
- Real Estate Development and Planning
  - In June, the Port Commission approved a revised second development agreement with the City of Des Moines and an option/ground lease agreement with Panattoni Development Company for the Des Moines Creek Business Park.

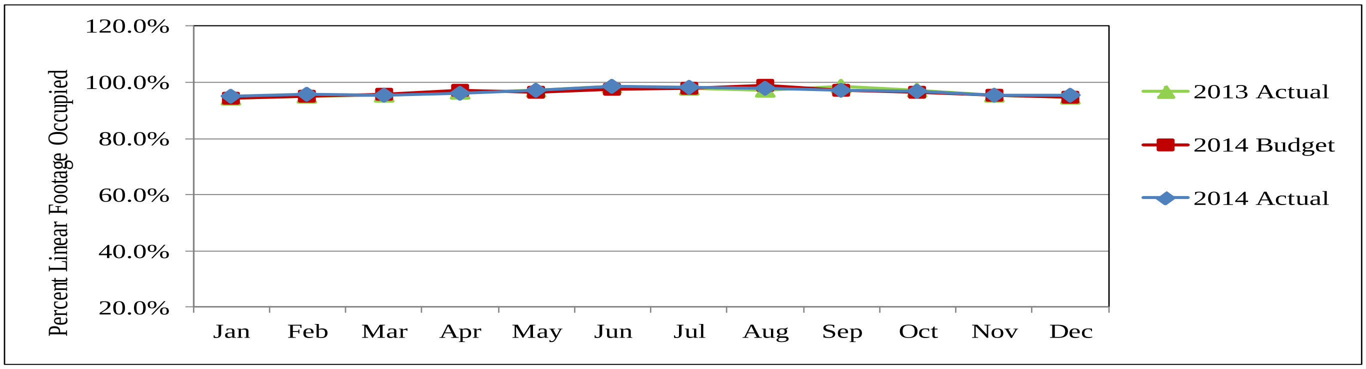
IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/14

  - In September, the Port Commission approved an Option to Ground Lease Agreement with Credit Lease Investments, LLC for the Federal Aviation Administration office project on the 28th Avenue South and South 200th Street site in the City of SeaTac.
  - In November, a purchase and sale agreement with TRF Pacific was executed to sell the Tsubota Steel site.
- Eastside Rail Corridor
  - Commission authorized the sale of an approximately 12 mile section of the corridor to Snohomish County. Sale is scheduled to close in 2015.
  - Port is in discussions to sell last remaining, approximately 3 mile section, to the City of Woodinville.
  - Washington State Court of Appeals affirmed trial court's dismissal of all substantive claims in Lane case.
  - A group of Eastside property owners filed a lawsuit against the Port disputing the Port's authority to grant an easement to Puget Sound Energy on the southern section of the Eastside Rail Corridor. The group is suing to keep Puget Sound Energy from building power lines along the corridor.

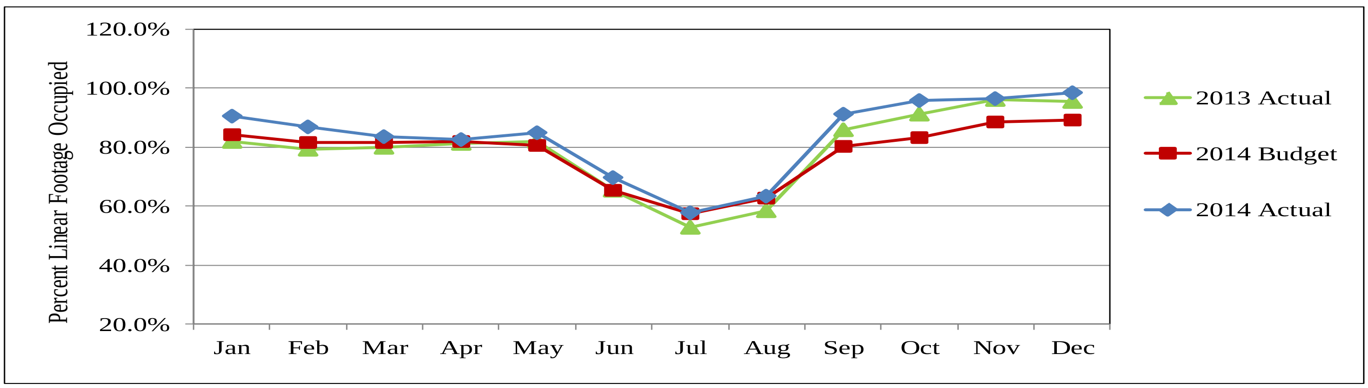
IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/14

B. KEY INDICATORS

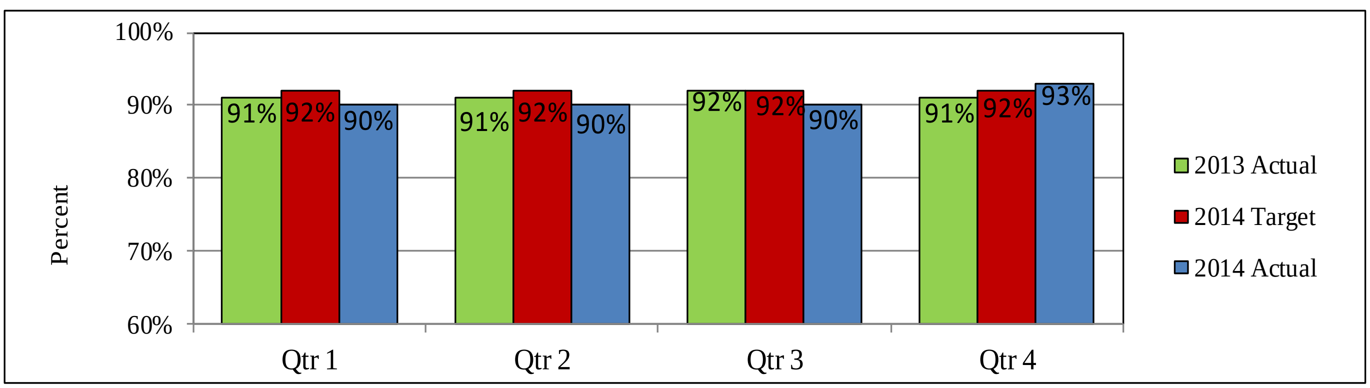
Shilshole Bay Marina Moorage Occupancy



Fishermen's Terminal Moorage Occupancy



Commercial Buildings



Net Operating Income before Depreciation by Business

$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) 2014 Bud Var $	%	Incr (Decr) Change from 2013 $	%
Recreational Boating	1,070	1,080	711	369	52%	10	1%
Fishing & Commercial	(2,860)	(3,443)	(4,035)	592	15%	(583)	-20%
Commercial Properties	(2,371)	(2,936)	(3,334)	398	12%	(565)	-24%
Conference & Event Centers	1,032	1,061	741	320	43%	29	3%
Eastside Rail	(536)	(1,259)	(401)	(858)	-214%	(723)	-135%
RE Development & Plan	(732)	(604)	(1,026)	422	41%	128	18%
Envir Grants/Remed Liab/Oth	(2)	3	(600)	603	100%	5	239%
Total Real Estate	**(4,399)**	**(6,096)**	**(7,944)**	**1,847**	**23%**	**(1,697)**	**-39%**

C. OPERATING RESULTS

$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2013 $	Incr (Decr) Change from 2013 %
Revenue	22,904	23,356	23,244	113	0%	452	2%
Conf & Event Ctr Revenue	7,958	8,957	8,132	825	10%	999	13%
Total Revenue	**30,862**	**32,313**	**31,376**	**937**	**3%**	**1,451**	**5%**
Real Estate Exp (excl Conf,Maint,P69)	10,372	11,114	11,553	439	4%	742	7%
Conf & Event Ctr Expense	6,473	7,374	6,858	(515)	-8%	901	14%
Eastside Rail Corridor	205	1,036	170	(866)	-508%	831	406%
Maintenance Expenses	8,928	8,778	9,311	534	6%	(150)	-2%
P69 Facilities Expenses	172	125	126	2	1%	(47)	-27%
Seaport Expenses	1,282	1,140	1,310	170	13%	(142)	-11%
CDD Expenses	1,364	2,314	2,582	268	10%	950	70%
Police Expenses	1,378	1,353	1,391	38	3%	(26)	-2%
Corporate Expenses	5,087	5,181	5,417	237	4%	94	2%
Envir Remed Liability	2	(3)	600	603	100%	(5)	-239%
Total Expense	**35,262**	**38,410**	**39,320**	**910**	**2%**	**3,148**	**9%**
NOI Before Depreciation	**(4,399)**	**(6,096)**	**(7,944)**	**1,847**	**23%**	**(1,697)**	**-39%**
Depreciation	9,779	9,599	9,585	(14)	0%	(180)	-2%
NOI After Depreciation	**(14,178)**	**(15,695)**	**(17,529)**	**1,834**	**10%**	**(1,517)**	**-11%**

Total Real Estate Division Revenues were $937K favorable to budget. Key variances are as follows:

Harbor Services: favorable $154K

- Recreational Boating was $46K favorable due to the recognition of a $19K reimbursement received from the City of Seattle related to Bell Harbor Marina major expense projects and favorable to budget Utility Sales Revenue from Shilshole Bay Marina.
- Fishing and Commercial were $107K favorable primarily due to increased recreational boat moorage at Fishermen’s Terminal as well as favorable revenue from Net Shed Lockers as the major expense work did not displace as many customers as expected.

Portfolio Management: favorable $486K

- Commercial Properties were unfavorable ($338K) primarily due to lower occupancies than budgeted for Harbor Marina Corporate Center at Terminal 102 ($241K) and World Trade Center West ($197K). Fishermen’s Terminal Office & Retail was unfavorable ($79K) due to overstatement of a rental rate assumption in the budget. Unfavorable amounts were partially offset by favorable space rental revenue from Bell Street garage $105K due to higher usage as well as receipt of payment relating to a prior period.
- Conference & Event Centers were favorable $825K due to above budget activity at Bell Harbor International Conference Center $835K which was slightly offset by lower revenue from World Trade Center Seattle ($10K).

Eastside Rail Corridor: favorable $5K

- Eastside Rail Corridor revenue was favorable due to unbudgeted License to Use revenue.

Real Estate Development and Planning: favorable $239K

- Terminal 91 General Industrial was favorable $239K due to unbudgeted lease revenue related to relocation of American Seafoods from West Yard including 3 months of retroactive rent relating to 2013, new lease with Elcon, and due to the delayed departure of First Student which was budgeted for April 2014.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/14

Total Real Estate Division Expenses were $910K favorable to budget. Key variances:

- **Real Estate Expenses** (excluding Maintenance, P69 Facilities, and Conference & Event Centers Expense) were favorable $339K. Major account variances were as follows:
  - **Salaries & Benefits** were favorable $39K primarily due to departure of Director of Harbor Services and unfilled project assistant position in Real Estate Development and Planning. Favorable variances were partially offset by less direct charging by Portfolio Administration staff to the Seaport Division and above budget overtime worked at recreational marinas.
  - **Outside Services** were favorable $532K primarily due to budgeted broker fees and tenant improvement costs that were not used in 2014 with others delayed to 2015. The most significant delays relate to tenant improvement costs associated with World Trade Center West, Terminal 102 and Fishermen's Terminal Office & Retail. Other favorable variances relate to below budget spending for consulting services by Real Estate Development and Planning and Portfolio Management Administration.
  - **Utility Expenses** were unfavorable ($141K) due primarily to the unfavorable electricity ($64K), sewer ($48K) and surface water ($45K) variances. Electricity expenses appear to be impacted by higher usage at Fishermen's Terminal, both waterside and landside, and at Bell Street Retail and Common Areas. Surface water variance was due to back billing of expenses for the years 2011-2014 at Terminal 91 Uplands and Fishermen's Terminal.
  - **Travel and Other Employee Expenses** were favorable $53K due primarily to registration fees budgeted by Portfolio Management and Harbor Services that were not used.
  - **Promotional Expenses** were favorable $26K due primarily to below budget spending by the Harbor Services Group including $14K relating to recreational marinas and $9K relating to the Fishermen's Terminal Centennial. Certain Centennial related expenses were appropriately charged to other accounts.
  - **General Expense** was unfavorable ($89K) primarily due to costs associated with unexpected repairs and outsourcing coffee shop services at World Trade Center West partially offset by reversal of prior year litigation reserve relating to commercial properties.
- **Real Estate Conference & Event Centers** were unfavorable ($515K) due to higher operating expense and higher management fees for Bell Harbor International Conference Center and World Trade Center Seattle ($716K) due to higher activity as is reflected in the related favorable revenue variance. Amount was partially offset by lower than budgeted use of the capital/expense reserve account resulting in a $127K favorable variance in Furniture and Equipment Acquisition and General Supplies. There was also a delay in payment for the Smith Cove event permit $86K which is tied to the delay in passage of the City's Shoreline Master Use Plan.
- **Eastside Rail Corridor** expenses were ($866K) unfavorable due to a litigation reserve set up for a lawsuit filed against the Port by a group of Eastside property owners disputing the Port's authority to grant an easement to Puget Sound Energy for future high voltage power lines partially offset by reversal of prior year reserve related to a separate legal action and less than budgeted use of outside consulting services.
- **Maintenance** expenses were $534K favorable primarily due to lower cost of planned projects, projects planned as expense but later moved to capital, later start on some projects, and due to projects being cancelled. Examples of work budgeted as expense but moved to capital included a project to replace siding on the Downie Building and a project to replace windows on the C15 Building both at Fishermen's Terminal. Facilities most impacted by underspending were Fishermen's Terminal and Shilshole Bay Marina.
- **Seaport** originated expenses were $170K favorable due to lower direct charges and allocations from Environmental Services and Seaport Finance than budgeted. Each of these variances was the result of overall lower spending by these groups than budgeted.
- **CDD** costs, direct and allocated, were favorable $268K primarily due to slightly lower spending on Fishermen's Terminal Net Shed Compliance project by Port Construction Services.
- **Police** costs, direct and allocated were favorable $38K due to overall lower spending by Police than budgeted.

- **Corporate** costs, direct and allocated, were favorable $237K primarily due to lower than anticipated direct charges and allocations from most Corporate groups including Accounting & Financial Reporting $190K, Human Resources $35K, Public Affairs $19K, and Risk Management $24K. Amounts were partially offset by unfavorable variances related to ICT ($42K) and Internal Audit ($18K).
- **Environmental Remediation Liability** operating expense was $603K favorable due to no spending on certain Fishermen's Terminal projects that were expected to have an operating environmental remediation related component.
- All other variances net to a favorable variance of $2K.

NOI before Depreciation was $1,847K favorable to budget.

- Depreciation was ($14K) or (0.1%) unfavorable to budget.

NOI after Depreciation was $1,834K favorable to budget.

<u>Change from 2013 Actual</u>

Net Operating Income before Depreciation decreased by ($1,697K) between 2014 and 2013 as a result of higher revenue $1,451K more than offset by higher expenses $3,148K.

Revenues increased by $1,451K due to higher revenue from most business groups. Conference and Event Center revenue increased $999K due to a strong performance in the 2nd through 4th quarters related, in part, to a new sales team. Both Commercial Fishing and Recreational Marinas had increased revenue due to higher occupancies and rates and Real Estate Development and Planning benefited from new tenants at Terminal 91 uplands. Commercial Properties' revenue was essentially flat $2K due to offsetting changes. Increases were driven by new rents at Fishermen's Terminal Office & Retail as a result of the Downie Building reverting to Port ownership in August 2013, by new tenants at Pier 2 Uplands, and by increased activity at the Bell Street Garage. Increases were partially offset by lower revenue from World Trade Center West resulting from lower occupancy and from Terminal 102 Harbor Marina Corporate Center due to on average lower lease rates.

Expenses increased by $3,148K primarily due to a net increase in the litigation reserve $835K for the Eastside Corridor primarily the result of a new lawsuit filed against the Port by a group of Eastside property owners. CDD expenses were $950K higher largely driven by the Fishermen's Terminal Net Shed Code Compliance Improvement project. Conference & Event Center Expenses had a net increase of $901K driven by increased activity (see revenue change described above). Real Estate Expenses (excluding Conf & Event, Maintenance, and Facilities) increased by $742K due to higher Utility Expenses, primarily sewer, surface water and electricity and higher Outside Service expenses for Commercial Properties relating to broker fees, tenant improvements and space planning. Corporate expenses increased $94K as a result of higher allocations from Accounting due to a new allocation methodology applied in 2014 partially offset by lower allocations from most other Corporate groups. Maintenance expenses decreased ($150K) due to less work on Commercial Properties and Fishermen's Terminal waterside assets partially offset by more work on Shilshole Bay Marina. Expenses from Seaport groups decreased ($142) primarily due to lower charges related to stormwater initiatives from Environmental Services.

D. CAPITAL SPENDING RESULTS

$ in 000's	2014 Actual	2014 Budget	Budget Variance $	Budget Variance %
FT C15 HVAC Improvements	3,649	4,147	498	12%
P69 Built-Up Roof Replacement	1,902	2,680	778	29%
FT C2 (Nordby) Roof & HVAC	1,434	1,874	440	23%
Small Projects	1,349	1,872	523	28%
P69 Carpet Replacement	599	1,200	601	50%
SBM Central Seawall Replacement	121	825	704	85%
P69 N Apron Corrosion Control	121	639	518	81%
All Other	1,747	4,864	3,117	1013%
Total Real Estate	**10,922**	**18,101**	**7,179**	**40%**

Comments on Key Projects:
Real Estate Division spent 60% of the Approved Capital Budget.

Projects with significant changes in spending were:

- **P69 Built-Up Roof Replacement -** Bid was lower than anticipated.
- **P69 Carpet Replacemen**t – Project start was delayed, and construction bid lower than anticipated.
- **SBM Central Seawall Replacement** – Delayed to 2015 due to material lead time.
- **P69 N Apron Corrosion Control** – Closeout costs lower than expected. No change orders during construction and contingency money was not needed.
- **All Other** budget variances of $3.1M:
  - FT C-15 Building Subsidence and FT C-15 Building East Sewer Line projects were reduced in scope and combined into a small capital project.
  - The combination of pushing back the start date of various projects, no utilization of technology or preliminary planning budgets and delays in the purchase of fleet assets.

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/14

A. BUSINESS EVENTS

- NorthSTAR - Commission approved expansion of North Satellite Renovation & Expansion (NSAT) and use of General Contractor/Construction Manager (GC/CM) project delivery method for NSAT. Completion of NSAT 30% design and concurrence by Alaska Airlines. NSAT GC/CM selected (Hensel Phelps). Construction started for baggage system renovations and C Concourse vertical circulation improvements.
- Commission approved start of progressive design build team procurement and use of bridge for South Satellite (SSAT)-IAF connector in International Arrivals Facility (IAF) program. IAF cost estimate validated and updated. Six design build teams submitted statements of qualifications.
- Runway 16C/34C replacement – Advertised for construction bids.
- Cargo 2/5/6 construction nearly complete and aircraft facilities in use.
- Successfully completed a public works audit by the State Auditor’s Office (SAO).
- All CPO employees attended training for Facilitating Effective Meetings and seven CPO employees went to Supervision Training.
- Opened new Engineering office at Terminal 102.
- PCS had 409 total projects in 2014, with approximately 61 active projects during the fourth quarter. Key projects included relocation of Electrical Ground Service Equipment (EGSE) charging stations, Mezzanine Tenant Abatement, Fishermen’s Terminal Net Sheds, Employee By-pass at Concourse D, S9 Passenger Loading Bridge Replacement, B Exit Breach Control Tunnel Extension, Noise Remedy Retrofit, and Vertical Conveyance Project.
- Substantial Completion – Pier 69 Roof Replacement – December 23, 2014.
- Beneficial Occupancy – Terminal 117 Cleanup – December 24, 2014.
- 30% Design milestone – Terminal 5 Berth Modernization Project.
- Reached settlement of Rental Car Facility contractor claims.
- New cell phone lot completed and opened for use.
- C60/61 baggage system upgrade completed and operational ahead of accelerated schedule.
- Initiated increased customer service; CAT I and CAT II Administration; Service Directive/Amendment Administration Customer.
- Implemented 811 One-Call per RCW19.122 Dig Law.
- Completed revised General Conditions for major works contracts.
- Finalizing selection process for replacement of Livelink construction document management system.
- Gained Agency Approval for General Contractor/Construction Manager (GC/CM) and Design-Build (DB) valid for 3 years (1/23/14).

B. KEY PERFORMANCE METRICS

Key Performance Metrics	2014		2013/Notes	
A. Implement Century Agenda Strategies		Goals		Goals
1. Small Business Participation – Annual / Small Works (Annual only)	73.06	90%	75.0%	60%
2. Small Business Participation – Annual / Major Construction (Annual only)	39.93	50%	35.9%	20%
3. Small Business Participation – Annual / Goods & Services (Annual only)	26.41	12%	10.6%	20%
4. Small Business Participation – Annual / Service Agreements (Annual only)	29.53	30%	27.6%	10%
B. Consistently Live by Our Values Through Our Actions and Priorities				
1. Safety – Annual (Annual only)	91%		94%	90%
1.a OIR	2.1		2.8	3
1.b LTIR	0.0		0.0	2
1.c RIR	1.36		4.72	5
2. Environment – Annual (Annual only)	100%		95%	100%
3. PREP Timeliness (0-30 days of anniversary date)	75.2%		76%	98%
C. Manage Our Finances Responsibly				
1. Construction Soft Costs – Total Soft Costs (36-mo avg)	29%		25%	Max. 25% capital costs
2. Construction Soft Costs – Total Construction Costs (36-mo avg)	71%		75%	Min. 75% capital
D. Exceed Customer Expectations				
1. Customer Score Card – Annual (Annual only)	91.9		94.2%	Avg. 85%
2. Procurement Schedule – Major Public Works	67		78	Avg # days
3. Procurement Schedule – Small Works	44		56	Avg # days
4. Procurement Schedule – Goods & Services	118		55	Avg # days
5. Procurement Schedule – Service Agreements	142		169	Avg # days
E. Support Port Mission with Implementation of Port Divisions' Business Plan				
1. Construction Cost Growth – Discretionary Change	-4.1%		1.9%	Max. 5% construction contract award
2. Construction Cost Growth – Mandatory Change	6%		6.5%	Max. 5% construction contract award
3. Project Schedule Growth – Design	53%		13.4%	Max. 10% of originally allotted duration
4. Project Schedule Growth – Construction	18%		25%	Max. 10% of originally allotted duration
5. Project Status – On Schedule / On Budget (4Q14)	1.1%		48.5%	
6. Project Status – Either Schedule or Budget Off (4Q14)	37.1%		49.5%	
7. Project Status – Both Schedule and Budget Off (4Q14)	61.8%		2%	

C. OPERATING RESULTS

$ in 000's	Notes	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2013 $	%
Total Revenues		**26**	**21**	**-**	**21**	**0.0%**	**(5)**	**-19.6%**
Expenses Before Charges To Cap/Govt/Envrs Propects								
Capital Development Administration		380	394	404	10	2.4%	14	3.8%
Engineering		13,304	13,877	15,878	2,001	12.6%	573	4.3%
Port Construction Services		7,192	8,186	7,556	(630)	-8.3%	994	13.8%
Central Procurement Office		5,020	4,616	5,332	716	13.4%	(404)	-8.0%
Aviation Project Management		7,285	11,622	13,260	1,639	12.4%	4,337	59.5%
Seaport Project Management		2,518	2,998	3,236	238	7.4%	480	19.1%
Total Before Charges to Capital Projects		**35,699**	**41,693**	**45,666**	**3,973**	**8.7%**	**5,995**	**16.8%**
Charges To Capital/Govt/Envrs Projects								
Engineering		(8,305)	(9,912)	(10,857)	(944)	8.7%	(1,607)	19.3%
Port Construction Services		(3,802)	(3,749)	(4,247)	(498)	11.7%	53	-1.4%
Central Procurement Office		(1,669)	(1,795)	(1,724)	72	-4.2%	(126)	7.6%
Aviation Project Management		(6,127)	(10,261)	(10,659)	(398)	3.7%	(4,134)	67.5%
Seaport Project Management		(1,241)	(1,640)	(1,648)	(8)	0.5%	(399)	32.2%
Total Charges to Capital/Govt/Envrs Projects		**(21,145)**	**(27,358)**	**(29,134)**	**(1,776)**	**6.1%**	**(6,213)**	**29.4%**
Operating & Maintenance Expense								
Capital Development Administration		380	394	404	10	2.4%	14	3.8%
Engineering		4,999	3,965	5,021	1,056	21.0%	(1,034)	-20.7%
Port Construction Services		3,390	4,437	3,310	(1,128)	-34.1%	1,047	30.9%
Central Procurement Office		3,351	2,821	3,609	788	21.8%	(530)	-15.8%
Aviation Project Management		1,157	1,361	2,601	1,240	47.7%	203	17.6%
Seaport Project Management		1,276	1,357	1,587	230	14.5%	81	6.3%
Total Expenses		**14,554**	**14,335**	**16,532**	**2,196**	**13.3%**	**(219)**	**-1.5%**

Variance Summary and other notes:

- Vacancies: 23.55 FTEs = $2.13M Salaries & Benefit savings from unfilled positions.
- CDD Admin $10K. Favorable variance due to savings in Travel, Equipment, Supplies, and Salary expense.
- ENG $1.06M. Favorable variances in Salaries & Benefits, Equipment, Supplies, Utilities, Outside Services and Travel due to proactive cost saving measures coupled with project delays. Offset by unfavorable variances from unexpected Legal accrual expenses, reduced overhead allocations and Charges to Capital due to delayed capital projects.
- PCS ($1.13M). Favorable variances in Travel (more in-house training), Workers Comp (less exposure than anticipated), General Expenses, and Charges to Capital were offset by unfavorable variances in Salary & Benefits, Equipment, Supplies & Stock (primarily Maintenance Materials) and Outside Services (Small Works Construction) due to more project work than anticipated.
- CPO $788K. Favorable variances primarily due to Salaries & Benefits, Equipment, Utilities, Supplies, Outside Services, Travel, plus a large credit in 2014 for litigated expenses charged in 2013.
- AVPMG $1.24M. Favorable variances in Salaries & Benefits, Outside Services, and Travel offset by unfavorable variances in General Services (unbudgeted job applicant travel and new employee relocation expenses) and reduced Charges to Capital.
- SPM $230K. Favorable variances in Salary & Benefits, Outside Services (budgeted project expense was charged to Supplies) and Travel (training taken locally) were offset by unfavorable variances in Supplies (should have been charged to Outside Services), General Expenses (unbudgeted permit expense) and reduced Charges to Capital.

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 12/31/14

A. BUSINESS EVENTS

- The Port of Seattle and Port of Tacoma released the joint marine cargo economic impact study that reveals $4.3 billion economic impact from the two ports.
- The Port achieved agreements with the Muckleshoot Indian Tribe and the Suquamish Tribe to return to the tribes Native American cultural materials unearthed during development of Port projects.
- The Port, in cooperation with the City and SODO businesses and property owners, successfully launched the SODO Business Improvement District, which is now developing its work plan.
- The Port of Seattle and City of Seattle finalized a project list as part of the joint Freight Access Project and launched the Freight Master Plan.
- Successfully negotiated updates to the City of Seattle's Shoreline Master Plan that will enable economic development on Port and other maritime properties.
- The Port of Seattle and US Army Corps of Engineers signed cost-sharing deepening study to support Puget Sound Gateway competitiveness, resulting in a total of $500,000 for FY2015 (up from $200,000).
- Ted J. Fick joined the Port of Seattle as CEO in September.
- Sea-Tac Airport is the first airport in North America certified as reducing carbon emission by world-wide independent program.
- The Port received a clean, unqualified independent Certified Public Accountant (CPA) audit opinion on the Port's 2013 financial statements from the Certified Public Accounting (CPA) firm, Moss Adams.
- Received the "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association (GFOA) of the United States and Canada for 9 consecutive years.
- Collaborated on safe workplace practices and promoted a healthy work force.
- Eighty eight percent of employees with Port benefits completed the requirements in the Wellness Rewards program.
- Successfully implemented the new enterprise risk and claims management cloud platform system software tool, Origami and is working to handle workers compensation and third party claims.
- Completed the datacenter move to Liberty Lake for a more geographically dispersed infrastructure that helps protect Port IT assets against seismic events.
- Fourteen Automated Passport Control kiosks were updated to process VISA Waiver and Lawful Permanent Resident passengers through Customs. This expanded functionality will reduce wait times, increasing throughput and improving the customer experience.
- Replaced the Port ID Badge System.
- Updated the Port Roster Management System, improved processes and communication for vendors wishing to work with the Port.
- Purchased a new Applicant Tracking Software System, Kenexa, which provided an easier and less burdensome hiring process and a more efficient recruiting process.
- Launched a cloud platform Learning Management System successfully without major issues and allows the Port to take advantage of an improved user interface and reporting system.
- Upgraded the Access Control Network equipment for several critical Aviation systems to ensure continued network infrastructure availability.
- Provided production quality infrastructure for software development and testing of Port systems.
- Coordinated with the FAA and the vendor to replace a flight information interface, no longer supported by the FAA, with the approved feed. The application was also moved to Port Virtual Machines and tested to ensure no disruption to service.
- Received the GFOA Distinguished Budget Presentation Award for 7 consecutive years.
- Completed the Economic Impact Study of the Port of Seattle.
- Continued to reach out to the community to educate small businesses on contracting opportunities and the Small Contractors and Suppliers Program (SCS).
- Completed the Citizen's Academy successfully, which is a program for non-law enforcement personnel and community members to attend a classroom style program that educates the community on police practices.

B. KEY PERFORMANCE METRICS

Key Performance Indicators/Measures	2014	2013/Notes
A. Implement Century Agenda Strategies		
1. Percentage of eligible dollars spent with small businesses	28.0%	44.7% decreased by 16.7%
2. Small businesses registered on the Procurement Roster Management System (PRMS)	200	253, decreased by 53
3. Percentage of craft hours worked by apprentices on projects over $1 million (or PLA)	11.6%	13.6%%, decreased by 2.0%
4. Community members gaining employment through Airport Jobs Center (2014 goal is contract minimum with service provider)	1,143	1,274, decreased by 131
5. Apprenticeship Opportunity Project Placements	150	156, decreased by 6
6. Small business and Workforce development outreach events and workshops	39	42, decreased by 13
B. Consistently Live by Our Values Through Our Actions and Priorities		
1. MIS and Clarity Training	13 classes, 83 attendees	8 class, 64 attendees
2. Employee Development Class Attendees/Structured Learning	2,201	2,376
3. Required Safety Training	98%	97%, increased by 1%
4. Request of information and guidelines for integrity & business conduct	193	277, decreased by 84
5. Occupational Injury Rate	6.1	4.9, increased by 1.2
6. Total Lost work days	945	1,022, decreased by 77 days
C. Manage Our Finances Responsibly		
1. Corporate costs as a % of Total Operating Expenses	25.2%	24.9%
2. Clean independent CPA audits involving AFR	yes	yes
3. Timely process disbursement payment requests	4 days	3 days
4. Keep receivables collections 85% current (within 30 days)	93%	93%
5. Investment Portfolio Yield	0.78%	0.76%
6. Litigation and Claim Reserves (in $ thousand)	$1.921	$1.166
D. Exceed Customer Expectations		
1. Respond to Public Disclosure Requests	329	310, increased by 19
2. Information and Communication Technology System Availability	99.40%	99.80%
3. IT Network Availability	99.94%	99.98%
4. Service Desk % First Call Resolution	53%	56%
5. Customer Survey for Police Service	92%	82%
E. Support Port Mission with Implementation of Port Divisions' Business Plan		
1. Oversee Implementation and Administration of CBAs agreements	84	n/a
2. Oversee Implementation and Administration of PLAs	521	n/a
3. Number of Jobs Openings	295	205
4. Percent of annual audit work plan completed each year	82%	105%

C. OPERATING RESULTS

$ in 000's	2013 Actual	2014 Actual	2014 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2013 $	%
Total Revenues	**479**	**398**	**155**	**243**	**156.9%**	**(80)**	**-16.8%**
Executive	1,728	1,710	1,818	108	5.9%	(18)	-1.0%
Commission	1,013	1,353	1,645	292	17.8%	340	33.5%
Legal	3,545	3,731	3,264	(467)	-14.3%	186	5.2%
Risk Services	2,901	3,051	3,173	122	3.8%	150	5.2%
Health & Safety Services	1,078	1,067	1,190	123	10.4%	(11)	-1.0%
Public Affairs	5,890	5,554	6,069	515	8.5%	(335)	-5.7%
Human Resources & Development	5,259	5,356	5,655	300	5.3%	96	1.8%
Labor Relations	1,151	1,222	1,319	97	7.4%	71	6.2%
Information & Communications Technology	20,323	20,458	20,850	392	1.9%	135	0.7%
Finance & Budget	1,543	1,803	1,856	54	2.9%	260	16.9%
Accounting & Financial Reporting Services	5,724	6,039	7,081	1,041	14.7%	315	5.5%
Internal Audit	1,201	1,372	1,422	49	3.5%	171	14.3%
Office of Social Responsibility	1,644	2,115	2,187	72	3.3%	472	28.7%
Police	22,458	22,231	22,658	427	1.9%	(227)	-1.0%
Contingency	266	410	450	40	9.0%	144	54.2%
Total Expenses	**75,725**	**77,471**	**80,637**	**3,166**	**3.9%**	**1,746**	**2.3%**

Corporate revenues were $243K favorable compared to budget due to higher operating grants.

Corporate expenses for the year-ended 2014 were $77.5 million, $3.2 million or 3.9% favorable compared to the approved budget and $1.7M or 2.3% higher than the same period a year ago. The $3.2 million favorable variance was primarily due to vacant positions during the year, delayed hiring, and actual cost savings realized in most departments.

All corporate departments have a favorable variance except for:

- **Legal -** unfavorable variance of $467K is due to unanticipated outside legal and litigation costs, primarily for Filo Foods –STIA Wage, Eastside Rail Corridor, Seaport Alliance, Marine Terminal Operators, etc.

All other departments with a favorable variance are:

- **Executive -** savings in Travel and Other Employee Expenses.
- **Commission -** savings in Payroll due to vacant positions, Travel and General Expenses.
- **Risk Services -** savings in Insurance and Outside Services Expenses.
- **Health and Safety -** savings in Payroll and Outside Services Expenses.
- **Public Affairs -** savings in Payroll due to vacant positions, Travel and Promotional Expenses.
- **Human Resources and Development -** savings due to vacant positions, Outside Services and Travel.
- **Labor Relations -** savings in Payroll, Outside Services, Travel and unbudgeted Charges to Capital Projects.
- **ICT-** savings in Payroll due to vacant positions, Outside Services and Telecommunication Expenses.
- **Finance & Budget -** savings from the Economic Impact Study and Travel Expenses.
- **Accounting and Financial Reporting Services -** vacant positions,Travel and General Expenses.
- **Internal Audit -** savings in Payroll due to a vacant position and Travel Expenses.
- **Office of Social Responsibility -** savings due to vacant positions, Travel and General Expenses.
- **Police -** savings due to vacant positions, Equipment Expenses, Outside Services and Travel.

D. CAPITAL SPENDING RESULTS

$ in 000's	2014 Actual	2014 Budget	Budget Variance $	Budget Variance %
Radio System Upgrade	1,226	3,742	2,516	67.2%
ID Badge System Replacement	1,138	1,965	827	42.1%
Infrastructure - Small Cap	1,211	1,847	636	34.4%
Network Switch Replacement	1,233	1,300	67	5.2%
Service Tech - Small Cap	616	1,440	824	57.2%
Maximo Enhancements & Upgrade	47	834	787	94.4%
PeopleSoft Financials Upgrade	342	681	339	49.8%
All Other*	725	4,146	3,421	82.5%
TOTAL	6,538	15,955	9,417	59.0%

Note:
"All Other" includes remaining ICT projects, plus CDD and Corp. fleet and small cap.