



PORT OF SEATTLE

2018 FINANCIAL & PERFORMANCE REPORT

AS OF DECEMBER 31, 2018

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EXECUTIVE SUMMARY**Financial Summary**

The Port's operating results for 2018 were very strong – a record year for both the operating revenues and net operating income. Total operating revenues were \$689.4M, which is \$18.9M above budget and \$57.4M higher than 2017. Excluding Aeronautical revenues, which are based on cost recovery, other operating revenues were \$398.1M, \$28.7M above budget and \$30.2M higher than the 2017 actuals primarily due to higher revenues from Public Parking, Rental Cars, Airport Dining & Retail, Ground Transportation, Fishing Operations and Conference & Event Centers. Total operating expenses were \$397.6M, \$25.2M below budget mainly due to staffing vacancies, outside services and a \$15.6M Washington State Department of Retirement Systems (DRS) Pension True-up credit. Operating income before depreciation was \$291.8M, \$44.2M above budget and \$32.7M higher than the 2017 actuals. The Port-wide capital spending is \$617.7M for 2018, 70.6% of the 2018 budget.

Operating Summary

Sea-Tac Airport had a record year with 49.8 million passengers in 2018 and is now the 8th busiest U.S. airport by passengers count. The total enplanement growth for 2018 was 6.2% compared to 2017. This number is comprised of enplanement growth rate of 6.3% for domestic passengers and 5.8% for international passengers. The total landed weight for 2018 was 6.8 % higher than 2017 while total air cargo metric tons were 1.5% higher than 2017. For the Maritime division, cruise passengers also reached a record of over 1.1 million in 2018, 4.0% higher than 2017. The occupancy rate at Shilshole Bay Marina increased to 96.4% compared to 94.9% in 2017. For the Economic Development division, Terminal 91 Industrial has remained at a 100% building occupancy for both 2018 and 2017. Building occupancies for Terminal 106, Central Harbor, and Marina Office and Retail have remained relatively steady in 2018.

Key Business Events

The Port Commission approved funds to address the shortage of local construction workers and to broaden access to training and jobs for underrepresented populations in the industry in 2018. The Port obtained Congressional authorization for Seattle Harbor Deepening Project with the U.S. Army Corps of Engineers. The Port hosted an event to celebrate the 10 year anniversary of the Port's Veteran Fellow Program. The Port is collaborating with Puget Sound Restoration Fund and the Washington State Department of Natural Resources on a Blue Carbon program to build habitat and a native oyster bed at the north end of Smith Cove in Seattle's Elliott Bay. The Port also celebrated 20 years of serving the cruise industry with over one million revenue passengers two years in a row. Additionally, the Port welcomed three international airlines to the Sea-Tac Airport and launched *SEA Visitor Pass* pilot program that would allow visitors past security at the Airport; visitors can now sign up for a pass giving them the opportunity to attend Airport events and enjoy other Airport amenities without having to buy an airline ticket. In December, the Port Commission authorized the fourth annual round of funding for the Tourism Marketing Support Program that provides matching funds to organizations in Washington State to promote tourism.

Major Capital Projects

The Port celebrated the "Topping Off" ceremony for the International Arrivals Facility (IAF) as the final structural roof beam was put in place. Additionally, IAF project design was submitted to the U.S. Green Building Council in the last quarter of 2018. The IAF project is rapidly progressing and is scheduled to open in the fall of 2020. Taxiway improvements for the Airport's longest runway (16L/34R) were completed nine days ahead of schedule; this runway was closed in September 2018 and reopened end of November 2018. Several construction projects were placed on closeouts including Concourse B Gate Improvements; Wi-Fi Enhancement for Concourses A, B, D and South Satellite; Alternate Utility Facility; ACL and Service Facility (Restroom Renovation Enabling Phase 1); T18 Storm Water Outfalls; South Satellite Communications Equipment Relocations; Dynamic Display Signs Zone 3, and Delta In-Flight Regulated Materials Support. Permits were received for the Terminal 5 Berth Modernization project and the Pier 69 solar project, and removal of North Harbor Crane is also in progress.

I. PORTWIDE FINANCIAL AND PERFORMANCE REPORT 12/31/18

PORTWIDE FINANCIAL SUMMARY

\$ in 000's	2016	2017	2018	2018	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2017	
					\$	%	\$	%
Aeronautical Revenues	244,235	264,114	291,268	301,082	(9,814)	-3.3%	27,154	10.3%
Airport Non-Aero Revenues	221,021	236,803	257,707	244,786	12,921	5.3%	20,904	8.8%
Other Port Operating Revenues	133,211	131,114	140,415	124,612	15,803	12.7%	9,301	7.1%
Total Operating Revenues	598,467	632,031	689,390	670,479	18,910	2.8%	57,359	9.1%
Total Operating Expenses	325,285	372,982	397,638	422,885	25,247	6.0%	24,656	6.6%
NOI before Depreciation	273,182	259,049	291,752	247,594	44,158	17.8%	32,703	12.6%
Depreciation	164,336	165,021	164,362	163,309	(1,053)	-0.6%	(659)	-0.4%
NOI after Depreciation	108,846	94,028	127,390	84,285	43,105	51.1%	33,362	35.5%

MAJOR OPERATING REVENUES SUMMARY

\$ in 000's	2016	2017	2018	2018	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2017	
					\$	%	\$	%
Aeronautical Revenues	244,235	264,114	291,268	301,082	(9,814)	-3.3%	27,154	10.3%
Public Parking	69,540	75,106	80,212	78,572	1,640	2.1%	5,106	6.8%
Rental Cars - Operations	37,082	35,051	37,306	35,294	2,012	5.7%	2,255	6.4%
Rental Cars - Operating CFC	12,122	10,641	16,263	15,563	700	4.5%	5,622	52.8%
Rental Cars - Total	49,203	45,691	53,569	50,857	2,713	5.3%	7,878	17.2%
ADR & Terminal Leased Space	57,253	58,980	64,323	59,087	5,236	8.9%	5,343	9.1%
Ground Transportation	12,803	15,684	18,772	16,884	1,888	11.2%	3,088	19.7%
Employee Parking	9,329	9,617	10,269	9,457	813	8.6%	652	6.8%
Airport Commercial Properties	9,992	18,042	15,434	14,706	727	4.9%	(2,608)	-14.5%
Airport Utilities	7,233	7,018	7,206	7,556	(350)	-4.6%	189	2.7%
Clubs and Lounges	3,028	5,041	6,802	5,630	1,171	20.8%	1,761	34.9%
Cruise	15,422	17,596	18,880	18,150	730	4.0%	1,284	7.3%
Recreational Boating	10,255	11,086	12,529	12,166	362	3.0%	1,443	13.0%
Fishing & Operations	9,108	9,297	9,763	8,388	1,375	16.4%	465	5.0%
Grain	5,382	5,427	5,167	5,163	4	0.1%	(260)	-4.8%
Maritime Portfolio Management	10,255	10,787	11,305	11,169	136	1.2%	518	4.8%
Central Harbor Management	6,920	8,634	9,018	8,951	66	0.7%	384	4.4%
Conference & Event Centers	8,022	9,133	11,703	9,537	2,166	22.7%	2,570	28.1%
NWSA Distributable Revenue	61,584	54,925	55,992	46,647	9,345	20.0%	1,067	1.9%
Other	8,902	5,854	7,177	6,477	700	10.8%	1,324	22.6%
Total Operating Revenues (w/o Aero)	354,232	367,917	398,122	369,398	28,724	7.8%	30,205	8.2%
TOTAL	598,467	632,031	689,390	670,479	18,910	2.8%	57,359	9.1%

I. PORTWIDE FINANCIAL AND PERFORMANCE REPORT 12/31/18

MAJOR OPERATING EXPENSES SUMMARY

\$ in 000's	2016 Actual	2017 Actual	2018 Actual	2018 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2017	
					\$	%	\$	%
Salaries & Benefits	102,873	112,837	127,575	135,982	8,407	6.2%	14,738	13.1%
Wages & Benefits	99,917	108,041	108,381	122,544	14,163	11.6%	340	0.3%
Payroll to Capital Projects	21,744	25,708	28,329	28,964	635	2.2%	2,621	10.2%
Equipment Expense	7,106	11,118	10,622	8,212	(2,411)	-29.4%	(495)	-4.5%
Supplies & Stock	8,792	10,238	10,781	8,800	(1,981)	-22.5%	542	5.3%
Outside Services	70,116	83,603	99,885	112,292	12,407	11.0%	16,282	19.5%
Utilities	21,123	23,529	25,552	24,219	(1,334)	-5.5%	2,024	8.6%
Travel & Other Employee Expenses	4,200	4,767	4,848	6,398	1,550	24.2%	81	1.7%
Promotional Expenses	1,178	1,408	1,956	2,341	385	16.4%	548	38.9%
Other Expenses	25,118	36,483	31,911	28,045	(3,867)	-13.8%	(4,572)	-12.5%
Charges to Capital Projects	(36,880)	(44,750)	(52,203)	(54,910)	(2,707)	4.9%	(7,453)	16.7%
TOTAL	325,285	372,982	397,638	422,885	25,247	6.0%	24,656	6.6%

The 2018 actuals are \$24.7M higher than the 2017 actuals primarily due to the following:

- Payroll: \$15.0M higher mainly due to the addition of new FTEs and pay for performance increase; partially offset by a \$15.6M DRS Pension True-up credit.
- Outside Services: \$16.3M higher largely due to more consultant expenses, more capital and expense projects, and some capital to expense write-offs.
- Other Expenses: \$4.6M lower due to environmental liability expenses (\$4.0M).

TOTAL OPERATING AND NON-OPERATING REVENUES AND EXPENSES

(\$ in 000's)	2016 Actual	2017 Actual	2018 Actual	2018 Budget	Fav (UnFav) Budget Variance	
					\$	%
<u>Revenues</u>						
1. Operating Revenues	598,467	632,031	689,390	670,479	18,910	2.8%
2. Tax Levy	71,678	71,702	71,771	72,000	(229)	-0.3%
3. PFCs	85,570	88,389	94,070	91,787	2,283	2.5%
4. CFCs	24,715	25,790	21,802	22,161	(359)	-1.6%
5. Fuel Hydrant	6,992	7,000	6,942	7,023	(82)	-1.2%
6. Non-Capital Grants & Donations	6,284	6,705	1,573	5,504	(3,931)	-71.4%
7. Capital Contributions	18,108	30,112	43,650	41,379	2,271	5.5%
8. Interest Income	8,448	12,174	26,287	15,713	10,573	67.3%
Total	820,262	873,902	955,484	926,047	29,438	3.2%
<u>Expenses</u>						
1. O&M Expense	325,285	372,982	397,638	422,885	25,247	6.0%
2. Depreciation	164,336	165,021	164,362	163,309	(1,053)	-0.6%
3. Revenue Bond Interest Expense	105,567	97,748	100,432	122,544	22,111	18.0%
4. GO Bond Interest Expense	9,765	13,891	13,414	13,501	88	0.6%
5. PFC Bond Interest Expense	5,251	4,931	4,368	4,437	69	1.5%
6. Public Expense	8,560	4,588	5,269	10,794	5,525	51.2%
7. Non-Op Environmental Expense	280	4,464	10,600	2,250	(8,350)	-371.1%
8. Other Non-Op Rev/Expense	12,087	10,441	3,217	473	(2,744)	-580.5%
Total	631,131	674,066	699,299	740,193	40,893	5.5%
Special Item	147,700	-	34,923	-	(34,923)	0.0%
Retro Adjustment to Net Position	-	-	2,736	-	(2,736)	0.0%
Increase In Net Position	41,431	199,836	218,526	185,854	32,673	17.6%

I. PORTWIDE FINANCIAL AND PERFORMANCE REPORT 12/31/18

Major Budget Variance Explanations:

- Non-Capital Grants & Donations: \$3.9M lower than budget mainly due to less DOE grants.
- Interest Income: \$10.6M higher than budget as budget did not include interest earnings on new bond proceeds.
- Revenue Bond Interest Expense: \$22.1M favorable to budget mainly due to savings from new revenue bond and lower cost of issuance than budgeted.
- Public Expense: \$5.5M less than budget due to Safe & Swift and Heavy Haul did not take place as budgeted.
- Non-Op Environmental Expense: \$8.4M higher than budget mainly due to Environmental Remediation Liabilities increase for T91, Lower Duwamish Superfund, South Park Marina, EWW Superfund, T30 and T5.
- Special Item Expense: \$34.9M higher than budget due to T25 NRD restoration project.

KEY PERFORMANCE METRICS

	2017 Actual	2018 Actual	2018 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2017	
				Chg.	%	Chg.	%
Enplanements (in 000's)	23,416	24,894	24,654	240	1.0%	1,479	6.3%
Landed Weight (lbs. in 000's)	28,431	30,350	29,203	1,147	3.9%	1,919	6.8%
Passenger CPE (in \$)	10.52	10.79	11.63	0.84	7.2%	0.27	2.6%
Grain Volume (metric tons in 000's)	4,363	4,379	4,146	233	5.6%	16	0.4%
Cruise Passenger (in 000's)	1,072	1,115	1,081	34	3.2%	43	4.0%
Shilshole Bay Marina Occupancy	94.9%	96.4%	95.9%	0.5%	0.6%	1.5%	1.6%

CAPITAL SPENDING RESULTS

\$ in 000's	2017	2018	2018	Budget Variance	
	Actual	Actual	Budget	\$	%
Aviation	294,497	579,135	795,883	216,748	27.2%
Maritime	20,489	25,091	46,449	21,358	46.0%
Economic Development	3,739	2,066	6,099	4,033	66.1%
Central Services & Other (note 1)	5,798	11,456	26,779	15,323	57.2%
TOTAL	324,523	617,748	875,210	257,462	29.4%

Note:

(1) "Other" includes \$1.7M Stormwater Utility capital projects.

PORTWIDE INVESTMENT PORTFOLIO

During the fourth quarter of 2018, the investment portfolio earned 2.13% 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 1.86% and 2.54%, 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 1.83%, respectively

II. AVIATION DIVISION FINANCIAL AND PERFORMANCE REPORT 12/31/18

FINANCIAL SUMMARY

\$ in 000's	2016	2017	2018	2018	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget	Variance	Change from 2017	
					\$	%	\$	%
Operating Revenues:								
Gross Aeronautical Revenues	247,811	267,690	291,268	301,082	(9,814)	-3.3%	23,578	8.8%
SLOA III Incentive Straight Line Adj ⁽¹⁾	(3,576)	(3,576)	-	-	-	0.0%	3,576	-100.0%
Aeronautical Revenues	244,235	264,114	291,268	301,082	(9,814)	-3.3%	27,154	10.3%
Non-Aeronautical Revenues	221,021	236,803	257,707	244,786	12,921	5.3%	20,904	8.8%
Total Operating Revenues	465,256	500,916	548,975	545,867	3,107	0.6%	48,058	9.6%
Total Operating Expense	261,226	299,114	318,849	334,856	16,007	4.8%	19,735	6.6%
Net Operating Income	204,030	201,802	230,126	211,011	19,114	9.1%	28,324	14.0%
Capital Expenditures	153,887	293,785	579,135	796,200	217,065	27.3%	285,350	97.1%

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

Division Summary 2018 Actuals vs. 2018 Budget

- Net Operating Income for 2018 is \$19.1M higher than budget (9.1% favorable)
 - Operating Revenue is (\$3.1M) higher than budget (0.6% favorable) –primarily due to higher revenue in Non-Aeronautical Revenues, driven by strong performance in Airport Dining & Retail despite unit closures for lease transition, Rental Car, Public Parking, Port-owned Clubs, and Ground Transportation which has continued strong growth in TNC activity.
 - Operating Expenses are \$16.0M lower than budget (4.8% favorable) primarily due to a year-end pension credit adjustment to the Airport \$5.5M and savings from other divisions \$19.7M which included the airport's allocated share (\$7.2M) of the year-end pension credit adjustment affecting other divisions, partially offset by higher than anticipated Environmental Remediation Liability cost increase (\$2.2M) associated with remediation required for IAF & NSAT mega projects, and Capital to Expense write offs (\$6.9M).

Division Summary 2018 Actuals vs. 2017 Actuals

- Net Operating Income for 2018 is \$28.3M higher than prior year (14.0% favorable)
 - Operating Revenue is \$48.1M higher than prior year (9.6% favorable) – primarily due to higher Aeronautical revenue of which \$23.6M of the increase is driven by higher rate-based costs and lower revenue sharing. Non-Aero revenue increased by \$20.9M due to increased activities in the Landside business, primarily in Airport Dining & Retail, Ground Transportation, and Clubs and Lounges.
 - Operating Expenses are \$19.7M higher than prior year (6.6% variance) – due to higher payroll of \$10.9M (net of the 2018 year end pension credit adjustment) due to staffing that increased between 2017 and 2018, higher outside services expense of \$6.6M which was primarily due to non-recurring expenses focused on addressing strategic initiatives throughout the airport, and higher Capital to Expenses of \$4M. These 2018 Total Operating Expenses are partially offset by the one-time amortization for prepaid frontage fees in 2017 of \$3.6M.

II. AVIATION DIVISION FINANCIAL AND PERFORMANCE REPORT 12/31/18

A. BUSINESS EVENTS

- **Safety:** Below targets:
 - 2018 Airfield Composite Safety Score of 12 vs. goal of 29
 - 2018 Occupational injury rate of 5.9 vs. goal of 4.61
 - 2018 days away severity rate of 90.84 vs. goal of 65.10
- **Innovation & Efficiency:** Achieved goal of at least 2 in each department. Highlights include:
 - SEA Visitor Pass pilot program implemented in Q4
 - Installed dynamic ticket counter signage in Zone 1.
 - Completed Lean Lift for traffic congestion
- **Asset Management:** Completed asset management gap assessment in Q3.
- **Social Responsibility:** Mixed results:
 - Achieved Disadvantaged Business Enterprise (DBE) share of total Airport Improvement Project (AIP) funded construction contracts of 15.43% vs. goal of 8%
 - Achieved ACDBE share of ADR gross sales of 19.9% vs. goal of 22%
- **Customer Service:** Below targets. Airport Service Quality scores below 2017 in all 6 categories.
- **Environment and Sustainability:**
 - SAF: Commission approved sustainable aviation fuel strategic plan in Q3
 - Sound insulation: 20 homes not insulated, but gained FAA grant to fund work in 2019
 - Stormwater: completed regional stormwater assessment in Q4.
- **Financial Performance:** Achieved both goals.
 - 2018 Non-aero NOI of \$150 million vs. budget of \$127 million
 - 2018 CPE of \$10.79 vs. adjusted budget of \$11.63
- **Capital Project, Planning & SAMP:** Achieved most milestones:
 - Completed SAMP near term projects scoping for Environmental Review in Q3
 - IAF: Completed design, sterile corridor Pod A, structural steel, bridge foundations
 - NSAT: on track to achieve opening of phase 1A in January 2019
 - Baggage Optimization: Phase 1: completed 74% of construction; Phase 2 completed 90% of design
 - SSAT Renovation: on hold
 - Concourse D Hardstand Terminal: facility completed, activated and operational
 - Restroom Upgrades: Phase 1 enabling work in construction

B. KEY PERFORMANCE METRICS

	2016	2017	2018	% Change from 2017
Total Passengers (000's)				
Domestic	40,871	41,804	44,422	6.3%
International	4,866	5,130	5,428	5.8%
Total	45,737	46,935	49,850	6.2%
Operations	412,170	416,124	438,391	5.4%
Landed Weight (In Millions of lbs.)				
Cargo	1,888	2,323	2,471	6.4%
All other	25,387	26,107	27,879	6.8%
Total	27,276	28,431	30,350	6.8%
Cargo - Metric Tons				
Domestic freight	194,754	242,271	241,397	-0.4%
International freight	114,350	123,934	133,274	7.5%
Mail	57,326	59,651	57,644	-3.4%
Total	366,430	425,856	432,315	1.5%

II. AVIATION DIVISION FINANCIAL AND PERFORMANCE REPORT 12/31/18

Key Performance Measures

	2016	2017	2018	2018	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget	Vairance	Change from 2017	
					\$	%	\$	%
Key Performance Metrics								
Cost per Enplanement (CPE)	10.10	10.52	10.79	11.63	0.84	7.2%	0.26	2.5%
Non-Aeronautical NOI (in 000's)	128,727	133,101	149,959	126,607	23,352	18.4%	16,858	12.7%
Other Performance Metrics								
O&M Cost per Enplanement	11.46	12.77	12.81	13.58	0.77	5.7%	0.03	0.3%
Non-Aero Revenue per Enplanement	9.70	10.11	10.35	9.93	0.42	4.3%	0.24	2.4%
Debt per Enplanement (in \$)	104	114	133	116	(17)	-14.8%	19	16.3%
Debt Service Coverage	1.53	1.57	1.66	1.51	0.15	9.7%	0.08	5.3%
Days cash on hand (10 months = 304 days)	416	379	235	304	-69	-22.6%	(144)	-37.9%
Aeronautical Revenue Sharing (\$ in 000's)	(37,395)	(42,311)	(36,863)	(35,799)	(1,065)	-3.0%	5,447	12.9%
Activity (in 000's)								
Enplanements	22,796	23,416	24,894	24,654	240	1.0%	1,479	6.3%

Key Performance Metrics – 2018 Actual compared to 2018 Budget:

- Cost per Enplanement (CPE):
 - Adjusted CPE Budget is 11.63 (as shown above) based on 40% Revenue Sharing per SLOA IV agreement bringing the adjusted CPE to \$0.84 favorable to budget. The 2018 Actual reflects 40% Revenue Sharing as negotiated in the SLOA IV agreement, which was not known when the 2018 Budget was approved.
 - Note: CPE \$0.56 favorable to original budget of \$11.35 - 2018 Budget assumed 50% Revenue Sharing.
 - CPE increase of \$0.26 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 Actual is \$23.4M favorable to 2018 budget due primarily to increased Ground Transportation activity, increased transactions in Public Parking, and stronger performance in Airport Dining and Retail.
 - Non-Aero NOI 2018 Actual is \$16.9M 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 AND PERFORMANCE REPORT 12/31/18

C. OPERATING RESULTS

Division Summary

\$ in 000's	2016 Actual	2017 Actual	2018 Actual	2018 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2017	
					\$	%	\$	%
Operating Revenues:								
Gross Aeronautical Revenues ⁽¹⁾	247,811	267,690	291,268	301,082	(9,814)	-3.3%	23,578	8.8%
SLOA III Incentive Straight Line Adj ⁽²⁾	(3,576)	(3,576)	-	-	-	0.0%	3,576	100.0%
Aeronautical Revenues	244,235	264,114	291,268	301,082	(9,814)		27,154	10.3%
Non-Aeronautical Revenues	221,021	236,803	257,707	244,786	12,921	5.3%	20,904	8.8%
Total Operating Revenues	465,256	500,916	548,975	545,867	3,107	0.6%	48,058	9.6%
Operating Expenses:								
Payroll	101,879	114,463	125,341	132,156	6,815	5.2%	10,878	9.5%
Outside Services	37,863	41,055	47,638	52,532	4,895	9.3%	6,583	16.0%
Utilities	14,690	16,374	18,237	17,320	(918)	-5.3%	1,864	11.4%
Other Airport Expenses	20,655	28,292	25,125	19,776	(5,349)	-27.0%	(3,168)	-11.2%
Total Airport Direct Charges	175,087	200,184	216,341	221,784	5,443	2.5%	16,157	8.1%
Environmental Remediation Liability	4,463	8,812	6,233	4,030	(2,203)	-54.7%	(2,579)	-29.3%
Capital to Expense	129	2,856	6,891	-	(6,891)	0.0%	4,035	141.3%
Total Exceptions	4,592	11,668	13,124	4,030	(9,094)	-225.7%	1,456	12.5%
Total Airport Expenses	179,679	211,852	229,465	225,814	(3,651)	-1.6%	17,613	8.3%
Police Costs	18,183	17,652	19,231	22,174	2,944	13.3%	1,579	8.9%
Capital Development	9,319	14,701	12,607	23,092	10,485	45.4%	(2,094)	-14.2%
Other Central Services	50,099	51,004	53,121	58,265	5,144	8.8%	2,117	4.1%
Maritime/Economic Development	3,946	3,904	4,425	5,511	1,086	19.7%	520	13.3%
Total Charges from Other Divisions	81,547	87,262	89,384	109,042	19,658	18.0%	2,122	2.4%
Total Operating Expense	261,226	299,114	318,849	334,856	16,007	4.8%	19,735	6.6%
Net Operating Income	204,030	201,802	230,126	211,011	19,114	9.1%	28,324	14.0%
CFC Surplus	(4,899)	(2,750)	(7,724)	(7,142)	(582)	-8.1%	(4,974)	-180.9%
Net Non-Operating Items in / out from ADF ⁽³⁾	2,160	3,481	3,167	4,406	(1,239)	-28.1%	(314)	-9.0%
SLOA III Incentive Straight Line Adj	3,576	3,576	-	-	-	0.0%	(3,576)	-100.0%
Debt Service ⁽⁴⁾	(133,982)	(131,060)	(136,218)	(136,075)	(143)	0.1%	(5,159)	-3.9%
Adjusted Net Cash Flow	70,885	75,050	89,351	72,200	17,150	23.8%	14,301	19.1%

(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 Actual column.

II. AVIATION DIVISION FINANCIAL AND PERFORMANCE REPORT 12/31/18

Operating Expenses – 2018 Actuals compared to 2018 Budget:

Total Operating Expenses are lower than the 2018 Budget by \$16 million due to the net of the following:

- Aviation Direct Charges are lower than the 2018 Budget by \$5.4 million due to the following:

Positive Variance of \$11.7M		Negative Variance of \$6.3M	
Payroll - vacancies & hiring delays	\$6.8M	Utilities	\$0.9M
Year Pension Credit Adjustment	5.5M	IWTP overflow event	0.6M
Vacancies & hiring delays	1.3M	Garbage disposal compact failures	0.3M
Outside Services	\$4.9M	Other Aviation Expenses	\$5.4M
Delays in Environmental Assessments	1.5M	Equipment Rental & General Expenses	1.2M
Delays of the On-Call Project Planning and EPM	0.5M	Maintenance Equipment & Supplies	1.4M
Delays in Prepaid Parking System, ACDBE Disparity Study	1.1M	All other Aviation Expense	2.8M
Delays in AV Biofuels Partnership Fund & Carbon Initiatives	0.2M		
All other Outside Services	1.6M		

- Aviation Operating Expense Exceptions are higher than budget by \$9.1 million due to the following:

Positive Variance - no material variance	Negative Variance of \$9.1M	
	Environmental Remediation Liability	\$2.2M
	IAF soil contamination increase	3.8M
	NSAT asbestos increase	1.0M
	Obligating events not expected until 2019	(2.6M)
	Capital to Expense Write-Offs	\$6.9M
	SSAT Renovation	3.5M
	Renewable CNG Busses	0.4M
	C3 Holdroom	0.9M
	Other	2.1M

- Operating Expense charges from Central Services and other divisions are lower than budget by \$19.7 million due to the following:

Positive Variance of \$19.7M	Negative Variance - none	
Central Services savings	\$2.3M	
Police	(\$0.2M)	
Maritime/Economic savings	\$1.1M	
CDD savings (projects delayed/deffered)	\$9.3M	
Aviation PMG	5.8M	
PCS	2.3M	
Engineering	1.0M	
Other CDD	0.2M	
Year End Pension Credit Adjustment	\$7.2M	
Central Services	2.8M	
Police	3.1M	
CDD	1.3M	

II. AVIATION DIVISION FINANCIAL AND PERFORMANCE REPORT 12/31/18

Operating Expenses – 2018 Actuals compared to 2017 Actuals:

Total Operating Expenses are higher than 2017 Actuals by \$19.7 million due to the net of the following:

- Aviation Direct Charges are higher than 2017 Actuals by \$16.2 million due to the following:

Increase of \$19.4M		Decrease of \$3.2M	
Payroll	\$10.9M	Other Aviation Expenses	\$3.2M
Increased Staffing	14.0M	One-time amortization frontage fees	3.3M
Year Pension Credit Adjustment	(3.1M)	Litigated & Non-litigated damages	0.2M
Outside Services	\$6.6M	All other Aviation Expenses	(0.3M)
Janitorial Contract started in 2017	1.6M		
SAMP and Advanced Planning	1.0M		
Utility Master Plan, Civil/Structural Standards, EPM	1.1M		
SAMP Environmental Assessment	0.2M		
Curbside Assistance/Wheelchair Valet, CONRAC Reimburs.	0.5M		
Customer Service Contracts	0.3M		
All other Outside Services increases	1.9M		
Utilities	\$1.9M		

- Operating Expense Exceptions are higher than 2017 Actuals by \$1.5M due to the following:

Increase of \$4.0M		Decrease of \$2.5M	
Capital to Expense Write-Offs	\$4.0M	Environmental Remediation Liability	\$2.5M
SSAT Renovation	3.5M	IAF Soils	2.7M
Renewable CNG Busses	0.4M	IAF Asbestos	(1.3M)
C3 Holdroom	0.9M	NSAT Asbestos	2.1M
Other	(0.8M)	Other	(1.0M)

- Operating Expense charges from Central Services and other divisions are higher than 2017 Actuals by \$2.1 million due to the following:

Increase of \$2.1M		Decrease - no material amount	
Police	\$1.6M		
Police Service	4.7M		
2018 Year End Pension Credit Adjustment	(3.1M)		
CDD	(\$2.1M)		
CDD Savings	(0.8M)		
2018 Year End Pension Credit Adjustment	(1.3M)		
Other Central Services	\$2.1M		
Other Central Services	4.9M		
2018 Year End Pension Credit Adjustment	(2.8M)		
Maritime/Economic Development divisions	\$0.5M		

II. AVIATION DIVISION FINANCIAL AND PERFORMANCE REPORT 12/31/18

Aeronautical Business Unit Summary

\$ in 000's	2016 Actual	2017 Actual	2018 Actual	2018 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2017	
					\$	%	\$	%
Revenues:								
Movement Area	94,725	108,638	116,703	125,422	(8,720)	-7.0%	8,064	7.4%
Apron Area	14,028	16,771	15,627	15,979	(352)	-2.2%	(1,144)	-6.8%
Terminal Rents	155,852	155,431	169,318	171,854	(2,536)	-1.5%	13,888	8.9%
Federal Inspection Services (FIS)	11,227	18,612	16,226	13,413	2,813	21.0%	(2,386)	-12.8%
Total Rate Base Revenues	275,832	299,452	317,874	326,668	(8,794)	-2.7%	18,422	6.2%
Commercial Area	9,379	10,574	10,257	10,212	45	0.4%	(317)	-3.0%
Subtotal before Revenue Sharing	285,211	310,026	328,131	336,880	(8,749)	-2.6%	18,106	5.8%
Revenue Sharing	(37,395)	(42,311)	(36,863)	(35,799)	(1,065)	-3.0%	5,447	12.9%
Other Prior Year Revenues	(5)	(26)	-	-	-	0.0%	26	100.0%
Total Aeronautical Revenues	247,811	267,690	291,268	301,082	(9,814)	-3.3%	23,578	8.8%
Total Aeronautical Expenses	168,932	195,414	211,101	216,931	5,830	2.7%	15,688	8.0%
Net Operating Income	78,879	72,276	80,167	84,151	(3,984)	-4.7%	7,891	10.9%
Debt Service ⁽¹⁾	(89,130)	(86,564)	(91,673)	(90,323)	(1,350)	-1.5%	(5,109)	-5.9%
Net Cash Flow	(10,251)	(14,288)	(11,506)	(6,173)	(5,333)	-86.4%	2,782	19.5%

(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 Actual column.

Airline Rate Base Cost Drivers

\$ in 000's	2016 Actual	2017 Actual	2018 Actual	2018 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2017	
					\$	%	\$	%
O&M	165,427	192,188	206,076	210,433	(4,357)	-2.1%	13,888	7.2%
Debt Service Gross	118,641	113,832	115,419	120,555	(5,135)	-4.3%	1,588	1.4%
Debt Service PFC Offset	(32,831)	(33,057)	(32,987)	(33,015)	28	-0.1%	70	-0.2%
Amortization	28,215	29,654	32,371	32,373	(2)	0.0%	2,717	9.2%
Space Vacancy	(2,638)	(2,264)	(2,132)	(2,650)	518	-19.5%	132	-5.8%
TSA Operating Grant and Other	(982)	(901)	(873)	(1,028)	155	-15.1%	28	-3.1%
Rate Base Revenues	275,832	299,452	317,874	326,668	(8,794)	-2.7%	18,422	6.2%
Commercial area	9,379	10,574	10,257	10,212	45	0.4%	(317)	-3.0%
Total Aero Revenues	285,211	310,026	328,131	336,880	(8,749)	-2.6%	18,106	5.8%

(1) O&M, Debt Service Gross, and Amortization do not include commercial area costs or the international incentive expenses

Aeronautical – 2018 Actuals vs. 2018 Budget

- Aeronautical net operating income is \$4.0M lower than budget (4.7% unfavorable).
 - Aeronautical revenues are \$9.8M lower than budget (3.3% unfavorable) – primarily due to decreases in Debt Service flowing through Rates in the Movement and Terminal Rents areas.
 - Aeronautical operating expenses is \$5.8M lower than budget (2.7% favorable) driven primarily by a year-end pension credit adjustment with a favorable impact of \$12.2M (of which \$5.5M impacted the Aviation division and \$7.5M impacted other divisions).

Aeronautical – 2018 Actuals vs. 2017 Actuals

- Net Operating Income for 2018 is \$7.9M higher than prior year (10.9% favorable)

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- Operating Revenue is \$23.6M higher than prior year (8.8% favorable) due to higher rate-based costs to support increased airline activity and lower revenue sharing due to reduction in revenue sharing percentage (from 50% down to 40%) under new airline agreement.
- Operating Expenses are \$15.7M higher than prior year (8.0% variance) due to higher airport direct operating expenses to support increased airline activity and higher charges from other divisions.

Non-Aero Business Unit Summary

\$ in 000's	2016	2017	2018	2018	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget	Variance	Change from 2017	
					\$	%	\$	%
Non-Aero Revenues								
Rental Cars - Operations	37,082	35,051	37,306	35,294	2,012	5.7%	2,255	6.4%
Rental Cars - Operating CFC	12,122	10,641	16,263	15,563	700	4.5%	5,622	52.8%
Public Parking	69,540	75,106	80,212	78,572	1,640	2.1%	5,106	6.8%
Ground Transportation	12,803	15,684	18,772	16,884	1,888	11.2%	3,088	19.7%
Airport Dining & Retail & Leased Space	57,253	58,980	64,323	59,087	5,236	8.9%	5,343	9.1%
Commercial Properties	9,992	18,042	15,434	14,706	727	4.9%	(2,608)	-14.5%
Utilities	7,233	7,018	7,206	7,556	(350)	-4.6%	189	2.7%
Employee Parking	9,329	9,617	10,269	9,457	813	8.6%	652	6.8%
Clubs and Lounges	3,028	5,041	6,802	5,630	1,171	20.8%	1,761	34.9%
Other	2,639	1,624	1,119	2,036	(917)	-45.0%	(505)	-31.1%
Total Non-Aero Revenues	221,021	236,803	257,707	244,786	12,921	5.3%	20,904	8.8%
Total Non-Aero Expenses	92,294	103,702	106,435	117,925	11,490	9.7%	2,733	2.6%
Net Operating Income	128,727	133,101	151,271	126,861	24,411	19.2%	18,171	13.7%
Less: CFC (Surplus) / Deficit ⁽¹⁾	(4,899)	(2,750)	(7,724)	(7,142)	(582)	-8.1%	(4,974)	-180.9%
Adjusted Non-Aero NOI	123,828	130,351	143,548	119,719	23,829	19.9%	13,197	10.1%
Debt Service ⁽¹⁾	(43,984)	(44,495)	(44,545)	(45,752)	1,207	2.6%	(50)	-0.1%
Net Cash Flow	79,844	85,856	99,002	73,967	25,035	33.8%	13,147	15.3%

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

Non-Aeronautical – 2018 Actuals vs. 2018 Budget

- Non-Aeronautical net operating income is \$24.4M higher than budget (19.2% favorable).
 - Non-Aeronautical revenues is \$12.9M higher than budget (5.3% favorable):
 - Airport Dining & Retail - favorable \$5.2M reflects strong performance in Food and Beverage despite transitions to new leases, Retail Sales growth driven by increased “grab’n’go” food offering, and increased revenue from Advertising.
 - Commercial Properties - favorable \$0.7M due to earlier than anticipated occupancy of DMCBP Phase II building.
 - Utilities – unfavorable (\$0.3M) due to reduced tenant billings while garbage program undergoes process improvement planning.
 - Non-Aeronautical operating expenses are \$11.5M lower than budget (9.7% favorable) – primarily due to lower than anticipated charges from other divisions due to AVPMG terminal project delays, and Non-Aero share of year-end pension credit.

Non-Aeronautical – 2018 Actuals vs. 2017 Actuals

- Net Operating Income for 2018 is \$18.2M higher than prior year (13.7% favorable)
 - Operating Revenue is \$20.9M higher than prior year (8.8% favorable) primarily due to increased Landside business activity and strong performance in Airport Dining & Retail and Clubs & Lounges, which more than offsets the year-over-year decrease (\$5.3M) due to the one-time lump sum frontage fee reimbursement received in Commercial Properties in 2017.
 - Operating Expenses are \$2.7M higher than prior year (2.6% 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, partially offset by higher pension credit in 2018.

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D. CAPITAL RESULTS

Capital Variance

\$ in 000's Description	2018	2018	Budget Variance	
	Actual	Budget	\$	%
International Arrivals Facility ⁽¹⁾	223,714	324,221	100,507	31.0%
ASL Conversion at Checkpoints ⁽²⁾	1,593	16,800	15,207	90.5%
NS NSAT Renov NSTS Lobbies ⁽³⁾	169,018	140,738	(28,280)	-20.1%
N. Terminals Utilities Upgrade ⁽⁴⁾	417	8,200	7,783	94.9%
Add'l Baggage Makeup Space IAF ⁽⁵⁾	1,187	15,998	14,811	92.6%
Additional STS Cars ⁽⁶⁾	3	6,525	6,522	100.0%
2018 Taxiway Improvement Project ⁽⁷⁾	30,495	36,250	5,755	15.9%
SSAT Infrastructure HVAC	819	4,910	4,091	83.3%
Concourse D Hardstand Holdroom	25,757	27,986	2,229	8.0%
Holdroom Seatings for Conc B&C	1,115	6,950	5,835	84.0%
Terminal Security Enhancements	1,888	5,925	4,037	68.1%
All Other	123,128	201,380	78,252	38.9%
Total Spending	579,135	795,883	216,748	27.2%

- (1) Foundations and structural steel delayed and then proceeded at a slower pace than expected.
- (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 2019.
- (3) 2018 Budget included a reclass of \$8.7M to non-operating public expense for the non-Port owned equipment to be turned over to the TSA. When Baseline was set in early 2018, Construction was lagging. Construction level of effort is now matching and exceeding initial expectations as schedule end dates have not slipped.
- (4) Early works construction cancelled and combined with main construction phase due to better coordination with adjacent projects.
- (5) Foundations and structural steel delayed and then proceeded at a slower pace than expected. Additionally, a major payment (~\$9M) scheduled for Dec-18 was delayed one month by GMP negotiation and settlement and will apply in Jan-19.
- (6) Project has been delayed until 2020.
- (7) Favorable bids on the project.

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FINANCIAL SUMMARY

	2016 Actual	2017 Actual	2018 Actual	2018 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2017	
					\$	%	\$	%
\$ in 000's								
Total Revenues	50,810	54,183	57,575	55,053	2,522	5%	3,391	6%
Total Operating Expenses	40,384	42,164	43,252	49,578	6,326	13%	1,088	3%
Net Operating Income	10,426	12,020	14,323	5,475	8,848	162%	2,303	19%
Depreciation	17,351	17,410	18,022	17,868	(154)	-1%	612	4%
Net Income	(6,924)	(5,390)	(3,699)	(12,394)	8,695	70%	1,691	31%
Capital Expenditures	5,746	20,489	25,091	46,449	21,358	46%	4,602	22%

Division Summary 2018 Actuals vs. 2018 Budget

- Operating Revenues \$2,522K above budget due to favorable moorage revenue, and more cruise passengers.
- Operating Expenses \$6,326K below budget from underspend in Cruise, Recreational Boating, Other Maritime, and Central Services payroll.
- Net Operating Income \$8,848K above budget.
- Capital spending for full year 2018 is \$25.1 million or 54% of the approved budget of \$46.4 million.

Division Summary 2018 Actuals vs. 2017 Actuals

- Operating Revenues \$3,391K above 2017 primarily due to higher tariff rates.
- Operating Expenses \$1,088K greater than 2017 due primarily to increased maintenance wage rates, Cruise Port Valet, and acquisition of Salmon Bay Marina.
- Net Operating Income is \$2,303K higher than 2017.

Net Operating Income before Depreciation by Business

	2016 Actual	2017 Actual	2018 Actual	2018 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2017	
					\$	%	\$	%
\$ in 000's								
Fishing & Operations	(3,149)	(1,451)	(1,586)	(3,299)	1,714	52%	(135)	-9%
Recreational Boating	1,016	1,305	2,262	505	1,756	347%	957	73%
Cruise	8,326	8,599	9,029	5,332	3,697	69%	430	5%
Bulk	4,215	4,030	3,430	3,324	105	3%	(600)	-15%
Maritime Portfolio	249	167	1,098	278	820	-295%	931	559%
All Other	(232)	(630)	90	(666)	756	114%	720	114%
Total Maritime	10,426	12,020	14,323	5,475	8,848	162%	2,303	19%

A. BUSINESS EVENTS

Cruise – Record setting passenger counts at over 1.1M. Inaugural sailing of the Norwegian Bliss. Successful Port Valet program with costs coming in well under budget. Continued profitability.

Recreational Boating – Incorporated Salmon Bay Marina. Shilshole Bay Marina occupancy was 2% higher than 2017 due to process improvements reducing turnaround times. Third year in a row with zero injuries.

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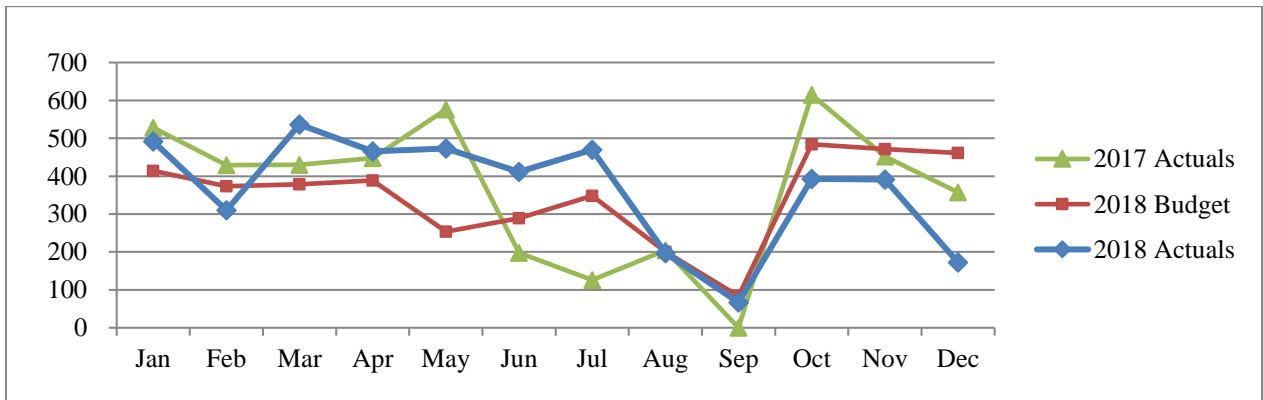
Fishing and Commercial Operations – Christened the Global Provider, a new 126 foot tanker vessel at Fishermen’s Terminal. Doubled occupancy at Pier 34 dolphins and extended agreements at Pier 46 North with WSDOT and Washington State Ferries.

Maritime Portfolio Management –Added new marina-wide Wi-Fi and completed Electric Vehicle Charging Pilot Project at Shilshole Bay Marina.

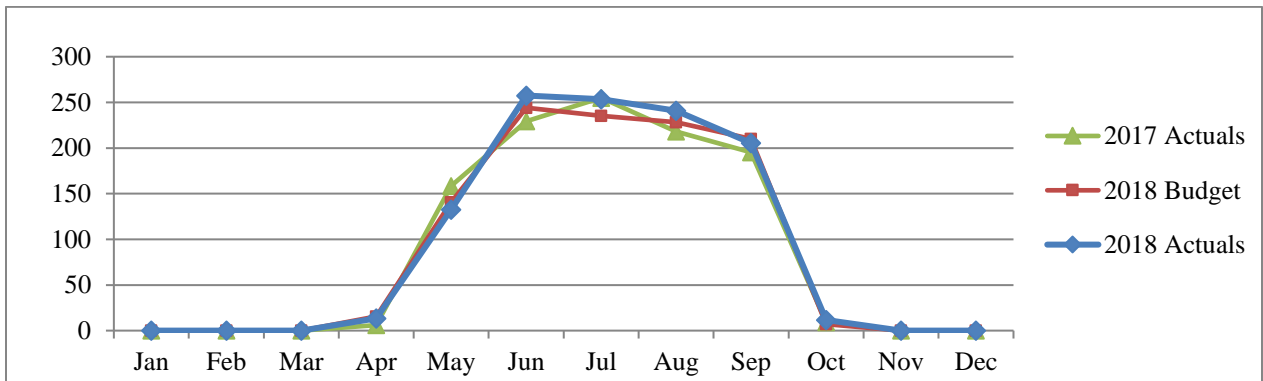
Stormwater Utility – Rehabilitated 6.4 miles of stormwater infrastructure and assessed 33.3 miles exceeding target. Received confirmation from DOE on termination of Industrial SW permit, saving \$32K annually.

B. KEY PERFORMANCE METRICS

Grain Volume – Metric Tons in 000’s



Cruise Passengers in 000’s



III. MARITIME DIVISION FINANCIAL AND PERFORMANCE REPORT 12/31/18

C. OPERATING RESULTS

\$ in 000's	2016	2017	2018	2018	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2017	
					\$	%	\$	%
Fishing & Operations	9,108	9,297	9,763	8,388	1,375	16%	465	5%
Recreational Boating	10,255	11,086	12,529	12,166	362	3%	1,443	13%
Cruise	15,422	17,596	18,880	18,150	730	4%	1,284	7%
Bulk	5,382	5,427	5,167	5,163	4	0%	(260)	-5%
Maritime Portfolio Management	10,255	10,787	11,305	11,169	136	1%	518	5%
Other	388	(9)	(69)	17	(86)	-502%	(60)	-692%
Total Revenue	50,810	54,183	57,575	55,053	2,522	5%	3,391	6%
Expenses								
Fishing & Operations	4,308	4,599	4,702	4,641	(61)	-1%	104	2%
Rec Boating	3,164	3,813	3,688	4,595	907	20%	(126)	-3%
Cruise	2,600	2,674	2,677	4,748	2,071	44%	3	0%
Other Maritime	781	462	259	1,399	1,140	81%	(203)	-44%
Maintenance Expenses	9,900	10,420	11,416	11,261	(156)	-1%	996	10%
Portfolio Management	3,367	3,507	3,726	3,750	23	1%	219	6%
Other ED Expenses	420	665	621	833	212	25%	(44)	-7%
Total Maritime & EDD expenses	24,540	26,140	27,089	31,226	4,137	13%	949	4%
Environmental & Sustainability	1,358	1,125	1,588	2,168	580	27%	463	41%
CDD Expenses	1,010	748	823	1,212	389	32%	75	10%
Police Expenses	3,921	3,756	4,041	4,209	168	4%	285	8%
Other Central Services	9,300	9,869	9,564	10,641	1,077	10%	(305)	-3%
Aviation Division	139	138	148	123	(24)	-20%	10	7%
Total Central Services & Aviation	15,728	15,635	16,163	18,352	2,189	12%	528	3%
Envir Remed Liability	115	389	0	0	0	NA	(389)	-100%
Total Expense	40,384	42,164	43,252	49,578	6,326	13%	1,088	3%
NOI Before Depreciation	10,426	12,020	14,323	5,475	8,848	162%	2,303	19%
Depreciation	17,351	17,410	18,022	17,868	(154)	-1%	612	4%
NOI After Depreciation	(6,924)	(5,390)	(3,699)	(12,394)	8,695	70%	1,691	31%

2018 Actuals vs. Budget

- Operating Revenues were \$2,522K higher than budget:
 - Fishing and Operations \$1,375K higher than budget due to better utilization of recreational boating at Fishermen's Terminal while the fishing boats are at sea.
 - Recreational boating \$362K favorable to budget from faster turnaround of moorage slips resulting in a 2% increase in vacancy rates.
 - Cruise revenue \$730K above budget from higher passenger counts than budgeted.
 - All other revenue nets to \$55K
- Operating Expenses were \$6,326K favorable than budget:
 - Rec Boating \$907K below budget due to open positions and general underspend.
 - Cruise \$2,071K lower than budget due to timing and savings of Port Valet, consulting, and marketing programs.
 - Other Maritime \$1,140K lower than budget from Marketing open FTEs and Habitat expenses applied to non-operations and capital.
 - Environment and Sustainability \$580K lower than budget due to vacant positions and capital/expense mix.
 - Capital Development (CDD) \$389K below budget due to fewer contractors than expected.
 - Other Central Services \$1,071K lower than budget primarily due to lower charges from IT \$251K, Public Affairs \$148K, Human Resources \$222K, Accounting \$192K, Finance \$74K, and Exec \$143K.
 - All other expenses net to \$168K lower than budget.
- Net Operating Income was \$8,848 above budget.

III. MARITIME DIVISION FINANCIAL AND PERFORMANCE REPORT 12/31/18

2018 Actuals vs. 2017 Actuals

- Operating Revenues were \$3,391 higher than 2017 actual due to increased moorage rates, improved occupancy at Shilshole Bay Marina, increased cruise passenger fees, and longer than anticipated occupancy by fishing vessels at Terminal 91.
- Operating Expenses were \$1,088K higher than 2017 actual:
 - Marine Maintenance \$996K greater than 2017 due to increased wages and increased project completion.
 - Portfolio Management \$219K greater than 2017 due to higher utility expense.
 - Environmental and Sustainability \$463K higher than 2017 due to migration of costs from habitat business.
 - Police expenses increased \$285K related to new officers at the airport and associated allocations.
 - Other Central Services (\$305K) decrease from 2017 related to lower allocation rate.
 - Environmental Remediation (\$389K) below 2017.
 - All other Expenses net to \$181K above 2017.
- Net Operating Income was \$2,303K above 2017 actual.

D. CAPITAL RESULTS

\$ in 000's	2018	2018	Budget Variance	
	Actual	Budget	\$	%
Salmon Bay Marina ACQ	15,724	15,804	80	1%
SBM Restrms/Service Bldgs Rep	221	7,162	6,941	97%
FT Gateway Building	868	2,700	1,832	68%
P91 South End Fender	2,056	2,202	146	7%
Maritime Fleet Replacement	1,422	2,158	736	34%
Contingency Renewal & Replace.	0	2,000	2,000	100%
SBM Paving	136	1,673	1,537	92%
Cruise Terminal Tenant Improv	343	1,531	1,188	78%
Salmon Bay Marina Uplands	46	1,505	1,459	97%
FT Docs 3,4,5 Fixed Pie	174	1,424	1,250	88%
Restoration	109	1,140	1,031	90%
All Other Projects	3,992	7,150	3,158	44%
Total Maritime	25,091	46,449	21,358	46%

Comments on Key Projects:

In 2018, Maritime spent 54% of the annual approved capital budget.

Projects with significant changes in spending were:

- **SBM Restrooms/Service Buildings Rep** – Construction Delay, scope of work change.
- **FT Gateway Building** – Change of scope.
- **Contingency Renewal and Replace** - \$850k used for Portwide Radio System Upgrade.
- **SBM Paving** – Construction Delay. Moved to Q2 2019.
- **Cruise Terminal Tenant Improvements** – moved to expense.
- **FT Docs 3,4,5 Fixed Pie** – Design phase extended.
- **Restoration** – Project delayed until 2020.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL AND PERFORMANCE REPORT 12/31/18

FINANCIAL SUMMARY

	2016 Actual	2017 Actual	2018 Actual	2018 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2017	
					\$	%	\$	%
\$ in 000's								
Total Revenues	15,902	17,791	20,705	18,522	2,182	12%	2,914	16%
Total Operating Expenses	20,983	25,396	27,651	28,751	1,101	4%	2,255	9%
Net Operating Income	(5,080)	(7,605)	(6,946)	(10,229)	3,283	32%	659	9%
<i>Depreciation</i>	3,682	3,863	3,992	4,156	164	4%	129	3%
Net Income	(8,763)	(11,469)	(10,938)	(14,385)	3,447	24%	531	5%
Capital Expenditures	4,757	3,739	2,066	6,099	4,033	66%	(1,673)	-45%

Division Summary 2018 Actuals vs. 2018 Budget

- Operating Revenues \$2,182K above budget primarily due to higher than expected Conference and Event Center activity.
- Operating Expenses \$1,101K below budget primarily due to EDD Initiative programs.
- Net Operating Income \$3,283K above budget.
- Capital spending \$2.01M or 34% of the approved budget of \$6.1M.

Division Summary 2018 Actuals vs. 2017 Actuals

- Operating Revenues are expected to be \$2,914K above 2017 primarily due to stronger sales at Bell Harbor Conference Center.
- Operating Expenses \$2,255K greater than 2017 primarily due to increased volumes at Conference and Event Centers, EDD Initiatives, and Maintenance.
- Net Operating Income \$659K greater than 2017.

Net Operating Income before Depreciation by Business

	2016 Actual	2017 Actual	2018 Actual	2018 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2017	
					\$	%	\$	%
\$ in 000's								
Portfolio Management	(3,925)	(5,236)	(3,741)	(4,308)	567	13%	1,494	29%
Conference & Event Centers	538	762	45	(1,200)	1,245	104%	(716)	94%
Tourism	(1,117)	(1,265)	(1,439)	(1,486)	47	3%	(174)	-14%
Workforce Development	(517)	(1,113)	(973)	(2,275)	1,303	57%	140	13%
EDD Grants	(22)	(753)	(838)	(960)	122	13%	(85)	NA
Env Grants/Remed Liab/ERC	(37)	(1)	0	(0)	0	100%	1	-100%
Total Econ Dev	(5,080)	(7,605)	(6,946)	(10,229)	3,283	32%	659	9%

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL AND PERFORMANCE REPORT 12/31/18

A. BUSINESS EVENTS

Workforce Development – Participated in Joint RFP for construction worker training and retention services. The first Port-funded Ironworkers pre-apprenticeship cohort graduated. Partnered with the Regional Public Owners group to complete a construction workforce supply demand study. Planned and held a highly successful Project LIFT event to highlight aviation career opportunities. Launched an Airport Career Connected Learning partnership with King County International Airport to increase awareness of airport-related career pathways in middle and high schools.

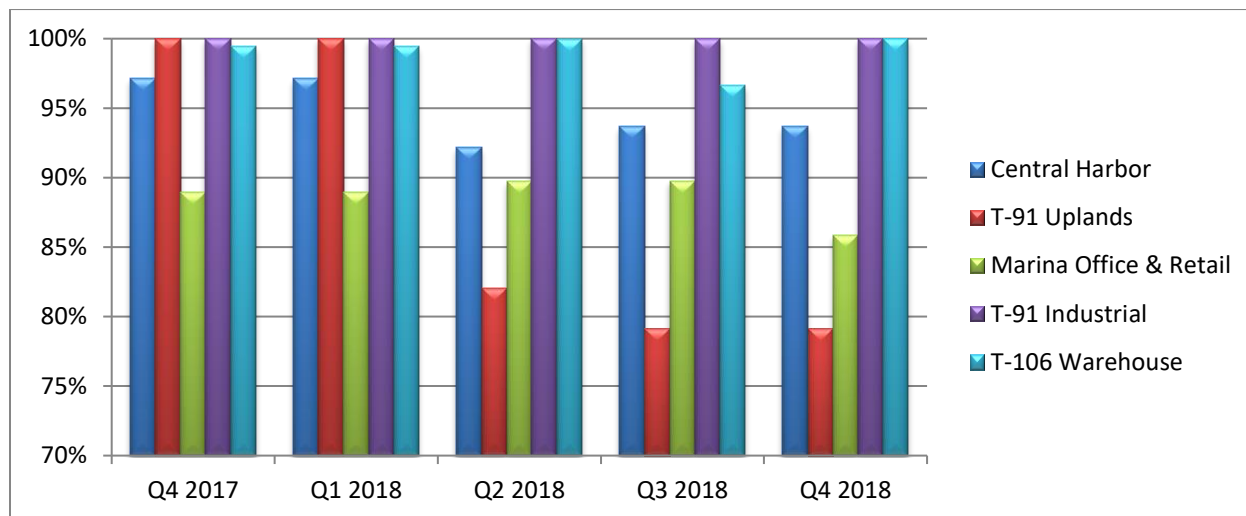
Small Business – Established New Diversity in Contracting program by helping divisions establish 2019 WMBE utilization goals and finalizing 2019 internal/external outreach plans. Offered six PortGen training sessions with over 300 disadvantaged businesses and prime contractors attended these events to learn about Port opportunities. Staged outreach event at Airport Minority Advisory Council (AMAC) Conference where over 200 primes and WMBE businesses speed dated and discussed partnership opportunities. Established first ever Disadvantaged Business Enterprise (DBE) race conscious goal airport runway project and achieved 19% DBE utilization.

Tourism – Conducted 34 travel/media FAMS tours which resulted in \$550K in-kind contributions and \$7.5 million earned media value. Approved 34 applicants and awarded \$200K to 26 recipients of the 2018 Tourism Marketing Support Program which offers marketing organizations partnering to promote their Washington State destination to out-of-state visitors while promoting the use of Port facilities. Awarded 72 recipients of the Spotlight Advertising Program which reserves 18 advertising locations at Sea-Tac airport to promote their destinations to 49 million travelers. Coordinated a China Sales Mission with Holland America Line to promote Alaska cruising and pre/post experiences to cruise tour operators and media.

Portfolio Management – With one third of leases rolling over in EDD and Maritime portfolios in 2018, we maintained 94% occupancy with average 11% increase in rates. Successfully concluded the market rate reset negotiations with City ice/Lineage Logistics total 9% increase in lease revenue. Completed critical Central Waterfront capital and maintenance projects (elevators and HVAC). Completed 90% design and submitted permits for Bell Harbor Modernization.

B. KEY PERFORMANCE METRICS

Building Occupancy by Location:



IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL AND PERFORMANCE REPORT 12/31/18

C. OPERATING RESULTS

\$ in 000's	2016	2017	2018	2018	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2017	
					\$	%	\$	%
Revenue	7,880	8,658	9,002	8,985	17	0%	344	4%
Conf & Event Centers	8,022	9,133	11,703	9,537	2,166	23%	2,570	28%
Total Revenue	15,902	17,791	20,705	18,522	2,182	12%	2,914	16%
Expenses								
Portfolio Management	3,425	3,875	3,571	3,778	207	5%	(304)	-8%
Conf & Event Centers	6,932	7,639	9,889	8,465	(1,424)	-17%	2,251	29%
P69 Facilities Expenses	180	206	235	289	54	19%	30	14%
RE Dev & Planning	595	214	149	211	62	29%	(65)	-30%
EconDev Expenses Other	620	776	785	1,227	442	36%	9	1%
Maintenance Expenses	2,783	3,666	3,915	3,055	(860)	-28%	249	7%
Maritime Expenses (Excl Maint)	31	52	166	344	178	52%	114	217%
Total EDD & Maritime Expenses	14,566	16,427	18,711	17,370	(1,341)	-8%	2,283	14%
Small Business	21	64	132	140	8	6%	68	105%
Workforce Development	522	850	702	1,992	1,290	65%	(148)	-17%
Tourism	1,093	1,234	1,408	1,460	51	4%	174	14%
EDD Grants	20	751	838	960	122	13%	87	12%
Total EDD Initiatives	1,656	2,900	3,080	4,552	1,472	32%	180	6%
Environmental & Sustainability	62	260	281	398	117	29%	21	8%
CDD Expenses	212	387	283	329	46	14%	(104)	-27%
Police Expenses	157	51	(76)	158	234	148%	(127)	-248%
Other Central Services	4,222	5,257	5,259	5,816	557	10%	1	0%
Aviation Division	107	113	113	127	14	11%	1	1%
Total Central Services & Aviation	4,761	6,068	5,860	6,829	969	14%	(209)	-3%
Envir Remed Liability	0	0	0	0	0	NA	0	NA
Total Expense	20,983	25,396	27,651	28,751	1,101	4%	2,255	9%
NOI Before Depreciation	(5,080)	(7,605)	(6,946)	(10,229)	3,283	32%	659	9%
Depreciation	3,682	3,863	3,992	4,156	164	4%	129	3%
NOI After Depreciation	(8,763)	(11,469)	(10,938)	(14,385)	3,447	24%	531	5%

2018 YTD Actuals vs. Budget

- Operating Revenues were \$2,182K higher than budget due to unplanned leases at T91 and higher volumes at the conference and event center.
- Operating Expenses were \$1,101K lower than budget:
 - Conference and Event Center costs \$1,424K unfavorable due to higher volumes.
 - Workforce Development \$1,290K lower than budget due to lower than planned spending for Construction Trades - Regional Partnership, K-12 Career Connected Learning, Maritime Initiative, and Airport Career Pathways implementation.
 - EconDev Other \$442K lower than budget due to unspent Opportunity Fund and delayed hiring.
 - EDD Grants \$122K favorable to budget due to unclaimed funds and Tourism \$51K favorable to budget due to lower than planned spending related to marketing and advertising
 - Maintenance cost unfavorable to budget by \$860K due to unbudgeted HVAC repairs at Bell Street common areas and T91 work that should have been charged to Maritime.
 - Other Central Services \$557K lower than budget primarily due to lower charges from IT \$147K, Public Affairs \$126K, and Human Resources \$125K
 - All other expenses net to \$923K lower than budget.
- Net Operating Income was \$3,283K above budget.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL AND PERFORMANCE REPORT 12/31/18

2018 Actuals vs. 2017 Actuals

- Operating Revenues were \$2,914K higher than 2017 actual due to stronger sales resulting from the completion of the Pier 66 Cruise Terminal Expansion Project that increased additional capacity to offer larger events with customized menus.
- Operating Expenses were \$2,255K higher than 2017 actual:
 - Conference and Event Center \$2,251K greater than 2017 due to higher sales activity at Bell Harbor International Conference Center.
 - Portfolio Management lower \$304K from one-time elevator modernization and T102 tenant expense work in 2017.
 - Maintenance Expenses \$249K greater than 2017 due to Maintenance at P66 Common Area.
 - EDD Grants \$87K higher than 2017 due to increased allocated funds and claims.
 - Workforce Development \$148K lower than 2017 due to lower than prior year spending for Career Pathways and Skills Center Feasibility Study.
 - All other Expenses net to \$120K above 2017.
- Net Operating Income was \$659K above 2017 actual.

D. CAPITAL RESULTS

\$ in 000's	2018	2018	Budget Variance	
	Actual	Budget	\$	%
P66 Elevator 2,3,4 Upgrades	1,043	1,175	132	11%
RE: Contingency Renew.&Replace	0	1,000	1,000	100%
BHICC Interior Modernization	283	710	427	60%
Small Projects	195	516	321	62%
Tenant Improvements -Capital	23	532	509	96%
P69 Solar Panel System	202	502	300	60%
T-102 Outdoor Lighting	30	437	407	93%
T91 Upland PreDevelopment	15	425	410	96%
CW Elevator Modernization	0	325	325	100%
All Other projects	275	477	202	42%
Total Economic Development	2,066	6,099	4,033	66%

Comments on Key Projects:

Economic Development spent 34% of the annual approved capital budget.

Projects with significant changes in spending were:

- **T91 Upland Pre-Development** – Project delayed due to capital planning.
- **T-102 Outdoor Lighting** – Project cost refinement based on final design.
- **Central Waterfront Elevator Modernization**– Scope reduction and shift of work to 2019/2020.
- **Bell Harbor International Conference Center Modernization** – Shift of work to 2019/2020.

FINANCIAL SUMMARY

\$ in 000's	2016	2017	2018	2018	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget	Variance	Change from 2017	
					\$	%	\$	%
Total Operating Revenues	1,330	68	(500)	182	(682)	-375.4%	(569)	-832.8%
Core Central Support Services	69,196	71,071	73,576	80,367	6,791	8.4%	2,505	3.5%
Police	23,045	22,095	23,908	27,065	3,157	11.7%	1,813	8.2%
Capital Development	12,218	17,370	15,501	26,289	10,788	41.0%	(1,869)	-10.8%
Environment & Sustainability	8,824	6,975	8,770	11,504	2,735	23.8%	1,795	25.7%
Total Operating Expenses	113,284	117,511	121,755	145,225	23,470	16.2%	4,244	3.6%

Division Summary 2018 Actuals vs. 2018 Budget

- Operating Revenues were \$-500K, \$682K lower than budget due to a \$863K special funding LEOFF 2 received from the Washington State Department of Retirement Systems (DRS).
- Operating Expenses were \$23.5M favorable to budget mainly due to the latest estimate from the State Actuary current funding of the DRS Pension Plans exceeded the future liabilities; also due to vacant positions, projects spending delay and lower Outside Services costs.
- Capital spending was \$9.7M, 39.9% of the 2018 budget.

Division Summary 2018 Actuals vs. 2017 Actuals

- Operating Revenues were \$569K below 2017 mainly due to a special funding LEOFF 2 received from the DRS.
- Operating Expenses were \$4.2M higher than 2017 mainly due to higher Payroll expenses and Outside Services costs, partially offset by a \$9.5M DRS Pension True-up credit.

A. BUSINESS EVENTS

- The Port Commission established policy directives on Diversity in Contracting, Priority Hire, Construction Labor Practices in 2018.
- The Port Commission approved funds to address the shortage of local construction workers and to broaden access to training and jobs for underrepresented populations in the industry.
- Obtained Congressional authorization for Seattle Harbor Deepening Project with the U.S. Army Corps of Engineers.
- Received a regional Food Recovery Challenge Award from the U.S. Environmental Protection Agency for outstanding accomplishments in preventing and diverting wasted food at the airport.
- Broadened awareness with multi-cultural communities through first multi-lingual boat tour with 200 attendees.
- Developed the 2019 Safety Engagement Award to recognize employees that take action to ensure every employee goes home safely.
- Developed, administered, received and reviewed full Employee Engagement survey results analysis.
- Hosted event to celebrate 10 year anniversary of the Port’s Veteran Fellow Program.
- Expanded mobile safety performance apps to track all leading indicators including near miss and hazard reporting, safety plans, permits, inspections and audits.
- Completed another successful summer High School internship program. Began to develop year-round High School internship program.
- Received the “Certificate of Achievement for Excellence in Financial Reporting” and the 2018 Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) of the United States and Canada.
- Issued Intermediate Lien Revenue Bonds of \$555,564,000 to finance or refinance capital improvements to aviation facilities.

V. CENTRAL SERVICES FINANCIAL AND PERFORMANCE REPORT 12/31/18

B. KEY PERFORMANCE METRICS

Key Performance Indicators/Measures	2018	2017/Notes
A. Century Agenda Strategies		
1. Small Business Participation – Annual / Small Works (port-wide)	42.8%	69.0%
2. Small Business Participation – Annual / Major Construction (port-wide) including Mega projects	24.6%	25.3%
3. Small Business Participation – Annual / Goods & Services (port-wide)	22.1%	22.7%
4. Small Business Participation – Service Agreements (port-wide) - Annual (including Legal department Service Agreements)	36.5%	27.5%
5. Minority/Women-Owned Business Participation in Capital Development Contracts	10.5%	7.3%
B. High Performance Organization - Customer Satisfaction		
1. Respond to Public Disclosure Requests	657	519, increased by 138
2. Information and Communication Technology System Availability	99.5%	99.5%
3. Customer Survey for Police Service Excellent or Very Good	90%	83%
4. Oversee Implementation and Administration of CBAs agreements	122	99
5. Number of Jobs Openings	535	590, decreased by 55
6. Percent of annual audit work plan completed each year	94%	100%
7. Request of information and guidelines for integrity & business conduct	311	263
C. High Performance Organization - Talent Development & Safety		
1. MIS and Clarity Training	14 classes, 128 attendees	21 classes, 151 attendees
2. Employee Development Class Attendees/Structured Learning	1765	7084, decreased by 5319
3. Required Safety Training	94%	95%
4. Occupational Injury Rate	4.87	4.26
5. Days Away Severity Rate	61.44	N/A
D. Financial Performance		
1. Corporate costs as a % of Total Operating Expenses	30.6%	31.5%
2. Construction Soft Costs - Total Soft Costs (36 months avg.)	18%	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)	87%	96%
6. Investment Portfolio Yield	2.13%	1.51%
7. Litigation and Claim Reserves (in \$ thousand)	\$1,632	\$928

V. CENTRAL SERVICES FINANCIAL AND PERFORMANCE REPORT 12/31/18

C. OPERATING RESULTS

Division Summary

\$ in 000's	2016	2017	2018	2018	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2017	
					\$	%	\$	%
Total Operating Revenues	1,330	68	(500)	182	(682)	-375.4%	(569)	-832.8%
Core Central Support Services	69,196	71,071	73,576	80,367	6,791	8.4%	2,505	3.5%
Police	23,045	22,095	23,908	27,065	3,157	11.7%	1,813	8.2%
Capital Development	12,218	17,370	15,501	26,289	10,788	41.0%	(1,869)	-10.8%
Environment & Sustainability	8,824	6,975	8,770	11,504	2,735	23.8%	1,795	25.7%
Total Operating Expenses	113,284	117,511	121,755	145,225	23,470	16.2%	4,244	3.6%

2018 Actuals vs. 2018 Budget

- Operating Revenues were \$682.2K unfavorable to budget due to lower miscellaneous revenues because of the special funding LEOFF 2 received from the State of Washington Department of Retirement Systems (DRS).
- Operating Expenses were \$23.5M favorable to budget due primarily to recording the annual DRS Pension Plan True-up Expense based on the actuarial report on pension asset/liability at year-end, vacant positions, hiring delays, and lower Outside Services Costs.

2018 Actuals vs. 2017 Actuals

- Operating Revenues were \$568.8K lower than 2017 level.
- Operating Expenses were \$4.2M higher than last year primarily due to higher Payroll and Outside Services Costs.

V. CENTRAL SERVICES FINANCIAL AND PERFORMANCE REPORT 12/31/18

\$ in 000's	2016	2017	2018	2018	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget	Variance	Change from 2017	
					\$	%	\$	%
Total Revenues	1,330	68	(500)	182	(682)	-375.4%	(569)	-832.8%
Executive	2,185	1,287	2,136	2,001	(135)	-6.8%	849	66.0%
Commission	1,569	1,685	1,848	1,984	136	6.9%	163	9.7%
Legal	3,365	3,741	3,948	3,617	(331)	-9.1%	207	5.5%
Public Affairs	6,033	7,112	7,362	8,308	946	11.4%	250	3.5%
Human Resources	7,001	8,418	8,430	9,689	1,259	13.0%	12	0.1%
Labor Relations	1,268	1,678	1,079	1,371	293	21.3%	(599)	-35.7%
Internal Audit	1,455	1,603	1,521	1,828	307	16.8%	(83)	-5.1%
Accounting & Financial Reporting Services	6,550	6,751	6,842	8,148	1,306	16.0%	91	1.3%
Information & Communication Technology	20,158	21,633	21,961	23,308	1,347	5.8%	327	1.5%
Finance & Budget	4,810	4,998	5,593	5,828	235	4.0%	595	11.9%
Maritime Finance	1,212	1,229	1,445	1,478	33	2.2%	216	17.6%
Finance & Budget	1,647	1,871	1,843	1,955	112	5.7%	(28)	-1.5%
Aviation Finance & Budget	1,950	1,897	2,305	2,395	90	3.8%	408	21.5%
Business Intelligence	1,004	1,211	1,323	1,543	220	14.3%	112	9.2%
Risk Services	3,202	3,077	3,095	3,322	227	6.8%	18	0.6%
Office of Strategic Initiatives	1,393	1,882	1,596	2,265	669	29.5%	(286)	-15.2%
Central Procurement Office	6,963	3,861	4,630	4,511	(119)	-2.6%	770	19.9%
Security and Preparedness	1,420	1,754	2,027	2,394	366	15.3%	273	15.6%
Contingency	369	381	185	250	65	25.9%	(196)	-51.3%
Capital to Expense	450	-	-	-	-	0.0%	-	0.0%
Core Central Support Services	69,196	71,071	73,576	80,367	6,791	8.4%	2,505	3.5%
Police	23,045	22,095	23,908	27,065	3,157	11.7%	1,813	8.2%
Total Before Cap Dev & Environment	92,241	93,166	97,484	107,432	9,948	9.3%	4,318	4.6%
Capital Development								
Engineering	4,493	5,284	5,477	7,841	2,364	30.1%	193	3.7%
Port Construction Services	3,488	3,709	3,522	5,685	2,164	38.1%	(187)	-5.1%
Aviation PMG	2,823	6,942	4,876	10,977	6,101	55.6%	(2,066)	-29.8%
Seaport PMG	999	1,007	1,052	1,178	127	10.7%	44	4.4%
Capital Development Admin	416	428	574	607	33	5.5%	146	34.2%
Sub-Total	12,218	17,370	15,501	26,289	10,789	41.0%	(1,869)	-10.8%
Environment & Sustainability								
Aviation Environmental	5,857	3,779	5,006	6,503	1,497	23.0%	1,227	32.5%
Maritime Environmental & Planning	2,098	2,157	2,418	3,046	628	20.6%	261	12.1%
Noise Programs	722	670	722	742	20	2.7%	52	7.7%
Environment & Sustainability	148	368	624	1,214	590	48.6%	255	69.3%
Sub-Total	8,824	6,975	8,770	11,504	2,735	23.8%	1,795	25.7%
Total Expenses	113,284	117,511	121,755	145,225	23,470	16.2%	4,243	3.6%

2018 Actuals vs. 2018 Budget

- Operating Expenses were \$23.5M below budget due primarily to:
 - **Executive** – unfavorable variance due to Legal Expenses.
 - **Commission** – favorable variance due to the annual DRS Pension Plan True-up Expense and lower Travel Expenses.
 - **Legal** – unfavorable variance due to Legal Expenses.
 - **Public Affairs** – favorable variance due to the annual DRS Pension Plan True-up Expense, vacant positions, lower Outside Services, Travel and General Expenses.
 - **Human Resources** – favorable variance due to the annual DRS Pension Plan True-up Expense, several vacant positions and savings in Travel Expenses, Outside Services and Property Rentals.
 - **Labor Relations** – favorable variance due to the annual DRS Pension Plan True-up Expense, two vacant positions which one has been filled and credit received for a litigation reserve.
 - **Internal Audit** – favorable variance due to the annual DRS Pension Plan True-up Expense, vacant positions of which one has been filled and savings in Outside Services.
 - **Accounting and Financial Reporting Services** – favorable variance due to the annual DRS Pension Plan True-up Expense, 3 vacant positions, credit card rebates, charging more to capital projects than originally anticipated and Travel Expenses. The savings in Salaries and Benefits have been used to cover retro-active pay for positions recently converted to Non-Exempt and to backfill a vacant position with a temporary employee.
 - **Information & Communication Technology** – favorable variance due to the annual DRS Pension Plan True-up Expense and savings in Travel and Telecommunications Expenses.
 - **Finance & Budget** – favorable variance due primarily to the annual DRS Pension Plan True-up Expense.
 - **Business Intelligence** – favorable variance due to vacant positions and the annual DRS Pension Plan True-up Expense.
 - **Risk Services** – favorable variance due to the property insurance renewal and broker fees being lower than anticipated and to the annual DRS Pension Plan True-up Expense.
 - **Office of Strategic Initiative** – favorable variance due to two vacant positions and to the annual DRS Pension Plan True-up Expense.
 - **Central Procurement Office** – unfavorable variance due to intra-department allocation expense.
 - **Security and Preparedness** – favorable variance due to the annual DRS Pension Plan True-up Expense, a vacant position, savings in Outside Services due to cancellation of a project and Travel Expenses.
 - **Contingency** – used fewer funds than anticipated.
 - **Police** – favorable variance due primarily to the annual DRS Pension Plan True-up Expense.
 - **Capital Development** – favorable variance due to hiring fewer contractors than budgeted, delayed project, change in design and scope of the South Satellite project and due to the annual DRS Pension Plan True-up Expense.
 - **Environment & Sustainability** – favorable variance due to vacant positions, the annual DRS Pension Plan True-up Expense and savings in Outside Services due to delayed in SAMP and the Energy & Sustainability and Forterra Assessment funds.

2018 Actuals vs. 2017 Actuals

- Operating Expenses were \$4.2M higher than prior year primarily due to higher Payroll and Outside Services Costs.
 - **Executive** – expenses were \$849K above 2017:
 - Due to charges to Legal Expenses.
 - **Information & Communication Technology** – expenses were \$327K above 2017:
 - Due to higher payroll costs primarily, the addition of a new position that was transferred from another department.

V. CENTRAL SERVICES FINANCIAL AND PERFORMANCE REPORT 12/31/18

- **Finance and Budget** – expenses were \$595K above 2017:
 - Due to higher payroll costs primarily, the addition of two new positions.
- **Central Procurement Services** – expenses were \$770K above 2017:
 - Due to higher payroll costs primarily, the addition of three new positions.
- **Police** – expenses were \$1.8M above 2017:
 - Added 3 K-9 Handlers in mid-2017 (and the 2018 number reflects the full-year costs).
 - Added 12 Police Officers requested by the airlines in 2018.
 - More overtime in the first quarter of 2018.
- **Capital Development** – expenses were \$1.9M below 2017:
 - Due to more Charges to Capital Projects than in the prior year.
- **Environment & Sustainability** – expenses were \$1.8M over 2017 due to the following:
 - SAMP Environmental Review expenses were \$438K for 2018 compared only to \$169K in 2017 (the budget for 2017 was \$2.3M). Total budget variance is \$1.3M for 2018.
 - More spending in ACE fund, Energy & Sustainability fund for 2018 (\$337K), while spending very little last year (less than \$40K).
 - 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	2018	Budget Variance	
	Actual	Budget	\$	%
Infrastructure - Small Cap	786	1,500	714	47.6%
Services Tech - Small Cap	225	1,150	925	80.4%
Project Cost Mgmt System	430	600	170	28.3%
Supplier Database System	349	450	101	22.4%
Corporate Firewall	66	922	856	92.8%
PeopleSoft Financials Upgrade	2,025	3,100	1,075	34.7%
Radio System Upgrade	3,866	12,000	8,134	67.8%
Police Records Mgmt System	0	700	700	100.0%
CDD Fleet Replacement	768	1,210	442	36.5%
Corporate Fleet Replacement	726	1,180	454	38.5%
Other (note 1)	466	1,526	1,060	69.5%
TOTAL	9,707	24,338	14,631	60.1%

Note:

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