

# Port of Seattle

## 2010 Budget Planning Briefing

May 19, 2009

# Overview

- 2010 Budget Challenges
- Proposed 2010 Budget Target
- Zero Based Budgeting/Modified ZBB Process
- 2010 Budget Calendar

# 2010 Budget Challenges

- Operating Revenues: May be lower than 2009
  - Overall economy and the airline/marine industry remain challenging
  - Airport & Seaport traffic yet to improve
- 2009 Budget reductions (\$16 million) not sustainable
- Payroll Cost Increase
  - Some of the deferred/vacant positions will be filled in 2009
  - Estimated medical cost increase (\$1.9 million or 13%) in 2010
- Non-Payroll Cost Increase
  - Deferred maintenance
  - New facilities costs (new cruise terminal, new runway, etc.)
  - New security cost for cruise ships (\$600K)



# 2010 Budget Target

- Option 1 - Keep NOI flat: Challenging at the beginning of the budget planning process due to the timing of traffic & revenue forecasts.
- Option 2 – Reduce operating expenses:
  - Try to absorb/reduce all payroll cost increases
  - Develop options to keep medical costs flat
  - Propose a 5% reduction on O&M costs from the 2009 approved budget for 2010 based on targeted functional reviews

# Modified Zero Based Budgeting Process

- Identify major functions and associated costs/benefits by department
- Conduct analysis & review of major functions
- Identify areas for potential savings through reduced service levels, alternative delivery or elimination
- Prepare analysis for further review
- Final review & decision process
- Develop budgets

# 2010 Budget Calendar

## May

- Develop & communicate modified ZBB methodology
- Brief the Commission on 2010 budget planning process
- Prepare preliminary ZBB analysis/decision package

## June

- Review preliminary ZBB analysis/decision package
- Identify areas of savings from programs & services

## July

- Quantify the budget savings and compare them to targets
- Commission briefing on business environment, key budget assumptions and targets



# 2010 Budget Calendar – Con't

## August

- Budget guidelines released
- Commission briefing on Q2 financial performance
- Commission workshops on division business plans

## September

- Preparation of preliminary operating and capital budgets
- Internal division budget reviews
- Commission tax levy workshops

# 2010 Budget Calendar – Con't

## October

- Executive preliminary budget reviews
- Commission budget workshops
  - Operating and capital budgets
  - Draft Plan of Finance & Tax Levy

## November

- Release preliminary budget document
- First and second reading of budget resolution

## December

- File statutory budget in the first week of December