



ITEM NO:	<u>7b_Attach_1</u>
DATE OF MEETING:	<u>March 14, 2017</u>

PORT OF SEATTLE

2016 FINANCIAL & PERFORMANCE REPORT

AS OF DECEMBER 31, 2016

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EXECUTIVE SUMMARY

Financial Summary

The Port's operating revenues for 2016 were \$598.5M, which is \$13.9M above budget and \$39.5M higher than the same period in 2015. Excluding Aeronautical revenues, which are based on cost recovery, other operating revenues were \$354.2M, \$27.1M above budget and \$21.3M over 2015 mainly due to higher revenues from Public Parking, Rental Cars, Airport Dining and Retail, Ground Transportation, Employee Parking, Maritime Operations, Cruise, Grain, and NWSA Distributable Revenue. Total operating expenses were \$325.3M, \$10.7M below budget mainly due to savings from payroll and outside services. Operating income before depreciation was \$273.2M, \$24.5M above budget and \$32.1M over 2015. The Port-wide capital spending was \$169.5M for the year, \$112.5M below the budgeted \$282.0M.

Operating Summary

At the Airport, the enplanement growth for 2016 was 8.0% and landed weight was 9.9%, making Sea-Tac from the 13th busiest airport in North America in 2015 to the 9th place for 2016 (based on passenger volume). The enplanements growth for domestic and international was 7.6% and 11.4%, respectively. Total cargo metric tons were 10.2% above 2015. For the Maritime division, Grain volumes and Cruise passengers were up 16.2% and 9.5%, respectively, compared to last year. For the Economic Development division, occupancy levels at Shilshole Bay Marina were at 94.6%, below 96.5% in 2015. Fishermen's Terminal was at 86.0% average occupancy, above the 84.2% in 2015. Conference and Event Center revenue exceeded budget due to strong sales and delayed construction at Pier 66 Cruise Terminal.

Key Business Events

The Port continued to hold events and tours to help build community awareness and support for the Port including fence-line communities and throughout King County. We completed biofuels infrastructure and feasibility study at the Airport. AirBridge Cargo from Russia initiated new cargo service in October 2016; and Eurowings announced new seasonal air service to Cologne, Germany beginning in July 2017. The Port was named the Best North American Homeport by Cruise Critic. We finalized 5 year agreements with Muckleshoot and Suquamish Tribes. We also received final, signed Stormwater Utility inter-local agreement between the Port and City of Seattle. The Port hosted the Clipper Round the World Race. The Port awarded a total of over \$1 million in grants to 31 King County cities and 14 Tourism non-profits were made to support local economic development partnership initiatives in 2016. We continued the implementation of the Real Estate Strategic Plan. The Port executed contracts with PortJobs and COREPLUS (Manufacturing Industrial Council) to advance workforce development training in Port cluster. We completed an assessment of small business incubators/accelerators within the region and continued working to improve small business utilization. The Port finalized sale of a total of \$249.2 million of bonds with a present value savings of \$67.6 million. We implemented Paid Parental Leave policy in 2016.

Major Capital Projects

The Port contributed to regional transportation partner investments with the \$147.7M second contribution to the State's Alaskan Way Viaduct Replacement Program; and the \$2.1M second and final contribution to King County's South Park Bridge. We began construction on International Arrivals Facility. We also executed the contract amendment with North Satellite contractor for building expansion preliminary construction; and the Commission authorized construction of Phase 1 of baggage screening optimization project. We completed TNC Tracking System which includes accepting monthly and real time activity data from Uber, Lyft, and Wingz. We implemented the North Satellite Transit System Train Display and developed displays for Checkpoint Security Wait-times. We also replaced the Parking Revenue Control System and completed the Runway reconstruction ahead of schedule. We completed Terminal 5 Modernization Project test pile field installation and Statnamic tests. Finally, we started the construction of Pier 66 Tenant Improvement in September 2016.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/16

PORTWIDE FINANCIAL SUMMARY

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2015	
				\$	%	\$	%
Aeronautical Revenues	229,624	247,811	261,019	(13,208)	-5.1%	18,187	7.9%
SLOA III Incentive	(3,576)	(3,576)	(3,576)	-	0.0%	-	0.0%
Other Operating Revenues	332,884	354,232	327,135	27,097	8.3%	21,348	6.4%
Total Operating Revenues	558,933	598,467	584,578	13,889	2.4%	39,534	7.1%
Total Operating Expenses	317,806	325,285	335,943	10,658	3.2%	7,479	2.4%
NOI before Depreciation	241,127	273,182	248,635	24,547	9.9%	32,055	13.3%
Depreciation	163,338	164,336	162,451	(1,884)	-1.2%	997	0.6%
NOI after Depreciation	77,789	108,846	86,184	22,662	26.3%	31,057	39.9%

MAJOR OPERATING REVENUES SUMMARY

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2015	
				\$	%	\$	%
Aeronautical Revenues	229,624	247,811	261,019	(13,208)	-5.1%	18,187	7.9%
SLOA III Incentive	(3,576)	(3,576)	(3,576)	-	0.0%	-	0.0%
Public Parking	63,059	69,540	66,847	2,693	4.0%	6,482	10.3%
Rental Cars - Operations	33,851	37,082	35,398	1,683	4.8%	3,231	9.5%
Rental Cars - Operating CFC	12,663	12,122	12,767	(645)	-5.1%	(542)	-4.3%
Airport Dining and Retail	50,566	55,196	53,419	1,777	3.3%	4,629	9.2%
Employee Parking	7,913	9,329	8,249	1,080	13.1%	1,416	17.9%
Ground Transportation	8,809	12,803	8,327	4,477	53.8%	3,994	45.3%
Non-Airline Commercial Properties	8,007	9,992	10,251	(258)	-2.5%	1,986	24.8%
Airport Utilities	7,000	7,233	7,626	(394)	-5.2%	232	3.3%
Fishing & Commercial Vessels	2,859	2,927	2,912	15	0.5%	68	2.4%
Maritime Operations	5,598	6,181	5,618	563	10.0%	583	10.4%
Recreational Boating	9,736	10,255	10,443	(188)	-1.8%	519	5.3%
Cruise	14,414	15,422	15,396	26	0.2%	1,008	7.0%
Grain	4,685	5,382	5,002	380	7.6%	697	14.9%
Maritime Industrial	6,091	6,306	5,968	339	5.7%	216	3.5%
Marina Office & Retail	3,893	3,949	3,976	(27)	-0.7%	56	1.4%
Central Harbor Management	6,861	6,920	6,791	130	1.9%	60	0.9%
Conference & Event Centers	10,396	8,022	6,296	1,727	27.4%	(2,374)	-22.8%
NWSA Distributable Revenue	-	61,584	51,829	9,754	18.8%	61,584	0.0%
Other	76,485	13,986	10,021	3,966	39.6%	(62,498)	-81.7%
Total Operating Revenues (w/o Aero)	332,884	354,232	327,135	27,097	8.3%	21,348	6.4%
TOTAL	558,933	598,467	584,578	13,889	2.4%	39,534	7.1%

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/16

MAJOR OPERATING EXPENSES SUMMARY

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2015	
				\$	%	\$	%
Salaries & Benefits	106,591	102,873	111,779	8,906	8.0%	(3,718)	-3.5%
Wages & Benefits	94,981	99,917	101,652	1,735	1.7%	4,936	5.2%
Payroll to Capital Projects	24,783	21,744	27,969	6,225	22.3%	(3,040)	-12.3%
Equipment Expense	6,996	7,106	5,724	(1,382)	-24.1%	110	1.6%
Supplies & Stock	7,654	8,792	6,992	(1,799)	-25.7%	1,138	14.9%
Outside Services	58,275	70,116	77,904	7,788	10.0%	11,842	20.3%
Utilities	20,317	21,123	21,190	68	0.3%	806	4.0%
Travel & Other Employee Expenses	4,286	4,200	5,276	1,076	20.4%	(86)	-2.0%
Promotional Expenses	1,151	1,178	984	(193)	-19.6%	27	2.3%
Other Expenses	33,063	25,118	23,746	(1,372)	-5.8%	(7,944)	-24.0%
Charges to Capital Projects	(40,291)	(36,880)	(47,274)	(10,393)	22.0%	3,410	-8.5%
TOTAL	317,806	325,285	335,943	10,658	3.2%	7,479	2.4%

KEY PERFORMANCE METRICS

	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2015	
				Chg.	%	Chg.	%
Enplanements (in 000's)	21,109	22,796	22,214	581	2.6%	1,687	8.0%
Landed Weight (lbs. in 000's)	24,757	27,202	26,126	1,075	4.1%	2,445	9.9%
Passenger CPE (in \$)	10.12	10.10	11.00	0.90	8.2%	(0.02)	-0.2%
Grain Volume (metric tons in 000's)	3,778	4,389	4,000	389	9.7%	611	16.2%
Cruise Passenger (in 000's)	898	984	960	24	2.5%	86	9.5%
Shilshole Bay Marina Occupancy	96.5%	94.6%	95.8%	-1.2%	-1.3%	-1.9%	-2.0%
Fishermen's Terminal Occupancy	84.2%	86.0%	83.2%	2.8%	3.3%	1.8%	2.1%

CAPITAL SPENDING RESULTS

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Budget Variance	
				\$	%
Aviation	164,931	153,887	245,241	91,354	37.3%
Maritime	6,252	5,746	15,660	9,914	63.3%
Economic Development	2,098	4,757	8,751	3,994	45.6%
Corporate & Other (note 1)	6,539	5,097	12,396	7,299	58.9%
TOTAL	179,820	169,487	282,048	112,561	39.9%

Note:

(1) "Other" includes Street Vacation projects and Storm Water Utility Small Capital projects.

PORTWIDE INVESTMENT PORTFOLIO

During the fourth quarter of 2016, the investment portfolio earned 1.28% versus the benchmark's (the Bank of America Merrill Lynch 1-3 Year US Treasury & Agency Index) 1.19%. Over the last twelve months the portfolio and the benchmark have earned 1.17% and 0.84%, respectively. Since the Port became its own Treasurer in 2002, the life-to-date earnings of the Port's portfolio and the benchmark are 2.57% and 1.80%, respectively.

FINANCIAL SUMMARY

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2015	
				\$	%	\$	%
Operating Revenues:							
Aeronautical Revenues	229,624	247,811	261,019	(13,208)	-5.1%	18,187	7.9%
SLOA III Incentive Straight Line Adj ⁽¹⁾	(3,576)	(3,576)	(3,576)	0	0.0%	0	0.0%
Non-Aeronautical Revenues	196,844	221,021	208,321	12,700	6.1%	24,177	12.3%
Total Operating Revenues	422,892	465,256	465,764	(508)	-0.1%	42,364	10.0%
Total Operating Expense	238,140	261,226	267,803	6,576	2.5%	23,086	9.7%
Net Operating Income	184,752	204,030	197,962	6,069	3.1%	19,278	10.4%
Capital Expenditures	164,931	153,887	245,241	91,354	37.3%	(11,044)	-6.7%

(1) Annual non-cash 5yr amortization of \$17.9M lease incentive effective 2013 through 2017.

Division Summary 2016 Actuals vs 2016 Budget

- Net Operating Income for 2016 is \$6.1M higher than budget (3.1% favorable)
 - Operating Revenue is \$0.5M higher than budget (0.1% favorable) – primarily due to higher Non-Aero revenue (\$12.7M) driven by increased passenger volumes with strong performance in ground transportation, public parking, rental cars, and airport dining & retail. The increase in Non-Aero revenue is more than offset by lower Aeronautical revenue (\$13.2M) from lower aero costs and higher revenue sharing.
 - Operating Expenses are \$6.6M lower than budget (2.5% favorable) – primarily due to lower charges from Corporate and other divisions (\$4.8M savings) and lower than anticipated Aviation direct costs (\$3.1M) despite significant unplanned expenditures for the passenger screening queue management contract and higher janitorial costs in response to increased passenger volumes, partially offset by higher than anticipated costs for Environmental Remediation Liability expense.

Division Summary 2016 Actuals vs 2015 Actuals

- 2016 Net Operating Income is \$19.3M higher than prior year (10.4% higher NOI)
 - 2016 Operating Revenue is \$42.4M higher than prior year (10.0% higher) – due to strong growth in Aeronautical revenue (\$18.2M) and higher Non-Aero revenue (\$24.2M). The increase in Aero rate based revenue is primarily due to cost recovery on new assets placed in service and higher operating expenses to support increased airline activity, partially offset by higher revenue sharing in 2016. The growth in Non-Aero revenue is driven by higher passenger volumes with strong performance in ground transportation, public parking, rental cars, and airport dining & retail.
 - 2016 Operating Expenses are \$23.1M higher than prior year (9.7% higher) – due to higher airport direct charges (\$12.8M) primarily due to increased passenger volumes, and higher charges from Corporate departments and other divisions (\$10.0M).

A. BUSINESS EVENTS

- Passenger growth of 8.0% propelled Sea-Tac into position as the 9th busiest airport in North America for 2016 (based on passenger volume), from 13th place in 2015.
- Customer Service: achieved ASQ score of 4.12 for Q4. Result for full year 2016 was below target, but significant progress realized.
- New cargo service: AirBridge Cargo from Russia initiated new service on Oct 7, 2016.
- New air service: Eurowings announced new seasonal service to Cologne, Germany beginning in July 2017.
- Environmental: completed biofuels infrastructure and feasibility study.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

B. KEY PERFORMANCE METRICS

	2015	2016	% Change
Enplaned Passengers (000's)			
Domestic	18,944	20,385	7.6%
International	2,165	2,411	11.4%
Total	21,109	22,796	8.0%
Operations	381,408	412,170	8.1%
Landed Weight (million lbs.)			
Cargo	1,588	1,888	18.9%
All other	23,169	25,314	9.3%
Total	24,757	27,202	9.9%
Cargo - metric tons			
Domestic freight	162,013	194,754	20.2%
International freight	115,357	114,349	-0.9%
Mail	55,266	57,326	3.7%
Total	332,636	366,429	10.2%

Passengers:

- Alaska +5%
- Delta +11%
- Southwest +6%
- American +7%
- United flat

2016 Load Factor down 1.7 points from last year

2016 international Freight tons trailing prior year due to peak volume in 2015 during Port shutdown.

Key Performance Measures

	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2015	
				\$	%	\$	%
Performance Metrics							
Cost per Enplanement (CPE)	10.12	10.10	11.00	0.90	8.2%	(0.02)	-0.2%
O&M Cost per Enplanement	11.28	11.46	12.06	0.60	4.9%	0.18	1.6%
Non-Aero Revenue per Enplanement	9.33	9.70	9.38	0.32	3.4%	0.37	4.0%
Debt per Enplanement (in \$)	119	104	111	7	6.1%	(15)	-12.4%
Debt Service Coverage	1.49	1.53	1.46	0.07	4.9%	0.04	2.9%
Days cash on hand (10 months = 304 days)	468	416	309	107	34.5%	(52)	-11.1%
Aeronautical Revenue Sharing (\$ in 000's)	29,450	37,395	28,055	(9,340)	-33.3%	7,945	27.0%
Activity (in 000's)							
Enplanements	21,109	22,796	22,214	581	2.6%	1,687	8.0%

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.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

C. OPERATING RESULTS

Division Summary

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2015	
				\$	%	\$	%
Operating Revenues:							
Aeronautical Revenues ⁽¹⁾	229,624	247,811	261,019	(13,208)	-5.1%	18,187	7.9%
SLOA III Incentive Straight Line Adj ⁽²⁾	(3,576)	(3,576)	(3,576)	0	0.0%	0	0.0%
Non-Aeronautical Revenues	196,844	221,021	208,321	12,700	6.1%	24,177	12.3%
Total Operating Revenues	422,892	465,256	465,764	(508)	-0.1%	42,364	10.0%
Operating Expenses:							
Payroll	99,327	101,879	106,659	4,781	4.5%	2,551	2.6%
Outside Services	31,801	37,863	39,915	2,052	5.1%	6,062	19.1%
Utilities	13,682	14,690	14,686	(3)	0.0%	1,007	7.4%
Other Airport Expenses	17,457	20,655	16,911	(3,745)	-22.1%	3,199	18.3%
Total Airport Direct Charges	162,267	175,087	178,171	3,084	1.7%	12,819	7.9%
Environmental Remediation Liability	4,222	4,463	3,246	(1,217)	-37.5%	241	5.7%
Capital to Expense	61	129	-	(129)	n/a	68	111.3%
Total Exceptions	4,283	4,592	3,246	(1,346)	-41.5%	309	7.2%
Total Airport Expenses	166,551	179,679	181,417	1,738	1.0%	13,128	7.9%
Corporate	44,065	50,099	52,424	2,325	4.4%	6,034	13.7%
Police Costs	15,815	18,183	18,728	544	2.9%	2,369	15.0%
Capital Development	7,828	9,319	11,746	2,427	20.7%	1,491	19.0%
Maritime/Economic Development	3,882	3,946	3,488	(458)	-13.1%	64	1.6%
Total Charges from Other Divisions	71,589	81,547	86,386	4,838	5.6%	9,958	13.9%
Total Operating Expense	238,140	261,226	267,803	6,576	2.5%	23,086	9.7%
Net Operating Income	184,752	204,030	197,962	6,069	3.1%	19,278	10.4%
CFC Surplus	(5,159)	(4,899)	(5,146)	(247)	4.8%	260	-5.0%
Net Non-Operating Items in / out from ADF ⁽³⁾	2,690	2,148	1,099	(1,049)	-95.5%	(542)	-20.2%
SLOA III Incentive Straight Line Adj	3,576	3,576	3,576	0	0.0%	(0)	0.0%
Debt Service	(125,153)	(133,982)	(135,217)	(1,236)	0.9%	(8,829)	7.1%
Adjusted Net Cash Flow	60,706	70,873	62,273	(8,600)	-13.8%	10,167	16.7%

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

Operating Expenses – 2016 Actuals compared to 2016 Budget:

Total Operating Expenses are lower than the 2016 budget by \$6.6 million due to the net of the following:

- Aviation Direct Operating Expenses are lower than budget by \$3.1 million due to the following:

Positive Variance of \$6.9M		Negative Variance of \$3.7M	
Payroll - vacancies & hiring delays	\$4.8M	Other Aviation Expenses	\$3.7M
Vacancies & hiring delays	3.1M	Litigated & Non-litigated Damages	1.7M
GASB 68 adjustment	1.2M	Lower charges to Capital Projects	1.5M
YE benefits adjustment	0.5M	Maintenance Materials (passenger volume)	1.5M
Outside Services (savings & work deferred to future year)	\$2.1M	Aviation Contingency (budget only)	(1.5M)
Advance Planning IDIQ for Master Plan	2.0M	All other Aviation Expenses	0.5M
Environmental Review for Master Plan	1.8M		
Security Checkpoint Queue Mgmt contract	(2.2M)		
Janitorial (passenger volume/scope increase)	(1.0M)		
NERA 3 grant (FAA pilot program)	0.4M		
Airport Obstruction Removal - delayed	0.6M		
CISS - Prop 1 wage impact	(0.4M)		
Rental Cars - curbside assistance not utilized	0.4M		
Cargo building mgmt - performed internally	0.3M		
All other Outside Services	0.2M		

- Operating Expenses Exceptions are higher than budget by \$1.3 million due to the following:

Positive Variance - no material variance	Negative Variance of \$2.1M	
	Environmental Remediation Liability	\$1.2M
	Lora Lake (lake parcel) estimate increase	4.1M
	RMM projects not anticipated in 2016 Budget	0.4M
	RMM projects deferred to future years	(1.7M)
	Budget savings - projects accelerated to 2015	(0.5M)
	New RMM projects favorable to budget	(0.4M)
	RMM adjustments to active projects	(0.7M)
	Capital to Expense	\$0.1M

- Operating Expense charges from Corporate and other divisions are lower than budget by \$4.8 million due to the following:

Positive Variance of \$5.3M		Negative Variance of \$0.5M	
Corporate savings	\$2.0M	Maritime Division	\$0.6M
ICT	0.9M	Economic Development Division	(\$0.1M)
Office of Strategic Initiatives	0.7M		
AFR	0.7M		
All other Corporate	(0.3M)		
Police savings	\$0.5M		
CDD savings	\$2.7M		
Aviation PMG	2.0M		
Engineering	0.9M		
All other CDD	(0.2M)		

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

Operating Expenses – 2016 Actuals compared to 2015 Actuals:

Total Operating Expenses increased in 2016 by \$23.1 million due to the net of the following:

- Aviation Direct Operating Expenses increased in 2016 by \$12.8 million due to the following:

Increase of \$12.8M		Decrease - no material amount
Payroll	\$2.6M	
Vacancies & hiring delays	2.9M	
GASB 68 adjustment	(0.4M)	
Benefits adjustment (Represented FTE's)	0.1M	
Outside Services	\$6.1M	
Checkpoint queue mgmt contract	2.2M	
Janitorial (due to higher enplanements)	2.5M	
NERA 3 grant (FAA pilot program)	1.1M	
CISS increase includes Prop 1 wage impact	0.5M	
SAMP	(0.6M)	
All other Outside Services	0.4M	
Utilities	\$1.0M	
Other Aviation expenses	\$3.2M	
Litigated & Non-litigated Damages	0.8M	
Maintenance Materials (passenger volume)	0.8M	
B&O tax (on higher revenue)	0.5M	
All other Aviation expenses	1.1M	

- Operating Expense Exceptions increased in 2016 by \$0.3 million due to the following:

Increase of \$0.3M		Decrease - no material amount
Environmental Remediation Liability	\$0.2M	
Lora Lake (lake parcel) increase in 2016	2.3M	
Delta build-out in 2015	(1.5M)	
All other RMM adjustments	(0.6M)	
Capital to Expense	\$0.1M	

- Operating Expense charges from Corporate and other divisions increased by \$10.0 million in 2016 due to the following:

Increase of \$10.0M		Decrease - no material amount
Corporate departments	\$6.3M	
CPO	3.7M	
ICT	(0.5M)	
Business Intelligence (new in 2016)	0.9M	
Office of Strategic Initiatives	0.7M	
All other Corporate	1.5M	
Police	\$2.4M	
GASB 68 adjustment (Police)	1.1M	
All other Police expense	1.3M	
CDD	\$1.2M	
Aviation PMG	0.9M	
All other CDD	0.3M	
Maritime & Economic Dev Division	\$0.1M	

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

Aeronautical Business Unit Summary

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2015	
				\$	%	\$	%
Revenues:							
Movement Area	78,326	94,725	95,220	(495)	-0.5%	16,399	20.9%
Apron Area	10,840	14,028	14,144	(116)	-0.8%	3,188	29.4%
Terminal Rents	150,449	155,852	159,569	(3,717)	-2.3%	5,403	3.6%
Federal Inspection Services (FIS)	9,979	11,227	10,836	392	3.6%	1,249	12.5%
Total Rate Base Revenues	249,594	275,832	279,768	(3,936)	-1.4%	26,239	10.5%
Commercial Area	9,519	9,379	9,306	73	0.8%	(140)	-1.5%
Subtotal before Revenue Sharing	259,113	285,211	289,074	(3,863)	-1.3%	26,099	10.1%
Revenue Sharing	(29,453)	(37,395)	(28,055)	(9,340)	-33.3%	(7,942)	27.0%
Other Prior Year Revenues	(35)	(5)	-	(5)	0.0%	30	-85.1%
Total Aeronautical Revenues	229,624	247,811	261,019	(13,208)	-5.1%	18,187	7.9%
Total Airport Direct Charges	114,262	122,573	123,506	934	0.8%	8,311	7.3%
Total Exceptions	3,642	4,315	2,681	(1,634)	-61.0%	673	18.5%
Total Charges from Other Divisions	36,011	42,149	44,163	2,013	4.6%	6,139	17.0%
Total Aeronautical Expenses	153,914	169,037	170,350	1,313	0.8%	15,123	9.8%
Net Operating Income	75,710	78,774	90,669	(11,895)	-13.1%	3,064	4.0%
Debt Service	(82,341)	(89,997)	(91,723)	(1,726)	1.9%	(7,657)	9.3%
Net Cash Flow	(6,631)	(11,224)	(1,054)	10,169	-964.5%	(4,593)	69.3%

Airline Rate Base Cost Drivers

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) Budget Variance		Incr (Decr) 'Change from 2015	
				\$	%	\$	%
O&M ⁽¹⁾	150,286	165,427	166,776	(1,349)	-0.8%	15,141	10.1%
Debt Service Gross	111,477	118,641	120,668	(2,027)	-1.7%	7,164	6.4%
Debt Service PFC Offset	(32,454)	(32,831)	(32,583)	(248)	0.8%	(377)	1.2%
Amortization	24,853	28,215	28,338	(123)	-0.4%	3,362	13.5%
Space Vacancy	(3,469)	(2,638)	(2,431)	(207)	8.5%	831	-24.0%
TSA Operating Grant and Other	(1,099)	(982)	(1,000)	19	-1.9%	117	-10.7%
Rate Base Revenues	249,594	275,832	279,768	(3,936)	-1.4%	26,239	10.5%
Commercial area	9,519	9,379	9,306	73	0.8%	(140)	-1.5%
Total Aero Revenues	259,113	285,211	289,074	(3,863)	-1.3%	26,099	10.1%

Aeronautical – Budget Variance

- Aeronautical net operating income is \$11.9M lower than budget.
 - Aeronautical revenue is \$13.2M lower than budget:
 - Lower than budgeted rate base revenue (\$3.9M) due to lower debt service payments due to variable rates, and additional Cap-I projects identified for use with 2015A bonds.
 - Higher revenue sharing (\$9.3M) due to strong non-aero businesses performance and lower debt service payments.

- Aeronautical operating expenses are \$1.3M lower than budget:
 - Airport Direct Charges - \$0.9M lower than budget despite significant unplanned expenditures for the passenger screening queue management contract and higher janitorial costs in response to increased passenger volumes.
 - Exceptions – \$1.6M higher than budget primarily due to ERL reserve increase for Lora Lake (Lake parcel) project.
 - Charges from other divisions - \$2.0M lower than budget charges from Corporate departments.

Aeronautical – Year over Year Changes

- Aeronautical net operating income is \$3.1M higher than 2015.
 - Aeronautical revenues are \$18.2 higher year over year – higher rate based revenues are offset by higher revenue sharing:
 - Higher rate based revenue (\$26.2M) primarily due to cost recovery on new assets placed in service and higher operating expenses to support increased airline activity.
 - Higher revenue sharing (\$7.9M) – due to increase in non-aero revenues driven by higher passenger volumes.
 - Aeronautical operating expenses in 2016 are \$15.1M higher than 2015:
 - Airport Direct Charges - \$8.3M higher than prior year primarily due to targeted spending to support increased passenger volumes including security checkpoint queue management contractor costs (2.2M), and increased janitorial services (\$2.5M).
 - Exceptions - \$0.7M higher than prior year primarily due to 2016 increase in ERL reserve for Lora Lake (Lake parcel - \$2.3M) project, partially offset by 2015 ERL expense for Delta build-out (\$1.5M).
 - Charges from other divisions - \$6.1M higher than 2015.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

Non-Aero Business Unit Summary

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2015	
				\$	%	\$	%
Non-Aero Revenues							
Rental Cars - Operations	33,851	37,082	35,398	1,683	4.8%	3,231	9.5%
Rental Cars - Operating CFC	12,663	12,122	12,767	(645)	-5.1%	(542)	-4.3%
Public Parking	63,059	69,540	66,847	2,693	4.0%	6,482	10.3%
Ground Transportation	8,809	12,803	8,327	4,477	53.8%	3,994	45.3%
Airport Dining & Retail/Terminal Leased Space	52,391	58,405	55,554	2,851	5.1%	6,014	11.5%
Commercial Properties	8,007	9,992	10,251	(258)	-2.5%	1,986	24.8%
Utilities	7,000	7,233	7,626	(394)	-5.2%	232	3.3%
Employee Parking	7,913	9,329	8,249	1,080	13.1%	1,416	17.9%
Clubs and Lounges	2,392	3,028	2,578	449	17.4%	636	26.6%
Other	759	1,487	723	764	105.7%	728	96.0%
Total Non-Aero Revenues	196,844	221,021	208,321	12,700	6.1%	24,177	12.3%
Non-Aero Expenses							
Total Airport Direct Charges	48,006	52,514	54,664	2,151	3.9%	4,508	9.4%
Total Exceptions	642	277	565	288	51.0%	(364)	-56.8%
Total Charges from Other Divisions	35,578	39,398	42,223	2,825	6.7%	3,819	10.7%
Total Non-Aero Expenses	84,226	92,189	97,452	5,264	5.4%	7,963	9.5%
Net Operating Income	112,618	128,833	110,869	17,964	16.2%	16,215	14.4%
Less: CFC (Surplus) / Deficit	(5,159)	(4,899)	(5,146)	247	4.8%	260	-5.0%
Adjusted Non-Aero NOI	107,459	123,934	105,723	18,211	17.2%	16,474	15.3%
Debt Service	(42,812)	(43,984)	(43,494)	490	-1.1%	(1,172)	2.7%
Net Cash Flow	64,647	79,949	62,229	(17,721)	-28.5%	15,302	23.7%

Non-Aero – Budget Variance

- Non-Aeronautical net operating income is \$18.0M higher than budget.
 - Non-Aeronautical revenues are \$12.7M higher than budget:
 - Strong performance in Ground Transportation (\$4.5M), Public Parking (\$2.7M), and Airport Dining and Retail (\$2.9M).
 - Non-Aeronautical operating expenses are \$5.3M lower than budget:
 - Airport Direct Charges - \$2.2M lower than budget due to savings in Payroll and Outside Services which includes delayed spending on the Advance Planning IDIQ/Environmental review of the Master Plan and the NERA 3 FAA pilot program, partially offset by higher than anticipated charges for litigated and non-litigated damages.
 - Exceptions - \$0.3M lower than budget due to planned ERL projects deferred to next year.
 - Charges from other divisions - \$2.8M in savings from Corporate departments.

Non-Aero Year over Year Changes

- Non-Aeronautical net operating income is \$16.2M higher than 2015.
 - Non-Aeronautical revenues in 2016 are \$24.2M higher than 2015 – due to strong performance in Public Parking (\$6.5M), Airport Dining & Retail and other terminal leased space (\$6.0M), Ground Transportation (\$4.0M), Rental Cars (\$2.7M), and Commercial Properties (\$2.0M).
 - Non-Aeronautical operating expenses in 2016 are \$8.0M higher than 2015:
 - Airport Direct Charges - \$4.5M higher than prior year due to higher payroll costs, NERA 3 grant (FAA pilot program) spending, and other expenses related to increased passenger volumes, partially offset by charges for litigated and non-litigated damages.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

- Exceptions - \$0.4M lower ERL costs in 2016 primarily due to ERL costs for Delta build out in prior year.
- Charges from other divisions - \$3.8M higher than 2015.

D. CAPITAL RESULTS

\$ in 000's Description	2016	2016	Budget Variance	
	Actual	Budget	\$	%
International Arrivals Fac-IAF ⁽¹⁾	40,488	57,612	17,124	29.7%
NS NSAT Renov NSTS Lobbies ⁽²⁾	27,310	43,200	15,890	36.8%
GSE Electrical Chrg Stations ⁽³⁾	1,769	5,100	3,331	65.3%
Parking System Replacement ⁽⁴⁾	605	3,900	3,295	84.5%
Checked Bag Recap/Optimization ⁽⁵⁾	5,231	8,257	3,026	36.6%
2015-2016 C Conc Roof Replace ⁽⁶⁾	765	3,775	3,010	79.7%
Interim Baggage System Program ⁽⁷⁾	7,140	10,000	2,860	28.6%
B2 Expansion for DL Club	11,083	9,000	(2,083)	-23.1%
Construction Logistics Expansn	5,527	6,865	1,338	19.5%
RW16C-34C Design and Reconst	11,042	11,755	713	6.1%
All Other	42,927	85,777	42,850	50.0%
Total Spending	153,887	245,241	91,354	37.3%

(1) Early work packages delayed 3 months.

(2) Delays resulting from scope and design changes. Purchase of PLBs delayed due to procurement strategies and phasing constraints.

(3) Program delays, technical issues with chargers, and coordination among project team resulted in spending delays.

(4) Milestone-based contract deferred payments to later in the development cycle. Budget was developed before a vendor had been selected.

(5) Delays in spending on the design service directive. 2017 budget developed in early stages of the project.

(6) Major construction contract was cancelled as a result of roof site conditions.

(7) Clear Bag Reconciliation project was cancelled; TSA Search Room was delayed due to irregular bid; and Security Zone Tracking Enhancements project was delayed due to contract execution issues with CPO.

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

FINANCIAL SUMMARY

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2015	
				\$	%	\$	%
Revenues:							
Operating Revenue	47,268	50,810	49,314	1,496	3%	3,542	7%
Security Grants	0	0	0	0	NA	0	NA
Total Revenues	47,268	50,810	49,314	1,496	3%	3,542	7%
Total Operating Expenses	33,443	40,268	42,469	2,201	5%	6,825	20%
Net Operating Income	13,825	10,542	6,845	3,697	54%	(3,283)	-24%
Capital Expenditures	6,252	5,746	15,660	9,914	63%	(506)	-8%

- Total Maritime Revenues were \$1,496K favorable to budget in 2016. A \$578K favorable variance in Fishing & Operations primarily from improved utilization of Dockage, Berthage, and Moorage; a \$311K favorable variance in Maritime Portfolio Management; and a \$380K favorable Grain variance due to high summer volumes being slightly offset by (\$188K) unfavorable variance in Recreational Boating, due to lower occupancy than budgeted.
- Total Operating Expenses were \$2,201K favorable to budget in 2016 primarily due to lower maintenance and corporate allocated expenses than budgeted as well as timing of Maritime expenditures (including a \$500K credit to expense budgeted as revenue).
- Net Operating Income before Depreciation was \$3,697K favorable to budget.
- Capital Expenses in 2016 at \$5.7M, \$9.9M below budget driven by project delays.

Net Operating Income before Depreciation by Business

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) 2016 Bud Var		Incr (Decr) Change from 2015	
				\$	%	\$	%
Fishing & Operations	(4,204)	(3,149)	(4,238)	1,089	-26%	1,055	-25%
Recreational Boating	1,049	1,016	684	332	49%	(33)	-3%
Cruise	7,737	8,326	7,681	645	8%	589	8%
Bulk	4,111	4,215	3,674	541	-15%	103	3%
Maritime Portfolio	5,245	249	(754)	1,004	133%	(4,996)	95%
All Other	(114)	(115)	(202)	87	NA	(1)	-1%
Total Maritime	13,825	10,542	6,845	3,697	54%	(3,283)	-24%

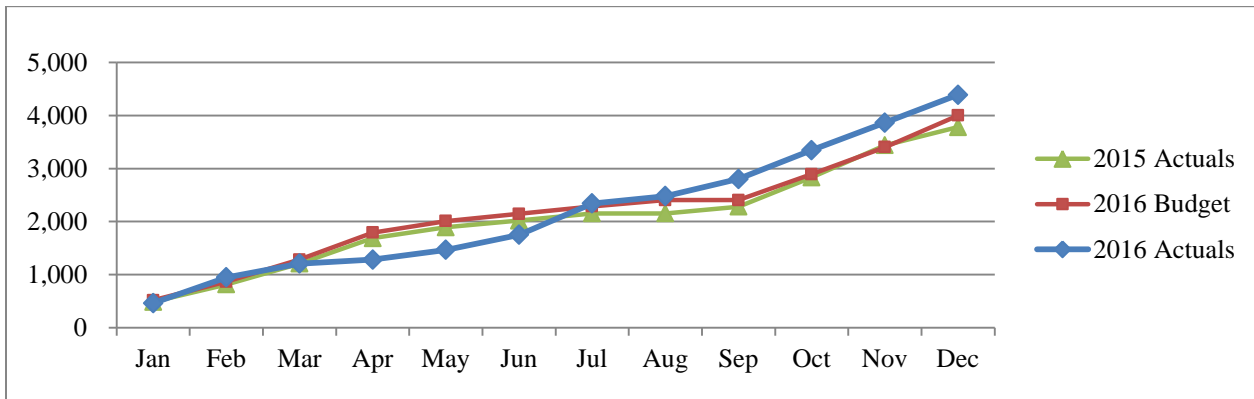
A. BUSINESS EVENTS

- Successful 2016 cruise season with 983,539 passengers, 9.5% above 2015 levels.
- Port of Seattle named Best North American Homeport by Cruise Critic.
- P66 Tenant Improvement - demolition and construction on schedule.
- Finalized 5 year agreements with Tribes – Muckleshoot and Suquamish. NWSA, POS, and Tribal councils all approved.
- Fishing & Operations revenue growth of 8% driven by expanded utilization of Port Assets.
- Christening of F/V Blue North at Fishermen's Terminal.
- Received final, signed Stormwater Utility inter-local agreement between Port and City of Seattle.
- Granted more than \$4M in insurance payments on remediation sites through the Orion Settlement.
- Bell Harbor Marina hosted the Clipper Round the World Race.
- Lowest occupational injury rate in the history of Marine Maintenance.

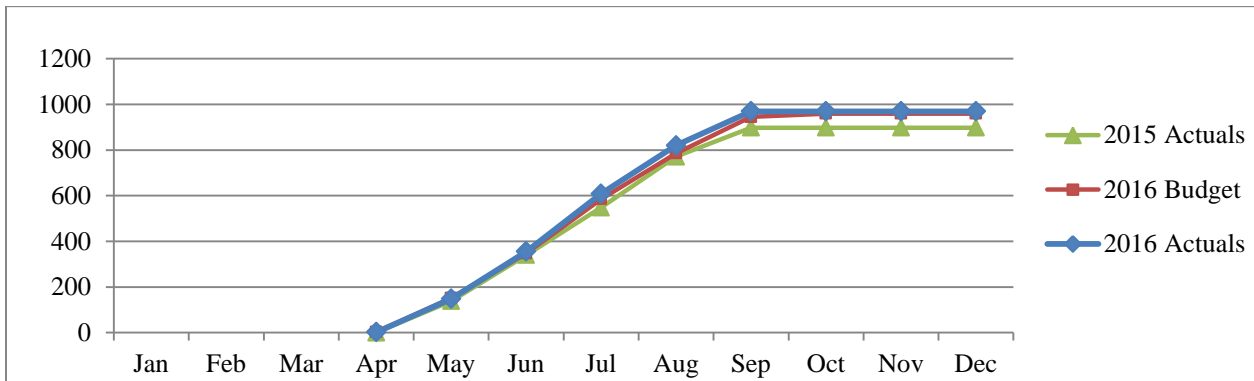
III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

B. KEY INDICATORS

Grain Volume – Metric Tons in 000's



Cruise Passengers in 000's



III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

C. OPERATING RESULTS

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2015	
				\$	%	\$	%
Operating Revenue	47,268	50,810	49,314	1,496	3%	3,542	7%
Security Grants	0	0	0	0	NA	0	NA
Total Revenues	47,268	50,810	49,314	1,496	3%	3,542	7%
Maritime Expenses (excl Maint)	9,564	10,722	11,382	660	6%	1,158	10%
Maintenance Expenses	9,031	9,900	10,576	676	6%	869	8%
P69 Facilities Expenses	157	299	294	(5)	-2%	142	48%
Other ED Expenses	3,186	3,488	3,819	331	9%	302	8%
Environmental & Sustainability	1,278	1,358	1,430	72	5%	80	6%
CDD Expenses	1,544	1,010	1,029	19	2%	(534)	-52%
Police Expenses	2,611	3,921	4,023	103	3%	1,310	33%
Corporate Expenses	5,958	9,454	9,713	259	3%	3,496	36%
Envir Remed Liability	114	115	202	87	43%	1	1%
Total Expenses	33,443	40,268	42,469	2,201	5%	6,825	16%
NOI Before Depreciation	13,825	10,542	6,845	3,697	54%	(3,283)	-48%
Depreciation	16,935	17,351	17,139	(212)	-1%	416	2%
NOI After Depreciation	(3,110)	(6,809)	(10,294)	3,485	-34%	(3,699)	-36%

Maritime Division Revenues were \$1,496K favorable to budget. Key variances are as follows:

Fishing & Operations – favorable \$578K

- \$562K favorable to budget for Maritime Ops, largely from Dockage, Berthage & Moorage of \$323K, due to greater occupancy, \$105K for Space Rental, \$65K favorable for Security Service, and \$30K Utility revenue mainly due to sale of electricity.
- \$15K favorable to budget for Fishermen's Terminal and MIC, with Rec Boating favorability offsetting fishing vessel moorage.

Cruise Operations – favorable \$26K

- Port Directed Cruise Fees - favorable \$502K or 3.5%, the result of higher passenger counts than budgeted.
- Other Revenue is unfavorable (\$500K) due to payment received from NCLH for ½ of CTA termination payment was booked as an expense reduction rather than revenue, as budgeted.

Recreational Boating – unfavorable (\$188K)

- Shilshole Bay Marina (\$181K) unfavorable due to shortfall in moorage and utility revenues.
- Bell Harbor Marina (\$2K) unfavorable with lower guest moorage than budgeted.
- Harbor Island Marina (\$9K) unfavorable with lower guest moorage than budgeted.

Bulk – favorable \$381K

- Unusually high second half volume resulted in year to date metric tons of 4,389,089 which is 10% higher than budget of 4,000,000 metric tons.

Maritime Portfolio Management – favorable \$311K

- FT Office & Retail - \$12K favorable to budget.
- MIC Office & Retail – (\$40K) unfavorable to budget due to loss of C-3 Worldwide revenue.
- SBM Office & Retail - \$1K favorable to budget.
- Maritime Industrial - \$339K or 6% favorable to budget.

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

Total Maritime Division Expenses were \$2,201K favorable to budget. Key variances are as follows:

- **Maritime Expenses (excluding Maintenance)** were \$660K favorable to budget. Major variances were as follows:
 - **Salaries & Benefits** were \$338K favorable due to open positions for much of the year in Fishing & Operations.
 - **General Expenses** were \$525K favorable primarily due to \$500K expense credit in Cruise business for Norwegian Cruise Lines contribution for ½ of Cruise Terminals of America lease buyout that was part of the agreement with NCLH to upgrade P66. This was originally budgeted as revenue.
 - **Travel & Other Employee Expenses** \$98K favorable across all departments.
 - **Utilities** were (\$273K) unfavorable due to update in stormwater rates.
- **Maintenance Expenses** were \$676K favorable to budget from unfilled positions and under-spending on wages and benefits.
- **Environment & Sustainability Expenses** were \$72K favorable to budget.
- **Corporate Expenses** were \$259K favorable to budget.
- **Other Economic Development Expenses** \$331K favorable primarily due to not spending budgeted broker fees and TI's at FT and MIC properties and lower than budget Utility costs for electricity.

Change from 2015

Net Operating Income (NOI) before Depreciation for 2016 decreased by (\$3,283K) – Higher revenue offset by higher expenses, primarily allocations.

Revenues increased by \$3,542K - Revenue from the Grain terminal increased \$675K reflecting higher volume. Fishing & Operations revenue increased \$753K from better moorage utilization and rate increases. Cruise revenue increased \$584K, a result of more sailings with higher passenger numbers. Recreational Boating increased \$408K from rate increases. Maritime Portfolio Management increased \$217K from rent and utilities at T106, T91, and FT.

Expenses, direct and allocated, increased by \$6,825K - Variance driven by increases in Police and Corporate allocations of \$1,310K and \$3,496K respectively, resulting from change in methodology with the creation of the NWSA. Maritime expenses increased \$1,158K over prior year from increased utility (particularly surface water), litigation, and mitigation costs tied to the P66 cruise terminal expansion.

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

D. CAPITAL SPENDING RESULTS

	2016	2016	Budget Variance	
	Actual	Budget	\$	%
\$ in 000's				
Small Projects	1,279	3,772	2,493	66%
Contingency Renewal & Replace.	0	2,000	2,000	100%
T91 Substation Upgrades	1,291	1,381	90	7%
Cruise Terminal Tenant Improv	92	1,350	1,258	93%
Maritime Fleet Replacement	1,170	1,623	453	28%
SBM Restrms/Service Bldgs Rep	401	1,017	616	61%
C15 Building Tunnel Improvmnt	0	700	700	100%
P91 South End Fender	54	655	601	92%
Maint N Office Site Improvemnt	0	500	500	100%
Marina Mgt Sys Replacement	12	450	438	97%
All Other	1,447	2,212	765	35%
Total Maritime	5,746	15,660	9,914	63%

Comments on Key Projects

For 2016, Maritime spent 37% of the annual approved budget.

Projects with significant changes in spending were:

- **Small Projects:** multiple project spending moves to next year such as T91 Portable Paint & Oil Containment Units, T91 Sewer Lift Station #7 replacement, and C15 2nd Flr N Face Window replacement.
- **Shilshole Bay Marina Restroom and Services Building Replacement:** scope and design are under review and delay in spending.
- **C15 Building Tunnel Improvement:** project delayed until next year.
- **Cruise Tenant Improvement:** unfavorable due to timing of the payments.
- **Pier 91 South End Fender:** project is delayed in design although construction is expected to be on schedule in 2017.
- **Maintenance North Office Site Improvement:** project delayed to 2017
- **All Other:** - P66 Fall project delayed.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

FINANCIAL SUMMARY

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2015	
				\$	%	\$	%
Revenues:							
Operating Revenue	18,164	15,903	13,745	2,159	16%	(2,260)	-12%
Total Revenues	18,164	15,903	13,745	2,159	16%	(2,260)	-12%
Total Operating Expenses	19,206	21,135	23,447	2,312	10%	1,929	10%
Net Operating Income	(1,043)	(5,232)	(9,702)	4,470	46%	(4,189)	-402%
Capital Expenditures	2,098	4,757	8,751	3,994	46%	2,659	127%

- Total Economic Development Division (EDD) revenues were \$2,159K or about 16% favorable to budget for 2016 primarily due to stronger sales activities at Conference and Event Centers than budgeted.
- Total Operating Expenses were \$2,312K or 10% favorable for 2016 due to lower spending than budgeted across all groups except for the Conference and Event Center.
- Net Operating Income for 2016 was \$4,470K favorable to budget and \$4,189K below 2015 primarily due to lower revenues from the Conference and Event Centers and higher divisional and corporate allocations.
- Capital spending for full year 2016 was \$4.8 million or 54% of the approved budget of \$8.8 million.

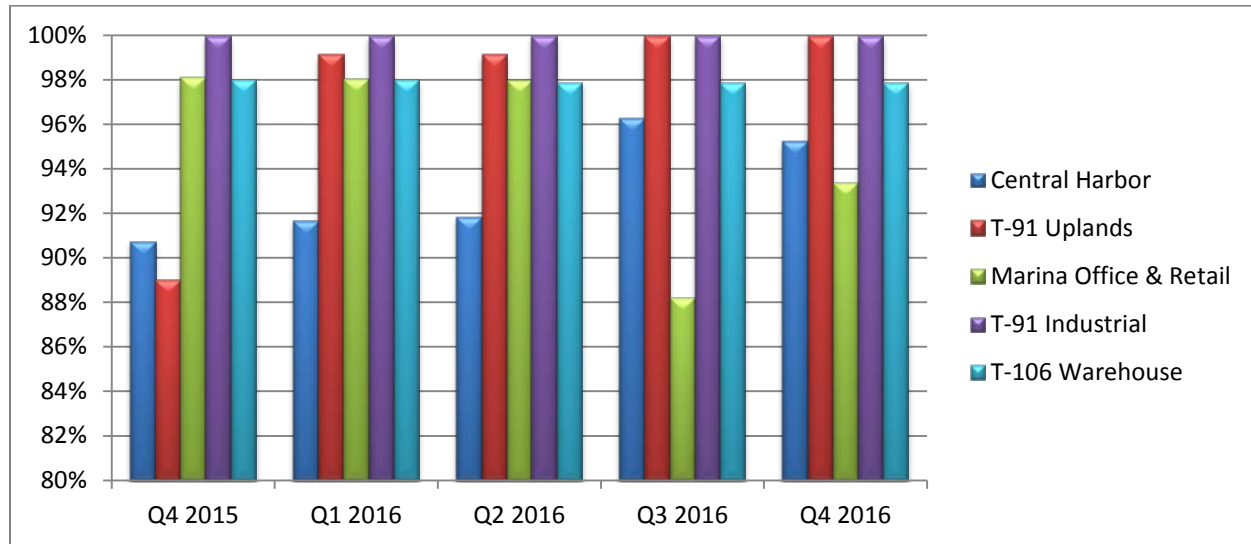
A. BUSINESS EVENTS

- A total of \$1,070K in grants to 31 King County cities and 14 Tourism non-profits were made in 2016 to support local economic development partnership initiatives.
- Continued implementation of Real Estate Strategic Plan, including completion of NERA 2/3 RFP, property acquisition due diligence, and ongoing planning for FT/T-91 Redevelopment.
- Portfolio Management exceeded its year-end occupancy goal of 95% with 97% occupancy while maintaining market rental rates. Occupancy is above the average of 95% for the comparable office markets and near the average of 98% for comparable industrial markets.¹
- Conference and Event Center activity exceeded the 2016 budget due to delayed construction schedule of the P-66 Cruise Terminal and from a strong regional economy.
- Workforce Development executed contracts with PortJobs and COREPLUS (Manufacturing Industrial Council) to advance training in Port Cluster. Staff also started work on an aviation career pathways project.
- Small Business completed an assessment of incubators/accelerators within the region and worked with CPO to improve small business utilization.

¹ Market averages are calculated based on Costar building occupancies reported for:
Office: Class B & C office space in Ballard/U District, Queen Anne/Magnolia, Belltown/Denny Regrade, Pioneer Square/Waterfront, and South Seattle.
Industrial: Georgetown/Duwamish North, SoDo, and West Seattle

B. KEY PERFORMANCE INDICATORS

Building Occupancy by Location:



Net Operating Income before Depreciation by Business

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) 2016 Bud Var		Incr (Decr) Change from 2015	
				\$	%	\$	%
Central Harbor Management	(1,078)	(2,230)	(2,854)	624	22%	(1,151)	-107%
Conference & Event Centers	1,107	538	(823)	1,361	165%	(569)	51%
Eastside Rail	877	(151)	(237)	86	36%	(1,029)	117%
RE Dev & Planning	(701)	(1,712)	(2,973)	1,261	42%	(1,011)	-144%
Tourism	(937)	(1,117)	(1,192)	75	6%	(180)	-19%
Workforce Dev	(310)	(576)	(1,640)	1,064	65%	(266)	-86%
Env Grants/Remed Liab/FTZ	(0)	16	17	(1)	-3%	16	-10206%
Total Econ Dev	(1,043)	(5,232)	(9,702)	4,470	46%	(4,189)	-402%

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

C. OPERATING RESULTS

\$ in 000's	2015 Actual	2016 Actual	2016 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2015	
				\$	%	\$	%
Revenue	7,767	7,881	7,449	432	6%	114	1%
Conf & Event Ctr Revenue	10,396	8,022	6,296	1,727	27%	(2,374)	-23%
Total Revenue	18,164	15,903	13,745	2,159	16%	(2,260)	-12%
Central Harbor	2,602	2,587	2,746	160	6%	(15)	-1%
Conf & Event Centers	8,541	6,931	6,439	(492)	-8%	(1,610)	-19%
Eastside Rail Corridor	(1,263)	8	144	136	95%	1,271	-101%
P69 Facilities Expenses	40	180	177	(3)	-2%	140	349%
Small Business	330	21	120	98	82%	(309)	-94%
Workforce Development	0	522	1,558	1,037	67%	522	NA
Tourism	919	1,093	1,174	81	7%	174	19%
EconDev Expenses Other	1,426	2,175	2,800	625	22%	749	53%
Maintenance Expenses	3,332	2,787	3,153	366	12%	(545)	-16%
Maritime Expenses (Excl Maint)	8	31	28	(3)	-12%	24	300%
Environmental & Sustainability	243	62	126	64	51%	(181)	-75%
CDD Expenses	374	250	248	(3)	-1%	(123)	-33%
Police Expenses	413	157	169	11	7%	(256)	-62%
Corporate Expenses	2,242	4,331	4,565	234	5%	2,089	93%
Envir Remed Liability	0	0	0	(0)	NA	0	NA
Total Expense	19,206	21,135	23,447	2,312	10%	1,929	10%
NOI Before Depreciation	(1,043)	(5,232)	(9,702)	4,470	46%	(4,189)	402%
Depreciation	3,420	3,682	3,461	(221)	-6%	263	8%
NOI After Depreciation	(4,462)	(8,914)	(13,163)	4,249	32%	(4,452)	100%

Total Economic Development Division Revenue was \$2,159K favorable to budget. Key variances:

- **Conference & Event Centers** were \$1,727K favorable due to strong sales at Bell Harbor International Conference Center (BHICC) and greater utilization of space prior to initiation of P-66 Cruise Terminal expansion construction, high sponsorship sales at World Trade Center Seattle (WTC-S), and higher than budgeted revenues from events at the Smith Cove Cruise Terminal.
- **Portfolio Management** revenues were \$432K higher than budget due to higher than anticipated occupancy at T-102 Marina Corporate Center, T-91 Uplands, and above budget revenues from the former Tsubota Steel Site & Bell Street Garage. The favorable variance was offset by a loss of revenue for Bell Street Retail leases due to vacancies associated with upcoming Cruise Terminal construction.

Total Economic Development Expenses were \$2,312K favorable to budget. Key variances:

- **Central Harbor** expenses were \$160K favorable due to lower than budgeted salaries & benefits of \$50K and lower utility expenses of \$116K.
- **Conference & Event Centers** were (\$492K) unfavorable due to higher operating expenses and management fee related to the higher than anticipated sales activities.
- **Eastside Rail Corridor** expenses were \$136K favorable to budget due to unspent funds budgeted for appraisal and property management services.
- **Workforce Development** was \$1,037K favorable mainly due to timing of spending for Workforce Development programs.
- **Economic Development Other** was favorable \$625K primarily due to \$650K of budgeted Opportunity Fund & business development expenses (offset by Tourism Grants, ED Partnership Grants, and sponsorship spending), and lower than anticipated spending for consulting services of \$116K.
- **Maintenance** expenses were \$366K favorable due to later start than expected on planned maintenance work and cancellation of Bell Street Garage Power Wash \$117K.
- **Corporate** costs, direct and allocated, were favorable \$234K primarily due to lower than anticipated direct charges and allocations from Accounting & Financial Reporting \$93K, Public Affairs \$72K, ICT \$46K, and HR \$43K which are partially offset by greater than anticipated charges from Executive (\$48K).
- All other variances net to a favorable variance of \$245K.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/16

NOI before Depreciation was \$4,470K favorable to budget.

- Depreciation was (\$221K) or 6% unfavorable to budget.

NOI after Depreciation was \$4,249K favorable to budget.

Change from 2015 Actual

Net Operating Income before Depreciation decreased by \$4,189K between 2016 and 2015 as a result of lower revenue (\$2,260K) and higher expenses (\$1,929K).

Revenues decreased by (\$2,260K) due to lower revenue from Conference & Events.

Expenses increased by \$1,929K primarily due to:

- Conference and Event Centers lower sales activity resulted in a decrease of \$1,610K in operational expenses.
- EconDev Expenses Other increase of \$749K:
 - RE Development & Planning: increase of \$325K for consulting services for the Real Estate Strategic Plan and property appraisals/evaluations.
 - EDD Admin: increase of \$331K due to allocations to Business Groups which were in Real Estate Division in 2015 and are now in Maritime in 2016.
- Maintenance Expenses decreased by \$545K due to less work charged to BHICC and WTC/Seattle.
- Corporate expenses increased \$2,089K mainly due to higher percentage of Corporate Costs being charged to Economic Development Division since the creation of Northwest Seaport Alliance.

CONTRIBUTIONS TO OTHER DIVISIONS

\$ in 000's	2015	2016	2016	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Budget	Budget	Variance	Change from 2015	
				\$	%	\$	%
Revenues:							
Airport Dining & Retail	50,566	55,196	53,419	1,777	3%	4,629	9%
Airport Properties	8,795	12,167	11,376	792	7%	3,372	38%
Business Development	3,780	4,587	3,936	650	17%	806	21%
Business Development & Mgmt	63,142	71,950	68,731	3,219	5%	8,808	14%
Maritime Industrial	6,091	6,306	5,968	339	6%	216	4%
Marina Office & Retail	3,893	3,949	3,976	(27)	-1%	56	1%
Maritime Portfolio Management	9,983	10,255	9,944	311	3%	272	3%
Total Revenues to Other Divisions	73,126	82,206	78,675	3,530	4%	9,080	12%
Expenses to Other Divisions							
Business Development & Mgmt	7,508	8,482	10,503	2,021	19%	974	13%
Maritime Portfolio Mgmt	2,446	2,817	3,299	482	15%	371	15%
Total Expenses to Other Divisions	9,954	11,299	13,803	2,504	18%	1,346	14%

D. CAPITAL SPENDING RESULTS

	2016 Actual	2016 Budget	Budget Variance	
			\$	%
\$ in 000's				
T102 Bldg Roof HVAC Replacem	2,803	2,850	47	2%
P66 Elevator 2,3,4 Upgrades	145	1,440	1,295	90%
Tenant Improvements -Capital	80	1,178	1,098	93%
P69 Roof Beam Rehabilitation	1,038	950	(88)	-9%
RE: Contingency Renew.&Replace	0	500	500	100%
Small Projects	546	585	39	7%
RE BHICC Roof Fall Protection	0	409	409	100%
Bell St Gar AI Elevtr Upgrade	0	350	350	100%
All Others	145	489	344	70%
Total Economic Development	4,757	8,751	3,994	46%

Comments on Key Projects:

For 2016, Economic Development spent 54% of the annual approved capital budget.

Projects with significant changes in spending were:

- **P66 Elevator 2, 3, 4 Upgrades:** budget variance due to modernizations for elevators 3 and 4 have been postponed until the NCL cruise terminal work is completed.
- **Tenant Improvements – Capital:** reimbursement of \$797K to Anthony’s for Boiler system was recorded in Non-Ops. (It was originally recorded as a Donated Asset in 2014).
- **RE BHICC Roof Fall Protection:** project is delayed due to P66 current activities.
- **Bell St Gar AI Elevtr Upgrade:** project spending comes out as operating expense because we don’t own the asset.

A. BUSINESS EVENTS

- Executed events and tours to help build community awareness and support for the Port including fenceline communities and throughout King County.
- Head of the Shanghai Municipal Transportation Commission and his team visited Port of Seattle.
- Coordinated Norwegian Bliss deployment announcement in partnership with Norwegian Cruise Line executives.
- Conducted tour for Chinese Ports and US EPA officials.
- Designed and executed Commission's community open house and public hearing on the Flight Corridor Safety Program in City of SeaTac.
- Implemented Paid Parental Leave policy.
- Launched PerformanceLink and posted interim goals setting form for managers and employees to use and map 2016 goals.
- Continued to provide ongoing support and proactively work through accounting/financial reporting set-up and scenarios for the Northwest Seaport Alliance (NWSA).
- Prepared, negotiated and implemented collective bargaining agreements and provided consultation on administration of collective bargaining agreements to Port divisions and oversight committees.
- Continued to provide strong financial management while delivering new technology solutions that fulfill business needs and enhance business processes, efficiently and effectively.
- Continued to implement standards and best practices for network, systems, and information security.
- The Port achieved a clean, unqualified independent Certified Public Accountant (CPA) audit opinion on the Port's 2015 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 11 consecutive years.
- Received the 2016 Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) of the United States and Canada for 9 consecutive years.
- Completed the Cat III competitive selection process for a finance team to provide on-going information for the Port's debt management program and to participate in individual debt transactions through a negotiated sale process. The Port selected six firms for the senior manager pool and five firms for the small business pool.
- Finalized sale of a total of \$249.2 million of bonds with a present value savings of \$67.6 million.
- Completed all the financial reporting changes for the Phase II Re-org.
- Filed the Port's Statutory Budget with King County Council and Assessor as required by law.
- Used Origami to create, track and refine metrics for new events, claims and rolling open claims.
- Completed and approval of the Long Range Plan by the commission.
- Completed a four day Lean event with a goal to reduce security checkpoint queue wait times from greater than 60 minutes to an average of 20 minutes or less.
- Continued working with TSA and other Port of Seattle partners to reduce increasing screening checkpoint times as well as the threat created by long public dwell times in the airports unsecured common areas.
- Contributed to regional transportation partner investments with 2nd contribution to the State's Alaskan Way Viaduct Replacement Program, 2nd and final contribution to King County's South Park Bridge.
- Completed TNC Tracking System which includes accepting monthly and real time activity data from Uber, Lyft, and Wingz and a mobile application that facilitates the manual capture of activity by ground transportation staff to use for validation.
- Implemented the North Satellite Transit System Train Display.
- Replaced the Parking Revenue Control System.
- Completed Runway reconstruction ahead of schedule.
- Completed Delta Skyclub project on Concourse B and opened for business.
- Developed displays for Checkpoint Security Wait-times.
- Completed Terminal 5 Modernization Project test pile field installation and Statnamic tests.
- Implemented technology to better track visitors at T-91 Pedestrian Gate.

B. KEY PERFORMANCE METRICS

Key Performance Indicators/Measures	YTD 2016	YTD 2015/Notes
A. Implement Century Agenda Strategies		
1. Small Business Participation – Annual / Small Works (port-wide)	72.7%	90%
2. Small Business Participation – Annual / Major Construction (port-wide) including Mega projects	17.25%	39%
3. Small Business Participation – Annual / Goods & Services (port-wide)	23.7%	24%
4. Small Business Participation – Service Agreements (port-wide) - Annual (including Legal department Service Agreements)	42.1%	23%
B. Consistently Live by Our Values Through Our Actions and Priorities		
1. MIS and Clarity Training	17 classes, 136 attendees	16 classes, 117 attendees
2. Employee Development Class Attendees/Structured Learning	388	1486, decreased by 1098
3. Required Safety Training	91%	96%, decreased by 5%
4. Request of information and guidelines for integrity & business conduct	252	259, decreased by 7
5. Occupational Injury Rate	3.61	5.11
6. Total Lost work days	774	1058
C. Manage Our Finances Responsibly		
1. Corporate costs as a % of Total Operating Expenses	34.8%	33.0%
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)	94%	96%
5. Investment Portfolio Yield	1.28%	1.10%
6. Litigation and Claim Reserves (in \$ thousand)	\$1.9	\$1.3
D. Exceed Customer Expectations		
1. Respond to Public Disclosure Requests	438	486, decreased by 48
2. Information and Communication Technology System Availability	99.8%	99.8%
3. IT Network Availability	100.0%	100.0%
4. Service Desk % First Call Resolution	40%	42%
5. Customer Survey for Police Service Excellent or Very Good	92%	88%
E. Support Port Mission with Implementation of Port Divisions' Business Plan		
1. Oversee Implementation and Administration of CBAs agreements	113	162
2. Number of Jobs Openings	408	294, increased by 114
3. Percent of annual audit work plan completed each year	74%	74%

V. CORPORATE FINANCIAL & PERFORMANCE REPORT 12/31/16

C. OPERATING RESULTS

\$ in 000's	2015	2016	2016	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Budget	Budget	Variance	Change from 2015	
				\$	%	\$	%
Total Revenues	730	1,330	570	760	133.4%	599	82.1%
Operating Expenses							
Executive	2,198	2,185	1,569	(616)	-39.3%	(13)	-0.6%
Commission	1,270	1,569	1,635	66	4.1%	299	23.6%
Legal	3,501	3,365	3,219	(146)	-4.5%	(137)	-3.9%
Public Affairs	4,429	6,033	6,447	414	6.4%	1,605	36.2%
Human Resources & Development	6,720	7,001	7,634	633	8.3%	281	4.2%
Labor Relations	1,191	1,268	1,126	(142)	-12.6%	77	6.5%
Internal Audit	1,280	1,455	1,620	164	10.1%	175	13.7%
Office of Strategic Initiatives	3,487	8,356	9,059	702	7.8%	4,870	139.7%
Police	20,990	23,045	23,587	542	2.3%	2,055	9.8%
Security and Preparedness	1,367	1,420	1,448	28	2.0%	53	3.9%
Contingency	653	369	500	131	26.3%	(284)	-43.5%
Finance							
Accounting & Financial Reporting Services	6,780	6,550	7,570	1,020	13.5%	(230)	-3.4%
Information & Communication Technology	20,998	20,158	21,160	1,001	4.7%	(839)	-4.0%
Finance & Budget	4,805	4,810	4,933	123	2.5%	5	0.1%
Finance & Budget	1,692	1,647	1,802	155	8.6%	(44)	-2.6%
Aviation Finance & Budget	1,955	1,950	1,932	(19)	-1.0%	(5)	-0.2%
Maritime Finance & Budget	1,158	1,212	1,199	(13)	-1.1%	54	4.7%
Business Intelligence	-	1,004	917	(88)	-9.6%	1,004	0.0%
Risk Services	3,217	3,202	3,449	246	7.1%	(15)	-0.5%
Sub-Total	35,799	35,725	38,027	2,303	6.1%	(75)	-0.2%
Total Before Cap Dev and Environmental	82,884	91,790	95,871	4,081	4.3%	8,906	10.7%
Capital Development							
Engineering	4,300	4,493	5,913	1,420	24.0%	193	4.5%
Port Construction Services	3,565	3,488	2,862	(626)	-21.9%	(77)	-2.2%
Aviation PMG	1,610	2,823	4,543	1,721	37.9%	1,212	75.3%
Seaport PMG	1,019	999	789	(210)	-26.6%	(20)	-2.0%
Capital Development Admin	428	416	430	14	3.3%	(12)	-2.9%
Sub-Total	10,923	12,218	14,538	2,319	16.0%	1,295	11.9%
Environment & Sustainability							
Aviation Environmental & Planning	7,148	5,857	10,064	4,207	41.8%	(1,291)	-18.1%
Maritime Environmental & Planning	3,345	2,098	2,587	490	18.9%	(1,247)	-37.3%
Noise Programs	677	722	891	169	19.0%	45	6.6%
Environment & Sustainability	-	148	-	(148)	0.0%	148	0.0%
Sub-Total	11,170	8,824	13,542	4,718	34.8%	(2,346)	-21.0%
Total Expenses	104,952	113,284	123,951	10,667	8.6%	8,332	7.9%

Corporate revenues were \$760K favorable compared to budget due to higher miscellaneous revenues.

- **Corporate expenses** for the year-ended 2016 were \$113.3M, \$10.7M or 8.6% favorable compared to budget and \$8.3M or 7.9% higher than the same period a year ago. The \$10.7M favorable variance is due to vacant positions during the year, delayed hiring, and cost savings realized in most departments. The \$8.3M increase from prior year is due to higher Outside Services and charging less to capital projects than originally anticipated due to delayed projects.

All corporate departments have a favorable variance except for:

- **Executive** – unfavorable variance of \$616K is due to the contribution to the pension plan for the retirement of the International Business Protocol Liaison, the unbudgeted Chief Operating Officer position and for the room rental for the Leadership conference.
- **Legal** – unfavorable variance of \$146K is due to unanticipated outside legal and litigation costs primarily for the FAA Audit, Occidental Street Vacation and Other Land Use Advice.
- **Labor Relations** – unfavorable variance of \$142K is due to a temporary Labor Relations Manager position, Litigated Expenses and remodel of office space.
- **Business Intelligence** – unfavorable variance of \$88K is due to 2 new unbudgeted Business Intelligence Analyst positions.

All other departments with a favorable variance are:

- **Commission** – favorable variance of \$66K is due to savings in Payroll due to vacant positions during the year.
- **Public Affairs** – favorable variance of \$414K is due to savings in Payroll due to vacant positions, Outside Services and Travel Expenses.
- **Human Resources and Development** – favorable variance of \$633K is due to savings in Payroll due to vacant positions throughout the year, less tuition reimbursement than anticipated, lower Advertising and Metro/Ferry Passes Expenses.
- **Internal Audit** – favorable variance of \$164K is due to savings in Payroll due to several vacant positions during the year, Equipment Expenses for software acquisition no longer needed and Travel Expenses.
- **Office of Strategic Initiatives** – favorable variance of \$702K is due to savings in Payroll, Travel Expenses and Outside Services for consulting services for Honsha – LEAN.
- **Police** – favorable of \$542K is due to savings in Payroll.
- **Contingency** – used fewer funds than anticipated.
- **Accounting and Financial Reporting Services** – favorable of \$1.0M is due to savings in Payroll due to several vacant positions throughout the year, Outside Services, Travel Expenses and Credit Card Rebates.
- **Information & Communication Technology** – favorable variance of \$1.0M is due to savings in Payroll due to vacant positions and Outside Services.
- **Finance & Budget** – favorable variance of \$123K is due to savings in Payroll due to a vacant position during the year and lower Travel Expenses.
- **Risk Services** – favorable variance of \$246K is due to savings in Insurance and Broker Fees.
- **Security and Preparedness** – favorable variance of \$28K is due to savings in Outside Services and Travel Expenses.
- **Capital Development** – favorable variance of \$2.3M is due to savings in Payroll due to vacant positions and Outside Services.
- **Environment & Sustainability** – favorable variance of \$4.7M is due to savings in Outside Services primarily due to delays in SAMP.

2016 Actuals compared to Prior Year:

- **Executive** – decrease is due to lower Outside Services and Travel Expenses.
- **Commission** – increase is due to higher Payroll Costs, Outside Services and Travel Expenses.
- **Legal** – decrease is due to lower Payroll and Outside Legal Costs.
- **Public Affairs** – increase is due to higher Payroll Costs, Outside Services, Travel, Promotional and General Expenses.
- **Human Resources and Development** – increase is due to higher Payroll Costs, Outside Services and Travel Expenses.
- **Labor Relations** – increase is due to higher Payroll Costs for a temporary Labor Relations Manager and higher Litigated Expenses.

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- **Internal Audit** - increase is due to higher Outside Services and Trade Business & Community Expenses.
- **Office of Strategic Initiatives** - increase is due to higher Outside Services for consulting services for Honsha – LEAN.
- **Police** – increase is due to higher Payroll Costs, Uniform and Protective Equipment, costs associated with King County Jail, Worker’s Compensation and Litigated Expenses.
- **Contingency** – decrease is due to using fewer funds than anticipated.
- **Accounting and Financial Reporting Services** – decrease is due to lower Payroll Costs for several vacant positions throughout the year and Outside Services.
- **Information & Communication Technology** - decrease is due to lower Payroll Costs, Equipment and Travel Expenses.
- **Finance & Budget** – increase is due higher Outside Services Costs.
- **Business Intelligence** – increase is due to the unbudgeted costs for this new department.
- **Risk Services** – decrease is due to lower Payroll Costs.
- **Security and Preparedness** – increase is primarily due to higher Payroll Costs.
- **Capital Development** – increase is due to higher Outside Services Costs.
- **Environment & Sustainability** – decrease is due to lower Payroll, Outside Services and General Expenses.

D. CAPITAL SPENDING RESULTS

\$ in 000's	2016	2016	Budget Variance	
	Actual	Budget	\$	%
Infrastructure - Small Cap	1,755	1,836	81	4.4%
Service Tech - Small Cap	222	1,500	1,278	85.2%
Remote Data Ctr Bus Continuity	899	1,200	301	25.1%
Maximo Upgrade	620	991	371	37.4%
Constr Doc Mgmt Sys Repl.	111	538	427	79.4%
Enterprise GIS - Small Cap	91	432	341	78.9%
Project Cost Mgmt System Repl.	0	500	500	100.0%
PeopleSoft BU Configuration	0	1,400	1,400	100.0%
Contractor Data System Upgrade	294	311	17	5.5%
Employee Performance Mgmt	208	293	85	29.0%
Capital Dev Fleet Replacement	556	815	259	31.8%
All Other (note 1)	103	1,910	1,807	94.6%
TOTAL	4,859	11,726	6,867	58.6%

Note:

(1) "All Other" includes remaining ICT projects, other Corporate fleet replacement, and small cap.