Item Number: 11a supp
Meeting Date: July 14, 2026
Amended

Port of Seattle
2027 Budget Development Briefing

July 14, 2026

Agenda

Environmental Scan

2027 Budget Principles & Strategies

2027 Budget Approach and Process

2027 Key Budget Dates

Environmental Scan Summary

Unprecedented **political and economic uncertainty**

Effects of **trade, immigration and other policy actions**

Post pandemic **growth moderating**

Multiple years of **rapid expense growth**

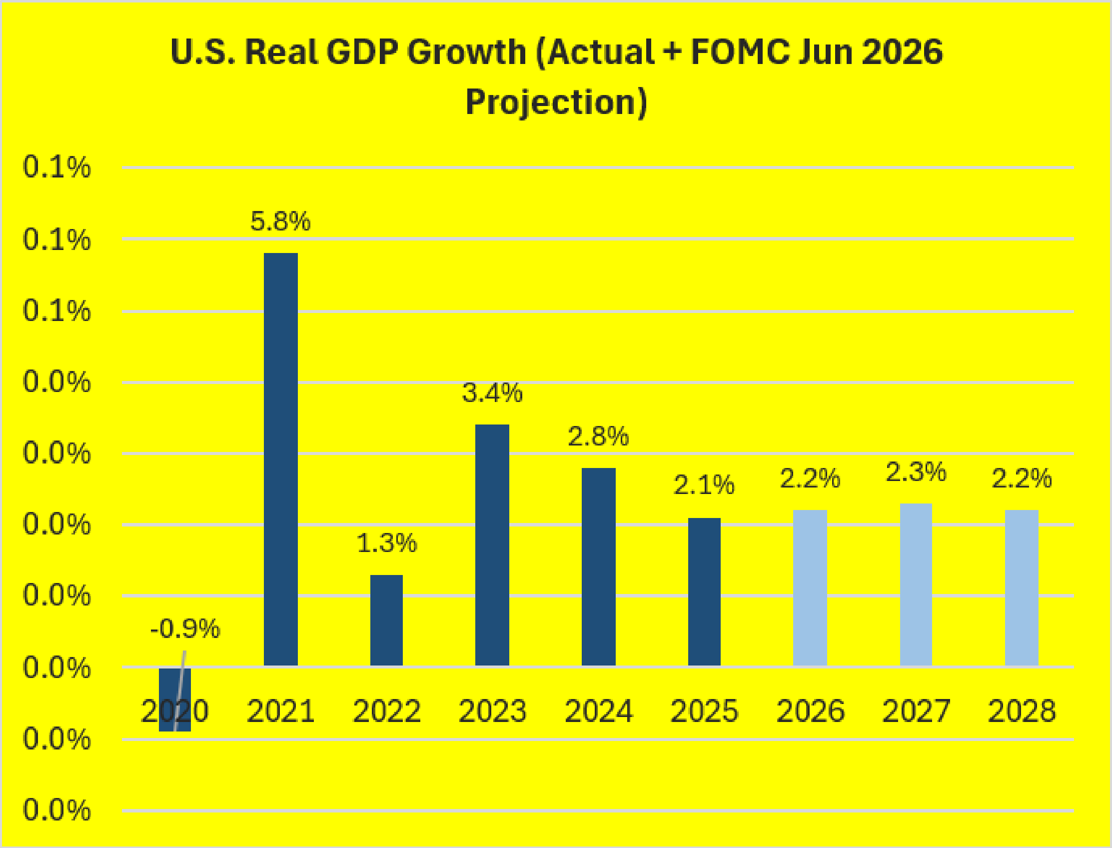
Federal funding reductions and **weakening operating revenues**

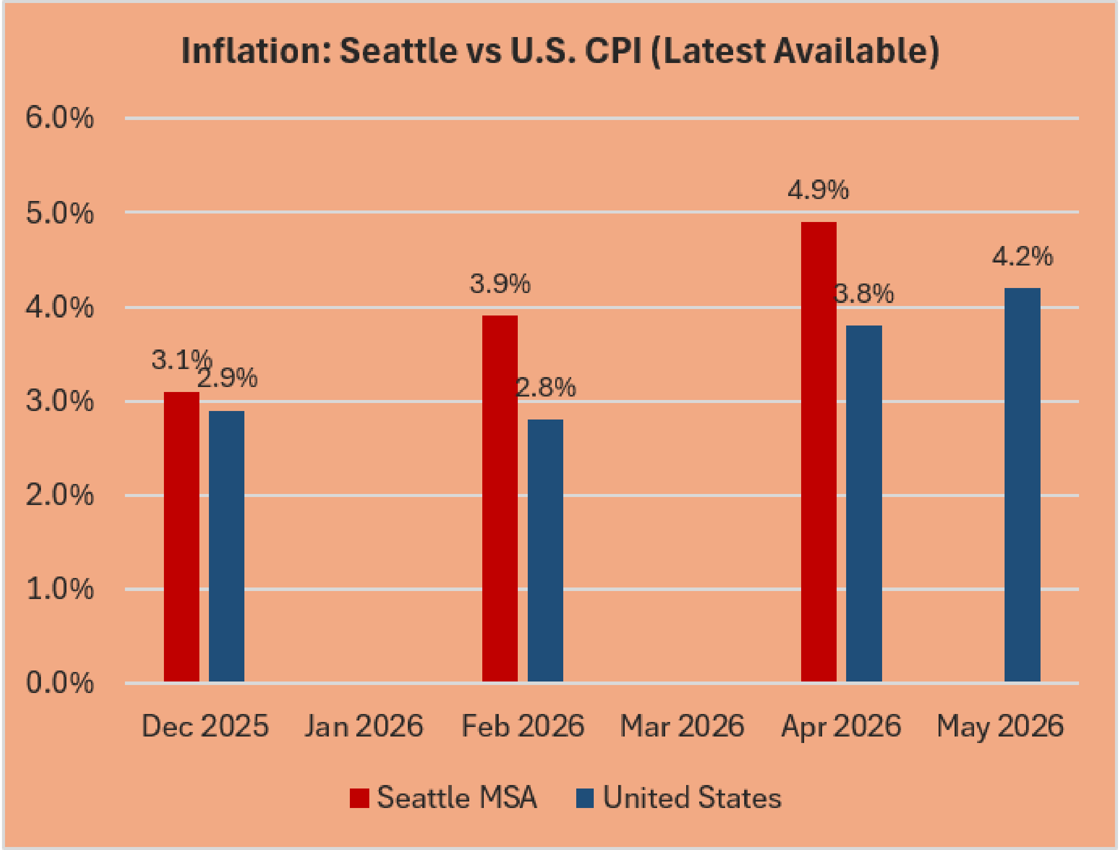
Cuts in federal climate change programs and funding

Impact of **increased inflation due to tariffs** on operating, capital and environmental costs

Rapid technological advances including Artificial Intelligence and growing sophistication of cyber threats

Economic Key Indicators

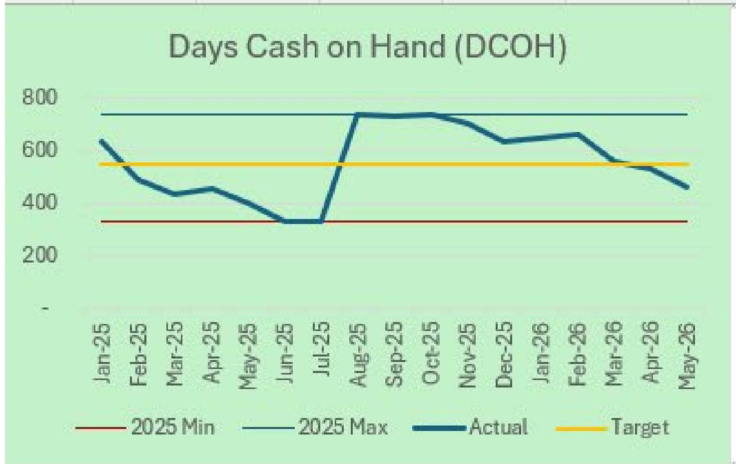


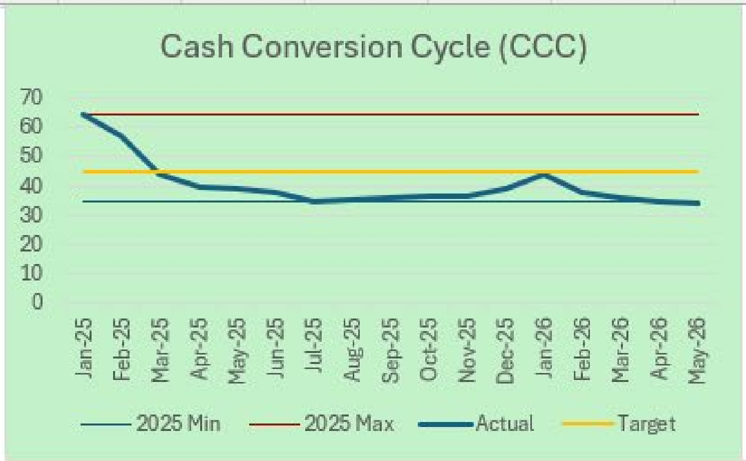


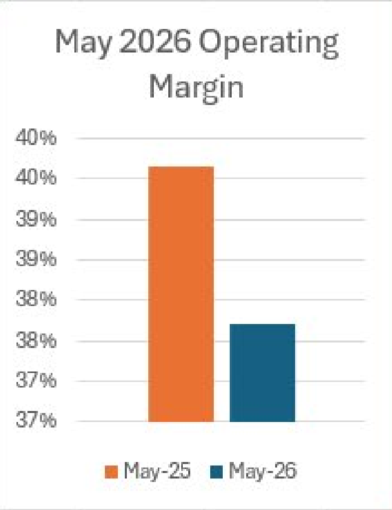
- While 2026 GDP is higher than Q1 2025, it's still lower than inflation.
- CPI remains high and CPI in the Seattle area has been higher than national average.

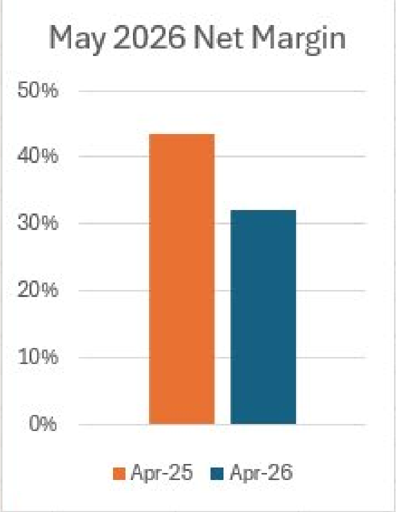
* Green: Positive Signal *Yellow: Cautious Signal *Red: Negative Signal

Port Fiscal Health Indicators









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2027 Budget Guiding Principles

- Align Expense Growth with Forecasted Revenue
  - Operating expense growth should track closely with forecasted revenue growth
- Implement a Modified Zero-Based Budget Approach
  - Depts should begin from a baseline that recognizes unavoidable contractual or legally mandated cost increases
- Set an Operating Expense Growth Cap Tied to Forecasted Revenue Growth
  - All depts need to meet an overall operating expense growth target tied to forecasted revenue growth.
- Structural Cost Increases Above the Target Need Operational, Regulatory, and/or Revenue Justification
  - Addition of new position, functions or expenses will be considered extraordinary and will require extraordinary justification.

2027 Budget Strategies

- Review and prioritize operational needs to **limit expense growth**
- Review the needs to fill **all the vacant positions**
- **Limit new FTEs** to roles that support revenue growth, economic development, or efficiency measures
- Assess **affordability of capital plans** considering increased inflation and revenue risks
- Strengthen the **focus on sustainability, adaptability and resiliency** in spending and business plans

2027 Budget Issues

- Very moderate passenger growth at SEA in the initial estimate
- Inflation remains above long-term average and Fed 2% target
- COLA and Pay increases for both Represented and Non-Represented employees
- Healthcare costs and some contractual increases
- Unbudgeted and under-budgeted items in the 2026 budget, such as Organizational Continuity Resilience (OCR) and South King & Port Community Fund (SKPCF)
- Vacant positions review
- Commission Priorities and Community Programs

2027 Modified Zero-Based Budget Approach

Review Expense by Categories:

- Backfill and Vacant FTEs, esp. those more than 12 months
- Outside Services (and Contractual Increase)
- TBCD and Promotion Exp
- Equipment and Supplies & Stock Exp
- Travel and Other Employee Exp
- Other Expenses

2027 Modified Zero-Based Budget Approach

- **Expense Priorities**
  - Critical (regulatory, must do/have)
  - Necessary (need to do/have)
  - Desirable(want to do/have)

Expense Service Levels

- Eliminate
- Reduce
- Maintain
- Enhance/Increase

2027 Modified Zero-Based Budgeting Process

- Corp F&B provided Modified ZBB template based on 2026 budget items (and vacant positions) for dept reviews on 4/24
- Depts reviewed all vacant positions and each Expense Category by prioritizing their expenses and identifying the potential service level for 2027
- Corp F&B reviewed the files, followed up with some depts, and summarized the info
- Information gathered from the Modified ZBB helped some decision-makings for both Central Services and individual department budget targets setting.
- Corp F&B sent out Central Services dept budget targets on July 10


2027 Budget Targets & Challenges

- Aviation/EDD/Central Services: budget target at 4.5%
- Maritime: budget target at 5.0%
- Non-Rep salary increase 2.0% for COLA and 1.76% for PfP
- Significant increase in benefits cost
- Large increase in some contractual costs
- Under budgeted and unbudgeted items

Cost Control Strategies

- Payroll Expenses
  - Review overtime
  - Limit new FTEs
    - Review vacant positions
    - Repurpose positions
- Non-Payroll Expenses
  - Review expiring contracts for future cost savings based on reduced scope or rates
  - Continue to review discretional expenses for budget savings
  - Limit new budget requests

2027 Central Services Dept New Requests

2027 New Budget Requests

- New Budget Requests are due on 7/31 (Fri)
- Executive reviews will be conducted on 8/12 – 8/21
- Decision on Dept New Budget Requests available on 8/21 (Fri)
- Input approved new budget items in Adaptive Insights upon notification or by 8/26 (Wed)

All new positions, functions or expenses that result in growth above the initial department budget target will be considered extraordinary and will thus require extraordinary justification.

2027 Budget Process Overview

Environmental Scan	Budget Preparation	Budget Reviews and Approvals	Final Steps
• Assess business environment and needs • Update operating and capital forecasts • Conduct SWOT analysis	• Develop budget assumptions and drivers • Identify key financial metrics and budget targets • Issue budget calendar and departmental guidelines • Prepare operating and capital budgets in accordance with principles and guidelines	• Conduct internal department and division budget reviews • Publish the preliminary budget document to the public • Commission review and approval of budgets/capital plans	• File the Statutory Budget with King county • Publish the final budget document to the public

2027 Budget Calendar

(Commission Items in Blue)

3/12 – Commission Retreat on Resource Conscious & Levy Scenario

5/08 – 2027 Budget Planning Discussion with ELT

6/11– Commission Budget Study Session – Commission Priorities

7/02 – 2027 Budget Guidelines available

7/14 – Commission Budget Retreat – Capital Project

7/14 – 2027 Budget Development Commission Briefing

7/31 – Central Services Department new budget requests due to F&B; Commission Priorities due to ED

8/12 – 08/21: Executive review of Central Services Department Budgets/New Requests

9/09 – Executive review of combined Central Services Budget

9/09 – Executive review of Maritime and EDD Operating & Capital Budgets

9/10 – Executive review of Aviation Operating & Capital Budgets

9/11 – 2027 North Harbor Budget to the NWSA

2027 Budget Calendar

(Commission Items in Blue)

09/22 – Central Services Budget and Portwide Budget Overview Commission briefing

10/09 – POS/NWSA ILA Service Directives due to the NWSA

10/13 – Operating Divisions Commission Budget Study Session

10/15 – NWSA Budget study session with Managing Members

10/20 – 2027 Preliminary Budget Document available to Commission

10/22 – 2027 Preliminary Budget Document available to the public

10/27 – Tax Levy & Draft Plan of Finance Commission briefing

11/03 – NWSA Budget adoption by Managing Members

11/10 – Introduction of preliminary 2027 Budget and public hearing

11/17 – Adoption of 2027 Budget

11/25 – File the 2027 Statutory Budget with King county

12/04 – Publish the 2027 Final Budget to the public