

Item No. 9a supp

Meeting Date: July 10, 2018

Maritime Division

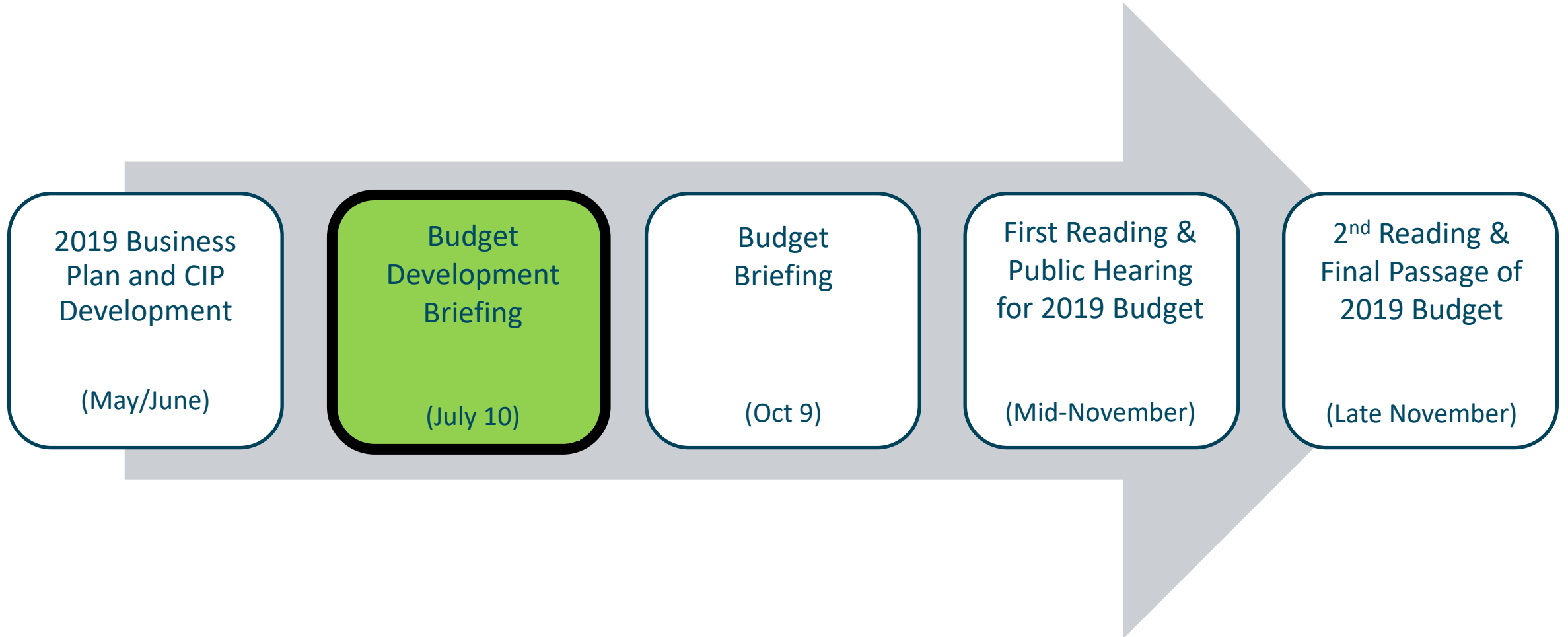
2019 Business Plan and
Budget Development
July 10, 2018



Outline

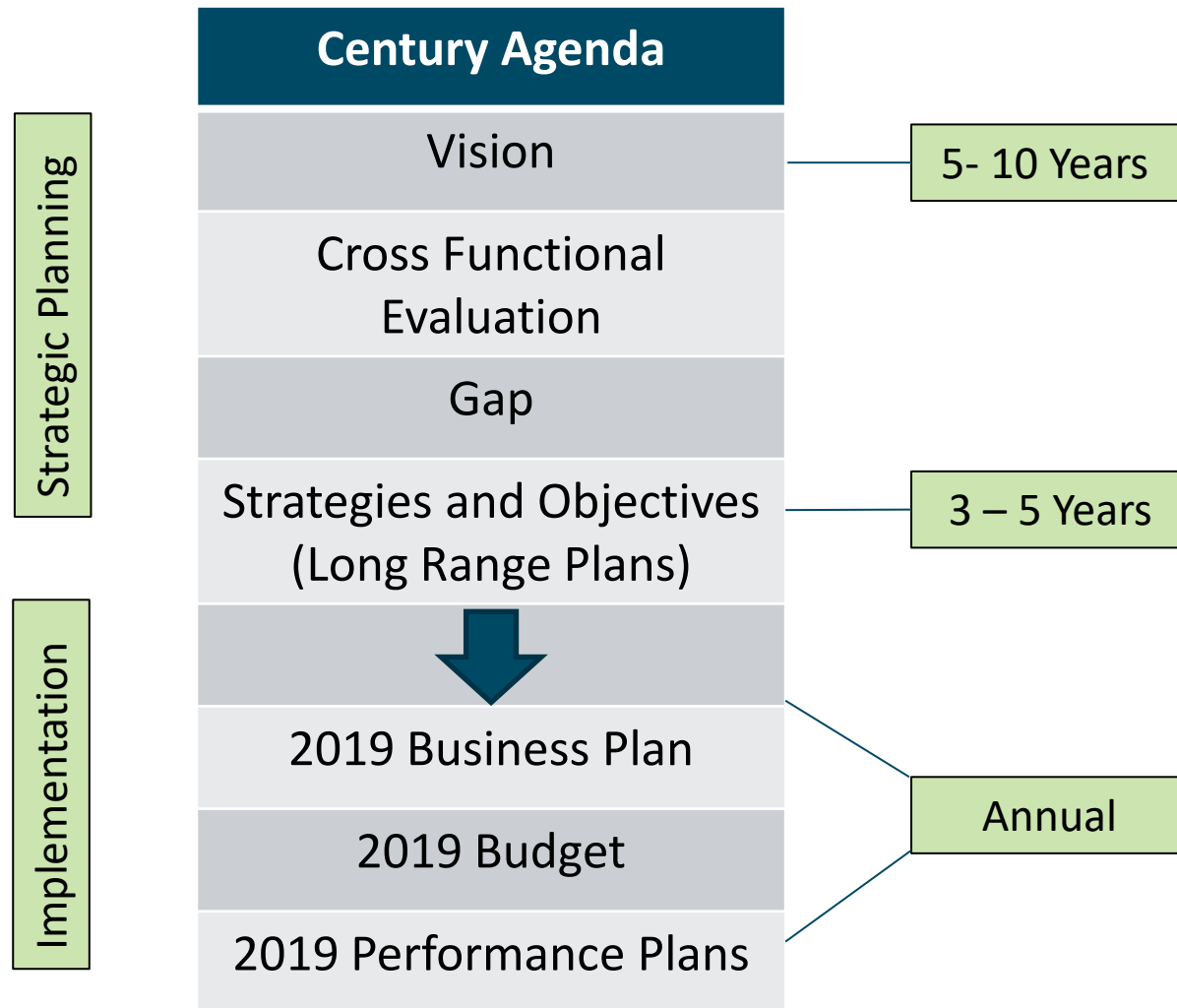
- Strategy to Budget Process
- Strategic Priorities
- Anticipated 2019 Budget needs: Capital Focus
- 2019 Milestones

2019 Maritime Division Budget Timeline



Note: Detailed schedule in appendix

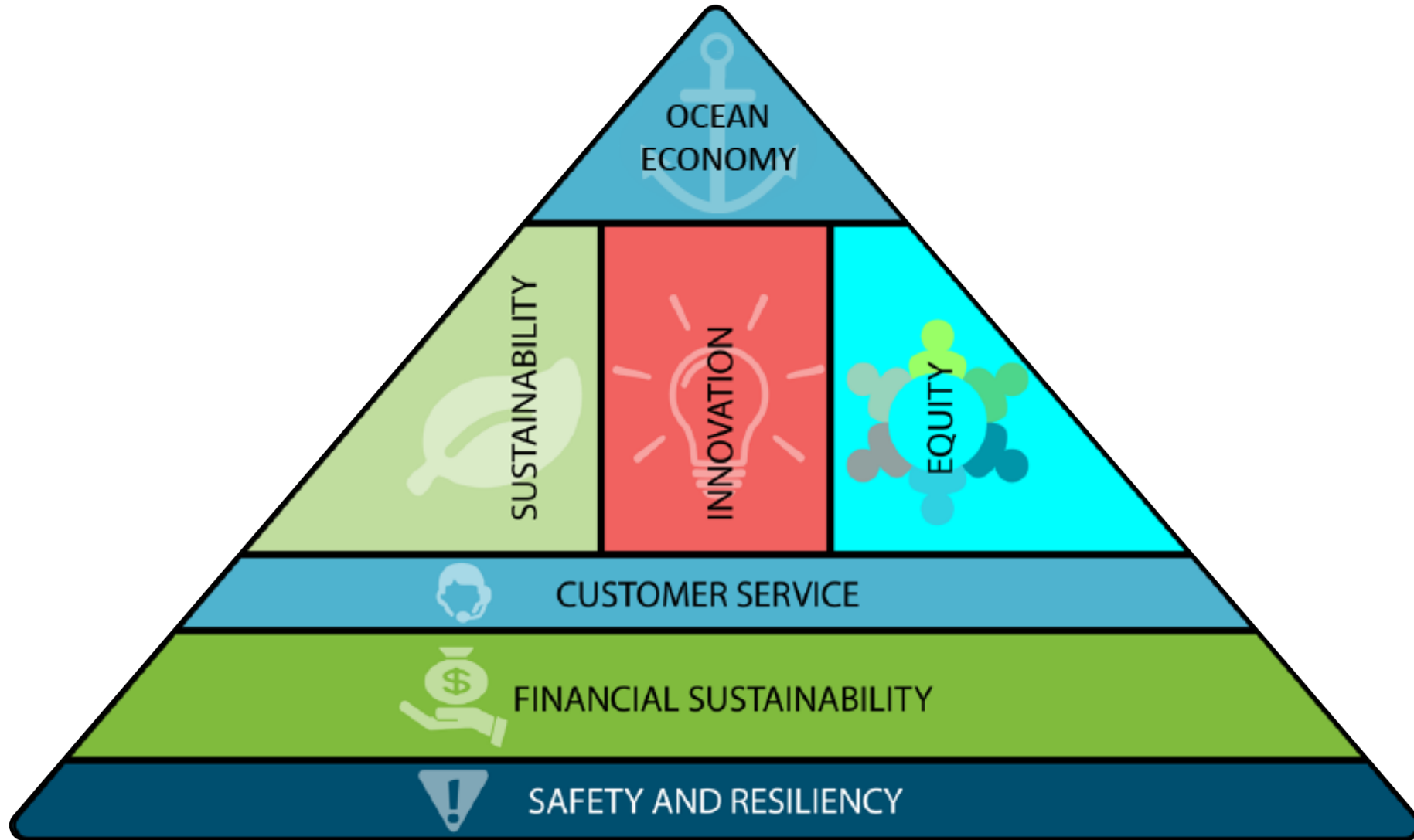
Strategy To Budget Process



- Century Agenda and LRP underway: focus on creating jobs of the Future in the Ocean Economy.
- Strong Demand of facilities in all business lines: Vessel size growing.
- Matrix organization requires cross-functional work and close collaboration
- Developing strategies and actions to position Maritime Division and Industry for the future.

2019 Budget will reflect resources needed to move towards CA Objectives

Maritime Priorities 2019



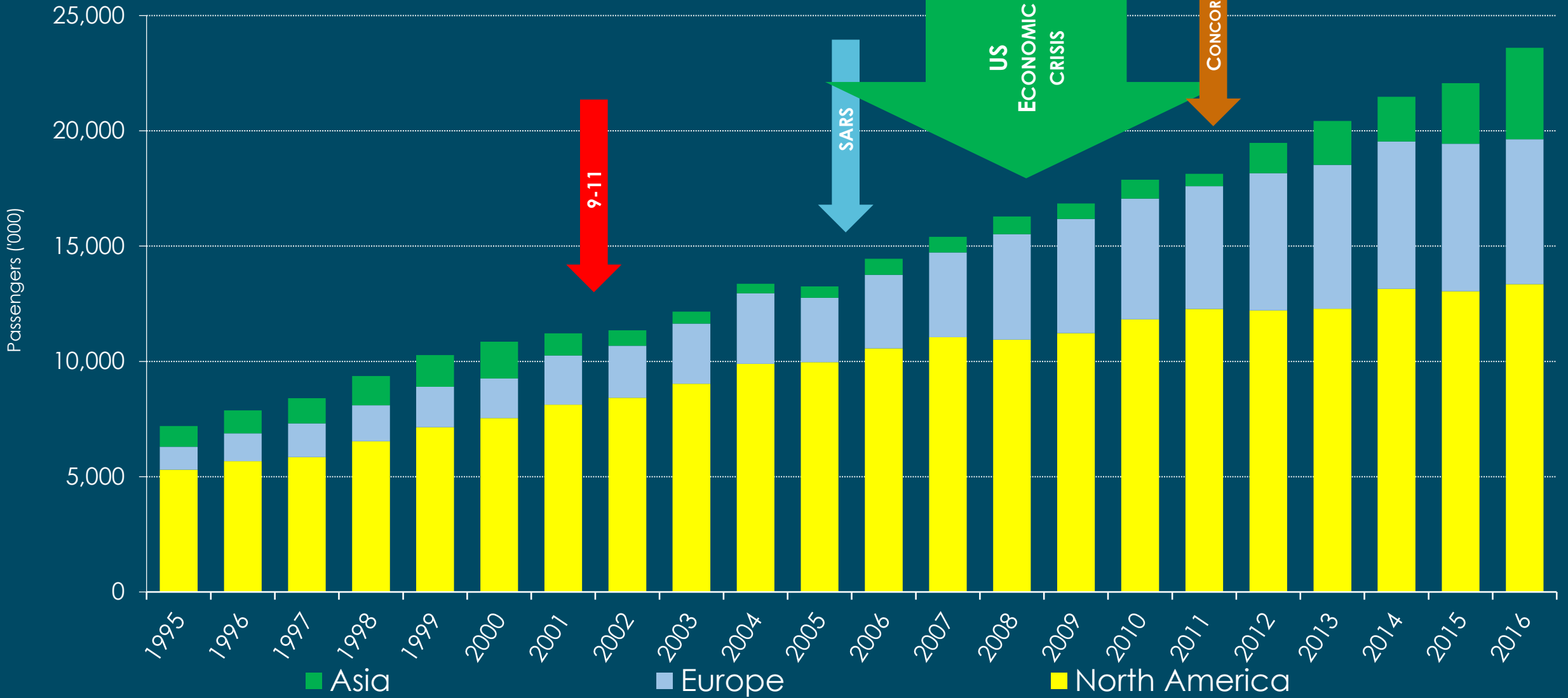
Maritime Priorities

Maritime Priorities	Century Agenda/LRP
Financial Stability	CA/LRP (S1-Obj 2) Making prudent infrastructure investments.
Customer Service	CA/LRP (S2-Obj 9, PA2) Improving convenience and efficiency for cruise passengers. LRP/HPO (S1-Obj 1, PA1,2,3) Making the NWSA an attractive West Coast gateway.
Economic Impact	CA/LRP (S1-Obj 5 PA 1,2,4); (S2-Obj 9 PA 1,3,4); (S3-Obj 10 PA1,3); (Obj 12, PA1,2). Fostering family wage jobs and workforce development.
Safety, Security, Preparedness	LRP/HPO S2-Obj 3 PA1,2,3); (Obj 4, PA1,2,3); (Obj 6, PA2) Continuous improvement in safety, security, and preparedness.
Sustainability	CA/LRP (S4-Obj 13, PA1,2,3,4); (Obj 14, PA1,2,3); (Obj 15, PA2,3,4); (Obj 16, PA1,2,3); (Obj 17, PA1,2,3,4) Becoming North America’s Greenest, Most Energy Efficient Port.
Innovation, Process Improvement	CA/LRP (S1-Obj 5, PA3); LRP/HPO (S1-Obj 2, PA 1,2,3); (Obj 6, PA1) Innovating in the maritime cluster as well in our own organization.
Equity, Inclusion	LRP/HPO (S4-Obj 7, PA1); (Obj 8, PA1); (Obj 9, PA1) Demonstrate our leadership in equity, equity, and inclusion.
Asset Management	CA/LRP (S1-Obj 5, PA 1, 2); (Obj 8, PA3) LRP/HPO (S1-Obj 1, PA2,3); (Obj 2, PA 1) Building a framework for maintaining our maritime assets.

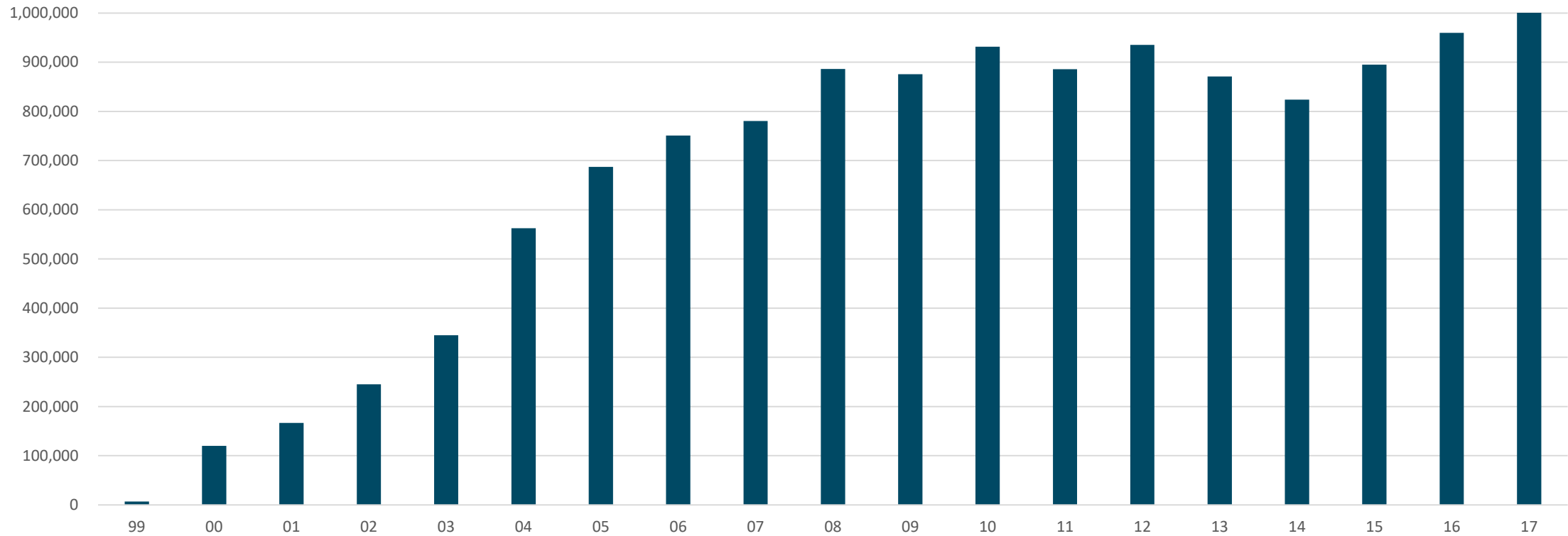
Cruise

Industry/Business Context

Worldwide cruise passengers



Seattle's Cruise Passenger Growth 1999 – 2018



2018: 216 cruise vessel calls scheduled - Est revenue passengers 1,100,600

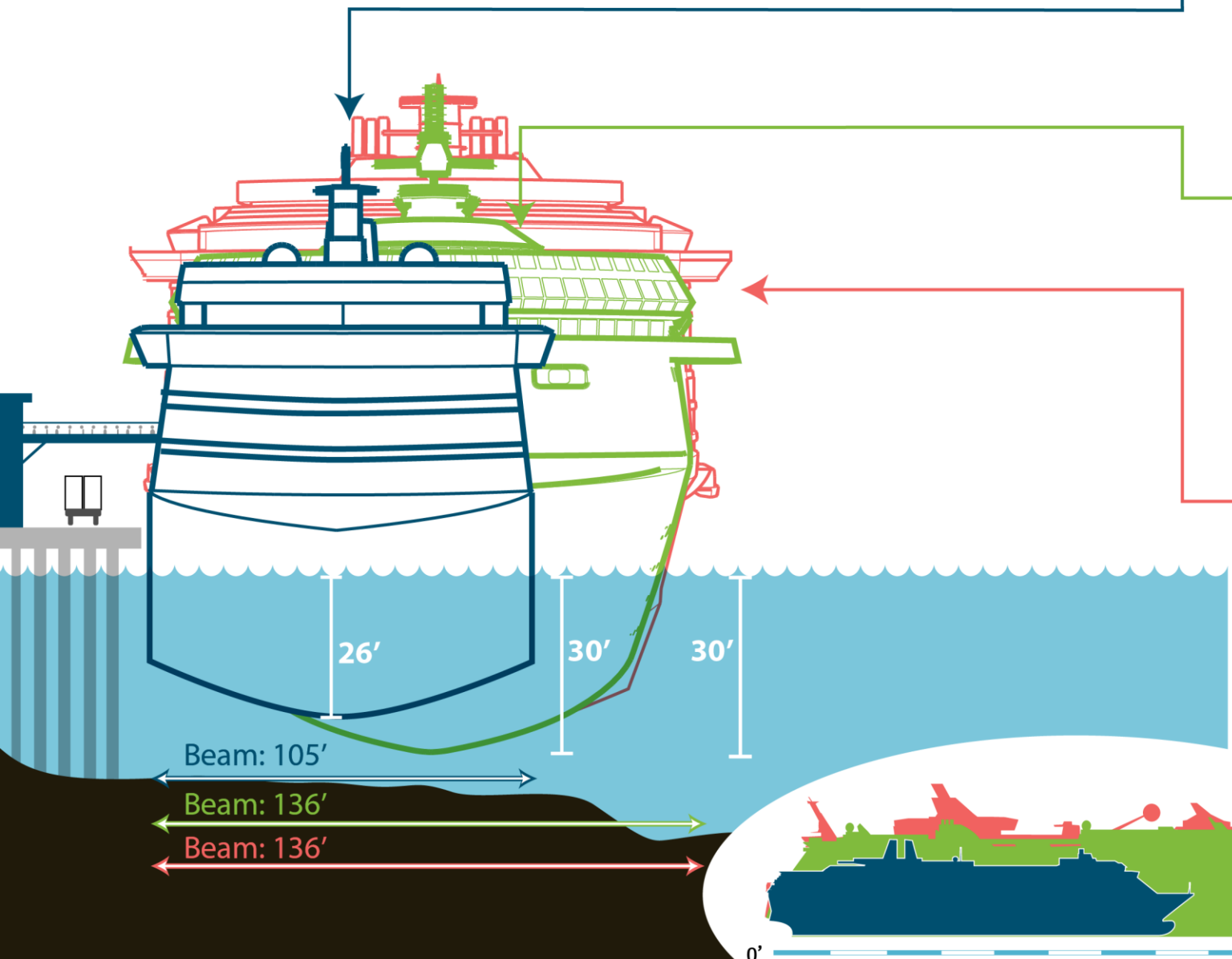
Additional Industry Capacity Planned Through 2026

Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
# of New Ships	16	23	16	13	14	5	4	2	1

+94 New Ships by 2026

*Source: Cruise Industry News

Cruise Ships are Getting Larger



Cruise ships are getting longer.

Holland America Amsterdam

Began calling 2000 - Holland America Rotterdam Class

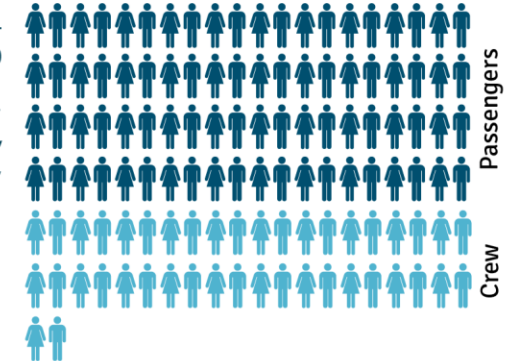
Passenger Capacity:.....	1,380
Crew:.....	647
Gross Tonnage	62,735
LOA	777'
Beam	106'
Draft	26'



Norwegian Bliss

Began calling 2018 - Breakaway Plus Class

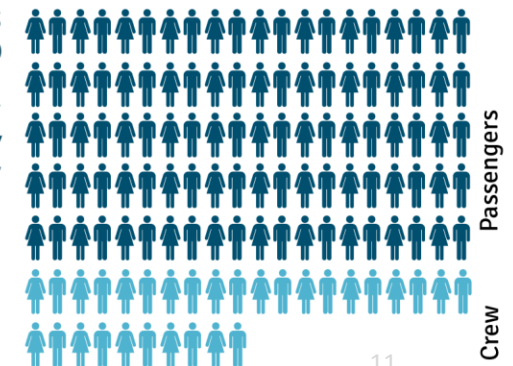
Passenger Capacity:.....	4,004
Crew:.....	2,100
Gross Tonnage	168,028
LOA	1,094'
Beam	136'
Draft	30'



Royal Caribbean Ovation of the Seas

Will begin calling 2019 - Royal Caribbean Quantum Class

Passenger Capacity:.....	4,905
Crew:.....	1,500
Gross Tonnage	168,666
LOA	1,141'
Beam	136'
Draft	30'



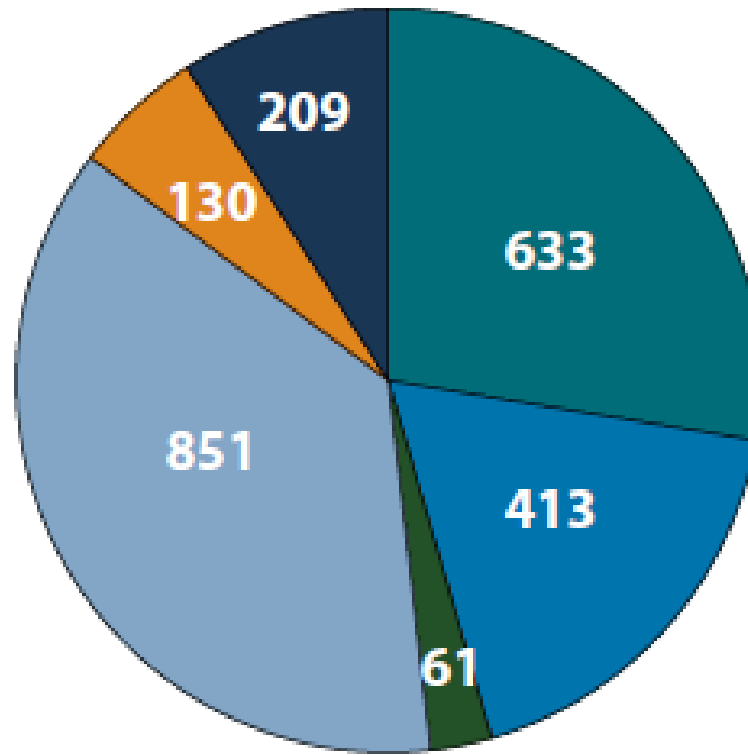
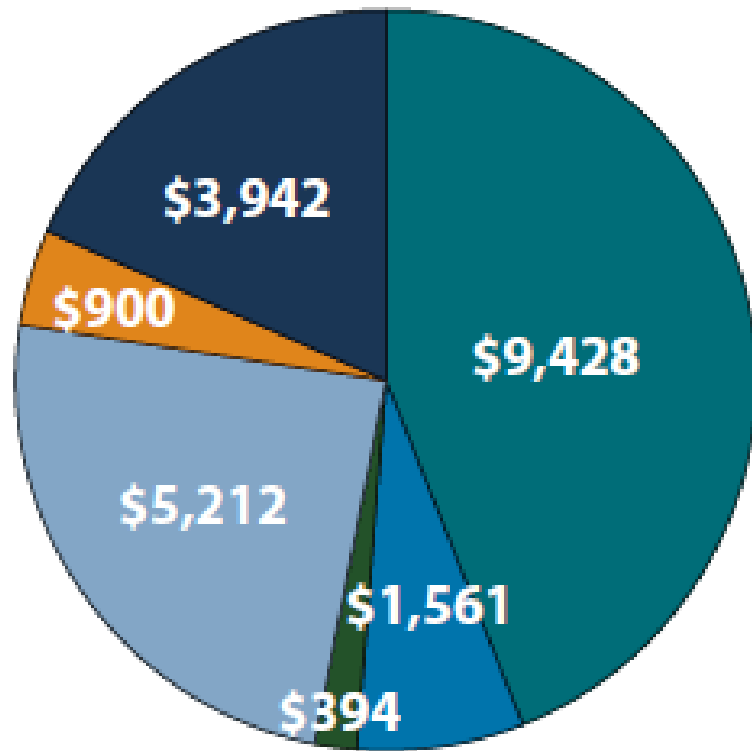
Fishing

Industry/Business Context

Ocean Economy critical to the Region's Economy

Revenues
(\$millions)

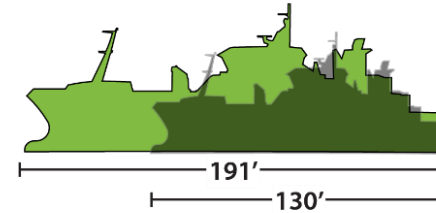
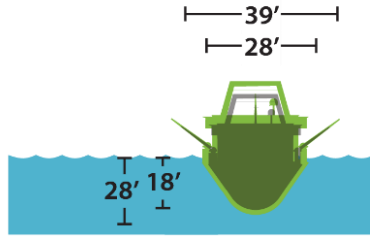
Establishments
(Total: 2,300)



- Recreational Boating & Boat Building
- Maritime Logistics & Shipping
- Commercial Fishing & Seafood Products
- Maritime Support Services
- Shipbuilding, Repair & Maintenance
- Passenger Water Transportation

*Information taken from Maritime Federation
"Economic Impact of the Maritime Industry in
Washington State"

Fishing Vessels: moorage shortage for larger vessels

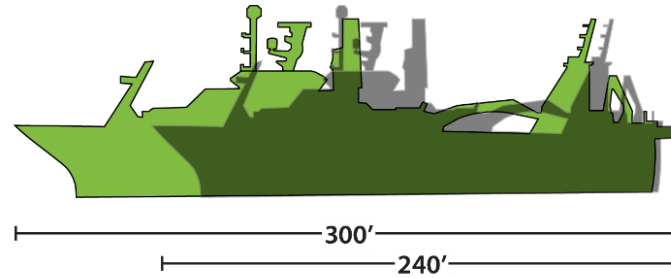
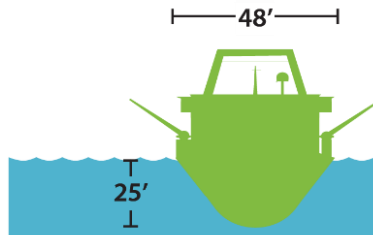


BLUE NORTH

Length: 191'
Beam: 39'
Draught: 28'

HISTORIC LONGLINER

Length: 130'
Beam: 28'
Draught: 18'

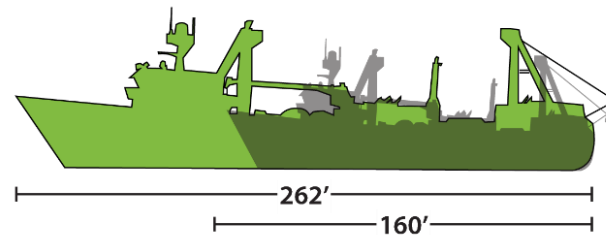
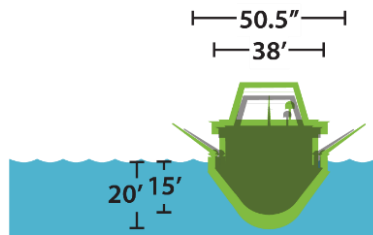


STARBOUND 2017

Length: 300'
Beam: 48'
Draught: 25'

STARBOUND ORIGINAL

Length: 240'
Beam: 48'
Draught: 25'



AMERICA'S FINEST

Length: 262'
Beam: 51'
Draft: 19'

HISTORIC A80

Length: 160'
Beam: 38'
Draft: 15'

Industry/Business Context

- Recreational Boating:
 - Strong Demand for moorage: occupancy high!
 - Trend expected to continue
 - Our marinas provide direct access to the water for many King County Residents
 - We are involved in transacting directly with the public



Industry/Business Context

- Grain:
 - Volumes have increased an average of 7% per year, for last 3 years.
 - The YTD 2018 volumes are down by 6%.
- Portfolio Management:
 - The local industrial real estate market remains strong with record lease rates.
 - Occupancy rate around 98.3%.
 - Higher than average growth projected.

Challenges

- Larger Vessels: finding space
- Traffic congestion
- Capital Capacity: continuing to steward and maintain our assets given capacity and resource availability
- Construction cost escalation
- Changing land use in Seattle
- Terminal 86 is an export-only facility: trade wars could impact.



Strengths

- Robust Maritime Cluster and legacy
- Proximity to Alaska
- Strong Team
- Track Record in Sustainability



Financial Goals: 2019 is year 1 of a 5 year plan

2019: Positive Net Operating Income including Allocations and Depreciation

- Cruise
- Grain Terminal

2019: take steps to reach Positive Net Operating Income

- Maritime Portfolio Management
- Recreational Boating

2019 take steps to cover expenses

- Fishing and Operations

Maritime Goal: Positive NOI after Depreciation by 2024

Financial Strategic Plans

1.) Find / expand new revenue sources

- 4th Cruise berth
- Habitat banking
- Dry stack moorage
- Industrial development
- Diversified fleet

2.) Maximize existing revenue streams

- Guest moorage
- Lease renewals
- Increase recreational moorage during fishing season @ FT
- Align rates to market demand

3.) Limit spending increases

- Push process improvement
- Use technology to reduce workload
- Leverage existing overhead
- Optimize predictive maintenance
- Cost sharing

Advance Environmental Sustainability

- Complete stormwater system assessment and develop framework for repairs and green stormwater infrastructure.
- Restore and maintain habitat sites.
- Develop a Habitat Mitigation Banking Agreement.
- Greenhouse gas reduction plan.
- Track and reduce solid waste generation.

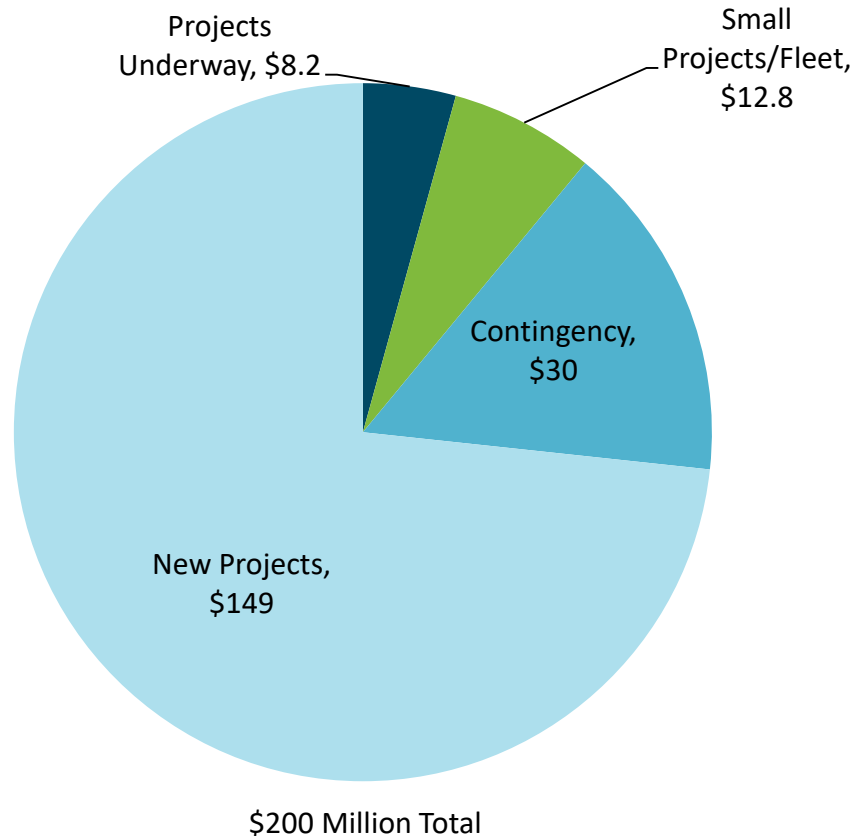


Other Priorities: Resiliency, Innovation, Equity

- All employees go home safely
 - Implement systematic approach to behavior based safety.
- Be better prepared to respond to emergencies.
 - Enhance Incident Command Systems qualifications for staff.
- Lead Maritime Industry in Innovation
 - Train leaders in Continuous Process Improvement. Encourage innovation at every level. Maritime Blue
- Partner with others to bring more diverse workforce to Maritime Industry
 - Mentoring youth and increasing support for Internships and pre apprentices

Preliminary 2019 to 2023 Capital Program

Capital Spending Breakdown EDD and Maritime in \$M



Note: Assumes current revenue and levy projections

New Projects Proposed (> \$5M):

- T117 Restoration
- FT Docks 3,4,5 Upgrade
- T91 Berths 6 and 8

“On the bubble”

- Salmon Bay Uplands Development
- Harbor Island Marina Dock E Rehab
- FT Redevelopment Phase I
- Shore power at P66

Not Included:

- Additional Cruise Facility

Appendix Slide #1

Maritime Division - 2017 Actual

<i>in \$000s</i>	Cruise	Fishing & Ops	Rec. Boating	Portfolio Mgmt.	Grain Terminal	Other / Habitat	Total Maritime
Revenue	17,596	9,297	11,086	10,787	5,427	(9)	54,184
Direct Operating Exp.	2,674	4,599	3,813	3,682	-	-	14,768
Maintenance Exp.	2,048	2,295	2,483	3,290	277	27	10,420
Central Services	3,645	3,148	3,010	3,052	867	-	13,722
Other External Exp.	629	707	474	596	253	594	3,253
Total Operating Exp.	8,996	10,749	9,780	10,620	1,397	621	42,163
NOI before Depreciation	8,600	(1,452)	1,306	167	4,030	(630)	12,021
Depreciation	5,924	5,119	3,122	2,681	558	6	17,410
NOI after Depreciation	2,676	(6,571)	(1,816)	(2,514)	3,472	(636)	(5,389)

Detail 2019 Budget Schedule

- 07/24 – 2019 EDD Business Plan and Budget Development Preview briefing
- 09/11 – Commission Budget Priorities Budget Discussion
- 09/25 – Central Services budget Commission briefing
- 10/09 – Operating division budgets Commission briefing
- 10/23 – Tax Levy & Draft Plan of Finance Commission briefing
- 10/23 – 2019 Preliminary Budget document available to Commission
- 10/25 – 2019 Preliminary Budget document available to the public
- 10/30 – NWSA Budget study session by Managing Members
- 11/13 – NWSA Budget adoption by Managing Members
- 11/13 – First reading of budget resolution and public hearing
- 11/27 – Second reading and final passage of 2019 Budget
- 12/03 – File the 2019 statutory budget with King county
- 12/14 – Publish the 2019 Final Budget to the public