PORT OF SEATTLE

2019 FINANCIAL PERFORMANCE REPORT

AS OF SEPTEMBER 30, 2019

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EXECUTIVE SUMMARY

Financial Summary

The Port's operating results for the third quarter of 2019 were very strong. Total operating revenues were $588.5M, $12.4M above budget and $60.1M higher than the same period in 2018. Excluding Aeronautical revenues, which are based on cost recovery, other operating revenues were $314.5M, $14.5M above budget and $18.8M higher than the 2018 actuals mainly due to higher revenues in ADR & Terminal Leased Space, Ground Transportation, Rental Cars, Clubs & Lounges, Conference & Event Centers, and NWSA Distributable Revenue. Total operating expenses were $322.9M and $22.7M below budget mainly due to vacancies and project delays. Operating income before depreciation was $265.6M, $35.0M above budget and $30.3M higher than the 2018 actuals. The Port-wide capital spending is projected to be $629.9M for 2019.

Operating Summary

For the Aviation division, the total enplanement growth for the third quarter of 2019 was 3.3% higher than 2018; this number is comprised of 3.3% for domestic passengers and 3.7% for international passengers. The total landed weight for the third quarter of 2019 was 3.1% higher than the same period last year while total cargo (in metric tons) was 3.2% above the 2018 third quarter numbers. For the Maritime division, the number of cruise passengers recorded year-to-date was 1.2M. The occupancy rate at Shilshole Bay Marina for the third quarter was at 95%, a slight decrease of 1.3% compared to the same period last year. Grain volumes were impacted by tariffs and weather resulting in a decrease of 800K metric tons compared to 2018. For the Economic Development division, the building occupancy rate for the third quarter was 100% at Terminal 91 Uplands, 95% at Maritime Industrial, 88% at Central Harbor, and 92% at Marina Office and Retail.

Key Business Events

The Port awarded six organizations for the fourth-round of Airport Community Ecology (ACE) Fund grants to advance environmental projects in near-airport communities. The Port's maritime parks and public access areas have once again been awarded the Salmon-Safe certification for its commitment to protect the Puget Sound water quality by enhancing the ecological environment and restoring salmon habitat. At the airport, the new Late-Night Noise Limitation Program was implemented after obtaining a revised Runway Use Agreement with the Federal Aviation Administration (FAA). The Airport also unveiled the newly installed fast charging electric vehicle (EV) stations in the Cell Phone Lot. Singapore Airlines launched a new non-stop service between SeaTac to Singapore in September. The Ports of Seattle and Tacoma collaborated with other large west coast ports (Long Beach, Los Angeles, Oakland, Portland) on a letter addressed to President Trump expressing concerns that the long-term impacts of trade conflict between China and U.S. would severely impact operations, international partnership and livelihood of local communities. Exports of Wheat to China (exported via Washington and Oregon) have almost ceased this year while NWSA and Sea-Tac exports which includes potatoes, hay, skins and hides, salmon, cherries, and fresh crab have all declined.

Major Capital Projects

The Port released a request for proposals (RFP) to three shortlisted firms for the conversion of the northern third of Terminal 46 to a single-berth cruise terminal. Selection and contract award are expected in 2020; the selected team will co-invest with the Port to build and operate the new cruise facility. The Port anticipates that the new facility would be fully operational in time for the 2023 cruise season. In addition, The Port along with Alaska Airlines celebrated the completion of the first phase of the North Satellite Modernization Project. The 255,000 square-foot expansion project provides flyers with new amenities which include: new gates with ample seating and easily accessible charging stations; new dining and retail options; the new flagship Alaska Airlines lounge; and Nursing Suite featuring three curtained alcoves, lounge, stroller storage and restroom. Commission authorization was received for the conveyance of properties and easements to the City of Seattle as part of the East Marginal Way Grade Separation (EMWGS) project. In addition, notice to proceed was received for Shilshole Bay Marina customer service buildings/paving, and substantial completion letter was issued for the Terminal 30 Chevron site cleanup. Groundbreaking event for Terminal 5 Berth modernization project was held in early July.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 09/30/19

PORTWIDE FINANCIAL SUMMARY

$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date Actual	2019 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2018 $	Incr (Decr) Change from 2018 %
Aeronautical Revenues	201,954	232,689	274,002	276,156	(2,154)	-0.8%	41,312	17.8%
Airport Non-Aero Revenues	179,994	196,338	205,283	198,397	6,886	3.5%	8,945	4.6%
Non-Airport Revenues	102,635	99,439	109,261	101,622	7,638	7.5%	9,822	9.9%
Total Operating Revenues	**484,583**	**528,466**	**588,546**	**576,175**	**12,370**	**2.1%**	**60,080**	**11.4%**
Total Operating Expenses	266,120	293,158	322,948	345,615	22,667	6.6%	29,791	10.2%
NOI before Depreciation	**218,463**	**235,308**	**265,597**	**230,560**	**35,037**	**15.2%**	**30,290**	**12.9%**
Depreciation	122,548	122,757	130,820	125,264	(5,556)	-4.4%	8,063	6.6%
NOI after Depreciation	**95,915**	**112,551**	**134,777**	**105,296**	**29,481**	**28.0%**	**22,227**	**19.7%**

NON-AIRPORT FINANCIAL SUMMARY

$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date Actual	2019 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2018 $	Incr (Decr) Change from 2018 %
NWSA Distributable Revenue	43,412	34,007	37,678	32,933	4,745	14.4%	3,671	10.8%
Maritime Revenues	43,838	47,446	49,843	50,628	(785)	-1.5%	2,397	5.1%
EDD Revenues	12,222	14,590	14,815	14,536	279	1.9%	225	1.5%
SWU & Other	3,164	3,395	6,925	3,526	3,399	96.4%	3,530	104.0%
Total Operating Revenues	**102,635**	**99,439**	**109,261**	**101,622**	**7,638**	**7.5%**	**9,822**	**9.9%**
Total Operating Expenses	52,503	57,028	61,896	66,893	4,997	7.5%	4,868	8.5%
NOI before Depreciation	**50,132**	**42,411**	**47,365**	**34,729**	**12,636**	**36.4%**	**4,955**	**11.7%**
Depreciation	30,119	30,011	29,242	28,380	(862)	-3.0%	(769)	-2.6%
NOI after Depreciation	**20,013**	**12,399**	**18,123**	**6,350**	**11,774**	**185.4%**	**5,724**	**46.2%**

MAJOR OPERATING REVENUES SUMMARY

$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date Actual	2019 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2018 $	Incr (Decr) Change from 2018 %
Aeronautical Revenues	201,954	232,689	274,002	276,156	(2,154)	-0.8%	41,312	17.8%
Public Parking	55,297	59,245	60,839	62,361	(1,521)	-2.4%	1,595	2.7%
Rental Cars - Operations	28,339	30,025	29,982	29,365	617	2.1%	(43)	-0.1%
Rental Cars - Operating CFC	9,132	13,407	12,295	11,483	812	7.1%	(1,112)	-8.3%
ADR & Terminal Leased Space	44,002	48,196	52,283	48,485	3,797	7.8%	4,087	8.5%
Ground Transportation	11,756	13,910	15,685	14,756	929	6.3%	1,775	12.8%
Employee Parking	7,112	7,744	7,803	7,465	338	4.5%	59	0.8%
Airport Commercial Properties	13,825	11,804	11,444	10,696	748	7.0%	(360)	-3.1%
Airport Utilities	5,236	5,464	5,518	6,017	(500)	-8.3%	54	1.0%
Clubs and Lounges	3,715	4,801	7,598	6,235	1,363	21.9%	2,797	58.3%
Cruise	17,515	19,025	22,666	22,727	(62)	-0.3%	3,641	19.1%
Recreational Boating	8,289	9,368	9,445	9,682	(237)	-2.5%	77	0.8%
Fishing & Operations	6,303	6,443	7,021	7,460	(439)	-5.9%	578	9.0%
Grain	3,782	4,043	3,187	3,185	1	0.0%	(856)	-21.2%
Maritime Portfolio Management	7,929	8,551	7,500	7,573	(73)	-1.0%	(1,051)	-12.3%
Central Harbor Management	6,487	6,924	6,643	6,743	(100)	-1.5%	(280)	-4.1%
Conference & Event Centers	5,706	7,636	8,147	7,768	379	4.9%	510	6.7%
NWSA Distributable Revenue	43,412	34,007	37,678	32,933	4,745	14.4%	3,671	10.8%
Other	4,791	5,184	8,811	5,085	3,726	73.3%	3,627	70.0%
Total Operating Revenues (w/o Aero)	**282,629**	**295,776**	**314,544**	**300,020**	**14,524**	**4.8%**	**18,768**	**6.3%**
TOTAL	**484,583**	**528,466**	**588,546**	**576,175**	**12,370**	**2.1%**	**60,080**	**11.4%**

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 09/30/19

MAJOR OPERATING EXPENSES SUMMARY

$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date Actual	2019 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2018 $	Incr (Decr) Change from 2018 %
Salaries & Benefits	86,837	95,918	101,684	106,404	4,719	4.4%	5,767	6.0%
Wages & Benefits	82,321	91,657	97,839	96,621	(1,217)	-1.3%	6,182	6.7%
Payroll to Capital Projects	18,668	20,049	19,991	25,289	5,298	20.9%	(58)	-0.3%
Equipment Expense	6,020	5,883	7,523	6,237	(1,286)	-20.6%	1,640	27.9%
Supplies & Stock	6,837	7,178	7,763	6,660	(1,103)	-16.6%	584	8.1%
Outside Services	53,473	62,260	66,762	85,734	18,972	22.1%	4,502	7.2%
Utilities	17,403	19,805	19,955	22,099	2,145	9.7%	150	0.8%
Travel & Other Employee Expenses	3,283	3,381	3,867	5,525	1,659	30.0%	485	14.4%
Promotional Expenses	800	1,160	1,440	2,026	587	28.9%	280	24.1%
Other Expenses	23,211	23,390	34,655	34,693	38	0.1%	11,265	48.2%
Charges to Capital Projects/Overhead Alloc	(32,732)	(37,522)	(38,529)	(45,673)	(7,145)	15.6%	(1,007)	2.7%
TOTAL	**266,120**	**293,158**	**322,948**	**345,615**	**22,667**	**6.6%**	**29,791**	**10.2%**

The 2019 third quarter actuals are $29.8M higher than the 2018 actuals primarily due to the following:

- Payroll: $11.9M higher mainly due to the addition of new FTEs and pay for performance increase.
- Outside Services: $4.5M higher largely due to more consultant expenses, more capital and expense projects, and some capital to expense write-offs.
- Other Expenses: $11.3M higher due to Property Rentals, Environmental Remediation Liabilities, Third Party Management Operating Expense, and Non-Litigated Injuries & Damages which would be more than offset by higher revenues.

PORTWIDE FINANCIAL YEAR-END FORECAST SUMMARY

$ in 000's	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2018 $	Incr (Decr) Change from 2018 %
Aeronautical Revenues	264,114	291,268	361,493	365,604	(4,111)	-1.1%	70,225	24.1%
Airport Non-Aero Revenues	236,803	257,707	267,528	259,537	7,991	3.1%	9,821	3.8%
Non-Airport Revenues	131,114	140,415	133,640	128,115	5,525	4.3%	(6,775)	-4.8%
Total Operating Revenues	**632,031**	**689,390**	**762,661**	**753,255**	**9,406**	**1.2%**	**73,271**	**10.6%**
Total Operating Expenses	372,982	397,638	443,487	454,986	11,499	2.5%	45,849	11.5%
NOI before Depreciation	**259,049**	**291,752**	**319,174**	**298,269**	**20,905**	**7.0%**	**27,422**	**9.4%**
Depreciation	165,021	164,362	168,676	168,676	-	0.0%	4,314	2.6%
NOI after Depreciation	**94,028**	**127,390**	**150,498**	**129,593**	**20,905**	**16.1%**	**23,108**	**18.1%**

Year-End Forecast:

- Operating Revenues $9.4M higher than budget mainly due to revenue growth in Rental Car, Airport Dining and Retail, Port Clubs and Lounges, Ground Transportation, Conference and Event Centers, NWSA Distributable Revenue.
- Operating Expenses $11.5M lower than budget due to project delays, less program spending and staff vacancies.
- NOI before depreciation $20.9M above budget due to higher revenues while effectively managing operating costs.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 09/30/19

KEY PERFORMANCE METRICS

	2018 YTD Actual	2019 YTD Actual	2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Variance Chg.	%	Incr (Decr) Change from 2018 Chg.	%
Enplanements (in 000's)	18,952	19,585	24,894	25,890	25,394	496	2.0%	996	4.0%
Landed Weight (lbs. in 000's)	23,054	23,772	30,350	30,637	29,912	726	2.4%	288	0.9%
Passenger CPE (in $)	n/a	n/a	10.79	12.97	13.39	(0.42)	-3.1%	2.18	20.2%
Grain Volume (metric tons in 000's)	3,422	2,449	4,379	3,580	3,580	-	0.0%	(799)	-18.2%
Cruise Passenger (in 000's)	1,103	1,196	1,115	1,212	1,196	16	1.3%	97	8.7%
Shilshole Bay Marina Occupancy	96.2%	95.0%	96.4%	95.1%	96.2%	-1.1%	-1.1%	-1.3%	-1.3%

CAPITAL SPENDING RESULTS

$ in 000's	2019 YTD Actual	2019 Forecast	2019 Budget	Budget Variance $	%
Aviation	415,846	602,250	765,486	163,236	21.3%
Maritime	3,371	10,744	17,638	6,894	39.1%
Economic Development	1,575	3,827	5,713	1,886	33.0%
Central Services & Other (note 1)	6,964	13,068	25,203	12,135	48.1%
TOTAL	**427,756**	**629,889**	**814,040**	**184,151**	**22.6%**

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

PORTWIDE INVESTMENT PORTFOLIO

During the third quarter of 2019, the investment portfolio earned 2.18% versus the benchmark's (the Bank of America Merrill Lynch 1-3 Year US Treasury & Agency Index) 1.69%. Over the last twelve months the portfolio and the benchmark have earned 2.16% and 2.08%, respectively. Since the Port became its own Treasurer in 2002, the life-to-date earnings of the Port's portfolio and the benchmark are 2.45% and 1.84%, respectively.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

FINANCIAL SUMMARY

$ in 000's	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2018 $	%
Operating Revenues:								
Aeronautical Revenues	264,114	291,268	361,493	365,604	(4,111)	-1.1%	70,225	24.1%
Non-Aeronautical Revenues	236,803	257,707	267,528	259,537	7,992	3.1%	9,822	3.8%
Total Operating Revenues	**500,916**	**548,975**	**629,021**	**625,140**	**3,881**	**0.6%**	**80,046**	**14.6%**
Total Operating Expense	299,114	318,849	359,710	366,105	6,395	1.7%	40,861	12.8%
Net Operating Income	**201,802**	**230,126**	**269,311**	**259,036**	**10,276**	**4.0%**	**39,186**	**17.0%**
Capital Expenditures	**293,785**	**579,135**	**602,250**	**767,732**	**165,482**	**21.6%**	**23,115**	**4.0%**

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

Division Summary 2019 Forecast vs. 2019 Budget

- Net Operating Income (NOI) for 2019 is forecasted to be ($10.3M or 4%) favorable to budget, driven by:
  - Increase in Non-Aeronautical revenue (8.0M or 3.1% favorable) due to stronger performance with Port Clubs and Lounges, In-Flight Meals, and TNCs (Transportation Network Companies) within Ground Transportation driven by strong demand. Non-Airline Terminal Leased Space and Rental Cars continue to perform positively. Public Parking and Airport Dining & Retail are forecasted to be aligned with budget by year-end.
  - Operating Expenses are forecasted to be ($6.4M or 1.7%) favorable to budget based on forecasted cost savings of $5.5M in allocations from other divisions, largely from savings and spending delays in Central Services ($2.4M favorable), Police ($1M favorable), and Capital Development ($1.3M favorable).

Division Summary 2019 Forecast vs. 2018 Actuals

- Net Operating Income for 2019 is forecasted to be ($39.2M or 17%) higher than prior year – primarily driven by:
  - Higher Operating Revenue ($80M or 14.6%) compared to prior year due to:
    - Higher Aeronautical revenue ($70.2M higher) due to increased rate based costs and lower revenue sharing.
    - Stronger Non-Aeronautical revenue performance ($9.8M higher) in Port Clubs and Lounges, Ground Transportation, Non-Arline Terminal Lease Spaces, Public Parking, Commercial Properties, and Airport Dining & Retail.
  - Higher Operating Expenses ($40.9M or 12.8%) compared to prior year due to:
    - Higher payroll costs related to increased staffing of approximately $16.6M.
    - Higher outside services expenses of approximately $9.7M primarily due to non-recurring expenses focused on addressing strategic initiatives throughout the airport.
    - Higher charges from other divisions of $11.8M and Environmental Liability Expense of $6.6M, offset by lower Capital write-offs of $6.7M.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

A. BUSINESS EVENTS

- **Safety:**
  - Airfield composite safety score of 19.5 exceeds annual target of 18
  - Individual not going home: Q3 YTD 43 vs. 2019 goal < 52
- **Security:**
  - Exit Lane Breach Control Phase II – RFP cancelled due to scope change and building code egress concerns (STS checkpoints).
  - Perimeter Intrusion Detection system – RFP delayed, refining scope.
  - Annual TSA regulatory compliance audit completed. No significant findings.
- **Employee Engagement:**
  - Goal was to increase employee engagement in the Aviation Division as evidenced by a 3% increase over the 2018 survey results by Q4 2019; however, no survey will be conducted in Q4.
  - Each department continuing to work on specific survey action plans
- **Innovations & Efficiencies:**
  - Third Shark Tank innovations forum held October 9
  - Implement two efficiencies or innovations in each department – in process
- **Asset Management:**
  - Asset condition assessment inventory (in process)
- **Social Responsibility:**
  - Airport Concessions Disadvantaged Business Enterprise (ACDBE) share of sales = 24.8% vs. goal of 22%
  - Disadvantaged Business Enterprise (DBE) share of FAA grant contract spending of 13.9% vs. goal of 8%
  - Women and Minority Business Enterprise share of spending on personal services contracts =14.3%% vs. goal of 12%
- **Customer Service:**
  - Exceeding five-year average for 1 of 6 key ASQ measures (goal is 2)
  - 80% of AV Division staff completed WE ARE customer service training
- **Environment and Sustainability:**
  - Completed sound insulation for 9 single family homes
- **Financial Performance:**
  - Forecasting to achieve both 2019 goals:
  - Non-aeronautical NOI of $147.2M vs. budget of $136.6M
  - Airline costs (CPE) of $12.97 vs. budget of $13.39
- **Capital Projects:**
  - North Satellite:
    - Completed Phase 1
    - Started construction on Phase 2
  - International Arrivals Facility:
    - Erection of center span and transport delayed
    - Pod C on track
  - Baggage Optimization:
    - Phase 2 design complete
    - Issued Phase 2 bid requests

B. KEY PERFORMANCE METRICS

	YTD 2017	YTD 2018	YTD 2019	% Change from 2018
Total Passengers (000's)				
Domestic	31,784	33,835	34,951	3.3%
International	3,938	4,215	4,372	3.7%
Total	35,722	38,050	39,323	3.3%
Operations	314,298	331,952	338,864	2.1%
Landed Weight (In Millions of lbs.)				
Cargo	1,677	1,821	1,838	0.9%
All other	19,745	21,233	21,934	3.3%
Total	21,422	23,054	23,772	3.1%
Cargo - Metric Tons				
Domestic freight	179,634	179,806	184,782	2.8%
International freight	97,558	104,423	110,461	5.8%
Mail	43,117	42,011	41,309	-1.7%
Total	320,309	326,240	336,552	3.2%

Key Performance Measures

	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Vairance $	%	Incr (Decr) Change from 2018 $	%
Key Performance Metrics								
Cost per Enplanement (CPE)	10.52	10.79	12.97	13.39	0.42	3.1%	2.18	20.2%
Non-Aeronautical NOI (in 000's)	133,101	149,959	147,177	136,534	10,643	7.8%	(2,782)	-1.9%
Other Performance Metrics								
O&M Cost per Enplanement	12.77	12.81	13.89	14.42	0.52	3.6%	1.09	8.5%
Non-Aero Revenue per Enplanement	10.11	10.35	10.33	10.22	0.11	1.1%	(0.02)	-0.2%
Debt per Enplanement (in $)	114	133	132	123	(9)	-7.6%	(1)	-0.4%
Debt Service Coverage	1.57	1.66	1.66	1.65	0.01	0.7%	0.00	0.0%
Days cash on hand (10 months = 304 days)	379	235	307	278	28	10.2%	71	30.2%
Aeronautical Revenue Sharing ($ in 000's)	(42,311)	(36,863)	(16,542)	(15,682)	(860)	-5.5%	20,321	55.1%
Activity (in 000's)								
Enplanements	23,416	24,894	25,890	25,394	496	2.0%	996	4.0%

Key Performance Metrics

2019 Forecast compared to 2019 Budget:

- Cost per Enplanement (CPE) Forecast:
  - Forecasted CPE is ($0.42, or 3.1%) favorable to 2019 budget driven primarily by lower allocations from other divisions driven by spending delays in projects and program spending.
  - Non-Aero NOI forecast is expected to be ($10.6M or 7.8%) favorable to budget due to both higher revenues and deferred expenses.

2019 Forecast compared to 2018 Actual:

- Non-Aero NOI:
  - Forecasted CPE is $2.18 higher compared to prior year due to increase in rate based costs and decrease in revenue sharing (from 40% to 20%) percentage under SLOA IV.
  - Non-Aero NOI forecast is expected to be $2.8M lower than prior year due to higher expenses to be incurred in 2019 compared to the rate of growth in revenue. The increases are primarily from new FTEs added for 2019 and non-recurring expenses focused on addressing strategic initiatives throughout the airport.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

C. OPERATING RESULTS

Division Summary – YTD

$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date Actual	2019 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2018 $	Incr (Decr) Change from 2018 %
Operating Revenues:								
Aeronautical Revenues [1]	201,954	232,689	274,002	276,156	(2,154)	-0.8%	41,312	17.8%
Non-Aeronautical Revenues	179,994	196,338	205,283	198,397	6,886	3.5%	8,945	4.6%
Total Operating Revenues	**381,948**	**429,027**	**479,285**	**474,553**	**4,732**	**1.0%**	**50,258**	**11.7%**
Operating Expenses:								
Payroll	86,857	96,767	104,264	105,296	1,032	1.0%	7,497	7.7%
Outside Services	27,587	34,645	35,591	45,616	10,025	22.0%	946	2.7%
Utilities	12,264	14,280	14,097	16,066	1,969	12.3%	(183)	-1.3%
Other Airport Expenses	18,992	16,682	21,783	17,539	(4,245)	-24.2%	5,102	30.6%
Total Airport Direct Charges	**145,700**	**162,373**	**175,735**	**184,517**	**8,782**	**4.8%**	**13,362**	**8.2%**
Environmental Remediation Liability	2,714	4,484	12,543	14,204	1,661	11.7%	8,060	179.8%
Capital to Expense	71	8	113	-	(113)	N/A	105	1308.0%
Total Exceptions	**2,786**	**4,492**	**12,656**	**14,204**	**1,548**	**10.9%**	**8,165**	**181.8%**
Total Airport Expenses	**148,486**	**166,865**	**188,391**	**198,721**	**10,330**	**5.2%**	**21,526**	**12.9%**
Police Costs	14,052	16,161	16,535	18,851	2,316	12.3%	373	2.3%
Capital Development	10,679	9,200	3,337	5,128	1,791	34.9%	(5,863)	-63.7%
Other Central Services	37,748	40,858	49,314	52,146	2,832	5.4%	8,456	20.7%
Maritime/Economic Development	2,653	3,046	3,484	3,875	391	10.1%	439	14.4%
Total Charges from Other Divisions	**65,131**	**69,265**	**72,670**	**80,001**	**7,330**	**9.2%**	**3,405**	**4.9%**
Total Operating Expense	**213,617**	**236,130**	**261,061**	**278,722**	**17,660**	**6.3%**	**24,932**	**10.6%**
Net Operating Income	**168,331**	**192,897**	**218,223**	**195,831**	**22,392**	**11.4%**	**25,326**	**13.1%**

(1) Aero revenues are net of revenue sharing.

Operating Expenses – 2019 YTD Actuals compared to 2019 YTD Budget ($17.6M or 6.3% favorable):

- YTD Airport Expenses under-run ($10.3M or 5.2% favorable) is driven by Outside Services under-spending, primarily due to:
  - Outside Services underspending due to project reassignment, delays and cancellations resulted from staff turnover/vacancies in Facilities and Infrastructure.
    - Project delays - Arc Flash $183K, Smoke Control $100K, Signage & Wayfinding Master Plan $260K, Utilities Master Plan (UMP) $800K, Asset Management Gap Implementation $600K.
    - Project cancellations – Airport Exit Sign Evaluation $93K and Completion of Asset Management GAP Assessment $33K, Airspace Study $600K, SR 518 $233K.
    - Advanced Planning under budget $1.3M.
  - The Sustainable Airport Master Plan (SAMP) environmental assessment is underway although delayed by the FAA review – $1M favorable variance.
  - $744K savings in Outside Services due to Janitorial Contract Incentives not paid out and timing delays for small works contracts that will occur later in Q4.
  - $551K favorable in Outside Services in Safety Management due to even spread of budget for initiatives happening later in year – a majority of the work have forecasted savings due to late starts, but are expected to be less favorable by year end as more work is expected to be completed in Q4.
  - $1.1M Favorable in Customer Service due to delay in awarding new contract for Lost & Found operation.
- YTD Charges from Other Divisions under-run of $7.3M is driven by spending delays in Central Services ($2.8M favorable), Police ($2.3M favorable), and Capital Development ($1.8M favorable).

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

Division Summary – YE Forecast

$ in 000's	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2018 $	%
Operating Revenues:								
Aeronautical Revenues	264,114	291,268	361,493	365,604	(4,111)	-1.1%	70,225	24.1%
Non-Aeronautical Revenues	236,803	257,707	267,528	259,537	7,992	3.1%	9,822	3.8%
Total Operating Revenues	**500,916**	**548,975**	**629,021**	**625,140**	**3,881**	**0.6%**	**80,046**	**14.6%**
Operating Expenses:								
Payroll	114,463	125,341	141,968	141,316	(652)	-0.5%	16,627	13.3%
Outside Services	41,055	47,638	57,336	60,950	3,614	5.9%	9,698	20.4%
Utilities	16,374	18,237	18,150	20,235	2,085	10.3%	(88)	-0.5%
Other Airport Expenses	28,292	25,125	28,103	22,692	(5,411)	-23.8%	2,978	11.9%
Total Airport Direct Charges	**200,184**	**216,341**	**245,556**	**245,192**	**(364)**	**-0.1%**	**29,215**	**13.5%**
Environmental Remediation Liability	8,812	6,233	12,793	14,259	1,466	10.3%	6,561	105.3%
Capital to Expense	2,856	6,891	183	-	(183)	0.0%	(6,708)	-97.3%
Total Exceptions	**11,668**	**13,124**	**12,977**	**14,259**	**1,282**	**9.0%**	**(147)**	**-1.1%**
Total Airport Expenses	**211,852**	**229,465**	**258,532**	**259,451**	**919**	**0.4%**	**29,068**	**12.7%**
Police Costs	17,652	19,231	25,137	25,137	-	0.0%	5,906	30.7%
Capital Development	14,701	12,607	14,383	16,242	1,859	11.4%	1,776	14.1%
Other Central Services	51,004	53,121	56,512	60,129	3,617	6.0%	3,391	6.4%
Maritime/Economic Development	3,904	4,425	5,145	5,145	0	0.0%	720	16.3%
Total Charges from Other Divisions	**87,262**	**89,384**	**101,177**	**106,654**	**5,476**	**5.1%**	**11,793**	**13.2%**
Total Operating Expense	**299,114**	**318,849**	**359,710**	**366,105**	**6,395**	**1.7%**	**40,861**	**12.8%**
Net Operating Income	**201,802**	**230,126**	**269,311**	**259,036**	**10,276**	**4.0%**	**39,186**	**17.0%**
CFC Surplus	(2,750)	(6,157)	(5,572)	(3,993)	(1,578)	-39.5%	585	9.5%
Net Non-Operating Items in / out from ADF (3)	3,481	4,406	6,069	6,069	-	0.0%	1,664	37.8%
SLOA III Incentive Straight Line Adj	3,576	-	-	-	-	0.0%	-	n/a
Debt Service	(131,060)	(136,218)	(161,132)	(158,696)	(2,436)	1.5%	(24,913)	-18.3%
Adjusted Net Cash Flow	**75,050**	**92,157**	**108,678**	**102,416**	**6,261**	**6.1%**	**16,521**	**17.9%**

Operating Expenses – 2019 YE Forecast compared to 2019 YE Budget ($6.4M or 1.7% favorable):

- Total Operating Expenses is forecasted to under-run Budget by $6.4M driven primarily by:
  - $5.5M cost savings in allocations from other divisions, largely from savings and spending delays in Central Services ($3.6M favorable) and Capital Development ($1.9M favorable).
    - Airport Expenses are forecasted to have $0.9M in cost savings by year end. This is possible due to a reduction in the forecast for Environmental Remediation Liability (ERL) expenses - down from $14.2M to $12.8M by year end. The ERL savings of $1.5M would absorb the over-run of $364k from Airport Direct Charges and over-run of $183k in Capital to Expense charges. The Airport Direct Charges over-run of $364k over-run is due to $2.6M in expenses related to snow events in February, offset by a combined forecasted savings of $3M in Outside Services, savings from Utilities, and Other Expenses. Payroll through YTD is under-run mainly due to newly budgeted FTEs not fully staffed with total vacancy rate at approximately 7.14%. However, year-end is forecasted to be $652K over primarily due to the latest labor agreements resulting in an increase to payroll costs.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

Aeronautical Business Unit Summary - YTD

$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date Actual	2019 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2018 $	Incr (Decr) Change from 2018 %
Revenues:								
Movement Area	82,520	95,501	97,759	98,645	(887)	-0.9%	2,258	2.4%
Apron Area	11,808	13,055	15,458	14,835	623	4.2%	2,403	18.4%
Terminal Rents	120,862	129,248	153,616	153,647	(31)	0.0%	24,367	18.9%
Federal Inspection Services (FIS)	10,509	11,143	11,325	11,235	89	0.8%	181	1.6%
Total Rate Base Revenues	**225,699**	**248,947**	**278,157**	**278,363**	**(205)**	**-0.1%**	**29,210**	**11.7%**
Commercial Area	7,710	7,549	8,405	9,555	(1,149)	-12.0%	857	11.4%
Subtotal before Revenue Sharing	**233,409**	**256,496**	**286,563**	**287,917**	**(1,355)**	**-0.5%**	**30,067**	**11.7%**
Revenue Sharing	(28,773)	(23,806)	(12,561)	(11,762)	(799)	-6.8%	11,246	47.2%
Total Aeronautical Revenues	**204,636**	**232,689**	**274,002**	**276,156**	**(2,154)**	**-0.8%**	**41,312**	**17.8%**
Total Aeronautical Expenses	**139,005**	**153,640**	**175,121**	**184,762**	**9,641**	**5.2%**	**21,481**	**14.0%**
Net Operating Income	**65,632**	**79,049**	**98,881**	**91,393**	**7,487**	**8.2%**	**19,832**	**25.1%**

Aeronautical – Q3 2019 Actuals vs. Q3 2019 Budget

- Net Operating Income for Q3 2019 is ($7.5M or 8.2%) favorable to budget primarily due to savings in Aeronautical expenses due to spending and timing delays in Outside Services and lower charges from other divisions.

Aeronautical – Q3 2019 Actual vs. Q3 2018 Actual

- Net Operating Income for Q3 2019 is ($19.8M or 25.1%) higher than Q3 2018 due mainly to higher revenues ($29.2M or 11.7% increase) from rate-based costs to recover for increased airline activity and lower revenue sharing to the Airlines due to reduction in revenue sharing percentage under SLOA IV. Operating Expenses are ($21.5M or 14.0%) higher than Q3 2018 due to higher airport direct operating expenses to support increased airline activity.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

Aeronautical Business Unit Summary - YE Forecast

$ in 000's	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2018 $	%
Revenues:								
Movement Area	108,638	116,703	128,807	130,873	(2,066)	-1.6%	12,104	10.4%
Apron Area	16,771	15,627	19,021	19,714	(693)	-3.5%	3,395	21.7%
Terminal Rents	155,431	169,318	202,772	203,319	(546)	-0.3%	33,454	19.8%
Federal Inspection Services (FIS)	18,612	16,226	14,319	14,521	(202)	-1.4%	(1,907)	-11.8%
Total Rate Base Revenues	**299,452**	**317,874**	**364,919**	**368,426**	**(3,507)**	**-1.0%**	**47,045**	**14.8%**
Commercial Area	10,574	10,257	13,116	12,859	256	2.0%	2,858	27.9%
Subtotal before Revenue Sharing	**310,026**	**328,131**	**378,035**	**381,286**	**(3,251)**	**-0.9%**	**49,904**	**15.2%**
Revenue Sharing	(42,311)	(36,863)	(16,542)	(15,682)	(860)	-5.5%	20,321	55.1%
Other Prior Year Revenues	(26)	-	-	-	-	0.0%	-	
Total Aeronautical Revenues	**267,690**	**291,268**	**361,493**	**365,604**	**(4,111)**	**-1.1%**	**70,225**	**24.1%**
Total Aeronautical Expenses	**195,414**	**211,101**	**239,358**	**243,102**	**3,744**	**1.5%**	**28,257**	**13.4%**
Net Operating Income	**72,276**	**80,167**	**122,135**	**122,502**	**(367)**	**-0.3%**	**41,968**	**52.4%**
Debt Service (1)	(86,564)	(91,673)	(111,673)	(109,343)	(2,330)	-2.1%	(20,000)	-21.8%
Net Cash Flow	**(14,288)**	**(11,506)**	**10,462**	**13,159**	**(2,697)**	**20.5%**	**21,968**	**190.9%**

Airline Rate Base Cost Drivers

$ in 000's	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2018 $	%
O&M	192,188	206,076	232,349	237,387	(5,038)	-2.1%	26,273	12.7%
Debt Service Gross	113,832	115,419	137,696	136,513	1,183	0.9%	22,277	19.3%
Debt Service PFC Offset	(33,057)	(32,987)	(33,060)	(33,045)	(15)	0.0%	(73)	0.2%
Amortization	29,654	32,371	30,583	30,121	463	1.5%	(1,787)	-5.5%
Space Vacancy	(2,264)	(2,132)	(1,591)	(1,521)	(70)	4.6%	541	-25.4%
TSA Operating Grant and Other	(901)	(873)	(1,058)	(1,028)	(30)	2.9%	(185)	21.2%
Rate Base Revenues	**299,452**	**317,874**	**364,919**	**368,426**	**(3,507)**	**-1.0%**	**47,045**	**14.8%**
Commercial area	10,574	10,257	13,116	12,859	256	2.0%	2,858	27.9%
Total Aero Revenues	**310,026**	**328,131**	**378,035**	**381,286**	**(3,251)**	**-0.9%**	**49,904**	**15.2%**

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

Aeronautical – 2019 YE Forecast vs. 2019 YE Budget

- Aeronautical net operating income is forecasted to be ($0.4M or 0.3%) slightly unfavorable to budget driven by:
  - Lower forecasted Aeronautical revenues of approximately $4.1M or 1.1% lower than budget due to higher revenue sharing to the Airlines based on higher projected Non-Aeronautical revenues. Aeronautical expenses are forecasted to be ($3.7M or 1.5%) nearly in-line with budget driven by lower cost allocations from other divisions due to delayed spending from Capital Development programs which helped to absorb overruns in Airport expenses due to snow removal costs from Q1 that impacted the Airfield Movement area.

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Aeronautical – 2019 YE Forecast vs. 2018 YE Actuals

- Net Operating Income for 2019 is forecasted to be ($42M or 52.4%) higher than prior year due to:
  - $70.2M higher revenue from rate-based costs to recover increased airline activity, and due to lower revenue sharing to the Airlines per SLOA IV airline.
  - $28.3M higher expenses due to increased airport direct operating expenses to support increased airline activity and higher charges from other divisions (Central Services and Capital Development).

Non-Aero Business Unit Summary – YTD

$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date Actual	2019 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2018 $	Incr (Decr) Change from 2018 %
Non-Aero Revenues								
Rental Cars - Operations	28,339	30,025	29,982	29,365	617	2.1%	(43)	-0.1%
Rental Cars - Operating CFC	9,132	13,407	12,295	11,483	812	7.1%	(1,112)	-8.3%
Public Parking	55,297	59,245	60,839	62,361	(1,521)	-2.4%	1,595	2.7%
Ground Transportation	11,756	13,910	15,685	14,756	929	6.3%	1,775	12.8%
Airport Dining & Retail	40,846	44,353	47,541	44,748	2,793	6.2%	3,187	7.2%
Non-Airline Terminal Leased Space	3,157	3,843	4,742	3,738	1,004	26.9%	899	23.4%
Commercial Properties	13,825	11,804	11,444	10,696	748	7.0%	(360)	-3.1%
Utilities	5,236	5,464	5,518	6,017	(500)	-8.3%	54	1.0%
Employee Parking	7,112	7,744	7,803	7,465	338	4.5%	59	0.8%
Clubs and Lounges	3,715	4,801	7,598	6,235	1,363	21.9%	2,797	58.3%
Other	1,579	1,742	1,837	1,534	302	19.7%	95	5.4%
Total Non-Aero Revenues	**179,994**	**196,338**	**205,283**	**198,397**	**6,886**	**3.5%**	**8,945**	**4.6%**
Total Non-Aero Expenses	**74,612**	**82,489**	**85,923**	**93,960**	**8,036**	**8.6%**	**3,434**	**4.2%**
Net Operating Income	**105,381**	**113,848**	**119,360**	**104,438**	**14,922**	**14.3%**	**5,512**	**4.8%**

Non-Aeronautical – Q3 2019 Actuals vs. Q3 2019 Budget

- Net Operating Income for Q3 2019 is ($8M or 8.6%) favorable to budget driven by a combination of:
  - Higher Operating Revenue due to strong YTD performance in Port Clubs and Lounges, Al Clear, Airport Dining & Retail, and Ground Transportation.
  - Lower Operating Expenses due to slower than anticipated project expense charges from other divisions (primarily in Capital Development).

Non-Aeronautical – Q3 2019 Actual vs. Q3 2018 Actual

- Net Operating Income for Q3 2019 is ($5.5M or 4.8%) higher than Q3 2018 driven by:
  - Strong revenue performance in both Food and Beverage and Retail sales despite transitions to new leases. Port Clubs and Lounges have also outperformed expectations, along with increased TNC activity in Ground Transportation, and increased transactions in Public Parking. While revenue was (4.6% higher) compared to prior YTD, it was offset by higher expenses (4.2% higher) which reflected planned initiatives in the 2019 budget and snow removal related costs earlier in the year.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

Non-Aero Business Unit Summary - YE Forecast

$ in 000's	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2018 $	%
Non-Aero Revenues								
Rental Cars - Operations	35,051	37,306	37,088	36,455	634	1.7%	(218)	-0.6%
Rental Cars - Operating CFC	10,641	16,263	14,615	13,624	991	7.3%	(1,648)	-10.1%
Public Parking	75,106	80,212	83,000	82,350	650	0.8%	2,788	3.5%
Ground Transportation	15,684	18,772	20,706	19,734	972	4.9%	1,934	10.3%
Airport Dining & Retail	54,611	59,021	59,932	59,484	448	0.8%	910	1.5%
Non-Airline Terminal Leased Space	4,369	5,302	5,879	4,909	970	19.8%	577	10.9%
Commercial Properties	18,042	15,434	15,471	14,219	1,251	8.8%	37	0.2%
Utilities	7,018	7,206	7,688	8,058	(370)	-4.6%	482	6.7%
Employee Parking	9,617	10,269	10,472	10,134	338	3.3%	203	2.0%
Clubs and Lounges	5,041	6,802	10,329	8,520	1,809	21.2%	3,527	51.9%
Other	1,624	1,119	2,349	2,049	300	14.6%	1,229	109.9%
Total Non-Aero Revenues	**236,803**	**257,707**	**267,528**	**259,537**	**7,992**	**3.1%**	**9,822**	**3.8%**
Total Non-Aero Expenses	**103,702**	**107,748**	**120,352**	**123,003**	**2,652**	**2.2%**	**12,604**	**11.7%**
Net Operating Income	**133,101**	**149,959**	**147,177**	**136,534**	**10,643**	**7.8%**	**(2,782)**	**-1.9%**
Less: CFC (Surplus) / Deficit (1)	(2,750)	(7,724)	(5,572)	(3,993)	(1,578)	-39.5%	2,152	27.9%
Adjusted Non-Aero NOI	**130,351**	**142,235**	**141,605**	**132,540**	**9,065**	**6.8%**	**(630)**	**-0.4%**
Debt Service (1)	(44,495)	(44,545)	(49,459)	(49,352)	(107)	-0.2%	(4,914)	-11.0%
Net Cash Flow	**85,856**	**97,690**	**92,146**	**83,188**	**8,958**	**10.8%**	**(5,544)**	**-5.7%**

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

Non-Aeronautical – 2019 Forecast vs. 2019 Budget

- Non-Aeronautical net operating income is forecasted to be ($10.6M or 9.3%) favorable to budget due to a combination of:
    - Higher projected revenues ($8.0M or 3.1% higher) due to stronger performance in Port Clubs and Lounges and in Ground Transportation driven by strong demand. Non-Airline Terminal Leased Space and Rental Cars continue to perform positively. Public Parking and Airport Dining & Retail are forecasted to be aligned with budget by year-end.
    - Lower projected expenses ($2.6M or 2.2% lower) due largely to forecasted cost savings in allocations from other divisions which absorbed impact of snow removal costs to Landside in Q1.

Non-Aeronautical – 2019 Forecast vs. 2018 Actuals

- Net Operating Income for 2019 is forecasted to be ($2.8M or 1.9%) lower compared to prior year despite higher forecasted revenues in Airport Dining & Retail, Public Parking, Ground Transportation, and Port Clubs and Lounges. While growth in revenue is forecasted to be ($9.8M or 3.8%) higher, expenses are anticipated to be ($12.6M or 11.7%) higher due to higher payroll costs related to increase in staffing, higher outside services expense primarily due to non-recurring expenses focused on addressing strategic initiatives throughout the airport, and higher charges from other divisions.

D. CAPITAL RESULTS

Capital Variance

$ in 000's Description	2019 YTD Actual	2019 Forecast	2019 Budget	Budget Variance $	 %
International Arrivals Fac-IAF (1)	231,102	314,102	376,548	62,446	16.6%
NS NSAT Renov NSTS Lobbies (2)	95,920	139,642	141,054	1,412	1.0%
Checked Bag Recap/Optimization (3)	17,289	23,789	25,865	2,076	8.0%
AFLD Pvmnt Program 2016-2020 (4)	2,276	4,576	10,350	5,774	55.8%
Service Tunnel Renewal/Replace (5)	8,632	11,132	15,000	3,868	25.8%
SD Pond Bird Deterrent Improv (6)	617	3,867	9,620	5,753	59.8%
Terminal Security Enhancements (7)	1,514	1,739	6,700	4,961	74.0%
RCF Pavement Remediation (8)	257	757	5,200	4,443	85.4%
SSAT Renovation Project (9)	(3,426)	(3,426)	100	3,526	3525.9%
Arc Flash Mitigation (10)	41	149	3,636	3,487	95.9%
SSAT Infrastructure HVAC (11)	4,578	9,578	6,250	(3,328)	-53.2%
Highline School Insulation (12)	3	13	3,300	3,287	99.6%
Fire Station - Westside (13)	466	845	4,000	3,155	78.9%
Parking Garage Elevators Modernization (14)	200	810	3,590	2,780	77.4%
All Other	56,577	95,487	160,108	64,621	40.4%
Total Spending	**415,846**	**602,250**	**767,732**	**165,482**	**21.6%**

1. Construction delays, manpower challenges. Pedestrian Walkway lift originally planned June 2019, now likely in 2020.
2. Annual Variance due to Construction timing.
3. Original substantial completion for phase 1 was 8/10/19, but this is now delayed 6 months, spending also lagging behind original projection.
4. One work project had bid much lower than engineer's original estimate. The EAC for this project is $5.8M less than the current budget of $11.8M.
5. Baseline cashflow assumed traffic management change order was implemented which did not occur. Baseline did not account for reduced spending as work in the Main Garage is completed.
6. Originally construction was to be complete during 2019, however construction is now pushed back until 2020.
7. Baseline cashflow prepared prior to scope revision (sidewalk surfacing) that delayed construction four months. Bids were cancelled.
8. Baseline cashflow prepared prior to scope revision (security fencing) that delayed construction two months. Construction as further delayed a month due to a bid protest.
9. Project was cancelled.
10. Design delays have postponed the start of construction until 2020.
11. Adjusted work areas to allow the contractor more efficiencies with larger spaces to complete the work. This efficiency accelerated the cost.
12. Awaiting grant issuance for project to commence.
13. A change in delivery method from two major work contracts to one contract has resulted in delaying the construction to start in Q1 2020.
14. Elevator Shafts and Vestibules is being delayed until 2020 construction season due to design delays and weather windows.

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

FINANCIAL SUMMARY

$ in 000's	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2018 $	%
Total Revenues	**54,183**	**57,575**	**59,029**	**59,729**	**(700)**	**-1%**	**1,455**	**3%**
Total Operating Expenses	**42,164**	**43,252**	**48,130**	**50,822**	**2,692**	**5%**	**4,878**	**11%**
Net Operating Income	**12,020**	**14,323**	**10,900**	**8,908**	**1,992**	**22%**	**(3,423)**	**24%**
Capital Expenditures	**5,746**	**20,489**	**10,744**	**17,638**	**6,894**	**39%**	**(9,745)**	**-48%**

Division Summary 2019 Forecast vs. 2019 Budget

- Operating Revenues are forecasted $700K below budget.
- Operating Expenses are forecasted to be $2.7M below budget with savings expected to be split between the Maritime Division ($2.1M) and Central Services ($0.6M).
- Net Operating Income forecasted to be $2.0M above budget.
- At the end of the 3rd quarter, capital spending for full year 2019 is forecasted to be $10.8 million or 61% of the approved budget of $17.6 million.

Division Summary 2019 Forecast vs. 2018 Actuals

- Operating Revenues are forecast to be $1.5M above 2018 due to higher tariff rates primarily and increased Cruise Passengers.
- Operating Expenses are expected to be $4.9M greater than 2018 primarily from increased wage rates, one-time favorable 2018 pension adjustment, and higher expected Cruise outside services.
- Net Operating Income is forecasted to be $3.4M less than 2018.

Net Operating Income before Depreciation by Business

$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date Actual	2019 Year-to-Date Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2018 $	%
Ship Canal Fishing & Operations	(1,827)	(1,810)	(1,493)	(1,755)	262	15%	317	17%
Elliott Bay Fishing & Commercial Operations	272	(286)	134	(229)	363	158%	420	NA
Recreational Boating	1,093	1,530	1,443	769	673	88%	(87)	-6%
Cruise	11,297	11,498	14,225	13,481	745	6%	2,727	24%
Bulk	2,752	2,693	1,913	1,828	85	5%	(780)	-29%
Maritime Portfolio	335	846	(667)	(1,428)	761	53%	(1,513)	-179%
All Other	(527)	(80)	(342)	(560)	218	39%	(262)	-328%
Total Maritime	**13,395**	**14,391**	**15,213**	**12,106**	**3,107**	**26%**	**822**	**6%**

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

A. BUSINESS EVENTS

Cruise – Ended the peak 2019 cruise season with record number of passengers. RFP issued July 26, 2019 for solicitation of investment partner for new cruise terminal. Successful Port Valet program for 2019 cruise season with 20% overall increase in passenger participation year over year. Completed negotiations with CTA lease extension at T91.

All Marinas– The 2019 Rec Boating and Commercial Fishing market rate survey launched with enhanced data from a third-party consultancy.

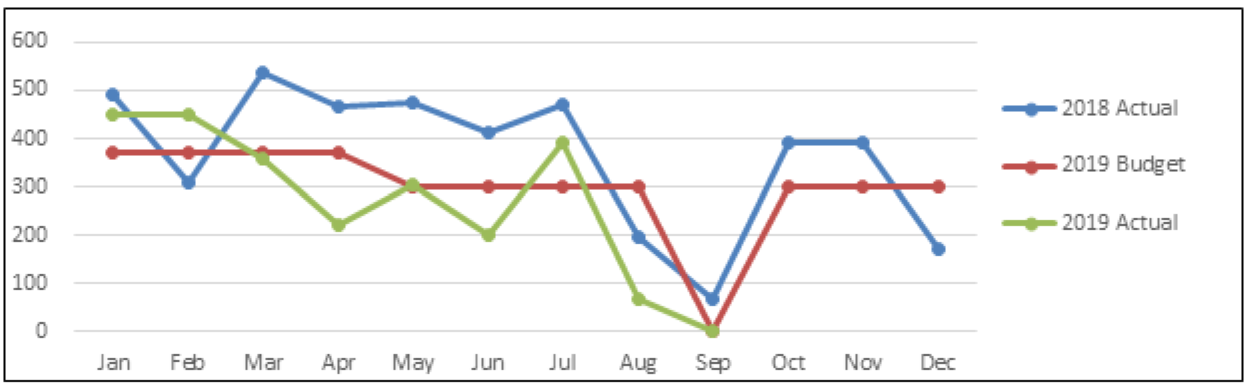
Recreational Boating – Bids closed for Shilshole Bay Marina's customer service facility buildings. Building on 4th year in a row with zero injuries.

Seaport Environmental – The Port receives and analyses weekly shore power reports from Holland America Group with detailed cruise emissions and energy use metrics. By end of Q3, shore power use will avoid over 2000 tons of CO_2. The Port hosted the annual cruise MOU meeting where Ecology presented the completed EGCS wash water study, with their recommendations for next steps.

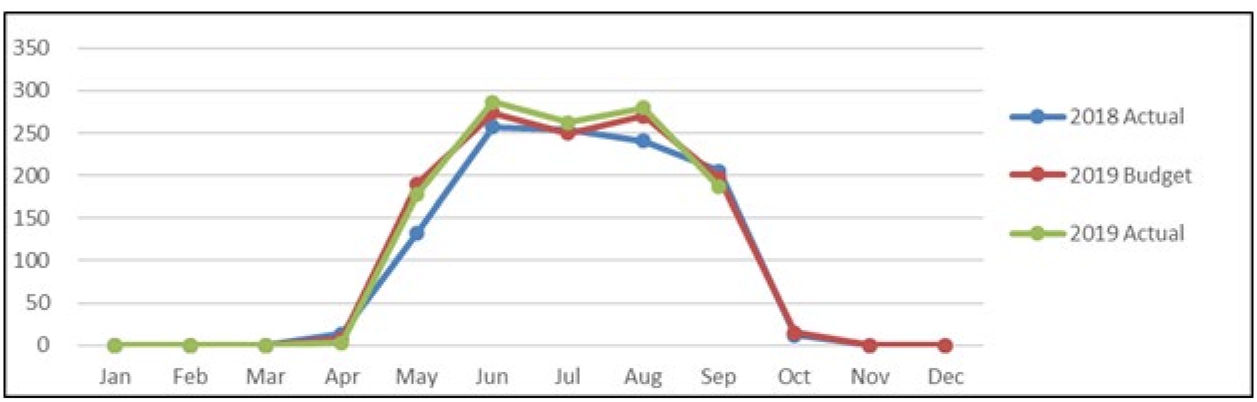
Stormwater Utility – Crews have assessed 83% of the system, rehabilitated 21%, completed 20 repairs, and installed 5 tide gates so far in 2019.

B. KEY PERFORMANCE METRICS

Grain Volume – Metric Tons in 000's



Cruise Passengers in 000's



C. OPERATING RESULTS

$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date Actual	Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2018 $	%
Ship Canal Fishing & Operations	2,101	2,504	2,913	3,016	(103)	-3%	409	16%
Elliott Bay Fishing & Commercial Oper	4,201	4,231	4,108	4,444	(335)	-8%	(123)	-3%
Recreational Boating	8,289	9,075	9,445	9,682	(237)	-2%	370	4%
Cruise	17,515	19,025	22,666	22,727	(62)	0%	3,641	19%
Bulk	3,782	4,043	3,187	3,185	1	0%	(856)	-21%
Maritime Portfolio Management	7,929	8,551	7,500	7,573	(73)	-1%	(1,051)	-12%
Other	19	17	25	0	25	NA	8	46%
Total Revenue	**43,838**	**47,446**	**49,843**	**50,628**	**(785)**	**-2%**	**2,397**	**5%**
Expenses								
Ship Canal Fishing & Operations	1,519	1,873	1,932	2,173	241	11%	59	3%
Elliott Bay Fishing & Commercial Ope	1,864	1,857	1,866	1,811	(55)	-3%	10	1%
Rec Boating	2,937	2,618	2,742	2,920	178	6%	124	5%
Cruise	1,698	2,065	1,735	2,519	784	31%	(329)	-16%
Security	0	1	235	487	252	52%	234	23732%
Other Maritime	385	871	952	1,471	520	35%	81	9%
Maintenance Expenses	7,007	8,362	8,350	8,944	594	7%	(13)	0%
Portfolio Management	2,560	2,894	3,171	3,247	76	2%	277	10%
Other ED Expenses	491	464	381	525	145	28%	(83)	-18%
Total Maritime & EDD expenses	**18,460**	**21,004**	**21,365**	**24,099**	**2,735**	**11%**	**361**	**2%**
Enviromental & Sustainability	796	885	1,708	1,967	259	13%	823	93%
CDD Expenses	0	668	623	626	3	0%	(45)	-7%
Police Expenses	2,913	3,252	2,953	3,354	401	12%	(299)	-9%
Other Central Services	7,549	7,186	7,812	8,267	455	5%	626	9%
Aviation Division	145	160	159	209	50	24%	(1)	0%
Total Central Services & Aviation	**11,402**	**12,150**	**13,255**	**14,422**	**1,167**	**8%**	**1,104**	**9%**
Envir Remed Liability	371	(99)	11	0	(11)	NA	110	111%
Total Expense	**30,233**	**33,055**	**34,630**	**38,522**	**3,891**	**10%**	**1,575**	**5%**
NOI Before Depreciation	**13,604**	**14,391**	**15,213**	**12,106**	**3,107**	**26%**	**822**	**6%**
Depreciation	12,589	13,313	13,267	13,214	(53)	0%	(46)	0%
NOI After Depreciation	**1,015**	**1,078**	**1,946**	**(1,107)**	**3,054**	**276%**	**868**	**81%**

2019 YTD Actuals vs. Budget

- Operating Revenues were $785K lower than budget driven by lower than budgeted occupancy at the marinas.
- Operating Expenses were $3,891K lower than budget:
  - Cruise $784K lower than budget due to timing of marketing spend and cancellation of consulting work.
  - Security $252K favorable as T91 costs budgeted in security, but direct charged to business line.
  - Rec Boating $178K lower than budget due to open positions.
  - Ship Canal Fishing & Operations $241K favorable primarily due to open positions budgeted for Salmon Bay Marina.
  - Elliott Bay Fishing & Commercial Operations $55K higher than budget from security expense.
  - Other Maritime Expenses $520K favorable to budget from Marketing underspend.
  - Portfolio Management $76K favorable from tenant improvements.
  - Other EDD Expenses $145K favorable to budget from open real estate development director.
  - Maintenance $594K favorable do to timing of project spend.
  - Environment & Sustainability $259K lower than budget due to vacant positions.
  - Police $401K under budget.
  - Other Central Services $455K lower than budget primarily due to lower charges from Public Affairs $88K, Human Resources $190K, Accounting $106K, and Exec $108K.
- All other expenses net to $62K favorable to budget.
  - Net Operating Income was $3,107K above budget.

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

2019 YTD Actuals vs. 2018 YTD Actuals

- Operating Revenues were $2.4M higher than 2018 due to growth in Cruise and Fishing/Commercial/Recreational Marinas resulting from increased rates. This growth is offset by WSDOT lease expiration at T106 & T46 and reductions in volumes at the Grain terminal resulting from soybean tariffs.

- Operating Expenses were $1.6M higher than 2018 actual driven primarily by Environmental with a higher ratio of expense work and Central services from annual salary increases. Direct expenses went down Y/Y due to higher than expected open positions.

- Net Operating Income was $822K above 2018 actual.

$ in 000's	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2018 $	%
Ship Canal Fishing & Operations	2,854	3,502	3,821	4,021	(200)	-5%	319	9%
Elliott Bay Fishing & Commercial Operations	6,443	6,755	5,627	5,927	(300)	-5%	(1,128)	-17%
Recreational Boating	11,086	12,035	12,594	12,794	(200)	-2%	560	5%
Cruise	17,596	18,880	22,406	22,406	0	0%	3,526	19%
Bulk	5,427	5,167	4,254	4,254	0	0%	(913)	-18%
Maritime Portfolio Management	10,787	11,305	10,328	10,328	0	0%	(977)	-9%
Other	(9)	(69)	0	0	0	NA	69	100%
Total Revenue	**54,183**	**57,575**	**59,029**	**59,729**	**(700)**	**-1%**	**1,455**	**3%**
Expenses								
Ship Canal Fishing & Operations	2,011	2,261	2,554	2,804	250	9%	293	13%
Elliott Bay Fishing & Commercial Operations	2,588	2,530	2,479	2,629	150	6%	(51)	-2%
Rec Boating	3,814	3,609	3,995	4,395	400	9%	387	11%
Cruise	2,674	2,683	3,512	4,212	700	17%	829	31%
Other Maritime	462	721	364	564	200	35%	(357)	-50%
Maintenance Expenses	10,420	11,416	11,780	11,980	200	2%	363	3%
Portfolio Management	3,507	3,726	4,229	4,279	50	1%	502	13%
Other ED Expenses	665	621	595	718	123	17%	(26)	-4%
Total Maritime & EDD expenses	**26,141**	**27,566**	**29,507**	**31,580**	**2,073**	**7%**	**1,941**	**7%**
Enviromental & Sustainability	1,125	1,588	2,372	2,622	250	10%	783	49%
CDD Expenses	748	823	855	821	(34)	-4%	33	4%
Police Expenses	3,756	4,041	4,333	4,473	140	3%	292	7%
Other Central Services	9,803	9,469	10,857	11,120	263	2%	1,389	15%
Aviation Division	203	221	206	206	0	0%	(15)	-7%
Total Central Services & Aviation	**15,634**	**16,141**	**18,623**	**19,242**	**619**	**3%**	**2,482**	**15%**
Envir Remed Liability	389	(455)	0	0	0	NA	455	100%
Total Expense	**42,164**	**43,252**	**48,130**	**50,822**	**2,692**	**5%**	**4,878**	**11%**
NOI Before Depreciation	**12,020**	**14,323**	**10,900**	**8,908**	**1,992**	**22%**	**(3,423)**	-24%
Depreciation	17,410	18,022	17,613	17,613	0	0%	(409)	-2%
NOI After Depreciation	**(5,390)**	**(3,699)**	**(6,713)**	**(8,705)**	**1,992**	**23%**	**(3,014)**	**-81%**

2019 Forecast vs. 2019 Budget

- Operating Revenues are forecast $700K below budget from scheduling with Navy vessel during seafair and retirement of the Ocean Phoenix.
- Operating Expenses are forecasted to be $2,692K lower than budget:
  - Fishing and Rec Boating are $800K below budget due to YTD savings.
  - Cruise is favorable $700K with $750K consulting contract cancellation offset by a $175K capital write off on the P66 Cruise terminal façade.
  - Remaining EDD and Maritime expenses favorable $573K due to open headcount, reduced marketing spend, and unspent tenant improvements.
  - Central Services $619K driven by open headcount payroll, not expected to be spent in fourth quarter.
- Net Operating Income $2M favorable to budget.

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

2019 Forecast vs. 2018 Actuals

- Operating Revenues are forecasted to be $1.5M higher than 2018 actual:
  - Increased tariff offset by loss of WSDOT revenue.
- Operating Expenses are forecasted to be $4.9M higher than 2018 actual with increases seen in:
  - Cruise $800K due to higher execution and exterior façade write-off.
  - Central Services $2.5M up from wage increases, less open headcount, and favorable 2018 pension adjustment.
  - Maintenance and Portfolio Management up $865K from allocation change on P66 cruise building and common areas.
- Net Operating Income is forecasted to be $3.4M below 2018 actual.

D. CAPITAL RESULTS

$ in 000's	2019 YTD Actual	2019 Forecast	2019 Budget	Budget Variance $	%
Small Projects	1,266	1,684	3,954	2,270	57%
SBM Restrms/Service Bldgs Rep	88	1,088	2,920	1,832	63%
Contingency Renewal & Replace.	0	2,000	2,000	0	0%
MD Fleet 2019	0	607	1,818	1,211	67%
Cruise Terminal Tenant Improv	15	1,123	1,370	247	18%
T117 Restoration	237	437	1,040	603	58%
FT Docs 3,4,5 Fixed Pier	229	673	600	(73)	-12%
New Cruise Terminal	552	1,394	600	(794)	-132%
SBM Paving	36	46	596	550	92%
Maritime Technology Projects	44	174	450	276	61%
Marina Mgt Sys Replacement	69	69	426	357	84%
All Other Projects	835	1,449	1,864	415	22%
Total Maritime	3,371	10,744	17,638	6,894	39%

Comments on Key Projects:
Through the 3rd quarter of 2019, Maritime spent 19% of the annual approved capital budget. Full year spending is estimated to be 61% of budget.

Projects with significant changes in spending were:

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

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

FINANCIAL SUMMARY

$ in 000's	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2018 $	%
Total Revenues	17,791	20,705	20,004	19,725	279	1%	(700)	-3%
Total Operating Expenses	25,397	27,651	28,621	31,114	2,493	8%	971	4%
Net Operating Income	(7,606)	(6,946)	(8,617)	(11,389)	2,772	24%	(1,671)	-24%
Capital Expenditures	3,739	2,066	3,827	5,713	1,886	33%	1,761	85%

Division Summary 2019 Forecast vs. 2019 Budget

- Operating Revenues are forecasted to be $279K above budget primarily due to higher than expected Conference and Event Center Activity.
- Operating Expenses are forecasted to be $2.5M below budget primarily due to unfilled positions, Maintenance allocation changes, Workforce Development contract deferral, and underspend in other program costs.
- Net Operating Income forecasted to be $2.8M above budget.
- At the end of the third quarter, capital spending for full year 2019 is forecasted to be $3.8M or 67% of the approved budget.

Division Summary 2019 Forecast vs. 2018 Actuals

- Operating Revenues are expected to be $700K below 2018 primarily due to construction downtime in the Bell Harbor Conference Center.
- Operating Expenses are expected to be $971K greater than 2018 primarily due to increased execution of Economic Development Initiative programs.
- Net Operating Income is expected to be $1.8M less than 2018.

Net Operating Income before Depreciation by Business

$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date Actual	2019 Year-to-Date Budget	Fav (UnFav) 2019 Bud Var $	%	Incr (Decr) Change from 2018 $	%
Portfolio Management	(3,935)	(2,958)	(1,862)	(4,301)	2,439	57%	1,096	37%
Conference & Event Centers	(131)	(203)	(719)	(422)	(297)	-70%	(517)	-255%
Tourism	(859)	(966)	(837)	(1,066)	229	21%	129	13%
Workforce Development	(749)	(543)	(799)	(1,743)	944	54%	(256)	-47%
EDD Grants	(688)	(65)	12	(1,176)	1,189	NA	78	119%
Env Grants/Remed Liab/ERC	20	(0)	(51)	(110)	59	NA	(51)	NA
Total Econ Dev	**(6,341)**	**(4,735)**	**(4,256)**	**(8,819)**	**4,563**	**52%**	**479**	**10%**

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

A. BUSINESS EVENTS

Workforce Development – Awarded contract to sustain Youth Maritime Collaborative career connected learning initiatives to Maritime Blue and Goodwill Industries r.

Diversity in Contracting – Diversity in contracting hosted three outreach events to highlight upcoming Port procurement opportunities. 129 Women/Minority Business Enterprises attended these workshops.

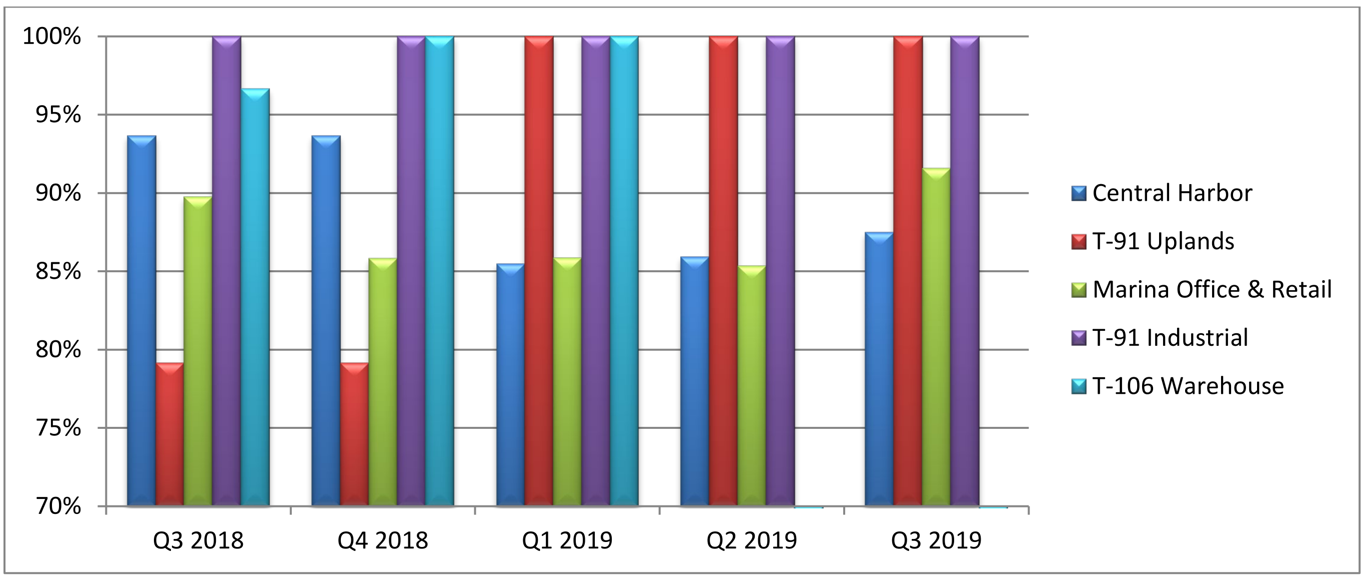
Real Estate – Closed Property Sale on Harbor Avenue small property. Contractor selected for Bell Harbor International Conference Center renovation. Construction will begin in November.

Tourism – Port co-sponsored opening event of the 2019 US – China Tourism Summit. As of Q3, tourism marketing representation in UK/Ireland, Mainland Europe, and Australia/New Zealand has generated over $1.2M in editorial coverage about Washington and cruising from Seattle to Alaska.

Innovation – Signed contract with Maritime Blue to advance maritime innovation initiatives and made field trip to Iceland to see and learn about their Ocean Cluster maritime innovation center.

B. KEY PERFORMANCE METRICS

Building Occupancy by Location:



IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

C. OPERATING RESULTS

$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date Actual	2019 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2018 $	Incr (Decr) Change from 2018 %
Revenue	6,515	6,954	6,668	6,768	(100)	-1%	(286)	-4%
Conf & Event Centers	5,706	7,636	8,147	7,768	379	5%	510	7%
Total Revenue	**12,221**	**14,590**	**14,815**	**14,536**	**279**	**2%**	**225**	**2%**
Expenses								
Portfolio Management	3,384	2,856	2,791	3,168	378	12%	(65)	-2%
Conf & Event Centers	5,305	6,479	6,867	6,682	(185)	-3%	387	6%
P69 Facilities Expenses	144	173	153	169	16	10%	(20)	-12%
RE Dev & Planning	156	110	79	149	70	47%	(31)	-29%
EconDev Expenses Other	555	648	584	948	364	38%	(64)	-10%
Maintenance Expenses	2,291	2,949	2,265	3,080	816	26%	(684)	-23%
Maritime Expenses (Excl Maint)	143	188	193	340	147	43%	5	3%
Total EDD & Maritime Expenses	**11,977**	**13,403**	**12,930**	**14,536**	**1,606**	**11%**	**(472)**	**-4%**
Diversity in Contracting	42	84	130	152	21	14%	47	56%
Workforce Development	560	343	606	1,535	929	61%	263	77%
Tourism	837	942	868	1,157	289	25%	(74)	-8%
EDD Grants	688	65	(12)	1,110	1,122	101%	(78)	-119%
Total EDD Initiatives	**2,126**	**1,434**	**1,592**	**3,954**	**2,361**	**60%**	**158**	**11%**
Environmental & Sustainability	179	178	268	296	29	10%	90	51%
CDD Expenses	0	31	17	20	3	14%	(13)	-43%
Police Expenses	130	122	150	171	21	12%	29	23%
Other Central Services	4,041	4,040	4,030	4,258	228	5%	(10)	0%
Aviation Division	109	118	83	118	36	30%	(35)	-30%
Total Central Services & Aviation	**4,459**	**4,488**	**4,548**	**4,864**	**316**	**6%**	**60**	**1%**
Envir Remed Liability	0	0	0	0	0	NA	0	NA
Total Expense	**18,562**	**19,325**	**19,071**	**23,354**	**4,283**	**18%**	**(254)**	**-1%**
NOI Before Depreciation	**(6,341)**	**(4,735)**	**(4,256)**	**(8,819)**	**4,563**	**52%**	**479**	10%
Depreciation	2,849	3,008	2,786	2,866	80	3%	(222)	-7%
NOI After Depreciation	**(9,190)**	**(7,743)**	**(7,042)**	**(11,685)**	**4,643**	**40%**	**701**	**9%**

2019 YTD Actuals vs. Budget

- Operating Revenues were $279K favorable to budget due to higher than anticipated volumes at the conference and event center.
- Operating Expenses were $4,283K favorable to budget:
  - Portfolio Management $378K lower than budget due to timing of broker fees and tenant improvements.
  - Conference and Event Center costs $185K unfavorable due to higher than budgeted payrolls and sales volumes.
  - Economic Development Other $364K lower than budget due to unspent Opportunity Fund and delayed hiring.
  - Maintenance Expenses $816K favorable from new allocation methodology at P66.
  - Workforce Development $929K lower than budget due to timing of spending for K-12 Career Connected Learning, Construction Trades - Regional Partnership, Airport Career Pathways Implementation, and Maritime Initiative.
  - Tourism $289K lower than budget from timing related to Visit Seattle and other initiatives and less promotional expenses than budgeted.
  - EDD Grants $1,122K favorable to budget due to timing of invoices.
  - Other Central Services $228K below budget with savings from open headcount.
  - All other expenses net to $342K above budget.

- Net Operating Income was $4,563K above budget.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

<u>2019 YTD Actuals vs. 2018 YTD Actuals</u>

- Operating Revenues were $225K higher than 2018 actual due to stronger sales resulting from the completion of the Pier 66 Cruise Terminal Expansion Project that disrupted the availability of space for conference events.
- Operating Expenses were $254K lower than 2018 actual:
  - Conference and Event Center $387K greater than 2018 due to higher sales activity at Bell Harbor International Conference Center.
  - Portfolio Management lower $65K from elevator modernization in 2018.
  - Maintenance Expenses $684K less than 2018 due to allocation methodology change at P66.
  - EDD Grants $78K lower, EconDev Other $64K lower, Workforce Development $263K higher, and Tourism $74K lower than 2018 due to timing of payments.
  - All other Expenses net to $61K above 2018.

- Net Operating Income was $479K above 2018 actual.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 09/30/19

$ in 000's	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2018 $	Incr (Decr) Change from 2018 %
Revenue	8,658	9,002	8,830	8,930	(100)	-1%	(172)	-2%
Conf & Event Centers	9,133	11,703	11,174	10,795	379	4%	(529)	-5%
Total Revenue	**17,791**	**20,705**	**20,004**	**19,725**	**279**	**1%**	**(700)**	**-3%**
Expenses								
Portfolio Management	3,879	3,571	3,894	4,128	234	6%	323	9%
Conf & Event Centers	7,639	9,889	9,559	9,374	(185)	-2%	(331)	-3%
P69 Facilities Expenses	206	235	225	225	0	0%	(11)	-5%
RE Dev & Planning	214	149	146	216	70	32%	(3)	-2%
EconDev Expenses Other	773	785	902	1,262	360	29%	117	15%
Maintenance Expenses	3,666	3,915	3,371	4,071	700	17%	(544)	-14%
Maritime Expenses (Excl Maint)	52	166	265	389	124	32%	99	59%
Total EDD & Maritime Expenses	**16,429**	**18,711**	**18,361**	**19,664**	**1,303**	**7%**	**(350)**	**-2%**
Diversity in Contracting	64	132	199	199	0	0%	67	50%
Workforce Development	850	702	1,410	2,010	600	30%	708	101%
Tourism	1,234	1,408	1,521	1,521	0	0%	112	8%
EDD Grants	751	838	900	1,160	260	22%	62	7%
Total EDD Initiatives	**2,900**	**3,080**	**4,030**	**4,890**	**860**	**18%**	**949**	**31%**
Environmental & Sustainability	260	281	338	395	57	14%	58	21%
CDD Expenses	387	283	247	235	(12)	-5%	(36)	-13%
Police Expenses	51	(76)	207	228	21	9%	283	374%
Other Central Services	5,257	5,259	5,319	5,547	228	4%	60	1%
Aviation Division	113	113	119	155	36	23%	6	5%
Total Central Services & Aviation	**6,068**	**5,860**	**6,231**	**6,561**	**330**	**5%**	**372**	**6%**
Envir Remed Liability	0	0	0	0	0	NA	0	NA
Total Expense	**25,397**	**27,651**	**28,621**	**31,114**	**2,493**	**8%**	**971**	**4%**
NOI Before Depreciation	**(7,606)**	**(6,946)**	**(8,617)**	**(11,389)**	**2,772**	**24%**	**(1,671)**	-24%
Depreciation	3,863	3,992	3,819	3,819	0	0%	(173)	-4%
NOI After Depreciation	**(11,469)**	**(10,938)**	**(12,436)**	**(15,208)**	**2,772**	**18%**	**(1,498)**	**-14%**

2019 Forecast vs. 2019 Budget

- Operating Revenues are forecasted $279K above budget with year to date favorability from later construction start at P66 Conference & Event Center.
- Operating Expenses are forecasted to be $2,493K below budget primarily due to unfilled positions, reduction in a couple initiative programs and mid-year change to Maintenance and common area allocation.

2019 Forecast vs. 2018 Actuals

- Operating Revenues are forecasted to be $700K lower than 2018 actual:
  - Loss of yard lease revenue in 2019.
  - Potential loss of Conference and Event Center space due to the capital modernization project.
- Operating Expenses are forecasted to be $971K higher than 2018 actual:
- Net Operating Income is forecasted to be $1.7M below 2018 actual.

D. CAPITAL RESULTS

$ in 000's	2019 YTD Actual	2019 Forecast	2019 Budget	Budget Variance $	Budget Variance %
Tenant Improvements -Capital	0	572	1,012	440	43%
RE: Contingency Renew.&Replace	0	902	1,000	98	10%
Small Projects	111	163	750	587	78%
BHICC Interior Modernization	555	732	750	18	2%
P66 HVAC Systems Upgrade	270	390	690	300	43%
T91 Upland PreDevelopment	101	141	625	484	77%
P69 Commission Chamber Refresh	258	331	301	(30)	-10%
P69 Solar Panel System	266	266	300	34	11%
EDD Technology Projects	0	170	250	80	32%
Fleet Replacement	0	30	30	0	0%
Other Projects	14	130	5	(125)	-2500%
Total Economic Development	1,575	3,827	5,713	1,886	33%

Comments on Key Projects:
Through the 3rd quarter of 2019, Economic Development spent 28% of the annual approved capital budget. Full year spending is estimated to be 67% of budget.

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

V. CENTRAL SERVICES FINANCIAL & PERFORMANCE REPORT 09/30/19

FINANCIAL SUMMARY

$ in 000's	2017 Actual	2018 Actual	2019 Forecast	2019 Budget	Fav (UnFav) Budget Variance $	%	Incr (Decr) Change from 2018 $	%
Total Operating Revenues	**68**	**(500)**	**1,131**	**185**	**946**	**511.5%**	**1,632**	**-326.0%**
Core Central Support Services	71,071	73,576	80,818	82,710	1,892	2.3%	7,242	9.8%
Police	22,095	23,908	29,436	30,778	1,342	4.4%	5,528	23.1%
Capital Development	17,370	15,501	17,177	18,628	1,452	7.8%	1,675	10.8%
Environment & Sustainability	6,975	8,770	11,202	13,224	2,022	15.3%	2,432	27.7%
Total Operating Expenses	**117,511**	**121,755**	**138,633**	**145,339**	**6,707**	**4.6%**	**16,877**	**13.9%**

2019 Forecast vs. 2019 Budget

- Operating Revenues are forecasted to be favorable due primarily to Police forfeiture seizures.
- Operating Expenses are forecasted to be $6.7M favorable to budget mainly due to staffing vacancies, projects spending delay, and delayed Outside Services costs.
- Capital spending is forecasted to be $11.7M, 49.8% lower than the budget.

2019 Forecast vs. 2018 Actuals

- Operating Revenues are expected to be $1.6M above 2018 mainly due to higher Police forfeiture seizures in 2019 and ($863K) special funding LEOFF 2 received from the Washington State Department of Retirement Systems (DRS) in 2018.
- Operating Expenses are forecasted to be $16.9M higher than 2018 mainly due to higher payroll expenses and more expense projects.

A. BUSINESS EVENTS

- Hosted Port 101 Ship Canal Boat Tour.
- Launched Seafood 101 industry promotional campaign; Social media campaign highlighted Eastside maritime businesses.
- Conducted forest stewardship trainings for Burien, Des Moines and SeaTac as part of the Green Cities Partnership with Forterra.
- Hosted several Airport Community Ecology (ACE) Fund drop-in sessions; seven applications were received for the fifth grant cycle of the ACE Fund.
- Police Marine Patrol Unit provided a waterside tour to our Federal partners participating in a Maritime Security class. The tour highlighted security vulnerabilities impacting a seaport.
- Issued $457 million of revenue bonds to help fund Airport investments.
- Received 2019 Budget Presentation Award from the Government Finance Officer Association (GFOA).
- Supplier Database implementation. Retired the outdated Procurement Roster and Management System (PRMS) and replaced it with VendorConnect, expanding our ability to catalogue and encourage use of minority-owned businesses, both within the Port and amongst our external business partners.
- Hosted International Erosion Control Association (IECA) Regional Event.
- Replaced the Aviation Stormwater GIS which will allow for upstream or downstream stormwater contamination tracking along a properly constructed pipe network.
- A new Project Delivery system for smaller and major construction projects is being developed to replace two legacy project management solutions and streamline key processes.

V. CENTRAL SERVICES FINANCIAL & PERFORMANCE REPORT 09/30/19

B. KEY PERFORMANCE METRICS

Key Performance Indicators/Measures	YTD 2017	YTD 2018	YTD 2019
A. Century Agenda Strategies			
1. Minority/Women-Owned Business Participation in Capital Dev Contracts	N/A	10.5%	TBD
B. High Performance Organization - Customer Satisfaction			
1. Respond to Public Disclosure Requests	388	492	480
2. Information Communication Technology Network Availability	99.9%	100%	99.8%
3. Customer Survey for Police Service Excellent or Above Average	83%	90%	86%
4. Oversee Implementation/Administration of CBAs agreements	122	94	98
5. Number of Jobs Openings	508	458	488
6. Percent of annual audit work plan completed each year	53%	71%	88%
C. High Performance Organization - Talent Development & Safety			
1. MIS and Clarity Training Classes	7	6	6
2. MIS and Clarity Training Attendees	47	52	46
3. Employee Development Class Attendees/Structured Learning	370	203	638
4. Required Safety Training	77%	54%	TBD
5. Occupational Injury Rate	4.68	5.50	4.97
6. Days Away Severity Rate	N/A	58.03	34.56
D. Financial Performance			
1. Corporate costs as a % of Total Operating Expenses	30.2%	31.0%	32.3%
2. Construction Soft Costs - Total Soft Costs (36 months avg.)	28%	18%	16%
3. Clean independent CPA audits involving AFR	Yes	Yes	Yes
4. Timely process disbursement payment requests	4 days	4 days	3 days
5. Keep receivables collections current (within 30 days)	94%	96%	80%
6. Investment Portfolio Yield	1.43%	2.01%	2.18%
7. Litigation and Claim Reserves (in $ thousand)	$2.1M	$1.4M	$2.2M

C. OPERATING RESULTS

Financial Summary (YTD)

$ in 000's	2017 YTD Actual	2018 YTD Actual	2019 Year-to-Date Actual	2019 Year-to-Date Budget	Fav (UnFav) Budget Variance $	Fav (UnFav) Budget Variance %	Incr (Decr) Change from 2018 $	Incr (Decr) Change from 2018 %
Total Operating Revenues	**249**	**237**	**1,045**	**102**	**942**	**919.2%**	**807**	**340.2%**
Core Central Support Services	52,549	56,146	58,524	61,834	3,309	5.4%	2,379	4.2%
Police	17,558	20,023	21,882	23,080	1,198	5.2%	1,859	9.3%
Capital Development	12,521	11,528	12,014	14,126	2,112	14.9%	486	4.2%
Environment & Sustainability	5,176	4,932	7,064	9,364	2,301	24.6%	2,132	43.2%
Total Operating Expenses	**87,805**	**92,629**	**99,485**	**108,404**	**8,920**	**8.2%**	**6,856**	**7.4%**

2019 YTD Actuals vs. Budget
- Operating Revenues were $942K favorable to budget due mainly to Police forfeitures revenues.
- Operating Expenses were $8.9M favorable to budget due primarily to staffing vacancies and lower Outside Services costs.

2019 YTD Actuals vs. 2018 YTD Actuals
- Operating Revenues were $807K higher than 2018 level due to Police forfeitures revenue.
- Operating Expenses were $6.9M higher than last year primarily due to higher Salaries & Benefits and Outside Services costs.

V. CENTRAL SERVICES FINANCIAL & PERFORMANCE REPORT 09/30/19

Financial Summary (Year-End Forecast)

		2017	2018	2019	2019	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2018	
$ in 000's	Notes	Actual	Actual	Forecast	Budget	$	%	$	%
Total Revenues		**68**	**(500)**	**1,131**	**185**	**946**	**511.5%**	**1,632**	**-326.0%**
Executive		1,287	2,136	2,060	1,995	(65)	-3.3%	(77)	-3.6%
Commission		1,685	1,848	2,123	2,153	30	1.4%	275	14.9%
Legal		3,741	3,948	4,230	3,568	(662)	-18.6%	282	7.1%
External Relations	1)	7,112	7,362	7,870	8,367	497	5.9%	508	6.9%
Equity Diversity and Inclusion	2)	-	-	503	351	(152)	-43.2%	503	0.0%
Human Resources		8,418	8,430	9,571	10,250	679	6.6%	1,141	13.5%
Labor Relations		1,678	1,079	1,315	1,330	15	1.1%	236	21.9%
Internal Audit		1,603	1,521	1,609	1,916	306	16.0%	89	5.8%
Accounting & Financial Reporting Services		6,751	6,842	7,950	8,500	550	6.5%	1,108	16.2%
Information & Communication Technology		21,633	21,961	24,105	23,966	(139)	-0.6%	2,144	9.8%
Information Security	3)	726	934	1,506	1,774	268	15.1%	571	61.1%
Finance & Budget		4,998	5,593	6,543	6,371	(173)	-2.7%	950	17.0%
Maritime Finance		1,229	1,445	1,623	1,623	-	0.0%	178	12.3%
Finance & Budget		1,871	1,843	2,132	2,132		0.0%	289	15.7%
Aviation Finance & Budget		1,897	2,305	2,789	2,616	(173)	-6.6%	484	21.0%
Business Intelligence		1,211	1,323	1,879	2,139	260	12.2%	557	42.1%
Risk Services		3,077	3,095	3,243	3,328	85	2.5%	148	4.8%
Office of Strategic Initiatives		1,882	1,596	1,584	1,776	192	10.8%	(12)	-0.8%
Central Procurement Office		3,861	4,630	4,678	4,678	-	0.0%	48	1.0%
Security and Preparedness	4)	1,029	1,093	-	-	-	0.0%	(1,093)	-100.0%
Contingency		381	185	50	250	200	80.0%	(135)	-73.0%
Core Central Support Services		**71,071**	**73,576**	**80,818**	**82,710**	**1,892**	**2.3%**	**7,242**	**9.8%**
Police		22,095	23,908	29,436	30,778	1,342	4.4%	5,528	23.1%
Total Before Cap Dev & Environment		**93,166**	**97,484**	**110,254**	**113,487**	**3,233**	**2.8%**	**12,770**	**13.1%**
Capital Development									
Engineering		5,284	5,477	5,989	7,530	1,542	20.5%	512	9.3%
Port Construction Services		3,709	3,522	3,249	2,739	(511)	-18.6%	(272)	-7.7%
Aviation PMG		6,942	4,876	6,291	6,794	503	7.4%	1,415	29.0%
Seaport PMG		1,007	1,052	1,348	1,096	(252)	-23.0%	296	28.2%
Capital Development Admin		428	574	300	470	170	36.1%	(274)	-47.8%
Sub-Total		17,370	15,501	17,177	18,628	1,452	7.8%	1,676	10.8%
Environment & Sustainability									
Aviation Environmental		3,779	5,006	5,968	6,510	542	8.3%	962	19.2%
Maritime Environmental & Planning		2,157	2,418	3,398	3,447	48	1.4%	981	40.6%
Noise Programs		670	722	817	811	(6)	-0.8%	95	13.2%
Environment & Sustainability		368	624	1,018	2,456	1,438	58.5%	394	63.2%
Sub-Total		6,975	8,770	11,202	13,224	2,022	15.3%	2,432	27.7%
Total Expenses		**117,511**	**121,755**	**138,633**	**145,339**	**6,707**	**4.6%**	**16,878**	**13.9%**

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

V. CENTRAL SERVICES FINANCIAL & PERFORMANCE REPORT 09/30/19

2019 Forecast vs. 2019 Budget

- Operating Expenses are forecasted to be $6.7M under budget due primarily to:
  - **Executive** – unfavorable variance of $65K due to unplanned Outside Services.
  - **Commission** – favorable variance of $30K is mainly due to lower Outside Services.
  - **Legal** – unfavorable variance of $662K is primarily due to unpredictable Legal Expenses.
  - **External Relations –** favorable variance of $976K is due to vacant positions $105K, lower Outside Services from South King County Fund of $592K, Travel $35K, and Promotional Expenses $70K.
  - **Equity, Diversity and Inclusion** – favorable variance of $145K is primarily due to vacant positions.
  - **Human Resources** – favorable variance of $679K is due to vacant positions, delayed Outside Services, and lower Travel.
  - **Labor Relations** – plans on being on budget.
  - **Internal Audit** – favorable variance of $306K is due to two vacant positions and lower Outside Services from one audit that came in below budget.
  - **Accounting and Financial Reporting Services –** $550K favorable variance from vacant positions, lower Travel Expenses due to Peoplesoft Financials upgrade, lower Outside Services, and unbudgeted credit card rebates and charges to Capital Labor.
  - Information & Communication Technology – unfavorable variance of $25K.
  - **Information Security –** favorable variance of $268K is due to vacant positions and Outside Services.
  - **Finance & Budget –** unfavorable variance of $173K is due to the higher payroll costs associated with job evaluation refresh and unplanned Outside Services costs to cover 2 FTEs on maternity leave.
  - **Business Intelligence** – favorable variance of $260K is primarily due to vacant positions.
  - **Risk Services** – favorable variance of $85K is due to vacant positions and property insurance renewal and broker fees being lower.
  - **Office of Strategic Initiative –** favorable variance of $192K is due to two vacant positions.
  - **Central Procurement Office** – plans on being on budget.
  - **Contingency** – favorable variance is due to less spending than anticipated.
  - **Police** – $1.3M favorable variance is due to vacant positions of $1.6M offset by $260K unbudgeted Equipment and higher jail costs of $100K and workers compensation reserves of $250K.
  - **Capital Development** – favorable variance of $1.2M is due to vacant positions, lower Outside Services costs, and planned increased charges to Capital Projects.
  - **Environment & Sustainability** – favorable variance of $1.3M due to the delay of the Sustainable Aviation Fuel & Air Emissions Program, and lower spending in Commission-directed COE contracts.

2019 Forecast vs. 2018 Actuals

- Operating Expenses are forecasted to be $16.9M higher than 2018 actuals mainly due to:
  - **Central Services** – one-time $9.5M DRS Pension Plan True-up credit in 2018.
  - **Capital Development** – forecast $1.7M above 2018 mainly due to the following:
    - More project-related expense to support the operating divisions.
    - Expenses offset by Aviation PMG Increasing charges to Capital by 3.4M.
  - **Police –** forecast $5.5M above 2018 due to the following:
    - Added 8 Traffic Support Specialist and 2 Drug Interdiction Officers during 2018 (2019 reflects the full-year costs).
    - Added 4 FTEs, a Police Sergeant and 3 Explosive Airborne Scent Canine Officers which were requested by the airlines in 2019.
    - Wages increase for the officers and sergeants in 2019.
  - **Environment & Sustainability –** forecast $2.4M over 2018 due to the following:
    - Added the following to the 2019 Budget which were not included in the 2018 Budget:
      - Environmental and Sustainability department added $750K for South King County Support Program, $150K for the Sustainability Evaluation Framework and $8K for Environmental Excellence Awards.
      - Maritime Environment and Planning added $200K for the Smith Cove Blue Carbon Pilot Project, $125K for Umbrella Mitigation, $135K for PORTfolio site maintenance/enhancements/support, $70K for Permitting related services, and $55K for Waste Management Program continuation.

- Aviation Environmental added $150K for MPU Wetland and stream monitoring, $125K to implement Sustainable Aviation Fuels (SAF) Workplan, $100K to Complete Airport's 5-year NPDES Permit Renewal Application, $100K for Contaminated Site Management, and an additional $326K for a number of environmental initiatives.

D. CAPITAL RESULTS

$ in 000's	2019 YTD Actual	2019 Forecast	2019 Budget	Budget Variance $	%
Infrastructure - Small Cap	572	1,089	1,500	411	27.4%
Services Tech - Small Cap	373	600	1,000	400	40.0%
Enterprise GIS - Small Cap	104	189	250	61	24.4%
Project Cost Management S	211	281	350	69	19.7%
Supplier Database System	368	410	410	0	0.0%
PeopleSoft Financials Upgrade	1,235	1,575	1,575	0	0.0%
Radio System Upgrade	3,072	5,572	9,140	3,568	39.0%
Police Records Mgmt System	0	0	800	800	100.0%
New Budget System	8	258	600	342	57.0%
Office Wi-Fi Refresh	0	0	500	500	100.0%
Maximo Upgrade	19	129	500	371	74.2%
Fiber Channel	0	0	600	600	100.0%
Phone System Upgrade	0	0	1,400	1,400	100.0%
STIA Network Redundancy	0	150	900	750	83.3%
CDD Fleet Replacement	188	258	1,439	1,181	82.1%
CDD Small Cap	0	281	351	70	19.9%
Corporate Fleet Replacement	355	355	1,328	973	73.3%
Other (note 1)	0	575	725	150	20.7%
TOTAL	**6,505**	**11,722**	**23,368**	**11,646**	**49.8%**

Note:

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