

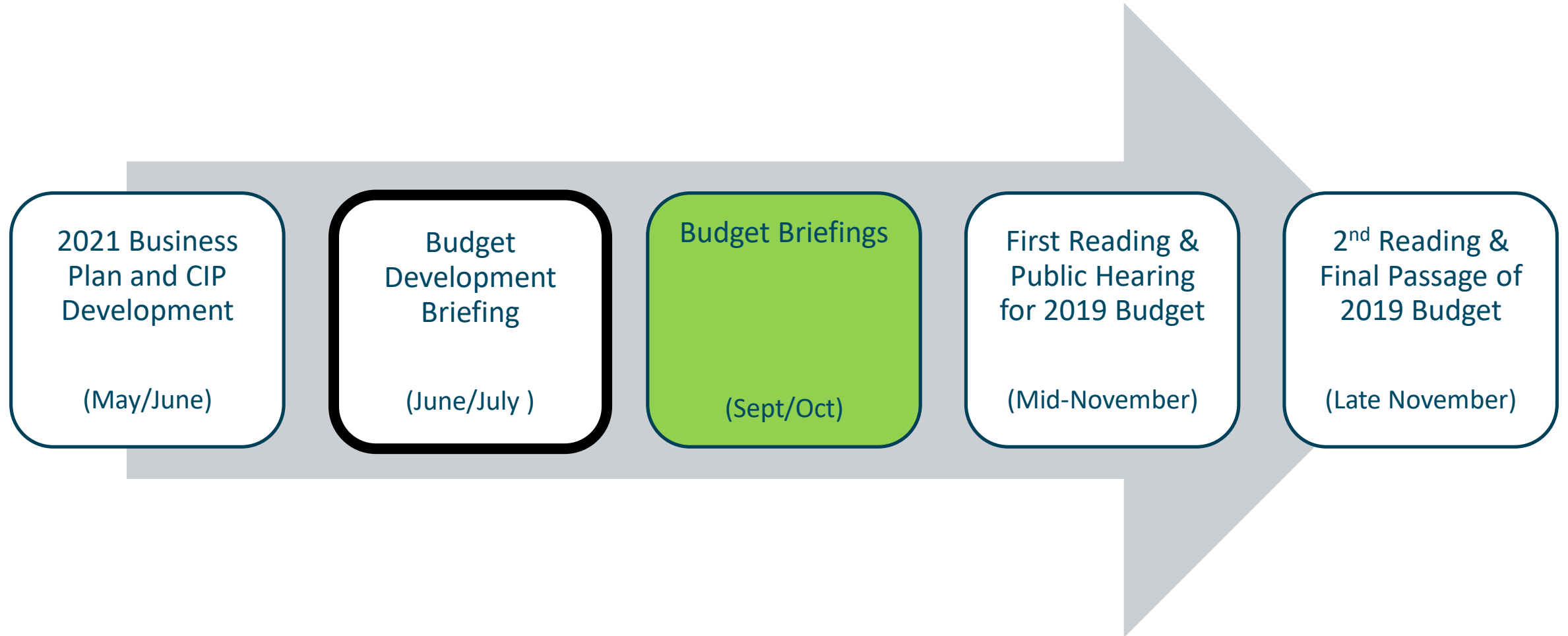
Central Services 2021 Preliminary Budget

September 22, 2020

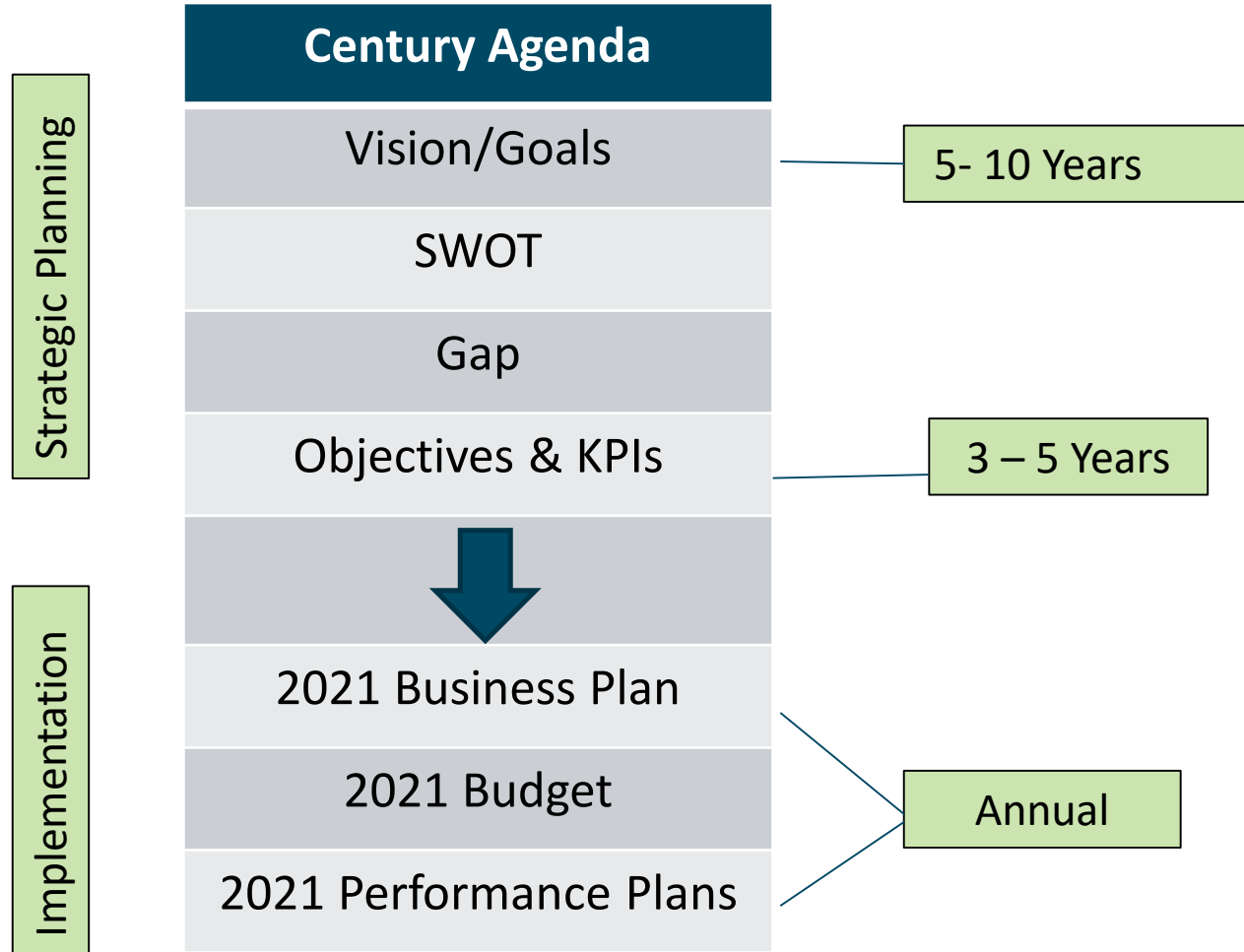
Outline for the Presentation

- Strategy to Budget Process
- SWOT Analysis
- 2021 Budget Guiding Principles, Strategy & Actions
- 2021 Operating Budget
- FTEs Summary
- Capital Budget (2021 – 2025)
- Appendix with Budget Details and Reports

2021 Budget Timeline



Strategy to Budget Process



Century Agenda Drives Port Priorities and Budgets



- ★ Position the Puget Sound Region as a Premier International Logistics Hub
- ★ Advance this Region as a Leading Tourism Destination and Business Gateway
- ★ Responsibly Invest in the Economic Growth of the Region and all its Communities
- ★ Be the Greenest and Most Energy Efficient Port in North America
- ★ Become a Model for Equity, Diversity and Inclusion
- ★ Be a Highly Effective Public Agency

Central Services SWOT Summary

Strengths

Workforce

- Knowledgeable, highly-trained, specialized
- Highly adaptable, seamless move virtual environment

External Relationships

- Solid relationships with key external stakeholders that are well leveraged by staff

Strong customer Service

Weaknesses

Staffing Challenges

- Multiple vacancies = overworked staff
- Critical maintenance suffers; no capacity for new projects
- Overreliance on consultants

Inefficient internal processes

- Overly complex processes create bottlenecks and an inability to operate efficiently

Technical systems need improvement with increase telework

Opportunities

Focus on Equity

- Current race/economic disparity issues drive equitable development opportunities

Drive economic activity by accelerating capital development and maintenance projects

- Fewer travelers/customers allows for acceleration of construction projects
- Capital projects help sustain Port workforce and community partners

Threats

Economy and Resources

- Short/long term financial instability; lack of capacity; reduced ability to respond
- Tenants/partners slow to recover in recession
- Potential for insufficient revenues to support critical projects

COVID Impacts

- Potential that pandemic spikes again causing future uncertainty and related socioeconomic impacts
- Creates challenges for Port operations and facilities

2021 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

2021 Budget Strategies

- Fund only the most essential programs and services at a sustainable level
- Reduce non-essential expenditures and look for ways to increase revenue
- Budget revenues very conservatively given the uncertain business outlook
- 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

Key Budget Actions

- Minimal new requests for 2021 budget
- No pay increases for non-represented staff in 2021. Labor Relations will collaborate with bargaining units to achieve comparable cost savings.
- Significant savings achieved through current hiring freeze—many positions frozen until 2022
- Travel and training limited to minimal amount to maintain certifications
- Contracted services scaled back to those most essential to maintain operations and advance key initiatives

Central Services Budget Highlights

- Total operating expense decrease of \$11.9 million, or -8.8% compared to the 2020 Approved Budget
 - Cut \$6.9M from payroll budget through hiring freeze, FTEs elimination, and delay hiring for 2021 (with an impact to a total of 62.6 FTEs)
 - Zero-based approach: reviewed all non-payroll items and reduced spending by 22.3% from the 2020 approved budget

2021 Preliminary Budget Summary

(in \$000's)	2020 Approved Budget	2020 Revised Budget	2021 Proposed Budget	Inc/(Dec) from 2020 Approved Budget	
				\$ Change	% Change
Total Payroll Costs (with Capital)	124,540	121,821	118,079	(6,461)	-5.2%
Total Non-Payroll Costs (with Capital)	46,958	42,050	37,828	(9,130)	-19.4%
Total Costs (with Capital)	171,498	163,871	155,906	(15,591)	-9.1%
Sal/Wage-Cap/Govt/Envrs Proj	(20,419)	(18,535)	(19,248)	(1,172)	5.7%
Cap/Govt/Envrs Projects OH	(5,772)	(5,378)	(5,974)	202	-3.5%
OnsiteConsult-Cap/Gov/Env Proj	(11,028)	(11,975)	(8,434)	(2,594)	23.5%
Total Charges to Capital	(37,219)	(35,887)	(33,655)	(3,563)	9.6%
Total Payroll Expenses	104,121	103,286	98,831	(5,290)	-5.1%
Non-Payroll O&M Expense	30,158	24,697	23,420	(6,738)	-22.3%
Total O&M Expenses	134,279	127,983	122,251	(12,028)	-9.0%

Central Services Budget by Account

DESCRIPTION (in \$000's)	2019	2020	2020	2021	Inc/(Dec) from 2020	
	Actual	Approved Budget	Revised Budget	Proposed Budget	\$ Change	% Change
TOTAL OPERATING REVENUE	1,282	40	40	181	141	352.3%
OPERATING EXPENSE						
Salaries & Benefits	66,708	73,710	72,875	72,029	(1,681)	(2.3%)
Wages & Benefits	20,358	30,411	30,411	26,802	(3,609)	(11.9%)
Payroll to Cap/Govt/Envrs Proj	16,713	20,419	18,534	19,248	(1,172)	(5.7%)
TOTAL SALARIES & BENEFITS	103,778	124,540	121,821	118,079	(6,461)	(5.2%)
Equipment Expense	2,869	2,526	2,139	1,858	(668)	(26.4%)
Utilities	29	46	39	33	(14)	(29.4%)
Supplies & Stock	1,369	1,302	1,169	895	(406)	(31.2%)
Outside Services	26,553	33,753	31,563	27,541	(6,212)	(18.4%)
Travel & Other Employee Exps	2,548	3,343	1,808	1,358	(1,984)	(59.4%)
Promotional Expenses	658	867	528	316	(550)	(63.5%)
Telecommunications	611	679	656	616	(63)	(9.3%)
Property Rentals	975	1,204	1,138	1,092	(112)	(9.3%)
Worker's Compensation Expense	622	375	375	621	246	65.5%
General Expenses	3,169	2,839	2,610	3,498	659	23.2%
Overhead Allocations	-	25	25	()	(25)	(100.0%)
TOTAL NON-PAYROLL EXPENSES	39,402	46,958	42,050	37,828	(9,130)	(19.4%)
TOTAL COSTS BEFORE CAPITAL CHARGES	143,180	171,498	163,871	155,906	(15,591)	(9.1%)
Charges to Cap/Govt/Envrs Projects	(29,290)	(37,219)	(35,887)	(33,655)	3,563	(9.6%)
TOTAL OPERATING EXPENSE	113,891	134,279	127,983	122,251	(12,028)	(9.0%)

Majority of savings is from frozen/deferred FTEs, reduction in outside services, and travel/other employee expense.

\$15.6M, or 9.1% reduction before charges to capital, capital charges also reduced.

Central Services Budget by Department

Departments (in \$000's)	2019	2020	2020	2021	Inc/(Dec) from 2020	
	Actual	Approved Budget	Revised Budget	Proposed Budget	\$ Change	% Change
O1100-Executive	2,018	2,355	2,253	2,285	(71)	(3.0%)
O1200-Commission Office	2,022	2,292	2,014	2,169	(123)	(5.3%)
O1310-Legal	4,987	4,001	3,948	3,919	(82)	(2.0%)
O1330-Risk Services	3,137	3,438	3,380	3,939	502	14.6%
O1400-External Relations	7,760	11,070	10,274	9,328	(1,743)	(15.7%)
O1460-Equity, Diversity and Inclusion	2,337	4,465	5,328	3,743	(722)	(16.2%)
O1500-Business Intelligence	1,302	2,209	1,516	1,523	(686)	(31.1%)
O1600-Engineering	5,696	8,765	5,143	5,580	(3,186)	(36.3%)
O1700-Port Construction Services	4,341	3,748	3,468	3,619	(129)	(3.4%)
O1800-Human Resources	9,187	11,690	10,191	11,385	(304)	(2.6%)
O1810-Labor Relations	1,230	1,386	1,336	1,346	(40)	(2.9%)
O1900-Information & Comm. Technology	23,014	26,013	25,695	24,427	(1,586)	(6.1%)
O1980-Information Security	1,203	1,968	1,915	1,913	(55)	(2.8%)
O2100-Finance & Budget	2,037	2,219	2,211	2,292	73	3.3%
O2200-Accounting/Financial Reporting	7,341	9,024	8,810	8,724	(301)	(3.3%)
O2280-Internal Audit	1,450	1,749	1,589	1,637	(113)	(6.4%)
O2400-Office of Strategic Initiatives	1,448	1,619	1,197	1,059	(560)	(34.6%)
O2700-Environment & Sustainability	976	1,538	1,214	1,035	(503)	(32.7%)
O2900-Corporate Contingencies	39	(2,702)	(100)	(1,502)	1,200	(44.4%)
O4300-Police Department	27,793	31,444	31,312	28,297	(3,146)	(10.0%)
O9200-Central Procurement Office	4,452	5,988	5,289	5,533	(455)	(7.6%)
TOTAL OPERATING EXPENSE	113,891	134,279	127,983	122,251	(12,028)	(9.0%)

Across the board savings in virtually all departments. Department-level review materials available to Commission under separate cover.

2021 New Budget Requests

- 12 requests submitted for a total of \$666K
- 6 requests approved for a total of \$451K
 - Compensation Program Review Consultant (\$150K)
 - HR Outreach Specialist (\$117K)
 - Carbon Policy Assistance for 2021 Legislative Session (\$75K)
 - Employee Engagement Survey (\$70K)
 - Behavior Based Safety Program Development (\$26K)
 - Affirmative Action Plan Consulting Services (\$9K)

Payroll Cost Savings

Description (Amount in \$000s)	# of FTEs	Est. Amount
1) Frozen FTEs	43.8	5,184
2) Eliminated FTEs	6.9	621
3) Delay Hiring	12.0	1,071
TOTAL	62.6	6,876

- No pay increase budgeted for non-represented staff and equivalent savings assumed for represented staff
- 43.8 FTEs frozen, 6.9 FTEs eliminated, and 12.0 FTEs hiring delayed in 2021
- No furloughs currently included in budget
- Budget includes a 1.5% vacancy factor

2021 FTE Summary

Description	FTEs	Notes
2020 Approved Budget	834.3	
Changes in 2020:		
Mid-Year Approvals	6.5	
Eliminated	0.0	
Transfer	0.0	
2020 Baseline	840.8	
2021 Budget Changes:		
Transfer	10.7	College/Graduate interns from divisions
Eliminated	-6.9	
Proposed New FTEs	1.0	
Net Change	4.8	
Proposed FTEs for 2021	845.6	Exclude frozen and deferred FTEs
Total Frozen FTEs for 2021	43.8	In addition to delay hiring of 12.0 FTEs in 2021

Community Program Investments

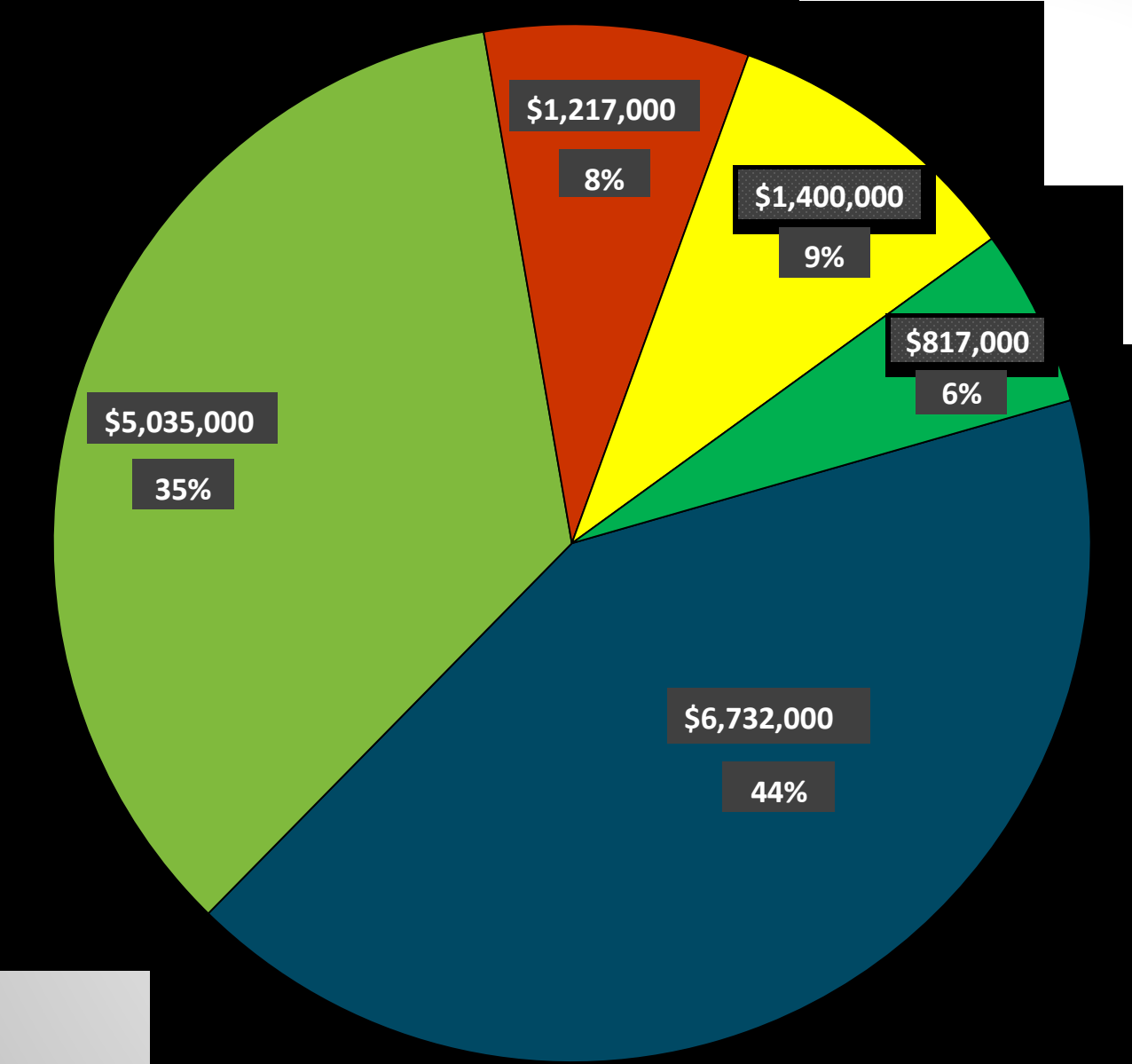
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Port Community Programs and Partnerships

- The Port is planning to invest \$13.5 Million to support community programs and partnerships next year
 - Supports economic development, workforce development, equity/diversity/inclusion, and sustainability initiatives
 - \$1.4 MM goes to City of SeaTac for community relief
- Some reductions were made to community programs based on:
 - Previous spending patterns
 - Need to share reductions across all Port operations and partnerships
- Community programs help support 22 staff positions across the Port in Tourism, Diversity in Contracting, Workforce Development, Human Resources and EDI Departments.
 - These community program budgets include reductions in travel, promotional hosting, and other discretionary expenses
- These investments are augmented with \$2-3 Million annually in sponsorships and memberships. Staff has made similar reductions to 2021 sponsorship/membership budgets.

Port Community Program Funding by Activity



Economic Development:

Tourism Dept., Spotlight Advertising, City ED grants, Diversity in Contracting Dept., Maritime Innovation, SKCF

Workforce Development:

HS Interns, Workforce Development Dept.

Equity, Diversity & Inclusion

EDI Dept., Duwamish Community Equity program

SeaTac Community Relief

Sustainability:

ACE Fund, E&S Committee, Low Carbon Fuel standard,

2020 COMMUNITY PROGRAMS

Program (in \$000)	% levy funding	2019 Actual	2020 Budget	2020 Cost Reduction	2020 Adds	2020 Revised Budget	2021 Reduction (or transfer)	2021 Budget
Workforce Development	47	1,771	3,119	216	1,500	4,403	-1,721	2,682
Tourism Program	56	1,338	1,536	194	300	1,642	+839	2,481
South King County (SKC) Fund	100	-	1,500	0	-	1,500	-180	1,320
City of SeaTac Community Relief	100	1,400	1,400	0	-	1,400	0	1,400
Diversity in Contracting (formerly Small Business)	13	883	1,520	188	-	1,332	+170	1,502
Airport Spotlight Ad Program	100	934	1,148	0	-	1,148	-448	700
EDD Partnership Grants	100	763	960	0	-	960	-50	910
Equity, Diversity & Inclusion	0	566	1,346	420	-	925	+137	1,062
High School Internship Program	0	529	657	25	-	632	-132	500
Airport Community Ecology (ACE) Fund	100	260	522	0	-	522	-310	212
Duwamish Valley Community Equity Program	100	-	292	0	-	292	-17	275
Energy & Sustainability (E&S) Fund	100	283	250	100	-	150	+100	250
Maritime Blue Partnership	100	-	150	0	-	150	0	150
Low Carbon Fuel Standard Support	0	-	150	45	-	105	-30	75
Sustainable Aviation Fuels & Air Emissions Program	0	-	40	0	-	40	-40	0
TOTAL	60	8,727	14,590	1,188	1,800	15,201	-\$1,682	\$13,518
				=8.1 % reduction	= 12.3% addition			

Central Service CIP

September 22, 2020

Central Services Capital Projects Summary

Five Year Capital Plan (\$000's) *	2021	2022	2023	2024	2025	2021-2025 Total
Commission Authorized Projects	1,209	-	-	-	-	1,209
Projects Pending Authorization	3,600	3,450	2,000	2,000	2,500	13,550
Small Capital	4,435	4,809	4,740	4,600	4,488	23,072
CIP Cashflow Management Reserve	(2,500)	-	1,000	1,000	500	-
Total	9,244	8,259	6,740	6,600	6,988	37,831

* Excludes ICT projects budgeted within operating divisions as well as ICT portions of PMG led projects.

Commission Authorized Projects

Five Year Capital Plan (\$000's)	*	2021	2022	2023	2024	2025	2021-2025 Total
Commission Authorized Projects							
Radio System Upgrade	U	409	-	-	-	-	409
FEMA Police Boat Acquisition	N	800	-	-	-	-	800
Total		1,209	-	-	-	-	1,209

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

Projects Pending Authorization

Five Year Capital Plan (\$000's)	*	2021	2022	2023	2024	2025	2021-2025 Total
Projects Pending Authorization							
IT Renewal/Replacement	U	-	-	2,000	2,000	2,500	6,500
POS Offices Wi-Fi	U	1,450	1,000	-	-	-	2,450
Phone System	U	1,000	-	-	-	-	1,000
STIA Network Redundancy	N	-	1,500	-	-	-	1,500
Environmental Remediation System	N	500	-	-	-	-	500
Community Communication Display	N	-	500	-	-	-	500
Environmental Mgmt Info System	N	350	-	-	-	-	350
ID Badge System Upgrade	U	300	450	-	-	-	750
Total		3,600	3,450	2,000	2,000	2,500	13,550

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

Small Capital Projects

Five Year Capital Plan (\$000's)	2021	2022	2023	2024	2025	2021-2025 Total
Small Capital						
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 Fleet Replacement	685	645	713	725	748	3,516
Corporate Small Capital	100	100	100	100	100	500
CDD Fleet Replacement	830	940	995	900	660	4,325
Engineering Small Cap	70	374	182	125	230	981
Total - Small Capital	4,435	4,809	4,740	4,600	4,488	23,072
CIP Cashflow Management Reserve						
CIP Reserve - Central Services	(2,500)		1,000	1,000	500	-

Remaining 2021 Budget Schedule

- Operating division budgets briefing (10/13)
- 2021 Preliminary Budget Document Available to the Commission (10/20)
- 2021 Tax Levy & Draft Plan of Finance Commission Briefing (10/27)
- NWSA Budget Study Session by Managing Members (10/28)
- Introduction and Public Hearing of the 2021 Budget (11/10)
- Commission Approval of the 2021 ILA between POS and the NWSA (11/10)
- NWSA Budget Adoption by Managing Members (11/11)
- Adoption of the 2021 Budget (11/17)
- Filing of 2021 Statutory Budget with King County Council & Assessor (12/3)
- Release of 2021 Budget to the Public (12/15)

Summary

- We are continuing to weather the storm
- Proposed budget maintains essential Port services
- 2021 budget builds on early actions taken in 2020 in response to pandemic
- Continued uncertainty regarding recovery path—additional steps may be required in 2021 if conditions deteriorate
- Need to maintain vigilance on economic trends and track performance against budget

Central Services 2021 Preliminary Budget

Appendix

September 22, 2020

Non-Payroll Costs Reduction

Line	Description (in \$000s)	Amount	Depts/Comments
1	On-site Consultants	(2,920)	Engineering (Eng)
2	Travel & Other Employee Expense	(1,984)	Reduced travel, number of conferences and other employee expenses
3	Equipment Expense	(668)	Reduced Computer & Telephone Acq. and other equip items
4	Promotional Expenses	(550)	Reduced events
5	Software Maintenance Transfer to AV Maint	(446)	ICT Transfer to AV Maintenance
6	Supplies & Stock	(406)	Reduced Office Supplies (\$179K) and General Supplies (\$83K).
7	LEAN/Processs Improvement Consultant	(350)	Office of Strategic Initiative (OSI)
8	ACE/Forterra	(310)	Remaining sponsorships and Forterra Service Directives
9	Cut several External Relations contracts	(224)	External Relations
10	Engagement and Strategic Plan	(200)	Workforce Development (WFD)
11	Airport Surveys	(150)	Business Intellegence (BI)
12	Behavior Based Safety Training	(150)	Human Resources (HR)
13	Property Rentals	(112)	HR (\$47K), Police (\$38K), WFD (\$16K), Exec (\$7K), Eng (\$6K)
14	Maritime Secondary Education	(100)	Workforce Development (WFD)
15	External Communications Support	(115)	External Relations
16	Creative Services	(100)	External Relations
25	Insurance Expense	715	Risk Mgmt
26	Reduction of Credit Card Rebates	150	Contingency