

Port of Seattle Second Reading of the 2018 Budget

Commission Meeting
November 28, 2017

Outline

- Budget Changes from the First Reading
- 2018 Budget Overview
- 2018 Operating Budget
- 2018 Comprehensive Operating & Non-Operating Budget
- 2018-2022 Capital Plan
- 2018 Staffing Summary
- 5 Year Financial Forecast
- 2018 Sources and Uses of Funds
- 2018 Tax Levy
- Remaining 2018 Budget Schedule

Changes from the First Budget Reading

- Moved CIP C800993 – Property Acquisition above the line to be included in the 5-year capital funding plan. Proposed funding source is the Tax Levy
- Added \$200K for Eastside Remote Bag Check-in (and Mass Transit) feasibility study
- Added 8 additional High School interns to increase the total number from 82 to 90 in 2018 (a budget increase of \$44K)
- Added \$50K for Eco Tourism and \$50K for International Tourism for a total of \$100K additional Tourism funding
- Added \$431K operating revenue and \$295K operating expense, which includes 2 new FTEs, to the 2018 budget due to the Property Acquisition noted above
- Total operating revenues increase by \$431K and total operating expenses increase by \$639K from the First Reading

Budget amendments incorporated into the budget

2018 Budget Highlights

- Operating revenues are budgeted at \$670.5M, \$50.2M or 8.1% higher than 2017 budget
- Operating expenses are budgeted at \$422.9M, \$38.2M or 9.9% increase from 2017 budget
- Net Operating Income is budgeted at \$247.6M, \$12.0M or 5.1% above 2017 budget
- The 2018 capital budget is \$895.1M and the 5-year capital spending plan is approximately \$3.1 billion
- The proposed tax levy for 2018 is \$72.0M

The 2018 budget reflects the Port's growth and continued investments for the region

2018 Key Initiatives/Budget Drivers

Support for Business Growth and Customer Service...



- Continue to improve customer service
- Continue to improve safety & security

- Catch up with strong Sea-Tac growth
- Strengthen the Port's own Centers of Expertise

- Grow international and domestic passenger service
- Increase Air Cargo

- Support the airport capital improvement program
- Address growing airport office space needs

Growth is a key budget driver

2018 Key Initiatives/Budget Drivers

Implement Commission Priorities & Initiatives...



- Energy and Sustainability
- Equity Program
- Priority Hire
- WMBE



- Workforce development
- opportunities for small & disadvantaged businesses
- Continue internship program



- Expand tourism opportunities
- Advance real estate development
- Expand public outreach



- Restore and enhance waterside habitat

Budget resources support Commission priorities

2018 Operating Budget Summary

(\$ in '000s)	2016	2017	2017	2018	Budget Change		Budget vs Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
Operating Revenues	598,466	620,245	623,775	670,479	50,234	8.1%	46,704	7.5%
Operating Expenses	325,124	384,660	376,118	422,885	38,225	9.9%	46,767	12.4%
Net Operating Income	273,342	235,585	247,657	247,594	12,009	5.1%	-63	0.0%

A record \$670M of operating revenues for 2018

2018 Comprehensive Budget

(\$ in '000s)	2016	2017	2017	2018	Budget Change		Explanations
	Actual	Budget	Forecast	Budget	\$	%	
Revenues							
1. Aeronautical Revenue - Net	244,235	274,799	266,637	301,082	26,282	9.6%	Cost recovery under SLOA.
2. Portwide Non-Aeronautical Revenue	354,231	345,446	357,138	369,398	23,952	6.9%	Mainly due to higher revenues from the Airport, Maritime & EDD.
3. Tax Levy	71,678	72,000	72,000	72,000	-	0.0%	Assume no change from 2017.
4. PFCs	85,570	89,087	92,087	91,787	2,700	3.0%	Higher enplanement forecast for 2018.
5. CFCs	24,715	26,300	26,300	22,161	(4,139)	-15.7%	Paid off CFC-funded commercial paper in 2017.
6. Fuel Hydrant	6,992	7,024	7,024	7,023	()	0.0%	
7. Non-Capital Grants and Donations	6,284	8,595	5,595	5,504	(3,091)	-36.0%	Lower state grant for T117 in 2018.
8. Capital Contributions	18,108	15,000	10,000	41,379	26,379	175.9%	Increase grants reimbursement from FAA and TSA.
9. Interest Income	8,448	10,822	15,822	15,713	4,891	45.2%	Slight increase in rates and higher cash balances.
Total Revenues	820,261	849,073	852,603	926,047	76,973	9.1%	
Expenses							
1. O&M Expense	325,124	384,660	376,118	422,885	38,225	9.9%	New budget initiatives and average pay increase.
2. Depreciation	164,336	166,300	164,300	163,309	(2,991)	-1.8%	2017 YTD actual lower than the budget.
3. Revenue Bond Interest Expense	105,567	122,026	107,026	122,544	518	0.4%	Assume \$700M new bond issuance in 2018.
4. GO Bond Interest Expense	9,765	17,714	14,714	13,501	(4,213)	-23.8%	Savings from bond refinancing.
5. PFC Bond Interest Expense	5,251	4,985	4,985	4,437	(548)	-11.0%	Decreased debt service on PFC bonds through amortization.
6. Non-Op Environmental Expense	280	5,441	4,441	2,250	(3,191)	-58.7%	Revise costs estimates for ERL balance and superfund sites.
7. Public Expense	8,560	2,488	1,488	10,794	8,306	333.8%	\$6M for Swift & Safe and \$2M for Heavy Haul in 2018.
8. Other Non-Op Rev/Expense	7,485	(257)	(257)	473	730	-283.8%	
Total Expenses	626,368	703,357	672,815	740,193	36,835	5.2%	
Revenues over Expenses	193,893	145,716	179,788	185,854	40,138	27.5%	
9. Special Item	147,700	-	-	-	-	n/a	Second & third payments for Viaduct contribution in 2016.
Change In Net Assets	46,193	145,716	179,788	185,854	40,138	27.5%	

A strong financial position for the Port in 2018

Capital Plan Summary

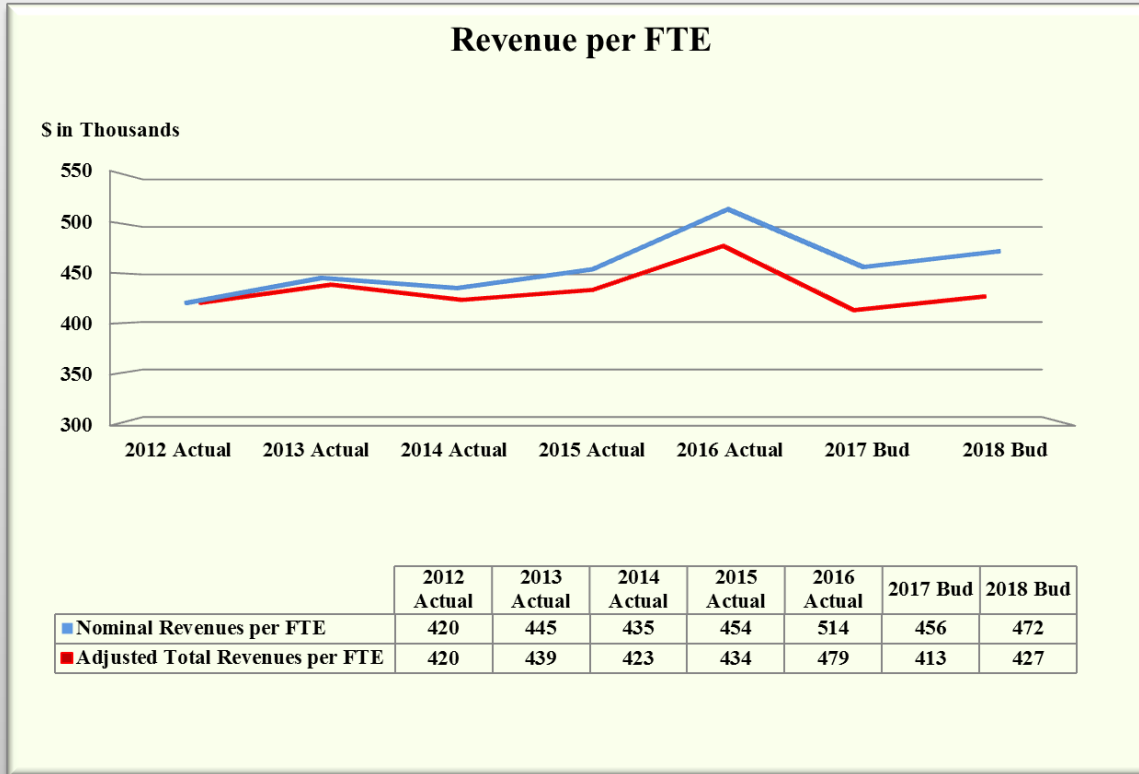
Capital Plan Summary by Division

\$ in 000's	2017 Fcst	2018	2019	2020	2021	2022	2018-2022
Aviation	340,056	815,704	724,212	507,919	459,023	311,828	2,818,686
Maritime	25,076	54,990	33,321	35,521	20,120	14,845	158,797
Economic Development	4,718	9,178	16,979	22,900	8,580	7,180	64,817
Stormwater Utility	1,407	1,700	1,650	2,592	2,150	2,150	10,242
Central Services and Other	7,328	13,556	12,401	10,071	10,873	11,706	58,607
Total	378,585	895,128	788,563	579,003	500,746	347,709	3,111,149

- Capital projects have been prioritized by staff.
- The capital plan does not include \$249.9M for our share of the NWSA capital spending between 2018 and 2022.

The Port continues to invest in the region with a 5-year capital plan of over \$3 billion

Revenue per FTE Comparison



Operating revenues outgrew FTEs for the past 5 years

FTE Summary

	Aviation	Maritime	Econ Dev.	Central Services	Total
2017 Approved FTE's	962.9	162.3	36.0	870.1	2,031.3
Mid Year Approval	15.3	1.0	-	15.5	31.8
Eliminated	-	-	-	(1.0)	(1.0)
Net Transfers	-	1.0	(1.0)	-	-
Adjusted 2017 FTE's (note 1)	978.2	164.3	35.0	884.6	2,062.1
2018 Budget					
Eliminated	-	-	-	(1.6)	(1.6)
Transfer	-	-	-	-	-
New FTE's (notes 2 & 3)	62.2	5.8	1.0	29.0	98.0
Total 2018 Changes	62.2	5.8	1.0	27.4	96.4
Proposed 2018 FTE's	1,040.4	171.0	36.0	912.1	2,159.5

Notes:

(1) Includes 1.0 FTE for Stormwater Utility in Maritime Division.

(2) Includes 2 new FTEs for WMBE and 1 new FTE for Priority Hire added after the Commission budget briefings.

(3) Includes 2 new FTEs for the Salmon Bay Marina and 8 new High School Interns added after the first budget reading.

FTEs driven by Commission priorities and growth initiatives

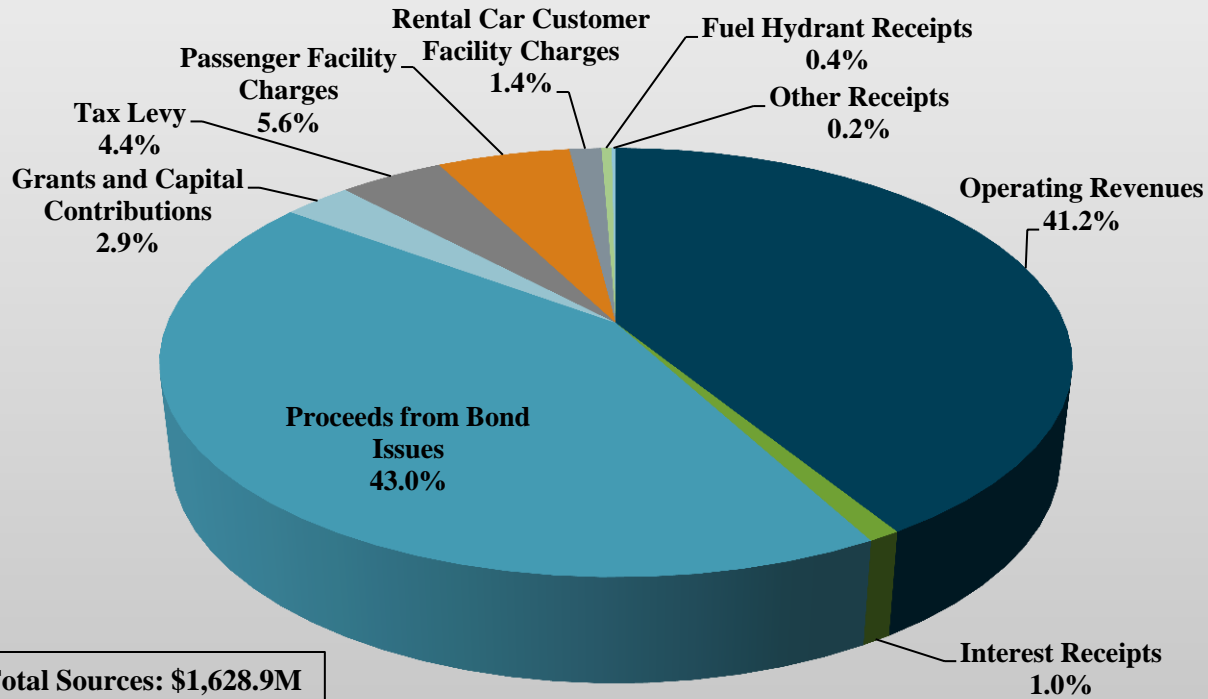
5 Year Financial Forecast

(\$ in 000's)	Budget 2017	Forecast 2017	Budget 2018	Forecast				Compound Growth 2018 - 2022
				2019	2020	2021	2022	
OPERATING BUDGET								
Aeronautical Revenue - Net	274,799	266,637	301,082	358,885	404,903	463,050	485,623	12.7%
Portwide Non-Aeronautical Revenue	298,738	305,849	322,751	321,429	325,896	333,284	344,049	1.6%
NWSA Distributable Revenue	46,708	51,288	46,647	43,122	42,334	45,815	46,498	-0.1%
Total Operating Revenues	620,245	623,775	670,479	724,320	774,724	844,482	878,561	7.0%
Total Operating Expenses	384,660	376,118	422,885	432,335	452,860	474,081	491,827	3.8%
Net Operating Income Before Depreciation	235,585	247,657	247,594	291,986	321,863	370,402	386,735	11.8%

- Forecasted revenues and expenses from CIP C800993 – Property Acquisition added to forecast

Steady growth in Net Operating Income projected

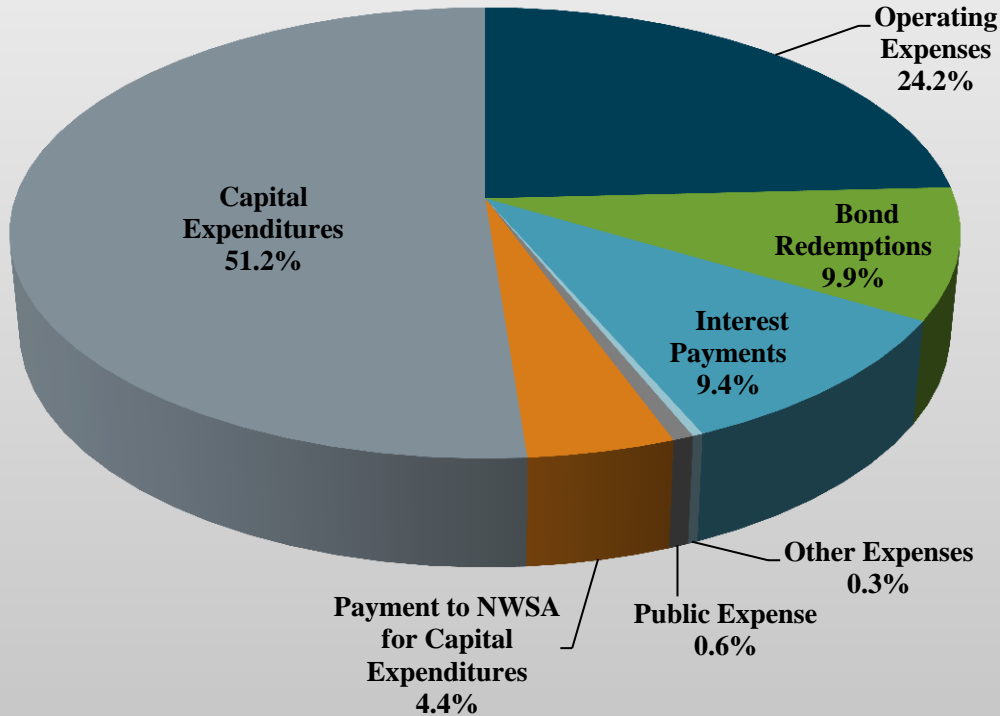
Sources of Funds



- 84% of funding sources come from bond proceeds and operating income.
- The tax levy makes up less than 5% of the funding sources in 2018.

The Port has diversified funding sources

Uses of Funds



- Plan to spend more than half of our funds on capital projects in 2018.
- Operating expenses are less than a quarter of total expenditures in 2018.

Total Uses: \$1,748.0M

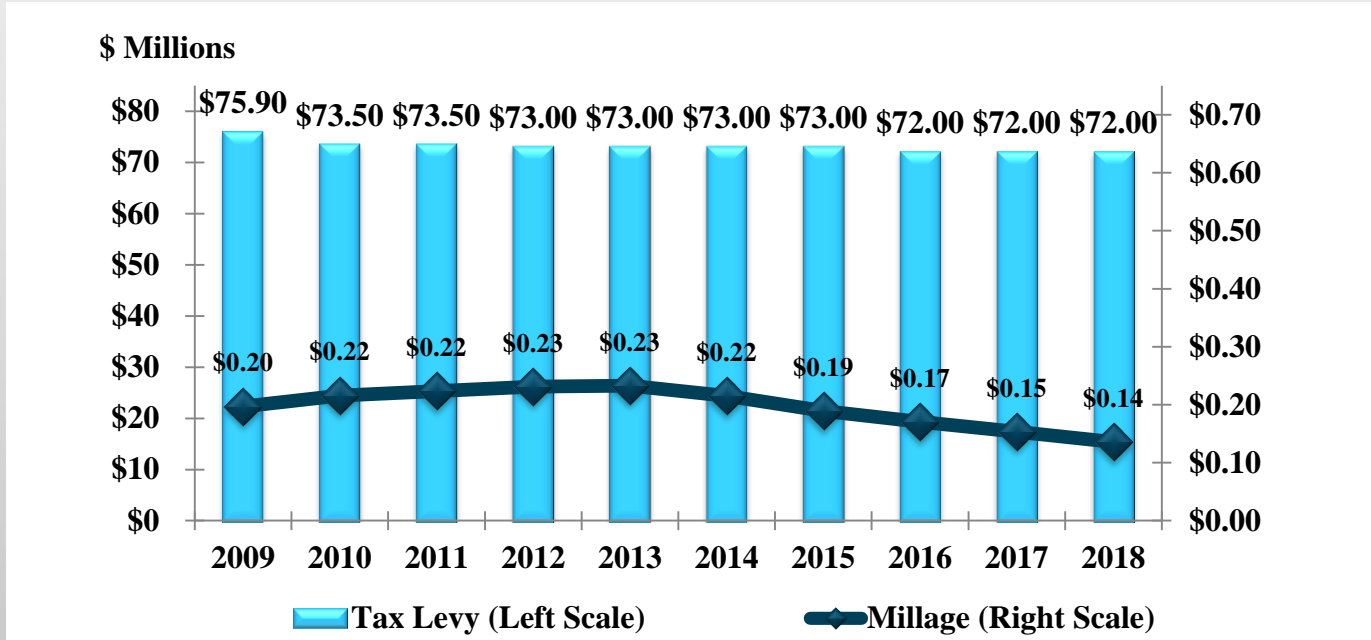
Capital spending comprises more than half of Port expenditures

2018 Tax Levy

- The maximum allowable levy for 2018 is \$101.6 million.
- For 2018 the levy will be \$72.0 million.
- The estimated millage rate is \$0.1358.
- The 2018 levy will be used for:
 - General Obligation (G.O.) Bonds Debt Service
 - Regional Transportation projects
 - Environmental Remediation
 - Capital projects meeting specified criteria endorsed by the Commission
 - Economic development initiatives including workforce development and economic development partnership programs
 - Other environmental initiatives including Airport Community Ecology funding and energy and sustainability policy directives

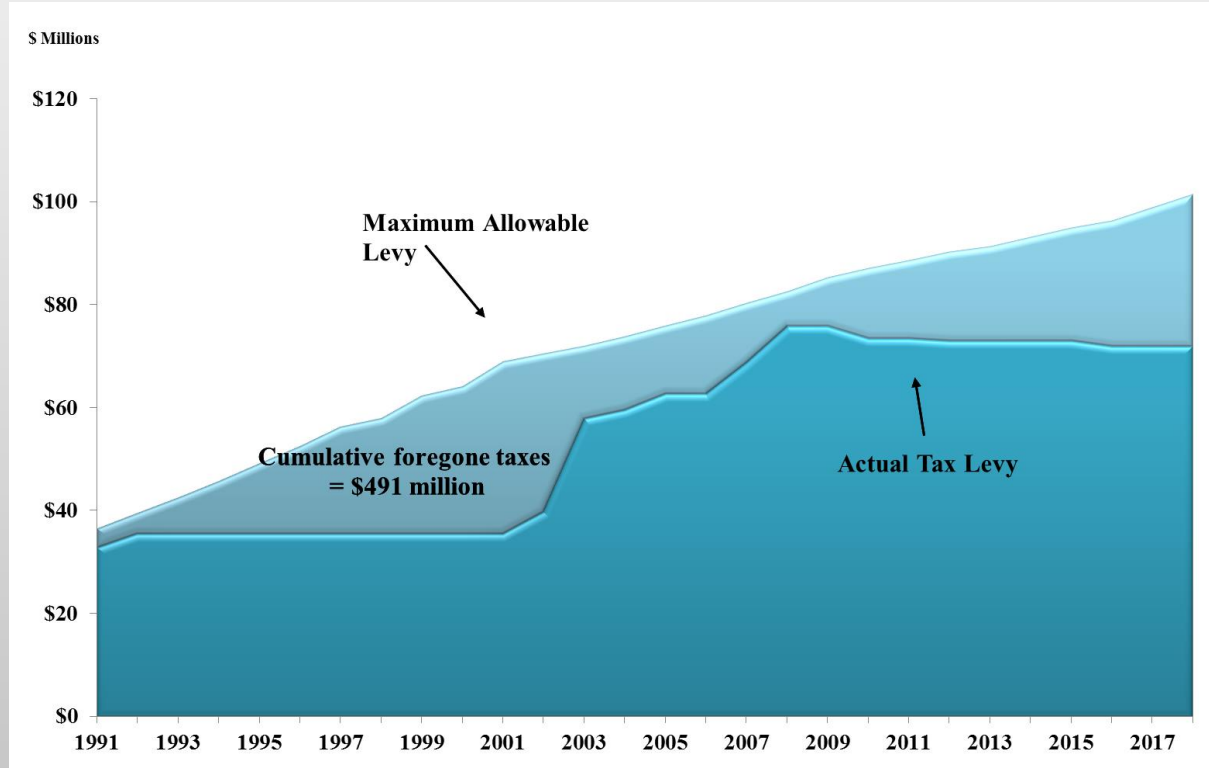
The Port uses tax levy for community investments

2009-2018 Tax Levy & Millage Rate



The Port has gradually reduced the tax levy amount since 2009

Actual vs. Maximum Allowable Levy



The Port has forgone \$491M in tax revenue since 1991

Remaining Budget Schedule

- File Statutory Budget with King County Dec. 1, 2017
- Release the 2018 Final Budget Document Dec. 15, 2017

Statutory budget to be filed with the County on December 1

Port of Seattle

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