

# Port of Seattle 2009 Preliminary Budget 1<sup>st</sup> Reading/Public Hearing

November 11, 2008

# Today's Agenda

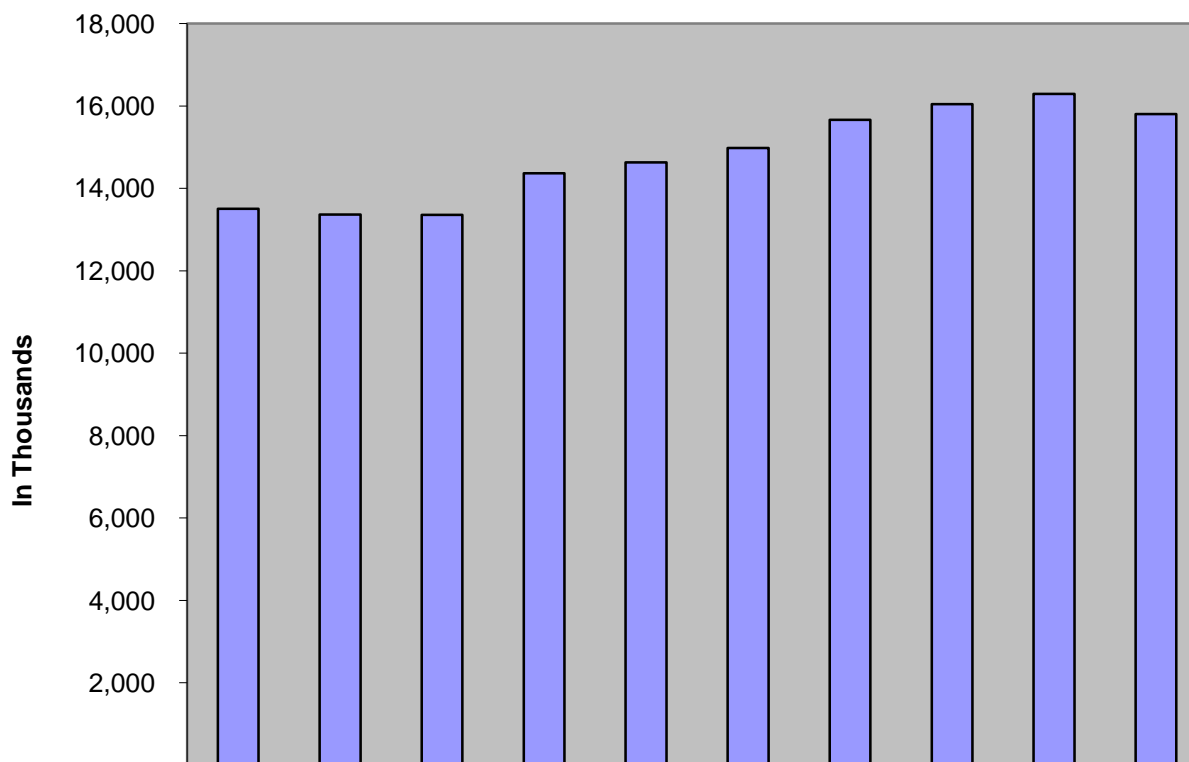
- Background
- Operating Budget
- Capital Budget
- Tax Levy
- Public Hearing

# 2009 Budget Process

- Jun. 24: Budget Process Briefing
- Aug 5: Budget Process, Key Assumptions
- Aug. 12: Seaport and Real Estate Business Plan
- Aug. 26: Aviation Business Plan
- Sept. 2: Preliminary Tax Levy
- Oct. 9: Capital Development and Corporate Operating and Capital Budget
- Oct. 14: Tax Levy Discussion
- Oct. 21: Aviation Operating and Capital Budget, Seaport Operating Budget
- Oct. 27: Seaport Capital Budget, Real Estate Operating and Capital Budget, and Portwide Rollup
- Oct. 28: Draft Plan of Finance & Tax Levy Discussion
- Nov. 4: Draft Plan of Finance & Tax Levy Discussion
- Nov. 11: 1<sup>ST</sup> Reading & Public Hearing, Preliminary Budget
- Nov. 25: Final Reading & Public Hearing, Preliminary Budget
- Nov. 26: Statutory Budget Filed with King County

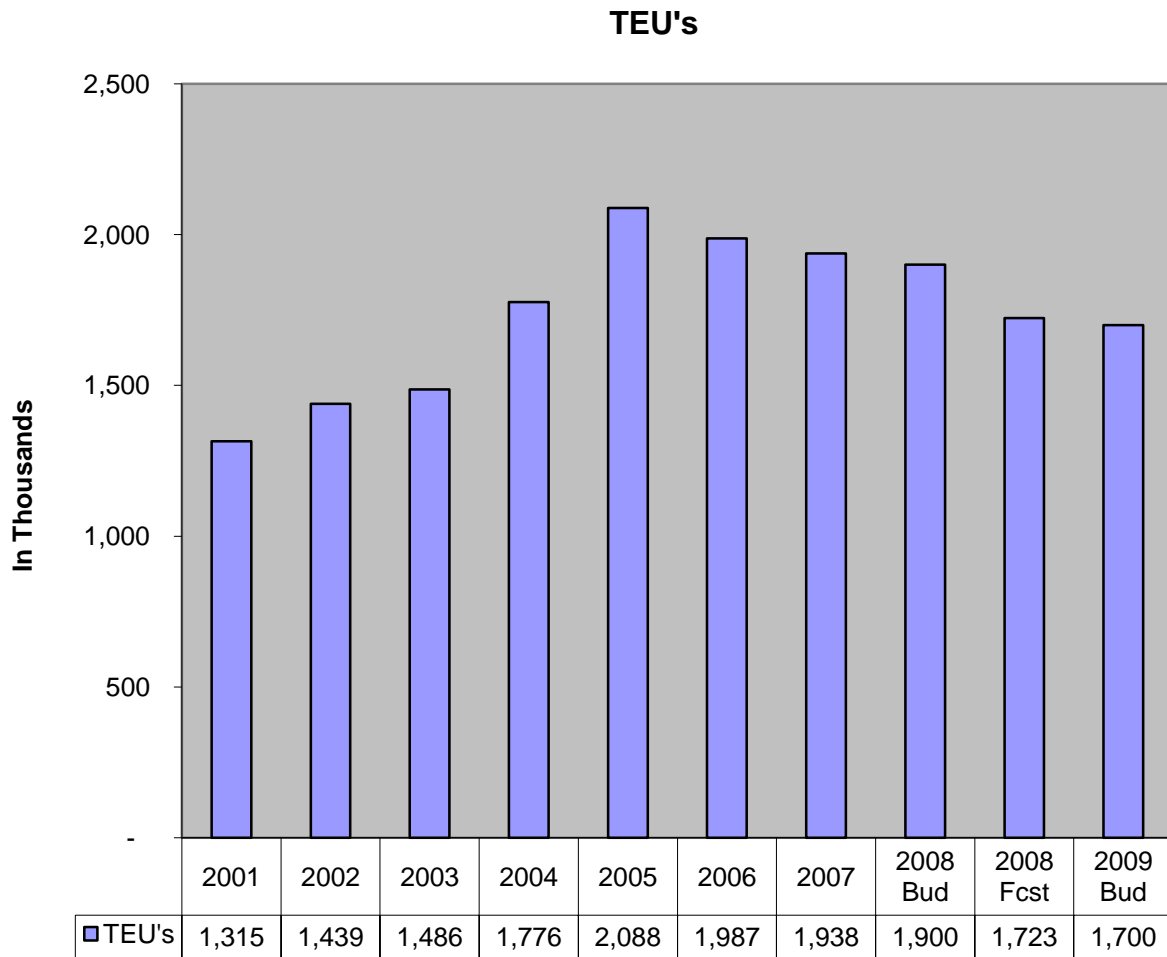
# Aviation Enplaned Passengers

Enplaned Passengers



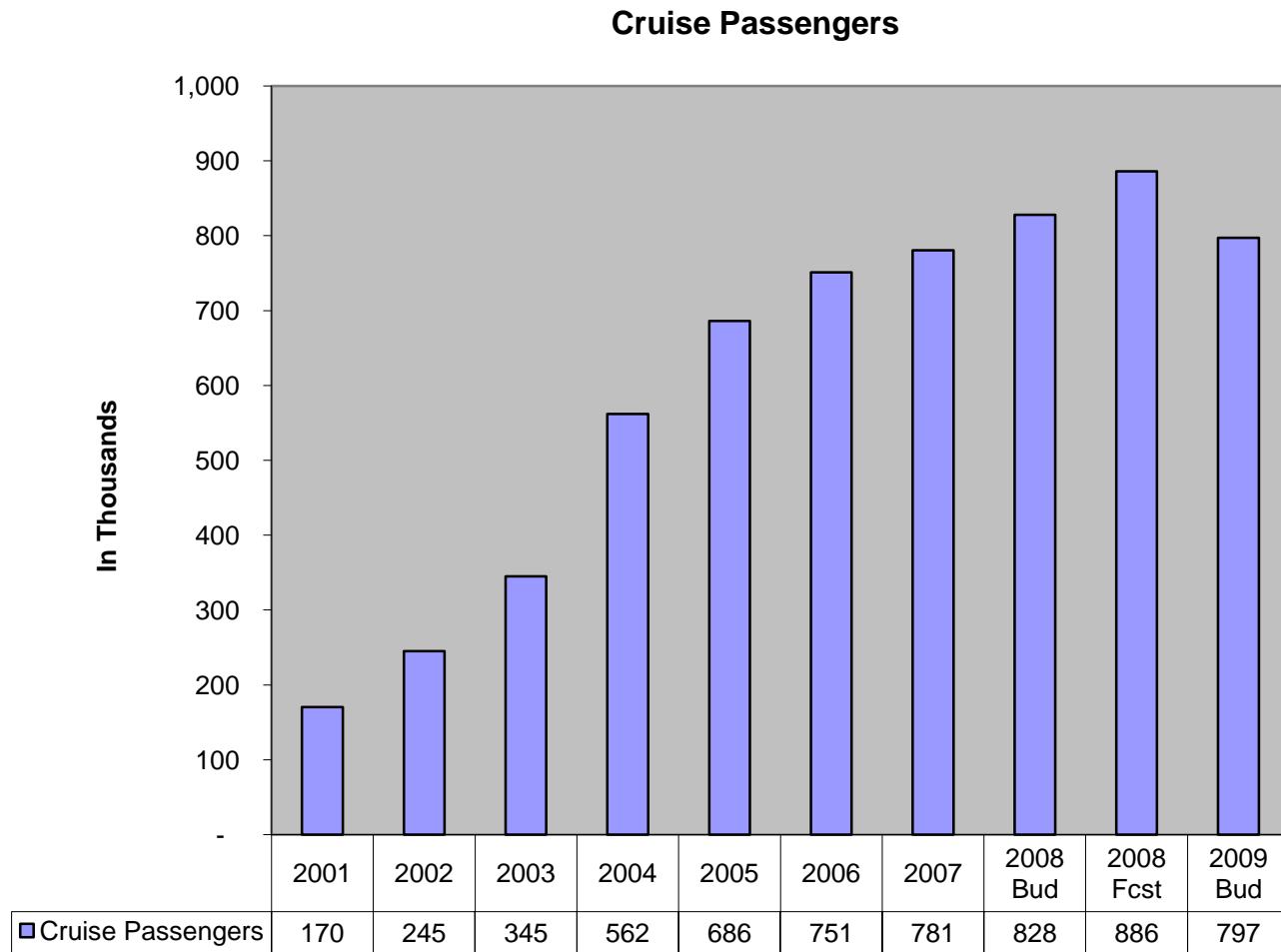
	2001	2002	2003	2004	2005	2006	2007	2008 Bud	2008 Fcst	2009 Bud
■ Enplaned Passengers	13,50	13,36	13,35	14,36	14,63	14,98	15,66	16,04	16,28	15,80

# Seaport TEU's





# Seaport Cruise Passengers



# Budget Changes Since 10/27/08

		10/27/08	Current	Change
(\$ in thousands)	2008 Bud	2009 Bud	2009 Bud	from 10/27
Operating Revenue	476,477	489,905	487,028	(2,877)
Operating Expense	265,391	281,936	277,232	(4,704)
NOI Before Depreciation	211,086	207,969	209,797	1,828
Depreciation	147,070	157,036	157,036	-
NOI After Depreciation	64,016	50,933	52,761	1,828

# Major Budget Cuts Since 10/27/08

Budget Item (\$ in '000)	Division	Amount	Note
Asbestos	Aviation	565	Project Deferred
Delay Hirings	Aviation	115	4 positions deferred
T18 Dredge	Seaport	700	Bid came in lower
Seaport Contingency	Seaport	200	From \$500K
Environmental Reserve	Real Estate	500	Reduced from \$2.6 million
Maritime Industrial Center Dredge	Real Estate	700	
Eliminated one FTE	Capital Dev	106	Budget Manager position
Contract Info Website Dev	Capital Dev	75	Covered by ICT
Delay Hirings	Corporate	362	7 positions deferred
Eliminated one FTE	Corporate	109	Commission Office
Police Workers Comp	Corporate	131	
Pay Merit Reduction	Portwide	875	From 4.7% to 4.12%
Other	Portwide	266	
<b>TOTAL</b>		<b>4,704</b>	



# 2009 Major Budget Additions

Items (\$ in '000)	10/27/08	Reduction	Current
<b>Aviation</b>			
Asbestos Costs for Capital Projects	1,750	(565)	1,185
Expense Offset by Revenues	573	-	573
Subtotal	2,323	(565)	1,758
<b>Seaport</b>			
Dredging (T18, T5, Upland Dredge Disposal)	5,721	(700)	5,021
Expense Portion T30/T91 Project	525	-	525
Long Term Cruise Agreement Incentive Payment	750	-	750
Environmental Program (for Clean Air)	831	-	831
Environmental Reserve (Seaport & Real Estate)	2,600	(500)	2,100
Subtotal	10,427	(1,200)	9,227
<b>Real Estate</b>			
Eastside Rail Corridor	484	-	484
<b>Capital Development</b>			
Maritime Industrial Center Dredging	1,050	(700)	350
<b>TOTAL</b>	<b>14,284</b>	<b>(2,465)</b>	<b>11,819</b>

# 2009 Budget Resulted from SAO Audit

#	Initiatives/Items (\$ in '000)	Amount
1	Created the Capital Development Division	
2	Created the Central Procurement Office	
3	Changed the organizational reporting relationship for Internal Audit	
4	Increased the resources for Internal Audit	452
5	Implement a new Project Management System	240
6	Create contract information website	75
7	Create procurement files & space	100
8	Hired three new FTEs for CDD	400
9	Added three new positions to the CPO office	347
10	Added a construction scheduler position for Engineering	116
11	Convert 7 consultant positions to FTEs	-
	Total Costs	1,730
	Charged to Capital	(116)
	Total O&M Costs	<u>1,614</u>

# Operating Budget Summary

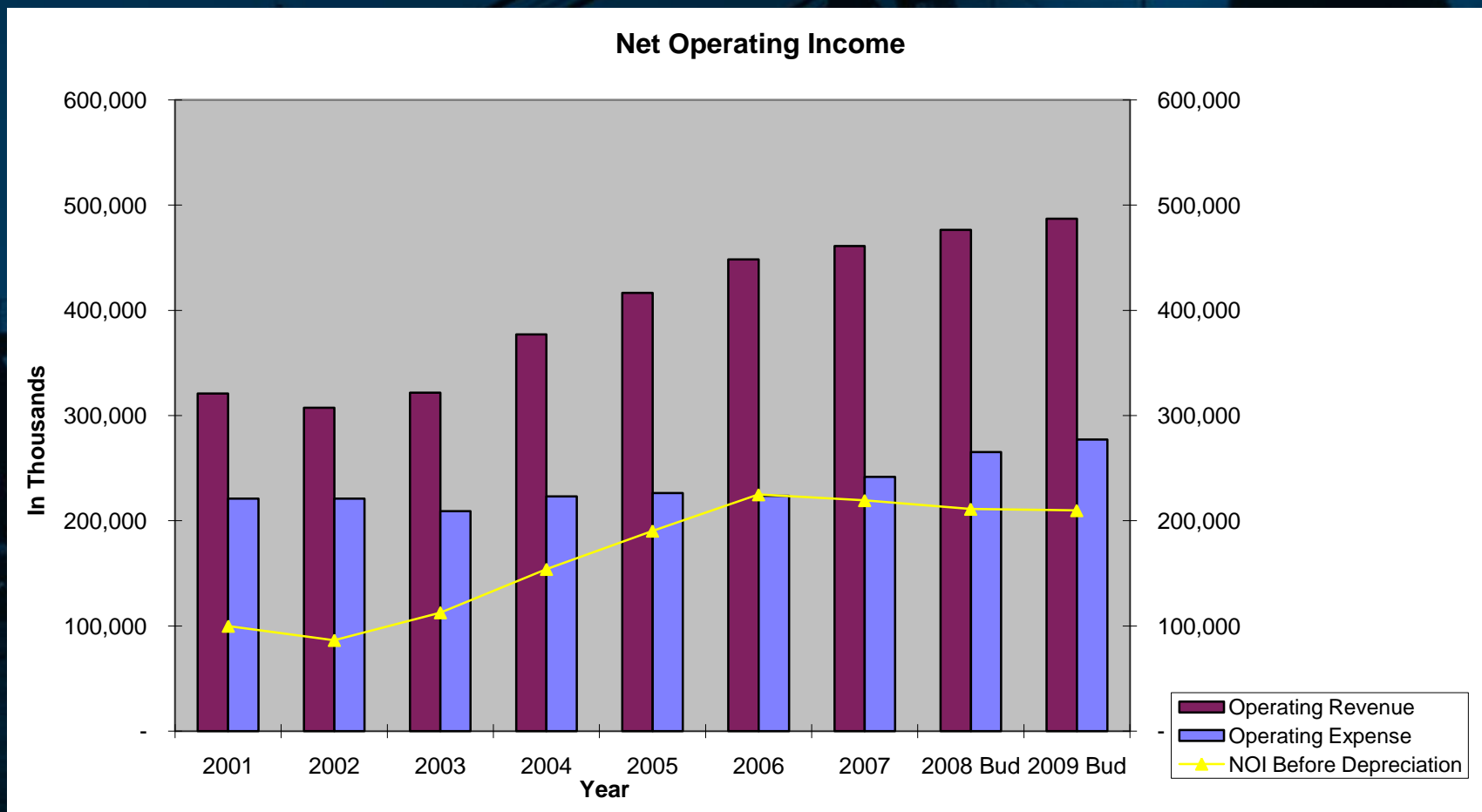
	2004	2005	2006	2007	2008	2009
(\$ in thousands)	Actual	Actual	Actual	Actual	Budget	Budget
Operating Revenues	377,202	416,525	448,449	461,146	476,477	487,028
Operating Expenses	223,464	226,195	223,564	241,800	265,391	277,232
Operating Income before Depreciation	153,738	190,330	224,884	219,346	211,086	209,796
Depreciation	110,175	129,788	140,190	141,588	147,070	157,036
Operating Income after Depreciation	43,563	60,542	84,694	77,758	64,016	52,761

# Operating Budget Summary

## (Excluding Aeronautical Revenue & Expense)

(\$ in thousands)	2004	2005	2006	2007	2008 Bud	2009 Bud
Total Revenues	377,202	416,525	448,449	461,146	476,477	487,028
Aero Revenues	151,822	166,592	186,460	193,872	197,567	201,864
Total Revenues (excl. Aero)	225,380	249,933	261,989	267,274	278,910	285,164
Total Expenses	223,270	226,195	223,564	241,800	265,391	277,232
Aero Expenses	111,710	121,081	125,665	127,962	136,913	145,729
Total Expenses (excl. Aero)	111,560	105,114	97,899	113,838	128,478	131,503
NOI Before Depreciation	113,820	144,819	164,090	153,436	150,432	153,662

# Net Operating Income





# 2009 Budget Summary

\$ in millions	2008 <u>Budget</u>	2009 <u>Budget</u>
Operating Revenues	\$476.5	\$487.0
<u>Operating Expenses</u>	\$265.4	\$277.2
<b>Net Operating Income</b>	<b>\$211.1</b>	<b>\$209.8</b>
<u>Depreciation</u>	\$147.1	\$157.0
Net Operating Income (after depreciation)	\$ 64.0	\$ 52.8
<u>Net Non-Ops Income (Expense)</u>	\$ 81.1	\$ 58.7
<b><u>Increase in Net Assets</u></b>	<b>\$145.1</b>	<b>\$111.5</b>

# Non-Ops Income Summary

\$ in millions	<u>2008 Bud</u>	<u>2009 Bud</u>
<b>Revenue Bond Interest Expense</b>	<b>(118.9)</b>	<b>(123.8)</b>
<b>Interest Income &amp; (Expense)</b>	<b>20.9</b>	<b>23.0</b>
<b>Other Non-Op Revenue (Expense)</b>	<b>(11.3)</b>	<b>(2.2)</b>
<b>Ad Valorem Tax Revenue</b>	<b>75.9</b>	<b>84.0</b>
<b>Grants &amp; Donations</b>	<b>80.0</b>	<b>71.3</b>
<b>Public Expense</b>	<b>(21.6)</b>	<b>(32.5)</b>
<b>GO Bond Interest Income (Expense)</b>	<b>(15.2)</b>	<b>(29.2)</b>
<b>PFC Interest Income (Expense)</b>	<b>62.4</b>	<b>62.5</b>
<b>CFC Interest Income (Expense)</b>	<b>20.3</b>	<b>16.6</b>
<b>PFC Bond Interest</b>	<b>(11.4)</b>	<b>(11.0)</b>
	<b>81.1</b>	<b>58.7</b>

# Aviation: Summary of Budget Changes

	2009	2009	'09-'08 Bud Var	
	Budget 10/21/08	Budget 11/04/08	\$	%
<b>Revenues</b>				
Landing Fees	62,218	59,836	(2,382)	-3.8%
Terminal Rental	130,962	128,834	(2,128)	-1.6%
Other Airline Revenues	12,811	13,194	383	3.0%
Total Airline Revenues	<u>205,991</u>	<u>201,864</u>	<u>(4,127)</u>	<u>-2.0%</u>
Total Non-Airline Revenues	148,950	148,950	(0)	0.0%
Operating Grant / Fuel Hydrant	8,704	9,853	1,149	13.2%
Total Revenues	<u>363,645</u>	<u>360,667</u>	<u>(2,978)</u>	<u>-0.8%</u>
<b>Expenses</b>				
Airport Expenses	133,558	132,665	(893)	-0.7%
Corporate/CDD/Police/RE	57,908	56,858	(1,050)	-1.8%
Total O&M	<u>191,466</u>	<u>189,522</u>	<u>(1,944)</u>	<u>-1.0%</u>
Net Operating Income	<u>172,179</u>	<u>171,145</u>	<u>(1,034)</u>	<u>-0.6%</u>
<b>Key Measures</b>				
Passenger Airline CPE	12.18	11.91	(0.27)	-2.2%
Non-aeronautical NOI	87,521	87,154	(367)	-0.4%

# Changes of FTEs Since 10/27/08

	10/27/08 2009 Bud	Current 2009 Bud	Change from 10/27
<b>2008 Approved FTE's</b>	1770.2	1770.2	0.0
<b>Mid Year Approval/Adj.</b>	23.2	21.7	-1.5
<b>Eliminated</b>	-2.8	-7.8	-5.0
<b>Transfers</b>	0	0	0.0
<b>Adj. 2008 FTE's</b>	1790.6	1784.1	-6.5
<b>2009 Changes</b>			
<b>Eliminated</b>	-7.5	-11.5	-4.0
<b>Contractor Conversions</b>	7.0	7.0	0.0
<b>New FTE's</b>	13.1	11.4	-1.8
<b>Total 2009 Changes</b>	12.6	6.9	-5.8
<b>Proposed 2009 FTE's</b>	1803.2	1790.9	-12.3

# Port-wide FTEs Summary

	Aviation	Seaport	Real Estate	Capital Dev	Corporate	Totals
<b>2008 Approved FTE's</b>	<b>886.2</b>	<b>81.8</b>	<b>139.8</b>	<b>0.0</b>	<b>662.4</b>	<b>1770.2</b>
<b>Mid Year Approval/Adj.</b>	<b>1.6</b>	<b>0.0</b>	<b>10.1</b>	<b>4.0</b>	<b>6.0</b>	<b>21.7</b>
<b>Eliminated</b>	<b>0.0</b>	<b>-0.5</b>	<b>-1.3</b>	<b>-5.0</b>	<b>-1.0</b>	<b>-7.8</b>
<b>Transfers</b>	<b>-53.0</b>	<b>-16.8</b>	<b>-1.0</b>	<b>265.3</b>	<b>-194.5</b>	<b>0.0</b>
<b>Adj. 2008 FTE's</b>	<b>834.8</b>	<b>64.5</b>	<b>147.6</b>	<b>264.3</b>	<b>472.9</b>	<b>1784.1</b>
<b>2009 Changes</b>						
<b>Eliminated</b>	<b>-5.0</b>	<b>-2.7</b>	<b>-1.5</b>	<b>-2.0</b>	<b>-0.3</b>	<b>-11.5</b>
<b>Contractor Conversions</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>7.0</b>	<b>0.0</b>	<b>7.0</b>
<b>New FTE's</b>	<b>3.3</b>	<b>0.0</b>	<b>4.0</b>	<b>2.0</b>	<b>2.1</b>	<b>11.4</b>
<b>Total 2009 Changes</b>	<b>-1.8</b>	<b>-2.7</b>	<b>2.5</b>	<b>7.0</b>	<b>1.8</b>	<b>6.9</b>
<b>Proposed 2009 FTE's</b>	<b>833.0</b>	<b>61.8</b>	<b>150.1</b>	<b>271.3</b>	<b>474.7</b>	<b>1790.9</b>



# Aviation Proposed Budget Change

- Concessions Revenues
  - Reduce assumed sales per enplanement on primary concessions to \$10.19 from \$10.50
  - Result: -\$661,000 non-airline revenues

# Unfunded Marine Maintenance

## Due to Budget Cuts Not Included in Operating Budget

\$'s	2009	2010	2011	2012
<b>Recurring Budget</b>	\$1,124,316	\$1,143,338	\$1,181,792	\$1,251,917
<b>One Time Catch-Up</b>	1,607,000	1,774,500	2,264,500	822,000
<b>Total</b>	<b>\$2,731,316</b>	<b>\$2,917,838</b>	<b>\$3,446,292</b>	<b>\$2,073,917</b>

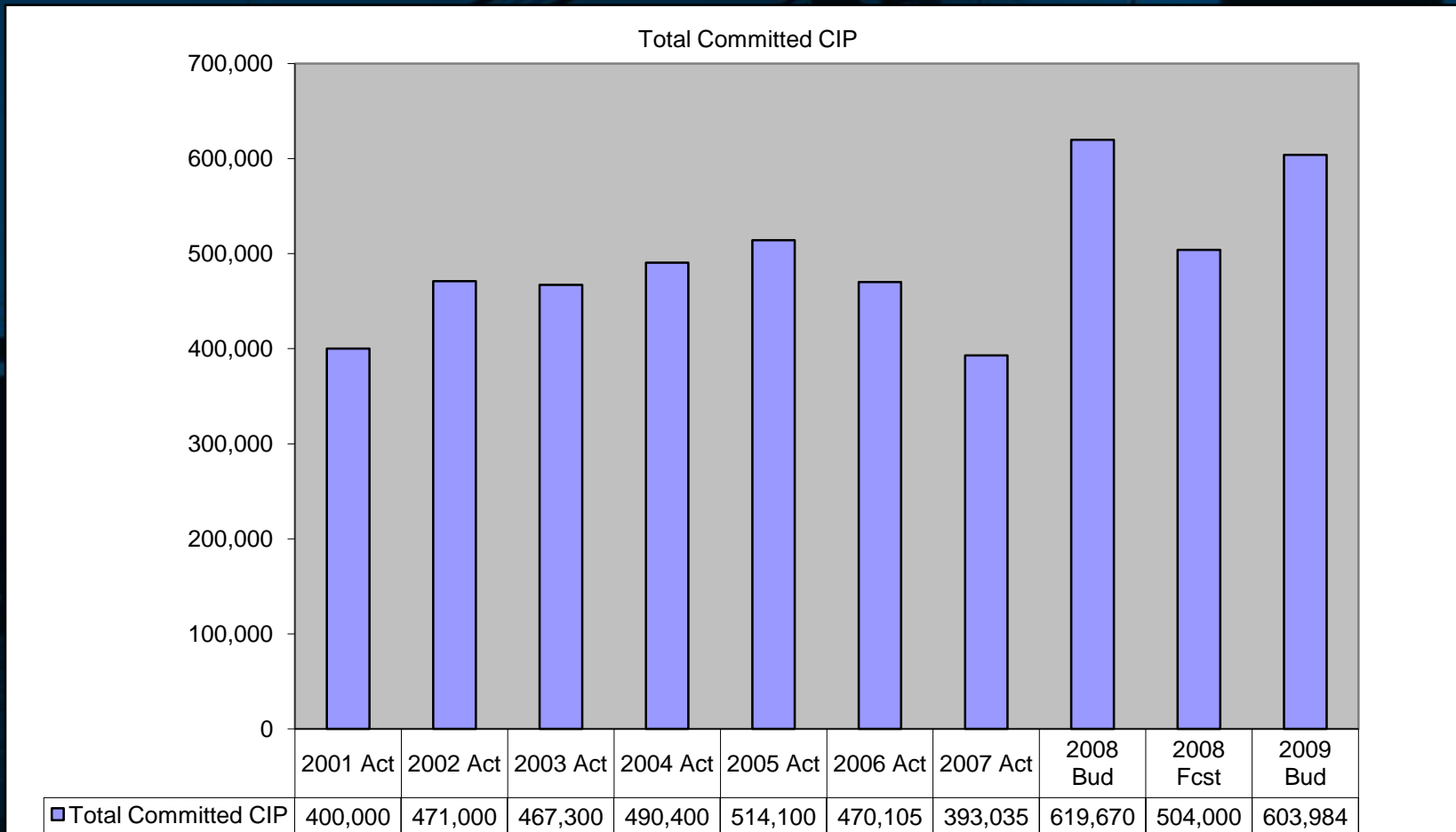
# 5-Year Capital Plan

## 5-year plan is \$2.13 billion

• Aviation Committed projects	\$776.4M
• Seaport Committed projects	\$161.3M
• Real Estate Committed projects	\$137.0M
• Corporate Committed projects	\$ 48.9M
Total	<u>\$1,123.6M</u>
• Aviation Business Plan Prospective*	\$643.9M
• Seaport Business Plan Prospective*	\$310.9M
• Real Estate Business Plan Prospective*	\$ 47.8M
• P&TS General (ICT Business Services)	\$ 3.3M
Total	<u>\$1,005.9M</u>

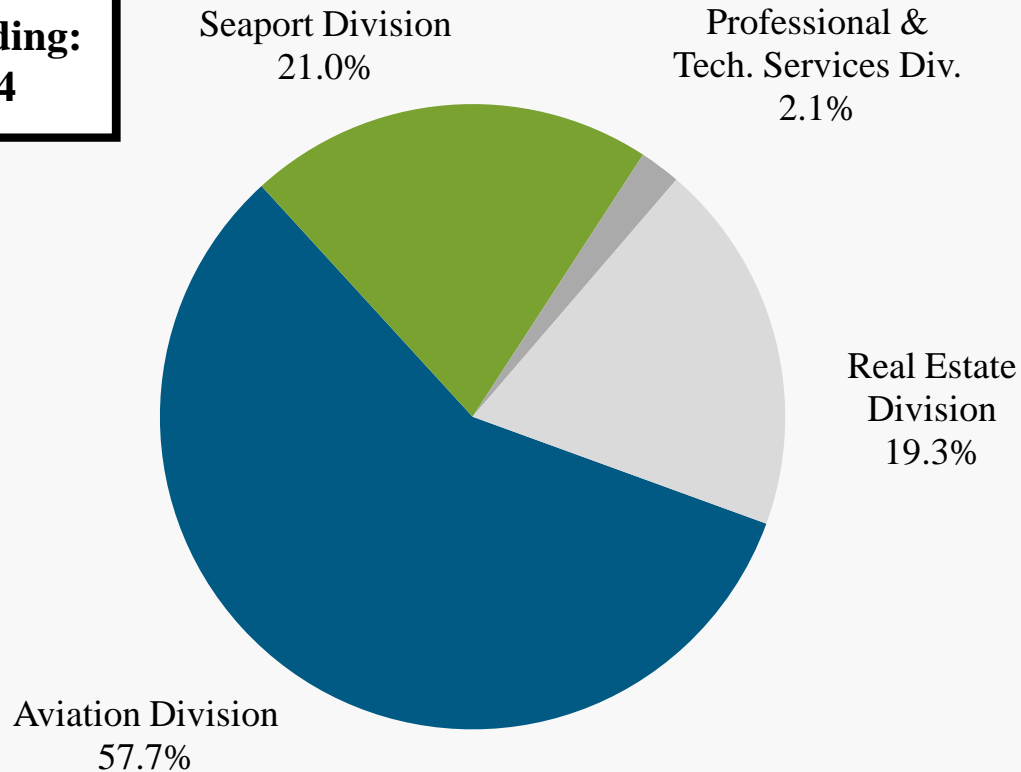
\* Preliminary, numbers may change pending outcome of tax Levy discussions

# CIP History 2001 – 2009



# 2009 Capital Budget by Division

**Total Spending:**  
**\$603,984**

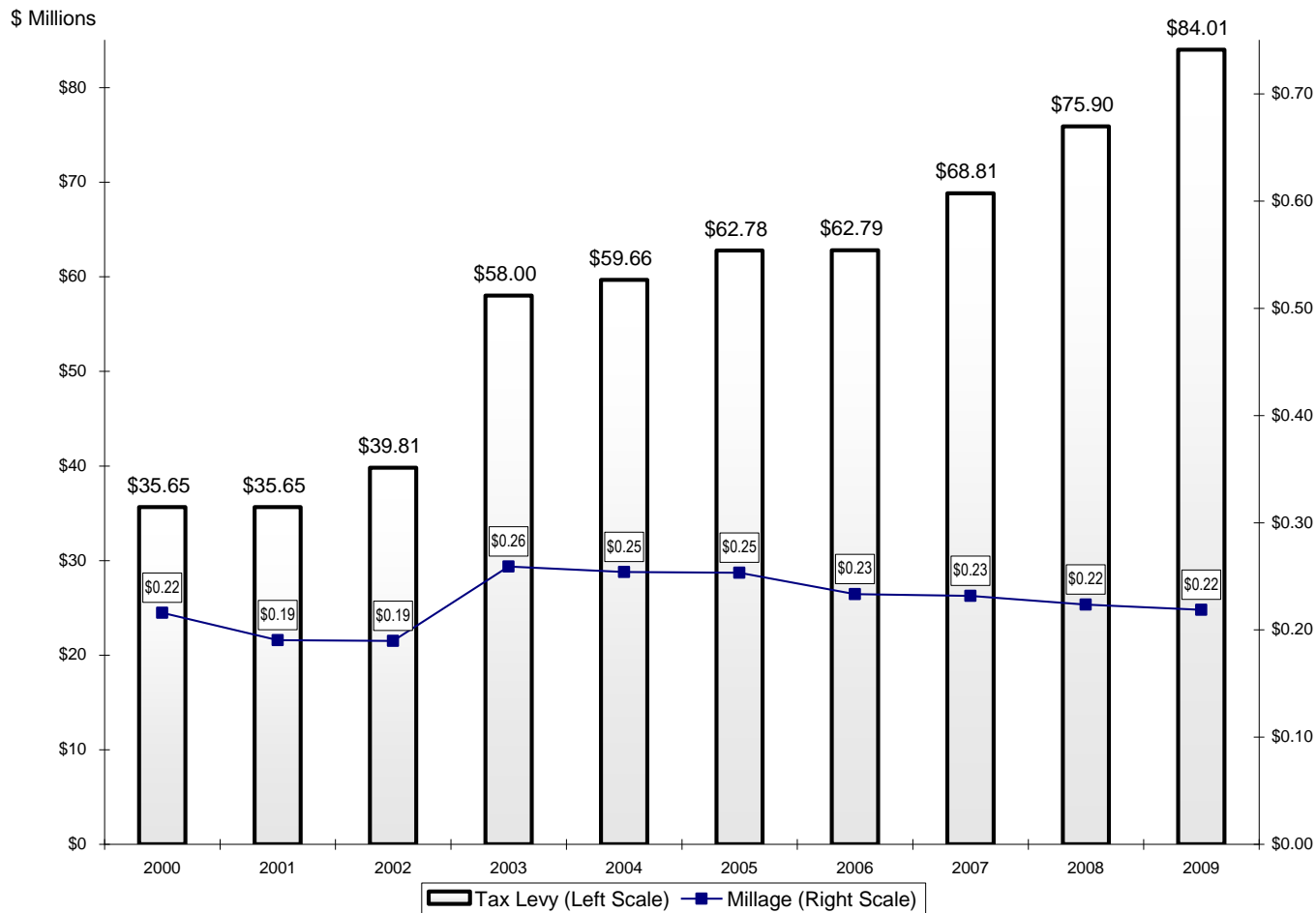




# Tax Levy

- Preliminary Budget includes a tax levy of \$84 million based on:
  - ½ cent rate reduction to 21.9 cents per \$1000 assessed value
  - Preliminary assessed value of \$384.3 billion (13% higher than 2008)
- Commission sets dollar amount of the levy for the final budget
  - Final levy rate will be based on final assessed value set in 2009

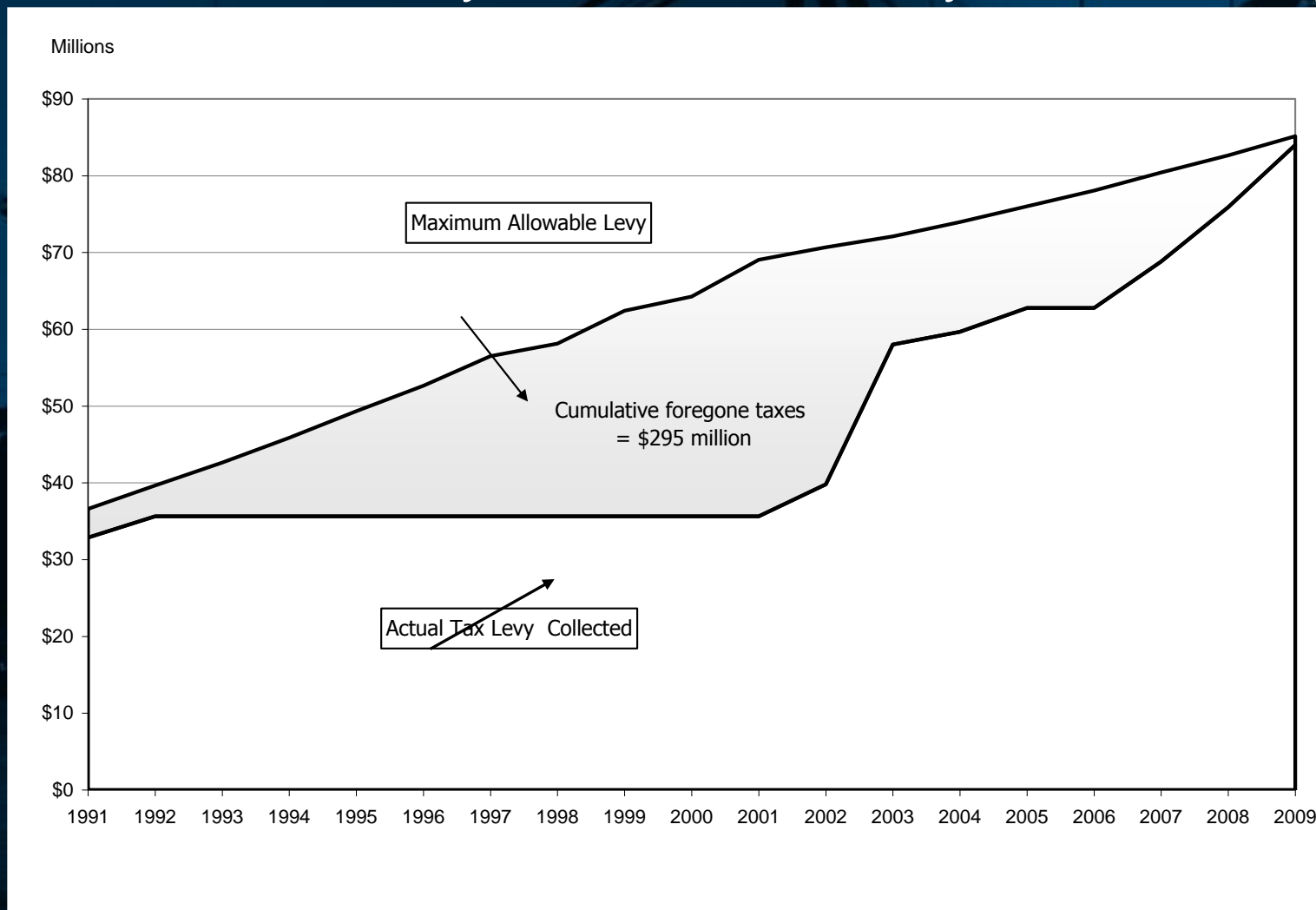
# Levy History



# Tax Levy Maximum

- The maximum levy for 2009 is \$85 million
- Calculated by the County based on statutory limitations
  - Applicable limitation is the 1% limit factor
  - Maximum levy equals
    - prior year maximum
    - plus 1% increase
    - plus allowance for new construction

# Port continues to levy below the statutory maximum levy





# Tax Levy Use

- WA statute allows for broad use of levy
- Commission policy has focused use on
  - General Obligation (G.O.) bond debt service
  - Seaport and Real Estate capital projects
  - Seaport and Real Estate environmental expense
  - Public Expense projects
    - Freight mobility
    - Noise mitigation not funded with airport funds
  - Port Jobs program



# Summary of Levy Sources and Uses

	2009 (in \$ 000's)
<b><u>SOURCES</u></b>	
Projected Tax Levy Collection	84,010
Prior Year Levy Fund Balance	36,800
Total Projected Sources	<u>120,810</u>
<b><u>USES</u></b>	
Existing G.O. Debt Service - Seaport	38,031
Existing G.O. Debt Service - Real Estate	2,391
Projected new G.O. D.S. - Seaport	6,764
Projected new G.O. D.S. - Real Estate	10,586
Total Projected G.O. Debt Service	<u>57,772</u>
Committed Capital Expenditures	32,476
Expenses	
Public Expense: Seaport Freight Mobility	6,705
Environmental Expense	4,232
Port Jobs	46
Aviation NOISE Projects	9,075
Total Expenses	<u>20,058</u>
Capital Expenditures: BP Prospective	<u>4,000</u>
Total Projected Uses	<u>114,306</u>
Projected Ending Balance	6,504

# Levy and G.O. bond funded project spending

	2009 (in \$ 000's)
<b><u>Seaport</u></b>	
<b>Containers &amp; Support Properties</b>	
Terminal 5 Crane Improvements	2,370
Terminal 18 Improvement	1,500
Terminal 25 Improvements	17,943
Terminal 10 Upland	4,000
Container Support Yard	28,900
	54,713
<b>Cruise and Industrial Properties</b>	
Terminal 86 Spout Improvement	1,303
Terminal 115 Improvements	5,800
Terminal 91 Improvements	99
	7,202
<b>Others</b>	
Green Port Initiative	2,800
Contingency Renewal and Replacement	4,000
<b>Total Seaport Projects</b>	68,715
<b><u>Real Estate</u></b>	
Maritime Industrial Center	800
Rail Corridor	106,955
Fishermen's Terminal	1,200
Green Port Initiative	1,000
P-69 Renewal	1,060
<b>Total Real Estate Projects</b>	111,015
<b>Total Levy and G.O. bond Projects</b>	179,730

# General Obligation Bonds

- Tax levy is pledged to pay G.O. bond debt service
- Maximum amount of G.O. bond debt is set by statute
  - Port can issue an additional \$582.7 mil. with no vote
  - Port can issue an additional \$2.5 bil. with a vote
- Port policy is to limit G.O. debt so that no more than 75% of the levy is used for G.O. bond debt service

# Calculation of G.O. bond limits

Value of Taxable Property	\$ 384,290,691,862
Debt Limit, Non-Voted General Obligation Bonds (.25% of Value of Taxable Property)	\$ 960,726,730
Less: Outstanding Non-Voted General Obligation Bonds as of 12/31/2008	\$ 378,065,000
Less: Capital leases and other general obligations as of 9/30/2008	-
Remaining Capacity of Non-Voted General Obligation Debt	<u>\$ 582,661,730</u>
Debt Limit, Total General Obligation Debt (.75% of Value of Taxable Property)	\$ 2,882,180,189
Less: Total Outstanding General Obligation as of 12/31/2008	\$ 378,065,000
Less: Capital leases and other general obligations as of 9/30/2008	-
Remaining Capacity of Total General Obligation Debt	<u>\$ 2,504,115,189</u>



# Remaining Schedule

- Second Reading Nov. 25, 2008
- Statutory Budget Filed with King County Nov. 26, 2008



The background of the slide is a dark blue image. On the left, the bow of a large ship is visible. In the center and right, there are silhouettes of people, including one person in the foreground talking on a mobile phone. The overall scene suggests a busy port environment.

# Port of Seattle 2009 Preliminary Budget 1<sup>st</sup> Reading/Public Hearing

November 11, 2008