

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA – STAFF BRIEFING

Item No.	<u>7b</u>
Date of Meeting	<u>October 25, 2011</u>

DATE: October 12, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Dan Thomas, Chief Financial and Administrative Officer
Michael Tong, Corporate Budget Manager

SUBJECT: 2012 Preliminary Operating Budget Update Briefing

BACKGROUND:

The Port is preparing the 2012 budget. The budget process includes setting up and testing new budget modules in the budget system, budget users training, department and division strategic and business planning, publishing budget guidelines, establishing budget targets, inputting budget data into the system, running budget allocations and budget reports, department and division reviews, Executive reviews, Commission reviews, public comments, Commission approval of the budget, filing the statutory budget with King County Council and Assessor's Office, and the preparation and releasing of the final budget document.

On October 4, 2011, staff briefed the Commission on the Aviation, Seaport, Real Estate, Capital Development, and Corporate Operating Budgets. Since then, staff made some changes to the preliminary operating budget based on the input and comments from the Commission in the briefing. The key changes are as follows:

Operating Revenues

- Aeronautical revenues are down by \$2,530K mainly due to the effect of lower operating costs on cost recovery formulas.
- Non-aeronautical revenues have increased by \$283K primarily due to higher Rental Car and Concessions revenues.
- Other revenues are up by \$300K due to a new Federal operating grant for the Fire Department.
- Total operating revenues are reduced by \$1,947K as a result of the Aviation Division revenue adjustments outlined above.

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Operating Expenses

- Aviation reduced operating expenses by \$2,358K mainly through reducing the number of proposed new FTEs and delays in the projected hiring date of some new positions.
- Aviation also added \$300K for Joint Marketing due to new international air services announced recently.
- Real Estate delayed \$750K of deferred maintenance work to 2013. The delayed projects include Pier 69 carpet replacement (\$400K), Maximo Mobility Integration (\$100K), and Pier 69 Concrete Beams Rehabilitation (\$250K).
- CDD reduced operating expenses by \$12K a result of refining the amount of costs charged to capital.
- Corporate cut \$120K from the previously proposed budget by removing a proposed new Police position and reducing the leadership conference cost.
- Total operating expenses have been reduced by \$2,941K for all the expense adjustments outlined above.

As a result of these changes, Net Operating Income (NOI) before depreciation is now \$208.4M, \$994K higher than the \$207.4M presented on October 4, 2011.

On October 25, 2011, staff will brief the Commission on the details of these changes.

OTHER DOCUMENTS ASSOCIATED WITH THIS BRIEFING:

- PowerPoint presentation.