

2018 Preliminary Budget Aviation Division

Commission Briefing

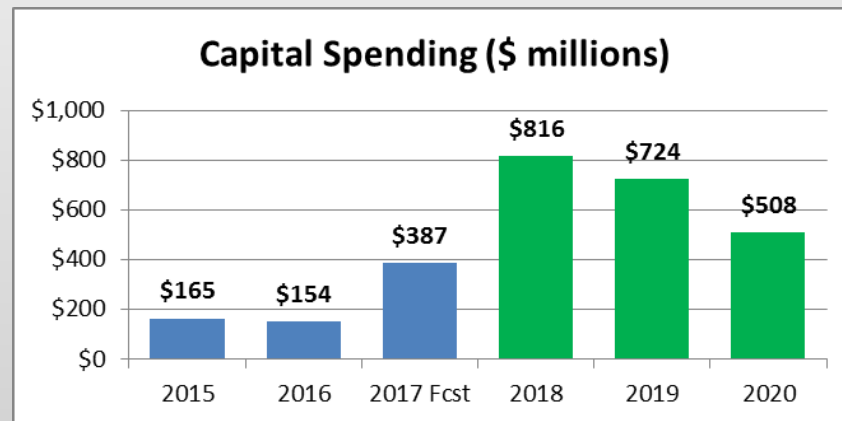
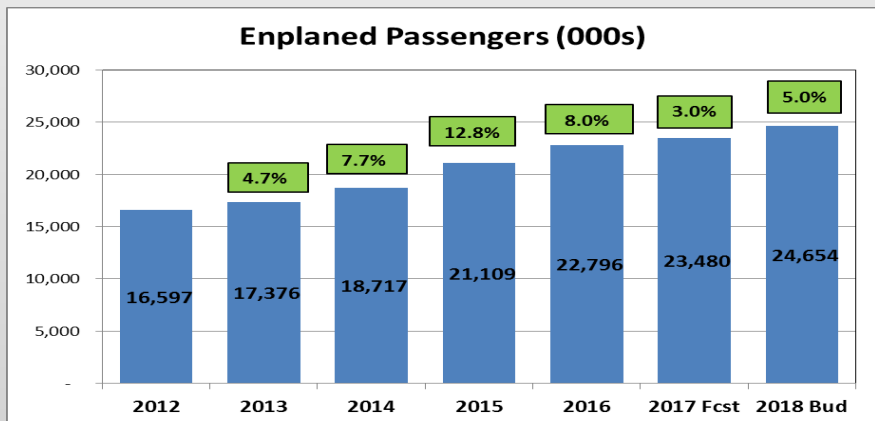
October 10, 2017

Outline for Aviation presentation

- Overview, drivers, summary
- FTEs
- Operating expenses
- Non-aero business
- Aero business
- CPE
- Capital Budget
- Financial forecast
- Appendix: Details of budget requests

Will cover operating budget, capital budget and financial forecast

Context: Passenger Growth and Capital Program



- Enplaned passengers:
 - 48.5% growth since 2012
 - CAGR of 6.8%
- Anticipate 49.3 million annual passengers (MAP) in 2018 vs. 33 MAP in 2012
- Major projects now under construction:
 - NSAT, IAF, Baggage Optimization
 - Customer service challenges
 - Construction reduces gate capacity
 - Organization must prepare to succeed

Catching up from passenger growth & preparing for capital program impact budget

2018 Budget Drivers

- Airport Priorities:
 - Safety
 - Security
- Achieve Century Agenda objectives:
 - International Gateway of Choice – Improve customer service
 - Grow international service
 - Support growth of cargo
 - Meet region's air transportation needs at Sea-Tac for next 25 years and encourage cost-effective expansion of domestic and int'l passenger and cargo service:
 - Accommodate increased utilization of existing facilities
 - New facility planning and development
 - Asset management – timely renewal and replacement
 - Grow non-aeronautical net operating income
 - Support environmental/sustainability objectives

Century Agenda and Airport priorities drive budget

Overview

- Anticipating 5.0% passenger growth in 2018, on top of 3.0% in 2017
- Achieving objectives will require additional resources
- For 2018, FTE growth and cost growth will exceed passenger growth
- Airport still catching up from extraordinary passenger growth from 2014 – 16.
 - Added 125 FTEs in 2017 budget. Hired staffing consultant to review all airport departments, benchmark other airports
 - 2018 budget reflects consultant recommendation to add 60 FTEs. If growth continues, more will be needed in 2019-20.
- Key measures such as O&M per enplanement and Cost per enplanement (CPE) are increasing, but remain competitive compared to peer airports
- Non-Aero NOI growing 7.0% vs. 2017 budget, 2.0% growth vs. 2017 forecast
- Proposing 28 capital projects totaling \$242 million

Passenger growth slowing but still catching up from recent extraordinary growth

2017 Update

- 2017 Activity
 - Passenger growth forecasted at 3%, down from 4% in budget
 - Cargo tons far exceeding expectations (+21% through August)
- Expenses:
 - Adding 125 FTEs challenged the organization - so many hires were delayed, creating savings. Full costs hit in 2018
 - SAMP was delayed - so environmental review and some advance planning was delayed. Budgeted again in 2018.
 - Major expense projects managed by CDD continue (ADR support, Flight Corridor Safety, regulated materials). Terminal security enhancements to be capitalized.
- Non-Aero revenues:
 - Ground transportation and Rental Car businesses changing: rental cars down, TNCs up, taxis down
 - Lump sum (\$5.4M) for land development frontage fees recognized in 2017 (Des Moines Creek Business Park)

2018 Budget builds on 2017 Forecast

Budget Summary

\$ in 000's	2016	2017	2017	2018	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
Operating Revenues:								
Aeronautical Revenues	247,811	278,375	269,875	298,897	20,522	7.4%	29,023	10.8%
SLOA III Incentive Straight Line Adj	(3,576)	(3,576)	(3,576)	-	3,576	-100.0%	3,576	-100.0%
Non-Aeronautical Revenues	221,021	226,645	231,672	243,511	16,865	7.4%	11,839	5.1%
Total Operating Revenues	465,256	501,444	497,970	542,408	40,964	8.2%	44,438	8.9%
Total Operating Expenses	261,226	302,711	300,162	331,474	28,763	9.5%	31,312	10.4%
Net Operating Income	204,030	198,733	197,808	210,934	12,200	6.1%	13,125	6.6%
CPE	10.10	10.88	10.65	11.27	0.40	3.7%	0.62	5.9%
Non-Aero NOI	128,727	118,521	124,248	126,767	8,245	7.0%	2,519	2.0%
Enplaned passengers (000s)	22,796	23,929	23,480	24,654	725	3.0%	1,174	5.0%

- 2018 CPE increasing, reflecting growing aeronautical costs
- 2018 Non-aero NOI growing 2.0% over 2017 forecast, but 7.0% over 2017 budget
 - One time property development fees recognized in 2017 but not in 2017 budget

NOI growing, CPE increasing but remains competitive

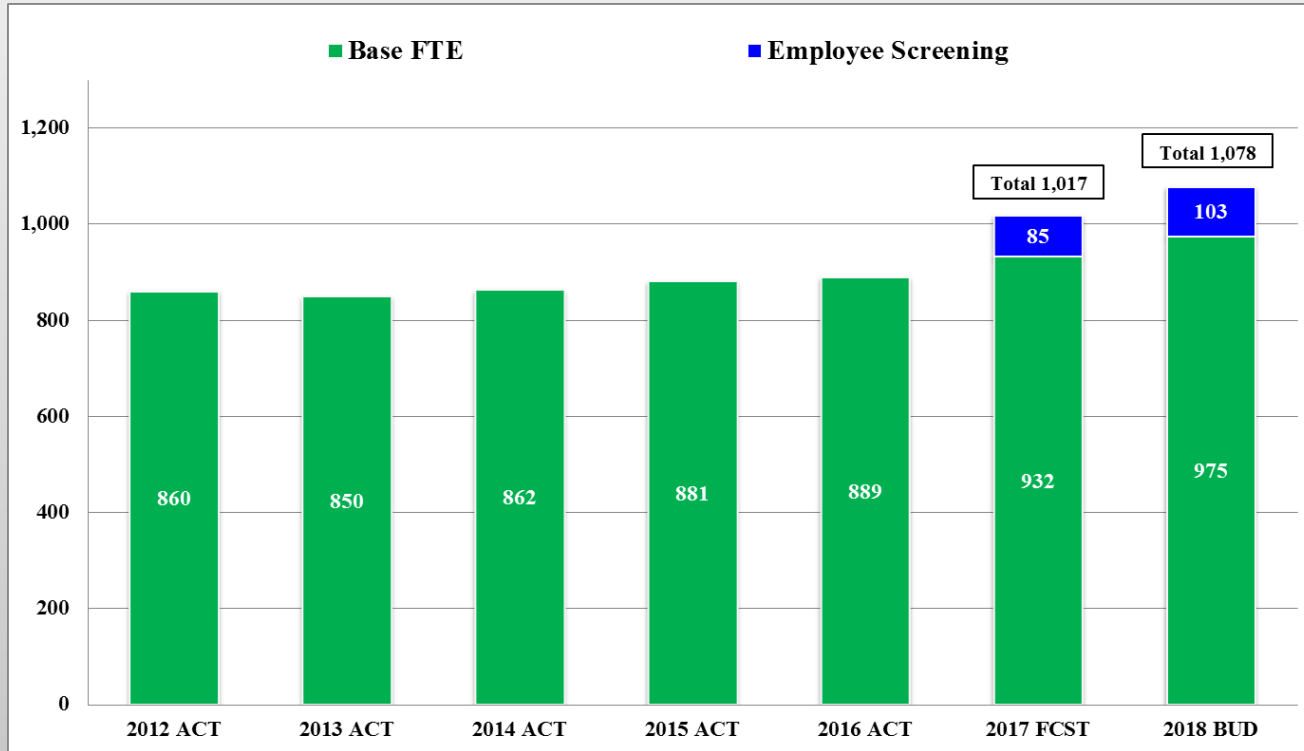
FTE Changes

2018 Proposed Budget FTEs	FTEs	%
2017 Approved Budget	1002.16	
Security Supervisors	2.00	
Construction Support Specialists (CSS)	13.00	
College Intern - Fire department	0.25	
2017 Adjusted Baseline	1,017.41	1.5%
Proposed New FTEs:		
FTEs for 100% Employee Screening (Phase II)	18.00	1.8%
New FTEs for Core Airport functions:	41.00	4.1%
Landside	5.00	
Commercial Mgmt	2.00	
Airport Operations	6.00	
Maintenance	16.00	
Capital Development/Facilities & Infrastructure	4.00	
Environmental/Sustainability	1.00	
Customer Service	1.00	
Finance & Budget	2.00	
Fire Dept	2.00	
Airport Innovation	2.00	
New Intern FTEs - College/Graduate	1.25	0.1%
Proposed Increase in 2018 Budget FTEs	60.25	6.0%
2018 Budget Proposed FTEs	1,077.66	7.5%

Note: percent changes compared to 2017 Approved Budget

Excluding new Employee Screening function, FTE growth much slower than passenger growth

Graph of FTEs 2012 - 2018



**2012 – 2018
Compound
Growth Rates:**

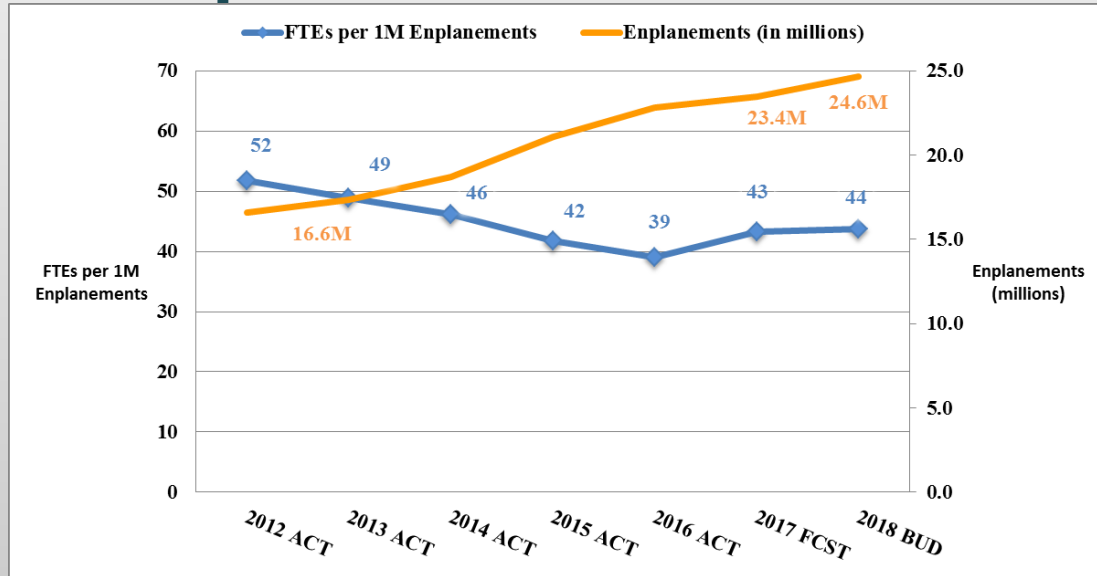
Total FTEs: 3.8%

Base FTEs: 2.1%

**Enplaned
passengers: 6.8%**

Excluding employee screening function, FTE growth at 2.1% for 2012 - 2018

5 Year Comparison of FTE to Enplanement Growth



Enplaned passengers:

- 43.8% growth since 2012

Aviation Division FTE's:

- 25.6% growth since 2012

Enplanement growth rate much higher than FTE growth rate

Aviation Division

2018 Operating Budget Changes

Increases (baseline)	11,837
Reductions/Savings	(2,665)
Removed 2017 one-time	(14,507)
Proposed 2018 recurring	9,940
Proposed 2018 one-time	15,819
Total Change	20,424

Proposed budget reflects review of 2017 costs and tracking non-recurring cost

Summary of Budget Requests

2018 Budget Request category	# of Requests	2018 Budget Request \$000's			
		FTEs	Baseline	One-time	Total
Safety	13	4.00	1,232,112	448,100	1,680,212
Security	5	18.00	1,110,399	27,500	1,137,899
Customer Service	17	7.00	2,496,295	696,342	3,192,637
Grow International Service	7		550,000	1,000,000	1,550,000
Operational Impacts due to Growth	4	7.00	599,873	32,700	632,573
Capacity Planning & Development	23	15.50	1,785,460	8,508,000	10,293,460
Asset Management	21	4.00	1,093,018	654,295	1,747,313
Grow Non-Aero NOI	9	2.00	451,174	3,359,000	3,810,174
Environmental & Sustainability	11	1.00	256,387	955,867	1,212,254
Other Business Needs	14	1.75	365,526	137,300	502,826
2018 Budget Requests - Total Proposed:	124	60.25	9,940,244	15,819,104	25,759,348
2018 Budget Requests - Initial Requests:	173	143.75			37,876,957

Century Agenda and Airport Priorities drive 2018 budget requests

Highlights of Budget Requests

2018 Budget Request Highlights:	\$000's
Employee Screening - Phase II	1,110
Curbside services for Rental Car	500
Electric Cart Service - Link Light Rail	336
SAMP/Environmental Review/Planning	5,200
Executive Program Management consulting support	1,200
Air Service Development - primarily continuation of existing routes	1,000
CBP Reimbursable Services Program (RSP)	500
NERA FAA Pilot Program - final year of FAA grant	2,300
Parking Pre-Booking - expense components of capital project	724
Aviation Biofuels Partnership Fund Development Project	175
Renewable Energy Sourcing and Integration Options	180
Disparity Study	90

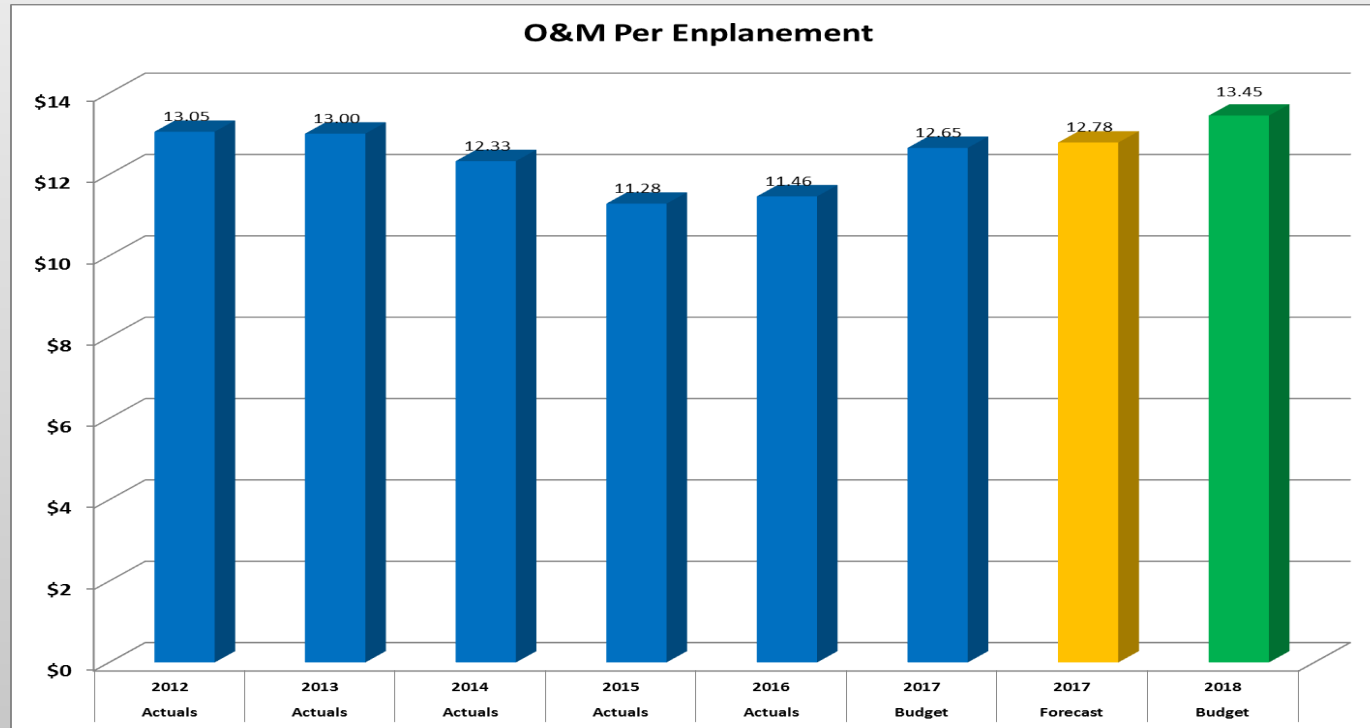
Details of all 124 requests are included in the appendix

Total Airport Expense Summary

\$ in 000's	2016	2017	2017	2018	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
Operating Expenses								
Payroll	97,808	119,886	117,070	131,920	12,034	10.0%	14,850	12.7%
Outside Services	35,716	45,279	43,513	50,096	4,817	10.6%	6,583	15.1%
Utilities	14,690	15,187	15,368	16,750	1,563	10.3%	1,383	9.0%
Other Airport Expenses	25,059	21,779	29,232	23,788	2,010	9.2%	(5,444)	-18.6%
Total Aviation Expenses	173,272	202,130	205,183	222,555	20,424	10.1%	17,372	8.5%
Corporate	56,505	54,673	54,028	58,120	3,447	6.3%	4,092	7.6%
Police Costs	18,183	19,173	19,016	22,174	3,001	15.7%	3,159	16.6%
Capital Development	9,319	22,378	17,579	23,223	845	3.8%	5,644	32.1%
Maritime/Economic Development	3,946	4,356	4,356	5,402	1,046	24.0%	1,046	24.0%
Costs from other Divisions	87,954	100,581	94,979	108,920	8,339	8.3%	13,941	14.7%
Total Operating Expense	261,226	302,711	300,162	331,474	28,763	9.5%	31,312	10.4%

Expenses here include costs from other divisions

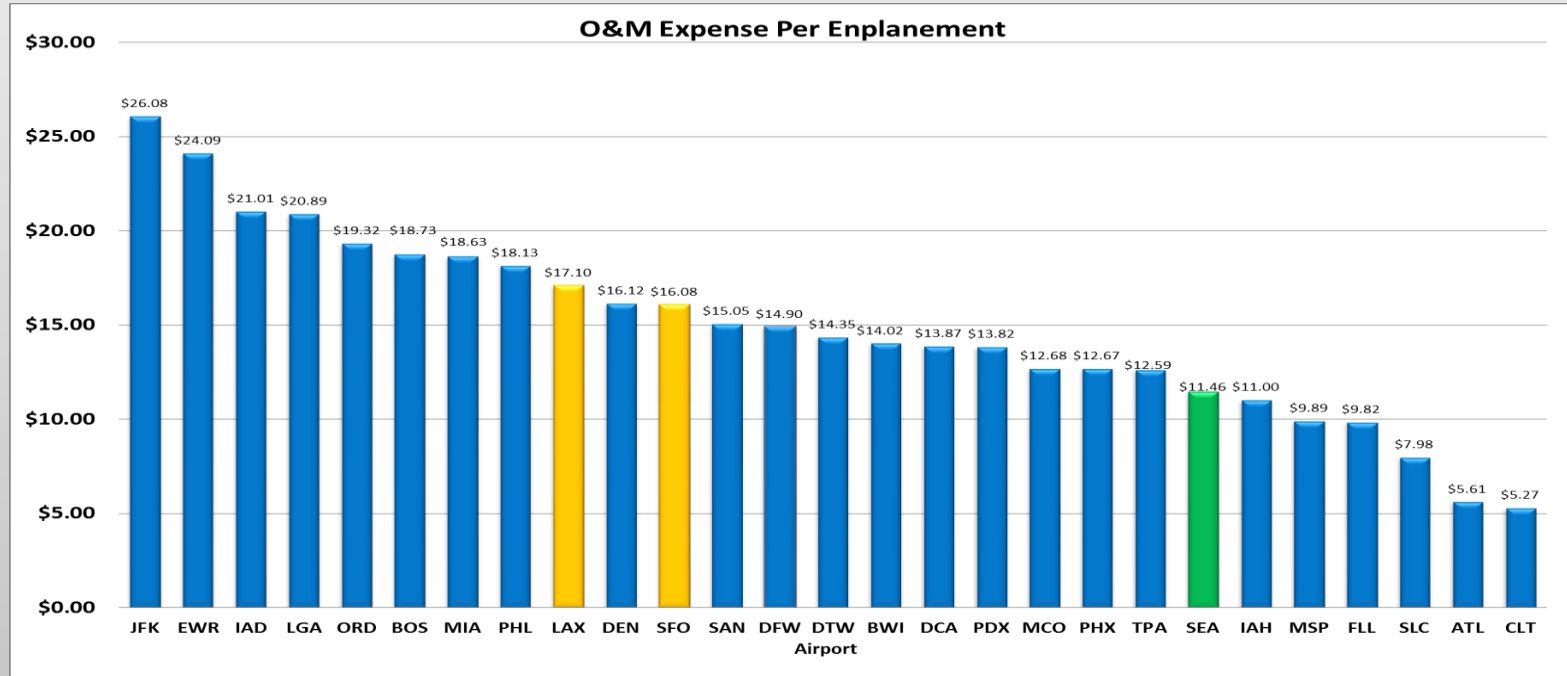
O&M Per Enplanement - Trend



Adjusting for inflation, the 2018 O&M Per Enplanement of \$13.45 would be \$11.95 in 2012 dollars

O&M growing faster than passengers in 2018

O&M Per Enplanement vs. Peer Airports - 2016



Most recent O&M per enplanement compares favorably to peer airports

Non-Aero Business

- Parking:
 - Growing market share vs. offsite lots
 - Implement new revenue control system in mid-2018, will allow for implementation of new parking products such as reservations
- Rental car transaction per O&D enplanement down
 - CFC operating revenue will increase due to less debt service
- Airport Dining & Retail relatively flat due to unit closures
- Commercial properties – growing revenues from property development (but down from 2017 due to lump sum \$5.4 million recognized in 2017)
- Airport lounges continue to grow

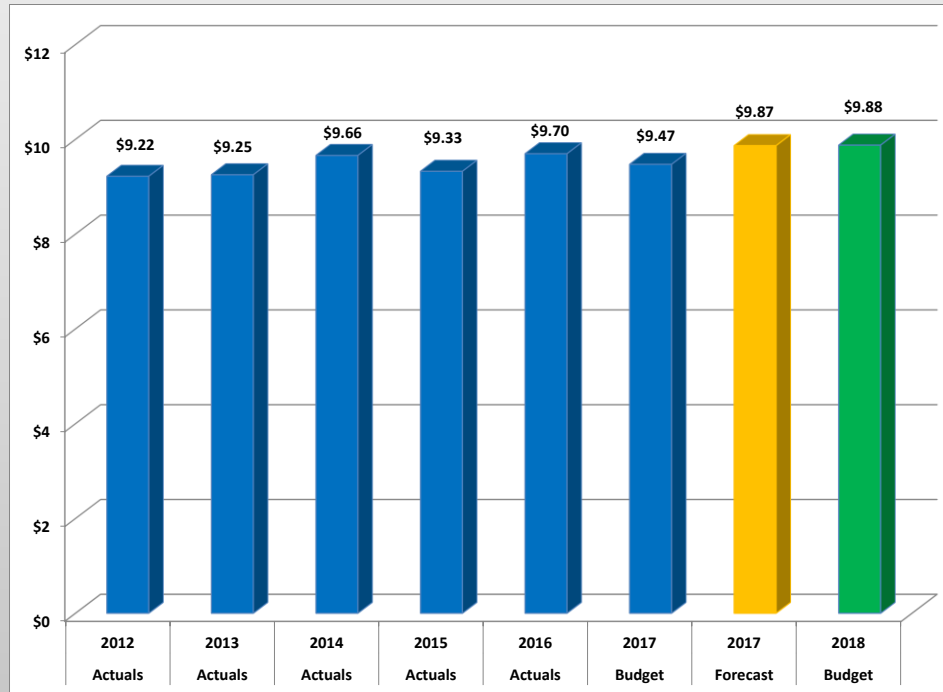
Changing patterns of ground transportation business impacting Landside revenues

Non-Aero NOI

\$ in 000's	2016	2017	2017	2018	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
Non-Aero Revenues								
Rental Cars - Operations	37,082	37,815	34,474	35,294	(2,521)	-6.7%	820	2.4%
Rental Cars - Operating CFC	12,122	12,931	10,533	15,563	2,632	20.4%	5,030	47.8%
Public Parking	69,540	73,568	73,275	78,572	5,004	6.8%	5,297	7.2%
Ground Transportation	12,803	14,417	14,927	15,609	1,191	8.3%	681	4.6%
Airport Dining & Retail & Leased Space	57,253	55,635	57,497	59,087	3,452	6.2%	1,590	2.8%
Commercial Properties	9,992	12,141	17,300	14,706	2,565	21.1%	(2,594)	-15.0%
Utilities	7,233	7,118	7,118	7,556	438	6.1%	438	6.1%
Employee Parking	9,329	8,482	9,482	9,457	974	11.5%	(26)	-0.3%
Clubs and Lounges	3,028	2,729	4,979	5,630	2,901	106.3%	651	13.1%
Other	2,639	1,807	2,085	2,036	229	12.7%	(49)	-2.3%
Total Non-Aero Revenues	221,021	226,645	231,672	243,511	16,865	7.4%	11,839	5.1%
Total Non-Aero Expenses	92,294	108,124	107,424	116,744	8,620	8.0%	9,320	8.7%
Net Operating Income	128,727	118,521	124,248	126,767	8,245	7.0%	2,519	2.0%
Less: CFC Surplus	(4,899)	(5,561)	(3,020)	(7,142)	1,580	-22.1%	(4,122)	136.5%
Adjusted Non-Aero NOI	123,828	112,960	121,228	119,625	6,665	5.9%	(1,603)	-1.3%
Debt Service	(45,725)	(45,136)	(44,933)	(45,341)	205	-0.5%	(408)	0.9%
Net Cash Flow	78,103	67,824	76,294	74,284	6,460	9.5%	(2,010)	-2.6%

2018 NOI increasing over 2017, but down from 2016

Non-Aero Revenue Per Enplanement Trend (2012-2018)



- 2017 Forecast increased by one-time lump sum payment from DMCBP Phase II in-lieu fees.
- Non-Aero Revenue per enplanement holds steady in 2018 Budget, keeping pace with expected 5% enplanement growth next year.

Non-Aero Revenue per enplanement growth maintained

Aeronautical Business

- Revenues defined by cost recovery formulas in Signatory Lease and Operating Agreement (SLOA)
 - Costs (capital and operating) drive revenues
 - Capital costs (debt service or amortization of cash funded projects) are added to rate base when assets are placed into service
 - 100% of airfield and 77% of terminal costs are recovered through airline rates and charges
- Employee screening function has added significant costs to airline rate base

Most revenues are based on cost recovery formulas

Aeronautical NOI

\$ in 000's	2016	2017	2017	2018	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
Revenues:								
Movement Area	94,725	109,845	108,950	124,583	14,738	13.4%	15,633	14.3%
Apron Area	14,028	15,957	16,233	16,225	268	1.7%	(9)	-0.1%
Terminal Rents	155,852	163,565	159,954	169,692	6,127	3.7%	9,738	6.1%
Federal Inspection Services (FIS)	11,227	12,437	13,253	13,300	864	6.9%	48	0.4%
Total Rate Base Revenues	275,832	301,803	298,389	323,800	21,997	7.3%	25,410	8.5%
Commercial Area	9,379	9,665	10,042	10,212	547	5.7%	170	1.7%
Subtotal before Revenue Sharing	285,211	311,468	308,431	334,012	22,543	7.2%	25,581	8.3%
Revenue Sharing	(37,395)	(33,093)	(38,557)	(35,114)	(2,021)	6.1%	3,442	-8.9%
Other Prior Year Revenues	(5)	-	-	-	-	0.0%	-	0.0%
Total Aeronautical Revenues	247,811	278,375	269,875	298,897	20,522	7.4%	29,023	10.8%
Total Aeronautical Expenses	169,037	194,587	192,738	214,730	20,143	10.4%	21,993	11.4%
Net Operating Income	78,774	83,788	77,137	84,167	379	0.5%	7,030	9.1%
Debt Service	(89,997)	(88,740)	(87,710)	(91,964)	(3,223)	3.6%	(4,253)	4.8%
Net Cash Flow	(11,224)	(4,953)	(10,574)	(7,797)	(2,844)	57.4%	2,777	-26.3%

Revenue growth driven by increased rate base costs

Aeronautical Cost Drivers

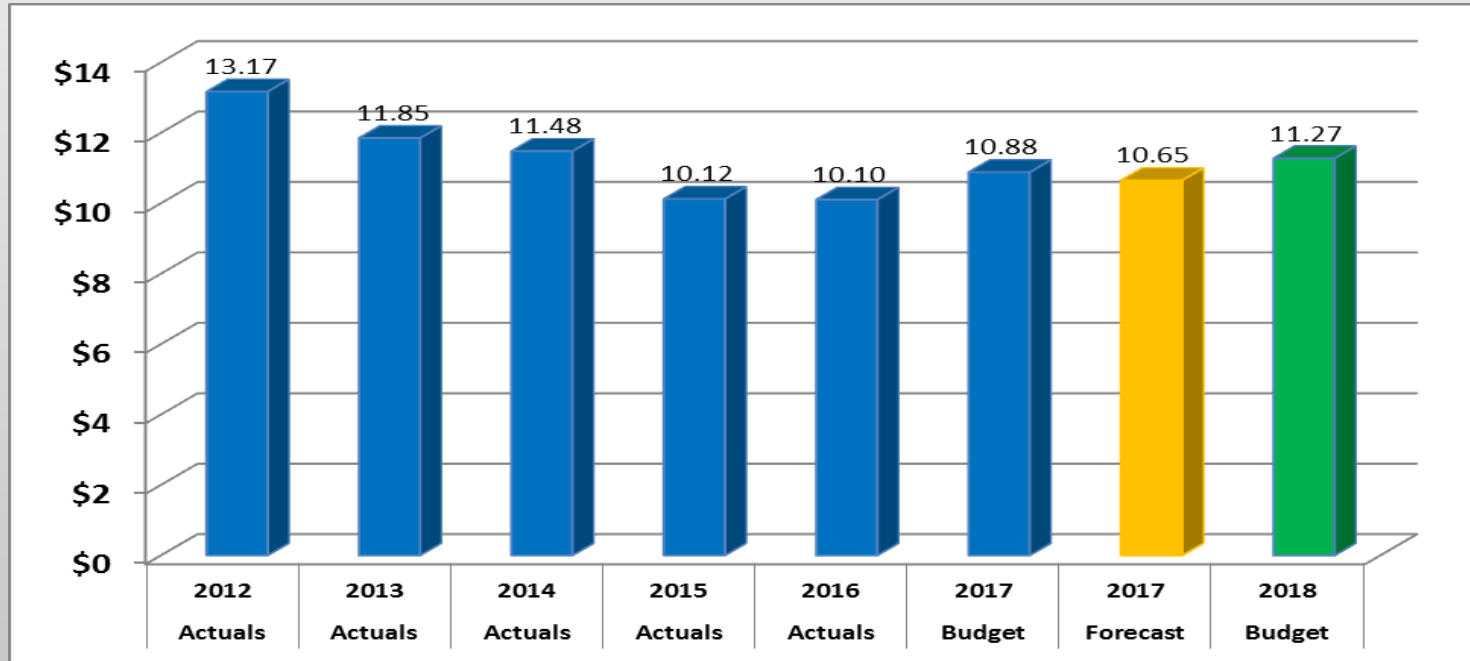
\$ in 000's	2016	2017	2017	2018	Impact on Aero Revenues Budget Change		Impact on Aero Revenues Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
O&M ⁽¹⁾	165,427	190,645	189,029	208,477	17,832	9.4%	19,448	10.3%
Debt Service Gross	118,641	117,336	116,298	119,432	2,096	1.8%	3,134	2.7%
Debt Service PFC Offset	(32,831)	(33,099)	(33,086)	(33,015)	83	-0.3%	71	-0.2%
Amortization	28,215	29,637	29,633	32,552	2,916	9.8%	2,919	9.9%
Space Vacancy	(2,638)	(1,486)	(2,219)	(2,618)	(1,132)	76.2%	(400)	18.0%
TSA Operating Grant and Other	(982)	(1,230)	(1,267)	(1,028)	202	-16.4%	239	-18.8%
Rate Base Revenues	275,832	301,803	298,389	323,800	21,997	7.3%	25,410	8.5%
Commercial area	9,379	9,665	10,042	10,212	547	5.7%	170	1.7%
Total Aero Revenues	285,211	311,468	308,431	334,012	22,543	7.2%	25,581	8.3%

O&M, Debt Service Gross, and Amortization do not include commercial area costs or the international incentive expenses

- O&M costs driven by:
 - 2018 budget reflects consultant recommendation to add 60 FTEs
 - Full employee screening
 - Utilities rates increase
 - Janitorial costs increase
 - CBP Reimbursable program

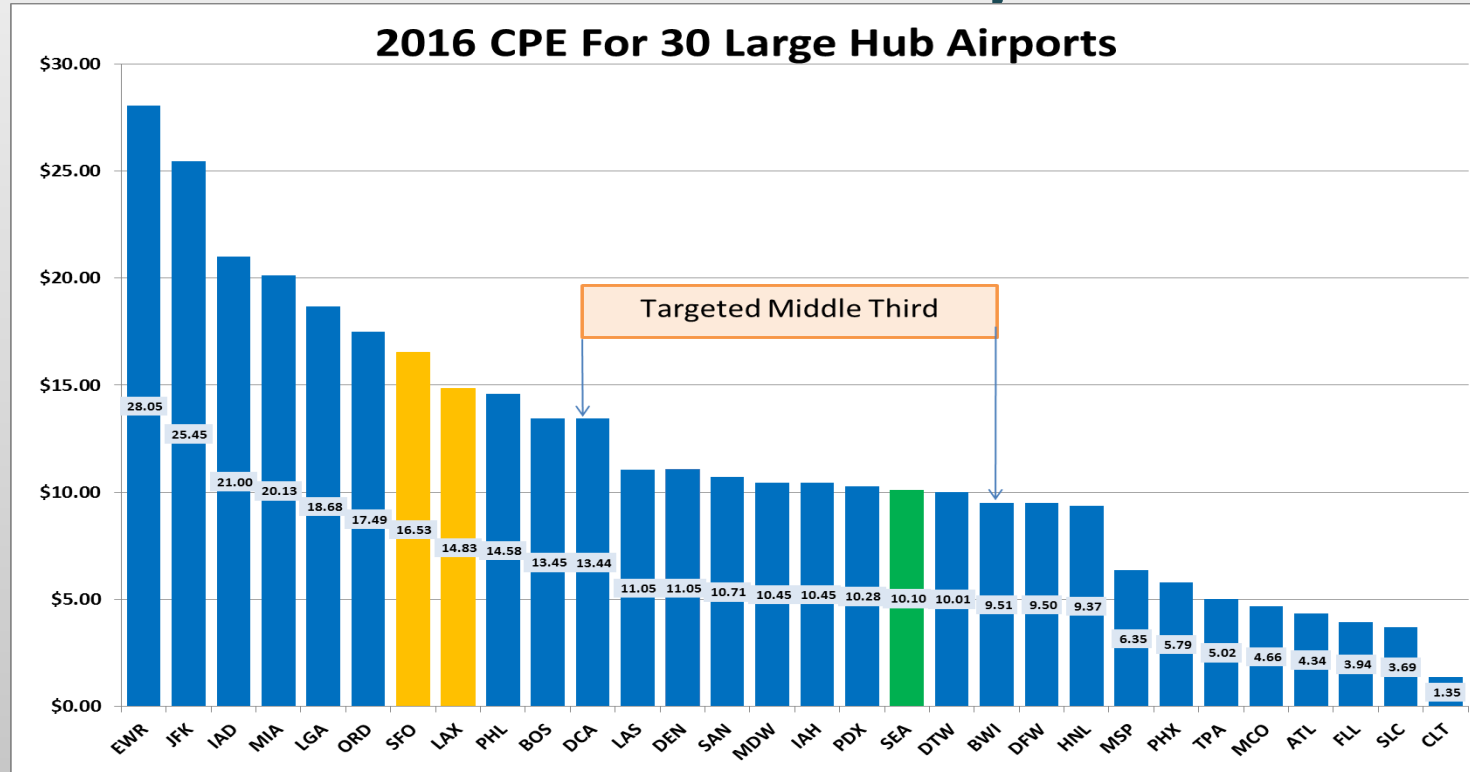
O&M cost increases, many non-recurring, driving up airline costs

Cost Per Enplanement Trend (2012-2018)



CPE trending up, but remains low compared to recent years

Current CPE Comparison



CPE is competitive: SEA ranks 13 out of 30 Large Hub Airports

Budget Issues, Risks

- Non-aero Revenues:
 - Budget assumes new parking revenue control system
 - Will update budget for recent taxi/TNC guidance
 - Rental car business - deterioration could increase
- Potential new costs relating to ILA with city of SeaTac are not in the budget
- Likely janitorial contract increase not fully in the budget
- 5% passenger growth

Actively monitoring these open items

CAPITAL BUDGET 2018 - 2022

Capital Budget Summary

	2017 Fcst	Cash Flows (Figures in \$000s)					2018 - 22 Total
		2018	2019	2020	2021	2022	
Four Major Projects							
International Arrivals Facility	119,159	320,200	213,245	55,999	-	-	589,444
NSAT	58,835	148,685	133,401	129,836	123,725	13,527	549,174
Baggage Optimization	17,992	40,000	50,000	50,000	50,000	60,000	250,000
South Satellite Renovation	1,107	1,200	12,000	30,000	79,368	79,368	201,936
Subtotal	197,093	510,085	408,646	265,835	253,093	152,895	1,590,554
Other existing projects	188,357	289,163	240,210	127,142	53,193	11,770	721,478
Proposed New Projects	-	3,956	30,356	54,942	69,708	47,163	206,125
Existing Allowance CIPs	2,000	12,500	20,000	25,000	30,000	40,000	127,500
Proposed Allowance Increase	-	-	25,000	35,000	53,029	60,000	173,029
Total Proposed CIP	387,450	815,704	724,212	507,919	459,023	311,828	2,818,686

- Four major projects account for \$1.59 billion
- Proposing 28 projects totaling \$206M spending through 2022
- Proposing increase to Allowance CIPs (undesignated future spending) of \$128M for a total of \$301M through 2022
- Budget does not include potential projects to be identified by Sustainable Airport Master Plan (SAMP)

Undertaking major program before SAMP projects

Major Projects

Major Projects	CIP	2017	Cash Flows (Figures in \$000s)					2018 - 2022
			2018	2019	2020	2021	2022	Total
<u>Authorized</u>								
International Arrivals Fac-IAF	C800583	119,159	320,200	213,245	55,999	-	-	589,444
NS NSAT Renov NSTS Lobbies	C800556	58,835	148,685	133,401	129,836	123,725	13,527	549,174
Checked Bag Recap/Optimization	C800612	17,992	40,000	50,000	50,000	50,000	60,000	250,000
SSAT Renovation Project*	C800743	1,107	1,200	12,000	30,000	79,368	79,368	201,936
Restroom Upgrades Conc B, C, D	C800697	1,552	4,367	5,639	7,429	9,137	4,603	31,175
Airfield Pavement Program	C800483	1,149	14,200	12,300	4,526	-	-	31,026
Concourse D Hardstand Holdroom	C800769	6,926	30,000	872	-	-	-	30,872
ASL Conversion at Checkpoints	C800920	365	6,471	23,000	163	-	-	29,634
NS Main Terminal Improvements*	C800545	-	2,000	10,000	10,000	6,833	-	28,833
Service Tunnel Renewal/Replace	C102112	7,793	13,000	9,897	5,778	-	-	28,675
Highline School Insulation	C200007	18	1,982	19,949	3,389	-	977	26,297
Taxiway A,B,L,Q Improvements	C800914	953	21,905	517	-	-	-	22,422
Other (126)		162,940	149,069	76,938	28,903	2,834	390	258,134
Total - Authorized		378,789	753,079	567,758	326,023	271,897	158,865	2,077,622
<u>Pending Authorization</u>								
C1 Building Floor Expansion*	C800845	-	1,500	10,000	21,800	16,700	-	50,000
Condo Sound Insulation	C200095	-	700	7,993	7,995	7,993	-	24,681
Elevators Modernization	C800789	22	5,682	9,186	8,374	-	-	23,242
New Projects	Multiple	-	3,956	30,356	54,942	69,708	47,163	206,125
Allowance CIPs		2,000	12,500	45,000	60,000	83,029	100,000	300,529
Other (33)		6,639	38,287	53,919	28,785	9,696	5,800	136,487
Total - Pending Authorization		8,661	62,625	156,454	181,896	187,126	152,963	741,064
Grand Total		387,450	815,704	724,212	507,919	459,023	311,828	2,818,686

* Cash flows and budgets are preliminary and may substantially change

Much of 2018- 2022 spending for projects already authorized

Proposed New Projects

Next Slide	# of Projects	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2018-22 Total
				2018	2019	2020	2021	2022	
I	8	Asset Management	111,603	2,107	9,524	23,527	24,868	19,757	79,783
II	6	Safety & Security	46,606	1,565	7,900	9,488	6,536	16,936	42,425
III	6	Business Need	41,948	284	5,191	13,389	13,821	9,264	41,949
IV	6	Customer Service	36,437	-	4,151	8,359	23,182	746	36,438
V	2	Grow Non-Aero Revenue	5,530	-	3,590	179	1,301	460	5,530
	28	TOTAL	242,124	3,956	30,356	54,942	69,708	47,163	206,125

- Major new projects include:
 - Airfield pavement replacement: \$72.6 million
 - Main Terminal sprinkler/smoke control: \$28.5 million
 - Employee parking bus purchase: \$18.1 million
 - Stormwater pond bird deterrent improvements: \$11.4 million
 - Utility meter networking: \$10.3 million
- The proposed projects do not include projects that will come out of SAMP.

Asset management is a key driver for new projects

Capital Capacity and CPE

- Policy guidance is to maintain competitive CPE (middle third of large hub airports)
- Allowance CIPs have been depleted due to cost increases and new projects
- Current Allowance CIPs likely not adequate for:
 - Ongoing renewal and replacement
 - Customer needs
 - Implementation of sustainable airport master plan (SAMP)
- Proposal:
 - Increase Aeronautical Allowance CIP, while maintaining CPE at \$18 through 2022
 - For 2023 – 2027, increase Allowance CIP to achieve annual debt service coverage of at least 1.25x
 - Continue to explore public, private partnership (P3) possibilities
- Need to grow non-aero revenues and manage growth of O&M

Increased capital spending drives increase in future CPE

Proposed Allowance Increase

Allowance Spending in \$000s	2018 - 2022			2023-2027		
	Current	Proposed	△	Current	Proposed	△
		127,500	300,529	173,029	131,477	506,411
<i>CPE - 2022 & 2027</i>	<i>17.60</i>	<i>18.00</i>	<i>0.40</i>	<i>18.74</i>	<i>20.28</i>	<i>1.54</i>

- 2018 – 2022: Maintain maximum \$18 CPE
 - Allowance CIPs can increase by \$173M
 - CPE increases by \$0.40 to \$18
- 2023 - 2027: Achieve debt service coverage of at least 1.25x
 - Allowance CIPs can increase by \$375M
 - CPE increases by \$1.54 to \$20.28
- Proposed increase allows for ongoing renewal / replacement costs and future customer service needs
- Allowance likely still not sufficient to cover early SAMP costs
- Majority of SAMP projects would hit rate base (and CPE) after 2027

Allowance increase would make for more realistic future capital budget

Financial Forecast with Allowance Increase

In \$000's	2017 Bud	2018 Bud	2019	2020	2021	2022
Airline Revenue	278,375	298,897	360,250	403,123	461,515	483,917
Non-Airline Revenue	226,645	243,511	245,807	248,638	252,882	259,326
Total Revenue	505,020	542,408	606,057	651,762	714,397	743,244
Operating Expense	302,711	331,474	349,201	367,041	385,621	401,199
Net Operating Income	202,309	210,934	256,856	284,721	328,776	342,044
Net Non-Operating Income/Expense	3,691	4,406	4,422	4,644	4,867	5,099
CFC Excess*	(5,561)	(7,142)	(5,117)	(4,467)	(3,805)	(4,052)
Available for Debt Service	200,439	208,198	256,161	284,897	329,838	343,091
Net Debt Service	133,876	138,467	184,444	213,984	261,921	271,957
Net Cash Flow	66,562	69,731	71,717	70,913	67,917	71,134
Key Measures						
Debt Service Coverage	1.50	1.50	1.39	1.33	1.26	1.26
Revenue Sharing	33,093	35,114	25,606	17,418	2,437	3,145
Passenger Airline CPE	10.88	11.27	13.59	15.15	17.28	18.00
Debt per Enplaned Passenger	110.44	115.79	135.20	148.30	158.85	161.27
* CFC collection in excess of CFC debt service/O&M is restricted and cannot be used for other revenue bond debt service						

Forecasting increase in CPE and reduction in debt service coverage and revenue sharing

2018 Preliminary Budget Maritime Division

Commission Briefing

October 10, 2017



2018 Budget Objectives

- Customer service focus in all the business lines.
- Increase revenues and meet LRP and Century Agenda goals.
- Demonstrate outstanding stewardship of assets while contributing to larger Port initiatives.
- Improve the waterside habitat in the Puget Sound.

Ambitious initiatives and financial stewardship

Maritime Organizational Structure

Departments included

Fishing & Operations
Cruise
Recreational Boating
Grain
Habitat and Parks
Maritime Marketing
Maritime Division Management
Marine Maintenance

Lines of Business in P&L

Fishing & Operations
Cruise
Recreational Boating
Grain
Habitat and Parks
Maritime Portfolio Management
Maritime Security
Maritime Environmental
Maritime Finance

Note:

Stormwater Utility in separate deck

Maritime Division evolving as a matrixed organization

2018 Key Budget Assumptions

- Cruise forecasts 1,080,527 passengers, a 3.1% increase from 2017 due to bigger ship sizes, despite fewer sailings.
- Grain volume at 4.15 million metric tons per forecast from tenant, 11% increase over 2017 budget.
- Shilshole Bay occupancy rate average of 95%, Bell Harbor Marina at 81%, and Harbor Island Marina at 94%: consistent with 2017.
- Fishing and Commercial Operations occupancy rate average of 86%, above 2017 budget of 84%.
- Commercial building properties target 95% occupancy at year-end 2018 consistent with current results.

Maritime businesses to continue strong results

Department Revenues By Group

Maritime Division Only

\$ in 000's	2016	2017	2017	2018	Budget Change		Budget to Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
Bulk / Grain	5,358	4,506	5,334	5,161	655	15%	(173)	-3%
Cruise	15,355	16,459	16,558	17,985	1,526	9%	1,428	8%
Fishing & Commercial Operations	8,983	9,068	8,884	8,325	(743)	-8%	(559)	-7%
Maintenance	1,001	383	399	982	599	156%	583	59%
Recreational Boating	10,253	11,077	11,034	11,726	649	6%	693	6%
Total Maritime	40,951	41,493	42,208	44,179	2,686	6%	1,972	4%

- Bulk (Grain Terminal) 2018 budget based on preliminary guidance from Louis Dreyfus.
- Cruise Operations increase due to estimated 3.1% passenger increase and increase in tariff rates.
- Fishing and Operations decrease driven by 20% reduction of net sheds and WSDOT lease expiration.
- Maintenance revenue generated from direct reimbursement of existing tenants.
- Recreational boating includes a 5% preliminary tariff increase.

Cruise business driving 6% Maritime division revenue increase in 2018

Department Expenses by Group

\$ in 000's	Budget		Forecast	Budget		\$		%		\$		%	
Bulk	64	52	74	10	0%	22	-1%						
Cruise	1,412	869	2,511	1,099	78%	1,642	65%						
Fishing & Commercial Operations	4,635	4,487	4,964	329	7%	477	10%						
Maintenance	17,586	17,594	19,300	1,714	10%	1,707	9%						
Rec Boating	3,181	3,067	3,610	429	13%	542	15%						
Maritime Admin	524	517	485	(38)	-7%	(31)	-6%						
Maritime Marketing	342	376	363	21	6%	(13)	-4%						
Maritime Habitat Initiatives	0	0	0	0	NA	(0)							
Parks, Env. Remediation, Other	180	537	147	(32)	-18%	(389)	-264%						
Maritime Baseline	27,923	27,499	31,454	3,531	13%	3,955	13%						

Initiatives and One -Time Items

Cruise	2,248	2,898	3,100	852	202
Fishing & Commercial Operations	41	41	15	(26)	(26)
Maintenance	3,802	3,802	1,924	(1,878)	(1,878)
Rec Boating	165	165	312	147	147
Maritime Admin	10	10	30	20	20
Maritime Marketing	142	142	45	(97)	(97)
Maritime Habitat Initiatives			711	711	711
Maritime Initiatives	6,408	7,058	6,137	(271)	(921)

Total \$ in 000's	2016	2017	2017	2018	Budget Change		Budget to Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
Bulk	75	64	52	74	10	16%	22	-1%
Cruise	2,584	3,660	3,767	5,611	1,951	53%	1,844	33%
Fishing & Commercial Operations	4,209	4,676	4,528	4,979	303	6%	451	9%
Maintenance	18,582	21,388	21,396	21,224	(164)	-1%	(171)	-1%
Port of Seattle Properties	15,552	17,660	18,175	17,160	(500)	-3%	(1,015)	-6%
Stormwater Utility	1,032	1,847	1,901	2,708	861	47%	807	30%
Northwest Seaport Alliance	1,998	1,881	1,936	1,356	(525)	-28%	(580)	-43%
Rec Boating	2,913	3,346	3,232	3,922	576	17%	689	18%
Maritime Admin	484	534	527	515	(18)	-3%	(11)	-2%
Maritime Marketing	353	484	518	408	(76)	-16%	(110)	-27%
Maritime Habitat Initiatives	0	0	0	711	711	100%	711	100%
Parks, Env. Remediation, Other	319	180	537	147	(32)	-18%	(389)	-264%
Total Maritime	29,519	34,331	34,557	37,592	3,261	9%	3,034	9%

- Total Maritime Expenses grow by 9% or \$3.3M with \$2.5M of that attributed to Cruise Port Valet & Habitat program increases. Without these two programs expenses grew 2.2%.
- Rec Boating increase driven by full year of 2017 2 new FTEs and 3 new 2018 FTEs.

Organic expense growth of 2.2% compared to 2017

Cruise Initiatives & One-Time Expenses

\$ in 000's			
	<u>2017 Budget</u>	<u>2018 Budget</u>	<u>'18-'17 Change</u>
New Requests / Initiatives			
Port Valet Program	200	2,000	1,800
Downtown Seattle Shuttle Pilot Program		250	250
1.0 FTE - Cruise Marketing Representative		100	100
One-Time			
T91 Resurfacing Projects	405	0	(405)
Cruise Facility Design Consultant	300	750	450
Best in Class Initiative	300		(300)
Destination Awareness Initiative	157		(157)
Marketing Study - Feasibility of new Cruise Berth	100		(100)
CTA Allowance	180		(180)
CHI Guaranteed Income	378		(378)
CHI Relocation Costs	0		0
Mitigation Funds for CEC	125		(125)
Leaseback of P66 from NCLH	104		(104)
CTA Lease Buyout	0		0
Total	<u><u>2,248</u></u>	<u><u>3,100</u></u>	<u><u>852</u></u>

Focus on Pier 66 expansion and Century Agenda

Recreational Boating Initiatives & One-Time Expenses

\$ in 000's

	<u>2017 Budget</u>	<u>2018 Budget</u>	<u>'18-'17 Change</u>
New Requests			
Customer Service Supervisor		90	90
Harbor Asset Coordinator		68	68
Harbor Accountant Business Analyst		75	75
Registration/Seminar Fees		35	35
Contracted Janitorial Service		24	24
Seabins		20	20
Replace dock carts and needed equipment on dock	27		(27)
Customer amenities at Shilshole	19		(19)
Work process and Workstation improvement	22		(22)
Additional overnight security contract service	65		(65)
Other	33		(33)
Total	<u>165</u>	<u>312</u>	<u>147</u>

Focus on improved security and customer service

Marine Maintenance One-Time Expenses

\$ in 000's

	<u>2018 Budget</u>	<u>%</u>
New Requests - One-Time or Phased Work		
Recreational Boating	510	26%
Facilities P69	425	22%
Maritime Portfolio Management	257	13%
Portfolio Management	234	12%
Cruise Operations	220	11%
Fishing and Operations	207	11%
Maintenance	41	2%
Parks	21	1%
NH Lease and Asset Management	10	1%
Total	<u>1,924</u>	<u>100%</u>

Focus on improving water quality, aging port infrastructure

Additional 2018 Initiatives & One-Time Expenses

\$ in 000's

New Requests	2018 Budget
<i>Fishing and Operations</i>	
Tables and Chairs	15
<i>Habitat</i>	
FTE Transfer (From Env & Sustainability)	186
PORTfolio corrective actions	50
PORTfolio planning services	55
Umbrella mitigation banking agreement	85
Carbon sequestration kelp study (Habitat)	100
Carbon sequestration kelp study (Maritime)	175
<i>Maritime Marketing</i>	
Seattle Boat Show @ Bell Harbor Marina	20
Shilshole Bay Marina Customer Outreach	10
Fishermen's Terminal Strategic Plan Outreach & Branding	8
Shilshole Bay Pole banners	7
<i>Maritime Admin</i>	
Travel for New Managing Director Outreach	30
Total	741

Additional investment in environmental and customer service

Maritime Department Expense Budget

Maritime Division Expenses Only

\$ in 000's	2016	2017	2017	2018	Budget Change		Budget to Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
Salaries	5,738	6,484	6,332	7,163	679	11.8%	831	13.1%
Benefits	2,073	2,732	2,644	3,051	320	15.4%	407	15.4%
Wages & Benefits	10,601	13,289	13,297	12,469	(820)	-7.7%	(827)	-6.2%
Other Post Employment Benefits	47	44	46	33	(11)	-23.6%	(13)	-27.6%
Salaries & Wages to Cap, Non-op, ERL	(491)	(407)	(407)	(523)	(116)	23.6%	(116)	28.5%
Total Payroll Costs	17,968	22,141	21,911	22,193	52	0.3%	282	1.3%
Net Payroll Exp (net of to capital, Non-op)	18,459	22,548	22,318	22,716	168	0.9%	398	1.8%
Utilities	3,465	3,527	3,583	3,754	227	6.5%	170	4.8%
Equipment Expense	1,302	1,320	1,130	1,243	(77)	-5.9%	113	10.0%
Maint Materials and Vehicle Parts	1,502	1,594	1,584	1,930	336	22.4%	346	21.9%
Outside Services	3,104	3,613	3,997	6,263	2,650	85.4%	2,266	56.7%
Travel & Other Employee Exp	249	353	354	448	95	38.1%	94	26.7%
Promotional Expenses	114	336	232	279	(57)	-49.8%	47	20.5%
Workers Comp	328	269	269	264	(5)	-1.4%	(5)	-1.9%
Other O&M	1,486	1,178	1,497	1,217	39	2.6%	(280)	-18.7%
Total Budget	29,519	34,331	34,557	37,592	3,261	9.5%	3,034	8.8%

Increased expense in 2018 from Port Valet program and Habitat initiatives

Full-Time Equivalents (FTEs)

<u>2017 Budget</u>	162.3
<u>2017 Changes</u>	
Transfer	
FTE Transfer from Env. & Sustainability for Habitat	1.0
Mid-Year Hires	
Limited Duration Materials and Inventory Specialist	1.0
Adjusted 2017	<u>164.3</u>
<u>2018 Budget</u>	
Staff Addition/Subtraction:	
Cruise Marketing Rep	1.0
Harbor Asset Coordinator	1.0
Customer Service Supervisor	1.0
Harbor Accountant Business Analyst	1.0
College Intern for Marketing	-0.3
Net Change	<u>3.8</u>
Proposed 2018 Budget	<u><u>168.1</u></u>

Note: 2017 budget adjusted up one FTE due change in Marine Maintenance methodology

Objective: Grow cruise, create habitat, improve customer service

Maritime Budget Summary

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

\$ in 000's	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Incr (Decr)		Incr (Decr)	
					Budget Change \$	%	Budget to Forecast \$	%
Revenues								
Operating Revenues	50,810	51,830	52,614	54,622	2,792	5.4%	2,008	3.8%
Total Revenues	50,810	51,830	52,614	54,622	2,792	5.4%	2,008	3.8%
Expenses								
Maritime Expenses (Excl. Maintenance)	10,853	12,791	13,162	15,077	2,286	17.9%	1,915	14.5%
Maintenance Expenses	9,900	11,439	11,443	11,260	(180)	-1.6%	(184)	-1.6%
Envir Services & Planning	1,358	1,701	1,702	2,168	467	27.5%	466	27.4%
Econ Dev Expenses	3,787	4,604	4,257	4,551	(53)	-1.2%	294	6.9%
Capital Development Expenses	1,010	1,177	953	1,077	(100)	-8.5%	123	12.9%
Police Expenses	3,921	3,867	3,751	4,209	342	8.8%	458	12.2%
IT	2,433	2,893	2,865	2,858	(36)	-1.2%	(7)	-0.2%
Public Affairs	1,099	1,483	1,439	1,528	45	3.0%	89	6.2%
Other Corporate Expenses	5,744	6,355	6,085	6,170	(186)	-2.9%	85	1.4%
Stormwater Utility	(0)	0	1	0	0	NA	(1)	-100.0%
Aviation	177	192	192	192	0	0.2%	0	0.2%
NWSA / Joint Venture	(16)	0	1	0	0	NA	0	0.0%
Operating Expenses	40,268	46,502	45,850	49,088	2,586	5.6%	3,239	7.1%
Net Operating Income	10,542	5,327	6,764	5,533	206	3.9%	(1,230)	-18.2%

Maritime improving services and growing NOI

Maritime Division Capital Budget 2018-2022



Maritime

2018 Capital Budget

Capital Budget Summary By Status

\$'s in 000's

	2018	2019	2020	2021	2022	2018-2022
Commission Authorized/Underway	27,318	27,393	11,778	12,295		78,784
Pending 2017/2018 Authorization	23,787	32,559	6,210			62,556
Pending Future Authorization	2,575	9,098	13,930	11,150	23,020	59,773
Small Capital and Other	4,310	3,465	3,127	1,825	1,775	14,502
Total	57,990	72,515	35,045	25,270	24,795	215,615

Overall 2018-2022 dollar amount of projects at ~\$216M, funding capacity for future projects not yet determined

Maritime

2018 Capital Budget

Commission Authorized/Underway

\$'s in 000's

	2018	2019	2020	2021	2022	2018-2022
FT Strategic Plan	1,700	10,000	10,000	12,295		33,995
Restoration	10,100	7,000	1,748			18,848
P66 Exterior Modernization	2,300	10,150	30			12,480
SBM Restrooms/Service Buildings Replacement	6,818					6,818
P91 South End Fender	3,425					3,425
T91 Camel Replacements	926					926
Cruise Terminal Tenant Improvement	900					900
SBM Pad Site Development	400					400
Marina Mgt Sys Replacement	276					276
FT Net Shed 3,4,5 & 6 Roof Replacement	220					220
Cruise Allowance - CTA Lease	200	243				443
T91 Building C-173 Roof Overlay	53					53
Total	27,318	27,393	11,778	12,295	-	78,784

Note: Includes projects where some portion of the budget is authorized by Commission

Approved projects focused on P66 Cruise Terminal, FT, and SBM buildings

Maritime 2018 Capital Budget

Pending 2017/2018 Authorization

\$'s in 000's	2018	2019	2020	2021	2022	2018-2022
Maritime Property Acquisition	14,600	17,400				32,000
HIM ABCDE Dock	500	5,870	6,000			12,370
FT Dock 3,4,5 Fixed Pier Improvement	2,380	3,859				6,239
Second Gangway per Berth @ T91	450	4,030	10			4,490
Maritime Video Camera Project	2,000	1,200				3,200
SBM Paving	1,572					1,572
T91 P91W Slope Stabilization	700					700
C15 Building Tunnel Improvement	700					700
FT C15 Window Replacement	675					675
SBM Office Reconfiguration	200	200	200			600
BSCT Imp Staff Oversight	10					10
	23,787	32,559	6,210	-	-	62,556

Pending projects tied to existing facility improvements

Maritime

2018 Capital Budget

Pending Future Authorization

\$'s in 000's

	2018	2019	2020	2021	2022	2018-2022
Duwamish Mooring Dolphins	425	1,875				2,300
FT S Wall Wt End Improvements	55	595	1,024			1,674
P66 Cruise Term Roof Fall Prct	50	292				342
C3 West Wall Bldg Roof Replace	25	732	11			768
FT W Wall N Sht Pile Crsn Protection	10	1,754	1,120			2,884
FT W Wall N Fender Replacement	10	1,480	1,560			3,050
BHM Pile Wraps		350	3,000			3,350
FT W Wall S Sht Pile Cor Protection		10	200	1,000	1,000	2,210
FT S Wall Cl Fender Rp & Cor Prt		10	190	4,150	8,950	13,300
SBM Lower A Dock Improvement			825			825
MIC West & Central Piers Resurface					70	70
Contingency Renewal & Replace	2,000	2,000	6,000	6,000	13,000	29,000
	2,575	9,098	13,930	11,150	23,020	59,773

Capital pending future authorization

Maritime 2018 Capital Budget

Small Projects

\$'s in 000's

	2018	2019	2020	2021	2022	2018-2022
Small Projects	2,290	2,005	1,565	500	500	6,860
Fleet Replacement	1,770	1,210	1,312	1,075	1,025	6,392
Technology Projects	250	250	250	250	250	1,250
	4,310	3,465	3,127	1,825	1,775	14,502

Future: Both small and major projects

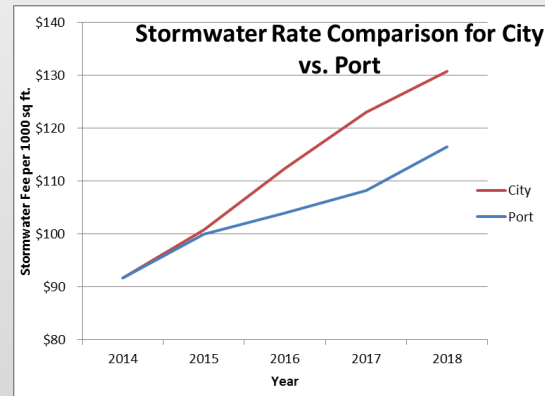
Stormwater Utility 2018 Budget Review

Commission Review

October 10, 2017

Stormwater Utility Budget Summary – Department Only

\$ in 000's	2016	2017	2017	2018	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
Revenue	4,751	4,955	4,953	5,339	384	7.75%
Expenses						
Administrative Expenses (1 FTE)	22	137	135	134	(3)	-2.4%
Equipment Expense	19	1	0	1	(0)	-9.1%
Consultant Services	123	269	219	357	88	32.7%
B&O Taxes & City Utilities Taxes	375	644	386	377	(268)	-41.5%
ERL Risk				267	267	NA
Other Expense	1	5	4	24	19	399.0%
Total Operating Expenses	540	1,056	745	1,159	103	9.8%
Income From Operation	4,211	3,900	4,208	4,180	281	7.2%



- Port of Seattle SWU rate growth is about half the City of Seattle over past 4 years.
- 60% revenue from tenant areas of NWSA, Maritime, Economic Development Divisions.
- 40% revenue from Non-Tenant areas of NWSA, Maritime, Economic Development Divisions.

Rate growth based on Steering Committee Recommendation

Stormwater Utility Budget Summary

\$ in 000's	2016	2017	2017	2018	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
Revenue	4,751	4,955	4,953	5,339	384	8%
Operating Expenses						
Stormwater Utility Expenses	540	1,056	745	1,159	103	9.8%
Maintenance Expenses	1,032	2,260	2,260	3,413	1,153	51.0%
Environmental & Sustainability	99	168	168	237	69	41.2%
EDD Expenses	0	32	32	18	(14)	-43.5%
CDD Expenses	29	58	58	49	(9)	-15.4%
Corporate Expenses	2	419	419	724	305	72.8%
Total Operating Expenses	1,702	3,993	3,681	5,600	1,608	40.3%
Net Operating Income	3,049	963	1,271	(261)	(1,224)	

- 2017 was the first year of support / allocation expenses applied to the division.
- In 2018 support / allocation expenses align more closely with actual time spent.

Stormwater Utility fulfilling commitments in 2018

Stormwater Utility Capital Budget Summary

\$'s in 000's	2018	2019	2020	2021	2022	2018-2022
Commission Authorized/Underway	-	-	-	-	-	-
Pending 2016/2017 Authorization	1,550	1,500	1,942	500	500	5,992
<i>T18 Stormwater outfalls renew/replace</i>	1,050	1,000	1,442	-	-	3,492
<i>Portwide Stormwater Sys Renewal</i>	500	500	500	500	500	2,500
Pending Future Authorization	-	-	500	1,500	1,500	3,500
<i>SWU Contingency</i>	-	-	500	1,500	1,500	3,500
Small Capital Projects	150	150	150	150	150	750
	1,700	1,650	2,592	2,150	2,150	10,242

Stormwater Utility to begin improving system in 2018

2018 Preliminary Budget Economic Development Division

Commission Briefing

October 10, 2017

2018 Budget Objectives

- Advance real estate development projects that create quality jobs and support key Port clusters.
- Invest in workforce development partnerships that create a talent pipeline for local employers.
- Create opportunities for small disadvantaged businesses and companies within key Port industries.
- Drive tourism opportunities and impacts throughout Washington state.

Promoting Equitable Impactful Economic Development

EDD Organizational Structure

Departments included

Portfolio Management
Maritime Portfolio Management
Real Estate Development
Pier 69 Facilities
Tourism
Small Business
Workforce Development

Lines of Business in P&L

Portfolio Management
Real Estate Development
Pier 69 Facilities
Tourism
Small Business
Workforce Development

Economic Development Division Evolving as an Organization

Key Assumptions

- Commercial Properties target 95% occupancy at year-end 2018.
- Conference and Event Center revenue up 19% from 2017 budget.
- Economic Development Partnership Grants continued.
- Continued funding of Workforce Development.
- Tourism Grants Continued.

Near full occupancy, continued WFD and Grant initiatives

Department Revenues By Group

Economic Development Division

\$ in 000's	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Incr (Decr) Budget Change		Incr (Decr) Budget to Forecast	
					\$	%	\$	%
Revenue								
Portfolio & Asset Management	25,900	26,535	27,066	29,267	2,732	10.3%	2,201	8.1%
<i>Central Harbor Mgmt Group</i>	7,743	8,015	8,303	8,647	632	7.9%	344	4.1%
<i>Conference & Event Centers</i>	8,000	7,917	8,074	9,495	1,578	19.9%	1,421	17.6%
<i>Foreign Trade Zone Program</i>	30	30	30	30	0	0.0%	0	0.0%
<i>Marina Office & Retail*</i>	3,904	3,998	3,896	4,115	117	2.9%	219	5.6%
<i>Maritime Industrial*</i>	6,222	6,575	6,763	6,980	405	6.2%	217	3.2%
Total Revenue	25,900	26,535	27,066	29,267	2,732	10.3%	2,201	8.1%

* Subclass under Maritime Division

Near full occupancy and improving Conference & Event revenue

Department Expenses By Group

Economic Development Division

\$ in 000's	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Incr (Decr)		Incr (Decr)	
					Budget Change		Budget to Forecast	
					\$	%	\$	%
Operating Expenses								
Portfolio Management	14,079	16,150	15,291	16,147	(4)	0.0%	856	5.6%
<i>Central Harbor Mgmt Group</i>	3,410	3,957	3,453	3,347	(609)	-15.4%	(106)	-3.1%
<i>Conference & Event Centers</i>	6,932	7,935	7,813	8,465	530	6.7%	653	8.4%
<i>Foreign Trade Zone Program</i>	7	9	2	8	(1)	-10.8%	6	277.3%
<i>Portfolio Mgmt Admin</i>	912	996	975	1,038	41	4.1%	63	6.5%
<i>Marina & Office Retail*</i>	937	1,281	1,052	1,354	73	5.7%	302	28.7%
<i>Maritime Industrial Properties*</i>	1,880	1,971	1,996	1,934	(37)	-1.9%	(63)	-3.1%
Development & Planning	870	1,277	1,004	759	(519)	-40.6%	(246)	-24.5%
Small Business	356	708	602	1,273	565	79.9%	671	111.3%
Workforce Development	1,483	2,962	1,714	2,917	(45)	-1.5%	1,203	70.2%
Tourism	1,093	1,285	1,303	1,360	75	5.8%	57	4.4%
Facilities	1,567	1,775	1,545	2,033	258	14.5%	487	31.5%
Division Admin	640	2,534	1,796	2,253	(281)	-11.1%	457	25.5%
Envir Remed Exp/Other	67	-	1	-	0	NA	(1)	-100.0%
Total Operating Expenses	20,155	26,691	23,256	26,740	49	0.2%	3,484	15.0%

* Subclass under Maritime Division

Expense growth focused on expediting Century Agenda

Economic Dev Division Department Expense Budget

\$ in 000's	2017	2018	Incr (Decr)		Explanation
	Budget	Budget	Change	%	
Baseline Budget					
Salaries	3,526	3,453	(74)	-2.1%	
Benefits	1,395	1,374	(21)	-1.5%	
OPEB	21	18	(3)	-12.1%	
Salaries & Wages to Cap, Non-op, ERL	0	0	0	NA	
Total Payroll Costs	4,942	4,845	(97)	-2.0%	
Net Payroll Exp (Net of to Capital, Non-op, ERL)	4,942	4,845	(97)	-2.0%	
Conf & Event Activity Op Expense	6,953	7,721	768	11.0%	Related to higher Revenue
Conf & Event Activity Management Fee	320	376	56	17.6%	Related to higher Revenue
Conf & Event Activity - Furn & Equip Acq	157	283	125	79.6%	WTC Seattle refresh in 2017
Travel & Other Employee Expense	301	340	39	13.1%	
Other O&M	6,562	6,449	(112)	-1.7%	
Total Baseline Budget	19,235	20,014	780	4.1%	
Initiatives					
Tenant Improve, Broker Fees, Space Plan	925	610	(315)	-34.0%	
WTC Seattle Interior Refresh	400	0	(400)	-100.0%	
Pier 69 Facilities	200	491	291	145.5%	Detail on following slide
Small Business	305	440	135	44.3%	Detail on following slide
Workforce Development	2,620	2,560	(60)	-2.3%	Detail on following slide
Tourism	717	755	38	5.3%	Detail on following slide
RE Development & Planning	600	250	(350)	-58.3%	Detail on following slide
EDD Division Admin	1,690	1,620	(70)	-4.1%	Detail on following slide
Total	7,457	6,726	(731)	-9.8%	
Total Operating Expenses	26,691	26,740	49	0.2%	
Envir Remediation Liability	0	0	0	NA	
Total Expenses	26,691	26,740	49	0.2%	

Conference and Event Center driving baseline expense growth

Pier 69 Facilities 2018 Initiatives

\$ in 000's	<u>2017 Budget</u>	<u>2018 Budget</u>
P69 Lobby Refresh expense portion	200	0
Lobby & Commission Chambers furniture	0	200
Lobby & Commission Chambers Exp Portion	0	150
Interior design	0	50
Reinstate Full Security Coverage	0	91
Total	<u>200</u>	<u>491</u>

ADA furniture, carpeting, and commission chamber refresh

Small Business 2018 Initiatives

\$ in 000's

	<u>2017 Budget</u>	<u>2018 Budget</u>	<u>'18-'17 Change</u>
New Requests			
WMBE Best Practice and Implementation	0	50	50
Champion of Inclusion Recognition Event	0	20	20
Procurement Technical Assistance	0	15	15
Continuing			
Construction Business Incubator	100	150	50
Business Development Consulting	100	100	0
Small Business Training	75	75	0
Marketing/ Communication/Design Services	15	15	0
OMWBE Certification	15	15	0
Total	305	440	135

Increased efforts to develop and assist in Small Business

Workforce Development 2018 Initiatives

\$ in 000's

	<u>2017 Budget</u>	<u>2018 Budget</u>	<u>'18-'17 Change</u>
Continuing			
Airport Career Pathways Implementation	250	250	0
Maritime Initiative	250	250	0
Construction Trades - Regional Partnership Services, Pre-App	710	710	0
Airport Employment Center	450	500	50
Airport Employment Center and Classroom	350	350	0
Employment Continuity Pool Program	150	75	(75)
K-12 Career Connected Learning*	200	400	200
Workforce Dev. - General Services	10	25	15
Not Funded in 2018			
High School Career Exploration and Intern Program Development*	150	0	(150)
Post Initial Budget WFD addition	100	0	(100)
* categorized under K-12 Career Connected Learning above			
Total	<u>2,620</u>	<u>2,560</u>	<u>(60)</u>

Increased efforts in Workforce Development

Tourism 2018 Initiatives

\$ in 000's

	<u>2017 Budget</u>	<u>2018 Budget</u>	<u>'18-'17 Change</u>
New Requests			
Fishermen's Terminal Advertising	0	5	5
WeChat Sea-Tac Airport - Pilot	0	20	20
Cruise Coupon Offering - Pilot	0	20	20
Continuing			
CORE Communication	245	260	15
Visit Seattle	165	150	(15)
Tourism Grants	150	150	0
Tourism Development	39	39	0
World Travel Market Trade show - London	25	26	1
Familiarization Tour	43	45	2
Additional Marketing Cruise and Stay	35	25	(10)
New Carrier Inaugural Activities	15	15	0
Total	<u>717</u>	<u>755</u>	<u>37</u>

New requests focused on expanding tourism

Real Estate Development 2018 Initiatives

\$ in 000's	<u>2017 Budget</u>	<u>2018 Budget</u>	<u>'18-'17 Change</u>
Ongoing/Reductions			
Consulting - Property Acquisitions	100	0	(100)
Consulting - Finance	150	0	(150)
Consulting - Infrastructure	150	0	(150)
Consulting - Property Development	100	0	(100)
Appraisals	100	50	(50)
Development Advisory Consulting - Aviation	0	80	80
Development Advisory Consulting - Non-Aviator	0	120	120
Total	<u>600</u>	<u>250</u>	<u>(350)</u>

Initiatives centered on executing RE Strategic Plan

EDD Admin 2018 Initiatives

\$ in 000's	<u>2017 Budget</u>	<u>2018 Budget</u>	<u>'18-'17 Change</u>
Ongoing/Reductions			
ED Partnership Grants	960	960	0
Membership: Economic Dev Council	100	100	0
RE Plan Outreach	50	0	(50)
Promotional Hosting/Sponsorships	80	60	(20)
Opportunity Fund	500	500	0
Total	<u><u>1,690</u></u>	<u><u>1,620</u></u>	<u><u>(70)</u></u>

Continuation of ED Partnership Grants & additional public partnerships

Full-Time Equivalents (FTEs)

<u>2017 Budget</u>	36.0
<u>2017 Changes</u>	
Analyst transferred to Strategic Initiatives	(1.0)
Adjusted 2017	<u>35.0</u>
<u>2018 Budget</u>	
Staff Additions:	
<i>None</i>	
Net Change	<u>0.0</u>
Proposed 2018 Budget	<u><u>35.0</u></u>

Net decrease of 1 FTE

Economic Development Budget Summary

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

\$ in 000's	2016 Actual	2017 Budget	2017 Forecast	2018 Budget	<i>Incr (Decr)</i>		<i>Incr (Decr)</i>	
					Budget Change \$	%	Budget to Forecast \$	%
Revenues								
Operating Revenues	7,880	8,088	8,331	8,985	898	11%	654	8%
Conf & Event Ctr Revenue	8,022	7,943	8,074	9,537	1,594	20%	1,462	18%
Total Revenues	15,902	16,030	16,405	18,522	2,492	16%	2,117	11%
Expenses								
Econ Dev Exp (excl P69, Conf., SB, WFD, Tour)	4,660	6,837	5,606	6,163	(675)	-10%	556	10%
Conf & Event Ctr Expense	6,932	7,935	7,813	8,465	530	7%	653	8%
Small Business	21	161	161	127	(33)	-21%	(33)	-21%
Workforce Development	522	1,999	1,159	1,992	(7)	0%	833	72%
Tourism	1,093	1,285	1,303	1,360	75	6%	57	4%
Maintenance Expenses	2,783	3,592	3,592	3,054	(538)	-15%	(538)	-15%
P69 Facilities	180	234	219	289	54	23%	70	32%
Maritime Expenses	31	64	64	344	280	441%	280	441%
Environmental & Sustainability	61	451	311	398	(53)	-12%	87	28%
CDD Expenses	212	439	413	310	(130)	-30%	(103)	-25%
Police Expenses	157	173	171	158	(15)	-9%	(12)	-7%
Corporate Expenses	4,329	5,899	5,722	5,935	37	1%	214	4%
Envir Remediation Liability	0	0	0	0	0	NA	0	NA
Operating Expenses	20,982	29,069	26,533	28,595	(474)	-2%	2,062	8%
Net Operating Income	(5,080)	(13,039)	(10,127)	(10,073)	2,966	23%	54	-1%

Increased Revenue driving improved NOI

Economic Development Division Capital Budget 2018 - 2022



Economic Development 2018 Capital Budget

Capital Budget Summary By Status

\$'s in 000's

	2018	2019	2020	2021	2022	2018-2022
Commission Authorized/Underway	3,476	4,201	20			7,697
Pending 2017/2018 Authorization	5,575	18,200	25,700	3,000	3,000	55,475
Pending Future Authorization	1,365	3,498	3,000	3,000	3,000	13,863
Small Capital and Other	962	880	1,080	1,080	1,080	5,082
	11,378	26,779	29,800	7,080	7,080	82,117

2018 - 2022 dollar amount of projects at ~\$82M, funding capacity for future projects not yet determined

Economic Development 2018 Capital Budget

Commission Authorized/Underway

\$'s in 000's

	2018	2019	2020	2021	2022	2018-2022
Bell Harbor Conference Center Interior Modernization	2,460	4,201	20			6,681
P66 Elevator 2,3,4 Upgrades	996					996
T102 Bldg Roof HVAC Replacement	20					20
	3,476	4,201	20	-	-	7,697

Projects approved by Commission and in progress

Economic Development 2018 Capital Budget

Pending 2017/2018 Authorization

\$'s in 000's

	2018	2019	2020	2021	2022	2018-2022
T91 Uplands Development	1,000	5,000	18,000	3,000	3,000	30,000
P66 HVAC Systems Upgrade	1,000	9,800	7,000			17,800
Central Waterfront Elevator Modernization	650	1,400	700			2,750
P69 Exterior & Lobby Improvements	1,500	1,000				2,500
P69 Solar Panel System	350	1,000				1,350
P69 West End HVAC Modernization	675					675
T-102 Outdoor Lighting	400					400
	5,575	18,200	25,700	3,000	3,000	55,475

Focus on Bell Harbor and T-91 development

Economic Development 2018 Capital Budget

Pending Future Authorization

\$'s in 000's

	2018	2019	2020	2021	2022	2018-2022
World Trade Center HVAC Replacement	215	1,385				1,600
P66 Anthony's Mechanical Roof	100	650				750
Bell Harbor Conference Center Roof Fall Protection	50	463				513
Contingency Renew & Replace	1,000	1,000	3,000	3,000	3,000	11,000
	1,365	3,498	3,000	3,000	3,000	13,863

Held to cover future unknown capital needs

Economic Development 2018 Capital Budget

Small Projects

\$'s in 000's

	2018	2019	2020	2021	2022	2018-2022
Small Capital Projects	382	300	500	500	500	2,182
Tenant Improvements - Capital	300	300	300	300	300	1,500
Technology Projects	250	250	250	250	250	1,250
Fleet Replacement	30	30	30	30	30	150
	962	880	1,080	1,080	1,080	5,082

Projects centered on tenant improvements and building upkeep

2018 Preliminary Budget Appendix



AVIATION APPENDIX

Additional 2018 Budget Materials

Table of Contents

- Details of new FTE requests
- Cost trends 2015 - 2018
- Details for cost reductions and increases
- 2018 operating budget requests – details
- Capital budget requests - details

Details for operating and capital budget requests are in this appendix

New FTE – Position List

2018 Proposed Budget FTEs	FTEs	2018 Proposed Budget FTEs	FTEs
New FTE's for 100% Employee Screening	18.00	Maintenance FTE's	16.00
Landside FTE's	5.00	Shift Supervisor - Custodial Services	1.00
Landside Development Manager	1.00	A VM Small Works Project Coordinator	1.00
Landside Supervisors	2.00	Carpenter	1.00
Employee Parking Bus Drivers	2.00	Painter	1.00
Commercial Management FTE's	2.00	Electronic Technician	2.00
Sr Property Manager, GT	1.00	Wireman - PLB/GSE	2.00
AV Conference Center Assistant	1.00	Wireman - Capital Project Plan Review	2.00
Airport Operations FTE's	6.00	A VM Mechanical Systems/Boiler staff	6.00
Certification (AOS)	2.00	Finance & Budget FTE's	2.00
Airport Duty Manager - Airfield	1.00	Manager, Grants & Capital Program	1.00
Senior Operations Controller (SOC)	1.00	Sr Admin Assistant	1.00
Airport Duty Manager - Terminal	2.00	Fire Department FTE's	2.00
Capital Development/Facilities & Infrastructure FTE's	4.00	Fire Protection Engineer	1.00
Utility Program Manager	1.00	Firefighter - Construction Inspector	1.00
Sr Admin Assistant	1.00	Airport Innovation	2.00
Manager, Asset Manager	1.00	Airline and Passenger System Specialist	1.00
Manager, Civil/Structural Infrastructure Systems	1.00	Indoor Navigation and Innovation Specialist	1.00
AV Environmental/Sustainability FTE's	1.00	New Intern FTE's - College/Graduate	1.25
Environmental Review and Permitting	1.00		
Customer Service FTE's	1.00	2018 Proposed New FTEs:	60.25
Marketing - Customer Service	1.00		

New FTEs driven by Security, Operations and Maintenance

Cost Trends

\$ in 000's	2015	2016	2017	2017	2018	Budget Change		2018	2017	2015-2018 Change %
	Actual	Actual	Budget	Forecast	Budget	\$	%	Budget vs Forecast \$	%	
AV Operations	44,278	46,316	38,032	38,032	42,076	4,044	10.6%	4,044	10.6%	-5.0%
AV Maintenance	56,704	63,692	75,960	74,797	81,831	5,871	7.7%	7,035	9.4%	44.3%
Security	7,794	8,171	15,810	16,642	17,826	2,016	12.8%	1,183	7.1%	128.7%
Fire Department	12,762	14,949	15,043	14,085	15,945	902	6.0%	1,860	13.2%	24.9%
Commercial Management	7,508	8,364	11,754	8,880	13,956	2,202	18.7%	5,077	57.2%	85.9%
Utilities	14,458	15,299	16,472	16,357	18,490	2,018	12.3%	2,132	13.0%	27.9%
Aviation Support departments	23,047	22,889	29,060	36,390	32,431	3,371	11.6%	(3,959)	-10.9%	40.7%
Total Aviation Expenses	166,551	179,679	202,130	205,183	222,555	20,424	10.1%	17,372	8.5%	33.6%
Corporate	44,065	56,505	54,673	54,028	58,120	3,447	6.3%	4,092	7.6%	31.9%
Police Costs	15,815	18,183	19,173	19,016	22,174	3,001	15.7%	3,159	16.6%	40.2%
Capital Development	7,828	9,319	22,378	17,579	23,223	845	3.8%	5,644	32.1%	196.7%
Maritime/Economic Development	3,882	3,946	4,356	4,356	5,402	1,046	24.0%	1,046	24.0%	39.2%
Costs from other Divisions	71,589	87,954	100,581	94,979	108,920	8,339	8.3%	13,941	14.7%	52.1%
Total Operating Expense	238,140	267,632	302,711	300,162	331,474	28,763	9.5%	31,312	10.4%	39.2%

Airport cost growth since 2015 coming from aviation division and other divisions

Cost Reductions

2018 Baseline Cost Reductions/Savings:		\$000's
<u>Contractual Savings & Formulaic Cost Decreases</u>		
Higher estimated Charges to Capital (offsets higher payroll)	1,256	
Scheidt Bachmann contract ends (replaced by ParkingSoft)	371	
Total Contractual & Formulaic Decreases		1,627
<u>Non-Payroll Savings (zero based budgeting)</u>		
RE development owner liaison costs no longer needed	200	
Other non-payroll savings (zero based budgeting)	839	
Additional Non-Payroll Savings		1,039
Total 2018 Baseline Cost Reductions		2,665

Savings due to eliminated FTEs, review of baseline

Cost Increases

2018 Baseline Cost Increases:	\$000's
<u>Payroll Increases (before new FTE requests)</u>	
Average payroll & benefits increase (3.6% blended)	4,405
Impact of annualized new FTE's approved in 2017 Budget	776
Impact of annualized new FTE's approved during 2017	1,272
All other increases to baseline payroll	591
Total Baseline Payroll Increases	7,045
<u>Non-Aero costs related to revenue growth</u>	
Clubs & Lounges - increased operating costs	762
Advertising increase (100% paid by Tenant Mktg fund)	282
Non-Aero B&O tax increase	100
Total Non-Aero Cost Increases	1,145
Total Contractual & Formulaic Cost Increases - detail next page	3,393
Total 2018 Baseline Cost Increases	11,582

Payroll for existing staff is primary driver of increase

Continued - Cost Increases

2018 Baseline Cost Increases - continued:	\$000's
<u>Contractual & Formulaic Cost Increases - detail</u>	
Utility commodity cost increase	1,487
Siemens direct digital control contract	350
Manual Encoder McGee contract	160
SITA/Brock baggage source messaging	31
Schindler elevator service contract	76
ParkingSoft (new contract)	30
All other contract increases	140
Airport to host AMAC conference	150
Aeronautical B&O tax increase	77
Other Non-Payroll Increases (zero based budgeting)	892
Total Contractual & Formulaic Increases	3,393
Total 2018 Baseline Cost Increases	11,582

Payroll for existing staff is primary driver of increase

Summary of Budget Requests

2018 Budget Request category	# of Requests	2018 Budget Request \$000's			
		FTEs	Baseline	One-time	Total
Safety	13	4.00	1,232,112	448,100	1,680,212
Security	5	18.00	1,110,399	27,500	1,137,899
Customer Service	17	7.00	2,496,295	696,342	3,192,637
Grow International Service	7		550,000	1,000,000	1,550,000
Operational Impacts due to Growth	4	7.00	599,873	32,700	632,573
Capacity Planning & Development	23	15.50	1,785,460	8,508,000	10,293,460
Asset Management	21	4.00	1,093,018	654,295	1,747,313
Grow Non-Aero NOI	9	2.00	451,174	3,359,000	3,810,174
Environmental & Sustainability	11	1.00	256,387	955,867	1,212,254
Other Business Needs	14	1.75	365,526	137,300	502,826
2018 Budget Requests - Total Proposed:	124	60.25	9,940,244	15,819,104	25,759,348
2018 Budget Requests - Initial Requests:	173	143.75			37,876,957

Century Agenda and Airport Priorities drive 2018 budget requests

Budget Requests by Strategic Driver

Problem/Need/ Opportunity	Solution	2018 Budget Request \$000's		
		FTEs	Baseline	One-time
Safety				
Airfield Safety	Certification (AOS)	2	168,934	3,000
	Snow Pretreatment Chemicals - runways		200,000	-
	Flight Corridor Safety Program Site Maintenance		75,000	-
	Certified Service Provider Program (CSPP) Development		-	50,000
	Avian Radar upgrade		182,000	-
	USDA Wildlife Services - increase Outside Services Contract		70,000	-
Implement Safety Management System	SafetyCircle engagement throughout airport		270,000	-
	Safety Management System (SMS) OP and Badging training curriculum development program		-	80,000
Other	Airport Duty Manager - Airfield	1	108,761	12,600
	Annual Smoke Control Consultant		50,000	-
	Arc Flash Consultant - ADR/Terminal/Baggage		-	150,000
	Fire Department - Bunker Gear Purchase		-	150,000
	Fire Protection Engineer	1	107,417	2,500
Safety - 2018 Budget Requests		4	1,232,112	448,100

Safety Enhancement Opportunities

Budget Requests by Strategic Driver

Problem/Need/Opportunity	Solution	2018 Budget Request \$000's		
		FTEs	Baseline	One-time
Security				
Opportunity to enhance security - Employee Screening	Employee Screening Manager	1	113,204	2,500
	Screening Supervisor	5	356,751	12,500
	Employee Screener	11	438,785	10,000
Insufficient admin support for growing department	Administrative Assistant - Employee Screening	1	69,659	2,500
Rightsizing to reflect current staffing level	Business training, travel, and employee equipment for Employee Screening (rightsizing)		132,000	-
Security - 2018 Budget Requests		18	1,110,399	27,500

Problem/Need/Opportunity	Solution	2018 Budget Request \$000's		
		FTEs	Baseline	One-time
Operational Impacts due to Growth				
Ground Transportation Trip Activity Growth & Complexity	Landside Supervisor	2	181,791	5,000
Employee Parking usage increase	Employee Parking Bus Driver	2	113,547	-
Increasing Volume	Senior Operations Controller (SOC)	1	87,013	2,600
	Airport Duty Manager - Terminal	2	217,522	25,100
Operational Impacts due to Growth - 2018 Budget Requests		7	599,873	32,700

Security Enhancement & Operational Growth Impacts

Budget Requests by Strategic Driver

Problem/Need/Opportunity	Solution	2018 Budget Request \$000's		
		FTEs	Baseline	One-time
Customer Service				
Facility Cleanliness / Appearance / ASQ metrics	Estimated increase in budget for the Custodial Service Contract(s)		679,600	-
	Shift Supervisor - Custodial Services	1	96,116	-
	Pathfinders - (8) emergency hires during peak season		-	143,742
	New Marketing position - Customer Service	1	108,761	2,600
	ASQ increased sample size and weekly reporting		13,380	-
	AVM Small Works Project Coordinator	1	84,862	-
	Journeyman Carpenter	1	89,824	-
	Journeyman Painter	1	66,888	-
	Seasonal painting contractor(s)		146,160	-
	STS Car Tri-Handle Stanchions - passenger safety in STS cars		-	225,000
	Trash can standardization plan for Airport terminal and landside		-	175,000
	Music Initiative Program - Port 50% share		175,000	-
Train staff on Customer Service	Customer service training and program development		-	145,000
Wayfinding/Processing Passengers	Curbside services for Rental Car		500,000	-
	Electric Cart Service - Link Light Rail		336,000	-
	Indoor Navigation and Innovation Specialist	1	99,852	2,500
	Airline and Passenger Systems Specialist	1	99,852	2,500
Customer Service - 2018 Budget Requests		7	2,496,295	696,342

Customer Service

Budget Requests by Strategic Driver

Problem/Need/Opportunity	Solution	2018 Budget Request \$000's		
		FTEs	Baseline	One-time
Capacity Planning & Development				
Complete SAMP	Advanced Planning to further define the SAMP program		-	2,500,000
	SAMP Planning & Transition to Environmental Review		-	500,000
	SAMP Environmental Review		-	1,700,000
	Utility Master Planning support due to SAMP		-	500,000
Augment Planning	Ongoing planning support in all areas not covered through advanced planning		-	750,000
	On call project planning consultant		-	650,000
	SR-518 Corridor Study		-	400,000
	Planning - Graduate Intern	0.5	34,032	-
Manage Complex Capital Program	Executive Program Management consulting support		-	1,200,000
	Accela software - Inspection Request Module/App and Bluebeam Revue Program		-	24,650
Build capacity for capital program delivery	AVM Mechanical Systems - rightsize staffing	6	595,947	-
	AVM Wireman - Capital Project Plan Review	2	205,480	-
	Electronic Technician	2	205,480	6,500
	Manager, Aviation Finance & Budget	1	131,112	2,500
	Consultant to perform additional project plan review for Structural Engineering,		130,000	-
	Computer and telephone acquisition required for electronic plan review hardware.		-	46,850
	Civil/Structural Standards Update Consultant		-	200,000
	Environmental Review and Permitting position	1	104,019	2,500
	Sr. Administrative Assistant - Capital Development Program Mgmt	1	76,492	2,500
	Permitting office software program annual license fee (Accela)		53,000	-
	Architectural Standards Update Consultant		-	20,000
	Landside Development Manager	1	118,233	2,500
	Firefighter - Construction Inspector	1	131,664	-
Capacity Planning & Development - 2018 Budget Requests		15.5	1,785,460	8,508,000

Capacity Development

Budget Requests by Strategic Driver

Problem/Need/Opportunity	Solution	2018 Budget Request \$000's		
		FTEs	Baseline	One-time
Grow International Air Service				
Air Service Development	Incentive Program - Xiamen Airlines		-	300,000
	Incentive Program - Aeromexico		-	200,000
	Incentive Program - Volaris		-	200,000
	Incentive Program - Norwegian		-	100,000
	Incentive Program - Unnamed Airline		-	200,000
	Promotional event management service for Air Service Development		50,000	-
Increasing Volume	CBP Reimbursable Services Program (RSP)		500,000	-
Grow International Air Service - 2018 Budget Requests			550,000	1,000,000
Problem/Need/Opportunity	Solution	2018 Budget Request \$000's		
		FTEs	Baseline	One-time
Grow Non-Aero NOI				
FAA requirement every 5 yrs - appraisal of airport properties	Airport appraisal		-	275,000
Grow Non-Aero NOI	NERA FAA Pilot Program - final year of FAA grant		-	2,300,000
	Parking Pre-Booking - expense components of capital project		-	724,000
	Senior Property Manager, Ground Transportation	1	137,025	-
	NERA 2 - owner liaison costs (100% reimbursable)		-	30,000
	NERA 3 - owner liaison costs (100% reimbursable)		-	30,000
	ADR on-call consultant		200,000	-
	AV Conference Center Assistant	1	74,149	-
Rightsizing to reflect current usage level	TNC Holding Lot Honey buckets		40,000	-
Grow Non-Aero NOI - 2018 Budget Requests		2	451,174	3,359,000

Grow International Service and Non-Aero NOI

Budget Requests by Strategic Driver

Problem/Need/Opportunity	Solution	2018 Budget Request \$000's		
		FTEs	Baseline	One-time
Asset Management				
Strategic Asset Management	Manager, Civil/Structural Infrastructure Systems	1	146,719	2,500
	Road Inventory and Pavement Management Assessment		-	100,000
	Roadway Asset Management Consultant		-	100,000
	Cathodic Protection Consultant		-	50,000
	Manager, Asset Manager	1	146,719	2,500
	Asset Management System Estimating Consultant		50,000	-
	Asset Management Building Assessment and develop best practices.		-	150,000
	Post-Maximo Upgrade Implementation (system improvements)		-	25,000
Maintaining Existing Assets	AVM Wireman - PLB/GSE	2	205,480	500
	Increase to AVM Materials Budget - STS, Electronic, and Electrical systems		215,000	-
	Increase Radio Budget - incremental & replacement radios		200,000	-
	Backflow Prevention Software - replace existing software		-	15,000
	Remediate bird waste and install netting/deterrents - ongoing and one-time		10,000	52,140
	Weed Control (goats) on Port property		50,000	-
	Replacement program for Flight Information and other display monitors		45,000	-
	STS Parts Washer Equipment		15,000	-
	CCTV Civil Utility Mgmt consultant for the CCTV investigation for Sanitary Sewer, IWS, and Stormwater		-	50,000
	Compactor preventative maintenance & asset management plan		-	38,000
	Industrial Wastewater Treatment Plant (IWTP) Operations and Maintenance		-	50,000
	Conf Center AV System Maintenance & Service Agreement		-	18,655
	Scan, digitize, and archive old plan sets per WA State Records Management		9,100	-
Asset Management - 2018 Budget Requests		4	1,093,018	654,295

Asset Management

Budget Requests by Strategic Driver

Problem/Need/Opportunity	Solution	2018 Budget Request \$000's		
		FTEs	Baseline	One-time
Environmental & Sustainability				
Century Agenda / Environmental Strategies	Aviation Biofuels Partnership Fund Development Project		-	175,000
	Renewable Energy Sourcing and Integration Options		-	180,000
	WADOC/UW Air Quality - Port share of WA state study		-	75,000
	Part 2 of deicer management study		-	150,000
	Incremental cost for renewable diesel		30,000	-
	Janitorial support - pilot project to drain and recycle beverage containers from checkpoints		-	95,000
	Utility Program Manager	1	115,707	3,250
	Utilities support for utility metering systems (rightsizing)		110,680	-
Environmental Compliance	Sanitary Sewer BOD Surcharge investigation		-	50,000
	NPDES Permit Renewal Testing and Reporting - 5yr permit requirement		-	145,000
	Rental of Vactor Truck until asset purchase complete		-	82,617
Environmental & Sustainability - 2018 Budget Requests		1	256,387	955,867

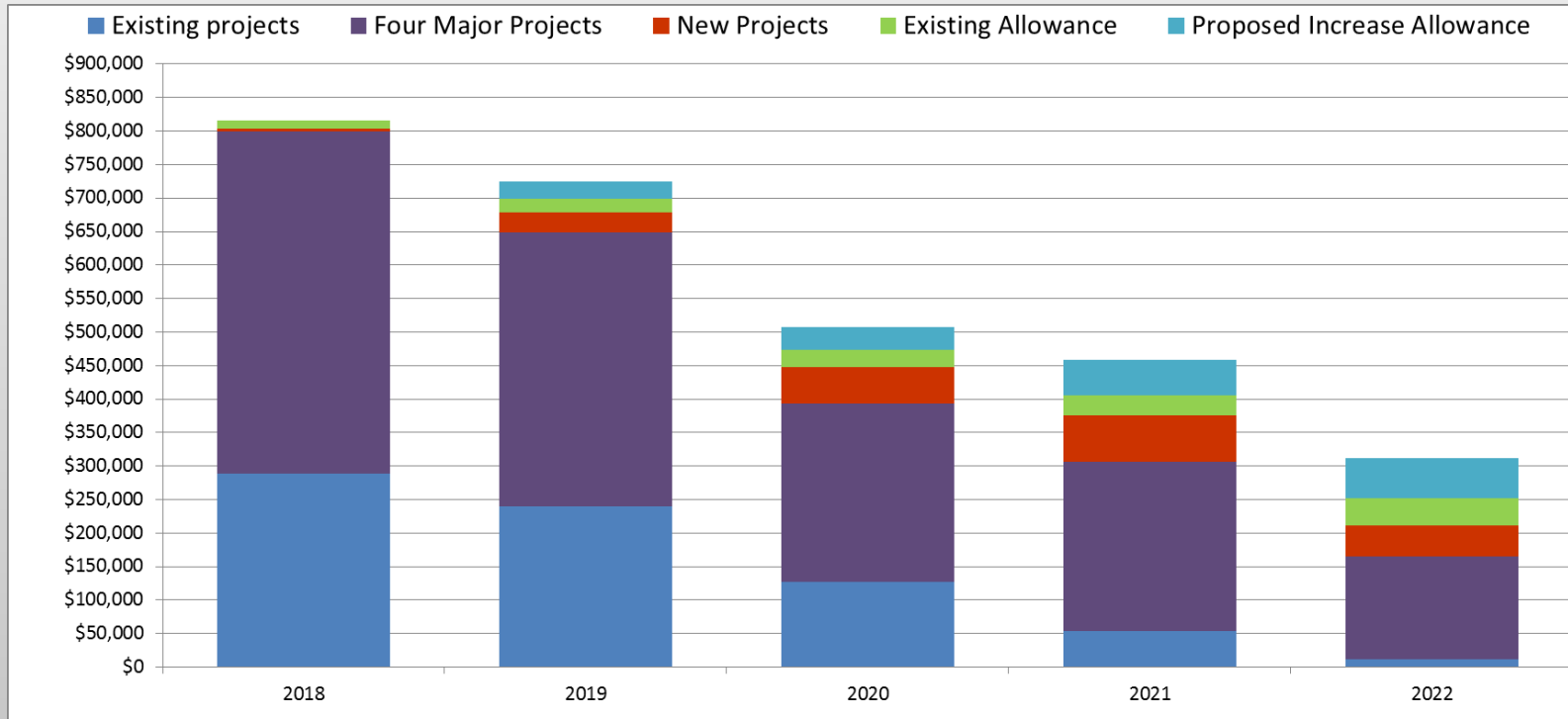
Environmental & Sustainability

Budget Requests by Strategic Driver

Problem/Need/Opportunity	Solution	2018 Budget Request \$000's		
		FTEs	Baseline	One-time
Other Business Needs				
Century Agenda	Disparity Study		-	90,000
Absence of admin support for growing department	Administrative Assistant - AV Finance & Budget	1	79,431	2,500
Grow Port Intern Program	College Interns (3)	0.75	37,740	-
Opportunity to enhance employee engagement	Leaders meeting speaker funding		12,000	-
	Safety Communication and Committee Support		5,000	-
	Upgrade workstations in Industrial Control Systems (ICS) area		-	25,000
Opportunity to enhance innovation	Innovation Funding - support implementation		100,000	-
	Innovation Research Funding		50,000	-
	Honsha Executive Development Mission (Lean)		-	11,000
	AAAE Innovation Accelerator Program Fee		5,000	-
Rightsizing to reflect current staffing level	AVM training (rightsizing)		30,000	-
	Business training, travel, and employee equipment (rightsizing)		21,355	-
	Business Travel and Training (rightsizing)		-	8,800
Rightsizing to reflect current usage level	Increase Printer/Copy paper office supplies expense (rightsizing)		25,000	-
Other Business Needs - 2018 Budget Requests		1.75	365,526	137,300

Other Business Needs

Capital Budget - Major Projects



Four major projects account for 56% of spending

Proposed New Projects

Next Slide	# of Projects	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2018-22 Total
				2018	2019	2020	2021	2022	
I	8	Asset Management	111,603	2,107	9,524	23,527	24,868	19,757	79,783
II	6	Safety & Security	46,606	1,565	7,900	9,488	6,536	16,936	42,425
III	6	Business Need	41,948	284	5,191	13,389	13,821	9,264	41,949
IV	6	Customer Service	36,437	-	4,151	8,359	23,182	746	36,438
V	2	Grow Non-Aero Revenue	5,530	-	3,590	179	1,301	460	5,530
	28	TOTAL	242,124	3,956	30,356	54,942	69,708	47,163	206,125

- Major new projects include:
 - Airfield pavement replacement: \$72.6 million
 - Main Terminal sprinkler/smoke control: \$28.5 million
 - Employee parking bus purchase: \$18.1 million
 - Stormwater pond bird deterrent improvements: \$11.4 million
 - Utility meter networking: \$10.3 million
- The proposed projects do not include projects that will come out of SAMP.

Asset management is a key driver for new projects

Asset Management

#	CIP	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2018-22
				2018	2019	2020	2021	2022	Total
1	C800924	AC4 Av/Maintenance Upgrade	4,566	-	525	2,852	1,189	-	4,566
2	C800930	Airfield Pvmt Repl 2020-2024	72,649	-	225	11,013	13,997	15,594	40,829
3	C800944	Building Controls Upgrade 2018	4,976	-	70	925	3,311	670	4,976
4	C800950	Cargo Buildings Improvements	6,610	-	50	881	2,186	3,493	6,610
5	C800957	NEPL Improvements	6,635	-	1,104	4,959	572	-	6,635
6	C800977	RCF Pavement Remediation	11,417	1,657	7,487	2,273	-	-	11,417
7	C800978	VFD Replacement II	4,300	-	63	624	3,613	-	4,300
8	C800983	Sewer/Catch Basin Cleaner	450	450	-	-	-	-	450
		TOTAL	111,603	2,107	9,524	23,527	24,868	19,757	79,783

- **#2 (Airfield Pvmt Repl 2020-2024):** This project will replace aging airfield pavement and joint seal as they reach the end of their useful lives (approximately 20 years). 46% of Sea-Tac pavement is over 20 years old.
- **#5 (NEPL Improvements):** The North Employee Parking Lot (NEPL) was constructed in 1997 and several areas need to be repaired or upgraded. Major elements include pavement repairs, security camera installations, automatic sliding gate addition, signage replacement, and interior upgrades.
- **#6 (RCF Pavement Remediation):** This project will address pavement performance issues at the Rental Car Facility, such as replacing expansion joints, waterproofing membranes, and repairing asphalt approach road.

Safety & Security

#	CIP	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2018-22
				2018	2019	2020	2021	2022	Total
1	C800935	Access Controls in Comm Rooms	2,893	-	895	1,998	-	-	2,893
2	C800937	Fire Suppression Comm Rooms	712	-	50	170	282	210	712
3	C800969	MT Fire Sprinkler-Smoke Cntrl	28,457	-	300	1,639	5,611	16,726	24,276
4	C800975	RCF Camera Replacement	1,180	-	118	419	643	-	1,180
5	C800979	Fire Engines & RIV	1,980	-	1,980	-	-	-	1,980
6	C800980	SD Pond Bird Deterrent Improv	11,384	1,565	4,557	5,262	-	-	11,384
		TOTAL	46,606	1,565	7,900	9,488	6,536	16,936	42,425

- **#3 (MT Fire Sprinkler - Smoke Cntrl):** This project will provide fire sprinklers and smoke control for main terminal ticketing, esplanade and bag claim areas. Total areas involved contain approximately 1,050,000 square feet of space. This is a life safety building code requirement for development of the Main Terminal second floor spaces.
- **#6 (SD Pond Bird Deterrent Improv):** The existing bird deterrent system that covers the airport stormwater ponds sustained structural damage from the February 2017 snow event. A damage assessment reported 13 stormwater ponds received structural damage and created openings in the netting system. This project will develop a viable long term solution for all POS stormwater ponds bird deterrent infrastructure.

Business Need

#	CIP	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2018-22 Total
				2018	2019	2020	2021	2022	
1	C800939	Comm Infrastructure Expansion	1,584	-	35	979	570	-	1,584
2	C800940	Utility Meter Networking	10,367	-	565	1,385	4,799	3,618	10,367
3	C800941	Airport-wide & RCF LED Lights	8,205	-	112	995	1,452	5,646	8,205
4	C800945	South CT Solid Waste Improve	1,876	284	1,592	-	-	-	1,876
5	C800951	AOB Capacity Upgrades & Carpet	1,835	-	1,464	371	-	-	1,835
6	C800956	Employee Parking Bus Purchase	18,081	-	1,423	9,659	7,000	-	18,082
			41,948	284	5,191	13,389	13,821	9,264	41,949

- **#2 (Utility Meter Networking):** This project will upgrade the Port's meter system to create a modern, networked, smart meter system with data storage and analytical capabilities. The finished system will provide data collection and analytical capabilities to enable advanced analysis of utility (electric, gas, water, etc.) data for infrastructure planning, billing, cost control, maintenance and sustainability needs.
- **#3 (Airport-wide & RCF LED Lights):** This project will improve lighting throughout the airport and at the Rental Car Facility, as well as transition the airport to a driver-based lighting standard. Driver-based lights offer better energy efficiency, longer maintenance cycles, better light quality, and greater controllability compared to old lighting technologies.
- **#6 (Employee Parking Bus Purchase):** This project will procure 11 new electric buses for employee transportation between the North Employee Parking Lot (NEPL) and the main parking garage. The employee bus program currently operates Compressed Natural Gas (CNG) buses. The CNG tanks' certification will expire prior to Q2 2022 which requires the buses to be retired. The new electric buses and associated charging stations will be procured in three phases to allow for a gradual transition from CNG to electric buses.

Customer Service

#	CIP	Cost Estimate	Cash Flows (Figures in \$000s)					2018-22	
			2018	2019	2020	2021	2022	Total	
1	C800922	Baggage Claim Refresh	11,037	-	834	2,023	8,181	-	11,038
2	C800928	Zone 1 Curb-to-Gate Biometric	1,800	-	800	1,000	-	-	1,800
3	C800931	Smartphone App - ADA Support	750	-	750	-	-	-	750
4	C800934	Consolidated Employee Business Office	7,264	-	304	915	6,045	-	7,264
5	C800959	Seating Replacement	13,886	-	663	3,521	8,956	746	13,886
6	C800971	Checkpoint Smart LED Lighting	1,700	-	800	900	-	-	1,700
		TOTAL	36,437	-	4,151	8,359	23,182	746	36,438

- **#1 (Baggage Claim Refresh):** This project will improve the outdated and dark appearance of baggage claim by continuing improvements that began in 2017 with replacement of all wall panels. The project would bring baggage claim 5 through claim 16 up to the same standard of finishes as found in the Gina Marie Lindsay Hall (GML) through Claim 4.
- **#4 (Consolidated Employee Business Office):** This project will create a new Employee Business Office, which will include credentialing, training, employee parking, the key shop (access), CBP office, and other essential employee-related businesses in a “one-stop shop” service center. The current Credential Center can no longer accommodate the volume of customers in an effective manner.
- **#5 (Seating Replacement):** This project will replace outdated and worn seating throughout the airport to include all of Concourse A, Concourse D, soft seating in the relaxation area at the west end of the South Satellite, Club at SEA Lounge locations, and soft seating at the three concourse recomposure areas just beyond Checkpoints 2, 3, and 4.

Grow Non-Aero Revenue

#	CIP	Description	Cost Estimate	Cash Flows (Figures in \$000s)					2018-22 Total
				2018	2019	2020	2021	2022	
1	C800947	South Satellite Mezz Club	2,030	-	90	179	1,301	460	2,030
2	C800949	WSDOT Property Purchase	3,500	-	3,500	-	-	-	3,500
		TOTAL	5,530	-	3,590	179	1,301	460	5,530

- **#1 (South Satellite Mezz Club):** This project will reconfigure Delta's flight attendant office into a second South Satellite Club@SEA lounge, with a reception area, seating, bar and a kitchen area. It is contingent upon Delta's move from the SS mezzanine space to the Central Terminal mezzanine space (2nd floor).
- **#2 (WSDOT Property Purchase):** This project will acquire WSDOT property located between the FAA Regional Headquarters and Des Moines Creek Business Park West to enhance the feasibility of the development of these airport properties via land assemblage. This parcel will become part of the Des Moines Creek Business Park West project that will go out to RFP later this year or early 2018. This parcel will increase the value and developmental feasibility to a potential developer that will engage in a long term land lease with the Port.