

Item No. 7d_supp
Date: Sept 30, 2014



Corporate 2015 Preliminary Budget Briefing

September 30, 2014

2015 Corporate Budget Overview

- Continued focus on managing Corporate cost growth
 - › Overall increase of 0.8% vs. 2014 budget
 - › Adjusting for budget transfers to other divisions and one-time items in the 2014 budget, baseline budget increase is 2.3%.
 - › New budget additions for 2015 total \$501K.
- Net reduction of 0.3 FTEs
- Key Expense Drivers:
 - › Baseline payroll increases
 - › Payroll increases partially offset by \$709K one-time items in the 2014 budget.

2015 Corporate Budget Summary

Description	Amount	%	Notes
	(\$ in '000)		
2015 Preliminary Budget	81,267		
2014 Approved Budget	<u>80,637</u>		
Increase from 2014 Approved Budget	630	0.8%	
Adjusted for Budget Transfers	549	0.7%	PLA Group & 1.0 FTE from PA
Adjusted for One-time Items	<u>709</u>	0.9%	Exclude the one-time items in the 2014 budget
Increase from Baseline	<u><u>1,889</u></u>	2.3%	

2015 New Budget Additions

No.	Dept	Description	Amount
1	HR&D	OD/Metrics Analyst	95,376
2	HR&D	Sr. Total Comp Analyst	109,880
3	F&B	Financial Analyst I (6 months)	57,068
4	AFR	Critical Year-end Workload Coverage	20,000
5	AFR	Billing Invoices/Statements Mailing Service – Centrally Budget	28,600
6	Internal Audit	Contracted Services for Construction Auditing Program	60,000
7	Internal Audit	Software	15,000
8	Internal Audit	Peer Review by Association of Local Government Auditors	15,000
9	Contingency	Increase in Portwide Contingency	100,000
		TOTAL	500,924

2015 Corporate Budget By Expense Type

(\$ in 000's)	2014	2015	'15-'14 Bud Chg		Explanations
	Budget	Budget	\$	%	
Payroll Expenses					
Total Payroll Expenses	59,992	61,112	1,120	1.9%	New FTEs and pay & benefits increases
Non-Payroll Expenses					
Equipment Expense	1,216	1,118	(98)	-8.1%	Purchases for Airport Jobs in 2014 budget
Supplies & Stock	551	453	(99)	-17.9%	Reduced office and other supplies
Outside Services	11,326	11,215	(111)	-1.0%	Removal of EIS and Disparity Study
Travel & Other Employee Expense	2,653	2,603	(50)	-1.9%	
Promotional Expense	466	346	(119)	-25.6%	Moved Int'l Tourism Promo to Outside Svcs
Telecommunications	642	628	(14)	-2.2%	
Insurance Expense	2,300	2,350	50	2.2%	Higher insurance cost expected for 2015
Contingencies	450	550	100	22.2%	Related to implementation of Res. 3694
Other	1,040	892	(148)	-14.2%	
Total Non-Payroll Expenses	20,645	20,155	(490)	-2.4%	
TOTAL	80,637	81,267	630	0.8%	

2015 Corporate Budget By Department

(in \$ 000's)	2013	2014	2014	2015	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
<u>REVENUES</u>						
Total Operating Revenues	479	155	269	340	185	119.1%
<u>EXPENSES</u>						
Executive	1,728	1,818	1,818	1,798	-19	-1.1%
Commission	1,013	1,645	1,645	1,565	-80	-4.9%
Legal	3,545	3,264	3,141	3,156	-108	-3.3%
Risk Management	2,901	3,173	3,138	3,249	77	2.4%
Health & Safety	1,078	1,190	1,185	1,190	0	0.0%
Public Affairs	5,890	6,069	5,946	5,937	-132	-2.2%
Human Resources & Development	5,259	5,655	5,513	5,958	303	5.4%
Labor Relations	1,151	1,319	1,282	1,024	-295	-22.3%
Information & Communications Tech.	20,323	20,850	20,850	21,435	585	2.8%
Finance & Budget	1,543	1,856	1,848	1,713	-143	-7.7%
Accounting & Financial Reporting	5,724	7,081	6,805	7,350	269	3.8%
Internal Audit	1,201	1,422	1,500	1,552	131	9.2%
Office of Social Responsibility	1,644	2,187	2,291	1,910	-278	-12.7%
Contingency	266	450	250	550	100	22.2%
Police	22,458	22,658	22,474	22,879	221	1.0%
Total Operating Expenses	75,731	80,637	79,686	81,267	630	0.8%

2015 Corporate FTE Summary

	<u>FTE's</u>
2014 Approved Budget	453.4
Changes in 2014:	
Mid-Year Approvals	4.1
Eliminated	-4.6
Internal Transfer to Aviation	-1.0
2014 Baseline	<u>451.9</u>
2015 Budget Changes:	
Eliminated	-2.0
Internal Transfers	-3.5
Proposed New FTEs	5.2
Change in FTEs for 2015	<u>-0.3</u>
Proposed FTEs for 2015	<u><u>451.6</u></u>

Potential Budget Additions

- Office of Social Responsibility and Public Affairs have requested funding for expansion of Workforce Development and Tourism programs in line with Century Agenda strategies
- These are not currently included in the Preliminary Budget beyond baseline amounts
- Internal Audit has requested an additional FTE for a Construction Auditor. The Preliminary Budget assumes \$60K in Outside Services in lieu of hiring an FTE in 2015—funding the full FTE would require an additional \$43K
 - › This is subject to Audit Committee review/recommendation

Proposed Expansion of Tourism and Workforce Development Programs

- **Tourism**

- \$50K - Provide grant funding to community applicants to promote statewide tourism

- \$500K - Expand outreach in existing and new international markets; develop cruise workshop for local businesses doing business with the cruise industry

- \$75K - Contribution to Washington Tourism Alliance

- **Workforce Development**

- \$1.7 million - First year of multi-year contract for expanded workforce development program in the Aviation, Maritime and Construction sectors

- \$34K - Expanded internships and other internal Port programs

Program Funding Considerations

<u>Tourism</u>	(\$ in '000)
2015 Baseline Budget	981
Additional Request	625
Total	1,606
<u>Workforce Development</u>	
2015 Baseline Budget	767
Additional Request	1,692
Total	2,459

- Proposed program expansion represents significant increases to baseline budgets
- Staff recommends funding both programs, including baseline, with the Port’s Tax Levy
 - Reduces allocations to operating divisions
 - Mitigates concerns regarding airport revenue diversion
 - Broad community benefits—appropriate for levy funding



Capital Development Division 2015 Preliminary Budget Briefing

September 30, 2014

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

	2013 Actual	2014 Budget	2014 YE Forecast	2015 Budget
FTE	274.3	285.1	289.1	300.1
Total Salaries & Benefits	\$29,415,599	\$ 35,156,665	33,785,162	\$ 37,868,837
On-site consultants	\$2,091,198	\$ 6,268,910	4,914,393	\$ 6,307,400
Small Works Constr Contracts	\$1,045,682	\$ 744,750	740,983	\$ 1,796,400
Total Before Capital Charges (+ Int. Trfs)	\$ 35,698,726	\$ 46,134,430	43,380,765	\$ 50,612,167
Sal/Wag to Capital Capital Projects	\$ (13,591,527)	\$ (17,027,657)	(16,785,062)	\$ (17,866,998)
Overhead	\$ (5,730,328)	\$ (8,809,619)	(8,051,369)	\$ (8,243,478)
On-site consultants to Capital	\$ (1,908,658)	\$ (3,297,039)	(3,153,325)	\$ (6,307,400)
Total Charges to Capital	\$ (21,144,696)	\$ (29,134,316)	(27,989,756)	\$ (32,417,876)
Total Operating Expense	\$ 14,554,030	\$ 17,000,114	15,391,009	\$ 18,194,21

CDD 2015 Operating Budget

In 000 dollars	2013 Actual	2014 Budget	2014 Forecast	2015 Budget	Budget Change	
					\$	%
AVPMG	1,157	2,601	2,311	4,582	1,981	76.2
CPO	3,351	3,608	3,281	3,119	(489)	(13.6)
ENG	4,999	5,490	4,718	5,637	147	3.7
PCS	3,390	3,310	3,532	3,609	299	9.0
SPM	1,276	1,587	1,155	828	(759)	(47.8)
CDD Admin	380	404	394	419	15	3.7
Total	14,553	17,000	15,391	18,194	1,194	7.0

CDD 2015 New FTEs

Dept.	Position	FTE	Budget	% Exp	Notes
AVPMG	Capital PM I - ADR	1.0	\$85,000	17%	Eff. 4/14. If not approved, on-site consultant expense must be increased.
AVPMG	Capital PM III - ADR	1.0	\$145,000	17%	Eff. 4/14. If not approved, on-site consultant expense must be increased.
AVPMG	Program Controls Manager	1.0	\$145,000	11%	Eff. 4/14. If not approved, on-site consultant expense must be increased.
AVPMG	Management Analyst	1.0	\$110,000	30%	Eff. 4/14. If not approved, on-site consultant expense must be increased.
AVPMG	Senior Administrative Assistant	1.0	\$65,000	5%	Eff. 4/14. If not approved, workload must be redistributed to current staff.
AVPMG	AVPMG Cost Estimator	1.0	\$105,000	11%	Eff. 4/14. If not approved, workload must be redistributed to current staff.
AVPMG	Cost Engineer #1	1.0	\$81,000	11%	Eff. 4/14. If not approved, on-site consultant expense must be increased.
AVPMG	Cost Engineer #1	1.0	\$81,000	11%	Provides a development opportunity for students.
CPO	Senior Contracts Administrator / CPI LEAN Specialist	1.0	\$98,408	90%	Eff. 4/15. If not approved, increased workload (from major capital program growth and increased demand for services) must be redistributed to current staff, and will negatively impact implementation of Procurement Efficiency recommendations.
ENG	ENG Asset, Facility & Financial Specialist	1.0	\$68,124	100%	Eff. 4/14. If not approved, operating costs increase, efficiency decreases, and potential policy non-compliance may occur.
Total		10.0			

CDD 2015 Expense Projects

Division	Impact	Projects		
Aviation	\$5,268,311	<ul style="list-style-type: none"> • Construction Logistics Expansion • 2014 AF facilities • Main Garage Fire Damage • RAC Remediation • TI Work: 2014 RCF Landside/AV Terminal • Air Cargo Road Safety Improvements • South Link • Dining/Retail Concession Development • 2014 Concessions Tenant • Concessions Communication • South Satellite Interior Renovations • EXP-Vert Conv MTEE Maintenance • GC/CM Early Work Support • Roof Replacement - ERL 		<ul style="list-style-type: none"> • S. 160th GT Lot Expansion - ERL • Activation • PLB Removal; eGSE Installation • Landside operations support • Domestic Piping Branch Replacement • Signage • Arc Flash Study/Mitigation • NSAT Utilities Support PSE, CNN, etc. • RMM - Baggage Handling System • Fdr 101 Taps/Fire Station Elect-Training • Airfield pavement management system • AV small jobs • AV O&M • plus Capital Projects with Expense Components
Seaport	\$378,390	<ul style="list-style-type: none"> • T-5 Crane Sales • T-5 Maintenance Dredging • T-18 Maintenance Dredging • T-18 Remove IHI Cranes • P91 E. Cruise Maintenance Dredging • Argo Element III Gate 		<ul style="list-style-type: none"> • North Argo Express Access Elem II • EMWGS II • Viaduct project • SP small jobs • SP O&M
Real Estate	\$1,066,048	<ul style="list-style-type: none"> • FT Net Shed code compliance • FT Net Sheds 		<ul style="list-style-type: none"> • RE small jobs • RE O&M
Total CDD	\$6,712,749	AVPMG \$1,874,000 PCS \$3,507,500	CPO \$502,060 SPM \$123,569	ENG \$705,620