

ITEM NO. 7a

DATE OF  
MEETING: Oct 8, 2013



# Aviation Division 2014 Preliminary Operating Budget Briefing

October 8, 2013

# EXECUTIVE SUMMARY



# Overview

- Enplanement growth assumption: + 2.2%
- Budget target: 3.0% increase in O&M, allowing for exceptions
- Major expense changes:
  - › Completion of Airline Realignment
  - › Sustainable master plan
  - › Corporate allocations
- Major Revenue changes:
  - › Aero based on SLOA III: revenue sharing, cost of vacant space
  - › Non-Aero growing by 4.2%: Concessions, rental cars, public parking, in-flight meals

# Aviation Expense Summary

- Cost increases and new items absorbed into baseline budget (+ 3%)
  - › Includes both recurring costs and one-time items.
- Exceptions to 3% Target listed in table
  - › Major multi-year non-recurring items
  - › RMM - driven by capital program

	<u>\$000s</u>
<b>2013 Budget</b>	176,291
One-time exceptions	(1,665)
Realignment	(16,069)
RMM	(4,615)
<b>2013 Baseline Budget</b>	<b>153,942</b>
3.0% increase	4,618
<b>2014 Budget Target - Baseline</b>	<b>158,560</b>
<b>Proposed Baseline Budget (1)</b>	<b>158,391</b>
Savings vs Target	(168)
<b>Proposed Exeptions to Target</b>	
1. Sustainable Airport Master Plan (CA)	2,300
2. Concessions Master Plan + Recruitment	450
3. RMM	2,356
<b>Total Exeptions (2)</b>	<b>5,106</b>
<b>Proposed 2014 Budget (1)+(2)</b>	<b>163,497</b>

# Summary of Major Initiatives Within Baseline Budget

<u>Strategic Initiatives</u>	<u>Total</u>
Safe, Secure Airport	60
Customer Needs/Capacity	1,652
Asset Management	245
Customer Service	473
Environmental Innovation	260
Airline Cost Management	450
Non-Airline Revenue Development	1,426
Employee/Organizational Development	338
Community Partnership	100
<b>Subtotal - Strategic Goals:</b>	<b>5,004</b>
Contractual/Required	1,227
Other	156
<b>Major Initiatives within Baseline Budget:</b>	<b><u>6,387</u></b>

- Major new initiatives include:
  - › Centralized management of FIS operations (\$866,155)
  - › Joint marketing costs for new international service (CA), (\$550,000 new, \$938,000 total)
  - › \$550,000 consulting for Burien NE redevelopment area grant request and FAA pilot program
  - › Fire Dept. new breathing apparatuses (\$331,085)
  - › Increase in janitorial costs (\$473,007)
  - › Utilities cost increases (\$580,467)



# Aeronautical Business

\$ in 000's	2012	2013	2013	2014	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
<b>Revenues:</b>						
Movement Area				74,526	74,526	100.0%
Apron Area				10,208	10,208	100.0%
Terminal Rents				144,495	144,495	100.0%
Federal Inspection Services (FIS)				8,598	8,598	100.0%
<b>Total Rate Base Revenues</b>				237,827	237,827	100.0%
Commercial Area				9,517	9,517	100.0%
Subtotal before Revenue Sharing	<b>233,000</b>	<b>249,799</b>	<b>248,549</b>	<b>247,344</b>	<b>(2,455)</b>	<b>-1.0%</b>
Revenue Sharing				(5,406)	(5,406)	100.0%
<b>Total Airline Revenues</b>	<b>233,000</b>	<b>249,799</b>	<b>248,549</b>	<b>241,938</b>	<b>(7,861)</b>	<b>-3.2%</b>
Operating Expense	147,032	162,150	161,604	151,875	(10,275)	-6.8%
<b>Net Operating Income</b>	<b>85,968</b>	<b>87,649</b>	<b>86,945</b>	<b>90,063</b>	2,414	2.7%
Debt Service	78,886	82,506	78,794	82,232	(275)	-0.3%
Net Cash Flow	<b>7,082</b>	<b>5,143</b>	<b>8,150</b>	<b>7,831</b>	2,688	34.3%

# Non-Airline Business

\$ in 000's	2012	2013	2013	2014	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
<b>Non-Aero Revenues</b>						
Rental Cars	38,072	39,236	38,489	40,783	1,547	3.9%
Public Parking	49,781	50,948	50,948	52,138	1,189	2.3%
Ground Transportation	7,900	7,267	7,464	7,555	288	4.0%
Concessions	37,998	41,263	40,447	43,339	2,076	5.0%
Other	19,273	19,113	19,625	20,595	1,482	7.8%
<b>Total Non-Aero Revenues</b>	<b>153,022</b>	<b>157,826</b>	<b>156,972</b>	<b>164,410</b>	<b>6,584</b>	<b>4.2%</b>
RCF Operating Expense	6,196	9,121	7,580	7,640	(1,481)	-23.9%
Operating Expense	64,855	68,911	66,721	74,290	5,379	8.3%
Share of terminal O&M	18,366	18,615	20,802	22,505	3,890	21.2%
Less utility internal billing	(19,883)	(17,095)	(17,095)	(18,302)	(1,206)	6.1%
<b>Net Operating &amp; Maint</b>	<b>69,533</b>	<b>79,552</b>	<b>78,007</b>	<b>86,133</b>	<b>6,581</b>	<b>9.5%</b>
<b>Net Operating Income</b>	<b>83,489</b>	<b>78,274</b>	<b>78,965</b>	<b>78,277</b>	<b>2</b>	<b>0.0%</b>
Less: CFC Surplus	(3,702)	(3,465)	(4,028)	(4,780)	(1,315)	37.9%
<b>Adjusted Non-Aero NOI</b>	<b>79,787</b>	<b>74,809</b>	<b>74,937</b>	<b>73,497</b>	<b>(1,312)</b>	<b>-1.8%</b>
Debt Service	43,166	44,173	48,195	46,506	2,333	5.3%
<b>Net Cash Flow</b>	<b>36,621</b>	<b>30,636</b>	<b>26,742</b>	<b>26,991</b>	<b>(3,646)</b>	<b>-11.9%</b>
<b>Key Measures</b>						
Revenues Per Enplanement	9.22	9.27	9.08	9.30	0.03	0.3%
Primary Concessions Sales/Enpl.	10.91	11.25	11.13	11.47	0.22	2.0%

# Budget Summary & Key Measures

\$ in 000's	2012	2013	2013	2014	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
Aeronautical Revenues	233,000	249,799	248,549	241,938	(7,861)	-3.1%
SLOA III Incentive Straight Line Adj.				(3,576)		
Non-Aeronautical Revenues	153,022	157,827	156,972	164,410	6,583	4.2%
<b>Total Operating Revenues</b>	<b>386,022</b>	<b>407,626</b>	<b>405,521</b>	<b>402,772</b>	<b>(4,854)</b>	<b>-1.2%</b>
<b>Expenses:</b>						
Baseline Airport Expenses	144,880	153,942	154,905	158,211	4,270	2.8%
Budget Target Exceptions		1,665	543	2,930	1,265	-
Environmental Remediation Liability	5,321	4,615	9,471	2,356	(2,259)	-49.0%
Airline Realignment	5,802	16,069	14,311	-	(16,069)	-
<b>Total Airport Expenses</b>	<b>156,004</b>	<b>176,291</b>	<b>179,229</b>	<b>163,497</b>	<b>(12,794)</b>	<b>-7.3%</b>
Corporate/CDD	60,562	65,411	63,170	74,511	9,100	13.9%
<b>Total Airport Expenses</b>	<b>216,565</b>	<b>241,702</b>	<b>242,399</b>	<b>238,008</b>	<b>(3,693)</b>	<b>-1.5%</b>
<b>NOI</b>	<b>169,457</b>	<b>165,924</b>	<b>163,122</b>	<b>164,763</b>	<b>(1,161)</b>	<b>-0.7%</b>
<b>Key Measures</b>						
Enplaned Passengers (000s)	16,597	17,017	17,294	17,675	658	3.9%
CPE (\$)	13.23	13.89	13.60	12.82	(1.08)	-7.7%
Debt Service Coverage	1.40	1.35	1.34	1.33	(0.02)	-1.2%
Debt Service Cov. after Rev. Sharing				1.29		
Non-Aero NOI less CFC Surplus (\$000)	79,787	74,810	74,937	73,497	(1,313)	-1.8%



# Financial Forecast

In \$000's	2013 Bud	2014 Bud	2015	2016	2017	2018
Airline Revenue*	249,799	241,938	262,941	284,687	308,809	316,375
Non-Airline Revenue	157,827	164,410	170,255	175,793	184,350	193,141
Total Revenue	407,626	406,348	433,195	460,480	493,159	509,516
Operating Expense	241,702	238,008	244,648	251,666	258,302	265,032
Net Operating Income	165,924	168,340	188,547	208,814	234,857	244,484
Net Non-Operating Income/Expense	5,795	2,769	2,839	2,806	2,837	2,894
CFC Excess**	(3,465)	(4,780)	(2,899)	(1,399)	(1,096)	(584)
Available for Debt Service	168,254	166,329	188,488	210,222	236,598	246,794
Debt Service	(179,886)	(182,247)	(200,646)	(220,571)	(245,765)	(253,578)
Debt Service Paid by CFCs	19,873	19,968	20,586	21,872	23,230	24,836
Debt Service Paid by PFCs	33,800	33,541	33,800	33,800	33,800	33,800
Net Debt Service	126,213	128,738	146,259	164,900	188,735	194,943
Net Cash Flow	42,041	37,590	42,228	45,322	47,863	51,851
<b>Key Measures</b>						
Debt Service Coverage - Before Revenue Sharing	1.33	1.33	1.33	1.30	1.26	1.28
Debt Service Coverage - After Revenue Sharing	n/a	1.29	1.29	1.27	1.25	1.27
Revenue Sharing	n/a	5,406	5,663	4,097	679	3,115
Passenger Airline CPE	13.80	12.82	13.64	14.48	15.42	15.47
Debt per Enplaned Passenger	143.8	143.0	146.5	154.8	158.7	161.2
* Excludes accounting impact of SLOA III incentive straight line adjustment						
** CFC collections in excess of CFC debt service/O&M are restricted and cannot be used for other revenue bond debt service						

# FULL BACKGROUND PRESENTATION



# Outline

- Sea-Tac Update & Enplanement Forecast
- Economics of SLOA III
- Budget Approach & Targets
- 2014 Budget:
  - › Expense Summary
  - › Baseline Budget Initiatives
  - › Aeronautical and Non-Airline Business
- Budget Summary and Key Measures
- Financial Forecast

# Sea-Tac Update and Enplanement Forecast

- YTD enplanements through August:
  - › Int'l                    +11.0%
  - › Domestic            + 4.1%
  - › Total                    + 4.7%
- Delta announced new service, domestic and international
- 2014 enplanement growth forecast: +2.2%

# Economics of SLOA III

- Hybrid compensatory rate structure:
  - › Airline rates set to recover costs
  - › SEA assumes vacancy cost for some airline space
  - › Revised space/cost allocations: SEA pays for greater share of terminal costs
  - › SEA retains debt service coverage trigger @1.25x, but shares with airlines 50% of net revenues >1.25x
  - › Airfield Commercial Area is compensatory (cargo assets and investments are not in airline rate base)
- Implications vs. SLOA II:
  - › Lower Non-aero net income
  - › Lower debt service coverage
  - › Lower airline costs (CPE)

# Budget Approach & Targets

- Century Agenda and Airport strategies drive business plan
- Business plan drives budget
- Budget target focus: manage growth of baseline budget (recurring costs)
- Budget targets:
  - › Limit growth of O&M to 3.0%
    - Subject to exceptions for one-time items
  - › Grow Non-airline NOI

# Budget Drivers

- Expenses:
  - › Completion of airline realignment in 2013
  - › Ongoing major initiatives:
    - Sustainable master plan
    - Concessions master plan and recruitment
  - › Payroll, utilities, new initiatives, cost increases
- Revenues:
  - › Non-aero growth of 4.5% due to:
    - Concessions, particularly duty free
    - In-flight meals
    - Public parking
  - › Aero revenues down due to removal of costs for airline realignment and SLOA III revenue sharing

# Aviation Expense Summary

- Cost increases and new items absorbed into baseline budget (+ 3%)
  - › Includes both recurring costs and one-time items.
- Exceptions to 3% Target listed in table
  - › Major multi-year non-recurring items
  - › RMM - driven by capital program

	<u>\$000s</u>
<b>2013 Budget</b>	176,291
One-time exceptions	(1,665)
Realignment	(16,069)
RMM	(4,615)
<b>2013 Baseline Budget</b>	<b>153,942</b>
3.0% increase	4,618
<b>2014 Budget Target - Baseline</b>	<b>158,560</b>
<b>Proposed Baseline Budget (1)</b>	<b>158,391</b>
Savings vs Target	(168)
<b>Proposed Exeptions to Target</b>	
1. Sustainable Airport Master Plan (CA)	2,300
2. Concessions Master Plan + Recruitment	450
3. RMM	2,356
<b>Total Exeptions (2)</b>	<b>5,106</b>
<b>Proposed 2014 Budget (1)+(2)</b>	<b>163,497</b>



# Summary of Major Initiatives Within Baseline Budget

<u>Strategic Initiatives</u>	<u>Total</u>
Safe, Secure Airport	60
Customer Needs/Capacity	1,652
Asset Management	245
Customer Service	473
Environmental Innovation	260
Airline Cost Management	450
Non-Airline Revenue Development	1,426
Employee/Organizational Development	338
Community Partnership	100
<b>Subtotal - Strategic Goals:</b>	<b>5,004</b>
Contractual/Required	1,227
Other	156
<b>Major Initiatives within Baseline Budget:</b>	<b><u>6,387</u></b>

- The following slides provide details for each of the Airport strategies summarized in this table



# Baseline Budget Initiatives - Details

<u>Description</u>	<u>in \$000's</u>
<b>Safe, Secure Airport</b>	
ACI APEX Safety Review	20
Triennial Exercise	40
<b>Safe, Secure Airport - Total:</b>	<b>60</b>
<b>Customer Needs/Capacity</b>	
(1) FTE - Baggage Handling Coordinator	83
(1) FTE - Building Inspector/Plans Examiner	38
(1) FTE - Infrastructure Engineer, Electrical	45
(1) FTE - Infrastructure Engineer, Mechanical	45
(1) FTE - Centralized Management of FIS Operations	111
Centralized Management of FIS Operations	755
Joint marketing - new international air services	550
On-Call Gate Planning Support	25
<b>Customer Needs/Capacity - Total:</b>	<b>1,652</b>
<b>Asset Management</b>	
Additional Thermoplastic Material Purchase	80
Lighting Materials	70
Station Batteries at South Terminal Dist.	25
Operating expenses for New MCV	10
(4) Scooter Replacements	60
<b>Asset Management- Total:</b>	<b>245</b>

- Capital program is driving need for infrastructure engineers, and building inspector
- Centralized management of FIS operations is taking over function currently performed by airlines
- Joint Marketing for new international services to London, Seoul and Hong Kong
- Additional maintenance materials needed for new and existing assets

# Baseline Budget Initiatives - Details

<u>Description</u>	<u>in \$000's</u>
<b>Customer Service</b>	
Added Scope in New Janitorial Contract	473
<b>Customer Service - Total:</b>	<b>473</b>
<b>Environmental Innovation</b>	
Improved Electric Vehicle Infrastructure	10
Water System Comprehensive Plan	250
<b>Environmental Innovation - Total:</b>	<b>260</b>
<b>Airline Cost Management</b>	
Energy Management System Development	300
Financial Consulting - SLOA III implementation	150
<b>Airline Cost Management - Total:</b>	<b>450</b>
<b>Non-Airline Revenue Development</b>	
24th Ave. Planning Consultant	50
Airport Music Initiative	125
Burien NERA 3 consultant and FAA Pilot program share	550
Consulting Services for New Revenue Development	50
DMCBP Landlord Liaison	100
Garage Facility Improvements	250
Airport Hotel RFP	100
Parking Consulting Services	60
Parking Pre-Booking Expenses	105
Search Engine Marketing Services	36
<b>Non-Airline Revenue Development - Total:</b>	<b>1,426</b>

- Increase in Janitorial contract both scope and cost
- Water system comprehensive plan required every five years
- Energy management system initiative will add meters to all areas of terminal
- \$125,000 for Music initiative will be matched by tenant marketing fund for total of \$250,000
- Real estate consultant for Burien NE redevelopment area will assist with grant application and feasibility study
- Garage improvements will focus on the 4<sup>th</sup> floor

# Baseline Budget Initiatives - Details

<u>Description</u>	<u>in \$000's</u>
<b>Employee/Organizational Development</b>	
(1) FTE - Continuous Process Improvement Specialist	98
Aviation Graduate Fellowship	60
Aviation Succession Program Pilot	30
Business Intelligence Strategy Plan Development	60
Continuous Process Improvement Consultant	90
<b>Employee/Organizational Development - Total:</b>	<b>338</b>
<b>Community Partnership</b>	
Part 150 Noise Compatibility Study/AIP	100
<b>Community Partnership - Total:</b>	<b>100</b>
<b>Contractual/Required</b>	
Public Parking credit card processing and bank fees	236
Self Contained Breathing Apparatus - Fire dept	331
Utilities Commodities Cost Increase	580
SPCC Plan Funding	80
<b>Contractual/Required - Total:</b>	<b>1,227</b>
Other	156
<b>Major Initiatives within Baseline Budget:</b>	<b>6,387</b>

- Expanding resources committed to Continuous Process Improvement initiative by adding FTE and continuing with consulting support
- Aviation working with HRD on succession planning
- Graduate fellowship is limited duration FTE
- Increased use of credit card in parking garage
- All Fire Dept. breathing apparatuses are in need of replacement



# FTEs

<b>2014 Proposed Budget FTEs</b>	<b>FTEs</b>	<b>%</b>
<b>2013 Approved Budget</b>	<b>846.75</b>	
Sr Administrative Assistant - Environmental	0.07	
Environmental Program Mgr - Environmental	0.52	
Sr Access Controller - Airfield Security	2.00	
Airport Office Building On-call Receptionist	0.12	
<b>2013 Baseline</b>	<b>849.46</b>	
<b>2014 Budget Changes:</b>		
<b>Driven by Capital Program:</b>		
Fire Prevention Engineer - Fire Dept	1.00	
Building Inspector/Plans Examiner - Bldg Dept	1.00	
Infrastructure Engineer, Electrical - F&I	1.00	
Infrastructure Engineer, Mechanical - F&I	1.00	
<b>Driven by operational and strategic needs</b>		
Continuous Process Improvement - ADO	1.00	
Aviation Graduate Fellowship - ADO	1.00	
Centralized Management of FIS Operations	1.00	
Landside Operations Supervisor	1.00	
Baggage Handling Coordinator	1.00	
<b>2014 Budget Changes:</b>	<b>9.00</b>	
<b>2014 Budget Proposed FTEs</b>	<b>858.46</b>	<b>1.1%</b>

# Aeronautical Business

\$ in 000's	2012	2013	2013	2014	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
<b>Revenues:</b>						
Movement Area				74,526	74,526	100.0%
Apron Area				10,208	10,208	100.0%
Terminal Rents				144,495	144,495	100.0%
Federal Inspection Services (FIS)				8,598	8,598	100.0%
<b>Total Rate Base Revenues</b>				237,827	237,827	100.0%
Commercial Area				9,517	9,517	100.0%
Subtotal before Revenue Sharing	<b>233,000</b>	<b>249,799</b>	<b>248,549</b>	<b>247,344</b>	<b>(2,455)</b>	<b>-1.0%</b>
Revenue Sharing				(5,406)	(5,406)	100.0%
<b>Total Airline Revenues</b>	<b>233,000</b>	<b>249,799</b>	<b>248,549</b>	<b>241,938</b>	<b>(7,861)</b>	<b>-3.2%</b>
Operating Expense	147,032	162,150	161,604	151,875	(10,275)	-6.8%
<b>Net Operating Income</b>	<b>85,968</b>	<b>87,649</b>	<b>86,945</b>	<b>90,063</b>	2,414	2.7%
Debt Service	78,886	82,506	78,794	82,232	(275)	-0.3%
Net Cash Flow	<b>7,082</b>	<b>5,143</b>	<b>8,150</b>	<b>7,831</b>	2,688	34.3%

# Non-Airline Business

\$ in 000's	2012	2013	2013	2014	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
<b>Non-Aero Revenues</b>						
Rental Cars	28,288	26,737	26,968	28,261	1,524	5.7%
CFC Operating Revenues (RCF)	9,745	11,013	11,299	12,420	1,407	12.8%
RCF Reimbursable Revenue	38	1,486	222	102	(1,383)	-93.1%
<b>RCF Subtotal</b>	<b>38,072</b>	<b>39,236</b>	<b>38,489</b>	<b>40,783</b>	<b>1,547</b>	<b>3.9%</b>
Public Parking	49,781	50,948	50,948	52,138	1,189	2.3%
Ground Transportation	7,900	7,267	7,464	7,555	288	4.0%
Concessions	37,998	41,263	40,447	43,339	2,076	5.0%
Other	19,273	19,113	19,625	20,595	1,482	7.8%
<b>Total Non-Aero Revenues</b>	<b>153,022</b>	<b>157,826</b>	<b>156,972</b>	<b>164,410</b>	<b>6,584</b>	<b>4.2%</b>
RCF Operating Expense	6,196	9,121	7,580	7,640	(1,481)	-23.9%
Operating Expense	64,855	68,911	66,721	74,290	5,379	8.3%
Share of terminal O&M	18,366	18,615	20,802	22,505	3,890	21.2%
Less utility internal billing	(19,883)	(17,095)	(17,095)	(18,302)	(1,206)	6.1%
<b>Net Operating &amp; Maint</b>	<b>69,533</b>	<b>79,552</b>	<b>78,007</b>	<b>86,133</b>	<b>6,581</b>	<b>9.5%</b>
<b>Net Operating Income</b>	<b>83,489</b>	<b>78,274</b>	<b>78,965</b>	<b>78,277</b>	<b>2</b>	<b>0.0%</b>
Less: CFC Surplus	(3,702)	(3,465)	(4,028)	(4,780)	(1,315)	37.9%
<b>Adjusted Non-Aero NOI</b>	<b>79,787</b>	<b>74,809</b>	<b>74,937</b>	<b>73,497</b>	<b>(1,312)</b>	<b>-1.8%</b>
Debt Service	43,166	44,173	48,195	46,506	2,333	5.3%
<b>Net Cash Flow</b>	<b>36,621</b>	<b>30,636</b>	<b>26,742</b>	<b>26,991</b>	<b>(3,646)</b>	<b>-11.9%</b>

# Non-Airline Key Measures

	2012	2013	2013	2014	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
<b>Revenues Per Enplanement</b>						
Parking	3.00	2.99	2.95	2.95	(0.04)	-1.5%
Rental Cars (excludes CFCs)	1.70	1.57	1.56	1.60	0.03	1.8%
Ground Transportation	0.48	0.43	0.43	0.43	0.00	0.1%
Concessions	2.29	2.42	2.34	2.45	0.03	1.1%
Other	1.75	1.86	1.80	1.90	0.04	2.2%
<b>Total Revenues</b>	<b>9.22</b>	<b>9.27</b>	<b>9.08</b>	<b>9.33</b>	<b>0.05</b>	<b>0.6%</b>
<b>Primary Concessions Sales/Enpl.</b>	<b>10.91</b>	<b>11.25</b>	<b>11.13</b>	<b>11.47</b>	<b>0.22</b>	<b>2.0%</b>



# 2014 Budget by Business Unit

\$ in 000's				Total For	SLOA III	Total
	Aero	Non-Aero	Other	Revenue Sharing	Incentive SL Adjustment	
Revenues	247,344	164,410		411,753	(3,576)	408,178
Revenue Sharing	(5,406)			(5,406)		(5,406)
Total after Revenue Sharing	241,938	164,410	-	406,348	(3,576)	402,772
Operating Expenses	151,875	86,133		238,008		238,008
Net Operating Income	90,063	78,277	-	168,340	(3,576)	164,764
ADF Interest Income			2,000	2,000		2,000
Non-operating grants			1,269	1,269		1,269
Misc. Non-Operating Expenses			(500)	(500)		(500)
CFC Excess		(4,780)		(4,780)		(4,780)
Available for Debt Service	90,063	73,497	2,769	166,328	(3,576)	162,752
Net debt service	82,232	46,506		128,738		128,738
Cash Flow	7,831	26,991	2,769	37,590	(3,576)	34,014
Debt Service Coverage				<u>1.29</u>		

# Expense Summary by Account

\$ in 000's	2012	2013	2013	2014	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
<b>Expenses:</b>						
Salaries, Wages & Benefits	89,790	97,842	97,275	98,028	187	0.2%
Outside Services	28,913	45,453	42,869	31,603	(13,850)	-43.8%
Supplies & Stock	5,944	4,284	4,564	4,361	77	1.8%
Utilities	13,671	12,425	13,045	13,458	1,033	7.7%
Other Expenses	12,364	11,672	12,005	13,691	2,019	14.8%
Baseline Airport Expenses	150,683	171,676	169,759	161,141	(10,535)	-6.5%
Environmental Remediation Liability	5,321	4,615	9,471	2,356	(2,259)	-95.9%
<b>Total Airport Expenses</b>	<b>156,004</b>	<b>176,291</b>	<b>179,229</b>	<b>163,497</b>	<b>(12,794)</b>	<b>-7.8%</b>
Corporate Expenses	34,254	37,314	36,041	42,696	5,383	12.6%
Police Costs	16,156	16,891	16,450	16,982	91	0.5%
Capital Development & RE	10,151	11,206	10,679	14,833	3,627	24.5%
<b>Total Allocated Expenses</b>	<b>60,562</b>	<b>65,411</b>	<b>63,170</b>	<b>74,511</b>	<b>9,100</b>	<b>12.2%</b>
<b>Total Operating Expenses</b>	<b>216,565</b>	<b>241,702</b>	<b>242,399</b>	<b>238,008</b>	<b>(3,693)</b>	<b>-1.6%</b>

# Budget Summary & Key Measures

\$ in 000's	2012	2013	2013	2014	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
Aeronautical Revenues	233,000	249,799	248,549	241,938	(7,861)	-3.1%
SLOA III Incentive Straight Line Adj.				(3,576)		
Non-Aeronautical Revenues	153,022	157,827	156,972	164,410	6,583	4.2%
<b>Total Operating Revenues</b>	<b>386,022</b>	<b>407,626</b>	<b>405,521</b>	<b>402,772</b>	<b>(4,854)</b>	<b>-1.2%</b>
<b>Expenses:</b>						
Baseline Airport Expenses	144,880	153,942	154,905	158,211	4,270	2.8%
Budget Target Exceptions		1,665	543	2,930	1,265	-
Environmental Remediation Liability	5,321	4,615	9,471	2,356	(2,259)	-49.0%
Airline Realignment	5,802	16,069	14,311	-	(16,069)	-
<b>Total Airport Expenses</b>	<b>156,004</b>	<b>176,291</b>	<b>179,229</b>	<b>163,497</b>	<b>(12,794)</b>	<b>-7.3%</b>
Corporate/CDD	60,562	65,411	63,170	74,511	9,100	13.9%
<b>Total Airport Expenses</b>	<b>216,565</b>	<b>241,702</b>	<b>242,399</b>	<b>238,008</b>	<b>(3,693)</b>	<b>-1.5%</b>
<b>NOI</b>	<b>169,457</b>	<b>165,924</b>	<b>163,122</b>	<b>164,763</b>	<b>(1,161)</b>	<b>-0.7%</b>
<b>Key Measures</b>						
Enplaned Passengers (000s)	16,597	17,017	17,294	17,675	658	3.9%
CPE (\$)	13.23	13.89	13.60	12.82	(1.08)	-7.7%
Debt Service Coverage	1.40	1.35	1.34	1.33	(0.02)	-1.2%
Debt Service Cov. after Rev. Sharing				1.29		
Non-Aero NOI less CFC Surplus (\$000)	79,787	74,810	74,937	73,497	(1,313)	-1.8%

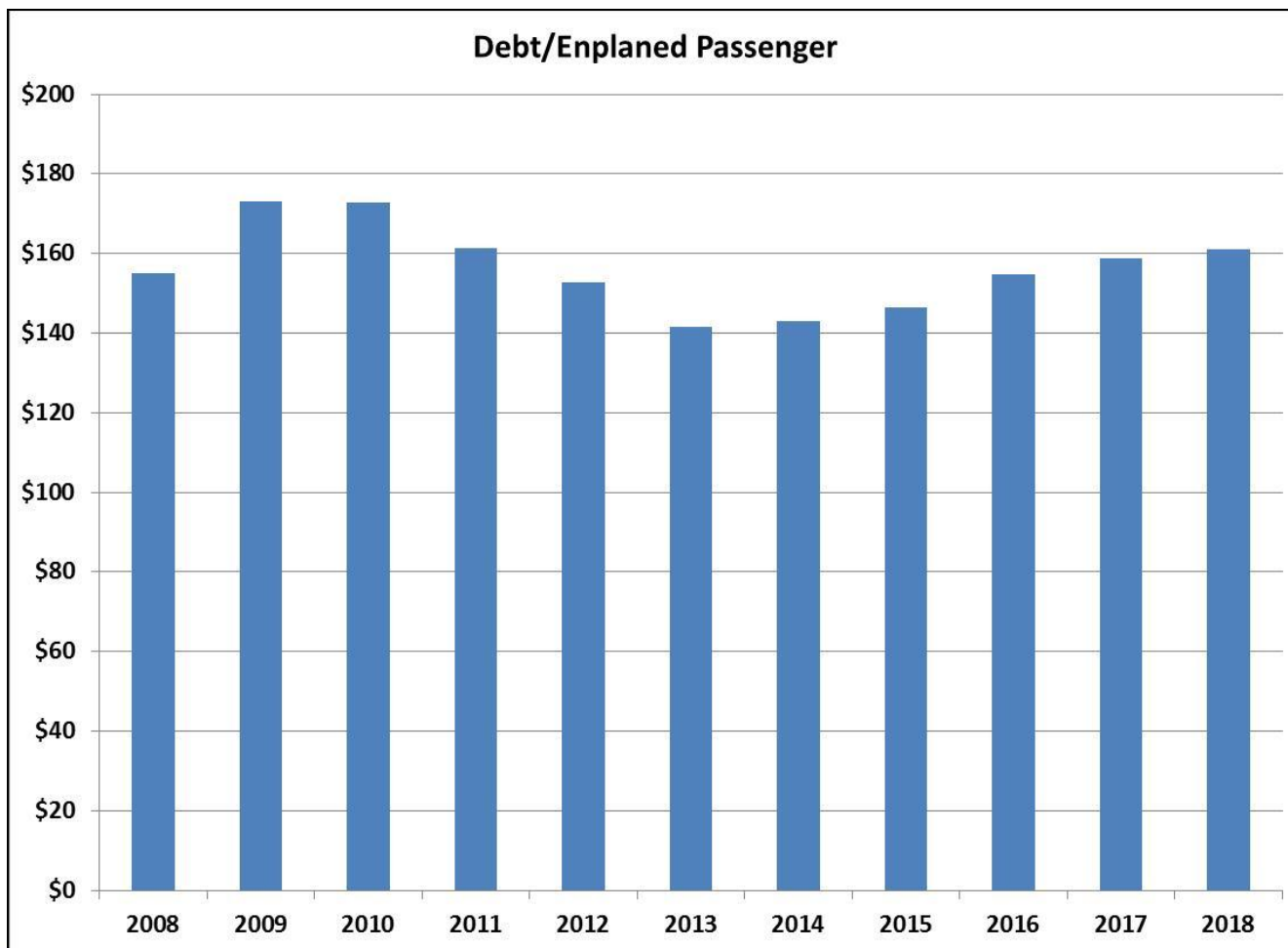
# Forecast

- Key assumptions:
  - › Airline rates and charges based on SLOA III
  - › Enplanements grow at 2.2%
  - › Achieve non-airline growth target of 4.5% CAGR
  - › Manage growth in O&M to 2.8% CAGR
- Drivers:
  - › \$1.5 billion capital program for 2014- 2018
    - NorthSTAR and International Arrivals Facility completed by 2018

# Financial Forecast

In \$000's	2013 Bud	2014 Bud	2015	2016	2017	2018
Airline Revenue*	249,799	241,938	262,941	284,687	308,809	316,375
Non-Airline Revenue	157,827	164,410	170,255	175,793	184,350	193,141
Total Revenue	407,626	406,348	433,195	460,480	493,159	509,516
Operating Expense	241,702	238,008	244,648	251,666	258,302	265,032
Net Operating Income	165,924	168,340	188,547	208,814	234,857	244,484
Net Non-Operating Income/Expense	5,795	2,769	2,839	2,806	2,837	2,894
CFC Excess**	(3,465)	(4,780)	(2,899)	(1,399)	(1,096)	(584)
Available for Debt Service	168,254	166,329	188,488	210,222	236,598	246,794
Debt Service	(179,886)	(182,247)	(200,646)	(220,571)	(245,765)	(253,578)
Debt Service Paid by CFCs	19,873	19,968	20,586	21,872	23,230	24,836
Debt Service Paid by PFCs	33,800	33,541	33,800	33,800	33,800	33,800
Net Debt Service	126,213	128,738	146,259	164,900	188,735	194,943
Net Cash Flow	42,041	37,590	42,228	45,322	47,863	51,851
<b>Key Measures</b>						
Debt Service Coverage - Before Revenue Sharing	1.33	1.33	1.33	1.30	1.26	1.28
Debt Service Coverage - After Revenue Sharing	n/a	1.29	1.29	1.27	1.25	1.27
Revenue Sharing	n/a	5,406	5,663	4,097	679	3,115
Passenger Airline CPE	13.80	12.82	13.64	14.48	15.42	15.47
Debt per Enplaned Passenger	143.8	143.0	146.5	154.8	158.7	161.2
* Excludes accounting impact of SLOA III incentive straight line adjustment						
** CFC collections in excess of CFC debt service/O&M are restricted and cannot be used for other revenue bond debt service						

# Debt Per Enplanement



A decorative background on the left side of the slide consisting of several overlapping, rounded shapes in shades of light blue, medium blue, and green, with a dark blue circular shape at the top right.

# Seaport Division 2014 Preliminary Operating Budget Briefing

October 8, 2013

# 2014 SEAPORT KEY STRATEGIES

In 2011, the Seaport developed three long term Seaport Strategies:

1. Commercial Business
2. Asset Stewardship
3. Green Gateway

For 2014, Seaport will advance these strategies in alignment with the Century Agenda, the CEO's goals and key corporate initiatives.



# Key Revenue Assumptions

- TEU volume at 1.66 million, equal to the 2013 budget
- Cruise forecasts 805,000 passengers a 5.4% decrease from 2014 Budget
- Grain volume at 2.2 million metric tons based on current crop year results.

# Expense Items

- Costs related to maintenance dredging
- T18 (IHI) crane removal
- Stormwater
- NW Ports Clean Air Strategy implementation
- Alaskan Way Viaduct monitoring related costs
- Environmental Remediation Liability expense
- Tribal fishing coordination program evolution

# Org Revenues By Group

Seaport Division Only

\$'s Thousands	2012	2013	2013	2014	'14-'13 Bud Chg	
	Actual	Budget	Forecast	Budget	\$	%
<b>REVENUE</b>						
<b>Lease &amp; Asset Management</b>						
Containers	64,415	73,040	62,717	65,703	(7,336)	-10.0%
Grain	3,749	3,653	702	2,365	(1,288)	-35.2%
Industrial Properties	15,278	15,869	16,231	16,536	667	4.2%
<b>Cruise &amp; Maritime Ops</b>						
Cruise	12,954	12,800	13,149	12,627	(172)	-1.3%
Maritime Operations	4,663	4,333	4,363	4,866	532	12.3%
<b>Operating Revenue</b>	<b>101,059</b>	<b>109,695</b>	<b>97,161</b>	<b>102,098</b>	<b>(7,597)</b>	<b>-6.9%</b>
Security Grants	2,226	173	0	0	(173)	-100.0%
<b>Total Revenue</b>	<b>103,285</b>	<b>109,869</b>	<b>97,161</b>	<b>102,098</b>	<b>(7,771)</b>	<b>-7.1%</b>

# Org Expenses By Group

Seaport Division Only

\$'s Thousands	2012	2013	2013	2014	<i>Incr (Decr)</i>	
	Actual	Budget	Forecast	Budget	'14-'13 Bud Chg \$	%
<b>Org Expenses</b>						
Lease & Asset Mgmt	6,920	8,156	7,604	9,787	1,631	20.0%
Cruise & Maritime Ops	3,932	3,897	3,604	4,715	817	21.0%
Commercial Strategy	1,642	1,895	1,586	1,688	(207)	-10.9%
Environmental Services	2,739	3,123	3,149	2,994	(129)	-4.1%
Planning	352	434	419	426	(8)	-1.8%
Seaport Finance	917	1,040	944	1,073	33	3.2%
Seaport Admin	505	783	685	654	(128)	-16.4%
Contingency	0	0	0	366	366	NA
Capital to Expense	144	0	0	0	0	NA
<b>Total Operating Expense</b>	<b>17,151</b>	<b>19,328</b>	<b>17,991</b>	<b>21,703</b>	<b>2,375</b>	<b>12.3%</b>
Security Grants	2,190	0	18	0	0	NA
Envir Remediation Liability	26	1,170	1,170	1,180	10	0.9%
<b>Total Expenses</b>	<b>19,366</b>	<b>20,498</b>	<b>19,179</b>	<b>22,883</b>	<b>2,385</b>	<b>11.6%</b>

# Seaport Org Expense Budget

## Seaport Division Expenses Only

\$'s Thousands	2013	2014	14-'13 Change		COMMENTS
	Budget	Budget	\$	%	
<b>Baseline Budget</b>					
Salaries	5,404	5,309	(95)	-1.8%	FTE Trf to Corp/Replacement staff hired at lower salaries
Benefits	1,692	1,854	162	9.5%	Based on Budget Guidelines
Wages & Benefits	0	0	0	NA	
OPEB/Pension	65	33	(32)	-49.2%	
Salaries & Wages to Cap/Non-Op/ERL	902	889	(13)	-1.5%	
<b>Total Payroll Costs</b>	<b>8,063</b>	<b>8,084</b>	<b>21</b>	<b>0.3%</b>	In line with Corporate Guidelines
<b>Non-Payroll Costs</b>					
Charges to Capital/Non-Op/ERL	(1,263)	(1,338)	(75)	5.9%	
Utilities	5,751	6,044	294	5.1%	Primarily Surface Water & Electricity (offset by Tenant Reim)
Environmental Outside Contracts	1,777	1,525	(252)	-14.2%	Lower Stormwater permit related costs.
Contract Watchmen	526	469	(57)	-10.8%	Less Demand for TWIC
Other O&M	2,270	2,214	(56)	-2.5%	Other
<b>Total Baseline Budget</b>	<b>17,123</b>	<b>16,998</b>	<b>(124)</b>	<b>-0.7%</b>	
<b>Projects &amp; Initiatives</b>					
T5 Phase II Maintenance Dredge	1,000	1,470	470	47.0%	Maintenance Dredging
T91 Maintenance Dredge	0	1,140	1,140	NA	Maintenance Dredging
Remove IHI Cranes	128	1,200	1,072	837.5%	Crane Removal
Tribal Mitigation	351	0	(351)	-100.0%	
RFID Expenses	164	149	(15)	-9.4%	Contract Costs & Subscrip fees only.
Artifact Permanent Storage	117	0	(117)	-100.0%	
10-Yr Container Terminal Access Study	125	80	(45)	-36.0%	Study to be completed in 2014
Traffic Studies	100	80	(20)	-20.0%	
Planning Studies	145	145	0	0.0%	
Seaport Division Certification/Training TBD	75	75	0	0.0%	
Contingency	0	366	366	NA	
<b>Total Projects &amp; Initiatives</b>	<b>2,205</b>	<b>4,705</b>	<b>2,500</b>	<b>113.3%</b>	
<b>Total Operating Expenses</b>	<b>19,328</b>	<b>21,703</b>	<b>2,375</b>	<b>12.3%</b>	
Security Grant Expenses	0	0	0	NA	No operating security grants assumed in Budget
Envir Remediation Liability	1,170	1,180	10	0.9%	
<b>Total Expenses</b>	<b>20,498</b>	<b>22,883</b>	<b>2,385</b>	<b>11.6%</b>	

# Projects & Initiatives

\$'s in Thousands

**Projects & Initiatives - Proposed for 2014 Budget**

**Maintenance Dredging**

T-5 maintenance dredging (phase 2)	1,470
T-91 maintenance dredging	1,140
	<b>2,610</b>

**Crane Removal**

Remove IHI cranes from Terminal 18	<b>1,200</b>
------------------------------------	--------------

<b>RFID Implementation Costs (\$95K grant funded)</b>	<b>149</b>
-------------------------------------------------------	------------

**Transportation & Planning Studies**

10 Yr Container Terminal Access Study	80
Transportation	80
Planning Studies	145
	<b>305</b>

**Efficiency Initiative**

Seaport Certification/Training TBD	<b>75</b>
------------------------------------	-----------

<b>Seaport Contingency</b>	<b>366</b>
----------------------------	------------

<b>Total 2014 Seaport Projects &amp; Initiatives</b>	<b>4,705</b>
------------------------------------------------------	--------------



# Northwest Ports Clean Air Initiatives and Environmental Remediation Liability

## Classified as Non-Operating Expense

\$'s Thousands		2014
<u>Non-Operating Expense</u>		<u>Budget</u>
<b>Clean Air Program</b>		
ABC Fuels		\$400
Cargo Handling Equip		100
Truck Scrapping Incentives	4,582	4,582
Less: CMAQ <sup>(1)</sup> Grant Revenue	(3,568)	
Less: DOE <sup>(2)</sup> Grant Revenue	<u>(400)</u>	
Net cost to Port	614	
Envir Remediation Liability -Sea		8,500
Envir Remediation Liability -RE		800
Total		<u>\$14,382</u>

Notes : (1) Federal Congestion Mitigation and Air Quality Improvement Program

(2) Washington State Department of Ecology

# Full-Time Equivalents (FTEs)

	<u>FTE's</u>
<b>2013 Budget</b>	<b>60.0</b>
<b><u>2013 Changes</u></b>	
<b>Staff Transfer:</b>	
International Liaison Trf To Corporate	-1.0
<b>Staff Changes:</b>	
Envir Remediation Project Mgr	-1.0
Stormwater FTE	1.0
Client Manager Position/Existing Staff	0.0
<b>Adjusted 2013</b>	<b><u>59.0</u></b>
<b><u>2014 Budget</u></b>	
No Changes	0.0
Subtotal	<u>0.0</u>
<b>Proposed FTE's for 2014</b>	<b><u><u>59.0</u></u></b>





# Full-Time Equivalents (FTEs) Summary

<u>Seaport FTE Summary</u>	2008 Bud	2009 Bud	2010 Bud	2011 Bud	2012 Bud	2013 Bud	2014 Bud
<b>Total Seaport</b>	<b>64.9</b>	<b>61.8</b>	<b>60.4</b>	<b>60.4</b>	<b>59.9</b>	<b>60.0</b>	<b>59.0</b>
Less: Interns	(2.8)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)
<b>Adjusted Seaport</b>	<b>62.1</b>	<b>59.6</b>	<b>58.2</b>	<b>58.2</b>	<b>57.7</b>	<b>57.8</b>	<b>56.8</b>

# Seaport Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

\$'s Thousands	2012	2013	2013	2014	<i>Incr (Decr)</i>	
	Actual	Budget	Forecast	Budget	'14-'13 Bud Chg \$	%
<b>Revenues</b>						
Operating Revenues	101,715	110,110	97,575	102,425	(7,685)	-7.0%
Security Grants	2,226	173	0	0	(173)	-100.0%
<b>Total Revenues</b>	<b>103,941</b>	<b>110,283</b>	<b>97,575</b>	<b>102,425</b>	<b>(7,858)</b>	<b>-7.1%</b>
<b>Expenses</b>						
Seaport Expenses (excl env srvs)	13,684	15,385	14,037	17,812	2,427	15.8%
Envir Services & Planning	2,207	2,675	2,686	2,565	(110)	-4.1%
Maintenance Expenses	6,040	6,360	5,943	6,637	277	4.4%
P69 Facilities Expenses	532	526	526	414	(113)	-21.4%
Other RE Expenses	233	353	353	386	32	9.2%
CDD Expenses	4,244	3,530	3,475	2,190	(1,340)	-38.0%
Police Expenses	3,969	4,271	4,141	4,286	15	0.4%
Corporate Expenses	11,538	12,773	12,391	8,315	(4,457)	-34.9%
Security Grant Expenses	2,227	0	18	0	0	NA
Envir Remed Liability	26	1,170	1,170	1,180	10	0.9%
<b>Operating Expenses</b>	<b>44,700</b>	<b>47,043</b>	<b>44,740</b>	<b>43,785</b>	<b>(3,258)</b>	<b>-6.9%</b>
<b>Net Operating Income</b>	<b>59,241</b>	<b>63,240</b>	<b>52,835</b>	<b>58,640</b>	<b>(4,600)</b>	<b>-7.3%</b>

# Containers Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Containers

\$'s Thousands	2012	2013	2014	<i>Incr (Decr)</i>	
	Actual	Budget	Budget	'14-'13 Bud Chg \$	%
<b>Revenues</b>					
Container Revenues	64,415	73,040	65,703	(7,336)	-10.0%
Maintenance Reimbursable	438	300	205	(95)	-31.7%
<b>Total Revenues</b>	<b>64,853</b>	<b>73,340</b>	<b>65,908</b>	<b>(7,431)</b>	<b>-10.1%</b>
<b>Expenses</b>					
Seaport Expenses (excl env srvs)	5,908	7,748	9,099	1,350	17.4%
Envir Services & Planning	1,225	1,612	1,518	(93)	-5.8%
Maintenance Expenses	1,739	1,983	1,727	(256)	-12.9%
P69 Facilities Expenses	337	333	254	(79)	-23.7%
Other RE Expenses	9	121	125	4	3.1%
CDD Expenses	3,280	2,485	1,613	(872)	-35.1%
Police Expenses	1,041	1,179	1,142	(37)	-3.2%
Corporate Expenses	6,703	7,513	4,684	(2,829)	-37.7%
<b>Operating Expenses</b>	<b>20,241</b>	<b>22,974</b>	<b>20,162</b>	<b>(2,812)</b>	<b>-12.2%</b>
<b>Net Operating Income</b>	<b>44,613</b>	<b>50,365</b>	<b>45,746</b>	<b>(4,619)</b>	<b>-9.2%</b>

# Grain Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Grain

\$'s Thousands	2012	2013	2014	<i>Incr (Decr)</i>	
	Actual	Budget	Budget	'14-'13 Bud Chg \$	%
<b>Revenues</b>					
Grain Revenues	3,749	3,653	2,365	(1,288)	-35.2%
Maintenance Reimbursable	(0)	1	1	0	20.0%
<b>Total Revenues</b>	<b>3,749</b>	<b>3,654</b>	<b>2,366</b>	<b>(1,288)</b>	<b>-35.2%</b>
<b>Expenses</b>					
Seaport Expenses (excl env srvs)	242	283	284	2	0.5%
Envir Services & Planning	2	10	3	(7)	-70.0%
Maintenance Expenses	28	54	42	(12)	-22.6%
P69 Facilities Expenses	31	31	14	(17)	-54.9%
Other RE Expenses	0	0	0	(0)	-100.0%
CDD Expenses	112	135	41	(93)	-69.4%
Police Expenses	217	221	222	1	0.2%
Corporate Expenses	644	715	245	(470)	-65.7%
<b>Operating Expenses</b>	<b>1,276</b>	<b>1,449</b>	<b>851</b>	<b>(598)</b>	<b>-41.2%</b>
<b>Net Operating Income</b>	<b>2,473</b>	<b>2,204</b>	<b>1,515</b>	<b>(690)</b>	<b>-31.3%</b>

# Industrial Properties Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Industrial Properties

\$'s Thousands	2012	2013	2014	<i>Incr (Decr)</i>	
	Actual	Budget	Budget	'14-'13 Bud Chg \$	%
<b>Revenues</b>					
Industrial Properties Revenues	15,278	15,869	16,536	667	4.2%
Maintenance Reimbursable	1	9	19	9	101.1%
<b>Total Revenues</b>	<b>15,279</b>	<b>15,878</b>	<b>16,555</b>	<b>676</b>	<b>4.3%</b>
<b>Expenses</b>					
Seaport Expenses (excl env srvs)	3,741	3,435	3,381	(54)	-1.6%
Envir Services & Planning	469	606	578	(28)	-4.6%
Maintenance Expenses	1,383	1,461	1,664	203	13.9%
P69 Facilities Expenses	83	82	70	(13)	-15.3%
Other RE Expenses	156	166	187	21	12.6%
CDD Expenses	414	466	230	(236)	-50.7%
Police Expenses	952	965	978	14	1.4%
Corporate Expenses	1,791	1,979	1,364	(615)	-31.1%
<b>Operating Expenses</b>	<b>8,989</b>	<b>9,160</b>	<b>8,452</b>	<b>(708)</b>	<b>-7.7%</b>
<b>Net Operating Income</b>	<b>6,290</b>	<b>6,719</b>	<b>8,103</b>	<b>1,384</b>	<b>20.6%</b>

# Cruise Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Cruise

\$'s Thousands	2012 Actual	2013 Budget	2014 Budget	Incr (Decr)	
				'14-'13 Bud Chg \$	%
<b>Revenues</b>					
Cruise Revenues	12,954	12,800	12,627	(172)	-1.3%
Maintenance Reimbursable/Oth	97	81	78	(3)	-4.1%
<b>Total Revenues</b>	<b>13,051</b>	<b>12,881</b>	<b>12,705</b>	<b>(176)</b>	<b>-1.4%</b>
<b>Expenses</b>					
Seaport Expenses (excl env srvs)	1,162	1,100	2,294	1,194	108.5%
Envir Services & Planning	247	229	224	(5)	-2.1%
Maintenance Expenses	1,575	1,618	1,786	168	10.4%
P69 Facilities Expenses	55	55	51	(4)	-7.0%
Other RE Expenses	48	1	6	5	488.1%
CDD Expenses	328	280	209	(71)	-25.5%
Police Expenses	1,281	1,422	1,457	34	2.4%
Corporate Expenses	1,314	1,454	1,071	(383)	-26.3%
<b>Operating Expenses</b>	<b>6,010</b>	<b>6,159</b>	<b>7,098</b>	<b>938</b>	<b>15.2%</b>
<b>Net Operating Income</b>	<b>7,040</b>	<b>6,722</b>	<b>5,608</b>	<b>(1,114)</b>	<b>-16.6%</b>

# Maritime Ops Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Maritime Ops

\$'s Thousands	2012	2013	2014	<i>Incr (Decr)</i>	
	Actual	Budget	Budget	'14-'13 Bud Chg \$	%
<b>Revenues</b>					
Docks Revenues	4,663	4,333	4,866	532	12.3%
Maintenance Reimbursable/Oth	87	24	25	2	6.4%
<b>Total Revenues</b>	<b>4,750</b>	<b>4,357</b>	<b>4,891</b>	<b>534</b>	<b>12.3%</b>
<b>Expenses</b>					
Seaport Expenses (excl env srvs)	2,299	2,456	2,380	(76)	-3.1%
Envir Services & Planning	230	219	242	23	10.3%
Maintenance Expenses	1,283	1,234	1,407	173	14.0%
P69 Facilities Expenses	26	25	25	(0)	-1.2%
Other RE Expenses	21	66	68	3	3.9%
CDD Expenses	110	159	97	(62)	-38.9%
Police Expenses	477	483	487	4	0.8%
Corporate Expenses	644	704	574	(130)	-18.5%
<b>Operating Expenses</b>	<b>5,089</b>	<b>5,346</b>	<b>5,280</b>	<b>(66)</b>	<b>-1.2%</b>
<b>Net Operating Income</b>	<b>(340)</b>	<b>(989)</b>	<b>(389)</b>	<b>600</b>	<b>-60.7%</b>

# Risks

- U.S. and Global economic uncertainties - Potential impact on Container and Cruise volumes
- Competitive pressures
- Traffic congestion due to construction
- Unexpected repairs
- Escalating liability, project and overhead costs



# Real Estate Division 2014 Preliminary Operating Budget Briefing

October 8, 2013

# Key Assumptions

- Marina occupancy rate 94% compared to 92% in 2013 Budget
- Fishing & Commercial occupancy rates FT 78% and MIC 70% equal to 2013 Budget
- Commercial Properties target 92% occupancy 2013 Budget target was also 92%
- Bell Harbor International Conference Center revenue down 17% from 2013 Budget

# Org Revenues By Group

Real Estate Division Only

\$'s Thousands	2012	2013	2013	2014	<i>Incr (Decr)</i>	
	Actual	Budget	Forecast	Budget	14-'13 Bud Chg \$	%
<b>Revenue</b>						
Harbor Services	11,497	11,611	11,690	12,059	449	3.9%
Portfolio Management	18,576	19,877	17,584	18,394	(1,483)	-7.5%
<i>Commercial</i>	9,755	10,153	9,774	10,284	130	1.3%
<i>Conf &amp; Event Centers</i>	8,821	9,724	7,810	8,110	(1,613)	-16.6%
Development & Planning	884	850	903	808	(42)	-5.0%
Eastside Rail	90	7	4	7	(0)	-0.7%
Maintenance & Facilities	890	585	819	435	(151)	-25.7%
<b>Total Revenue</b>	<b>31,937</b>	<b>32,930</b>	<b>31,000</b>	<b>31,703</b>	<b>(1,227)</b>	<b>-3.7%</b>

# Org Expenses By Group

Real Estate Division Expenses Only

\$'s Thousands	2012 Actual	2013 Budget	2013 Forecast	2014 Budget	Incr (Decr)	
					14-'13 Bud Chg \$	%
<b>Operating Expenses</b>						
Harbor Services	4,620	4,854	4,761	5,090	236	4.9%
Portfolio Management	11,937	12,843	11,282	12,584	(259)	-2.0%
<i>Commercial</i>	5,121	5,201	4,804	5,725	524	10.1%
<i>Conf &amp; Event Centers</i>	6,816	7,642	6,478	6,858	(784)	-10.3%
Development & Planning	745	854	768	899	45	5.3%
Eastside Rail Corridor	293	177	115	170	(7)	-3.7%
Maintenance	15,990	17,350	16,019	18,050	700	4.0%
Facilities	1,523	1,482	1,452	1,509	27	1.8%
Division Admin	368	396	396	410	14	3.5%
Envir Remed Exp/Other	82	80	38	600	520	650.0%
Contingency	0	500	0	0	(500)	-100.0%
<b>Total Operating Expenses</b>	<b>35,559</b>	<b>38,536</b>	<b>34,832</b>	<b>39,312</b>	<b>776</b>	<b>2.0%</b>

# Real Estate Org Expense Budget

## Real Estate Division Expenses Only

\$'s Thousands	2013	2014	Incr (Decr)		Explanation
	Budget	Budget	Change	%	
<b>Baseline Budget</b>					
Salaries	6,527	6,724	197	3.0%	New FTE in Maint and incr .5 FTE in Harbor Services
Benefits	2,410	2,609	199	8.3%	Calculated per Budget Guidelines
Wages & Benefits	8,456	9,412	956	11.3%	Increase in Maintenance Work (see next slide)
OPEB	30	34	4	12.4%	
Salaries & Wages to Cap, Non-op,ERL	836	821	(15)	-1.9%	Less work by Maint on Cap Projects
<b>Total Payroll Costs</b>	<b>18,260</b>	<b>19,600</b>	<b>1,340</b>	<b>7.3%</b>	
<b>Net Payroll Exp (net of to capital,Non-op,ERL)</b>	<b>17,424</b>	<b>18,779</b>	<b>1,355</b>	<b>7.8%</b>	
Utilities	3,799	3,916	117	3.1%	
Conf & Event Activity Centers	7,642	6,858	(784)	-10.3%	Lower Conf & Event Activity, 2013 Cap Allowance
WTC West Operating Expense	479	532	53	11.1%	Incr HVAC, Security
Maintenance Materials & Vehicle Parts	757	905	148	19.6%	Increase in Maintenance Work (see next slide)
Overhead Allocated To Capital & Exp	(502)	(377)	125	-24.9%	Less work by Maint on Cap Projects and lower rate
Other O&M	4,489	4,617	127	2.8%	
<b>Total Baseline Budget</b>	<b>34,088</b>	<b>35,230</b>	<b>1,142</b>	<b>3.4%</b>	
<b>Initiatives</b>					
Tenant Improve, Broker Fees,Space Plan	722	1,127	405	56.1%	
Deferred Maint Salaried Staff	278	0	(278)	-100.0%	Deferred Maint Program Complete in 2013
Deferred Maint Wages,Materials,Outside Svrs	1,290	0	(1,290)	-100.0%	Deferred Maint Program Complete in 2013
Maintenance Contingency	300	300	0	0.0%	
Net Shed related work	250	140	(110)	-44.0%	Lighting work in 2014
P69 Carpet Replacement	800	1,200	400	50.0%	P69 2013 Carpet project postponed to 2014
P69 Concrete Beam Rehab	0	570	570	NA	P69 Concrete Beam Rehab
SBM Dock Inspection Consultant	75	0	(75)	-100.0%	Budgeted in CDD in 2014
Eastside Rail Corridor-Outside Services	152	144	(8)	-5.3%	
Contingency	500	0	(500)	-100.0%	No general contingency budgeted in 2014
<b>Total Initiatives</b>	<b>4,367</b>	<b>3,481</b>	<b>(886)</b>	<b>-20.3%</b>	
<b>Total Operating Expenses</b>	<b>38,456</b>	<b>38,712</b>	<b>256</b>	<b>0.7%</b>	
Op Envir Remediation Liability	80	600	520	650.0%	
<b>Total Expenses</b>	<b>38,536</b>	<b>39,312</b>	<b>776</b>	<b>2.0%</b>	

# Maintenance 2014 Significant Projects

\$'s Thousands

<u>Significant Maintenance Projects</u>	<u>2014 Budget</u>
Shilshole Bay Marina - Install Standpipe Hangers (RE)	137
FT - Downie Building Repairs, Carpet, Signage (RE)	106
Bell Harbor Marina - Replace Dock Rub Rails (RE)	100
T91 Docks - Non-Fishing Moorage Facility Improve (SEA)	100
FT C-15 Building - Carpet Replacement (RE)	87
FT & MIC - Fall Protection (RE)	84
Marine Maint - Convert 10 Vehicles to Propane (MM)	70
Smith Cove Cruise-External Building Touch Up Painting (SEA)	70
Marine Maint - Carpenter Shop Remodel & Safety Improve (MM)	65
FT C-15 Building - Window Replacements (RE)	60
Smith Cove Cruise - Coating Building Structure (SEA)	60
P69 Facilities - Rebuild Chillers (2) (FAC)	50
T91 Docks - Non-Fishing Gangway & Perch Improve (SEA)	50
<b>Total</b>	<b><u><u>1,039</u></u></b>

RE = Real Estate Div

SEA = Seaport Div

MM = Marine Maint

FAC = P69 Facilities



# Full-Time Equivalents (FTEs)

<b><u>2013 Budget</u></b>	<b>168.3</b>
<b><u>2013 Changes</u></b>	
NA	0.0
<b>Adjusted 2013</b>	<b><u>168.3</u></b>
<b><u>2014 Budget</u></b>	
<b>Staff Additions:</b>	
Harbor Services-Admin, Half-time	0.5
Maintenance - Complete Deferred Maint Reduction Program	(3.0)
Shift Purchasing Specialist form Limited Duration to Regular	1.0
<b>Net Change</b>	<b><u>(1.5)</u></b>
<b>Proposed 2014 Budget</b>	<b><u><u>166.8</u></u></b>



# Real Estate Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

\$'s Thousands	2012	2013	2013	2014	<i>Incr (Decr)</i>	
	Actual	Budget	Forecast	Budget	'14-'13 Bud Chg \$	%
<b>Revenues</b>						
Operating Revenues	22,445	22,776	22,526	23,244	468	2.1%
Conf & Event Ctr Revenue	8,863	9,740	7,827	8,132	(1,608)	-16.5%
<b>Total Revenues</b>	<b>31,308</b>	<b>32,516</b>	<b>30,353</b>	<b>31,376</b>	<b>(1,140)</b>	<b>-3.5%</b>
<b>Expenses</b>						
Real Estate Exp (excl Maint,P69,Conf)	10,564	10,800	10,225	11,553	753	7.0%
Real Estate Division Contingency	0	500	0	0	(500)	-100.0%
Conf & Event Ctr Expense	6,816	7,642	6,478	6,858	(784)	-10.3%
Eastside Rail Corridor	293	177	115	170	(7)	-3.7%
Maintenance Expenses	9,110	9,630	9,269	9,311	(319)	-3.3%
P69 Facilities	198	178	178	126	(51)	-28.9%
Envir Services & Planning	883	882	882	856	(27)	-3.0%
Seaport Expenses (excl env srvs)	361	386	386	471	85	21.9%
CDD Expenses	1,084	2,148	2,131	2,582	434	20.2%
Police Expenses	1,374	1,412	1,377	1,391	(22)	-1.5%
Corporate Expenses	4,836	5,166	5,077	5,346	180	3.5%
Envir Remediation Liability	6	80	80	600	520	650.0%
<b>Operating Expenses</b>	<b>35,525</b>	<b>39,002</b>	<b>36,197</b>	<b>39,265</b>	<b>263</b>	<b>0.7%</b>
<b>Net Operating Income</b>	<b>(4,217)</b>	<b>(6,486)</b>	<b>(5,845)</b>	<b>(7,889)</b>	<b>(1,403)</b>	<b>-21.6%</b>



# Fishing & Commercial Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Fishing & Commercial

\$'s Thousands	<i>Incr (Decr)</i>			
	2012 Actual	2013 Budget	2014 Budget	'14-'13 Bud Chg \$ %
<b>Revenues</b>				
Operating Revenues	2,554	2,764	2,676	(88) -3.2%
<b>Total Revenues</b>	<b>2,554</b>	<b>2,764</b>	<b>2,676</b>	<b>(88) -3.2%</b>
<b>Expenses</b>				
Real Estate Exp (excl Maint,P69,Conf)	1,784	1,882	2,007	125 6.6%
Real Estate Division Contingency	0	83	0	(83) -100.0%
Maintenance Expenses	1,740	1,723	1,499	(224) -13.0%
P69 Facilities	33	30	17	(13) -44.0%
Envir Services & Planning	285	299	263	(36) -12.1%
Seaport Expenses (excl env srvs)	77	71	67	(4) -5.7%
CDD Expenses	301	1,204	1,534	331 27.5%
Police Expenses	494	508	501	(7) -1.5%
Corporate Expenses	892	942	814	(127) -13.5%
<b>Operating Expenses</b>	<b>5,607</b>	<b>6,741</b>	<b>6,702</b>	<b>(40) -0.6%</b>
<b>Net Operating Income</b>	<b>(3,053)</b>	<b>(3,977)</b>	<b>(4,026)</b>	<b>(49) -1.2%</b>

# Recreational Boating Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Recreational Boating

\$'s Thousands	2012	2013	2014	<i>Incr (Decr)</i>	
	Actual	Budget	Budget	'14-'13 Bud Chg \$	%
<b>Revenues</b>					
Operating Revenues	8,979	8,924	9,386	462	5.2%
<b>Total Revenues</b>	<b>8,979</b>	<b>8,924</b>	<b>9,386</b>	<b>462</b>	<b>5.2%</b>
<b>Expenses</b>					
Real Estate Exp (excl Maint,P69,Conf)	2,896	3,052	3,134	82	2.7%
Real Estate Division Contingency	0	205	0	(205)	-100.0%
Maintenance Expenses	1,902	2,131	2,365	234	11.0%
P69 Facilities	81	73	45	(28)	-37.9%
Envir Services & Planning	197	263	268	5	1.9%
Seaport Expenses (excl env srvs)	66	72	65	(7)	-10.0%
CDD Expenses	347	572	550	(23)	-3.9%
Police Expenses	396	407	401	(6)	-1.5%
Corporate Expenses	1,742	1,931	1,822	(110)	-5.7%
<b>Operating Expenses</b>	<b>7,627</b>	<b>8,707</b>	<b>8,650</b>	<b>(57)</b>	<b>-0.7%</b>
<b>Net Operating Income</b>	<b>1,352</b>	<b>217</b>	<b>736</b>	<b>520</b>	<b>239.8%</b>

# Portfolio Management Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Portfolio Management

\$'s Thousands	2012	2013	2014	<i>Incr (Decr)</i>	
	Actual	Budget	Budget	'14-'13 Bud Chg \$	%
<b>Revenues</b>					
Operating Revenues	9,846	10,225	10,360	136	1.3%
Conf & Event Ctr Revenue	8,863	9,740	8,132	(1,608)	-16.5%
<b>Total Revenues</b>	<b>18,710</b>	<b>19,965</b>	<b>18,493</b>	<b>(1,472)</b>	<b>-7.4%</b>
<b>Expenses</b>					
Real Estate Exp (excl Maint,P69,Conf)	5,072	4,922	5,416	494	10.0%
Real Estate Division Contingency	0	184	0	(184)	-100.0%
Conf & Event Ctr Expense	6,816	7,642	6,858	(784)	-10.3%
Maintenance Expenses	5,003	5,237	4,946	(291)	-5.6%
P69 Facilities	72	65	57	(8)	-11.9%
Envir Services & Planning	230	228	233	5	2.2%
Seaport Expenses (excl env srvs)	161	202	281	80	39.5%
CDD Expenses	367	313	372	60	19.1%
Police Expenses	484	497	489	(8)	-1.6%
Corporate Expenses	1,890	1,973	2,407	434	22.0%
<b>Operating Expenses</b>	<b>20,095</b>	<b>21,262</b>	<b>21,061</b>	<b>(201)</b>	<b>-0.9%</b>
<b>Net Operating Income</b>	<b>(1,385)</b>	<b>(1,297)</b>	<b>(2,568)</b>	<b>(1,271)</b>	<b>-98.0%</b>

# Eastside Rail Corridor Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## Eastside Rail Corridor

\$'s Thousands	2012 Actual	2013 Budget	2014 Budget	Incr (Decr)	
				'14-'13 Bud Chg \$	%
<b>Revenues</b>					
Operating Revenues	95	7	7	(0)	-0.7%
<b>Total Revenues</b>	<b>95</b>	<b>7</b>	<b>7</b>	<b>(0)</b>	<b>-0.7%</b>
<b>Expenses</b>					
Real Estate Exp (excl Maint,P69,Conf)	136	166	171	5	3.1%
Eastside Rail Corridor	293	177	170	(7)	-3.7%
Maintenance Expenses	3	0	0	0	NA
Envir Services & Planning	72	46	49	2	4.8%
Seaport Expenses (excl env srvs)	0	0	0	0	NA
CDD Expenses	14	3	2	(1)	-22.1%
Police Expenses	0	0	0	0	NA
Corporate Expenses	10	21	15	(6)	-27.4%
<b>Operating Expenses</b>	<b>527</b>	<b>413</b>	<b>407</b>	<b>(5)</b>	<b>-1.3%</b>
<b>Net Operating Income</b>	<b>(433)</b>	<b>(406)</b>	<b>(401)</b>	<b>5</b>	<b>1.3%</b>

# Re Dev & Plan Budget Summary

Inclusive of Direct Charges & Allocations from Corporate, CDD, & Other Divisions

## RE Development & Planning

\$'s Thousands	<i>Incr (Decr)</i>			
	2012 Actual	2013 Budget	2014 Budget	'14-'13 Bud Chg \$ %
<b>Revenues</b>				
Operating Revenues	884	853	812	(42) -4.9%
<b>Total Revenues</b>	<b>884</b>	<b>853</b>	<b>812</b>	<b>(42) -4.9%</b>
<b>Expenses</b>				
Real Estate Exp (excl Maint,P69,Conf)	676	779	825	46 6.0%
Real Estate Division Contingency	0	28	0	(28) -100.0%
Maintenance Expenses	375	536	498	(38) -7.2%
P69 Facilities	11	10	7	(3) -25.9%
Envir Services & Planning	99	46	44	(3) -5.7%
Seaport Expenses (excl env srvs)	57	42	58	16 38.7%
CDD Expenses	56	56	123	67 119.1%
Police Expenses	0	0	0	(0) -100.0%
Corporate Expenses	302	299	288	(11) -3.8%
<b>Operating Expenses</b>	<b>1,576</b>	<b>1,796</b>	<b>1,843</b>	<b>47 2.6%</b>
<b>Net Operating Income</b>	<b>(692)</b>	<b>(943)</b>	<b>(1,031)</b>	<b>(89) -9.4%</b>

# Risks

- Potential higher vacancies in commercial properties and recreational marinas
- Conference and Event Center Activity
- Eastside Rail Corridor
- Maintenance costs
- Outside legal costs
- Tenant improvement allowances

# Capital Development Division 2014 Preliminary Operating Budget Briefing

October 8, 2013

# Priority CDD Goals

- Deliver projects to operating division customers on time, within budget, meeting agreed scope, and with minimal and mutually-agreed impacts on operations
- Support divisions beyond projects: including budget plan development; business planning; asset management and reporting; community outreach; negotiations; and technical support and assistance.
- Provide contracting services.
- Be prepared for emergencies.
- Develop the talent, capabilities, motivation and well-being of CDD employees.
- Keep Port staff and contractor personnel working safely.



# CDD Budget Comparisons

	2012 Actual	2013 Budget	2013 YE Forecast	2014 Budget
FTE	255.8	265.5	274.3	285.1
<b>Total Salaries &amp; Benefits</b>	<b>\$27,753,794</b>	<b>\$ 30,989,009</b>	<b>30,422,923</b>	<b>\$ 34,714,607</b>
On-site consultants	\$3,074,221	\$ 3,709,032	--	\$ 6,268,910
Small Works Constr			--	
Contracts	\$592,146	\$ 348,420		\$ 744,750
<b>Total Before Capital Charges</b>	<b>\$ 34,327,535</b>	<b>\$ 38,987,922</b>	<b>37,500,130</b>	<b>\$45,666,063</b>
Sal/Wag to Capital	\$12,170,607	\$ 14,932,455	--	\$17,027,657
Capital Projects				
Overhead	\$5,463,986	\$ 6,832,411	--	\$ 8,809,619
On-site consultants to Capital	\$2,586,902	\$ 2,443,257	--	\$ 3,297,039
<b>Total Charges to Capital</b>	<b>\$ (20,350,011)</b>	<b>\$ (24,208,123)</b>	<b>(22,063,941)</b>	<b>\$ (29,134,316)</b>
<b>Total Operating Expense</b>	<b>\$ 13,977,525</b>	<b>\$ 14,779,799</b>	<b>15,436,189</b>	<b>\$ 16,531,748</b>

# CDD 2014 Operating Budget

In 000 dollars	2012 Actual	2013 Budget	2013 Forecast	2014 Budget	Budget Change	
					\$	%
AVPMG	2,042	2,532	2,501	2,601	69	2.7
CPO	2,861	3,001	2,945	3,069	608	20.3
ENG	4,160	4,229	5,198	5,021	792	18.7
PCS	3,244	2,266	2,590	3,310	1,044	46.1
SPM	1,278	2,370	1,823	1,587	(782)	(33.0)
CDD Admin	362	382	379	404	22	5.6
<b>Total</b>	<b>13,978</b>	<b>14,780</b>	<b>15,436</b>	<b>16,532</b>	<b>1,752</b>	<b>11.9</b>

# CDD 2014 by Department

<b>O9000: Capital Development</b>	<b>ENG</b>	<b>PCS</b>	<b>AVPMG</b>	<b>SPMG</b>	<b>CPO</b>	<b>CDD Admn</b>	<b>All CDD Total</b>
<b>FTE</b>	120.5	50.3	57.3	18	37	2	285.1
<b>Payroll to Capital Projects</b>	8,015,586	3,333,923	3,580,138	940,267	1,157,742		<b>17,027,657</b>
<b>Total Salaries &amp; Benefits</b>	14,285,135	6,004,927	7,227,436	2,496,814	4,312,723	387,571	<b>34,714,607</b>
<b>64140 On-site Consultants</b>	653,088		5,615,822				<b>6,268,910</b>
<b>Total Before Capital Charges</b>	15,877,864	7,556,412	13,260,292	3,235,669	5,332,075	403,751	<b>45,666,063</b>
<b>Total Charges to Capital Projects</b>	(10,856,512)	(4,246,645)	(10,659,331)	(1,648,292)	(1,723,534)		<b>(29,134,316)</b>
<b>TOTAL OPERATING EXPENSE</b>	5,021,352	3,309,767	2,600,961	1,587,377	3,608,540	403,751	<b>16,531,748</b>

# CDD 2014 FTEs

Capital Development FTE Summary - 2014 Budget												
DEPARTMENT	2013 Approved Budget	Internal Transfer	2013 Mid Year Approval	2013 Eliminated / Layoff	2013 Revised Total	2014 Eliminated / Layoff	2014 Internal Transfer	2014 New Request	2014 Prelim Budget	FTE Change	Change %	Notes
<b>By Departments:</b>												
Aviation Project Management	48.0	-	2.0	(1.2)	48.8	-	(1.0)	9.5	57.3	9.3	19.4%	See Notes 1 - 3, 12 - 23
Central Procurement Office	37.0	-	-	-	37.0				37.0	0.0	0.0%	
Engineering	111.5	-	8.0		119.5			1.0	120.5	9.0	8.1%	See Notes 4 - 11, 24
Port Construction Services	50.0	-	-	-	50.0		-	0.3	50.3	0.3	0.5%	See Notes 25 - 26
Seaport Project Management	17.0	-	-	-	17.0			1.0	18.0	1.0	5.9%	See Note 27
CDD Administration	2.0	-			2.0				2.0	0.0	0.0%	
		-	-	-	-	-	-	-	-	0.0	0.0%	
<b>TOTAL DIVISION</b>	<b>265.5</b>	<b>-</b>	<b>10.0</b>	<b>(1.2)</b>	<b>274.3</b>	<b>-</b>	<b>(1.0)</b>	<b>11.8</b>	<b>285.1</b>	<b>19.6</b>	<b>7.4%</b>	
<b>Notes:</b>												
1. Emergency Hire Program Leader (Position #4062), hired/deleted 2013												8. Construction Coordinator
2. Mechanical Engineer (Baggage)												9. Construction Coordinator
3. Capital Project Manager 4 adjust to .8 FTE												10. Construction Coordinator
4. Senior Inspector												11. Assistant Resident Engineer
5. Senior Inspector - Night												12. Capital Project Manager 1 (Terminal)
6. Project Assistant												13. Capital Project Manager 2 (Tenant)
7. Project Assisant												14. Capital Project Manager 3 (Baggage)
												15. Capital Project Manager 4 (IAF)
												16. Senior Administrative Assistant
												17. Contract Administration Specialist
												18. Cost Engineer/Analyst
												19. Graduate Intern (IAF)
												20. College Intern (Infra-Baggage)
												21. College Intern (Airfield-Cargo)
												22. Cap. Proj. Mgr 3 (#4092) changed
												23. Program Controls Manager (#4092)
												24. Construction Safety Manager
												25. Chg'd 1.0 Wage Reg. FTE to Temp. FTE
												26. .25 Intern
												27. Assistant Project Manager

# CDD 2014 New FTEs

Dept.	Position	FTE	Budget	% Exp	Notes
AVPMG	Capital PM I - Terminal	1.0	\$86,147	70%	Eff. 4/14. If not approved, on-site consultant expense must be increased.
AVPMG	Capital PM III - Tenant	1.0	\$110,049	10%	Eff. 4/14. If not approved, on-site consultant expense must be increased.
AVPMG	Capital PM II - Baggage	1.0	\$99,842	10%	Eff. 4/14. If not approved, on-site consultant expense must be increased.
AVPMG	Capital PM IV - IAF	1.0	\$121,325	10%	Eff. 4/14. If not approved, on-site consultant expense must be increased.
AVPMG	Senior Administrative Assistant	1.0	\$74,013	10%	Eff. 4/14. If not approved, workload must be redistributed to current staff.
AVPMG	Contract Administrative Specialist	1.0	\$74,013	10%	Eff. 4/14. If not approved, workload must be redistributed to current staff.
AVPMG	Cost Engineer/Analyst	1.0	\$80,731	35%	Eff. 4/14. If not approved, on-site consultant expense must be increased.
AVPMG	Graduate Intern - IAF	.5	\$10,010	5%	Provides a development opportunity for students.
AVPMG	College Intern - Infra-Baggage	.5	\$9,470	5%	Provides a development opportunity for students.
AVPMG	College Intern - Airfield-Cargo	.5	\$9,470	5%	Provides a development opportunity for students.
ENG	Construction Safety Manager	1.0	\$94,468	33%	Eff. 4/14. If not approved, on-site consultant expense must be increased.
PCS	Intern	0.3	\$4,500	100%	Provides a development opportunity for students.
SPM	Assistant Project Mgr (LD)	1	\$84,121	70%	Eff. 4/14.
<b>Total</b>		<b>10.8</b>			

# CDD 2013 Unfilled Positions

Position Title	Position #	Date of Vacancy	Salary & Benefits
1) SPM - Capital Project Manager III	444	2012	\$145,769
2) SPM - Capital Project Manager IV	2118	2/1/2013	\$166,094
3) AVPMG - Airfield Project Manager II	4093	1/1/2013	\$123,599
4) AVPMG – Scheduler	2453	6/11/2007	\$123,599
5) AVPMG - Program Controls Manager	4092	1/1/2013	\$137,289
6) AVPMG - Mechanical Engineer (PM III) (Baggage)	Approved 9/18/2013		\$134,893
7) EN - Assistant Resident Engineer – 1630	4080	12/28/2012	\$117,258
8) EN - Senior Construction Inspector – 1630	2496	9/1/2013	\$112,670
9) EN- Resident Engineer 3 – 1630	2497	7/30/2013	\$144,614
10) EN - Assistant Civil Engineer Technician – 1640	2248	5/1/2010	\$78,950
11) EN - Senior Civil Engineer Technician – 1640	2273	5/1/2012	\$96,179
12) EN - Survey CAD Technician – 1640	2421	4/1/2012	\$91,130
13) EN - Survey Project Manager - 1640	1016	4/22/2013	\$107,444
<b>Total</b>			<b>\$1,579,488</b>

# CDD 2014 Expense Projects

Division	Impact	Projects	
Aviation	\$5,002,752	<ul style="list-style-type: none"> <li>• Long-term cell phone lot</li> <li>• 2014 Concessions tenant support</li> <li>• Activation Planning – NSAT</li> <li>• Concourse D roof replacement</li> <li>• AV terminal TI</li> <li>• Airfield Activities TI</li> <li>• eGSE; PLB C14</li> <li>• AV electric vehicle stalls</li> <li>• S. 169th Street GT lot</li> <li>• South Link</li> <li>• RW 16C/34C panel replacement</li> </ul>	<ul style="list-style-type: none"> <li>• Jet line surveys</li> <li>• FAA ASDE antennae relocation</li> <li>• Landside operations support</li> <li>• Airfield pavement management system</li> <li>• RCF/Landside TI</li> <li>• Concourse C Vertical Circulation</li> <li>• NSAT baggage refurbishment</li> <li>• AV small jobs</li> <li>• AV O&amp;M</li> <li>• plus Capital Projects with Expense Components</li> </ul>
Seaport	\$425,692	<ul style="list-style-type: none"> <li>• T-5 Phase II</li> <li>• T-18 Maintenance Dredging</li> <li>• T-18 Remove IHI Cranes</li> <li>• P91 E. Cruise Maintenance Dredging</li> <li>• Drainage rework T-5 overpass</li> <li>• Argo Element III Gate</li> </ul>	<ul style="list-style-type: none"> <li>• SBM site plan</li> <li>• Viaduct project</li> <li>• Viaduct project and Dock system condition assessment</li> <li>• SP small jobs</li> <li>• SP O&amp;M</li> </ul>
Real Estate	\$1,141,062	<ul style="list-style-type: none"> <li>• Recreational boaters pump out stations flow meters (Harbor Island Marina &amp; FT Recreational Boating)</li> <li>• FT Net Shed code compliance</li> </ul>	<ul style="list-style-type: none"> <li>• FT Net Sheds</li> <li>• P69 Leed Certification</li> <li>• RE small jobs</li> <li>• RE O&amp;M</li> </ul>
<b>Total CDD</b>	<b>\$6,569,506</b>	<b>AVPMG \$1,577,500</b> <b>PCS \$2,724,831</b>	<b>CPO \$1,328,000</b> <b>SPM \$229,797</b> <b>ENG \$709,378</b>

# Corporate 2014 Preliminary Operating Budget Briefing

October 8, 2013



# Corporate Budget Overview

- Goal was to tightly manage Corporate cost growth
  - › Overall increase of 1.5% vs. 2013 budget
  - › Includes transfer of Asian Business Development function from Seaport to Executive, adjusting for this the net increase is 1.2%
  - › Three largest departments' (Police, ICT, Accounting) budgets are essentially flat (less than 0.5%)
  - › Change in allocation formula shifts additional Corporate costs to Aviation Division
- Net increase of 1.4 FTEs
  - › 3.3 FTE reduction; 4.7 FTE addition, including 3 ICT contractors to be converted to FTEs, resulting in expense savings
- Key Expense Drivers:
  - › Baseline payroll increases
  - › Payroll increases partially offset by net \$840 thousand reduction in non-payroll expenses

# 2014 Corporate Budget By Expense Type

(\$ in 000's)	2013	2014	'14-'13 Bud Chg		Explanations
	Budget	Budget	\$	%	
<b>Payroll Expenses</b>					
Total Payroll Expenses	57,917	59,947	2,030	3.5%	New FTEs and pay & benefits increase
<b>Non-Payroll Expenses</b>					
Equipment Expense	1,479	1,146	(332)	-22.5%	To accommodate requested reductions
Supplies & Stock	629	551	(77)	-12.3%	
Outside Services	11,344	10,901	(442)	-3.9%	Removal of Economic Impact Study
Travel & Other Employee Expense	2,743	2,653	(89)	-3.3%	
Promotional Expense	400	466	65	16.4%	International Tourism Promotion
Telecommunications	665	642	(23)	-3.4%	Due to retiring legacy equipment
Insurance Expense	2,300	2,300		0.0%	
Contingencies	450	450		0.0%	
Other	881	940	59	6.6%	Century Agenda implementation
Total Non-Payroll Expenses	20,890	20,050	(840)	-4.0%	
<b>TOTAL</b>	<b>78,807</b>	<b>79,997</b>	<b>1,190</b>	<b>1.5%</b>	

# 2014 Corporate Budget By Department

(in \$ 000's)	2012	2013	2013	2014	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
TOTAL REVENUES	444	155	190	155	0	0.0%
<u>EXPENSES</u>						
Executive	1,585	1,552	1,806	1,818	266	17.1%
Commission	799	1,483	1,297	1,545	62	4.2%
Legal	3,083	3,012	3,389	3,214	203	6.7%
Risk Management	2,648	3,186	3,100	3,173	-13	-0.4%
Health & Safety	1,009	1,138	1,107	1,190	52	4.6%
Public Affairs	5,860	5,946	5,817	6,069	123	2.1%
Human Resources & Development	5,227	5,468	5,326	5,655	187	3.4%
Labor Relations	1,094	1,198	1,134	1,319	120	10.1%
Information & Communications Tech.	19,486	20,805	20,205	20,850	45	0.2%
Finance & Budget	1,467	1,877	1,567	1,656	-221	-11.8%
Accounting & Financial Reporting	6,056	7,055	6,413	7,081	26	0.4%
Internal Audit	1,334	1,361	1,340	1,422	61	4.5%
Office of Social Responsibility	1,448	1,702	1,682	1,897	195	11.5%
Contingency	367	450	450	450		0.0%
Police	21,793	22,574	22,016	22,658	84	0.4%
<b>Total Corporate Costs</b>	<b>73,263</b>	<b>78,807</b>	<b>76,650</b>	<b>79,997</b>	<b>1,190</b>	<b>1.5%</b>

# 2014 Corporate FTE Summary

	<u>FTE's</u>
<b>2013 Approved Budget</b>	<b>449.2</b>
Changes in 2013:	
Internal Transfer from Seaport	1.0
Added 0.8 intern positions	0.8
ICT eliminated a limited duration Software Developer position	-1.0
<b>2013 Baseline</b>	<u>450.0</u>
2014 Proposed New FTEs:	
Commission Office eliminated the Policy Analyst position	-1.0
Legal deleted the Senior Investigator position	-1.0
Police deleted the Communications System Manager position	-1.0
OSR eliminated a high school intern	-0.3
Legal added a Public Disclosure Manager position	1.0
ICT converted 3 contractor positions to regular full-time	3.0
Added 0.7 intern positions	<u>0.7</u>
<b>Change in FTEs for 2014</b>	<b>1.4</b>
<b>2014 Budget Proposed FTEs</b>	<u><b>451.4</b></u>



# Century Agenda Support

- **Small Business Program**

- › Results

- \$20.6 million or 29% of eligible expenditures to small business through June 2013
    - For 2014, we expect to reach greater than 30% small business participation

- › 2014 Outreach Efforts Include Century Agenda Goals

- Disparity study expected to be completed by July 2014
    - Continue internal efforts including s/b goals on projects
    - Ethnic chambers of commerce and media campaign
    - Interaction with and participation in advocacy groups events
    - Participation in relevant small business events
    - Small business stakeholders group working with staff
    - Recognition and direct interaction with small businesses

# Century Agenda Support

- **Workforce Development**
  - › Lead Port's workforce strategy development group
  - › Port Jobs Contract 2014 Extension
    - Support Apprenticeship Opportunity Project (AOP)
    - Continue to help thousands of individuals get jobs at SeaTac
    - Provided training to airport workers and job seekers
  - › Port Apprenticeship Program
    - Apprentice utilization rate 14.5% through Sep-13
    - Over \$600/K in apprentice wages through Sep-13
    - In 2014 new PLA should impact utilization policy
  - › Maritime Sector Workforce Efforts
    - Manage a workforce needs study
    - Continue to build partnerships with area stakeholders

# Century Agenda Support

## Tourism

- 2013 Successes:
- Focus on cruise-plus
  - › Germany
  - › UK
- 68 in-bound fam trips  
YTD from 5 markets
- More than \$21m in media coverage
- In kind will exceed \$500,000
- 2014 Plan:
- Cruise-plus and more
  - › UK, Germany, Japan, France
- Highlight new air service
- Leverage partnerships
- Industry leadership

# Potential Budget Additions

- Economic Impact Study (\$200K)
- Airport Job Office Furniture and Equipment (\$70K)
- Construction Labor Market Study with City of Seattle (\$25K)
- Workforce Development Strategy and Career Pathways (\$75K)





# Portwide Rollup 2014 Preliminary Operating Budget Briefing

October 8, 2013

# Non-Represented Payroll Assumptions

- 3% average merit pay increase consistent with regional market
- Market based salary range increases up to 2.0% (minimal cost impact)
- Medical/dental cost increase\*: 1.9%
- Employer's PERS contribution: 9.21% vs. 8.16% average rate in 2013

\*Includes some represented groups on Port sponsored plan

# 2014 Preliminary Budget

(\$ in '000s)	2012	2013	2013	2014	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
<b>Operating Revenues</b>						
Aeronautical	233,000	249,799	248,549	241,938	-7,861	-3.1%
SLOA III Incentive Adj.	-	-	-	-3,576	-3,576	n/a
Non-Aeronautical	153,022	157,826	156,972	164,410	6,584	4.2%
Aviation	386,022	407,625	405,521	402,772	-4,853	-1.2%
Seaport	103,941	110,283	97,576	102,425	-7,858	-7.1%
Real Estate	31,308	32,516	30,353	31,376	-1,140	-3.5%
CDD	32	-	-	-	-	n/a
Corporate	403	155	155	155		0.0%
Other Operating Revenues	135,684	142,954	128,084	133,956	-8,998	-6.3%
<b>Total</b>	<b>521,706</b>	<b>550,579</b>	<b>533,605</b>	<b>536,728</b>	<b>-13,851</b>	<b>-2.5%</b>
<b>Operating Expenses</b>						
Aviation	156,004	176,291	179,229	163,497	-12,794	-7.3%
Seaport	19,366	20,498	19,884	22,883	2,385	11.6%
Real Estate	35,559	38,536	36,304	39,312	776	2.0%
CDD	13,978	14,780	15,556	16,532	1,752	11.9%
Corporate	73,263	78,807	76,650	79,997	1,190	1.5%
<b>Total</b>	<b>298,169</b>	<b>328,912</b>	<b>327,623</b>	<b>322,221</b>	<b>-6,691</b>	<b>-2.0%</b>
<b>Net Operating Income</b>	<b>223,537</b>	<b>221,668</b>	<b>205,982</b>	<b>214,507</b>	<b>-7,161</b>	<b>-3.2%</b>

# Income Summary by Division

<i>(In \$ '000s)</i>	2013 Budget	2013 Forecast	2014 Budget	Budget Change		Notes
				\$	%	
<b><u>Aviation - Aeronautical</u></b>						
Operating Revenues	249,799	248,549	238,362	(11,437)	-4.6%	Include incentive adjustment
Operating Expenses	162,150	164,392	151,875	(10,275)	-6.3%	No Terminal Realignment expense
Net Operating Income	87,649	84,157	86,487	(1,162)	-1.3%	
<b><u>Aviation - NonAero</u></b>						
Operating Revenues	157,826	156,972	164,410	6,584	4.2%	Higher Concessions & Public Parking
Operating Expenses	79,552	78,007	86,133	6,581	8.3%	Higher Corp and Terminal expense
Net Operating Income	78,274	78,965	78,277	3	0.0%	
<b><u>Seaport</u></b>						
Operating Revenues	110,283	97,576	102,425	(7,858)	-7.1%	Lower Container & Grain revenues
Operating Expenses	47,043	44,740	43,785	(3,258)	-6.9%	Lower Corp expense
Net Operating Income	63,240	52,836	58,640	(4,600)	-7.3%	
<b><u>Real Estate</u></b>						
Operating Revenues	32,516	30,353	31,376	(1,140)	-3.5%	Lower Conf & Event Ctr revenue
Operating Expenses	39,002	36,197	39,265	263	0.7%	Lower Conf & Event Ctr expense
Net Operating Income	(6,486)	(5,844)	(7,889)	(1,403)	21.6%	

# Comprehensive Budget Summary

(\$ in '000s)	2012	2013	2014	'13-'12 Bud Chg		Explanations
	Actual	Budget	Budget	\$	%	
<b>Revenues</b>						
1. Aeronautical Revenues	233,000	249,799	238,362	(11,437)	-4.6%	Cost recovery under SLOA III
2. Other Operating Revenues	288,706	300,780	298,366	(2,414)	-0.8%	Lower revenues from Seaport and RE
3. Tax Levy	72,678	73,000	73,000	-	0.0%	Assume no change from 2013
4. PFCs	62,385	64,844	67,352	2,508	3.9%	Increase in enplanements
5. CFC Revenue for Debt Service	20,577	20,553	20,568	15	0.1%	
6. Fuel Hydrant	8,123	7,839	6,953	(885)	-11.3%	Bond refunding
7. Non-Capital Grants and Donations	3,349	1,909	7,968	6,059	317.4%	Grants for Clean Air initiative
8. Capital Contributions	30,714	17,068	10,393	(6,676)	-39.1%	Less LOI for 3rd runway from FAA
9. Interest Income	8,172	7,296	7,615	319	4.4%	Higher General and ADF fund balance
<b>Total</b>	<b>727,704</b>	<b>743,088</b>	<b>730,576</b>	<b>(12,512)</b>	<b>-1.7%</b>	
<b>Expenses</b>						
1. O&M Expense	298,169	328,912	322,221	(6,691)	-2.0%	No terminal realignment expenses
2. Depreciation	167,279	171,510	164,386	(7,124)	-4.2%	Some fully depreciated assets at the Airport
3. Revenue Bond Interest Expense	122,170	129,314	128,987	(327)	-0.3%	
4. GO Bond Interest Expense	14,447	13,291	9,806	(3,485)	-26.2%	Refunding of bonds
5. PFC Bond Interest Expense	6,778	6,367	5,953	(414)	-6.5%	
6. Non-Op Environmental Expense	14,358	4,800	9,300	4,500	93.8%	Lower Duwamish and T91 cleanups
7. Public Expense	22,876	4,469	8,311	3,842	86.0%	Clean Truck Program
8. Other Non-Op Rev/Expense	25,749	3,972	3,738	(234)	-5.9%	
<b>Total</b>	<b>671,826</b>	<b>662,635</b>	<b>652,702</b>	<b>(9,933)</b>	<b>-1.5%</b>	
<b>Change In Net Assets</b>	<b>55,878</b>	<b>80,453</b>	<b>77,874</b>	<b>(2,579)</b>	<b>-3.2%</b>	

# Port-wide FTEs Summary

	Aviation	Seaport	Real Estate	Capital Dev	Corporate	Totals
2013 Approved FTE's	846.8	60.0	168.3	265.5	449.2	1,789.8
Mid Year Approval	2.7	-	-	10.0	0.8	13.5
Eliminated	-	-	-	(1.2)	(1.0)	(2.2)
Transfers	-	(1.0)	-	-	1.0	-
Adjusted 2013 FTE's	849.5	59.0	168.3	274.3	450.0	1,801.1
2014 Budget						
Eliminated	-	-	(3.0)	-	(3.3)	(6.3)
Transfer	-	-	-	(1.0)	-	(1.0)
New FTE's	9.0	-	1.5	11.8	4.7	27.0
Total 2014 Changes	9.0	-	(1.5)	10.8	1.4	19.7
Proposed 2014 FTE's	858.5	59.0	166.8	285.1	451.4	1,820.8