

ITEM NO. 6a Supp

DATE OF

MEETING: Nov 19, 2013



# Port of Seattle

## 2014 Preliminary Budget Second Reading

November 19, 2013

# Agenda

- 2014 Budget Process Recap
- Proposed Budget Changes
- Operating Budget
- Comprehensive Op & Non-Op Budget
- Capital Budget
- FTEs Summary
- Sources and Uses of Funds
- Tax Levy
- Remaining Schedule

# 2014 Budget Process

Jul. 23	Budget Retreat/Process Briefing
Aug. 20	Budget Assumptions Briefing
Aug. 20	Business Plan and Capital Plan Briefing
Oct. 1	Capital Budget Briefing
Oct. 8	Preliminary Operating Budget Briefing
Oct. 22	Tax Levy and Draft Plan of Finance Briefing
Oct. 22	Provide Preliminary Budget Document to the Commission
Oct. 24	Release Preliminary Budget to the Public
Nov. 5	First Reading & Public Hearing of the Preliminary Budget
Nov. 19	Second Reading & Final Passage of the Preliminary Budget
Dec. 2	Statutory Budget Filed with King County
Dec. 13	Release the Final Budget and Draft Plan of Finance

# Proposed Budget Changes Summary

<b><u>Operating Budget</u></b>	<u>Revenues</u>	<u>Expenses</u>	<u>NOI</u>
Aviation (Aeronautical)*	232	-	232
Aviation (Non-Aeronautical)	1,969	532	1,437
Seaport	(872)	-	(872)
Corporate	-	645	(645)
<b>TOTAL</b>	<b>1,329</b>	<b>1,177</b>	<b>152</b>

<b><u>Non-Operating Budget</u></b>	<u>Revenues</u>	<u>Expenses</u>	<u>Change in Net Assets</u>
Aviation - PFC Non-Op Revenue	526	-	526
Seaport - Non-Capital Grant Revenue	(1,279)	-	(1,279)
Seaport - Public Expense	-	(1,190)	1,190
<b>TOTAL</b>	<b>(753)</b>	<b>(1,190)</b>	<b>437</b>

\* Aeronautical revenue is cost recovery and the increase is due to the new proposed budget additions from Corporate. The \$232K is our best estimate and the final number is yet to be calculated.

# Aviation Budget Changes

- Enplanement growth assumption: change from 2.2% to 3.0%
- Non-airline revenue changes:
  - › Rental cars, employee parking, ground transportation, concessions, in-flight meals, commercial properties, club international lounge
  - › PFC non-operating revenue increase \$526K
- Non-airline expense changes:
  - › International lounge operating expenses
  - › Business & Occupation taxes

# Non-Airline Business

\$ in 000's	Revised		Change	%
	2014 Budget	2014 Budget		
<b>Non-airline Revenues</b>				
Public Parking	52,138	52,138	-	n/a
Rental Cars	40,786	41,167	381	0.9%
Employee Parking	5,552	6,218	666	12.0%
Ground Transportation	7,555	7,881	326	4.3%
Commercial Prop	7,011	6,383	(627)	-8.9%
Concessions	42,589	42,964	375	0.9%
Tenant Marketing	750	750	-	n/a
Club International	352	1,200	848	241.0%
Other	7,678	7,678	-	n/a
<b>Total Non-airline Revenues</b>	<b>164,410</b>	<b>166,379</b>	<b>1,969</b>	<b>1.2%</b>
<b>Non-airline Expenses</b>	<b>85,159</b>	<b>85,691</b>	<b>532</b>	<b>0.6%</b>
Net Operating Income	79,251	80,688	1,437	1.8%
PFC Non-operating Revenue	67,352	67,878	526	0.8%

# Seaport Budget Changes

Description	2014 Budget	Revised 2014 Budget	Change
<b>VOLUME</b>			
TEU Volume in 000's	1,660	1,600	(60)
<b>OPERATING REVENUE \$'s in 000's</b>			
Crane Rent	5,818	5,276	(\$542)
Intermodal Revenue	921	590	(331)
<b>Total Operating Revenue Change</b>			<b><u>(\$872)</u></b>

# Northwest Ports Clean Air Initiatives and Environmental Remediation Liability

## Classified as Non-Operating Expense

\$'s Thousands		<u>2014</u>	
<u>Non-Operating Expense</u>		<u>Budget</u>	
<b>Clean Air Program</b>			
ABC Fuels		\$400	
Cargo Handling Equip - Idle Reduction Project		100	
Cargo Handling Equip - CNG Truck Pilot (\$300K total)		275	Added
Truck Scrapping Incentives (\$4,702K total)	3,117	3,117	Timing Adjusted
Less: CMAQ <sup>(1)</sup> Grant Revenue (\$3,535 total)	(2,357)		
Less: DOE <sup>(2)</sup> Grant Revenue (\$500K Total)	(332)		
Net cost to Port	428		
Envir Remediation Liability -Sea		8,500	
Envir Remediation Liability -RE		800	
Total		<u>\$13,192</u>	

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

(2) Washington State Department of Ecology



# Corporate Proposed Budget Additions

- Items relate to Century Agenda workforce strategies
- Supporting Airport Jobs mission of connecting employers and potential employees
  - › Airport Jobs Office Move - Furniture and Equipment (\$70K)
  - › Airport Career Pathways - Initial Strategy Implementation (\$50K)
- Maritime Economic Development workforce training
  - › Maritime Workforce Development Study (\$50K)
  - › Maritime Workforce Development - Initial Strategy Implementation (\$50K)
- Construction and Skilled Trades/Apprenticeship Sector Analysis (\$25K)

# Corporate Proposed Budget Additions

- Assist regional Port cooperation:
  - › Economic Impact Study to be done in conjunction with POT (\$200K)
- Support quantitative data for Small Business and Workforce Development
  - › 1 FTE: OSR Data Analyst - Mid-Year Start (\$45K)
- Workplace Responsibility - .5 FTE: Communications Specialist (\$55K)
- Increase Commission Contingency (\$100K)
- Total Proposed Additions: \$645K

# 2014 Preliminary Operating Budget

(\$ in '000s)	2012	2013	2013	2014	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
<b>Operating Revenues</b>						
Aeronautical	233,000	249,799	254,314	242,170	-7,629	-3.1%
SLOA III Incentive Adj.	-	-	-	-3,576	-3,576	n/a
Non-Aeronautical	153,022	157,826	160,928	166,379	8,553	5.4%
Aviation	386,022	407,625	415,242	404,973	-2,652	-0.7%
Seaport	103,941	110,283	97,575	101,553	-8,730	-7.9%
Real Estate	31,308	32,516	30,353	31,376	-1,140	-3.5%
CDD	32	-	23	-	-	n/a
Corporate	403	155	300	155		0.0%
Other Operating Revenues	135,684	142,954	128,251	133,084	-9,870	-6.9%
<b>Total</b>	<b>521,706</b>	<b>550,579</b>	<b>543,493</b>	<b>538,057</b>	<b>-12,522</b>	<b>-2.3%</b>
<b>Operating Expenses</b>						
Aviation	156,004	176,291	171,329	164,029	-12,262	-7.0%
Seaport	19,366	20,498	19,179	22,883	2,385	11.6%
Real Estate	35,559	38,536	35,037	39,312	776	2.0%
CDD	13,978	14,780	15,449	16,532	1,752	11.9%
Corporate	73,263	78,807	75,807	80,642	1,835	2.3%
<b>Total</b>	<b>298,169</b>	<b>328,912</b>	<b>316,800</b>	<b>323,398</b>	<b>-5,514</b>	<b>-1.7%</b>
<b>Net Operating Income</b>	<b>223,537</b>	<b>221,668</b>	<b>226,693</b>	<b>214,659</b>	<b>-7,009</b>	<b>-3.2%</b>

# 2014 Comprehensive Budget Summary

(\$ in '000s)	2012	2013	2014	Budget Change		Explanations
	Actual	Budget	Budget	\$	%	
<b>Revenues</b>						
1. Aeronautical Revenues	233,000	249,799	238,594	(11,205)	-4.5%	Cost recovery under SLOA III
2. Other Operating Revenues	288,706	300,780	299,463	(1,317)	-0.4%	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	67,878	3,034	4.7%	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	6,689	4,780	250.4%	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>731,152</b>	<b>(11,936)</b>	<b>-1.6%</b>	
<b>Expenses</b>						
1. O&M Expense	298,169	328,912	323,398	(5,514)	-1.7%	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	7,121	2,652	59.3%	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>652,689</b>	<b>(9,946)</b>	<b>-1.5%</b>	
<b>Change In Net Assets</b>	<b>55,878</b>	<b>80,453</b>	<b>78,463</b>	<b>(1,990)</b>	<b>-2.5%</b>	

# 2014 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	6.2	28.5
Total 2014 Changes	9.0	-	(1.5)	10.8	2.9	21.2
Proposed 2014 FTE's	858.5	59.0	166.8	285.1	452.9	1,822.3

# Capital Budget Summary

## Capital Budget Summary by Division

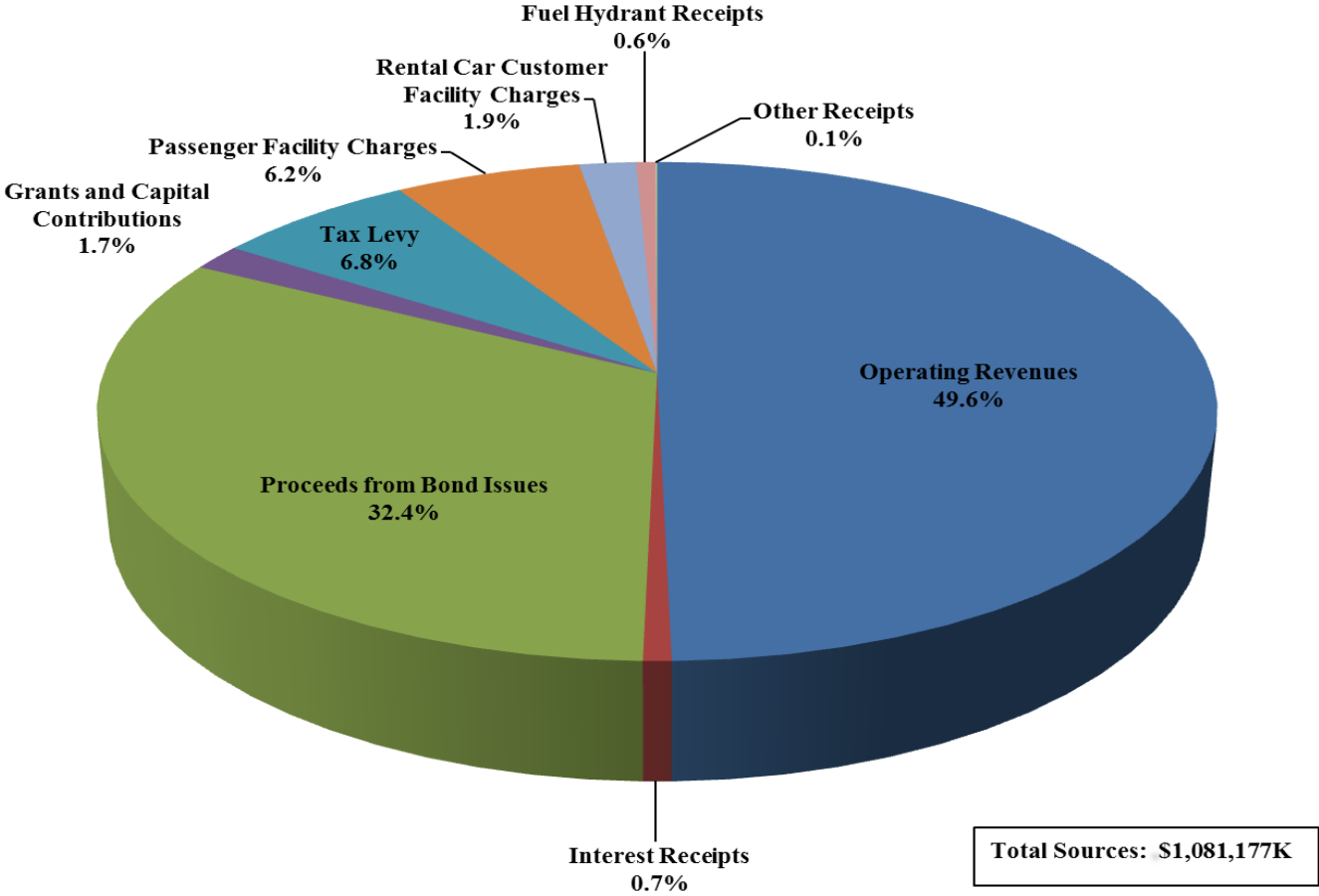
\$'s in 000's	2014	2015	2016	2017	2018	2014-18
<b>Aviation</b>	230,519	321,023	401,756	301,866	276,096	1,531,260
<b>Seaport</b>	35,046	42,710	52,775	77,775	56,551	264,857
<b>Real Estate</b>	17,643	10,220	8,516	12,568	6,137	55,084
<b>Corp &amp; CDD</b>	11,981	8,814	8,671	8,379	8,559	46,404
<b>Total</b>	<b>295,189</b>	<b>382,767</b>	<b>471,718</b>	<b>400,588</b>	<b>347,343</b>	<b>1,897,605</b>

# Capital Budget Summary

## Capital Budget Summary by Category

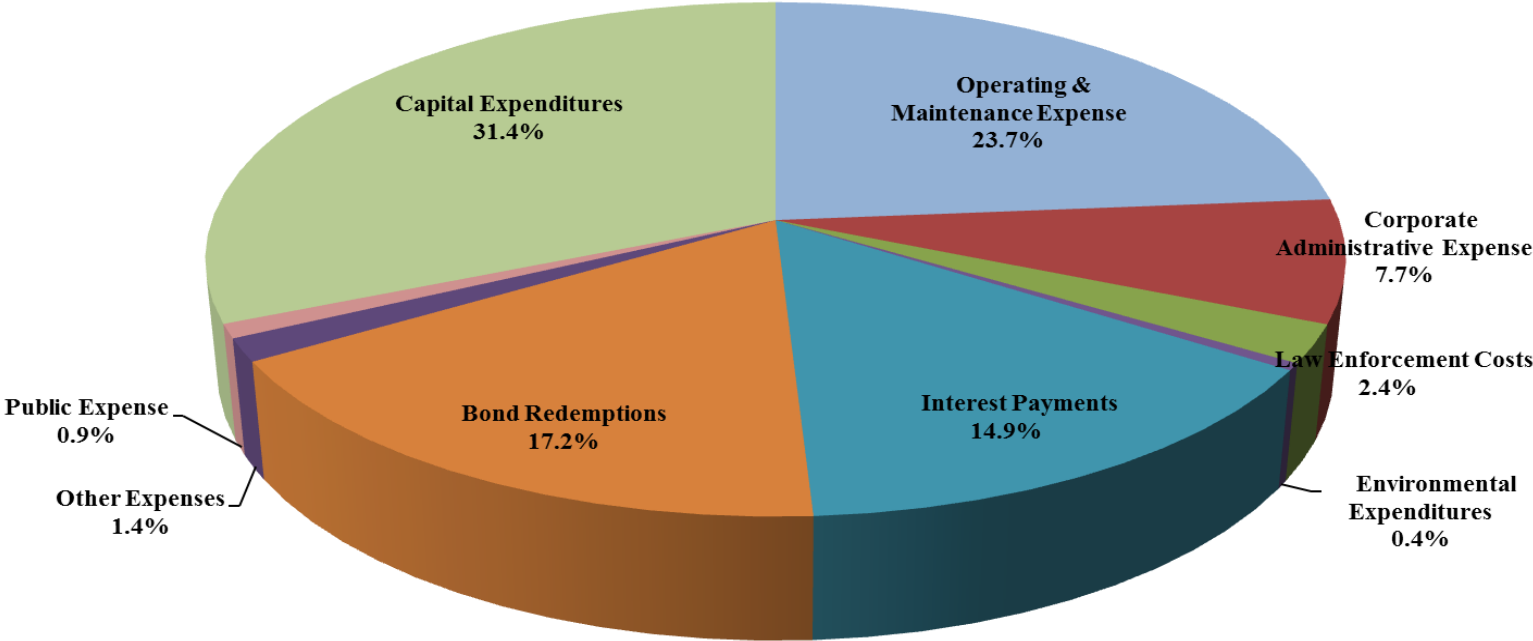
\$'s in 000's	2014	2015	2016	2017	2018	2014-18
<b>Commission Authorized/Underway</b>	224,121	185,723	306,817	236,398	206,907	1,159,966
<b>Pending 2013/2014 Authorization</b>	39,499	127,050	64,539	18,365	3,450	252,903
<b>Pending Future Authorization</b>	18,596	57,440	88,979	135,715	126,870	427,600
<b>Small Capital and Other</b>	12,973	12,554	11,383	10,110	10,116	57,136
<b>Total</b>	<b>295,189</b>	<b>382,767</b>	<b>471,718</b>	<b>400,588</b>	<b>347,343</b>	<b>1,897,605</b>

# Sources of Funds





# Uses of Funds



Total Uses: \$941,290K



# Tax Levy Summary

- Tax Levy Amount
  - › Levy amount established by the Commission each year as part of the budget process
  - › The maximum allowable levy for 2014 is \$93.3 million
  - › For 2014 the levy is proposed to be \$73.0 million
  
- 2014 Tax Levy Uses
  - › General Obligation (G.O.) Bonds Debt Service
  - › Regional Transportation & Freight Mobility Projects
  - › Seaport and Real Estate Environmental Remediation Liability
  - › Real Estate Capital Improvements and a portion of operating expenses
  - › Highline School NOISE Insulation
  - › Office of Port Jobs
  - › Addition to the Transportation Infrastructure Fund (TIF)

# Remaining Schedule

- 11/5 Commission feedback on Preliminary Budget document currently being reviewed
- Statutory Budget Filed with King County Dec. 2, 2013
- Release the Final Budget Document Dec. 13, 2013

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Port of Seattle

2014 Preliminary Budget  
Second Reading

November 19, 2013