

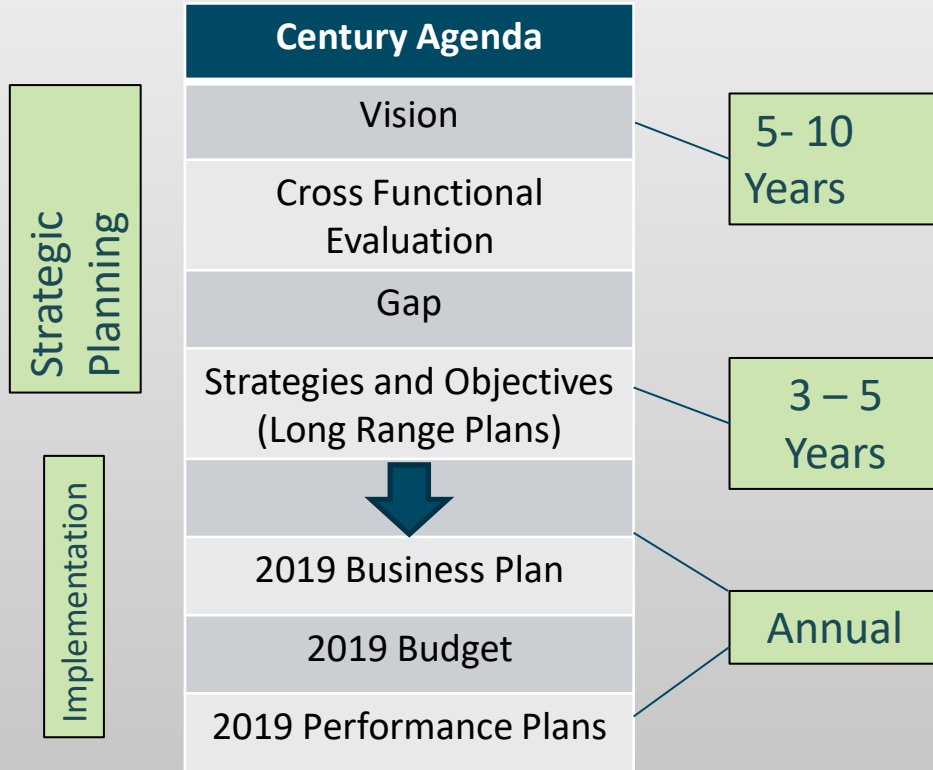
Economic Development Division 2019 Preliminary Operating Budget

Commission Briefing

October 23, 2018



Division Priorities Driven by Century Agenda



Division Priorities

- Promote international travel and cruise adventures
- Promote women and minority business enterprise (WMBE) and small business growth
- Advance equitable workforce training within key Port industries
- Develop port properties to support aviation, fishing and maritime industries

Key Budget Assumptions

- Maintain zero base budgets for nonrevenue generating departments
- Commercial Properties target 95% occupancy at year-end 2019.
- Conference and Event Center revenue up 13% from 2018 budget*.
- Economic Development Partnership Grants continued.
- Continued funding of Workforce Development.
- Tourism initiatives continued.

*Based on draft 2019 budget from Columbia Hospitality Inc.



Near full occupancy, continued Workforce Development and Grant initiatives

EDD P&L Summary

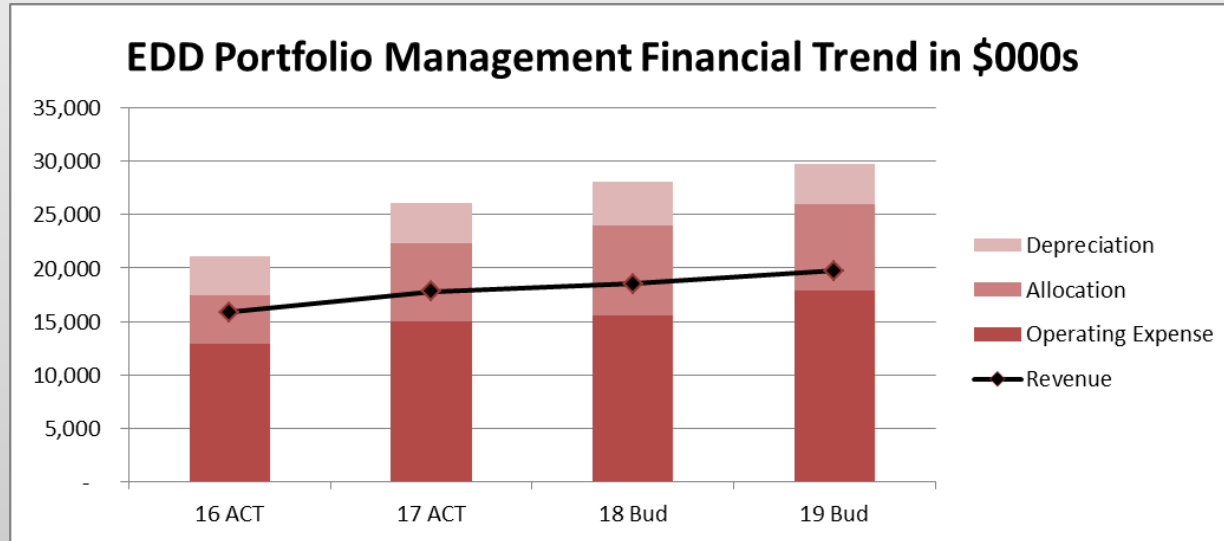
\$ in 000's	2017	2018	2018	2019	Incr (Decr)		Incr (Decr)	
	Actual	Budget	Forecast	Budget	Budget Variance	%	Budget to Forecast	%
	\$	\$	\$	\$	\$	%	\$	%
Revenue	8,658	8,985	9,097	8,930	(55)	-1%	(167)	-2%
Conf & Event Centers	9,133	9,537	9,949	10,795	1,258	13%	846	9%
Total Revenue	17,791	18,522	19,046	19,725	1,203	6%	679	4%
Expenses								
Portfolio Management	3,875	3,778	3,778	4,128	350	9%	350	9%
Conf & Event Centers	7,639	8,465	8,465	9,374	908	11%	908	11%
P69 Facilities Expenses	206	289	289	225	(65)	-22%	(65)	-22%
RE Dev & Planning	214	211	211	216	5	2%	5	2%
EconDev Expenses Other	763	1,227	1,227	1,262	35	3%	35	3%
Maintenance Expenses	3,657	3,055	3,055	4,071	1,017	33%	1,017	33%
Maritime Expenses (Excl Maint)	52	344	344	389	45	13%	45	13%
Total EDD & Maritime Expenses	16,406	17,370	17,370	19,664	2,294	13%	2,294	13%
Small Business	64	140	140	199	59	42%	59	42%
Workforce Development	850	1,992	1,292	2,010	18	1%	718	56%
Tourism	1,234	1,460	1,460	1,463	3	0%	3	0%
EDD Grants	751	960	960	960	0	0%	0	NA
*Total EDD Initiatives	2,900	4,552	3,852	4,632	80	2%	780	20%
Environmental & Sustainability	260	398	363	395	(2)	-1%	33	9%
CDD Expenses	387	329	264	235	(94)	-29%	(29)	-11%
Police Expenses	51	158	156	228	70	44%	72	46%
Other Central Services	5,269	5,816	5,700	5,533	(283)	-5%	(167)	-3%
Aviation Division	113	127	127	155	28	22%	28	22%
Total Central Services & Aviation	6,080	6,829	6,611	6,547	(281)	-4%	(63)	-1%
Envir Remed Liability	0	0	0	0	0	NA	0	NA
Total Expense	25,387	28,751	27,833	30,844	2,093	7%	3,011	11%
NOI Before Depreciation	(7,596)	(10,229)	(8,787)	(11,119)	(890)	9%	(2,332)	27%
Depreciation	3,863	4,156	4,156	3,819	(337)	-8%	(337)	-8%
NOI After Depreciation	(11,459)	(14,385)	(12,943)	(14,937)	(553)	4%	(1,994)	15%

→ *Portion of 2019 EDD initiatives assigned to tax levy:

- Small Business - \$88K
- Workforce Dev. - \$1,624K
- EDD Grants - \$960K

Near full occupancy, continued Workforce Development and Grant initiatives

Portfolio Management Financial Trend



Revenue up \$1.2M/6.5%
Expenses up \$2.0M/8.3%

Opportunities:

- T91 Development
- Pier 2 and CEM ground leases

Risks/Challenges:

- Allocation Structure
- Aging facilities – expensive to maintain
- Takes years to generate higher revenues from existing leases

Conference and Events Center growing revenues and associated costs

Portfolio Management– Key Strategies and Initiatives

- Grow and promote Conference and Event Center facilities while working to increase gross margin
- Migrate tenant billing system for NWSA
- Maximize Parking Revenues
- Negotiate Step up leases across for both Maritime & Economic Development Divisions

Focus on improved security and customer service

Diversity in Contracting/Small Business Assistance

- ❑ Implement Diversity in Contracting Policy/Program
 - Provide greater access to Port opportunities through education, events, and assistance
 - Expand supplier diversity
 - Develop tools and conduct assessments to measure and monitor inclusion in contracting
- ❑ Support construction business incubator in partnership with other public and private stakeholders



Promoting opportunity for Disadvantaged Businesses

Small Business 2019 Initiatives

\$ in 000's

	<u>2018 Budget</u>	<u>2019 Budget</u>	<u>'19-'18 Change</u>
Technical Assistance/Outreach			
Construction Business Incubator	150	60	(90)
Port Gen/Mentoring/Contractor Assistance	75	75	0
Procurement Technical Assistance Center Sup	15	15	0
Marketing/ Communication/Design Services	15	5	(10)
Champion of Inclusion Recognition Event	20	10	(10)
Supplier Diversity and Program Evaluation			
OMWBE Certification	15	15	0
WMBE Best Practice and Implementation	50	50	0
Total	<u><u>340</u></u>	<u><u>230</u></u>	<u><u>(110)</u></u>

Balanced efforts in Small Business

Workforce Development

- ❑ Manage airport employment office in partnership with PortJobs
- ❑ Implement and Strengthen Regional Construction Trades Partnership
- ❑ Advance aviation career pathway training initiative
- ❑ Invest in regional Career Connected Learning initiative



Pedro Reynaga, Harbor Operations Intern

Advancing Workforce Development with an equity lens

Workforce Development 2019 Initiatives

\$ in 000's	<u>2018 Budget</u>	<u>2019 Budget</u>	<u>'19-'18 Change</u>
Contracted Initiatives			
Airport Employment Center (contracted)	500	500	0
Airport Employment Center and Classroom	350	350	0
Employment Continuity Pool Program	75	60	(15)
Construction Trades - Regional Partnership Services, Pre-App	710	710	0
Total Contracted Initiatives	1,635	1,620	(15)
Developing Initiatives			
Airport Career Pathways Implementation	250	250	0
Maritime Career Exploration Initiative	250	250	0
K-12 Career Connected Learning	400	400	0
Total Developing Initiatives	900	900	0
Workforce Development Support	25	28	3
Total Workforce Development	2,560	2,548	(13)

Continued efforts in Workforce Development

Tourism

- ❑ Promote the cruise industry through outreach to travel influencers (trade and media) both domestically and in priority international markets (UK, Germany, China & Australia).
- ❑ Increase the value of tourism throughout Washington
 - Increase reach of Tourism Marketing Support Program
 - Enhance Airport Spotlight program
 - Use WeChat airport site to serve as portal for destinations in Washington.



Norwegian Bliss Marks Arrival of Larger Cruise Ships

Promoting Cruise, Extended Stays & Use of our Maritime and Aviation Facilities

Tourism 2019 Initiatives

\$ in 000's	<u>2018 Budget</u>	<u>2019 Budget</u>	<u>'19-'18 Change</u>
New Requests			
Int. Representation & Work (Australia/China)		98	98
Continuing			
Adv/Marketing (WeChat, FT, Cruise)	142	133	(9)
Europe Representation & VS Sponsorship	410	275	(135)
Tourism Grants	200	200	0
London Trvl Show / Tourism Development	65	39	(26)
Fam Tours / New Service Inaugural Activity	62	83	21
Total	<u><u>879</u></u>	<u><u>828</u></u>	<u><u>(51)</u></u>

Focused on Increasing International and US Tourists to Region & State

Real Estate Management and Development

- ❑ Ground lease Des Moines Creek West, Pier 2, CEM A and Terminal 106 properties
- ❑ Initiate Bell Harbor Conference Center Modernization
- ❑ Manage real estate portfolio to generate positive NOI after depreciation and corporate allocations by year-end 2024.
- ❑ Complete design work on new light industrial facilities at Terminal 91 and Fishermen's Terminal
- ❑ Develop a “second 25 years” renewal, replacement, and modernization strategy for P69 HQ facility.



Pier Two

Using our Real Estate & Capital Assets to Advance the Century Agenda

Real Estate Development 2019 Initiatives

\$ in 000's	<u>2018 Budget</u>	<u>2019 Budget</u>	<u>'19-'18 Change</u>
Ongoing			
Appraisals	50	50	0
Development Advisory Consulting	250	250	0
Total	<u><u>300</u></u>	<u><u>300</u></u>	<u><u>0</u></u>

Initiatives centered on executing Real Estate Strategic Plan

EDD Admin 2019 Initiatives

\$ in 000's	<u>2018 Budget</u>	<u>2019 Budget</u>	<u>'19-'18 Change</u>
Ongoing			
ED Partnership Grants	960	960	0
Membership: Economic Dev Council	100	100	0
Membership: Trade Dev Alliance	0	93	93
Promotional Hosting/Sponsorships	60	60	0
Opportunity Fund	500	500	0
Total	<u><u>1,620</u></u>	<u><u>1,713</u></u>	<u><u>93</u></u>

Continuation of ED Partnership Grants & additional public partnerships

Pier 69 Facilities 2019 Initiatives

\$ in 000's

	<u>2018 Budget</u>	<u>2019 Budget</u>	<u>'19-'18 Change</u>
P69 Lobby Refresh expense portion	200	0	(200)
P69 Shuttle	0	200	200
Total	<u><u>200</u></u>	<u><u>200</u></u>	<u><u>-</u></u>

Managing changes in congestion

Full-Time Equivalents (FTEs)

<u>2018 Budget</u>	36.0
<u>2018 Changes</u>	
Elimination of Business Analyst, Small Business	(1.0)
Elimination of Manager, Small Business	(1.0)
Addition of Sr Administrative Assistant, Small Business	1.0
Adjusted 2018	35.0
<u>2019 Budget</u>	
Staff Additions:	
<i>WMBE Manager</i>	1.0
Net Change 2019	1.0
Proposed 2019 Budget	36.0

No Change in FTE

2019 Operating Divisions' Budget Timeline

2019 Business
Plan and CIP
Development

(May/June)

Budget
Development
Briefing

(June)

Budget
Briefing

(October 9th)

First Reading &
Public Hearing
for 2019 Budget

(Mid-November)

2nd Reading &
Final Passage of
2019 Budget

(Late November)

Will cover operating budget and capital budget