

# Port of Seattle 2019 Budget Reading & Final Adoption

Commission Meeting  
November 27, 2018

# Outline

- 2019 Operating Budget
- 2019 Comprehensive Operating & Non-Operating Budget
- 2019-2023 Capital Improvement Plan (CIP)
- 2019 Staffing Summary
- 2019 Sources and Uses of Funds
- 2019 Proposed Tax Levy
- Remaining 2019 Budget Schedule

# 2019 Key Initiatives

Serve regional demand and maintain our global gateway.



- Serve regional demand for air service at Sea-Tac
- Support the airport capital improvement program

- Continue to improve safety & security
- Continue to improve customer service

- Support Cruise passenger growth
- Advance real estate development projects

- Build capabilities through process improvement
- Strengthen the Port's Centers of Expertise

Serving increased demand is a key budget driver

# 2019 Key Initiatives

Create equitable opportunities throughout the region and invest in healthy communities and environment.



- Diversity in Contracting and WMBE
- Equity Program
- Priority Hire
- Expand stakeholder engagement



- Workforce development
- Continue internship program and expand career connected learning
- Supporting Fair Works Center at the Airport



- EPA Grant for work with near-Port communities
- Energy and Sustainability grants
- Sustainable Aviation Fuels



- Promote economic development for the region
- Expand tourism opportunities

**Budget resources support community priorities**

# 2019 Budget Highlights

- Operating revenues are budgeted at \$753.3M, \$82.8M or 12.3% higher than 2018 budget, and \$67.7M or 9.9% above 2018 forecast
- Operating expenses are budgeted at \$453.9M, \$31.0M or 7.3% increase from 2018 budget, and \$34.4M or 8.2% above 2018 forecast
- Net Operating Income is budgeted at \$299.4M, \$51.8M or 20.9% above 2018 budget, and \$33.2M or 12.5% above 2018 forecast
- The 2019 capital budget is \$1.0 billion and the 5-year capital spending plan is over \$3.1 billion
- The proposed tax levy for 2019 is \$74.2M

The 2019 budget reflects the Port's growth and continued investments for the region

# Additional Budget Change

- As noted in the first budget reading, a Environmental Program Manager position was approved for Public Affairs after we submitted the briefing package.
- This is a limited duration hire (for one year and nine months) to support the Airport Community Ecology (ACE) Fund program and near-Port Environmental Justice (EJ) communities stakeholder engagement.
- For the 2018 new hire, the total budget is \$137K for 2019.

Additional change made to the budget

# 2019 Operating Budget - Port wide

(\$ in '000s)	2016	2017	2018	2018	2019	Budget Change		Budget vs Forecast	
	Actual	Actual	Budget	Forecast	Budget	\$	%	\$	%
<b>Operating Revenues</b>	598,467	632,031	670,479	685,592	753,255	82,776	12.3%	67,663	9.9%
<b>Operating Expenses</b>	325,285	372,982	422,885	419,417	453,861	30,976	7.3%	34,444	8.2%
<b>Net Operating Income</b>	<b>273,182</b>	<b>259,049</b>	<b>247,594</b>	<b>266,175</b>	<b>299,395</b>	<b>51,800</b>	<b>20.9%</b>	<b>33,220</b>	<b>12.5%</b>

A record \$753M of operating revenues for 2019

# 2019 Comprehensive Budget

(\$ in 000s)	2017 Actual	2018 Budget	2018 Forecast	2019 Budget	Budget Change		Explanations
					\$	%	
<b>Revenues</b>							
1. Aeronautical Revenues (Net)	264,114	301,082	303,769	365,604	64,522	21.4%	Cost recovery under SLOA IV.
2. Other Operating Revenues	367,917	369,398	381,823	387,651	18,254	4.9%	Higher revenue from the Airport, Maritime & EDD businesses.
3. Tax Levy	71,702	72,000	72,000	74,160	2,160	3.0%	Increased by 3% in 2019.
4. PFCs	88,389	91,787	93,095	95,185	3,398	3.7%	Higher enplanement forecast for 2019.
5. CFCs	25,790	22,161	22,161	23,482	1,321	6.0%	Increase due to more for debt service cost.
6. Fuel Hydrant	7,000	7,023	7,023	7,022	(2)	0.0%	Essentially the same as 2018.
7. Non-Capital Grants and Donations	6,705	5,504	3,000	2,655	(2,849)	-51.8%	Less state grant in 2019.
8. Capital Contributions	30,112	41,379	41,379	49,345	7,966	19.3%	More TSA grant for the Checked Baggage Screen Project.
9. Interest Income	12,174	15,713	25,670	30,903	15,190	96.7%	Slight increase in rates and higher cash balances.
<b>Total</b>	<b>873,902</b>	<b>926,047</b>	<b>949,920</b>	<b>1,036,007</b>	<b>109,961</b>	<b>11.9%</b>	
<b>Expenses</b>							
1. O&M Expense	372,982	422,885	419,417	453,861	30,976	7.3%	New budget initiatives and average pay increase.
2. Depreciation	165,021	163,309	163,309	168,676	5,367	3.3%	More new assets come into service in 2019.
3. Revenue Bond Interest Expense	97,748	122,544	105,000	129,429	6,886	5.6%	More bond issuance assumed in 2019 increased interest expense.
4. GO Bond Interest Expense	13,891	13,501	13,501	12,689	(812)	-6.0%	Decreased debt service on GO bonds through amortization.
5. PFC Bond Interest Expense	4,931	4,437	4,437	3,606	(831)	-18.7%	Decreased debt service on PFC bonds through amortization.
6. Non-Op Environmental Expense	4,464	2,250	40,147	5,000	2,750	122.2%	Revise costs estimates for ERL balance and superfund sites.
7. Public Expense	4,588	10,794	11,200	21,009	10,215	94.6%	Safe & Swift, Seattle Heavy Haul, Vanderlande Screening Lanes.
8. Other Non-Op Rev/Expense	10,441	473	1,200	1,415	942	199.4%	
<b>Total</b>	<b>674,066</b>	<b>740,193</b>	<b>758,212</b>	<b>795,685</b>	<b>55,492</b>	<b>7.5%</b>	
<b>Revenues over Expenses</b>	<b>199,836</b>	<b>185,854</b>	<b>191,709</b>	<b>240,322</b>	<b>54,468</b>	<b>29.3%</b>	

**A strong financial position for the Port in 2019**



# Capital Plan Summary

## Capital Plan Summary by Division

\$ in 000's	2018 Fcst	2019	2020	2021	2022	2023	2019-2023
Aviation	574,425	935,454	576,576	515,061	394,108	278,868	2,700,067
Maritime	28,638	33,455	70,415	149,853	12,713	14,936	281,372
Economic Development	3,777	8,221	29,796	21,350	3,960	3,830	67,157
Stormwater Utility	1,913	1,800	2,550	2,319	2,150	2,150	10,969
Central Services and Other	11,848	22,507	10,917	11,872	11,740	33,813	90,849
<b>Total</b>	<b>620,601</b>	<b>1,001,437</b>	<b>690,254</b>	<b>700,455</b>	<b>424,671</b>	<b>333,597</b>	<b>3,150,414</b>

- Capital projects have been prioritized by staff.
- The capital plan does not include Port share of the NWSA capital spending between 2019 and 2023.

The Port continues to invest in the region with a 5-year capital plan of over \$3 billion

# FTE Summary

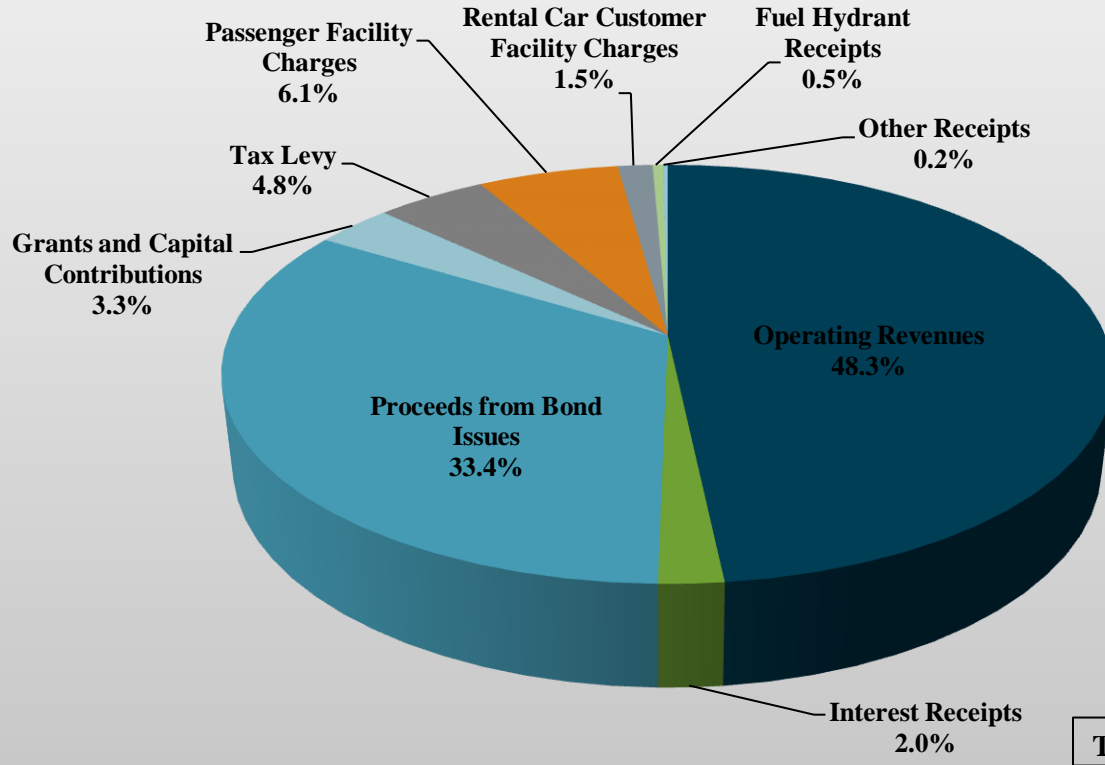
	Aviation	Maritime	Econ Dev.	Central Services	Total
<b>2018 Approved FTE's</b>	<b>1,040.4</b>	<b>171.0</b>	<b>36.0</b>	<b>907.1</b>	<b>2,154.5</b>
Mid Year Approval	8.0	-	1.0	13.0	22.0
Eliminated	-	-	(2.0)	(1.5)	(3.5)
Net Transfers	3.0	1.0	-	(4.0)	-
Adjusted 2018 FTE's (note 1)	1,051.4	172.0	35.0	914.6	2,173.0
2019 Budget					
Eliminated	-	(1.0)	-	(0.8)	(1.8)
Transfer	-	(1.0)	-	1.0	-
New FTE's (note 2)	54.4	3.0	1.0	25.5	83.9
Total 2019 Changes	54.4	1.0	1.0	25.8	82.1
<b>Proposed 2019 FTE's</b>	<b>1,105.8</b>	<b>173.0</b>	<b>36.0</b>	<b>940.4</b>	<b>2,255.1</b>

Notes:

- 1) Includes 1.0 FTE for Stormwater Utility in Maritime Division.
- 2) Includes 1.0 new FTE for Stormwater Utility in Maritime Division.

**FTEs driven by Commission priorities and growth initiatives**

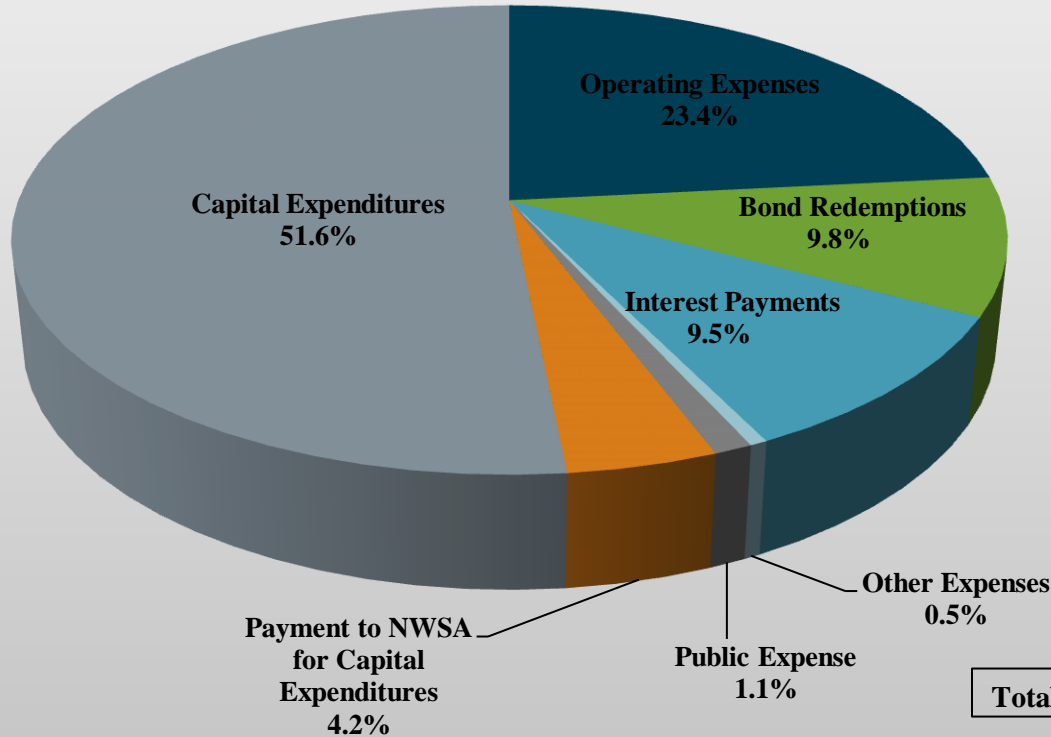
# Sources of Funds



- 82% of funding sources come from bond proceeds and operating income.
- The tax levy makes up less than 5% of the funding sources in 2019.

The Port has diversified funding sources

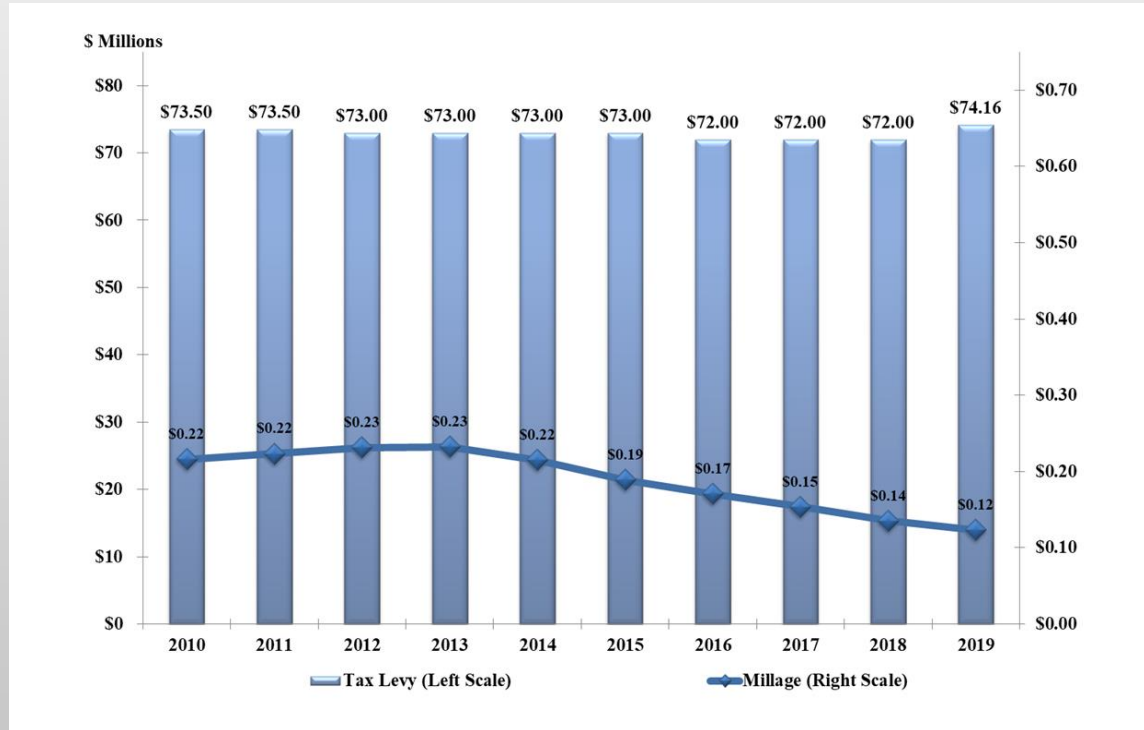
# Uses of Funds



- Plan to spend more than half of our funds on capital projects in 2019.
- Operating expenses are less than a quarter of total expenditures in 2019.

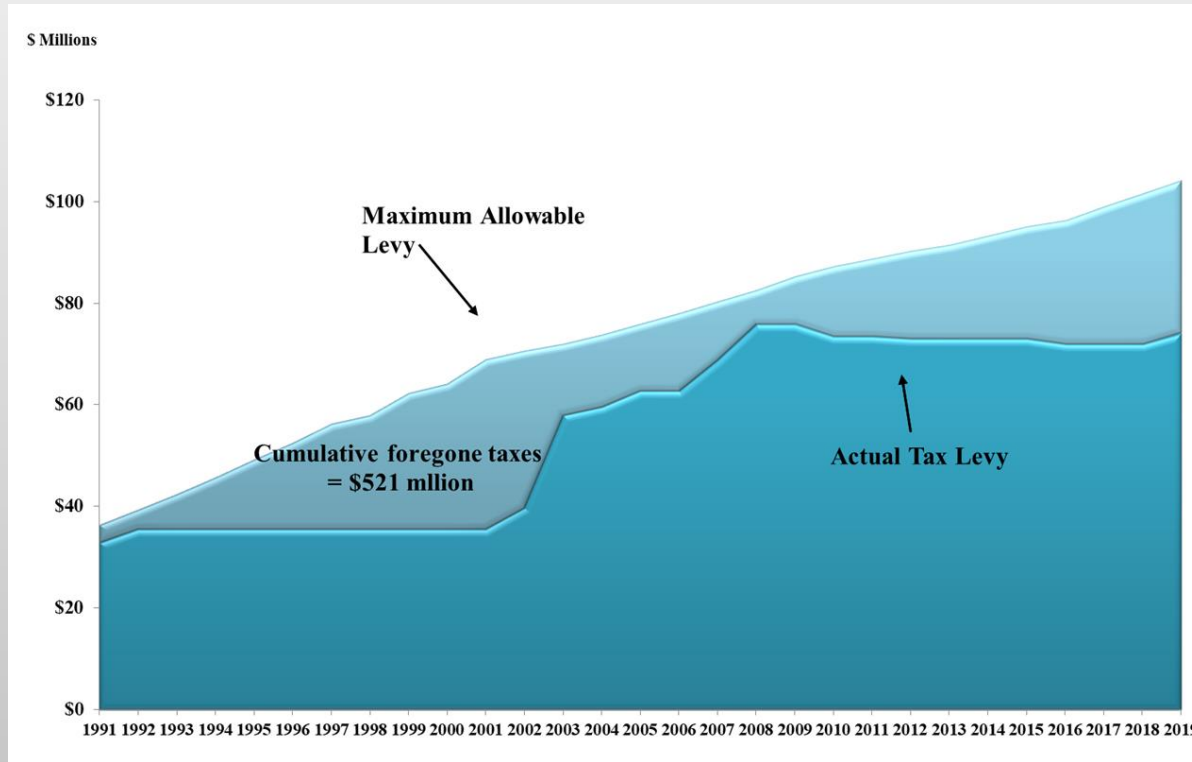
Capital spending comprises more than half of Port expenditures

# 2010-2019 Tax Levy & Millage Rate



The Port has gradually reduced the tax levy amount from 2010 to 2018

# Actual vs. Maximum Allowable Levy



The Port has forgone \$521M in tax revenue since 1991

# Remaining Budget Schedule

- File Statutory Budget with King County Dec. 3, 2018
- Release the 2019 Final Budget Document Dec. 14, 2018

Statutory budget to be filed with the County on December 3

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