

Item No. 9b supp 1

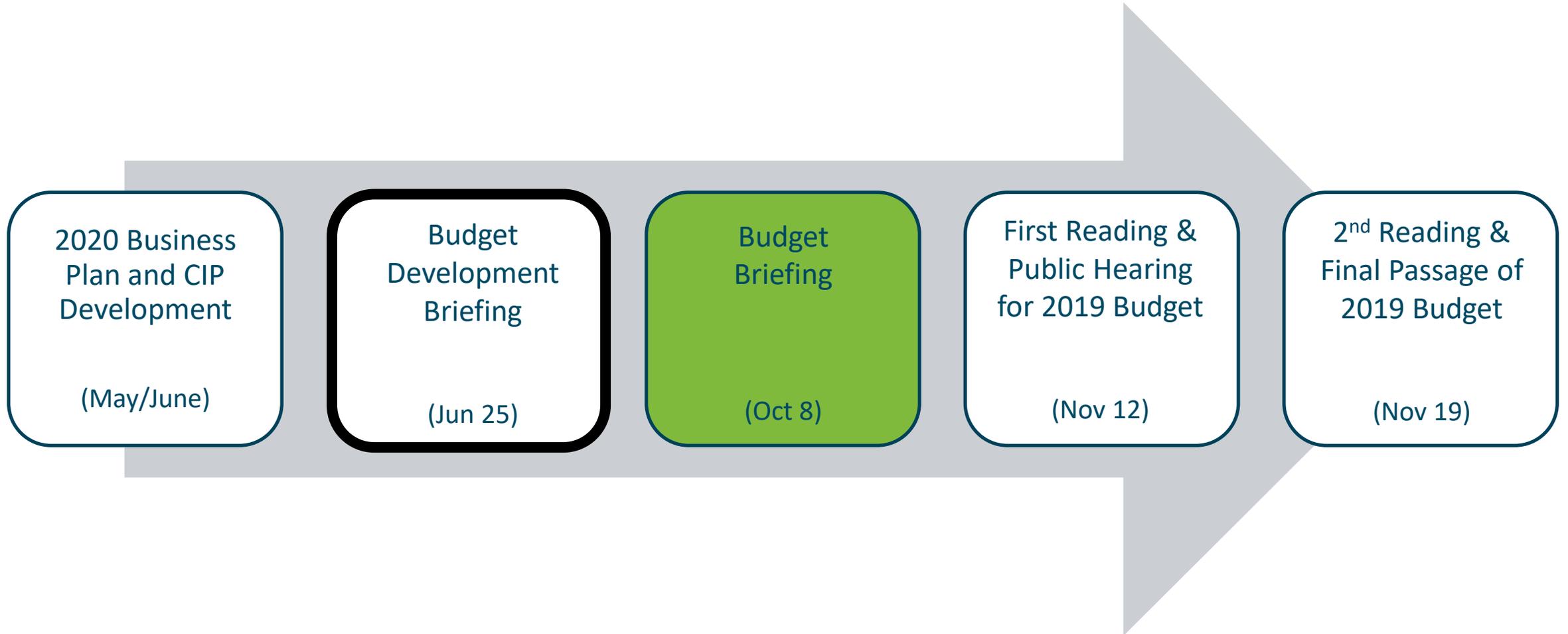
Meeting Date: October 8, 2019



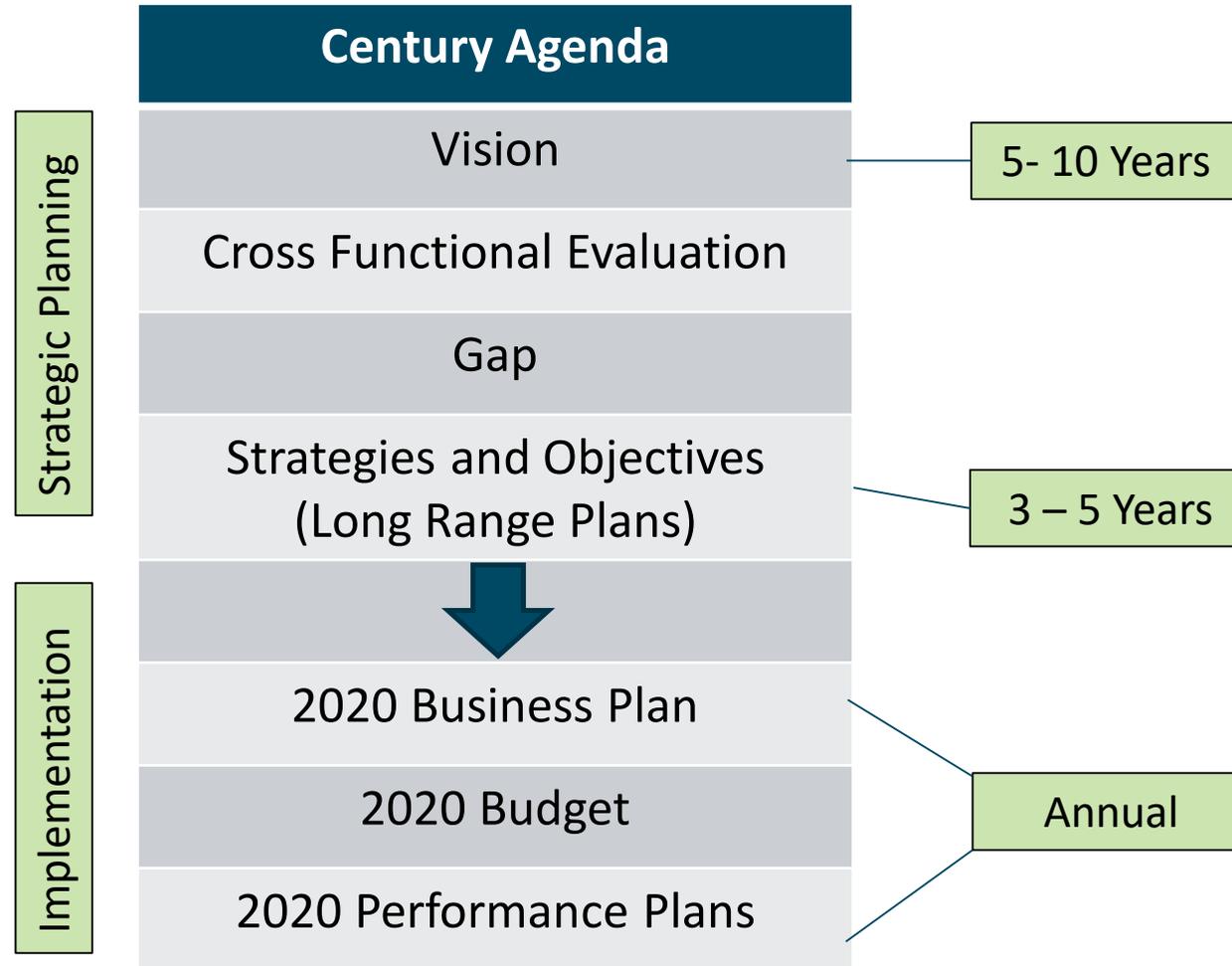
Maritime Division 2020 Preliminary Budget Briefing

October 8th, 2020

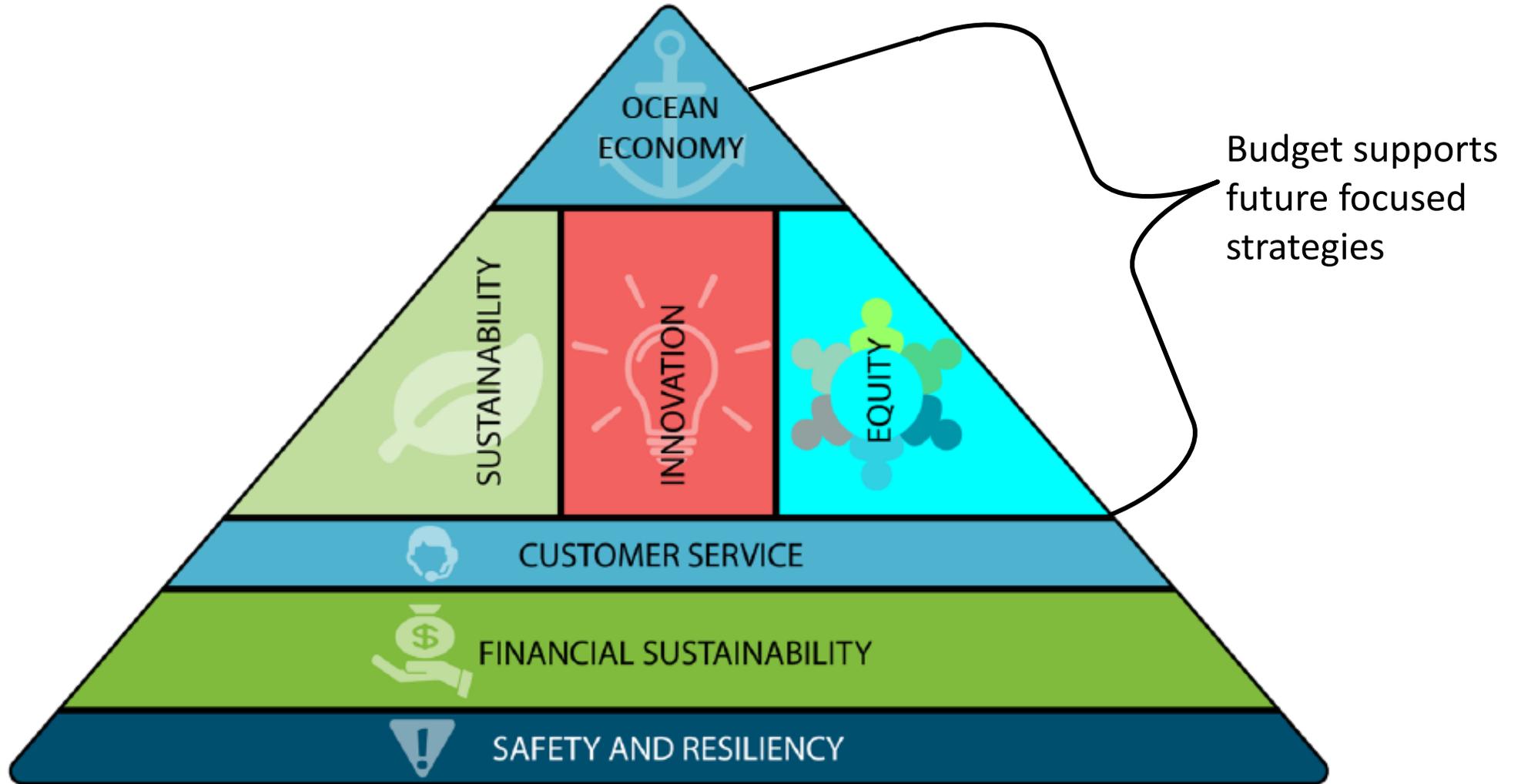
2020 Maritime Division Budget Timeline



Strategy To Budget Process



Maritime Priorities 2020



2020 Budget Objective

Financial Goal: Maritime Division achieves positive Net Operating Income including depreciation by 2024.

- Leverage cruise and grain business to help support the regional fishing fleet, environment, and local maritime small businesses.
- Manage expense growth.
- Balance port revenue growth with supporting vital maritime industries.
- Execute 5 year Capital Plan.

Maritime Budget: Bottom Line Up Front

- Compared to 2019 Budget
 - Revenue up \$3.2 M or 5.4%
 - Expenses up \$1.5M or 2.9%
- Budget Drivers:
 - Growth of Cruise
 - Supporting transformational Capital Plan
 - Project Managers and Planners
 - Innovation
 - Sustainability

Maritime Revenues

- Overall up \$3.2M or 5.4%
- **Strong growth in Cruise, balancing contraction elsewhere**
- Cruise budget revenues projected \$26.1 M up 17%
 - Rate increase and new vessels
- Grain down \$764K K or 18%
 - Trade war and tariffs
- Elliot Bay fishing: down \$804K or 14%
 - Loss of Ocean Phoenix

\$ in 000's	2018	2019	2019	2020	Budget Change	
	Actual	Budget	Forecast	Budget	\$	%
Grain	5,167	4,254	4,254	3,490	(764)	-18%
Cruise Operations	18,880	22,406	22,406	26,261	3,856	17%
Elliott Bay Fishing & Commercial Ops	6,755	5,927	5,827	5,123	(804)	-14%
Ship Canal Fishing & Operations	3,502	4,021	4,021	4,264	243	6%
Maritime Portfolio Mgmt	11,305	10,328	10,328	10,428	100	1%
Rec Boating	12,035	12,794	12,794	13,361	567	4%
All Other	(69)	0	0	11	11	NA
Total Maritime	57,575	59,729	59,629	62,938	3,208	5.4%

Maritime Expenses

- Maritime Expenses up \$350K or 2.4%
- Overall Expenses (all in) up \$1.5M or 2.9%
- Zero Based Budgeting mindset: Almost \$1M reduced
 - Strategic Review needs and historic spending: consultants, advertising, travel
- Adding FTEs to support capital, cruise, innovation:
 - Offsetting by eliminating 3 unfilled positions, reducing consultant costs
 - CPI, Planning Department, Cruise
 - 3 to Project Management team
- Maintenance cost up



2020 Maritime Budget Summary (Excluding T46 Cruise)

Inclusive of Direct Charges & Allocations from Corporate, & Other Divisions

\$ in 000's	2018 Actual	2018 Budget	2019 Budget	2019 Forecast	2020 Budget	Incr (Decr)	
						Budget Change \$	%
Total Revenues	57,575	55,053	59,729	59,629	62,938	3,208	5.4%
Expenses							
Maritime (Excl. Maint)	11,348	15,383	14,604	13,229	14,953	349	2.4%
Economic Development	4,347	4,583	4,996	4,573	5,692	695	13.9%
Total Direct	15,695	19,965	19,600	17,802	20,645	1,044	5.3%
Maintenance Expenses	11,416	11,261	11,980	11,980	13,021	1,041	8.7%
Envir Services & Planning	1,588	2,168	2,622	2,436	2,759	137	5.2%
Capital Development Expenses	823	1,212	821	855	918	97	11.8%
Total Support Services	13,827	14,640	15,422	15,270	16,698	1,275	8.3%
IT	2,607	2,858	2,788	2,788	2,903	115	4.1%
Police Expenses	4,041	4,209	4,473	4,297	3,408	(1,065)	-23.8%
External Relations	1,379	1,528	1,685	1,585	1,800	115	6.8%
Other Central Services	5,483	6,184	6,647	6,432	6,627	(20)	-0.3%
Aviation Division	221	194	206	206	236	30	14.8%
Total Central Services / Other	13,730	14,973	15,799	15,308	14,974	(824)	-5.2%
Operating Expenses	43,252	49,578	50,822	48,381	52,317	1,495	2.9%
Net Operating Income before Depecciation	14,323	5,475	8,908	11,249	10,621	1,713	19.2%
Depecciation	18,022	17,868	17,613	17,613	17,195	(418)	-2.4%
NOI after Depecciation	(3,699)	(12,394)	(8,705)	(6,364)	(6,573)	2,132	24.5%

Key 2020 budget changes from 2019 budget

- Revenue Growth of 5.4%
- Expense Growth of 2.9%
 - Direct increase of 5.3%
 - Support Services increase of 8.3%
 - Maintenance growth in labor rates, materials cost, and common area allocation change.
 - Central Services decrease 5.2%
 - Recalibration of Police deployment hours.

24.5% increase in Net income

2020 Maritime Budget Summary (Including T46 NWSA Payment)

Inclusive of Direct Charges & Allocations from Corporate, & Other Divisions

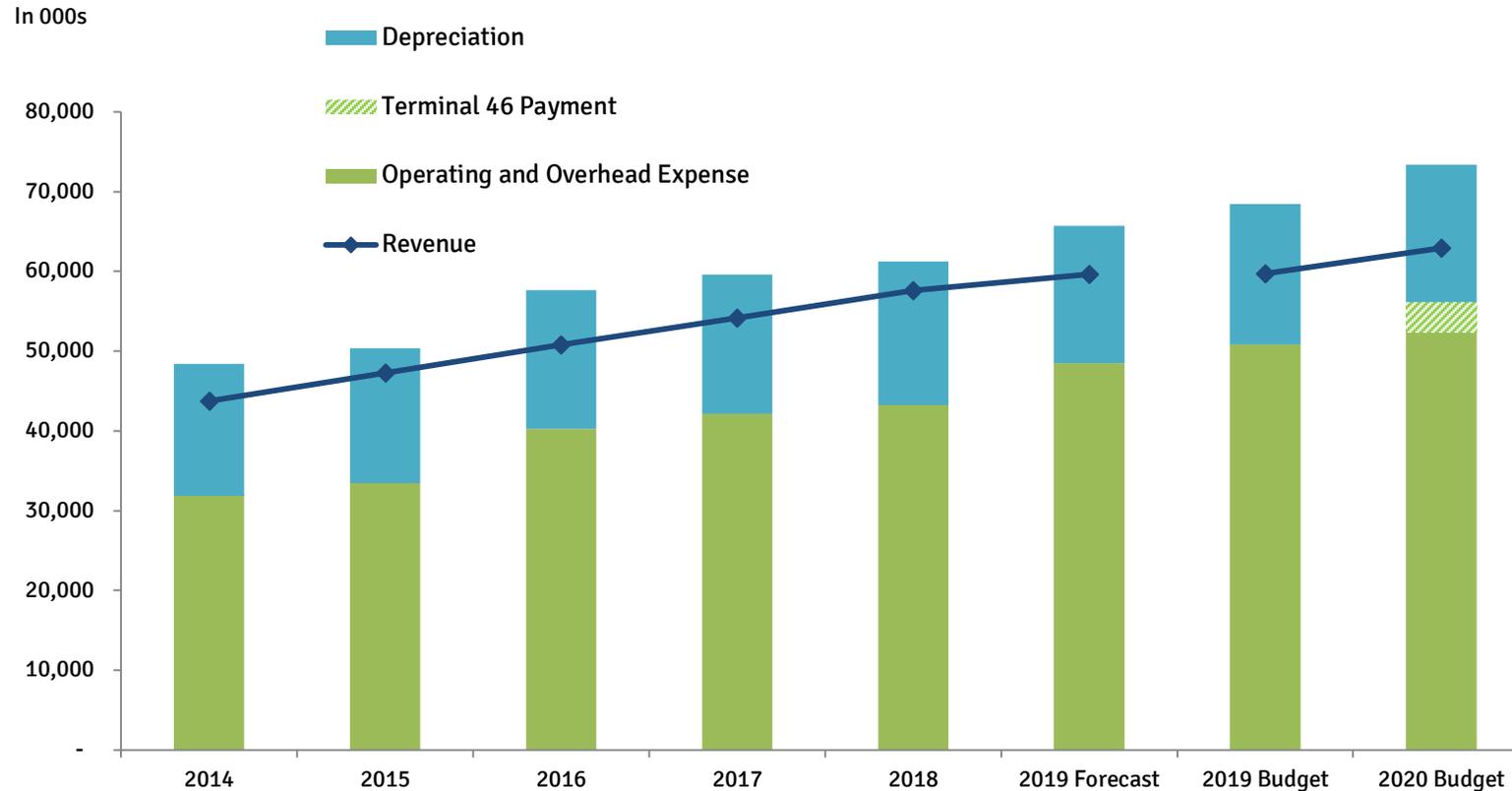
\$ in 000's	2018	2018	2019	2019	2020	Budget Change	
	Actual	Budget	Budget	Forecast	Budget	\$	%
Total Revenues	57,575	55,053	59,729	59,629	62,938	3,208	5.4%
Expenses							
Maritime (Excl. Maint)	11,348	15,383	14,604	13,229	18,779	4,175	28.6%
Economic Development	4,347	4,583	4,996	4,573	5,692	695	13.9%
Total Direct	15,695	19,965	19,600	17,802	24,471	4,871	24.9%
Maintenance Expenses	11,416	11,261	11,980	11,980	13,021	1,041	8.7%
Envir Services & Planning	1,588	2,168	2,622	2,436	2,759	137	5.2%
Capital Development Expenses	823	1,212	821	855	950	129	15.6%
Total Support Services	13,827	14,640	15,422	15,270	16,729	1,307	8.5%
IT	2,607	2,858	2,788	2,788	2,903	115	4.1%
Police Expenses	4,041	4,209	4,473	4,297	3,408	(1,065)	-23.8%
External Relations	1,379	1,528	1,685	1,585	1,800	115	6.8%
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Aviation Division	221	194	206	206	236	30	14.8%
Total Central Services / Other	13,730	14,973	15,799	15,308	14,974	(824)	-5.2%
Operating Expenses	43,252	49,578	50,822	48,381	56,175	5,353	10.5%
Net Operating Income before Depreciation	14,323	5,475	8,908	11,249	6,763	(2,145)	-24.1%
Depreciation	18,022	17,868	17,613	17,613	17,195	(418)	-2.4%
NOI after Depreciation	(3,699)	(12,394)	(8,705)	(6,364)	(10,432)	(1,727)	-19.8%

Incr (Decr)

Impact of Terminal 46 payment to NWSA beginning in 2020 to the Port

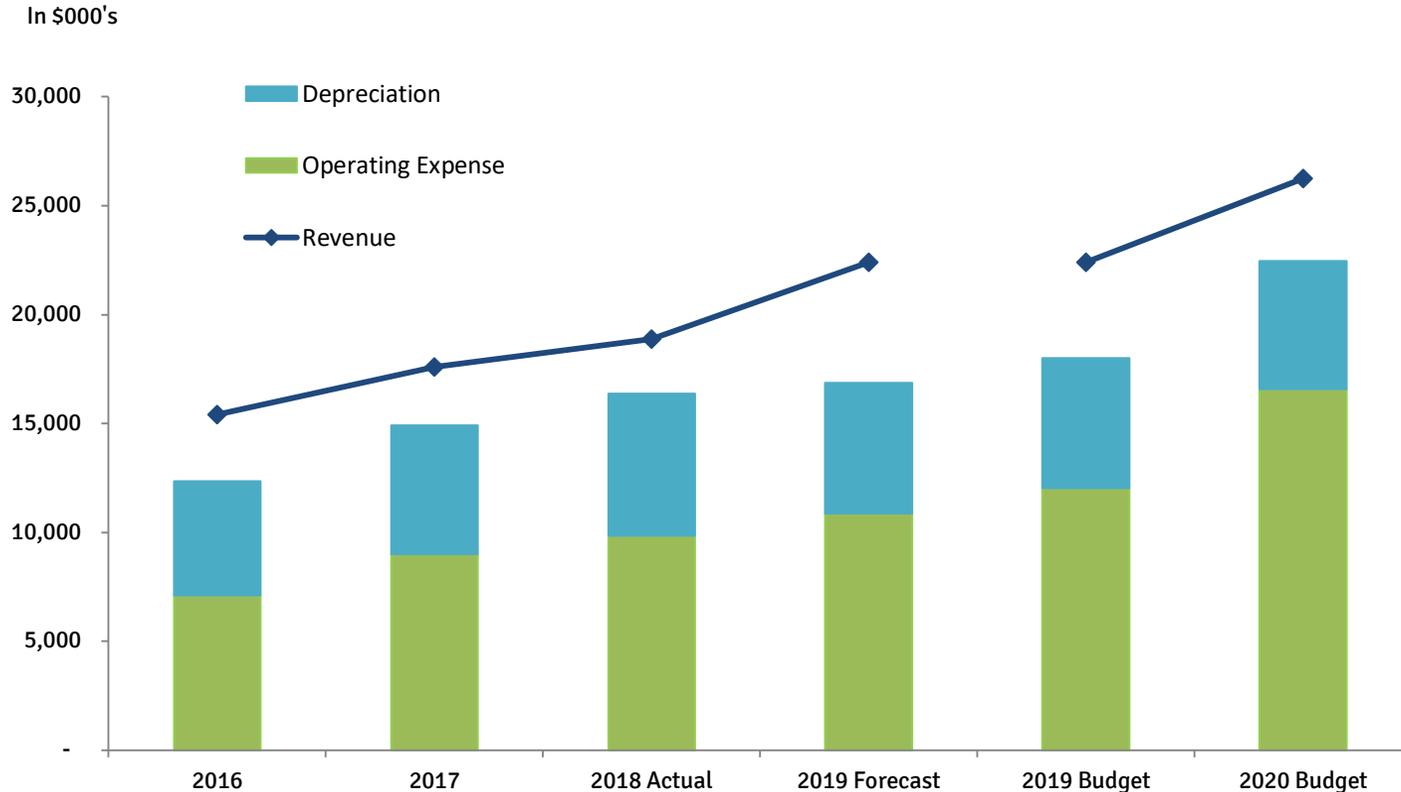
- \$3.82M growing 2% annually for 29 acres at Terminal 46
- Payment creates revenue for NWSA (50% returned to Port of Seattle, not shown here)

Maritime Division Financial Trends



- Continuing upward revenue trend.
- Expense reductions helped mitigate \$3.8M gross payment to the NWSA.
- Depreciation is down slightly Y/Y.

Cruise Financial Goal: Profitability while driving regional tourism



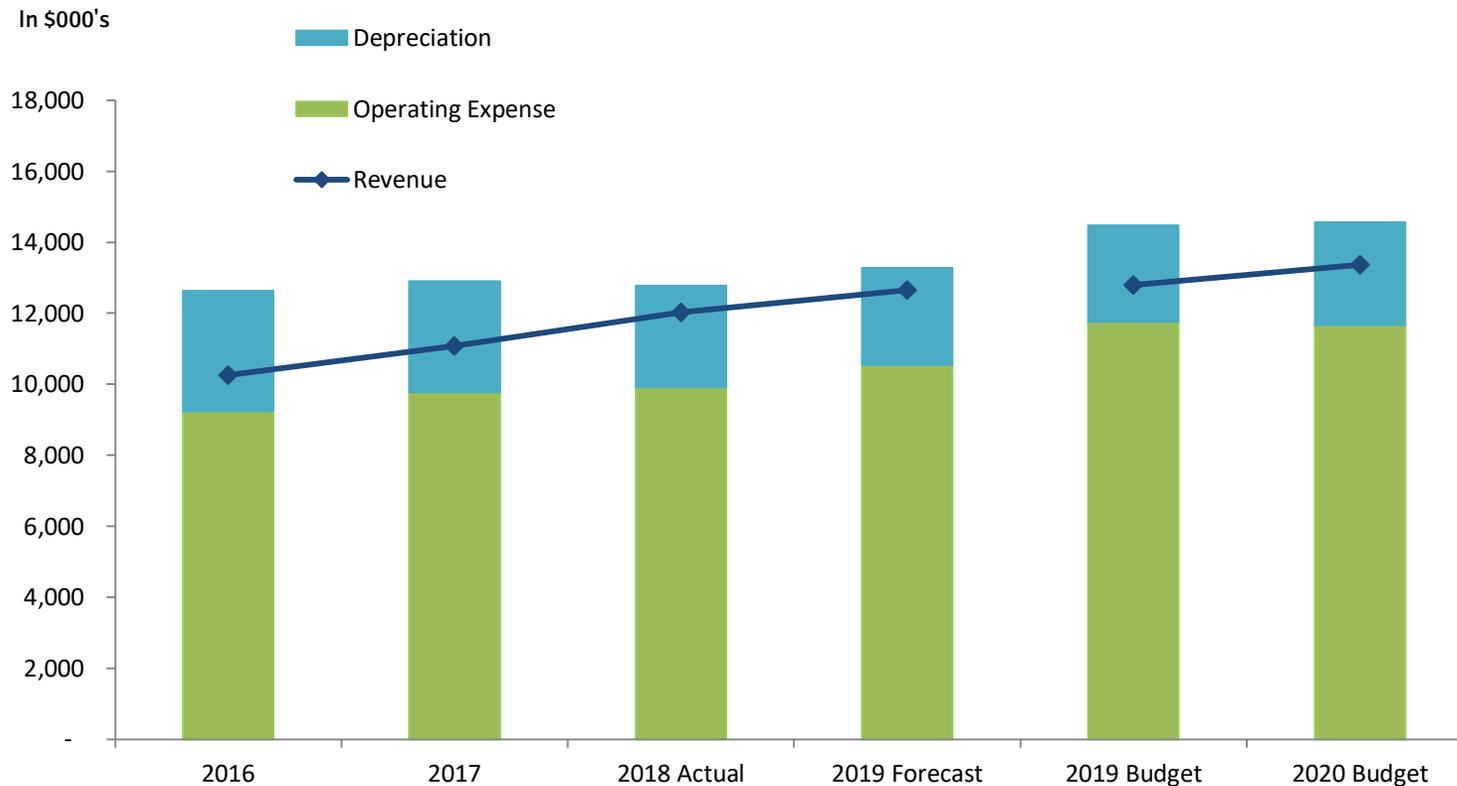
Revenue up \$3.9M/17.2%
*Expenses up \$4.5M/37.8%

*Includes \$3.8M Northwest Seaport Alliance Payment

Initiatives:

- Port Valet \$1.2M (\$720K to Cruise, \$480K to Aviation), budget increased from 2019 driven by passengers
- Seatrade Booth \$160K

Recreational Boating Goal: Journey to Profitability

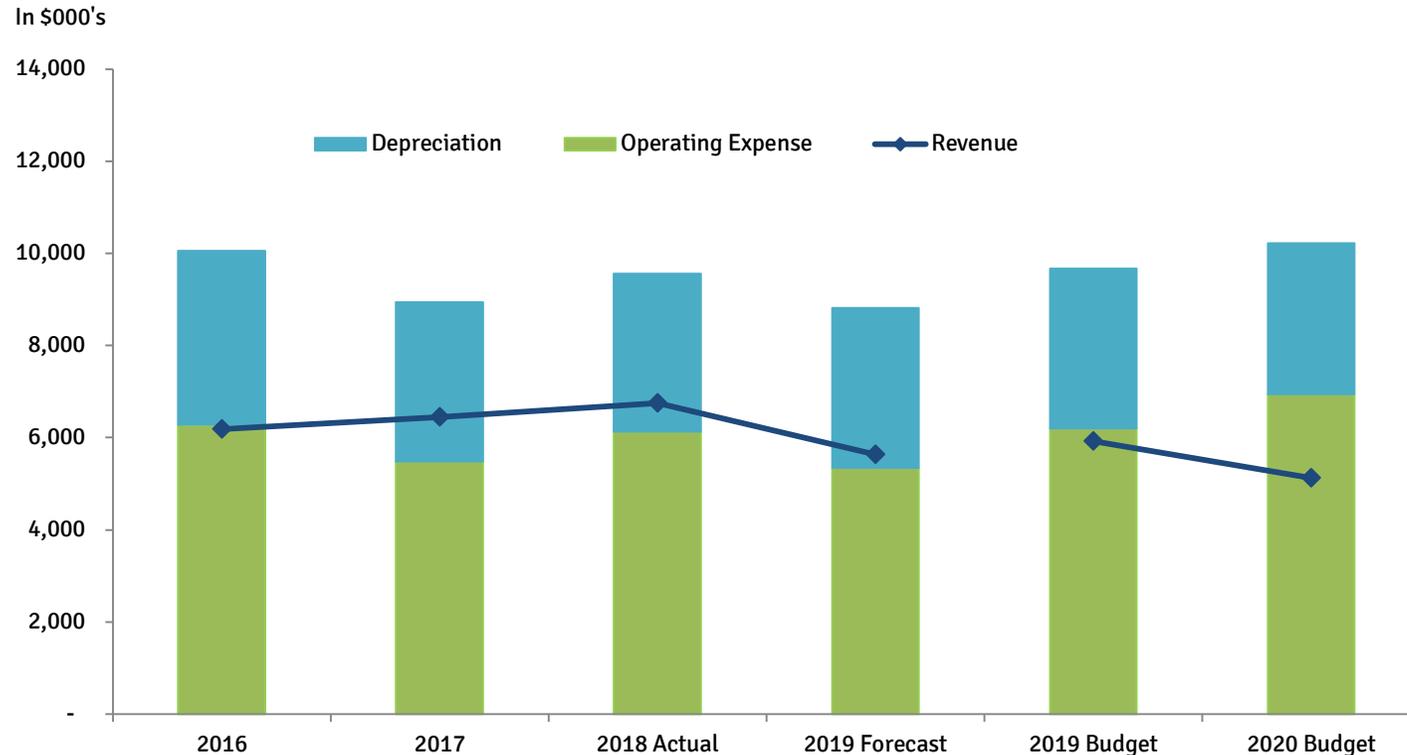


Revenue up \$567K/4.4%
Expenses down \$108K/-0.9%

Initiatives:

- Destination awareness: market guest moorage
- Complete capital projects
- Attract new boaters

Elliott Bay Fishing & Commercial Operations

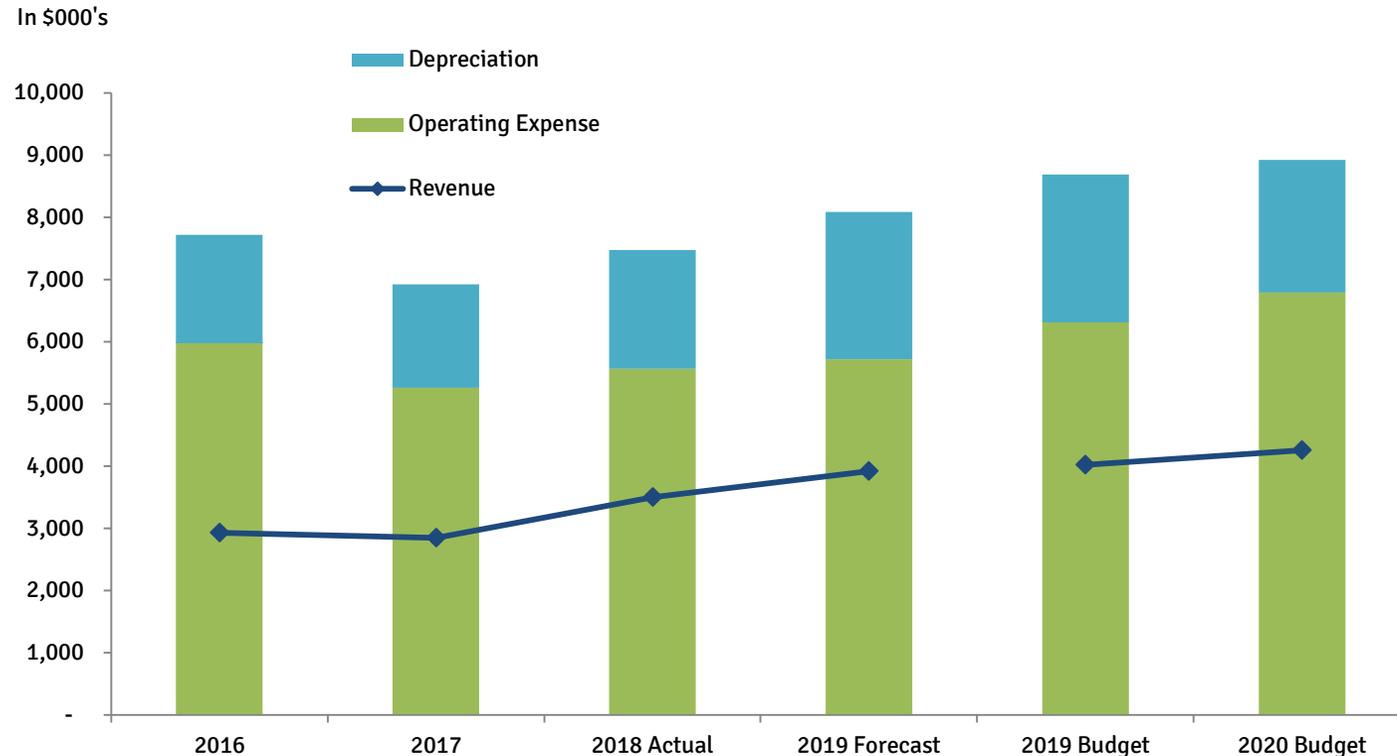


Revenue down \$804K/-13.6%
Expenses up \$842K/13.6%

Initiatives:

- Terminal 91 Berth 6&8 Repair
- T46 North Pier Redevelopment
- Mooring Dolphins

Ship Canal Fishing & Operations

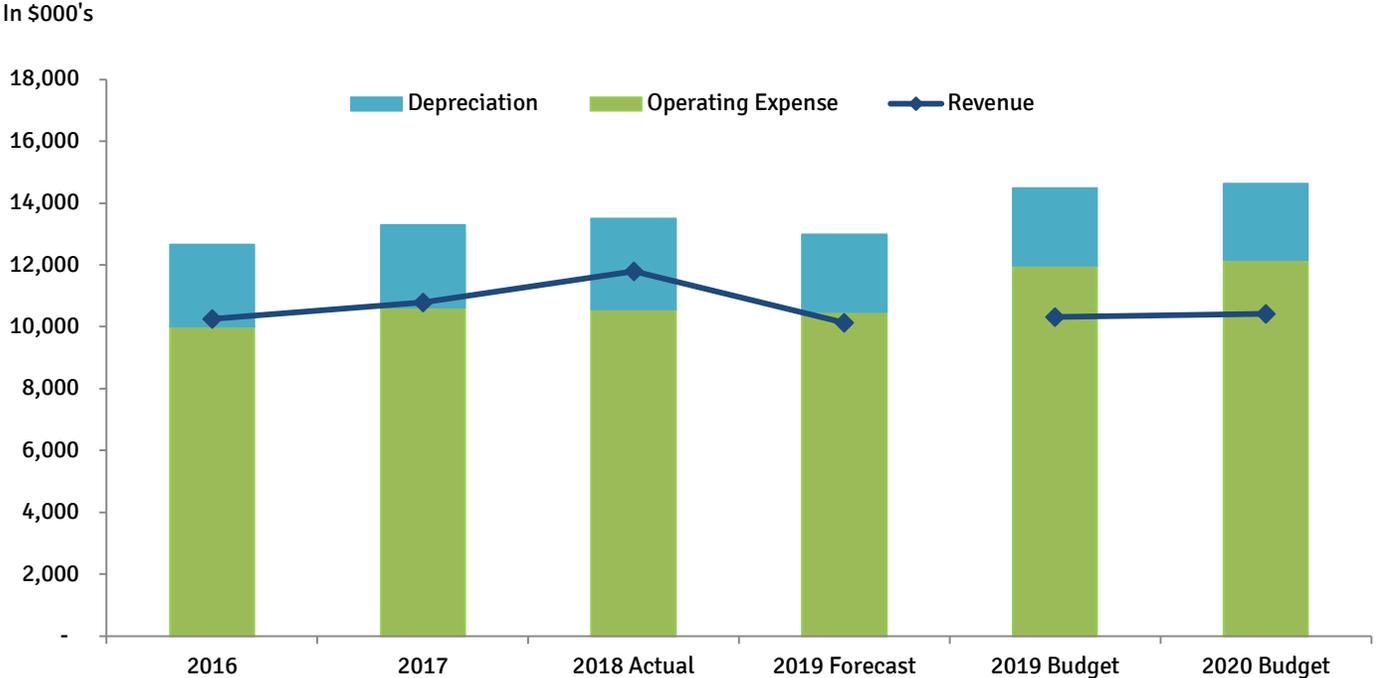


Revenue up \$243K/6%
Expenses up \$548K/8.7%

Initiatives:

- Maritime Innovation Center / Fishermen's Terminal Redevelopment

Maritime Portfolio Management: Positive NOI including Depreciation by 2024



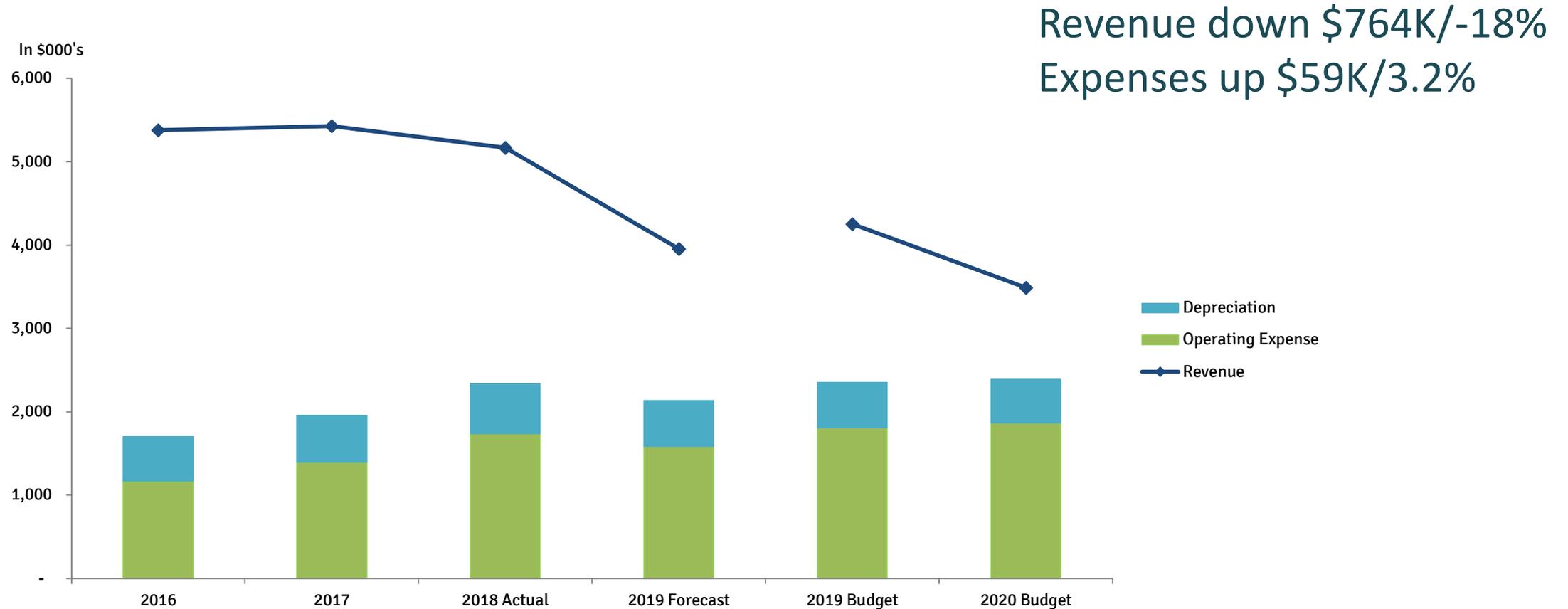
Revenue up \$100K/1%
Expenses up \$164K/1.4%

Initiatives:

- Fishermen’s Terminal Redevelopment
- Maritime Industrial Center – A1 building improvements
- 106 Development

- 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.

Grain Terminal Goal: Net Income Maximized

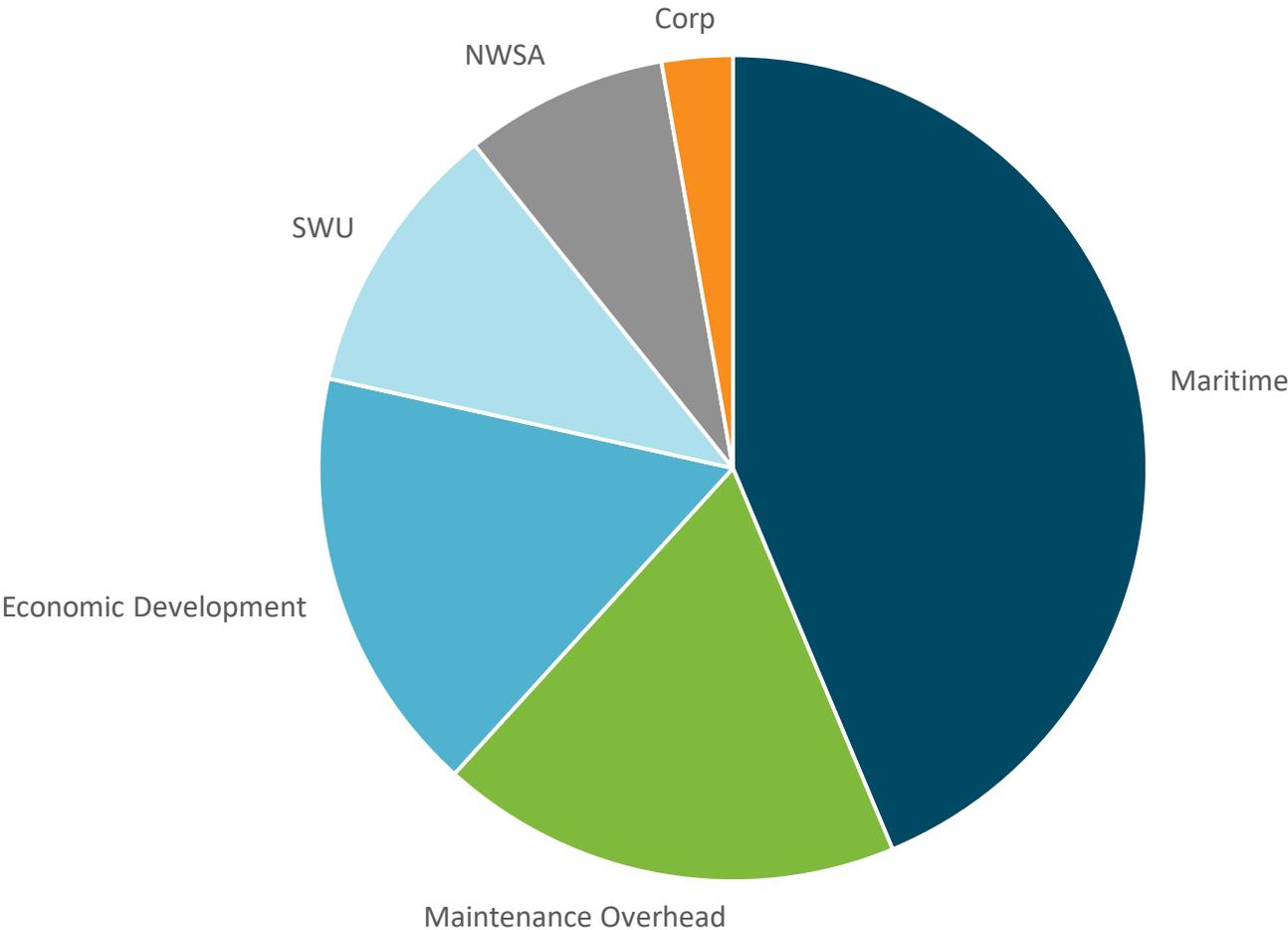


Maritime Division Service Group Summary

2020 Preliminary Budget
October 8, 2019

Marine Maintenance

Maintenance Breakdown



- Up 8.4% over 2019 Budget
- Assumes 4% increase in labor cost
- Project Management and Facilities Management Teams fully staffed
 - Increase of 0.5 FTEs and conversion of 24 long-term Emergency Hires

Environmental Programs

- Continuing core services and responding to new priorities
- Assessed and realigned resources to meet current demands
- 2020 outside services request is \$386K below 2019 budget
- 2 new FTEs to deliver priorities and offsetting outside consultant use
 - New Priorities: Sustainability, Orca Recovery, Cruise Environmental and Duwamish Engagement \$420K

Staffing Changes

Summary

- 8.5 new positions
 - 3 in Project Management
 - 2 Planners
 - Cruise team member
 - Continuous Process Improvement
- 3 eliminated positions
- **Net change: 5.5**

Stormwater Utility Summary

2020 Preliminary Budget

September 11, 2019



Stormwater Utility Operating Budget

\$ in 000s	2018 Actual	2019 Budget	2019 Forecast	2020 Budget	Incr (Decr)	
					Budget Change \$	%
Total Revenue	5,284	5,795	5,795	6,270	475	8.2%
Operating Expenses						
SWU Direct	841	1,052	1,052	1,226	174	16.5%
Maintenance Expenses	3,317	2,933	2,933	3,219	286	9.8%
Environmental & Sustainability	323	260	260	88	(172)	-66.1%
EDD Expenses	7	50	50	49	(1)	-1.4%
Capital Development Division	16	17	17	90	73	434.6%
Other Central Services	726	869	869	921	52	6.0%
Total Operating Expenses	5,230	5,180	5,180	5,593	413	8.0%
Net Operating Income	54	615	615	677	62	10.2%

- Rate increase to 8.2%, transferred one FTE from Environment & Sustainability to SWU
- FTE to grow from 2 to 3 to offset with reduced consulting cost.

Stormwater Utility Capital Budget Summary

\$'s in 000's	2020	2021	2022	2023	2024	Total
Commission Authorized/Underway	2,150	500	500	500	500	4,150
T18 Stormwater outfalls renew/replace	1,650	-	-	-	-	1,650
PW Stormwater Sys Renewal	500	500	500	500	500	2,500
Pending Future Authorization	-	-	-	-	-	-
SWU Contingency						
Small Capital Projects	150	150	150	150	150	750
Total Projects	2,300	650	650	650	650	4,900

Maritime Appendix

2020 Preliminary Budget

October 8th, 2020



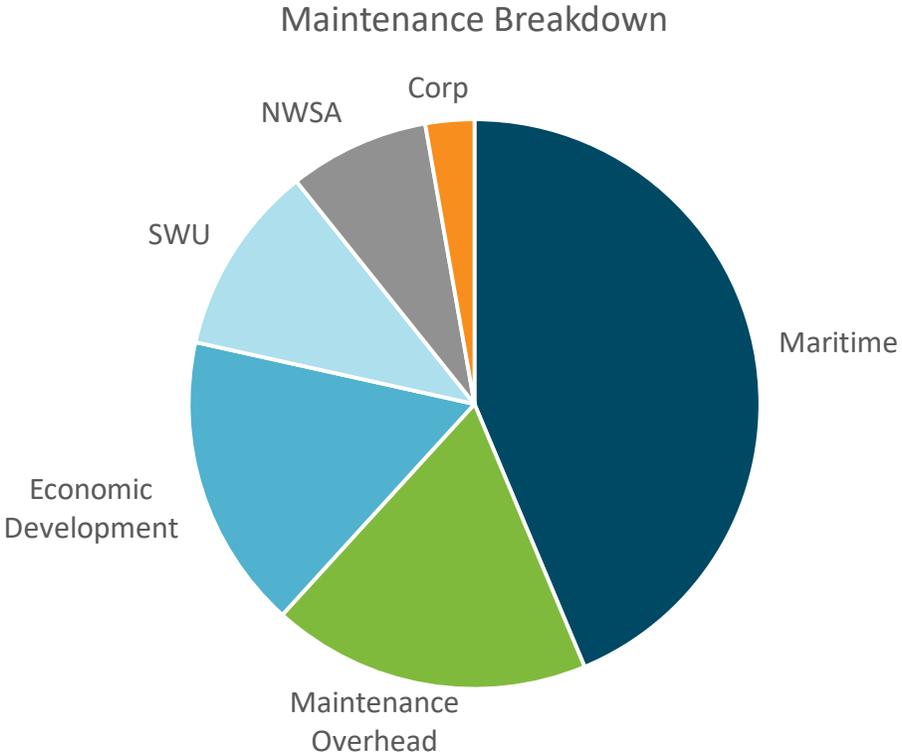
Reductions from Zero-Based Approach

Business	What	Totals in '000	Description
MD Portfolio Management	Travel/Training	(1)	Mainly reduction in Registration
MD Portfolio Management	Promotional Hosting	(5)	Removed Promo Hosting for FVO Centennial (\$5K) budgeted in 2019
MD Portfolio Management	General Expenses	(21)	Removed Salmon Bay Marina Office/Retail Miscellaneous Exp (\$15K) budgeted in 2019
Cruise	Professional Services	(750)	Reduction in design consultant services
Cruise	Travel/Lodging	(6)	Reduction in airfare, lodging, and employee food & beverage
Cruise	Promotional Expenses	(5)	Consolidated with Maritime Marketing efforts
Cruise	Advertising	(10)	Consolidated with Maritime Marketing efforts
Maritime Marketing	Computer acquisition	(1)	Reduction in computer expenses based on need in 2020
Maritime Marketing	Other contracted services	(40)	Reductions in large format graphics and printing for Cruise materials
Maritime Marketing	Advertising	(85)	Reduction based on need and ability to spend in 2020
Maritime Operations	Furnitures	(7)	Reduction of unnecessary purchasing
RecBoating	Recycling	(14)	Reduction of expenses in line with actuals
RecBoating	Seasonal Hiring	(13)	Reduction of operating expenses

Note: There are additional reductions outside of this list, including service groups

Marine Maintenance

\$ in 000s	2017 Actual	2018 Actual	2019 Budget	2019 Forecast	2020 Budget	Budget to Budget		Forecast to Budget	
Operating Exp*	18,873	20,630	19,740	21,485	21,755	2,015	10.2%	270	1.3%
Expense Project	1,323	1,250	2,712	1,316	2,577	(136)	-5.0%	1,261	95.8%
Total	20,196	21,880	22,452	22,801	24,331	1,879	8.4%	1,531	6.7%



- Assumes 4% increase in labor cost
- Project Management and Facilities Management Teams fully staffed
 - Increase of 0.5 FTEs and conversion of 24 long-term Emergency Hires

*Operating Expense net of revenue from reimbursable work

Net Increase of 5.5 FTE

2019 Budget (excluding Stormwater Utility)	169.5
2019 Changes	
Transfer	
1) Transfer from Seaport Project Management	20.0
2) Transferred from Security	2.0
3) Unfilled purchasing specialist (Maintenance)	-1.0
Adjusted 2019	190.5
1) Conversion of existing craft/labor emergency hires	24.0
Adjusted 2020 Baseline	214.5

Summary

- 8.5 new positions
- 3 eliminated positions
- **Net change: 5.5**
- Conversion of 24 existing Marine Maintenance emergency hires to FTE

2020 Budget	
Staff Addition/Subtraction:	
Capital	
1) Project Manager 2 - Seaport PM	1.0
2) Capital Project Scheduler - Seaport PM	1.0
3) Administrative Assistant	1.0
Total Capital	3.0
Maintenance	
1) Convert 0.5 Facilities Maintenance Manager to full FTE	0.5
2) New administrative assistant - Maintenance	1.0
3) Removal of Senior Fleet Manager Position	-1.0
Total Maintenance	0.5
Maritime Direct	
1) Maritime Continuous Process Improvement Specialist	1.0
2) Maritime Facility Planner	1.0
3) Sr. Manager Planning	1.0
4) Cruise Services Specialist	1.0
5) Removal of vacant Customer Service Supervisor	-1.0
6) Removal of vacant Harbor Accounting Business Analyst	-1.0
Total Maritime Direct	2.0
Net Change	5.5
Proposed 2020 Budget	220.0