

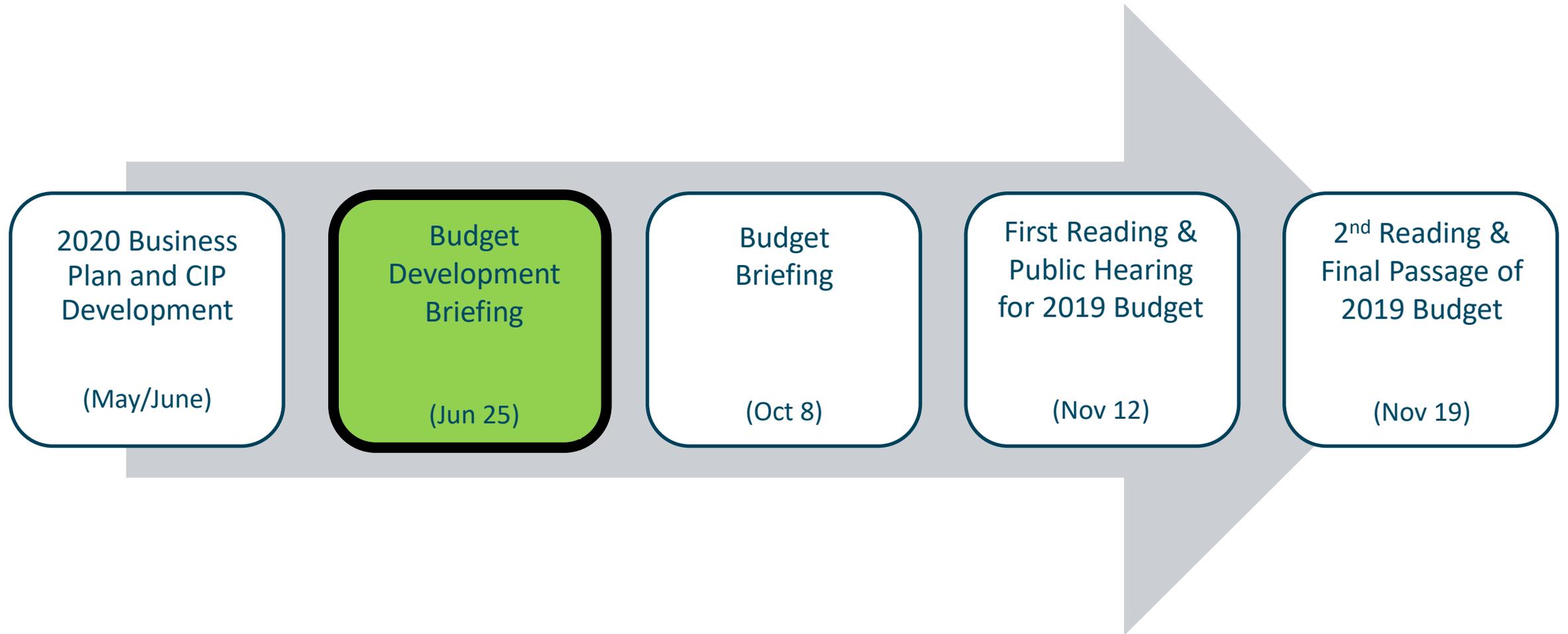
Maritime Division

2020 Business Plan and
Budget Development
June 25, 2019

Outline

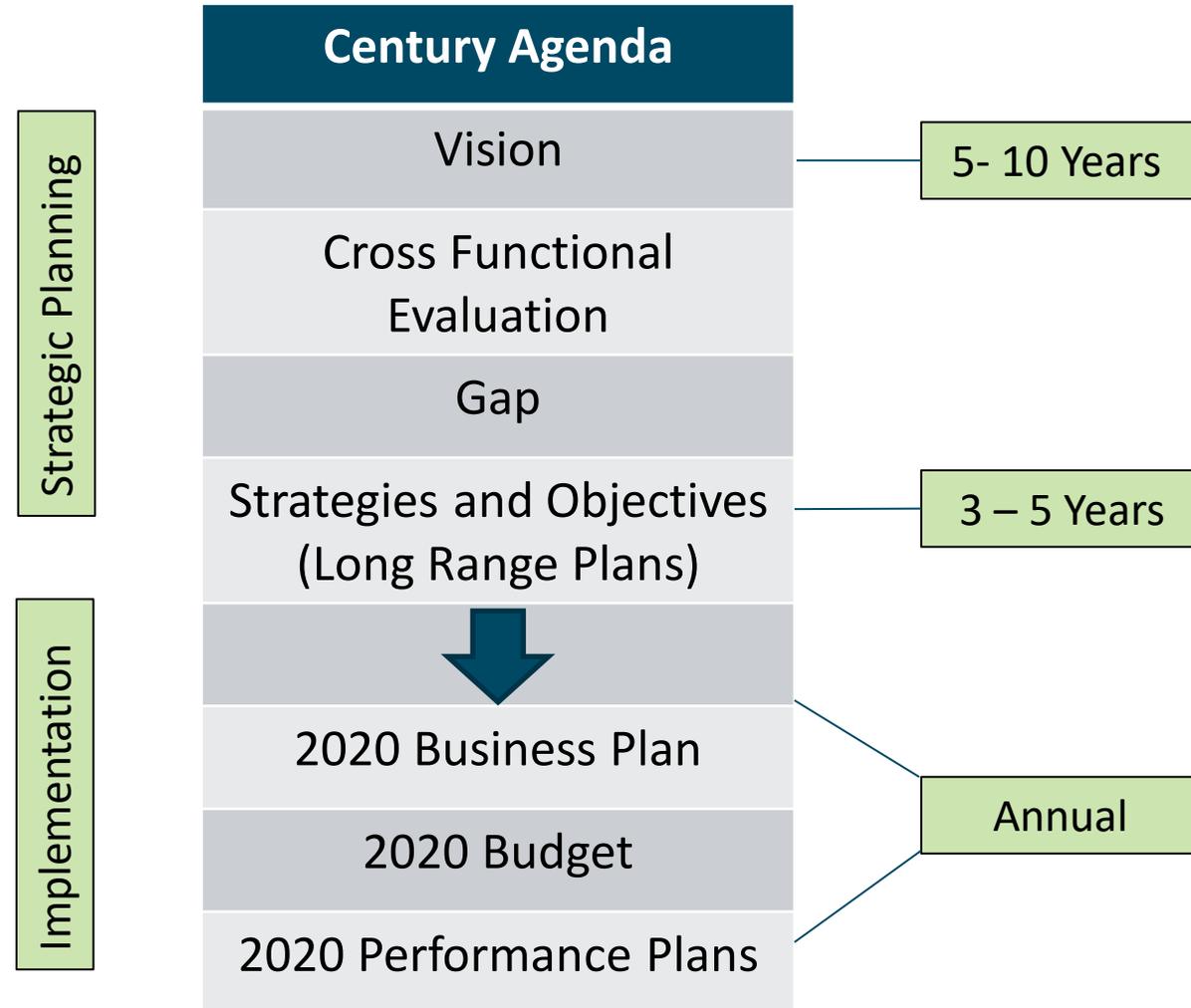
- Strategy to Budget Process
- Strategic Priorities
- Anticipated 2020 Budget needs: Capital Focus
- 2020 Milestones

2020 Maritime Division Budget Timeline

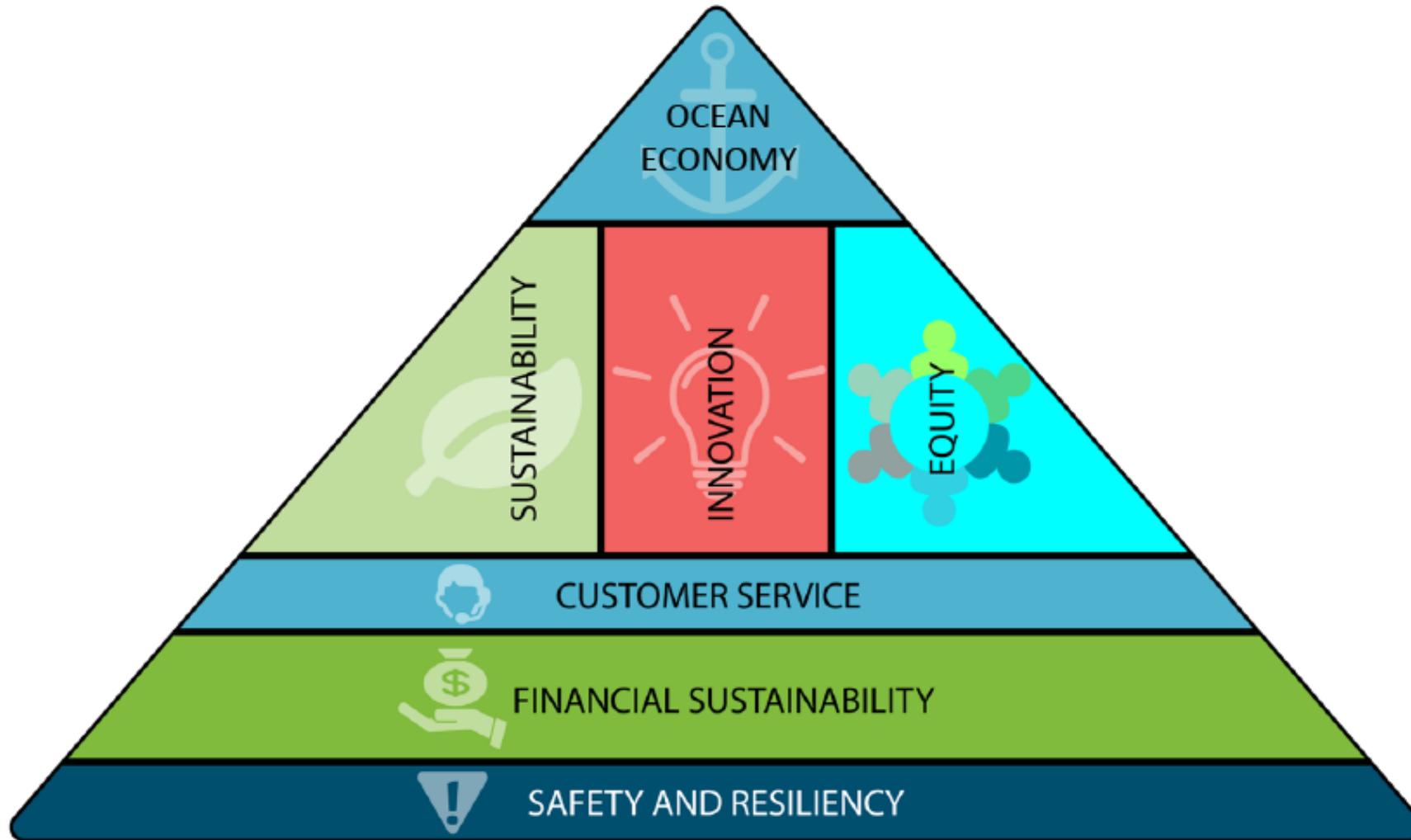


Note: Detailed schedule in appendix

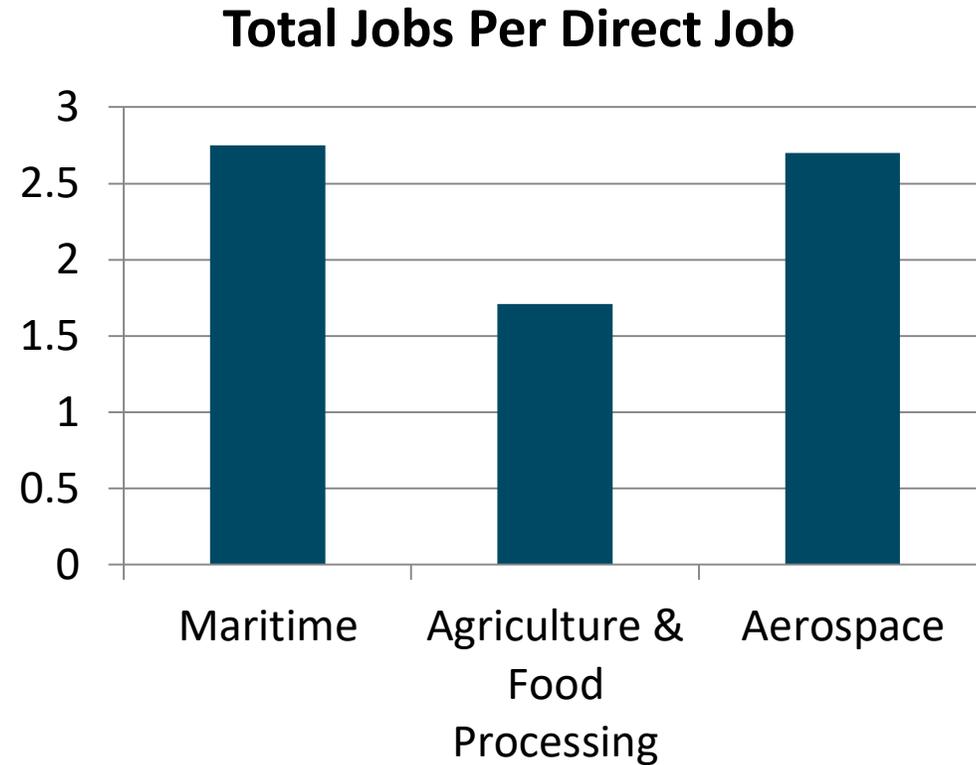
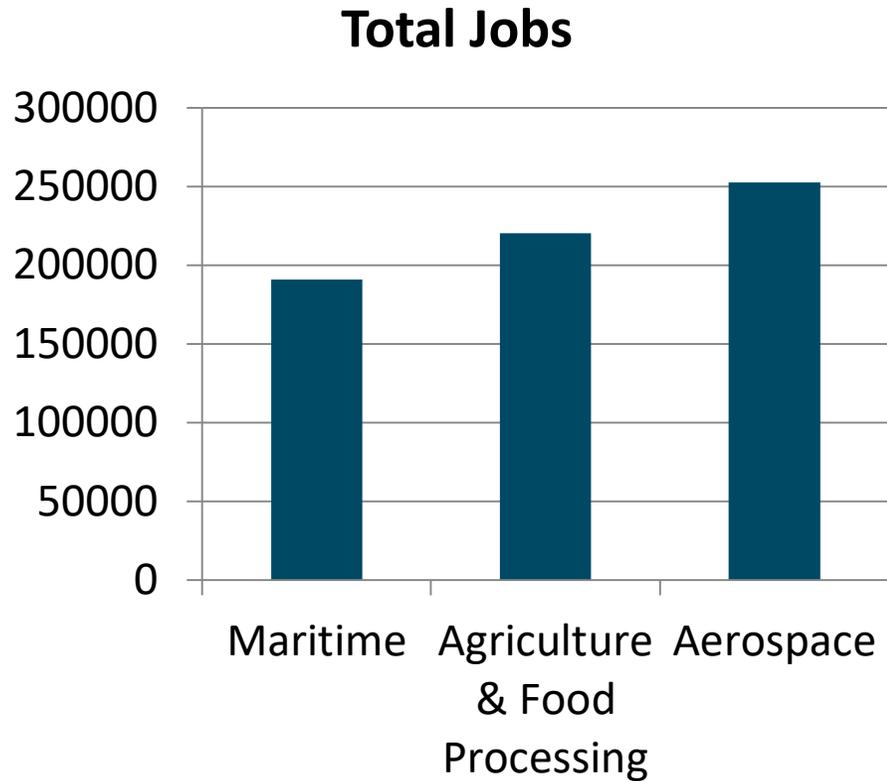
Strategy To Budget Process



Maritime Priorities 2020



Comparing the Statewide Economic Impact of Major Clusters



Sources: Each study by Community Attributes, Inc.: Washington Aerospace Partnership, "Washington State Aerospace Economic Impacts 2016 Update," October 2016; Washington Farm Bureau, "Washington State Agriculture & Food Processing Economic/Fiscal Impact Study," January 2015; Washington Maritime Federation, "Washington State Maritime Sector Economic Impact Study," April 2017.

Ocean Economy Critical to the Region's Economy



Source: Port of Seattle, Port of Tacoma, and the NW Seaport Alliance Economic Impact Analysis, Community Attributes, March 2019

SWOT: Industry/Business Context

Strengths:

- Robust Maritime Cluster.
- Deep expertise and operational excellence.
- Track record in Sustainability.
- Commitment to infrastructure upgrades

Weaknesses:

- Aging infrastructure in some areas.
- Port Facilities not meeting demand for berth space and new vessels.
- Legal, financial, regulatory compliance can result in less competitive edge for real estate.
- Competing demands for resources

SWOT: Industry/Business Context

Opportunities:

- Investments in new vessels in all key sectors
- Technology and Innovation opportunities with infrastructure upgrades
- Proximity to Alaska
- Focus on sustainability

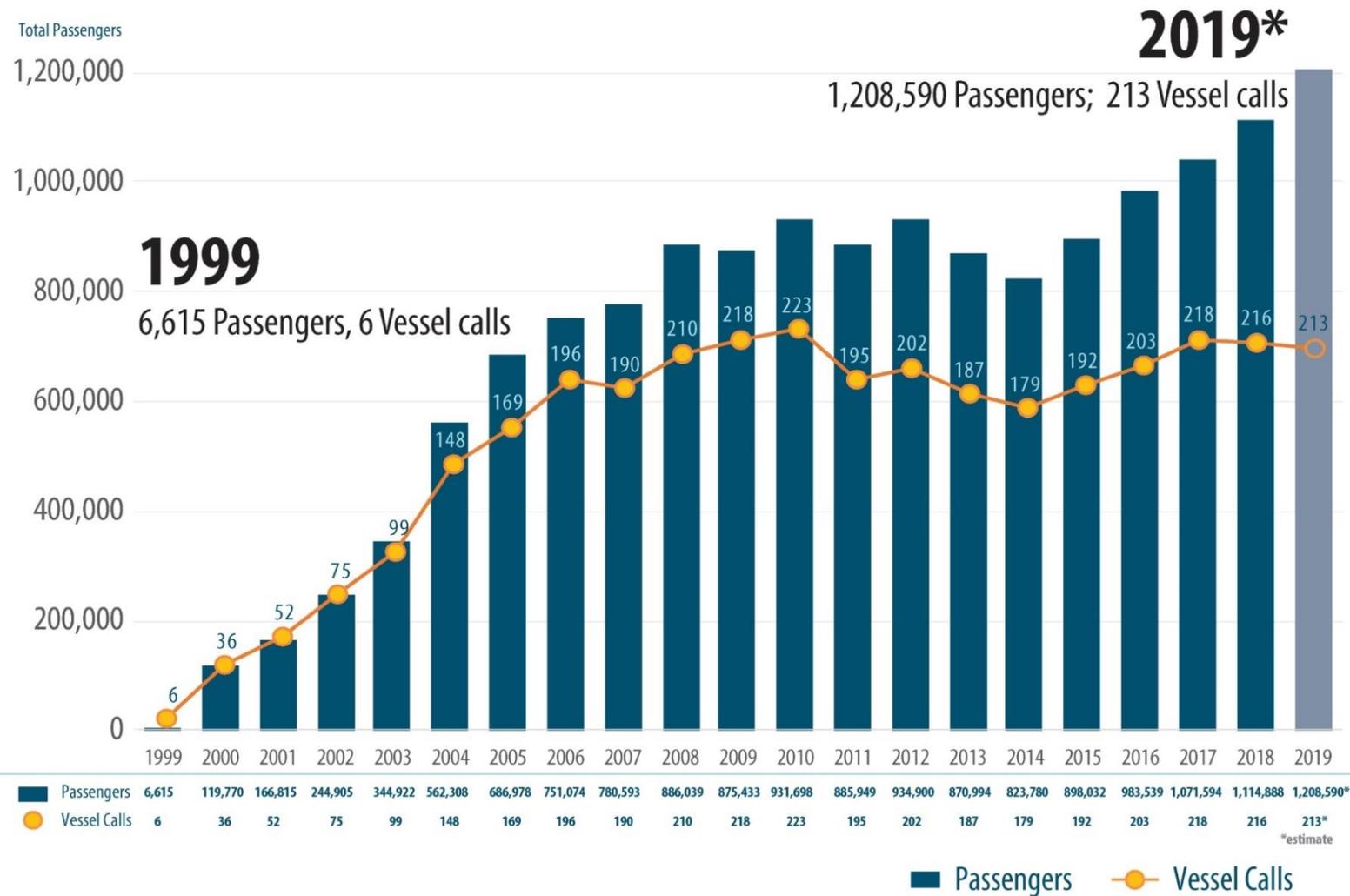
Threats:

- Urban pressures and traffic congestion
- Trade war affecting Terminal 86
- Construction cost escalation
- Effects of climate change: warming ocean

Cruise

Industry/Business Context

Cruise Growth in Seattle



124 new cruise ships on order

Cruise Industry News

[Home](#) • [Latest News](#) • [Magazine](#) • [Annual Report](#) • [Digital Reports](#) • [Orderbook](#) • [Jobs](#)

Cruise Ship Orderbook: 124 New Vessels



The month of June has opened with a strong [cruise ship orderbook](#), with 124 new ships on order through 2027, with 37 different cruise brands building new vessels at 20 different shipyards.

Facts and Figures:

- 124 New Ships
- 14 New Vessels Still to Be Delivered in 2019!
- 24 Each in 2020, 2021 and 2022
- 25 LNG Ships
- 38 Expedition Ships



By the Numbers

- Orderbook Value: \$68,000,000,000
- Average Size of Ships: 2,181 Guests
- Average Tonnage: 89,251
- Average Price: \$573,000,000



Industry changes - Small to Large



Expedition Boom

New expedition ships will be delivered from 17 cruise operators, introducing over 8,500 berths to the market and easily doubling 2018 capacity, according to the [2019 Expedition Market Report](#) by *Cruise Industry News*.

Expedition ships are built for rough operating environments, with strong ice-class hulls and months of fuel and provision space. They are also much smaller than the average newbuild of the major cruise lines, with an average orderbook size of about 214 guests each.



Dream Cruises: 9,000 Pax

- 2 New Ships
- Max Capacity 9,000
- Built for Asian Market
- Roller Coaster
- \$1.8 Billion Each

The future: Hybrid and Electric



Battery Power

Hurtigruten's new class of vessels will feature battery power for the first time in cruise history, enabling periods of fully silent sailing on the ship's battery packs.

Terminal 46



Shared Space with the Northwest Seaport Alliance Operations

Fishing

Industry/Business Context

New Vessels in the Fleet

Mavrik Marine's Sternpicker 32

Improvements:

- Stability
- Capacity
- Speed

Length | **32 ft**

Beam | **12 ft**

Draft | **22 ft**

Crew | **4**

Built in Washington State

Fleet Modernization Underway



- Average vessel is **40 years old** in the North Pacific Fishing Fleet
- New vessels are safer and more environmentally sound
- New technology:
 - Data Needs

Industry/Business Context

- Recreational Boating:
 - Strong Demand for moorage: occupancy high!
 - Trend expected to continue
 - Our marinas provide direct access to the water for many King County Residents
 - We are involved in transacting directly with the public



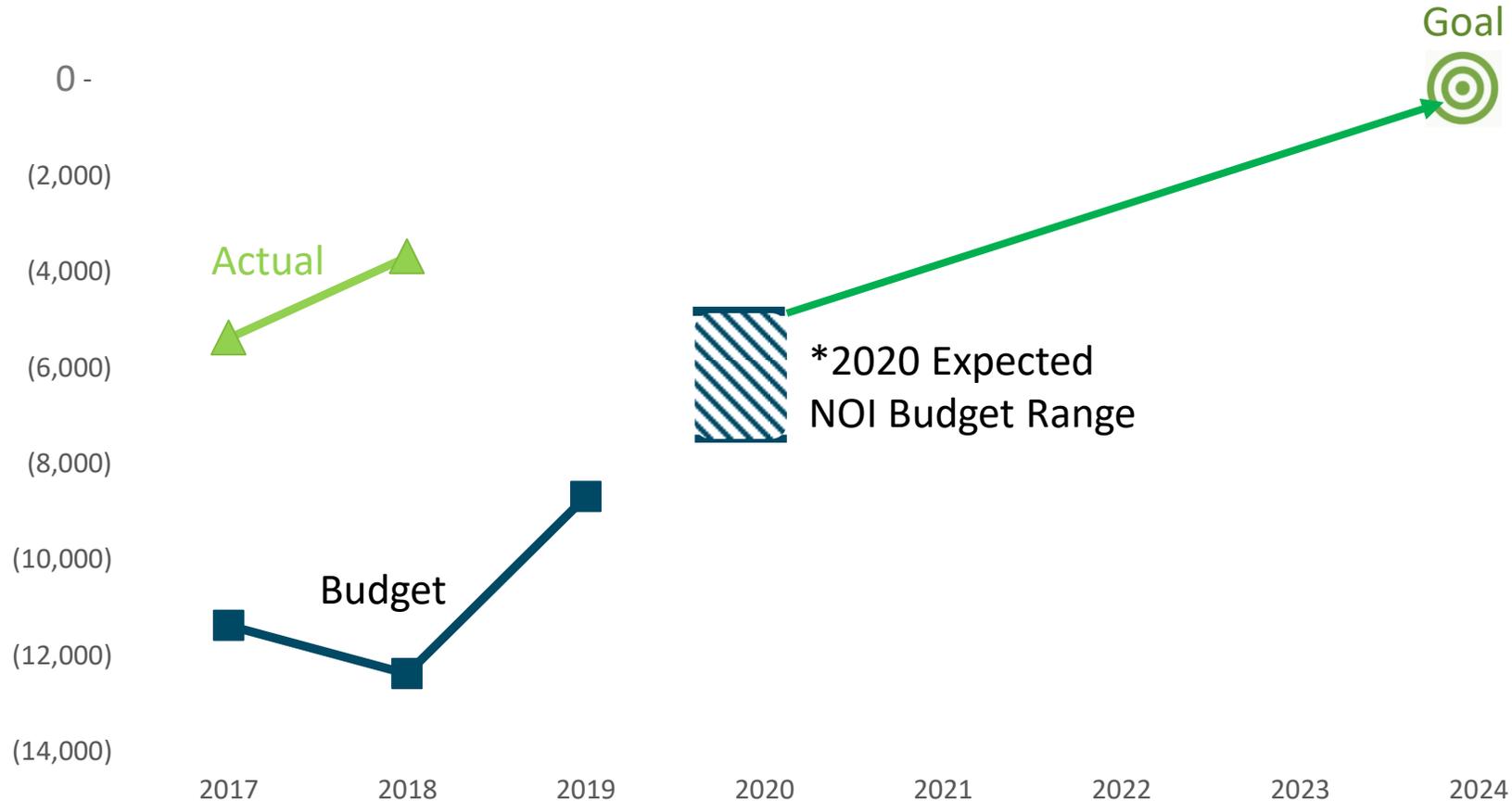
Industry/Business Context

- Grain:
 - Volumes will likely decrease given the ongoing tariff impact on export volumes.
 - The YTD volumes 2019 (through April 2019) are down by 17.8%.
- Portfolio Management:
 - The local industrial real estate market remains strong and rates are stable.
 - Current occupancy rate of industrial property is 98%.

Financial Goals: 2020 is year two of a five-year plan

Maritime Division Financial Goal in \$000s

Positive NOI after Depreciation by 2024



- 2018 Actual NOI above goal.
- Budget guidance including zero-based approach.
 - Smaller Variance.

*Note: Does not include Terminal 46 payment or revenue

Financial Goals: 2020 is year two of a five-year plan

Positive Net Operating Income including Allocations and Depreciation

- Cruise
- Grain Terminal

Take steps to reach Positive Net Operating Income

- Recreational Boating

Cover all expenses and make inroads on depreciation

- Maritime Portfolio Management
- Elliott Bay Fishing & Commercial Operations

Take steps to cover maintenance and direct expenses

- Ship Canal Fishing & Operations

Financial Strategic Plans

1.) Find / expand new revenue sources

- *4th Cruise berth*
- Habitat banking
- Industrial development
- Diversified fleet
- Moorage Dolphins

2.) Maximize existing revenue streams

- *Align rates to market demand*
- Guest moorage
- Lease renewals
- Increase recreational moorage during fishing season @ FT

3.) Limit spending increases

- *Push process improvement*
- Use technology to reduce workload
- Leverage existing overhead
- Optimize predictive maintenance
- Cost sharing

Advance Environmental Sustainability

- **Stormwater:** develop framework for repair and build green infrastructure
- **Habitat:** restore and maintain habitat/ develop banking agreement
- **Greenhouse gas:** implement reduction plan
- **Solid waste:** track and reduce
- **Orca:** contribute to recovery actions



Additional Priorities: Resiliency, Innovation, Equity

- All employees go home safely
 - Implement systematic approach to behavior based safety
- Be better prepared to respond to emergencies
 - Enhance Incident Command Systems qualifications for staff
- Lead Maritime Industry in Innovation
 - Train leaders in Continuous Process Improvement. Encourage innovation at every level. Maritime Blue
- Partner with others to bring more diverse workforce to Maritime Industry
 - Mentoring youth and increasing support for Internships and pre apprentices

Preliminary Maritime 2020 Capital Plan Highlights

- Continued pre-construction work toward:
 - T46 Cruise Terminal
 - Pier 66 Shore Power
 - Terminal 91 Berths 6 & 8
 - Harbor Mooring Dolphins
- Prospective projects (asset preservation, moorage enhancements & public access):
 - Terminal 46 North Pier
 - Terminal 91 Northwest Fender Replacement
 - Jack Block Park Pier Replacement

Note: prospective projects subject to funding availability

Staffing Resource Needs

- Visionary Capital Plan
- Growing demand for facility
- Staffing needs in the following areas:
 - Planning
 - Continuous Process Improvement
 - Cruise
- Offsets: will pursue first

Appendix

Appendix Slide #1

2018 Maritime Division

<i>in \$000s</i>	Cruise	Elliott Bay Fishing & Ops	Ship Canal Fishing & Ops	Rec. Boating	Portfolio Mgmt. *	Grain Terminal	Other / Habitat	Total Maritime
Revenue	18,880	6,755	3,502	12,035	11,305	5,167	(69)	57,575
Direct Operating Exp.	2,659	2,575	2,265	3,672	3,904	165	-	15,239
Maintenance Exp.	2,407	1,557	1,523	3,350	2,739	428	79	12,082
Central Services / Police	4,548	1,898	1,717	2,447	3,234	994	-	14,838
Other External Exp.	237	100	70	440	331	151	(237)	1,092
Total Operating Exp.	9,850	6,130	5,575	9,910	10,208	1,737	(159)	43,252
NOI before Depreciation	9,029	624	(2,073)	2,125	1,098	3,430	90	14,323
Depreciation	6,517	3,421	1,908	2,872	2,693	597	14	18,022
NOI after Depreciation	2,513	(2,797)	(3,981)	(747)	(1,596)	2,833	77	(3,699)

*Includes uplands of Shilshole Bay Marina, Terminal 91 (Industrial), Fishermen's Terminal, Maritime Industrial Center, Salmon Bay Marina, T-115, T-108, and T-106.

Detail 2020 Budget Schedule

06/25 – 2020 Maritime Business Plan and Budget Development Preview briefing

07/23 – EDD/Maritime CIP and Funding Discussion

09/24 – Central Services budget Commission briefing

10/08 – Operating division budgets Commission briefing

10/22 – Tax Levy & Draft Plan of Finance Commission briefing

10/22 – 2020 Preliminary Budget document available to Commission

10/24 – 2020 Preliminary Budget document available to the public

10/29 – NWSA Budget study session by Managing Members

11/13 – First reading of budget resolution and public hearing

11/14 – NWSA Budget adoption by Managing Members

11/13 – First reading of budget resolution and public hearing

11/19 – Second reading and final passage of 2020 Budget

12/02 – File the 2020 statutory budget with King county

12/13 – Publish the 2020 Final Budget to the public