



Building on Strong Fundamentals

Commission Budget Retreat

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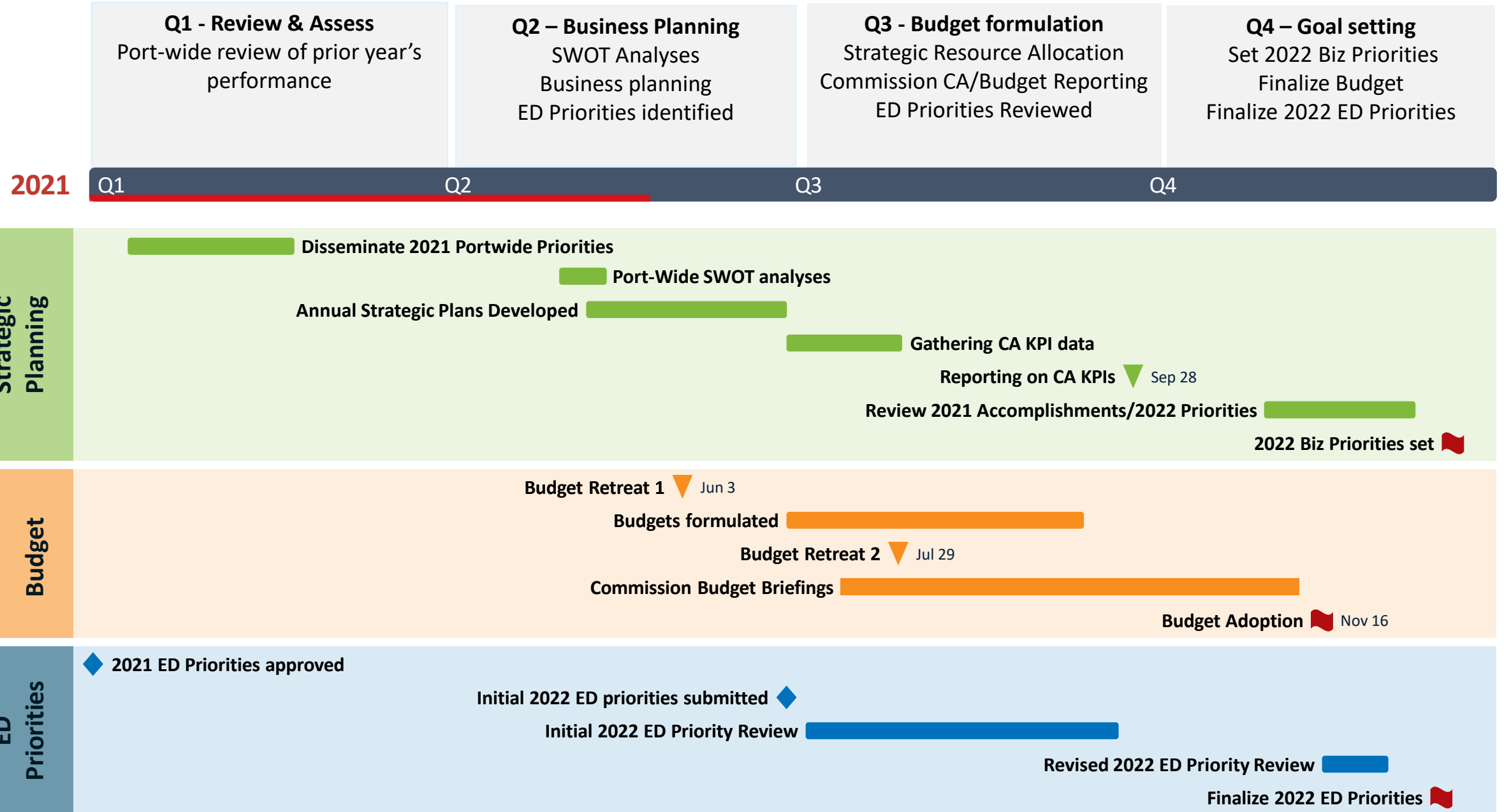


Agenda

- Planning Timeline
- Port wide SWOT Analysis
 - Context for budget development
- Budget Guiding Principles
- Strategies
- Process Overview
- Calendar
 - Upcoming retreats/ public presentations

Port-wide Planning Timeline

Port-wide Budget & Planning Timeline



SWOT Analysis Overview

SWOT Analysis

In 2020, the Port began assessing the overall health of the organization and overall strategic planning priorities through a **Port-wide SWOT analysis**.

Each Operating Division, COE and Central Services Department submits its **review of current Strengths, Weaknesses, Opportunities and Threats**.

They are then **synthesized into a high-level, comprehensive snapshot** of the factors that will **drive strategic planning and resource allocation for the organization**.

Port-wide Strengths

Port has an adaptable knowledgeable workforce

- Knowledgeable, highly-trained, specialized staff well versed in the Knowledge, Skills and Abilities necessary to be effective and efficient across all departments

Our diverse portfolio of assets and essential businesses

- SEA (Both hub airlines are recovering well in comparison to their peers), recreational boating, commercial fishing, new and updated facilities (IAF, NSAT, Bell Harbor)
- Diversity of locations and increased demand for real estate held by the Port

Relationships, Reputation & Community Support

- Positive reputation, great partnerships and relationships with tenants, customers and regulatory agencies
- Strong partnerships with external stakeholders and public support for initiatives (FlyHealthy@SEA, public support for COVID initiatives, public support for E&S work)

Adaptability

- Internal processes adapted quickly to COVID with functional and efficient teleworking; productivity remains high despite challenges of global pandemic

Port-wide Weaknesses

Field work impacting customer service and maintenance suffering

- Construction negatively impacting customer service at SEA;
- Lack of capacity to take on new projects and maintain existing ones; starting to get behind on critical infrastructure maintenance

Inefficient processes/competing priorities

- Internal systems are overly complex making collaboration with some external partners difficult
- Unplanned and shifting priorities divert resources from established workplans

Decreased/uncertain capital capacity

- In recovery from COVID, POS is experiencing fluctuating debt service coverage and cash balances

Facility/business growth capacity is diminishing

- Some SEA and MT properties not designed for customer needs or volumes; growth and customer needs exceed financial resources

Staffing challenges

- Current operational demands are exceeding staff capacity to meet the need
- Multiple vacancies, inability to hire and pre-COVID reliance on consultants is creating large gaps in the Port's ability to be productive; existing employees are over-worked
- Need to improve skill redundancy among staff, plan for natural attrition and maintain institutional knowledge

Resiliency

- Lack of comprehensive port-wide mitigation strategies for all potential threats to the Port including, natural disasters, climate change, cyber attacks and more...

Port-wide Opportunities

Innovation

- Technological advancements such as new digital communications techniques, banking technologies, automation and more can be leveraged to aid in productivity and serve customer needs

Cruise

- Rebound of a more sustainable cruise industry; increased safety protocols could feed regional COVID recovery
- Pause of Cruise Terminal development creates opportunity to rethink development into a multi-use facility

COVID regional recovery has opened new doors

- More competitive construction costs
- Increased real estate investment opportunities
- Multiple opportunities to apply for grant funding for infrastructure, COVID recovery and more

Virtual teleworking environments opens new strategic possibilities

- Reduced commute time, emissions, costs to the Port
- Increased staff satisfaction, marketability for hiring, participation in training and development, efficient use of unused workspaces

Increase diversity

- The Port can prioritize increasing the diversity of its workforce and infuse EDI into its day-to-day operations

Port-wide Threats

Uncertain Costs and Revenue Projections

- Ongoing COVID related uncertainty in the travel industry
- Escalation & inflation high, probability of big variability in construction pricing for raw materials
- Slower rebound of cruise and travel industry is constraining key resources to continue operations
- Slower and inequitable regional recovery impacts Port ability to collaborate externally; influence “return to better”

Staff, the Port’s greatest asset, is increasingly overworked and under-resourced

- Aging workforce, unexpected attrition, hiring challenges, understaffed, overworked
- Reduced person-to-person contact is creating challenges with morale, on- and off-boarding, mental health
- COVID economic situation makes hiring and staff capacity uncertain for the foreseeable future

Climate Change moves inexorably forward

- Impact on fisheries from sea temperature changes and acidification and port infrastructure is inevitable

Cyber Security must be a priority

- Malicious cyber activity has increased dramatically during the pandemic
- In a telework environment, staff and the Port are more vulnerable to attack

Port of Seattle
2022 Budget Planning
Building on Strong Fundamentals



2022 Budget Guiding Principles

- Continue to focus on the **health and safety of employees, customers and the public** with increased utilization of Port facilities
- Ensure the **efficient operation of Port business gateways** as business volumes recover
- **Support regional equitable economic recovery** through advancing the Port's capital improvement plan and continued investment in community programs
- Assess the **longer-term effects of COVID-19** on Port operations and facility needs
- **Invest in employee** development, retention, and recruitment
- Need to be **adaptable and flexible** to the changing business environment

2022 Budget Strategies

- Maintain expense growth in line with projected revenue growth
- Reassess staffing needs considering projected increases in business activity
- Restore merit pay increases for non-represented staff and increase expenditures for training and development
- Begin to incorporate an equity lens in developing and reviewing budgets and operational plans

2022 Budget Process Overview

Environmental Assessment

- Assess business environment and needs
- Update operating and capital forecasts
- Conduct SWOT analysis

Budget Preparation

- Develop budget assumptions and drivers
- Identify key financial metrics and budget targets
- Issue budget calendar and departmental guidelines
- Prepare operating and capital budgets in accordance with principles and guidelines

Budget Reviews and Approvals

- Conduct internal department and division budget reviews
- Publish the preliminary budget document to the public
- Commission review and approval of budgets/capital plans

Final Steps

- File the Statutory Budget with King county
- Publish the final budget document to the public

2022 Budget Calendar

(Commission Items in Blue)

5/21 – 2022 Budget Planning Discussion with ELT

6/03 – Commission Budget Retreat

7/13 – 2022 Budget Process and Schedule Commission Briefing

7/14 – 2022 Budget Guidelines available

7/29 – Commission Budget Retreat

8/06 – Central Services Department new budget requests due to F&B

8/18 – 08/25: Executive review of Central Services Department Budgets/New Requests

9/01 – Executive review of combined Central Services Budget

9/13 – Executive review of Maritime and EDD Operating & Capital Budgets

9/14 – 2022 North Harbor Budget to the NWSA

9/15 – Executive review of Aviation Operating & Capital Budgets

2022 Budget Calendar

(Commission Items in Blue)

09/28 – Central Services Budget and Port wide Budget Overview Commission briefing

10/12 – Operating Divisions Commission Budget Study Session

10/15 – POS/NWSA ILA Service Directives due to the NWSA

10/19 – 2022 Preliminary Budget Document available to Commission

10/21 – 2022 Preliminary Budget Document available to the public

10/26 – Tax Levy & Draft Plan of Finance Commission briefing

10/28 – NWSA Budget study session with Managing Members

11/09 – NWSA Budget adoption by Managing Members

11/09 – Introduction of preliminary 2022 Budget and public hearing

11/16 – Adoption of 2022 Budget

12/01 – File the 2022 Statutory Budget with King county

12/15 – Publish the 2022 Final Budget to the public