



Item No. 9b _attach
Meeting Date: August 11, 2020

PORT OF SEATTLE

Q2 2020 FINANCIAL PERFORMANCE REPORT

AS OF JUNE 30, 2020

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I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/20

I. PORTWIDE

EXECUTIVE SUMMARY

The COVID-19 pandemic continues to affect Port operations. On May 31, the Governor signed [Proclamation 20-25.4](#), which outlined the “Safe Start”, a phased reopening approach that allows counties and the secretary of health to assess COVID-19 activity and ability of the county to respond when determining eligibility to advance to the next phase. Airport passenger levels dipped 94% in April compared to the prior year but improved to 78% in June as limited non-essential travel resumed. The 2020 cruise season has been cancelled due to the COVID-19 pandemic. The Port received \$192M in CARES Act funding that will be used for Airport debt service and operating costs (primarily payroll). Additionally, the Port is applying for FEMA Reimbursement for all eligible costs related to COVID-19 response.

PORTWIDE FINANCIAL SUMMARY

	2018 YTD Actual	2019 YTD Actual	2020 YTD Actual	2020 YTD Revised Budget	2020 YTD Approved Budget	Fav (UnFav) Actual vs. Revised Budget Variance		Incr (Decr) Change from 2019	
						\$	%	\$	%
\$ in 000's									
Aeronautical Revenues	147,570	175,927	163,722	194,483	194,483	(30,762)	-15.8%	(12,206)	-6.9%
Airport Non-Aero Revenues	118,864	124,604	64,225	61,128	131,864	3,097	5.1%	(60,380)	-48.5%
Non-Airport Revenues	64,054	67,632	48,298	47,193	58,925	1,105	2.3%	(19,334)	-28.6%
Total Operating Revenues	330,489	368,164	276,244	302,804	385,271	(26,560)	-8.8%	(91,920)	-25.0%
Total Operating Expenses	191,577	216,758	197,820	214,991	230,151	17,171	8.0%	(18,937)	-8.7%
NOI before Depreciation	138,912	151,407	78,424	87,813	155,121	(9,389)	-10.7%	(72,983)	-48.2%
Depreciation	81,949	82,481	87,855	89,958	89,958	2,103	2.3%	5,374	6.5%
NOI after Depreciation	56,963	68,926	(9,431)	(2,145)	65,163	(7,286)	339.7%	(78,357)	-113.7%

2020 YTD Actuals vs. 2020 YTD Revised Budget:

Total operating revenues for Q2 were down \$26.6M compared to the revised budget due to reduced operations and lower airline passenger traffic. To mitigate the financial impacts of COVID-19, the Port instituted Portwide cost reduction measures which included cutting initiatives and discretionary spending and implementing a hiring freeze. The combination of delay in project/initiative spending and cost reduction measures resulted in a lower total operating expense of \$17.2M compared to the revised budget.

2020 YTD Actuals vs. 2019 YTD Actuals:

Compared to the same period in 2019, the Port’s total operating revenues for Q2 2020 were down \$91.2M primarily due to lower revenues in Public Parking, ADR & Terminal Leased Space, Ground Transportation, Rental Cars, Cruise, Conference & Event Centers, Grain, and NWSA Distributable Revenues. Total operating expenses for Q2 2020 was \$18.9M lower due to cost reduction measures implemented in response to the COVID-19 pandemic.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/20

NON-AIRPORT FINANCIAL SUMMARY

	2018 YTD	2019 YTD	2020 YTD	2020 YTD	2020 YTD	Fav (UnFav)		Incr (Decr)	
				Revised	Approved	Actual vs. Revised		Change from 2019	
	Actual	Actual	Actual	Budget	Budget	Budget Variance		\$	%
\$ in 000's						\$	%	\$	%
NWSA Distributable Revenue	25,844	24,941	21,218	20,968	20,968	250	1.2%	(3,723)	-14.9%
Maritime Revenues	26,257	27,368	18,338	18,214	28,465	124	0.7%	(9,030)	-33.0%
EDD Revenues	9,765	10,384	5,359	6,450	7,930	(1,091)	-16.9%	(5,025)	-48.4%
SWU & Other	2,187	4,939	3,383	1,562	1,562	1,822	116.7%	(1,556)	-31.5%
Total Operating Revenues	64,054	67,632	48,298	47,193	58,925	1,105	2.3%	(19,334)	-28.6%
Total Operating Expenses	38,141	40,522	34,441	42,600	45,384	8,159	19.2%	(6,082)	-15.0%
NOI before Depreciation	25,913	27,110	13,857	4,593	13,541	9,264	201.7%	(13,252)	-48.9%
Depreciation	19,988	19,623	18,794	18,577	18,594	(217)	-1.2%	(829)	-4.2%
NOI after Depreciation	5,925	7,487	(4,936)	(13,984)	(5,053)	9,047	-64.7%	(12,423)	-165.9%

2020 YTD Actuals vs. 2020 YTD Revised Budget:

Non-Airport Operating Revenue exceeded the revised budget by \$1.1M due to NWSA Distributable Revenues, higher Grain and Fishing & Operations revenues, and unbudgeted Police Revenues. Total operating expenses were \$8.2M lower than the revised budget because of spending delays and COVID-19 cost reduction measures.

2020 YTD Actuals vs. 2019 YTD Actuals:

Non-airport operating revenues were \$19.3M less compared to the same period in 2019 because of the cancellation of the cruise season, lower Conference and Event Center revenue, and NWSA Distributable revenue. The decline in NWSA Distributable Revenue was driven by lower container volumes and breakbulk tonnage as a result of tariff issues and COVID-19 disruptions.

MAJOR OPERATING REVENUES SUMMARY

	2018 YTD	2019 YTD	2020 YTD	2020 YTD	2020 YTD	Fav (UnFav)		Incr (Decr)	
				Revised	Approved	Actual vs. Revised		Change from 2019	
	Actual	Actual	Actual	Budget	Budget	Budget Variance		\$	%
\$ in 000's						\$	%	\$	%
Aeronautical Revenues	147,570	175,927	163,722	194,483	194,483	(30,762)	-15.8%	(12,206)	-6.9%
Public Parking	39,402	40,401	20,002	18,747	44,159	1,255	6.7%	(20,399)	-50.5%
Rental Cars - Operations	14,922	15,560	7,591	7,376	15,593	216	2.9%	(7,969)	-51.2%
Rental Cars - Operating CFC	5,497	4,505	-	-	4,452	-	0.0%	(4,505)	-100.0%
ADR & Terminal Leased Space	30,179	32,689	16,918	14,748	33,409	2,170	14.7%	(15,771)	-48.2%
Ground Transportation	8,885	9,979	4,374	4,576	10,751	(202)	-4.4%	(5,605)	-56.2%
Employee Parking	5,191	5,193	4,678	3,348	5,049	1,330	39.7%	(515)	-9.9%
Airport Commercial Properties	7,593	7,072	5,777	5,658	7,978	119	2.1%	(1,295)	-18.3%
Airport Utilities	3,438	3,665	2,758	4,415	4,415	(1,657)	-37.5%	(907)	-24.7%
Clubs and Lounges	2,773	4,456	1,714	1,714	4,950	()	0.0%	(2,741)	-61.5%
Cruise	6,806	8,473	133	49	10,300	84	173.2%	(8,340)	-98.4%
Recreational Boating	6,068	6,228	6,211	6,607	6,607	(397)	-6.0%	(17)	-0.3%
Fishing & Operations	4,622	5,071	5,091	4,670	4,670	421	9.0%	20	0.4%
Grain	3,123	2,567	2,005	1,756	1,756	249	14.2%	(562)	-21.9%
Maritime Portfolio Management	5,628	5,019	4,884	5,127	5,127	(243)	-4.7%	(135)	-2.7%
Central Harbor Management	4,557	4,406	4,104	4,279	4,459	(175)	-4.1%	(302)	-6.9%
Conference & Event Centers	5,188	5,963	1,240	2,155	3,455	(915)	-42.5%	(4,723)	-79.2%
NWSA Distributable Revenue	25,844	24,941	21,218	20,968	20,968	250	1.2%	(3,723)	-14.9%
Other	3,201	6,049	3,824	2,128	2,692	1,696	79.7%	(2,225)	-36.8%
Total Operating Revenues (w/o Aero)	182,918	192,237	112,523	108,321	190,788	4,202	3.9%	(79,714)	-41.5%
TOTAL	330,489	368,164	276,244	302,804	385,271	(26,560)	-8.8%	(91,920)	-25.0%

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/20

MAJOR OPERATING EXPENSES SUMMARY

	2018 YTD	2019 YTD	2020 YTD	2020 YTD	2020 YTD	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Revised Budget	Approved Budget	Actual vs. Revised Budget Variance		Change from 2019	
\$ in 000's						\$	%	\$	%
Salaries & Benefits	62,507	66,098	71,427	72,681	74,470	1,254	1.7%	5,328	8.1%
Wages & Benefits	60,073	64,034	67,147	66,281	66,028	(866)	-1.3%	3,113	4.9%
Payroll to Capital Projects	13,602	13,523	14,460	17,565	18,372	3,105	17.7%	937	6.9%
Outside Services	38,271	43,951	45,545	54,566	60,166	9,022	16.5%	1,594	3.6%
Utilities	13,453	13,103	12,104	14,975	15,159	2,871	19.2%	(999)	-7.6%
Equipment Expense	3,866	4,481	4,211	4,217	5,021	7	0.2%	(271)	-6.0%
Supplies & Stock	4,633	5,290	4,653	4,878	4,616	225	4.6%	(637)	-12.0%
Travel & Other Employee Expenses	2,299	2,486	1,603	2,278	3,873	675	29.6%	(883)	-35.5%
Third Party Mgmt Op Exp	5,273	6,494	3,228	3,507	5,542	278	7.9%	(3,266)	-50.3%
B&O Taxes	2,181	2,226	1,716	1,874	2,380	158	8.4%	(510)	-22.9%
Other Expenses	9,546	19,978	2,188	5,790	8,872	3,603	62.2%	(17,791)	-89.0%
Charges to Capital Projects/Overhead Alloc	(24,126)	(24,908)	(30,462)	(33,622)	(34,349)	(3,160)	9.4%	(5,554)	22.3%
TOTAL	191,577	216,758	197,820	214,991	230,151	17,171	8.0%	(18,937)	-8.7%

PORTWIDE FINANCIAL YEAR-END FORECAST SUMMARY

	2018	2019	2020	2020	2020	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Revised Budget	Approved Budget	Fcst vs. Revised Budget Variance		Change from 2019	
\$ in 000's						\$	%	\$	%
Aeronautical Revenues	291,268	357,598	297,373	401,342	401,342	(103,969)	-25.9%	(60,225)	-16.8%
Airport Non-Aero Revenues	257,707	269,037	115,448	135,074	283,167	(19,625)	-14.5%	(153,589)	-57.1%
Non-Airport Revenues	140,415	137,538	97,606	103,302	127,106	(5,696)	-5.5%	(39,933)	-29.0%
Total Operating Revenues	689,390	764,174	510,427	639,717	811,616	(129,291)	-20.2%	(253,747)	-33.2%
Total Operating Expenses	397,638	443,089	424,679	438,081	469,769	13,402	3.1%	(18,411)	-4.2%
NOI before Depreciation	291,752	321,085	85,748	201,637	341,847	(115,889)	-57.5%	(235,336)	-73.3%
Depreciation	164,362	174,971	179,056	179,056	179,056	-	0.0%	4,085	2.3%
NOI after Depreciation	127,390	146,114	(93,308)	22,581	162,791	(115,889)	-513.2%	(239,422)	-163.9%

Year-End Forecast:

- Operating Revenues \$129.3M lower than the revised budget mainly due reduced airline activity, cancellation of the cruise season, and lower volumes in Recreational Boating and Conference and Events Center.
- Operating Expenses \$13.4M lower than the revised budget due to project delays, less program spending and hiring freeze due to COVID-19 pandemic.
- NOI before depreciation \$115.9M below the revised budget due to significant reduction in revenues, partially offset by lower operating costs.

KEY PERFORMANCE METRICS

	2019 YTD	2020 YTD	2019	2020	2020	2020	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Forecast	Revised Budget	Approved Budget	Fcst vs. Revised Budget Variance		Change from 2019	
							Chg.	%	Chg.	%
Total Passengers (in 000's)	24,304	11,128	51,829	20,345	25,554	53,334	(5,209)	-20.4%	(31,484)	-60.7%
Landed Weight (lbs. in 000's)	14,903	9,791	31,562	18,903	23,630	31,413	(4,727)	-20.0%	(12,659)	-40.1%
Passenger CPE (in \$)	n/a	n/a	12.85	26.21	13.92	13.92	12.28	88.2%	13.36	103.9%
Grain Volume (metric tons in 000's)	1,988	1,513	3,404	3,004	3,004	3,004	-	0.0%	(400)	-11.7%
Cruise Passenger (in 000's)	467	-	1,211	-	264.00	1,309	(264)	-100.0%	(1,211)	-100.0%
Shilshole Bay Marina Occupancy	95.0%	93.0%	94.7%	93.0%	94.7%	94.7%	-1.7%	-1.8%	-1.7%	-1.8%

KEY BUSINESS EVENTS

During the second quarter, the Port Commission approved a 10-year supply contract for Renewable Natural Gas (RNG) which will allow the Port to reach its 2030 goal to reduce carbon emissions by 50 percent, almost 10 years ahead of schedule. RNG will be used to heat more than half of Seattle-Tacoma International Airport's (SEA) terminal and will also power all of its bus fleet. This will make SEA the first airport in the country to use RNG for heating. Additionally, the Port Commission authorized the construction of a new 13.5-acre Duwamish River park with 2,500 linear feet of shoreline. The Terminal 117 Habitat Restoration and Duwamish Shoreline Access Project supports the immediate salmon recovery needs while addressing long-standing community needs for increased greenspace.

The Port also conducted the virtual innovation showcase that allowed the first cohort of the first maritime blue accelerator program to present their products/services to audience that included investment managers, financial advisors and individual investors. The virtual showcase marked the culmination of the four-month long program aimed at providing resources and supporting emerging businesses (cohort). Similarly, the Port has shifted to virtual PortGen workshops; these workshops provide connections and resources to small, disadvantaged, minority, and women-owned businesses interested in contracting with the Port.

The Port Commission approved rent relief for tenants and customers throughout its maritime and landside properties. The rent deferrals are intended to offset the impacts of the COVID-19 pandemic and will help tenants continue their operations and retain their employees. The Port Commission also authorized the extensions of leases for current Airport Dining and Retail (ADR) tenants for up to three years. Additionally, the Port Commission extended the deferrals for rent, storage and other fees, and temporarily suspended the Minimum Annual Guarantee (MAG) payments and collection of the Airport Dining and Retail Tenant Marketing Fund through the end of 2020 for all ADR tenants.

The Port Commission updated its 2020 construction plans which illustrates the Port's commitment in helping to jumpstart the region's economic recovery while enacting public health protocols developed with guidance from state and federal agencies. The Port will continue with approximately 20 construction projects worth approximately \$1.5 billion to the local economy. As part of the effort to create jobs and encourage spending in the regional economy, Port Commission authorized an additional \$3 million for community programs. Half of the investment would be spent on Opportunity Initiative while the other half would be spent on tourism programs that would help rebuild the economy. The Port has partnered with five local non-profit organizations for the Opportunity Initiative to provide summer jobs to 220 youth in underserved communities who have been disproportionately affected by the COVID-19 pandemic.

The Port demonstrated its commitment to promoting racial equity by passing the proclamation that racism against Asian and Asian Americans will not be tolerated in any form. Race-based harassment, hate crimes and xenophobia have intensified in light of the COVID-19 pandemic, and the proclamation encourages the public to speak up in support of equity, justice, and inclusion. Additionally, recent events in our local community and across the country highlighted our checkered history of systemic racism. The Port's Office of Equity, Diversity, and Inclusion (OEDI) has provided resources for employees to deepen their understanding of institutional and structural racism. OEDI continues to conduct a series of caucuses to build community, explore ideas and strategies on how to fight racism, and develop action items. The Port will continue to implement policy platforms to create opportunities in historically underserved communities and to seek ways to reverse inequity such as providing more opportunities for small, local, and disadvantaged businesses. The Port has also announced changes to Port of Seattle Police Department protocols regarding hiring practices, commitment to diversity, and use of force such as the immediate ban on use of vascular or airway neck restraints. The policy changes and department assessment are not tied to complaint or specific incident.

CAPITAL SPENDING SUMMARY

\$ in 000's	2020	2020	2020	Fcst/Rvsd Budget	
	YTD Actual	Year-End Forecast	Revised Budget	YE Fcst vs. Revised \$	%
Aviation	235,734	501,490	489,182	(12,308)	-2.5%
Maritime	9,890	22,697	19,712	(2,985)	-15.1%
Economic Development	7,681	8,436	10,699	2,263	21.2%
Central Services & Other (note 1)	4,153	11,056	15,991	4,935	30.9%
TOTAL	257,458	543,679	535,584	(8,095)	-1.5%

Note:

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

Total capital spending forecast is \$543.7M, \$8.1M above the revised budget mainly due to the acceleration of North Satellite projects and Baggage Optimization projects and the T117 Restoration project.

PORTWIDE INVESTMENT PORTFOLIO

During the second quarter of 2020, the investment portfolio earned 1.98% versus the benchmark's (the Bank of America Merrill Lynch 1-3 Year US Treasury & Agency Index) of 0.18%. Over the last twelve months, the portfolio and the benchmark have earned 2.11% and 0.92%, respectively. Since the Port became its own Treasurer in 2002, the life-to-date earnings of the Port's portfolio and the benchmark are 2.43% and 1.79%, respectively.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

II. AVIATION DIVISION

FINANCIAL SUMMARY

\$ in 000's	2018	2019	2020	2020	2020	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Revised Budget	Approved Budget	Budget Variance		Change from 2019	
						\$	%	\$	%
Operating Revenues:									
Aeronautical Revenues	291,268	357,598	297,373	401,342	401,342	(103,969)	-25.9%	(60,225)	-16.8%
Non-Aeronautical Revenues	257,707	269,037	115,448	135,074	283,167	(19,625)	-14.5%	(153,589)	-57.1%
Total Operating Revenues	548,975	626,636	412,821	536,416	684,510	(123,595)	-23.0%	(213,815)	-34.1%
Total Operating Expense	318,849	356,635	342,646	348,826	377,306	6,180	1.8%	(13,988)	-3.9%
Net Operating Income	230,126	270,001	70,175	187,589	307,203	(117,415)	-62.6%	(199,826)	-74.0%
Capital Expenditures	579,135	573,598	501,490	489,182		(12,309)	-2.5%	(72,108)	-12.6%

2020 Forecast vs. 2020 Revised Budget

- Net Operating Income (NOI) for 2020 is forecasted to be (-\$117.4M or -62.6%) unfavorable to revised budget, driven by:
 - Decrease in Aeronautical revenue (-\$104M or -25.9% unfavorable) due to no updated revised budget for cost recovery with COVID-19 impact based on 61% decline in passengers. See the Aeronautical tables for more details.
 - Decrease in Non-Aeronautical revenue (-\$19.6M or -14.5% unfavorable) due to the COVID-19 impact affecting all Non-Aeronautical business lines, increased downturn in passenger expectations since revised budget. The revenue year-end forecast is based on a 61% decline in passengers. See the Non-Aeronautical tables for more details.
 - Total Operating Expenses are forecasted to be (\$6.2M or 1.8%) favorable to revised budget based on forecasted for cost savings of \$776K in Payroll, \$4.9M in Utilities, \$2.8M ERL, and \$2.2M in allocations from other divisions. These cost savings are partially offset by increases in Outside Services (\$854K) and Other Airport Expenses (\$3.6M.) The additional cost savings are primarily a direct result of the COVID-19 impact that prompted the airport to adjust operational expenses based on the changing environment and latest assumptions – current forecast passenger assumptions are lower than original revised budget assumptions.

2020 Forecast vs. 2019 Actuals

- Net Operating Income for 2020 is forecasted to be (-\$200M or -74%) lower than prior year – primarily driven by:
 - Lower Operating Revenue (-\$213.8M or -34.1%) compared to prior year due to:
 - Lower Aeronautical revenue (-\$60.2M lower) due to decreased rate-based costs associated with COVID-19 and the elimination of revenue sharing for the remainder of SLOA IV.
 - Drastically lower projection of Non-Aeronautical revenue performance (\$153.6M lower) for all non-airline business such as Port Clubs and Lounges, Ground Transportation, Non-Airline Terminal Lease Spaces, Public Parking, Commercial Properties, and Airport Dining & Retail.
 - Lower Operating Expenses (-\$14.0M or -3.8%) compared to prior year is primarily driven by \$17.8M in lower Environmental Remediation Liability costs in 2020, \$1.3M lower Airport Direct Charges, partially offset by higher projection of charges from other divisions of \$7.2M

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

A. BUSINESS EVENTS

- Covid-19 pandemic has dramatically reduced operations and passenger traffic, impacting all businesses at the airport
- Currently projecting a 61% reduction in passengers in 2020 compared to 2019, although forecasts are periodically updated.
- Forecast reflects receipt of \$192 million in CARES grant (non-operating).
- CPE and Non-aeronautical NOI goals for 2020 will likely not be met

B. KEY PERFORMANCE METRICS

	YTD 2018	YTD 2019	YTD 2020	% Change from 2019
Total Passengers (000's)				
Domestic	20,897	21,616	10,074	-53.4%
International	2,611	2,689	1,054	-60.8%
Total	23,508	24,304	11,128	-54.2%
Operations	210,722	214,749	142,657	-33.6%
Landed Weight (In Millions of lbs.)				
Cargo	1,147	1,165	1,254	7.6%
All other	13,328	13,738	8,537	-37.9%
Total	14,476	14,903	9,791	-34.3%
Cargo - Metric Tons				
Domestic freight	114,627	118,401	161,957	36.8%
International freight	64,749	63,388	47,466	-25.1%
Mail	28,326	28,314	-	-100.0%
Total	207,702	210,103	209,423	-0.3%

*Mail weight for 2020 forward is incorporated in freight

Key Performance Measures

	2018	2019	2020	2020	Fav (UnFav) Budget Vairance		Incr (Decr) Change from 2019	
	Actual	Actual	Forecast	Approved Budget	\$	%	\$	%
Key Performance Metrics								
Cost per Enplanement (CPE)	10.79	12.85	26.21	13.92	(12.28)	-88.2%	13.36	103.9%
Non-Aeronautical NOI (in 000's)	149,959	150,752	4,097	154,660	(162,050)	-97.5%	(146,655)	-97.3%
Other Performance Metrics								
O&M Cost per Enplanement	12.81	13.78	33.68	14.15	(20.60)	-157.5%	19.90	144.4%
Non-Aero Revenue per Enplanement	10.35	10.40	11.35	10.62	6.28	124.1%	0.95	9.1%
Debt per Enplanement (in \$)	133	133	322	122.95	(199)	-162.2%	189	142.3%
Debt Service Coverage	1.66	1.68	1.36	1.80	-0.43	-24.2%	(0.32)	-18.9%
Days cash on hand (10 months = 304 days)	235	314	309	332	-23	-6.8%	(5)	-1.7%
Aeronautical Revenue Sharing (\$ in 000's)	(36,863)	(17,146)	-	-	-	0.0%	17,146	100.0%
Activity (in 000's)								
Enplanements	24,894	25,874	10,172	26,667	(16,495)	-61.9%	(15,702)	-60.7%

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

Key Performance Metrics

2020 Forecast vs. 2020 Budget:

- Cost per Enplanement (CPE) Forecast:
 - Forecasted CPE is (\$-12.28, or -88.2%) unfavorable driven primarily by lower airline activity that started in March impacted by COVID-19, and 61% lower passenger activity assumptions for the year.
 - Non-Aero NOI forecast is expected to be (\$-162M or -97.5%) unfavorable to budget due to lower revenues across all Non-Aeronautical business lines based on current enplanement forecast of -61% decline in passenger volumes compared to prior year. See the Non-Aeronautical tables for more details.

2020 Forecast vs. 2019 Actuals:

- Forecasted CPE is \$13.36 higher compared to prior year due to lower airline activity and the elimination of revenue sharing under SLOA IV.
- Non-Aero NOI forecast is expected to be \$146.6M lower than prior year due to drastically lower non-airline revenues as a result of the COVID-19 impact.

C. OPERATING RESULTS

Division Summary – YTD

\$ in 000's	2018 YTD	2019 YTD	2020 YTD	2020 YTD	2020 YTD	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Revised Budget	Approved Budget	Budget Variance		Change from 2019	
						\$	%	\$	%
Operating Revenues:									
Aeronautical Revenues ⁽¹⁾	147,570	175,927	163,722	194,483	194,483	(30,762)	-15.8%	(12,206)	-6.9%
Non-Aeronautical Revenues	118,864	124,604	64,225	61,128	131,864	3,097	5.1%	(60,380)	-48.5%
Total Operating Revenues	266,435	300,532	227,946	255,611	326,347	(27,665)	-10.8%	(72,586)	-24.2%
Operating Expenses:									
Payroll	67,619	72,996	77,615	76,753	77,918	(862)	-1.1%	4,620	6.3%
Outside Services	25,837	28,933	29,634	34,585	38,343	4,951	14.3%	700	2.4%
Utilities	9,628	9,328	8,757	10,748	10,927	1,991	18.5%	(571)	-6.1%
Other Airport Expenses	2,791	7,307	2,092	(893)	2,802	(2,985)	334.4%	(5,215)	-71.4%
Total Airport Direct Charges	105,874	118,564	118,099	121,193	129,990	3,094	2.6%	(466)	-0.4%
Environmental Remediation Liability	4,484	12,543	(2,776)	286	1,581	3,062	1070.8%	(15,319)	-122.1%
Capital to Expense	8	83	-	-	-	-	N/A	(83)	-100.0%
Total Exceptions	4,492	12,627	(2,776)	286	1,581	3,062	1070.8%	(15,402)	-122.0%
Total Airport Expenses	110,366	131,191	115,323	121,479	131,571	6,156	5.1%	(15,868)	-12.1%
Police Costs	10,659	11,117	12,162	13,096	13,169	933	7.1%	1,046	9.4%
Other Central Services	30,534	32,093	34,300	35,972	37,904	1,672	4.6%	2,207	6.9%
Maritime/Economic Development	1,877	1,834	1,595	1,844	2,123	250	13.5%	(240)	-13.1%
Total Charges from Other Divisions	43,070	45,044	48,057	50,912	53,196	2,856	5.6%	3,012	6.7%
Total Operating Expense	153,436	176,235	163,380	172,391	184,767	9,012	5.2%	(12,855)	-7.3%
Net Operating Income	112,999	124,297	64,566	83,219	141,580	(18,653)	-22.4%	(59,730)	-48.1%

(1) Aero revenues are net of revenue sharing.

Operating Expenses – 2020 YTD Actuals vs. 2020 YTD Revised Budget (\$9.0M or 5.2% favorable):

- YTD Airport Expenses under-run (\$6.2M or 5.1% favorable) is driven by underspending in Outside Services on consultants and other contracted services, Utilities, and Environmental Remediation expenses.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

Division Summary – YE Forecast

\$ in 000's	2018	2019	2020	2020	2020	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Revised Budget	Approved Budget	Budget	Variance	Change from 2019	
						\$	%	\$	%
Operating Revenues:									
Aeronautical Revenues	291,268	357,598	297,373	401,342	401,342	(103,969)	-25.9%	(60,225)	-16.8%
Non-Aeronautical Revenues	257,707	269,037	115,448	135,074	283,167	(19,625)	-14.5%	(153,589)	-57.1%
Total Operating Revenues	548,975	626,636	412,821	536,416	684,510	(123,595)	-23.0%	(213,815)	-34.1%
Operating Expenses:									
Payroll	133,999	147,076	156,050	156,826	160,340	776	0.5%	8,974	6.1%
Outside Services	65,475	68,801	71,255	70,401	79,889	(854)	-1.2%	2,454	3.6%
Utilities	18,306	18,180	15,787	20,642	21,180	4,856	23.5%	(2,394)	-13.2%
Other Airport Expenses	3,966	12,272	1,958	(1,682)	5,224	(3,640)	216.5%	(10,314)	-84.0%
Total Airport Direct Charges	221,746	246,329	245,049	246,187	266,634	1,138	0.5%	(1,279)	-0.5%
Environmental Remediation Liability	6,233	15,900	(1,967)	878	2,648	2,845	324.0%	(17,867)	-112.4%
Capital to Expense	6,891	2,089	-	-	-	-	0.0%	(2,089)	-100.0%
Total Exceptions	13,124	17,989	(1,967)	878	2,648	2,845	324.0%	(19,956)	-110.9%
Total Airport Expenses	234,870	264,318	243,083	247,065	269,282	3,983	1.6%	(21,236)	-8.0%
Police Costs	19,231	22,290	25,024	26,122	26,233	1,098	4.2%	2,734	12.3%
Other Central Services	60,659	65,671	70,546	71,646	77,460	1,100	1.5%	4,875	7.4%
Maritime/Economic Development	4,088	4,355	3,993	3,993	4,331	0	0.0%	(362)	-8.3%
Total Charges from Other Divisions	83,979	92,316	99,564	101,761	108,025	2,198	2.2%	7,247	7.9%
Total Operating Expense	318,849	356,635	342,646	348,826	377,306	6,180	1.8%	(13,988)	-3.9%
Net Operating Income	230,126	270,001	70,175	187,589	307,203	(117,415)	-62.6%	(199,826)	-74.0%
CFC Surplus	(7,724)	(6,834)	-	(4,128)	(4,128)	4,128	100.0%	6,834	100.0%
Net Non-Operating Items in / out from ADF ⁽³⁾	4,406	6,272	5,308	5,156	-	152	3.0%	(964)	-15.4%
SLOA III Incentive Straight Line Adj	-	-	-	-	-	-	0.0%	-	n/a
Debt Service	(136,218)	(160,243)	(89,586)	(171,474)	(171,474)	81,888	-47.8%	70,657	44.1%
Adjusted Net Cash Flow	90,590	109,195	(14,103)	17,143	131,601	(31,246)	-182.3%	(123,299)	-112.9%

Operating Expenses – 2020 Forecast vs. 2020 Revised Budget (\$6.2M or 1.8% favorable):

- Total Operating Expenses is forecasted to under-run Revised Budget by \$6.2M which reflects additional cost savings due to the COVID-19 impact based on enplanement decrease assumptions since revised budget impacting the business environment. The majority of the savings come from underspending in Utility commodities that are tied to usage and demand from the business areas in the Terminal, lowered forecast in Environmental Remediation Liability expenses, and from less charges coming through to the Aviation division from other divisions. The areas forecasted for cost savings are: \$776K in Payroll, \$4.9M in Utilities, \$2.8M ERL, and \$2.2M in allocations from other divisions. These cost savings are partially offset by increases in: Outside Services \$854K and Other Airport Expenses \$3.6M.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

Aeronautical Business Unit Summary - YTD

\$ in 000's	2018 YTD	2019 YTD	2020 YTD	2020 YTD	2020 YTD	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2019	
	Actual	Actual	Actual	Revised Budget	Approved Budget	\$	%	\$	%
Revenues:									
Movement Area	59,656	61,289	54,693	63,160	63,160	(8,466)	-13.4%	(6,596)	-10.8%
Apron Area	8,209	9,883	9,575	10,618	10,618	(1,043)	-9.8%	(308)	-3.1%
Terminal Rents	83,956	100,229	77,111	103,711	103,711	(26,601)	-25.6%	(23,118)	-23.1%
Federal Inspection Services (FIS)	6,641	7,271	14,621	8,946	8,946	5,676	63.4%	7,351	101.1%
Total Rate Base Revenues	158,462	178,672	156,000	186,435	186,435	(30,434)	-16.3%	(22,672)	-12.7%
Commercial Area	5,072	5,569	7,720	8,048	8,048	(328)	-4.1%	2,151	38.6%
Subtotal before Revenue Sharing	163,534	184,241	163,720	194,483	194,483	(30,763)	-15.8%	(20,521)	-11.1%
Revenue Sharing	(15,964)	(8,314)	1	-	-	1	0.0%	8,315	100.0%
Total Aeronautical Revenues	147,570	175,927	163,722	194,483	194,483	(30,762)	-15.8%	(12,206)	-6.9%
Total Aeronautical Expenses	112,401	118,910	108,286	115,573	121,288	7,288	6.3%	(10,625)	-8.9%
Net Operating Income	35,169	57,017	55,436	78,910	73,195	(23,474)	-29.7%	(1,581)	-2.8%

Aeronautical – 2020 YTD Actuals vs. 2020 YTD Revised Budget

- Net Operating Income for Q2 2020 is (-\$23.5M or -29.7%) unfavorable to revised budget primarily due to lower aeronautical costs to recover driven by a large drop in airline activity starting in March due to the COVID-19 impact. All areas are lower than revised budget, with the exception of increases in FIS driven primarily by reduction in PFC offset hitting this cost center.

Aeronautical – 2020 YTD Actuals vs. 2019 YTD Actuals

- Net Operating Income for Q2 2020 is (\$1.6M or 2.8%) lower than Q2 2019 due to higher aeronautical revenue because of revenue sharing elimination in 2020 and lower aeronautical costs to recover driven by COVID-19.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

Aeronautical Business Unit Summary - YE Forecast

\$ in 000's	2018	2019	2020	2020	2020	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Revised Budget	Approved Budget	Budget	Variance	Change from 2019	
						\$	%	\$	%
Revenues:									
Movement Area	116,703	123,436	84,217	132,128	132,128	(47,911)	-36.3%	(39,218)	-31.8%
Apron Area	15,627	22,016	9,837	22,011	22,011	(12,175)	-55.3%	(12,180)	-55.3%
Terminal Rents	169,318	205,283	161,140	212,943	212,943	(51,803)	-24.3%	(44,143)	-21.5%
Federal Inspection Services (FIS)	16,226	12,321	25,685	18,162	18,162	7,523	41.4%	13,364	108.5%
Total Rate Base Revenues	317,874	363,057	280,879	385,245	385,245	(104,366)	-27.1%	(82,177)	-22.6%
Commercial Area	10,257	11,687	16,493	16,097	16,097	396	2.5%	4,806	41.1%
Subtotal before Revenue Sharing	328,131	374,744	297,373	401,342	401,342	(103,969)	-25.9%	(77,371)	-20.6%
Revenue Sharing	(36,863)	(17,146)	-	-	-	-	0.0%	17,146	100.0%
Other Prior Year Revenues	-	-	-	-	-	-	-	-	-
Total Aeronautical Revenues	291,268	357,598	297,373	401,342	401,342	(103,969)	-25.9%	(60,225)	-16.8%
Total Aeronautical Expenses	236,630	238,349	231,295	235,196	248,799	3,901	1.7%	(7,054)	-3.0%
Net Operating Income	54,638	119,249	66,078	166,147	152,544	(100,068)	-60.2%	(53,171)	-44.6%
Debt Service ⁽¹⁾	(91,673)	(110,945)	(58,762)	(121,410)	(121,410)	62,647	51.6%	52,182	47.0%
Net Cash Flow	(37,035)	8,305	7,316	44,737	31,134	(37,421)	83.6%	(989)	11.9%

Airline Rate Base Cost Drivers

\$ in 000's	2020	2020	2020
	Aero Revenue Requirements Budget	Aero Revenue Requirements Forecast	Budget Vs Forecast
O&M	\$ 242,981	\$ 224,628	\$ 18,353
Debt Service Gross	\$ 174,455	\$ 169,890	\$ 4,565
Debt Service PFC Offset	\$ (62,998)	\$ (26,412)	\$ (36,587)
Debt Service Coverage			\$ -
CARES Grant Payroll		\$ (37,086)	\$ 37,086
CARES Grant Debt Service		\$ (77,992)	\$ 77,992
Amortization	\$ 32,326	\$ 32,493	\$ (167)
Space Vacancy	\$ (490)	\$ (914)	\$ 424
TSA Operating Grant and Other	\$ (1,028)	\$ (3,727)	\$ 2,699
Rate Base Revenues	\$ 385,246	\$ 280,879	\$ 104,366
Commercial area	\$ 16,097	\$ 16,493	\$ (396)
Total Aero Revenues	\$ 401,343	\$ 297,373	\$ 103,970

Aeronautical – 2020 Forecast vs. 2020 Budget

- Aeronautical net operating income is forecasted to be (-\$100.1M or -60.2%) unfavorable to budget driven by lower Aeronautical revenues to be collected based on lower airline activity due to the COVID-19 impact coupled with projected cost savings in O&M and debt service that will be potentially lowered due to the CARES grant.

Aeronautical – 2020 Forecast vs. 2019 Actuals

- Net Operating Income for 2020 is forecasted to be (-\$53.2M or -47.0%) lower than prior year due to:
 - \$82.2M lower revenue from rate-based costs to recover decreased airline activity.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

Non-Aero Business Unit Summary – YTD

\$ in 000's	2019 YTD	2020 YTD	2020 YTD	2020 YTD	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Revised Budget	Approved Budget	Budget Variance		Change from 2019	
					\$	%	\$	%
Non-Aero Revenues								
Rental Cars - Operations	15,560	7,591	7,376	15,593	216	2.9%	(7,969)	-51.2%
Rental Cars - Operating CFC	4,505	-	-	4,452	-	N/A	(4,505)	-100.0%
Public Parking	40,401	20,002	18,747	44,159	1,255	6.7%	(20,399)	-50.5%
Ground Transportation	9,979	4,374	4,576	10,751	(202)	-4.4%	(5,605)	-56.2%
Airport Dining & Retail	29,581	13,856	12,019	30,617	1,837	15.3%	(15,726)	-53.2%
Non-Airline Terminal Leased Space	3,108	3,063	2,729	2,791	334	12.2%	(45)	-1.5%
Commercial Properties	7,072	5,777	5,658	7,978	119	2.1%	(1,295)	-18.3%
Utilities	3,665	2,758	4,415	4,415	(1,657)	-37.5%	(907)	-24.7%
Employee Parking	5,193	4,678	3,348	5,049	1,330	39.7%	(515)	-9.9%
Clubs and Lounges	4,456	1,714	1,714	4,950	(0)	0.0%	(2,741)	-61.5%
Other	1,085	411	545	1,109	(134)	-24.5%	(674)	-62.1%
Total Non-Aero Revenues	124,604	64,225	61,128	131,864	3,097	5.1%	(60,380)	-48.5%
Total Non-Aero Expenses	57,316	55,094	56,818	63,479	1,724	3.0%	(2,222)	-3.9%
Net Operating Income	67,288	9,131	4,310	68,385	4,821	111.9%	(58,158)	-86.4%

Non-Aeronautical – 2020 YTD Actuals vs. 2020 YTD Revised Budget

- Net Operating Income for Q2 2020 is (\$4.8M or 111.9%) favorable to revised budget driven by:
 - COVID-19 impact to Non-Aero Revenue, slightly improved performance in ADR and the Parking Businesses as businesses started to open back up on a limited basis in May and June.
 - Non-Aeronautical operating expenses is (\$1.7M or 3.0%) favorable due to overall underspending in Outside Services on consultants and other contracted services, utilities, and charges from other divisions.

Non-Aeronautical – 2020 YTD Actuals vs. 2019 YTD Actuals

- Net Operating Income for Q2 2020 is (-\$58.2M or -86.4%) lower than Q1 2019 driven by:
 - A dramatic impact to Non-Aero Revenue from COVID-19 evident starting in March and continuing through June with a 54.2% decline in enplanements compared to the same month last year. Many Non-Aero tenants have closed operations until passenger volume begins to recover. Although ADR and Parking businesses have started to open back up in May and June on a limited basis, tenants continue to report drastic decline in activity compared to last year.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

Non-Aero Business Unit Summary - YE Forecast

\$ in 000's	2018	2019	2020	2020	2020	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Revised Budget	Approved Budget	Budget	Variance	Change from 2019	
						\$	%	\$	%
Non-Aero Revenues									
Rental Cars - Operations	37,306	36,793	15,100	19,209	37,363	(4,109)	-21.4%	(21,693)	-59.0%
Rental Cars - Operating CFC	16,263	15,773	-	-	13,786	-	N/A	(15,773)	-100.0%
Public Parking	80,212	82,125	33,500	40,813	89,485	(7,313)	-17.9%	(48,625)	-59.2%
Ground Transportation	18,772	20,765	8,200	11,092	22,299	(2,892)	-26.1%	(12,565)	-60.5%
Airport Dining & Retail	59,021	61,615	24,600	27,753	66,145	(3,153)	-11.4%	(37,015)	-60.1%
Non-Airline Terminal Leased Space	5,302	6,398	5,600	5,152	5,700	448	8.7%	(798)	-12.5%
Commercial Properties	15,434	15,773	10,900	11,854	16,660	(954)	-8.1%	(4,873)	-30.9%
Utilities	7,206	7,431	5,663	8,831	8,831	(3,168)	-35.9%	(1,768)	-23.8%
Employee Parking	10,269	10,438	7,700	5,100	10,137	2,600	51.0%	(2,738)	-26.2%
Clubs and Lounges	6,802	10,274	3,400	4,441	10,536	(1,041)	-23.4%	(6,874)	-66.9%
Other	1,119	1,653	785	829	2,225	(44)	-5.3%	(868)	-52.5%
Total Non-Aero Revenues	257,707	269,037	115,448	135,074	283,167	(19,625)	-14.5%	(153,589)	-57.1%
Total Non-Aero Expenses	82,219	118,286	111,352	113,631	128,508	2,279	2.0%	(6,934)	-5.9%
Net Operating Income	175,488	150,752	4,097	21,443	154,660	(17,346)	-80.9%	(146,655)	-97.3%
Less: CFC (Surplus) / Deficit ⁽¹⁾	(7,724)	(6,834)	-	(4,128)	(4,128)	4,128	100.0%	6,834	100.0%
Adjusted Non-Aero NOI	167,764	143,917	4,097	17,315	150,531	(13,218)	-76.3%	(139,821)	-97.2%
Debt Service ⁽¹⁾	(44,545)	(49,299)	(30,824)	(50,064)	(30,824)	19,240	38.4%	18,475	37.5%
Net Cash Flow	123,219	94,619	(26,727)	(32,749)	119,707	6,022	-18.4%	(121,346)	-128.2%

Non-Aeronautical – 2020 Forecast vs. 2020 Revised Budget

- Non-Aeronautical net operating income is forecasted to be (-\$17.3M or -80.9%) unfavorable to revised budget. All non-airlines businesses are impacted by COVID-19. There is force majeure language in many non-aeronautical concession agreements (tied to reduction in passenger volume) that provides contractual relief of a minimum annual guaranteed rent. Revenue forecast is based on 61% decline in passenger volume scenario compared to prior year. Lower planned spending (\$2.3M or 2.0%) favorable reflects additional cost cutting measures in response to COVID-19.

Non-Aeronautical – 2020 Forecast vs. 2019 Actuals

- Net Operating Income for 2020 is forecasted to be (\$146.6M or 97.3%) lower compared to prior year for the reasons mentioned above.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

D. CAPITAL RESULTS

Capital Variance

\$ in 000's	2020 YTD Actual	2020 Year-End Forecast	2020 Revised Approved Budget	Fcst/Rvsd Budget	
				\$	%
International Arrivals Facility ⁽¹⁾	99,340	185,340	215,000	29,660	13.8%
NS NSAT Renov NSTS Lobbies ⁽²⁾	75,290	156,246	134,528	(21,718)	-16.1%
Checked Bag Recap/Optimization ⁽³⁾	7,178	19,748	14,500	(5,248)	-36.2%
AFLD Pvmnt Program 2016-2020 ⁽⁴⁾	5,123	17,781	13,133	(4,648)	-35.4%
Restroom Upgrades Conc B, C, D ⁽⁵⁾	6,011	8,428	5,400	(3,028)	-56.1%
Remote Aircraft Deicing ⁽⁶⁾	812	8,673	15,058	6,385	42.4%
SSAT HVAC Infrastructure Upgrade ⁽⁷⁾	7,668	17,628	14,950	(2,678)	-17.9%
N. Terminals Utilities Upgrade ⁽⁸⁾	2,043	8,538	10,600	2,062	19.5%
Service Tunnel Renewal/Replace ⁽⁹⁾	3,011	4,270	5,529	1,258	22.8%
Checkpoint 1 Relocation ⁽¹⁰⁾	289	989	1,884	895	47.5%
PLB Renew & Replace Phase 2 ⁽¹¹⁾	280	2,969	5,654	2,685	47.5%
Highline School Insulation ⁽¹²⁾	-	14,900	13,734	(1,166)	-8.5%
Safedock Upgrade & Expansion ⁽¹³⁾	302	615	6,209	5,594	90.1%
All Other	28,387	92,066	111,212	19,147	17.2%
Subtotal	235,734	538,189	567,391	29,201	5.1%
CIP Cashflow Mgmt Reserve ⁽¹⁴⁾	-	(36,084)	(72,000)	(35,916)	49.9%
Total Spending	235,734	501,490	489,182	(12,309)	-2.5%

- Delays and complications related to the pedestrian walkway have pushed work to the right. Updated schedule slides the IAF substantial completion date 6 months to the right and the pedestrian walkway into Q1 2021.
- Increase due to added construction costs associated with work pulled forward (Operation Silver Cloud) that would have been performed in 2021, plus processing a significant amount of construction change orders for work already executed.
- MII Rejection at the beginning of the year led to uncertainty whether the project would rebid, so the spending was pushed out of the baseline. Now the contract has been executed and spending will be accelerated.
- Construction is expedited to take advantage of downturn in air traffic operation, and transfer of scope from 2025 Pavement Improvement program.
- COVID impacts and change order cost in Phase 2 for unforeseen conditions increased the expenditures for 2020
- New estimate has significant reduction as a result of value engineering, and bid came in lower than engineering estimate
- Accelerated work due to more available space because of low volume of passengers
- Phase 2 delayed
- Project savings
- 2020 Plan based on a "HOT" project, but the requested to be 'slowed', due to COVID-19
- Delayed work, moved 2 bridge installs until next year
- Commission directed acceleration of the sound insulation projects in Q1 2020. Highline insulation is funded by 67% AIP grants, 16% tax levy, and 17% airport funds
- Favorable bid
- Reduced the negative amount to \$36,362 (original was \$72,000) as much of the underspending for the year was included in the cash flow updates as of Q2.

II. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

III. MARITIME DIVISION

FINANCIAL SUMMARY

	2018	2019	2020	2020	2020	Fav (UnFav) Fest vs. Revised Budget Variance		Incr (Decr) Change from 2019	
	Actual	Actual	Forecast	Revised Budget	Approved Budget	\$	%	\$	%
\$ in 000's									
Total Revenues	57,575	59,289	40,405	42,585	62,938	(2,180)	-5%	(18,884)	-32%
Total Operating Expenses	43,252	48,644	51,145	52,191	54,396	1,046	2%	2,501	5%
Net Operating Income	14,323	10,644	(10,740)	(9,606)	8,541	(1,134)	-12%	(21,385)	-201%
Capital Expenditures	20,489	7,887	22,697	19,712		(2,985)	-15%	14,810	188%

2020 Forecast vs. 2020 Revised Budget

- Operating Revenues are \$2.2M lower than revised budget driven by Cruise moving from delay to cancellation for the 2020 season.
- Operating Expenses forecasted \$1M lower than budget from additional reductions in Port Valet (cruise bag handling service) expenses.
- Net Operating Income Planned \$1.1M unfavorable to budget.
- Capital Spending forecasted at 115% of \$19.7M revised budget driven by expedited schedule of T117 habitat restoration project.

2020 Forecast vs. 2019 Actuals

- Operating Revenues expected \$18.9M lower than 2019 due COVID-19 impacts in Cruise. Increases in Recreational boating revenue offset by reductions in Grain, Maritime Portfolio Management, and Elliott Bay Fishing and Commercial.
- Operating Expenses forecasted \$2.5M higher than 2019 actual driven primarily by \$1.9M ILA payment NWSA, \$1.9M favorable one-time pension adjustment in 2019, offset by favorable police allocations and COVID-19 related cost cutting initiatives.
- Net Operating Income forecasted \$21.4M below 2019 actual.

Net Operating Income before Depreciation by Business

	2019 YTD	2020 YTD	2020 YTD	2020 YTD	Fav (UnFav) Fest vs. Revised Budget Variance		Incr (Decr) Change from 2019	
	Actual	Actual	Revised Budget	Approved Budget	\$	%	\$	%
\$ in 000's								
Ship Canal Fishing & Operations	(800)	(513)	(1,386)	(1,496)	983	66%	287	36%
Elliott Bay Fishing & Commercial Operations	515	(266)	(797)	(900)	634	70%	(781)	NA
Recreational Boating	1,045	1,094	922	705	389	55%	49	5%
Cruise	3,216	(5,555)	(6,605)	3,117	(8,672)	-278%	(8,771)	-273%
Bulk	1,737	1,348	870	843	505	60%	(389)	-22%
Maritime Portfolio	(435)	71	(948)	(1,129)	1,199	106%	506	-116%
All Other	(218)	(151)	(282)	(22)	(129)	-595%	67	31%
Total Maritime	5,058	(3,973)	(8,227)	1,119	(5,092)	-455%	(9,031)	-179%

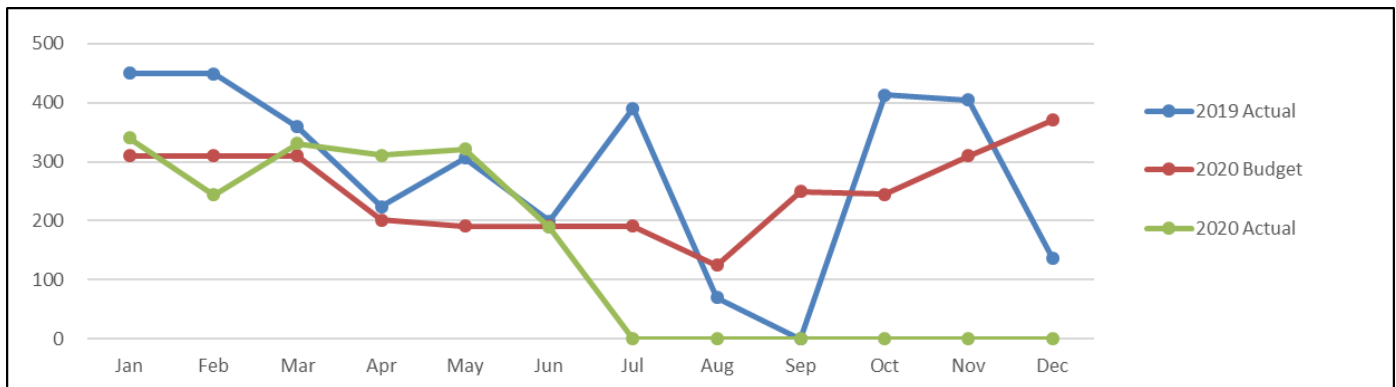
II. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

A. BUSINESS EVENTS

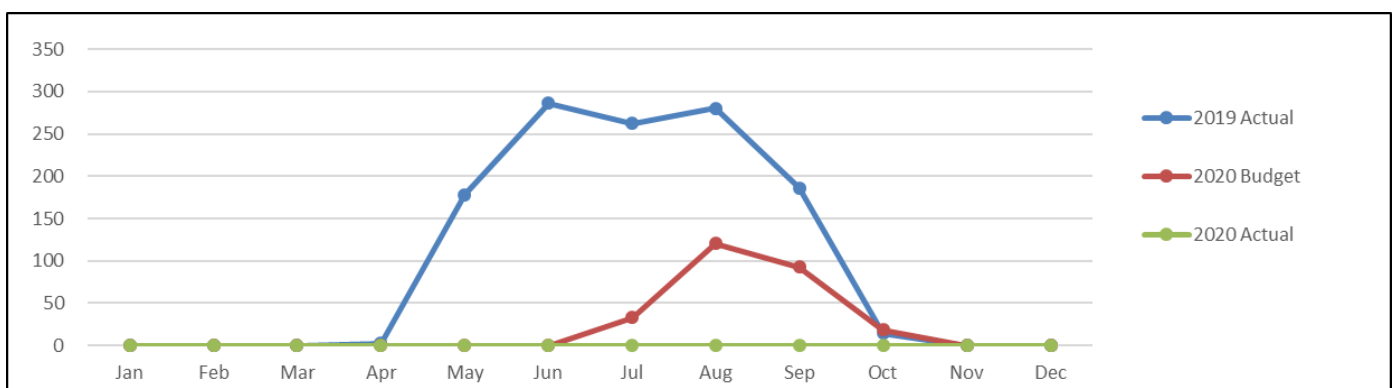
- Cruise – Working with constituencies to develop guiding protocols for recommencing of 2021 Cruise season .
- The F/V St. Jude conducted whole tuna sales at Fishermen’s Terminal. The vessels held several days of sales which attracted over 1000 customers per day. Additionally, this encouraged purchases from other fishermen and Wild Salmon Seafood.
- Shilshole Bay Marina Customer Service Facilities and repaving project progresses with slight delays. All new buildings are scheduled to open early in Q3.
- Maritime Environmental
 - Managed 'stand-down' process for T46 Cruise EIS to get consultants to a logical stopping point.
 - Completed all permitting tasks for Terminal 117 Habitat Restoration and Public Shoreline Access project.
 - Signed an Order with EPA to perform an Engineering Evaluation / Cost analysis for investigation and cleanup at T108.
 - Reviewed and submitted comments on City of Seattle stormwater codes and manuals, and on the Federal multi-sector general permit revisions .
 - Awarded \$6.6M (75% match is \$5M) from DOE for NWSA T5 Stormwater.

B. KEY PERFORMANCE METRICS

Grain Volume – Metric Tons in 000’s



Cruise Passengers in 000’s



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C. OPERATING RESULTS

\$ in 000's	2018 YTD	2019 YTD	2020 YTD	2020 YTD	2020 YTD	Fav (UnFav) Fcst vs. Revised		Incr (Decr) Change from 2019	
	Actual	Actual	Actual	Revised Budget	Approved Budget	Budget Variance \$	%	\$	%
Ship Canal Fishing & Operations	1,610	2,004	2,182	2,122	2,122	61	3%	178	9%
Elliott Bay Fishing & Commercial Operations	3,012	3,067	2,908	2,548	2,548	360	14%	(158)	-5%
Recreational Boating	6,068	6,228	6,211	6,607	6,607	(397)	-6%	(17)	0%
Cruise	6,806	8,473	133	49	10,300	84	173%	(8,340)	-98%
Grain	3,123	2,567	2,005	1,756	1,756	249	14%	(562)	-22%
Maritime Portfolio Management	5,628	5,019	4,884	5,127	5,127	(243)	-5%	(135)	-3%
Other	11	10	15	5	5	9	173%	5	45%
Total Revenue	26,257	27,368	18,338	18,214	28,465	124	1%	(9,030)	-33%
Expenses									
Maritime (Excl. Maint)	5,852	5,745	6,869	8,301	8,506	1,432	17%	1,124	20%
Economic Development	2,351	2,369	2,325	2,920	2,996	595	20%	(44)	-2%
Total Direct	8,202	8,114	9,194	11,220	11,502	2,026	18%	1,080	13%
Maintenance Expenses	5,576	5,521	4,879	6,438	6,635	1,559	24%	(642)	-12%
Envir Services & Planning	502	1,055	1,226	1,162	1,296	(65)	-6%	172	16%
Seaport Project Management	160	130	188	163	178	(26)	-16%	58	45%
Total Support Services	6,238	6,705	6,294	7,762	8,109	1,469	19%	(412)	-6%
IT	1,367	1,320	1,393	1,424	1,428	30	2%	74	6%
Police Expenses	2,169	1,988	1,569	1,689	1,698	119	7%	(418)	-21%
External Relations	628	751	615	748	812	134	18%	(136)	-18%
Other Central Services	3,007	3,298	3,109	3,441	3,680	332	10%	(189)	-6%
Aviation Division / Other	105	135	137	157	117	20	13%	2	2%
Total Central Services / Other	7,276	7,491	6,823	7,458	7,735	635	9%	(667)	-9%
Total Expense	21,716	22,310	22,311	26,441	27,347	4,130	16%	1	0%
NOI Before Depreciation	4,541	5,058	(3,973)	(8,227)	1,119	4,254	52%	(9,031)	-179%
Depreciation	8,823	8,911	8,781	8,651	8,649	(130)	-2%	(130)	-1%
NOI After Depreciation	(4,281)	(3,853)	(12,754)	(16,878)	(7,530)	4,124	24%	(8,901)	-231%

2020 Actuals vs. 2020 Revised Budget

- Operating Revenues were \$124K higher than budget:
 - 1) Ship Canal Fishing & Operations and Elliott Bay Fishing & Commercial Operations \$421K higher from closure to the Ballard Locks.
 - 2) Recreational Boating lower \$397K due to COVID-19 transition delays.
 - 3) Grain \$249K higher with 17% more metric tons YTD.
 - 4) Maritime Portfolio Management \$243K lower due to vacancy at Maritime Industrial Center.
- Operating Expenses were \$4,130K lower than budget:
 - 1) Direct Expenses were \$2,026K lower than budget
 - Recreational Marinas and Commercial Operations \$652K under from lower utilities and outside security services.
 - Maritime Marketing \$327K below budget from event cancellations.
 - Division Management was \$107K under budget due to open planning positions.
 - Portfolio Management \$636K favorable from salaries and open headcount.
 - Received \$186K benefit in Environmental Remediation liability
 - All other Direct Expenses net to \$12K under budget.
 - 2) Total Support Services were \$1,469K favorable to budget.
 - Maintenance \$1,559K favorable due to project spend and lower burden rate from emergency paid leave.
 - Environmental Services and Planning were \$65K higher than budget due to unplanned derelict vessel.
 - Seaport Project management \$26K unfavorable to budget.
 - 3) Total Central Services / Other were \$635K favorable to budget.
- Net Operating Income was \$4,254K favorable to budget.

II. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

2020 Actuals vs. 2019 Actuals

- Operating Revenues were \$9M lower than 2019 due to cancellation of the Cruise season and reductions in volumes at the Grain terminal.
- Operating Expenses were flat to 2019:
 - First year of ILA Payments to NWSA at T46, \$956K higher
 - Changing in Maintenance Allocation, \$642K lower
 - Increase in salary and wage rates offset by cost reductions
- Net Operating Income was \$1,465K below 2019 actual.

	2018	2019	2020	2020	2020	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Revised Budget	Approved Budget	Fcst vs. Revised Budget Variance		Change from 2019	
\$ in 000's						\$	%	\$	%
Ship Canal Fishing & Operations	3,502	3,929	4,324	4,264	4,264	61	1%	396	10%
Elliott Bay Fishing & Commercial Operations	6,755	6,095	5,483	5,123	5,123	360	7%	(613)	-10%
Recreational Boating	12,035	12,484	12,964	13,361	13,361	(397)	-3%	480	4%
Cruise	18,880	22,410	4,261	5,909	26,261	(1,647)	-28%	(18,148)	-81%
Grain	5,167	4,266	3,740	3,490	3,490	249	7%	(527)	-12%
Maritime Portfolio Management	11,305	10,108	9,622	10,428	10,428	(806)	-8%	(485)	-5%
Other	(69)	(3)	11	11	11	(0)	0%	14	-462%
Total Revenue	57,575	59,289	40,405	42,585	62,938	(2,180)	-5%	(18,884)	-32%
Expenses									
Maritime (Excl. Maint)	11,326	13,789	15,688	16,408	16,881	720	4%	1,900	14%
Economic Development	4,347	4,987	5,626	5,626	5,756	0	0%	639	13%
Total Direct	15,673	18,776	21,315	22,035	22,637	720	3%	2,539	14%
Maintenance Expenses	11,416	12,186	12,426	12,426	13,073	0	0%	240	2%
Envir Services & Planning	1,553	2,250	2,345	2,295	2,681	(50)	-2%	95	4%
Seaport Project Management	295	175	480	330	356	(150)	-45%	305	175%
Total Support Services	13,265	14,611	15,251	15,051	16,110	(200)	-1%	640	4%
IT	2,558	2,685	2,868	2,895	2,906	27	1%	182	7%
Police Expenses	4,041	4,086	3,226	3,368	3,382	142	4%	(860)	-21%
External Relations	1,379	1,564	1,118	1,501	1,635	383	26%	(446)	-29%
Other Central Services	6,117	6,645	7,000	6,974	7,481	(26)	0%	355	5%
Aviation Division / Other	220	278	368	368	245	0	0%	90	32%
Total Central Services / Other	14,315	15,258	14,580	15,106	15,650	526	3%	(678)	-4%
Total Expense	43,252	48,644	51,145	52,191	54,396	1,046	2%	2,501	5%
NOI Before Depreciation	14,323	10,644	(10,740)	(9,606)	8,541	(1,134)	-12%	(21,385)	-201%
Depreciation	18,022	17,627	17,249	17,249	17,244	0	0%	(378)	-2%
NOI After Depreciation	(3,699)	(6,982)	(27,989)	(26,855)	(8,703)	(1,134)	-4%	(21,006)	-301%

2020 Forecast vs. 2020 Revised Budget

- Operating Revenues are \$2.2M lower than revised budget driven by Cruise moving from delay to cancellation for the 2020 season.
- Operating Expenses forecasted \$1M lower than budget from additional reductions in Port Valet (cruise bag handling service) expenses.
- Net Operating Income Planned \$4.1M unfavorable to budget.

2020 Forecast vs. 2019 Actuals

- Operating Revenues expected \$18.9M lower than 2019 due COVID-19 impacts in Cruise. Increases in Recreational boating revenue offset by reductions in Grain, Maritime Portfolio Management, and Elliott Bay Fishing and Commercial.
- Operating Expenses forecasted \$2.5M higher than 2019 actual driven primarily by \$1.9M ILA payment NWSA, \$1.9M favorable one-time pension adjustment in 2019, offset by favorable police allocations and COVID-19 related cost cutting initiatives.
- Net Operating Income forecasted \$21.4M below 2019 actual.

II. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

D. CAPITAL RESULTS

\$ in 000's	2020	2020	2020	Fcst/Rvsd Budget	
	YTD Actual	Year-End Forecast	Revised Budget	\$	%
New Cruise Terminal	1,194	1,569	1,259	(310)	-24.6%
FT Gateway Building	278	678	700	22	3.1%
T91 Berth 6 & 8 Redev	34	183	460	277	60.2%
P66 Shore Power	64	201	470	269	57.2%
FT Maritime Innovation Center	125	425	700	275	39.3%
T117 Restoration	958	8,342	5,000	(3,342)	-66.8%
SBM Restrms/Service Bldgs Rep	5,258	8,657	9,400	743	7.9%
T91 New Cruise Gangway	-	20	30	10	33.3%
T91 Northwest Fender	52	97	785	688	87.6%
T102 HIM E Dock	7	75	110	35	31.8%
SBM Paving	416	1,664	1,810	146	8.1%
FT Docks 3,4,5 Fixed Pier Imp	527	528	510	(18)	-3.5%
All Other	965	7,758	5,978	(1,780)	-29.8%
Subtotal	9,878	30,197	27,212	(2,985)	-11.0%
CIP Cashflow Mgmt Reserve	-	(7,500)	(7,500)	0	0.0%
Total Spending	9,878	22,697	19,712	(2,985)	-15.1%

Comments on Key Projects:

- **New Cruise Terminal** – project placed on hold. Will be evaluating post-COVID-19 effects on cruise.
- **SBM Paving/Restrooms** – Foundation work completed, reducing amount of project contingency.
- **T117 Restoration** – costs moved forward with expedited schedule from contractor.
- **T91 Northwest Fender** – construction spending delayed to Q1 2021.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

IV. ECONOMIC DEVELOPMENT DIVISION

FINANCIAL SUMMARY

	2018	2019	2020	2020	2020	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Revised Budget	Approved Budget	Fest vs. Revised Budget Variance		Change from 2019	
\$ in 000's						\$	%	\$	%
Total Revenues	20,705	21,151	10,517	15,658	19,110	(5,141)	-33%	(10,634)	-50%
Total Operating Expenses	27,028	27,156	21,227	27,222	29,368	5,995	22%	(5,928)	-22%
Net Operating Income	(6,323)	(6,005)	(10,711)	(11,564)	(10,258)	854	7%	(4,706)	-78%
Capital Expenditures	2,066	3,121	8,436	10,699		2,263	21%	5,315	170%

2020 Forecast vs. 2020 Revised Budget

- Operating Revenues forecasted to \$5.1M unfavorable to revised budget due to deeper cuts in volumes at the Conference & Event Center related to COVID-19 cancellations and variable revenue at restaurants and parking facilities.
- Operating Expenses \$6M favorable to budget due to cost impact of conference cancellations and port-wide cost cutting initiatives.
- Net Operating Income forecasted at \$854K above budget.
- Capital spending forecasted to 79% of \$10.7M revised budget.

2020 Forecast vs. 2019 Actuals

- Operating Revenues forecasted to \$10.6M below 2019 due to lower volumes at the Conference & Event Center related to both Bell Harbor Modernization construction and COVID-19 cancellations.
- Operating Expenses \$5.9M lower than 2019 with lower variable conference and event center costs and the port-wide cost cutting initiatives offset by a 2019 favorable pension adjustment new Tourism program.
- Net Operating Income forecasted \$4.7M below 2019 actual.

Net Operating Income before Depreciation by Business

	2018 YTD	2019 YTD	2020 Year-to-Date		Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	2020 Bud Var		Change from 2019	
\$ in 000's					\$	%	\$	%
Portfolio Management	(954)	(563)	(556)	(852)	296	35%	7	1%
Conference & Event Centers	(124)	(362)	(1,118)	(1,056)	(61)	-6%	(756)	-209%
Tourism	(247)	(199)	(212)	(355)	142	40%	(14)	-7%
EDD Grants	(6)	54	57	(50)	107	NA	3	NA
Env Grants/Remed Liab/ERC	(2)	(118)	(130)	(326)	196	NA	(12)	10%
Total Econ Dev	(1,334)	(1,187)	(1,959)	(2,639)	680	26%	(772)	-65%

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

A. BUSINESS EVENTS

Real Estate Development – Finalized Pier 86 agreement with DFW. Completed 30% design on Fishermen’s Terminal projects. Finalized Des Moines Creek RFP. Real Estate Strategic Plan at 50%.

Pier 69 coronavirus response measures: Installed signage, floor markings, and barriers to encourage good hygiene and physical distancing.

Portfolio Management – Executed first amendment to the lease with Mad Anthony’s and third amendment with Dukes at Shilshole Bay Marina. Provided rent relief to landside tenants.

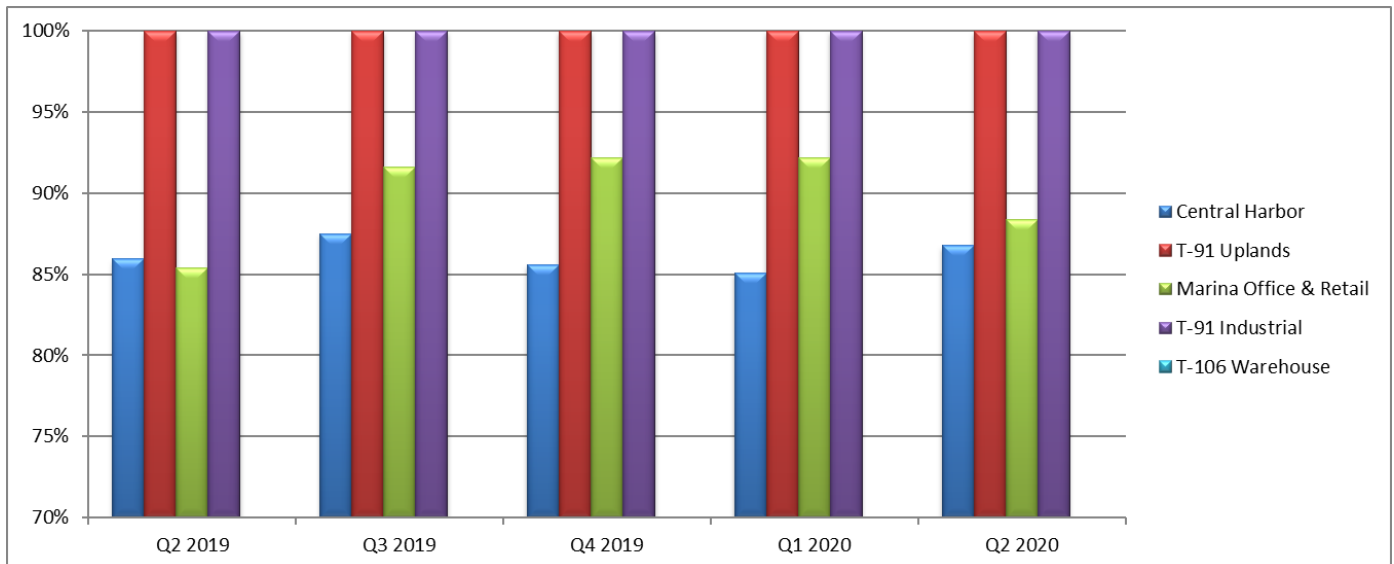
The **Maritime Blue innovation** accelerator cohort finished its program. Eleven entrepreneurs advanced through the four-month program which concluded with an online showcase where each emerging business pitched its products or services to over 200 virtual attendees.

Tourism – Developed Cruise & Stay training videos and press releases to keep Seattle and WA top of mind for British, Australian and German markets. The videos are being utilized by CLIA international offices and cruise tour operator specialists promoting 2021 Alaska season.

Diversity in Contracting – As of Q2, the Port is currently exceeding its 2020 Port wide WMBE (Non-Construction) goal of 14.4%, obtaining 15% WMBE utilization. Conversely, construction achieved 4.7% WMBE utilization.

B. KEY PERFORMANCE METRICS

Building Occupancy by Location:



IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

C. OPERATING RESULTS

	2018 YTD	2019 YTD	2020 YTD	2020 YTD	2020 YTD	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Revised Budget	Approved Budget	Fest vs. Revised Budget Variance		Change from 2019	
\$ in 000's						\$	%	\$	%
Revenue	4,577	4,421	4,119	4,295	4,475	(176)	-4%	(302)	-7%
Conf & Event Centers	5,188	5,963	1,240	2,155	3,455	(915)	-42%	(4,723)	-79%
Total Revenue	9,765	10,384	5,359	6,450	7,930	(1,091)	-17%	(5,025)	-48%
Expenses									
Portfolio Management	1,952	1,922	1,583	2,125	2,138	542	26%	(339)	-18%
Conf & Event Centers	4,306	4,833	2,378	2,714	3,621	336	12%	(2,455)	-51%
P69 Facilities Expenses	114	92	119	117	119	(2)	-2%	27	30%
RE Dev & Planning	74	48	91	63	103	(28)	-45%	43	89%
EconDev Expenses Other	473	352	488	337	487	(152)	-45%	136	39%
Maintenance Expenses	1,995	1,563	1,170	1,814	1,912	644	35%	(393)	-25%
Maritime Expenses (Excl Maint)	117	106	229	257	264	28	11%	123	115%
Total EDD & Maritime Expenses	9,033	8,916	6,058	7,426	8,644	1,368	18%	(2,857)	-32%
Diversity in Contracting	37	99	50	85	100	35	41%	(48)	-49%
Tourism	620	526	374	638	747	264	41%	(152)	-29%
EDD Grants	28	(4)	(27)	555	555	582	105%	(24)	679%
Total EDD Initiatives	685	621	397	1,278	1,402	881	69%	(224)	-36%
Environmental & Sustainability	121	173	101	127	153	26	20%	(72)	-41%
Police Expenses	81	101	108	116	117	8	7%	7	6%
Other Central Services	2,558	2,819	2,760	3,430	3,574	671	20%	(59)	-2%
Aviation Division	79	53	69	81	58	13	15%	15	29%
Total Central Services & Aviation	2,839	3,147	3,037	3,755	3,902	718	19%	(109)	-3%
Envir Remed Liability	0	0	0	0	0	0	NA	0	NA
Total Expense	12,557	12,684	9,493	12,459	13,948	2,966	24%	(3,191)	-25%
NOI Before Depreciation	(2,791)	(2,300)	(4,134)	(6,009)	(6,018)	1,875	31%	(1,834)	-80%
Depreciation	1,980	1,833	1,774	1,705	1,704	(68)	-4%	(59)	-3%
NOI After Depreciation	(4,771)	(4,133)	(5,908)	(7,715)	(7,722)	1,807	23%	(1,775)	-43%

2020 Actuals vs. 2020 Revised Budget

- Operating revenue were \$1,091K unfavorable to budget due primarily to additional event cancellations at the Conference and Event Centers as a result of government mandates caused by COVID-19 pandemic.
- Operating Expenses were \$2,966K favorable to budget:
 - 1) Portfolio Management \$542K favorable from open FTE and deferral of fire, electrical, and signage upgrades and enhancements.
 - 2) Conference and Event Center \$336K favorable from lower activity related to cancelled events.
 - 3) Maintenance Expenses \$644K favorable due to timing.
 - 4) EDD Initiatives \$881K favorable due to timing of spend related to COVID-19.
 - 5) Central Services \$718K below budget.
 - 6) All other expenses net to \$155K above budget.
- Net Operating Income was \$1,875K above budget.

2020 Actuals vs. 2019 Actuals

- Operating Revenues were \$5,025K lower than 2019 actual due to reduced volumes at the Conference and Event Centers as well as Bell Street Garage
- Operating Expenses were \$3,191K lower than 2019 actual:
 - 1) Portfolio Management \$339K lower due to hiring freeze on open headcounts
 - 2) Conference and Event Centers \$2,455K lower than 2019 due to variable costs associated with lower Conference and Event Center volumes as a result of government mandates caused by COVID-19 pandemic.
 - 3) Maintenance Expenses \$393K lower than 2019.
 - 4) All other Expenses net to \$170K above 2019.
- Net Operating Income was \$1,832K below 2019 actual.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

	2018	2019	2020	2020	2020	Fav (UnFav) Fcst vs. Revised		Incr (Decr) Change from 2019	
	Actual	Actual	Forecast	Revised Budget	Approved Budget	Budget Variance \$	%	\$	%
\$ in 000's									
Revenue	9,002	8,912	8,020	8,824	9,124	(804)	-9%	(892)	-10%
Conf & Event Centers	11,703	12,239	2,496	6,833	9,985	(4,337)	-63%	(9,742)	-80%
Total Revenue	20,705	21,151	10,517	15,658	19,110	(5,141)	-33%	(10,634)	-50%
Expenses									
Portfolio Management	3,571	3,732	3,853	3,988	4,008	135	3%	122	3%
Conf & Event Centers	9,889	10,218	2,098	6,703	8,902	4,605	69%	(8,120)	-79%
P69 Facilities Expenses	235	215	226	226	230	0	0%	11	5%
RE Dev & Planning	149	136	145	145	208	0	0%	9	6%
EconDev Expenses Other	785	930	632	632	932	0	0%	(298)	-32%
Maintenance Expenses	3,914	3,145	3,476	3,476	3,819	0	0%	330	10%
Maritime Expenses (Excl Maint)	281	253	512	512	524	0	0%	259	103%
Total EDD & Maritime Expenses	18,824	18,630	10,943	15,682	18,624	4,740	30%	(7,687)	-41%
Diversity in Contracting	132	152	151	151	197	0	0%	(1)	-1%
Tourism	1,408	1,337	2,342	2,842	1,536	500	18%	1,005	75%
EDD Grants	838	785	810	1,110	1,110	300	27%	25	3%
Total EDD Initiatives	2,378	2,274	3,303	4,103	2,843	800	19%	1,029	45%
Environmental & Sustainability	281	344	265	260	323	(5)	-2%	(79)	-23%
Police Expenses	(76)	61	222	232	233	10	4%	161	266%
Other Central Services	5,466	5,732	6,302	6,752	7,223	450	7%	570	10%
Aviation Division	155	114	193	193	123	0	0%	78	69%
Total Central Services & Aviation	5,825	6,251	6,982	7,437	7,901	455	6%	730	12%
Envir Remed Liability	0	0	0	0	0	0	NA	0	NA
Total Expense	27,028	27,156	21,227	27,222	29,368	5,995	22%	(5,928)	-22%
NOI Before Depreciation	(6,323)	(6,005)	(10,711)	(11,564)	(10,258)	854	7%	(4,706)	-78%
Depreciation	3,948	3,647	3,389	3,392	3,389	2	0%	(258)	-7%
NOI After Depreciation	(10,271)	(9,651)	(14,100)	(14,956)	(13,647)	856	6%	(4,448)	-46%

2020 Forecast vs. 2020 Revised Budget

- Operating Revenues forecasted to \$5.1M unfavorable to revised budget due to deeper cuts in volumes at the Conference & Event Center related to COVID-19 cancellations and variable revenue at restaurants and parking facilities.
- Operating Expenses \$6M favorable to budget due to cost impact of conference cancellations and port-wide cost cutting initiatives.
- Net Operating Income forecasted at \$854K above budget.

2020 Forecast vs. 2019 Actuals

- Operating Revenues forecasted to \$10.6M below 2019 due to lower volumes at the Conference & Event Center related to both Bell Harbor Modernization construction and COVID-19 cancellations.
- Operating Expenses \$5.9M lower than 2019 with lower variable conference and event center costs and the port-wide cost cutting initiatives offset by a 2019 favorable pension adjustment new Tourism program.
- Net Operating Income forecasted \$4.7M below 2019 actual.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

D. CAPITAL RESULTS

\$ in 000's	2020 YTD Actual	2020 Year-End Forecast	2020 Revised Budget	Fcst/Rvsd Budget	
				\$	%
T91 Uplands Development	96	396	1,000	604	60.4%
P66 BHICC Interior Modernize	6,784	8,084	8,358	274	3.3%
WTC HVAC Replacement	156	231	260	29	11.2%
P66 HVAC Systems Upgrade	298	466	912	446	48.9%
P66 Roof Upgrades	-	60	50	(10)	-20.0%
CW Bridge Elev Modernizations	29	104	350	246	70.3%
All Other	318	1,595	1,769	174	9.8%
Subtotal	7,681	10,936	12,699	1,763	13.9%
CIP Cashflow Mgmt Reserve	-	(2,500)	(2,000)	500	-25.0%
Total Spending	7,681	8,436	10,699	2,263	21.2%

Comments on Key Projects:

- **T91 Upland Industrial** – Unanticipated delays in the finalization of the design contract.
- **BHICC Modernization** – Project expected to close out in Q3.
- **P66 HVAC** – Costs shifted to future due to delay in projected hand over from Marine Maintenance to Seaport Project Management

V. CENTRAL SERVICES DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

V. CENTRAL SERVICES DIVISION

FINANCIAL SUMMARY

	2018 YTD	2019 YTD	2020 YTD	2020 YTD	2020 YTD	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Revised Budget	Approved Budget	Actual vs. Revised Budget	Variance	Change from 2019	
	\$	\$	\$	\$	\$	\$	%	\$	%
\$ in 000's									
Total Operating Revenues	81	331	1,640	20	20	1,620	8101.4%	1,309	395.7%
Core Central Support Services	37,027	38,479	41,186	43,566	45,683	2,380	5.5%	2,707	7.0%
Police	13,188	13,997	14,819	15,697	15,784	878	5.6%	822	5.9%
Capital Development	4,453	5,164	4,773	5,457	6,171	684	12.5%	(391)	-7.6%
Environment & Sustainability	2,954	4,551	4,999	5,091	5,911	92	1.8%	448	9.9%
Total Operating Expenses	57,621	62,191	65,777	69,812	73,549	4,035	5.8%	3,586	5.8%

2020 YTD Actuals vs. 2020 YTD Budget

- Operating Revenues favorable due primarily to Police forfeiture seizures of \$1.6M.
- Operating Expenses \$4M favorable to budget mainly due to staffing vacancies, projects spending delays, and delayed Outside Services costs.

2020 YTD Actuals vs. 2019 YTD Actuals

- Operating Revenues \$1.3M above 2019 mainly due to higher Police forfeiture seizures in 2020 of \$1.6M.
- Operating Expenses \$3.6M higher than 2019 mainly due to higher payroll, Outside Services, and lower charges to Capital Projects.

A. BUSINESS EVENTS

- Delivered ICT services to enable work-at-home policy, Port wide communication, and team collaboration in response to the COVID-19.
 - Rapidly aligned the cybersecurity strategy to accommodate the increase in remote workforce capability driven by the COVID-19 global pandemic.
 - Developed and deployed the Self-Check Health Survey in a record 4 weeks. This system allows any Port employee, volunteer, or non-construction contractor to affirm no known COVID-19 exposure or symptoms each day prior to visiting a Port facility.
- POSPD deployed to provide mutual aid to the Seattle Police Department for a protest on May 31, 2020. May 31 to June 4, Port officers along with our Valley partners deployed to Seattle, STIA, Kent, Renton, Auburn, and Federal Way in response to the major civil unrest.
- POSPD participated in the annual Special Olympics Torch Run on 6/6. This year the run was performed in virtual teams due to COVID-19 restrictions.
- The Office of Equity, Diversity and Inclusion collaborated with Port staff to ensure COVID-19 safety information met the language needs of Port construction workers and through community feedback, developed a three-year workforce development strategic plan for 2021-2023.
- Completed the Port's new budget planning system implementation in June after more than two years of planning.
- HR implemented a new Applicant Management System, Taleo, to replace BrassRing as the Port's Recruiting/Applicant Management System.
- PeopleSoft Financials People Tools Upgrade: This upgrade finished earlier than expected, in Q2, continuing support and providing new features to enhance operations and the user-experience.
- Conducted Career Readiness Workshops for ten Duwamish Valley youth for POS spring and summer virtual internship program.
- Held media availability on June 25 to introduce nonprofits working with the Port to sponsor 220 Opportunity Initiative youth jobs this summer.

V. CENTRAL SERVICES DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

B. KEY PERFORMANCE METRICS

Key Performance Indicators/Measures	2018	2019	2020
A. Century Agenda Strategies			
1. Prepare and negotiate the agreements for the Port's 24 bargaining units	293	411	83
2. Oversee Implementation/Administration of CBAs agreements	122	122	81
B. High Performance Organization - Customer Satisfaction			
1. Respond to Public Disclosure Requests	305	285	248
2. Information Communication Technology Network Availability	100%	99.9	99.6%
3. Customer Survey for Police Service Excellent or Above Average	90%	83%	83%
4. Number of Job Openings Created	195	358	233
5. Percent of annual audit work plan completed each year	100%	100%	N/A
C. High Performance Organization - Talent Development & Safety			
1. MIS and Clarity Training Classes	8	8	N/A
2. MIS and Clarity Training Attendees	76	93	N/A
3. Employee Development Class Attendees/Structured Learning	572	1067	2629
4. Total Recordable Incident Rate - TRIR (prev Occupational Injury Rate)	5.05	4.75	2.93
5. Lost Work Day Rate (previously Days Away Severity Rate)	32.01	15.08	46.43
D. Financial Performance			
1. Corporate costs as a % of Total Operating Expenses	31%	29.1%	32.5%
2. Clean independent CPA audits involving AFR	Yes	Yes	Yes
3. Timely process disbursement payment requests	4 days	3 days	3 days
4. Keep receivables collections current (within 30 days)	76%	88%	4%
5. Investment Portfolio Yield	1.69%	2.16%	1.98
6. Litigation and Claim Reserves	\$384K	\$2.5M	\$2M
7. Claims/Injury Damages Reserves	\$1.1M	\$435K	\$127K

V. CENTRAL SERVICES DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

C. OPERATING RESULTS

Financial Summary (Year-End Forecast)

	2018	2019	2020	2020	2020	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Revised Budget	Approved Budget	Fest vs. Budget	Revised Budget Variance	Change from 2019	
\$ in 000's						\$	%	\$	%
Total Revenues	(500)	1,282	1,665	40	40	1,625	4063.2%	383	29.9%
Executive	2,136	2,018	2,228	2,253	2,355	25	1.1%	210	10.4%
Commission	1,848	2,022	1,894	2,014	2,292	120	5.9%	(127)	-6.3%
Legal	3,948	4,987	5,115	3,948	4,001	(1,167)	-29.6%	128	2.6%
External Relations	7,362	7,760	8,142	10,274	11,070	2,132	20.7%	382	4.9%
Equity Diversity and Inclusion	1,561	2,337	4,864	5,328	4,465	465	8.7%	2,527	108.1%
Human Resources	8,430	9,187	9,672	10,191	11,690	518	5.1%	485	5.3%
Labor Relations	1,079	1,230	1,336	1,336	1,386	-	0.0%	106	8.6%
Internal Audit	1,521	1,450	1,650	1,589	1,749	(61)	-3.8%	200	13.8%
Accounting & Financial Reporting Services	6,842	7,341	8,800	8,810	9,024	11	0.1%	1,459	19.9%
Information & Communication Technology	21,961	23,014	25,445	25,695	26,013	250	1.0%	2,431	10.6%
Information Security	934	1,203	1,903	1,915	1,968	12	0.6%	699	58.1%
Finance & Budget	5,593	6,230	7,109	6,959	7,039	(150)	-2.2%	879	14.1%
Maritime Finance	1,445	1,605	1,870	1,870	1,942	-	0.0%	264	16.5%
Finance & Budget	1,843	2,037	2,222	2,211	2,219	(11)	-0.5%	185	9.1%
Aviation Finance & Budget	2,305	2,587	3,018	2,878	2,878	(140)	-4.9%	430	16.6%
Business Intelligence	1,323	1,302	1,174	1,516	2,209	342	22.6%	(129)	-9.9%
Risk Services	3,095	3,137	3,461	3,380	3,438	(81)	-2.4%	323	10.3%
Office of Strategic Initiatives	1,596	1,448	967	1,197	1,619	230	19.2%	(482)	-33.2%
Central Procurement Office	4,630	4,453	5,739	5,289	5,988	(450)	-8.5%	1,287	28.9%
Contingency	185	39	(50)	(100)	(2,702)	(50)	50.0%	(89)	-227.3%
Industrial Development Corporation	-	1	-	-	-	-	0.0%	(1)	-100.0%
Capital to Expense	-	117	-	-	-	-	0.0%	(117)	-100.0%
Core Central Support Services	74,044	79,276	89,449	91,594	93,604	2,145	2.3%	10,173	12.8%
Police	23,908	27,793	30,012	31,312	31,444	1,300	4.2%	2,219	8.0%
Total Before Cap Dev & Environment	97,952	107,069	119,461	122,906	125,048	3,445	2.8%	12,392	11.6%
Capital Development									
Engineering	5,478	5,696	5,291	5,143	8,765	(149)	-2.9%	(405)	-7.1%
Port Construction Services	3,522	4,341	3,596	3,468	3,748	(128)	-3.7%	(745)	-17.2%
Sub-Total	8,999	10,038	8,888	8,611	12,513	(277)	-3.2%	(1,150)	-11.5%
Environment & Sustainability									
Aviation Environmental	5,006	5,680	5,596	5,465	6,895	(132)	-2.4%	(83)	-1.5%
Maritime Environmental & Planning	2,418	3,275	2,968	2,908	3,420	(60)	-2.1%	(307)	-9.4%
Noise Programs	722	817	681	813	1,012	132	16.2%	(136)	-16.6%
Environment & Sustainability	624	976	1,153	1,214	1,538	61	5.0%	177	18.1%
Sub-Total	8,770	10,748	10,398	10,399	12,866	1	0.0%	(350)	-3.3%
Total Expenses	115,721	127,855	138,747	141,916	150,427	3,170	2.2%	10,892	8.5%

2020 Forecast vs. 2020 Revised Budget

- Operating Expenses for 2020 are \$3.2M under the revised budget due primarily to:
- **Executive** – favorable variance of \$25K mainly due to Payroll savings due to vacant positions of \$25K.
- **Commission** – favorable variance of \$120K is mainly due to \$100K Payroll savings from vacant positions and lower planned Travel of \$20K.
- **Legal** – unfavorable variance of (\$1.2M) is primarily due to unpredictable Legal Expenses.
- **External Relations** – favorable variance of \$2.1M due to reduced Outside Services of \$1.6M, lower Payroll from vacant positions of \$300K, Promotional Expenses of \$200K, reduced Travel of \$150K offset by unplanned Property Rentals of (\$26K) and lower charges to Capital Projects of (\$104K).
- **Equity, Diversity and Inclusion** – favorable variance of \$465K primarily due to Workforce Development lower than planned Outside Services of \$310K, lower Property Rental of \$50K, Promo Expenses of \$39K, and Office of EDI planned delays in hiring, saving \$50K.
- **Human Resources** – favorable variance of \$518K primarily due to lower High School interns and Veteran Fellows of \$200K, reduced Outside Services of \$120K and lower General Expenses of \$106K from reduced Advertising and planned credits from King County Metro.
- **Labor Relations** – plans to be on target.
- **Internal Audit** – unfavorable variance of \$60K from higher Payroll for planned job refresh in 2020.
- **Accounting and Financial Reporting Services** – favorable variance of \$10.6K from \$3K in lower Telecommunications, \$2.5K lower Supplies & Stock, and \$5K unplanned charges to Capital Projects.
- **Information & Communication Technology** – favorable variance of \$250K primarily due to planned increased charges to Capital Projects of \$300K, lower Payroll of \$250K, lower Travel of \$30K and Telecommunications of \$20K which are offset by higher Equipment of (\$250K) and unexpected charges to Outside Services of \$203K.
- **Information Security** favorable variance of \$12K due to lower Outside Services of \$20K offsetting some unplanned spending in General Expenses of (\$7K).
- **Finance & Budget** – unfavorable variance of (\$150K) is primarily from AV Finance & Budget unbudgeted consultants in Outside Services of (\$156K).
- **Business Intelligence** – favorable variance of \$342K primarily due to savings from Payroll due to vacancies of \$50K and Outside Services contracts still being negotiated of \$257K.
- **Risk Services** – unfavorable variance of (\$81K) due to (\$193K) expected increase on Property Insurance renewal and unexpected temporary Outside Services of (\$15K) offset by Payroll savings from vacancies of \$128K.
- **Office of Strategic Initiative** – favorable variance of \$230K is due to delay in hiring two vacant positions of \$139K and reductions in Outside services of \$90K..
- **Central Procurement Office** – unfavorable variance of (\$450K) primarily due to lower than planned charges to Capital Projects.
- **Police** – \$1.3M favorable variance primarily due to lower Payroll of \$1.5M offset by unbudgeted higher Worker’s Compensation of (\$200K) and higher costs for Forfeiture Expenditures of (\$60K).
- **Engineering** – unfavorable variance of (\$149K) is primarily due to (\$715K) lower than planned charges to Capital Projects and lower Intra-department Allocations of (\$164K) offset by lower Payroll of \$324K, Equipment of \$99K, Supplies & Stock of \$58K, and reduction of Outside Services of \$196K.
- **PCS** – unfavorable variance of (\$128K) primarily due to lower than planned charges to Capital Projects of (\$750K). and higher Equipment of (\$200K) for unbudgeted AV expense projects which were offset by overall cuts to Payroll of \$325K, Supplies and Stock of \$60K, Outside Services of \$250K General Expenses of \$50K, and lower Overhead Allocations of \$50K.
- **Environment & Sustainability** – plans to be on target.
- **Contingency** – unfavorable variance of (\$50K) due to reduced Credit Card Rebates for the year.

V. CENTRAL SERVICES DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/20

2020 Forecast vs. 2019 Actuals

- Operating Expenses for 2020 are forecasted to be \$10.9M higher than 2019 actuals mainly due to:
 - **Core Central Support Services** – \$10.2M higher than 2019 primarily due to a DRS Pension Plan True-up credit of \$9.9M in 2019.
 - **Police** – \$2.2M above 2019 due to the following:
 - Received a DRS Pension Plan True-up credit of \$2.8M in 2019.
 - Holiday payout in January 2020 that were expected in December 2019.
 - Higher than expected Worker’s comp in 2020.
 - **Capital Development** – \$1.2M lower than 2019 primarily due to planned reductions in hiring in 2020 and multiple delays to Capital projects.
 - **Environment & Sustainability** – \$350K below 2019 due to planned reductions in hiring in 2020 and multiple delays in projects in Outside Services.

D. CAPITAL RESULTS

\$ in 000's	2020 YTD	2020	2020	Fav (UnFav)	
	Actual	Year-End Forecast	Revised Budget	YE Fcst vs. Revised \$	%
Infrastructure - Small Cap	984	2,100	2,100	0	0.0%
Services Tech - Small Cap	979	1,350	1,350	0	0.0%
Radio System Upgrade	328	3,079	3,687	608	16.5%
New Budget System	151	317	583	266	45.6%
Regional Workforce Tracking	-	-	500	500	100.0%
Learning Management System	-	150	400	250	62.5%
Maximo Upgrade	279	394	462	68	14.7%
Phone System Upgrade	34	900	900	0	0.0%
Customer Relationship Mgmt	482	1,185	1,400	215	15.4%
CDD Fleet Replacement	210	1,111	1,644	533	32.4%
Corporate Fleet Replacement	225	245	1,065	820	77.0%
CIP Cashflow Adjustment	-	(2,000)	(3,000)	(1,000)	33.3%
Other (note 1)	353	956	1,600	644	40.3%
TOTAL	4,025	9,787	12,691	2,904	22.9%

Note:

(1) "Other" includes remaining ICT projects and small capital projects/acquisitions.