

Port of Seattle Adoption of the 2022 Budget

Commission Meeting
November 16, 2021



Outline

- 2022 Budget Process Recap
- 2022 Key Business Activity Forecasts and Key Initiatives
- 2022 Operating Budget
- 2022 Comprehensive (Ops & Non-Ops) Budget
- 2022-2026 Capital Plan
- 2022 Sources and Uses of Funds
- 2022 FTEs Summary
- 2022 Proposed Tax Levy
- Remaining 2022 Budget Schedule

2022 Budget Process Recap

Jun. 3	Commission Budget Retreat
Jul. 13	2022 Budget Development Briefing
Jul. 29	Commission Budget Retreat
Sept. 28	2022 Central Services Operating and Capital Budgets Briefing and Port Wide Rollup
Oct. 12	2022 Aviation Division Operating and Capital Budgets Briefing
Oct. 12	2022 Maritime and EDD Operating and Capital Budgets Briefing
Oct. 18	Preliminary 2022 Budget Document provided to the Commission
Oct. 20	Preliminary 2022 Budget Document released to the public
Oct. 20	Virtual Open House for the Preliminary 2022 Maritime and EDD Budgets and 5-Year CIP
Oct. 21	Virtual Open House for the Preliminary 2022 Aviation Budget and 5-Year CIP
Oct. 26	Tax Levy & Draft Plan of Finance Commission Briefing
Nov. 9	Introduction & Public Hearing of the Preliminary 2022 Budget
Nov. 16	Adoption of the 2022 Budget
Dec. 1	File the 2022 Statutory Budget with King County
Dec. 15	Release the 2022 Final Budget and Draft Plan of Finance

2022 Business Activity Forecasts

Aviation Division:

- Forecast a 30% reduction in 2021 and a 6% drop in 2022 compared to the 2019 passenger level.
- Long-term view on capital planning and projects

Maritime Division:

- Forecast 75% of cruise passengers in 2022 compared to 2019 actuals
- Expect Grain volume increase of 7% increase from the 2021 budget
- Recreational Marina occupancy rate of 95%, same as 2021
- Commercial Building occupancy rate average of 95%, same as 2021

Economic Development Division:

- Commercial Properties target 95% occupancy rate at the end of 2022

2022 Key Budget Drivers

- Payroll

- 6.0% average Pay for Performance increase for non-represented employees
- Increase for represented groups based on contracts
- Approved 43.0 new mid-year/unfrozen FTEs in 2021
- Added 164.4 new/unfrozen FTEs for 2022
- 5.0% vacancy factor

- Non-Payroll

- Maintenance costs for new facilities (IAF and NSAT)
- Terminal realignment for airlines
- Increase in insurance premium and other contractual costs
- Added resources for customer service and safety & security for the travelling public

2022 Community & Sustainability 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 High School
- Maritime Industry Roundtable
- Airport Employment Center
- Construction pre-apprenticeship

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

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

2022 Total Port Budget Highlights

(\$ in '000s)	2019	2020	2021	2022	Inc/(Dec)	
	Actual *	Budget	Budget	Proposed Budget	Change from 2020	
					\$	%
Operating Revenues	764,174	811,616	680,861	766,854	-44,761	-5.5%
Operating Expenses	441,700	469,769	423,412	499,146	29,377	6.3%
Net Operating Income	322,474	341,847	257,448	267,708	-74,138	-21.7%

* The 2019 Actual includes a \$16.5M DRS Pension Plan True-up Expense credit.

- Operating revenues down 5.5% to \$766.8M from 2020 Budget primarily due to application of federal aviation relief grants and lower enplanements
- Operating expenses up 6.3% to \$499.1M from 2020 Budget
- Net Operating Income down 21.7% to \$267.7M from 2020 Budget
- The 2022 capital budget is \$559.5M and the 5-year capital spending plan is \$4.4B
- The proposed tax levy for 2022 is \$81.0M, a 3% increase over the 2021 levy of \$78.7M

2022 Operating Budget for Aviation

(\$ in '000s)	2019	2020	2021	2022	Inc/(Dec)	
	Actual *	Budget	Budget	Proposed Budget	Change from 2020	
					\$	%
Operating Revenues						
Aeronautical	357,598	401,342	386,668	394,963	-6,379	-1.6%
Airport Non-Aero Revenues	269,037	283,167	189,548	240,820	-42,348	-15.0%
TOTAL	626,636	684,510	576,215	635,783	-48,727	-7.1%
Operating Expenses	355,245	377,306	339,908	397,622	20,316	5.4%
Net Operating Income	271,390	307,203	236,308	238,160	-69,043	-22.5%

* The 2019 Actual includes a \$6.7M DRS Pension Plan True-up Expense credit.

2022 Operating Budget for Non-Aviation

(\$ in '000s)	2019	2020	2021	2022	Inc/(Dec)	
	Actual *	Budget	Budget	Proposed Budget	Change from 2020	
					\$	%
Operating Revenues						
Maritime	59,289	62,938	45,280	59,137	-3,801	-6.0%
Economic Development	21,151	19,110	13,348	18,769	-341	-1.8%
NWSA/Joint Venture	50,986	40,322	40,825	47,899	7,577	18.8%
Stormwater Utility	4,499	4,696	5,012	5,079	383	8.2%
Central Services	1,614	40	181	186	146	366.0%
Total	137,538	127,106	104,645	131,072	3,966	3.1%
Operating Expenses						
Maritime	48,644	54,396	50,243	57,865	3,469	6.4%
Economic Development	27,156	29,368	21,413	28,301	-1,066	-3.6%
NWSA/Joint Venture	4,699	837	1,377	1,727	890	106.4%
Stormwater Utility	3,893	3,940	4,506	4,577	637	16.2%
Central Services	2,063	3,922	5,966	9,053	5,131	130.8%
Total	86,455	92,463	83,505	101,524	9,061	9.8%
Net Operating Income (NOI)	51,084	34,643	21,140	29,548	-5,095	-14.7%

* The 2019 Actual includes a \$9.8M DRS Pension Plan True-up Expense credit.

2022 Community & Sustainability Programs

Program (in \$000)	2021 Budget	2022 Proposed Budget	2022 Proposed Budget Funded by the levy	% of the 2022 Proposed Budget Funded by the levy
1) Energy & Sustainability Fund	373	160	160	100%
2) Airport Community Ecology (ACE) Fund	212	135	135	100%
3) South King County Support Program	2,000	2,195	2,195	100%
4) Duwamish Valley Community Equity Program	275	387	387	100%
5) EDD Partnership Grants	910	1,200	1,200	100%
6) Tourism Marketing Support Program	2,481	1,750	550	31%
7) Airport Spotlight Ad Program	382	466	466	100%
8) City of SeaTac Community Relief	1,400	1,400	1,400	100%
9) Maritime Blue (formerly Maritime Innovation Center)	150	150	150	100%
10) Workforce Development	2,682	4,390	2,626	60%
a. Opportunity Youth Initiative ¹	-	1,000	1,000	100%
11) High School Internship Program	500	496	-	0%
12) Diversity in Contracting	1,510	1,836	260	14%
a. Small Bus. Accelerator under SKCF ²	180	250	250	100%
13) Equity, Diversity & Inclusion	1,062	1,366	-	0%
14) Sustainable Aviation Fuels & Air Emissions Program	250	200	200	100%
15) Low Carbon Fuel Standard/GHG Reduction Effort Support	75	110	-	0%
16) Sustainable Eco-Tourism Conference ³	-	75	75	100%
17) Regional Small Business Partnerships	-	150	150	100%
TOTAL	14,081	16,142	9,704	60%

- The successful Opportunity Youth Initiative (launched in 2020) has been added to the 2022 baseline
- Sustainable Eco-Tourism Conference and Regional Small Business Partnerships have been added to the 2022 Budget
- Increased EDD Partnership Grants and South King County Program
- Duwamish Valley Community Program includes Facility costs for Duwamish Valley Community Hub

Notes:

- 1) \$2.0M funding for OYI was added in May 2021 (not shown on the table). OYI budget rolls up to Workforce Development total (item 10).
- 2) \$250K Small Business Accelerator under Diversity in Contracting (DC) is included in DC total and South King County Support Program (item 3).
- 3) \$75K Sustainable Eco-Tourism Conference is included in the Tourism Marketing Support Program (item 6).

Does not include \$483K in payroll charges funded by the tax levy to support Community Programs

2022 Comprehensive Budget

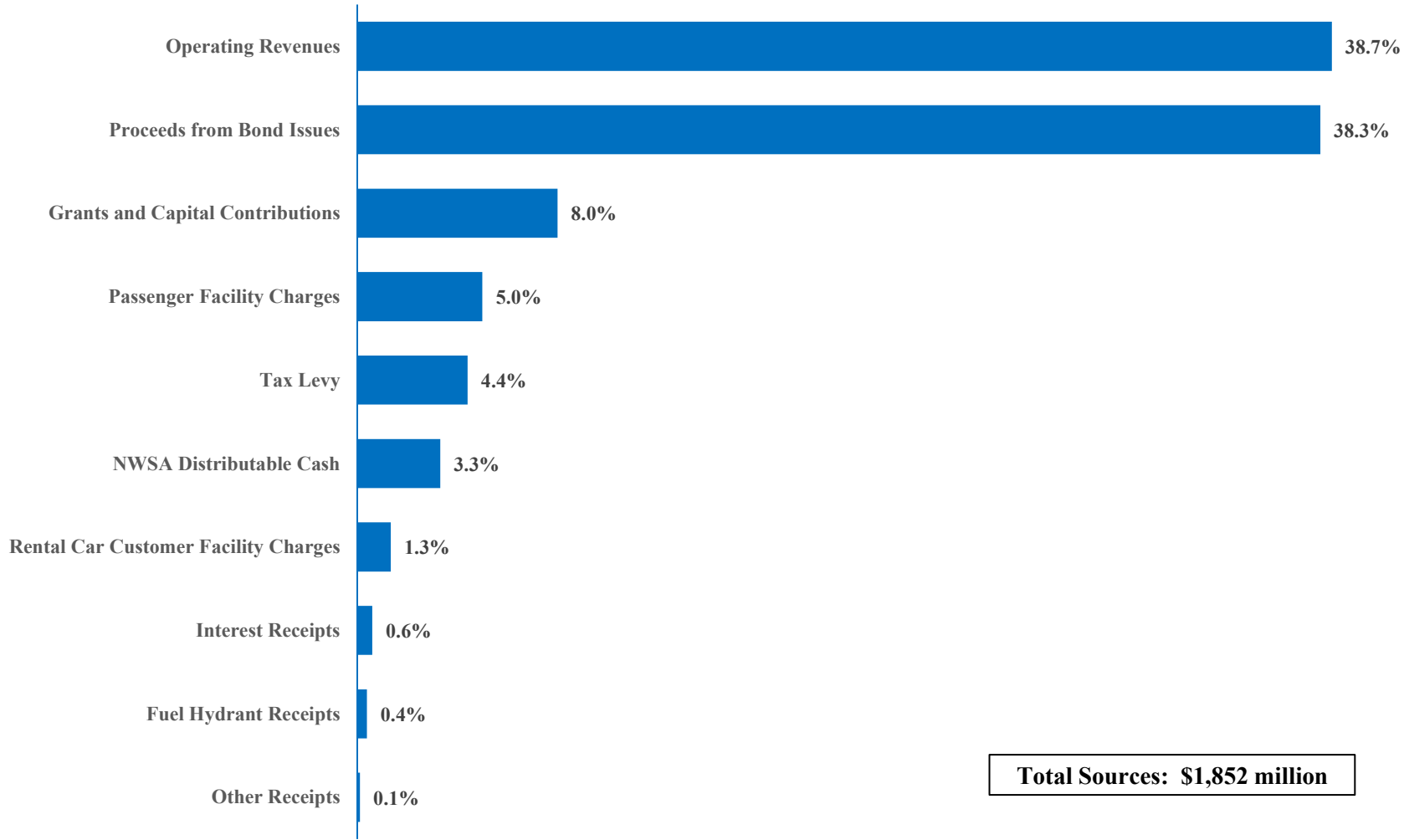
(\$ in 000s)	2019	2020	2021	2022	Incr (Decr)		Explanations
	Actual *	Budget	Budget	Proposed Budget	Change from 2020	%	
Revenues							
1. Operating Revenues	764,174	811,616	680,861	766,854	(44,761)	-5.5%	Lower operating revenues from each division
2. Tax Levy	73,801	76,385	78,676	81,037	4,652	6.1%	3% increase each year in 2020 and 2021
3. Passenger Facilities Charges	100,004	99,505	67,990	90,521	(8,984)	-9.0%	Lower enplanements than the 2020 budget
4. Customer Facilities Charges	22,355	23,914	24,168	24,411	497	2.1%	No significant change from 2020 and 2021
5. Fuel Hydrant	6,742	7,022	7,022	7,022	()	0.0%	No change from 2020 and 2021
6. Non-Capital Grants and Donations	2,884	2,551	40,908	130,345	127,794	5009.6%	Mainly due to more federal grant (ARPA) in 2022
7. Capital Contributions	17,736	48,010	74,911	39,121	(8,889)	-18.5%	Less grants reimbursement from FAA & TSA
8. Interest Income	54,078	27,669	13,158	10,928	(16,741)	-60.5%	Lower interest rates than 2020 and 2021
Total	1,041,775	1,096,672	987,694	1,150,239	53,568	4.9%	
Expenses							
1. Operating Expenses	441,700	469,769	423,412	499,146	29,377	6.3%	Higher operating expenses from each division
2. Depreciation	174,903	179,053	176,509	196,757	17,703	9.9%	More assets coming to service in 2022
3. Revenue Bond Interest Expense	105,601	157,231	155,990	154,036	(3,194)	-2.0%	Assume \$634M new bond issuance & \$310M refunding
4. GO Bond Interest Expense	12,493	12,003	11,268	14,701	2,698	22.5%	No significant change from 2020 and 2021
5. PFC Bond Interest Expense	3,547	2,740	2,539	-	(2,740)	-100.0%	PFC bonds were fully refunded in 2021
6. Non-Op Environmental Expense	118	5,000	10,200	10,700	5,700	114.0%	Mainly for ERL for EWW or LDW
7. Public Expense	12,986	19,233	10,144	14,073	(5,160)	-26.8%	Winding down of the Flight Corridor Safety Program
8. Other Non-Op Rev/Expenses	19,536	2,905	2,413	2,247	(658)	-22.7%	No significant change from 2020 and 2021
Total	770,885	847,935	792,475	891,660	43,725	5.2%	
Revenues over Expenses	270,890	248,737	195,219	258,579	9,842	4.0%	

* The 2019 Actual includes a \$16.5M DRS Pension Plan True-up Expense credit.

2022-2026 CIP Summary

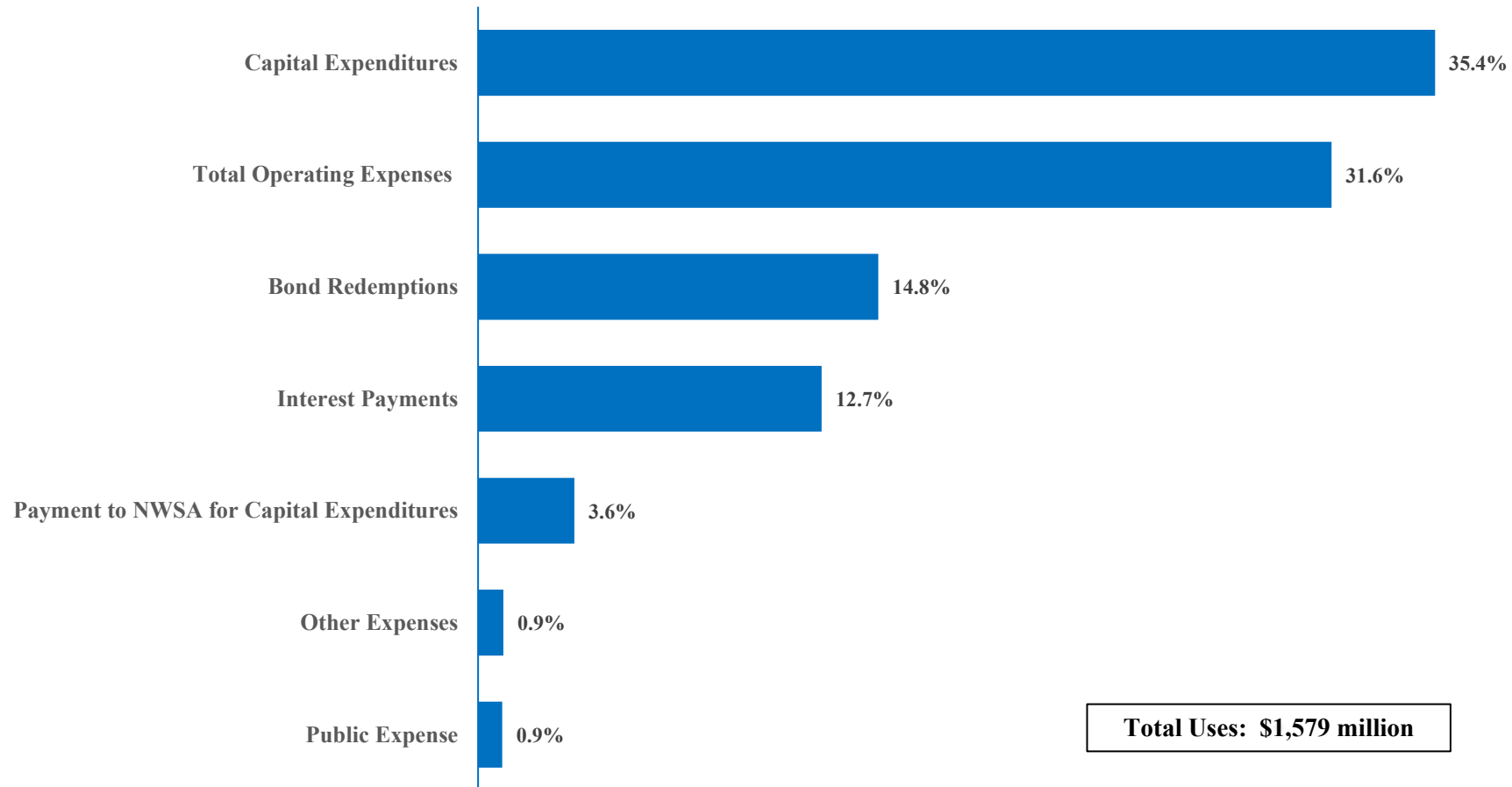
(\$ in 000's)	2022 Budget	2022-2026 CIP
Committed Capital Projects		
Aviation Division	\$ 543,725	\$ 2,630,479
Maritime Division	25,478	212,023
Economic Development Division	13,069	68,486
Central Services	6,444	21,506
Other	1,619	31,833
Total Committed	\$ 590,335	\$ 2,964,327
Business Plan Prospective Projects	\$ 82,252	\$ 1,471,215
CIP Cashflow Adjustment Reserve	\$ (113,039)	\$ -
Total CIP	\$ 559,548	\$ 4,435,542

2022 Sources of Funds



- 38.7% of funding sources come from operating revenues
- 38.3% of funding sources come from bond proceeds
- The tax levy makes up 4.4% of total funding sources in 2022

2022 Uses of Funds



- Plan to spend about 35.4% of total funds on capital projects in 2022
- 31.6% of total expenditures on operating expenses

2022 FTE Summary

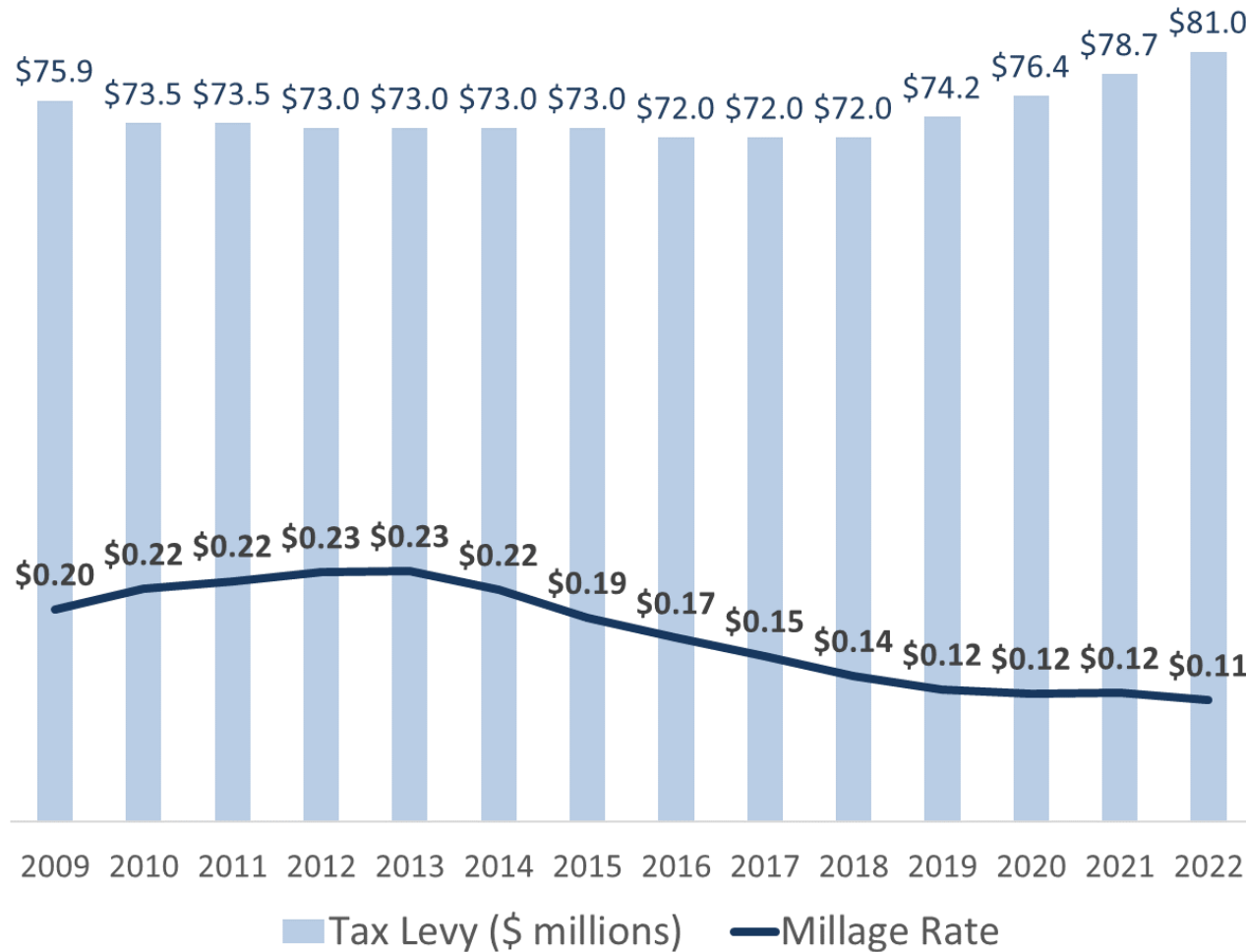
	Aviation	Maritime	Econ Dev.	Central Services	Total
2021 Approved FTE's	1,246.8	262.5	36.0	845.5	2,390.8
Mid Year Approval	6.0	1.0	-	16.0	23.0
Eliminated	-	(2.0)	-	-	(2.0)
Adjusted 2021 FTE's ¹	1,252.8	261.5	36.0	861.5	2,411.8
2022 Budget					
Eliminated	(31.5)	(2.0)	(1.0)	(8.7)	(43.2)
New FTE's	45.0	16.0	-	33.0	94.0
Total 2022 Changes ²	13.5	14.0	(1.0)	24.3	50.8
Proposed 2021 FTE's	1,266.3	275.5	35.0	885.8	2,462.6

- 43.0 FTEs were approved mid-year
 - 23.0 New/20.0 Frozen
- 164.4 FTEs are proposed for 2022
 - 94.0 New/70.4 Frozen
- A total of 29.2 FTEs remain frozen/unfunded for 2022
 - 19.2 Aviation
 - 10.0 Central Services

Notes:

- 1) Includes FTEs from Stormwater Utility in Maritime Division.
- 2) Total includes frozen/unfunded positions for 2022 Budget.

2009-2022 Tax Levy & Millage Rate (1)



- Propose a 3% levy increases from \$78.7M in 2021 to \$81M in 2022
- The millage rate drops from \$0.119 in 2021 to \$0.112 in 2022
- Median homeowner pays an estimated \$72 based on median KC home value of \$640K (no change from 2021)

(1) Millage rate represents the dollar amount per every \$1,000 of assessed valuation

Remaining 2022 Budget Schedule

- File the Statutory Budget with King County Dec. 1, 2021
- Release the 2022 Final Budget Document Dec. 15, 2021