

# Port of Seattle 2011 Preliminary Budget First Reading/Public Hearing

November 09, 2010

# Agenda

- Background
- Operating Budget
- Non-Op Budget
- Capital Budget
- Tax Levy
- Remaining Schedule
- Public Hearing

# 2011 Budget Process

Jun. 8	Budget Process Briefing
Aug. 17	Budget Assumptions Briefing
Aug. 17	Business Plan and Capital Plan Briefing
Sept. 28	Capital Budget Briefing
Oct. 5	Preliminary Operating Budget Briefing
Oct. 12	Preliminary Tax Levy Commission Discussion
Oct. 26	Draft Plan of Finance & Tax Levy Discussion
Nov. 2	Tax Levy Discussion and Preliminary Budget Update
Nov. 9	First Reading & Public Hearing, Preliminary Budget
Nov. 23	Final Reading & Public Hearing, Preliminary Budget
Dec. 2	Statutory Budget Filed with King County and Assessor
Dec. 15	Release Final Budget and Draft Plan of Finance

# Background

- 2009 Budget (cut \$9M):
  - Anticipated economic downturn
  - Cut discretionary spending to absorb other cost increases
  - Reduced Corporate budget by 2%
- 2009 Mid-year Budget Adjustment (cut \$21.3M):
  - Cut discretionary spending
  - Implemented 2-week furloughs
  - Eliminated retiree medical subsidy
- 2010 Budget: zero based budgeting (cut \$13.8M):
  - Reduced and eliminated some programs and functions
  - Implemented Voluntary Separation Program (VSP)
  - Introduced premium sharing for Port sponsored medical plan
  - Eliminated 110 positions (6.2% of the total workforce)

# 2011 Preliminary Budget Summary

(\$ in 000s)	2009	2010	2011	Change \$	Change %
	Actual	Budget	Budget		
Aeronautical Revenues	182,534	210,367	217,200	6,833	3.2%
Revenues w/o Aero	266,901	266,417	283,437	17,020	6.4%
Total Operating Revenues	449,435	476,784	500,637	23,853	5.0%
Total Operating Expenses	245,767	262,829	285,844	23,016	8.8%
Net Operating Income	203,668	213,955	214,792	837	0.4%
NOI w/o Capital Policy Change *	203,668	213,955	218,032	4,077	1.9%

\* Without the capital policy change, O&M costs are estimated to be \$5M lower and aeronautical revenues are expected to be \$1.8M lower. Net NOI impact is estimated to be \$3.2M.

# Baseline Budget Increase

<u>Operating Revenues</u>	2010 Bud	2011 Bud	Change \$	Change %
Aeronautical	210,367	217,200	6,833	3.2%
Revenues w/o Aero	266,416	283,436	17,020	6.4%
<b>Total Operating Revenues</b>	<b>476,784</b>	<b>500,636</b>	<b>23,852</b>	<b>5.0%</b>
<u>Operating Expenses</u>	2010 Bud	2011 Bud	Change \$	Change %
<b>Total Operating Expenses</b>	<b>262,829</b>	<b>285,844</b>	<b>23,015</b>	<b>8.8%</b>
Adjustments:				
Capital Policy Change (positive impact on cashflow)			5,000	1.9%
AAPA Conv & Port Centennial (mostly offset by rev)			1,489	0.6%
Deferred Maintenance			2,100	0.8%
Customer Requests (cost recovery)			4,968	1.9%
Rental Car Facility (funded by CFC)			828	0.3%
Regulatory Requirements			636	0.2%
<b>Total Adjustments</b>			<b>15,021</b>	<b>5.7%</b>
<b>Adjusted Baseline Increase</b>			<b>7,994</b>	<b>3.0%</b>

# Comprehensive Budget Summary

<b><u>Revenues</u></b>	(\$ in 000s)	<b><u>2010 Budget</u></b>	<b><u>2011 Budget</u></b>	<b><u>Change \$</u></b>	<b><u>Changes %</u></b>
Operating Revenues		476,784	500,636	23,852	5.0%
Tax Levy		73,500	73,500	-	0.0%
PFCs		58,535	60,379	1,844	3.2%
CFCs		22,475	22,237	(238)	-1.1%
Non-Capital Contributions		2,209	8,494	6,286	284.6%
Capital Contributions		50,152	32,106	(18,046)	-36.0%
Interest Income		24,489	13,654	(10,835)	-44.2%
<b>Total</b>		<b>708,144</b>	<b>711,006</b>	<b>2,863</b>	<b>0.4%</b>
<b><u>Expenses</u></b>					
O&M Expense		262,829	285,844	23,015	8.8%
Depreciation		158,575	160,491	1,916	1.2%
Revenue Bond Interest Expense		150,070	148,206	(1,864)	-1.2%
GO Bond Interest Expense		14,432	13,781	(651)	-4.5%
PFC Bond Interest Expense		10,497	10,191	(306)	-2.9%
Non-Op Environmental Expense		20,000	6,200	(13,800)	-69.0%
Public Expense		39,464	17,205	(22,259)	-56.4%
Misc. Non-Op Rev/Expense		2,217	2,521	304	13.7%
<b>Total</b>		<b>658,084</b>	<b>644,439</b>	<b>(13,645)</b>	<b>-2.1%</b>
<b>Change In Net Assets</b>		<b>50,060</b>	<b>66,568</b>	<b>16,508</b>	<b>33.0%</b>

# Port-wide FTEs Summary

	Aviation	Seaport	Real Estate	Capital Dev	Corporate	Totals
<b>2010 Approved FTE's</b>	<b>746.4</b>	<b>60.4</b>	<b>154.8</b>	<b>268.0</b>	<b>450.2</b>	<b>1679.8</b>
<b>Mid Year Approval *</b>	<b>0.0</b>	<b>1.0</b>	<b>10.0</b>	<b>0.0</b>	<b>7.3</b>	<b>18.3</b>
<b>Eliminated</b>	<b>0.0</b>	<b>-2.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-2.0</b>
<b>Transfers</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Adjusted 2010 FTE's</b>	<b>746.4</b>	<b>59.4</b>	<b>164.8</b>	<b>268.0</b>	<b>457.5</b>	<b>1696.1</b>
<b>2011 Budget</b>						
<b>Eliminated</b>	<b>-15.7</b>	<b>0.0</b>	<b>-1.0</b>	<b>-4.5</b>	<b>-10.9</b>	<b>-32.1</b>
<b>Transfer</b>	<b>0.0</b>	<b>1.0</b>	<b>0.0</b>	<b>-1.0</b>	<b>0.0</b>	<b>0.0</b>
<b>New FTE's</b>	<b>31.3</b>	<b>0.0</b>	<b>1.0</b>	<b>0.0</b>	<b>1.0</b>	<b>33.3</b>
<b>Total 2011 Changes</b>	<b>15.5</b>	<b>1.0</b>	<b>0.0</b>	<b>-5.5</b>	<b>-9.9</b>	<b>1.1</b>
<b>Proposed 2010 FTE's</b>	<b>761.9</b>	<b>60.4</b>	<b>164.8</b>	<b>262.5</b>	<b>447.6</b>	<b>1697.2</b>

\* The mid-year approval includes conversion of 6 contractors to FTEs.

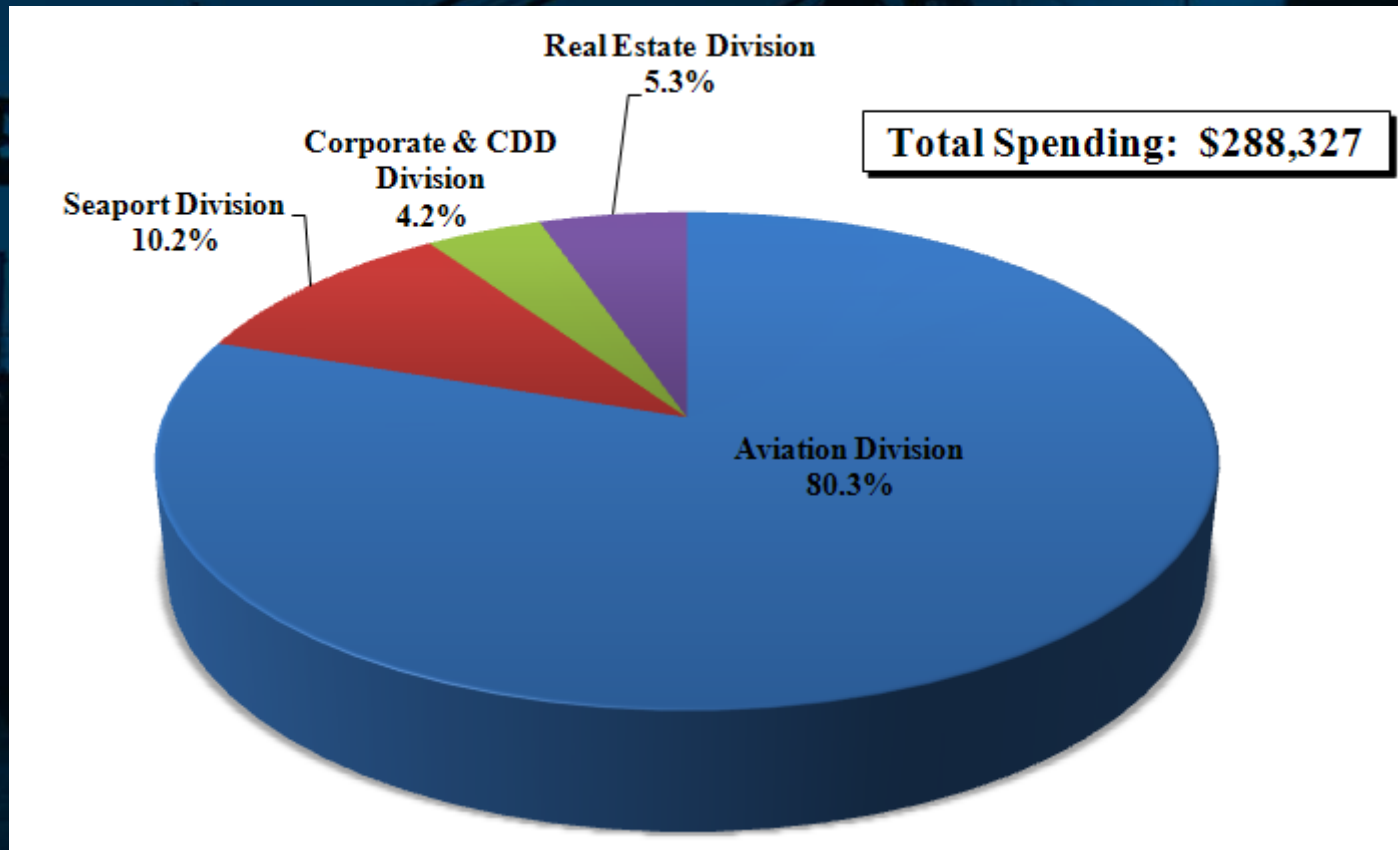


# 2011 Capital Budget Summary

(\$ in millions)	Aviation	Seaport	Real Estate	Corporate <sup>(1)</sup>	Total
Committed	\$231.4	\$29.5	\$15.4	\$12.1	\$288.3
Business Plan Prospective	\$71.8	\$18.6	\$5.0	\$1.4	\$96.8
<b>Total</b>	<b>\$303.2</b>	<b>\$48.1</b>	<b>\$20.4</b>	<b>\$13.5</b>	<b>\$385.1</b>

(1) Includes \$0.5 million for CDD

# 2011 Capital Budget by Division



\* Not including \$96.8M of Business Plan Prospective Projects.

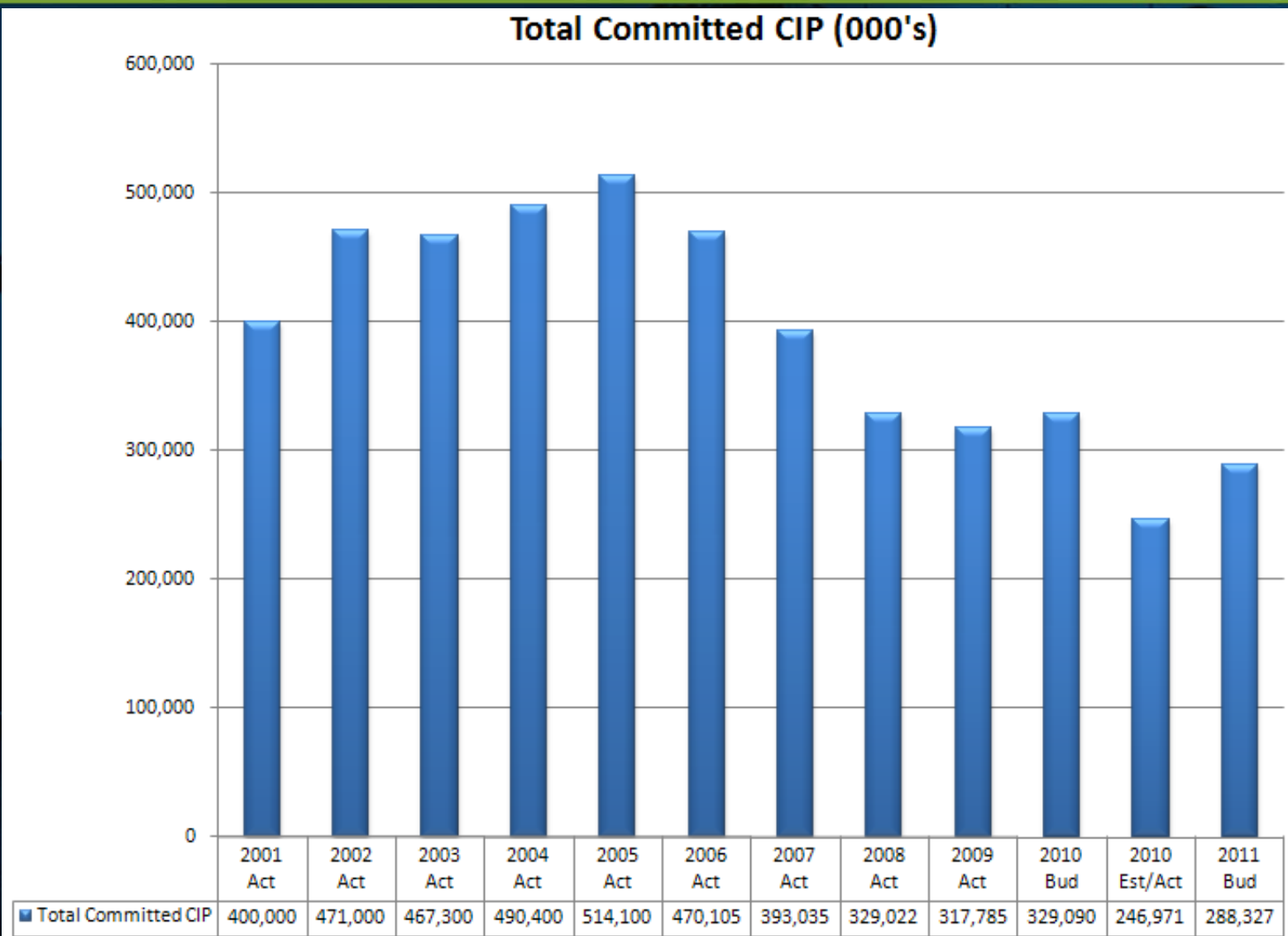
The 5-year capital plan from 2011-2015 is \$1.49 billion

Aviation Committed Projects	\$487.5M
Seaport Committed Projects	\$ 88.2M
Real Estate Committed Projects	\$ 31.9M
Corporate & CDD Committed Projects	<u>\$ 24.2M</u>
Total Committed Projects	\$631.8M

Aviation Business Plan Prospective*	\$564.8M
Seaport Business Plan Prospective*	\$214.4M
Real Estate Business Plan Prospective*	\$ 43.9M
Corp & CDD Business Plan Prospective*	<u>\$ 37.9M</u>
Total Business Plan Prospective*	\$861.0M

\*The preliminary numbers may change pending outcome of tax Levy discussions

# CIP History 2001 – 2011



# Tax Levy Overview

- Tax Levy Amount - \$73.5 million
  - Levy amount established by the Commission each year as part of the budget process
  - Statutory limitations on annual collection; Port is below maximum
- Tax Levy Uses
  - Payment of General Obligation bond debt service
    - Port policy – debt service is no more than 75% of levy
  - General Purpose use established by Commission policy
    - Seaport/RE non-operating environmental remediation
    - Regional freight mobility projects
    - Real Estate Division Support
    - Highline Schools
    - Non-Aviation portion of Port Jobs program

# Tax Levy Sources and Uses

\$'000	<u>2011</u>
<b><u>LEVY USES</u></b>	
G.O. DS - existing	40,438
<b><u>Other uses</u></b>	
Roads and Transportation Projects	9,100
School Construction & Noise Insulation	650
Sea & RE Environmental expenditures - preliminary	11,559
PortJobs	46
Subtotal Other	21,355
<b><u>Real Estate Support</u></b>	
RE Capital Total	20,357
RE Operating Subsidy	5,372
Subtotal RE Support	25,729
Total Uses	87,521
<b><u>LEVY SOURCES</u></b>	
Beginning Tax Levy Fund Balance	26,634
Seaport reimbursement for environmental exp.	500
Annual levy	73,500
Total uses	(87,521)
	0.0%
Projected Ending Tax Levy Balance	13,113

- 2011 tax levy is \$73.5 million
- 2011 maximum levy is estimated to be \$88.3 million
- The levy fund balance excludes \$13 million in the Transportation & Infrastructure Fund

# Remaining Schedule

- Second Budget Reading Nov. 23, 2010
- Statutory Budget Filed with King County Dec. 02, 2010
- Release Final Budget Document Dec. 15, 2010

The background of the slide is a dark blue, semi-transparent image of a port. It shows a large ship on the left, a crane in the center, and silhouettes of people on the right. The overall scene is industrial and maritime.

# Port of Seattle 2011 Preliminary Budget First Reading/Public Hearing

November 09, 2010