

# Port of Seattle

## Introduction & Public Hearing of the Preliminary 2021 Budget

Commission Meeting  
November 10, 2020

# Outline

- 2021 Budget Process Recap
- 2021 Key Business Activity Forecasts and Key Initiatives
- 2021 Operating Budget
- 2021 Comprehensive Operating & Non-Operating Budget
- 2021-2025 Capital Plan
- 2021 Sources and Uses of Funds
- 2021 Proposed Tax Levy
- Remaining 2021 Budget Schedule

# 2021 Budget Process Recap

Jun. 4	2021 Budget Retreat with the Commission
Jul. 14	2021 Budget Development Briefing
Jul. 29	Commission Budget Retreat: Industry Analysis and SWOT
Aug. 6	Commission Budget Retreat: CIP and Levy Discussion
Sept. 22	Aviation Division CIP Study Session
Sept. 22	2021 Central Services Operating and Capital Budgets Briefing
Oct. 8	Virtual Open House for the preliminary 2021 Aviation Budget and 5-Year CIP
Oct. 13	2021 Aviation Division Operating and Capital Budgets Briefing
Oct. 13	2021 Maritime and EDD Operating and Capital Budgets and Portwide Rollup Briefing
Oct. 20	Preliminary 2021 Budget Document provided to the Commission
Oct. 20	Preliminary 2021 Budget Document released to the public
Oct. 22	Virtual Open House for the preliminary 2021 Maritime and EDD Budgets and 5-Year CIP
Oct. 27	Tax Levy & Draft Plan of Finance Commission Briefing
Nov. 10	Introduction & Public Hearing of the Preliminary 2021 Budget
Nov. 17	Adoption of the 2021 Budget
Nov. 30	File the 2021 Statutory Budget with King County
Dec. 15	Release the 2021 Final Budget and Draft Plan of Finance

# 2021 Business Activity Forecasts

## Aviation Division:

- Forecast 61% reduction in passengers in 2020 and 30% drop in passengers for 2021 compared to 2019
- Take a long-term view on capital planning and projects

## Maritime Division:

- Forecast 25% of cruise passengers in 2021 compared to 2019 actuals
- Expect Grain volume increases by 40% reduction from the 2020 budget
- Recreational Marina occupancy rate of 95%, same as 2020
- Fishing and Commercial Operations occupancy rate average of 86%, same as 2020

## Economic Development Division:

- Commercial Properties target 95% occupancy rate at the end of 2021

# 2021 Key Budget Drivers

- Implement FlyHealthy@SEA strategies.
- Open the International Arrivals Facility and Phase 2 of North Satellite Renovation.
- Complete the Sustainable Airport Master Plan (SAMP) environmental review.
- Complete the Utility Master Plan.
- Implement a consolidated service contract for checkpoint queue management, international arrivals support, and ground transportation support services.
- Support maritime innovation initiatives to discover, promote and help advance promising maritime ventures and startups.
- Complete design work on Terminal 91 Uplands light industrial buildings.
- Continue to invest in Community Programs.
- Help Port small business tenants and partners recover from COVID pandemic.
- Continue to build internal capabilities through innovation, employee training and development, and process improvements.

# 2021 Community Initiatives

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



- Diversity in Contracting and WMBE
- Equity, Diversity and Inclusion
- Continue stakeholders engagement



- Workforce Development
- Internship program
- Maritime Secondary Education
- Youth Maritime Initiative
- Career Advancement Center



- Airport Community Ecology grants
- South King County Fund
- Duwamish Valley Community Equity Program (DVCEP)
- Low Carbon Fuel Policy



- Promote economic development for the region
- Expand tourism opportunities
- Continue local Community Advertising Program

# 2021 Budget Highlights

	2018	2019	2020	2020	2020	2021	Budget Change	
(\$ in '000s)	Actual	Actual	Approved Budget	Revised Budget	Forecast	Proposed Budget	\$	%
<b>Operating Revenues</b>	689,390	764,174	811,616	639,717	505,965	680,445	-131,171	-16.2%
<b>Operating Expenses</b>	395,080	441,700	469,769	438,081	418,870	422,662	-47,107	-10.0%
<b>Net Operating Income</b>	<b>294,309</b>	<b>322,474</b>	<b>341,847</b>	<b>201,637</b>	<b>87,094</b>	<b>257,783</b>	<b>-84,064</b>	<b>-24.6%</b>

- Operating revenues down 16.2% to \$680.4M from 2020 Approved Budget
- Operating expenses down 10.0% to \$422.7M from 2020 Approved Budget
- Net Operating Income down 24.6% to \$257.8M from 2020 Approved Budget
- The 2021 capital budget is \$508.5M and the 5-year capital spending plan is over \$3.7B
- The proposed tax levy for 2021 is \$78.7M, a 3% increase over the 2020 levy of \$76.4M

# Changes after the Preliminary Budget Published

- Aviation Division

- Aeronautical revenues decreased by \$2,675K due to a combination of changes in cost allocation to Aero cost centers and more allocated CARES grant to Airfield cost center.
- Operating Expenses from the Airport increased by a net of \$1.4M due to:
  - Airfield Surface Area Management System \$1.1M increase
  - New Luggage Carts and Cart Service in IAF of \$542K
  - Existing Software Licensing Contracts transferred to AV of \$521K
  - Membership adjustments of \$6K increase
  - Additional Non-Payroll savings of (\$444.5K)
  - CBP Reimbursables reduced by (\$150K)
  - AV Planning (STS) reduction of (\$100K)
  - Free Bag Tag Printing reduced by (\$58.5K)
  - Additional Payroll savings of (\$31.2K)
- Non-Operating Revenue decreased a net of \$618K
  - Non-Capital Grant decreased by \$300K (a net of \$5.0M reduction adjustment and \$4.7M increase in CARES grant for 2021 budget)
  - Airport Spotlight Program reduced by \$318K



# Changes after the Preliminary Budget Published

- **Maritime Division**
  - Added the Orca Recovery Program of \$50K.
- **NWSA Joint Venture**
  - Reduced Contra JV Revenue by \$38K.
- **Economic Development Division**
  - Added Diversity in Contracting new Memberships of \$8K.
- **Central Services**
  - External Relations increased Commission video streaming contract by \$50K
  - Added Leadership Training for Police Department of \$20K
  - Reallocation of SeaTac Office Center Lease expense of \$4.3K (portion of IAF previously capitalized)

# 2021 Operating Budget for Aviation

	2018	2019	2020	2020	2020	2021	Budget Change	
(\$ in '000s)	Actual	Actual	Approved Budget	Revised Budget	Forecast	Proposed Budget	\$	%
<b>Operating Revenues</b>								
Aeronautical	291,268	357,598	401,342	401,342	293,683	386,668	-14,674	-3.7%
Non-Aeronautical	257,707	269,037	283,167	135,074	118,060	189,548	-93,620	-33.1%
<b>TOTAL</b>	<b>548,975</b>	<b>626,636</b>	<b>684,510</b>	<b>536,416</b>	<b>411,742</b>	<b>576,216</b>	<b>-108,294</b>	<b>-15.8%</b>
<b>Operating Expenses</b>	<b>316,291</b>	<b>355,245</b>	<b>377,306</b>	<b>348,826</b>	<b>337,502</b>	<b>339,908</b>	<b>-37,399</b>	<b>-9.9%</b>
<b>Net Operating Income</b>	<b>232,683</b>	<b>271,390</b>	<b>307,203</b>	<b>187,589</b>	<b>74,241</b>	<b>236,308</b>	<b>-70,895</b>	<b>-23.1%</b>

# 2021 Operating Budget for Non-Aviation

	2018	2019	2020	2020	2020	2021	Budget Change	
(\$ in '000s)	Actual	Actual	Approved Budget	Revised Budget	Forecast	Proposed Budget	\$	%
<b>Operating Revenues</b>								
Maritime	57,575	59,289	62,938	42,585	40,629	45,280	-17,658	-28.1%
EDD	20,705	21,151	19,110	15,658	10,025	13,348	-5,762	-30.2%
NWSA Joint Venture	57,622	50,986	40,322	40,322	36,410	40,409	87	0.2%
Stormwater Utility	4,195	4,499	4,696	4,696	4,696	5,012	316	6.7%
Central Services	318	1,614	40	40	2,462	181	141	352.3%
<b>Total</b>	<b>140,415</b>	<b>137,538</b>	<b>127,106</b>	<b>103,302</b>	<b>94,223</b>	<b>104,230</b>	<b>-22,876</b>	<b>-18.0%</b>
<b>Operating Expenses</b>								
Maritime	43,252	48,644	54,396	52,191	50,901	50,243	-4,154	-7.6%
EDD	27,063	27,156	29,368	27,222	22,189	21,413	-7,955	-27.1%
NWSA Joint Venture	3,123	4,699	837	836	836	1,377	540	64.6%
Stormwater Utility	4,124	3,893	3,940	3,819	3,319	4,506	566	14.4%
Central Services	1,227	2,063	3,922	5,185	4,123	5,216	1,294	33.0%
<b>Total</b>	<b>78,789</b>	<b>86,455</b>	<b>92,463</b>	<b>89,254</b>	<b>81,369</b>	<b>82,755</b>	<b>-9,708</b>	<b>-10.5%</b>
<b>Net Operating Income</b>	<b>61,626</b>	<b>51,084</b>	<b>34,643</b>	<b>14,047</b>	<b>12,854</b>	<b>21,475</b>	<b>-13,168</b>	<b>-38.0%</b>

# Community Programs Summary

Program (\$ in 000's)	2019 Actual	2020 Approved Budget	2020 Revised Budget	2021 Proposed Budget	Funded by the Tax Levy	Percent of the 2021 Budget
1) Airport Community Ecology (ACE) Fund *	260	522	522	212	212	100%
2) Duwamish Valley Community Equity Program	-	292	292	275	275	100%
3) South King County Support Program *	-	1,500	1,500	1,500	1,500	100%
4) EDD Partnership Grants	763	960	960	910	910	100%
5) City of SeaTac Community Relief * <sup>1</sup>	1,400	1,400	1,400	1,400	1,400	100%
6) Airport Spotlight Ad Program <sup>1 &amp; 2</sup>	934	1,148	1,148	382	382	100%
7) Energy & Sustainability Fund *	283	250	150	373	373	100%
8) Maritime Blue (formerly Maritime Innovation Center)	-	150	150	150	150	100%
9) Tourism Marketing Support Program	1,338	1,536	2,842	2,481	1,400	56%
10) Workforce Development	1,771	3,119	4,403	2,682	1,261	47%
11) Diversity in Contracting	883	1,520	1,331	1,510	190	13%
12) High School Internship Program	529	657	632	500	-	0%
13) Equity, Diversity & Inclusion	565	1,346	925	1,062	-	0%
14) Sustainable Aviation Fuels & Air Emissions Program	-	40	40	-	-	0%
15) Low Carbon Fuel Standard Support	-	150	105	75	-	0%
16) Orca Recovery Program	-	-	-	50	50	100%
<b>TOTAL</b>	<b>8,726</b>	<b>14,590</b>	<b>16,401</b>	<b>13,381</b>	<b>7,923</b>	<b>59%</b>

- Added the Orca Recovery program for 2021.
- Extended the one-time Low Carbon Fuel Standard Support for another year.
- Adjusted the Airport Spotlight program to reflect the current Fair Market Value of the ad space.
- ACE/Forterra Fund is nearing project completion for Green Cities partnership and Small-matching grants.
- Increased the E&S Fund 2021 budget to include the National Renewable Energy Laboratory (NREL) collaboration project.

**Notes:**

- 1) Budgeted as Non-ops Expense.
  - 2) Free advertising space provided at the Airport. FAA requires that lost revenue be reimbursed to the Airport.
- \* Program with total designated funding limit.

# 2021 Comprehensive Budget

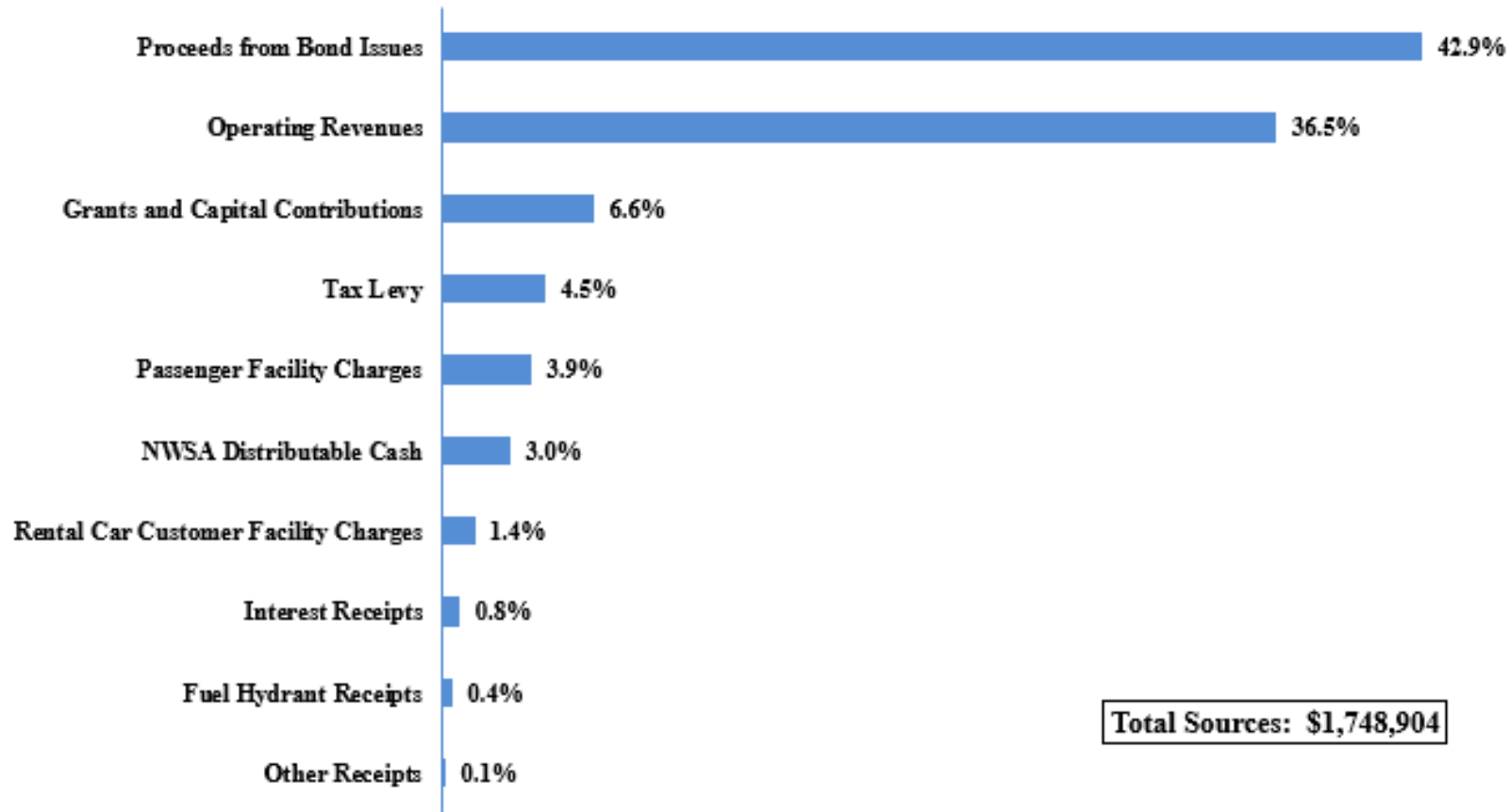
(\$ in 000s)	2019 Actual	2020 Approved Budget	2020 Revised Budget	2021 Approved Budget	\$ Change 2020 Bud - 2021 Bud	% Change 2020 Bud - 2021 Bud	Explanations
<b>Revenues</b>							
1. Operating Revenues	764,174	811,616	639,717	680,445	(131,171)	-16.2%	Lower operating revenue from each line of business.
2. Tax Levy	73,801	76,385	76,385	78,676	2,292	3.0%	Assume no increase from 2020.
3. Passenger Facilities Charges	100,004	99,505	99,505	67,990	(31,515)	-31.7%	Assumes 18.2M enplanements.
4. Customer Facilities Charges	22,355	23,914	17,630	24,168	255	1.1%	No significant change from 2020.
5. Fuel Hydrant	6,742	7,022	7,022	7,022	()	0.0%	No change from 2020.
6. Non-Capital Grants and Donations	2,884	2,551	2,551	40,908	38,357	1503.6%	CARES (AIP 148) funds to be used in 2021.
7. Capital Contributions	17,736	48,010	48,010	74,911	26,900	56.0%	Increase grants reimbursement from FAA and TSA.
8. Interest Income	54,078	27,669	27,669	13,158	(14,512)	-52.4%	Lower rates and fund balances.
<b>Total</b>	<b>1,041,775</b>	<b>1,096,672</b>	<b>918,490</b>	<b>987,279</b>	<b>(109,393)</b>	<b>-10.0%</b>	
<b>Expenses</b>							
1. Operating Expenses	441,700	469,769	438,081	422,662	(47,107)	-10.0%	Across the board reductions by each division.
2. Depreciation	174,903	179,053	179,053	176,509	(2,544)	-1.4%	Depreciation of assets.
3. Revenue Bond Interest Expense	105,601	157,231	157,231	155,990	(1,240)	-0.8%	Assume \$989M new bond issuance.
4. GO Bond Interest Expense	12,493	12,003	12,003	11,268	(735)	-6.1%	Amortization of outstanding GO debts and no new issuance assumed.
5. PFC Bond Interest Expense	3,547	2,740	2,740	2,539	(202)	-7.4%	Decreased debt service on PFC bonds through amortization.
6. Non-Op Environmental Expense	118	5,000	5,000	10,200	5,200	104.0%	Increase for East Water Way and other sites.
7. Public Expense	12,986	19,233	19,233	10,144	(9,089)	-47.3%	Safe and Swift down \$5M and Heavy Haul down \$2M.
8. Other Non-Op Rev/Expenses	19,536	2,905	2,905	2,413	(493)	-17.0%	
<b>Total</b>	<b>770,885</b>	<b>847,935</b>	<b>816,246</b>	<b>791,725</b>	<b>(56,210)</b>	<b>-6.6%</b>	
<b>Revenues over Expenses</b>	<b>270,890</b>	<b>248,737</b>	<b>102,244</b>	<b>195,554</b>	<b>(53,183)</b>	<b>-21.4%</b>	

# Capital Plan Summary

## Capital Plan Summary by Division

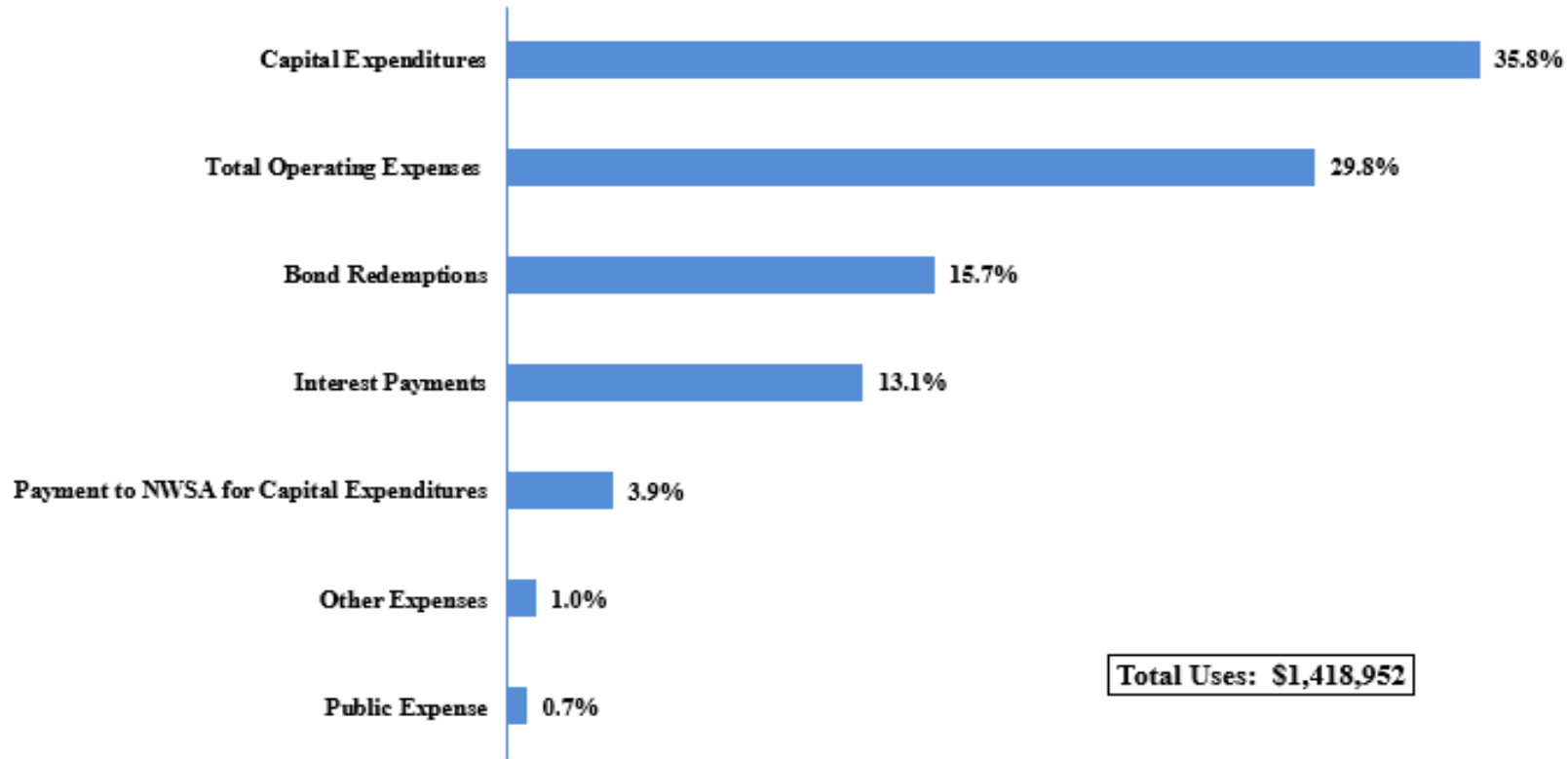
\$ in 000's	2020 Fcst	2021	2022	2023	2024	2025	2021-2025
Aviation	501,720	464,234	686,580	673,831	791,875	692,070	3,308,590
Maritime	21,875	26,383	52,663	41,955	49,650	67,675	238,326
Economic Development	10,167	5,874	26,812	31,089	6,711	3,585	74,071
Stormwater Utility	321	1,400	1,520	500	500	500	4,420
Central Services and Other	9,604	10,636	9,082	21,102	26,931	10,490	78,241
<b>Total</b>	<b>543,687</b>	<b>508,527</b>	<b>776,657</b>	<b>768,477</b>	<b>875,667</b>	<b>774,320</b>	<b>3,703,648</b>

# 2021 Sources of Funds



- 42.9% of the funding sources comes from bond proceeds.
- Over a third of funding sources comes from operating revenues.
- The tax levy makes up 4.5% of total funding sources in 2020.

# 2021 Uses of Funds



- Plan to spend about 35.8% of the funds on capital projects in 2020.
- 29.8% of total expenditures on operating expenses.
- 28.8% of the total spending on debt service.



# 2021 FTE Summary

	Aviation	Maritime	Econ Dev.	Central Services	Total
<b>2020 Approved FTE's</b>	<b>1,250.5</b>	<b>259.9</b>	<b>35.6</b>	<b>834.3</b>	<b>2,380.2</b>
Mid Year Approval	2.0	5.0	-	6.6	13.6
Eliminated	-	-	-	(0.2)	(0.2)
Net Transfers	-	-	-	-	-
Adjusted 2020 FTE's <sup>1</sup>	1,252.5	264.9	35.6	840.7	2,393.7
2021 Budget					
Eliminated	-	(3.0)	(0.6)	(6.9)	(10.5)
Transferred	(7.8)	(2.9)	-	10.7	-
Conversion of Emergency Hires	-	-	-	-	-
New FTE's	2.0	3.5	1.0	1.0	7.5
Total 2021 Changes <sup>2</sup>	(5.8)	(2.4)	0.4	4.8	(3.0)
<b>Proposed 2021 FTE's</b>	<b>1,246.8</b>	<b>262.4</b>	<b>36.0</b>	<b>845.5</b>	<b>2,390.7</b>

**Notes:**

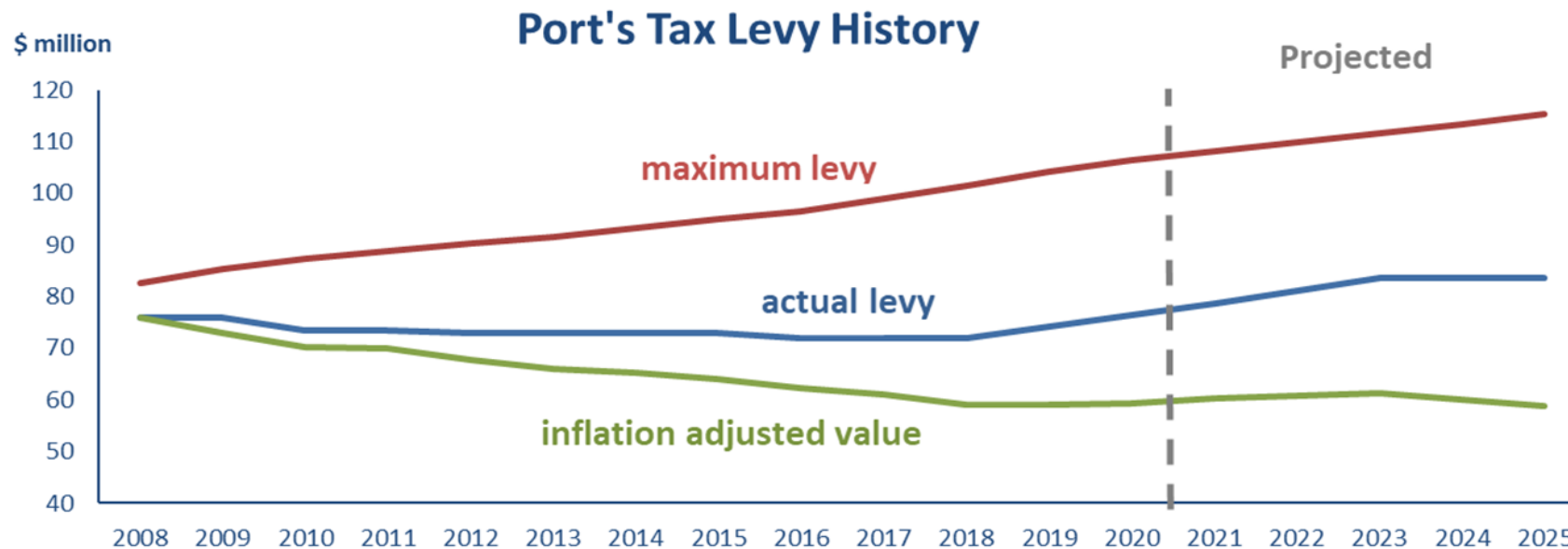
1) Includes 3.0 FTE for Stormwater Utility in Maritime Division.

2) Total has been adjusted to reflect current financial reporting structure with F&B and ENV COEs transferred to Aviation and Maritime Divisions.

- **A total of 167.6 FTEs have either been frozen or deferred until 2022.**
- College/Graduate Internship program will be centrally managed in HR starting in 2021.
- Center of Expertise (COE) departments have been moved from Central Services to Aviation and Maritime divisions for financial reporting.
- Minimal number of new FTEs proposed for 2021 budget.

# Tax Levy Strategy

- Catch-up on purchasing power: Over the prior decade, inflation significantly reduced the purchasing value of the levy
- Last year CPI = 2.2%, construction inflation = 5.5%
- Adopted for 2019: Five-years 2019-2023, annual 3% inflationary levy increase to support investments in the Waterfront Strategy
- Reviewed annually
- 2021 represents the third year of the plan; proposed levy of \$78.7M in 2021



# Taxpayer Impact

	2020	2021 preliminary
Tax Levy (\$ million)	76.4	78.7
Estimated millage rate (\$/1000)	0.119	0.122
Median home value (\$) <sup>(1)</sup>	600,000	600,000
Estimated median home Port tax (\$)	71.67	73.24

(1) 2018-2020 per King County Assessor; 2020 assumes no additional growth in assessed value

**Preliminary estimate indicates that the median homeowner will see an annual increased Port levy payment of \$1.58 in 2021.**

# Remaining 2021 Budget Schedule

- Adoption of 2021 Budget Nov. 17, 2020
- File the Statutory Budget with King County Nov. 30, 2020
- Release the 2021 Final Budget Document Dec. 15, 2020