



PORT OF SEATTLE

2019 FINANCIAL PERFORMANCE REPORT

AS OF DECEMBER 31, 2019

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I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/19

EXECUTIVE SUMMARY

PORTWIDE FINANCIAL SUMMARY

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Aeronautical Revenues	264,114	291,268	357,598	365,604	(8,006)	-2.2%	66,330	22.8%
Airport Non-Aero Revenues	236,803	257,707	269,037	259,537	9,501	3.7%	11,331	4.4%
Non-Airport Revenues	131,114	140,415	137,538	128,115	9,424	7.4%	(2,876)	-2.0%
Total Operating Revenues	632,031	689,390	764,174	753,255	10,919	1.4%	74,784	10.8%
Total Operating Expenses	372,982	397,638	443,089	454,986	11,896	2.6%	45,452	11.4%
NOI before Depreciation	259,049	291,752	321,085	298,269	22,815	7.6%	29,333	10.1%
Depreciation	165,021	164,362	174,971	168,676	(6,294)	-3.7%	10,608	6.5%
NOI after Depreciation	94,028	127,390	146,114	129,593	16,521	12.7%	18,725	14.7%

2019 Actual vs. 2019 Budget:

The Port's operating results for 2019 were very strong. Total operating revenues were \$10.9M higher than budget due to continued strong performance in ADR & Terminal Leased Space, Ground Transportation, Rental Cars, Clubs and lounges, Airport Commercial Properties, Conference & Event Centers, and NWSA Distributable Revenues. Total operating expenses were \$11.9M below budget, largely due to a DRS Pension Plan credit of \$16.5M, spending delays on Outside Services, and underspending in utilities and travel accounts which were partially offset by higher costs related to snow removal at the airport during the snowstorm in February.

2019 Actual vs. 2018 Actual:

The Port's total operating revenues were \$74.8M higher compared with the prior year due to higher revenues in Clubs & Lounges, Ground Transportation, ADR & Terminal Leased Space, Public Parking, and Cruise. Total expenses were \$45.5M above prior year actuals due to higher spending in Outside Services, Equipment Expense, Environmental Remediation Liabilities Expense, Third Party Management Expense, higher payroll costs driven by the addition of new staff, and additional funding to support the Port's business goals and initiatives.

NON-AIRPORT FINANCIAL SUMMARY

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
NWSA Distributable Revenue	54,925	55,992	47,979	43,911	4,069	9.3%	(8,013)	-14.3%
Maritime Revenues	54,183	57,575	59,289	59,729	(440)	-0.7%	1,714	3.0%
EDD Revenues	17,791	20,705	21,151	19,725	1,426	7.2%	446	2.2%
SWU & Other	4,214	6,143	9,119	4,749	4,370	92.0%	2,976	48.4%
Total Operating Revenues	131,114	140,415	137,538	128,115	9,424	7.4%	(2,876)	-2.0%
Total Operating Expenses	73,868	78,789	86,455	88,881	2,426	2.7%	7,666	9.7%
NOI before Depreciation	57,246	61,626	51,084	39,234	11,850	30.2%	(10,542)	-17.1%
Depreciation	40,619	40,159	38,737	37,832	(905)	-2.4%	(1,422)	-3.5%
NOI after Depreciation	16,628	21,467	12,347	1,402	10,944	780.5%	(9,120)	-42.5%

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/19

2019 Actual vs. 2019 Budget:

Excluding Aeronautical revenues which are based on cost recovery and Airport Non-Aero Revenues, Total Non-Airport operating revenues were \$9.4M above budget mainly due to higher revenues from Conference & Event Centers and NWSA Distributable Revenues. Total operating expenses were \$2.4M lower than budget due to DRS Pension Plan True-up credit, unfilled positions, and lower Outside Services and Travel & Other Employee expenses.

2019 Actual vs. 2018 Actual:

Non-airport operating revenues were \$2.9M less than the prior year due to the decline in NWSA Distributable Revenues driven by lower container volumes, a lease termination and higher expenses due to increased depreciation and crane removal expenses.

MAJOR OPERATING REVENUES SUMMARY

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Aeronautical Revenues	264,114	291,268	357,598	365,604	(8,006)	-2.2%	66,330	22.8%
Public Parking	75,106	80,212	82,125	82,350	(226)	-0.3%	1,913	2.4%
Rental Cars - Operations	35,051	37,306	36,793	36,455	339	0.9%	(513)	-1.4%
Rental Cars - Operating CFC	10,641	16,263	15,773	13,624	2,149	15.8%	(490)	-3.0%
ADR & Terminal Leased Space	58,980	64,323	68,013	64,393	3,620	5.6%	3,690	5.7%
Ground Transportation	15,684	18,772	20,765	19,734	1,031	5.2%	1,993	10.6%
Employee Parking	9,617	10,269	10,438	10,134	304	3.0%	168	1.6%
Airport Commercial Properties	18,042	15,434	15,773	14,219	1,554	10.9%	339	2.2%
Airport Utilities	7,018	7,206	7,431	8,058	(627)	-7.8%	225	3.1%
Clubs and Lounges	5,041	6,802	10,274	8,520	1,753	20.6%	3,472	51.0%
Cruise	17,596	18,880	22,410	22,406	4	0.0%	3,530	18.7%
Recreational Boating	11,086	12,529	12,484	12,794	(311)	-2.4%	(45)	-0.4%
Fishing & Operations	9,297	9,763	10,024	9,947	77	0.8%	261	2.7%
Grain	5,427	5,167	4,266	4,254	12	0.3%	(901)	-17.4%
Maritime Portfolio Management	10,787	11,305	10,108	10,328	(220)	-2.1%	(1,198)	-10.6%
Central Harbor Management	8,634	9,018	8,898	8,895	3	0.0%	(119)	-1.3%
Conference & Event Centers	9,133	11,703	12,239	10,795	1,444	13.4%	536	4.6%
NWSA Distributable Revenue	54,925	55,992	47,979	43,911	4,069	9.3%	(8,013)	-14.3%
Other	5,854	7,177	10,783	6,833	3,950	57.8%	3,606	50.2%
Total Operating Revenues (w/o Aero)	367,917	398,122	406,576	387,651	18,924	4.9%	8,454	2.1%
TOTAL	632,031	689,390	764,174	753,255	10,919	1.4%	74,784	10.8%

MAJOR OPERATING EXPENSES SUMMARY

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Salaries & Benefits	112,837	127,575	137,399	142,611	5,212	3.7%	9,824	7.7%
Wages & Benefits	108,041	108,381	119,944	129,319	9,375	7.2%	11,562	10.7%
Payroll to Capital Projects	25,708	28,329	27,844	33,899	6,055	17.9%	(485)	-1.7%
Equipment Expense	11,118	10,622	11,871	8,035	(3,836)	-47.7%	1,249	11.8%
Supplies & Stock	10,238	10,781	11,200	8,755	(2,445)	-27.9%	420	3.9%
Outside Services	83,603	99,885	107,207	115,243	8,036	7.0%	7,322	7.3%
Utilities	23,529	25,552	25,838	28,169	2,330	8.3%	286	1.1%
Travel & Other Employee Expenses	4,767	4,848	5,467	6,936	1,468	21.2%	620	12.8%
Promotional Expenses	1,408	1,956	3,022	2,650	(372)	-14.0%	1,067	54.5%
Other Expenses	37,134	32,789	47,931	41,912	(6,019)	-14.4%	15,141	46.2%
Charges to Capital Projects/Overhead Alloc	(45,401)	(53,081)	(54,634)	(62,542)	(7,908)	12.6%	(1,553)	2.9%
TOTAL	372,982	397,638	443,089	454,986	11,896	2.6%	45,452	11.4%

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/19

KEY PERFORMANCE METRICS

	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Budget	Budget Variance	Chg. %	Change from 2018	Chg. %
Total Passengers (in 000's)	49,850	51,829	50,787	1,042	2.1%	1,979	4.0%
Landed Weight (lbs. in 000's)	30,350	31,562	29,912	1,650	5.5%	1,212	4.0%
Passenger CPE (in \$)	10.79	12.85	13.39	(0.54)	-4.0%	2.06	19.1%
Grain Volume (metric tons in 000's)	4,379	3,404	3,580	(176)	-4.9%	(975)	-22.3%
Cruise Passenger (in 000's)	1,115	1,211	1,203	7	0.6%	96	8.6%
Shilshole Bay Marina Occupancy	96.3%	94.7%	96.2%	-1.5%	-1.6%	-1.6%	-1.7%

KEY BUSINESS EVENTS

The Port adopted the Duwamish Valley Community Benefits Commitment Policy to promote community partnerships, healthy environments and communities, and economic prosperity. The Port also sponsored Green City Days in near-airport communities as part of the multi-year collaborative project to foster urban forest stewardship. Additionally, the Port announced its partnership with sustainability leaders to develop the Embodied Carbon in Construction Calculator (EC3) tool which will enable the building industry to transparently measure, compare, and reduce embodied carbon emissions from construction materials. The Racial Equity Pilot program was implemented, and several construction contracts were awarded for the new Shilshole Customer Service Facility Building. The Port also hosted 11 PortGen events in 2019 with over 300 small/WMBE businesses in attendance.

The Port received several awards in 2019 which included the AAPA Award of Excellence in environmental enhancements for stormwater innovations; the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) for the 14th consecutive year; and GFOA's Distinguished Budget Presentation Award for the 2019 Budget document for the 12th consecutive year. In addition, 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. The Port also won its second Cruise Critic Award, this time for Best North American Homeport in 2019. Seattle was also named 'Cruiser's Choice' in Top 5 Destinations for 2019. The 2019 cruise season ended with a record number of passengers of over 1.2M and a successful Port Valet program with 20% overall increase in passenger participation year over year.

In December, the Port set guiding principles for the public-facing use of biometric technology at Port facilities after conducting study sessions in September and October. The next step would be to translate these principles into policies that will guide decision-making regarding this topic. The Airport launched the voluntary Late-Night Noise Limitation Program to encourage air carriers to fly during less noise-sensitive hours or transition to quieter aircraft; the recently released 2019 fourth quarter report showed all airlines with late-night operations that exceeded noise thresholds during the quarter and ranked air carriers by their number of exceedances during the late-night hours. The Airport also launched several programs which included: SEA Visitor program, on-line parking pre-booking/reservation system, and on-demand taxi system.

I. PORTWIDE FINANCIAL & PERFORMANCE REPORT 12/31/19

CAPITAL SPENDING SUMMARY

\$ in 000's	2016	2017	2018	2019	2019	Budget Variance	
	Actual	Actual	Actual	Actual	Budget	\$	%
Aviation	153,889	294,497	579,135	573,598	767,732	194,134	25.3%
Maritime	5,744	20,489	25,091	7,887	17,638	9,751	55.3%
Economic Development	4,731	3,739	2,066	3,121	5,713	2,592	45.4%
Central Services & Other ¹	5,097	5,798	11,456	12,027	25,203	13,176	52.3%
TOTAL	169,461	324,523	617,748	596,633	816,286	219,653	26.9%

Note:

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

There has been a significant increase in capital spending in the last two years. The 2019 capital spending was \$596.6M which represents 73% of the budget. Major projects include: IAF, NSAT, and Checked Baggage Recap Optimization.

PORTWIDE INVESTMENT PORTFOLIO

During the fourth quarter of 2019, the investment portfolio earned 2.12% versus the benchmark's (the Bank of America Merrill Lynch 1-3 Year US Treasury & Agency Index) 1.60%. Over the last twelve months the portfolio and the benchmark have earned 2.16% and 1.85%, respectively. Since the Port became its own Treasurer in 2002, the life-to-date earnings of the Port's portfolio and the benchmark are 2.44% and 1.83%, respectively.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/19

FINANCIAL SUMMARY

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Operating Revenues:								
Aeronautical Revenues	264,114	291,268	357,598	365,604	(8,006)	-2.2%	66,330	22.8%
Non-Aeronautical Revenues	236,803	257,707	269,037	259,537	9,501	3.7%	11,331	4.4%
Total Operating Revenues	500,916	548,975	626,636	625,140	1,495	0.2%	77,661	14.1%
Total Operating Expense	299,114	318,849	356,635	366,105	9,470	2.6%	37,786	11.9%
Net Operating Income	201,802	230,126	270,001	259,036	10,965	4.2%	39,875	17.3%
Capital Expenditures	293,785	579,135	573,598	767,732	194,134	25.3%	(5,537)	-1.0%

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

2019 Actual vs. 2019 Budget

- Total Net Operating Income (NOI) for 2019 is \$10.9M higher than budget (4.2% favorable), driven by:
 - Higher Non-Aeronautical revenue (9.5M or 3.7% favorable) due to strong performance at year-end with Port Clubs and Lounges, In-Flight Meals, TNCs (Transportation Network Companies) within Ground Transportation, Airport Dining & Retail, Non-Airline Terminal Leased Space, and Rental Cars. Public Parking came in line with budget at year-end.
 - Operating Expenses performed favorable to budget (\$9.5M or 2.6%), driven primarily the year-end pension credit adjustment which resulted in \$13.4M in payroll cost savings. Additionally, there were savings of \$3.0M in allocations from other divisions - largely due to spending delays of approximately \$745k in Central Services, \$1.7M in Capital Development, and \$550K in Police. Without the pension credit savings, total operating expenses would be slightly unfavorable (\$3.9M or 1.1%) to budget - mainly due to Q1 snow cleanup impact, environmental remediation expenses, and capital write-offs to expenses.

2019 Actual vs. 2018 Actual

- Net Operating Income for 2019 is \$39.9M higher than prior year (17.3% favorable)
 - Higher Operating Revenue (\$77.7 or 14.1%) compared to prior year due to:
 - Higher Aeronautical revenue (\$66.3M higher) due to increased rate-based costs and lower revenue sharing.
 - Stronger Non-Aeronautical revenue performance (\$11.3M higher) in Port Clubs and Lounges, Ground Transportation, Non-Airline Terminal Lease Spaces, Public Parking, Commercial Properties, and Airport Dining & Retail.
 - Higher Operating Expenses (\$37.8M or 17.3%) compared to prior year due to:
 - Higher direct airport payroll costs related to increased staffing of approximately \$7.3M (includes pension credit)
 - Higher Airport Expenses mostly due to snow removal expenses incurred in 2019.
 - Higher outside services expenses of approximately \$7.1M primarily due to non-recurring expenses focused on addressing strategic initiatives throughout the airport.
 - Higher charges from other divisions of \$6.9M. Environmental Liability Expense is \$9.7M higher, offset by lower Capital write-offs of \$4.8M.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/19

A. BUSINESS EVENTS

- **Activity:**
 - Total passengers: +4.0%
 - International passengers: + 5.5%
 - Cargo metric tons: + 4.9%
- **Other:**
 - Launched SEA Visitor Pass program
 - Launched on-line parking pre-booking/reservation system
 - 100% of front-line staff completed WE ARE SEA training
 - Launched on-demand taxi system
 - Completed ADR (Master Plan) tenant selection process (Lease Grp 1-5)

Business Highlight Goals

- **Safety:**
 - Airfield composite safety score of 19 exceeds annual target of 18
 - Safety evaluation score of 105% vs. objective of 90%
 - Individual not going home: 63 vs. 2019 goal < 52
- **Security:**
 - Modified approach to Phase 2 employee screening for airfield – will initiate mobile random screening team in Q1 2020.
 - Perimeter Intrusion Detection system – delayed, but on track for 2020.
 - 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, decision was made to conduct survey in 2020 rather than Q4 2019.
 - Each department implemented action plans to address opportunities.
- **Innovations & Efficiencies:**
 - Conducted three Shark Tank innovation forums in 2019
 - Implement two efficiencies or innovations in each department – completed 18 vs. target of 22
- **Asset Management:**
 - Completed inventories of 50% of airport assets (on plan)
 - Completed parking garage structural assessment by Q4 (on plan)
- **Social Responsibility:**
 - Airport Concessions Disadvantaged Business Enterprise (ACDBE) share of sales = 26.8% vs. goal of 22%
 - Disadvantaged Business Enterprise (DBE) share of FAA grant contract spending of 11.08% vs. goal of 8%
 - Women and Minority Business Enterprise share of spending on personal services contracts =14.9% vs. goal of 12%
- **Customer Service:**
 - Exceeded five-year average for 3 of 6 key ASQ measures (goal was 2):
 - Exceeded: Waiting time at Security Check Points; Internet Access/Wi-Fi; Airport staff courtesy/helpfulness
 - Missed: Washroom cleanliness; Ease of wayfinding; Comfort of waiting/gate areas
- **Environment and Sustainability:**
 - Substantial progress on renewable natural gas contract
 - Noise: substantial progress on sound insulation bid package for first condominium; insulated 17 single family homes
 - Stormwater: Received King County approval on plan to meet effluent limits
- **Financial Performance:**
 - Achieved both 2019 goals:
 - Non-aeronautical NOI of \$150.8M vs. budget of \$136.6M

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/19

- Airline costs (CPE) of \$12.85 vs. budget of \$13.39
- **Major Capital Projects:**
 - North Satellite:
 - Completed Phase 1
 - Started construction on Phase 2
 - International Arrivals Facility:
 - Erection of center span and transport delayed (completed in January 2020)
 - Pod C on track
 - Baggage Optimization:
 - Phase 1 90% complete
 - Phase 2 design complete
 - Phase 2 bids exceeded engineers estimate – likely delay
- **Sustainable Airport Master Plan (SAMP)**
 - Finalized NEPA scope of work; submitted updated forecast; progress on purpose and need, alternatives, existing conditions

B. KEY PERFORMANCE METRICS

	2017	2018	2019	% Change from 2018
Total Passengers (000's)				
Domestic	41,804	44,422	46,101	3.8%
International	5,130	5,428	5,728	5.5%
Total	46,935	49,850	51,829	4.0%
Operations	416,124	438,391	450,487	2.8%
Landed Weight (In Millions of lbs.)				
Cargo	2,323	2,471	2,485	0.6%
All other	26,107	27,879	29,078	4.3%
Total	28,431	30,350	31,562	4.0%
Cargo - Metric Tons				
Domestic freight	242,271	241,397	252,671	4.7%
International freight	123,934	133,274	143,647	7.8%
Mail	59,651	57,644	57,231	-0.7%
Total	425,856	432,315	453,549	4.9%

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/19

Key Performance Measures

	2017 Actual	2018 Actual	2019 Actual	2019 Budget	Fav (UnFav) Budget Vairance		Incr (Decr) Change from 2018	
					\$	%	\$	%
Key Performance Metrics								
Cost per Enplanement (CPE)	10.52	10.79	12.85	13.39	0.53	4.0%	2.07	19.1%
Non-Aeronautical NOI (in 000's)	133,101	149,959	150,752	136,534	14,218	10.4%	793	0.5%
Other Performance Metrics								
O&M Cost per Enplanement	12.77	12.81	13.78	14.42	0.63	4.4%	0.98	7.6%
Non-Aero Revenue per Enplanement	10.11	10.35	10.40	10.22	0.18	1.7%	0.05	0.4%
Debt per Enplanement (in \$)	114	133	133	123	(9)	-7.7%	(0)	-0.3%
Debt Service Coverage	1.57	1.66	1.68	1.65	0.03	2.1%	0.02	1.4%
Days cash on hand (10 months = 304 days)	379	235	314	278	36	13.0%	79	33.5%
Aeronautical Revenue Sharing (\$ in 000's)	(42,311)	(36,863)	(17,146)	(15,682)	(1,464)	-9.3%	19,717	53.5%
Activity (in 000's)								
Enplanements	23,416	24,894	25,874	25,394	480	1.9%	980	3.9%

Key Performance Metrics

2019 Actual vs. 2019 Budget:

- Cost per Enplanement (CPE):
 - CPE is (\$0.53, or 4.0%) favorable to 2019 budget driven primarily by lower allocations from other divisions driven by payroll savings due to pension credit and spending delays in projects and program spending.
 - Non-Aero NOI is (\$14.2M or 10.4%) favorable to budget due to both higher revenues, payroll savings due to pension credit, and deferred project expense spending.

2019 Actual vs. to 2018 Actual:

- Non-Aero NOI:
 - CPE is \$2.07 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 is flat to prior year due to higher expenses 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 12/31/19

C. OPERATING RESULTS

Division Summary – YE Actual

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget	Variance	Change from 2018	
					\$	%	\$	%
Operating Revenues:								
Gross Aeronautical Revenues (1)	267,690	291,268	357,598	365,604	(8,006)	-2.2%	66,330	22.8%
SLOA III Incentive Straight Line Adj (2)	(3,576)	-	-	-	-	0.0%	-	N/A
Aeronautical Revenues	264,114	291,268	357,598	365,604	(8,006)	-2.2%	66,330	22.8%
Non-Aeronautical Revenues	236,803	257,707	269,037	259,537	9,501	3.7%	11,331	4.4%
Total Operating Revenues	500,916	548,975	626,636	625,140	1,495	0.2%	77,661	14.1%
Operating Expenses:								
Payroll	114,463	125,341	132,688	135,611	2,923	2.2%	7,347	5.9%
Outside Services	41,055	47,638	54,774	60,950	6,175	10.1%	7,137	15.0%
Utilities	16,374	18,237	18,115	20,235	2,120	10.5%	(122)	-0.7%
Other Airport Expenses	28,292	25,125	36,804	28,397	(8,407)	-29.6%	11,680	46.5%
Total Airport Direct Charges	200,184	216,341	242,382	245,192	2,810	1.1%	26,041	12.0%
Environmental Remediation Liability	8,812	6,233	15,900	14,259	(1,641)	-11.5%	9,667	155.1%
Capital to Expense	2,856	6,891	2,089	-	(2,089)	0.0%	(4,802)	-69.7%
Total Exceptions	11,668	13,124	17,989	14,259	(3,730)	-26.2%	4,865	37.1%
Total Airport Expenses	211,852	229,465	260,371	259,451	(920)	-0.4%	30,906	13.5%
Police Costs	17,652	19,231	22,290	25,137	2,848	11.3%	3,059	15.9%
Capital Development	14,701	12,607	12,906	16,242	3,336	20.5%	299	2.4%
Other Central Services	51,004	53,121	56,135	60,129	3,994	6.6%	3,014	5.7%
Maritime/Economic Development	3,904	4,425	4,933	5,145	212	4.1%	509	11.5%
Total Charges from Other Divisions	87,262	89,384	96,264	106,654	10,389	9.7%	6,880	7.7%
Total Operating Expense	299,114	318,849	356,635	366,105	9,470	2.6%	37,786	11.9%
Net Operating Income	201,802	230,126	270,000	259,036	10,965	4.2%	39,875	17.3%
CFC Surplus	(2,750)	(7,724)	(6,889)	(3,993)	(2,896)	-72.5%	834	10.8%
Net Non-Operating Items in / out from ADF (3)	3,481	3,167	6,272	6,069	202	3.3%	3,105	98.0%
SLOA III Incentive Straight Line Adj	3,576	-	-	-	-	0.0%	-	n/a
Debt Service	(131,060)	(136,218)	(160,243)	(158,696)	(1,548)	1.0%	(24,025)	-17.6%
Adjusted Net Cash Flow	75,050	89,351	109,140	102,416	6,723	6.6%	19,789	22.1%

Operating Expenses – 2019 Actual vs. 2019 Budget (\$9.5M or 2.6% favorable):

- Total Operating Expenses is \$9.5M favorable driven primarily by:
 - Year-end pension credit adjustment of \$13.4M resulting in payroll cost savings.
 - Without the pension credit adjustment, total operating expenses would have been approximately \$3.9M over budget. This still would have been closely in-line within budget, within 1.1%.
 - Savings from spending delays (approximately \$3M): Central Services (\$745K favorable), Capital Development (\$1.7M favorable), Police (\$550K favorable)
 - The two categories of savings above helped to offset the following Direct Airport Expense that would have been over by \$6.9M:
 - Snow removal impact from Q1 2019 – impacted both payroll and non-payroll costs by approx. \$3.2M
 - Environmental Remediation Liability (ERL) – higher by \$1.6M
 - Capital to Expense charges – higher by \$2.1M

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/19

Aeronautical Business Unit Summary – YE Actual

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Revenues:								
Movement Area	108,638	116,703	123,436	130,873	(7,437)	-5.7%	6,733	5.8%
Apron Area	16,771	15,627	22,016	19,714	2,302	11.7%	6,389	40.9%
Terminal Rents	155,431	169,318	205,283	203,319	1,965	1.0%	35,965	21.2%
Federal Inspection Services (FIS)	18,612	16,226	12,321	14,521	(2,199)	-15.1%	(3,905)	-24.1%
Total Rate Base Revenues	299,452	317,874	363,057	368,426	(5,370)	-1.5%	45,183	14.2%
Commercial Area	10,574	10,257	11,687	12,859	(1,172)	-9.1%	1,430	13.9%
Subtotal before Revenue Sharing	310,026	328,131	374,744	381,286	(6,542)	-1.7%	46,613	14.2%
Revenue Sharing	(42,311)	(36,863)	(17,146)	(15,682)	(1,464)	-9.3%	19,717	53.5%
Other Prior Year Revenues	(26)	-	-	-	-	0.0%	-	
Total Aeronautical Revenues	267,690	291,268	357,598	365,604	(8,006)	-2.2%	66,330	22.8%
Total Aeronautical Expenses	195,414	211,101	238,349	243,102	4,753	2.0%	27,248	12.9%
Net Operating Income	72,276	80,167	119,249	122,502	(3,253)	-2.7%	39,083	48.8%
Debt Service ⁽¹⁾	(86,564)	(91,673)	(110,945)	(109,343)	(1,601)	-1.5%	(19,272)	-21.0%
Net Cash Flow	(14,288)	(11,506)	8,305	13,159	(4,854)	36.9%	19,811	172.2%

Airline Rate Base Cost Drivers

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
O&M	192,188	206,076	231,927	237,387	(5,460)	-2.3%	25,851	12.5%
Debt Service Gross	113,832	115,419	135,902	136,513	(611)	-0.4%	20,483	17.7%
Debt Service PFC Offset	(33,057)	(32,987)	(33,036)	(33,045)	10	0.0%	(48)	0.1%
Amortization	29,654	32,371	30,599	30,121	478	1.6%	(1,772)	-5.5%
Space Vacancy	(2,264)	(2,132)	(1,516)	(1,521)	5	-0.4%	616	-28.9%
TSA Operating Grant and Other	(901)	(873)	(820)	(1,028)	208	-20.3%	53	-6.1%
Rate Base Revenues	299,452	317,874	363,057	368,426	(5,370)	-1.5%	45,183	14.2%
Commercial area	10,574	10,257	11,687	12,859	(1,172)	-9.1%	1,430	13.9%
Total Aero Revenues	310,026	328,131	374,744	381,286	(6,542)	-1.7%	46,613	14.2%

Aeronautical – 2019 Actual vs. 2019 Budget

- Aeronautical net operating income is (\$3.3M or 2.7%) unfavorable to budget, due to:
 - Lower Aeronautical Revenues (\$8M or 2.2%) driven primarily by savings in payroll due to the year-end pension credit adjustment – approximately \$2.1M adjustment to the Aero Rate Base, delayed spending in capital development and related capital project expenses, and higher revenue sharing to airlines due to stronger performance in the Non-Aeronautical businesses.

Aeronautical – 2019 Actual vs. 2018 Actual

- Net Operating Income for 2019 is \$39M higher than prior year (48.8 % favorable)
 - \$66.3M higher revenue from rate-based costs to recover increased airline activity, and due to lower revenue sharing to the Airlines per SLOA IV airline.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/19

- \$27.2M higher expenses due to increased airport direct operating expenses to support increased airline activity and higher charges from other divisions.

Non-Aero Business Unit Summary – YE Actuals

\$ in 000's	2017 Actual	2018 Actual	2019 Actual	2019 Budget	Fav (UnFav) Budget Variance		Incr (Decr) Change from 2018	
					\$	%	\$	%
Non-Aero Revenues								
Rental Cars - Operations	35,051	37,306	36,793	36,455	339	0.9%	(513)	-1.4%
Rental Cars - Operating CFC	10,641	16,263	15,773	13,624	2,149	15.8%	(490)	-3.0%
Public Parking	75,106	80,212	82,125	82,350	(226)	-0.3%	1,913	2.4%
Ground Transportation	15,684	18,772	20,765	19,734	1,031	5.2%	1,993	10.6%
Airport Dining & Retail	54,611	59,021	61,615	59,484	2,131	3.6%	2,593	4.4%
Non-Airline Terminal Leased Space	4,369	5,302	6,398	4,909	1,489	30.3%	1,096	20.7%
Commercial Properties	18,042	15,434	15,773	14,219	1,554	10.9%	339	2.2%
Utilities	7,018	7,206	7,431	8,058	(627)	-7.8%	225	3.1%
Employee Parking	9,617	10,269	10,438	10,134	304	3.0%	168	1.6%
Clubs and Lounges	5,041	6,802	10,274	8,520	1,753	20.6%	3,472	51.0%
Other	1,624	1,119	1,653	2,049	(395)	-19.3%	534	47.7%
Total Non-Aero Revenues	236,803	257,707	269,037	259,537	9,501	3.7%	11,331	4.4%
Total Non-Aero Expenses	103,702	107,748	118,286	123,003	4,717	3.8%	10,538	9.8%
Net Operating Income	133,101	149,959	150,752	136,534	14,218	10.4%	793	0.5%
Less: CFC (Surplus) / Deficit ⁽¹⁾	(2,750)	(7,724)	(6,889)	(3,993)	(2,896)	-72.5%	834	10.8%
Adjusted Non-Aero NOI	130,351	142,235	143,862	132,540	11,322	8.5%	1,627	1.1%
Debt Service ⁽¹⁾	(44,495)	(44,545)	(49,299)	(49,352)	54	0.1%	(4,753)	-10.7%
Net Cash Flow	85,856	97,690	94,564	83,188	11,376	13.7%	(3,126)	-3.2%

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

Non-Aeronautical – 2019 Actual vs. 2019 Budget

- Non-Aeronautical net operating income is \$14.2M higher than budget (10.4% favorable).
 - Higher projected revenues (\$9.5M or 3.7% higher) due to continued favorable performance in Port Clubs and Lounges, and in Ground Transportation - driven by strong demand. Non-Airline Terminal Leased Space, Rental Cars, and Airport Dining & Retail also ended favorably at year-end. Public Parking performed to Budget.
 - Lower expenses (\$4.7M or 3.8% lower) due largely to savings from the pension credit adjustment and delayed spending from other divisions which helped to absorb the impact of snow removal costs to Landside in Q1.

Non-Aeronautical – 2019 Actual vs. 2018 Actual

- Non-Aeronautical Net Operating Income for 2019 is relatively flat compared to prior year (only \$793k or 0.5% higher) despite stronger non-aeronautical revenues (\$11.3M or 4.4% higher) in Clubs and Lounges, Airport Dining & Retail, Ground Transportation, and Public Parking. Expenses are (\$10.5M or 9.8%) higher compared to prior year due to increased 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.

II. AVIATION DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/19

D. CAPITAL RESULTS

Capital Variance

\$ in 000's Description	2019	2019	Budget Variance	
	YTD Actual	Budget	\$	%
International Arrivals Fac-IAF ⁽¹⁾	311,613	376,548	64,935	17.2%
NS NSAT Renov NSTS Lobbies ⁽²⁾	133,219	141,054	7,835	5.6%
SD Pond Bird Deterrent Improv ⁽³⁾	3,489	9,620	6,131	63.7%
AFLD Pvmnt Program 2016-2020 ⁽⁴⁾	4,593	10,350	5,757	55.6%
Terminal Security Enhancements ⁽⁵⁾	1,796	6,700	4,904	73.2%
RCF Pavement Remediation ⁽⁶⁾	810	5,200	4,390	84.4%
Checked Bag Recap/Optimization ⁽⁷⁾	21,973	25,865	3,892	15.0%
Arc Flash Mitigation ⁽⁸⁾	80	3,636	3,556	97.8%
Service Tunnel Renewal/Replace ⁽⁹⁾	11,694	15,000	3,306	22.0%
Highline School Insulation ⁽¹⁰⁾	6	3,300	3,295	99.8%
Parking Garage Elevators Modernization ⁽¹¹⁾	483	3,590	3,107	86.6%
Fire Station - Westside ⁽¹²⁾	949	4,000	3,051	76.3%
SSAT Infrastructure HVAC ⁽¹³⁾	9,072	6,250	(2,822)	-45.1%
All Other	73,822	156,618	82,796	52.9%
Total Spending	573,598	767,732	194,134	25.3%

1. Steel fabrication and trade staffing challenges have caused significant delays to the project.
2. Delay with mechanical air handling equipment purchase, construction labor leveling efforts both contributed to annual cashflow variance.
3. Originally, the construction was to be done in one year, but construction timing has now shifted into year two.
4. WP U00495 (2019AIP) had bid much lower than engineer's estimate. WP U00503 (2020 AIP) scope originally was to be in four key locations on the Airfield. AVOPs indicated that the original scope locations were too disruptive. The 2020 project scope was adjusted to align with operations request.
5. 2019 Baseline cashflow prepared prior to scope revision (sidewalk surfacing). Scope revision contributed to a four-month construction delay. Subsequently, bids were cancelled, and construction did not start in 2019.
6. 2019 Baseline cashflow prepared prior to scope revision (security fencing). Scope revision delayed construction by two months. Subsequent to scope revision, construction delayed by an additional month due to a bid protest.
7. Contractor is six months behind schedule, spending is behind original estimate.
8. Design delays have postponed the start of construction until 2020.
9. 2019 Baseline cashflow assumed traffic management change order was implemented, ultimately, this did not occur. Furthermore, reduced spending on work in the main garage also contributed to the variance.
10. Awaiting grant issuance for project to commence.
11. Work project U00434 - elevator shafts and vestibules are being delayed until 2020 construction season due to design delays and weather windows.
12. A change in delivery method (from two major works contracts to one contract) has resulted in a delay in the construction start date until Q2 2020.
13. Adjusted the work areas to allow the contractor more efficiencies with larger spaces to complete the work, accelerating spending this year.

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/19

FINANCIAL SUMMARY

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Forecast	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Total Revenues	54,183	57,575	59,289	59,729	(441)	-1%	1,714	3%
Total Operating Expenses	42,164	43,252	48,644	50,822	2,177	4%	5,392	12%
Net Operating Income	12,020	14,323	10,644	8,908	1,737	19%	(3,678)	-26%
Capital Expenditures	5,746	20,489	7,887	17,838	9,951	56%	(12,602)	-62%

2019 Actual vs. 2019 Budget

- Operating Revenues are \$441K below budget.
- Operating Expenses are \$2.2M below budget due to \$1.9M pension adjustment.
- Net Operating Income \$1.7M above budget.
- Capital spending for full year 2019 was \$7.9 million or 44% of the approved budget of \$17.8 million.

2019 Actual vs. 2018 Actual

- Operating Revenues are \$1.7M above 2018 due to higher tariff rates and increased Cruise Passengers. These are offset by WSDOT leaving T46 and T106.
- Operating Expenses are \$5.4M greater than 2018 primarily from increased wage rates, change in maintenance allocation, capital to expense, environmental remediation, and central services.
- Net Operating Income is \$3.7M less than 2018.

Net Operating Income before Depreciation by Business

\$ in 000's	2017	2018	2019		Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Ship Canal Fishing & Operations	(2,411)	(2,073)	(2,512)	(2,298)	(213)	-9%	(438)	-21%
Elliott Bay Fishing & Commercial Operations	959	624	629	(269)	898	334%	5	NA
Recreational Boating	1,305	2,125	1,325	1,045	280	27%	(799)	-38%
Cruise	8,599	9,029	10,514	10,388	126	1%	1,484	16%
Bulk	4,030	3,430	2,566	2,444	122	5%	(863)	-25%
Maritime Portfolio	167	1,098	(1,338)	(1,654)	316	19%	(2,436)	-222%
All Other	(630)	90	(540)	(748)	208	28%	(630)	698%
Total Maritime	12,020	14,323	10,644	8,908	1,737	19%	(3,678)	-26%

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/19

A. BUSINESS EVENTS

Cruise – Ended the 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. Completed preferential berth agreement with Carnival Cruise Lines guaranteeing 500,000 customers over the next three seasons.

Fishing and Commercial Marinas – The 680’ Ocean Phoenix finished her last season of Pollock. This capacity currently has been absorbed by the 367’ MV Excellence and the 276’ Phoenix (formerly named Pacific Glacier). Additional new vessels of this class will be delivered in coming years. Design funding at Terminal 91 for the NW Fender and Berths 6 & 8 have been approved to meet this coming demand.

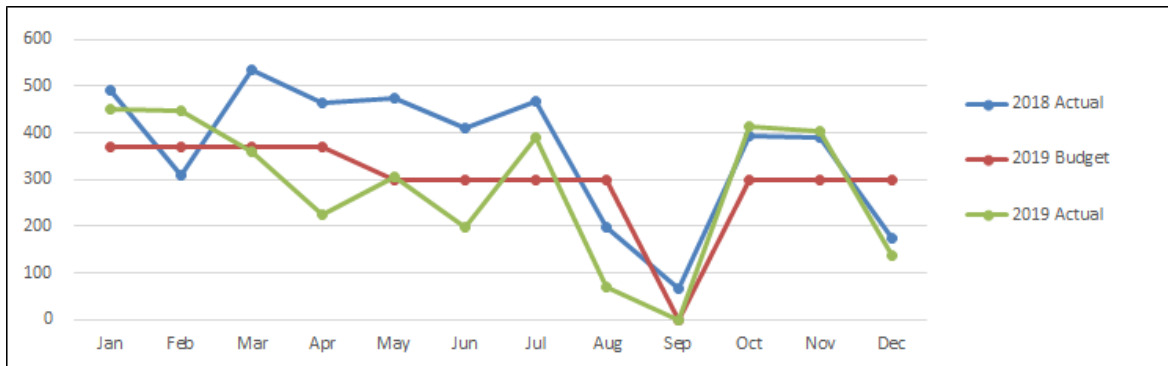
Recreational Boating– Implemented Racial Equity Pilot Program and awarded the construction contract for the new Shilshole Customer Service Facility Building scheduled to be delivered by May 2020.

Environmental & Sustainability – Completed Air Sparging system construction at T30. Signed Credits agreement with NOAA, enabling the Port to build and Sell Habitat. Recovered nearly \$6M from energy grants/rebates, insurance, agreements, and derelict vessel earmark.

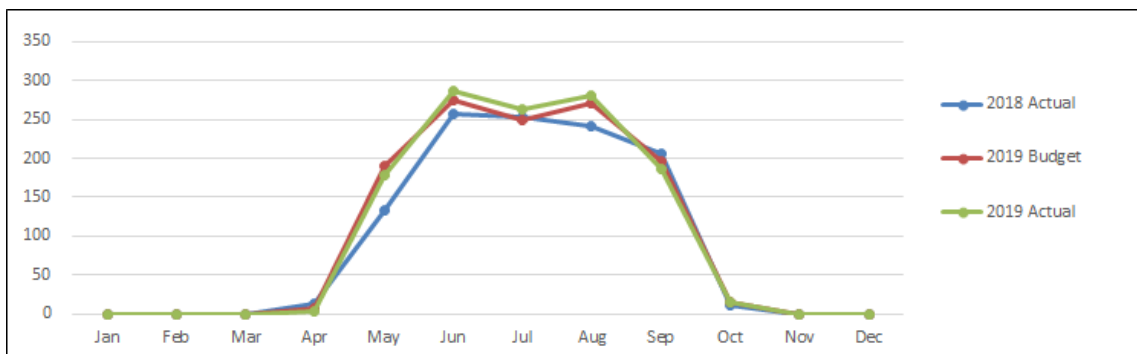
Stormwater Utility –Received the AAPA Award of Excellence in environmental enhancements for stormwater innovations.

B. KEY PERFORMANCE METRICS

Grain Volume – Metric Tons in 000’s



Cruise Passengers in 000’s



III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/19

C. OPERATING RESULTS

	2017 Actual	2018 Actual	2019		Fav (UnFav) Budget Variance		Incr (Decr) Change from 2018	
			Actual	Budget	\$	%	\$	%
\$ in 000's								
Ship Canal Fishing & Operations	2,854	3,502	3,929	4,021	(92)	-2%	427	12%
Elliott Bay Fishing & Commercial Operations	6,443	6,755	6,095	5,927	169	3%	(659)	-10%
Recreational Boating	11,086	12,035	12,484	12,794	(311)	-2%	449	4%
Cruise	17,596	18,880	22,410	22,406	4	0%	3,530	19%
Grain	5,427	5,167	4,266	4,254	12	0%	(901)	-17%
Maritime Portfolio Management	10,787	11,305	10,108	10,328	(220)	-2%	(1,198)	-11%
Other	(9)	(69)	(3)	0	(3)	NA	66	-96%
Total Revenue	54,183	57,575	59,289	59,729	(441)	-1%	1,714	3%
Expenses								
Maritime (Excl. Maint)	11,937	11,326	13,364	13,957	592	4%	2,039	18%
Economic Development	4,172	4,347	4,987	4,996	9	0%	640	15%
Total Direct	16,109	15,673	18,352	18,953	601	3%	2,679	17%
Maintenance Expenses	10,420	11,416	12,186	11,980	(206)	-2%	770	7%
Envir Services & Planning	1,078	1,553	2,250	2,559	309	12%	697	45%
Seaport Project Management	240	295	175	222	48	21%	(120)	-41%
Total Support Services	11,739	13,265	14,611	14,761	151	1%	1,346	10%
IT	2,711	2,558	2,685	2,788	103	4%	127	5%
Police Expenses	3,756	4,041	4,086	4,473	387	9%	45	1%
External Relations	1,346	1,379	1,564	1,646	82	5%	185	13%
Other Central Services	6,302	6,117	7,069	7,995	925	12%	952	16%
Aviation Division / Other	202	220	278	206	(72)	-35%	58	26%
Total Central Services / Other	14,316	14,315	15,682	17,108	1,425	8%	1,367	10%
Total Expense	42,164	43,252	48,644	50,822	2,177	4%	5,392	12%
NOI Before Depreciation	12,020	14,323	10,644	8,908	1,737	19%	(3,678)	-26%
Depreciation	17,410	18,022	17,627	17,613	(14)	0%	(395)	-2%
NOI After Depreciation	(5,390)	(3,699)	(6,982)	(8,705)	1,723	20%	(3,283)	-89%

2019 Actual vs. 2019 Budget

- Operating Revenues were \$441K lower than budget driven by lower than budgeted occupancy at the marinas.
- Operating Expenses were \$2,177K lower than budget:
 - 1) Direct Expenses were \$601K below budget (Includes \$374K favorable pension adjustment).
 - Cruise \$737K lower than budget due to cancellation of consulting work.
 - Rec Boating \$279K lower than budget due to open positions.
 - Ship Canal Fishing & Operations \$282K favorable primarily due to open positions budgeted for Salmon Bay Marina.
 - Elliott Bay Fishing & Commercial Operations \$55K higher than budget from security expense.
 - Portfolio Management \$221K favorable from tenant improvements.
 - Marketing was \$241K favorable to budget.
 - There was \$1,059K unfavorable to budget related to capital projects moved to expense at Fishermen's Terminal and P66 Cruise.
 - Environmental Remediation Liability was \$400K unfavorable to budget due to an asset retirement obligation at Fishermen's terminal.
 - All other Direct Expenses add to \$355K under budget.
 - 2) Total Support Services were \$151K favorable to budget (\$526K favorable pension adjustment).
 - Maintenance \$206K unfavorable due to project spend.
 - Environmental Services and Planning were \$309K lower than budget.
 - 3) Total Central Services / Other were \$1,425K favorable to budget (\$1,021K favorable pension adjustment).
- Net Operating Income was \$1,737 favorable to budget.

III. MARITIME DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/19

2019 Actual vs. 2018 Actual

- Operating Revenues were \$1.7M 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 \$5.4M higher than 2018 actual driven by:
 1. One Time expenses such as Capital to Expense (up \$1.1M) and Environmental Remediation (up \$.9M).
 2. Maintenance Allocation and Environmental Expenses
 3. Higher Central Services Expenses
- Net Operating Income was \$3,678K below 2018 actual.

D. CAPITAL RESULTS

\$ in 000's	2019	2019	Budget Variance	
	Actual	Budget	\$	%
Small Projects	1,469	3,954	2,485	63%
SBM Restrms/Service Bldgs Rep	1,957	2,920	963	33%
Contingency Renewal & Replace.	0	2,000	2,000	100%
MD Fleet 2019	655	1,818	1,163	64%
Cruise Terminal Tenant Improv	1,189	1,370	181	13%
T117 Restoration	316	1,040	724	70%
FT Docs 3,4,5 Fixed Pier	986	600	(386)	-64%
New Cruise Terminal	1,107	600	(507)	-85%
SBM Paving	67	596	529	89%
Maritime Technology Projects	59	450	391	87%
Marina Mgt Sys Replacement	(113)	426	539	127%
All Other Projects	195	2,064	1,869	91%
Total Maritime	7,887	17,838	9,951	56%

Comments on Key Projects:

Maritime spent 44% of the annual approved capital 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.

III. ECONOMIC DEVELOPMENT FINANCIAL & PERFORMANCE REPORT 12/31/19

FINANCIAL SUMMARY

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Total Revenues	17,791	20,705	21,151	19,725	1,426	7%	446	2%
Total Operating Expenses	25,397	27,651	27,663	31,114	3,451	11%	12	0%
Net Operating Income	(7,606)	(6,946)	(6,512)	(11,389)	4,877	43%	434	6%
Capital Expenditures	3,739	2,066	3,121	5,713	2,592	45%	1,055	51%

2019 Actual vs. 2019 Budget

- Operating Revenues are \$1.4M above budget primarily due to higher than expected Conference and Event Center Activity.
- Operating Expenses are \$3.5M below budget primarily due to unfilled positions, pension adjustment, Maintenance allocation changes, Workforce Development contract deferral, and underspend in other program costs.
- Net Operating Income \$4.9M above budget.
- Capital spending was \$3.1M or 55% of the approved 2019 budget.

2019 Actual vs. 2018 Actual

- Operating Revenues are \$446K above 2018 primarily due to unbudgeted revenue at Smith Cove.
- Operating Expenses are \$12K greater than 2018.
- Net Operating Income is expected to be \$435K greater than 2018.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/19

A. BUSINESS EVENTS

Diversity in Contracting – Held 11 PortGen events during 2019 with 341 small/WMBE businesses in attendance to learn how to do business with the Port. This is a 54% increase to the number of firms that participated in PortGen events in 2018.

Real Estate – Closed sale of small property on Harbor Avenue. Contractor started Bell Harbor International Conference Center renovation. IAC Commerce center building on Port property in SeaTac completed and leased.

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

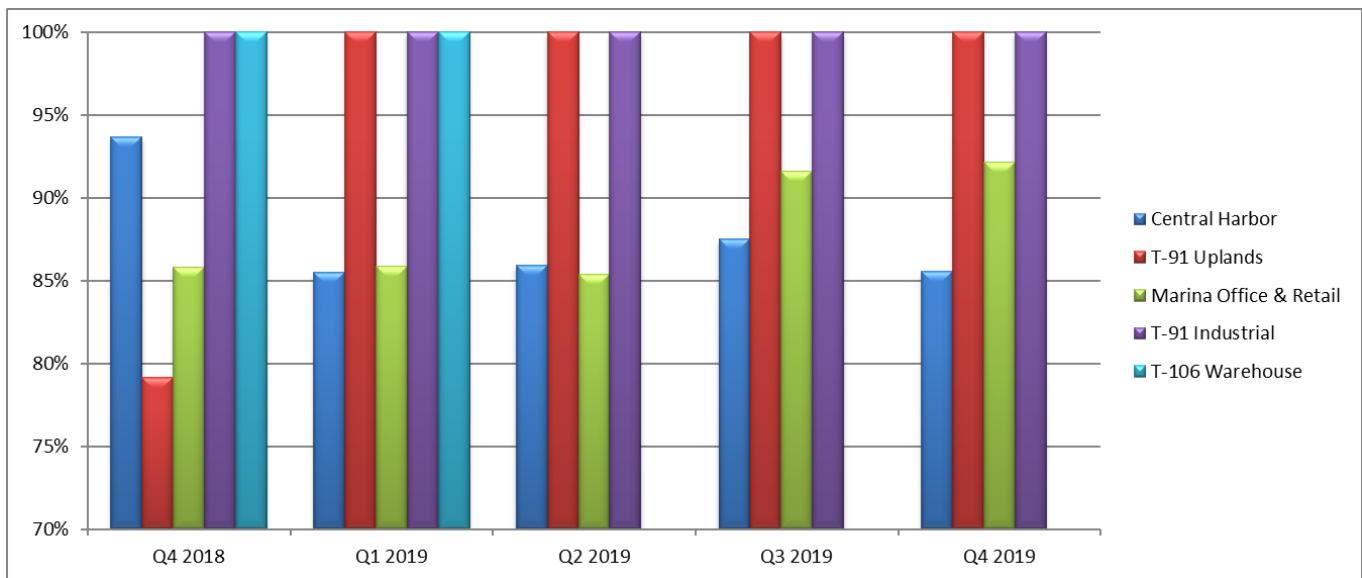
P69 Facilities – Fund authorization for lobby renovation. Waterfront Shuttle funding discontinued due to excessive cost per trip expense.

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.

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

B. KEY PERFORMANCE METRICS

Building Occupancy by Location:



IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/19

C. OPERATING RESULTS

	2017	2018	2019		Fav(UnFav) Budget Variance		Incr (Decr) Change from 2018	
	Actual	Actual	Actual	Budget	\$	%	\$	%
\$ in 000's								
Revenue	8,658	9,002	8,912	8,930	(18)	0%	(90)	-1%
Conf & Event Centers	9,133	11,703	12,239	10,795	1,444	13%	536	5%
Total Revenue	17,791	20,705	21,151	19,725	1,426	7%	446	2%
Expenses								
Portfolio Management	3,875	3,571	3,732	4,128	396	10%	161	4%
Conf & Event Centers	7,639	9,889	10,218	9,374	(845)	-9%	329	3%
P69 Facilities Expenses	206	235	215	225	9	4%	(20)	-8%
RE Dev & Planning	214	149	136	216	80	37%	(13)	-9%
EconDev Expenses Other	776	785	930	1,262	332	26%	145	19%
Maintenance Expenses	3,666	3,915	3,146	4,071	924	23%	(769)	-20%
Maritime Expenses (Excl Maint)	52	166	54	0	(54)	NA	(112)	-68%
Total EDD & Maritime Expenses	16,427	18,711	18,432	19,275	843	4%	(279)	-1%
Diversity in Contracting	64	132	152	199	47	24%	20	15%
Workforce Development	850	702	952	2,010	1,058	53%	250	36%
Tourism	1,234	1,408	1,337	1,521	183	12%	(71)	-5%
EDD Grants	751	838	785	1,160	375	32%	(53)	-6%
Total EDD Initiatives	2,900	3,080	3,226	4,890	1,663	34%	146	5%
Environmental & Sustainability	260	281	344	395	51	13%	64	23%
CDD Expenses	387	283	234	235	1	0%	(49)	-17%
Police Expenses	51	(76)	61	228	168	73%	137	-180%
Other Central Services	5,257	5,259	5,251	5,936	685	12%	(8)	0%
Aviation Division	113	113	114	155	41	26%	1	1%
Total Central Services & Aviation	6,068	5,860	6,005	6,950	945	14%	145	2%
Envir Remed Liability	0	0	0	0	0	NA	0	NA
Total Expense	25,396	27,651	27,663	31,114	3,451	11%	12	0%
NOI Before Depreciation	(7,605)	(6,946)	(6,512)	(11,389)	4,877	43%	434	6%
Depreciation	3,863	3,992	3,698	3,819	121	3%	(295)	-7%
NOI After Depreciation	(11,469)	(10,938)	(10,210)	(15,208)	4,998	33%	729	7%

2019 Actual vs. 2019 Budget

- Operating Revenues were \$1,426K favorable to budget due to higher than anticipated volumes at the conference and event centers.
- Operating Expenses were \$3,451K favorable to budget:
 - 1) Portfolio Management \$396K lower than budget due to timing of broker fees and tenant improvements.
 - 2) Conference and Event Center costs \$845K unfavorable due to higher than budgeted payrolls and sales volumes.
 - 3) Economic Development Other \$332K lower than budget due to unspent Opportunity Fund and delayed hiring.
 - 4) Maintenance Expenses \$924K favorable from new allocation methodology at P66.
 - 5) Workforce Development \$1,058K 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.
 - 6) Tourism \$183K favorable to budget due to lower than budgeted initiatives and promotional expenses.
 - 7) EDD Grants \$375K favorable to budget due to timing of invoices from program participants.
 - 8) Other Central Services \$685K below budget with savings from open headcount.
 - 9) All other expenses net to \$343K below budget.
- Net Operating Income was \$4,877K above budget.

IV. ECONOMIC DEVELOPMENT DIVISION FINANCIAL & PERFORMANCE REPORT 12/31/19

2019 Actual vs. 2018 Actual

- Operating Revenues were \$446K 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 and event centers.
- Operating Expenses were flat compared to 2018 actual:
 - 1) Conference and Event Centers \$329K greater than 2018 due to higher sales activity at Bell Harbor International Conference Center.
 - 2) Portfolio Management \$161K greater than 2018 due to higher broker fees and tenant improvements.
 - 3) Maintenance Expenses \$769K less than 2018 due to allocation methodology change at P66.
 - 4) EDD Grants \$53K lower, EconDev Other \$145K higher, Workforce Development \$250K higher, and Tourism \$71K less expenses related to initiatives in 2019.
 - 5) All other Expenses net to \$20K above 2018.
- Net Operating Income was \$434K above 2018 actual.

D. CAPITAL RESULTS

\$ in 000's	2019 Actual	2019 Budget	Budget Variance	
			\$	%
Tenant Improvements -Capital	0	1,012	1,012	100%
RE: Contingency Renew.&Replace	0	1,000	1,000	100%
Small Projects	157	750	593	79%
BHICC Interior Modernization	1,930	750	(1,180)	-157%
P66 HVAC Systems Upgrade	277	690	413	60%
T91 Upland PreDevelopment	176	625	449	72%
P69 Commission Chamber Refresh	298	301	3	1%
P69 Solar Panel System	266	300	34	11%
EDD Technology Projects	0	250	250	100%
Fleet Replacement	0	30	30	100%
Other Projects	17	5	(12)	-240%
Total Economic Development	3,121	5,713	2,592	45%

Comments on Key Projects:

Economic Development spent 55% of the annual approved capital budget.

Projects with significant changes in spending were:

- **Tenant Improvements - Capital** – Vacancies and delays in leasing/approval process have impacted cash flow timeline
- **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 12/31/19

FINANCIAL SUMMARY

\$ in 000's	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
	Actual	Actual	Actual	Budget	Budget Variance		Change from 2018	
					\$	%	\$	%
Total Operating Revenues	68	(500)	1,282	185	1,097	592.9%	1,782	-356.1%
Core Central Support Services	71,071	73,576	77,387	82,710	5,322	6.4%	3,811	5.2%
Police	22,095	23,908	27,793	30,778	2,985	9.7%	3,885	16.3%
Capital Development	17,370	15,501	15,244	18,628	3,384	18.2%	(257)	-1.7%
Environment & Sustainability	6,975	8,770	10,748	13,224	2,476	18.7%	1,978	22.6%
Other	-	-	117	-	(117)	0.0%	117	0.0%
Total Operating Expenses	117,511	121,755	131,290	145,339	14,049	9.7%	9,535	7.8%

2019 Actual vs. 2019 Budget

- Operating Revenues favorable due primarily to Police forfeiture seizures.
- Operating Expenses \$14M favorable to budget mainly due to a \$9.9M DRS Pension True-ups credit, staffing vacancies, projects spending delays, and delayed Outside Services costs.
- Capital spending \$12.5M or 53.5% lower than the budget.

2019 Actual vs. 2018 Actual

- Operating Revenues \$1.8M above 2018 mainly due to higher Police forfeiture seizures in 2019 of \$1.2M and (\$863K) special funding LEOFF 2 received from the Washington State Department of Retirement Systems (DRS) in 2018.
- Operating Expenses \$9.5M higher than 2018 mainly due to higher payroll and Outside Services.

A. BUSINESS EVENTS

- Completed ICT projects in 2019 include: Project Delivery system, Automated Checkpoint Wait Time, Sea-Tac Visitor Pass, and Taxi System.
- Sponsored Green City Days in near-airport communities as part of the multi-year collaborative project to foster urban forest stewardship.
- Announced collective partnership with sustainability leaders to develop the Embodied Carbon in Construction Calculator (EC3) tool.
- Hosted Safety and Preparedness Fairs to increase employee readiness with topics ranging from worksite safety to being vigilant against email spam and phishing attempts.
- Hosted 200 guests on the Port's first-ever multilingual boat tour of Elliott Bay and the Duwamish River.
- Adopted the Duwamish Valley Community Benefits Commitment Policy.
- Hosted several EDI workshops: Equity 101, Islamophobia 101, Transgender Inclusion 101.
- CPI team assisted the AVM field crew garage clean team improve their garbage transportation process; AVM field crew garage clean team received the Q3 Innovation Award for their process improvement effort.
- 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.
- Hosted Career Awareness events in Mt. Rainier High School, Foster High School, and Highline High School.
- Supported the Environmental Challenge with Raisbeck Aviation High attended by 110 sophomore students.

V. CENTRAL SERVICES FINANCIAL & PERFORMANCE REPORT 12/31/19

B. KEY PERFORMANCE METRICS

Key Performance Indicators/Measures	2017	2018	2019
A. Century Agenda Strategies			
1. Prepare and negotiate the agreements for the Port's 24 bargaining units.	128	293	411
2. Oversee Implementation/Administration of CBAs agreements	99	122	122
B. High Performance Organization - Customer Satisfaction			
1. Respond to Public Disclosure Requests	519	657	608
2. Information Communication Technology Network Availability	99.9%	100%	99.9%
3. Customer Survey for Police Service Excellent or Above Average	89%	90%	83%
4. Number of Job Openings Created	590	535	578
5. Percent of annual audit work plan completed each year	N/A	100%	100%
C. High Performance Organization - Talent Development & Safety			
1. MIS and Clarity Training Classes	21	14	14
2. MIS and Clarity Training Attendees	151	128	139
3. Employee Development Class Attendees/Structured Learning	627	337	894
4. Occupational Injury Rate	4.68	4.87	5.01
5. Days Away Severity Rate	N/A	61.44	28.81
D. Financial Performance			
1. Corporate costs as a % of Total Operating Expenses	30.8%	30.0%	29.1%
2. Clean independent CPA audits involving AFR	Yes	Yes	Yes
3. Timely process disbursement payment requests	4 days	4 days	3 days
4. Keep receivables collections current (within 30 days)	96%	87%	78%
5. Investment Portfolio Yield	1.51%	2.13%	2.12%
6. Litigation and Claim Reserves	\$0.9M	\$1.6M	\$2.9M

V. CENTRAL SERVICES FINANCIAL & PERFORMANCE REPORT 12/31/19

C. OPERATING RESULTS

Financial Summary (Year-End Actuals)

	Notes	2017	2018	2019	2019	Fav (UnFav)		Incr (Decr)	
		Actual	Actual	Actual	Budget	Budget	Variance	Change from 2018	
\$ in 000's						\$	%	\$	%
Total Revenues		68	(500)	1,282	185	1,097	592.9%	1,782	-356.1%
Executive		1,287	2,136	2,018	1,995	(23)	-1.2%	(118)	-5.5%
Commission		1,685	1,848	2,022	2,153	131	6.1%	174	9.4%
Legal		3,741	3,948	4,987	3,568	(1,420)	-39.8%	1,039	26.3%
External Relations	1)	7,112	7,362	7,760	8,367	607	7.3%	398	5.4%
Equity Diversity and Inclusion	2)	-	-	565	351	(214)	-61.1%	565	0.0%
Human Resources		8,418	8,430	9,187	10,250	1,063	10.4%	757	9.0%
Labor Relations		1,678	1,079	1,230	1,330	99	7.5%	152	14.0%
Internal Audit		1,603	1,521	1,450	1,916	465	24.3%	(70)	-4.6%
Accounting & Financial Reporting Services		6,751	6,842	7,341	8,500	1,159	13.6%	499	7.3%
Information & Communication Technology		21,633	21,961	23,014	23,966	952	4.0%	1,053	4.8%
Information Security	3)	726	934	1,203	1,774	570	32.2%	269	28.8%
Finance & Budget		4,998	5,593	6,230	6,371	141	2.2%	636	11.4%
Maritime Finance		1,229	1,445	1,605	1,623	18	1.1%	160	11.1%
Finance & Budget		1,871	1,843	2,037	2,132	95	4.4%	194	10.5%
Aviation Finance & Budget		1,897	2,305	2,587	2,616	29	1.1%	282	12.2%
Business Intelligence		1,211	1,323	1,302	2,139	837	39.1%	(20)	-1.5%
Risk Services		3,077	3,095	3,137	3,328	190	5.7%	42	1.4%
Office of Strategic Initiatives		1,882	1,596	1,448	1,776	327	18.4%	(148)	-9.3%
Central Procurement Office		3,861	4,630	4,453	4,678	226	4.8%	(178)	-3.8%
Security and Preparedness	4)	1,029	1,093	-	-	-	0.0%	(1,093)	-100.0%
Contingency		381	185	39	250	211	84.3%	(146)	-78.8%
Core Central Support Services		71,071	73,576	77,387	82,710	5,322	6.4%	3,811	5.2%
Police		22,095	23,908	27,793	30,778	2,985	9.7%	3,885	16.3%
Total Before Cap Dev & Environment		93,166	97,484	105,181	113,487	8,307	7.3%	7,696	7.9%
Capital Development									
Engineering		5,284	5,477	5,631	7,530	1,899	25.2%	154	2.8%
Port Construction Services		3,709	3,522	4,341	2,739	(1,602)	-58.5%	820	23.3%
Aviation PMG		6,942	4,876	3,948	6,794	2,846	41.9%	(928)	-19.0%
Seaport PMG		1,007	1,052	940	1,096	156	14.2%	(112)	-10.6%
Capital Development Facilities		-	1	66	-	(66)	n/a	65	11569.3%
Capital Development Admin		428	574	319	470	151	32.2%	(256)	-44.5%
Sub-Total		17,370	15,501	15,244	18,628	3,384	18.2%	(257)	-1.7%
Environment & Sustainability									
Aviation Environmental		3,779	5,006	5,680	6,510	830	12.8%	673	13.4%
Maritime Environmental & Planning		2,157	2,418	3,275	3,447	172	5.0%	857	35.5%
Noise Programs		670	722	817	811	(6)	-0.8%	95	13.2%
Environment & Sustainability		368	624	976	2,456	1,480	60.3%	352	56.5%
Sub-Total		6,975	8,770	10,748	13,224	2,476	18.7%	1,978	22.6%
Industrial Development Corporation		-	-	1	-	(1)	0.0%	1	0.0%
Capital to Expense		-	-	117	-	(117)	0.0%	117	0.0%
Total Expenses		117,511	121,755	131,290	145,339	14,049	9.7%	9,535	7.8%

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 12/31/19

2019 Actual vs. 2019 Budget

- Operating Expenses for 2019 are \$14M under budget due primarily to:
 - **All Depts** – favorable variance of \$9.9M from DRS Pension True-ups. Each department below has a portion of the \$9.9M DRS Pension True-up.
 - **Executive** – unfavorable variance of \$23K mainly due to unplanned Outside Services offset by lower than expected Travel and Equipment.
 - **Commission** – favorable variance of \$131K is mainly due to lower Outside Services offset by higher than expected Promotional Hosting.
 - **Legal** – unfavorable variance of \$1.4M is primarily due to unpredictable Legal Expenses.
 - **External Relations** – favorable variance of \$607K is due to \$363K from DRS Pension True-up, lower Outside Services of \$602K, Travel \$71K, and Advertising Expenses \$83K offset by less Capital Labor of \$127K and budget transfer of \$300K to Equity, Diversity and Inclusion Dept.
 - **Equity, Diversity and Inclusion** – unfavorable variance of \$214K is primarily due to vacant positions and budget transfer of \$300K with External Relations.
 - **Human Resources** – favorable variance of \$1.1M is due to \$477K from DRS Pension True-up, vacant positions, delayed Outside Services, and lower Travel.
 - **Labor Relations** – favorable variance of \$99K due to \$93K from DRS Pension True-up, lower Travel and Promotional Hosting.
 - **Internal Audit** – favorable variance of \$465K is due to \$97K from DRS Pension True-up, two vacant positions, delays in hiring, and lower Outside Services from one audit that came in below budget.
 - **Accounting and Financial Reporting Services** – favorable variance of \$1.2M primarily from \$526K from DRS pension True-up, 2 vacant positions, delays in hiring, lower Travel Expenses due to Peoplesoft Financials upgrade of \$84K, lower Outside Services, unbudgeted credit card rebates of \$291K, and charges to Capital Labor for Peoplesoft Financials upgrade of \$100K.
 - **Information & Communication Technology** – favorable variance of \$952K primarily due to lower charges to Capital Labor and higher than expected PC refresh.
 - **Information Security** – favorable variance of \$570K is primarily due to vacant positions of \$161K and delayed Outside Services of \$312K.
 - **Finance & Budget** – favorable variance of \$141K primarily due to higher payroll costs associated with job evaluation refresh, unplanned OT for non-exempt staff, unplanned Outside Services costs to cover 2 FTEs on FMLA, and lower than expected Capital Labor.
 - **Business Intelligence** – favorable variance of \$837K is primarily due to \$65K from DRS Pension True-up, vacant positions of \$377K and delayed Outside Services of \$333K due to vacant positions.
 - **Risk Services** – favorable variance of \$190K is due to \$57K from DRS Pension True-up, delay in hiring vacant positions and property insurance renewal and broker fees being lower.
 - **Office of Strategic Initiative** – favorable variance of \$327K is due to \$63K from DRS Pension True-ups, two vacant positions.
 - **Central Procurement Office** – favorable variance of \$226K due to \$385K DRS Pension True-up and higher than expected equipment Rental and lower than expected Capital Labor offset by lower Office Supplies.
 - **Contingency** – favorable variance of \$211K is due to less spending than anticipated.
 - **Police** – \$3M favorable variance primarily due to \$2.8M of DRS Pension True-up, vacant positions of \$1.4M offset by \$600K of retro pay, \$143K unbudgeted Equipment, \$247K unbudgeted Supplies, \$345K Forfeiture expense, higher jail costs of \$200K and workers compensation reserves of \$200K.
 - **Capital Development** – favorable variance of \$3.4M is primarily due to \$2.3M of DRS Pension True-up, vacant positions, lower Outside Services costs, and lower than planned charges to Capital Projects.
 - **Environment & Sustainability** – favorable variance of \$2.5M due to \$500K from DRS pension True-up, the delay in Sustainable Airport Master Plan (SAMP) implementation earlier in the year of \$800K, deferral of the Sustainable Aviation Fuel & Air Emissions Program, savings in the Environmental Leadership program, and lower spending in Commission-directed COE contracts.
 - **Corporate Capital to Expense** – unfavorable variance of \$117K due to changes to the Vessel Moorage System project.

V. CENTRAL SERVICES FINANCIAL & PERFORMANCE REPORT 12/31/19

2019 Actual vs. 2018 Actual

- Operating Expenses for 2019 are \$9.5M higher than 2018 actuals mainly due to:
 - **Core Central Support Services** – \$3.8M higher than 2018 primarily due to higher payroll due to 2019 new hires, annual pay increases and full year salaries of people hired in 2018, higher than expected Legal Outside Services of \$900K increased PC refresh of over \$500K
 - **Police** – \$3.9M 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** –\$2.0M over 2018 due to the following:
 - Environmental and Sustainability - \$352K higher than 2018 due to higher Salaries & Benefits, Travel, and more spending on Community programs: ACE/Forterra and Energy and Sustainability Fund.
 - Maritime Environment and Planning - \$857K higher than 2018 due to the addition of new staff, increased utility costs due to Derelict Vessels disposal, unanticipated travel to Iceland, and Outside Services spending in support of environmental projects (i.e. Environmental Compliance Support, Environmental Permitting, Bankline Stabilization Programmatic Permit, PORTfolio Planning Services, Smith Cove Blue Carbon Project, Air Quality & GHG Reduction, etc.).
 - Aviation Environmental Expense - \$673K higher due to Salaries & Benefits increase of \$199K attributed to less turn-over, retirement/promotion of senior manager, and standard PREP increases, Outside services \$504K increase due to SAMP environmental assessment picking up speed after delays in spending \$410K more than the prior year and PFAS Evaluations - Soil & Groundwater completed costing approximate \$135K.

D. CAPITAL RESULTS

\$ in 000's	2018	2019	2019	Budget Variance	
	Actual	Actual	Budget	\$	%
Infrastructure - Small Cap	786	1,156	1,500	344	22.9%
Services Tech - Small Cap	225	631	1,000	369	36.9%
Enterprise GIS - Small Cap	34	215	250	35	14.0%
Project Cost Management S	430	321	350	29	8.3%
Supplier Database System	349	408	410	2	0.5%
PeopleSoft Financials Upgrade	2,025	1,407	1,575	168	10.7%
Radio System Upgrade	3,866	5,447	9,140	3,693	40.4%
Police Records Mgmt System	0	0	800	800	100.0%
New Budget System	0	17	600	583	97.2%
Office Wi-Fi Refresh	0	0	500	500	100.0%
Maximo Upgrade	0	38	500	462	92.4%
Fiber Channel	0	0	600	600	100.0%
Phone System Upgrade	0	0	1,400	1,400	100.0%
STIA Network Redundancy	0	0	900	900	100.0%
CDD Fleet Replacement	768	317	1,439	1,122	78.0%
CDD Small Cap	252	202	351	149	42.5%
Corporate Fleet Replacement	726	397	1,328	931	70.1%
Other ¹	246	299	725	426	58.8%
TOTAL	9,707	10,855	23,368	12,513	53.5%

Note:

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