ITEM NO:	7d_Attach_1__
DATE OF MEETING:	Sept. 8, 2015

PORT OF SEATTLE

2015 FINANCIAL & PERFORMANCE REPORT

AS OF JUNE 30, 2015

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I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/15

EXECUTIVE SUMMARY

Financial Summary

The Port's overall operating revenues for the first half of 2015 were $268.4M, which is $1.7M above budget and $8.8M higher than the same period in 2014. Excluding Aeronautical revenues, which are based on cost recovery, other operating revenues were $698K above budget and $6.1M over the same period last year mainly due to higher revenues from Public Parking, Airport Dining and Retail, and unbudgeted Stormwater Utility; partially offset by lower revenue from Container. Total operating expenses were $146.1M, $17.6M below budget mainly due to vacancies, hiring delays, timing of spending, and actual budget savings. Operating income before depreciation was $122.3M, $19.3M above budget. For the full year, we are anticipating operating revenues to be $554.9M, $3.1M over budget and operating expenses to be $329.2M, $3.7M below budget. The Port-wide capital spending is forecasted to be $214.8M for the year, $56.1M below the budgeted $270.8M.

Operating Summary

At the Airport, enplanements for the first two quarters were 13.3% higher and landed weight was 10.8% higher than the same period in 2014. The enplanements growth for international and domestic was 15.6% and 13.0%, respectively. International cargo metric tons are up 17.9% over Q2 2014. For the Seaport division, TEUs were up 6.6% and Grain volumes were up 3.6% from Q2 2014. For the Real Estate division, occupancy levels at Commercial Properties were at 91%, below the target of 94% and Seattle market average of 92%. Fishermen's Terminal and Maritime Industrial Center were at 86% average occupancy, above target of 80%. Recreational Marinas was at 96% occupancy, above target occupancy rate of 95%. Conference and Event Center revenue exceeded budget by 7% and 2014 actual by 10%.

Key Business Events

The Port participated as presenting sponsor of Seattle Maritime Festival and celebrated 30 years of tourism promotion in the UK with a delegation from Washington State. The Commission launched 90 day review of scope, cost, and funding for the International Arrivals Facility. We finalized both leasing/redevelopment plan and schedule for the Airport Dining & Retail program and continued to work on Airfield modeling portion of the Sustainable Airport Master Plan (SAMP). New international services were added from Seattle to Shanghai (by Hainan) and Dubai (by Emirates). The 2015 cruise season began on May 2. The federal General Services Administration (GSA) selected the Des Moines Creek Business Park site for the FAA's new regional offices. The Port met with the Sound Transit, City of Seattle, King County to collaborate on apprenticeship utilization and construction workforce issues and continued to reach out to the community to educate small businesses on contracting opportunities and the Small Contractors and Suppliers Program.

Major Capital Projects

We issued Beneficial Occupancy for the South Satellite Interior Renovation Carpet Replacement and Cargo 6 Hardstand Improvement projects. Substantial Completion was issued for Doug Fox Service Upgrades, C60/61 Baggage Handling Systems (BHS) Modifications, East Marginal Way Phase II and Argo Yard Truck Roadway, Terminal 46 Storm Water Improvements, Pier 34 Dolphin Replacement, and Mezzanine Tenant Relocation projects. We also completed 60% design for North Satellite Renovation/Expansion, 70% design for Baggage Optimization, and 60% design for Terminal 5 Berth Modernization projects. We selected the winning International Arrivals Facility design-build team (Clark/SOM) and executed the $300M GC/CM contract for the North Satellite (NSAT) Renovation & Expansion project. Construction is underway on the first phase of the Des Moines Creek Business Park project after closing on the first phase ground lease in April. For the Alaskan Way Viaduct Bored Tunnel project, the Port transferred $120M to Washington State Department of Transportation (WSDOT) on May 1 to cover the first installment of the contribution.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/15

INCOME STATEMENT

Report: Income Statement
As of Date: 2015-06-30

$ in 000's	2014 YTD Actual	2015 Year-to-Date Actual	2015 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2014 $	Incr (Decr) Change from 2014 %
Revenues:							
Aviation	195,143	204,578	206,745	(2,167)	-1.0%	9,435	4.8%
Seaport	48,393	45,509	43,898	1,611	3.7%	(2,885)	-6.0%
Real Estate	15,899	16,840	15,941	898	5.6%	941	5.9%
Storm Water Utility	-	2,189	-	2,189	0.0%	2,189	n/a
Eliminations	-	(798)	-	(798)	0.0%	(798)	n/a
Capital Development	19	1	-	1	0.0%	(18)	-93.9%
Corporate	190	112	170	(58)	-34.3%	(79)	-41.3%
Total Revenues	**259,644**	**268,430**	**266,754**	**1,677**	**0.6%**	**8,787**	**3.4%**
Operating & Maintenance:							
Aviation	72,448	78,243	82,622	4,379	5.3%	5,795	8.0%
Seaport	7,714	8,204	10,718	2,515	23.5%	490	6.3%
Real Estate	18,287	17,783	20,401	2,618	12.8%	(504)	-2.8%
Storm Water Utility	-	21	-	(21)	0.0%	21	n/a
Eliminations	-	(798)	-	798	0.0%	(798)	n/a
Capital Development	7,215	5,436	9,242	3,806	41.2%	(1,779)	-24.7%
Corporate	36,868	37,221	40,723	3,502	8.6%	353	1.0%
Total O&M Costs	**142,532**	**146,110**	**163,706**	**17,596**	**10.7%**	**3,578**	**2.5%**
Operating Income Before Depreciation	**117,111**	**122,320**	**103,047**	**19,273**	**18.7%**	**5,209**	**4.4%**
Depreciation	84,005	81,861	80,984	(878)	-1.1%	(2,143)	-2.6%
Operating Income after Depreciation	**33,107**	**40,459**	**22,064**	**18,395**	**83.4%**	**7,352**	**22.2%**

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. This table also includes revenues and expenses from Storm Water Utility and Eliminations.

PORTWIDE FINANCIAL SUMMARY

$ in 000's	2014 YTD Actual	2015 Year-to-Date Actual	2015 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Yea-End Projection Forecast	Yea-End Projection Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %
Aeronautical Revenues	115,304	117,973	116,995	979	0.8%	235,941	242,352	(6,411)	-2.6%
SLOA III Incentive	(1,788)	(1,788)	(1,788)	()	0.0%	(3,576)	(3,576)	0	0.0%
Other Operating Revenues	146,128	152,245	151,547	698	0.5%	322,502	312,989	9,513	3.0%
Total Operating Revenues	259,644	268,430	266,754	1,677	0.6%	554,868	551,766	3,102	0.6%
Total Operating Expenses	142,532	146,110	163,706	17,596	10.7%	329,214	332,914	3,700	1.1%
NOI before Depreciation	117,111	122,320	103,047	19,273	18.7%	225,654	218,852	6,802	3.1%
Depreciation	84,005	81,861	80,984	(878)	-1.1%	163,838	162,082	(1,756)	-1.1%
NOI after Depreciation	33,107	40,459	22,064	18,395	83.4%	61,816	56,770	5,046	8.9%

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/15

KEY PERFORMANCE METRICS

	2014 YTD Actual	2015 YTD Actual	2014 Actual	2015 Forecast	2015 Budget	Fav (UnFav) Forecast/Budget Chg.	%	Incr (Decr) Change from 2014 Chg.	%
Enplanements (in 000's)	8,589	9,051	18,717	20,776	19,354	1,421	7.3%	2,059	11.0%
Landed Weight (lbs. in 000's)	10,443	11,568	22,500	22,484	22,484	-	0.0%	(17)	-0.1%
Passenger CPE (in $)	n/a	n/a	11.48	10.62	11.78	1.16	9.8%	(0.9)	-7.5%
Container Volume (TEU's in 000's)	713	760	1,388	1,429	1,291	138	10.7%	41	3.0%
Grain Volume (metric tons in 000's)	1,948	2,019	3,618	4,000	4,000	-	0.0%	382	10.5%
Cruise Passenger (in 000's)	316	340	824	895	895	-	0.0%	71	8.7%
Commercial Property Occupancy	90%	91%	93%	93%	95%	-2%	-2.1%	0.0%	0.0%
Shilshole Bay Marina Occupancy	96.3%	96.6%	96.6%	96.6%	95.8%	0.8%	0.8%	0.0%	0.0%
Fishermen's Terminal Occupancy	83.0%	87.4%	83.5%	82.8%	79.4%	3.5%	4.4%	-0.7%	-0.8%

CAPITAL SPENDING RESULTS

$ in 000's	2015 YTD Actual	2015 Forecast	2015 Budget	Budget Variance $	%
Aviation	59,964	173,913	225,435	51,522	22.9%
Seaport	7,585	20,036	20,068	32	0.2%
Real Estate	2,133	9,920	12,194	2,274	18.6%
Corporate & CDD	3,661	10,902	13,133	2,231	17.0%
TOTAL	73,343	214,771	270,830	56,059	20.7%

PORTWIDE INVESTMENT PORTFOLIO

During the second quarter of 2015, the investment portfolio earned 0.79% versus the benchmark's (the Bank of America Merrill Lynch 1-3 Year US Treasury & Agency Index) 0.64%. Over the last twelve months the portfolio and the benchmark have earned 0.79% and 0.62%, respectively. Since the Port became its own Treasurer in 2002, the life-to-date earnings of the Port's portfolio and the benchmark are 2.73% and 1.91%, respectively.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/15

FINANCIAL SUMMARY

$ in 000's	2014 Actual	2015 Forecast	2015 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2014 $	Incr (Decr) Change from 2014 %
Operating Revenues:							
Aeronautical Revenues	228,864	235,941	242,352	(6,411)	-2.6%	7,077	3.1%
SLOA III Incentive Straight Line Adj [1]	(3,576)	(3,576)	(3,576)	-	0.0%	0	0.0%
Non-Aeronautical Revenues	180,791	194,144	188,465	5,678	3.0%	13,353	7.4%
Total Operating Revenues	**406,079**	**426,509**	**427,242**	**(733)**	**-0.2%**	**20,430**	**5.0%**
Total Operating Expense	230,704	243,007	248,141	5,134	2.1%	12,303	5.3%
Net Operating Income	**175,375**	**183,502**	**179,101**	**4,401**	**2.5%**	**8,127**	**4.6%**
Capital Expenditures	**155,970**	**173,913**	**225,435**	**51,522**	**22.9%**	**17,943**	**11.5%**

(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 2015 Forecast vs 2015 Budget

- Net Operating Income for 2015 is forecasted to be $4.4M higher than budget (2.5% favorable)
  - Operating Revenue is expected to be $0.7M lower than budget (0.2% unfavorable) – primarily due to lower Aeronautical revenue from rate base cost savings and higher revenue sharing. The reduction in Aeronautical revenue is mostly offset by higher Non-Aero revenue ($5.7M) driven by increased passenger volumes with resulting strong performance in public parking, airport dining & retail, and rental cars.
  - Operating Expenses are expected to be $5.1M lower than budget (2.1% favorable) – due to lower baseline expenses primarily from net payroll savings ($2.7M) due to vacancies and hiring delays partially offset by new positions added in 2015 and additional labor hours to support increased operational demands, lower forecasted utility expense ($1.0M), and lower charges from Corporate and other divisions ($5.8M). These expense savings are partially offset by higher forecasted environmental remediation liability costs ($2.0M), and higher expenses due to increased passenger volumes and related operational demands ($2.2M).

Division Summary 2015 Forecast vs 2014 Actuals

- 2015 Net Operating Income is forecasted to be $8.1M higher than prior year (4.6% higher NOI)
  - 2015 Operating Revenues is expected to be $20.4M higher than prior year (5.0% higher) – due to Non-Aero revenue ($13.4M) driven by increased passenger volumes with resulting strong performance in public parking and airport dining & retail, higher Aero rate based revenue ($12.8M) due to cost recovery on new assets placed in service and higher operating expenses to support increased airline activity. Increased revenue is partially offset by higher revenue sharing in 2015 ($7.3M).
  - 2015 Operating Expenses are expected to be $12.3M higher than prior year (5.3% higher) – due to higher baseline expenses ($9.6M) particularly in payroll and outside services, higher environmental remediation liability charges in 2015 ($2.7M), and higher forecasted charges in 2015 from Corporate ($2.2M), and Police ($0.8M). These 2015 cost increases are partially offset by ($3.1M) lower capital to expense charges compared to prior year.

A. BUSINESS EVENTS

- Enplanement forecast for 2015 updated - 11% growth over prior year expected
- Sustainable Airport Master Plan (SAMP) – working on Airfield modeling
- International Arrivals Facility – Commission launched 90 day review of scope, cost, and funding

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/15

- Airport Dining & Retail program – finalized both leasing/redevelopment plan and schedule
- New international services to Shanghai (Hainan) and Dubai (Emirates)
- New TSA security requirements resulted in (14) FTE staffing increase

B. KEY PERFORMANCE METRICS

	YTD 2014	YTD 2015	% Change
Enplaned Passengers (000's)			
Domestic	7,709	8,714	13.0%
International	880	1,018	15.6%
Total	8,589	9,731	13.3%
Operations	158,790	177,649	11.9%
Landed Weight (million lbs.)			
Cargo	771	799	3.7%
All other	9,672	10,769	11.3%
Total	10,443	11,568	10.8%
Cargo - metric tons			
Domestic freight	80,580	79,418	-1.4%
International freight	50,718	59,804	17.9%
Mail	24,910	26,021	4.5%
Total	156,208	165,243	5.8%

Key Performance Measures

	2014 Actual	2015 Forecast	2015 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2014 $	Incr (Decr) Change from 2014 %
Performance Metrics							
Cost per Enplanement (CPE)	11.48	10.62	11.78	1.16	9.8%	(0.86)	-7.5%
O&M Cost per Enplanement	12.33	11.70	12.82	1.12	8.8%	(0.63)	-5.1%
Non-Aero Revenue per Enplanement	9.66	9.34	9.74	(0.39)	-4.0%	(0.31)	-3.3%
Debt per Enplanement	126	119	129	10	8.1%	(7)	-5.5%
Debt Service Coverage	1.38	1.44	1.40	0.04	2.8%	0.06	4.1%
Days cash on hand (10 months = 304 days)	405	393	305	89	29.1%	(12)	-2.9%
Aeronautical Revenue Sharing ($ in 000's)	17,031	24,342	19,488	(4,854)	-24.9%	7,311	42.9%
Activity (in 000's)							
Enplanements	18,717	20,776	19,354	1,421	7.3%	2,059	11.0%

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 increased cash flow from growth in enplanements.

C. OPERATING RESULTS

Division Summary

$ in 000's	2014 YTD Actual	2015 Year-to-Date Actual	2015 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year-End Projection Forecast	Year-End Projection Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %
Operating Revenues:									
Aeronautical Revenues	115,304	117,973	116,995	979	0.8%	235,941	242,352	(6,411)	-2.6%
SLOA III Incentive Straight Line Adj [1]	(1,788)	(1,788)	(1,788)	(0)	0.0%	(3,576)	(3,576)	-	0.0%
Non-Aeronautical Revenues	81,635	88,401	91,538	(3,137)	-3.4%	194,144	188,465	5,678	3.0%
Total Operating Revenues	**195,151**	**204,586**	**206,745**	**(2,159)**	**-1.0%**	**426,509**	**427,242**	**(733)**	-0.2%
Operating Expenses:									
Payroll	46,032	47,383	50,984	3,601	7.1%	101,507	104,181	2,674	2.6%
Outside Services	12,781	13,582	15,584	2,002	12.8%	33,321	32,534	(788)	-2.4%
Utilities	7,254	6,822	7,898	1,076	13.6%	13,762	14,796	1,034	7.5%
Other Airport Expenses	6,236	7,412	7,238	(174)	-2.4%	17,134	15,698	(1,436)	-8.4%
Baseline Airport Expenses	**72,302**	**75,199**	**81,704**	**6,505**	**8.0%**	**165,724**	**167,208**	**1,484**	**0.9%**
Airline Realignment [2]	452	31	2	(28)	-1187.4%	31	5	(26)	-84.5%
Environmental Remediation Liability	(77)	2,844	842	(2,002)	-237.8%	4,669	2,642	(2,027)	-43.4%
Capital to Expense	-	61	-	(61)	n/a	61	-	(61)	-100.0%
Total Exceptions to Baseline	**375**	**2,936**	**844**	**(2,092)**	**-247.7%**	**4,761**	**2,647**	**(2,114)**	**-44.4%**
Total Airport Expenses	**72,677**	**78,135**	**82,548**	**4,413**	**5.3%**	**170,485**	**169,855**	**(630)**	**-0.4%**
Corporate	19,191	19,247	21,586	2,339	10.8%	42,958	43,981	1,023	2.4%
Police Costs	8,170	8,305	8,547	242	2.8%	17,344	17,413	69	0.4%
Capital Development/Other Expenses	6,159	4,984	8,611	3,628	42.1%	12,221	16,892	4,671	38.2%
Total Charges from Other Divisions	**33,520**	**32,535**	**38,744**	**6,209**	**16.0%**	**72,522**	**78,286**	**5,764**	**7.9%**
Total Operating Expense	**106,198**	**110,671**	**121,293**	**10,622**	**8.8%**	**243,007**	**248,141**	**5,134**	**2.1%**
Net Operating Income	**88,953**	**93,915**	**85,452**	**8,463**	**9.9%**	**183,502**	**179,101**	**4,401**	**2.5%**
CFC Surplus						(5,067)	(4,760)	(308)	-93.5%
Net Non-Operating Items in / out from ADF [3]						1,431	1,504	(73)	5.1%
SLOA III Incentive Straight Line Adj						3,576	3,576	-	0.0%
Debt Service						(127,296)	(128,343)	1,047	0.8%
Adjusted Net Cash Flow [4]						**56,145**	**51,078**	**5,067**	**9.9%**

(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 06/30/15

Operating Expenses – 2015 YTD Actuals compared to 2015 YTD Budget:

Total Operating Expenses are lower than the 2015 budget by $10.6M due to the net of the following:

- YTD Baseline Operating Expenses are lower than budget by $6.5M due to the following:

Positive Variance of $6.7M			Negative Variance of $0.2M	
Payroll Savings		$3.6M	Other Aviation Divisional expenses	$0.2M
Vacancies & delayed hiring	3.4M			
Budget FTE's on hold	0.2M			
Outside Services		$2.0M		
Delayed start on planned work	1.7M			
Deferred to future years	0.3M			
Utilities (lower usage due to mild weather)		$1.1M		
Surface Water	0.7M			
Natural Gas	0.3M			

- YTD Operating Expense Exceptions are higher than budget by $2.1M due to the following:

Positive Variance of $1.5M			Negative Variance of $3.6M		
Environmental Remediation Liability		$1.5M	Environmental Remediation Liability		$3.5M
PY RMM adjustments	0.9M		Lora Lake (Lake parcel)	1.4M	
RMM deferred to future years	0.4M		Delta build-out	1.2M	
RMM project savings	0.2M		NSAT - Phase I	0.3M	
			Other RMM not anticipated	0.6M	
			Capital Projects to Operating Expense		$0.1M

- YTD Operating Expense charges from Corporate and other divisions are lower than budget by $6.2M due to the following:

Positive Variance of $6.2M			Negative Variance - no material variance
Corporate Savings		$2.3M	
ICT	0.5M		
HR	0.4M		
AFR	0.4M		
Public Affairs	0.3M		
All other - Corp	0.7M		
Police savings		$0.2M	
CDD & other		$3.6M	
Project Controls	1.6M		
Engineering	0.8M		
PCS	0.5M		
CPO	0.4M		
All other - CDD	0.3M		

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/15

Operating Expenses – 2015 YTD Actuals compared to YTD 2014:

Total Operating Expenses increased in YTD 2015 by $4.5M due to the net of the following:

- YTD Baseline Operating Expenses increased in 2015 by $2.9M due to the following:

Increase of $4.0M			Decrease of $1.1M		
Payroll		$1.3M	Outside Services		$0.7M
Outside Services		$1.5M	Credit card fees (new account)	0.7M	
Janitorial contract	0.1M		Utilities (2015 lower usage due to mild weather)		$0.4M
Centralized FIS operations	0.3M				
Sustainable Airport Master Plan	0.6M				
ADR master plan consulting	0.2M				
Outside Services (other)	0.3M				
General expenses		$1.1M			
Credit card fees (new account)	0.8M				
Clubs & Lounges (3rd party mgm	0.2M				
B&O Tax (on higher revenue)	0.1M				
Other Aviation expenses		$0.1M			

- YTD Operating Expense Exceptions increased in 2015 by $2.6M due to the following:

Increase of $3.0M			Decrease of $0.4M	
Environmental Remediation Liability		$2.9M	Airline Realignment (Aero)	$0.4M
Lora Lake (Lake parcel)	1.4M			
Delta build-out	1.2M			
All other RMM adjustments	0.3M			
Capital Projects to Operating Expense		$0.1M		

- YTD Operating Expense charges from Corporate and other divisions decreased by $1.0M in 2015 due to the following:

Increase of $0.2M		Decrease of $1.2M	
Corporate savings	$0.1M	CDD & other	$1.2M
Police savings	$0.1M		

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/15

Operating Expenses – 2015 Forecast compared to 2015 Budget:

Total Operating Expenses are forecasted to be lower than the 2015 budget by $5.1M due to the net of the following:

- Baseline Operating Expenses are forecasted to be lower than budget by $1.5M due to the following:

Positive Variance of $5.6M			Negative Variance of $4.0M		
Payroll Savings		$4.5M	Payroll unbudgeted spending		$1.8M
Budget FTE's on hold	0.6M		FTE separations/buyout	0.3M	
Vacancies & delayed hiring	3.6M		New FTE's approved in 2015	0.6M	
FTE transfers & other adj's	0.3M		Increased operational demands	0.9M	
Utilities (lower usage due to mild weather)		$1.1M	Outside Services		$0.8M
			Janitorial - increased scope	0.8M	
			Other Aviation Divisional expenses		$1.4M
			Equipment & Supplies	0.5M	
			Clubs & Lounges (3rd party mgmt)	0.4M	
			Tenant Mktg (on higher revenue)	0.2M	
			B&O Tax (on higher revenue)	0.1M	
			Other general expenses	0.2M	

- Operating Expense Exceptions are forecasted to be higher than budget by $2.1M due to the following:

Positive Variance of $2.2M			Negative Variance of $4.3M		
Environmental Remediation Liability		$2.2M	Environmental Remediation Liability		$4.2M
PY RMM adjustments	1.3M		Lora Lake (Lake parcel)	1.4M	
RMM deferred to future years	0.7M		Delta build-out	1.2M	
RMM project savings	0.2M		US Airways ticketing & ATO	0.8M	
			NSAT - Phase I	0.3M	
			Other RMM not anticipated	0.5M	
			Capital Projects to Operating Expense		$0.1M

- Operating Expense charges from Corporate and other divisions are forecasted to be lower than budget by $5.8M due to the following:

Positive Variance of $6.1M			Negative Variance of $0.3M	
Corporate Savings		$1.3M	Corporate - Office of Strategic Initiatives	$0.3M
ICT	0.1M			
Public Affairs	0.2M			
HR	0.4M			
AFR	0.2M			
Contingency	0.2M			
All other - Corp	0.2M			
Police savings		$0.1M		
CDD & other		$4.7M		
AV Project Mgmt	3.0M			
Engineering	1.1M			
PCS	0.6M			

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/15

Aeronautical Business Unit Summary

				Fav (UnFav)				Fav (UnFav)	
	2014 YTD	2015 Year-to-Date		Budget Variance		Year-End Projection		Budget Variance	
$ in 000's	Actual	Actual	Budget	$	%	Forecast	Budget	$	%
Revenues:									
Movement Area	36,898	36,678	36,774	(97)	-0.3%	79,567	78,635	932	1.2%
Apron Area	4,495	6,159	5,317	842	15.8%	10,571	11,233	(663)	-5.9%
Terminal Rents	70,110	76,384	75,647	737	1.0%	151,013	153,167	(2,154)	-1.4%
Federal Inspection Services (FIS)	2,549	5,820	4,778	1,042	21.8%	10,177	10,360	(183)	-1.8%
Total Rate Base Revenues	**114,051**	**125,041**	**122,516**	**2,524**	**2.1%**	**251,327**	**253,395**	**(2,068)**	**-0.8%**
Commercial Area	4,192	4,811	4,223	589	13.9%	8,955	8,445	510	6.0%
Subtotal before Revenue Sharing	**118,244**	**129,852**	**126,739**	**3,113**	**2.5%**	**260,283**	**261,840**	**(1,558)**	**-0.6%**
Revenue Sharing	(2,939)	(11,878)	(9,744)	(2,134)	-21.9%	(24,342)	(19,488)	(4,854)	-24.9%
Total Aeronautical Revenues	**115,304**	**117,973**	**116,995**	**979**	**0.8%**	**235,941**	**242,352**	**(6,411)**	**-2.6%**
Total Baseline	50,650	52,524	56,569	4,045	7.1%	115,063	115,602	539	0.5%
Total Exceptions to Baseline	410	2,560	651	(1,909)	-293.3%	3,934	2,039	(1,894)	-48.2%
Total Charges from Other Divisions	18,065	16,358	19,345	2,987	15.4%	36,233	39,020	2,788	7.7%
Total Aeronautical Expenses	**69,125**	**71,442**	**76,565**	**5,123**	**6.7%**	**155,229**	**156,662**	**1,433**	**0.9%**
Net Operating Income	**46,179**	**46,531**	**40,430**	**6,101**	**15.1%**	**80,712**	**85,690**	**(4,979)**	**-5.8%**
Debt Service (1)						(83,802)	(84,496)	(694)	-0.8%
Net Cash Flow						**(3,091)**	**1,194**	**(4,285)**	**-358.8%**

NOTE: (1) Debt service is forecasted/budgeted on an annual basis only. Thus, quarterly data is not available.

Aeronautical – YTD Budget Variance

- Aeronautical YTD net operating income is $6.1M higher than budget
  - Aeronautical revenue is $1.0M higher than budget – partially due to a timing difference in rate based billing related to higher volume/activity ($2.5M). This increased activity is billed at the 2015 budget rate and is expected to reverse out in the year-end reconciliation due to forecasted budget savings for annual 2015 rate base costs. Increased aeronautical activity will not generate incremental revenue unless the underlying rate based costs increase. Higher revenue in the Commercial Area ($0.6M) includes a prior year adjustment from cargo volume billing. Aeronautical revenue is reduced by higher revenue sharing ($2.1M) due to growth in non-aeronautical revenue.
  - Aeronautical operating expenses are $5.1M lower than YTD budget:
    - Baseline expenses - $4.0M lower than budget due to lower than anticipated divisional allocations ($1.4M), savings in payroll ($1.1M), delayed Outside Services spending ($0.7M), and internal department transfers ($0.6M)
    - Exceptions to Baseline - $1.9M higher than budget due to higher environmental remediation liability costs
    - Charges from other divisions - $3.0M savings identified by Corporate & CDD departments

Aeronautical Year Over Year YTD Changes

- Aeronautical net operating income is $0.4M higher than YTD 2014
  - Aeronautical revenues in YTD 2015 are $2.7M higher than YTD 2014:
    - Higher rate based revenue ($11.0M) in YTD 2015 due to cost recovery on new assets placed in service and higher operating expenses to support increased airline activity.
    - Higher Aero revenue is partially offset by higher revenue sharing in 2015 ($8.9M) due to increase in Non-Aero revenue.
  - Aeronautical operating expenses in YTD 2015 are $2.3M higher than YTD 2014:
    - Baseline expenses - $1.9M higher than prior year due to higher divisional allocations ($0.9M), higher outside services spending ($0.6M), and expected payroll increases ($0.4M)

- Exceptions to Baseline costs increased by $2.1M in 2015 – due to higher environmental remediation liability costs ($2.6M), offset by lower airline realignment costs ($0.4M)
- Charges from other divisions - $1.7M lower than YTD 2014.

Non-Aero Business Unit Summary

$ in 000's	2014 YTD Actual	2015 Year-to-Date Actual	2015 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year-End Projection Forecast	Year-End Projection Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %
Non-Aero Revenues									
Rental Cars - Operations	13,190	13,756	15,235	(1,479)	-9.7%	33,629	32,772	857	6.5%
Rental Cars - Operating CFC	3,921	3,576	6,582	(3,007)	-45.7%	12,271	12,172	99	2.5%
Public Parking	28,244	30,766	29,781	986	3.3%	62,120	58,925	3,195	5.4%
Ground Transportation	4,139	3,974	3,981	(6)	-0.2%	8,309	8,244	65	0.8%
Airport Dining & Retail	21,682	24,061	23,460	601	2.6%	51,688	49,883	1,805	3.6%
Other	10,458	12,267	12,498	(231)	-1.9%	26,128	26,469	(341)	-1.3%
Total Non-Aero Revenues	**81,635**	**88,401**	**91,538**	**(3,137)**	**-3.4%**	**194,144**	**188,465**	**5,678**	**3.0%**
Non-Aero Expenses									
Total Baseline	21,653	22,675	25,135	2,460	9.8%	50,661	51,606	945	1.9%
Total Exceptions to Baseline	(35)	376	194	(182)	-94.3%	827	607	(220)	-26.6%
Total Charges from Other Divisions	15,455	16,177	19,399	3,222	16.6%	36,289	39,265	2,976	8.2%
Total Non-Aero Expenses	**37,073**	**39,228**	**44,728**	**5,499**	**12.3%**	**87,778**	**91,479**	**3,701**	**4.2%**
Net Operating Income	**44,562**	**49,172**	**46,810**	**2,362**	**5.0%**	**106,366**	**96,986**	**9,380**	**9.7%**
Less: CFC Surplus	(2,311)	(757)	(3,511)	(2,754)	-78.4%	(5,067)	(4,760)	308	6.5%
Adjusted Non-Aero NOI	**42,251**	**48,415**	**43,299**	**5,116**	**11.8%**	**101,299**	**92,227**	**9,072**	**9.8%**
Debt Service (1)						(43,493)	(43,847)	(353)	-0.8%
Net Cash Flow						**57,805**	**48,380**	**9,425**	**19.5%**

Note: (1) Debt service is forecasted/budgeted on an annual basis only. Thus, quarterly data is not available.

Non-Aero – YTD Budget Variance

- Non-Aeronautical net operating income is $2.4M higher than YTD budget
  - Non-Aeronautical revenues are $3.1M lower than budget:
    - Strong performance in Public Parking ($1.0M) and ADR ($0.6M)
    - Offset by timing difference in rental car budget ($4.5M) expected to clear by year-end
  - Non-Aeronautical operating expenses are $5.5M lower than YTD budget:
    - Baseline expenses - $2.5M lower than budget due to savings in payroll ($1.8M), delayed Outside Services spending ($1.2M), lower utility costs ($1.0M), partially offset by higher than anticipated divisional allocations ($1.4M)
    - Exceptions to Baseline - $0.2M higher than budget due to environmental remediation liability costs ($0.1M) and capital projects expensed ($0.1M)
    - Charges from other divisions - $3.2M savings identified by Corporate & CDD departments

Non-Aero Year over Year Changes

- Non-Aeronautical net operating income is $4.6M higher than YTD 2014.
  - Non-Aeronautical revenues in YTD 2015 are $6.8M higher than YTD 2014 – due to strong performance in Airport Dining & Retail, Public Parking, and Rental Cars
  - Non-Aeronautical operating expenses in YTD 2015 are $2.2M higher than YTD 2014:
    - Baseline expenses - $1.0M higher than prior year due to lower divisional allocations ($0.9M) and lower utility expense ($0.5M). Savings are partially offset by general expenses ($1.4M), expected payroll increases ($0.8M), and Outside Services spending ($0.2M)

- Exceptions to Baseline - $0.4M higher than prior year due to increased environmental remediation liability in 2015
- Charges from other divisions - $0.7M higher than YTD 2014

D. CAPITAL RESULTS

Capital Variance

$ in 000's **Description**	**2015 YTD Actual**	**2015 Forecast**	**2015 Budget**	**Budget Variance $**	**%**
RW16C-34C Design and Reconst (1)	7,513	38,513	52,850	14,337	27.1%
2014-2015 Roof Replacement (2)	79	229	3,875	3,646	94.1%
NS NSAT Renov NSTS Lobbies (3)	4,840	15,411	18,076	2,665	14.7%
CCTV Camera/Data Improvements (4)	53	653	3,065	2,412	78.7%
C4 UPS System Improvements (5)	18	668	3,025	2,357	77.9%
Checked Bag Recap/Optimization	3,384	8,384	8,800	416	4.7%
International Arrivals Fac-IAF	2,773	11,983	12,088	105	0.9%
NS Refurbish Baggage Systems	9,551	12,899	12,966	67	0.5%
All Other	31,753	85,173	110,689	25,516	23.1%
Total Spending	**59,964**	**173,913**	**225,435**	**51,522**	**23%**

(1) Lowest bid was 25% below the engineer’s estimate. Recognized $11.7M in actual savings
(2) Reduction in scope and delay due to SAMP evaluation
(3) Spending slow down due to design decision gyrations, delays in HP billings, and invoice lags
(4) Delay in design procurement (6 months) will push out construction work and billing
(5) Changes in procurement strategy impacted timeliness of obtaining Commission authorization and getting contract executed

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/15

FINANCIAL SUMMARY

$ in 000's	2014 Actual	2015 Forecast	2015 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2014 $	%
Revenues:							
Operating Revenue	96,157	95,135	91,635	3,500	4%	(1,022)	-1%
Security Grants	0	0	0	0	NA	0	NA
Total Revenues	**96,157**	**95,135**	**91,635**	**3,500**	**4%**	**(1,022)**	**-1%**
Total Operating Expenses	**37,490**	**44,303**	**43,603**	**(700)**	**-2%**	**6,813**	**18%**
Net Operating Income	**58,667**	**50,831**	**48,031**	**2,800**	**6%**	**(7,836)**	**-13%**
Capital Expenditures	**10,489**	**20,036**	**20,068**	**32**	**0%**	**9,547**	**91%**

- Total Seaport Division Revenues were $1,876K favorable as a result of a favorable variance in Container revenues of $2,513K due to unbudgeted revenue at Terminal 5, most significantly interim revenue from a new lease with Foss Maritime, partially offset by unfavorable Surface Water Utility Revenue of ($794K). With the new Stormwater Utility, revenue from tenant is paid directly to the Utility. For the full year, Seaport is forecasting revenue to be favorable to budget by $3,500K primarily due to the Foss Lease partially offset by the Surface Water Revenue.
- Total Operating Expenses were $3,262K favorable mainly due to favorable utility expenses $1,222K primarily relating to surface water utility expenses for tenant occupied sites which will be paid by and expensed to the new Stormwater Utility as well as due to Seaport Outside Service costs associated with the Terminal 91 Maintenance Dredge project, and favorable Corporate expenses due to less use of a Seaport Alliance related Contingency than budgeted. For the full year, Seaport is forecasting expenses to be ($700K) unfavorable to budget due to unbudgeted cost of removing cranes at Terminals 18, 5 and 46.
- Net Operating Income year-to-date for 2015 was $5,138K favorable to budget and ($3,692K) below 2014 Actual. For the full year, Seaport is forecasting Net Operating Income to come in $2,800K favorable to budget.
- At the end of the second quarter, capital spending for 2015 is forecasted to be $20.0M or about 100% of the Approved Annual Budget amount of $20.1M.

A. BUSINESS EVENTS

- TEU volumes for the Seattle Harbor were up 6.6% year-to-date June 2015 compared to year-to-date June 2014 levels. Year-to-date June 2015 volume was 759,869 TEUs. Full inbound TEUs were up 13.2%, full outbound TEUs were down (6.7%), empty inbound TEUs were down (2.0%), and empty outbound TEUs were up 73.0%.
- Consolidated West Coast Port results through the 2nd Quarter of 2015 are not available pending Metro Vancouver publishing results which is scheduled for August 13th. On a regional basis, LA/Long Beach was down (2.0%) and Seattle/Tacoma was up 3.0%.

TEU Volume (in 000's)	YTD Q2 2015	YTD Q2 2015	TEU Change	% Change
Long Beach	3,306	3,303	3	0.1%
Los Angeles	3,904	4,052	(149)	-3.7%
Oakland	1,087	1,177	(90)	-7.6%
Portland	21	84	(63)	-75.0%
Prince Rupert	392	281	111	39.5%
Seattle	**760**	**713**	**47**	**6.6%**
Tacoma	1,018	1,013	5	0.5%
Vancouver	not available	1,403	not available	not available
West Coast - Totals:	**not available**	**12,026**	**not available**	**not available**

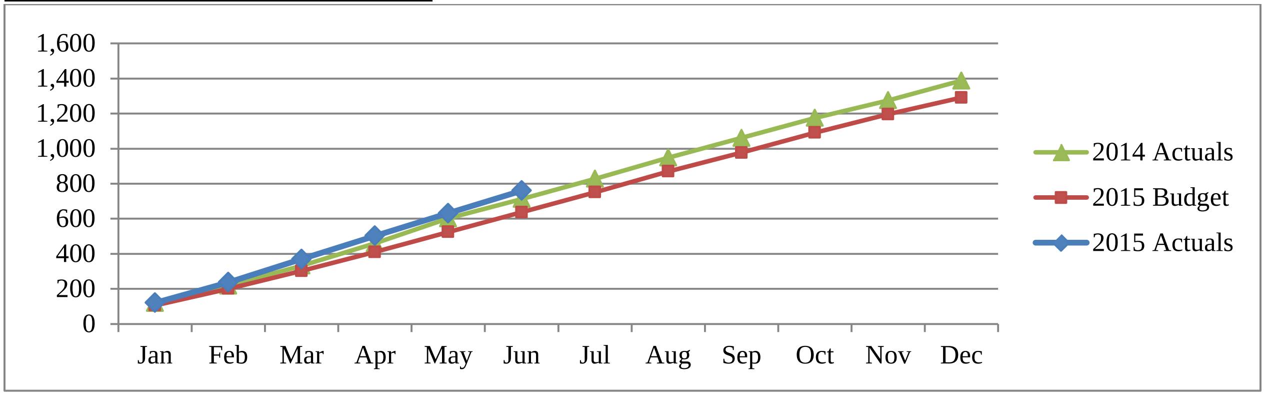
III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/15

- Commissioners from the ports of Seattle and Tacoma voted to submit a final agreement to form the Northwest Seaport Alliance to the Federal Maritime for approval.
- Considerable work underway to form the Seaport Alliance.
- Grain vessels shipped 2.019M metric tons of grain (yellow soybeans and yellow corn) through Terminal 86 for June year-to-date 2015. Amount was 4% greater than for the same period in 2014 and (5%) unfavorable to 2015 Budget volume.
- The 2015 cruise season commenced on Saturday, May 2nd.
- Cruise passengers for May and June totaled 339,873 which was about 8% above the results for the same period in 2014 and approximately equal to budget.
- Since the launch in May 2014, 120 drayage trucks have been replaced with model-year 2007 or newer engines under the Seaport Truck Scrappage and Replacements for Air in Puget Sound (ScRAPS) 2 program.
- $1.066M in clean-up project costs were recovered from grants and insurance through 2nd quarter 2015.

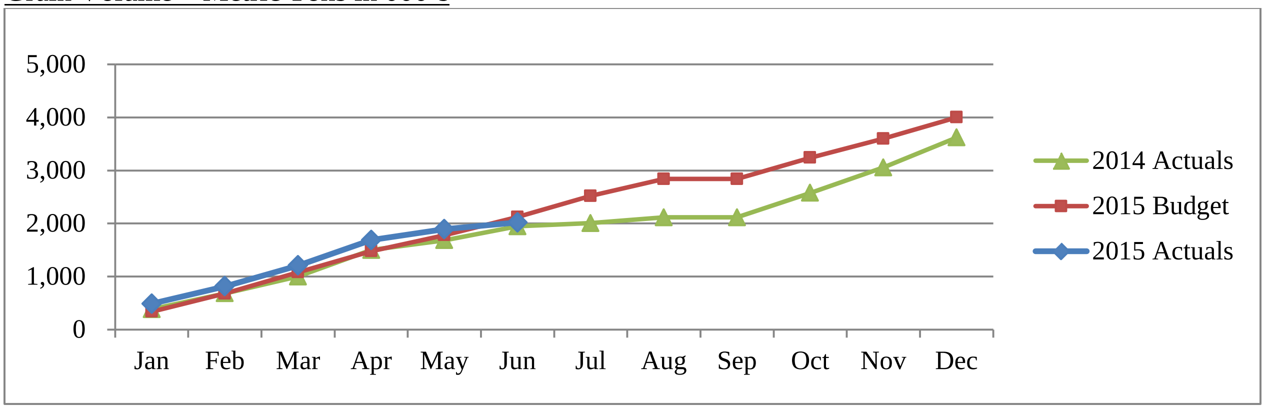
III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/15

B. KEY INDICATORS

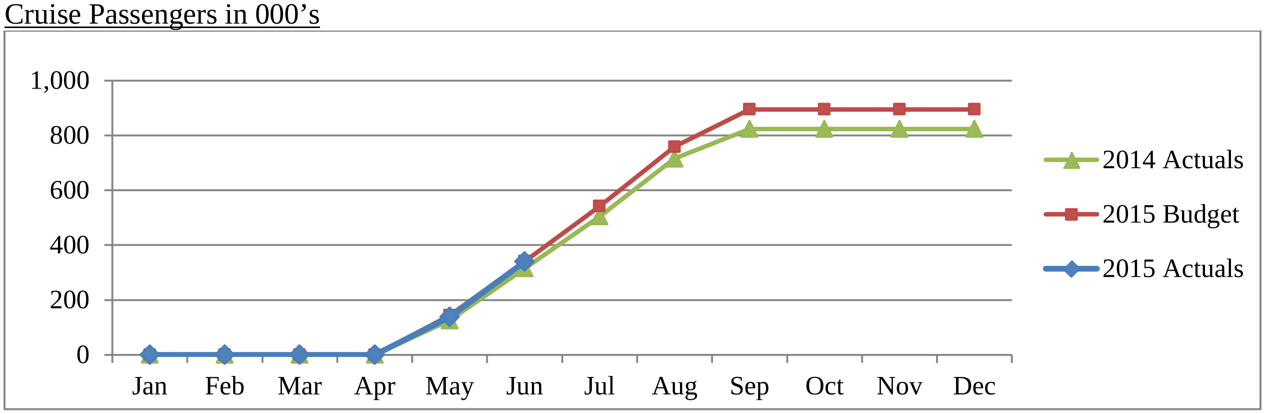
Container Volume – TEU's in 000's



Grain Volume – Metric Tons in 000's



Cruise Passengers in 000's



Net Operating Income before Depreciation by Business

$ in 000's	2014 YTD Actual	2015 YTD Actual	2015 YTD Budget	Fav (UnFav) 2015 Bud Var $	%	Incr (Decr) Change from 2014 $	%
Containers	23,321	18,683	14,762	3,922	27%	(4,637)	-20%
Grain	1,599	2,174	2,311	(137)	-6%	575	36%
Seaport Industrial Props	4,623	4,810	4,230	580	14%	187	4%
Cruise	2,055	2,324	1,715	609	-36%	269	13%
Maritime Operations	(261)	(233)	(530)	297	56%	28	11%
Security	(275)	0	0	(0)	NA	275	100%
Env Grants/Remed Liab/Oth	130	(258)	(125)	(133)	-107%	(388)	299%
Total Seaport	31,193	27,501	22,363	5,138	23%	(3,692)	-12%

C. OPERATING RESULTS

$ in 000's	2014 YTD Actual	2015 Year-to-Date Actual	2015 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year End Projections Forecast	Year End Projections Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %
Operating Revenue	48,617	45,899	44,022	1,876	4%	95,135	91,635	3,500	4%
Security Grants	0	0	0	0	NA	0	0	0	NA
Total Revenues	**48,617**	**45,899**	**44,022**	**1,876**	**4%**	**95,135**	**91,635**	**3,500**	**4%**
Seaport Expenses (excl env srvs)	6,535	6,321	8,900	2,579	29%	19,022	18,165	(857)	-5%
Environmental Services	820	1,041	1,067	26	2%	2,452	2,452	0	0%
Maintenance Expenses	2,959	3,544	3,532	(13)	0%	7,067	7,067	0	0%
P69 Facilities Expenses	204	184	228	43	19%	446	446	0	0%
Other RE Expenses	151	184	220	36	17%	433	433	0	0%
CDD Expenses	1,058	673	924	251	27%	1,740	1,847	108	6%
Police Expenses	2,059	1,910	1,959	49	2%	3,990	3,990	0	0%
Corporate Expenses	3,768	4,283	4,705	422	9%	8,653	8,953	300	3%
Security Grant Expense	0	0	0	0	NA	0	0	0	NA
Envir Remed Liability	(130)	258	125	(133)	-107%	500	250	(250)	-100%
Total Expenses	**17,424**	**18,398**	**21,659**	**3,262**	**15%**	**44,303**	**43,603**	**(700)**	**-2%**
NOI Before Depreciation	**31,193**	**27,501**	**22,363**	**5,138**	**23%**	**50,831**	**48,031**	**2,800**	**6%**
Depreciation	16,594	15,844	16,343	499	3%	32,754	32,754	0	0%
NOI After Depreciation	**14,599**	**11,657**	**6,020**	**5,637**	**94%**	**18,078**	**15,278**	**2,800**	**18%**

Seaport Division Revenues were $1,876K favorable to budget. Key variances are as follows:

Seaport Lease & Asset Management - favorable $1,952K

- Containers were $2,513K favorable. Terminal 5 favorable variance of $3,259K due to unbudgeted interim uses at the terminal including space rent and other revenue related to the Foss Lease of $2,859K. The Foss lease will provide monthly space rent of $549K going forward. This favorable variance was partially offset by ($794K) unfavorable variance due to Surface Water Utility revenue that was budgeted in Containers, but actually recognized in the new Stormwater Utility.
- Grain was ($216K) unfavorable primarily due to volume coming in (5%) unfavorable to budget.
- Seaport Industrial Properties were ($345K) unfavorable due primarily to Surface Water Utility revenue that was budgeted to Industrial Properties but was actually recognized in the new Stormwater Utility ($382K).

Cruise and Maritime Operations - unfavorable $76K

- Cruise was ($135K) unfavorable due to slight shortfall in year-to-date passenger counts ($72K) as well as due to lower Sales of Utilities than budgeted ($53K) with ($14K) relating to surface water which is now being recognized in the new Stormwater Utility.
- Maritime Operations were $59K favorable primarily due to higher usage of yard and facilities than budgeted and revenue from Alaska Marine Line at Kellogg Island that was budgeted in Industrial Properties.

Total Seaport Division Expenses were $3,262K favorable to budget. Key variances are as follows:

- **Seaport Expenses** (excluding Environmental Services) were $2,579K favorable to budget. Major variances were as follows:
  - **Salaries & Benefits** were $339K favorable due to open positions in Commercial Strategy, Containers, Division Admin, and Finance.
  - **Utilities** are favorable to budget by $1,222K due to the Surface Water Utility expenses $1,233K favorable relating to tenant occupied facilities where expense that will be paid to the City will be recognized through the new Stormwater Utility. This favorable variance is an offset to corresponding unfavorable variance in Sales of Utilities-Surface Water.
  - **Outside Services** were $893K favorable due to favorable variances associated with the Terminal 91 Maintenance Dredging $537K project, the Terminal 18 Maintenance Dredging Project $60K, and the removal of IHI Cranes at Terminal 18 $74K. Design and construction work on the Terminal 91 project has been delayed due to permitting issues. It is uncertain when these will be resolved.

  - Crane removal at Terminal 18 has been delayed until late 2015 and continuing into early 2016 and the Terminal 18 Maintenance Dredge design work commenced later than expected. Additional variances relate to amounts budgeted for security services at Terminal 5 $60K favorable year-to-date, amounts budgeted for outreach and training by Division Admin $100K, and work for appraisal and condition assessment at Terminal 106 $50K.
  - **Travel & Other Employee Expenses** were $151K favorable due to reduced travel by Commercial Strategy and Division Administration as a result of reorganization associated with formation of the Northwest Seaport Alliance and related open positions.
  - **Promotional Expenses** were $42K favorable due primarily to underutilization of amounts budgeted by Cruise and Maritime Operations $28K.
  - **General Expenses** were ($58K) unfavorable primarily due to permit fees that were paid in 2014, but are being amortized over 12 months contributing to a ($88) unfavorable variance through the second quarter of 2015. This change in accounting was not known at budget time so the unfavorable variance will continue to grow until the 4th quarter when the full year expense was budgeted. Unanticipated litigation contributed an additional ($25K) unfavorable expense variance. These amounts were partially offset by underutilization of amounts budgeted for advertising $51K which was partially impacted by the reorganization associated with the Northwest Seaport Alliance.

- **Environmental Services** was favorable $26K primarily due to an open position in Environmental Services.
- **CDD** costs, direct and allocated, were favorable $251K due to lower charges year-to-date from Engineering $199K and from Seaport Project Management $119K partially offset by higher project related charges from Port Construction Services ($71K).
- **Police Expenses** are favorable $49K, due to less than budgeted expenses incurred by the Police department thus far in the year.
- **Corporate** Costs direct and allocated were favorable $422K due to lower direct charges and allocations from most corporate groups. The most significant variance of $308K is from Contingency which reflects $500K budgeted in the first quarter for consultant costs to support the setup of the Seaport Alliance, but only $180K has been expensed year-to-date. An additional $103K favorable variance is from Executive and Internal Audit with most significant variance $69K relating to the WPPA membership budgeted in January but actual expense is being realized ratably over the year. Additional favorable variances from Public Affairs $85K, Information and Communication Technology $63K and Human Resources $55K reflects open positions and lower overall spending by those groups. Favorable variances are partially offset by an unfavorable variance from Legal of ($213K) relating to the establishment of the Northwest Seaport Alliance and issues related to the interim use at Terminal 5.
- **Environmental Remediation Liability expense** unfavorable ($133K), due to unanticipated additional environmental testing associated with the Terminal 91 Maintenance Dredge project.
- **All other** variances net to favorable $68K or .3 % of budget.

NOI before Depreciation was $5,138K favorable to budget.

Depreciation was $499K favorable, primarily due to impairment of crane assets at Terminal 5 at year end 2014, resulting in lower depreciation expense in 2015. The need to impair these assets was not apparent when the budget was created.

NOI after Depreciation was $5,637K favorable to budget.

III. SEAPORT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/15

2015 Full Year Forecast

As of the end of the 2nd Quarter 2015, Seaport anticipates ending the year $2.8M favorable to budget for Net Operating Income (NOI) Before Depreciation. The variance reflects above budget revenue of $3,500K and an unfavorable expense variance of ($700K).

The forecasted favorable revenue variance is the result of unbudgeted interim revenue at Terminal 5 from a new lease with Foss Maritime $5.9M partially offset by unfavorable Surface Water Utility Revenue ($2.4M). Surface Water Utility Revenue is now paid directly by tenants to the new Stormwater Utility, but was budgeted to be credited to the Seaport Business Groups (see offsetting favorable expense variance described below).

The unfavorable expense variance of ($700K) is due to unbudgeted costs to remove the 3 IHI cranes from Terminal 18, a 50 gauge crane from Terminal 46, and to begin design and planning to remove all 5 cranes from Terminal 5. In the Budget, the Terminal 18 cranes were expected to be removed in 2014, the Terminal 5 cranes were expected to be sold and removed from the terminal by the buyer, and the Terminal 46 cranes was expected to be removed in 2016. Labor issues delayed the removal of the Terminal 18 cranes and no buyers were found for the Terminal 5 cranes. Additional unfavorable variances relate to the Terminal 18 Maintenance Dredge project for which current cost estimates exceed budget and operating Environmental Remediation Liability expense which is also expected to be impacted by the maintenance dredge projects. Unfavorable variances are partially offset by favorable full year Surface Water Expense of $2.4M as a result of tenant related expenses that will now be paid out of and expensed to the new Stormwater Utility and by favorable expense variance associated with delays in the Terminal 91 Maintenance Dredge project. Full year Corporate and CDD related costs are also expected to be favorable to budget.

Change from 2014 YTD Actual

Net Operating Income (NOI) before Depreciation for 2015 decreased by ($3,692K) from 2014 due to lower revenues and higher expenses.

Revenue decreased by ($2,718K) from the prior year partly due to the elimination of revenue from Sales of Utilities-Surface Water ($1,434K) which is now paid directly by tenants to the Stormwater Utility, but were budgeted to be credited to the Seaport Business Groups. Excluding impact of Sales of Utilities-Surface Water, Container revenue decreased ($2,760K) due to the closure of Terminal 5 at the end of July 2014. Space rent and preferential use fees related to the former tenant, Eagle Marine, decreased by ($9,580K) and crane rent and intermodal revenue decreased by ($1,083K) and ($207K), respectively. The decreases were partly offset by 6 months of termination revenue from Eagle Marine of $4,500K, by new revenue from interim tenant, Foss Maritime $2,876K, and by an increase in the Minimum Annual Guarantee lease rate at the other container terminals $369K. Lower revenues in Containers were partially offset by higher Grain revenue $516K resulting from higher volumes in 2015 as well as to a new lease agreement, higher Cruise revenue $519 due to higher passenger volumes and increased rates, by higher Seaport Industrial Properties revenue of $309K because of higher occupancies and year-over-year rate increases, and higher Maritime Operations revenue $132K resulting from higher occupancies and new agreement with Seattle Fire Department.

Expenses, direct and allocated, increased by a net of $974K. The increase reflects higher Maintenance expense $585K primarily driven by work related to Terminal 5, higher charges from Corporate $515K primarily related to the establishment of the Northwest Seaport Alliance, an increase in Operating Environmental Remediation Liability $388K primarily relating to the Terminal 91 Maintenance Dredge Project, and higher charges from Environmental Services $221K resulting from more work related to stormwater and less charging to non-operating environmental projects. Overall Seaport Division originated expenses decreased ($214K) due to a reduction in utility expenses of ($890K) primarily reflecting surface water expense for tenant occupied sites which, for 2015, will be paid to the City and expensed through the new Stormwater Utility as well as due to lower salaries and benefits due to open positions ($113K). These decreases were largely offset by an increase in Outside Services costs of $392K due to an increase in Contract Watchman costs at Terminal 5 $191K because without an individual tenant at the facility, the Port is now required to cover those costs and bill back to new tenants on a pro-rata basis and costs associated with U.S. Army Corp of Engineers Feasibility Study $214K. General Expenses increased $433K due primarily to a payment for the Vessel Coordination Agreement with the Muckleshoots was made in Q1 2015, but not until Q3 in 2014.

D. CAPITAL SPENDING RESULTS

$ in 000's	2015 YTD Actual	2015 Forecast	2015 Budget	Budget Variance $	Budget Variance %
Contingency Renewal & Replace.	0	2,500	6,000	3,500	58%
T5 Berth Modernization	2,306	6,806	4,000	(2,806)	-70%
Argo Yard Roadway Element I	1,640	1,715	1,654	(61)	-4%
P34 Mooring Dolphins	1,364	1,438	1,351	(87)	-6%
T18 Stormwater Infrastructure	0	1,250	1,250	0	0%
Terminal 46	1,199	2,262	988	(1,274)	-129%
SEA SEC R13 P66 TWIC & T91GATE	267	711	731	20	3%
T91 Substation Upgrades	252	725	725	0	0%
Small projects	119	749	617	(132)	-21%
P90 C175 Roof Replacement	108	308	341	33	10%
All Other	330	1,572	2,411	839	35%
Total Seaport	7,585	20,036	20,068	32	0%

Comments on Key Projects:

Through the 2nd quarter of 2015, Seaport spent 38% of the annual approved budget. Full year is estimated to be on budget.

Projects with significant changes in spending were:

- **Terminal 5:** Variance reflects amounts approved to continue design and permitting of Berth Modernization project.
- **Terminal 46:** Variance relates to T46 Development
  - Crane Rail & Berth Extension- Design schedule has been accelerated to accommodate customer's request.
  - Stormwater Improvement - Q4 2014 construction activities were delayed and are proceeding in 2015; additional costs were added for change order in 2015.
  - Lighting Control - Project is delayed to 2016.
- **Contingency Renewal & Replace:** Variance reflects adjustment of amounts available in 2015 to reflect utilization of funds for Terminal 5 Modernization project and Terminal 46 Development.
- **Small projects** – Primarily due to postponement on the progress of the Pier 91 Bullrail Domestic Water Line Replacement.
- **All Other** –Primarily due to Terminal 18 South Gate Rail Spur Westway project that was postponed while waiting to finalize the associated lease and later start date for Bell Street Cruise Terminal Roof Fall Protection system.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/15

FINANCIAL SUMMARY

$ in 000's	2014 Actual	2015 Forecast	2015 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2014 $	%
Revenues:							
Operating Revenue	32,313	32,884	32,550	334	1%	570	2%
Total Revenues	**32,313**	**32,884**	**32,550**	**334**	**1%**	**570**	**2%**
Total Operating Expenses	**39,810**	**38,541**	**39,407**	**866**	**2%**	**(1,268)**	**-3%**
Net Operating Income	**(7,496)**	**(5,658)**	**(6,858)**	**1,200**	**17%**	**1,839**	**25%**
Capital Expenditures	**10,922**	**9,920**	**12,194**	**2,274**	**19%**	**(1,002)**	**-9%**

- Total Real Estate Division Revenues were $639K or about 4% favorable to budget through the second quarter primarily due to stronger Conference and Event Center revenues and Bell Street Garage revenues than budgeted. Favorable variances were partially offset by unfavorable Surface Water Utility Revenue of ($77K). Surface Water Utility revenue is now paid directly by tenants to the Stormwater Utility, but was budgeted to be credited to the Real Estate Businesses. For the full year, revenue is expected to be $334K favorable to budget also due to favorable Conference and Event Centers' revenue.
- Total Operating Expenses were $2,683K or 14% favorable due to lower spending than budgeted across all groups except for unfavorable Conference and Event Center expenses driven by higher activity (see revenue variance discussed above). For the full year, Real Estate is forecasting Operating Expenses to be $866K favorable to budget.
- Net Operating Income year-to-date for 2015 was $3,322K favorable to budget and $1,924K above 2014 Actual. For the full year, Real Estate is forecasting Net Operating Income to come in $1,200K favorable to budget.
- At the end of the second quarter, capital spending for 2015 is forecasted to be $9.9M or 81% of the Approved Annual Budget amount of $12.2M.

A. BUSINESS EVENTS

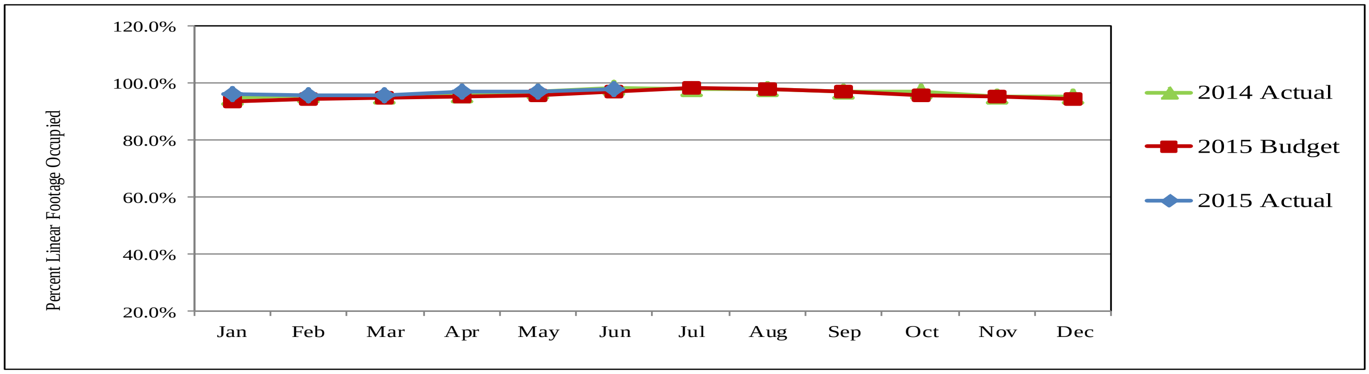
- This report reflects the reorganization of the Real Estate Division initiated in third quarter 2014. Under that reorganization, the Harbor Services group was combined with the Portfolio and Asset Management group enabling the combined management and reporting of the water and landsides of key facilities such as Fishermen's Terminal and Shilshole Bay Marina. In February 2015, a new reorganization was initiated by the CEO under which the North Harbor Management group within the former Real Estate Division will report to a new Maritime Division and the Real Estate Division will become the Economic Development Division. The implementation of reporting for the CEO reorganization will come in the 2016 Budget and for actuals effective January 1, 2016.
- Overall occupancy level of Commercial Buildings was at 91% at the end of the second quarter of 2015, which was below the 94% target for the 2015 Budget and below the comparable statistics for the local market of 92%.
- Conference and Event Center activity exceeded budget year-to-date due to a strong sales team and healthy regional economy.
- Recreational marinas averaged 96% moorage occupancy through the second quarter which was above the target of 95% and matched results achieved for the same period in 2014.
- Fishermen's Terminal and Maritime Industrial Center averaged 86% moorage occupancy through the second quarter which was above the target of 80% and above 2014 results for the same period of 82%.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/15

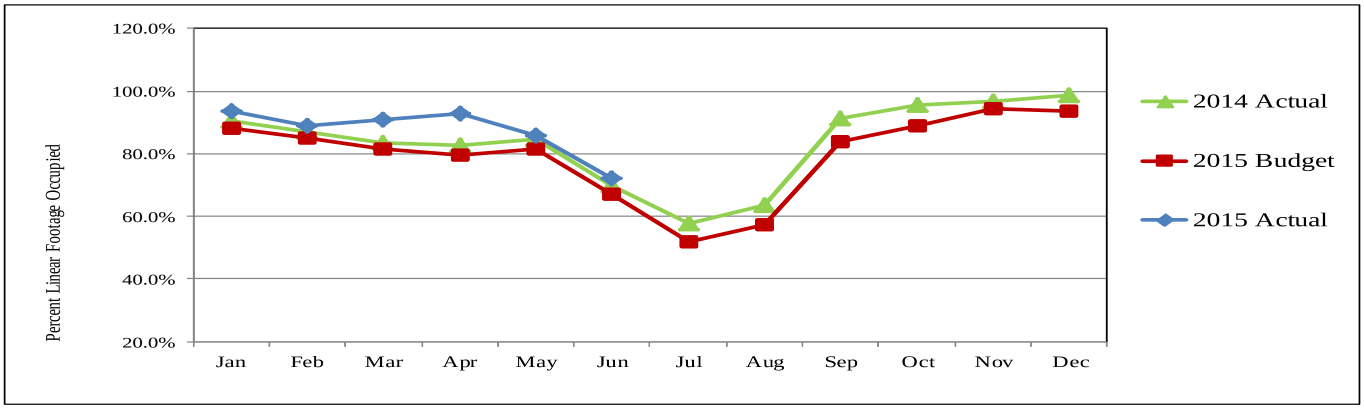
- Real Estate Development and Planning
  - Construction is underway on the first phase of the Des Moines Creek Business Park (DMCBP) project after closing on the first phase ground lease occurred in April. Construction is scheduled for completion in late Q4 2015 or early Q1 2016.
  - In April, the federal General Services Administration (GSA) selected the DMCBP site for the FAA's new regional offices, which will be built as phase two of the DMCBP project. In May, the Commission approved a revised option agreement and form of ground lease to accommodate the FAA's offices.
- Eastside Rail Corridor
  - Sale of 2.6 miles of the Eastside Rail Corridor (Rail Corridor) in King County to the City of Woodinville is expected to close some time in late 2015. Discussions are ongoing with Eastside Community Rail LLC ("ERC"), who currently holds the freight easement on the rail corridor, regarding the sale of the remaining 12 mile portion of the Corridor in Snohomish County.
  - Port is currently undertaking permanent repairs to a broken culvert in Maltby area. The culvert break endangered rail bed and a buried fiber optic line.

B. KEY INDICATORS

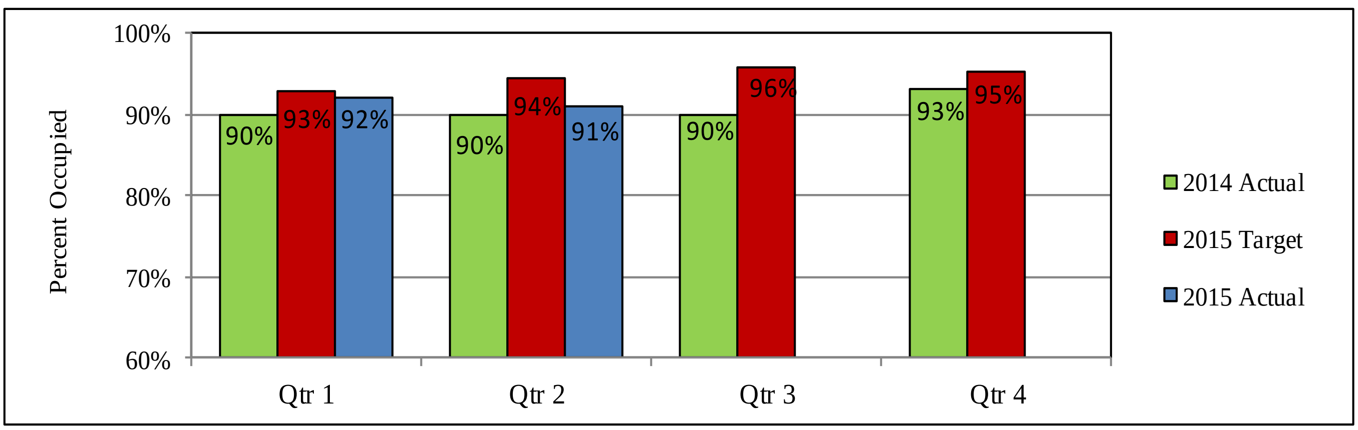
Shilshole Bay Marina Moorage Occupancy



Fishermen's Terminal Moorage Occupancy



Commercial Buildings



Net Operating Income before Depreciation by Business

$ in 000's	2014 YTD Actual	2015 YTD Actual	2015 YTD Budget	Fav (UnFav) 2015 Bud Var $	Fav (UnFav) 2015 Bud Var %	Incr (Decr) Change from 2014 $	Incr (Decr) Change from 2014 %
North Harbor Facilities	(64)	(302)	(1,725)	1,423	82%	(238)	-370%
Central Waterfront	(1,630)	(206)	(1,816)	1,611	89%	1,424	87%
Conference & Event Centers	473	330	302	28	9%	(143)	NM
Eastside Rail	(1,163)	(143)	(160)	18	11%	1,021	88%
RE Development & Plan	(186)	(326)	(444)	117	26%	(140)	NM
Envir Grants/Remed Liab/Oth	(0)	(0)	(125)	125	-100%	0	-53%
Total Real Estate	**(2,571)**	**(646)**	**(3,968)**	**3,322**	**84%**	**1,924**	**75%**

C. OPERATING RESULTS

$ in 000's	2014 YTD Actual	2015 Year-to-Date Actual	2015 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year End Projections Forecast	Year End Projections Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %
Revenue	11,637	12,003	11,658	345	3%	23,971	23,970	1	0%
Conf & Event Ctr Revenue	4,047	4,453	4,159	294	7%	8,913	8,580	333	4%
Total Revenue	**15,684**	**16,456**	**15,817**	**639**	**4%**	**32,884**	**32,550**	**334**	**1%**
Real Estate Exp (excl Conf,Maint,P69)	5,296	5,011	6,255	1,244	20%	11,487	11,967	480	4%
Conf & Event Ctr Expense	3,312	3,823	3,654	(169)	-5%	7,679	7,504	(175)	-2%
Eastside Rail Corridor	1,048	13	120	107	89%	210	210	0	0%
Maintenance Expenses	4,057	3,950	5,018	1,068	21%	9,576	9,976	400	4%
P69 Facilities Expenses	63	55	68	13	19%	133	133	0	0%
Seaport Expenses	479	576	623	47	8%	1,377	1,377	0	0%
CDD Expenses	862	776	889	112	13%	1,699	1,777	78	4%
Police Expenses	669	620	634	13	2%	1,291	1,291	0	0%
Corporate Expenses	2,468	2,278	2,399	121	5%	4,838	4,921	83	2%
Envir Remed Liability	0	0	125	125	100%	250	250	0	0%
Total Expense	**18,255**	**17,102**	**19,785**	**2,683**	**14%**	**38,541**	**39,407**	**866**	**2%**
NOI Before Depreciation	**(2,571)**	**(646)**	**(3,968)**	**3,322**	**84%**	**(5,658)**	**(6,858)**	**1,200**	**17%**
Depreciation	4,778	4,981	5,042	62	1%	10,120	10,120	0	0%
NOI After Depreciation	**(7,349)**	**(5,627)**	**(9,010)**	**3,383**	**38%**	**(15,777)**	**(16,977)**	**1,200**	**7%**

Total Real Estate Division Revenue was $639K favorable to budget. Key variances are as follows:

Portfolio Management: favorable $695K

- North Harbor Facilities were $58K favorable:
  - Fishermen's Terminal $83K favorable mainly due to Northwest Farm Credit Services lump sum early lease termination payment of $72K and favorable recreational boating moorage occupancy $42K. Favorable amounts were partially offset by unfavorable Sales of Utilities-Surface Water ($23K) that was budgeted in North Harbor Facilities, but was actually recognized in the new Storm Water Utility.
  - Other Marinas $19K favorable because Bell Harbor guest moorage occupancy was higher than budget.
  - Maritime Industrial Center ($15K) unfavorable due to lower moorage occupancy than budgeted (65% Actual vs 74% Budget).
  - Shilshole Bay Marina ($29K) unfavorable due to budget timing error for guest moorage as well as delay in implementing rate increase from May 1^{st} to June 1^{st}.
- Central Waterfront was $343K favorable mainly due to favorable space rental revenue from Bell Street Garage $128K resulting from increased volume of overnight parkers, Harbor Marina Corporate Center $87K due to coding error to be reversed next quarter, World Trade Center West $68K due to higher occupancy, Terminal 34 General Industrial $38K due to retroactive lease payment from prior year, and Tsubota $26K due to continued ownership of the property that was assumed to be sold in budget.
- Conference & Event Centers favorable $294K primarily due to higher than budgeted activity at Bell Harbor International Conference Center, especially for Audio Visual, Food and Beverage revenues.

Eastside Rail Corridor: favorable $5K

- Eastside Rail Corridor revenue was favorable due to unbudgeted rental revenue.

Real Estate Development and Planning: unfavorable ($64K)

- Terminal 91 General Industrial was unfavorable ($64K) mainly due to below budget occupancy ($27K) as well as due to Surface Water Utility revenue ($27K) that was budgeted to Real Estate Development and Planning but actually recognized in the new Stormwater Utility.

Marine Maintenance: favorable $3K

- Marine Maintenance was favorable $2K due to unbudgeted recycling revenue.

IV. REAL ESTATE DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/15

Total Real Estate Division Expenses were $2,683K favorable to budget. Key variances:

- **Real Estate Expenses** (excluding Maintenance, P69 Facilities, and Conference & Event Centers Expense) were favorable $1,244K. Major account variances were as follows:
  - **Salaries & Benefits** were favorable $176K primarily due to open positions in North Harbor Facilities and Central Harbor Management.
  - **Utilities** were favorable $352K primarily due to favorable Electricity $148K, Sewer $109K, Surface Water $43K and Water $40K expenses. The favorable variances associated with Electricity and Sewer appear to be caused by an understatement of actual expenses and by a credit recognized in the 2nd quarter. These variances will be further researched and reconciled in 3rd Quarter. The Surface Water Utility variance reflects implementation of the Stormwater Utility in 2015. The budget for Surface Water included all expenses historically paid to the City for tenant occupied properties as well as Port occupied vacant properties. Actual costs reflect only expenses related to Port common/vacant areas, as tenants are now making payments directly to the new Stormwater Utility.
  - **Outside Services** were favorable $599K primarily due to tenant improvements expenses that were budgeted as expense, but have qualified for capitalization $198K and a tenant improvement that was budgeted for 2015 but was expensed in 2014 $127K. Additional tenant improvement expense variances of $218K are expected to be timing related subject to the lease up of vacant space.
  - **Equipment Expense and Supplies & Stock were** $52K favorable primarily due to underutilization of amounts budgeted at Shilshole Bay Marina and Bell Harbor Marina $39K and Fishermen's Terminal $6K.
  - **Travel & Other Employee Expenses** were $48K favorable due to slower spending than budgeted.
  - **General Expenses** were ($33K) unfavorable due to bad debt expense relating to Fishermen's Terminal waterside. It is expected that these accounts will be brought current when the fleet returns in the fall.
- **Real Estate Conference & Event Centers** were unfavorable ($169K) due to higher operating expenses for Bell Harbor International Conference Center related to the increase in sales volume partially offset by favorable permit expense variance $86K due to delays by City in finalizing permit.
- **Eastside Rail Corridor** expenses were favorable $107K due to not yet used expenses related to closing out expected sales of the corridor. Remaining portions of the rail corridor were budgeted to be sold in 2015.
- **Maintenance** expenses were $1,068K favorable due to later start than expected on planned maintenance work at virtually all facilities with exception of at World Trade Center Seattle where there was unbudgeted project work related to expansion of the premises under the management agreement ($114K). The most significant favorable variances were for Shilshole Bay Marina $245K, multiple Bell Street properties $142K, Harbor Marina Corporate Center $125K, Maritime Industrial Center $130K, Terminal 91 General Industrial $68K, and Fishermen's Terminal $22K. Additional favorable variances in Divisional Allocations of $356K reflect delays in Maintenance Overhead projects including the delay in demolition of the W50 building at Terminal 91.
- **Seaport** originated expenses were $47K favorable due to lower allocations from Environmental and Finance than budgeted.
- **CDD** costs, direct and allocated, were favorable $112K due primarily to below budget spending by Seaport Project Management $68K.
- **Police** costs, direct and allocated were favorable $13K due to overall lower spending by Police than budgeted.
- **Corporate** costs, direct and allocated, were favorable $121K primarily due to lower than anticipated direct charges and allocations from most Corporate groups including Accounting & Financial Reporting $75K, Human Resources $54K, and Public Affairs $25K partially offset by unfavorable allocation from Portwide Contingency ($50K).
- **Environmental Remediation Liability** was $125K favorable to budget due to, thus far in the year, no facility projects involving disposal of dirty dirt or removal of asbestos. The delay in the demolition of the W50 building is a project contributing to this variance.
- All other variances net to a favorable variance of $15K.

NOI before Depreciation was $3,322K favorable to budget.

- Depreciation was $62K or 1% favorable to budget.

NOI after Depreciation was $3,383K favorable to budget.

2015 Full Year Forecast

As of the end of the 2nd Quarter 2015, Real Estate anticipates ending the year $1,200K favorable to budget for Net Operating Income (NOI) Before Depreciation. The variance reflects above budget revenue of $334K and a favorable expense variance of $866K.

Revenue is forecasted to be $334K favorable due to expected favorable revenue results for the Conference & Event Centers $333K and a lease termination fee related to Fishermen's Terminal office space. Favorable variances are partially offset by unfavorable Surface Water Utility Revenue of ($156K). Surface Water Utility revenue is now paid directly by tenants to the Stormwater Utility, but was budgeted to be credited to the Real Estate Business Groups.

The favorable expense variance of $866K is due to expected below budget tenant improvement expenses of $358K as more tenant improvements will qualify for capitalization than budgeted, favorable Maintenance expenses of $400K due to work that will not be performed in 2015, and due to favorable Surface Water Utility expense as tenant related expenses will be paid out of and expensed by the new Surface Water Utility. Favorable variance is partially offset by unfavorable Conference & Event Center expenses ($175K) resulting from increased activity.

Change from 2014 Actual

Net Operating Income before Depreciation increased by $1,924K between 2015 and 2014 as a result of higher revenue $771K and lower expenses ($1,153K).

Revenues increased by $771K due to higher revenue from most business groups. Conference and Event Center revenue increased $406K due to a strong sales team and regional economy. Shilshole Bay Marina revenue increased $172K mainly due to higher monthly moorage occupancy and a May 2014 and June 2015 rate increase while Fishermen's Terminal revenue increased $136K partially due to the early termination lump sum payment from an office tenant and higher moorage revenue due to higher occupancy and rates. Commercial Properties' revenue increased $218K due to increased activity at the Bell Street Garage and increased rent rolls at Harbor Marina Corporate Center and retroactive rental payment at Terminal 34. Real Estate Development and Planning saw revenues decline ($158K) with the departure of several Terminal 91 uplands tenants including First Student.

Expenses decreased by ($1,153K). Eastside Rail Corridor expenses decreased ($1,035K) due to litigation reserve established in 2014. Real Estate expenses decreased ($285K) primarily due to lower Salaries & Benefits due to open positions and lower utility expenses ($205K) likely due to understatement of 2015 amounts. The utility change will be researched and reconciled in 3rd Quarter. These expense reductions were partially offset by higher tenant improvement costs associated with World Trade Center West and Harbor Marina Corporate Center. Conference and Event Center Expenses had a net increase of $510K driven primarily by increased activity (see revenue change described above). Maintenance expenses decreased ($108K) due to lower Divisional Allocations reflecting slightly lower expenses attributed to overhead. Expenses from Seaport groups increased $97K primarily due to higher charges related to stormwater initiatives from Environmental Services. CDD expenses decreased ($86K) due to work in 2014 on Shilshole Bay Marina condition assessments. Police expenses decreased ($49K) due to lower allocation percentage to Real Estate in 2015 relative to 2014. Corporate expenses decreased ($190K) mainly due to lower allocations from Accounting, Information & Communication Technology, and Legal.

D. CAPITAL SPENDING RESULTS

$ in 000's	2015 YTD Actual	2015 Forecast	2015 Budget	Budget Variance $	Budget Variance %
Small Projects	283	3,405	3,284	(121)	-4%
Fleet Replacement	145	934	1,231	297	24%
SBM Central Seawall Replacemnt	113	559	790	231	29%
C15 Building Tunnel Improvmnt	0	0	700	700	100%
P69 Roof Beam Rehabilitation	84	185	550	365	66%
Tenant Improvements - Capital	300	790	420	(370)	-88%
FT C-2 (Nordby) Roof & HVAC	368	679	400	(279)	-70%
P69 Built-Up Roof Replacement	201	533	180	(353)	-196%
All Other	639	2,835	4,639	1,804	39%
Total Real Estate	2,133	9,920	12,194	2,274	19%

Comments on Key Projects:
Through the 2nd quarter of 2015, Real Estate spent 17% of the annual approved capital budget. Full year spending is estimated to be 81% of budget.

Projects with significant changes in spending were:

- **Small Projects** – Primarily due to higher cost than expected for Fishermen's Terminal East Sewer Line and Sidewalk subsidence mostly offset by lower spending on other projects.
- **Fleet Replacement** – Due to delays associated with vehicles being purchased on state contract.
- **C15 Building Tunnel Improvement** – Project pushed back to 2016.
- **Pier 69 Roof Beam Rehabilitation –** Project is moving slower than expected due to delay in design and contractor schedule conflict. Project is expected to be completed in Q3 2016.
- **Tenant Improvements Capital** – Spending is expected to exceed budget due to more tenant improvements that qualify for capitalization than anticipated in 2015 Budget. There is an offsetting favorable operating expense variance related to tenant improvements.
- **Fishermen's Terminal C-2 (Nordby) Roof** & **HVAC Pier 69 Built-Up Roof Replacement** – 2015 Budget was understated as variances reflects payments related to 2014 work not paid until 2015.
- **All Other**:
  - **Harbor Island Marina East Dock** favorable - Schedule is delayed due to higher priority for other projects.
  - **Fishermen's Terminal C14 (Downie) Roof & HVAC -** Project is on hold while waiting for further direction from the Fishermen's Terminal long term plan.

V. CAPITAL DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/15

A. BUSINESS EVENTS

- Completion of North Satellite renovation/expansion 60% design and baggage optimization 70% design.
- Completion & opening of three new Concourse C vertical circulation passenger ramps and two of four new elevators.
- Completion of North Satellite baggage system modifications.
- Selection of winning International Arrivals Facility design-build team (Clark/SOM).
- North Satellite (NSAT) Renovation & Expansion GC/CM contract executed - $300,000,000.
- Completed revisions and provided training for POS construction specifications General Conditions.
- Completed 60% design submittal for Terminal 5 Berth Modernization project.
- Runway 16C closure implemented with construction underway to October completion date. Engineering and PMG resources collocated at West side Office facility.
- Notice to Proceed issued for the following Major construction projects:
  - S4/S6 International Corridor Connection and Passenger Loading Bridges (PLB) Modifications.
  - Phase 1 Runway 16C-34C Reconstruction.
- Beneficial Occupancy issued for the following Major construction projects:
  - South Satellite Interior Renovation Carpet Replacement.
  - Cargo 6 Hardstand Improvement.
- Substantial Completion issued for the following Major construction projects:
  - Doug Fox Service Upgrades.
  - C60/61 Baggage Handling Systems (BHS) Modifications.
  - East Marginal Way Phase II and Argo Yard.
  - Terminal 46 Storm Water Improvements.
  - Pier 34 Dolphin Replacement.
  - Mezzanine Tenant Relocation.
- Resident Engineer Completion memo issued for Wall 14 project.
- During the first and second quarter of 2015 PCS construction project hard costs totaled approximately $5.9M dollars.
- PCS worked on 272 projects, processed 145 work authorizations/ service directives and utilized 28 small works/ professional contracts.
- PCS second quarter project work increased 68% compared to the first quarter of 2015.
- PCS provided Small Works project management services for 19 Work Projects.
- Argo Yard Truck Roadway & East Marginal Way – Project celebration with project partners occurred on June 18. Contract close-out with Gary Merlino Construction.
- Terminal 5 Berth Modernization –Washington Department of Fish & Wildlife (DFW) issued the Hydraulic Project Approval on June 10. United States Army of Corps Engineers (USACE) published notice of application for in-water work on May 19.
- Terminal 91 Tank Farm Remediation –.Completed: Asphalt paving and fence work West of Building M28 and Storm drainage system and block wall foundation installation. Issue Beneficial Occupancy once required paperwork is submitted and approved by the Port.
- Commission Authorized:
  - The change order to increase budget and schedule to remove cranes (IHI Crane Suspension project at Terminal 18).
  - Design funds for the Terminal 18 South Gate Rail Spur on June 9.
- Pier 34 Dolphins – substantial completion issued. Dolphins occupied by AML and in use.
- Terminal 91 Substation Upgrade – Notice of Intent to Award major contract issued to VECA on May 28 and contract executed on June 16.
- Alaskan Way Viaduct Bored Tunnel – Port transferred $120M to Washington State Department of Transportation (WSDOT) on May 1 to cover the 1st installment of Alaskan Way program contribution.

B. KEY PERFORMANCE METRICS

Key Performance Metrics	2015		2014/Notes	
A. Implement Century Agenda Strategies		Goals		Goals
1. Small Business Participation - Annual (port-wide)		35%	32.0%	30%
2. Small Business Participation - Annual / Small Works (port-wide)		90%	73.06%	90%
3. Small Business Participation - Annual / Major Construction (port-wide)		50%	39.93%	50%
4. Small Business Participation - Annual / Goods & Services		12%	26.41%	12%
5. Small Business Participation - Annual / Service Agreements		30%	29.53%	30%
B. Consistently Live by Our Values Through Our Actions and Priorities				
1a. Safety (Annual only)		97%	91%	90%
1b. Construction contractor recordable accident rate, goal = 4		4	1.36	5
1c. Construction contractor lost-time accident rate, goal = 2		2	0.0	2
1d. Port employee OIR (Occupational Incident Rate), goal = 2		2	2.1	3
2. Environment - Annual (Annual only)		100%	100%	100%
3. PREP Timeliness	60.2%	98%	75.2%	98%
C. Manage Our Finances Responsibly				
1. Construction Soft Costs - Total Soft Costs (36 mos avg)	31%		29%	Max. 25% capital costs
2. Construction Soft Costs - Total Construction Costs (36 mos avg)	69%		71%	Min. 75% capital costs
D. Exceed Customer Expectations				
1. Customer Score Card - Annual (Annual only)		85%	91.9%	85%
Procurement Schedule (Average # of Days):				
2. Major Construction (RTB – Execution)	62	70	67	Avg # days
3. Small Works (RTB - Execution)	40	45	44	Avg # days
4. Goods & Services: Invitation to Bid (Final Specs – Execution)	60	66	N/A	Avg # days
5. Goods & Services: Request for Procurement (Final Specs – Execution)	141	149	N/A	Avg # days
6. Service Agreements: IDIQ (Final Scope - Execution)	192	141	N/A	Avg # days
7. Service Agreements: Project Specific (Final Scope - Execution)	156	190	N/A	Avg # days
8. Service Agreements: CAT I (Final Scope - Execution)	16	30	N/A	Avg # days
9. Service Agreements: CAT II (Final Scope - Execution)	50	46	N/A	Avg # days
E. Support Port Mission with Implementation of Port Divisions' Business Plan				
1. Construction Cost Growth - Discretionary Change	0%		-4.1%	Max. 5% construction contract award
2. Construction Cost Growth - Mandatory Change	3%		6%	Max. 5% construction contract award
3. Project Schedule Growth - Design	28%		53%	Max. 10% of originally allotted duration
4. Project Schedule Growth - Construction	10%		18%	Max. 10% of originally allotted duration
5. Project Status - On Schedule / On Budget (Q1 2015)	63.7%		61.8%	60%
6. Project Status - Either Schedule or Budget Off (Q1 2015)	35.2%		37.1%	40%
7. Project Status - Both Schedule and Budget Off (Q1 2015)	1.1%		1.1%	0%

C. OPERATING RESULTS

		2014 YTD	2015 Year-to-Date		Fav (UnFav) Budget Variance		Year-End Projections		Fav (UnFav) Budget Variance	
$ in 000's	Notes	Actual	Actual	Budget	$	%	Forecast	Budget	$	%
Total Revenues		**19**	**1**	**-**	**1**	**0.0%**	**1**	**-**	**1**	**0.0%**
Expenses Before Charges To Cap/Govt/Envrs Propects										
Capital Development Administration		189	196	206	9	4.6%	416	419	3	0.6%
Engineering		7,096	6,840	8,509	1,668	19.6%	16,254	17,524	1,270	7.2%
Port Construction Services		4,191	3,032	4,086	1,054	25.8%	7,337	8,165	828	10.1%
Central Procurement Office		2,197	2,224	2,972	748	25.2%	5,574	5,604	30	0.5%
Aviation Project Management		5,334	5,834	8,134	2,300	28.3%	13,397	16,350	2,952	18.1%
Seaport Project Management		1,380	884	1,271	387	30.5%	2,418	2,550	133	5.2%
Total Before Charges to Capital Projects		**20,387**	**19,009**	**25,177**	**6,168**	**24.5%**	**45,397**	**50,612**	5,215	**10.3%**
Charges To Capital/Govt/Envrs Projects										
Capital Development Administration		-	-	-	-		-	-	-	
Engineering		(4,558)	(5,198)	(5,709)	(511)	9.0%	(11,537)	(11,887)	(350)	2.9%
Port Construction Services		(2,331)	(1,636)	(2,278)	(642)	28.2%	(4,157)	(4,557)	(400)	8.8%
Central Procurement Office		(838)	(925)	(1,241)	(316)	25.4%	(2,312)	(2,485)	(173)	7.0%
Aviation Project Management		(4,583)	(5,159)	(5,856)	(697)	11.9%	(10,767)	(11,767)	(1,000)	8.5%
Seaport Project Management		(863)	(654)	(851)	(196)	23.1%	(1,722)	(1,722)	-	0.0%
Total Charges to Capital/Govt/Envrs Projects		**(13,172)**	**(13,573)**	**(15,935)**	**(2,362)**	**14.8%**	**(30,495)**	**(32,418)**	(1,923)	**5.9%**
Operating & Maintenance Expense										
Capital Development Administration		189	196	206	9	4.6%	416	419	3	0.6%
Engineering		2,538	1,642	2,799	1,157	41.3%	4,717	5,637		0.0%
Port Construction Services		1,860	1,395	1,807	412	22.8%	3,181	3,609	428	11.9%
Central Procurement Office		1,359	1,298	1,731	432	25.0%	3,262	3,119	(143)	-4.6%
Aviation Project Management		751	674	2,278	1,604	70.4%	2,630	4,583	1,952	42.6%
Seaport Project Management		517	229	421	191	45.5%	696	828	133	16.0%
Total Expenses		**7,215**	**5,436**	**9,242**	**3,806**	**41.2%**	**14,902**	**18,194**	3,292	**18.1%**

Variance Summary and other notes:

- Vacancies: 31.75 FTEs = $2.28M Salaries & Benefit savings from unfilled (and delayed) positions.
- Absorption OH Clearing $47K represents costs allocated as overhead below 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 decrease by the Absorption value. Expect to balance out in Q4.
- Total Operating Expense to be adjusted over 2015 to offset 2014 Overhead Carryover amount of $468,136.
- CDD Admin $9K. Favorable variance due to savings in Equipment, Supplies, and Salary expense, offset by unfavorable variance in Travel (expense budgeted in future period).
- ENG $1.2M. Favorable variances in Salaries & Benefits, Equipment, Supplies, Utilities, Outside Services, Telecommunications and Travel due to proactive cost saving measures coupled with project delays. Offset by unfavorable variances from unexpected Workers Comp (2014 injury) and reduced Charges to Capital due to delayed capital projects.
- PCS $412K. Favorable variances in Salaries & Benefits, Supplies, Equipment, Outside Services, General Expenses, Telecommunications, Utilities and Travel were offset by unfavorable variances in Workers Comp (2014 injury) and reduced Charges to Capital (less than expected capital project work).
- CPO $432K. Favorable variances primarily due to Salaries & Benefits, Equipment, Utilities, Supplies, Outside Services (delayed Air/Ops Panel Replacement expense and Janitorial invoices not yet received), and Travel. Unfavorable variance in Charges to Capital due to project delays.
- AVPMG $1.6M. Favorable variances in Salaries & Benefits, Equipment (delayed IAF purchases), Outside Services (delayed IAF consultant expense), Utilities and Property Rentals (IAF expenses to be capitalized) and Travel offset by unfavorable variances in Supplies, General Services (unbudgeted new employee relocation expenses) and reduced Charges to Capital (due to IAF delays).
- SPM $191K. Favorable variances in Salary & Benefits, Supplies, Equipment, and Travel were offset by unfavorable variances in Outside Services (software license budgeted in Equipment) and reduced Charges to Capital.

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 06/30/15

A. BUSINESS EVENTS

- Participated as presenting sponsor of Seattle Maritime Festival including Maritime Career Day, Stories of the Sea at Fishermen's Terminal, Family Fun Day, and Maritime Festival Luncheon aboard Holland America cruise ship (300 community, industry and elected officials).
- Provided a range of consultation, information and review coordinating with Port of Tacoma and continue to proactively work through accounting/financial reporting set-up and scenarios for the Northwest Seaport Alliance (NWSA).
- Celebrated 30 years of tourism promotion in the UK with a delegation from Washington State, including Port Commissioners from Seattle and Walla Walla, regional destination marketing and hotel key staff.
- Developed and distributed news releases regarding the hiring of three new executives; environmental programs; 2015 cruise season; Northwest Seaport Alliance; $23M investment in new air cargo expansion projects to accommodate growth; new poster art exhibit with EMP Museum as part of the Sea-Tac Airport Experience the City of Music Program and record passenger numbers at Sea-Tac Airport.
- Organized 5 teams around 3 of the Century Agenda Strategic Objectives and High Performance teams.
- Health completion for employees and spouse/dependent was June 30 with approximately 90% participation.
- Implemented Origami enhancements with a Near Miss reporting component that will allow all Port employees to report near misses when they occur in real time.
- Prepared, negotiated and implemented collective bargaining agreements and provided consultation on administration of collective bargaining agreements to Port divisions and oversight committees.
- Received the Driver Training Award for the Pier 69 Fleet Users from the Public Risk and Insurance Management Association (PRIMA).
- Upgraded the banking interfaces used by several revenue generating systems which was critical to the full cut-over to Wells Fargo from Bank of America, which included additional functionality to improve our ability to process customer credit cards securely.
- Installed an automated system for detecting foreign objects on the center runway.
- Provided easy access to valuable information on Airport baggage processing including metrics and baggage progress by consolidating data from disparate systems into a baggage information dashboard.
- The Port received a clean, unqualified independent Certified Public Accountant (CPA) audit opinion on the Port's 2014 financial statements from the Certified Public Accounting (CPA) firm, Moss Adams.
- Hosted the Port of Seattle and Finance team meet and greet reception.
- Presented the First Reading and Second Reading and Final Passage of Bond Resolution 3709 to the Port Commission. Resolution 3709 authorizes the issuance and sale of intermediate lien revenue and refunding bonds in the aggregate principal amount of not to exceed $675M.
- Provided debt service model information to the internal auditor for the SLOA III rates and settlement audit.
- Continued good progress toward improving the Port's accounting policies and ensuring their continued alignment with evolving prescribed Generally Accepted Accounting Principles (GAAP).
- Held in partnership with Sound Transit and the City of Seattle a "Succeeding in a Project Labor Agreement Environment (PLA training)" forum to provide information and technical assistance support to small contractor participation in public works contracts, attended by nearly 40 small contractors and individuals.
- Continued to reach out to the community to educate small businesses on contracting opportunities and the Small Contractors and Suppliers Program (SCS).
- Continued to develop partnerships with important stakeholders who are part of the workforce development community.
- Met with the Sound Transit, City of Seattle, King County to collaborate on apprenticeship utilization and construction workforce issues.
- Police continued to conduct Customer Service Surveys and have improved process to an electronic version that will allow contacting a larger number of customers.
- Police initiated training for the electronic ticketing process (Sector) that will reduce the amount of time and resources required to issue traffic citations and accident reports.

VI. CORPORATE FINANCIAL & PERFORMANCE REPORT 06/30/15

B. KEY PERFORMANCE METRICS

Key Performance Indicators/Measures	YTD 2015	YTD 2014/Notes
A. Implement Century Agenda Strategies		
1. Percentage of eligible dollars spent with small businesses	53.98%	44.2% increased by 10%
2. Small businesses registered on the Procurement Roster Management System (PRMS)	92	86, increased by 6
3. Percentage of craft hours worked by apprentices on projects over $1M (or PLA)	15.82%	N/A
4. Community members gaining employment through Airport Jobs Center	644	682, decreased by 38
5. Apprenticeship Opportunity Project Placements	46	50, decreased by 4
6. Small business and Workforce development outreach events and workshops	7	17, decreased by 10
B. Consistently Live by Our Values Through Our Actions and Priorities		
1. MIS and Clarity Training	8 classes, 50 attendees	6 classes, 26 attendees
2. Employee Development Class Attendees/Structured Learning	425	233, increased by 192
3. Required Safety Training	79%	93%
4. Request of information and guidelines for integrity & business conduct	114	79, increased by 35
5. Occupational Injury Rate	4.26	6.1, decreased by 30%
6. Total Lost work days	374	891, decreased by 517 days
C. Manage Our Finances Responsibly		
1. Corporate costs as a % of Total Operating Expenses	25.5%	25.9%
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)	90%	93%
5. Investment Portfolio Yield	0.79%	0.90%
6. Litigation and Claim Reserves (in $ thousand)	$2.8	$1.5
D. Exceed Customer Expectations		
1. Respond to Public Disclosure Requests	220	174, increased by 46
2. Information and Communication Technology System Availability	99.6%	99.8%
3. IT Network Availability	99.9%	99.9%
4. Service Desk % First Call Resolution	42%	56%
5. Customer Survey for Police Service Excellent or Very Good	87%	92%
E. Support Port Mission with Implementation of Port Divisions' Business Plan		
1. Oversee Implementation and Administration of CBAs agreements	90	32
2. Number of Jobs Openings	181	156
3. Percent of annual audit work plan completed each year	28%	28%

C. OPERATING RESULTS

$ in 000's	Notes	2014 YTD Actual	2015 Year-to-Date Actual	2015 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Year-End Projections Forecast	Year-End Projections Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %
Total Revenues		**190**	**112**	**170**	**(58)**	**-34.3%**	**340**	**340**	**-**	**0.0%**
Executive		808	954	1,066	113	10.6%	1,798	1,798	-	0.0%
Commission		604	680	797	117	14.6%	1,440	1,545	105	6.8%
Legal		1,519	1,648	1,627	(21)	-1.3%	3,195	3,156	(39)	-1.2%
Risk Services		1,441	1,536	1,627	91	5.6%	3,244	3,249	5	0.2%
Health & Safety Services		513	550	580	30	5.3%	1,153	1,190	37	3.1%
Public Affairs		2,659	2,437	3,069	631	20.6%	5,707	5,937	231	3.9%
Human Resources & Development		2,547	2,459	2,873	414	14.4%	5,489	5,958	469	7.9%
Labor Relations		409	433	522	89	17.0%	963	1,024	61	6.0%
Information & Communications Technology		9,649	9,515	10,173	658	6.5%	21,285	21,435	150	0.7%
Finance & Budget		884	786	829	43	5.1%	1,708	1,713	5	0.3%
Accounting & Financial Reporting Services		3,062	3,272	3,712	440	11.9%	7,057	7,350	293	4.0%
Internal Audit		738	614	802	188	23.4%	1,459	1,552	93	6.0%
Office of Social Responsibility		947	923	1,165	242	20.8%	2,271	2,312	41	1.8%
Office of Strategic Initiatives		-	75	-	(75)	0.0%	378	-	(378)	0.0%
Police		11,001	10,924	11,231	308	2.7%	22,789	22,879	90	0.4%
Contingency		88	417	650	233	35.8%	800	1,050	250	23.8%
Total Expenses		**36,868**	**37,221**	**40,723**	**3,502**	**8.6%**	**80,736**	**82,149**	1,413	**1.7%**

Corporate revenues were $58K unfavorable compared to budget due to timing in receiving the reimbursement from King County who collects the 911 call system tax and who then reimburses the Port.

Corporate expenses for the first six months of 2015 were $37.2M, $3.5M or 8.6% favorable compared to the approved budget and $353K or 1.0% higher than the same period a year ago. The $3.5M favorable variance is due primarily to cost savings in vacant positions, delay hiring, and timing of spending.

All corporate departments have a favorable variance except for:

- **Legal -** unfavorable variance of $21K is due to unanticipated outside legal and litigation costs for the Seaport Alliance and T-5 Interim Use.
- **Office of Strategic Initiative -** unfavorable variance of $75K is due to start- up costs for new department.

Year-end spending is projected to be $1.4M under budget due primarily to:

- **Executive** – plans on being on budget.
- **Commission -** savings due to a vacant position, Outside Services and General Expenses.
- **Legal** – overspending is due to unanticipated outside legal and litigation costs for the Seaport Alliance and T-5 Interim Use.
- **Risk Services -** savings due to lower Broker Fees.
- **Health and Safety -** savings in Payroll, Outside Services and Travel Expenses.
- **Public Affairs -** savings due to vacant positions, Outside Services and Travel Expenses.
- **Human Resources and Development -** savings due to vacant positions.
- **Labor Relations -** savings due to vacant positions.
- **ICT-** due to lower Telecommunication Expenses.
- **Finance & Budget -** savings in Travel Expenses and Internal Transfers.
- **Accounting and Financial Reporting Services** – savings due to vacant positions, Outside Services,Travel and Charges to Capital Projects.
- **Internal Audit -** savings due to vacant positions and Travel Expenses.
- **Office of Social Responsibility -** savings in Outside Services, Travel and General Expenses.
- **Office of Strategic Initiative** – overspending is due to start- up costs for new department.
- **Police -** savings in Outside Services due to delayed traffic control costs.
- **Contingency** – anticipate not using all funds.

D. CAPITAL SPENDING RESULTS

$ in 000's	2015 YTD Actual	2015 Forecast	2015 Budget	Budget Variance $	Budget Variance %
PeopleSoft HCM Upgrade	229	1,400	1,500	100	6.7%
ID Badge System Replacement	462	826	826	0	0.0%
Constr Doc Mgmt Sys Repl.	94	853	853	0	0.0%
Infrastructure - Small Cap	817	1,500	1,500	0	0.0%
Service Tech - Small Cap	346	1,000	1,384	384	27.7%
Maximo Upgrade	0	200	850	650	76.5%
Storage Array Network	0	500	500	0	0.0%
CDD Fleet Replacement	138	895	854	(41)	-4.8%
All Other	1,575	3,728	4,866	1,138	23.4%
TOTAL	3,661	10,902	13,133	2,231	17.0%

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