

Port of Seattle 2021 Budget Development Briefing

Commission Meeting
July 14, 2020



Budget Challenges In Times of Uncertainty

- The Port is experiencing unprecedented declines in activity across the aviation and maritime sectors as a result of the COVID-19 pandemic
- 2020 operating revenues are expected to decline more than 20% compared to budget, and a significant portion of customer and tenant payments have been deferred to provide relief, stressing cash balances
- Considerable uncertainty remains regarding the depth and duration of the current downturn, the recovery trajectory and the Port's revenue outlook for 2021
- At the same time, the Port must continue to implement new health and safety measures, meet needs for essential services and support the region's recovery

2020 Early Actions

- Reduced operating and capital expenditures by \$70 million, including re-prioritization of capital projects
- Hiring freeze
- Tapped levy resources to increase funding for community benefit investments to support job retention and creation
- Provided tenant and customer relief
- Received \$192 million of CARES Act funding for Sea-Tac airport
- Secured \$150 million bank letter of credit for added liquidity

2021 Budget Objectives

- Support the health and safety of our community
- Meet the region's need for essential Port-related services
- Provide a platform for economic activity that will lead the region to recovery
- Position the Port on a sustainable financial path

2021 Budget Strategies

- Budget very conservatively given the uncertain revenue outlook
- Fund only the most essential programs and services at a sustainable level
- Reduce non-essential expenditures and look for ways to increase revenue
- Position the Port to continue leading the recovery and prepare for a return to growth mode
- Build in flexibility and options in the event that business conditions change dramatically

Budget Guiding Principles

- Continue investments that enhance the health of our communities and promote equity
- Continue to ensure the safe and efficient operation of Port business gateways to support the viability of our customers, tenants and suppliers
- Devote sufficient resources and continue to implement practices to ensure the safety of employees, customers and the public
- Strive to preserve employment to the greatest extent possible
- Continue to assess the short- and long-term effects of COVID-19 on Port industries, operations and facility needs
- Maintain a long-term strategic view of capital improvements with a priority on investments that generate revenue and provide long-term, sustainable community and economic benefits

General Budget Guidelines—Operating

- Limit personnel cost growth
- Continue current hiring restrictions through 2021 and sharply limit new FTEs to the most critical needs
- Minimize discretionary spending including travel and outside training
- Scale back contracted services to those most essential to maintain operations
- Offset new expenses with savings in other areas
- Seek new revenue opportunities

General Budgeting Guidelines—Capital

- Maintain active construction to help stimulate recovery across the region
- Incorporate potential impacts of COVID-19 on future operations and facility needs
- Prioritize projects according to the Guiding Principles and the timing of new construction should consider updated demand forecasts, cash preservation needs and opportunities to perform work while business activity is low
- Continue project planning, design and environmental reviews to provide the option to proceed if grant funding becomes available; timing of actual construction will depend on the Port's financial outlook
- Consider potential added costs related to COVID-19 and the local bidding environment in preparing and updating project budgets

2021 Budget Process Overview

Environmental Assessment

- Assess business environment and industry conditions
- Conduct SWOT analysis
- Update operating and capital forecasts

Budget Preparation

- Develop budget assumptions and drivers
- Identify key financial metrics and budget targets
- Issue budget calendar and departmental guidelines
- Prepare operating and capital budgets in accordance with principles and guidelines

Budget Reviews and Approvals

- Conduct internal department and division budget reviews
- Publish the preliminary budget document to the public
- Commission review and approval of budgets/capital plans

Final Steps

- File the Statutory Budget with King county
- Publish the final budget document to the public

2021 Budget Calendar

(Commission Items in Blue)

5/29 – 2021 Budget Planning Discussion with ELT

6/04 – Commission Retreat on Budget and Recovery Plan

7/14 – 2021 Budget Process and Schedule Commission Briefing

7/15 – 2021 Budget Guidelines available

7/29 – Commission Budget Retreat with industry expert presentations

8/06 – Commission Budget Retreat on Tax Levy and 2021 Commissioner priorities

8/11 – Capital Planning Commission Briefing

8/17 – 08/21: Executive review of Central Services Department Budgets/New Requests

9/09 – Executive review of combined Central Services Budget

9/10 – Executive review of Maritime and EDD Operating & Capital Budgets

9/11 – Executive review of Aviation Operating & Capital Budgets

9/14 – 2021 North Harbor Budget to the NWSA

2021 Budget Calendar

(Commission Items in Blue)

09/22 – Central Services Budget and Port wide Budget Overview Commission briefing

10/09 – POS/NWSA ILA Service Directives due to the NWSA

10/13 – Operating Divisions Commission Budget Study Session

10/20 – 2021 Preliminary Budget Document available to Commission

10/22 – 2021 Preliminary Budget Document available to the public

10/27 – Tax Levy & Draft Plan of Finance Commission briefing

10/28 – NWSA Budget study session with Managing Members

11/10 – Introduction of preliminary 2021 Budget and public hearing

11/11 – NWSA Budget adoption by Managing Members

11/24 – Adoption of 2021 Budget

12/03 – File the 2021 Statutory Budget with King county

12/15 – Publish the 2021 Final Budget to the public