

Port of Seattle

2013 Preliminary Budget First Reading/Public Hearing

November 13, 2012

Agenda

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

2013 Budget Process

Jun. 10	Budget Process Briefing
Aug. 14	Budget Assumptions Briefing
Aug. 14	Business Plan and Capital Plan Briefing
Oct. 2	Capital Budget Briefing
Oct. 9	Preliminary Operating Budget Briefing
Oct. 23	Tax Levy and Draft Plan of Finance Briefing
Nov. 6	Tax Levy Follow-up Briefing
Nov. 13	First Reading & Public Hearing of the Preliminary Budget
Nov. 27	Second Reading & Final Passage of the Preliminary Budget
Nov. 29	Statutory Budget Filed with King County
Dec. 14	Release Final Budget and Draft Plan of Finance

Budget Changes since 10/9/12

Item	Division	Description (\$ in 000's)	10/9/12	10/23/12	Change*
1	Aviation	Terminal Realignment Expense	17,000	16,000	(1,000)
2	Aviation	Shanghai Joint Marketing Expense	-	290	290
		Subtotal	17,000	16,290	(710)
3	CDD	Litigation Expense	200	-	(200)
4	CDD	AV PMG Terminal Realignment	200	35	(165)
		Subtotal	400	35	(365)
5	Corp	Economic Impact Study	185	300	115
6	Corp	IT Audit	75	125	50
		Subtotal	260	425	165
		TOTAL CHANGE IN EXPENSES			(910)
7	Aviation	Aeronautical Revenues	250,499	249,799	(700)
8	Aviation	CFC Operating Revenues	12,904	12,499	(405)
9	Aviation	CFC Non-op for Debt Service	20,148	20,553	405
		Change in Net Assets	82,014	82,224	210

* These changes were included in the 2013 preliminary budget document.

	<u>Budget Changes*</u>
1) Public Parking Revenue	(\$2,796)
2) Concession Revenue	<u>500</u>
Total Revenues	(2,296)
3) Valet Parking Expense	<u>(525)</u>
Net Change in Non-Aero NOI	(1,771)

* These are changes made after the 2013 preliminary budget document was published on 10/23/12.

2013 Preliminary Budget

(\$ in '000s)	2011	2012	2013	'13-'12 Bud Chg		Explanations
	Actual	Budget	Budget	\$	%	
Operating Revenues						
Aeronautical	207,763	236,221	249,799	13,578	5.7%	Higher terminal realignment and debt svc costs
Non-Aeronautical	142,959	149,531	157,826	8,296	5.5%	\$5.1M for Concessions and \$3.8M for RCF
Aviation	350,722	385,751	407,625	21,874	5.7%	
Seaport	99,304	98,578	110,283	11,705	11.9%	T-18 special facility bond refunding
Real Estate	31,569	32,401	32,516	115	0.4%	
CDD	16	-	-	-	n/a	
Corporate	1,561	151	155	4	2.4%	
Other Operating Revenues	132,451	131,131	142,954	11,823	9.0%	
Total	483,172	516,882	550,579	33,697	6.5%	
Operating Expenses						
Aviation	135,612	160,969	176,291	15,322	9.5%	Terminal Realignment, RCF and other
Seaport	16,090	20,408	20,498	90	0.4%	
Real Estate	33,270	36,416	38,536	2,120	5.8%	Deferred Maintenance program
CDD	11,026	15,516	14,780	-736	-4.7%	See note (1)
Corporate	71,418	76,535	78,807	2,272	3.0%	
Total	267,416	309,844	328,912	19,068	6.2%	
Net Operating Income	215,756	207,039	221,668	14,629	7.1%	

Note (1): Total costs including capital increase from \$36.6M in 2012 budget to \$38,988M in 2013 budget.

2013 Preliminary Budget

(\$ in 000's)	2012 Budget	2013 Budget	'13-'12 Bud Chg		Explanations
			\$	%	
Payroll Costs change					
Salaries	71,493	76,170	4,677	6.5%	Pay increase, new FTEs & OH change
Benefits	24,881	26,056	1,175	4.7%	
Wage & Benefits	91,254	92,251	997	1.1%	Contractual increase and reduced OT
Payroll to Capital Projects	22,481	22,683	202	0.9%	
Total Payroll Costs	210,110	217,161	7,051	3.4%	
Non-Payroll Changes					
Equipment Expense	5,960	5,864	(95)	-1.6%	
Utilities	21,181	22,056	875	4.1%	Higher service water and sewer costs
Supplies & Stock	6,740	6,565	(175)	-2.6%	Reduce Maintenance Materials
Outside Services	62,397	72,482	10,085	16.2%	Terminal Realignment and other
Travel & Other Employee Expense	5,521	5,839	318	5.8%	Century Agenda support
Insurance Expense	2,142	2,316	174	8.1%	Increase in insurance premium
Third Party Mgmt Expense	7,434	7,302	(131)	-1.8%	
Miscellaneous Expense	3,744	5,567	1,822	48.7%	Add'l RCF pass-thru exp and RE Cont.
Business & Occupation Taxes	3,223	3,560	338	10.5%	Higher operating revenues
Environmental Remediation Exp	3,096	5,865	2,769	89.4%	
Other	9,487	7,319	(2,168)	-22.9%	
Total Non-Payroll Expenses	99,734	111,751	12,017	12.0%	
TOTAL	309,844	328,912	19,068	6.2%	

Key Budget Drivers

Operating Revenues (\$ in 000's)

	2012 Bud	2013 Bud	Change \$	Change %
Aeronautical	236,221	249,799	13,578	5.7%
Other Operating Revenues	280,661	300,780	20,119	7.2%
Total Operating Revenues	516,882	550,579	33,697	6.5%

Operating Expenses

	Change \$	Change %
Rental Car Facility & Busing (funded by CFC)	1,815	0.6%
Terminal Realignment (cost recovery)	7,800	2.5%
Utilities (cost recovery)	875	0.3%
Environmental Remediation	2,769	0.9%
Deferred Maintenance	558	0.2%
B&O Taxes (due to higher operating revenues)	338	0.1%
Other Baseline Increase	4,913	1.6%
Total Operating Expenses	19,068	6.2%

Corporate Cost Analysis

(\$ in 000's)

	2011 Budget	2011 Actual	2012 Budget	2012 Forecast	2013 Budget
Corporate Cost	75,008	71,418	76,535	75,862	78,807
Total Revenue	492,798	483,172	516,882	531,299	550,579
Total Expense	285,844	267,416	309,844	309,673	328,912
Corporate Cost as % of Revenues	15.2%	14.8%	14.8%	14.3%	14.3%
Corporate Cost as % of Expenses	26.2%	26.7%	24.7%	24.5%	24.0%

Comprehensive Summary

(\$ in '000s)	2011	2012	2013	'13-'12 Bud Chg		Explanations
	Actual	Budget	Budget	\$	%	
Revenues						
1. Aeronautical Revenues	207,763	236,221	249,799	13,578	5.7%	Cost Recovery
2. Other Operating Revenues	275,410	280,661	300,780	20,119	7.2%	Seaport, R.E., Non-Aero & Corp.
3. Tax Levy	73,179	73,000	73,000	-	0.0%	
4. PFCs	62,358	63,448	64,844	1,396	2.2%	Increase in enplanements
5. CFC Revenue for Debt Service	23,669	21,333	20,553	(780)	-3.7%	Over-estimated in the 2012 budget
6. Fuel Hydrant	7,683	7,839	7,839	-	0.0%	
7. Non-Capital Grants and Donations	8,482	1,779	1,909	129	7.3%	
8. Capital Contributions	21,180	31,448	17,068	(14,380)	-45.7%	Less FAA & DHS grants
9. Interest Income	18,884	5,748	7,296	1,548	26.9%	Higher General and ADF fund balance
Total	698,608	721,477	743,088	21,611	3.0%	
Expenses						
1. O&M Expense	267,416	309,844	328,912	19,068	6.2%	
2. Depreciation	158,107	158,479	171,510	13,031	8.2%	More assets and bond refundings
3. Revenue Bond Interest Expense	127,579	135,806	129,314	(6,492)	-4.8%	Refunding of bonds & lower interest rates
4. GO Bond Interest Expense	15,774	14,926	13,291	(1,635)	-11.0%	Refunding of bonds & lower interest rates
5. PFC Bond Interest Expense	6,758	6,826	6,367	(459)	-6.7%	
6. Non-Op Environmental Expense	4,335	5,290	4,800	(490)	-9.3%	Due to superfund sites
7. Public Expense	18,703	7,722	4,469	(3,253)	-42.1%	Reduction of FAST I and II projects
8. Other Non-Op Rev/Expense	(7,814)	3,576	3,972	397	11.1%	
Total	590,858	642,469	662,635	20,166	3.1%	
Change In Net Assets	107,750	79,008	80,453	1,445	1.8%	

FTEs Summary

	Aviation	Seaport	Real Estate	Capital Dev	Corporate	Totals
2012 Approved FTE's	860.0	59.9	165.8	255.8	452.2	1,793.7
Mid Year Approval	2.1	0.1	1.0	-	1.0	4.2
Eliminated	(4.0)	-	(3.0)	-	(2.5)	(9.5)
Transfers	-	-	-	-	-	-
Adjusted 2012 FTE's	858.1	60.0	163.8	255.8	450.7	1,788.4
2013 Budget						
Eliminated	(14.0)	-	-	(0.3)	(3.5)	(17.8)
Transfer	-	-	-	-	-	-
New FTE's	2.7	-	4.5	10.0	2.0	19.2
Total 2013 Changes	(11.3)	-	4.5	9.7	(1.5)	1.4
Proposed 2013 FTE's	846.8	60.0	168.3	265.5	449.2	1,789.8

Capital Budget Summary by Category

\$'s in 000's

Commission Authorized/Underway

Pending 2013 Authorization

Pending Future Authorization

Small Capital and Other

Total

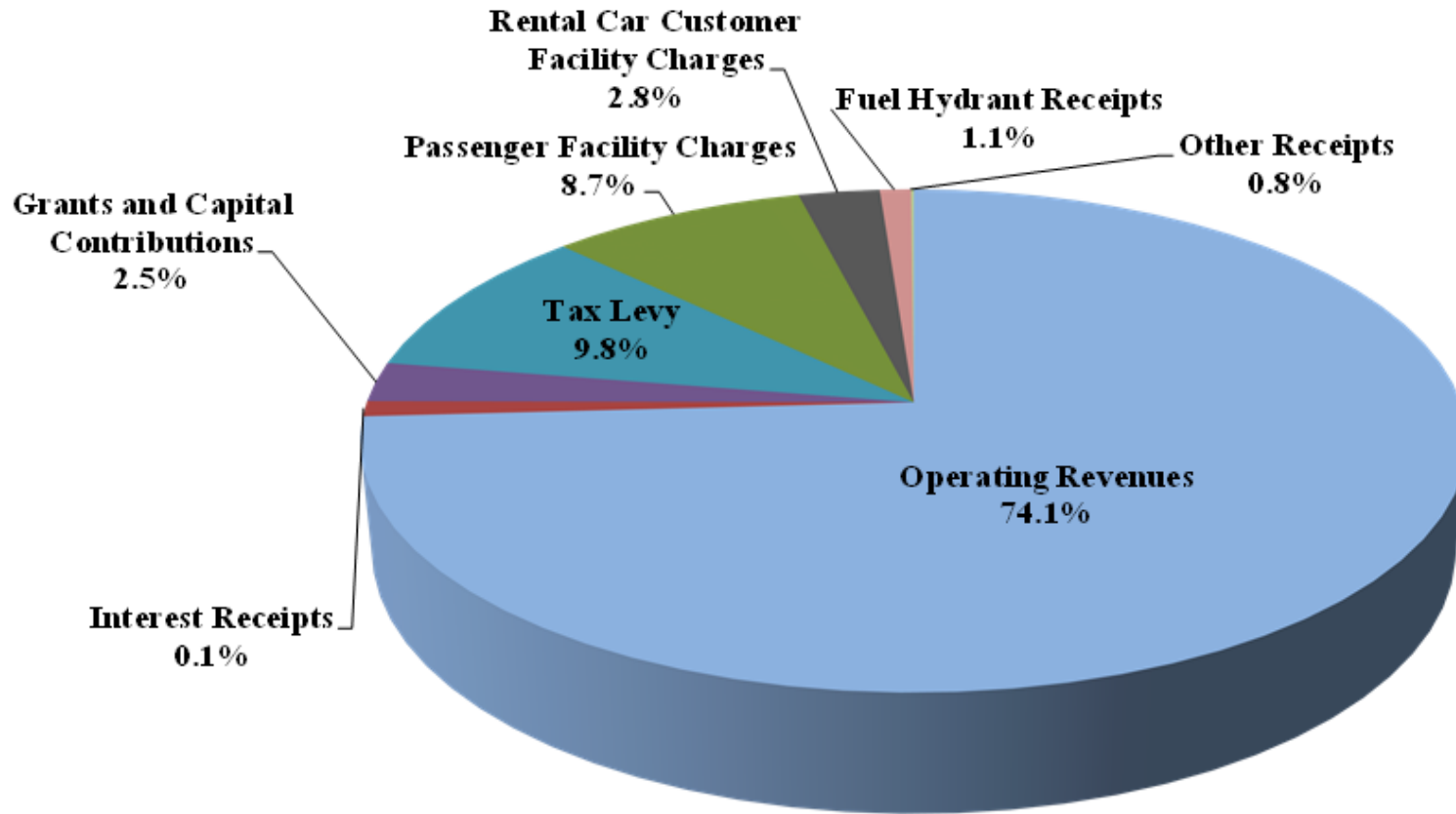
	2013	2014	2015	2016	2016	2013-17
Commission Authorized/Underway	152,530	151,452	149,476	77,321	15,383	546,162
Pending 2013 Authorization	54,229	138,742	117,700	230,150	122,600	663,421
Pending Future Authorization	6,800	55,060	166,900	198,660	170,722	598,142
Small Capital and Other	11,944	12,650	11,349	10,829	9,942	56,714
Total	225,503	357,904	445,425	516,960	318,647	1,864,439

Capital Budget Summary by Division

\$'s in 000's

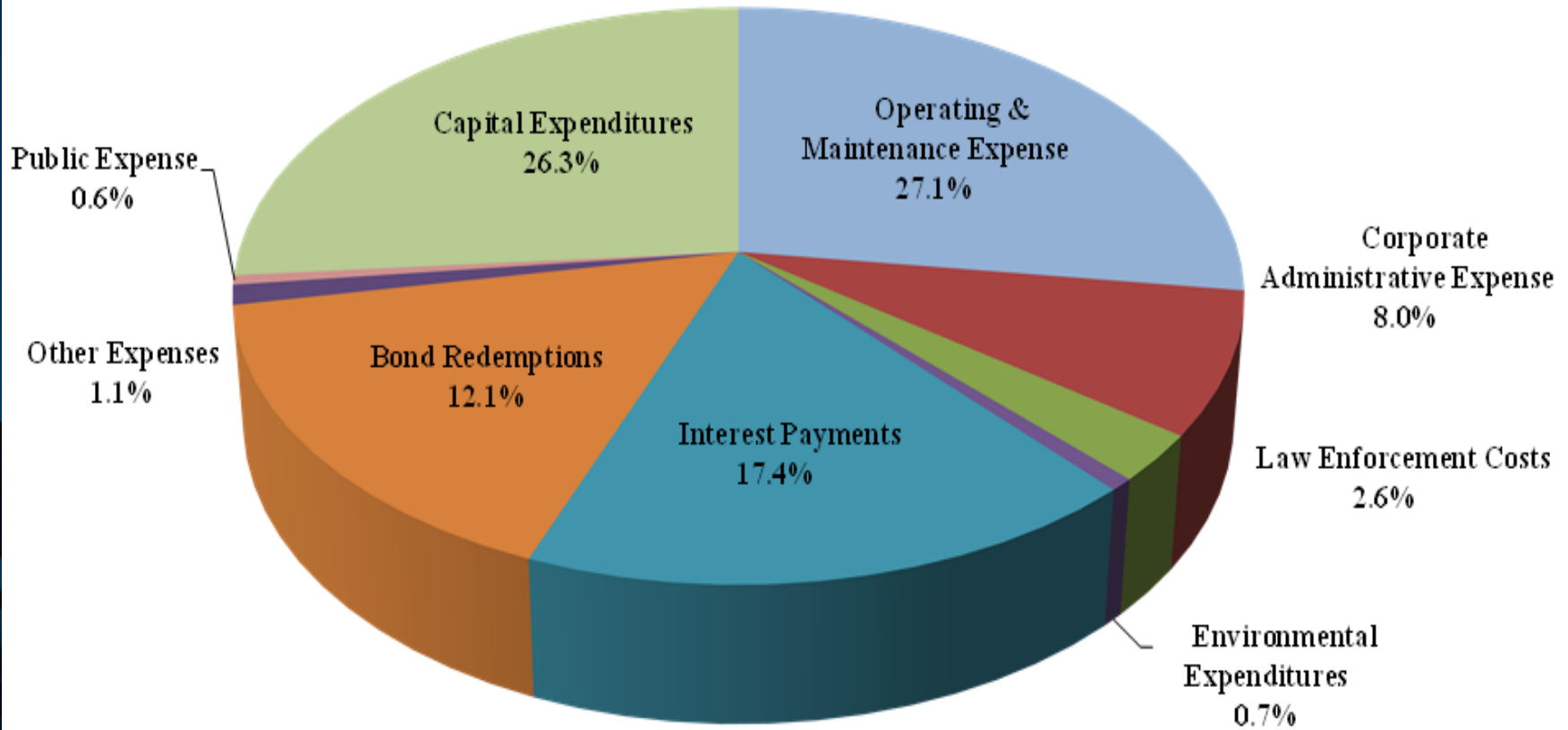
	2013	2014	2015	2016	2016	2013-17
Aviation	184,240	270,944	312,845	454,769	231,355	1,454,153
Seaport	13,047	62,085	106,055	45,500	69,050	295,737
Real Estate	17,088	16,084	18,062	8,033	9,834	69,101
Corp & CDD	11,128	8,791	8,463	8,658	8,408	45,448
Total	225,503	357,904	445,425	516,960	318,647	1,864,439

Sources of Funds



Total Sources: \$746,097K

Uses of Funds




Total Uses: \$857,186 K

Tax Levy Overview

- Tax Levy Amount
 - Levy amount established by the Commission each year as part of the budget process
 - The maximum allowable levy for 2013 is \$91.5 million
 - For 2013 the levy is proposed to be \$73.0 million
- 2013 Tax Levy Uses
 - General Obligation (G.O.) Bonds Debt Service
 - Public Asset Expense: Freight Mobility
 - Seaport and Real Estate Environmental Remediation Liability
 - A portion of Real Estate of operating expenses
 - Real Estate Capital Improvements
 - Argo Road Element capital project (partial funding)
 - Highline School District: Aviation High School
 - Office of Port Jobs

Remaining Schedule

- Second Budget Reading Nov. 23, 2012
- Statutory Budget Filed with King County Nov. 29, 2012
- Release Final Budget Document Dec. 14, 2012

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 is a busy port environment.

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