

ITEM NO: 7b\_Supp\_1  
DATE OF MEETING: Sept 22, 2015  
Revised 9/17/2015

# Corporate 2016 Budget Briefing

September 22, 2015

Port   
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# Corporate Re-Org Budget Adjustments

- Transferred Office of Social Responsibility and Tourism to Economic Development Division.
- Transferred Capital Development to Corporate.
- Formed Office of Strategic Initiatives (OSI).
- Transferred CPO from Capital Development to OSI.
- Transferred CPI/LEAN team from Aviation to OSI.
- Transferred Health & Safety to HR&D.

**Budget adjustments are made for prior years to ensure apple-to-apple comparison for the re-org changes.**

# 2016 Corporate Budget Overview

- Continued focus on managing Corporate cost growth & Strategic Priorities
  - Overall increase of 3.6% vs. 2015 baseline budget.
  - The 3.6% increase includes \$2.2M new budget additions for 2016.
- Net reduction of 6.3 FTEs
- Key Expense Drivers:
  - New positions added in mid year of 2015.
  - Baseline payroll increases in 2016.
  - New outside service contracts in 2016.
  - Payroll and new budget request increases partially offset by more charges to capital in Capital Development group.
  - Corporate expenses are allocated to the three operating divisions and to the Northwest Seaport Alliance per service agreements.

**Moderate increase in the 2016 budget reflects a conservative budget approach .**

# 2016 Corporate Budget Summary

Description	Amount	%	Notes
2015 Approved Budget	97,051		
Less: One-Time Items	(585)	-0.6%	Mainly for Seaport Alliance contingency
Less: Net Budget Transfers	319	0.3%	Due to Re-org
Less: Budget Adjustments	815	0.8%	For approved new FTEs
2015 Baseline Budget	97,599	0.6%	
2016 Preliminary Budget	101,097		
2015 Baseline Budget	97,599		
<b>Total Increase from Baseline</b>	<b>3,498</b>	<b>3.6%</b>	
Less: 2016 New Budget Requests	(2,215)	-2.3%	
<b>Increase from Baseline</b>	<b>1,284</b>	<b>1.3%</b>	
2016 Preliminary Budget	101,097		
2015 Approved Budget	97,051		
<b>Increase from 2015 Approved Budget</b>	<b>4,047</b>	<b>4.2%</b>	

Propose a moderate 3.6% budget increase from the baseline for 2016.

# 2016 New Budget Additions

No.	Dept	Description	Amount
1	Commission Office	Policy Assistant & Graduate Intern	120,000
2	Risk Management	Increase in Liability Broker Services	20,000
3	Public Affairs	Strategic Communication and Community Outreach	105,500
4	HR&D	Talent Management Consulting Services	50,000
5	HR&D	Health and Safety Contracted Services	34,500
6	HR&D	LinkedIn Position Advertising	23,000
7	HR&D	ePerformance System Training	16,390
8	ICT	New System Support and Security Awareness Training	56,000
9	ICT	PCI Audit Increase	46,000
10	Internal Audit	Hosting the Assoc. Of Airport Internal Auditors in Seattle	50,000
11	Office Strategic Initiatives	Add 2 CPI Program Managers	151,601
12	Office Strategic Initiatives	Lean Consulting Firm Engagement	1,200,000
13	Office Strategic Initiatives	Japan Study Mission	41,600
14	Office Strategic Initiatives	Consultant for Purchasing Transformation	300,000
15	Police	Police Traffic Support Specialist (5 FTEs)	0
		<b>TOTAL</b>	<b><u><u>2,214,591</u></u></b>

The 2016 new budget additions support the Port's strategic goals and initiatives.

# 2016 Corporate Budget By Department

(in \$ 000's)	2014 Actual	2015 Budget	2015 Forecast	2016 Budget	'16-'15 Bud Chg		'16-'15 Fcst Chg	
					\$	%	\$	%
<b>REVENUES</b>								
<b>Total Operating Revenues</b>	<b>419</b>	<b>340</b>	<b>340</b>	<b>345</b>	<b>5</b>	<b>1.5%</b>	<b>5</b>	<b>1.5%</b>
<b>EXPENSES</b>								
Executive	1,710	1,798	1,798	1,569	-229	-12.8%	-229	-12.8%
Commission	1,353	1,545	1,440	1,590	46	3.0%	151	10.5%
Legal	3,731	3,156	3,195	3,321	165	5.2%	127	4.0%
Risk Management	3,051	3,249	3,244	3,449	199	6.1%	204	6.3%
Public Affairs	4,639	4,956	5,707	5,380	423	8.5%	-327	-5.7%
Human Resources & Development	6,422	7,148	6,642	7,634	486	6.8%	991	14.9%
Labor Relations	823	1,024	1,024	1,126	102	10.0%	102	10.0%
Information & Communications Tech.	20,458	21,435	21,285	22,054	619	2.9%	769	3.6%
Finance & Budget	1,803	1,713	1,708	1,802	89	5.2%	93	5.5%
Accounting & Financial Reporting	6,039	7,350	7,057	7,570	220	3.0%	513	7.3%
Internal Audit	1,372	1,552	1,459	1,620	67	4.3%	160	11.0%
Office of Strategic Initiatives	2,821	3,119	4,002	5,359	2,240	71.8%	1,357	33.9%
Contingency	410	1,050	1,050	500	-550	-52.4%	-550	-52.4%
Police	22,231	22,879	22,789	23,587	708	3.1%	798	3.5%
Capital Development	11,913	15,075	11,640	14,538	-538	-3.6%	2,898	24.9%
<b>Total Operating Expenses</b>	<b>88,776</b>	<b>97,051</b>	<b>94,040</b>	<b>101,097</b>	<b>4,047</b>	<b>4.2%</b>	<b>7,057</b>	<b>7.5%</b>

Department budgets have been adjusted to reflect the re-org and budget transfers.

# 2016 Corporate Budget By Expense Type

(\$ in 000's)	2014	2015	2016	'16-'15 Bud Chg	
	Actual	Budget	Budget	\$	%
<b>Payroll Expenses</b>					
Total Payroll Expenses	91,113	100,841	104,439	3,598	3.6%
<b>Non-Payroll Expenses</b>					
Equipment Expense	1,911	2,412	1,776	(636)	-26.4%
Supplies & Stock	1,338	1,351	865	(486)	-36.0%
Outside Services	17,526	19,620	26,020	6,400	32.6%
Travel & Other Employee Expense	2,136	2,935	3,004	69	2.4%
Promotional Expense	282	254	315	61	24.1%
Telecommunications	648	752	664	(88)	-11.7%
Insurance Expense	2,237	2,350	2,506	156	6.6%
Contingencies	410	1,050	500	(550)	-52.4%
Other	810	955	933	(22)	-2.3%
Total Non-Payroll Expenses	27,298	31,680	36,585	4,905	15.5%
Charges to Cap/Govt/Envrs Proj	(29,635)	(35,471)	(39,927)	(4,456)	-12.6%
<b>TOTAL</b>	<b>88,776</b>	<b>97,051</b>	<b>101,097</b>	<b>4,047</b>	<b>4.2%</b>

**Payroll Expenses and Outside Services are the major drivers for increase in the proposed 2016 budget.**

# 2016 Corporate FTEs Summary

	<u>FTEs</u>
<b>2015 Approved Budget</b>	<b>750.7</b>
Changes in 2015:	
Mid-Year Approvals	5.2
Eliminated	-2.0
Transfer	-8.0
<b>2015 Baseline</b>	<b>745.9</b>
2016 Budget Changes:	
Eliminated	-11.0
Proposed New FTEs	9.5
<b>Change in FTEs for 2016</b>	<b>-1.5</b>
<b>Proposed FTEs for 2016</b>	<b><u>744.4</u></b>
<b>Net Change from 2015 Budget</b>	<b><u>-6.3</u></b>

A net reduction of 6.3 FTEs in 2016 compared to 2015 approved budget.



# Additional Budget Request

- Office of Strategic Initiatives has requested \$4.0M funding for an outside consultant service on Purchasing Transformation.
- The contract will be broken into two phases.
- Phase I is the Assessment of Current State and Opportunity Analysis (\$300K is already in the proposed budget).
- Phase II is the Implementation.
- The cost of Phase II is \$3.7M.
- We will only proceed with Phase II if there is a powerful business case (providing the Port with a significant return on this expense).
- Request for the Commission approval to add it to the proposed budget.

**Request for additional \$3.7M for the Purchasing Transformation consultant contract .**

# Capital Development

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# Priority Capital Development Goals

- Deliver projects to operating division customers on time, within budget, meeting agreed scope, and with minimal and mutually-agreed impacts on operations.
- Support divisions beyond projects: including budget plan development; business planning; asset management and reporting; community outreach; negotiations; and technical support and assistance.
- Be prepared for emergencies.
- Develop the talent, capabilities, motivation and well-being of Capital Development employees.
- Keep Port staff and contractor personnel working safely.

# CD Budget Comparisons

	2014 Actual	2015 Budget	2015 YE Forecast	2016 Budget
FTE	230.05	260.1	232.85	250.8
<b>Total Salaries &amp; Benefits</b>	<b>\$ 28,741,962</b>	<b>\$ 33,080,535</b>	<b>30,483,034</b>	<b>\$ 33,225,034</b>
On-site consultants	\$ 5,085,948	\$ 6,307,400	5,739,400	\$ 10,382,013
Small Works Constr Contracts	\$ 1,105,734	\$1,796,400	1,551,400	\$ 2,056,171
<b>Total Before Capital Charges (+ Int. Trfs)</b>	<b>\$ 37,505,047</b>	<b>\$ 45,008,215</b>	<b>39,822,853</b>	<b>\$ 49,042,510</b>
Sal/Wage to Capital	\$ (14,407,044)	\$ (16,141,021)	(17,163,049)	\$ (16,712,137)
Dept Exp Chg'd to Capital	\$ 23,566	0	2,102	0
Capital Projects OH	\$ (6,294,278)	\$ (7,484,380)	(6,927,398)	\$ (8,850,207)
On-site consultants to Capital	\$ (4,914,048)	\$ (6,307,400)	(4,094,456)	\$ (8,942,540)
<b>Total Charges to Capital</b>	<b>\$ (25,591,805)</b>	<b>\$ (29,932,801)</b>	<b>(28,182,801)</b>	<b>\$ (34,504,884)</b>
<b>Total Operating Expense</b>	<b>\$ 11,913,241</b>	<b>\$ 15,075,413</b>	<b>11,640,052</b>	<b>\$ 14,537,626</b>

# CD 2016 Operating Budget

(\$ in 000's)	<b>2014 Actual</b>	<b>2015 Budget</b>	<b>2015 Forecast</b>	<b>2016 Budget</b>	<b>'16-'15 Bud Chg</b>		<b>'16-'15 Fcst Chg</b>	
AVPMG	1,361	4,583	2,630	4,543	-40	-0.9%	1,913	72.7%
ENG	4,364	5,637	4,717	5,913	276	4.9%	1,196	25.4%
PCS	4,437	3,609	3,181	2,862	-747	-20.7%	-319	-10.0%
SPM	1,356	828	696	789	-39	-4.7%	93	13.4%
CDD Admin	394	419	416	430	11	2.6%	14	3.4%
<b>Total</b>	<b>11,913</b>	<b>15,075</b>	<b>11,640</b>	<b>14,538</b>	<b>-537</b>	<b>-3.6%</b>	<b>2,898</b>	<b>24.9%</b>

# CD 2016 Expense Projects

Division	Impact	Projects	
Aviation	\$10,041,176	<ul style="list-style-type: none"> <li>• Construction Logistics Expansion</li> <li>• 2015 Airfield Facilities</li> <li>• On-Airport Obstruction</li> <li>• TI Work: 2015 RCF Landside</li> <li>• TI Work: 2015 AV Terminal</li> <li>• TI Work: NorthSTAR</li> <li>• Air Cargo Road Safety Improvements</li> <li>• NERA Northeast Redevelopment</li> <li>• CTE Freight Elevators</li> <li>• ADR Tenant Projects</li> <li>• Standby Power Generation Facility</li> <li>• Mezzanine to Ticketing Stair Sprinkler/Exiting Study</li> <li>• ST South Link</li> </ul>	<ul style="list-style-type: none"> <li>• South Satellite Renovations</li> <li>• EXP-Vert Conv MTEE Maintenance</li> <li>• S. 160<sup>th</sup> GT Lot</li> <li>• SR 518</li> <li>• RAC Remediation</li> <li>• Domestic Piping Branch Replacement</li> <li>• NSAT</li> <li>• Feeder Taps 101 Baggage Handling</li> <li>• Sewer work at Radisson site</li> <li>• AV small jobs</li> <li>• AV O&amp;M</li> <li>• plus Capital Projects with Expense Components</li> </ul>
Maritime	\$255,085	<ul style="list-style-type: none"> <li>• T-5 Crane Sales</li> <li>• P91 E. Cruise Maintenance Dredging</li> <li>• Argo Yard Roadway - Element III Gate</li> <li>• Alaskan Way Viaduct</li> <li>• Quest Hut</li> </ul>	<ul style="list-style-type: none"> <li>• FT Net Sheds</li> <li>• FT Net Shed Code Compliance</li> <li>• SBM Fuel Dock</li> <li>• MT small jobs</li> <li>• MT O&amp;M</li> </ul>
Economic Development	\$7,351	<ul style="list-style-type: none"> <li>• P69 Concrete Dock Inspection</li> <li>• ED O&amp;M</li> </ul>	<ul style="list-style-type: none"> <li>• ED small jobs</li> </ul>
NWSA	\$612,052	<ul style="list-style-type: none"> <li>• T-46 Paving</li> <li>• T-5 Dredging</li> <li>• T-18 Maintenance Dredging</li> <li>• T-18 Asset Condition Assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Surplus Cranes Removal</li> <li>• T-5 Crane Demolition</li> <li>• T-18 Crane Demolition</li> <li>• T-25 Asset Condition Assessment</li> </ul>
<b>Total CD</b>	<b>\$10,915,664</b>	<b>AVPMG \$7,812,170</b>	<b>ENG \$1,419,283</b> <b>PCS \$1,515,000</b> <b>SPM \$169,211</b>

# Corporate 2016 Capital Budget

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# Enterprise, Corporate and CDD Capital Budget Overview

<b>Five Year Capital Plan*</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2016-2020 Totals</b>
Commission Authorized Projects	1,604	-	-	-	-	1,604
Projects Pending Authorization	3,325	75	-	-	-	3,400
Pending Future Authorization	-	4,425	4,500	4,500	4,500	17,925
Small Capital	3,514	4,186	4,207	3,807	3,730	19,444
<b>Totals</b>	<b>8,443</b>	<b>8,686</b>	<b>8,707</b>	<b>8,307</b>	<b>8,230</b>	<b>42,373</b>

\*Excludes ICT Projects Budgeted in Divisions and  
and ICT Portions of PMG Led Projects



# Enterprise, Corporate and CDD Commission Authorized/Underway

Five Year Capital Plan		2016	2017	2018	2019	2020	2016-2020 Totals
<b>Commission Authorized Projects</b>							
Maximo Enhancements & Upgrades	U	800	-	-	-	-	800
Peoplesoft HCM 9.2 Upgrade	U	100	-	-	-	-	100
Contractor Data System Replacement	U	242	-	-	-	-	242
Expense Project Authorization Tracking	N	182	-	-	-	-	182
Performance Management System	N	280	-	-	-	-	280
Totals		1,604	-	-	-	-	1,604

N = New System or Function U = System Upgrades or Replacements

# Enterprise, Corporate and CDD

## Pending Authorization

<b>Five Year Capital Plan*</b>		<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2016-2020 Totals</b>
<b>Projects Pending Authorization</b>							
PMIS Replacement	U	500	-	-	-	-	500
POS Website Redevelopment	U	425	75	-	-	-	500
Data Center Failover	N	1,000	-	-	-	-	1,000
PeopleSoft Business Unit	N	1,400	-	-	-	-	1,400
<b>Totals</b>		<b>3,325</b>	<b>75</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,400</b>

\*Excludes ICT Projects Budgeted in Divisions

N = New System or Function U = System Upgrades or Replacements

# Enterprise, Corporate and CDD Small Capital and Future Authorization: ICT Allowance

Small Capital	2016	2017	2018	2019	2020	2016-2020 Totals
Technology Infrastructure	1,500	1,500	1,500	1,500	1,500	7,500
Technology Business Applications	1,000	1,000	1,000	1,000	1,000	5,000
Enterprise GIS Small Capital	250	250	250	250	250	1,250
Corporate Small Capital	200	200	200	200	200	1,000
Corporate Fleet Replacement	253	350	360	378	385	1,726
CDD Small Capital	146	125	80	25	85	461
CDD Fleet Replacement	165	761	817	454	310	2,507
<b>Total Small Capital</b>	<b>3,514</b>	<b>4,186</b>	<b>4,207</b>	<b>3,807</b>	<b>3,730</b>	<b>19,444</b>
<b>Future Authorization: ICT Allowance</b>						
ICT Allowance	-	4,425	4,500	4,500	4,500	17,925
<b>Combined Totals</b>	<b>3,514</b>	<b>8,611</b>	<b>8,707</b>	<b>8,307</b>	<b>8,230</b>	<b>37,369</b>