



# **PORT OF SEATTLE**

## **2018 FINANCIAL & PERFORMANCE REPORT**

**AS OF JUNE 30, 2018**

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**EXECUTIVE SUMMARY****Financial Summary**

The Port's operating revenues for the second quarter of 2018 were \$330.5M, which is \$12.7M above budget and \$28.4M higher than the same period in 2017. Excluding Aeronautical revenues, which are based on cost recovery, other operating revenues were \$182.9M, \$9.9M above budget and \$8.6M higher than the 2017 actuals mainly due higher revenues from Public Parking, Rental Cars, ADR & Terminal Leased Space, Ground Transportation, Employee Parking, Recreational Boating, Maritime Portfolio Management, Central Harbor Management, and Conference & Event Centers. Total operating expenses were \$191.6M, \$17.3M below budget mainly due to vacancies, hiring delays, and outside services. Operating income before depreciation was \$138.9M, \$30.1M above budget and \$10.9M higher than the 2017 actuals. The Portwide capital spending is forecasted to be \$652.6M for 2018.

**Operating Summary**

At the Airport, the total enplanement growth for the second quarter of 2018 was 6.1% compared to the same period in 2017. This number is comprised of enplanement growth rate of 6.3% for domestic passengers and 5.1% for international passengers. The total landed weight for the second quarter of 2018 was 7.7% higher than the same period last year. Total cargo metric tons were 5.3% above the second quarter 2017. For the Maritime division, the occupancy rate at Shilshole Bay Marina increased to 96.3% compared to 94.0% in 2017. The number of cruise passengers is 403K for the second quarter of 2018 slightly higher compared to 394K for the same period in 2017. For the Economic Development division, building occupancy for Central Harbor and T-91 uplands are lower compared to the same period in 2017 while the building occupancy for Marina Office and Retail, T-91 Industrial and T-106 Warehouse remained the same as the second quarter of 2017.

**Key Business Events**

The Port welcomed the largest cruise ship on the West Coast this season, Norwegian Cruise Line (NCL) Bliss, in May. The U.S. Army Corps of Engineers approved the Seattle Harbor Deepening Project making it eligible for congressional authorization. The Commission authorized the Port Valet program allowing cruise passengers to obtain their airline boarding passes and check-in their luggage prior to leaving the cruise ship; this provides cruise passengers with an opportunity to spend time in Seattle before flying home. The Port finalized a license with Ecco Wireless providing a new Wi-Fi network to Shilshole Bay Marina customers. The Commission approved \$200,000 in grants to fund 26 tourism-related projects across Washington State. This matching funds program, currently in its third year, will provide up to \$10,000 in matching funds to local communities, destination marketing organizations, ports, chambers of commerce, tribal organizations and non-profits to promote their destinations. The Port launched the Spotlight Advertising Program application process at Sea-Tac International Airport in June and its new website with emphasis on providing infrastructure for organizational content updates and engaging customers. The Port successfully hosted the Clipper Around the World at Bell Harbor Marina in June.

**Major Capital Projects**

The Port's capital spending is expected to be \$223M less than originally budgeted due to delayed spending in several projects including the International Arrivals Facility (IAF), Automated Security Lane, North Satellite (NSAT) Expansion, and restroom and paving at Shilshole Bay. Construction started at Des Moines Creek North property in SeaTac. Notice to proceed with on-site construction activities issued for the following contracts: South 160th Street Ground Transportation Building Renovation Project, Wi-Fi Enhancement Gina Marie Lindsey Hall, Baggage Claim, Bagwell and STS Stations Project, and T46 Dock Rehabilitation and Improvement Project. Construction Project Closeouts were issued for C4 UPS Systems Improvements and the SR 518 Interchange and Des Moines Memorial Drive – Emergency Contract for repair of a failed slope. Physical Completion issued for Concourse A, B, D and South Satellite WiFi Enhancement, Terminal 91 Pier 91 Berth G Finder System Replacement, WiFi Enhancements Concourse C and Central Terminal and Concourse B 400Hz Gate Improvements.

# **I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/18**

## **PORTWIDE FINANCIAL SUMMARY**

| \$ in 000's                     | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)<br>Budget Variance |               | Incr (Decr)<br>Change from 2017 |              |
|---------------------------------|----------------|----------------|-------------------|----------------|--------------------------------|---------------|---------------------------------|--------------|
|                                 | Actual         | Actual         | Actual            | Budget         | \$                             | %             | \$                              | %            |
| Aeronautical Revenues           | 117,765        | 127,780        | 147,570           | 144,761        | 2,809                          | 1.9%          | 19,791                          | 15.5%        |
| Airport Non-Aero Revenues       | 100,336        | 112,761        | 118,864           | 113,264        | 5,601                          | 4.9%          | 6,104                           | 5.4%         |
| Other Port Operating Revenues   | 61,322         | 61,548         | 64,054            | 59,748         | 4,306                          | 7.2%          | 2,506                           | 4.1%         |
| <b>Total Operating Revenues</b> | <b>279,422</b> | <b>302,088</b> | <b>330,489</b>    | <b>317,773</b> | <b>12,716</b>                  | <b>4.0%</b>   | <b>28,400</b>                   | <b>9.4%</b>  |
| Total Operating Expenses        | 147,874        | 174,104        | 191,577           | 208,920        | 17,343                         | 8.3%          | 17,473                          | 10.0%        |
| <b>NOI before Depreciation</b>  | <b>131,549</b> | <b>127,984</b> | <b>138,912</b>    | <b>108,853</b> | <b>30,059</b>                  | <b>27.6%</b>  | <b>10,927</b>                   | <b>8.5%</b>  |
| Depreciation                    | 82,277         | 81,860         | 81,949            | 81,614         | (335)                          | -0.4%         | 89                              | 0.1%         |
| <b>NOI after Depreciation</b>   | <b>49,271</b>  | <b>46,124</b>  | <b>56,963</b>     | <b>27,238</b>  | <b>29,724</b>                  | <b>109.1%</b> | <b>10,838</b>                   | <b>23.5%</b> |

## **NON-AIRPORT FINANCIAL SUMMARY**

| \$ in 000's                     | 2016 YTD      | 2017 YTD      | 2018 Year-to-Date |                | Fav (UnFav)<br>Budget Variance |                | Incr (Decr)<br>Change from 2017 |               |
|---------------------------------|---------------|---------------|-------------------|----------------|--------------------------------|----------------|---------------------------------|---------------|
|                                 | Actual        | Actual        | Actual            | Budget         | \$                             | %              | \$                              | %             |
| NWSA Distributable Revenue      | 28,990        | 27,283        | 25,844            | 23,323         | 2,521                          | 10.8%          | (1,439)                         | -5.3%         |
| Maritime Revenues               | 22,027        | 24,525        | 26,257            | 25,023         | 1,234                          | 4.9%           | 1,732                           | 7.1%          |
| EDD Revenues                    | 8,338         | 7,727         | 9,765             | 9,242          | 524                            | 5.7%           | 2,038                           | 26.4%         |
| SWU & Other                     | 1,968         | 2,012         | 2,187             | 2,160          | 27                             | 1.3%           | 175                             | 8.7%          |
| <b>Total Operating Revenues</b> | <b>61,322</b> | <b>61,548</b> | <b>64,054</b>     | <b>59,748</b>  | <b>4,306</b>                   | <b>7.2%</b>    | <b>2,506</b>                    | <b>4.1%</b>   |
| Total Operating Expenses        | 29,057        | 33,783        | 38,141            | 43,868         | 5,727                          | 13.1%          | 4,358                           | 12.9%         |
| <b>NOI before Depreciation</b>  | <b>32,265</b> | <b>27,765</b> | <b>25,913</b>     | <b>15,880</b>  | <b>10,032</b>                  | <b>63.2%</b>   | <b>(1,852)</b>                  | <b>-6.7%</b>  |
| Depreciation                    | 21,046        | 20,272        | 19,988            | 20,176         | 187                            | 0.9%           | (283)                           | -1.4%         |
| <b>NOI after Depreciation</b>   | <b>11,219</b> | <b>7,493</b>  | <b>5,925</b>      | <b>(4,295)</b> | <b>10,220</b>                  | <b>-237.9%</b> | <b>(1,569)</b>                  | <b>-20.9%</b> |

## **MAJOR OPERATING REVENUES SUMMARY**

| \$ in 000's                                | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)<br>Budget Variance |             | Incr (Decr)<br>Change from 2017 |             |
|--|----------------|----------------|-------------------|----------------|--------------------------------|-------------|---------------------------------|-------------|
|  | Actual         | Actual         | Actual            | Budget         | \$                             | %           | \$                              | %           |
| Aeronautical Revenues                      | 117,765        | 127,780        | 147,570           | 144,761        | 2,809                          | 1.9%        | 19,791                          | 15.5%       |
| Public Parking                             | 34,166         | 36,958         | 39,402            | 38,080         | 1,322                          | 3.5%        | 2,444                           | 6.6%        |
| Rental Cars - Operations                   | 15,271         | 14,514         | 14,922            | 14,579         | 343                            | 2.4%        | 408                             | 2.8%        |
| Rental Cars - Operating CFC                | 3,872          | 3,284          | 5,497             | 5,434          | 63                             | 1.2%        | 2,213                           | 67.4%       |
| ADR & Terminal Leased Space                | 26,617         | 28,420         | 30,179            | 28,017         | 2,162                          | 7.7%        | 1,759                           | 6.2%        |
| Ground Transportation                      | 5,668          | 7,633          | 8,885             | 8,060          | 825                            | 10.2%       | 1,252                           | 16.4%       |
| Employee Parking                           | 4,563          | 4,674          | 5,191             | 4,608          | 584                            | 12.7%       | 517                             | 11.1%       |
| Airport Commercial Properties              | 4,286          | 10,708         | 7,593             | 7,082          | 511                            | 7.2%        | (3,115)                         | -29.1%      |
| Airport Utilities                          | 3,571          | 3,423          | 3,438             | 3,778          | (340)                          | -9.0%       | 14                              | 0.4%        |
| Cruise                                     | 5,410          | 6,325          | 6,806             | 6,944          | (139)                          | -2.0%       | 481                             | 7.6%        |
| Recreational Boating                       | 5,083          | 5,438          | 6,125             | 5,839          | 286                            | 4.9%        | 687                             | 12.6%       |
| Fishing & Operations                       | 4,419          | 4,440          | 4,565             | 4,201          | 364                            | 8.7%        | 125                             | 2.8%        |
| Grain                                      | 2,010          | 3,042          | 3,123             | 2,572          | 551                            | 21.4%       | 81                              | 2.7%        |
| Maritime Portfolio Management              | 5,100          | 5,267          | 5,628             | 5,459          | 169                            | 3.1%        | 361                             | 6.9%        |
| Central Harbor Management                  | 3,393          | 4,161          | 4,557             | 4,448          | 109                            | 2.4%        | 396                             | 9.5%        |
| Conference & Event Centers                 | 4,518          | 3,545          | 5,188             | 4,776          | 412                            | 8.6%        | 1,644                           | 46.4%       |
| NWSA Distributable Revenue                 | 28,990         | 27,283         | 25,844            | 23,323         | 2,521                          | 10.8%       | (1,439)                         | -5.3%       |
| Other                                      | 4,721          | 5,194          | 5,974             | 13,871         | (7,898)                        | -56.9%      | 780                             | 15.0%       |
| <b>Total Operating Revenues (w/o Aero)</b> | <b>161,658</b> | <b>174,309</b> | <b>182,918</b>    | <b>173,012</b> | <b>9,906</b>                   | <b>5.7%</b> | <b>8,610</b>                    | <b>4.9%</b> |
| <b>TOTAL</b>                               | <b>279,422</b> | <b>302,088</b> | <b>330,489</b>    | <b>317,773</b> | <b>12,716</b>                  | <b>4.0%</b> | <b>28,400</b>                   | <b>9.4%</b> |

**I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 06/30/18****MAJOR OPERATING EXPENSES SUMMARY**

| \$ in 000's                      | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)     |             | Incr (Decr)      |              |
|----------------------------------|----------------|----------------|-------------------|----------------|-----------------|-------------|------------------|--------------|
|                                  | Actual         | Actual         | Actual            | Budget         | Budget Variance |             | Change from 2017 |              |
|                                  |                |                |                   |                | \$              | %           | \$               | %            |
| Salaries & Benefits              | 51,795         | 56,338         | 62,772            | 66,506         | 3,734           | 5.6%        | 6,434            | 11.4%        |
| Wages & Benefits                 | 48,261         | 52,948         | 60,075            | 60,199         | 124             | 0.2%        | 7,127            | 13.5%        |
| Payroll to Capital Projects      | 10,040         | 12,873         | 13,602            | 14,311         | 710             | 5.0%        | 728              | 5.7%         |
| Equipment Expense                | 2,923          | 4,311          | 3,866             | 4,373          | 507             | 11.6%       | (445)            | -10.3%       |
| Supplies & Stock                 | 3,454          | 4,616          | 4,633             | 4,336          | (297)           | -6.9%       | 17               | 0.4%         |
| Outside Services                 | 25,663         | 32,969         | 38,460            | 53,117         | 14,657          | 27.6%       | 5,491            | 16.7%        |
| Utilities                        | 10,510         | 11,911         | 13,453            | 12,844         | (608)           | -4.7%       | 1,542            | 12.9%        |
| Travel & Other Employee Expenses | 1,879          | 2,338          | 2,303             | 3,482          | 1,179           | 33.9%       | (35)             | -1.5%        |
| Promotional Expenses             | 362            | 460            | 964               | 1,198          | 234             | 19.5%       | 504              | 109.4%       |
| Other Expenses                   | 8,450          | 16,566         | 15,361            | 14,831         | (530)           | -3.6%       | (1,205)          | -7.3%        |
| Charges to Capital Projects      | (15,463)       | (21,226)       | (23,911)          | (26,278)       | (2,366)         | 9.0%        | (2,685)          | 12.7%        |
| <b>TOTAL</b>                     | <b>147,874</b> | <b>174,104</b> | <b>191,577</b>    | <b>208,920</b> | <b>17,343</b>   | <b>8.3%</b> | <b>17,473</b>    | <b>10.0%</b> |

**KEY PERFORMANCE METRICS**

|                                     | 2017 YTD 2018 YTD |        | 2017 Actual | 2018 Forecast | 2018 Budget | Fav (UnFav)          |       | Incr (Decr)           |       |
|-------------------------------------|-------------------|--------|-------------|---------------|-------------|----------------------|-------|-----------------------|-------|
|                                     | Actual            | Actual |             |               |             | Budget Variance Chg. | %     | Change from 2017 Chg. | %     |
| Enplanements (in 000's)             | 11,008            | 11,688 | 23,416      | 24,654        | 24,654      | -                    | 0.0%  | 1,238                 | 5.3%  |
| Landed Weight (lbs. in 000's)       | 13,441            | 14,475 | 28,431      | 29,203        | 29,203      | -                    | 0.0%  | 772                   | 2.7%  |
| Passenger CPE (in \$)               | n/a               | n/a    | 10.52       | 11.52         | 11.35       | (0.17)               | -1.5% | 1.00                  | 9.5%  |
| Grain Volume (metric tons in 000's) | 2,609             | 2,688  | 4,363       | 4,146         | 4,146       | -                    | 0.0%  | (217)                 | -5.0% |
| Cruise Passenger (in 000's)         | 394               | 403    | 1,072       | 1,084         | 1,081       | 3                    | 0.3%  | 12                    | 1.1%  |
| Shilshole Bay Marina Occupancy      | 94.0%             | 96.3%  | 94.9%       | 95.9%         | 95.9%       | 0.0%                 | 0.0%  | 1.0%                  | 1.1%  |
| Fishermen's Terminal Occupancy      | 87.0%             | 87.0%  | 81.9%       | 86.0%         | 86.0%       | 0.0%                 | 0.0%  | 4.1%                  | 5.0%  |

**CAPITAL SPENDING RESULTS**

| \$ in 000's                | 2018 YTD       | 2018           |                | Budget Variance |              |
|----------------------------|----------------|----------------|----------------|-----------------|--------------|
|                            | Actual         | Forecast       | Budget         | \$              | %            |
| Aviation                   | 224,817        | 593,941        | 796,200        | 202,259         | 25.4%        |
| Maritime                   | 21,702         | 32,800         | 46,749         | 13,949          | 29.8%        |
| Economic Development       | 1,363          | 6,028          | 6,149          | 121             | 2.0%         |
| Corporate & Other (note 1) | 1,887          | 19,826         | 26,779         | 6,953           | 26.0%        |
| <b>TOTAL</b>               | <b>249,769</b> | <b>652,595</b> | <b>875,877</b> | <b>223,282</b>  | <b>25.5%</b> |

Note:

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

**PORTWIDE INVESTMENT PORTFOLIO**

During the second quarter of 2018, the investment portfolio earned 1.69% versus the benchmark's (the Bank of America Merrill Lynch 1-3 Year US Treasury & Agency Index) 2.53%. Over the last twelve months the portfolio and the benchmark have earned 1.56% and 2.05%, respectively. Since the Port became its own Treasurer in 2002, the life-to-date earnings of the Port's portfolio and the benchmark are 2.46% and 1.80%, respectively.

## II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

### FINANCIAL SUMMARY

| \$ in 000's   | 2016           | 2017           | 2018           | 2018           | Fav (UnFav)    |              | Incr (Decr)      |               |
|---|----------------|----------------|----------------|----------------|----------------|--------------|------------------|---------------|
|   | Actual         | Actual         | Forecast       | Budget         | Budget         | Variance     | Change from 2017 |               |
|   |                |                |                |                | \$             | %            | \$               | %             |
| <b>Operating Revenues:</b>                          |                |                |                |                |                |              |                  |               |
| Gross Aeronautical Revenues                         | 247,811        | 267,690        | 305,005        | 301,082        | 3,923          | 1.3%         | 37,315           | 13.9%         |
| SLOA III Incentive Straight Line Adj <sup>(1)</sup> | (3,576)        | (3,576)        | -              | -              | -              | 0.0%         | 3,576            | -100.0%       |
| Aeronautical Revenues                               | 244,235        | 264,114        | 305,005        | 301,082        | 3,923          | 1.3%         | 40,891           | 15.5%         |
| Non-Aeronautical Revenues                           | 221,021        | 236,803        | 250,728        | 244,786        | 5,942          | 2.4%         | 13,925           | 5.9%          |
| <b>Total Operating Revenues</b>                     | <b>465,256</b> | <b>500,916</b> | <b>555,733</b> | <b>545,867</b> | <b>9,865</b>   | <b>1.8%</b>  | <b>54,816</b>    | <b>10.9%</b>  |
| Total Operating Expense                             | 261,226        | 299,114        | 333,374        | 334,856        | 1,482          | 0.4%         | 34,259           | 11.5%         |
| <b>Net Operating Income</b>                         | <b>204,030</b> | <b>201,802</b> | <b>222,359</b> | <b>211,011</b> | <b>11,348</b>  | <b>5.4%</b>  | <b>20,557</b>    | <b>10.2%</b>  |
| <b>Capital Expenditures</b>                         | <b>153,887</b> | <b>293,785</b> | <b>593,941</b> | <b>796,200</b> | <b>202,259</b> | <b>25.4%</b> | <b>300,156</b>   | <b>102.2%</b> |
| <b>Debt Service <sup>(2)</sup></b>                  | <b>133,982</b> | <b>131,060</b> | <b>138,177</b> | <b>136,075</b> | <b>(2,102)</b> | <b>-1.5%</b> | <b>7,117</b>     | <b>5%</b>     |

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

(2) 2018 Budget debt service amount inadvertently understated by the \$2.1M debt service exclusion adjustment which impacts Aero Rate Based Revenues only. Total 2018 Aeronautical debt service obligation is reflected in the 2018 Forecast column.

### Division Summary 2018 Forecast vs. 2018 Budget

- Net Operating Income for 2018 is forecasted to be \$11.3M higher than budget (5.4% favorable)
  - Operating Revenue is expected to be \$9.9M higher than budget (1.8% favorable) – from higher Aeronautical revenue primarily due to the decrease in revenue sharing percentage (from 50% down to 40%) negotiated in the new airline lease agreement which was not known when the 2018 Budget was approved. Non-Aero revenue is currently forecasted at \$5.9M higher than 2018 Budget (2.4% favorable).
  - Operating Expenses are expected to be \$1.5M lower than budget (0.4% favorable) primarily due to lower charges from other divisions \$6.6M (6.0% favorable) which includes some planned spending deferred to future years rather than actual cost savings, as well as payroll costs expected to be lower than budget due to vacancies and hiring delays.

### Division Summary 2018 Forecast vs. 2017 Actuals

- Net Operating Income for 2018 is forecasted to be \$20.6M higher than prior year (10.2% favorable)
  - Operating Revenue is expected to be \$54.8M higher than prior year (10.9% favorable) – primarily due to higher Aeronautical revenue from higher rate based costs and lower revenue sharing. In addition, revenues will be higher this year due to the SLOA III incentive amortization which ended in 2017 (\$3.6M). Non-Aero revenue is also expected to be \$13.9M higher in 2018 from Landside business activities, which more than offset the (\$5.4M) one-time lump sum frontage fee reimbursement received in Commercial Properties in 2017.
  - Operating Expenses are expected to be \$34.3M higher than prior year (11.5% variance) – due to higher payroll related to increased staffing (\$16.3M), higher outside services expense (\$14.0M) primarily due to non-recurring expenses focused on addressing strategic initiatives throughout the airport, and higher charges from other divisions (\$15.2M). These planned 2018 increases in expenses are partially offset by the one-time amortization for prepaid frontage fees in 2017 (\$3.6M) and lower expected costs in Environmental Liability Expense (\$3.9M), and Capital to Expense costs (\$2.5M).

## II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

### A. BUSINESS EVENTS

- **Activity:** Passenger growth through Q2 tracking slightly ahead of budget at 6.1%
- **Customer Service:** below target through Q2 - Airport Service Quality scores below 2017 in all 6 categories
- **Business:**
  - Airport dining and retail sales holding up better than anticipated with closure of Central Terminal due to kiosks and more “grab-and go” options.
  - Transportation Network Company transactions grew 36.6% in Q2, while taxis transactions declined 4.3%
- **Capital Program:** Completed Alternate Utility Facility and progressing with construction on North Satellite, International Arrivals Facility and Concourse D Hardstand Terminal.
- **Planning for future:** Sustainable Airport Master Plan – initiated environmental review in July

### B. KEY PERFORMANCE METRICS

|  | YTD 2016 | YTD 2017 | YTD 2018 | % Change<br>from 2017 |
|--|----------|----------|----------|-----------------------|
| <b>Total Passengers (000's)</b>            |          |          |          |                       |
| Domestic                                   | 19,249   | 19,666   | 20,897   | 6.3%                  |
| International                              | 2,257    | 2,484    | 2,611    | 5.1%                  |
| Total                                      | 21,506   | 22,150   | 23,508   | 6.1%                  |
| <b>Operations</b>                          | 197,152  | 199,610  | 210,722  | 5.6%                  |
| <b>Landed Weight (In Millions of lbs.)</b> |          |          |          |                       |
| Cargo                                      | 843      | 1,025    | 1,147    | 12.0%                 |
| All other                                  | 12,044   | 12,416   | 13,328   | 7.3%                  |
| Total                                      | 12,886   | 13,441   | 14,475   | 7.7%                  |
| <b>Cargo - Metric Tons</b>                 |          |          |          |                       |
| Domestic freight                           | 83,079   | 111,015  | 122,259  | 10.1%                 |
| International freight                      | 55,287   | 57,534   | 57,279   | -0.4%                 |
| Mail                                       | 27,562   | 28,882   | 28,326   | -1.9%                 |
| Total                                      | 165,928  | 197,431  | 207,864  | 5.3%                  |

## II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

### Key Performance Measures

|  | 2016<br>Actual | 2017<br>Actual | 2018<br>Forecast | 2018<br>Budget | Fav (UnFav)<br>Budget Vairance |       | Incr (Decr)<br>Change from 2017 |        |
|--|----------------|----------------|------------------|----------------|--------------------------------|-------|---------------------------------|--------|
|  |                |                |                  |                | \$                             | %     | \$                              | %      |
| <b>Key Performance Metrics</b>             |                |                |                  |                |                                |       |                                 |        |
| Cost per Enplanement (CPE)                 | 10.10          | 10.52          | 11.52            | 11.35          | (0.17)                         | -1.5% | 0.99                            | 9.4%   |
| Non-Aeronautical NOI (in 000's)            | 128,727        | 133,101        | 134,164          | 126,861        | 7,303                          | 5.8%  | 1,063                           | 0.8%   |
| <b>Other Performance Metrics</b>           |                |                |                  |                |                                |       |                                 |        |
| O&M Cost per Enplanement                   | 11.46          | 12.77          | 13.52            | 13.58          | 0.06                           | 0.4%  | 0.75                            | 5.9%   |
| Non-Aero Revenue per Enplanement           | 9.70           | 10.11          | 10.17            | 9.93           | 0.24                           | 2.4%  | 0.06                            | 0.6%   |
| Debt per Enplanement (in \$)               | 104            | 114            | 116              | 116            | -                              | 0.0%  | 2                               | 1.3%   |
| Debt Service Coverage                      | 1.53           | 1.57           | 1.60             | 1.51           | 0.09                           | 5.8%  | 0.02                            | 1.5%   |
| Days cash on hand (10 months = 304 days)   | 416            | 379            | 307              | 304            | 3                              | 1.0%  | (72)                            | -19.0% |
| Aeronautical Revenue Sharing (\$ in 000's) | (37,395)       | (42,311)       | (31,908)         | (35,799)       | 3,891                          | 10.9% | 10,403                          | 24.6%  |
| <b>Activity (in 000's)</b>                 |                |                |                  |                |                                |       |                                 |        |
| Enplanements                               | 22,796         | 23,416         | 24,654           | 24,654         | -                              | 0.0%  | 1,238                           | 5.3%   |

### **Key Performance Metrics – 2018 Forecast compared to 2018 Budget:**

- Cost per Enplanement (CPE) Forecast:
  - CPE \$0.17 unfavorable to budget - 2018 Budget assumed 50% Revenue Sharing. The 2018 Forecast reflects 40% Revenue Sharing as negotiated in the SLOA IV agreement, which was not known when the 2018 Budget was approved. Note: Adjusted CPE Budget is 11.63 based on 40% Revenue Sharing per SLOA IV agreement bringing the adjusted CPE to \$0.11 favorable to budget.
  - CPE increase of \$0.99 compared to prior year – due to increase in rate base costs and decrease in revenue sharing percentage under SLOA IV.
- Non-Aero NOI:
  - Non-Aero NOI 2018 Forecast expected to be \$7.3M favorable to 2018 budget due to both higher revenues and deferred expenses.
  - Non-Aero NOI 2018 Forecast expected to be \$1.1M higher than prior year due primarily to increased Ground Transportation activity, increased transactions in Public Parking, and stronger performance in Airport Dining and Retail.



## II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

### C. OPERATING RESULTS

#### Division Summary – YTD

| \$ in 000's   | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)    |               | Incr (Decr)      |              |
|---|----------------|----------------|-------------------|----------------|----------------|---------------|------------------|--------------|
|   | Actual         | Actual         | Actual            | Budget         | Budget         | Variance      | Change from 2017 |              |
|   |                |                |                   |                | \$             | %             | \$               | %            |
| <b>Operating Revenues:</b>                          |                |                |                   |                |                |               |                  |              |
| Gross Aeronautical Revenues <sup>(1)</sup>          | 119,553        | 129,567        | 147,570           | 144,761        | 2,809          | 1.9%          | 18,003           | 13.9%        |
| SLOA III Incentive Straight Line Adj <sup>(2)</sup> | (1,788)        | (1,788)        | -                 | -              | -              | N/A           | 1,788            | 100.0%       |
| Aeronautical Revenues                               | 117,765        | 127,780        | 147,570           | 144,761        | 2,809          | 1.9%          | 19,791           | 15.5%        |
| Non-Aeronautical Revenues                           | 100,336        | 112,761        | 118,864           | 113,264        | 5,601          | 4.9%          | 6,104            | 5.4%         |
| <b>Total Operating Revenues</b>                     | <b>218,100</b> | <b>240,540</b> | <b>266,435</b>    | <b>258,025</b> | <b>8,410</b>   | <b>3.3%</b>   | <b>25,894</b>    | <b>10.8%</b> |
| <b>Operating Expenses:</b>                          |                |                |                   |                |                |               |                  |              |
| Payroll   | 49,708         | 55,798         | 63,139            | 64,511         | 1,372          | 2.1%          | 7,341            | 13.2%        |
| Outside Services                                    | 15,736         | 17,203         | 21,015            | 24,978         | 3,963          | 15.9%         | 3,812            | 22.2%        |
| Utilities   | 7,358          | 8,389          | 9,589             | 9,072          | (516)          | -5.7%         | 1,200            | 14.3%        |
| Other Airport Expenses                              | 9,132          | 13,680         | 9,788             | 9,920          | 132            | 1.3%          | (3,892)          | -28.5%       |
| <b>Total Airport Direct Charges</b>                 | <b>81,934</b>  | <b>95,070</b>  | <b>103,530</b>    | <b>108,481</b> | <b>4,951</b>   | <b>4.6%</b>   | <b>8,460</b>     | <b>8.9%</b>  |
| Environmental Remediation Liability                 | 33             | 2,714          | 4,484             | 2,980          | (1,504)        | -50.5%        | 1,770            | 65.2%        |
| Capital to Expense                                  | -              | 24             | 8                 | -              | (8)            | N/A           | (16)             | -66.8%       |
| <b>Total Exceptions</b>                             | <b>33</b>      | <b>2,738</b>   | <b>4,492</b>      | <b>2,980</b>   | <b>(1,512)</b> | <b>-50.7%</b> | <b>1,753</b>     | <b>64.0%</b> |
| <b>Total Airport Expenses</b>                       | <b>81,968</b>  | <b>97,809</b>  | <b>108,021</b>    | <b>111,461</b> | <b>3,439</b>   | <b>3.1%</b>   | <b>10,212</b>    | <b>10.4%</b> |
| Police Costs  | 8,943          | 9,146          | 10,659            | 11,070         | 411            | 3.7%          | 1,513            | 16.5%        |
| Capital Development                                 | 3,358          | 6,486          | 6,072             | 11,422         | 5,351          | 46.8%         | (415)            | -6.4%        |
| Other Central Services                              | 22,723         | 25,000         | 26,714            | 28,414         | 1,700          | 6.0%          | 1,714            | 6.9%         |
| Maritime/Economic Development                       | 1,826          | 1,879          | 1,970             | 2,685          | 715            | 26.6%         | 91               | 4.8%         |
| <b>Total Charges from Other Divisions</b>           | <b>36,849</b>  | <b>42,512</b>  | <b>45,414</b>     | <b>53,591</b>  | <b>8,177</b>   | <b>15.3%</b>  | <b>2,902</b>     | <b>6.8%</b>  |
| <b>Total Operating Expense</b>                      | <b>118,817</b> | <b>140,321</b> | <b>153,436</b>    | <b>165,052</b> | <b>11,617</b>  | <b>7.0%</b>   | <b>13,115</b>    | <b>9.3%</b>  |
| <b>Net Operating Income</b>                         | <b>99,283</b>  | <b>100,219</b> | <b>112,999</b>    | <b>92,972</b>  | <b>20,026</b>  | <b>21.5%</b>  | <b>12,780</b>    | <b>12.8%</b> |

(1) Aero revenues are net of revenue sharing.

(2) Annual non-cash amortization of \$17.9M lease incentive related to the SLOA III agreement for the 5 year period from 2013-2017.

#### Operating Expenses – 2018 YTD Actuals compared to 2018 YTD Budget:

Total Operating Expenses are lower than the YTD 2018 Budget by \$11.6 million due to the net of the following:

- YTD Aviation Direct Operating Expenses are lower than budget by \$5.0 million due to the following:

| Positive Variance of \$5.5M                               |        | Negative Variance of \$0.5M      |        |
|---|--------|----------------------------------|--------|
| Payroll - vacancies & hiring delays                       | \$1.4M | Utilities                        | \$0.5M |
| Outside Services (savings & work deferred to future year) | \$4.0M | Increased Surface Water activity | 0.7M   |
| NERA 3 grant (FAA pilot program)                          | 0.9M   | Lower Natural Gas activity       | (0.2M) |
| AV Maintenance temporary timing issues                    | 0.7M   |                                  |        |
| Capital Program Mgmt delay in key planning projects       | 0.7M   |                                  |        |
| SAMP - Environmental assessment delayed                   | 0.8M   |                                  |        |
| CBP reimbursable program not yet spent                    | 0.3M   |                                  |        |
| Safety Management Programs still in early stages          | 0.2M   |                                  |        |
| All other Outside Services                                | 0.4M   |                                  |        |
| Other Aviation Expenses                                   | \$0.1M |                                  |        |

## II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

### Operating Expenses – 2018 YTD Actuals compared to 2018 YTD Budget - continued:

- YTD Operating Expenses Exceptions are higher than budget by \$1.5 million due to the following:

| Positive Variance - no material variance | Negative Variance of \$1.5M                      |
|--|--|
|  | Environmental Remediation Liability \$1.5M       |
|  | <u>Soils:</u>                                    |
|  | IAF (soils) estimate increase 1.5M               |
|  | Taxiway Improvement Project 0.2M                 |
|  | <u>Asbestos:</u>                                 |
|  | Obligating events not expected until 2019 (2.2M) |
|  | NSAT (asbestos) estimate increase 1.0M           |
|  | IAF- SSAT Interior Corridor 0.5M                 |
|  | Terminal Security 0.2M                           |
|  | Other projects 0.3M                              |

- YTD Operating Expense charges from Central Services and other divisions are lower than budget by \$8.1M million due to the following:

| Positive Variance of \$8.1M                   | Negative Variance - none |
|---|--------------------------|
| Other Central Services savings \$1.7M         |                          |
| Police savings \$0.4M                         |                          |
| Maritime/Economic savings \$0.7M              |                          |
| CDD savings \$5.3M                            |                          |
| Aviation PMG (projects delayed/deferred) 3.0M |                          |
| PCS 1.6M                                      |                          |
| Engineering 0.8M                              |                          |
| Other CDD (0.1M)                              |                          |

### Operating Expenses – 2018 YTD Actuals compared to 2017 YTD Actuals:

Total Operating Expenses are higher than YTD 2017 Actuals by \$13.1 million due to the net of the following:

- YTD Aviation Direct Operating Expenses are higher than YTD 2017 Actuals by \$8.4 million due to the following:

| Increase of \$12.3M                 | Decrease of \$3.9M                         |
|-------------------------------------|--|
| Payroll - increased staffing \$7.3M | Other Aviation Expenses \$3.9M             |
| Outside Services \$3.8M             | One-time amortization frontage fees \$3.7M |
| Utilities \$1.2M                    | All other Aviation Expenses \$0.2M         |

## II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

### Operating Expenses – 2018 YTD Actuals compared to 2017 YTD Actuals - continued:

- YTD Operating Expenses Exceptions are higher than 2017 YTD Actuals by \$1.8 million due to the following:

| Increase of \$1.8M                  |        | Decrease - no material amount |
|-------------------------------------|--------|-------------------------------|
| Environmental Remediation Liability | \$1.8M |                               |
| <u>Asbestos:</u>                    |        |                               |
| IAF- SSAT Interior Corridor         | 0.5M   |                               |
| SSAT Structural Improvements        | 0.8M   |                               |
| Other projects                      | 0.5M   |                               |

- YTD Operating Expense charges from Central Services and other divisions are higher than YTD 2017 Actuals by \$2.9 million due to the following:

| Increase of \$3.3M     |        | Decrease of \$0.4M |        |
|------------------------|--------|--------------------|--------|
| Other Central Services | \$1.8M | CDD savings        | \$0.4M |
| Police Costs           | \$1.5M |                    |        |

## II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

### Division Summary – YE Forecast

| \$ in 000's  | 2016           | 2017           | 2018           | 2018           | Fav (UnFav)    |               | Incr (Decr)      |               |
|--|----------------|----------------|----------------|----------------|----------------|---------------|------------------|---------------|
|  | Actual         | Actual         | Forecast       | Budget         | Budget         | Variance      | Change from 2017 |               |
|  |                |                |                |                | \$             | %             | \$               | %             |
| <b>Operating Revenues:</b>                               |                |                |                |                |                |               |                  |               |
| Gross Aeronautical Revenues <sup>(1)</sup>               | 247,811        | 267,690        | 305,005        | 301,082        | 3,923          | 1.3%          | 37,315           | 13.9%         |
| SLOA III Incentive Straight Line Adj <sup>(2)</sup>      | (3,576)        | (3,576)        | -              | -              | -              | 0.0%          | 3,576            | 100.0%        |
| Aeronautical Revenues                                    | 244,235        | 264,114        | 305,005        | 301,082        | 3,923          |               | 40,891           | 15.5%         |
| Non-Aeronautical Revenues                                | 221,021        | 236,803        | 250,728        | 244,786        | 5,942          | 2.4%          | 13,925           | 5.9%          |
| <b>Total Operating Revenues</b>                          | <b>465,256</b> | <b>500,916</b> | <b>555,733</b> | <b>545,867</b> | <b>9,865</b>   | <b>1.8%</b>   | <b>54,816</b>    | <b>10.9%</b>  |
| <b>Operating Expenses:</b>                               |                |                |                |                |                |               |                  |               |
| Payroll  | 94,559         | 114,463        | 130,809        | 132,156        | 1,347          | 1.0%          | 16,346           | 14.3%         |
| Outside Services   | 31,636         | 41,055         | 55,002         | 52,532         | (2,469)        | -4.7%         | 13,947           | 34.0%         |
| Utilities  | 14,667         | 16,374         | 17,927         | 17,320         | (607)          | -3.5%         | 1,553            | 9.5%          |
| Other Airport Expenses                                   | 21,934         | 28,292         | 21,940         | 19,776         | (2,165)        | -10.9%        | (6,352)          | -22.5%        |
| <b>Total Airport Direct Charges</b>                      | <b>162,797</b> | <b>200,184</b> | <b>225,677</b> | <b>221,784</b> | <b>(3,893)</b> | <b>-1.8%</b>  | <b>25,493</b>    | <b>12.7%</b>  |
| Environmental Remediation Liability                      | -              | 8,812          | 4,851          | 4,030          | (821)          | -20.4%        | (3,961)          | -44.9%        |
| Capital to Expense                                       | -              | 2,856          | 367            | -              | (367)          | 0.0%          | (2,489)          | -87.1%        |
| <b>Total Exceptions</b>                                  | <b>-</b>       | <b>11,668</b>  | <b>5,218</b>   | <b>4,030</b>   | <b>(1,188)</b> | <b>-29.5%</b> | <b>(6,450)</b>   | <b>-55.3%</b> |
| <b>Total Airport Expenses</b>                            | <b>162,797</b> | <b>211,852</b> | <b>230,896</b> | <b>225,814</b> | <b>(5,082)</b> | <b>-2.3%</b>  | <b>19,044</b>    | <b>9.0%</b>   |
| Police Costs   | 18,183         | 17,652         | 22,174         | 22,174         | -              | 0.0%          | 4,522            | 25.6%         |
| Capital Development                                      | 9,319          | 14,701         | 17,936         | 23,092         | 5,156          | 22.3%         | 3,235            | 22.0%         |
| Other Central Services                                   | 58,617         | 51,004         | 57,032         | 58,265         | 1,233          | 2.1%          | 6,028            | 11.8%         |
| Maritime/Economic Development                            | 12,310         | 3,904          | 5,336          | 5,511          | 175            | 3.2%          | 1,431            | 36.7%         |
| <b>Total Charges from Other Divisions</b>                | <b>98,429</b>  | <b>87,262</b>  | <b>102,478</b> | <b>109,042</b> | <b>6,564</b>   | <b>6.0%</b>   | <b>15,216</b>    | <b>17.4%</b>  |
| <b>Total Operating Expense</b>                           | <b>261,226</b> | <b>299,114</b> | <b>333,374</b> | <b>334,856</b> | <b>1,482</b>   | <b>0.4%</b>   | <b>34,259</b>    | <b>11.5%</b>  |
| <b>Net Operating Income</b>                              | <b>204,030</b> | <b>201,802</b> | <b>222,359</b> | <b>211,011</b> | <b>11,348</b>  | <b>5.4%</b>   | <b>20,557</b>    | <b>10.2%</b>  |
| CFC Surplus  | (4,899)        | (2,750)        | (6,637)        | (7,142)        | 505            | 7.1%          | (3,887)          | -141.4%       |
| Net Non-Operating Items in / out from ADF <sup>(3)</sup> | 2,160          | 3,481          | 4,406          | 4,406          | -              | 0.0%          | 925              | 26.6%         |
| SLOA III Incentive Straight Line Adj                     | 3,576          | 3,576          | -              | -              | -              | 0.0%          | (3,576)          | -100.0%       |
| Debt Service <sup>(4)</sup>                              | (133,982)      | (131,060)      | (138,177)      | (136,075)      | (2,102)        | 1.5%          | (7,117)          | -5.4%         |
| <b>Adjusted Net Cash Flow</b>                            | <b>70,885</b>  | <b>75,050</b>  | <b>81,951</b>  | <b>72,200</b>  | <b>9,751</b>   | <b>13.5%</b>  | <b>6,901</b>     | <b>9.2%</b>   |

(1) Aero revenues are net of revenue sharing.

(2) Annual non-cash amortization of \$17.9M lease incentive related to the SLOA III agreement for the 5 year period from 2013-2017.

(3) Per SLOA III definition of Net Revenues.

(4) 2018 Budget debt service amount inadvertently understated by the \$2.1M debt service exclusion adjustment which impacts Aero Rate Based Revenues only. Total 2018 Aeronautical debt service obligation is reflected in the 2018 Forecast column.

## II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

### Operating Expenses – 2018 YE Forecast compared to 2018 YE Budget:

Total Operating Expenses are forecasted to be lower than the 2018 Budget by \$1.5 million due to the net of the following:

- Aviation Direct Operating Expenses are forecasted to be higher than the 2018 Budget by \$3.9 million due to the following:

| Positive Variance of \$1.3M         |        | Negative Variance of \$5.2M            |        |
|-------------------------------------|--------|--|--------|
| Payroll - vacancies & hiring delays | \$1.3M | Outside Services                       | \$2.5M |
|                                     |        | Aviation Planning                      | 1.3M   |
|                                     |        | Taxi Operations (SP & curbside mgmt)   | 0.7M   |
|                                     |        | Customer Service (new dept. expenses)  | 0.6M   |
|                                     |        | UPM Pest Management                    | 0.4M   |
|                                     |        | All other Outside Services             | (0.5M) |
|                                     |        | Utilities                              | \$0.6M |
|                                     |        | IWTP overflow event                    | 0.4M   |
|                                     |        | All other Utilities                    | 0.2M   |
|                                     |        | Other Aviation Expenses                | \$2.1M |
|                                     |        | Increase in Environmental Reserves     | 0.8M   |
|                                     |        | Charges to capital lower than expected | 0.4M   |
|                                     |        | Construction Access Support            | 0.6M   |
|                                     |        | Fire Fighters for 2nd Care Car         | 0.8M   |
|                                     |        | Maintenance                            | 0.5M   |
|                                     |        | All other Aviation Expense             | (1.0M) |

- Aviation Operating Expense Exceptions are higher than budget by \$1.2 million due to the following:

| Positive Variance - no material variance | Negative Variance of \$1.2M                        |        |
|--|--|--------|
|  | Environmental Remediation Liability                | \$0.8M |
|  | <u>Soils:</u>                                      |        |
|  | IAF (soils) estimate increase                      | 1.5M   |
|  | Taxiway Improvement Project                        | 0.2M   |
|  | Other soils related                                | (.2M)  |
|  | <u>Asbestos:</u>                                   |        |
|  | Obligating events not expected until 2019          | (2.2M) |
|  | NSAT (asbestos) estimate increase                  | 1.0M   |
|  | IAF- SSAT Interior Corridor                        | 0.5M   |
|  | Capital to Expense - write-off Main Terminal/NSTAR | \$0.4M |

- Operating Expense charges from Central Services and other divisions are forecasted to be lower than budget by \$6.6M million due to the following:

| Positive Variance of \$6.6M              |        | Negative Variance - none |  |
|--|--------|--------------------------|--|
| Other Central Services savings           | \$1.2M |                          |  |
| Maritime/Economic savings                | \$0.2M |                          |  |
| CDD savings                              | \$5.2M |                          |  |
| Aviation PMG (projects delayed/deferred) | 4.0M   |                          |  |
| PCS                                      | 0.7M   |                          |  |
| Engineering                              | 0.6M   |                          |  |
| Other CDD                                | (0.1M) |                          |  |

## II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

### Operating Expenses – 2018 YE Forecast compared to 2017 YE Actuals:

Total Operating Expenses are forecasted to be higher than 2017 Actuals by \$34.25 million due to the net of the following:

- Aviation Direct Operating Expenses are forecasted to be higher than 2017 Actuals by \$25.5 million due to the following:

| Increase of \$31.9M                                     |         | Decrease of \$6.4M                  |        |
|---|---------|-------------------------------------|--------|
| Payroll - increased staffing                            | \$16.3M | Other Aviation Expenses             | \$6.4M |
| Outside Services  | \$14.0M | One-time amortization frontage fees | 3.6M   |
| Onsite Consultants - Airport Dining and Retail          | 4.0M    | Litigated & Non-litigated damages   | 1.5M   |
| Personal Services - Non-Aero Commercial Properties      | 2.7M    | All other Aviation Expenses         | 1.4M   |
| Personal Services - AV Facilities and Capital Program   | 4.0M    |                                     |        |
| Small Works Construction Services - Airfield Operations | 1.2M    |                                     |        |
| Other Contracted Services - Baggage Systems             | 1.3M    |                                     |        |
| All other Outside Services increases                    | 0.8M    |                                     |        |
| Utilities   | \$1.6M  |                                     |        |

- Operating Expense Exceptions are forecasted to be lower than 2017 Actuals by \$6.5M due to the following:

| Increase - none | Decrease of \$6.5M                      |        |
|-----------------|---|--------|
|                 | Environmental Remediation Liability     | \$4.0M |
|                 | IAF soils                               | 3.6M   |
|                 | All other ERL expense                   | 0.4M   |
|                 | Capital to Expense                      | \$2.5M |
|                 | Obsolete exit lane equipment            | 1.9M   |
|                 | SSAT - HVAC equipment                   | 0.7M   |
|                 | Projected Main Terminal/Nstar write off | (0.4M) |
|                 | All other Capital to Expense items      | 0.3M   |

- Operating Expense charges from Central Services and other divisions are forecasted to be higher than 2017 Actuals by \$15.2 million due to the following:

| Increase of \$15.2M                     |        | Decrease - no material amount |
|---|--------|-------------------------------|
| Police                                  | \$4.6M |                               |
| CDD                                     | \$3.2M |                               |
| Other Central Services                  | \$6.0M |                               |
| Maritime/Economic Development divisions | \$1.4M |                               |

## II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

### Aeronautical Business Unit Summary– YTD

| \$ in 000's                            | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)     |              | Incr (Decr)      |              |
|--|----------------|----------------|-------------------|----------------|-----------------|--------------|------------------|--------------|
|  | Actual         | Actual         | Actual            | Budget         | Budget Variance |              | Change from 2017 |              |
|  |                |                |                   |                | \$              | %            | \$               | %            |
| <b>Revenues:</b>                       |                |                |                   |                |                 |              |                  |              |
| Movement Area                          | 45,551         | 50,849         | 59,656            | 59,421         | 235             | 0.4%         | 8,806            | 17.3%        |
| Apron Area                             | 6,088          | 7,636          | 8,209             | 7,654          | 555             | 7.2%         | 573              | 7.5%         |
| Terminal Rents                         | 75,640         | 78,051         | 83,956            | 84,140         | (183)           | -0.2%        | 5,906            | 7.6%         |
| Federal Inspection Services (FIS)      | 5,174          | 6,708          | 6,641             | 6,470          | 171             | 2.6%         | (67)             | -1.0%        |
| <b>Total Rate Base Revenues</b>        | <b>132,453</b> | <b>143,243</b> | <b>158,462</b>    | <b>157,684</b> | <b>778</b>      | <b>0.5%</b>  | <b>15,219</b>    | <b>10.6%</b> |
| Commercial Area                        | 4,479          | 4,959          | 5,072             | 4,976          | 97              | 1.9%         | 114              | 2.3%         |
| <b>Subtotal before Revenue Sharing</b> | <b>136,932</b> | <b>148,202</b> | <b>163,534</b>    | <b>162,660</b> | <b>874</b>      | <b>0.5%</b>  | <b>15,332</b>    | <b>10.3%</b> |
| Revenue Sharing                        | (17,379)       | (18,635)       | (15,964)          | (17,899)       | 1,935           | 10.8%        | 2,671            | 14.3%        |
| <b>Total Aeronautical Revenues</b>     | <b>119,553</b> | <b>129,567</b> | <b>147,570</b>    | <b>144,761</b> | <b>2,809</b>    | <b>1.9%</b>  | <b>18,003</b>    | <b>13.9%</b> |
| <b>Total Aeronautical Expenses</b>     | <b>76,280</b>  | <b>91,209</b>  | <b>100,511</b>    | <b>106,450</b> | <b>5,939</b>    | <b>5.6%</b>  | <b>9,302</b>     | <b>10.2%</b> |
| <b>Net Operating Income</b>            | <b>43,272</b>  | <b>38,358</b>  | <b>47,059</b>     | <b>38,311</b>  | <b>8,749</b>    | <b>22.8%</b> | <b>8,701</b>     | <b>22.7%</b> |

### Aeronautical – Q2 2018 Actuals vs. Q2 2018 Budget

- Net Operating Income for Q2 2018 is \$8.7M higher than budget (22.8% favorable)
  - Operating Revenue is \$2.8M higher than budget (1.9% favorable) primarily due to the decrease in revenue sharing percentage (from 50% down to 40%) negotiated in the new airline lease agreement which was not known when the 2018 Budget was approved.
  - Operating Expenses are \$5.9M lower than budget (5.6% favorable) primarily due to timing delays in Outside Services spending and lower charges from other divisions.

### Aeronautical – Q2 2018 Actual vs. Q2 2017 Actual

- Net Operating Income for Q2 2018 is \$8.7M higher than Q2 2017 (22.7% favorable)
  - Operating Revenue is \$18.0 M higher than Q2 2017 (13.9% favorable) due to higher rate based costs to support increased airline activity and lower revenue sharing due to reduction in revenue sharing percentage under new airline agreement.
  - Operating Expenses are \$9.3M higher than Q2 2017 (10.2% variance) due to higher airport direct operating expenses to support increased airline activity and higher charges from other divisions.

## II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

### Aeronautical Business Unit Summary – YE Forecast

| \$ in 000's                            | 2016            | 2017            | 2018           | 2018           | Fav (UnFav)     |              | Incr (Decr)      |              |
|--|-----------------|-----------------|----------------|----------------|-----------------|--------------|------------------|--------------|
|  | Actual          | Actual          | Forecast       | Budget         | Budget Variance |              | Change from 2017 |              |
|  |                 |                 |                |                | \$              | %            | \$               | %            |
| <b>Revenues:</b>                       |                 |                 |                |                |                 |              |                  |              |
| Movement Area                          | 94,725          | 108,638         | 125,275        | 125,422        | (147)           | -0.1%        | 16,637           | 15.3%        |
| Apron Area                             | 14,028          | 16,771          | 16,023         | 15,979         | 44              | 0.3%         | (748)            | -4.5%        |
| Terminal Rents                         | 155,852         | 155,431         | 171,260        | 171,854        | (594)           | -0.3%        | 15,830           | 10.2%        |
| Federal Inspection Services (FIS)      | 11,227          | 18,612          | 14,143         | 13,413         | 730             | 5.4%         | (4,469)          | -24.0%       |
| <b>Total Rate Base Revenues</b>        | <b>275,832</b>  | <b>299,452</b>  | <b>326,701</b> | <b>326,668</b> | <b>33</b>       | <b>0.0%</b>  | <b>27,249</b>    | <b>9.1%</b>  |
| Commercial Area                        | 9,379           | 10,574          | 10,212         | 10,212         | -               | 0.0%         | (362)            | -3.4%        |
| <b>Subtotal before Revenue Sharing</b> | <b>285,211</b>  | <b>310,026</b>  | <b>336,913</b> | <b>336,880</b> | <b>33</b>       | <b>0.0%</b>  | <b>26,887</b>    | <b>8.7%</b>  |
| Revenue Sharing                        | (37,395)        | (42,311)        | (31,908)       | (35,799)       | 3,891           | 10.9%        | 10,403           | 24.6%        |
| Other Prior Year Revenues              | (5)             | (26)            | -              | -              | -               | 0.0%         | 26               | 100.0%       |
| <b>Total Aeronautical Revenues</b>     | <b>247,811</b>  | <b>267,690</b>  | <b>305,005</b> | <b>301,082</b> | <b>3,923</b>    | <b>1.3%</b>  | <b>37,315</b>    | <b>13.9%</b> |
| <b>Total Aeronautical Expenses</b>     | <b>168,932</b>  | <b>195,414</b>  | <b>216,810</b> | <b>216,931</b> | <b>121</b>      | <b>0.1%</b>  | <b>21,397</b>    | <b>10.9%</b> |
| <b>Net Operating Income</b>            | <b>78,879</b>   | <b>72,276</b>   | <b>88,195</b>  | <b>84,151</b>  | <b>4,044</b>    | <b>4.8%</b>  | <b>15,919</b>    | <b>22.0%</b> |
| Debt Service <sup>(1)</sup>            | (89,130)        | (86,564)        | (92,425)       | (90,323)       | (2,102)         | -2.3%        | (5,861)          | -6.8%        |
| <b>Net Cash Flow</b>                   | <b>(10,251)</b> | <b>(14,288)</b> | <b>(4,230)</b> | <b>(6,173)</b> | <b>1,943</b>    | <b>31.5%</b> | <b>10,058</b>    | <b>70.4%</b> |

(1) 2018 Budget debt service amount inadvertently understated by the \$2.1M debt service exclusion adjustment which impacts Aero Rate Based Revenues only. Total 2018 Aeronautical debt service obligation is reflected in the 2018 Forecast column.

### Airline Rate Base Cost Drivers

| \$ in 000's                   | 2016           | 2017           | 2018           | 2018           | Fav (UnFav)     |             | Incr (Decr)      |             |
|-------------------------------|----------------|----------------|----------------|----------------|-----------------|-------------|------------------|-------------|
|                               | Actual         | Actual         | Forecast       | Budget         | Budget Variance |             | Change from 2017 |             |
|                               |                |                |                |                | \$              | %           | \$               | %           |
| O&M                           | 165,427        | 192,188        | 210,685        | 210,433        | 252             | 0.1%        | 18,498           | 9.6%        |
| Debt Service Gross            | 118,641        | 113,832        | 120,555        | 120,555        | -               | 0.0%        | 6,723            | 5.9%        |
| Debt Service PFC Offset       | (32,831)       | (33,057)       | (33,015)       | (33,015)       | -               | 0.0%        | 42               | -0.1%       |
| Amortization                  | 28,215         | 29,654         | 32,373         | 32,373         | -               | 0.0%        | 2,719            | 9.2%        |
| Space Vacancy                 | (2,638)        | (2,264)        | (2,638)        | (2,650)        | 12              | -0.4%       | (374)            | 16.5%       |
| TSA Operating Grant and Other | (982)          | (901)          | (1,259)        | (1,028)        | (231)           | 22.4%       | (358)            | 39.8%       |
| <b>Rate Base Revenues</b>     | <b>275,832</b> | <b>299,452</b> | <b>326,701</b> | <b>326,668</b> | <b>33</b>       | <b>0.0%</b> | <b>27,249</b>    | <b>9.1%</b> |
| Commercial area               | 9,379          | 10,574         | 10,212         | 10,212         | -               | 0.0%        | (362)            | -3.4%       |
| <b>Total Aero Revenues</b>    | <b>285,211</b> | <b>310,026</b> | <b>336,913</b> | <b>336,880</b> | <b>33</b>       | <b>0.0%</b> | <b>26,887</b>    | <b>8.7%</b> |

### Aeronautical – 2018 YE Forecast vs. 2018 YE Budget

- Aeronautical net operating income is forecasted to be \$4.0M higher than budget (4.8% favorable).
  - Aeronautical revenues are forecasted to be \$3.9M higher than budget (1.3% favorable) – primarily due to the decrease in revenue sharing percentage (from 50% down to 40%) negotiated in the new airline lease agreement which was not known when the 2018 Budget was approved.
  - Aeronautical operating expenses are forecasted to be closely aligned with the 2018 Budget.



## II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

### Aeronautical – 2018 YE Forecast vs. 2017 YE Actuals

- Net Operating Income for 2018 is expected to be \$15.9M higher than prior year (22.0% favorable)
  - Operating Revenue is expected to be \$37.3M higher than prior year (13.9% favorable) due to higher rate based costs to support increased airline activity and lower revenue sharing due to reduction in revenue sharing percentage (\$10.4M) under new airline agreement.
  - Operating Expenses are expected to be \$21.4M higher than prior year (10.9% variance) due to higher airport direct operating expenses to support increased airline activity and higher charges from other divisions.

### Non-Aero Business Unit Summary -- YTD

| \$ in 000's                            | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)     |              | Incr (Decr)      |             |
|--|----------------|----------------|-------------------|----------------|-----------------|--------------|------------------|-------------|
|  | Actual         | Actual         | Actual            | Budget         | Budget Variance |              | Change from 2017 |             |
|  |                |                |                   |                | \$              | %            | \$               | %           |
| <b>Non-Aero Revenues</b>               |                |                |                   |                |                 |              |                  |             |
| Rental Cars - Operations               | 15,271         | 14,514         | 14,922            | 14,579         | 343             | 2.4%         | 408              | 2.8%        |
| Rental Cars - Operating CFC            | 3,872          | 3,284          | 5,497             | 5,434          | 63              | 1.2%         | 2,213            | 67.4%       |
| Public Parking                         | 34,166         | 36,958         | 39,402            | 38,080         | 1,322           | 3.5%         | 2,444            | 6.6%        |
| Ground Transportation                  | 5,668          | 7,633          | 8,885             | 8,060          | 825             | 10.2%        | 1,252            | 16.4%       |
| Airport Dining & Retail & Leased Space | 27,118         | 28,420         | 30,179            | 28,017         | 2,162           | 7.7%         | 1,759            | 6.2%        |
| Commercial Properties                  | 4,286          | 10,708         | 7,593             | 7,082          | 511             | 7.2%         | (3,115)          | -29.1%      |
| Utilities                              | 3,571          | 3,423          | 3,438             | 3,778          | (340)           | -9.0%        | 14               | 0.4%        |
| Employee Parking                       | 4,563          | 4,674          | 5,191             | 4,608          | 584             | 12.7%        | 517              | 11.1%       |
| Clubs and Lounges                      | 1,378          | 2,173          | 2,773             | 2,694          | 79              | 2.9%         | 599              | 27.6%       |
| Other                                  | 443            | 973            | 983               | 932            | 51              | 5.5%         | 10               | 1.1%        |
| <b>Total Non-Aero Revenues</b>         | <b>100,336</b> | <b>112,761</b> | <b>118,864</b>    | <b>113,264</b> | <b>5,601</b>    | <b>4.9%</b>  | <b>6,104</b>     | <b>5.4%</b> |
| <b>Total Non-Aero Expenses</b>         | <b>42,537</b>  | <b>49,111</b>  | <b>52,925</b>     | <b>58,602</b>  | <b>5,677</b>    | <b>9.7%</b>  | <b>3,813</b>     | <b>7.8%</b> |
| <b>Net Operating Income</b>            | <b>57,799</b>  | <b>63,649</b>  | <b>65,940</b>     | <b>54,662</b>  | <b>11,278</b>   | <b>20.6%</b> | <b>2,290</b>     | <b>3.6%</b> |

### Non-Aeronautical – Q2 2018 Actuals vs. Q2 2018 Budget

- Net Operating Income for Q2 2018 is \$11.3M higher than budget (20.6% favorable)
  - Operating Revenue is \$5.6M higher than budget (4.9% favorable) primarily due to Airport Dining & Retail revenue stronger than expected in Q2 due to schedule delays in quick-serve restaurant units remaining open into Feb 2018 which were expected to close in late-2017. In addition, Employee Parking continues to experience strong demand driven growth.
  - Operating Expenses are \$5.7M lower than budget (9.7% favorable) primarily due to slower than anticipated grant spending on NERA 3 FAA pilot program and schedule delays on ADR tenant buildout projects.

### Non-Aeronautical – Q2 2018 Actual vs. Q2 2017 Actual

- Net Operating Income for Q2 2018 is \$2.3M higher than Q2 2017 (3.6% favorable)
  - Operating Revenue is \$6.1M higher than Q2 2017 (5.4% favorable) primarily due to the one-time lump sum frontage fee reimbursement (\$5.4M) received in Commercial Properties in 2017, which is partially offset by higher Rental Car operating CFC revenue due to lower debt service costs, and higher Public Parking revenue due to higher rates in effect in Q1 compared to the prior year.
  - Operating Expenses is \$3.8M higher than Q2 2017 (7.8% increase) primarily due to payroll staffing vacancies being filled and the Commissary Kitchen build payout to Ivar's within the Airport Dining and Retail areas. Also, there has been increased activity in both staffing and non-payroll costs due to the growth in revenue in Clubs and Lounges.

## II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

### Non-Aero Business Unit Summary - YE Forecast

| \$ in 000's                                  | 2016           | 2017           | 2018           | 2018           | Fav (UnFav)     |              | Incr (Decr)      |              |
|--|----------------|----------------|----------------|----------------|-----------------|--------------|------------------|--------------|
|  | Actual         | Actual         | Forecast       | Budget         | Budget Variance |              | Change from 2017 |              |
|  |                |                |                |                | \$              | %            | \$               | %            |
| <b>Non-Aero Revenues</b>                     |                |                |                |                |                 |              |                  |              |
| Rental Cars - Operations                     | 37,082         | 35,051         | 35,084         | 35,294         | (210)           | -0.6%        | 33               | 0.1%         |
| Rental Cars - Operating CFC                  | 12,122         | 10,641         | 14,653         | 15,563         | (910)           | -5.8%        | 4,012            | 37.7%        |
| Public Parking                               | 69,540         | 75,106         | 80,046         | 78,572         | 1,474           | 1.9%         | 4,940            | 6.6%         |
| Ground Transportation                        | 12,803         | 15,684         | 18,401         | 16,884         | 1,517           | 9.0%         | 2,717            | 17.3%        |
| Airport Dining & Retail & Leased Space       | 58,405         | 58,980         | 61,980         | 59,087         | 2,893           | 4.9%         | 3,000            | 5.1%         |
| Commercial Properties                        | 9,992          | 18,042         | 15,236         | 14,706         | 529             | 3.6%         | (2,807)          | -15.6%       |
| Utilities                                    | 7,233          | 7,018          | 7,317          | 7,556          | (239)           | -3.2%        | 300              | 4.3%         |
| Employee Parking                             | 9,329          | 9,617          | 10,214         | 9,457          | 757             | 8.0%         | 597              | 6.2%         |
| Clubs and Lounges                            | 3,028          | 5,041          | 5,830          | 5,630          | 200             | 3.6%         | 790              | 15.7%        |
| Other  | 1,487          | 1,624          | 1,966          | 2,036          | (70)            | -3.4%        | 343              | 21.1%        |
| <b>Total Non-Aero Revenues</b>               | <b>221,021</b> | <b>236,803</b> | <b>250,728</b> | <b>244,786</b> | <b>5,942</b>    | <b>2.4%</b>  | <b>13,925</b>    | <b>5.9%</b>  |
| <b>Total Non-Aero Expenses</b>               | <b>92,294</b>  | <b>103,702</b> | <b>116,564</b> | <b>117,925</b> | <b>1,362</b>    | <b>1.2%</b>  | <b>12,861</b>    | <b>12.4%</b> |
| <b>Net Operating Income</b>                  | <b>128,727</b> | <b>133,101</b> | <b>134,164</b> | <b>126,861</b> | <b>7,303</b>    | <b>5.8%</b>  | <b>1,063</b>     | <b>0.8%</b>  |
| Less: CFC (Surplus) / Deficit <sup>(1)</sup> | (4,899)        | (2,750)        | (6,182)        | (7,142)        | 960             | 13.4%        | (3,432)          | -124.8%      |
| <b>Adjusted Non-Aero NOI</b>                 | <b>123,828</b> | <b>130,351</b> | <b>127,982</b> | <b>119,719</b> | <b>8,263</b>    | <b>6.9%</b>  | <b>(2,369)</b>   | <b>-1.8%</b> |
| Debt Service <sup>(1)</sup>                  | (43,984)       | (44,495)       | (45,752)       | (45,752)       | -               | 0.0%         | (1,257)          | -2.8%        |
| <b>Net Cash Flow</b>                         | <b>79,844</b>  | <b>85,856</b>  | <b>82,230</b>  | <b>73,967</b>  | <b>8,263</b>    | <b>11.2%</b> | <b>(3,625)</b>   | <b>-4.2%</b> |

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

### Non-Aeronautical – 2018 Forecast vs. 2018 Budget

- Non-Aeronautical net operating income is forecasted to be \$7.3M higher than budget (5.8% favorable).
  - Non-Aeronautical revenues are forecasted to be \$5.9M higher than budget (2.4% favorable):
    - Airport Dining & Retail - favorable (\$2.9M) forecast reflects strong performance in both Food and Beverage, Retail Sales despite transitions to new leases, and increased revenue from Advertising.
    - Commercial Properties - favorable \$0.5M due to earlier than anticipated occupancy of DMCBP Phase II building.
    - Utilities – unfavorable (\$0.2M) due to reduced tenant billings while garbage program undergoes process improvement planning.
  - Non-Aeronautical operating expenses are forecasted to be \$1.3M lower than budget (1.2% favorable) – primarily due to lower than anticipated charges from other divisions due to AVPMG terminal project delays.

### Non-Aeronautical – 2018 Forecast vs. 2017 Actuals

- Net Operating Income for 2018 is expected to be \$1.1M higher than prior year (0.8% favorable)
  - Operating Revenue is expected to be \$13.9M higher than prior year (5.9% favorable) primarily due to increased Landside business activity, which more than offsets the (\$5.4M) one-time lump sum frontage fee reimbursement received in Commercial Properties in 2017.
  - Operating Expenses are expected to be \$12.9M higher than prior year (12.4% variance) 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<br>Description                     | 2018<br>YTD Actual | 2018<br>Forecast | 2018<br>Budget | Budget Variance<br>\$ % |              |
|--|--------------------|------------------|----------------|-------------------------|--------------|
| International Arrivals Facility <sup>(1)</sup> | 75,176             | 215,298          | 324,221        | 108,923                 | 33.6%        |
| ASL Conversion at Checkpoints <sup>(2)</sup>   | 725                | 1,175            | 16,800         | 15,625                  | 93.0%        |
| NS NSAT Renov NSTS Lobbies <sup>(3)</sup>      | 58,656             | 131,716          | 140,738        | 9,022                   | 6.4%         |
| N. Terminals Utilities Upgrade <sup>(4)</sup>  | 213                | 413              | 8,200          | 7,787                   | 95.0%        |
| Add'l Baggage Makeup Space IAF <sup>(5)</sup>  | 1,234              | 10,520           | 15,998         | 5,478                   | 34.2%        |
| Terminal Security Enhancements <sup>(6)</sup>  | 189                | 2,189            | 5,925          | 3,736                   | 63.1%        |
| SSAT Infrastructure HVAC <sup>(7)</sup>        | 128                | 1,218            | 4,910          | 3,692                   | 75.2%        |
| 2018 Taxiway Improvement Proj                  | 8,988              | 37,378           | 36,250         | (1,128)                 | -3.1%        |
| Concourse D Hardstand Holdroom                 | 15,159             | 28,433           | 27,986         | (447)                   | -1.6%        |
| Alternate Utility Facility                     | 17,169             | 18,263           | 18,350         | 87                      | 0.5%         |
| Checked Bag Recap/Optimization                 | 16,009             | 38,009           | 38,000         | (9)                     | 0.0%         |
| All Other                                      | 31,171             | 109,330          | 158,822        | 49,492                  | 31.2%        |
| <b>Total Spending</b>                          | <b>224,817</b>     | <b>593,941</b>   | <b>796,200</b> | <b>202,259</b>          | <b>25.4%</b> |

- (1) Delays in design-build progress, consultant billings/purchases for construction and project/construction management services.
- (2) \$8.7M of capital budget deemed to be public expense as the equipment will be transferred to TSA. 1 of 3 lanes has been installed; remaining lanes pushed out to Q4 2018 - Q2 2019.
- (3) Actual projected billings as provided by contractor have been less than anticipated.
- (4) Early works construction cancelled and combined with main construction phase due to better coordination with adjacent projects.
- (5) Delays in construction due to changes in sequencing of work by contractor.
- (6) Favorable bids for Phase I (shatter proof windows) will result in less spending in 2018.
- (7) Bid bust has resulted in one year delay of project. Project was re-scoped and design is currently in progress.

### III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

#### FINANCIAL SUMMARY

| \$ in 000's                     | 2016          | 2017          | 2018          | 2018          | Fav (UnFav)     |             | Incr (Decr)      |            |
|---------------------------------|---------------|---------------|---------------|---------------|-----------------|-------------|------------------|------------|
|                                 | Actual        | Actual        | Forecast      | Budget        | Budget Variance |             | Change from 2017 |            |
|                                 |               |               |               |               | \$              | %           | \$               | %          |
| <b>Revenues:</b>                |               |               |               |               |                 |             |                  |            |
| Operating Revenue               | 50,810        | 54,183        | 55,293        | 55,053        | 240             | 0%          | 1,109            | 2%         |
| <b>Total Revenues</b>           | <b>50,810</b> | <b>54,183</b> | <b>55,293</b> | <b>55,053</b> | <b>240</b>      | <b>0%</b>   | <b>1,109</b>     | <b>2%</b>  |
| <b>Total Operating Expenses</b> | <b>40,283</b> | <b>42,164</b> | <b>48,510</b> | <b>49,578</b> | <b>1,068</b>    | <b>2%</b>   | <b>6,347</b>     | <b>15%</b> |
| <b>Net Operating Income</b>     | <b>10,526</b> | <b>12,020</b> | <b>6,783</b>  | <b>5,475</b>  | <b>1,308</b>    | <b>-24%</b> | <b>(5,237)</b>   | <b>44%</b> |
| <b>Capital Expenditures</b>     | <b>5,746</b>  | <b>20,489</b> | <b>32,800</b> | <b>46,749</b> | <b>13,949</b>   | <b>30%</b>  | <b>12,311</b>    | <b>60%</b> |

#### Division Summary 2018 Forecast vs. 2018 Budget

- Operating Revenues are forecasted to be \$240K above budget due to favorable moorage revenue, offset by earlier termination of lease at T106.
- Operating Expenses are forecasted to be \$1,068K below budget primarily due to movement of tenant improvements at the Maritime Industrial Center to capital, underspend in Cruise consulting, and Central Services payroll.
- Net Operating Income forecasted to be \$1,308K above budget.
- At the end of the second quarter, capital spending for full year 2018 is forecasted to be \$32.8 million or 70% of the approved budget of \$47.7 million.

#### Division Summary 2018 Forecast vs. 2017 Actuals

- Operating Revenues are expected to be \$1,109K above 2017 primarily due to higher tariff rates.
- Operating Expenses are expected to be \$6,347K greater than 2017 primarily increased wage rates, Cruise Port Valet, and acquisition of Salmon Bay Marina.
- Net Operating Income is forecasted to be \$5,237K less than 2017.

#### Net Operating Income before Depreciation by Business

| \$ in 000's           | 2016 YTD     | 2017 YTD     | 2018 Year-to-Date |            | Fav (UnFav)     |              | Incr (Decr)      |            |
|-----------------------|--------------|--------------|-------------------|------------|-----------------|--------------|------------------|------------|
|                       | Actual       | Actual       | Actual            | Budget     | Budget Variance |              | Change from 2017 |            |
|                       |              |              |                   |            | \$              | %            | \$               | %          |
| Fishing & Operations  | (1,563)      | (910)        | (1,139)           | (1,643)    | 504             | 31%          | (230)            | -25%       |
| Recreational Boating  | 748          | 799          | 987               | 34         | 953             | 2840%        | 187              | 23%        |
| Cruise                | 2,223        | 2,697        | 2,093             | 956        | 1,137           | 119%         | (604)            | -22%       |
| Bulk                  | 1,442        | 2,388        | 2,249             | 1,672      | 577             | 35%          | (139)            | -6%        |
| Maritime Portfolio    | 450          | 121          | 391               | (314)      | 705             | 224%         | 270              | 223%       |
| All Other             | (48)         | (478)        | (39)              | (308)      | 269             | 87%          | 438              | 92%        |
| <b>Total Maritime</b> | <b>3,252</b> | <b>4,618</b> | <b>4,541</b>      | <b>396</b> | <b>4,145</b>    | <b>1046%</b> | <b>(77)</b>      | <b>-2%</b> |

### III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

#### A. BUSINESS EVENTS

**Cruise** – Commissioners, Executive, Cruise, and Public Affairs staff participated in the successful inaugural event and first turnaround call of the Norwegian Bliss, May 30-June 02. The event garnered significant media attention.

**Recreational Boating** – Successfully hosted the Clipper Around the World at Bell Harbor Marina in June.

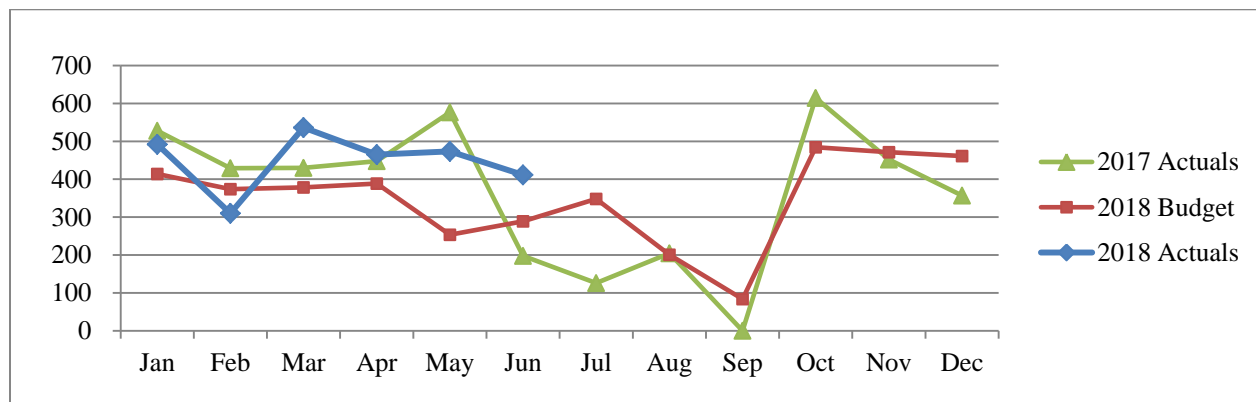
**Fishing and Commercial Operations** – Transitioned management of Salmon Bay Marina in June.

**Maritime Portfolio Management** –Finalized a license with Ecco Wireless that will bring a new Wi-Fi network to Shilshole Bay Marina with faster speeds and better coverage over the whole site for all customers.

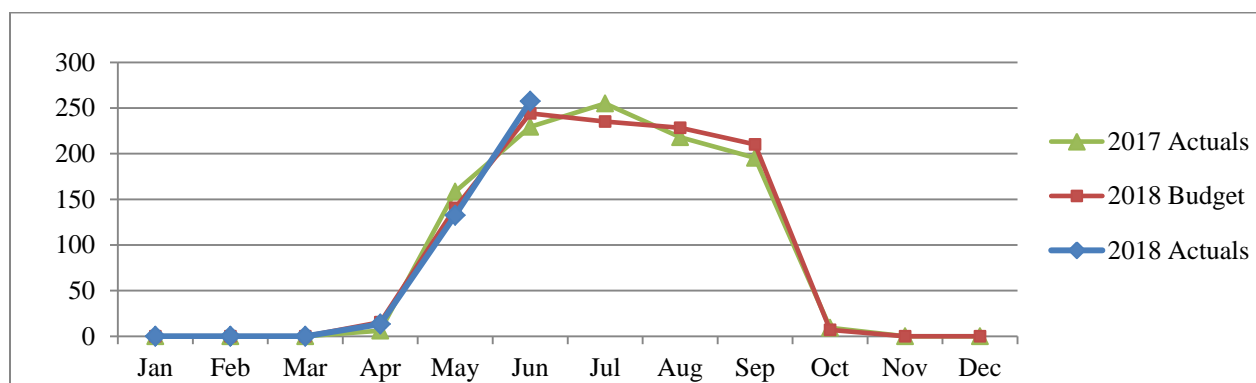
**Stormwater Utility** – Obtained permit from US Army Corp of Engineers to proceed with T18 Outfall Renewal and Replacement project. Tracking to exceed the 75% assessment target.

#### B. KEY PERFORMANCE METRICS

##### Grain Volume – Metric Tons in 000's



##### Cruise Passengers in 000's



### III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

#### C. OPERATING RESULTS

|  | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)     |              | Incr (Decr)      |            |
|--|----------------|----------------|-------------------|----------------|-----------------|--------------|------------------|------------|
|  | Actual         | Actual         | Actual            | Budget         | Budget Variance |              | Change from 2017 |            |
| \$ in 000's                                  |                |                |                   |                | \$              | %            | \$               | %          |
| Fishing & Operations                         | 4,419          | 4,440          | 4,565             | 4,201          | 364             | 9%           | 125              | 3%         |
| Recreational Boating                         | 5,083          | 5,438          | 6,125             | 5,839          | 286             | 5%           | 687              | 13%        |
| Cruise                                       | 5,410          | 6,325          | 6,806             | 6,944          | (139)           | -2%          | 481              | 8%         |
| Bulk   | 2,010          | 3,042          | 3,123             | 2,572          | 551             | 21%          | 81               | 3%         |
| Maritime Portfolio Management                | 5,100          | 5,267          | 5,628             | 5,459          | 169             | 3%           | 361              | 7%         |
| Other  | 5              | 14             | 11                | 9              | 2               | 28%          | (3)              | -23%       |
| <b>Total Revenue</b>                         | <b>22,027</b>  | <b>24,525</b>  | <b>26,257</b>     | <b>25,023</b>  | <b>1,234</b>    | <b>5%</b>    | <b>1,732</b>     | <b>7%</b>  |
| <b>Expenses</b>                              |                |                |                   |                |                 |              |                  |            |
| Fishing & Operations                         | 2,206          | 2,305          | 2,461             | 2,399          | (63)            | -3%          | 156              | 7%         |
| Rec Boating                                  | 1,524          | 1,852          | 1,989             | 2,285          | 297             | 13%          | 137              | 7%         |
| Cruise                                       | 954            | 558            | 1,135             | 1,987          | 851             | 43%          | 577              | 103%       |
| Other Maritime                               | 373            | 585            | 266               | 655            | 388             | 59%          | (318)            | -54%       |
| Maintenance Expenses                         | 4,716          | 4,740          | 5,576             | 5,642          | 66              | 1%           | 836              | 18%        |
| Portfolio Management                         | 1,679          | 1,770          | 2,031             | 2,191          | 160             | 7%           | 261              | 15%        |
| Other ED Expenses                            | 166            | 353            | 320               | 460            | 141             | 31%          | (33)             | -9%        |
| <b>Total Maritime &amp; EDD expenses</b>     | <b>11,617</b>  | <b>12,162</b>  | <b>13,778</b>     | <b>15,618</b>  | <b>1,840</b>    | <b>12%</b>   | <b>1,616</b>     | <b>13%</b> |
| Environmental & Sustainability               | 303            | 598            | 519               | 998            | 479             | 48%          | (79)             | -13%       |
| CDD Expenses                                 | 522            | 419            | 437               | 630            | 193             | 31%          | 18               | 4%         |
| Police Expenses                              | 1,925          | 1,889          | 2,169             | 2,101          | (68)            | -3%          | 280              | 15%        |
| Other Central Services                       | 4,294          | 4,401          | 4,842             | 5,219          | 377             | 7%           | 441              | 10%        |
| Aviation Division                            | 66             | 67             | 70                | 61             | (9)             | -15%         | 2                | 3%         |
| <b>Total Central Services &amp; Aviation</b> | <b>7,109</b>   | <b>7,374</b>   | <b>8,037</b>      | <b>9,009</b>   | <b>972</b>      | <b>11%</b>   | <b>662</b>       | <b>9%</b>  |
| Envir Remed Liability                        | 48             | 371            | (99)              | 0              | 99              | NA           | (469)            | -127%      |
| <b>Total Expense</b>                         | <b>18,774</b>  | <b>19,907</b>  | <b>21,716</b>     | <b>24,627</b>  | <b>2,911</b>    | <b>12%</b>   | <b>1,809</b>     | <b>9%</b>  |
| <b>NOI Before Depreciation</b>               | <b>3,252</b>   | <b>4,618</b>   | <b>4,541</b>      | <b>396</b>     | <b>4,145</b>    | <b>1046%</b> | <b>(77)</b>      | <b>-2%</b> |
| Depreciation                                 | 8,655          | 8,442          | 8,823             | 8,868          | 45              | 1%           | 381              | 5%         |
| <b>NOI After Depreciation</b>                | <b>(5,403)</b> | <b>(3,824)</b> | <b>(4,281)</b>    | <b>(8,471)</b> | <b>4,190</b>    | <b>-49%</b>  | <b>(458)</b>     | <b>12%</b> |

#### 2018 YTD Actuals vs. Budget

- Operating Revenues were \$1,234K higher than budget from favorable occupancy rates in Recreational Boating and Fishing & Operations along with higher than expected grain volumes.
- Operating Expenses were \$2,911K lower than budget:
  - Cruise \$851K lower than budget due to timing and savings of Port Valet and consulting invoices.
  - Rec Boating \$297K lower than budget due to open positions.
  - Other Maritime \$388K lower than budget from Marketing open FTEs and Habitat expenses applied to non-operations and capital.
  - Portfolio Management \$160K below budget from tenant improvements at Maritime Industrial Center.
  - Environment & Sustainability \$479K lower than budget due to vacant positions and capital/expense mix.
  - Capital Development (CDD) \$193K below budget due to fewer contractors than expected.
  - Other Central Services \$377K lower than budget primarily due to lower charges from Public Affairs \$123K, Human Resources \$94K, and Exec \$66K.
  - All other expenses net to \$166K lower than budget.
- Net Operating Income was \$4,145 above budget.

### III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

#### 2018 YTD Actuals vs. 2017 YTD Actuals

- Operating Revenues were \$1,732K higher than 2017 actual due to increased moorage rates, improved occupancy at Shilshole Bay Marina, and longer than anticipated occupancy by fishing vessels at Terminal 91.
- Operating Expenses were \$1,809K higher than 2017 actual:
  - Cruise \$577K greater than 2017 due to property rental at P66 and Consulting.
  - Marine Maintenance \$836K greater than 2017 due to increased wages and mix of Maritime projects.
  - Portfolio Management \$261K greater than 2017 due to higher utility expense.
  - Central Services \$662K increase from 2017 related to Police allocation and general increases.
  - Environmental Remediation \$469K below 2017.
  - All other Expenses net to \$68K above 2017.
- Net Operating Income was \$77K below 2017 actual.

| \$ in 000's                                  | 2016           | 2017           | 2018            | 2018            | Fav (UnFav)  |             | Incr (Decr)      |             |
|--|----------------|----------------|-----------------|-----------------|--------------|-------------|------------------|-------------|
|  | Actual         | Actual         | Forecast        | Budget          | Budget       | Variance    | Change from 2017 |             |
|  |                |                |                 |                 | \$           | %           | \$               | %           |
| Fishing & Operations                         | 9,108          | 9,297          | 8,748           | 8,388           | 360          | 4%          | (550)            | -6%         |
| Recreational Boating                         | 10,255         | 11,086         | 12,446          | 12,166          | 280          | 2%          | 1,361            | 12%         |
| Cruise                                       | 15,422         | 17,596         | 18,150          | 18,150          | 0            | 0%          | 554              | 3%          |
| Bulk   | 5,382          | 5,427          | 5,163           | 5,163           | 0            | 0%          | (263)            | -5%         |
| Maritime Portfolio Management                | 10,255         | 10,787         | 10,769          | 11,169          | (400)        | -4%         | (18)             | 0%          |
| Other  | 388            | (9)            | 17              | 17              | 0            | 0%          | 26               | -297%       |
| <b>Total Revenue</b>                         | <b>50,810</b>  | <b>54,183</b>  | <b>55,293</b>   | <b>55,053</b>   | <b>240</b>   | <b>0%</b>   | <b>1,109</b>     | <b>2%</b>   |
| <b>Expenses</b>                              |                |                |                 |                 |              |             |                  |             |
| Fishing & Operations                         | 4,308          | 4,599          | 4,641           | 4,641           | 0            | 0%          | 42               | 1%          |
| Rec Boating                                  | 3,164          | 3,813          | 4,595           | 4,595           | 0            | 0%          | 782              | 20%         |
| Cruise                                       | 2,600          | 2,674          | 4,448           | 4,748           | 300          | 6%          | 1,774            | 66%         |
| Other Maritime                               | 666            | 462            | 1,399           | 1,399           | 0            | 0%          | 937              | 203%        |
| Maintenance Expenses                         | 9,900          | 10,420         | 11,261          | 11,261          | 0            | 0%          | 840              | 8%          |
| Portfolio Management                         | 3,367          | 3,507          | 3,550           | 3,750           | 200          | 5%          | 43               | 1%          |
| Other ED Expenses                            | 420            | 665            | 833             | 833             | 0            | 0%          | 168              | 25%         |
| <b>Total Maritime &amp; EDD expenses</b>     | <b>24,425</b>  | <b>26,140</b>  | <b>30,726</b>   | <b>31,226</b>   | <b>500</b>   | <b>2%</b>   | <b>4,586</b>     | <b>18%</b>  |
| Environmental & Sustainability               | 1,358          | 1,125          | 1,994           | 2,168           | 173          | 8%          | 869              | 77%         |
| CDD Expenses                                 | 1,010          | 748            | 1,030           | 1,212           | 182          | 15%         | 282              | 38%         |
| Police Expenses                              | 3,921          | 3,756          | 4,209           | 4,209           | 0            | 0%          | 453              | 12%         |
| Other Central Services                       | 9,315          | 9,869          | 10,428          | 10,641          | 213          | 2%          | 559              | 6%          |
| Aviation Division                            | 139            | 138            | 123             | 123             | 0            | 0%          | (15)             | -11%        |
| <b>Total Central Services &amp; Aviation</b> | <b>15,743</b>  | <b>15,635</b>  | <b>17,784</b>   | <b>18,352</b>   | <b>568</b>   | <b>3%</b>   | <b>2,149</b>     | <b>14%</b>  |
| Envir Remed Liability                        | 115            | 389            | 0               | 0               | 0            | NA          | (389)            | -100%       |
| <b>Total Expense</b>                         | <b>40,283</b>  | <b>42,164</b>  | <b>48,510</b>   | <b>49,578</b>   | <b>1,068</b> | <b>2%</b>   | <b>6,347</b>     | <b>15%</b>  |
| <b>NOI Before Depreciation</b>               | <b>10,526</b>  | <b>12,020</b>  | <b>6,783</b>    | <b>5,475</b>    | <b>1,308</b> | <b>24%</b>  | <b>(5,237)</b>   | <b>-44%</b> |
| Depreciation                                 | 17,351         | 17,410         | 17,868          | 17,868          | 0            | 0%          | 459              | 3%          |
| <b>NOI After Depreciation</b>                | <b>(6,824)</b> | <b>(5,390)</b> | <b>(11,086)</b> | <b>(12,394)</b> | <b>1,308</b> | <b>-11%</b> | <b>(5,696)</b>   | <b>106%</b> |

#### 2018 Forecast vs. 2018 Budget

- Operating Revenues are forecasted to be \$240K higher than budget:
  - Favorable revenue in Fishing and Rec. Boating, offset by earlier than expected termination of WSDOT lease at Terminal 106.
- Operating Expenses are forecasted to be \$1,068K lower than budget:
  - Tenant improvements at the Maritime Industrial Center capitalized rather than expensed.

### III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

- Delay in hiring and consulting cost in Cruise.
- Favorable payroll savings from Central Services.
- Net Operating Income is forecasted to be \$1.3M above budget.

#### 2018 Forecast vs. 2017 Actuals

- Operating Revenues are forecasted to be \$1.1M higher than 2017 actual:
  - Increased rates were offset by loss of net shed revenue.
- Operating Expenses are forecasted to be \$6.3M higher than 2017 actual with increases seen in:
  - Cruise \$1.8M due to Port Valet service and consulting.
  - Maintenance \$.8M from increase of projects and higher wage rates.
  - Other Maritime \$.9M from Habitat Initiatives.
  - Rec Boating \$.8M due to new headcount in 2018 and open headcount in 2017.
  - Central Services \$2.1M driven by increased projects and FTE in Environment & Sustainability along with Police.
- Net Operating Income is forecasted to be \$5.2M below 2017 actual.

#### D. CAPITAL RESULTS

|                                | 2018 YTD<br>Actual | 2018<br>Forecast | 2018<br>Budget | Budget Variance |     |
|--------------------------------|--------------------|------------------|----------------|-----------------|-----|
|                                |                    |                  |                | \$              | %   |
| \$ in 000's                    |                    |                  |                |                 |     |
| Salmon Bay Marina ACQ          | 15,703             | 15,728           | 15,804         | 76              | 0%  |
| SBM Restrms/Service Bldgs Rep  | 131                | 1,553            | 7,162          | 5,609           | 78% |
| FT Re Development Phase I      | 813                | 1,363            | 2,700          | 1,337           | 50% |
| P91 South End Fender           | 1,981              | 2,055            | 2,202          | 147             | 7%  |
| Maritime Fleet Replacement     | 238                | 2,158            | 2,158          | 0               | 0%  |
| Contingency Renewal & Replace. | 0                  | 1,150            | 2,000          | 850             | 43% |
| SBM Paving                     | 83                 | 399              | 1,673          | 1,274           | 76% |
| Cruise Terminal Tenant Improv  | 323                | 1,531            | 1,531          | 0               | 0%  |
| Salmon Bay Marina Uplands      | 13                 | 13               | 1,505          | 1,492           | 99% |
| FT Docs 3,4,5 Fixed Pie        | 74                 | 274              | 1,424          | 1,150           | 81% |
| Restoration                    | 56                 | 66               | 1,140          | 1,074           | 94% |
| All Other Projects             | 2,287              | 6,510            | 7,450          | 940             | 13% |
| Total Maritime                 | 21,702             | 32,800           | 46,749         | 13,949          | 30% |

#### **Comments on Key Projects:**

Through the 2<sup>nd</sup> quarter of 2018, Maritime spent 46% of the annual approved capital budget. Full year spending is estimated to be 70% of budget.

#### **Projects with significant changes in spending were:**

- **SBM Restrms/Service Bldgs Rep** – Construction Delay. Work schedule to begin Q3 2018.
- **FT Re Development Phase I** – Project Delay.
- **Contingency Renewal & Replace** - \$850k used for Portwide Radio System Upgrade.
- **SBM Paving** – Construction Delay. Moved to Q2 2019.
- **FT Docs 3,4,5 Fixed Pie** – Design phase extended to Q3 2018.
- **Restoration** – Project delayed until 2020.



**FINANCIAL SUMMARY**

| \$ in 000's                     | 2016           | 2017           | 2018           | 2018            | Fav (UnFav)     |            | Incr (Decr)      |             |
|---------------------------------|----------------|----------------|----------------|-----------------|-----------------|------------|------------------|-------------|
|                                 | Actual         | Actual         | Forecast       | Budget          | Budget Variance |            | Change from 2017 |             |
|                                 |                |                |                |                 | \$              | %          | \$               | %           |
| <b>Revenues:</b>                |                |                |                |                 |                 |            |                  |             |
| Operating Revenue               | 15,903         | 17,791         | 19,046         | 18,522          | 524             | 3%         | 1,255            | 7%          |
| <b>Total Revenues</b>           | <b>15,903</b>  | <b>17,791</b>  | <b>19,046</b>  | <b>18,522</b>   | <b>524</b>      | <b>3%</b>  | <b>1,255</b>     | <b>7%</b>   |
| <b>Total Operating Expenses</b> | <b>21,135</b>  | <b>25,397</b>  | <b>28,055</b>  | <b>28,751</b>   | <b>697</b>      | <b>2%</b>  | <b>2,657</b>     | <b>10%</b>  |
| <b>Net Operating Income</b>     | <b>(5,232)</b> | <b>(7,606)</b> | <b>(9,008)</b> | <b>(10,229)</b> | <b>1,221</b>    | <b>12%</b> | <b>(1,402)</b>   | <b>-18%</b> |
| <b>Capital Expenditures</b>     | <b>4,757</b>   | <b>3,739</b>   | <b>6,028</b>   | <b>6,149</b>    | <b>121</b>      | <b>2%</b>  | <b>2,289</b>     | <b>61%</b>  |

**Division Summary 2018 Forecast vs. 2018 Budget**

- Operating Revenues are forecasted to be \$524K above budget primarily due to higher than expected Conference and Event Center activity.
- Operating Expenses are forecasted to be \$697K below budget primarily due to EDD Initiative programs.
- Net Operating Income forecasted to be \$1,221K above budget.
- At the end of the second quarter, capital spending for full year 2018 is forecasted to be \$6M or 98% of the approved budget of \$6.1M.

**Division Summary 2018 Forecast vs. 2017 Actuals**

- Operating Revenues are expected to be \$1,255K above 2017 primarily due to stronger sales at Bell Harbor Conference Center.
- Operating Expenses are expected to be \$2,657K greater than 2017 primarily due to increased volumes at Conference and Event Centers \$827K, EDD Initiatives \$952K, Other Central Services \$443K, and Economic Development Expenses other \$442K.
- Net Operating Income is expected to be \$1,402K less than 2017.

**A. BUSINESS EVENTS****Portfolio Management**

- Elevator modernization project for two passenger elevators and the service elevator at Pier 66 completed May 3, which was 3.5 weeks ahead of schedule
- Collaborating with NWSA on potential new Seattle facility for Customs and Border Protection. They would co-locate their two groups who currently are at T-102 and T-106. Preliminary estimates have been created and discussions about how to share the costs are underway between NWSA and POS.

**Tourism**

- Port Commissioners authorized the Executive Director to execute all related contract agreements for the 26 awardees of the 2018 Tourism Marketing Support Program.
- Launched the Spotlight Advertising Program application process at Sea-Tac Int'l Airport in June.

Real Estate Development

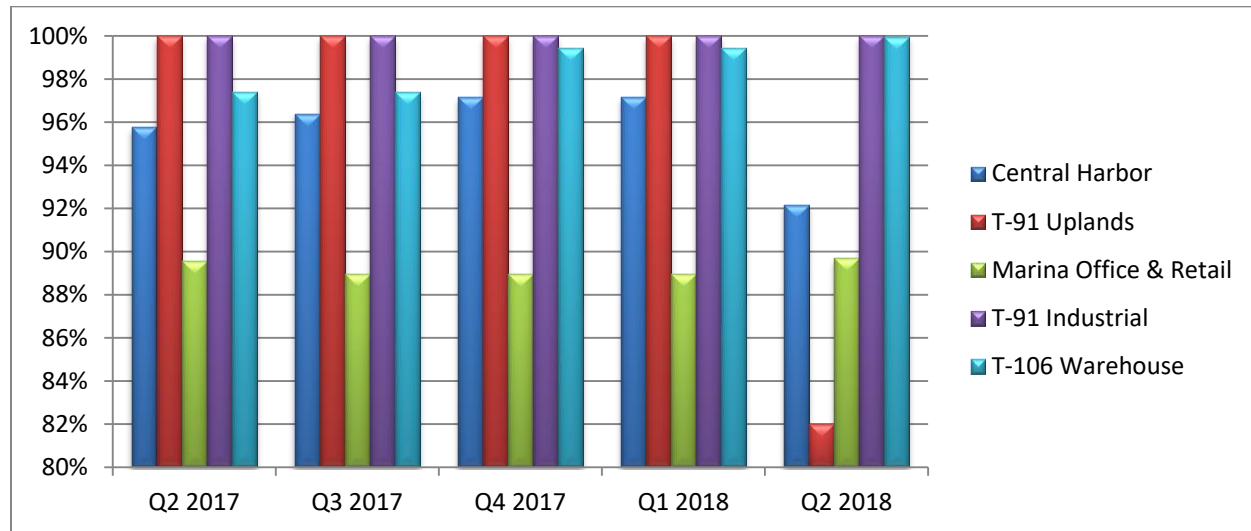
- In April Trammell Crow started construction at Des Moines Creek North property in SeaTac.
- Salmon Bay Marina acquisition closed in June.
- Design work at FT suspended pending final CIP resolution.

Small Business

- Presented the Diversity in Contracting implementation plan to Commission on June 12th to address port wide goal setting, outreach, contracting, tracking, evaluation, and accountability.

Workforce Development

- Airport Career Pathways Convening - Discussion co-facilitated with airport employers convened by Airport Director Lance Lyttle to identify potential opportunities for developing career pathways training to drive opportunities for low-wage workers to increase skills and wages.

**B. KEY PERFORMANCE METRICS**
**Building Occupancy by Location:**

**Net Operating Income before Depreciation by Business**

| \$ in 000's                | 2016 YTD<br>Actual | 2017 YTD<br>Actual | 2018 Year-to-Date |                | Fav (UnFav)<br>2018 Bud Var |            | Incr (Decr)<br>Change from 2017 |            |
|----------------------------|--------------------|--------------------|-------------------|----------------|-----------------------------|------------|---------------------------------|------------|
|                            |                    |                    | Actual            | Budget         | \$                          | %          | \$                              | %          |
| Portfolio Management       | (1,514)            | (2,539)            | (2,062)           | (2,144)        | 82                          | 4%         | 477                             | 19%        |
| Conference & Event Centers | 643                | (483)              | (17)              | (608)          | 591                         | 97%        | 466                             | 96%        |
| Tourism                    | (432)              | (528)              | (640)             | (762)          | 122                         | 16%        | (112)                           | -21%       |
| Workforce Development      | (143)              | (353)              | (368)             | (1,072)        | 705                         | 66%        | (14)                            | -4%        |
| EDD Grants                 | (1)                | (427)              | (28)              | (480)          | 452                         |            | 399                             | NA         |
| Env Grants/Remed Liab/ERC  | (33)               | (1)                | 0                 | 0              | 0                           |            | 1                               | -100%      |
| <b>Total Econ Dev</b>      | <b>(1,479)</b>     | <b>(4,331)</b>     | <b>(3,115)</b>    | <b>(5,067)</b> | <b>1,951</b>                | <b>39%</b> | <b>1,216</b>                    | <b>28%</b> |

# IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

## C. OPERATING RESULTS

|  | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)     |             | Incr (Decr)      |             |
|--|----------------|----------------|-------------------|----------------|-----------------|-------------|------------------|-------------|
| \$ in 000's                                  | Actual         | Actual         | Actual            | Budget         | Budget Variance |             | Change from 2017 |             |
|  |                |                |                   |                | \$              | %           | \$               | %           |
| Revenue                                      | 3,818          | 4,182          | 4,577             | 4,465          | 112             | 3%          | 395              | 9%          |
| Conf & Event Centers                         | 4,518          | 3,545          | 5,188             | 4,776          | 412             | 9%          | 1,644            | 46%         |
| <b>Total Revenue</b>                         | <b>8,337</b>   | <b>7,727</b>   | <b>9,765</b>      | <b>9,242</b>   | <b>524</b>      | <b>6%</b>   | <b>2,039</b>     | <b>26%</b>  |
| <b>Expenses</b>                              |                |                |                   |                |                 |             |                  |             |
| Portfolio Management                         | 1,536          | 2,050          | 1,952             | 1,901          | (51)            | -3%         | (98)             | -5%         |
| Conf & Event Centers                         | 3,665          | 3,660          | 4,306             | 4,258          | (48)            | -1%         | 646              | 18%         |
| P69 Facilities Expenses                      | 81             | 96             | 114               | 171            | 57              | 33%         | 18               | 19%         |
| RE Dev & Planning                            | 211            | 120            | 74                | 107            | 32              | 30%         | (46)             | -38%        |
| EconDev Expenses Other                       | 321            | 383            | 473               | 584            | 111             | 19%         | 90               | 23%         |
| Maintenance Expenses                         | 1,248          | 1,483          | 1,996             | 1,528          | (468)           | -31%        | 513              | 35%         |
| Maritime Expenses (Excl Maint)               | 14             | 25             | 76                | 161            | 85              | 53%         | 52               | 210%        |
| <b>Total EDD &amp; Maritime Expenses</b>     | <b>7,076</b>   | <b>7,817</b>   | <b>8,992</b>      | <b>8,710</b>   | <b>(282)</b>    | <b>-3%</b>  | <b>1,175</b>     | <b>15%</b>  |
| Small Business                               | 9              | 26             | 37                | 74             | 37              | 50%         | 10               | 39%         |
| Workforce Development                        | 150            | 228            | 228               | 941            | 713             | 76%         | (1)              | 0%          |
| Tourism                                      | 420            | 514            | 620               | 750            | 130             | 17%         | 106              | 21%         |
| EDD Grants                                   | 0              | 427            | 28                | 480            | 452             | 94%         | (399)            | -93%        |
| <b>Total EDD Initiatives</b>                 | <b>579</b>     | <b>1,195</b>   | <b>912</b>        | <b>2,244</b>   | <b>1,332</b>    | <b>59%</b>  | <b>(283)</b>     | <b>-24%</b> |
| Environmental & Sustainability               | 9              | 130            | 121               | 188            | 67              | 36%         | (8)              | -7%         |
| CDD Expenses                                 | 113            | 200            | 139               | 172            | 33              | 19%         | (61)             | -31%        |
| Police Expenses                              | 81             | 85             | 81                | 79             | (2)             | -3%         | (3)              | -4%         |
| Other Central Services                       | 1,907          | 2,576          | 2,576             | 2,852          | 276             | 10%         | (0)              | 0%          |
| Aviation Division                            | 51             | 56             | 59                | 63             | 4               | 7%          | 3                | 6%          |
| <b>Total Central Services &amp; Aviation</b> | <b>2,161</b>   | <b>3,046</b>   | <b>2,976</b>      | <b>3,354</b>   | <b>378</b>      | <b>11%</b>  | <b>(70)</b>      | <b>-2%</b>  |
| Envir Remed Liability                        | 0              | 0              | 0                 | 0              | 0               | NA          | 0                | NA          |
| <b>Total Expense</b>                         | <b>9,816</b>   | <b>12,058</b>  | <b>12,880</b>     | <b>14,308</b>  | <b>1,428</b>    | <b>10%</b>  | <b>823</b>       | <b>7%</b>   |
| <b>NOI Before Depreciation</b>               | <b>(1,479)</b> | <b>(4,331)</b> | <b>(3,115)</b>    | <b>(5,067)</b> | <b>1,951</b>    | <b>-39%</b> | <b>1,216</b>     | <b>28%</b>  |
| Depreciation                                 | 1,881          | 1,860          | 1,999             | 2,084          | 84              | 4%          | 139              | 7%          |
| <b>NOI After Depreciation</b>                | <b>(3,360)</b> | <b>(6,191)</b> | <b>(5,114)</b>    | <b>(7,150)</b> | <b>2,036</b>    | <b>-28%</b> | <b>1,077</b>     | <b>17%</b>  |

### 2018 YTD Actuals vs. Budget

- Operating Revenues were \$524K higher than budget due to unplanned leases at T91 and higher volumes at the conference and event center.
- Operating Expenses were \$1,428K lower than budget:
  - Workforce Development \$713K lower than budget due to timing of spending for Construction Trades - Regional Partnership, K-12 Career Connected Learning, Maritime Initiative, and Airport Career Pathways implementation.
  - EconDev Other \$111K lower than budget due to unspent Opportunity Fund.
  - EDD Grants \$452K and Tourism \$130K favorable to budget due to timing of invoices.
  - Maintenance cost unfavorable to budget by (\$468K) due to unbudgeted HVAC repairs at Bell Street common areas and T91 work that should have been charged to Maritime.
  - Other Central Services \$276K lower than budget primarily due to lower charges from Public Affairs \$115K and Human Resources \$50K.
  - All other expenses net to \$214K lower than budget.
- Net Operating Income was \$1,951K above budget.

#### IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

##### 2018 YTD Actuals vs. 2017 YTD Actuals

- Operating Revenues were \$2,039K higher than 2017 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 \$823K higher than 2017 actual:
  - Conference and Event Center \$646K greater than 2017 due to higher sales activity at Bell Harbor International Conference Center.
  - Maintenance Expenses \$513K greater than 2017 due to Maintenance at P66 Common Area and Terminal 91 Uplands.
  - EDD Grants (\$399K) lower than 2017 due to timing of payments.
  - All other Expenses net to \$63K above 2017
- Net Operating Income was \$1,216K above 2017 actual.

|  | 2016           | 2017            | 2018            | 2018            | Fav (UnFav)  |             | Incr (Decr)      |            |
|--|----------------|-----------------|-----------------|-----------------|--------------|-------------|------------------|------------|
| \$ in 000's                                  | Actual         | Actual          | Forecast        | Budget          | Budget       | Variance    | Change from 2017 |            |
|  |                |                 |                 |                 | \$           | %           | \$               | %          |
| Revenue                                      | 7,881          | 8,658           | 9,097           | 8,985           | 112          | 1%          | 439              | 5%         |
| Conf & Event Centers                         | 8,022          | 9,133           | 9,949           | 9,537           | 412          | 4%          | 816              | 9%         |
| <b>Total Revenue</b>                         | <b>15,903</b>  | <b>17,791</b>   | <b>19,046</b>   | <b>18,522</b>   | <b>524</b>   | <b>3%</b>   | <b>1,255</b>     | <b>7%</b>  |
| <b>Expenses</b>                              |                |                 |                 |                 |              |             |                  |            |
| Portfolio Management                         | 3,084          | 3,879           | 3,778           | 3,778           | 0            | 0%          | (101)            | -3%        |
| Conf & Event Centers                         | 6,932          | 7,639           | 8,465           | 8,465           | 0            | 0%          | 827              | 11%        |
| P69 Facilities Expenses                      | 180            | 206             | 289             | 289             | 0            | 0%          | 84               | 41%        |
| RE Dev & Planning                            | 1,037          | 214             | 211             | 211             | 0            | 0%          | (3)              | -1%        |
| EconDev Expenses Other                       | 628            | 773             | 1,227           | 1,227           | 0            | 0%          | 454              | 59%        |
| Maintenance Expenses                         | 2,787          | 3,666           | 3,276           | 3,055           | (221)        | -7%         | (390)            | -11%       |
| Maritime Expenses (Excl Maint)               | 31             | 52              | 344             | 344             | 0            | 0%          | 292              | 557%       |
| <b>Total EDD &amp; Maritime Expenses</b>     | <b>14,679</b>  | <b>16,429</b>   | <b>17,591</b>   | <b>17,370</b>   | <b>(221)</b> | <b>-1%</b>  | <b>1,163</b>     | <b>7%</b>  |
| Small Business                               | 21             | 64              | 140             | 140             | 0            | 0%          | 76               | 118%       |
| Workforce Development                        | 522            | 850             | 1,292           | 1,992           | 700          | 35%         | 442              | 52%        |
| Tourism                                      | 1,093          | 1,234           | 1,460           | 1,460           | 0            | 0%          | 225              | 18%        |
| EDD Grants                                   | 20             | 751             | 960             | 960             | 0            | 0%          | 209              | 28%        |
| <b>Total EDD Initiatives</b>                 | <b>1,656</b>   | <b>2,900</b>    | <b>3,852</b>    | <b>4,552</b>    | <b>700</b>   | <b>15%</b>  | <b>952</b>       | <b>33%</b> |
| Environmental & Sustainability               | 62             | 260             | 363             | 398             | 35           | 9%          | 103              | 40%        |
| CDD Expenses                                 | 250            | 387             | 264             | 329             | 65           | 20%         | (123)            | -32%       |
| Police Expenses                              | 157            | 51              | 156             | 158             | 2            | 1%          | 105              | 205%       |
| Other Central Services                       | 4,223          | 5,257           | 5,700           | 5,816           | 116          | 2%          | 443              | 8%         |
| Aviation Division                            | 107            | 113             | 127             | 127             | 0            | 0%          | 15               | 13%        |
| <b>Total Central Services &amp; Aviation</b> | <b>4,800</b>   | <b>6,068</b>    | <b>6,611</b>    | <b>6,829</b>    | <b>218</b>   | <b>3%</b>   | <b>542</b>       | <b>9%</b>  |
| Envir Remed Liability                        | 0              | 0               | 0               | 0               | 0            | NA          | 0                | NA         |
| <b>Total Expense</b>                         | <b>21,135</b>  | <b>25,397</b>   | <b>28,055</b>   | <b>28,751</b>   | <b>697</b>   | <b>2%</b>   | <b>2,657</b>     | <b>10%</b> |
| <b>NOI Before Depreciation</b>               | <b>(5,232)</b> | <b>(7,606)</b>  | <b>(9,008)</b>  | <b>(10,229)</b> | <b>1,221</b> | <b>-12%</b> | <b>(1,402)</b>   | <b>18%</b> |
| Depreciation                                 | 3,682          | 3,863           | 4,156           | 4,156           | 0            | 0%          | 293              | 8%         |
| <b>NOI After Depreciation</b>                | <b>(8,914)</b> | <b>(11,469)</b> | <b>(13,164)</b> | <b>(14,385)</b> | <b>1,221</b> | <b>-8%</b>  | <b>(1,695)</b>   | <b>15%</b> |

##### 2018 Forecast vs. 2018 Budget

- Operating Revenues are forecasted to be \$524K higher than budget:
  - Higher than expected occupancy at Terminal 102 Corporate Center and Terminal 91 Uplands.
  - Higher conference sales activity at Bell Harbor International Conference Center.
- Operating Expenses are forecasted to be \$697K lower than budget:

#### IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 06/30/18

- Under-spent in Workforce Development Initiatives (\$700K).
- Unbudgeted HVAC repair at P66.
- Net Operating Income is forecasted to be \$1,221K above budget.

#### 2018 Forecast vs. 2017 Actuals

- Operating Revenues are forecasted to be \$1.3 M higher than 2017 actual:
  - High occupancy at most properties, annual increases for existing leases, and higher lease rates for new leases.
  - Stronger sales activity at Bell Harbor Conference Center due to the completion of the P66 Cruise Terminal expansion project.
- Operating Expenses are forecasted to be \$2.7M higher than 2017 actual:
  - Economic Development Initiatives \$952K.
  - Conference & Events Centers: higher sales activity resulting in higher expense \$827K.
  - Other Central Services \$443K.
- Net Operating Income is forecasted to be \$1.4M below 2017 actual.

#### D. CAPITAL RESULTS

|                                | 2018 YTD<br>Actual | 2018<br>Forecast | 2018<br>Budget | Budget Variance |      |
|--------------------------------|--------------------|------------------|----------------|-----------------|------|
|                                |                    |                  |                | \$              | %    |
| \$ in 000's                    |                    |                  |                |                 |      |
| P66 Elevator 2,3,4 Upgrades    | 956                | 1,229            | 1,175          | (54)            | -5%  |
| RE: Contingency Renew.&Replace | 0                  | 1,000            | 1,000          | 0               | 0%   |
| BHICC Interior Modernization   | 100                | 900              | 710            | (190)           | -27% |
| Small Projects                 | 59                 | 525              | 516            | (9)             | -2%  |
| Tenant Improvements -Capital   | 23                 | 897              | 532            | (365)           | -69% |
| P69 Solar Panel System         | 39                 | 482              | 502            | 20              | 4%   |
| T-102 Outdoor Lighting         | 19                 | 209              | 437            | 228             | 52%  |
| T91 Upland PreDevelopment      | 11                 | 150              | 425            | 275             | 65%  |
| CW Elevator Modernization      | 0                  | 100              | 325            | 225             | 69%  |
| All Other projects             | 156                | 536              | 527            | (9)             | -2%  |
| Total Economic Development     | 1,363              | 6,028            | 6,149          | 121             | 2%   |

#### **Comments on Key Projects:**

Through the 2nd quarter of 2018, Economic Development spent 22% of the annual approved capital budget. Full year spending is estimated to be 98% of budget.

#### **Projects with significant changes in spending were:**

- **Tenant Improvements Capital** – Additional \$365K Tenant Improvements originally budgeted as expense.
- **T-102 Outdoor Lighting** – Project cost refinement based on final design.
- **Central Waterfront Elevator Modernization**– Scope reduction and shift of work to 2019/2020.

**FINANCIAL SUMMARY**

|                                 | 2016           | 2017           | 2018           | 2018           | Fav (UnFav)  |             | Incr (Decr)      |               |
|---------------------------------|----------------|----------------|----------------|----------------|--------------|-------------|------------------|---------------|
| \$ in 000's                     | Actual         | Actual         | Forecast       | Budget         | Budget       | Variance    | Change from 2017 |               |
|                                 |                |                |                |                | \$           | %           | \$               | %             |
| <b>Total Operating Revenues</b> | <b>1,330</b>   | <b>68</b>      | <b>182</b>     | <b>182</b>     | <b>-</b>     | <b>0.0%</b> | <b>113</b>       | <b>166.0%</b> |
| Core Central Support Services   | 69,196         | 71,071         | 78,720         | 80,367         | 1,647        | 2.0%        | 7,648            | 10.8%         |
| Police                          | 23,045         | 22,095         | 26,955         | 27,065         | 110          | 0.4%        | 4,860            | 22.0%         |
| Capital Development             | 12,218         | 17,370         | 21,058         | 26,289         | 5,231        | 19.9%       | 3,688            | 21.2%         |
| Environment & Sustainability    | 8,824          | 6,975          | 10,486         | 11,504         | 1,019        | 8.9%        | 3,511            | 50.3%         |
| <b>Total Operating Expenses</b> | <b>113,284</b> | <b>117,511</b> | <b>137,218</b> | <b>145,225</b> | <b>8,008</b> | <b>5.5%</b> | <b>19,707</b>    | <b>16.8%</b>  |

**Division Summary 2018 Forecast vs. 2018 Budget**

- Operating Revenues are forecasted to be \$182K, on par with the budget for 2018.
- Operating Expenses are forecasted to be \$8.0M favorable to budget mainly due to vacant positions, projects spending delay and lower Outside Services Costs.
- Capital spending is forecasted to be \$17.7M, 72.6% of the 2018 budget.

**Division Summary 2018 Forecast vs. 2017 Actuals**

- Operating Revenues are expected to be \$113K above 2017 mainly due to higher reimbursed revenue for Police.
- Operating Expenses are forecasted to be \$19.7M higher than 2017 mainly due to higher payroll expenses and more expense projects.

**A. BUSINESS EVENTS**

- The Port Commission approved \$200,000 in grants for 26 tourism-related projects across the state of Washington.
- Port of Seattle, City of SeaTac, and IAC Properties Brook Ground on an Industrial Site to create a 460,000 square foot industrial facility that will employ approximately 400 full time workers.
- The Port welcomed the inaugural flight of Thomas Cook Airlines nonstop service to Manchester.
- The Port Commission has appointed a panel of four experts to independently review costs and schedules associated with the new International Arrivals Facility (IAF) now under construction at Seattle-Tacoma International Airport.
- The Port welcomed the Norwegian Bliss, the newest ship in the Norwegian Cruise Line fleet. At over 168,000 gross tons and a capacity of 4,004, double occupancy, which is the largest cruise vessel on the west coast and was built especially for the Alaska cruise market. The Norwegian Bliss marked a major milestone for the Port of Seattle, which over the last 18 years has transformed into the largest and fastest growing cruise business on the west coast, while earning a reputation for progressive environmental protections.
- Seattle Harbor Deepening Project Received U.S. Army Corps of Engineers Leadership Approval.
- Sponsored the First Annual Safety Stand Down, which included 8 sessions and an online version for employees who could not attend.
- Issued Intermediate Lien Revenue Bonds of \$555,564,000 to finance or refinance capital improvements to aviation facilities. Work included conducting Rating Agency meetings and due diligence meeting and negotiated sale.
- Replaced the Port of Seattle Website. The new site reflects the current organizational structure, focuses on engaging our customers, and provides infrastructure for organizational content updates.
- Added new functionality to the Sea-Tac Hardstand Equipment Management System, which is tightly integrated to the flight information system allowing for proactive updates as flight data is provided by airlines.

**V. CENTRAL SERVICES FINANCIAL & PERFORMANCE REPORT 06/30/18****B. KEY PERFORMANCE METRICS**

| Key Performance Indicators/Measures   | YTD 2018                | YTD 2017/Notes            |
|---|-------------------------|---------------------------|
| <b>A. Century Agenda Strategies</b>   |                         |                           |
| 1. Small Business Participation – Annual / Small Works (port-wide)  | 68.3%                   | 76.9%                     |
| 2. Small Business Participation – Annual / Major Construction (port-wide) including Mega projects                         | 12.44%                  | 29.9%                     |
| 3. Small Business Participation – Annual / Goods & Services (port-wide)   | 25.9%                   | 24.6%                     |
| 4. Small Business Participation – Service Agreements (port-wide) - Annual (including Legal department Service Agreements) | 50.1%                   | 49.3%                     |
| 5. Minority/Women-Owned Business Participation in Capital Development Contracts   | 4.5%                    | N/A                       |
| <b>B. High Performance Organization - Customer Satisfaction</b>   |                         |                           |
| 1. Respond to Public Disclosure Requests  | 305                     | 264, increased by 41      |
| 2. Information and Communication Technology System Availability   | 99.2%                   | 99.7%                     |
| 3. Customer Survey for Police Service Excellent or Very Good  | 88%                     | 83%                       |
| 4. Oversee Implementation and Administration of CBAs agreements   | 79                      | 99                        |
| 5. Number of Jobs Openings  | 195                     | 443, decreased by 248     |
| 6. Percent of annual audit work plan completed each year  | 100%                    | 39%                       |
| 7. Request of information and guidelines for integrity & business conduct   | 136                     | 113                       |
| <b>C. High Performance Organization - Talent Development &amp; Safety</b>   |                         |                           |
| 1. MIS and Clarity Training   | 8 classes, 76 attendees | 14 classes, 104 attendees |
| 2. Employee Development Class Attendees/Structured Learning   | 772                     | 1878, decreased by 1106   |
| 3. Required Safety Training   | N/A                     | 64%                       |
| 4. Occupational Injury Rate   | 5.50                    | 4.94                      |
| 5. Days Away Severity Rate  | 32.02                   | N/A                       |
| <b>D. Financial Performance</b>   |                         |                           |
| 1. Corporate costs as a % of Total Operating Expenses   | 31.6%                   | 32.8%                     |
| 2. Construction Soft Costs - Total Soft Costs (36 months avg.)  | 24%                     | 28%                       |
| 3. Clean independent CPA audits involving AFR   | yes                     | yes                       |
| 4. Timely process disbursement payment requests   | 4 days                  | 3 days                    |
| 5. Keep receivables collections 85% current (within 30 days)  | 88%                     | 95%                       |
| 6. Investment Portfolio Yield   | 1.69%                   | 1.42%                     |
| 7. Litigation and Claim Reserves (in \$ thousand)   | \$348                   | \$1,531                   |



**C. OPERATING RESULTS****Financial Summary (YTD)**

|                                 | 2016 YTD      | 2017 YTD      | 2018 Year-to-Date |               | Fav (UnFav)<br>Budget Variance |              | Incr (Decr)<br>Change from 2017 |              |
|---------------------------------|---------------|---------------|-------------------|---------------|--------------------------------|--------------|---------------------------------|--------------|
|                                 | Actual        | Actual        | Actual            | Budget        | \$                             | %            | \$                              | %            |
| \$ in 000's                     |               |               |                   |               |                                |              |                                 |              |
| <b>Total Operating Revenues</b> | <b>75</b>     | <b>82</b>     | <b>81</b>         | <b>56</b>     | <b>25</b>                      | <b>45.0%</b> | <b>(1)</b>                      | <b>-1.2%</b> |
| Core Central Support Services   | 31,594        | 34,692        | 36,661            | 39,178        | 2,517                          | 6.4%         | 1,969                           | 5.7%         |
| Police                          | 11,312        | 11,378        | 13,188            | 13,511        | 323                            | 2.4%         | 1,810                           | 15.9%        |
| Capital Development             | 4,747         | 7,763         | 7,733             | 13,075        | 5,342                          | 40.9%        | (30)                            | -0.4%        |
| Environment & Sustainability    | 3,303         | 3,347         | 2,954             | 4,676         | 1,722                          | 36.8%        | (393)                           | -11.8%       |
| <b>Total Operating Expenses</b> | <b>50,956</b> | <b>57,181</b> | <b>60,536</b>     | <b>70,441</b> | <b>9,904</b>                   | <b>14.1%</b> | <b>3,356</b>                    | <b>5.9%</b>  |

**2018 YTD Actuals vs. Budget**

- Operating Revenues were \$25K favorable to budget due to higher miscellaneous revenues.
- Operating Expenses were \$9.9M favorable to budget due primarily to vacant positions, hiring delays, and lower Outside Services Costs.

**2018 YTD Actuals vs. 2017 YTD Actuals**

- Operating Revenues were basically on par with 2017 level.
- Operating Expenses were \$3.4M higher than last year primarily due to higher Payroll and Outside Services Costs.

## V. CENTRAL SERVICES FINANCIAL & PERFORMANCE REPORT 06/30/18

### Financial Summary (Year-End Forecast)

|   | Notes | 2016           | 2017           | 2018           | 2018           | Fav (UnFav)  |             | Incr (Decr)      |               |
|---|-------|----------------|----------------|----------------|----------------|--------------|-------------|------------------|---------------|
|   |       | Actual         | Actual         | Forecast       | Budget         | Budget       | Variance    | Change from 2017 |               |
| \$ in 000's                                   |       |                |                |                |                | \$           | %           | \$               | %             |
| <b>Total Revenues</b>                         |       | <b>1,330</b>   | <b>68</b>      | <b>182</b>     | <b>182</b>     | <b>-</b>     | <b>0.0%</b> | <b>113</b>       | <b>166.0%</b> |
| Executive                                     |       | 2,185          | 1,287          | 1,877          | 2,001          | 124          | 6.2%        | 590              | 45.8%         |
| Commission                                    |       | 1,569          | 1,685          | 1,954          | 1,984          | 30           | 1.5%        | 269              | 16.0%         |
| Legal   |       | 3,365          | 3,741          | 3,706          | 3,617          | (89)         | -2.5%       | (35)             | -0.9%         |
| Public Affairs                                |       | 6,033          | 7,112          | 7,993          | 8,308          | 315          | 3.8%        | 881              | 12.4%         |
| Human Resources                               |       | 7,001          | 8,418          | 9,566          | 9,689          | 123          | 1.3%        | 1,149            | 13.6%         |
| Labor Relations                               |       | 1,268          | 1,678          | 1,222          | 1,371          | 149          | 10.9%       | (456)            | -27.2%        |
| Internal Audit                                |       | 1,455          | 1,603          | 1,750          | 1,828          | 78           | 4.3%        | 147              | 9.2%          |
| Accounting & Financial Reporting Services     |       | 6,550          | 6,751          | 7,929          | 8,148          | 218          | 2.7%        | 1,179            | 17.5%         |
| Information & Communication Technology        |       | 20,158         | 21,633         | 23,483         | 23,308         | (175)        | -0.8%       | 1,850            | 8.5%          |
| Finance & Budget                              |       | 4,810          | 4,998          | 5,793          | 5,828          | 36           | 0.6%        | 795              | 15.9%         |
| Maritime Finance                              |       | 1,212          | 1,229          | 1,478          | 1,478          | -            | 0.0%        | 249              | 20.2%         |
| Seaport Finance                               |       | 811            | 737            | 878            | 878            | -            | 0.0%        | 142              | 19.2%         |
| Environmental Finance                         |       | 401            | 492            | 600            | 600            | -            | 0.0%        | 107              | 21.8%         |
| Finance & Budget                              |       | 1,647          | 1,871          | 1,953          | 1,955          | 1            | 0.1%        | 82               | 4.4%          |
| Aviation Finance & Budget                     |       | 1,950          | 1,897          | 2,361          | 2,395          | 34           | 1.4%        | 464              | 24.5%         |
| Business Intelligence                         |       | 1,004          | 1,211          | 1,485          | 1,543          | 58           | 3.7%        | 274              | 22.7%         |
| Risk Services                                 |       | 3,202          | 3,077          | 3,289          | 3,322          | 33           | 1.0%        | 212              | 6.9%          |
| Office of Strategic Initiatives               |       | 1,393          | 1,882          | 1,981          | 2,265          | 284          | 12.5%       | 99               | 5.3%          |
| Central Procurement Office                    |       | 6,963          | 3,861          | 4,261          | 4,511          | 250          | 5.5%        | 401              | 10.4%         |
| Security and Preparedness                     |       | 1,420          | 1,754          | 2,329          | 2,394          | 65           | 2.7%        | 574              | 32.7%         |
| Contingency                                   |       | 369            | 381            | 100            | 250            | 150          | 60.0%       | (281)            | -73.7%        |
| <b>Core Central Support Services</b>          |       | <b>69,196</b>  | <b>71,071</b>  | <b>78,720</b>  | <b>80,367</b>  | <b>1,647</b> | <b>2.0%</b> | <b>7,648</b>     | <b>10.8%</b>  |
| Police  |       | 23,045         | 22,095         | 26,955         | 27,065         | 110          | 0.4%        | 4,860            | 22.0%         |
| <b>Total Before Cap Dev &amp; Environment</b> |       | <b>92,241</b>  | <b>93,166</b>  | <b>105,674</b> | <b>107,432</b> | <b>1,757</b> | <b>1.6%</b> | <b>12,508</b>    | <b>13.4%</b>  |
| Capital Development                           |       |                |                |                |                |              |             |                  |               |
| Engineering                                   |       | 4,493          | 5,284          | 7,248          | 7,841          | 592          | 7.6%        | 1,964            | 37.2%         |
| Port Construction Services                    |       | 3,488          | 3,709          | 4,981          | 5,685          | 705          | 12.4%       | 1,271            | 34.3%         |
| Aviation PMG                                  |       | 2,823          | 6,942          | 6,933          | 10,977         | 4,044        | 36.8%       | (9)              | -0.1%         |
| Seaport PMG                                   |       | 999            | 1,007          | 1,288          | 1,178          | (110)        | -9.3%       | 281              | 27.9%         |
| Capital Development Admin                     |       | 416            | 428            | 607            | 607            | -            | 0.0%        | 180              | 41.9%         |
| Sub-Total                                     |       | 12,218         | 17,370         | 21,058         | 26,289         | 5,231        | 19.9%       | 3,688            | 21.2%         |
| Environment & Sustainability                  |       |                |                |                |                |              |             |                  |               |
| Aviation Environmental                        |       | 5,857          | 3,779          | 5,793          | 6,503          | 710          | 10.9%       | 2,014            | 53.3%         |
| Maritime Environmental & Planning             |       | 2,098          | 2,157          | 2,796          | 3,046          | 250          | 8.2%        | 639              | 29.6%         |
| Noise Programs                                |       | 722            | 670            | 800            | 742            | (58)         | -7.8%       | 130              | 19.4%         |
| Environment & Sustainability                  |       | 148            | 368            | 1,096          | 1,214          | 118          | 9.7%        | 728              | 197.5%        |
| Sub-Total                                     |       | 8,824          | 6,975          | 10,486         | 11,504         | 1,019        | 8.9%        | 3,511            | 50.3%         |
| <b>Total Expenses</b>                         |       | <b>113,284</b> | <b>117,511</b> | <b>137,218</b> | <b>145,225</b> | <b>8,008</b> | <b>5.5%</b> | <b>19,707</b>    | <b>16.8%</b>  |

### 2018 Forecast vs. 2018 Budget

- Operating Expenses are forecasted to be \$8.0M under budget due primarily to:
  - Executive** – favorable variance is due to the Executive Director's position being vacant for a month and a part time position remains unfilled; less travel and downgrading of a membership.
  - Commission** – favorable variance is due to a vacant position which has been filled.

- **Legal** – unfavorable variance is due to Legal Expenses.
- **Public Affairs** – favorable variance is due to three vacant positions, lower Outside Services, Promotional Hosting and General Expenses.
- **Human Resources** – favorable variance is due to several vacant positions which will be somewhat offset by unbudgeted recruiting expenses for the Sr. Director position.
- **Labor Relations** – favorable variance is due to two vacant positions which one has been filled and credit received for a litigation reserve.
- **Internal Audit** – favorable variance is due to a vacant position which has been filled.
- **Accounting and Financial Reporting Services** – favorable variance is due to 3 vacant positions and credit card rebates. The savings in Salaries and Benefits have been used to cover retro-active pay for positions recently converted to Non-Exempt and to backfilled a vacant position with a temporary employee.
- **Information & Communication Technology** – unfavorable variance is due to unbudgeted pay increases associated with the recent job refresh.
- **Finance & Budget** – favorable variance is due to vacant positions.
- **Business Intelligence** – favorable variance is due to a vacant position.
- **Risk Services** – anticipates property insurance renewal and broker fees being lower.
- **Office of Strategic Initiative** – favorable variance is due to two vacant positions.
- **Central Procurement Office** – favorable variance is due to vacant positions.
- **Security and Preparedness** – favorable variance is due to a vacant position.
- **Contingency** – plans on spending less than what was anticipated at budget.
- **Police** – favorable variance is due to vacant positions and savings in Travel and Other Related Expenses.
- **Capital Development** – favorable variance in Outside Services is due to hiring fewer contractors than budgeted, delayed projects and change in design and scope of the South Satellite project.
- **Environment & Sustainability** – favorable variance is due to vacant positions and savings in Outside Services due to delayed in SAMP, Energy & Sustainability fund and Forterra Assessment Plan.

#### **2018 Forecast vs. 2017 Actuals**

- Operating Expenses are forecasted to be \$19.7M higher than 2017 actuals mainly due to:
  - **Capital Development** – forecast \$3.7M above 2017 mainly due to the following:
    - More project-related expense to support the operating divisions.
    - Office-moving expense/office rent in 2018.
  - **Police** – forecast \$4.9M above 2017 due to the following:
    - Added 3 K-9 Handlers in mid-2017 (and the 2018 number reflects the full-year costs).
    - Lower payroll costs resulted from a number of vacant positions in 2017, including the vacant Police Chief/Deputy Chief positions for several months.
    - Adding 12 Police Officers requested by the airlines in 2018.
    - More overtime in the first quarter of 2018.
  - **Environment & Sustainability** – forecast \$3.5M over 2017 due to the following:
    - SAMP Environmental Review expense is \$1.7M for 2018 compared only \$169K spent in 2017 (even though we budgeted for \$2.3M for 2017).
    - ACE fund, Energy & Sustainability fund, and Forterra Assessment Plan total to be \$600K for 2018 while we spent very little last year.
    - Added 3 new FTEs in the 2018 Environment & Sustainability budget.
    - Added \$175K for Aviation Biofuel Partnership Fund Development Project in the 2018 budget.
    - Added \$140K for terminals/facilities waste audits and reports for Maritime ENV in the 2018 budget.
    - Included \$110K for emission inventory update and three ports Salish Sea water initiative in the 2018 budget.

**D. CAPITAL RESULTS**

| \$ in 000's                   | 2018 YTD<br>Actual | 2018<br>Forecast | 2018<br>Budget | Budget Variance |              |
|-------------------------------|--------------------|------------------|----------------|-----------------|--------------|
|                               |                    |                  |                | \$              | %            |
| Infrastructure - Small Cap    | 210                | 1,500            | 1,500          | 0               | 0.0%         |
| Services Tech - Small Cap     | 110                | 1,150            | 1,150          | 0               | 0.0%         |
| Project Cost Mgmt System      | 221                | 600              | 600            | 0               | 0.0%         |
| Supplier Database System      | 137                | 487              | 450            | (37)            | -8.2%        |
| Corporate Firewall            | 26                 | 922              | 922            | 0               | 0.0%         |
| PeopleSoft Financials Upgrade | 566                | 1,866            | 3,100          | 1,234           | 39.8%        |
| Radio System Upgrade          | 7                  | 7,800            | 12,000         | 4,200           | 35.0%        |
| Police Records Mgmt System    | 0                  | 200              | 700            | 500             | 71.4%        |
| CDD Fleet Replacement         | 172                | 1,040            | 1,210          | 170             | 14.0%        |
| Corporate Fleet Replacement   | 45                 | 1,180            | 1,180          | 0               | 0.0%         |
| Other (note 1)                | 129                | 929              | 1,526          | 597             | 39.1%        |
| <b>TOTAL</b>                  | <b>1,623</b>       | <b>17,674</b>    | <b>24,338</b>  | <b>6,664</b>    | <b>27.4%</b> |

Note:

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

# Port of Seattle

## Q2 2018 Financial Performance Report

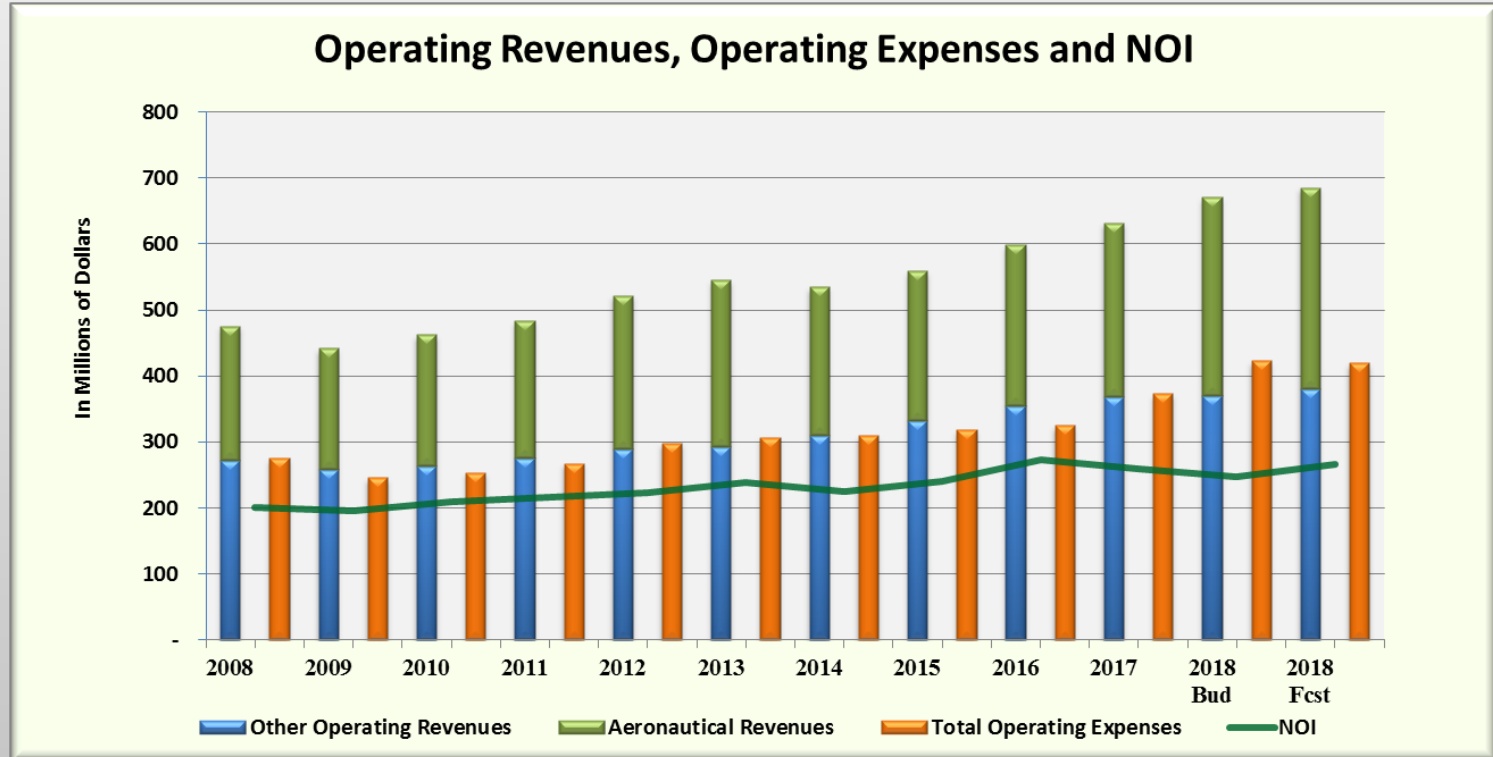


# Portwide Financial Highlights

- **Q2 YTD Actual:**
  - Operating Revenues \$12.7M favorable to budget and \$28.4M over 2017.
  - The Non-Aviation Revenues \$4.3M favorable to budget and \$2.5M over 2017.
  - Operating Expenses \$17.3M favorable to budget and \$17.5M above 2017 mainly due to more payroll and project-related expenses.
  - Net Operating Income before depreciation \$30.1M favorable to budget and \$10.9M over 2017.
- **Year-End Forecast:**
  - Revenues \$14.6M favorable, Expenses \$3.2M favorable, and NOI \$17.8M favorable to budget.
  - Total capital spending forecast to be \$652.6M or 74.5% of the budget for 2018.

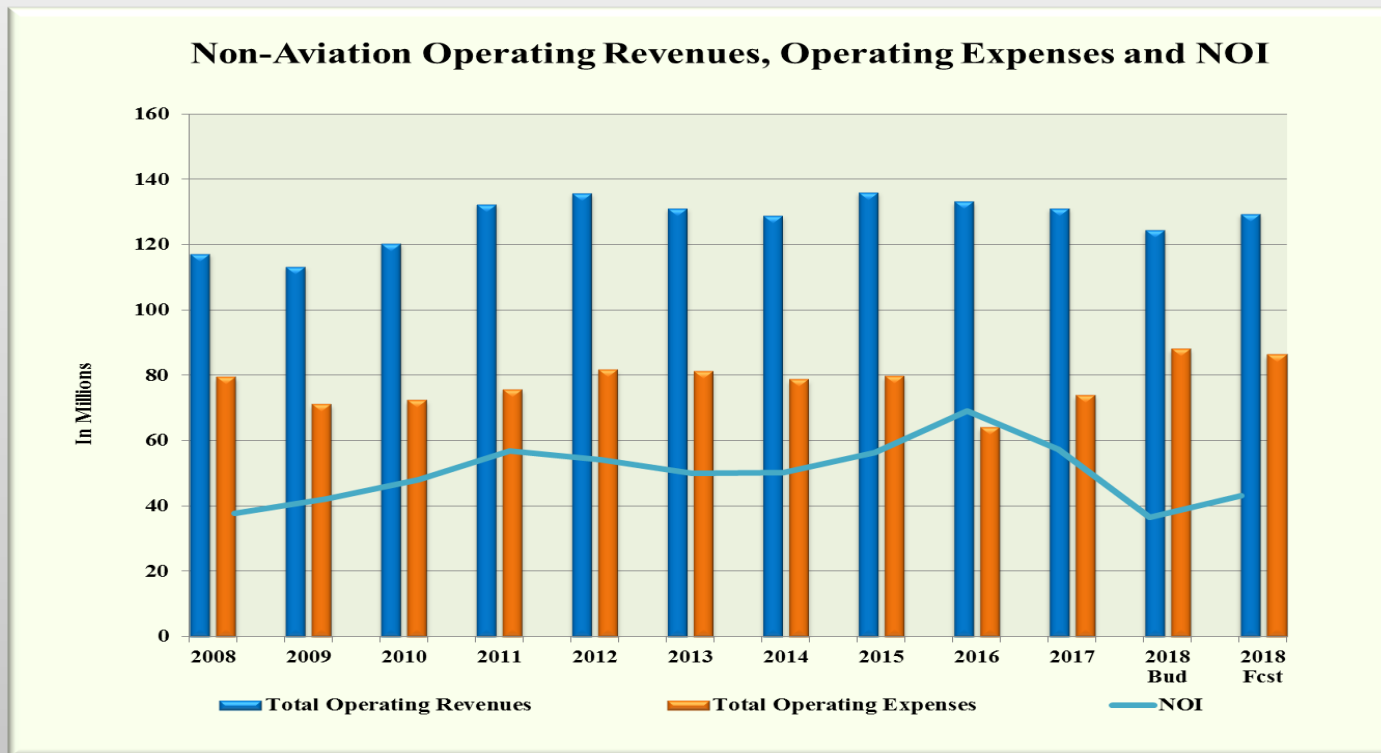
**Expect strong financial performance results for 2018**

# Portwide Net Operating Income Performance



Both operating revenues and expenses growing gradually since 2008

# Non-Aviation Net Operating Income Performance



NOI for 2018 is forecasted to be relatively flat compared to 2008



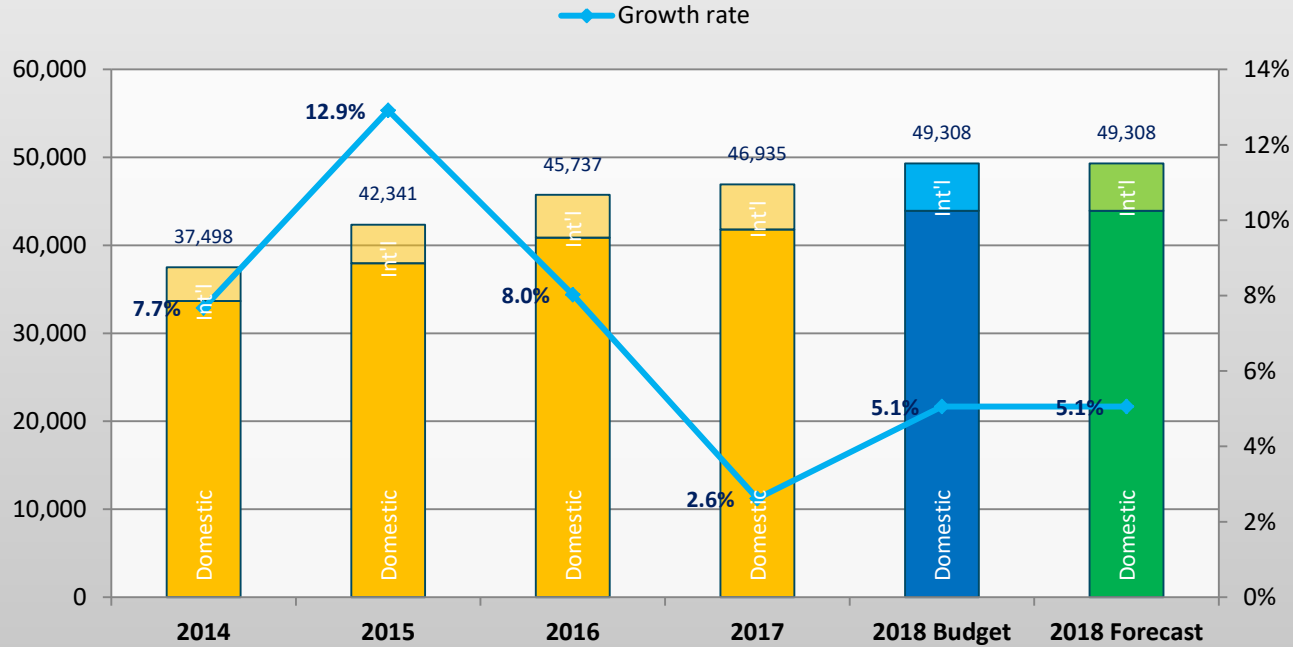
# Aviation Division Highlights

- **Activity:** Passenger growth in Q2 tracking slightly higher than budgeted growth of 5%
- **Customer Service:** below target through Q2 - Airport Service Quality scores below 2017 in all 6 categories. Improved Security checkpoint times.
- **Planning for future:** Sustainable Airport Master Plan initiated environmental review in July
- **2018 Financial Forecast:**
  - Non-Aeronautical NOI \$7.3 million above budget
  - Total Operating and Maintenance Expenses \$1.4 million under budget
  - Passenger Airline Cost per Enplaned Passenger (CPE) \$0.11 below revised budget (revised for change in revenue sharing under SLOA IV)
  - Capital spending of \$594 million, below budget of \$796 million

Passenger growth driving financial result, creating customer service challenges

# Airport Activity

Passengers (in 000s)

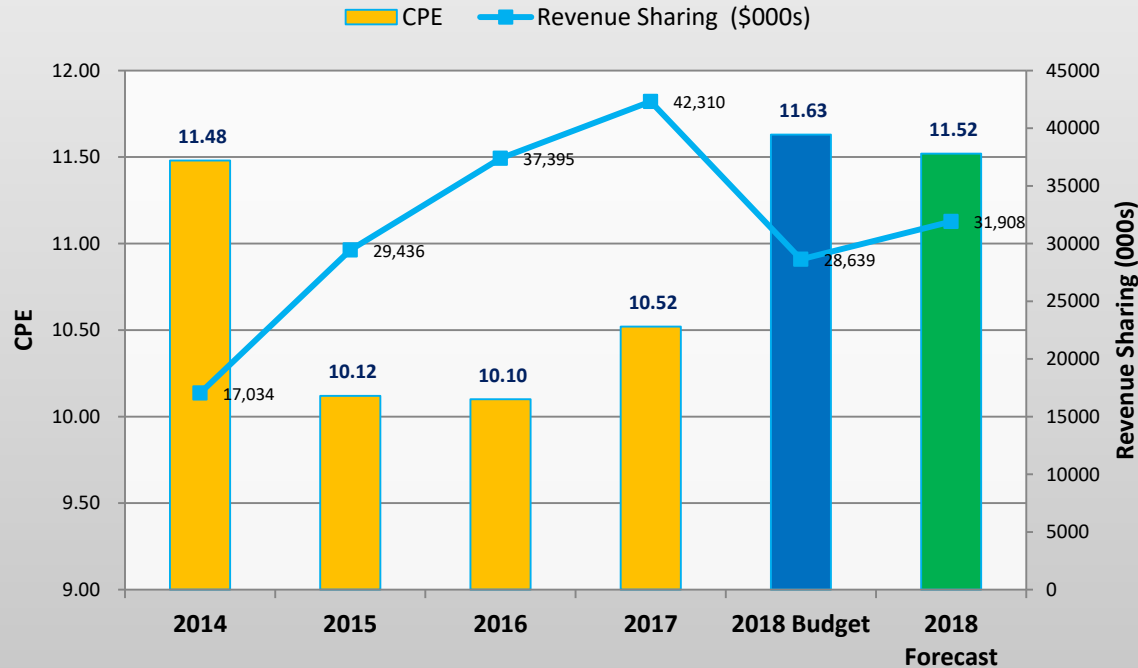


## Year-to-date Q2:

- Passengers +6.1%
- Operations +5.0%
- Landed weight +7.7%
- Cargo metric tons +5.3%

Passenger growth ahead of plan YTD, still anticipate 5% growth for year

# Airline Cost Management (CPE)



## 2018 Budget:

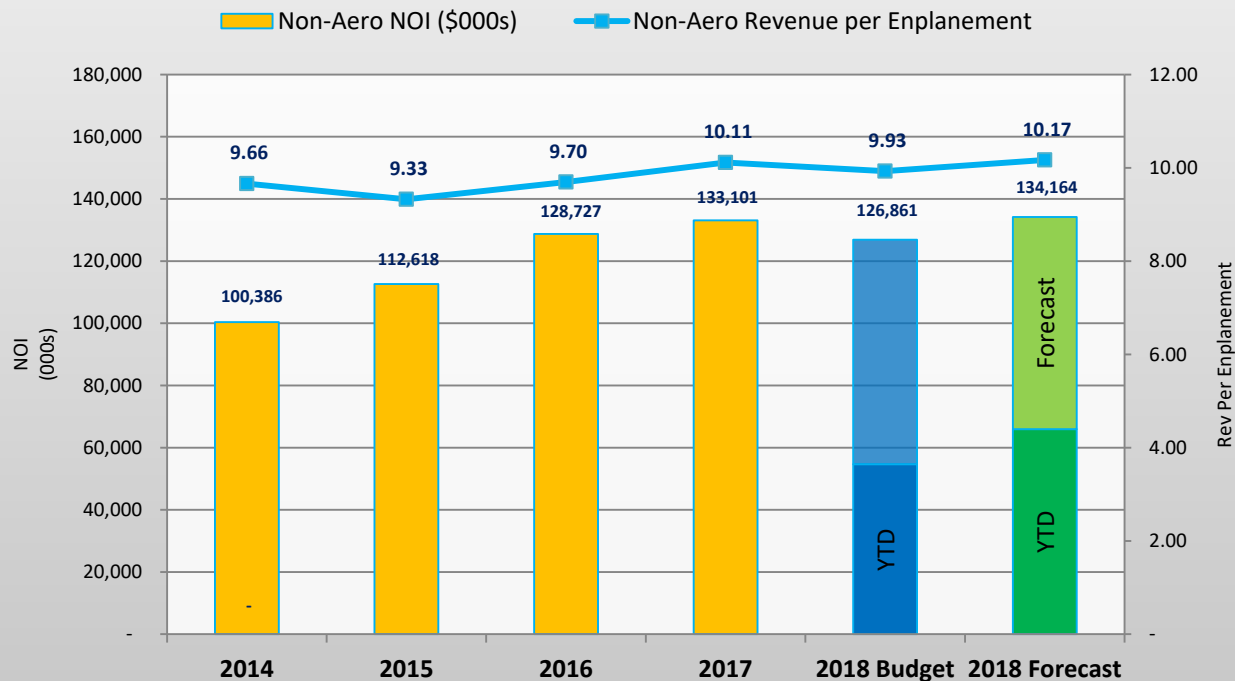
- Adjusted for SLOA IV 40% revenue sharing

## 2018 CPE Forecast:

- Below budget due to increased non-airline revenues generating more revenue sharing

2018 revenue sharing \$3.3 million higher than budget anticipated with SLOA IV provision

# Non-Aeronautical Performance



## YTD 2018 vs. 2017:

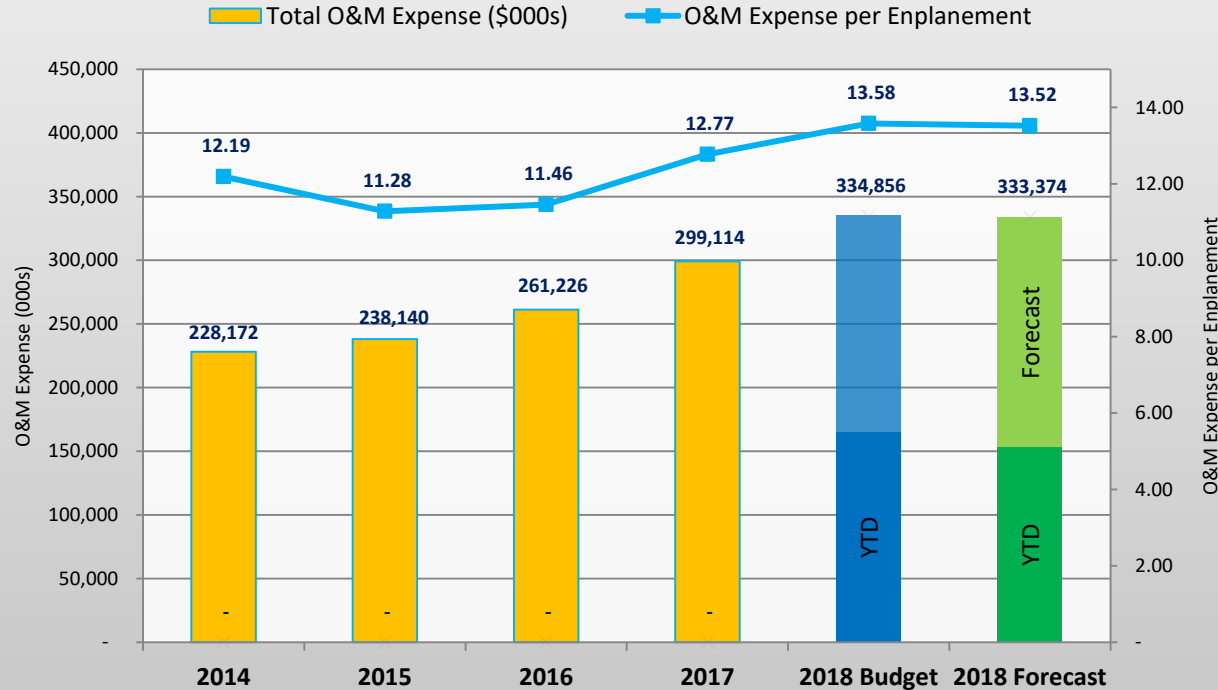
- Revenues +5.4%
- Expenses +7.8%
- NOI +3.6%

## Revenue growth:

- Rental car CFC
- Public parking
- ADR
- GT

ADR, parking and TNCs driving positive revenue variance in 2018 forecast

# Total Operating Expense Performance



## Q2 YTD:

- \$11.6M favorable

## 2018 Forecast:

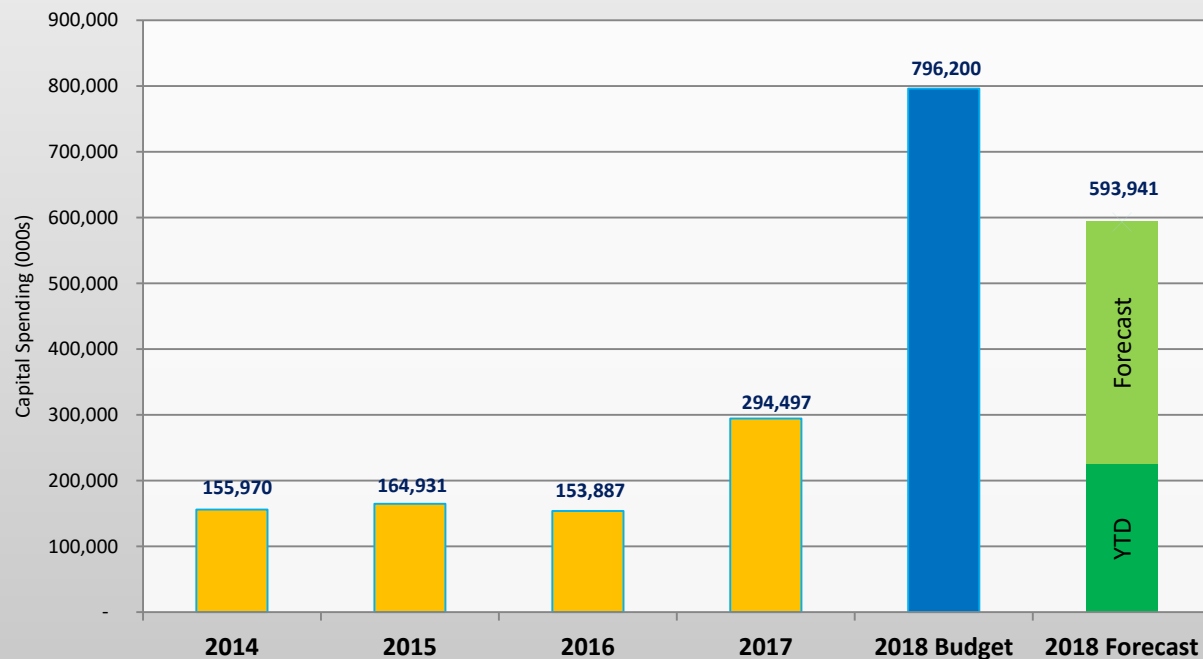
- \$1.4M favorable (0.4%)

## 2018 unplanned costs absorbed:

- Planning studies
- Bag system testing
- Pest management
- Peak staffing support
- Fire Dept. OT

2018 savings/deferrals covering unplanned expenditures

# Capital Spending



## 2018 Forecast:

- IAF = \$215M
- NSAT = \$132 M
- Other = \$249 M

## Major 2018 Variances:

- IAF = - \$109M
- Automated Security Lane = -\$15.6M
- NSAT = -\$9.0M

2018 spending variances primarily due to delayed spending, not project savings

# Maritime Business Highlights

**Cruise** – Commissioners, Executive, Cruise, and Public Affairs staff participated in the successful inaugural event and first turnaround call of the Norwegian Bliss, May 30-June 02. The event garnered significant media attention.

**Recreational Boating** – Successfully hosted the Clipper Around the World at Bell Harbor Marina in June.

**Fishing and Commercial Operations** – Transitioned management of Salmon Bay Marina in June.

**Maritime Portfolio Management** – Finalized a license with Ecco Wireless that will bring a new Wi-Fi network to Shilshole Bay Marina with faster speeds and better coverage over the whole site for all customers.

**Stormwater Utility** – Obtained permit from US Army Corp of Engineers to proceed with T18 Outfall Renewal and Replacement project. Tracking to exceed the 75% assessment target.

Fine tuning the businesses and advancing the Century Agenda

# Maritime Financial Highlights

**Maritime – YTD Q2 2018 NOI is \$4,145K favorable to budget and (\$77K) lower than 2017**

- YTD Q2 Revenue favorable to budget by \$1,234K and \$1,732K greater than 2017 driven by Recreational Boating and Fishing & Operations.
- YTD Q2 Expenses favorable to budget by \$2,911K and \$1,809K higher than 2017.
- 2018 Operating profit forecast to exceed budget by \$1.3M.
- 2018 Capital forecast to 70% of budget driven by restroom and paving projects at Shilshole Bay moving spend to 2019.
- Stormwater Utility forecast is tracking to budget.

| Net Operating Income<br>\$ in 000's | 2016 YTD<br>Actual | 2017 YTD<br>Actual | 2018 Year-to-Date |            | Fav (UnFav)<br>Budget Variance |              | Incr (Decr)<br>Change from 2017 |            |
|-------------------------------------|--------------------|--------------------|-------------------|------------|--------------------------------|--------------|---------------------------------|------------|
|                                     |                    |                    | Actual            | Budget     | \$                             | %            | \$                              | %          |
| Fishing & Operations                | (1,563)            | (910)              | (1,139)           | (1,643)    | 504                            | 31%          | (230)                           | -25%       |
| Recreational Boating                | 748                | 799                | 987               | 34         | 953                            | 2840%        | 187                             | 23%        |
| Cruise                              | 2,223              | 2,697              | 2,093             | 956        | 1,137                          | 119%         | (604)                           | -22%       |
| Bulk                                | 1,442              | 2,388              | 2,249             | 1,672      | 577                            | 35%          | (139)                           | -6%        |
| Maritime Portfolio                  | 450                | 121                | 391               | (314)      | 705                            | 224%         | 270                             | 223%       |
| All Other                           | (15)               | (478)              | (39)              | (308)      | 269                            | 87%          | 438                             | 92%        |
| <b>Total Maritime</b>               | <b>3,285</b>       | <b>4,618</b>       | <b>4,541</b>      | <b>396</b> | <b>4,145</b>                   | <b>1046%</b> | <b>(77)</b>                     | <b>-2%</b> |

**Maritime NOI forecast to exceed budget in 2018**



# EDD Business Highlights

**Real Estate Development** In April Trammell Crow started construction at Des Moines Creek North property in SeaTac. Salmon Bay Marina acquisition closed in June. Design work at FT suspended pending final CIP resolution.

**Workforce Development** Airport Career Pathways Convening - Discussion co-facilitated with airport employers convened by Airport Director Lance Lyttle to identify potential opportunities for developing career pathways training to drive opportunities for low-wage workers to increase skills and wages.

**Small Business** Presented the Diversity in Contracting implementation plan to Commission on June 12th to address port wide goal setting, outreach, contracting, tracking, evaluation, and accountability.

**Portfolio Management** Elevator modernization project for two passenger elevators and the service elevator at Pier 66 completed May 3, which was 3.5 weeks ahead of schedule.

**Tourism** Port Commissioners authorized the Executive Director to execute all related contract agreements for the 26 awardees of the 2018 Tourism Marketing Support Program. Additionally launched the Spotlight Advertising Program application process at Sea-Tac Int'l Airport in June.

Moving ahead on initiatives and navigating changing real estate market

# EDD Financial Highlights

## **EDD – YTD 2018 NOI \$1,951K favorable to budget and \$1,216K greater than 2017**

- Revenue favorable to budget by \$524K and \$2,039K greater than 2017 driven by favorable volumes at the Conference and Event Centers.
- Expenses favorable to budget by \$1,428K, of which \$1.3M is related to underspend on EDD initiatives such as Workforce Development and EDD Grants. Y/Y expenses up \$823K primarily due to increased Conference and Event Center volumes and Maintenance, offset by timing of EDD Grants.
- Full year NOI forecast to exceed budget by \$1.2M.
- EDD projects to spend 98% of capital budget.

**Growth in Conference and Event Center volumes**

# Central Services Business Highlights

- The Port Commission approved \$200,000 in **grants for 26 tourism-related projects** across the state of Washington.
- The Port Commission has appointed a panel of four experts to independently review costs and schedules associated with the new **International Arrivals Facility (IAF)** now under construction.
- Received U.S. Army Corps of Engineers leadership approval of the **Seattle Harbor Deepening Project**.
- Issued **Intermediate Lien Revenue Bonds** of \$555,564,000 to finance or refinance capital improvements to aviation facilities.
- Replaced the **Port of Seattle website** that is more focus on engaging our customers and provides infrastructure for organizational content updates.

Achieved a number of accomplishments in Q2 2018

# Central Services Financial Highlights

- **Q2 Actual:**

- Operating expenses \$9.9M favorable to budget mainly due to some vacant positions and lower Outside Services expenses.
- Operating expenses \$3.4M higher than 2017 mainly due to higher payroll and more project-related expenses.

- **Year-End Forecast:**

- Operating expenses forecast to be \$8.0M favorable to budget due primarily to savings from Payroll and Outside Services.
- Operating expenses forecast to be \$19.7M higher than 2017 due to higher payroll and more project-related expenses. Departments that have the most increase include:
  - Police: \$4.9M
  - Capital Development: \$3.7M
  - Environment & Sustainability: \$3.5M

**Vacancies & delayed expenses led to favorable budget variances**

# Appendix

## Q2 2018 Financial Performance Report



# Portwide Financial Summary

|                                 | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)<br>Budget Variance |               | Incr (Decr)<br>Change from 2017 |              |
|---------------------------------|----------------|----------------|-------------------|----------------|--------------------------------|---------------|---------------------------------|--------------|
| \$ in 000's                     | Actual         | Actual         | Actual            | Budget         |                                | %             | \$                              | %            |
| Aeronautical Revenues           | 117,765        | 127,780        | 147,570           | 144,761        | 2,809                          | 1.9%          | 19,791                          | 15.5%        |
| Airport Non-Aero Revenues       | 100,336        | 112,761        | 118,864           | 113,264        | 5,601                          | 4.9%          | 6,104                           | 5.4%         |
| Other Port Operating Revenues   | 61,322         | 61,548         | 64,054            | 59,748         | 4,306                          | 7.2%          | 2,506                           | 4.1%         |
| <b>Total Operating Revenues</b> | <b>279,422</b> | <b>302,088</b> | <b>330,489</b>    | <b>317,773</b> | <b>12,716</b>                  | <b>4.0%</b>   | <b>28,400</b>                   | <b>9.4%</b>  |
| Total Operating Expenses        | 147,874        | 174,104        | 191,577           | 208,920        | 17,343                         | 8.3%          | 17,473                          | 10.0%        |
| <b>NOI before Depreciation</b>  | <b>131,549</b> | <b>127,984</b> | <b>138,912</b>    | <b>108,853</b> | <b>30,059</b>                  | <b>27.6%</b>  | <b>10,927</b>                   | <b>8.5%</b>  |
| Depreciation                    | 82,277         | 81,860         | 81,949            | 81,614         | (335)                          | -0.4%         | 89                              | 0.1%         |
| <b>NOI after Depreciation</b>   | <b>49,271</b>  | <b>46,124</b>  | <b>56,963</b>     | <b>27,238</b>  | <b>29,724</b>                  | <b>109.1%</b> | <b>10,838</b>                   | <b>23.5%</b> |
|                                 |                |                |                   |                |                                |               |                                 |              |

- Operating Revenues \$12.7M favorable to budget and \$28.4M higher than 2017.
- Operating Expenses \$17.3M favorable to budget but \$17.5M higher than 2017.
- NOI before Depreciation \$30.1M favorable to budget and \$10.9M higher than 2017.

**Strong financial performance for the Port**

# Non-Aviation Financial Summary

| \$ in 000's                     | 2016 YTD      | 2017 YTD      | 2018 Year-to-Date |                | Fav (UnFav)<br>Budget Variance |                | Incr (Decr)<br>Change from 2017 |               |
|---------------------------------|---------------|---------------|-------------------|----------------|--------------------------------|----------------|---------------------------------|---------------|
|                                 | Actual        | Actual        | Actual            | Budget         | \$                             | %              | \$                              | %             |
| NWSA Distributable Revenue      | 28,990        | 27,283        | 25,844            | 23,323         | 2,521                          | 10.8%          | (1,439)                         | -5.3%         |
| Maritime Revenues               | 22,027        | 24,525        | 26,257            | 25,023         | 1,234                          | 4.9%           | 1,732                           | 7.1%          |
| EDD Revenues                    | 8,338         | 7,727         | 9,765             | 9,242          | 524                            | 5.7%           | 2,038                           | 26.4%         |
| SWU & Other                     | 1,968         | 2,012         | 2,187             | 2,160          | 27                             | 1.3%           | 175                             | 8.7%          |
| <b>Total Operating Revenues</b> | <b>61,322</b> | <b>61,548</b> | <b>64,054</b>     | <b>59,748</b>  | <b>4,306</b>                   | <b>7.2%</b>    | <b>2,506</b>                    | <b>4.1%</b>   |
| Total Operating Expenses        | 29,057        | 33,783        | 38,141            | 43,868         | 5,727                          | 13.1%          | 4,358                           | 12.9%         |
| <b>NOI before Depreciation</b>  | <b>32,265</b> | <b>27,765</b> | <b>25,913</b>     | <b>15,880</b>  | <b>10,032</b>                  | <b>63.2%</b>   | <b>(1,852)</b>                  | <b>-6.7%</b>  |
| Depreciation                    | 21,046        | 20,272        | 19,988            | 20,176         | 187                            | 0.9%           | (283)                           | -1.4%         |
| <b>NOI after Depreciation</b>   | <b>11,219</b> | <b>7,493</b>  | <b>5,925</b>      | <b>(4,295)</b> | <b>10,220</b>                  | <b>-237.9%</b> | <b>(1,569)</b>                  | <b>-20.9%</b> |

**Strong financial performance for the Port**

# Portwide Operating Revenues Summary

| \$ in 000's                                | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)     |             | Incr (Decr)      |             |
|--|----------------|----------------|-------------------|----------------|-----------------|-------------|------------------|-------------|
|  | Actual         | Actual         | Actual            | Budget         | Budget Variance |             | Change from 2017 |             |
|  |                |                |                   |                | \$              | %           | \$               | %           |
| Aeronautical Revenues                      | 117,765        | 127,780        | 147,570           | 144,761        | 2,809           | 1.9%        | 19,791           | 15.5%       |
| Public Parking                             | 34,166         | 36,958         | 39,402            | 38,080         | 1,322           | 3.5%        | 2,444            | 6.6%        |
| Rental Cars - Operations                   | 15,271         | 14,514         | 14,922            | 14,579         | 343             | 2.4%        | 408              | 2.8%        |
| Rental Cars - Operating CFC                | 3,872          | 3,284          | 5,497             | 5,434          | 63              | 1.2%        | 2,213            | 67.4%       |
| ADR & Terminal Leased Space                | 26,617         | 28,420         | 30,179            | 28,017         | 2,162           | 7.7%        | 1,759            | 6.2%        |
| Ground Transportation                      | 5,668          | 7,633          | 8,885             | 8,060          | 825             | 10.2%       | 1,252            | 16.4%       |
| Employee Parking                           | 4,563          | 4,674          | 5,191             | 4,608          | 584             | 12.7%       | 517              | 11.1%       |
| Airport Commercial Properties              | 4,286          | 10,708         | 7,593             | 7,082          | 511             | 7.2%        | (3,115)          | -29.1%      |
| Airport Utilities                          | 3,571          | 3,423          | 3,438             | 3,778          | (340)           | -9.0%       | 14               | 0.4%        |
| Cruise                                     | 5,410          | 6,325          | 6,806             | 6,944          | (139)           | -2.0%       | 481              | 7.6%        |
| Recreational Boating                       | 5,083          | 5,438          | 6,125             | 5,839          | 286             | 4.9%        | 687              | 12.6%       |
| Fishing & Operations                       | 4,419          | 4,440          | 4,565             | 4,201          | 364             | 8.7%        | 125              | 2.8%        |
| Grain                                      | 2,010          | 3,042          | 3,123             | 2,572          | 551             | 21.4%       | 81               | 2.7%        |
| Maritime Portfolio Management              | 5,100          | 5,267          | 5,628             | 5,459          | 169             | 3.1%        | 361              | 6.9%        |
| Central Harbor Management                  | 3,393          | 4,161          | 4,557             | 4,448          | 109             | 2.4%        | 396              | 9.5%        |
| Conference & Event Centers                 | 4,518          | 3,545          | 5,188             | 4,776          | 412             | 8.6%        | 1,644            | 46.4%       |
| NWSA Distributable Revenue                 | 28,990         | 27,283         | 25,844            | 23,323         | 2,521           | 10.8%       | (1,439)          | -5.3%       |
| Other                                      | 4,721          | 5,194          | 5,974             | 13,871         | (7,898)         | -56.9%      | 780              | 15.0%       |
| <b>Total Operating Revenues (w/o Aero)</b> | <b>161,658</b> | <b>174,309</b> | <b>182,918</b>    | <b>173,012</b> | <b>9,906</b>    | <b>5.7%</b> | <b>8,610</b>     | <b>4.9%</b> |
| <b>TOTAL</b>                               | <b>279,422</b> | <b>302,088</b> | <b>330,489</b>    | <b>317,773</b> | <b>12,716</b>   | <b>4.0%</b> | <b>28,400</b>    | <b>9.4%</b> |

Operating revenues exceeded budget



# Portwide Operating Expense Summary

| \$ in 000's                      | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)   |             | Incr (Decr)      |              |
|----------------------------------|----------------|----------------|-------------------|----------------|---------------|-------------|------------------|--------------|
|                                  | Actual         | Actual         | Actual            | Budget         | Budget        | Variance    | Change from 2017 |              |
|                                  |                |                |                   |                | \$            | %           | \$               | %            |
| Salaries & Benefits              | 51,795         | 56,338         | 62,772            | 66,506         | 3,734         | 5.6%        | 6,434            | 11.4%        |
| Wages & Benefits                 | 48,261         | 52,948         | 60,075            | 60,199         | 124           | 0.2%        | 7,127            | 13.5%        |
| Payroll to Capital Projects      | 10,040         | 12,873         | 13,602            | 14,311         | 710           | 5.0%        | 728              | 5.7%         |
| Equipment Expense                | 2,923          | 4,311          | 3,866             | 4,373          | 507           | 11.6%       | (445)            | -10.3%       |
| Supplies & Stock                 | 3,454          | 4,616          | 4,633             | 4,336          | (297)         | -6.9%       | 17               | 0.4%         |
| Outside Services                 | 25,663         | 32,969         | 38,460            | 53,117         | 14,657        | 27.6%       | 5,491            | 16.7%        |
| Utilities                        | 10,510         | 11,911         | 13,453            | 12,844         | (608)         | -4.7%       | 1,542            | 12.9%        |
| Travel & Other Employee Expenses | 1,879          | 2,338          | 2,303             | 3,482          | 1,179         | 33.9%       | (35)             | -1.5%        |
| Promotional Expenses             | 362            | 460            | 964               | 1,198          | 234           | 19.5%       | 504              | 109.4%       |
| Other Expenses                   | 8,450          | 16,566         | 15,361            | 14,831         | (530)         | -3.6%       | (1,205)          | -7.3%        |
| Charges to Capital Projects      | (15,463)       | (21,226)       | (23,911)          | (26,278)       | (2,366)       | 9.0%        | (2,685)          | 12.7%        |
| <b>TOTAL</b>                     | <b>147,874</b> | <b>174,104</b> | <b>191,577</b>    | <b>208,920</b> | <b>17,343</b> | <b>8.3%</b> | <b>17,473</b>    | <b>10.0%</b> |

- Payroll expenses were \$3.7M below budget due to vacant positions and hiring delay.
- Outside Services were \$14.7M favorable to budget due to timing of spending, project delays, and some actual savings.
- Utilities Expense was \$608K over budget mainly due to higher Surface Water Utility cost.

Operating expenses were \$17.3M below budget

# Portwide Financial Summary – YE Forecast

| \$ in 000's                     | 2016           | 2017           | 2018           | 2018           | Fav (UnFav)   |              | Incr (Decr)      |             |
|---------------------------------|----------------|----------------|----------------|----------------|---------------|--------------|------------------|-------------|
|                                 | Actual         | Actual         | Forecast       | Budget         | Budget        | Variance     | Change from 2017 |             |
|                                 |                |                |                |                | \$            | %            | \$               | %           |
| Aeronautical Revenues           | 244,235        | 264,114        | 305,005        | 301,082        | 3,923         | 1.3%         | 40,891           | 15.5%       |
| Airport Non-Aero Revenues       | 221,021        | 236,803        | 250,728        | 244,786        | 5,942         | 2.4%         | 13,925           | 5.9%        |
| Other Port Operating Revenues   | 133,211        | 131,114        | 129,376        | 124,612        | 4,764         | 3.8%         | (1,739)          | -1.3%       |
| <b>Total Operating Revenues</b> | <b>598,467</b> | <b>632,031</b> | <b>685,109</b> | <b>670,479</b> | <b>14,630</b> | <b>2.2%</b>  | <b>53,078</b>    | <b>8.4%</b> |
| Total Operating Expenses        | 325,285        | 372,982        | 419,666        | 422,885        | 3,219         | 0.8%         | 46,684           | 12.5%       |
| <b>NOI before Depreciation</b>  | <b>273,182</b> | <b>259,049</b> | <b>265,443</b> | <b>247,594</b> | <b>17,849</b> | <b>7.2%</b>  | <b>6,394</b>     | <b>2.5%</b> |
| Depreciation                    | 164,336        | 165,021        | 163,309        | 163,309        | -             | 0.0%         | (1,712)          | -1.0%       |
| <b>NOI after Depreciation</b>   | <b>108,846</b> | <b>94,028</b>  | <b>102,133</b> | <b>84,285</b>  | <b>17,849</b> | <b>21.2%</b> | <b>8,106</b>     | <b>8.6%</b> |

- Operating Revenues forecast to be \$14.6M favorable to budget in 2018.
- Operating Expenses forecast to be \$3.2M favorable to budget in 2018.
- NOI before Depreciation forecast to be \$17.8M above budget in 2018.

**Expect strong financial performance results in 2018**

# Capital Spending by Division

| \$ in 000's                | 2018 YTD<br>Actual | 2018<br>Forecast | 2018<br>Budget | Budget Variance |              |
|----------------------------|--------------------|------------------|----------------|-----------------|--------------|
|                            |                    |                  |                | \$              | %            |
| Aviation                   | 224,817            | 593,941          | 796,200        | 202,259         | 25.4%        |
| Maritime                   | 21,702             | 32,800           | 46,749         | 13,949          | 29.8%        |
| Economic Development       | 1,363              | 6,028            | 6,149          | 121             | 2.0%         |
| Corporate & Other (note 1) | 1,887              | 19,826           | 26,779         | 6,953           | 26.0%        |
| <b>TOTAL</b>               | <b>249,769</b>     | <b>652,595</b>   | <b>875,877</b> | <b>223,282</b>  | <b>25.5%</b> |

Note:

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

**2018 capital spending forecast to be \$652.6M**

# Aviation Division Appendix

# Airport Activity

|  | YTD 2016 | YTD 2017 | YTD 2018 | % Change<br>from 2017 |
|--|----------|----------|----------|-----------------------|
| <b>Total Passengers (000's)</b>            |          |          |          |                       |
| Domestic                                   | 19,249   | 19,666   | 20,897   | 6.3%                  |
| International                              | 2,257    | 2,484    | 2,611    | 5.1%                  |
| Total                                      | 21,506   | 22,150   | 23,508   | 6.1%                  |
| <b>Operations</b>                          | 197,152  | 199,610  | 210,722  | 5.6%                  |
| <b>Landed Weight (In Millions of lbs.)</b> |          |          |          |                       |
| Cargo                                      | 843      | 1,025    | 1,147    | 12.0%                 |
| All other                                  | 12,044   | 12,416   | 13,328   | 7.3%                  |
| Total                                      | 12,886   | 13,441   | 14,475   | 7.7%                  |
| <b>Cargo - Metric Tons</b>                 |          |          |          |                       |
| Domestic freight                           | 83,079   | 111,015  | 122,259  | 10.1%                 |
| International freight                      | 55,287   | 57,534   | 57,279   | -0.4%                 |
| Mail                                       | 27,562   | 28,882   | 28,326   | -1.9%                 |
| Total                                      | 165,928  | 197,431  | 207,864  | 5.3%                  |

## Passenger Activity

| Airline   | Change<br>2017 v. 2018 | 2018 Market<br>Share |
|-----------|------------------------|----------------------|
| Alaska    | 2.7%                   | 50.4%                |
| Delta     | 13.2%                  | 22.4%                |
| United    | 12.1%                  | 6.3%                 |
| Southwest | 4.8%                   | 6.1%                 |
| American  | 0.4%                   | 5.0%                 |

## Q2 2018:

**Passengers** - YTD passenger growth of 6.1% tracking well ahead of 2018 budget based on 5.0% growth.

•**Cargo** - YOY strong growth in cargo driven by domestic e-commerce and express shipments.

2018 total passenger growth of 6.1%

# Aviation Financial Summary

| \$ in 000's   | 2016           | 2017           | 2018           | 2018           | Fav (UnFav)     |              | Incr (Decr)      |               |
|---|----------------|----------------|----------------|----------------|-----------------|--------------|------------------|---------------|
|   | Actual         | Actual         | Forecast       | Budget         | Budget Variance |              | Change from 2017 |               |
|   |                |                |                |                | \$              | %            | \$               | %             |
| <b>Operating Revenues:</b>                          |                |                |                |                |                 |              |                  |               |
| Gross Aeronautical Revenues                         | 247,811        | 267,690        | 305,005        | 301,082        | 3,923           | 1.3%         | 37,315           | 13.9%         |
| SLOA III Incentive Straight Line Adj <sup>(1)</sup> | (3,576)        | (3,576)        | -              | -              | -               | 0.0%         | 3,576            | -100.0%       |
| Aeronautical Revenues                               | 244,235        | 264,114        | 305,005        | 301,082        | 3,923           | 1.3%         | 40,891           | 15.5%         |
| Non-Aeronautical Revenues                           | 221,021        | 236,803        | 250,728        | 244,786        | 5,942           | 2.4%         | 13,925           | 5.9%          |
| <b>Total Operating Revenues</b>                     | <b>465,256</b> | <b>500,916</b> | <b>555,733</b> | <b>545,867</b> | <b>9,865</b>    | <b>1.8%</b>  | <b>54,816</b>    | <b>10.9%</b>  |
| Total Operating Expense                             | 261,226        | 299,114        | 333,374        | 334,856        | 1,482           | 0.4%         | 34,259           | 11.5%         |
| <b>Net Operating Income</b>                         | <b>204,030</b> | <b>201,802</b> | <b>222,359</b> | <b>211,011</b> | <b>11,348</b>   | <b>5.4%</b>  | <b>20,557</b>    | <b>10.2%</b>  |
| <b>Capital Expenditures</b>                         | <b>153,887</b> | <b>293,785</b> | <b>593,941</b> | <b>796,200</b> | <b>202,259</b>  | <b>25.4%</b> | <b>300,156</b>   | <b>102.2%</b> |
| <b>Debt Service <sup>(2)</sup></b>                  | <b>133,982</b> | <b>131,060</b> | <b>138,177</b> | <b>136,075</b> | <b>(2,102)</b>  | <b>-1.5%</b> | <b>7,117</b>     | <b>5%</b>     |

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

(2) 2018 Budget debt service amount inadvertently understated by the \$2.1M debt service exclusion adjustment which impacts Aero Rate Based Revenues only. Total 2018 Aeronautical debt service obligation is reflected in the 2018 Forecast column.

**2018 Forecasted NOI \$11.3M favorable to budget**

# Key Performance Measures

|  | 2016<br>Actual | 2017<br>Actual | 2018<br>Forecast | 2018<br>Budget | Fav (UnFav)<br>Budget Vairance |       | Incr (Decr)<br>Change from 2017 |        |
|--|----------------|----------------|------------------|----------------|--------------------------------|-------|---------------------------------|--------|
|  |                |                |                  |                | \$                             | %     | \$                              | %      |
| <b>Key Performance Metrics</b>             |                |                |                  |                |                                |       |                                 |        |
| Cost per Enplanement (CPE)                 | 10.10          | 10.52          | 11.52            | 11.35          | (0.17)                         | -1.5% | 0.99                            | 9.4%   |
| Non-Aeronautical NOI (in 000's)            | 128,727        | 133,101        | 134,164          | 126,861        | 7,303                          | 5.8%  | 1,063                           | 0.8%   |
| <b>Other Performance Metrics</b>           |                |                |                  |                |                                |       |                                 |        |
| O&M Cost per Enplanement                   | 11.46          | 12.77          | 13.52            | 13.58          | 0.06                           | 0.4%  | 0.75                            | 5.9%   |
| Non-Aero Revenue per Enplanement           | 9.70           | 10.11          | 10.17            | 9.93           | 0.24                           | 2.4%  | 0.06                            | 0.6%   |
| Debt per Enplanement (in \$)               | 104            | 114            | 126              | 116            | (10)                           | -8.9% | 12                              | 10.4%  |
| Debt Service Coverage                      | 1.53           | 1.57           | 1.60             | 1.51           | 0.09                           | 5.8%  | 0.02                            | 1.5%   |
| Days cash on hand (10 months = 304 days)   | 416            | 379            | 307              | 304            | 3                              | 1.0%  | (72)                            | -19.0% |
| Aeronautical Revenue Sharing (\$ in 000's) | (37,395)       | (42,311)       | (31,908)         | (35,799)       | 3,891                          | 10.9% | 10,403                          | 24.6%  |
| <b>Activity (in 000's)</b>                 |                |                |                  |                |                                |       |                                 |        |
| Enplanements                               | 22,796         | 23,416         | 24,654           | 24,654         | -                              | 0.0%  | 1,238                           | 5.3%   |

## 2018 Forecast vs. 2018 Budget

### Key Performance Metrics

#### CPE:

- CPE – Impacted by SLOA IV reduction in Revenue Sharing to 40%. 2018 Budget assumed 50% Revenue Sharing
- 2018 Forecast CPE is favorable to Adjusted Budget CPE of \$11.63

#### •Non-Aero NOI:

- Non-Aero NOI growth due to both higher Non-Aero Revenue and lower Operating Expenses primarily due to schedule delays

#### Other Performance Metrics:

- Aero Revenue Sharing – Forecast reflects 40% Revenue Sharing per SLOA IV, Budget assumed 50% Revenue Sharing

**Positive: Non-aero NOI above budget. CPE below adjusted budget.**

# Aviation Expense YTD Summary

| \$ in 000's                               | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)    |               | Incr (Decr)      |              |
|---|----------------|----------------|-------------------|----------------|----------------|---------------|------------------|--------------|
|   | Actual         | Actual         | Actual            | Budget         | Budget         | Variance      | Change from 2017 |              |
|   |                |                |                   |                | \$             | %             | \$               | %            |
| <b>Operating Expenses:</b>                |                |                |                   |                |                |               |                  |              |
| Payroll                                   | 49,708         | 55,798         | 63,139            | 64,511         | 1,372          | 2.1%          | 7,341            | 13.2%        |
| Outside Services                          | 15,736         | 17,203         | 21,015            | 24,978         | 3,963          | 15.9%         | 3,812            | 22.2%        |
| Utilities                                 | 7,358          | 8,389          | 9,589             | 9,072          | (516)          | -5.7%         | 1,200            | 14.3%        |
| Other Airport Expenses                    | 9,132          | 13,680         | 9,788             | 9,920          | 132            | 1.3%          | (3,892)          | -28.5%       |
| <b>Total Airport Direct Charges</b>       | <b>81,934</b>  | <b>95,070</b>  | <b>103,530</b>    | <b>108,481</b> | <b>4,951</b>   | <b>4.6%</b>   | <b>8,460</b>     | <b>8.9%</b>  |
| Environmental Remediation Liability       | 33             | 2,714          | 4,484             | 2,980          | (1,504)        | -50.5%        | 1,770            | 65.2%        |
| Capital to Expense                        | -              | 24             | 8                 | -              | (8)            | N/A           | (16)             | -66.8%       |
| <b>Total Exceptions</b>                   | <b>33</b>      | <b>2,738</b>   | <b>4,492</b>      | <b>2,980</b>   | <b>(1,512)</b> | <b>-50.7%</b> | <b>1,753</b>     | <b>64.0%</b> |
| <b>Total Airport Expenses</b>             | <b>81,968</b>  | <b>97,809</b>  | <b>108,021</b>    | <b>111,461</b> | <b>3,439</b>   | <b>3.1%</b>   | <b>10,212</b>    | <b>10.4%</b> |
| Police Costs                              | 8,943          | 9,146          | 10,659            | 11,070         | 411            | 3.7%          | 1,513            | 16.5%        |
| Capital Development                       | 3,358          | 6,486          | 6,072             | 11,422         | 5,351          | 46.8%         | (415)            | -6.4%        |
| Other Central Services                    | 22,723         | 25,000         | 26,714            | 28,414         | 1,700          | 6.0%          | 1,714            | 6.9%         |
| Maritime/Economic Development             | 1,826          | 1,879          | 1,970             | 2,685          | 715            | 26.6%         | 91               | 4.8%         |
| <b>Total Charges from Other Divisions</b> | <b>36,849</b>  | <b>42,512</b>  | <b>45,414</b>     | <b>53,591</b>  | <b>8,177</b>   | <b>15.3%</b>  | <b>2,902</b>     | <b>6.8%</b>  |
| <b>Total Operating Expense</b>            | <b>118,817</b> | <b>140,321</b> | <b>153,436</b>    | <b>165,052</b> | <b>11,617</b>  | <b>7.0%</b>   | <b>13,115</b>    | <b>9.3%</b>  |
| <b>Net Operating Income</b>               | <b>99,283</b>  | <b>100,219</b> | <b>112,999</b>    | <b>92,972</b>  | <b>20,026</b>  | <b>21.5%</b>  | <b>12,780</b>    | <b>12.8%</b> |

## 2018 YTD Actuals to YTD 2018 Budget

### Cost Savings (Favorable):

- Payroll –Vacancies and hiring delays
- Outside Services – planning project and program delays
- Charges from other divisions –
  - CDD savings - delays in AVPMG projects for terminal and ADR

### Unplanned Expenses (Unfavorable):

- Utilities –Higher Surface water costs, including IWTP Overflow Event
- ERL – IAF soil contamination & NSAT Asbestos

Unplanned expenses absorbed by cost savings



# Aviation Expense YE Summary

| \$ in 000's                               | 2016           | 2017           | 2018           | 2018           | Fav (UnFav)    |               | Incr (Decr)      |               |
|---|----------------|----------------|----------------|----------------|----------------|---------------|------------------|---------------|
|   | Actual         | Actual         | Forecast       | Budget         | Budget         | Variance      | Change from 2017 |               |
|   |                |                |                |                | \$             | %             | \$               | %             |
| <b>Operating Expenses:</b>                |                |                |                |                |                |               |                  |               |
| Payroll                                   | 94,559         | 114,463        | 130,809        | 132,156        | 1,347          | 1.0%          | 16,346           | 14.3%         |
| Outside Services                          | 31,636         | 41,055         | 55,002         | 52,532         | (2,469)        | -4.7%         | 13,947           | 34.0%         |
| Utilities                                 | 14,667         | 16,374         | 17,927         | 17,320         | (607)          | -3.5%         | 1,553            | 9.5%          |
| Other Airport Expenses                    | 21,934         | 28,292         | 21,940         | 19,776         | (2,165)        | -10.9%        | (6,352)          | -22.5%        |
| <b>Total Airport Direct Charges</b>       | <b>162,797</b> | <b>200,184</b> | <b>225,677</b> | <b>221,784</b> | <b>(3,893)</b> | <b>-1.8%</b>  | <b>25,493</b>    | <b>12.7%</b>  |
| Environmental Remediation Liability       | -              | 8,812          | 4,851          | 4,030          | (821)          | -20.4%        | (3,961)          | -44.9%        |
| Capital to Expense                        | -              | 2,856          | 367            | -              | (367)          | 0.0%          | (2,489)          | -87.1%        |
| <b>Total Exceptions</b>                   | <b>-</b>       | <b>11,668</b>  | <b>5,218</b>   | <b>4,030</b>   | <b>(1,188)</b> | <b>-29.5%</b> | <b>(6,450)</b>   | <b>-55.3%</b> |
| <b>Total Airport Expenses</b>             | <b>162,797</b> | <b>211,852</b> | <b>230,896</b> | <b>225,814</b> | <b>(5,082)</b> | <b>-2.3%</b>  | <b>19,044</b>    | <b>9.0%</b>   |
| Police Costs                              | 18,183         | 17,652         | 22,174         | 22,174         | -              | 0.0%          | 4,522            | 25.6%         |
| Capital Development                       | 9,319          | 14,701         | 17,936         | 23,092         | 5,156          | 22.3%         | 3,235            | 22.0%         |
| Other Central Services                    | 58,617         | 51,004         | 57,032         | 58,265         | 1,233          | 2.1%          | 6,028            | 11.8%         |
| Maritime/Economic Development             | 12,310         | 3,904          | 5,336          | 5,511          | 175            | 3.2%          | 1,431            | 36.7%         |
| <b>Total Charges from Other Divisions</b> | <b>98,429</b>  | <b>87,262</b>  | <b>102,478</b> | <b>109,042</b> | <b>6,564</b>   | <b>6.0%</b>   | <b>15,216</b>    | <b>17.4%</b>  |
| <b>Total Operating Expense</b>            | <b>261,226</b> | <b>299,114</b> | <b>333,374</b> | <b>334,856</b> | <b>1,482</b>   | <b>0.4%</b>   | <b>34,259</b>    | <b>11.5%</b>  |
| <b>Net Operating Income</b>               | <b>204,030</b> | <b>201,802</b> | <b>222,359</b> | <b>211,011</b> | <b>11,348</b>  | <b>5.4%</b>   | <b>20,557</b>    | <b>10.2%</b>  |

## 2018 Forecast to 2018 Budget

- Unfavorable in Outside Services and other Airport Expenses offset by cost savings from other divisions - Capital Development and other Central Services

Unplanned expenses absorbed by cost savings

# Aeronautical Business YTD

|  | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)     |              | Incr (Decr)      |              |
|--|----------------|----------------|-------------------|----------------|-----------------|--------------|------------------|--------------|
| \$ in 000's                            | Actual         | Actual         | Actual            | Budget         | Budget Variance |              | Change from 2017 |              |
|  |                |                |                   |                | \$              | %            | \$               | %            |
| <b>Revenues:</b>                       |                |                |                   |                |                 |              |                  |              |
| Movement Area                          | 45,551         | 50,849         | 59,656            | 59,421         | 235             | 0.4%         | 8,806            | 17.3%        |
| Apron Area                             | 6,088          | 7,636          | 8,209             | 7,654          | 555             | 7.2%         | 573              | 7.5%         |
| Terminal Rents                         | 75,640         | 78,051         | 83,956            | 84,140         | (183)           | -0.2%        | 5,906            | 7.6%         |
| Federal Inspection Services (FIS)      | 5,174          | 6,708          | 6,641             | 6,470          | 171             | 2.6%         | (67)             | -1.0%        |
| <b>Total Rate Base Revenues</b>        | <b>132,453</b> | <b>143,243</b> | <b>158,462</b>    | <b>157,684</b> | <b>778</b>      | <b>0.5%</b>  | <b>15,219</b>    | <b>10.6%</b> |
| Commercial Area                        | 4,479          | 4,959          | 5,072             | 4,976          | 97              | 1.9%         | 114              | 2.3%         |
| <b>Subtotal before Revenue Sharing</b> | <b>136,932</b> | <b>148,202</b> | <b>163,534</b>    | <b>162,660</b> | <b>874</b>      | <b>0.5%</b>  | <b>15,332</b>    | <b>10.3%</b> |
| Revenue Sharing                        | (17,379)       | (18,635)       | (15,964)          | (17,899)       | 1,935           | 10.8%        | 2,671            | 14.3%        |
| <b>Total Aeronautical Revenues</b>     | <b>119,553</b> | <b>129,567</b> | <b>147,570</b>    | <b>144,761</b> | <b>2,809</b>    | <b>1.9%</b>  | <b>18,003</b>    | <b>13.9%</b> |
| <b>Total Aeronautical Expenses</b>     | <b>76,280</b>  | <b>91,209</b>  | <b>100,511</b>    | <b>106,450</b> | <b>5,939</b>    | <b>5.6%</b>  | <b>9,302</b>     | <b>10.2%</b> |
| <b>Net Operating Income</b>            | <b>43,272</b>  | <b>38,358</b>  | <b>47,059</b>     | <b>38,311</b>  | <b>8,749</b>    | <b>22.8%</b> | <b>8,701</b>     | <b>22.7%</b> |

## 2018 YTD Actuals to YTD 2018 Budget

### Revenue - \$2.8M favorable

- Rate based revenue \$0.8M higher– Due to unplanned costs of customer service peak staffing initiative , partially offset by lower than budgeted AVPMG terminal projects costs (flight corridor delays & SSAT scope change)
- Commercial Area revenue \$0.1 higher – Due to higher RON parking activity.
- Revenue sharing \$1.9M lower - Due to reduction of revenue sharing percentage from 50% to 40%, based on SLOA IV provisions

### Expenses – \$5.9M favorable

- Payroll savings – Primarily due to vacancies and hiring delays
- AVPMG savings due to Terminal project delays partially offset by lower charges to capital

Higher Aeronautical revenues due to lower revenue sharing percentage

# Aeronautical Business YE

|  | 2016            | 2017            | 2018           | 2018           | Fav (UnFav)     |              | Incr (Decr)      |              |
|--|-----------------|-----------------|----------------|----------------|-----------------|--------------|------------------|--------------|
| \$ in 000's                            | Actual          | Actual          | Forecast       | Budget         | Budget Variance |              | Change from 2017 |              |
|  |                 |                 |                |                | \$              | %            | \$               | %            |
| <b>Revenues:</b>                       |                 |                 |                |                |                 |              |                  |              |
| Movement Area                          | 94,725          | 108,638         | 125,275        | 125,422        | (147)           | -0.1%        | 16,637           | 15.3%        |
| Apron Area                             | 14,028          | 16,771          | 16,023         | 15,979         | 44              | 0.3%         | (748)            | -4.5%        |
| Terminal Rents                         | 155,852         | 155,431         | 171,260        | 171,854        | (594)           | -0.3%        | 15,830           | 10.2%        |
| Federal Inspection Services (FIS)      | 11,227          | 18,612          | 14,143         | 13,413         | 730             | 5.4%         | (4,469)          | -24.0%       |
| <b>Total Rate Base Revenues</b>        | <b>275,832</b>  | <b>299,452</b>  | <b>326,701</b> | <b>326,668</b> | <b>33</b>       | <b>0.0%</b>  | <b>27,249</b>    | <b>9.1%</b>  |
| Commercial Area                        | 9,379           | 10,574          | 10,212         | 10,212         | -               | 0.0%         | (362)            | -3.4%        |
| <b>Subtotal before Revenue Sharing</b> | <b>285,211</b>  | <b>310,026</b>  | <b>336,913</b> | <b>336,880</b> | <b>33</b>       | <b>0.0%</b>  | <b>26,887</b>    | <b>8.7%</b>  |
| Revenue Sharing                        | (37,395)        | (42,311)        | (31,908)       | (35,799)       | 3,891           | 10.9%        | 10,403           | 24.6%        |
| Other Prior Year Revenues              | (5)             | (26)            | -              | -              | -               | 0.0%         | 26               | 100.0%       |
| <b>Total Aeronautical Revenues</b>     | <b>247,811</b>  | <b>267,690</b>  | <b>305,005</b> | <b>301,082</b> | <b>3,923</b>    | <b>1.3%</b>  | <b>37,315</b>    | <b>13.9%</b> |
| <b>Total Aeronautical Expenses</b>     | <b>168,932</b>  | <b>195,414</b>  | <b>216,810</b> | <b>216,931</b> | <b>121</b>      | <b>0.1%</b>  | <b>21,397</b>    | <b>10.9%</b> |
| <b>Net Operating Income</b>            | <b>78,879</b>   | <b>72,276</b>   | <b>88,195</b>  | <b>84,151</b>  | <b>4,044</b>    | <b>4.8%</b>  | <b>15,919</b>    | <b>22.0%</b> |
| Debt Service <sup>(1)</sup>            | (89,130)        | (86,564)        | (92,425)       | (90,323)       | (2,102)         | -2.3%        | (5,861)          | -6.8%        |
| <b>Net Cash Flow</b>                   | <b>(10,251)</b> | <b>(14,288)</b> | <b>(4,230)</b> | <b>(6,173)</b> | <b>1,943</b>    | <b>31.5%</b> | <b>10,058</b>    | <b>70.4%</b> |

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

## 2018 Forecast to Budget

### Revenue - \$3.9M favorable

- Rate based revenue \$33K higher- Due to unplanned cost of customer service peak staffing initiative , partially offset by lower than budgeted AVPMG terminal projects costs (flight corridor delays & SSAT scope change)
- Revenue sharing \$3.9M - Lower due to reduction of revenue sharing percentage from 50% to 40%, based on SLOA IV provisions

### Expenses - \$0.1M favorable

- Unplanned costs of customer service peak staffing initiative, are largely offset by lower than budgeted AVPMG terminal projects costs (flight corridor delays & SSAT scope change) and payroll savings due to vacancies and hiring delays

Higher Aeronautical revenues due to lower revenue sharing percentage

# Aero Cost Drivers

|                               | 2016           | 2017           | 2018           | 2018           | Fav (UnFav)     |             | Incr (Decr)      |             |
|-------------------------------|----------------|----------------|----------------|----------------|-----------------|-------------|------------------|-------------|
|                               | Actual         | Actual         | Forecast       | Budget         | Budget Variance |             | Change from 2017 |             |
| \$ in 000's                   |                |                |                |                | \$              | %           | \$               | %           |
| O&M                           | 165,427        | 192,188        | 210,685        | 210,433        | 252             | 0.1%        | 18,498           | 9.6%        |
| Debt Service Gross            | 118,641        | 113,832        | 120,555        | 120,555        | -               | 0.0%        | 6,723            | 5.9%        |
| Debt Service PFC Offset       | (32,831)       | (33,057)       | (33,015)       | (33,015)       | -               | 0.0%        | 42               | -0.1%       |
| Amortization                  | 28,215         | 29,654         | 32,373         | 32,373         | -               | 0.0%        | 2,719            | 9.2%        |
| Space Vacancy                 | (2,638)        | (2,264)        | (2,638)        | (2,650)        | 12              | -0.4%       | (374)            | 16.5%       |
| TSA Operating Grant and Other | (982)          | (901)          | (1,259)        | (1,028)        | (231)           | 22.4%       | (358)            | 39.8%       |
| <b>Rate Base Revenues</b>     | <b>275,832</b> | <b>299,452</b> | <b>326,701</b> | <b>326,668</b> | <b>33</b>       | <b>0.0%</b> | <b>27,249</b>    | <b>9.1%</b> |
| Commercial area               | 9,379          | 10,574         | 10,212         | 10,212         | -               | 0.0%        | (362)            | -3.4%       |
| <b>Total Aero Revenues</b>    | <b>285,211</b> | <b>310,026</b> | <b>336,913</b> | <b>336,880</b> | <b>33</b>       | <b>0.0%</b> | <b>26,887</b>    | <b>8.7%</b> |

## 2018 Forecast to 2018 Budget

- O&M –Unplanned cost of customer service peak staffing initiative, partially offset by lower than budgeted AVPMG terminal projects costs (flight corridor delays & SSAT scope change) and payroll savings – due to vacancies & hiring delays

Aero rate base revenues based on cost recovery formulas

# Aero Revenue Sharing

|                                      | 2016           | 2017           | 2018           | 2018           | Fav (UnFav)<br>Budget Variance |               | Incr (Decr)<br>Change from 2017 |               |
|--------------------------------------|----------------|----------------|----------------|----------------|--------------------------------|---------------|---------------------------------|---------------|
| \$ in 000's                          | Actual         | Actual         | Forecast       | Budget         | \$                             | %             | \$                              | %             |
| Aero Revenues (incl' commercial)     | 285,211        | 310,026        | 336,913        | 336,880        | 33                             | 0.0%          | 26,887                          | 8.7%          |
| Non-Aeronautical Revenues            | 221,021        | 236,803        | 250,728        | 244,786        | 5,942                          | 2.4%          | 13,925                          | 5.9%          |
| Total O&M Expenses                   | (261,226)      | (299,114)      | (333,374)      | (334,612)      | 1,238                          | -0.4%         | (34,259)                        | 11.5%         |
| <b>Net Operating Income</b>          | <b>245,006</b> | <b>247,714</b> | <b>254,267</b> | <b>247,054</b> | <b>7,213</b>                   | <b>2.9%</b>   | <b>6,553</b>                    | <b>2.6%</b>   |
| ADF Interest Income                  | 3,725          | 4,242          | 4,127          | 4,127          | -                              | 0.0%          | (115)                           | -2.7%         |
| Security Checkpoint TSA Grant        | 916            | 1,039          | 1,028          | 1,028          | -                              | 0.0%          | (10)                            | -1.0%         |
| Misc. Non-Operating Expenses         | (2,481)        | (1,799)        | (750)          | (750)          | -                              | 0.0%          | 1,050                           | -58.3%        |
| CFC Excess                           | (4,899)        | (2,750)        | (6,182)        | (7,142)        | 960                            | -13.4%        | (3,432)                         | 124.8%        |
| <b>Available for Debt Service</b>    | <b>242,267</b> | <b>248,446</b> | <b>252,491</b> | <b>244,318</b> | <b>8,173</b>                   | <b>3.3%</b>   | <b>4,046</b>                    | <b>1.6%</b>   |
| Debt Service                         | 133,982        | 131,060        | 138,177        | 138,177        | -                              | 0.0%          | 7,117                           | 5.4%          |
| <b>Debt Service x 1.25</b>           | <b>167,477</b> | <b>163,825</b> | <b>172,721</b> | <b>172,721</b> | <b>-</b>                       | <b>0.0%</b>   | <b>8,896</b>                    | <b>5.4%</b>   |
| <b>Available for revenue sharing</b> | <b>74,790</b>  | <b>84,621</b>  | <b>79,770</b>  | <b>71,597</b>  | <b>8,173</b>                   | <b>11.4%</b>  | <b>(4,851)</b>                  | <b>-5.7%</b>  |
|                                      |                |                |                |                |                                |               |                                 |               |
| <b>Revenue Sharing</b>               | <b>37,395</b>  | <b>42,310</b>  | <b>31,908</b>  | <b>35,799</b>  | <b>(3,891)</b>                 | <b>-10.9%</b> | <b>(10,402)</b>                 | <b>-24.6%</b> |

Lower revenue sharing % drives increase in CPE

# Non-Aeronautical Business YTD

| \$ in 000's                            | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)     |              | Incr (Decr)      |             |
|--|----------------|----------------|-------------------|----------------|-----------------|--------------|------------------|-------------|
|  | Actual         | Actual         | Actual            | Budget         | Budget Variance |              | Change from 2017 |             |
|  |                |                |                   |                | \$              | %            | \$               | %           |
| <b>Non-Aero Revenues</b>               |                |                |                   |                |                 |              |                  |             |
| Rental Cars - Operations               | 15,271         | 14,514         | 14,922            | 14,579         | 343             | 2.4%         | 408              | 2.8%        |
| Rental Cars - Operating CFC            | 3,872          | 3,284          | 5,497             | 5,434          | 63              | 1.2%         | 2,213            | 67.4%       |
| Public Parking                         | 34,166         | 36,958         | 39,402            | 38,080         | 1,322           | 3.5%         | 2,444            | 6.6%        |
| Ground Transportation                  | 5,668          | 7,633          | 8,885             | 8,060          | 825             | 10.2%        | 1,252            | 16.4%       |
| Airport Dining & Retail & Leased Space | 27,118         | 28,420         | 30,179            | 28,017         | 2,162           | 7.7%         | 1,759            | 6.2%        |
| Commercial Properties                  | 4,286          | 10,708         | 7,593             | 7,082          | 511             | 7.2%         | (3,115)          | -29.1%      |
| Utilities                              | 3,571          | 3,423          | 3,438             | 3,778          | (340)           | -9.0%        | 14               | 0.4%        |
| Employee Parking                       | 4,563          | 4,674          | 5,191             | 4,608          | 584             | 12.7%        | 517              | 11.1%       |
| Clubs and Lounges                      | 1,378          | 2,173          | 2,773             | 2,694          | 79              | 2.9%         | 599              | 27.6%       |
| Other                                  | 443            | 973            | 983               | 932            | 51              | 5.5%         | 10               | 1.1%        |
| <b>Total Non-Aero Revenues</b>         | <b>100,336</b> | <b>112,761</b> | <b>118,864</b>    | <b>113,264</b> | <b>5,601</b>    | <b>4.9%</b>  | <b>6,104</b>     | <b>5.4%</b> |
| <b>Total Non-Aero Expenses</b>         | <b>42,537</b>  | <b>49,111</b>  | <b>52,925</b>     | <b>58,602</b>  | <b>5,677</b>    | <b>9.7%</b>  | <b>3,813</b>     | <b>7.8%</b> |
| <b>Net Operating Income</b>            | <b>57,799</b>  | <b>63,649</b>  | <b>65,940</b>     | <b>54,662</b>  | <b>11,278</b>   | <b>20.6%</b> | <b>2,290</b>     | <b>3.6%</b> |

## 2018 YTD Actuals to YTD 2018 Budget

### Revenue -

- Airport Dining & Retail – Convenience retail capturing sales during Central Terminal closure
- Public Parking – driven by higher transactions
- Employee Parking – demand driven growth

### Expenses -

- Savings from other Divisions - delays for ADR tenant build-outs and other Terminal projects.
- Payroll savings – vacancies and hiring delays

**YTD NOI growth due to both higher revenues and deferred expenses**

# Non-Aeronautical Business YE

|  | 2016           | 2017           | 2018           | 2018           | Fav (UnFav)  |              | Incr (Decr)      |              |
|--|----------------|----------------|----------------|----------------|--------------|--------------|------------------|--------------|
| \$ in 000's                                  | Actual         | Actual         | Forecast       | Budget         | Budget       | Variance     | Change from 2017 |              |
|  |                |                |                |                | \$           | %            | \$               | %            |
| <b>Non-Aero Revenues</b>                     |                |                |                |                |              |              |                  |              |
| Rental Cars - Operations                     | 37,082         | 35,051         | 35,084         | 35,294         | (210)        | -0.6%        | 33               | 0.1%         |
| Rental Cars - Operating CFC                  | 12,122         | 10,641         | 14,653         | 15,563         | (910)        | -5.8%        | 4,012            | 37.7%        |
| Public Parking                               | 69,540         | 75,106         | 80,046         | 78,572         | 1,474        | 1.9%         | 4,940            | 6.6%         |
| Ground Transportation                        | 12,803         | 15,684         | 18,401         | 16,884         | 1,517        | 9.0%         | 2,717            | 17.3%        |
| Airport Dining & Retail & Leased Space       | 58,405         | 58,980         | 61,980         | 59,087         | 2,893        | 4.9%         | 3,000            | 5.1%         |
| Commercial Properties                        | 9,992          | 18,042         | 15,236         | 14,706         | 529          | 3.6%         | (2,807)          | -15.6%       |
| Utilities                                    | 7,233          | 7,018          | 7,317          | 7,556          | (239)        | -3.2%        | 300              | 4.3%         |
| Employee Parking                             | 9,329          | 9,617          | 10,214         | 9,457          | 757          | 8.0%         | 597              | 6.2%         |
| Clubs and Lounges                            | 3,028          | 5,041          | 5,830          | 5,630          | 200          | 3.6%         | 790              | 15.7%        |
| Other  | 1,487          | 1,624          | 1,966          | 2,036          | (70)         | -3.4%        | 343              | 21.1%        |
| <b>Total Non-Aero Revenues</b>               | <b>221,021</b> | <b>236,803</b> | <b>250,728</b> | <b>244,786</b> | <b>5,942</b> | <b>2.4%</b>  | <b>13,925</b>    | <b>5.9%</b>  |
| <b>Total Non-Aero Expenses</b>               | <b>92,294</b>  | <b>103,702</b> | <b>116,564</b> | <b>117,925</b> | <b>1,362</b> | <b>1.2%</b>  | <b>12,861</b>    | <b>12.4%</b> |
| <b>Net Operating Income</b>                  | <b>128,727</b> | <b>133,101</b> | <b>134,164</b> | <b>126,861</b> | <b>7,303</b> | <b>5.8%</b>  | <b>1,063</b>     | <b>0.8%</b>  |
| Less: CFC (Surplus) / Deficit <sup>(1)</sup> | (4,899)        | (2,750)        | (6,182)        | (7,142)        | 960          | 13.4%        | (3,432)          | -124.8%      |
| <b>Adjusted Non-Aero NOI</b>                 | <b>123,828</b> | <b>130,351</b> | <b>127,982</b> | <b>119,719</b> | <b>8,263</b> | <b>6.9%</b>  | <b>(2,369)</b>   | <b>-1.8%</b> |
| Debt Service <sup>(1)</sup>                  | (43,984)       | (44,495)       | (45,752)       | (45,752)       | -            | 0.0%         | (1,257)          | -2.8%        |
| <b>Net Cash Flow</b>                         | <b>79,844</b>  | <b>85,856</b>  | <b>82,230</b>  | <b>73,967</b>  | <b>8,263</b> | <b>11.2%</b> | <b>(3,625)</b>   | <b>-4.2%</b> |

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

## 2018 Forecast to 2018 Budget

### Revenue -

- Airport Dining & Retail – Strong performance in both food & beverage and retail sales despite transitions to new leases, and increased revenue from Advertising
- Ground Transportation – Increased TNC activity
- Public Parking – Driven by higher transactions

### Expenses -

- Savings from other Divisions - Delays for ADR tenant buildouts and other Terminal projects
- Payroll savings – Vacancies and hiring delays
- Unplanned expenses absorbed by above savings include peak staffing support, Landside honey bucket service, and lower payroll charges to capital

**\$7.3M NOI growth due to both higher revenues and deferred expenses**

# Public Parking Performance YTD

| Public Parking - Revenue Detail                | 2016 YTD      |               | 2017 YTD      |               | 2018 YTD |  | Fav / (UnFav)   |              | Incr / (Decr)    |             |
|--|---------------|---------------|---------------|---------------|----------|--|-----------------|--------------|------------------|-------------|
| \$ in 000's                                    | Actual        | Actual        | Actual        | Budget        | Budget   |  | Budget Variance |              | Change from 2017 |             |
|  |               |               |               |               |          |  | \$              | %            | \$               | %           |
| <b><u>Parking Garage Revenue to Port</u></b>   |               |               |               |               |          |  |                 |              |                  |             |
| Gross Sales - Parking Garage                   | 36,497        | 40,214        | 43,276        | 40,931        |          |  | 2,345           | 6%           | 3,062            | 7.6%        |
| less - WA Sales Tax                            | (2,991)       | (3,317)       | (3,624)       | (3,476)       |          |  | (148)           | 4%           | (307)            | 9.3%        |
| less - SeaTac Parking Tax                      | (2,018)       | (2,927)       | (3,411)       | (2,691)       |          |  | (720)           | 27%          | (484)            | 16.5%       |
| <b>Revenue to Port - General Parking</b>       | <b>31,487</b> | <b>33,970</b> | <b>36,241</b> | <b>34,764</b> |          |  | <b>1,477</b>    | <b>4%</b>    | <b>2,271</b>     | <b>6.7%</b> |
| <b><u>Other Garage Revenue</u></b>             |               |               |               |               |          |  |                 |              |                  |             |
| Passport Parking Program                       | 1,349         | 1,459         | 1,532         | 1,654         |          |  | (122)           | -7%          | 73               | 5.0%        |
| <b>Total Parking Garage Revenue</b>            | <b>32,836</b> | <b>35,429</b> | <b>37,773</b> | <b>36,418</b> |          |  | <b>1,354</b>    | <b>4%</b>    | <b>2,344</b>     | <b>6.6%</b> |
| <b><u>Other Parking Revenue</u></b>            |               |               |               |               |          |  |                 |              |                  |             |
| Concession Rent - Doug Fox off-site parking    | 1,315         | 1,518         | 1,613         | 1,652         |          |  | (39)            | -2%          | 95               | 6.3%        |
| All Other Parking Revenue                      | 16            | 11            | 16            | 9             |          |  | 6               | 67%          | 5                | 44.2%       |
| <b>Total Parking Revenue</b>                   | <b>34,166</b> | <b>36,958</b> | <b>39,402</b> | <b>38,080</b> |          |  | <b>1,322</b>    | <b>3.5%</b>  | <b>2,444</b>     | <b>6.6%</b> |
| <b><u>Parking Transactions by duration</u></b> |               |               |               |               |          |  |                 |              |                  |             |
| in 000's                                       |               |               |               |               |          |  |                 |              |                  |             |
|  |               |               |               |               |          |  |                 |              |                  |             |
| Parking < 1 day                                | 746           | 747           | 736           | 768           |          |  | (32)            | -4.1%        | (11)             | -1.4%       |
| Parking 1-4 days                               | 252           | 257           | 268           | 236           |          |  | 32              | 13.4%        | 11               | 4.1%        |
| Parking 4+ days                                | 90            | 93            | 99            | 87            |          |  | 12              | 14.2%        | 6                | 6.9%        |
| <b>Total Parking Transactions</b>              | <b>1,087</b>  | <b>1,098</b>  | <b>1,104</b>  | <b>871</b>    |          |  | <b>233</b>      | <b>26.8%</b> | <b>6</b>         | <b>0.6%</b> |

## Key message:

•Parking revenue growth primarily driven by rate increase. Overall growth in parking transactions is slower than growth in O&D enplanements.

Slower growth in parking transactions reflects increasing transportation alternatives



# Public Parking Performance YE

| Public Parking - Revenue Detail              |                |                |                  |                | Fav / (UnFav)   |             | Incr / (Decr)    |             |
|--|----------------|----------------|------------------|----------------|-----------------|-------------|------------------|-------------|
| \$ in 000's                                  | 2016<br>Actual | 2017<br>Actual | 2018<br>Forecast | 2018<br>Budget | Budget Variance |             | Change from 2017 |             |
|  |                |                |                  |                | \$              | %           | \$               | %           |
| <b><u>Parking Garage Revenue to Port</u></b> |                |                |                  |                |                 |             |                  |             |
| Gross Sales - Parking Garage                 | 74,301         | 82,362         | 88,226           | 87,112         | 1,114           | 1%          | 5,864            | 7.1%        |
| less - WA Sales Tax                          | (6,081)        | (6,818)        | (7,359)          | (7,200)        | (160)           | 2%          | (541)            | 7.9%        |
| less - SeaTac Parking Tax                    | (4,212)        | (6,563)        | (7,274)          | (7,196)        | (78)            | 1%          | (711)            | 10.8%       |
| <b>Revenue to Port - General Parking</b>     | <b>64,008</b>  | <b>68,981</b>  | <b>73,593</b>    | <b>71,997</b>  | <b>1,596</b>    | <b>2%</b>   | <b>4,612</b>     | <b>6.7%</b> |
| <b><u>Other Garage Revenue</u></b>           |                |                |                  |                |                 |             |                  |             |
| Passport Parking Program                     | 2,749          | 2,990          | 3,233            | 3,356          | (122)           | -4%         | 244              | 8.1%        |
| <b>Total Parking Garage Revenue</b>          | <b>66,758</b>  | <b>71,971</b>  | <b>76,827</b>    | <b>75,353</b>  | <b>1,474</b>    | <b>2%</b>   | <b>4,855</b>     | <b>6.7%</b> |
| <b><u>Other Parking Revenue</u></b>          |                |                |                  |                |                 |             |                  |             |
| Concession Rent - Doug Fox off-site parking  | 2,751          | 3,109          | 3,200            | 3,200          | -               | 0%          | 91               | 2.9%        |
| All Other Parking Revenue                    | 32             | 25             | 19               | 19             | -               | 0%          | (6)              | -25.1%      |
| <b>Total Parking Revenue</b>                 | <b>69,540</b>  | <b>75,106</b>  | <b>80,046</b>    | <b>78,572</b>  | <b>1,474</b>    | <b>1.9%</b> | <b>4,940</b>     | <b>6.6%</b> |
|  |                |                |                  |                |                 |             |                  |             |
| Parking Transactions by duration             |                |                |                  |                | Fav / (UnFav)   |             | Incr / (Decr)    |             |
| in 000's                                     | 2016<br>Actual | 2017<br>Actual | 2018<br>Forecast | 2018<br>Budget | Budget Variance |             | Change from 2017 |             |
|  |                |                |                  |                | #               | %           | #                | %           |
| Parking < 1 day                              | 1,646          | 1,623          | 1,625            | 1,639          | (14)            | -0.8%       | 2                | 0.1%        |
| Parking 1-4 days                             | 496            | 499            | 528              | 504            | 24              | 4.7%        | 29               | 5.7%        |
| Parking 4+ days                              | 181            | 184            | 201              | 186            | 15              | 8.2%        | 17               | 9.3%        |
| <b>Total Parking Transactions</b>            | <b>2,323</b>   | <b>2,307</b>   | <b>2,354</b>     | <b>2,329</b>   | <b>25</b>       | <b>1.1%</b> | <b>47</b>        | <b>2.0%</b> |

## Key message:

Parking revenue growth primarily driven by rate increase. Overall growth in parking transactions is slower than growth in O&D enplanements.

## 2018 Forecast vs. 2017 Actuals

- Revenue - Forecasted increase compared to prior year, primarily due to tariff rate increase in effect full year 2018 (rate increase effective April 2017).
- Transactions - Increase in expected total parking transactions reflects slower growth than the growth in O&D enplanements, and reflects impact of increasing number of transportation alternatives available to passengers.

Slower growth in parking transactions reflects increasing transportation alternatives

# Rental Car Performance YTD

| Rental Car - Revenue Detail<br>\$ in 000's | 2014 YTD        | 2015 YTD        | 2016 YTD        | 2017 YTD        | 2018 YTD        | 2018 YTD        | Fav / (UnFav) |              | Incr / (Decr)    |               |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|--------------|------------------|---------------|
|  | Actual          | Actual          | Actual          | Actual          | Actual          | Budget          | Budget        | Variance     | Change from 2017 |               |
|  |                 |                 |                 |                 |                 |                 |               | \$ %         | \$ %             |               |
| <b>RCF Concession Revenue to Port</b>      | <b>11,441</b>   | <b>11,985</b>   | <b>13,474</b>   | <b>12,673</b>   | <b>13,025</b>   | <b>12,681</b>   | <b>344</b>    | <b>2.7%</b>  | <b>352</b>       | <b>2.8%</b>   |
| Total Enplanements                         | 8,589           | 9,731           | 10,668          | 11,008          | 11,688          | 11,564          | 123           | 1.1%         | 680              | 6.2%          |
| O&D %                                      | 73.8%           | 69.8%           | 69.4%           | 70.3%           | 70.3%           | 69.2%           | 0.01          | 1.6%         | 0.00             | 0.0%          |
| <b>O&amp;D Enplanements</b>                | <b>6,339</b>    | <b>6,792</b>    | <b>7,404</b>    | <b>7,739</b>    | <b>8,217</b>    | <b>8,003</b>    | <b>214</b>    | <b>2.7%</b>  | <b>478</b>       | <b>6.2%</b>   |
| Gross Sales by Operators                   | 114,211         | 124,690         | 129,324         | 127,258         | 134,430         | 126,808         | 7,622         | 6.0%         | 7,172            | 5.6%          |
| Total Transactions                         | 587             | 631             | 655             | 648             | 657             | 629             | 28            | 4.5%         | 9                | 1.4%          |
| Average Ticket                             | \$194.64        | \$197.45        | \$197.52        | \$196.27        | \$204.47        | \$201.53        | \$2.94        | 1.5%         | \$8.21           | 4.2%          |
| Average Length of Stay                     | 4.08            | 4.10            | 4.10            | 4.13            | 4.16            | 4.37            | (0.22)        | -4.9%        | 0.03             | 0.01          |
| Transactions/O&D Enplanements              | 9.26%           | 9.30%           | 8.84%           | 8.38%           | 8.00%           | 7.86%           | 0.14%         | 1.8%         | -0.38%           | -4.5%         |
| <b>CFC Revenue Summary</b>                 |                 |                 |                 |                 |                 |                 |               |              |                  |               |
| Total Transaction Days                     | 2,395           | 2,589           | 2,683           | 2,677           | 2,734           | 2,752           | (18)          | -0.7%        | 57               | 2.1%          |
| CFC Rate per Transaction Day               | \$6.00          | \$6.00          | \$6.00          | \$6.00          | \$6.00          | \$6.00          | \$0.00        | 0.0%         | \$0.00           | 0.0%          |
| <b>Total CFC Revenue Earned</b>            | <b>14,228</b>   | <b>15,373</b>   | <b>16,276</b>   | <b>16,436</b>   | <b>16,499</b>   | <b>16,514</b>   | <b>(16)</b>   | <b>-0.1%</b> | <b>63</b>        | <b>0.4%</b>   |
| Reserve for debt service and CP interest   | (9,058)         | (10,547)        | (11,154)        | (11,902)        | (11,001)        | (11,080)        | 79            | -0.7%        | 900              | -7.6%         |
| Reserve for CP principal payment:          | (1,250)         | (1,250)         | (1,250)         | (1,250)         | -               | -               | -             | 0.0%         | 1,250            | -100.0%       |
| <b>Debt Service Reserve Requirement</b>    | <b>(10,308)</b> | <b>(11,797)</b> | <b>(12,404)</b> | <b>(13,152)</b> | <b>(11,001)</b> | <b>(11,080)</b> | <b>79</b>     | <b>-0.7%</b> | <b>2,150</b>     | <b>-16.4%</b> |
| <b>Residual - CFC Operating Revenue</b>    | <b>3,921</b>    | <b>3,576</b>    | <b>3,872</b>    | <b>3,284</b>    | <b>5,497</b>    | <b>5,434</b>    | <b>63</b>     | <b>1.2%</b>  | <b>2,213</b>     | <b>67.4%</b>  |
| <b>Rental Car - Revenue Summary</b>        |                 |                 |                 |                 |                 |                 |               |              |                  |               |
|  | 2014 YTD        | 2015 YTD        | 2016 YTD        | 2017 YTD        | 2018 YTD        | 2018 YTD        | Fav / (UnFav) |              | Incr / (Decr)    |               |
|  | Actual          | Actual          | Actual          | Actual          | Actual          | Budget          | Budget        | Variance     | Change from 2017 |               |
|  |                 |                 |                 |                 |                 |                 |               | \$ %         | \$ %             |               |
| RCF Concession Revenue to Port             | 11,441          | 11,985          | 13,474          | 12,673          | 13,025          | 12,681          | 344           | 2.7%         | 352              | 2.8%          |
| Residual - CFC Operating Revenue:          | 3,921           | 3,576           | 3,872           | 3,284           | 5,497           | 5,434           | 63            | 1.2%         | 2,213            | 67.4%         |
| Land Rent/Space Rent/Other                 | 1,749           | 1,771           | 1,797           | 1,841           | 1,898           | 1,898           | (1)           | 0.0%         | 57               | 3.1%          |
| <b>Total Rental Cars Operating Revenue</b> | <b>17,111</b>   | <b>17,332</b>   | <b>19,143</b>   | <b>17,798</b>   | <b>20,420</b>   | <b>20,013</b>   | <b>407</b>    | <b>2.0%</b>  | <b>2,622</b>     | <b>14.7%</b>  |

## Key message:

•Rental Car revenue continues to be impacted by availability of other transportation alternatives (TNCs, car-sharing, light rail, etc.)

Rental Car activity impacted by increasing transportation alternatives

# Rental Car Performance YE

| Rental Car - Revenue Detail               |                 |                 |                 |                 |                  |                 | Fav / (UnFav)   |       | Incr / (Decr)    |         |
|---|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-------|------------------|---------|
| # and \$ in 000's                         | 2014<br>Actual  | 2015<br>Actual  | 2016<br>Actual  | 2017<br>Actual  | 2018<br>Forecast | 2018<br>Budget  | Budget Variance |       | Change from 2017 |         |
|   |                 |                 |                 |                 |                  |                 | \$              | %     | \$               | %       |
| <b>RCF Concession Revenue to Port</b>     | <b>30,662</b>   | <b>33,465</b>   | <b>33,465</b>   | <b>31,352</b>   | <b>31,299</b>    | <b>31,508</b>   | (210)           | -0.7% | (53)             | -0.2%   |
| Total Enplanements                        | 18,717          | 21,109          | 22,796          | 23,416          | 24,654           | 24,654          | -               | 0.0%  | 1,238            | 5.3%    |
| O&D %                                     | 73.8%           | 69.8%           | 69.4%           | 70.3%           | 70.3%            | 69.2%           | 1.1%            | 1.6%  | -                | 0.0%    |
| <b>O&amp;D Enplanements</b>               | <b>13,813</b>   | <b>14,734</b>   | <b>15,821</b>   | <b>16,461</b>   | <b>17,332</b>    | <b>17,061</b>   | 271             | 1.6%  | 871 ↑            | 5.3%    |
| Gross Sales by Operators                  | 281,884         | 302,372         | 310,987         | 313,654         | 312,987          | 315,083         | (2,097)         | -0.7% | (667) ↓          | -0.2%   |
| Total Transactions                        | 1,289           | 1,390           | 1,411           | 1,388           | 1,395            | 1,437           | (42)            | -2.9% | 8                | 0.5%    |
| Average Ticket                            | \$218.64        | \$217.51        | \$220.42        | \$226.03        | \$224.33         | \$219.22        | 0               | 2.3%  | (\$1.70) ↓       | -0.8%   |
| Average Length of Stay                    | 4.31            | 4.34            | 4.34            | 4.37            | 4.38             | 4.37            | 0               | 0.1%  | 0.01             | 0.1%    |
| Transactions/O&D Enplanements             | 8.15%           | 9.44%           | 8.92%           | 8.43%           | 8.05%            | 8.42%           | (0)             | -4.4% | -0.38% ↓         | -4.5%   |
| <b>CFC Revenue Summary</b>                |                 |                 |                 |                 |                  |                 |                 |       |                  |         |
| Total Transaction Days                    | 5,554           | 6,039           | 6,129           | 6,067           | 6,109            | 6,287           | (178)           | -2.8% | 42               | 0.7%    |
| CFC Rate per Transaction Day              | \$6.00          | \$6.00          | \$6.00          | \$6.00          | \$6.00           | \$6.00          | -               | 0.0%  | \$0.00           | 0.0%    |
| <b>Total CFC Revenue Earned</b>           | <b>33,554</b>   | <b>36,206</b>   | <b>36,830</b>   | <b>36,261</b>   | <b>36,655</b>    | <b>37,723</b>   | (1,068)         | -2.8% | 394 ↑            | 1.1%    |
| Reserve for debt service and CP interest: | (19,946)        | (20,543)        | (21,708)        | (22,621)        | (22,003)         | (22,161)        | (158)           | -0.7% | (618)            | -2.7%   |
| Reserve for CP principal payment:         | -               | (3,000)         | (3,000)         | (3,000)         | -                | -               | -               | 0.0%  | (3,000)          | -100.0% |
| <b>Debt Service Reserve Requirement</b>   | <b>(19,946)</b> | <b>(23,543)</b> | <b>(24,708)</b> | <b>(25,621)</b> | <b>(22,003)</b>  | <b>(22,161)</b> | 158             | -0.7% | (3,618)          | -14.1%  |
| <b>Residual - CFC Operating Revenue:</b>  | <b>13,608</b>   | <b>12,663</b>   | <b>12,122</b>   | <b>10,641</b>   | <b>14,653</b>    | <b>15,563</b>   | (910)           | -5.8% | 4,012            | 37.7%   |
| <b>Rental Car - Revenue Summary</b>       |                 |                 |                 |                 |                  |                 |                 |       |                  |         |
| # and \$ in 000's                         | 2016<br>Actual  | 2016<br>Actual  | 2016<br>Actual  | 2017<br>Actual  | 2018<br>Forecast | 2018<br>Budget  | Fav / (UnFav)   |       | Incr / (Decr)    |         |
|   |                 |                 |                 |                 |                  |                 | \$              | %     | \$               | %       |
| RCF Concession Revenue to Port            | 30,662          | 33,465          | 33,465          | 31,352          | 31,299           | 31,508          | (210)           | -0.7% | (53)             | -0.2%   |
| Residual - CFC Operating Revenue:         | 13,608          | 12,663          | 12,122          | 10,641          | 14,653           | 15,563          | (910)           | -5.8% | 4,012            | 37.7%   |
| Land Rent/Space Rent/Other                | 3,541           | 3,189           | 3,617           | 3,699           | 3,786            | 3,786           | -               | 0.0%  | 86               | 2.3%    |
| <b>Total Rental Cars Oper Revenue</b>     | <b>47,812</b>   | <b>49,317</b>   | <b>49,203</b>   | <b>45,691</b>   | <b>49,737</b>    | <b>50,857</b>   | (1,120)         | -2.2% | 4,046            | 8.9%    |

## Key message:

Rental Car revenue continues to be impacted by availability of other transportation alternatives (TNCs, car-sharing, light rail, etc.)

## 2018 Forecast vs. 2017 Actuals

**Rental Car Concession revenue** - Forecast relatively flat to prior year. Concession Revenue is impacted by (3) key indicators:

- Expected decline in Transactions per O&D Enplanement reflects trend in passenger preference shifting to other transportation options
- Total Transactions expected to grow at a slower rate than the growth in enplanements
- Average ticket price is a function of rental car pricing and customer demand, and can vary significantly. The 2018 Budget and the 2018 Forecast assumes an average ticket price slightly below 2017 actuals. This metric will be monitored and adjusted in the 2018 forecast, as needed
- CFC Operating Revenue** - Forecasted to increase due to increase in Transaction Days forecasted for 2018 and lower debt service in 2018, primarily driven by final payment on outstanding Commercial Paper balance (\$3.0M) paid last year

Rental Car activity impacted by increasing transportation alternatives

# Ground Transportation YTD

| Revenue to Port                       | 2016 YTD     |              | 2017 YTD     |              | 2018 YTD   |              | Fav / (UnFav)   |              | Incr / (Decr)    |   |
|---------------------------------------|--------------|--------------|--------------|--------------|------------|--------------|-----------------|--------------|------------------|---|
| \$ in 000's                           | Actual       | Actual       | Actual       | Budget       | Actual     | Budget       | Budget Variance |              | Change from 2017 |   |
|                                       |              |              |              |              |            |              | \$              | %            | \$               | % |
| <b>Ground Transportation Revenues</b> |              |              |              |              |            |              |                 |              |                  |   |
| Transportation Network Companies      | 907          | 3,181        | 4,749        | 3,676        | 1,073      | 29.2%        | 1,568           | 49.3%        |                  |   |
| On Demand Taxis                       | 2,449        | 2,631        | 2,160        | 2,294        | (134)      | -5.8%        | (471)           | -17.9%       |                  |   |
| On Demand Limos                       | 414          | 405          | 403          | 438          | (35)       | -8.0%        | (2)             | -0.5%        |                  |   |
| Belled In Taxis (Annual Permit)       | 159          | 43           | 33           | 69           | (36)       | -52.0%       | (10)            | -23.0%       |                  |   |
| Pre-Arranged Limos (Annual Permit)    | 276          | 360          | 361          | 300          | 61         | 20.4%        | 1               | 0.3%         |                  |   |
| Courtesy Cars (cost recovery)         | 995          | 687          | 798          | 945          | (146)      | -15.5%       | 111             | 16.1%        |                  |   |
| All other Operators (cost recovery)   | 323          | 203          | 172          | 232          | (60)       | -25.9%       | (32)            | -15.5%       |                  |   |
| Other Misc Revenues                   | 145          | 123          | 210          | 107          | 103        | 96.4%        | 87              | 70.5%        |                  |   |
| <b>Total GT Revenue</b>               | <b>5,668</b> | <b>7,633</b> | <b>8,885</b> | <b>8,060</b> | <b>825</b> | <b>10.2%</b> | <b>1,252</b>    | <b>16.4%</b> |                  |   |

## Key message:

Significant changes in customer preferred ground transportation alternatives are reflected in both revenue and trip activity between GT operator categories.

| Trip Activity                       | 2016 YTD     |              | 2017 YTD     |              | 2018 YTD   |             | Fav / (UnFav)   |             | Incr / (Decr)    |   |
|-------------------------------------|--------------|--------------|--------------|--------------|------------|-------------|-----------------|-------------|------------------|---|
| in 000's                            | Actual       | Actual       | Actual       | Budget       | Actual     | Budget      | Budget Variance |             | Change from 2017 |   |
|                                     |              |              |              |              |            |             | #               | %           | #                | % |
| <b>Ground Transportation Trips</b>  |              |              |              |              |            |             |                 |             |                  |   |
| Transportation Network Companies    | 149          | 573          | 784          | 613          | 171        | 27.9%       | 210             | 36.6%       |                  |   |
| On Demand Taxis                     | 438          | 379          | 363          | 382          | (19)       | -5.0%       | (16)            | -4.3%       |                  |   |
| On Demand Limos                     | 39           | 36           | 35           | 36           | (1)        | -2.9%       | (1)             | -2.9%       |                  |   |
| Belled In Taxis (Annual Permit)     | 120          | 37           | 9            | 33           | (24)       | -72.3%      | (28)            | -75.0%      |                  |   |
| Pre-Arranged Limos (Annual Permit)  | 186          | 165          | 168          | 161          | 7          | 4.1%        | 3               | 2.1%        |                  |   |
| Courtesy Cars (cost recovery)       | 590          | 587          | 580          | 597          | (17)       | -2.8%       | (7)             | -1.2%       |                  |   |
| All other Operators (cost recovery) | 47           | 40           | 30           | 31           | (1)        | -4.3%       | (10)            | -25.1%      |                  |   |
| <b>Total GT Trip Activity</b>       | <b>1,569</b> | <b>1,818</b> | <b>1,969</b> | <b>1,854</b> | <b>115</b> | <b>6.2%</b> | <b>151</b>      | <b>8.3%</b> |                  |   |

**TNC growth expected to continue to outpace enplanement growth**

# Ground Transportation YE

| Revenue to Port                       | 2016          | 2017          | 2018          | 2018          | Fav / (UnFav)   |             | Incr / (Decr)    |              |
|---------------------------------------|---------------|---------------|---------------|---------------|-----------------|-------------|------------------|--------------|
| \$ in 000's                           | Actual        | Actual        | Forecast      | Budget        | Budget Variance |             | Change from 2017 |              |
|                                       |               |               |               |               | \$              | %           | \$               | %            |
| <b>Ground Transportation Revenues</b> |               |               |               |               |                 |             |                  |              |
| Transportation Network Companies      | 3,222         | 6,940         | 10,080        | 8,122         | 1,958           | 24.1%       | 3,140            | 45.3%        |
| On Demand Taxis                       | 5,045         | 5,199         | 4,307         | 4,591         | (283)           | -6.2%       | (892)            | -17.2%       |
| On Demand Limos                       | 869           | 858           | 849           | 855           | (5)             | -0.6%       | (8)              | -1.0%        |
| Belled In Taxis (Annual Permit)       | 159           | 45            | 35            | 108           | (73)            | -67.9%      | (10)             | -23.0%       |
| Pre-Arranged Limos (Annual Permit)    | 496           | 626           | 628           | 603           | 25              | 4.1%        | 2                | 0.3%         |
| Courtesy Cars (cost recovery)         | 2,039         | 1,319         | 1,763         | 1,909         | (146)           | -7.6%       | 444              | 33.6%        |
| All other Operators (cost recovery)   | 696           | 394           | 411           | 483           | (72)            | -14.9%      | 17               | 4.4%         |
| Other Misc Revenues                   | 278           | 303           | 328           | 214           | 114             | 53.3%       | 25               | 8.1%         |
| <b>Total GT Revenue</b>               | <b>12,803</b> | <b>15,684</b> | <b>18,401</b> | <b>16,884</b> | <b>1,517</b>    | <b>9.0%</b> | <b>2,717</b>     | <b>17.3%</b> |
| <b>Trip Activity</b>                  |               |               |               |               |                 |             |                  |              |
| in 000's                              | Actual        | Actual        | Forecast      | Budget        | Budget Variance |             | Change from 2017 |              |
|                                       |               |               |               |               | #               | %           | #                | %            |
| <b>Ground Transportation Trips</b>    |               |               |               |               |                 |             |                  |              |
| Transportation Network Companies      | 602           | 1,277         | 1,680         | 1,354         | 326             | 24.1%       | 403              | 31.5%        |
| On Demand Taxis                       | 827           | 750           | 718           | 765           | (47)            | -6.2%       | (33)             | -4.3%        |
| On Demand Limos                       | 74            | 72            | 69            | 71            | (1)             | -1.9%       | (2)              | -2.9%        |
| Belled In Taxis (Annual Permit)       | 195           | 56            | 14            | 52            | (38)            | -73.1%      | (42)             | -75.0%       |
| Pre-Arranged Limos (Annual Permit)    | 369           | 337           | 344           | 325           | 19              | 5.9%        | 7                | 2.1%         |
| Courtesy Cars (cost recovery)         | 1,197         | 1,175         | 1,118         | 1,211         | (93)            | -7.6%       | (57)             | -4.8%        |
| All other Operators (cost recovery)   | 95            | 79            | 59            | 78            | (20)            | -25.0%      | (20)             | -25.4%       |
| <b>Total GT Trip Activity</b>         | <b>3,360</b>  | <b>3,746</b>  | <b>4,002</b>  | <b>3,856</b>  | <b>147</b>      | <b>3.8%</b> | <b>256</b>       | <b>6.8%</b>  |

## Key message:

Significant changes in customer preferred ground transportation alternatives are reflected in both revenue and trip activity between GT operator categories.

## 2018 Forecast vs. 2017 Actuals

### GT Revenue forecast compared to prior year:

- TNC revenue forecast in 2018 reflects continued shift in customer preference and the impact of the rate increase (to \$6/trip) effective for the full year
- Taxi revenue forecasted to decline partially due to rate decrease (to \$6/trip) effective all year in 2018, compared to \$7/trip in effect for the first 9 months of 2017
- Courtesy car revenue increase reflects rate correction in 2018 Budget

### GT Trip Activity forecast compared to prior year:

- TNC trip volume expected to continue to grow at a rate faster than the growth in enplaned passengers, driven by strong customer demand
- Taxi trips expected to grow at a slower rate than the growth in enplaned passengers
- Declines in other operator categories reflects the changing GT operating environment

**TNC growth expected to continue to outpace enplanement growth**

# Airport Dining & Retail and Leased Space YTD

| Airport Dining & Retail and Terminal Leased Space<br><i>Org Basis (in 000's)</i> | 2014<br>YTD<br>Actual | 2015<br>YTD<br>Actual | 2016<br>YTD<br>Actual | 2017<br>YTD<br>Actual | 2018<br>YTD<br>Actual | 2018<br>YTD<br>Budget | Fav / (Unfav) Budget<br>Variance |             | Incr / (Decr) from<br>2017 |             |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------------------|-------------|----------------------------|-------------|
|  |                       |                       |                       |                       |                       |                       | \$                               | %           | \$                         | %           |
| <b>ADR Revenue</b>   |                       |                       |                       |                       |                       |                       |                                  |             |                            |             |
| Food & Beverage <sup>1</sup>   | 6,941                 | 7,906                 | 9,367                 | 10,453                | 10,626                | 10,219                | 407                              | 4.0%        | 172                        | 1.6%        |
| Retail <sup>1</sup>  | 4,874                 | 5,605                 | 6,050                 | 6,213                 | 7,819                 | 6,520                 | 1,300                            | 19.9%       | 1,606                      | 25.8%       |
| Duty Free <sup>1</sup>   | 3,412                 | 3,651                 | 3,382                 | 3,518                 | 3,742                 | 3,702                 | 39                               | 1.1%        | 224                        | 6.4%        |
| Personal Services <sup>1</sup>   | 1,470                 | 1,619                 | 1,919                 | 1,869                 | 1,830                 | 1,813                 | 17                               | 0.9%        | (40)                       | -2.1%       |
| Advertising  | 2,735                 | 2,788                 | 3,296                 | 3,412                 | 2,920                 | 2,782                 | 138                              | 5.0%        | (492)                      | -14.4%      |
| Space Rental - Terminal  | 1,646                 | 2,021                 | 2,254                 | 2,735                 | 3,046                 | 2,832                 | 214                              | 7.6%        | 311                        | 11.4%       |
| All other revenue  | 237                   | 237                   | 263                   | 219                   | 196                   | 150                   | 46                               | 30.9%       | (22)                       | -10.2%      |
| <b>Total ADR Revenue</b>   | <b>21,315</b>         | <b>23,827</b>         | <b>26,529</b>         | <b>28,420</b>         | <b>30,179</b>         | <b>28,017</b>         | <b>2,162</b>                     | <b>7.7%</b> | <b>1,759</b>               | <b>6.2%</b> |
| <b>Expenses</b>  |                       |                       |                       |                       |                       |                       |                                  |             |                            |             |
| ADR & Terminal Leased Space  | 1,862                 | 2,569                 | 2,241                 | 1,962                 | 2,768                 | 2,423                 | (345)                            | -14.2%      | 806                        | 41.1%       |
| <b>Income from Operations</b>  | <b>19,453</b>         | <b>21,258</b>         | <b>24,288</b>         | <b>26,458</b>         | <b>27,411</b>         | <b>25,594</b>         | <b>1,817</b>                     | <b>7.1%</b> | <b>953</b>                 | <b>3.6%</b> |
| <b>Sales per Enplanement</b>   |                       |                       |                       |                       |                       |                       |                                  |             |                            |             |
| SPE - Food & Beverage  | \$6.46                | \$6.53                | \$7.17                | \$7.36                | \$7.17                | \$6.96                | \$0.21                           | 3.0%        | (\$0.20)                   | -2.7%       |
| SPE - Retail Sales   | \$4.03                | \$3.96                | \$3.70                | \$3.99                | \$4.36                | \$3.91                | \$0.45                           | 11.4%       | \$0.37                     | 9.3%        |
| SPE - Duty Free  | \$1.13                | \$1.04                | \$0.88                | \$0.92                | \$0.89                | \$0.98                | (\$0.09)                         | -8.9%       | (\$0.03)                   | -2.8%       |
| SPE - Personal Services  | \$1.20                | \$1.12                | \$1.01                | \$0.99                | \$0.95                | \$0.94                | \$0.01                           | 1.0%        | (\$0.04)                   | -3.8%       |
| <b>SPE - Total ADR</b>   | <b>\$12.82</b>        | <b>\$12.65</b>        | <b>\$12.76</b>        | <b>\$13.25</b>        | <b>\$13.37</b>        | <b>\$12.79</b>        | <b>\$0.58</b>                    | <b>4.5%</b> | <b>\$0.11</b>              | <b>0.8%</b> |
| <b>Concession Revenue <sup>1</sup><br/>per Enplanement</b>                       | <b>\$1.94</b>         | <b>\$1.93</b>         | <b>\$1.94</b>         | <b>\$2.00</b>         | <b>\$2.05</b>         | <b>\$1.92</b>         | <b>\$0.13</b>                    | <b>6.8%</b> | <b>\$0.05</b>              | <b>2.6%</b> |

(1) Concession Revenue is composed of revenue from concession agreements for the sales of Food & Beverage, Retail, Duty Free, and Personal Services only.

## Revenue –

- **Food & Beverage** – slightly stronger than prior year despite significant unit closures for lease transition. Newly opened units outperforming Year 1 projections. Increased volume in most existing units to respond to passenger demands.
- **Retail** – increase reflects strong sales include increased grab'n'go (food) offerings. Retail units not impacted by lease transitions in 2018.
- **Duty Free** - steady growth from growth in international enplanements.
- **Advertising** – strong demand continues, offset by lower percentage rent in new agreement.
- **Space Rent** – primarily due to increased concession fees from Alclear sales growth.

Sales lost from Food & Beverage being picked up in convenience retail

# Airport Dining & Retail and Leased Space YE

| Airport Dining & Retail and<br>Terminal Leased Space<br><i>Org Basis (in 000's)</i> | 2014           | 2015           | 2016           | 2017           | 2018           | 2018           | Fav / (Unfav) Budget |             | Incr / (Decr) from |              |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------------|-------------|--------------------|--------------|
|   | Actual         | Actual         | Actual         | Actual         | Forecast       | Budget         | Variance             |             | 2017               |              |
|   |                |                |                |                |                |                | \$                   | %           | \$                 | %            |
| <b>ADR Revenue</b>  |                |                |                |                |                |                |                      |             |                    |              |
| Food & Beverage <sup>1</sup>  | 15,223         | 17,427         | 21,314         | 21,579         | 21,700         | 21,700         | -                    | 0.0%        | 120                | 0.6%         |
| Retail <sup>1</sup>   | 11,213         | 12,127         | 13,496         | 13,989         | 16,044         | 14,344         | 1,700                | 11.9%       | 2,055              | 14.7%        |
| Duty Free <sup>1</sup>  | 6,664          | 6,769          | 6,265          | 6,912          | 7,251          | 7,251          | -                    | 0.0%        | 339                | 4.9%         |
| Personal Services <sup>1</sup>  | 3,201          | 3,548          | 3,657          | 3,728          | 3,809          | 3,809          | -                    | 0.0%        | 81                 | 2.2%         |
| Advertising   | 5,815          | 6,460          | 6,725          | 6,662          | 6,680          | 6,021          | 658                  | 10.9%       | 17                 | 0.3%         |
| Space Rental - Terminal   | 3,483          | 4,629          | 5,190          | 5,641          | 6,121          | 5,664          | 457                  | 8.1%        | 480                | 8.5%         |
| All other revenue   | 476            | 477            | 605            | 469            | 377            | 300            | 77                   | 25.7%       | (92)               | -19.6%       |
| <b>Total ADR Revenue</b>  | <b>46,076</b>  | <b>51,437</b>  | <b>57,252</b>  | <b>58,980</b>  | <b>61,980</b>  | <b>59,087</b>  | <b>2,893</b>         | <b>4.9%</b> | <b>3,000</b>       | <b>5.1%</b>  |
| <b>Expenses</b>   |                |                |                |                |                |                |                      |             |                    |              |
| ADR & Terminal Leased Space   | 1,862          | 2,569          | 2,241          | 1,962          | 2,768          | 2,423          | (345)                | -14.2%      | 806                | 41.1%        |
| <b>Income from Operations</b>   | <b>44,214</b>  | <b>48,868</b>  | <b>55,010</b>  | <b>57,018</b>  | <b>59,212</b>  | <b>56,664</b>  | <b>2,548</b>         | <b>4.5%</b> | <b>2,194</b>       | <b>3.8%</b>  |
| <b>Sales per Enplanement</b>  |                |                |                |                |                |                |                      |             |                    |              |
| SPE - Food & Beverage   | \$6.46         | \$6.48         | \$7.23         | \$7.18         | \$6.93         | \$6.93         | \$0.00               | 0.0%        | (\$0.25)           | -3.5%        |
| SPE - Retail Sales  | \$4.10         | \$3.92         | \$3.86         | \$4.04         | \$4.16         | \$4.03         | \$0.13               | 3.2%        | \$0.13             | 3.1%         |
| SPE - Duty Free   | \$1.12         | \$0.96         | \$0.89         | \$0.91         | \$0.90         | \$0.90         | \$0.00               | 0.0%        | (\$0.01)           | -1.0%        |
| SPE - Personal Services   | \$1.16         | \$1.08         | \$1.00         | \$0.95         | \$0.93         | \$0.93         | \$0.00               | 0.0%        | (\$0.03)           | -3.0%        |
| <b>SPE - Total ADR</b>  | <b>\$12.84</b> | <b>\$12.45</b> | <b>\$12.98</b> | <b>\$13.08</b> | <b>\$12.92</b> | <b>\$12.79</b> | <b>\$0.13</b>        | <b>1.0%</b> | <b>(\$0.16)</b>    | <b>-1.3%</b> |
| <b>Concession Revenue <sup>1</sup></b>  |                |                |                |                |                |                |                      |             |                    |              |
| <b>per Enplanement</b>  | <b>\$1.94</b>  | <b>\$1.89</b>  | <b>\$1.96</b>  | <b>\$1.97</b>  | <b>\$1.98</b>  | <b>\$1.91</b>  | <b>\$0.07</b>        | <b>3.6%</b> | <b>\$0.01</b>      | <b>0.3%</b>  |

(1) Concession Revenue is composed of revenue from concession agreements for the sales of Food & Beverage, Retail, Duty Free, and Personal Services only.

## 2018 Forecast vs. 2017 Actuals

### Revenue –

- **Food & Beverage** – holding steady to prior year despite significant unit closures for lease transition. Newly opened units outperforming Year 1 projections. Increased volume in most existing units to respond to passenger demands.
- **Retail** – increase reflects strong sales include increased grab'n'go (food) offerings. Retail units not impacted by lease transitions in 2018.
- **Duty Free** – steady growth from growth in international enplanements
- **Advertising** – holding steady to prior year, reflects strong demand offset by lower percentage rent in new agreement.
- **Other Revenue** – decrease due to temporary reduction in janitorial reimbursement revenue related to food & beverage unit closures for lease transition.

Sales lost from Food & Beverage being picked up in convenience retail

# 2018 Capital Expenditures

| \$ in 000's<br>Description                     | 2018<br>YTD Actual | 2018<br>Forecast | 2018<br>Budget | Budget Variance |              |
|--|--------------------|------------------|----------------|-----------------|--------------|
|  |                    |                  |                | \$              | %            |
| International Arrivals Facility <sup>(1)</sup> | 75,176             | 215,298          | 324,221        | 108,923         | 33.6%        |
| ASL Conversion at Checkpoints <sup>(2)</sup>   | 725                | 1,175            | 16,800         | 15,625          | 93.0%        |
| NS NSAT Renov NSTS Lobbies <sup>(3)</sup>      | 58,656             | 131,716          | 140,738        | 9,022           | 6.4%         |
| N. Terminals Utilities Upgrade <sup>(4)</sup>  | 213                | 413              | 8,200          | 7,787           | 95.0%        |
| Add'l Baggage Makeup Space IAF <sup>(5)</sup>  | 1,234              | 10,520           | 15,998         | 5,478           | 34.2%        |
| Terminal Security Enhancements <sup>(6)</sup>  | 189                | 2,189            | 5,925          | 3,736           | 63.1%        |
| SSAT Infrastructure HVAC <sup>(7)</sup>        | 128                | 1,218            | 4,910          | 3,692           | 75.2%        |
| 2018 Taxiway Improvement Proj                  | 8,988              | 37,378           | 36,250         | (1,128)         | -3.1%        |
| Concourse D Hardstand Holdroom                 | 15,159             | 28,433           | 27,986         | (447)           | -1.6%        |
| Alternate Utility Facility                     | 17,169             | 18,263           | 18,350         | 87              | 0.5%         |
| Checked Bag Recap/Optimization                 | 16,009             | 38,009           | 38,000         | (9)             | 0.0%         |
| All Other                                      | 31,171             | 109,330          | 158,822        | 49,492          | 31.2%        |
| <b>Total Spending</b>                          | <b>224,817</b>     | <b>593,941</b>   | <b>796,200</b> | <b>202,259</b>  | <b>25.4%</b> |

- (1) Delays in design-build progress, consultant billings/purchases for construction and project/construction management services.
- (2) \$8.7M of capital budget deemed to be public expense as the equipment will be transferred to TSA. 1 of 3 lanes have been installed; remaining lanes pushed out to Q4 2018 - Q2 2019.
- (3) Actual projected billings as provided by contractor have been less than anticipated.
- (4) Early works construction cancelled and combined with main construction phase due to better coordination with adjacent projects.
- (5) Delays in construction due to changes in sequencing of work by contractor.
- (6) Favorable bids for Phase I (shatter proof windows) will result in less spending in 2018.
- (7) Bid bust has resulted in one year delay of project. Project was re-scoped and design is currently in progress.

Forecasting to spend 74.6% of budget



# SAMP Overview

| YTD Summary                                | 2016 YTD   | 2017 YTD   | 2018 Year-to-Date |              | Fav (Unfav)          |              | Inc (Decr)       |                |
|--|------------|------------|-------------------|--------------|----------------------|--------------|------------------|----------------|
|  | Actual     | Actual     | Actual            | Budget       | 2018 Budget Variance |              | Change from 2017 |                |
| \$ in 000's                                |            |            |                   |              | \$                   | %            | \$               | %              |
| SAMP Completion & Transition to Env Review | 105        | 100        | 161               | 250          | 89                   | 35.7%        | 61               | 57.8%          |
| Adv Planning IDIQ - Master Plan            | -          | -          | 1,296             | 1,250        | (46)                 | -3.7%        | 1,296            | N/A            |
| Environmental Review - Master Plan         | -          | 47         | -                 | -            | -                    | N/A          | (47)             | N/A            |
| SAMP Utilities Master Plan                 | -          | -          | -                 | 125          | 125                  | 100.0%       | -                | N/A            |
| <b>Total SAMP-Related Spending</b>         | <b>105</b> | <b>147</b> | <b>1,457</b>      | <b>1,625</b> | <b>168</b>           | <b>10.4%</b> | <b>1,310</b>     | <b>1247.4%</b> |

| Annual Forecast                            | 2016         | 2017         | Year-End Projection |              | Fav (Unfav)          |              | Inc (Decr)       |               |
|--|--------------|--------------|---------------------|--------------|----------------------|--------------|------------------|---------------|
|  | Actual       | Actual       | 2018 Forecast       | 2018 Budget  | 2018 Budget Variance |              | Change from 2017 |               |
| \$ in 000's                                |              |              |                     |              | \$                   | %            | \$               | %             |
| SAMP Completion & Transition to Env Review | 1,591        | 1,335        | 500                 | 500          | -                    | 0.0%         | (835)            | -52.5%        |
| Adv Planning IDIQ - Master Plan            | -            | 1,141        | 3,250               | 2,500        | (750)                | -30.0%       | 2,109            | N/A           |
| Environmental Review - Master Plan         | 208          | 169          | 1,000               | 1,700        | 700                  | 41.2%        | 831              | 399.5%        |
| SAMP Utilities Master Plan                 | -            | 276          | 500                 | 500          | -                    | 0.0%         | 224              | N/A           |
| <b>Total SAMP-Related Spending</b>         | <b>1,799</b> | <b>2,921</b> | <b>5,250</b>        | <b>5,200</b> | <b>(50)</b>          | <b>-1.0%</b> | <b>2,329</b>     | <b>129.5%</b> |

Accelerated pace in advance planning offsets timing delay in Environmental Review

# Maritime Division Appendix



# Maritime 2018 Financial Summary

| \$ in 000's                                  | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)  |              | Incr (Decr)      |            |
|--|----------------|----------------|-------------------|----------------|--------------|--------------|------------------|------------|
|  | Actual         | Actual         | Actual            | Budget         | Budget       | Variance     | Change from 2017 |            |
|  |                |                |                   |                | \$           | %            | \$               | %          |
| Fishing & Operations                         | 4,419          | 4,440          | 4,565             | 4,201          | 364          | 9%           | 125              | 3%         |
| Recreational Boating                         | 5,083          | 5,438          | 6,125             | 5,839          | 286          | 5%           | 687              | 13%        |
| Cruise                                       | 5,410          | 6,325          | 6,806             | 6,944          | (139)        | -2%          | 481              | 8%         |
| Bulk   | 2,010          | 3,042          | 3,123             | 2,572          | 551          | 21%          | 81               | 3%         |
| Maritime Portfolio Management                | 5,100          | 5,267          | 5,628             | 5,459          | 169          | 3%           | 361              | 7%         |
| Other  | 5              | 14             | 11                | 9              | 2            | 28%          | (3)              | -23%       |
| <b>Total Revenue</b>                         | <b>22,027</b>  | <b>24,525</b>  | <b>26,257</b>     | <b>25,023</b>  | <b>1,234</b> | <b>5%</b>    | <b>1,732</b>     | <b>7%</b>  |
| <b>Expenses</b>                              |                |                |                   |                |              |              |                  |            |
| Fishing & Operations                         | 2,206          | 2,305          | 2,461             | 2,399          | (63)         | -3%          | 156              | 7%         |
| Rec Boating                                  | 1,524          | 1,852          | 1,989             | 2,285          | 297          | 13%          | 137              | 7%         |
| Cruise                                       | 954            | 558            | 1,135             | 1,987          | 851          | 43%          | 577              | 103%       |
| Other Maritime                               | 373            | 585            | 266               | 655            | 388          | 59%          | (318)            | -54%       |
| Maintenance Expenses                         | 4,716          | 4,740          | 5,576             | 5,642          | 66           | 1%           | 836              | 18%        |
| Portfolio Management                         | 1,679          | 1,770          | 2,031             | 2,191          | 160          | 7%           | 261              | 15%        |
| Other ED Expenses                            | 166            | 353            | 320               | 460            | 141          | 31%          | (33)             | -9%        |
| <b>Total Maritime &amp; EDD expenses</b>     | <b>11,617</b>  | <b>12,162</b>  | <b>13,778</b>     | <b>15,618</b>  | <b>1,840</b> | <b>12%</b>   | <b>1,616</b>     | <b>13%</b> |
| Environmental & Sustainability               | 303            | 598            | 519               | 998            | 479          | 48%          | (79)             | -13%       |
| CDD Expenses                                 | 522            | 419            | 437               | 630            | 193          | 31%          | 18               | 4%         |
| Police Expenses                              | 1,925          | 1,889          | 2,169             | 2,101          | (68)         | -3%          | 280              | 15%        |
| Other Central Services                       | 4,309          | 4,401          | 4,842             | 5,219          | 377          | 7%           | 441              | 10%        |
| Aviation Division                            | 66             | 67             | 70                | 61             | (9)          | -15%         | 2                | 3%         |
| <b>Total Central Services &amp; Aviation</b> | <b>7,124</b>   | <b>7,374</b>   | <b>8,037</b>      | <b>9,009</b>   | <b>972</b>   | <b>11%</b>   | <b>662</b>       | <b>9%</b>  |
| Envir Remed Liability                        | 48             | 371            | (99)              | 0              | 99           | NA           | (469)            | -127%      |
| <b>Total Expense</b>                         | <b>18,789</b>  | <b>19,907</b>  | <b>21,716</b>     | <b>24,627</b>  | <b>2,911</b> | <b>12%</b>   | <b>1,809</b>     | <b>9%</b>  |
| <b>NOI Before Depreciation</b>               | <b>3,237</b>   | <b>4,618</b>   | <b>4,541</b>      | <b>396</b>     | <b>4,145</b> | <b>1046%</b> | <b>(77)</b>      | <b>-2%</b> |
| Depreciation                                 | 8,655          | 8,442          | 8,823             | 8,868          | 45           | 1%           | 381              | 5%         |
| <b>NOI After Depreciation</b>                | <b>(5,418)</b> | <b>(3,824)</b> | <b>(4,281)</b>    | <b>(8,471)</b> | <b>4,190</b> | <b>-49%</b>  | <b>(458)</b>     | <b>12%</b> |

Focus on revenue growth and expense management.

# Maritime 2018 Financial Forecast

|  | 2016           | 2017           | 2018            | 2018            | Fav (UnFav)  |             | Incr (Decr)      |             |
|--|----------------|----------------|-----------------|-----------------|--------------|-------------|------------------|-------------|
|  | Actual         | Actual         | Forecast        | Budget          | Budget       | Variance    | Change from 2017 |             |
| \$ in 000's                                  |                |                |                 |                 | \$           | %           | \$               | %           |
| Fishing & Operations                         | 9,108          | 9,297          | 8,748           | 8,388           | 360          | 4%          | (550)            | -6%         |
| Recreational Boating                         | 10,255         | 11,086         | 12,446          | 12,166          | 280          | 2%          | 1,361            | 12%         |
| Cruise                                       | 15,422         | 17,596         | 18,150          | 18,150          | 0            | 0%          | 554              | 3%          |
| Bulk   | 5,382          | 5,427          | 5,163           | 5,163           | 0            | 0%          | (263)            | -5%         |
| Maritime Portfolio Management                | 10,255         | 10,787         | 10,769          | 11,169          | (400)        | -4%         | (18)             | 0%          |
| Other  | 388            | (9)            | 17              | 17              | 0            | 0%          | 26               | -297%       |
| <b>Total Revenue</b>                         | <b>50,810</b>  | <b>54,183</b>  | <b>55,293</b>   | <b>55,053</b>   | <b>240</b>   | <b>0%</b>   | <b>1,109</b>     | <b>2%</b>   |
| <b>Expenses</b>                              |                |                |                 |                 |              |             |                  |             |
| Fishing & Operations                         | 4,308          | 4,599          | 4,641           | 4,641           | 0            | 0%          | 42               | 1%          |
| Rec Boating                                  | 3,164          | 3,813          | 4,595           | 4,595           | 0            | 0%          | 782              | 20%         |
| Cruise                                       | 2,600          | 2,674          | 4,448           | 4,748           | 300          | 6%          | 1,774            | 66%         |
| Other Maritime                               | 666            | 462            | 1,399           | 1,399           | 0            | 0%          | 937              | 203%        |
| Maintenance Expenses                         | 9,900          | 10,420         | 11,261          | 11,261          | 0            | 0%          | 840              | 8%          |
| Portfolio Management                         | 3,367          | 3,507          | 3,550           | 3,750           | 200          | 5%          | 43               | 1%          |
| Other ED Expenses                            | 420            | 665            | 833             | 833             | 0            | 0%          | 168              | 25%         |
| <b>Total Maritime &amp; EDD expenses</b>     | <b>24,425</b>  | <b>26,140</b>  | <b>30,726</b>   | <b>31,226</b>   | <b>500</b>   | <b>2%</b>   | <b>4,586</b>     | <b>18%</b>  |
| Environmental & Sustainability               | 1,358          | 1,125          | 1,994           | 2,168           | 173          | 8%          | 869              | 77%         |
| CDD Expenses                                 | 1,010          | 748            | 1,030           | 1,212           | 182          | 15%         | 282              | 38%         |
| Police Expenses                              | 3,921          | 3,756          | 4,209           | 4,209           | 0            | 0%          | 453              | 12%         |
| Other Central Services                       | 9,315          | 9,869          | 10,428          | 10,641          | 213          | 2%          | 559              | 6%          |
| Aviation Division                            | 139            | 138            | 123             | 123             | 0            | 0%          | (15)             | -11%        |
| <b>Total Central Services &amp; Aviation</b> | <b>15,743</b>  | <b>15,635</b>  | <b>17,784</b>   | <b>18,352</b>   | <b>568</b>   | <b>3%</b>   | <b>2,149</b>     | <b>14%</b>  |
| Envir Remed Liability                        | 115            | 389            | 0               | 0               | 0            | NA          | (389)            | -100%       |
| <b>Total Expense</b>                         | <b>40,283</b>  | <b>42,164</b>  | <b>48,510</b>   | <b>49,578</b>   | <b>1,068</b> | <b>2%</b>   | <b>6,347</b>     | <b>15%</b>  |
| <b>NOI Before Depreciation</b>               | <b>10,526</b>  | <b>12,020</b>  | <b>6,783</b>    | <b>5,475</b>    | <b>1,308</b> | <b>24%</b>  | <b>(5,237)</b>   | <b>-44%</b> |
| Depreciation                                 | 17,351         | 17,410         | 17,868          | 17,868          | 0            | 0%          | 459              | 3%          |
| <b>NOI After Depreciation</b>                | <b>(6,824)</b> | <b>(5,390)</b> | <b>(11,086)</b> | <b>(12,394)</b> | <b>1,308</b> | <b>-11%</b> | <b>(5,696)</b>   | <b>106%</b> |

Uncertainty in 2<sup>nd</sup> half grain volumes and WSDOT lease at Terminal 106

# Maritime 2018 YTD by Business Part 1

|  | YTD            | YTD            | YTD            | YTD            | Bud Var      |              | Chg fr Prior Year |                 | Total Year     |
|--|----------------|----------------|----------------|----------------|--------------|--------------|-------------------|-----------------|----------------|
| \$ in 000's                            | Actual         | Actual         | Actual         | Budget         | Fav(UnFav)   |              | Incr/(Decr)       |                 | Budget         |
|  | 2016           | 2017           | 2018           | 2018           | \$           | %            | \$                | %               | 2018           |
| <b><u>Cruise</u></b>                   |                |                |                |                |              |              |                   |                 |                |
| Revenue                                | 5,410          | 6,325          | 6,806          | 6,944          | (138)        | -2.0%        | 481               | 7.6%            | 18,150         |
| Expense                                | 3,187          | 3,628          | 4,712          | 5,988          | 1,276        | 21.3%        | 1,084             | 29.9%           | 12,817         |
| <b>NOI Before Depreciation</b>         | 2,223          | 2,697          | 2,094          | 956            | 1,138        | 119.0%       | (603)             | -22.4%          | 5,333          |
| Depreciation Expense                   | 2,619          | 2,627          | 3,201          | 3,234          | 33           | 1.0%         | 574               | 21.9%           | 6,498          |
| <b>NOI After Depreciation</b>          | <b>(396)</b>   | <b>70</b>      | <b>(1,107)</b> | <b>(2,278)</b> | <b>1,171</b> | <b>51.4%</b> | <b>(1,177)</b>    | <b>-1681.4%</b> | <b>(1,165)</b> |
|  |                |                |                |                |              |              |                   |                 |                |
| <b><u>Rec Boating</u></b>              |                |                |                |                |              |              |                   |                 |                |
| Revenue                                | 5,083          | 5,438          | 6,125          | 5,839          | 286          | 4.9%         | 687               | 12.6%           | 12,166         |
| Expense                                | 4,335          | 4,639          | 5,139          | 5,805          | 666          | 11.5%        | 500               | 10.8%           | 11,661         |
| <b>NOI Before Depreciation</b>         | 748            | 799            | 986            | 34             | 952          | 2800.0%      | 187               | 23.4%           | 505            |
| Depreciation Expense                   | 1,710          | 1,592          | 1,459          | 1,462          | 3            | 0.2%         | (133)             | -8.4%           | 2,957          |
| <b>NOI After Depreciation</b>          | <b>(962)</b>   | <b>(793)</b>   | <b>(473)</b>   | <b>(1,428)</b> | <b>955</b>   | <b>66.9%</b> | <b>320</b>        | <b>40.4%</b>    | <b>(2,452)</b> |
|  |                |                |                |                |              |              |                   |                 |                |
| <b><u>Maritime Portfolio</u></b>       |                |                |                |                |              |              |                   |                 |                |
| Revenue                                | 5,100          | 5,267          | 5,628          | 5,459          | 169          | 3.1%         | 361               | 6.9%            | 11,169         |
| Expense                                | 4,650          | 5,146          | 5,237          | 5,773          | 536          | 9.3%         | 91                | 1.8%            | 10,891         |
| <b>NOI Before Depreciation</b>         | 450            | 121            | 391            | (314)          | 705          | 224.5%       | 270               | 223.1%          | 278            |
| Depreciation Expense                   | 1,316          | 1,335          | 1,361          | 1,306          | (55)         | -4.2%        | 26                | 1.9%            | 2,610          |
| <b>NOI After Depreciation</b>          | <b>(866)</b>   | <b>(1,214)</b> | <b>(970)</b>   | <b>(1,620)</b> | <b>650</b>   | <b>40.1%</b> | <b>244</b>        | <b>20.1%</b>    | <b>(2,332)</b> |
|  |                |                |                |                |              |              |                   |                 |                |
| <b><u>Fishing &amp; Operations</u></b> |                |                |                |                |              |              |                   |                 |                |
| Revenue                                | 4,419          | 4,440          | 4,565          | 4,201          | 364          | 8.7%         | 125               | 2.8%            | 8,388          |
| Expense                                | 5,983          | 5,350          | 5,704          | 5,844          | 140          | 2.4%         | 354               | 6.6%            | 11,687         |
| <b>NOI Before Depreciation</b>         | (1,564)        | (910)          | (1,139)        | (1,643)        | 504          | 30.7%        | (229)             | -25.2%          | (3,299)        |
| Depreciation Expense                   | 2,743          | 2,606          | 2,497          | 2,562          | 65           | 2.5%         | (109)             | -4.2%           | 5,195          |
| <b>NOI After Depreciation</b>          | <b>(4,307)</b> | <b>(3,516)</b> | <b>(3,636)</b> | <b>(4,205)</b> | <b>569</b>   | <b>13.5%</b> | <b>(120)</b>      | <b>-3.4%</b>    | <b>(8,494)</b> |

Major Maritime Businesses tracking favorable to budget

# Maritime 2018 YTD by Business Part 2

| \$ in 000's                       | YTD<br>Actual<br><u>2016</u> | YTD<br>Actual<br><u>2017</u> | YTD<br>Actual<br><u>2018</u> | YTD<br>Budget<br><u>2018</u> | Bud Var<br>Fav(UnFav)<br>\$ | %            | Chg fr Prior Year<br>Incr/(Decr)<br>\$ | %             | Total Year<br>Budget<br><u>2018</u> |
|-----------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------|--------------|--|---------------|-------------------------------------|
| <b><u>Bulk/Grain Terminal</u></b> |                              |                              |                              |                              |                             |              |  |               |                                     |
| Revenue                           | 2,010                        | 3,042                        | 3,123                        | 2,572                        | 551                         | 21%          | 81                                     | 2.7%          | 5,163                               |
| Expense                           | 568                          | 653                          | 874                          | 900                          | 26                          | 3%           | 221                                    | 33.8%         | 1,839                               |
| <b>NOI Before Depreciation</b>    | <b>1,442</b>                 | <b>2,389</b>                 | <b>2,249</b>                 | <b>1,672</b>                 | <b>577</b>                  | <b>35%</b>   | <b>(140)</b>                           | <b>-5.9%</b>  | <b>3,324</b>                        |
| Depreciation Expense              | 269                          | 279                          | 298                          | 304                          | 6                           | 2%           | 19                                     | 6.8%          | 608                                 |
| <b>NOI After Depreciation</b>     | <b>1,173</b>                 | <b>2,110</b>                 | <b>1,951</b>                 | <b>1,368</b>                 | <b>583</b>                  | <b>43%</b>   | <b>(159)</b>                           | <b>-7.5%</b>  | <b>2,716</b>                        |
| <b><u>Other</u></b>               |                              |                              |                              |                              |                             |              |  |               |                                     |
| Revenue                           | 5                            | 14                           | 11                           | 9                            | 2                           | 22%          | (3)                                    | -21.4%        | 17                                  |
| Expense                           | 53                           | 492                          | 50                           | 317                          | 267                         | 84%          | (442)                                  | -89.8%        | 683                                 |
| <b>NOI Before Depreciation</b>    | <b>(48)</b>                  | <b>(478)</b>                 | <b>(39)</b>                  | <b>(308)</b>                 | <b>269</b>                  | <b>87%</b>   | <b>439</b>                             | <b>91.8%</b>  | <b>(666)</b>                        |
| Depreciation Expense              | 0                            | 3                            | 7                            | 0                            | (7)                         | NA           | 4                                      | 133.3%        | 0                                   |
| <b>NOI After Depreciation</b>     | <b>(48)</b>                  | <b>(481)</b>                 | <b>(46)</b>                  | <b>(308)</b>                 | <b>262</b>                  | <b>85%</b>   | <b>435</b>                             | <b>90.4%</b>  | <b>(666)</b>                        |
| <b><u>Total Maritime</u></b>      |                              |                              |                              |                              |                             |              |  |               |                                     |
| Revenue                           | 22,027                       | 24,525                       | 26,257                       | 25,023                       | 1,234                       | 5%           | 1,732                                  | 7.1%          | 55,053                              |
| Expense                           | 18,775                       | 19,907                       | 21,716                       | 24,627                       | 2,911                       | 12%          | 1,809                                  | 9.1%          | 49,578                              |
| <b>NOI Before Depreciation</b>    | <b>3,252</b>                 | <b>4,618</b>                 | <b>4,541</b>                 | <b>396</b>                   | <b>4,145</b>                | <b>1047%</b> | <b>(77)</b>                            | <b>-1.7%</b>  | <b>5,475</b>                        |
| Depreciation Expense              | 8,655                        | 8,442                        | 8,823                        | 8,868                        | 45                          | 1%           | 381                                    | 4.5%          | 17,868                              |
| <b>NOI After Depreciation</b>     | <b>(5,403)</b>               | <b>(3,824)</b>               | <b>(4,282)</b>               | <b>(8,472)</b>               | <b>4,190</b>                | <b>49%</b>   | <b>(458)</b>                           | <b>-12.0%</b> | <b>(12,393)</b>                     |

Grain Revenue ahead of budget and 2017

# Stormwater Utility YTD Results

|                                | 2017 YTD     | 2018 YTD     |              | Fav (UnFav)     |              | Incr (Decr)      |              |
|--------------------------------|--------------|--------------|--------------|-----------------|--------------|------------------|--------------|
| \$ in 000's                    | Actual       | Actual       | Budget       | Budget Variance |              | Change from 2016 |              |
|                                |              |              |              | \$              | %            | \$               | %            |
| <b>StormWater Utility</b>      |              |              |              |                 |              |                  |              |
| NWSA                           | 1,706        | 1,862        | 1,846        | 16              | 1%           | 156              | 9%           |
| Tenants Revenue                | 213          | 235          | 251          | (16)            | -6%          | 22               | 11%          |
| Non-tenants Revenue            | 564          | 609          | 570          | 39              | 7%           | 45               | 8%           |
| <b>Total Revenues</b>          | <b>2,483</b> | <b>2,707</b> | <b>2,667</b> | <b>40</b>       | <b>2%</b>    | <b>223</b>       | <b>9%</b>    |
| SWU Direct                     | 267          | 394          | 713          | 319             | 45%          | 128              | 48%          |
| Maintenance Expenses           | 1,129        | 1,672        | 1,711        | 39              | 2%           | 542              | 48%          |
| Other Maritime Expenses        | -            | -            | -            | -               | NA           | -                | NA           |
| EDD Expenses                   | 10           | 4            | 9            | 5               | 55%          | (6)              | -58%         |
| Environmental & Sustainability | 261          | 103          | 112          | 9               | 8%           | (158)            | -61%         |
| Police Expenses                | -            | -            | -            | -               | NA           | -                | NA           |
| Capital Development Expenses   | 31           | 16           | 27           | 11              | 40%          | (15)             | -47%         |
| Other Central Service Expenses | 184          | 334          | 352          | 18              | 5%           | 149              | 81%          |
| <b>Total Expenses</b>          | <b>1,881</b> | <b>2,523</b> | <b>2,924</b> | <b>401</b>      | <b>14%</b>   | <b>641</b>       | <b>34%</b>   |
| <b>NOI Before Depreciation</b> | <b>602</b>   | <b>184</b>   | <b>(257)</b> | <b>441</b>      | <b>-172%</b> | <b>(418)</b>     | <b>-69%</b>  |
| Depreciation                   | 498          | 548          | 603          | 55              | 9%           | 51               | 10%          |
| <b>NOI After Depreciation</b>  | <b>104</b>   | <b>(364)</b> | <b>(860)</b> | <b>496</b>      | <b>-58%</b>  | <b>(468)</b>     | <b>-449%</b> |

Stormwater Utility tracking to budget for 2018

# Maritime Capital 2018

| \$ in 000's                    | 2018 YTD | 2018     | 2018   | Budget Variance |     |
|--------------------------------|----------|----------|--------|-----------------|-----|
|                                | Actual   | Forecast | Budget | \$              | %   |
| Salmon Bay Marina ACQ          | 15,703   | 15,728   | 15,804 | 76              | 0%  |
| SBM Restrms/Service Bldgs Rep  | 131      | 1,553    | 7,162  | 5,609           | 78% |
| FT Re Development Phase I      | 813      | 1,363    | 2,700  | 1,337           | 50% |
| P91 South End Fender           | 1,981    | 2,055    | 2,202  | 147             | 7%  |
| Maritime Fleet Replacement     | 238      | 2,158    | 2,158  | 0               | 0%  |
| Contingency Renewal & Replace. | 0        | 1,150    | 2,000  | 850             | 43% |
| SBM Paving                     | 83       | 399      | 1,673  | 1,274           | 76% |
| Cruise Terminal Tenant Improv  | 323      | 1,531    | 1,531  | 0               | 0%  |
| Salmon Bay Marina Uplands      | 13       | 13       | 1,505  | 1,492           | 99% |
| FT Docs 3,4,5 Fixed Pie        | 74       | 274      | 1,424  | 1,150           | 81% |
| Restoration                    | 56       | 66       | 1,140  | 1,074           | 94% |
| All Other Projects             | 2,287    | 6,510    | 7,450  | 940             | 13% |
| Total Maritime                 | 21,702   | 32,800   | 46,749 | 13,949          | 30% |

**SBM restrooms and paving delayed due to bidding and permit schedule**



# Economic Development Division Appendix



# EDD 2018 Financial Summary

|  | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)  |             | Incr (Decr)      |             |
|--|----------------|----------------|-------------------|----------------|--------------|-------------|------------------|-------------|
|  | Actual         | Actual         | Actual            | Budget         | Budget       | Variance    | Change from 2017 |             |
| \$ in 000's                                  |                |                |                   |                | \$           | %           | \$               | %           |
| Revenue                                      | 1,777          | 2,020          | 2,167             | 2,147          | 20           | 1%          | 147              | 7%          |
| Conf & Event Centers                         | 1,895          | 1,107          | 2,330             | 2,177          | 153          | 7%          | 1,223            | 110%        |
| <b>Total Revenue</b>                         | <b>3,672</b>   | <b>3,127</b>   | <b>4,497</b>      | <b>4,324</b>   | <b>173</b>   | <b>4%</b>   | <b>1,370</b>     | <b>44%</b>  |
| <b>Expenses</b>                              |                |                |                   |                |              |             |                  |             |
| Portfolio Management                         | 636            | 899            | 1,016             | 1,030          | 14           | 1%          | 117              | 13%         |
| Conf & Event Centers                         | 1,721          | 1,653          | 2,033             | 2,109          | 76           | 4%          | 380              | 23%         |
| P69 Facilities Expenses                      | 41             | 50             | 53                | 60             | 7            | 12%         | 3                | 6%          |
| RE Dev & Planning                            | 173            | 57             | 38                | 48             | 10           | 20%         | (18)             | -32%        |
| EconDev Expenses Other                       | 148            | 208            | 163               | 289            | 126          | 43%         | (45)             | -21%        |
| Maintenance Expenses                         | 573            | 666            | 850               | 765            | (85)         | -11%        | 185              | 28%         |
| Maritime Expenses (Excl Maint)               | 8              | 9              | 34                | 70             | 36           | 52%         | 25               | 260%        |
| <b>Total EDD &amp; Maritime Expenses</b>     | <b>3,300</b>   | <b>3,542</b>   | <b>4,188</b>      | <b>4,372</b>   | <b>183</b>   | <b>4%</b>   | <b>647</b>       | <b>18%</b>  |
| Small Business                               | 4              | 12             | 20                | 38             | 18           | 48%         | 8                | 67%         |
| Workforce Development                        | (9)            | 95             | 86                | 403            | 317          | 79%         | (10)             | -10%        |
| Tourism                                      | 193            | 232            | 239               | 315            | 76           | 24%         | 8                | 3%          |
| EDD Grants                                   | 0              | 12             | 6                 | 0              | (6)          | NA          | (6)              | -51%        |
| <b>Total EDD Initiatives</b>                 | <b>188</b>     | <b>351</b>     | <b>351</b>        | <b>756</b>     | <b>406</b>   | <b>54%</b>  | <b>(0)</b>       | <b>0%</b>   |
| Environmental & Sustainability               | 11             | 53             | 46                | 83             | 37           | 45%         | (7)              | -14%        |
| CDD Expenses                                 | 88             | 91             | 57                | 84             | 28           | 33%         | (34)             | -37%        |
| Police Expenses                              | 39             | 39             | 41                | 39             | (2)          | -6%         | 2                | 4%          |
| Other Central Services                       | 922            | 1,244          | 1,273             | 1,419          | 146          | 10%         | 29               | 2%          |
| Aviation Division                            | 24             | 27             | 28                | 31             | 4            | 11%         | 1                | 2%          |
| <b>Total Central Services &amp; Aviation</b> | <b>1,084</b>   | <b>1,455</b>   | <b>1,445</b>      | <b>1,657</b>   | <b>212</b>   | <b>13%</b>  | <b>(10)</b>      | <b>-1%</b>  |
| Envir Remed Liability                        | 0              | 0              | 0                 | 0              | 0            | NA          | 0                | NA          |
| <b>Total Expense</b>                         | <b>4,572</b>   | <b>5,347</b>   | <b>5,984</b>      | <b>6,785</b>   | <b>801</b>   | <b>12%</b>  | <b>637</b>       | <b>12%</b>  |
| <b>NOI Before Depreciation</b>               | <b>(900)</b>   | <b>(2,220)</b> | <b>(1,487)</b>    | <b>(2,461)</b> | <b>974</b>   | <b>-40%</b> | <b>733</b>       | <b>-33%</b> |
| Depreciation                                 | 934            | 927            | 998               | 1,038          | 40           | 4%          | 71               | 8%          |
| <b>NOI After Depreciation</b>                | <b>(1,835)</b> | <b>(3,147)</b> | <b>(2,485)</b>    | <b>(3,499)</b> | <b>1,014</b> | <b>-29%</b> | <b>662</b>       | <b>-21%</b> |

**Strong Occupancy and Management of Expenses**

# EDD 2018 Financial Summary

| \$ in 000's                                  | 2016 YTD       | 2017 YTD       | 2018 Year-to-Date |                | Fav (UnFav)  |             | Incr (Decr)      |             |
|--|----------------|----------------|-------------------|----------------|--------------|-------------|------------------|-------------|
|  | Actual         | Actual         | Actual            | Budget         | Budget       | Variance    | Change from 2017 |             |
|  |                |                |                   |                | \$           | %           | \$               | %           |
| Revenue                                      | 3,818          | 4,182          | 4,577             | 4,465          | 112          | 3%          | 395              | 9%          |
| Conf & Event Centers                         | 4,518          | 3,545          | 5,188             | 4,776          | 412          | 9%          | 1,644            | 46%         |
| <b>Total Revenue</b>                         | <b>8,337</b>   | <b>7,727</b>   | <b>9,765</b>      | <b>9,242</b>   | <b>524</b>   | <b>6%</b>   | <b>2,039</b>     | <b>26%</b>  |
| <b>Expenses</b>                              |                |                |                   |                |              |             |                  |             |
| Portfolio Management                         | 1,536          | 2,050          | 1,952             | 1,901          | (51)         | -3%         | (98)             | -5%         |
| Conf & Event Centers                         | 3,665          | 3,660          | 4,306             | 4,258          | (48)         | -1%         | 646              | 18%         |
| P69 Facilities Expenses                      | 81             | 96             | 114               | 171            | 57           | 33%         | 18               | 19%         |
| RE Dev & Planning                            | 211            | 120            | 74                | 107            | 32           | 30%         | (46)             | -38%        |
| EconDev Expenses Other                       | 321            | 383            | 473               | 584            | 111          | 19%         | 90               | 23%         |
| Maintenance Expenses                         | 1,248          | 1,483          | 1,996             | 1,528          | (468)        | -31%        | 513              | 35%         |
| Maritime Expenses (Excl Maint)               | 14             | 25             | 76                | 161            | 85           | 53%         | 52               | 210%        |
| <b>Total EDD &amp; Maritime Expenses</b>     | <b>7,076</b>   | <b>7,817</b>   | <b>8,992</b>      | <b>8,710</b>   | <b>(282)</b> | <b>-3%</b>  | <b>1,175</b>     | <b>15%</b>  |
| Small Business                               | 9              | 26             | 37                | 74             | 37           | 50%         | 10               | 39%         |
| Workforce Development                        | 150            | 228            | 228               | 941            | 713          | 76%         | (1)              | 0%          |
| Tourism                                      | 420            | 514            | 620               | 750            | 130          | 17%         | 106              | 21%         |
| EDD Grants                                   | 0              | 427            | 28                | 480            | 452          | 94%         | (399)            | -93%        |
| <b>Total EDD Initiatives</b>                 | <b>579</b>     | <b>1,195</b>   | <b>912</b>        | <b>2,244</b>   | <b>1,332</b> | <b>59%</b>  | <b>(283)</b>     | <b>-24%</b> |
| Environmental & Sustainability               | 9              | 130            | 121               | 188            | 67           | 36%         | (8)              | -7%         |
| CDD Expenses                                 | 113            | 200            | 139               | 172            | 33           | 19%         | (61)             | -31%        |
| Police Expenses                              | 81             | 85             | 81                | 79             | (2)          | -3%         | (3)              | -4%         |
| Other Central Services                       | 1,907          | 2,576          | 2,576             | 2,852          | 276          | 10%         | (0)              | 0%          |
| Aviation Division                            | 51             | 56             | 59                | 63             | 4            | 7%          | 3                | 6%          |
| <b>Total Central Services &amp; Aviation</b> | <b>2,161</b>   | <b>3,046</b>   | <b>2,976</b>      | <b>3,354</b>   | <b>378</b>   | <b>11%</b>  | <b>(70)</b>      | <b>-2%</b>  |
| Envir Remed Liability                        | 0              | 0              | 0                 | 0              | 0            | NA          | 0                | NA          |
| <b>Total Expense</b>                         | <b>9,816</b>   | <b>12,058</b>  | <b>12,880</b>     | <b>14,308</b>  | <b>1,428</b> | <b>10%</b>  | <b>823</b>       | <b>7%</b>   |
| <b>NOI Before Depreciation</b>               | <b>(1,479)</b> | <b>(4,331)</b> | <b>(3,115)</b>    | <b>(5,067)</b> | <b>1,951</b> | <b>-39%</b> | <b>1,216</b>     | <b>-28%</b> |
| Depreciation                                 | 1,881          | 1,860          | 1,999             | 2,084          | 84           | 4%          | 139              | 7%          |
| <b>NOI After Depreciation</b>                | <b>(3,360)</b> | <b>(6,191)</b> | <b>(5,114)</b>    | <b>(7,150)</b> | <b>2,036</b> | <b>-28%</b> | <b>1,077</b>     | <b>-17%</b> |

**Strong Occupancy and Management of Expenses**

# EDD 2018 Financial Forecast

|  | 2016           | 2017            | 2018            | 2018            | Fav (UnFav)  |             | Incr (Decr)      |            |
|--|----------------|-----------------|-----------------|-----------------|--------------|-------------|------------------|------------|
|  | Actual         | Actual          | Forecast        | Budget          | Budget       | Variance    | Change from 2017 |            |
| \$ in 000's                                  |                |                 |                 |                 | \$           | %           | \$               | %          |
| Revenue                                      | 7,881          | 8,658           | 9,097           | 8,985           | 112          | 1%          | 439              | 5%         |
| Conf & Event Centers                         | 8,022          | 9,133           | 9,949           | 9,537           | 412          | 4%          | 816              | 9%         |
| <b>Total Revenue</b>                         | <b>15,903</b>  | <b>17,791</b>   | <b>19,046</b>   | <b>18,522</b>   | <b>524</b>   | <b>3%</b>   | <b>1,255</b>     | <b>7%</b>  |
| <b>Expenses</b>                              |                |                 |                 |                 |              |             |                  |            |
| Portfolio Management                         | 3,084          | 3,879           | 3,778           | 3,778           | 0            | 0%          | (101)            | -3%        |
| Conf & Event Centers                         | 6,932          | 7,639           | 8,465           | 8,465           | 0            | 0%          | 827              | 11%        |
| P69 Facilities Expenses                      | 180            | 206             | 289             | 289             | 0            | 0%          | 84               | 41%        |
| RE Dev & Planning                            | 1,037          | 214             | 211             | 211             | 0            | 0%          | (3)              | -1%        |
| EconDev Expenses Other                       | 628            | 773             | 1,227           | 1,227           | 0            | 0%          | 454              | 59%        |
| Maintenance Expenses                         | 2,787          | 3,666           | 3,276           | 3,055           | (221)        | -7%         | (390)            | -11%       |
| Maritime Expenses (Excl Maint)               | 31             | 52              | 344             | 344             | 0            | 0%          | 292              | 557%       |
| <b>Total EDD &amp; Maritime Expenses</b>     | <b>14,679</b>  | <b>16,429</b>   | <b>17,591</b>   | <b>17,370</b>   | <b>(221)</b> | <b>-1%</b>  | <b>1,163</b>     | <b>7%</b>  |
| Small Business                               | 21             | 64              | 140             | 140             | 0            | 0%          | 76               | 118%       |
| Workforce Development                        | 522            | 850             | 1,292           | 1,992           | 700          | 35%         | 442              | 52%        |
| Tourism                                      | 1,093          | 1,234           | 1,460           | 1,460           | 0            | 0%          | 225              | 18%        |
| EDD Grants                                   | 20             | 751             | 960             | 960             | 0            | 0%          | 209              | 28%        |
| <b>Total EDD Initiatives</b>                 | <b>1,656</b>   | <b>2,900</b>    | <b>3,852</b>    | <b>4,552</b>    | <b>700</b>   | <b>15%</b>  | <b>952</b>       | <b>33%</b> |
| Environmental & Sustainability               | 62             | 260             | 363             | 398             | 35           | 9%          | 103              | 40%        |
| CDD Expenses                                 | 250            | 387             | 264             | 329             | 65           | 20%         | (123)            | -32%       |
| Police Expenses                              | 157            | 51              | 156             | 158             | 2            | 1%          | 105              | 205%       |
| Other Central Services                       | 4,223          | 5,257           | 5,700           | 5,816           | 116          | 2%          | 443              | 8%         |
| Aviation Division                            | 107            | 113             | 127             | 127             | 0            | 0%          | 15               | 13%        |
| <b>Total Central Services &amp; Aviation</b> | <b>4,800</b>   | <b>6,068</b>    | <b>6,611</b>    | <b>6,829</b>    | <b>218</b>   | <b>3%</b>   | <b>542</b>       | <b>9%</b>  |
| Envir Remed Liability                        | 0              | 0               | 0               | 0               | 0            | NA          | 0                | NA         |
| <b>Total Expense</b>                         | <b>21,135</b>  | <b>25,397</b>   | <b>28,055</b>   | <b>28,751</b>   | <b>697</b>   | <b>2%</b>   | <b>2,657</b>     | <b>10%</b> |
| <b>NOI Before Depreciation</b>               | <b>(5,232)</b> | <b>(7,606)</b>  | <b>(9,008)</b>  | <b>(10,229)</b> | <b>1,221</b> | <b>-12%</b> | <b>(1,402)</b>   | <b>18%</b> |
| Depreciation                                 | 3,682          | 3,863           | 4,156           | 4,156           | 0            | 0%          | 293              | 8%         |
| <b>NOI After Depreciation</b>                | <b>(8,914)</b> | <b>(11,469)</b> | <b>(13,164)</b> | <b>(14,385)</b> | <b>1,221</b> | <b>-8%</b>  | <b>(1,695)</b>   | <b>15%</b> |

Higher conference center volumes and tight expense management

# EDD Capital 2018

| \$ in 000's                    | 2018 YTD<br>Actual | 2018<br>Forecast | 2018<br>Budget | Budget Variance |      |
|--------------------------------|--------------------|------------------|----------------|-----------------|------|
|                                |                    |                  |                | \$              | %    |
| P66 Elevator 2,3,4 Upgrades    | 956                | 1,229            | 1,175          | (54)            | -5%  |
| RE: Contingency Renew.&Replace | 0                  | 1,000            | 1,000          | 0               | 0%   |
| BHICC Interior Modernization   | 100                | 900              | 710            | (190)           | -27% |
| Small Projects                 | 59                 | 525              | 516            | (9)             | -2%  |
| Tenant Improvements -Capital   | 23                 | 897              | 532            | (365)           | -69% |
| P69 Solar Panel System         | 39                 | 482              | 502            | 20              | 4%   |
| T-102 Outdoor Lighting         | 19                 | 209              | 437            | 228             | 52%  |
| T91 Upland PreDevelopment      | 11                 | 150              | 425            | 275             | 65%  |
| CW Elevator Modernization      | 0                  | 100              | 325            | 225             | 69%  |
| All Other projects             | 156                | 536              | 527            | (9)             | -2%  |
| Total Economic Development     | 1,363              | 6,028            | 6,149          | 121             | 2%   |

Tenant improvement capital offset by project delays

# Central Services Appendix



# Central Services Expense by Category

| \$ in 000's                  | 2016 YTD      | 2017 YTD      | 2018 Year-to-Date |               | Fav (UnFav)  |              | Incr (Decr)      |             |
|------------------------------|---------------|---------------|-------------------|---------------|--------------|--------------|------------------|-------------|
|                              | Actual        | Actual        | Actual            | Budget        | Budget       | Variance     | Change from 2017 |             |
|                              |               |               |                   |               | \$           | %            | \$               | %           |
| Salaries & Benefits          | 32,923        | 34,654        | 38,558            | 40,526        | 1,968        | 4.9%         | 3,904            | 11.3%       |
| Wages & Benefits             | 10,695        | 10,679        | 12,360            | 13,170        | 810          | 6.1%         | 1,682            | 15.7%       |
| Payroll to Capital Projects  | 8,610         | 11,207        | 10,897            | 11,455        | 558          | 4.9%         | (311)            | -2.8%       |
| Equipment Expense            | 750           | 1,230         | 1,193             | 1,548         | 356          | 23.0%        | (38)             | -3.1%       |
| Supplies & Stock             | 429           | 493           | 589               | 689           | 100          | 14.5%        | 97               | 19.6%       |
| Outside Services             | 8,650         | 13,311        | 14,340            | 21,393        | 7,053        | 33.0%        | 1,029            | 7.7%        |
| Travel & Other Employee Exps | 1,106         | 1,188         | 1,199             | 1,962         | 763          | 38.9%        | 11               | 1.0%        |
| Insurance Expense            | 1,192         | 1,167         | 1,079             | 1,160         | 81           | 7.0%         | (88)             | -7.5%       |
| Litigated Injuries & Damages | 223           | 838           | (82)              | -             | 82           | 0.0%         | (920)            | -109.8%     |
| Other                        | 90            | 1,633         | 1,160             | 1,564         | 404          | 25.9%        | (473)            | -29.0%      |
| Charge to Capital            | (13,712)      | (19,219)      | (20,757)          | (23,027)      | (2,271)      | 9.9%         | 1,537            | 8.0%        |
| <b>Total</b>                 | <b>50,956</b> | <b>57,181</b> | <b>60,536</b>     | <b>70,441</b> | <b>9,904</b> | <b>14.1%</b> | <b>3,356</b>     | <b>5.9%</b> |

- Payroll savings due to delay hiring and vacancies.
- Outside Services favorable budget variance mainly came from lower spending and project delays.
- Charge to Capital was lower than budget due to delay of some capital projects.

Most of the budget savings came from payroll and outside services

# Financial Summary for Central Services

## Year-to-Date Actual

| \$ in 000's                     | 2016 YTD      | 2017 YTD      | 2018 Year-to-Date |               | Fav (UnFav)<br>Budget Variance |              | Incr (Decr)<br>Change from 2017 |              |
|---------------------------------|---------------|---------------|-------------------|---------------|--------------------------------|--------------|---------------------------------|--------------|
|                                 | Actual        | Actual        | Actual            | Budget        | \$                             | %            | \$                              | %            |
| <b>Total Operating Revenues</b> | <b>75</b>     | <b>82</b>     | <b>81</b>         | <b>56</b>     | <b>25</b>                      | <b>45.0%</b> | <b>(1)</b>                      | <b>-1.2%</b> |
| Core Central Support Services   | 31,594        | 34,692        | 36,661            | 39,178        | 2,517                          | 6.4%         | 1,969                           | 5.7%         |
| Police                          | 11,312        | 11,378        | 13,188            | 13,511        | 323                            | 2.4%         | 1,810                           | 15.9%        |
| Capital Development             | 4,747         | 7,763         | 7,733             | 13,075        | 5,342                          | 40.9%        | (30)                            | -0.4%        |
| Environment & Sustainability    | 3,303         | 3,347         | 2,954             | 4,676         | 1,722                          | 36.8%        | (393)                           | -11.8%       |
| <b>Total Operating Expenses</b> | <b>50,956</b> | <b>57,181</b> | <b>60,536</b>     | <b>70,441</b> | <b>9,904</b>                   | <b>14.1%</b> | <b>3,356</b>                    | <b>5.9%</b>  |

**Operating expenses \$9.9M favorable to budget through Q2**



# Financial Summary for Central Services

## Year-End Forecast

|                                 | 2016           | 2017           | 2018           | 2018           | Fav (UnFav)     |             | Incr (Decr)      |               |
|---------------------------------|----------------|----------------|----------------|----------------|-----------------|-------------|------------------|---------------|
| \$ in 000's                     | Actual         | Actual         | Forecast       | Budget         | Budget Variance |             | Change from 2017 |               |
|                                 |                |                |                |                | \$              | %           | \$               | %             |
| <b>Total Operating Revenues</b> | <b>1,330</b>   | <b>68</b>      | <b>182</b>     | <b>182</b>     | <b>-</b>        | <b>0.0%</b> | <b>113</b>       | <b>166.0%</b> |
| Core Central Support Services   | 69,196         | 71,071         | 78,720         | 80,367         | 1,647           | 2.0%        | 7,648            | 10.8%         |
| Police                          | 23,045         | 22,095         | 26,955         | 27,065         | 110             | 0.4%        | 4,860            | 22.0%         |
| Capital Development             | 12,218         | 17,370         | 21,058         | 26,289         | 5,231           | 19.9%       | 3,688            | 21.2%         |
| Environment & Sustainability    | 8,824          | 6,975          | 10,486         | 11,504         | 1,019           | 8.9%        | 3,511            | 50.3%         |
| <b>Total Operating Expenses</b> | <b>113,284</b> | <b>117,511</b> | <b>137,218</b> | <b>145,225</b> | <b>8,008</b>    | <b>5.5%</b> | <b>19,707</b>    | <b>16.8%</b>  |
|                                 |                |                |                |                |                 |             |                  |               |

Operating expenses forecast to be \$8.0M favorable to budget for the year

# Central Services Capital Spending

| \$ in 000's                   | 2018 YTD     | 2018          | 2018          | Budget Variance |              |
|-------------------------------|--------------|---------------|---------------|-----------------|--------------|
|                               | Actual       | Forecast      | Budget        | \$              | %            |
| Infrastructure - Small Cap    | 210          | 1,500         | 1,500         | 0               | 0.0%         |
| Services Tech - Small Cap     | 110          | 1,150         | 1,150         | 0               | 0.0%         |
| Project Cost Mgmt System      | 221          | 600           | 600           | 0               | 0.0%         |
| Supplier Database System      | 137          | 487           | 450           | (37)            | -8.2%        |
| Corporate Firewall            | 26           | 922           | 922           | 0               | 0.0%         |
| PeopleSoft Financials Upgrade | 566          | 1,866         | 3,100         | 1,234           | 39.8%        |
| Radio System Upgrade          | 7            | 7,800         | 12,000        | 4,200           | 35.0%        |
| Police Records Mgmt System    | 0            | 200           | 700           | 500             | 71.4%        |
| CDD Fleet Replacement         | 172          | 1,040         | 1,210         | 170             | 14.0%        |
| Corporate Fleet Replacement   | 45           | 1,180         | 1,180         | 0               | 0.0%         |
| Other (note 1)                | 129          | 929           | 1,526         | 597             | 39.1%        |
| <b>TOTAL</b>                  | <b>1,623</b> | <b>17,674</b> | <b>24,338</b> | <b>6,664</b>    | <b>27.4%</b> |

Note:

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

**2018 capital spending forecast to be 72.6% of budget**