

ITEM NO: 7a_Supp_1
DATE OF MEETING: Sept 27, 2016

Corporate 2017 Budget Briefing

September 27, 2016



Port 
of Seattle®

2017 is a Growth Year

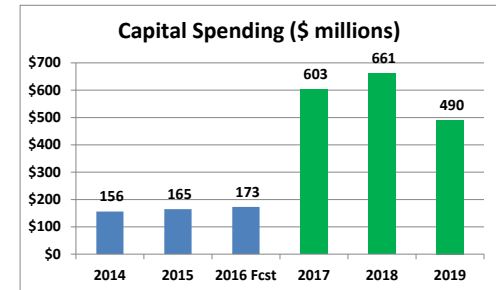
- Corporate departments are primary supporters of Port business units
- Port is expanding its reach to create jobs through growth:
 - Outreaching/connecting across the state with cities and counties
 - Meeting with businesses (current and new) to spur development
 - Interfacing with affinity groups to create career growth opportunities
 - Generating more public outreach and awareness of its efforts in community support, tourism, etc.



Corporate departments support growth across the Port.

2017 is a Growth Year

- Airport is growing:
 - 44% growth, 7.6% CAGR, since 2012
 - Entering phase of significant capital development
- Maritime is growing
 - Expect 9.2% growth in cruise for 2017
 - Growing capital asset renewal phase
- Economic Development is poised for growth
 - Des Moines Creek Business Park being expanded
 - Preparing Lora Lake site for development
 - Real estate strategy will spin off growth



Corporate supports growth of Port business divisions

2017 Key Initiatives/Budget Drivers

Develop and strengthen Centers of Expertise to leverage capabilities Port wide

- Staff additions and contractor support for Business Intelligence, Security & Preparedness, and Finance & Budget

Expand and enhance public outreach to increase awareness of Port's contribution to regional economic and workforce development

- Public Affairs staff additions and restructuring in 2016, additional funding for advertising and consulting support in 2017

Expand high school internship program to increase opportunities for local students

- Human Resources budgeting for 82 high school interns and new internship program manager
- These interns, combined with planned Port wide college interns and Economic Development Division's private sector high school career exploration program, will result in approximately 150 interns next year

Support major division projects and growth initiatives

- Additional Capital Development staff and major expense work supporting Airport capital development program
- Environmental and Sustainability contracted support for completion of Sustainable Airport Master Plan (SAMP)
- Police Department expanded staffing to help manage airport drives

Corporate budget driven by Port wide initiatives and objectives.

Corporate Budget Overview

- With organizational restructuring over the past two years, Corporate functions have evolved and now include 27 departments:
 - Traditional support functions (Accounting, HR, Public Affairs, etc.)
 - Police
 - Capital Development: formerly a separate division, most costs charged to capital but also includes major expense projects undertaken on behalf of operating divisions
 - New Centers of Expertise (COEs):
 - Business Intelligence
 - Finance & Budget
 - Security and Preparedness
 - Environmental and Sustainability
- Corporate expenses are allocated to the three operating divisions and to the Northwest Seaport Alliance per service agreements.

Corporate includes a large and varied set of functions.

2017 Budget Development Approach

- Adjusted 2016 baseline budget created
 - Remove one-time/non-recurring items
 - Add transfers from other divisions
 - Add annualized amounts for recurring staff and other costs added in 2016
- Add incremental pay and benefit costs for adjusted baseline FTEs
- Review line-item new budget requests from individual departments, add costs for approved items

Baseline budget adjusted prior to new additions.

2017 Corporate Budget Summary

Description (in \$000s)	Amount	%	Notes
2016 Budget	123,951		
Less: One-Time Items	(4,306)	-3.5%	See details in Appendix 1
Add: Budget Transfers from Operating Division:	429	0.3%	See details in Appendix 2
Add: Baseline Increase	2,260	1.8%	See details in Appendix 3
Adjusted Baseline Budget	<u>122,333</u>	-1.3%	
2016 Baseline Budget	122,333		
Baseline Increase	2,334	1.9%	3.5% Average pay for performance increase
Budget Additions	<u>3,656</u>	3.0%	See details on next slide
Sub-Total	128,323	4.9%	
Increase in Capital Development	10,997	9.0%	See details in Appendix 4
Increase in Environment & Sustainability	<u>2,513</u>	2.1%	SAMP environ. review and advanced planning
2017 Preliminary Budget	<u>141,833</u>	15.9%	
2017 Preliminary Budget	141,833		
2016 Budget	<u>123,951</u>		
Increase from 2016 Budget	<u>17,883</u>	14.4%	

Corporate adding resources to support the Port's strategic goals and initiatives.

2017 Budget Addition Requests

(excludes Capital Development and Environmental & Sustainability)

Department/Description (in \$000's)	Amount
Human Resources	
High School interns	665
Behavior based safety training	75
Employee Engagement survey	50
2017 Leadership Conference	49
Public Affairs	
Additional advertising	250
Public outreach consulting support	105
Increased travel	100
Finance & Budget	
Consulting support for Corporate budgeting initiative	300
Consulting support for airline lease negotiations (SLOA)	100
Internal Audit	
Port ICT systems risk assessment and audit plan	200
Contracted services for construction program audits	180
Security and Preparedness	
Contractor support for Port risk assessments and plans	100
Endpoint IT security solution	55
Port wide emergency supplies	45
Executive	
Gateway Airport Council membership	63
Other	63
Subtotal	<u>2,400</u>
New FTEs (see details on next slide)	<u>1,256</u>
Total	<u><u>3,656</u></u>

The 2017 new budget additions support the Port's strategic goals and initiatives.

Proposed New FTEs

No.	Dept	Description	FTEs
1	Human Resources	High School Internship Program Manager	1.0
2	Labor Relations	Labor Relations Manager	1.0
3	Police	Converting 8 Part-time Traffic Support Specialists to Full-time	4.0
4	Business Intelligence	New Customer Research Field Worker FTE	1.0
5	Business Intelligence	New Business Intelligence Analyst II FTE	1.0
6	ICT	Two New Software Developers	2.0
7	ICT	New ICT Project Manager	1.0
8	Aviation F&B	New Grant Analyst	1.0
9	Seaport F&B	New FTE for Cost Recovery Activities	1.0
10	Security & Preparedness	New Security Analyst/ Engineer	1.0
11	Security & Preparedness	New Administrative Assistant	1.0
12	Security & Preparedness	New Emergency Training & Exercise Program Manager	1.0
13	Capital Development	New Senior Construction Inspector to support the BHS Project Delivery Team	1.0
14	Capital Development	Resident Engineer I	1.0
15	Capital Development	Construction Coordinators	2.0
16	Capital Development	Construction Coordinator	1.0
17	Executive Office	Part-time Executive Assistant	0.5
TOTAL			21.5

New FTEs additions support the Port's strategic goals & initiatives and division needs.

2017 Corporate FTEs Summary

Description	FTEs	Notes
2016 Budget	818.6	
Changes in 2016:		
Mid-Year Approvals	9.0	See details in Appendix 3
Eliminated	-2.0	Labor Relation Director and Int'l Biz Protocol Liaison
Transfer	6.3	OSR and Airport Community Partnership to PA
2016 Baseline	831.9	
2017 Budget Changes:		
Eliminated	-1.3	
Proposed New FTEs*	21.5	See details in the previous slide
Net Change	20.2	
Proposed FTEs for 2017	852.1	

* Does not include the proposed 82 High School interns in HR.

Proposed 2.4% increase in FTEs compared to 2016 Baseline.

2017 Major Expense Projects Budgeted by Capital Development

No.	Major Expense Projects (in \$000's)	Amount
1	FlightCorridor Safety Program	3,322
2	Terminal Security Enhancements	4,272
3	Concessions Tenant Support	4,018
4	Air Terminal Tenant Expense Work	630
5	Landside-RCF Tenant Expense Work	250
	TOTAL	12,491

The budget increase in Capital Development is driven by some key expense projects.

Corporate 2017 Capital Budget

September 27, 2016

Corporate Capital Budget Overview

Five Year Capital Plan*	2017	2018	2019	2020	2021	2017-2021 Totals
Commission Authorized Projects	658	-	-	-	-	658
Projects Pending Authorization	3,000	3,000	2,500	-	-	8,500
Pending Future Authorization	-	1,500	2,000	5,000	5,000	13,500
Small Capital	4,090	4,416	4,082	4,100	4,192	20,880
Totals	7,748	8,916	8,582	9,100	9,192	43,538

*Excludes ICT Projects Budgeted in Divisions and
and ICT Portions of PMG Led Projects

Corporate Capital Budget

Commission Authorized/Underway

Five Year Capital Plan		2017	2018	2019	2020	2021	2017-2021 Totals
Commission Authorized Projects							
Maximo Enhancements & Upgrades	U	178	-	-	-	-	178
Data Center Ops./Business Continuity	N	480	-	-	-	-	480
Totals		658	-	-	-	-	658

N = New System or Function U = System Upgrades or Replacements

Corporate Capital Budget

Pending Authorization

Five Year Capital Plan*		2017	2018	2019	2020	2021	2017-2021 Totals
Projects Pending Authorization							
Project Cost Management System	U	900	-	-	-	-	900
POS Website Redevelopment	U	600	-	-	-	-	600
PeopleSoft Financial Upgrade	U	-	3,000	2,500	-	-	5,500
Supplier Database System	N	700	-	-	-	-	700
Firewall Replacement	U	800	-	-	-	-	800
Totals		3,000	3,000	2,500	-	-	8,500

*Excludes ICT Projects Budgeted in Divisions

N = New System or Function U = System Upgrades or Replacements

Corporate Capital Budget

Small Capital and Future Authorization: ICT Allowance

	2017	2018	2019	2020	2021	2017-2021 Totals
Small Capital						
Technology Infrastructure	1,500	1,500	1,500	1,500	1,500	7,500
Technology Business Applications	1,000	1,000	1,000	1,000	1,000	5,000
Enterprise GIS Small Capital	250	250	250	250	250	1,250
Corporate Small Capital	200	200	200	200	200	1,000
Corporate Fleet Replacement	275	472	349	388	590	2,074
CDD Small Capital	340	140	108	72	172	832
CDD Fleet Replacement	525	854	675	690	480	3,224
Total Small Capital	4,090	4,416	4,082	4,100	4,192	20,880
Future Authorization: ICT Allowance						
ICT Allowance	-	1,500	2,000	5,000	5,000	13,500
Combined Totals	4,090	5,916	6,082	9,100	9,192	34,380

2017 Corporate Budget Appendix

September 27, 2016

Appendix 1: One-Time Items in 2016

Item	Org	Item Description	Amount	Notes
Public Affairs				
1	1420	Focus Group Research	40,000	
Human Resources				
1	1850	ePerformance Training	16,390	
2	1850	Talent Management Consulting Services	50,000	
		TOTAL	<u>66,390</u>	
Internal Audit				
1	2280	Hosting the Association of Airport Internal Auditors (AAIA) conference	50,000	
2	2280	ICT Performance Audit	20,000	
3	2280	ACL Software Licensing	15,000	
		TOTAL	<u>85,000</u>	
Office of Strategic Initiatives				
4	9200	Consultant - Purchasing Transformation	4,000,000	
5	9200	LEAN/Efficiency Review (CPO)	65,000	
6	9200	Procurement Information System Consultant	50,000	
		TOTAL	<u>4,115,000</u>	
		GRAND TOTAL	<u>4,306,390</u>	

Appendix 2: Budget Transfers

Item	Org	Item Description	Amount	Notes
Managed Print Services				
1	3000	Aviation to CPO	281,186	
2	5000	Maritime to CPO	51,714	
3	7000	EDD to CPO	35,860	
		Subtotal	368,761	
Public Affairs				
1	1420	Airmail newsletter and postage	36,000	Transfer from Noise Program
2	1420	Pacific Northwest Waterways Assoc. membership	13,365	Transfer from Maritime
3	1420	Washington State China Relations Council	10,000	Transfer from Maritime
4	1420	Seattle-Kobe Sister City Association	30	Transfer from Maritime
		Subtotal	59,395	
Human Resources				
1	1850	Transfer Emergency Supplies from Pier 69 Facility	500	
		Subtotal	500	
TOTAL BUDGET TRANSFERS			428,656	

Appendix 3: Baseline Increase in 2016

Item	Org	Item Description	Amount	Notes
Information & Communication Technology				
1	1900	FOD (Foreign Object Debris) Detection System	309,000	
2	1900	SeaTac Mobile App	45,000	
3	1900	Firewall Upgrade (web filter/threat analysis)	45,000	
4	1900	Ops LAN Maintenance	90,000	
5	1900	Data Center Failover	40,000	
6	1900	Intergraph CAD (computer aided dispatch)	30,000	
7	1900	Other Net Increases (multiple systems)	85,000	
Subtotal			644,000	
Public Affairs				
1	1420	Consultant Service for Middle-Class Jobs	175,000	
New COEs				
1	1510	Business Intelligence	9,072	Training and other costs for 2 new positions
2	2610	Security & Preparedness	17,815	New org - no budget in 2016
3	2710	Environment & Sustainability	102,925	New org - no budget in 2016
Subtotal			129,812	
TOTAL NON-PAYROLL ADJUSTMENTS			948,812	
Payroll Adjustments - Approved in 2016				
1	1100	Chief Operating Officer		
2	2710	Sr. Director, Environment & Sustainability		
3	1510	Two Business Intelligence Analysts		
4	1100	International Business Protocol Liaison (removed)		
5	1400	International Business Protocol Liaison		
6	1400	Communications Director		
7	1400	Government Affairs Director		
8	1510	Jobs Refresh for the new BI CoE		
TOTAL PAYROLL ADJUSTMENTS			1,311,373	
GRAND TOTAL			2,260,185	

Appendix 4: Capital Development Budget

	2015 Actual	2016 Budget	2017 Budget	Budget Change
FTE	259.6	250.8	255.8	5.0
Total Salaries & Benefits	\$ 31,072	\$ 33,225	\$ 34,146	\$921
On-site consultants	\$ 6,341	\$ 10,382	\$ 19,528	\$9,146
Small Works Constr Contracts	\$ 529	\$ 2,056	\$ 7,231	\$5,175
Total Before Capital Charges (+ Int. Trfs)	\$ 40,275	\$ 49,043	\$ 64,193	\$15,150
Sal/Wage to Capital	\$ (16,258)	\$ (16,712)	\$ (16,352)	\$360
Dept Exp Chg'd to Capital	\$ 12	0	0	0
Capital Projects OH	\$ (6,958)	\$ (8,850)	\$ (6,168)	\$2,682
On-site consultants to Capital	\$ (6,148)	\$ (8,943)	\$ (16,138)	(\$7,195)
Total Charges to Capital	\$ (29,352)	\$ (34,505)	\$ (38,658)	(\$4,153)
Total Operating Expense	\$ 10,923	\$ 14,538	\$ 25,535	\$10,997

Capital Development budget is driven by divisions' capital and expense projects need.

Appendix 5: Corporate Budget by Dept.

(in \$000's)	2015	2016	2016	2017	Budget Change		Budget to Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
REVENUES								
Total Revenues	730	570	570	367	(203)	-35.6%	(203)	-35.6%
EXPENSES								
Executive	2,198	1,569	1,649	1,944	375	23.9%	295	17.9%
Commission	1,270	1,635	1,537	1,543	(92)	-5.6%	6	0.4%
Legal	3,501	3,219	3,419	3,288	69	2.1%	(131)	-3.8%
Public Affairs	4,429	6,447	6,340	7,669	1,221	18.9%	1,329	21.0%
Human Resources	6,720	7,634	7,077	9,035	1,402	18.4%	1,958	27.7%
Labor Relations	1,191	1,126	1,130	1,313	187	16.6%	183	16.2%
Internal Audit	1,280	1,620	1,603	1,970	350	21.6%	367	22.9%
Office of Strategic Initiatives	3,487	9,059	8,459	6,264	(2,795)	-30.8%	(2,195)	-25.9%
Police	20,990	23,587	23,568	23,884	297	1.3%	316	1.3%
Contingency	653	500	400	250	(250)	-50.0%	(150)	-37.5%
Finance								
Accounting & Financial Reporting	6,780	7,570	7,134	7,763	194	2.6%	630	8.8%
Information & Comm. Technology	20,998	21,160	21,160	22,420	1,261	6.0%	1,261	6.0%
Finance & Budget	4,805	4,933	4,813	5,906	973	19.7%	1,092	22.7%
Finance & Budget	1,692	1,802	1,674	2,181	379	21.0%	506	30.2%
Aviation Finance & Budget	1,955	1,932	1,940	2,217	285	14.8%	277	14.3%
Maritime Finance & Budget	1,158	1,199	1,199	1,508	309	25.8%	309	25.8%
Business Intelligence	-	917	1,077	1,458	542	59.1%	381	35.4%
Risk Services	3,217	3,449	3,435	3,470	22	0.6%	35	1.0%
Subtotal	35,799	38,027	37,619	41,018	2,991	7.9%	3,399	9.0%
Security & Preparedness								
Security & Preparedness Admin	-	-	-	464	464	0.0%	464	0.0%
ICT Information Security	889	894	894	1,041	147	16.4%	147	41.1%
Emergency Management	325	393	358	559	166	42.4%	201	125.2%
Maritime Security	153	161	161	-	(161)	-100.0%	(161)	-100.0%
Subtotal	1,367	1,448	1,413	2,065	617	42.6%	652	46.1%
TOTAL before CD and Environ.	82,884	95,871	94,214	100,243	4,372	4.6%	6,029	6.4%

Appendix 5: Corporate Budget by Dept.

(in \$000's)	2015	2016	2016	2017	Budget Change		Budget to Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
<u>EXPENSES</u>								
TOTAL before CD and Environ.	82,884	95,871	94,214	100,243	4,372	4.6%	6,029	6.4%
Capital Development								
Engineering	4,300	5,913	4,896	7,092	1,179	19.9%	2,196	44.8%
Port Construction Services	3,565	2,862	2,747	4,079	1,217	42.5%	1,332	48.5%
Aviation PMG	1,610	4,543	4,664	13,005	8,462	186.2%	8,341	178.8%
Seaport PMG	1,019	789	912	912	123	15.6%	-	0.0%
Capital Development Admin	428	430	430	447	17	4.0%	17	4.0%
Subtotal	10,923	14,538	13,650	25,535	10,997	75.6%	11,885	87.1%
Environment & Sustainability								
Environment & Sustainability Admin	-	-	50	523	523	0.0%	473	n/a
Aviation Environmental & Planning	7,148	10,064	7,713	12,425	2,361	23.5%	4,712	61.1%
Maritime Environmental & Planning	3,345	2,587	2,587	2,385	(202)	-7.8%	(202)	-7.8%
Noise Program	677	891	821	723	(168)	-18.8%	(98)	-11.9%
Subtotal	11,170	13,542	11,172	16,056	2,513	18.6%	4,884	43.7%
TOTAL	104,952	123,951	119,035	141,833	17,883	14.4%	22,798	19.2%