



Item No. 9c attach.
Meeting Date: August 13, 2019

PORT OF SEATTLE

2019 FINANCIAL PERFORMANCE REPORT

AS OF JUNE 30, 2019

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EXECUTIVE SUMMARY**Financial Summary**

The Port's operating results for the second quarter of 2019 were very strong. Total operating revenues were \$368.2M, \$7.9M above budget and \$37.7M higher than the same period in 2018. Excluding Aeronautical revenues, which are based on cost recovery, other operating revenues were \$192.2M, \$9.0M above budget and \$9.3M higher than the 2018 actuals mainly due to higher revenues in ADR & Terminal Leased Space, Ground Transportation, Rental Cars, Clubs & Lounges, and Conference & Event Centers. Total operating expenses were \$216.8M and \$16.0M below budget mainly due to vacancies and project delays. Operating income before depreciation was \$151.4M, \$23.9M above budget and \$12.5M higher than the 2018 actuals. The Port-wide capital spending is projected to be \$696.5M for 2019.

Operating Summary

At the Airport, the total enplanement growth for the second quarter of 2019 was 3.4% comprised of 3.4% for domestic passengers and 3.0% for international passengers. The total landed weight for the second quarter of 2019 was 3.0% higher than the same period last year while total cargo (in metric tons) was 1.2% above the 2018 second quarter numbers. For the Maritime division, the number of cruise passengers is expected to reach 1.2M in 2019 similar to 2018. The occupancy rate at Shilshole Bay Marina for the second quarter was at 95%, a slight decrease of 1% compared to the same period last year. Grain volumes were impacted by tariffs and weather resulting in a decrease of 700K metric tons. For the Economic Development division, the building occupancy rate for the second quarter was 100% at Terminal 91 Uplands, 95% at Maritime Industrial, 86% at Central Harbor, and 85% at Marina Office and Retail.

Key Business Events

In April, the Port officially kicked off the cruise season with the arrival of Celebrity's Eclipse at Pier 66. This year marks the Port's 20th year as a homeport, and 213 vessels and 1.2M passengers are expected again this year. The Port also completed RFQ process for new cruise terminal with three finalists. Also in April, Port Commission adopted its Energy and Sustainability workplan focusing on key areas that will improve environmental and community health in Puget Sound as well as combat climate change. At the airport, new non-stop services to Hong Kong (via Cathay Pacific Airways), Tokyo-Narita (Japan Airlines), and Osaka (Delta) were launched in response to the growing air travel demand. The Port awarded thirty establishments with tourism grants and twenty four organizations including Lewis County, Suquamish Tribal Museum, Sequim Lavender Farmers, Long Beach Visitors Bureau and Methow Trails received Airport Spotlight advertising grants.

Major Capital Projects

Phase 1 of the North Satellite Modernization project was completed during the second quarter of 2019 which included the opening of ten new gates, Nursing Suite and Alaska Lounge. Meanwhile, the solar panel installation at the Port's Pier 69 headquarters was completed during the second quarter of this year; this project was funded in part from the Washington State Department of Commerce grant. The new photovoltaic system is expected to generate over 127,000 kwh annually which will offset greenhouse gas emissions by 1.8 metric tons of carbon dioxide. Port Commission also approved the lease and construction funding for T-5 Berth Modernization project and for construction to commence at the Bell Harbor Conference center. Construction project closeouts were issued for several projects: Pier 69 Commission chambers refresh, west side water main repair and Automated Vehicle ID (AVI) replacement. Several more projects were placed under the substantial completion category which includes: video systems upgrade/terminal cameras project, electrical power for Concourses B and C holdroom seating project, and central terminal infrastructure upgrade project.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/19

PORTWIDE FINANCIAL SUMMARY

	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date		Fav (UnFav) Budget Variance		Incr (Decr) Change from 2018	
			Actual	Budget	\$	%	\$	%
\$ in 000's								
Aeronautical Revenues	127,780	147,570	175,927	177,039	(1,112)	-0.6%	28,357	19.2%
Airport Non-Aero Revenues	112,761	118,864	124,604	121,045	3,560	2.9%	5,740	4.8%
Non-Airport Revenues	61,548	64,054	67,632	62,229	5,403	8.7%	3,578	5.6%
Total Operating Revenues	302,088	330,489	368,164	360,313	7,851	2.2%	37,676	11.4%
Total Operating Expenses	174,104	191,577	216,758	232,756	15,999	6.9%	25,181	13.1%
NOI before Depreciation	127,984	138,912	151,407	127,557	23,850	18.7%	12,495	9.0%
Depreciation	81,860	81,949	82,481	81,933	(548)	-0.7%	532	0.6%
NOI after Depreciation	46,124	56,963	68,926	45,624	23,302	51.1%	11,963	21.0%

NON-AIRPORT FINANCIAL SUMMARY

	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date		Fav (UnFav) Budget Variance		Incr (Decr) Change from 2018	
			Actual	Budget	\$	%	\$	%
\$ in 000's								
NWSA Distributable Revenue	27,283	25,844	24,941	21,955	2,986	13.6%	(903)	-3.5%
Maritime Revenues	24,525	26,257	27,368	27,918	(550)	-2.0%	1,110	4.2%
EDD Revenues	7,727	9,765	10,384	10,017	367	3.7%	619	6.3%
SWU & Other	2,012	2,187	4,939	2,338	2,601	111.2%	2,752	125.8%
Total Operating Revenues	61,548	64,054	67,632	62,229	5,403	8.7%	3,578	5.6%
Total Operating Expenses	33,783	38,141	40,522	45,171	4,649	10.3%	2,381	6.2%
NOI before Depreciation	27,765	25,913	27,110	17,058	10,051	58.9%	1,197	4.6%
Depreciation	20,272	19,988	19,623	18,909	(715)	-3.8%	(365)	-1.8%
NOI after Depreciation	7,493	5,925	7,487	(1,850)	9,337	-504.7%	1,562	26.4%

MAJOR OPERATING REVENUES SUMMARY

	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date		Fav (UnFav) Budget Variance		Incr (Decr) Change from 2018	
			Actual	Budget	\$	%	\$	%
\$ in 000's								
Aeronautical Revenues	127,780	147,570	175,927	177,039	(1,112)	-0.6%	28,357	19.2%
Public Parking	36,958	39,402	40,401	40,969	(568)	-1.4%	999	2.5%
Rental Cars - Operations	14,514	14,922	15,560	15,123	437	2.9%	637	4.3%
Rental Cars - Operating CFC	3,284	5,497	4,505	4,657	(153)	-3.3%	(993)	-18.1%
ADR & Terminal Leased Space	28,420	30,179	32,689	30,754	1,936	6.3%	2,510	8.3%
Ground Transportation	7,633	8,885	9,979	9,413	567	6.0%	1,094	12.3%
Employee Parking	4,674	5,191	5,193	4,876	317	6.5%	2	0.0%
Airport Commercial Properties	10,708	7,593	7,072	6,703	369	5.5%	(521)	-6.9%
Airport Utilities	3,423	3,438	3,665	3,932	(267)	-6.8%	227	6.6%
Clubs and Lounges	2,173	2,773	4,456	3,626	830	22.9%	1,683	60.7%
Cruise	6,325	6,806	8,473	9,114	(641)	-7.0%	1,668	24.5%
Recreational Boating	5,438	6,125	6,228	6,358	(131)	-2.1%	102	1.7%
Fishing & Operations	4,440	4,565	5,071	4,972	99	2.0%	506	11.1%
Grain	3,042	3,123	2,567	2,423	144	5.9%	(556)	-17.8%
Maritime Portfolio Management	5,267	5,628	5,019	5,052	(33)	-0.6%	(609)	-10.8%
Central Harbor Management	4,161	4,557	4,406	4,399	7	0.2%	(151)	-3.3%
Conference & Event Centers	3,545	5,188	5,963	5,604	360	6.4%	775	14.9%
NWSA Distributable Revenue	27,283	25,844	24,941	21,955	2,986	13.6%	(903)	-3.5%
Other	3,021	3,201	6,049	3,346	2,703	80.8%	2,848	89.0%
Total Operating Revenues (w/o Aero)	174,309	182,918	192,237	183,274	8,963	4.9%	9,318	5.1%
TOTAL	302,088	330,489	368,164	360,313	7,851	2.2%	37,676	11.4%

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/19

MAJOR OPERATING EXPENSES SUMMARY

\$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date		Fav (UnFav) Budget Variance		Incr (Decr) Change from 2018	
			Actual	Budget	\$	%	\$	%
Salaries & Benefits	56,338	62,772	66,334	69,636	3,302	4.7%	3,562	5.7%
Wages & Benefits	52,948	60,075	64,035	63,866	(169)	-0.3%	3,960	6.6%
Payroll to Capital Projects	12,873	13,602	13,523	16,640	3,117	18.7%	(79)	-0.6%
Equipment Expense	4,311	3,866	4,484	4,136	(347)	-8.4%	618	16.0%
Supplies & Stock	4,616	4,633	5,290	4,452	(838)	-18.8%	657	14.2%
Outside Services	32,969	38,460	43,951	55,365	11,415	20.6%	5,491	14.3%
Utilities	11,911	13,453	13,103	14,963	1,860	12.4%	(350)	-2.6%
Travel & Other Employee Expenses	2,338	2,303	2,487	3,909	1,422	36.4%	184	8.0%
Promotional Expenses	460	964	890	1,360	470	34.6%	(74)	-7.7%
Other Expenses	16,865	15,550	27,560	27,939	379	1.4%	12,010	77.2%
Charges to Capital Projects/Overhead Alloc	(21,524)	(24,100)	(24,898)	(29,511)	(4,613)	15.6%	(798)	3.3%
TOTAL	174,104	191,577	216,758	232,756	15,999	6.9%	25,181	13.1%

The 2019 second quarter actuals are \$25.2M higher than the 2018 actuals primarily due to the following:

- Payroll: \$7.5M higher mainly due to the addition of new FTEs and pay for performance increase.
- Outside Services: \$5.5M higher largely due to more consultant expenses, more capital and expense projects, and some capital to expense write-offs.
- Other Expenses: \$12.0M higher due to Environmental Remediation Liabilities, Litigated Injuries & Damages Expense, Third Party Management Operating Expense which would be more than offset by higher revenues.

PORTWIDE FINANCIAL YEAR-END FORECAST SUMMARY

\$ in 000's	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2018	
					\$	%	\$	%
Aeronautical Revenues	264,114	291,268	364,646	365,604	(958)	-0.3%	73,378	25.2%
Airport Non-Aero Revenues	236,803	257,707	270,014	259,537	10,477	4.0%	12,307	4.8%
Non-Airport Revenues	131,114	140,415	133,328	128,115	5,213	4.1%	(7,087)	-5.0%
Total Operating Revenues	632,031	689,390	767,988	753,255	14,733	2.0%	78,598	11.4%
Total Operating Expenses	372,982	397,638	448,162	454,986	6,824	1.5%	50,524	12.7%
NOI before Depreciation	259,049	291,752	319,826	298,269	21,557	7.2%	28,074	9.6%
Depreciation	165,021	164,362	168,676	168,676	-	0.0%	4,314	2.6%
NOI after Depreciation	94,028	127,390	151,150	129,593	21,557	16.6%	23,760	18.7%

Year-End Forecast:

- Operating Revenues \$14.7M higher than budget mainly due to revenue growth in Rental Car, Airport Dining and Retail, Clubs and Lounges, Ground Transportation, Conference and Event Centers, NWSA Distributable Revenue.
- Operating Expenses \$6.8M lower than budget due to project delays, less program spending and staff vacancies.
- NOI before depreciation \$21.6M above budget due to higher revenues while effectively managing operating costs.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/19**KEY PERFORMANCE METRICS**

	2018 YTD 2019 YTD		2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2018	
	Actual	Actual				Chg.	%	Chg.	%
Enplanements (in 000's)	11,688	12,079	24,894	25,890	25,394	496	2.0%	996	4.0%
Landed Weight (lbs. in 000's)	14,476	14,903	30,350	30,637	30,986	(349)	-1.1%	288	0.9%
Passenger CPE (in \$)	n/a	n/a	10.79	13.09	13.39	0.30	2.2%	2.30	21.3%
Grain Volume (metric tons in 000's)	2,688	1,988	4,379	3,488	3,580	(92)	-2.6%	(891)	-20.3%
Cruise Passenger (in 000's)	403	467	1,115	1,204	1,203	1	0.1%	89	8.0%
Shilshole Bay Marina Occupancy	96.0%	95.0%	96.4%	96.2%	96.2%	0.0%	0.0%	-0.2%	-0.2%

CAPITAL SPENDING RESULTS

\$ in 000's	2019 YTD	2019	2019	Budget Variance	
	Actual	Forecast	Budget	\$	%
Aviation	280,124	659,813	767,732	107,919	14.1%
Maritime	1,879	15,105	17,638	2,533	14.4%
Economic Development	1,444	5,040	5,713	673	11.8%
Central Services & Other (note 1)	4,007	16,581	25,203	8,622	34.2%
TOTAL	287,454	696,539	816,286	119,747	14.7%

Note:

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

PORTWIDE INVESTMENT PORTFOLIO

During the Second quarter of 2019, the investment portfolio earned 2.16% versus the benchmark's (the Bank of America Merrill Lynch 1-3 Year US Treasury & Agency Index) 1.80%. Over the last twelve months the portfolio and the benchmark have earned 2.12% and 2.36%, respectively. Since the Port became its own Treasurer in 2002, the life-to-date earnings of the Port's portfolio and the benchmark are 2.45% and 1.84%, respectively.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/19

FINANCIAL SUMMARY

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Operating Revenues:								
Aeronautical Revenues	264,114	291,268	364,646	365,604	(957)	-0.3%	73,378	25.2%
Non-Aeronautical Revenues	236,803	257,707	270,014	259,537	10,477	4.0%	12,307	4.8%
Total Operating Revenues	500,916	548,975	634,660	625,140	9,520	1.5%	85,685	15.6%
Total Operating Expense	299,114	318,849	363,640	366,105	2,465	0.7%	44,791	14.0%
Net Operating Income	201,802	230,126	271,020	259,036	11,985	4.6%	40,894	17.8%
Capital Expenditures	293,785	579,135	659,813	767,732	107,919	14.1%	80,678	13.9%

(1) Annual non-cash amortization of \$17.9M lease incentive related to the 5 year SLOA III agreement which ended in 2017.

Division Summary 2019 Forecast vs. 2019 Budget

- Net Operating Income (NOI) for 2019 is forecasted to be (\$12M or 4.6%) favorable to budget, driven by:
 - Increase in Non-Aeronautical revenue (10.5M or 4% favorable) where we are seeing stronger performance on the Landside, particularly in Public Parking due to increased parking ticket rates and continued growth in Ground Transportation (TNCs). Inside the terminals, strong performance continues in Clubs and Lounges and AI Clear revenues. In-flight sales revenue is also experiencing strong growth due to longer wait times in the TSA and concession lines.
 - Operating Expenses are forecasted to be (\$2.5M or 0.7%) favorable to budget based on forecasted cost savings of \$5.3M in allocations from other divisions, largely from Central Services and due to spending delays in Capital Development (AVPMG), which absorbed over-runs in direct airport expenses that was due to Snow removal disruptions earlier in the year of approximately \$2.5M.

Division Summary 2019 Forecast vs. 2018 Actuals

- Net Operating Income for 2019 is forecasted to be (\$40.9M or 17.8%) higher than prior year – primarily driven by:
 - Higher Operating Revenue (\$85.7M or 15.6%) compared to prior year due to:
 - Higher Aeronautical revenue (\$73.4M higher) due to increased rate based costs and lower revenue sharing.
 - Stronger Non-Aeronautical revenue performance (\$12.3M higher) in Public Parking, Clubs and Lounges, Commercial Properties, Ground Transportation, Non-Arline Terminal Lease Spaces, and Airport Dining & Retail.
 - Higher Operating Expenses (\$44.8M or 14.0%) compared to prior year due to:
 - Higher payroll costs related to increased staffing of approximately \$16M.
 - Higher outside services expenses of approximately \$13.8M primarily due to non-recurring expenses focused on addressing strategic initiatives throughout the airport.
 - Higher charges from other divisions of \$12M and Environmental Liability Expense of \$8.6M, offset by lower Capital to Expense costs of \$6.9M.

A. BUSINESS EVENTS

- **Safety:**
 - Airfield composite safety score of 20.5 exceeds annual target of 18
 - Major ground incidents YTD = 32 vs. annual goal ≤ 67
 - Individual not going home: Q2 YTD 19 vs. 2019 goal < 52 (on track)
 - Developed policy for standardized personal protective equipment required in Bagwell
- **Security:**
 - Phase II Employee Screening authorized in May
 - Implemented new Credentialing Office processes to reduce wait times to receive badge
- **Employee Engagement:**
 - Goal is to increase employee engagement in the Aviation Division as evidenced by a 3% increase over the 2018 survey results by Q4 2019.
 - Create department specific survey action plans by end of Q2 (in progress)
- **Innovations & Efficiencies:**
 - Preparation for second Shark Tank innovations forum (held July 30)
 - Implement two efficiencies or innovations in each department (in process)
- **Asset Management:**
 - Asset condition assessment inventory (in process)
- **Social Responsibility:**
 - Airport Concessions Disadvantaged Business Enterprise (ACDBE) share of sales = 22.5% vs. goal of 22%
 - Disadvantaged Business Enterprise (DBE) share of 13.9% vs. goal of 8%
 - Women and Minority Business Enterprise share of spending on personal services contracts = 14.2% vs. goal of 12%
- **Customer Service:**
 - Through Q2 exceeding five-year average for 2 of 6 key measures (goal is 2)
 - Q2 increase for washroom cleanliness and internet access/wi-fi
 - 76% of AV Division staff completed WE ARE customer service training
- **Environment and Sustainability:**
 - Completed A&E/Construction contract for condo sound insulation
 - Reviewing proposals for purchase of renewable natural gas
 - Completed sound insulation for 9 single family homes
- **Financial Performance:**
 - Forecasting to achieve both 2019 goals:
 - Non-aeronautical NOI of \$149.2M vs. budget of \$136.6M
 - Airline costs (CPE) of \$13.09 vs. budget of \$13.39
 - Commission authorized Concessions Lease Group 5 in June
- **Capital Project, Planning, and SAMP:**
 - SAMP:
 - Submitted revised NEPA scope of work and forecast report
 - Commission authorized \$10 million for project planning and preliminary design for SAMP projects (July)
 - Briefed Commission on main terminal optimization plan (MTOP) in July
 - Completed phase 1 of North Satellite and opening of Alaska Lounge (July)

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/19

B. KEY PERFORMANCE METRICS

	YTD 2017	YTD 2018	YTD 2019	% Change from 2018
Total Passengers (000's)				
Domestic	19,666	20,897	21,616	3.4%
International	2,484	2,611	2,689	3.0%
Total	22,150	23,508	24,304	3.4%
Operations	199,610	210,722	214,749	1.9%
Landed Weight (In Millions of lbs.)				
Cargo	1,025	1,147	1,165	1.5%
All other	12,416	13,328	13,738	3.1%
Total	13,441	14,476	14,903	3.0%
Cargo - Metric Tons				
Domestic freight	110,915	114,627	118,401	3.3%
International freight	57,633	64,749	63,388	-2.1%
Mail	28,882	28,326	28,314	0.0%
Total	197,430	207,702	210,103	1.2%

Key Performance Measures

	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Budget	Budget	Variance	Change from 2018	
					\$	%	\$	%
Key Performance Metrics								
Cost per Enplanement (CPE)	10.52	10.79	13.09	13.39	0.29	2.2%	2.31	21.4%
Non-Aeronautical NOI (in 000's)	133,101	149,959	149,250	136,534	12,716	9.3%	(709)	-0.5%
Other Performance Metrics								
O&M Cost per Enplanement	12.77	12.81	14.05	14.42	0.37	2.6%	1.24	9.7%
Non-Aero Revenue per Enplanement	10.11	10.35	10.43	10.22	0.21	2.1%	0.08	0.8%
Debt per Enplanement (in \$)	114	133	121	123	2	1.6%	(12)	-8.9%
Debt Service Coverage	1.57	1.66	1.67	1.65	0.03	1.6%	0.02	1.0%
Days cash on hand (10 months = 304 days)	379	235	298	278	20	7.1%	63	26.6%
Aeronautical Revenue Sharing (\$ in 000's)	(42,311)	(36,863)	(17,192)	(15,682)	(1,510)	-9.6%	19,672	53.4%
Activity (in 000's)								
Enplanements	23,416	24,894	25,890	25,394	496	2.0%	996	4.0%

Key Performance Metrics – 2019 Forecast compared to 2019 Budget:

- Cost per Enplanement (CPE) Forecast:
 - Forecasted CPE is (\$0.29, or 2.2%) favorable to 2019 budget.
 - Forecasted CPE is \$2.31 higher compared to prior year due to increase in rate based costs and decrease in revenue sharing (from 40% to 20%) percentage under SLOA IV.
- Non-Aero NOI:
 - Non-Aero NOI forecast is expected to be (\$12.7M or 9.3%) favorable to budget due to both higher revenues and deferred expenses.
 - Non-Aero NOI forecast is expected to be \$709K lower than prior year due to higher expenses to be incurred in 2019 compared to the rate of growth in revenue. The increases are primarily from new FTEs added for 2019 and non-recurring expenses focused on addressing strategic initiatives throughout the airport.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/19

C. OPERATING RESULTS

Division Summary – YTD

\$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date		Fav (UnFav) Budget Variance		Incr (Decr) Change from 2018	
			Actual	Budget	\$	%	\$	%
Operating Revenues:								
Aeronautical Revenues ⁽¹⁾	127,780	147,570	175,927	177,039	(1,112)	-0.6%	28,357	19.2%
Non-Aeronautical Revenues	112,761	118,864	124,604	121,045	3,560	2.9%	5,740	4.8%
Total Operating Revenues	240,540	266,435	300,532	298,084	2,448	0.8%	34,097	12.8%
Operating Expenses:								
Payroll	55,798	63,139	68,388	68,833	445	0.6%	5,249	8.3%
Outside Services	17,203	21,015	24,456	29,412	4,956	16.9%	3,441	16.4%
Utilities	8,389	9,589	9,288	10,683	1,395	13.1%	(300)	-3.1%
Other Airport Expenses	13,680	9,788	14,240	11,605	(2,636)	-22.7%	4,452	45.5%
Total Airport Direct Charges	95,070	103,530	116,372	120,533	4,161	3.5%	12,842	12.4%
Environmental Remediation Liability	2,714	4,484	12,543	14,204	1,661	11.7%	8,060	179.8%
Capital to Expense	24	8	83	-	(83)	N/A	75	937.6%
Total Exceptions	2,738	4,492	12,627	14,204	1,578	11.1%	8,135	181.1%
Total Airport Expenses	97,808	108,021	128,998	134,737	5,739	4.3%	20,977	19.4%
Police Costs	9,146	10,659	11,117	12,589	1,472	11.7%	458	4.3%
Capital Development	6,486	6,072	6,860	8,265	1,405	17.0%	788	13.0%
Other Central Services	25,000	26,714	27,221	29,416	2,195	7.5%	507	1.9%
Maritime/Economic Development	1,879	1,970	2,039	2,578	540	20.9%	69	3.5%
Total Charges from Other Divisions	42,512	45,414	47,237	52,848	5,612	10.6%	1,823	4.0%
Total Operating Expense	140,320	153,436	176,235	187,585	11,350	6.1%	22,799	14.9%
Net Operating Income	100,220	112,999	124,297	110,498	13,798	12.5%	11,298	10.0%

(1) Aero revenues are net of revenue sharing.

Operating Expenses – 2019 YTD Actuals compared to 2019 YTD Budget:

Total Operating Expenses are (\$11.4M or 6.1%) favorable to YTD Budget due to the net of the following:

- YTD Aviation Direct Operating Expenses are favorable to budget by \$4.2M

Positive Variance of \$6.8M		Negative Variance of \$2.6M	
Payroll - vacancies & hiring delays	\$0.4M	Other Airport Expenses	\$2.6M
Vacancies & hiring delays	1.4M	Snow Removal Impact	1.5M
Snow Removal Impact	(1.0M)	Increase in Legal Reserves	0.8M
Outside Services	\$5.0M	Other expenses	0.3M
Suspension of the Airspace Study project	1.0M		
Facilities and Infrastructure Project Delays	1.3M		
Capital Program Accrual Adjustments	1.0M		
Other Outside Services Savings	1.7M		
Utilities	\$1.4M		
Surface Water run rate lower than budgeted	1.4M		
Natural Gas - PSE additional delivery cost	(0.3M)		
Suspension or delays of projects	0.4M		
Other	(0.1M)		

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Operating Expenses – 2019 YTD Actuals compared to 2019 YTD Budget - continued:

- YTD Operating Expenses Exceptions are (\$1.6M or 11.1%) favorable to budget by \$1.6M

Positive Variance of \$1.6M		Negative Variance - none
Environmental Remediation Liability	\$1.6M	
Soils -NSAT Contaminated Soils Removal	0.6M	
Asbestos - IAF- SSAT Interior Corridor Extension	0.8M	
Other ERL savings or deferrals	0.2M	

- YTD Operating Expense charges from Central Services and other divisions are (\$5.6M or 10.6%) favorable to budget by \$5.6M

Positive Variance of \$5.6M		Negative Variance - none
Other Central Services savings	\$2.2M	
Police savings	\$1.5M	
Maritime/Economic savings	\$0.5M	
CDD savings	\$1.4M	
Aviation PMG (projects delayed/deferred)	1.3M	
Port Construction Services	(0.5M)	
Other	0.6M	

Operating Expenses – 2019 YTD Actuals compared to 2018 YTD Actuals:

Total Operating Expenses are (\$22.8M or 14.9%) higher than YTD 2018 Actuals due to the net of the following:

- YTD Aviation Direct Operating Expenses are higher than YTD 2018 Actuals by \$12.8M

Increase of \$13.1M		Decrease of \$0.3M
Payroll	\$5.2M	Utilities \$0.3M
Increased staffing	4.2M	
Snow Removal Impact	(1.0M)	
Outside Services	\$3.4M	
Other Aviation Expenses	\$4.5M	

- YTD Operating Expenses Exceptions are higher than 2018 YTD Actuals by \$8.1M

Increase of \$8.1M		Decrease - no material amount
Environmental Remediation Liability	\$8.1M	

- YTD Operating Expense charges from Central Services and other divisions are higher than YTD 2018 Actuals by \$1.8M

Increase of \$1.8M		Decrease - none
Capital Development	\$0.8M	
Police	\$0.5M	
Other Central Services	\$0.5M	

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Division Summary – YE Forecast

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Budget	Budget	Variance	Change from 2018	
					\$	%	\$	%
Operating Revenues:								
Aeronautical Revenues	264,114	291,268	364,646	365,604	(957)	-0.3%	73,378	25.2%
Non-Aeronautical Revenues	236,803	257,707	270,014	259,537	10,477	4.0%	12,307	4.8%
Total Operating Revenues	500,916	548,975	634,660	625,140	9,520	1.5%	85,685	15.6%
Operating Expenses:								
Payroll	114,463	125,341	141,341	141,316	(25)	0.0%	15,999	12.8%
Outside Services	41,055	47,638	61,428	60,950	(479)	-0.8%	13,791	28.9%
Utilities	16,374	18,237	18,949	20,235	1,285	6.4%	712	3.9%
Other Airport Expenses	28,292	25,125	25,710	22,692	(3,018)	-13.3%	586	2.3%
Total Airport Direct Charges	200,184	216,341	247,429	245,192	(2,237)	-0.9%	31,088	14.4%
Environmental Remediation Liability	8,812	6,233	14,865	14,259	(605)	-4.2%	8,632	138.5%
Capital to Expense	2,856	6,891	-	-	-	0.0%	(6,891)	-100.0%
Total Exceptions	11,668	13,124	14,865	14,259	(605)	-4.2%	1,741	13.3%
Total Airport Expenses	211,852	229,465	262,294	259,451	(2,842)	-1.1%	32,829	14.3%
Police Costs	17,652	19,231	25,137	25,137	-	0.0%	5,906	30.7%
Capital Development	14,701	12,607	13,196	16,242	3,047	18.8%	588	4.7%
Other Central Services	51,004	53,121	57,869	60,129	2,260	3.8%	4,748	8.9%
Maritime/Economic Development	3,904	4,425	5,145	5,145	1	0.0%	720	16.3%
Total Charges from Other Divisions	87,262	89,384	101,346	106,654	5,307	5.0%	11,962	13.4%
Total Operating Expense	299,114	318,849	363,640	366,105	2,465	0.7%	44,791	14.0%
Net Operating Income	201,802	230,126	271,020	259,036	11,985	4.6%	40,894	17.8%
CFC Surplus	(2,750)	(6,157)	(4,683)	(3,993)	(689)	-17.3%	1,474	23.9%
Net Non-Operating Items in / out from ADF ⁽³⁾	3,481	4,406	6,069	6,069	-	0.0%	1,664	37.8%
SLOA III Incentive Straight Line Adj	3,576	-	-	-	-	0.0%	-	n/a
Debt Service	(131,060)	(136,218)	(161,132)	(158,696)	(2,436)	1.5%	(24,913)	-18.3%
Adjusted Net Cash Flow	75,050	92,157	111,275	102,416	8,859	8.6%	19,119	20.7%

Operating Expenses – 2019 YE Forecast compared to 2019 YE Budget:

Total Operating Expenses are forecasted to be (\$2.5M or .7%) favorable to Budget due to the net of the following:

- Aviation Direct Operating Expenses are forecasted to be (\$2.2M or 0.9%) unfavorable to Budget

Positive Variance of \$1.3M		Negative Variance of \$3.5M	
Payroll	\$0.0M	Outside Services	\$0.5M
Vacancies & hiring delays	1.0M	Snow Removal Impact in Apron Area	1.2M
Snow Removal Impact	(1.0M)	Snow Removal Impact on Landside	0.4M
Utilities	\$1.3M	Airfield Study Project Savings	(1.0M)
Surface Water & Water Utility run rate is lower than budgeted	1.8M	FSS Cust. Svc. Seasonal Staffing Savings	(0.5M)
Late 2018 invoices for Sewer and Natural Gas	(0.5M)	Curbside assistance for taxi in Q4 based on SP+ esti	0.5M
		Other offsets to over-runs	(0.1M)
		Other Aviation Expenses	\$3.0M
		Legal Reserve Increase	1.0M
		Maintenance Deicer for Airfield and Landside	0.9M
		Commercial Management Food Prep Labor Tax	0.5M
		Under-accrued Airline Incentives	0.2M
		Other	0.4M

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- Aviation Operating Expense Exceptions are forecasted to be (\$0.6M or 4.2%) unfavorable to Budget

Positive Variance - no variance	Negative Variance of \$0.6M
	Environmental Remediation Liability \$0.6M
	NSAT Contaminated Soils Removal Savings (0.6M)
	Asbestos - IAF- SSAT Interior Corridor and Other 1.1M
	Other ERL Expenses 0.1M

- Operating Expense charges from Central Services and other divisions are forecasted to be (\$5.3M or 5%) favorable to Budget

Positive Variance of \$5.3M	Negative Variance - none
Central Services savings \$2.3M	
CDD savings (projects delayed/deferred) \$3.0M	

Operating Expenses – 2019 YE Forecast compared to 2018 YE Actuals:

Total Operating Expenses are forecasted to be (\$44.8M or 14%) higher than 2018 Actuals due to the net of the following:

- Aviation Direct Operating Expenses are forecasted to be higher than 2018 Actuals by \$31M

Increase of \$31.1M	Decrease - none
Payroll \$16.0M	
Increased Staffing 15.0M	
Snow Removal Impact 1.0M	
Outside Services \$13.8M	
Advance Planning 0.8M	
Seasonal Customer Service Staff & Other 3.1M	
Master Planning Infrastructure Systems 3.0M	
Executive Program Management Consulting Support 1.6M	
SAMP Environment Review Planning 1.2M	
Snow Removal Impact 1.6M	
Other Outside Services 2.5M	
Utilities \$0.7M	
Other Airport Expenses \$0.6M	

- Operating Expense Exceptions are forecasted to be higher than 2018 Actuals by \$1.7M

Increase of \$8.6M	Decrease of \$6.9M
Environmental Remediation Liability \$8.6M	Capital to Expense \$6.9M

- Operating Expense charges from Central Services and other divisions are forecasted to be higher than 2018 Actuals by \$12M

Increase of \$12.0M	Decrease - no material amount
Police \$5.9M	
CDD \$0.6M	
Other Central Services \$4.7M	
Maritime/Economic Development divisions \$0.7M	

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Aeronautical Business Unit Summary - YTD

\$ in 000's	2017 YTD	2018 YTD	2019 Year-to-Date		Fav (UnFav) Budget Variance		Incr (Decr) Change from 2018	
	Actual	Actual	Actual	Budget	\$	%	\$	%
Revenues:								
Movement Area	50,849	59,656	61,289	61,987	(697)	-1.1%	1,634	2.7%
Apron Area	7,636	8,209	9,883	9,456	427	4.5%	1,674	20.4%
Terminal Rents	78,051	83,956	100,229	100,032	197	0.2%	16,272	19.4%
Federal Inspection Services (FIS)	6,708	6,641	7,271	7,086	185	2.6%	630	9.5%
Total Rate Base Revenues	143,243	158,462	178,672	178,561	111	0.1%	20,210	12.8%
Commercial Area	4,959	5,072	5,569	6,319	(750)	-11.9%	497	9.8%
Subtotal before Revenue Sharing	148,202	163,534	184,241	184,880	(639)	-0.3%	20,707	12.7%
Revenue Sharing	(18,635)	(15,964)	(8,314)	(7,841)	(473)	-6.0%	7,650	47.9%
Total Aeronautical Revenues	129,567	147,570	175,927	177,039	(1,112)	-0.6%	28,357	19.2%
Total Aeronautical Expenses	91,209	100,511	106,581	112,212	5,630	5.0%	6,070	6.0%
Net Operating Income	38,358	47,059	69,346	64,827	4,519	7.0%	22,287	47.4%

Aeronautical – Q2 2019 Actuals vs. Q2 2019 Budget

- Net Operating Income for Q2 2019 is (\$4.5M or 7.0%) favorable to budget primarily due to savings in Aeronautical expenses due to spending and timing delays in Outside Services and lower charges from other divisions.

Aeronautical – Q2 2019 Actual vs. Q2 2018 Actual

- Net Operating Income for Q2 2019 is (\$22.3M or 47.4%) higher than Q2 2018 due mainly to higher revenues (\$28.4M or 19.2% increase) from rate-based costs to recover for increased airline activity and lower revenue sharing to the Airlines due to reduction in revenue sharing percentage under SLOA IV. Operating Expenses are (\$6.1M or 6.0%) higher than Q2 2018 due to higher airport direct operating expenses to support increased airline activity.

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Aeronautical Business Unit Summary - YE Forecast

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Revenues:								
Movement Area	108,638	116,703	128,896	130,873	(1,976)	-1.5%	12,194	10.4%
Apron Area	16,771	15,627	12,380	19,714	(7,334)	-37.2%	(3,246)	-20.8%
Terminal Rents	155,431	169,318	212,274	203,319	8,956	4.4%	42,956	25.4%
Federal Inspection Services (FIS)	18,612	16,226	15,171	14,521	650	4.5%	(1,055)	-6.5%
Total Rate Base Revenues	299,452	317,874	368,722	368,426	296	0.1%	50,848	16.0%
Commercial Area	10,574	10,257	13,116	12,859	256	2.0%	2,858	27.9%
Subtotal before Revenue Sharing	310,026	328,131	381,838	381,286	552	0.1%	53,707	16.4%
Revenue Sharing	(42,311)	(36,863)	(17,192)	(15,682)	(1,510)	-9.6%	19,672	53.4%
Other Prior Year Revenues	(26)	-	-	-	-	0.0%	-	-
Total Aeronautical Revenues	267,690	291,268	364,646	365,604	(957)	-0.3%	73,378	25.2%
Total Aeronautical Expenses	195,414	211,101	242,808	243,102	294	0.1%	31,706	15.0%
Net Operating Income	72,276	80,167	121,839	122,502	(663)	-0.5%	41,672	52.0%
Debt Service ⁽¹⁾	(86,564)	(91,673)	(111,673)	(109,343)	(2,330)	-2.1%	(20,000)	-21.8%
Net Cash Flow	(14,288)	(11,506)	10,166	13,159	(2,993)	22.7%	21,672	188.4%

Airline Rate Base Cost Drivers

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
O&M	192,188	206,076	236,175	237,387	(1,212)	-0.5%	30,099	14.6%
Debt Service Gross	113,832	115,419	137,696	136,513	1,183	0.9%	22,277	19.3%
Debt Service PFC Offset	(33,057)	(32,987)	(33,060)	(33,045)	(15)	0.0%	(73)	0.2%
Amortization	29,654	32,371	30,583	30,121	463	1.5%	(1,787)	-5.5%
Space Vacancy	(2,264)	(2,132)	(1,614)	(1,521)	(93)	6.1%	518	-24.3%
TSA Operating Grant and Other	(901)	(873)	(1,058)	(1,028)	(30)	2.9%	(185)	21.2%
Rate Base Revenues	299,452	317,874	368,722	368,426	296	0.1%	50,848	16.0%
Commercial area	10,574	10,257	13,116	12,859	256	2.0%	2,858	27.9%
Total Aero Revenues	310,026	328,131	381,838	381,286	553	0.1%	53,707	16.4%

Aeronautical – 2019 YE Forecast vs. 2019 YE Budget

- Aeronautical net operating income is forecasted to be (\$0.7M or 0.5%) slightly unfavorable to budget driven by:
 - Lower forecasted Aeronautical revenues of approximately \$1M or .3% lower than budget due to higher revenue sharing to the Airlines based on higher projected Non-Aeronautical revenues, despite the decrease in revenue sharing percentage (from 40% in 2018 to 20% in 2019) per SLOA IV. Aeronautical expenses are forecasted to be (\$0.3M or 0.1%) nearly in-line with budget driven by lower cost allocations from other divisions due to delayed spending from Capital Development programs which helped to absorb overruns in Airport expenses due to snow removal costs from Q1 that impacted the Airfield Movement area.

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Aeronautical – 2019 YE Forecast vs. 2018 YE Actuals

- Net Operating Income for 2019 is forecasted to be (\$41.7M or 52%) higher than prior year due to:
 - \$74.3M higher revenue from rate-based costs to recover increased airline activity, and due to lower revenue sharing to the Airlines per SLOA IV airline.
 - \$31.7M higher expenses due to increased airport direct operating expenses to support increased airline activity and higher charges from other divisions (Central Services and Capital Development).

Non-Aero Business Unit Summary – YTD

\$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date		Fav (UnFav) Budget Variance		Incr (Decr) Change from 2018	
			Actual	Budget	\$	%	\$	%
Non-Aero Revenues								
Rental Cars - Operations	14,514	14,922	15,560	15,123	437	2.9%	637	4.3%
Rental Cars - Operating CFC	3,284	5,497	4,505	4,657	(153)	-3.3%	(993)	-18.1%
Public Parking	36,958	39,402	40,401	40,969	(568)	-1.4%	999	2.5%
Ground Transportation	7,633	8,885	9,979	9,413	567	6.0%	1,094	12.3%
Airport Dining & Retail	26,349	27,694	29,581	28,199	1,383	4.9%	1,887	6.8%
Non-Airline Terminal Leased Space	2,071	2,485	3,108	2,555	553	21.6%	623	25.1%
Commercial Properties	10,708	7,593	7,072	6,703	369	5.5%	(521)	-6.9%
Utilities	3,423	3,438	3,665	3,932	(267)	-6.8%	227	6.6%
Employee Parking	4,674	5,191	5,193	4,876	317	6.5%	2	0.0%
Clubs and Lounges	2,173	2,773	4,456	3,626	830	22.9%	1,683	60.7%
Other	973	983	1,085	993	92	9.3%	102	10.4%
Total Non-Aero Revenues	112,761	118,864	124,604	121,045	3,560	2.9%	5,740	4.8%
Total Non-Aero Expenses	49,111	52,925	57,316	62,229	4,913	7.9%	4,391	8.3%
Net Operating Income	63,649	65,940	67,288	58,816	8,472	14.4%	1,349	2.0%

Non-Aeronautical – Q2 2019 Actuals vs. Q2 2019 Budget

- Net Operating Income for Q2 2019 is (\$8.5M or 14.4%) favorable to budget driven by a combination of:
 - Higher Operating Revenue due to strong YTD performance in Clubs and Lounges, AI Clear, Airport Dining & Retail, and Ground Transportation.
 - Lower Operating Expenses due to slower than anticipated project expense charges from other divisions (primarily in Capital Development).

Non-Aeronautical – Q2 2019 Actual vs. Q2 2018 Actual

- Net Operating Income for Q2 2019 is (\$1.3M or 2%) higher than Q2 2018 (2.0% higher) driven by:
 - Strong revenue performance in both Food and Beverage and Retail sales despite transitions to new leases. Clubs and Lounges have also outperformed expectations, along with increased TNC activity in Ground Transportation, and increased transactions in Public Parking. While revenue was (4.8% higher) compared to prior YTD, it was offset by higher expenses (8.3% higher) which reflected planned initiatives in the 2019 budget and snow removal related costs earlier in the year.

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Non-Aero Business Unit Summary - YE Forecast

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Non-Aero Revenues								
Rental Cars - Operations	35,051	37,306	37,663	36,455	1,208	3.3%	357	1.0%
Rental Cars - Operating CFC	10,641	16,263	13,624	13,624	-	0.0%	(2,639)	-16.2%
Public Parking	75,106	80,212	86,070	82,350	3,720	4.5%	5,859	7.3%
Ground Transportation	15,684	18,772	20,706	19,734	972	4.9%	1,934	10.3%
Airport Dining & Retail	54,611	59,021	59,962	59,484	478	0.8%	941	1.6%
Non-Airline Terminal Leased Space	4,369	5,302	5,879	4,909	970	19.8%	577	10.9%
Commercial Properties	18,042	15,434	15,471	14,219	1,251	8.8%	37	0.2%
Utilities	7,018	7,206	8,026	8,058	(32)	-0.4%	820	11.4%
Employee Parking	9,617	10,269	10,134	10,134	-	0.0%	(135)	-1.3%
Clubs and Lounges	5,041	6,802	10,329	8,520	1,809	21.2%	3,527	51.9%
Other	1,624	1,119	2,150	2,049	101	4.9%	1,030	92.1%
Total Non-Aero Revenues	236,803	257,707	270,014	259,537	10,477	4.0%	12,307	4.8%
Total Non-Aero Expenses	103,702	107,748	120,832	123,003	2,171	1.8%	13,085	12.1%
Net Operating Income	133,101	149,959	149,181	136,534	12,648	9.3%	(778)	-0.5%
Less: CFC (Surplus) / Deficit ⁽¹⁾	(2,750)	(6,157)	(4,683)	(3,993)	(689)	-17.3%	1,474	23.9%
Adjusted Non-Aero NOI	130,351	143,802	144,499	132,540	11,958	9.0%	696	0.5%
Debt Service ⁽¹⁾	(44,495)	(44,545)	(49,459)	(49,352)	(107)	-0.2%	(4,914)	-11.0%
Net Cash Flow	85,856	99,257	95,040	83,188	11,852	14.2%	(4,217)	-4.2%

(1) CFC excess and Debit service are forecasted/budgeted on an annual basis only. Thus, quarterly data is not available.

Non-Aeronautical – 2019 Forecast vs. 2019 Budget

- Non-Aeronautical net operating income is forecasted to be (\$12.7M or 9.3%) favorable to budget due to a combination of:
 - Higher projected revenues (\$10.5M or 4% higher) in the following areas: Public Parking due to increased parking ticket rates and continued growth in Ground Transportation (TNCs); inside the terminals, strong performance continues in Clubs and Lounges and AI Clear revenues; and In-flight sales revenue is also experiencing strong growth due to longer wait times in the TSA and concession lines.
 - Lower projected expenses (\$2.2M or 1.8% lower) due largely to forecasted cost savings in allocations from other divisions which absorbed impact of snow removal costs to Landside in Q1.

Non-Aeronautical – 2019 Forecast vs. 2018 Actuals

- Net Operating Income growth for 2019 is forecasted to be (\$0.7M or 0.5%) flat compared to prior year despite higher forecasted revenues in Airport Dining & Retail, Public Parking, Ground Transportation, and Clubs and Lounges. While growth in revenue is forecasted to be (\$12.3M or 4.8%) higher, expenses are anticipated to be (\$13.1M or 12.1%) higher due to higher payroll costs related to increase in staffing, higher outside services expense primarily due to non-recurring expenses focused on addressing strategic initiatives throughout the airport, and higher charges from other divisions.

D. CAPITAL RESULTS

Capital Variance

\$ in 000's Description	2019	2019	2019	Budget Variance	
	YTD Actual	Forecast	Budget	\$	%
International Arrivals Facility ⁽¹⁾	153,500	338,500	376,548	38,048	10.1%
NS NSAT Renov NSTS Lobbies ⁽²⁾	64,866	133,086	141,054	7,968	5.6%
Service Tunnel Renewal/Replace ⁽³⁾	5,083	11,083	15,000	3,917	26.1%
SSAT Renovation Project ⁽⁴⁾	(3,426)	(3,426)	100	3,526	3525.9%
Arc Flash Mitigation ⁽⁵⁾	29	189	3,636	3,448	94.8%
Fire Station - Westside ⁽⁶⁾	358	958	4,000	3,042	76.0%
Highline School Insulation ⁽⁷⁾	3	6,043	3,300	(2,743)	-83.1%
Electric Utility SCADA ⁽⁸⁾	6	406	2,800	2,394	85.5%
Parking Garage Elevators Modernization ⁽⁹⁾	157	1,317	3,590	2,273	63.3%
ASL Conversion at Checkpoints ⁽¹⁰⁾	536	1,536	3,400	1,864	54.8%
PLB Renew & Replace Phase 2 ⁽¹¹⁾	1,606	4,168	5,834	1,666	28.6%
Perimeter Intrusion Detect Sys ⁽¹²⁾	26	123	1,775	1,652	93.1%
RCF Pavement Remediation ⁽¹³⁾	173	3,573	5,200	1,627	31.3%
All Other	57,206	162,257	201,494	39,237	19.5%
Total Spending	280,124	659,813	767,732	107,919	14.1%

1. The Design Builder construction in place has lagged behind projections, primarily because of steel fabrication delays and overall manpower shortages.
2. One month lag on construction invoicing is contributing to positive variance.
3. Original estimate assumed traffic management change order was to be implemented which has not yet occurred. Estimate did not account for decrease in spending as work in the main garage is completed.
4. Project cancelled.
5. Design delays have deferred construction start to 2020.
6. A change in delivery method from two major works contracts to one contract has resulted in delaying the construction to start in Q1 2020.
7. FAA issued a grant, issuance of grant accelerated projected cash flows for the two schools.
8. Project delayed to address design deficiencies and additional scope.
9. Elevator shafts and vestibules are being delayed until 2020 construction season due to design delays and weather windows.
10. Work delays are due to the lack of electrical contracting and sprinkler damage delays with CP2/CP3.
11. Two bridges are pushed out from 2019 to 2020 due to gate S12 PLB failure. Payments to suppliers are later than forecasted.
12. RFP Took longer than originally anticipated to get off the ground.
13. Original estimate prepared prior to scope revision for fencing that delayed construction two months.

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/19

FINANCIAL SUMMARY

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Total Revenues	54,183	57,575	59,629	59,729	(100)	0%	2,055	4%
Total Operating Expenses	42,164	43,252	48,481	50,822	2,341	5%	5,229	12%
Net Operating Income	12,020	14,323	11,149	8,908	2,241	25%	(3,174)	22%
Capital Expenditures	5,746	20,489	15,105	17,638	2,533	14%	(5,384)	-26%

Division Summary 2019 Forecast vs. 2019 Budget

- Operating Revenues are forecasted \$100K below budget.
- Operating Expenses are forecasted to be \$2.3M below budget with savings expected to be split between the Maritime Division (\$1.8M) and Central Services (\$0.5M).
- Net Operating Income forecasted to be \$2.2M above budget.
- At the end of the 2nd quarter, capital spending for full year 2019 is forecasted to be \$15.1 million or 86% of the approved budget of \$17.6 million.

Division Summary 2019 Forecast vs. 2018 Actuals

- Operating Revenues are forecast to be \$2.1M above 2018 due to higher tariff rates primarily in Cruise.
- Operating Expenses are expected to be \$5.2M greater than 2018 primarily from increased wage rates, one-time favorable 2018 pension adjustment, and higher expected Cruise outside services.
- Net Operating Income is forecasted to be \$3.2M less than 2018.

Net Operating Income before Depreciation by Business

\$ in 000's	2017 YTD	2018 YTD	2019 Year-to-Date		Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Ship Canal Fishing & Operations	(1,162)	(1,148)	(800)	(1,215)	414	34%	348	30%
Elliott Bay Fishing & Commercial Operations	355	13	515	(282)	797	282%	501	NA
Recreational Boating	791	982	1,045	263	782	297%	62	6%
Cruise	2,829	2,093	3,216	2,920	296	10%	1,123	54%
Bulk	2,388	2,249	1,737	1,534	203	13%	(513)	-23%
Maritime Portfolio	111	391	(435)	(1,225)	790	64%	(826)	-211%
All Other	(478)	(39)	(219)	(372)	153	41%	(180)	-456%
Total Maritime	4,835	4,541	5,058	1,623	3,435	212%	516	11%

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/19

A. BUSINESS EVENTS

Cruise – Successful first arrival of the Norwegian Joy and Royal Caribbean’s Ovation of the Seas. Eighty percent of business volume now under contracted commitment. Received feedback on RFQ and selected three entities to participate in the RFP process.

Elliott Bay Fishing & Commercial Operations – The 680’ Ocean Phoenix fished her last season of Pollock. She has been a 30+year tenant of the port, employing 225 crew, and bringing 4,200 tons of product annually to Pier 90. The 367’ M/V Excellence has been overhauled to help absorb the processing capacity of the Ocean Phoenix.

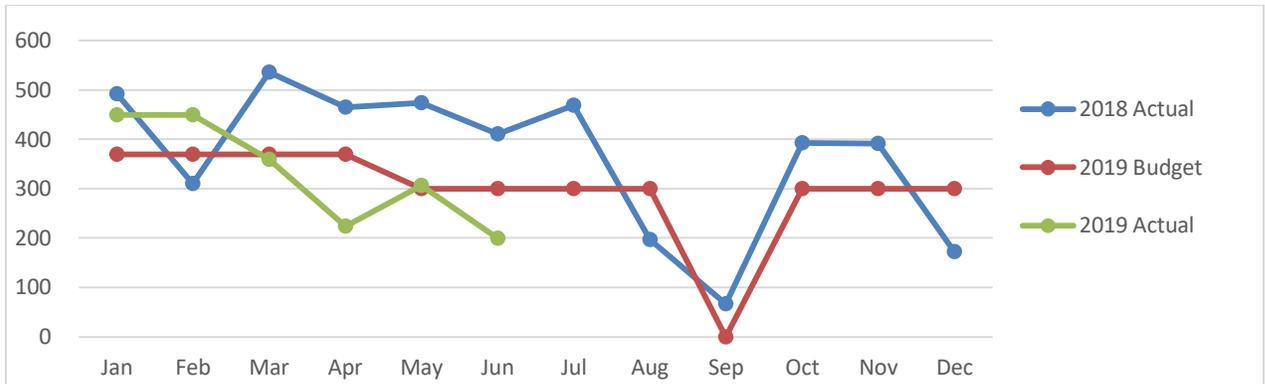
Recreational Boating – Bids closed for Shilshole Bay Marina’s customer service facility buildings. Building on 4th year in a row with zero injuries.

Seaport Environmental – Completed installation of 390 solar panels, each with 300 watts at P69. Project came in under budget with 66% of costs recovered by the grant.

Stormwater Utility – Completed installation of a rain garden adjacent to the bike path at Terminal 86 and new drainage system in Cruise passenger area at Pier 91.

B. KEY PERFORMANCE METRICS

Grain Volume – Metric Tons in 000’s



Cruise Passengers in 000’s



III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/19

C. OPERATING RESULTS

\$ in 000's	2017 YTD	2018 YTD	2019 Year-to-Date		Fav (UnFav) Budget Variance		Incr (Decr) Change from 2018	
	Actual	Actual	Actual	Budget	\$	%	\$	%
Ship Canal Fishing & Operations	1,456	1,610	2,004	2,010	(6)	0%	394	24%
Elliott Bay Fishing & Commercial Oper	2,984	3,012	3,067	2,961	105	4%	55	2%
Recreational Boating	5,438	6,068	6,228	6,358	(131)	-2%	160	3%
Cruise	6,325	6,806	8,473	9,114	(641)	-7%	1,668	25%
Bulk	3,042	3,123	2,567	2,423	144	6%	(556)	-18%
Maritime Portfolio Management	5,267	5,628	5,019	5,052	(33)	-1%	(609)	-11%
Other	14	11	10	0	10	NA	(1)	-8%
Total Revenue	24,525	26,257	27,368	27,918	(550)	-2%	1,110	4%
Expenses								
Ship Canal Fishing & Operations	1,021	1,183	1,227	1,493	266	18%	44	4%
Elliott Bay Fishing & Commercial Op	1,289	1,315	1,202	1,407	205	15%	(113)	-9%
Rec Boating	1,857	1,952	2,027	2,312	285	12%	75	4%
Cruise	427	1,136	998	2,307	1,309	57%	(138)	-12%
Other Maritime	221	365	280	270	(11)	-4%	(85)	-23%
Maintenance Expenses	4,658	5,576	5,521	6,227	706	11%	(55)	-1%
Portfolio Management	1,770	2,031	2,136	2,402	266	11%	105	5%
Other ED Expenses	353	320	232	356	123	35%	(87)	-27%
Total Maritime & EDD expenses	11,595	13,878	13,624	16,773	3,149	19%	(254)	-2%
Enviromental & Sustainability	598	519	1,082	1,294	212	16%	563	108%
CDD Expenses	419	437	415	420	5	1%	(22)	-5%
Police Expenses	1,889	2,169	1,988	2,240	252	11%	(181)	-8%
Other Central Services	4,725	4,707	5,055	5,461	406	7%	349	7%
Aviation Division	93	105	135	107	(28)	-26%	30	28%
Total Central Services & Aviation	7,724	7,937	8,675	9,522	847	9%	738	9%
Envir Remed Liability	371	(99)	11	0	(11)	NA	110	-111%
Total Expense	19,690	21,716	22,310	26,295	3,985	15%	594	3%
NOI Before Depreciation	4,835	4,541	5,058	1,623	3,435	212%	516	11%
Depreciation	8,442	8,823	8,911	8,804	(107)	-1%	88	1%
NOI After Depreciation	(3,606)	(4,281)	(3,853)	(7,181)	3,328	46%	429	10%

2019 YTD Actuals vs. Budget

- Operating Revenues were \$550K lower than budget from Cruise sailing schedule and contractual changes after budget. The shortfall should be made up in Q2.
- Operating Expenses were \$3,985K lower than budget:
 - Cruise \$1,309K lower than budget due to timing of marketing spend and cancellation of consulting work.
 - Rec Boating \$285K lower than budget due to open positions.
 - Ship Canal Fishing & Operations \$266K favorable primarily due to open positions budgeted for Salmon Bay Marina.
 - Elliott Bay Fishing & Commercial Operations \$205K lower than budget from timing of utility expense.
 - Portfolio Management \$266K favorable from open headcount and timing of consulting.
 - Maintenance \$706K favorable do to timing of project spend.
 - Environment & Sustainability \$212K lower than budget due to vacant positions.
 - Police \$252K under budget.
 - Other Central Services \$406K lower than budget primarily due to lower charges from Public Affairs \$78K, Human Resources \$141K, and Exec \$74K.
- All other expenses net to \$78K lower than budget.
- Net Operating Income was \$3,435 above budget.

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/19

2019 YTD Actuals vs. 2018 YTD Actuals

- Operating Revenues were \$1,110K higher than 2018 due to growth in Cruise and Fishing/Commercial/Recreational Marinas resulting from increased rates. This growth is offset by WSDOT lease expiration at T106 & T46 and reductions in volumes at the Grain terminal resulting from soybean tariffs.
- Operating Expenses were \$594K higher than 2018 actual driven primarily by Environmental with a higher ratio of expense work and Central services from annual salary increases. Direct expenses went down Y/Y due to higher than expected open positions.
- Net Operating Income was \$516K above 2018 actual.

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Budget	Budget	Variance	Change from 2018	
					\$	%	\$	%
Ship Canal Fishing & Operations	2,854	3,502	4,021	4,021	0	0%	519	15%
Elliott Bay Fishing & Commercial Operations	6,443	6,755	5,827	5,927	(100)	-2%	(928)	-14%
Recreational Boating	11,086	12,035	12,794	12,794	0	0%	760	6%
Cruise	17,596	18,880	22,406	22,406	0	0%	3,526	19%
Bulk	5,427	5,167	4,254	4,254	0	0%	(913)	-18%
Maritime Portfolio Management	10,787	11,305	10,328	10,328	0	0%	(977)	-9%
Other	(9)	(69)	0	0	0	NA	69	100%
Total Revenue	54,183	57,575	59,629	59,729	(100)	0%	2,055	4%
Expenses								
Ship Canal Fishing & Operations	2,011	2,261	2,554	2,804	250	9%	293	13%
Elliott Bay Fishing & Commercial Operations	2,588	2,530	2,479	2,629	150	6%	(51)	-2%
Rec Boating	3,814	3,609	3,995	4,395	400	9%	387	11%
Cruise	2,674	2,683	3,637	4,212	575	14%	954	36%
Other Maritime	462	721	564	564	0	0%	(157)	-22%
Maintenance Expenses	10,420	11,416	11,980	11,980	0	0%	563	5%
Portfolio Management	3,507	3,726	3,979	4,279	300	7%	252	7%
Other ED Expenses	665	621	595	718	123	17%	(26)	-4%
Total Maritime & EDD expenses	26,141	27,566	29,782	31,580	1,798	6%	2,216	8%
Environmental & Sustainability	1,125	1,588	2,436	2,622	186	7%	847	53%
CDD Expenses	748	823	855	821	(34)	-4%	33	4%
Police Expenses	3,756	4,041	4,297	4,473	176	4%	256	6%
Other Central Services	9,803	9,469	10,905	11,120	215	2%	1,437	15%
Aviation Division	203	221	206	206	0	0%	(15)	-7%
Total Central Services & Aviation	15,634	16,141	18,699	19,242	543	3%	2,558	16%
Envir Remed Liability	389	(455)	0	0	0	NA	455	100%
Total Expense	42,164	43,252	48,481	50,822	2,341	5%	5,229	12%
NOI Before Depreciation	12,020	14,323	11,149	8,908	2,241	25%	(3,174)	-22%
Depreciation	17,410	18,022	17,813	17,613	(200)	-1%	(209)	-1%
NOI After Depreciation	(5,390)	(3,699)	(6,664)	(8,705)	2,041	23%	(2,965)	-80%

2019 Forecast vs. 2019 Budget

- Operating Revenues are forecast \$100K below budget from scheduling with Navy vessel during seafair.
- Operating Expenses are forecasted to be \$2,341K lower than budget:
 - Fishing and Rec Boating are \$800K below budget dues to YTD savings.
 - Cruise is favorable \$575K with \$750K consulting contract cancellation offset by a \$175K capital write off on the P66 Cruise terminal façade.
 - Remaining \$966K driven by open headcount payroll, not expected to be spent in 2nd half.

2019 Forecast vs. 2018 Actuals

- Operating Revenues are forecasted to be \$2.1M higher than 2018 actual:
 - Increased tariff offset by loss of WSDOT revenue.
- Operating Expenses are forecasted to be \$5.2M higher than 2018 actual with increases seen in:
 - Cruise \$1M due to higher execution and exterior façade write-off.
 - Central Services \$2.6M up from wage increases, less open headcount, and favorable 2018 pension adjustment.
 - Maintenance up \$563K from allocation change on P66 cruise building.
- Net Operating Income is forecasted to be \$3.2M below 2018 actual.

D. CAPITAL RESULTS

\$ in 000's	2019 YTD	2019	2019	Budget Variance	
	Actual	Forecast	Budget	\$	%
Small Projects	748	2,717	3,954	1,237	31%
SBM Restrms/Service Bldgs Rep	62	2,721	2,920	199	7%
Contingency Renewal & Replace.	0	2,000	2,000	0	0%
MD Fleet 2019	0	1,429	1,818	389	21%
Cruise Terminal Tenant Improv	13	1,370	1,370	0	0%
T117 Restoration	99	579	1,040	461	44%
FT Docs 3,4,5 Fixed Pier	173	637	600	(37)	-6%
New Cruise Terminal	160	1,060	600	(460)	-77%
SBM Paving	27	725	596	(129)	-22%
Maritime Technology Projects	26	176	450	274	61%
Marina Mgt Sys Replacement	63	163	426	263	62%
All Other Projects	508	1,528	1,864	336	18%
Total Maritime	1,879	15,105	17,638	2,533	14%

Comments on Key Projects:

Through the 1st half of 2019, Maritime spent 11% of the annual approved capital budget. Full year spending is estimated to be 86% of budget.

Projects with significant changes in spending were:

- **Small Projects** – Numerous projects within CIP are under feasibility discussions to either cancel or defer spending into 2020.
- **T117 Restoration** – Schedule delayed due to delayed in Trustee negotiation.
- **New Cruise Terminal** - A site for the new cruise terminal became available sooner than expected. Design development proceeding earlier than anticipated.
- **SBM Paving** – Construction delayed due to re-evaluation of project scope after bids received 33% over Engineer's estimate. Contract award expected in Q3 2019.
- **Marina Management System** – Project on hold as vendor unable to meet security requirements.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/19

FINANCIAL SUMMARY

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Total Revenues	17,791	20,705	19,725	19,725	0	0%	(979)	-5%
Total Operating Expenses	25,397	27,651	29,172	31,114	1,942	6%	1,522	6%
Net Operating Income	(7,606)	(6,946)	(9,447)	(11,389)	1,942	17%	(2,501)	-36%
Capital Expenditures	3,739	2,066	4,980	5,713	733	13%	2,914	141%

Division Summary 2019 Forecast vs. 2019 Budget

- Operating Revenues are forecasted to budget primarily due to Conference and Event Center favorable volumes in the 1st half, offset by construction/modernization related volumes in the 2nd half of 2019.
- Operating Expenses are forecasted to be \$1,942K below budget primarily due to unfilled positions, Maintenance allocation changes, Workforce Development contract deferral, and timing of EDD Grants.
- Net Operating Income forecasted to be \$1,942K above budget.
- At the end of the second quarter, capital spending for full year 2019 is forecasted to be \$5.0M or 87% of the approved budget.

Division Summary 2019 Forecast vs. 2018 Actuals

- Operating Revenues are expected to be \$979K below 2018 primarily due to expiring lease with WSDOT at T106 and Conference and Event Center volumes.
- Operating Expenses are expected to be \$1,522K greater than 2018 primarily due to increased execution of Economic Development Initiative programs.
- Net Operating Income is expected to be \$2.5M less than 2018.

Net Operating Income before Depreciation by Business

\$ in 000's	2017 YTD	2018 YTD	2019 Year-to-Date		Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	2019 Bud Var		Change from 2018	
					\$	%	\$	%
Portfolio Management	(2,548)	(2,062)	(1,293)	(3,093)	1,799	58%	769	37%
Conference & Event Centers	(483)	(17)	(162)	(85)	(78)	-92%	(145)	-848%
Tourism	(528)	(640)	(505)	(714)	208	29%	134	21%
Workforce Development	(353)	(368)	(596)	(1,095)	499	46%	(229)	-62%
EDD Grants	(427)	(28)	4	(624)	628	NA	32	NA
Env Grants/Remed Liab/ERC	(1)	0	(34)	(60)	26	NA	(34)	NA
Total Econ Dev	(4,340)	(3,115)	(2,588)	(5,670)	3,082	54%	527	17%

A. BUSINESS EVENTS

Workforce Development – Fourteen aspiring ironworkers graduated from the union’s second pre-apprenticeship cohort. Thirteen are now enrolled apprentices. The group has earned \$141K (\$24+/hour) so far.

Diversity in Contracting – Published the first Diversity in Contracting Annual Report. It highlighted the Port’s 2018 WMBE results (11.8%) and 2019 WMBE utilization goals (12.4% not including construction).

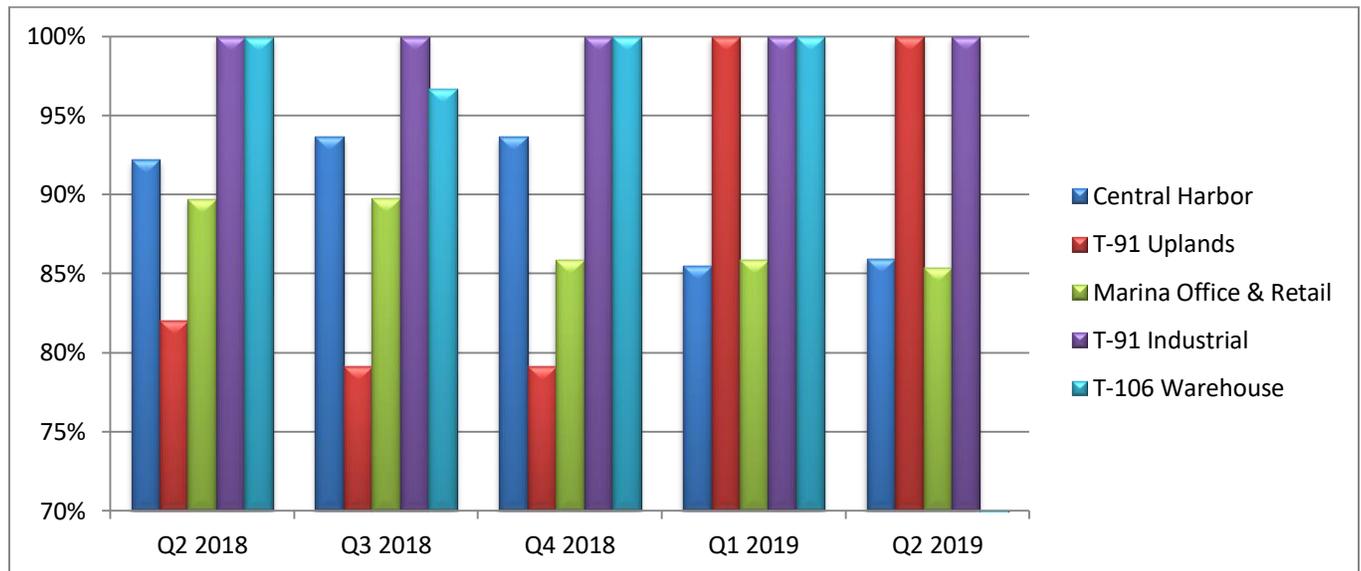
Portfolio Management – Received Commission authorization to start construction/modernization of Bell Harbor Conference Center.

Tourism – Thirty organizations received 2019 tourism grants from the Port of Seattle. New recipients include: Goldendale Chamber of Commerce promoting the Goldendale Observatory, the Suquamish Museum targeting travelers in Seattle hotels and Methow Trails will improve their website promoting outdoor winter activities. Selected Core Communications to provide tourism marketing programs on behalf of the Port’s international tourism efforts.

Real Estate Development – Issued RFP to redevelop Terminal 106. Initiated Commission approval to surplus and sell small property on Harbor Avenue.

B. KEY PERFORMANCE METRICS

Building Occupancy by Location:



IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/19

C. OPERATING RESULTS

\$ in 000's	2017 YTD	2018 YTD	2019 Year-to-Date		Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Revenue	4,182	4,577	4,421	4,414	7	0%	(156)	-3%
Conf & Event Centers	3,545	5,188	5,963	5,604	360	6%	775	15%
Total Revenue	7,727	9,765	10,384	10,017	367	4%	619	6%
Expenses								
Portfolio Management	2,050	1,952	1,922	2,156	234	11%	(30)	-2%
Conf & Event Centers	3,660	4,306	4,833	4,687	(146)	-3%	526	12%
P69 Facilities Expenses	96	114	92	115	23	20%	(22)	-20%
RE Dev & Planning	120	74	48	98	49	51%	(26)	-35%
EconDev Expenses Other	396	473	352	644	292	45%	(121)	-26%
Maintenance Expenses	1,492	1,996	1,563	2,160	597	28%	(433)	-22%
Maritime Expenses (Excl Maint)	24	77	72	196	124	63%	(5)	-6%
Total EDD & Maritime Expenses	7,838	8,992	8,882	10,055	1,174	12%	(111)	-1%
Diversity in Contracting	26	37	99	106	7	7%	62	169%
Workforce Development	228	228	474	959	485	51%	246	108%
Tourism	514	620	526	761	235	31%	(94)	-15%
EDD Grants	427	28	(4)	580	584	101%	(32)	-112%
Total EDD Initiatives	1,195	912	1,095	2,406	1,311	54%	183	20%
Environmental & Sustainability	130	121	173	193	20	10%	52	43%
CDD Expenses	200	139	148	120	(28)	-23%	9	6%
Police Expenses	85	81	101	114	13	12%	20	24%
Other Central Services	2,551	2,555	2,520	2,719	199	7%	(35)	-1%
Aviation Division	69	79	54	80	27	33%	(26)	-32%
Total Central Services & Aviation	3,034	2,976	2,995	3,226	231	7%	20	1%
Envir Remed Liability	0	0	0	0	0	NA	0	NA
Total Expense	12,067	12,880	12,972	15,688	2,716	17%	92	1%
NOI Before Depreciation	(4,340)	(3,115)	(2,588)	(5,670)	3,082	54%	527	17%
Depreciation	1,860	1,999	1,859	1,908	50	3%	(141)	-7%
NOI After Depreciation	(6,201)	(5,114)	(4,447)	(7,579)	3,132	41%	668	13%

2019 YTD Actuals vs. Budget

- Operating Revenues were \$367K higher than budget due to higher than anticipated volumes at the conference and event center.
- Operating Expenses were \$2,716K lower than budget:
 - Portfolio Management \$234K favorable from open headcount and timing of tenant improvement expenses.
 - Conference and Event Center costs \$146K unfavorable due to higher volumes.
 - EconDev Other \$292K lower than budget due to unspent Opportunity Fund and delayed hiring.
 - Maintenance Expenses \$597K favorable from new allocation methodology at P66.
 - Workforce Development \$485K lower than budget due to timing of spending for Construction Trades - Regional Partnership, K-12 Career Connected Learning, and Maritime Initiative, offset by moving up spending on Airport Career Pathways implementation.
 - Tourism \$235K lower than budget from timing of Visit Seattle invoice and less travel expense than budgeted.
 - EDD Grants \$584K favorable to budget due to timing of invoices.
 - Other Central Services \$199K below budget with savings from open headcount.
 - All other expenses net to \$56K above budget.
- Net Operating Income was \$3,082K above budget.

2019 YTD Actuals vs. 2018 YTD Actuals

- Operating Revenues were \$619K higher than 2018 actual due to stronger sales resulting from the completion of the Pier 66 Cruise Terminal Expansion Project that disrupted the availability of space for conference events.
- Operating Expenses were \$92K higher than 2018 actual:
 - Conference and Event Center \$526K greater than 2018 due to higher sales activity at Bell Harbor International Conference Center.
 - Portfolio Management lower \$30K from elevator modernization in Q1 2018.
 - Maintenance Expenses \$433K less than 2018 due to allocation methodology change at P66.
 - EDD Grants \$32K lower, EconDev Other \$121K lower, Workforce Development \$246K higher, and Tourism \$94K lower than 2018 due to timing of payments.
 - All other Expenses net to \$30K above 2018.
- Net Operating Income was \$527K above 2018 actual.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/19

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Revenue	8,658	9,002	8,930	8,930	0	0%	(72)	-1%
Conf & Event Centers	9,133	11,703	10,795	10,795	0	0%	(908)	-8%
Total Revenue	17,791	20,705	19,725	19,725	0	0%	(979)	-5%
Expenses								
Portfolio Management	3,879	3,571	3,894	4,128	234	6%	323	9%
Conf & Event Centers	7,639	9,889	9,374	9,374	0	0%	(516)	-5%
P69 Facilities Expenses	206	235	225	225	0	0%	(11)	-5%
RE Dev & Planning	214	149	166	216	50	23%	17	11%
EconDev Expenses Other	773	785	1,062	1,262	200	16%	277	35%
Maintenance Expenses	3,666	3,915	3,571	4,071	500	12%	(344)	-9%
Maritime Expenses (Excl Maint)	52	166	265	389	124	32%	99	59%
Total EDD & Maritime Expenses	16,429	18,711	18,556	19,664	1,108	6%	(155)	-1%
Diversity in Contracting	64	132	199	199	0	0%	67	50%
Workforce Development	850	702	1,600	2,010	410	20%	898	128%
Tourism	1,234	1,408	1,521	1,521	0	0%	112	8%
EDD Grants	751	838	900	1,160	260	22%	62	7%
Total EDD Initiatives	2,900	3,080	4,220	4,890	670	14%	1,139	37%
Environmental & Sustainability	260	281	338	395	57	14%	58	21%
CDD Expenses	387	283	247	235	(12)	-5%	(36)	-13%
Police Expenses	51	(76)	220	228	8	4%	296	-391%
Other Central Services	5,257	5,259	5,436	5,547	111	2%	177	3%
Aviation Division	113	113	155	155	0	0%	42	37%
Total Central Services & Aviation	6,068	5,860	6,397	6,561	164	2%	538	9%
Envir Remed Liability	0	0	0	0	0	NA	0	NA
Total Expense	25,397	27,651	29,172	31,114	1,942	6%	1,522	6%
NOI Before Depreciation	(7,606)	(6,946)	(9,447)	(11,389)	1,942	17%	(2,501)	-36%
Depreciation	3,863	3,992	3,819	3,819	0	0%	(173)	-4%
NOI After Depreciation	(11,469)	(10,938)	(13,266)	(15,208)	1,942	13%	(2,328)	-21%

2019 Forecast vs. 2019 Budget

- Operating Revenues are forecasted to budget with year to date favorability offset by construction at P66 Conference & Event Center.
- Operating Expenses are forecasted to be \$1,942K below budget primarily due to unfilled positions and reduction in a couple initiative programs.

2019 Forecast vs. 2018 Actuals

- Operating Revenues are forecasted to be \$979K lower than 2018 actual:
 - Loss of T106 WSDOT revenue in 2019.
 - Potential loss of Conference and Event Center space due to the capital modernization project.
- Operating Expenses are forecasted to be \$1.5M higher than 2018 actual:
- Net Operating Income is forecasted to be \$2.5M below 2018 actual.

D. CAPITAL RESULTS

\$ in 000's	2019 YTD Actual	2019 Forecast	2019 Budget	Budget Variance	
				\$	%
Tenant Improvements -Capital	0	1,023	1,012	(11)	-1%
RE: Contingency Renew.&Replace	0	1,000	1,000	0	0%
Small Projects	74	499	750	251	33%
BHICC Interior Modernization	523	750	750	0	0%
P66 HVAC Systems Upgrade	266	666	690	24	3%
T91 Upland PreDevelopment	53	203	625	422	68%
P69 Commission Chamber Refresh	258	258	301	43	14%
P69 Solar Panel System	266	266	300	34	11%
EDD Technology Projects	0	170	250	80	32%
Fleet Replacement	0	30	30	0	0%
Other Projects	4	115	5	(110)	-2200%
Total Economic Development	1,444	4,980	5,713	733	13%

Comments on Key Projects:

Through the 1st half of 2019, Economic Development spent 25% of the annual approved capital budget. Full year spending is estimated to be 87% of budget.

Projects with significant changes in spending were:

- **Tenant Improvements - Capital** – Leases forecasted to expire will be renewed and require additional capital investment.
- **Small Projects** – Upland Garage EV Charging Station project was cancelled by project sponsor for 2019. Project feasibility for 2020 under discussion
- **T91 Upland Pre-Development** – Spending less in 2019 with more spending to occur in 2020 and 2021.

FINANCIAL SUMMARY

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Budget	Budget	Variance	Change from 2018	
					\$	%	\$	%
Total Operating Revenues	68	(500)	498	185	313	169.2%	998	-199.5%
Core Central Support Services	71,071	73,576	81,157	82,710	1,552	1.9%	7,581	10.3%
Police	22,095	23,908	29,578	30,778	1,200	3.9%	5,670	23.7%
Capital Development	17,370	15,501	16,227	18,628	2,401	12.9%	726	4.7%
Environment & Sustainability	6,975	8,770	12,101	13,224	1,123	8.5%	3,331	38.0%
Total Operating Expenses	117,511	121,755	139,064	145,339	6,276	4.3%	17,308	14.2%

2019 Forecast vs. 2019 Budget

- Operating Revenues are forecasted to be favorable due primarily to Police forfeiture seizures.
- Operating Expenses are forecasted to be \$6.3M favorable to budget mainly due to staffing vacancies, projects spending delay, and delayed Outside Services costs.
- Capital spending is forecasted to be \$14.8M, 63.5% of the 2019 budget.

2019 Forecast vs. 2018 Actuals

- Operating Revenues are expected to be \$1M above 2018 mainly due to higher Police forfeiture seizures in 2019 and (\$863K) special funding LEOFF 2 received from the Washington State Department of Retirement Systems (DRS) in 2018.
- Operating Expenses are forecasted to be \$17.3M higher than 2018 mainly due to higher payroll expenses and more expense projects.

A. BUSINESS EVENTS

- Adopted the Duwamish Valley Community Equity Program and held the Duwamish Alive community restoration event at T117.
- Hosted a second Strategic Initiatives Learning Event featuring Hien Dung of King County Wastewater and Henry Maynard, Port Operating Maintenance Engineer.
- Completed Phase 2 of Port Website Redesign project which included adding the Maritime Moorage Application and filtered lists for Commission items.
- Replaced the Aviation Stormwater GIS which will allow for upstream or downstream stormwater contamination tracking along a properly constructed pipe network.
- A new Project Delivery system for smaller and major construction projects is being developed to replace two legacy project management solutions and streamline key processes.
- Hosted Career Awareness events with Mt. Rainier High School, Foster High School, and Highline High School.
- Proposal approved for the Port’s first Disruption Summit. This is designed to improve the Port’s ability to respond to potential opportunities and threats in a strategic and intentional way.
- Released the Comprehensive Annual Financial Report (CAFR), and received a clean independent Certified Public Accountant (CPA) audit opinion on financial statements.
- The Port Commission authorized the Airport bond issue. Met with credit rating agencies and prepared bond disclosure documents.
- The Police department instructors provided Rapid Response trainings to airport/airline employees.
- The Police department’s Drug Interdiction Team has seized 250 lbs. of marijuana, over 19 oz. of meth and heroin, and over a million dollars of cash associated in drug trafficking through Sea-Tac Airport as of June 30th.

V. CENTRAL SERVICES FINANCIAL & PERFORMANCE REPORT 06/30/19

B. KEY PERFORMANCE METRICS

Key Performance Indicators/Measures	YTD 2017	YTD 2018	YTD 2019
A. Century Agenda Strategies			
1. Minority/Women-Owned Business Participation in Capital Development Contracts	N/A	10.5%	Not Yet Available
B. High Performance Organization - Customer Satisfaction			
1. Respond to Public Disclosure Requests	264	305	450
2. Information and Communication Technology Network Availability	99.9%	100%	99.9%
3. Customer Survey for Police Service Excellent or Very Good	83%	88%	87%
4. Oversee Implementation and Administration of CBAs agreements	147	122	74
5. Number of Jobs Openings	443	353	358
6. Percent of annual audit work plan completed each year	39%	50%	53%
C. High Performance Organization - Talent Development & Safety			
1. MIS and Clarity Training	4 classes, 28 attendees	4 classes, 38 attendees	4 classes, 41 attendees
2. Employee Development Class Attendees/Structured Learning	190	86	509
3. Required Safety Training	64%	54%	57%
4. Occupational Injury Rate	4.94	5.05	4.75
5. Days Away Severity Rate	N/A	32.01	15.08
D. Financial Performance			
1. Corporate costs as a % of Total Operating Expenses	32.8%	31.6%	29.7%
2. Construction Soft Costs - Total Soft Costs (36 months avg.)	28%	18%	16%
3. Clean independent CPA audits involving AFR	Yes	Yes	Yes
4. Timely process disbursement payment requests	4 days	4 days	3 days
5. Keep receivables collections current (within 30 days)	95%	76%	74%
6. Investment Portfolio Yield	1.42%	1.69%	2.16%
7. Litigation and Claim Reserves (in \$ thousand)	\$1.5M	\$348K	\$2.5M

C. OPERATING RESULTS

Financial Summary (YTD)

\$ in 000's	2017 YTD	2018 YTD	2019 Year-to-Date		Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Total Operating Revenues	82	81	331	56	311	552.7%	250	308.5%
Core Central Support Services	34,692	36,661	37,576	40,544	2,968	7.3%	915	2.5%
Police	11,378	13,188	13,997	15,416	1,419	9.2%	809	6.1%
Capital Development	7,763	7,733	8,155	9,489	1,334	14.1%	422	5.5%
Environment & Sustainability	3,347	2,954	4,551	5,857	1,306	22.3%	1,597	54.1%
Total Expenses	57,181	60,536	64,279	71,305	7,026	9.9%	3,743	6.2%

2019 YTD Actuals vs. Budget

- Operating Revenues were \$311K favorable to budget due mainly to Police forfeitures revenues.
- Operating Expenses were \$7.0M favorable to budget due primarily to staffing vacancies and lower Outside Services costs.

2019 YTD Actuals vs. 2018 YTD Actuals

- Operating Revenues were \$250K higher than 2018 level due to Police forfeitures revenue.
- Operating Expenses were \$3.7M higher than last year primarily due to higher Salaries & Benefits and Outside Services costs.

V. CENTRAL SERVICES FINANCIAL & PERFORMANCE REPORT 06/30/19

Financial Summary (Year-End Forecast)

	Notes	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
		Actual	Actual	Forecast	Budget	Budget	Variance	Change from 2018	
\$ in 000's						\$	%	\$	%
Total Revenues		68	(500)	498	185	313	169.2%	998	-199.5%
Executive		1,287	2,136	1,995	1,995	-	0.0%	(142)	-6.6%
Commission		1,685	1,848	2,133	2,153	20	0.9%	285	15.4%
Legal		3,741	3,948	3,785	3,568	(217)	-6.1%	(163)	-4.1%
External Relations	1	7,112	7,362	8,202	8,367	165	2.0%	840	11.4%
Equity Diversity and Inclusion	2	-	-	251	351	100	28.5%	251	0.0%
Human Resources		8,418	8,430	9,883	10,250	367	3.6%	1,453	17.2%
Labor Relations		1,678	1,079	1,330	1,330	-	0.0%	251	23.3%
Internal Audit		1,603	1,521	1,704	1,916	211	11.0%	184	12.1%
Accounting & Financial Reporting Services		6,751	6,842	8,440	8,500	60	0.7%	1,598	23.4%
Information & Communication Technology		21,633	21,961	23,966	23,966	-	0.0%	2,005	9.1%
Information Security	3	726	934	1,559	1,774	215	12.1%	624	66.8%
Finance & Budget		4,998	5,593	6,430	6,371	(59)	-0.9%	837	15.0%
Maritime Finance		1,229	1,445	1,623	1,623	-	0.0%	178	12.3%
Finance & Budget		1,871	1,843	2,106	2,132	26	1.2%	263	14.3%
Aviation Finance & Budget		1,897	2,305	2,701	2,616	(85)	-3.2%	396	17.2%
Business Intelligence		1,211	1,323	1,929	2,139	210	9.8%	607	45.9%
Risk Services		3,077	3,095	3,255	3,328	73	2.2%	160	5.2%
Office of Strategic Initiatives		1,882	1,596	1,568	1,776	207	11.7%	(28)	-1.8%
Central Procurement Office		3,861	4,630	4,678	4,678	-	0.0%	48	1.0%
Security and Preparedness	4	1,029	1,093	-	-	-	0.0%	(1,093)	-100.0%
Contingency		381	185	50	250	200	80.0%	(135)	-73.0%
Core Central Support Services		71,071	73,576	81,157	82,710	1,552	1.9%	7,581	10.3%
Police		22,095	23,908	29,578	30,778	1,200	3.9%	5,670	23.7%
Total Before Cap Dev & Environment		93,166	97,484	110,735	113,487	2,752	2.4%	13,251	13.6%
Capital Development									
Engineering		5,284	5,477	6,801	7,530	730	9.7%	1,324	24.2%
Port Construction Services		3,709	3,522	2,964	2,739	(226)	-8.2%	(557)	-15.8%
Aviation PMG		6,942	4,876	4,426	6,794	2,368	34.8%	(450)	-9.2%
Seaport PMG		1,007	1,052	1,240	1,096	(144)	-13.1%	188	17.9%
Capital Development Facilities		-	-	333		(333)	N/A	333	0.0%
Capital Development Admin		428	574	464	470	6	1.3%	(111)	-19.3%
Sub-Total		17,370	15,501	16,227	18,628	2,401	12.9%	727	4.7%
Environment & Sustainability									
Aviation Environmental		3,779	5,006	6,225	6,510	285	4.4%	1,218	24.3%
Maritime Environmental & Planning		2,157	2,418	3,297	3,447	150	4.4%	879	36.4%
Noise Programs		670	722	825	811	(14)	-1.8%	103	14.3%
Environment & Sustainability		368	624	1,754	2,456	702	28.6%	1,131	181.2%
Sub-Total		6,975	8,770	12,101	13,224	1,123	8.5%	3,331	38.0%
Total Expenses		117,511	121,755	139,064	145,339	6,276	4.3%	17,309	14.2%

Notes:

- 1) Previously known as "Public Affairs"
- 2) A new department created in 2019
- 3) Became a separate department in 2019. Used to be a part of Security and Preparedness.
- 4) Deactivated in 2019

2019 Forecast vs. 2019 Budget

- Operating Expenses are forecasted to be \$6.3M under budget due primarily to:
 - **Executive** – plans on being on budget.
 - **Commission** – favorable variance is due to lower Travel Expenses.
 - **Legal** – unfavorable variance of \$222K is due to Legal Expenses.
 - **External Relations** – favorable variance is due to vacant positions, lower Outside Services, Travel and Advertising Expenses.
 - **Equity, Diversity and Inclusion** – favorable variance is due to vacant positions.
 - **Human Resources** – favorable variance is due to several vacant positions and delayed Outside Services.
 - **Labor Relations** – plans on being on budget.
 - **Internal Audit** – favorable variance is due to two vacant positions and lower Outside Services from one audit that came in below budget.
 - **Accounting and Financial Reporting Services** – favorable variance due to delayed Travel Expenses and lower Outside Services.
 - **Information & Communication Technology** – plans on being on budget.
 - **Information Security** – favorable variance is due to vacant positions and delayed Outside Services.
 - **Finance & Budget** – plans on being on budget.
 - **Business Intelligence** – favorable variance is due to vacant positions.
 - **Risk Services** – favorable variance is due to vacant positions and anticipates property insurance renewal and broker fees being lower.
 - **Office of Strategic Initiative** – favorable variance is due to two vacant positions.
 - **Central Procurement Office** – plans on being on budget.
 - **Contingency** – favorable variance is due to less spending than anticipated.
 - **Police** – favorable variance is due to vacant positions.
 - **Capital Development** – favorable variance is due to vacant positions and lower Outside Services costs.
 - **Environment & Sustainability** – favorable variance is due to the deferral of the Aviation Fuel & Air Emissions Program, lower than expected spending in Commission-directed COE contract, and delay in SAMP.

2019 Forecast vs. 2018 Actuals

- Operating Expenses are forecasted to be \$17.3M higher than 2018 actuals mainly due to:
 - **Central Services** – one-time \$9.5M DRS Pension Plan True-up credit in 2018.
 - **Capital Development** – forecast \$727K above 2018 mainly due to the following:
 - More project-related expense to support the operating divisions.
 - Expenses offset by Aviation PMG Increasing charges to Capital by 3.8M.
 - **Police** – forecast \$5.7M above 2018 due to the following:
 - Added 8 Traffic Support Specialist and 2 Drug Interdiction Officers during 2018 (2019 reflects the full-year costs).
 - Added 4 FTEs, a Police Sergeant and 3 Explosive Airborne Scent Canine Officers which were requested by the airlines in 2019.
 - Wages increase for the officers and sergeants in 2019.
 - **Environment & Sustainability** – forecast \$3.5M over 2018 due to the following:
 - Added the following to the 2019 Budget which were not included in the 2018 Budget:
 - Environmental and Sustainability department added \$750K for South King County Support Program, \$150K for the Sustainability Evaluation Framework and \$8K for Environmental Excellence Awards.
 - Maritime Environment and Planning added \$200K for the Smith Cove Blue Carbon Pilot Project, \$125K for Umbrella Mitigation, \$135K for PORTfolio site maintenance/enhancements/support, \$70K for Permitting related services, and \$55K for Waste Management Program continuation.
 - Aviation Environmental added \$1.6M for the SAMP Environmental Review and Permitting (delayed from 2018 due to delayed FAA approval), \$150K for MPU Wetland and stream monitoring, \$125K to implement Sustainable Aviation Fuels (SAF) Workplan, \$100K to Complete Airport's 5-year NPDES Permit Renewal Application, \$100K for Contaminated Site Management, and an additional \$326K for a number of environmental initiatives.

D. CAPITAL RESULTS

\$ in 000's	2019 YTD	2019	2019	Budget Variance	
	Actual	Forecast	Budget	\$	%
Infrastructure - Small Cap	433	1,500	1,500	0	0.0%
Services Tech - Small Cap	176	600	1,000	400	40.0%
PeopleSoft Financials Upgrade	809	1,575	1,575	0	0.0%
Radio System Upgrade	1,511	5,311	9,140	3,829	41.9%
Police Records Mgmt System	0	300	800	500	62.5%
New Budget System	0	500	600	100	16.7%
Office Wi-Fi Refresh	0	250	500	250	50.0%
Maximo Upgrade	0	30	500	470	94.0%
STIA Network Redundancy	0	750	900	150	16.7%
Fiber Channel	0	350	600	250	41.7%
Phone System Upgrade	0	300	1,400	1,100	78.6%
Customer Relationship Mgmt	0	400	0	(400)	n/a
CDD Fleet Replacement	125	1,149	1,439	290	20.2%
Corporate Fleet Replacement	212	212	1,328	1,116	84.0%
Other (note 1)	462	1,617	2,086	469	22.5%
TOTAL	3,728	14,844	23,368	8,524	36.5%

Note:

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