

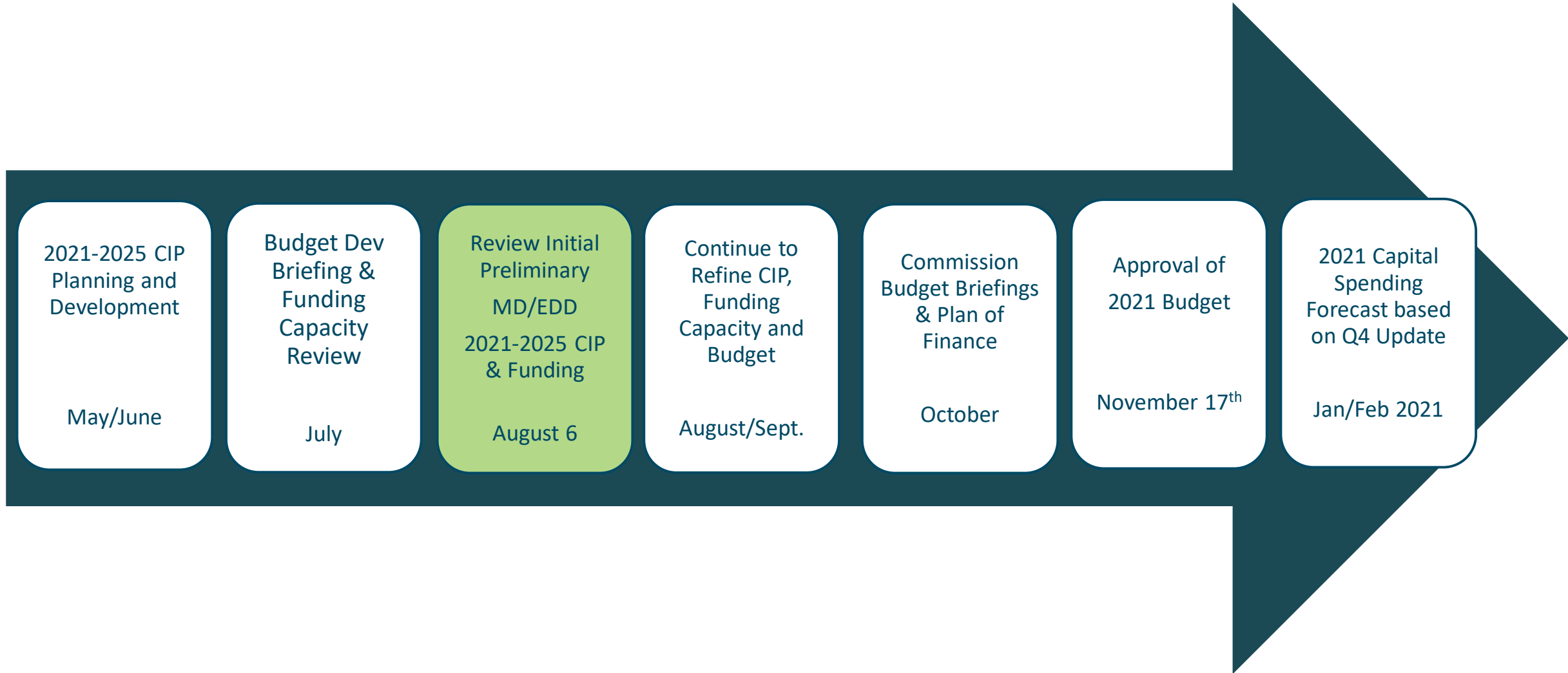
Maritime and Economic Development CIP and Capital Funding

August 6, 2020

Agenda

- Budget Timeline
- Capital Planning Process Changes
- 2020 Budget Principles
- Capital Project Priorities
- Review of Financial Capacity
- Review Revised Preliminary Capital Improvement Plan (CIP)
 - Discuss projects impacted by lower financial capacity
- Discuss Next Steps

Budget Timeline



Pandemic Challenges Require Iterative CIP Review with Commission

Typical

- Capital plan is updated quarterly based on actual spending and updated forecasts
- In June, Maritime and EDD leadership use most recent quarterly update to begin developing CIP for Commission review
- Preliminary funding analysis is used to refine CIP
- Updated CIP and funding analysis are presented to Commission in Fall

This Year

- Normal process and schedule is modified due to Pandemic
- Early June, staff-level CIP review is accelerated starting point
- CIP undergoing complete review/revision:
 - Respond to changing business environment
 - Address funding challenges and
 - Allow for flexibility in light of uncertainty
- Preliminary CIP today reflects affordability

2021 Budget Guiding Principles

- **Preserve Port employment** to greatest extent possible.
- Focus on **conservative budgeting and cash preservation** while maintaining investments that enhance health of our communities and promote equity.
- **Continue** to ensure **safe operation of Port business gateways**.
- Devote sufficient resources and continue to implement practices to **ensure safety of employees, customers and public**.
- Continue to **assess short- and long-term effects of COVID-19** on Port industries, operations and facilities.
- **Maintain a long-term strategic view of capital improvements** with a priority on investments that:
 - Generate revenue
 - Provide long-term, sustainable community and economic benefits
 - Achieve excellence in aviation and maritime gateways

Capital Planning Guidelines

- **Maintain construction to help stimulate recovery** across the region.
- **Capital planning should incorporate potential impacts of COVID-19** on future operations and facility needs.
- New **projects** should be **prioritized 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.
- **Project designs and environmental reviews should generally continue to advance** to preserve the option to proceed if grant funding becomes available or the Port's financial outlook improves sooner than expected.
- **Consider potential added costs related to COVID-19** and the local bidding environment in preparing and updating project budgets.

Capital Improvement Plan Priorities

Asset

Stewardship:

Maintaining the Port's capital assets and preserving Seattle's iconic working waterfront



Financial

Sustainability:

Making investments that support maritime industries and the Port's long term funding capacity



Community and

Environment:

Stewarding our environment responsibly, partnering with surrounding communities, and promoting social responsibility

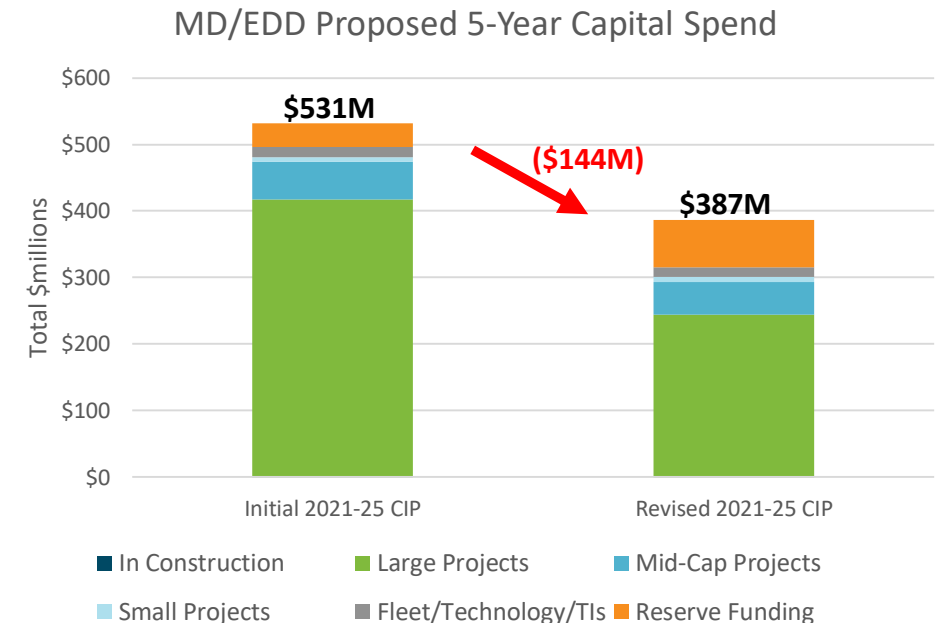


2021-2025 Capital Capacity: Key Assumptions

- Conservative approach where downside risk in 2021 can more easily be managed by additional adjustments, if warranted
- Key assumptions:
 - **Cruise activity:**
 - 2021 = 25% of 2021 forecast (Scenario #2 from Commission retreat)
 - 2022 = partial recovery to 75% of 2022 forecast
 - **2021 MD & EDD operating expense flat** to revised 2020 budget and grows modestly (change from June scenario assumptions)
 - **Vacancy & bad debt** in 2021 = **7%** above average
 - **Conference and parking 2021 = 50% and 60%** of 2020 budget
 - **No additional support to Airport** from tax levy or G.O. bonds
 - **Tax levy increases 3% per year 2021-2023**, then flat

Revised Preliminary Capital Investment Plan

- Maritime and Economic Development have revisited CIP in light of preliminary capital capacity
 - Initial 2021-2025 CIP: **\$531 Million**
 - Reduced capacity drives need to reduce planned capital spend approximately **\$144 Million**
 - Revised capacity estimated at **\$387 Million**



Preliminary 2021-2025 CIP Spending Recommendation

Project Group/Name (\$millions)	Status*	Initial					Revised		Change
		5Y Total	2021	2022	2023	2024	2025	5Y Total	
In Construction		0.1	0.1	0.0	0.0	0.0	0.0	0.1	
Large Projects (> \$5M)									
T117 Restoration	C	21.4	7.7	4.7	0.3	0.3	0.3	13.2	
T91 Northwest Fender	C	8.4	8.2	0.2	0.0	0.0	0.0	8.4	
T46 Replace N Pier Structure	D	49.2	1.0	5.2	20.0	23.0	0.0	49.2	
T91 Uplands Dev Phase I	D	47.7	1.0	17.0	26.0	3.7	0.0	47.7	
T91 Berth 6 & 8 Redev	D	39.8	1.4	8.1	30.3	0.0	0.0	39.8	
New Cruise Terminal	D	121.7	0.0	0.0	0.7	4.0	35.0	39.7	Postponed 3 years
P66 Shore Power	D	16.5	1.0	15.4	0.1	0.0	0.0	16.5	
FT Maritime Innovation Center	D	15.2	0.9	5.0	9.8	0.0	0.0	15.7	
T91 New Cruise Gangways	D	6.9	0.6	4.8	1.5	0.0	0.0	6.9	
Cruise Upgrades COVID19	D	6.8	3.5	1.8	1.0	0.5	0.0	6.8	Added to CIP
Large Projects Total		333.3	25.2	62.2	89.6	31.5	35.3	243.7	
Mid-Cap Projects (\$300K to \$5M)		56.4	10.4	15.9	12.5	8.7	1.9	49.4	\$7M in spending delayed to 2026+
Small Projects (<\$300K)		7.3	2.5	1.3	1.1	1.1	1.3	7.3	
Fleet/Technology		12.5	4.2	3.2	2.7	1.4	1.0	12.5	
Tenant Improvements		2.8	0.6	0.6	0.6	0.6	0.6	2.8	
Reserve & COVID Uncertainty		35.0	5.0	10.0	15.0	15.0	25.0	70.0	Increased for opportunities & uncertainty
EDD Strategic Opportunity Fund		25.0	0.0	0.0	0.0	0.0	0.0	0.0	Moved to Reserve
FT Gateway Building		50.9	1.0	0.0	0.0	0.0	0.0	1.0	Evaluate design, Construction moved to 2026+
T91 Uplands Phase 2 Buildings		0.5	0.0	0.0	0.0	0.0	0.0	0.0	All spending moved to 2026
T91 Uplands Phase 2 Util Infra		7.7	0.0	0.0	0.0	0.0	0.0	0.0	All spending moved to 2026
Revised Total 2021-2025 CIP		\$531.5	\$48.9	\$93.2	\$121.4	\$58.3	\$65.0	\$386.8	

*Project Status: C = Construction | D = Design

Key Capital Project Review

Cruise

- Proposed spending on new terminal postponed for 3+ years until cruise industry and economic uncertainty settles.
- Added spending for COVID-related updates at existing terminals

FT Gateway Project

- Construction postponed to 2026
 - Evaluating completing design in 2021
- Focus on T91 Uplands Phase I – provides more flexibility to uncertain market

T91 Uplands Phase 2

- Phase I: Maintain ongoing work in 2021-2025 CIP
- Phase II: all spending moved out to 2026+

Increased Reserves

- Used to address ongoing economic uncertainty, and provide flexibility for new opportunities & unforeseen needs, including:
 - Funding – greater risk to capital capacity and project cost estimates
 - Business Needs – uncertainty about post COVID business and facility needs
 - Unplanned needs – including NWSA CIP, Airport funding, and regional transportation

2021 Preliminary Capital Spending

Project Group/Name (\$millions)	Status*	Initial					Revised		Change
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FT Gateway Building		50.9	1.0	0.0	0.0	0.0	0.0	1.0	Evaluate design, Construction moved to 2026+
T91 Uplands Phase 2 Buildings		0.5	0.0	0.0	0.0	0.0	0.0	0.0	All spending moved to 2026
T91 Uplands Phase 2 Util Infra		7.7	0.0	0.0	0.0	0.0	0.0	0.0	All spending moved to 2026
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*Project Status: C = Construction D = Design									

Conclusions

- Adjusts to new business realities
- Adjusts to new constrained financial capacity
- Provides flexibility: Levers for different scenarios
- Aligns with guiding principles and supports economic recovery
- Meets critical needs: Asset Preservation, Financial Sustainability and Environment/Community

Next Steps

- Evaluate capital projects based on Commission feedback
- Refine and update financial assumptions and scenarios
- Determine timing for iterative Commission review of CIP: September
- MD/EDD Operating and Capital Budget: October 13th
- Tax Levy & Plan of Finance: October 27th
- NWSA Budget Study Session: October 28th

Appendix

Impacted Mid-Cap Projects (\$300K to \$5M)

Project Description	CIP	Initial 5Y					Revised 5Y		
		Total	2021	2022	2023	2024	2025	Total	Variance
FT C3 Bldg Roof Replace	C800733	866	0	0	0		34	34	-832
P66 BHM Wavebreak Protect	C800536	4,700	0				0	0	-4,700
P66 Fender Overhaul	C800674	2,030				0	0	0	-2,030
Salmon Bay Fire Suppression	C801071	537	150	537	0		0	687	150
T10 Mooring Dolphins	C800181	200	0	0	0			0	-200
T106 Mooring Dolphins	C800741	2,440	0	0	100	2,340	600	3,040	600
		56,424	10,390	15,908	12,515	8,742	1,857	49,412	-7,012

Initial Maritime 21-25 CIP – page 1

Status	CIPDescr	2021	2022	2023	2024	2025	2021-25
4	New Cruise Terminal	700	4,000	35,000	55,000	27,000	121,700
4	FT Gateway Building	1,000	17,000	32,890	-		50,890
2	T46 Replace N Pier Structure	1,000	5,200	20,000	23,000	-	49,200
4	T91 Berth 6 & 8 Redev	1,400	8,100	30,250	37		39,787
4	T117 Restoration	20,000	500	285	285	285	21,355
4	P66 Shore Power	950	15,400	100	-	-	16,450
4	FT Maritime Innovation Center	900	5,000	9,258	-	-	15,158
3	MD Fleet 2021 Beyond	2,530	2,740	2,150	932	500	8,852
4	T91 Northwest Fender	8,150	200	-	-		8,350
2	T91 New Cruise Gangways	580	4,800	1,485	15	-	6,880
2	P91 Pass Term Upgrade COVID19	3,500	1,800	1,000	500		6,800
2	P66 BHM Wavebreak Protect	-	50	300	4,350		4,700
3	Harbor Mooring Dolphins	20	900	3,580	-	-	4,500
3	JBP Pier Replacement	678	195	1,195	1,742		3,810
3	P66 BHM Pile Wraps	-	135	475	2,803	13	3,426
2	Maritime Video Camera Project		1,400	1,800	-	-	3,200
3	MD: 2021 + Small Projects	655	770	500	500	750	3,175
3	T102 HIM E Dock	265	1,775	1,060	-	-	3,100
2	FT C-14 Downey Bldg Improv	55	1,500	1,445	84		3,084
2	T106 Mooring Dolphins				100	2,340	2,440
2	FT C15 Bldg Misc Improv	120	1,200	925	87		2,332
3	P66 Fender Overhaul	358	685	987	-	-	2,030

Initial Maritime 21-25 CIP – page 2

Status	CIPDescr	2021	2022	2023	2024	2025	2021-25
3	SBM Dock X Pier Replacement	520	1,105	-	-	-	1,625
2	SBM Fuel Float Rehabilitation			50	470	980	1,500
3	Maritime Technology Projects	250	250	250	250	250	1,250
3	MD Tenant Improvements - Cap	250	250	250	250	250	1,250
2	MD Access Control Upgrade	100	900	100			1,100
3	MD: 2020 Small Projects	1,090	-	-	-	-	1,090
3	T91 P91W Slope Stabilization				1,000	-	1,000
2	FT C3 Bldg Roof Replace				34	832	866
2	P90E Timber Pile Caps	800					800
4	Marina Mgt Sys Replacement	640	-	-			640
3	Salmon Bay Fire Suppression				537	-	537
3	MD Fleet 2020	500	-	-	-	-	500
3	Cruise Cap Allow - CTA Lease	225	250	-	-		475
4	SBM Pad Site Development	-	206	206	-	-	412
2	Energy Management System	200	200				400
2	T10 Mooring Dolphins				100	100	200
3	MD: 2019 Small Projects	180					180
3	Salmon Bay Fire Suppression			150			150
2	SBM Lower A Dock Impr.					100	100
4	Cruise per Passenger Allowance	50	50	-	-		100
2	FT Net Shed 10 Roof Overlay				-	40	40
2	FT Net Shed 11 Roof Overlay				-	40	40
5	SBM Restrms/Service Bldgs Rep	32	-	-			32
5	SBM Paving	13					13
2	MD Reserve & Cash flow Mgt	6,500	3,500	4,750	4,750	6,500	26,000
	TOTAL Maritime CIP	54,211	80,061	150,441	96,826	39,980	421,519

Initial EDD 21-25 CIP

Status	CIPDescr	2021	2022	2023	2024	2025	2021-2025
4	T91 Uplands Dev Phase I	1,000	17,000	26,000	3,651	-	47,651
2	EDD Strategic Opportunity Fund		12,500	12,500			25,000
2	EDD Reserve & Cash Flow Mgt	2,500	1,500	1,750	1,750	1,500	9,000
2	T91 Uplands Phase 2 Util Infra	500	2,500	4,700			7,700
3	WTC HVAC Replacement	3,070	115		-	-	3,185
3	P69 Underdock Utility Rplc	1,800	1,000	-			2,800
3	EDD: 2021 Small Projects +	490	270	500	500	500	2,260
5	P66 HVAC Systems Upgrade	250	1,527				1,777
2	WTC Garage Elevator Mods			50	1,492	216	1,758
3	CW Bridge Elev Modernizations	1,217	400				1,617
3	P66 Roof Upgrades	840	768	-	-		1,608
3	Tenant Improvements -Capital	300	300	300	300	300	1,500
3	EDD Technology Projects	250	250	250	250	250	1,250
2	P69 Clerestory and Skylight Re		50	1,002	36	-	1,088
2	WTCW Roof Replacement		30	693	51	-	774
2	T91 Uplands Phase 2 Buildings					500	500
3	EDD: 2020 Small Projects	75	230	-	-	-	305
3	EDD Fleet 2021 Beyond	35	70	70	90	35	300
5	P66 BHICC Interior Modernize	50	-	-			50
		12,377	38,510	47,815	8,120	3,301	110,123