

Port of Seattle

2012 Preliminary Budget First Reading/Public Hearing

November 08, 2011

Agenda

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

2012 Budget Process

Jun. 7	Budget Process Briefing
Aug. 16	Budget Assumptions Briefing
Aug. 16	Business Plan and Capital Plan Briefing
Sept. 27	Capital Budget Briefing
Oct. 4	Preliminary Operating Budget Briefing
Oct. 25	Draft Plan of Finance, Tax Levy, and Operating Budget Follow-up Briefings
Nov. 8	First Reading & Public Hearing, Preliminary Budget
Nov. 22	Final Reading & Public Hearing, Preliminary Budget
Dec. 1	Statutory Budget Filed with King County
Dec. 14	Release Final Budget and Draft Plan of Finance

Proposed Budget Changes

1. Reduce public parking revenues by \$1.3 million
 - Initial budget figure based on forecast in early August. Anticipated growth for August, September & October has not been realized.
 - Q3 2011 forecast is \$2.7 million below 2011 budget, but still \$730K above 2010
 - Proposed budget = \$52.48 million, which is \$2.3 million (4.7%) above the Q3 2011 forecast
2. Add FTE for emergency preparedness training for \$118,000
 - Mid-year approval in 2011. Omitted from 2012 budget by mistake.
 - Total cost includes salary, benefits, computer, & training
3. Add Public Expense (Non-op) for increased obligation to WSDOT for improvements to SR 518 totaling \$2,068,055
 - Commission authorized up to \$10 million in May, 2007 (Res. 3578)
 - Port previously paid \$7,931,945.
 - WSDOT will invoice Port for remaining obligation in early 2012.
 - Funding source is Airport Development Fund

Key Budget Drivers

Operating Revenues

	2011 Bud	2012 Bud	Change \$	Change %
Aeronautical	217,200	235,669	18,469	8.5%
Other Operating Revenues	275,598	281,176	5,578	2.0%
Total Operating Revenues	492,798	516,845	24,047	4.9%

Operating Expenses

	2011 Bud	2012 Bud	Change \$	Change %
Rental Car Facility & Busing (funded by CFC)			6,609	2.3%
Increase in Terminal Realignment (cost recovery)			5,200	1.8%
Increase in Environmental Remediation			1,325	0.5%
Deferred Maintenance			596	0.2%
Increase O&M due to Less Charge to Capital			2,006	0.7%
Unavoidable Contractual Increase			1,664	0.6%
Other Baseline Increase			6,599	2.3%
Total Operating Expenses	285,844	309,843	23,999	8.4%

Operating Budget Summary

	2010	2011	2011	2012	\$	%	
(\$ in '000s)	Actual	Budget	Forecast	Budget	Change	Change	Notes
Operating Revenues							
Aeronautical	198,329	217,200	214,181	235,669	18,469	8.5%	Cost recovery
Non-Aeronautical	135,052	144,601	144,541	148,811	4,210	2.9%	Including \$9.1M RAC operating revenue.
Other (adjusted)	880	877	877	1,234	357	40.6%	\$7.8M Fuel Hydrant rev is reclassified as non-op.
Aviation	334,262	362,678	359,599	385,714	23,035	6.4%	
Seaport	97,279	98,153	95,961	98,151	-1	0.0%	\$2.1M reduction in pass-through grant.
Real Estate	30,391	30,942	31,030	32,828	1,886	6.1%	
CDD	36					n/a	
Corporate	610	1,025	1,202	151	-874	-85.2%	\$990K for AAPA Conference in 2011 budget.
Other Operating Revenues	128,316	130,119	128,192	131,131	1,012	0.8%	
Total	462,578	492,798	487,792	516,845	24,047	4.9%	
Operating Expenses							
Aviation	126,481	139,575	137,120	160,969	21,394	15.3%	
Seaport	19,517	23,242	19,200	20,408	-2,834	-12.2%	\$2.1M pass-thro grant and \$500K for env. reserve exp.
Real Estate	30,739	33,741	33,741	36,416	2,675	7.9%	
CDD	9,335	14,278	14,278	15,516	1,237	8.7%	
Corp *	67,391	75,008	73,969	76,535	1,527	2.0%	
Total	253,464	285,844	278,308	309,843	23,999	8.4%	
Net Operating Income	209,114	206,954	209,484	207,002	48	0.0%	

* Include the \$1.5M budget for Internal Audit endorsed by the Audit Committee.

Comprehensive Budget Summary

(\$ in 000s)	2010 Actual	2011 Budget	2012 Budget	Change \$	Change %	Explanations
Revenues						
1. Aeronautical Revenues	198,329	217,200	235,669	18,469	8.5%	Cost recovery
2. Operating Revenues	264,250	275,598	281,176	5,578	2.0%	Seaport , R.E. Non-Aero & Corp
3. Tax Levy	73,125	73,500	73,500	-	0.0%	
4. PFCs	59,744	60,379	63,448	3,069	5.1%	Increase in enplanement
5. CFCs	23,243	22,237	21,333	(904)	-4.1%	Classify portion as ops revenue
6. Fuel Hydrant	7,912	7,839	7,839		0.0%	Reclassified from ops revenue
7. Non-Capital Grants and Donations	12,473	8,493	1,779	(6,714)	-79.1%	EMW winding down
8. Capital Contributions	30,518	32,106	31,448	(658)	-2.0%	FAA & DHS grants
9. Interest Income	13,096	13,654	5,748	(7,906)	-57.9%	Lower interest rate 1% vs. 1.86 %
Total	682,690	711,006	721,939	10,934	1.5%	
Expenses						
1. O&M Expense	253,464	285,844	309,843	23,999	8.4%	Partially due to new RCF/BMF
2. Depreciation	160,775	160,491	158,479	(2,012)	-1.3%	
3. Revenue Bond Interest Expense	133,239	148,206	135,806	(12,400)	-8.4%	Lower interest rates & CP balance
4. GO Bond Interest Expense	17,463	13,780	14,926	1,146	8.3%	New issue and increase interest
5. PFC Bond Interest Expense	10,187	10,191	6,826	(3,365)	-33.0%	Savings from bond refunding
6. Non-Op Environmental Expense	22,730	6,200	5,290	(910)	-14.7%	Due to superfund sites
7. Public Expense	25,085	17,205	7,722	(9,483)	-55.1%	Reduction of FAST I and II projects
8. Other Non-Op Rev/Expense	7,276	2,521	3,576	1,055	41.9%	
Total	630,220	644,438	642,468	(1,970)	-0.3%	
Change In Net Assets	52,470	66,568	79,471	12,904	19.4%	

- Total Revenues are \$10.9M higher than 2011 budget and \$39.2M higher than 2010.
- Total Expenses are \$2.0M less than 2011 budget and \$12.2M higher than 2010.
- Change in Net Assets are \$12.9M above 2011 budget and \$27.0M higher than 2010.

Port-wide FTEs Summary

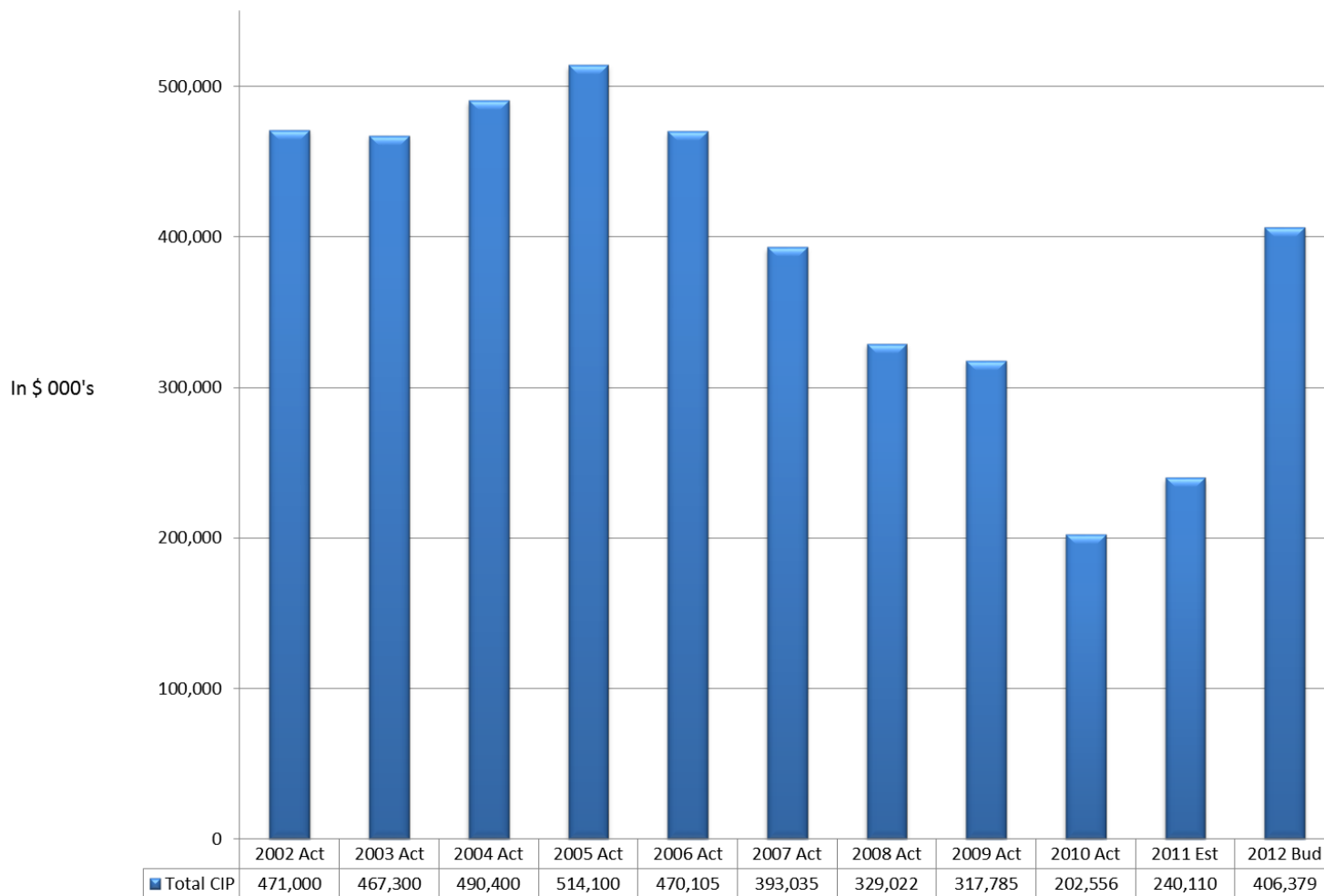
	Aviation	Seaport	Real Estate	Capital Dev	Corporate	Totals
2011 Approved FTE's	761.9	60.4	164.8	262.5	447.6	1697.2
Mid Year Approval	10.1	0.4	1.0	2.0	3.7	17.2
Eliminated	0.0	-1.7	-1.0	0.0	-0.5	-3.2
Transfers	1.0	0.0	0.0	0.0	-1.0	0.0
Adjusted 2011 FTE's	773.0	59.1	164.8	264.5	449.8	1711.2
2012 Budget						
Eliminated	0.0	0.0	0.0	-9.8	0.0	-9.8
Transfer	0.0	0.0	0.0	0.0	0.0	0.0
New FTE's	87.0	0.8	1.0	1.0	2.4	92.2
Total 2012 Changes	87.0	0.8	1.0	-8.8	2.4	82.5
Proposed 2012 FTE's	860.0	59.9	165.8	255.8	452.2	1793.7

Capital Budget Summary

\$'s in 000's	2012	2013	2014	2015	2016	2012-16
Commission Authorized/Underway	275,735	114,480	36,173	3,240	9,500	439,128
Pending 2012 Authorization	104,871	167,556	101,447	17,388	5,927	397,189
Pending Future Authorization	11,205	66,920	113,590	129,917	300,831	622,463
Small Projects	14,568	16,043	7,445	6,041	5,742	49,839
Total *	406,379	364,999	258,655	156,586	322,000	1,508,619

* There are some small changes to the 5-year capital plan from the last capital budget follow-up on 10/4/11 due to adjustments made for some Aviation CIPs.

2002 - 2012 CIP Spending



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 bonds debt service
 - Port policy – debt service is no more than 75% of levy
 - General purpose use established by Commission policy
 - Seaport and Real Estate non-operating environmental remediation
 - Regional freight mobility projects
 - Real Estate division support
 - Highline Schools noise mitigation program
 - Non-Aviation portion of Port Jobs program
 - SR 99 Tunnel contribution in 2016

Tax Levy Sources and Uses

\$'000	<u>2012</u>	<u>5 Years 2012-2016</u>
<u>LEVY SOURCES</u>		
Beginning Tax Levy Fund Balance	41,618	41,618
Eastside Rail Corridor Partners Reimbursements	5,000	31,000
Annual levy	73,500	367,500
Total Sources:	120,118	440,118
<u>LEVY USES</u>		
<u>General Obligation (G.O.) Bonds Debt Service (DS)</u>		
G.O. Bonds DS - existing debt	40,353	211,437
G.O. Bonds DS - new (SR99 Tunnel) ⁽¹⁾		17,944
Subtotal G.O. Bonds DS	40,353	229,381
<u>Other uses</u>		
Roads and Transportation Projects	3,954	9,189
Aviation School, and Highline & other Schools NOISE Insulation	650	11,283
Environmental Remediation Liabilities, Seaport & Real Estate - prelim. ⁽²⁾	15,889	67,597
Funding of Transportation & Infrastructure Fund	23,000	42,250
PortJobs	72	486
Port Jobs Apprenticeship Program	54	342
Subtotal Other	43,619	131,147
<u>Real Estate Support</u>		
RE Capital Total ⁽³⁾	14,524	54,031
RE Operating Subsidy	4,922	22,355
Subtotal RE Support	19,446	76,386
Total Uses:	103,417	436,914
Projected Ending Tax Levy Fund Balance	16,700	3,203

- 2012 proposed tax levy is \$73.5 million
- 2012 maximum levy is estimated to be \$90 million
- Additional \$13 million balance in the Transportation & Infrastructure Fund

Notes: ⁽¹⁾ Assumes bond issue of \$226 million for 25 yrs at 6%.
⁽²⁾ Includes project cash flows for environmental projects already or expected to be expensed and liabilities booked
⁽³⁾ Includes Committed and BP Prospective projects

Change to Seaport Funding Plan


- Updated information on Seaport fund balance provides more funding capacity
- Required project deferrals from 2012-2016 5-yr planning period is reduced from \$25 million to \$14 million
- Still need to defer \$68 million in 2013-2014 (compared to \$73 million previously)

Change to Seaport Funding Plan

	2012-2016 (\$mil.)	2012-2016 (\$mil.)
	<u>Oct. 25, 2011</u>	<u>Nov. 8, 2011</u>
Seaport Funding Sources		
Net income	40	41
Operating funds	22	31
Grants	2	2
Existing revenue bond proceeds	5	5
Future revenue bond proceeds	201	202
TOTAL	271	282
Seaport CIP		
Committed	42	42
Business Plan Prospective	254	254
TOTAL	296	296
Funding Shortfall	(25)	(14)

Remaining Schedule

- Second Budget Reading Nov. 22, 2011
- Statutory Budget Filed with King County Dec. 01, 2011
- Release Final Budget Document Dec. 14, 2011

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.

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